Sustainability Report 2007

metso
Expect results

New orders worth EUR 6,965 million,

43 %

FROM EMERGING MARKETS

Environmental business made up

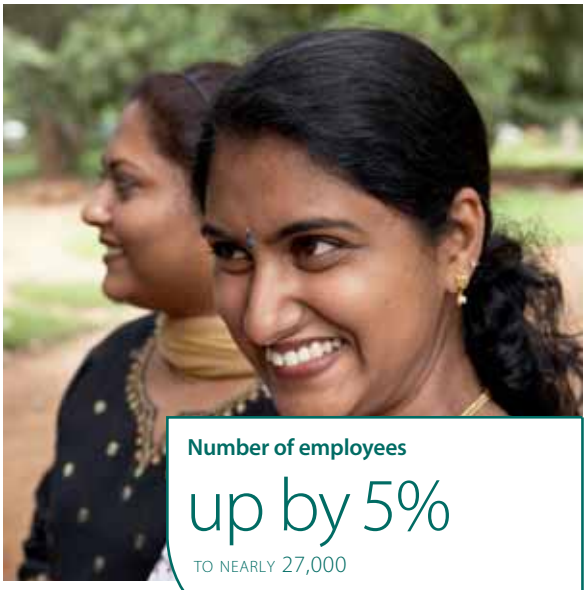
over half

OF OUR NET SALES OF EUR 6,250 MILLION

Patent-protected product innovations

2,800

COMPARED TO 2,500 IN 2006



Number of employees

up by 5%

TO NEARLY 27,000

Metso is a global engineering and technology corporation serving customers in the pulp and paper industry, rock and minerals processing, the energy industry and selected other industries. Metso Corporation comprises three main business areas: Metso Paper, Metso Minerals and Metso Automation.

Forward-looking statements

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company growth, development and profitability and the realization of synergy benefits and cost savings, and statements preceded by "expects," "estimates," "forecasts" or similar expressions, are forward-looking statements. These statements are based on current decisions and plans and currently known factors. They involve risks and uncertainties which may cause the actual results to materially differ from the results currently expected by the company.

Such factors include, but are not limited to:

1 general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers and thereby the orders received by the company and their margins

2 the competitive situation, especially significant technological solutions developed by competitors

3 the company's own operating conditions, such as the success of production, product development and project management and their continuous development and improvement

4 the success of pending and future acquisitions and restructuring.

METSO'S SUSTAINABILITY REPORT 2007 ON THE INTERNET:
www.metso.com/sustainability

METSO'S ANNUAL REPORT 2007 ON THE INTERNET:
www.metso.com/reports

From CEO

global sustainable development

Today's key global sustainability challenges are directly linked with the everyday work of Metso and our customers. We are using our talent and expertise to advance industrial sustainable development all around the world.

Globalization and the increasing prosperity of emerging countries are shifting the investment focus to these markets. Climate change and the scarcity of energy, water and many raw materials are forcing companies to take a closer look at the eco-efficiency of the technologies they use. A global shortage of talent and expertise is putting more focus on the development of human resources and well-being.

All these areas are at the core of our strategy. We see the need to increase our global presence close to our customers. Similarly, a significant portion of our business already involves environmental technology – and our intention is to focus our R&D efforts on this front. Our growing services business is another way to prolong the economic lifetime of our customers' industrial processes. And we have several programs in place to ensure that our personnel have the right mix of competencies to meet the needs of our increasingly global and customer-oriented business.

We are setting ambitious goals for sustainability: We aim to leverage our competence in addressing such major challenges as conservation of energy and natural resources. With our increasing global presence, the goal is also to boost local economic growth and promote local innovation. Our Code of Conduct and the UN Global Compact initiative we have signed also support Metso's responsible growth. We also aim to cement our business culture of high integrity, values and governance to all Metso units globally.

To reduce the environmental load of our customers, we are focusing on clean-tech innovations and on actively promoting environmentally-friendly solutions. Naturally, this also requires a culture of eco-innovation within Metso.

Our customer promise is Expect results. It's a promise that goes beyond productivity and the quality of our solutions, products and services; count on Metso to deliver more sustainable results everywhere we operate.

Jorma Eloranta
President and CEO

Sustainable development
part of Metso's strategy

Our strategy aims for sustainable, profitable growth. Profitable growth supports Metso's vision of becoming the industry benchmark. Being the industry benchmark means having the solutions that best meet customer needs, being the technology leader in our chosen industries and being the frontrunner in quality and operational excellence. It also means having a good reputation as an employer and generating the best shareholder value among the select peer group.

Our purpose is Engineering Customer Success. It means that our success is based on competence and know-how. Our solutions enhance the competitiveness of our customers and advance sustainable industrial development worldwide.

The challenges of sustainable development and Metso's strategy

We are pursuing profitable growth in a rapidly changing operating environment. There are significant challenges associated with globalization and emerging markets, challenges like scarcity of resources, including energy, water and many raw materials, and changes in the climate and the population structure.

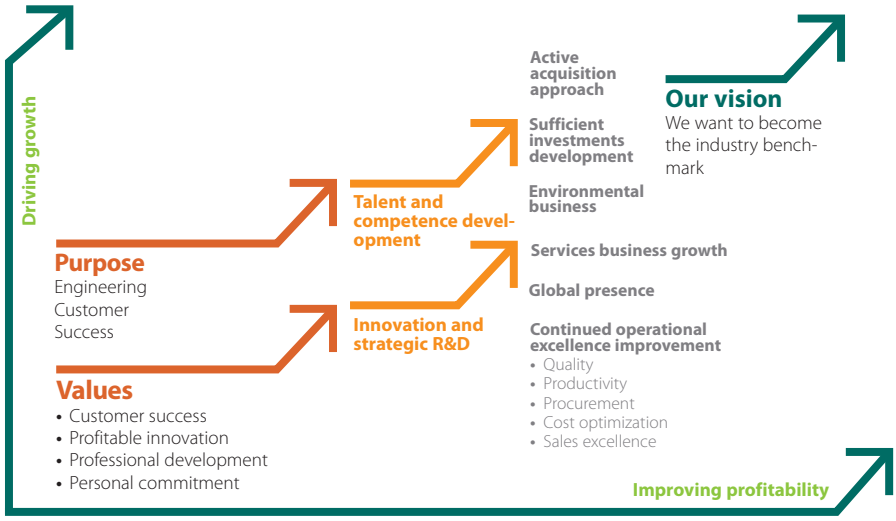
Changes in the operating environment also create new business opportunities for Metso. The rising prices and growing demand for energy are driving the need for improved energy efficiency and alternative means of energy production. Efficient recycling systems reduce the use of water and virgin raw materials, like metals and minerals.

In developed countries, the population is aging quickly and the working population is decreasing. At the same time, the rapid growth under way in emerging economies is attracting a bigger share of the talent pool. The competition for competent employees is becoming tougher worldwide.

In response to the challenges of the operating environment, the key themes of our strategy are strengthening our global presence, growth of our services business and development of environmental solutions.

Profitable growth requires continuous improvement of our operations. The areas of focus include quality, productivity and procurements. We support our growth through complementary corporate acquisitions and strategic investments.

We also emphasize leadership talent management. In 2007, we launched a major hu-



man resources development program called Metso Human Capital 2010.

Our values are the foundation of our operations: customer success, profitable innovation, professional development and personal commitment. Our values are complemented with our Code of Conduct.

The Code of Conduct is available in its entirety online at www.metso.com/sustainability.

Close to customers worldwide

We are building Metso's profitable growth globally, and we believe that a growing share of our net sales will come from emerging markets, particularly Asia and South America. Emerging markets accounted for 42 percent of our net sales in 2007. We invested in boosting production capacity, especially in China, India and Brazil.

For us, global presence is the desire to serve our customers wherever they may be. For example, we increased our manufacturing and maintenance capacity in China and made a decision to expand the service center in the United States. We opened a process technology center and a service center in Brazil. We are developing our organizational infrastructure and ways of operating in accordance with our customers' needs. We adopted a new, customer segment-oriented business model in our Metso Minerals business area. Our goal is for customers to consider Metso as their first choice, regardless of their location.

A strong presence globally and locally helps us to also identify new business opportunities. Growth in emerging markets strengthens local economic growth, the prosperity of our stakeholders and brings more business also for our units in Europe and in North America. What's more, geographically diverse operations offset the impact market demand fluctuations have on our operations and our profitability.

Growth opportunities in the services business

Our services business has mainly covered the sales of spare and wear parts and maintenance agreements. In line with our strategy, we want to develop the services business by offering maintenance and process agreements to actively serve customers in the optimal use of equipment and production lines. Our sizeable installed base of equipment and our own service network provide the opportunity to expand the services business from equipment supplier to a supplier of comprehensive life-cycle services. An example of the new way of thinking and operating is the five-year comprehensive service agreement made in August 2007

Key figures	2003	2004	2005	2006	2007
Financial					
Net sales, EUR million	4,250	3,602	4,221	4,955	6,250
Profit (loss), EUR million	(258)	144	237	410	384
Earnings per share, EUR	(1.89)	1.05	1.69	2.89	2.69
Gearing, %	107.7	50.1	22.8	31.3	33.4
Return on equity (ROE), %	(21.3)	16.0	21.1	30.9	25.4
Procurements, EUR million*	2,850	2,139	2,659	3,208	4,159
Gross capital expenditure (excl. business acquisitions), EUR million	128	97	107	131	159
Orders					
Orders received, EUR million	4,256	3,989	4,745	5,705	6,965
Order backlog, December 31, EUR million	1,505	1,705	2,350	3,737	4,341
Research and development					
Research and development expenses, EUR million	129	96	96	109	117
Patent applications*	255	220	160	220	220
Invention disclosures*	620	620	660	710	850
Human resources					
Average number of employees	27,400	24,363	22,405	23,364	26,269
Wages and salaries, EUR million	964	881	854	909	1,036
Training, days/employee*	2.0	1.7	2.0	2.2	2.6
Absences due to illness, days/employee*	6.5	5.7	6.0	5.6	5.2
Absences due to injury, days/employee*	0.50	0.45	0.38	0.50	0.30
Sponsorships, EUR thousand*	373	260	440	495	498
Environment					
Coverage of certified environmental management systems, %*	62	59	50	55	54
Estimated share of recycling operations, %*	n/a	n/a	15	15	15
Carbon dioxide emissions, 1,000 t*	250	208	207	227	245
Energy consumption, TJ*	3,203	3,212	3,190	3,510	3,748
Materials use, 1,000 t*	176	195	231	272	305

* Unaudited

Figures for 2003 according to FAS; figures for 2004–2007 according to IFRS

with the Codelco mining company in Chile.

Our key sustainability targets are the reduction of energy, water and raw material consumption and the amount of waste in our customers' processes. Better servicing and maintenance of production lines extend their useful lives and improves both their cost and environmental efficiency. Thus the services business is an integral part of our environmental business.

More than half of net sales from environmental business

Based on the OECD definition, key areas of the environmental business include products and services related to emissions control, clean technologies and solutions, sustainable production and conservation of natural resources. In 2007, over 60 percent of our net sales came from what the OECD defines as environmental business.

The sub-areas of our environmental solutions are products and services related to energy efficiency, emissions, recycling, water treatment, environmental performance analysis and process optimization. We develop environmental solutions in collaboration with our customers

The product and service portfolios of all Metso businesses have solutions that boost energy efficiency. Our automation systems are used also for controlling emissions and for reporting environmental efficiency. Our life cycle services aim for continuous efficiency improvement of our customers' processes. And we are the leading supplier of metal recycling systems.

Restrictions and tightening legislation concerning the use of natural resources are increasing the demand for different solutions that improve energy efficiency and promote recycling.

Strategic corporate acquisition expanded our offering

In 2007, we integrated the Pulping and Power businesses acquired from Aker Kvaerner into our own operations. The acquisition enabled us to offer our customers more comprehensive product and service solutions and to improve our customers' production processes, energy efficiency and profitability.

We can deliver complete pulp mills including power plants or integrated pulp and paper mills. Our global sales and service network complements our operations. The acquisition also enabled us to offer power boilers outside the pulp industry to the quickly growing energy markets and to utilize the know-how we have accumulated in biofuels and bio-combustion.

Most important goals of Metso's sustainability

Economic growth, prosperity and technology for emerging markets

- Spreading good corporate governance based on our values and integrity
- Conserving energy and natural resources when building infrastructure using Metso's know-how
- Strengthening local economic growth using local labor and partners
- Financing and support for local universities and innovations

Reducing the emissions load of Metso's customer industries

- Introducing competitively-priced environmental solutions
- Supporting sustainability along Metso's entire value chain
- Increasing sales of eco-friendly technology

Focusing on clean technology product development

- Supporting a culture producing environmental technology innovations at Metso
- Forerunner in offering solutions for customers' sustainability challenges

Well-being of Metso's employees

- Excellent opportunities for personal development and training programs
- Making Metso employees' occupational well-being a priority, and fulfilling high standards worldwide
- Developing a strong corporate culture nurturing diversity, respect and performance

Growth requires a global presence and

network of experts

The demand for our products and services continued briskly in 2007. To meet the demand, we strengthened our production capacity and customer service network both in emerging and developed markets. Favorable financial development increased the monetary flows to our stakeholders.

We exploit the growth opportunities offered by the favorable market situation, but we also prepare to ensure our profitability in less favorable market conditions. We aim to meet the needs of our customers by providing efficient, high-quality and environmentally-sound solutions that improve the productivity, end-product quality and eco-efficiency of our customers' industrial processes.

A global presence close to customers as well as investments in the services business offset the effect that fluctuations in demand in an individual market area can have on our profitability. Our comprehensive network of experts and our solid technology and process know-how combined with our wide base of installed equipment create excellent foundations for operational development. At the same time, increasing environmental awareness and the development of new, innovative environmental solutions as part of our product and services portfolio bring us new business opportunities.

Aiming to increase shareholder value

We are pursuing average net sales growth of over ten percent annually, both organically and through complementary, value-enhancing acquisitions. Other financial targets are an operating profit margin of over 10 percent and a strong balance sheet, which will secure a solid investment grade for us. We aim to distribute to our shareholders at least 50 percent of annual earnings per share in dividends or in other forms of repatriation of capital.

Our net sales increased by 26 percent in 2007. About half of that was organic growth and the remainder was the result of corporate acquisitions. Our operating profit was EUR 579.8 million, i.e. 9.3 percent of net sales. The Board of Directors proposes to the Annual General Meeting a dividend of EUR 3.00 per share. The proposal comprises an ordinary dividend of EUR 1.65 and an extra dividend of EUR 1.35.

In May, Standard & Poor's Ratings Services upgraded our long-term credit rating to BBB and our short-term rating to A-2, and in October Moody's Investor Service gave us a corporate credit rating of Baa2. Both credit rating institutes considered our outlook as stable.

Investments to strengthen presence

Our gross investments in 2007 were EUR 159 million (2006: 131 million), accounting for 2.5 (2.6) percent of net sales. About one-third of our investments targeted increased production capacity due to strong growth in orders. We anticipate robust growth in our services business in the Chinese markets; accord-

ingly, we doubled the capacity of our paper and board machine service center in Wuxi and finalized a decision on a new service center in Guangzhou. Additionally, in the United States, we decided to expand the power boiler service center in Fairmont, West Virginia, and to establish a new service center in Lancaster, South Carolina. We expanded production capacity for crushers in Tampere, Finland, Tianjin, China and Sorocaba, Brazil. We made a decision to increase assembly capacity of mobile crushers and vibration equipment in Bawal, and to expand the steel foundry in Ahmedabad, both in India.

In 2007, we also made corporate acquisitions supporting our strategy. We strengthened our services business by acquiring maintenance companies in Great Britain and in France. We acquired two companies in the United States to enhance our metal recycling solutions. The Pulping and Power businesses acquired from Aker Kvaerner in late 2006 were successfully integrated into our operations in 2007.

Cooperation with a wide business network

We have outsourced a significant share of our manufacturing to our subcontractor network. In our own operations, we focus on the manufacturing of strategic key components and the final assembly of equipment. With our business model, we are pursuing optimum operational reliability, cost efficiency and quality. Outsourcing and contract manufacturing also increase operational flexibility.

> Developing the quality and profitability of the supply chain is important to us.

The value of the products, raw materials, components and services we purchased in 2007 was EUR 4,159 (3,208) million, i.e. 67 (65) percent of net sales. Compared to the previous year, the value of our procurements increased by 30 percent due to the growth in net sales. About 75 percent of our procurements were operative, i.e. directly related to customer deliveries.

We usually procure basic components and raw materials locally and the more demanding components, such as castings, forged components, bearings and diesel engines, from global sources.

In recent years, our procurements have increased the most in South America and Asia because the emphasis of our growth has shifted increasingly to emerging markets. We also aim to utilize global supply chains and lower cost level countries in our procurements.

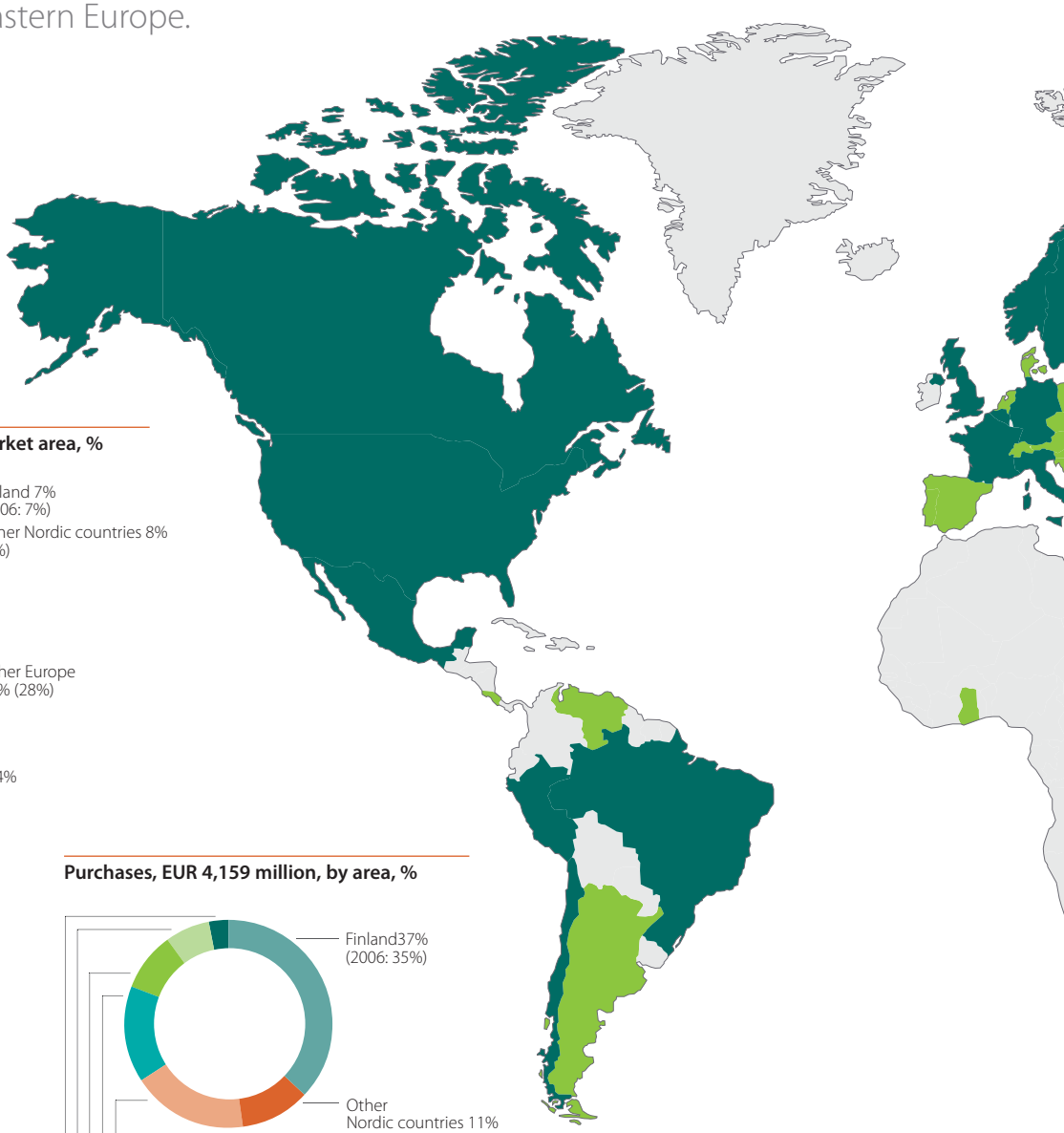
Metso Paper's core components are still mainly manufactured in Finland and Sweden. Metso Minerals has production and procurement operations in all our main market areas. Procurements, particularly for some of the serial-produced Metso Automation products, have been shifted to China and elsewhere in Asia to take advantage of the lower cost levels.

We have about 25,000 suppliers and subcontractors. Of these, the 100 biggest cover about one-fifth of the total procurement volume. The number of suppliers linked to our production activities is just over 15,000. Our goal is to continuously develop our procurement processes and to use globally-operating, well-networked suppliers.

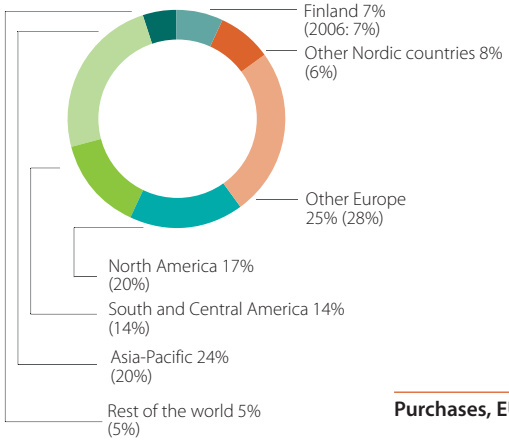
Close to customers

around the world

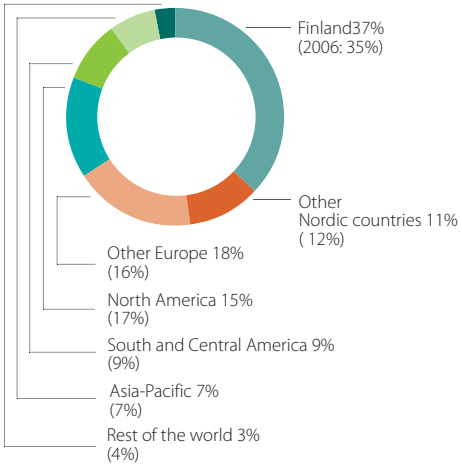
Metso's approximately 27,000 employees serve customers globally, and we have our own operations in some 50 countries. The demand for our products and services is growing, most notably in emerging markets: in Asia, South America and Eastern Europe.



Net sales, EUR 6,250 million, by market area, %

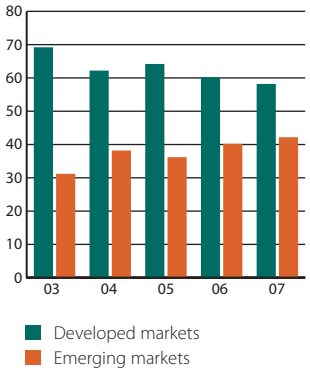


Purchases, EUR 4,159 million, by area, %

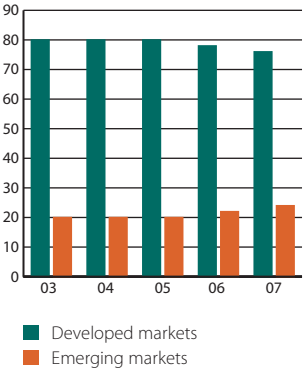


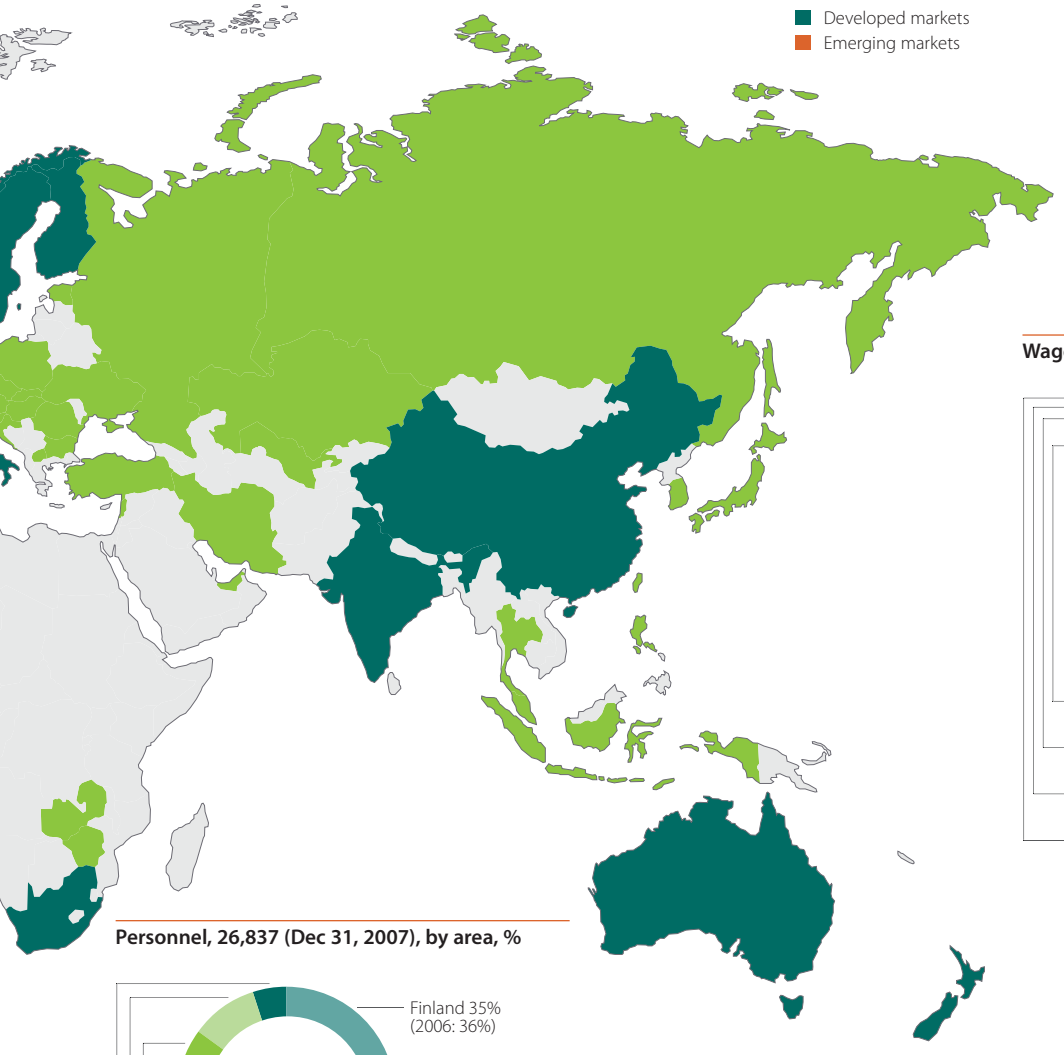
Metso's presence in emerging markets

Net sales, %

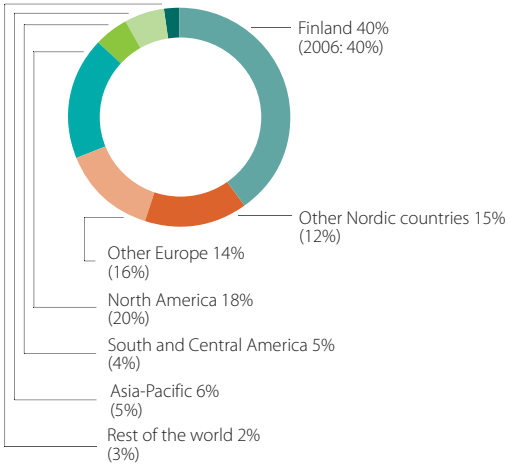


Personnel, %

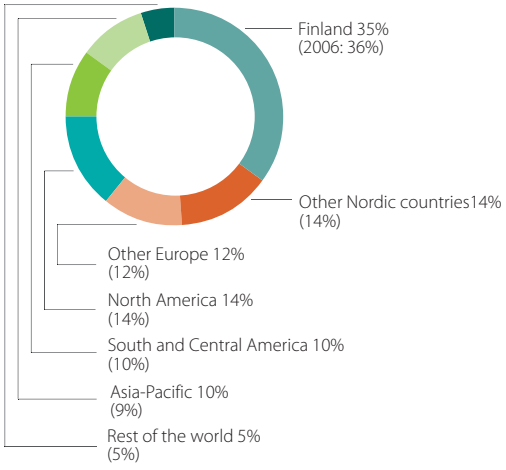




Wages and salaries, EUR 1,036 million, by area, %



Personnel, 26,837 (Dec 31, 2007), by area, %



Our production, sales and service units

Our sales and service units, no production

Our success in emerging markets, particularly in China, India, Brazil and Russia, requires significant local presence and strong investments in all aspects of business – from product development to customer service. The flexibility of production capacity in all market conditions is ensured by having the right balance of in-house and outsourced capacity.

Metso's global growth and business model create benefits for many stakeholder groups. A company operating in emerging markets contributes to local economic growth and development. Metso's growing net sales in emerging economies bring employment opportunities, particularly for local subcontractors and their networks.

Rapid economic growth in emerging markets

We have divided our target market into six customer segments: paper and board, mining, construction, pulp, energy and metal recycling industries. The mining, construction, metal recycling and energy industries are growing rapidly all over the world. Growth in the paper, board and pulp industries is strong in emerging markets, while growth in the developed markets has leveled off.

New equipment investments in the paper and board industry are primarily being made in Asia and South America. Over half of the new production capacity in recent years has been built in China, and investments in India are predicted to grow strongly in the upcoming years. In Europe and North America, the paper and board industry's investments are mainly focused on rebuilds as well as service and maintenance, although there is also interest in Europe in new machines, particularly for board capacity.

New pulp capacity is being built especially in South America and Southeast Asia. There are also several pulp mill projects under way in Russia. Demand for modernizations, rebuilds and services is stable in developed countries.

Interest in the utilization of local and renewable natural resources in energy production is increasing the demand for power plant boilers and automation particularly in Europe. Demand for bioenergy is growing throughout the world, as fossil fuels are being replaced with more environmentally-friendly alternatives. The markets for our flow control systems are growing particularly in the Middle East and Asia. The high price for oil has contributed to the commissioning of new capacity and rebuilds of old production plants.

Rapid economic growth in emerging markets has increased the consumption of minerals and has raised the prices of metals for years. Our deliveries to mining companies have grown significantly. The focus of mining operations is believed to be shifting not only further east and further south, but often also to increasingly challenging conditions, where mining technology will have a heightened importance. The high utilization rate of mines has increased the demand for service and maintenance business around the world.

Rapid economic growth both in emerging and developed markets necessitates a functional transportation infrastructure. There are major road projects under way in China, Russia, India and Eastern Europe, and the existing road network is being developed in Europe and the United States. The robust effort to develop modern infrastructure is substantially boosting the demand for aggregates everywhere in the world.

Globally, metal recycling is growing about 50 percent faster than steel production. Metal recycling is most advanced in North America and in Europe. Huge amounts of recycled material are exported from the United States and Europe to China. Growth areas for metal recycling include especially the Eastern European countries, China and Russia.

Investments in infrastructure in Europe

Our business in Europe is influenced particularly by the rapid development in Eastern Europe and the transportation and energy infrastructure investments it requires, as well as by mining, pulp and energy industry projects aiming for more efficient use of natural resources locally. The number of projects to improve the state of the environment is also clearly on the rise. The substantial equipment base in use by our customers in Western Europe creates a continuous demand for replacement investments, but development of the services business for the equipment base poses an even bigger opportunity. In Western Europe, also environmental investments, such as biomass-based energy production and recycling technology, are constantly growing.

The majority of our employees, 61 percent, work in Europe where we have a comprehensive sales and service network as well as several product development and manufacturing units. As Metso Paper's markets for new equipment are shifting more clearly to

Net sales, EUR million (by country, 10 largest)	2006	2007
USA	810	845
Brazil	406	587
China	377	543
Finland	341	473
Sweden	190	377
Germany	450	362
Japan	136	302
Canada	202	205
Australia	164	200
Russia	136	186

Orders received, EUR million (by country, 10 largest)	2006	2007
USA	886	803
China	518	690
Finland	331	490
Sweden	264	475
Brazil	457	442
Portugal	63	415
Germany	261	268
Canada	213	231
South Africa	187	214
Russia	179	197

	USA			Brazil			Sweden			Finland			China		
EUR million	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Net sales	686	810	845	243	406	587	411	190	377	352	341	473	293	377	543
Procurements	338	397	527	221	266	368	321	344	450	1,094	1,138	1,524	36	68	113
Wages and salaries	141	150	153	24	29	39	94	99	144	350	364	417	7	8	12

Asia and South America, we have strengthened our presence there and, consequently, have reduced manufacturing operations in Europe. In 2007, we made a decision to cut about 650 jobs from Metso Paper's European units by the middle of 2008. At the same time, we increased the delivery capacity of Metso Minerals, Metso Automation and Metso Power in Finland by some 300 employees and in Sweden by close to 100 employees. We strengthened our sales and service resources also in Eastern Europe.

The number of Metso employees in Europe increased by a total of 243. Procurements from Europe increased by about EUR 700 million (35 percent). The acquisition of the Pulping and Power businesses at the end of 2006 had a significant impact on this growth.

North American emphasis on the services business

Almost half of our net sales in North America come from the services business, which isn't affected by the weakening market outlook in the United States in the same way as the equipment and project business. Mining industry investments have increased strongly also in North and Central America, particularly in Mexico. In terms of new equipment sales, our most significant customer segments are the mining industry, the construction industry and the energy industry.

Our new production line for track-mounted crushers in Columbia, South Carolina, in the United States, will get up to full speed during 2008, reducing the need to import these products from Europe. During 2007, we strengthened our business manufacturing metal recycling equipment in the United States with two corporate acquisitions. We increased our resources in our Mining business units as a result of the strong volume growth of mining equipment deliveries. All in all, the number of Metso Minerals' employees in North America increased by about 200. On the other hand, the number of employees in Metso Paper and Metso Automation decreased by a total of about 50.

The United States is our second biggest country for purchases. In particular, we acquire components containing advanced technology. Procurements from North America increased by about EUR 100 million (20 percent) on the previous year.

Strong growth continues in Asia

Demand for new paper and board machines is concentrated to Asia, particularly China. We hired about 300 new employees for our paper machine factory in Shanghai, China. We introduced a standardized liner and fluting concept especially suitable for the Chinese markets. We doubled the capacity of our paper and board machine service center located in Wuxi, China, and made a decision to build a new service center in Guangzhou.

The rapid infrastructure construction is increasing the demand for crushing plants in Asia. We have made decisions on increasing the assembly capacity of mobile crushers and screens in Bawal, India, and expanding the steel foundry in Ahmedabad. The investments in India have increased Metso Minerals' personnel by about 100. The orders received from India totaled EUR 136 million. We also decided to double the production capacity of the crusher factory in Tianjin, China.

Our valve deliveries to paper and pulp mills and energy facilities in Asia grew robustly, and we launched the expansion investments in our Chinese production unit. As a result of the increased capacity, the number of Metso Automation employees in China grew by 60.

With our expanded presence, also our procurements in Asia increased strongly. We aim to acquire steel structures and basic components close to our customers.

The number of our personnel in Asia grew by a total of 443. Procurements from Asia increased by about EUR 40 million (20 percent).

We strengthened our presence in the southern hemisphere pulp and mining industry

Metso Paper's presence and position in South America's pulp and power production markets was clearly strengthened with the businesses acquired from Aker Kvaerner. Pulp production capacity is growing in South America, thanks to the availability of inexpensive raw materials. Power plants using renewable energy sources are often built in conjunction with new pulp mills.

The mining industry has made investments in Brazil, Chile, South Africa, Australia, and elsewhere. The high utilization rate of mines has increased the demand for service and maintenance operations. We aim to continuously develop our services business for the South American mining industry. For example, we signed a five-year service agreement with Codelco, Chile's national mining company.

Metso Automation has purposefully developed and increased the services business, for example, by building service centers in conjunction with major pulp mills.

The number of our personnel in South and Central America increased by 236. Procurements from South and Central America increased by about EUR 100 million (35 percent).

Monetary flows by stakeholder group, EUR million		2004	%	2005	%	2006	%	2007	%
Generation of value added:									
Customers	Net sales	3,602		4,221		4,955		6,250	
Suppliers	Procurements	(2,139)	59	(2,659)	63	(3,208)	65	(4,159)	67
Metso produced added value		1,463		1,562		1,747		2,091	
Distribution of value added:									
Employees	Wages and salaries	(881)	24	(854)	20	(909)	18	(1,036)	17
Public sector	Taxes and indirect employee costs	(241	7	(301	7	(262	5	(466)	7
Creditors	Financing expenses	(59)	2	(43)	1	(36)	1	(33)	1
Shareholders	Dividends	(27)	1	(48)	1	(198)	4	(212)	3
Distributed to stakeholders		(1,208)		(1,246)		(1,405)		(1,747)	
Retained in business		255	7	316	7	342	7	344	6

2004–2007 according to IFRS

Record year in 2007

prosperity for our stakeholders

Positive financial development increased the monetary flows to our shareholders, personnel and partners around the world.

2007 Procurements 67%

Procurements up

The value of the products, raw materials, components and services we purchased in 2007 was EUR 4,159 (3,208) million, which was 67 (65) percent of our net sales. Due to the growth in our net sales, also the value of our procurements increased by 30 percent compared to 2006. About 75 percent of our procurements were operative, i.e. directly related to customer deliveries.

We usually procure basic components from local sources, and the more demanding components, e.g. castings, forged components, bearings and diesel engines, from global sources.

In recent years, our procurements have increased the most in South America and Asia because the focus of growth has shifted to emerging markets. We also aim to utilize global supply chains and lower cost level countries in our procurements.

Metso Paper's core components are still manufactured in Finland and Sweden. Metso Minerals has local production and procurement operations in all our main market areas. Procurements, particularly for some of the serial-produced Metso Automation products, have been shifted to China and elsewhere in Asia to take advantage of the lower cost levels.

Purchases, EUR million

(By country, 10 largest)	2006	2007
Finland	1,138	**1,524**
USA	397	**527**
Sweden	344	**450**
Brazil	266	**368**
Germany	178	**229**
France	126	**157**
South Africa	103	**116**
China	68	**113**
Canada	120	**89**
Spain	48	**78**

Wages and salaries up

We paid wages and salaries, excluding indirect employee expenses, of EUR 1,036 (909) million, or 17 (18) percent of net sales. The number of employees and the performance-based bonuses and incentives have an impact on the total amount of wages and salaries. The wages and salaries on the income statement are gross wages and salaries, a portion of which is paid by the employees as taxes to society. The wages and salaries also include holiday pay.

The continued improvement in our profitability kept the performance bonuses paid to employees at a good level. Within the framework of local collective labor agreements, we apply profit- and performance-based incentive systems when it justifiably supports management. The incentive systems cover 91 (81) percent of our employees. In 2007, EUR 42.1 (32.2) million was paid in bonuses. Additionally, Metso's key personnel were paid EUR 7.3 million in share incentives within the framework of the incentive system.

Indirect employee costs include payments related to pension insurance, social security, and unemployment and disability insurance based on the wages and salaries paid. Indirect employee costs depend on the scope of operations and the number of employees. Our indirect employee costs were EUR 303 (254) million.

We monitor trends in base salary levels in comparable industries in each country. The average annual salary of Metso employees in 2007 was EUR 39,336 (39,623).

Of our personnel, 59 (62) percent work in EU countries and 23 (20) percent work in non-OECD countries.

Total wages and salaries, EUR million

(By country, 10 largest)	2006	2007
Finland	364	**417**
USA	150	**153**
Sweden	99	**144**
Germany	51	**52**
Brazil	29	**39**
France	35	**39**
Canada	35	**33**
Australia	21	**25**
South Africa	22	**24**
Great Britain	13	**15**

The wages and salaries figures are not entirely comparable country to country due to changes in exchange rates, possible corporate acquisitions or divestments, and differences in the personnel structure. The figures include all wages and salaries paid during 2007.

Corporate income taxes up

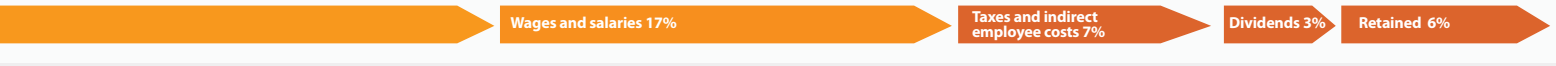
We paid about EUR 114 (68) million in corporate income taxes. In addition to income taxes, we paid real estate and waste disposal taxes, among others, related to our operations. The income tax cost on the income statement was EUR 163 (11) million.

The income taxes we paid in Finland and the United States were low compared to the extensive scope of our operations because we were able to utilize the tax losses of previous years. In 2006, we recognized a EUR 87 million deferred tax asset in the income statement from our United States operations that had unused losses and other temporary differences. In the United States, the previous years' losses were practically all used in the 2007 taxation. In Finland, a significant amount of losses and unused tax credits will remain for utilization in 2008.

In emerging market areas, we paid the most income taxes in Brazil. China is still a low taxation country for Metso, whereas the income taxes paid in India are starting to be significant due to the growth of our operations and improved profitability.

Income taxes paid, EUR million

(By country, 10 largest)	2006	2007
Brazil	15	**17**
USA	7	**13**
France	10	**12**
Canada	3	**12**
Germany	3	**8**
India	2	**6**
South Africa	1	**6**
Sweden	3	**5**
Finland	3	**5**
Japan	1	**4**



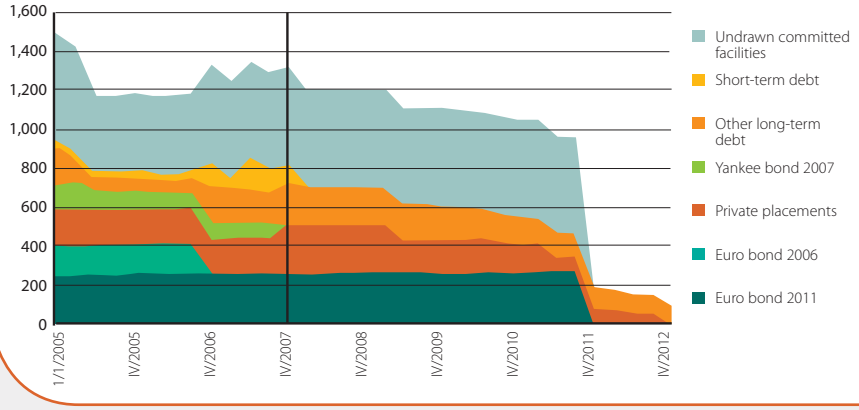
Financial expenses decreased

Metso's net financial expenses decreased from the previous year and were EUR 33 (36) million.

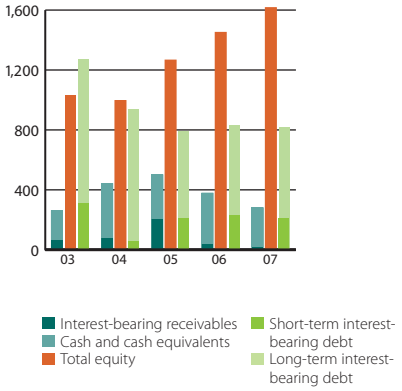
Interest-bearing liabilities consist principally of bonds and fixed and variable interest-rate loans from international financial institutions. Metso's interest-bearing receivables and bank and cash amounted to EUR 279 (376) million at the end of 2007. Metso's free cash flow in 2007 was EUR 198 (364) million. With the strong growth in order backlog and net sales, the net working capital was tied up particularly in the inventory in all business areas. Net interest-bearing liabilities were EUR 540 (454) million at the end of 2007. Gearing was 33.4 (31.3) percent.

Standard & Poor's Rating services upgraded Metso's long-term credit rating to BBB and short-term rating to A-2. Its outlook on ratings is ranked as stable. Moody's Investors Service upgraded Metso's long-term credit rating to Baa2 and ranked its outlook on ratings as stable.

Debt and maturity structure, EUR million



Capital structure, EUR million



Growing dividend yield for shareholders

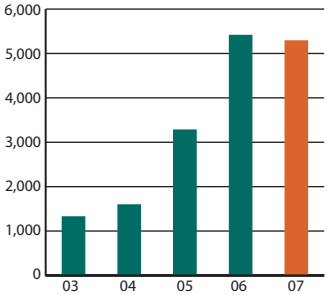
Metso's goal, in line with its dividend policy, is to distribute at least 50 percent of annual earnings per share as dividends or in other forms of repatriation of capital.

The good market situation boosted our profitability, and earnings per share were EUR 2.69 (2.89). In the period under review, Metso recognized nonrecurring deferred tax assets related to operations in the United States totaling EUR 87 million, which improved the earnings per share by EUR 0.61, i.e. the comparable earnings per share were EUR 2.28.

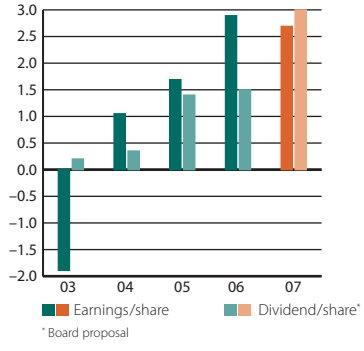
We paid a total of EUR 212 million in dividends for 2006 and EUR 198 million for 2005. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 3.00 per share be distributed for 2007. The dividend would comprise an ordinary dividend of EUR 1.65 and an extra dividend of EUR 1.35. This would be a total of EUR 425 million.

At year end, our market capitalization, excluding own shares, was EUR 5,282 million, i.e. 2 percent lower than the previous year. Our market capitalization in 2007 was EUR 7,067 million at its highest. When the dividends paid and the change in share price are taken into consideration, the total shareholder return on Metso's shares was 1.5 (71.5) percent.

Market capitalization on Dec 31, EUR million



Earnings/share and dividend/share, EUR



Environmental solutions

to reduce emissions load

The raw material used at our customer Fabrica de Papel San Francisco's tissue mill in Mexicali, Mexico, is one-hundred percent recycled paper imported from the United States (left). The French Menut Recyclage specializes in recycling ferrous metals and automobiles (right).

The environmental business is one of Metso's strategic growth areas, and an increasing share of our net sales comes from environmental solutions delivered to our customers. Today more than half of our net sales are from the environmental business, as defined by the OECD.

Metso's environmental business includes products and services that reduce the environmental load caused by our customers' operations. As environmental awareness increases and legislative requirements become stricter, we are developing innovative environmental technology solutions for our customers.

Growing need for environmental solutions

Our environmental solutions are not a separate business. The products and services are created through our research and product development work within our actual business areas and are driven by our customers' needs. Many of our environmental solutions are directly linked to innovations or improvements of our customers' processes. Metso offers its customers solutions related to energy efficiency, air quality, waste management, raw materials recycling and recovery, water efficiency and water treatment, and process optimization.

We strive for the most efficient and ecologically sustainable production – both at our own and our customers' production facilities.

Metso's strategy emphasizes the significance of environmental solutions. With the global challenges of sustainable development, environmental solutions are becoming more financially significant than before. According to Environmental Business International, the global environmental business markets will be worth approximately EUR 525 billion by 2010 (EUR 425 billion in 2004), and growth beyond this is expected to continue.

The most significant environmental impacts of our sector occur when our products and services are in daily use by our customers. In terms of reducing greenhouse gases, for instance, the most significant and fastest results are achieved by delivering solutions that put out less emissions and have higher energy efficiency to industries with the largest emissions and highest energy consumption.

Metso invests strongly in the development of its environmental technologies. Our research and development investments, including intellectual property rights, totaled EUR 129 (2006: 120) million in 2007. Research and development work is carried out globally by networking with a number of collaboration partners, including customers, research institutes and universities.

Our solutions reduce our customers' environmental load

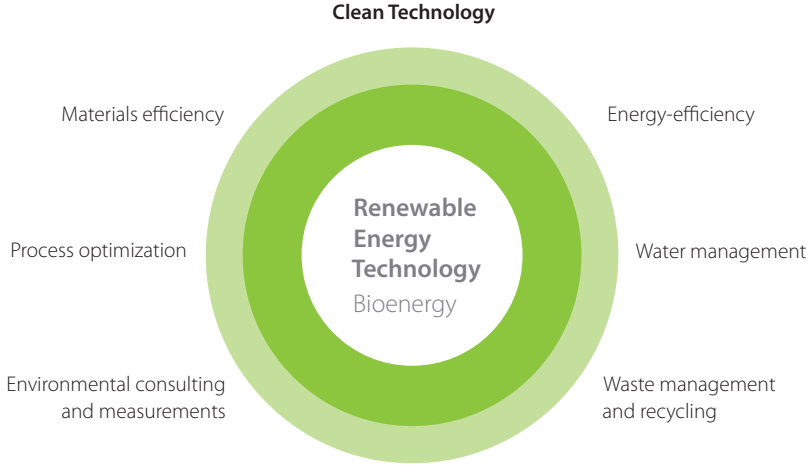
Metso's customers are looking for process solutions that are more and more environmentally sustainable, as the scarcity and value of energy

and raw materials increases. Our goal is to help our customers to get more output with less resources and, at the same time, to preserve the environment. We demonstrate our environmental and social responsibility by supplying our customers with effective solutions that efficiently utilize different raw materials and take the environment into consideration.

A savings of just five percent in the energy consumption of a medium-sized paper mill is the equivalent of the annual electricity consumption of a city of about 15,000. Using the energy analysis we have developed, we have achieved an average savings of four percent in electricity and 10 percent in process heat at paper mills. So there is real potential to achieve significant savings in energy and raw materials consumption.

The increase in prices for raw materials, legislation promoting the reuse and recycling of them, and rising costs of waste disposal are boosting the markets for recycling technology. We are the leading supplier of equipment for metal recycling, and we specialize in the manufacturing of medium- and large-sized metal recycling equipment. Businesses related to recycling technologies account for 15 (15) percent of our net sales.

Metso's environmental solutions



Services business a part of environmental solutions

We work with our customers to find ways to lengthen the economic useful lives of their production processes, to modernize them to meet new requirements, and to make the processes less heavy on the environment. With the solutions we deliver, outdated technology can be updated to meet today's environmental standards.

In our services business, mill services, maintenance, spare and wear parts services, and process optimizations help minimize the life-cycle-long environmental impacts. In addition to minimizing the environmental load, reliable processes reduce the number of accidents and downtime situations.

Our energy efficiency consultations have resulted in significant savings in our customers' water and energy consumption. For example, energy accounts for about 10–40 percent of the total cost of making paper, depending on e.g. the product being manufactured.

Involved in international commitments

We are committed to the Business Charter for Sustainable Development drawn up by the International Chamber of Commerce (ICC) and to the UN's Global Compact initiative. In line with Global Compact, we support a precautionary approach to environmental challenges and initiatives that promote greater environmental responsibility, and we encourage the development and implementation of environmentally benign technologies. We do not offer solutions with impacts that have not been analyzed against the precautionary principle.

We also participate in the work of the international Carbon Disclosure Project (CDP). The CDP is a global organization of investors, the aim of which is to create a dialogue between companies and investors on the mitigation of climate change. The organization has 315 institutional investors with combined assets worth almost EUR 40 billion.

In the results of a study published in October 2007, Metso ranked 11th at the Nordic level in the low-emissions category. The study looked at whether the company has a climate strategy and a climate action plan, how important climate change issues are for the company, and how aware the company is of its own emissions.

> Our social responsibility is to deliver eco-efficient solutions to our customers.

Pursuing new technologies for sustainability

We have divided the environmental solutions business into three developmental phases. In phase one, which is currently under way, we strive to expand the market shares of our environmental business products and services. The growing importance of environmental aspects is visible in our customers' needs, and we are actively developing solutions to environmental challenges using environmental technology. The growth in the significance of environmental issues is increasing the interest and investments in the research and product development of environmental technology.

At Metso, we have defined what the environmental business means, and, based on that, we have mapped out our products and services. We have continued to shift the focus of our

Environmental knowledge management system improves emissions monitoring

UPM Kymmene's Kaukas mill in Finland uses DNAecoDiary, an environmental knowledge management system developed by Metso. All the essential emissions monitoring data, from the testing and maintenance of emissions measuring equipment to the possible exceedence of emission limit values, are collected in the diary-like application. DNAecoDiary improves data processing and enables efficient sharing of experience-based data at the mill.

The application is based on Metso's emissions monitoring and reporting solution, which produces real-time information about the combustion plant emissions and forecasts emissions development. The solution also produces reliable and practical environmental data and reporting to meet the needs of different groups, including authorities. The data produced by the system are stored in one place and can be used also for controlling power plant production in the manner desired, efficiently and with low emissions.

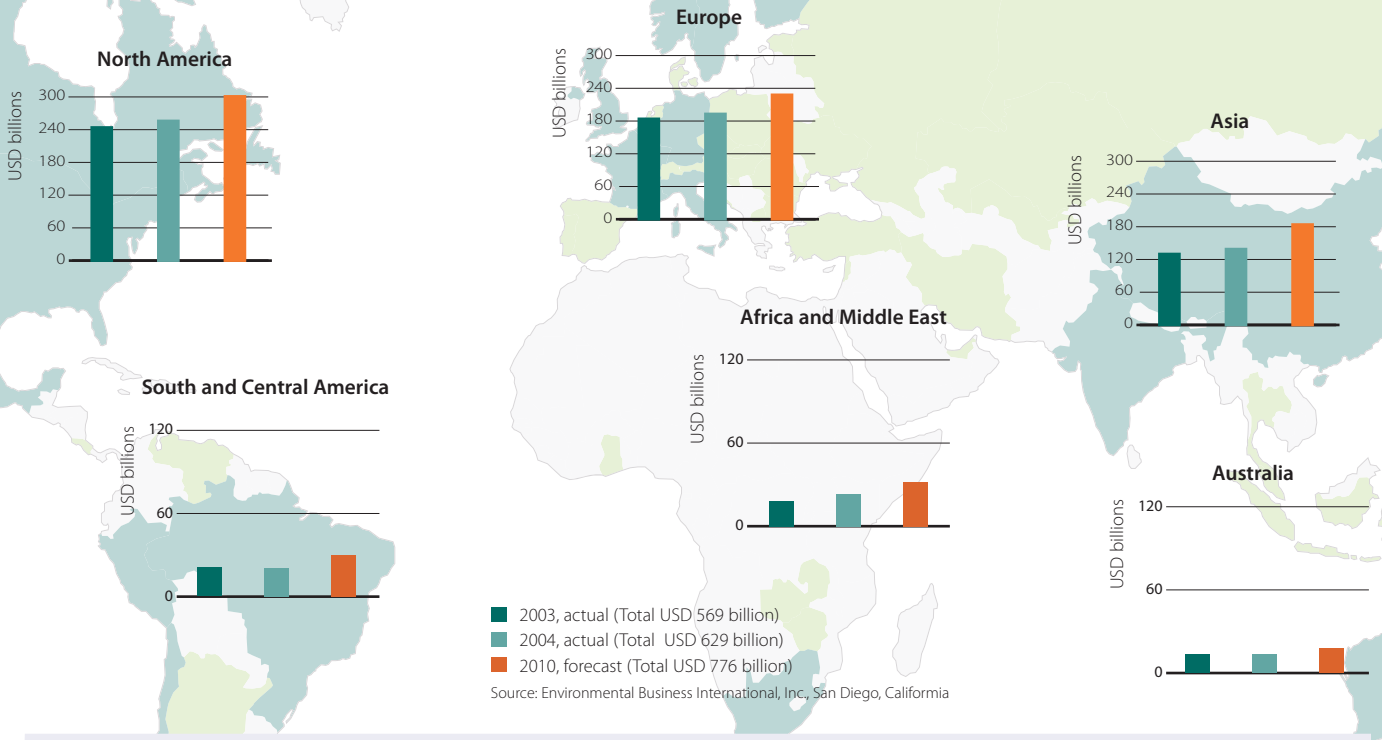
At the Kaukas mill, the control system is integrated with the plant's process management system in six different units. The application fulfills the emissions monitoring requirements of the LCP directive and the mill's environmental permit. It also enables simultaneous, real-time emissions monitoring of the different units and a proactive approach to controlling emissions with tools for forecasting emissions. Automated emissions reporting saves time and increases reaction speed and the effective analyses of disturbance situations.

Metso Automation's systems are always customized to each customer and plant. Customization requires a solid understanding of the plant's operations and equipment as well as knowledge of environmental legislation. Our experts support our customers in the use and development of the system.

Environmental knowledge management system developed by Metso:

- Emissions management program integrated with the process control system
- Helps to find optimal ways of operating
- Shortens reaction time in disturbance situations
- Effective analysis of situations and outcomes

Global environmental business market, by region



Source: Environmental Business International, Inc., San Diego, California

Reduced environmental impact and better profitability at a paper mill's power plant

The production capacity of the power plant at Stora Enso's Anjalankoski paper mill in Finland is a total of 165 megawatts of electricity and 340 megawatts of process steam. The power plant uses a Metso-supplied bubbling fluidized bed boiler, which combusts different solid fuels like bark, packaging materials and dried sludge created during water treatment. The combustion optimization solution supplied by Metso Automation has resulted in a 70-percent reduction in the boiler's NO_x levels and a 25-percent reduction in carbon dioxide levels.

Combustion management makes it possible to combust renewable biofuels and industrial packaging materials, efficiently and in an environmentally friendly manner. That is what drove Stora Enso's mission to find a solution to maximize boiler output and, at the same time, avoid the use of fossil fuels. To address the problem, we recommended model predictive control of the steam network to maximize the boiler's performance. At the same time, it ensures the secure production of the steam necessary for a paper machine also during disruptions. The application was taken into use at the plant in spring 2007.

– The results have exceeded our expectations. We have lowered our fuel costs by decreasing the use of fossil fuels and by increasing the use of more economical and environmentally sustainable fuels. Since the commissioning of the system in April 2007, steam production has increased 18 percent. The system allows us to deliver process steam steadily, without disruptions, says Ari Frantsi, Energy Manager of Kymenlaakso Energy, which is owned by Stora Enso Publication Papers.

Bubbling fluidized bed boiler combustion control together with better steam network control:

- Emissions management program integrated with the process control system
- Increases the use of eco-friendly fuels
- Reduces the use of fossil fuels
- Lowers fuel costs
- Stabilizes boiler load changes
- Maximizes steam production when needed
- Decreases boiler's environmental load

research and development work towards environmental technology. We are investing in innovation activities, and we believe that it will help us develop our service solutions and environmental technologies.

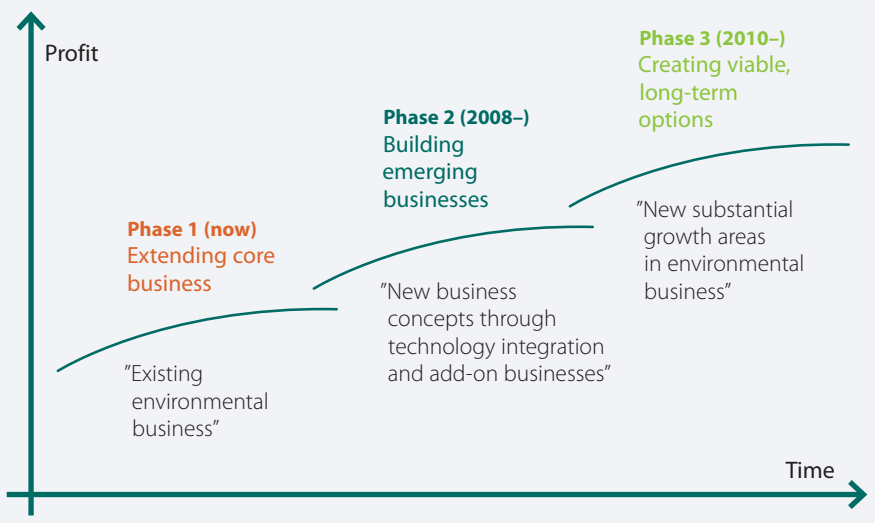
In phase two, our goal is to introduce totally new, environmental technology product and service concepts to the markets. We will also create new environmental technology solutions based on the utilization of existing technology and new technical applications.

In phase three, we will pursue strong growth of the environmental business through organic development and corporate acquisitions. Thus it will create a sustainable foundation for Metso's profitable growth in upcoming years. We will create new technologies and technology platforms from a perspective of sustainability. Our intention is to purposefully grow our environmental business and to support the development of our customers' business in a direction that is increasingly more sustainable.

In 2007, we invested an estimated EUR 43 (36) million in projects supporting the development of our environmental business. Our R&D investments in environmental technology are estimated to exceed EUR 45 million in 2009 and EUR 55 million in 2011.

> We support the development of our customers' business in an increasingly more sustainable direction.

Three horizons of growth



Significant potential for paper mill energy savings

Energy costs make up an average of 10–40 percent of a paper mill's production costs. For this reason, energy efficiency and opportunities to cut energy costs have become important competitive factors in the pulp and paper industry's optimization targets. Expansions in emissions trading support this trend.

Using Metso's know-how in process technology, machinery and automation, new products and services can be developed to improve the energy efficiency of mills. One such service is the energy efficiency analysis, which measures the energy efficiency of paper and board machines and explores opportunities to boost the efficiency of energy consumption. A typical savings potential achieved with an analysis is a few percentage points for specific electricity consumption, and in some cases the savings potential is even more than 10 percent for specific process heat consumption. This amounts to an annual savings of about one million euros with a typical printing paper production line. For the national economy, a savings of just 3–5 percentage points in electricity consumption at one paper mill is the equivalent of the annual electricity consumption of a city of 15,000. The analysis also provides recommendations on boosting the efficiency and development of the production process in other areas and on maintenance from an energy efficiency perspective.

One example of an analysis performed is the energy analysis conducted in spring 2007 on a modern LWC paper machine in Canada. Our report included a number of development recommendations on reducing the line's overall energy consumption. Yves Gauthier, the mill's production manager, praised the report.

– The analysis provided useful information on energy conservation in the process and helped to identify potential energy savings. In our pursuit for production efficiency, rising energy prices have made energy efficiency a key factor for our production process.

Benefits of an energy efficiency analysis:

- 3–5 percent reduction in electricity consumption
- 10 percent improvement in process heat utilization
- Energy-efficiency savings – often over one million euros per year

Advanced technologies by Metso have reduced water and energy consumption in Finnish paper industry

Water consumption in the Finnish pulp and paper industry has plummeted in recent decades. For example, the fresh water used in paper production processes has decreased from 100–150 m^3/production ton to less than 10 m/production ton. Likewise, the water consumption in pulp production has been reduced to 20–50 m^3/ production ton, a fraction of what it used to be.

Reducing fresh water and energy consumption always starts by optimizing the main process itself. Metso has been actively developing its technology towards more efficient solutions for pulp and papermaking processes.

In the papermaking process, the highest consumption of fresh water is at the wet end. Metso's technology has played a key role in enabling the utilization of the paper mill's filtrate waters back into the process. Thanks to Metso's technologies, fresh water consumption at the wet end has dropped from 6–8 m^3/ton to 3–4 m^3/ton. OptiCycle W membrane filtration is the key technology that makes it possible to purify the water to the point that it can replace the use of fresh water in low- and high-pressure showers in the wire section and in chemical dilutions. In chemical handling and preparation, the reuse of filtrates has reduced fresh water consumption by 30–40 per cent. In addition, the recirculation of sealing waters has played a significant role in the reduction of water consumption, and is already a conventional solution for Metso.

According to statistics, wastewater discharges reached a level of 27.1 m^3 per pulp and paper production ton in Finland at the end of 2006. The total impact of Metso's technology in the reduction of water consumption from 1996 to 2006 is estimated to be 6.3 m^3 per pulp and paper production ton. The impact is calculated by allocating the water consumption reductions on the basis of Metso's market share in pulp and paper machinery investments in Finland. Accordingly, based on Metso's deliveries, the savings in water consumption ten years later in 2006 (total production 27.2 million tons) equals a total of 170 million cubic meters. This is the equivalent of the annual water consumption of almost two million people in Europe.

Metso's innovative process solution and technologies as well as its optimized process design have reduced also the energy consumption throughout the whole production line. There are many areas where Metso has been able to save energy. Energy efficiency has been improved for example by using inverters for pumps, through the use of fan technology instead of water ring vacuum pumps as well as due to lower water consumption and higher pulp density, which has clearly reduced the amount of energy used for pumping. Furthermore, it has been possible to lower the demand for heat energy due to the counter-current circulation of filtrates back into the process.

Water and energy efficiency go hand in hand. With OptiCycle W, fresh water consumption can be reduced 2–4 m^3/ton. This means that in a single Finnish paper mill with an annual capacity of 660,000 tons and where OptiCycle W has been installed, the calculated reduction in demand for heat energy is about 10 MW when less raw water is produced as warm water (heated from about 15 to 55 °C).

The positive environmental impacts achieved through Metso's solutions are even higher when the whole Finnish pulp and paper industry is analyzed. The reduction of water consumption, which totaled 170 million cubic meters in 2006, leads to significant energy savings as well. The lower demand for heat energy due to the Metso deliveries to Finnish mills is estimated to correspond to more than 900 MW. This is the equivalent of the heating demand for about 200,000 households.

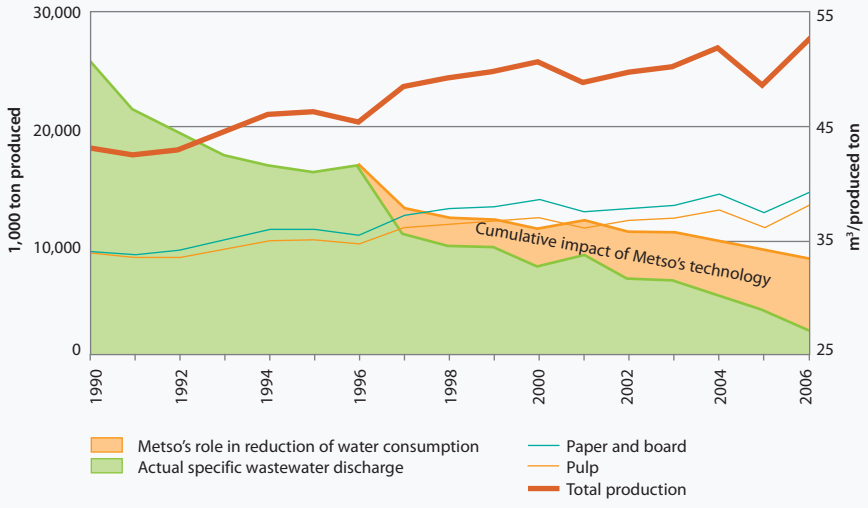
By Jari Hiltunen and Mikko Syrjänen,
Gaia Consulting Ltd.

Metso Paper's Water Concept

Fresh water consumption (m^3/ t final paper)

Paper process		High	Normal	Low	Special cases
		Conventional process solutions	Kidneys* to increase runnability	Additional kidneys necessary	Only exceptional cases
Kraft pulp	Fine paper	> 8	5–8 OptiCycle W	3–5 OptiCycle W	

The figure above describes the typical fresh water consumption levels (m^3/t net final paper) for fine paper and the actions to be taken in paper mills when closing the water system.
A kidney is water treatment technology used to purify circulating water and to filter harmful matter from the process.



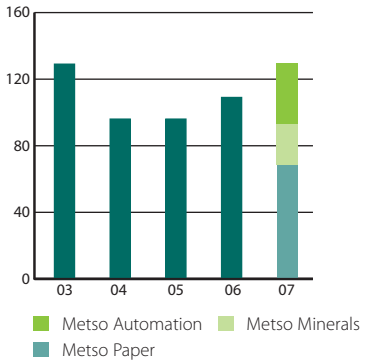
We supply bioenergy solutions for power plants

The demand for biofuels is growing globally as more environmentally sustainable alternatives to fossil fuels are being pursued. The EU, for example, has set a target to more than double the use of renewable energy by 2010. Reaching the goal would mean an increase in the amount of bioenergy from 19,594 terajoules to 58,873 terajoules.

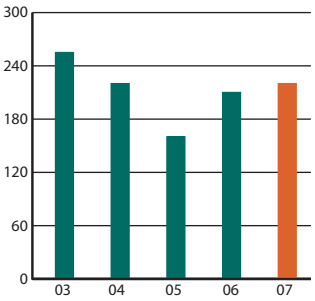
Metso has significant know-how in bioenergy production. We are a forerunner in fluidized bed combustion of biomass, municipal waste and other solid fuels for energy production.

Metso Power's circulating fluidized bed boiler is used at the world's largest biomass-fired power plant, Alholmens Kraft, in Pietarsaari, Finland. The power plant's electricity output is 265 megawatts and its boiler steam capacity is 550 megawatts. The circulating fluidized bed boiler enables the combined combustion of bark and other wood residues with peat and coal. In addition to district heating and electricity, the plant supplies process steam for UPM's Wisaforest pulp and paper mill. It is the first biomass-fired power plant built alongside a pulp and paper mill in which steam and district heat generation has been combined on such a

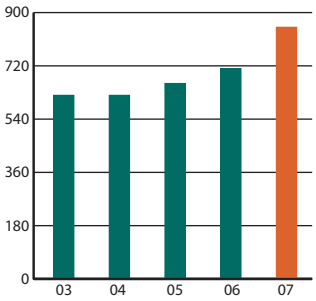
RTD expenditure (including IPR expenses), EUR million



Priority applications, pcs



Invention disclosures, pcs



More efficiency for water recycling

OptiCycle W, an ultrafiltration membrane technology developed by Metso to clean circulating water at paper mills, significantly reduces the environmental impacts of paper mills. These impacts include reduced consumption of fresh water, a drop in the amount of energy needed for heating, and lower amounts of wastewater. If the fresh water has to be warmed at the mill with primary steam, the ultrafiltration technology also lowers carbon dioxide emissions.

Water cleaned using the ultrafiltration technology is used in place of fresh water. Reducing water consumption can easily compromise the runnability of the mill and the paper quality. With OptiCycle W technology, the circulating water is cleaned continuously, thereby eliminating the risks associated with lower water consumption. The increased use of recycled fiber and the production of coated paper often mean an increased need for process water. The solution is also ideal for use at paper mills where recycled fiber is used as a raw material.

(From right) Jussi Leinonen, UPM-Kymmene, Tervasaari Mill, Kimmo Pohjalainen, Metso and Antti Laurila, Metso.

The solution brought significant reductions in water consumption at UPM's paper mill in Tervasaari, Finland. After deploying the OptiCycle W, the mill's fresh water consumption decreased 5 m^3 per produced paper ton.

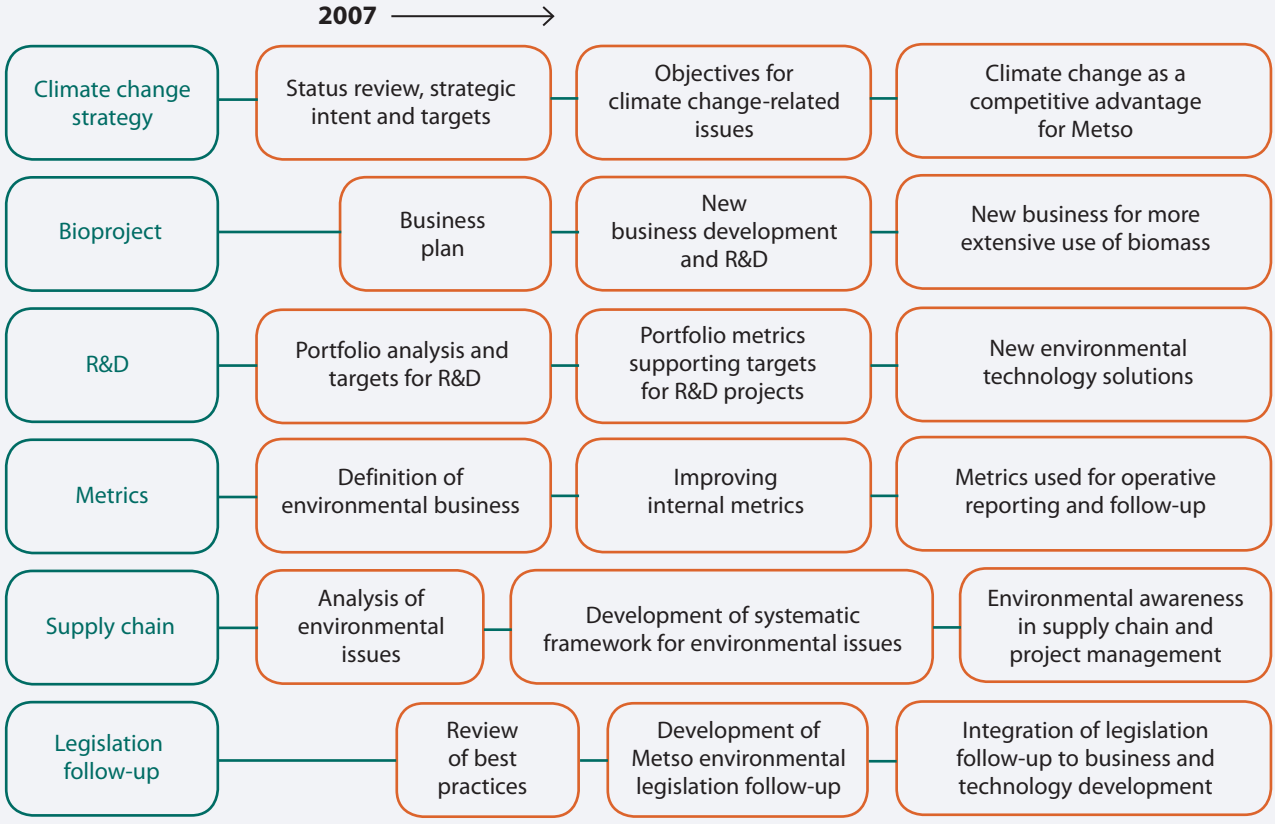
Along with the reduced environmental effects, ultrafiltration membrane technology also brings cost savings. The payback time of the investment is about one year.

Metso's solution has received the Chinese Government's Water Conservation Support Technology Recommendation. The recommendation notes that, compared to other recycling methods, the method offers a new, well-proven key technology for paper mills.

Benefits of Metso-developed cleaning method for a paper mill's circulating water:

- Reduces fresh-water consumption by an average of 2-4 m^3/per paper ton
- UPM Tervasaari's water consumption reduction as much as 5 m^3/per paper ton
- Reduces wastewater discharge
- Reduces the mill's heat energy consumption
- Reduces fresh-water and wastewater treatment costs
- Reduces mill's CO_2 emissions
- Improves paper machine runnability and paper quality

Road map for Metso's environmental business



Waste treatment in Berlin

Central Europe's biggest municipal waste management company, BSR, in Berlin, decided to upgrade its capability to handle bulky refuse. The solution they chose is a Metso-developed pre-crushing plant with container loading and a capacity of 200,000 t/y. The jaws of the huge crusher are 3.7 m x 2.2 m, so whole sofas, boards, mattresses and other bulky items can be crushed at a rate of 500 cubic meters per hour. The innovative solution guarantees the most flexible plant operations possible (press container, weighing devices, handling technology). Moreover, it enables future upgrades, such as secondary crushing, separation and sorting as well as redundant container loading.

Environmental technology, service technology and smart applications are the focus of our R&D activities.

large scale with generating condensing power. The company has received several international awards for sustainable energy production. 45 percent of the plant's fuel mixture is biomass, and coal is used only as a support fuel, with a 10 percent share. Our bubbling fluidized bed boilers can be fired with eco-friendly biomass and recycled fuels of varying moisture content. Their steam capacities range from 10–300 megawatts. Our circulating fluidized bed boilers combine high-efficiency combustion of calorific value fuels with low emissions even when burning multiple fuels at the same time. The boilers can be fired with biomass, recycled fuels and coal. Their steam capacities range from 50–600 megawatts. Our recovery boilers generate steam and recover chemicals; up to 100 percent of the chemicals used in a pulp mill's closed circulation are recovered.

Metso boiler in the biggest biomass power plant in Great Britain

At the end of November 2007, E.ON UK commissioned the biggest biomass power plant in Lockerbie, Great Britain. Metso supplied the power plant boiler, fuel supply system and flue gas cleaning system. The capacity of the power plant is 44 megawatts, and it supplies electricity to 70,000 households in the surrounding area. The power plant was taken into commercial use in December 2007. In December, the power plant won the industry's highly respected Scottish Renewables Green Energy Award.

The Lockerbie power plant combusts about 457,000 tons of biomass per year, which reduces greenhouse gas emissions by about 140,000 tons annually.

The steam capacity of the HYBEX boiler supplied by Metso is 126 MW. Our bubbling fluidized bed boiler is designed particularly for energy production based on the use of environmentally friendly biomass and recycled fuels. In Lockerbie, E.ON UK combusts wood chips and other wood-based fuels as well as recycled fuels. The majority of the fuel is a byproduct of the local forest industry. Our bubbling fluidized bed boiler is well suited for the fuel mixture used at Lockerbie. The Scottish Green Energy Award jury noted that the power plant is a pioneering project for the local region and its people and in the battle against climate change. The Lockerbie power plant is helping Scotland achieve the challenging national goals for the use of renewable energy.

Metso's bubbling fluidized bed (BFB) technology:

- Steam capacity 10–300 megawatts
- Uses eco-friendly fuels
- Can use fuels of varying moisture content

New business opportunities

with environmental solutions

Our goal is to be the technology leader in our chosen industries. Achieving this goal requires continuous development and renewal and the creation of new product concepts and business models. In 2007, our research and product development expenses totaled EUR 129 (120) million, or 2.1 (2.4) percent of our net sales.

Our R&D activities have three closely linked focus areas: environmental technology, service technology and development of smart applications. The goal is to develop new, environmentally-friendly and environmentally-efficient product platforms and product technologies that support our life cycle business.

In 2007, we had 932 (2006: 839) employees working in product development, and our employees submitted about 850 (710) invention disclosures that led to more than 220 (220) priority patent applications. At the end of the year, our patent portfolio included about 2,800 (2,500) Metso inventions.

Turning customer needs into products and services

We have close to 40 units on four continents working in R&D activities. Our biggest units are located in Finland, Sweden, Germany, France and the United States. Three quarters of our R&D work is still done in the Nordic countries, although the emphasis is moving closer to emerging markets. We believe that China, India and Brazil, for example, will become important research and product development countries for us.

We conduct research in collaboration with universities, research facilities and other players. Collaboration with universities and research facilities is important also for the recruiting of employees globally.

Our research and product development activities aim to produce products and services that meet customer needs. We also conduct feasibility studies for our customers in our technology centers and in our laboratories. The process involves customers, subcontractors, universities and research facilities, among others.

Focus on energy efficiency in new products

The Metso Innovation Process integrates our strategy, technology and business development. It supports product development by linking our customers, our own operations and our collaboration partners. The process ensures also a high level of quality for our products and services.

The targets of our product development include lowering our customers' production costs and maximizing equipment performance, integrating process technology and automation with our current products, environmentally friendly processes and energy efficiency. The development of new business concepts and products related to life cycle services, as well as environmental technology are critical. Also material technology plays a significant role in the development of life cycle services.

On average, we launch 70 new products per year. Examples of our new products in 2007 include the Val product family's calender, the Kajaani analyzer, which improves fiber process efficiency and quality, and a new Lindemann baler used in metal recycling.

We monitor the success of our R&D activities in a number of ways, including product launches, R&D expenses, investments targeting IPRs and patent applications.

We develop technology for broader utilization of biomass

Many international agreements related to climate change and the scarcity of raw materials set clear targets for limiting energy consumption and emissions, increasing recycling and reducing the generation of waste. We have development projects that aim for more efficient use of wood and other biomass so that customers get more value added from less amounts of raw materials in a way that conserves the environment. These solutions are used to optimize the use of wood raw materials between papermaking and energy production.

We launched the so-called Bioproject in February 2007. It develops and integrates technologies and know-how from all Metso's business areas. During spring, we analyzed a number of different opportunities and developed action plans. The projects initiated on the basis of those action plans are related to the development of new technologies and business models needed to produce biofuels. We want to participate in developing the production of high-quality and environmentally-friendly second-generation biofuels. We believe the biofuels of the future will be based on biomasses like bark and slash, which cannot be used for food production. We are developing advanced technologies to utilize fibers from other raw materials that are not in mainstream use. We are also participating in research on the use of completely new raw materials as well as on boosting the energy efficiency of processes.

Focus on reducing and capturing carbon dioxide

Worldwide, coal is still the most commonly used fuel for energy production. Boosting the efficiency of coal combustion and the capture of carbon dioxide from power plant flue gases are important focus areas in our research and product development.

We have researched a variety of chemicals that can be used to capture carbon dioxide from power plant flue gases and to store it in liquefied form. We have conducted this research work in collaboration with universities.

We have also participated in a project funded by Tekes (the Finnish Funding Agency for Technology and Innovation); the project is studying oxygen combustion, i.e. using oxygen in the combustion process instead of air, and its effects on carbon dioxide capture. Now we are moving into the second phase in our research, in which we will pilot combustion methods in a test plant. We expect results from the research in 2010–2011.

Innovation inspired by real-life need

Aggregates and crushing contractor Lohja Rudus came up with a way to improve cone crushers. – We wanted to improve the company's profitability; we noticed that an externally adjustable stroke would significantly increase the efficiency of the cone crusher. We didn't have the resources to develop the equipment on our own – we needed a partner in the development, says Reijo Savolainen, Chief Executive at Rudus Murskaus. The idea was presented to Metso.

Metso worked on the concept for a few years. After more than 10,000 hours of testing, the concept became an option on the Nordberg GP300 and GP300S cone crushers. The innovation, called Flex Stroke, maximizes application-specific production.

– We are very satisfied with the product. It brings us financial and operational benefits, because we can easily and quickly adjust the crusher's stroke without dismantling the crusher. The quality of the end product has also improved. Before the end product's flakiness index was 11–12 percent at a 25-mm stroke. After we increased the stroke to 32 mm, the shape of the end product improved enough to achieve the required 10 percent flakiness index. So we didn't have to use additional equipment to improve the shape of the end product – and that's a big benefit for us, Savolainen emphasizes.

Benefits of an externally adjustable stroke:

- Improved end-product quality
- Shape of the end product can be optimized
- Decreased downtime
- Improved utilization of crusher

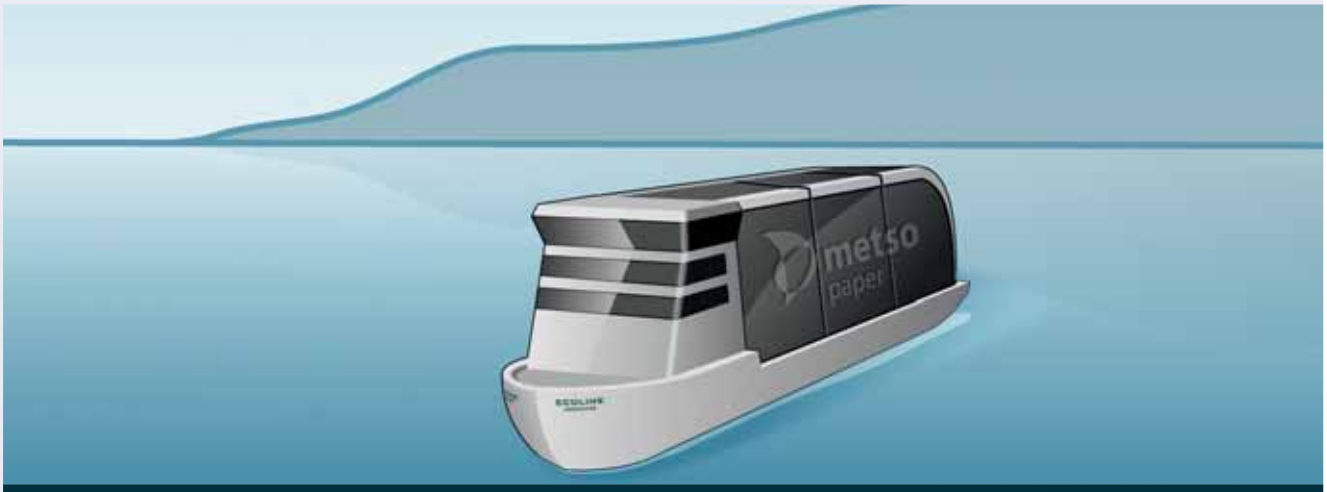
It takes a good team to develop a good product. Pictured, from left: Kari Kuvaja (Metso), Reijo Savolainen (Rudus Murskaus), Jarmo Eloranta (Metso) and Aki Lautala (Metso).

Could a paper machine be mobile in the future?

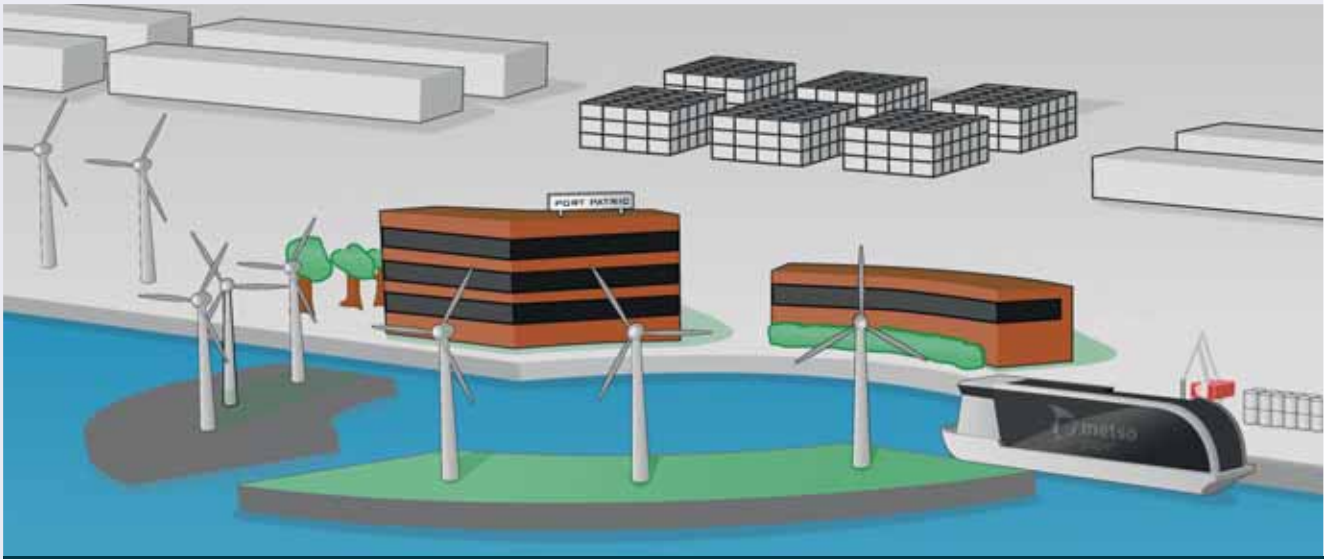
An important area of Metso's product development is the planning of future technologies and business scenarios. We aim to create visions and perspectives for the development of future technologies and services together with our own stakeholders and those of our customer industries. This way, we are better able to anticipate and ensure the long-term strategic development of our innovation activities

Alternative visions

Customer service, mobility and independence are the drivers behind the brainstorming of the floating paper machine scenario. As customer needs and markets change, the paper mills of today must be placed in locations that are becoming increasing difficult to reach. The diminishing of the traditional natural resources requires preparations to utilize alternative natural resources.



In this scenario, a paper machine is placed on the deck of a ship. The huge wall surfaces are solar panels, which produce additional energy for the paper machine. The operating principle is that the ship goes to the customer, gets the raw materials and the operating energy from there, and produces the paper needed by the customer.



If the ship has produced paper while en route to the customer, it delivers the load at the destination and picks up the needed raw materials. The ship then continues its journey to the next customer. The paper machine uses municipal waste as much as possible, both for paper production and as a source of energy. At least some of the raw material, however, is likely to be pulp – in the future too.

Competition for talent

From left: GM Manufacturing S Venkateshbabu and Planning Managers Pratap Harichandan and Uma Nagarajan at Metso Minerals in Bawal, India.

Our social responsibility is primarily for our employees and their working conditions. We provide jobs and income not only for our employees, but also for our network of subcontractors and suppliers. We engage in an active dialogue with stakeholder groups on the development of our business. We encourage our employees to participate in activities that promote the well-being of local communities, and in particular we support projects involving young people, science, research, culture, and environmental and nature conservation.

Metso complies with the U.N. Declaration of Human Rights and the basic rights defined by the International Labor Organization (ILO) as well as with the agreements and practices of local labor legislation.

Our corporate governance principles are the basis for Metso's management. Our values and code of conduct guide our day-to-day work. Additionally, we have a number of more detailed operating policies. They are available at www.metso.com/sustainability.

Over one thousand new Metso employees

At the end of 2007, we employed 26,837 (2006: 25,678) people in about 50 countries. The number of employees increased during the year by 1,159, most significantly in the Asia-Pacific area.

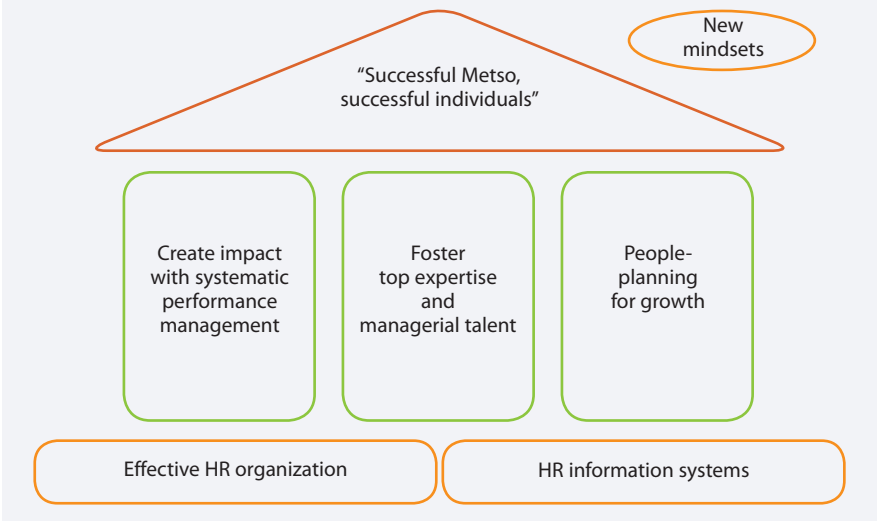
Females account for 18 (17) percent of our workforce, and 6 (9) percent of them work in management.

Permanent employees make up about 98 (94) percent of our workforce. This figure includes both full- and part-time employees. The average employee turnover was 10 (9) percent.

44 (42) percent of the personnel are with Metso Paper, 39 (36) percent with Metso Minerals and 13 (13) percent with Metso Automation. The countries with the most Metso employees are Finland, Sweden, the United States, South Africa, Brazil and China.

Metso paid a total of EUR 1,036 (909) million in wages and salaries. Wages and salaries are determined on the basis of local agreements, international job skills assessments and em-

Metso Human Capital 2010 Program



From left: Zellstoff Stendal's René Teucke, and Metso's Wolfgang Schubert at the Zellstoff Stendal pulp mill in Germany.

Services business growth and utilization of environmental technologies requires professional development.

ployee job performance. The basic salaries and wages are complemented by our global incentive systems. The performance-based annual bonus system covered about 91 (81) percent of Metso's employees.

Making Metso a great place to work

In our strategy, we estimate that the recruiting, retaining and development of talent will become an important success factor for Metso in the future. Our aim is to ensure a sufficient number of skilled employees for all units around the world and to make Metso a great place to work. In line with Metso's strategy, the growing of the services business and the utilization of environmental technologies requires a new kind of professional development: new ways of thinking, new know-how and new talents. Accordingly, in 2007 we updated Metso's HR strategy. Its sub-areas are Talent Management, Performance and Compensation Management, and Occupational Well-being Management.

We have identified HR-related risks, which, if materialized, could prevent Metso from recruiting and developing competent and motivated employees. Employees have become a critical resource for companies all over the world. Through human resource management practices, we aim to be prepared for the impending and intensifying competition for competent employees.

We aim to offer competitive working conditions and benefits. We anticipate employer responsibilities and costs to increase in developed and emerging markets.

New Human Capital program

In 2007, we launched Metso Human Capital 2010, a major program to help us develop our human resources management, and the related processes and systems, as well as the human resources management organization.

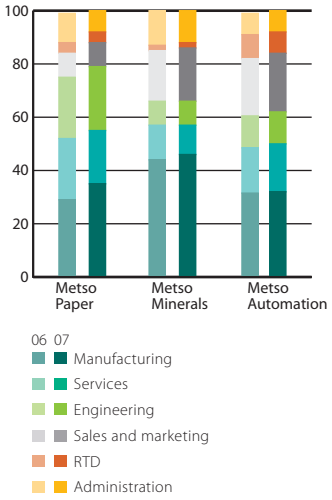
The most important tool for our human resources management is the Metso People Process. It contains tools for performance reviews, performance-based bonuses, job descriptions, management resource reviews and competence development. Currently, about 75 percent of Metso's employees are within the sphere of the Metso People Process.

The HR functions in Metso's business areas and in the Metso Corporate Office work in close collaboration. In 2008, we plan to es-

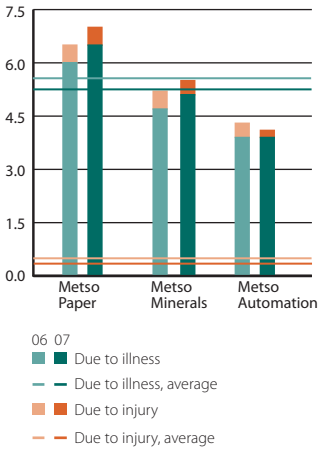
Metso principles and guidelines

- Corporate governance principles
- Code of Conduct
- Metso's values
- Anti-drug policy
- Guidelines on the prevention of misconduct
- Incentive policy
- Recruiting policy
- Sponsorship guidelines
- Equality policy
- IT security guidelines
- Guidelines on employee background checks
- Localization guidelines for expatriates
- Guidelines for company-supported and funded studies

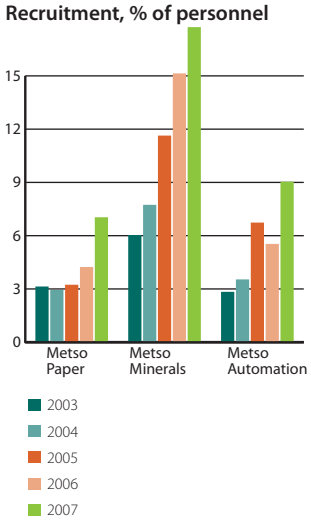
Personnel by function, % of personnel



Days of absence, average per person



Recruitment, % of personnel



tablish HR service centers in Finland, Sweden, and North America. HR competence centers are also being established e.g. for China and South America.

Active development of employer image

The growth of our business provides opportunities to offer our employees duties that are more interesting, more diverse and carry more responsibility, worldwide, as well as an opportunity for continuous development of their own competence. In addition to career development, a motivating, pleasant and dynamic work community attracts and retains employees.

Building Metso's image as an employer is an integral part of Metso's brand development. A recognized corporate image helps us in Finland and Sweden, but in our new areas of operation we must work to distinguish our company from other employers.

Metso's multicultural and diverse corporate history creates a foundation for a common corporate brand. Our customer promise "Expect results" communicates to our customers that Metso employees all over the world are committed to improving our customers' competitiveness. To our personnel, it communicates our commitment to continuous development and performance.

We implemented our intranet-based me@metso induction program in 2007. It covers Metso's operations, corporate structure and the code of conduct and values. The program aims to reinforce a uniform corporate culture and to make common ways of operating and targets familiar to all Metso employees. The goal is for every new Metso employee to review the me@metso program.

Personnel (by country, 10 largest)	2006	2007
Finland	9,281	9,386
Sweden	3,420	3,428
United States	3,042	3,216
Brazil	1,850	1,828
South Africa	1,287	1,360
China	1,014	1,313
Germany	901	912
France	732	791
Canada	673	649
Chile	330	543

Talent Management builds development paths for Metso employees

Professional development is one of our values. The personnel's professional and general know-how, performance and job motivation are supported through training and development programs. Close to 40 percent of our employees are within the sphere of our own development programs; the target is for 100% coverage. To ensure the implementation of the corporate strategy, the focus of our training programs has been on leadership development.

As a rapidly growing company operating on dynamic markets, the correct placement of employees is essential for Metso's success. The Talent Management development process launched in 2007 is intended for all Metso employees. The goal of the process is to maximize the talent available at Metso.

In conjunction with the Talent Manage-

Project Manager training lends wings to tigers

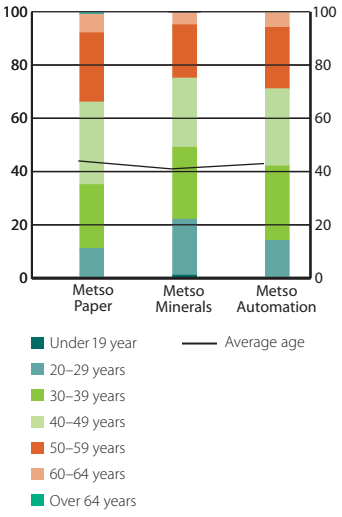
Yanli Wang from Metso Minerals in Beijing attended the Project Manager program last autumn. The program took place during one week in Shanghai in November, followed by one week in Beijing in December 2007. The program met Wang's expectations.

– During the first week, we focused on key skills for a successful project manager, on things like how to motivate people and how to lead effective teams. The second week covered the project life cycle and its different phases and tasks, such as planning and implementation and risk management. Both periods emphasized the role of communication in project management, Wang reports.

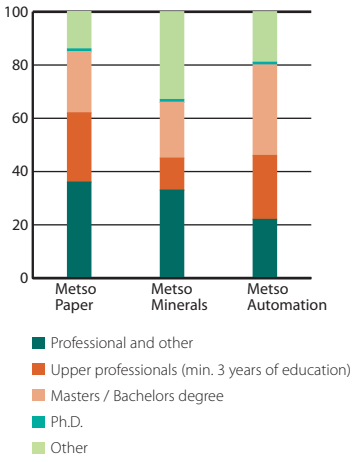
– It was very useful to meet other Metso project managers from around the world and to share experiences. I believe that I came away from the training with tools that I can use daily.

– Personally, I most value the soft skills that I learned during the program. They will help us improve the results of the every day work and motivate people – and, as the Chinese say, lend wings to a tiger.

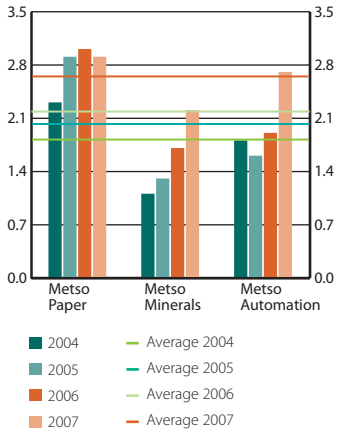
Age structure, % of personnel



Competence structure, % of personnel



Training days, average per person



Talent, performance and well-being management

ment process, competence and professional development paths are created for Metso employees based on their positions and their job performance.

The Talent Management process has five different management-level training programs: The MAP Leadership and business area basic training, implemented in the units for new Metso employees and experts; Metso Compass, implemented regionally for team leaders and middle management; and Metso Boosters, Metso Navigator and Metso Catalyst, which are global, management-level programs. The goal of the training programs is to extend the collaboration between the different units and business areas, and to bring uniformity to the operating culture. The training programs encompass their own sub-programs targeting special expertise.

Fairmont is a forerunner in health and safety

Metso's service center in Fairmont, West Virginia, has done an outstanding job in occupational health and safety issues. Jeff Wolfe, Senior Manager, Health, Safety and Environment, explains that the plant had its share of incidents and a change was needed.

– An increased awareness of safety was necessary, and the employees needed to understand the importance of safety – not only for themselves, but also for their co-workers. Now we have safety as a mindset and the results speak for themselves.

– The U.S. National Safety Council awarded us for no lost-time incidents in a year. Since June 2006, Metso Power's entire U.S. operations have operated without a lost-time incident.

– Safety doesn't happen by itself. We have led the change by increasing both awareness and action. For example, our people came up with good slogans for safety and we put them on banners. Each shift begins by going through a 'Think About' safety checklist. We have excellent, highly skilled employees who take pride in their work by delivering a safe, quality product to our customers. But mostly, safety comes from pro-active training and safety checks. Astute checking is the key to safety, Wolfe stresses.

The global training programs included in the Talent Management process were held for the first time in 2007, and about 150 Metso employees participated in them. In 2008, some 600 Metso employees will participate in the different phases of the training programs.

The Project Management training program launched in 2006 was expanded, and it was the first time that our employees working in project management from different business areas participated at the same time.

Our training expenses were a total of EUR 14 (10) million, not including the cost of wages and salaries for our own personnel. A total of 2.6 (2.2) training days per Metso employee were held.

Performance reviews an important part of management

Our intranet contains materials compiled for supervisors to use in the performance reviews. In 2007, supervisors received instructions on conducting performance reviews. In 2007, 57 percent of Metso's employees had a performance review with their supervisor.

Based on the results of our job satisfaction survey, Metso employees are satisfied with the performance reviews they have had, and they feel they have had a practical impact on their own job.

Our compensation systems are linked to competence development, and employees

> Our HR strategy emphasizes competence, performance, compensation, and occupational well-being.

First standardized job satisfaction survey was well received

"The first Metso-wide, standardized job satisfaction survey was conducted in 2007. The actual survey was carried out in October, and the results were ready in November," says the head of the TellUs project, HR Manager Leena Tuloisela.

Job satisfaction surveys had previously been conducted rather independently in the business areas, but this time it was a uniform, Metso-wide survey. "A key concept in the strategy renewal was a cohesive Metso brand, so it was also natural to set out to develop job satisfaction in terms of the entire Metso Group."

The survey was translated into 16 languages and sent to a total of 24,028 Metso employees in 37 countries. Virtually all Metso's permanent employees were invited to participate in the survey; 16,833 responded to the survey. The response rate was a massive 70.2 percent, which is well above normal for these kinds of global job satisfaction surveys.

"The high response rate is an indication of Metso employees' desire to be heard. The results were also very positive and surprisingly very uniform across Metso."

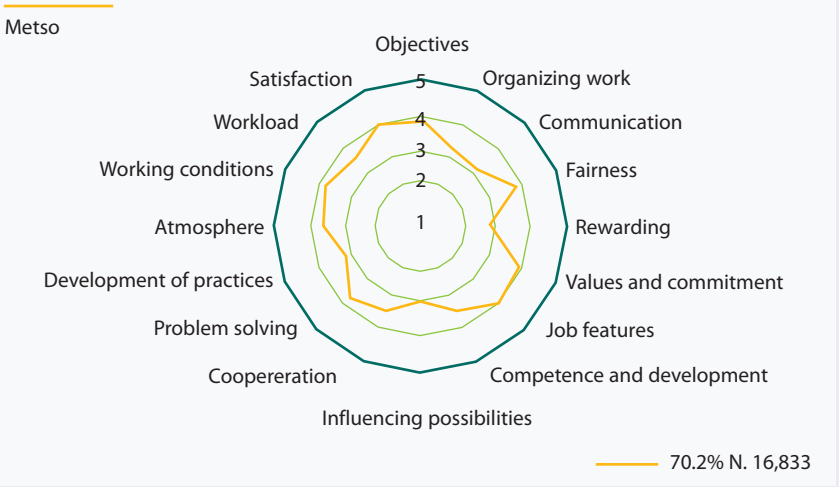
According to the results, Metso employees are very familiar with the strategies and objectives of Metso and their own unit. The work is organized, the workplace atmosphere is good, and their efforts are recognized. The survey indicated that Metso employees would like more feedback, particularly from their immediate supervisors or colleagues, and they want more encouragement for professional development.

The TellUs survey results will be reviewed in every unit, and the necessary development measures will be initiated. The results are also available on our intranet in the TellUs section, where supervisors can find the guidelines needed to interpret the results and to launch development projects.

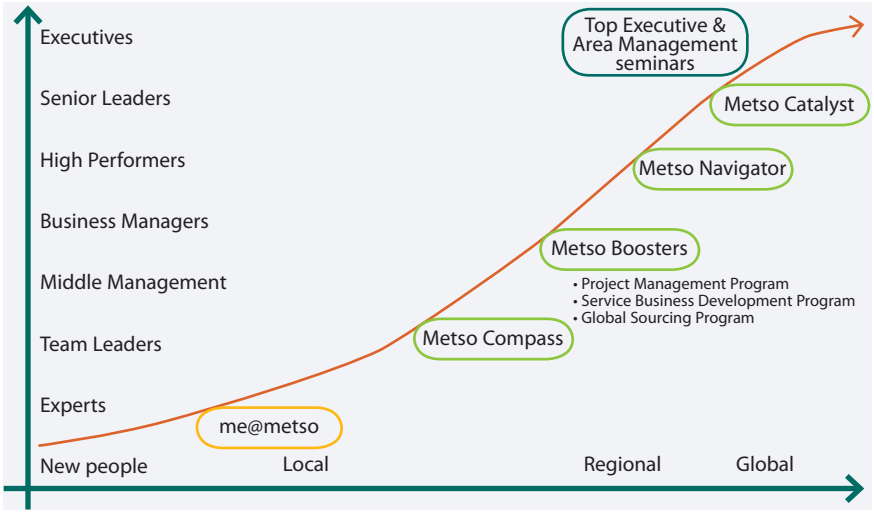
We are using the results of the job satisfaction survey to develop the work and work community. The results are also being taken into consideration in the assessment and management of the company's HR strategy, human resources and occupational well-being.

"The next TellUs survey will be conducted in spring 2009. In the meantime, the units will focus on the factors that they found important and in need of attention. The next survey will reveal the direction of the change," Tuloisela says.

TellUs results 2007



Metso Talent Development Portfolio



Our compensation system links competence and performance and recognizes the achievement of Metso's and individual targets.

Well-being project has soft values and hard goals

– A new, proactive occupational-focused Well-being program has been launched at Metso. Its goal is to maintain the working capacity and job satisfaction of existing Metso employees and to create a positive employer image among potential future Metso employees, says Jan Wiklund, Metso's Chief Occupational Health Physician and a participant in the development of the program.

– We want to strengthen the joy of working and the passion to work. We are facing intensifying competition for good employees. We need new talent everywhere and in all sectors. At the same time, we must make sure that the talent at Metso is happy and motivated.

– Occupational well-being is something that is achieved slowly through tenacious and persistent efforts. However, it is worth investing in, because it brings clear, measurable results. The new project is beneficial to individual Metso employees, to society and to Metso. Fewer work-related accidents, a reduced number of illness-related absences, improved job motivation – these have a monetary value and impact on job performance.

A well-implemented proactive well-being program is the foundation also for controlling the costs resulting from work that isn't done.

– The focus areas of the program include efficient occupational healthcare, occupational safety and supportive working conditions – for every Metso employee, regardless of age. We want to encourage Metso employees to have a sense of internal entrepreneurialism, Wiklund explains.

The program will be launched at all Metso's sites during 2008. – Those of us who were involved in the development of the program are acting as messengers as the program takes root in the units. Naturally, the program will also be implemented through other means, and its implementation will be monitored using clear benchmarks related to occupational well-being.

are given bonuses based on their performance. The compensation system takes into consideration both Metso's success and the achievement of the personal goals set in the performance reviews. The annual bonus, which is part of Metso's compensation system, rewards the achievement of goals.

Proactive occupational well-being program launched

As the result of long development work, the Metso Well-being program was launched in 2007. It aims to improve general job satisfaction and to reduce absences and the related costs.

In 2007, absences due to illness averaged 5.2 (5.6) days per employee. Accident-related absences totaled 11,234 (11,314), i.e. an average of 0.3 (0.4) days per year per Metso employee. In 2007, there was one work-related fatality at Metso. The percentage of people qualifying for a disability pension was 0.1 (0.2).

In autumn 2007, we conducted the first Metso-wide TellUs job satisfaction survey to examine our employees' satisfaction with their own work community and supervisors, their opinions regarding their own jobs and workload, and their awareness of Metso's strategy and objectives.

Ethical guidelines updated

to Code of Conduct

This spread features the management system topics relevant to 2007. More details about Metso's management systems are presented on our web site at www.metso.com/sustainability.

Support for SOS Children's Village and vocational training in India

We have a long-term commitment to the countries in which we operate, and we participate in the activities of local communities and non-profit projects. We direct our support to youth activities, in particular. We have partnered with SOS India to provide operational funding for two family homes and a vocational training center in Greenfields, Faridabad to upgrade the center's computer classroom and to cover educational expenses of students at the center.

The purpose of the SOS Children's Villages is to offer orphaned and homeless children a safe place to live. The family homes at the Children's Villages have an SOS mother and 8–10 children.

The supreme decision-making body at Metso is the Annual General Meeting, which, as a general rule, meets once a year. The members of the Board of Directors elected by the Annual General Meeting are not employed by Metso nor are they controlling shareholders. A representative of our personnel groups participates in Board meetings as an invited expert with no voting rights or legal responsibility for Board decisions. More detailed information about the Board of Directors, the Executive Team and our corporate governance principles is presented on pages 129–139 of our Annual Report.

We conduct our operations in compliance with laws and regulations and generally accepted practices. Our values, our Code of Conduct and good corporate governance guide our operations and interactions with our stakeholders. Our most important stakeholders are customers, employees, investors, media, suppliers and other partners.

Code of Conduct guides day-to-day operations

Metso employees have been guided by ethical principles. We wanted to incorporate the strategic views and practical guidelines related to our operations in the principles that guide us in our day-to-day business. Accordingly, we updated our ethical principles into the Code of Conduct.

In addition to our vision, purpose and values, our Code of Conduct also takes into consideration the international business guidelines we have adopted. Open and fair competition in the markets is an advantage for a global business like ours, and we comply with the competition legislation of the countries we operate in.

Our Code of Conduct encourages Metso employees to act in the best interest of Metso as a whole. It also highlights quality as one of the factors for success. Controlling quality costs is a prerequisite for good profitability.

The key principles of good corporate governance and corporate ethics are available in a separate section on our intranet and freely accessible by all Metso employees.

New Metso Compliance program improves internal controls

Metso's delisted its share from the New York Stock Exchange in 2007. We replaced the heavy reporting obligations required by the stock exchange listing with the lighter Metso Compliance program adopted by all our units. Its goal is to ensure the functionality of Metso's internal controls. Internal audit, assisted by Metso employees from different parts of the organization and specifically trained for this task, is responsible for program.

The first tests related to the Metso Compliance program were conducted in September 2007. During autumn, a total of 21 units and IT systems were tested. Our intention is to test the biggest units every two years and the smaller ones every three years.

Our internal audit discovered one serious violation related to our Code of Conduct in 2007. Business unit management takes immediate action to address every incident that is disclosed.

Our intranet contains also a link to the Whistleblower channel, maintained by an independent service provider in 21 languages. Any Metso employee can use this channel to confidentially report financial misconduct. In 2007, five reports were filed. After a more detailed investigation, none of the instances turned out to be financial misconduct.

Businesses have operative responsibility

The financial, social and environmental aspects of sustainable development are part of the strategic planning and quality assessment of Metso Corporation and its business areas. Management responsibilities are divided according to corporate governance principles.

Our businesses have operative responsibility for much of the operations, such as customer relations, supply chain management, environmental issues, and the development of business models, products and services. Shared processes include financial and HR administration and risk management, communications and media relations, community rela-

tions and non-operational procurements.

Our Corporate Office is responsible for issues related to the corporate strategy, shareholder relations and financial control systems, and sustainability development. The President and CEO and the Metso Executive Team are responsible for sustainability and its management. The Corporate Social Responsibility team (CSR), headed by the Executive Vice President, coordinates sustainability issues.

We support equal opportunities and we make sure that discrimination doesn't occur. The diversity of our personnel is a significant strength for us; tapping into this diversity becomes increasingly valuable as we expand our global operations and presence. We have made conscious efforts to maintain the working capacity of our personnel, and we are directing our efforts towards a more proactive approach to occupational well-being.

Our employees have the freedom to organize; in other words, we do not require, prevent or monitor the organization of our employees.

Intellectual property, knowledge and know-how in different forms, including patents, are vital for a company like Metso. Accordingly, we are paying attention particularly to controlling IT-related risks.

Our risk management is discussed in more detail on pages 16–21of our Annual Report.

Active stakeholder relations

Metso has customers in about 150 countries and we operate in about 50 countries. We actively network with our most important stakeholder groups.

As a publicly listed company, we strive to provide correct, adequate and up-to-date information regularly and impartially to all market participants. Metso has about 26,000 shareholders and about 67 percent of our shares are held by international shareholders. During 2007, Metso management met more than 640 professional investors and participated in 8 investor seminars over the world. Metso's operations are actively covered by 24 sell-side equity analysts and 11 debt investment analysts.

In addition to financial and non-financial reporting and press releases, the most important interaction channels for investor and media relations include various meetings, events and our web site at www.metso.com.

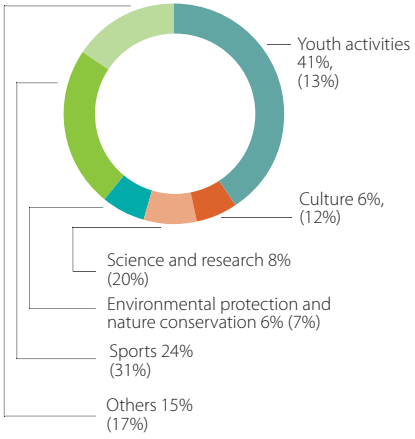
We take care of our community relations at the local, national and international level. We are a supporter of the UN Global Compact initiative and we belong to the Corporate Social Responsibility (CSR) Alliance established by the EU Commission. We also participate in the Business in Society working group of the International Chamber of Commerce (ICC).

Our sponsorship activities comply with our Code of Conduct. The primary responsibility for initiating joint international and national sponsorship projects rests with the Corporate Office. Our businesses are responsible for the local community and stakeholder activities and for the student collaboration related to and supportive of their business operations.

Our support of non-profit organizations primarily targets youth activities, science and research, culture, and environmental and nature conservation. Metso does not make gratuitous monetary donations without a separate decision by the Annual General Meeting.

In 2007, the total amount of our support for non-profit organizations was EUR 498,000 (495,000). We launched collaboration with sponsorhip, SOS Children's Village India. We are already a sponsor of the Vereeniging SOS Children's Village in South Africa. We also have a vocational training program in Sorocaba, Brazil, for young people at risk of social exclusion.

Support for non-profit organizations



We assessed procurement partnerships with a survey

We have developed processes for the systematic assessment of our suppliers. In selecting suppliers, when possible, we apply the standardized 7M test, which reviews seven basic areas: personnel, machinery, materials, processes, quality criteria, environment and financial status.

Supplier assessments are recorded in a global database, where they are available for our entire procurement organization.

To develop our procurement function, in autumn 2007 we mapped the collaboration between our buyers and suppliers. The survey conducted was the first of its kind, and the plan is to repeat it after two years.

The survey was sent to about 750 of our significant cooperation companies around the world. We received responses from 366 suppliers. The survey was conducted in Finnish, English, Portuguese and French. The response rate was 49%. Half (56%) of the respondents were from Finland, nearly 10 percent were from the United States and Sweden. The suppliers responded anonymously.

Metso accounts for less than one third of the net sales of most of the respondents (80%). The products and services we acquired from nearly half of the respondents amounted to less than EUR 500,000, and only 2.5 percent of the respondents delivered products and services to us totaling more than EUR 10 million.

Our suppliers are satisfied with our collaboration. Of the respondents, 60 percent believed the cooperation was clearly better or somewhat better than their cooperation with other partners. Only six percent thought the cooperation with us was clearly inferior compared to others.

According to our suppliers, we are very committed to work safety and environmental and ethical issues, and we focus on these issues in the supplier collaboration. According to the survey, respondents placed a high value on the work we do in these areas.

Environmental impacts of our production facilities

The key environmental aspects of our production facilities concern the consumption of raw materials, energy and water, and emissions and waste. The direct environmental impacts of our own production operations are small. We are improving our environmental performance through continuous development efforts, by increasing energy and material efficiency, and by reducing the use of hazardous materials.

We comply with ISO 14001 standards in the development of products and operations and in risk management. Our sites compile their environmental targets and develop their environmental operations in accordance with our environmental policy. Certified environmental systems cover 54 (55) percent of our production operations.

Our units operated in compliance with environmental permits in 2007 and no significant cases of non-compliance were reported.

We are continuously pursuing ways to improve the financial profitability of our production and more efficient use of resources. Our business operations must use fewer raw materials to produce more added value so that energy and water consumption is more efficient, and less emissions and waste are produced. This principle covers product development, production, distribution, and product use and disposal. We measure our eco-efficiency through the consumption of materials, energy and water and by the emissions and waste of production processes.

In our operations we focus more clearly on our core competencies, such as product development, design, assembly and delivering comprehensive solutions. We outsource many work phases, like welding and painting, as well as semi-finished products, such as castings and forged components, to our subcontractors. This decreases the environmental load of our own operations, but increases our responsibility for the environmental performance of our subcontractors. We require our subcontractors to comply with local legislation and to identify their own environmental impacts. We develop the environmental performance of our supply chain through cooperation, and we support our subcontractors in the development of efficient and environmentally benign solutions. We monitor the realization of environmental requirements also in conjunction with supplier assessments.

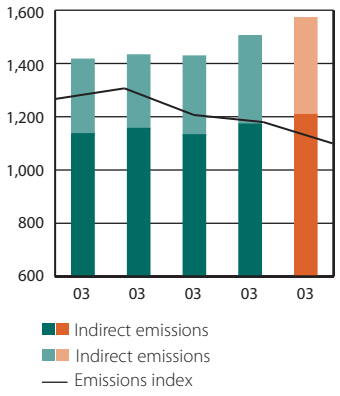
FOR MORE INFORMATION ABOUT ENVIRONMENTAL MANAGEMENT
www.metso.com/sustainability

Emissions to air

Metso monitors the emissions relevant to its own operations. The most significant emissions related to our operations are carbon dioxide and volatile organic compounds (VOC). Carbon dioxide is the most significant greenhouse gas affecting climate change. Metso's carbon dioxide emissions are calculated on the basis of fuel used and energy purchased.

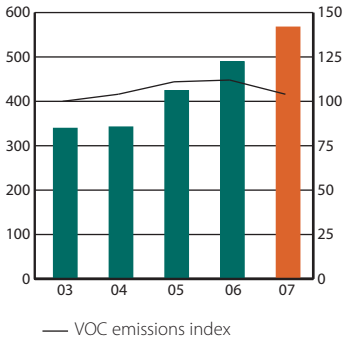
In 2007, Metso's carbon dioxide emissions were 260,000 (242,000) tons, and VOC emissions about 567 (411) tons. VOC emissions are generated in conjunction with, e.g., foundry operations, painting activities and the washing of components. Volatile organic compounds originate mainly from solvents, which under normal circumstance evaporate into the air and have a thinning affect on the ozone layer of the atmosphere. The increase in VOC emissions was mainly due to the reported emissions of the new units. Some of our units generate part of the energy they consume themselves, which causes mostly carbon dioxide, nitrogen oxide, sulfur dioxide and particles emissions. About 65 percent of the CO_2 emissions are created indirectly when the purchased electricity is produced elsewhere.

CO_2 emissions*, 1,000 t



* In one of our units, our CO_2 emissions for 2005 and 2006 were lower than previously reported. The figures for those years have been corrected in the 2007 report.

VOC emissions, 1,000 t**



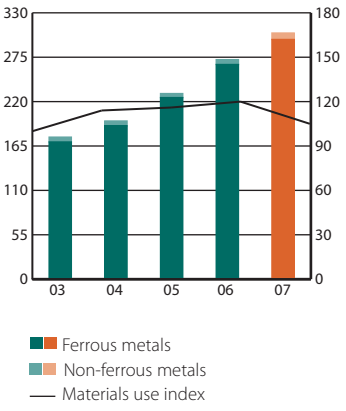
** Because of a change in the reporting method, we have adapted the entire history of VOC emissions in one of our units to correspond with the new method.

Materials use

The majority of the materials we use in our production are recyclable metals. In 2007, the use of metals was 305, 000 (272, 000) tons. The increase was mainly due to Metso Minerals' growth in production and the transfer of the Pulping and Power businesses acquired by Metso Paper in late 2006 into the sphere of reporting.

Only small amounts of hazardous materials and chemicals are used in our production. Scrap metal makes up about 80 percent of our foundries' raw materials. Direct purchases of materials are decreasing somewhat as the outsourcing of production increases.

Materials use, 1,000 t

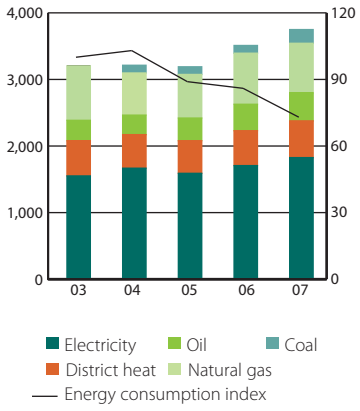


Energy use

Metso has some energy-intensive production, and thus energy consumption is a significant environmental aspect for Metso. The majority of our energy consumption is in the form of electricity, district heat and natural gas. Fuel oil and coal are also used by some units for their own needs.

Our total energy consumption in 2007 was 3,988 (3,750) TJ. The majority of this is purchased electricity. The reported total energy consumption includes the electricity, heat and fuels used by our units and in our processes. The figure does not include the fuels used in transportation and vehicles.

Energy use*, TJ



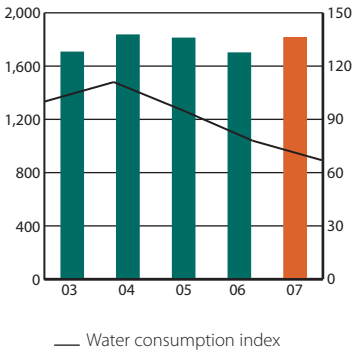
* In one of our units, our energy consumption for 2005 and 2006 was lower than previously reported. The figures for those years have been corrected in the 2007 report.

Water consumption

Most Metso units use water only for catering and sanitation purposes. The pilot paper machines at our technology centers are the biggest consumers of water.

In 2007, the water consumption reported by the units was 1,813 000 (1,698 000) cubic meters. Additionally, water is used e.g. at foundries for cooling purposes. Typically, the cooling water used is industrial water that has already been recycled.

Water consumption, 1,000 m³

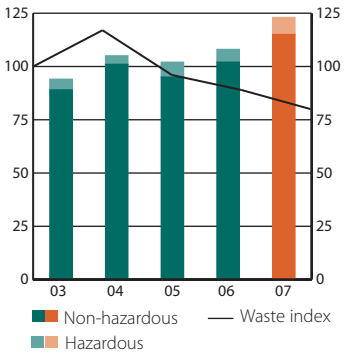


Waste

Metso's operations generate metal, wood, cardboard, paper and municipal waste, among others. A significant part of the waste is recyclable metal and other recyclable materials. Waste is recycled in compliance with local regulations and whenever possible. In 2007, our operations generated a total of 123,000 (109,000) tons of waste.

Metso's operations generate small amounts of hazardous waste, which we deliver to hazardous waste disposal facilities. In 2007, about 8,000 (6,000) tons of hazardous waste was generated.

Waste, 1,000 t



Storage and use of chemicals

We have minimized the environmental risks caused by the use and storage of chemicals. However, there may be locally elevated concentrations of hazardous substances in the soil and groundwater at some of our old industrial sites due to the area's history of operations.

Transportation

The environmental impacts of raw materials use and the transporting of our products have not been systematically assessed, but they are very small. The impacts will decrease even further as our manufacturing moves closer to our customers.

Metso Paper carried out an energy review of the transport chains in spring 2007. The review was limited to the Jyväskylä paper and board machine factory and the Tampere roll factory's road transports in Finland in 2006. The goal was to determine the energy efficiency of the transports and to map measures to improve the energy efficiency. The review looked at the transport volumes, average loads, distances, destinations, fuel consumption and costs, and the carbon dioxide emissions caused by the transports. Issues related to the equipment, driving habits and transportation management were also reviewed.

According to the review, the transports looked at were handled efficiently. Additionally, the review brought up issues that have the potential for considerable annual savings if developed jointly with a transport company. The energy review of the transport chains can be utilized as a comprehensive development method that has long-term economic and environmental benefits for the customer and the transporter.

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Notes

1	More information: www.metso.com/sustainability
2	Iron and metals use from total material consumption is reported
3	Metso has no operations in biodiversity-rich habitats
4	Only CO_2 emissions reported
5	Only VOC emissions reported
6	Waste water discharges are not a significant environmental aspect for Metso
7	Only net employment is reported
8	Metso does not track the degree of employee organization
9	The comparison to ILO requirements is not reported
10	Our Code of Conduct

	In accordance with GRI Guidelines
	Some aspects of GRI Guidelines covered
	Not reported in 2007
	Reported in annual report

Reporting principles

WE SUPPORT
THE GLOBAL COMPACT

Metso's sustainable development reporting system is continuously developed in accordance with the accounting standards and the reporting guidelines issued by the Global Reporting Initiative (GRI). The content of this report in relation to the 2002 GRI guidelines is presented on the previous page.

The figures for 2006 are presented in parentheses.

We follow International Financial Reporting Standards (IFRS) and our financial reporting system covers all Metso units in accordance with the IFRS principles. Sustainability figures supplementing the financial statement data are unaudited.

Our goal is to define the most essential gauges and risk for our sustainable development. We are continuously developing our gauges based on the feedback received from our stakeholder groups, for example.

Information describing economic responsibility, excluding procurement figures, has been obtained from Metso's accounting and audited financial statements. The procurement data is used in the internal management of operations and are unaudited.

HR management is responsible for the collection and reporting of personnel data covering all of Metso. The data reported in the financial statements are collected in conjunction with the financial reporting, the supplementary personnel figures come from the business areas and from the separate group-wide reporting system.

Environmental data is collected into a standardized reporting system. The information is reported from 96 Metso units that have the most significant production and environmental impacts. The units are responsible for the accuracy of the information.

R&D data is collected from the R&D units through a semiannual survey. The business areas are responsible for the accuracy of the figures.

With the exception of the information based on the financial statements, the information in the report has not been audited by an independent party. The quality of the environmental information in the financial statements has been assessed in collaboration with an independent consultant.

Reporting of environmental costs and responsibilities is based on the general guidelines of Finland's state auditing board. We have internally verified the quality and reliability of the information presented.

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The information in the report is supplemented by our Annual Report and our web site at www.metso.com/sustainability. Our management systems are described in more detail on our web site.

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THIS REPORT AND MORE INFORMATION ABOUT SUSTAINABLE DEVELOPMENT ON THE INTERNET:
WWW.METSO.COM/SUSTAINABILITY
METSO'S ANNUAL REPORT ON THE INTERNET:
WWW.METSO.COM/REPORTS

Expect results

is our promise to our customers and the essence of our strategy. It is the attitude we share globally; our business is to deliver results to our customers, to help them reach their goals.

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