Results
by working together

ANNUAL REPORT 2010

How to read this report

In our Annual Report 2010, we address sustainability issues that are essential in terms of our strategy, such as our global presence, our environmental solutions, Metso people and our co-operation with various stakeholders.

The 'Links & Notes' section contains additional sources and information about the Annual Report topics.

The printed report is supplemented by the online publication Metso Sustainability Results 2010, which is available at www.metso.com. The online publication describes our development in the areas of economic, social and environmental responsibility through facts and figures.

Sustainability information presented in Metso's 2010 Annual Report and in the online publication "Metso Sustainability Results 2010" have been externally assured. In its sustainability reporting Metso has applied the Global Reporting Initiative (GRI) sustainability reporting guidelines.

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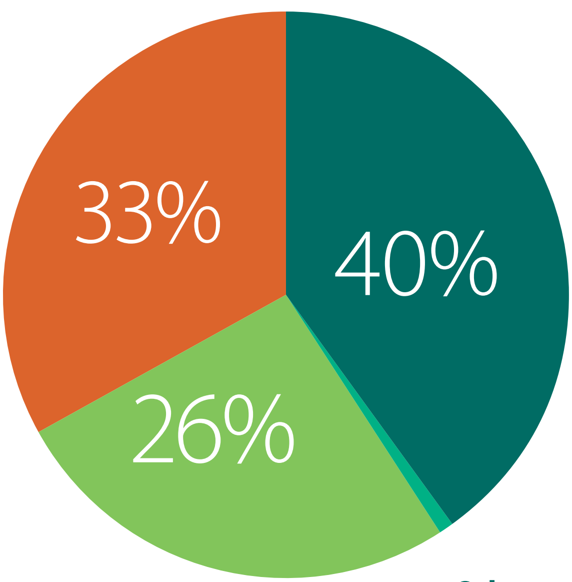
Metso in brief

Metso is a global supplier of technology and services that help our customers to process natural resources and recycle materials into valuable products. Our customers operate in the mining, construction, power, oil and gas, recycling and pulp and paper industries. We are truly global – we have operations in over 300 units in more than 50 countries. We contribute to a more sustainable world through the collective effort of about 28,500 Metso professionals working together with our stakeholders.



Others

1%

Metso's businesses

Mining and Construction Technology
We are a global supplier of technology and services for the mining and construction industries. Our product portfolio covers mining, minerals and aggregates processing systems, service solutions, and wear and spare parts.

Share of Metso's net sales

40%

Energy and Environmental Technology
We are a supplier of boiler plants for power generation, process automation systems and special valves, equipment for metal recycling and solid waste management, and expert and life-cycle services.

Share of Metso's net sales

26%

Paper and Fiber Technology
We are a global supplier of technology for the pulp and paper industry. Our offering also covers know-how and maintenance services.

Share of Metso's net sales

33%

Metso in 2010

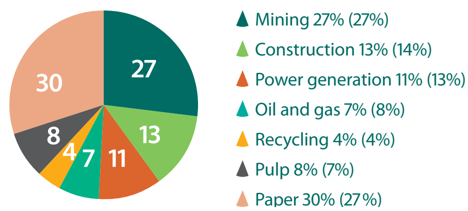
Key figures

EUR million	2009	**2010**	Change
Net sales	5,016	**5,552**	11%
Services, % of net sales	42	**45**	
Earnings before interest, tax and amortization (EBITA) and non-recurring items	399.0	**491.0**	23%
% of net sales	8.0	**8.8**	
Profit	151	**258**	71%
Earnings per share, EUR	1.06	**1.71**	61%
Dividend per share, EUR*	0.70	**1.55**	121%
Return on capital employed (ROCE), %	10.0	**13.5**	
Gearing, %	32.5	**15.0**	
Free cash flow	717	**435**	-39%
Research and development expenses	115	**111**	-3%
Orders received	4,358	**5,944**	36%
Order backlog, Dec 31	3,415	**4,023**	18%
Personnel, Dec 31	27,166	**28,593**	5%
Lost time incident frequency (LTIF)	n/a	**12.4**	
Sponsorships	0.6	**3.1**	
Carbon dioxide emissions, 1,000t	265	**284**	7%
Energy consumption, TJ	3,398	**3,693**	9%
Metals use, 1,000t	156	**235**	51%

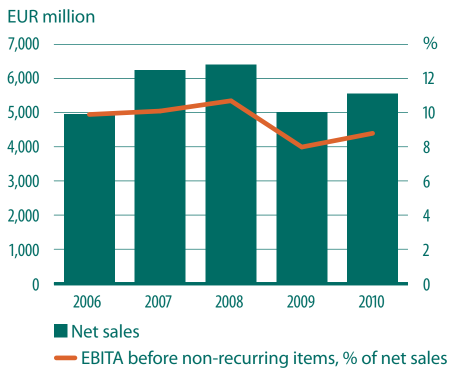
* 2010 Board's proposal

Net sales by customer industry

Net sales EUR 5,552 million (2009: EUR 5,016 million)

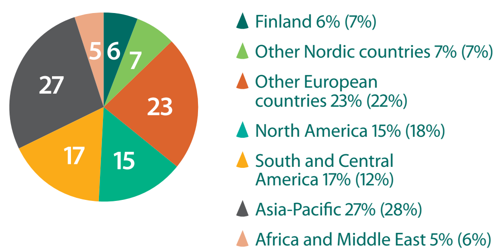


Net sales and EBITA before non-recurring items

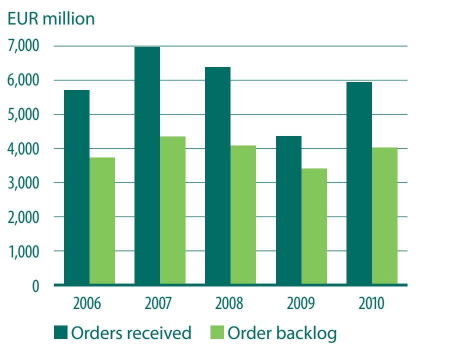


Orders received by area

Orders received EUR 5,944 million (2009: EUR 4,358 million)

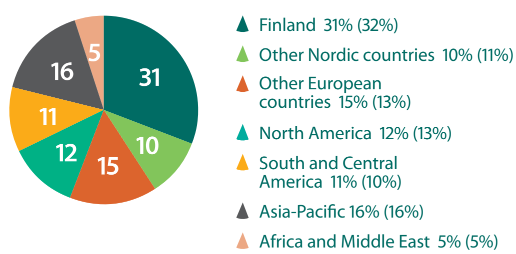


Orders received and order backlog



Personnel by area

Personnel 28,593 (2009: 27,166)



The world around us affects everything we do. The global megatrends that shape our environment offer us opportunities for growth and development.

By working together with our stakeholders, we can have a more far-sighted vision, capture new opportunities and build a sustainable future.

In the picture: Jukka Tiitinen, Mike Edwards, Krishan Kumar, Dharamvir Singh

By working together and in line with our values, we can respond to our stakeholders' expectations and deliver results.

From the CEO

Metso's President and CEO Matti Kähkönen and his predecessor Jorma Eloranta sat down in Helsinki to talk about Metso and its future. Metso's financial position and strategy are on solid footing. However, the global pace of change is accelerating and driving the need for Metso to continuously renew and improve its operations. Results are being achieved by working together.

Metso's position is strong

– **JE:** In ten years Metso has evolved into a global company with flexible operating models. Our services business has more than doubled to some EUR 2.5 billion, and it represented 45 percent of our net sales last year. About half of the orders we receive come from emerging markets; just ten years ago, the corresponding figure was 16 percent. The environmental business is a newer development area for us – and an area that has room to grow because the world is in need of technologies and solutions that are more eco-efficient. And today Metso's profitability is at a better level than before. But I am convinced that Metso has much potential to do even better. In fact, a big question is how to make Metso even better.

– **MK:** Metso's position stabilized and the company matured during Jorma's tenure. A strong financial foundation is important because it gives us opportunities to invest in product development and to actively develop our operations. Last year the markets recovered and Metso's business turned to growth. Now we are pursuing more momentum as the markets rapidly evolve.

Accelerating pace of change

– **JE:** True, the world is changing at a faster pace than just a decade ago. The economy has globalized, emerging markets are growing in significance, the demographics are changing as the global population rises and environmental issues are becoming increasingly important. These trends bring both challenges and opportunities for Metso and for other industry.

– **MK:** We are well positioned to benefit from the global megatrends. Favorable economic development in emerging markets not only supports the demand for metals, energy and infrastructure solutions, and paper and board, it also offers us excellent opportunities. Our strong position in services is based on long-term customer relationships and our extensive installed equipment base, and we are continuously developing our services portfolio. Global concern about environmental issues and sustainability creates demand also for our environmental solutions and for the life-cycle services supporting them. So our strategic focus areas offer us excellent growth opportunities also in the future.

Continuous renewal is a critical element of our own operations. Competition in the global marketplace is fierce and constant. Today's competitors are developing their operations and new contenders are emerging. Moreover, our customers are expecting increasingly better results at a more competitive price. For these reasons, we must continuously evolve. For Metso employees, only a company that is continuously improving is a good workplace in the long-term.

Collaboration brings results

– **JE:** Our discussions with our customers in recent months have been encouraging and forward looking. The markets are recovering and Metso is considered the leading player in its sector and a good partner.

– **MK:** It is a matter of honor for us to make sure that we remain a desired partner also in the future. The quality of our products, our delivery reliability and our services portfolio must be superior.

– **JE:** Satisfied customers are the best guarantee for continued profitable growth, which in turn creates new business opportunities and interesting jobs for Metso employees. Satisfied shareholders are another cornerstone in the solid development of the company. The total shareholder return, taking into account the increase in share price and dividends paid, on Metso's share was 73 percent last year.

– **MK:** Also the Board's dividend proposal of EUR 1.55 per share reflects our solid financial position and confidence in Metso's future performance.

In the picture: Matti Kähkönen, Jorma Eloranta.

All Metso employees deserve praise for the good performance in 2010. This year will also have its challenges. Uncertainties in the generally favorable outlook are created by e.g. the fragility of economic recovery in developed markets and stronger inflation pressures. On the positive side, demand in emerging markets remains steady, the outlook in the mining industry continues to improve and the demand for services is expected to remain strong in all our businesses.

– **JE:** I want to thank our customers, our partners and, most of all, Metso employees for seven terrific, and sometimes challenging, years of achieving results together.

On the way to a sustainable future

– **MK:** Last year we had an internal discussion about what is Metso's purpose. Our renewed mission offers a clear answer to this: "We contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products."

Likewise, our new vision "Working as One to be Number One" and our new leadership principles support our profitable growth and will help us towards a sustainable future. Also our values, our Code of Conduct and the UN Global Compact initiative we have endorsed guide Metso employees to operate in a manner consistent with sustainability.

In line with these policies, Metso employees and other stakeholders can expect Metso to operate in a straightforward and transparent manner. I believe this is to the benefit of Metso employees, our customers and our shareholders.

– **JE:** Metso's situation is good and it has a strong strategy. I am thrilled that my successor and Metso's entire Executive Team were found from within the company. This indicates that Metso has competent people and that the company is heading in the right direction. I have no doubt that Metso will continue along the path of profitable growth under the leadership of Matti and his team.

However, I would be very surprised if the new management didn't present changes. Continuous renewal to benefit customers and to secure competitiveness is important.

– **MK:** The new Executive Team is off to a good start and has received full support. I want to thank Jorma for his extraordinarily successful leadership of Metso. As a company, Metso is in excellent shape. This gives the new Executive Team a good platform for working together with Metso employees.

LINKS & NOTES

1 Metso´s vision, mission and values, p. 16–17

2 Metso's strategy, p. 18–19

3 Metso people, p. 40–42

Metso and megatrends

Globalizing economy

Economic power is gradually shifting away from developed markets and being redistributed more evenly among more countries and geographical regions. The liberalization of global trade and information technology development are accelerating this trend. As a result, the rules for the global operating environment are being redefined.

Redistribution of economic power

The focus of global economic growth shifted during the first decade of the 21st century from developed to emerging markets. Growth has slowed in developed markets and is today mainly based on the growth in services. The rise in living standards, an increase in consumption, and the construction of new production capacity and infrastructure in emerging markets will continue to drive growth. The 2010's are estimated to be a period of dominance for emerging economies.

Global industrial companies, including Metso, have clearly strengthened their presence in emerging markets. This has helped the companies to survive the economic downturn that started in 2008.

It was feared that the economic crisis would slow globalization through growth in new protectionism. The measures promoting the liberalization of global trade are continuing, although their pace of implementation has temporarily slowed down.

New competitors in global markets

Emerging markets are creating new, often very competitive players for global markets. These companies have a strong ability to adapt to changes in the operating environment as a consequence of the major changes in their domestic markets in recent years, and they are expanding their operations also to global markets.

When the number of competitors grows, product life cycles become shorter and new innovations are created faster than before. Tighter competition often lowers product prices. In the capital goods markets, the company's own strong research and product development as well as new innovations are increasingly important competitive factors.

Supply chains in change

The globalizing economy is changing the markets' ways of operating and value chains. The world's different economies and their players are in closer contact and more dependent on each other. By globally managing the supply chain's various links, like procurement, production, distribution, sales and marketing, companies can find the most efficient solutions, both operationally and economically. The significance of the emerging markets has grown along the entire supply chain.

It is increasingly difficult for companies to gain a competitive or cost advantage from manufacturing. Product development, design and brand, as well as close customer relations and life cycle services have become the new competitive advantages. In this kind of market environment, many capital goods producers, like Metso, are pursuing new growth opportunities from the services business.

LINKS & NOTES

Read more about how Metso is responding to the opportunities for growth and change offered by the globalizing economy.

1 Strategy, p. 18–19

2 Services business, p. 20–25

3 Global presence, p. 32–39

Rise of emerging economies

This decade marks the first that economies of emerging markets are estimated to account for a larger share of world GDP than those of developed markets. Knowing customers' needs is a central success factor in emerging markets.

Economic power of emerging markets

The BRIC countries (Brazil, Russia, India and China) account for over 50 percent of world GDP growth. China has the biggest significance and has become a superpower in the global economy. Development in India and Brazil has also been very strong. In addition, there are a number of other countries in Asia, the Middle East and Eastern Europe that will each change the global economic playing field. These rapidly growing economies are challenging the developed market economies to a new kind of competition.

The utilization of natural resources and production based on them are often a platform for the rising affluence of developing national economies. A functioning transportation infrastructure is necessary for economic growth and for investments into production in a new geographical area. As prosperity and urbanization advance, consumer habits change, thereby boosting the demand for packaging board, paper and tissue, for instance. The growth in consumption also increases the demand for minerals and thus investments in the mining industry. Maintaining economic growth and the related urbanization require additional investments in infrastructure development and increase the consumption of aggregates and minerals. As economic growth advances, energy consumption grows and efficient waste management becomes increasingly important.

Growing global middle class

Over the past decade emerging markets have seen the formation of an extensive middle class with purchasing power and a desire to quickly achieve Western standards of living. This translates to growth in the demand for natural raw materials and for consumer goods in particular. The growing consumption may also lead to competition for natural raw materials and production resources. The production of consumer goods has increasingly shifted to emerging markets, which have production facilities manufacturing products for their growing domestic markets as well as for the whole world.

Local, cost-efficient solutions

Companies and consumers in emerging markets are very cost-conscious and don't want to pay for all the product features that have been developed for Western customers. To fully tap into the growth opportunities in emerging markets, Western companies must know the competitive situation and the customer needs of the new markets and they must be ready to adapt their products and services. Customers in emerging economies want to achieve high productivity and a competitive quality with basic applications that are economical and can be delivered quickly. Competing successfully requires flexibility and a strong local presence.

LINKS & NOTES

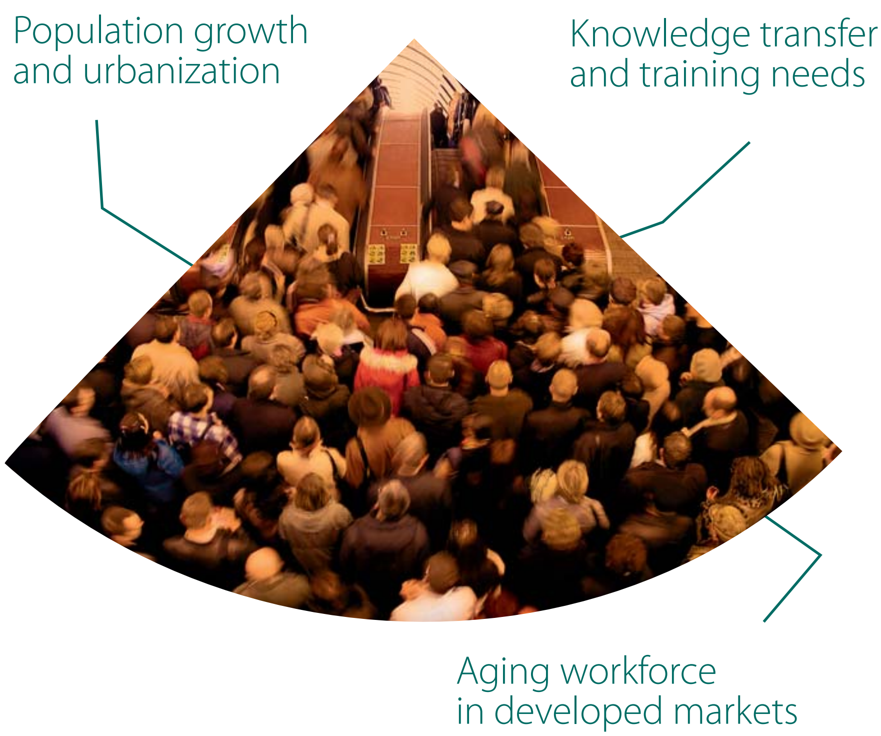
Read more about how Metso is responding to the opportunities for growth and change offered by the rise of emerging economies.

1 Strategy, p. 18–19

2 Services business, p. 20–25

3 Global presence, p. 32–39

Changes in demographics



Population growth and the economic growth of emerging nations are leading to rapid urbanization, which is estimated to continue for a long time. Today it is estimated that 80 percent of the world's population, i.e. 7 billion people, will live in urban areas in 2100.

Population growth and urbanization

Efficient traffic and transportation solutions are a necessity for functional metropolises and for economic development. Building new infrastructure and maintaining and developing existing infrastructure will require investments globally in the upcoming years, boosting the demand for minerals, like iron, copper and nickel as well as aggregates.

Transporting the constantly growing volumes of food products and consumer goods, undamaged, from production facilities to shops, often from one continent to another, and from shopping centers to homes also requires more packaging materials as well as machines and equipment to produce them. A sufficient supply of energy and water as well as waste management and recycling are other challenges related to urbanization. In fact, it is envisioned that small paper and board mills utilizing recycled materials and municipal waste-fired power plants will be built in urban areas in the future.

Aging workforce in developed markets

For companies, competent employees are a critical factor for success and for standing out from the competition, and a factor that will become even more emphasized in the future. In many developed markets, the population is aging and population growth is slowing or even declining, which may lead to a slow-down in economic growth and a labor shortage. In many cases, companies must revise their business models to reflect the new operating conditions.

Many companies in labor-intensive industries are transferring their operations to emerging markets where skilled employees are more readily available. More and more often companies are dealing with the challenges associated with the availability of competent employees by concentrating only on their core competencies while outsourcing the other functions. This creates new business opportunities for e.g. process and equipment suppliers in the area of service and maintenance.

Need for knowledge transfer and training

Aging personnel and outsourcing or transferring operations to new geographical regions challenges companies' ability to retain the knowledge that is important for operational continuity. Transferring knowledge, especially tacit knowledge to younger generations and new areas is vital in the ongoing transition.

The internal training programs supplement the knowledge and skills acquired in local educational facilities. Collaboration with local educational facilities is becoming increasingly common as means to ensure that the students graduating have the right set of skills. In an effort to accelerate internal knowledge transfer, job rotation between different countries and units and the utilization of latest information technology, like social media, are being used. It is also important to increase the know-how employees in developed markets have regarding the special issues of emerging markets.

LINKS & NOTES

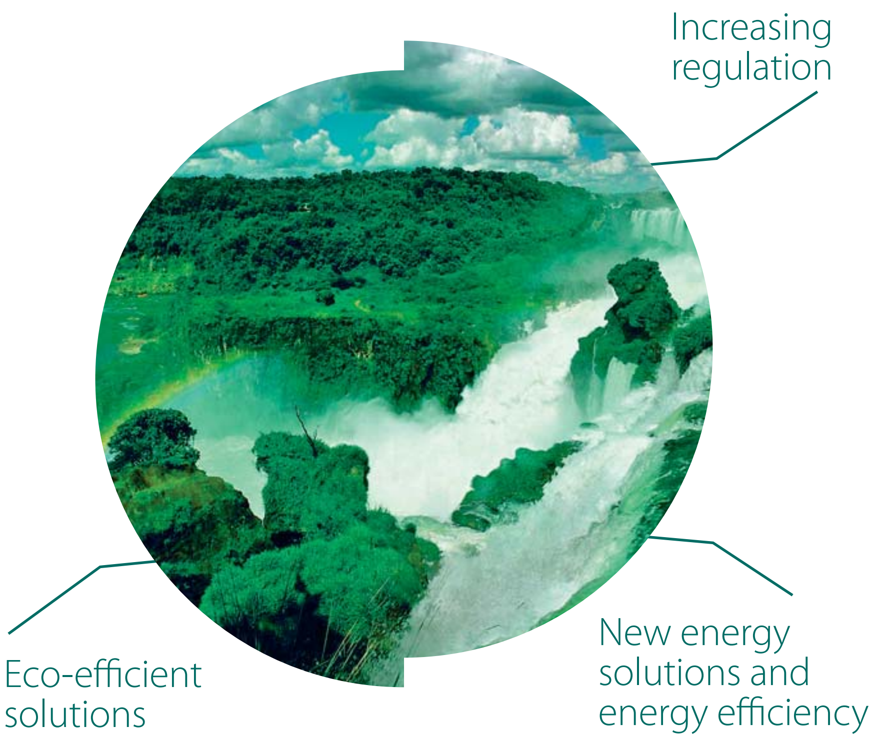
Read more about how Metso is responding to the opportunities for growth and development offered by demographic changes.

1 Services business, p. 20–25

2 Global presence, p. 32–39

3 Metso people, p. 40–42

Sustainability and climate change



Sustainability, essential for the future, has a significant impact on the activities of everyone. For Metso, sustainability is both an opportunity and a challenge. We promote sustainability by offering our customers eco-efficient technologies and services. At the same time, in our own operations we strive for responsibility and for as little environmental impact as possible.

Eco-efficient solutions

Economic growth and the growing prosperity and industrialization of emerging economies will boost consumption, although many raw materials are already being used at an unsustainable rate. Sustainability requires either lowering the current standard of living or creating new solutions that substantially reduce the environmental impacts of economic growth.

Slowing the greenhouse effect necessitates significant changes in energy use and production. In energy production, the search is on for solutions based on renewable natural resources to replace those based on non-renewable natural resources. The use of virgin raw materials is being reduced in all production through recycling and with new technologies.

Developing new, environmentally friendly technology is often time- and capital-intensive. In fact, companies and various research facilities are working together across industrial sectors to develop solutions that support sustainability. The adoption of new technologies is often slowed by the unwillingness to invest in new technology that is considered expensive.

New energy solutions and energy efficiency

Stopping climate change requires solutions that improve energy efficiency and the development of different forms of renewable energy. Solutions improving energy efficiency generally can be implemented relatively quickly, and their adoption allows more time to develop entirely new solutions.

Using various biomasses and waste as fuel is an eco-efficient way to produce energy and to conserve natural resources. Boosting efficiency in the recycling and processing of industrial and household waste and utilization of waste in energy production can reduce the amount of waste going into landfills and the environmental load caused by waste management.

Increasing regulation

The expectations and requirements of company operations and the local and global impacts of those operations have increased. Companies must simultaneously meet shareholders' expectations and look after the well-being of their personnel and the communities and nature around them. In line with the principle of sustainability, current generations must act in a way that doesn't compromise the opportunities for future generations.

Tougher energy and environmental legislation around the world requires the reduction of greenhouse gases, more efficient use of energy and raw materials, as well as increases in recycling and in the use of renewable energy sources. The changes have a significant impact on the business and cost structures of industrial companies.

LINKS & NOTES

Read more about how Metso is responding to the opportunities for growth and change offered by sustainability and climate change.

1 Metso's strategy, p. 18–19

2 Environmental solutions, p. 26–31

3 Our sustainability online publication **www.metso.com/sustainabilityresults**

Active interaction with our stakeholders

Operating responsibly helps us and our stakeholders succeed. Our key stakeholders are customers, personnel, investors and shareholders, goods suppliers and subcontractors, other collaboration partners and media.

Stakeholder expectations and stakeholder collaboration

	Expectations for operations	Ways of collaboration
Customers	Reaction speed, quality, operational reliability, return on investment, eco-friendliness, local offering of desired services, long-term collaboration, supplementing own expertise.	Regular customer meetings and other direct customer contacts, joint development projects, fairs, seminars, extranets, customer satisfaction surveys, supplier certifications, industry organizations.
Personnel	Remuneration and incentives, professional development, open sharing of information and equal treatment, long-term nature of operations, personal and work community success, occupational well-being and safety, supportive work community.	Annual development and performance reviews, intranet, employee magazines, training, job satisfaction surveys, collaboration, occupational safety committees, performance-based, competitive incentives.
Investors and shareholders	Return on investment, creditworthiness, governance principles consistent with good practices, transparency and predictability, compliance with sustainability principles, reliability, sufficient and up-to-date information about the company's operations.	Annual General Meeting, investor and analyst meetings, investor events (e.g. Capital Markets Day), financial and non-financial reporting, stock exchange and press releases, news conferences, webcasts and phone conferences, investor website, continuous investor feedback.
Goods suppliers and subcontractors	Operational profitability, long-term collaboration and the development opportunities it offers, growth, operational reliability, networking.	Regular meetings and direct contact, joint development projects, training and development events, supplier audits, electronic procurement systems, extranet.
Media	Reliable, sufficient and up-to-date information about the company's operations.	Press events and interviews, press seminars and trips, press conferences, media service section on the internet, press releases, financial and non-financial reporting, corporate image surveys.
Community	Regional and local well-being, good corporate citizenship, taxes, employment opportunities, long-term operations compliant with local laws and regulations.	Community development projects, meetings and events, participation in legislative work, dialogue with trade and civic organizations, internet.
Schools and research institutes	Research cooperation, networking, employment opportunities.	Research and development projects, research collaboration, job and trainee positions, student visits, lectures.

» SEE LINK 1

» SEE LINK 2

We engage in collaboration in many ways depending on the needs of our stakeholders. We comply with Metso's Code of Conduct in all our interactions with stakeholders.

Good governance and management support sustainability

Our shared values and Code of Conduct as well as our operating guidelines that comply with local legislation create a foundation for Metso's consistent, uniform and transparent operations, regardless of business and geographical location.

Our Code of Conduct describes Metso's corporate culture, our commonly accepted ways of operating and the commitment to compliance with laws and regulations. It supports responsible operations, sustainability and our success. It functions as commonly accepted operating guidelines for Metso employees and our collaboration partners and as a foundation for all our decision making and business transactions.

A foundation of international principles

The foundation of our Code of Conduct are the UN's Universal Declaration of Human Rights, the UN's Global Compact initiative, which we have endorsed, and the International Labour Organization's (ILO) declaration on Fundamental Principles and Rights at Work. When applicable, the OECD's Guidelines for Multinational Enterprises are also incorporated into our Code of Conduct. As a Group, we also endorse the International Chamber of Commerce's (ICC) Business Charter for Sustainable Development.

We comply with the ten principles of the UN's Global Compact initiative in the areas of human rights, labor standards, the environment and anti-corruption.
» SEE LINK 3

Case stories

The cases in our Annual Report are stories about our cooperation with different stakeholders and the results we have achieved. By working together closely, we can reach our common goals.

Results through dialogue

Global business cooperation fosters economic, ecological and social progress

Can companies contribute to a better world? Yes, say Stefano Bertasi, Director, Department of Policy and Business Practices, International Chamber of Commerce (ICC), and Jukka Seppälä, Vice President, Stakeholder Relations and Trade Policy, Metso.

– **Stefano Bertasi (SB):** At ICC, private sector experts can together analyze and contribute to international policy initiatives affecting world business.

– **Jukka Seppälä (JS):** Companies need to understand how different markets interact as well as the common interests or reasons for conflicts between market areas, countries and even individual companies.

– **SB:** Cross-border trade and investment are key drivers of economic growth and social progress, as well as powerful forces for peace and prosperity.

– **JS:** The world economy benefits from free trade and investments that take place in a fair, honest and transparent way.

– **SB:** In addition to working with governments to contribute to environmental stewardship and social progress, the ICC promotes best practices among its members through sharing experiences and developing guidance.

– **JS:** Metso's working groups have gained a lot of information on regulations and best practices regarding ecological and social issues.

– **SB:** Part of global development depends on finding global solutions to global challenges, such as financial stability, climate change or food security. Businesses are able to assemble people, capital and innovation under controlled risk-taking, to create jobs and produce goods and services profitably. They have a major role in fostering economic, ecological and social progress, and in contributing to global development.

LINKS & NOTES

1 Metso's vision, mission and values, p. 16–17

2 Corporate Governance Statement, p. 149–164

3 Additional information about our sustainability management and a comparison to the Global Compact principles in our sustainability online publication **www.metso.com/sustainabilityresults**

Vision, mission and values: Building on strong corporate culture and leadership

Our customer promise is Expect results

What is our goal?

- Working as One to be Number One. This is our vision.

Why do we exist?

- We contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products. This is our mission.

How do we succeed together?

- By knowing our values that guide us: Driving customer success, seeking innovations, performing together and respecting each other.
- By following our Code of Conduct that states our ethical principles.
- By the right kind of leadership behavior defined in our leadership principles:

  Show the way forward
  Build inspiration and trust
  Develop and coach
  Drive results

Our vision is Working as One to be Number One

Working as One implies working closely with our customers, suppliers and other key stakeholders as well as with each other internally. We encourage and inspire each other to achieve the best results. The more we pull together, share knowledge and inspire each other, the stronger and more successful we and our stakeholders will be.

To be Number One is to be the best in creating value for our stakeholders in everything we do. In order to do this, we are determined to develop a working environment that attracts the right people to work with us and to help them grow and perform to their highest capabilities. We always present the best possible technology, talent and expertise to enable our stakeholders to achieve their best.

Our mission focus is on sustainable solutions

"We contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products."

Our commitment is to work as One to actively contribute towards building a more sustainable world. We are a global company with a wide range of effective and environmentally sound products, services and solutions. We value our global diversity and high working standards. We are determined to create value for our all stakeholders, with a strong focus on shareholder value creation, by ensuring quality while promoting sustainability in industry around the world.

Our values

Driving customer success means that

- We succeed through the success of our customers
- We work closely to understand customers' needs and to respond quickly
- We are focused on delivering quality solutions and services for our customers
- High standards and professional performance are key in serving our customers

Seeking innovations means that

- Creativity and continuous renewal are essential for our long-term competitiveness and daily operations
- We continuously seek new ways of thinking and better ways of working
- We encourage the introduction of new technologies, and we value innovative ideas and practices

Performing together means that

- We share information and are willing to learn from each other
- We combine our vast know-how to create competitive solutions for our customers
- We respect each other's contributions and solve problems together
- We keep our promises, and are dedicated to those we work with and for
- We take responsibility for our actions and work hard to achieve agreed-upon targets

Respecting each other means that

- We prioritize the well-being, health and safety of all individuals
- We treat each other with respect and benefit from our global diversity
- We are direct and honest in our communication, and we create an environment of mutual trust
- We encourage and provide opportunities for each other to develop as professionals

Metso's leadership principles

Companies compete in the short-term with products, technologies and market positions. Long-term, however, a strong corporate culture and the leadership behind it are crucial for a company's success. In order to ensure that we have a solid basis for developing and maintaining strong leadership in Metso, we have defined new leadership principles.

The Metso brand

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.

LINKS & NOTES

1 Read more about our management principles, p. 40–42

Strategy

Metso is continuing to implement a strategy of profitable growth. Our comprehensive product and services offering, our extensive installed equipment base and our strong presence in emerging markets provide an outstanding foundation for fully tapping into the world-changing megatrends. Our strategy is crystallized in three themes that affect all of our businesses: strong development of the services business and environmental solutions, and strengthening our global presence. We are pursuing growth both organically and through complementary acquisitions.

We are striving for improved profitability by increasing the share of businesses with the highest profit margins and making our cost structure more flexible and global, and by improving the financial performance of our least profitable businesses.

We are continuing efforts to further develop and implement Metso's leadership principles, vision, mission and values throughout our organization.

We contribute to a more sustainable world by helping our customers to process natural resources and recycle materials into valuable products.

» SEE LINKS 1 AND 2

Key role for Metso's technologies

Our services, project and product business together form a balanced portfolio supporting our profitable growth strategy. The services business accounts for approximately 45 percent of our net sales, projects for approximately 35 percent and products for approximately 20 percent.

We are growing the services business primarily organically through our installed equipment base, although we maintain other suppliers' equipment through our comprehensive services network as well. We also support growth with complementary acquisitions.

Our own products and technologies and the research and product development activities supporting them form the core of Metso's know-how and development. The development of cost-efficient solutions for local conditions is an increasingly important part of our know-how. Product and project deliveries increase our installed equipment base, and the expansion of our own technology improves our opportunities for the continuous development of our services business.

Balanced business portfolio

We offer our products and services to the mining, construction, power generation, oil and gas, recycling, and pulp and paper industries. Our customer industries are in varying phases of development and thus balance the development of our net sales, profitability and cash flow.

Mining industry markets offer us excellent growth opportunities all over the world. The markets for new equipment in construction technology are relatively mature in

LINKS & NOTES

1 Strategy themes, p. 20–39

2 Targets and achievements, p. 44–49

developed markets, but provide strong opportunities for growth in emerging markets. We supply mining and construction technology solutions that are typically subjected to heavy wear and require a lot of wear and spare parts throughout their life cycle. The services business offers us additional growth opportunities around the world.

We estimate that energy and environmental technology offers us good opportunities for growth in the long-term, both organically and through complementary acquisitions. The strong growth in energy consumption, biofuels, waste recycling, and process automation used to enhance the efficiency of industrial processes are growth drivers for Metso.

The paper and fiber technology markets for new machines and equipment are mature, and the majority of new investments are being made in Asia and South America. The supplier base in big turn-key solutions has stabilized to a few key suppliers that hold rather large market shares. This makes growth through business acquisitions difficult. The services business continues to offer good growth opportunities globally, both organically and through acquisitions.

Strong market positions

We are one of the global market leaders in mining and construction technology, metal recycling systems, biomass-based energy production solutions, and paper and fiber technology. We are among the leading suppliers of automation and flow control solutions for the process industry and of solid-waste crushing equipment.

Our main competitors in the delivery of comprehensive production plants are global companies that have product and service portfolios somewhat similar to ours. There are only a small number of these global suppliers of comprehensive solutions. In individual products, we also have smaller regional and local competitors. The competitive arena in the services business is typically fragmented and has a high number of competitors, ranging from local companies to global players.

Our competitors vary by customer industry and product. There have been some changes in our competitive environment recently with the consolidation of smaller players or business acquisitions by players whose product offering is tangential to ours or by emerging market competitors entering the global markets. We estimate that these transactions have not had a material impact on our market positions. We research business acquisition opportunities and monitor changes in the competitive arena.

In the picture: Jukka Tiitinen, Metso, Mike Edwards, Domtar.

Services business

Results
through cooperation

From a machine supplier to a service supplier

With the demand for paper declining, North America has been a mature market for pulp and paper technology since the mid-1990's. There have been very few investments in new capacity, and more than 500 machines have been shut down. Instead, the demand for services has increased.

In over a decade, we have transformed from a traditional machine supplier to a major services supplier. The net sales of our services business have tripled since the late 1990's. Today, 98 percent of our Paper & Fiber Technology employees in North America work in services. The offering covers maintenance, spare parts and life-cycle services.

One of our customers is Domtar, the largest integrated manufacturer and marketer of uncoated freesheet paper in North America and the second largest in the world based on production capacity. Over 90 percent of Domtar's production is made with Metso's machinery, and to a large extent its mills use Metso's expertise to service and optimize machine performance.

Strategic theme:

Services business

One of our key strengths is our extensive installed equipment base and the services business supporting it. Our services business comprises spare and wear parts, maintenance, repairs, rebuilds, and various process analyses and optimizations. Our comprehensive local presence supports the growth of the services business.

Our services business has developed vigorously over the past ten years and is one of our main strategic themes. Consistent with our goal, we have evolved from an equipment supplier to an expert and services company.

The services business offers us significant opportunities for development and growth because of our continuously expanding installed machine and equipment base, our comprehensive services portfolio, and our local presence. The growth target we have set for our services business exceeds the pace of growth for equipment and project sales over the business cycle and will lead to a gradual increase in the share of our services business. In fact, our goal is to grow the services business share of total net sales and to reach a situation where the services business accounts for over 40 percent of net sales at the peak of a business cycle and for as much as 60 percent at the bottom of a cycle, when the share of project and equipment business is low. We pursue growth both organically and through business acquisitions.

In 2010 the services business accounted for 45 percent (42%) of our net sales. In developed markets the share was 54 percent and in the emerging markets 35 percent.

The foundation of the services business is built on our own strong product technology and extensive installed equipment base, our profound knowledge of our customers' processes, and our presence close to customers. The goal is to ensure the production and delivery capacity, safety and eco-friendliness of our customers' processes and the quality of the end products. We help our customers to maximize the productivity of their machine and equipment base.

We typically offer a one- or two-year warranty on the machines, equipment and processes we deliver. Project deliveries usually include spare parts in a so-called start-up package. We sell wear parts for the machines also during the warranty period.

The majority of our services business comprises wear and spare parts, the demand for which directly correlates to customer production volumes. Customers value our local presence and the fast availability and quality of our spare and wear parts. Our investments to develop our own products and technologies as well as our own production support our success as a supplier of spare and wear parts. We provide spare parts mainly for the equipment we supply, but we sell wear parts for equipment installed both by us and by our competitors.

Segment	Share of spare and wear parts of services business net sales
Mining and Construction Technology	85–90%
Energy and Environmental Technology	Approximately 10%
Paper and Fiber Technology	Approximately 70%

Growth from extensive installed equipment base

Based primarily on our installed equipment base, we have determined the size of the services business market to be about EUR 18 billion. A significant part of this consists of maintenance and repair activities performed by our customers. We estimate our market share to be about 15–20 percent of the total market.

We typically have a very high market share in spare parts for Metso equipment; customers usually rely on the original equipment supplier for spare parts. The wear parts market has a lot of local and regional companies specializing in spare and wear parts; they sell products for equipment supplied by a variety of manufacturers and our market share is lower than in spare parts. Our market share in maintenance and other expert services is still low, and our goal is to significantly increase our own services offering and resources in the upcoming years.

We aim to grow our market share and strengthen our presence by expanding our offering also through business acquisitions. For example, we gained an extensive installed paper machine base mainly in North America through the Beloit acquisition in 2001. The Fabrics business (formerly Tamfelt) acquired at the end of 2009 manufactures wear products that are very complemen-

OUR AMBITION:
Annual net sales growth of
over 10%
in the services business

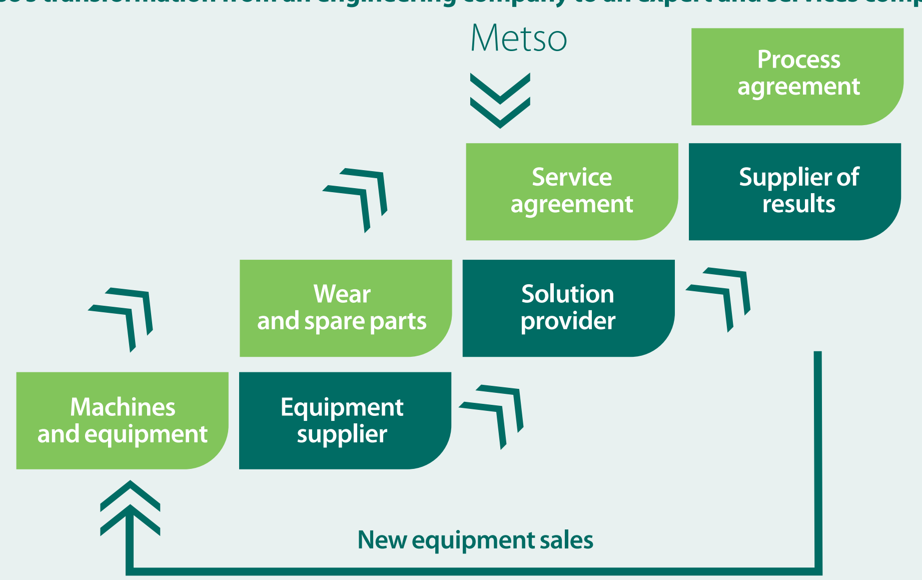
tary with our own services portfolio and for which we can offer a strong global growth platform through our geographically extensive service network.

Our services offering is not limited exclusively to the machines, equipment and processes supplied by us or by the companies we have acquired – although, naturally, this is where our expertise is strongest.

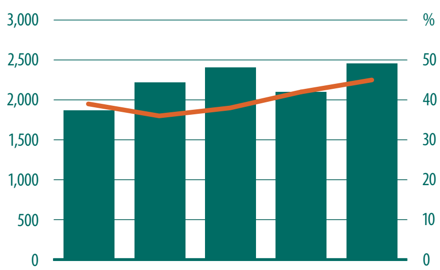
We estimate that the aging of the workforce in developed markets and the difficulty in finding skilled experts in emerging markets will lead to more and more customers choosing to outsource maintenance and other expert services. This will offer interesting growth opportunities for our services business and, at the same time, requires us to renew and to invest in a new competent workforce close to our customers. Growing the sales of maintenance and expert services tends to have a positive impact also on the sales of spare and wear parts.

	Wear parts	Spare parts	Performance contracts
Mining and Construction Technology	Fragmented market » consolidation opportunities	Relatively captive market, stable development based on own installed equipment base	Small market share » growth opportunities
Energy and Environmental Technology	Recycling: fragmented market » consolidation opportunities; Power and Automation: no wear parts	Power: Some spare parts; Automation and Recycling: based on own installed equipment base	Undeveloped market » growth opportunities
Paper and Fiber Technology	Fragmented market » consolidation opportunities Fabrics: significant growth opportunities based on own installed equipment base and development of the business	Relatively captive market, stable development based on own installed equipment base	Small market share » growth opportunities

Metso's transformation from an engineering company to an expert and services company

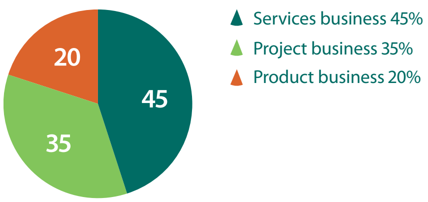


Services net sales



Net sales by type*

Net sales EUR 5,552 million



*Based on management estimate

Expanding our offering to service and process agreements

We offer our customers services that cover the entire life cycle of a product or service. Our customers are increasingly making their investment decisions based on the total cost and the entire life cycle of the product. Our customers expect a new kind of know-how from us; at the same time, we get the opportunity to support our customers during the different phases of the machine, equipment or process life cycle. The collaboration highlights our ability to integrate the machine or equipment with service and to understand the needs of our different customer groups. For us, this has meant the development of new, customer-driven know-how alongside the traditional product- and technology-centric know-how. There isn't just one correct way of producing services; the solutions are developed partly based on the needs of each customer.

New service concepts for the needs of different customer segments

Every day we receive plenty of feedback from customers through our comprehensive and global sales and customer service network. A continuous dialogue with our customers makes it possible to identify the development areas in different technologies and to take corrective action.

The billing for our service agreements is often based on wear or spare parts sold, number of hours worked or, e.g., tons produced. Our aim is to make more and more service agreements that target on the production reliability of the equipment or production plant or the quality of the end product. In these agreements, the benefits and also the risk related to plant performance are shared between us and the customer. Right now, these types of agreements represent only a small fraction of the services business' net sales, but we aim for increasing the share of these agreements gradually as the scope of the services business becomes more comprehensive.

Developing service packages is part of the development of our services business. We have the most experience with this in Mining and Construction Technology. An expanded services portfolio is visible to our customers through the improved quality of end products and in the ability to optimize the performance of equipment and entire processes. By packaging services, we can compete more effectively with small competitors. Also in the Recycling business we have good experience with package-based services business.

The service and maintenance activities by our Paper and Fiber Technology and our Power business partly take place during our customers' annual production outages. Then we must ensure that we and our subcontractors have the necessary resources to carry out the annual maintenance within the planned time frame.

In our research and development activities, we are increasingly focusing on new solutions for the services business that will improve the cost efficiency and overall competitiveness of our customers' operations. Our important sustainability-related goals include reducing the amount of energy, water and raw materials needed in our customers' processes and the amount of waste generated. Optimizing the servicing and maintenance of production lines lengthens their useful life. At the same time, we improve their cost- and eco-efficiency. The services business is an integral part of our eco-efficient solutions as well.

Examples of service packages

Level 1

- The customer is responsible for the productivity and maintenance of its machines, equipment and processes.
- Metso helps in maintaining the productivity of the customer's machines, equipment and processes.

Level 2

- The customer is responsible for the productivity and maintenance of its machines, equipment and processes.
- Metso helps in maintaining the productivity of the customer's machines, equipment and processes, in improving maintenance quality and in conducting the supporting inspections.

Level 3

- The customer is responsible only for its capital assets, i.e. machines, equipment and processes.
- Metso offers full-scope maintenance services, which include productivity optimization of the customer's machine, equipment or process and end-product

quality improvements as well as Metso analysis-based recommendations for increasing capacity and lowering production costs.

Level 4
- The customer and Metso set shared targets for the development of the machine, equipment or process.
- The customer and Metso work together at the customer's site.
- Metso is responsible for the productivity and maintenance of the machines, equipment and processes as well as management of capital assets.
- New technology solutions as a part of machine, equipment or process development.

Presence close to customers

In order to serve our customers well, we must operate close enough to customer production plants, and our personnel must be readily available. We have strengthened our local presence by building our service center network, and we will continue this development work also in the years ahead.

In October we opened our third service center in China serving the pulp and paper industry. The new center is located in Zibo, Shandong Province, and it employs 40 maintenance professionals. The center offers machine maintenance and process development services in North China.

Our first service center in China was opened in Wuxi, Jiangsu Province, in 2001. The expansion of the center in 2007 doubled its roll service capacity, and by September 2010 it had serviced 3,000 rolls. In January 2009 we opened our second service center in China, in Guangzhou, Guangdong Province, serving the pulp and paper industry in South China.

Our network of service centers and our production must work together so that our customers receive the spare and wear parts they need for their processes at the right time. In September 2008 we acquired the Prerov factory in the Czech Republic. The factory, which manufactures and supplies wear parts for our mining and construction industry customers operating in Central and East Europe, strengthens our ability to deliver wear parts fast.

Results
through dialogue

Collaboration in challenging times boosts competiveness

Mike Edwards, Senior Vice President, Pulp and Paper Manufacturing, Domtar, and Jukka Tiitinen, President, North America, Paper and Fiber Technology, Metso, talked about service cooperation in the pulp and paper industry.

– **Mike Edwards (ME):** The benefits of a close partnership are visible in a challenging economic situation. Our relationship with Metso made it possible to work together to develop a major project at our Plymouth mill in a timely manner. The trust and a common philosophy on how we work together allowed us to move quickly in developing the project and to minimize pre-engineering and the overall completion time.

– **Jukka Tiitinen (JT):** We share a history that goes back several decades and provides the foundation for today's collaboration.

– **ME:** The relationship has strengthened over time due to a number of factors, a major one being the willingness of both parties to take some calculated risk in implementing leading-edge technology.

– **JT:** The most valuable thing is achieved when we can provide services and equipment that contribute to your continued success as a recognized sustainable paper company.

– **ME:** The relationship provides Domtar with the necessary engineering expertise and helps our overall cost-competitive position. Our end customers benefit, too, as we have the ability to bring projects up on time as planned and to meet product commitments. Having access to the latest technology helps us maintain competitiveness in quality and costs.

LINKS & NOTES

1 Global presence, p. 32–39

2 Read more about the development of our services business in 2010 in the Board of Directors' Report, p. 74–82

3 Figures, p. 62–71

Environmental solutions

Results
through cooperation

Bioboiler plant improved air quality and created new jobs

Residents of Facture, a city in southwest France, have been breathing cleaner air since October 2010. A biomass-fired combined heat and power plant, one of Europe's largest and representing Metso's latest technology, was commissioned at the local Smurfit Kappa paper mill.

The plant's dust and nitrogen oxide emissions are significantly lower compared to those of the old grate boiler plant. The plant is fueled with bark from the mill and forest residue collected from neighboring areas. Collecting the forest residue has created new jobs for the local people.

Owned by Dalkia, the plant generates steam for the mill and electricity for the national grid. The investment is the largest in France's national green energy program, which aims to reduce carbon dioxide emissions and to curb climate change.

Metso supplied the plant with the process equipment, from fuel handling systems and biomass boiler all the way to flue-gas cleaning and the complete automation for the plant. The project was implemented in good collaboration, again demonstrating our strong know-how in the growing bioenergy markets.

Strategic theme:

Environmental solutions

We offer products and services that reduce the environmental load and improve the quality of our customers' operations. We carry out research and development in cooperation with customers and leading research institutes. We work together to develop, for example, new technology for biomass and waste-based energy solutions. We also aim to further strengthen the collaboration between our different businesses in the development of solutions advancing sustainability.

Our eco-efficient solutions and products are related primarily to renewable energy sources, the material and energy efficiency of production processes, recycling, the efficient utilization of raw materials, conserving water, the reduction of emissions, dust and noise, and the optimization of processes. Process optimization as well as wear and spare parts and maintenance services support the minimization of the environmental impacts of products throughout their life cycle.

Our goal is production processes to be as eco-efficient as possible, both in our own and in our customers' production plants. Environmental impacts occur mainly in the use of machinery and equipment in customer production processes. Significant results in reducing greenhouse gases, for instance, are achieved more quickly by developing solutions with lower emissions and higher energy efficiency for the industries generating the biggest emissions and consuming the most energy.

Our eco-efficient solutions are not a separate business; they are a natural outcome of the overall solutions that stems from our customers' needs. We believe that environmental technology offers us significant growth opportunities in the future.

Climate targets increase demand for bioenergy solutions

Our bioenergy know-how is a significant competitive factor when the use of renewable energy is increased to achieve climate targets around the world. For example, the EU is aiming for 20 percent of its energy to come from renewable sources by 2020. And elsewhere in the world, similar types of new regulations are accelerating the development.

We have comprehensive know-how with a variety of challenging fuels used in energy production: fuels such as by-products from the forest industry and agriculture as well as energy crops and municipal waste. Our strength is our ability to supply comprehensive solutions for biomass and waste combustion. Those include the reception and handling of fuel, the boiler plant, the flue-gas cleaning system, and complete power plant automation and life-cycle services to ensure the efficient operation of the plant. The goal of the Metso Bioenergy Solutions program, which combines know-how from our different businesses, is to find ways to better utilize our bioenergy-related know-how.

Bioenergy production is most economical and most efficient when implemented locally; however, biomass supplies are not consistently available everywhere in the world. The bioenergy solutions under development will maximize the energy value of the biomass and enable bio-based fuels to be transported longer distances. Biomass is organic matter used as a renewable fuel, e.g. wood and agro-biomass. Biofuels, like biogas and bio-oil, are fuels that have been refined from biomass.

There are several ways of using biomass in energy production. In addition to new combustion solutions, the biomass handling processes under development can produce products with greater added value. They can be used either as fuels in energy production or as raw materials in various chemical processes. Expanding the end uses for biomass creates demand for new technologies.

We are developing the mechanical handling of biofuels, the equipment used in the handling process and the automation. There are already industrial-scale projects for the gasification of biomass and waste. Gasification of biomass produces gas that can be used in place of or alongside fossil fuels like oil or natural gas.

Bio-oil production through pyrolysis and the production of lignin pellets are in the pilot phase. In pyrolysis,

OUR AMBITION:

Continuous development of environmental solutions

biomass is distilled with heat to separate an oil-like end product. We are also exploring biomass pelletizing in which biomass is crushed, dried and compressed into easy-to-handle biopellets for fuel. Our research is also focusing on biocoal production.

Energy and material-efficient solutions save costs and reduce emissions

The investments our customers make in energy efficiency have a direct impact on their operating costs and eco-efficiency. With energy efficiency improvements, our customers can lower their energy costs and reduce their CO_2 emissions.

We offer our mining and construction industry customers process design and optimization, automation, wear and spare parts and maintenance services. An optimized crushing-grinding process design can significantly improve a mine's energy efficiency. With the solutions we have developed for mobile crushing, screening and conveyors, crushing can take place on site at the bottom of a quarry or close to a construction site, thereby decreasing emissions and dust, lowering energy consumption and improving work safety.

Our technologies in pulp and paper production cover all sub-areas, from wood handling to paper and board production. Our automation and control systems enhance process utilization and runnability, while at the same time improving energy and material-efficiency. Also the supply of clean water is a global challenge. We have developed solutions to significantly reduce water consumption in pulp and paper manufacturing processes and to reuse the process waters more effectively.

We work with our customers to find the best ways to extend the life cycle of their production processes and thus improve their eco-efficiency. The solutions can be used e.g. to upgrade old technology to meet new environmental regulations. The broad selection of special applications for process automation enables accurate monitoring and control of emissions levels and environmental reporting.

From the recycling of scrap metal to the handling of municipal waste

Restrictions on the use of natural resources and tougher legislation are increasing the use of solutions that improve energy efficiency and promote recycling. Efficient recycling systems reduce the use of water, wood, metals and aggregates, for example. Increasing the efficiency of industrial and household waste processing can reduce the amount of waste ending up in landfills and decrease the environmental load caused by waste.

We are the leading supplier of mid-range and heavy-duty equipment and comprehensive solutions in metal recycling. The shears, balers, crushers and other metal recycling equipment we have delivered account for about 30 percent of the world's scrap metal handling capacity. The use of recycled metal in steel production significantly reduces the energy need in the steel-making process and the emissions into the environment. We supply equipment and plants also for the processing of solid and other municipal waste.

ENERGY EFFICIENCY

Energy efficiency is defined as the ratio between a certain product and service and the amount of energy used to produce it. Favorable energy efficiency can come from small, continuous improvements as well as from radical technological innovations. As energy efficiency evolves over time, the energy efficiency of solutions is measured in relation to a general benchmark level. The benchmark level is taken from the technology currently in use and from the best available technology.

Results
through cooperation

Finnish-Chinese product development benefits the scientific community as well as Metso

"Metso is an important partner for Aalto University Design Factory. We have engaged in collaboration in Finland for years. Metso is one of the first Finnish companies to partner with Aalto-Tongji Design Factory," says Project Manager Viljami Lyytikäinen from Aalto University.

Aalto University is an internationally renowned science and art community combining technology, business and industrial design. Diversity is represented through e.g. Design Factories offering researchers, students and private companies a new and open research and learning environment for product development.

Aalto-Tongji Design Factory operates in Shanghai at Tongji University, which is the most renowned in China in urban design and architecture. Metso and the university have launched a design-focused project, in which a team of Metso employees and students is in constant interaction. The goal is to develop ideas upon which to build innovations and to learn about the Chinese culture, people and social environment from a design and architectural perspective.

Strategy supporting research and development

In our research and development activities we focus on many important areas of sustainability, such as energy- and raw materials-efficiency, the utilization of renewable raw materials, advanced process control technology and new solutions for the services business. In 2010 our R&D expenditure, including industrial property rights, totaled EUR 129 million (EUR 131 million), i.e. 2.3 percent (2.6%) of our net sales.

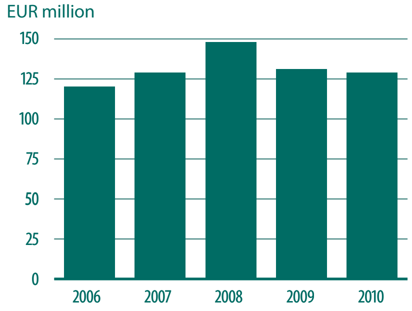
In 2010 we launched the Metso Stimulus program to accelerate strategically important long-term research and development projects. The purpose of the program is to support long-term R&D activities by allocating funding to projects that support the environmental and services business in particular.

In R&D we network with customers, research facilities and universities. The universities we have the most collaboration with are in Finland, Sweden, the United States, China and Brazil. Our partners include Luleå University of Technology in Sweden, Aalto University in Finland, Massachusetts Institute of Technology (MIT), Georgia Institute of Technology and North Carolina Technical University in the United States, Facens - Engineering University of Sorocaba in Brazil, and Beijing University of Science and Technology, Shanghai Dazhong Technical School, Nanjing Forestry University and South China University in China.

Our R&D Center in Tampere, Finland, is researching the production of bio-oil in collaboration with the VTT Technical Research Centre of Finland, the energy company Fortum and the forest products company UPM. The goal is to use forest residue-based bio-oil to develop a considerable alternative to the traditional light and heavy fuel oils, which generate carbon dioxide emissions. The project is combining pyrolysis with fluidized bed combustion technology; Metso is among the world-leading experts in such boiler technology.

At the end of 2010 we started collaboration with the Swedish Bio Energy Development North AB to develop torrefaction. The goal is to install an industrial-scale development unit in Örnsköldsvik, Sweden, for the torrefaction of wood biomasses and residues from the agricultural sector. Torrefaction is a mild pyrolysis process, in which "green coal" is produced from biomass. Green coal is a sustainable fuel that can be transported long

Research and development expenditure (including IPR expenses)



distances and will play an important role as a substitute for fossil coal in power generation and gasification processes.

High-quality design is an important part of our R&D activities. Our design is customer- and user-driven, competitive, environmentally and socially responsible, and has a recognizable visual identity. Consistent with our design principles, we aim to make purpose-oriented and safe products that are based on customer needs and improve our own and our customers' competitiveness and profitability.

Results
through dialogue

Open dialogue between Metso and suppliers promotes sustainability

Kalle Reponen, Senior Vice President, Strategy and M&A, Metso Group, and Olli Hyvärinen, Senior Vice President, Procurement, Paper business line, initiated a dialogue within goods suppliers about promoting sustainability.

– **Kalle Reponen (KR):** We can better promote sustainability by involving our supply chain and by offering them support. We must be able to talk about important issues openly and to explore solutions together. Collaboration and an open dialogue are a must in making progress in this issue. An excellent tool for this is the sustainability criteria for suppliers, launched in 2010.

– **Olli Hyvärinen (OH):** We have previously applied ethically sustainable principles in our procurement, but the common criteria now apply to all of our goods and services suppliers globally. The common criteria allow us to jointly support sustainability and share our experiences and views.

– **KR:** In addition to environmental issues, the criteria are related to e.g. quality and occupational safety. They require our suppliers to comply with competition legislation and to offer a safe work environment.

– **OH:** They help us at Metso to choose suppliers that endorse sustainability and to assess their quality during collaboration. It is about continuously paying attention to issues related to ethically sustainable operations.

– **KR:** When all of us – Metso employees and suppliers alike – fully comprehend principles of sustainability, they will become an intrinsic part of our daily work, not just criteria that are part of some separate assessment process.

LINKS & NOTES

1 Megatrends, p. 10–13

2 Figures, p. 62–71

3 Additional information about environmental responsibility in our sustainability online publication **www.metso.com/sustainabilityresults**

In the picture: Raj Kumar, Kishor Kumar Verma, Sonu Kumar.

Global presence

Results
through cooperation

Health, safety and the environment in focus

Health, Safety and Environmental issues (HSE) are an integral part of our operations. We aim to increase personnel awareness and to build a systematic way of holding all accountable for safety.

Metso Park, in Alwar, Rajasthan, India, has delivered good results. In 2010, there was only one incident creating lost time and one minor incident. In most months, Metso Park reached our goal of zero accidents.

Several HSE initiatives have been launched at Metso Park during the year. A 24/7 primary health care center was opened, visitors' safety instructions were implemented and an internal HSE audit system was deployed. In addition, our employees have been involved in improving the safety of the manufacturing facilities. For example, hand rails have been installed, open vents and drain lines have been properly covered, and machine safety and the storage of highly flammable chemicals have been improved.

At Metso Park we also pay attention to the environmental impact of our operations. Natural light is used to illuminate the plant, and energy efficient equipment with variable frequency drives and sensors is used in manufacturing. The site has an efficient sewage treatment plant, which prevents pollutants from being discharged into the environment and enables the use of treated water in gardening and flushing.

Strategic theme:

Global presence

For Metso, global presence means that we can tap into our operating environment in the best possible way, and it contributes to our ability to meet our customers' needs. We aim to have a local presence in sales, product development and research, engineering, procurement, production and the services business all over the world.

We serve our customers globally. We employ over 28,500 professionals e.g. in engineering, production, procurement, sales and the services business in over 300 units located in more than 50 countries on all continents. We have customers in over 100 countries in the mining, construction, energy, recycling, pulp and paper industries.

We measure our success based on e.g. market share, i.e. how often our customers choose us as their partner and supplier. Our competitive strengths include our profound knowledge of markets and customer processes, long-term customer relationships, an extensive installed equipment base, a competitive product and services portfolio, and our global presence and ability to transform all of this into added value for our customers.

From equipment supplier to service provider

Metso's world is divided: the emphasis in developed markets is on the services business for the installed equipment base, while the majority of sales of new equipment and plant projects are in emerging markets. This means a refocusing of resources: in developed markets we have adjusted our equipment and project business resources and have redirected them to the services business. At the same time, equipment- and project business-related know-how must be transferred to emerging markets while strengthening our own resources there. Acquiring new competitors that crop up in emerging markets is an opportunity to grow our presence and to add to a globally competitive product portfolio. Correspondingly, acquiring companies with a service business focus in developed markets is one way to support the implementation of our strategy.

During the year we invested EUR 46 million to strengthen our presence in emerging markets. In 2010, our total investments, excluding business acquisitions, were EUR 135 million (EUR 117 million), of which maintenance investments accounted for 58 percent, or EUR 78 million.

Global economic recovery strengthened in 2010 and the demand for our products and services turned to growth. Our customers' capacity utilization rates increased with the improved economy. This had a positive impact on the demand for our services business in particular, but also on equipment sales. Uncertainties related to our order backlog diminished as customers restarted their projects. Over the course of the year the uncertainties in the financial markets created by budget deficits in many European countries and in the United States cast a shadow over the market recovery. However, this didn't significantly impact the demand for our products and services; most of our customers' confidence to invest in new and existing equipment bases strengthened.

Emerging markets

In the upcoming years emerging markets will robustly grow their production capacities in all areas for which Metso has a product offering. Today the demand for new equipment and processes is mainly in Asia, South and Central America, Eastern Europe, Africa and the Middle East. In 2010, all four BRIC countries (Brazil, Russia, India and China) were among the seven biggest countries in terms of orders received. Emerging markets accounted for half of our net sales and 53 percent of our new orders in 2010.

Economic growth in emerging markets is estimated to remain strong. The growing, young middle class is becoming more affluent and purchasing consumer goods; this translates to strong growth in the consumption of various minerals, energy and packaging industry products. Emerging economies are investing strongly in new transportation infrastructure, which is a basic requisite for sustainable economic growth and a higher standard of living. Rapid growth areas include especially India, China and Brazil, which have allocated a lot of funds to build and improve road and other traffic networks and infrastructure. There is also a big need for infrastructure development in Eastern Europe and

OUR AMBITION:
Strong growth close to customers

Southeast Asia. The focus of new mining and construction industry investments has shifted to emerging markets that are rich in natural resources. In developed markets the demand outlook also for the energy industry – including energy production based on renewable fuels and for recycling technology related to waste materials – is promising.

The number of our personnel working in emerging markets grew by 1,365 and its share of total personnel grew to 34 percent (31%).

Asia

Our net sales in Asia increased by 55 percent and accounted for 22 percent of Metso's net sales. About 14 percent of our employees work in Asia.

China

In 2010, China was the most significant country for Metso, measured in terms of the value of orders received (EUR 895 million), and net sales (EUR 880 million). We employ a total of about 2,840 people in our 24 local sales, production and services units in China.

China is the main market area for new paper and board lines. In 2010 demand in China was good; we received orders from there for ten new paper and board machines and three pulp lines. We are the leading Western and local supplier in the paper and board machine markets in China. We delivered the first paper machine to China in the 1950s, and in 1989 we established a joint venture that started the local manufacturing of Metso's paper machines. Our reliable references and strong brand give us an edge in these markets where the customer often expects its partners to operate clearly more quickly than in Europe.

We have systematically developed our local presence in China. In 2010 we opened our third service center serving the pulp and paper industry in Zibo, Shandong Province. It offers machinery maintenance and process development services especially in Northern China. The growing markets for paper machine fabrics are served by our factory for wet and dry filtration applications in Tianjin and a filter factory in Shanghai. China's pulp and paper industry has made substantial investments over the past ten years. We have been a partner in many of these projects and we are currently the leading technology supplier in the sector.

The Chinese markets for the Automation and Recycling businesses are growing. Last year we delivered several extensive automation packages with flow control equipment for paper, board and pulp mills. However, we are expecting the most sales growth from the Asian energy, oil and gas industries. Metso's biggest investment in China recently, the technology center specializing in automation and flow control solutions, was inaugurated in May in Shanghai. The technology center strengthens our customer service especially in China and the Asia-Pacific region. The center's multifunctional facilities, like the modern valve factory, the assembly unit and distribution center, and the facility for testing automation systems, provide good opportunities to develop automation solutions. The new factory manufactures products and components also for Metso's other valve factories. We are the leading supplier of automation for China's pulp and paper industry. We also have a good market position in other process industry sectors, like the oil and gas industry, from which we expect growing demand.

China has committed to significantly reducing carbon dioxide emissions in upcoming years and is pursuing its targets by encouraging different industries, like cement production, to reduce their carbon footprint. Urbanization is generating bigger volumes of waste. In China, our Recycling business serves solid waste- and biomass-fired power plants and refuse-derived fuel (RDF) production plants. Our customers also include companies specializing in the reprocessing of recycled metals. Last year we delivered several pre-shredders and scrap metal recycling stations to China. The Chinese government is encouraging investments in metal recycling equipment to reduce the metal industry's dependency on scrap metal imported from elsewhere.

We delivered our first rock crusher to China back in the 1950s. China's mining and construction industry has grown briskly. Today we have close to 300 Metso employees in China serving the mining and steel industry, and supplying equipment for the production of aggregates at quarries and directly to e.g. port, terminal, road and dam construction sites. Our modern crusher factory in Tianjin employs over 100 people. The factory's production includes a comprehensive selection of crusher models, and it serves the Chinese and Asian markets as well as our customers globally. Mining industry customers account for the majority of the Mining and Construction Technology segment's business in China. In 2010 we received an order for three grinding mills and the required installation and start-up services for TISCO's new iron-ore processing plant. TISCO is China's largest producer of stainless steel.

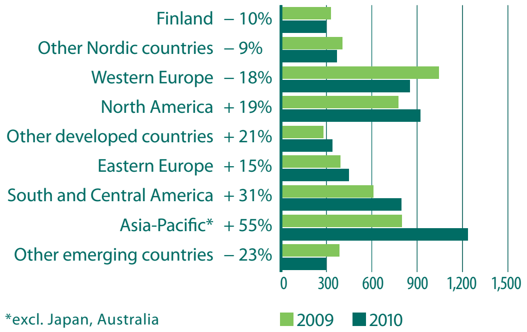
India

We have operated in India since 1992, and today we have a total of nine units and approximately 860 employees in the country. The mining and construction industry is our fastest growing customer segment in India. We are the leading supplier of mobile crushers and screens in India.

India is quickly gaining prosperity. It is the world's second most populated country and will be an increasingly significant market for Metso. Environmental issues, the rapid growth in the need for energy and transportation infrastructure will become increasingly bigger challenges, offering business opportunities for Metso.

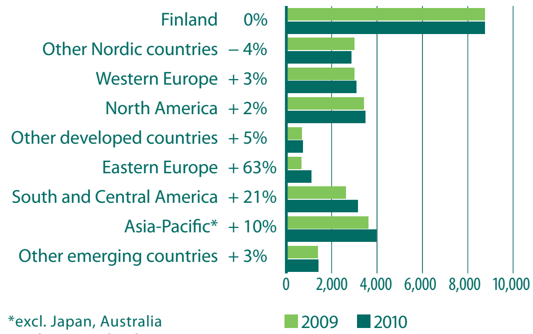
Net sales growth by area

EUR million



*excl. Japan, Australia and New Zealand

Personnel growth by area



*excl. Japan, Australia and New Zealand

Our Mining and Construction Technology operates a crusher factory in Bawal, a foundry in Ahmedabad, and regional sales and service units in New Delhi, Bangalore, Kolkata, Thane, Hyderabad and Chennai. In March, the first phase of our largest single industrial investment so far, Metso Park in Alvar, was completed; encouraged by the favorable market development, phase two of the investment has been started. The industrial park will feature production, office and engineering facilities as well as a logistics and training center. The investment significantly strengthens Metso's presence and will cater to the rapid growth in demand for mining and construction products and services in India and other quickly growing markets in Asia-Pacific. At the facility we also manufacture components for our assembly units operating in emerging markets as well as some products for global markets.

Our joint venture with our Indian collaboration partner focuses on power industry solutions and supplies engineering services for our other power industry units globally. The unit, operating in Chennai, has also designed a recovery boiler solution for the Southeast Asian markets in particular; we have already received two orders.

Our local resources in India also serve the pulp and paper industry and the fast-growing oil, gas and petrochemical industry, for which we have delivered e.g. extensive flow control solutions

Rest of Asia

Rapid urbanization is creating sizable infrastructure development needs in Southeast Asia. Indonesia is Asia's third-largest growing economy after China and India, and it has a major pulp and mining industry. Indonesia is the world's second-biggest producer county of tin, the third biggest of copper, and the fourth biggest of nickel. Various construction and infrastructure development projects are driving the demand for our equipment and services in places like Thailand, Vietnam, the Philippines, South Korea, Malaysia and the SAARC countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka). The regional demand for mining and construction industry products is good, particularly for our mobile crushers and stationary crushing plants as well as our various pumps for use in the mining industry. In 2010, we received an order for board making technology from Cheng Loong Corporation for their new containerboard production line at the Hou-Li paper mill in Taiwan.

South and Central America

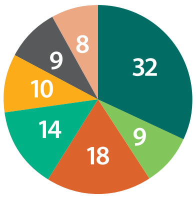
South and Central America accounted for 17 percent of our orders received. Brazil is by far our biggest market in this region. Last year it accounted for 10 percent of all our orders received, and was the third most significant country for Metso, measured in terms of the value of orders received (EUR 592 million). Measured in terms of net sales, Brazil was also our third largest country (EUR 422 million). The number of our personnel increased by 548 in South and Central America, particularly because of the increased demand in the mining business. At the end of the year, we had a total of 3,166 employees in the region, 2,029 of them in Brazil.

In recent years, Brazil, Chile, Peru and Mexico have become leading mining industry countries in the world, and our deliveries to the mining industry have grown rapidly in these countries. We have increased our presence, particularly in the services business, close to the big mines, and we have won several major service agreements for mines in recent years. The growth in the services business has had a significant effect on the increase in the amount of our personnel.

We have been operating in Brazil for nearly 100 years. We have an extensive local business network and our customers operate in several different industries. In addition to the mining industry, e.g. the build-up of the transportation infrastructure in Brazil is continuing strongly, which supports the growth in demand for our construction equipment. Sizable investments by the Brazilian oil industry have offered significant opportunities for our Automation solutions. South America, particularly Brazil, is on its way to becoming the world's leading supplier of pulp, and there are several pulp mill projects planned to be launched in the region in upcoming years. We also serve the country's paper and tissue industry. Among the most significant orders we received last year, was the order for MDF board manufacturing equipment from the Brazilian company Berneck in Curitibanos, the order for a ball mill and related equipment and services from Kinross Gold Corporation for its gold mine in Paracatu, and service and restoration of one of Celulosa Arauco y Constitución's pulp mill recovery boilers, which was damaged during the February 2010 earthquake in Chile.

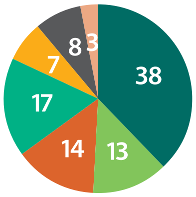
Purchases by area

Purchases EUR 3,470 million (2009: EUR 3,248 million)



Wages and salaries by area

Wages and salaries EUR 1,106 million (2009: EUR 991 million)



Towards the end of the year, our Power business received an order for a recovery boiler and evaporation plant for Eldorado Celulose e Papel's new pulp mill in Brazil.

In Araucaria, Parana state, Brazil, we started construction work on a new facility serving the pulping and power generation industries. The facility will be completed by the end of 2011, and at that time all Metso's functions from Curitiba will move into the new premises. The growing demand for maintenance services in the pulp and power generation industries requires a more comprehensive local presence and service capacity.

Africa and the Middle East

Our strongest customer industries in Africa and the Middle East are the mining and construction industries, but there has been strong growth also in our valve deliveries, particularly to oil, gas and petrochemical plants in the Middle East. In 2010, we received an order for special valves from the South Korean company GS Engineering and Construction for a plant operating in United Arab Emirates. The special valves, for use at extremely low temperatures and in gas drying processes, are for a liquefied natural gas plant.

The continent of Africa holds a significant share of the world's known mineral resources, such as gold, platinum, chromium and diamonds. A substantial share of the world's bauxite, cobalt, phosphate and uranium deposits is also found in Africa.

In South Africa, we have sales and services units serving our mining and construction customers. In addition, we have a factory manufacturing rubber-based wear parts, a factory manufacturing crushing and screening equipment and pumps, and a manganese foundry producing wear parts for crushers. Our other sites serving the mining industry in the region are the sales and services units located in Ghana, Zambia and Zimbabwe. Our Automation business has sales and maintenance units both in South Africa and the Middle East. We also have a sales unit for our paper and pulp customers along with a joint venture specializing in maintenance services in South Africa.

The number of our personnel in Africa and the Middle East at the end of the year was 1,425 (1,385). Our orders received from the area totaled EUR 291 million (EUR 252 million), or five percent (6%) of our total order intake.

Eastern Europe

Eastern Europe is becoming an increasingly significant area for our business. In the long-term, infrastructure development in transportation and energy, local utilization of natural resources in the mining and pulp industries, and various projects supporting sustainability will increase demand for our products.

Of the Eastern European countries, Russia is Metso's most significant market, and the outlook there has developed favorably. Orders received from Russia in 2010 accounted for five percent of our total order intake. We have operated on the Russian markets for about 50 years, and we have 12 sales and service offices around the country. In 2010, we signed an agreement for the delivery of a complete fiber line, the first in Russia in 30 years. The fiber line will be delivered to Ilim Group, which is one of Russia's leading pulp and paper manufacturers. When commissioned, the Bratsk mill will be one of the world's biggest and most modern softwood pulp plants. Also the Mining and Construction Tecnhology segment's orders clearly grew during the year; and there are several big mining and transportation infrastructure projects in the planning stage in Russia. Among the other significant orders we received from Eastern Europe was the order to deliver a complete tissue production line with an extensive automation package for the AK GIDA SAN ve TİC company in Turkey and an order to supply a lime calcining system to OJSC Novolipetsk Steel in Russia.

The number of our employees in Eastern Europe was 1,101 (676). Our orders received from the area totaled EUR 538 million (EUR 330 million), or nine percent (8%) of our total order intake.

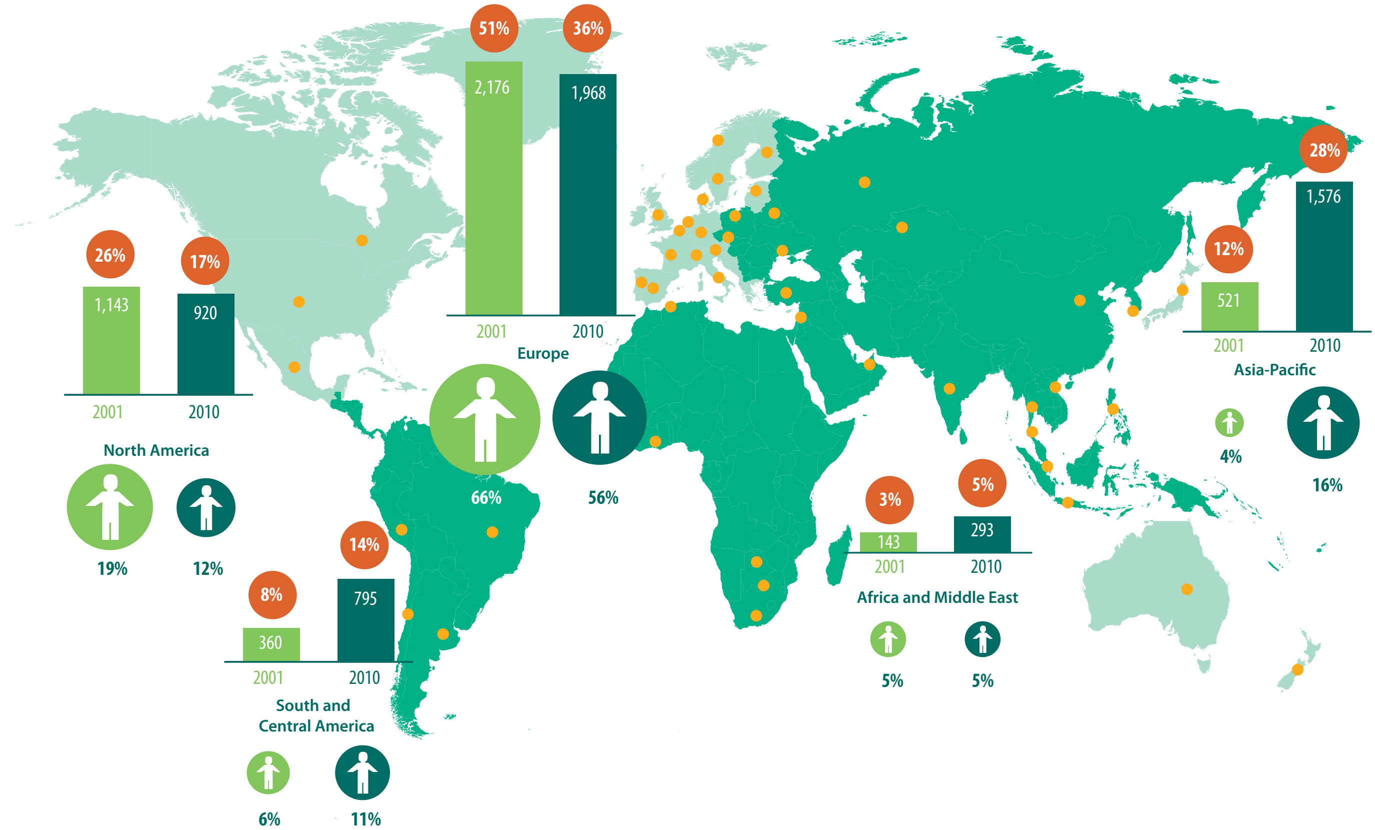
Developed markets

Our traditional markets are the developed markets, i.e. Western and Northern Europe, North America, Japan, Australia and New Zealand. The focus in these markets is on the services business and on modernization of the existing equipment base.

Western and Northern Europe

Our orders received from Western and Northern Europe amounted to EUR 1,586 million (EUR 1,249 million), or 27 percent (29%) of our total order intake. The increased budget deficits of several European countries generated uncertainty in Europe in 2010, which slowed the market

Metso in emerging and developed markets



- Developed markets
- Emerging markets
- Metso's operating countries
- Net sales, EUR million (2001)
- Net sales, EUR million (2010)
- % Share of Metso's net sales, %
- Share of the total amount of personnel 2001, %
- Share of the total amount of personnel 2010, %

recovery from the global downturn. However, our customers' capacity utilization rates clearly improved, which also impacted our services business favorably. We developed our services portfolio by acquiring web inspection and web break system business and rubber belt-related business to complement our product and services offering for the European pulp and paper industry.

In Jyväskylä, Finland, we completed the upgrade of the Paper Technology Center's second pilot machine. In June we started construction work on a new factory in Vantaa, Finland, that will manufacture special valves for demanding applications. Metso's industrial valve production in Finland and about 800 Automation and Power employees from the Helsinki area will move into the new facility during the first half of 2011. We have strong know-how in Finland in the product development and manufacturing of special valves for demanding applications e.g. at oil refineries and energy production plants. The new facility will offer us even better opportunities to develop product quality and delivery capacity.

We continued boosting the efficiency of our production network by centralizing the manufacturing of tube rolls and roll rubber covering in Finland to our Järvenpää factory and closing our Tampere and Oulu units. The start-up of the revamped production was preceded by a large-scale renovation of the premises in Järvenpää. Centralizing the manufacturing of tube rolls and rubber coverings to the same facility will cut transport costs, shorten lead time and improve production efficiency.

In Tampere, Finland, we relocated more than 1,000 energy and environmental technology experts into the same facility. The new unit is an internationally notable cluster of boiler and automation expertise for bioenergy solutions.

We are also establishing a production competence center in Tampere for Power business. The new competence center will develop new and efficient boiler production technology and will support our global boiler production network.

In Germany, we sold our Flexowell conveyor belt business to ContiTech Transportbandsysteme. Conveyor belts and bulk material handling systems will continue to be part of our offering to mining and construction industry customers, but in the future we will procure them from our subcontractors.

For the most part, in 2009, we finished the capacity adjustment measures that had been initiated in 2008, but a few measures were left for 2010. They mainly involved the valve supply center in Wittenheim, France, and the metal recycling business in Germany.

About 28 percent (35%) of our net sales and 27 percent (29%) of our orders received came from Western and Northern Europe. About 52 percent (54%) of our employees work in Western and Northern Europe.

North America

Metso has about 3,490 employees in North America. In 2010 net sales in North America were EUR 920 million

(EUR 774 million), representing 17 percent (15%) of our total net sales. About 15 percent (18%) of our order intake comes from North America. The services business accounts for an increasing share of our business in North America, and we have adjusted our resources and cost structure accordingly; in fact, our number of personnel in North America has been reduced by half during the past ten years. The net sales of our services business has tripled during the same period. About 12 percent of our employees are in North America.

The increased budget deficits also in the United States created uncertainty, which slowed market recovery in 2010. However, the increase in our customers' capacity utilization rates had a favorable impact on development of our services business.

A new facility for Mining and Construction Technology's needs was taken into use in May in York, Pennsylvania. The new facility supports our capacity to serve mining industry customers both globally and regionally.

In line with our strategy, we aim to increase our services business; as part of this goal, we acquired the services business of Wyesco of Louisiana in Louisiana, United States. Wyesco of Louisiana has operated in the service business for over 10 years and was Metso's licensed repair facility for the repair of certain pulp mill components in North America. The acquisition complements our maintenance services, technology and product portfolio for the region's pulp industry.

Pacific region (Australia, Japan and New Zealand)

Of the countries in the Pacific region, the demand in Australia in 2010 remained at a good level, particularly in the mining industry. We received an order for two grinding mills and the related equipment for the Newcrest Cadia Valley gold mine. Newcrest is Australia's largest gold producer and among the world's top ten mining companies. We also received an additional order for containerboard making technology from Amcor Packaging for the containerboard line located in Sydney.

The number of our personnel in the Pacific region increased by 32 people. Our orders received from the Pacific region amounted to EUR 288 million (EUR 223 million), or five percent (5%) of our total order intake.

Results through dialogue

A well-managed supply chain benefits everybody

With the role of Asia growing, Ari Harmaala, President of Metso Operations in China, and Sudhir Srivastava, Senior Vice President, Asia-Pacific, Mining and Construction Technology, discussed global supply chain management.

– **Ari Harmaala (AH):** Today almost all raw materials, components, production methods and services are available in China. As long as productivity exceeds costs, it is the place to manufacture and source products.

– **Sudhir Srivastava (SS):** India and China are markets with long-term potential, but they are also increasingly important sourcing hubs. We have increased our sourcing in Asia manifold and have expanded our manufacturing footprint. This has enabled us to improve competitiveness, especially locally but also on a global basis.

– **AH:** We are building a world-class supplier base in China. A real supply chain starts from engineering; tailored customer needs are engineered to modular, localized and standardized solutions. They are purchased from audited suppliers or made by us.

– **SS:** The development of sourcing in India and China has followed the same pattern. At first we just made make-or-buy decisions but now we are also transferring responsibility in engineering and quality control to those areas. Sourcing has been developed in standard and customized offerings.

– **AH:** We gain by unifying knowledge, operations and volume purchases for Metso as a whole, as we have seen with castings and pressure vessel purchases in China. Our customers get high-quality Metso products at competitive prices. When deliveries from China remain in Asia, also delivery times are shorter and the carbon footprint is smaller.

LINKS & NOTES

1 Megatrends, p. 10–13

2 Information about the geographical breakdown of our operations in the Figures section, p. 62–71

3 Additional information about financial responsibility in our sustainability online publication **www.metso.com/sustainabilityresults**

4 The reporting principles of sustainability data are presented in our sustainability online publication **www.metso.com/sustainabilityresults**

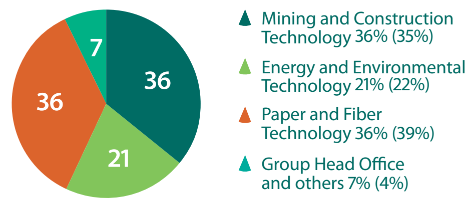
Metso people

Metso people

Developing our human resource management and investing in know-how strengthens our corporate culture and supports profitable growth. We have adopted new leadership principles and renewed our annual development review process. We are also continuing efforts to promote an even better and safer work environment.

Personnel by segment

Personnel 28,593 persons (2009: 27,166)



Leadership has a significant role in Metso's success. To successfully implement our strategy, our leaders must be able to inspire Metso people in their work to achieve both Metso's as well as their personal development goals. One of our central strengths is the extensive know-how of Metso's employees in more than 50 countries; we are investing in the continuous mapping, development and sharing of this know-how.

Our vision, mission and values guide the development of our personnel's know-how and well-being and our work environment. We have defined the common principles and practices supporting human resources management in our HR policies.
» SEE LINK 1

New leadership principles

We continued the development of leadership in 2010 and defined Metso's leadership principles. The principles represent our shared view of what makes a Metso leader.

Succeeding together requires good leaders who are actively involved in the daily work. The new principles emphasize the fact that supervisors inspire, show employees the way forward, and create an atmosphere of trust and continuous learning. According to the principles, supervisors must clearly communicate the individual- and team-level goals to each employee and invest in employee development and coaching, while ensuring operational productivity.

The new leadership principles were included in the 2010 renewal of the performance and development review processes. The principles were first implemented in the supervisors' self-assessments, which all individuals in supervisory positions carried out and then reviewed with their own supervisors as part of the development review in autumn. The implementation of the leadership principles will continue in 2011.

The renewal of the leadership principles is also part of the harmonization of Metso's ways of operating. We take into consideration the special characteristics of different countries and cultures in the implementation of the uniform ways of operating.

Competence development and training programs

Continuous learning and development are an important part of Metso's development and culture. They also play a key role in ensuring our competitiveness.

In 2010 we separated the development review and performance review that are part of the annual assessment process from each other. This ensures that at least one of the annual reviews focuses particularly on the employee's development needs, both short-term and long-term. This in turn enables planning for the know-how, knowledge and skills that will be needed in the future in the different areas of our business and for the correct way to develop these competences.

The performance review focuses on setting and achieving personal goals, whereas the development review focuses on development needs. With the development reviews we aim to ensure that we have a learning organization and that we have competent and committed personnel. They also support employee career planning, internal mobility, and the sharing of knowledge within our organization.

In the picture from left to right: Patrick Minamizaki, Viviane Franco, Ana Paula Pirez Costa, Guilherme Zanzarini, Rubens Aparecido Diniz, Camayosano Onofre.

The training programs in Metso's international training portfolio are important in developing leadership skills and know-how. In 2010 a total of 307 (160) Metso employees spent a total of 2,010 (1,200) training days in our global training programs. In other training programs supporting competence development, we continued investing in the promotion of Metso-wide cooperation. Our training expenses, excluding the wages and salaries of the participants, totaled EUR 11 (10) million.

Job satisfaction and work well-being development projects

Our TellUs employee survey provides feedback on how Metso people perceive our company and their own work community. The survey is a tool for the long-term development of the organization; it can be used to spark discussions and to generate new ideas and concrete improvements within the work community.

The last Metso-wide TellUs survey was conducted in late 2009. In 2010, based on its results, team-specific development projects and action plans have been initiated to help improve the work atmosphere and to clarify resourcing in teams.

Work on occupational health and safety

Safety is a leadership issue at Metso and an indication of work quality. Our occupational safety management is built on a platform of employee orientation, continuous training, risk assessment related to the workplace and the work, measures to reduce and eliminate risks when possible and systematic monitoring of local legislation. Every Metso employee plays a role in workplace safety.

We develop safety in the same way as other factors related to operational quality. Our Metso-wide occupational health and safety policy supports the development of a safe, healthy and well-tended work environment. Every Metso employee has the right to work in a safe manner and, at the same time, an obligation to comply with work safety guidelines. We aim to prevent accidents and injuries through operating guidelines and measures that reduce risks in the work environment.

In 2010 we continued the global roll-out of our new occupational health and safety monitoring system, OHS Monitor; 18,000 Metso employees were within the sphere of the monitoring. All significant accidents, near-miss situations and observed risks related to occupational health and safety, as well as employee absence information are collected into the OHS Monitor. Analyzing the information can prevent similar incidents throughout Metso. In factories, the system accelerates the procedures for reviewing accidents and dangerous situations. The standardized and comparable data also facilitates safety communications.

The results of occupational health and safety work and development measures that have been initiated are reviewed regularly at follow-up meetings at various levels of the organization and also quarterly by the Metso Executive Team and Board. In the long run, our target is for zero work injuries. In 2010 our lost time incident frequency (LTIF) was 12.4. Our short-term LTIF target is less than 10 in every Metso unit by 2012. LTIF reflects the number of incidents resulting in an absence of at least one workday per million hours worked.

» SEE LINK 2

Personnel structure

There was a clear turnaround to growth in our number of personnel in 2010. At the end of 2010 we had a total of 28,593 (27,166) employees. More than half of the personnel increase came through acquisitions and the rest organically, mainly in emerging markets. The share of our employees in emerging markets in proportion to our total number of personnel was 34 (31) percent. Women accounted for 18 (18) percent of our workforce.

Of our personnel, 97 percent were employed full-time, 2 percent were working part-time, and the proportion of trainees was one percent. Permanent employees, both full-time and part-time, made up 94 (96) percent of the personnel structure. The overall employee departure turnover rate was 13 (17) percent. The voluntary turnover rate was 3.7 (3.0). The average age of employees was 42 years and the average length of service was approximately 13 years. The countries with the most Metso employees were Finland, China, the United States, Sweden and Brazil. These five countries employed 67 percent of Metso's total workforce.

LINKS & NOTES

1. Metso's vision, mission and values, p. 17–18
2. More information about sustainability targets and achievements, p. 48–49
3. Figures, p. 62–71
4. More information about social responsibility, human resources management principles and occupational safety in our sustainability online publication **www.metso.com/sustainabilityresults**
5. The reporting principles of sustainability data are presented in our sustainability online publication **www.metso.com/sustainabilityresults**

In the picture: Martin Ridderheim, Pia Brorson.

Results
through cooperation

Development review supports career planning

In 2010 we separated the development review from the performance review, bringing an opportunity for more in-depth discussion about professional development.

"The new format is extensive; thorough preparation is a prerequisite for a successful discussion. The stronger focus on leadership issues supports both our business goals as well as employee motivation," says Ulla Partanen, Director, Service Solutions, Automation business line.

Martin Ridderheim, Vice President, Services business, and Pia Brorson, Manager, Engineering, Services business, both from Power business line, conducted the renewed development review in autumn 2010. Both see it as supportive of their own goals.

"It's a good opportunity to really sit down with every employee and discuss their individual role in the light of Metso's strategy and values," Martin says.

Pia also stresses the importance of taking personal responsibility for one's own development.

"A self-assessment before the development review gives you a chance to think about where you want to go; the discussion gives you the opportunity to express it," she says.

Targets and achievements

Factors that affected our operations in 2010

1

Strengthening economic growth and polarization of growth

The global economy gradually gained strength during the year. In emerging markets, economic growth was strong and the downturn didn't seem to have much impact on economic development. In Europe and North America, recovery was slow, and the big budget deficits in several countries fueled uncertainty both in the real economy and in the financial markets.

2

Volatility in the currency and financial markets

Substantial regional differences in economic growth and the continued volatility in the financial markets led to strong changes in currency exchange rates, which added to uncertainty about the global economy and delayed investment decisions particularly in Europe.

3

Growing inflation pressures

The continued strong economic growth in emerging markets and the globally strengthened demand for raw materials fueled inflation pressures, particularly in emerging markets, and, in the second half of the year, also in other parts of the world. Wage inflation of the educated workforce in emerging markets has reached a high level. Many raw material prices approached the peak levels seen in 2007–2008.

4

Services business growth

Industry's utilization rates were up and production volumes grew even faster than the global national product. This and the improved profitability of the customer base boosted demand for spare and wear parts as well as investments in repairs, optimizations and rebuilds that had been postponed during the difficult times.

5

Strengthening upswing in the global mining industry

The continued strong growth of emerging markets increased the demand for minerals and lifted mineral prices. Several mining companies announced sizable new mining projects. At the same time, the depletion of mineral resources of existing mines requires major investments to increase the capacity at these mines.

6

Environment

There is consensus around the world about the need for eco-efficient technology to mitigate climate change. Even so, the lack of political decision-making related to e.g. renewable energy is slowing the development of the markets.

Financial targets

GROWTH

Net sales growth

>10%

DESCRIPTION

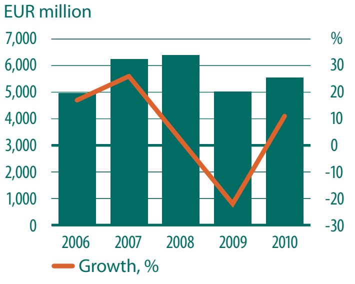
Average annual net sales growth of more than 10%.

Growth will be achieved both organically and through value-enhancing, complementary acquisitions.

FINANCIAL DEVELOPMENT IN 2010

Net sales increased by 11%.

Net sales



PROFITABILITY

Growth in EBITA*

EBITA-%* > 12%

ROCE-%** > 25%

DESCRIPTION

Target is to improve EBITA* annually.

Target is for EBITA* to exceed 12% of net sales.

Target is to exceed a 25% return on capital employed (ROCE-%**).

FINANCIAL DEVELOPMENT IN 2010

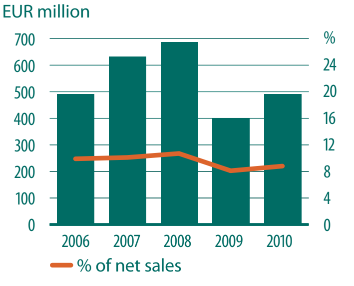
EBITA* improved by 23 percent and was EUR 491 million.

EBITA* was 8.8% of net sales.

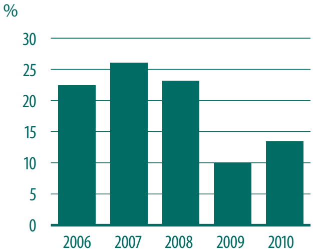
ROCE** was 13.5%.

* before non-recurring items
** before taxes

EBITA before non-recurring items



Return on capital employed



CASH FLOW

Cash conversion

>100%

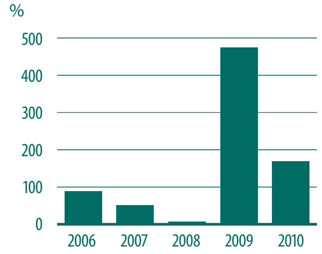
DESCRIPTION

Cash conversion (free cash flow/profit) to exceed 100%.

FINANCIAL DEVELOPMENT IN 2010

Cash conversion was 169%.

Cash conversion



DIVIDEND

Annual dividend

50%

of earnings per share

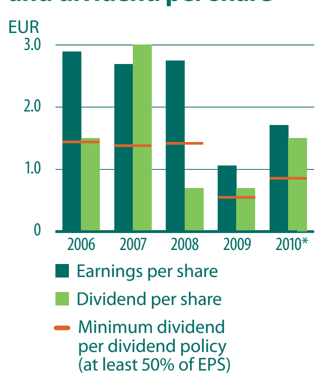
DESCRIPTION

Target is to pay at least 50% of annual earnings per share as a dividend or in other forms of repatriation of capital (share buybacks or redemptions).

FINANCIAL DEVELOPMENT IN 2010

Metso's Board of Directors proposes a dividend of EUR 1.55 per share for 2010, corresponding to 91% of earnings per share.

Earnings per share and dividend per share



*Board's proposal

CAPITAL STRUCTURE

Credit rating

SOLID

DESCRIPTION

Target is to maintain a solid investment grade credit rating. The key financial indicators, capital structure and cash flow, support a solid investment grade in credit rating.

FINANCIAL DEVELOPMENT IN 2010

Credit rating: Solid

Moody's, September 20, 2010: Baa2
Outlook: stable

Standard & Poor's August 12, 2010: BBB
Outlook: stable

MANAGEMENT ANALYSIS

Our operating environment recovered significantly in 2010, and we were again able to turn our focus to growth and our long-term goals. In the previous year we had a strong focus on securing competitiveness and flexibility and on profitability and cash flow.

The gradual economic growth that began in 2010 improved our operating conditions. We made good progress in the goals we had set for the strategy themes important for us, i.e. increasing the services business and eco-efficient solutions and strengthening our presence in emerging markets. We also continued developing our operations towards our long-term financial targets. The following is a review of the actions we have taken to achieve these goals. We have also elevated the prevention of work injuries and the reduction of our energy consumption to Metso-wide sustainability goals.

FINANCIAL TARGETS

In August 2008 we set our long-term financial targets. Last year, we achieved our targets in net sales growth, profitability improvement (measured in euros), cash flow and capital structure.

The proposed dividend exceeds our dividend policy. Achieving our targets in relative profitability (EBITA as a % of net sales) and return on capital employed (ROCE-%) requires a strong demand environment. Both key figures improved, but still fell short of our targets. We believe that we have a solid foundation upon which to achieve our long-term targets as demand is restored to the good level seen in 2006–2008.

Growth

Our goal is for sustainable profitable growth. The global megatrends offer us excellent opportunities for growth. Economic growth in emerging markets and urbanization are increasing infrastructure investments in transportation networks, construction and energy capacity. This is boosting the demand for a variety of metals and minerals, and thus necessitating increases in mining capacity and metal recycling solutions globally. The rapid growth of a middle class with more purchasing power and the rise in the standard of living are increasing the consumption of board, paper and tissue and requiring additional investments for their production.

As energy consumption grows, concern about the changing climate and the depletion of fossil fuels is driving investments in the utilization of renewable energy sources like biomass and waste as well as in production processes that use less energy, raw materials and water, and those that use more recycled materials and generate less harmful emissions. We are increasing our research and product development investments in environmental solutions and systematically developing our Energy and Environmental Technology offering.

Our strong global presence close to customers and our more robust investments to develop the services business offer growth opportunities in all our businesses.

In the long-term, we estimated that Metso's growth will come particularly from Mining and Construction Technology and from Energy and Environmental Technology. We are pursuing mainly organic growth, because it has the lowest risk potential. At the same time, we are also exploring business acquisition opportunities that complement our current product and services offering and geographical presence, and create added value for our customers and shareholders.

Profitability

Our profitability in recent years has improved by 4–5 percentage points compared to the period before 2005. Our targets for relative profitability (EBITA-%) and return on capital employed (ROCE-%) have been set so that achieving them requires a good demand situation consistent with a strong business cycle like the one in 2006–2008. Calculated at today's exchange rates, our net sales at that time were close to EUR 7 billion.

The structure of our business operations has a significant impact on the achievement of our profitability targets. Our goal is to increase the share of the services business and to keep it above 40 percent of our net sales also at the top of a business cycle. We estimate Paper and Fiber Technology's share of our net sales to drop to less than 30 percent in upcoming years. With these structural changes, we estimate EBITA before non-recurring items in relation to net sales to improve by approximately one percentage point compared to the 2006–2008 period.

In addition to changes in the business structure, achieving our profitability targets requires restoring the profitability of Mining and Construction Technology and Energy and Environmental Technology to the previous peak levels and a 1–2 percentage point improvement in Paper and Fiber Technology's profitability from the 2006–2008 level. Key factors for improving Paper and Fiber Technology's profitability are cutting down the cost structure, growing the services business, and improving the profitability of new equipment sales in the Fiber and Tissue businesses.

We are monitoring the success of our businesses in terms of profitability measured as EBITA-% and return on capital employed. Realizing Metso's ROCE target of over 25 percent requires EBITA to exceed 10 percent of net sales. The capital needs of our businesses vary based on the type of business in question, i.e. project, product or services business. At the segment level, achieving a ROCE of 25 percent requires that EBITA exceeds 12 percent of net sales in Mining and Construction Technology, 10 percent of net sales in Energy and Environmental Technology, and 8 percent of net sales in Paper and Fiber Technology.

Conclusions

The Board of Directors' dividend proposal of EUR 1.55 per share reflects our solid financial position and our confidence in Metso's future performance. Even after the dividends are distributed, we will have a strong balance sheet to develop Metso.

Based on the development last year and assuming that the gradual recovery of the global economy will continue, we estimate that Metso's net sales in 2011 will grow by more than 10 percent compared to 2010 and EBITA before non-recurring items will further improve.

This year has its own challenges in improving the financial result, including the fragility of economic recovery in certain areas, climbing inflation especially in the emerging markets, and exchange rate fluctuations. On the positive side, the outlook in the Mining business continues to improve and prospects for services across our businesses remain strong. The past years have clearly proven Metso's agility and competitiveness. Metso is in a strong position to deliver continued profitable growth.

Global sustainability goals

ENERGY-SAVINGS AND CARBON DIOXIDE EMISSIONS

OVERVIEW

Our goal is to improve energy efficiency and to reduce carbon dioxide emissions by 15 percent by 2015, and by 20 percent by 2020.

YEAR 2010

In 2010 we launched an energy efficiency program and established an energy efficiency team, and we started mapping opportunities to save energy.

YEAR 2011

In 2011 we will continue mapping the opportunities to save energy in our energy-intensive production units and we will launch the first investments targeting energy efficiency improvements.

OCCUPATIONAL SAFETY

OVERVIEW

The short-term occupational safety target is a lost time incident frequency (LTIF) of <10 in every Metso unit by 2012.

YEAR 2010

In 2010 our LTIF was 12.4. Of our 93 biggest units, 53 achieved the goal.

YEAR 2011

We will boost the focus on safety by strengthening our occupational safety organization and by e.g. increasing training in occupational safety issues.

We have two sustainability goals that we set in 2009 regarding energy savings and occupational safety. Last year over half of our biggest units achieved the short-term occupational safety goal. To achieve our energy-savings goal, we launched a Metso wide energy efficiency program in 2010.

Global safety targets

Metso's occupational health and safety policy supports the development of a safe, healthy and well-kept work environment. Our long-term goal is for zero work-related injuries.

Our short-term occupational safety goal is a lost time incident frequency (LTIF) of less than 10 in every Metso unit by 2012. In 2010 our LTIF was 12.4. LTIF reflects the number of injuries resulting in an absence of at least one workday per million hours worked.

In 2010, 53 of Metso's 93 biggest units achieved the occupational safety goal we had set. The results reported by Metso's units in this area vary dramatically, and there is clearly still room for improvement in occupational health and safety work. In 2011 we will increase our focus on occupational health and safety by e.g. strengthening the occupational safety organization and by implementing new tools in occupational safety training. We believe that every injury can be prevented.

Energy efficiency benefits the environment and the economy

In 2009 we set global, Group-wide energy-saving and carbon dioxide emissions targets for our own production. The majority of our reported CO_2 emissions come from the use of energy; therefore decreasing energy consumption will also reduce emissions – while also bringing financial benefits.

Mapping the opportunities to save energy and decrease carbon dioxide emissions at the Group level was started in the most energy-intensive production units, the biggest of which are the steel and iron foundries. The mapping will continue this year in the rest of the energy-intensive production units. Upon completion, 80 percent of Metso's energy consumption will have been mapped.

The biggest energy-saving opportunities are related to the use of fuel and heat. Potential savings outside our production processes were also found, e.g. in cooling and compressed air systems.

Using the results of a study by the energy efficiency team, we defined energy efficiency indexes, and the production units reported their energy consumption in accordance with the indexes for the first time in the third quarter of 2010. In the future the quarterly reporting will promote energy efficiency improvements and monitoring at the Group level.

Conclusions

We believe that the companies focusing their operations on resolving the challenges of sustainability will succeed and will create value and well-being for stakeholders and the surrounding society in the long-term.

The fast changes taking place in our operating environment increase the importance of internal development and operational improvement. Occupational safety requires continuous development of our operations. Increasing the eco-efficiency of our own production is also an important part of our sustainability.

Read more about sustainability in our Metso Sustainability Results 2010 online publication at www.metso.com.

LINKS & NOTES

1 Board of Directors' Report, p. 74–82

2 Figures, p. 62–71

3 Metso people, p. 40–42

4 The reporting principles of sustainability data are presented in our sustainability online publication **www.metso.com/sustainabilityresults**

Business at a glance

CUSTOMER INDUSTRIES

	Mining	Construction	Power generation
Market drivers	• Growth of emerging markets • Infrastructure investments • Growth of middle class with purchasing power • Urbanization	• Growth of emerging markets • Infrastructure investments and maintenance • Urbanization	• Growth in energy consumption • Investments in renewable energy • Refurbishment of aging power plants
Organic growth potential	Excellent	Good	Good
Acquisition potential	Some	Some	Extensive
Share of orders received in 2010	29%	13%	11%

METSO'S BUSINESSES

Segment and net sales in 2010	Mining and Construction Technology: EUR 2,235 million
Products and services	• Full-scope solutions for mining industry • Grinding mills, grinding solutions • Crushers, crushing solutions • Process equipment, such as pumps, filters, thickeners, separation equipment • Mobile crushers and screens • Bulk materials handling solutions, conveyors • Expert and maintenance services • Spare and wear parts
Customers	• Mining industry • Construction industry (quarries and contractors)
Competitors	• Mining industry: FLSmidth, Outotec,ThyssenKrupp, Sandvik, Weir, Citic • Construction industry: Terex, Sandvik, Astec • Services business: Many local and regional competitors
Global market position	• Grinders (1) • Mining crushers (1) • Construction industry crushing and screening plants (1–2)
Business lines	• Services: net sales EUR 1,150 million • Equipment and systems: net sales EUR 1,085 million • Mining: net sales EUR 1,494 million • Construction: net sales EUR 741 million
Share of orders received in 2010	41%

Automation	Recycling	Paper and board	Fiber
• Optimization of industrial processes and energy savings • Growth in energy consumption	• Restrictions on landfills • Replacing raw materials with recycled materials	• Growth of emerging markets • Growth of middle class with purchasing power in Asia • Digital media	• Growth of paper and board consumption in Asia • Availability and price of raw materials in South America and Southeast Asia • Capacity decreases in Europe and North America
Good	Good	Limited	Limited
Extensive	Extensive	Limited	Limited
7%	3%	27%	10%

Energy and Environmental Technology: EUR 1,435 million	Paper and Fiber Technology: EUR 1,856 million
• Power boiler plants and chemical recovery boilers, evaporators, flue-gas cleaning and environmental systems, power boiler rebuilds • Process automation and information management application networks and systems • Process measurement systems and analyzers • Control, on-off and emergency shutdown (ESD) valves and intelligent positioners and condition monitoring • Equipment for fragmentizing, compacting, and separating scrap metal • Equipment for shredding and crushing solid waste • Expert and maintenance services • Spare and wear parts	• Paper and board machines, comprehensive production lines • Tissue machines, comprehensive production lines • Equipment and production lines for chemical pulp industry • Equipment and production lines for mechanical pulp industry • Fabrics and filters for paper, pulp, energy and mining industries • Expert and maintenance services • Spare and wear parts
• Power plants • Oil and gas industry • Pulp and paper industry • Recycling industry	• Paper, tissue and board producers • Mechanical and chemical pulp producers
• Power plants (incl. pulp and paper industry): Foster Wheeler, Andritz, Babcock & Wilcox • Automation systems: ABB, Honeywell, Invensys • Valves: Emerson Process Management, GE, Flowserve • Metal recycling: Lefort, Akros Henschel, Harris, The Shredder Company • Solid waste recycling: Komptech, Lindner, SID	• Paper and board: Voith, Andritz • Pulp: Andritz, GL&W • Tissue: Andritz, Voith, Celli, Kawanoe Suki and several smaller companies • Fabrics: Albany, Xerium, Voith, AstenJohnson • Services business: Local and regional competitors
• Biomass-fired, fluidized bed boiler technology for the energy industry (1–3) • Special analyzers and consistency transmitters for pulp and paper industry (1), control valves (1), chemical recovery boilers (1–2), automation solutions (3) • Oil and gas industry valves (5) • Power plant automation (<10) • Metal recycling systems (1) • Waste recycling pre-shredders (1)	• Paper and board making lines (1) • Pulping lines (1–2) • Tissue machines (1) • Fabrics (5)
• Power: net sales EUR 599 million • Automation: net sales EUR 650 million • Recycling: net sales EUR 190 million	• Paper: net sales EUR 1,141 million • Fiber: net sales EUR 424 million • Tissue: net sales EUR 194 million • Fabrics: net sales EUR 148 million
26%	32%

Customer industries

Our three business segments – Mining and Construction Technology, Energy and Environmental Technology, and Paper and Fiber Technology – offer products and services to a range of customer industries.

Customers in several industries

We serve customers around the world in the mining, construction, power generation, oil and gas, recycling, and pulp and paper industries by supplying them with capital goods and the related process solutions and services. Most of our customers are industrial companies, like mining companies, energy companies and paper companies. Contractor customers are mainly in the construction and recycling industries. Most of our customers operate in the process industry and use natural raw materials or recycled materials in their production.

We have a balanced offering of products, projects and services business. Large-scale project deliveries are typical to the mining, power generation, and pulp and paper industries. Our deliveries to the construction and the oil and gas industries mainly consist of individual equipment components and smaller package solutions. The share of the services business is significant in all our businesses.

Our customers make investment decisions based primarily on the long-term demand and price forecasts for their products. They finance their bigger investment projects typically with a combination of cash flows and debt financing and the smaller purchases of services and machine rebuilds with their own cash flows. As a principal rule, we do not participate in the financing of customer projects.

Our customers are emphasizing return on investment in their decision-making and are thus pursuing efficient solutions with low initial investment and operating costs.

Our customer industries

Mining industry

Our mining industry customers include global mining giants, significant regional players, and smaller, local mining companies. In recent years the mining industry has consolidated, but a significant part of the world's mining operations is still carried out by small- and medium-sized regional and local mining companies. In the past decade mining industry investments have shifted more clearly to the southern hemisphere. Close to 90 percent of our mining industry net sales come from major global players or significant regional mining companies.

We estimate that about two thirds of the equipment and processes we supply are used in the production of iron ore, copper and gold, but other mining operations, such as those related to the production of nickel, platinum, zinc, silver and diamonds, are also important to us. Our product offering consists of e.g. crushers, screens, grinding mills, enrichment solutions, pelletizing plants, materials handling equipment and pyro processes as well as expert and maintenance services.

To secure the efficient operation of their existing mines, mining companies must make replacement investments and purchase spare and wear parts and maintenance services for existing machines and equipment also in an economic downturn. The services business accounts for over half of our deliveries to the mining industry, which offsets the impact that economic fluctuations have on our net sales.

New mining projects are launched increasingly in areas with geopolitical challenges and insufficient infrastructure, areas like Africa and the hard to access mountain regions in South America. The continuing depletion of ore bodies requires investments in capacity because increasingly bigger volumes of ore must be processed to produce the same amount of mineral. It is estimated that in the upcoming years these large-scale and highly capital-intensive projects will offer plenty of business opportunities for companies that are large suppliers of technologically advanced mining equipment and services, like Metso.

The recovery in developed markets and the continued, strong economic growth in emerging markets increased mineral consumption in 2010. Because of the strengthening demand and the higher price for minerals, the capacity utilization rates of mining companies soared, which clearly increased mining company investments in wear and spare parts and in capacity upgrades. Also sales negotiations for large-scale investments picked up, but only a few investment decisions were finalized during 2010. Thus investment decisions remained clearly below the peak levels of 2006 and 2007. We estimate that the investments in the mining industry will continue to grow in 2011 and also larger greenfield investment projects will be finalized. Due to the strengthening demand for minerals and our large installed equipment base, we expect the demand for our mining services to remain strong.

Construction industry

The construction industry customer base is fragmented: The sector consists of a few major aggregates producers but the majority of our customers are small- and medium-sized companies and contractors. The net sales of our construction business are almost equally divided between quarries and contractors. Quarries are either major international companies or local and regional players. Contractors are mainly small- or medium-sized local or regional companies operating as contract crushers at quarries and construction sites. Our construction industry customers typically react quickly to changes in the market situation by adjusting their level of new investments.

We supply our construction industry customers with rock crushers, mobile and stationary crushing plants, screens and conveyors as well as expert and maintenance services. Our customers are interested particularly in energy-efficient mobile solutions that can be easily transferred from one location to another and that generate as little waste, noise and dust as possible. More than one third of our construction industry net sales come from the services business.

Key drivers for construction industry development are the rapidly growing need for infrastructure, especially in transportation, investments in emerging markets and the modernization and expansion needs of the aging infrastructure in developed markets. We see the emerging markets, particularly the Eastern European countries, India, China and South America, as future growth areas. The public sectors in these areas have earmarked significant amounts for road network construction and other transportation infrastructure development.

Many countries have introduced stimulus measures related to infrastructure development. These measures have had only a minor impact so far. We expect them to have

Results
through cooperation

The role of biomass in future energy production

Teemu Ruska, Partner and Managing Director of Boston Consulting Group's office in Finland, shares his view on the role of biomass in future energy production.

The European Union has set an ambitious target for increasing the share of renewable energy from around 12 percent of final energy demand in 2010 to at least 20 percent by the end of this decade. In this context, final energy demand covers electricity, heating and cooling as well as transport fuels. All member states have recently filed initial plans on how they are planning to meet this target. Renewable energy targets vary from 13 percent in Belgium to as high as 50 percent in Sweden.

The solution will build on a balanced mix of technologies, and the relative weight of alternative renewable technologies will vary significantly by member state. Biomass-based power and heat generation is one of the important technologies utilized. Biomass is supported not only for environmental and economic reasons, but also for its high availability independent of weather conditions and easily utilized heat load.

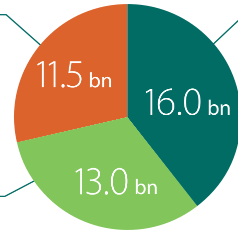
Based on the country plans, total biomass-based power and heat production will increase by over 400TWh between 2010 and 2020. Electricity generation from biomass will double from 114TWh to 232TWh, and biomass-based heating and cooling will grow from 685TWh to 1,006TWh. In absolute terms, the highest planned increases will happen in France, Italy and the UK.

A large share of the biomass will be locally collected and utilized, but big regional differences in the demand/supply balance of biomass will also lead to more international trade of biomass. Very interesting times lie ahead as more new units are built and development of the biomass market proceeds.

Our target markets in 2010: EUR 40.5 billion

PULP & PAPER EUR 11.5 billion
METSO'S MARKET SHARE ~15%

(of which services EUR 6.5 billion)
- Paper & board EUR 5.5 billion
- Fiber EUR 3 billion
- Paper machine clothing EUR 1.8 billion
- Pulp & paper automation and valves EUR 1.5 billion



MINING & CONSTRUCTION
EUR 16.0 billion
METSO'S MARKET SHARE ~18%

(of which services EUR 8.6 billion)
- Mining EUR 12 billion
- Construction EUR 4 billion

ENERGY & ENVIRONMENT EUR 13.0 billion
METSO'S MARKET SHARE ~5%

(of which services EUR 3.3 billion)
- Oil & gas (valves) EUR 5 billion
- Power generation EUR 2.5 billion
- Energy and process automation and valves EUR 4 billion
- Recycling EUR 1.5 billion

a positive impact on construction industry demand in the long-term. In the Asia-Pacific region and Brazil strong economic growth continues and infrastructure construction projects are maintaining good demand for construction equipment. We anticipate that demand for equipment used in aggregates production in Europe and in North America will gradually start to recover in 2011, thanks to the delayed replacement cycle, but will still remain weak. We estimate that demand for our services business for the construction industry will remain satisfactory.

Power generation

Independent energy companies and municipal power plants account for about two thirds of the net sales of our Power business, and pulp and paper mills account for about one third. Our strengths in power generation solutions include our technological know-how enabling the use of biomass and waste in energy production, and controlling technically challenging combustion processes that utilize multiple fuels simultaneously, supported by advanced automation solutions. Our offering for power suppliers includes power plant boilers, medium- and small-sized power plants, flue-gas cleaning systems, automation systems as well as expert and maintenance services.

The long-term market outlook for the energy industry, and particularly for energy production based on renewable fuels like biomass and waste, is promising. The International Energy Association (IEA) and McKinsey have estimated that about 70 percent of the power plant capacity necessary in 2030 has not yet been built, and a significant share of that new capacity is estimated to be based on renewable energy sources. The sizable need to modernize aging power plants in Europe and the United States during the next two decades is estimated to also increase demand for power boilers.

Several European countries and the United States have set targets to increase the use of renewable energy; we expect this to support demand for power plant solutions based on the use of biomass and waste. We estimate the demand for power plants using renewable energy sources to be good in Europe and North America in 2011. However, uncertainties related to the financial markets and support mechanisms for renewable energy may delay final decisions in some projects. We estimate demand for the services business to be at a good level.

Oil, gas and petrochemical industry

Our oil and gas industry customers are mostly oil and gas refiners. We supply them with industrial valves used mainly for flow control and with automation systems used to control and monitoring processes, as well as expert and maintenance services. Flow control solutions are a critical part of the refining process, the efficiency of which has a significant impact on the profitability of refineries. Over two-thirds of our automation products go to the oil, gas and petrochemical industry, and the rest mainly to the pulp and paper industry.

There was a favorable turnaround in the oil, gas and petrochemical industry's investments and demand for automation products in 2010, triggered by the increased demand and price for energy resulting from the global economic recovery. We estimate that demand for our automation products will continue to be good in 2011, as the oil, gas and petrochemical industries increase their investments.

Recycling industry

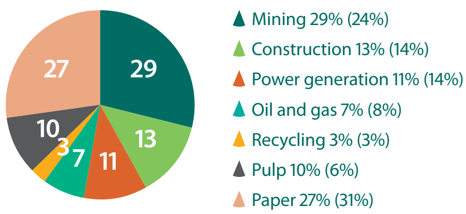
Our recycling industry customers are mostly regional operators specialized in recycling. We supply the metal recycling industry with crushers, shears, shredders and balers and the related services. Our product portfolio also includes technology for crushing other solid waste.

Trends in the recycling industry include sector consolidation and expansion of operations to cover all kinds of recycling operations, including the recycling of metal, solid waste, electronics and energy waste.

The metal recycling industry is most developed in Europe, Japan and North America. Growth areas include Eastern European countries, Asia and South America. Making the reuse and recycling of waste as efficient as possible and utilizing the remaining waste for energy production will become more common over the long-term because of the aim to prevent the growth of landfills.

We expect the demand for metal- and solid-waste recycling equipment to be satisfactory in 2011. Demand for the recycling equipment services business is expected to strengthen, as the capacity utilization rates of our customers' plants and equipment increase. The long-term outlook in the recycling industry is good.

Orders received by customer industry



Pulp and paper industry

Our customer base in the pulp and paper industry consists of major, regional or global players and a large number of smaller, local companies. We are one of the world's leading suppliers of paper, board and tissue lines, pulping lines, the related spare and wear parts, and expert and maintenance services.

Investments in new machinery and equipment are clearly more concentrated to Asia and South America, where economic growth is strong and the raw material used is the fast-growing, plantation-grown, short-fiber eucalyptus and acacia. Also in Russia there are several pulp mill projects planned that utilize the country's extensive forest resources. The pulp and paper industry in Europe and the United States is adjusting its operations to the permanently changed market situation, and production capacity has been dramatically decreased. Demand for our products and services in these areas primarily targets machine rebuilds, process improvements, spare parts and consumables as well as repair and maintenance services.

Demand for new fiber lines, rebuilds and pulp mill services has clearly recovered from the low levels of the past few years. We expect the fiber line equipment market to continue to be active this year with a tight competitive environment for large new projects. Demand for paper and board lines is expected to be satisfactory and demand for tissue lines good in 2011. We expect the improved capacity utilization rates of the paper and board industry to boost the demand for our services business.

Results
through dialogue

Mining companies looking for closer supplier relationships

John Trescot, Senior Vice President, Global Sales, Ross Wotherspoon, Country manager, Vice President, Australian and New Zealand Region, and Aldo Cermenati, Country Manager, Vice President, Services, South America, all from Metso's Mining and Construction Technology, talked about the global mining outlook.

– **John Trescot (JT):** The world's major mining companies expect metal prices to remain high for some years, and they are investing accordingly. After the financial crisis, our customers are looking for a closer supplier relationship.

– **Ross Wotherspoon (RW):** In Australia many major mining companies plan to expand and grow their capacities. There has been a rise in foreign investment in Australia from emerging markets, especially China. Emerging economies have traditionally been huge consumers of our resources, and now they want to take part in developing both the resources and the associated infrastructure.

– **Aldo Cermenati (AC):** Also in South America, we expect investments in new projects and existing operations. The Chinese and Japanese presence is growing rapidly as they are investing in new proprietary mining projects to assure a continuous supply of concentrates.

– **JT:** In China and India, for example, we are being called in more and more to work with customers on projects outside their territory. Fortunately, we have strong operations in both countries and can provide global support from a local base.

– **AC:** Customers show more interest in package solutions that include a process guarantee, more supplier involvement on the flow sheet design and one-source responsibility.

– **RW:** Customers are also trying to do more with less. There is a greater emphasis on lower operating costs, lower water consumption, improved energy efficiency, lower manning requirements, reduced development time, lower capital costs, and the list goes on. Some of the larger miners are developing highly automated facilities that are operated from control rooms thousands of miles from the actual mine site. The opportunity that exists for us is to provide a total service solution that accommodates all of these requirements.

LINKS & NOTES

1 Megatrends, p. 10–13
2 Segments, p. 56–61
3 Figures, p. 62–71

Mining and Construction Technology

Mining industry investments are estimated to be at a high level in upcoming years due to the rapidly growing consumption of minerals in emerging economies. Economic growth in emerging markets requires sizeable investments in transportation infrastructure, which supports the demand for our construction equipment. We are pursuing growth from the services business and by strengthening our presence particularly in the growing markets in South and Central America, India, China and Russia.

Supporting customers throughout the product life cycle

Our strong market position is founded on our profound understanding of customer processes and technologies, our long-term customer relations, and our comprehensive product and services portfolio. Our extensive installed equipment base, which is growing rapidly particularly in emerging markets, coupled with the growing demand for minerals and aggregates create a good platform for the development and future growth of our services business also in the long-term.

Our mission is to serve our mining and construction industry customers throughout the product life cycle – from the initial delivery of the process or equipment to the continuous optimization and maintenance. In recent years we have put special focus on developing our services business by e.g. expanding our offering and strengthening our resources and customer service close to customers.

Wear and spare parts account for some 85–90 percent of the net sales of the services business; maintenance and other expert services account for about 10–15 percent. We see growth opportunities particularly in equipment maintenance and various expert services, which many customers have thus far taken care of on their own, and in heavy-use wear parts, where the competitive arena is still quite fragmented.

Focus of growth to emerging markets

The growth and urbanization of emerging markets and the infrastructure construction required by the increasing stream of goods strengthen the demand for virtually all minerals and aggregates. Both in the mining and construction industries, the focus of growth of new equipment has shifted to emerging markets and it is laying a foundation also for the growth of the services business.

In recent years we have expanded our operations particularly in India and Brazil. Our global presence is supported by the construction of Metso Park in Alwar, in the state of Rajasthan, India; the industrial facility started its operations in late 2010. Initially, the factory is manufacturing mobile crusher components, pumps and rubber parts primarily for the needs of customers in India and other nearby areas. In recent years Brazil has become our single biggest market in terms of net sales and number of personnel, and we will continue strengthening our operations there.

In upcoming years we will invest in developing our business also in China and Russia so that we can tap into the growth opportunities of these markets. Our goal is to strengthen our local sales and service organizations in both of these markets and to develop our local procurement know-how and subcontractor networks. Australia, South Africa, Chile, Peru, Mexico and Canada are also very important mining industry markets for us, and we will continue to strengthen our competitiveness in these countries.

Systematic work to improve competitiveness

We operate in global markets; growth and success in the intensifying competition require us to continuously develop and enhance our operational efficiency. We have several programs under way to develop and improve our procurement, production, supply chain logistics and inventory management. By developing operations we are not only targeting cost savings and the release of capital tied to operations – our goal is the continuous improvement of customer service and competitiveness. Our global management and enterprise resource planning systems ensure that our operations are uniform and efficient and that we utilize economies of scale.

Research and development work that meets the needs of our customers is one of the prerequisites for

future success. Minimizing the environmental impacts of mining and construction processes has become a key factor steering our business development and our product offering. In the equipment and processes we supply, we use the best available technology for reducing energy consumption, emissions, noise and dust, and maximizing profitability. Also health, safety and environmental aspects are emphasized in all our activities.

Securing sufficient capacity and highly qualified personnel resources also play a key role. Ensuring the availability of components and products through our own production or via our supplier network is critical. Competent professionals in engineering and project management duties as well as those in maintenance and services play a key role in enabling growth around the world. The transfer of know-how is important in securing operational continuity.

Towards profitable growth

There was a clear upswing in the demand for our products and services in 2010 particularly in the mining industry, and emerging markets, also in the construction sector. Our goal is for profitable growth and strong competitiveness both in the short- and long-term. We are relying on our extensive installed equipment base, our global presence, our good customer relationships, and our strong know-how in the services business to help us achieve this goal.

OPERATING MODEL

Mining industry products are mainly tailored for the customer's needs, and we focus on engineering and managing delivery projects. We buy most of the manufacturing for heavy-duty mining products from our global subcontractor network. Construction equipment products are mostly standard solutions. We manufacture them in our own factories in different market areas, and we focus on the final assembly of components supplied by our subcontractor network. We manufacture spare and wear parts mainly in our own factories located in different market areas, which enables quick deliveries to our customers.

OUR STRATEGIC FOCUS AREAS

- Growing the services business
- Strengthening our global presence
- Developing and boosting efficiency in our ways of operating
- Offering sustainable equipment and processes that reduce environmental impacts
- Emphasizing health, environmental and safety aspects
- Securing the needed capacity and competent personnel

KEY FIGURES, EUR million

	2009	2010
Net sales	2,075	**2,235**
EBITA*	201.6	**264.8**
% of net sales	9.7	**11.8**
Personnel, Dec 31	9,541	**10,206**

* before non-recurring items

LINKS & NOTES

1 Read more about how the global megatrends impact our operations, p. 10–13

2 Read more about the development of the mining and construction industries, p. 52–55

3 Figures, p. 62–71

4 Read more about our financial development in 2010 in the Board of Directors' Report, p. 74–82

5 **www.metso.com/miningandconstruction**

Energy and Environmental Technology

Our growth in upcoming years in the area of energy and environmental technology will be based increasingly on the development of bioenergy solutions. Our bioenergy solutions are built on the collaboration and shared know-how for the needs of the energy industry.

The segment's uniting factors are biomass- and waste-based energy production solutions, for which Power supplies the boiler and flue-gas cleaning technology, Automation the process control solutions, and Recycling the solid-waste handling solutions.

We aim to grow in fast-developing markets for biomass- and waste-fueled energy production solutions. Supplementing technologies related to our bioenergy solutions is an important development project for us.

We are one of the world's leading suppliers of comprehensive bioenergy solutions. We have a wide selection of biomass-fueled power plant solutions. Additionally, we have technology for the reception and handling of fuel, flue-gas cleaning and complete power plant automation. In modern power plant solutions, automation plays a significant role in boosting energy efficiency and reducing emissions.

We are also the leading supplier of power generation solutions, recovery boilers, and automation solutions and valves for the pulp and paper industry. Our automation and service solutions help our customers increase efficiency and reduce emissions and the use of raw materials and energy in many industrial processes. We are also a significant supplier of valves and services for the oil, gas and petrochemical industry and the leading supplier of metal recycling equipment. Geographical expansion of our operations and growth in the services business are important development areas for us.

Biomass replacing fossil fuels

Global targets to reduce carbon dioxide emissions and to increase the use of renewable energy sources are boosting the demand for biomass- and waste-fueled solutions. Biomass, which consists of organic materials like wood, can be used to replace fossil fuels.

Energy produced with biomass is called carbon neutral, because the carbon dioxide released in the combustion process is absorbed in new growth. Because its fast cycling, it is estimated that biomass will have a central role in increasing sustainable energy production.

We are an especially strong supplier of multifuel-fired power boilers. We also have a solid track record in converting pulverized coal-fired boilers into biomass-fired boilers.

A significant part of the coal-fired power plants in Europe and North America are approaching the end of their useful life, and converting them into modern biomass- and multifuel-fired boilers utilizing process automation is expected to become topical in upcoming years. We have developed automation products and applications that power producers can use to increase the efficiency of their power plants and to reduce fuel consumption as well as emissions.

Alongside the combustion process, we are developing new biomass refining processes, such as gasification, pyrolyses and torrefaction. The end result is new biomass products that are more energy efficient, such as bio-oil, biogas, bio-coal and other highly refined products.

» SEE LINK 1

Growth in new market areas and services

The main markets for our bioenergy solutions are still in Europe and North America. We are actively expanding our operations in Asia and South America where we already have a strong position in automation and power generation solutions for the pulp and paper industry.

One of the challenges of our Recycling business is to grow also in emerging markets. Higher oil and gas prices have boosted demand for valves and valve services in emerging markets.

In spring 2010 we opened a technology center in Shanghai, China, specializing in automation solutions. The center provides facilities for comprehensive engineering and manufacturing. Local sales, service and product support functions for Automation

as well as some functions of Recycling and Power businesses are also located in the unit.

In addition to technology, we offer our customers life-cycle services for products and production processes as well as in-depth application know-how. We are working actively to strengthen our position as a supplier of key knowledge-based services close to our customers.

Environmental awareness brings growth

Demand for energy and environmental technology products and services strengthened in 2010 as our customers increased their investments and the market outlook improved. We believe that rising environmental awareness and tougher environmental legislation create favorable longer-term growth prospects for our bioenergy solutions, our energy efficiency-boosting automation solutions and our recycling technology.

OPERATING MODEL

Power industry products are tailored for the customer's needs. We focus on engineering and project management and outsource a significant part of the manufacturing. Process automation solutions account for half of our Automation business, and control valves and positioners for the other half. Valves and positioners are assembled mainly in our own factories and the components are outsourced. Our process and automation solutions are based on our own engineering know-how. A significant part of the engineering work is purchased from our subcontractors operating in competitive countries. Our recycling technology know-how is related mainly to metal and solid-waste recycling solutions. We manufacture and assemble recycling equipment mainly in our own units, and the bulk of the components come from our subcontracting network.

OUR STRATEGIC FOCUS AREAS

- Development of bioenergy solutions
- Business growth in emerging markets
- Growing know-how-based services business close to customers

KEY FIGURES, EUR million

	2009	**2010**
Net sales	1,523	**1,435**
EBITA*	147.4	**139.0**
% of net sales	9.7	**9.7**
Personnel, Dec 31	6,060	**6,073**

* before non-recurring items

LINKS & NOTES

1 Read more about how global megatrends impact our operations, p. 10–13

2 Read more about the development of the energy and recycling industries, p. 52–55

3 Read more about our environmental solutions, p. 28–29

4 Read more about our financial development in 2010 in the Board of Directors' Report, p. 74–82

5 Figures, p. 62–71

6 **www.metso.com/power**

7 **www.metso.com/automation**

8 **www.metso.com/recycling**

Paper and Fiber Technology

Investments in new paper and board capacity are continuing in China and elsewhere in Asia, fueled by brisk economic growth. New pulp capacity is being built mainly in South America and Southeast Asia, where low-cost wood raw material is available. Our extensive installed equipment base offers excellent growth opportunities for our services business globally. We are responding to changes in the sector by strengthening our global presence. Improving the profitability of our Fiber and Tissue businesses and cutting down the cost structure throughout the entire business segment are the key factors in strengthening our competitiveness.

Services business important in all market areas

In the pulp and paper industry the need for maintenance and expert services is emphasized in developed markets, as customers are optimizing existing capacity through process upgrades and machine rebuilds to meet market demand and to improve profitability. In the European and North American markets we are putting a stronger focus on developing spare and wear parts services and other maintenance services. Our services business development is supported by our extensive installed equipment base and on an in-depth understanding of our customers' industrial processes.

In emerging markets we offer our customers long-term maintenance and other service agreements already during the start-up of new projects. Offering expert services close to customers is critical in terms of competitiveness. Our third service center in China, located in the city of Zibo, in Shandong Province, was inaugurated in November 2010. The operational growth of our customers will continue to drive the expansion of our maintenance network.

We are growing our services business-related offering and know-how also through strategic acquisitions. At the end of 2009 we purchased Tamfelt Corporation, one of the world's leading suppliers of technical textiles. It became our new Fabrics business line.

Strong position in emerging markets

The consumption of paper, packaging and tissue paper is increasing as a result of globally growing demand for consumer goods and the fast growing middle class with higher purchasing power in the emerging markets. The consulting and engineering company Pöyry estimates that demand in emerging markets will grow by 2.5–4 percent a year, which requires the amount of new investments to remain at about the same level as in past years.

New paper and board machine investments are concentrated in the major and rapidly growing markets of China. We are currently the biggest supplier of paper and board machines and the related maintenance and expert services in China, with a market share around 35 percent.

It is anticipated that local competitors will strengthen their offering, particularly as suppliers of individual equipment components and maintenance services. Our competitive strengths include our services business know-how, solutions developed for local needs and comprehensive know-how of customer production processes.

The emphasis of pulp production has shifted from the northern hemisphere to South America and Southeast Asia, where the availability of low-cost raw material is abundant. In recent years Brazil has become one of the world's leading pulp producers. We are strengthening our presence there by constructing a new service and maintenance center in Araucaria. Other important emerging markets for us include e.g. Russia and India, where we already have a strong market position in pulping equipment markets. We aim to expand our operations in both countries as their markets develop.

To strengthen our global presence, we are increasing also local engineering and project management know-how in emerging markets. One of our key challenges is to ensure that the quality of our operations and products remains high as we increase our production and procurements in Asia and South America.

We aim to support the structural change of our customer industry through our research and product development by adapting our products and services to the new needs of our customers. In developed markets this means innovations that support the services business as well as solutions enabling entirely new business, like forest company bio-refining projects. On the other hand, in emerging markets this translates to increasingly cost-efficient solutions. In addition to these, solutions supporting sustainability are a focus area of our product development.

Profitability brings competitiveness

The demand environment for Paper and Fiber Technology strengthened in 2010, after two difficult years. Improving the profitability of the Fiber and Tissue businesses, strengthening our presence in emerging markets and cutting down our cost structure throughout the segment are the key factors in strengthening our competitiveness. Our innovative products and services, our global sales and services network and our large base of installed equipment give us a solid foundation for strengthening our position as the industry's leading supplier of products and services.

OPERATING MODEL

Paper, board and tissue machines are customized products, which we engineer and assemble in our units in the Nordic countries and China with steel structures and components purchased from subcontractors. The Fiber business line offers customized solutions for chemical and mechanical pulp industry customers, and we focus primarily on engineering and delivery project management while subcontractors are manufacturing the products we supply. We manufacture fabrics and paper machine clothing in our own factories in different market areas. The service of paper, board and tissue machines consists mostly of repairs and maintenance of paper machine rolls. We have roll service units around the world specializing in the handling of heavy components.

OUR STRATEGIC FOCUS AREAS

- Developing and growing the services business
- Improving profitability and price competitiveness
- Strengthening global presence

KEY FIGURES, EUR million

	2009	2010
Net sales	1,408	**1,856**
EBITA*	71.3	**107.6**
% of net sales	5.1	**5.8**
Personnel, Dec 31	10,459	**10,362**

* before non-recurring items

LINKS & NOTES

1 Read more about how the global megatrends impact our operations, p. 10–13

2 Read more about our actions to improve our profitability in our Annual Report, p. 44–46

3 Read more about the development of the pulp and paper industry, p. 52–55

4 Read more about our financial development in 2010 in the Board of Directors' Report, p. 74–82

5 Figures, p. 62–71

6 **www.metso.com/pulpandpaper**

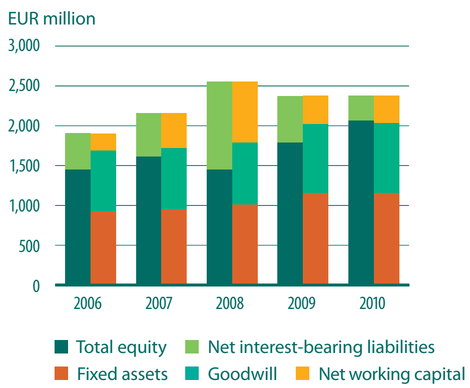
Group key figures

Key figures, EUR million

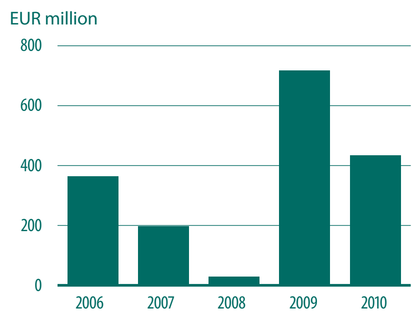
	2008	2009	**2010**
Net sales	6,400	5,016	**5,552**
Services, % of net sales	38	42	**45**
Earnings before interest, tax and amortization (EBITA) and non-recurring items	686.4	399.0	**491.0**
% of net sales	10.7	8.0	**8.8**
Operating profit	637.2	293.6	**445.2**
% of net sales	10.0	5.9	**8.0**
Profit before taxes	548	222	**370**
% of net sales	8.6	4.4	**6.7**
Profit	390	151	**258**
% of net sales	6.1	3.0	**4.6**
Gross capital expenditure (excluding business acquisitions)	255	117	**135**
Business acquisitions, net of cash acquired	44	1	**21**
Earnings per share, EUR	2.75	1.06	**1.71**
Dividend per share, EUR*	0.70	0.70	**1.55***
Balance sheet total	5,511	5,715	**6,232**
Return on capital employed (ROCE), %	23.2	10.0	**13.5**
Return on equity (ROE), %	26.0	9.8	**13.6**
Equity to assets ratio, %	30.9	35.7	**38.1**
Gearing, %	75.7	32.5	**15.0**
Free cash flow	29	717	**435**
Orders received	6,384	4,358	**5,944**
Order backlog, December 31	4,088	3,415	**4,023**
Personnel, December 31	29,322	27,166	**28,593**

* 2010 Board's proposal

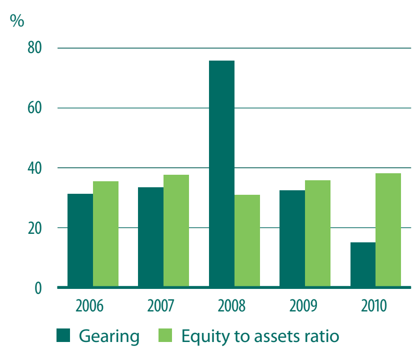
Balance sheet structure



Free cash flow



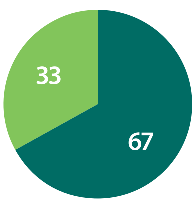
Gearing and equity to assets ratio



Segment key figures

MINING AND CONSTRUCTION TECHNOLOGY

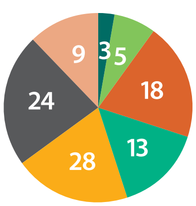
Net sales by customer industry



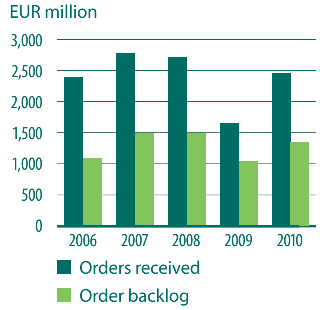
Segment key figures

EUR million	2009	**2010**
Net sales	2,075	**2,235**
Services net sales	1,017	**1,139**
EBITA before non-recurring items	201.6	**264.8**
% of net sales	9.7	**11.8**
Operating profit	198.8	**290.4**
Capital employed, Dec 31	1,072	**1,146**
Gross capital expenditure	40	**37**
Research and development expenses	12	**18**
Orders received	1,660	**2,457**
Order backlog, Dec 31	1,041	**1,356**
Personnel, Dec 31	9,541	**10,206**

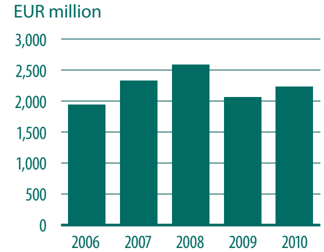
Orders received by area



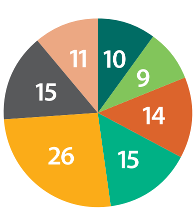
Orders received and order backlog



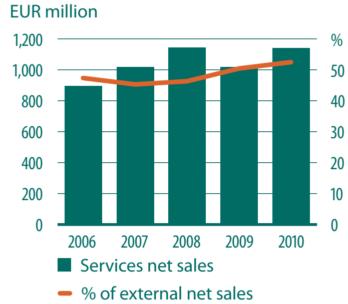
Net sales



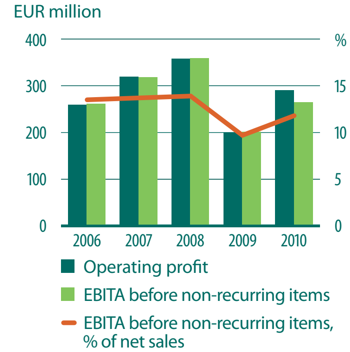
Personnel by area



Services net sales

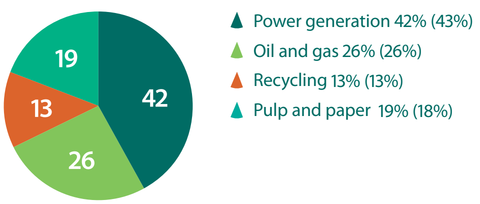


Operating profit and EBITA before non-recurring items



ENERGY AND ENVIRONMENTAL TECHNOLOGY

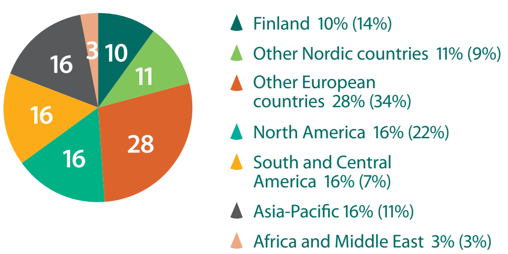
Net sales by customer industry



Segment key figures

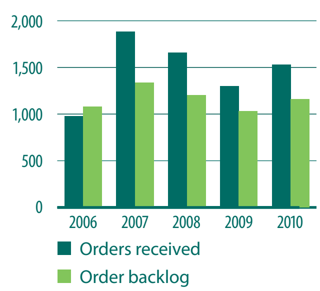
EUR million	2009	**2010**
Net sales	1,523	**1,435**
Services net sales	516	**547**
EBITA before non-recurring items	147.4	**139.0**
% of net sales	9.7	**9.7**
Operating profit	118.1	**111.4**
Capital employed, Dec 31	524	**495**
Gross capital expenditure	25	**30**
Research and development expenses	45	**45**
Orders received	1,297	**1,528**
Order backlog, Dec 31	1,032	**1,158**
Personnel, Dec 31	6,060	**6,073**

Orders received by area



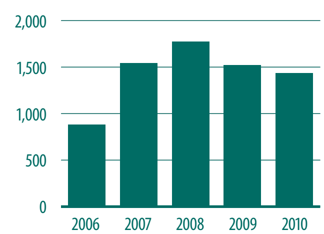
Orders received and order backlog

EUR million

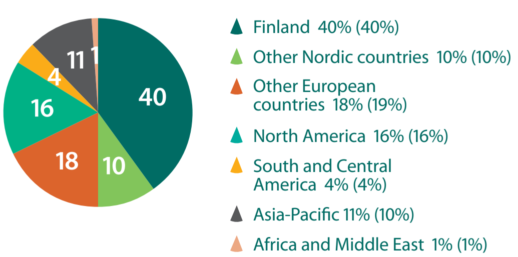


Net sales

EUR million

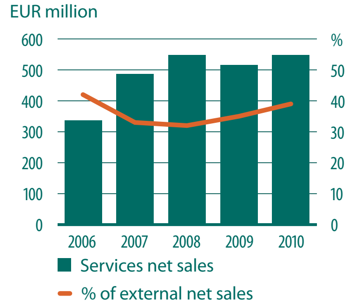


Personnel by area



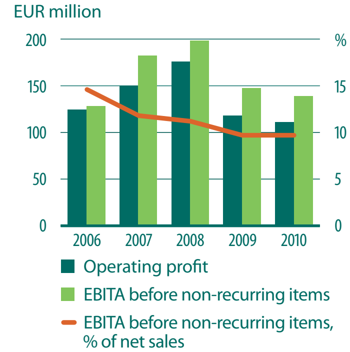
Services net sales

EUR million



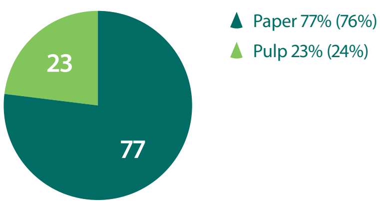
Operating profit and EBITA before non-recurring items

EUR million



PAPER AND FIBER TECHNOLOGY

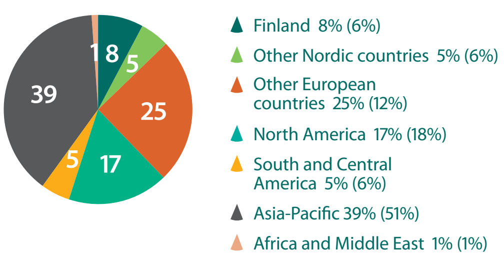
Net sales by customer industry



Segment key figures

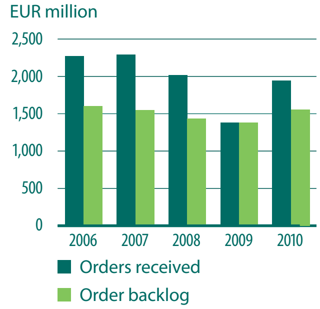
EUR million	2009	**2010**
Net sales	1,408	**1,856**
Services net sales	569	**766**
EBITA before non-recurring items	71.3	**107.6**
% of net sales	5.1	**5.8**
Operating profit	0.8	**70.3**
Capital employed, Dec 31	636	**584**
Gross capital expenditure	42	**60**
Research and development expenses	56	**48**
Orders received	1,384	**1,947**
Order backlog, Dec 31	1,380	**1,559**
Personnel, Dec 31	10,459	**10,362**

Orders received by area



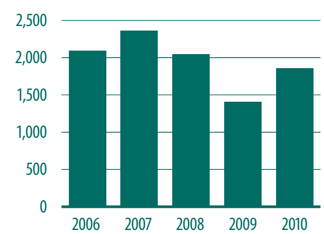
Orders received and order backlog

EUR million

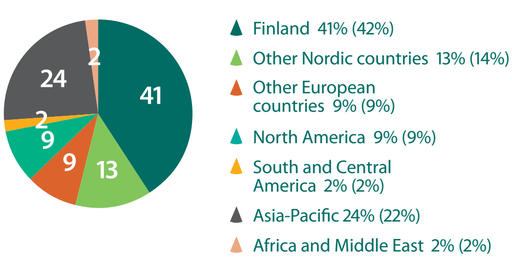


Net sales

EUR million

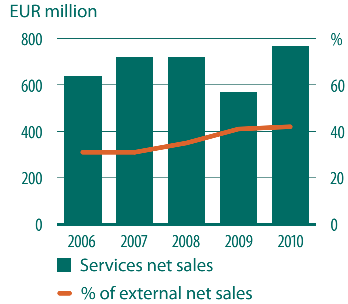


Personnel by area



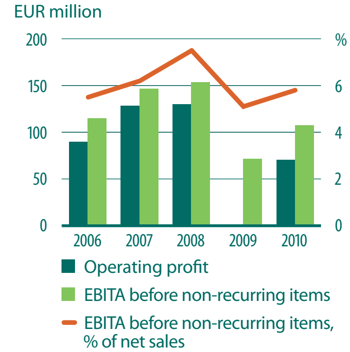
Services net sales

EUR million



Operating profit and EBITA before non-recurring items

EUR million



Operational figures

Key figures

EUR million	2008	2009	2010
Procurements*	4,214	3,248	**3,470**
Research and development expenditure (including IPR expenses)	148	131	**129**
Research and development expenses	134	115	**111**
Priority applications, pcs*	230	200	**181**
Invention disclosures, pcs*	900	620	**780**
Average number of employees	28,010	27,813	**27,585**
Wages and salaries excluding social costs	1,066	991	**1,106**
Lost time incident frequency (LTIF)*	n/a	n/a	**12.4**
Absences due to illness or injury, days/employee*	6.1	5.4	**5.4**
Sponsorships*	0.9	0.6	**3.1**
**Coverage of certified environmental management systems, %*	58.0	63.0	**64.0**
Carbon dioxide emissions, 1,000 t*	316	265	**284**
Energy consumption, TJ*	3,996	3,398	**3,693**
Metals use, 1,000 t*	251	156	**235**

* Unaudited
** In proportion to the energy consumption

Net sales, 20 largest countries

EUR million	2009	2010
China	538	**880**
USA	566	**704**
Brazil	301	**422**
Finland	328	**296**
Australia	216	**277**
Sweden	335	**275**
Germany	350	**259**
Canada	208	**215**
Russia	119	**202**
India	131	**165**
Chile	129	**160**
France	160	**149**
South Africa	158	**134**
Mexico	78	**126**
Spain	81	**110**
Poland	115	**103**
Great Britain	75	**101**
Norway	62	**78**
Turkey	24	**65**
Belgium	67	**63**

Orders received, 20 largest countries

EUR million	2009	2010
China	762	**895**
USA	631	**704**
Brazil	200	**592**
Finland	292	**348**
Sweden	231	**307**
Russia	127	**279**
India	117	**231**
Australia	165	**227**
Great Britain	49	**211**
Canada	165	**209**
Germany	194	**202**
Chile	134	**190**
France	108	**145**
South Africa	115	**145**
Mexico	93	**116**
Turkey	35	**94**
Peru	37	**88**
Spain	107	**72**
Norway	71	**68**
Poland	109	**60**

Personnel, 20 largest countries

	2009	**2010**
Finland	8,746	**8,748**
China	2,622	**2,842**
USA	2,758	**2,767**
Sweden	2,754	**2,677**
Brazil	1,738	**2,029**
South Africa	1,311	**1,319**
Germany	993	**1,164**
India	735	**864**
Chile	563	**744**
Canada	670	**724**
France	755	**717**
Australia	507	**535**
Poland	105	**490**
Czech Republic	337	**337**
Spain	270	**274**
Portugal	263	**255**
Mexico	179	**230**
Great Britain	273	**225**
Russia	177	**207**
Peru	135	**160**

Purchases by country, 10 largest countries

EUR million	2009	**2010**
Finland	880	**1,040**
USA	338	**344**
Sweden	223	**273**
Brazil	143	**266**
Germany	184	**174**
France	105	**142**
China	86	**122**
South-Africa	106	**113**
Canada	92	**99**
Australia	37	**98**

Capital expenditure by area

EUR million	2009	**2010**
Nordic countries	60	**75**
Other European countries	9	**9**
North America	10	**6**
South and Central America	10	**9**
Asia-Pacific	27	**35**
Africa and Middle East	1	**1**
Total	117	**135**

Monetary flows by stakeholder group

Generation of value added:		2008 EUR million	% of net sales	2009 EUR million	% of net sales	**2010 EUR million**	**% of net sales**
Customers	Net sales	6,400		5,016		**5,552**	
Suppliers	Purchases	–4,214	66	–3,248	65	**–3,470**	**63**
Metso-produced added value		2,186		1,768		**2,082**	
Distribution of value added:							
Employees	Wages and salaries	–1,066	17	–991	20	**–1,106**	**20**
Public sector	Taxes and other indirect employee costs	–471	7	–375	7	**–431**	**8**
Creditors	Net financial expenses	–89	1	–72	1	**–75**	**1**
Shareholders	Dividends	–425	7	–99	2	**–105**	**2**
Distributed to stakeholders		–2,051		-1,537		**–1,717**	
Retained in business		135	2	231	5	**365**	**7**

Quarterly Information

Consolidated statements of income

EUR million	1–3/09	4–6/09	7–9/09	10–12/09	**2009**	1–3/10	4–6/10	7–9/10	10–12/10	**2010**
Net sales	1,220	1,247	1,196	1,353	**5,016**	1,170	1,370	1,325	1,687	**5,552**
Cost of goods sold	–925	–942	–885	–1,056	**–3,808**	–879	–1,009	–969	–1,273	**–4,130**
Gross profit	295	305	311	297	**1,208**	291	361	356	414	**1,422**
Selling, general and administrative expenses	–239	–239	–210	–250	**–938**	–233	–260	–251	–284	**–1,028**
Other operating income and expenses, net	3	–1	13	9	**24**	12	39	–2	1	**50**
Share in profits and losses of associated companies	0	1	0	–1	**0**	0	0	0	1	**1**
Operating profit	59	66	114	55	**294**	70	140	103	132	**445**
% of net sales	4.8	5.3	9.5	4.1	**5.9**	5.9	10.2	7.8	7.8	**8.0**
Financial income and expenses, net	–22	–14	–23	–13	**–72**	–27	–18	–8	–22	**–75**
Profit before taxes	37	52	91	42	**222**	43	122	95	110	**370**
Income taxes	–11	–15	–28	–17	**–71**	–13	–37	–28	–34	**–112**
Profit	26	37	63	25	**151**	30	85	67	76	**258**
Attributable to:										
Shareholders of the company	26	37	62	25	**150**	30	84	67	76	**257**
Non-controlling interests	0	0	1	0	**1**	0	1	0	0	**1**
Profit	26	37	63	25	**151**	30	85	67	76	**258**
Earnings per share, EUR	0.18	0.26	0.44	0.18	**1.06**	0.20	0.56	0.45	0.50	**1.71**

Consolidated balance sheet

EUR million	Mar 31, 2009	June 30, 2009	Sep 30, 2009	**Dec 31, 2009**	Mar 31, 2010	June 30, 2010	Sep 30, 2010	**Dec 31, 2010**
Non-current assets								
Intangible assets	1,043	1,037	1,036	**1,175**	1,175	1,180	1,167	**1,167**
Property, plant and equipment	731	723	715	**819**	842	856	825	**849**
Financial and other assets	249	266	347	**422**	537	531	543	**410**
Total non-current assets	2,023	2,026	2,098	**2,416**	2,554	2,567	2,535	**2,426**
Current assets								
Inventories	1,591	1,466	1,316	**1,172**	1,234	1,310	1,320	**1,305**
Receivables	1,426	1,411	1,433	**1,400**	1,549	1,614	1,623	**1,856**
Cash and cash equivalents	436	605	612	**727**	535	568	622	**645**
Total current assets	3,453	3,482	3,361	**3,299**	3,318	3,492	3,565	**3,806**
Total assets	5,476	5,508	5,459	**5,715**	5,872	6,059	6,100	**6,232**
Equity								
Share capital	241	241	241	**241**	241	241	241	**241**
Other shareholders' equity	1,157	1,233	1,308	**1,542**	1,508	1,636	1,698	**1,808**
Non-controlling interests	9	9	10	**9**	9	11	9	**22**
Total equity	1,407	1,483	1,559	**1,792**	1,758	1,888	1,948	**2,071**
Liabilities								
Non-current liabilities	1,374	1,614	1,626	**1,641**	1,640	1,586	1,555	**1,269**
Current liabilities	2,695	2,411	2,274	**2,282**	2,474	2,585	2,597	**2,892**
Total liabilities	4,069	4,025	3,900	**3,923**	4,114	4,171	4,152	**4,161**
Total shareholders' equity and liabilities	5,476	5,508	5,459	**5,715**	5,872	6,059	6,100	**6,232**
Net interest bearing liabilities								
Long-term interest bearing debt	1,080	1,322	1,331	**1,334**	1,326	1,266	1,240	**956**
Short-term interest bearing debt	399	357	257	**242**	159	191	170	**417**
Cash and cash equivalents	–436	–605	–612	**–727**	–535	–568	–622	**–645**
Other interest bearing assets	–21	–32	–179	**–266**	–372	–351	–373	**–418**
Total	1,022	1,042	797	**583**	578	538	415	**310**
Equity to assets ratio, %	30.3	31.7	33.2	**35.7**	34.0	35.6	37.2	**38.1**
Gearing, %	72.6	70.2	51.1	**32.5**	32.8	28.5	21.3	**15.0**

Net sales

EUR million	1–3/09	4–6/09	7–9/09	10–12/09	2009	1–3/10	4–6/10	7–9/10	10–12/10	2010
Mining and Construction Technology	528	531	492	524	**2,075**	472	541	563	659	**2,235**
Energy and Environmental Technology	397	357	350	419	**1,523**	332	334	312	457	**1,435**
Paper and Fiber Technology	287	359	356	406	**1,408**	364	494	443	555	**1,856**
Valmet Automotive	21	14	7	14	**56**	11	17	20	36	**84**
Group Head Office and other	-	-	-	-	**-**	-	-	-	-	**-**
Group Head Office and others total	21	14	7	14	**56**	11	17	20	36	**84**
Intra Metso net sales	–13	–14	–9	–10	**–46**	–9	–16	–13	–20	**–58**
Metso total	1,220	1,247	1,196	1,353	**5,016**	1,170	1,370	1,325	1,687	**5,552**

EBITA before non-recurring items

EUR million	1–3/09	4–6/09	7–9/09	10–12/09	2009	1–3/10	4–6/10	7–9/10	10–12/10	2010
Mining and Construction Technology	59.4	42.3	57.7	42.2	**201.6**	39.5	64.8	74.9	85.6	**264.8**
Energy and Environmental Technology	33.7	35.5	40.3	37.9	**147.4**	31.8	29.3	31.7	46.2	**139.0**
Paper and Fiber Technology	3.8	14.8	35.9	16.8	**71.3**	18.9	36.0	31.8	20.9	**107.6**
Valmet Automotive	–0.3	–2.6	–5.5	0.3	**–8.1**	–7.1	–1.4	0.7	3.2	**–4.6**
Group Head Office and other	–4.8	–5.1	5.9	–9.2	**–13.2**	4.5	–3.7	–10.5	–6.1	**–15.8**
Group Head Office and others total	–5.1	–7.7	0.4	–8.9	**–21.3**	–2.6	–5.1	–9.8	–2.9	**–20.4**
Metso total	91.8	84.9	134.3	88.0	**399.0**	87.6	125.0	128.6	149.8	**491.0**

EBITA before non-recurring items, % of net sales

%	1–3/09	4–6/09	7–9/09	10–12/09	2009	1–3/10	4–6/10	7–9/10	10–12/10	2010
Mining and Construction Technology	11.3	8.0	11.7	8.1	**9.7**	8.4	12.0	13.3	13.0	**11.8**
Energy and Environmental Technology	8.5	9.9	11.5	9.0	**9.7**	9.6	8.8	10.2	10.1	**9.7**
Paper and Fiber Technology	1.3	4.1	10.1	4.1	**5.1**	5.2	7.3	7.2	3.8	**5.8**
Valmet Automotive	–1.4	–18.6	–78.6	2.1	**–14.5**	–64.5	–8.2	3.5	8.9	**–5.5**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
Group Head Office and others total	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
Metso total	7.5	6.8	11.2	6.5	**8.0**	7.5	9.1	9.7	8.9	**8.8**

Operating profit (loss)

EUR million	1–3/09	4–6/09	7–9/09	10–12/09	2009	1–3/10	4–6/10	7–9/10	10–12/10	2010
Mining and Construction Technology	54.9	46.0	53.7	44.2	**198.8**	38.1	95.7	68.2	88.4	**290.4**
Energy and Environmental Technology	27.7	29.7	32.9	27.8	**118.1**	23.5	22.7	23.8	41.4	**111.4**
Paper and Fiber Technology	–18.2	–1.6	27.6	–7.0	**0.8**	11.3	27.0	21.9	10.1	**70.3**
Valmet Automotive	–0.3	–2.6	–5.5	0.2	**–8.2**	–7.1	–1.4	0.7	1.4	**–6.4**
Group Head Office and other	–5.5	–5.6	5.4	–10.2	**–15.9**	3.7	–4.0	–11.1	–9.1	**–20.5**
Group Head Office and others total	–5.8	–8.2	–0.1	–10.0	**–24.1**	–3.4	–5.4	–10.4	–7.7	**–26.9**
Metso total	58.6	65.9	114.1	55.0	**293.6**	69.5	140.0	103.5	132.2	**445.2**

Operating profit (loss), % of net sales

%	1–3/09	4–6/09	7–9/09	10–12/09	2009	1–3/10	4–6/10	7–9/10	10–12/10	2010
Mining and Construction Technology	10.4	8.7	10.9	8.4	**9.6**	8.1	17.7	12.1	13.4	**13.0**
Energy and Environmental Technology	7.0	8.3	9.4	6.6	**7.8**	7.1	6.8	7.6	9.1	**7.8**
Paper and Fiber Technology	–6.3	–0.4	7.8	–1.7	**0.1**	3.1	5.5	4.9	1.8	**3.8**
Valmet Automotive	–1.4	–18.6	–78.6	1.4	**–14.6**	–64.5	–8.2	3.5	3.9	**–7.6**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
Group Head Office and others total	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
Metso total	4.8	5.3	9.5	4.1	**5.9**	5.9	10.2	7.8	7.8	**8.0**

Orders received

EUR million	1–3/09	4–6/09	7–9/09	10–12/09	**2009**	1–3/10	4–6/10	7–9/10	10–12/10	**2010**
Mining and Construction Technology	385	398	420	457	**1,660**	559	604	643	651	**2,457**
Energy and Environmental Technology	265	278	250	504	**1,297**	356	384	341	447	**1,528**
Paper and Fiber Technology	279	335	369	401	**1,384**	461	682	417	387	**1,947**
Valmet Automotive	21	14	7	14	**56**	11	17	20	36	**84**
Group Head Office and other	-	-	-	-	**-**	-	-	-	-	**-**
Group Head Office and others total	21	14	7	14	**56**	11	17	20	36	**84**
Intra Metso orders received	–8	–5	-15	–11	**–39**	–21	–16	–12	–23	**–72**
Metso total	942	1,020	1,031	1,365	**4,358**	1,366	1,671	1,409	1,498	**5,944**

Order backlog

EUR million	Mar 31, 2009	June 30, 2009	Sep 30, 2009	**Dec 31, 2009**	Mar 31, 2010	June 30, 2010	Sep 30, 2010	**Dec 31, 2010**
Mining and Construction Technology	1,347	1,196	1,103	**1,041**	1,182	1,310	1,329	**1,356**
Energy and Environmental Technology	1,182	1,035	939	**1,032**	1,073	1,159	1,159	**1,158**
Paper and Fiber Technology	1,438	1,304	1,330	**1,380**	1,516	1,759	1,703	**1,559**
Valmet Automotive	-	-	-	**-**	-	-	-	**-**
Group Head Office and other	-	-	-	**-**	-	-	-	**-**
Group Head Office and others total	-	-	-	**-**	-	-	-	**-**
Intra Metso order backlog	–33	–23	–32	**–38**	–51	–52	–47	**–50**
Metso total	3,934	3,512	3,340	**3,415**	3,720	4,176	4,144	**4,023**

Personnel

	Mar 31, 2009	June 30, 2009	Sep 30, 2009	**Dec 31, 2009**	Mar 31, 2010	June 30, 2010	Sep 30, 2010	**Dec 31, 2010**
Mining and Construction Technology	10,826	10,344	10,014	**9,541**	9,550	9,787	9,974	**10,206**
Energy and Environmental Technology	6,387	6,349	6,119	**6,060**	5,873	6,114	6,015	**6,073**
Paper and Fiber Technology	10,090	9,858	9,475	**10,459**	10,326	10,526	10,388	**10,362**
Valmet Automotive	618	636	636	**679**	705	723	668	**1,425**
Group Head Office and other	391	421	419	**427**	494	515	507	**527**
Group Head Office and others total	1,009	1,057	1,055	**1,106**	1,199	1,238	1,175	**1,952**
Metso total	28,312	27,608	26,663	**27,166**	26,948	27,665	27,552	**28,593**

In the picture: Douglas Freire de Lima, Luis Balsamo (Fishing Project teacher), Carolina da Silva Ferreira, Rosangela Santos De Paula.

Results
through cooperation

Education for disadvantaged youth in Sorocaba

A Brazilian saying goes 'instead of giving fish to the people, teach them how to fish.' Since 1990, some 360 boys and girls from 16–18 years old and coming from poor neighborhoods in Sorocaba, Brazil, have taken part in the Fishing Project. Supported by Metso, the project complements their school education and provides them with basic mechanical and vocational skills. The target is to help them get their first job and to move forward in life. The program has been successful: 90 percent of the participants are now employed, staying away from crime and drugs.

"It's an excellent program that gave me better professional opportunities. It's important that learning also extends beyond the classroom. My family is proud of my achievements. I now have more responsibility and am willing to learn new things. The project gave me the chance to be a trainee. Now I am studying in an engineering college," said Carlos, a former participant in the Fishing Project.

Financial Statements 2010

Financial statements presented in the Annual Report are condensed from the audited financial statements of Metso Corporation and comprise the consolidated financial statements of Metso, the Board of Directors' report, as well as the income statement, balance sheet and statement of changes in the shareholders' equity of the Parent Company. Audited financial statements, including also notes to the Parent Company financial statements, are available on our website www.metso.com.

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*) The accompanying notes form an integral part of these Financial Statements.

Board of Directors' Report

Operating environment and demand in 2010

The overall positive tone in the global economy and the gradual recovery of demand continued in most of our customer industries in 2010. The budget deficits of several European countries and the United States together with high volatility in currency exchange rates created uncertainties in the financial markets, which overshadowed the upswing in the markets.

Many major mining companies have confirmed significant capital investment programs for the coming years. As a result capacity expansion plans clearly increased, and the amount of quotations for equipment and projects continued to strengthen throughout the year. Several smaller mining companies still have financing challenges to push their projects forward but the situation is improving with them, too. Due to our large installed equipment base and our customers' growing production volumes, demand for our mining services also strengthened markedly during the year. Demand for mining equipment has so far related mostly to small and medium-size replacement and expansion investments, but towards the end of the year there was a clear increase in quotations for bigger new capacity expansion investments, too. Demand for equipment and services used in aggregates production by the construction industry was strong throughout the year in the emerging markets in Asia, Brazil and Eastern Europe, and showed first signs of recovery during the last quarter also in Europe and North America.

Demand for power plants utilizing renewable fuels was good in Europe and North America; however, uncertainty in the financial markets and pending policies on support mechanisms for renewable energy delayed final decisions on orders in several projects. Demand for our automation products clearly strengthened during the year as the oil, gas and petrochemical industries increased their investments due to the increase in energy prices and demand. Demand for metal and solid waste recycling equipment and related services also turned positive as a result of the global upswing in the demand for steel, but overall it still remained weak.

Demand for new fiber lines, rebuilds and pulp mill services clearly recovered during the year from the low levels of the past few years. Some large pulp mill projects in South America became active during the second half of the year but competition remained tough. Demand for tissue lines was strong both in the emerging as well as in the developed markets. Demand for paper and board lines was at the previous year's satisfactory level with demand coming primarily from China and smaller size board machines. The improved capacity utilization rates in the paper and board industry kept the demand for our services business good.

Orders received and order backlog

Orders received in 2010 totaled EUR 5,944 million, an increase of 36 percent on the comparison period. Excluding the effect from exchange rate translation, the growth would have been 27 percent. New orders significantly increased in all business segments and in all geographical regions. Our customers' improved capacity utilization rates were also reflected in the strong 36 percent growth (28% excluding the impact of the acquired Fabrics business) in our services orders compared to the previous year.

The three countries with the highest value of orders received were China, the United States and Brazil, which together accounted for 37 percent of all orders received. All the four BRIC (Brazil, Russia, India and China) countries were among the seven largest countries measured in new orders. The share of emerging markets in our orders received was 53 percent (48% in 2009).

At the end of December, our order backlog was EUR 4,023 million, which is 18 percent stronger than at the end of 2009 (EUR 3,415 million). Around EUR 3.1 billion of the deliveries in our order backlog are expected to be recognized as net sales in 2011, and around EUR 850 million of these are services business orders. The order backlog at the end of 2010 included some EUR 375 million in projects (some EUR 500 million on December 31, 2009) with uncertain delivery schedules and which will, according to present estimates, be delivered after 2011. The uncertainties in the order backlog mostly concern the Fibria pulp mill project in Brazil.

Net sales

Our net sales for 2010 increased 11 percent on the comparison period and were EUR 5,552 million (EUR 5,016 million in 2009). Excluding the effect from exchange rate translation, the growth in net sales would have been 4 percent. The growth came from Paper and Fiber Technology, which recorded an increase of 32 percent and from Mining and Construction Technology, with an increase of 8 percent. Energy and Environmental Technology's net sales declined 6 percent due to the low level of new orders in the previous year. Net sales for our services business increased 17 percent (excluding the impact of the acquired Fabrics business the growth was 10 percent) and its share of the total net sales increased to 45 percent (42% in 2009).

Measured by net sales, the largest countries were China, the United States and Brazil, which together accounted for 36 percent of our total net sales. The share of emerging markets in our net sales was 50 percent (44% in 2009).

Financial result

In 2010 our EBITA before non-recurring items was EUR 491.0 million, i.e. 8.8 percent of net sales (EUR 399.0 million and 8.0% in 2009). The improvement in our profitability resulted primarily from an increase of over one percentage point in the gross profit margin as a result of higher capacity utilization rates and sales volumes. The EBITA margin in 2010 was negatively affected by over one percentage point because of under-absorption in several manufacturing units while capacity utilization rates were still relatively low. Selling, general and administrative expenses increased on a comparable basis (excluding the impact of the acquired Fabrics business, currency translation and non-recurring items) less than 3 percent while we were preparing for increasing order and delivery volumes especially in Mining and Construction Technology. The profitability improved in the Mining and Construction Technology and Paper and Fiber Technology segments while Energy and Environmental Technology's profitability remained at the level of the previous year.

In 2010 our operating profit (EBIT) was EUR 445.2 million, i.e. 8.0 percent of net sales (EUR 293.6 million and 5.9% in 2009). The EBIT includes EUR 11.8 million in non-recurring items, which had a positive impact (EUR 64.7 million in negative non-recurring items in 2009), as specified in the table next page.

Group Head Office's operating profit in 2010 includes foreign exchange gains of EUR 10 million from foreign exchange hedge contracts made by reporting segments with Group Treasury (EUR 12 million gain in 2009). Corresponding foreign exchange losses are included in the operating results of the reporting segments.

Net financing expenses for 2010 were EUR 75 million (EUR 72 million in 2009). Interest expenses were EUR 69 million (EUR 75 million in 2009). Net financing expenses include EUR 10 million in foreign exchange losses related to the above-mentioned Group Head Office's foreign exchange gain.

Our profit before taxes was EUR 370 million (EUR 222 million in 2009), and our tax rate for 2010 was 30 percent (32% in 2009).

The profit attributable to shareholders in 2010 was EUR 257 million (EUR 150 million in 2009), corresponding to earnings per share (EPS) of EUR 1.71 (EUR 1.06 per share in 2009).

Return on capital employed (ROCE) before taxes was 13.5 percent (10.0% in 2009) and the return on equity (ROE) was 13.6 percent (9.8% in 2009).

Financial indicators for the years 2006–2010 are presented on page 137.

Cash flow and financing

Following the substantial reduction in net working capital and exceptionally strong overall operating cash flow in 2009, cash generation was also good in 2010. Net cash provided by operating activities amounted to EUR 506 million (EUR 770 million in 2009). Thanks to continued focus on working capital management, our net working capital decreased EUR 25 million in January-December in spite of increasing delivery volumes.

Free cash flow in 2010 was EUR 435 million (EUR 717 million in 2009).

Net interest bearing liabilities declined considerably and totaled EUR 310 million at the end of the year (EUR 583 million on December 31, 2009).

Our total cash assets at the end of 2010 were EUR 1,051 million, EUR 406 million of which has been invested in financial instruments with an initial maturity exceeding three months. The remaining EUR 645 million has been accounted for as cash and cash equivalents. In December, we renewed the syndicated five-year EUR 500 million revolving credit facility. The facility is primarily to support short-term funding. Our liquidity position is good.

Non-recurring items and amortization of intangible assets

2010 EUR million	Mining and Construction Technology	Energy and Environmental Technology	Paper and Fiber Technology	**Metso Group**
EBITA before non-recurring items	**264.8**	**139.0**	**107.6**	**491.0**
% of net sales	**11.8**	**9.7**	**5.8**	**8.8**
Capacity adjustment expenses	–1.8	–7.9	–7.3	**–17.0**
Gain on sale of Talvivaara shares	8.4	-	-	**8.4**
Intellectual property related items	27.6	-	-	**27.6**
Gain on business disposal	0.9	-	-	**0.9**
Credit loss reserve related to two paper machine customers	-	-	0.9	**0.9**
Net effect for prior years' ICMS (VAT) tax credits in Brazil	–2.8	-	–2.0	**–4.8**
Costs related to business acquisition projects	-	-	-	**–4.2**
Amortization of intangible assets [1]	–6.7	–19.7	–28.9	**–57.6**
Operating profit (EBIT)	290.4	111.4	70.3	**445.2**

[1] Includes EUR 32.9 million amortization of intangible assets acquired through business acquisitions.

2009 EUR million	Mining and Construction Technology	Energy and Environmental Technology	Paper and Fiber Technology	**Metso Group**
EBITA before non-recurring items	**201.6**	**147.4**	**71.3**	**399.0**
% of net sales	**9.7**	**9.7**	**5.1**	**8.0**
Capacity adjustment expenses	–21.9	–11.1	–41.7	**–74.7**
Gain on sale of Talvivaara shares	23.1	-	-	**23.1**
Hedging reversal due to a cancelled customer order	-	-	–9.0	**–9.0**
Credit loss reserve related to two paper machine customers	-	-	–4.1	**–4.1**
Amortization of intangible assets [1]	–4.0	–18.2	–15.7	**–40.7**
Operating profit (EBIT)	198.8	118.1	0.8	**293.6**

[1] Includes EUR 18.5 million amortization of intangible assets acquired through business acquisitions.

In April, following the Annual General Meeting, we paid EUR 105 million in dividends for 2009. Our gearing continued to improve throughout the year and was 15.0 percent at the end of 2010 (32.5% in 2009) and our equity to assets ratio was 38.1 percent (35.7% in 2009).

Capital expenditure

Our gross capital expenditure in 2010, excluding business acquisitions, was EUR 135 million (EUR 117 million in 2009). The share of maintenance investments was 58 percent, i.e. EUR 78 million. Capital expenditure included two small technology related investment; in April we purchased the paper machine web inspection and web break system business and took over about 30 people, and in August we invested in rubber belt related business with 16 people to complement our service and product offering to the pulp and paper industry. We estimate new capital expenditure in 2011 to increase 10–20 percent on 2010.

The first phase of our largest single industrial investment so far, Metso Park in India, was completed in March and the second phase has been initiated. A technology center specializing in automation and flow control solutions and products was inaugurated in May in Shanghai, China. In York, Pennsylvania, USA, Mining and Construction Technology took up new office premises under operating lease arrangements in May. In June, construction work was started in Vantaa for a new facility to strengthen our global industrial valve production. This investment will also be accounted as an operating lease. In Araucaria, Brazil, construction work on a new facility for our regional pulping and power operations has been started. In Jyväskylä, Finland, we completed an upgrade of a pilot machine at the Paper Technology Center. In Zibo, our third service center in China for the pulp and paper industry was inaugurated in November. Investment projects in global enterprise resource planning (ERP) systems are underway in Mining and Construction Technology and in the Automation business. Mining and Construction Technology's ERP project is estimated to be completed during the first half of 2011.

Acquisitions, divestments and joint ventures

In November, the two investment companies Pontos Group and Finnish Industry Investment Ltd invested through a directed share issue a total of EUR 20 million into our automotive business, thereby giving them a total shareholding of 34 percent in Valmet Automotive. Valmet Automotive's key management will be committed and incentivized through a separate directed share issue under which the management will invest in Valmet Automotive, too. After these arrangements, Metso's ownership in the company will be somewhat over 60 percent.

In connection with the above mentioned transaction, Valmet Automotive acquired Karmann's convertible roof systems in Germany and Poland. The acquired roof business employs over 700 people and the net sales were about EUR 170 million in 2010. As one of three leading suppliers of roof systems, Karmann has a market share of about 25 percent and delivery agreements spanning several years.

In July, we acquired the repair service business of Wyesco of Louisiana, L.L.C., in the U.S. state of Louisiana. The business was affiliated to the Paper and Fiber Technology segment and it employs 30 people.

In May, we completed the divestment of the Flexowell conveyor belt operations in Germany to ContiTech Transportbandsysteme GmbH. Flexowell was part of the Mining and Construction Technology segment.

In November 2009, we concluded a combination agreement with Tamfelt, one of the world's leading suppliers of technical textiles. The remaining 2 percent of Tamfelt's shares were redeemed in accordance with the Finnish Companies Act, and in May 2010 Metso gained title to all the shares in Tamfelt. Since December 2009, Tamfelt has been a part of our Paper and Fiber Technology segment and today constitutes the segment's Fabrics business line.

Research and development

Our research and development activities focus on several areas that are important in terms of sustainability and competitiveness, such as energy and raw material efficiency, utilization of recycled raw materials, process control technology and, increasingly, new services business solutions. We have concentrated our R&D work on projects that offer the best potential for capitalizing on our future growth opportunities.

Our research and development expenses were EUR 111 million in 2010, i.e. 2.0 percent of Metso's net sales (EUR 115 million and 2.3% in 2009). In addition to this, expenses for intellectual property rights amounted to EUR 18 million in 2010 (EUR 15 million in 2009). Our R&D resources are spread throughout about 40 networked units in Europe, North America, South America and Asia and employed 829 people (763 in 2009) in 2010. Our personnel made approximately 780 invention disclosures during the year (620 in 2009), which led to more than 180 priority patent applications (200 in 2009). At the end of the year, approximately 3,000 Metso inventions were protected by patents (3,000 in 2009). In 2010, we launched a new, EUR 10 million stimulus package to accelerate our long-term strategic R&D and innovation activities. The program was focused on R&D supporting the growth of environmental and services business.

Focus areas of our R&D during 2010 were services business, energy and environmental efficiency as well as features aimed at improving profitability of our customers' investments. New products included, for example, service offerings for mining customers in which they can select inspection, site supervision, maintenance, process optimization and complete maintenance services and even performance contracts with risk and profit sharing options. Another example is a new energy-saving layering concept for various packaging board grades reducing customers' initial investment and operational costs.

During the year, we launched several R&D cooperation projects with our partners, such as an industrial-scale development project for torrefaction with Swedish Bio Energy Development North AB. The target is to install an industrial-scale development unit in Örnsköldsvik, Sweden, for torrefaction of wood biomasses and residues from the agricultural sector. Torrefaction is a mild pyrolysis process, whereby "green coal" is produced from biomass. Green coal is a sustainable fuel and will play an important part as a substitute for fossil coal in power generation and gasification processes. In cooperation with Stora Enso and Domtar we established a long-term project to develop a future pulp mill biorefinery based on new pulping technology. The target is to develop a new concept that improves the energy efficiency and cost effectiveness of the process, has lower initial capital investment costs and reduces fiber usage, however without affecting its properties important to paper and board quality.

We are also expanding our product development activities to emerging markets with a target to localize and customize our products for the needs of new markets. We use our global product designs as basic development platforms which we then engineer locally. These products are also designed to use locally available materials and components and to be manufactured locally. For example in 2010 our Indian engineering team developed the first track-mounted crushing unit primarily for the Asian market and to be manufactured in India. The first units will be available for sale in 2011. Another good example is a small size recovery boiler designed by the Indian power engineering unit to be manufactured locally in India. The first boilers have already been delivered to customers.

Environment and environmental technology

The environmental impact of our own production is minor and relates mainly to the consumption of raw materials and energy, emissions to air, water consumption and waste. We are continuously improving our environmental management practices and the eco-efficiency of our production facilities, as well as developing our cooperation, towards greater environmental efficiency with our subcontractors and the entire supply chain.

We set in 2009 Metso-wide global energy savings and carbon dioxide emissions targets for our production operations in an effort to reduce our energy consumption and emissions by 15 percent by 2015 and 20 percent by 2020, in line with the EU goals. Our first projects targeted at reaching those goals were launched in 2010.

Many of Metso's technology solutions have been developed in close cooperation with our customers. The solutions are related to renewable energy sources, energy efficiency of our customers' production processes, waste management, recycling, efficient utilization of raw materials and water, reducing dust, noise, carbon dioxide and particle emissions, and process optimization, to name a few.

We also provide training, maintenance and other services related to our technology to secure efficient and sustainable use of the processes and equipment we have delivered.

Risks and business uncertainties

Our operations are affected by various strategic, financial, operational and hazard risks. We take measures to manage and limit the potential adverse effects of these risks. If such risks materialized, they could have material adverse effects on our business, financial situation, and operating result or on the value of Metso shares and other securities.

Our risk assessments take into consideration the probability of the risks and the estimated impact of them on our net sales and financial results. The management estimates that the overall risk level of the company is currently manageable in proportion to the scope of our operations and the practical measures available to manage these risks.

The budget deficits in many European countries and the United States with potential negative impact on funding from capital markets coupled with strong fluctuations in exchange rates have increased the uncertainty which could slow the economic recovery particularly in Europe and North America. Despite this, we estimate that the business environment in our main customer industries continues to gradually improve because of the global megatrends like emerging markets growth, urbanization and increasing importance of environmentally sustainable process solutions. We estimate that the high share of our business derived from services and emerging markets will diminish the possible negative effects that market uncertainties may have.

If the recovery in the global economy is interrupted, it might have adverse effects on new projects under negotiation or on projects in our order backlog. Some projects may be postponed or they may be suspended or canceled. At the moment less than 10 percent of orders in the order backlog are subject to uncertainties relating to delivery schedules. In long-term delivery projects the initial customer down payments are typically 10–30 percent of the value of the project, in addition to which the customer makes progress payments during the project execution. This significantly decreases our risk and financing requirements related to these projects. We continually assess our customers' creditworthiness and ability to meet their obligations. As a rule, we do not finance customer projects.

We have adjusted our capacity and cost structure in order to maintain our competitiveness. Also our suppliers have strongly adjusted their capacity during the past two years and it is possible that now with the demand picking up suppliers' ability to supply raw materials, components and subcontracting services may have weakened, which may result in delivery problems. If the recovery of the global economy is interrupted, the markets for our products may contract, which may lead to tightening price competition.

Securing the continuity of our operations requires that sufficient funding is available under all circumstances. We estimate that our cash assets totaling EUR 1,051 million and available credit facilities are sufficient to secure short-term liquidity. Our committed credit facility, with five year maturity, is available for withdrawal and amounted to EUR 500 million. The average maturity for our long-term debt is 2.8 years. Less than one third of our long-term debt will mature by the end of 2011. There are no prepayment covenants in our debt facilities that would be triggered by changes in credit ratings. Some of our debt facilities include financial covenants related to capital structure. We fully meet the covenants and other terms related to our financing agreements.

The levels of net working capital and capital expenditure have a fundamental effect on the adequacy of financing. We have developed our practices and the supporting information systems relating to managing net working capital and we expect that these will improve our ability to control movements in our net working capital as delivery volumes experience an upswing. As a result of these investments we estimate to be well-positioned to keep our capital expenditure at a moderate level in the coming years.

At the end of 2010 we had EUR 880 million of goodwill on our balance sheet which is mainly related to business acquisitions made over the last 10 years. We conduct impairment tests regularly once a year and more frequently if needed, and have not detected any impairment. The sensitivity tests performed in connection with the annual impairment test indicated that there could be risk of impairment for the goodwill allocated to the Fabrics business acquired in 2009 in case our business environment would adversely differ from our assumptions. However, we do not believe that the assumptions used in the sensitivity tests are likely to be realized in the near future.

Changes in labor costs, the prices of raw materials and components can affect our profitability. Currently there are also high inflationary pressures. On the other hand, some of our customers are raw material producers, whose ability to operate and invest may be enhanced by strengthening raw material prices and hampered by declining raw material prices.

Currency exchange rate risks are among the most substantial financial risks. Exchange rate changes can affect our business, although the wide geographical scope of our operations decreases the impact of any individual currency. In general, uncertainty in the economy is likely to increase exchange rate fluctuations. We hedge the currency exposures that arise from firm delivery and purchase agreements.

The United States Department of Justice has closed its investigations related to the 2006 subpoena received by Metso

In July 2010, Metso was informed by the Antitrust Division of the United States Department of Justice that it had closed its investigation of the rock crushing and screening equipment industry. In late 2006, Metso Minerals Industries, Inc. had received a subpoena from the Antitrust Division of the United States in which it called us to produce certain documents related to an investigation of potential antitrust violations. No further action has been brought against any party.

Personnel

At the end of the year, we had 28,593 employees, which was 5 percent and 1,427 employees more than at the end of 2009 (27,166 employees on December 31, 2009). Taking into account the impact of the acquired and divested businesses the increase in the number of personnel is 714 people. On a comparable basis, the number of employees increased by over 700 employees in Mining and Construction Technology which is preparing for continued upswing in the business volumes. The number of employees decreased in Paper and Fiber Technology by about 100 people. The amount of personnel grew most in the South and Central America with high activity levels especially in the mining business. The share of our personnel in emerging markets increased to 34 percent (31%). During January–December, we had an average of 27,585 employees.

Mining and Construction Technology employed 36 percent, Energy and Environmental Technology 21 percent, Paper and Fiber Technology 36 percent, and Valmet Automotive, shared service centers and Group Head Office 7 percent of our personnel. The countries with the largest numbers of personnel were Finland, China, the United States, Sweden and Brazil. These countries employed 67 percent of Metso's total personnel.

Personnel by area

	Dec 31, 2009	**Dec 31, 2010**	Change %
Finland	8,746	**8,748**	0
Other Nordic countries	2,995	**2,880**	–4
Other European countries	3,678	**4,183**	14
North America	3,428	**3,491**	2
South and Central America	2,618	**3,166**	21
Asia-Pacific	4,316	**4,700**	9
Africa and Middle East	1,385	**1,425**	3
Total	27,166	**28,593**	5

During 2010, we continued to develop our leadership skills, defined Metso Leadership Principles and started implementing them as part of leaders' development discussions. We also developed our employee performance and development processes and carried out Metso's international training programs with special focus on fostering leadership skills and Metso-wide collaboration.

In 2010 we continued the global implementation of our occupational health and safety monitoring system, OHS Monitor, and at the moment there are 18,000 Metso employees within the sphere of the system. All observed risks related to occupational health and safety are collected into the OHS Monitor and by analyzing them our target is that similar incidents can be prevented. Our long-term target is zero occupational accidents.

The salaries and wages of Metso employees are determined on the basis of local collective and individual agreements, employee performance and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. In 2010, altogether EUR 1,106 million were paid in salaries and wages (EUR 991 million in 2009). Indirect employee costs were EUR 319 million in 2010 (EUR 303 million in 2009).

Corporate Governance Statement

We have prepared a separate Corporate Governance Statement of 2010 which follows the recommendations of the Finnish Corporate Governance Code for listed companies. It also covers other central areas of corporate governance. The statement is presented in this Annual Report on pages 149–164.

Changes in top management

In August, Metso's Board of Directors appointed Mr. Matti Kähkönen, M.Sc. in Engineering, as the new President and Chief Executive Officer of Metso Corporation and Metso Group. Kähkönen will start in his new position on March 1, 2011, when Metso's current President and CEO, Jorma Eloranta, will retire. Until then, Kähkönen will continue as President of Metso's Mining and Construction Technology segment.

As of October 1, 2010, Kähkönen took over also as Metso's Executive Vice President and Deputy to the CEO and as Vice Chairman of the Metso Executive Team.

In December, Metso's Board of Directors announced the changes in Metso's Executive Team, to take effect on March 1, 2011. Andrew Benko was appointed President, Mining and Construction Technology. He is currently President, Equipment and Systems business line, Mining and Construction Technology. Perttu Louhiluoto was appointed President, Energy and Environmental Technology. Louhiluoto is currently Senior Vice President, EMEA market area, Mining and Construction Technology. Pasi Laine was appointed President, Paper and Fiber Technology, and Metso's Executive Vice President and Deputy to the CEO. Laine is currently President, Energy and Environmental Technology. Harri Nikunen was appointed Metso Group's Chief Financial Officer. He is currently Senior Vice President, Finance, Paper and Fiber Technology. Merja Kamppari, Senior Vice President, Human Resources, Metso Group, was appointed as a member of the Metso Executive Team. Kalle Reponen, Senior Vice President, Strategy and M&A, will continue as a member of the Metso Executive Team.

As of March 1, 2011, all of the above-mentioned individuals will report to Matti Kähkönen, who will be Chairman of the new Metso Executive Team.

Metso's current CFO, Olli Vaartimo, and the current President of Paper and Fiber Technology, Bertel Langenskiöld both turned 60 during the autumn and reached the age of retirement according to their executive contracts. They both have agreed to continue in their positions until March 1, 2011 and to support the changes in Metso's top management during the transition period until the end of June, when needed. Vaartimo and Langenskiöld will step down from the Metso Executive Team as of March 1, 2011.

Financial targets and dividend policy

In connection with our annual strategy process in August, our long-term financial targets were evaluated and kept unchanged.

Decisions of the Annual General Meeting

Our Annual General Meeting on March 30, 2010 approved the Financial Statements for 2009 and decided to discharge the members of the Board of Directors and the President and CEO from liability for the financial year 2009. The Annual General Meeting approved the proposals of the Board to authorize the Board to resolve on a repurchase of Metso's own shares, on share issue and granting of special rights and on donations to universities. The Annual General Meeting also approved the proposal to amend Article 8 (notice convening a meeting) of the Articles of Association.

The AGM decided that a dividend of EUR 0.70 per share will be paid for 2009. The dividend was paid on April 13, 2010.

The AGM elected Jukka Viinanen Chairman of the Board and Maija-Liisa Friman Vice Chairman of the Board. Erkki Pehu-Lehtonen and Mikael von Frenckell were elected as new members of the Board. The Board members re-elected were Christer Gardell, Yrjö Neuvo and Pia Rudengren.

The AGM decided that the annual remunerations for Board members would be EUR 92,000 for the Chairman, EUR 56,000 for the Vice Chairman and EUR 45,000 for the members and that they be paid EUR 600 for each meeting they attend, including committee meetings. Based on the decision of the AGM, the Board members have used 40 percent of their annual remuneration to buy Metso shares. The Board members acquired the shares from the market within two weeks after the publication of the first-quarter 2010 interim report on April 29, 2010. Altogether 5,580 shares were acquired, which is 0.004 percent of total amount of Metso shares. There are no specific principles for the ownership of the above-mentioned shares.

The auditing company, Authorized Public Accountants PricewaterhouseCoopers Oy, was re-elected as our auditor until the end of the next AGM.

The AGM decided to establish a Nomination board of the AGM to prepare proposals for the following AGM regarding the composition of the Board and director remuneration. Representatives of the four biggest shareholders were elected to the Nomination board based on the ownership information as of November 1, i.e Solidium Oy, Cevian Capital II Master Fund L.P., Varma Mutual Pension Insurance Company and Ilmarinen Mutual Pension Insurance Company. They have named the following people as their representatives for Metso's Nomination Board: Kari Järvinen, Managing Director (Solidium Oy); Lars Förberg, Managing Partner (Cevian Capital); Matti Vuoria, Managing Director, President and CEO (Varma Mutual Pension Insurance Company), and Harri Sailas, President and CEO (Ilmarinen Mutual Pension Insurance Company). Jukka Viinanen, Chairman of Metso's Board of Directors serves as the Nomination Board's expert member.

On the basis of the decision by the AGM, Metso paid in 2010 a donation of EUR 1.9 million to the Aalto University Foundation and to other Finnish universities as follows: EUR 350,000 to Tampere University of Technology's TTY Foundation; EUR 100,000 to the University of Jyväskylä; and EUR 50,000 each to Åbo Akademi University, the Lappeenranta University of Technology and the University of Oulu. The donation authorization granted by the AGM was exercised in full.

Members of Board committees and personnel representative

Our Board elected members from among the Board for the Audit Committee and Remuneration and HR Committee at its assembly meeting on March 30, 2010. The Board's Audit Committee consists of Pia Rudengren (Chairman), Maija-Liisa Friman and Erkki Pehu-Lehtonen. The Board's Remuneration and HR Committee consists of Jukka Viinanen (Chairman), Mikael von Frenckell, Christer Gardell and Yrjö Neuvo.

Metso's personnel groups in Finland have elected Jukka Leppänen as the personnel representative. Pursuant to the Finnish Act on Personnel Representation in the Administration of Undertakings, a personnel representative participates in the meetings as an invited expert with no voting rights or legal liability for the Board's decisions and his term of office is the same as the Board members' term.

Shares and share capital

At the end of December 2010, our share capital was EUR 240,982,843.80 and the number of shares was 150,348,256. The number of shares includes 718,397 Metso shares held by the Parent Company, which represent 0.5 percent of all the shares and votes. The average number of shares outstanding in January-December of 2010, excluding Metso shares held by the Parent Company, was 149,682,703 and the average number of diluted shares was 149,836,864.

During February-March 2010, we executed a repurchase of 300,000 of our own shares relating to our share-based management incentive program decided in October 2009 (Metso Share Ownership Plan 2010–2012). The average purchase price of the shares was EUR 23.49 and the total acquisition price EUR 7,047,343.89.

During January-December, 8,780 shares were returned from Metso Share Ownership Plan participants to the parent company due to employment terminations.

Market capitalization of Metso, excluding the shares held by the Parent Company, was EUR 6,255 million on December 31, 2010 (EUR 3,693 million on Dec 31, 2009).

Metso Board members and their interest parties held altogether 116,172 shares on December 31, 2010, which is 0.08 percent of the total amount of shares and votes in Metso. The Metso Executive Team and their interest parties held altogether 81,707 Metso shares at the end of December, which is 0.05 percent of the total amount of shares and votes. The holdings of the Board and Executive Team equaled 0.13 percent of the total amount of shares and votes in Metso.

Metso is not aware of any shareholders' agreements regarding the ownership of Metso shares or voting rights.

Share based incentive plans

Metso's share ownership plans are part of the remuneration and commitment program for Metso management.

Share Ownership Plan for 2009–2011 (SOP 2009–2011)

In October 2008, the Board of Directors approved a share ownership plan for the years 2009–2011. The plan has one three-year earnings period and required participants' personal investment in Metso shares at the beginning of the program. Any possible reward from the plan requires continued employment with Metso and reaching the financial targets set for the plan. At the end of 2010, the plan had 88 participants and the rewards that can be paid correspond to a maximum of 369,925 Metso shares. Members of the 2010 Executive Team may receive a maximum of 77,400 shares as share rewards.

Share Ownership Plan for 2010–2012 (SOP 2010–2012)

In October 2009, the Board of Directors approved a similar kind of share ownership plan for the years 2010–2012. The plan has one three-year earnings period and required participants' personal investment in Metso shares at the beginning of the program. Any possible reward from the plan requires continued employment with Metso and reaching the financial targets set for the plan. At the end of 2010, the plan had 91 participants and the rewards that can be paid correspond to a maximum of 339,350 Metso shares. Members of the 2010 Executive Team may receive a maximum of 77,400 shares as share rewards.

Share Ownership Plan for 2011–2013 (SOP 2011–2013)

In September 2010, the Board of Directors approved a share ownership plan for 2011–2013. The plan includes one three-year earnings period. The plan requires participants' personal investment in Metso shares at the beginning of the program. Any possible reward from the plan requires continued employment with Metso and reaching the financial targets set for the plan. At the end of 2010, 74 people had confirmed their participation in the plan and the rewards that can be paid correspond to a maximum of 251,698 Metso shares. The shares for the plan are acquired in public trading and therefore the plan will not have diluting effect on the share value. Members of the new Executive Team (as of March 2011) may receive a maximum of 77,400 shares as share rewards.

Reporting segments

Mining and Construction Technology

EUR million	2009	**2010**
Net sales	2,075	**2,235**
Net sales of services business	1,017	**1,139**
% of net sales	49	**51**
Earnings before interest, tax, amortization (EBITA) and non-recurring items	201.6	**264.8**
% of net sales	9.7	**11.8**
Operating profit	198.8	**290.4**
% of net sales	9.6	**13.0**
Orders received	1,660	**2,457**
Orders received of services business	970	**1,223**
Order backlog, Dec 31	1,041	**1,356**
Personnel, Dec 31	9,541	**10,206**

The net sales of Mining and Construction Technology increased 8 percent on the comparison period and were EUR 2,235 million. Excluding the impact of exchange rate translation, net sales would have declined by 2 percent. In the mining business, net sales grew 10 percent and in the construction business 4 percent. The services business net sales increased 12 percent and accounted for 51 percent of the segment's net sales (49% in 2009).

Mining and Construction Technology's EBITA before non-recurring items was EUR 264.8 million (non-recurring items are analyzed in the 'Financial result' section), i.e. 11.8 percent of net sales in January–December (EUR 201.6 million and 9.7% in 2009). Improved capacity utilization rates contributed positively to the profitability, while on the other hand, profitability was weakened due to the 4 percent underlying increase in selling, general and administrative expenses when preparing for higher market activity and delivery volumes in 2011.

Operating profit (EBIT) for January–December was EUR 290.4 million, i.e. 13.0 percent of net sales (EUR 198.8 million and 9.6% in 2009). EBIT includes positive non-recurring items of EUR 32.3 million net, while in 2009 non-recurring items strengthened the EBIT by EUR 1.2 million.

Orders received by Mining and Construction Technology in January–December grew 48 percent from the comparison period and totaled EUR 2,457 million. Orders received grew in all geographical regions. Orders from mining customers increased 61 percent and orders from construction customers 25 percent. Orders received from emerging markets grew almost 80 percent and totaled 61 percent of all the segment's orders received (51% in 2009). New orders received in January–December included grinding equipment deliveries for the Kinross Gold goldmine in Brazil, mining equipment for Tisco's iron ore processing plant in China and mining and minerals processing equipment and services for Nordic Mines' new gold ore processing plant in Finland. The increase in services orders was 26 percent.

The order backlog strengthened 30 percent during the year and totaled EUR 1,356 million at the end of December (EUR 1,041 million on December 31, 2009). At the end of December our order backlog included mining equipment orders that are subject to uncertainties, primarily related to delivery schedules, of around EUR 50 million.

Energy and Environmental Technology

EUR million	2009	**2010**
Net sales	1,523	**1,435**
Net sales of services business	516	**547**
% of net sales	35	**39**
Earnings before interest, tax, amortization (EBITA) and non-recurring items	147.4	**139.0**
% of net sales	9.7	**9.7**
Operating profit	118.1	**111.4**
% of net sales	7.8	**7.8**
Orders received	1,297	**1,528**
Orders received of services business	443	**599**
Order backlog, Dec 31	1,032	**1,158**
Personnel, Dec 31	6,060	**6,073**

The net sales of Energy and Environmental Technology were EUR 1,435 million, a decrease of 6 percent on the comparison period due to weak order intake in 2009. Excluding the impact of exchange rate translation, net sales would have declined by 10 percent. Net sales declined 8 percent in the Power business, 4 percent in the Automation business and 5 percent in the Recycling business. The services business net sales increased 6 percent and accounted for 39 percent of the segment's net sales (35% in 2009).

Energy and Environmental Technology's EBITA before non-recurring items was EUR 139.0 million, i.e. 9.7 percent of net sales (EUR 147.4 million and 9.7% in 2009). Successful execution of large delivery projects had a positive impact on profitability, whereas the decline in net sales had a negative impact.

Operating profit (EBIT) for January–December declined and was EUR 111.4 million, i.e. 7.8 percent of net sales (EUR 118.1 million and 7.8% in 2009). The EBIT includes EUR 7.9 million non-recurring expenses (non-recurring items are analyzed in the 'Financial result' section) primarily related to capacity adjustment actions (non-recurring expenses EUR 11.1 million in 2009).

Orders received by the segment increased 18 percent on the comparison period and totaled EUR 1,528 million. Orders received increased in all of the business lines. Major orders received include biomass boilers for Bomhus Energi in Sweden, RWE npower renewables in the UK and for 4Ham Cogen in Belgium. In addition, several automation orders for power plants, pulp mills, paper, board and tissue lines as well as oil and gas projects were received. In the Recycling business we received several sizable metal and solid waste recycling shredder orders. The increase in services orders was 35 percent.

The order backlog at the end of 2010, EUR 1,158 million, was 12 percent higher than at the end of 2009. The order backlog includes projects worth about EUR 90 million with uncertain delivery schedules. The uncertainty is mostly related to the deliveries of power boiler and automation technology for Fibria's pulp mill project in Brazil.

Paper and Fiber Technology

EUR million	2009	**2010**
Net sales	1,408	**1,856**
Net sales of services business	569	**766**
% of net sales	41	**41**
Earnings before interest, tax, amortization (EBITA) and non-recurring items	71.3	**107.6**
% of net sales	5.1	**5.8**
Operating profit	0.8	**70.3**
% of net sales	0.1	**3.8**
Orders received	1,384	**1,947**
Orders received of services business	524	**814**
Order backlog, Dec 31	1,380	**1,559**
Personnel, Dec 31	10,459	**10,362**

The net sales of Paper and Fiber Technology grew 32 percent in January–December and were EUR 1,856 million. Excluding the impact of exchange rate translation net sales would have grown by 26 percent. The growth in net sales came from all business lines. The comparable net sales growth, i.e. excluding the impact of exchange rate translation and the acquired Fabrics business, was 16 percent. The net sales of the services business increased 35 percent and accounted for 41 percent of the net sales (41% in 2009). The growth in the services business' net sales excluding the acquired Fabrics business line was 9 percent.

Paper and Fiber Technology's EBITA before non-recurring items was EUR 107.6 million, i.e. 5.8 percent of net sales (EUR 71.3 million and 5.1% in 2009). The improvement in profitability resulted primarily from the strengthened profitability in the services business and from strong net sales growth. Fourth quarter profitability was negatively impacted by delivery mix both in the capital and services part of the business and by an increase in provisions in some projects where new technologies were launched.

Operating profit (EBIT) for January–December was EUR 70.3 million, i.e. 3.8 percent of net sales (EUR 0.8 million and 0.1% in 2009). The EBIT includes non-recurring items (non-recurring items are analyzed in the 'Financial result' section), which weaken the EBIT by a total of EUR 8.4 million (non-recurring items in 2009 weakened the EBIT by EUR 54.8 million).

Overall, the value of orders received by Paper and Fiber Technology increased 41 percent and was EUR 1,947 million. New orders from paper and board customers decreased 6 percent and orders from the pulp industry were up 131 percent on the exceptionally weak comparison period. Orders from tissue customers grew 81 percent. The increase in services orders was 55 percent (24 percent without the Fabrics business). Among the orders received in 2010 were board-making technology and machinery for Cheng Loong in Taiwan, for Saica Containerboard in the UK as well as for Zhejiang Ji'An in China, a fine paper line for APRIL Fine Paper (Guangdong) in China, a kraft pulp mill for Japanese Oji Paper to China and the main technology for Ilim Group's new kraft pulp mill in Bratsk, Russia.

At the end of December, the order backlog was EUR 1,559 million. Around EUR 240 million of the order backlog include uncertainties, which relates to the pulp mill project for Fibria in Brazil, for which the delivery schedule is still open.

Valmet Automotive

Valmet Automotive's net sales grew clearly towards the end of the year and totaled EUR 84 million (EUR 56 million in 2009). Net sales for the last quarter were EUR 36 million i.e 43 percent of the full year net sales. The EBITA before non-recurring items in 2010 was EUR 4.6 million negative (EUR 8.1 million negative in 2009). EBITA includes EUR 1 million negative results from the acquired Karmann roof business, consolidated from November 21, 2010, due to seasonally low delivery volumes in December. Valmet Automotive Finland's EBITA improved clearly towards the end of the year in line with the volume increase and was for the last quarter EUR 3.6 million.

At the end of December, Valmet Automotive employed 1,425 people (679 people on December 31, 2009), 737 of whom are a part of the acquired roof business.

Today, the enlargened service portfolio of Valmet Automotive includes engineering, manufacturing and business services as well as convertible roof systems for the automotive industry. In Uusikaupunki, Finland the series production of the plug-in hybrid car Fisker Karma is planned to start in the first quarter of 2011 after the manufacturing of pre-series cars. The electric vehicles THINK City and Garia golf car as well as Porsche Cayman sports car are also in production. The assembly contract with Porsche AG is expected to end by the end of 2011. The current customers of the roof systems business in Osnabrück, Germany and in Zary, Poland, include BMW/MINI, Daimler, Renault and Bentley. Valmet Automotive has also engineering projects under way for several customers.

Metso's Nomination Board proposes eight members to the Board of Directors

The Nomination Board established by Metso's Annual General Meeting proposes to the next Annual General Meeting, which is planned to be held on March 30, 2011, that the number of Board of Directors members is eight.

The Nomination Board proposes to the Annual General Meeting that the present members of the Board of Directors Mikael von Frenckell, Maija-Liisa Friman, Christer Gardell, Yrjö Neuvo, Erkki Pehu-Lehtonen, Pia Rudengren and Jukka Viinanen would be re-elected. In addition, it is proposed to elect Ozey K. Horton, Jr as a new member of the Board of Directors.

The Nomination Board proposes to the Annual General Meeting that the annual remuneration payable to the members of the Board of Directors be equal to the remuneration payable to the current members of the Board of Directors based on the decision of the Annual General Meeting 2010, however, with the change that the remuneration payable to the Chairman of the Audit Committee be equal to the remuneration payable to the Vice Chairman of the Board of Directors: EUR 92,000 for the Chairman of the Board of Directors, EUR 56,000 for the Vice Chairman of the Board of Directors and for the Chairman of the Audit Committee, and EUR 45,000 for each member of the Board of Directors. In addition, the Nomination Board proposes that a meeting fee in the amount of EUR 600 shall be paid for those members whose place of residence is in Nordic countries, EUR 1,200 for those members whose place of residence is elsewhere in Europe and EUR 2,400 for those member whose place of residence is outside of Europe for the meetings attended, including the meetings of the committees of the Board of Directors. The Nomination Board proposes that 40 percent of the annual remunerations are paid in Metso shares acquired from the market. The shares shall be acquired directly on behalf of the Board members within two weeks from the release of interim report for January 1 – March 31, 2011.

The Nomination Board notes that a personnel representative will participate as an external expert in the Metso Board meetings also in the next Board term within the limitations imposed by Finnish law. The new Board of Directors will invite the personnel representative as its external expert in its organizing meeting after the Annual General Meeting.

Kari Järvinen acted as the Chairman of the Nomination Board and the other members were Lars Förberg, Matti Vuoria and Harri Sailas. Jukka Viinanen was the Nomination Board's expert member.

Short-term outlook

We estimate that the gradual recovery will continue in most of our customer industries this year. In the emerging markets the outlook continues strong. The uncertainty caused by the budget deficits in several European countries and the United States, availability of funding and fluctuations in the exchange rates may, however, slow down the recovery, especially in Europe and North America. We anticipate that the improving capacity utilization rates of our customer industries will support our services business, and most of our customers are expected to gradually regain their confidence to invest in existing and new capacity.

Metal prices have continued to increase primarily due to strong demand in China and India as well as stabilization of the US economy, together with tight supply in several metals such as copper and iron ore. The number of quotations for equipment and projects from mining companies has strongly increased since the beginning of 2010, especially during the latter half of the year. This has had a clear positive impact on our orders so far, and we expect stronger activity in larger projects this year since the industry players have confirmed significant capital investment programs for the coming years. Due to the strengthening demand for minerals and our large installed equipment base, we expect demand for our mining services to continue strong.

In the Asia-Pacific region and Brazil strong economic growth continues and infrastructure construction projects are maintaining good demand for construction equipments. We anticipate that demand for equipment used in aggregates production by the construction industry in Europe and in North America will gradually start to recover in 2011 thanks to the delayed replacement cycle but still remain weak. We estimate that demand for our services business for the construction industry will remain satisfactory.

Demand for power plants that utilize renewable energy sources is expected to be good in Europe and North America in 2011. Several European countries and the United States have published targets to increase the use of renewable energy and this is expected to support demand for our power plant solutions fuelled by biomass and waste. However, uncertainty in the financial markets and pending policies over support mechanisms for renewable energy may delay final decisions in some of the projects under negotiations. Demand for the power plant services business is expected to be good.

We estimate that demand for our automation products will continue to be good in 2011, as the oil, gas and petrochemical industries increase their investments due to the improvement in energy prices and demand. Demand for automation products in the pulp and paper industry is also expected to develop favorably. Demand for our services business for automation solutions is expected to be good.

We expect the demand for metal and solid waste recycling equipment to be satisfactory. Demand for recycling equipment services is expected to continue improving over the coming quarters as the capacity utilization rates of our customers' plants and equipment improve.

Demand for new fiber lines, rebuilds and pulp mill services has clearly recovered from the low levels of the past few years. We expect the fiber line equipment market to continue to be active in 2011 with a tight competitive environment for large new projects. Demand for paper and board lines is expected to be satisfactory and for tissue lines good in 2011. We expect the improved capacity utilization rates of the paper and board industry to boost the demand for our services business.

Based on the development in 2010 and assuming that the gradual recovery of the global economy will continue, we estimate that our net sales in 2011 will grow over 10 percent compared to 2010 and EBITA before non-recurring items will improve. Our estimate is based on our order backlog of EUR 4.0 billion at the end of 2010, which contains orders worth about EUR 3.1 billion for 2011.

The estimates for our financial performance in 2011 are based on Metso's current market outlook and business scope as well as foreign exchange rates similar to the end of 2010.

Board of Directors' proposal for the use of profit

The Parent Company's distributable funds totaled EUR 1,525,868,957.58 on December 31, 2010, of which the net profit for the year was EUR 264,850,234.96.

The Board of Directors proposes based on the balance sheet to be adopted for the financial period ended on December 31, 2010, that a dividend of EUR 1.55 per share be distributed. The proposed dividend takes into consideration Metso's strong financial position and dividend policy. Furthermore, it should be noted that the dividend paid in 2009 was 25 percent of earnings per share because of the financial market turmoil at that point of time.

The dividend is paid to a shareholder who on the record date April 4, 2011 is registered as a shareholder in the company's shareholders' register maintained by Euroclear Finland Ltd. The dividend is paid on April 12, 2011.

All the outstanding shares on the dividend record date will be entitled to a dividend, except for the own shares held by the Parent Company.

Annual General Meeting 2011

The Annual General Meeting of Metso Corporation will be held at 3:00 p.m. on Wednesday, March 30, 2011 at the Helsinki Fair Centre (Messuaukio 1, FI–00520 Helsinki).

Helsinki, February 3, 2011

Metso Corporation's Board of Directors

Consolidated Statements of Income

EUR million	Note	2008	Year ended December 31, 2009	2010
Net sales	33	6,400	5,016	**5,552**
Cost of goods sold	6, 7	–4,733	–3,808	**–4,130**
Gross profit		1,667	1,208	**1,422**
Selling, general and administrative expenses	4, 6, 7	–1,043	–938	**–1,028**
Other operating income and expenses, net	5	11	24	**50**
Share in profits and losses of associated companies	14	2	0	**1**
Operating profit	33	637	294	**445**
Financial income and expenses, net	8	–89	–72	**–75**
Profit before tax		548	222	**370**
Income taxes	9	–158	–71	**–112**
Profit		390	151	**258**
Attributable to:				
Shareholders of the company		389	150	**257**
Non-controlling interests		1	1	**1**
Profit		390	151	**258**
Earnings per share				
Basic, EUR	12	2.75	1.06	**1.71**
Diluted, EUR	12	2.75	1.06	**1.71**

Consolidated Statements of Comprehensive Income

EUR million	Note	2008	Year ended December 31, 2009	2010
Profit		390	151	**258**
Cash flow hedges, net of tax	22, 31	–33	14	**24**
Available-for-sale equity investments, net of tax	15, 22	–19	–1	**–4**
Currency translation on subsidiary net investments	22	–49	74	**121**
Net investment hedge gains (+) / losses (–), net of tax	22	–11	0	**–13**
Defined benefit plan actuarial gains (+) / losses (–), net of tax	28	–22	–2	**–11**
Other comprehensive income (+) / expense (–)		–134	85	**117**
Total comprehensive income (+) / expense (–)		256	236	**375**
Attributable to:				
Shareholders of the company		255	235	**374**
Non-controlling interests		1	1	**1**
Total comprehensive income (+) / expense (–)		256	236	**375**

Consolidated Balance Sheets

ASSETS

EUR million	Note	As at December 31, 2009	**2010**
Non-current assets			
Intangible assets	13		
Goodwill		863	**880**
Other intangible assets		312	**287**
		1,175	**1,167**
Property, plant and equipment	13		
Land and water areas		62	**64**
Buildings and structures		261	**283**
Machinery and equipment		449	**459**
Assets under construction		47	**43**
		819	**849**
Financial and other assets			
Investments in associated companies	14	13	**14**
Available-for-sale equity investments	15, 20	15	**9**
Loan and other interest bearing receivables	19, 20	9	**6**
Available-for-sale financial investments	19, 20	130	**169**
Financial instruments held for trading	19, 20	40	**-**
Derivative financial instruments	20, 31	0	**2**
Deferred tax asset	9	171	**168**
Other non-current assets	19, 20	44	**42**
		422	**410**
Total non-current assets		2,416	**2,426**
Current assets			
Inventories	17	1,172	**1,305**
Receivables			
Trade and other receivables	19, 20	938	**1,242**
Cost and earnings of projects under construction in excess of advance billings	16	312	**287**
Loan and other interest bearing receivables	19, 20	8	**6**
Available-for-sale financial investments	19, 20	79	**178**
Financial instruments held for trading	19, 20	-	**59**
Derivative financial instruments	20, 31	21	**55**
Income tax receivables		42	**29**
		1,400	**1,856**
Cash and cash equivalents	21	727	**645**
Total current assets		3,299	**3,806**
Total assets		5,715	**6,232**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Note	As at December 31, 2009	2010
Equity	22		
Share capital		241	**241**
Share premium reserve		-	**-**
Cumulative translation adjustments		−62	**46**
Fair value and other reserves		710	**726**
Retained earnings		894	**1,036**
Equity attributable to shareholders		1,783	**2,049**
Non-controlling interests		9	**22**
Total equity		1,792	**2,071**
Liabilities			
Non-current liabilities			
Long-term debt	20, 24	1,334	**956**
Post-employment benefit obligations	28	190	**195**
Provisions	25	52	**59**
Derivative financial instruments	20, 31	5	**3**
Deferred tax liability	9	56	**50**
Other long-term liabilities	20	4	**6**
Total non-current liabilities		1,641	**1,269**
Current liabilities			
Current portion of long-term debt	20, 24	173	**388**
Short-term debt	20, 26	69	**29**
Trade and other payables	20, 27	1,065	**1,377**
Provisions	25	235	**230**
Advances received		363	**503**
Billings in excess of cost and earnings of projects under construction	16	330	**299**
Derivative financial instruments	20, 31	21	**30**
Income tax liabilities		26	**36**
Total current liabilities		2,282	**2,892**
Total liabilities		3,923	**4,161**
Total shareholders' equity and liabilities		5,715	**6,232**

Consolidated Statements of Cash Flows

EUR million	Note	Year ended December 31, 2008	2009	**2010**
Cash flows from operating activities:				
Profit		390	151	**258**
Adjustments to reconcile profit to net cash provided by operating activities				
Depreciation and amortization	7	138	143	**178**
Gain (–) / loss (+) on sale of fixed assets	5	–2	–4	**–2**
Gain (–) / loss (+) on sale of subsidiaries and associated companies	11	–4	1	**–2**
Gain on sale of available-for-sale equity investments	5	–2	–23	**–9**
Share of profits and losses of associated companies	14	–3	0	**–1**
Dividend income and interests, net	8	57	58	**51**
Income taxes	9	158	71	**112**
Other non-cash items		45	44	**52**
Change in net working capital, net of effect from business acquisitions and disposals	18	–437	518	**25**
Interest paid		–64	–68	**–73**
Interest received		13	16	**15**
Dividends received		2	1	**0**
Income taxes paid		–154	–138	**–98**
Net cash provided by operating activities		137	770	**506**
Cash flows from investing activities:				
Capital expenditures on fixed assets	13	–255	–116	**–134**
Proceeds from sale of fixed assets		10	8	**7**
Business acquisitions, net of cash acquired	10	–44	–1	**–21**
Proceeds from sale of businesses, net of cash sold	11	12	2	**8**
Investments in available-for-sale equity investments		0	–1	**–1**
Proceeds from sale of available-for-sale equity investments		7	24	**11**
Investments in available-for-sale financial investments		-	–204	**–333**
Proceeds from sale of available-for-sale financial investments		-	0	**195**
Investments in financial instruments held for trading		-	–40	**–19**
Increase in loan receivables		–8	–3	**–2**
Decrease in loan receivables		1	4	**7**
Net cash used in investing activities		–277	–327	**–282**
Cash flows from financing activities:				
Redemption of own shares	22	-	–2	**–7**
Dividends paid		–425	–99	**–105**
Changes in ownership interests in subsidiaries		-	-	**20**
Hedging of net investment in foreign subsidiaries		13	–4	**0**
Net borrowings (+) / payments (–) on short-term debt		163	–200	**–46**
Proceeds from issuance of long-term debt		486	402	**24**
Principal payments of long-term debt		–25	–141	**–218**
Principal payments of finance leases		–3	–2	**–3**
Other items		2	–2	**–4**
Net cash provided by (+) / used in (–) financing activities		211	–48	**–339**
Net increase (+) / decrease (–) in cash and cash equivalents		71	395	**–115**
Effect of changes in exchange rates on cash and cash equivalents		–24	18	**33**
Cash and cash equivalents at beginning of year	21	267	314	**727**
Cash and cash equivalents at end of year		314	727	**645**

Consolidated Statements of Changes in Shareholders' Equity

EUR million	Share capital	Share premium reserve	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Equity attributable to shareholders	Non-contrrolling interests	Total equity
Balance at December 31, 2007	**241**	**77**	**−76**	**456**	**910**	**1,608**	**7**	**1,615**
Profit	-	-	-	-	389	389	1	390
Other comprehensive income (+) / expense (−)								
Cash flow hedges, net of tax	-	-	-	−33	-	−33	-	−33
Available-for-sale equity investments, net of tax	-	-	-	−19	-	−19	-	−19
Defined benefit plan acturial gains (+) / losses (−), net of tax	-	-	-	-	−22	−22	-	−22
Currency translation on subsidiary net investments	-	-	−49	-	-	−49	-	−49
Net investment hedge gains (+) / losses (−), net of tax	-	-	−11	-	-	−11	-	−11
Total comprehensive income (+) / expense (−)	-	-	−60	−52	367	255	1	256
Dividends	-	-	-	-	−425	−425	−2	−427
Share-based payments, net of tax	-	-	-	4	-	4	-	4
Decrease and transfer of share premium and legal reserve	-	−77	-	77	-	-	-	-
Other	-	-	-	5	−3	2	3	5
Balance at December 31, 2008	**241**	**-**	**−136**	**490**	**849**	**1,444**	**9**	**1,453**
Profit	-	-	-	-	150	150	1	151
Other comprehensive income (+) / expense (−)								
Cash flow hedges, net of tax	-	-	-	14	-	14	-	14
Available-for-sale equity investments, net of tax	-	-	-	−1	-	−1	-	−1
Defined benefit plan acturial gains (+) / losses (−), net of tax	-	-	-	-	−2	−2	-	−2
Currency translation on subsidiary net investments	-	-	74	-	-	74	-	74
Net investment hedge gains (+) / losses (−), net of tax	-	-	0	-	-	0	-	0
Total comprehensive income (+) / expense (−)	-	-	74	13	148	235	1	236
Dividends	-	-	-	-	−99	−99	−1	−100
Share issue	-	-	-	206	−2	204	-	204
Redemption of own shares	-	-	-	−2	-	−2	-	−2
Share-based payments, net of tax	-	-	-	1	-	1	-	1
Other	-	-	-	2	−2	0	-	0
Balance at December 31, 2009	**241**	**-**	**−62**	**710**	**894**	**1,783**	**9**	**1,792**
Profit	-	-	-	-	257	257	1	258
Other comprehensive income (+) / expense (−)								
Cash flow hedges, net of tax	-	-	-	24	-	24	-	24
Available-for-sale equity investments, net of tax	-	-	-	−4	-	−4	-	−4
Defined benefit plan acturial gains (+) / losses (−), net of tax	-	-	-	-	−11	−11	-	−11
Currency translation on subsidiary net investments	-	-	121	-	-	121	-	121
Net investment hedge gains (+) / losses (−), net of tax	-	-	−13	-	-	−13	-	−13
Total comprehensive income (+) / expense (−)	-	-	108	20	246	374	1	375
Dividends	-	-	-	-	−105	−105	−1	−106
Donations to universities	-	-	-	-	−2	−2	-	−2
Redemption of own shares	-	-	-	−7	-	−7	-	−7
Share-based payments, net of tax	-	-	-	0	−1	−1	-	−1
Other	-	-	-	3	−4	−1	0	−1
Changes in non-controlling interests	-	-	-	-	8	8	13	21
Balance at December 31, 2010	**241**	**-**	**46**	**726**	**1,036**	**2,049**	**22**	**2,071**

Notes to the Consolidated Financial Statements

1 ACCOUNTING PRINCIPLES

Description of businesses

Metso Corporation (the "Parent Company") and its subsidiaries (together with the Parent Company, "Metso" or the "Group") form a global supplier of sustainable technology and services, which designs, develops and produces systems, automation solutions, machinery and equipment for process industries. The main customer industries operate in mining, construction, power generation, automation, recycling as well as in pulp and paper industries.

Metso Corporation is a publicly listed company and its shares are listed on the NASDAQ OMX Helsinki Ltd under the trading symbol MEO1V. Metso Corporation is domiciled in Finland and the address of the Group Head Office is Fabianinkatu 9A, 00130 Helsinki, Finland.

These consolidated financial statements were authorized for issue by the Board of Directors on February 3, 2011 after which, in accordance with Finnish Company Law, the financial statements are either approved, amended or rejected in the annual shareholders' meeting.

Basis of preparation and changes in accounting policies

The consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU include the financial statements of Metso Corporation and its subsidiaries. There are no differences between IFRS standards and interpretations as adopted by the EU, as applied in Metso, and IFRS as written by the IASB.

From January 1, 2010 onwards Metso has applied prospectively IFRS 3 (Revised), 'Business combinations', which requires expensing of transaction costs. In addition, all payments to purchase a business are to be recorded at fair value on the acquisition date, with some contingent payments subsequently remeasured at fair value through income statement. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to non-controlling interests. The impact of the revised standard has been expensing of direct acquisition costs amounting to less than EUR 2 million, which under previous standard would have been capitalized in the acquisition cost.

From January 1, 2010 onwards Metso has applied IAS 27 (Revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is expensed. Subsequent to revised standard, Metso has recognized a gain of EUR 8 million directly under shareholders' equity in 2010.

From January 1, 2010 onwards Metso has applied the amendment to IAS 38 'Intangible assets', which clarifies the requirements under IFRS 3 'Business combinations' regarding the accounting for intangible assets acquired in a business combination and allows for the combination of intangible assets with equal economic useful life to one asset group. The adoption has not impacted the business combinations done in 2010.

Use of estimates

The preparation of financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting convention

The financial statements are prepared under the historical cost convention, except for assets and liabilities classified as fair valued through profit and loss, available-for-sale investments, financial instruments held for trading and derivative instruments, which are recognized at fair value.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and each of those companies in which it owns, directly or indirectly through subsidiaries, over 50 percent of the voting rights or in which it is in a position to govern the financial and operating policies of the entity. The companies acquired during the financial period have been consolidated from the date Metso acquired control. Subsidiaries sold have been included up to their date of disposal.

All intercompany transactions, balances and gains or losses on transactions between subsidiaries are eliminated as part of the consolidation process. Non-controlling interests are presented in the consolidated balance sheets within equity, separate from the equity attributable to shareholders. Non-controlling interests are separately disclosed in the consolidated statements of income.

Acquisitions of businesses are accounted for using the acquisition method. The purchase consideration of an acquisition is measured at fair value over the assets given up, shares issued or liabilities incurred or assumed at the date of acquisition. The purchase considerations for acquisitions realized prior to 2010 include also related direct acquisition costs. For each acquisition the non-controlling interest in the acquiree, if any, can be recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess acquisition price over the fair value of net assets acquired is recognized as goodwill (see also intangible assets). If the purchase consideration is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly through profit and loss.

Transactions with non-controlling interests are regarded as transactions with equity owners. In case of purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets acquired in the subsidiary is recorded in shareholders' equity. Gains or losses on disposals to non-controlling interests are also recorded directly in shareholders' equity.

Associated companies and joint ventures

The equity method of accounting is used for investments in associated companies in which the investment provides Metso the ability to exercise significant influence over the operating and financial policies of the investee company. Such influence is presumed to exist for investments in companies in which Metso's direct or indirect ownership is between 20 and 50 percent of the voting rights. Investments in associated companies are initially recognized at cost after which Metso's share of their post-acquisition retained profits and losses is included as part of investments in associated companies in the consolidated balance sheets.

Under the equity method, the share of profits and losses of associated companies and joint ventures is presented separately in the consolidated statements of income.

Investments in joint ventures in which Metso has the power to jointly govern the financial and operating activities of the investee company are accounted for using the equity method.

Segment reporting

Metso's operations are divided into three operating segments: Mining and Construction Technology, Energy and Environmental Technology, and Paper and Fiber Technology, the performances of which are regularly reviewed by the chief operating decision maker, in Metso the Board of Directors, to decide on allocation of resources and to assess the performance.

The performance of each segment is reported in the notes using same measurements and subtotals as reported to the chief operating decision maker. One key indicator of performance is EBITA (Earnings Before Interest, Taxes and Amortization). In 2010 the performance is further being analyzed by excluding from EBITA items qualifying as non-recurring, such as capacity adjustment costs, outcome of material intellectual property rights' disputes, gains and losses on disposal of listed shares and gains and losses on business disposals, business prospection and acquisition costs and other infrequent events, as these items reduce the comparability of the segments' performance from one period to another. For comparative purposes the performance of previous years is presented in the reporting segment note using the new measurement.

The accounting policies applicable to the segment reporting are the same as those used for establishing the consolidated financial statements.

Foreign currency translation

The financial statements are presented in euros, which is the Parent Company's functional currency and Metso's presentation currency.

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transaction. At the end of the accounting period, unsettled foreign currency transaction balances are valued at the rates of exchange prevailing at the balance sheet date. Trade flow related foreign currency exchange gains and losses are recorded in other operating income and expenses, unless the foreign currency denominated transactions have been subject to hedge accounting, in which case the related exchange gains and losses are recorded in the same line item as the hedged transaction. Foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

The statements of income of subsidiaries with a functional currency different from the presentation currency are translated into euro at the average exchange rates for the financial year and the balance sheets are translated at the exchange rate of the balance sheet date. This exchange rate difference is recorded through Other Comprehensive Income/Expense (OCI) in the cumulative translation adjustment line item in equity.

The translation differences arising from subsidiary net investments and long-term subsidiary loans without agreed settlement dates are recognized through the OCI to the cumulative translation adjustments under equity. When Metso hedges the net investment of its foreign subsidiaries with foreign currency loans and with financial derivatives, the translation difference is adjusted by the currency effect of hedging instruments which has been recorded, net of taxes, through the OCI in equity. When a foreign entity is disposed of, the respective accumulated translation difference, including the effect from qualifying hedging instruments, is reversed through the OCI and recognized in the consolidated statements of income as part of the gain or loss on the sale.

Derivative financial instruments

Derivatives are initially recognized in the balance sheet at fair value and subsequently measured at their fair value at each balance sheet date. Derivatives are designated at inception either as hedges of firm commitments or forecasted transactions (cash flow hedge), or as hedges of net investment in a foreign operation (net investment hedge), or as derivatives at fair value through profit and loss that do not meet the hedge accounting criteria.

In case of hedge accounting, Metso documents at inception the relationship between the hedging instruments and hedged items in accordance with its risk management strategy and objectives. Metso also tests the effectiveness of the hedge relationships at hedge inception and quarterly both prospectively and retrospectively.

Derivatives are classified as non-current assets or liabilities when the remaining maturity exceeds 12 months and as current assets or liabilities when the remaining maturity is less than 12 months.

Cash flow hedge

Metso applies cash flow hedge accounting to certain interest rate swaps, foreign currency forward contracts and to electricity forwards.

Metso designates only the currency component of the foreign currency forward contracts as the hedging instrument to hedge foreign currency denominated firm commitments. The interest component is recognized under other operating income and expenses, net. The gain or loss relating to the effective portion of the currency forward contracts is recognised in the income statement concurrently with the underlying in the same line item. The effective portion of foreign currency forwards hedging sales and purchases is recognized in the net sales and the cost of goods sold, respectively. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within financial items. Both at hedge inception and at each balance sheet date an assessment is performed to ensure the continued effectiveness of the designated component of the derivatives in offsetting changes in the fair values of the cash flows of hedged items.

Metso assesses regularly the effectiveness of the fair value changes of the electricity forwards in offsetting the changes in the fair value changes of the underlying forecasted electricity purchases in different countries. The gain or loss relating to the effective portion of the electricity forward contracts is recognised in the cost of goods sold.

The effective portion of the derivatives is recognized through OCI in the hedge reserve under equity and reversed through OCI to be recorded through profit and loss concurrently with the underlying transaction being hedged. The gain or loss relating to the ineffective portion of the derivatives is reported under other operating income and expenses, net or under financial items when contracted to hedge variable rate borrowings. Should a hedged transaction no longer be expected to occur, any cumulative gain or loss previously recognized under equity is reversed through OCI to profit and loss.

Net investment hedge

Metso hedges its net foreign investments in certain currencies to reduce the effect of exchange rate fluctuations. The hedging instruments are mainly foreign currency loans and foreign currency forward contracts. Both realized and unrealized exchange gains and losses measured on these instruments are recorded, net of taxes, through OCI in a separate component of equity against the translation differences arising from consolidation to the extent these hedges are effective. The interest portion of derivatives qualifying as hedges of net investment is recognized under financial income and expenses, net.

Derivatives at fair value through profit and loss

Certain derivative instruments do not qualify for hedge accounting. These instruments, which have been contracted to mitigate risks arising from operating and financing activities, comprise foreign exchange forward contracts, currency and interest rate options, interest rate swaps and swap agreements for nickel. Changes in the fair value of interest rate swaps are recognized in interest expenses. Changes in the fair value of foreign exchange forward contracts are mainly recognized in other operating income and expenses. However, when the foreign exchange forwards have been contracted to mitigate the exchange rate risks arising from foreign currency denominated cash and from financial instruments used for cash management, the changes in fair value of the derivatives are recognized in financial income and expenses, net. Changes in the fair value of other derivative instruments such as commodity instruments are recognized in other operating income and expenses, net.

Fair value estimation of derivative instruments

The fair value of the foreign currency forward contracts is determined using forward exchange market rates at the balance sheet date. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of the commodity forwards and swaps are based on quoted market prices at the balance sheet date. The fair value of options is determined using Black-Scholes valuation model.

Employee benefits

Share-based payments

Metso has share-based incentive plans for its key personnel.

The equity-settled share awards are valued based on the market price of the Metso share as of the grant date, and recognized as an employee benefit expense over the vesting period with corresponding entry in other reserves of the equity. The liability resulting from the cash-settled transactions is measured based on the market price of the Metso share as of the balance sheet date and accrued as an employee benefit expense with corresponding entry in the current liabilities until the settlement date.

Market conditions, such as the total shareholder return upon which vesting is conditioned, is taken into account when estimating the fair value of the equity instruments granted. The expense relating to the market condition is recognized irrespective of whether that market condition is satisfied.

Non-market vesting conditions, such as operating profit and earnings per share targets, are included in assumptions about the amount of share-based payments that are expected to vest. At each balance sheet date, Metso revises its estimates on the amount of share-based payments that are expected to vest. The impact of the revision to previous estimate is recognized through profit and loss with corresponding adjustment to equity and current liabilities, as appropriate.

Pensions and coverage of pension liabilities

Metso has several different pension schemes in accordance with local regulations and practices in countries where it operates. In certain countries, the pension schemes are defined benefit plans with retirement, disability, death, and other post retirement benefits, such as health services, and termination income benefits. The retirement benefits are usually based on the number of service years and the salary levels of the final service years. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations.

In addition, certain companies within Metso have multi-employer pension arrangements and defined contribution pension schemes. The contributions to defined contribution plans and to multi-employer and insured plans are charged to profit and loss concurrently with the payment obligations.

In the case of defined benefit plans, the liability recognized from the plan is the present value of the defined benefit obligation as of the balance sheet date, adjusted by the fair value of the plan assets and by the unamortized portion of past service cost. Independent actuaries calculate the defined benefit obligation by applying the projected unit credit method under which the estimated future cash flows are discounted to their present value using the interest rates approximating the terms of the pension engagement. The cost of providing retirement and other post retirement benefits to the personnel is charged to profit and loss concurrently with the service rendered by the personnel. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to plans are recognized through OCI in shareholders' equity.

Revenue recognition

Revenues from goods and services sold are recognized, net of sales taxes and discounts, when substantially all the risks and rewards of ownership are transferred to the buyer or when legal title of the goods and responsibility for shipment has been transferred to the buyer. The transfer of risk takes place either when the goods are shipped or made available to the buyer for shipment depending on the terms of the contract. The credit worthiness of the buyer is verified before engaging into a sale. However, if a risk of non-payment arises after revenue recognition, a provision for non-collectability is established.

Percentage-of-completion method

Sales and anticipated profits under engineering and construction contracts are recorded on a percentage-of-completion basis. The stage of completion is determined either by units of delivery, which are based on predetermined milestones and on the realized value added (contract value of the work performed to date) or by the cost-to-cost method of accounting. Estimated contract profits are recorded in earnings in proportion to recorded sales. In the cost-to-cost method, sales and profits are recorded after considering the ratio of accumulated costs to estimated total costs to complete each contract. Subcontractor materials, labor and equipment, are included in sales and costs of goods sold when management believes that Metso is responsible for the ultimate acceptability of the project. Changes to total estimated contract costs and losses, if any, are recognized in the period in which they are determined.

Service revenue

Revenues from short-term service contracts are recognized once the service has been rendered. Revenues from long-term service contracts are recognized using the output method.

Trade-ins

Sales against which trade-ins are accepted are recorded at contract price. Any reduction between the agreed trade-in price and its recorded value in the inventory is recognized in cost of goods sold concurrently with the sale.

Government grants

Government grants relating to acquisition of property, plant and equipment are deducted from the acquisition cost of the asset and they reduce the depreciation charge of the related asset. Other government grants are deferred and recognized in profit and loss concurrently with the costs they compensate.

Emission rights and trading

Metso has received emission rights under the European Emission Trading Scheme. These rights, for the recognition of which there are no authoritative rules, are recognized as government grants at acquisition price and as they have been granted free of charge their acquisition value is nil. They are being consumed concurrently with CO_2 emissions over the compliance period. Any excess of rights is disposed of and the gain is recognized under other operating income. Should the emissions made exceed the initially allocated rights, additional rights are acquired at prevailing market price and recognized as cost in the costs of goods sold.

Other operating income and expenses, net

Other operating income and expenses, net, comprise income and expenses, which do not directly relate to the operating activity of businesses within Metso or which arise from unrealized and realized changes in fair value of foreign currency denominated financial instruments associated with the operating activity, including forward exchange contracts. Such items include costs related to significant restructuring programs, gains and losses on disposal of assets, except for those qualifying as discontinued operations, and foreign exchange gains and losses, excluding those qualifying for hedge accounting and those, which are reported under financial income and expenses, net. Additionally, non-recoverable foreign taxes, which are not based on taxable profits, are reported in other operating income and expenses, net. These include for example foreign taxes and/or suchlike payments not based on Double Tax Treaties in force.

Income taxes

Income taxes presented in the consolidated statements of income consist of current and deferred taxes. Current taxes include estimated taxes corresponding to the Group companies' results for the financial year, and adjustments to taxes for previous years.

A deferred tax liability or asset has been determined for all temporary differences between the tax bases of assets and liabilities and their amounts in financial reporting, using the enacted tax rates effective for the future years. The deferred tax liabilities are recognized in the balance sheet in full, and the deferred tax assets are only recognized when it is probable that there will be sufficient taxable profit against which the asset can be utilized. No deferred income tax is accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination.

No deferred tax liability has been recognized for undistributed earnings of domestic subsidiaries (i.e. Finnish) since such earnings can be transferred to the Parent Company without tax consequences. Metso does not provide deferred income taxes on undistributed earnings of foreign subsidiaries, except in situations where Metso has elected to distribute earnings, which become subject to additional non-recoverable taxes triggered by a distribution.

Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the year, excluding own shares.

Diluted earnings per share are calculated by including the potentially diluting ordinary shares to the weighted average number of ordinary shares in issue excluding own shares. The potentially diluting ordinary shares are related to the share ownership plans targeted to Metso's key personnel.

Fixed assets

Fixed assets comprise intangible assets and property, plant and equipment.

Intangible assets

Intangible assets, which comprise mainly goodwill, trademarks, patents and licenses, are stated at historical cost less accumulated amortization and impairment loss, if any. Goodwill and intangible assets with indefinite useful lives, such as brands, are not amortized, but tested annually for impairment.

Amortization of intangible assets Amortization of intangible assets with a definite useful life is calculated on a straight-line basis over the expected economic lives of the assets as follows:

Patents and licenses	5–10 years
Computer software	3–5 years
Technology	3–15 years
Customer relationships	3–12 years
Other intangibles (incl. order backlog)	< 1–15 years

Expected useful lives are reviewed at each balance sheet date and if they differ significantly from previous estimates, the remaining amortization periods are adjusted accordingly.

The carrying value of intangible assets subject to amortization is reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A previously recognized impairment loss may be reversed if there is a significant improvement to the circumstances having initially caused the impairment, however not to a higher value than the carrying amount, which would have been recorded had there been no impairment in prior years.

Impairment of intangible assets with indefinite useful lives The carrying value of goodwill for each segment and of other intangible assets with indefinite useful lives are reviewed annually or more frequently for impairment, if the facts and circumstances, such as declines in sales, operating profit or cash flows or material adverse changes in the business environment, suggest that its carrying value may not be recoverable. The testing of goodwill is performed at the cash generating unit level, whereas the testing of other intangible assets with an indefinite useful life is either performed as part of a cash generating unit or separately if the asset generates independent cash flows. The annual testing may be performed using previous year's recoverable amounts of the cash generating units if there has not been any significant changes to the assets and liabilities of the cash generating unit, if in the previous testing the recoverable value clearly exceeded the carrying values tested, or if the likelihood that the current recoverable value would be less than the current carrying value of the cash generating unit is remote. Metso uses a discounted cash flow analysis to assess the fair value of goodwill or of another intangible asset subject to testing. A previously recognized impairment loss on goodwill is not reversed even if there is a significant improvement in circumstances having initially caused the impairment.

Research and development Research and development costs are mainly expensed as incurred. Research and development costs comprise salaries, administration costs, depreciation and amortization of tangible and intangible fixed assets. Development costs meeting certain capitalization criteria under IAS 38 are capitalized and amortized during the expected economic life of the underlying technology.

Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any. Land and water areas are not depreciated.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Buildings and structures	15–40 years
Machinery and equipment	3–20 years

Expected useful lives are reviewed at each balance sheet date and if they differ significantly from previous estimates, the remaining depreciation periods are adjusted accordingly.

Subsequent improvement costs related to an asset are included in the carrying value of such asset or recognized as a separate asset, as appropriate, only when the future economic benefits associated with the costs are probable and the related costs can be separated from normal maintenance costs.

Metso reviews property, plant and equipment to be held and used by the company for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment of property, plant and equipment and capital gains and losses on their disposal are included in other operating income and expenses, net. Previously recognized impairment on property, plant and equipment is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, however not to exceed the carrying value, which would have been recorded had there been no impairment in prior years.

Capitalization of interest expenses The interest expenses of self-constructed investments are capitalized in Metso's financial statements. The capitalized interest expense is amortized over the estimated useful life of the underlying asset.

Leases Leases for property, plant and equipment, where Metso has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long-term debt, and the interest element is charged to profit and loss over the lease period. Property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset or over the lease period, if shorter.

Leases of property, plant and equipment, where the lessor retains a significant portion of the risks and rewards, are classified as operating leases. Payments under operating leases are expensed as incurred.

Financial assets and liabilities

Metso classifies its financial investments into the following categories: assets and liabilities at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification is determined at the time of the acquisition depending on the intended purpose. Assets at fair value through profit and loss comprise derivatives and financial instruments designated as at fair value through profit and loss upon initial recognition.

Available-for-sale financial assets are further classified into available-for-sale equity investments and available-for-sale financial investments. Loans and receivables include loans and other interest bearing receivables and other receivables, which are not interest bearing.

Purchases and sales of assets and liabilities at fair value through profit and loss, and loans and receivables are recognized or derecognized on the trade date, i.e. the date Metso commits to purchase or sell the asset. Purchases and sales of available-for-sale financial assets are recognized on the transaction date at fair value including transaction costs.

Financial assets are presented as non-current when their maturity exceeds one year.

At each balance sheet date, Metso assesses whether there is objective evidence of an available-for-sale financial asset or of a group of assets under this category being impaired. In case of prolonged significant decline in the fair value of such an asset compared to its acquisition value, the accumulated net loss is reversed from equity and recognized in the income statement.

Assets and liabilities at fair value through profit and loss

Financial instruments held for trading, which are fair valued through profit and loss, comprise investments in financial instruments, e.g. bonds, commercial papers and time deposits with various maturities exceeding three months. The instruments are fair valued quarterly and the change in fair value is recognized through profit and loss. Gains and losses at disposal and impairment, if any are recorded in profit and loss.

Derivatives that are not designated as hedges do not meet the hedge accounting criteria, and are fair valued quarterly through profit and loss. Gains and losses at disposal are recorded in profit and loss.

Available-for-sale equity investments

Available-for-sale equity investments include mainly shares in publicly listed companies. Available-for-sale equity investments are carried at fair value, based on quoted closing prices as of the respective balance sheet date. Unrealized gains and losses arising from changes in fair value are recognized through OCI in the fair value reserve of equity. Gains and losses at disposal and impairment, if any, are recorded in the profit and loss and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI. Unlisted shares, for which fair values cannot be measured reliably, are recognized at cost less impairment, if any.

Available-for-sale financial investments

Non-current available-for-sale financial investments Available-for-sale financial investments, which are reported under non-current assets and which have been contracted as part of the cash management of Metso, comprise investments in financial instruments, e.g. bonds, commercial papers and time deposits with maturities exceeding one year or with an undefined maturity and which Metso plans to hold for more than one year. The instruments are fair valued quarterly and the change in fair value is recognized through OCI in the fair value reserve of equity. Gains and losses at disposal and impairment, if any, are recorded in profit and loss and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI.

Current available-for-sale financial investments Available-for-sale financial investments, which are reported under current assets, comprise highly liquid investments, which have been contracted as part of the cash management of Metso and which do not qualify as cash and cash equivalents. They are fair valued quarterly and the change in fair value is recognized through OCI in the fair value reserve of equity. Gains and losses at disposal and impairment, if any, are recorded in profit and loss and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI.

Loans and receivables

Loan and other interest bearing receivables comprise interest bearing trade and loan receivables.

Loans and receivables are initially recognized at fair value including transaction costs. Subsequently they are recognized at amortized cost using the effective interest method. They are subject to regular and systematic review as to collectability. If a loan receivable is estimated to be partly or totally unrecoverable, an impairment loss is recognized for the shortfall between the carrying value and the present value of the expected cash flows. Interest income on loan and other interest bearing receivables is included in financial income and expenses, net.

Inventories

Inventories are stated at the lower of historical cost calculated on average cost basis or net realizable value. Costs include purchase costs as well as transportation and processing costs. The costs of finished goods include direct materials, wages and salaries plus social costs, subcontracting and other direct costs. In addition, production costs include an allocable portion of production and project administration overheads. Net realizable value is the estimated amount that can be realized from the sale of the asset in the normal course of business after allowing for the costs of realization.

Inventories are shown net of a reserve for obsolete and slow-moving inventories. A reserve is established and a corresponding charge is taken to profit and loss in the period in which the loss occurs based upon an assessment of technological obsolescence and related factors.

Trade-in equipment received is recorded as inventory at the lower of cost or net realizable value.

Trade receivables

Trade receivables are recognized at original invoice amount to customers and reported in the balance sheet, net of provision for doubtful receivables. The provision, which is expensed under selling, general and administrative expenses, is recorded on the basis of periodic reviews of potential non-recovery of receivables by taking into consideration individual customer credit risk, economic trends in customer industries and changes in payment terms. Bad debts are written off when official announcement of receivership, liquidation or bankruptcy is received confirming that the receivable will not be honored.

If extended payment terms, exceeding one year, are offered to customers, the invoiced amount is discounted to its present value and interest income is recognized over the credit term.

Cash and cash equivalents

Cash and cash equivalents consist of cash in banks and other liquid investments with initial maturity of three months or less.

Assets classified as held-for-sale

Non-current assets and discontinued operations are classified as held-for-sale and stated at the lower of carrying value and the fair value less cost to sell, if their carrying value is recovered principally through a sale transaction rather than through a continuing use.

A discontinued operation results from the management's decision and commitment to dispose of a separate business for which the related assets, liabilities and operating results can be distinguished both operationally and for financial reporting purposes. When specific criteria for the held-for-sale classification has been met, the non-current assets are recorded at the lower of carrying value or fair value less cost to sell, and non-current assets subject to depreciation or amortization are no longer amortized. The assets and liabilities of a disposal group classified as held-for-sale are presented in the balance sheet separate from assets and liabilities related to continuing operations as of the date the operation qualified as discontinued. The results of discontinued operations, net of taxes and the gain or loss on their disposal are presented for all periods separate from continuing operations in the consolidated statements of income. Balance sheet data from periods preceding the qualifying disposal decision is not reclassified.

Issue of new shares and own shares

Transaction costs directly attributable to the issue of new shares or options are shown net of their tax effect in equity as a deduction from the proceeds.

Own shares valued at historical acquisition price are deducted from equity. Should such shares be subsequently sold or reissued, the consideration received, net of any directly attributable transaction costs and related income tax, is recorded in the equity.

Dividends

Dividends proposed by the Board of Directors are not recognized in the financial statements until they have been approved by the shareholders in the Annual General Meeting.

Long-term debt

Long-term debt is initially recognized at fair value, net of transaction costs incurred. Debt is classified as current liability unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Capitalization of transaction costs related to issuance of debt instruments

Transaction costs arising from issuance of debt instruments are included in the carrying value of the debt and amortized using the effective interest method over the period of the respective liability.

Capitalization of transaction costs related to modification of debt instruments

Transaction costs arising from modification of debt instruments are included in the carrying value of the debt and amortized using the effective interest method over the remaining period of the modified liability provided that the new conditions obtained through the modification do not substantially differ from those of the original debt. The assessment of whether the conditions are substantially different is based on a comparison of the discounted present value of the cash flows under the new terms and the present value of the remaining cash flows of the original financial liability.

Provisions

Provisions, for which settlement is expected to occur more than one year after the initial recognition, are discounted to their present value and adjusted in subsequent closings for the time effect.

Restructuring and capacity adjustment costs

A provision for restructuring and capacity adjustment costs is recognized only after management has developed and approved a formal plan to which it is committed. Employee termination benefits are recognized after the representatives of employees or individual employees have been informed of the intended measures in detail and the related compensation packages can be reliably measured. The costs included in a provision for capacity adjustment are those costs that are either incremental or incurred as a direct result of the plan or are the result of a continuing contractual obligation with no continuing economic benefit to Metso or a penalty incurred to cancel the contractual obligation. Restructuring and capacity adjustment expenses are recognized in either cost of goods sold or selling, general and administrative expenses depending on the nature of the restructuring expenses. Should there be a Metso or segment wide restructuring program, the related costs are recognized in other operating income and expenses, net. Restructuring costs can also include other costs incurred as a result of the plan, which are recorded under other operating income and expenses, net, such as asset write-downs.

Environmental remediation costs

Metso accrues for losses associated with environmental remediation obligations when such losses are probable and can be estimated reliably. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed virtually certain.

Warranty costs

An accrual is made for expected warranty costs. The adequacy of this accrual is reviewed periodically based on an analysis of historical experience and anticipated probable warranty liabilities.

2 FINANCIAL RISK MANAGEMENT

As a global company, Metso is exposed to a variety of business and financial risks. Financial risks are managed centrally by the Group Treasury under annually reviewed written policies approved by the Board of Directors. Treasury operations are monitored by the Treasury Management Team chaired by the CFO. Group Treasury functions as counterparty to the operating units, manages centrally external funding and is responsible for the management of financial assets and appropriate hedging measures. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. The objective of financial risk management is to minimize potential adverse effects on Metso's financial performance.

Sensitivity analysis

Sensitivity analysis figures presented in connection with different financial risks are based on the risk exposures at the balance sheet date. The sensitivity is calculated by assuming a change in one of the risk factors of a financial instrument, such as interest or currency. It is not likely that the future volatility of a risk factor will develop in accordance with the test assumptions and that only one factor would be impacted.

When calculating the sensitivity, Metso has chosen to use market conventions in assuming a 100 basis point variation in interest rates, 10 percent change in foreign exchange rates and in commodity prices because this provides better comparability from one period to another and information on the volatility to users of financial statements. Metso is aware that such assumptions may not be realistic when compared to past volatility and they are not intended to reflect the future. Metso has chosen not to use past volatility as this could mislead the users of financial statements to assume the analysis reflect management's view on the future volatility of the financial instruments.

Liquidity and refinancing risk and capital structure management

Liquidity or refinancing risk arises when a company is not able to arrange funding at terms and conditions corresponding to its creditworthiness. Sufficient cash, short-term investments and committed and uncommitted credit facilities are maintained to protect short-term liquidity. Diversification of funding among different markets and adequate number of financial institutions is used to safeguard the availability of liquidity at all times. Group Treasury monitors bank account structures, cash balances and forecasts of the operating units and manages the utilization of the consolidated cash resources.

At the end of 2010 (end of 2009 respectively) cash and cash equivalents amounted to EUR 645 million (EUR 727 million), available-for-sale financial investments to EUR 347 million (EUR 209 million), financial instruments held for trading EUR 59 million (EUR 40 million) and committed undrawn credit facilities to EUR 500 million (EUR 500 million). The five year revolving credit facility was renewed in 2010.

Liquidity risk management as described here excludes trade receivables (both interest and non-interest bearing) and similar financial instruments, as they are not considered active risk management tools within the responsibility of Group Treasury. Similarly, non-interest bearing liabilities such as trade and other payables are not included in liquidity management.

Metso's refinancing risk is managed by balancing the proportion of short-term and long-term debt as well as the average remaining maturity of long-term debt. The tables below analyze the repayments and interests on Metso's liabilities by the remaining maturities from the balance sheet date to the contractual maturity date.

Detailed information of balance sheet items is presented in other notes to consolidated financial statements.

Capital structure management in Metso comprises both equity and interest bearing debt. As of December 31, 2010 the equity attributable to shareholders was EUR 2,049 million (EUR 1,783 million) and the amount of interest bearing debt was EUR 1,373 million (EUR 1,576 million). The objectives are to safeguard the ongoing business operations and to optimize the cost of capital. Metso has a target to maintain a solid investment grade credit rating.

The credit ratings as at December 31, 2010:

Moody's	Baa2
Standard & Poor's	BBB / A–2

There are no prepayment covenants in Metso's financial contracts which would be triggered by changes in credit rating. Financial covenants included in some loan agreements refer to Metso's capital structure. Metso is in compliance with all covenants and other terms of its debt instruments.

Capital structure is assessed regularly by the Board of Directors and managed operationally by the Group Treasury.

Capital structure ratios are included in financial indicators for years 2006–2010 on page 137 in these financial statements. The formulas for calculating the financial indicators are presented on page 138.

Interest rate risk

Interest rate risk arises when changes in market interest rates and interest margins influence finance costs, returns on financial investments and valuation of interest bearing balance sheet items. Interest rate risks are managed through balancing the ratio between fixed and floating

Maturities as of December 31, 2009

EUR million	<1 year	1–5 years	>5 years
Long-term debt			
Repayments	173	1,103	231
Interests	65	158	27
Short-term debt			
Repayments	69	-	-
Interests	1	-	-
Trade payables	605	-	-
Other liabilities	460	-	-
Interest rate derivatives	4	5	2
Total	1,377	1,266	260
Financial guarantee contracts	3		

Maturities as of December 31, 2010

EUR million	<1 year	1–5 years	>5 years
Long-term debt			
Repayments	388	761	195
Interests	66	116	9
Short-term debt			
Repayments	29	-	-
Interests	1	-	-
Trade payables	815	-	-
Other liabilities	568	-	-
Interest rate derivatives	2	5	2
Total	1,869	881	205
Financial guarantee contracts	1		

interest rates and duration of debt and investment portfolios. Additionally, Metso may use derivative instruments such as forward rate agreements, swaps, options and futures contracts to mitigate the risks arising from interest bearing assets and liabilities. The interest rate risk is managed and controlled by the Group Treasury and measured using sensitivity analysis and duration of long term debt. The Macaulay Duration of long term debt was 1.6 years on December 31, 2010 (2.0 years).

At the end of 2010 the balance sheet items exposed to interest rate risk were interest bearing assets of EUR 1,063 million (EUR 993 million) and interest bearing debt of EUR 1,373 million (EUR 1,576 million). Of the total of the interest bearing debt 74 percent (77%) was denominated in EUR.

The basis for the interest rate risk sensitivity analysis is an aggregate group level interest rate exposure, composed of interest bearing assets, interest bearing debt and financial derivatives, such as interest rate swaps and options, which are used to hedge the underlying exposures. For all interest bearing debt and assets to be fixed during next 12 months a one percentage point (100 basis points) move upwards or downwards in interest rates with all other variables held constant would have an effect on Metso's net interest expenses, net of taxes, of EUR –/+ 3.0 million (EUR –/+ 2.9 million).

A one percentage point (100 basis points) move upwards or downwards in all interest rates with all other variables held constant would have following effects, net of taxes, in income statement and equity:

EUR million	2009	**2010**
Effects in		
• income statement	+/– 0.9	**+/– 0.7**
• equity	–/+ 0.1	**–/+ 1.7**

The effect in the income statement comprises the changes in the fair value of financial instruments which are directly recognized through profit and loss. The effect in the equity is comprised of the changes in the fair value of available-for-sale financial assets and derivatives qualifying as effective cash flow hedge instruments for long-term floating rate debt.

Foreign exchange risk

Metso operates globally and is exposed to foreign exchange risk in several currencies, although the geographical diversity of operations decreases the significance of any individual currency. About 60 percent of Metso's net sales originate from outside euro zone; the main currencies being EUR, USD, SEK, BRL, AUD and CNY.

Transaction exposure

Foreign exchange transaction exposure arises when an operating unit has commercial or financial transactions and payments in other than its own functional currency, and when related cash inflow and outflow amounts are not equal or concurrent.

In accordance with the Treasury Policy, operating units are required to hedge in full the foreign currency exposures on balance sheet and other firm commitments. Future cash flows denominated in a currency other than the functional currency of the unit are hedged with internal foreign exchange contracts with the Group Treasury for periods, which do not usually exceed two years. The majority of the hedged future currency cash flows relate to foreign currency denominated order backlog. In addition, units can hedge anticipated foreign currency denominated cash flows.

Group Treasury monitors the net position of each currency and decides to what extent a currency position is to be closed. Group Treasury is however responsible for entering into external forward transaction whenever an operating unit applies hedge accounting. Upper limits have been set on the open currency exposures managed by the Group Treasury; limits have been calculated on the basis of their potential profit impact. To manage the foreign currency exposure Group Treasury may use forward exchange contracts and foreign exchange options.

Total foreign exchange transaction exposure on December 31 was as follows:

EUR million	2009	**2010**
Operational items	418	**627**
Financial items	–172	**–136**
Hedges	–243	**–447**
Total exposure	3	**45**

This aggregate group level currency exposure is the basis for the sensitivity analysis of foreign exchange risk. This exposure, net of respective hedges, is composed of all assets and liabilities denominated in foreign currencies, projected cash flows for unrecognized firm commitments, both short- and long-term sales and purchase contracts and anticipated operational cash flows to the extent their realization has been deemed highly probable and therefore hedged. This analysis excludes net foreign currency investments in subsidiaries together with instruments hedging these investments. Assuming euro to appreciate or depreciate ten percent against all other currencies, the impact on cash flows, net of taxes, derived from the year-end net exposure as defined above, would be EUR –/+ 1.2 million (EUR –/+ 0.3 million).

Transaction exposure is spread in about 30 currencies and as of December 31, 2010 the biggest open exposures were in USD (45%) and SEK (15%). A 10 percent appreciation of USD would have an effect, net of taxes, of EUR +5.9 million. A corresponding effect on SEK would be EUR –2,0 million and on any other currency would be less than EUR 1 million.

A sensitivity analysis of financial instruments as required by IFRS 7, excludes following items: projected cash flows for unrecognized firm commitments, advance payments, both short- and long-term purchase contracts and anticipated operational cash flows. The table below presents the effects, net of taxes, of a +/– 10 percent change in EUR foreign exchange rates:

	2009	**2010**			
EUR million	total	**USD**	**SEK**	**others**	**total**
Effects in					
• income statement	+/– 4.3	**+/– 9.2**	**+/– 1.0**	**+/– 0.9**	**+/– 11.1**
• equity	+/– 24.8	**+/– 18.6**	**+/– 6.8**	**+/– 5.6**	**+/– 31.0**

Effect in equity is the fair value change in derivatives contracts qualifying as cash flow hedges for unrecognized firm commitments. Effect in income statement is the fair value change for all other financial instruments exposed to foreign exchange risk including derivatives, which qualify as cash flow hedges, to the extent the underlying sales transaction, recognized under the percentage of completion method, has been recognized as revenue.

Translation or equity exposure

Foreign exchange translation exposure arises when the equity of a subsidiary is denominated in currency other than the functional currency of the parent company. The major translation exposures are in CNY, USD and BRL, which altogether comprise around 60 percent of the total equity exposure. Metso is not extensively hedging equity exposure except USD. As of December 31, 2010 Metso had hedged 97 percent (82%) of USD denominated net investments to reduce the effect of exchange rate fluctuations. Currently hedging instruments are foreign currency loans.

A sensitivity analysis of financial instruments includes foreign currency loans qualified as net investment hedges. A 10 percent change in EUR/USD foreign exchange rate would have an effect of EUR 17.6 million (EUR 17.2 million), net of taxes, in equity.

Commodity risk

Metso is exposed to variations in prices of raw materials and of supplies including energy. Metso units identify their commodity price hedging needs and hedges are executed through the Group Treasury using approved counterparties and instruments. For commodity risks separate overall hedging limits are defined and approved. Hedging is done on a rolling basis with a declining hedging level over time.

Electricity exposure in the Scandinavian units has been hedged with electricity forwards and fixed price physical contracts, which are designated as hedges of highly probable future electricity purchases. Hedging is focused on the estimated energy consumption for the next twelve-month period with some contracts extended to approximately three years. Execution of electricity hedging has been outsourced to an external broker. As of December 31, 2010 Metso had outstanding electricity forwards amounting to 755 GWh (640 GWh).

To reduce its exposure to the volatility caused by the surcharge for certain metal alloys (Alloy Adjustment Factor) comprised in the price of stainless steel charged by its suppliers, Metso has entered into average-price swap agreements for nickel. The Alloy Adjustment Factor is based on monthly average prices of its components of which nickel is the most significant. As of December 31, 2010 Metso had outstanding nickel swaps amounting to 486 tons (252 tons).

The following table on the sensitivity analysis of the commodity prices based on financial instruments under IFRS 7 comprises the net aggregate amount of commodities bought through forward contracts and swaps but excludes the anticipated future consumption of raw materials and electricity. A 10 percent change upwards or downwards in commodity prices would have following effects, net of taxes:

EUR million	2009	**2010**
Electricity – effect in equity	+/– 1.7	**+/– 2.5**
Electricity – effect in income statement	+/– 0.2	**+/– 0.2**
Nickel – effect in income statement	+/– 0.2	**+/– 0.6**

As cash flow hedge accounting is applied, the effective portion of electricity forwards is recognized in equity. The ineffective portion is recognized through profit and loss. Hedge accounting is not applied to nickel agreements, and the change in the fair value is recorded through profit and loss.

Other commodity risks are not managed using financial derivative instruments.

Credit and counterparty risk

Credit or counterparty risk is defined as the possibility of a customer or a financial counterparty not fulfilling its commitments towards Metso. Metso's operating units are primarily responsible for credit risks pertaining to sales and procurement activities. The units assess the credit quality of their customers, by taking into account their financial position, past experience and other relevant factors. When appropriate, advance payments, letters of credit and third party guarantees are used to mitigate credit risks. Group Treasury provides centralized services related to customer financing and seeks to ensure that the principles of the Treasury Policy are adhered to with respect to terms of payment and required collateral. Metso has no significant concentrations of credit risks.

The maximum credit risk equals the carrying value of trade and loan receivables. The credit quality is evaluated both on the basis of aging of the trade receivables and also on the basis of customer specific analysis. The aging structure of trade receivables is presented in note 19.

Counterparty risk arises also from financial transactions agreed upon with banks, financial institutions and corporates. The risk is managed by careful selection of banks and other counterparties, by counterparty specific limits and netting agreements such as ISDA (Master agreement of International Swaps and Derivatives Association). The compliance with counterparty limits is regularly monitored.

The maximum amount of financial counterparty risk is calculated as the fair value of available-for-sale financial assets, derivatives and cash and cash equivalents on the balance sheet date.

Fair value estimation

For those financial assets and liabilities which have been recognized at fair value in the balance sheet, the following measurement hierarchy and valuation methods have been applied:

Level 1 Quoted unadjusted prices at the balance sheet date in active markets. The market prices are readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. The quoted market price used for financial assets is the current bid price. Level 1 financial instruments include debt and equity investments classified as financial instruments available-for-sale or at fair value through profit and loss.

Level 2 The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. Level 2 financial instruments include:
- Over-the-counter derivatives classified as financial assets/liabilities at fair value through profit and loss or qualified for hedge accounting.
- Debt securities classified as financial instruments available-for-sale or at fair value through profit and loss.

Level 3 A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data. Metso had no such instruments in 2009 or in 2010.

The tables below present Metso's financial assets and liabilities that are measured at fair value.

December 31, 2009

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
• Derivatives	-	14	-
• Securities	-	40	-
Derivatives qualified for hedge accounting	-	7	-
Available for sale investments			
• Equity investments	9	-	-
• Debt investments	130	79	-
Total assets	**139**	**140**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
• Derivatives	-	10	-
Derivatives qualified for hedge accounting	-	16	-
Total liabilities	-	**26**	**-**

December 31, 2010

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
• Derivatives	-	18	-
• Securities	12	47	-
Derivatives qualified for hedge accounting	-	39	-
Available for sale investments			
• Equity investments	1	-	-
• Debt investments	320	27	-
Total assets	**333**	**131**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
• Derivatives	-	13	-
Derivatives qualified for hedge accounting	-	20	-
Total liabilities	-	**33**	**-**

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make estimates and judgments affecting the amounts reported in the consolidated financial statements and accompanying notes. These estimates and judgments, based on historical evidence and plausible future scenarios, are continually evaluated. Following assets and liabilities include a high degree of management estimate and assumptions and their carrying value can therefore materially differ from current value in the next financial year.

Trade receivables

Metso's policy is to maintain a provision for bad debt based on the best estimate of the amounts that are potentially uncollectable at the balance sheet date. The estimates are based on a systematic, on-going review and evaluation performed as part of the credit-risk evaluation process. As part of this evaluation, Metso takes into account the history of collections, the size and compositions of the receivable balances, current economic events and conditions and other pertinent information.

Inventory

Metso's policy is to maintain a provision for slow-moving and obsolete inventory based on the best estimate of such amounts at the balance sheet date. The estimates are based on a systematic, on-going review and evaluation of inventory balances. As part of this evaluation, Metso also considers the composition and age of the inventory as compared to anticipated future needs.

Revenue recognition

Metso delivers complete installations to its customers, where the moment of signing a sales contract (firm commitment) and the final acceptance of a delivery by the customer may take place in different financial periods. In accordance with its accounting principles, Metso applies the percentage of completion method ("POC method") for recognizing such long-term delivery contracts. In year 2010, approximately 37 percent of the net sales were recognized under the POC method, which is based on predetermined milestones and where the revenue is recognized based on the estimated realized value added or on the cost-to-cost method. A projected loss on a firm commitment is recognized through profit and loss, when it becomes known. The estimated revenue, the costs and profit, together with the planned delivery schedule of the projects are subject to regular revisions as the contract progresses to completion. Revisions in profit estimates are charged through profit and loss in the period in which the facts that give rise to the revision become known. Although Metso has significant experience using the POC method, the total costs estimated to be incurred on projects may change over time due to changes in the underlying project cost structures, which may ultimately affect the revenue recognized. Therefore, the POC method is not applied for recognizing sales commitments where the final outcome of the project and related cost structure cannot be pre-established reliably.

Hedging of foreign currency denominated firm commitments

Under Metso hedging policy units have to hedge their foreign currency risk when they become engaged in a firm commitment denominated in a currency different of their functional currency, the commitment can be either internal to Metso or external. When a firm commitment qualifies for recognition under the percentage of completion method, the unit applies cash flow hedge accounting and recognizes the effect of the hedging instruments in the OCI until the commitment is recognized. Though Metso has defined the characteristics triggering a firm commitment, the final realization of the unrecognized commitment depends also on factors beyond management control, which cannot be foreseen when initiating the hedge relationship. Such factors can be a change in the market environment causing the other party to postpone or cancel the commitment. To the extent possible management tries to include in the contracts clauses reducing the impact of such adverse events to its results.

Accounting for income taxes

As part of the process of preparing its consolidated financial statements, Metso is required to estimate the income taxes in each of the jurisdictions and countries in which it operates. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue and cost reserves, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. The likelihood for the recovery of deferred tax assets from future taxable income is assessed, and to the extent the recovery is not considered likely the deferred asset is adjusted in accordance.

Significant management judgment is required in determining the provision for income taxes and the deferred tax assets. Metso has recorded net deferred tax assets of EUR 118 million as of December 31, 2010, adjusted by EUR 10 million for uncertainties related to its ability to utilize some of the deferred tax assets, primarily consisting of operating losses carried forward and deductible temporary differences for certain foreign subsidiaries and the final outcome of tax audits in some subsidiaries. The adjustment is based on Metso's estimates of taxable income by country in which it operates, and the period over which the deferred tax assets will be recoverable based on estimated future taxable income and planned tax strategies to utilize these assets. In the event that actual results differ from these estimates, the deferred tax asset needs to be adjusted in coming financial years. The final outcome may also be affected by future changes in tax laws applicable in the jurisdictions where Metso operates.

Allocation of purchase price to acquired assets

In accordance with the accounting principles, the purchase price is allocated to the acquired assets and assumed liabilities the excess being recognized as goodwill in the balance sheet. Whenever feasible, Metso has used as a basis for such allocations readily available market values to determine the fair value to be recognized. However, when this has not been possible, as often is the case with non-current intangible assets and certain assets with no active markets or available price quotations, the valuation has been based on past performance of such asset and expected future cash generating capacity. The appraisals, which have been based on current replacement costs, discounted cash flows and estimated selling prices depending on the underlying asset, require management to make estimates and assumptions of the future performance and use of these assets and their impact on the financial position. Any change in Metso's future business priorities and orientations may affect the planned outcome of initial appraisals.

Impairment testing

The carrying value of identifiable intangible assets with indefinite economic life such as goodwill is tested annually or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. The carrying values of property, plant and equipment and intangible assets, subject to depreciation and amortization are reviewed for impairment whenever there are indications that their carrying values could exceed their value in use or disposal value if disposal is considered as a possible option.

Triggering events for impairment reviews include the following:

- Material permanent deterioration in the economic or political environment of the customers' or of own activity
- Significant under-performance relative to historical or projected future performance
- Significant changes in Metso's strategic orientations affecting the business plans and previous investment policies

The policy related to the impairment tests is based on numerous estimates. The valuation is inherently judgmental and highly susceptible to change from period to period because it requires Metso to make assumptions about future supply and demand related to its individual business units, future sales prices and achievable cost savings. The value of the benefits and savings expected from the efficiency improvement programs are inherently subjective. The fair value of the cash generating units is determined using a derived weighted average cost of capital as the rate to discount estimated future cash flows. This rate may not be indicative of actual rates obtained in the market. In the annual goodwill impairment test, a 0.5 percentage point reduction in the terminal growth rate applied for determining the fair values of the cash generating units would have reduced the total value of units tested by 4 percent and would not have caused impairment. A second sensitivity test with a two percentage point increase in the discount rates combined with the lower terminal growth rate would have reduced the fair values by 21 percent causing the carrying value of the Fabrics business line to exceed the net present value of cash flows by EUR 34 million.

Reserve for warranty and guarantee costs

The warranty and guarantee reserve is based on the history of past warranty costs and claims on machines and equipment under warranty. The typical warranty period is 12 months from the date of customer acceptance of the delivered equipment. For larger projects, the average warranty period is two years. For sales involving new technology and long-term delivery contracts, additional warranty reserves can be established on a case by case basis to take into account the potentially increased risk.

Pensions

In accordance with IAS 19, the pension benefit expense is based on assumptions that include the following:

- A weighted average expected return assessed in the beginning of the financial year on plan assets. Actual return on plan assets may differ significantly based on market activity.
- An assumed discount rate based on rates observed in the beginning of the financial year to be used in the calculation of the current year pension expense and pension liability balance. This rate may not be indicative of actual rates realized in the market.
- Estimated rates of future pay increases. Actual increases may not reflect estimated future increases. Due to the significant change in the Group's structure and the uncertainty of the global market place, these estimates are difficult to project.

The actuarial experience that differs from the assumptions and changes in the assumptions results in gains and losses, which are recognized in the OCI. A one percentage point increase in the expected return on plan assets would have reduced pension benefit expense by approximately EUR 3 million, and a one percentage point decrease in the expected return on plan assets would have increased pension benefit expense by approximately EUR 3 million for the year ended December 31, 2010.

Share-based payments

Share-based payment plans and related incentive programs include vesting conditions such as targets for operating profit, earnings per share and total shareholder return, and service year requirements subsequent to the grant date. The maximum share reward is in relation to each participant's annual salary. At each balance sheet date, the management revises its estimates for the number of shares that are expected to vest. As part of this evaluation, Metso takes into account the changes in the forecasted performance of the Group and its reporting segments, the expected turnover of the personnel benefiting from the incentive plan and other pertinent information impacting the number of shares to be vested.

Financial instruments

In accordance with the disclosure requirements on financial instruments, the management is obliged to make certain assumptions of the future cash in- and outflows arising from such instruments. The management has also had to assume that the fair values of derivatives, especially foreign currency denominated derivatives at balance sheet date materially reflect the future realized cash in- or outflow of such instruments.

4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,		
EUR million	2008	2009	**2010**
Marketing and selling expenses	–543	–480	**–527**
Research and development expenses, net	–127	–105	**–110**
Administrative expenses	–373	–353	**–391**
Total	–1,043	–938	**–1,028**

Research and development expenses, net, consist of following:

EUR million	2008	2009	**2010**
Research and development expenses, total	–134	–115	**–111**
Capitalized development costs	0	0	**0**
Capital expenditure	7	9	**3**
Grants received	5	5	**6**
Depreciation and amortization	–5	–4	**–8**
Research and development expenses, net	–127	–105	**–110**

5 OTHER OPERATING INCOME AND EXPENSES, NET

	Year ended December 31,		
EUR million	2008	2009	**2010**
Gain on sale of subsidiaries and businesses [1)]	4	0	**1**
Gain on sale of fixed assets	2	4	**2**
Gain on sale of available-for-sale equity investments	2	23	**9**
Rental income	3	2	**3**
Foreign exchange gains [2)]	43	55	**50**
Intellectual property settlements	-	-	**32**
Other income	9	9	**14**
Other operating income, total	63	93	**111**
Loss on sale of subsidiaries and businesses	0	–1	**0**
Write-downs on fixed assets	–4	–5	**–6**
Foreign exchange losses [2)]	–41	–55	**–36**
Net effect for prior years' ICMS (VAT) credits in Brazil	-	-	**–5**
Intellectual property lawsuits	-	-	**–5**
Other expenses	–7	–8	**–9**
Other operating expenses, total	–52	–69	**–61**
Other operating income and expenses, net	11	24	**50**

[1)] Gains on sale of panelboard operations in Nastola, Finland and Sundsvall, Sweden, as well as spreader roll manufacturing business (Finbow) and shares in Sweden-based Metso Foundries Karlstad AB for the year ended December 31, 2008. For the year ended December 31, 2010, gain on sale of Flexowell conveyor belt operations in Germany.

[2)] Includes foreign exchange gains and losses resulting from trade receivables and payables and related derivatives.

6 PERSONNEL EXPENSES AND THE NUMBER OF PERSONNEL

Personnel expenses:

EUR million	Year ended December 31, 2008	2009	2010
Salaries and wages	–1,064	–989	**–1,100**
Pension costs, defined contribution plans	–86	–84	**–84**
Pension costs, defined benefit plans [1]	–10	–13	**–12**
Other post-employment benefits [1]	–3	–3	**–3**
Share-based payments	–2	–2	**–6**
Other indirect employee costs	–208	–203	**–220**
Total	–1,373	–1,294	**–1,425**

[1] For more information on pension costs, see note 28.

Number of personnel at end of year:

	2008	2009	2010
Mining and Construction Technology	11,259	9,541	**10,206**
Energy and Environmental Technology	6,357	6,060	**6,073**
Paper and Fiber Technology	10,544	10,459	**10,362**
Valmet Automotive	783	679	**1,425**
Group Head Office and other	379	427	**527**
Group Head Office and others total	1,162	1,106	**1,952**
Metso total	29,322	27,166	**28,593**

Average number of personnel during the period:

	2008	2009	2010
Mining and Construction Technology	10,481	10,397	**9,812**
Energy and Environmental Technology	6,160	6,254	**6,027**
Paper and Fiber Technology	10,256	10,085	**10,412**
Valmet Automotive	744	670	**840**
Group Head Office and other	369	407	**494**
Group Head Office and others total	1,113	1,077	**1,334**
Metso total	28,010	27,813	**27,585**

Board remuneration:

EUR thousand	Year ended December 31, 2008	2009	2010[2]
Serving Board members December 31, 2010:			
Jukka Viinanen	–44	–88	**–129**
Maija-Liisa Friman	–58	–53	**–79**
Mikael von Frenckell	-	-	**–51**
Christer Gardell	–56	–53	**–69**
Yrjö Neuvo	–56	–53	**–70**
Erkki Pehu-Lehtonen	-	-	**–51**
Pia Rudengren	-	–40	**–68**
Jukka Leppänen[1]	–7	–7	**–8**
Former Board members:			
Jaakko Rauramo	–67	–64	**–20**
Arto Honkaniemi	–46	–53	**–17**
Matti Kavetvuo	–105	–25	**-**
Svante Adde	–12	-	**-**
Eva Liljeblom	–12	-	**-**
Total	–463	–436	**–562**

[1] Has attended meetings as a personnel representative, no voting right.
[2] In addition to 2010 remuneration includes also remuneration until the end of Annual General Meeting in 2011.

According to the resolution of the Annual General Meeting held on March 30, 2010, the annual fees of the Board members were kept intact and are as follows: Chairman EUR 92,000, Vice Chairman EUR 56,000, and other members EUR 45,000 each. The Annual General Meeting decided that 40 percent of the fixed annual remuneration will be paid in Metso shares. The Board members acquired the shares from the market within two weeks after the publication of the first-quarter 2010 Interim Review on April 29, 2010. In addition, an attendance fee of EUR 600 per meeting is paid to all members for meetings of the Board and its Committees. Compensation for traveling expenses and daily allowances are paid in accordance with Metso's travel policy.

Remuneration paid to Chief Executive Officer, Executive Vice President and other Executive Team members:

EUR	Annual salary	Paid performance bonus	Fringe benefits	Share-based payment	**Total**	Number of shares granted
2008						
President and CEO	546,034	232,283	13,604	254,453	1,046,374	3,717
Executive Vice President	382,999	159,448	21,776	181,752	745,975	2,655
Other Executive Team members	1,207,033	385,852	72,182	642,874	2,307,941	9,391
Total	2,136,066	777,583	107,562	1,079,079	4,100,290	15,763
2009						
President and CEO	525,232	133,178	13,999	32,831	705,240	1,668
Executive Vice President	367,951	74,445	23,847	23,140	489,383	1,192
Other Executive Team members	1,222,041	299,330	56,466	79,843	1,657,680	4,136
Total	2,115,224	506,953	94,312	135,814	2,852,303	6,996
2010						
President and CEO	550,790	263,752	12,812	-	827,354	-
Executive Vice President [1]	396,288	143,722	21,779	-	561,789	-
Other Executive Team members	1,364,759	322,783	56,817	-	1,744,359	-
Total	**2,311,837**	**730,257**	**91,408**	**-**	**3,133,502**	**-**

[1] Olli Vaartimo until September 30, 2010 and Matti Kähkönen from October 1, 2010.

Additionally, in 2011 a bonus of about EUR 253,000 will be paid to President and CEO Jorma Eloranta and an estimated bonus of about EUR 192,000 to Executive Vice President Matti Kähkönen based on year 2010 performance.

Remuneration paid to President and CEO Jorma Eloranta is presented in the table on the previous page. The fringe benefits comprised a company car and a telephone. Mr. Eloranta participates in the remuneration and commitment program for Metso's management, the remuneration of which consists of Metso shares and a cash-settled portion. For more information on share-based payments, see note 23.

According to his executive contract, Jorma Eloranta is eligible to retire at the age of 60 (February 2011) and his retirement pension is 60 percent of his pensionable compensation during the past four or ten service years, whichever results in a greater amount.

Remuneration paid to Executive Vice President (until September 30, 2010) and CFO Olli Vaartimo is presented in the table on the previous page. The fringe benefits comprised a company car, an apartment and a telephone. Mr. Vaartimo participates in the remuneration and commitment program for Metso's management, the remuneration of which consists of Metso shares and a cash-settled portion.

According to his executive contract, Olli Vaartimo is eligible to retire at the age of 60 (September 2010) and his retirement pension is 60 percent of his pensionable compensation during the past four or ten service years, whichever results in a greater amount.

Remuneration paid to Executive Vice President (since October 1, 2010) Matti Kähkönen is presented in the table on the previous page. The fringe benefits comprised a company car and a telephone. Mr. Kähkönen participates in the remuneration and commitment program for Metso's management, the remuneration of which consists of Metso shares and a cash-settled portion.

According to his executive contract, Matti Kähkönen is eligible to retire at the age of 63 (August 2019) and his retirement pension is 60 percent of his pensionable compensation during the past four service years. In case of termination of contract, he is entitled to compensation equivalent to 24 months' salary.

Matti Kähkönen, who will start as Metso's President and CEO on March 1, 2011, has acted as Metso's Executive Vice President and Deputy to the CEO and as Vice Chairman of the Metso Executive Team starting October 1, 2010.

Metso has subscribed pension plans for senior management for retirement at the age of 60–63, the beneficiaries include some members of the Metso Executive Team. For the years ended December 31, 2008, 2009 and 2010, the pension insurance premium payments totaled approximately EUR 2.3 million, EUR 3.0 million and EUR 3.0 million, respectively.

Board share ownership in Metso as at December 31, 2010:

Jukka Viinanen	**2,377**
Maija-Liisa Friman	**2,338**
Mikael von Frenckell	**100,673**
Christer Gardell	**673**
Yrjö Neuvo	**7,773**
Erkki Pehu-Lehtonen	**1,423**
Pia Rudengren	**673**
Jukka Leppänen[1]	**520**
Total	**116,450**

[1] Has attended meetings as a personnel representative, no voting right.

Executive Team share ownership in Metso as at December 31, 2010:

Jorma Eloranta	**32,185**
Matti Kähkönen	**12,328**
Olli Vaartimo	**12,277**
Pasi Laine	**9,437**
Bertel Langenskiöld	**10,454**
Kalle Reponen	**4,155**
Total	**80,836**

7 DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses consist of the following:

	Year ended December 31,		
EUR million	2008	2009	**2010**
Intangible assets	–44	–41	**–58**
Property, plant and equipment			
Buildings and structures	–20	–21	**–24**
Machinery and equipment	–74	–81	**–96**
Total	–138	–143	**–178**

Depreciation and amortization by function are as follows:

	Year ended December 31,		
EUR million	2008	2009	**2010**
Cost of goods sold	–80	–82	**–100**
Selling, general and administrative expenses			
Marketing and selling	–14	–15	**–23**
Research and development	–5	–4	**–8**
Administrative	–39	–42	**–47**
Total	–138	–143	**–178**

8 FINANCIAL INCOME AND EXPENSES, NET

	Year ended December 31,		
EUR million	2008	2009	**2010**
Financial income			
Dividends received	0	0	**0**
Interest income on cash and cash equivalents	14	15	**12**
Income on financial investments	0	2	**6**
Other financial income	2	3	**3**
Financial income total	16	20	**21**
Financial expenses			
Interest expenses from financial liabilities at amortized cost	–70	–74	**–69**
Interest expenses on financial leases	–1	–1	**0**
Other financial expenses	–10	–13	**–14**
Net gain (+) / loss (–) from foreign exchange	–24	–4	**–13**
Financial expenses total	–105	–92	**–96**
Financial income and expenses, net	–89	–72	**–75**

9 INCOME TAXES

The components of income taxes are as follows:

	Year ended December 31,		
EUR million	2008	2009	**2010**
Current tax expense	–145	–96	**–123**
Deferred taxes	–13	25	**11**
Income taxes, total	–158	–71	**–112**

The differences between income tax expense computed at Finnish statutory rate and income tax expense provided on earnings are as follows:

	Year ended December 31,		
EUR million	2008	2009	**2010**
Income before taxes	548	222	**370**
Income tax expense at Finnish statutory rate	–142	–58	**–96**
Income tax for prior years	11	–9	**–3**
Difference between Finnish and foreign tax rates	–25	–13	**–19**
Benefit of operating loss carryforward	0	0	**1**
Operating losses with no current tax benefit	–2	–2	**–2**
Non-deductible expenses	–2	–1	**–1**
Other	2	12	**8**
Income tax expense	–158	–71	**–112**

Reconciliation of deferred tax balances

EUR million	Balance at beginning of year	Charged to income statement	Charged to shareholders' equity	Translation differences	Acquisitions and disposals	Balance at end of year
2009						
Deferred tax assets						
Tax losses carried forward	35	14	–9	1	-	41
Fixed assets	14	2	-	-	1	17
Inventory	34	–1	-	-	-	33
Provisions	27	6	–4	-	-	29
Accruals	32	–3	-	-	-	29
Pension related items	33	0	–1	-	-	32
Other	42	–1	–3	5	-	43
Total deferred tax assets	217	17	–17	6	1	224
Offset against deferred tax liabilities [1]	–43	–10	-	-	-	–53
Net deferred tax assets	174	7	–17	6	1	171
Deferred tax liabilities						
Purchase price allocations	54	–4	-	-	19	69
Fixed assets	15	1	-	-	10	26
Other	19	–5	–1	-	1	14
Total deferred tax liabilities	88	–8	–1	-	30	109
Offset against deferred tax assets [1]	–43	–10	-	-	-	–53
Net deferred tax liabilities	45	–18	–1	-	30	56
Deferred tax assets, net	129	25	–16	6	–29	115

EUR million	Balance at beginning of year	Charged to income statement	Charged to shareholders' equity	Translation differences	Acquisitions and disposals	Balance at end of year
2010						
Deferred tax assets						
Tax losses carried forward	41	2	–10	-	-	33
Fixed assets	17	1	-	-	-	18
Inventory	33	2	-	-	-	35
Provisions	29	–3	-	-	-	26
Accruals	29	2	-	-	-	31
Pension related items	32	2	5	-	-	39
Other	43	-	–8	5	-	40
Total deferred tax assets	224	6	–13	5	-	222
Offset against deferred tax liabilities [1]	–53	–1	-	-	-	–54
Net deferred tax assets	171	5	–13	5	-	168
Deferred tax liabilities						
Purchase price allocations	69	–8	-	-	-	61
Fixed assets	26	1	-	-	-	27
Other	14	2	-	-	-	16
Total deferred tax liabilities	109	–5	-	-	-	104
Offset against deferred tax assets [1]	–53	–1	-	-	-	–54
Net deferred tax liabilities	56	–6	-	-	-	50
Deferred tax assets, net	**115**	**11**	**–13**	**5**	**-**	**118**

[1] Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognized when it is likely that earnings will be distributed in the near future. For the years ended December 31, 2009 and 2010, respectively, earnings of EUR 196 million and EUR 263 million would have been subject to recognition of a deferred tax liability, had Metso regarded a distribution in the near future as likely.

10 ACQUISITIONS

Acquisitions in 2010

In November 2010, Metso announced Valmet Automotive having acquired Karmann's convertible roof business in Germany and Poland from the administrative receivers. The acquisition complements Valmet Automotive's service offering in line with its strategy in convertible engineering and manufacturing services and particularly in component manufacturing. The purchase consideration for the transaction amounted to EUR 33 million (EUR 24 million net of cash), the direct acquisition costs, which were expensed and reported under other operating expenses, being less than EUR 2 million. Metso did not recognize any goodwill on the transaction. The fair values presented in below table are preliminary.

The consolidated income statement for the year ended December 31, 2010 includes the impact of the acquired business with net sales of EUR 12 million and a net loss of close to EUR 1 million. The currency translation impact relating to the acquired net investment reported under other comprehensive income/expense was immaterial. The Karmann business was consolidated to Metso from November 21, 2010 onwards and is reported under Valmet Automotive in the segment note. Had the business been acquired on January 1, 2010 the increase to Metso's net sales, including the holding period, would have been roughly EUR 170 million. An estimate of whole year net income impact to Metso is not possible as the business was managed by administrative receivers and certain parts of the business were acquired as separate assets.

In July Metso acquired the service business of Wyesco of Louisiana L.L.C., in Louisiana, USA for a purchase price of EUR 3 million. This business, which was consolidated from July 19, 2010 onwards into the Paper and Fiber Technology segment, is a diverse repair service provider for pulp mills and related industry. The net sales and the net income impact to Metso are immaterial.

Summary information on acquisitions made in 2010:

EUR million	**Fair value**
Intangible assets	**6**
Property, plant and equipment	**11**
Inventories	**11**
Trade and other receivables	**2**
Deferred tax liabilities	**0**
Other liabilities assumed	**–4**
Non-interest bearing net assets	**26**
Cash and cash equivalents acquired	**9**
Purchase price	**–36**
Goodwill	**1**
Purchase price	**–36**
Purchase price adjustment payable in 2011	**10**
Cash and cash equivalents acquired	**9**
Net cash outflow on acquisitions in 2010	**–17**

Acquisition of Tamfelt in 2009

Metso acquired Tamfelt Corporation, a Finnish corporation listed in the NASDAQ OMX Helsinki exchange, through a public share exchange offer that was completed at the end of December 2009. The total transaction value was EUR 215 million whereof EUR 206 million was compensated by offering 8,593,642 new Metso shares representing 95.2% of Tamfelt's shares and votes. Prior to the transaction, Metso held Tamfelt shares worth EUR 4 million i.e. 2.8% of Tamfelt's shares and votes. The remaining 2.0% of Tamfelt's shares, amounting to EUR 4 million, were redeemed in accordance with the Finnish Companies Act and Metso paid the redemption price with the interest accrued thereon in September 2010. The transaction value included EUR 5 million in expenses and transfer taxes related to the acquisition.

The transaction value, together with the shares already held, exceeded the net assets of Tamfelt by EUR 117 million. The fair value allocations are presented in the table hereafter. The goodwill of EUR 73 million from the transaction was split in 2010 between the new Fabrics business line for EUR 33 million and Paper business line for EUR 40 million, reflecting the value of assembled workforce, significant synergy benefits and widened business portfolio offering Metso potential to expand its operations into new markets and customer segments.

Had the acquisition occurred on January 1, 2009, Metso's net sales would have increased by EUR 130 million. The calculation of pro forma net income of the acquired business would be impractical considering the effects of the acquisition cost.

Details of the acquired net assets and goodwill are as follows:

EUR million	Carrying value	Fair value allocations	**Fair value**
Intangible assets	4	50	**54**
Property, plant and equipment	87	10	**97**
Inventories	30	-	**30**
Trade and other receivables	30	-	**30**
Deferred tax liabilities, net	–9	–16	**–25**
Other liabilities assumed	–23	-	**–23**
Non-interest bearing net assets	119	44	**163**
Cash and cash equivalents acquired			**19**
Debt assumed			**–36**
Transaction value			**–215**
Pre-acquisition holding of Tamfelt shares			**–4**
Goodwill			**73**
Transaction value settled in cash			**–5**
Cash and cash equivalents acquired			**19**
Net cash inflow on acquisition in 2009			**14**
Amounts settled in 2010			**–4**
Total cash inflow on Tamfelt acquisition			**10**

Metso recognized intangible assets relating to the acquired business as follows:

EUR million	Amortization periods	**Fair value**
Technology	8 years	**1**
Customer relationships	9 to 10 years	**36**
Customer agreements	1 to 3 years	**6**
Order backlog	1 year	**7**
Other intangible assets	1 to 9 years	**4**
Total		**54**

Other acquisitions in 2009

In January Metso and Wärtsilä combined Metso's Heat & Power business with Wärtsilä's Biopower business into a new company MW Power Oy, of which Metso owns 60% and Wärtsilä 40%. The company is fully consolidated into the Energy and Environmental Technology segment's Power business line.

In October Metso acquired M&J Industries A/S, a Danish manufacturer of mobile and stationary products for solid-waste crushing. The company was integrated into the Recycling business line of Metso's Energy and Environmental Technology segment.

During 2009 Metso acquired in China Kromatek (Shanghai) Co. Ltd., with a chromium plating business and in Oregon, USA a division of Pacific/Hoe Saw&Knife Company with a coater, creping and doctor blade business. Both businesses were combined into Metso's Paper and Fiber Technology segment.

Summary information on other acquisitions made in 2009 is as follows:

EUR million	Carrying value	Fair value allocations	Fair value
Intangible assets	1	9	**10**
Property, plant and equipment	5	3	**8**
Inventories	28	-	**28**
Trade and other receivables	21	-	**21**
Deferred tax liabilities	–1	–3	**–4**
Other liabilities assumed	–44	-	**–44**
Non-interest bearing net assets	10	9	**19**
Cash and cash equivalents acquired			**9**
Debt assumed			**–20**
Purchase price			**–19**
Goodwill			**11**
Purchase price settled in cash			**–19**
Deferred payments on prior year acquisitions			**–5**
Cash and cash equivalents acquired			**9**
Net cash outflow on acquisitions			**–15**

Metso recognized intangible assets relating to the acquired businesses as follows:

EUR million	Amortization periods	Fair value
Technology	10 years	**3**
Customer relationships	5 years	**5**
Order backlog	1 year	**1**
Other intangible assets	5 years	**1**
Total		**10**

Acquisitions in 2008

In 2008 Metso made various minor acquisitions for a total purchase consideration of EUR 48 million. The combined effect of the acquisitions is presented in the table below.

EUR million	Carrying value	Fair value allocations	Fair value
Intangible assets	0	12	**12**
Property, plant and equipment	10	3	**13**
Inventories	24	-	**24**
Trade and other receivables	18	-	**18**
Deferred tax liabilities	–1	–4	**–5**
Non-controlling interests	–3	-	**–3**
Other liabilities assumed	–24	-	**–24**
Non-interest bearing net assets	24	11	**35**
Cash and cash equivalents acquired			**13**
Pre-acquisition investment in associated companies (Valmet-Xi'an)			**–6**
Debt assumed			**–11**
Purchase price			**–48**
Goodwill			**17**
Purchase price settled in cash			**–48**
Settlement of acquired debt			**–9**
Cash and cash equivalents acquired			**13**
Net cash outflow on acquisitions			**–44**

Metso recognized intangible assets relating to the acquired businesses as follows:

EUR million	Amortization periods	Fair value
Technology	10 years	**3**
Customer relationships	5 to 7 years	**7**
Order backlog	1 year	**2**
Total		**12**

11 DISPOSALS OF BUSINESSES

In November 2010 Metso sold its 60 percent holding in Valmet Dura Oy, Finland, from its Paper and Fiber Technology segment. This transaction had no material impact on Metso.

In April, 2010 Metso divested the Flexowell conveyor belt operations in Germany to ContiTech Transportbandsysteme GmbH. Flexowell was part of Metso's Mining and Construction Technology segment. Metso recognized a small gain on this divestment.

In May 2009, Metso sold Metso Paper Turku Works Oy in Finland to Stairon Oy. The company manufactures air systems for the pulp and paper industry and it was part of Metso's Paper business line. The sale had no significant impact on Metso.

In January 2009, Metso sold the composites manufacturing business and related assets in Oulu, Finland, to xperion Oy for a consideration of EUR 2 million. The unit was part of Metso's Paper business line.

In September 2008, Metso divested the shares in Sweden-based Metso Foundries Karlstad AB to a group of financial investors represented by Primaca Group Oy. Metso will continue as a minority owner with a 16.7 percent holding in Heavycast Oy, a new company to which the Primaca Group transferred the acquired shares. The value of the transaction was approximately EUR 15 million, and Metso recognized a small tax-free capital gain from the sale. The divested business was part of Paper and Fiber Technology segment.

In May 2008, Metso sold its spreader roll manufacturing business and related assets located in Nokia, Finland to a group of Finnish investors. They continued the business under the name of Finbow Oy. The divestment was not material for Metso. The divested business was part of Paper and Fiber Technology.

In January 2008, Metso concluded the divestment of its Panelboard business. The panelboard operations in Nastola, Finland and Sundsvall, Sweden were divested to the German company Dieffenbacher GmbH + Co. KG. The transaction price was EUR 2 million.

None of these businesses qualified as separate business line within Metso, hence was not classified as discontinued operations. The gains on these disposals are reported under other operating income and expenses, net.

The business disposals were as follows:

	Year ended December 31,		
EUR million	2008	2009	**2010**
Cash and cash equivalents	0	2	**4**
Intangible assets	1	0	**0**
Property, plant and equipment	5	2	**3**
Goodwill	1	-	**1**
Other assets	5	4	**6**
Non-controlling interests	-	-	**–1**
Liabilities sold	–4	–3	**–3**
Net assets of disposed businesses	8	5	**10**
Gain (+) / loss (–) on disposal	4	–1	**2**
Total consideration	12	4	**12**
Consideration received in cash	12	4	**12**
Cash and cash equivalents disposed of	0	–2	**–4**
Net cash inflow on disposals	12	2	**8**

12 EARNINGS PER SHARE

Earnings per share are calculated as follows:

Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the company by the weighted average number of shares in issue during the year, excluding own shares.

	Year ended December 31,		
	2008	2009	**2010**
Profit attributable to shareholders of the company, EUR million	389	150	**257**
Weighted average number of shares issued and outstanding (in thousands)	141,595	141,477	**149,683**
Basic earnings per share, EUR	2.75	1.06	**1.71**

Diluted

The shares to be potentially issued in the future are treated as outstanding shares when calculating the "Diluted earnings per share" if they have a diluting effect. The own shares held by Metso are reissued within the terms of the share ownership plan to the key personnel if the targets defined in the plan are met. The diluted earnings per share are calculated by increasing the weighted average number of outstanding shares with the number of those shares, which would be distributed to the beneficiaries based on the results achieved, if the conditional earning period ended at the end of the financial period in question. As at December 31, 2010, Metso held 718,397 own shares intended for the share ownership plans.

	Year ended December 31,		
	2008	2009	**2010**
Profit attributable to shareholders of the company, EUR million	389	150	**257**
Weighted average number of shares issued and outstanding (in thousands)	141,595	141,477	**149,683**
Adjustment for potential shares distributed (in thousands)	-	49	**154**
Weighted average number of diluted shares issued and outstanding (in thousands)	141,595	141,526	**149,837**
Diluted earnings per share, EUR	2.75	1.06	**1.71**

13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets

EUR million	Goodwill	Patents and licences	Capitalized software	Other intangible assets	Intangible assets total
2009					
Acquisition cost at beginning of year	778	70	85	281	1,214
Translation differences	3	0	1	4	8
Business acquisitions	82	3	6	65	156
Disposals of businesses	-	-	-	0	0
Capital expenditure	-	3	8	21	32
Reclassifications	-	4	23	–26	1
Decreases	-	–6	–3	–3	–12
Acquisition cost at end of year	863	74	120	342	1,399
Accumulated amortization at beginning of year	-	–40	–44	–98	–182
Translation differences	-	0	–1	0	–1
Business acquisitions [1]	-	–1	–4	–3	–8
Disposals of businesses	-	-	-	0	0
Reclassifications	-	0	0	0	0
Decreases	-	3	3	2	8
Amortization charges for the year	-	–7	–11	–23	–41
Accumulated amortization at end of year	-	–45	–57	–122	–224
Net book value at end of year	863	29	63	220	1,175
2010					
Acquisition cost at beginning of year	863	74	120	342	1,399
Translation differences	16	1	3	9	29
Business acquisitions [1]	4	6	-	–3	7
Disposals of businesses	–1	-	-	-	–1
Capital expenditure	-	2	2	21	25
Reclassifications	-	5	24	–29	0
Decreases	–2	–9	–2	–17	–30
Acquisition cost at end of year	880	79	147	323	1,429
Accumulated amortization at beginning of year	-	–45	–57	–122	–224
Translation differences	-	–1	–2	–1	–4
Business acquisitions	-	0	-	-	0
Disposals of businesses	-	-	-	-	-
Reclassifications	-	0	0	0	0
Decreases	-	7	0	17	24
Amortization charges for the year	-	–8	–13	–37	–58
Accumulated amortization at end of year	-	–47	–72	–143	–262
Net book value at end of year	**880**	**32**	**75**	**180**	**1,167**

[1] Preliminary fair value allocations of Tamfelt business acquired in December 2009 were changed during 2010. The goodwill increased by EUR 3 million and other intangible assets were reduced accordingly.

Metso participates in the European Emissions Tradings Scheme (EU ETS) and has been granted CO_2 emission rights of 70,972 units for the current compliance period of 2008–2012 against greenhouse gases emitted by its production units. As of December 31, 2010, the remaining emission rights amounted to 44,095 units the market value of which was roughly EUR 0.6 million.

Property, plant and equipment

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under construction	Property, plant and equipment total
2009					
Acquisition cost at beginning of year	58	522	1,224	63	1,867
Translation differences	1	8	40	0	49
Business acquisitions	1	71	189	1	262
Disposals of businesses	-	-	–7	-	–7
Capital expenditure	2	5	37	40	84
Reclassifications	0	9	47	–57	–1
Decreases	0	–20	–28	0	–48
Acquisition cost at end of year	62	595	1,502	47	2,206
Accumulated depreciation at beginning of year	-	–283	–858	-	–1,141
Translation differences	-	–4	–25	-	–29
Business acquisitions	-	–39	–118	-	–157
Disposals of businesses	-	-	5	-	5
Reclassifications	-	0	0	-	0
Decreases	-	13	24	-	37
Depreciation charges for the year	-	–21	–81	-	–102
Accumulated depreciation at end of year	-	–334	–1,053	-	–1,387
Net book value at end of year	62	261	449	47	819
2010					
Acquisition cost at beginning of year	62	595	1,502	47	2,206
Translation differences	2	22	76	3	103
Business acquisitions	0	5	10	0	15
Disposals of businesses	-	–3	–12	-	–15
Capital expenditure	0	14	35	60	109
Reclassifications	0	21	45	–66	0
Decreases	0	–18	–53	–1	–72
Acquisition cost at end of year	64	636	1,603	43	2,346
Accumulated depreciation at beginning of year	-	–334	–1,053	-	–1,387
Translation differences	-	–10	–50	-	–60
Business acquisitions	-	–1	–3	-	–4
Disposals of businesses	-	2	10	-	12
Reclassifications	-	-	-	-	-
Decreases	-	14	48	-	62
Depreciation charges for the year	-	–24	–96	-	–120
Accumulated depreciation at end of year	-	–353	–1,144	-	–1,497
Net book value at end of year	**64**	**283**	**459**	**43**	**849**

For information on pledged assets, see note 29.

Intangible assets arising from fair value allocations relating to acquired businesses

EUR million	Order backlog	Technology	Patents	Customer relationships	Brands	Other intangibles	Acquired intangible assets total
2009							
Acquisition cost at beginning of year	3	58	6	80	16	1	164
Translation differences	0	1	-	2	0	0	3
Business acquisitions	8	3	-	40	-	10	61
Changes in allocations	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Acquisition cost at end of year	11	62	6	122	16	11	228
Accumulated amortization at beginning of year	–2	–15	–4	–14	-	-	–35
Translation differences	0	0	-	0	-	0	0
Decreases	-	-	-	-	-	-	-
Amortization charges for the year	–1	–7	–1	–9	-	–1	–19
Accumulated amortization at end of year	–3	–22	–5	–23	-	–1	–54
Net book value at end of year	8	40	1	99	16	10	174
2010							
Acquisition cost at beginning of year	11	62	6	122	16	11	228
Translation differences	0	3	-	4	0	0	7
Business acquisitions	-	-	–5	-	-	-	–5
Changes in allocations	-	-	-	1	-	–3	–2
Decreases	–10	-	-	-	-	-	–10
Acquisition cost at end of year	1	65	1	127	16	8	218
Accumulated amortization at beginning of year	–3	–22	–5	–23	-	–1	–54
Translation differences	0	0	-	–2	-	0	–2
Decreases	10	-	-	-	-	-	10
Amortization charges for the year	–8	–8	–1	–13	-	–3	–33
Accumulated amortization at end of year	–1	–30	–6	–38	-	–4	–79
Net book value at end of year	**0**	**35**	**–5**	**89**	**16**	**4**	**139**

Other intangible assets with indefinite useful life, i.e. brands, amounted to EUR 16 million for the years ended December 31, 2009 and 2010, respectively. They relate to Mining and Construction Technology as well as Energy and Environmental Technology segments, and have been recognized in connection with business acquisitions. As no economic useful life can be determined for these brands, the management has assessed them to have indefinite useful lives based on their continuous competitive advantage to the business. The brands are actively used in promoting the products. They are subject to annual impairment test concurrently with that of the goodwill.

For the year ended December 31, 2010 the amortization expense related to the intangible assets recognized through business acquisitions was EUR 33 million. The future amortization expense is expected to amount to EUR 23, EUR 19, EUR 17, EUR 14 and EUR 12 million for the years 2011, 2012, 2013, 2014 and 2015, respectively.

Assets leased under financial lease arrangements are included in property, plant and equipment as follows:

EUR million	Buildings and structures	Machinery and equipment	Property, plant and equipment total
2009			
Acquisition cost at end of year	22	6	28
Accumulated depreciation at end of year	–15	–5	–20
Net book value at end of year	7	1	8
2010			
Acquisition cost at end of year	13	6	19
Accumulated depreciation at end of year	–12	–5	–17
Net book value at end of year	**1**	**1**	**2**

Capitalization of interest expenses

EUR million	2009	**2010**
Net capitalized interest at beginning of year	1	**0**
Capitalization of interest expenses	0	**0**
Amortization of capitalized interest expense	–1	**0**
Net capitalized interest at end of year	0	**0**

Goodwill and impairment tests

In the year ended December 31, 2010, the total amount of goodwill was EUR 880 million equal to 42% of the equity. As at December 31, 2009, the goodwill amounted to EUR 863 million being equal to 48% of the equity.

The goodwill arising from business acquisitions is allocated as of the acquisition date to cash generating units expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The goodwill from acquisitions done in 2010 was allocated to Paper and Fiber Technology. The final goodwill of EUR 73 million arising from the Tamfelt acquisition realized in 2009 was allocated in 2010 to the Fabrics business line (Tamfelt business) for EUR 33 millions and to Paper business line for EUR 40 millions to reflect latter's expected synergy benefits and improvement in profitability gained from the acquisition. Both business lines are included in the Paper and Fiber Technology.

If Metso reorganizes its reporting structure by changing the composition of one or more cash generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected based on their relative fair values, which correspond to the present values of the cash generating units' cash flows at the time of the reorganization.

Metso assesses the value of its goodwill for impairment annually or more frequently, if facts and circumstances indicate a risk of impairment. The assessment is done using fair value measurement techniques, such as the discounted cash flow methodology. The testing is performed on the cash generating unit level to which the goodwill has been allocated. The recoverable amount of a cash generating unit is based on value-in-use calculations. In the discounted cash flow method, Metso discounts forecasted performance plans to their present value.

The performance plans, which include four years of projection, are calculated in the annual strategy process and subsequently approved by Metso's management and the Board of Directors. In addition to the projection period, the discounted cash flows include an additional year, which is extrapolated from the performance of the projection period adjusted for cyclicality of each cash generating unit. The growth rate reflecting the long-term average growth rate of businesses subject to testing, was estimated to be 1.7% in 2009 and 2010. The forecasted sales and production volumes are based on current structure and existing property, plant and equipment used by each cash generating unit. The assumptions requiring most management judgment are the market and product mix. Values assigned to key assumptions reflect past experience. Data on growth, demand and price development provided by various research institutions are utilized in establishing the assumptions for the projection period.

The discount rates used in testing are derived from the weighted average cost of capital based on comparable peer industry betas, capital structure and tax rates. The impact of the tax is eliminated to obtain pre-tax discount rates.

In the September 2010 annual test, the average EBITDAs (earnings before interest, tax, depreciation and amortization), of the tested units for the projection period 2010–2014 were following: Mining and Construction Technology 16%, Energy and Environmental Technology 12% and Paper and Fiber Technology 10% of net sales.

As a result of the annual impairment tests, no impairment losses were recognized in 2009 and 2010. Since the unexpected weakening of the market prospects in the last quarter of 2008 Metso has been performing from time to time quarterly tests with updated cash flow projections to ensure the carrying values of its cash generating units do not exceed the discounted present values obtained through tests. The discount rates applied have been updated quarterly when material changes in rates have been observed. These tests have not indicated need for impairment loss.

Summary of assumptions and impacts of change in assumptions to present values:

		Sensitivity tests Reduction of present values *)	
EUR million	Derived weighted average cost of capital applied	Terminal growth rate 1.2%	Increase of discount rate by 200 bp, terminal growth rate 1.2%
2009			
Mining and Construction Technology	12.0%	3%	17%
Energy and Environmental Technology	11.4–12.6%	3%	17%
Paper and Fiber Technology	10.5–11.5%	4%	19%
Total	10.5–12.6%	3%	17%
2010			
Mining and Construction Technology	10.7%	4%	21%
Energy and Environmental Technology	10.1–10.4%	4%	21%
Paper and Fiber Technology	9.7–10.7%	4%	20%
Total	**10.5–12.6%**	**4%**	**21%**

*) Sensitivity numbers represent the weighted average impact to segments and the total represents the impact to the combined carrying goodwill of all segments.

The sensitivity to impairment of each cash generating unit is tested by applying a change both in the discount and terminal growth rate. The discount rate is increased by 200 basis points and the terminal growth rate is dropped from 1.7% to 1.2%.

A reduced terminal growth rate did not indicate any impairment need whereas the combined effect of the two assumptions indicated an impairment risk of the goodwill in the Fabrics business line by about EUR 34 million. For this cash generating unit the break even point where the discounted present value equaled the carrying value of the net assets would have been reached with a discount rate of 10.5% terminal growth rate being 1.7% compared to a discount rate of 9.7% applied in the annual impairment test. Using this latter discount rate the average minimum EBITDA required for break even would have been 14.7% compared to 15.2% used in the cash flow projections.

Despite the results from the sensitivity tests, management believes that no reasonably possible change of the key assumptions used would cause the carrying value of any cash generating unit to exceed its recoverable amount.

From time to time the sensitivity tests include several cash projections based on reasonable change in the future performance of a unit. However, the impact to the fair value obtained is limited as long as there is no permanent weakening expected for the business, which would affect the terminal value. These projections have not led to impairment.

A summary of changes in Metso's goodwill by reporting segment is as follows:

EUR million	Balance at beginning of year	Translation differences and other changes	Acquisitions	Balance at end of year	As percent of total goodwill
2009					
Mining and Construction Technology	357	1	-	358	41%
Energy and Environmental Technology	280	0	12	292	34%
Paper and Fiber Technology	141	2	70	213	25%
Total	778	3	82	863	100%
2010					
Mining and Construction Technology	358	0	-	358	41%
Energy and Environmental Technology	292	1	-	293	34%
Paper and Fiber Technology	213	12	4	229	25%
Total	**863**	**13**	**4**	**880**	**100%**

Apart from Mining and Construction Technology, which forms one single cash generating unit, no other cash generating unit has a significant amount of goodwill in comparison with the total amount of goodwill in Metso. The second biggest goodwill allocated to a cash generating unit, Power business line, represented 24% of the total amount of goodwill and was EUR 211 million at December 31, 2010. The remainder is evenly spread over the other cash generating units. Valmet Automotive carries no goodwill. The amount of other intangible assets with indefinite useful lives is insignificant.

14 INVESTMENTS IN ASSOCIATED COMPANIES

EUR million	As at December 31, 2009	**2010**
Investments in associated companies and joint ventures		
Acquisition cost at beginning of year	3	**3**
Translation differences	0	**0**
Increases	-	**-**
Disposals and other decreases	-	**0**
Acquisition cost at end of year	3	**3**
Equity adjustments in investments in associated companies and joint ventures		
Equity adjustments at beginning of year	11	**10**
Share of results	0	**1**
Translation differences	–1	**1**
Dividend income	0	**0**
Disposals and other changes	-	**–1**
Equity adjustments at end of year	10	**11**
Carrying value of investments in associated companies and joint ventures at end of year	13	**14**

EUR million	2009 Owner-ship	2009 Carrying value	**2010 Owner-ship**	**2010 Carrying value**
Allimand S.A.	35.8%	4	**35.8%**	**4**
Shanghai Neles-Jamesbury Valve Co. Ltd	50.0%	7	**50.0%**	**8**
Others		2		**2**
Total investments in associated companies and joint ventures		13		**14**

Shanghai Neles-Jamesbury Valve Co. Ltd is classified as joint venture because Metso has, together with the other shareholder, joint power to govern the company.

The amounts representing Metso's share of the assets and liabilities, net sales and results of the associated companies and joint ventures, which have been accounted for using the equity method are presented below:

EUR million	Year ended December 31, 2008	2009	**2010**
Assets	37	40	**35**
Liabilities	22	27	**21**
Net sales	51	34	**32**
Profit	3	0	**1**

Related party transactions

The following transactions were carried out with associated companies and joint ventures and the following balances have arisen from such transactions:

EUR million	Year ended December 31, 2008	2009	**2010**
Net sales	2	1	**1**
Purchases	7	6	**2**
Receivables	3	1	**1**
Payables	0	1	**0**

15 AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	As at December 31,					
	2009			**2010**		
EUR million (except for number of shares)	Number of shares	Ownership	Carrying value	**Number of shares**	**Ownership**	**Carrying value**
Talvivaara Mining Company Plc.	1,392,330	0.6%	6	-	-	-
Other shares and securities			9			**9**
Total available-for-sale equity investments			15			**9**

The available-for-sale equity investments have changed as follows:

EUR million	2009	**2010**
Carrying value at beginning of year	18	**15**
Additions	4	**1**
Changes in fair values	22	**3**
Disposals and other changes	–29	**–10**
Carrying value at end of year	15	**9**

16 PERCENTAGE OF COMPLETION

Net sales recognized under the percentage of completion method amounted to EUR 1,733 million, or 35 percent of net sales, in 2009 and EUR 2,024 million, or 37 percent of net sales, in 2010. The percentage was highest in the Paper and Fiber Technology segment, where it accounted for 46 percent in 2009 and 51 percent in 2010.

Information on balance sheet items of uncompleted projects at December 31 is as follows:

EUR million	Cost and earnings of uncompleted projects	Billings of projects	Net
2009			
Projects where cost and earnings exceed billings	1,721	1,409	312
Projects where billings exceed cost and earnings	1,257	1,587	330
2010			
Projects where cost and earnings exceed billings	**2,019**	**1,732**	**287**
Projects where billings exceed cost and earnings	**1,152**	**1,451**	**299**

17 INVENTORY

	As at December 31,	
EUR million	2009	**2010**
Materials and supplies	286	**250**
Work in process	478	**570**
Finished products	408	**485**
Total inventory	1,172	**1,305**

The cost of inventories recognized as expense was EUR 3,726 million and EUR 4,030 million for the years ended December 31, 2009 and 2010, respectively.

Provision for inventory obsolescence has changed as follows:

EUR million	2009	**2010**
Balance at beginning of year	67	**94**
Impact of exchange rates	2	**6**
Additions charged to expense	29	**21**
Increase from business acquisitions	6	**0**
Realized reserve	–5	**–5**
Deductions / other additions	–5	**–12**
Balance at end of year	94	**104**

For additional information on provisions, see also note 3.

18 CHANGE IN NET WORKING CAPITAL

Change in net working capital, net of effect from business acquisitions and disposals:

	Year ended December 31,		
EUR million	2008	2009	**2010**
Increase (–) / decrease (+) in assets and increase (+) / decrease (–) in liabilities:			
Inventory	–230	530	**–44**
Trade and other receivables	58	339	**–265**
Percentage of completion: recognized assets and liabilities, net	–7	33	**–17**
Trade and other payables	–258	–384	**351**
Total	–437	518	**25**

Breakdown of business combinations is presented in note 10.

19 INTEREST BEARING AND NON-INTEREST BEARING RECEIVABLES

	As at December 31,					
	2009			**2010**		
EUR million	Non-current	Current	Total	**Non-current**	**Current**	**Total**
Interest bearing receivables						
Loan receivables	8	1	9	**5**	**2**	**7**
Available-for-sale financial investments	130	79	209	**169**	**178**	**347**
Financial instruments held for trading	40	-	40	**-**	**59**	**59**
Trade receivables	1	7	8	**1**	**4**	**5**
Total	179	87	266	**175**	**243**	**418**
Non-interest bearing receivables						
Loan receivables	-	0	0	**-**	**1**	**1**
Trade receivables	0	738	738	**0**	**989**	**989**
Prepaid expenses and accrued income	-	78	78	**-**	**93**	**93**
Other receivables	44	122	166	**42**	**159**	**201**
Total	44	938	982	**42**	**1,242**	**1,284**

Metso actively manages its cash by investing in financial instruments with varying maturities. Instruments exceeding maturity of three months are classified as available-for-sale financial investments or financial instruments held for trading.

As of December 31, 2009, other non-interest bearing receivables comprised EUR 84 million of various federal and state tax credits of Brazilian subsidiaries of which EUR 28 million of state tax credits were classified as long-term. As of December 31, 2010, the Brazilian tax credits amounted to EUR 58 million of which EUR 20 million of state tax credits were classified as long-term.

Provision for doubtful notes and receivables has changed as follows:

EUR million	2009	**2010**
Balance at beginning of year	40	**39**
Impact of exchange rates	1	**3**
Additions charged to expense	12	**9**
Increase from business acquisitions	0	**0**
Realized reserve	–3	**–3**
Deductions / other additions	–11	**–6**
Balance at end of year	39	**42**

For additional information on provisions, see also note 3.

Analysis of non-interest bearing trade receivables by age:

	As at december 31,	
EUR million	2009	**2010**
Trade receivables, not due at reporting date	529	**702**
Trade receivables 1–30 days overdue	121	**133**
Trade receivables 31–60 days overdue	28	**78**
Trade receivables 61–90 days overdue	22	**16**
Trade receivables 91–180 days overdue	13	**28**
Trade receivables more than 180 days overdue	25	**32**
Total	738	**989**

20 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities divided by categories were as follows as of December 31:

EUR million	Financial assets/ liabilities at fair value through profit and loss and derivatives	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying value	Fair value
2009						
Non-current assets						
Available-for-sale equity investments	-	-	15	-	15	15
Loan receivables	-	8	-	-	8	8
Available-for-sale financial investments	-	-	130	-	130	130
Financial instruments held for trading	40	-	-	-	40	40
Trade receivables	-	1	-	-	1	1
Derivative financial instruments	-	-	-	-	-	-
Other receivables	-	44	-	-	44	44
Total	40	53	145	-	238	238
Current assets						
Loan receivables	-	1	-	-	1	1
Available-for-sale financial investments	-	-	79	-	79	79
Trade receivables	-	745	-	-	745	745
Derivative financial instruments	21	-	-	-	21	21
Other receivables	-	200	-	-	200	200
Total	21	946	79	-	1,046	1,046
Non-current liabilities						
Bonds	-	-	-	865	865	948
Loans from financial institutions	-	-	-	390	390	403
Pension loans	-	-	-	50	50	50
Finance lease obligations	-	-	-	5	5	5
Other long-term debt	-	-	-	24	24	24
Derivative financial instruments	5	-	-	-	5	5
Other liabilities	-	-	-	4	4	4
Total	5	-	-	1,338	1,343	1,439
Current liabilities						
Current portion of long-term debt	-	-	-	173	173	173
Loans from financial institutions	-	-	-	52	52	52
Other short-term debt	-	-	-	17	17	17
Trade payables	-	-	-	605	605	605
Derivative financial instruments	21	-	-	-	21	21
Other liabilities	-	-	-	460	460	460
Total	21	-	-	1,307	1,328	1,328

EUR million	Financial assets/ liabilities at fair value through profit and loss and derivatives	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying value	Fair value
2010						
Non-current assets						
Available-for-sale equity investments	-	-	9	-	9	9
Loan receivables	-	5	-	-	5	5
Available-for-sale financial investments	-	-	169	-	169	169
Financial instruments held for trading	-	-	-	-	-	-
Trade receivables	-	1	-	-	1	1
Derivative financial instruments	2	-	-	-	2	2
Other receivables	-	42	-	-	42	42
Total	**2**	**48**	**178**	-	**228**	**228**
Current assets						
Loan receivables	-	3	-	-	3	3
Available-for-sale financial investments	-	-	178	-	178	178
Financial instruments held for trading	59	-	-	-	59	59
Trade receivables	-	993	-	-	993	993
Derivative financial instruments	55	-	-	-	55	55
Other receivables	-	252	-	-	252	252
Total	**114**	**1,248**	**178**	-	**1,540**	**1,540**
Non-current liabilities						
Bonds	-	-	-	578	578	649
Loans from financial institutions	-	-	-	331	331	341
Pension loans	-	-	-	26	26	26
Finance lease obligations	-	-	-	0	0	0
Other long-term debt	-	-	-	21	21	21
Derivative financial instruments	3	-	-	-	3	3
Other liabilities	-	-	-	6	6	6
Total	**3**	**-**	**-**	**962**	**965**	**1,046**
Current liabilities						
Current portion of long-term debt	-	-	-	388	388	388
Loans from financial institutions	-	-	-	29	29	29
Other short-term debt	-	-	-	-	-	-
Trade payables	-	-	-	815	815	815
Derivative financial instruments	30	-	-	-	30	30
Other liabilities	-	-	-	562	562	562
Total	**30**	**-**	**-**	**1,794**	**1,824**	**1,824**

For more information on derivative financial instruments, see note 31.

21 CASH AND CASH EQUIVALENTS

	As at December 31,	
EUR million	2009	**2010**
Bank and cash	226	**313**
Commercial papers and other investments	501	**332**
Total cash and cash equivalents	727	**645**

22 EQUITY

Share capital and number of shares

Metso Corporation's registered share capital, which is fully paid, was EUR 240,982,843.80 as at December 31, 2009 and 2010.

	2009	**2010**
Number of outstanding shares, January 1	141,623,642	**149,938,639**
Share issue	8,593,642	-
Redemption of own shares by the Parent Company	–300,000	**–300,000**
Shares granted/returned from share ownership plans	21,355	**–8,780**
Number of outstanding shares, December 31	149,938,639	**149,629,859**
Own shares held by the Parent Company	409,617	**718,397**
Total number of shares, December 31	150,348,256	**150,348,256**

During 2010, Metso Corporation repurchased 300,000 of company's own shares to be used as a payment for possible rewards related to Metso Share Ownership Plan 2010–2012. During the year Metso recovered 8,780 shares from share-based incentive plan participants having terminated their employment. As of December 31, 2010, the acquisition price of 718,397 own shares held by the Parent Company was EUR 11,607,437 and was recognized in the treasury stock.

Metso completed on December 23, 2009 the share exchange offer for all issued and outstanding shares of Tamfelt Corporation and a total of 8,593,642 new shares were subscribed. The share issue of EUR 206,075,535.16 was entered to trade register on December 28, 2009.

Dividends

Metso Corporation's Board of Directors proposes to the Annual General Meeting to be held on March 30, 2011 that a dividend of EUR 1.55 per share be distributed for the year ended December 31, 2010. These financial statements do not reflect this dividend payable of EUR 232 million.

Fair value and other reserves

Hedge reserve includes the fair value movements of derivative financial instruments which qualify as cash flow hedges.

Fair value reserve includes the change in fair values of assets classified as available-for-sale. Share-based payments are presented in fair value reserve.

Legal reserve consists of restricted equity, which has been transferred from distributable funds under the Articles of Association, local company act or by a decision of the shareholders.

The share issue related to the acquisition of Tamfelt Corporation has been recognized in the invested non-restricted equity fund of the Parent Company.

Other reserves consist of the distributable fund and the invested non-restricted equity fund held by the Parent Company.

Changes in fair value and other reserves:

EUR million	Treasury stock	Hedge reserve	Fair value reserve	Legal reserve	Other reserves	Total
Balance as of December 31, 2007	**−8**	**7**	**27**	**236**	**194**	**456**
Cash flow hedges						
Fair value gains (+) / losses (−), net of taxes	-	−42	-	-	-	−42
Transferred to profit and loss, net of taxes						
Net sales	-	10	-	-	-	10
Cost of goods sold / Administrative expenses	-	−1	-	-	-	−1
Available-for-sale equity investments						
Fair value gains (+) / losses (−), net of taxes	-	-	−17	-	-	−17
Transferred to profit and loss, net of taxes	-	-	−2	-	-	−2
Share-based payments, net of taxes	3	-	1	-	-	4
Decrease and transfer of share premium and legal reserve	-	-	-	−215	292	77
Other	2	-	-	3	-	5
Balance as of December 31, 2008	**−3**	**−26**	**9**	**24**	**486**	**490**
Cash flow hedges						
Fair value gains (+) / losses (−), net of taxes	-	−5	-	-	-	−5
Transferred to profit and loss, net of taxes						
Net sales	-	14	-	-	-	14
Cost of goods sold / Administrative expenses	-	5	-	-	-	5
Available-for-sale equity investments						
Fair value gains (+) / losses (−), net of taxes	-	-	16	-	-	16
Transferred to profit and loss, net of taxes	-	-	−17	-	-	−17
Share issue	-	-	-	-	206	206
Redemption of own shares	−2	-	-	-	-	−2
Share-based payments, net of taxes	0	-	1	-	-	1
Other	-	-	-	2	-	2
Balance as of December 31, 2009	**−5**	**−12**	**9**	**26**	**692**	**710**
Cash flow hedges						
Fair value gains (+) / losses (−), net of taxes	-	10	-	-	-	10
Transferred to profit and loss, net of taxes						
Net sales	-	11	-	-	-	11
Cost of goods sold / Administrative expenses	-	3	-	-	-	3
Available-for-sale equity investments						
Fair value gains (+) / losses (−), net of taxes	-	-	2	-	-	2
Transferred to profit and loss, net of taxes	-	-	− 6	-	-	− 6
Redemption of own shares	−7	-	-	-	-	−7
Share-based payments, net of taxes	0	-	0	-	-	0
Other	-	-	-	3	-	3
Balance as of December 31, 2010	**−12**	**12**	**5**	**29**	**692**	**726**

Foreign currency translation included in the shareholders' equity:

EUR million	2008	2009	**2010**
Cumulative translation adjustment as of January 1	−76	−136	**−62**
Currency translation on subsidiary net investments	−49	74	**121**
Hedging of net investment denominated in foreign currency	−15	0	**−17**
Tax effect	4	0	**4**
Cumulative translation adjustment as of December 31	−136	−62	**46**

23 SHARE-BASED PAYMENTS

Share ownership plan 2006–2008

The Board of Directors of Metso decided in December 2005 upon a share ownership plan for the 2006–2008 strategy period. The share ownership plan was part of the remuneration and commitment program of the management and covered a maximum of 360,000 own shares. The share ownership plan covered three earnings periods i.e. calendar years 2006, 2007 and 2008. The incentives consisted of both shares and cash. The cash-settled portion was dedicated to cover taxes and tax-related payments of the beneficiaries. The main earnings triggers were the operating profit targets and four years of service subsequent to grant date. The operating profit targets and potential personal earnings triggers were set separately for each year.

A maximum share price was determined annually for the share ownership plan.

Share ownership plan during earnings period 2006

The equity-settled portion for the earnings period 2006 was recognized over the vesting period i.e. from 2006 until March 2010 based on the average share price on the grant dates of EUR 29.71. The final amount of the granted shares was based on the average share price during the first two full weeks of March 2007. If the share price exceeded the maximum, the number of shares awarded would have been reduced by a corresponding ratio. The maximum share price determined for the plan was EUR 38. The average price for the Metso share was EUR 37.66 during the first two full weeks of March 2007.

Share ownership plan during earnings period 2007

The equity-settled portion for the earnings period 2007 is recognized over the vesting period i.e. from 2007 until March 2011 based on the average share price on the grant dates of EUR 39.94. The final amount of the granted shares was based on the average share price during the first two full weeks of March 2008. If the share price exceeded the maximum, the number of shares awarded would have been reduced by a corresponding ratio. The maximum share price determined for the plan was EUR 48. The average price for the Metso share was EUR 31.49 during the first two full weeks of March 2008.

Share ownership plan during earnings period 2008

The equity-settled portion for the earnings period 2008 is recognized over the vesting period i.e. from 2008 until March 2012 based on the average share price on the grant dates of EUR 32.36. The final amount of the granted shares was based on the share price on the payment date of the reward. The maximum reward under the plan was limited to each participant's annual salary, calculated by multiplying 12.5 times the participant's taxable monthly base salary payable in the month when the shares were received. The price for Metso share was EUR 8.93 on the payment date of the reward.

Share ownership plan for the years 2009–2011 (SOP 2009–2011)

The Board of Directors of Metso Corporation approved in October 2008 a new, share-based incentive plan for Metso's management for the years 2009–2011. The plan includes one three-year earnings period. Participation in the plan required a personal investment in Metso shares at the beginning of the earnings period. 88 key persons are participating in the plan and their initial investment was 54,850 Metso shares, which must be held until the end of the earnings period. The rewards to be paid from the plan correspond to a maximum of 369,925 shares. Earnings criteria are based on Metso's Total Shareholder Return (TSR) during three years' time and on earnings per share in the years 2009–2011. The reward will be paid in Metso shares and partly in cash. The cash-settled portion is dedicated to cover taxes and tax-related payments. The maximum share reward is capped to each participant's taxable annual basic salary, excluding performance bonuses and share-based payments, multiplied by 1.5.

The equity-settled portion of the plan is recognized over the vesting period i.e. from the beginning of 2009 until the end of April 2012 based on calculated fair value of the Metso share as of the grant date of EUR 8.64. The historical development of the Metso share and the expected dividends have been taken into account when calculating the fair value.

Share ownership plan for the years 2010–2012 (SOP 2010–2012)

The Board of Directors of Metso Corporation approved in October 2009 a new, share-based incentive plan for Metso's management for the years 2010–2012. The plan includes one three-year earnings period. Participation in the plan required a personal investment in Metso shares at the beginning of the earnings period. 91 key persons are participating in the plan and their initial investment was 50,300 Metso shares, which must be held until the end of the earnings period. The rewards to be paid from the plan correspond to a maximum of 339,350 shares. Earnings criteria are based on Metso's Total Shareholder Return (TSR) during three years' time and on earnings per share in the years 2010–2012. The reward will be paid in Metso shares and partly in cash. The cash-settled portion is dedicated to cover taxes and tax-related payments. The maximum share reward is capped to each participant's taxable annual basic salary, excluding performance bonuses and share-based payments, multiplied by 1.5.

The equity-settled portion of the plan is recognized over the vesting period i.e. from the beginning of 2010 until the end of April 2013 based on calculated fair value of the Metso share as of the grant date of EUR 22.63. The historical development of the Metso share and the expected dividends have been taken into account when calculating the fair value.

Share ownership plan for the years 2011–2013 (SOP 2011–2013)

In September 2010 the Board of Directors of Metso Corporation approved a similar new, share-based incentive plan for Metso's management for the years 2011–2013. The plan includes one three-year earnings period, which started on January 1, 2011. At the end of 2010, 74 people had confirmed their participation in the plan. The participants committed to invest in 36,815 Metso shares. The rewards to be paid from the plan correspond to a maximum of 251,698 shares. Earnings criteria of the plan are based on Metso's Total Shareholder Return (TSR) during three years' time and on earnings per share in the years 2011–2013. The reward will be paid in Metso shares and partly in cash. The cash-settled portion is dedicated to cover taxes and tax-related payments. The maximum share reward is capped to each participant's taxable annual basic salary, excluding performance bonuses and share-based payments, multiplied by 1.5.

The equity-settled portion of the plan is recognized over the vesting period from the beginning of 2011.

Costs recognized for the share ownership plans

The compensation expense for the shares, which is accounted for as equity-settled, is recognized as an employee benefit expense with corresponding entry in equity. The cost of the equity-settled portion, which will be evenly recognized during the required service period, is based on the market price of the Metso share on the grant date. The compensation expense resulting from the cash-settled portion is recognized as an employee benefit expense with a corresponding entry in short-term liabilities. The cash-settled portion is fair valued at each balance sheet date based on the prevailing share price and accrued until the settlement date.

Beneficiaries and granted shares of the share ownership plan as at December 31, 2010:

	Metso Executive Team	Shares	Other beneficiaries	Shares	Beneficiaries total	Shares total
Plan 2006						
Granted	7	25,815	53	74,146	60	99,961
Returned during 2007			–4	–6,500	–4	–6,500
Returned during 2008			–4	–4,500	–4	–4,500
Returned during 2009			–4	–7,508	–4	–7,508
Returned during 2010			–1	–2,050	–1	–2,050
At end of year	7	25,815	40	53,588	47	79,403
Plan 2007						
Granted	7	15,763	83	55,186	90	70,949
Returned during 2008			–4	–990	–4	–990
Returned during 2009			–4	–5,402	–4	–5,402
Returned during 2010			–3	–4,273	–3	–4,273
At end of year	7	15,763	72	44,521	79	60,284
Plan 2008						
Granted	6	6,996	95	27,269	101	34,265
Returned during 2009			–1	-	–1	-
Returned during 2010			–3	–2,457	–3	–2,457
At end of year	6	6,996	91	24,812	97	31,808
Total at the end of year		**48,574**		**122,921**		**171,495**

Costs recognized for the share ownership plan:

EUR thousand	Plan 2006	Plan 2007	Plan 2008	SOP 2009–2011	SOP 2010–2012	Total
2006						
Metso Executive Team	–1,365	-	-	-	-	–1,365
Other beneficiaries	–3,466	-	-	-	-	–3,466
Total	–4,831	-	-	-	-	–4,831
2007						
Metso Executive Team	–187	–685	-	-	-	–872
Other beneficiaries	–182	–2,059	-	-	-	–2,241
Total	–369	–2,744	-	-	-	–3,113
2008						
Metso Executive Team	–161	–258	–128	-	-	–547
Other beneficiaries	–406	–575	–300	-	-	–1,281
Total	–567	–833	–428	-	-	–1,828
2009						
Metso Executive Team	–161	–143	–82	–184	-	–570
Other beneficiaries	–229	–312	–294	–754	-	–1,589
Total	–390	–455	–376	–938	-	–2,159
2010						
Metso Executive Team	–38	–135	–63	–419	–1,122	–1,777
Other beneficiaries	–70	–347	–140	–2,103	–2,011	–4,671
Total	**–108**	**–482**	**–203**	**–2,522**	**–3,133**	**–6,448**
Total	**–6,265**	**–4,514**	**–1,007**	**–3,460**	**–3,133**	**–18,379**

As of balance sheet date, a liability of EUR 2,900 thousand was recognized as an accrued expense from the cash-settled portion of Metso Share Ownership Plan, SOP 2009–2011 and EUR 2,101 thousand from Metso Share Ownership Plan, SOP 2010–2012.

24 LONG-TERM DEBT

	As at December 31,			
	Carrying values		Fair values	
EUR million	2009	**2010**	2009	**2010**
Bonds	984	**868**	1,067	**931**
Loans from financial institutions	425	**415**	438	**425**
Pension loans	64	**36**	64	**36**
Finance lease obligations	8	**2**	8	**2**
Other long-term debt	26	**23**	26	**23**
	1,507	**1,344**	1,603	**1,417**
Less current maturities	173	**388**	173	**388**
Total	1,334	**956**	1,430	**1,029**

The fair values of long-term debt are equal to the present value of their future cash flows.

Bonds:

EUR million	Nominal interest rate Dec. 31, 2010	Effective interest rate Dec. 31, 2010	Original loan amount	Outstanding carrying value at December 31, 2009	**2010**
Public bond 2004–2011	5.125%	6.46%	274	238	**222**
Public bond 2009–2014	7.250%	7.40%	300[1)]	199	**199**
Private placements maturing 2011–2018		2.0–7.1%	450	547	**447**
Bonds total				984	**868**
Less current maturities				119	**290**
Bonds, long-term portion				865	**578**

[1)] Out of this EUR 300 million total Metso Capital Ltd – 100% owned subsidiary of Metso – has subscribed EUR 100 million for potential resale.

Metso has a Euro Medium Term Note Program (EMTN) of EUR 1.5 billion, under which EUR 984 million and EUR 868 million at carrying value were outstanding at the end of 2009 and 2010, respectively. EUR 421 million of the outstanding amount were public bonds and EUR 447 million private placements.

Loans from financial institutions consist of bank borrowings with either fixed or variable interest rates. A major share of loans is EUR denominated. The interest rates vary from 0.9% to 10.9%. The loans are payable from year 2011 to 2018.

Interest rates of pension loans and finance lease obligations vary from 3.0% to 5.0%.

Metso's five-year revolving loan facility of EUR 500 million was renewed in 2010 and includes 14 banks. The facility was undrawn at the end of 2009 and 2010.

Contractual maturities of interest bearing debt as at December 31, 2010 are as follows:

EUR million	Bonds	Loans from financial institutions	Pension loans	Finance lease obligations	Other long-term debt	**Total**
Repayments	290	84	10	2	2	**388**
Interests	52	13	1	0	0	**66**
Total 2011	**342**	**97**	**11**	**2**	**2**	**454**
Repayments	119	99	10	0	21	**249**
Interests	33	9	1	0	0	**43**
Total 2012	**152**	**108**	**11**	**0**	**21**	**292**
Repayments	94	78	10	0	0	**182**
Interests	30	6	0	0	0	**36**
Total 2013	**124**	**84**	**10**	**0**	**0**	**218**
Repayments	200	69	5	0	0	**274**
Interests	23	4	0	0	0	**27**
Total 2014	**223**	**73**	**5**	**0**	**0**	**301**
Repayments	0	56	0	0	0	**56**
Interests	8	2	0	0	0	**10**
Total 2015	**8**	**58**	**0**	**0**	**0**	**66**
Repayments	165	29	1	0	0	**195**
Interests	8	1	0	0	0	**9**
Later	**173**	**30**	**1**	**0**	**0**	**204**

The maturities of derivative financial instruments are presented in note 31.

25 PROVISIONS

	As at December 31,					
	2009			**2010**		
EUR million	Non-current	Current	Total	**Non-current**	**Current**	**Total**
Warranty and guarantee liabilities	19	160	179	**19**	**181**	**200**
Accrued restructuring expenses	11	28	39	**7**	**17**	**24**
Environmental and product liabilities	0	12	12	**-**	**5**	**5**
Other provisions	22	35	57	**33**	**27**	**60**
Total	52	235	287	**59**	**230**	**289**

The provisions, both non-current and current, have changed as follows during the financial year 2010:

EUR million	Accrued restructuring expenses	Environmental and product liabilities	Total
Balance at beginning of year	39	12	51
Impact of exchange rates	3	0	3
Addition charged to expense	7	1	8
Realized reserve	–20	–6	–26
Reversal of reserve / other changes	–5	–2	–7
Balance at end of year	**24**	**5**	**29**

Provisions, for which the expected settlement date exceeds one year from the moment of their recognition, are discounted to their present value and adjusted in subsequent periods for the time effect.

Accrued restructuring expenses

The costs included in a provision for restructuring are those costs that are either incremental and incurred as a direct result of the formal plan approved and committed by management, or are the result of a continuing contractual obligation with no continuing economic benefit to Metso or a penalty incurred to cancel the contractual obligation. The provision also includes other costs incurred as a result of the plan, such as environmental liabilities.

Environmental and product liabilities

Metso accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably calculable. The amounts of accruals are adjusted later as further information develops or circumstances change. As at December 31, 2010, environmental liabilities amounted to EUR 2 million. They included clean-up costs for soil and water contamination at various sites in the Unites States previously operated by Mining and Construction Technology.

Metso is occasionally involved in product liability claims. As at December 31, 2010, provisions for product liabilities amounted to EUR 3 million.

Warranty and guarantee provisions

Metso issues various types of contractual product warranties under which it generally guarantees the performance levels agreed in the sales contract, the performance of products delivered during the agreed warranty period and services rendered for a certain period or term. The warranty liability is based on historical realized warranty costs for deliveries of standard products and services. The usual warranty period is 12 months from the date of customer acceptance of the delivered equipment. For larger projects, the average warranty period is two years. For more complex contracts, including long-term projects, the warranty reserve is calculated contract by contract and updated regularly to ensure its sufficiency.

The provisions for warranty and guarantee liabilities have changed as follows:

EUR million	2009	**2010**
Balance at beginning of year	178	**179**
Impact of exchange rates	6	**11**
Increase for current year's deliveries	75	**82**
Increase for previous years' deliveries	23	**27**
Increase from business acquisitions	2	**0**
Realized reserve	–77	**–71**
Reversal of reserve / other changes	–28	**–28**
Balance at end of year	179	**200**

26 SHORT-TERM DEBT

EUR million	As at December 31, 2009	2010
Loans from financial institutions	52	**29**
Finnish commercial paper financing	17	**-**
Total	69	**29**

The weighted average interest rate applicable to short-term borrowing at December 31, 2009 and 2010 was 5.8% and 6.7%, respectively. In 2011, interest amounting to EUR 0.5 million is expected to be paid concurrently with respective principals on the short-term debt presented above.

Metso has established a Finnish commercial paper program amounting to EUR 500 million. Finnish commercial papers worth EUR 17 million were outstanding as of December 31, 2009 and none as of December 31, 2010.

27 TRADE AND OTHER PAYABLES

EUR million	As at December 31, 2009	2010
Trade payables	605	**815**
Accrued interests	23	**19**
Accrued personnel costs	172	**207**
Accrued project costs	89	**89**
Other	176	**247**
Total	1,065	**1,377**

The maturities of payables rarely exceed six months. The maturities of trade payables are largely determined by local trade practices and individual agreements between Metso and its supplier.

Accrued project costs may be settled after six months depending on the issuance of the supplier invoice when the costs arise from work performed by third parties.

The accrued personnel costs, which include holiday pay, are settled in accordance with local laws and stipulations.

28 POST-EMPLOYMENT BENEFIT OBLIGATIONS

The companies within Metso have various pension schemes pursuant to local conditions and practices of the countries in which they operate. Some of these programs are defined benefit schemes with retirement, healthcare, death, jubilee and termination income benefits. The benefits are generally a function of years of employment and salary with Metso. The schemes are mostly funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations. Metso uses December 31 as measurement date for its defined benefit arrangements. The discount rates applied are based on yields available on high quality ("AA" rated) corporate bonds. If such reference is not available, the rates are based on government bond yields as of the balance sheet date. The terms of corporate and government bonds are consistent with the currency and the estimated term of the pension obligations.

The amounts recognized as of December 31 in the balance sheet were following:

	Pension benefits, Finnish		Pension benefits, foreign		Other post-employment benefits		Total	**Total**
EUR million	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**
Present value of funded obligations	16	**21**	292	**337**	-	**-**	308	**358**
Fair value of plan assets	–12	**–15**	–248	**–300**	-	**-**	–260	**–315**
	4	**6**	44	**37**	-	**-**	48	**43**
Present value of unfunded obligations	-	**-**	104	**102**	36	**45**	140	**147**
Unrecognized asset	-	**-**	1	**2**	-	**-**	1	**2**
Unrecognized past service cost	0	**1**	-	**-**	1	**1**	1	**2**
Net liability recognized	4	**7**	149	**141**	37	**46**	190	**194**
Amounts in the balance sheet:								
Liabilities	4	**7**	149	**142**	37	**46**	190	**195**
Assets	-	**-**	0	**–1**	-	**-**	0	**–1**
Net liability recognized	4	**7**	149	**141**	37	**46**	190	**194**

Movements in the net liability recognized in the balance sheet were as follows:

EUR million	Pension benefits, Finnish 2009	Pension benefits, Finnish 2010	Foreign pension and other post-employment benefits 2009	Foreign pension and other post-employment benefits 2010
Net liability at beginning of year	4	**4**	186	**186**
Acquisitions (+) and disposals (–)	-	**-**	1	**0**
Net expense recognized in the income statement	1	**2**	15	**13**
Employer contributions	–1	**–3**	–20	**–38**
Gain (+) / loss (–) recognized through OCI	0	**4**	0	**11**
Translation differences	-	**-**	4	**15**
Net liability at end of year	4	**7**	186	**187**

The amounts recognized in the income statement were as follows:

Year ended December 31,

EUR million	Pension benefits, Finnish 2008	2009	2010	Pension benefits, foreign 2008	2009	2010	Other post-employment benefits 2008	2009	2010
Service cost	1	1	**2**	5	7	**8**	1	1	**1**
Interes cost	0	1	**1**	19	20	**21**	2	2	**2**
Expected return on plan assets	0	–1	**–1**	–16	–15	**–19**	-	-	**-**
Amortization - Past service cost	2	0	**0**	-	0	**0**	-	0	**0**
Gains (–) / losses (+) on immediate settlements	–1	0	**0**	0	0	**0**	-	0	**0**
Expense (+) / income (–) recognized in income statement	2	1	**2**	8	12	**10**	3	3	**3**
Actual return (+) / loss (–) on plan assets	1	3	**1**	–26	32	**24**	-	-	**-**

The amounts recognized through OCI were following:

Year ended December 31,

EUR million	Pension benefits, Finnish 2009	2010	Pension benefits, foreign 2009	2010	Other post-employment benefits 2009	2010	Total 2009	**Total 2010**
Experience gain (–) / loss (+) on assets	–2	**0**	–17	**–5**	-	**-**	–19	**–5**
Actuarial gain (–) / loss (+) on liabilities due to change in assumptions	0	**3**	17	**15**	2	**3**	19	**21**
Actuarial gain (–) / loss (+) on liabilities due to experience	2	**1**	2	**–4**	–2	**2**	2	**–1**
Gain (–) / loss (+) as result of asset ceiling	-	**-**	–2	**0**	-	**-**	–2	**0**
Total gain (–) / loss (+) recognized through OCI	0	**4**	0	**6**	0	**5**	0	**15**

The cumulative amount of actuarial gains and losses recognized through OCI amounted to net loss of EUR 66 million, EUR 66 million and EUR 81 million for the years ended December 31, 2008, 2009 and 2010, respectively. The accumulated amount does not include translation differences of previous years.

In certain countries, companies are liable to pay a specific payroll tax on employee benefits, including on defined benefits. To the extent the changes in the benefit obligation arise from actuarial gains and losses, the related payroll tax is also recognized in the Statement of Other Comprehensive Income. For the years ended December 31, 2009 and 2010 the amount of payroll tax recognized through OCI was a a gain of less than EUR 0.5 million and a loss of less than EUR 0.1 million, respectively.

The changes in the value of the defined benefit obligation were as follows:

	Pension benefits, Finnish		Pension benefits, foreign		Other post-employment benefits		Total	**Total**
EUR million	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**
Defined benefit obligation at beginning of year	11	**15**	348	**396**	36	**37**	395	**448**
Service cost	1	**2**	7	**8**	1	**1**	9	**11**
Interest cost	1	**1**	20	**21**	2	**2**	23	**24**
Plan participant contributions	-	**-**	1	**1**	0	**0**	1	**1**
Past service cost (+) / credit (–)	-	**-**	0	**0**	0	**0**	0	**0**
Acquisitions (+) and disposals (–)	-	**-**	0	**1**	-	**-**	0	**1**
Adjustment to coverage	-	**-**	12	**-**	0	**0**	12	**-**
Actuarial gain (–) / loss (+) due to change in assumptions	0	**3**	17	**15**	2	**3**	19	**21**
Actuarial gain (–) / loss (+) due to experience	2	**1**	2	**–4**	–2	**2**	2	**–1**
Settlements	0	**–1**	–2	**–10**	-	**-**	–2	**–11**
Translation differences	-	**-**	12	**33**	0	**3**	12	**36**
Benefits paid	-	**-**	–21	**–22**	–2	**–3**	–23	**–25**
Defined benefit obligation at end of year	15	**21**	396	**439**	37	**45**	448	**505**

The changes in the fair value of the plan assets during the year were as follows:

	Pension benefits, Finnish		Foreign pension and other post-employment benefits		Total	**Total**
EUR million	2009	**2010**	2009	**2010**	2009	**2010**
Fair value of assets at beginning of year	8	**12**	202	**248**	210	**260**
Adjustments for new plans covered	-	**-**	11	**-**	11	**-**
Settlements	0	**–1**	–2	**–9**	–2	**–10**
Acquisitions	-	**-**	-	**1**	-	**1**
Actual return on plan assets	3	**1**	32	**24**	35	**25**
Plan participant contributions	-	**-**	1	**1**	1	**1**
Employer contributions	1	**3**	20	**38**	21	**41**
Benefits paid	-	**-**	–24	**–25**	–24	**–25**
Translation differences	-	**-**	8	**22**	8	**22**
Fair value of assets at end of year	12	**15**	248	**300**	260	**315**

The major categories of plan assets as a percentage of total plan assets as at December 31 were as follows:

	2009	**2010**
Equity securities	38%	**41%**
Bonds	41%	**39%**
Other	21%	**20%**

The expected return on plan assets is set by reference to historical returns on each of the main asset classes, current market indicators such as long-term bond yields and the expected long-term strategic asset allocation of each plan.

Summarized information on pension liabilities and plan assets for the five periods is as follows:

EUR million	2006	2007	2008	2009	**2010**
Present value of defined benefit obligations at December 31	431	424	395	448	**505**
Fair value of plan assets at December 31	246	250	210	260	**315**
Deficit	185	174	185	188	**190**
Unrecognized asset	2	2	4	1	**2**
Unrecognized past service cost	2	1	1	1	**2**

The principal actuarial assumptions at December 31 (expressed as weighted averages):

	Finnish		Foreign	
	2009	**2010**	2009	**2010**
Benefit obligation: discount rate	5.00%	**4.75%**	5.67%	**5.38%**
Benefit obligation: rate of compensation increase	4.41%	**4.44%**	3.61%	**3.66%**
Benefit obligation: rate of pension increase	2.10%	**2.10%**	1.55%	**1.52%**
Expense in income statement: discount rate	5.50%	**5.00%**	5.98%	**5.67%**
Expense in income statement: rate of compensation increase	4.75%	**4.41%**	3.66%	**3.61%**
Expense in income statement: expected return on plan assets	5.92%	**5.37%**	7.70%	**7.47%**
Expense in income statement: rate of pension increase	2.10%	**2.10%**	1.54%	**1.55%**

The expected contributions in 2011 shall amount to EUR 1 million to Finnish plans and EUR 9 million to foreign plans.
The expected benefits to be paid in 2011 shall amount to EUR 23 million.

The life expectancy of the participants is based on regularly updated mortality tables, which reflect the life expectancy of the local population. The mortality tables used for the major defined benefit plans are following:

Finland	Gompertz' model with Finnish TyEL parameters
Germany	Heubeck RT 2005 G
United Kingdom	PXA92 year of birth
Canada	UP94 projected to 2010/2015
United States of America	RP2000 projected to 2015

An increase of one percentage point in the assumed health care cost trend would increase the accumulated post-employment benefit obligation by EUR 4 million at December 31, 2010. It would increase the sum of the service and interest cost by EUR 0.3 million for 2010. A decrease of one percentage point in the assumed health care cost trend would decrease the accumulated post-employment benefit obligation by EUR 3 million at December 31, 2010. It would not decrease the sum of the service and interest cost for 2010. The health care cost trend is assumed to fall to 5% over the next four years by 0.75 percentage points per annum for members over age 65 and to 5% over the next six years by 0.5 percentage points per annum for members under age 65.

29 MORTGAGES AND CONTINGENT LIABILITIES

	As at December 31,	
EUR million	2009	**2010**
On own behalf		
Mortgages	22	**4**
Pledged assets	0	**-**
On behalf of associated companies		
Guarantees	-	**-**
On behalf of others		
Guarantees	7	**4**
Other commitments		
Repurchase commitments	3	**3**
Other contingencies	3	**2**
Total	35	**13**

The mortgages given as security for own commitments relate to industrial real estate and other company assets. The mortgage amount on corporate debt has been calculated as the amount of corresponding loans. The nominal value of the mortgages at December 31, 2010 was EUR 1 million higher than the amount of the corresponding loans.

The repurchase commitments represent engagements whereby Metso agrees to purchase back equipment sold to customer. The conditions triggering the buy back obligation are specific to each sales contract. The amounts in the above table comprise the agreed value in full of each repurchase commitment.

Metso Corporation has guaranteed obligations arising in the ordinary course of business of many of its subsidiaries up to a maximum of EUR 1,211 million and EUR 1,344 million as of December 31, 2009 and 2010, respectively.

30 LEASE CONTRACTS

Metso leases offices, manufacturing and warehouse space under various noncancellable leases. Certain contracts contain renewal options for various periods of time.

Minimum annual rental expenses for leases in effect at December 31 are shown in the table below:

	Operating leases		Finance leases	
EUR million	2009	**2010**	2009	**2010**
Not later than 1 year	46	**54**	3	**2**
Later than 1 year and not later than 2 years	37	**39**	2	**1**
Later than 2 years and not later than 3 years	25	**34**	1	**0**
Later than 3 years and not later than 4 years	22	**25**	1	**0**
Later than 4 year and not later than 5 years	17	**20**	1	**0**
Later than 5 years	79	**70**	2	**0**
Total minimum lease payments	226	**242**	10	**3**
Future financial expenses			−2	**0**
Total net present value of finance leases			8	**3**

Net present value of annual rentals for finance leases in effect at December 31 are shown in the table below:

EUR million	2009	**2010**
Not later than 1 year	3	**2**
Later than 1 year and not later than 2 years	2	**1**
Later than 2 years and not later than 3 years	1	**0**
Later than 3 years and not later than 4 years	1	**0**
Later than 4 year and not later than 5 years	0	**0**
Later than 5 years	1	**0**
Total net present value of finance leases	8	**3**

Total rental expenses amounted to EUR 40 million, EUR 42 million and EUR 43 million in the years ended December 31, 2008, 2009 and 2010, respectively. Annual repayments of principal are presented in the maturities of long-term debt, see note 24.

31 DERIVATIVE FINANCIAL INSTRUMENTS

Notional amounts and fair values of derivative financial instruments as at December 31 were as follows:

EUR million	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
2009				
Forward exchange contracts [1]	1,390	21	18	3
Interest rate swaps	128	0	5	−5
Option agreements				
Bought	13	0	0	0
Sold	6	-	0	0
Electricity forward contracts [2]	640	0	3	−3
Nickel swap contracts [3]	252	0	0	0
Total		21	26	−5
2010				
Forward exchange contracts [1]	**2,137**	**49**	**30**	**19**
Interest rate swaps	**163**	**0**	**3**	**−3**
Option agreements				
Bought	**2**	**0**	**-**	**0**
Sold	**10**	**-**	**0**	**0**
Electricity forward contracts [2]	**755**	**7**	**0**	**7**
Nickel swap contracts [3]	**486**	**1**	**0**	**1**
Total		**57**	**33**	**24**

[1] Some 43 percent and 52 percent of the notional amount at the end of 2009 and 2010, respectively, qualified for cash flow hedge accounting.
[2] Notional amount GWh
[3] Notional amount tons

The notional amounts indicate the volumes in the use of derivatives, but do not indicate the exposure to risk.

Derivative financial instruments recognized in balance sheet as at December 31 are presented below:

	2009		**2010**	
EUR million	Assets	Liabilities	**Assets**	**Liabilities**
Interest rate swaps - cash flow hedges	0	4	**-**	**1**
Interest rate swaps - non-qualifying hedges	0	1	**0**	**2**
	0	5	**0**	**3**
Forward exchange contracts - cash flow hedges	7	10	**32**	**19**
Forward exchange contracts - non-qualifying hedges	14	8	**17**	**11**
	21	18	**49**	**30**
Electricity forward contracts - cash flow hedges	0	3	**7**	**0**
Nickel swaps - non-qualifying hedges	0	0	**1**	**0**
Options - non-qualifying hedges	0	0	**0**	**0**
Total derivatives	21	26	**57**	**33**

In the years ended December 31, 2009 and 2010, respectively, there was no material ineffectiveness related to the cash flow hedges, which would have resulted in an immediate recognition of an ineffective portion in the income statement.

As at December 31, 2010, the fixed interest rates of swaps varied from 1.2 percent to 6.1 percent.

As at December 31, 2010, the maturities of financial derivatives are the following (expressed as notional amounts):

EUR million	2011	2012	2013	2014	2015 and later
Forward exchange contracts	1,900	207	30	-	-
Interest rate swaps	88	20	-	-	55
Option agreements	10	2	-	-	-
Electricity forward contracts [1]	304	217	145	70	18
Nickel swap contracts [2]	432	54	-	-	-

[1] Notional amount GWh
[2] Notional amount tons

32 GROUP COMPANIES

Finland
- Metso Minerals Oy
- Metso Minerals (Finland) Oy
- EC Technology Oy
- Metso Power Oy
- MW Power Oy
- MW Biopower Oy
- Novikat Oy
- Metso Automation Oy
- Metso Endress+Hauser Oy
- Metso Paper Oy
- Metso Fabrics Oy
- Metso Foundries Jyväskylä Oy
- Metso Mill Service Automation Oy
- Metso Mill Service Kauttua Oy
- Tampereen Verkatehdas Oy
- Valmet Automotive Oy
- Metso Capital Oy
- Metso Shared Services Oy
- Kaukotalo Oy
- Avantone Oy
- Rauma Oy

Sweden
- Metso Svenska AB
- Metso Minerals (Sweden) AB
- Metso Power AB
- MW Power AB
- Lignoboost AB
- Metso Automation AB
- Metso Paper Karlstad AB
- Metso Paper Sundsvall AB
- Metso Fiber Karlstad AB
- Metso Mill Service AB
- Metso Mill Service Husum AB
- Städet 2 Holding AB
- Städet 2 i Karlstad AB

Norway
- Metso Minerals (Norway) A/S
- Metso Automation A/S
- Metso Mill Service A/S

Denmark
- Metso Automation Denmark A/S
- Metso Denmark A/S

Austria
- Metso Minerals (Austria) GmbH
- Metso Automation GesmbH
- Metso Paper GesmbH

Belgium
- Metso Minerals (Belux) SA
- Metso Automation SA NV
- Metso Belgium NV

Czech Republic
- Metso Minerals s.r.o.
- Nordberg s.r.o. (Czech)
- Metso Automation s.r.o.
- Metso Paper CR s.r.o.
- Metso Paper Steti s.r.o.

France
- Metso SAS
- Metso Minerals (France) SA
- Metso Minerals (Cisa) SA
- Metso Automation SAS
- Metso Paper France SAS
- Metso Paper Paris SA

Germany
- Metso Minerals Holding (Germany) GmbH
- Metso Minerals (Germany) GmbH
- Metso Automation GmbH
- Metso Automation Mapag GmbH
- Metso Lindemann GmbH
- Metso Deutschland GmbH
- Metso Paper GmbH
- Metso Mill Service Plattling GmbH
- Metso Panelboard GmbH
- Valmet Automotive GmbH

Great Britain
- Metso Minerals (UK) Ltd
- Metso Minerals (Cappagh) Ltd
- Metso Automation Ltd
- Metso Paper Ltd
- Metso Captive Insurance Limited

Italy
- Metso SpA
- Metso Minerals (Italy) SpA
- Metso Automation SpA
- Metso Paper Como Srl
- Metso Paper Italy SpA

Netherlands
- Metso Minerals International BV
- Metso Minerals (Dordrecht) BV
- Metso Automation BV

Poland
- Metso Minerals (Poland) Sp zoo
- Metso Automation Polska Sp zoo
- Tamfelt Sp zoo
- Valmet Automotive Poland Sp zoo

Portugal
- Metso Minerals (Portugal) Lda
- Metso Automation Portugal Lda
- Tamfelt Technical Textiles Lda

Spain
- Metso Minerals Espana SA
- Metso Automation Espana SA
- Metso Paper SA
- Metso Mill Service SL

Russia
- ZAO Metso Minerals (CIS)
- ZAO Metso Automation
- Metso Paper ZAO

Turkey
- Metso Minerals Dis Ticaret Limeted Sirketi
- Metso Automation Otomasyon San. Ve Tic Ltd Sti

USA
- Metso USA Inc.
- Metso Minerals Industries Inc.
- Svedala Project Services Inc.
- Neles-Jamesbury Inc.
- Metso Automation USA Inc.
- Jamesbury Shanghai Valve (USA) Inc.
- Metso Paper USA Inc.
- Metso Fabrics USA Inc.
- Metso Fabrics PMC USA LLC
- Metso Wyesco Service Center Inc.
- Valmet Automotive USA Inc.

Canada
- Metso Minerals Canada Inc.
- Metso Automation Canada Ltd
- Metso Paper Ltd
- Tamfelt PMC, Canada Inc.
- Metso Canada Ltd
- Metso Shared Services Ltd

Brazil
- Metso Brazil Indústria e Comércio Ltda
- Metso Automation do Brasil Ltda
- Metso Paper Sulamericana Ltda
- Metso Paper South America Ltda
- Metso Fabrics Brasil Tecidos Técnicos Ltda
- Valmet Automation Ltda

Chile
- Metso Minerals (Chile) SA
- Metso Automation Chile Ltda
- Metso Paper Asesorias Tecnicas SA
- Metso Paper SA

Mexico
- Metso (Mexico) SA de CV
- Metso SA de CV

Australia
- Metso Minerals (Australia) Ltd
- Metso Automation (ANZ) Pty Ltd
- Metso Paper (ANZ) Pty Ltd

China
- Metso Minerals (Tianjin) Co. Ltd
- Metso Minerals (Tianjin) International Trade Co. Ltd
- Metso Automation (Shanghai) Co. Ltd
- Metso Paper (China) Co. Ltd
- Metso Paper (Guangzhou) Co. Ltd
- Metso Paper (Shanghai) Co. Ltd
- Metso Paper Technology (Shanghai) Co. Ltd
- Valmet-Xian Paper Machinery Co. Ltd
- Metso Fabrics (Tianjin) Co. Ltd
- Tamfelt - GMCC (Tianjin) Paper Machine Clothing Co. Ltd
- Metso Fabrics (Shanghai) Co. Ltd
- Metso (Shanghai) Surface Treatment Co. Ltd
- Metso (China) Investment Co. Ltd

India
- Metso Minerals (India) Private Ltd
- Metso Minerals (Mumbai) Private Ltd
- Metso Automation India Private Ltd
- Metso Power India Private Ltd
- Metso Paper India Private Ltd

Indonesia
- PT Metso Minerals Indonesia Ltda
- PT Metso Automation
- PT Metso Paper Indonesia

Japan
- Metso Minerals Japan Co. Ltd
- Metso Automation KK
- Metso Paper Japan Co. Ltd

Singapore
- Metso Minerals (Asia-Pacific) Pte Ltd
- Metso Minerals (Singapore) Pte Ltd
- Metso Automation Pte Ltd
- Metso Paper (Asia-Pacific) Pte Ltd

Thailand
- Metso Minerals (Thailand) Co. Ltd
- Metso Automation Co. Ltd
- Metso Paper (Thailand) Co. Ltd

South Africa
- Metso Minerals Investment Holdings (SA) (Pty) Ltd
- Metso Minerals (South Africa) Pty Ltd
- Metso Minerals Properties (SA) (Pty) Ltd
- Metso Automation RSA (Pty) Ltd
- Metso Paper South Africa (Pty) Ltd
- Metso ND Engineering (Pty) Ltd

Others
- Noviter Eesti
- Metso Minerals (Switzerland) AG
- Metso (Kazakhstan) LLP
- Metso Minerals (Ukraine) LLC
- Metso Peru SA
- Metso Minerals (Argentina) SA
- Metso Minerals (Hong Kong) Ltd
- Metso Paper Korea Inc.
- Metso Automation Korea Ltd
- Metso Minerals (Malaysia) Sdn Bhd
- Metso New Zealand Ltd
- Metso Minerals (Philippines) Inc.
- Svedala (Philippines) Inc.
- Metso Vietnam Co. Ltd
- Metso Minerals Algeria
- Metso Minerals (Ghana) Ltd
- Metso Minerals (Lebanon) sarl
- Metso Minerals (Zambia) Ltd
- Metso Minerals (Zimbabwe) PVT Ltd
- Nordberg Manufacturing (Pty)
- Nordberg Namibia (Pty)
- Metso Automation FZE (Dubai)

33 REPORTING SEGMENT AND GEOGRAPHIC INFORMATION

Corporate structure

Metso Group is a global supplier of sustainable technology and services for mining, construction, power generation, automation, recycling and the pulp and paper industries.

The Board of Directors has been identified as Metso's chief operating decision maker that decides on the strategy, the selection of key employees, major development projects, business acquisitions, investments, organization and finance. The operating segments in Metso are determined based on the reports that are delivered to the Board of Directors and that are used to make strategic decisions. The primary segment reporting format is based on the business segments, and secondary on geographical areas.

The operations are organized into the following three segments:

Mining and Construction Technology is a leading global supplier of technology and services for the mining and construction industries. Our customers work in quarrying, aggregates production, construction, civil engineering, mining and minerals processing. The segment is organized in two business lines: Services and Equipment and systems.

Energy and Environmental Technology is one of the leading global suppliers in power generation, automation as well as recycling solutions. Our customers work in the power generation, oil and gas, recycling as well as pulp and paper industries. Energy and Environmental Technology comprises three business lines: Power, Automation and Recycling.

Paper and Fiber Technology is a leading global supplier of processes, machinery, equipment and services for the pulp and paper industry. The offering extends over the entire process life-cycle, covering new lines, rebuilds and the services business. The segment is organized in four business lines: Paper, Fiber, Tissue and Fabrics.

Group Head Office and other is comprised of the Parent Company and shared service centers in Finland, Sweden and Canada as well as holding companies in several countries. Valmet Automotive is reported as a separate business.

Metso's businesses are global in scope with operations in over 50 countries. The main market areas are Europe and North America, which account for over half of net sales. However, Asia and South America are becoming increasingly important. Metso has production on all continents. The principal production plants are located in Finland, Sweden, France, Germany, Canada, the United States, China, India, South Africa and Brazil.

Transfer pricing in intra-Metso transactions is primarily based on market prices. In some cases, cost-based prices are used, thereby including the margin (cost plus method).

The financial performance of the segments is measured through their ability to generate operating profit and earnings before interest, tax and amortization (EBITA) both in absolute figures and as percentage of net sales. Since 2010, the performance is also measured based on EBITA before non-recurring items, the previous years are presented in accordance. The effect the non-recurring items have on cost of goods sold, selling, general and administrative expenses as well as other income and expenses, net, is presented in the segment information. Financial income and expenses, net, and income taxes are not allocated to segments but included in the profit (loss) of Group Head Office and other. The treasury activities of Metso are coordinated and managed by the Group Treasury in order to utilize the cost efficiency benefits retained from pooling arrangements, financial risk management, bargaining power, cash management, and other measures. Tax planning aims at the minimization of Metso's overall tax cost and it is based on the legal structure and the utilization of holding company structure as applicable.

Segment assets comprise intangible assets, property, plant and equipment, investments in associated companies, joint ventures, available-for-sale equity investments, inventories and non-interest bearing operating assets and receivables. They exclude interest bearing assets, including also cash and cash equivalents, income tax receivables and deferred tax assets, which are included in the assets of Group Head Office and other.

Segment liabilities comprise non-interest bearing operating liabilities and exclude income tax liabilities and deferred tax liabilities, which are included in the liabilities of Group Head Office and other. Interest bearing liabilities are not allocated to segments, but included in the liabilities of Group Head Office and other.

Non-cash write-downs include write-offs made to the value of notes, receivables, and inventories and impairment and other write-offs recognized to reduce the value of intangible assets, property, plant and equipment and other assets.

Gross capital expenditure comprises investments in intangible assets, property, plant and equipment, associated companies, joint ventures and available-for-sale equity investments including additions through business acquisitions.

Information about Metso's reportable segments as of and for the years ended December 31, 2008, 2009 and 2010 is presented in the following tables.

EUR million	Mining and Construction Technology	Energy and Environmental Technology	Paper and Fiber Technology	Valmet Automotive	Group Head Office and other	Eliminations	**Metso total**
2008							
External net sales	2,565	1,731	2,039	65	-	-	**6,400**
Intra-Metso net sales	21	44	5	-	-	–70	**-**
Net sales	2,586	1,775	2,044	65	-	–70	**6,400**
EBITA before non-recurring items	359.3	198.3	153.5	–3.5	–21.2	-	**686.4**
% of net sales	13.9	11.2	7.5	–5.4	n/a	-	**10.7**
Operating profit (loss)	358.4	176.0	130.1	–3.5	–23.8	-	**637.2**
% of net sales	13.9	9.9	6.4	–5.4	n/a	-	**10.0**
Non-recurring items in cost of goods sold	-	-	–4.9	-	-	-	**–4.9**
Non-recurring items in selling, general and administrative expenses	-	-	–2.5	-	-	-	**–2.5**
Non-recurring items in other operating income and expenses, net	1.9	-	-	-	-	-	**1.9**
Total non-recurring items	1.9	-	–7.4	-	-	-	**–5.5**
Amortization	–3	–22	–16	0	–3	-	**–44**
Depreciation	–31	–15	–39	–8	–1	-	**–94**
Gross capital expenditure (including business acquisitions)	–121	–80	–90	–3	–5	-	**–299**
Non-cash write-downs	–17	–3	–10	0	–1	-	**–31**
Intangible assets and property, plant and equipment	637	494	566	45	16	-	**1,758**
Investments in associated companies	1	7	6	-	0	-	**14**
Available-for-sale equity investments	2	1	1	0	14	-	**18**
Inventories and other non-interest bearing assets	1,530	706	893	8	74	-	**3,211**
Interest bearing assets	-	-	-	-	336	-	**336**
Deferred tax assets	-	-	-	-	174	-	**174**
Total assets	2,170	1,208	1,466	53	614	-	**5,511**
Non-interest bearing liabilities	940	561	935	31	111	-	**2,578**
Interest bearing debt	-	-	-	-	1,435	-	**1,435**
Deferred tax liability	-	-	-	-	45	-	**45**
Total liabilities	940	561	935	31	1,591	-	**4,058**
Capital employed	1,230	647	531	22	458	-	**2,888**
Orders received	2,709	1,658	2,021	65	-	–69	**6,384**
Order backlog	1,492	1,204	1,434	-	-	–42	**4,088**

EUR million	Mining and Construction Technology	Energy and Environmental Technology	Paper and Fiber Technology	Valmet Automotive	Group Head Office and other	Eliminations	**Metso total**
2009							
External net sales	2,061	1,495	1,404	56	-	-	**5,016**
Intra-Metso net sales	14	28	4	-	-	–46	**-**
Net sales	2,075	1,523	1,408	56	-	–46	**5,016**
EBITA before non-recurring items	201.6	147.4	71.3	–8.1	–13.2	-	**399.0**
% of net sales	9.7	9.7	5.1	–14.5	n/a	-	**8.0**
Operating profit (loss)	198.8	118.1	0.8	–8.2	–15.9	-	**293.6**
% of net sales	9.6	7.8	0.1	–14.6	n/a	-	**5.9**
Non-recurring items in cost of goods sold	–10.0	–6.5	–25.9	-	-	-	**–42.4**
Non-recurring items in selling, general and administrative expenses	–11.9	–4.6	–15.8	-	-	-	**–32.3**
Non-recurring items in other operating income and expenses, net	23.1	-	–13.1	-	-	-	**10.0**
Total non-recurring items	1.2	–11.1	–54.8	-	-	-	**–64.7**
Amortization	–4	–18	–16	0	–3	-	**–41**
Depreciation	–36	–19	–39	–7	–1	-	**–102**
Gross capital expenditure (including business acquisitions)	–40	–39	–29	–6	–4	-	**–118**
Non-cash write-downs	–11	–12	–13	0	0	-	**–36**
Intangible assets and property, plant and equipment	657	502	776	42	17	-	**1,994**
Investments in associated companies	1	8	4	-	0	-	**13**
Available-for-sale equity investments	0	1	4	2	8	-	**15**
Inventories and other non-interest bearing assets	1,163	571	706	16	73	-	**2,529**
Interest bearing assets	-	-	-	-	993	-	**993**
Deferred tax assets	-	-	-	-	171	-	**171**
Total assets	1,821	1,082	1,490	60	1,262	-	**5,715**
Non-interest bearing liabilities	749	558	854	32	99	-	**2,292**
Interest bearing debt	-	-	-	-	1,576	-	**1,576**
Deferred tax liability	-	-	-	-	56	-	**56**
Total liabilities	749	558	854	32	1,731	-	**3,924**
Capital employed	1,072	524	636	28	1,108	-	**3,368**
Orders received	1,660	1,297	1,384	56	-	–39	**4,358**
Order backlog	1,041	1,032	1,380	-	-	–38	**3,415**

EUR million	Mining and Construction Technology	Energy and Environmental Technology	Paper and Fiber Technology	Valmet Automotive	Group Head Office and other	Eliminations	**Metso total**
2010							
External net sales	2,222	1,394	1,852	84	-	-	**5,552**
Intra-Metso net sales	13	41	4	-	-	−58	**-**
Net sales	2,235	1,435	1,856	84	-	−58	**5,552**
EBITA before non-recurring items	264.8	139.0	107.6	−4.6	−15.8	-	**491.0**
% of net sales	11.8	9.7	5.8	−5.5	n/a	-	**8.8**
Operating profit (loss)	290.4	111.4	70.3	−6.4	−20.5	-	**445.2**
% of net sales	13.0	7.8	3.8	−7.6	n/a	-	**8.0**
Non-recurring items in cost of goods sold	−1.2	−6.3	−6.1	-	-	-	**−13.6**
Non-recurring items in selling, general and administrative expenses	−0.6	−1.6	−0.3	-	-	-	**−2.5**
Non-recurring items in other operating income and expenses, net	34.1	-	−2.0	−1.8	−2.4	-	**27.9**
Total non-recurring items	32.3	−7.9	−8.4	−1.8	−2.4	-	**11.8**
Amortization	−7	−20	−29	0	−2	-	**−58**
Depreciation	−36	−21	−53	−9	−1	-	**−120**
Gross capital expenditure (including business acquisitions)	−37	−33	−64	−17	−5	-	**−156**
Non-cash write-downs	−9	−6	−7	0	-	-	**−22**
Intangible assets and property, plant and equipment	669	500	778	50	19	-	**2,016**
Investments in associated companies	-	9	5	-	0	-	**14**
Available-for-sale equity investments	0	1	2	3	3	-	**9**
Inventories and other non-interest bearing assets	1,306	686	842	48	80	-	**2,962**
Interest bearing assets	-	-	-	-	1,063	-	**1,063**
Deferred tax assets	-	-	-	-	168	-	**168**
Total assets	1,975	1,196	1,627	101	1,333	-	**6,232**
Non-interest bearing liabilities	829	701	1,043	61	104	-	**2,738**
Interest bearing debt	-	-	-	-	1,373	-	**1,373**
Deferred tax liability	-	-	-	-	50	-	**50**
Total liabilities	829	701	1,043	61	1,527	-	**4,161**
Capital employed	1,146	495	584	40	1,179	-	**3,444**
Orders received	2,457	1,528	1,947	84	-	−72	**5,944**
Order backlog	1,356	1,158	1,559	-	-	−50	**4,023**

Net sales to unaffiliated customers by destination:

EUR million	Finland	Other Nordic countries	Other European countries	North America	South and Central America	Asia-Pacific	Africa and Middle East	Metso total
2008	461	467	1,752	1,015	770	1,516	419	6,400
2009	328	405	1,434	774	609	1,080	386	5,016
2010	**295**	**368**	**1,305**	**920**	**795**	**1,576**	**293**	**5,552**

Metso's exports, including sales to unaffiliated customers and intra-group sales from Finland, by destination:

EUR million	Other Nordic countries	Other European countries	North America	South and Central America	Asia-Pacific	Africa and Middle East	Total
2008	172	931	107	121	745	85	2,161
2009	152	800	48	63	367	80	1,510
2010	**175**	**644**	**119**	**65**	**729**	**47**	**1,779**

Long-term assets by location:

EUR million	Finland	Other Nordic countries	Other European countries	North America	South and Central America	Asia-Pacific	Africa and Middle East	Non-allocated	Metso total
2008	462	68	74	171	64	114	7	856	1,816
2009	514	68	74	165	93	144	9	999	2,066
2010	**505**	**73**	**90**	**170**	**94**	**179**	**10**	**960**	**2,081**

Long-term assets comprise intangible assets, property, plant and equipment, investments in associated companies, available-for-sale equity investments and other non-interest bearing non-current assets. Non-allocated assets include mainly goodwill and other allocated assets arising from business acquisitions that have not been pushed down to the subsidiaries' books.

Gross capital expenditure (excluding business acquisitions) by location:

EUR million	Finland	Other Nordic countries	Other European countries	North America	South and Central America	Asia-Pacific	Africa and Middle East	Metso total
2008	91	23	19	56	16	47	3	255
2009	55	5	9	10	10	27	1	117
2010	**67**	**9**	**9**	**6**	**9**	**34**	**1**	**135**

34 AUDIT FEES

EUR million	Year ended December 31, 2008	2009	**2010**
Audit	–2.7	–2.5	**–2.5**
Tax consulting	–1.8	–1.7	**–2.0**
Other services	–1.1	–0.8	**–1.0**
Total	–5.6	–5.0	**–5.5**

35 LAWSUITS AND CLAIMS

Several lawsuits, claims and disputes based on various grounds are pending against Metso in various countries, including product liability lawsuits and claims as well as legal disputes related to Metso's deliveries. Metso's management does not, however, expect that the outcome of these lawsuits, claims and disputes will have a material adverse effect on Metso in view of the grounds presented for them, provisions made, insurance coverage in force and the extent of Metso's total business activities. Metso is also a plaintiff in several lawsuits.

Pending asbestos litigation

As of December 31, 2010, there had been a total of 964 complaints alleging asbestos injuries filed in the United States in which a Metso entity is one of the named defendants. Where a given plaintiff has named more than one viable Metso unit as a defendant, the cases are counted by the number of viable Metso defendants. Of these claims, 324 are still pending and 640 cases have been closed. Of the closed cases, 110 were by summary judgment, 414 were dismissed, and 116 were settled. The outcome of the pending cases is not expected to materially deviate from the outcome of the previous claims. Hence, management believes that the risk caused by the pending asbestos lawsuits and claims in the United States is not material in view of the extent of Metso's total business operations.

Subpoena from U.S. Department of Justice requiring Metso to produce documents

On July 2, 2010 Metso was informed by the Antitrust Division of the United States Department of Justice that it has closed its investigation of the rock crushing and screening equipment industry. Metso Minerals Industries, Inc., which is part of Metso Corporation's Mining and Construction Technology, received a subpoena from the Antitrust Division of the United States late 2006. The subpoena called for Metso Minerals Industries, Inc. to produce certain documents related to an investigation of potential antitrust violations in the rock crushing and screening equipment industry. We cooperated fully with the Department of Justice during the investigation. No further action has been brought against any party.

Lawsuits related to intellectual property rights

In May 2010, Australian Federal Court entered an order related to the protection of Metso's certain intellectual property rights. The court confirmed the settlement agreement according to which the respondents paid to Metso, without admitting liability, a compensation in the amount of approximately EUR 14 million.

In June 2010, a lawsuit involving the protection of certain Metso intellectual property rights, Metso versus FLSmidth-Excel LLC, Excel Foundry & Machine, Inc., et al., United States District Court for the Eastern District of Wisconsin, was settled. According to the settlement agreement, FLSmidth-Excel LLC and Excel Foundry & Machine, Inc., without admitting liability, have paid to Metso compensation in the amount of approximately EUR 19 million. Otherwise the settlement agreement is confidential.

In December 2010, a jury at New York court gave a verdict in a favor of Metso and awarded damages to Metso in the amount of about EUR 12 million in a patent lawsuit Metso versus Powerscreen International Distribution Ltd (today known as Terex GB Ltd), Terex Corporation, Emerald Equipment Systems, Inc. et al. and also found that the infringement is willful, therefore potentially allowing Metso to collect multiple damages. The court ruling is expected to be received in spring 2011 at which point total compensation for damages payable to Metso will be known. In the event the court ruling is appealed, the final outcome of the lawsuit would be expected by 2012. Metso will book the compensation in its financial results only when the final outcome of the lawsuit is clear, earliest in 2011.

36 NEW ACCOUNTING STANDARDS

IAS 24 (Revised)

IASB has published IAS 24 (Revised), 'Related Party Transactions', which simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. Disclosures about transactions with government-related entities are required only if they are individually or collectively significant.

IAS 24 (Revised) has been endorsed by the European Union and it becomes effective for annual financial statements for periods beginning on or after January 1, 2011. Metso will apply the standard for the financial year beginning on January 1, 2011.

IFRIC 14 (Amendment)

IASB has published IFRIC 14 (Amended), 'Prepayment of minimum funding requirement', which aims to correct an unintended consequence of IFRIC 14. As a result of the interpretation, entities are in some circumstances not permitted to recognise some prepayments for minimum funding contributions as an asset. The amendment remedies this unintended consequence by requiring prepayments in appropriate circumstances to be recognised as assets.

The amendment has been endorsed by the European Union and it is effective for annual financial statements for periods beginning on or after January 1, 2011. Metso will apply the revision for the financial year beginning on January 1, 2011.

IAS 34 (Amendment)

IASB has published an amendment to IAS 34 'Interim financial reporting'. The change provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets.

The amendment should be endorsed by the European Union in the first quarter of 2011 and it is effective for annual financial statements for periods beginning after January 1, 2011. Metso will apply the amendment in 2011.

None of these revisions and amendments will have a material impact to Metso's financial statements.

IFRS 9

IASB has published a new standard IFRS 9 'Financial instruments: Recognition and measurement'. The standard represents the first milestone in the IASB's planned replacement of IAS 39. It addresses simplifies classification of financial assets and requires them to be measured either at amortized costs or at fair value. The next steps will involve reconsideration and re-exposure of the classification and measurement requirements for financial liabilities, impairment testing methods for financial assets, and development of enhanced guidance on hedge accounting.

In October 2010, IASB published the second part of IFRS 9 'Financial Liabilities – Classification and Measurement' according to which the accounting and presentation for financial liabilities shall remain unchanged except for those financial liabilities for which fair value option is applied.

The whole standard, once completed, should become effective for the financial periods beginning on or after January 1, 2013. Provided that the standard receives endorsement by the European Union, Metso will apply the standard for the financial year beginning on January 1, 2013.

The standard can be expected to have a material effect to Metso's financial statements.

37 EVENTS AFTER BALANCE SHEET DATE

Between the balance sheet date and the date when these financial statements were authorized for issue no favorable nor unfavorable event requiring disclosure occurred.

EXCHANGE RATES USED

		Average rates			Year-end rates		
		2008	2009	**2010**	2008	2009	**2010**
USD	(US dollar)	1.4726	1.3960	**1.3299**	1.3917	1.4406	**1.3362**
SEK	(Swedish krona)	9.6833	10.6092	**9.5510**	10.8700	10.2520	**8.9655**
GBP	(Pound sterling)	0.8026	0.8948	**0.8585**	0.9525	0.8881	**0.8608**
CAD	(Canadian dollar)	1.5656	1.5910	**1.3773**	1.6998	1.5128	**1.3322**
BRL	(Brazilian real)	2.6711	2.7994	**2.3379**	3.2441	2.5113	**2.2177**
CNY	(Chinese renminbi)	10.2451	9.5338	**8.9975**	9.4956	9.8350	**8.8220**
AUD	(Australian dollar)	1.7487	1.7858	**1.4514**	2.0274	1.6008	**1.3136**

Financial Indicators 2006–2010

EUR million	2006	2007	2008	2009	**2010**
Net sales	4,955	6,250	6,400	5,016	**5,552**
Net sales change, %	17.4	26.1	2.4	–21.6	**10.7**
Operating profit	457	580	637	294	**445**
% of net sales	9.2	9.3	10.0	5.9	**8.0**
Profit before tax	421	547	548	222	**370**
% of net sales	8.5	8.8	8.6	4.4	**6.7**
Profit	410	384	390	151	**258**
% of net sales	8.3	6.1	6.1	3.0	**4.6**
Profit attributable to shareholders of the company	409	381	389	150	**257**
Exports from Finland and international operations	4,652	5,795	5,957	4,706	**5,269**
% of net sales	93.9	92.7	93.1	93.8	**94.9**
Amortization	17	56	44	41	**58**
Depreciation	88	92	94	102	**120**
Depreciation and amortization	105	148	138	143	**178**
% of net sales	2.1	2.4	2.2	2.9	**3.2**
Goodwill impairment	7	-	-	-	**-**
EBITA	481	636	681	334	**503**
% of net sales	9.7	10.2	10.6	6.7	**9.1**
EBITDA	569	728	775	437	**623**
% of net sales	11.5	11.6	12.1	8.7	**11.2**
Financial income and expenses, net	36	33	89	72	**75**
% of net sales	0.7	0.5	1.4	1.4	**1.4**
Interest expenses, net	27	33	71	75	**69**
% of net sales	0.5	0.5	1.1	1.5	**1.2**
Interest cover (EBITDA)	15.8x	22.1x	8.7x	6.1x	**8.3x**
Gross capital expenditure (excl. business acquisitions)	131	159	255	117	**135**
% of net sales	2.6	2.5	4.0	2.3	**2.4**
Business acquisitions, net of cash acquired	277	55	44	1	**21**
Net capital expenditure (excl. business acquisitions and disposals)	115	140	238	85	**117**
% of net sales	2.3	2.2	3.7	1.7	**2.1**
Cash flow from operations	442	294	137	770	**506**
Free cash flow	364	198	29	717	**435**
Cash conversion, %	89	52	7	475	**169**
Research and development	109	117	134	115	**111**
% of net sales	2.2	1.9	2.1	2.3	**2.0**
Balance sheet total	4,968	5,254	5,511	5,715	**6,232**
Equity attributable to shareholders	1,444	1,608	1,444	1,783	**2,049**
Total equity	1,450	1,615	1,453	1,792	**2,071**
Interest bearing liabilities	830	819	1,435	1,576	**1,373**
Net interest bearing liabilities	454	540	1,099	583	**310**
Net working capital (NWC)	79	375	672	242	**247**
% of net sales	1.6	6.0	10.5	4.8	**4.5**
Capital employed	2,280	2,434	2,888	3,368	**3,444**
Return on equity (ROE), %	30.9	25.4	26.0	9.8	**13.6**
Return on capital employed (ROCE) before tax, %	22.5	26.1	23.2	10.0	**13.5**
Return on capital employed (ROCE) after tax, %	21.9	19.0	17.3	7.7	**10.2**
Equity to assets ratio, %	35.4	37.7	30.9	35.7	**38.1**
Gearing, %	31.3	33.4	75.7	32.5	**15.0**
Debt to capital, %	36.4	33.7	49.7	46.8	**39.9**
Orders received	5,705	6,965	6,384	4,358	**5,944**
Order backlog, December 31	3,737	4,341	4,088	3,415	**4,023**
Average number of personnel	23,364	26,269	28,010	27,813	**27,585**
Personnel, December 31	25,678	26,837	29,322	27,166	**28,593**

Formulas for calculation of financial indicators are presented on the following page.

Formulas for Calculation of Indicators

Formulas for calculation of financial indicators

EBITA:
Operating profit + amortization + goodwill impairment

EBITDA:
Operating profit + depreciation and amortization + goodwill impairment

Return on equity (ROE), %:

$$\frac{\text{Profit}}{\text{Total equity (average for period)}} \times 100$$

Return on capital employed (ROCE) before tax, %:

$$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total – non-interest bearing liabilities (average for period)}} \times 100$$

Return on capital employed (ROCE) after tax, %:

$$\frac{\text{Profit + interest and other financial expenses}}{\text{Balance sheet total – non-interest bearing liabilities (average for period)}} \times 100$$

Gearing, %:

$$\frac{\text{Net interest bearing liabilities}}{\text{Total equity}} \times 100$$

Equity to assets ratio, %:

$$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$$

Net working capital (NWC):
Inventory + trade receivables + other non-interest bearing receivables – trade payables – advances received – other non-interest bearing liabilities

Capital employed:
Balance sheet total – non-interest bearing liabilities

Free cash flow:
Operating cash flow – capital expenditures on maintenance investments + proceeds from sale of fixed assets

Cash conversion, %:

$$\frac{\text{Free cash flow}}{\text{Profit}} \times 100$$

Debt to capital, %:

$$\frac{\text{Interest bearing liabilities}}{\text{Total equity + interest bearing liabilities}} \times 100$$

Interest cover (EBITDA):

$$\frac{\text{EBITDA}}{\text{Financial income and expenses, net}}$$

Formulas for calculation of share-related indicators

Earnings/share:

$$\frac{\text{Profit attributable to shareholders of the company}}{\text{Average number of outstanding shares during period}}$$

Free cash flow/share:

$$\frac{\text{Free cash flow}}{\text{Average number of outstanding shares during period}}$$

Equity/share:

$$\frac{\text{Equity attributable to shareholders of the company}}{\text{Number of outstanding shares at end of period}}$$

Dividend/share:

$$\frac{\text{Dividend distribution}}{\text{Number of outstanding shares at end of period}}$$

Dividend/earnings, %:

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield, %:

$$\frac{\text{Dividend per share}}{\text{Share price on December 31}} \times 100$$

P/E ratio:

$$\frac{\text{Share price on December 31}}{\text{Earnings per share}}$$

Average share price:

$$\frac{\text{Total value of shares traded in euro}}{\text{Number of shares traded during period}}$$

Market capitalization:
Number of outstanding shares × share price at end of period

Total shareholder return (TSR), %:

$$\frac{\text{Change in share price + dividend paid during period}}{\text{Share price at end of previous period}} \times 100$$

Parent Company Statement of Income, in Accordance with Finnish Accounting Standards, FAS

	Year ended December 31,		
EUR million	2008	2009	**2010**
Net sales	-	-	**-**
Other operating income	1	0	**0**
Personnel expenses	–13	–14	**–13**
Depreciation and amortization	–1	–1	**–1**
Other operating expenses	–18	–13	**–15**
Operating loss	–31	–28	**–29**
Financial income and expenses, net	267	232	**212**
Profit before extraordinary items	236	204	**183**
Group contributions	137	44	**77**
Profit before appropriations and taxes	373	248	**260**
Income taxes for the period	0	0	**0**
Change in deferred taxes	–11	5	**5**
Profit	362	253	**265**

Parent Company Balance Sheet, FAS

Assets

EUR million	As at December 31, 2009	2010
Non-current assets		
Intangible assets	1	**1**
Tangible assets	1	**1**
Investments		
Shares in Group companies	2,503	**2,517**
Other investments	407	**339**
Total non-current assets	2,912	**2,858**
Current assets		
Long-term receivables	19	**26**
Short-term receivables	368	**638**
Securities	497	**520**
Bank and cash	28	**38**
Total current assets	912	**1,222**
Total assets	3,824	**4,080**

Shareholders' equity and liabilities

EUR million	As at December 31, 2009	2010
Shareholders' equity		
Share capital	241	**241**
Invested non-restricted equity fund	573	**573**
Other reserves	194	**194**
Retained earnings	606	**759**
Total shareholders' equity	1,614	**1,767**
Liabilities		
Long-term liabilities	1,332	**986**
Current liabilities	878	**1,327**
Total liabilities	2,210	**2,313**
Total shareholders' equity and liabilities	3,824	**4,080**

Parent Company Statement of Changes in Shareholders' Equity, FAS

EUR million	Share capital	Share premium reserve	Legal reserve	Invested non-restricted equity fund	Other reserves	Retained earnings	Total
Balance at December 31, 2007	**241**	**152**	**215**	**-**	**194**	**519**	**1,321**
Dividends	-	-	-	-	-	−425	−425
Decrease and transfer of share premium and legal reserve	-	−152	−215	367	-	-	-
Profit	-	-	-	-	-	362	362
Balance at December 31, 2008	**241**	**-**	**-**	**367**	**194**	**456**	**1,258**
Dividends	-	-	-	-	-	−99	−99
Share issue	-	-	-	206	-	-	206
Other	-	-	-	-	-	−4	−4
Profit	-	-	-	-	-	253	253
Balance at December 31, 2009	**241**	**-**	**-**	**573**	**194**	**606**	**1,614**
Dividends	-	-	-	-	-	−105	−105
Other	-	-	-	-	-	−7	−7
Profit	-	-	-	-	-	265	265
Balance at December 31, 2010	**241**	**-**	**-**	**573**	**194**	**759**	**1,767**

Shares and shareholders

Shares and share capital

On December 31, 2010, Metso Corporation's share capital, fully paid up and entered in the trade register, was EUR 240,982,843.80, and the total number of shares 150,348,256. Metso has one share series, and each share entitles its holder to one vote at the General Meeting and to an equal amount of dividend. Metso's shares are registered in the Finnish book-entry system.

Metso's own shares

On December 31, 2010, Metso Corporation held a total of 718,397 own shares, which represent 0.5 percent of all Metso shares and votes. During the year, Metso recovered 8,780 shares from share-based incentive plan participants having terminated their employment.

Board authorizations

On March 30, 2010, the Annual General Meeting authorized the Board of Directors to decide on the repurchase of the company's own shares, the share issue and the granting of special rights.

Authorization to repurchase the Corporation's own shares

Under the authorization granted by the 2009 Annual General Meeting, Metso decided on February 8, 2010 to repurchase a maximum of 300,000 of the company's own shares, which corresponds about 0.2 percent of all the outstanding shares of Metso. The repurchases were completed by March 9, 2010. The repurchase of the shares was related to Metso's share based incentive program i.e. Metso Share Ownership Plan 2010–2012 to be used as potential reward payments in accordance with the plan criteria.

Own shares were repurchased with the company's non-restricted equity at market price in public trading on the NASDAQ OMX Helsinki. The average purchase price per share was EUR 23.49 and the total amount EUR 7,047,343.89.

The 2010 Annual General Meeting authorized the Board of Directors to decide on the repurchase of a maximum of 10,000,000 of the company's own shares. The company's own shares can be repurchased, in a proportion other than shareholders' holdings, with the company's non-restricted equity at the market price at the time of repurchase from NASDAQ OMX Helsinki Ltd.

The company's repurchased shares can be held by the company, cancelled, or conveyed. The shares can be used to develop Metso's capital structure, for acquisitions, capital expenditure, to finance or implement other arrangements pertaining to the company's business operations or as part of Metso's incentive plans. As of December 31, 2010, the Board of Directors had not exercised this authorization.

Authorization to issue shares

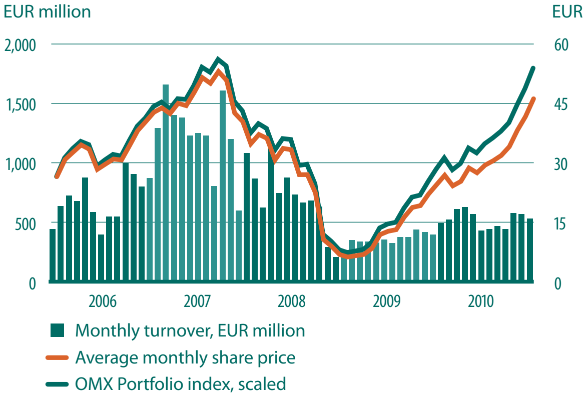
Under the authorization granted, the Board of Directors is entitled to decide on the issue of a maximum of 15,000,000 new shares, and on the convey of a maximum of 10,000,000 of Metso's own shares held by the company. The new shares can be issued, and Metso's own shares held by the company can be conveyed against payment received or without payment.

The Board of Directors can decide on share issue without payment to the company. A maximum of 10,000,000 shares, including the company's own shares repurchased by the authorization granted, can be granted to the company.

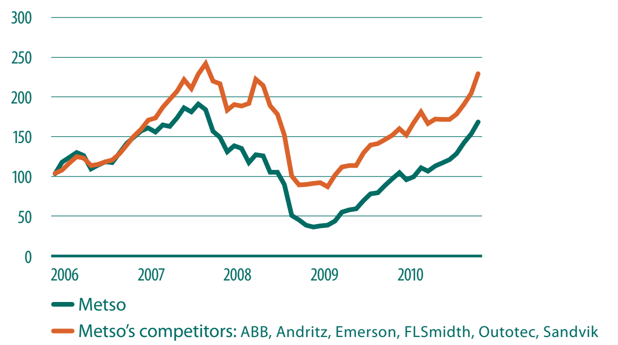
The new shares and the own shares held by the company may be issued to the company's shareholders in proportion to their current holding; or by means of a directed issue, waiving the pre-emptive subscription rights of the shareholders, if there is a weighty financial reason for the company to do so, such as to develop the capital structure of the company or to finance or carry out future acquisitions, investments or other arrangements related to the company's business or as part of the company's incentive program. A directed issue can only be executed without payment if there is an especially weighty financial reason for the company to do so, taking the interests of all shareholders into account.

The subscription price of new shares issued shall be recorded in the invested non-restricted equity fund and the consideration paid for the conveyance of the company's own shares shall be recorded in the invested non-restricted equity fund.

Metso share's monthly turnover and average share price on the NASDAQ OMX Helsinki



Metso's and competitors' share price development, scaled



Additionally, the Board is authorized to grant special rights referred to in chapter 10, Section 1 of the Finnish Companies Act, which carry the right to receive, against payment, new shares of the company or the company's own shares held by the company in such a manner that the subscription price is paid by using the subscriber's receivables to offset the subscription price ("convertible bonds"). The maximum number of shares to be issued is 15,000,000 whereby this maximum number is included in the maximum number of shares noted in the previous paragraph.

The Board of Directors shall decide on other matters related to the share issues.

The share issue authorization is valid until April 30, 2013, and it revokes the share issue authorization given by the Annual General Meeting on March 31, 2009.

Market capitalization and trading

Metso Corporation's shares are quoted on the NASDAQ OMX Helsinki (OMXH: MEO1V) since July 1, 1999. Metso's ADSs (American Depositary Shares) are traded in the United States on the OTC market under the ticker symbol MXCYY.

Metso's share price on the NASDAQ OMX Helsinki in 2010 rose by 70 percent, from EUR 24.63 to EUR 41.80. At the same time, the NASDAQ OMX Helsinki portfolio index, OMX Helsinki CAP, increased by 25 percent. The highest quotation of Metso's share on the NASDAQ OMX Helsinki in 2010 was EUR 43.23, and the lowest EUR 20.91. The share price on December 30, 2010 was EUR 41.80 and the average trading price for the year was EUR 28.80. Metso's market capitalization at year-end, excluding own shares held by the company, was EUR 6,255 million. Total shareholder return (TSR) was 73 percent in 2010.

In 2010, 217,467,633 Metso shares were traded on the NASDAQ OMX Helsinki, equivalent to a turnover of EUR 6,263 million. The average daily trading volume was 862,967 shares, which is 33 percent less than in 2009. During the year, 145 percent of shares were traded (relative turnover in 2009: 214%).

In 2010, the highest trading price for Metso's ADSs in the United States was USD 57.24, and the lowest USD 28.26. The ADS price on the OTC market at year-end was USD 55.85. Each ADS represents one share.

Share-based incentive plans

Option programs

There are no option programs in Metso.

Share ownership plans

Metso's share ownership plans are part of the remuneration and commitment programs for the management of the Group and the businesses. Below is a brief description of the programs.

Share Ownership Plan 2009–2011 (SOP 2009–2011)

In October 2008, the Board of Directors approved a share ownership plan for the years 2009–2011. The plan has one three-year earnings period and required participants' personal investment in Metso shares at the beginning of the program. Any possible reward from the plan requires continued employment with Metso and reaching the financial targets set for the plan. At the end of 2010, the plan had 88 participants and the rewards that can be paid correspond to a maximum of 369,925 Metso shares. Members of the 2010 Executive Team may receive a maximum of 77,400 shares as share rewards.

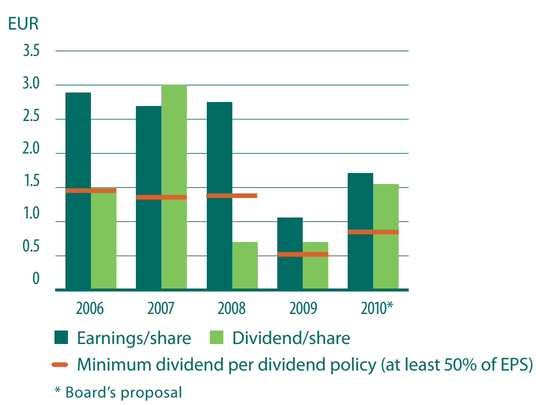
Share Ownership Plan 2010–2012 (SOP 2010–2012)

In October 2009, the Board of Directors approved a similar share ownership plan for the years 2010–2012. The plan has one three-year earnings period and required participants' personal investment in Metso shares at the beginning of the program. Any possible reward from the plan requires continued employment with Metso and reaching the financial targets set for the plan. At the end of 2010, the plan had 91 participants and the rewards that can be paid correspond to a maximum of 339,350 Metso shares. Members of the 2010 Executive Team may receive a maximum of 77,400 shares as share rewards.

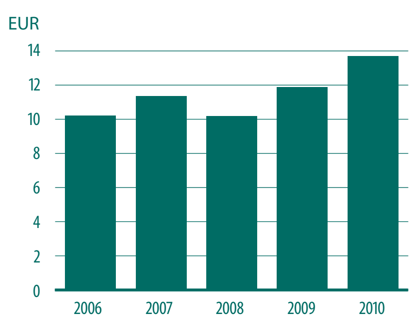
Share Ownership Plan 2011–2013 (SOP 2011–2013)

In September 2010, the Board of Directors approved a share ownership plan for 2011–2013. The plan includes one three-year earnings period. The plan requires participants' personal investment in Metso shares at the beginning of the program. Any possible reward from the plan

Earnings/share and dividend/share



Equity/share



requires continued employment with Metso and reaching the financial targets set for the plan. At the end of 2010, 74 people had confirmed their participation in the plan and the rewards that can be paid correspond to a maximum of 251,698 Metso shares. The shares for the plan are acquired in public trading and therefore the plan will not have diluting effect on the share value. Members of the new Executive Team (as of March 1, 2011) may receive a maximum of 77,400 shares as share rewards.

More detailed information on the share-based incentive plans is presented in the Notes to the Financial Statements (Note 23, on pages 118 – 119).

Holdings of Metso's Board of Directors and executive management

At year-end, the members of Metso's Board of Directors, CEO Jorma Eloranta, Executive Vice President Matti Kähkönen, and their interest parties held altogether 161,556 Metso shares, which correspond to 0.11 percent of the paid up share capital and votes in Metso.

Dividend policy

Metso's dividend policy is to distribute at least 50 percent of earnings per share in annual dividends or in other forms of repatriation of capital to its shareholders. The Board of Directors proposes to the Annual General Meeting to be held on March 30, 2011 that the dividend of EUR 1.55 per share be distributed for the year ended on December 31, 2010.

The proposed dividend of EUR 1.55 (EUR 0.70 in 2009) corresponds to 91 percent of the profit attributable to shareholders for the year (66% in 2009), and the effective dividend yield is 3.7 percent (2.8% in 2009). The proposed dividend takes into consideration Metso's strong financial position and dividend policy. Furthermore, it should be noted that dividend paid in 2009 was 25 percent of earnings per share because of the financial market turmoil at that point of time.

Shareholders

At the end of 2010, Metso had 43,595 shareholders in the book-entry system, the largest of which was Solidium Oy, with 10.4 percent (2009: 10.4%) ownership. Nominee-registered shares and shares in direct foreign ownership accounted for 53.8 percent (53.4%) of the total stock. Finnish institutions, companies and organizations accounted for 23.3 percent (22.0%) and Finnish private persons for 12.5 percent (14.2%) of Metso's shares.

Metso is not aware of any shareholder's agreements regarding the ownership of Metso shares and voting rights.

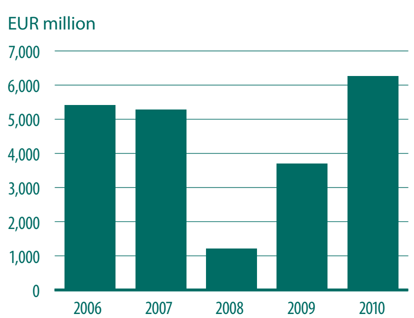
LINKS & NOTES

1 More about share ownership plans **www.metso.com/remuneration**

2 Current list of Metso's biggest shareholders and their holdings **www.metso.com/shareholders**

3 Up-to-date information on Metso's insiders and their holdings **www.metso.com/insiders**

Market capitalization, on December 31



Total shareholder return (TSR)

Share capital and share data 2006–2010

EUR million (except for number of shares, per share data and share prices)	2006	2007	2008	2009	**2010**
Share capital, December 31	241	241	241	241	**241**
Number of shares, December 31:					
Number of outstanding shares	141,358,773	141,487,234	141,623,642	149,938,639	**149,629,859**
Own shares held by the Parent Company	60,841	60,841	60,841	409,617	**718,397**
Shares administered by a partnership (MEO1V Incentive Ky)	300,000	206,539	70,131	-	**-**
Total number of shares	141,719,614	141,754,614	141,754,614	150,348,256	**150,348,256**
Average number of outstanding shares	141,580,759	141,460,012	141,595,026	141,477,476	**149,682,703**
Average number of diluted shares	141,600,424	141,460,012	141,595,026	141,526,284	**149,836,864**
Trading volume, NASDAQ OMX Helsinki	266,774,359	350,168,659	359,378,566	321,093,368	**217,467,633**
Trading volume, NYSE [1]	4,682,700	6,020,320	-	-	**-**
% of shares [2]	192.0	251.8	253.8	214.1	**145.3**
Earnings/share, basic	2.89	2.69	2.75	1.06	**1.71**
Earnings/share, diluted	2.89	2.69	2.75	1.06	**1.71**
Free cash flow/share	2.57	1.40	0.20	5.07	**2.91**
Dividend/share [3]	1.50	3.00	0.70	0.70	**1.55**
Dividend [3]	212	425	99	105	**232**
Dividend/earnings, % [3]	52	112	25	66	**91**
Effective dividend yield, % [3]	3.9	8.0	8.2	2.8	**3.7**
P/E ratio	13.23	13.88	3.10	23.24	**24.44**
Equity/share	10.21	11.36	10.19	11.89	**13.69**
Highest share price	38.65	49.95	38.56	24.78	**43.23**
Lowest share price	23.21	34.06	7.74	7.03	**20.91**
Average share price	30.45	41.43	23.66	13.26	**28.80**
Share price, December 31	38.24	37.33	8.52	24.63	**41.80**
Market capitalization, December 31 [4]	5,406	5,282	1,207	3,693	**6,255**

1) Trading volume until September 14, 2007.
2) Of the total amount of shares for public trading (For the years 2006–2007 trading in both NASDAQ OMX Helsinki and NYSE, from 2008 onwards only in NASDAQ OMX Helsinki)
3) 2010 proposal by the Board of Directors
4) Excluding own shares held by the Parent Company and shares administered by a partnership

Formulas for calculation of share-related indicators are on page 138.

Metso´s biggest shareholders on December 31, 2010

		Number of shares and votes	% of share capital and voting rights
1	**Solidium Oy**	**15,695,287**	**10.4**
2	**Ilmarinen Mutual Pension Insurance Company**	**5,165,943**	**3.4**
3	**Varma Mutual Pension Insurance Company**	**4,113,552**	**2.7**
4	**The State Pension Fund**	**1,475,000**	**1.0**
5	**Nordea Funds**	**1,437,696**	**1.0**
	Nordea Nordenfonden	542,939	0.4
	Nordea Finland fund	420,000	0.3
	Nordea Pro Finland fund	160,000	0.1
	Nordea Nordic fund	151,278	0.1
	Nordea Finland Index Fund	112,479	0.1
	Nordea Finland special fund	51,000	0.0
	Nordea Europe index fund	856	0.0
6	**Svenska litteratursällskapet i Finland r.f.**	**1,227,706**	**0.8**
7	**OP Funds**	**1,204,295**	**0.8**
	OP-Delta Fund	930,000	0.6
	OP-Focus Non-UCITS Fund	274,295	0.2
8	**The Local Government Pension Institution**	**1,198,186**	**0.8**
9	**Odin Funds**	**905,530**	**0.6**
	Odin Norden	657,878	0.4
	Odin Finland	212,414	0.1
	Odin Norden II	29,998	0.0
	Odin Finland II	5,240	0.0
10	**Folketrygfondet, Oslo, Norway**	**664,589**	**0.5**
	10 largest owner groups in total	**33,087,784**	**22.0**
	Nominee-registered shares *)	77,826,188	51.8
	Other shareholders	38,706,127	25.7
	Own shares held by the Parent Company	718,397	0.5
	In the issuer account	9,760	0.0
	Total	**150,348,256**	**100.0**

*) Below we present of flagging notifications of Metso's shareholders whose holdings have exceeded or fallen below 5 percent of Metso's voting rights or share capital. The list indicates the situation on December 31, 2010.

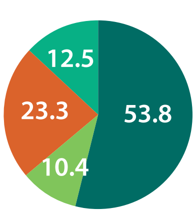
Disclosure of changes in holdings

BlackRock Investment Management (UK) Limited announced that on February 24, 2010 the BlackRock, Inc. holding in shares of Metso exceeded the 5 percent threshold. The holding amounted to 7,563,054 shares, which corresponds to 5.03 percent of the total amount of shares and votes in Metso Corporation.

BlackRock Investment Management (UK) Limited has announced that on March 19, 2010 the BlackRock, Inc. holding in shares of Metso Corporation fell below the 5 per cent threshold. The holding amounted to 7,298,453 shares, which corresponds to 4.85 percent of the total amount of shares and votes in Metso Corporation.

Marathon Asset Management announced that on July 12, 2010, Marathon Asset Management LLP holding in shares of Metso Corporation fell below the 5 percent threshold. The holding amounted to 7,437,730 shares, which corresponds to 4.95 percent of the total amount of shares and votes in Metso Corporation, after being, on the basis of their previous announcement, 5.12 percent on November 11, 2008. Out of this holding, Marathon Asset Management LLP was in possession of 5,573,661 shares to which they had voting rights. This voting authority represents 3.71 percent of the total voting rights in Metso.

Breakdown by shareholder category on December 31, 2010



- Nominee-registered and non-Finnish holders 53.8% (53.4%)
- Solidium Oy 10.4% (10.4%)
- Finnish institutions, companies and foundations 23.3% (22.0%)
- Finnish private investors 12.5% (14.2%)

LINKS & NOTES

1 Up-to-date list of flagging notifications **www.metso.com/flagging**

Changes in number of shares and share capital, Jan 1, 2001 – Dec 31, 2010

		Number of shares	Change in number of shares	Share capital, EUR	Change in share capital, EUR
2001	New shares subscribed with the Metso 1994 options, which were transferred from Valmet Corporation	136,250,545	793,270	231,625,926.50	1,348,559.00
2005	New shares subscribed with the Metso 2000A/B and 2001A/B options	141,654,614	5,404,069	240,812,843.80	9,186,917.30
2006	New shares subscribed with the Metso 2003A options	141,719,614	65,000	240,923,343.80	110,500.00
2007	New shares subscribed with the Metso 2003A options	141,754,614	35,000	240,982,843.80	59,500.00
2008	No changes in number of shares nor in share capital	141,754,614	-	240,982,843.80	-
2009	New shares issued as consideration for the Tamfelt acquisition	150,348,256	8,593,642	240,982,843.80	-
2010	No changes in number of shares nor in share capital	150,348,256	-	240,982,843.80	-

Breakdown of share ownership on December 31, 2010

Number of shares	Shareholders	% of share-holders	Total number of shares and votes	% of share capital and voting rights
1–100	17,445	40.0	924,661	0.6
101–1,000	21,888	50.2	7,849,385	5.2
1,001–10,000	3,877	8.9	9,971,815	6.6
10,001–100,000	305	0.7	8,157,619	5.4
over 100,001	61	0.2	44,890,431	29.9
Total	43,576	100.0	71,793,911	47.7
Nominee-registered shares	18		77,826,188	51.8
Own shares held by the Parent Company	1		718,397	0.5
In the issuer account			9,760	0.0
Number of shares issued			**150,348,256**	**100.0**

Auditor's Report

To the Annual General Meeting of Metso Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Metso Corporation for the year ended 31 December, 2010. The financial statements comprise the consolidated income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the President and CEO of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 15 February, 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
Authorised Public Accountant

Metso Corporate Governance Statement

We have prepared this corporate governance statement in accordance with recommendation 54 of the Finnish Corporate Governance Code published by the Securities Market Association, and it also covers other key corporate governance areas that we want to highlight for investors. This corporate governance statement is issued separately from the Board of Director's report. We provide more detailed and updated information about our governance issues on our website at www.metso.com.

Metso's governing bodies

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Regulatory framework

The duties of Metso Corporation's bodies are governed by Finnish legislation and the duties of its subsidiaries' bodies by the legislations of their place of business. Metso complies with the Finnish Corporate Governance code ("the Code") issued by the Securities Market Association and which came into effect on October 1, 2010, as well as with the corporate governance principles defined by our Board of Directors; these principles are based on the Finnish Companies Act and the Finnish Securities Markets Act. The Code is publicly available on www.cgfinland.fi. Metso has not deviated from the Code's recommendations. In our decision-making and governance, we also comply with other Finnish legislation and regulations, our Articles of Association, the guidelines for insiders published by NASDAQ OMX Helsinki Ltd (hereinafter the Helsinki Exchange) as well as the Finnish Central Chamber of Commerce's Helsinki Takeover Code.

Metso's Audit Committee has reviewed this corporate governance statement. Our independent auditor, PricewaterhouseCoopers Oy, has verified that this statement has been issued and that the statement-related description of the main features of the internal control and risk management systems related to the financial reporting process is consistent with our financial statements.

We prepare consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by EU, the Finnish Securities Markets Act as well as the applicable Finnish Financial Supervision Authority's standards and Helsinki Exchange's rules. The Board of Directors' report of Metso and the Parent Company financial statements are prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board.

Governing bodies of Metso

Metso's supreme decision-making body is the Annual General Meeting of Shareholders. The Board of Directors (Board) and the President and Chief Executive Officer (CEO) are responsible for the management of Metso. Other Metso executives have an assisting and supporting role. The Board seeks to ensure the compliance of good corporate governance principles within Metso.

Annual General Meeting of Shareholders

Every holder of Metso shares has the right to participate in the Annual General Meeting, and each share entitles its holder to one vote. Decisions are primarily made by a simple majority of votes, such as decisions on the approving the financial statements, payment of dividends, election of Board members and auditors and their remuneration, and discharging from liability the members of the Board and the CEO. A 2/3 qualified majority is required for some decisions: authorizing the Board to issue shares or to repurchase the company's own shares or amending the company's Articles of Association.

Participation in the Annual General Meeting requires that the shareholder is registered in Metso's shareholder register on the record date of the meeting, which is eight business days before the meeting, and that he/she registers for the meeting by the date mentioned in the meeting notice. The holder of a nominee-registered share may be entered temporarily in the shareholder register for participation in the Annual General Meeting if, based on his/her share, the shareholder has the right to be registered in the shareholder register on the record date. In addition, participation requires advance notice of participation at the latest by the date mentioned in the meeting notice.

Shareholders are entitled to having an issue put on the Annual General Meeting's agenda, provided that such an issue requires a decision by the Annual General Meeting according to the Finnish Companies Act. The request must be submitted in writing to the Board early enough so that the issue can be included in the meeting notice. On our website we will announce the date by which the shareholder must notify the Board of an issue they want added to the Annual General Meeting agenda. The request is always deemed as submitted early enough if the Board has been notified about it at least four weeks prior to the delivery of the meeting notice.

We publish a notice of the Annual General Meeting no more than two months and no less than 21 days before the meeting in at least two newspapers published regularly in Helsinki, Finland, or we deliver it directly to shareholders when required by law. Additionally, we publish the meeting notice as a stock exchange release immediately after the Board has decided on the convening of the Annual General Meeting. The Annual General Meeting agenda, decision-making proposals and meeting documents are available on our website at least three weeks prior to the meeting.

2010 The Annual General Meeting was held in Helsinki on March 30, 2010. A total of 1,213 shareholders representing about 46.5 percent of the company's votes participated in it either in person or by proxy. All members of the Board except Jaakko Rauramo, all candidates for the Board, the chairman of Metso's Nomination Board, Metso's CEO, and Metso's Executive Team as well as the independent auditor appointed by the Annual General Meeting participated in the meeting.
» SEE LINK 2

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting is the supreme decision-making body of Metso. The Annual General Meeting of Shareholders is held once a year before the end of June. It decides on the matters stipulated in the Finnish Companies Act and the Articles of Association. Such issues include:

- Adoption of the financial statements
- Use of the profit shown on the balance sheet
- Election of the Chairman, Vice Chairman and members of the Board and the decision on their remuneration
- Discharging from liability the members of the Board and the CEO
- Election of the Auditor and the decision on compensation
- Proposals made by the Board or a shareholder (e.g. amendments of the Articles of Association, the repurchase the company's own shares, share issue, giving special authorizations)

Nomination Board

The Nomination Board, established by decision of the Annual General Meeting, prepares proposals regarding the composition of the Board and remuneration to its members for the next Annual General Meeting. We have had this kind of procedure in place since 2004, at the proposal of Metso's largest shareholder Solidium (previously the Finnish State).The Nomination Board consists of representatives appointed by the four largest shareholders on a date annually defined by the Annual General Meeting. If a shareholder chooses not to exercise its right to appoint a representative to the Nomination Board, the right is transferred to the next largest shareholder. In addition, the Nomination Board includes the Chairman of the Board as an expert member. The Chairman of the Board convenes the Nomination Board, which elects its chairman from among its members.

Nomination Board ahead of 2011 AGM

Metso's four largest shareholders as of November 5, 2010 announced the following representatives for the Nomination Board: Kari Järvinen (M.Sc. Engineering, MBA, b. 1962), Managing Director, Solidium Oy; Lars Förberg (M.Sc. Econ. & Bus. Adm., b. 1965), Managing Partner, Cevian Capital; Matti Vuoria (Master of Laws, BA, b. 1951), Managing Director, President and CEO, Varma Mutual Pension Insurance Company; and Harri Sailas (M.Sc. Econ. & Bus. Adm., b. 1951), CEO, Ilmarinen Mutual Pension Insurance Company.

The Nomination Board elected Kari Järvinen as its chairman and Jukka Viinanen, Chairman of the Board of Directors, served as its expert member.

The Nomination Board convened three times and made one unanimous resolution without convening. On January 28, 2011 the Nomination Board provided Metso's Board its proposal for the Annual General Meeting to be held on March 30, 2011. The Nomination Board proposes that the number of Board members is eight and that the current Board members Maija-Liisa Friman, Christer Gardell, Yrjö Neuvo, Erkki Pehu-Lehtonen, Pia Rudengren, Jukka Viinanen and Mikael von Frenckell be re-elected. It is proposed that Jukka Viinanen be elected as Chairman of the Board and Maija-Liisa Friman as Vice Chairman. It is also proposed that Ozey K. Horton Jr. be elected as new member of the Board.

The nomination Board proposes the following annual fees be paid: Chairman EUR 92,000, Vice Chairman and the Chairman of the Audit Committee EUR 56,000 and other Board members EUR 45,000. In addition a fee of EUR 600 per meeting shall be paid for those members whose place of residence is in Nordic countries, EUR 1,200 for those members whose place of residence is elsewhere in Europe and EUR 2,400 for those members whose place of residence is outside of Europe for the Board and Committee meetings attended. The Nomination Board proposes that 40 percent of the annual remuneration be paid in Metso shares acquired from the market.

Board of Directors

The Board oversees the management and operations of Metso. It also decides on significant matters related to strategy, investments, organization and finances. Our Board consists of five to eight permanent members, which the Annual General Meeting elects for a term that lasts until the end of the next Annual General Meeting. Individuals who have reached the age of 68 years cannot be elected to the Board. Pursuant to the Finnish Act on Personnel Representation in the

MAIN DUTIES OF THE BOARD OF DIRECTORS

The Board's main duties include the following:

- To approve Metso's long-term goals and strategy
- To approve annual business and other major action plans
- To approve Metso's organizational structure and the principles for the incentive systems
- To appoint and to dismiss the CEO and to approve the appointment and dismissal of deputy CEO, Metso Executive Team members and the Presidents of the reporting segments
- To monitor and evaluate the performance of the CEO and to decide upon his remuneration and benefits
- To ensure that the supervision of the accounting and financial matters is properly organized, and to ensure proper preparation of the interim and annual financial statements
- To ensure the adequacy of planning, information and control systems for monitoring the bookkeeping and handling of financial matters and risk management
- To make proposals for and convene the Annual General Meeting of Shareholders
- To decide upon other matters that do not belong to day-to-day operations or matters that are of major importance, such as major investments, acquisitions and divestitures, and major joint ventures and loan agreements. The Board also sets the principles for giving financial guarantees by Metso
- To approve Metso's corporate policies in key management areas, like corporate governance, risk management, financial control, treasury, internal control, information security, corporate communications, human resources, environment and disclosure policy and code of conduct

LINKS & NOTES

1 The auditor's report, presented on page 148, covers the Board of Directors' report, consolidated financial statements and the Parent Company financial statements.

2 Annual General Meeting decisions **www.metso.com/agm**

Administration of Undertakings, a personnel representative participates in the meetings as an invited expert with no voting rights or legal liability for the Board's decisions. There is no specific order of appointment of directors. The Board is convened by the Chairman, or if the Chairman is unavailable, by the Vice Chairman. The Board has a quorum when more than half of the members are present and one of these is the Chairman or the Vice Chairman. A decision of the Board shall be carried by a majority of those present or, in the case of a tie, the Chairman shall have the casting vote. The CEO and the CFO participate in the Board meetings, and the General Counsel as the secretary of the Board. Other Metso Executive Team members and other executives participate in the meetings when needed.

2010 The Board's agenda included issues on strategic development of Metso's business, choosing successors for the CEO and other top executives, preparing for the gradual market recovery, and development options for Energy and Environmental Technology.

The agenda also covered developing Metso's global presence, Metso's HR processes, developing the services business and business acquisitions and divestments, and regularly monitoring the financial development of Metso and its different businesses.

The Board carried out a self-assessment of its performance. The assessment covered, among other things, composition of the Board, efficiency and focus of the work, quality of information, material and systems provided to and used by the Board, and the level and openness of discussions. The results of the assessment are used in developing the Board work.

The 2010 Annual General Meeting elected seven members to the Board. Jukka Viinanen was elected as Chairman and Maija-Liisa Friman as Vice Chairman. Erkki Pehu-Lehtonen and Mikael von Frenckell were elected as new members of the Board. The Board members re-elected were Christer Gardell, Yrjö Neuvo and Pia Rudengren. Jukka Leppänen, the personnel representative, participated in the meetings as an invited expert. All Board members were independent of the company and independent of Metso's significant shareholders. The Board did not allocate to its members any specific operational focus areas to monitor. The Board met ten times during 2010, and attendance by its members was 99 percent. Additionally, the Board made one unanimous resolution without convening.

Board committees

Our Board has two permanent committees: an Audit Committee and a Remuneration and HR Committee. The Board elects the members of the committees from among its members at its annual assembly meeting and monitors the activities of the committees. Both committees have charters approved by the Board.

Audit Committee The Board's Audit Committee monitors our financial reporting and prepares issues for the Board related to the monitoring of our financial situation, financial reporting, auditing and risk management.

Among other things the Audit Committee:

- Assesses Metso's draft financial statements and interim reports, accounting policies, accounting principles of significant or exceptional business transactions, management forecasts and statements relating to Metso's short-term outlook
- Assesses compliance with laws and provisions and with internal instructions, as well as assesses the efficiency of internal control and risk management
- Reviews Metso's Corporate Governance Statement
- Approves the audit plans of internal and independent auditors and follows up reporting related to these plans
- Prepares for the election of independent auditors, monitors the statutory auditing of the financial statements and consolidated financial statements, assesses and reviews the auditors' reports with the auditors, and assesses the quality and scope of the audit. Additionally, it assesses the independence of the auditors, particularly any impact on independence arising from other services they offer to Metso
- Assesses together with the company's management, internal audit and an external auditor or other external experts Metso' financial reporting and reporting methods
- Approves the procurement principles for external auditing services and an external auditor's annual auditing fees
- Maintains procedures enabling the receiving and processing of complaints related to accounting, internal control and internal auditing, and the possible anonymous and confidential reporting of misconduct, fraud, and accounting and auditing issues

The Audit Committee convenes at least four times per year. It consists of the committee's chairman and two members, all of whom are elected by the Board from among the members independent of the company. At least one of the members must be independent of significant shareholders. The Audit Committee members must have the qualifications necessary to perform the responsibilities of the committee and at least one member must have expertise specifically in accounting, bookkeeping or auditing.

2010 In addition to its regulatory duties, among other things, the Audit Committee discussed Metso's financing situation and the measures taken to reduce net working capital and reporting practices regarding non-recurring items. In addition the committee assessed Metso's global tax situation and matters related to tax planning, reviewed an analysis on the success of business acquisitions in recent years and monitored the progress of global ERP projects. Additionally, the Audit Committee reviewed the impairment tests performed on the intangible assets with indefinite useful lives. As a result of these tests, no impairment was recognized. The Audit Committee also reviewed Metso's Corporate Governance Statement. The Audit Committee did not use any external advisors.

The Audit Committee comprised Pia Rudengren (Chairman from March 30 onwards), Maija-Liisa Friman (Chairman until March 30) and, from March 30 onwards, Erkki Pehu-Lehtonen (until March 30 Arto Honkaniemi). All current members are independent of significant shareholders. The Audit Committee convened five times, and member attendance was 100 percent. CFO Olli Vaartimo was the secretary of the Audit Committee. Also CEO Jorma Eloranta and independent auditor Johan Kronberg (PricewaterhouseCoopers Oy) participated in the meetings.

Remuneration and HR Committee Among other things the Remuneration and HR Committee:

- Reviews and monitors the competitiveness of our remuneration and incentive systems and the development of the Human Resources related issues such as competence and talent development and successor planning of Metso's senior management
- Evaluates the performance and compensation of the CEO
- Prepares and makes proposals to the Board for the compensation and benefits of the CEO
- Makes proposals to the Board for the appointment of the Metso Executive Team members, based on the CEO's preparations
- Decides upon the remuneration and benefits of the Metso Executive Team members. The committee may authorize its chairman to decide upon the remuneration and benefits of these officers. The CEO submits the proposed remuneration and benefits of the other officers reporting to the CEO to the committee chairman for approval

The committee convenes at least twice a year and consists of the committee chairman and two members. All the members are independent of the company. The CEO participates in the meetings, except when the agenda includes items relating to him.

2010 The main tasks of the Remuneration and HR Committee included preparing the appointment proposals for the successor to the CEO and for the members of Metso Executive Team, monitoring the realization of the 2010 performance bonus plan and planning of the 2011 plan as well as planning the share ownership plan for 2011–2013. The committee used external advisors relating to the succession planning and has ensured that the advisors were not simultaneously advisors to the HR department or the operating management.

The Remuneration and HR Committee comprised Jukka Viinanen (Chairman), Christer Gardell, Yrjö Neuvo and, from March 30 onwards, Mikael von Frenckell. Aleksanteri Lebedeff, Senior Vice President, General Counsel, was the secretary until March 30, 2010 after which Merja Kamppari, Senior Vice President, HR, was the committee secretary. The Committee convened nine times during the year, and member attendance was 94 percent. Additionally, it made two unanimous resolutions without convening.

Board member meeting participation

Jan 1 – Dec 31, 2010	Board	Audit committee	Remuneration and HR committee
Jukka Viinanen	10/10		9/9
Jaakko Rauramo [1]	1/2		2/3
Maija-Liisa Friman	10/10	5/5	
Mikael von Frenckell [2]	8/8		6/6
Christer Gardell	10/10		8/9
Arto Honkaniemi [3]	2/2	1/1	
Yrjö Neuvo	10/10		9/9
Erkki Pehu-Lehtonen [4]	8/8	4/4	
Pia Rudengren	10/10	5/5	
Jukka Leppänen (personnel representative)	10/10		

[1] Board member and Remuneration and HR Committee member until March 30. The Board convened 2 times before March 30 and the Remuneration and HR Committee 3 times.
[2] Board member and Remuneration and HR Committee member since March 30. The Board convened 8 times after March 30 and the Remuneration and HR Committee 6 times.
[3] Board member and Audit Committee member until March 30. The Board convened 2 times after March 30 and the Audit Committee 1 time.
[4] Board member and Audit Committee member starting March 30. The Board convened 8 times after March 30 and the Audit Committee 4 times.

Management structure

President and CEO

Our President and CEO is responsible for the management of Metso's businesses in accordance with the Finnish Companies Act, corporate governance rules and the instructions given by the Board. The CEO is appointed – and, if necessary, dismissed – by the Board, and he reports to the Board about e.g. Metso's financial situation, business environment and other significant issues. The CEO prepares the matters on the agenda of the Board and its committees and implements their decisions. The CEO guides and supervises the operations of Metso and its businesses. Additionally, the CEO acts as Chairman of the Metso Executive Team and Metso Executive Forum.

Metso Executive Team (MET)

The CEO and other members appointed by the Board constitute the Metso Executive Team. The MET assists the CEO in the preparation of matters, such as business plans, strategy, policies and other matters of joint importance.

Metso Executive Forum (MEF)

In 2008 we established the Metso Executive Forum (MEF) to operate alongside the MET. It consists of the members of the MET and the heads of our most significant businesses, market areas and human resources. Its task is to assist our CEO in the execution and development of our strategy. MEF focuses on dealing with the most important Metso-wide development issues and sharing of knowledge within Metso. The Forum convenes two to four times per year to share best practices, to start and follow up Metso-wide initiatives and to foster synergies between businesses. MEF is appointed by MET.

Business line and reporting segment management

The business operations of Metso are organized into nine business lines, which in turn form the three reporting segments. The business lines in the Mining and Construction Technology reporting segment are Services as well as Equipment and Systems; in the Energy and Environmental Technology reporting segment Power, Automation and Recycling; and in the Paper and Fiber Technology reporting segment Paper, Fiber and Tissue, and Fabrics. The heads of Metso's business lines are responsible for the profitability and the daily management of their business lines, and they report to the Presidents of the respective segments.

The heads of the reporting segments report to Metso's CEO and provide him with information about the financial and operational performance and development of the operating environment of their respective businesses. They are also responsible for the development of the business line operations and strategy, for implementing Metso's plans, strategies and operating policies within the business lines, and for collaboration between the business lines.

Subsidiary boards

The subsidiary boards ensure that operations in all Metso companies are managed in accordance with prevailing laws, regulations and operating policies. Metso's CEO, as chairman, and two to four other members appointed by the CEO, generally from the Metso Executive Team, constitute the boards of the major subsidiaries. The CEO decides on the possible additional responsibilities of the boards of holding and other similar companies belonging to Metso Group.

2010 The Metso Executive Team met eight times during the year. Among its main tasks were strategic development of Metso's business and monitoring financial development. MET also focused on development of Metso's global presence, HR processes, development of the services business, and acquisitions and divestments, and prepared Metso's new vision, mission, management principles and values. The Metso Executive Team also reviewed and updated Metso's strategy for the Board review.

MEF's agenda included issues related to Metso's strategy and communication of the strategy, leadership development, sharing of best practices and monitoring of the progress in Metso-wide themes and initiatives. MEF met four times during the year.

Metso's President and CEO was Jorma Eloranta. Matti Kähkönen was appointed as Metso's new President and CEO from March 1, 2011 onwards, as Eloranta will retire. CFO Olli Vaartimo continued as Metso's Executive Vice President until October 1, 2010, after which Matti Kähkönen has acted as Executive Vice President and Deputy to CEO. In addition to them the continuing members of the Metso Executive Team were: Pasi Laine, Bertel Langenskiöld and Kalle Reponen. In December new members were appointed for the Metso Executive Team as of March 1, 2011, and their areas of responsibility were defined. The members of the new Metso Executive Team are: Matti Kähkönen (Chairman); Andrew Benko, President, Mining and Construction Technology; Perttu Louhiluoto, President, Energy and Environmental Technology; Pasi Laine, President, Paper and Fiber Technology; Harri Nikunen, CFO, Merja Kamppari, SVP, HR; and Kalle Reponen, SVP, Strategy and M&A. Olli Vaartimo and Bertel Langenskiöld reached their retirement age according to their executive contracts during autumn 2010 and will not continue in the MET from March 1, 2011 onwards.

Celso Tacla, President of the South American operations of Metso's Paper and Fiber Technology, was appointed as a new member of MEF in January 2010.
» SEE LINKS 1 AND 2

Main features of the internal control and risk management systems pertaining to the financial reporting process

Our internal control mechanism seeks to ensure compliance with applicable EU-laws, regulations and our operating principles as well as the reliability of financial and operational reporting. Furthermore, the internal control mechanism seeks to safeguard our assets and to ensure overall effectiveness and efficiency of our operations to meet Metso's strategic, operational and financial targets. Our internal control practices are aligned with Metso's risk management process. The goal of risk management in Metso is to support our strategy and the achievement of our objectives by anticipating and managing potential threats to and opportunities for our business. The discussion below focuses on internal control and risk management related to the financial reporting process.
» SEE LINK 3

Metso's operating model of internal control and risk management related to financial reporting is designed to provide sufficient assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles (IFRS) and other requirements for listed companies. The overall system of internal control in Metso is based upon the framework issued by the Committee of Sponsoring Organizations (COSO) and comprises five principal components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

Our Board of Directors bears the overall responsibility for the internal control over financial reporting. The Board has established a written formal working order that clarifies the Board's responsibilities and regulates the Board's and its committees' internal distribution of work. Furthermore, the Board has appointed an Audit Committee, the primary task of which is to ensure that established principles for financial reporting, risk management and internal control are adhered to and that appropriate relations are maintained with the company's auditors. The responsibility for maintaining an effective control environment and the ongoing work on internal control as regards the financial reporting is delegated to the CEO. Our internal audit function reports all relevant issues to the Audit Committee and the CEO. The function focuses on developing and enhancing internal control over the financial reporting in Metso by proactively concentrating on the internal control environment and by monitoring the effectiveness of the internal control. Our internal steering instruments for financial reporting primarily comprise Metso's Code of Conduct, Internal Control Policy, Internal Control Standards, Treasury Policy and our accounting policies and reporting instructions, which define the accounting and reporting rules, and Metso's definition of processes and minimum requirements for internal control over financial reporting.

Risk assessment

Metso's risk assessment as regards financial reporting aims to identify and evaluate the most significant risks affecting the financial reporting at the Group, reporting segment, unit, function and process levels. The assessment of risk includes, for example, risks related to fraud and unlawful activities, as well as the risk of loss or misappropriation of assets. The risk assessment results in control targets through which we seek to ensure that the fundamental requirements placed on financial reporting are fulfilled. Information on the development of essential risk areas and the activities executed and planned in these areas as well as the measures to mitigate them are communicated regularly to the Audit Committee.

Control activities

We have established an internal Metso Compliance Program to ensure the correctness and credibility of our financial reporting and compliance with our governance principles in all our units. Its purpose is to create a coherent control environment at Metso by implementing proper, internal control principles for different business processes and to share internal control-related best practices. The program stems from the listing of Metso's share in the United States until 2007 and the Sarbanes-Oxley Act (SOX) requirements we complied with in conjunction with the listing. The Metso Compliance Program affects all our units and is more flexible and in some respects more comprehensive than SOX reporting. In line with the SOX requirements, our control standards define the basic level for internal controls that all units must achieve. Our internal audit function, assisted by trained Metso testers from different parts of our organization, is responsible for the testing of the units. Unlike with the SOX system, independent auditors do not issue a separate statement on the functionality of our internal controls, although in their work they do widely utilize the documentation created in conjunction with the Metso Compliance Program.

Our Internal Control Standards are designed to ensure that local management in every Metso unit designs and effectively implements the most important monitoring procedures related to selected key financial and business administration processes in all Metso units. This is complemented with proper segregation of key duties and management oversight controls in the organizations. Properly established internal control mechanisms safeguard us also from possible misconduct. Internal Control Standards list the control standards for selected business processes, which are sales and project business, procurement, payroll, inventory, treasury, financial reporting, fixed assets and IT systems. For each of these processes, the tasks that must be segregated are also listed. The units document the control activities in use for each of their respective key business process. In Metso's Compliance Program the effectiveness of the monitoring procedures are assessed and tested of. The program also requires correction of any shortcomings.

2010 Metso's Compliance Program was completed by the end of 2010 as originally planned in 2007. In line with the program, the total of 179 units were tested, the majority of the most significant twice. After retesting, 127 units fully passed the requirement level of Metso Compliance Program's controls.

The program continues in 2011. The most important change is to integrate internal audit and compliance testing into a single package. In terms of control requirements, there will be more emphasis on the key business issues. Sustainability and worksite safety will be part of the Metso Compliance Program requirements. Additionally, the new systems adopted by Metso will enable significantly more effective control procedures, which will also be taken into consideration in the program.

Information and communication

In order to secure an effective and efficient internal control environment, we seek to ensure that Metso's internal and external communication is open, transparent, accurate and timely. Information regarding internal steering instruments for financial reporting, i.e. accounting principles, financial reporting instructions and the disclosure policy are available on Metso's intranet. We arrange training for our personnel regarding internal control issues and tools. Metso's CFO and the head of internal audit report the results of the work on internal control as a standing item on the agenda of the Audit Committee. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are reported to the Board after every Audit Committee meeting.

Monitoring

The effectiveness of internal control related to financial reporting is monitored by the Board of Directors, the Audit Committee, the CEO, Group management, internal audit, and the management of the reporting segments and Group companies. Monitoring includes the follow up of monthly financial reports, review of the rolling estimates and plans, as well as reports from internal audit and quarterly reports by independent auditors. Our internal audit annually assesses the effectiveness of Metso's operations and the adequacy of risk management and reports the risks and weaknesses related to the internal control processes. Internal audit compiles an annual audit plan, the status and findings of which it

LINKS & NOTES

1 Current information about Metso's management **www.metso.com/management**

2 Additional information about Metso's management, p. 160–164

3 A more detailed description of Metso's risk management is presented on pages 166–169 and on our website **www.metso.com/risks**

regularly reports to Metso management, auditors and the Audit Committee. Furthermore, our internal audit and independent auditor meet regularly to coordinate the monitoring efforts.

2010 In monitoring we focused on the management of net working capital, cost structure competitiveness and the functioning of the new ERP systems.

Compliance with laws and code of conduct

In all our operations we seek to comply with applicable laws and statutes as well as generally accepted practices. Additionally, our operations are guided by Metso's Code of Conduct, internal policies and guidelines as well as values. Our Code of Conduct describes Metso's corporate culture, commonly accepted practices and commitment to compliance with laws and regulations. They support Metso's responsible operations, sustainability and our success. The foundation of our Code of Conduct is the UN's Universal Declaration of Human Rights, the UN's Global Compact initiative, which we have endorsed, and the International Labor Organization's (ILO) declaration on Fundamental Principles and Rights at Work. When applicable, the OECD's Guidelines for Multinational Enterprises are also incorporated into our Code of Conduct.

We require that each one of our employees is familiar with the legislation and operating guidelines of their own areas of responsibility. Business management is responsible for the internal control of the operations in their respective sector. In conjunction with internal audits, we strive to ensure that everyone in the unit being audited is familiar with and compliant with the laws, regulations and principles relating to their own work. In addition to Metso's management, the due course of operations is monitored by the Board's Audit Committee, which reports any misconduct to the Board.

Internal audit

Metso's internal audit assesses the efficiency and appropriateness of our operations and examines the functioning of internal controls. It seeks to ensure the correctness of financial and operational reporting, compliance with applicable laws and regulations, and proper management of the company's assets. In 2010 we included certain controls related to occupational health and safety and environmental aspects within the sphere of internal audit.

Additionally, internal audit proactively encourages the development of risk management in Metso's various operations. The head of internal audit reports administratively to the CFO, but has direct access also to the CEO and to the chairman of the Audit Committee.
» SEE LINK 1

Reporting suspected financial misconduct

Our guidelines on the prevention of financial misconduct define how suspected misconduct should be reported, how it is investigated and how the issue proceeds. Metso employees are encouraged to report suspected misconduct to their own supervisors, to other management or, if necessary, directly to internal audit. Additionally, Metso employees and partners can report suspicions of financial misconduct confidentially via the Whistleblower channel, which is maintained by an independent party. The report can be submitted in several languages via the Internet, by phone or by email, and anonymously if necessary. Suspected misconduct is investigated immediately and confidentially. Internal audit decides on how the matter will be investigated and reports the suspicion to the Audit Committee. The legal affairs and HR functions together implement any measures consequential to the misconduct.

2010 We received eight reports of suspected financial misconduct via the Whistleblower channel. Additionally, internal audit received three direct contacts. Upon more careful investigation, one of the suspicions was classifiable as misconduct. There were no cases of misconduct revealed in conjunction with internal audits. The cases of misconduct were reviewed by the Audit Committee in line with our guidelines on reporting misconduct. The cases did not have significant impact on the financial results we reported.

Auditors

According to the Articles of Association, Metso has one auditor, which must be a firm of public accountants certified by the Finnish Central Chamber of Commerce. The Board's Audit Committee prepares the auditor selection process. Since 2008 the policy when electing the auditor has been that the aggregate duration of the consecutive terms of a principal auditor may not exceed seven years. This means that Metso's principal auditor Johan Kronberg can act in that capacity no later than for the audit of financial period 2014. There are no term limits regarding the duration of the auditing firm. The auditor's statutory obligation is to audit the company's accounting, the Board of Directors' report, financial statements and administration for the financial year. The parent company's auditor must also audit the consolidated financial statements and other mutual relationships between Group companies.

In conjunction with our annual financial statements, the auditor gives Metso's shareholders an Auditor's Report as required by law. The auditor reports primarily via the Audit Committee and at least once a year to the Board. The Audit Committee evaluates the performance and services of the independent auditors each year and decides if there is a need to arrange an open tender process.

2010 PricewaterhouseCoopers Oy, Authorized Public Accountants, has been our auditor since 1999. In 2010, the principal auditor was Johan Kronberg, who has been the company's principal auditor since 2005. Our auditor was last time put out to tender in 2004. The fees related to auditing work in 2010 amounted to EUR 2.5 million.

Audit fees

EUR million	2008	2009	2010
Audit	2.7	2.5	**2.5**
Tax services	1.8	1.7	**2.0**
Other services	1.1	0.8	**1.0**
Total	5.6	5.0	**5.5**

Insiders

We comply with the NASDAQ OMX Helsinki Guidelines for Insiders. Our permanent insiders are not permitted to trade in Metso's issued securities during the 21 days immediately prior to the publication of a Metso interim review or financial statements release. The ownership of Metso securities by statutory insiders (insiders subject to the disclosure obligation) and their interest parties is public. Statutory insiders include the Chairman, Vice Chairman and members of the Board of Directors, the CEO and his deputy, the principally responsible auditor of a firm of public accountants and Executive Team members. Additionally, Metso also has permanent company-specific insiders and separately identified project-specific insiders whose securities ownership is not public. We update the register of our statutory insiders in the Euroclear Finland Ltd's Sire system, where information on the ownership of securities can be obtained directly from the book-entry system.

» SEE LINKS 2 AND 3

Management remuneration

The objective of remuneration at Metso is to encourage our employees as individuals and as team members to achieve the set financial and operational targets and to strive for excellent performance. Remuneration is aligned with Metso's financial performance, internal and external references and observing remuneration levels for similar positions among peer companies. Metso's remuneration package for executives includes a competitive salary and employee benefits according to local market practices, short-term incentives based on predefined annual performance indicators and long-term incentives that align the interests of the key executives and shareholders.

Remuneration of the Board

The Annual General Meeting decides on the remuneration to the members of the Board for one term of office at a time. The Annual General Meeting in 2010 decided to keep the fees paid to Board members unchanged, and the annual fees are:

- Chairman of the Board EUR 92,000
- Vice Chairman of the Board EUR 56,000
- Other Board members EUR 45,000

In addition, a fee of EUR 600 per meeting is paid to all Board members for each Board and committee meeting they attended. Compensation for travel expenses and daily allowances is paid in accordance with Metso's travel policy.

Based on the decision of the Annual General Meeting in 2010, the Board members have used 40 percent of their annual remuneration to buy Metso shares. The Board members acquired the shares from the market within two weeks of publication of the first-quarter 2010 interim report on April 29, 2010. Altogether 5,580 shares were acquired, which is 0.004 percent of Metso's total share capital. There are no special terms or conditions associated with owning these shares. Shares acquired in this conjunction by individual Board members are listed in the table below.

Board member	Number of shares
Jukka Viinanen	1,377
Maija-Liisa Friman	838
Mikael von Frenckell	673
Christer Gardell	673
Yrjö Neuvo	673
Erkki Pehu-Lehtonen	673
Pia Rudengren	673
Total	5,580

» SEE LINKS 2 AND 4

The serving members of our Board, none of whom are employees of Metso, were paid cash compensation totaling EUR 561,650 for the financial year that ended December 31, 2010. The Board members are not covered by Metso's bonus plans, share-based incentive schemes or pension plans.

Decision making process and main principles of remuneration of the CEO and other Executive Team members

The Board of Directors decides on the remuneration, benefits and other terms of employment of the President and CEO. The Board's Remuneration and HR Committee decides on the compensation and benefits of the other Executive Team members based on the CEO's proposal and general principles approved by the Board.

The remuneration of Executive Team members, including the CEO, comprises a monthly total salary (including monthly salary and customary fringe benefits such as a car, a mobile phone and, in some cases, an apartment) as well as both short- and long-term incentives. Short-term incentives are annual performance bonuses decided by the Board. As long-term incentives, the Executive Team members are included in share ownership plans that are decided and implemented by the Board and for which share repurchase and share issue authorizations are obtained from the Annual General Meeting. There are no options outstanding or available from any of Metso's prior option programs. Currently, we do not have guidelines on what portion of the annual total base salary executives should invest in Metso shares.

Additionally, management benefits include a supplementary defined contribution pension plan for all members of the new Executive Team (as of March 1, 2011) with the exception of President and CEO Matti Kähkönen, who has a defined benefit pension plan. President and CEO Jorma Eloranta had a company-paid supplementary defined benefit pension plan, which enabled him to

LINKS & NOTES

1 Internal Audit's Charter **www.metso.com/audit**

2 Ownership and trading information of Metso's insiders **www.metso.com/insiders**

3 Metso's corporate governance principles **www.metso.com/governance**

4 Detailed information about Board member remuneration is available in the Notes to the Financial Statements, p. 100–101

retire at the age of 60. The Board has outlined that no new supplementary defined benefit pension plans will be introduced.

Performance bonuses

The Board annually confirms the terms and targets of our performance bonuses. The amount of bonus payment, if any, is based on achieving set financial performance targets, such as EBITA and cash flow, of Metso and/or the business in question. In addition to these, also individual and/or team targets are used. The Remuneration and HR Committee evaluates the achievement of the predefined targets of the CEO and other Executive Team members. For the CEO and for other Executive Team members, the maximum annual performance bonus is currently 40–60 percent of their annual total salary.

Share-based incentive plans

The Board decides and implements Metso's share-based incentive plans, which are part of the remuneration and commitment program for Metso management. The purpose of the plans is to align the goals of Metso's shareholders and management to enhance the value of the company. The plans also aim to ensure commitment of management and to offer them a competitive, ownership-based reward scheme. For years 2006–2008 we implemented share-based incentive plans in which Metso shares were allocated to the participants based on achieving targets set for operating profit. Now we have share ownership plans in place that require participants also to make a personal investment in Metso shares.

Share Ownership Plan 2009–2011 In October 2008, the Board approved a share-based incentive plan for our management, Metso Share Ownership Plan 2009–2011. The plan's purpose is to commit our CEO, MET members and management to our company and to enhance its value. Participation in the plan requires a personal investment in Metso shares. The plan includes one three-year earning period, which began on January 1, 2009 and will end on December 31, 2011. The Board targeted the plan initially to about 100 persons in management position, of which 88 were participating at the end of 2010. Members of the 2010 Executive Team may receive a maximum of 77,400 shares as share rewards.

At the beginning of the earnings period, the participants invested in 54,850 Metso shares (initial investment) and the rewards that can be paid on the basis of the plan correspond to a maximum total of 369,925 Metso shares. The reward from the plan consists of grants of the base matching shares and performance shares. The amount of base matching shares is based on Metso share price development and it can be 2.5 or 1.25 times the number of shares in the initial investment. The potential reward in the form of performance shares is based on the combination of Metso's Total Shareholder Return (TSR) over the three-year period and on the annual earnings per share (EPS) in 2009–2011. If the TSR is zero or negative over the three-year period, no performance shares shall be distributed. The maximum ratio of the performance shares for the CEO is six, for the other MET members five and for other participants four times of the number of shares in the initial investment. In addition to meeting the performance targets, receiving the reward requires that the participant holds the initial investment for the entire earning period and is employed by Metso until the reward payment. The amount of the possible reward earned will be determined after the 2011 financial statements are published. The rewards will be paid in Metso shares in the first half of 2012. In countries where the employer has a payroll tax withholding obligation, Metso can pay a maximum of 60 percent of the reward in cash instead of shares. Any shares earned must be held for a minimum of one year after the reward payment. The shares for the plan are acquired through public trading, and therefore the incentive plan will have no diluting effect on the share value.

Share Ownership Plan 2010–2012 In October 2009 the Board approved a similar share-based incentive plan for management, Metso Share Ownership Plan 2010–2012. The plan includes one three-year earning period, which began on January 1, 2010 and will end on December 31, 2012. The plan was initially targeted to about 100 persons in management position, of which 91 were participating at the end of 2010. The participants have invested in 50,300 shares (initial investment) and the rewards that can be paid on the basis of the plan correspond to a maximum total of 339,350 Metso shares. The criteria for the reward payment and the terms and conditions of the plan are essentially the same as in the plan for 2009–2011

Renumeration paid to CEO, Deputy to CEO and other Executive Team members

EUR	Annual salary	Performance bonus paid in 2010	Fringe benefits	Share-based payment	**2010 Total**	2009 Total	2008 Total
President and CEO	550,790	263,752	12,812	-	**827,354**	705,240	1,046,374
Executive Vice President and Deputy to CEO [1]	396,288	143,722	21,779	-	**561,789**	489,383	745,975
Other Executive Team members	1,364,759	322,783	56,817	-	**1,744,359**	1,657,680	2,307,941
Total	2,311,837	730,257	91,408	-	**3,133,502**	2,852,303	4,100,290

[1] Olli Vaartimo until September 30, 2010 and Matti Kähkönen from October 1, 2010 onwards.
Additionally, in 2011 a bonus of about EUR 253,000 will be paid to President and CEO Jorma Eloranta and an estimated bonus of about EUR 192,000 to Executive Vice President Matti Kähkönen based on year 2010 performance.
Metso has subscribed pension plans for senior management for retirement at the age of 60–63, the beneficiaries include some members of the Metso Executive Team. For the years ended December 31, 2008, 2009 and 2010, the pension insurance premium payments totaled approximately EUR 2.3 million, EUR 3.0 million and EUR 3.0 million, respectively.

described above. The amount of possible reward earned will be determined after the 2012 financial statements are published. The rewards will be paid in Metso shares and possibly partly in cash in the first half of 2013. The shares are acquired through public trading, and therefore the incentive plan will have no diluting effect on the share value. Members of the 2010 Executive Team may receive a maximum of 77,400 shares as share rewards.

Share Ownership Plan 2011-2013 In September 2010, the Board approved a third, similar share-based incentive plan for management, Metso Share Ownership Plan 2011–2013. The plan includes one three-year earning period, which began on January 1, 2011 and will end on December 31, 2013. The plan was initially targeted to about 100 persons in management position, of which 74 had confirmed their participation by the end of 2010 and committed themselves to investing in 36,815 shares and the rewards that can be paid on the basis of the plan correspond to a maximum total of 251,698 Metso shares. Members of the new Metso Executive Team (as of March) may receive a maximum of 77,400 shares as a share rewards. The criteria for the reward payment and the terms and conditions of the plan are essentially the same as in the plans for 2009–2011 and for 2010–2012 described above. The amount of possible reward earned will be determined after the 2013 financial statements are published. The rewards will be paid in Metso shares and possibly partly in cash in the first half of 2014. The shares are acquired through public trading, and therefore the incentive plan will have no diluting effect on the share value.

The participant's annual reward payments (valued at the share's market price at the transfer date) from any or all share ownership plans of Metso cannot exceed in any year the participant's annual total salary, defined as taxable annual gross income without bonus and long-term incentives, multiplied by 1.5 at the time of matching.

Remuneration of the CEO

Current CEO until February 28, 2011 In addition to his annual total salary, the compensation paid to the CEO Jorma Eloranta includes a performance bonus (maximum 60 percent) that is tied to Metso's EBITA and cash conversion, and to personal targets possibly set for him by the Board. He is also included in all of Metso's share ownership plans and has a supplementary pension plan. The Board monitors and evaluates the performance of the CEO and decides upon his remuneration and benefits.

According to his executive contract, Jorma Eloranta is eligible to retire at the age of 60, and he will retire in accordance with the contract at the end of February 2011 upon turning 60 on February 1, 2011. His retirement pension is 60 percent of his pensionable compensation during the past four or ten service years, whichever results in a greater amount. Eloranta's supplementary pension plan is benefit-based.

The CEO's monthly total salary was increased by 0.5 percent in 2010. The amount of his performance bonus paid in 2010 corresponds to approximately six months' total salary. The amount of his performance bonus to be paid in 2011 will correspond to approximately six months' total salary.

» SEE LINKS 1 AND 3

CEO as of March 1, 2011 Matti Kähkönen assumed the duties of Metso CEO on March 1, 2011. As CEO, his monthly total salary is 41,100 euros, including a company car and a mobile phone as fringe benefits. The CEO is entitled to participate in Metso's short- and long-term incentive programs according to the respective terms and conditions of those programs. The terms and conditions are decided by the Board. Matti Kähkönen's retirement age is 63. The remuneration of Matti Kähkönen is described in more detail in the following table.

» SEE LINK 1

LINKS & NOTES

1. Current information on management's ownership **www.metso.com/insiders**
2. Read more about our share ownership plan: note 23 to the financial statements on pages 118–119
3. More detailed information about the President and CEO's and other Executive Team members' compensation and benefits is available in the Notes to the Financial Statements, p. 100–101
4. Metso's corporate governance **www.metso.com/governance**

Employment terms and conditions of the new President and CEO Matti Kähkönen as of March 1, 2011

Base salary and fringe benefits	Monthly total salary EUR 41,100 including monthly salary and fringe benefits (company car and mobile phone).
Short-term incentive (annual bonus)	The annual bonus can be earned according to the criteria approve by the Board. The maximum bonus is 60 percent of annual total salary.
Long-term incentive	According to Metso's Share Ownership Plans. Annual reward payments cannot exceed in any year the annual total salary, defined as taxable annual gross income without annual bonus and long-term incentives multiplied by 1.5.
Pension	Retirement age is 63 years. Kähkönen has a supplementary defined benefit pension plan. His total pension is 60 percent of average monthly earnings during the past four full calendar years prior to the retirement, adjusted with pension index. If he transfers to another position inside Metso after having turned 60 years, the pension is defined based on the four years' earnings before the transfer.
Termination of assignment	Notice period on both parties six months. Severance pay (if the company terminates the agreement) is six months' notice period compensation plus severance pay corresponding to the last monthly total salary multiplied by 18.

Board of Directors

Jukka Viinanen
Born 1948.
Finnish citizen.
Main occupation:
Chairman of the Board.
MSc. Chemical Engineering.
Independent of the company and of significant shareholders.
Board member since 2008.
Chairman of Metso´s Board since 2009. Chairman of Remuneration and HR Committee.
Metso shares, on Dec 31, 2010:
2,377
Key experience:
President and CEO, Orion Corporation 2000–2007; various managerial positions, Neste Corporation 1980–1999, President and CEO and Vice Chairman of the Board 1997–1999.
» SEE LINK 1

Maija-Liisa Friman
Born 1952.
Finnish citizen.
Main occupation:
Board professional.
MSc. Chemical Engineering.
Independent of the company and of significant shareholders.
Board member since 2003.
Vice Chairman of Metso Board since 2010. Audit Committee member.
Metso shares, on Dec 31, 2010:
2,338
Key experience:
President and CEO, various companies 1993–2004 (Aspocomp Group Oyj, Vattenfall Oy, Gyproc Oy).
» SEE LINK 1

Christer Gardell
Born 1960.
Swedish citizen.
Main occupation:
CEO.
MBA.
Independent of the company, and of significant shareholders.
Metso Board member since 2006.
Member of Remuneration and HR Committee.
Metso shares, on Dec 31, 2010:
673
Key experience:
Founder and Managing Partner, Cevian Capital 2001–; CEO, AB Custos 1996–2001; Partner, Nordic Capital and McKinsey & Company.
» SEE LINK 1

Yrjö Neuvo
Born 1943.
Finnish citizen.
Main occupation:
Professor.
Ph.D. Cornell University.
Independent of the company and of significant shareholders.
Metso Board member since 2006.
Member of Remuneration and HR Committee.
Metso shares, on Dec 31, 2010:
7,773
Key experience:
Chief Technology Officer, member of Group Executive Board, Nokia Corporation 1993–2005; various professorial positions in different universities.
» SEE LINK 1


Mikael von Frenckell


Erkki Pehu-Lehtonen


Pia Rudengren


Christer Gardell

LINKS & NOTES

1 Current information on Metso's Board of Directors **www.metso.com/management**

Pia Rudengren

Born 1965.
Swedish citizen.
Main occupation:
Board professional.
MSc. Business Administration and Economics.
Independent of the company and of significant shareholders.
Metso Board member since 2009.
Chairman of Audit Committee.
Metso shares, on Dec 31, 2010:
673
Key experience:
CFO, (member of management team 1998–2001) Investor AB 1990–2001; Executive Vice President, W Capital Management AB 2001–2005; Board Professional 2006–.
» SEE LINK 1

Mikael von Frenckell

Born 1947.
Finnish citizen.
Main occupation:
Chairman of the Board.
MSc. Soc.
Independent of the company and of significant shareholders.
Metso Board member since 2010.
Member of Remuneration and HR Committee.
Metso shares, on Dec 31, 2010:
100,673
Key experience:
Various managerial positions, Union Bank of Finland 1990–1995; various managerial positions (incl. Sponsor Oy, Ekström Oy).
» SEE LINK 1

Erkki Pehu-Lehtonen

Born 1950.
Finnish citizen.
Main occupation: -
MSc. Mechanical Engineering
Independent of the company and of significant shareholders.
Metso Board member since 2010.
Member of Audit Committee.
Metso shares, on Dec 31, 2010:
1,423
Key experience:
President and CEO, Pöyry Plc 1999–2008; other managerial positions, Pöyry Plc, Neles-Jamesbury Inc., Valmet Paper Machinery Inc.
» SEE LINK 1

REPRESENTATIVE OF PERSONNEL

Jukka Leppänen

Born 1949.
Finnish citizen.
Main occupation:
Testing Engineer.
Personnel representative in Metso Board. Participates in Metso Board meetings as an invited expert with no voting rights; term of office is the same as Board members' term.
Metso shares, on Dec 31, 2010:
520
Key experience:
Metso employee since 1976. Shop steward for senior clerical employees and industrial safety delegate.
» SEE LINK 1

Executive Team

Group Head Office

President and CEO
Jorma Eloranta/Matti Kähkönen
- Communications Jussi Ollila
- Legal Matters Aleksanteri Lebedeff

Human Resources Merja Kamppari

CFO Olli Vaartimo/Harri Nikunen
- Finance Reijo Kostiainen
- Information Technology Pauli Nuutinen
- Internal Audit Jarmo Kääriäinen
- Investor Relations Johanna Henttonen
- Metso Shared Services Juha Seppälä
- Treasury Pekka Hölttä

Strategy and Corporate Development
Kalle Reponen
- Indirect Procurement Jouni Peltomäki
- Stakeholder Relations and Trade Policy Jukka Seppälä
- Sustainability and Technology Development Lennart Ohlsson

LINKS & NOTES

1 Current information on Metso Executive Team **www.metso.com/management**

As of Mar 1, 2011

Matti Kähkönen 3
Born 1956.
Finnish citizen.
MSc. Engineering.
As of March 1, 2011 President and CEO, Metso Corporation. Currently Executive Vice President and Deputy to the President and CEO, Vice Chairman of Executive Team and President, Mining and Construction Technology. Joined Metso in 1980. Member of Executive Team since 2001.
Metso shares, Dec 31, 2010:
12,328
Key experience:
President: Metso Minerals 2006–2008, Metso Automation 2001–2006.
» SEE LINK 1

Andrew Benko 2
Born 1949.
U.S. citizen.
MSc. Engineering.
As of March 1, 2011 President, Mining and Construction Technology, Metso Corporation. Currently President, Equipment and Systems business line, Mining and Construction Technology.
Metso shares, Dec 31, 2010:
8,489
Key experience:
President: Metso´s Mining and Minerals Processing business lines 2001–2009, Minerals Processing, Svedala 1998–2001, Grinding Division, Svedala 1993–1998.
» SEE LINK 1

Perttu Louhiluoto 1
Born 1964.
Finnish citizen.
Master of Laws, MSc. Economics.
As of March 1, 2011 President, Energy and Environmental Technology. Currently Senior Vice President, EMEA market area, Mining and Construction Technology.
Metso shares, Dec 31, 2010:
1,650
Key experience:
Senior Vice President, Operational Excellence, Metso Corporation 2008–2009; Partner, McKinsey & Company (2000–2008), various positions 1991–1999.
» SEE LINK 1

Pasi Laine 6
Born 1963.
Finnish citizen.
MSc. Engineering.
As of March 1, 2011 Executive Vice President, Deputy to CEO, Metso Corporation, President, Paper and Fiber Technology. Currently President, Energy and Environmental Technology. Joined Metso in 1998. Member of the Executive Team since 2006.
Metso shares, Dec 31, 2010:
9,437
Key experience:
President: Metso Automation 2006–2008, Metso Automation's Field Systems business line 2003–2006.
» SEE LINK 1

Harri Nikunen 5
Born 1955.
Finnish citizen.
BA, Finance and Business Administration.
As of March 1, 2011 Metso Group's Chief Financial Officer. Currently Senior Vice President, Finance, Paper and Fiber Technology.
Metso shares, Dec 31, 2010:
3,331
Key experience:
Various senior management positions, Metso 1994–2005; various finance management positions, Rosenlew Group 1986–1994.
» SEE LINK 1

Merja Kamppari 4
Born 1958.
Finnish citizen.
MSc. Economics.
As of March 1, 2011 member of Metso Executive Team. Senior Vice President, Human Resources, Metso Group.
Metso shares, Dec 31, 2010:
1,400
Key experience:
Various top management HR-positions, Nokia Networks and Nokia Siemens Networks 1994–2009.
» SEE LINK 1

Kalle Reponen 9
Born 1965.
Finnish citizen.
MSc. Economics
Senior Vice President, Strategy and M&A. Joined Metso in 2006. Member of Executive Team since 2008.
Metso shares, Dec 31, 2010:
4,155
Key experience:
Partner, MCF Corporate Finance 2003–2006; Head of Capital Goods, Nordea Corporate Finance 2000–2003; various positions, Wärtsilä Corporation 1991–2000.
» SEE LINK 1

Until Feb 28, 2011

Jorma Eloranta 7
Born 1951.
Finnish citizen.
Main occupation:
President and CEO.
MSc. Technology.
Joined Metso in 2004. Chairman of Metso Executive Team since 2004. Chairman of Metso Executive Forum since 2008.
Metso shares, Dec 31, 2010:
32,185
Key experience:
President and CEO: Kvaerner Masa-Yards Inc. 2001–2003, Patria Industries Group 1997–2000, Finvest Ltd 1985–1995. Deputy Chief Executive, Finvest Group and Jaakko Pöyry Group 1996.
» SEE LINK 1

Olli Vaartimo 8
Born 1950.
Finnish citizen.
Main occupation:
CFO and Member of the Executive Team.
MSc. Economics and Business Administration.
Joined the company in 1974. Member of Metso Executive Team since 1999. Executive Vice President and CFO 2003–2010.
Metso shares, Dec 31, 2010:
12,277
Key experience:
Acting President and CEO, Metso Corporation 09/2003–03/2004, President, Metso Minerals 1993–2003, Executive Vice President, Rauma Corporation 1991–1998.
» SEE LINK 1

Bertel Langenskiöld 10
Born 1950.
Finnish citizen.
Main occupation:
President, Paper and Fiber Technology and Member of the Executive Team.
MSc. Engineering.
Joined the company in 2003. Member of Metso Executive Team since 2003.
Metso shares, Dec, 31 2010:
10,454
Key experience:
President: Metso Paper 2007–2008, Metso Paper's Fiber Business Line 2006–2007, Metso Minerals 2003–2006, Fiskars Corporation 2001–2003, Tampella Power/Kvaerner Pulping, Power Division 1994–2000.
» SEE LINK 1

Metso Executive Forum Dec 31, 2010

First row left to right: Andrew Benko, João Ney Colagrossi, Jorma Eloranta, Per-Åke Färnstrand.
Second row left to right: Ari Harmaala, Merja Kamppari, Matti Kähkönen, Pasi Laine.
Third row left to right: Bertel Langenskiöld, Hannu Mälkiä, Lennart Ohlsson, Kalle Reponen.
Fourth row left to right: Sudhir Srivastava, Celso Tacla, Olli Vaartimo.

João Ney Colagrossi
Born 1955
President, Services business line
MSc. Engineering, MSc. Economics
Brazilian citizen
Joined the company in 1979

Per-Åke Färnstrand
Born 1951
President, Fiber business line
MSc. Engineering
Swedish citizen
Joined the company in 2006

Ari Harmaala
Born 1961
President of Metso operations in China
Engineer (grad)
Finnish citizen
Joined the company in 1986

Hannu Mälkiä
Born 1952
President, Paper business line
MSc. Engineering
Finnish citizen
Joined the company in 1978

Lennart Ohlsson
Born 1952
Senior Vice President, Sustainability and Technology Development
MSc. Engineering
Swedish citizen
Joined the company in 2006

Sudhir Srivastava
Born 1954
Senior Vice President, Asia-Pacific, Mining and Construction Technology
Engineer
Indian citizen
Joined the company in 1993

Celso Tacla
Born 1964
President of the South American operations of Metso´s Paper and Fiber Technology
Engineer (grad), Chemical Engineering and MSc. Business Administration
Brazilian citizen
Joined the company in 1992

Independent Assurance Report

Translation from the Finnish Original

To the management of Metso Corporation

We have been engaged by the Management of Metso Corporation to perform a limited assurance engagement on the information on economic, social and environmental responsibility disclosed in Metso Corporation's annual sustainability reporting for the period of January 1, 2010 to December 31, 2010. The annual sustainability reporting (hereinafter "Sustainability Reporting") consists of sustainability information disclosed in the Annual Report 2010 of Metso Corporation and the Metso Sustainability Results 2010 online publication, as disclosed on Metso's website. The scope of the Sustainability Reporting covers the entire Metso Group.

Management's responsibility

The Management of Metso Corporation is responsible for preparing the Sustainability Reporting in accordance with the Reporting criteria as set out in Metso Corporation's own documented standards and the G3 Guidelines of the Global Reporting Initiative.

Practitioner's responsibility

Our responsibility is to express a conclusion on the Sustainability Reporting based on our work performed. Our assurance report has been made in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Metso Corporation for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Sustainability Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria.

We have not been engaged to provide assurance on amounts or other disclosures relating to the prior reporting periods presented in the Sustainability Reporting.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Sustainability Reporting. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the Sustainability Reporting.

Our work consisted of, amongst others, the following procedures:

- Making interviews with senior management of Metso Corporation.
- Assessing how Metso Group employees apply Metso Corporation's reporting guidelines and procedures.
- Visiting Metso Corporation's Head Office as well as six production units in Brazil, China, Finland, Germany and Czech Republic.
- Interviewing employees responsible for collection and reporting of the information presented in the Sustainability Reporting at Metso Group level and at the different production units where our visits took place.
- Inspection of relevant documents and systems for gathering, analyzing and aggregating the information presented in the Sustainability Reporting as well as tests on a sample basis.
- Assessing the data consolidation process of the information presented in the Sustainability Reporting at Metso Group level.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the Sustainability Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria. Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for sustainability information. This independent assurance report should not be used on its own as a basis for interpreting Metso Corporation's performance in relation to its principles of corporate responsibility.

Helsinki, February 24, 2011

PricewaterhouseCoopers Oy

Johan Kronberg Authorised Public Accountant	Sirpa Juutinen Partner Sustainability & Climate Change

Risk management

Risk management is an integral part of our operational management: we anticipate opportunities for and threats to our operations and thereby support our strategy and the achievement of our objectives. Effective risk management ensures continuity of our operations also in changing circumstances. In 2010 the global economic recovery downsized the threats related to our operating environment. However, the budget deficits of several European countries and the United States, the growing inflation pressures, particularly in emerging markets, and the fluctuations in currency exchange rates fueled the uncertainty in the global economy.

We define risks as uncertainties, which, if materialized, can either positively or negatively impact our chances of achieving our goals. Uncertainties can be caused by unexpected events or changes in circumstances. We assess the significance of a risk as a combination of probability and consequences of the occurrence. By taking calculated strategic-, operational- or finance-related risks, we can strengthen our business opportunities. In contrast, hazard risks that materialize have a negative impact on our operations. We can manage some risks on our own, while other risks are beyond our control, and we can only prepare for them.

Our risk management focus is on proactive measures and securing our operations, and on limiting adverse impacts and utilizing opportunities. We map and assess risks systematically and adjust our operations when needed. In mapping risks, which is part of our annual strategy process, we analyze the potential positive and negative impacts on our business and financial position during the assessment year and on the three subsequent years.

Regardless if we had prepared ourselves for it, the threats may materialize, and have a significant adverse impact on our business, financial situation and operating result or on the value of our shares and other securities. We aim to reduce the financial impacts of any adverse events and to restore operations to normal as quickly as possible. In addition, we have prepared for possible risks through insurance schemes. We estimate that our overall level of risks is currently at a manageable level in proportion to the scope of our operations and to the practical measures available.

Risk management responsibilities

Our risk management principles are approved by Metso Board of Directors. The Board also oversees that the planning, information and control systems in place for risk management are sufficient and support our business objectives. The Board's Audit Committee assesses the adequacy of risk management and ensures that it is consistent with the requirements by our operating environment and our corporate governance principles.

The Risk Management Team is comprised of representatives of our businesses and our CFO. The team annually confirms the risk management programs of our businesses and ensures that they focus on relevant issues in terms of our operations. The Group's Risk Management function oversees the implementation of the risk management program and principles and develops common risk management procedures and guidelines. Business management is responsible for identifying and managing risks in their respective area as part of their operations. Group Treasury manages our financial risks and secures the availability of equity and debt financing with competitive terms. Group Treasury works in cooperation with the businesses and centrally manages external funding. Additionally, it is responsible for managing financial assets and for hedging related to our financial risks.

Risk management focus areas and development

The recovery of the global economy downsized the threats related to our operating environment and financing in 2010. The budget deficits in many European countries and in the United States as well as fluctuations in currency exchange rates fueled uncertainty, but demand in the emerging markets clearly grew. We estimate that the gradual recovery will continue in most of our customer industries this year.

We estimate that the high share of our net sales derived from services and emerging markets will diminish the negative impacts of potential market uncertainties.

We evaluate our risk management practices based on the new ISO 31000 standard for risk management. The standard sets general content requirements and practices for the comprehensive risk management of companies. Our risk management fulfills the relevant requirements of the new standard.

Our property insurance company conducted audits in 20 of our units, and we worked with our insurance broker to assess the risk management functionality in nine of our units. We enhanced the centralized and systematic assessment of business interruption risks and took into use a global training and auditing procedure related to transportation insurance. To secure sufficient resources, we reviewed and further specified the risk management resourcing needs of our business segments. In IT risk management we centralized the auditing measures for server environments. As a part of the common ways of operating, we compiled social media guidelines aimed at securing our brand and reputation in the new social media environment.

In risk assessment we updated the risk map to correspond with our current business environment.

The exceptionally high number of crisis situations related to natural phenomena required a lot of crisis management measures during the year. Our top priority in these situations is to secure the safety of people. Additionally, we focused on expanding the use of Metso's crises management-related practices to all our key market areas. Individuals responsible for crises management and crises communications as well as regional coordinators for crises situations were appointed for the different geographical regions.

In the coming years we will deepen our analyses of risks. A special challenge is in the assessing the interdependencies of different risks. We will also enhance our internal risk management communications by using the intranet, arranging training and by increasing the auditing conducted by insurance companies.

MOST SIGNIFICANT THREATS AND OPPORTUNITIES

The most significant factors creating threats and opportunities for Metso based on the 2011 risk assessment:

- Brand and reputation: position as the industry's leading company
- Business acquisition opportunities and the capacity to seize them
- Position in emerging markets and global presence
- Ensuring sufficient competence resources around the world: business and leadership know-how and the organization's ability to implement the strategy
- Customer relations management and changes in customer organizational structures
- Global economic cycles of key market areas and customer industries
- Global supply chain management
- Competitive position, and competitiveness of product pricing and quality
- Demand for services business
- Impacts of changes in environmental legislation
- Stability of the financing sector and capital markets and the impact on the availability and cost of long-term financing for Metso and its customers

We have started preparing for the EU's Environmental Liability Directive aimed at creating a common liability system to prevent and remedy damage to animals and the environment.

LINKS & NOTES

1 A more detailed description of Metso's risk management is presented on our website **www. metso.com/ risks**

Metso's risk map

Category	Examples
Strategic risks	
Business development risks	Brand and values. New markets and business opportunities. Mergers and acquisitions. Competence, resources. Balance sheet related risks. Natural resources, raw material and energy supply. Life cycle of products and production facilities. Global outsourcing, partners. Tax strategies. Customer reputation. Supplier reputation. Ownership structure.
Business environment risks	Cycles in the global economy and customer industries. Depression and economic expansion.
Market risks	Changes in customers and customer demand. Customer mergers and acquisitions. Changes in customer product management, product requirements and environmental factors. Competition. Business intelligence and competitor analyses.
Technology risks	Technology vision, R&D capability and future competence requirements. Management of patents and trademarks.
Political, economic, cultural and legislative development	Global political development, political unrest, terrorism, wars. Cultural and religious factors. Economic, financial and environmental legislation.
Climate and environmental phenomena	Changes within regional climate. Epidemics.
Financial risks	
Liquidity	Short-term liquidity, availability and cost of financing. Credit ratings.
Interest rate risks	Changes in market interest rates and interest margins influencing financing costs, returns on financial investments and valuation of derivative contracts.
Currency risks	Exchange rate fluctuations affecting the prices of raw materials and production of commodities purchased in non-domestic currencies. Exchange rate fluctuations affecting the prices of end products for export and cost competitiveness of the products. Currency risks related to equity of subsidiaries outside the euro zone.
Credit and counterparty risks	Credit risks pertaining to trade activities. Counterparty liquidity and reliability.
Operational risks	
Organization and management related risks	Organizational effectiveness, key persons, competence, resources and management. Recruiting. Personnel turnover. Innovation capability.
Information security risks	Data management. Confidentiality, integrity, availability, source, non-repudiation and accountability of data.
Production, process and productivity risks	Production, sales, marketing, inventory, innovation, delivery and process risks. Environmental and risk management, customer relationship work, efficiency and follow-up issues.
Business interruption risks	Production chain management. Supply chain management, outsourcing, dependency and logistics risks. Resilience and agility.
Profitability risks	Profitability assessments and quotation calculation risks.
Project activity risks	Risks related to delivery schedules and payment terms, project teams and suppliers.
Contract and liability risks	Quality, contract and payment terms. Product technology risks and product safety. Product liability risks.
Crisis situations	Crisis management capacity, operational capacity, emergency services and effective collaboration.
Illegal acts	Fraud, misconduct and crimes.
Hazard risks	
Occupational health and safety related risks	Work-related illness, accidents and occupational well-being-related risks.
Personnel security risks	Kidnapping, theft, violence and murder.
Environmental risks	Leak, spill and explosion.
Fire and other disasters	Fire, explosion and traffic/cargo accident.
Natural events	Storm, drought, wild fire, flood, earthquake, mudslide, tsunami etc.
Premises security risks	Break-in, theft, arson and vandalism.

THREATS | OPPORTUNITIES

Risk profile	Guidelines and principles	Responsibility
	Metso's strategy and business plans, brand development and protection programs, corporate governance, internal controls, mergers and acquisition process, patents and intellectual property rights, intellectual property policy, Metso's values and Code of Conduct, principles of sponsorship, accounting principles, risk management policy.	Business Management, Group Strategy function, Human Resources function, Legal Affairs function, Finance function, Treasury function, Internal Audit, Communications function, Investor Relations function, Business Intelligence, Technology Management function.
	Group treasury policy, internal controls.	Business Management, Treasury function, Finance function, Legal Affairs function.
	Corporate governance, internal controls, information security principles, production guidelines, business interruption risk analyses, treasury policy, project activity safety guidelines, safety manuals, contractual guidelines, Code of Conduct, guidelines on preventing misconduct, guidelines on compliance with antitrust legislation, Group insurance program, crisis management instructions.	Business Management, HR organization, Production Management, Risk Management organization, Internal Audit, IT function, Sales Management function, Legal Affairs function.
	Occupational health and safety guidelines, certification principles, travel safety guidelines, rescue plans, premises security guidelines, Group insurance program.	Business Management, HR and occupational health and safety organization, Risk Management organization, Environmental function, Rescue organization, Real Estate Management organization.

Investor information

INVESTOR RELATIONS

From left to right
Marja Mäkinen,
Anu Haapamäki,
Johanna Henttonen,
Elina Lehtinen

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"Our main task is to support the correct valuation of Metso's share by giving information on matters concerning Metso's operations and operating environment, strategy, objectives and financial situation. We want capital market participants to use this information to form a balanced view of Metso as an investment", says Johanna Henttonen, Vice President, Investor Relations. "In recent years the dialogue has increased also in investor relations: we regularly gather and analyze market information and investor feedback for use by our top management and our Board of Directors."

"We seek to provide correct, adequate and current information regularly and impartially to all market participants. During the year we travelled 29 days with top management to meet with investors in Europe and the United States," adds Marja Mäkinen, Investor Relations Manager. "Additionally, we arranged a two-day Capital Markets Day seminar in Helsinki. Some 40 analysts and investors from Helsinki, Stockholm and London attended the event. During the year we met over 800 professional investors and analysts, and we participated in eight investor seminars around the world."

IR Coordinator Anu Haapamäki describes the daily activities of investor relations: "We are responsible for investor communications as well as daily contact with investors. The easiest way to arrange a meeting with a Metso executive or investor relations representative, is to contact me. We organize all investor meeting requests centrally, and we aim for promptness, transparency and good service."

Elina Lehtinen, Financial Communicator, on the principles of financial communications: "Metso's Disclosure Policy lays down our operational models and practices in various communications situations. In connection with the publication of our financial results, we always organize a briefing for investors and analysts in English. It is possible to participate in these events also by phone or on the Internet, and a video is available also for later viewing on our website. The entire Disclosure Policy is available at www.metso.com/investors."

FOR SHAREHOLDERS

Investor services on the internet

The investor information included in the Investors section of Metso's website contains a share monitor with a 15-minute data delay. It also includes monthly updated information on Metso's largest shareholders, the company's insider register, an archive of presentations and financial reports, as well as services, such as consensus estimates on Metso's performance provided by analysts, a historical price lookup and an investment calculator that enables you to calculate the value of your Metso investment. You can also find a financial calendar showing the publication dates of our financial reports, as well as the dates and times of events planned for investors, such as the Annual General Meeting. The calendar also contains presentations of past events. Our website also has a list of the banks and brokerage firms that analyze Metso as an investment as well as the analysts, along with their contact information, that are monitoring Metso.

Check out our investor relations services and operations on our web pages:

- Financial reports
- Calendar; investor meetings and seminars
- Metso's Capital Markets Day
- Disclosure Policy
- Contact information of analysts monitoring Metso

» SEE LINK 1

Silent period

During the three-week period prior to publication of the annual or interim financial results, we are not in contact with capital market representatives. At other times, we will answer the enquiries of analysts and investors by phone or email or at arranged investor meetings.

Annual General Meeting

The 2011 Annual General Meeting (AGM) of Metso Corporation will be held at 3:00 p.m. on Wednesday, March 30, 2011, at Helsinki Fair Centre (Messuaukio 1, 00520 Helsinki, Finland). We publish a notice to the AGM about one month before the meeting, and since that time also the agenda and meeting materials have been available on our website.

Shareholders who are entered as shareholders in Metso's shareholder register maintained by Euroclear Finland Ltd by March 18, 2011 have the right to participate in the AGM. The meeting will be held in Finnish, but simultaneous interpretation in English will be provided.

Registration

Shareholders who wish to participate in the meeting should notify Metso of their intention to participate by March 24, 2011 at the latest.

A notice of participation can be submitted at www.metso.com/agm, by phone at +358 10 80 8300 (from Monday to Friday between 7:30 a.m. and 10:00 p.m. Finnish time), by fax at +358 20 484 3125, or by mail to Metso Corporation, Ritva Tyventö-Saari, PO Box 1220, FI-00101 Helsinki, Finland. Notice of participation must be received before the deadline. In connection with the registration, shareholders are required to provide their name, personal identification number or company identification number, address, telephone number and the name of a possible assistant, authorized representative or statutory representative. Any proxy documents should also be sent to the above-mentioned address during the registration period.

Shareholders holding nominee-registered shares and wishing to participate in the AGM can be entered into the temporary shareholder register by no later than 10:00 a.m. on March 25, 2011 in order to be able to participate in the AGM, if the shareholder has the right to be entered in Metso's shareholder register on the basis of the same shares on the AGM's record date March 18, 2011. The shareholders holding nominee-registered shares are urged to ask their custodian bank for instructions on registering in the shareholder register, issuing of proxy documents and registering for the AGM.

Payment of dividends

The Board of Directors proposes to the AGM that a dividend of EUR 1.55 per share be paid for 2010. The dividend will be paid to those shareholders who are entered in the Corporation's shareholder register maintained by Euroclear Finland Ltd on the record date of the dividend payment, April 4, 2011.

Important dates related to the AGM

Record date of AGM participation	March 18, 2011
Registration period ends	March 24, 2011
Annual General Meeting	March 30, 2011
Dividend ex-date	March 31, 2011
Record date of dividend payment	April 4, 2011
Date of dividend payment	April 12, 2011

Read more about AGM-related issues on our website:

- Notice of AGM
- Registering for the AGM
- Proposal on composition of the Board
- Board's proposal on profit distribution
- Proposals on Board's authorizations

» SEE LINK 1

Trading of Metso's shares

Metso Corporation has one share series. Metso's shares are listed on the NASDAQ OMX Helsinki Ltd and are registered in the Finnish book entry register maintained by Euroclear Finland Ltd. Trading of Metso's ADSs (American Depositary Shares) in the United States is carried out on the over-the-counter (OTC) market. Each Metso ADS represents one Metso share. The Bank of New York Mellon acts as the depository for the Metso ADS.

Credit ratings

Standard & Poor's

August 12, 2010
Long-term corporate credit rating: BBB, outlook stable (change from negative)
Short-term rating: A-2 (raised from A-3)
Rating for outstanding bonds and EMTN program: BBB

Moody's

September 20, 2010
Long-term rating: Baa2, outlook stable (change from negative)

Financial publications

We publish the Annual Report for 2010 in Finnish and English and Metso Sustainability Results 2010 online publication in English. The printed report will be mailed to those who have ordered it. The report is also published on our website at www.metso.com. We publish interim reviews in Finnish and English on our website. Live webcasts of the related news conferences can be viewed in English on our website. We publish releases in Finnish and English, and they are available on our website.

Publication dates of reviews and reports in 2011

Financial statements review 2010	February 3, 2011
Annual Report	week of March 7, 2011
Interim review for January–March	April 28, 2011
Interim review for January–June	July 28, 2011
Interim review for January–September	October 27, 2011

LINKS & NOTES

1 **www.metso.com/investors**

2 Trading information for Metso's share **www.metso.com/share**

3 Metso's share is included in several indices: **www.metso.com/indices**

4 Order Metso publications and releases **www.metso.com/subscriptions**

5 Read more about Metso's share and shareholders, p. 142–147

6 How to submit a change of address for shareholders **www.metso.com/share**

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

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ABOUT THIS REPORT

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The paper, and the pulp used in making the paper, was produced with machines and equipment manufactured by Metso. The report is printed on Galerie Art paper, which is PEFC-certified and meets the environmental criteria for the Swan ecolabel. The printing inks and chemicals used in printing comply with the requirements for the Swan ecolabel and the REACH regulation. The printing ink is plant oil-based, and the other materials used are recyclable and eco-friendly. The energy efficiency and emissions, from manufacturing to transportation, are monitored. The operations of the Lönnberg Painot Oy printing house are ISO 9001 certified.

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We are building a sustainable future together with our stakeholders. Solutions that promote sustainability benefit our customers and support our profitable growth targets.

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