

Promoting sustainable development globally is an integral part of our business strategy. We believe that companies focusing their operations on solving the challenges of sustainable development will succeed and create value and -well-being over the long term for their stakeholders and the surrounding communities. By operating in emerging markets, particularly in Asia and South America, we are contributing to the development of local communities and increasing local prosperity and thereby averting poverty. We are advancing economic growth also through the use of local workforces and partners and by supporting innovations. The training and development opportunities we offer enhance local competence and know-how. Our operations close to customers reduce the energy used in transports and lessen the load on the environment. The main value-creation components of our strategy include strengthening our global presence, growing our services business, and developing and offering eco-efficient solutions. We strive to continuously improve the quality and productivity of our operations through internal development measures. We are increasing the competitiveness of our customers with eco-efficient solutions. Environmental technology is a particular focus area also in our product development work. Our services business provides support for the entire life cycle of production lines and machines. It is estimated that there will be more than 20 major cities with populations exceeding ten million worldwide. As urbanization continues, the need for infrastructure will increase. For example, more water and energy plant, roads, railways, ports and ports will be needed.

Metso Sustainability Report 2008

Building infrastructure in developing countries will increase the demand for road construction equipment. The need to aggregate resources and materials. We have strengthened our ability to serve customers in the places where they operate. Among other things, we have invested in our production and services capacity in China, India and Brazil. Emerging markets accounted for 48 percent of orders received in 2008 (2007: 43 percent). We define emerging markets as Central and South America, Eastern Europe, the Middle East, Africa and the Asia-Pacific region, excluding Japan, Australia and New Zealand. In the developed markets of Europe and North America, there is both a need to renew and completely rebuild infrastructure. Customers' high expectations for the return on their investments and our wide installed base of equipment have accelerated the growth of our services business. Industrial outsourcing of maintenance services and the aging of the workforce, particularly in Europe and North America, are boosting demand. Our services business also improves the environmental-efficiency of production lines. The profitability of the services business adds stability to our operations and secures jobs also in recessionary periods. Curbing climate change requires improvements in energy efficiency as well as forms of energy production that are less taxing on the environment. Energy efficiency is a common attribute in many of the solutions we offer to different customer industries, and it gives us a competitive edge. Our new operating structure allows us to leverage the synergies of our technological competence. We can use this know-how in the future to offer our customers new kinds of solutions, e.g. for energy production based on biofuels and other renewable energy sources. During the year in review, we added momentum to our solutions portfolio also through corporate acquisitions. We established a joint venture with Wärtsilä, MW Power Oy, which focuses on heat and power plant solutions based on renewable fuels. The rapid changes in the operating environment underscore the importance of strategic agility and the ability to react more quickly. Continuously improving operational efficiency, quality and productivity is an important part of our internal development work. To succeed in the new global economy, for the short term, we are focusing particularly on strengthening our competitiveness and our cash flow, and on securing profitability. We must equally invest in securing long-term profitability, growth and its requisites. Our strategy emphasizes the development of personnel competence and leadership. In 2007 we launched the company-wide Metso

www.metso.com



Metso is a global supplier of sustainable technology and services for mining, construction, energy, metal recycling and the pulp and paper industries. We have over 29,000 employees in more than 50 countries.

Environmental business in 2008 accounted for
over half of our net sales of EUR 6,400 million

48 percent of orders received
from emerging markets

3,028
patent-protected product innovations

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Metso's Annual Report and
Sustainability Report 2008 on the internet
www.metso.com

More information about Metso and
sustainable development on the internet
www.metso.com/sustainability

Sustainable solutions for global challenges

CEO's greetings



In an economic recession and an era of impending climate change, stakeholders have high expectations on companies. The challenges we face are global.

The premise of corporate responsibility is always financial responsibility. A company must take care of its profitability and secure its competitiveness today and tomorrow so that it can exist and work to benefit its stakeholders also in the future.

While we focus on measures that boost our competitiveness right now, we cannot lose sight of the comprehensive sustainable development and important investments that strengthen our stakeholders' confidence in what lies ahead.

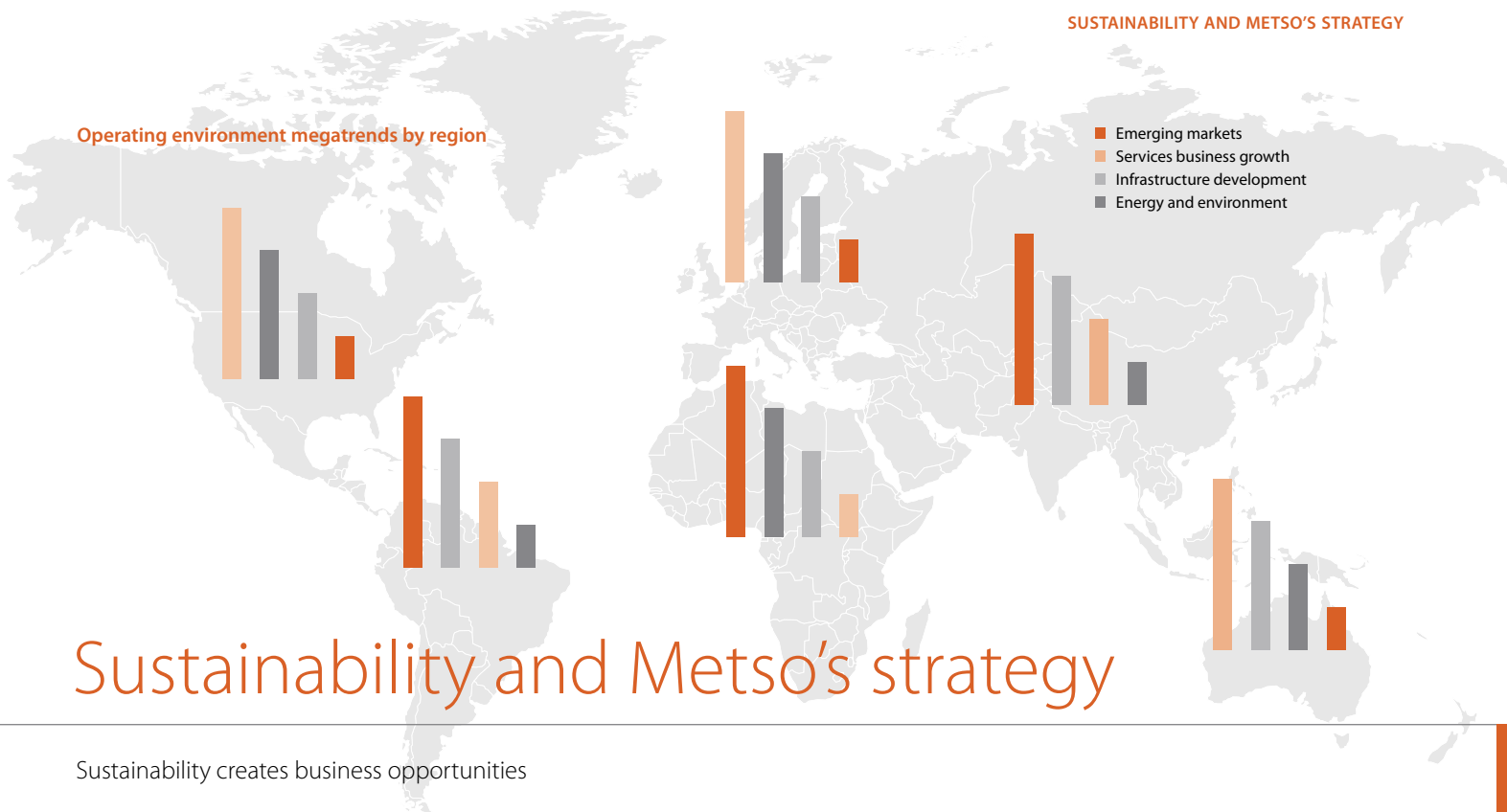
Our investments in leadership and talent development are also investments in our future competitiveness.

We want to be a globally significant supplier of energy-efficient solutions that are based on clean technology and renewable energy resources. We are directing our product development increasingly towards the environmental business. Our growing services business is an integral part of our solutions that advance sustainability.

Through our stronger presence in emerging markets, we are contributing to local well-being and observing good corporate governance. Our operations are guided by our values, our Code of Conduct and the UN Global Compact initiative we endorse.

Metso and other companies that have a strong vision and the ability to realize it hold the keys to future success. Investments in sustainability and the technology supporting it will build tomorrow's sustainable growth.

Jorma Eloranta
President and CEO
Metso Corporation



Promoting sustainable development globally is an integral part of our business strategy. We believe that companies focusing their operations on solving the challenges of sustainable development will succeed and create value and well-being over the long term for their stakeholders and the surrounding communities.

By operating in emerging markets, particularly in Asia and South America, we are contributing to the development of local communities and increasing local prosperity and thereby averting poverty.

We are advancing economic growth also through the use of local workforces and partners and by supporting innovations. The training and development opportunities we offer enhance local competence and know-how. Our operations close to customers reduce the energy used in transports and lessen the load on the environment.

FUNDAMENTALS OF OUR STRATEGY

The main value-creation components of our strategy include strengthening our global presence, growing our services business, and developing and offering eco-efficient solutions. We strive to continuously improve the quality and productivity of our operations through internal development measures.

We are increasing the competitiveness of our customers with eco-efficient solutions. Environmental technology is a particular focus area also in our product development work. Our services business provides support for the entire life cycle of production lines and machines.

OPERATING ENVIRONMENT MEGATRENDS SUPPORT OUR STRATEGY

It is estimated that by 2025 there will be more than 20 major cities with populations exceeding ten million, worldwide. As urbanization gains momentum, more water and energy plants, roads, railroads, airports and ports will be needed. Building infrastructure in developing countries will increase the demand for products like aggregates and metals. We have strengthened our ability to serve customers in the places where they operate. Among other things, we have invested in our production and services capacity in China, India and Brazil. Emerging markets accounted for 48 percent of orders received in 2008 (2007: 43 percent). We define emerging markets as Eastern Europe, Central and South America, Africa, the Middle East and the Asia-Pacific region, excluding Japan, Australia and New Zealand. In the developed markets of Europe and North America, there is both a need to renew and to completely rebuild infrastructure.

Strategy execution in 2008–2012



Customers' high expectations for the return on their investments and our wide installed base of equipment have accelerated the growth of our services business. Industrial outsourcing of maintenance services and the aging of the workforce, particularly in Europe and North America, are boosting demand. Our services business also improves the environmental-efficiency of production lines. The profitability of the services business adds stability to our operations and secures jobs also in recessionary periods.

GROWING NEED FOR ENVIRONMENTAL TECHNOLOGY AND RENEWABLE ENERGY

Curbing climate change requires improvements in energy efficiency as well as forms of energy production that are less taxing on the environment. Energy efficiency is a common attribute in many of the solutions we offer to different customer industries, and it gives us a competitive edge.

Our new operating structure allows us to leverage the synergies of our technological competence. We can use this know-how in the future to offer our customers new kinds of solutions, e.g. for energy production based on biofuels and other renewable energy sources.

During the year in review, we added momentum to our solutions portfolio also through corporate acquisitions. We established a joint venture with Wärtsilä, MW Power Oy, which focuses on heat and power plant solutions based on renewable fuels.

Key figures	2004	2005	2006	2007	2008
Financial					
Net sales, EUR million	3,602	4,221	4,955	6,250	6,400
Profit, EUR million	144	237	410	384	390
Earnings per share, EUR	1.05	1.69	2.89	2.69	2.75
Gearing, %	50.1	22.8	31.3	33.4	75.7
Return on equity (ROE), %	16.0	21.1	30.9	25.4	26.0
Procurements, EUR million*	2,139	2,659	3,208	4,159	4,214
Gross capital expenditure (excl. business acquisitions), EUR million	97	107	131	159	255
Orders					
Orders received, EUR million	3,989	4,745	5,705	6,965	6,384
Order backlog, December 31, EUR million	1,705	2,350	3,737	4,341	4,088
Research and development					
Research and development expenditure, EUR million (including IPR expenses)	118	107	120	129	148
Patent applications*	220	160	220	220	230
Invention disclosures*	620	660	710	850	909
Human resources					
Average number of employees	24,363	22,405	23,364	26,269	28,010
Wages and salaries, EUR million	881	854	909	1,036	1,066
Training, days/employee*	1.7	2.0	2.2	2.6	2.8
Absences due to illness, days/employee*	5.7	6.0	5.6	5.2	5.7
Absences due to injury, days/employee*	0.45	0.38	0.50	0.30	0.38
Sponsorships, EUR thousand*	260	440	495	498	902
Environment					
**Coverage of certified environmental management systems %*	54.9	58.5	56.2	60.0	58.0
Carbon dioxide emissions, 1,000 t*	208	207	227	245	317
Energy consumption, TJ*	3,212	3,190	3,510	3,748	4,044
Material use, 1,000 t*	195	231	272	305	275

*Unaudited

**In proportion to the energy consumption

INVESTMENTS IN DEVELOPMENT AND FUTURE GROWTH

The rapid changes in the operating environment underscore the importance of strategic agility and the ability to react more quickly. Continuously improving operational efficiency, quality and productivity is an important part of our internal development work.

To succeed in the weak global economy, for the short term, we are focusing particularly on strengthening our competitiveness and our cash flow, and on securing profitability.

We must equally invest in securing long-term profitable growth and its requisites. Our strategy emphasizes the development of personnel competence and leadership. In 2007, we launched the company-wide Metso Human Capital 2010 program to develop human resources leadership and the supporting processes, systems and organization. The first results of the program were achieved in 2008.

Through so-called open innovation activities, we aim to identify the ideas and innovations of other companies and research facilities and to utilize them in our own product development. We are working with our customers and certain research institutes to develop eco-efficient solutions. In 2008, we expanded our collaboration with international universities and research facilities. We joined, for example, the Industrial Liaison program of Massachusetts Institute of Technology (MIT) in the United States.

Our purpose, Engineering Customer Success, also supports sustainability. Our operations are based on competence and know-how. We support our customers' competitiveness, and we are advancing the sustainable development of industry around the world.

We define emerging markets as Eastern Europe, Central and South America, Africa, the Middle East and the Asia-Pacific region, excluding Japan, Australia and New Zealand.

Finance and operations

We are adjusting our operations to the changed market situation

The financial crisis that started in the United States expanded into a worldwide recession in the real economy in the final quarter of 2008. The impacts on our customer industries were substantial and they were quickly manifested in our customers hesitating with their investment decisions and the weakened demand for our products.

Also our services business volume decreased in the second half of the year, when our customers particularly in the pulp and paper industry cut their production and initiated cost-savings programs. In 2008, our order intake totaled EUR 6,384 (2007: 6,965) million.

The decline in orders was visible in the last quarter of the year in all our businesses and most strongly in our operations serving the pulp and paper industry. Some of our customers initiated negotiations about extending project delivery schedules or putting projects on hold.

In spite of the dramatic changes in the global economy, 2008 was our best year ever in terms of operating profit. Calculated at comparable exchange rates, our net sales increased by about six percent and operating profit rose to about EUR 637 million, or to ten percent of net sales.

SECURING SHORT- AND LONG-TERM COMPETITIVENESS

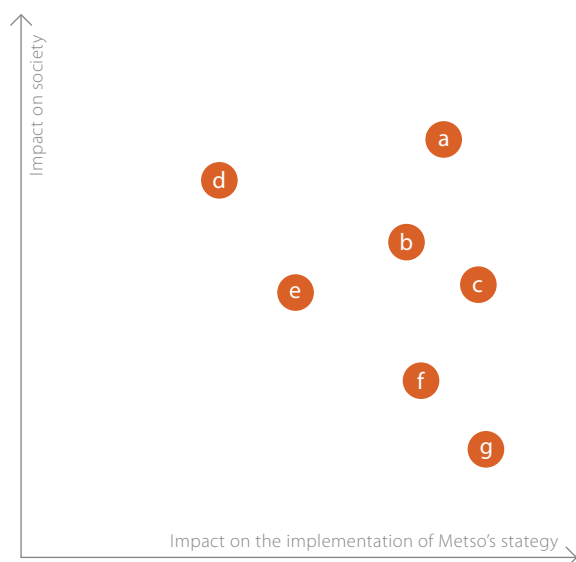
In the last quarter of 2008, we initiated various actions to prepare for the possibly prolonged weakening in demand. We shifted the focus of our operations from growth to actions to ensure competitiveness, cash flow development and profitability. However, we are still keeping the future in mind: We are advancing our services and environmental business and strengthening our presence in emerging markets.

During the last part of 2008, we tightened our investment controls and initiated cost-cutting measures. At the beginning of October, we started adjusting our production capacity to correspond with the weakened level of demand, and the measures will continue during 2009. We have reduced our temporary personnel and have shifted the work from our subcontractors to our own units. Additionally, we have temporarily laid off employees and have made permanent reductions, particularly in Finland and Sweden.

We are adding flexibility to our operating model and striving to maintain balance between the project, product and services business. Our services business has shown significant growth in recent years and will be our main strength in the future. The services business already accounts for over one third of our net sales and over one half of our projects.

In February 2009, Standard & Poor's Ratings Services affirmed Metso's long-term credit rating of BBB and changed our outlook from stable to negative. At the same time, the short-term corporate credit rating was lowered from A-2 to A-3. Moody's kept the Baa2 credit rating it gave to us in October 2007, but it changed its assessment of our outlook to negative in January 2009.

Essential focus areas of financial responsibility



- a) Laws, regulations and Code of Conduct
- b) Customer success
- c) Shareholder value
- d) Energy and environment
- e) Emerging markets
- f) Infrastructure development
- g) Services business growth



Impact on society and on Metso's business strategy

The figure presents some of the most essential and relevant financial responsibility themes of our operations. From a perspective of financial responsibility, our key stakeholders are shareholders, customers, employees and subcontractors. Our operating environment's long-term megatrends, such as energy and environment, emerging markets, infrastructure development and services business growth, create significant business opportunities for us. These themes are examined more closely on pages 3–5.

We aim to annually distribute to our shareholders at least 50 percent of earnings per share in dividends or in other forms of repatriation of capital. In 2008, we paid an exceptionally high dividend for 2007: of EUR 3.00 per share. The dividend comprised an ordinary dividend EUR 1.65 and an extra dividend of EUR 1.35. In 2006–2008, we have distributed 62 percent of our earnings in dividends. For 2008, the Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.70 per share, i.e. a total of EUR 99 (425) million, be distributed. The Board is further proposing to authorize to pay at its discretion an additional dividend of no more than EUR 0.68 per share later in 2009, should the financial position support it.

In 2008, our gross investments were EUR 255 (159) million, accounting for 4.0 (2.5) percent of net sales. More than half of these investments were growth investments. In the changed global economic situation, we are considering new investments carefully.

MORE FLEXIBILITY WITH PROCUREMENT

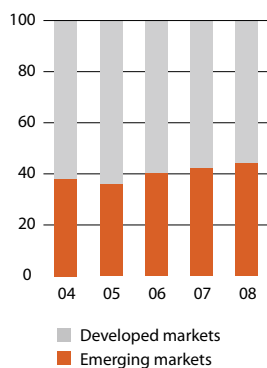
About 25,000 subcontractors and goods suppliers deliver raw materials, components, steel structures and services to Metso; some 15,000 of them are linked to our production activities. About 100 of our biggest subcontractors cover about one-fifth of our total procurement volume. We are increasingly using system suppliers that can provide us with comprehensive solutions instead of just purchasing individual components. We have condensed our supplier network operations while we focus on manufacturing and assembly of our key components. This operating model increases flexibility.

The value of the products, raw materials, components and services we purchased from outside suppliers in 2008 was EUR 4,214 (4,159) million, i.e. 66 (67) percent of our net sales. About 75 (75) percent of the purchases were operative, i.e. directly related to customer deliveries.

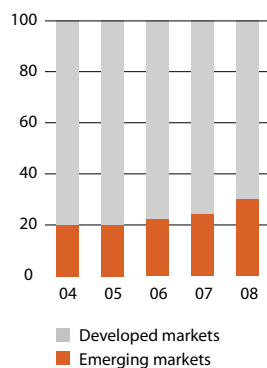
The majority, 63 (66) percent, of all our purchases come from Europe. Even though our procurements from Finland have decreased in recent years, Finland is still our most significant procurement country with a 33 (37) percent share.

Metso's presence in emerging markets

Net sales, %



Personnel, %



"48%
of orders received
from emerging
markets"

Global presence balances our operations

We serve our customers in mining, construction, energy, metal recycling, and the pulp and paper industries around the world. Our customer industries operate in the process industry and they process and refine natural raw materials or recycled materials. Our business covers the entire life cycle of our customers' processes, including project and product business as well as maintenance and process optimizations. We have engineering, production, procurement, services business, sales and other operations in over 50 countries.

In emerging markets, the majority of our net sales come from new equipment deliveries, but also our services business is growing with the increasing equipment base. In developed markets in Europe and North America, there is little new capacity being built. The focus of the markets in North America has long been on replacement investments and the services business; these account for a growing share of the business also in European markets.

IN EUROPE, FOCUS IS ON SERVICES BUSINESS

The European Union's goal to increase the share of renewable energy sources in energy production to 20 percent by 2020 unleashes new business opportunities for us. In the long term, this means the increased use of biomass, unsorted municipal waste and combinations of multiple fuels in energy production. We are one of the world's leading suppliers of biomass-fueled power boilers. The joint venture we established with Wärtsilä at the beginning of 2009 offers heat and power plants solutions based on renewable fuels.

Eastern Europe's significance to our business continued to grow in 2008 and was visible in the stronger presence in the area and in the solid 17 percent net sales growth. In particular, development of the transportation infrastructure and the local utilization of natural resources in the mining, pulp and energy industries has generated

demand for our solutions. The number of projects aiming to improve the state of the environment and to boost recycling is on the rise, and there is a need for technologies that reduce energy consumption.

The acquisition of MAPAG Valves GmbH in Germany strengthened our position in the valve business in the industrial gas and energy segments. The acquisition increased our personnel in Germany by about 100 people.

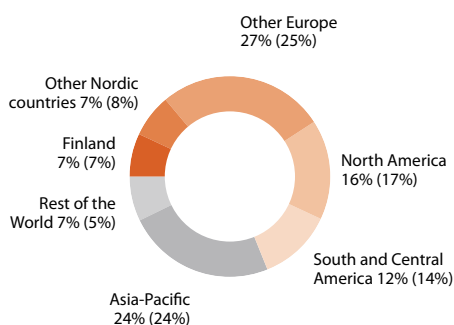
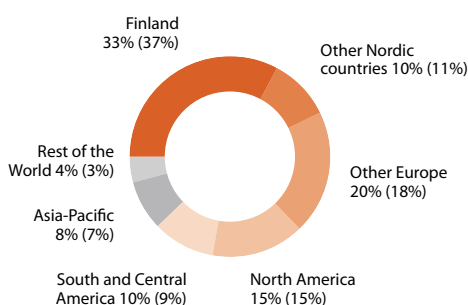
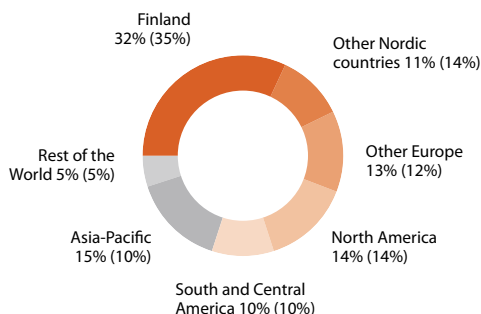
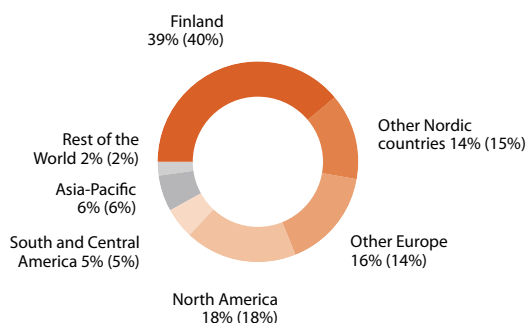
Our goal in Western Europe is to tap into the services business opportunities provided by the existing large base of installed equipment. In response to changes in our customer industries, we are adjusting our know-how and capacity in our businesses serving the pulp and paper industry by shifting our focus from equipment to the services business.

We responded to the increased demand in the mining and construction industry by strengthening our personnel in Europe by close to 300 people during the first part of the year. However, as a result of the market slowdown that occurred in autumn, we had to initiate adjustment measures by reducing first the temporary workforce and the use of subcontractors.

We made our first significant acquisition in Eastern Europe with the purchase of the Czech company PSP Slevarna, a producer of wear parts for crushers and metal processing equipment. The acquisition increased our personnel by 385 people.

In spring 2008, in Tampere, Finland, we launched a product development center focusing on mining and construction technology.

56 (61) percent of our employees work in Europe. The number of employees increased by 255. Our orders received from Europe totaled EUR 2,375 (3,135) million, i.e. 38 (44) percent of our total order intake. Our procurements from Europe decreased by about EUR 90 million, i.e. 3 percent, but Europe remained our most significant procurement area.

Net sales by market area**Purchases by area****Personnel by area****Wages and salaries by area****NORTH AMERICAN MARKETS WEAKENED IN AUTUMN**

Our net sales in North America remained at the previous year's level, despite the financial and economic crisis in the area. This was primarily a result of the mining and energy industry projects launched in Canada. Almost half of our net sales in North America come from the services business, which, compared to new equipment sales, is less affected by economic cycles. In terms of new equipment sales, our most significant customer segments in North America are the mining industry, the construction industry and the energy industry.

We strengthened our mining equipment delivery capacity by acquiring GE Energy's Lachine Main Plant located near Montreal, Canada. The acquisition increased our personnel in Canada by about 170 people.

We strengthened our regional service capacity by investing in a new power boiler service center in Lancaster, South Carolina, and by expanding the service center in Fairmont, West Virginia. We also began construction of new factory and office buildings for our Automation business line's Lansdale unit in Pennsylvania.

Our orders received from North America totaled EUR 1,070 (1,033) million, i.e. 17 (15) percent of all our orders. The United States continues to be a significant procurement area for us, especially for components containing advanced technology. Our procurements from North America were at the previous year's level, i.e. approximately EUR 525 million.

INVESTMENT GROWTH IN ASIA-PACIFIC

Even though economic growth slowed towards the year-end also in Asia, growth and urbanization are expected to continue over the long term. We believe this will increase the consumption of metals and minerals, infrastructure construction, the demand for paper and packaging materials, and energy consumption. The majority of our business in the Asia-Pacific region still comes from new equipment, but the services business is also growing fast in these markets.

The number of our personnel in the Asia-Pacific region increased by 1,764 in 2008. Our orders received from the Asia-Pacific region totaled EUR 1,476 (1,514) million, or 23% (22%) of our total order intake. Our procurements from the Asia-Pacific region increased by about EUR 45 million, i.e. by 16 percent.

India

The rapid build-up of infrastructure has increased the demand for our crushers in India. During the year in review, we decided on the construction of the Metso Park industrial center in Alwar, in the state of Rajasthan, in northwest India. This new type of facility will host both Metso's own operations and those of key suppliers. Equipment for the Indian markets as well as components for our mining and construction industry units globally will be manufactured at Metso Park. The investment strengthens our capacity and enhances logistics, inventory control, operational quality and productivity as well as supplier relationships.

The expansion of the steel foundry in Ahmedabad was completed on schedule in summer 2008. The assembly line producing mobile crushers and screens in Bawal was expanded.

We also strengthened our engineering resources in India. We established a joint venture with our local partner EPT Engineering Services Pvt. Ltd, which will focus on power plant design. Our customers in

India's pulp and paper industry is actively developing its production capacity and, as a result of the growth in demand, we increased our presence in India and developed our local services business.

China

We strengthened our local production know-how in our paper machine unit in Jiading, near Shanghai, by recruiting and training personnel and by rebuilding the unit's machine base. We increased our ownership in the Valmet-Xi'an Paper Machinery Co. Ltd. joint venture to 75 percent. This increased our personnel by about 1,100 people. The Valmet-Xi'an joint venture was established in 1989 and has delivered mid-sized paper and board machines for the Chinese markets. We will develop the joint venture as part of our global manufacturing network.

Our new service center in Guangzhou providing equipment maintenance and process development services for the pulp and paper industry started its operations in November. We also started the construction of the Zibo service center in Shandong province.

We decided on the construction of a new valve factory close to Shanghai. The purpose of the factory is to strengthen our ability to serve our customers in Asia. The capacity of the Tianjin crusher factory was doubled upon completion of an expansion at the end of 2008.

Japan and Australia

We strengthened our local services business in Japan and opened a new office in Onomichi. We completed the acquisition of Mitsubishi Heavy Industries' paper machine technology. Through the acquisition, we became the sole owner of Beloit's paper machinery technology

globally, which strengthened our capacity to provide maintenance services to our customers.

In October, we acquired the Australian G&F Beltline Services Pty Ltd., a provider of conveyor belt installations and maintenance services to the mining industry. The acquisition included a belt fabrication unit and four service units in western Australia's mining region. The acquisition increased our personnel strength by 90 people.

DEMAND FOR MINING INDUSTRY SERVICES IN SOUTH AND CENTRAL AMERICA

We further strengthened our operations serving the mining and construction industry, power generation, and the pulp and paper industry in South America. Net sales from the region decreased by 10 percent, whereas orders received increased by 29 percent.

The mining industry's investments continued in Brazil, Chile and Mexico. The high utilization rate of mines increased the demand for service and maintenance. During the year, we made significant long-term service agreements with mining companies in Chile, for example. We delivered minerals processing equipment and iron ore induration machines to companies in the mining business. A new process technology center offering automation services for customers was completed in Sorocaba, Brazil.

The number of our personnel in South and Central America increased by 316. We increased our personnel particularly in Brazil, where the increase was 247 people. Our orders received from South and Central America totaled EUR 1,056 (818) million, 16 (12) percent of all our orders. Procurements from the area increased by about EUR 50 million, i.e. by 13 percent.

Net sales (20 largest countries)

EUR million	2007	2008
USA	845	793
China	543	613
Finland	473	461
Brazil	587	456
Sweden	377	377
Germany	362	325
Portugal	104	252
Australia	200	248
Canada	205	223
France	152	183
India	149	181
South Africa	150	171
Japan	302	168
Indonesia	177	165
Russia	186	150
Chile	92	128
Poland	57	121
Spain	130	120
United Kingdom	144	117
Mexico	77	91

Orders received (20 largest countries)

EUR million	2007	2008
USA	803	748
Brazil	442	708
China	690	640
Finland	490	376
Australia	189	370
Sweden	475	337
Canada	231	322
Germany	268	312
France	180	217
India	136	205
Russia	197	185
South Africa	214	166
Czech Republic	35	139
Poland	59	128
Chile	159	112
United Kingdom	149	106
Spain	144	95
Mexico	88	78
Norway	86	73
Indonesia	138	66

Personnel (20 largest countries)

	2007	2008
Finland	9,386	9,252
USA	3,216	3,224
Sweden	3,428	3,152
China	1,313	2,677
Brazil	1,828	2,075
South Africa	1,360	1,403
Germany	912	1,051
France	791	834
Canada	649	740
India	464	704
Australia	452	587
Chile	543	578
Czech Republic	48	425
United Kingdom	386	412
Spain	311	316
Russia	169	208
Mexico	171	196
Italy	182	172
Norway	174	168
Peru	130	139



Monetary flows by stakeholder group

EUR million		2004	%*	2005	%*	2006	%*	2007	%*	2008	%*
Generation of value added											
Customers	Net sales	3,602		4,221		4,955		6,250		6,400	
Suppliers	Procurements	-2,139	59	-2,659	63	-3,208	65	-4,159	67	-4,214	66
Metso-produced added value		1,463		1,562		1,747		2,091		2,186	
Distribution of value added											
Employees	Wages and salaries	-881	24	-854	20	-909	18	-1,036	17	-1,066	17
Public sector	Taxes and indirect employee costs	-241	7	-301	7	-262	5	-466	7	-471	7
Creditors	Financing expenses	-59	2	-43	1	-36	1	-33	1	-89	1
Shareholders	Dividends	-27	1	-48	1	-198	4	-212	3	-425	7
Distributed to stakeholders		-1,208		-1,246		-1,405		-1,747		-2,051	
Retained in business		255	7	316	7	342	7	344	6	135	2

* % of net sales

Five largest countries in terms of our operations

EUR million	USA			Brazil			Sweden			Finland			China		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Net sales	810	845	793	406	587	456	190	377	377	341	473	461	377	543	613
Procurements	397	527	525	266	368	372	344	450	396	1,138	1,524	1,404	68	113	145
Wages and salaries	150	153	154	29	39	39	99	144	138	364	417	418	8	12	17

Prosperity for our stakeholders

PURCHASES AT THE PREVIOUS YEAR'S LEVEL

The value of the products, raw materials, components and services we purchased in 2008 was EUR 4,214 (4,159) million, i.e. 66 percent (67%) of net sales. About 75 percent of our purchases were operative, i.e. directly related to customer deliveries.

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

In recent years, our purchases have increased the most in South America and Asia because the emphasis of our operations has shifted increasingly to emerging markets. We also pursue benefits from global supply chains and by operating in countries with lower cost levels.

We still manufacture Paper and Fiber Technology's core components in Finland and Sweden. Mining and Construction Technology's production for customer projects is tailored locally according to customer needs.

When possible, we use standard components acquired from countries with lower costs in our crushers. Purchases, particularly for some of the serial-produced products for the Automation business line, have been shifted to China and elsewhere in Asia to take advantage of the lower cost levels.

STEADY DEVELOPMENT IN WAGES AND SALARIES

We paid wages and salaries, excluding indirect employee expenses, of EUR 1,066 million, or 17 percent of net sales (2007: 1,036 million and 17%). The number of employees and the performance-based bonuses and incentives have an impact on the total amount of wages and salaries. The wages and salaries on the income statement are gross wages and salaries, a portion of which is paid by the employees as taxes to society. The wages and salaries also include holiday pay.

The level of profitability in 2007 and other results in relation to the targets set for 2008 kept the

performance bonuses paid in 2008 at nearly the same level as the previous year. Within the framework of local collective labor agreements, we apply profit- and performance-based incentive systems when it justifiably supports management. The incentive systems cover 61 percent of our employees. In 2008, EUR 35.6 million was paid in bonuses (EUR 42.1 million). Additionally, certain key persons were paid a share incentive, the value of which at the time of the payment was about EUR 2 million.

Indirect employee costs include payments related to pension insurance, social security, and unemployment and disability insurance based on the wages and salaries paid. Indirect employee costs depend on the scope of operations and the number of employees. Our indirect employee costs were EUR 307 million in 2008 (EUR 303 million).

We monitor trends in base salary levels in comparable industries in each country. The average annual

salary of Metso employees in 2008 was EUR 38,002 (EUR 39,336).

Of our personnel, 55 percent (60%) work in EU countries and 28 percent (23%) work in non-OECD countries.

INCREASE IN AMOUNT OF CORPORATE INCOME TAXES PAID

We paid about EUR 154 million in corporate income taxes (2007: EUR 114 million). In addition to income taxes, we paid real estate and waste disposal taxes, among others, related to our operations. The income tax cost on the income statement was EUR 158 million (EUR 163 million).

The income taxes we paid in Finland were low compared to the scope of our operations because we were able to continue utilizing the tax loss carry-forwards of previous years. In Finland, a significant amount of losses and other tax credits will remain available for use in upcoming years. In the United States, the significant losses of previous years were all used in the 2007 taxation, and in 2008 taxes were paid on the total earnings.

Total wages and salaries (10 largest countries)

EUR million	2007	2008
Finland	417	418
USA	153	154
Sweden	144	138
Germany	52	59
France	39	45
Brazil	39	39
Canada	33	33
Australia	25	25
South Africa	24	24
China	12	17

Income taxes paid (10 largest countries)

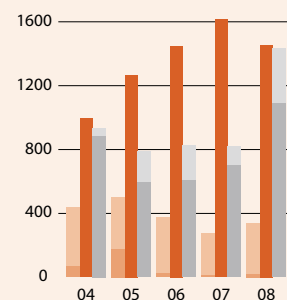
EUR million	2007	2008
USA	13	43
France	12	18
Germany	8	18
Brazil	17	13
Canada	12	8
South Africa	6	7
Finland	5	7
China	3	7
Sweden	5	5
India	6	3

Purchases (10 largest countries)

EUR million	2007	2008
Finland	1,524	1,404
USA	527	525
Sweden	450	396
Brazil	368	372
Germany	229	270
France	157	174
China	113	145
South Africa	116	141
Canada	89	96
Spain	78	90

Capital structure, EUR million

- Interest-bearing receivables
- Cash and cash equivalents
- Total equity
- Long-term interest-bearing debt
- Short-term interest-bearing debt



In emerging markets, we paid the most income taxes in Brazil. Also the income taxes paid in China and India are starting to be significant due to the growth of our operations and improved profitability. Additionally, income taxes paid in China will increase as the country's tax reform of 2008 phases out the tax breaks given to foreign-owned companies.

INTEREST-BEARING NET DEBT AND FINANCIAL EXPENSES INCREASED

Our financial expenses increased in 2008 compared to the previous year and were EUR 89 million (2007: EUR 33 million), or 1 percent of net sales (1%). Interest-bearing liabilities have increased as a result of the significant growth in net working capital over the year, growth investments and the extra dividend from 2007. The higher debt level has resulted in a nearly EUR 25 million increase in interest expenses from the comparison period. Foreign exchange losses of EUR 24 million (gains of EUR 7 million) are included in net financial expenses.

Our free cash flow in 2008 was EUR 29 million (EUR 198 million). Strong organic growth in the first half of the year made supply chain management more challenging, resulting in working capital being tied up in inventories.

Interest-bearing liabilities consist principally of bonds and fixed and variable interest-rate loans from international financial institutions. Net interest-bearing liabilities were EUR 1,099 million (EUR 540 million) at the end of 2008. Gearing was 75.7 percent (33.4%). Interest-bearing receivables and cash and equivalents amounted to EUR 336 million at the end of 2008 (EUR 279 million). We have a EUR 500 million revolving loan facility that was signed in 2006 with a syndicate of 14 banks. The loan facility was undrawn at the end of 2007 and 2008.

In February 2009, Standard & Poor's affirmed Metso's BBB long-term credit rating and changed our outlook from stable to negative. At the same time, the short-term corporate credit rating was lowered from A-2 to A-3. In January 2009, Moody's

Investor Service confirmed Metso's Baa2 long-term credit rating and changed the outlook from stable to negative.

GLOBAL ECONOMIC RECESSION IS REFLECTED IN MODERATE DIVIDEND PAYMENT

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

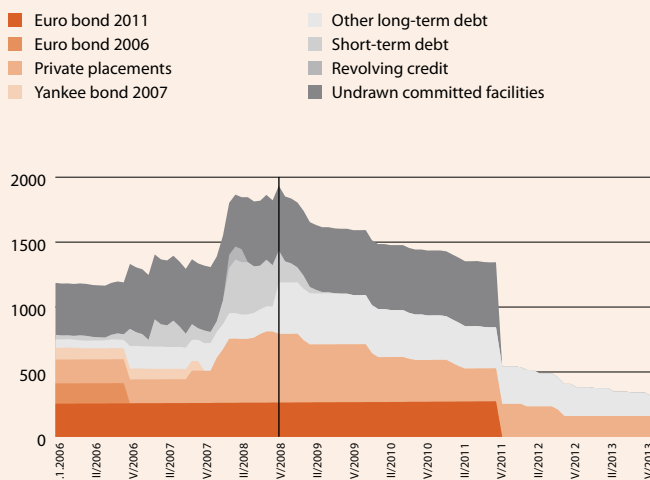
The good market situation during the first half of the year kept our profitability good in 2008, and earnings per share were EUR 2.75 (2006: EUR 2.69). However, the global economy weakened dramatically during the last half of the year, resulting in a recession. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.70 per share be distributed for 2008. This would be a total of EUR 99 million. The moderate dividend aims to secure balance sheet structure and maintain solvency also in an extended weak economic situation.

The Board is further proposing to the Annual General Meeting to authorize the Board to pay at its discretion an additional dividend of EUR 0.68 per share later in the year should Metso's financial position support the distribution of such additional dividend.

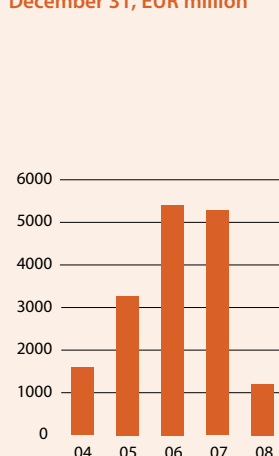
Dividends totaling EUR 425 million, i.e. EUR 3.00 per share, were paid for 2007 (2006: EUR 212 million). The dividend comprised an ordinary dividend of EUR 1.65 and an extra dividend of EUR 1.35.

At the end of 2008, our market capitalization, excluding own shares, was EUR 1,207 million, i.e. 77 percent lower than at the end of 2007. Our market capitalization in 2008 was EUR 5,461 million at its highest. When the dividends paid and the change in share price are taken into consideration, Metso's total shareholder return (TSR) in 2008 was negative 69.1 percent (positive 1.5%).

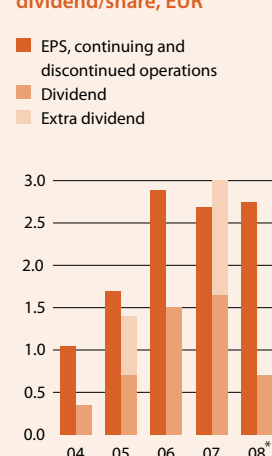
Debt and maturity structure, EUR million



Market capitalization on December 31, EUR million



Earnings/share and dividend/share, EUR



*) Board dividend proposal. The Board is further proposing possibly paying an additional dividend (max. EUR 0.68 per share) in 2009, should Metso's financial position support it.

Read more about our environmental policy and environmental management on our website at www.metso.com/sustainability > Environmental solutions

Environmental solutions

Environmental business responds to global environmental challenges

In the area of environmental responsibility, our focus is particularly on developing environmental technologies and offering eco-efficient solutions to our customers. Other important environmental responsibility focus areas are the eco-efficiency of our own production facilities, development of environmental management and advancing the eco-efficiency of our suppliers.

Our environmental business consists of products and services that reduce the environmental load and improve the quality of our customers' operations. Also in our own operations we aim for the efficient utilization of raw materials and other resources, reduced emissions and energy efficiency. In environmental issues, we interact with our key stakeholders, such as customers, personnel, NGOs, local communities and suppliers. One of our goals is to advance the environmental awareness of our employees and partners.

ENVIRONMENTAL RESPONSIBILITIES AND ENVIRONMENTAL MANAGEMENT

Our environmental management is based on Metso's environmental policy. We are committed to the Business Charter for Sustainable Development drawn up by the International Chamber of Commerce (ICC) and to the UN's Global Compact initiative. In the area of environmental responsibility, we take a precautionary approach, i.e. we do not offer solutions unless their environmental impacts have been assessed. In our own environmental management practices, we comply with ISO 14000 standards. We also try to anticipate the development of environmental legislation.

Our businesses are responsible for operative environmental management in areas such as product development, production, procurement, and quality and risk management. Our local management is always responsible for the environmental management of our production facilities. Our business lines are responsible for taking the environmental impacts of our products into consideration in product development. The Group's Vice President of Technology coordinates environmental management and is the Chairman of Metso's Environment Team. In environmental issues, he reports to the President and CEO. The Environment Team oversees the implementation of Metso's environmental policy and the quality of the units' environmental activities. The team defines the shared focus areas of environmental activities, develops environmental management and promotes the sharing of best environmental management practices at Metso.

Recognition for energy-efficient solution

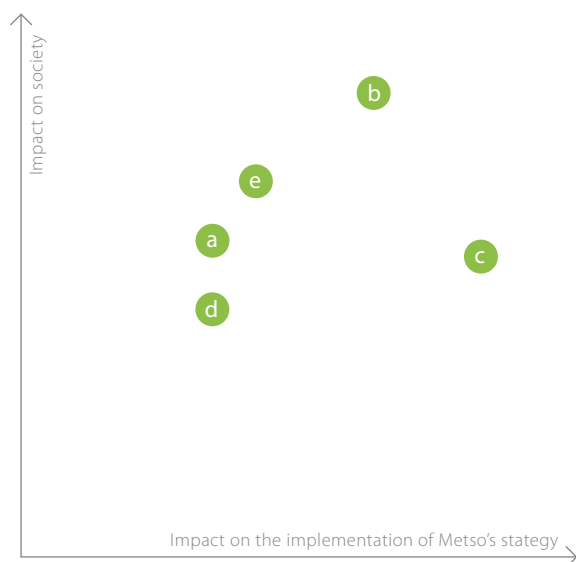
In 2008, Metso won Excellence Finland's Quality Innovation

of the Year award in the major corporations category. The award was given for the PowerDry Plus drying technology and for the

product used in drying paper and board coating. The competition jury noted that the innovation in this particular field repre-

sents an advancement for energy efficiency in the paper industry and will help the industry achieve its environmental goals.

Essential focus areas of environmental responsibility



- a) Eco-efficiency of own production facilities
- b) Climate change
- c) Growing the sales of environmental solutions and increasing the share of environmental technology in R&D
- d) Environmental management
- e) Eco-efficiency of subcontractors and supply chain

Impact on society and on Metso's business strategy

The figure presents some of the most essential and relevant environmental responsibility themes of our operations. The placement of themes reflects our strategic development focus areas. For example, we are shifting the focus in R&D activities to environmental technology and we are emphasizing the significance of the eco-efficiency of our solutions. Environmental management, however, is an important but rather established part of our operations, so it currently ranks lower in priority than the other themes.

Road map for Metso's environmental business and environmental responsibility

	2008	2009 ►
Development measures to support the climate change strategy	<ul style="list-style-type: none"> – Development and implementation of a new environmental reporting system – Planning of a Metso-wide energy-conservation program 	<ul style="list-style-type: none"> – Development of the reporting system continues – Action plans for the energy-conservation program
Bioproject	<ul style="list-style-type: none"> – Business development and acquisition of LignoBoost technology 	<ul style="list-style-type: none"> – Development continues
R&D	<ul style="list-style-type: none"> – Increasing investments in product development related to environmental business 	<ul style="list-style-type: none"> – Our goal in 2009 is to continue investing in environmental technology development
Metrics	<ul style="list-style-type: none"> – Development of environmental business and new operating structure; new Energy and Environmental Technology reporting segment 	<ul style="list-style-type: none"> – Environmental business and energy solutions a strong growth area for Metso
Supply chain	<ul style="list-style-type: none"> – Building a frame of reference and further specification of purchase agreements 	<ul style="list-style-type: none"> – Piloting in supplier network
Legislation monitoring	<ul style="list-style-type: none"> – Piloting and integration as part of Metso's Business Intelligence functions 	<ul style="list-style-type: none"> – Development of monitoring and integration to business development

Eco-efficient solutions for customers

Eco-efficiency is an integral part of the product and service portfolio we offer our customers. Our eco-efficient solutions produce added value for our customers during all phases of the production process life cycle, improve customer competitiveness and reduce adverse environmental impacts either directly or indirectly through the value chain. In 2008, 58 (2007: 61) percent of our net sales came from what the OECD defines as environmental business.

The environmental business solutions we offer are related particularly to renewable energy, the reduction of energy consumption in our customers' production processes, recycling, raw materials and water conservation, the reduction of dust, noise, waste, carbon dioxide and particle emissions, and process optimization.

We also offer training, maintenance and services related to our products. We take care of the entire production process life cycle and help ensure that the solutions are used correctly and in an environmentally sustainable manner.

STRONG FOUNDATION FOR DEVELOPMENT WORK

Our core competencies provide a solid foundation for the development of new environmental technologies and solutions. We believe that energy and environmental technology will offer Metso significant growth opportunities in the future. With our know-how, we can offer our customers new kinds of solutions, e.g. in the utilization of biofuels in energy production.

The availability of clean water is becoming a global challenge. We have developed solutions to reduce water consumption and utilize process waters more effectively.

ENERGY EFFICIENCY IS A COMPETITIVE ADVANTAGE FOR METSO

Energy efficiency is a key area of the environmental business and it links many of our solutions and customer sectors. The investments our customers make in energy efficiency have a direct impact on operating costs. With energy efficiency improvements, our customers can lower their energy costs and reduce their CO₂ emissions.

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

Crushing and grinding operations in the mining industry are very energy-intensive. The energy consumption in minerals processing depends on the mineral and the process. Lowering energy consumption in the mining industry has been an ongoing effort. We offer our mining industry customers process design and optimization, automation, wear and spare parts utilizing life-cycle assessments, and maintenance services. In addition to stationary plants, we also offer mobile crushing solutions that reduce the amount of emissions and dust in the mining and construction industry and improve work safety compared to stationary plants.

We are the leading supplier of equipment for metal recycling, and we specialize in the manufacture of mid-range and heavy-duty metal recycling equipment. Recycled material accounts for about 40 percent of the world's steel production, and the recycling rate for steel is 50 percent. It takes about 70 percent less energy to produce steel by



Advanced combustion control minimizes emissions from energy-from-waste plant

Ekokem Oy Ab started up Finland's first energy-from-waste plant built according to the EU requirements in Riihimäki in fall 2007. This new 55-MW plant uses source-separated municipal waste as fuel in addition to various kinds of industrial and commercial waste, turning it into district heating for about 19,000 households in nearby areas. The electricity generated exceeds the company's own needs, and the rest is sold to the national grid.

Metso supplied the plant with a metsoDNA CR automation

system as well as an information and reporting system.

The energy-from-waste process differs from combustion processes that use consistent-quality fuels, creating more challenges for controlling the process. The role of automation is emphasized in combustion management and waste handling. Automation reliability and the significance of controls are manifested as an even combustion process in which heat generation and combustion proceed as planned.

Both the Waste Incineration Directive and Ekokem's environmental permit set tight limits for the impurities released into the

melting recycled metals than to produce it from iron ore. Recycling metal also improves materials efficiency and decreases waste production. Many countries have laws making recycling mandatory.

In power generation, energy efficiency means the efficiency of converting fuel into electricity and heat. In combined heat and power production, the goal is usually to increase the share of electricity production. Important aspects in terms of energy efficiency also include high utilization of the plant and the possibility to use a range of different fuels. Achieving this goal requires improving the steam parameters and efficiency in addition to increasing the utilization and runnability – from optimization of the subprocesses to total process management.

Automation offers many possibilities to improve energy efficiency both in power generation and in the process industry. Energy savings occur when e.g. automation is used to select the best fuel and processes for each situation. With the right fuel choice, it is also possible to reduce carbon dioxide emissions and, ideally, to discontinue the use of fossil fuels entirely.

Our technologies in pulp and paper production cover all sub-areas, from wood handling to paper and board production. Also Metso's process automation and various services supporting production are a solid part of the portfolio. Our automation and control systems can increase process utilization and runnability, and optimization can also improve energy efficiency.

The solutions we offer for the pulp and paper industry reduce production line energy consumption. Among the solutions we have developed are energy-saving, high-efficiency pulp production solutions, paper-drying technologies, and heat recovery systems. Our

"Environmental business made up over half of our net sales of EUR

6,400 million"

maintenance services boost the productivity and energy efficiency of paper- and boardmaking lines. We conduct energy-efficiency analyses for existing paper machines and use the results to define clear energy-conservation targets.

EXAMPLES OF ENERGY SAVINGS WITH METSO'S SOLUTIONS:

- With an energy-efficiency analysis from Metso, the amount of energy a paper mill can potentially save in a year is equivalent to the electricity consumption of a town of 15,000.
- Metso's refiner segment solution reduces electricity consumption by 15–20 percent in the energy-intensive mechanical pulp production process – using the right refiner segment in the right place can bring an energy savings equivalent to the yearly energy consumption of 300 single-family homes heated with electricity.

air. Emissions monitoring and reporting are carried out with an emissions management application based on the metsoDNA CR system. It produces the information needed in the plant's real-time emissions monitoring and ensures that emissions calculation and reporting fulfill the requirements set by the law and the environmental permit.

Crusher optimization improves energy efficiency

Chilean mining company Codelco boosted its energy efficiency using our process optimization and cone crushers in conjunction with the expansion of its Adina Division copper mine. We focused specifically on the energy-intensive crushing phase and designed the crushing phase to complement the overall process. The mine produces some 248,000 tons of copper concentrate per year.

The mining process and its various phases were optimized to support the crushing of the ore into suitable fragments. The

formation of overly fine particles was prevented: Excessive grinding uses more energy.

The results have been better than expected: Less energy is used than the set target of 13.4 kWh per dry ground ton.

Process optimization eliminated the unnecessary use of the equipment, generated savings in service and maintenance and thus increased production uptime.



“R&D investments related to environmental business development totaled about EUR 50 million”

Research and development creates future business

Metso's research and product development plays an important role in the implementation of our business strategy and the advancement of sustainability. In 2008, we increased investments in R&D activities in areas supporting our strategy. In 2008, our investments in R&D including intellectual property rights, were a total of EUR 148 (2007: 129) million, i.e. 2.3 (2.1) percent of our net sales. Our investments into R&D programs and projects supporting the environmental business totaled an estimated EUR 50 (43) million.

In our R&D activities, we focus particularly on environmental technology and on developing knowledge-intensive services and the technologies to support them. The goals of our R&D activities include, for example, maximizing equipment performance, energy efficiency, reducing environmental impacts, minimizing the use of raw materials and developing service technologies. All this aims to decrease our customers' production costs and support sustainability.

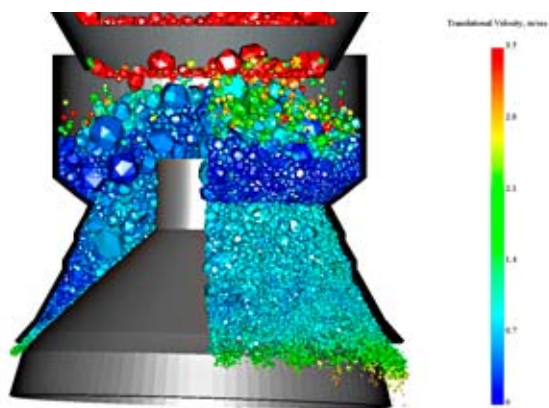
In addition to energy efficiency, R&D focus areas include smart solutions and materials technology. One important R&D topic for Metso is simulation and modeling, which will take on a stronger role as we develop solutions that use energy and materials more efficiently.

With modeling and simulations, we are able to innovate, design and produce machinery and processes for our customers' needs.

DEVELOPMENT OF OPEN INNOVATION ACTIVITIES

We carry out research and development collaboratively with our customers and subcontractors and with universities and research facilities. In line with our strategy, in 2008 we developed open innovation activities and increased partnerships with international universities and research facilities.

In addition to Nordic educational facilities, our network includes the South China University of Technology and the Massachusetts Institute of Technology (MIT), among others. We joined MIT's Industrial Liaison (ILP) program, which gives Metso access to research opportunities with MIT researchers. At the end of the year, we started cooperation projects with MIT in the materials technology field. Through partnerships, we have created new technology and business development opportunities. In Finland, we signed cooperation agreements with e.g. the JAMK University of Applied Sciences to build a test laboratory, and we launched a technology program with the University of Oulu and



A sectioned view of an MP1000 crusher in operation with the front wall of the cavity removed for clarity.

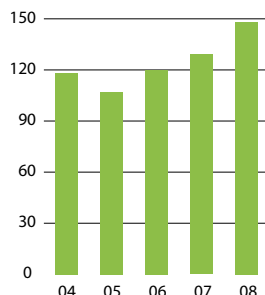
High-tech modeling contributes to more sustainable mining machines

Mining and the subsequent metals and minerals processing is an energy-intensive process. As part of improving sustainability, the mining industry is continuously looking for new ways to enhance energy and extraction efficiency, and thereby to reduce the carbon footprint of equipment. We support our mining industry customers by

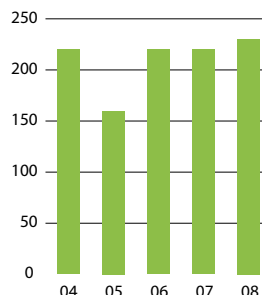
offering solutions for new and existing operations. Our Process Technology Center in Colorado Springs, Colorado, USA, is developing virtual machines based on sophisticated multi-physics models. The use of this technology is rare within the mining industry, making us the leader in simulating these complex problems.

Multi-physics modeling refers to the simultaneous application of more than one

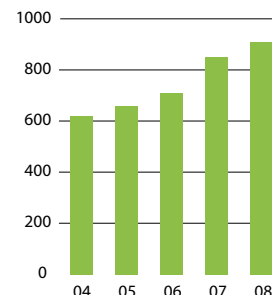
RTD expenditure (including IPR expenses), EUR million



Priority applications, pcs



Invention disclosures, pcs



UPM Oyj in Kajaani, Finland, to develop measuring and control solutions for the renewing chemical wood-processing industry.

In Finland, we joined FIMECC Oy (Finnish Metals and Engineering Competence Cluster) and CLEEN Oy (Cluster of Energy and Environment), representing leading edge know-how. These strategic centers of expertise create new, international research networks and application-based research content. For example, CLEEN Oy's focus areas include carbon-neutral energy production, distributed energy systems, efficient energy use, materials recycling and waste management. We continued our participation also in Forestcluster Ltd.

With Wärtsilä Oy, we established MW Power Oy, a joint venture focusing on renewable fuel-based heat and power plant solutions. Metso's fluidized bed combustion technology and Wärtsilä's grate technology enable the use of a wide range of fuels in power plants. The demand for power plants using renewable fuels has increased as a result of the need to reduce greenhouse-gas emissions, high energy prices and the growth in global energy consumption.

Acquisitions, such as the LignoBoost technology, have also accelerated the offering of new solutions. With LignoBoost technology, the

lignin in wood is separated from the chemicals used in the pulping process. The separated lignin can be used e.g. as biofuel, allowing the pulp mill to become a significant energy producer.

KEY R&D FIGURES

We monitor the success of our product development activities through, among other things, the number of product launches, investments targeting IPRs and patent applications. At the end of 2008, there were 905 (2007: 932) Metso employees working in product development, and our employees submitted 909 (850) invention disclosures that led to 230 (220) priority patent applications. At the end of the year, our patent portfolio included 3,028 (2,800) inventions.

We launched about 120 new products in 2008. A couple of examples of the products we introduced in 2008 include a wheel-mounted crushing plant and the paper machine quality control system PaperIQ Select.

We have close to 40 R&D units on four continents. About 75 percent of our R&D work is concentrated to Finland and other Nordic countries, but the emphasis is moving to emerging markets.

physics-based model to a system. The modeling can include any combination of particle or fluid motion, heat transfer, magnetics etc. Millions of particles, plus all of the interaction between the particles and the machine, are often modeled. The data generated makes it possible to analyze in detail how particles move through the grinder or crusher and how forces are applied to the particles. Modeling opens

up numerous opportunities to improve machine performance.

"Our aim is to provide a complete predictive capability for the performance of Metso's equipment, as well as to provide a service to our customers for the ongoing optimization of their operations. Upon completion of the product development work, we will be able to predict capacities, energy consumption, product gradations and life of wear components for many

of our applications," says Jens Lichter, Operations Manager, Process Technology, Mining business line.

Utilizing the physics models allows us to improve on the design and function of our minerals processing equipment and to innovate new machine designs. Modeling also allows us to provide our customers with design services for new plants or optimization services for existing operations. This, in turn,

benefits the environment, as any improvement in the efficiency of a mine or plant improves sustainability. Reduced energy consumption, improved mineral recovery, and better durability of wear parts all result in reductions in overall energy use, greenhouse-gas emissions, water consumption, and waste.



Aiming for energy conservation and emissions reductions also in our own operations

The key environmental aspects of our production facilities are related to the consumption of raw materials, energy and water, and to emissions and waste. We are improving our environmental performance through development efforts, by increasing energy and materials efficiency, and by reducing the use of hazardous materials. The environmental impacts of our own production are reported on pages 22–23.

NEW GOALS PROMOTING SUSTAINABILITY

We recognize in our operations the environmental and social threats caused by global climate change. We have integrated the impacts of climate change and our role in mitigating it into our business strategy. In accordance with the strategy, we are continuing efforts to reduce energy consumption in our own production facilities, and we are focusing on developing products that help reduce the environmental impacts of our customers' production operations.

Our 11 most energy-intensive sites in Finland joined the industrial energy conservation program in 2008. Under the agreement, we are committed to reducing our energy use by nine percent, i.e. as much as 40,000 MWh, by the end of 2016 at the Metso sites in question. That is the equivalent of the annual electricity consumption of about 1,330 single-family homes.

LEGISLATION AND INTERNATIONAL COMMITMENTS

We are developing a central and anticipatory environmental legislation monitoring system as part of our environmental business road map, because environmental legislation affects our own production and the demand for the products we manufacture.

In addition to country-specific legislation projects, also EU and UN projects and regulations affect our operations as well as those of our customers. Relevant examples include the LCP and Wl directives requiring real-time emissions monitoring for large combustion plants and the EuP directive for energy using products, the RoHS directive restricting the use of hazardous substances, and the WEEE directive for waste electrical and electronic equipment recycling.

In 2008, our units operating in the EU and European economic areas preregistered the chemical substances contained by our products in accordance with the EU's REACH directive. To ensure the preregistration of all the chemicals we use, we have engaged in an open dialogue with our subcontractors and suppliers about the obligations of the REACH directive.

LOCAL AND GLOBAL DEVELOPMENT PROJECTS

A sustainability manager was appointed in August 2008 to globally coordinate Metso's corporate responsibility projects. One of our goals

Sub-areas of the climate change strategy



is to develop responsible subcontracting by making sustainability criteria a more integral part of subcontracting decision processes. We strive to increase awareness of environmental issues both internally and among our suppliers.

We have also adopted various ways to reduce our own emissions and the carbon footprint of our office employees. Emissions limits have been set for our company cars in Finland and Sweden.

Our new global travel policy encourages traveling by train for short trips, and we are striving to reduce overall travel by using online meetings and web communication tools. In 2008, we organized nearly 16,000 (13,000) online meetings, in which 56,000 (39,000) Metso employees or partners participated.

"Our sites in Finland using the most energy joined the new energy conservation program"

Read more at
www.metso.com/sustainability > Environmental solutions

Environmental impacts of our production facilities

Our production facilities compile environmental targets and develop their environmental operations in accordance with our environmental policy. We implement environmental management practices in accordance with ISO 14001 standards. We discuss risk management on pages 20–27 of our Annual Report. Certified environmental systems cover 58 (60) percent of our production operations in proportion to the energy consumption of the units within the sphere of environmental reporting. We proportion the scope of our environmental system to energy consumption because our goal is to invest increasingly in energy efficiency and energy conservation.

ENVIRONMENTAL ACCIDENTS

In August 2008, iron dust escaped into the air from Metso's foundry in Jyväskylä, Finland. The accident was caused by a leak in the ventilation structures. Consequently, ferrous metal particles ended up on the surfaces of cars that were parked near the foundry. We have compensated the car owners for the damages.

NEW ENVIRONMENTAL REPORTING SYSTEM IN USE

We renewed our environmental reporting system in 2008. Like the previous system, our new system is based on GRI indicators and offers

EMISSIONS TO AIR

We monitor the emissions relevant to our own operations. The most significant emissions related to our operations are carbon dioxide and volatile organic compounds (VOC). Carbon dioxide is the most significant greenhouse gas affecting climate change. We have calculated our carbon dioxide emissions on the basis of fuel used and energy purchased. The calculation has been made using the GHG Protocol

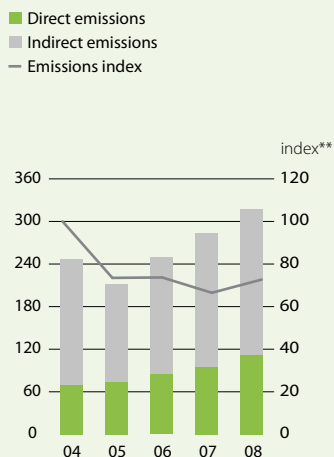
(scope 1 and 2). Our carbon dioxide emissions were 317,868 (284,044) tons. About 65 percent of our CO₂ emissions are created indirectly when the purchased electricity is produced elsewhere. The growth in total carbon dioxide emissions is due to the increased use of coal, natural gas and district heat. The single biggest factor was the emissions from our unit in China, where the winter season was exceptionally cold. Our VOC emissions are created in

the use of solvent-rich chemicals in foundry and painting processes and in washing components, for example. VOC emissions were about 806 (600) tons. The increase in VOC emissions was mainly due to expanded operations at a few factories. Some of our units generate part of the energy they consume themselves, which also causes small amounts of nitrogen oxide, sulfur dioxide and particles emissions.

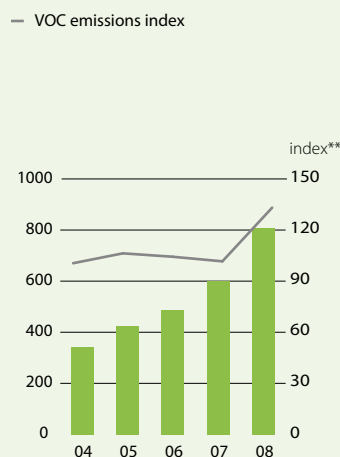
MATERIALS USE

The majority of the materials we use in our production are recyclable metals. In 2008, we used 275,734 (295,259) tons of metals. The reduction in materials use is due to, among other things the divestiture of the Karlstad foundry, decreased production and increased outsourcing in our Paper and Fiber business lines. We use only small amounts of hazardous materials and chemicals in our production. Scrap metal makes up

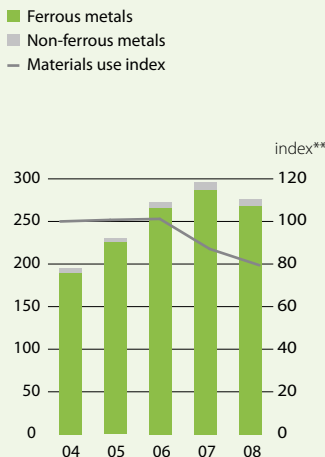
CO₂ Emissions, 1,000 t



VOC Emissions, t



Materials use*, 1,000 t



* In one of our units, materials use for 2007 was lower than previously reported. The figures for that year have been corrected in the 2008 report.

** The index is proportioned to Metso's net sales. For comparison, the baseline given for 2004 is 100.

our units a more practical tool for monitoring their own environmental figures. The system allows the units to get a variety of reports flexibly and to monitor the development of their environmental efficiency in different sub-areas. The system also improves the monitoring of the environmental efficiency throughout Metso. The reporting system is used in 92 of our units. All units that have production operations and that have operations with significant environmental impacts are included in the reporting. Our ownership in the production facilities within the sphere of the system is at least 50 percent.

RESPONSIBILITY OF THE PRODUCTION CHAIN

In our operations we focus on our core competencies, such as product development, design and delivering comprehensive solutions. We outsource many work phases, like welding and painting, as well as

semi-finished products, such as castings and forged components, to our subcontractors. This decreases the environmental load of our own operations, but emphasizes our responsibility for the environmental efficiency of our subcontractors. We develop the environmental efficiency of our supply chain through cooperation with different parties in the supply chain. We require our subcontractors to comply with local legislation and to identify their own environmental impacts. We monitor the realization of environmental impacts also through supplier assessments. We require our subcontractors and suppliers to be familiar with our environmental policy and the International Chamber of Commerce's Business Charter for Sustainable Development that we have endorsed. Our subcontractors must comply with our Code of Conduct or with their own operating principles that are similar in content.

about 80 percent of our foundries' raw materials.

ENERGY USE

Some of our production is energy intensive. The majority of our energy consumption is in the form of electricity, natural gas and district heat. Fuel oil is used by some units for their own needs, and one of our units uses coal. Our total energy consumption was 4,044 (3,744) TJ. The increase in energy consumption is mainly due to

the growth in the use of coal, natural gas and district heat. The reported total energy consumption includes the electricity, heat and fuels used by our units and in our processes. The figure does not include the fuels used in transportation and vehicles.

WATER CONSUMPTION

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

consumers of water. Our water consumption was 1,905,946 (1,811,027) cubic meters. Additionally, we use recycled industrial water for cooling purposes at foundries.

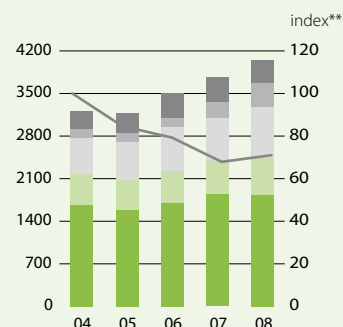
WASTE

The waste generated by our operations includes metal, wood, cardboard, paper and municipal waste. A significant part of the waste is recyclable metal and other recyclable materials. Waste is recycled in

compliance with local regulations and whenever possible. Our operations generated a total of 124,409 (123,041) tons of waste. Our operations generate small amounts of hazardous waste, such as oils, cutting fluids and paints, which we deliver to hazardous waste disposal facilities. About 8,165 (7,875) tons of hazardous waste was generated.

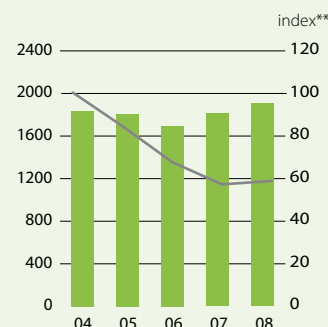
Energy use*, TJ

■ Electricity ■ Coal
■ District heat ■ Oil
■ Natural gas
— Energy consumption index



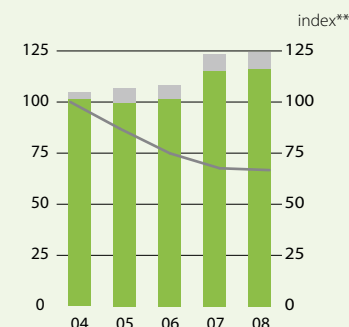
Water consumption, 1,000 m³

— Water consumption index



Waste, 1,000 t

■ Non-hazardous
■ Hazardous
— Waste index



* Fuel adjustment factors have been updated, so the figures related to 2004–2007 have been changed to correspond with the new factors.

** The index is proportioned to Metso's net sales. For comparison, the baseline given for 2004 is 100.

Our Code of Conduct is available at
www.metso.com > About us > Code of Conduct

Human capital

Human resources management around the world

Our social responsibility is primarily the responsibility we have for our employees and their working conditions. Additionally, we provide jobs and income for our subcontractors and other partners. We also participate in activities that promote the well-being of local communities around the world.

Our operations are built upon our values: Customer success, profitable innovation, professional development and personal commitment. In all our stakeholder interactions, we observe our Code of Conduct as well as local and international laws and regulations. The Code of Conduct supports Metso's sustainable development and it functions as commonly accepted guidelines for us and for the stakeholders in our supply chain as well as a foundation for decision-making. The Code of Conduct creates a uniform platform for all businesses and job duties.

Our Code of Conduct is based on 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 incorporated into our Code of Conduct. Metso recognizes the right of employees to join trade unions and to make collective bargaining agreements, and Metso's employees have the freedom to organize.

In our business strategy we emphasize personnel leadership and competence development. In 2007, we launched Metso Human Capital 2010, a program to help develop processes and systems for personnel leadership and the human resources management organization. We achieved the first-phase goals of the program in late 2008.

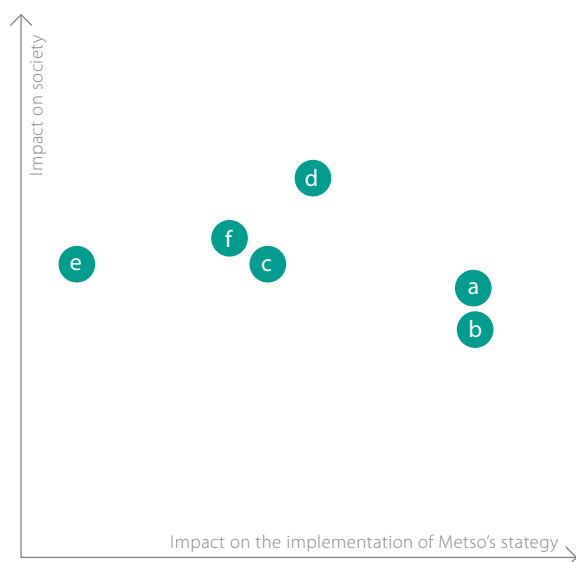
To succeed in global markets, we want to operate more strongly as one Metso. This means, for example, implementing best practices throughout Metso. We share best practices in our HR functions to develop training programs that create synergies in personnel processes and to develop our employer image.

At the end of 2008, we had to adjust our production capacity and personnel strength to correspond with the weakened demand and project delays resulting from the global recession. In addition, a permanent decrease in the pulp and paper industry's demand situation affects the scope of the necessary adjustment measures, particularly in Finland and Sweden.

PERSONNEL STRUCTURE

The number of employees increased by nine percent as a result of the growth in operations, and at the end of 2008 was 29,322 (2007: 26,837). We strengthened our presence especially in emerging markets. The biggest personnel growth was in the Mining and Construction Technology segment and, geographically, in the Asia-Pacific region. Females accounted for 17 (18) percent of our workforce. Six percent of the females worked in management positions. Two percent of all female managers were members of executive teams.

Essential focus areas of social responsibility



- a) Competence development
- b) Attracting talent
- c) Occupational health and safety (OHS)
- d) Code of Conduct
- e) Disaster relief (pages 32–33)
- f) Sponsorships (pages 31–33)

Impact on society and on Metso's business strategy

The figure presents some of the most essential and relevant social responsibility themes of our operations. We focus on the competence development of our employees and we

emphasize attracting talent. Employee occupational health and safety are an integrated and statutory part of our operations, while, at the same time, they are also an essential part of continuous development efforts. Our Code of Conduct is important in all interactions.

Our key stakeholders in terms of social responsibility are employees, shareholders, customers, subcontractors, educational and research facilities, NGOs, community decision-makers, and civic organizations. The assessment of the priority of themes important to Metso's stakeholders is based on discussions with them and on topics raised in various forums.

HR management development plan

Goal	2008	2009 ►
Excellent opportunities for personal development and training	<ul style="list-style-type: none"> – 360° feedback process is launch ready – Management Resource Review tool renewed and process defined – Identification and development of Talent Pipeline and Talent Pools – Talent Development Portfolio 2009 development – New Hire Survey 	<ul style="list-style-type: none"> – Majority of target group within sphere of 360° feedback process – Development of Talent Development Portfolio content – Development of common recruitment process to respond to business needs; defining the common orientation concept – Regional training services concept defined for all Metso areas of operation – Metso MBA and Trainee Programs, content defined
Making Metso employees' occupational well-being a priority and fulfilling high standards worldwide	<ul style="list-style-type: none"> – OHS Monitor (Occupational Health and Safety) tested and piloted in major Finnish units – Significance of occupational health on results addressed as a concept of the price of undone work – OHS policy and communications material defined 	<ul style="list-style-type: none"> – OHS Monitor covers 80% of employees – OHS operating environment defined globally – Metso's occupational well-being program indicators defined – OHS Monitor's sickness absence element defined and tested
Strong corporate culture nurturing diversity, respect and performance	<ul style="list-style-type: none"> – Communicating Metso's Code of Conduct and Metso's management vision 	<ul style="list-style-type: none"> – Embracing diversity and better use of the strengths and capabilities of Metso employees

Of our personnel, 97 percent were employed full-time and three percent part-time. Permanent employees, both full-time and part-time, made up 95 (98) percent of the personnel structure. The total employee turnover was 11 (10) percent. The age structure of the personnel has become more balanced. The average age of employees was 42 years and the average length of service was approximately 13 years.

Organizationally, our employees are divided among the following reporting segments: Mining and Construction Technology 38 percent, Energy and Environmental Technology 22 percent, Paper and Fiber Technology 36 percent, and Valmet Automotive, shared service centers and Group Head Office 4 percent. The countries with the most Metso employees were Finland, United States, Sweden, China and Brazil. These five countries accounted for 70 percent of Metso Group's total workforce. We paid a total of EUR 1,066 (1,036) million in wages and salaries, excluding indirect employee expenses, i.e. 17 percent of net sales. Wage and salary decisions at Metso are based on equality and diversity and are determined on the basis of how demanding the job is.

HR POLICY AND ADJUSTMENT MEASURES

The global recession at the end of 2008 accelerated our need to adjust our capacity and resources to correspond with the pulp and paper industry's permanently weakened demand. The pulp and paper industry's investments in upcoming years are expected to drop by about one third compared to 2004–2008. New investments are focused more strongly on Asia and South America. Some projects were rescheduled or postponed, resulting to temporary lay-offs and permanent personnel reductions at many of our sites in the last half of 2008.

At the beginning of 2009, we started personnel negotiations regarding employee reductions in Finnish units serving the paper industry. The reduction is estimated to affect a total of 900–1,200 employees. Approximately 4,700 employees work in the units subject to the personnel negotiations. As a result of personnel negotiations at the end of 2008 about 140 employees were let go in the Paper and Fiber business lines' units in Sweden.

Short-term demand outlook has weakened significantly also in the Mining and Construction Technology segment. At the beginning of

2009, we initiated personnel negotiations concerning the temporary lay-off and reduction of Mining and Construction Technology segment personnel in Finland. According to a preliminary plan, we are preparing for temporary lay-offs of varying lengths and a total of about 200 permanent job reductions. At the end of 2008, Metso reduced a total of 170 jobs in the Construction business line's units in France, New Zealand and the United States. Negotiations to reduce personnel were initiated in Sweden.

The notice times vary by country and depend on local legislation, and therefore we do not have extensive global policies in case of significant changes in operations. In many countries, legislation determines the operational changes that employees or their representatives must be notified of or negotiations held with them.

REGULAR INTERNAL INTERACTION

To boost the interaction of executive management and to support the implementation of Metso's global strategy, in the latter part of the year the Metso Executive Forum (MEF) was established alongside the Metso Executive Team. MEF consists of management of key business lines and geographical regions as well as Executive Team members.

In the global recession we need more internal collaboration, flexible use of resources, sharing of best practices, and the use of all of Metso's strengths.

In February 2008, over 40 Metso executives from around the world participated in the Top Executive Meeting. The meeting was chaired by President and CEO Jorma Eloranta. The three-day meeting, which is also a part of the management leadership training, focused on Metso's business outlook, utilizing hidden talents, and strategic agility, among other things.

European Works Council for our employees, Metso Forum, convened in Finland in May 2008. A total of 39 employee representatives from Finland (21), Sweden (7), France (3), Germany (4), Great Britain (2) and Italy (2) participated in Metso Forum 2008. Also several of our upper management representatives participated in the meeting. Among the themes were Metso's strategy, business environment and occupational well-being. Metso Forum is an opportunity for



A work community that works – with help from TellUs

Metso's first Group-wide job satisfaction survey, TellUs, was conducted in October 2007. The survey was translated into 16 languages and 16,833 Metso employees in 37 countries participated.

In all, 500 development projects and 1,000 action plans were recorded as TellUs initiatives. One of these projects carried out in the Mining business line in Chile and involved 570 employees.

"The identified targets of development were related to the work load of the entire company and to the atmosphere at the Concón plant in particular. Some of the proposed work-load suggestions included improving time management and the distribution of job duties, optimizing processes and investing significantly in technical resources," says Administrative Managing Director Marcelo Iannello. Other actions to support employee job performance included personal

our employees to engage in an open dialogue about company issues, such as investment plans, quality of products and operations and production development.

TRAINING AND PROFESSIONAL DEVELOPMENT

Our Talent Development Portfolio has been developed and new elements have been added based on the needs that have emerged during 2008. The goal of the our Talent Pipeline project is to identify and assess future management and key expert potential and to support the development of business and personal skills. Talent Pipeline offers effective and motivating competence development opportunities for our Talent Pool. In 2008, a total of about 200 (150) our employees participated in the global training programs launched in 2007. We also revamped our Management Resource Review to support the development of Metso's leadership talent.

We tested and successfully adopted the new 360° feedback process tool for managers. 360° feedback consists of assessments by the supervisor, colleagues and subordinates and a self-assessment. Feedback from the assessment develops supervisory skills.

In 2008, 54 (57) percent of Metso's employees went through the Performance Review Process with their supervisor. In the Performance Review Process, the achievement of personal performance goals and the need for training and development were assessed. A bonus system based on company performance and individual achievements covered 61 percent of employees. EUR 35.6 (42.1) million was paid in performance bonuses.

In training, we are doing more Metso-wide collaboration. We organize joint training programs for all Metso units operating in the same geographical area. For example, in 2008 we established Finnish training team to produce common training for all Finnish units. The goal has been to improve the quality, continuity, cost-effectiveness and professional approach of the training. The method has increased the networking and collaboration of experts across businesses.

Metso's training expenses, not including the cost of wages and salaries for the participants, totaled EUR 17 (14) million in 2008. On average, 2.8 (2.6) training days per Metso employee were held.



We initiated a survey in order to formulate an overall picture of employees' views on recruiting, commitment and career development. In October 2008, we launched the New Hire Survey to shed light on the recruiting experiences, job satisfaction and career plans of employees who had been with Metso for less than a year. The survey response rate was 67 percent (N=1347). The survey results were passable. The possibility of a clear distinction between work and free-time was seen as a strength. Professional training and development and the orientation process were seen as future improvement areas. Based on the survey results, our focus area in 2009 is defining a Metso-wide common recruiting process and strengthening the common orientation concept.

coaching for managers, systematic reviewing of Metso's strategy and values, and improvements to the recruiting process.

Metso's Concón plant employs 73 people. "After discussing what actions were needed to improve the atmosphere at the plant, an employee health and safety campaign was launched and it included first-aid training and improvements to the physical work environment," says HR Manager César Jiménez. "The internal communications and the

marketing of the improvement actions played a crucial role in the success of the campaign," Jiménez notes. Development measures are tracked and feedback is collected at seminars and in focus groups.

"As a result of the successful development measures, the technical processes are more efficient and the management practices and leadership development have clearly improved. The relations between white- and blue-collar employees are better and

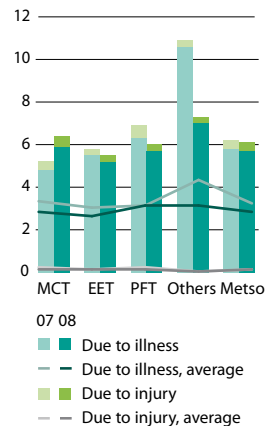
there's been a shift to a corporate culture that is based more on a collaborative, customer-oriented way of working together."

"Metso has received recognition also in Chile: It was chosen from among 400 peer organizations as the recipient of a National Award of Excellence for preventing accidents at work and promoting occupational health," Iannello proudly reports.

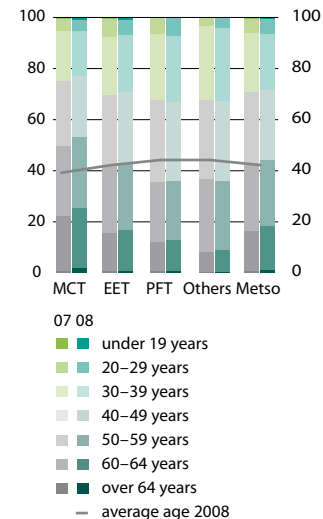
"Feedback from the assessment develops supervisory skills"

MCT Mining and Construction Technology
 EET Energy and Environmental Technology
 PFT Paper and Fiber Technology
 Others Group Head Office, Valmet Automotive and Metso Shared Services
 Metso Metso Group

Illness- and injury-related absences, days per person*



Age structure, % of personnel



AIMING FOR A SAFE AND HEALTHY WORK ENVIRONMENT

Our occupational well-being program launched in 2007 continued in 2008. Several initiatives have been made to improve job satisfaction and work safety and to reduce absences. The Metso-wide occupational health and safety policy was reviewed and we systematically monitor compliance with the policy. The new occupational health and safety monitoring system OHS-Monitor was piloted in 2008 and we will adopt it throughout Metso during 2009. Our goal is to increase safety awareness and get all employees to take more personal responsibility for work safety issues.

Work safety committees provide guidance in units in implementing work safety programs and assist in monitoring them. Joint employee/employer committees review all topical safety issues. The committees represent our entire personnel and operate at sites that have an average of 30+ employees. Employee orientation, continuous training,

risk assessment, and systematic monitoring of and compliance with local legislation are the foundation for our occupational safety management.

We support high-quality working conditions, the prevention of work-related illnesses, and the promotion of occupational health. We require our subcontractors and partners to comply with the same occupational safety guidelines that our own employees follow.

In 2008, there were an average of 5.7 days of absence per person; 167,980 days of absence were due to illness and 11,178 were injury-related. There were three work-related fatalities. The number of work-related illnesses was 175 and work-related injuries 843. The number of disability pensions was 27. An estimated total of 56,041 hours (an average of two hours per person) of classroom training on work safety was given.

Some of the participants of the Navigator training program in Lausanne, Switzerland

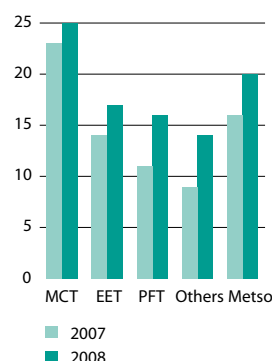


Feedback guides development of training programs

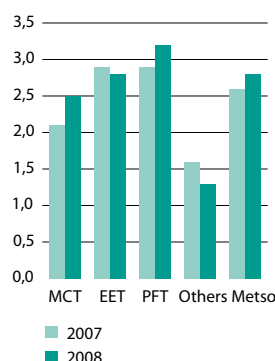
In 2008, we launched a new, global training portfolio. The focus was on developing leadership skills while addressing also today's needs, such as strengthening project management competence. Nearly 200 Metso employees participated in 1,590 training days. Feedback from the participants indicated that our global training programs were high-quality and beneficial.

We are continuously developing our training portfolio. This means carefully and meticulously

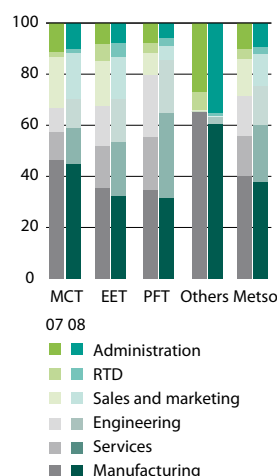
**Recruitment,
% of personnel***



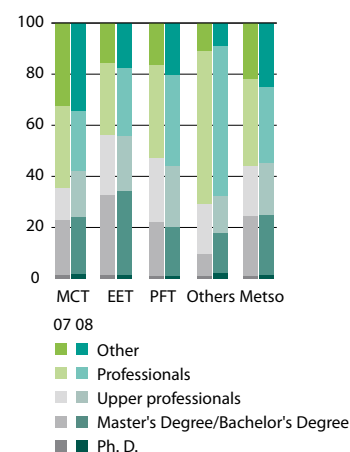
**Training days,
average per person***



**Personnel by function,
% of personnel**



**Education level,
% of personnel***



*The figures for 2007 are pro forma figures because of the operating structure change. They are not fully comparable with 2008 figures.

METSO HUMAN CAPITAL 2010 PROGRAM

The Metso Human Capital 2010 program was launched in 2007 to develop human resources management and the related processes, systems and organization. The programme achieved its first-phase goals in 2008. In the performance and bonus management sub-area, we improved the current Performance Review Process (PRP) to correspond better with employee needs, e.g. in terms of goal-setting. In the talent development sub-area, we revamped the Management Resource Review. To improve occupational well-being, we systematically developed a global assessment and management system by implementing a monitoring system for safety issues.

To improve the reporting related to personnel, we launched management's regular Human Capital reports. Based on an initiative in the Group's TellUs job satisfaction survey, we launched the development and renewal of Metso's compensation system, including short-

and long-term incentive bonuses and a global job grading system. Implementation will begin in 2009.

To support Metso Group's current business structure, the HR operating model will be renewed. Accordingly, the HR functions consist of a common Service Center and a Center of Expertise, as well as the HR Business Partners supporting the businesses. The new structure enables us to offer high-quality HR services and processes, and to bring in operational savings. In 2008, we also redefined the global HR processes and responsibilities to correspond with the new business structure.

As part of the Metso Human Capital 2010 program, a decision was made to acquire a new, global HR information system. The implementation of the new HR operating model and information system is under way and will continue as part of the Metso Human Capital 2010 program.

reviewing the feedback and improvement suggestions we receive. We employ several feedback methods: We collect feedback through discussions during a training program, immediately after a program, and then again about one week after the training. The feedback helps to shape the training structure, the training methods and e.g. the cases supporting the learning process.

Project-based learning

We assess the long-term effectiveness of the training after a sufficient time has passed, so that we can see the real impact of the training. We look at what was learned in comparison to the expectations and needs. It is only by networking and sharing the new knowledge with one's own work community and stakeholders that the competencies become useful. In addition to defining development needs, every Performance Review should also assess advancements in competence.

We firmly believe in the importance of project work in the learning process. That is why all our training programs incorporate project work to find solutions for strategic and operative issues. The "Must-Win-Battle" process tool is very effective for large-scale efforts, but also small projects can achieve good results. In the new Compass program for team leaders, we are piloting the use of virtual projects, and we are testing the use of social media, among other things, in learning.

More information at
www.metso.com/sustainability > Management systems

Management systems

New operating model accelerates strategy execution

Our supreme decision-making body is the shareholders at the Annual General Meeting, which is held once a year before the end of June. The Board of Directors (Board), elected by the Annual General Meeting and assisted by the company's top management, holds the executive power. A representative of our personnel groups participates in Board meetings as an expert member. The Board and the Executive Team are presented on pages 144–147 of our Annual Report.

The President and CEO (CEO) and other members appointed by the Board constitute the Metso Executive Team. It assists the CEO in the preparation of e.g. business plans, strategy, Code of Conduct and other matters of joint importance. In 2008, Metso Executive Forum was established alongside the Executive Team. The members of the Executive Team and the representatives of our key businesses and market areas form the Metso Executive Forum. The purpose of the Executive Forum is to improve communication within Metso, to make the sharing of best practices more efficient and to support strategy execution.

NEW OPERATING MODEL

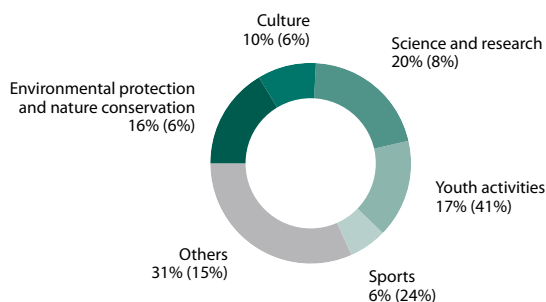
Our new operating structure and management model were implemented on December 1, 2008. The goal is to accelerate strategy execution, increase our ability to react to changes in the operating environment, and reduce organizational overlapping. Metso's core is formed by business lines that serve our customer industries. Our business lines are: Mining, Construction, Power, Automation, Recycling, Paper, Fiber and Tissue. The business lines' operations are supported by our three reporting segments: Mining and Construction Technology, Energy and Environmental Technology, and Paper and Fiber Technology. The presidents of Metso's business lines hold profit and loss accountability for the daily management of their respective businesses and report to the president of their respective segments.

SUSTAINABILITY MANAGEMENT

The financial, social and environmental aspects of sustainable development are part of the strategic planning and quality assessment of the Group Head Office and the reporting segments. Sustainability and its management are the responsibility of the CEO. The Corporate Social Responsibility (CSR) team, headed by the Senior Vice President, Strategy and M&A, coordinates sustainability issues.

The CSR team has representatives from procurement, HR, risk management, finance, communications, stakeholder relations and the environmental team. In addition to environmental expertise, the CSR team also has quality and technology perspectives represented. Proposals by the CSR team and by the working groups appointed by it are addressed by the Metso Executive Team when needed. Sustainability issues are also reviewed in the new Metso Executive Forum.

Support for non-profit organizations EUR 902,000



Sustainability management at Metso



INTERNAL AUDIT AND RISK MANAGEMENT

We have created an internal audit program, the Metso Compliance program, which aims to ensure the functionality of Metso's internal controls. Internal audit, assisted by approximately 30 specially trained Metso testers from different parts of the organization, is responsible for the program, which was launched in 2007. In addition to audit visits, in 2008, we focused on adopting standards, internal communications, building processes to share best practices, and on training testers. In 2007–2008, we tested 84 units and IT systems, 62 of them during 2008. We have initiated corrective measures in 38 units and systems. Our goal is to test the bigger units every two years and the smaller units every three years.

We have a contact channel, maintained by an independent service provider, to which Metso employees and our partners can confidentially report suspected financial misconduct. During 2008, we received 7 (5) reports of suspected financial misconduct via the channel. Additionally, internal audit received 4 direct contacts. Upon a more careful investigation, two cases were classified as misconduct. No cases of financial misconduct were uncovered in conjunction with internal audits. The two cases of misconduct did not have an impact on the financial results we reported.

Risk management is an integral part of the management of our operations. Its task is to support the achievement of our objectives and to secure the continuity of our operations. Our risk management is discussed in more detail on pages 20–27 of our Annual Report.

Active stakeholder relations

We have employees in about 50 countries and customers in more than 100 countries. We support the principles of the UN's Universal Declaration of Human Rights and we recognize the basic labor rights stated by the International Labor Organization. We are committed to the goals of the UN's Global Compact initiative. We do not use child labor or engage subcontractors or suppliers that do so. We require our

subcontractors and suppliers to comply with our Code of Conduct or with their own operating principles that are similar in content. Good relations with local communities are increasingly important for us as we expand our operations to new areas.

Many countries in emerging markets expect the major companies operating locally to shoulder their corporate social responsibility

Stakeholder groups	Expectations	Interaction channels for collaboration	Our tools	Responsibility
Customers	Quality, operational reliability, return on investments, environmentally sound solutions, comprehensive and local services, supplementing own expertise	Regular customer meetings and direct customer contacts, fairs, seminars, extranets, customer satisfaction surveys, supplier certifications, industry organizations	Code of Conduct and supplementary guidelines, guidelines on compliance with antitrust legislation and on the prevention of misconduct, risk management policy, environmental policy	Sales, project and maintenance organizations, customer relations experts, research and development, management at all levels
Personnel	Remuneration and incentives, professional development as well as personal and work community success, job satisfaction and safety, equality, supportive work community	Performance reviews, intranet, employee magazines, training, job satisfaction surveys, collaboration, occupational safety committees, Metso Forum, Personnel cooperation group in Finland	Values, Code of Conduct, corporate governance, incentive policy, recruitment guidelines, guidelines on the prevention of misconduct, equality policy, anti-drug policy, guidelines for expatriates, guidelines on independent studying and advanced studies	Supervisors, human resources management, management
Investors and shareholders	Return on investment, creditworthiness, transparency, compliance with sustainability principles, reliable, sufficient and up-to-date information about the company's operations	Annual General Meeting, investor events, investor and analyst meetings, Capital Markets Day, financial and non-financial reporting, press releases, news conferences and webcasts, website, sustainability index questionnaires	Corporate governance, Code of Conduct, Group strategy and financial targets, principles of investor relations, guidelines and recommendations by authorities and stock exchanges	Investor relations, management, Finance, Treasury, Communications
Suppliers	Income, growth, operational reliability, development, networking, internationalization	Regular meetings and direct contact, training and development events, supplier audits, electronic procurement systems, extranets	Purchase contracts, partnering agreements, general purchase conditions, guidelines on preventing misconduct, risk management principles, Global Compact	Production, procurement and product development organizations, unit management, management
Media	Reliable, sufficient and up-to-date information about the company's operations	Press events and interviews, press seminars and conferences, press trips, media service section on the internet, press releases, financial and non-financial reporting, corporate image surveys	Communications' operating principles and guidelines, disclosure policy, guidelines and recommendations by authorities and stock exchanges	Communications, management, experts
Community	Regional and local well-being, good corporate citizenship, taxes, employment opportunities	Community development projects, meetings and events, legislative work, dialogue with trade and civic organizations, internet, media coverage, expert organizations	Corporate governance, Code of Conduct, compliance with guidelines and recommendations, participation in the UN's Global Compact initiative and in the activities of the CSR Alliance, the Business in Society working group of the International Chamber of Commerce ICC and national industrial organizations	Work site, business line and segment management, stakeholder relations, communications, management
Schools and research institutes	Research cooperation, networking, employment opportunities	Research and development projects, research collaboration, job and trainee positions, student visits, lectures	Framework and project-specific agreements, Code of Conduct, intellectual property rights policy	R&D organization, human resources management, management

by supporting local communities. We encourage our units and employees to participate in activities that advance the well-being of local communities.

Our sponsorship activities comply with our Code of Conduct. The responsibility for international and national sponsorship projects generally rests with the Group Head Office. Our reporting segments are responsible for the local community and stakeholder activities and

for the student collaboration related to and supportive of their business operations.

We have focused our sponsorships and support primarily on youth activities, science and research, culture, and environmental and nature conservation. In 2008, the total amount of our support for non-profit organizations was EUR 902,000 (498,000).



Brazilian Fishing Project provides resources for working and for life

An old proverb says that it's better to teach a man to fish than to give a man a fish. For fifteen years, we have participated in the Fishing Project, which puts this idea into practice. Through the project, we have trained 300 disadvantaged young people in our vocational school in Sorocaba. In 2008, we launched two new training groups with a total of 38 new students. The training covers traditional subjects, like math, Portuguese and arts as well as mechanical and vocational skills. Ninety percent of the training participants have a job today. Some have continued their education successfully at the university level.

Metso is involved in over 20 different community development projects in Brazil, often in collaboration with local players. The Cultural Metso project has, for example, coordinated theatrical performances and park concerts in Sorocaba.



Help for earthquake victims in China

To help the victims of the Sichuan earthquake in 2008, our personnel in China collected a significant amount of donations, to which we supplemented with a company donation. Additionally, we provided a Lokotrack mobile crusher for use in the recovery effort. Our sites in China are not located in the earthquake area, but the homes of some Metso employees were destroyed in the quake.

Clean water project together with Plan

Contaminated water is the cause of a lot of absences from school and work, and it decreases productivity. A solution is often a matter of a relatively small investment and increased awareness. Together with the global development organization Plan International, we have launched a drinking water project in Chunchua, in the Shaanxi province of China. Through the project, over 1,100 families will have access to clean water upon being connected to the water system.

www.plan-international.org/wherewework/asia/china/

Support for SOS Children's Villages in South Africa and India

SOS Children's Villages provide orphaned and homeless children a safe environment in which

to grow. We are long-time supporters of South Africa's Rustenburg and Ennerdale SOS Children's Villages.

The children's villages comprise 10–16 family homes, each with

8–10 children and a SOS mother – a permanent support person for the children in the house. We sponsor SOS Children's Villages also in Faridabad, India, where, in addition to a family home,

the support targets a vocational training program for youth.

www.sos-childrensvillages.org

The report is supplemented by our Annual Report and the sustainability pages on our website
www.metso.com/sustainability



Reporting principles

Our 2008 Sustainability Report is based on the indicators of the Global Reporting Initiative's (GRI) G3 Guidelines. The Global Reporting Initiative is an international, independent and multi-stakeholder network that develops and publishes guidelines related to sustainability reporting. We have selected indicators from the G3 Guidelines that are most relevant in terms of our operations, products and stakeholders. We have defined our most essential and topical sustainability focus areas in 2008. The focus areas are presented on the pages 7, 15 and 25 of the report. We estimate that the contents of the report are consistent with level B reporting of the GRI's G3 Guidelines. A comparison of the report data against G3 Guidelines and the UN Global Compact initiative is presented on pages 35–36.

The sustainability key indicators complementing the financial statements are unaudited. The quality of the environmental data has been assessed with an external consultant. The reporting of environmental expenses and responsibilities is based on the Finnish Accounting Act. We have internally verified the quality and reliability of the data presented.

SCOPE OF THE REPORT AND DATA COLLECTION

We renewed our operating structure as of December 1, 2008 and organized our business into three reporting segments. In our report, we present the figures for 2007, when comparable, in parentheses. At the company level, the report includes the parent company and our most significant subsidiaries. The report does not cover our associated companies, joint ventures or supply chain companies. In our financial reporting, we follow International Financial Reporting Standards (IFRS). Our financial reporting system data covers all Metso units in accordance with IFRS. Sustainability information is published as a separate report in conjunction with the Annual Report. The previous Sustainability Report was published in March 2008.

Information describing economic responsibility, excluding procurement figures, is based on accounting and audited financial statements. Procurement data is used in the internal management of operations and is unaudited.

Our HR management is responsible for collecting and reporting personnel data, and the data covers our entire Group. The data in the financial statements is obtained in conjunction with the financial reporting. The supplementary data is obtained from the Group-wide database into which our segments report their HR figures.



We collect environmental data into a reporting system that includes 92 (96) of our units with the most significant environmental impacts or production. Our new environmental reporting system is described on pages 22–23. The units are responsible for the accuracy of the information they report. Data related to research and development is collected from research and development units every six months through a survey. The reporting segments are responsible for the accuracy of the figures.

GRI content index

Comparison with the guidelines of the Global Reporting Initiative and the principles of Global Compact

GRI guidelines		Status, pages		Comments/Remarks	Global Compact
Code	Content				
Profile					
Strategy and Analysis					
1.1.	CEO's statement	■	2		
1.2.	Key impacts, risks and opportunities	■	3–5, AR 20–27		
Organizational Profile					
2.1.	Name of the organization	■	Inside front cover		
2.2.	Primary brands, products and services	■	AR 2–3, 30–31	www.metso.com	
2.3.	Operational structure	■	30		
2.4.	Location of organization's headquarters	■	AR inside back cover	www.metso.com > Contact us	
2.5.	Number of countries and location of operations	■	8–11, AR 2–3		
2.6.	Nature of ownership and legal form	■	AR 63, 137–138		
2.7.	Markets served	■	8–11, AR 12–18		
2.8.	Scale of reporting organization	■	12–13, AR 2–3		
2.9.	Significant changes	■	34, AR 30–31		
2.10.	Awards received in the reporting period	■	14, 27		
Report Parameters					
3.1.	Reporting period	■	34, inside back cover		
3.2.	Date of most recent report	■	34		
3.3.	Reporting cycle	■	34		
3.4.	Contact point for questions	■	Inside back cover		
Report Scope and Boundary					
3.5.	Process for defining report content	■	34		
3.6.	Boundary of the report	■	22–23, 34		
3.7.	Limitations on the report's scope or boundary	■	22–23, 34		
3.8.	Basis for reporting subsidiaries and joint ventures	■	34		
3.9.	Data measurement techniques and bases of calculations	■	22–23		
3.10.	Explanations of re-statements	■	5, 22–23, 34		
3.11.	Significant changes from previous reporting periods	■	5, 22–23, 28–29, 34		
3.12.	GRI content index	■	35–36		
3.13.	Assurance policy and practice	■	34		
Governance, Commitments and Engagement					
4.1.	Governance structure	■	30–31, AR 137–141		
4.2.	Position of the Chairman of the Board	■	AR 138		
4.3.	Independence of the Board members	■	AR 138, 144–145		
4.4.	Mechanisms for shareholder and employee consultation	■	AR 138		
4.5.	Executive compensation and linkage to organization's performance	■	AR 141		
4.6.	Processes for avoiding conflicts of interest	■	26		
4.7.	Process for determining expertise	■			
4.8.	Implementation of mission and values statements; Code of Conduct	■	24	www.metso.com > About us > Code of Conduct, Values	
4.9.	Procedures of the Board for overseeing risk management	■	AR 138		
4.10.	Processes for evaluating the Board's performance	■			
4.11.	Precautionary principle	■	14		
4.12.	Voluntary charters and other initiatives	■	24, 32		
4.13.	Memberships in associations	■	24, 32		
4.14.	List of stakeholder groups	■	32		
4.15.	Identification and selection of stakeholders	■			
4.16.	Approaches to stakeholder engagement	■	32		
4.17.	Key topics raised through stakeholder engagement	■	7, 15, 25	Essential focus areas presented in figures	
Management Approach and Performance Indicators					
Economic Performance Indicators					
EC1	Economic value generated and distributed	■	11–13		
EC2	Risks and opportunities due to climate change	■	15–17, 21		
EC3	Coverage of the organization's defined benefit plan obligations	■	28, AR 104		
EC4	Significant subsidies received from government	■			
EC5	Entry-level wage compared to minimum wage	■			
EC6	Spending on local suppliers	■	11–12		
EC7	Local hiring	■	10, 24–26		
EC8	Infrastructure investments provided for public benefit	■	8–11		
EC9	Significant indirect impacts	■	12–13		
Environmental Performance Indicators					
EN1	Materials used by weight or volume	■	22–23		
EN2	Recycled materials used	■	22–23		
EN3	Direct energy consumption	■	22–23		
EN4	Indirect energy consumption	■	22–23		
EN5	Energy saved due to conservation and efficiency improvements	■	20		
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services	■	16–21		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	■			

REPORTING PRINCIPLES

 Fully reported
 Partly reported
 Not reported

AR = Reported in Annual Report

Note: Content structure of www.metso.com will be renewed in 2009.

GRI guidelines Code	Content	Status, pages	Comments/Remarks	Global Compact
EN8	Total water withdrawal	 22–23		
EN9	Water sources significantly affected	 22–23	EN9-EN15, not a significant environmental aspect in Metso's own operations	
EN10	Percentage and total volume of water recycled and reused	 22–23		
EN11	Location and size of land holdings in biodiversity-rich habitats	 22–23		
EN12	Description of significant impacts of activities, products, and services on biodiversity	 22–23		
EN13	Habitats protected or restored	 22–23		
EN14	Managing impacts on biodiversity	 22–23		
EN15	Species with extinction risk with habitats in areas affected by operations	 22–23		
EN16	Total direct and indirect greenhouse gas emissions by weight	 22–23		
EN17	Other relevant indirect greenhouse gas emissions	 22–23		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	 16–17		
EN19	Emissions of ozone-depleting substances	 22–23		
EN20	SOx, NOx and other significant air emissions	 22–23		
EN21	Total water discharge	 22–23		
EN22	Total amount of waste	 22–23		
EN23	Significant spills	 22–23		
EN24	Transported, imported, exported or treated hazardous waste	 22–23		
EN25	Water bodies and habitats affected by discharges of water	 14–21		
EN26	Mitigating environmental impacts of products and services	 14–21		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	 22–23		
EN28	Significant fines and sanctions for non-compliance with environmental regulations	 22–23		
EN29	Environmental impacts on transportation	 18–22, AR 68		
EN30	Total environmental protection expenditures and investments	 14		
GC 7	Support for precautionary approach to environmental challenges	 14		Global Compact
GC 8	Initiatives to promote greater environmental responsibility	 14–19		Global Compact
GC 9	Development and diffusion of environmentally-friendly technologies	 14–19		Global Compact
Social Performance Indicators				
LA1	Breakdown of workforce	 10, 24–25		
LA2	Breakdown of employee turnover	 24		
LA3	Employee benefits	 26	Country-specific, not reported at Metso Group level	
LA4	Coverage of collective bargaining activities	 27–28	www.metso.com/sustainability > Management systems	
LA5	Minimum notice period regarding operational changes	 27–28		
LA6	Representation in joint management-worker health and safety committees	 27–28		
LA7	Rates of injury, lost time injury, fatalities and absenteeism	 27–28		
LA8	Education and prevention programs regarding serious diseases	 25, 27–29		
LA9	Health and safety topics covered in formal agreements with trade unions	 27		
LA10	Average hours of training per year per employee by employee category	 26		
LA11	Programs for skills management	 24		
LA12	Employees receiving regular performance and career development reviews	 24		
LA13	Composition of governance bodies and breakdown of employees	 24		
LA14	Ratio of basic salary of men to women	 24		
GC 3	Freedom of association and the effective recognition of the right to collective bargaining	 24		Global Compact
GC4	Elimination of all forms of forced and compulsory labor	 32		Global Compact
GC 5	Effective abolition of child labor	 24		Global Compact
GC 6	Elimination of discrimination in respect of employment and occupation	 24		Global Compact
Human Rights				
HR1	Investment agreements that include human rights clauses	 25	Code of Conduct	
HR2	Significant suppliers and contractors that have undergone human rights screening	 24	Code of Conduct	
HR3	Employee training on policies and procedures concerning aspects of human rights	 24	Code of Conduct	
HR4	Incidents of discrimination and actions taken	 32		
HR5	Actions to support freedom of association and collective bargaining in risk areas	 32		
HR6	Measures taken to contribute to the elimination of child labor	 24		Global Compact
HR7	Measures taken to contribute to the elimination of forced labor	 32		Global Compact
HR8	Human rights-related training for security personnel	 32		
HR9	Incidents of violations involving rights of indigenous people and actions taken	 32		
GC 1	Support for the protection of internationally proclaimed human rights	 32	Code of Conduct	Global Compact
GC 2	Certainty of not being complicit in human rights abuses	 32	Code of Conduct	Global Compact
Society				
SO1	Managing impacts of operations on communities	 32–33		
SO2	Number of business units analyzed for risks related to corruption	 31, AR 142–143		
SO3	Employees trained in organization's anti-corruption policies	 32	Code of Conduct	
SO4	Actions taken in response to incidents of corruption	 32	Code of Conduct	
SO5	Public policy positions and participation in public policy development and lobbying	 30–32	Metso does not make political contributions	
SO6	Contributions to political parties, politicians and related institutions	 30–32		
SO7	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	 30–32		
SO8	Fines and sanctions for non-compliance with laws and regulations	 30–32		
GC 10	Work against corruption in all its forms, including extortion and bribery	 30–32	Code of Conduct	Global Compact
Product Responsibility				
PR1	Assessment of health and safety impacts of products	 32	PR1–4, not reported at Metso Group level	
PR2	Non-compliance with regulations concerning health and safety impacts of products	 32		
PR3	Product and service information required by procedures	 32		
PR4	Non-compliance with regulations concerning product and service information and labeling	 32		
PR5	Practices related to customer satisfaction	32	www.metso.com/sustainability > Management systems	
PR6	Adherence to marketing communications laws, standards and voluntary codes	32		
PR7	Non-compliance with regulations and voluntary codes concerning marketing communications	32		
PR8	Complaints regarding breaches of customer privacy	32	Not a significant aspect in Metso's own operations	
PR9	Fines for non-compliance concerning the provision and use of products and services	32		

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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.

The report takes into consideration the most important releases we have published and the issues known by management as of February 22, 2009.

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