

Financial Statements Review 2009

Strong cash flow and satisfactory profitability in a demanding market environment

Highlights of 2009

- New orders worth EUR 4,358 million were received in 2009, i.e. 32 percent less than in the previous year (EUR 6,384 million in 2008).
- At the end of 2009, the order backlog was 16 percent lower than at the end of December 2008, amounting to EUR 3,415 million (EUR 4,088 million on December 31, 2008).
- Net sales decreased by 22 percent from the previous year, and were at EUR 5,016 million (EUR 6,400 million in 2008).
- Earnings before interest, tax and amortization (EBITA) were EUR 334.3 million, i.e. 6.7 percent of net sales (EUR 680.9 million and 10.6% in 2008).
- Operating profit (EBIT) was EUR 293.6 million, i.e. 5.9 percent of net sales (EUR 637.2 million and 10.0% in 2008).
- EBITA and EBIT include approximately EUR 75 million in non-recurring expenses relating to capacity adjustment measures, before which the EBITA margin was 8.2 percent.
- Earnings per share were EUR 1.06 (EUR 2.75 in 2008).
- Free cash flow was EUR 717 million (EUR 29 million in 2008).
- Return on capital employed (ROCE) before taxes was 10.0 percent (23.2% in 2008).
- The Board proposes a dividend of EUR 0.70 per share (EUR 0.70 in 2008).

Highlights of the last quarter of 2009

- New orders worth EUR 1,365 million were received in October–December, i.e. 54 percent more than in the comparison period (EUR 889 million in Q4/2008).
- Net sales decreased by 26 percent on the comparison period, and were at EUR 1,353 million (EUR 1,839 million in Q4/2008).
- Earnings before interest, tax and amortization (EBITA) were EUR 66.2 million, i.e. 4.9 percent of net sales (EUR 200.0 million and 10.9% in Q4/2008).
- Operating profit (EBIT) was EUR 55.0 million, i.e. 4.1 percent of net sales (EUR 190.1 million and 10.3% in Q4/2008).
- EBITA and EBIT for October–December include approximately EUR 31 million in non-recurring expenses relating to capacity adjustment measures. The EBITA margin before the non-recurring expenses was 7.2 percent.
- Earnings per share were EUR 0.18 (EUR 0.79 in Q4/2008).

Metso's President and CEO Jorma Eloranta is satisfied with the financial performance and achievements in 2009. "Our most significant achievement was the strong cash flow. Also our profitability was at a satisfactory level despite the demanding market situation. We strengthened our product and services portfolio through acquisitions, continued with our key investments and enhanced our operating model. We also estimate that we have maintained our market position in all our core customer segments. Metso is now more competitive as the markets gradually begin to recover. I appreciate the efforts of our employees in achieving these good results in a difficult year."

The Board of Directors' dividend proposal of EUR 0.70 per share reflects not only our confidence in the gradual recovery in our operating environment, but also our solid financial position.

"In the last quarter of the year our profitability was hampered, as expected, by high non-recurring expenses related to the capacity adjustment measures and to the development of our operating model. It was encouraging that we saw a nice increase in our order intake. This indicates that our customers are regaining their confidence in the recovery of their operating environment and in the availability of financing. For 2010 we estimate our net sales to remain at about the same EUR 5 billion level as in 2009 and profitability to remain satisfactory," Eloranta notes.

"Winning new orders continues to be a key priority. Price competition in the markets has escalated, so we will continue developing our operating model to maintain competitiveness and profitability. Key priorities are also continuing to further develop our services business and our solutions based on bioenergy and other renewable energy sources."

Metso's key figures

EUR million	Q4/09	Q4/08	Change %	2009	2008	Change %
Net sales	1,353	1,839	-26	5,016	6,400	-22
Net sales of services business	524	651	-20	2,052	2,343	-12
% of net sales	39	36		41	37	
EBITA before non-recurring capacity adjustment expenses	97.3	200.0	-51	409.0	680.9	-40
% of net sales	7.2	10.9		8.2	10.6	
Earnings before interest, tax and amortization (EBITA)	66.2	200.0	-67	334.3	680.9	-51
% of net sales	4.9	10.9		6.7	10.6	
Operating profit	55.0	190.1	-71	293.6	637.2	-54
% of net sales	4.1	10.3		5.9	10.0	
Earnings per share, EUR	0.18	0.79	-77	1.06	2.75	-61
Orders received	1,365	889	54	4,358	6,384	-32
Order backlog at end of period				3,415	4,088	-16
Free cash flow	268	-22	n/a	717	29	n/a
Return on capital employed (ROCE) before taxes, %				10.0	23.2	
Equity to assets ratio at end of period, %				35.7	30.9	
Gearing at end of period, %				32.5	75.7	

Metso's last quarter 2009 review

Operating environment and demand for products in October–December

Our operating environment continued to be demanding in the last quarter of 2009. Our customers remained cautious in their investment decisions although towards the end of the year there were the first signs of a recovery in the global economy. We saw gradual improvement in our customers' capacity utilization rates while orders for our services business and requests for quotations increased slightly. Uncertainties in the order backlog also diminished as customers restarted projects earlier put on hold.

Low demand and the reduction of suppliers' order backlogs led to harder price competition in the latter half of the year in all customer segments. We were able to partly offset this in our procurement costs as competition among raw materials and components suppliers and subcontractors also became harder.

As a result of the strengthened demand for and price levels of minerals, in the latter part of the year several mining companies announced increases in their investment plans for 2010. Quotation activity clearly improved, although by the end of the year, only a few new equipment orders were finalized. Demand for construction industry equipment continued to be weak in the final quarter of 2009. Many countries have introduced stimulus measures relating to infrastructure development which are expected to have a positive effect on the demand for construction industry products in the long-term, but which, for the present, have had little effect. Demand for services business in the mining and construction industry was satisfactory.

Demand for power plants utilizing renewable energy sources remained satisfactory in Europe and North America. The availability of financing improved towards the year-end leading to a strengthening of the operating environment and contributing to the closing of several new orders in the fourth quarter. Requests for quotations by oil and gas customers for our automation solutions increased, but demand continued to be lower than it was in the previous year. Demand for metals recycling equipment continued to be weak, owing to the low price of scrap metal and the low utilization rates of European and North American steelworks. Demand for our services business for power generation and automation solutions was satisfactory. Services demand for metal recycling remained weak.

Demand for new fiber lines continued to be weak, but towards the end of the year there was an upturn in the demand for rebuild projects. Demand for paper and board production lines remained satisfactory in the fourth quarter after improved market activity in China during the previous two quarters thanks to local stimulus packages. The low capacity utilization rates in the pulp and paper industry kept the demand for our services business weak, particularly in North America and Europe, although new orders were slightly up in the fourth quarter.

Orders received in October–December

Orders received in the final quarter of the year increased by more than 50 percent on the comparison period and totaled EUR 1,365 million. In making the comparison it is important to note that new orders in the final quarter of 2008 were exceptionally low, as our customers reacted strongly to the financial crisis that escalated since September 2008. More important was that compared to the first three quarters of 2009, orders were clearly at a higher level. Previously received smaller mining and recycling equipment orders amounting to some EUR 37 million were cancelled from the order backlog in the fourth quarter. The amount of uncertain orders in the order backlog decreased and was below EUR 500 million, as customers restarted projects which had earlier put on hold.

Orders received in Mining and Construction Technology totaled EUR 457 million in October–December, an increase of more than one third on the comparison period. Orders received from mining customers increased more than 70 percent on the comparison quarter, and new orders in the fourth quarter were 20 percent higher than during the previous three quarters. Orders received from construction customers were down about 10 percent on the comparison period and on par with the previous quarters of the year. Orders received in the fourth quarter were mostly for unit equipment and services business.

Orders received in Energy and Environmental Technology totaled EUR 504 million in the fourth quarter, which is 48 percent more than in the comparison period, and the final quarter was clearly the strongest quarter of the year in terms of new orders. The Power business line received several new orders for power boilers and the last quarter was clearly stronger in new orders than the previous quarters and the comparison period. The fourth quarter was also the strongest of the year for the Automation business line and new orders were at the same satisfactory level as during the comparison period. Demand for the recycling products remained weak and orders decreased even further from the low level of the comparison period. The segment's orders received in the fourth quarter include a biomass boiler and automation system for the Nacogdoches Generating Facility in the United States, a waste gasification plant and automation system for Lahti Energy Oy in Finland, biomass power plant for combined heat and power production including the plant automation system for 4HamCogen S.A. in Belgium and a power boiler for CMPC Celulosa S.A. in Chile.

Paper and Fiber Technology's new orders increased 94 percent on the very weak comparison period and were EUR 401 million in October–December. New orders in the Paper business line increased clearly from the comparison period and were on par with the previous two quarters. Orders received in the Tissue business line fell 34 percent from the strong levels of the comparison period. The Fiber business line received orders for several small and medium-sized rebuild projects in the fourth quarter, which turned out to be clearly stronger in new

orders than the previous quarters in 2009 and the comparison quarter. Orders for October–December include a coated fine paper production line to Shouguang Meilun Paper Co. Ltd. in China, a complete tissue line to Hayat Kimya A.S. in Turkey and the delivery of pulping technology to CMPC Celulosa S.A. in Chile. The segment's orders received in the services business increased towards the end of the year, but remained still lower than in the previous year, as customers continued strict control of their operating costs.

Financial performance in October–December

In October–December, our net sales were EUR 1,353 million, which was 26 percent less than a year earlier (EUR 1,839 million in Q4/2008). Net sales of the services business decreased by 20 percent on the comparison period, and accounted for 39 percent (36% in Q4/2008) of fourth quarter net sales in 2009.

Our fourth-quarter earnings before interest, tax and amortization (EBITA) were 66.2 million, i.e. 4.9 percent of net sales (EUR 200.0 million and 10.9% in Q4/2008). EBITA includes approximately EUR 31 million in non-recurring expenses resulting from capacity adjustment measures. Most of these costs were related to capacity adjustment measures in the Finnish and

Swedish units of the Fiber business line. The EBITA-margin before these non-recurring expenses was 7.2 percent. The financial result also includes over EUR 9 million in non-recurring capital gains from the sale of Talvivaara Mining Company Plc's shares. Metso's operating profit was EUR 55.0 million, i.e. 4.1 percent of net sales (EUR 190.1 million and 10.3% in Q4/2008). The weakening of profitability on the comparison period resulted from the 26 percent decrease in net sales, low capacity utilization rates, tougher price competition and the high level of non-recurring capacity adjustment expenses.

The profit attributable to shareholders was EUR 25 million in the fourth quarter (EUR 112 million in Q4/2008), corresponding to earnings per share (EPS) of EUR 0.18 (EUR 0.79 in Q4/2008).

Our free cash flow remained strong during the fourth quarter and was EUR 268 million. The strong cash flow was supported by a EUR 224 million reduction in net working capital. Key elements in releasing net working capital in the fourth quarter were EUR 189 million decrease of inventories across the businesses and EUR 90 million decrease in trade receivables in the Paper and Fiber Technology segment after successfully closing several delivery projects.

Metso's Financial Statements Review 2009

Operating environment and demand for products in 2009

Our operating environment continued to be demanding throughout the year. As a result of the decline in the global economy and uncertainty in the financial markets, our customers were cautious in their investment decisions. However, the first signs of a recovery in demand in some of our customer industries were visible during the fourth quarter. The demand situation was particularly tough for our new equipment and project business. As a consequence of our customers' low capacity utilization rates, demand for our services business also declined, but remained satisfactory thanks to our large installed equipment base. Economic stimulus measures launched in many countries, mostly aimed at developing infrastructure, have so far, with the exception of China, had little effect on the demand for our products.

Low demand for new equipment and the decline in suppliers' order backlogs led to increased price competition in the latter half of the year in all customer segments. This was partly offset by the reduction in procurement costs caused by the intensified competition among raw materials and components suppliers and subcontractors.

In the first half of 2009, most mining companies cut their investment plans significantly and curtailed their production. The positive development in demand for and prices of minerals and metals during the year, however, improved the situation towards the end of the year and led to an increase in requests for quotations on mining equipment during the fourth quarter. In the construction industry, demand for equipment used in aggregates production was weak throughout the year.

The demand for power plants fuelled by biomass and waste has been boosted as several countries have announced plans to increase the use of renewable energy sources. However, the limited availability of financing has delayed the implementation of these projects. Towards the end of the year, however, the availability of financing improved, which led to several new orders during the fourth quarter. The oil and gas industry, which is important for Metso's automation solutions, made considerable cuts to their investment plans early in the year. Those cuts, coupled with the very low level of pulp and paper industry investments, clearly decreased demand for our automation solutions from the previous year. Signs of gradual improvement in the demand in the oil and gas industry were visible by the end of the year. Demand for metals recycling equipment continued to be weak due to low scrap metal prices and the clear decrease in steel production, particularly in Europe and North America. Demand in our services business for power generation and automation solutions was satisfactory and for metal recycling weak.

Economic stimulus measures in China and the subsequent new orders contributed to a mini-boom in demand for paper and board production lines during the second and third quarter. Elsewhere in the world, demand for paper and board lines remained weak throughout the year. Demand for complete fiber lines remained low all year, but by the end of the year demand for fiber line rebuild projects improved, leading to several small and mid-sized orders in the fourth quarter. Demand for tissue machines was satisfactory. Capacity utilization rates in the pulp and paper industry remained low for all of 2009. As a consequence, the demand for services business was low but showed some improvement towards the end of the year.

Orders received and order backlog

In 2009, we received new orders worth EUR 4,358 million, i.e. 32 percent less than in the comparison period. Orders increased towards the end of the year and the final quarter was clearly the strongest in terms of new orders. During the year, previously received orders worth some EUR 335 million were cancelled. These cancellations were booked off directly from our order backlog and therefore had no impact on reported new orders in 2009 or on the comparison period. Almost EUR 200 million of the cancellations related to the Zhanjiang Chenming pulp project, around EUR 65 million to our Construction business line, some EUR 48 million to our Mining business line and some EUR 28 million to our Recycling business line.

Regarding the value of new orders, the most important countries were China, the United States and Finland. When combined, these countries accounted for 39 percent of all orders received. As a result of the global economic downturn, the value of new orders was down on the comparison period in all reporting segments and in all geographical areas. The share of emerging markets in orders received was 48 percent (48% in 2008).

At the end of December, our order backlog was EUR 3,415 million, which is 16 percent less than at the end of 2008. Uncertainties in the order backlog decreased by approximately EUR 100 million during the fourth quarter as customers restarted previously suspended projects. Around EUR 2.7 billion of the deliveries in our end-of-December order backlog are expected to be completed in 2010, and around EUR 700 million of these are services business orders. The order backlog includes some EUR 500 million in projects with somewhat uncertain delivery schedules and which will, according to present estimates, be delivered after 2010. The pulp mill project for Fibria, Brazil, is included in these projects.

Orders received by reporting segments

	2009		2008	
	EUR million	% of orders received	EUR million	% of orders received
Mining and Construction Technology	1,660	38	2,709	42
Energy and Environmental Technology	1,297	30	1,658	26
Paper and Fiber Technology	1,384	31	2,021	31
Valmet Automotive	56	1	65	1
Intra-Metso orders received	-39		-69	
Total	4,358	100	6,384	100

Orders received by market area

	2009		2008	
	EUR million	% of orders received	EUR million	% of orders received
Europe	1,580	36	2,375	38
North America	796	18	1,070	17
South and Central America	510	12	1,056	16
Asia-Pacific	1,220	28	1,476	23
Rest of the world	252	6	407	6
Total	4,358	100	6,384	100

Net sales

Our net sales for 2009 declined by 22 percent on the comparison period and stood at EUR 5,016 million (EUR 6,400 million in 2008). Net sales decreased in all reporting segments: in Mining and Construction Technology by 20 percent, in Energy and Environmental Technology by 14 percent and in Paper and

Fiber Technology by 31 percent. The net sales of our services business declined by 12 percent and its share of total net sales was 41 percent (37% in 2008).

Measured by net sales, the largest countries were the United States, China and Germany, which together accounted for about 29 percent of our total net sales.

Net sales by reporting segments

	2009		2008	
	EUR million	% of net sales	EUR million	% of net sales
Mining and Construction Technology	2,075	41	2,586	40
Energy and Environmental Technology	1,523	30	1,775	27
Paper and Fiber Technology	1,408	28	2,044	32
Valmet Automotive	56	1	65	1
Intra-Metso net sales	-46		-70	
Total	5,016	100	6,400	100

Net sales by market area

	2009		2008	
	EUR million	% of net sales	EUR million	% of net sales
Europe	2,167	44	2,680	41
North America	774	15	1,015	16
South and Central America	609	12	770	12
Asia-Pacific	1,080	21	1,516	24
Rest of the world	386	8	419	7
Total	5,016	100	6,400	100

Financial result

Our earnings before interest, tax and amortization (EBITA) for 2009 weakened from the comparison period and were EUR 334.3 million, or 6.7 percent of net sales (EUR 680.9 million and 10.6% in 2008). Our financial result includes non-recurring expenses of some EUR 75 million resulting from capacity adjustment measures, of which around EUR 42 million are related to Paper and Fiber Technology, some EUR 22 million to Mining and Construction Technology and some EUR 11 million to Energy and Environmental Technology. EBITA before these non-recurring capacity adjustment expenses was EUR 409.0 million, i.e. 8.2 percent of net sales. Other significant non-recurring items included in our result were some EUR 23 million in capital gains from the sale of Talvivaara Mining Company Plc's shares, EUR 9 million in non-recurring expenses from dissolving hedging arrangements related to the cancellation of our Chinese customer Zhanjiang Chenming's pulp mill project and EUR 4 million credit loss reserve related to the initiation of the debt restructuring proceedings of two of our paper industry customers.

The EBITA of Mining and Construction Technology before non-recurring capacity adjustment expenses was EUR 224.7 million in 2009, i.e. 10.8 percent of net sales, down 38 percent from the year before. The reduced profitability is mainly attributed to the 20 percent decrease in delivery volumes, low capacity utilization rates of production units and tougher price competition towards the end of the year.

The EBITA of Energy and Environmental Technology before non-recurring capacity adjustment expenses was EUR 147.5 million, i.e. 9.7 percent of net sales, representing a decrease of 26 percent on the previous year. The weakened profitability was due to the decrease in delivery volumes and the low capacity utilization rate of some production units and tougher pricing environment towards the end of the year.

The EBITA of Paper and Fiber Technology before non-recurring capacity adjustment expenses was EUR 58.2 million, i.e. 4.1 percent of net sales, representing a decrease of 60 percent on the previous year. The lower profitability was due to a 31 percent decline in net sales and low capacity utilization rates.

Our operating profit in 2009 was EUR 293.6 million, or 5.9 percent of net sales (EUR 637.2 million and 10.0% in 2008). Operating profit before non-recurring expenses related to capacity adjustment measures was EUR 368.3 million or 7.3 percent of net sales.

Our net financing expenses in 2009 were EUR 72 million (EUR 89 million in 2008). Although our cash situation was strong throughout the year, our gross debt level was higher than in 2008 and this increased our interest expenses to EUR 75 million (EUR 71 million in 2008).

Our profit before tax was EUR 222 million (EUR 548 million) and our tax rate for 2009 was 32 percent (29% in 2008). Our taxes include a EUR 6 million tax charge related to the taxation of our Brazilian operations in 1995–96, which increased our tax rate by approximately 3 percentage points.

The profit attributable to shareholders in 2009 was EUR 150 million (EUR 389 million), corresponding to earnings per share (EPS) of EUR 1.06 (EUR 2.75 per share).

The return on capital employed (ROCE) before taxes was 10.0 percent (23.2%) and the return on equity (ROE) was 9.8 percent (26.0%).

Cash flow and financing

Net cash provided by operating activities in 2009 was EUR 770 million (EUR 137 million in 2008).

One of our main goals has been to release at least EUR 500 million from our net working capital during 2009–2010. Our efforts paid off and we managed to release EUR 518 million already in 2009. EUR 530 million of this release came from inventories and EUR 272 million from trade receivables. Simultaneously, trade payables decreased by EUR 173 million and advances received by EUR 160 million. As a result of the special inventory control initiative in Mining and Construction Technology, its inventories had decreased by EUR 360 million during 2009 by the end of the year.

As a result of the strong decrease of net working capital and the low level of capital expenditure, our free cash flow in 2009 was a strong EUR 717 million (EUR 29 million in 2008).

Net interest-bearing liabilities decreased considerably and were EUR 583 million at the end of the year (December 31, 2008: EUR 1,099 million). The decrease was mainly due to the strong release of net working capital.

The total amount of short-term debt maturing over the next 12 months was EUR 242 million at the end of December. EUR 17 million of the short-term debt consisted of commercial papers issued in the Finnish markets, EUR 173 million were current portions of long-term debt and the remainder was local working capital financing of subsidiaries, mainly in Brazil.

We obtained EUR 365 million of new long-term debt with maturity of 4–5 years. The largest single transaction was a EUR 200 million five-year funding arrangement under the Euro Medium Term Note (EMTN) program. New loans were primarily meant for the refinancing of our existing debt and for the extension of the debt maturity structure. The amount of this new long-term debt exceeds the repayments of our earlier long-term loans from 2009 until mid 2011. At the end of the year, our total cash assets amounted to EUR 976 million. Out of this EUR 249 million has been invested in instruments with initial maturity exceeding three months and the remaining EUR 727 million is being accounted for as cash and cash equivalents. The syndicated EUR 500 million revolving loan facility is available until late 2011, and it is currently undrawn. Metso's liquidity position is good.

In April, following the Annual General Meeting, we paid EUR 99 million in dividends for 2008.

As a result of strong operating cash flow and low level of capital expenditure, our gearing clearly improved in 2009 and was at the end of December 32.5 percent (75.7%). The equity-to-assets ratio was at the year-end 35.7 percent (30.9%). The Tamfelt acquisition, which was carried out as a share exchange, strengthened our equity to assets ratio by 2 percentage points and lowered our gearing by 3 percentage points.

Capital expenditure

Our gross capital expenditure in 2009, excluding business acquisitions, decreased by 54 percent on the comparison period, to EUR 117 million (EUR 255 million in 2008). The share of maintenance investments was 52 percent, i.e. EUR 61 million. We maintained strict criteria for new capital expenditure and postponed spending in some projects approved in 2007–2008. We will continue strict criteria for new capital expenditure in 2010 and estimate them to be about on par with the 2009 level.

We are constructing new plant and office premises for the Automation business line in Shanghai, China. The Metso Park industrial facility, designed especially to serve the mining and construction industry, is under construction in Rajasthan, India. In Finland, we are upgrading a pilot machine at the Paper Technology Center in Jyväskylä. In Zibo we are establishing our third service center in China for the pulp and paper industry. We have extended the implementation schedules of our Metso Park and Zibo Service Center investments due to

slowdown in global economic growth. Investment projects in global enterprise resource planning systems are underway in Mining and Construction Technology and in the Automation business line.

Acquisitions, divestments and joint ventures

In November, we purchased the American Pacific/Hoe Saw&Knife Company's coater and doctor blade business, consumables for pulp and paper industry. The annual net sales of the purchased business are about USD 5 million.

In October we purchased the Danish M&J Industries A/S, a manufacturing company of mobile and stationary products for solid-waste crushing. The debt-free acquisition price was approximately EUR 15 million. M&J Industries employs some 100 people and the company's annual net sales are approximately EUR 30 million.

In May, we sold Metso Paper Turku Works Oy, a manufacturer of air systems for the pulp and paper industry, to Stairon Oy. The air system technology and the related business will remain in Metso's ownership. Metso Paper Turku Works Oy employed 91 people.

In January, we sold our composites manufacturing business, part of our Paper business line, and related assets in Oulu, Finland, to xperion Oy. The annual net sales of the divested business were less than EUR 5 million and the number of personnel was 21.

The joint venture MW Power Oy, the result of a combination of Wärtsilä's Biopower business and Metso's Heat & Power business, began operations on January 1, 2009. We own 60 percent of the company, and as of January 1, 2009, it has been entirely consolidated into our Power business line. An order backlog of approximately EUR 116 million was transferred with Wärtsilä Biopower Oy to the joint venture. The net sales of the company in 2009 were approximately EUR 100 million and the number of employees about 100.

Tamfelt acquisition

In November, we concluded a combination agreement with Tamfelt, one of the world's leading suppliers of technical textiles, and subsequently made a public exchange offer for all of Tamfelt's shares. The acquisition strengthened our services business, particularly in the pulp and paper industry. The acquisition creates new growth opportunities for Tamfelt products, especially outside of Europe, where Metso has an extensive installed base and a wide sales and services network.

The exchange offer, in which Metso offered three new shares in Metso for every ten Tamfelt shares, was carried out in November–December of 2009 and successfully completed on December 23, 2009. The shares tendered in the share exchange offer represent 95.2 percent of all shares and votes in Tamfelt. Metso held 2.8 percent of Tamfelt's shares worth EUR 4 million already before the offer. The remainder of Tamfelt's shares, 2.0 percent, will be redeemed with cash in the spring of 2010 as per the Finnish Companies Act. A total of 8,593,642 new

Metso shares were subscribed for in the share issue relating to the share exchange offer and were registered with the Trade Register on December 28, 2009. The share issue totaling EUR 206 million, corresponding to EUR 23.98 per share, was recorded into the invested non-restricted equity fund.

The value of the Tamfelt transaction was EUR 215 million, and when assuming net interest bearing debt of EUR 17 million transferred in the transaction, the debt free transaction value was EUR 232 million. The transaction value exceeded the net assets of Tamfelt by EUR 117 million, of which EUR 53 million was allocated to acquired customer base, order backlog and technology, and EUR 10 million to acquired buildings. We recorded deferred tax liability of EUR 16 million resulting from these allocations. The goodwill from the acquisition is EUR 70 million. The allocated values to intangible assets and buildings are amortized during their economically useful lives. The amortization is about EUR 15 million in 2010, EUR 7 million in 2011 and 2012, and EUR 4 million thereafter. Tamfelt's balance sheet and personnel were consolidated into Metso as of December 31, 2009, and as of January 1, 2010, Tamfelt is functionally and administratively a part of our Paper and Fiber Technology segment.

Research and development

Our research and development activities focus on environmental technology, such as energy and raw material efficiency, utilization of recycled raw materials, process control technology and, increasingly, on new services business solutions, which also play a role in supporting sustainable development. As a result of the global economic downturn, we have concentrated our R&D work on projects that offer the best potential for capitalizing on our future growth opportunities.

Our R&D expenses were EUR 115 million in 2009, i.e. 2.3 percent of Metso's net sales (EUR 134 million and 2.1% in 2008). In addition to this, expenses for intellectual property rights amounted to EUR 15 million (EUR 14 million). R&D employed 763 people (905) in 2009. Our R&D resources are spread throughout 40 networked units in Europe, North America, South America and Asia. Our personnel made approximately 620 invention disclosures (900), which led to more than 200 priority patent applications (230). At the end of the year, approximately 3,000 Metso inventions were protected by patents (3,000).

During 2009, we launched about 80 new products. One example, DNAMachineAssessor, a product that complements our automation solutions, helps to predict equipment maintenance needs and prevent disruptions in production. We have also developed new crushing and screening solutions that provide higher capacity utilization and eco-efficiency through improved process optimization. We strengthened our offering for the pulp and paper industry by introducing several new solutions and services that improve the energy and process efficiency of production lines.

Environment and environmental technology

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

In 2009, we set global energy savings and carbon dioxide emissions targets for our production operations in an effort to reduce our energy consumption and emissions by 15 percent by 2015 and 20 percent by 2020, in line with the EU goals.

Many of Metso's environmental technology solutions have been developed in close co-operation with our customers. The solutions are related to renewable energy solutions, energy efficiency of our customers' production processes, waste management, recycling, efficient utilization of raw materials and water, reducing dust, noise, carbon dioxide and particle emissions, and process optimization, to name a few. About 60 percent of Metso's net sales can be classified as environmental business, according to the OECD definition.

During the year, we launched several co-operation projects with our partners like UPM, Fortum and VTT (Technical Research Center of Finland). These projects cover, for example, the manufacture of bio-oil from biomass and the utilization of bio-oil as an alternative to fossil fuels and exploring oxyfuel combustion technology. Oxyfuel combustion enables carbon capture in power and heat generation.

We also provide training, maintenance and other services related to our technology. We take care of the entire life-cycle of production processes and promote the optimal and environmentally sustainable way to use our solutions.

Risks and business uncertainties

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

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

Due to the uncertainty in the financial markets and the slow-down of global economic growth, our operating environment was demanding in 2009, and in particular the risks related to cyclical fluctuations and financing were in focus. We estimate that the operating environment will continue to be demanding, even though financial markets have stabilized and there are first signs of gradual recovery in the global economy and in demand.

Uncertainty surrounding projects in our order backlog has decreased, and about 14 percent of our order backlog had uncertain delivery schedules at the end of the year. We apply the percentage-of-completion method to long-term delivery agreements, meaning that we recognize revenue on long-term delivery agreements according to the progress of the delivery. The customer advance payment is typically 10-30 percent of the value of the project, in addition to which the customer makes progress payments based on the milestones during the project execution, which significantly decreases risk related to projects as well as our need for financing. We continually assess our customers' creditworthiness and ability to meet their obligations. If a customer faces liquidity problems, we will discuss the possibility of changing project delivery schedules and terms of payment and any other measures needed. As a rule, we do not finance customer projects.

We have adjusted our capacity and cost structure to correspond with the current demand, in order to maintain our competitiveness. The slowdown in global economic growth has led to tougher price competition, which we are partly able to compensate in lower procurement costs. Although there have been no major changes in our competitive field in 2009, the situation might change due to bankruptcies, acquisitions and the arrival of new players.

The levels of net working capital and capital expenditure have a fundamental effect on the adequacy of financing. We have successfully released cash from net working capital in 2009. Although we have developed our net working capital management practices, there is a risk that working capital will start to grow again when economic activity picks up. We do not have any large-scale investment projects underway, and we estimate that we are well positioned to keep our capital expenditure at a moderate level in the coming years.

Securing the continuity of our operations requires that sufficient funding is available under all circumstances. The financial crisis, which is still affecting the financial markets, could make the availability of debt financing more difficult and/or raise the cost thereof. We estimate that our cash assets, totaling EUR 976 million in December 31, 2009, and available credit facilities are sufficient to secure short-term liquidity. Our committed credit facilities available for withdrawal amounted at the year-end to EUR 500 million. The average repayment period for our long-term loan capital is 3.4 years and more than half of our long-term debt will mature after 2011. There are no prepayment covenants in our debt facilities that would be triggered by changes in credit ratings. Some of our debt facilities include financial covenants related to capital structure. Currently we fully meet the covenants and other terms related to our financing agreements and we consider our flexibility in relation to these to be adequate.

Changes in the prices of raw materials and components could affect our profitability. However, the risk of increased direct procurement costs typically diminishes during an economic downturn. On the other hand, some of our customers

are raw material producers, whose ability to operate and invest may be hampered by declining raw material prices.

We had EUR 863 million of goodwill on our balance sheet at the end of 2009, which was related to business acquisitions made over the last 10 years. Following the significant changes in our business environment, we have conducted impairment testing reviews at the end of every quarter since September 2008, and have not found any impairment necessary. The quarterly testing reviews have been conducted with the same principles as the annual tests and the discount rates have been adjusted when appropriate. The principles of the impairment testing are presented in our annual report.

Around EUR 350 million of the goodwill on our balance sheet arises from the acquisition of Svedala in 2001, and is thereby related to the Mining and Construction Technology segment and the Recycling business line. EUR 260 million of our goodwill stems from the Aker Kvaerner Pulping and Power business operations, which were acquired at the end of 2006. This is allocated to our Power and Fiber business lines. EUR 50 million of our goodwill arises from the Beloit paper machine maintenance operations acquired in 2000, which is allocated to our Paper and Fiber Technology segment. EUR 70 million of the goodwill is the result of our acquisition of Tamfelt's technical textile business at the end of 2009. The remainder of our goodwill stems from several smaller acquisitions. In proportion to net sales and profitability, the largest share of goodwill is held by our Power business line. Its outlook is good due to the favorable growth outlook for power generation based on renewable energy sources. Goodwill related to the Tamfelt business is relatively high, as a consequence of the increase in Metso's share price between the launch of the share exchange offer in November 2009 and the completion of it towards the end of December 2009.

Currency exchange rate risks are among the most substantial financial risks. Exchange rate changes can affect our business, although the wide geographical scope of our operations decreases the impact of any individual currency. The general uncertainty in the economy is likely to increase exchange rate fluctuations. We hedge the currency exposures that arise from firm delivery and purchase agreements. In addition, our units can hedge anticipated foreign currency denominated cash flows by taking into account the significance of such cash flows, the competitive situation and other opportunities to adapt.

Subpoena from the United States Department of Justice requiring Metso to produce documents

In November 2006, Metso Minerals Industries, Inc., our U.S. subsidiary, received a subpoena from the Antitrust Division of the United States Department of Justice calling for Metso Minerals Industries, Inc. to produce certain documents. The subpoena relates to an investigation of potential antitrust violations in the rock crushing and screening equipment industry. We are cooperating fully with the Department of Justice. We recognized

about EUR 1.5 million in expenses resulting from the inquiry in 2009. No separate provision relating to the investigation has been recognized in the 2009 financial statements.

Adjusting capacity to demand

We began adjusting our capacity and cost structure to the lower demand already in early 2008 and continued the measures during 2009. Our aim has been to secure the competitiveness, flexibility and profitability of our operations. This has meant reducing the use of external work force, reducing permanent personnel, temporary lay-offs, and shorter work time, closing down smaller units and tight cost discipline throughout the organization.

We estimated originally that if our net sales would come down 25–30 percent during this down cycle from the 2008 level and we would target satisfactory profitability we would need to reduce our annual capacity cost (all fixed costs related to our operations, including personnel costs) by about EUR 500–600 million. As the actual decline in our net sales has been about 20 percent, and we do not foresee currently further deterioration of net sales, the capacity cost adjustment need is reduced to EUR 400-450 million. We estimate that the measures we have initiated by the end of 2009 almost entirely cover the EUR 400-450 million adjustment need, and that more than half of the savings impacts of these measures materialized already in 2009. Over half of the savings stem from personnel reductions and the rest from other measures. The cost savings yielded by personnel reductions are more permanent

by nature, while the majority of other costs are expected to come back gradually, as market activity recovers.

From the end of June 2008 to the end of 2009 we have reduced the number of our permanent personnel by 3,848. Additionally, decisions have already been made or negotiations are ongoing to further reduce the number of personnel by 760 during the first half of 2010. Altogether, we estimate that our personnel will be reduced by approximately 4,600 people between June 2008 to mid-2010. About 3,000 of them are from Finland and Sweden.

During 2009, we recorded about EUR 75 million in non-recurring expenses resulting from these personnel reductions and unit closures.

In 2009, selling, general and administrative expenses decreased by about EUR 140 million on a comparable basis from 2008 and our personnel related costs recognized in cost of goods sold decreased by about EUR 100 million. In addition to personnel-related costs there has also been a reduction in other fixed costs of goods sold items.

The number of personnel decreased in Mining and Construction Technology by 15 percent, the most in Finland, Brazil and the United States. The number of personnel in Energy and Environmental Technology declined primarily in Finland and the United States. The number of personnel in Paper and Fiber Technology decreased especially in Finland and Sweden.

The table below details the personnel reductions related to the capacity adjustment measures.

	Mining and Construction Technology	Energy and Environmental Technology	Paper and Fiber Technology	Metso
Personnel as of June 30, 2008	10,503	6,311	10,089	28,069
Acquisitions, July 2008 - December 2009	590	223	2,421	3,234
Divestitures, July 2008 - December 2009	-	-	-289	-289
Comparable personnel amount	11,093	6,534	12,221	31,014
Personnel as of December 31, 2009	9,541	6,060	10,459	27,166
Actual reduction July 2008 – December 2009	1,552	474	1,762	3,848
Estimated additional reductions decided and underway	200	170	390	760
Total personnel reductions decided	1,752	644	2,152	4,608
Temporary lay-offs in man years				600

Personnel

At the end of the year, Metso had 27,166 employees, which was 2,156 less than at the end of 2008 (29,322 employees on December 31, 2008). The number of employees declined in all reporting segments and especially in Finland and Sweden, as a result of capacity adjustment measures. The acquisitions concluded during the year brought about 1,600 new employees to Metso and when excluding this, personnel reduction was about 3,750. The share of our personnel working in the

emerging markets stayed on par with the previous year and was 31 percent. During January–December, we had an average of 27,813 employees.

Mining and Construction Technology employed 35 percent of our personnel, the Energy and Environmental Technology 22 percent, and the Paper and Fiber Technology 39 percent, while Valmet Automotive, service centers and Group Head Office employed 4 percent of the personnel. The countries with the largest numbers of personnel were Finland, the United States,

Sweden, China and Brazil. These countries employed 69 per cent of Metso's total personnel.

Despite the demanding environment, we continued renewing our global HR management practices and the supporting processes, systems and organization. We also carried out our key training programs and continued developing work safety.

During 2009, we decided to set new Metso-wide targets for occupational health and safety. We set a common, global

target to decline the amount of lost time incidents in our units. Our goal for every Metso unit is less than 10 lost time incidents per million working hours from 2012 onwards.

The salaries and wages of Metso employees are determined on the basis of local collective and individual agreements, employee performance and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. In 2009, altogether EUR 991 million were paid in salaries and wages (EUR 1,066 million in 2008).

Personnel by area

	Dec 31, 2009	% of total personnel	Dec 31, 2008	% of total personnel	Change %
Finland	8,746	32	9,252	32	-5
Other Nordic countries	2,995	11	3,332	11	-10
Rest of Europe	3,678	13	3,842	13	-4
North America	3,428	13	3,964	14	-14
South and Central America	2,618	10	2,991	10	-12
Asia-Pacific	4,316	16	4,469	15	-3
Rest of the world	1,385	5	1,472	5	-6
Total	27,166	100	29,322	100	-7

Corporate Governance Statement

We have prepared a separate Corporate Governance Statement which follows the recommendations of the Finnish Corporate Governance Code for listed companies. It also covers other central areas of corporate governance. The statement is included in our Annual Report, and it is published separately from the Board of Directors' Report. The statement is also available on our website at www.metso.com.

Changes in top management

Perttu Louhiluoto was appointed Senior Vice President, EMEA market area, Mining and Construction Technology in July. In his new position he renounced his membership of the Metso Executive Team and Metso Executive Forum.

In July, the Group's Senior Vice President, HR Merja Kamppari was appointed as a member of the Metso Executive Forum. Heinz Gerdes, former President of our Recycling business line, retired at the end of 2009 and renounced his membership in the Metso Executive Forum.

Mr. Celso Tacla, the President of Paper and Fiber Technology in South America, was appointed as a new member to our Metso Executive Forum from January 22, 2010 onwards.

Financial targets and dividend policy

In connection with our annual strategy round in August, our long-term financial targets were evaluated and kept unchanged. For further information on financial targets, please see our website: www.metso.com/investors.

Decisions of our Annual General Meeting

Our Annual General Meeting on March 31, 2009 approved the accounts for 2008 and decided to discharge the members of the Board of Directors and the President and CEO from liability for the financial year 2008. In addition, the Annual General Meeting approved the proposals of the Board of Directors to authorize the Board of Directors to resolve of a repurchase of Metso's own shares, to issue new shares and to grant special rights.

The Annual General Meeting decided that a dividend of EUR 0.70 per share will be paid for the financial year which ended on December 31, 2008. The dividend was paid on April 15, 2009. In addition, the Annual General Meeting authorized the Board of Directors to decide, at its discretion and when the economic situation of Metso favors it, on the payment of a dividend of no more than EUR 0.68 per share in addition

to the above-mentioned dividend. In July 2009, the Board of Directors decided not to pay any additional dividends. At the time, Metso's financial result and position were stable and had developed according to the expectations of Metso's management, but the market outlook for 2010 continued to be uncertain.

The Annual General Meeting elected Jukka Viinanen Chairman of the Board and Jaakko Rauramo Vice Chairman of the Board. Pia Rudengren was elected as a new member of the Board. The Board members re-elected were Maija-Liisa Friman, Christer Gardell, Arto Honkaniemi and Yrjö Neuvo. Our long-term Chairman of the Board, Matti Kavetvuo, had announced that he is not available for re-election. The term of office of Board members lasts until the end of the next Annual General Meeting.

The Annual General Meeting decided that the annual remunerations for Board members would be EUR 92,000 for the Chairman, EUR 56,000 for the Vice Chairman and EUR 45,000 for the members and that the meeting fee including committee meetings be EUR 600 for each meeting they attend.

The auditing company, Authorized Public Accountants PricewaterhouseCoopers Oy, was re-elected as our Auditor until the end of the next Annual General Meeting.

The Annual General Meeting decided to establish a Nomination Committee of the Annual General Meeting to prepare proposals for the following Annual General Meeting regarding the composition of the Board of Directors and director remuneration.

Members of Metso Board Committees and personnel representatives

Our Board of Directors elected members from among the Board for the Audit Committee and Remuneration and HR Committee at its assembly meeting on March 31, 2009. The Board's Audit Committee consists of Maija-Liisa Friman (Chairman), Arto Honkaniemi and Pia Rudengren. The Board's Remuneration and HR Committee consists of Jukka Viinanen (Chairman), Christer Gardell, Yrjö Neuvo and Jaakko Rauramo.

Metso's personnel groups in Finland have elected Jukka Leppänen as the personnel representative. He participates in the meetings of our Board of Directors as an invited external expert, and his term of office is the same as the Board members' term.

Shares and share capital

At the end of 2009, our share capital was EUR 240,982,843.80 and the number of shares was 150,348,256. The number of shares includes 409,617 Metso shares held by the parent company, which represent 0.27 percent of all the shares and votes. The average number of shares outstanding in 2009, excluding Metso shares held by the Parent Company, was 141,477,476.

In December 2009, 8,593,642 new Metso shares were issued and entered in the Trade Register. The new shares were related to the execution of Metso's share exchange offer for Tamfelt Corporation. The new shares carry the right to dividend and other distribution of assets as well as other shareholder rights in Metso as of the registration date.

In December 2009, MEO1V Incentive Ky, a limited partnership established to manage Metso's share ownership plans, was dissolved and the remaining 48,776 Metso shares it had were transferred to Metso Corporation's direct ownership.

In February 2009, we executed a repurchase of 300,000 of our own shares relating to our share-based management incentive program decided on in October 2008 (Metso Share Ownership Plan 2009–2011). The average purchase price of the shares was EUR 8.28 and the total amount EUR 2,483,495.48.

Our market capitalization, excluding Metso shares held by the Parent Company, was EUR 3,693 million on December 31, 2009.

Metso Board members and their interest parties held altogether 15,600 shares on December 31, 2009, which is 0.01 percent of the paid up share capital and votes in Metso. The Metso Executive Team and their interest parties held altogether 75,251 Metso Corporation shares at the end of December, which is 0.05 percent of the paid up share capital and votes. The holdings of the Board of Directors and Metso Executive Team equaled 0.06 percent of the paid up share capital and votes in Metso. Up-to-date information concerning the holdings of Metso's statutory insiders is available on our website: www.metso.com/investors.

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

Share-based incentive plans

Metso's share ownership plans are part of the remuneration and commitment program for the management of the Group and the businesses. For further information, please see our website: www.metso.com/investors.

Share ownership plan 2006-2008

In March 2009, we distributed the rewards from the 2008 share ownership plan according to the earnings criteria determined by the Board of Directors. Shares amounting to 34,265 were distributed as rewards, corresponding to approximately 0.02 percent of all Metso shares. Members of the Executive Team received 6,996 shares, i.e. 25 percent of the maximum amount.

Share ownership plan for 2009-2011

In October 2008, the Board of Directors approved a new share ownership plan for the years 2009–2011. The plan includes one three-year earnings period and requires participants' personal

investment in Metso shares at the beginning of the program. Any possible reward from the plan requires continued employment with Metso and reaching the financial targets set for the plan. Around 89 key persons are participating in the program and the rewards paid may correspond with a maximum of 373,175 Metso shares. The shares for the plan are acquired in public trading and therefore the plan will not have diluting effect on the share value. Members of the Executive Team may receive a maximum of 77,400 shares as share rewards in the 2009-2011 plan.

Share ownership plan for 2010–2012

In October 2009, the Board of Directors approved a similar share ownership plan for the years 2010–2012. The plan includes one three-year earnings period and requires participants' personal investment in Metso shares. Any possible reward from the plan requires continued employment with Metso and reaching the financial targets set for the plan. Around 92 key persons are participating in the program and the rewards paid may correspond with a maximum of around 343,000 Metso shares. The shares for the plan are acquired in public trading and therefore the plan will not have diluting effect on the share value. Members of the Executive Team may receive a maximum of 77,400 shares as share rewards in the 2010-2012 plan.

REPORTING SEGMENTS

Mining and Construction Technology

EUR million	Q4/09	Q4/08	Change %	2009	2008	Change %
Net sales	524	717	-27	2,075	2,586	-20
Net sales of services business	228	296	-23	967	1,078	-10
% of net sales	44	42		47	42	
Earnings before interest, tax and amortization (EBITA)	45.6	91.9	-50	202.8	361.2	-44
% of net sales	8.7	12.8		9.8	14.0	
Operating profit	44.2	91.3	-52	198.8	358.4	-45
% of net sales	8.4	12.7		9.6	13.9	
Orders received	457	339	35	1,660	2,709	-39
Order backlog at end of period				1,041	1,492	-30
Personnel at end of period				9,541	11,259	-15

Net sales of Mining and Construction Technology decreased by 20 percent on the comparison period and were EUR 2,075 million in 2009. The Mining business line's net sales declined by about 12 percent, while the net sales of the Construction business line were down by about 31 percent. While the services business net sales decreased by 10 percent on the comparison period, they accounted for 47 percent of the segment's net sales (42% in 2008).

Mining and Construction Technology's operating profit for 2009 was EUR 198.8 million, i.e. 9.6 percent of net sales (EUR 358.4 million and 13.9%). Operating profit was burdened by about EUR 22 million in non-recurring expenses relating to capacity adjustment measures that were carried out in several units. The operating profit included also about EUR 23 million in capital gains relating to the sale of shares in Talvivaara Mining Company Plc. The profitability of the Mining business line weakened, but remained good. The profitability of the Construction business line, on the other hand, weakened clearly from 2008 due to the low delivery volumes and capacity utilization rates in the manufacturing units and non-recurring expenses relating to the capacity adjustment measures. Towards the end of the year, the profitability was also negatively affected by tougher price competition and the use of promotional pricing to de-stock equipment and parts from inventories.

The value of orders received decreased by 39 percent on the comparison period and was at the end of the year at EUR 1,660 million (EUR 2,709 million in 2008). The value of new orders received declined in both business lines, and in all geographical areas. The relative share of orders received from emerging markets remained on par with the previous year, amounting to 51 percent (50% in 2008). About EUR 112 million worth of previously received orders were cancelled during the year. Among the biggest new orders of the year was a fine crushing and screening system for Norsk Stein in Norway. We also signed a multi-year service agreement with AngloGold Ashanti Iduapriem Mine in Ghana including the maintenance management services and technical support as well as hands-on training.

At the end of December, the order backlog was 30 percent lower than at the end of December 2008, amounting to EUR 1,041 million (EUR 1,492 million at December 31, 2008). When eliminating the impact of cancelled orders, the order backlog was 23 percent lower than the year before. Around EUR 150 million of the mining equipment orders in the order backlog have open delivery schedules.

Energy and Environmental Technology

EUR million	Q4/09	Q4/08	Change %	2009	2008	Change %
Net sales	419	503	-17	1,523	1,775	-14
Net sales of services business	137	151	-9	516	548	-6
% of net sales	33	30		35	32	
Earnings before interest, tax and amortization (EBITA)	32.8	60.5	-46	136.3	198.3	-31
% of net sales	7.8	12.0		8.9	11.2	
Operating profit	27.8	56.0	-50	118.1	176.0	-33
% of net sales	6.6	11.1		7.8	9.9	
Orders received	504	341	48	1,297	1,658	-22
Order backlog at end of period				1,032	1,204	-14
Personnel at end of period				6,060	6,357	-5

The net sales of Energy and Environmental Technology declined by 14 percent on the comparison period and were EUR 1,523 million. Net sales decreased the most in the Recycling business line, by 34 percent. Net sales of the Power business line fell by 6 percent and the Automation business line 14 percent. The net sales of services business decreased by 6 percent on the comparison period and accounted for 35 percent of the segment's net sales (32% in 2008).

Energy and Environmental Technology's earnings before interest, tax and amortization (EBITA) weakened from the comparison year and were EUR 136.3 million, or 8.9 percent of net sales (EUR 198.3 million and 11.2% in 2008). EBITA includes about EUR 11 million in non-recurring expenses relating to capacity adjustment measures before which the EBITA margin was 9.7 percent.

The Power business line's EBITA-margin improved slightly over the previous year and in the Automation business line it weakened but remained good. The profitability of the Recycling business line fell to a weak level, due to low delivery volumes, tight price competition and low capacity utilization rates.

The value of orders received fell by 22 percent from the comparison period and totaled EUR 1,297 million. Orders received by the Power business line stayed at about the same level as the year before. In the Automation business line,

new orders declined by about one fourth from 2008. In the Recycling business line new orders dropped to a clearly lower level than in the previous year. EUR 96 million worth of orders previously received by the Energy and Environmental Technology segment were cancelled. The biggest single cancelled order was Zhanjiang Chenming recovery boiler, worth about EUR 60 million. The remaining cancellations were related to the Recycling business line. Energy customers in particular accounted for the largest new orders such as a new waste-to-energy power boiler for Industrias Celulosa Aragonesa (SAICA) in Spain, a power boiler and automation system for PGE Zespół Elektrowni Dolna Odra S.A. in Poland, a biomass boiler with automation system to Nacogdoches in the United States and a waste gasification plant and automation system for Lahti Energy Oy in Finland. We also received a large automation package order for Shandong Huatai Paper's new paper machine line in China.

The order backlog at the end of the year, EUR 1,032 million, was 14 percent lower (or 6 percent lower when eliminating the impact of cancelled orders) than at the end of 2008. The order backlog includes projects worth approximately EUR 100 million with uncertain delivery schedules. These include, among others, the deliveries of power boiler and automation technology for Fibria's pulp mill project in Brazil.

Paper and Fiber Technology

EUR million	Q4/09	Q4/08	Change %	2009	2008	Change %
Net sales	406	627	-35	1,408	2,044	-31
Net sales of services business	159	204	-22	569	718	-21
% of net sales	39	33		41	35	
Earnings before interest, tax and amortization (EBITA)	-3.3	51.2	n/a	16.5	146.1	-89
% of net sales	-0.8	8.2		1.2	7.1	
Operating profit	-7.0	46.9	n/a	0.8	130.1	-99
% of net sales	-1.7	7.5		0.1	6.4	
Orders received	401	207	94	1,384	2,021	-32
Order backlog at end of period				1,380	1,434	-4
Personnel at end of period				10,459	10,544	-1

The net sales of Paper and Fiber Technology decreased by 31 percent in 2009 and were EUR 1,408 million. Net sales of the services business declined by 21 percent in 2009 due to the overall slowdown in the markets and low capacity utilization rates in our customer industries. However, services business accounted for 41 percent of net sales (35% in 2008), and the increase was mainly due to low equipment sales.

Paper and Fiber Technology's EBITA was EUR 16.5 million, i.e. 1.2 percent of net sales (EUR 146.1 million and 7.1% in 2008). EBITA includes about EUR 42 million in non-recurring expenses resulting from capacity adjustment measures. EBITA before the above-mentioned capacity adjustment expenses was EUR 58.2 million, i.e. 4.1 percent of net sales. Other non-recurring items affecting the financial result were EUR 9 million in hedging arrangement dissolution costs related to the cancellation of the Zhanjiang Chenming pulp mill project, and a credit loss provision of around EUR 4 million due to the initiation of the debt restructuring proceedings of two of our U.S. customers. The Paper business line's EBITA before capacity adjustment expenses remained satisfactory, while the Fiber business line's EBITA before capacity adjustment expenses was negative, mainly due to the dramatic decrease in volumes. The segment's profitability was also weakened by the lower capacity utilization rates of our production and engineering units.

Demand for new production lines and machinery for the paper and board and the tissue industries remained satisfactory. Demand for machinery and equipment for the pulp industry was weak, although it improved in the fourth quarter. Overall, the value of orders received by Paper and Fiber Technology decreased by 32 percent on the comparison period and was EUR 1,384 million. Among the largest orders received were a fine paper production line for Zhanjiang Chenming, a coated fine paper line for Shandong Huatai Paper and a coated fine paper production line for Shouguang MeiLun Paper Co. Ltd.

The order backlog at the end of December was EUR 1,380 million and around EUR 240 million of this relates to the pulp mill project for Fibria, where the delivery schedule is open. When eliminating the impact of cancelled orders, the order backlog was 5 percent higher than year before.

Valmet Automotive

Valmet Automotive's net sales in 2009 totaled EUR 56 million (EUR 65 million in 2008). The operating loss was EUR 8.2 million (EUR 3.5 million loss in 2008). During the year, Valmet Automotive's production volumes decreased dramatically and it produced an average of 63 vehicles a day (87 vehicles a day in 2008). At the end of December, Valmet Automotive employed 679 people (783 employees on December 31, 2008).

In August, Valmet Automotive signed an agreement with the Norwegian company Think Global AS for manufacturing and engineering the Think City electric car. Planned production volumes amount to several thousand cars annually. The series production began at the end of 2009.

In January, Valmet Automotive signed an agreement with the Danish company Garia A/S for the engineering and manufacturing of an electric golf car. The agreement spans several years and involves the production of a few thousand Garia golf cars annually. The series production started at the end of 2009.

At the end of 2008, Valmet Automotive and the U.S. company Fisker Automotive Inc. signed a long-term cooperation agreement on the engineering and manufacturing of Fisker Karma plug-in hybrid cars in Finland. The first Fisker Karma hybrid vehicles will be delivered in 2010. The annual production is projected to reach 15,000 cars in full production.

Valmet Automotive's current assembly contract with Porsche will continue until 2012.

Events after the review period

Metso's Nomination Committee proposes seven members to the Board

The Nomination Committee established by Metso's Annual General Meeting proposes to the next Annual General Meeting, which is planned to be held on March 30, 2010, that the number of Board members is seven.

The Nomination Committee proposes that from the current Board members Maija-Liisa Friman, Christer Gardell, Yrjö Neuvo, Pia Rudengren and Jukka Viinanen be re-elected. Jukka Viinanen is proposed to be elected as Chairman of the Board and Maija-Liisa Friman as Vice Chairman. The Nomination Committee also proposes that Mr. Erkki Pehu-Lehtonen and Mr. Mikael von Frenckell shall be elected as the new members of Metso Board.

The Nomination Committee proposes that the annual remuneration payable to the members of the Board to be elected at the Annual General Meeting for the term until the close of the Annual General Meeting in 2011 be equal to the remuneration payable to for the term until the close of the Annual General Meeting in 2010: EUR 92,000 for the Chairman, EUR 56,000 for the Vice Chairman, and EUR 45,000 for each member. Additional compensation of EUR 600 shall be paid for the meetings attended including the meetings of the committees of the Board of Directors. The Nomination Committee proposes that 40% of the fixed annual remuneration be paid in Metso shares purchased from the market. The shares will be purchased directly on behalf of the members of the Board within two weeks from the release of the Interim Review January 1 – March 31, 2010 of Metso Corporation.

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

The members of the Nomination Committee were Kari Järvinen (Chairman), Lars Förberg, Matti Vuoria and Harri Sailas. Jukka Viinanen and Jaakko Rauramo were the Committee's expert members.

Short-term outlook

In the fourth quarter of 2009 we began to see the first signs of gradual recovery in the global economy and in the demand of some of our customer industries. Nevertheless, we estimate that our operating environment will continue to be demanding at least in the first half of 2010.

Our customers are still cautious in their investment decisions, which will affect our equipment and project businesses in particular. We estimate that our customers' capacity utilization rates will slowly improve, assuming that the general

positive development of the global economy continues. We expect this to have a gradual positive effect on our services business.

There have been signs of improvement in mining companies' demand for equipment and projects. We expect that this will gradually have a positive impact on orders in 2010. Due to our strong product and services offering, as well as our large installed equipment base, we expect the demand for our mining equipment spare and wear parts as well as related services to gradually improve from the current level.

We anticipate that demand for equipment used in aggregates production by the construction industry will continue to be weak, with the exception of the Asia-Pacific and Brazilian markets, where infrastructure construction projects are maintaining demand. Many countries have introduced stimulus measures relating to infrastructure development. Though these measures have not yet had any significant effect, we expect them to positively affect the demand in the long-term. We estimate that demand for our services business for the construction industry will remain satisfactory.

Demand for power plants that utilize renewable energy sources is expected to strengthen in Europe and North America and to be good as the availability of financing improves. Several countries have published targets to increase the use of renewable energy. This is expected to support demand for our power plant solutions fuelled by biomass and waste. Demand for services business is expected to be satisfactory.

We estimate that demand for our automation products will gradually increase in 2010, as the oil, gas and petrochemical industries increase their investments due to the improvement in energy prices and demand. Demand for our services business for automation solutions is expected to be satisfactory.

We expect the demand for metal recycling equipment to be weak due to the low production volumes of steel, and demand for solid-waste recycling equipment to be satisfactory. Demand for services in metal recycling is expected to remain weak in 2010.

We estimate that demand for new fiber lines will continue to be weak, but demand for rebuilds and services will strengthen during the year. Demand for paper, board and tissue lines is expected to be satisfactory. We expect the capacity utilization rates of the paper and board industry to improve during the year, which should gradually increase the demand for our services business.

We estimate our net sales in 2010 to remain at about the same EUR 5 billion level as in 2009, and profitability to remain satisfactory. Our estimate is based on our order backlog, which contains about EUR 2.7 billion worth of deliveries for 2010, and on the expectation of continued gradual recovery of global economy.

The net sales and profitability estimates are based on Metso's current market outlook and business scope.

Board of Director's proposal for the distribution of profit

The Parent Company's distributable funds totaled EUR 1,373,256,006.77 on December 31, 2009, of which the net profit for the year was EUR 252,714,943.24.

The Board proposes to the Annual General Meeting that the dividend of EUR 0.70 per share be distributed for the year ended on December 31, 2009 and that the rest be retained and carried further. It is proposed that the record date for the payment of the dividend will be April 6, 2010 and that the dividend will be paid on April 13, 2010.

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

Annual General Meeting 2010

The Annual General Meeting of Metso Corporation will be held at 3:00 p.m. on Tuesday, March 30, 2010 at the Helsinki Fair Centre (Messuaukio 1, FI-00520 Helsinki).

Helsinki, February 8, 2010

Metso Corporation's Board of Directors

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.

Consolidated statement of income

EUR million	10-12/2009	10-12/2008	1-12/2009	1-12/2008
Net sales	1,353	1,839	5,016	6,400
Cost of goods sold	-1,056	-1,371	-3,808	-4,733
Gross profit	297	468	1,208	1,667
Selling, general and administrative expenses	-250	-282	-938	-1,043
Other operating income and expenses, net	9	3	24	11
Share in profits of associated companies	-1	1	0	2
Operating profit	55	190	294	637
% of net sales	4.1%	10.3%	5.9%	10.0%
Financial income and expenses, net	-13	-35	-72	-89
Profit before taxes	42	155	222	548
Income taxes	-17	-43	-71	-158
Profit	25	112	151	390
Attributable to:				
Shareholders of the company	25	112	150	389
Minority interests	0	0	1	1
Profit	25	112	151	390
Earnings per share, EUR	0.18	0.79	1.06	2.75
Diluted earnings per share, EUR	0.18	0.79	1.06	2.75

Consolidated statement of comprehensive income

EUR million	10-12/2009	10-12/2008	1-12/2009	1-12/2008
Profit	25	112	151	390
Cash flow hedges, net of tax	-3	-24	14	-33
Available-for-sale equity investments, net of tax	-6	-9	-1	-19
Currency translation on subsidiary net investments	13	-37	74	-49
Net investment hedge gains (losses), net of tax	0	-8	0	-11
Defined benefit plan actuarial gains (losses), net of tax	-2	-22	-2	-22
Other comprehensive income (expense)	2	-100	85	-134
Total comprehensive income (expense)	27	12	236	256
Attributable to:				
Shareholders of the company	27	12	235	255
Minority interests	0	0	1	1
Total comprehensive income (expense)	27	12	236	256

Consolidated balance sheet

ASSETS

EUR million	Dec 31, 2009	Dec 31, 2008
Non-current assets		
Intangible assets		
Goodwill	863	778
Other intangible assets	312	254
	1,175	1,032
Property, plant and equipment		
Land and water areas	62	58
Buildings and structures	261	239
Machinery and equipment	449	366
Assets under construction	47	63
	819	726
Financial and other assets		
Investments in associated companies	13	14
Available-for-sale equity investments	15	18
Loan and other interest bearing receivables	9	8
Available-for-sale financial investments	130	5
Financial instruments held for trading	40	0
Derivative financial instruments	0	0
Deferred tax asset	171	174
Other non-current assets	44	26
	422	245
Total non-current assets	2,416	2,003
Current assets		
Inventories	1,172	1,606
Receivables		
Trade and other receivables	938	1,146
Cost and earnings of projects under construction in excess of advance billings	312	362
Loan and other interest bearing receivables	8	9
Available-for-sale financial assets	79	-
Derivative financial instruments	21	48
Income tax receivables	42	23
	1,400	1,588
Cash and cash equivalents	727	314
Total current assets	3,299	3,508
TOTAL ASSETS	5,715	5,511

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Dec 31, 2009	Dec 31, 2008
Equity		
Share capital	241	241
Share premium reserve	-	-
Cumulative translation adjustments	-62	-136
Fair value and other reserves	710	490
Retained earnings	894	849
Equity attributable to shareholders	1,783	1,444
Minority interests	9	9
Total equity	1,792	1,453
Liabilities		
Non-current liabilities		
Long-term debt	1,334	1,089
Post employment benefit obligations	190	191
Provisions	52	36
Derivative financial instruments	5	8
Deferred tax liability	56	45
Other long-term liabilities	4	4
Total non-current liabilities	1,641	1,373
Current liabilities		
Current portion of long-term debt	173	101
Short-term debt	69	245
Trade and other payables	1,065	1,189
Provisions	235	218
Advances received	363	479
Billings in excess of cost and earnings of projects under construction	330	323
Derivative financial instruments	21	82
Income tax liabilities	26	48
Total current liabilities	2,282	2,685
Total liabilities	3,923	4,058
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,715	5,511

NET INTEREST BEARING LIABILITIES

EUR million	Dec 31, 2009	Dec 31, 2008
Long-term interest bearing debt	1,334	1,089
Short-term interest bearing debt	242	346
Cash and cash equivalents	-727	-314
Other interest bearing assets	-266	-22
Total	583	1,099

Condensed consolidated cash flow statement

EUR million	10-12/2009	10-12/2008	1-12/2009	1-12/2008
Cash flows from operating activities:				
Profit	25	112	151	390
Adjustments to reconcile profit to net cash provided by operating activities				
Depreciation and amortization	38	36	143	138
Interests and dividend income	12	15	58	57
Income taxes	17	43	71	158
Other	14	16	18	34
Change in net working capital	224	-140	518	-437
Cash flows from operations	330	82	959	340
Interest paid and dividends received	-16	-25	-51	-49
Income taxes paid	-31	-49	-138	-154
Net cash provided by (used in) operating activities	283	8	770	137
Cash flows from investing activities:				
Capital expenditures on fixed assets	-38	-55	-116	-255
Proceeds from sale of fixed assets	5	2	8	10
Business acquisitions, net of cash acquired	2	-13	-1	-44
Proceeds from sale of businesses, net of cash sold	-	-	2	12
(Investments in) proceeds from sale of financial assets	-78	1	-221	7
Other	-	-	1	-7
Net cash provided by (used in) investing activities	-109	-65	-327	-277
Cash flows from financing activities:				
Redemption of own shares	-	-	-2	-
Dividends paid	-	-	-99	-425
Net funding	-61	132	59	621
Other	-2	-	-6	15
Net cash provided by (used in) financing activities	-63	132	-48	211
Net increase (decrease) in cash and cash equivalents	111	75	395	71
Effect from changes in exchange rates	4	-17	18	-24
Cash and cash equivalents at beginning of period	612	256	314	267
Cash and cash equivalents at end of period	727	314	727	314

FREE CASH FLOW

EUR million	10-12/2009	10-12/2008	1-12/2009	1-12/2008
Net cash provided by operating activities	283	8	770	137
Capital expenditures on maintenance investments	-20	-32	-61	-118
Proceeds from sale of fixed assets	5	2	8	10
Free cash flow	268	-22	717	29

Consolidated statement of changes in shareholders' equity

EUR million	Share capital	Share premium reserve	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Equity attributable to shareholders	Minority interests	Total equity
Balance at Jan 1, 2008	241	77	-76	456	910	1,608	7	1,615
Other comprehensive income (expense)	-	-	-60	-52	-22	-134	-	-134
Profit	-	-	-	-	389	389	1	390
Total comprehensive income (expense)	-	-	-60	-52	367	255	1	256
Dividends	-	-	-	-	-425	-425	-2	-427
Share issue	-	-	-	-	-	-	-	-
Redemption of own shares	-	-	-	-	-	-	-	-
Share-based payments, net of tax	-	-	-	4	-	4	-	4
Decrease and transfer of share premium and legal reserve	-	-77	-	77	-	-	-	-
Other	-	-	-	5	-3	2	3	5
Balance at Dec 31, 2008	241	-	-136	490	849	1,444	9	1,453
Balance at Jan 1, 2009	241	-	-136	490	849	1,444	9	1,453
Other comprehensive income (expense)	-	-	74	13	-2	85	-	85
Profit	-	-	-	-	150	150	1	151
Total comprehensive income (expense)	-	-	74	13	148	235	1	236
Dividends	-	-	-	-	-99	-99	-1	-100
Share issue	-	-	-	206	-2	204	-	204
Redemption of own shares	-	-	-	-2	-	-2	-	-2
Share-based payments, net of tax	-	-	-	1	-	1	-	1
Other	-	-	-	2	-2	0	-	0
Balance at Dec 31, 2009	241	-	-62	710	894	1,783	9	1,792

Acquisitions

Acquisition of Tamfelt in 2009

Metso acquired Tamfelt Oyj Abp, a Finnish corporation listed in the NASDAQ OMX Helsinki exchange, through a public share exchange offer that was completed at the end of December 2009. The total transaction value was EUR 215 million whereof EUR 206 million was compensated by offering 8,593,642 new Metso shares representing 95.2% of Tamfelt's shares and votes. The remaining 2.0% of Tamfelt's shares, estimated to amount to about EUR 4 million, will be redeemed with cash in 2010 as per the Finnish Companies Act. Prior to the transaction, Metso held Tamfelt shares worth EUR 4 million i.e. 2.8% of Tamfelt's shares and votes. The transaction value includes EUR 5 million in expenses and transfer taxes related to the acquisition.

The transaction value, together with the shares already held, exceeded the net assets of Tamfelt by EUR 117 million, whereof EUR 53 million was allocated to intangible assets, representing

the fair values of acquired customer base, order backlog and technology. Furthermore, EUR 10 million was allocated to the property, plant and equipment, to reflect their appraisal to fair values. The deferred tax liability resulting from these allocations was EUR 16 million. The remaining EUR 70 million represents goodwill, which reflects the value of assembled workforce, significant synergy benefits and widened business portfolio offering Metso potential to expand its operations into new markets and customer segments.

Had the acquisition occurred on January 1, 2009, Metso's net sales would have increased by EUR 130 million. The calculation of pro forma net income of the acquired business would be impracticable considering the effects of the acquisition costs.

Preliminary details of the acquired net assets and goodwill are as follows:

EUR million	Carrying amount	Fair value allocations	Fair value
Intangible assets	4	53	57
Property, plant and equipment	87	10	97
Inventories	30	-	30
Trade and other receivables	30	-	30
Deferred tax liabilities, net	-9	-16	-25
Other liabilities assumed	-22	-	-22
Non-interest bearing net assets	120	47	167
Cash and cash equivalents acquired			19
Debt assumed			-36
Transaction value			-215
Pre-acquisition holding of Tamfelt shares			-4
Costs related to acquisition			-1
Goodwill			70
Transaction value settled in cash			-4
Costs related to acquisition			-1
Cash and cash equivalents acquired			19
Total cash inflow on acquisition			14

Other acquisitions in 2009

In November Metso acquired Kromatek (Shanghai) Co. Ltd., a Chinese company in the chromium plating business. The purchase price was less than EUR 1 million and the company was combined into Metso's Paper and Fiber Technology segment.

In November Metso also acquired the coater, creping and doctor blade business of Pacific International, a division of Pacific/Hoe Saw&Knife Company, located in Portland, Oregon, USA. The acquisition amounted to EUR 1 million. The unit was combined into the Paper and Fiber Technology segment.

In October Metso acquired M&J Industries A/S, a Danish manufacturer of mobile and stationary products for solid-waste crushing. The company was integrated into the Recycling business line of Metso's Energy and Environmental Technology segment. The net debt free acquisition price was EUR 15 million, of which EUR 6 million was allocated to intangible assets, representing the fair values of the acquired customer base, technology, and order backlog. EUR 3 million was allocated to property, plant and equipment representing their appraisal to fair values. The excess purchase price of EUR 4 million represents goodwill associated to Metso's improved market position in new and rapidly growing industrial markets.

In January Metso and Wärtsilä finalized the combination of Metso's Heat & Power business with Wärtsilä's Biopower business into a new company MW Power Oy, of which Metso owns 60% and Wärtsilä 40%. In this non-cash transaction Wärtsilä contributed its business into MW Power Oy in exchange of the shares in the company. The company is fully consolidated into the Energy and Environmental Technology segment's Power business line. Goodwill of EUR 7 million arose from this transaction, representing Metso's increased potential to offer competitive solutions for the markets utilizing renewable energy sources through complementing technologies of the two businesses.

In January Metso also acquired Oktokon Oy, a Finnish engineering company, into its Power business line.

The acquired businesses contributed net sales of EUR 115 million and net profit of EUR 6 million for the period from their acquisition to December 31, 2009. Had these acquisitions taken place on January 1, 2009, Metso's net sales for 2009 would have increased by EUR 20 million and net profit would have decreased by EUR 1 million.

Summary information on acquisitions made in January-December 2009 is as follows:

EUR million	Carrying amount	Fair value allocations	Fair value
Intangible assets	1	8	9
Property, plant and equipment	5	3	8
Inventories	28	-	28
Trade and other receivables	21	-	21
Deferred tax liabilities	-1	-3	-4
Other liabilities assumed	-44	-	-44
Non-interest bearing net assets	10	8	18
Cash and cash equivalents acquired			9
Debt assumed			-20
Purchase price			-19
Goodwill			12
Purchase price settled in cash			-19
Deferred payments on prior year acquisitions			-5
Cash and cash equivalents acquired			9
Net cash outflow on acquisitions			-15

Assets pledged and contingent liabilities

EUR million	Dec 31, 2009	Dec 31, 2008
Mortgages on corporate debt	20	4
Other pledges and contingencies		
Mortgages	1	1
Pledged assets	-	-
Guarantees on behalf of associated company obligations	-	-
Other guarantees	7	9
Repurchase and other commitments	6	6
Lease commitments	226	152

Notional amounts of derivative financial instruments

EUR million	Dec 31, 2009	Dec 31, 2008
Forward exchange rate contracts	1,390	1,460
Interest rate swaps	128	168
Option agreements		
Bought	13	12
Sold	6	12

The notional amount of electricity forwards was 640 GWh as of Dec 31, 2009 and 635 GWh as of Dec 31, 2008.

The notional amount of nickel forwards to hedge stainless steel prices was 252 tons as of Dec 31, 2009 and 258 tons as of Dec 31, 2008.

The notional amounts indicate the volumes in the use of derivatives, but do not indicate the exposure to risk.

Key ratios

	1-12/2009	1-12/2008
Earnings per share, EUR	1.06	2.75
Diluted earnings per share, EUR	1.06	2.75
Equity/share at end of period, EUR	11.89	10.19
Return on equity (ROE), %	9.8	26.0
Return on capital employed (ROCE) before tax, %	10.0	23.2
Return on capital employed (ROCE) after tax, %	7.7	17.3
Equity to assets ratio at end of period, %	35.7	30.9
Gearing at end of period, %	32.5	75.7
Free cash flow	717	29
Free cash flow/share, EUR	5.07	0.20
Cash conversion, %	475	7
Gross capital expenditure (excl. business acquisitions)	117	255
Business acquisitions, net of cash acquired	1	44
Depreciation and amortization	143	138
Number of outstanding shares at end of period (thousands)	149,939	141,624
Average number of shares (thousands)	141,477	141,595
Average number of diluted shares (thousands)	141,526	141,595

Exchange rates used

	1-12/2009	1-12/2008	Dec 31, 2009	Dec 31, 2008
USD (US dollar)	1.3960	1.4726	1.4406	1.3917
SEK (Swedish krona)	10.6092	9.6833	10.2520	10.8700
GBP (Pound sterling)	0.8948	0.8026	0.8881	0.9525
CAD (Canadian dollar)	1.5910	1.5656	1.5128	1.6998
BRL (Brazilian real)	2.7994	2.6711	2.5113	3.2441

Formulas for calculation of indicators

Earnings/share:

$$\frac{\text{Profit}}{\text{Average number of shares during period}}$$

Equity/share:

$$\frac{\text{Equity attributable to shareholders}}{\text{Number of shares at end of period}}$$

Return on equity (ROE), %:

$$\frac{\text{Profit}}{\text{Total equity (average for period)}} \times 100$$

Return on capital employed (ROCE), before tax %:

$$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average for period)}} \times 100$$

Return on capital employed (ROCE), after tax %:

$$\frac{\text{Profit + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average for period)}} \times 100$$

Gearing, %:

$$\frac{\text{Net interest bearing liabilities}}{\text{Total equity}} \times 100$$

Equity to assets ratio, %:

$$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$$

Free cash flow:

$$\begin{aligned} &\text{Net cash provided by (used in) operating activities} \\ &- \text{capital expenditures on maintenance investments} \\ &+ \text{proceeds from sale of fixed assets} \\ &= \text{Free cash flow} \end{aligned}$$

Cash conversion, %:

$$\frac{\text{Free cash flow}}{\text{Profit}} \times 100$$

Reporting segments

Net sales

EUR million	10-12/2009	10-12/2008	1-12/2009	1-12/2008	Change, %
Mining and Construction Technology	524	717	2,075	2,586	-20
Energy and Environmental Technology	419	503	1,523	1,775	-14
Paper and Fiber Technology	406	627	1,408	2,044	-31
Valmet Automotive	14	13	56	65	-14
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	14	13	56	65	-14
Intra Metso net sales	-10	-21	-46	-70	
Metso total	1,353	1,839	5,016	6,400	-22

Other operating income (+) and expenses (-), net

EUR million	10-12/2009	10-12/2008	1-12/2009	1-12/2008
Mining and Construction Technology	9.3	-0.6	17.8	3.9
Energy and Environmental Technology	-0.8	-0.6	0.5	-1.2
Paper and Fiber Technology	-3.4	-0.6	-9.6	2.7
Valmet Automotive	2.8	0.0	2.8	0.0
Group Head Office and other	1.0	4.8	11.9	5.2
Group Head Office and others total	3.8	4.8	14.7	5.2
Metso total	8.9	3.0	23.4	10.6

Share in profits of associated companies

EUR million	10-12/2009	10-12/2008	1-12/2009	1-12/2008
Mining and Construction Technology	0.3	0.0	0.3	0.1
Energy and Environmental Technology	0.4	0.3	1.4	1.2
Paper and Fiber Technology	-1.8	0.5	-1.2	1.2
Valmet Automotive	-	-	-	-
Group Head Office and other	-	-	-	-
Group Head Office and others total	-	-	-	-
Metso total	-1.1	0.8	0.5	2.5

Operating profit (loss)

EUR million	10-12/2009	10-12/2008	1-12/2009	1-12/2008	Change, %
Mining and Construction Technology	44.2	91.3	198.8	358.4	-45
Energy and Environmental Technology	27.8	56.0	118.1	176.0	-33
Paper and Fiber Technology	-7.0	46.9	0.8	130.1	-99
Valmet Automotive	0.2	-2.5	-8.2	-3.5	-134
Group Head Office and other	-10.2	-1.6	-15.9	-23.8	33
Group Head Office and others total	-10.0	-4.1	-24.1	-27.3	12
Metso total	55.0	190.1	293.6	637.2	-54

Operating profit (loss), % of net sales

%	10-12/2009	10-12/2008	1-12/2009	1-12/2008
Mining and Construction Technology	8.4	12.7	9.6	13.9
Energy and Environmental Technology	6.6	11.1	7.8	9.9
Paper and Fiber Technology	-1.7	7.5	0.1	6.4
Valmet Automotive	1.4	-19.2	-14.6	-5.4
Group Head Office and other	n/a	n/a	n/a	n/a
Group Head Office and others total	n/a	n/a	n/a	n/a
Metso total	4.1	10.3	5.9	10.0

EBITA

EUR million	10-12/2009	10-12/2008	1-12/2009	1-12/2008	Change, %
Mining and Construction Technology	45.6	91.9	202.8	361.2	-44
Energy and Environmental Technology	32.8	60.5	136.3	198.3	-31
Paper and Fiber Technology	-3.3	51.2	16.5	146.1	-89
Valmet Automotive	0.3	-2.6	-8.1	-3.5	-131
Group Head Office and other	-9.2	-1.0	-13.2	-21.2	38
Group Head Office and others total	-8.9	-3.6	-21.3	-24.7	14
Metso total	66.2	200.0	334.3	680.9	-51

EBITA, % of net sales

%	10-12/2009	10-12/2008	1-12/2009	1-12/2008
Mining and Construction Technology	8.7	12.8	9.8	14.0
Energy and Environmental Technology	7.8	12.0	8.9	11.2
Paper and Fiber Technology	-0.8	8.2	1.2	7.1
Valmet Automotive	2.1	-20.0	-14.5	-5.4
Group Head Office and other	n/a	n/a	n/a	n/a
Group Head Office and others total	n/a	n/a	n/a	n/a
Metso total	4.9	10.9	6.7	10.6

Orders received

EUR million	10-12/2009	10-12/2008	1-12/2009	1-12/2008	Change, %
Mining and Construction Technology	457	339	1,660	2,709	-39
Energy and Environmental Technology	504	341	1,297	1,658	-22
Paper and Fiber Technology	401	207	1,384	2,021	-32
Valmet Automotive	14	13	56	65	-14
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	14	13	56	65	-14
Intra Metso orders received	-11	-11	-39	-69	
Metso total	1,365	889	4,358	6,384	-32

Quarterly information

Net sales

EUR million	10-12/2008	1-3/2009	4-6/2009	7-9/2009	10-12/2009
Mining and Construction Technology	717	528	531	492	524
Energy and Environmental Technology	503	397	357	350	419
Paper and Fiber Technology	627	287	359	356	406
Valmet Automotive	13	21	14	7	14
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	13	21	14	7	14
Intra Metso net sales	-21	-13	-14	-9	-10
Metso total	1,839	1,220	1,247	1,196	1,353

Other operating income (+) and expenses (-), net

EUR million	10-12/2008	1-3/2009	4-6/2009	7-9/2009	10-12/2009
Mining and Construction Technology	-0.6	2.1	1.1	5.3	9.3
Energy and Environmental Technology	-0.6	-0.4	1.6	0.1	-0.8
Paper and Fiber Technology	-0.6	0.9	-6.2	-0.9	-3.4
Valmet Automotive	0.0	0.0	0.1	-0.1	2.8
Group Head Office and other	4.8	0.1	2.4	8.4	1.0
Group Head Office and others total	4.8	0.1	2.5	8.3	3.8
Metso total	3.0	2.7	-1.0	12.8	8.9

Share in profits of associated companies

EUR million	10-12/2008	1-3/2009	4-6/2009	7-9/2009	10-12/2009
Mining and Construction Technology	0.0	0.0	0.0	0.0	0.3
Energy and Environmental Technology	0.3	0.3	0.3	0.4	0.4
Paper and Fiber Technology	0.5	0.0	0.5	0.1	-1.8
Valmet Automotive	-	-	-	-	-
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	-	-	-	-	-
Metso total	0.8	0.3	0.8	0.5	-1.1

Operating profit (loss)

EUR million	10-12/2008	1-3/2009	4-6/2009	7-9/2009	10-12/2009
Mining and Construction Technology	91.3	54.9	46.0	53.7	44.2
Energy and Environmental Technology	56.0	27.7	29.7	32.9	27.8
Paper and Fiber Technology	46.9	-18.2	-1.6	27.6	-7.0
Valmet Automotive	-2.5	-0.3	-2.6	-5.5	0.2
Group Head Office and other	-1.6	-5.5	-5.6	5.4	-10.2
Group Head Office and others total	-4.1	-5.8	-8.2	-0.1	-10.0
Metso total	190.1	58.6	65.9	114.1	55.0

EBITA

EUR million	10-12/2008	1-3/2009	4-6/2009	7-9/2009	10-12/2009
Mining and Construction Technology	91.9	55.6	46.9	54.7	45.6
Energy and Environmental Technology	60.5	32.3	34.1	37.1	32.8
Paper and Fiber Technology	51.2	-14.0	1.4	32.4	-3.3
Valmet Automotive	-2.6	-0.3	-2.6	-5.5	0.3
Group Head Office and other	-1.0	-4.8	-5.1	5.9	-9.2
Group Head Office and others total	-3.6	-5.1	-7.7	0.4	-8.9
Metso total	200.0	68.8	74.7	124.6	66.2

Capital employed

EUR million	Dec 31, 2008	Mar 31, 2009	June 30, 2009	Sep 30, 2009	Dec 31, 2009
Mining and Construction Technology	1,230	1,221	1,191	1,111	1,072
Energy and Environmental Technology	647	686	659	626	524
Paper and Fiber Technology	532	468	475	427	636
Valmet Automotive	21	19	20	27	28
Group Head Office and other	458	493	816	956	1,108
Group Head Office and others total	479	512	836	983	1,136
Metso total	2,888	2,887	3,161	3,147	3,368

Orders received

EUR million	10-12/2008	1-3/2009	4-6/2009	7-9/2009	10-12/2009
Mining and Construction Technology	339	385	398	420	457
Energy and Environmental Technology	341	265	278	250	504
Paper and Fiber Technology	207	279	335	369	401
Valmet Automotive	13	21	14	7	14
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	13	21	14	7	14
Intra Metso orders received	-11	-8	-5	-15	-11
Metso total	889	942	1,020	1,031	1,365

Order backlog

EUR million	Dec 31, 2008	Mar 31, 2009	June 30, 2009	Sep 30, 2009	Dec 31, 2009
Mining and Construction Technology	1,492	1,347	1,196	1,103	1,041
Energy and Environmental Technology	1,204	1,182	1,035	939	1,032
Paper and Fiber Technology	1,434	1,438	1,304	1,330	1,380
Valmet Automotive	-	-	-	-	-
Group Head Office and other	-	-	-	-	-
Group Head Office and others total	-	-	-	-	-
Intra Metso order backlog	-42	-33	-23	-32	-38
Metso total	4,088	3,934	3,512	3,340	3,415

Personnel

	Dec 31, 2008	Mar 31, 2009	June 30, 2009	Sep 30, 2009	Dec 31, 2009
Mining and Construction Technology	11,259	10,826	10,344	10,014	9,541
Energy and Environmental Technology	6,357	6,387	6,349	6,119	6,060
Paper and Fiber Technology	10,544	10,090	9,858	9,475	10,459
Valmet Automotive	783	618	636	636	679
Group Head Office and other	379	391	421	419	427
Group Head Office and others total	1,162	1,009	1,057	1,055	1,106
Metso total	29,322	28,312	27,608	26,663	27,166

Notes to the Financial Statements Review

We have prepared this Financial Statements Review in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies have been applied as in the annual financial statements. This Financial Statements review is unaudited.

New accounting standards

IFRS 3 (Revised)

IASB has published IFRS 3 (Revised), 'Business combinations', which maintains the requirement to apply the acquisition method to business combinations, but with some significant changes such as expensing of transaction costs. In addition, all payments to purchase a business are to be recorded at fair value on the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. The revised standard will affect our future business combinations.

IFRS 3 (Revised) was endorsed by the European Union in June 2009 and it becomes effective for annual financial statements for periods beginning on or after July 1, 2009. We will apply the standard for the financial year beginning on January 1, 2010.

IAS 27 (Revised)

IASB has published IAS 27 (Revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is expensed. We do not expect the standard to affect our financial statements.

IAS 27 (Revised) was endorsed by the European Union in June 2009 and it is effective for annual financial statements for periods beginning on or after July 1, 2009. We will apply the revision for the financial year beginning on January 1, 2010.

IFRS 2 (Amendment)

IASB has published an amendment to IFRS 2 'Share-based payments'. The amendment confirms that in addition to business combinations as defined by IFRS 3 (revised) 'Business combinations', contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2, 'Share-based payments'. The revised standard may have an effect on our future business combinations.

Provided that the amendment receives endorsement by the European Union, we will apply the standard for the financial year beginning on January 1, 2010.

IAS 38 (Amendment)

IASB has published an amendment to IAS 38 'Intangible assets'. The amendment clarifies the requirements under IFRS 3 'Business combinations' regarding the accounting for intangible assets acquired in a business combination and allows for the combination of intangible assets with equal economic useful life to one asset group. The revised standard may have an effect on our future business combinations.

Provided that the amendment receives endorsement by the European Union, we will apply the standard for the financial year beginning on January 1, 2010.

IFRS 9

IASB has published a new standard IFRS 9 'Financial instruments: Recognition and measurement'. The standard represents the first milestone in the IASB's planned replacement of IAS 39. It addresses classification and measurement of financial assets. The next steps involve reconsideration and re-exposure of the classification and measurement requirements for financial liabilities, impairment testing methods for financial assets, and development of enhanced guidance on hedge accounting. We are currently evaluating the effects on our financial statements, and expect the standard to have major impacts on the accounting of financial instruments.

IFRS 9 becomes effective for the financial statements or periods beginning after January 1, 2013. It is still subject to endorsement by the European Union, and the endorsement process has been postponed.

Provided that the standard received endorsement by the European Union, we will apply the standard for the financial year beginning on January 1, 2013.

Trading of Metso shares

The number of Metso Corporation shares traded on the NASDAQ OMX Helsinki Exchange during 2009 was 321,093,368 shares, equivalent to a turnover of EUR 4,258 million. The share price on December 31, 2009 was EUR 24.63 and the average trading price for the period was EUR 13.26. The highest quotation during the review period was EUR 24.78 and the lowest EUR 7.03.

Metso's ADSs (American Depositary Shares) are traded in the United States on the OTC market. On December 31, 2009, the closing price of an ADS was USD 35.14. Each ADS represents one share.

Disclosures of changes in holdings

On March 24, 2009, UBS AG's group holding in Metso's shares exceeded the 5 percent threshold. The holding amounted to 7,541,753 shares, which corresponds to 5.32 percent of the paid up share capital and votes in Metso.

On March 27, 2009, UBS AG's group holding in Metso's shares fell below the 5 percent threshold. The holding amounted to 561,306 shares, which corresponds to 0.40 percent of the paid up share capital and votes in Metso Corporation.

Credit ratings

In November, Moody's Investor's Service confirmed Metso's Baa2 long-term credit rating, concluding its review for a possible downgrade of the rating begun on August 21, 2009. The outlook remained negative.

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

Metso's Financial Reporting in 2010

Metso's Annual Report will be published in the week beginning on March 8, 2010 (week 10).

The Interim Review for January-March 2010 will be published on April 29, 2010,

the Interim review for January-June 2010 on July 29, 2010 and

the Interim review for January-September 2010 on October 28, 2010, respectively.



Metso Corporation, Group Head Office, Fabianinkatu 9 A, PO Box 1220, FIN-00101 Helsinki, Finland

Tel. +358 20 484 100 • Fax +358 20 484 101 • www.metso.com