



Annual Review 2001

Linking Innovations



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Metso's Annual Reports 2001

This Annual Review, together with Metso's Financial Statements, forms the Metso 2001 Annual Report. In addition, Metso has published a Personnel Report, a Technology Report and an Environmental Report for 2001. The Annual Report and Personnel Report are available in Finnish, English and Swedish. The Technology Report is available in Finnish and English. The Environmental Report is published only as a web version in Finnish and English. The reports will also be published as web reports on Metso's Internet pages at <http://www.metso.com/reports>.

Ordering reports

Reports can be ordered by mail from Metso Corporation, Corporate Communications, PO Box 1220, FIN-00101

Helsinki, or by phone at +358 20 484 100, or by fax at +358 20 484 3123, or by email at metso.info@metso.com.

Financial publications 2002

In addition to the financial statements release and the Annual Report for 2001, Metso Corporation will publish three interim reviews in 2002 on the following schedule:

Interim review for January–March	April 30, 2002
Interim review for January–June	July 31, 2002
Interim review for January–September	October 30, 2002

Interim reviews will be published in Finnish, English and Swedish and will be available from the day of publication on Metso's Internet pages at <http://www.metso.com>.

Metso was created through the merger of Valmet and Rauma in 1999.

Valmet was a paper and board machine supplier, while Rauma's operations were focused on fiber technology, rock crushing and flow control systems.

The merger produced a company serving the global process industry.

Today Metso is the global market leader of papermaking lines and rock crushing systems.

Metso Corporation is a global supplier of process industry machinery, systems and know-how and aftermarket services.

The Corporation's core businesses are fiber and paper technology (Metso Paper), rock and mineral processing (Metso Minerals) and automation and control technology (Metso Automation).

Linking Innovations

The Metso slogan 'Linking Innovations' describes the essence of Metso, as Metso links expertise, people and innovations on many levels. In its business operations, Metso links the potential offered by different technologies and, as an international corporation, Metso links cultures, languages and practices. Metso also links many different corporate cultures, given that Metso in its current form is the result of various mergers. Metso's aim is to bring success to its customers by linking innovations and harmonizing ways of operating.

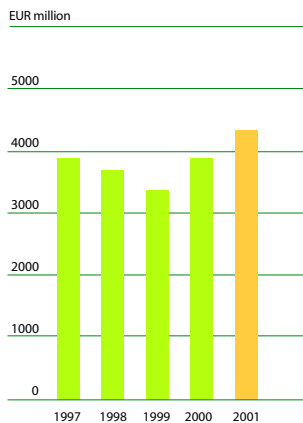




**Our goal is to be the leading
knowledge-based, technology company.**

The Year 2001 in Brief

Net sales



Operating profit



Net sales increased

Metso's net sales increased by 12 percent on the comparison year and totaled EUR 4,343 million. The main reasons were the acquisition of Svedala and increased deliveries.

Result continued to improve

Metso's income before extraordinary items and income taxes improved by 23 percent from 2000 and was EUR 222 million. Earnings per share improved by 21 percent, totaling EUR 1.09. The improvement in result was influenced by the growing share of service operations, the synergy benefits arising from the merger that created Metso and cost savings.

The net amount of nonrecurring income and expenses was EUR 4 million. The nonrecurring expenses derived from business restructuring totaled EUR 39 million and other nonrecurring expenses EUR 4 million. Nonrecurring income included a EUR 47 million gain on the sale of listed and other shares.

Orders were focused on rebuilds

The orders Metso received in 2001 were focused increasingly on papermaking line rebuilds and on crushing systems for the construction and civil engineering industry. Orders for new paper machines were received mainly from China and Europe.

Metso acquired Svedala

In September, Metso acquired Svedala, a Swedish manufacturer of rock and mineral processing equipment. The acquisition made Metso a global market leader in rock and mineral processing systems. It also provided Metso with a second strong business alongside fiber and paper technology. The integration of Svedala into Metso Minerals began immediately after the closing of the acquisition. The Svedala acquisition is expected to improve Metso's earnings per share one year after the closing of the deal.

Gearing increased

The Corporation's net interest-bearing liabilities totaled EUR 1,251 million. The acquisition of Svedala in September 2001 increased net interest-bearing liabilities by EUR 1,371 million. Gearing, i.e. the ratio of net interest-bearing liabilities to shareholders' equity, was 84.8 percent. Metso's objective is to return the gearing ratio to less than 50 percent by the end of the first quarter of 2003, by disposing of non-core assets and businesses and by releasing especially Metso Minerals' working capital tied up in inventories and accounts receivable.

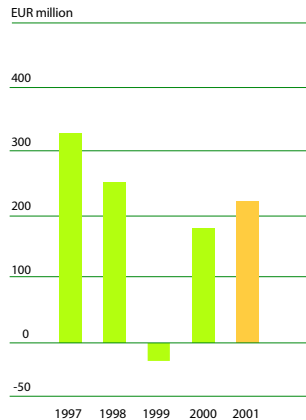
Key figures

(in millions, except for per share data)	1997	1998	1999	2000	2001
	EUR	EUR	EUR	EUR	EUR
Net sales	3,898	3,695	3,387	3,891	4,343
Net sales change, %	5.4	(5.2)	(8.3)	14.9	11.6
Operating profit before nonrecurring items and amortization of goodwill			75	197	270
Operating profit (loss)	325	246	(10)	200	246
Income (loss) before extraordinary items and income taxes	328	251	(28)	180	222
Income (loss) before taxes	318	249	(87)	448	214
Net income (loss) for the year	232	184	(88)	389	141
Export and international operations, % of net sales	84.7	87.1	89.8	90.7	86.7
Orders received	3,528	3,399	3,528	4,268	3,778
Order backlog, December 31	1,718	1,342	1,586	1,907	1,772
Gross capital expenditure	163	133	121	127	154
Business acquisitions, net of cash acquired	136	24	116	186	828
Research and development	119	119	127	127	150
Number of personnel, December 31	23,496	23,064	23,274	22,024	30,242
Shareholders' equity	1,161	1,206	1,085	1,425	1,469
Balance sheet total	2,909	2,798	3,169	3,564	5,042
Gearing, %	15.5	14.6	42.8	(3.7)	84.8
Equity to assets ratio, %	42.2	45.4	37.3	45.4	31.1
Return on capital employed (ROCE), %	23.0	16.5	1.6	12.2	12.3
Return on equity (ROE), %	22.5	16.1	(2.4)	9.5	10.4
Earnings per share excl. nonrecurring items and amortization of goodwill			0.25	0.91	1.26
Earnings per share	1.78	1.37	(0.22)	0.90	1.09
Dividend per share	0.55	0.59	0.40	0.60	0.60*
Market capitalization, December 31	1,745	1,553	1,752	1,612	1,608

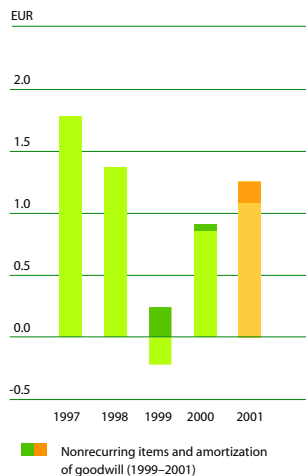
*) Proposal by the Board of Directors

The Year 2001 in Brief

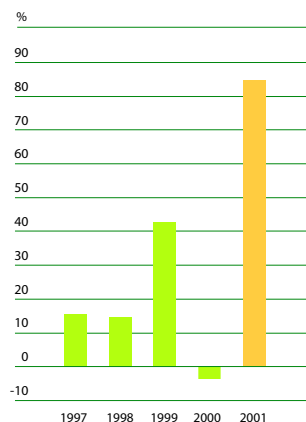
Income before extraordinary items and taxes



Earnings/share



Gearing



Four focal areas for Metso Future Care

In 2001 Metso chose four areas, closely related to the needs of customers, as the focal areas for the Metso Future Care business concept. Firstly, development of maintenance and aftermarket service concepts for the primary needs of customers. Secondly, development of maintenance solutions and process upgrading with the aid of new methods based on remote diagnostics. Thirdly, development of knowledge-based services related to the preparation and implementation of customer investments. Fourthly, development of customer-specific services so that customers gain a consistent picture of Metso as a total service provider.

Service operations were significantly strengthened

Metso opened service technology centers in Wuxi, China and in Beloit, USA and made a decision to set up two new service technology centers at Järvenpää and Oulu, Finland. The strengthening of the service network is part of the Corporation's strategic Metso Future Care business concept. The contribution of service operations to net sales grew significantly with the acquisition of Svedala.

The management of core business areas was strengthened

In order to promote Metso's strategic transition into a knowledge-based company and to support development in line with the Metso Future Care business concept, Metso appointed Executive Vice Presidents for its two biggest business areas. Arto Aaltonen, formerly President of Metso Automation, was appointed Executive Vice President of Metso Paper, and Vesa Kainu, formerly President of Metso Paper Service, was appointed Executive Vice President of Metso Minerals. Matti Kähkönen was appointed the new President of Metso Automation.

10 percent of Valmet Automotive was sold to ThyssenKrupp

Metso sold 10 percent of the shares of Valmet Automotive, a contract manufacturer of specialty cars, to ThyssenKrupp Automotive AG, one of the world's biggest automotive systems suppliers. ThyssenKrupp Automotive has an option to acquire the total stock of Valmet Automotive during the next two years.

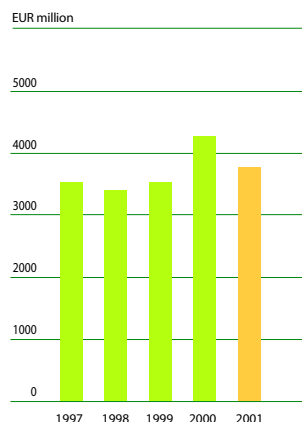
Inaugural euro bond offering launched

In November, Metso launched an inaugural EUR 500 million bond offering at a 6.25 percent nominal rate, to mature on December 11, 2006. The offering is documented under Metso's EMTN Program and is intended for refunding the bank loans raised for the Svedala acquisition.

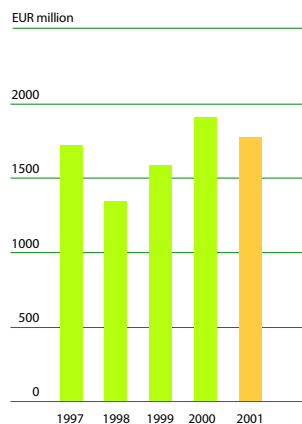
Metso was selected for the Dow Jones Sustainability Index

Metso was accepted for the Dow Jones Sustainability Index for the third successive time. This means that Metso has been included in the index every year since its establishment in 1999. The Dow Jones Sustainability Index evaluates how well the world's biggest companies take the principles of sustainable development into consideration in their operation.

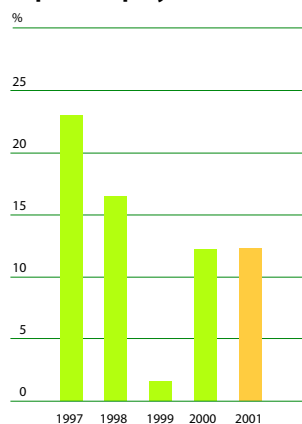
Orders received



Order backlog



Return on capital employed (ROCE)



Metso's Business Areas

Metso Paper

Accounted for 57 percent of Metso Corporation's net sales and 36 percent of its personnel in 2001.

Products

Paper machines, tissue machines, board machines, paper finishing systems, air systems, equipment and machinery for mechanical and chemical pulp production and the panelboard industry, and converting equipment.

Market position

The world's largest paper and tissue making line supplier. A strong position also as a supplier of pulping equipment and systems for the fiberboard and converting industries.

Supplies 30–35 percent of global paper machine markets and approximately 40 percent of the large paper machine markets.

The main customer segments are the pulp and paper industry, the panelboard industry and packaging materials manufacturers.

Resources

The largest business units are located in Finland, Sweden, Germany, the USA, Canada, the UK, Italy, Switzerland, China and Thailand.

Metso Minerals

Accounted for 20 percent of Metso Corporation's net sales and 39 percent of its personnel. Svedala, acquired in September, is included in Metso Minerals' figures for 2001, concerning the October–December period.

Products

Rock and mineral crushing plants, crushers and related equipment, track and wheel-mounted mobile crushing and screening units, mining equipment, grinding mills, enrichment plants, recycling systems for minerals and metals, paving equipment and rollers, as well as wear products and conveying belts for all the above-mentioned equipment.

Market position

The world's largest supplier of rock and mineral crushing systems.

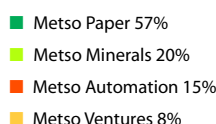
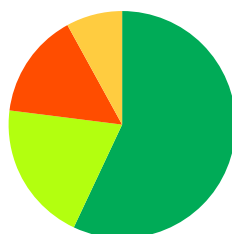
It supplies approximately 20 percent of the global markets for rock and mineral processing solutions.

The main customer segments are quarries, mines and civil engineering contractors.

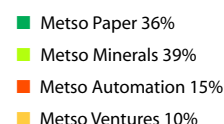
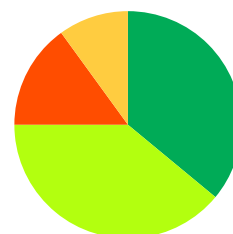
Resources

The largest business units are located in Finland, Sweden, France, the UK, the USA, Brazil, South Africa, Canada, Germany, Australia and China.

**Net sales
by business area**



**Personnel
by business area**



Metso Automation

Accounted for 15 percent of Metso Corporation's net sales and 15 percent of its personnel in 2001.

Products

Process industry automation and information management application networks and systems, production process measurement systems, control valves, and SCADA systems for oil, gas and water distribution and for electricity transmission.

Market position

The world's third largest supplier of pulp and paper industry automation and information application networks and systems and the sixth largest supplier of power plant automation.

The main customer segments are the pulp and paper industry, power generation and the hydrocarbon industry.

Resources

The largest business units are located in Finland, the USA, Canada, Mexico, Austria, the UK, France and Germany.

Metso Ventures

Accounted for 8 percent of Metso Corporation's net sales and 10 percent of its personnel in 2001.

This business area comprises Metso Engineering and Valmet Automotive.

Products

Mechanical and hydrostatic power transmission equipment, materials technology and machine construction services, and the contract manufacturing of specialty cars.

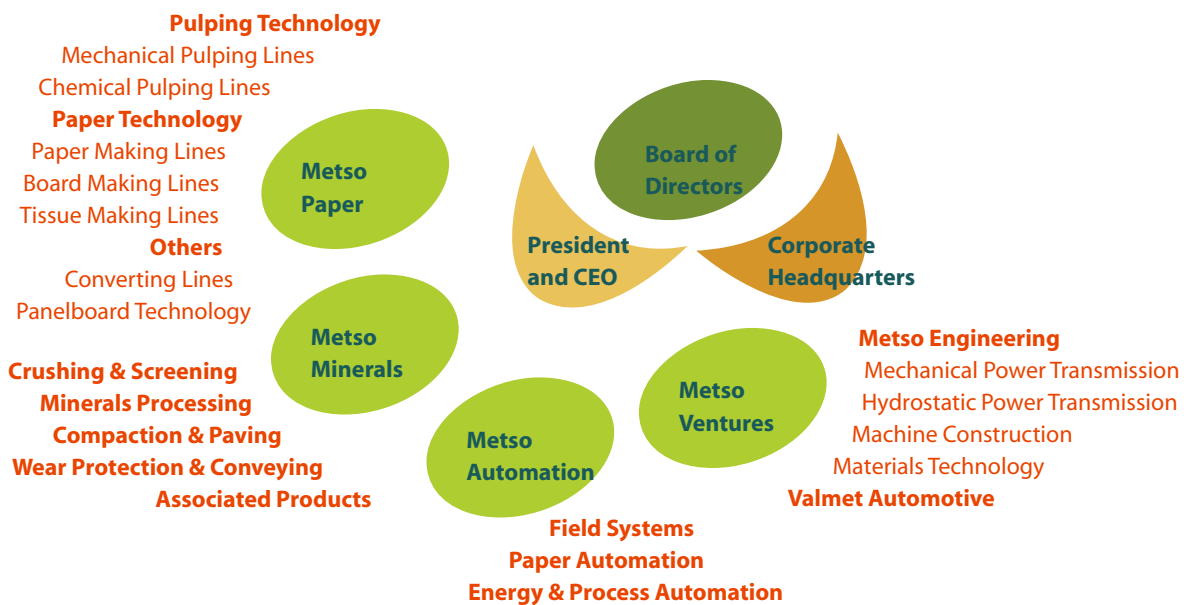
Market position

Metso Engineering is one of the world's four largest manufacturers of wind turbine gears. Valmet Automotive is Europe's second largest contract manufacturer of convertibles.

The main customer segments are process equipment and systems suppliers, the process industry, the offshore and shipbuilding industries, and car manufacturers.

Resources

Metso Engineering's largest business units are located in Finland, Sweden, Germany, the USA and Canada. The automotive plant is located in Finland.







We seek **growth** through the Metso Future Care
business concept.

Metso's values

Customer's success

We derive our profitability from our customer's success. We see our future beyond our customer's present needs and serve them with environmentally sound solutions. We develop customer relationships in accordance with the Metso Future Care concept. We serve our customer with commitment and high standards of professional performance.

Profitable innovation

We create added value for our customers and owners through innovation. We are ready to question present practices and abandon obsolete ones. We utilize and combine the vast and diverse knowledge of the entire organization. We base our growth on creativity and healthy risk-taking in a work environment which rewards and encourages innovation.

Personal commitment

We can always be trusted and we finish what we undertake. We assume responsibility and ownership for our actions. We are direct and honest in our communication and respect cultural differences. We openly express our views, and then work diligently towards the agreed targets.

Professional development

We are willing to learn, and also learn from each other. We welcome new challenges and tackle them according to our abilities. We regard professional development as an important part of our work. We take care of the wellbeing of our work community.

The aim is that these values will be assimilated by Metso's personnel so as to permanently guide our business activities and daily work. The values will lead the way in creating a single, uniform Metso and in implementing the vision and strategic goals.

In 2001 Metso Paper, Metso Automation and Metso Ventures familiarized their entire personnel with the joint values through the 'Working our way' events. The same process is also currently being started in Metso Minerals.

Code of conduct

Metso has initiated a discussion on the ethical principles (Code of Conduct) that describe Metso's corporate culture, its established business practices and procedures, and its commitment to the principles of sustainable development. These principles also form the basis for discussions on the future development of Metso's operating methods, with reference to the following issues:

Values and the Code of Conduct

Integrity

Compliance with laws and regulations

Transparency

Human rights

Equal opportunity and non-discrimination

Intellectual property

Corruption and bribery

Health and safety

Community relations

Environmental issues

Supplier relationships

Application of Code of Conduct in practice

Metso's Vision, Strategy and Targets

Metso's vision

Our goal is to be the leading knowledge-based, technology company. We aim to improve the productivity and competitiveness of our customers' industrial core processes.

Metso's strategy

Metso is expanding from a traditional machine supplier to a comprehensive supplier of services and the customers' core processes. We focus on improving the efficiency, quality and competitiveness of our customers' core processes by supplying value-adding solutions and services based on our strong R&D, engineering and manufacturing skills.

We put high priority on profitability, growth and leading technology know-how.

The cornerstones of Metso's strategy are:

development of value-enhancing solutions for the core processes of our customers

integration of control technology, process automation and the most advanced information technology solutions in Metso's products and services

development of know-how and aftermarket services for the large population of machinery, equipment and processes delivered by Metso

By the core processes of our customers we mean the sections of the production process that are critical to the customers' production efficiency, environmental soundness and the quality of the end product. We develop and provide products and services that improve the competitiveness and profitability of the processes throughout their life cycle.

Our control and automation know-how, combined with in-depth knowledge of our customers' core processes, sets Metso uniquely apart from other product and service suppliers. We are active and innovative in utilizing the most advanced information technology.

Metso has delivered more processes, machinery and equipment to its customers than any of its competitors: 2,000 paper machines and 800 pulping lines, as well as over 30,000 crushers, 15,000 screening systems and 3,000 grinding mills for rock and mineral processing. This large population of delivered machinery, together with Metso's automation know-how, creates the basis for developing know-how and aftermarket services over the entire life cycle of the process and for our future growth. We maintain or otherwise service only about one third of the machinery and equipment that has been delivered by Metso.

Metso Paper and Metso Minerals are global market leaders in their fields

In September 2001, Metso achieved an important

strategic goal to make Metso Minerals the Corporation's other strong business alongside Metso Paper. The acquisition of Svedala balanced Metso's corporate structure, strengthened the product range and expanded the market area further. Maintenance, spare parts and other knowledge-based services also increased their share of net sales. These factors will also make the Corporation's profitability less cyclic.

**Metso Future Care implements
Metso's vision: from a supplier of machinery
to a supplier of competitiveness**

In accordance with the Metso Future Care business concept, our goal is to maintain the competitiveness of customers' industrial core processes and to develop them throughout their life cycle.

Metso Future Care is a concept for creating new market potential, in which we exploit already installed machines and delivered processes to add to the customer's competitiveness.

The Metso Future Care business concept leads to new ways of managing customer relationships and developing earnings logic. By benefiting the customer, we aim to strengthen the partnership between the customer and Metso, and through the customer's success, we aim to improve Metso's profitability and create permanent added value for all stakeholders.

Metso's targets

**Improving profitability
is the most important goal**

Metso's goal is healthy, profitable growth, to be sought through organic growth, acquisitions, the development of new businesses and the Metso Future Care concept.

In 2001, most of the growth was achieved through acquisitions, the most significant being the Svedala acquisition. In the near future, Metso will focus on integrating these businesses seamlessly into Metso and utilizing Metso's internal synergies.

**Metso's financial targets, calculated as 5-year
averages, are:**

an operating profit of over 9 percent of net sales

a return on capital employed (ROCE) of over 20 percent

**an economic value added (EVA) of over 4 percent of
net sales**

gearing of under 50 percent

**an annual dividend distribution equivalent to at
least one third of the average earnings per share.**

The dividend policy is founded on the Corporation's long-term profitability and financial strength.

The financial goals form the basis for the Corporation's internal incentive system and thus guide operations on all levels.

President's Review

To our Shareholders,

Metso's goal is to be the leading knowledge-based, technology company. We aim to improve the productivity and competitiveness of our customers' industrial core processes. Metso is thus widening its scope from being a supplier of machines and equipment to being a comprehensive expert in customers' production processes, providing products and services for all stages of their life cycles.

Metso's strength is based on an in-depth knowledge of customers' industrial core processes. We have supplied the markets with more processes, machines and equipment than our competitors. This large population of installed machinery, together with our automation know-how, provides the potential to manage increasingly large systems and to increase our share of the know-how and aftermarket services that are essential for industrial processes. It is this combination that makes Metso unique and creates our competitive advantage.

Metso is the technology leader in supplying total processes and giving future direction to industry. Our technology development gives us a head start on our competitors and allows us to influence industrial structures. Our role in maintaining and strengthening the customer's competitiveness also requires that we systematically develop and manage our technological competence. By networking with our partners we increase our

operating flexibility and our ability to serve customers even better.

Successful year in 2001

Despite the slowdown in global economic growth, 2001 was a successful year for Metso. Our net sales increased to EUR 4.3 billion. The income before extraordinary items and taxes was EUR 222 million, which was clearly better than the previous year. Earnings per share rose 21 percent to EUR 1.09.

Metso's market situation was satisfactory as a whole. The orders received were focused on crushing systems for construction and the civil engineering industry, rebuilds of paper making lines, and finishing systems. Orders for new paper making and pulping lines were received mainly from Europe and China. The demand for Metso's know-how and aftermarket services grew. They already account for nearly one third of annual net sales.

The integration of the rock and mineral processing equipment manufacturer, Svedala, with Metso Minerals was an important strategic step for Metso. The long clearance process of the competition authorities allowed us to prepare for the merger and thus integration procedures were begun immediately the acquisition was concluded in September, 2001. The work will also continue in 2002, at which time the financial benefits of the merger will begin to be more clearly seen. We estimate



that synergy benefits of EUR 70 million will be fully realized in 2003.

Metso is now the market leader in both fiber and paper technology and rock and mineral processing. The corporate structure is also more balanced as Metso Minerals has grown into another strong business alongside Metso Paper. The strengthening of Metso Minerals' product range, the expansion of the market area, and growth in the share of know-how and aftermarket services will all support an improvement in the Corporation's profitability and reduce business cycle fluctuations.

In 2001 we put a lot of effort into developing the Metso Future Care business concept and creating a uniform Metso identity based on joint values and harmonization of names by prefacing them with Metso. We also initiated profitability improvement measures, the effects of which will be seen in 2002.

Our target is the improvement of profitability

Our main target in 2002 is the improvement of profitability. We must effectively exploit the internal synergies of the Corporation, and improve the cost efficiency and quality of our operations and the use of capital. We must also reinforce a corporate culture that emphasizes profit-making, by using right-sized incentive systems, for example.

Through the Metso Future Care business concept

our business potential will grow significantly and our operations can grow faster than the average organic growth of customer industries. We are seeking growth particularly in those areas where we can best strengthen the competitiveness and end product quality of our customers' processes.

All our stakeholders will benefit from the change

By expanding into a knowledge-based, technology company, we are providing a firmer foundation for Metso's future growth and are aiming at substantially better profitability. This transformation is made possible by our strategic strengths, competent people and technological leadership, and is supported by systematic, goal-oriented change management. We have all the necessary tools and the will to fulfil our vision. Metso's change and future success will benefit all our stakeholders – customers, shareholders, employees and business partners, as well as the communities in which we work.

Tor Bergman
President and CEO





We put high priority
on the improvement of **profitability**.

Metso Paper

Metso Paper supplies pulp and paper industry processes, machinery, equipment and related know-how and aftermarket services. Metso Paper is the global market leader in the supply of paper machines and it has the broadest product selection in the

field, spanning the entire papermaking process from pulping to roll wrapping and converting. Together with Metso Automation and Metso Drives, Metso Paper offers customers a unique package of process expertise.

Key figures

	2000	2001
(in millions)	EUR	EUR
Net sales	2,286	2,521
Operating profit before nonrecurring items and amortization of goodwill	109.8	188.9
Operating profit	106.4	163.4
Orders received	2,648	1,970
Order backlog, Dec. 31	1,603	1,043
Personnel, Dec. 31	10,914	10,785

Comprehensive portfolio of products and services

Metso Paper is divided into Pulping Technology (20 percent of Metso Paper's net sales in 2001), Paper Technology (68 percent of net sales) and Other Businesses (12 percent of net sales). Know-how and aftermarket services accounted for about 25 percent of Metso Paper's net sales in 2001.

Pulping Technology

Pulping Technology covers processes and production lines for wood handling, chemical, mechanical and recycled fiber-based pulping, pulp drying and baling. Mechanical pulping products are sold under Valmet name and chemical pulping products under the names ChipWay, DryWay and PulpWay.

Paper Technology

Paper Technology covers paper, board and tissue making lines, including all machinery and equipment, as well as the related finishing and air systems. The name for all these products is Valmet.

Other Businesses

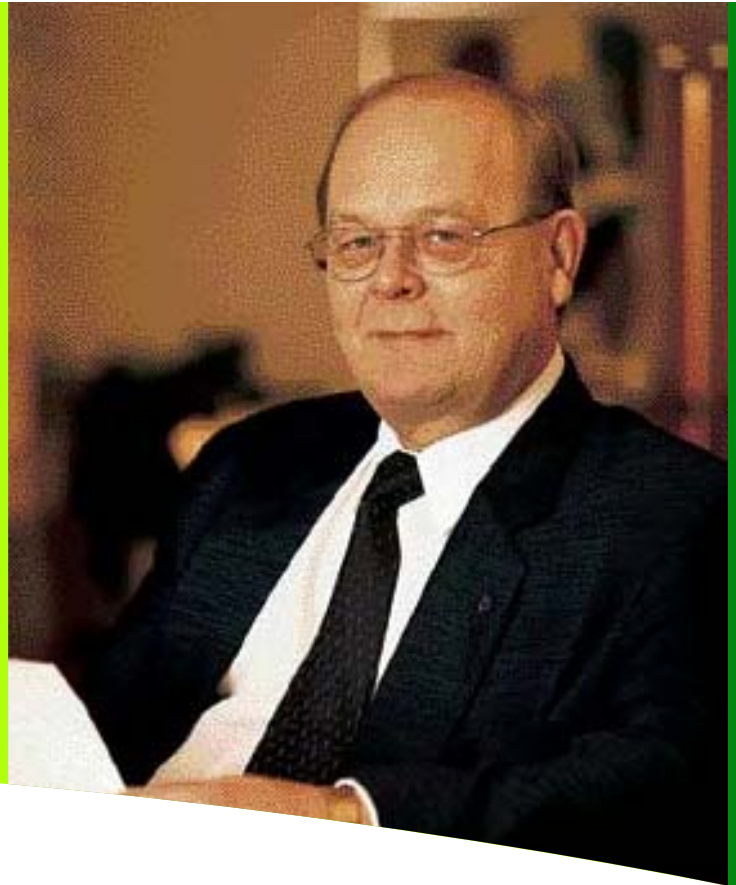
In addition to pulping and paper technology, Metso Paper sells converting equipment and panelboard technology. The Converting Equipment product group offers customers rotogravure and flexographic printing presses, coating and laminating machines, and slitters and sheet cutters. The product names include Rotomec and Atlas. The Panelboard Technology product group manufactures machines, equipment and whole production lines for the production of panelboard used in construction and by the furniture industry. The best known product name is ClassiFormer.

Know-how and aftermarket services

Know-how and aftermarket services are an important and growing part of Metso Paper's operations. They are responsible for the development and production of services related to the maintenance and runnability of customer production lines, processes and equipment. Thus they include engineering, modernization, maintenance and spare parts services.

**Juhani Pakkala, President,
Metso Paper**

"One of our most important tasks is to continue measures to improve cost efficiency and profitability in line with Metso's targets and our customer-driven operating concept. To maintain our technological lead, we will strengthen our R&D and increase our know-how and aftermarket services by creating new products and service concepts."



Customers are the world's leading paper producers

Metso Paper serves pulp and paper producers, packaging material manufacturers and panelboard producers all over the world. Its goal is to stabilize its position as the preferred and long-term partner of customers, mainly through its advanced technological solutions and comprehensive scope of services.

The markets for Metso Paper's products are global. They are focused on rebuilds and know-how and aftermarket services for the mature markets of Europe and North America. Another key area comprises the rapidly growing Asian and South American markets. Products and services are sold through 23 sales offices and 43 service centers.

Strong position in world markets

Metso Paper operates in mature markets in which the demand for paper and board is growing at about 2–3 percent a year. Product demand depends primarily on the investments of the pulp and paper industry, the packaging industry and the panelboard industry. These in turn depend on the general economic outlook, trends in the demand for pulp and paper, the development of the price of pulp and different paper and board grades, as well as the capacity utilization rates of the manufacturers of these products. Metso Paper's dependence on the investment cycles of its customer industries

is being reduced by greater emphasis on know-how and aftermarket services.

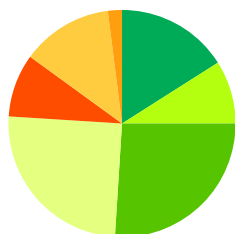
Metso Paper is the market and technology leader in paper technology, especially in large newsprint, printing paper and tissue machine lines. In this sector the main competitors are Voith Paper from Germany and Andritz, a tissue machine manufacturer, from Austria. Metso Paper is also a leading supplier of mechanical and chemical pulping equipment. The main competitors are Andritz, Voith Paper and Kvaerner Pulping from Norway.

Extensive previous deliveries base the Metso Future Care concept

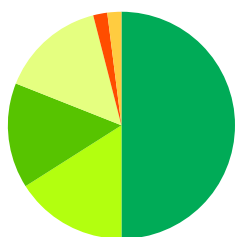
Metso Paper's strong market position, deep knowledge of customers' core processes, process automation expertise and broad technological know-how create a firm basis for the development of new product and service innovations. Metso Paper places much effort on maintaining its market position by continually strengthening its expertise, especially in technology, processes and know-how and aftermarket services.

Metso Paper has a large population of delivered machines, which was further strengthened by the acquisition in 2000 of the aftermarket operations of its American competitor Beloit. Metso Paper's deliveries, amounting to roughly 800 pulping lines and 2,000 paper machines, create a firm foundation on which

Net sales by market area



Personnel by area



to build new know-how and aftermarket services, in accordance with the Metso Future Care business concept.

The year 2001

Net sales and profitability markedly improved

Metso Paper's net sales grew by 10 percent compared with 2000 and totaled EUR 2,521 million. Net sales increased in Pulping Technology and Paper Technology, following large project deliveries and higher sales in service operations. The net sales of the Other Businesses group declined due to the weak market situation in panelboard technology.

Metso Paper's operating profit before nonrecurring items and amortization of goodwill was up 72 percent on 2000 and amounted to EUR 188.9 million, which is 7.5 percent of net sales. Nonrecurring expenses of EUR 14.9 million resulted from business restructuring. The factors contributing to the considerable improvement in profitability included the higher share of services, more efficient project implementation and the synergy benefits arising from the merger that created Metso.

Measures to improve profitability were continued

During the year, measures to improve profitability were continued. The unit in Charlotte, USA, was shut down, and production was transferred to other units in the market area. Rationalization measures were initiated during the year to improve the profitability of panelboard and pulping technology, while there was an extensive cost-cutting program in Metso Paper and a drive to improve cost efficiency.

Good inflow of new orders mainly from China and Europe

The markets for pulping and paper technology products were satisfactory. The orders for new paper machine lines were received mainly from China and Europe. In North America, demand was mainly focused on rebuilds of paper and pulp lines and on services. In South America, the demand for pulping technology products was satisfactory. New orders were booked to the value of EUR 1,970 million.

Growth in know-how and aftermarket services

During the year, the volume of service deliveries grew substantially in North America and also in Europe. The merger of Beloit's aftermarket operations into Metso Paper in 2000 was successful, leading to a marked improvement in Metso's position in North America's maintenance and spare parts markets in 2001. New service centers were opened in Beloit, USA and in Wuxi, China. It was decided to open further new centers in Oulu and Järvenpää, Finland.

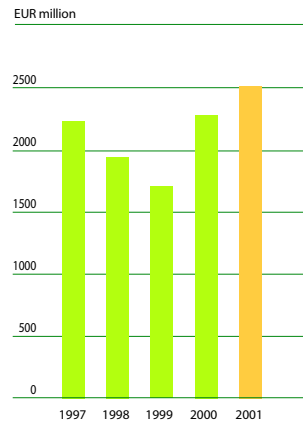
Order backlog provides a good foundation for 2002

Metso Paper's order backlog at the end of 2001 was EUR 1,043 million. Although this was lower than the previous year, it remains at a good level. As a result of new orders received especially towards the end of 2001, and the continuing brisk demand for maintenance services, Metso Paper has a good foundation for 2002.

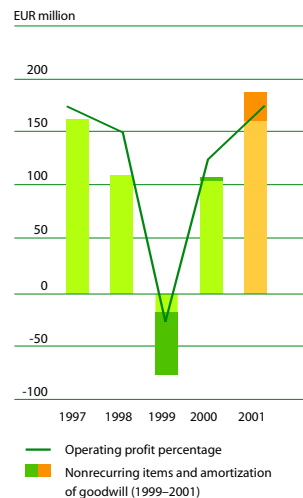
New growth from the Metso Future Care business concept

The demand for paper is estimated to continue growing at 2–3 percent a year, in Asia faster. Due to Metso Paper's comprehensive operations, leading market position and technological leadership, this growth can be utilized in full. Investments in North America and Europe are expected to still focus mostly on rebuilds, whereas in Asia, and especially in China, investments in the coming years will continue to focus on new production capacity. Furthermore, the utilization of Metso Paper's extensive number of delivered machines in accordance with the Metso Future Care business concept will create significant new growth potential.

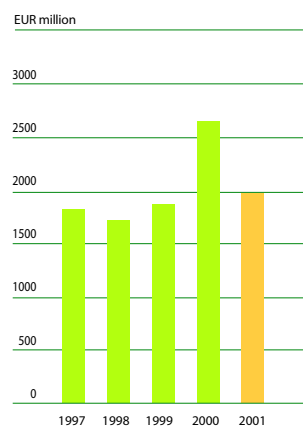
Net sales



Operating profit



Orders received



Metso Minerals

Metso Minerals is the world's leading supplier of solutions, equipment and maintenance services for rock and minerals crushing processes. The position of Metso Minerals was greatly strengthened in 2001 with the acquisition of the Swedish rock and minerals processing group, Svedala. The deal strengthened Metso Minerals especially in the mining industry and in aftermarket operations.

Key figures

	2000	2001
(in millions)	EUR	EUR
Net sales	561	913
Operating profit before nonrecurring items and amortization of goodwill	30.2	44.6
Operating profit	27.7	14.7
Orders received	560	873
Order backlog, Dec. 31	100	499
Personnel, Dec. 31	3,298	11,725

Complete solutions for customers' needs

The operations of Metso Minerals are organized into five business lines.

The Crushing and screening business line (69 percent of Metso Minerals' net sales in 2001) is responsible for equipment and solutions used in rock and mineral crushing and classifying and metals recycling, including track mounted and mobile crushing units and systems. Products are sold under the Nordberg name. The Lindemann name is used for metals recycling products.

Products in the Wear protection and conveying business line (7 percent of net sales) include grinding mill linings and other wear, impact, dust and noise protection

products, and conveyer belts and components. Products are sold under the Trellex name.

The Minerals processing business line (13 percent of net sales) is responsible for mining industry and industrial minerals' production process solutions, products and aftermarket services for these processes, as well as solutions for transporting, loading and unloading minerals. The product name of the business line is Svedala.

Products of the Compaction and paving business line (8 percent of net sales) are civil engineering compaction and paving solutions and related products including rollers, pavers, planers and concreting equipment. The name of these products is Dynapac.

The Associated products business line (3 percent of net sales) contains drilling equipment for the mining industry.

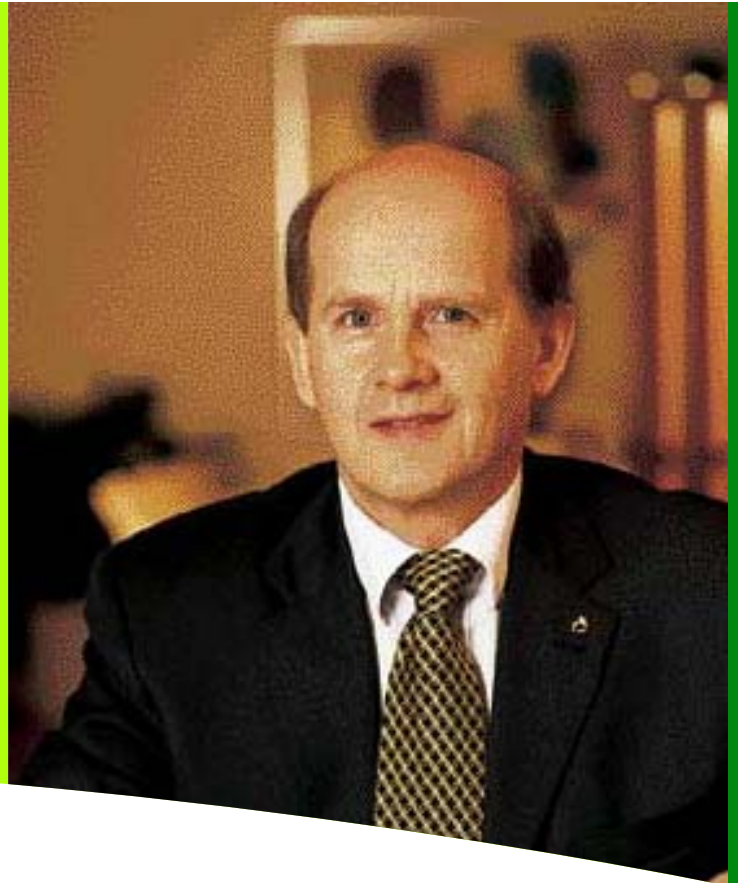
A diverse customer service and distribution network

Metso Minerals' global customers are concentrating; small companies are consolidating and their scope of activities is widening. This requires that equipment suppliers are also present on all markets and can provide comprehensive solutions alongside individual products.

Metso Minerals has sales and service units, dealers and distributors in approximately 150 countries.

Olli Vaartimo, President,
Metso Minerals

"The main goal of Metso Minerals in 2002 is the successful completion of the integration process. Our focus is on greater efficiency and we are aiming at raising profitability to meet the goals set by Metso. Other near-future challenges are to build a strong distribution network, develop logistics and restructure the units."



The main customer segments are civil engineering contractors and quarries

Customer sectors include mineral processing, aggregate, sand and gravel production, construction, crushing contracting and recycling. The customers include road construction and other contractors, quarries, mines and cement producers. About two thirds of deliveries go to the civil engineering industry, and nearly one third to the mining industry.

Already, over 40 percent of net sales come from aftermarket activities.

Strength in comprehensive product range close to customer

Metso Minerals' competitive advantage derives from its global service network and the most extensive range of delivered products in the sector. Strong technological competence, an in-depth knowledge of customer processes and a firm commitment to aftermarket activities, along with a comprehensive product range, all support local co-operation close to the customer.

Metso Minerals exploits the process and automation know-how of Metso Automation. Automation continues to have an ever-increasing role in mining industry process deliveries, for example. The demand for rock crushing measurement systems is also increasing as the specifications for size and quality of aggregate become tighter.

A few large and numerous small producers

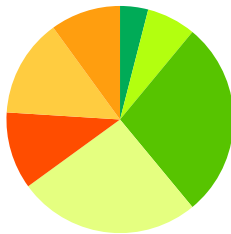
The global markets for rock and mineral processing solutions in those segments where Metso Minerals operates are worth EUR 10–12 billion. Metso Minerals has an approximate 20 percent market share. Population growth and increased GDP are leading to more transport infrastructure, which is raising the demand for aggregate. Stricter environmental requirements are restricting the use of natural gravel and sand and are increasing the demand for crushed rock and also recycled material. The demand for mining industry products follows trends in the demand for and price of metals.

The markets for rock and mineral processing solutions are still fragmented. Alongside a few global manufacturers are many small, local manufacturers. Metso Minerals' most significant competitors in different product segments include Terex and Astec from the USA, Kawasaki from Japan and Sandvik from Sweden.

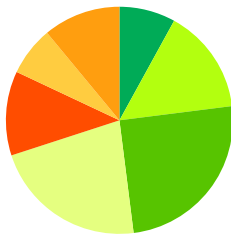
Growth from aftermarket activities

The need for know-how and aftermarket services and equipment modernization is growing as the demand for new crushers and crushing plants levels off. Metso Minerals has supplied its customers with 30,000 crushers, 15,000 screening systems and 3,000 grinding mills. This vast amount of machinery and equipment gives

Net sales by market area



Personnel by area



good growth potential for know-how and aftermarket services. Metso Minerals currently estimates its share of the aftermarket services for its own delivered equipment to be about one third.

Metso Corporation's automation know-how and use of new communication and information technology are critical as Metso Minerals develops its working methods in line with the Metso Future Care concept. For example, crushers can be equipped with remote monitoring and measurement systems.

The year 2001

Acquisition of Svedala strengthened market position

Metso Minerals' net sales increased by 63 percent in 2001, and totaled EUR 913 million. The majority of the increase was due to the acquisition of Svedala in September.

The operating profit before nonrecurring items and amortization of goodwill improved 48 percent to EUR 44.6 million, which was 4.9 percent of net sales. Non-recurring expenses were EUR 16.0 million and arose mostly from measures related to the integration of Svedala and making the necessary reserves.

The integration of Svedala into Metso Minerals began immediately after the deal was closed on September 14, 2001. It was decided to merge distribution units and their number will be reduced from over 200 units to 130–140 units. Overlapping production facilities will be merged and several plants will be closed or sold. Svedala's head office functions in Sweden and the USA will be integrated into Metso Minerals and Metso's corporate administration by the end of the first quarter of 2002.

The annual synergy benefits of EUR 70 million from the merger of Svedala and Metso Minerals are expected to be fully realized by 2003. It is estimated that approximately 50 percent will be realized in 2002. Synergy benefits will result mostly from cost savings.

Main markets in Europe and North America

In 2001, the demand for products supplied to the civil engineering industry was relatively good in Europe, except for Germany. However, the market situation in North America weakened. The demand for mining

industry products was quiet in North America, but continued at the previous year's level in the Southern Hemisphere.

New orders received were 56 percent more than in the previous year and totaled EUR 873 million. The order backlog grew significantly with the Svedala acquisition, and stood at EUR 499 million at the end of the year.

Metso Minerals invested in production plants in China. The Tianjin production plant mainly manufactures crushers and screening units, while the Wuxing unit focuses on compaction and paving equipment, including rolling and paving machines.

Measures to improve profitability

The main objectives of 2002 are to improve profitability and release capital. The improvement of profitability will be based on the synergy benefits derived from integration and from raising efficiency. Synergy benefits will arise by closing overlapping production and administration and consolidating the distribution network. Working capital will be released by divesting non-core businesses and reducing inventories and sales receivables.

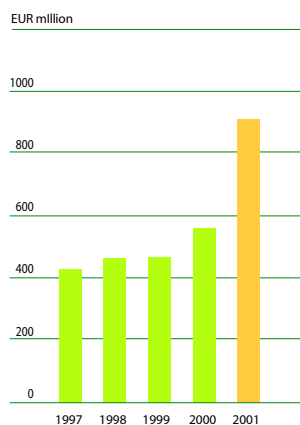
Metso Minerals has taken the first steps to restructure its U.S. production capacity. The Mineral processing business line will sell two foundries and a workshop. Additionally, two units that manufacture stationary and mobile screening units will be closed.

Long-term market outlook

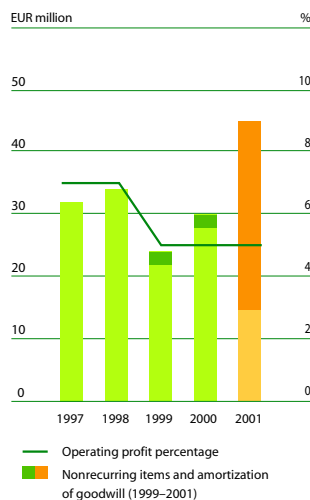
The consumption of crushed rock by the civil engineering industry is expected to rise annually by 2–3 percent over the next 10 years. Due to the TEA21 infrastructure development program approved by the U.S. Congress the funding for highway improvement projects will be increased. A similar program has also been approved in China and other similar projects are currently in process in India and Eastern Europe.

The demand for copper, gold and nickel in the mining industry is expected to rise annually by 3.5–4 percent. The focus of mining operations is shifting from the Northern to the Southern Hemisphere. This will mean increased demand for mining equipment in the south and the strengthening of aftermarket activities in the north.

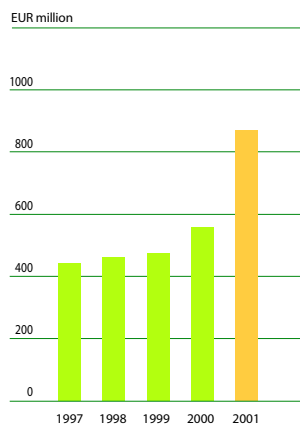
Net sales



Operating profit



Orders received



Metso Automation

According to Metso's strategy, Metso Automation has a central role in developing automation products and services founded on new technology. The goal is to more efficiently utilize the high level of automation and control technology expertise, as well as IT and communications technology, in all of Metso's businesses.

Key figures

	2000	2001
(in millions)	EUR	EUR
Net sales	644	693
Operating profit before nonrecurring items and amortization of goodwill	45.5	28.7
Operating profit	45.0	17.3
Orders received	651	676
Order backlog, Dec. 31	197	182
Personnel, Dec. 31	4,551	4,532

Solutions for all the main areas of process automation

Metso Automation designs, develops and supplies application networks and systems, as well as field solutions, for automation and information management in the process industry.

Operations cover the three main areas of process automation: process automation and information systems, automation and control valves, and process measurements and analyzers.

Metso Automation is divided into three divisions. Field Systems concentrates on automated and control valves and analyzers. Paper Automation specializes in automation and information systems for pulp and paper production. Energy & Process Automation supplies

corresponding systems for power generation and other process industries, as well as SCADA systems for oil, gas, electricity and water distribution.

A global service network

Metso Automation has customer service units in 37 countries. These units, together with local representatives and dealers, form an extensive global service network that is also supplemented with e-commerce distribution channels.

Metso Automation sells and markets approximately 80 percent of its products through its own sales network. Approximately 10 percent of sales are related to the deliveries of Metso's other businesses. In most cases, these deliveries are automation systems, control valves and measurement devices and analyzers for the pulp and paper machines produced by Metso Paper, but they also increasingly include automation solutions, valves and measurement systems for the products manufactured by Metso Minerals.

Process industry as a customer

The largest single customer group of Metso Automation is the pulp and paper industry, which accounts for about half of all deliveries. Power and other process industries, such as the hydrocarbon and chemical industry, account for almost all of the other half.

**Matti Kähkönen, President,
Metso Automation**
**"In 2002 Metso Automation will
focus particularly on improving
profitability and cost efficiency.
Other key focal areas for
development are products and
services related to the Metso
Future Care business concept
and close cooperation with
Metso Minerals."**



Approximately 60 percent of net sales comes from system and equipment deliveries and 40 percent from aftermarket services.

A strong market position in the pulp and paper industry

The global process automation markets are subdivided into field equipment and analyzers, and systems and information management products. The market totals approximately EUR 60 billion annually, and is increasing at an annual rate of 2–5 percent depending on the product group.

Metso Automation is among the leading suppliers in all of its branches of business. As a global supplier of automation solutions for the pulp and paper industry, Metso is among the three largest in all sub-sectors of the industry, being the market leader in e.g. special analyzers. In deliveries of SCADA systems for oil and gas pipelines, Metso Automation is the market leader in North America and second or third on a global scale depending on the product. As an automation systems supplier for power generation, Metso Automation is among the ten largest in the world. Metso Automation has a similar market position as a valve supplier for the hydrocarbon and chemical industry with a considerable market volume.

The main competitors are major global corporations

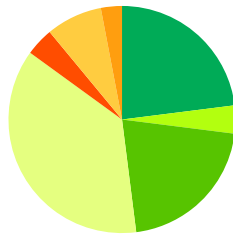
such as ABB Automation from Switzerland, Emerson Process Management, Honeywell Industrial Control and Flowserve Corporation from the USA, Invensys from the UK and Siemens A&D from Germany.

A key role in the transformation of Metso

Metso Automation is playing a key role as Metso transforms from an equipment supplier into a knowledge-based, technology company. For example, Metso Automation develops remote diagnostic technology and applications that are enabled by wireless communication and information networks. These can be utilized in predictive service and process maintenance in the solutions delivered by Metso Paper and Metso Minerals. Automation expertise is critical in developing the tools for the Metso Future Care business concept.

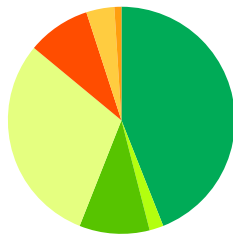
At the end of October, Metso Automation opened the first remote diagnostics center in Tampere, Finland. The process experts at the center have the option of continuous online connection with customers' pulp mills in order to control and optimize the process. Continuous connection with the customers' processes enables predictive maintenance operations, rapid feedback and reaction to possible disturbances, which results in greater cost efficiency and savings for the customer due to the decrease in maintenance downtime.

Net sales by market area



- Finland 23%
- Other Nordic countries 4%
- Other European countries 21%
- North America 37%
- South America 4%
- Asia-Pacific 8%
- Rest of the world 3%

Personnel by area



- Finland 44%
- Other Nordic countries 2%
- Other European countries 10%
- North America 30%
- South America 9%
- Asia-Pacific 4%
- Rest of the world 1%

Comprehensive product selection

One of the main product names of Metso Automation is metsoDNA, which is used in the automation and information management of pulp, paper and power industries and in SCADA systems. Other important product names are Neles and Jamesbury control valves, Kajaani measurement devices and analyzers, Valmet consistency transmitters, Sensodec systems for paper machine runnability and condition monitoring, and the PaperIQ and PaperLab systems for paper quality management.

The product range of analyzers was expanded in 2001 by acquiring the business of Pulpexpert Oy from Finland. The range of manufacturing execution systems (MES) was strengthened with the acquisition of the majority of the Finnish company, CompuSystems Oy, whose real-time costing system allows paper and pulp manufacturers to convert production information into financial indicators. The range of control products was supplemented by acquiring the US company, Valvcon Corporation, which is the leading designer and manufacturer of electronic actuators and automation solutions for valves.

Significant competitive advantage from strong process expertise

A significant competitive advantage of Metso Automation is its ability to combine automation expertise with strong process know-how. The embedded solutions and open automation network products developed by Metso Automation enable the efficient and economical use of products and processes for their entire life cycle. The structure of Metso enables close cooperation between different businesses, which in turn creates new possibilities to apply process automation in power generation and rock and mineral processing, in addition to the pulp and paper industry. The product development cooperation with Metso Minerals in developing automation and remote control for mining processes is a good example.

The year 2001

Demand was focused on pulp and paper industry applications

Product demand in Europe, which was good in the first half of the year, slowed down but remained satisfactory in the second half. Demand was quiet in North America for the whole year. There was lively demand, however,

in China and Brazil. Metso Automation's development was most favorable in the pulp and paper industry, which purchased field equipment and systems, and information management applications. Some delivery contracts were fulfilled together with Metso Paper. Metso Automation's net sales rose by 8 percent to EUR 693 million.

Metso Automation's operating profit before non-recurring items and amortization of goodwill decreased appreciably from the previous year to EUR 28.7 million, which was 4.1 percent of net sales. Profitability was weakened by the nonrecurring expenses of reorganization mainly in North America, totaling EUR 8.5 million, and the business disturbances caused by this operation. Actions to improve profitability were initiated in all three divisions.

The new orders received amounted to EUR 676 million, which is 4 percent more than in the previous year. The order backlog emphasized automation and information systems whose lead time in production is considerably longer than that of field equipment. The order backlog decreased by 8 percent compared to the end-of-year backlog for 2000 and stood at EUR 182 million at the end of 2001.

Matti Kähkönen, former Vice President of the Field Systems Division, was appointed President of Metso Automation in October, upon the transfer of Arto Aaltonen, the former President, to the position of Executive Vice President of Metso Paper.

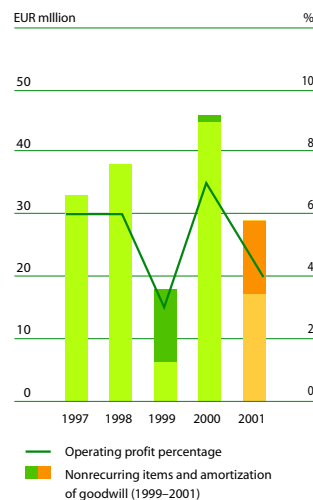
A key position for embedded automation solutions in the future

The degree of automation in processes and process equipment will continually increase as high tech applications spread around the world. At the same time, automation will increasingly be embedded in machines and equipment, and will be integrated more tightly with the total information systems of production mills and processes. With the intelligence built into machines and equipment, a clear shift is evident towards the remote monitoring and control of processes as well as predictive maintenance. For this reason, it is expected that volume growth in the automation business will outstrip that of customer industries as a whole, and that the long-term outlook for the automation sector is good.

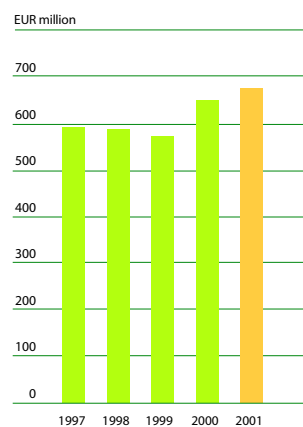
Net sales



Operating profit



Orders received



Metso Ventures

Metso Ventures contains businesses that are synergetic with Metso's core business areas, as well as new businesses and those which are under strategic development. The business area comprises Metso Engineering and Valmet Automotive.

Key figures

	2000	2001
(in millions)	EUR	EUR
Net sales	313	347
Operating profit	26.3	35.4
Orders received	337	371
Order backlog, Dec. 31*	75	98
Personnel, Dec. 31	3,145	3,083

*) Metso Engineering

Metso Ventures plays a special role in Metso

According to Metso's strategy, Metso Ventures forms an organization for businesses that serve the needs of Metso's other businesses or are under strategic development. In addition, Metso Ventures forms an organization for potential future businesses, and for investments in joint ventures, partnership agreements, shares and interests.

The evaluation criteria for new business potential include synergies and technological compatibility with Metso's core businesses, compatibility with Metso's strategy, compatibility with the Metso Future Care concept, earnings potential, organic growth potential and environmental soundness.

Metso Engineering

The goal of Metso Engineering is the establishment of lasting partnerships with customers by means of value-enhancing solutions. Growth is sought from smart gears and materials technology innovations for wind power plants.

Metso Engineering develops, manufactures and supplies wind turbine gears, paper machine drives, other industrial gears and hydrostatic motors, and the related maintenance services. It also offers manufacturing and know-how services related to machine building and materials technology.

Metso Engineering is divided into four business divisions, of which Metso Drives focuses on mechanical power transmission solutions, Metso Hydraulics on hydrostatic power transmission solutions, Metso Works on machine building services and Metso Powdermet on materials technology.

Metso Engineering markets and sells products through its own units. In addition, there is a global cooperation agreement with SEW Eurodrive GmbH from Germany for the purpose of selling and marketing some of the industrial gears.

A quarter of deliveries to customers within Metso Corporation

Two thirds of the net sales of Metso Engineering are generated from gears, of which the largest single product

**Sakari Tamminen, President,
Metso Ventures**

"The most important aim of Metso Ventures in 2002 is to streamline the business portfolio of the business area and to more precisely define the role of our businesses in the future. We will also assess new business potential and the investments allocated to them."



group is the fast-growing wind turbine gears. Major customers are process equipment and systems suppliers, the process industry, and the offshore and shipbuilding sectors. The main market areas of Metso Engineering are Europe and North America. One quarter of Metso Engineering's deliveries derive from customers within Metso Corporation.

Wind turbine gears as the motor for growth

The demand for Metso Engineering's products is mainly dependent on process industry investments and wind power construction. In wind turbine gears, Flender from Germany is the clear market leader. Among the next three – Lohman from Germany, Hansen from Belgium and Metso Engineering – the market shares are almost equal. The total market for wind turbine gears is about EUR 330 million annually. Metso Engineering is also a pioneer in exploiting powder metallurgy technology in the manufacture of demanding machine parts.

Using Metso's process and automation expertise as a competitive advantage

The strengths of Metso Engineering lie in its expertise in machine building and its ability to use Metso's process and automation expertise and global operating network. Examples of this include the intelligence properties of

its wind turbine gears, extensive gear maintenance and more durable material solutions.

Metso Engineering in 2001

The net sales of Metso Engineering in 2001 were EUR 211 million, which was 9 percent more than in the previous year. The growth was especially due to the brisk demand for wind turbine gears. Orders for materials technology also increased over the previous year.

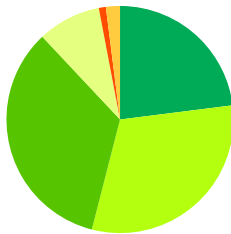
Metso Engineering's operating profit in 2001 was EUR 8.0 million, which was 3.8 percent of net sales.

New orders were received to the value of EUR 234 million, which was 7 percent more than in the previous year. The order backlog increased by 31 percent compared with the end of 2000 and amounted to EUR 98 million at the end of 2001.

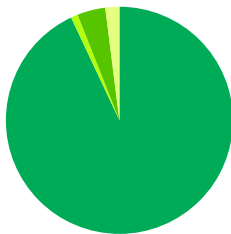
Attempts to use natural resources more efficiently will lead to the development of new forms of energy

The future outlook of Metso Engineering is based on the development needs of process industry and power generation, which increasingly emphasize the more efficient use of natural resources. Growth requires the development of products related to the construction of wind power, the continuous increase of manufacturing capacity and the strengthening of expertise in materials technology.

Net sales by market area



Personnel by area



Valmet Automotive

Valmet Automotive is an independent, contract manufacturer of specialty cars which focuses on producing and developing cars with special requirements.

Car manufacture is not one of Metso's core businesses defined in its strategy. In November 2001, ThyssenKrupp Automotive AG from Germany acquired a 10 percent minority holding in Valmet Automotive, and it has an option to acquire the remaining 90 percent within two years. ThyssenKrupp Automotive is one of the world's largest system suppliers in the car industry, and ownership of Valmet Automotive would support its strategy of developing as a car manufacturer, too. For Valmet Automotive the cooperation brings strength, especially in marketing and product development.

Long term manufacturing contracts the basis for operation

Valmet Automotive manufactures Saab 9-3 convertibles and the Saab 9-3 Viggen for Saab Automobile AB, the Swedish subsidiary of General Motors, as well as Porsche Boxsters for Porsche AG from Germany. In October 2001, Valmet Automotive and Porsche AG signed a new cooperation agreement that covers the manufacturing of cars at least until 2008 with an option of continuing until 2011.

The combined production of European contract manufacturers of specialty cars increased in 2001 to approximately 350,000 cars annually. The strongest competitors of Valmet Automotive are Pininfarina and Bertone from Italy, Karmann from Germany and Steyr-Daimler-Puch from Austria. Convertibles are a special strength of Valmet Automotive, and it is one of Europe's largest manufacturers in this field.

New products quickly and cost efficiently

Valmet Automotive's main competitive advantages are its high quality, cost efficiency, the competence of its personnel and the flexibility to rapidly retool for new production. The plant's facilities have been upgraded and are currently among the best in Europe. Valmet Automotive became one of the first automotive plants in the world to gain QS-9000 quality certification in 1999. This was followed by ISO 14001 environmental certification in 2001.

Valmet Automotive in 2001

The net sales of Valmet Automotive increased by 15 percent over 2000 and totaled EUR 136 million. The operating profit increased notably, totaling EUR 27.4 million, which was 20 percent of net sales. The demand for specialty cars was fairly good in Europe and the USA, despite the uneven development of the world economy. The production volumes of Valmet Automotive increased, with 41,916 cars being produced in 2001 (38,468 cars in 2000).

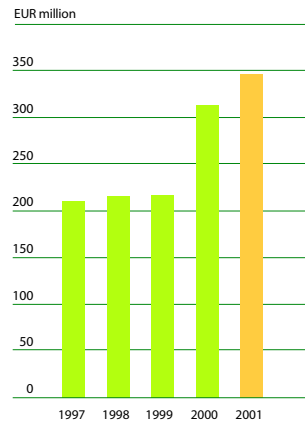
In April 2001, Tapio Kuisma, the former Executive Vice President of the company, took over the responsibilities of the retiring President, Juhani Riutta.

Manufacture of specialty cars will increase

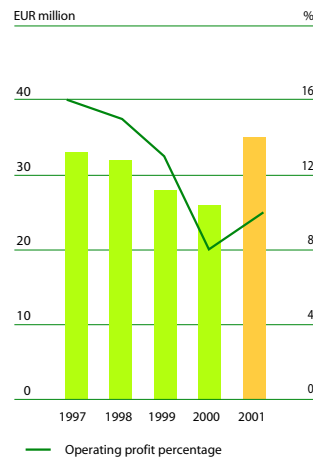
The market for specialty cars is expected to continue to grow, even though the outlook for the world economy remains uncertain. Car manufacturers continuously introduce new specialty cars and look for new solutions. New hard-top convertible models are expected to increase the sales of convertibles in both Europe and the USA. Large car manufacturers increasingly outsource car projects to outside partners, which are expected to take responsibility for the whole chain from product development to manufacture.

Cooperation with ThyssenKrupp Automotive brings Valmet Automotive credibility and resources to deliver complete specialty car projects to car manufacturers. The fields of expertise of ThyssenKrupp Automotive and Valmet Automotive complement each other perfectly. The companies have established cooperation workgroups for product development and marketing. The ThyssenKrupp Automotive global contact network is utilized in marketing.

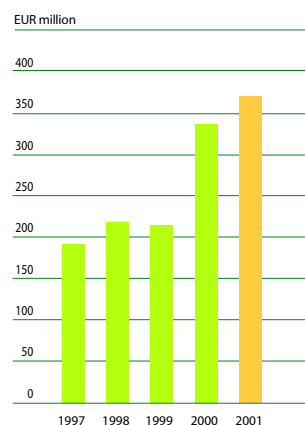
Net sales



Operating profit



Orders received







Linking know-how,
people and innovations.

Board of Directors and Auditors

Pertti Voutilainen, born 1940.
Chairman of the Board.
M.Sc. in Economics and Business Administration,
M.Sc. in Engineering.
Board Member: Fingrid Oyj.
Holdings: 1,280 Metso shares.



Mikko Kivimäki, born 1939.
Vice Chairman of the Board.
Master of Laws.
President and CEO, Rautaruukki Oyj.
Board member: Varma-Sampo Mutual Pension
Insurance Company, YIT Corporation.
Holdings: 1,850 Metso shares.

Heikki Hakala, born 1941.
M.Sc. in Economics and Business Administration,
D.Tech. (hon.).
Chairman of the Board: Ilmarinen Mutual Pension
Insurance Company.
Board Member: Altia Group Oy, Lassila & Tikanoja
plc, Kuusakoski Group Oy, Pohjola Group Insurance
Corporation.
Chairman of Supervisory Board: Orion Corporation.
Holdings: 10,262 Metso shares.
Options: 150,000.



Juhani Kuusi, born 1938.
D.Sc. (Tech.)
Senior Vice President, Head of Nokia Research Center.
Board Member: Instrumentarium Corporation.
No holdings.

Pentti Mäkinen, born 1952.
Labor representative, Chief Shop Steward, Metso Paper, Rautpohja, Finland.
No holdings.



Jaakko Rauramo, born 1941.
M.Sc. in Engineering.
Chairman of the Board: SanomaWSOY Oyj, Sanoma Magazines B.V.
Vice Chairman of the Board: Rautakirja Oyj.
Board Member: European Publishers Council, Svenska Dagbladet AB.
Trustee: Reuters Founders Share Company Limited.
Holdings: 1,205 Metso shares.

Markku Tapio, born 1948.
M.Sc. in Political Science.
Director General, State Shareholdings Unit, Ministry of Trade and Industry.
Chairman of the Board: Altia Group Oy, Finnish Industry Investment Ltd.
No holdings.



Shareholdings and options on February 8, 2002.

Auditor
Authorized Public Accountant
SVH Pricewaterhouse Coopers Oy

Executive Board, Boards of Directors of Business Areas, and Corporate Headquarters

Executive Board

Tor Bergman, born 1948.
Chairman of the Executive Board. President and CEO. M.Sc. in Engineering. Bergman joined the company in 2001.
Board Member: Federation of Finnish Metal, Engineering and Electrotechnical Industries, Confederation of Finnish Industry and Employers. Supervisory Board Member: Ilmarinen Mutual Pension Insurance Company.
No holdings.
Options: 160,000.



Sakari Tamminen, born 1953.
Vice Chairman of the Executive Board. Executive Vice President and CFO, Deputy to the President and CEO. M.Sc. in Economics and Business Administration. Tamminen joined the company in 1986.
Board Member: Partek Corporation.
Supervisory Board Member: Sampo Life Insurance Company Limited.
Holdings: 780 Metso shares.
Options: 120,000.



Arto Aaltonen, born 1947.
Vice President, Metso Paper. M.Sc. in Engineering. Aaltonen joined the company in 1987.
Holdings: 600 Metso shares.
Options: 100,000.

Matti Kähkönen, born 1956.
President, Metso Automation. M.Sc. in Engineering. Kähkönen joined the company in 1980.
No holdings.
Options: 90,000.



Juhani Pakkala, born 1945.
President, Metso Paper. M.Sc. in Engineering. Pakkala joined the company in 1970.
No holdings.
Options: 100,000.

Harri Luoto, born 1946.
Senior Vice President, General Counsel. Master of Laws. Luoto joined the company in 1982.
Holdings: 564 Metso shares.
Options: 45,000.



Olli Vaartimo, born 1950.
President, Metso Minerals. M.Sc. in Economics and Business Administration. Vaartimo joined the company in 1974.
Holdings: 1,544 Metso shares.
Options: 100,000.

Shareholdings and options on February 8, 2002.

Boards of Directors of business areas

Metso Paper

Tor Bergman Chairman, President and CEO, Metso

Sakari Tamminen Vice Chairman, Executive Vice President, CFO, Metso

Arto Aaltonen Executive Vice President, Metso Paper

Markku A. Karlsson Senior Vice President, Corporate Technology, Metso

Juhani Pakkala President, Metso Paper

Harri Luoto Secretary of the Board, Senior Vice President, General Counsel, Metso

Metso Minerals

Tor Bergman Chairman

Sakari Tamminen Vice Chairman

Markku A. Karlsson

Matti Kähkönen President, Metso Automation

Olli Vaartimo President, Metso Minerals

Harri Luoto Secretary of the Board

Metso Automation

Tor Bergman Chairman

Sakari Tamminen Vice Chairman

Markku A. Karlsson

Matti Kähkönen

Bertel Karlstedt President, Paper Making Lines, Metso Paper

Vesa Kainu Executive Vice President, Metso Minerals

Harri Luoto Secretary of the Board

Metso Ventures

Tor Bergman Chairman

Sakari Tamminen Vice Chairman

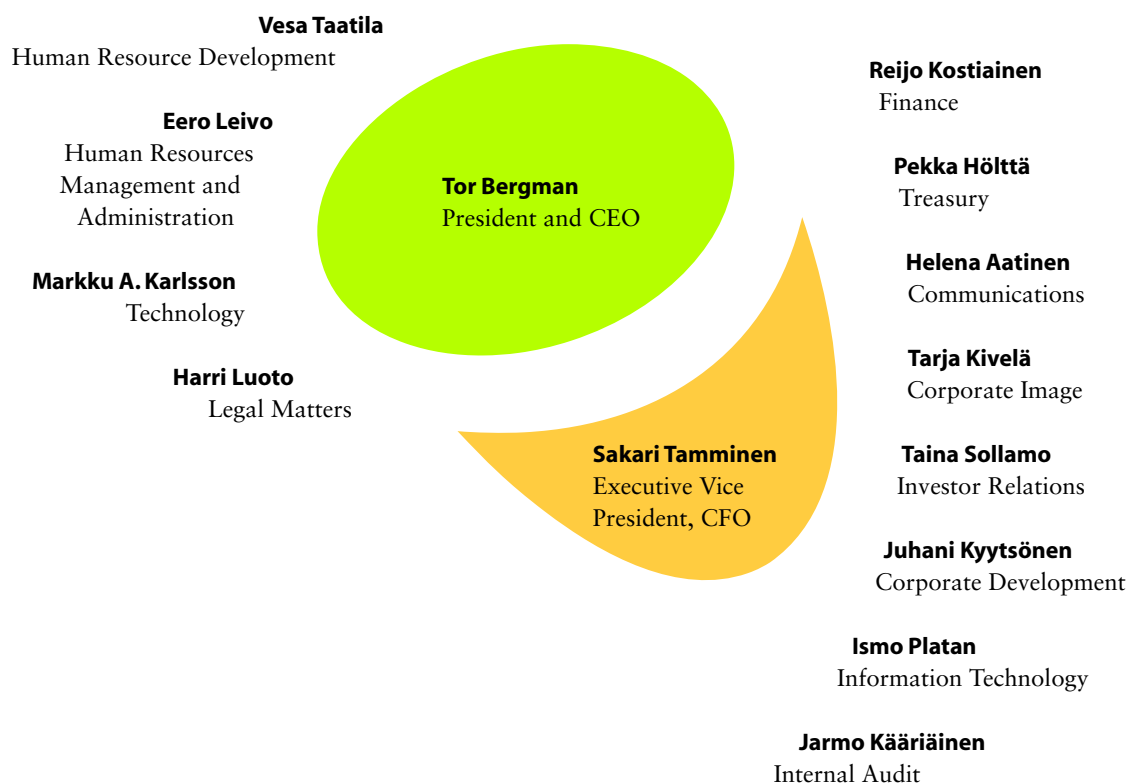
Markku A. Karlsson

Juhani Kyytsönen Senior Vice President, Corporate Development, Metso

Tapani Vainio-Mattila President, Metso Engineering

Harri Luoto Secretary of the Board

Corporate Headquarters



The corporate governance system in Metso Corporation favors solutions that are as simple and clear-cut as possible. Corporate governance is based on Finland's Companies' Act and on Metso's Articles of Association. The Corporation's general operating principles and responsibility relationships are described in the documents, "Arrangement of the Management of Metso Corporation" and "Corporate Governance".

Annual General Meeting

The Annual General Meeting is the supreme decision-making body of Metso Corporation and it normally meets once a year. The Annual General Meeting decides on the matters stipulated in the Companies Act such as the acceptance of the financial statements and proposed dividend, the release from liability of members of the Board of Directors and the President and CEO, the election of the members of the Board of Directors and the Auditors and the compensation paid to them.

Board of Directors of Metso Corporation

The Board of Directors of Metso Corporation has ultimate responsibility for the management and proper arrangement of the operations of the Corporation, and for assuring good corporate governance in compliance with legislation and sustainable ethical practice.

The Board of Directors decides upon matters, which, considering the scope and size of the operations of the Corporation, are of major importance. These include the acceptance of the goals of the Corporation and the main strategies for achieving them, the acceptance of annual budgets and action plans, the definition and acceptance of control policies, and the acceptance of the organizational structure of the Corporation.

In accordance with the Articles of Association, the Board of Directors consists of at least five and at most eight members. The term of the members expires at the end of the Annual General Meeting which next follows the meeting at which they were elected. The Annual General Meeting elects a Chairman and Vice Chairman of the Board.

The Chairman and Vice Chairman of the Board form a Compensation Committee which makes proposals to the Board concerning the compensation of the management and the personnel compensation systems.

President and CEO

The Board of Directors of Metso Corporation appoints the

President and CEO, and his Deputy. The President and CEO acts as Chairman of the Executive Board, and reports to the Board of Directors.

Executive Board of Metso Corporation

The Executive Board consists of the President and CEO as Chairman, the member designated by the Board of Directors of Metso Corporation as Vice Chairman, and the Presidents of the Business Areas and the officers of the Corporate Headquarters designated by the Board of Directors as members.

The Executive Board assists the President and CEO in matters on the agenda of meetings of the Board of Directors, and considers all matters essential for corporate management, including matters relating to strategies for the Corporation and business areas, acquisitions, divestments, corporate image, monthly reports, interim reviews, key principles governing investor relations, bonus plans and the main principles of human resources policy. The Executive Board deals with and prepares matters relating to capital expenditure on the agenda of the Board of Directors of Metso Corporation.

The Executive Board may have extended meetings, if necessary, in which other executives designated by the Board of Directors may also participate.

Business organization

Metso Corporation is divided into business areas and groups which are accountable for business results and independently manage their duties as required by business operations.

Boards of the Businesses

The Board of Directors of Metso Corporation appoints the Boards of each business area and group. The members are chosen from the Corporate Staff and the Businesses' executives. These Boards may be supplemented with external, non-executive members, chosen for their special knowledge and experience. The business areas and groups have Management Groups which will be formed and meet as required by the needs of business operations.

Management salaries and other benefits

The total compensation of all members of the Management Board is result-based. The annual bonus is based on the result of the Corporation, and, concerning the management of the business areas and groups, also on the result of the business in question. Senior Corporate Management is included in the option schemes.

Auditors

The task of statutory auditing is to check and verify the financial statements and the information given by them on the result and the financial position of the Corporation. The Corporation has one Auditor. The auditors' duties will end at the end of the next Annual General Meeting following their election.

Financial risk management

Due to the broad scope and international nature of its operations, Metso's operating environment includes various financial risks. The most important of these are liquidity, currency, interest rate, and credit risks. The key principles underlying Metso's financial policy, approved by the Board, are risk avoidance and cost-efficient mitigation of factors that might have a negative impact on the Corporation's result or cash flow. The financial policy specifies risk limits, the investment and hedging instruments to be used and approved counterparties.

The task of Metso's Corporate Treasury is to safeguard the availability of the Corporation's equity and debt capital under competitive terms, and to manage financial risks in accordance with the approved financial policy. The Corporate Treasury functions as the counterparty to the operating units, centrally manages external funding and is responsible for the management of financial assets and various hedging operations.

Liquidity

To ensure the Corporation's short-term liquidity, a minimum has been set for cash and revolving credit facilities. Limits have also been set for the ratio of short-term loans to total loans, and for the average remaining maturity of long-term loans. The availability of funds and pricing risks are managed over the longer term by diversifying funding between the money and capital markets and bank loans.

Currency risks

Over half of Metso's net sales originate from outside the euro zone. Different currencies are used not only for customer deliveries, but also for inter-company transactions within Metso. The most important currencies used in invoicing are the euro, the U.S. dollar and the Swedish krona.

In accordance with the Corporation's financial policy,

the operating units hedge in full the currency exposures that arise from firm delivery and purchase agreements. In addition, the units can hedge anticipated foreign currency-denominated cash flows, taking into account their significance, the competitive situation and other opportunities to adapt. Upper limits, calculated on the basis of profit impact, have been set on the open currency exposures of the Corporate Treasury. These limits cover net exposures from transfers between units and items arising from financial operations.

The equity of subsidiaries outside the euro zone is affected by exchange rate risks, which may lead to translation differences in the Corporation's consolidated equity. In accordance with the principles applied in Metso, the relevant currency risks are hedged within certain limits by matching the exchange rate differences of long-term currency-denominated balance sheet items against the translation differences of the equity of foreign subsidiaries.

Interest rate risks

Changes in market interest rates and margins influence Metso's financing costs and returns from financial investments. To limit exposure to interest rate risks, limits have been set for the ratio of floating-rate to fixed-rate loans. In addition, the average length of interest rate periods can be influenced by interest rate swaps and other derivative contracts.

Share value risks

Metso has, to some extent, investments in the shares of other listed companies. The risks pertaining to their market value have not been hedged.

Credit and other counterparty risks

When investing cash assets and making derivative contracts, the only accepted counterparties are those that fulfill the credit rating criteria as defined in the financial policy, or those that have been separately approved by the Board. With respect to investments, derivative contracts and borrowing, counterparty-specific limits are set to avoid risk concentrations.

Credit risks pertaining to trade activities are primarily the responsibility of the operating units. The Corporate Treasury provides centralized services related to customer financing and ensures that the financial policy principles are adhered to with respect to terms of payment and the required collateral.





We are **expanding** our scope from machine manufacturer to comprehensive supplier of services and the customer's core processes.

Stock Exchange Releases in 2001

The stock exchange releases listed below and other releases can be read in full on Metso's Internet pages at www.metso.com

January

- 1.2 New names of Metso's business areas have been registered
- 1.15 Subscription for Metso's shares with warrants
- 1.16 Metso receives fiber technology orders worth over EUR 80 million
- 1.23 Metso to supply approx. EUR 110 million paper machine to Papierfabrik Palm
- 1.24 Metso's offer for Svedala cleared by EU Commission
- 1.26 Metso extends its offer for Svedala

February

- 2.5 Subscription for Metso's shares with warrants
- 2.6 Subscription for Metso's shares with warrants
- 2.8 Metso's four business areas
- 2.13 Metso Corporation's financial statements for 2000: Profitability improved significantly – order intake increased
- 2.13 Metso's Board of Directors' proposals to the Annual General Meeting on March 28, 2001
- 2.14 Metso Paper to rebuild paper machine at Metsä-Serla's Kyro mill
- 2.16 Subscription for Metso's shares with warrants and admission of additional number of shares to listing
- 2.20 Metso will purchase remaining Svedala management options
- 2.23 Notice of Annual General Meeting

March

- 3.6 Metso extends its order for Svedala
- 3.22 Proposal on the composition of the Board of Directors of Metso Corporation
- 3.28 The Annual General Meeting of Metso Corporation: Dividend of EUR 0.60 per share

April

- 4.5 Metso supplies materials technology to CERN
- 4.9 Tapio Kuisma appointed President of Valmet Automotive
- 4.9 Metso extends its offer for Svedala
- 4.10 Metso acquires further shares of Svedala

May

- 5.3 Metso's Interim Review, January 1 – March 31, 2001: Improved profitability; increased order backlog
- 5.8 Metso Paper to supply chemical pulping technology for Assidomän in Sweden
- 5.15 Metso to complement its control product offering
- 5.22 Metso to deliver a wheat straw particleboard plant to China
- 5.29 Metso extends its offer for Svedala

June

- 6.7 Metso agrees on sale of grinding mills business
- 6.7 Metso agrees with Sandvik on sale of the EU remedy package
- 6.11 Metso applies for listing of A-warrants on the main list of the Helsinki Exchanges
- 6.14 Metso to supply a linerboard machine to China
- 6.18 Metso extends its offer for Svedala
- 6.28 Metso to enlarge its offices in Jyväskylä, Finland
- 6.29 Metso extends its offer for Svedala

July

7.18 Capital Group Companies, Inc.'s holdings of Metso over 5 per cent

7.19 Metso extends its offer for Svedala

August

8.7 Metso's Interim Review, January 1 – June 30, 2001: Further improvement in profitability

8.13 Metso extends its offer for Svedala

September

9.4 Metso's offer for Svedala near completion – no further extension

9.7 Metso obtains FTC approval for its acquisition of Svedala

9.10 Metso to complete its offer for Svedala

9.11 Metso and Svedala to create world leader in rock and mineral processing technology

9.20 Sale of Metso's grinding mill operations to Outokumpu concluded

9.27 The Boards of Directors of Metso's business areas

9.27 Changes in responsibilities of Metso's management

9.27 Addition to the Boards of Directors of Metso's business areas on September 27, 2001

October

10.1 Metso to supply LWC paper line to China

10.2 Metso completes sale of remedy package to Sandvik

10.9 Metso's chemical pulping technology chosen for Stendal kraft pulp mill in Germany

10.19 Metso's financial information in 2002

10.24 Valmet Automotive and Porsche agree upon long-term cooperation

10.24 ThyssenKrupp Automotive AG to acquire a part of Valmet Automotive

10.31 Metso's Interim Review January 1 – September 30, 2001: Improved profitability

November

11.13 Metso to launch an inaugural Euro bond offering

11.16 Metso Paper opened a new service Center in Stateline, USA.

11.27 Metso to establish new service technology center at Järvenpää, Finland

11.28 Metso to open two manufacturing plants in China

11.29 Metso launched and priced its EUR 500 million debut eurobond offering

December

12.12 Metso Minerals to divest or close down non-core businesses and overlapping manufacturing units

12.12 Metso to supply on-machine LWC papermaking line to China

12.13 Franklin Resources Group's holdings in Metso

12.14 New Board appointed for Valmet Automotive

12.18 Metso to supply world's largest newsprint line to Stora Enso

12.21 Metso agrees with The General Casting Company on sale of Hodge foundry

12.27 Metso acquires Raisio Chemical's minority holding of Valmet-Raisio

Investor Relations

The main function of Investor Relations in Metso is to inform the capital markets in matters concerning Metso and its operating environment. Our goal is to provide correct, adequate and up-to-date information regularly and equally to all market participants. In doing this, we aim for promptness, openness and good service.

The Corporation's top management is highly committed to serving the needs of the capital markets. Capital market representatives mainly meet with the President and CEO of Metso and the Executive Vice President and CFO. The top management of Metso's business areas provide information on the most important matters concerning their area and are present at the annual Capital Markets Day events. Contacts and appointment requests are handled by Investor Relations.

Metso will not be in contact with capital market representatives during a period of three week prior to the publication and announcement of its full year or interim results.

Contact Information for Investor Relations

Taina Sollamo, Vice President, Investor Relations
(on maternity leave until the end of 2002)
Tel. +358 20 484 3159, fax +358 20 484 3176
Email: taina.sollamo@metso.com

Anna-Mari Tiilikainen, Manager, Investor Relations
Tel. +358 20 484 3273, fax +358 20 484 3176
Email: anna-mari.tiilikainen@metso.com

Liisa Hellén, Assistant, Investor Relations
Tel. +358 20 484 3117, fax +358 20 484 3176
Email: liisa.hellen@metso.com

North America:

Mike Phillips
Senior Vice President, Finance and Administration
Tel. +1 617 369 7850, fax +1 617 369 7877
Email: mike.phillips@metso.com

Additional investment information on Metso is available at the Corporation's web site at: www.metso.com/investors.

Symbols and units used in trading

Metso Corporation has a single series of shares and the Corporation's shares are quoted on the Helsinki Exchanges and on the New York Stock Exchange.

On the Helsinki Exchanges Metso's shares are traded using the ticker symbol MEO1V and one trading unit is 100 shares. The trading currency is the euro. Metso ADS (American Depository Shares) are traded on the New York Stock Exchange and one Metso ADS represents one Metso share. Metso's ticker symbol on the New York Stock Exchange is MX and the trading currency is the dollar.

Indexes

Metso's shares are included in at least the following indexes:

HEX General Index
HEX Portfolio Index
HEX Metal Index
HEX 25
Dow Jones Sustainability Index

Additional information on Metso

News service identifiers used for Metso
Reuters: MEO1V.HE
Bloomberg: MEO1V FH
Startel: MEO1V

Analysts

At least the following analysts have, in Metso's view, regularly monitored Metso Corporation during the year 2001. The listed analysts monitor Metso Corporation on their own initiative. Metso is not responsible for their views.

Company	Analyst	Telephone
Helsinki		
Aktia Securities	Jan Lundberg	+358 10 247 6410
Alfred Berg	Robert Sergelius	+358 9 2283 2710
CAI Cheuvreux Nordic	Jan Kaijala	+358 9 6969 2969
Carnegie Finland	Ben Wärn	+358 9 6187 1242
Conventum Securities	Tuomas Hirvonen	+358 9 5499 3322
Deutsche Bank	Carl-Henrik Frejborg	+358 9 2525 2551
Enskilda Securities	Johan Lindh	+358 9 6162 8726
Evli Securities	Pekka Spolander	+358 9 4766 9201
Handelsbanken Investment Banking	Kalle Uljas	+358 10 444 2454
Mandatum Stockbrokers	Eeva Mäkelä	+358 10 236 4851
Nordea Securities	Ville Kivelä	+358 9 1234 0435
Opstock Securities	Susanna Päiväniemi	+358 9 404 4393
London		
ABG Sundal Collier	Klas Andersson	+44 207 905 5632
Credit Suisse First Boston	Patrick Marshall	+44 207 888 0289
Dresdner Kleinwort Benson	Marcus Storr	+44 207 475 2467
HSBC Securities	Roddy Bridge	+44 207 336 4218
JP Morgan	Michael Clark	+44 207 325 4241
Lehman Brothers	Peter Lawrence	+44 207 256 4706
Morgan Stanley Dean Witter	Gideon Franklin	+44 207 425 6649
Schroder Salomon Smith Barney	Tim Adams	+44 207 986 4057
WestLB Panmure Limited	Harry Philips	+44 207 860 3564
Stockholm		
Danske Securities	Mikael Sens	+46 8 5688 1541
UBS Warburg	Anders Fagerlund	+46 8 456 7330

Addresses

Complete addresses can be read on the home pages of each business.

Metso Paper (www.metsopaper.com),

Metso Minerals (www.metsominerals.com),

Metso Automation (www.metsoautomation.com) and

Metso Engineering (www.metsoengineering.com).

Corporate headquarters

Metso Corporation

Corporate Headquarters
Fabianinkatu 9 A, PO Box 1220
FIN-00101 Helsinki, Finland
Tel. +358 20 484 100
Fax +358 20 484 101

Metso USA Inc.

133 Federal Street
Suite 302
Boston, MA 02110, USA
Tel. +1 617 369 7850
Fax +1 617 369 7877

Business areas

Metso Paper

Rautpohjankatu
PO Box 587
FIN-40101 Jyväskylä, Finland
Tel. +358 20 482 150
Fax +358 20 482 151

Metso Minerals

Lokomonkatu 3
PO Box 307
FIN-33101 Tampere, Finland
Tel. +358 20 484 140
Fax +358 20 484 141

Metso Automation

Tulppatie 1
PO Box 310
FIN-00811 Helsinki, Finland
Tel. +358 20 483 150
Fax +358 20 483 151

Metso Ventures

Metso Engineering

Puunaulakatu 3
PO Box 51
FIN-28101 Pori, Finland
Tel. +358 20 484 110
Fax +358 20 484 111

Valmet Automotive

Autotehtaankatu 14
PO Box 4
FIN-23501 Uusikaupunki, Finland
Tel. +358 20 484 180
Fax +358 20 484 181

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. Since 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 customer industries and groups and thereby the orders received by the company and their margins; (2) the competitive situation, especially significant technological solutions developed by competitors in the company's business areas; (3) the company's own operating conditions, such as the success of production, product development and project management and their continuous development and improvement; and (4) the success of pending and future acquisitions and restructuring and changes in the company's business strategy.

Metso Corporation

Corporate Headquarters

Fabianinkatu 9 A

PO Box 1220, FIN-00101 Helsinki

Finland

Tel. +358 20 484 100

Fax +358 20 484 101

www.metso.com





Financial Statements 2001

Linking Innovations



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Annual General Meeting

The Annual General Meeting of Metso Corporation will be held in the Marina Congress Center at Katajanokanlaituri 6, FIN-00160 Helsinki, on Wednesday March 27, 2002, at 12 noon. Registration of the shareholders participating in the meeting and distribution of ballots will begin at 11 a.m.

The shareholders who have been entered as shareholders in the Corporation's shareholder register maintained by the Finnish Central Securities Depository Ltd. by Friday March 15, 2002 at the latest, shall have the right to participate in the Annual General Meeting.

Shareholders who wish to participate in the meeting should notify the Corporation of their intention to participate no later than 4 p.m., March 22, 2002, either by mail to Metso Corporation, PO Box 1220, FIN-00101 Helsinki, or by phone at +358 (0) 10 808 300, by fax at +358 (0)20 484 3125 or by email at soili.johansson@metso.com. Written notices of participation must be received by the above-mentioned deadline. Powers-of-attorney should also be sent to the above address by the same deadline.

Dividend

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2001.

Dividends will be paid to those shareholders who are entered in the Corporation's shareholder register maintained by the Finnish Central Securities Depository Ltd. on the record date for payment of dividends, i.e. on April 4, 2002. The actual payment of dividends will take place on April 11, 2002.

Financial reviews to be published by Metso Corporation in 2002

In addition to the financial statements for 2001 and the Corporation's Annual Report for 2001, Metso Corporation will publish three interim reviews on the following schedule:

Interim review for January–March	April 30, 2002
Interim review for January–June	July 31, 2002
Interim review for January–September	October 30, 2002

Ordering of financial reviews

The financial reports and reviews will be published in Finnish, English and Swedish. They can be ordered by mail from Metso Corporation, Corporate Communications, PO Box 1220, FIN-00101 Helsinki, by phone at +358 (0)20 484 100, by fax at +358 (0)20 484 3123, or by email at metso.info@metso.com.

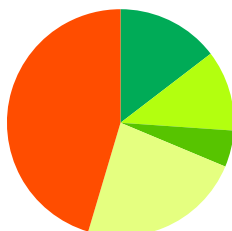
Metso Corporation's financial reviews will also be published on Metso's Internet pages at <http://www.metso.com>.

Changes of address

Should your address have changed, you are requested to send written notification of this to the bank where your book-entry account is held or, if your account is held at the Finnish Central Securities Depository Ltd., please send notification to:

Finnish Central Securities Depository Ltd.
PO Box 1260
FIN-00101 Helsinki
(free customer helpline available Monday to Friday
from 9 a.m.– 4 p.m., tel. +358 (0) 800 180500)

Breakdown by shareholder category on December 31, 2001



- UPM-Kymmene Corporation 14.6%
- The Finnish Government 11.5%
- Finnish private investors 5.2%
- Finnish institutions, companies and foundations 23.3%
- Nominee-registered and foreign ownership 45.4%

Share capital and shares

The share capital of Metso Corporation is EUR 231,625,926.50. According to the Articles of Association, the share capital may be EUR 170 million at minimum and EUR 680 million at maximum. The Corporation has a single series of shares, the nominal value being EUR 1.70. On December 31, 2001, the total number of shares issued by Metso Corporation was 136,250,545.

Redemption obligation clause

Any shareholder whose ownership of the Corporation's shares or the voting rights produced by those shares reaches or exceeds 33 1/3 percent or 50 percent, is obliged to redeem the shares of the other shareholders upon demand and in the manner defined in the Articles of Association.

Own shares

The Annual General Meeting, held on March 28, 2001, authorized the Board of Directors to decide, within one year of the Annual General Meeting, on the acquisition of the Corporation's own shares, using its distributable funds, to an amount that would not exceed 5 percent of the Corporation's share capital. These shares would be used as payment in acquisitions or to finance investments. The Meeting also authorized the Board of Directors to decide on the disposal of the Corporation's own shares. In 2001, none of the Corporation's own shares were acquired or disposed. On December 31, 2001, the Corporation held 60,841 of its own shares, acquired for a total price of EUR 654,813 (EUR 10.76/share).

Board authorizations

The Annual General Meeting on March 28, 2001, authorized the Board to decide on a new rights issue and an issue of convertible bonds and/or share options within one year of the Annual General Meeting, provided that no more than 12,500,000 shares of the Corporation with a nominal value of EUR 1.70 may be subscribed for as a result of the new rights issue or the issue of convertible bonds or share options, and that the Corporation's share capital may be raised in total by no more than EUR 21,250,000. The Board of Directors had not exercised this authorization by December 31, 2001.

Quotation of shares

The quotation of Metso Corporation's shares began on the main list of the Helsinki Exchanges (HEX:MEO1V) and on the New York Stock Exchange (NYSE:MX) on July 1, 1999. During 2001, a total of 52 million Metso Corporation shares were traded on the Helsinki Exchanges to a value of EUR 579 million, the average share price being EUR 11.16. In the same period, 1 million ADS (American Depository Shares) were traded on the New York Stock Exchange to a value of USD 10 million, the average price of an ADS being USD 10.28. Each ADS represents one share.

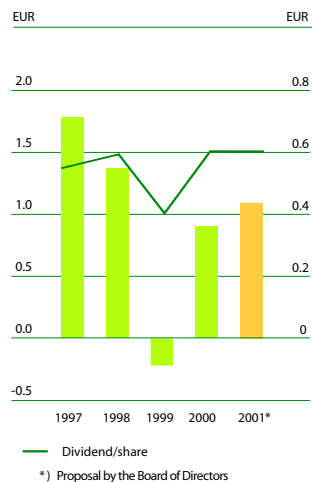
Bonds with warrants and options

Metso Corporation currently has one option program, which is designed to be part of the incentive system for key personnel. The program gives the right to subscribe for a maximum of 6,000,000 shares, and involves 218 persons. The options giving the right to subscribe for shares may be exercised in periods staggered between April 1, 2001 and April 30, 2005, and the subscription price per share is EUR 15.00 less the paid dividend. Additionally, a total of 688,070 Metso Corporation shares had been subscribed for by the end of the report year, on the basis of options issued in 1994 and inherited from Valmet Corporation, at a subscription price of EUR 10.09. A total of 50,000 options issued in 1996 and transferred from Rauma Corporation had not been exercised by December 31, 2001. Of these, 25,000 entitled subscription for 25,000 Metso Corporation shares at a subscription price of EUR 15.44 between April 2, 2000 and January 31, 2002, and likewise 25,000 entitled subscription for 25,000 Metso Corporation shares at a subscription price of EUR 15.44 between April 2, 2001 and January 31, 2002. No share entitlements provided by options transferred from Rauma Corporation were subscribed for in 2001.

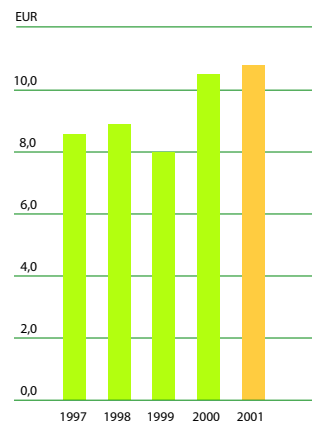
Shareholdings of the Board of Directors and the Management

On December 31, 2001, the members of the Metso Corporation's Board of Directors held 14,597 Metso shares, equivalent to 0.01 percent of the Corporation's shares and the accompanying voting rights. The President and CEO Tor Bergman owned 160,000 options, giving the right to subscribe for an equal number of shares in accordance with the terms and conditions of the

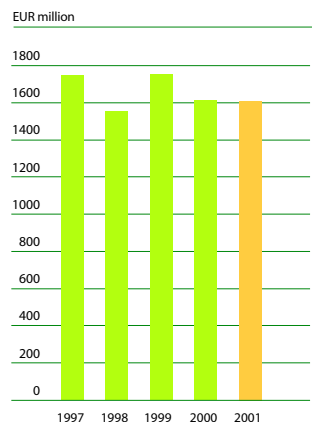
Earnings/share and dividend/share



Equity/share



Market capitalization



Shares and Shareholders

options. Mr. Bergman did not own any Metso shares. Executive Vice President and CFO Sakari Tamminen owned 780 Metso shares and 120,000 options.

The taxable value of Metso's share in Finland

The taxable value of Metso Corporation's share in Finland in 2001 was EUR 8.12 / share.

Dividend policy

Metso's objective is to distribute an annual dividend equivalent to at least one third of the average earnings per share over five years. The dividend policy is founded on the Corporation's long-term profitability and financial strength.

Shareholders

At the end of 2001, Metso had approximately 24,000 shareholders. Metso's biggest shareholders were UPM-Kymmene Corporation, which owned 14.6 percent of

all shares, and the Finnish Government with an 11.5 percent holding. Nominee-registered shares and shares in direct foreign ownership accounted for 45.4 percent of all shares. Private individuals held 5.2 percent of all shares.

Insiders

Under the Securities Market Act, the permanent insiders in Metso Corporation based on their positions are the members of the Board of Directors, the President and CEO and the Auditor, or the principally responsible auditor of a firm of public accountants. In addition, Metso Corporation's extended list of insiders includes the members of the Executive Board.

Metso Corporation's register of insider holdings is maintained by the Corporate Legal Department, which updates the information in the Central Securities Depository. Metso Corporation's extended insider holdings are presented on the Corporation's homepages at www.metso.com > Metso > Management > Insiders.

Breakdown of share ownership on December 31, 2001

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital	Number of votes	% of number of votes
1 – 100	11,152	46.6%	483,045	0.3%	483,045	0.3%
101 – 1,000	10,692	44.6%	3,551,886	2.6%	3,551,886	2.6%
1,001 – 10,000	1,877	7.8%	4,578,711	3.4%	4,578,711	3.4%
10,001 – 100,000	189	0.8%	5,473,974	4.0%	5,473,974	4.0%
Over 100,000	54	0.2%	122,148,729	89.7%	122,148,729	89.7%
Shares to be transferred or not converted into book entries			14,200	0.0%	14,200	0.0%
Total	23,964	100%	136,250,545	100%	136,250,545	100%

Metso's biggest shareholders on December 31, 2001

	Shares	Percentage of share capital
UPM-Kymmene Corporation	19,922,115	14.6%
The Finnish Government	15,695,287	11.5%
Ilmarinen Mutual Pension Insurance Company	4,699,378	3.4%
Varma-Sampo Mutual Pension Insurance Company	3,983,493	2.9%
Suomi Mutual Life Assurance Company	1,825,670	1.3%
Suomi Insurance Company Limited	1,600,000	1.2%
	3,425,670	2.5%
Pohjola Non-Life Insurance Company Limited	1,900,000	1.4%
Odin Norden	1,310,876	1.0%
Odin Finland	131,537	0.1%
	1,442,413	1.1%
The Local Government Pensions Institution	1,021,219	0.8%
Merita Pension Fund Ltd	337,185	0.3%
Nordea Optima Fund	234,836	0.2%
Nordea Fennia Fund	166,800	0.1%
Nordea Life Assurance Ltd	68,252	0.1%
Nordea Foresta Fund	67,900	0.0%
Nordea Securities	66,547	0.0%
Nordea Bank Finland	50,000	0.0%
	991,520	0.7%
Svenska Litteratursällskapet i Finland	828,477	0.6%
Federation of Finnish Metal, Engineering and Electrotechnical Industries	749,796	0.6%
Sampo Finnish Equity Fund	244,700	0.2%
Sampo Life Insurance Company Limited	186,200	0.1%
Sampo European Balanced Fund	103,700	0.1%
Sampo Finnish Institutional Equity Fund	65,000	0.1%
Sampo Global Balanced Fund	56,400	0.0%
	656,000	0.5%
OP-Tuotto Mutual Fund	242,100	0.2%
Opstock Finland Index Mutual Fund	105,777	0.1%
OKO Bank Group Pension Fund	82,900	0.1%
OKO Bank	58,500	0.0%
OP Pirkka Mutual Fund	50,600	0.0%
OP Spektri Mutual Fund	46,500	0.0%
	586,377	0.4%
Nominee-registered shares	60,231,539	44.2%
Other shareholders*	20,117,261	14.8%
Total	136,250,545	100.0%

*) Includes 60,841 shares held by Metso Corporation

Shares and Shareholders

Share capital and share data 1997–2001

(In EUR millions, except for per share data and share prices)

	1997	1998	1999	2000	2001
Share capital, Dec. 31	228	228	228	230	232
Number of shares					
Number of outstanding shares, Dec. 31	135,826,010	135,826,010	135,256,434	135,501,634	136,189,704
Average number of shares	136,264,946	135,826,010	135,631,740	135,363,537	136,135,223
Number of shares redeemed and canceled	1,089,170	-	-	500,000	-
Number of own shares, Dec. 31	-	-	560,841	60,841	60,841
Trading volume, Helsinki Exchanges	97,260,307	74,734,449	46,058,568	39,455,032	51,858,765
% of shares**	97.1	74.6	46.0	40.5	52.5
Earnings / share	1.78	1.37	(0.22)	0.90	1.09
Dividend / share	0.55	0.59	0.40	0.60	0.60*
Dividend	74	80	54	81	82*
Dividend / earnings, %	31	43	neg.	67	55*
Effective dividend yield, %	4.3	5.1	3.0	5.2	5.2*
P/E ratio	7.21	8.34	neg.	13.00	10.62
Equity / share	8.56	8.88	7.98	10.51	10.78
Highest share price	19.30	18.53	13.70	16.20	14.10
Lowest share price	11.60	7.72	8.26	8.61	7.81
Average share price	15.63	13.00	10.76	12.67	11.16
Share price, Dec. 31	12.85	11.43	12.90	11.90	11.80
Market capitalization, Dec. 31	1,745	1,553	1,752	1,612	1,608

*) Proposal by the Board of Directors

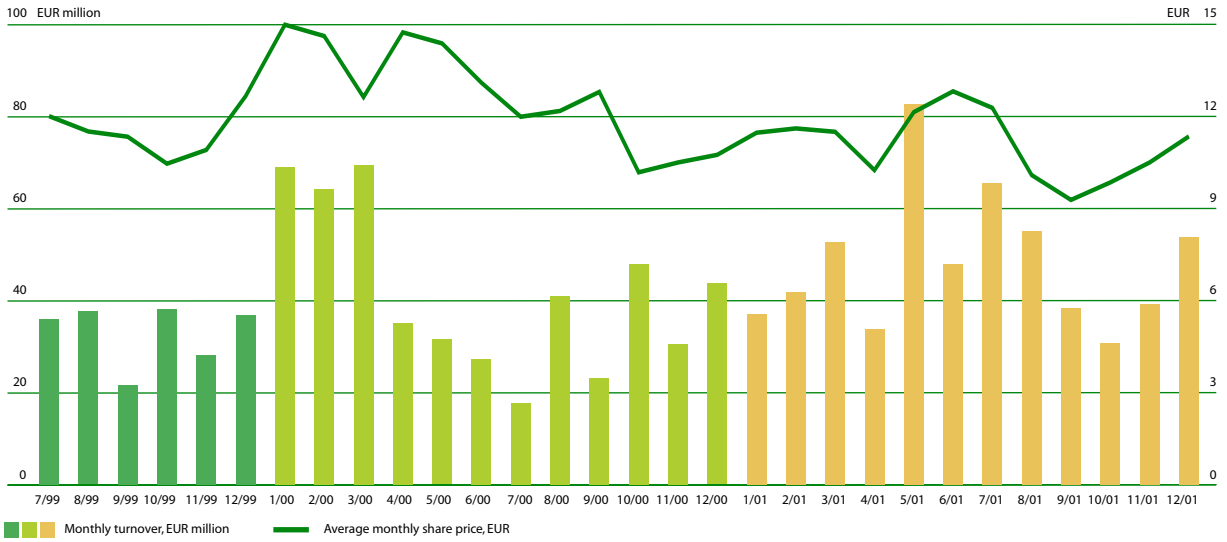
***) Of the total amount of shares for public trading

Formulas for calculation of share-related indicators are on page 58.

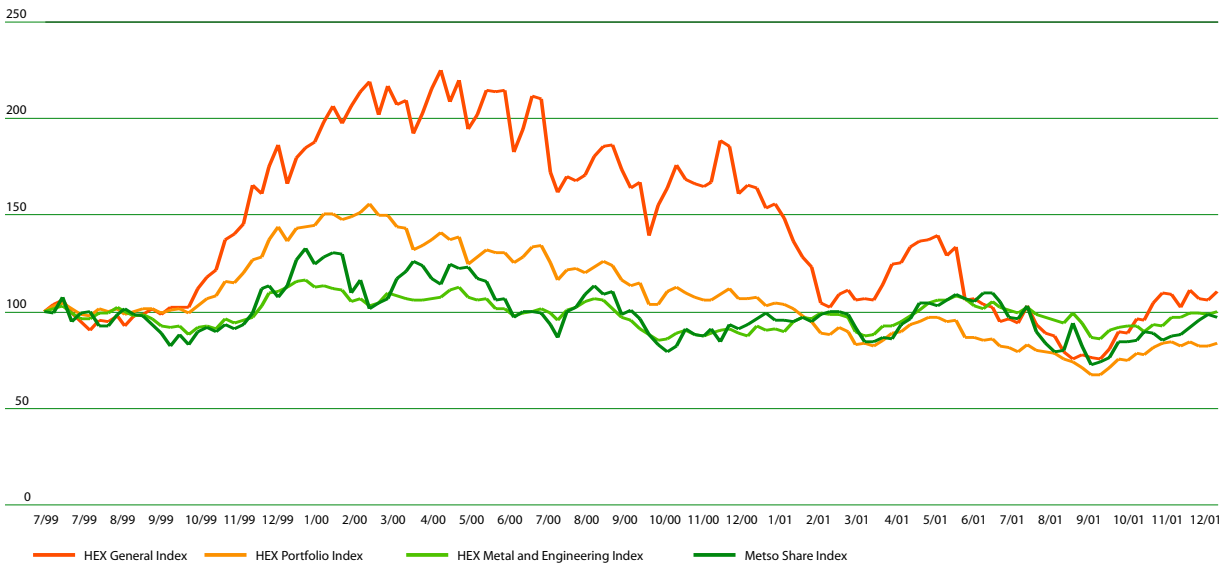
American depositary shares

(Each ADS represents one share)	2000	2001
Trading volume (NYSE)	950,824	980,606
Earnings/ADS, USD	0.97	0.98
Highest ADS price, USD	16.25	11.30
Lowest ADS price, USD	7.75	7.68
ADS price, Dec. 31, USD	10.75	10.45

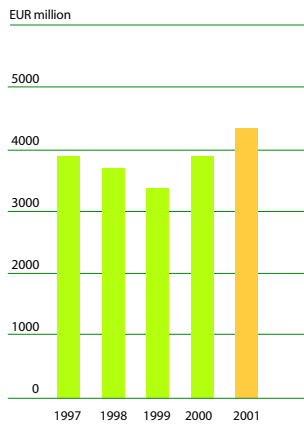
Monthly turnover and average share price on the Helsinki Exchanges



HEX indices and share index



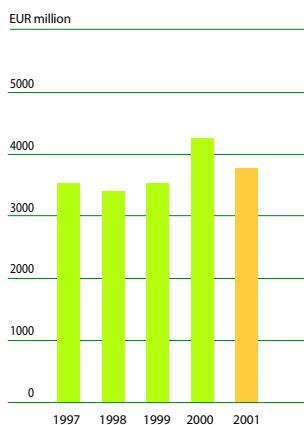
Net sales



Operating profit



Orders received



Markets

In 2001, Metso's net sales rose and the result continued to improve. Despite the slowdown in economic growth, demand for Metso's products was at quite a good level in the first months of the year under review. In the second half, although there was growing uncertainty in Metso's main markets in Europe and North America, the orders received remained satisfactory.

The markets for fiber and paper technology products were satisfactory in Europe but weakened in North America, especially in the second half of the year. New paper machine investment projects were pending mainly in China and also somewhat in Europe. The demand for aftermarket services remained good.

The demand for rock and mineral processing products supplied to the civil engineering industry was relatively good in Europe, except for Germany. However, the market situation in North America weakened clearly during 2001. The demand for mining industry products was quiet in North America, but continued at the previous year's level in the Southern Hemisphere.

The demand for automation and control technology products in Europe was good in the first half of the year and satisfactory in the second half. In North America, there was a clear weakening in demand.

Orders received and order backlog

In 2001, Metso received new orders worth EUR 3,778 million, or 7 percent less than in the comparison year (excluding the divested Timberjack). 50 percent of new orders originated from Europe, 24 percent from North America, 16 percent from Asia-Pacific, 6 percent from South America, and 4 percent from the rest of the world.

The value of orders received by Metso Paper was 26 percent lower than in the comparison year. Orders for new paper making lines were received from China and Europe. Otherwise, orders were focused mainly on rebuilds of pulp and paper making lines and aftermarket services. The value of orders received by Metso Minerals increased 56 percent on the comparison year, largely due to the Svedala acquisition. The orders received by Metso Automation were 4 percent up on the comparison year. The orders of Metso Ventures, as well, increased by 10 percent on the comparison year, especially due to orders for wind turbine gears.

At the end of the year, Metso's order backlog was 7 percent lower than in the comparison year, totaling EUR 1,772 million.

Net sales

Metso's net sales were EUR 4,343 million, an increase of 17 percent over the comparison year (excluding Timberjack). Of the Corporation's net sales, 57 percent originated from Metso Paper's, 20 percent from Metso Minerals', 15 percent from Metso Automation's and 8 percent from Metso Ventures' deliveries.

Exports and operations outside Finland accounted for 87 percent of the Corporation's net sales, totaling EUR 3,764 million. 51 percent of net sales came from Europe, 26 percent from North America, 12 percent from Asia-Pacific, 8 percent from South America and 3 percent from the rest of the world.

Sales between business areas, EUR 131 million in total, have been eliminated from the Corporation's net sales.

Result

Metso's results improved on the previous year. The consolidated income before extraordinary items and income taxes was EUR 222 million (EUR 180 million). In particular, Metso Paper's results improved due to increased deliveries and the efficient implementation of projects. Metso Minerals' results were burdened by a weakened market, the Svedala acquisition process and the intensive integration of businesses towards the end of the year. Metso Automation's results weakened, particularly in North American operations. The Corporation's operating profit was EUR 246 million, which was 5.7 percent of net sales.

Nonrecurring restructuring and other expenses totaled EUR 43 million, while nonrecurring gains from the sale of shares totaled EUR 47 million.

The Corporation's net financial expenses were EUR 24 million, and included dividends received totaling EUR 12 million and expenses of EUR 5 million for temporary financing arranged for the Svedala acquisition.

Reported in extraordinary expenses are accounting adjustments of EUR 8 million, net of taxes, related to Metso Automation's U.S. operations and Metso Engineering's German operations in earlier years.

Net income excluding extraordinary items was EUR

149 million. Earnings per share were EUR 1.09, and excluding nonrecurring items and amortization of goodwill, EUR 1.26. The return on capital employed (ROCE) was 12.3 percent and the return on equity (ROE) was 10.4 percent.

The Corporation's tax rate was 32.4 percent (32.8%).

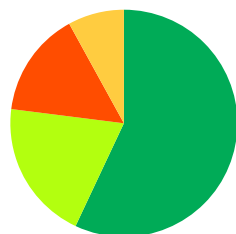
Businesses

Key figures for Metso Paper

	1-12/01	1-12/00	Change
(in millions)	EUR	EUR	%
Net sales	2,521	2,286	10
Operating profit before nonrecurring items and amortization of goodwill	188.9	109.8	72
% of net sales	7.5	4.8	
Operating profit	163.4	106.4	54
% of net sales	6.5	4.7	
Orders received	1,970	2,648	(26)
Order backlog, Dec. 31	1,043	1,603	(35)

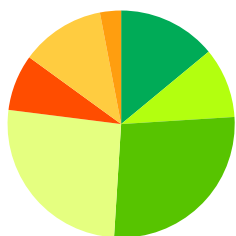
Metso Paper's net sales increased by 10 percent on the comparison year and totaled EUR 2,521 million. Net sales increased in the Pulping Technology and Paper Technology groups due to large project deliveries and growth in service operations. The net sales of the Other Businesses group fell due to weak market demand for panelboard technology products. The operating profit before nonrecurring items and amortization of goodwill improved by 72 percent on the comparison year and was EUR 188.9 million. Metso Paper's nonrecurring expenses were EUR 14.9 million, caused by the closure of Paper Technology's Charlotte unit and the transfer of operations to other units in the United States (EUR 12.9 million), and by the restructuring of Pulping Technology's operations in Sweden (EUR 2.0 million). Contributing to the considerable improvement in profitability were an increase in the share of aftermarket services, more efficient project implementation and the synergy benefits achieved by the merger creating Metso. The order backlog of Metso Paper at the end of the year was 35 percent lower than at the end of 2000 and stood at EUR 1,043 million.

Net sales by business area



- Metso Paper 57%
- Metso Minerals 20%
- Metso Automation 15%
- Metso Ventures 8%

Net sales by market area



- Finland 14%
- Other Nordic countries 10%
- Other European countries 27%
- North America 26%
- South America 8%
- Asia-Pacific 12%
- Rest of the world 3%

Key figures for Metso Minerals

	1-12/01	1-12/00	Change
(in millions)	EUR	EUR	%
Net sales	913	561	63
Operating profit before nonrecurring items and amortization of goodwill	44.6	30.2	48
% of net sales	4.9	5.4	
Operating profit	14.7	27.7	(47)
% of net sales	1.6	4.9	
Orders received	873	560	56
Order backlog, Dec. 31	499	100	399

Metso Minerals' net sales were EUR 913 million, a 63 percent increase on the comparison year. The increase in net sales was mainly due to the Svedala acquisition completed in September. The operating profit before nonrecurring items and amortization of goodwill increased by 48 percent on the previous year and was EUR 44.6 million. Metso Minerals' nonrecurring expenses of EUR 16.0 million were mainly caused by measures related to integration or preparations for them. The order backlog at the end of the year was EUR 499 million.

Key figures for Metso Automation

	1-12/01	1-12/00	Change
(in millions)	EUR	EUR	%
Net sales	693	644	8
Operating profit before nonrecurring items and amortization of goodwill	28.7	45.5	(37)
% of net sales	4.1	7.1	
Operating profit	17.3	45.0	(62)
% of net sales	2.5	7.0	
Orders received	676	651	4
Order backlog, Dec. 31	182	197	(8)

Metso Automation's net sales increased by 8 percent on the comparison year and totaled EUR 693 million. The net sales growth was due to the project orders received in the first months of the year, growth in service operations and the acquisitions made at the end of 2000. Metso Automation's operating profit before nonrecurring items and amortization of goodwill fell 37 percent from the comparison year and totaled EUR 28.7 million. Profitability was weakened mainly by the restructuring of North American operations and the disturbances

this caused to business. The nonrecurring expenses that resulted from restructuring totaled EUR 8.5 million. The order backlog shrank by 8 percent compared with the order backlog at the end of 2000, and totaled EUR 182 million at the end of 2001.

Key figures for Metso Ventures

	1-12/01	1-12/00	Change
(in millions)	EUR	EUR	%
Net sales	347	313	8
Operating profit	35.4	26.3	35
% of net sales	10.2	8.4	

The net sales of Metso Engineering, which is part of Metso Ventures, increased by 9 percent on the comparison year, totaling EUR 211 million. The growth was due primarily to increased deliveries of wind turbine gears and machine building services. Metso Engineering's operating profit declined by 25 percent on the comparison year and totaled EUR 8.0 million. Orders received were EUR 234 million (EUR 218 million in 2000). The order backlog at the end of the year was 31 percent higher than at the end of 2000, totaling EUR 98 million (EUR 75 million).

The net sales of Valmet Automotive, also part of Metso Ventures, increased by 14 percent on the comparison year and totaled EUR 136 million. The operating profit clearly improved and was EUR 27.4 million. In 2001, 41,916 cars were manufactured (38,468 cars in 2000).

Cash flow and balance sheet

Metso's net cash provided by operating activities was EUR 235 million. Net interest bearing liabilities totaled EUR 1,251 million. The acquisition of Svedala completed in September raised the amount of net interest bearing liabilities by EUR 1,371 million. Gearing, i.e. the ratio of net interest bearing liabilities to shareholders' equity, was 84.8 percent. The Corporation's equity to assets ratio was 31.1 percent.

Metso's objective is to return the gearing ratio to less than 50 percent by the end of the first quarter of 2003. It is intended to be accomplished by selling non-core assets and businesses and by releasing working capital tied up in inventories and accounts receivable, especially in Metso Minerals.

Financing

In November, Metso launched a EUR 500 million inaugural Eurobond offering which will mature on December 11, 2006. The issue was priced at a re-offer spread of 200 bps versus mid-swaps over five years and pays a coupon of 6.25 percent. The issue was used for the refunding of certain bank loans taken for the acquisition of Svedala.

Standard & Poors have given Metso the rating BBB+ for long-term loans and A-2 for short-term loans. Moody's Investors Service have granted Baa2 for long-term loans.

The Corporation's financial situation after the Svedala acquisition is stable. Cash in the bank and line of credit facilities are sufficient to cover fluctuations in the cash flows of the businesses.

Capital expenditure, acquisitions and divestments

Gross capital expenditure totaled EUR 982 million (EUR 313 million), which includes the Svedala acquisition, EUR 804 million, net of cash acquired, EUR 139 million.

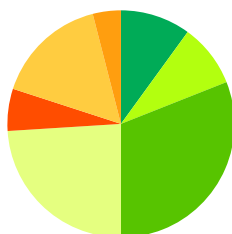
The development of Metso Paper's know-how and aftermarket services continued strongly in 2001. Metso opened two service centers in China and the U.S. and decided on the opening of two new centers in Finland.

During the year, investments were made in Metso Minerals' production facilities in China. The production plant in Tianjin mainly manufactures crushers and screening units, while that in Wuxing focuses on compaction and paving equipment, including rolling and paving machines.

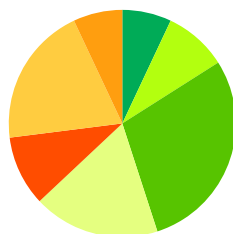
In May, Metso acquired Valvcon Corporation in the U.S. and, in August, Pulpexpert in Finland, in order to strengthen Metso Automation's product range and market position. In December, Metso purchased Raisio Chemicals' minority interest in Valmet-Raisio Oy, thus raising its holding in the company from 51 percent to 100 percent.

In October, Metso sold a 10 percent interest in Valmet Automotive, a contract manufacturer of specialty cars, to ThyssenKrupp Automotive AG, one of the world's biggest automotive systems suppliers. ThyssenKrupp Automotive has an option to acquire the total stock of Valmet Automotive during the next two years.

Orders received by market area



Order backlog by market area



Acquisition and integration of Svedala

In June 2000, Metso made an offer to acquire Svedala. European and US competition authorities examined the effects of the acquisition and, in September 2001, gave clearance on certain conditions. Metso made efficient use of the long period of examination required by the competition authorities and, immediately the acquisition was completed on September 14, 2001, began the swift integration of the acquired businesses into Metso Minerals.

The cost of acquiring the shares of Svedala Industri AB was EUR 943 million. The acquisition price, net of Svedala's interest bearing debt, was EUR 1,371 million. The acquisition was financed with cash assets and a syndicated bank loan.

The estimated EUR 70 million in annual synergy benefits arising from the merger of Svedala and Metso Minerals are expected to be fully realized in 2003. About half of these benefits are expected to be attained in 2002. It is estimated that the elimination of administrative overlaps will bring synergy benefits of about EUR 10 million, the streamlining of the distribution network EUR 30 million and the consolidation of manufacturing capacity a further EUR 20 million. The final EUR 10 million will derive from purchasing and logistics.

The remedy packages of disposals agreed to obtain clearance from the competition authorities were in line with Metso's expectations. Metso sold to Sandvik AB certain parts of Svedala's crushing and screening operations, the total net sales of which amounted to about EUR 150 million in 2000 and which employed about 900 people. The crushing and screening operations were transferred to Sandvik on October 1, 2001. In addition, Metso sold its grinding mill operations to Outokumpu Mintec Oy. The annual net sales of the grinding mill operations were about EUR 25 million and they employed about 30 people. The grinding mill operations were transferred to Outokumpu on September 20, 2001.

Following the Svedala acquisition, restructuring expenses of EUR 62 million (EUR 81 million, net of tax benefits of EUR 19 million) were recognized in the goodwill of Metso Minerals. The remaining EUR 7 million was reported under nonrecurring expenses in the income statement.

Research and development

Metso's research and development expenditure totaled EUR 150 million (EUR 127 million), representing 3.5 percent of the Corporation's net sales.

Personnel

On December 31, 2001, Metso Corporation employed 30,242 persons (22,024), 37 percent more than at the end of the comparison year. Personnel increased the most in Metso Minerals, as a result of the Svedala acquisition. The Corporation employed 37 percent of the total personnel in Finland, 12 percent in other Nordic countries, 17 percent in other European countries, 19 percent in North America, 4 percent in Asia-Pacific, 6 percent in South America and 5 percent in the rest of the world. Total salaries and wages amounted to EUR 936 million.

Changes in corporate management

Executive Vice Presidents were appointed for Metso Paper and Metso Minerals, effective from October 1, 2001. Arto Aaltonen, President of Metso Automation, was appointed Executive Vice President of Metso Paper. He is responsible for fiber technology, business area development and customer relations development. Matti Kähkönen, formerly Division President of Metso Automation's Field Systems Division, was appointed President of Metso Automation. Vesa Kainu, formerly President of Metso Paper Service, was appointed Executive Vice President of Metso Minerals. He is responsible for aftermarket operations and their development. Tapio Kuisma was appointed as the new President of Valmet Automotive.

The composition of Metso's Executive Board changed, as of October 1, 2001. Tor Bergman, Metso's President and CEO, continued as the Chairman of the Executive Board and Sakari Tamminen, Metso's Executive Vice President and CFO, continued as its Vice-Chairman. The other members of the Executive Board are now Juhani Pakkala, President of Metso Paper, Arto Aaltonen, Executive Vice President of Metso Paper, Matti Kähkönen, President of Metso Automation, Olli Vaartimo, President of Metso Minerals and Harri Luoto, the Corporation's General Counsel.

Board of Directors and Auditors

Metso Corporation's Annual General Meeting on

March 28, 2001 re-elected Pertti Voutilainen as Chairman of the Board. Mikko Kivimäki continued as Vice Chairman and Heikki Hakala, Juhani Kuusi, Jaakko Rauramo, Markku Tapio, and Pentti Mäkinen, who was proposed by the personnel, were re-elected as Board Members. SVH Pricewaterhouse Coopers, Authorized Public Accountants, was re-elected as the Corporation's auditor, with the responsible auditors being Lars Blomquist and Heikki Lassila.

Decisions of the Annual General Meeting

Metso Corporation's Annual General Meeting on March 28, 2001 accepted the proposals of the Board of Directors concerning the amendment of article 10 of the Articles of Association, the authorizations to repurchase and assign the Corporation's own shares and to increase the share capital by a rights issue and the issue of options. The Annual General Meeting decided on issuing options to key personnel in Metso Corporation on conditions equal to those of the option program decided at Metso's Annual General Meeting of March 29, 2000. The number of shares that can be subscribed for on the basis of the options is 1,000,000, of which 675,000 have been issued to the personnel and 325,000 are held by Metso's subsidiary, Metso Capital Ltd.

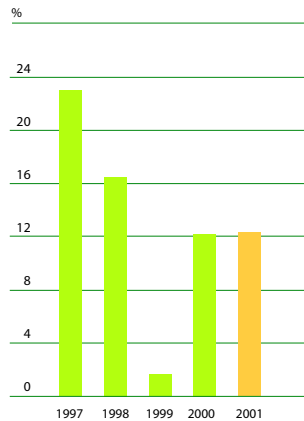
The Annual General Meeting authorized the Board of Directors to decide, within one year of the Annual General Meeting, on the repurchase and assignment of the Corporation's own shares and on increasing the share capital. The Corporation's own shares can be repurchased for use as payment in acquisitions or in financing investments.

Shares

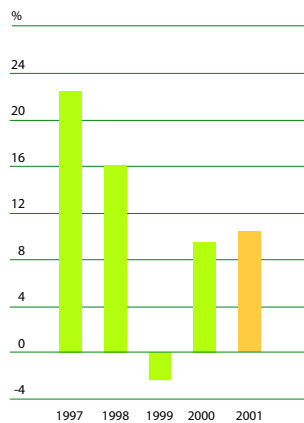
The number of Metso Corporation shares on December 31, 2001 was 136,250,545 and the shareholders' equity totaled EUR 231,625,926.50

In the year under review, 52 million Metso Corporation shares were traded on the Helsinki Exchanges, corresponding to a value of EUR 579 million. The share price on December 31, 2001 was EUR 11.80. The highest quotation was EUR 14.10 and the lowest EUR 7.81. The Corporation's market capitalization in the Helsinki Exchanges on December 31, 2001 was EUR 1,608 million. Metso's ADS turnover on the New York Stock Exchange in 2001 amounted to USD 10 million. The price of an ADS on December 31, 2001 was

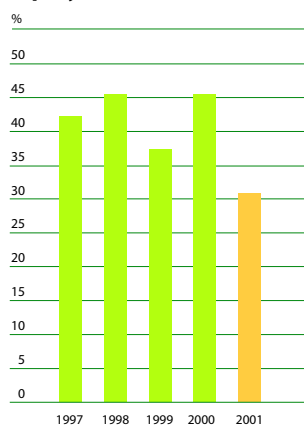
Return on capital employed (ROCE)



Return on equity (ROE)



Equity to assets



USD 10.45. The highest quotation was USD 11.30 and the lowest USD 7.68.

In 2001, none of the Corporation's own shares were acquired. On December 31, 2001 the Corporation held 60,841 of its own shares, their acquisition price totaling EUR 654,813 (EUR 10.76/share).

Short-term outlook

Metso's market environment is expected to remain uncertain in the coming months, particularly in North America, and no significant changes are anticipated in the European markets. As a whole, the demand for Metso's products is expected to remain at a satisfactory level in all business areas.

Despite the factors of economic uncertainty, we estimate Metso's prospects for favorable profitability development in 2002 to be good. The estimate is based on the good order backlog, the demand outlook and several implemented and ongoing cost efficiency improvement projects.

Board of Directors' proposal for the distribution of profit

The consolidated distributable funds of Metso Corporation on December 31, 2001 were EUR 917 million. The parent company's distributable funds totaled EUR 662 million. On December 31, 2001, a total of 136,189,704 Metso shares giving entitlement to full dividends for 2001 were held outside the Corporation.

Metso Corporation's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.60 per share be distributed.

Annual General Meeting

The Annual General Meeting of Metso Corporation will be held on 12.00 noon on Wednesday, March 27, 2002 at the Marina Congress Center in Helsinki.

Helsinki, February 7, 2002

Metso Corporation's Board of Directors

Pertti Voutilainen
 Mikko Kivimäki
 Heikki Hakala
 Juhani Kuusi
 Pentti Mäkinen
 Jaakko Rauramo
 Markku Tapio

Consolidated Statements of Income

(in millions, except for per share amounts)

	Note	Year ended December 31,			
		1999 EUR	2000 EUR	2001 EUR	2001 USD
Net sales		3,387	3,891	4,343	3,866
Cost of goods sold	3), 5)	(2,556)	(2,901)	(3,200)	(2,849)
Gross profit		831	990	1,143	1,017
Selling, general and administrative expenses	2), 3), 5)	(756)	(793)	(873)	(777)
Operating profit before nonrecurring operating items and amortization of goodwill		75	197	270	240
Nonrecurring operating income and expenses, net	4)	(67)	18	4	4
Amortization of goodwill	5)	(18)	(15)	(28)	(25)
Operating profit (loss)		(10)	200	246	219
Financial income and expenses, net	6)	(19)	(20)	(24)	(21)
Share of profits of associated companies	7)	1	0	0	0
Income (loss) before extraordinary items and income taxes		(28)	180	222	198
Extraordinary income and expenses, net	8)	(59)	268	(8)	(7)
Income (loss) before taxes		(87)	448	214	191
Income taxes	9)	0	(59)	(72)	(64)
Minority interests		(1)	0	(1)	(1)
Net income (loss)		(88)	389	141	126
Earnings per share	10)	(0.22)	0.90	1.09	0.97
Earnings per share excl. nonrecurring items and amortization of goodwill	10)	0.25	0.91	1.26	1.12

Consolidated Balance Sheets

(in millions)

Assets

	Note	As at December 31,		
		2000 EUR	2001 EUR	2001 USD
Fixed assets and financial assets				
Intangible assets	11)			
Goodwill		208	1,037	923
Other intangible assets		54	57	51
		262	1,094	974
Tangible assets	11), 12)			
Land and water areas		55	68	61
Buildings		249	340	303
Machinery and equipment		282	387	344
Other tangible assets		29	32	28
Assets under construction		55	59	53
		670	886	789
Financial assets				
Shareholdings and other securities	14)	138	114	101
Own shares	14)	1	1	1
Loans receivable	17)	4	17	15
Accounts receivable	17)	38	10	9
Other long-term investments	15), 17)	57	73	65
		238	215	191
Total fixed and financial assets		1,170	2,195	1,954
Current assets				
Inventories				
Materials and supplies		135	225	200
Work in process		355	320	285
Finished products		209	404	360
		699	949	845
Receivables	17)			
Accounts receivable		752	1,106	984
Cost and earnings of projects under construction in excess of billings	16)	200	133	118
Loans receivable		9	16	14
Accrued income and prepaid expenses		129	146	130
Deferred tax asset	9)	60	176	157
Other receivables		43	100	89
Other short-term investments		17	9	8
		1,210	1,686	1,500
Cash and cash equivalents		485	212	189
Total current assets		2,394	2,847	2,534
Total assets		3,564	5,042	4,488

Shareholders' equity and liabilities

	Note	As at December 31,		
		2000 EUR	2001 EUR	2001 USD
Shareholders' equity	18)			
Share capital		230	232	207
Share premium reserve		8	14	12
Legal reserve		220	221	197
Revaluation reserve		0	0	0
Cumulative translation differences		46	25	22
Reserve for own shares		1	1	1
Other reserves		202	202	180
Retained earnings		329	633	563
Net income for the financial year		389	141	126
Total shareholders' equity		1,425	1,469	1,308
Minority interests		8	7	6
Liabilities				
Long-term debt	19)			
Bonds		242	730	650
Loans from financial institutions		82	373	332
Pension loans		69	47	42
Other long-term debt		35	29	26
		428	1,179	1,050
Other long-term liabilities				
Accrued expenses	20), 23)	47	148	132
Deferred tax liability	9)	31	34	30
Other long-term loans		1	1	1
		79	183	163
Current liabilities				
Current portion of long-term debt		40	46	41
Other interest bearing short-term debt	21)	80	343	305
Advances received		153	183	163
Accounts payable		262	390	347
Billings in excess of cost and earnings of projects under construction	16)	255	114	101
Accrued expenses and deferred income	22), 23)	765	1,040	926
Other current liabilities		69	88	78
		1,624	2,204	1,961
Total liabilities		2,131	3,566	3,174
Total shareholders' equity and liabilities		3,564	5,042	4,488

Consolidated Statements of Cash Flows

(in millions)

	Year ended December 31,			
	1999 EUR	2000 EUR	2001 EUR	2001 USD
Cash flows from operating activities:				
Net income (loss)	(88)	389	141	126
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	130	128	149	133
Gain on sale of fixed assets	(2)	(3)	(4)	(4)
Gain on sale of Timberjack, net of tax	-	(275)	-	-
(Gain) loss on sale of other subsidiaries and associated companies	(14)	2	(11)	(10)
Gain on marketable securities	(8)	(12)	(37)	(33)
Foreign exchange gains	(8)	0	0	0
Share of profits and losses of associated companies	(3)	0	0	0
Write-offs of intangible assets	58	-	-	-
Other non-cash items	66	43	10	9
Change in net working capital, net of effect from business acquisitions	(133)	28	(13)	(12)
Net cash provided by (used in) operating activities	(2)	300	235	209
Cash flows from investing activities:				
Capital expenditures on fixed assets	(121)	(111)	(154)	(137)
Proceeds from sale of fixed assets	31	41	18	16
Acquisition of Svedala, net of cash acquired	-	-	(804)	(715)
Other business acquisitions, net of cash acquired	(104)	(186)	(24)	(21)
Investments in associated companies	(3)	(1)	-	-
Proceeds from sale of subsidiaries and associated companies	21	7	17	15
Proceeds from sale of Timberjack, net of taxes	-	506	-	-
Taxes payable (taxes paid) on gain of Timberjack sale	-	85	(85)	(76)
Proceeds from sale of shares and marketable securities	42	15	90	80
Investments in shares and marketable securities	-	(47)	(1)	(1)
Net cash provided by (used in) investing activities	(134)	309	(943)	(839)
Cash flows from financing activities:				
Reacquisition of shares	(18)	-	-	-
Dividends paid	(80)	(54)	(81)	(72)
Hedging of net investment in foreign subsidiaries	(1)	(34)	0	0
Net borrowings (payments) on short-term debt	117	(183)	114	101
Proceeds from issuance of long-term debt	54	16	798	710
Principal payment of long-term debt	(27)	(73)	(466)	(415)
Notes receivable issued	(16)	(6)	(7)	(6)
Proceeds from payment on notes receivable	22	25	68	61
Proceeds from Timberjack installment credit receivables	-	35	-	-
Other	-	(10)	7	6
Net cash provided by (used in) financing activities	51	(284)	433	385
Effect of changes in exchange rates of cash and cash equivalents	19	1	2	2
Net increase (decrease) in cash and cash equivalents	(66)	326	(273)	(243)
Cash and cash equivalents at beginning of year	225	159	485	432
Cash and cash equivalents at end of year	159	485	212	189

	Year ended December 31,			
	1999 EUR	2000 EUR	2001 EUR	2001 USD
Change in net working capital, net of effect from business acquisitions:				
(Increase) decrease in assets and increase (decrease) in liabilities:				
Inventory	(149)	(156)	57	51
Receivables	(121)	(49)	(40)	(36)
Other assets	(25)	12	(34)	(30)
Percentage of completion: recognized assets and liabilities, net	55	77	(74)	(66)
Accounts payable	(36)	51	8	7
Accrued liabilities	136	65	79	70
Other liabilities	7	28	(9)	(8)
Total	(133)	28	(13)	(12)
Supplemental cash flow information:				
Acquisition of businesses:				
Intangible assets	2	18	11	10
Tangible assets	45	64	197	175
Goodwill	52	102	836	744
Current assets, other than cash	74	36	909	809
Minority interests	-	-	10	9
Liabilities assumed	(57)	(34)	(1,135)	(1,010)
Total, net of cash acquired	116	186	828	737
Less own shares used for business acquisitions	(12)	-	-	-
Acquisition of businesses, net of cash used	104	186	828	737
Cash paid during the year for:				
Interest	50	45	47	42
Income taxes	38	55	113	101

Consolidated Statements of Changes in Shareholders' Equity

(in millions)

	Number of shares (thousands)	Share capital (Par value EUR 1.70 per share)	Share premium reserve EUR	Legal reserve EUR	Revalu- ation reserve EUR	Cumulative translation differences EUR	Reserve for own shares EUR	Other reserves EUR	Retained earnings EUR	Total EUR
Balance at										
December 31, 1998	135,826	228	209	222	12	(56)	-	-	591	1,206
Dividends	-	-	-	-	-	-	-	-	(80)	(80)
Translation differences	-	-	-	-	-	54	-	-	-	54
Cash payment for fractional shares	(9)	0	0	-	-	-	-	-	-	0
Reacquisition of own shares	-	-	-	-	-	-	6	-	(6)	0
Other	-	-	(202)	(1)	(12)	-	-	202	6	(7)
Net loss	-	-	-	-	-	-	-	-	(88)	(88)
Balance at										
December 31, 1999	135,817	228	7	221	-	(2)	6	202	423	1,085
Dividends	-	-	-	-	-	-	-	-	(54)	(54)
Transfer from share premium reserve	-	3	(3)	-	-	-	-	-	-	0
Cancellation of own shares	(500)	(1)	1	-	-	-	(5)	-	-	(5)
Translation differences	-	-	-	-	-	23	-	-	-	23
Transfer of translation differences	-	-	-	-	-	25	-	-	(25)	0
Other	245	-	3	(1)	-	-	-	-	(15)	(13)
Net income	-	-	-	-	-	-	-	-	389	389
Balance at										
December 31, 2000	135,562	230	8	220	-	46	1	202	718	1,425
Dividends	-	-	-	-	-	-	-	-	(81)	(81)
Share issue (option rights)	689	2	6	-	-	-	-	-	-	8
Translation differences	-	-	-	-	-	(21)	-	-	-	(21)
Other	-	-	-	1	-	-	-	-	(4)	(3)
Net income	-	-	-	-	-	-	-	-	141	141
Balance at										
December 31, 2001	136,251	232	14	221	-	25	1	202	774	1,469

Shareholders' equity includes EUR 59 million nondistributable accelerated depreciation and untaxed reserves at December 31, 2001.

(in millions)

1 Accounting principles

Basis of presentation

The consolidated financial statements, prepared in accordance with Finnish generally accepted accounting principles (Finnish GAAP), include the financial statements of Metso Corporation (the “Parent Company”) and its subsidiaries (together, “Metso”). Metso Corporation was formed in 1999 as a result of the merger of Rauma Corporation (“Rauma”) and Valmet Corporation (“Valmet”). The merger was consummated on July 1, 1999 and is accounted for by the pooling of interest method. Accordingly, the balance sheet as of January 1, 1999 has been restated to retroactively combine the financial statements of Rauma and Valmet as if the merger had occurred at the beginning of the earliest period presented.

For the year ended as at December 31, 1999, the income statement of the parent company is presented for six months starting from the date of consummation.

The financial statements are presented in millions of euros (“EUR”), except for share and per share amounts.

Solely for the convenience of the reader, the consolidated financial statements as of and for the year ended December 31, 2001 have been translated into United States dollars (“USD”) using the December 31, 2001 Noon Buying Rate of the Federal Reserve Bank of New York of USD 1.00 = EUR 1.1235. The translation should not be construed as a representation that the amounts shown could be converted into USD at that rate.

Use of estimates

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Principles of consolidation

The consolidated financial statements include the accounts of the Parent Company and each of those companies

in which it owns, directly or indirectly through subsidiaries, over 50 percent of the voting rights. The companies acquired during the financial period have been consolidated from the date the responsibility for their operations was transferred to Metso. Subsidiaries sold have been included up to their date of sale.

Temporarily controlled subsidiaries: Newly acquired companies, for which there is a disposal plan approved by the management having the authority, are classified as held for sale and measured at lower of carrying value or expected net realizable value and reported in other shares of the consolidated balance sheet.

All intercompany transactions are eliminated as part of the consolidation process. Minority interests are presented separately before net income. They are also shown separately from shareholders’ equity and liabilities on the consolidated balance sheets.

Acquisitions of companies are accounted for by using the purchase method. Goodwill represents the excess of the purchase cost over the fair value of the net assets of the acquired companies. The excess of purchase price allocated to fixed assets is depreciated concurrently with the underlying assets. Goodwill arising from acquisitions is amortized over a period not to exceed twenty years. Deferred credit (negative goodwill) represents the excess of net assets of acquired companies over the purchase cost. Commencing on January 1, 1999, deferred credit arising from acquisitions is allocated to reduce the acquired fixed assets proportionally to their fair values at the time of the acquisition. The cumulative effect of the change in the accounting principle of EUR 11, net of taxes, was charged to extraordinary expenses in 1999.

The equity method of accounting is used for investments in associated companies in which the investment provides Metso with the ability to exercise significant influence over operating and financial policies of the investee company. Such influence is presumed to exist for investments in companies in which Metso’s direct or indirect ownership is between 20% and 50%. Under the equity method, the share of profits and losses of associated companies is included in the consolidated statements of income. The share of result of the associated companies, the activity of which is closely connected with the business areas of Metso, is recorded in other income and expenses, net. Metso’s share of post-acquisition retained profits and losses of associated companies is reported as part of investments in associated companies in the consolidated balance sheets.

Notes to Consolidated Financial Statements

(in millions)

Other shareholdings and securities (voting rights less than 20%) are stated at cost and dividends received are included in the statements of income; write-down is made where it is deemed necessary to reduce the cost to estimated net realizable value.

Foreign currency translation

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transactions. At the end of the accounting period, unsettled foreign currency transaction balances are valued at the rates of exchange prevailing at the balance sheet date. Trade flow related foreign currency exchange gains and losses are treated as adjustments to sales and purchases. Foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

The statements of income of foreign subsidiaries are translated into euro at the average exchange rates for the year and the balance sheets are translated at the exchange rate of the balance sheet date. The resulting translation differences are recorded directly to equity. When Metso hedges the equity of its foreign subsidiaries with foreign currency loans and with financial derivatives, the translation difference is adjusted by the currency effect of hedging instruments and recorded in equity.

Derivative financial instruments

Metso uses a variety of derivative financial instruments, mainly forward exchange contracts, and a limited number of interest rate, currency and cross-currency swaps and currency options, as part of an overall risk management policy. These instruments are used to reduce the foreign currency and interest rate risks relating to existing assets and liabilities and firm commitments. In some cases, derivative financial instruments may be used to mitigate foreign currency denominated cash flow risks arising from business acquisitions.

Metso does not hold nor issue derivative financial instruments for trading purposes.

Metso uses principally forward exchange contracts to hedge the currency risk on certain commercial assets (receivables) and liabilities (payables) and firm commitments (orders). The derivatives are designated at inception as a hedge with respect of the hedged item or group of items with similar characteristics. If a derivative has been contracted to close or reduce net exposure to a certain currency or group of currencies, it is fair valued quarterly

and the arising variation in fair values is recognized in the consolidated statements of income.

Metso hedges its net foreign investments in certain currencies to reduce the effect of exchange rate fluctuations. The hedging instruments are mainly foreign currency loans and cross-currency swaps, and to some extent forward exchange contracts. Both realized and unrealized exchange gains and losses measured on these instruments are recorded, net of taxes, in a separate component of equity against the translation differences arising from consolidation.

Currency and cross-currency swaps are used to hedge foreign currency denominated loans. The translation differences arising from the derivative instruments are recorded concurrently with the translation difference of the underlying loans.

When derivative instruments have been used to mitigate the foreign currency fluctuation arising from business acquisition, the instruments are fair valued and the respective change is charged to income.

Metso's exposure to interest rate risk, arising from interest bearing receivables and loans, is managed through interest rate swaps. The net of interest payable and receivable on the swaps is accrued and recorded in interest and other financial expenses to match the interest income/expense on the related underlying hedged items. Realized gains and losses occurring from early termination of contracts are recorded in income over the remaining period of the original swap agreement.

If the interest leg of a cross-currency swap or an interest swap has not been designated as a hedge of an underlying item at its inception, the interest portion of the swaps is fair valued quarterly.

Other long-term investments

Marketable debt securities, e.g. bonds, commercial papers and time deposits are included in other long-term investments when their maturity, at the time of their inception, exceeds one year. The unrealized gains on marketable securities are deferred and recognized in income only at disposal or at maturity.

Revenue recognition

Completed contract method: Revenues from goods and services sold are recognized, net of sales taxes, discounts and foreign exchange differences, when substantially all

of the risks and rewards of ownership are transferred to the buyer, or when the service is performed.

Percentage of completion method: Sales and anticipated profits under significant long-term engineering and construction contracts are recorded on a percentage-of-completion basis, using either units of delivery (based on predetermined milestones) or the cost-to-cost method of accounting as the measurement basis. Estimated contract profits are recorded in earnings in proportion to recorded sales. In the cost-to-cost method, sales and profits are recorded after considering the ratio of accumulated costs to estimated total costs to complete each contract. In certain cases, subcontractor materials, labor and equipment, are included in sales and costs of goods sold when management believes that Metso is responsible for the ultimate acceptability of the project. Changes to total estimated contract costs and losses, if any, are recognized in the period in which they are determined.

Trade-ins: Sales, against which trade-ins are accepted, are recorded at the nominal or contract price. The difference between the trade-in allowance and the recorded value of the inventory received is recognized in cost of goods sold.

Research and development

Research and development costs are expensed as incurred.

Maintenance, repair and renewals

Maintenance, repairs and renewals are generally charged to expense as incurred. However, major betterments are capitalized and depreciated over their expected useful lives.

Pensions and coverage of pension liabilities

The pension coverage of personnel working for Metso in Finland is mainly insured by payments made to pension insurance companies and, to some extent, by an internal Pension Fund. The Fund has been closed to new employees since 1987. On December 29, 2000, the accumulated pension liability of the Fund was transferred to an external insurance company and the Fund was wound up during the year 2001.

The companies within Metso have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by

periodic actuarial calculations. Metso has met minimum funding requirements for the countries in which it maintains pension schemes.

A portion of former Valmet's voluntary additional pension liability incurred prior to January 1, 1999, was not fully funded. It was recorded in assets as unfunded pensions and in liabilities as long-term accrued expenses. The pension liability amounting to EUR 12 at January 1, 1999, was charged to extraordinary expenses in 1999.

Fixed assets and long-term investments

Intangible and tangible assets are stated at cost, less accumulated depreciation. Land and water areas are not depreciated.

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

Buildings	15–40 years
Machinery and equipment	3–20 years
Other tangible assets	5–20 years
Intangibles, other than goodwill	3–12 years
Goodwill	5–20 years

Impairments on fixed assets and capital gains and losses on the disposal are included in operating profit (loss) or in extraordinary items depending on the nature of the event.

Metso reviews long-lived assets and certain intangibles to be held and used by the company for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes in circumstances indicate that an asset may not be recoverable, Metso estimates the future cash flows expected to result from the use of the asset and its eventual disposal. If the sum of such expected future cash flows (undiscounted and without interest charge) is less than the carrying amount of the asset, an impairment loss is recognized in an amount by which the asset's net book value exceeds its fair market value. For purposes of assessing impairment, assets are to be grouped at the lowest level for which there are separately identifiable cash flows. The carrying value of goodwill for each business area is reviewed if the facts and circumstances, such as declines in sales, operating profit or cash flows or material adverse changes in the business climate, suggest that its carrying value may not be recoverable.

Notes to Consolidated Financial Statements

(in millions)

Capitalization of interest expenses

Commencing on January 1, 1999, the interest expenses of self-constructed investments are capitalized in Metso's financial statements. The capitalized interest expense is amortized over the remaining useful life. The cumulative effect of the change in the accounting principles of EUR 7, before taxes, was recorded in extraordinary income in 1999.

Revaluation of fixed assets

Fixed assets are stated at historical acquisition price reduced by annual depreciation. Their revaluation is not allowed.

Leasing

Rental expenses for operational leases are expensed as incurred. Acquisitions of property and equipment under capital leasing are recorded in fixed assets and depreciated over their expected useful lives.

Own shares (treasury stock)

The own shares held by Metso are valued at reacquisition price in a separate caption under financial assets. The own shares have been deducted from the number of shares outstanding and the share capital for the calculation of per share and other performance related indicators.

Cash and cash equivalents

Cash and cash equivalents consist of cash in banks and other liquid investments with original maturity of ninety days or less.

Inventories

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

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

Trade-in equipment received is recorded as inventory at the lower of cost or net realizable value reduced by a reasonable sales margin.

Nonrecurring operating income and expenses

Nonrecurring operating income and expenses include significant restructuring and reorganizing costs related to ongoing businesses and other major one time operating income and expenses.

Equity share of untaxed reserves

In Finland and certain other countries, companies are permitted to reduce or increase taxable income by net charges or by income representing adjustments to untaxed reserve accounts, provided that such amounts are reflected in the company's financial statements and accumulated on the balance sheet. Such amounts are included, net of taxes, in other shareholders' equity in the consolidated accounts.

Income taxes

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

Commencing on January 1, 1999, a deferred tax liability or asset has been determined for all temporary differences between the tax bases of assets and liabilities and their amounts in financial reporting, using the enacted tax rates effective for the future years. The deferred tax liabilities are recognized in the balance sheet in full, and the deferred tax assets at their estimated realizable amounts. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The cumulative effect of the change in accounting principle of EUR 17 was recorded in extraordinary income in 1999.

Earnings per share

Earnings per share is based on income before extraordinary items and income taxes adjusted for minority interests and taxes related to normal business operations. This amount is divided by the weighted average number of shares outstanding during each period. The average number of own shares has been deducted from the number of outstanding shares.

The diluted earnings per share have been computed by

applying the “treasury stock” method, under which earnings per share data is computed as if the warrants and options were exercised at the beginning of the period, or on the issuance of, if later, and as if the funds obtained thereby were used to purchase common stock at the average market price during the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the warrants and options.

The assumption of exercise is not reflected in earnings per share when the exercise price of the warrants and

options exceeds the average market price of the common stock during the period. The warrants and options have a dilutive effect only when the average market price of the common stock during the period exceeds the exercise price of the warrants and options.

Warranty

An accrual is made for expected warranty costs. The adequacy of this accrual is reviewed periodically based on historical analysis and anticipated product returns.

2 Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Marketing and selling expenses	356	381	425
Research and development expenses	126	123	137
Administrative expenses	294	289	315
Other income	(34)	(15)	(15)
Other expenses	14	15	11
Total	756	793	873

3 Personnel expenses and the number of personnel

Information regarding personnel expenses and number of personnel is as follows:

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Salaries to the members of Boards of Directors and Managing directors of Group companies	15	12	12
Other wages and salaries	743	825	924
Pension costs	85	81	99
Other indirect employee costs	150	135	156
Total	993	1,053	1,191
Number of personnel:	1999	2000	2001
Personnel, average	22,965	22,372	25,613
Personnel, at end of year	23,274	22,024	30,242

Notes to Consolidated Financial Statements

(in millions)

4 Nonrecurring operating income and expenses

	Year ended December 31,		
	1999 EUR	2000 EUR	2001 EUR
Restructuring expenses			
Metso Paper	(45)	(7)	(15)
Metso Minerals	-	-	(16)
Metso Automation	(11)	-	(8)
Headquarters and other	(2)	-	-
Other expenses			
Headquarters and other	(9)	-	(4)
Nonrecurring operating expenses, total	(67)	(7)	(43)
Pension refunds of Swedish subsidiaries			
Metso Paper	-	13	-
Metso Minerals	-	0	-
Metso Automation	-	1	-
Gain on sale of listed and other shares			
Headquarters and other	-	11	47
Nonrecurring operating income, total	-	25	47
Nonrecurring operating income and expenses, net	(67)	18	4

Restructuring expenses consist both of accrued and paid expenses related to restructuring of business operations.

For the year ended December 31, 1999, these expenses, amounting to EUR 58, included costs arising from streamlining the organizational structure of the newly formed Metso Corporation and restructuring costs for adjusting to a weakened market situation.

For the year ended December 31, 2000, restructuring expenses EUR 7 consisted of reorganizing Metso Paper's Panelboard Technology operations in Germany.

For the year ended December 31, 2001, the restructuring expenses totaling EUR 39 consisted of reorganizing Metso Paper's operations in North America (Paper Technology) and in Sweden (Pulping Technology) and Metso Automation's operations in North America and of Metso Minerals' restructuring and integration measures worldwide.

Other expenses, recognized in the year ended December 31, 1999, included direct costs of the Valmet-Rauma merger of EUR 4. They comprised finder's fee, fees to outside consultants for accounting and legal assistance. The integration costs EUR 5 reported under same caption, consisted of expenses occurred in connection with the introduction of the Metso name and of fees to outside consultants involved in the integration of the two groups.

For the year ended December 31, 2001, other expenses comprised costs related to extending the use of the Metso name to business operations.

Gain on sale of listed and other shares included gain on disposal of listed companies EUR 37 for the year ended December 31, 2001, and EUR 11 for the year ended December 31, 2000, respectively.

5 Depreciation and amortization

Depreciation and amortization expenses consist of the following:

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Intangible assets			
Goodwill	18	15	28
Other intangible assets	9	10	16
Tangible assets			
Buildings	18	19	22
Machinery and equipment	80	79	77
Other tangible assets	5	5	6
Total	130	128	149

Depreciation and amortization charged against operations by activity are as follows:

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Cost of goods sold	60	73	77
Marketing, selling and administrative expenses			
Marketing and selling	7	8	7
Research and development	14	13	9
Administrative	31	19	28
Goodwill	18	15	28
Total	130	128	149

6 Financial income and expenses

The following table provides a summary of financial income and expenses:

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Financial income			
Dividends received	9	12	12
Interest income	18	21	24
Other financial income	3	2	3
Net gain from foreign exchange	8	0	2
Financial income total	38	35	41
Financial expenses			
Interest expenses	(49)	(47)	(53)
Other financial expenses	(8)	(8)	(12)
Financial expenses total	(57)	(55)	(65)
Financial income and expenses, net	(19)	(20)	(24)

As at December 31, 2001, other financial expenses include EUR 5 in expenses related to the temporary financing of the Svedala acquisition.

Notes to Consolidated Financial Statements

(in millions)

7 Investments in associated companies

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Dividends received	5	0	0
Share of profits or losses in associated companies	3	0	0
Equity value of investments in associated companies	23	14	14

In addition to the information provided above for investments in associated companies, see also note 14.

8 Extraordinary income and expenses

The following extraordinary income and expenses include significant transactions considered outside

the normal course of business and the effects of changes in the accounting principles.

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Extraordinary income, net of taxes			
Capitalization of interest on self-constructed assets	5	-	-
Recognition of deferred tax asset from prior years	17	-	-
Capital gain on disposal of Timberjack	-	275	-
Extraordinary income, net of taxes	22	275	-
Extraordinary expenses, net of taxes			
Allocation of goodwill arising from the acquisition of Valmet Automotive to fixed assets	(11)	-	-
Write-down of Atlas goodwill	(54)	-	-
Recognition of unfunded pension liabilities	(16)	-	-
Realized losses on currency derivatives caused by delay in the acquisition of Svedala Industri AB	-	(7)	-
Accounting adjustments from previous years related to Metso Automation's US operations and Metso Engineering's German operations	-	-	(8)
Extraordinary expenses, net of taxes	(81)	(7)	(8)
Extraordinary income and expenses, net	(59)	268	(8)

Impairment loss recognized in the year ended December 31, 1999

In July 1997, Valmet acquired a U.K.-based company, Atlas Converting Equipment plc, and its subsidiaries, for a net price of EUR 126 resulting in a goodwill of EUR 83, which is amortized on a straight-line basis over 15 years. A major portion of Atlas' business has been in the Asia-Pacific area where the slowdown of economy has reduced the local demand for converting machines and generated a worldwide price competition seriously affecting the profitability of Atlas. Metso reviewed the future undiscounted cash flows of Atlas' business for

impairment. The carrying amount of Atlas exceeded the sum of these cash flows. Based on the present value of future cash flows an impairment loss of EUR 54 was recognized. The discount rate used took into account the financial costs of the investment added by a risk factor adherent to the business, the annual growth assumption used was two percent.

The impairment valuation involved management judgement as to the future development of the economic climate of Asia-Pacific. The outcome and its impact of Atlas' results may differ from the managements estimates.

9 Income taxes

The domestic and foreign components of income before extraordinary items and income taxes are as follows:

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Finland	13	92	208
Other countries	(41)	88	14
Total	(28)	180	222

The components of income taxes are as follows:

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Current taxes			
Finland	19	28	50
Other countries	15	13	23
	34	41	73
Deferred taxes			
Finland	(21)	3	10
Other countries	(13)	15	(11)
	(34)	18	(1)
Current and deferred taxes	0	59	72
Tax effect of extraordinary items	(24)	100	(3)
Income taxes, total	(24)	159	69

The differences between income tax expense (benefit) computed at Finnish statutory rates (28% in 1999, 29% in 2000 and 2001) and income tax expense (benefit) provided on earnings are as follows:

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Income tax expense (benefit) at Finnish statutory rate	(8)	52	64
Income tax for prior years	0	(1)	(7)
Temporary differences for which no deferred tax has been provided	(3)	3	(1)
Benefit of operating loss carryforwards	(8)	(1)	(3)
Amortization of goodwill	5	2	4
Nontaxable income	(1)	(1)	0
Nondeductible expenses	3	1	1
Taxes on foreign subsidiaries' net income in excess of income taxes at Finnish statutory rates	(1)	4	3
Operating losses with no current tax benefit	11	13	9
Effect of change in accounting principles	(24)	-	-
Effect of extraordinary items	-	100	(3)
Other	2	(13)	2
Income tax expense (benefit)	(24)	159	69

Notes to Consolidated Financial Statements

(in millions)

The components of net deferred tax asset (liability) consist of the following:	Year ended December 31,	
	2000 EUR	2001 EUR
Noncurrent assets:		
Tax losses carried forward	47	157
Provisions	14	34
Other	16	16
Valuation allowance	(43)	(104)
	34	103
Current assets:		
Intercompany profit in inventory	7	11
Provisions	45	126
Valuation allowance	0	(1)
	52	136
Current liabilities:		
Inventories and other	(8)	(24)
Noncurrent liabilities:		
Accelerated depreciation and other untaxed reserves	(31)	(34)
Other	(18)	(39)
	(49)	(73)
Deferred tax asset (liability), net	29	142

The change in the deferred tax asset results mainly from EUR 109 of deferred tax asset in the opening balance of Svedala companies and of EUR 3 attributable to extraordinary items.

As of December 31, 2001, Metso had EUR 451 of losses carried forward, primarily attributable to foreign subsidiaries. New losses for the year ended December 31, 2001, amounting to EUR 82, increased the deferred

tax asset on loss carryforward by EUR 25. The losses carried forward in Svedala's opening balance were EUR 246, resulting in a deferred tax asset of EUR 85. Over half of the accumulated loss carryforwards at December 31, 2001 have no expiration date, one quarter expires between years 2002–2010 and the remaining expires mainly by the year 2016.

The valuation allowance for the deferred tax asset has been as follows:

	Balance at	Deduction	Increase	Balance at
	beginning of year			end of year
	EUR	EUR	EUR	EUR
2000				
Losses carried forward	23	(8)	12	27
Other	22	(6)	0	16
Total	45	(14)	12	43
2001				
Losses carried forward	27	(1)	62	88
Other	16	0	1	17
Total	43	(1)	63	105

The balance at end of year 2001 includes EUR 49 of valuation allowance attributable to Svedala companies.

10 Earnings per share

Earnings per share is calculated as follows:

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Income (loss) before extraordinary items and income taxes	(28)	180	222
Minority interests	(1)	0	(1)
Taxes on normal business operations	0	(59)	(72)
	(29)	121	149
Weighted average number of shares issued and outstanding (in thousands)	135,632	135,364	136,135
Earnings per share	(0.22)	0.90	1.09
Weighted average number of diluted shares issued and outstanding (in thousands)	135,711	135,518	136,135
Diluted earnings per share	(0.22)	0.90	1.09

The impact of nonrecurring items and amortization of goodwill on net income and earnings per share excluding nonrecurring items and amortization of goodwill:

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Nonrecurring operating income and expenses, net	(67)	18	4
Amortization of goodwill	(18)	(15)	(28)
Expenses related to the temporary financing of the Svedala acquisition (incl. in financing expenses)	-	-	(5)
Nonrecurring items and amortization of goodwill, total	(85)	3	(29)
Tax effect	22	(4)	5
The impact of nonrecurring items and amortization of goodwill on net income	(63)	(1)	(24)
The impact of nonrecurring items and amortization of goodwill on earnings per share	0.47	0.01	0.17
Earnings per share excl. nonrecurring items and amortization of goodwill	0.25	0.91	1.26

Notes to Consolidated Financial Statements

(in millions)

11 Intangible and tangible assets

	Year ended December 31,	
	2000	2001
	EUR	EUR
Goodwill		
Acquisition cost at beginning of year	338	380
Increases	123	895
Decreases	(85)	(31)
Exchange gains (losses)	4	8
Accumulated depreciation at end of year	(172)	(215)
Net book value at end of year	208	1,037
Other intangible assets		
Acquisition cost at beginning of year	88	101
Increases	38	36
Decreases	(26)	(7)
Exchange gains (losses)	1	0
Accumulated depreciation at end of year	(47)	(73)
Net book value at end of year	54	57
Land and water areas		
Acquisition cost at beginning of year	56	55
Increases	4	14
Decreases	(5)	(1)
Exchange gains (losses)	0	0
Net book value at end of year	55	68
Buildings		
Acquisition cost at beginning of year	438	425
Increases	36	164
Decreases	(52)	(16)
Exchange gains (losses)	3	3
Accumulated depreciation at end of year	(176)	(236)
Net book value at end of year	249	340

	Year ended December 31,	
	2000	2001
	EUR	EUR
Machinery and equipment		
Acquisition cost at beginning of year	1,003	1,013
Increases	83	439
Decreases	(80)	(70)
Exchange gains (losses)	7	1
Accumulated depreciation at end of year	(731)	(996)
Net book value at end of year	282	387
Other tangible assets		
Acquisition cost at beginning of year	67	77
Increases	17	25
Decreases	(8)	(15)
Exchange gains (losses)	1	1
Accumulated depreciation at end of year	(48)	(56)
Net book value at end of year	29	32
Assets under construction		
Acquisition cost at beginning of year	51	55
Increases	59	39
Decreases	(55)	(35)
Exchange gains (losses)	0	(0)
Net book value at end of year	55	59

12 Capitalization of interest expenses

The capitalized interest expenses are the following:

	Year ended December 31,	
	2000	2001
	EUR	EUR
Net capitalized interest, beginning of year	6	5
Capitalized interest expenses	-	-
Amortization of capitalized interest expense	(1)	(1)
Net capitalized interest, end of year	5	4

Notes to Consolidated Financial Statements

(in millions)

13 Additional information of the Svedala acquisition

The opening balance of Svedala	EUR
Goodwill	71
Intangible assets	5
Tangible assets	196
Inventories	337
Receivables	579
Acquired cash	139
Liabilities	(1,144)
Svedala's equity	183
Acquisition cost of shares	943
Goodwill from consolidation	760
Goodwill included in Svedala's balance sheet	71
Goodwill attributable to Svedala acquisition	831

The acquisition price, net of Svedala's interest bearing debt EUR 428, was EUR 1,371 million.

Svedala was acquired into Metso's ownership on September 14, 2001. The acquisition balance sheet includes EUR 62 million of restructuring expenses (EUR 81 million net of tax benefit of EUR 19 million). Further EUR 7 million was recognized as nonrecurring expenses in Metso's income statement for the year ended December 31, 2001. Adjustments arising from applica-

tion of Metso accounting principles have been recognized in Svedala's acquisition balance.

The goodwill is amortized over 20 years, starting from October 2001.

The fair value appraisals of Svedala's balance sheet items as of acquisition date, required by the purchase method, are being processed. Once finalized, such appraisals will be adjusted against the goodwill above.

14 Shareholdings and other securities

Investments in shareholdings and other securities consist of the following:

Investments in associated companies:

	Year ended December 31,			
	2000		2001	
	Ownership %	Equity value EUR	Ownership %	Equity value EUR
Allimand S.A.	35.8%	5	35.8%	5
Valmet-Xian Paper Machinery Co. Ltd.	48.3%	3	48.3%	3
Shanghai Neles-Jamesbury Valve Co. Ltd	50.0%	3	50.0%	3
Others		3		3
Total investments in associated companies		14		14

Shareholdings and other securities:

	Year ended December 31,							
	2000				2001			
	Number of shares	Ownership %	Book value EUR	Fair value EUR	Number of shares	Owner- ship %	Book value EUR	Fair value EUR
UPM-Kymmene Corporation	1,670,596	0.6%	25	61	-	-	-	-
Tamfelt Corporation	242,100	2.7%	4	4	242,100	2.7%	4	6
Sampo Plc ¹⁾	65,508	0.1%	1	4	327,540	0.1%	1	3
Sato Corporation Plc	239,555	10.9%	12	12	239,555	10.9%	12	12
Partek Corporation	4,126,039	8.5%	57	55	4,126,039	8.5%	57	38
Exel Plc	550,000	10.5%	5	6	550,000	10.5%	5	5
Svedala Industri AB	567,300	1.2%	9	10	-	-	-	-
Other shares and securities			11	13			21	21
Total investments in shares and other securities			124	165			100	85
Total shareholdings and other securities			138				114	

Own shares held by

Metso Corporation	60,841	0.0%	1	1	60,841	0.0%	1	1
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¹⁾ Split 1:5 in 2001

Notes to Consolidated Financial Statements

(in millions)

15 Other long-term investments

Other long-term investments consist of certificates of deposits, bonds and other securities with a maturity of greater than one year at the time of acquisition. They

amounted to EUR 57 at December 31, 2000 and to EUR 73 at December 31, 2001. Other long-term investments are recorded at the lower of cost or market value.

	Year ended December 31,				2001			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Bonds and Treasury bills	14	-	-	14	24	0	-	24
Other securities	43	-	-	43	49	0	-	49
Total	57	-	-	57	73	0	-	73

Additional information regarding other long-term investments is as follows:

	Year ended December 31,		
	1999	2000	2001
	EUR	EUR	EUR
Purchases	10	11	-
Transferred through Svedala acquisition	-	-	25
Reclassified in other short-term investments	-	5	5
Proceeds from sales	20	2	1
Proceeds from maturities	15	1	3
Realized gains	2	-	-
Realized losses	-	-	-

Realized gains and losses on the sale of securities are determined by reference to the carrying value of the specific security sold.

As of December 31, 2001, the maturities of long-term investments in debt and other securities are as follows:	EUR
Less than five years	44
Five to ten years	-
More than ten years	16
Total	60

16 Cost and earnings of projects under construction in excess of billings/ billings in excess of cost and earnings of projects under construction

Information on balance sheet items of uncompleted contracts at December 31, 2001, is as follows:

	Cost and earnings of uncompleted projects	Billings of projects	Net
	EUR	EUR	EUR
Projects where cost and earnings exceed billings	715	582	133
Projects where billings exceed cost and earnings	262	376	114

17 Interest bearing and non-interest bearing assets

	Year ended December 31,					
	Interest bearing	2000 Non-interest bearing	Total	Interest bearing	2001 Non-interest bearing	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets						
Loans receivable	1	3	4	1	16	17
Accounts receivable	35	3	38	6	4	10
Other long-term investments	57	-	57	73	-	73
Total	93	6	99	80	20	100
Receivables						
Accounts receivable	6	746	752	5	1,101	1,106
Cost and earnings of projects under construction in excess of billings	-	200	200	-	133	133
Loans receivable	1	8	9	11	5	16
Prepaid expenses and accrued income	-	129	129	-	146	146
Other receivables	-	103	103	-	276	276
Other short-term investments	17	-	17	9	-	9
Total	24	1,186	1,210	25	1,661	1,686

18 Shareholders' equity

As at December 31, 2001 Metso had 136,250,545 issued shares with a par value of EUR 1.70, the share capital being EUR 232. Under its Articles of Association Metso Corporation's authorized share capital may

not be less than EUR 170 nor more than EUR 680. At the closing of the financial year Metso held 60,841 of its own shares. The reacquisition price of EUR 1 has been recorded in the reserve of own shares at cost.

Calculation of distributable funds at December 31, 2001:	EUR
Other reserves	202
Retained earnings	633
Result for the financial year	141
Equity share of accelerated depreciation and other untaxed reserves	(59)
Total distributable funds	917

The parent company's distributable funds at December 31, 2001, were EUR 662. The distribution of dividends to shareholders is limited to the lower of consolidated distributable funds or distributable funds held by the parent company.

Notes to Consolidated Financial Statements

(in millions)

19 Long-term debt

Long-term debt consists of the following at December 31:	2000	2001
	EUR	EUR
Bonds	259	754
Loans from financial institutions	89	378
Pension loans	80	56
Other long-term debt	40	37
	468	1,225
Less current maturities	40	46
Total	428	1,179

Bonds:

The bonds consist principally of three loans: a USD 200 (EUR 227) bond, a FIM 100 (EUR 17) bond and a EUR 500 bond. The USD denominated bond was issued in the United States in December 1997 and registered with the Securities Exchange Commission (SEC). It matures in 2007 and bears a fixed annual interest rate of 6.875%. A portion of the bond has been converted through a currency swap agreement of GBP 45 (EUR 74) into British pound sterling with a fixed annual rate of 7.51%. The currency swap agreement matures concurrently with the bond.

The FIM denominated bond matures in 2002 and bears a fixed annual interest rate of 10%. The bond has been converted into USD and to different rates of interest through interest and cross-currency swaps, maturing concurrently with the bond. The unrealized foreign currency differences, arising from the USD denominated currency leg of the cross-currency swap, have been recognized against the nominal value of the bond.

The EUR 500 bond was issued in December 2001 under the Euro Medium Term Note Program of EUR 1 billion which Metso established in December 2000. The bond matures in 2006 and carries a fixed interest of 6.25%. As at December 31, 2000 no notes had been issued under the Program.

Loans from financial institutions:

Loans from financial institutions consist of international bank borrowings with either fixed or variable interest rates. A major share of loans is USD denominated. The interest rates vary from 2.6% (USD) to 11.4% (ZAR). The loans are payable from year 2002 to 2011.

In July 1998 Metso entered into a syndicated seven-year revolving credit facility with a group of interna-

tional banks for DEM 450 (EUR 230). A previously agreed syndicated credit facility of USD 80 (EUR 91) expired in January 2002. At December 31, 2000 and 2001 both facilities were undrawn.

In August 2000, Metso signed loan facilities of EUR 1.2 billion with a syndicate of fifteen international banks for financing the acquisition of Svedala. The short-term portion of the facility expired in February, 2002, and the long-term revolving credit portion of EUR 400 expires in 2005. The facility was undrawn at December 31, 2000 and EUR 334 was utilised at December 31, 2001.

As at December 31, 2001 the undrawn committed facilities of Metso totaled EUR 493.

Pension loans:

Finnish companies may borrow from their pension insurance companies a portion of amounts contributed for pensions during the year. As at December 31, 2001, the remaining balance of pension loans contracted prior to 1996 amounted to EUR 18. Principal payments are due annually based on 7% of the outstanding balance on the anniversary date of the loan. The interest rate, regulated by the Finnish Government, was 5.75% at December 31, 2001.

A further EUR 42 was borrowed in 1998 for seven years with a fixed interest rate of 3.95% p.a. The loan is amortized in semiannual installments from 2001 onwards and the balance at December 31, 2001, was EUR 34.

Other long-term debt:

Other long-term loans consist principally of pension liabilities amounting to EUR 24 at December 31, 2000 and EUR 37 at December 31, 2001.

Maturities of long-term debt as at December 31, 2001 are as follows:

Year	Bonds EUR	Loans from financial institutions EUR	Pension loans EUR	Other long-term debt EUR	Total EUR
2002	24	5	9	8	46
2003	-	5	10	3	18
2004	-	5	10	2	17
2005	-	234	10	3	247
2006	500	65	1	1	567
Later	230	64	16	20	330

Options to purchase securities:

The Annual General Meeting of former Rauma Shareholders held on April 2, 1996, approved a proposal by the Board of Directors to issue a five-year bond loan with warrants to persons belonging to the management of former Rauma. The loan was fully amortized at December 31, 2001. The warrants entitle the holders

to subscribe to an aggregate amount of 50,000 shares of Metso during the period of April 2, 2000 through January 31, 2002 at a price of EUR 15.44 (FIM 91.81) per share. The original exercise price of EUR 16.82 (FIM 100) per share has been adjusted for the conversion ratio of the Rauma shares of 1.08917.

20 Other long-term liabilities – Accrued expenses

Long-term accrued liabilities consist of the following as at December 31:

	2000 EUR	2001 EUR
Pension liabilities ¹⁾	23	50
Accrued postretirement benefits	12	52
Warranty and guarantee liabilities	3	12
Accrued restructuring costs	2	7
Other long-term provisions and accruals	7	27
Total	47	148

¹⁾ Including EUR 6 of pension liabilities for involuntarily terminated employees.

Notes to Consolidated Financial Statements

(in millions)

21 Other interest bearing short-term debt

Other interest bearing short-term debt consists of the following at December 31:	2000	2001
	EUR	EUR
Loans from financial institutions	73	214
Domestic commercial paper financing	-	116
Euro Commercial Paper financing	-	-
Other	7	13
Total	80	343

The weighted average interest rate applicable to short-term borrowing at December 31, 2000 and 2001 was 6.8% and 4.6%, respectively.

Metso had undrawn committed short term credit facilities with banks totaling EUR 100 at December 31, 2001.

The Company has established a short-term Euro Commercial Paper program of USD 150 (EUR 170) and domestic commercial paper programs amounting to EUR 200.

22 Accrued expenses and deferred income

Accrued expenses and deferred income consist of the following at December 31:	2000	2001
	EUR	EUR
Accrued expenses for restructuring and plant reorganisation	7	107
Accrued interest expenses	5	9
Accrued personnel expenses	135	203
Accrued project costs	304	304
Environmental and product liabilities	0	5
Taxes currently payable	70	76
Warranty and guarantee liabilities	109	152
Other	135	184
Total	765	1,040

23 Changes in cost accruals

The cost accruals, including both long- and short-term portions, have changed as follows during the financial year:

	Balance at beginning of year	Impact of exchange rates	Opening balance of Svedala companies	Additions charged to expense	Deductions/ other additions ¹⁾	Balance at end of year
2001	EUR	EUR	EUR	EUR	EUR	EUR
Allowance for doubtful notes and receivables	29	1	26	11	(11)	56
Allowance for inventory accounts	21	(0)	58	10	(9)	80
Warranty and guarantee liabilities	112	(1)	26	48	(21)	164
Environmental and product liabilities ²⁾	0	0	4	1	-	5
Liabilities for restructuring and plant reorganisation	7	0	49	9	(7)	58
Liabilities for employee terminations and exit costs	20	2	36	9	(5)	62
Total	189	2	199	88	(53)	425

¹⁾ Other additions consist of reclassifications.

²⁾ Environmental and product liabilities include cost accruals of EUR 5 for cleaning up water and soil contamination at former manufacturing sites in North America and in Europe.

The number of employees subject to employee termination plans or early retirement arrangements has been as follows during the financial year:

	Beginning of year	Increase/ Acquired businesses	Increase/ Other businesses	Departures	End of year
2001					
Number of employees	191	1,065	457	(348)	1,365

24 Mortgages and contingent liabilities

Mortgages and contingent liabilities consist of the following at December 31:

	2000 EUR	2001 EUR
Mortgages on corporate debt	2	2
Other pledges and contingencies		
Mortgages	2	2
Pledged assets	0	1
Guarantees on behalf of associated company obligations	1	1
Other guarantees	8	4
Repurchase and other commitments	6	30

The mortgage amount on corporate debt has been calculated as the amount of corresponding loans. The nominal value of the mortgages at December 31, 2001, was EUR 2 larger than the amount of the corresponding loans.

25 Lawsuits and claims

Several product liability suits against Metso Corporation are pending in the USA. Management does not believe that the outcome of these actions, individually or in the aggregate, will have a material adverse effect

on Metso's business, liquidity, results of operations or financial position. The normal risks of legal disputes concerning deliveries cannot be regarded as material in terms of Metso's total business activities.

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(in millions)

26 Lease contracts

Metso leases offices, manufacturing and warehouse space under various noncancelable leases.

Certain contracts contain renewal options for various periods of time.

Minimum annual rentals for leases in effect at December 31, 2001 are shown in the table below:

Fiscal:	Operating leases	Capital leases
	EUR	EUR
2002	41	3
2003	33	6
2004	26	5
2005	18	3
2006	23	3
2007 and later	23	9
Total minimum lease payments	164	29

Total rental expense amounted to EUR 37, EUR 38 and EUR 46 in the years ended December 31, 1999, 2000 and 2001, respectively.

27 Financial instruments

Foreign currency risk management

Both the production and sales activities of Metso are geographically widely spread creating exposure to various currency risks, the main currencies being USD, EUR, SEK and GBP. Due to the number of Swedish based operations of acquired Svedala companies the SEK exposure against other currencies has increased in 2001 compared to previous years.

Foreign exchange gains and losses, reported in the operating profit resulted in a net gain of EUR 9 in 2000 and a net gain of EUR 1 in 2001.

The trade flow related currency risks are hedged with forward exchange contracts. The Corporate Treasury monitors the global currency risk and enters into forwards with third parties to reverse the currency exposures created through internal forwards with the subsidiaries. These external forwards are fair valued. External currency forwards entered into directly by the subsidiaries are designed at inception as hedges of an underlying transaction. The currency leg of such forwards is fair valued and the interest component is recognized upfront concurrently with the respective underlying.

Metso has made long-term USD and GBP denominated loans to its foreign subsidiaries. The resulting currency risk has been hedged with cross-currency swaps and forward exchange contracts.

Forward exchange contracts are used to mitigate foreign currency risk arising from short-term borrowing

and liquidity management. Such forwards are fair valued quarterly. Metso also enters into call and put options to allow more flexible control of the net currency exposures. The options have maturities not exceeding ten months and they are fair valued monthly.

Both the currency and the fixed interest rate of FIM 100 bond (EUR 17) have been converted with a FIM/USD cross-currency swap, which matures in 2002. The installment schedule of the swap concurs with the amortization of the bond. The notional amount of the contract at December 31, 2000 and 2001, was EUR 42 and EUR 22, respectively.

Metso measures and monitors foreign currency risk using sensitivity analysis. The consolidated net exposures in different currencies are continuously controlled and the risk is mitigated through different financial instruments, including derivatives, as required by the Corporate Treasury Policy. The financial derivatives for other than trade flow related currency risks are all entered into by the Corporate Treasury.

Interest rate management

Metso uses both interest and cross-currency swaps to mitigate the interest risks arising from interest bearing receivables and debt. The notional amount of interest rate swaps outstanding at December 31, 2000 and 2001, was EUR 42 and EUR 22, respectively. The interest rate risk is measured using sensitivity analysis and controlled by the Corporate Treasury.

The utilization of financial derivatives (expressed as notional amounts) can be divided as follows:

	As at December 31,	
	2000	2001
	EUR	EUR
Trade flow related currency derivatives		
Fair valued derivatives	694	770
Ear-marked with underlying item	267	74
Foreign currency denominated equity	43	-
Foreign currency denominated loans	143	136
Short-term funding	6	211
Long-term funding and other arrangements	151	22
Mitigation of currency risk	-	594
Mitigation of interest risk	42	22
Total notional amount of derivative instruments	1,346	1,829

The following table presents the notional amounts, carrying amounts and fair values of derivative financial instruments as at December 31:

	2000			2001		
	Notional amount	Carrying amount	Fair value	Notional amount	Carrying amount	Fair value
	EUR	EUR	EUR	EUR	EUR	EUR
Forward exchange contracts	1,119	15	3	1,421	(29)	(29)
Cross-currency swaps	57	(8)	(8)	37	(7)	(8)
Currency swaps	128	(6)	(6)	121	(1)	(3)
Interest rate swaps	42	0	0	22	0	0
Option agreements						
Bought	-	-	-	112	1	1
Sold	-	-	-	116	(1)	(1)

Carrying amounts noted in the table above are included in the balance sheet. The notional amounts indicate the volumes in the use of derivatives, they do not indicate the exposure to risk. The fair value reflects the estimated amounts that Metso would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts.

As at December 31, 2001 the maturities of the financial derivatives are following (expressed as notional amounts):

	2002	2003	2004	2005	2006 and after
	EUR	EUR	EUR	EUR	EUR
Forward exchange contracts	1,371	50	-	-	-
Cross-currency swaps	31	-	-	-	6
Currency swaps	-	-	-	44	77
Interest rate swaps	22	-	-	-	-
Option agreements					
Bought	112	-	-	-	-
Sold	116	-	-	-	-

Notes to Consolidated Financial Statements

(in millions)

Fair value of financial instruments

U.S. FAS Statement No. 107, "Disclosures about Fair Values of Financial Instruments", requires the disclosure of estimated fair values for all financial instruments, both on- and off-balance-sheet, for which it is practicable to estimate fair value. Metso has used a variety of methods and assumptions, which were based on market conditions and risks existing at the time to estimate the fair value of the Group's financial instruments at December 31, 2000 and 2001. For certain instruments,

including cash and cash equivalents, accounts payable and accruals and short-term debt, it was assumed that the carrying amount approximated fair value due to the short maturity of those instruments. Quoted market prices or dealer quotes for the same or similar financial instruments were used to estimate the fair value for marketable securities and long-term investments. Other techniques, such as estimated discounted cash flows or replacement cost have been used to determine fair value for the remaining financial instruments.

	As at December 31,			
	2000		2001	
	Carrying value EUR	Fair value EUR	Carrying value EUR	Fair value EUR
Assets:				
Shareholdings and other securities (excluding shares in associated companies)	124	165	100	85
Own shares	1	1	1	1
Loans receivable, long-term	4	4	17	17
Accounts receivable, long-term	38	38	10	10
Other interest bearing long-term investments	57	57	73	73
Accounts receivable, short-term	752	752	1,106	1,106
Loans receivable, short-term	9	9	16	16
Short-term investments	17	17	9	9
Cash and cash equivalents	485	485	212	212
Liabilities:				
Bonds	242	247	730	721
Loans from financial institutions	82	84	373	377
Pension loans	69	68	47	47
Other long-term debt	35	35	29	29
Current portion of long-term loans	40	40	46	46
Other interest bearing short-term debt	80	80	343	343

28 Concentrations of credit risk

Metso is exposed to credit risk primarily in relation to project deliveries, trade receivables and the use of financial instruments. The companies within Metso conduct diverse business activities with a large number of customers and suppliers. The receivables are well diversified and, where appropriate, secured by various trade finance instruments such as letters of credit, export guarantees or by withheld security interest in products sold under

extended credit terms. In the use of financial instruments, Metso minimizes credit and counterparty risk by dealing only with major local or international banks and financial institutions or companies with investment grade credit ratings.

Management believes that no significant unmanaged concentration of credit risk with any individual customer, counterparty or geographical region exists for Metso.

29 Principal subsidiaries

	Country	Shareholder percentage
Metso Paper		
Metso Paper Oy	Finland	100
Metso Paper USA Inc.	United States	100
Metso Paper Karlstad AB	Sweden	100
Valmet Mechanical Pulping Oy	Finland	100
Metso Paper Sundsvall AB	Sweden	100
Metso Chemical Pulping Oy	Finland	100
Metso Panelboard GmbH	Germany	100
Metso Paper Ltd.	Canada	100
Metso Paper Como S.p.A.	Italy	100
Valmet Rotomec S.p.A.	Italy	100
Atlas Converting plc	Great Britain	100
Metso Minerals		
Metso Minerals (USA) Inc.	United States	100
Metso Minerals (Tampere) Oy	Finland	100
Metso Minerals Industries Inc.	United States	100
Metso Minerals (France) S.A.S.	France	100
Metso Minerals (Macon) S.A.	France	100
Metso Minerals Inc.	United States	100
Metso Automation		
Metso Field Systems Oy	Finland	100
Metso Paper Automation Oy	Finland	100
Jamesbury Inc.	United States	100
Metso Automation SCADA Solutions Inc.	United States	100
Metso Automation USA Inc.	United States	100
Metso Ventures		
Metso Engineering		
Metso Drives Oy	Finland	100
Manufacture of Specialty Cars		
Valmet Automotive Oy	Finland	100

Notes to Consolidated Financial Statements

(in millions)

30 Business area and geographic information

Net sales by business area:	1999	2000	2001
	EUR	EUR	EUR
Pulping Technology	288	440	519
Paper Technology	1,203	1,580	1,801
Others	249	349	320
Intra business area net sales	(29)	(83)	(119)
Metso Paper total	1,711	2,286	2,521
Metso Minerals	469	561	913
Metso Automation	599	644	693
Metso Engineering	103	194	211
Manufacture of Specialty Cars	114	119	136
Metso Ventures total	217	313	347
Intra Metso net sales	(80)	(92)	(131)
Continuing operations	2,916	3,712	4,343
Forest Machines	471	179	-
Metso total	3,387	3,891	4,343
Operating profit (loss) before nonrecurring operating items and amortization of goodwill by business area:	1999	2000	2001
	EUR	EUR	EUR
Pulping Technology	13	37	37
Paper Technology	(12)	76	153
Others	(19)	(4)	(1)
Metso Paper total	(18)	109	189
Metso Minerals	24	31	45
Metso Automation	18	46	28
Metso Engineering	1	11	8
Manufacture of Specialty Cars	27	15	27
Metso Ventures total	28	26	35
Corporate Headquarters and other	(8)	(29)	(27)
Continuing operations	44	183	270
Forest Machines	31	14	-
Metso total	75	197	270

Nonrecurring operating items by business area:

	1999	2000	2001
	EUR	EUR	EUR
Pulping Technology	(15)	5	(2)
Paper Technology	(23)	6	(13)
Others	(7)	(5)	-
Metso Paper total	(45)	6	(15)
Metso Minerals	-	0	(16)
Metso Automation	(11)	1	(8)
Metso Engineering	-	-	-
Manufacture of Specialty Cars	-	-	-
Metso Ventures total	-	-	-
Corporate Headquarters and other	(11)	11	43
Continuing operations	(67)	18	4
Forest Machines	-	-	-
Metso total	(67)	18	4

Amortization of goodwill by business area:

	1999	2000	2001
	EUR	EUR	EUR
Pulping Technology	(2)	(2)	(2)
Paper Technology	(3)	(5)	(6)
Others	(7)	(2)	(3)
Metso Paper total	(12)	(9)	(11)
Metso Minerals	(2)	(3)	(14)
Metso Automation	(1)	(2)	(3)
Metso Engineering	0	0	0
Manufacture of Specialty Cars	-	-	-
Metso Ventures total	0	0	0
Corporate Headquarters and other	-	-	-
Continuing operations	(15)	(14)	(28)
Forest Machines	(3)	(1)	-
Metso total	(18)	(15)	(28)

Notes to Consolidated Financial Statements

(in millions)

Operating profit (loss) by business area:

	1999	2000	2001
	EUR	EUR	EUR
Pulping Technology	(4)	40	33
Paper Technology	(38)	77	134
Others	(33)	(11)	(4)
Metso Paper total	(75)	106	163
Metso Minerals	22	28	15
Metso Automation	6	45	17
Metso Engineering	1	11	8
Manufacture of Specialty Cars	27	15	27
Metso Ventures total	28	26	35
Corporate Headquarters and other	(19)	(18)	16
Continuing operations	(38)	187	246
Forest Machines	28	13	-
Metso total	(10)	200	246

Capital employed by business area at the end of year:

	1999	2000	2001
	EUR	EUR	EUR
Pulping Technology	114	97	72
Paper Technology	463	405	490
Others	90	74	69
Metso Paper total	667	576	631
Metso Minerals	307	331	1,525
Metso Automation	204	244	282
Metso Engineering	65	79	86
Manufacture of Specialty Cars	44	37	44
Metso Ventures total	109	116	130
Corporate Headquarters and other	391	714	476
Continuing operations	1,678	1,981	3,044
Forest Machines	193	-	-
Metso total	1,871	1,981	3,044

Capital expenditure (including business acquisitions) by business area:

	1999 EUR	2000 EUR	2001 EUR
Pulping Technology	11	7	10
Paper Technology	50	226	58
Others	27	2	4
Metso Paper total	88	235	72
Metso Minerals	61	22	827
Metso Automation	15	30	43
Metso Engineering	28	13	20
Manufacture of Specialty Cars	10	6	12
Metso Ventures total	38	19	32
Corporate Headquarters and other	11	7	8
Continuing operations	213	313	982
Forest Machines	24	-	-
Metso total	237	313	982

Depreciation and amortization by business area:

	1999 EUR	2000 EUR	2001 EUR
Pulping Technology	11	12	11
Paper Technology	45	53	55
Others	13	7	8
Metso Paper total	69	72	74
Metso Minerals	13	16	37
Metso Automation	17	17	19
Metso Engineering	4	8	9
Manufacture of Specialty Cars	11	10	8
Metso Ventures total	15	18	17
Corporate Headquarters and other	4	2	2
Continuing operations	118	125	149
Forest Machines	12	3	-
Metso total	130	128	149

Notes to Consolidated Financial Statements

(in millions)

Information about Metso's operations in different geographical areas as at and for the years ended December 31, 1999, 2000 and 2001 is as follows:

Net sales to unaffiliated customers by destination

	Finland	Other Nordic Countries	Other European Countries	North America	South America	Asia- Pacific	Rest of the World	Elimi- nations	Metso total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1999	356	379	1,146	945	169	277	115	-	3,387
2000	375	356	1,097	1,281	237	460	85	-	3,891
2001	587	417	1,172	1,143	360	521	143	-	4,343

In year 2001, 29 percent of net sales was recognized under percentage of completion method. The percentage was highest in the Paper Technology business group, where it accounted for 47 percent of net sales.

Metso's exports, including sales to unaffiliated customers and intra-group sales from Finland, by destination

	Other Nordic Countries	Other European Countries	North America	South America	Asia- Pacific	Rest of the World	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1999	355	590	163	22	136	11	1,277
2000	377	556	276	47	253	14	1,523
2001	365	592	200	85	269	20	1,531

Fixed assets and financial assets by location

	Finland	Other Nordic Countries	Other European Countries	North America	South America	Asia- Pacific	Rest of the World	Elimi- nations	Metso total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1999	579	110	160	260	6	28	9	-	1,152
2000	560	108	157	311	4	23	7	-	1,170
2001	530	949	158	457	28	64	9	-	2,195

Parent Company Statement of Income

(in millions)

	Year ended December 31,		
	*1999 EUR	2000 EUR	2001 EUR
Net sales	-	-	-
Cost of goods sold	-	-	-
Gross profit	-	-	-
Selling, general and administrative expenses	(19)	(37)	(26)
Other income and expenses, net	16	15	9
Operating profit (loss)	(3)	(22)	(17)
Financial income and expenses, net	(4)	6	158
Income (loss) before contributions, untaxed reserves and income taxes	(7)	(16)	141
Group contributions	78	199	81
Change in untaxed reserves	-	-	-
Change in accelerated depreciation	-	-	-
Extraordinary income and expenses, net	-	-	-
Income before taxes	71	183	222
Income taxes	(16)	(51)	(17)
Net income	55	132	205

*) July 1 – December 31

Parent Company Balance Sheet

(in millions)

Assets

	As at December 31,	
	2000	2001
	EUR	EUR
Fixed assets and financial assets		
Intangible Assets		
Goodwill	-	-
Other intangible assets	1	1
	1	1
Tangible assets		
Land and water areas	2	2
Buildings	1	1
Machinery and equipment	2	1
Other tangible assets	0	0
Assets under construction	-	-
	5	4
Financial assets		
Shareholdings and other securities	965	1,263
Own shares	1	1
Loans receivable	472	462
Accounts receivable	0	0
Other long-term investments	14	8
	1,452	1,734
Total fixed and financial assets	1,458	1,739
Current assets		
Inventories		
Materials and supplies	-	-
Work in process	-	-
Finished products	-	-
	-	-
Receivables		
Accounts receivable	3	3
Loans receivable	206	1,220
Accrued income and prepaid expenses	245	103
Other receivables	2	1
Other short-term investments	9	14
	465	1,341
Cash and cash equivalents	307	16
Total current assets	772	1,357
Total assets	2,230	3,096

Shareholders' equity and liabilities

	As at December 31,	
	2000	2001
	EUR	EUR
Shareholders' equity		
Share capital	230	232
Share issue	0	-
Share premium reserve	82	88
Legal reserve	216	216
Reserve for own shares	1	1
Other reserves	202	202
Retained earnings	205	255
Net income	132	205
Total shareholders' equity	1,068	1,199
Untaxed reserves	0	0
Liabilities		
Long-term debt		
Bonds	238	727
Loans from financial institutions	59	346
Pension loans	42	25
Other long-term debt	34	-
	373	1,098
Other long-term liabilities		
Accrued expenses	0	0
Current liabilities		
Current portion of long-term debt	27	38
Other interest bearing short-term debt	731	731
Advances received	-	-
Accounts payable	9	6
Accrued expenses and deferred income	21	23
Other current liabilities	1	1
	789	799
Total liabilities	1,162	1,897
Total shareholders' equity and liabilities	2,230	3,096

Parent Company Statement of Changes in Shareholders' Equity

(in millions)

	Number of shares (thousands)	Share capital (Par value EUR 1.70 per share)	Share premium reserve EUR	Legal reserve EUR	Reserve for own shares EUR	Other reserves EUR	Retained earnings EUR	Total EUR
Opening balance at July 1, 1999	135,826	228	82	216	-	202	210	938
Cash paid for fractional shares	(9)	0	0	-	-	-	-	0
Reacquisition of own shares	-	-	-	-	6	-	(6)	0
Income for the period	-	-	-	-	-	-	55	55
Balance at December 31, 1999	135,817	228	82	216	6	202	259	993
Dividends	-	-	-	-	-	-	(54)	(54)
Transfer from share premium reserve	-	3	(3)	-	-	-	-	0
Cancellation of own shares	(500)	(1)	1	-	(5)	-	-	(5)
Other	245	-	2	-	-	-	-	2
Income for the period	-	-	-	-	-	-	132	132
Balance at December 31, 2000	135,562	230	82	216	1	202	337	1,068
Dividends	-	-	-	-	-	-	(81)	(81)
Share issue (option rights)	689	2	6	-	-	-	-	8
Other	-	-	-	-	-	-	(1)	(1)
Income for the period	-	-	-	-	-	-	205	205
Balance at December 31, 2001	136,251	232	88	216	1	202	460	1,199

Financial Indicators 1997–2001

(in millions)

	1997	1998	1999	2000	2001
	EUR	EUR	EUR	EUR	EUR
Net sales	3,898	3,695	3,387	3,891	4,343
Net sales change, %	5.4	(5.2)	(8.3)	14.9	11.6
Operating profit (loss)	325	246	(10)	200	246
% of net sales	8.3	6.7	(0.3)	5.1	5.7
Income (loss) before extraordinary items and taxes	328	251	(28)	180	222
% of net sales	8.4	6.8	(0.8)	4.6	5.1
Income (loss) before taxes	318	249	(87)	448	214
% of net sales	8.2	6.7	(2.6)	11.5	4.9
Net income (loss) for the year	232	184	(88)	389	141
Exports and international operations	3,303	3,219	3,042	3,530	3,764
% of net sales	84.7	87.1	89.8	90.7	86.7
Orders received	3,528	3,399	3,528	4,268	3,778
Order backlog, December 31	1,718	1,342	1,586	1,907	1,772
Gross capital expenditure	163	133	121	127	154
% of net sales	4.2	3.6	3.6	3.3	3.5
Depreciation and amortization	119	131	130	128	149
% of net sales	3.1	3.5	3.8	3.3	3.4
Business acquisitions, net of cash acquired	136	24	116	186	828
% of net sales	3.5	0.6	3.4	4.8	19.1
Research and development	119	119	127	127	150
% of net sales	3.1	3.2	3.7	3.3	3.5
Shareholders' equity	1,161	1,206	1,085	1,425	1,469
Net interest bearing liabilities (receivables)	181	178	465	(53)	1,251
Balance sheet total	2,909	2,798	3,169	3,564	5,042
Gearing, %	15.5	14.6	42.8	(3.7)	84.8
Return on equity (ROE), %	22.5	16.1	(2.4)	9.5	10.4
Return on capital employed (ROCE), %	23.0	16.5	1.6	12.2	12.3
Equity to assets ratio, %	42.2	45.4	37.3	45.4	31.1
Average number of employees	23,612	23,754	22,965	22,372	25,613

Formulas for calculation of financial indicators are presented on the following page.

Formulas for Calculation of Indicators

Formulas for calculation of financial indicators

Gearing, %:

$$\frac{\text{Net interest bearing liabilities}}{\text{Shareholders' equity + minority interests}} \times 100$$

Return on equity (ROE), %:

$$\frac{\text{Profit before extraordinary items and income taxes - taxes}}{\text{Shareholders' equity + minority interests (average for period)}} \times 100$$

Return on capital employed (ROCE), %:

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

Equity to assets ratio, %:

$$\frac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total - advances received}} \times 100$$

Formulas for calculation of share-related indicators

Earnings / share:

$$\frac{\text{Profit before extraordinary items and income taxes - taxes +/- minority interests}}{\text{Average number of shares during period}}$$

Equity / share:

$$\frac{\text{Shareholders' equity}}{\text{Number of shares at end of period}}$$

Dividend / share:

$$\frac{\text{Dividend distribution}}{\text{Number of shares at end of period}}$$

Dividend / earnings, %:

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield, %:

$$\frac{\text{Dividend per share}}{\text{Weighted average share price on Dec. 31}} \times 100$$

P/E ratio:

$$\frac{\text{Weighted average share price on Dec. 31}}{\text{Earnings per share}}$$

Average share price:

$$\frac{\text{Total value of shares traded in euro}}{\text{Number of shares traded during period}}$$

Market capitalization:

$$\text{Total number of shares} \times \text{share price at the end of period}$$

Exchange rates used

	Average rates			Year-end rates				
	2001	2000	1999	2001	2000	1999	1998	1997
USD (US dollar)	0.8957	0.9240	1.0650	0.8813	0.9305	1.0046	1.1667	1.0969
SEK (Swedish krona)	9.2557	8.4459	8.7100	9.3012	8.8313	8.5625	9.4874	8.6635
GBP (Pound sterling)	0.6219	0.6094	0.6587	0.6085	0.6241	0.6217	0.7055	0.6612
CAD (Canadian dollar)	1.3867	1.3712	1.5825	1.4077	1.3965	1.4608	1.8061	1.5721

To the Shareholders of Metso Corporation

We have audited the accounting, the financial statements and the corporate governance of Metso Corporation for the period January 1, 2001 to December 31, 2001. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit we express an opinion on these financial statements and on corporate governance.

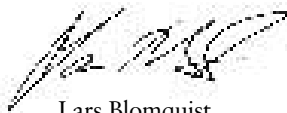
We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the

overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President and CEO have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, February 15, 2002

SVH Pricewaterhouse Coopers Oy
Authorized Public Accountants



Lars Blomquist
Authorized Public Accountant



Heikki Lassila
Authorized Public Accountant

Quarterly Information

(in millions, except for per share amounts)

Net sales by business area

	1-3/00	4-6/00	7-9/00	10-12/00	2000	1-3/01	4-6/01	7-9/01	10-12/01	2001
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Pulping Technology	72	127	111	130	440	104	111	108	196	519
Paper Technology	290	372	405	513	1,580	491	470	393	447	1,801
Others	57	86	87	119	349	91	89	82	58	320
Intra business area net sales	(12)	(25)	(23)	(23)	(83)	(33)	(43)	(26)	(17)	(119)
Metso Paper total	407	560	580	739	2,286	653	627	557	684	2,521
Metso Minerals	131	155	121	154	561	123	150	133	507	913
Metso Automation	131	158	157	198	644	153	169	177	194	693
Metso Engineering	42	45	49	58	194	55	55	46	55	211
Manufacture of										
Specialty Cars	30	33	21	35	119	42	37	24	33	136
Metso Ventures total	72	78	70	93	313	97	92	70	88	347
Intra Metso net sales	(15)	(31)	(18)	(28)	(92)	(24)	(21)	(50)	(36)	(131)
Continuing operations	726	920	910	1,156	3,712	1,002	1,017	887	1,437	4,343
Forest Machines	134	45	-	-	179	-	-	-	-	-
Metso total	860	965	910	1,156	3,891	1,002	1,017	887	1,437	4,343

Operating profit (loss) before nonrecurring items and amortization of goodwill by business area and net income

	1-3/00	4-6/00	7-9/00	10-12/00	2000	1-3/01	4-6/01	7-9/01	10-12/01	2001
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Pulping Technology	2	15	13	7	37	7	4	7	19	37
Paper Technology	9	10	29	28	76	47	39	35	32	153
Others	(5)	1	(3)	3	(4)	1	(1)	(2)	1	(1)
Metso Paper total	6	26	39	38	109	55	42	40	52	189
Metso Minerals	6	11	6	8	31	7	13	9	16	45
Metso Automation	3	10	16	17	46	6	5	10	7	28
Metso Engineering	2	3	4	2	11	4	3	0	1	8
Manufacture of Specialty Cars	4	6	0	5	15	11	7	2	7	27
Metso Ventures total	6	9	4	7	26	15	10	2	8	35
Corporate Headquarters and other	(9)	(6)	(7)	(7)	(29)	(8)	(3)	(8)	(8)	(27)
Continuing operations	12	50	58	63	183	75	67	53	75	270
Forest Machines	9	5	-	-	14	-	-	-	-	-
Operating profit (loss) before nonrecurring operating items and amortization of goodwill	21	55	58	63	197	75	67	53	75	270
Nonrecurring operating income and expenses, net	-	-	4	14	18	(9)	(4)	1	16	4
Amortization of goodwill	(4)	(3)	(4)	(4)	(15)	(4)	(4)	(4)	(16)	(28)
Operating profit (loss)	17	52	58	73	200	62	59	50	75	246
Financial income and expenses, net	(2)	(9)	(3)	(6)	(20)	4	3	(6)	(25)	(24)
Income before extraordinary items and income taxes	15	43	55	67	180	66	62	44	50	222
Extraordinary income and expenses, net	-	275	-	(7)	268	-	(5)	-	(3)	(8)
Income before taxes	15	318	55	60	448	66	57	44	47	214
Income taxes	(5)	(12)	(17)	(25)	(59)	(21)	(20)	(14)	(17)	(72)
Minority interests	0	(1)	0	1	0	(2)	(1)	(1)	3	(1)
Net income	10	305	38	36	389	43	36	29	33	141
Earnings per share	0.07	0.23	0.28	0.32	0.90	0.32	0.29	0.22	0.26	1.09
Earnings per share excl. nonrecurring items and amortization of goodwill	0.10	0.24	0.28	0.29	0.91	0.38	0.39	0.29	0.20	1.26

Quarterly Information

(in millions)

Consolidated balance sheets

	Mar 31, 2000 EUR	June 30, 2000 EUR	Sep 30, 2000 EUR	Dec 31, 2000 EUR	Mar 31, 2001 EUR	June 30, 2001 EUR	Sep 30, 2001 EUR	Dec 31, 2001 EUR
Fixed assets and financial assets								
Intangible assets	216	245	256	262	268	276	1,000	1,094
Tangible assets	684	688	698	670	666	678	858	886
Financial assets	205	211	216	238	260	246	260	215
Current assets								
Inventories	769	690	737	699	741	787	1,072	949
Receivables	1,237	1,149	1,211	1,210	1,162	1,162	1,714	1,686
Cash and cash equivalents	199	477	514	485	531	398	307	212
Total assets	3,310	3,460	3,632	3,564	3,628	3,547	5,211	5,042
Shareholders' equity								
Share capital	230	230	230	230	232	232	232	232
Other shareholders' equity	838	1,145	1,190	1,195	1,163	1,211	1,211	1,237
Minority interests	4	7	7	8	10	11	11	7
Liabilities								
Long-term liabilities	549	486	510	507	495	487	634	1,362
Current liabilities	1,689	1,592	1,695	1,624	1,728	1,606	3,123	2,204
Total shareholders' equity and liabilities	3,310	3,460	3,632	3,564	3,628	3,547	5,211	5,042
Net interest bearing liabilities								
Long-term interest bearing liabilities	491	433	455	428	412	399	466	1,179
Short-term interest bearing liabilities	273	115	124	120	125	130	1,279	389
Cash and cash equivalents	(199)	(477)	(514)	(485)	(531)	(398)	(307)	(212)
Other interest bearing assets	(138)	(111)	(110)	(116)	(115)	(75)	(152)	(105)
Total	427	(40)	(45)	(53)	(109)	56	1,286	1,251
Equity to assets ratio, %	36.2	44.8	44.2	45.4	43.6	45.5	30.0	31.1
Gearing, %	39.8	(2.9)	(3.1)	(3.7)	(7.8)	3.9	88.5	84.8

Orders received by business area

	1-3/00	4-6/00	7-9/00	10-12/00	2000	1-3/01	4-6/01	7-9/01	10-12/01	2001
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Pulping Technology	98	117	104	152	471	216	69	54	88	427
Paper Technology	607	606	221	432	1,866	460	261	258	382	1,361
Others	106	100	39	142	387	81	69	49	42	241
Intra business area orders received	(15)	(12)	(19)	(30)	(76)	(41)	(8)	(5)	(5)	(59)
Metso Paper total	796	811	345	696	2,648	716	391	356	507	1,970
Metso Minerals	148	143	115	154	560	149	152	137	435	873
Metso Automation	163	170	138	180	651	189	165	151	171	676
Metso Engineering	60	53	51	54	218	71	66	47	50	234
Manufacture of Specialty Cars	30	32	22	35	119	42	37	24	34	137
Metso Ventures total	90	85	73	89	337	113	103	71	84	371
Intra Metso orders received	(29)	(39)	(16)	(31)	(115)	(37)	(26)	(21)	(28)	(112)
Continuing operations	1,168	1,170	655	1,088	4,081	1,130	785	694	1,169	3,778
Forest Machines	146	41	-	-	187	-	-	-	-	-
Metso total	1,314	1,211	655	1,088	4,268	1,130	785	694	1,169	3,778

Order backlog by business area

	Mar 31, 2000	June 30, 2000	Sep 30, 2000	Dec 31, 2000	Mar 31, 2001	June 30, 2001	Sep 30, 2001	Dec 31, 2001
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Pulping Technology	335	308	291	315	424	364	304	202
Paper Technology	1,252	1,482	1,329	1,217	1,189	995	839	783
Others	155	186	157	172	165	146	112	86
Intra business area order backlog	(102)	(97)	(87)	(101)	(109)	(74)	(51)	(28)
Metso Paper total	1,640	1,879	1,690	1,603	1,669	1,431	1,204	1,043
Metso Minerals	126	113	110	100	127	130	535	499
Metso Automation	219	229	214	197	238	238	203	182
Metso Engineering	67	76	79	75	90	101	103	98
Intra Metso order backlog	(57)	(72)	(67)	(68)	(82)	(87)	(60)	(50)
Continuing operations	1,995	2,225	2,026	1,907	2,042	1,813	1,985	1,772
Forest Machines	87	-	-	-	-	-	-	-
Metso total	2,082	2,225	2,026	1,907	2,042	1,813	1,985	1,772

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Personnel by business area

	Mar 31, 2000	June 30, 2000	Sep 30, 2000	Dec 31, 2000	Mar 31, 2001	June 30, 2001	Sep 30, 2001	Dec 31, 2001
Pulping Technology	1,962	2,037	1,941	1,956	1,972	2,124	2,024	2,001
Paper Technology	6,894	7,734	7,493	7,558	7,552	7,929	7,526	7,457
Others	1,448	1,422	1,409	1,400	1,441	1,397	1,402	1,327
Metso Paper total	10,304	11,193	10,843	10,914	10,965	11,450	10,952	10,785
Metso Minerals	3,288	3,328	3,275	3,298	3,282	3,235	12,034	11,725
Metso Automation	4,307	4,493	4,411	4,551	4,569	4,804	4,666	4,532
Metso Engineering	1,440	1,531	1,475	1,487	1,490	1,628	1,528	1,530
Manufacture of Specialty Cars	1,474	1,470	1,451	1,658	1,631	1,632	1,577	1,553
Metso Ventures total	2,914	3,001	2,926	3,145	3,121	3,260	3,105	3,083
Corporate Headquarters and other	108	123	117	116	114	124	118	117
Continuing operations	20,921	22,138	21,572	22,024	22,051	22,873	30,875	30,242
Forest Machines	1,932	-	-	-	-	-	-	-
Metso total	22,853	22,138	21,572	22,024	22,051	22,873	30,875	30,242

Exchange rates used

	1-3/2000	1-6/2000	1-9/2000	1-12/2000	1-3/2001	1-6/2001	1-9/2001	1-12/2001
USD (US dollar)	0.9871	0.9606	0.9422	0.9240	0.9232	0.8982	0.8957	0.8957
SEK (Swedish krona)	8.4989	8.3871	8.3928	8.4459	9.0030	9.0649	9.1820	9.2557
GBP (Pound sterling)	0.6145	0.6121	0.6122	0.6094	0.6326	0.6236	0.6222	0.6219
CAD (Canadian dollar)	1.4346	1.4083	1.3859	1.3712	1.4097	1.3781	1.3773	1.3867

	Mar 31, 2000	June 30, 2000	Sep 30, 2000	Dec 31, 2000	Mar 31, 2001	June 30, 2001	Sep 30, 2001	Dec 31, 2001
USD (US dollar)	0.9553	0.9556	0.8765	0.9305	0.8832	0.8480	0.9131	0.8813
SEK (Swedish krona)	8.2825	8.4210	8.5265	8.8313	9.1570	9.2125	9.7321	9.3012
GBP (Pound sterling)	0.5985	0.6323	0.5967	0.6241	0.6192	0.6031	0.6220	0.6085
CAD (Canadian dollar)	1.3879	1.4157	1.3198	1.3965	1.3904	1.2927	1.4418	1.4077

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