metso

Annual

REVIEW 2003

Annual Review 2003

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Information to Shareholders

Annual General Meeting

The Annual General Meeting of Metso Corporation will be held on Tuesday, April 6, 2004 at 2.00 p.m. in the Marina Congress Center at Katajanokanlaituri 6, FI-00160 Helsinki. Registration of the shareholders participating in the meeting and distribution of ballots will begin at 1.00 p.m.

The shareholders who are entered as shareholders in the Corporation's shareholder register maintained by the Finnish Central Securities Depository Ltd. by March 26, 2004 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 by no later than 4.00 p.m. on April 1, 2004, either by mail to Metso Corporation, PO Box 1220, FI-00101 Helsinki, or by phone at +358 10 808 300, or by fax at +358 20 484 3125, or by email to soili.i.johansson@metso.com. Notices of participation must be received by the above-mentioned deadline. Any powers-of-attorney should also be sent to the above address by the same deadline.

Payment of dividends

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of EUR 0.20 per share be paid for 2003.

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 13, 2004. The actual payment of dividends will take place on April 20, 2004.

Symbols and units used in trading

Metso Corporation has one share series. Metso's shares are listed on the Helsinki Exchanges and are registered in the Finnish Book-Entry Register maintained by the Finnish Central Securities Depository. On the New York Stock Exchange Metso's shares are listed as American Depository Shares (ADS). Each Metso ADS represents one Metso share. The Bank of New York acts as the depository for Metso ADSs. Metso's 2000 A options have been listed on the Helsinki Exchanges since June 29, 2001. The 2000 B options were made available for trading on the Helsinki Exchanges combined with the 2000 A options from April 1, 2003. The 2001 A and B options were also combined and made available for trading as a separate security from April 1, 2003.

Helsinki Exchanges
Share
Trading code MEO1V
Lot size 100 shares
Trading currency EUR
Options
2000 A/B options
Trading code MEO1VEW100
2001 A/B options
Trading code MEO1VEW101

New York Stock Exchange
ADS
Trading code MX
Trading currency USD

Indexes

Metso's shares are included in at least the following indexes:
HEX General Index
HEX Portfolio Index
HEX Metal Index
HEX 25
Bloomberg Europe Industrial Index
Bloomberg Europe Machinery Diversified Index
DJ STOXX 600
DJ STOXX Industrial Goods and Services
DJ World Sustainability Index
DJ STOXX Sustainability Index
FTSE4GOOD Index
Kempen/SNS Smaller Europe SRI Index
Nordic Sustainability Index
Ethibel Sustainability Index

Credit ratings

Metso's credit ratings are:
Standard & Poor's (on Credit Watch on February 4, 2004)
Long-term rating: BBB
Outlook: Negative
Short-term rating: A-3 (on Credit Watch on February 13, 2004)

Moody's (on February 17, 2004)
Long-term rating: Ba1
Outlook: Negative

Financial reviews in 2004

Financial statements release 2003
February 4, 2004
Interim review for January-March
April 28, 2004
Interim review for January-June
July 28, 2004
Interim review for January-September
October 28, 2004

The interim reviews will be published in Finnish, Swedish and English, and the releases in Finnish and English on Metso's Internet pages at www.metso.com. Webcasts of the related press conferences can also be viewed on Metso's Internet pages.

Metso publishes its Index investor magazine twice a year in Finnish and English.

Annual reports for 2003

Metso has published an annual report and a sustainability report for 2003. The reports are published in Finnish, English and Swedish and are also available on Metso's Internet pages. Web reports in Finnish and English are also available on the Internet pages.

Ordering of financial reviews

The annual reports, sustainability reports and interim reviews can be ordered from:

Metso Corporation
Corporate Communications
PO Box 1220
FI-00101 Helsinki
By phone: +358 20 484 100
By fax: +358 20 484 3123
By email: metso.info@metso.com

The financial reviews can also be ordered by using the order form available on Metso's Internet pages at: www.metso.com > Contact us > Order publications.

Corporate Profile

Metso Corporation is a global supplier of process industry machinery and systems, as well as know-how and aftermarket services. The Corporation's core businesses are fiber and paper technology (Metso Paper), rock and minerals processing (Metso Minerals) and automation and control technology (Metso Automation). Metso's fourth business area, Metso Ventures, comprises units that serve the Corporation's other businesses or are under strategic development.

In 2003, Metso's net sales amounted to EUR 4,250 million and the number of personnel totaled approximately 26,000.

The Corporation has business operations in over 50 countries. Metso's own production plants are located in Finland, Sweden, Norway, the UK, Germany, France, Belgium, Italy, the USA, Mexico, Canada, China, India, Australia, New Zealand, South Africa, Brazil, Chile and Peru.

The main markets of the Corporation are in Europe and North America. Asia, especially China, and South America are the growing market areas for Metso's products and services.

Metso's shares are listed on the Helsinki and New York Stock Exchanges.

Business Areas

Metso Paper

In 2003, net sales were EUR 1,651 million (38% of the Corporation's net sales) and the number of personnel was 9,085 (35% of the Corporation's personnel).

Customers
Mechanical and chemical pulp makers and paper and board producers.

Products
Paper machines, tissue machines, board machines, paper finishing systems, air systems, equipment and machinery for mechanical and chemical pulp production, know-how and aftermarket services.

Market position
The estimated value of the global pulp and paper machine market is EUR 8–10 billion. Metso Paper is the global market leader in paper and tissue making lines and one of the leading suppliers of board making lines and pulp lines. Metso supplies 40 percent of the global market for large paper machines and nearly one third of the global market for chemical pulping lines.

Metso Minerals

In 2003, net sales were EUR 1,637 million (37% of the Corporation's net sales) and the number of personnel was 10,332 (39% of the Corporation's personnel).

Customers
Quarries and contractors, mining and construction industries.

Products
Rock and minerals processing plants, crushers and related equipment, mobile crushing and screening units, grinding mills, enrichment plants, drilling equipment, recycling systems for minerals and metals, paving machines and rollers, as well as wear protection products, conveyor belts, wear and spare parts and aftermarket services.

Market position
The global markets in the rock and minerals processing segments where Metso Minerals operates are worth EUR 10–12 billion. Metso Minerals is the global market leader of rock and minerals processing systems. It supplies approximately one-fifth of the global markets for mineral crushing, grinding and screening systems.

Metso Automation

In 2003, net sales were EUR 531 million (12% of the Corporation's net sales) and the number of personnel was 3,314 (13% of the Corporation's personnel).

Customers
Mechanical and chemical pulp makers and paper and board producers, rock and minerals processing industries, power and process industries.

Products
Process industry automation and information management application networks and systems, production

process measurement systems and equipment, control valves and support and aftermarket services.

Market position

The annual global markets for automation solutions in the segments where Metso Automation operates total approximately EUR 5 billion. Metso Automation is the global market leader of pulp and paper industry special analyzers, consistency transmitters and automatic shut-off valves. It is the world's third largest supplier of pulp and paper industry automation solutions and the sixth largest supplier of power station automation.

Metso Ventures

In 2003, net sales were EUR 370 million (9% of the Corporation's net sales) and the number of personnel was 2,482 (9% of the Corporation's personnel).

Customers

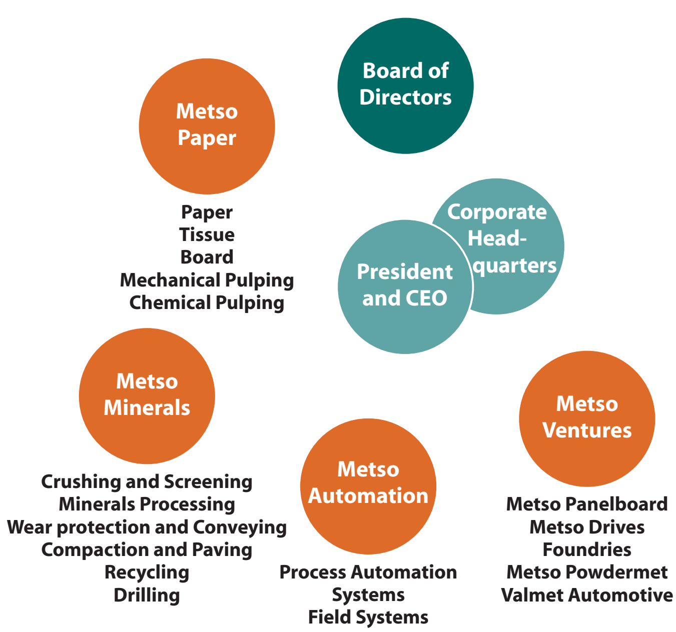
Construction and furniture industries, producers of packaging material, mechanical and chemical pulp makers and paper and board producers, rock and minerals processing industries, energy, engineering and car makers.

Products

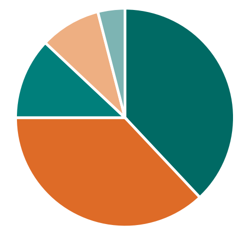
Production lines, equipment and aftermarket services for the panelboard industry, mechanical power transmission systems for the process and energy industry and rock and minerals processing, industrial castings, material technology expert services and the contract manufacture of specialty cars.

Market position

The market for panelboard industry equipment and machinery totals approximately EUR 1 billion. Metso Panelboard is among the three largest panelboard industry equipment suppliers. Metso Drives is the leading supplier of mechanical drives for the pulp and paper industry, and one of the four largest companies manufacturing wind turbine gears. Valmet Automotive is one of Europe's most significant manufacturers of convertibles.

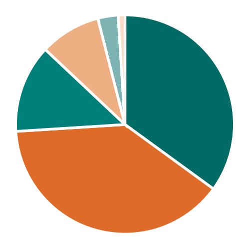


Net sales by business area



- Metso Paper 38% (2002: 37%)
- Metso Minerals 37% (38%)
- Metso Automation 12% (13%)
- Metso Ventures 9% (9%)
- Converting Equipment 4% (3%)

Personnel by business area



- Metso Paper 35% (2002: 33%)
- Metso Minerals 39% (37%)
- Metso Automation 13% (15%)
- Metso Ventures 9% (12%)
- Converting Equipment 3% (3%)
- Corporate Headquarters and other 1% (0%)

President's Review

To our shareholders

In 2003, Metso's net sales totaled EUR 4,250 million. The loss before taxes was EUR 303 million. The result was weakened by nonrecurring expenses and a goodwill impairment totaling EUR 311 million. Metso's cost structure was too heavy, considering the market situation.

There were also positive developments last year. For example, the automation and control technology business area, Metso Automation, improved its profitability by reacting to the deteriorated market situation. Moreover, in summer 2003, measures were initiated in all business areas to improve the cost structure.

In Asia and South America, Metso took its share of the rapid growth in the markets. In these areas our aim is to strengthen our network further so that we can offer know-how and services close to the customer.

Profitability improvement measures

Metso's profitability must be improved. The achievement of our long-term targets will require greater flexibility, a cost structure adjusted to the needs of the markets, the continuous improvement of competitiveness, further improved customer service and a decrease in gearing.

We will complete the efficiency improvement program started last year in the first half of 2004. In the current situation and in the light of the result for 2003, the completion of this program is essential. Operational excellency, cost awareness and the ability to react rapidly to changes in the operating environment with new innovative solutions must become a constant, inseparable part of our work. We will develop our management system to support the transfer to this operating model. Thus we can create a solid foundation for our operations in all market conditions.

In order to take advantage of its potential Metso needs a stronger balance sheet. Therefore, we will review which non-core businesses we can divest. Our aim is to reduce gearing by improving also the cash flow from operating activities.

Added value for customers and shareholders

Since starting as the Corporation's President and CEO at the beginning of March, I have noticed that there is a lot of competence in Metso. Metso's core business areas have developed a wide range of products for customers in the pulp and paper industry, rock and minerals processing, and process automation. I consider it important that we renew this competence in dynamic interaction with customers.

This strong competence derives from Metso's employees, whom I would like to thank for their work in 2003. Improving efficiency and developing strengths in the midst of constant change has required determination and endurance. We will need these qualities this year, too, as we develop Metso in a climate of open interaction and mutual respect. The same uncompromising, goal-oriented approach that has helped us to achieve our technological position, must now be applied to the improvement of profitability. I believe that each Metso employee understands that we must achieve a better result than we did last year.

Backed by years of work, Metso has become a technology and market leader valued by its customers. Now we must better utilize our competence cost-efficiently on behalf of our customers' success and in support of their competitiveness. Hence we will listen to our customers carefully in order to understand their true needs.

Metso aims to be a strong partner in all business related to the pulp and paper industry and rock and minerals processing. When our customers and shareholders are satisfied with our performance, we will have succeeded in our work.

Jorma Eloranta
President and CEO

The Year 2003 in Brief

Activities to streamline cost structure continued

In 2003, Metso Corporation began an extensive efficiency improvement program in all business areas to cut fixed costs. The aim is to improve operational flexibility and profitability. The program aims at an annual profit improvement of over EUR 100 million. The nonrecurring expenses of the efficiency improvement program, totaling EUR 103 million, were booked in the third quarter.

Synergy projects progressed

In order to achieve cost savings, Metso continued projects that take advantage of synergies between business areas. Administrative expenses were reduced by combining back office-related functions. New financial administration service centers, which serve all units in Finland, began their activities in Jyväskylä and Tampere, Finland. In North America the financial administration service center will be established in Montreal, Canada. In addition a materials management development program was launched in June. It aims at substantial savings in purchasing activities.

Life cycle business strengthened

The Metso Future Care business concept was refocused as life cycle business in the year under review. This comprehensive product and service offering covering the whole life cycle of customers' processes includes new installation investments, maintenance and service, process improvements, as well as modernizations and rebuilds. In 2003 the offering of aftermarket services was expanded and the global customer service network was strengthened.

For the past decade, new papermaking capacity has been built mainly in Asia. In China, for example, the consumption of paper and board is increasing by almost 5 percent annually.

Strategy backed by divestitures

In line with its strategy, Metso gave up activities and products not belonging to its core businesses. During the review year Metso Hydraulics, which produces hydraulic power transmission equipment, was sold to Sampo-Rosenlew, Finland; Network Management Solutions, which produces SCADA information management solutions, was sold to Telvent in Spain; and CPS Electronics, which produces electronic components, was sold to Scanfil of Finland. In October an agreement on the sale of the Converting Group to the Swiss Bobst Group was signed. After approval from the competition authorities the sale was completed in January 2004.

Business strengthened in China

Metso's business in China has grown by over ten percent annually. Products that Metso produces in China include paper machines, crushers, road construction equipment and valves. There are approximately 400 people working for the Corporation's own companies in China. In addition, Metso employs around 1,400 people in its joint ventures. In 2003, the share of the Corporation's net sales accounted for by China was 11 percent (6% in 2002).

Value of orders received from Asia grew

Of the orders received in 2003, 41 percent were from Europe, 21 percent were from North America, 27 percent were from Asia-Pacific, 6 percent were from South America and 5 percent were from the rest of the world. In 2003, 18 percent of the orders received were from China (4% in 2002).

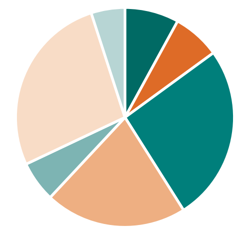
Changes in corporate management

In September, Metso Corporation's Board of Directors relieved Tor Bergman, President and CEO, of his duties, and temporarily appointed Executive Vice President and CFO Olli Vaartimo in his place. In December, the Board of Directors appointed Jorma Eloranta as the new President and CEO, as of March 1, 2004. Olli Vaartimo will continue as Metso's Executive Vice President, CFO and Deputy to the CEO. Vaartimo transferred to this position in April 2003 from the post of President of Metso Minerals. Metso Paper, Metso Minerals and Metso Ventures also saw changes in their leadership during the review year: Bertel Karlstedt started as the President of Metso Paper in March, Bertel Langenskiöld started as the President of Metso Minerals in May, and Vesa Kainu started as the President of Metso Ventures, also in May.

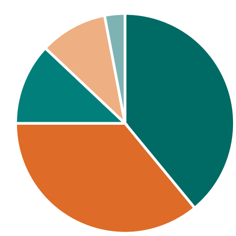
Metso in sustainability indexes

During the review year, Metso's share was chosen for three new sustainability indexes: the European Ethibel Sustainability and Kempen/SNS Smaller Europe SRI indexes, as well as the Nordic Sustainability Index. In addition, Metso has been listed on the Dow Jones Sustainability Indexes and on the FTSE4Good Index for several years.

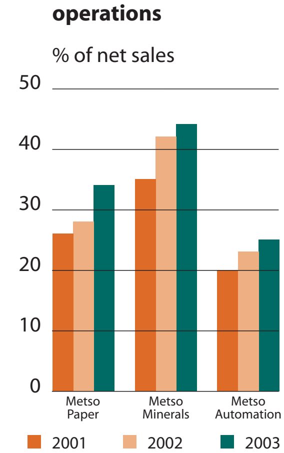
Orders received by market area



Orders received by business area



Aftermarket operations



Financial Review

Financial goals

Metso's primary short-term goal is to improve profitability and strengthen the balance sheet.
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 annual dividend equivalent to at least one third of earnings per share

In the difficult market environment of 2003, Metso did not reach these targets. The operating loss was EUR 229 million, or 5.4 percent of net sales and the return on capital employed negative 8.7 percent.

Metso's dividend policy is founded on the Corporation's long-term profitability and financial position. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be paid for 2003.

Factors affecting Metso's profitability

Metso's profitability is affected by economic cycles, customer industries' investments, the competitiveness of its products and services, and exchange rate fluctuations.

Metso Paper's business is affected by changes in paper consumption, paper product prices, and the investments of pulp and paper producers. Metso Minerals' business is affected by changes in the demand for metals and aggregates and mining industry investments.

The strong growth of China's GDP in 2003 supported growth in the pulp and paper industry and in rock and minerals processing. The low paper product prices in Metso Paper's markets weakened the willingness of pulp and paper industry customers to invest, particularly in Europe and North America. The low level of investments in rock and minerals processing industries tightened Metso Minerals' markets in 2003, especially in crushing and screening products. Infrastructure investments remained at a low level in Europe and North America, while, on the other hand, the rising prices of base metals were not yet reflected in an increase in customer investments.

The strengthening of the euro in relation to the U.S. dollar weakened the competitiveness of Metso's products made in Europe compared with the products of competitors outside the euro zone, which weakened Metso's result.

Net sales

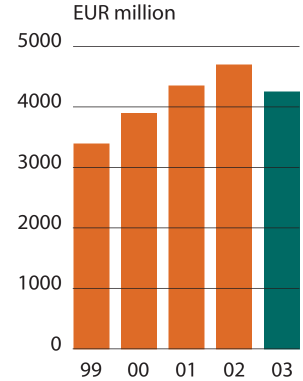
Metso's net sales for 2003 were EUR 4,250 million. Calculated with the previous year's exchange rates, net sales decreased by 4 percent.

Rapid economic growth in China has generated a demand for paper, board, panelboard products, aggregates, minerals and concentrates that has in recent years transformed China into one of Metso's key market areas. In 2003, 11 percent of Metso's net sales derived from China.

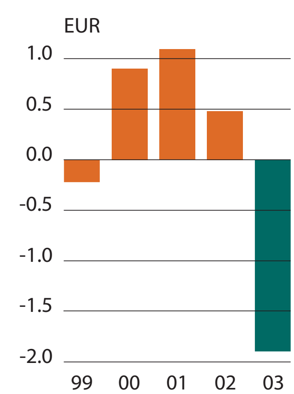
Measures to improve profitability

Several programs aiming at streamlining the cost structure and improving profitability were underway in Metso in 2003. These were a Corporation-wide efficiency improvement program, a materials management development program, and projects for integrating administrative functions.

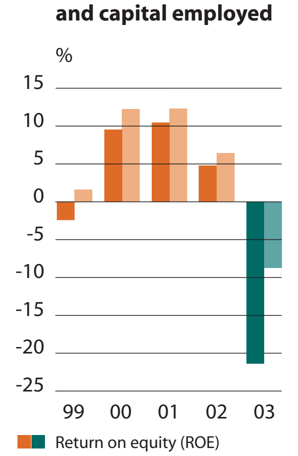
Net sales



Earnings/share



Return on equity and capital employed



The efficiency improvement program aims to reduce fixed costs and improve the annual profit by over EUR 100 million. Of this Metso Paper will account for almost EUR 40 million, and Metso Minerals for just over EUR 50 million. Metso Automation will account for EUR 10 million and Metso Ventures for EUR 5 million. The re-evaluation of the role of Metso's Corporate Headquarters is expected to result in savings of around EUR 10 million.

The efficiency improvement program proceeded as planned in the second half of 2003. In 2003 Metso Paper decided to reduce jobs in Europe and North America by about 630. In certain units in Finland, outsourcing of components' manufacturing has either been decided on or is being reviewed. These arrangements will affect some 350 jobs. An organization previously oriented for new equipment production is being adapted for the prevailing market by emphasizing the aftermarket and maintenance business.

Metso Minerals commenced measures to reduce costs and overcapacity in Europe and the USA. The manufacture of some products will be relocated to China and Brazil, while the manufacture of other products will be discontinued. The global sales and service network was reorganized for more efficiency. In Metso Minerals these arrangements are estimated to affect approximately 600-670 jobs.

Metso Automation decided to reduce about 140 jobs in Finland, North America and in its global sales network.

Metso Panelboard, which is a part of Metso Ventures, will combine the operations of its two German units.

KEY FIGURES

(in millions, except for per share data)	2001 EUR	2002 EUR	**2003 EUR**
Net sales	4,343	4,691	**4,250**
Aftermarket operations, % of net sales	27.0	33.0	**37.0**
Exports and international operations, % of net sales	86.7	92.1	**87.6**
Operating profit before nonrecurring items and amortization of goodwill	270	251	**133**
Operating profit (loss)	246	167	**(229)**
Income (loss) before extraordinary items and taxes	222	93	**(303)**
Net income (loss) for the year	141	65	**(258)**
Orders received	3,778	4,646	**4,256**
Order backlog, Dec. 31	1,772	1,589	**1,505**
Personnel, Dec. 31	30,242	28,489	**26,240**
Earnings/share	1.09	0.48	**(1.89)**
Dividend/share	0.60	0.60	**0.20** *
Return on capital employed (ROCE), %	12.3	6.4	**(8.7)**
Return on equity (ROE), %	10.4	4.8	**(21.3)**
Research and development expenditure	150	156	**129**
Balance sheet total	5,042	4,399	**3,823**
Gearing, %	84.8	80.6	**107.7**
Equity to assets ratio, %	31.1	33.3	**28.3**

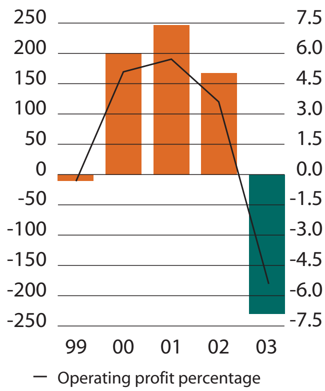
*) Proposal by the Board of Directors

In June 2003, Metso launched a materials management development program aimed at creating substantial cost savings in the next few years by rationalizing purchasing. Purchases amount to EUR 2.5 billion annually, which is more than half of Metso's net sales. Cost savings are targeted by taking advantage of volume benefits in the global markets, improving efficiency, increasing cooperation and transparency between businesses, and including purchasing in each business area's strategy and target setting.

The measures commenced in 2002 to reduce Metso's administrative costs were continued in 2003 by integrating back office-related functions. As a result, the Jyväskylä and Tampere service centers were opened in Finland in September. A North American financial administration service center in Montreal, Canada, is due to start in 2004.

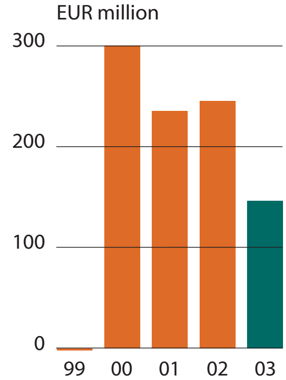
Operating profit

EUR million



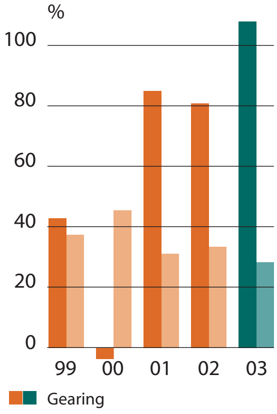
Operating cash flow

EUR million



Gearing and equity to assets

%



Result

In 2003, Metso's operating profit before nonrecurring items and amortization of goodwill was EUR 133 million, or 3.1 percent of net sales. The decline in operating profit was primary due to the strengthening of the euro, the lower margins in Metso Paper's large projects than in the comparison period, and the continued tight competition faced by Metso Minerals' crushing and screening equipment.

Net nonrecurring expenses of EUR 106 million were recorded in 2003. The largest items were restructuring expenses related to the efficiency improvement program, which were booked in the third quarter of 2003.

In addition, a goodwill impairment of EUR 205 million was made in Metso Minerals. The impairment was based on a re-evaluation of the business area's outlook in the continued demanding market environment. It was decided to make a more cautious prognosis concerning market revival and exchange rate movements. The latter, particularly the rapid strengthening of the euro against the U.S. dollar, has been unfavorable for Metso Minerals. The impairment will decrease Metso's annual amortization of goodwill by approximately EUR 10 million.

Most of the impairment, EUR 175 million, was accepted as tax-deductible. The corresponding tax benefit of EUR 51 million reduces the effect of the goodwill impairment on the net result. The tax benefit was booked in the final quarter of 2003.

Cash flow, capital expenditure and balance sheet

In 2003, Metso's net cash provided by operating activities was EUR 146 million. Gross capital expenditure totaled EUR 130 million and divestitures EUR 31 million. The net working capital increased by EUR 54 million.

During the past four years, Metso's investments have focused mainly on the aftermarket business, production capacity improvements and extensions, and information and communications technology.

NONRECURRING OPERATING INCOME AND EXPENSES

	2002 EUR million	**2003** **EUR million**
Gain on sale of disposals of businesses	-	**12**
Gain on sale of listed and other shares	8	**3**
Nonrecurring operating income, total	8	**15**
Expenses related to the Metso efficiency improvement program	-	**(103)**
Restructuring expenses	(28)	**(5)**
Other expenses	(7)	**(13)**
Nonrecurring operating expenses, total	(35)	**(121)**
Nonrecurring operating income and expenses, total	(27)	**(106)**
Amortization of goodwill	(57)	**(51)**
Nonrecurring items and amortization of goodwill, total	(84)	**(157)**

At the end of 2003, Metso's net interest bearing liabilities totaled EUR 1,109 million, which is EUR 9 million less than at the end of 2002. Gearing, i.e. the ratio of net interest bearing liabilities to shareholders' equity, was 107.7 percent at the end of the year.

Metso's net liabilities increased with the acquisition of Svedala in 2001. Due to weaker than expected profit performance in 2003, net liabilities did not decrease according to plan. Further measures to decrease net liabilities will continue in 2004. Metso aims to dispose of non-core assets and operations and to continue releasing capital employed.

Metso finances its operations mainly through long-term debt, which accounted for 75 percent of total interest bearing debt at the end of 2003. The largest loan of EUR 500 million issued under the Euro Medium Term Note program will mature in December 2006.

On June 27, 2003 Standard & Poor's Rating Services lowered the outlook on the BBB long-term rating of Metso Corporation from stable to negative. At the same time, the short-term rating was lowered to A-3 from A-2. Standard & Poor's placed the long-term rating on Credit Watch on February 4, 2004 and the short-term rating on February 13, 2004. Moody's Investors Service lowered the long-term ratings of Metso Corporation to Ba1 from Baa3 on February 17, 2004. Ratings were also removed from credit review and the outlook on ratings is considered negative.

Research and development

In 2003, Metso's research and development expenditure totaled EUR 129 million, representing 3 percent of net sales. Most of Metso's R&D activities take place in Finland and Sweden, but Metso also has R&D units in North America and Central Europe. The focus is on improving efficiency, strengthening Metso's life cycle business and raising its share of net sales.

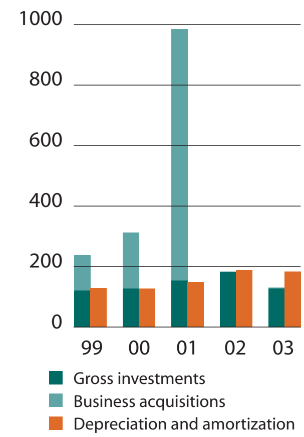
PREPARATION OF FINANCIAL STATEMENTS IN COMPLIANCE WITH IAS/IFRS

Metso will report in compliance with the IAS standards from January 1, 2005 and will also present the comparison figures in the same way. The Corporate Headquarters is preparing to transfer to IAS/IFRS reporting together with the business areas, and the project has advanced on schedule.

The effects of the transfer on Metso's statement of income, balance sheet and key figures cannot be evaluated before the standards are finally approved in the spring of 2004. The standards affecting Metso´s income or the recognizing of income and expenses include IAS 10 (Events after the balance sheet date), IAS 19 (Employee benefits), IAS 37 (Provisions, contingent liabilities and contingent assets) and IAS 39 (Financial instruments: recognition and measurement). In addition, IASB (the International Accounting Standards Board) is preparing Exposure Draft 3 with amendments to standard IAS 22 (Business combinations). The draft proposes that instead of being amortized, goodwill and other intangible assets will be annually reviewed for impairment.

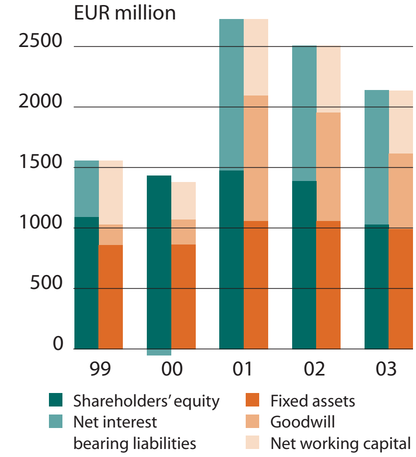
Investments and depreciation

EUR million



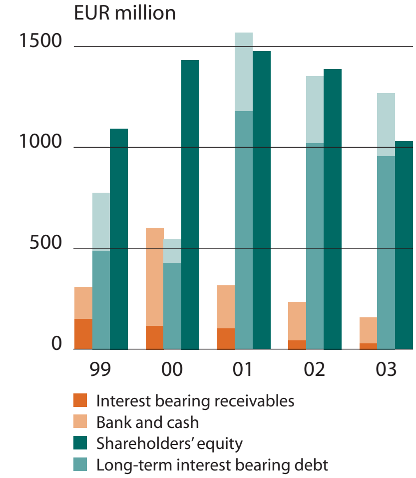
Balance sheet structure

EUR million



Capital structure

EUR million



Metso's Vision and Strategy

Metso's vision is to transform from a machine supplier into a provider of competitiveness. We aim to improve the productivity and competitiveness of our customers' core industrial processes. We strive to do this through cooperation with customers for the entire life cycle of their processes.

We offer our customers solutions to improve their competitiveness that stem from our wide know-how in rebuilding and modernizing machines and equipment as well as optimizing and servicing the related processes. In our offering we take into account the differing needs of our customers.

Metso's operations are based on in-depth know-how of customer processes in the pulp and paper industry and rock and minerals processing industries, on the extensive installed base of machinery and equipment, and on automation knowledge. These cornerstones of our strategy have helped us to become the world's leading supplier for the pulp and paper industry and the rock and minerals processing industries. In Metso's products and services, control technology, process automation and advanced information and communications technology solutions are combined with process know-how.

Our customers are industrial companies in businesses where investments are large and have long life cycles. Based on our customers' long-term perspectives, Metso has a solid foundation for developing cooperation with them that lasts for the entire life cycle. We cooperate with more and more customers on several continents.

Our target is to support the efficiency and competitiveness of our customers' investments and processes by producing increasingly competitive and efficient solutions, equipment and services founded on strong customer cooperation and our technology and process know-how.

In addition to a global network and wide-ranging know-how, our customers require that the equipment supplier takes wider responsibility for the processes delivered. We develop products and services on the basis of our extensive installed base of machinery and equipment, taking our customers' needs into account. Our objective is to further increase our share in the service, rebuild and process improvement of already installed as well as new machinery and equipment worldwide.

Business driven by the installed base of machinery and equipment is growing especially in Europe and North America, where our customers are focusing more on efficiency improvements for their processes than on new investments. Demand for new machinery and equipment focuses on China and South America, where we are strengthening our resources.

In order to be able to optimize processes and improve their efficiency over their life cycles, we are adding flexibility to our products already at the design stage. Automation is the foundation for remote monitoring and many optimization, maintenance and service solutions. Thanks to advanced ICT solutions, we can offer the equipment and process know-how of Metso's experts cost-efficiently for our customers' production plants throughout the world.

Better competitiveness

The investment activity in our main customer industries has been below average for some years now. The prolongation of the challenging market situation has required and will continue to require that Metso takes rigorous action to streamline its cost structure and strengthen its competitiveness. We will increase the flexibility required by fluctuations in demand by adjusting our in-house capacity and expanding manufacturing cooperation with external partners.

The strategies of Metso's business areas and business lines are developed on the basis of their strengths, customer needs and the competitive situation. The Corporation's network and resources and cooperation between business areas is utilized wherever it strengthens competitiveness and cost-efficiency.

Our most important target in 2004 is the improvement of profitability. Our objective is also to strengthen the balance sheet by divesting non-core businesses. In order to reach our long-term profitability targets, we must ensure that our operations are competitive, we must develop our aftermarket activities and we must continuously improve our cost-efficiency and productivity.

Life cycle business refers to the development of solutions that help customers to maximize the economic benefit from their processes throughout the life cycle of their machinery and equipment.

ABOVE: "Metso Paper's goal is to be the leading global supplier of processes and services for the pulp and paper industry. One of key focus areas in our strategy is the application of life cycle business and a new approach to customer relationship management. We are strongly developing our local operations so we can offer long-term partnerships close to our customers," says **Bertel Karlstedt**, President, Metso Paper.

RIGHT: Metso Paper has delivered to Yueyang Forest & Paper Group in Hunan Province, China, a papermaking line using recycled fiber. The OptiConcept paper machine was started up in July 2003 and it has an annual production capacity of 200,000 tons of newsprint and magazine paper.

Metso Paper

In 2003, Metso Paper refocused its operating strategy and transferred to a new operating model, which offers products, solutions and aftermarket services to customers' production processes throughout their entire life cycle. Metso Paper also continued measures to cut costs and improve profitability.

Metso Paper

Objectives and strategy

Metso Paper refocused its strategy in the spring of 2003. According to the strategy, Metso Paper's offering will in the future cover more comprehensively the services, process improvements, machine rebuilds and new installations required by customers' production processes throughout their life cycle. The objective is to develop in cooperation with customers the competitiveness and efficiency of their pulp and papermaking processes.

Since less new production capacity is being built in Europe and the USA, Metso Paper will refocus its operations in these areas on customers' process improvements, machine rebuilds and the service business. The demand for new production capacity is growing fastest in China and South America. Thus, in these areas, Metso Paper will strengthen its local capabilities and resources related to new installations.

At the same time, Metso Paper will enhance its flexibility in reacting to fluctuations in demand by increasing its manufacturing cooperation with external partners. Metso will develop its own assembly operations and in-house manufacture of key components, while increasing the share of contract manufacturing in its overall production.

Management models will be renewed in the board and tissue machine business, and the businesses will target a wider customer base than today. At the same time, the product offering will be expanded to aftermarket operations.

The share of the aftermarket business, comprising process improvements and service, will be strengthened in Metso Paper by developing the new products and services needed by that business. The goal is to efficiently maintain Metso's own large installed machine base close to the customer.

Strengths

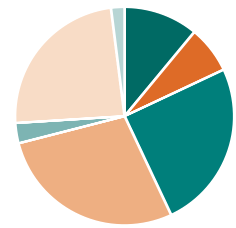
Metso Paper has in-depth knowledge of its customers' core industrial processes. Metso Paper's strengths are its large base of installed machinery and its leading market position in many products. About 1,300 paper machines delivered by Metso Paper are in operation around the world. In addition, Metso Paper has delivered machinery, equipment and parts of the process to approximately every third pulping line in operation.

In addition to its extensive product and service offering, technological and process automation know-how are Metso Paper's strengths. Together with Metso Automation and Metso Drives, Metso Paper can provide its customers with a unique combination of process know-how.

Business organization

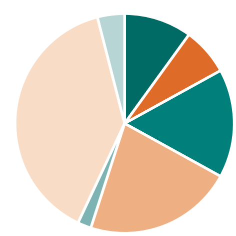
Metso Paper is organized into five business lines according to customer processes. They are Paper, Board, Tissue, Mechanical Pulping and Chemical Pulping. The first three of these provide complete production lines needed in the manufacture of paper, board and tissue, their rebuilds, individual machines and equipment, paper finishing systems and air systems. The Mechanical Pulping and Chemical Pulping business lines produce processes and production lines for wood handling, mechanical, chemical and recycled fiber pulping, pulp drying and baling, and stock preparation.

Net sales by market area



- Finland 11% (2002: 10%)
- Other Nordic countries 7% (10%)
- Other European countries 25% (26%)
- North America 28% (28%)
- South America 3% (9%)
- Asia-Pacific 24% (15%)
- Rest of the world 2% (2%)

Orders received by market area

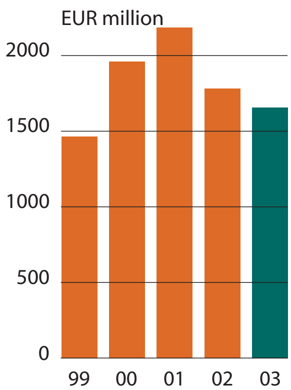


- Finland 10% (2002: 12%)
- Other Nordic countries 7% (6%)
- Other European countries 16% (27%)
- North America 22% (36%)
- South America 2% (8%)
- Asia-Pacific 39% (10%)
- Rest of the world 4% (1%)

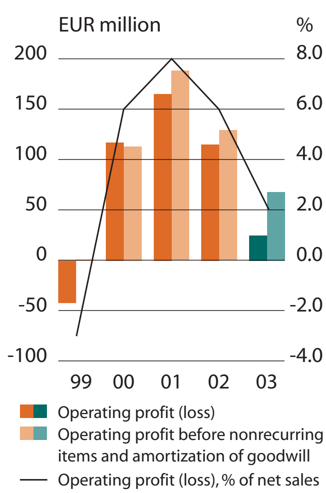
Key figures

	2002	2003
		EUR million
Net sales	1,778	**1,651**
Operating profit before nonrecurring items and amortization of goodwill	129.3	**68.3**
Operating profit	115.2	**24.6**
Capital employed, Dec. 31	498	**538**
Gross capital expenditure	72	**54**
Research and development expenditure	72	**56**
Orders received	1,611	**1,710**
Order backlog, Dec. 31	735	**784**
Personnel, Dec. 31	9,357	**9,085**

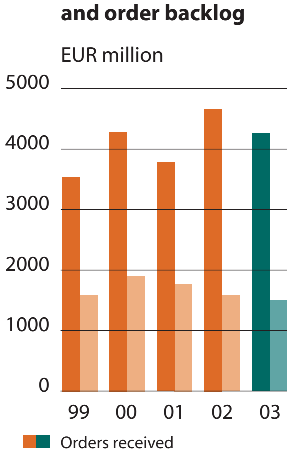
Net sales



Operating profit



Orders received and order backlog



The business lines, organized according to customer processes, have comprehensive responsibility for new installations, process improvements, machine rebuilds and service. Each line has extensive aftermarket service know-how, including maintenance, spare parts, and roll services, as well as service centers, logistics networks and remote monitoring networks.

Metso Paper has its own operations and production in 25 countries, and its products and services are sold by 22 sales units and over 40 service centers, complemented by the logistics centers in Finland, the USA and China. Most products are sold through the company's own sales network. Metso Paper also has 13 technology centers in Finland, Sweden, Italy and the USA.

Operating environment

During the last 10 years, new papermaking capacity has mostly been built in Asia. South American customers have primarily invested in new chemical pulping capacity. The European pulp and paper industry has to some extent invested in new capacity, but has focused mainly on machine rebuilds. There have been very few new investments in North America.

Metso Paper's customers are globally operating companies making pulp, paper and board. The pulp industry accounts for about 25 percent of Metso Paper's net sales, while the paper and board industry accounts for about 75 percent.

Metso Paper's main competitors are Voith Paper (Germany), Andritz (Austria) and Kvaerner Pulping (Norway).

Markets in 2003

The demand for Metso Paper's products and services was satisfactory in 2003, although customers' willingness to commit themselves to large projects, particularly in Europe and North America, was still at a low level due to the uncertainty of the world economy. The SARS epidemic temporarily weakened the market in China, but by the end of the year demand had recovered to the good level experienced earlier.

In 2003, Metso Paper's deliveries in Asia-Pacific increased by 52 percent from the previous year and the value of new orders received quadrupled.

Orders received

In 2003, the value of new orders received by Metso Paper was 6 percent higher than in the comparison year and the order backlog at year end was 7 percent higher than a year earlier. During the year under review, Metso Paper received eight orders for paper, tissue or board machines and eight orders of pulping lines.

The most significant orders of paper machines in 2003 were UPM-Kymmene's order of a fine papermaking line for its Changshu mill, Ning Shing Development Co's order of the world's largest board line for its Ningbo mill, Hebei PanAsia Long-Teng Paper's order of a newsprint machine for its Hebei mill, and Jiangxi Chenming Paper's order of a complete LWC production line, all in China. Other major orders were from Procter & Gamble in the USA for a tissue machine, and from SARL Ouate-Industries in Algeria for a tissue production line. Many orders for process improvements and machine rebuilds were received, the largest being the rebuild of a magazine paper machine at Stora Enso's Corbehem mill in France and the rebuild of coated paper grade machines at Stora Enso's Kimberly and Biron mills, both in the USA. Major orders also included the rebuild of JSC Segezha's kraft paper machine in Russia, Norske Skog's paper machine rebuilds in Bruck, Austria and Halden, Norway, and a paper machine rebuild at UPM-Kymmene's Rauma mill in Finland.

The most important pulping line orders were received from Shandong Bohui Paper for a BCTMP production line in China and from Veracel Celulose S.A. for a complete woodyard system for its Eunápolis mill in Bahia, Brazil. Stora Enso's order of TMP plants to Finland and Canada was also significant.

During the year under review, eleven paper machines delivered by Metso Paper were started up. Among these were Stora Enso's newsprint machine, the world's largest in terms of wire width, using recycled fiber delivered at its Langerbrugge mill in Belgium, and Yueyang Forest & Paper Group's newsprint and magazine paper machine using recycled fiber delivered to its mill in Hunan Province, China. In November, a magazine paper machine that is one of the technologically most advanced in North America was started up at Kruger's Wayagamack mill in Trois-Rivières, Quebec, Canada.

In 2003 five large Metso pulping deliveries were also started-up: an extensive woodyard and pulp bleaching plant for the Suzano Bahia Sul company's Suzano mill in São Paulo province in Brazil, a fiber line and pulp drying and baling lines for Celulosa Arauco y Constitución's new mill in the Valdivia province in Chile, a woodyard for Sappi in Gratkorn, Austria and de-inking plants for P.T. Adiprima Suraprinta in Gresik, Indonesia and Yueyang Forest & Paper Group in Hunan Province, China.

Aftermarket operations

Aftermarket operations accounted for 34 percent of Metso Paper's deliveries, compared to 28 percent in the comparison year 2002. The increase was mainly due to the redefined scope of the aftermarket during the year under review: process improvements are now also included in aftermarket operations.

In November, an agreement was signed with Frantschach Pulp & Paper Czech in which the company outsourced the mechanical maintenance of its Steti mill in the Czech Republic to Metso Paper. This constitutes the opening of a significant bridgehead for Metso Paper's maintenance operations in Central Europe.

In 2003, the service business was substantially strengthened by opening service technology centers for the pulp and paper industry in Järvenpää, Finland and Sorocaba, São Paulo, Brazil. In addition, during the year under review, a new service center was opened in Raisio, Finland, service logistics centers were inaugurated in Jyväskylä, Finland, and Shanghai, China, and a service unit was opened in Seoul, South Korea.

In April, a new composite roll facility was inaugurated in Oulu, Finland, for the development, production and service of composite spreader rolls and composite structures of paper machine rolls.

Business operations

Metso Paper's net sales were down on the previous year by 7 percent and profitability was clearly weaker than in the comparison year. The weakening of operating profit was due to the lower margins in large projects, the under-utilization of capacity and the effects of exchange rate changes.

Nonrecurring expenses resulting from the efficiency improvement program were EUR 36 million.

Efficiency improvement program

The cost saving target for Metso Paper through the Corporation's efficiency improvement program is almost EUR 40 million. Metso Corporation aims at an annual profit improvement of over EUR 100 million with the program.

In accordance with this program, Metso Paper will reduce about 340 jobs in Finland and Sweden and about 200 jobs in North America by the summer of 2004. In addition, Metso Paper initiated an analysis of various measures to decrease its in-house manufacturing capacity to correspond with the outlook for long-term demand in Europe. In some Metso Paper units in Finland decisions concerning the outsourcing of component manufacturing have already been made or are under review. These arrangements will affect approximately 350 jobs. Metso Paper will also reduce production capacity at its Como, Italy unit manufacturing paper and board machines. The arrangement will affect 90 jobs.

As part of the efficiency improvement program, Metso Paper's foundries in Jyväskylä, Finland and Karlstad, Sweden, were transferred operationally under the Metso Ventures business area on October 1, 2003.

In 2000, Metso Paper delivered a new cutter layboy and a new robo baling line to CMPC Celulosa S.A's Laja pulp mill in Chile. The picture shows Mario Villa, Regional Manager for Metso Paper and Pablo Moreno, cutter layboy and baling line operator at the Laja Mill.

Research and development

Metso Paper's research and development focuses on developing whole processes and their supporting aftermarket solutions for all the main pulp, paper and board grades. The key objective is to enhance the competitiveness of customer's processes by improving their efficiency, quality and environmental soundness and by optimizing their life cycle costs. According to the refocused strategy, research and development will be increasingly focused on the products and services that are needed in aftermarket operations, process improvements and machine rebuilds.

Metso Paper launched numerous new products, including a new debarking process known as GentleBarking, the next generation OptiFlo II headbox, the OptiLoad TwinLine online calender, new roll coverings for paper machine lines and the BowMaster composite spreader roll.

A new TMP/CTMP (thermo/chemithermomechanical) pilot pulping line was inaugurated at the Mechanical Pulping Technology Center at Anjalankoski in Finland.

Outlook for 2004

The markets for new paper machines are in Asia, particularly in China. The construction of manufacturing capacity for printing papers and packaging board will focus increasingly on Asia. New pulping line investments, on the other hand, will be concentrated in South America due to the region's plentiful supply of raw materials. Although individual machine investments will be made in Europe and North America, these markets will mainly focus on process improvements, machine rebuilds and aftermarket services.

ABOVE: According to **Bertel Langenskiöld**, President of Metso Minerals, one of the key objectives for 2004 will be to streamline Metso Minerals' cost structure to correspond with the competitive situation. Other areas of focus in all operations will be sales and customer service.

RIGHT: Track-mounted crushing units are diverse and effective in both quarries and contract crushing operations. Metso Minerals is the world's leading manufacturer of such equipment. The two-stage crushing plant in the picture, equipped with jaw and gyratory crusher, crushes rock for construction purposes.

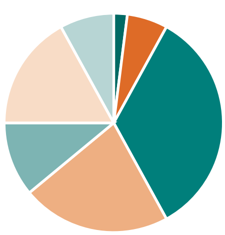
Metso Minerals

In 2003 Metso Minerals concentrated on improving its customer service, increasing cost efficiency and creating a flexible organization. These targets will be pursued also in 2004.

Net sales by market area

- Finland 3% (2002: 3%)
- Other Nordic countries 7% (7%)
- Other European countries 32% (32%)
- North America 20% (23%)
- South America 11% (12%)
- Asia-Pacific 17% (14%)
- Rest of the world 10% (9%)

Orders received by market area



- Finland 2% (2002: 4%)
- Other Nordic countries 6% (7%)
- Other European countries 34% (32%)
- North America 22% (22%)
- South America 11% (12%)
- Asia-Pacific 17% (15%)
- Rest of the world 8% (8%)

Key figures

	2002	**2003**
	EUR million	
Net sales	1,804	**1,637**
Operating profit before nonrecurring items and amortization of goodwill	105.7	**74.5**
Operating profit (loss)	49.2	**(234.9)**
Capital employed, Dec. 31	1,393	**1,049**
Gross capital expenditure	48	**35**
Research and development expenditure	21	**22**
Orders received	1,848	**1,594**
Order backlog, Dec. 31	468	**397**
Personnel, Dec. 31	10,553	**10,332**

Metso Minerals

Objectives and strategy

Metso Minerals' strategy is founded on enhancing customer-orientation in all operations. Its objective is to strengthen and utilize its strong global market position in order to provide quarries, mines and the construction industry with competitive solutions, ranging from drilling and crushing to the separation of minerals.

Metso Minerals wants to be a partner that supports customers' core processes throughout their entire life cycle. The purpose of the organizational change in 2003 was to clarify the cost and profit responsibilities globally so that business lines will be more clearly responsible for product development, manufacturing, and also for sales and marketing. This will enable quick reaction to changing market needs and will ensure that the focus is on customer service.

Tighter competition in Metso Minerals' markets, especially in crushing and screening equipment, has resulted in a need to cut production costs by transferring the manufacture of certain products to low cost areas, mainly to Metso's own plants in China and Brazil.

At the same time as it clarifies its organizational structures and operating models, Metso Minerals is strengthening the supply chain and intensifying cooperation with its business partners. The purpose is to increase the flexibility of production and purchasing.

Strengths

Metso Minerals is the global market leader in rock and minerals processing and recycling systems for metals and construction materials. Its global production and sales network enables Metso Minerals to respond flexibly to customers' needs and the challenges of competition. Metso Minerals has the widest installed base in the industry. Customers operate 30,000 Metso Minerals crushers, 10,000 screening units, 3,000 grinding mills, 45,000 pavers and rollers and 1,000 units of metal recycling equipment.

Metso Minerals' strengths include strong technology know-how, in-depth knowledge of customer processes, global aftermarket operations and a comprehensive range of products and services.

Business organization

Metso Minerals renewed its organization in September. In the new organization the six business lines are each globally responsible for developing their operations, as well as for production, sales and customer service.

The largest of these, the crushing and screening business line, is responsible for equipment and solutions used in rock and minerals crushing and classifying. Metso Minerals specializes in the design of entire crushing and screening plants. In addition to stationary plants, Metso Minerals also supplies track and wheel-mounted mobile units and screens, feeders, conveyors, wear and spare parts.

The minerals processing business line accounts for about one-fifth of Metso Minerals' net sales. It is responsible for production processes for the mining industry and industrial minerals and related products such as grinding mills, enrichment and pyro processing equipment, slurry pumps and equipment for bulk materials handling, as well as related aftermarket services.

Products in the wear protection and conveying business line include grinding mill linings, screening media and other wear, impact, dust and noise protection products, and conveyer belts and components.

The compaction and paving business line accounts for about one-fifth of net sales. Its products include compaction and paving solutions for the construction industry and related products including rollers, pavers, planers and concrete equipment.

The recycling business line covers equipment and solutions needed for the recycling, crushing and sorting of metals and industrial and household waste, such as metal shredders, shears, scrap shears and scrap baling presses.

The drilling business line includes top hammer surface and underground jumbo drills and auger drills used in mines and quarries.

Metso Minerals has production in over 40 units around the world, as well as sales and service units, representatives and distributors in 150 countries. Sales are channeled through six regional sales organizations. Metso Minerals' largest research and product development centers are located in Europe and the USA.

Operating environment

Metso Minerals' customer businesses include the mining industry, mineral processing, aggregate, sand and gravel production, construction, crushing contracting and the recycling of metals and construction materials. Its customers include contractors, quarries and mining companies. Some two thirds of the deliveries go to the construction industry, and one third to the mining industry.

The share of Metso Minerals' net sales originating from Europe and North America has decreased in the last three years. Although these areas are major aggregate producers, the growth in demand for aggregates is moderate, and aggregates are used mainly to maintain existing infrastructure. In China, construction is on a strong upswing, which increases the demand for aggregates and investments in new production machines and equipment.

The focus in mining operations has moved to the southern hemisphere. The demand for new mining equipment has increased in South America, southern Africa, India and Australia, while the emphasis in mining operations in the northern hemisphere is on aftermarket and service operations.

The markets for metal processing equipment are growing in Asia, Eastern Europe and South America, where economic growth is also increasing the consumption and production of steel. In Western Europe and North America, the industry mainly focuses on rebuilding metal processing plants and process renewals. The recycling of steel and other metals is increasing at a fast rate also for environmental reasons.

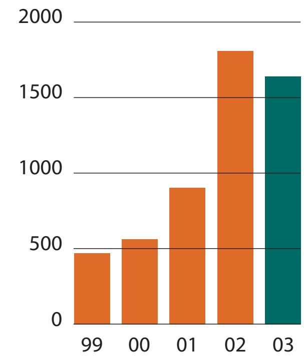
The major competitors in different product segments include Terex, Ingersoll-Rand, Astec and Fuller (all from the USA), Sandvik (Sweden) and Bomag and Wirtgen (both from Germany).

Markets in 2003

Demand from the construction industry weakened in 2003. In North America demand was weak but started to recover in the final quarter. Competition was tight in crushing and

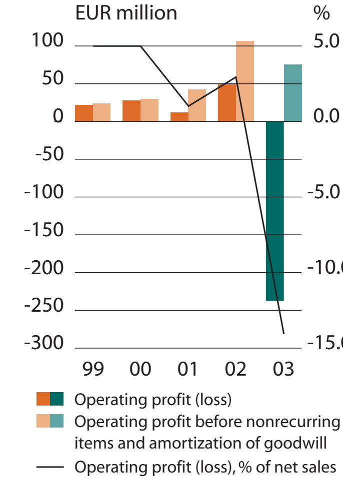
Net sales

EUR million



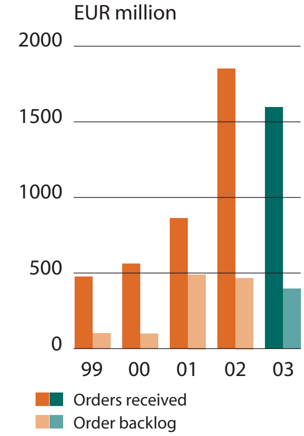
Operating profit

EUR million %



Orders received and order backlog

EUR million



screening equipment. The situation was additionally affected by exchange rates unfavorable for Metso Minerals. Demand continued at a good level in China.

The prices of the most common base metals rose steadily during the entire year. Demand for mining industry products remained satisfactory, but towards the end of the year, the inquiries for equipment and projects increased in South America, South Africa and Australia.

Recycled metal prices began to rise in early 2003, which was reflected favorably in the market for metal recycling equipment.

Orders received

In the difficult market situation Metso Minerals' orders received fell by 14 percent from the comparison year. The order backlog was 15 percent lower at the end of the year than a year earlier. Part of the decrease was due to exchange rate fluctuations.

Metso Minerals received major crushing plant orders from the USA, Brazil, Australia, Spain, Austria, France and Italy. The biggest mining industry orders were received from Chile, Brazil, Australia and South Africa.

AK Alrosa's Nurba diamond mine was inaugurated in August in Yakutia, Siberia, Russia. Metso Minerals delivered a concentrator as well as equipment for the comminution, separation and screening of rock material. This was Metso Minerals' single most extensive delivery for the mining industry in 2003. Another major deal was the delivery of mining, crushing and screening equipment for the Aquarius Platinum platinum mine in Marikana, South Africa.

Metso Minerals' metals recycling equipment business grew by about a third in 2003.

Business operations

Metso Minerals' net sales were 9 percent down on the previous year and the operating profit before nonrecurring items and amortization of goodwill decreased to EUR 74.5 million. Profitability was weakened by the strengthening of the euro and the weak market situation for crushing and screening and minerals processing equipment. Aftermarket operations accounted for 44 percent of net sales, compared with 42 percent the year before.

Nonrecurring expenses were EUR 66 million, consisting of EUR 55 million expenses for the efficiency improvement program and EUR 11 million for other nonrecurring expenses. In addition, a EUR 205 million impairment of goodwill was made in Metso Minerals.

Efficiency improvement program

The cost saving target for Metso Minerals through the Corporation's efficiency improvement program is just over EUR 50 million.

As part of the program, Metso Minerals decided to close its Milwaukee plant in Wisconsin, USA, which manufactures heavy-duty mining crushers. It was also decided that a production plant for mining industry process equipment and pumps will be closed down in Colorado Springs, Colorado, USA, as well as a plant for mining and crushing industry screens in Ketsch, Germany. Operational efficiency was improved at the crusher plant in Tampere, Finland and the plant in Mâcon, France as well as at Metso Minerals' headquarters. These arrangements will affect approximately 350 employees.

Metso Minerals has also initiated measures to adjust the wear protection business to correspond with demand at two units in Sweden. Metso Minerals also continues to adjust the resources of its global sales and service network to the market situation. These arrangements are estimated to affect approximately 250–320 employees.

In line with the efficiency improvement program Metso Minerals' foundry in Tampere, Finland, was operationally transferred under the Metso Ventures business area on October 1, 2003.

Research and development

In 2003, product development at Metso Minerals focused on enhancing the competitiveness of existing products by product improvements, and on strengthening the market position by launching new products.

Examples of new, innovative products include monitoring and optimization systems that improve the efficiency and quality of customer production processes, such as new applications of the Visio product family (VisioRock) based on Metso Minerals CISA's artificial vision. The world's largest track-mounted mobile crushing plant equipped with a detachable screen was also launched.

In accordance with its strategy, Metso Minerals' product development is directed at supporting the aftermarket business. Examples include the development of advanced wear part solutions in cooperation with Metso Powdermet and the development of automation to improve service in cooperation with Metso Automation.

Metso Minerals' High Fidelity Simulation Hub (HFS) operations and resources, which were acquired from Conveyor Dynamics Inc. in 2002, were concentrated in Colorado Springs, USA, in January 2003. The HFS Center provides simulation model-based expert services for Metso's customers and its own units.

Outlook for 2004

The construction and crushing business is expected to remain at the 2003 level in Europe, while demand is expected to continue to grow in China. In North America, markets are expected to recover in the latter half of 2004. Base metal prices are expected to continue to rise in the first half of 2004. The increasing investment activity in the mining industry is expected to lead to new orders in late 2004.

A continued weakening dollar challenges Metso Minerals' profitability performance. Operating efficiency must be further improved.

The Chilean mining company Codelco is the world's leading copper producer. Metso Minerals has delivered process equipment, including a fluid bed dryer for Codelco's copper mine in Potrerillos. On the left, Codelco's Cristián Lizana and Metso Minerals' Atilio Opazo.

ABOVE: "Metso Automation started wide-scale efficiency improvement measures already in early 2002. For two years now, we've cut costs and streamlined our organization, decreased the capital employed and reduced product costs. Our main focus now is on providing good customer service and developing a product offering that meets our customers' needs," says **Matti Kähkönen**, President of Metso Automation.

RIGHT: Paper quality management is one of Metso Automation's core competence areas. It has provided its customers with related products for 50 years already. In 2003, Metso Automation launched the new PaperIQ Plus quality management system that improves the performance of papermaking processes. The picture shows Tuomas Repo, Project Engineer (left) and Thomas Giltig, Supervisor, PaperIQ Testing and Installation.

Metso Automation

Metso Automation's goal is to develop automation solutions and services that improve the performance, productivity and eco-efficiency of its customers' processes throughout their life cycles.

Metso Automation

Strategy and strengths

Metso Automation's strategy is to grow as a global supplier of automation and field systems applications for the pulp and paper industry, as well as power and process industries.

Metso Automation's strength lies in its ability to combine its automation know-how with its knowledge of industrial processes. Close cooperation with Metso's other businesses creates new opportunities to apply automation solutions not only in the pulp and paper industry but also in rock and minerals processing. Together with Metso Paper, Metso Automation is the world's largest automation supplier for the pulp and paper industry.

Business organization

Process Automation Systems accounts for one-third of Metso Automation's net sales, while Field Systems accounts for two-thirds.

Metso Automation has production units in Finland, USA, Mexico and China, and customer service units in 37 countries. It has research and development units in Finland, USA and Canada.

Operating environment

The application of automation in industrial processes is growing, and automation is increasingly embedded in machines and equipment and integrated more fully in the overall information systems of mills and processes.

The main competitors are global suppliers such as ABB (Switzerland), Emerson, Honeywell and Flowserve (all from the USA), Invensys (UK) and Siemens (Germany).

Markets in 2003

The demand for Metso Automation's products in the North American market remained at the previous year's level. Investments by Metso's customer industries were at a low level in Europe, but demand was good in China. The demand in the power and process industry was satisfactory in their main market in Europe, brisk in Asia and stable in South America.

Aftermarket operations accounted for 25 percent of net sales in 2003, compared to 23 percent the previous year.

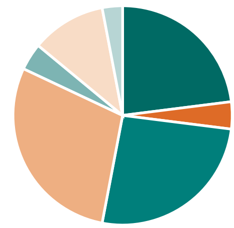
Orders received

Taking divestitures into account, the value of orders received in 2003 was at the previous year's level. At the end of 2003, the comparable order backlog was approximately the same as in the previous year.

Major orders of automation and information systems included a quality control system for a fine paper machine at Sun Paper's mill at Yanzhou, China, and process automation, management and control systems for a new magazine paper machine at Jiangxi Chenming Paper's mill at Nanchang, China. Veracel Celulose S.A. ordered an information management system for its pulp mill to be built at Eunàpolis, in Bahia, Brazil. Other major orders included Norske Skog's order of automation systems for its Albury paper mill in Australia, and MeadWestvaco's order for a quality management system for its Evadale mill in Texas, USA.

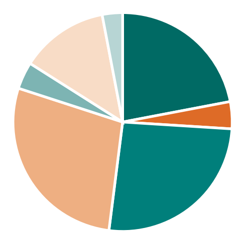
The largest field systems orders were received from China. China-Shell-Petrochemical Complex ordered all the rotary control valves for a new petrochemical plant, while Ning Shing

Net sales by market area



- Finland 23% (2002: 20%)
- Other Nordic countries 4% (4%)
- Other European countries 26% (21%)
- North America 29% (36%)
- South America 4% (5%)
- Asia-Pacific 11% (11%)
- Rest of the world 3% (3%)

Orders received by market area

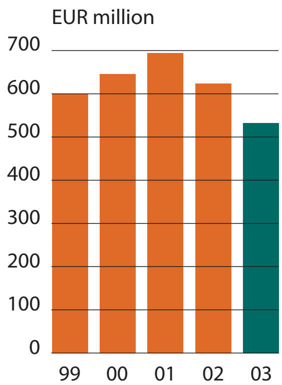


- Finland 22% (2002: 20%)
- Other Nordic countries 4% (4%)
- Other European countries 26% (21%)
- North America 28% (37%)
- South America 4% (6%)
- Asia-Pacific 13% (9%)
- Rest of the world 3% (3%)

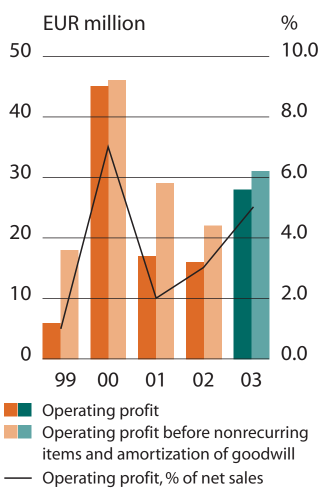
Key figures

	2002	2003
		EUR million
Net sales	622	**531**
Operating profit before nonrecurring items and amortization of goodwill	21.9	**31.4**
Operating profit	16.3	**28.4**
Capital employed, Dec. 31	207	**150**
Gross capital expenditure	13	**8**
Research and development expenditure	44	**33**
Orders received	643	**531**
Order backlog, Dec. 31	185	**145**
Personnel, Dec. 31	4,150	**3,314**

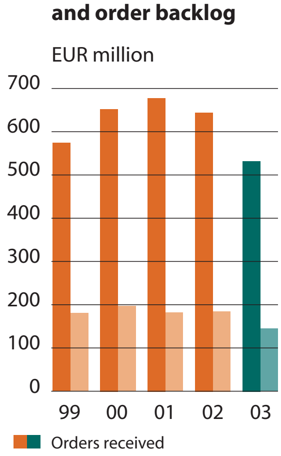
Net sales



Operating profit



Orders received and order backlog



Development Co ordered all the field systems for its new board production line in Ningbo.

The volume of new orders received by the power and process business increased towards the end of the year, and Metso Automation received several process automation orders, such as from Valio and Kuopio Energy, both in Finland, and Hellenic Petroleum in Greece.

Business

Net sales remained at approximately the same level as in 2002, if the effects of exchange rate changes and divestitures are included. Network Management Solutions, a supplier of SCADA control systems, was divested to Telvent from Spain, while CPS Electronics, a manufacturer of electronics components, was divested to Scanfil from Finland.

Operating profit improved substantially over the previous year due to the cost structure reduction measures implemented in 2002 and 2003. In particular, process automation systems and North American operations improved their profitability. The profitability of field systems was about the same as in the comparison year. The capital employed has been considerably reduced in the last two years.

Metso Automation accounts for approximately EUR 10 million of the Corporation-wide efficiency improvement program, targeting an annual result improvement of over EUR 100 million. Accordingly, Metso Automation decided to reduce about 140 employees in its Finnish and North American operations and global sales network.

In September, Metso Automation acquired the business and key resources of the Total Quality Analyzer (TQA) line from ABB to be part of its analyzer business. During year, Metso Automation opened an Expert Center in Tampere, Finland, to serve power and process industry customers.

Research and development

Metso Automation launched a number of new products in 2003. The most significant were the metsoDNA (Dynamic Network of Applications) collection for 2004, including new tools, and DNAforesight, a new-generation open-architecture management system for paper machine runnability that can be linked with other mill automation and information systems. A new paper quality management system, PaperIQ Plus, was also launched. Another important launch was the Power Design concept, which supports the life cycle management of power plants, improving their competitiveness and profitability.

The major new field systems solution was the FieldCare software that substantially enhances and speeds up field device management in production process start-up, process operation and maintenance procedures.

Outlook for 2004

The competition on Metso Automation's markets is expected to remain tight in 2004. Except for China and South America, the pulp and paper industry is not expected to invest in new capacity to a greater extent than previously. Demand in the power and process industries is expected to remain brisk, especially in China.

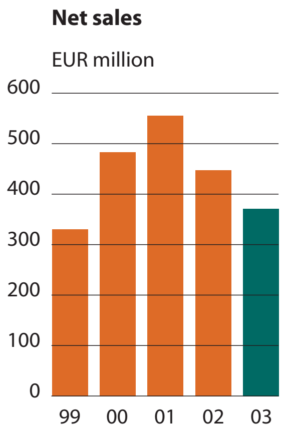
ABOVE: According to its President **Vesa Kainu**, Metso Ventures' goal is to develop the companies forming the business area. Some of these companies supply strategic products for Metso's core businesses while increasingly serving external customers as well. In addition, Metso Ventures acts as a company incubator and a home for non-core business units.

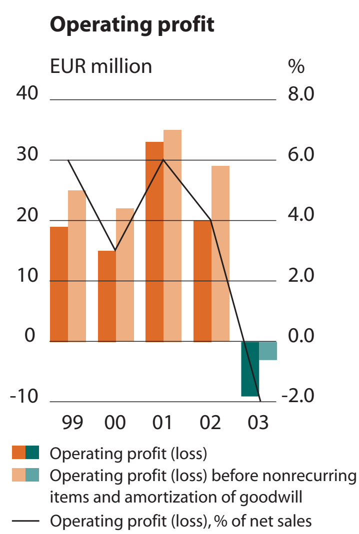
RIGHT: Metso Panelboard, which is part of Metso Ventures, has supplied a continuous particleboard production line to Swedspan AB's Hultsfred plant in Sweden. The line was started up in mid-2003. Most of its products are used in the furniture industry.

Metso Ventures

Metso Ventures consists of units that serve Metso's other businesses, and of businesses that are under strategic development.

Metso Ventures





Key figures

Metso Ventures	2002	**2003**
		EUR million
Net sales	446	**370**
Operating profit (loss) before nonrecurring items	28.6	**(2.6)**
Operating profit (loss)	20.1	**(8.7)**
Capital employed, Dec. 31	172	**160**
Gross capital expenditure	40	**24**
Research and development expenditure	12	**10**
Orders received	468	**398**
Order backlog, Dec. 31	154	**175**
Personnel, Dec. 31	3,466	**2,482**

The Metso Ventures business area comprises four business groups. They are Metso Panelboard, which supplies machines and equipment for the manufacture of panelboard, Metso Drives, which manufactures solutions for mechanical power transmission, Metso Powdermet, which specializes in materials technology, and Valmet Automotive, which is a contract manufacturer of cars. Metso Ventures also includes three foundries.

Metso Panelboard

Metso Panelboard is one of the world's largest suppliers of equipment and aftermarket services for the panelboard industry. It designs and supplies entire production lines and individual equipment for the panelboard industry for manufacturing fiberboard, particleboard and OSB (oriented strand board), and also provides aftermarket services. About 25 percent of Metso Panelboard's deliveries go to the construction industry and about 75 percent to the furniture industry.

Metso Panelboard's product units are located in Finland, Sweden and Germany. It also has a global sales and service network.

The orders received by Metso Panelboard in 2003 were approximately one-fifth down on the comparison year, but the order backlog on December 31 was 14 percent higher than the year before. The largest orders were received from China. The Fujian Furen Wood Industry ordered equipment for a new continuous particleboard plant in Fuzhou, while the Robin Group ordered a High Density Fiberboard (HDF) production line in Yichun. Another major order was received from the Jahad Tahghighat Group in Iran for an MDF production line.

Metso Panelboard's deliveries were clearly up on the comparison year and net sales increased by 41 percent. In particular, the growth in demand by the panelboard industry in Asia increased net sales compared with last year. To further increase efficiency, Metso Panelboard will combine its Willich and Hannover operations in Hannover, Germany. Metso Panelboard's operating profitability turned positive due to efficiency improvement measures carried out in 2002 and 2003.

The most significant product launch of 2003 was Metso Contipress, a continuous press for MDF, particleboard and OSB production processes. In 2003, Metso Panelboard also delivered its 200th Classiformer forming station for particleboard. The Uniformer II forming machine and the redeveloped P-series Defibrator refiner were launched for the MDF process.

Metso Drives

Metso Drives designs, manufactures and sells gears and related aftermarket services for the pulp and paper industry, power generation and rock and minerals processing. Process industry drives account for some 40 percent of deliveries, wind turbine gears for nearly one-third and service for the rest. Just under 25 percent of Metso Drives' net sales is derived from sales to other Metso businesses.

Metso Drives has production plants in Finland, Germany and Canada and service centers in five countries. A new service center was established in Portland, Oregon, USA in 2003.

In 2003, orders were down by 5 percent on the previous year. The order backlog at the end of 2003 increased by 13 percent compared with the end of 2002.

The business group's comparable net sales were some 15 percent lower than in 2002 mainly because wind turbine gear deliveries were low in the first half of the year. The deliveries of industrial gears, on the other hand, were almost at the same level as the year before. Metso Drives' low volumes at the beginning of 2003 and the launching costs of new products resulted in low profitability.

Metso Hydraulics, which manufactures hydraulic power transmission equipment, was divested to Sampo-Rosenlew in January 2003.

The product launches of 2003 included new 2-megawatt wind turbine gears and new power transmission applications for rock and minerals processing.

Foundries

As part of Metso's efficiency improvement program, Metso Paper's Finnish and Swedish foundries and Metso Minerals' Finnish foundry were transferred operationally to the Metso Ventures business area on October 1.

Metso Paper's need for in-house casting products has decreased as its customer needs have changed and products have developed. On Metso Minerals' markets, on the other hand, casting and specialty foundry products are increasingly produced locally, closer to customers. The objective for Metso Ventures' foundries is to form a strong entity capable of seeking new customers outside Metso in Europe, Russia and North America. The possibility of cooperating with external foundries is also being explored.

The combined net sales of these three foundries totaled EUR 69 million in 2003, of which some 60 percent originated from external invoicing. The foundries employed 580 people in all.

The foundries' main products are various components and castings, such as cylinders and rolls, marine engine blocks, crusher frames and wear parts, windmill hubs and propeller blades.

Metso Powdermet

Metso Powdermet designs materials technology and component solutions for the pulp and paper industry, the minerals and mining industry, and process and power industries.

Metso Powdermet has operations in Finland and Sweden and employs 24 people. Net sales totaled EUR 10 million in 2003.

Valmet Automotive

Valmet Automotive assembles Porsche Boxster sports cars for the German Porsche AG. The contract covers car production until 2008, with an option to continue until 2011. Valmet Automotive also produced Saab cars (mostly convertibles) until the end of April 2003. In 2003, 19,226 cars were produced (41,066 cars in 2002).

Valmet Automotive's net sales and operating profit decreased significantly on the previous year due to the reduction in production volumes. About half of the employees were laid off at the end of Saab production in April.

ThyssenKrupp Automotive AG from Germany owns 10 percent of Valmet Automotive. In December it announced that it will not exercise its option before the end of 2003 to buy the remaining 90 percent of Valmet Automotive shares. Metso and ThyssenKrupp Automotive have agreed to continue cooperation in 2004.

Key figures

Metso Panelboard	2002	**2003**
	EUR million	
Net sales	66	**93**
Operating profit (loss) before nonrecurring items	(11.8)	**2,0**
Operating profit (loss)	(20.6)	**(3.3)**
Capital employed, Dec. 31	2	**10**
Order backlog, Dec. 31	76	**87**
Personnel, Dec. 31	334	**283**

Key figures

Metso Drives	2002	**2003**
	EUR million	
Net sales	173	**130**
Operating profit before nonrecurring items	12.5	**3.1**
Operating profit	12.8	**2.3**
Capital employed, Dec. 31	98	**91**
Order backlog, Dec. 31	53	**60**
Personnel, Dec. 31	1,019	**879**

Key figures

Foundries	2002	**2003**
	EUR million	
Net sales	72	**69**
Operating profit (loss) before nonrecurring items	5.2	**(0.1)**
Operating profit (loss)	5.2	**(0.1)**
Capital employed, Dec. 31	27	**26**
Order backlog, Dec. 31	15	**20**
Personnel, Dec. 31	593	**580**

Key figures

Valmet Automotive	2002	**2003**
	EUR million	
Net sales	128	**70**
Operating profit (loss) before nonrecurring items	23.4	**(7.4)**
Operating profit (loss)	23.4	**(7.4)**
Capital employed, Dec. 31	42	**31**
Number of cars produced	41,066	**19,226**
Personnel, Dec. 31	1,496	**716**

Values and Ethical Principles

Metso's values and ethical principles guide our operations and the operations of the stakeholders we cooperate with. We use them to ensure that our operations are consistent and uniform in each country and business area and that they fulfil the criteria set for a good corporate citizen.

Values

Since the four values guiding Metso's operations were first defined in 2001, they have been a guideline in business operations and everyday work. Our personnel have been acquainted with these values through internal training sessions and information concerning them is available on Metso's Intranet pages in eight languages.

Customers' success

Profitable business is possible only through our customers' success. We develop solutions that predict our customers' future needs and take environmental factors into account. In serving customers we commit ourselves to high standards and professional performance.

Profitable innovation

We create added value for our customers and owners through innovation. We are ready to question current practices and abandon obsolete ones. We utilize and combine the vast and diverse knowledge of the entire organization. Metso's growth is based on creativity and healthy risk taking in a working environment which encourages and rewards innovation.

Personal commitment

As we finish what we undertake and accept ownership of and responsibility for our actions, we can always be trusted. We are direct and honest in our communication and respect cultural differences. Even though we openly express our views, we work diligently to achieve mutually agreed targets.

Professional development

We are willing to learn – also from each other. We regard professional development as an integral part of our work. We welcome new challenges and tackle them to the best of our abilities. The wellbeing of our working community is of paramount importance to us.

Ethical principles

The ethical principles describe Metso's culture, commonly accepted practices and its commitment to comply with laws and regulations. Furthermore, the ethical principles should encourage thinking and discussion on how practices reflecting high ethical standards can be further developed and extended.

Since Metso's ethical principles were first published in 2002, they have been increasingly discussed and put into practice by employees with the aid of training programs and training material written in nine languages. The ethical principles have also been promoted on Metso's Intranet pages and in 2003 they received regular coverage in Metso's personnel magazine.

Integrity

Integrity is fundamental to all of Metso's dealings, actions, statements and reporting, and is an essential aspect of sustainable development. Metso respects its promises and commitments.

Compliance with laws and regulations

Metso is committed to full compliance with all applicable national and international laws, regulations and generally accepted practices.

Should these prove to be insufficient or open to interpretation, the best available expertise is consulted.

Transparency and openness

Metso is a public company whose shares are quoted on the Helsinki and New York Stock Exchanges.

Metso provides its stakeholders with information on its status and performance simultaneously and with the same content, transparently and openly, without preference or favor for any group or individual and in compliance with the law, the regulations of the said exchanges and the accepted practices of the equities market.

Metso considers it highly important to continuously interact with the authorities and non-governmental organizations in order to develop and sustain open and direct contact with society.

Respect for human rights

Metso supports and respects the protection of human rights as expressed in the UN Declaration of Human Rights.

As an employer, Metso accepts the basic labor rights stated by the Inter-

Metso's personnel familiarized themselves with the values and ethical principles guiding Metso's operations and daily work through internal training events and articles in the Corporation's personnel magazine. Anne Markkula (left), Kristiina Ahonen and Jukka Puhakka are shown in Metso Automation's office in Tampere, Finland. In the background Heikki Imeläinen and Hannu Kuoksa in discussion.

In 2003, Metso arranged seven Area Executive Seminars in Europe, North and South America and Asia. The main topics were Metso's changing operating environment and the challenges faced in change management. Professor J.B.M. Kassarjian (left) from IMD and Pete Teh Kok Cing and Steven Ko from Metso Automation participated the seminar in Thailand in October 2003.

national Labor Organization (ILO): freedom of association, the right to organize, collective bargaining, abolition of forced labor, and equality of opportunity and treatment.

Metso neither uses child labor, nor engages subcontractors or suppliers that do so.

Metso does not allow behavior that is physically coercive, threatening, abusive or exploitative.

Equal opportunities and non-discrimination

Metso selects and appoints employees according to their personal qualifications and skills for the job.

Metso does not engage in or support discrimination in hiring, compensation, selection for training, promotion, termination of employment, or retirement based on e.g. race, caste, national origin, religion, disability, gender, sexual orientation, union membership or political affiliation.

Respect for intellectual property

Metso values the creation and protection of knowledge and intellectual property.

Accordingly, Metso's employees act to safeguard the company's intellectual property and do not allow unauthorized access to it by outsiders. Conversely, employees respect the intellectual property held by outsiders and do not try to obtain it by illegal means.

Metso encourages and supports its employees' commitment and efforts to increase the company's intellectual property and thus to contribute to the competitiveness and profitability of the company.

Rejection of corruption and bribery

Metso's management and personnel are expected to act in the corporation's best interests at all times.

Employees must not be involved in business relationships that may lead to conflicts of interest. Metso and its employees must not pay bribes or illegal payments to obtain or retain business.

Nor will Metso's employees accept gifts from business partners exceeding normal standards of hospitality. Should the acceptance of a gift or favor lead to a possible conflict of interest, the employee must clarify the situation with the management in advance.

Health and safety

Metso strives to provide a safe and healthy working environment.

To this end, it works to prevent accidents and injury to health by executing policies and actions that minimize, as far as is reasonably practicable, the causes of hazards inherent in the working environment.

Metso establishes and maintains systems to detect, avoid or respond to potential threats to the health and safety of all personnel.

Community involvement and sponsorship

Metso encourages its units and personnel to participate in community programs promoting the common good.

Metso's sponsorship policy is to primarily support programs related to youth activities, science, research, culture, and environmental protection and conservation.

Protection of the environment

Metso contributes to ecological sustainability in all its activities.

Metso anticipates the environmental concerns of customers and the expectations of the public.

Metso cooperates with customers and partners to develop best practices and processes for the efficient and sustainable use of energy and materials and the prevention of pollution.

Metso's Environmental Policy is available on Metso's Internet pages at: www.metso.com > About us > Environment.

Ethical standards of suppliers

Metso expects its suppliers and contractors to demonstrate similar high ethical standards and, accordingly, this criterion is of prime importance when establishing or continuing business relationships.

Application of ethical principles

These ethical principles govern the actions of Metso's management and all employees in their business operations and employment relationships. Metso ensures that these ethical principles are effectively communicated to all employees and requires that they are adopted and put into practice by everyone.

Corporate Governance

The corporate governance system in Metso Corporation aims at clarity and functionality. Corporate governance is based on Finland's Companies' Act and on Metso's Articles of Association. Metso is listed on the Helsinki and New York Stock Exchanges. The company complies with the regulations and guidelines concerning listed companies issued by HEX Plc and Finland's Financial Supervision Authority. The corporate governance system also observes the rules and corporate governance recommendations of the New York Stock Exchange concerning non-U.S. listed companies, and the Sarbanes-Oxley Act. The Corporation's general operating principles and responsibility relationships are described in the Corporate Governance principles. Metso's values and ethical principles create the foundation for corporate governance, personnel and management actions and cooperation with key stakeholders.

Annual General Meeting

The Annual General Meeting is the supreme decision-making body of Metso Corporation and it meets at least once a year. The Annual General Meeting must be held annually by the end of June. 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.

The notice convening the Annual General Meeting must be published in at least two newspapers which are chosen by the Board of Directors and published regularly in Helsinki, Finland, or it must be delivered to shareholders in some other verifiable way no more than two months and no less than 17 days before the meeting.

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. 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 action plans, the definition and acceptance of control policies, the acceptance of the organizational structure of the Corporation, and the nomination of the President and CEO, his deputy and the members of the Executive Board and the monitoring and evaluating of their performance.

The members of the Board of Directors of Metso Corporation are elected by the Annual General Meeting for a term of one year. In accordance with the Articles of Association, the Board of Directors consists of at least five and at most eight members. The Annual General Meeting held on April 15, 2003 elected seven members to the Board of Directors. Matti Kavetvuo was elected as Chairman of the Board and Mikko Kivimäki was re-elected as Vice Chairman. In addition to Matti Kavetvuo, Maija-Liisa Friman was elected as a new member of the Board. The Board members re-elected were Heikki Hakala, Juhani Kuusi, Jaakko Rauramo and Pentti Mäkinen.

In 2003 Metso Corporation's Board of Directors met 11 times. The average attendance at the meetings was 95 percent. The Board of Directors is presented on pages 44–45.

The Committees of the Board of Directors

Metso Corporation's Board of Directors has two committees: an Audit Committee and a Compensation Committee.

The Audit Committee consists of a chairman and two members elected by the Board of Directors from among its members. From May 27, 2003, the Audit Committee consisted of Maija-Liisa Friman (Chairman), Heikki Hakala and Matti Kavetvuo. The Board of Directors assigned Heikki Hakala to be the financial expert of the Audit Committee. The Audit Committee reviews the financial reporting, its compliance with laws and regulations and its procedures, internal control, risk management and matters relating to auditing. Each year the Audit Committee draws up a working order for itself, subject to approval by the Board of Directors. In 2003 the Audit Committee met 5 times.

The Compensation Committee consists of the Chairman and Vice Chairman of the Board of Directors and one member elected by the Board from among its members. From April 29, 2003 the Compensation Committee consisted of Matti Kavetvuo (Chairman), Mikko Kivimäki and Jaakko Rauramo. The Compensation Committee makes proposals to the Board of Directors concerning the

compensation of the management and personnel compensation systems. In 2003 the Compensation Committee met 10 times.

Fees and other benefits of the Board of Directors

Fees totaling EUR 264,600 were paid to the seven members of the Board of Directors in 2003. The Annual General Meeting of April 15, 2003 did not change the fees decided upon at the previous Annual General Meeting. The monthly fees paid are as follows: Chairman of the Board EUR 4,000, Vice Chairman EUR 3,000 and other Board members EUR 2,500. In addition, a fee of EUR 300 per meeting is paid to all members of the Board for the meetings they attend. Compensation for traveling expenses and daily allowances are paid in accordance with the general travel rules of Metso.

President and CEO

The President and CEO and his deputy are appointed by the Board of Directors of Metso Corporation. If required, the Board of Directors also elects one or more Executive Vice Presidents for the Corporation. The duties of the President and CEO are laid down by the law, Metso's Articles of Association and the instructions and orders given by the Board of Directors. The President and CEO acts as Chairman of the Executive Board and reports to the Board of Directors. Tor Bergman was Metso Corporation's President and CEO and Chairman of the Business Area Boards until September 25, 2003. On November 28, 2003, the Board of Directors decided to appoint Jorma Eloranta as the new President and CEO of Metso Corporation, and he started on March 1, 2004. Metso's Executive Vice President and CFO, Olli Vaartimo, acted as President and CEO from September 25, 2003 to March 1, 2004.

Executive Board of Metso Corporation

The President and CEO acts as Chairman of the Executive Board while a member designated by the Board of Directors of Metso Corporation acts as Vice Chairman. The members are Presidents of the Business Areas and the executives of the Corporate Headquarters designated by the Board of Directors.

The Executive Board supports the President and CEO in matters on the agenda of meetings of the Board of Directors of Metso Corporation. It also considers all matters essential to corporate management, including strategies, issues related to corporate synergies and corporate-wide projects, acquisitions and divestitures, as well as matters related to corporate image, monthly reporting, interim reviews, the main principles of investor relations and human resources, and bonus plans. The Executive Board prepares matters relating to the capital expenditure that the Board of Directors of Metso Corporation approves. The Executive Board should strive to create additional value for the Corporation by working actively and coordinating various functions.

The Executive Board may have extended meetings, if necessary, in which other executives designated by the Board of Directors may also participate. Metso's Executive Board convenes once a month and when necessary. The Executive Board is presented on pages 46–47.

Business organization

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

Business Area Boards

The Board of Directors of Metso Corporation appoints the Boards of each business area and line. The members are chosen from the Corporate Staff and executives of these units. These Boards may be supplemented with external, non-executive members, chosen for their special knowledge and experience. The President and CEO of Metso Corporation acts as the Chairman of the Business Area Boards unless otherwise decided by the Board of Directors of Metso Corporation. The Business Area Boards convene at least every other month. Furthermore, the business areas have Executive Boards that convene as necessary. The members of the Boards of Directors of the various companies within each Business Area are designated by the respective Business Area Board.

Management salaries and other benefits

The salaries of all members of the Executive Board comprise a fixed basic salary and/or a bonus based on the result of the Corporation or of the business area in question. The salary may also be based on other development objectives central to the operation. Senior Corporate Management is also included in the option schemes. More detailed information is given on Metso's option programs on page 4 of the Financial Statements. The retirement age of the Executive Board members according to their contracts is 60 years.

The changes that took place in management's option holdings in 2003 were 30,000 options under the Metso 2000 A/B option program granted to Olli Vaartimo and 60,000 options under the Metso 2001 A/B option program granted to Bertel Langenskiöld.

In 2003 salaries and bonuses totaling EUR 2,231,870 were paid to the nine members of the Executive Board for the actual period they were members of the Executive Board. The performance bonuses for year 2002 accounted for EUR 257,198, which was 11.5 percent of the total compensation paid. During the year the Executive Board included Tor Bergman and Sakari Tamminen in addition to the members named in the table below.

The annual salary of Tor Bergman, who served as President and CEO until September 25, 2003, was EUR 420,475. He did not receive options during the financial year. In accordance with his contract Tor Bergman will receive compensation for termination of employment corresponding to 24 months' salary. The new President and CEO of Metso Corporation, Jorma Eloranta, started his duties on March 1, 2004. Eloranta's annual salary is EUR 438,000. In addition he has been granted a total of 130,000 Metso options of which 30,000 options are under the Metso 2001 A/B option program and 100,000 under the Metso 2003A option program. According to his contract, Jorma Eloranta's age of retirement is 60 years, and the full pension is 60 percent of the annual salary serving as the basis for pension calculation. If his contract is terminated, he is entitled

MANAGEMENT'S OPTION HOLDINGS ON DECEMBER 31, 2003

	2000 A/B	2001 A/B
Aaltonen Arto	100,000	
Kainu Vesa	65,000	25,000
Karlstedt Bertel	72,000	
Kähkönen Matti	90,000	
Langenskiöld Bertel		60,000
Luoto Harri	45,000	
Vaartimo Olli	130,000	

to compensation corresponding to 24 months' salary.

On December 31, 2003 no members of the Executive Board or of the Board of Directors of Metso Corporation had any loans outstanding from the Corporation or its subsidiaries.

Auditors

The task of the statutory audit is to check the financial statements and the information given in them on the result and financial position of the parent company and the Corporation for each fiscal year. The audit includes the fiscal year's accounting, the financial statements and corporate governance. According to the Articles of Association, Metso has no fewer than one and no more than three auditors. In addition, the Annual General Meeting may elect no more than two deputy auditors. The auditor and deputy auditor must be public accountants or a firm of public accountants certified by the Central Chamber of Commerce. The Annual General Meeting elects the auditors for a term of one year.

The Corporation's auditor since 1999 has been PricewaterhouseCoopers, Authorized Public Accountants, with the responsible auditors being Lars Blomquist, APA, and Heikki Lassila, APA.

In 2003 PricewaterhouseCoopers was paid EUR 4,780 thousand in fees related to auditing and EUR 1,408 thousand for other services.

Internal audit

The goal of Metso's internal audit is to verify the efficiency and effectiveness of Metso's different operations, the reliability of the financial and operational reporting and the compliance with applicable laws and regulations. It also ensures that the Corporation's property is safeguarded. The internal audit supervises all units and operations of Metso.

The internal audit reviews the efficiency and effectiveness of business policies and procedures and tests internal control. Through these activities the internal audit proactively encourages the development of risk management in the various operations of Metso.

Insiders

Under the Finnish 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, the Deputy to 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 complies with the Guidelines of the Helsinki Exchanges for Insiders, which recommend that insiders schedule the trading of company securities to the moment when the markets have as exact information as possible on the issues influencing the value of the security. Based on this, Metso's permanent insiders are not allowed to trade in securities issued by the company 14 days prior to the publication of the company's interim review or financial statement bulletin.

Metso Corporation's register of insider holdings is maintained by the Corporate Legal Department, which updates the information in the Central Securities Depository.

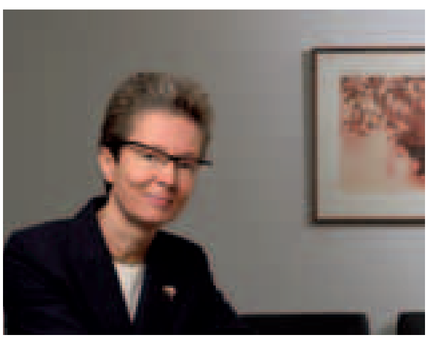
HOLDINGS OF METSO'S EXTENDED LIST OF INSIDERS

INSIDER	POST IN METSO CORPORATION	NO. OF SHARES DEC. 31, 2003	NO. OF SHARES DEC. 31, 2002
Aaltonen Arto	Member of Executive Board	600	600
Blomquist Lars	Responsible auditor	No holdings	No holdings
Eloranta Jorma	President and CEO from March 1, 2004	(Not an insider)	(Not an insider)
Friman Maija-Liisa	Member of Board of Directors	1,500	(Not an insider)
Hakala Heikki	Member of Board of Directors	10,262	10,262
Kainu Vesa	Member of Executive Board	60	(Not an insider)
Karlstedt Bertel	Member of Executive Board	120	(Not an insider)
Kavetvuo Matti	Chairman of Board of Directors	No holdings	(Not an insider)
Kivimäki Mikko	Vice Chairman of Board of Directors	2,500	1,850
Kuusi Juhani	Member of Board of Directors	10,000	6,000
Kähkönen Matti	Member of Executive Board	No holdings	No holdings
Langenskiöld Bertel	Member of Executive Board	No holdings	(Not an insider)
Lassila Heikki	Responsible auditor	No holdings	No holdings
Luoto Harri	Member of Executive Board	564	564
Mäkinen Pentti	Member of Board of Directors	No holdings	No holdings
Rauramo Jaakko	Member of Board of Directors	4,205	4,205
Vaartimo Olli	Executive Vice President and CFO	1,144	1,144

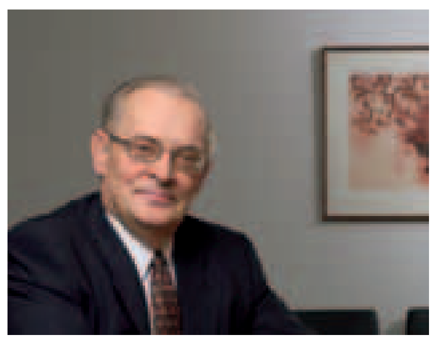
Board of Directors

Matti Kavetvuo

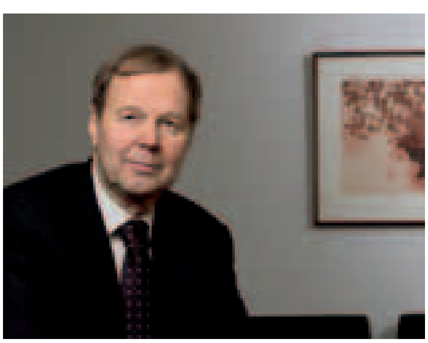
Mikko Kivimäki



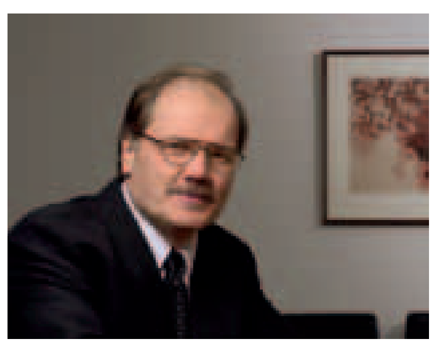
Maija-Liisa Friman



Heikki Hakala



Juhani Kuusi



Pentti Mäkinen

Jaakko Rauramo

Matti Kavetvuo born 1944.
Metso Board member and Chairman of the Board since 2003.
Chairman of Metso's Compensation Committee and member of the Audit Committee.
Independent Board member.
Finnish citizen.
M.Sc. in Engineering and M.Sc. in Economics.
Matti Kavetvuo was President and CEO of Pohjola Insurance Group until 2001, when he retired. Previously he was President and CEO of Valio Ltd. in 1992–1999, and President and CEO of Orion Corporation in 1985–1991. Kavetvuo was employed by Instrumentarium Corporation in 1971–1984, serving as President in 1979–1984.
Chairman of the Board:
Suominen Corporation,
Workidea Ltd.
Vice Chairman of the Board:
Kesko Corporation.
Board member:
Alma Media Corporation,
KCI Konecranes International Plc,
Lännen Tehtaat Plc,
Marimekko Corporation,
Merivaara Oy,
Perlos Corporation,
Fair Foundation.
Member of the Supervisory Board:
The Finnish Fair Corporation,
Finland's Post Corporation.
Advisory Committee: IK Industri Kapital.
No holdings.

Mikko Kivimäki born 1939.
Metso Board member and Vice Chairman of the Board since 1999.
Member of Metso's Compensation Committee.
Independent Board member.
Finnish citizen.
Master of Laws.
Mikko Kivimäki was President and CEO of Rautaruukki in 1982–2003 and Chairman of the Board in 1985–2001.
Board member: YIT Corporation.
Chairman of the Executive Board: Finnish Maritime Administration
Holdings: 2,500 Metso shares, votes in General Meeting: 2,500.

Maija-Liisa Friman born 1952.
Metso Board member since 2003.
Chairman of Metso's Audit Committee. Independent Board member.
Finnish citizen.
M.Sc. in Engineering.
Managing Director: Vattenfall Oy.
Maija-Liisa Friman will take up her new position as President and CEO of Aspocomp Group Oyj no later than May 1, 2004.
She has been Managing Director of Vattenfall Oy since 2000.
Previously, she was President of Gyproc Oy in 1993–2000.
Board member:
Empower Oy, SYK Ltd.,
Rautaruukki Oyj,
Sponda Plc,
the Finnish Medical Foundation.
Holdings: 1,500 Metso shares, votes in General Meeting: 1,500.

Heikki Hakala born 1941.
Metso Board member since 2000.
Member of Metso's Audit Committee.
Finnish citizen.
M.Sc. in Economics and Business Administration, D.Tech. (hon.).
Heikki Hakala was President and CEO of Metso Corporation in 1999–2000.
Previously he was President and CEO of Rauma Corporation in 1996–1999.
He joined Rauma-Repola Oy in 1986.
Chairman of the Board:
Juhani Mäkivirta Oy,
Kuusakoski Group Oy.
Vice Chairman of the Board:
Lassila & Tikanoja plc,
Pohjola Group plc.
Board member:
Altia Corporation,
Orion Corporation.
Holdings: 10,262 Metso shares, votes in General Meeting: 10,262.
Options: 150,000.

Juhani Kuusi born 1938.
Metso Board member since 2000.
Independent Board member.
Finnish citizen.
D.Sc. (Tech.)
Juhani Kuusi was the Senior Vice President, Head of Nokia Research Center in 1995–2002.
Holdings: 10,000 Metso shares, votes in General Meeting: 10,000.

Pentti Mäkinen born 1952.
Metso Board member since 2000.
Finnish citizen.
Employee of Metso since 1969.
Plater-welder.
Pentti Mäkinen has been the Chief Shop Steward in Metso Paper, Jyväskylä, Finland since 1999.
No holdings.

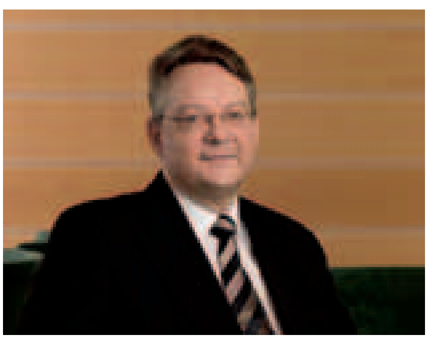
Jaakko Rauramo born 1941.
Metso Board member since 1999.
Member of Metso's Compensation Committee.
Independent Board member.
Finnish citizen.
M.Sc. in Engineering.
Jaakko Rauramo was the President and CEO of SanomaWSOY in 1999–2001 and President of Sanoma Corporation in 1984–1999.
Chairman of the Board:
SanomaWSOY Corporation.
Board member:
European Publishers Council,
Stiftelsen Svenska Dagbladet.
Member of the International Council:
The Museum of Television & Radio, New York.
Trustee: Reuters Founders Share Company Limited.
Holdings: 4,205 Metso shares, votes in General Meeting: 4,205.

Shareholdings and options on December 31, 2003.

Metso's Management

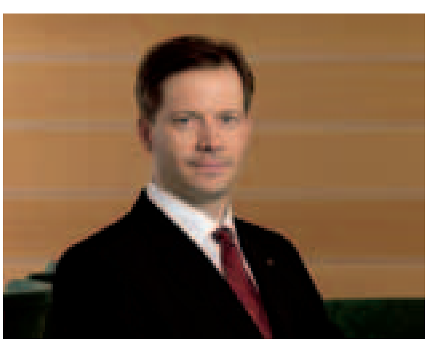
Jorma Eloranta

Olli Vaartimo

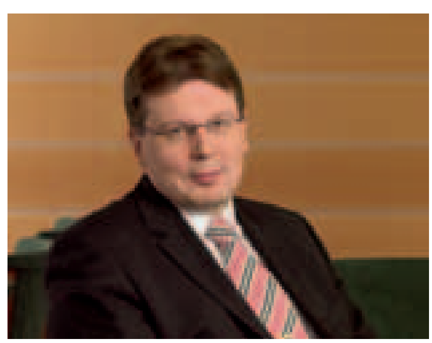


Arto Aaltonen

Vesa Kainu



Bertel Karlstedt



Matti Kähkönen

Bertel Langenskiöld

Harri Luoto

Metso's Executive Board as of March 1, 2004

Jorma Eloranta born 1951.
Chairman of the Executive Board.
President and CEO
as of March 1, 2004.
Finnish citizen.
M.Sc. in Engineering.
Jorma Eloranta was President and CEO of Kvaerner Masa-Yards Inc. in 2001–2004. Previously, he served as President and CEO of Patria Industries Group in 1997–2001, as Deputy Chief Executive of Finvest Group and Jaakko Pöyry Group in 1996–1997, and as President of Finvest Ltd in 1985–1995.
Vice Chairman of the Board:
Aspocomp Group Oyj.
Board member:
Kvaerner Masa-Yards Inc.
Vice Chairman of the Supervisory Board:
Sampo Life Insurance Company Ltd.

Tor Bergman was President and CEO of Metso Corporation until September 25, 2003. Jorma Eloranta was appointed as the new President and CEO on November 28, 2003, to start on March 1, 2004.

Olli Vaartimo born 1950.
Vice Chairman of the Executive Board.
Executive Vice President and CFO and Deputy to the President and CEO.
Finnish citizen.
M.Sc. in Economics and Business Administration.
Joined the company in 1974. Member of the Executive Board since 1999.
Olli Vaartimo has been Executive Vice President and CFO since 2003.
He served as President and CEO of

Metso and as Chairman of the Boards of Directors of Metso's business areas from September 25, 2003 to March 1, 2004, after which he returned to his duties as Metso's Executive Vice President and CFO. In 1999–2003 Vaartimo had served as President of Metso Minerals and in 1993–1999 as President of Nordberg in the Rauma Group. From 1991 to 1998 he was also Executive Vice President of Rauma Corporation.

Arto Aaltonen born 1947.
Executive Vice President,
Metso Paper.
Finnish citizen.
M.Sc. in Engineering.
Joined the company in 1987. Member of the Executive Board since 1999.
Arto Aaltonen has been Executive Vice President of Metso Paper since 2001. In 1999–2001 he served as President of Metso Automation and, prior to that, as President of Neles Controls in the Rauma Group from 1995.

Vesa Kainu born 1947.
President, Metso Ventures.
Finnish citizen.
Bachelor of Science in Engineering.
Joined the company in 1971. Member of the Executive Board since 2003.
Vesa Kainu has been President of Metso Ventures since 2003.
In 2001–2003 he served as Executive Vice President of Metso Minerals, while in 1999–2001 he was President of Metso Paper Service. Prior to that, he headed Valmet's Service business line from 1994.
Board Member: Exel Oyj.

Bertel Karlstedt born 1962.
President, Metso Paper.
Finnish citizen.
M.Sc. in Engineering.
Joined the company in 1988. Member of the Executive Board since 2003.
Bertel Karlstedt has been President of Metso Paper since 2003.
Prior to that, he headed Metso Paper's Paper Making business line in 1999–2003, and Valmet's pulp drying business unit from 1996.

Matti Kähkönen born 1956.
President, Metso Automation.
Finnish citizen.
M.Sc. in Engineering.
Joined the company in 1980. Member of the Executive Board since 2001.
Matti Kähkönen has been President of Metso Automation since 2001.
Prior to that, he headed the Metso Automation Field Systems division in 1999–2001, and served as Division President of Neles Controls in the Rauma Group from 1993.

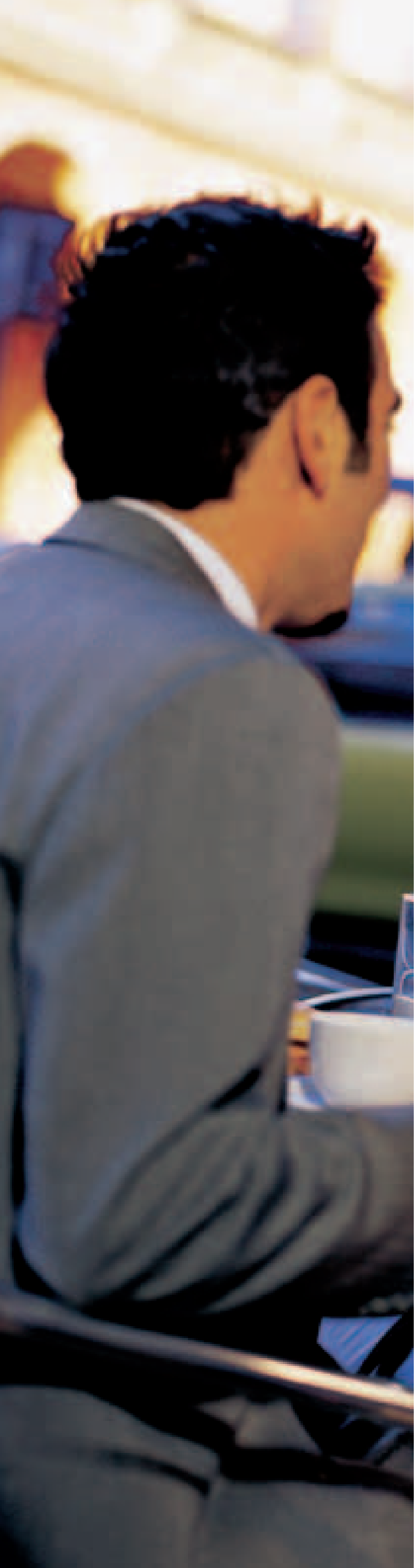
Bertel Langenskiöld born 1950.
President, Metso Minerals.
Finnish citizen.
M.Sc. in Engineering.
Joined the company in 2003. Member of the Executive Board since 2003.
Bertel Langenskiöld has been President of Metso Minerals since 2003.
Previously, he was President and CEO of Fiskars Corporation in 2001–2003, and President of Tampella Oy/Kvaerner Pulping Oy in 1994–2000.
Board member:
Wärtsilä Corporation.
Supervisory Board member:
Rautaruukki Oyj.

Harri Luoto born 1946.
Senior Vice President,
General Counsel.
Finnish citizen.
Master of Laws.
Joined the company in 1982. Member of the Executive Board since 1999.
Harri Luoto has been Metso's General Counsel since 1999. Previously he served as General Counsel of Valmet from 1985.

Information concerning shareholdings and options is presented on pages 42–43.

Corporate Headquarters as of March 1, 2004

President and CEO
– Jorma Eloranta
Executive Vice President and CFO
– Olli Vaartimo
Communications
– Helena Aatinen
Corporate Development
– Juhani Kyytsönen
Finance
– Reijo Kostiainen
Human Resources
– Mikko Luoma
Information Technology
– Antti Kaunonen
Internal Audit
– Jarmo Kääriäinen
Investor Relations
– Eeva Mäkelä
Legal Matters
– Harri Luoto
Technology
– Markku A. Karlsson
Treasury
– Pekka Hölttä



Releases in 2003

January

1.2 Metso divests Hodge Foundry in the USA

1.13 Metso to sell Metso Hydraulics to Sampo-Rosenlew in Finland

1.13 Metso to supply complete OSB production line to Sovetskiy DOK in Russia

1.20 Metso Hydraulics sale to Sampo-Rosenlew has been closed

1.24 Metso to supply close to EUR 35 million paper machine to Sun Paper in China

1.28 Metso to supply tissue making line to Procter & Gamble in the USA

1.29 Bertel Langenskiöld to become President of Metso Minerals

1.31 Metso to sell its SCADA Network Management Solutions to Telvent in Spain

February

2.5 Bertel Karlstedt appointed President of Metso Paper

2.5 Metso renews the operating model of its fiber and paper technology business area

2.5 Metso Corporation's Financial Statements 2002

2.7 Metso closes the sale of SCADA Network Management Solutions to Telvent

2.13 Metso will deliver control valves for Shell's joint venture petrochemicals complex in China

2.18 Metso's contract for the Ningbo board machine becomes effective

March

3.5 President and CEO of Porsche is honored by Finns

3.11 Notice of Annual General Meeting

3.17 Metso opens a new pulping test line at its mechanical pulping technology center in Anjalankoski, Finland

3.19 Metso to supply a EUR 100 million papermaking line to China

3.25 Appointments to the Boards of Metso's business areas

3.25 Harris Associates L.P.'s holdings in Metso

3.26 Metso supplies TMP pulping lines to Stora Enso's Varkaus, Finland, and Port Hawkesbury, Canada, mills

3.31 Metso's series 2000 B and 2001 A and B stock options to main list

April

4.15 The Annual General Meeting of Metso Corporation, April 15, 2003: Dividend of EUR 0.60 per share

4.15 The Annual General Meeting of Metso Corporation: Annual review by Tor Bergman, President and CEO

4.17 Olli Vaartimo to start as Metso's Executive Vice President and CFO

4.22 Metso Annual Report on Form 20-F

4.23 Metso to supply a fluid bed dryer to Codelco copper mine in Chile

4.25 Mikko Luoma appointed as head of Metso's Human Resource Management

4.29 Metso's Interim Review, January-March 2003

May

5.6 Metso to rebuild a paper machine at Stora Enso's Nymölla mill in Sweden

5.9 Metso to supply fiberboard production equipment to Iran

5.13 Metso to rebuild Stora Enso's paper machine in France
5.13 Marita Jaatinen to lead Metso's materials management
5.14 Rating on Metso Corporation placed on review by Moody's
5.27 Vesa Kainu appointed President of Metso Ventures
5.27 Metso Paper plans to reduce its personnel in the Nordic countries by 300 people
5. 27 Metso Corporation's Board sets earnings criteria for the distribution of stock options for 2003

June

6.2 Metso and Sumitomo Heavy Industries form a joint venture for pulp and paper machinery in Japan
6.6 Metso signs a five-year EUR 450 million revolving credit agreement
6.10 Metso rebuilds Norske Skog's paper machines in Austria and Norway
6.19 Metso strengthens its presence in China
6.23 Metso rebuilds a paper machine at UPM-Kymmene Rauma mill in Finland
6.24 Rating on Metso Corporation downgraded to Baa3 by Moody's
6.24 Metso targets EUR 100 million result improvement through increased efficiency
6.27 Outlook on Metso's rating changed negative by Standard & Poor's

July

7.3 Metso to rebuild a Slovakian pulp and paper mill
7.23 Metso to supply woodhandling technology to Veracel in Brazil
7.30 Metso's Interim Review, January-June 2003

August

8.6 Metso to rebuild Stora Enso Nymölla Mill's brown stock process
8.29 Metso's efficiency improvement program is proceeding in all businesses

September

9.2 Metso Minerals reorganizes its operations to improve profitability and strengthen customer focus
9.2 Metso to supply a kraft paper production line rebuild to Segezha in Russia
9.8 Metso to supply a EUR 100 million fine paper line to UPM-Kymmene, Changshu, in China
9.15 Metso to supply a newsprint line to a greenfield paper mill in Hebei, China
9.16 Metso's web report wins the WebAward Competition investor relations category
9.16 Metso's Chief Information Officer Ismo Platan to Rautaruukki
9.17 Metso to deliver a board coating machine to Shandong Chenming
9.25 Metso re-evaluates the goodwill in its rock and minerals processing business
9.25 New CEO at Metso Corporation
9.26 Metso supplies a BCTMP production line to China
9.30 Metso's efficiency improvement program is proceeding
9.30 Metso Automation sells CPS Electronics to Scanfil

October

10.1 Metso chosen for a new sustainability Index
10.7 Metso to supply a tissue machine to Nuqul Group in Jordan
10.22 Metso has reached an agreement of the sale of its Converting group to Bobst Group
10.23 Metso to supply a fiberboard production line to China
10.29 Metso continues to streamline its cost structure
10.29 Metso's Interim Review, January-September 2003
10.30 Metso to supply a particleboard line to China
10.30 Metso to deliver metal recycling orders worth EUR 23 million
10.30 Metso Minerals' goodwill impairment to a large extent tax-deductible

November

11.10 Metso's financial information in 2004
11.20 Metso's Risto Väätänen receives a prestigious industrial design prize in Finland

December

12.1 Jorma Eloranta appointed as new President and CEO of Metso Corporation
12.17 NALEDI completes a survey of Metso's South African operations
12.18 Frantschach Pulp & Paper Czech to outsource maintenance services to Metso Paper
12.18 Metso continues negotiations with ThyssenKrupp Automotive
12.18 Metso supplies tissue making line to Algeria
12.22 Metso to rebuild Stora Enso's LWC machine in Wisconsin, USA

Investor Relations

Principles

Mission and goals

The main mission of Investor Relations in Metso is to inform the capital markets on 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 our work we aim for promptness, openness and good service.

Mode of operation

Metso Investor Relations is responsible for investor communications and daily contacts. The Corporate executives actively participate in these activities and are regularly available for meetings with capital market representatives.

Silent period

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

Contact information

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Tel: +358 20 484 3253
Fax: +358 20 484 3123
Email: eeva.makela@metso.com

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North America:
Mike Phillips
Senior Vice President,
Finance and Administration
Metso USA Inc.
Tel: +1 617 369 7850
Fax: +1 617 369 7877
Email: mike.phillips@metso.com

Investor Relations email:
metso.ir@metso.com

Additional investment information on Metso is available at www.metso.com/investors.

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. If your account is held at the Finnish Central Securities Depository Ltd., please send written notification to:

Finnish Central Securities
Depository Ltd.
PO Box 361
FI-00131 Helsinki, Finland
Fax: +358 9 6166 7656
Email: asiakastilipalautteet@hex.fi
(Free customer helpline Monday to Friday, 9 a.m. – 4 p.m. Finnish time, tel. +358 800 180 500)

Metso ADS holders are requested to contact the Bank of New York:

The Bank of New York
Investor Services
PO Box 11258
Church Street Station
New York, NY 10286-1258, USA
Tel. (national): 1-888-BNY-ADRs
Tel. (international): +1 610 382 7836
Email: shareowners@bankofny.com
Internet: www.stockbny.com

People other than shareholders are requested to notify Metso Corporate Headquarters of changed addresses.

Investment analysis

According to Metso's knowledge, analysts from the following banks and securities firms have regularly followed Metso Corporation during 2003. The analysts follow Metso on their own initiative. Metso is not responsible for their views.

Equity Analysts

ABG Sundal Collier
Alfred Berg Finland
CAI Cheuvreux
Cazenove Global Equities
Citigroup Global Markets
Conventum Securities
Credit Suisse First Boston
D. Carnegie
Danske Equities
Deutsche Bank
Dresdner Kleinwort Wasserstein
Enskilda Securities
Evli Bank
FIM Securities
Handelsbanken Capital Markets
JP Morgan Securities
Kaupthing Sofi
Lehman Brothers
Mandatum Stockbrokers
Merrill Lynch
Nordea Securities
Opstock
UBS

Credit Analysts

Citigroup Global Markets
Deutsche Bank
Dresdner Kleinwort Wasserstein
Handelsbanken Capital Markets
Merrill Lynch
Nordea Debt Capital Markets
SEB Merchant Banking

Updated information on the analysts following Metso is available on the Corporation's web site at: www.metso.com/investors.

Codes used for Metso by the news agencies

Bloomberg: MEO1V FH
Reuters: MEO1V.HE
Startel: MEO1V

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

Such factors include, but are not limited to:
(1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers and thereby the orders received by the company and their margins
(2) the competitive situation, especially significant technological solutions developed by competitors
(3) the company's own operating conditions, such as the success of production, product development and project management and their continuous development and improvement
(4) the success of pending and future acquisitions and restructuring.

Addresses

Business areas

Metso Paper
Rautpohjankatu
PO Box 587
FI-40101 Jyväskylä, Finland
Tel: +358 20 482 150
Fax: +358 20 482 151
Email: metsopaper.info@metso.com
Internet: www.metsopaper.com

Metso Minerals
Lokomonkatu 3
PO Box 307
FI-33101 Tampere, Finland
Tel: +358 20 484 140
Fax: +358 20 484 141
Email: minerals.info@metso.com
Internet: www.metsominerals.com

Metso Automation
Tulppatie 1
PO Box 310
FI-00811 Helsinki, Finland
Tel: +358 20 483 150
Fax: +358 20 483 151
Email: info.automation@metso.com
Internet: www.metsoautomation.com

Metso Ventures

Metso Panelboard
Fabianinkatu 9 A
PO Box 1220
FI-00101 Helsinki, Finland
Tel: +358 20 484 100
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Financial

STATEMENTS 2003

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Shares and Shareholders

Share capital and shares

According to Metso's Articles of Association, the minimum share capital is EUR 170 million and the maximum share capital is EUR 680 million. Metso has a single series of shares. Each share has a nominal value of EUR 1.70 and entitles its holder to one vote at a general meeting.

On December 31, 2003, Metso's share capital was EUR 231,625,926.50, and it was divided into 136,250,545 fully paid shares. No changes took place in the share capital during 2003. If the year 2000 options are exercised to subscribe for all 5,000,000 shares, and if the year 2001 options are exercised to subscribe for all 1,000,000 shares, Metso's share capital will increase to EUR 241,825,926.50 and the number of shares to 142,250,545, of which the new shares will account for 4.22 percent.

Redemption obligation

Any shareholder whose ownership of the Corporation's shares or the voting rights produced by these 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 of April 15, 2003 authorized the Board of Directors to decide, within one year of the Meeting, on the acquisition of the Corporation's own shares, using its distributable funds. The Corporation's own shares may be acquired for use as payment in acquisitions or in financing investments or as an incentive for key personnel. The Meeting also authorized the Board of Directors to decide on the disposal and annulment of the Corporation's own shares. Such shares may be acquired provided their combined nominal value does not exceed 5 percent of the Corporation's share capital, i.e. 6,812,527 shares.

In 2003, no own shares were acquired or disposed of. On December 31, 2003 the Corporation held 60,841 of its own shares, representing 0.04 percent of total shares and votes. These shares were acquired in 1999 for a total price of EUR 654,813, i.e. EUR 10.76/share.

Board authorizations

The Annual General Meeting of April 15, 2003 authorized the Board to decide on raising the share capital by a rights offering, a convertible bonds issue and/or an issue of share options. The authorization expires one year from the Annual General Meeting. No more than 12,500,000 new shares with a nominal value of EUR 1.70 may be subscribed for as a result of the rights offering, convertible bond issue or issue of share options. The Corporation's share capital may be raised in total by no more than EUR 21,250,000, which represents 9.17 percent of the share capital and votes. The Board of Directors had not exercised these authorizations by December 31, 2003.

Market capitalization and trading

Metso Corporation's shares have been listed on the Helsinki Exchanges (HEX:MEO1V) and the New York Stock Exchange (NYSE: MX) since July 1, 1999. Metso's year 2000 A options have been listed on the Helsinki Exchanges since June 29, 2001. The year 2000 B options were listed on the Helsinki Exchanges combined with the year 2000 A options on April 1, 2003. The year 2001 A and B options were also combined and were listed as a separate security on April 1, 2003.

The highest quotation of Metso's share on the Helsinki Exchanges was EUR 11.41, and the lowest EUR 7.52. The share price on December 31, 2003 was EUR 9.68, and the average trading price for the year was EUR 9.21. The Corporation's end-of-year market capitalization was EUR 1,318 million, excluding shares held by the Corporation.

In 2003, 97,816,594 Metso shares were traded on the Helsinki Exchanges. The total turnover was EUR 901 million. The average daily trading volume was 391,266 shares. The relative turnover including the ADS turnover was 73.3 percent.

The highest price of Metso's American depository share (ADS) on the New York Stock Exchange was USD 12.77, and the lowest USD 8.31. The ADS price on December 31, 2003 was USD 12.53, and the average trading price was USD 10.59. In 2003, 2,042,018 Metso American depository shares were traded on the New York Stock Exchange, to a value of USD 22 million. Each ADS represents one share.

The highest quotation for Metso's year 2000 A/B options on the Helsinki Exchanges was EUR 1.00 and the lowest EUR 0.30, with

Up-to-date information
on Metso's share price and
shareholders can be found
at Metso's Internet site at
www.metso.com/investors.

Shares and Shareholders

the value of the option on December 31, 2003 being EUR 0.50. The highest quotation for Metso's year 2001 A/B options on the Helsinki Exchanges was EUR 0.70 and the lowest EUR 0.38, with the value of the option on December 31, 2003 being EUR 0.55. In 2003, a total of 155,400 of Metso's year 2000 A/B options and a total of 50,200 of Metso's year 2001 A/B options were traded. The value of the year 2000 A/B options traded was EUR 72,973 and the value of the year 2001 A/B options traded was EUR 27,140.

Options programs

Metso Corporation currently has three options programs, launched in 2000, 2001 and 2003. The programs are part of the incentive system for key personnel, and included 218 persons at the end of 2003. The programs give the right to subscribe for a maximum of 13,800,000 new shares.

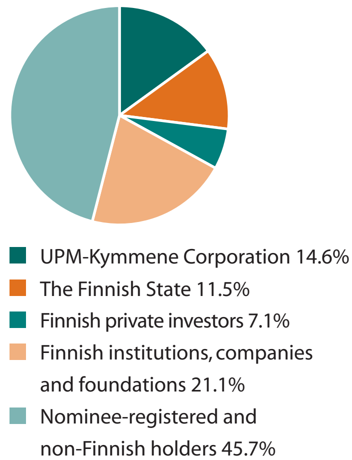
The year 2000 options program includes 5,000,000 options, which entitle their holders to subscribe for a maximum of 5,000,000 shares. 2,500,000 of the options were A options, and 2,500,000 were B options. The series were combined on April 1, 2003 as one security. The share subscription price was EUR 13.80 on December 31, 2003. Annually paid dividends are deducted from the subscription price. Subscription of shares with the options began on April 1, 2001 for the A options, and on April 1, 2003 for the B options, at which time the series were also combined. The subscription period for the year 2000 A/B options will end on April 30, 2005.

The year 2001 options program includes 1,000,000 options, which entitle their holders to subscribe for a maximum of 1,000,000 shares. 500,000 of the options were A options, and 500,000 were B options. The series were combined on April 1, 2003 as one security. The share subscription price was EUR 13.80 on December 31, 2003. Annually paid dividends are deducted from the subscription price. Subscription of shares with the options began on April 1, 2001 for the A options, and on April 1, 2003 for the B options, at which time the series were also combined. The subscription period for the year 2001 A/B options will end on April 30, 2005.

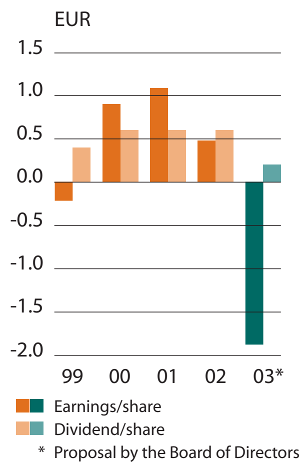
According to the decision of the Annual General Meeting the number of options related to the year 2003 options program is 7,800,000 in total, which entitle their holders to subscribe for a maximum of 7,800,000 shares. 5,600,000 of the options can, by the decision of a General Meeting, be distributed to key personnel of Metso. Options will be distributed, if Metso's earnings per share increases sufficiently with reference to its starting figure, and if other criteria for the granting of options are met. 2,600,000 of the options were designated as 2003A, 2,600,000 as 2003B and 2,600,000 as 2003C options.

The share subscription prices are, for the 2003A options the trade-weighted average price of the Metso share on the Helsinki Exchanges during January 1 – March 31, 2004, for the 2003B options the trade-weighted average price of the Metso share on the Helsinki Exchanges during January 1 – March 31, 2005,

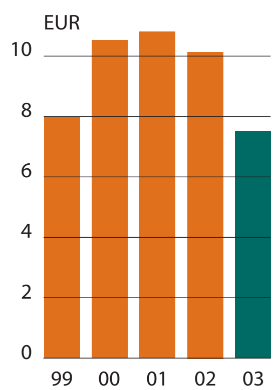
Breakdown by shareholder category on December 31, 2003



Earnings/share and dividend/share



Equity/share



and for the 2003C options the trade-weighted average price of the Metso share on the Helsinki Exchanges during January 1 – March 31, 2006. The subscription prices of shares that can be subscribed for with the options will be reduced, after commencement of the subscription price determination period and before share subscription, by the amount of dividends decided upon on the record day for each dividend distribution.

The share subscription periods are, for the 2003A options April 1, 2006 – April 30, 2009, for the 2003B options April 1, 2007 – April 30, 2010, and for the 2003C options April 1, 2008 – April 30, 2011.

In spring 2003, Metso's Board of Directors decided that the maximum number of 2003A options to be distributed would be 2,500,000. At the same time, the Board defined the following minimum criteria for distributing the 2003A options: an operating profit of 5 percent of net sales, a 9 percent return on capital employed (ROCE) and earnings per share of EUR 0.75 in 2003. As the minimum criteria were not fulfilled, no options were distributed from the program, apart from 100,000 options granted to the new President and CEO.

Holdings of Metso's Board of Directors and executive management on December 31, 2003

At the end of 2003, the members of Metso Corporation's Board of Directors and Olli Vaartimo, Executive Vice President and CFO who served as the Corporation's acting President and CEO from September 25, 2003 to March 1, 2004, held a combined total of 29,611 Metso shares. These shares represent 0.02 percent of the Corporation's share capital and voting power. While serving as President and CEO of Metso Corporation, Board member Heikki Hakala was issued 150,000 options. The total number of options issued to Heikki Hakala and Olli Vaartimo was 280,000 at the end of the year. On the basis of these options, the share capital of Metso Corporation may increase by EUR 476,000 and the number of shares by 280,000, which on December 31, 2003 would have represented 0.21 percent of the company's share capital and voting power.

Metso Corporation's extended insider holdings are also presented on the Corporation's homepages at www.metso.com > About Us > Corporate Governance > Insiders.

The taxable value of Metso's share in Finland

The taxable value of Metso Corporation's share in Finland in 2003 is EUR 6.79 / share.

Dividend policy

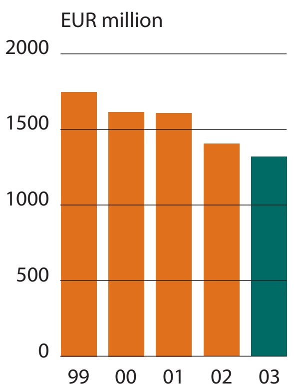
Metso's objective is to distribute annual dividends equivalent to at least one third of the average earnings per share over five years. The dividend policy is founded on the Corporation's long-term profitability and financial strength.

Metso's Board of Directors has decided to propose to the Annual General Meeting, which will convene on April 6, 2004, that a dividend of EUR 0.20 per share be distributed for 2003.

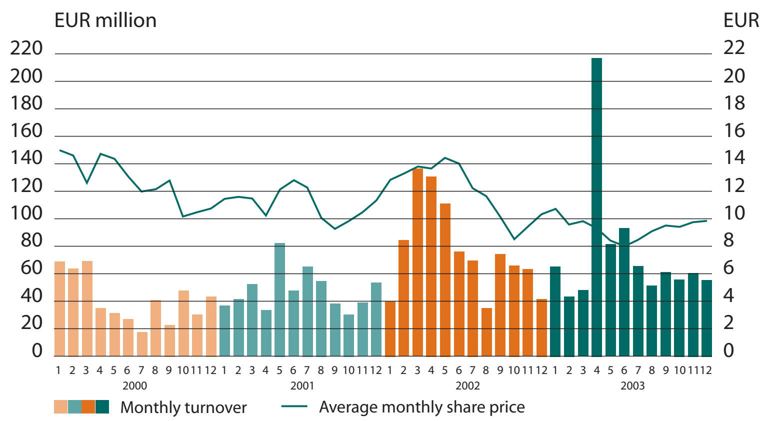
Shareholders

At the end of 2003, Metso's biggest shareholders were UPM-Kymmene Corporation, which held 14.6 percent of all shares, and the Finnish State with an 11.5 percent holding. Nominee-registered shares and shares in direct foreign ownership accounted for 45.7 percent of the total stock. 7.1 percent of the total stock was held by Finnish private individuals.

Market capitalization, on December 31



Monthly turnover and average share price on the Helsinki Exchanges 2000–2003



Shares and Shareholders

Metso's biggest shareholders on December 31, 2003

		Number of shares and votes	% of share capital and voting rights
1	**UPM-Kymmene Corporation**	**19,922,115**	**14.6**
2	**The Finnish State**	**15,695,287**	**11.5**
3	**Ilmarinen Mutual Pension Insurance Company**	**3,428,788**	**2.5**
4	**Varma Mutual Pension Insurance Company**	**2,203,969**	**1.6**
5	**Suomi Group**	**1,428,700**	**1.0**
	Suomi Mutual Life Assurance Company	1,378,700	1.0
	Suomi Insurance Company Ltd.	50,000	0.0
6	**Odin**	**1,290,913**	**0.9**
	Odin Norden	1,062,876	0.8
	Odin Finland	228,037	0.2
7	**OKO Bank Consolidated**	**1,240,677**	**0.9**
	OP-Delta Mutual Fund	611,300	0.4
	OP-Pirkka Mutual Fund	223,100	0.2
	OP-Tuotto Mutual Fund	193,900	0.1
	OKO Bank	100,000	0.1
	OP-Focus Mutual Fund	60,000	0.0
	Opstock Finland Index Mutual Fund	52,377	0.0
8	**The Finnish State Pension Fund**	**1,100,000**	**0.8**
9	**Svenska litteratursällskapet i Finland**	**928,477**	**0.7**
10	**Sampo Group**	**814,211**	**0.6**
	Sampo Finnish Equity Fund	414,360	0.3
	Sampo Finnish Institutional Equity Fund	242,911	0.2
	Sampo European Balanced Fund	156,940	0.1
	10 largest owner groups in total	**48,053,137**	**35.3**
	Nominee-registered shares*	60,758,311	44.6
	Other shareholders	27,378,256	20.1
	Shares held by Metso Corporation	60,841	0.0
	Total	**136,250,545**	**100.0**

*) The Corporation was informed on April 24, 2002 that the funds managed by Capital Group Companies, Inc. held 6.29% of the share capital and 4.97% of the voting rights on April 17, 2002.

The Corporation was informed on June 12, 2002 that the funds managed by Franklin Resources, Inc. held 5.17% of the share capital and 6.30% of the voting rights on June 10, 2002.

The Corporation was informed on March 25, 2003 that the funds managed by Harris Associates L.P. held 5.07% of the share capital and the voting rights on March 18, 2003.

American depository shares

(Each ADS represents one share)

	2002	**2003**
Earnings/ADS, USD	0.45	**(2.14)**
Highest ADS price, USD	14.26	**12.77**
Lowest ADS price, USD	7.81	**8.31**
ADS price, Dec. 31, USD	10.92	**12.53**

Changes in number of shares and share capital, July 1, 1999–December 31, 2003

		Number of shares	Change in number of shares	Share capital EUR	Change in share capital
1999	July 1, 1999, Metso Corporation.				
	Share capital FIM 1,358,172,750.00.	135,817,275		228,428,258.60	
2000	25.4.2000 Conversion of share capital into euros.				
	In addition to a transfer from the share premium reserve,				
	own shares were declared void.	135,317,275	(500,000)	230,039,367.50	1,611,108.90
	New shares subscribed with the Metso 1994 options,				
	which were transferred from Valmet Corporation.	135,457,275	140,000	230,277,367.50	238,000.00
2001	New shares subscribed with the Metso 1994 options,				
	which were transferred from Valmet Corporation.	136,250,545	793,270	231,625,926.50	1,348,559.00

Breakdown of share ownership on December 31, 2003

Number of shares	Number of shareholders	% of shareholders	Total number of shares and votes	% of share capital and voting rights
1–100	10,943	42.3	501,740	0.4
101–1,000	12,152	47.0	4,389,110	3.2
1,001–10,000	2,455	9.5	6,248,439	4.6
10,001–100,000	241	0.9	6,811,338	5.0
Over 100,000	54	0.2	57,467,766	42.2
	25,845	100.0	75,418,393	55.4
Nominee-registered shares	16		60,758,311	44.6
Shares held by Metso Corporation			60,841	0.0
On shared account			13,000	0.0
Total			**136,250,545**	**100.0**

Share capital and share data 1999–2003

(In EUR millions, except for per share data and share prices)	1999	2000	2001	2002	**2003**
Share capital, Dec. 31	228	230	232	232	**232**
Number of shares					
Number of outstanding shares, Dec. 31	135,256,434	135,501,634	136,189,704	136,189,704	**136,189,704**
Average number of shares	135,631,740	135,363,537	136,135,223	136,189,704	**136,189,704**
Number of shares redeemed and canceled	-	500,000	-	-	**-**
Number of own shares, Dec. 31	560,841	60,841	60,841	60,841	**60,841**
Trading volume, Helsinki Exchanges	46,058,568	39 455,032	51,858,765	76,737,801	**97,816,594**
Trading volume, NYSE	826,018	950,824	980,606	914,715	**2,042,018**
% of shares**	46.0	40.5	52.5	77.2	**73.3**
Earnings/share	(0.22)	0.90	1.09	0.48	**(1.89)**
Dividend/share	0.40	0.60	0.60	0.60	**0.20***
Dividend	54	81	82	82	**27***
Dividend/earnings, %	neg.	67	55	126	**neg.***
Effective dividend yield, %	3.0	5.2	5.2	5.8	**2.1***
P/E ratio	neg.	13.00	10.62	21.54	**neg.**
Equity/share	7.98	10.51	10.78	10.12	**7.51**
Highest share price	13.70	16.20	14.10	15.15	**11.41**
Lowest share price	8.26	8.61	7.81	7.73	**7.52**
Average share price	10.76	12.67	11.16	12.13	**9.21**
Share price, Dec. 31	12.90	11.90	11.80	10.30	**9.68**
Market capitalization, Dec. 31 ***	1,745	1,612	1,607	1,403	**1,318**

*) Proposal by the Board of Directors **) Of the total amount of shares for public trading ***) Excluding own shares held by Metso Corporation

Risks and Risk Management

According to Metso's Risk Management and Treasury Policies, the goal of risk management is to ensure the attainment of business objectives and the continuation of operations.

Risk management

Coordination of risk management related to Metso's business risks is the responsibility of the Senior Vice President, Administration, who reports to the Senior Vice President, Human Resources, who reports directly to the President and CEO. Corporate risk management assesses the level of risk management in the business units, creates Corporation-wide risk management principles, develops risk management tools and establishes global insurance programs. The business areas are responsible for the risks related to their own operations and for taking protective measures. The emphasis is on the evaluation and management of operational risks. Also important are the management and safeguarding of business-related critical information and data security.

Metso's risk management system has been developed together with an insurance broker and insurance companies. Short- and long-term recommendations for the improvement of risk management are based on the Flexible Risk Management Evaluations (FRIME) developed by the insurance broker. Metso performs FRIME evaluations in its key units every third year. About 10–15 evaluations are performed yearly.

The task of Metso's Corporate Treasury is to manage financial risks in accordance with the Treasury Policy approved by Metso's Board of Directors, and to safeguard the availability of the Corporation's equity and debt capital under competitive terms. 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 appropriate hedging measures.

BUSINESS RISKS

Business cycles in the global economy and customer industries

Business cycles in the global economy influence the demand for Metso's products and its financial position, especially in the short term. In the long term, these effects are balanced by the wide geographical spread of Metso's operations, the various customer industries served, the large installed base, the increase in the share of aftermarket and maintenance services, and the commitment to long-term partnerships with customers over the life cycle.

Metso Paper is affected by the business cycles of the pulp and paper industry. Metso Minerals is dependent on the development of the mining, construction and civil engineering industries. Infrastructure investments affect the main part of Metso Minerals' net sales.

Metso actively reduces the risks of business cycles by expanding aftermarket and maintenance services, increasing the flexibility of operations through outsourcing, and focusing on the manufacture and assembly of core components.

Competition

Metso's competitors vary by business area and product. Metso aims to differentiate itself from competitors through its high level of technology, quality, service and availability, and through its long-term commitment and reliability. Current or future competitors may launch new or enhanced products and new technology that may decrease the value and competitiveness of Metso's products and weaken Metso's opportunities of achieving its financial goals.

Metso aims for competitive advantage not only through product development, but also by operating flexibly and cost-efficiently. Metso Paper improves its competitiveness by developing products together with its customers. In Metso Minerals' business it is important to react rapidly to customers' changing needs. Metso Automation cooperates with other companies on technology issues when appropriate.

Production, products and technology

The competitiveness of products and services is maintained and improved by emphasizing R&D, systematically protecting intellectual property rights, including patents, and cooperating with customers, other companies and leading research institutes. Quality and internal processes are controlled in accordance with ISO 9001 quality systems.

Metso is occasionally involved in product liability claims. These claims are covered by Metso's insurance policy with coverage of up to EUR 100 million per year. Metso prevents product liability risks by emphasizing product safety and customer training already in the development phase.

Environmental protection laws and regulations and ISO 14001 compliant environmental systems are key tools in Metso's environmental management.

In order to better manage product development, Metso developed an innovation process in 2003, which will be introduced in all business areas in 2004. The innovation process streamlines product development projects by providing a model process based on the best practices for making business plans, marketing and launching products, managing IPR, life cycle design, environmentally-responsible product planning and industrial design.

Project activity

Metso's operations consist partly of large project deliveries to the pulp and paper industry and the mining industry. These sometimes involve project-specific risks concerning delivery schedules, quality or the start-up of equipment. However, the risks of individual projects are not significant with respect to the magnitude of business. Customer risks are also reduced by exact contract and payment terms.

Raw materials, suppliers and subcontractors

The risks related to the purchase of raw materials have decreased because Metso has increasingly focused on manufacturing and assembling core components only. On the other hand, outsourcing increases the importance of, and risks related to, suppliers and subcontractors.

Risks and Risk Management

Developments in the global economy and political factors can influence the prices and availability of raw materials. The raw material used by Metso Minerals in manufacturing wear parts for crushers is manganese, the supply of which is limited to South Africa. Political changes in this area or the delivery problems of producers can affect the availability of manganese and thus the wear parts business. Metso Ventures' foundries use scrap iron, the price and availability of which may fluctuate. Changes in the prices of electricity, oil and metals may have a negative influence on Metso, if these variations decrease the willingness of customer industries to invest.

Metso purchases the majority of product components from its suppliers, for all of whom it is not necessarily possible to find alternative suppliers at short notice. The delivery problems of subcontractors may also affect Metso's customer relationships and business.

Metso has signed long-term contracts with its major subcontractors in an attempt to limit the purchasing risks related to availability and pricing. Fluctuations in the price of electricity are partly hedged by derivative contracts.

The main subcontractors are audited before cooperation begins and if necessary during the cooperation period. Revised general purchasing conditions and contract models were introduced in Finland in 2003, and the aim is to introduce them internationally in 2004. They not only provide guidance on managing risks in the supplier chain and other technical/commercial issues, but also include principles related to environmental awareness and social responsibility. The management of purchasing risks is eased by actions to reduce the number of suppliers, monitoring the actions of current suppliers more closely and improving transparency through the use of standardized systems.

Political, economic and legislative changes in developing countries

The operations of both Metso and its customers are geographically widespread. Political, economic and legislative changes can weaken Metso's competitiveness or restrict its operations in some countries. The markets for new machinery and equipment are concentrated in Asia (mainly China) and South America, so sudden changes in these markets may have a significant impact on Metso's business. The risks related to these markets are reduced by the growth of the aftermarket and maintenance business in Europe and North America.

Property and liability risks

Metso has prepared for property, interruption, transport and liability risks (general liability, product liability and management liability) through global insurance schemes. The insurance coverage consists of property, transport and liability insurance schemes and their local applications. The Corporation's total risk bearing capacity is taken into consideration when setting the amount of deductibles. Metso's captive company will bear risks to the extent that is financially sustainable.

FINANCIAL RISKS

The key principles of Metso's Treasury Policy are risk avoidance and cost-efficient mitigation of factors that might have a negative impact on the Corporation's result or cash flow. The Treasury Policy specifies risk limits, the investment and hedging instruments to be used and approved counterparties.

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 proportion of short-term loans and for the average remaining maturity of long-term loans. Risks in the availability of funds and pricing are managed in the long term by diversifying funding between money and capital markets and banks.

The credit rating agencies assess Metso's business and publish credit ratings on the Corporation. A lowering of credit ratings may raise the financing costs of possible new loans taken.

Interest rate risks

Changes in market interest rates and interest margins may influence Metso's financing costs, returns on financial investments and valuation of derivative contracts. Metso has set limits for the ratio of floating-rate to fixed-rate loans and the average length of interest rate periods. Interest rate risks can also be managed by interest rate swaps and other derivative contracts.

Currency risks

Exchange rate changes affect Metso's business. However, the geographical scope of the operations decreases the significance of individual currencies.

Exchange rate variations have a direct effect on the prices of raw materials and production commodities purchased on non-domestic currencies and in the prices of end products for export, in which the invoicing currency is different from the currency of the manufacturing costs (transaction effect). A good half of Metso's net sales originate from outside the euro zone. Alongside the euro, the most important currencies used in invoicing are the U.S. dollar and the Swedish krona. When the net sales and results of subsidiaries outside the euro zone are translated into euros, they may increase or decrease because of exchange rate changes, even though no real change has occurred (translation effect). Exchange rate movements may also affect Metso's position by weakening the cost competitiveness of its products as against those of its competitors.

In accordance with the Corporation's Treasury 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 by taking into account their significance, the competitive situation and other opportunities to adapt. Metso has operations in countries in which currency regulation affects hedging risks. The most important of these are Brazil and China.

Hedging operations are centralized through the Corporation's Treasury. Upper limits have been set on the open currency exposures of the Corporate Treasury, calculated on the basis of their potential profit impact. These limits cover net exposures from transfers between units and items arising from financing activities. Future cash flows are hedged for periods which do not normally exceed two years. Accordingly the majority of future cash flows related to the order backlog are hedged.

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. Metso hedges these risks with respect to essential currencies in accordance with its Treasury Policy by using foreign currency-denominated loans and forward exchange agreements.

Credit risks and other counterparty risks

When investing cash assets and making derivative contracts, the only accepted counterparties are those fulfilling the credit rating criteria defined in the Treasury Policy, or those separately approved by the Board. With respect to investments, derivative contracts and borrowing, Metso has set counterparty-specific limits to avoid risk concentrations.

The operating units are primarily responsible for credit risks pertaining to trade activities. The business areas have defined credit policies which determine the delivery and payment terms granted to customers, their supervision and enforcement. The Corporate Treasury provides centralized services related to customer financing and ensures that the Treasury Policy principles are adhered to with respect to terms of payment and required collateral.

Board of Directors' Report

Operating environment

The uncertainty of the global economy affected Metso's customer industries in Europe and North America. In Asia and particularly in the Chinese markets, investment activity continued to be lively. In the year's final quarter, the North American economy showed signs of recovery.

In pulp and paper industry markets, the price of chemical pulp rose until early June, after which it declined, before increasing in October. In Europe, the prices of printing papers leveled off after a decline in the first half of the year. In North America, the prices of newsprint and magazine paper strengthened slightly in the second half of the year, but fine paper prices fell significantly.

In rock and minerals processing markets, the prices of the most common base metals rose steadily throughout the year. In Europe and North America, the price of aggregates developed moderately. In growing markets, especially in India and China, the price of aggregates increased. The price development was also affected by continuously tightening quality demands on aggregates, which in turn added to the technology demands on the crushing process. In addition, the price of recycled metal rose significantly.

The weakening of the U.S. dollar throughout the year was clearly reflected in Metso's operating environment and reduced the competitiveness of products made in Europe.

Demand for Metso's products

Metso Paper's market situation was satisfactory in 2003, even though customers' willingness to commit to new machine investments, especially in Europe and North America, continued at a low level. The SARS epidemic temporarily weakened the market situation in China, but demand recovered to the level of the year's first months in the second half of the year.

In Metso Minerals' customer industries, demand in the construction industry weakened in Europe. Demand was weak in North America, but started to pick up in the final quarter. In the Chinese markets, demand remained good. On the whole, the demand for mining industry products was satisfactory. Towards the year's end, the number of equipment and project inquiries increased in South America, South Africa and Australia.

Demand for Metso Automation's products remained at the previous year's level in North America. In Europe, customer industries' investments were at a low level. In China, demand was good. Demand in the power and process industry was stronger than in the previous year.

Orders received and order backlog

The value of orders received by Metso in 2003 was EUR 4,256 million, or 8 percent lower than in 2002. Calculated with the previous year's exchange rates, the value of orders received decreased by 3 percent. Metso's order backlog at the end of the year was EUR 1,505 million, or 5 percent less than at the end of 2002. 41 percent of orders originated from Europe, 21 percent from North America, 27 percent from Asia-Pacific, 6 percent from South America and 5 percent from the rest of the world.

The value of orders received by Metso Paper during the year under review totaled EUR 1,710 million, up 6 percent on the comparison year. Metso Paper's order backlog strengthened by 7 percent compared with the end of the previous year, totaling EUR 784 million at the end of 2003.

The value of orders received by Metso Minerals was EUR 1,594 million, down 14 percent on the comparison year. The business area's order backlog decreased by 15 percent and was EUR 397 million at the end of the year under review.

The value of orders received by Metso Automation was EUR 531 million, down 17 percent on the comparison year. However, the comparable order backlog (taking into consideration divestitures) at the end of the year was at the same level as at the end of the previous year, totaling EUR 145 million.

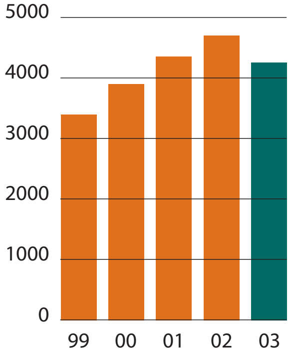
The value of orders received by Metso Ventures was EUR 398 million, down 15 percent on the previous year. Due to the low level of invoicing, the order backlog nevertheless increased by 14 percent, totaling EUR 175 million at the end of the year.

Net sales

Metso's net sales totaled EUR 4,250 million, which was 9 percent lower than in the comparison year. Calculated with the previous year's exchange rates, net sales decreased by 4 percent. Aftermarket operations accounted for 37 percent (33% in

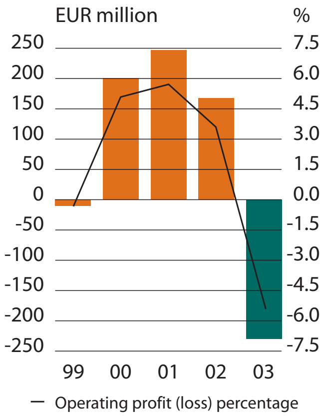
Net sales

EUR million



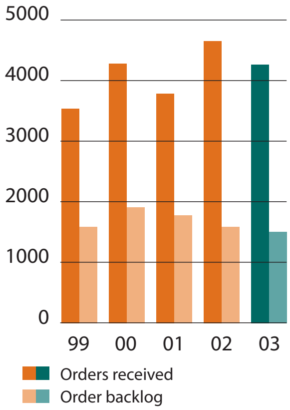
Operating profit (loss)

EUR million



Orders received and order backlog

EUR million



2002) of the Corporation's net sales (excluding Metso Ventures). The increase was mainly due to the redefined scope of aftermarket in the year under review. These operations now include Metso Paper's process improvements.

Of the net sales, 38 percent came from the deliveries of Metso Paper, 37 percent from Metso Minerals, 12 percent from Metso Automation and 9 percent from Metso Ventures. The Converting Equipment group accounted for 4 percent of the Corporation's net sales.

46 percent of net sales came from Europe, 23 percent from North America, 19 percent from Asia-Pacific, 6 percent from South America and 6 percent from the rest of the world. 12 percent of Metso's net sales came from Finland, while exports and operations outside Finland accounted for 88 percent of the Corporation's net sales.

Result

The Corporation's operating profit before nonrecurring items and amortization of goodwill was EUR 133 million, or 3.1 percent of net sales. The decline in operating profit was primary due to the strengthening of the euro, the lower margins in Metso Paper's large projects than in the comparison year, and the continued tight competition related to Metso Minerals' crushing and screening equipment market.

Net nonrecurring expenses were EUR 106 million. These included EUR 15 million in income from divestitures and sales of shares, EUR 103 million in restructuring expenses related to the efficiency improvement program, and EUR 18 million in other nonrecurring expenses. Furthermore, a goodwill impairment of EUR 205 million was made in Metso Minerals, due to the continued demanding market situation in rock and minerals processing and exchange rate movements that were unfavorable to Metso Minerals. The goodwill impairment has no cash flow effect. The impairment decreases Metso's annual amortization of goodwill by approximately EUR 10 million.

In 2003, Metso's operating loss was EUR 229 million, or 5.4 percent of net sales.

Metso's net financial expenses were EUR 74 million, including dividend income of EUR 4 million.

Metso's loss before taxes was EUR 303 million. Earnings per share were a negative EUR 1.89.

Most of Metso Minerals' goodwill impairment, i.e. EUR 175 million, was accepted as tax-deductible. The corresponding tax benefit of EUR 51 million reduces the effect of the impairment on the net result, and it was booked in the final quarter of 2003.

The net loss for the year under review was EUR 258 million.

BUSINESSES

Metso Paper

Key figures (in millions)	**2003** **EUR**	2002 EUR	Change %
Net sales	**1,651**	1,778	(7)
Operating profit before nonrecurring items and amortization of goodwill	**68.3**	129.3	(47)
Operating profit	**24.6**	115.2	(79)
Capital employed, 31.12.	**538**	498	8
Gross capital expenditure	**54**	72	(25)

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Research and development expenditure	**56**	72	(22)
Orders received	**1,710**	1,611	6
Order backlog, 31.12.	**784**	735	7
Personnel, 31.12.	**9,085**	9,357	(3)

Metso Paper's net sales for 2003 totaled EUR 1,651 million, down 7 percent on the comparison year. The decline in net sales was due to the unfavorable market situation. Aftermarket operations accounted for 34 percent of net sales (28% in 2002). The increase was mainly due to the redefined scope of aftermarket in the year under review. These operations now include process improvements.

Metso Paper's operating profit before nonrecurring items and amortization of goodwill was EUR 68.3 million, or 4.1 percent of net sales. Profitability was weakened by lower margins in large projects than in the comparison year, underutilization of production capacity and the strengthening of the euro. Nonrecurring expenses totaled EUR 36 million, and were due to the efficiency improvement program. Metso Paper's operating profit was EUR 24.6 million, or 1.5 percent of net sales. Net sales and profit were clearly better in the year's final quarter than in the other quarters of the year under review.

Converting Equipment group

The Converting Equipment group's net sales were EUR 183 million (EUR 160 million in 2002) and the operating loss was EUR 4.0 million (EUR 8.9 million in 2002). The group was sold to the Swiss company, Bobst Group SA, on January 30, 2004.

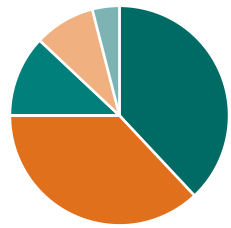
Metso Minerals

Key figures (in millions)	2003 EUR	2002 EUR	Change %
Net sales	**1,637**	1,804	(9)
Operating profit before nonrecurring items and amortization of goodwill	**74.5**	105.7	(30)
Operating profit (-loss)	**(234.9)**	49.2	(577)
Capital employed, 31.12.	**1,049**	1,393	(25)
Gross capital expenditure	**35**	48	(27)
Research and development expenditure	**22**	21	5
Orders received	**1,594**	1,848	(14)
Order backlog, 31.12.	**397**	468	(15)
Personnel, 31.12.	**10,332**	10,553	(2)

Metso Minerals' net sales decreased by 9 percent from the comparison year and totaled EUR 1,637 million. The decline in net sales was primarily due to weak demand in the North American markets and the lack of big mining projects. Aftermarket operations accounted for 44 percent of net sales (42% in 2002).

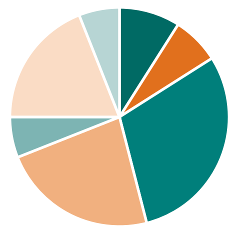
Metso Minerals' operating profit before nonrecurring items and amortization of goodwill was EUR 74.5 million, or 4.6 percent of net sales. Profitability was weakened by the strengthening of the euro and the weak market situation in crushing and screening, as well as in minerals processing. Nonrecurring expenses totaled EUR 66 million and included expenses of EUR 55 million related to the efficiency improvement program and other nonrecurring expenses amounting to EUR 11 million. The latter item includes accounting adjustments and reserves for Metso Minerals' UK operations and for the opening balance sheet of the Svedala acquisition. Additionally, a goodwill

Net sales by business area



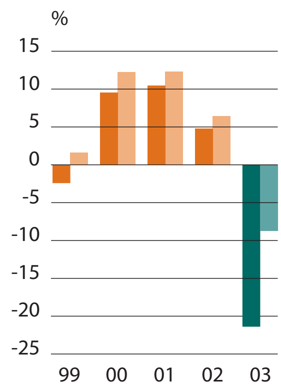
- Metso Paper 38% (2002: 37%)
- Metso Minerals 37% (38%)
- Metso Automation 12% (13%)
- Metso Ventures 9% (9%)
- Converting Equipment 4% (3%)

Net sales by market area



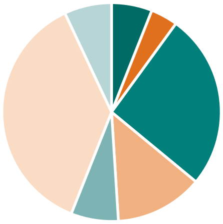
- Finland 9% (2002: 8%)
- Other Nordic countries 7% (10%)
- Other European countries 30% (29%)
- North America 23% (25%)
- South America 6% (9%)
- Asia-Pacific 19% (14%)
- Rest of the world 6% (5%)

Return on equity and capital employed



Return on equity (ROE)
Return on capital employed (ROCE)

Order backlog by market area



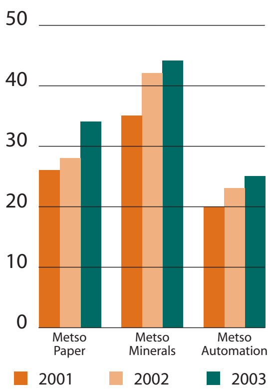
- Finland 6% (2002: 8%)
- Other Nordic countries 4% (4%)
- Other European countries 26% (35%)
- North America 13% (21%)
- South America 7% (8%)
- Asia-Pacific 37% (17%)
- Rest of the world 7% (7%)

Personnel by area

- Finland 35% (2002: 37%)
- Other Nordic countries 13% (13%)
- Other European countries 18% (17%)
- North America 16% (17%)
- South America 7% (6%)
- Asia-Pacific 6% (5%)
- Rest of the world 5% (5%)

Aftermarket operations

% of net sales



impairment of EUR 205 million was made in Metso Minerals. Metso Minerals' operating loss was EUR 234.9 million, or 14.3 percent of net sales. Net sales and profit performance showed no change in the year's final quarter, even though the market situation showed slight signs of recovery.

The positive effects of the integration of Metso Minerals were offset by the effect of exchange rate changes and the weak market situation.

Metso Automation

Key figures (in millions)	**2003** **EUR**	2002 EUR	Change %
Net sales	**531**	622	(15)
Operating profit before nonrecurring items and amortization of goodwill	**31.4**	21.9	43
Operating profit	**28.4**	16.3	74
Capital employed, 31.12.	**150**	207	(28)
Gross capital expenditure	**8**	13	(38)
Research and development expenditure	**33**	44	(25)
Orders received	**531**	643	(17)
Order backlog, 31.12.	**145**	185	(22)
Personnel, 31.12.	**3,314**	4,150	(20)

Metso Automation's net sales decreased by 15 percent from the comparison year and totaled EUR 531 million. Taking into consideration exchange rate movements and divestitures, net sales remained at the previous year's level. Aftermarket operations accounted for 25 percent (23% in 2002) of Metso Automation's net sales.

Metso Automation's operating profit before nonrecurring items and amortization of goodwill was EUR 31.4 million, or 5.9 percent of net sales. The operating profit improved substantially from the previous year. Process automation systems and the North American operations in particular have improved their profitability due to measures taken to streamline the cost structure in 2002 and 2003. The capital employed has been reduced significantly in the past two years. Nonrecurring income of EUR 11 million from divestitures and nonrecurring expenses of EUR 7 million from costs related to the efficiency improvement program and of EUR 5 million from other costs were booked. Metso Automation's operating profit was EUR 28.4 million, or 5.3 percent of net sales. The result for the year's final quarter was good.

Metso Ventures

Key figures (in millions)	**2003** **EUR**	2002 EUR	Change %
Net sales	**370**	446	(17)
Operating profit (-loss) before nonrecurring items and amortization of goodwill	**(2.6)**	28.6	(109)
Operating profit (-loss)	**(8.7)**	20.1	(143)
Capital employed, 31.12.	**160**	172	(7)
Gross capital expenditure	**24**	40	(40)
Research and development expenditure	**10**	12	(17)
Orders received	**398**	468	(15)
Order backlog, 31.12.	**175**	154	14
Personnel, 31.12.	**2,482**	3,466	(28)

Metso Ventures' net sales decreased by 17 percent from the comparison year and totaled EUR 370 million. The operating loss before nonrecurring items and amortization of goodwill was EUR 2.6 million, representing 0.7 percent of net sales. Nonrecurring items totaled EUR 5 million, and were mainly due to the efficiency improvement program. Metso Ventures' operating loss was EUR 8.7 million, or 2.4 percent of net sales.

Metso Panelboard

Metso Panelboard's net sales increased by 41 percent and totaled EUR 93 million. Due particularly

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to positive development in the Asian markets and the efficiency measures implemented during the year, Metso Panelboard substantially increased its net sales. Operating profit before nonrecurring items and amortization of goodwill was EUR 2.0 million, or 2.2 percent of net sales. Nonrecurring items totaled EUR 4 million, and were mainly due to rearrangements in Germany related to the efficiency improvement program.

Metso Drives

Metso Drives' net sales decreased by 25 percent and totaled EUR 130 million. The group's comparable net sales, excluding Metso Hydraulics that was divested in January 2003, were about 15 percent lower than in the comparison year mainly because wind turbine gear deliveries were low in the first half of the year. Operating profit before nonrecurring items and amortization of goodwill was EUR 3.1 million, or 2.4 percent of net sales. The low volumes early in the year and the launching costs of new products were reflected in weakened profitability.

Foundries

As part of Metso's efficiency improvement program, Metso Paper's foundries located in Finland and Sweden and Metso Minerals' foundry located in Finland were operationally transferred to the Metso Ventures business area on October 1, 2003. Metso's need for in-house foundry products has been reduced and their production is being transferred to local foundries close to the customers. The aim is to create a strong entity and investigate the development alternatives for the foundries as a whole.

In 2003, the combined net sales of these three foundries were EUR 69 million, 57 percent of which came from external invoicing.

Valmet Automotive

Valmet Automotive's net sales fell by 45 percent and totaled EUR 70 million. The operating loss was EUR 7.4 million, or 10.6 percent of net sales. The operating loss includes a EUR 4 million reserve for possible additional costs in 2004 due to the difficult employment situation. Net sales and result were clearly down on the previous year, because the manufacture of Saab cars ceased at the beginning of May and the manufacture of Porsche Boxsters also decreased. Valmet Automotive laid off about half of its personnel after Saab manufacture ended. A total of 19,226 cars were manufactured in the year under review (41,066 cars in 2002).

Metso's renewed operating model

In accordance with the operating model renewed by Metso's Board of Directors in September, the varying needs of different customer segments are clearly recognized in the strategies and operations of Metso's business areas - Metso Paper, Metso Minerals, Metso Automation and Metso Ventures.

Efficiency improvement program

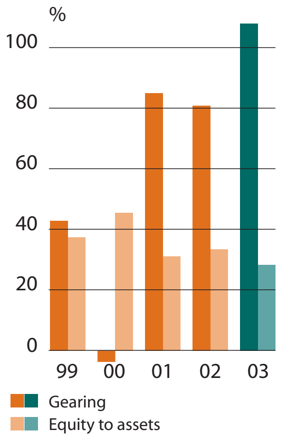
The implementation of the efficiency improvement program, announced in June and designed to cut fixed costs, proceeded as planned in the second half of the year. The program aims to achieve annual result improvements of more than EUR 100 million. Of this, Metso Paper will account for almost EUR 40 million, Metso Minerals for just over EUR 50 million, Metso Automation for EUR 10 million and Metso Ventures for EUR 5 million.

In accordance with the efficiency improvement program, Metso Paper will reduce about 340 jobs in Finland and Sweden and about 200 jobs in North America by summer 2004. Additionally, Metso Paper initiated a review into a decrease in its in-house manufacturing capacity to correspond with the long-term demand outlook. In certain Metso Paper units in Finland outsourcing of components' manufacturing has either been decided on or is being reviewed. These arrangements will affect some 350 jobs. Metso Paper will also reduce production capacity at the unit manufacturing paper and board machines in Como, Italy. This arrangement will affect 90 jobs.

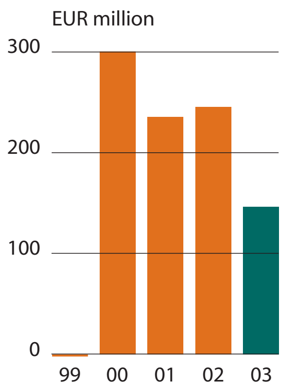
As a part of the efficiency improvement program, Metso Minerals decided to close the production plant for mining crushers in Milwaukee, Wisconsin, USA. Furthermore, a decision was made to close the production plant for mining industry process equipment and pumps in Colorado Springs, Colorado, USA. In addition, it was decided to close down the production plant for mining and crushing screens in Ketsch, Germany. Operational efficiency was also improved at the Tampere crusher plant in Finland, the Mâcon plant in France and at Metso Minerals' headquarters. The above-mentioned arrangements affect 350 jobs altogether.

Metso Minerals will also adjust

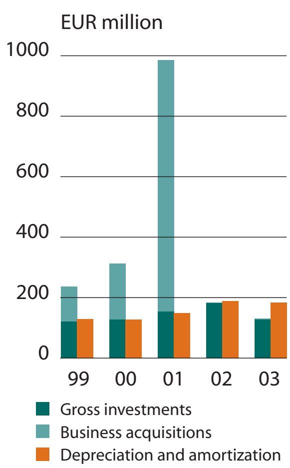
Gearing and equity to assets



Operating cash flow



Investments and depreciation



its wear protection business to correspond with demand in its two units operating in Sweden. In addition, Metso Minerals will continue measures to adjust the resources of its global sales and service network to reflect the market situation. The effects of these arrangements are estimated to be 250-320 jobs.

Metso Automation decided, in accordance with the efficiency improvement program, to reduce about 140 jobs in Finland, North America and its global sales network.

Metso Panelboard, a part of Metso Ventures, will combine its operations located in Willich and Hannover, Germany into its Hannover operations, in order to further improve operational efficiency. The personnel will be reduced by a third to 73.

As part of the efficiency improvement program, Metso's foundries located in Tampere and Jyväskylä, Finland and Karlstad, Sweden were operationally transferred to the Metso Ventures business area on October 1, 2003.

The re-evaluation of the role of Metso's Corporate Headquarters is expected to result in savings of around EUR 10 million.

The nonrecurring expenses of the efficiency improvement program were EUR 103 million.

In addition to the efficiency improvement program, materials management development programs were initiated in all business areas, the aim of which are to achieve substantial savings within the next 2-3 years by developing purchasing activities. Metso's purchases amount to over a half of net sales.

During the year under review, the streamlining of administrative costs continued. Costs are cut by combining back office operations into shared services. In order to combine the financial administration of Metso's Finnish units, financial administration service centers were established in Jyväskylä and Tampere, and these centers began to operate in September. A decision was made to establish a North American financial administration service center in Montreal, Canada.

Cash flow and financing

In 2003, Metso's net cash provided by operating activities was EUR 146 million. The net result for the year includes substantial nonrecurring expenses that have no effect on cash flow. The most significant of these was a goodwill impairment made in Metso Minerals. The net working capital increased by EUR 54 million, which was mainly due to Metso Paper's ongoing project deliveries and their timing. The amount of net working capital decreased in Metso Minerals and Metso Automation.

Gearing, i.e. the ratio of net interest bearing liabilities to shareholders' equity, was 107.7 percent. The goodwill impairment and other nonrecurring items significantly increased the gearing ratio. Metso's equity to assets ratio was 28.3 percent at the end of the year.

Net interest bearing liabilities totaled EUR 1,109 million at the end of the year while they were EUR 1,118 million at the end of 2002. During the year under review, the previous syndicated revolving credits were replaced with a new five-year EUR 450 million credit agreement. Long-term debt accounted for 75 percent of total interest bearing debt at the end of 2003. The largest installments are scheduled for 2006 and 2007. The credit agreements do not include repayment covenants based on credit ratings.

On June 27, 2003, Standard & Poor's Rating Services lowered the

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outlook on the BBB long-term rating of Metso from stable to negative and, at the same time, the short-term rating was lowered from A-2 to A-3. Moody's Investors Service lowered the long-term ratings of Metso to Baa3 from Baa2 on June 23, 2003 with a stable outlook.

Capital expenditure

Metso's gross capital expenditure totaled EUR 130 million (EUR 194 million in 2002) and net capital expenditure EUR 80 million (EUR 56 million in 2002). The year's most significant investments were a new composite roll plant in Oulu, Finland, a TMP/CTMP pilot pulping line in Anjalankoski, Finland, service technology centers in Järvenpää, Finland, and Sorocaba, Sâo Paulo, Brazil, a service center in Raisio, Finland, and logistics centers in Jyväskylä, Finland, and Shanghai, China.

Acquisitions and divestitures

In September, Metso Automation acquired the business ownership and key resources of ABB's Total Quality Analyzer (TQA) product line and merged it with its analyzers business.

In January, Metso divested Metso Hydraulics, part of Metso Ventures, to Sampo-Rosenlew, and in February it divested Network Management Solutions (NMS), part of Metso Automation, to Telvent. In September, Metso divested CPS Electronics, a subsidiary of Metso Automation that manufactures electronic components, to Scanfil Plc.

ThyssenKrupp Automotive AG from Germany owns 10 percent of Valmet Automotive. In December, it announced that it would not exercise its option to acquire the remaining 90 percent of Valmet Automotive's shares by the end of 2003. Metso and ThyssenKrupp Automotive have agreed to continue cooperation in 2004.

Research and development

Metso's research and development expenditure for the review period totaled EUR 129 million (EUR 156 million in 2002), representing 3 percent of the Corporation's net sales. Research and development operations focus on improving efficiency, strengthening Metso's life cycle business and raising its share of net sales.

The most important projects targeted embedded automation solutions applicable to both new machines and the installed machine base. The life cycle business is also supported by development made in materials technology and industrial design.

One example of Metso's know-how is a newsprint machine delivered to Stora Enso's Langerbrugge mill in Belgium. The machine is the world's largest in terms of wire width and uses recycled fiber.

Personnel

In 2003, Metso's personnel numbered 27,400 on average. At the end of the year, the number of personnel was 26,240, or 8 percent less than at the end of 2002. The increase in the number of the Corporate Headquarters' personnel was due to the financial administration service centers' employees being included in the personnel figures for the Corporate Headquarters. The total salaries and wages paid in 2003 amounted to EUR 964 million.

The Corporation employed 35 percent of its total personnel in Finland, 13 percent in other Nordic countries, 18 percent in other European countries, 16 percent in North America, 6 percent in Asia-Pacific, 7 percent in South America and 5 percent in the rest of the world.

Of the Corporation's personnel, 35 percent were employed by Metso Paper, 39 percent by Metso Minerals, 13 percent by Metso Automation and 9 percent by Metso Ventures. 3 percent of the Corporation's personnel worked in the Converting Equipment group. The Corporate Headquarters employed 1 percent of Metso's personnel.

Changes in corporate management

On September 25, 2003, Metso Corporation's Board of Directors relieved Tor Bergman of his duties as President and CEO of Metso Corporation and chairman of Metso's business area boards. On November 28, 2003 Jorma Eloranta, M.Sc. (Tech.), was appointed President and CEO of Metso Corporation and chairman of Metso's business area boards. Jorma Eloranta will start in his new position on March 1, 2004.

Olli Vaartimo, who started as Metso's Executive Vice President and CFO, and Deputy to the CEO on April 22, 2003, is serving as the company's President and CEO and chairman of Metso's business area boards from September 25, 2003 to March 1, 2004. Sakari Tamminen served as Metso's Executive Vice President and CFO, and Deputy to the CEO until April 21, 2003.

Bertel Karlstedt started as Metso

Paper's President on March 1, 2003. Bertel Langenskiöld commenced as Metso Minerals' President on April 28, 2003 and Vesa Kainu started as Metso Ventures' President on May 27, 2003.

Board of Directors and auditors

The Annual General Meeting of Metso Corporation held on April 15, 2003 elected Matti Kavetvuo as the new Chairman of Metso's Board of Directors and Maija-Liisa Friman as a new Board member. The Vice Chairman of the Board, Mikko Kivimäki, and Board members Heikki Hakala, Juhani Kuusi, Pentti Mäkinen and Jaakko Rauramo were all re-elected. Pricewaterhouse-Coopers Oy, the firm of authorized public accountants, was re-elected as the Corporation's auditor, with the principal auditors being Lars Blomquist, APA, and Heikki Lassila, APA.

Decisions of the Annual General Meeting

The Annual General Meeting of Metso Corporation held on April 15, 2003 approved the proposals of the Board of Directors concerning authorizations to repurchase and transfer the Corporation's own shares and to increase the share capital by a rights offering within one year of the AGM. It also approved the issuing of stock options to key personnel of the Corporation and to a wholly-owned subsidiary of Metso Corporation.

The Annual General Meeting approved the payment of a dividend of EUR 0.60 per share for the financial year that ended December 31, 2002. The record date for the payment of dividends was April 22, 2003, and the actual payment of dividends took place on April 29, 2003.

Transfer to IAS/IFRS financial statements

Metso will report in accordance with the IAS/IFRS standards as of January 1, 2005. The comparison figures will also be presented in the way required by the above mentioned standards. The Corporation is preparing the transfer to IAS/IFRS reporting together with the business areas, and the project has proceeded as planned.

Events after the financial period

Metso signed an agreement to divest its Converting Equipment group to Bobst Group SA from Switzerland in October 2003. The transaction was completed on January 30, 2004 at a price of approximately EUR 75 million. The group's net sales for 2003 were EUR 183 million and it employed approximately 800 persons at the end of the year.

As part of the on-going measures to strengthen Metso Corporation's balance sheet Metso's Board of Directors has decided to initiate a review of the development alternatives, including a potential divestment of Dynapac, the construction and paving equipment manufacturer. Dynapac, which forms the Compaction and Paving business line of Metso Minerals, is a leading global manufacturer of compaction and paving equipment. Dynapac designs, manufactures and sells under its own brand name rollers, pavers, planers and concrete and light compaction equipment and services. In 2003 the net sales of Dynapac totalled EUR 322 million, and it employed some 1,800 people at the end of the year.

Metso Paper is supplying a rebuild of a paper machine to Papiers Gaspésia in Canada. According to the information Metso has received the customer will need additional financing to complete the project. Metso Paper's management estimates that these arrangements will likely postpone the completion schedule of the project but the delay is not expected to have any significant financial impact on Metso Paper.

Short-term outlook

The markets and demand for Metso's products are estimated to remain at the previous year's level in Europe, Asia and South America. In the North American markets, the demand for Metso Minerals' products is estimated to recover.

The practical implementation of measures relating to the ongoing efficiency improvement program will be focused on 2004. The market situation and the weakening of the U.S. dollar, challenge Metso's profitability performance. Metso's long-term profitability targets are not estimated to be reached in the next two years. In 2004, the primary focus in managing the Corporation will be the decisive implementation of the efficiency improvement actions and other measures to improve profitability and strengthen the balance sheet.

Board of Directors' proposal for the distribution of profit

The consolidated distributable funds of Metso Corporation on December 31, 2003 were EUR 510 million. The parent company's distributable funds totaled EUR 616 million. On December 31, 2003, a total of 136,189,704 Metso shares, giving entitlement to full dividends for 2003, were held outside the Corporation.

Metso Corporation's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be distributed.

Helsinki, February 4, 2004
Metso Corporation's Board of Directors

Consolidated Statements of Income

		Year ended December 31,		
		2001	2002	**2003**
(In millions, except for per share amounts)	Note	EUR	EUR	**EUR**
Net sales		4,343	4,691	**4,250**
Cost of goods sold	3), 6)	(3,200)	(3,425)	**(3,211)**
Gross profit		1,143	1,266	**1,039**
Selling, general and administrative expenses	2), 3), 6)	(873)	(1,015)	**(906)**
Operating profit before nonrecurring operating				
items and amortization of goodwill		270	251	**133**
% of net sales		6.2%	5.3%	**3.1%**
Nonrecurring operating income and expenses, net	4)	4	(27)	**(106)**
Goodwill impairment	5)	-	-	**(205)**
Amortization of goodwill	6)	(28)	(57)	**(51)**
Operating profit (loss)		246	167	**(229)**
% of net sales		5.7%	3.6%	**(5.4%)**
Financial income and expenses, net	7)	(24)	(74)	**(74)**
Share of profits of associated companies	8)	0	0	**0**
Income (loss) before extraordinary items and income taxes		222	93	**(303)**
Extraordinary income and expenses, net	9)	(8)	-	**-**
Income (loss) before taxes		214	93	**(303)**
Income taxes	10)	(72)	(26)	**44**
Minority interests		(1)	(2)	**1**
Net income (loss)		141	65	**(258)**
Earnings per share	11)	1.09	0.48	**(1.89)**

Consolidated Balance Sheets

Assets

(In millions)	Note	As at December 31, 2002 EUR	2003 EUR
Fixed assets and financial assets			
Intangible assets	12)		
Goodwill		895	**623**
Other intangible assets		116	**137**
		1,011	**760**
Tangible assets	12), 13)		
Land and water areas		85	**80**
Buildings		350	**329**
Machinery and equipment		343	**336**
Other tangible assets		31	**28**
Assets under construction		82	**37**
		891	**810**
Financial assets			
Shareholdings and other securities	15)	51	**44**
Own shares	15)	1	**1**
Loans receivable	18)	20	**37**
Accounts receivable	18)	5	**2**
Other long-term investments	16), 18)	26	**10**
		103	**94**
Total fixed and financial assets		2,005	**1,664**
Current assets			
Inventories			
Materials and supplies		186	**169**
Work in process		281	**275**
Finished products		352	**299**
		819	**743**
Receivables	18)		
Accounts receivable		836	**719**
Cost and earnings of projects under construction in excess of billings	17)	174	**269**
Loans receivable		5	**5**
Accrued income and prepaid expenses		201	**88**
Deferred tax asset	10)	98	**145**
Other receivables		60	**53**
Other short-term investments		11	**7**
		1,385	**1,286**
Cash and cash equivalents		190	**130**
Total current assets		2,394	**2,159**
Total assets		4,399	**3,823**

Shareholders' equity and liabilities

		As at December 31,	
		2002	**2003**
(In millions)	Note	EUR	**EUR**
Shareholders' equity	19)		
Share capital		232	**232**
Share premium reserve		14	**14**
Legal reserve		227	**228**
Cumulative translation differences		(60)	**(76)**
Reserve for own shares		1	**1**
Other reserves		202	**202**
Retained earnings		698	**681**
Net income (loss) for the financial year		65	**(258)**
Total shareholders' equity		1,379	**1,024**
Minority interests		10	**6**
Liabilities			
Long-term debt	20)		
Bonds		713	**695**
Loans from financial institutions		233	**183**
Pension loans		38	**29**
Other long-term debt		36	**50**
		1,020	**957**
Other long-term liabilities			
Accrued expenses	21), 24)	126	**134**
Deferred tax liability	10)	25	**22**
Other long-term loans		1	**5**
		152	**161**
Current liabilities			
Current portion of long-term debt		50	**17**
Other interest bearing short-term debt	22)	283	**295**
Advances received		141	**147**
Accounts payable		321	**282**
Billings in excess of cost and earnings of projects under construction	17)	84	**41**
Accrued expenses and deferred income	23), 24)	873	**818**
Other current liabilities		86	**75**
		1,838	**1,675**
Total liabilities		3,010	**2,793**
Total shareholders' equity and liabilities		4,399	**3,823**

Consolidated Statements of Cash Flows

	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Cash flows from operating activities:			
Net income (loss)	141	65	**(258)**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	149	197	**183**
Provisions / Efficiency improvement program	-	-	**60**
Asset write-downs related to the efficiency improvement program	-	-	**25**
Impairment of goodwill	-	-	**205**
Tax receivable on goodwill impairment	-	-	**(21)**
Gain on sale of fixed assets	(4)	(7)	**0**
(Gain) loss on sale of subsidiaries and associated companies	(11)	(1)	**(12)**
Gain on marketable securities	(37)	(7)	**(3)**
Share of profits and losses of associated companies	0	(1)	**(2)**
Other non-cash items	10	28	**23**
Change in net working capital, net of effect from business acquisitions	(13)	(22)	**(54)**
Net cash provided by operating activities	235	252	**146**
Cash flows from investing activities:			
Capital expenditures on fixed assets	(154)	(191)	**(128)**
Proceeds from sale of fixed assets	18	33	**14**
Acquisition of Svedala, net of cash acquired	(804)	-	**-**
Other business acquisitions, net of cash acquired	(24)	(1)	**(2)**
Investments in associated companies	-	(1)	**-**
Proceeds from sale of subsidiaries and associated companies	17	38	**31**
Taxes paid on gain of Timberjack sale	(85)	-	**-**
Proceeds from sale of shares and marketable securities	90	110	**6**
Investments in shares and marketable securities	(1)	(2)	**(1)**
Net cash provided by (used in) investing activities	(943)	(14)	**(80)**
Cash flows from financing activities:			
Dividends paid	(81)	(82)	**(82)**
Hedging of net investment in foreign subsidiaries	0	-	**12**
Net borrowings (payments) on short-term debt	114	(50)	**17**
Proceeds from issuance of long-term debt	798	200	**110**
Principal payments of long-term debt	(466)	(311)	**(171)**
Notes receivable issued	(7)	(4)	**(8)**
Proceeds from payments on notes receivable	68	14	**2**
Other	7	0	**(1)**
Net cash provided by (used in) financing activities	433	(233)	**(121)**
Effect of changes in exchange rates on cash and cash equivalents	2	(27)	**(5)**
Net increase (decrease) in cash and cash equivalents	(273)	(22)	**(60)**
Cash and cash equivalents at beginning of year	485	212	**190**
Cash and cash equivalents at end of year	212	190	**130**

	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Change in net working capital, net of effect from business acquisitions:			
(Increase) decrease in assets and increase (decrease) in liabilities:			
Inventory	57	24	**23**
Receivables	(40)	183	**70**
Other assets	(34)	35	**59**
Percentage of completion: recognized assets and liabilities, net	(74)	(71)	**(140)**
Accounts payable	8	(46)	**(26)**
Accrued liabilities	79	(119)	**(51)**
Other liabilities	(9)	(28)	**11**
Total	(13)	(22)	**(54)**

Supplemental cash flow information:

	2001 EUR	2002 EUR	**2003 EUR**
Acquisition of businesses:			
Intangible assets	11	0	**-**
Tangible assets	197	1	**-**
Goodwill	836	4	**0**
Current assets, other than cash	909	2	**-**
Minority interests	10	0	**2**
Liabilities assumed	(1,135)	(6)	**-**
Total, net of cash acquired	828	1	**2**
Cash paid (received) during the year for:			
Interest	47	83	**69**
Income taxes 1)	113	57	**(6)**

1) Includes cash receipt of EUR 30 million related to income tax benefit realized for the goodwill impairment for the year ended 2003.

Consolidated Statements of Changes in Shareholders' Equity

(In millions)	Number of shares (thousands)	Share capital EUR	Share premium reserve EUR	Legal reserve EUR	Cumulative translation differences EUR	Reserve for own shares EUR	Other reserves EUR	Retained earnings EUR	Total EUR
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**
Dividends	-	-	-	-	-	-	-	(82)	(82)
Translation differences	-	-	-	-	(85)	-	-	-	(85)
Other	-	-	-	6	-	-	-	6	12
Net income	-	-	-	-	-	-	-	65	65
Balance at December 31, 2002	**136,251**	**232**	**14**	**227**	**(60)**	**1**	**202**	**763**	**1,379**
Dividends	-	-	-	-	-	-	-	(82)	(82)
Translation differences	-	-	-	-	(16)	-	-	-	(16)
Other	-	-	-	1	-	-	-	0	1
Net loss	-	-	-	-	-	-	-	(258)	(258)
Balance at December 31, 2003	**136,251**	**232**	**14**	**228**	**(76)**	**1**	**202**	**423**	**1,024**

Shareholders' equity includes EUR 39 million nondistributable accelerated depreciation and untaxed reserves and EUR 76 million negative translation differences at December 31, 2003.

Notes to Consolidated Financial Statements

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-interests method.

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

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 that Metso acquired control. Subsidiaries sold have been included up to their date of sale.

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 using the purchase method. Goodwill represents the excess of the purchase cost over the book value of the net assets of the acquired companies. A portion of the goodwill is allocated to fixed assets, which are depreciated over their useful lives. The remaining 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. Deferred credit arising from acquisitions is allocated to reduce the acquired fixed assets.

The equity method of accounting is used for investments in associated companies in which the investment provides Metso the ability to exercise significant influence over the operating and financial policies of the investee company. Such influence is presumed to exist for investments in companies in which Metso's direct or indirect ownership is between 20 and 50 percent. Under the equity method, the share of profits and losses of associated companies is included in the consolidated statements of income. The share of the result of 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.

Other shareholdings and securities (voting rights less than 20 percent) are stated at cost and dividends received are included in the statements of income; a 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 (i.e., outside the Euro area) are translated into euro at the average exchange rates for the financial year and the balance sheets are translated at the exchange rate of the balance sheet date. 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, net of taxes.

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-cur-

Notes to Consolidated Financial Statements

rency swaps as well as currency options and commodity contracts, 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, liabilities, firm commitments, forecasted sales and estimated consumption of raw materials.

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 to 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.

Currency options are used to hedge forecasted sales. Options are recorded at fair value.

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 forward exchange contracts, and to some extent cross-currency swaps. 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 to the extent that these hedges are effective.

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. Interest expense and income, net is recognized as incurred.

When derivative instruments have been used to mitigate the foreign currency fluctuation arising from business acquisitions, 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 and interest rate futures. 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 recorded at fair value. Interest rate futures are fair valued quarterly and the change in fair value is recognized in financial income and expenses, net.

Metso has entered into electricity futures to reduce the effects of the volatility of the electricity prices of its units located in Finland. The unrealized gains and losses of the contracts are deferred and recognized concurrently with the underlying consumption at maturities of the contracts.

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 and losses on marketable securities are deferred and recognized in income when realized either at disposal or at maturity.

Revenue recognition

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

Percentage of completion -method: Sales and anticipated profits under significant long-term engineering and construction contracts are recorded on a percentage-of-completion basis. The measurement is done either by units of delivery, which are based on predetermined milestones and on the realized value added (contract value of the work performed to date) or by the cost-to-cost method of accounting. Estimated contract profits are recorded in earnings in proportion to recorded sales. In the cost-to-cost method, sales and profits are recorded after considering the ratio of accumulated costs to estimated total costs to complete each contract. 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.

Sales with repurchase commitments are recognized at the time of the delivery and the commitment is included in contingent liabilities.

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

Research and development

Research and development costs are expensed as incurred.

Maintenance, repair and renewals

Maintenance, repairs and renewals are 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 and the accumulated pension liability of the Fund has been transferred to an external insurance company. Subsequently the Fund was wound up in 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. Metso's contributions to defined contribution plans and to multi-employer and insured plans are charged to the income statement concurrently with the payment obligations.

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
Trade names	20 years
Goodwill	5–20 years

Impairments of fixed assets and capital gains and losses on the disposal of fixed assets are included in operating profit (loss) or in extraordinary items depending on the nature of the event. Goodwill arising from strategic business acquisitions is amortized over 20 years. The acquisition of Svedala in 2001 has been classified as strategic and the goodwill arising from it is being amortized over 20 years.

Metso reviews long-lived assets and certain intangibles, other than goodwill, 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.

The carrying value of goodwill for each business area is reviewed annually or, more frequently, 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. The testing is performed at the reporting unit level, which in Metso is one level below the segment level. The annual testing may be waived if there has not been significant changes to the assets and liabilities of the reporting unit, if in the previous testing the fair value clearly exceeded the carrying values tested, and if the likelihood that the current fair value would be less than the current carrying value of the reporting unit is remote. Metso uses discounted cash flow analysis to assess the fair value of goodwill.

Capitalization of interest expenses

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

Revaluation of fixed assets

Fixed assets are stated at historical acquisition price reduced by accumulated depreciation. Revaluations are not permitted.

Leasing

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

Own shares (treasury stock)

Own shares held by Metso are valued at reacquisition price in a separate caption under financial assets. 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 an 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.

Notes to Consolidated Financial Statements

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 restructuring and reorganizing costs which have either been realized or planned and to which the management is committed, and other major one-time operating income and expenses.

Extraordinary items

Extraordinary items, net of taxes, include significant unusual income and expenses not resulting from ordinary course of business operations.

Equity share of untaxed reserves

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

Warranty

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

Restructuring costs

A provision for restructuring is recognized only after management has developed and approved a formal plan to which it has committed. The costs included in a provision for restructuring are those costs that are either incremental and incurred as a direct result of the plan or are the result of a continuing contractual obligation with no continuing economic benefit to the Company or a penalty incurred to cancel the contractual obligation. A restructuring provision also includes other costs incurred as a result of the plan, which are recorded separately under nonrecurring income and expenses, such as asset write-downs, environmental liabilities and costs to transfer operations to new locations.

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.

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.

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

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. The 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.

2 Selling, general and administrative expenses

	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Marketing and selling expenses	425	548	**492**
Research and development expenses	137	146	**126**
Administrative expenses	315	341	**299**
Other income	(15)	(26)	**(17)**
Other expenses	11	6	**6**
Total	873	1,015	**906**

3 Personnel expenses and the number of personnel

	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Salaries to the members of Boards of Directors			
and managing directors of group companies	12	14	**13**
Other wages and salaries	924	1,062	**951**
Pension costs	99	112	**104**
Other indirect employee costs	156	183	**173**
Total	1,191	1,371	**1,241**

Number of personnel:	2001	2002	**2003**
Personnel, average	25,613	29,258	**27,400**
Personnel, at end of year	30,242	28,489	**26,240**

Notes to Consolidated Financial Statements

4 Nonrecurring operating income and expenses

	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Gain on sale of businesses			
Metso Automation	-	-	**11**
Metso Ventures	-	-	**1**
Gain on sale of listed and other shares			
Metso Ventures	-	1	**-**
Headquarters and other	47	7	**3**
Nonrecurring operating income, total	47	8	**15**
Expenses related to efficiency improvement program			
Metso Paper	-	-	**(36)**
Metso Minerals	-	-	**(55)**
Metso Automation	-	-	**(7)**
Metso Ventures	-	-	**(4)**
Headquarters and other	-	-	**(1)**
Restructuring expenses			
Metso Paper	(15)	(6)	**-**
Metso Minerals	(13)	(10)	**-**
Metso Automation	(8)	(3)	**(5)**
Metso Ventures	-	(8)	**-**
Converting Equipment	-	(1)	**-**
Other expenses			
Metso Minerals	(3)	(3)	**(11)**
Metso Ventures	-	-	**(2)**
Headquarters and other	(4)	-	**-**
Converting Equipment	-	(4)	**-**
Nonrecurring operating expenses, total	(43)	(35)	**(121)**
Nonrecurring operating income and expenses, net	4	(27)	**(106)**

Gain on sale of listed and other shares included gains on disposal of listed companies of EUR 37 million, EUR 7 million and EUR 3 million for the years ended December 31, 2001, December 31, 2002 and December 31, 2003, respectively.

In January, Metso divested Metso Hydraulics, which was part of Metso Ventures, and in February Network Management Solutions, which was part of Metso Automation. For the year ended December 31, 2003, the gain recognized for the sale of Metso Hydraulics was EUR 1 million and the gain on the sale of Network Management Solutions was EUR 11 million.

Restructuring expenses consist of both paid and accrued expenses related to the restructuring of business operations. For the year ended December 31, 2001, Metso Paper's expenses of EUR 15 million consisted of reorganizing operations in the United States and in Sweden. Metso Automation's expenses amounted to EUR 8 million and related to reorganizing operations in the United States. Metso Minerals' expenses, EUR 13 million, consisted of restructuring and integration measures worldwide and included EUR 7 million of restructuring expenses related to the acquisition of Svedala.

For the year ended December 31, 2002, the restructuring expenses comprised EUR 10 million, of which EUR 4 million related to Svedala acquisition, of employee and exit costs of Metso Minerals' operations in Europe and in North and South America. The streamlining of Metso Paper's North American and Swedish operations continued in the year ended December 31, 2002, with exit costs amounting to EUR 6 million. Concurrently with Metso Paper's reorganization, Converting Equipment recognized EUR 1 million of exit costs in North America. Restructuring costs of EUR 8 million recognized by Metso Ventures' Panelboard Technology and EUR 3 million by Metso Automation, respectively, relate to restructuring of operations to enhance the refocused business strategies.

For the year ended December 31, 2003, restructuring expenses consisted of Metso Automation´s reorganization in the United States and amounted to EUR 5 million.

For the years ended December 31, 2001 and 2002, respectively, other expenses comprised of EUR 4 million for marketing and support costs for extending the use of the Metso name to business operations and of additional one-time inventory write-off of EUR 4 million in Converting Equipment. For the years ended December 31, 2001 and 2002, respectively, the caption includes, in both financial years, costs of EUR 3 million in Metso Minerals for integration projects, initiated before the acquisition of Svedala, and which continued through out the year 2002. For the year ended December 31, 2003, other expenses of Metso Minerals', EUR 11 million, included accounting adjustments and reserves for Metso Minerals' UK operations and for the opening balance sheet of the Svedala acquisition. For the year ended December 31, 2003, Metso Ventures' other expenses, EUR 2 million, comprised a write-down of patents in Metso Panelboard and charges related to Metso Drives' operations in the United States.

In June 2003, Metso announced an efficiency improvement program affecting all business areas. The program is designed to cut overhead costs and aims at substantial cost savings. For the year ended December 2003, expenses of EUR 103 million were recognized related to the efficiency improvement program.

The total costs of the efficiency improvement program comprised of the following:

	Year ended December 31, **2003** **EUR**
Efficiency improvement program	
Pensions and postretirement benefits	21
Employee termination and exit cost	42
Write-down of fixed assets and inventory	25
Restructuring expenses	7
Other expenses	8
Efficiency improvement program, total	**103**

A summary of the cash flow effect and balance sheet impact of the efficiency improvement program is presented below:

	2003 **EUR**
Amount recorded as expense for the efficiency improvement program	**103**
Paid in 2003	(18)
Write-down of fixed assets and inventory	(8)
Accrued liabilities as at December 31, 2003	**77**

Notes to Consolidated Financial Statements

5 Goodwill impairment

Metso assesses the value of the goodwill for impairment annually or more frequently, if facts and circumstances indicate the need, using fair value measurement techniques, such as the discounted cash flow methodology. The testing is performed on the reporting unit level, which in Metso is one level below a segment. In the discounted cash flow method, Metso discounts forecasted performance plans to their present value. The discount rate is the weighted average cost of capital for the reporting unit, calculated as the opportunity cost to all capital providers weighted by their relative contribution to the reporting unit's total capital and the risk associated with the cash flow and the timing of the cash flow. The comparison methods and other estimation techniques are utilized to verify the reasonableness of the value derived from the discounted cash flow.

Due to the tightened competition, reduced demand in certain market areas and exchange rate development, especially the impact of the weakened U.S. Dollar, the operating profits of Metso Minerals operations were lower than expected for the year. As of September 30, 2003, upon completion of the annual impairment assessment, based on approved updated forecasted plans, it was determined that Metso should recognize an impairment loss of EUR 205 million related to the Metso Minerals business.

A summary of changes in Metso's goodwill during the years ended December 31, 2002 and 2003 by business segments is as follows:

(In millions)	Balance at beginning of year EUR	Amortization EUR	Translation difference and other changes EUR	Impairment loss EUR	Balance at end of year EUR
2002					
Metso Paper	117	(8)	(13)	-	96
Metso Minerals [1)]	858	(43)	(69)	-	746
Metso Automation	30	(3)	(2)	-	25
Metso Ventures	19	(2)	(1)	-	16
Converting Equipment	13	(1)	0	-	12
Total	1,037	(57)	(85)	-	895
2003					
Metso Paper	96	(8)	(10)	-	**78**
Metso Minerals	746	(38)	(5)	(205)	**498**
Metso Automation	25	(3)	(1)	-	**21**
Metso Ventures	16	(1)	0	-	**15**
Converting Equipment	12	(1)	0	-	**11**
Total	**895**	**(51)**	**(16)**	**(205)**	**623**

[1)] Other changes for the year ended December 31, 2002 include the final allocation of EUR 81 million of excess purchase price to the fixed assets acquired in the Svedala acquisition in 2001. See note 14 for additional information.

6 Depreciation and amortization

Depreciation and amortization expenses consist of the following:	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Intangible assets			
Goodwill	28	57	**51**
Other intangible assets	16	19	**16**
Tangible assets			
Buildings	22	26	**25**
Machinery and equipment	77	87	**84**
Other tangible assets	6	8	**7**
Total	149	197	**183**

Depreciation and amortization charged against operations by activity are as follows:	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Cost of goods sold	77	83	**82**
Marketing, selling and administrative expenses			
Marketing and selling	7	12	**8**
Research and development	9	11	**11**
Administrative	28	34	**31**
Goodwill	28	57	**51**
Total	149	197	**183**

7 Financial income and expenses

	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Financial income			
Dividends received	12	7	**4**
Interest income	24	11	**7**
Other financial income	3	3	**1**
Net gain (loss) from foreign exchange	2	(4)	**(4)**
Financial income total	41	17	**8**
Financial expenses			
Interest expenses	(53)	(87)	**(73)**
Other financial expenses	(12)	(4)	**(9)**
Financial expenses total	(65)	(91)	**(82)**
Financial income and expenses, net	(24)	(74)	**(74)**

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

Notes to Consolidated Financial Statements

8 Investments in associated companies

	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Dividends received	0	0	**0**
Share of profits or losses in associated companies	0	1	**2**
Equity value of investments in associated companies	14	14	**15**

In addition to the information provided above for investments in associated companies, see also note 15.

9 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,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Extraordinary income	-	-	**-**
Extraordinary expenses			
Inventory adjustment in Metso Drives' German operations	(3)	-	**-**
Accounting adjustments in Metso Automation's U.S. operations	(8)	-	**-**
Tax effect	3	-	**-**
Extraordinary expenses, net of taxes	(8)	-	**-**
Extraordinary income and expenses, net	(8)	-	**-**

10 Income taxes

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

	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Finland	208	103	**(48)**
Other countries	14	(10)	**(255)**
Total	222	93	**(303)**

The components of income taxes are as follows:

	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Current taxes			
Finland	50	(18)	**(12)**
Other countries	23	17	**33**
	73	(1)	**21**
Deferred taxes			
Finland	10	22	**(53)**
Other countries	(11)	5	**(12)**
	(1)	27	**(65)**
Current and deferred taxes	72	26	**(44)**
Tax effect of extraordinary items	(3)	-	**-**
Income taxes, total	69	26	**(44)**

The differences between income tax expense (benefit) computed at Finnish statutory rate, 29%, and income tax expense (benefit) provided on earnings are as follows:

	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Income tax expense (benefit) at Finnish statutory rate	64	27	**(88)**
Income tax for prior years	(7)	(9)	**(3)**
Write-down of subsidiary shares [1]	-	(29)	**(53)**
Temporary differences for which no deferred tax has been provided	(1)	2	**(3)**
Benefit of operating loss carryforward	(3)	(3)	**(12)**
Amortization and impairment of goodwill	4	16	**74**
Nontaxable income	0	0	**0**
Nondeductible expenses	1	1	**1**
Taxes on foreign subsidiaries' net income in excess of income taxes at Finnish statutory rates	3	4	**8**
Operating losses with no current tax benefit [2]	9	16	**26**
Effect of extraordinary items	(3)	-	**-**
Other	2	1	**6**
Income tax expense (benefit)	69	26	**(44)**

1) Write-down of subsidiary shares includes for the year ended December 31, 2003, the impact of realized tax benefit of EUR 51 million related to a write-down of subsidiary shares recorded in 2002 with full valuation allowance.

2) Operating losses with no current tax benefit relate to current year losses for which no deferred tax asset has been recognized.

Notes to Consolidated Financial Statements

The components of net deferred tax asset (liability) consist of the following:	Year ended December 31,	
	2002	**2003**
(In millions)	EUR	**EUR**
Noncurrent assets:		
Tax losses carried forward	186	**171**
Provisions	29	**21**
Other	0	**0**
Valuation allowance	(110)	**(111)**
	105	**81**
Current assets:		
Intercompany profit in inventory	10	**8**
Provisions	84	**116**
Valuation allowance	0	**(3)**
	94	**121**
Current liabilities:		
Inventories and other	(8)	**(6)**
Noncurrent liabilities:		
Accelerated depreciation and other untaxed reserves	(25)	**(22)**
Other	(93)	**(51)**
	(118)	**(73)**
Deferred tax asset (liability), net	73	**123**

As at December 31, 2003, Metso had EUR 514 million of losses carried forward, primarily attributable to foreign subsidiaries. New losses for the year ended December 31, 2003, amounting to EUR 101 million, increased the deferred tax asset on loss carryforward by EUR 3 million. Approximately 40 percent of the accumulated loss carryforwards at December 31, 2003 have no expiration date, 25 percent expires between years 2004–2013 and the remaining 35 percent between years 2014–2024.

The valuation allowance for the deferred tax asset is as follows:	Balance at beginning of year	Deduction	Increase	Balance at end of year
(In millions)	EUR	EUR	EUR	EUR
2002				
Losses carried forward	88	(34)	56	110
Other [1)]	17	(17)	0	0
Total	105	(51)	56	110
2003				
Losses carried forward	110	(49)	50	111
Other	0	0	3	3
Total	**110**	**(49)**	**53**	**114**

[1)] The deduction in the valuation allowance for 2002 includes EUR 16 million, which relates to a write-down on subsidiary shares that became tax deductible in the 2002 taxation.

11 Earnings per share

Earnings per share is calculated as follows:

	Year ended December 31,		
	2001	2002	**2003**
(In millions, except for per share amounts)	EUR	EUR	**EUR**
Income (loss) before extraordinary items and income taxes	222	93	**(303)**
Minority interests	(1)	(2)	**1**
Taxes on normal business operations	(72)	(26)	**44**
	149	65	**(258)**
Weighted average number of shares issued and outstanding (in thousands)	136,135	136,190	**136,190**
Earnings per share	1.09	0.48	**(1.89)**
Weighted average number of diluted shares issued and outstanding (in thousands)	136,135	136,190	**136,190**
Diluted earnings per share	1.09	0.48	**(1.89)**

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 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.

Notes to Consolidated Financial Statements

12 Intangible and tangible assets

	Year ended December 31,	
	2002	**2003**
(In millions)	EUR	**EUR**
Goodwill		
Acquisition cost at beginning of year	1,252	**1,137**
Increases	21	**1**
Decreases	(101)	**(13)**
Impairment	-	**(205)**
Translation differences	(35)	**(32)**
Accumulated depreciation at end of year	(242)	**(265)**
Net book value at end of year	895	**623**
Other intangible assets		
Acquisition cost at beginning of year	130	**202**
Increases	81	**41**
Decreases	(6)	**(8)**
Translation differences	(3)	**(2)**
Accumulated depreciation at end of year	(86)	**(96)**
Net book value at end of year	116	**137**
Land and water areas		
Acquisition cost at beginning of year	68	**85**
Increases	23	**1**
Decreases	(3)	**(4)**
Translation differences	(3)	**(2)**
Net book value at end of year	85	**80**
Buildings		
Acquisition cost at beginning of year	576	**599**
Increases	82	**43**
Decreases	(30)	**(38)**
Translation differences	(29)	**(22)**
Accumulated depreciation at end of year	(249)	**(253)**
Net book value at end of year	350	**329**

	Year ended December 31, 2002	**2003**
(In millions)	EUR	**EUR**
Machinery and equipment		
Acquisition cost at beginning of year	1,383	**1,293**
Increases	85	**101**
Decreases	(113)	**(51)**
Translation differences	(62)	**(35)**
Accumulated depreciation at end of year	(950)	**(972)**
Net book value at end of year	343	**336**
Other tangible assets		
Acquisition cost at beginning of year	88	**93**
Increases	16	**9**
Decreases	(6)	**(8)**
Translation differences	(5)	**(4)**
Accumulated depreciation at end of year	(62)	**(62)**
Net book value at end of year	31	**28**
Assets under construction		
Acquisition cost at beginning of year	59	**82**
Increases	54	**25**
Decreases	(30)	**(70)**
Translation differences	(1)	**0**
Net book value at end of year	82	**37**

13 Capitalization of interest expenses

	Year ended December 31, 2002	**2003**
(In millions)	EUR	**EUR**
Net capitalized interest, beginning of year	4	**3**
Amortization of capitalized interest expense	(1)	**(1)**
Net capitalized interest, end of year	3	**2**

Notes to Consolidated Financial Statements

14 Final goodwill arising from the acquisition of Svedala

(In millions)	EUR
Purchase price of the shares	**943**
Equity of Svedala at acquisition less goodwill included in the balance sheets of the Svedala subsidiaries	(206)
Goodwill of Svedala reported as of September 30, 2001	**737**
Charges to the equity of Svedala after September 30, 2001	111
Goodwill before fair market value allocation	**848**
Allocation of fair market values exceeding the book values in the acquisition balance sheet	(81)
Final goodwill at acquisition	**767**

Allocation of fair values

The fair market values exceeding book values in the acquisition balance sheet were allocated from goodwill to other assets as follows:

(In millions)	Gross EUR	Tax effect EUR	Net EUR
Intangible assets			
Trademarks	58	(17)	41
Patents	7	(2)	5
Tangible assets			
Land areas	13	(4)	9
Buildings	21	(6)	15
Machinery and equipment	15	(4)	11
Total	**114**	**(33)**	**81**

Total restructuring expenses of the Svedala acquisition from the acquisition date:

(In millions)	Gross EUR	Tax effect EUR	Net EUR
Booked into goodwill	79	(15)	64
Booked as expense	11	(3)	8
Restructuring expenses total	**90**	**(18)**	**72**

15 Shareholdings and other securities

Investments in associated companies:

	Year ended December 31,			
	2002		**2003**	
(In millions)	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%	4	**48.3%**	**5**
Shanghai Neles-Jamesbury Valve Co. Ltd	50.0%	3	**50.0%**	**3**
Others		2		**2**
Total investments in associated companies		14		**15**

Shareholdings and other securities:

	Year ended December 31,							
	2002				**2003**			
(In millions, except for number of shares)	Number of shares	Ownership %	Book value EUR	Fair value EUR	**Number of shares**	**Ownership %**	**Book value EUR**	**Fair value EUR**
Tamfelt Corporation [1)]	242,100	2.7%	4	7	**484,200**	**2.7%**	**4**	**8**
Sampo Plc	327,540	0.1%	1	2	**-**	**-**	**-**	**-**
Sato Corporation plc	239,555	10.9%	12	12	**239,555**	**10.9%**	**12**	**12**
Exel plc	650,000	12.3%	5	4	**650,000**	**12.2%**	**5**	**8**
Other shares and securities			15	15			**8**	**7**
Total investments in shares and other securities			37	40			**29**	**35**
Total shareholdings and other securities			51				**44**	
Own shares held by Metso Corporation	60,841	0.0%	1	1	**60,841**	**0.0%**	**1**	**1**

[1)] Split 1:2 in 2003

Notes to Consolidated Financial Statements

16 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 26 million at December 31, 2002 and to EUR 10 million at December 31, 2003. Other long-term investments are recorded at the lower of cost or market value.

	Year ended December 31,							
	2002				**2003**			
		Unrealized	Unrealized	Fair		**Unrealized**	**Unrealized**	**Fair**
	Cost	gains	losses	value	**Cost**	**gains**	**losses**	**value**
(In millions)	EUR	EUR	EUR	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Bonds and Treasury bills	8	0	-	8	**5**	**0**	**-**	**5**
Other securities	18	0	-	18	**5**	**0**	**-**	**5**
Total	26	0	-	26	**10**	**0**	**-**	**10**

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

	Year ended December 31,		
	2001	2002	**2003**
(In millions)	EUR	EUR	**EUR**
Purchases	-	6	**0**
Transferred through Svedala acquisition	25	-	**-**
Reclassified in other short-term investments	5	35	**-**
Reclassified in loans receivable	-	-	**13**
Proceeds from sales	1	18	**2**
Proceeds from maturities	3	-	**1**
Realized gains	-	-	**0**
Realized losses	-	(1)	**-**

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

As at December 31, 2003, the maturities of long-term investments in debt and other securities are as follows:

(In millions)	**EUR**
Less than five years	**6**
Five to ten years	**2**
More than ten years	**2**
Total	**10**

17 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, 2002 and 2003 is as follows:

(In millions)	Cost and earnings of uncompleted projects EUR	Billings of projects EUR	Net EUR
2002			
Projects where cost and earnings exceed billings	538	364	174
Projects where billings exceed cost and earnings	161	245	84
2003			
Projects where cost and earnings exceed billings	600	331	269
Projects where billings exceed cost and earnings	420	461	41

18 Interest bearing and non-interest bearing assets

	Year ended December 31,					
	2002			**2003**		
(In millions)	Interest bearing EUR	Non-interest bearing EUR	Total EUR	**Interest bearing EUR**	**Non-interest bearing EUR**	**Total EUR**
Financial assets						
Loans receivable	2	18	20	**9**	**28**	**37**
Accounts receivable	1	4	5	**1**	**1**	**2**
Other long-term investments	26	-	26	**10**	**-**	**10**
Total	29	22	51	**20**	**29**	**49**
Receivables						
Accounts receivable	2	834	836	**0**	**719**	**719**
Cost and earnings of projects under construction in excess of billings	-	174	174	**-**	**269**	**269**
Loans receivable	2	3	5	**3**	**2**	**5**
Prepaid expenses and accrued income	-	201	201	**-**	**88**	**88**
Other receivables	-	158	158	**-**	**198**	**198**
Other short-term investments	11	-	11	**7**	**-**	**7**
Total	15	1,370	1,385	**10**	**1,276**	**1,286**

Notes to Consolidated Financial Statements

19 Shareholders' equity

As at December 31, 2003 Metso had 136,250,545 issued shares with a par value of EUR 1.70, the share capital being EUR 232 million. Under its Articles of Association Metso Corporation's authorized share capital may not be less than EUR 170 million nor more than EUR 680 million. At the closing of the financial year Metso held 60,841 of its own shares. The reacquisition price of EUR 1 million has been recorded in the reserve of own shares at cost.

Calculation of distributable funds at December 31, 2003:

(In millions)	**EUR**
Other reserves	**202**
Retained earnings	**681**
Result for the financial year	**(258)**
Equity share of accelerated depreciation and other untaxed reserves	**(39)**
Translation differences	**(76)**
Total distributable funds	**510**

The parent company's distributable funds at December 31, 2003 were EUR 616 million. The distribution of dividends to shareholders is limited to the lower of consolidated distributable funds or distributable funds held by the parent company.

Foreign currency translation included in the shareholders' equity at December 31:

(In millions)	2002 EUR	**2003** **EUR**
Cumulative translation adjustment at beginning of year	25	**(60)**
Change in foreign currency translation	(127)	**(55)**
Hedging of net investment denominated in foreign currency	59	**55**
Tax effect	(17)	**(16)**
Cumulative translation adjustment at end of year	(60)	**(76)**

20 Long-term debt

Long-term debt consists of the following at December 31:

(In millions)	2002 EUR	**2003 EUR**
Bonds	713	**697**
Loans from financial institutions	270	**187**
Pension loans	48	**38**
Other long-term debt	39	**52**
	1,070	**974**
Less current maturities	50	**17**
Total	1,020	**957**

Bonds:
The bonds consist principally of two loans: a USD 200 million (EUR 158 million) bond and a EUR 500 million 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 million (EUR 64 million) into British pound sterling with a fixed annual rate of 7.51%. The currency swap agreement matures concurrently with the bond.

The EUR 500 million 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%.

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 either USD or EUR denominated. The interest rates vary from 1.69% (USD) to 9.50% (ZAR). The loans are payable from year 2004 to 2011.

In June 2003, Metso signed a five-year EUR 450 million revolving credit facility agreement with a syndicate of 14 international banks. The credit replaced two then existing revolving credits: EUR 230 million credit from 1998 and the remaining EUR 400 million of the credit from year 2000. Of these facilities EUR 98 million was utilised at December 31, 2002. As at December 31, 2003 EUR 66 million of the current revolving facility was utilised.

As at December 31, 2003 the undrawn committed facilities of Metso totaled EUR 384 million.

Pension loans:
Pension loans consist of Finnish pension insurance reborrowing loans amounting to EUR 32 million and of EUR 6 million foreign pension loans.

Other long-term debt:
Other long-term loans consist principally of pension liabilities amounting to EUR 39 million at December 31, 2002. As at December 31, 2003 other long term debt comprised EUR 29 million pension liabilities, EUR 16 million obligations under finance leases and EUR 7 million other liabilities.

Maturities of long-term debt as at December 31, 2003 are as follows:

(In millions)	Bonds EUR	Loans from financial institutions EUR	Pension loans EUR	Other long-term debt EUR	Total EUR
2004	2	4	9	2	17
2005	0	11	10	5	26
2006	500	47	1	3	551
2007	158	10	1	8	177
2008	0	91	1	2	94
Later	37	24	16	32	109

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21 Other long-term liabilities - Accrued expenses

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

(In millions)	2002 EUR	**2003 EUR**
Accrued costs related to the efficiency improvement program		
Pension liabilities for personnel with terminated contracts	-	**5**
Accrued restructuring costs	-	**1**
	-	**6**
Pension liabilities	49	**50**
Pension liabilities for personnel with terminated contracts	6	**4**
Accrued postretirement benefits	43	**45**
Warranty and guarantee liabilities	11	**12**
Accrued restructuring costs	0	**3**
Other long-term provisions and accruals	17	**14**
Total	126	**134**

22 Other interest bearing short-term debt

Other interest bearing short-term debt consists of the following at December 31:

(In millions)	2002 EUR	**2003 EUR**
Loans from financial institutions	67	**25**
Domestic commercial paper financing	200	**262**
Euro Commercial Paper financing	-	**-**
Other	16	**8**
Total	283	**295**

The weighted average interest rate applicable to short-term borrowing at December 31, 2002 and 2003 was 3.4% and 2.4%, respectively.

Metso had undrawn committed short-term credit facilities with banks totaling EUR 100 million at December 31, 2003.

The Company has established a short-term Euro Commercial Paper program of EUR 150 million and a domestic commercial paper program amounting to EUR 300 million.

23 Accrued expenses and deferred income

Accrued expenses and deferred income consist of the following at December 31:

(In millions)	2002 EUR	**2003 EUR**
Accrued expenses related to the efficiency improvement program		
Pension liabilities for personnel with terminated contracts	-	**7**
Employee termination and exit costs	-	**33**
Accrued restructuring costs	-	**6**
Other	-	**25**
	-	**71**
Accrued restructuring costs	28	**10**
Employee termination and exit costs	25	**6**
Accrued interest expenses	8	**6**
Accrued personnel expenses	156	**155**
Accrued project costs	334	**297**
Environmental and product liabilities	4	**4**
Taxes currently payable	47	**38**
Warranty and guarantee liabilities	147	**127**
Other	124	**104**
Total	873	**818**

Notes to Consolidated Financial Statements

24 Changes in cost accruals

The cost accruals, including both long- and short-term portions, have changed as follows during the financial year 2003:

(In millions)	Balance at beginning of year EUR	Impact of exchange rates EUR	Additions charged to expense EUR	Deductions/ other additions EUR	Balance at end of year EUR
Allowance for doubtful notes and receivables	45	(3)	5	(13)	34
Allowance for inventory	72	(5)	15	(15)	67
Environmental and product liabilities	4	0	2	(2)	4
Efficiency improvement program	-	-	103	(26)	77
Accrued restructuring costs	28	(2)	6	(19)	13
Accrued employee termination and exit costs	25	(1)	3	(17)	10
Total	**174**	**(11)**	**134**	**(92)**	**205**

The total costs and accruals related to the efficiency improvement program have been recognized as follows during the financial year 2003:

(In millions)	Balance at beginning of year EUR	Impact of exchange rates EUR	Additions changed to expense EUR	Deductions EUR	Balance at end of year EUR
Pension liabilities for personnel with terminated contracts	-	-	21	(9)	12
Employee termination and exit costs	-	-	42	(9)	33
Accrued restructuring costs	-	-	7	0	7
Other	-	-	33	(8)	25
Total	**-**	**-**	**103**	**(26)**	**77**

Balance at the end of year includes reserves amounting to EUR 17 million related to fixed assets.

The cost accruals for warranty and guarantee liabilities have changed as follows during the financial year 2003:

(In millions)	Balance at beginning of year EUR	Impact of exchange rates EUR	Increase for current year's deliveries EUR	Increase for previous year's deliveries EUR	Deductions [1] EUR	Balance at end of year EUR
Warranty and guarantee liabilities	158	(4)	43	24	(82)	139

[1] Includes reversals of EUR 24 million.

25 Mortgages and contingent liabilities

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

(In millions)	2002 EUR	**2003 EUR**
Mortgages on corporate debt	1	**1**
Other pledges and contingencies		
Mortgages	2	**2**
Pledged assets	0	**4**
Guarantees on behalf of associated company obligations	0	**0**
Other guarantees	4	**7**
Repurchase and other commitments [1)]	38	**48**

1) Prior year amount has been reclassified to conform to current year presentation.

The mortgage amount on corporate debt has been calculated as the amount of corresponding loans. The nominal value of the mortgages at December 31, 2003 was EUR 0.2 million higher than the amount of the corresponding loans.

The repurchase commitments, amounting to EUR 8 million and EUR 20 million for the years ended December 31, 2002 and 2003, respectively, represent engagements whereby Metso guarantees specified trade-in values for products sold to customers and third parties. The amounts in the above schedule comprise the agreed value in full of each repurchase commitment.

Other commitments include EUR 13 million of unfunded pension liabilities for foreign subsidiaries for the years ended December 31, 2002 and 2003, respectively.

26 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.

Pending asbestos litigation

As of December 31, 2003 there have been 284 complaints alleging asbestos injuries filed in the United States in which a Metso entity is a named defendant among others. Where a given plaintiff has named more than one viable Metso unit as a defendant, the cases are counted by the number of viable Metso defendants. Of these claims, 119 are still pending and 165 cases have been closed. Of the closed cases, 112 were dismissed and 53 were settled. For the 53 cases settled the average compensation has been USD 540 per case. The outcome of the still pending cases is not expected to materially deviate from the outcome of the previous claims. Hence, the company believes it has not material asbestos related claims in the United States.

Environmental issues

Metso Minerals Industries Inc. has been named, together with a number of other parties, as a potentially responsible party ("PRP") for the remediation of two Wisconsin landfills: Hunt and Muskego. By the end of year 2003 Metso Minerals had paid a total of approximately USD 0.525 million for the clean-up costs at these sites. Management estimates that Metso Minerals' maximum remaining liability with respect to the Hunt and Muskego sites will not exceed USD 0.267 million, and that the reserves already established will be sufficient for any remaining liability.

Metso Minerals Industries Inc. owns an industrial facility at Milwaukee, Wisconsin, and it has been announced that the manufacturing at this site is intended to cease. Should in the future the use of the site change or should the facility become subject to sales process, it has been estimated that some remedial costs may be required. Metso Minerals Industries Inc. has reserves in the amount of USD 4.2 million for future remedial costs at the Milwaukee facility.

Notes to Consolidated Financial Statements

As a result of the acquisition of Svedala, Metso Minerals has two sites with certain environmental concerns: Mt. Olive in New Jersey and Danville in Pensylvania. Metso Minerals has sold the site in Mt. Olive in December 2003, however, the liabilities for ground water contamination issues were retained by Metso Minerals and an USD 0.832 million reserve has been established to cover the clean-up costs. The second site with environmental concerns is a former manufacturing property in Danville, Pennsylvania. An approved remediation plan is being developed in conjunction with the state of Pennsylvania and an USD 1.2 million reserve is the best estimate of potential remediation costs at this time.

Metso Minerals, through its Reedrill division was identified as a PRP in two sites. At one of the sites, liability has been assumed by a predecessor company. Regarding the other site, Metso Minerals (Svedala) has responded in March 2000 to an EPA request for information and identified predecessor companies as the proper responsible parties.

In addition, in Colorado Springs there is an old industrial facility, which is for sale and where Metso Minerals Industries Inc. may become subject to remedial costs. A reserve of USD 0.35 million has been established to cover such potential costs.

In Svedala, Sweden, at the industrial site, which was acquired in 2001 by Sandvik from Metso, Metso Minerals has a contractual liability to remedy Sandvik for two soil removal remedial work related costs. At this moment we are not aware of the actual costs that Metso would be required to assume, but the remedial costs are not anticipated to be material.

Metso Panelboard, part of the Metso Ventures business area, has previously owned a site with a certain environmental concerns. The site, located in Belgium, was owned by Constructiewerkhuizen De Mets N.V., a company divested in 2001. In accordance with the conditions of the sales agreement, the estimated responsibility for remediation costs will be limited to EUR 1 million, which was recognized as a reserve in connection with the disposal.

27 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, 2003 are shown in the table below:

(In millions)	Operating leases EUR	Capital leases EUR
Fiscal 2004	43	5
2005	32	4
2006	24	4
2007	17	4
2008	14	2
2009 and later	28	6
Total minimum lease payments	**158**	**25**

Total rental expense amounted to EUR 46 million, EUR 41 million and EUR 39 million in the years ended December 31, 2001, 2002 and 2003, respectively.

Future lease payments for empty premises

Due to reorganization of production and sales activities, Metso has from time to time empty leased premises with non-cancelable rental agreements. A cost reserve for the remaining lease period is made when it is probable that economically realistic sub-lease or early termination arrangements cannot be negotiated. The cost accrual is based on discounted future lease payments. In connection with the Svedala acquisition, Metso recognized an accrual for duplicate lease costs. As of December 31, 2002 and 2003, the remaining reserve amounted to EUR 7 million and EUR 5 million, respectively.

28 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 since September 2001.

Foreign exchange gains and losses, reported in the operating profit resulted in a net gain of EUR 1 million in 2001, a net loss of EUR 3 million in 2002 and a net gain of EUR 1 million in 2003.

Trade flow related derivatives
The trade flow related currency exposures 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 derivative transactions with the subsidiaries. External forwards contracted by the Corporate Treasury are fair valued quarterly. External currency forwards entered into directly by the subsidiaries are designated 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.

Foreign currency denominated equity
Metso hedges its USD, SEK and, to some extent, CAD denominated net investments to reduce the effect of exchange rate fluctuations. As of December 31, 2003, the hedging istruments were foreign currency loans and 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. The forwards are designated as hedges of net investments at inception and their effectiveness is measured quarterly. The interest component of forwards is fair valued and the change in fair value is recognized in the income statement.

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

Short-term funding and liquidity management
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 twelve months and they are fair valued quarterly.

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 rate and cross-currency swaps and interest rate futures contracts to mitigate the risks arising from interest bearing receivables and debt. The notional amount of interest rate swaps outstanding at December 31, 2002 and 2003 was EUR 60 million and EUR 60 million, respectively. The notional amount of interest rate futures contracts at December 31, 2002 and 2003 amounted to EUR 15 million and EUR 15 million, respectively. The interest rate risk is measured using sensitivity analysis and controlled by the Corporate Treasury.

Commodity risks
In 2003, Metso extended its risk management policy to include the volatility in electricity prices and authorized its affiliates located in Finland, together with the Corporate Treasury, to enter into electricity forward contracts. The commodity risk is measured using sensitivity analysis.

Notes to Consolidated Financial Statements

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

	Year ended December 31,	
	2002	**2003**
(In millions)	EUR	**EUR**
Trade flow related currency derivatives		
Fair valued derivatives	778	**654**
Ear-marked with underlying item	5	**3**
Foreign currency denominated equity	102	**481**
Foreign currency denominated loans	104	**84**
Short-term funding and liquidity management	533	**405**
Long-term funding and other arrangements	38	**-**
Currency risk management	184	**71**
Interest risk management	75	**75**
Total notional amount of derivative instruments	1,819	**1,773**

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

	2002			**2003**		
	Notional amount	Carrying amount	Fair value	**Notional amount**	**Carrying amount**	**Fair value**
(In millions)	EUR	EUR	EUR	**EUR**	**EUR**	**EUR**
Forward exchange contracts	1,617	38	65	**1,567**	**20**	**36**
Cross-currency swaps	4	0	(1)	**3**	**0**	**0**
Currency swaps	100	2	1	**81**	**(1)**	**(2)**
Interest rate swaps	60	0	2	**60**	**(1)**	**0**
Interest rate futures contracts	15	0	0	**15**	**0**	**0**
Option agreements						
Bought	9	1	1	**13**	**0**	**0**
Sold	14	0	0	**34**	**(1)**	**(1)**
Electricity forward contracts [1)]	-	-	-	**344**	**0**	**(1)**

[1)] Notional amount GWh

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, 2003 the maturities of the financial derivatives are following (expressed as notional amounts):

	2004	2005	2006	2007	2008 and after
(In millions)	EUR	EUR	EUR	EUR	EUR
Forward exchange contracts	1,529	38	-	-	-
Cross-currency swaps	-	-	-	3	-
Currency swaps	-	15	-	64	2
Interest rate swaps	-	-	40	-	20
Interest rate futures contracts	15	-	-	-	-
Option agreements					
Bought	13	-	-	-	-
Sold	34	-	-	-	-
Electricity forward contracts [1)]	192	108	44	-	-

[1)] Notional amount GWh

Notes to Consolidated Financial Statements

Fair value of financial instruments

Disclosures about fair values of financial instruments require 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, 2002 and 2003. 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.

	Year ended December 31,			
	2002		**2003**	
(In millions)	Carrying value EUR	Fair value EUR	**Carrying value EUR**	**Fair value EUR**
Assets:				
Shareholdings and other securities (excluding shares in associated companies)	37	40	**29**	**35**
Own shares	1	1	**1**	**1**
Loans receivable, long-term	20	20	**37**	**37**
Accounts receivable, long-term	5	5	**2**	**2**
Other interest bearing long-term investments	26	26	**10**	**10**
Accounts receivable, short-term	836	836	**719**	**719**
Loans receivable, short-term	5	5	**5**	**5**
Short-term investments	11	11	**7**	**7**
Cash and cash equivalents	190	190	**130**	**130**
Liabilities:				
Bonds	713	757	**695**	**731**
Loans from financial institutions	233	240	**183**	**187**
Pension loans	38	38	**29**	**29**
Other long-term debt	36	36	**50**	**50**
Current portion of long-term loans	50	50	**17**	**17**
Other interest bearing short-term debt	283	283	**295**	**295**

29 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.

30 Principal subsidiaries

	Country	Shareholder percentage
Metso Paper		
Metso Paper Oy	Finland	100%
Metso Paper USA Inc.	United States	100%
Metso Paper Ltd	Canada	100%
Metso Paper Karlstad AB	Sweden	100%
Metso Paper Sundsvall AB	Sweden	100%
Metso Paper Pori Oy	Finland	100%
Metso Paper Valkeakoski Oy	Finland	100%
Metso Minerals		
Metso Minerals Industries Inc.	United States	100%
Metso Dynapac AB	Sweden	100%
Metso Minerals (Tampere) Oy	Finland	100%
Metso Minerals (Australia) Ltd	Australia	100%
Metso Dynapac GmbH	Germany	100%
Metso Automation		
Metso Automation Oy	Finland	100%
Metso Automation USA Inc.	United States	100%
Metso Ventures		
Metso Drives Oy	Finland	100%
Valmet Automotive Oy	Finland	90%

Notes to Consolidated Financial Statements

31 Business area and geographic information

Net sales by business area:

(In millions)	2001 EUR	2002 EUR	**2003 EUR**
Metso Paper	2,180	1,778	**1,651**
Metso Minerals	900	1,804	**1,637**
Metso Automation	693	622	**531**
Metso Ventures	554	446	**370**
Intra Metso net sales	(160)	(119)	**(122)**
Continuing operations	4,167	4,531	**4,067**
Converting Equipment	176	160	**183**
Metso total	4,343	4,691	**4,250**

Operating profit (loss) before nonrecurring operating items and amortization of goodwill by business area:

(In millions)	2001 EUR	% of net sales	2002 EUR	% of net sales	**2003 EUR**	**% of net sales**
Metso Paper	188.0	8.6%	129.3	7.3%	**68.3**	**4.1%**
Metso Minerals	42.4	4.7%	105.7	5.9%	**74.5**	**4.6%**
Metso Automation	28.7	4.1%	21.9	3.5%	**31.4**	**5.9%**
Metso Ventures	34.7	6.3%	28.6	6.4%	**(2.6)**	**(0.7%)**
Corporate Headquarters and other	(27.6)	-	(31.8)	-	**(35.7)**	**-**
Continuing operations	266.2	6.4%	253.7	5.6%	**135.9**	**3.3%**
Converting Equipment	4.3	2.4%	(3.1)	(1.9%)	**(2.7)**	**(1.5%)**
Metso total	270.5	6.2%	250.6	5.3%	**133.2**	**3.1%**

Nonrecurring operating items by business area:

(In millions)	2001 EUR	2002 EUR	**2003 EUR**
Metso Paper	(14.9)	(5.9)	**(36.0)**
Metso Minerals	(16.0)	(13.3)	**(66.1)**
Metso Automation	(8.5)	(2.6)	**(0.3)**
Metso Ventures	-	(7.1)	**(4.7)**
Corporate Headquarters and other	43.1	6.9	**1.6**
Continuing operations	3.7	(22.0)	**(105.5)**
Converting Equipment	-	(4.5)	**-**
Metso total	3.7	(26.5)	**(105.5)**

Amortization of goodwill by business area:

(In millions)	2001 EUR	2002 EUR	**2003 EUR**
Metso Paper	(8.2)	(8.2)	**(7.7)**
Metso Minerals	(13.9)	(43.2)	**(38.3)**
Metso Automation	(2.9)	(3.0)	**(2.7)**
Metso Ventures	(1.6)	(1.4)	**(1.4)**
Corporate Headquarters and other	-	-	**-**
Continuing operations	(26.6)	(55.8)	**(50.1)**
Converting Equipment	(1.3)	(1.3)	**(1.3)**
Metso total	(27.9)	(57.1)	**(51.4)**

Operating profit (loss) by business area:

(In millions)	2001 EUR	% of net sales	2002 EUR	% of net sales	**2003 EUR**	**% of net sales**
Metso Paper	164.9	7.6%	115.2	6.5%	**24.6**	**1.5%**
Metso Minerals	12.5	1.4%	49.2	2.7%	**(234.9)**	**(14.3%)**
Metso Automation	17.3	2.5%	16.3	2.6%	**28.4**	**5.3%**
Metso Ventures	33.1	6.0%	20.1	4.5%	**(8.7)**	**(2.4%)**
Corporate Headquarters and other	15.5	-	(24.9)	-	**(34.1)**	**-**
Continuing operations	243.3	5.8%	175.9	3.9%	**(224.7)**	**(5.5%)**
Converting Equipment	3.0	1.7%	(8.9)	(5.6%)	**(4.0)**	**(2.2%)**
Metso total	246.3	5.7%	167.0	3.6%	**(228.7)**	**(5.4%)**

Metso Minerals' operating loss includes a goodwill impairment of EUR 205 million, which was booked in September 2003.

Capital employed by business area at the end of year:

(In millions)	2001 EUR	2002 EUR	**2003 EUR**
Metso Paper	544	498	**538**
Metso Minerals	1,518	1,393	**1,049**
Metso Automation	282	207	**150**
Metso Ventures	164	172	**160**
Corporate Headquarters and other	476	417	**340**
Continuing operations	2,984	2,687	**2,237**
Converting Equipment	60	55	**62**
Metso total	3,044	2,742	**2,299**

Notes to Consolidated Financial Statements

Capital expenditure (including business acquisitions) by business area:

(In millions)	2001 EUR	2002 EUR	**2003 EUR**
Metso Paper	67	72	**54**
Metso Minerals	825	48	**35**
Metso Automation	43	13	**8**
Metso Ventures	36	40	**24**
Corporate Headquarters and other	8	18	**5**
Continuing operations	979	191	**126**
Converting Equipment	3	3	**4**
Metso total	982	194	**130**

Depreciation and amortization by business area:

(In millions)	2001 EUR	2002 EUR	**2003 EUR**
Metso Paper	64	62	**60**
Metso Minerals	36	89	**79**
Metso Automation	19	18	**15**
Metso Ventures	24	22	**22**
Corporate Headquarters and other	2	3	**4**
Continuing operations	145	194	**180**
Converting Equipment	4	3	**3**
Metso total	149	197	**183**

Orders received by business area:

(In millions)	2001 EUR	2002 EUR	**2003** **EUR**
Metso Paper	1,706	1,611	**1,710**
Metso Minerals	862	1,848	**1,594**
Metso Automation	676	643	**531**
Metso Ventures	496	468	**398**
Intra Metso orders received	(131)	(120)	**(121)**
Continuing operations	3,609	4,450	**4,112**
Converting Equipment	169	196	**144**
Metso total	3,778	4,646	**4,256**

Order backlog by business area:

(In millions)	2001 EUR	2002 EUR	**2003** **EUR**
Metso Paper	949	735	**784**
Metso Minerals	491	468	**397**
Metso Automation	182	185	**145**
Metso Ventures	129	154	**175**
Intra Metso order backlog	(51)	(55)	**(55)**
Continuing operations	1,700	1,487	**1,446**
Converting Equipment	72	102	**59**
Metso total	1,772	1,589	**1,505**

Notes to Consolidated Financial Statements

Information about Metso's operations in different geographical areas as at and for the years ended December 31, 2001, 2002 and 2003 is as follows:

Net sales to unaffiliated customers by destination:

(In millions)	Finland EUR	Other Nordic Countries EUR	Other European Countries EUR	North America EUR	South America EUR	Asia-Pacific EUR	Rest of the World EUR	Elimi-nations EUR	Metso total EUR
2001	587	417	1,172	1,143	360	521	143	-	4,343
2002	382	453	1,363	1,199	417	652	225	-	4,691
2003	**357**	**310**	**1,272**	**989**	**264**	**824**	**234**	**-**	**4,250**

In year 2003, 26 percent of net sales was recognized under the percentage of completion method. The percentage was highest in the Metso Paper business area, where it accounted for 53 percent of net sales.

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

(In millions)	Other Nordic Countries EUR	Other European Countries EUR	North America EUR	South America EUR	Asia-Pacific EUR	Rest of the World EUR	Total EUR
2001	365	592	200	85	269	20	1,531
2002	297	567	183	137	248	21	1,453
2003	**195**	**523**	**209**	**38**	**372**	**15**	**1,352**

Fixed assets and financial assets by location:

(In millions)	Finland EUR	Other Nordic Countries EUR	Other European Countries EUR	North America EUR	South America EUR	Asia-Pacific EUR	Rest of the World EUR	Elimi-nations EUR	Metso total EUR
2001	530	949	158	457	28	64	9	-	2,195
2002	514	935	108	357	24	57	10	-	2,005
2003	**504**	**746**	**96**	**233**	**23**	**52**	**10**	**-**	**1,664**

Fixed and financial assets include goodwill, other intangible assets, tangible assets, shares and other long-term interest bearing and non-interest bearing receivables.

Gross capital expenditure (excluding business acquisitions) by region:

(In millions)	Finland EUR	Other Nordic Countries EUR	Other European Countries EUR	North America EUR	South America EUR	Asia-Pacific EUR	Rest of the World EUR	Elimi-nations EUR	Metso total EUR
2001	81	18	17	19	4	14	1	-	154
2002	119	23	23	14	5	8	1	-	193
2003	**70**	**15**	**19**	**10**	**5**	**7**	**2**	**-**	**128**

Parent Company Statement of Income

(In millions)	Year ended December 31, 2001 EUR	2002 EUR	**2003 EUR**
Net sales	-	-	**-**
Cost of goods sold	-	-	**-**
Gross profit	-	-	**-**
Selling, general and administrative expenses	(26)	(31)	**(34)**
Other income and expenses, net	9	(11)	**3**
Operating profit (loss)	(17)	(42)	**(31)**
Financial income and expenses, net	158	201	**57**
Profit before contributions, untaxed reserves and income taxes	141	159	**26**
Group contributions	81	2	**(24)**
Change in untaxed reserves	-	-	**-**
Change in accelerated depreciation	-	-	**-**
Extraordinary income and expenses, net	-	-	**-**
Income before taxes	222	161	**2**
Income taxes	(17)	(44)	**(1)**
Net income	205	117	**1**

Parent Company Balance Sheet

Assets

(In millions)	As at December 31, 2002 EUR	**2003 EUR**
Fixed assets and financial assets		
Intangible assets		
Goodwill	-	**-**
Other intangible assets	2	**3**
	2	**3**
Tangible assets		
Land and water areas	2	**2**
Buildings	1	**1**
Machinery and equipment	1	**1**
Other tangible assets	0	**0**
Assets under construction	-	**2**
	4	**6**
Financial assets		
Shareholdings and other securities	1,251	**1,602**
Own shares	1	**1**
Loans receivable	345	**780**
Accounts receivable	-	**-**
Other long-term investments	8	**5**
	1,605	**2,388**
Total fixed and financial assets	1,611	**2,397**
Current assets		
Inventories		
Materials and supplies	-	**-**
Work in process	-	**-**
Finished products	-	**-**
	-	**-**
Receivables		
Accounts receivable	6	**5**
Loans receivable	1,254	**426**
Accrued income and prepaid expenses	81	**71**
Other receivables	0	**0**
Other short-term investments	5	**6**
	1,346	**508**
Cash and cash equivalents	2	**6**
Total current assets	1,348	**514**
Total assets	2,959	**2,911**

Shareholders' equity and liabilities

(In millions)	As at December 31, 2002 EUR	2003 EUR
Shareholders' equity		
Share capital	232	**232**
Share premium reserve	88	**88**
Legal reserve	216	**216**
Reserve for own shares	1	**1**
Other reserves	202	**202**
Retained earnings	378	**413**
Net income for the financial year	117	**1**
Total shareholders' equity	1,234	**1,153**
Untaxed reserves	0	**0**
Liabilities		
Long-term debt		
Bonds	711	**693**
Loans from financial institutions	213	**177**
Pension loans	17	**9**
Other long-term debt	1	**1**
	942	**880**
Other long-term liabilities		
Accrued expenses	-	**1**
Current liabilities		
Current portion of long-term debt	39	**9**
Other interest bearing short-term debt	703	**777**
Advances received	-	**-**
Accounts payable	5	**7**
Accrued expenses and deferred income	35	**83**
Other current liabilities	1	**1**
	783	**877**
Total liabilities	1,725	**1,758**
Total shareholders' equity and liabilities	2,959	**2,911**

Parent Company Statement of Changes in Shareholders' Equity

(In millions)	Number of shares (thousands)	Share capital EUR	Share premium reserve EUR	Legal reserve EUR	Reserve for own shares EUR	Other reserves EUR	Retained earnings EUR	Total EUR
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)
Net income	-	-	-	-	-	-	205	205
Balance at December 31, 2001	**136,251**	**232**	**88**	**216**	**1**	**202**	**460**	**1,199**
Dividends	-	-	-	-	-	-	(82)	(82)
Net income	-	-	-	-	-	-	117	117
Balance at December 31, 2002	**136,251**	**232**	**88**	**216**	**1**	**202**	**495**	**1,234**
Dividends	-	-	-	-	-	-	(82)	(82)
Net income	-	-	-	-	-	-	1	1
Balance at December 31, 2003	**136,251**	**232**	**88**	**216**	**1**	**202**	**414**	**1,153**

Financial indicators 1999–2003

(In millions)	1999 EUR	2000 EUR	2001 EUR	2002 EUR	**2003 EUR**
Net sales	3,387	3,891	4,343	4,691	**4,250**
Net sales change, %	(8.3)	14.9	11.6	8.0	**(9.4)**
Operating profit (loss)	(10)	200	246	167	**(229)**
% of net sales	(0.3)	5.1	5.7	3.6	**(5.4)**
Income (loss) before extraordinary items and taxes	(28)	180	222	93	**(303)**
% of net sales	(0.8)	4.6	5.1	2.0	**(7.1)**
Income (loss) before taxes	(87)	448	214	93	**(303)**
% of net sales	(2.6)	11.5	4.9	2.0	**(7.1)**
Net income (loss) for the year	(88)	389	141	65	**(258)**
Exports and international operations	3,042	3,530	3,764	4,320	**3,724**
% of net sales	89.8	90.7	86.7	92.1	**87.6**
Orders received	3,528	4,268	3,778	4,646	**4,256**
Order backlog, December 31	1,586	1,907	1,772	1,589	**1,505**
Gross capital expenditure	121	127	154	193	**128**
% of net sales	3.6	3.3	3.5	4.1	**3.0**
Depreciation and amortization	130	128	149	197	**183**
% of net sales	3.8	3.3	3.4	4.2	**4.3**
Business acquisitions, net of cash acquired	116	186	828	1	**2**
% of net sales	3.4	4.8	19.1	0.0	**0.0**
Research and development	127	127	150	156	**129**
% of net sales	3.7	3.3	3.5	3.3	**3.0**
Shareholders' equity	1,085	1,425	1,469	1,379	**1,024**
Net interest bearing liabilities (receivables)	465	(53)	1,251	1,118	**1,109**
Balance sheet total	3,169	3,564	5,042	4,399	**3,823**
Gearing, %	42.8	(3.7)	84.8	80.6	**107.7**
Return on equity (ROE), %	(2.4)	9.5	10.4	4.8	**(21.3)**
Return on capital employed (ROCE), %	1.6	12.2	12.3	6.4	**(8.7)**
Equity to assets ratio, %	37.3	45.4	31.1	33.3	**28.3**
Average number of employees	22,965	22,372	25,613	29,258	**27,400**

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:

Total number of shares x share price at end of period

Exchange rates used

		Average rates			Year-end rates				
		2003	2002	2001	2003	2002	2001	2000	1999
USD	(US dollar)	1.1309	0.9449	0.8957	1.2630	1.0487	0.8813	0.9305	1.0046
SEK	(Swedish krona)	9.1244	9.1591	9.2557	9.0800	9.1528	9.3012	8.8313	8.5625
GBP	(Pound sterling)	0.6919	0.6288	0.6219	0.7048	0.6505	0.6085	0.6241	0.6217
CAD	(Canadian dollar)	1.5821	1.4828	1.3867	1.6234	1.6550	1.4077	1.3965	1.4608

Auditors' Report

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, 2003 to December 31, 2003. 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 of the parent company.

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 23, 2004

PricewaterhouseCoopers Oy
Authorized Public Accountants

Lars Blomquist
Authorized Public Accountant

Heikki Lassila
Authorized Public Accountant

Quarterly information

Net sales by business area

(In millions)	1–3/02 EUR	4–6/02 EUR	7–9/02 EUR	10–12/02 EUR	**2002 EUR**	1–3/03 EUR	4–6/03 EUR	7–9/03 EUR	10–12/03 EUR	**2003 EUR**
Metso Paper	410	403	405	560	**1,778**	359	402	363	527	**1,651**
Metso Minerals	432	514	424	434	**1,804**	379	430	409	419	**1,637**
Metso Automation	151	155	149	167	**622**	126	132	120	153	**531**
Metso Ventures	113	104	101	128	**446**	98	93	76	103	**370**
Intra Metso net sales	(33)	(33)	(15)	(38)	**(119)**	(25)	(32)	(22)	(43)	**(122)**
Continuing operations	1,073	1,143	1,064	1,251	**4,531**	937	1,025	946	1,159	**4,067**
Converting Equipment	38	35	41	46	**160**	46	47	45	45	**183**
Metso total	1,111	1,178	1,105	1,297	**4,691**	983	1,072	991	1,204	**4,250**

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

(In millions)	1–3/02 EUR	4–6/02 EUR	7–9/02 EUR	10–12/02 EUR	**2002 EUR**	1–3/03 EUR	4–6/03 EUR	7–9/03 EUR	10–12/03 EUR	**2003 EUR**
Metso Paper	31.1	29.4	14.8	54.0	**129.3**	7.8	11.1	15.3	34.1	**68.3**
Metso Minerals	21.4	36.3	21.4	26.6	**105.7**	10.9	21.3	19.1	23.2	**74.5**
Metso Automation	0.1	8.5	6.1	7.2	**21.9**	1.7	6.9	8.1	14.7	**31.4**
Metso Ventures	2.2	8.8	4.2	13.4	**28.6**	0.2	4.6	(1.7)	(5.7)	**(2.6)**
Corporate Headquarters and other	(7.3)	(9.4)	(8.2)	(6.9)	**(31.8)**	(8.5)	(10.4)	(6.2)	(10.6)	**(35.7)**
Continuing operations	47.5	73.6	38.3	94.3	**253.7**	12.1	33.5	34.6	55.7	**135.9**
Converting Equipment	(0.8)	(2.1)	(0.5)	0.3	**(3.1)**	(0.4)	1.5	(0.6)	(3.2)	**(2.7)**
Operating profit (loss) before nonrecurring operating items and amortization of goodwill	46.7	71.5	37.8	94.6	**250.6**	11.7	35.0	34.0	52.5	**133.2**
Nonrecurring operating income and expenses, net	(2.0)	(13.5)	(3.1)	(7.9)	**(26.5)**	7.3	(7.9)	(108.0)	3.1	**(105.5)**
Goodwill impairment	-	-	-	-	**-**	-	-	(205.0)	-	**(205.0)**
Amortization of goodwill	(13.8)	(15.4)	(14.2)	(13.7)	**(57.1)**	(13.7)	(13.6)	(13.5)	(10.6)	**(51.4)**
Operating profit (loss)	30.9	42.6	20.5	73.0	**167.0**	5.3	13.5	(292.5)	45.0	**(228.7)**
Financial income and expenses, net	(17)	(20)	(18)	(19)	**(74)**	(18)	(17)	(18)	(21)	**(74)**
Income (loss) before taxes	14	22	3	54	**93**	(13)	(3)	(311)	24	**(303)**
Income taxes	(7)	(11)	(2)	(6)	**(26)**	0	(1)	6	39	**44**
Minority interests	(1)	(1)	0	0	**(2)**	0	(1)	1	1	**1**
Net income (loss)	6	10	1	48	**65**	(13)	(5)	(304)	64	**(258)**
Earnings per share, EUR	0.04	0.08	0.01	0.35	**0.48**	(0.09)	(0.04)	(2.23)	0.47	**(1.89)**

Consolidated balance sheets

(In millions)	Mar 31, 2002 EUR	June 30, 2002 EUR	Sep 30, 2002 EUR	**Dec 31, 2002 EUR**	Mar 31, 2003 EUR	June 30, 2003 EUR	Sep 30, 2003 EUR	**Dec 31, 2003 EUR**
Fixed assets and financial assets								
Intangible assets	1,086	1,031	1,031	**1,011**	988	973	755	**760**
Tangible assets	892	893	898	**891**	876	862	855	**810**
Financial assets	197	194	139	**103**	107	92	92	**94**
Current assets								
Inventories	999	959	903	**819**	885	875	853	**743**
Receivables	1,444	1,438	1,408	**1,385**	1,253	1,355	1,379	**1,286**
Cash and cash equivalents	227	124	134	**190**	127	126	130	**130**
Total assets	4,845	4,639	4,513	**4,399**	4,236	4,283	4,064	**3,823**
Share capital	232	232	232	**232**	232	232	232	**232**
Other shareholders' equity	1,148	1,124	1,114	**1,147**	1,132	1,048	751	**792**
Minority interests	8	9	9	**10**	8	6	7	**6**
Long-term liabilities	1,456	1,408	1,314	**1,172**	1,085	1,165	1,175	**1,118**
Current liabilities	2,001	1,866	1,844	**1,838**	1,779	1,832	1,899	**1,675**
Total shareholders' equity and liabilities	4,845	4,639	4,513	**4,399**	4,236	4,283	4,064	**3,823**
Net interest bearing liabilities								
Long-term interest bearing liabilities	1,291	1,244	1,167	**1,020**	926	1,001	1,010	**957**
Short-term interest bearing liabilities	228	270	229	**333**	319	341	320	**312**
Cash and cash equivalents	(227)	(124)	(134)	**(190)**	(127)	(126)	(130)	**(130)**
Other interest bearing assets	(84)	(78)	(78)	**(45)**	(28)	(26)	(28)	**(30)**
Total	1,208	1,312	1,184	**1,118**	1,090	1,190	1,172	**1,109**
Equity to assets ratio, %	30.5	31.2	31.8	**33.3**	34.5	32.4	26.8	**28.3**
Gearing, %	87.1	96.1	87.3	**80.6**	79.5	92.5	118.5	**107.7**

Quarterly information

Orders received by business area

(In millions)	1–3/02 EUR	4–6/02 EUR	7–9/02 EUR	10–12/02 EUR	**2002 EUR**	1–3/03 EUR	4–6/03 EUR	7–9/03 EUR	10–12/03 EUR	**2003 EUR**
Metso Paper	481	464	391	275	**1,611**	733	268	421	288	**1,710**
Metso Minerals	541	466	412	429	**1,848**	431	395	352	416	**1,594**
Metso Automation	162	184	139	158	**643**	160	131	121	119	**531**
Metso Ventures	100	127	104	137	**468**	104	77	75	142	**398**
Intra Metso orders received	(31)	(31)	(26)	(32)	**(120)**	(36)	(30)	(22)	(33)	**(121)**
Continuing operations	1,253	1,210	1,020	967	**4,450**	1,392	841	947	932	**4,112**
Converting Equipment	38	46	37	75	**196**	33	43	40	28	**144**
Metso total	1,291	1,256	1,057	1,042	**4,646**	1,425	884	987	960	**4,256**

Order backlog by business area

(In millions)	Mar 31, 2002 EUR	June 30, 2002 EUR	Sep 30, 2002 EUR	**Dec 31, 2002 EUR**	Mar 31, 2003 EUR	June 30, 2003 EUR	Sep 30, 2003 EUR	**Dec 31, 2003 EUR**
Metso Paper	1,013	1,052	1,025	**735**	1,108	973	1,031	**784**
Metso Minerals	583	496	453	**468**	509	472	415	**397**
Metso Automation	193	209	199	**185**	184	182	181	**145**
Metso Ventures	122	136	142	**154**	157	144	146	**175**
Intra Metso order backlog	(50)	(47)	(58)	**(55)**	(68)	(69)	(70)	**(55)**
Continuing operations	1,861	1,846	1,761	**1,487**	1,890	1,702	1,703	**1,446**
Converting Equipment	71	79	77	**102**	84	81	74	**59**
Metso total	1,932	1,925	1,838	**1,589**	1,974	1,783	1,777	**1,505**

Personnel by business area

	Mar 31, 2002	June 30, 2002	Sep 30, 2002	**Dec 31, 2002**	Mar 31, 2003	June 30, 2003	Sep 30, 2003	**Dec 31, 2003**
Metso Paper	9,063	9,466	9,203	**9,357**	9,394	9,776	9,323	**9,085**
Metso Minerals	10,954	10,798	10,722	**10,553**	10,498	10,650	10,517	**10,332**
Metso Automation	4,387	4,395	4,223	**4,150**	3,648	3,689	3,412	**3,314**
Metso Ventures	4,165	3,741	3,558	**3,466**	3,271	2,618	2,509	**2,482**
Corporate Headquarters and other	118	132	131	**134**	135	166	204	**223**
Continuing operations	28,687	28,532	27,837	**27,660**	26,946	26,899	25,965	**25,436**
Converting Equipment	840	830	835	**829**	831	827	818	**804**
Metso total	29,527	29,362	28,672	**28,489**	27,777	27,726	26,783	**26,240**

Exchange rates used

	1–3/2002	1–6/2002	1–9/2002	1–12/2002	1–3/2003	1–6/2003	1–9/2003	1–12/2003
USD (US dollar)	0.8764	0.8979	0.9265	0.9449	1.0734	1.1049	1.1114	1.1309
SEK (Swedish krona)	9.1566	9.1567	9.1806	9.1591	9.1818	9.1623	9.1628	9.1244
GBP (Pound sterling)	0.6146	0.6217	0.6262	0.6288	0.6698	0.6856	0.6900	0.6919
CAD (Canadian dollar)	1.3973	1.4127	1.4539	1.4828	1.6202	1.6045	1.5874	1.5821
	Mar 31, 2002	June 30, 2002	Sep 30, 2002	Dec 31, 2002	Mar 31, 2003	June 30, 2003	Sep 30, 2003	Dec 31, 2003
USD (US dollar)	0.8724	0.9975	0.9860	1.0487	1.0895	1.1427	1.1652	1.2630
SEK (Swedish krona)	9.0304	9.1015	9.1516	9.1528	9.2608	9.2488	8.9625	9.0800
GBP (Pound sterling)	0.6130	0.6498	0.6295	0.6505	0.6896	0.6932	0.6986	0.7048
CAD (Canadian dollar)	1.3923	1.5005	1.5566	1.6550	1.6037	1.5506	1.5717	1.6234

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