

Linking Innovations



Annual Report 2000

Information to Shareholders

Annual General Meeting

The Annual General Meeting of Metso Corporation will be held in the Marina Congress Center at Katajanokanlaituri 6, FIN-00160 Helsinki, on Wednesday March 28, 2001, at 12 noon. Registration of the shareholders participating in the meeting and distribution of ballots will begin at 11 a.m.

The shareholders who have been entered as shareholders in the Corporation's shareholder register maintained by the Finnish Central Securities Depository Ltd. by Friday March 16, 2001 at the latest, shall have the right to participate in the Annual General Meeting. Shareholders who wish to participate in the meeting should notify the Corporation of their intention to participate no later than 4 p.m., March 23, 2001, either by mail to Metso Corporation, PO Box 1220, FIN-00101 Helsinki, or by phone at +358 (0)10 808 300, by fax at +358 (0)20 484 3125 or by email at soili.johansson@metso.com. Written notices of participation must be received by the above-mentioned deadline. Powers-of-attorney should also be sent to the above address by the same deadline.

Dividend

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2000.

Dividend 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 dividend, i.e. on April 2, 2001. The actual payment of dividend will take place on April 9, 2001.

Financial reports to be published by Metso Corporation in 2001

In addition to the financial statements for 2000 and the Corporation's Annual Report for 2000, Metso Corporation will publish three interim reviews on the following schedule:

Interim review for January – March, 2001	May 3, 2001
Interim review for January – June, 2001	August 7, 2001
Interim review for January – September, 2001	October 31, 2001

Ordering of financial publications

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

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

Changes of address

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

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

Metso investor relations contact details can be found on page 88 of this annual report.

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Metso was created

through the merger of Valmet and Rauma in 1999.

Valmet was a paper and board machine supplier, while

Rauma's operations were focused on fiber technology,

rock crushing and flow control solutions.

The merger produced a company

serving the global process industry.

Metso is an engineering company

serving customers in selected areas
of the **process industry,**

i.e. in fiber and paper technology,

rock and mineral processing and

automation and control technology.

The Year 2000 in Brief

Strategy was refined

Metso's strategy was defined at the end of 1999 and further refined in 2000. According to the strategy, Metso will focus on core processes in fiber and paper technology and rock and mineral processing technology, and on automation and control technology. Metso's other businesses will produce services for the core businesses and provide new growth potential. Metso's Future Care concept is closely related to the strategy and will meet customers' growing needs to develop their core processes and maintain and raise efficiency throughout product life cycles. Information technology will play a significant role in the creation of solutions and services based on automation know-how and installed machine population which will increase the customer's competitive advantage.

Acquisitions and divestments shaped the corporate structure

The roll cover division and aftermarket business assets of Beloit, the American paper machine manufacturer, were acquired to strengthen Metso's position in the paper machine service and rebuild markets. A public cash offer was made to acquire Svedala Industri AB, a Swedish company manufacturing rock and mineral processing equipment, in summer 2000. Although the deal was cleared by the EU Commission in January, 2001, the approval of the U.S. competition authority, the FTC, had still not been received at the time of writing. Conversely, the forest machine manufacturer, Timberjack, was sold to Deere & Company from the USA.

Key figures

(in millions, except for per share data)	1996	1997	1998	1999	2000
	EUR	EUR	EUR	EUR	EUR
Net sales	3,697	3,898	3,695	3,387	3,891
Net sales change, %	19.4	5.4	(5.2)	(8.3)	14.9
Operating profit (loss)	274	325	246	(10)	200
Income before extraordinary items	292	328	251	(28)	180
Income before taxes	280	318	249	(87)	448
Net income	213	232	184	(88)	389
Exports and international operations, % of net sales	75.1	84.7	87.1	89.8	90.7
Orders received	3,322	3,528	3,399	3,528	4,268
Order backlog, December 31	2,000	1,718	1,342	1,586	1,907
Gross capital expenditure	154	163	133	121	127
Business acquisitions, net of cash acquired	13	136	24	116	186
Research and development	115	119	119	127	127
Number of personnel, December 31	22,885	23,496	23,064	23,274	22,024
Shareholders' equity	1,004	1,161	1,206	1,085	1,425
Balance sheet total	2,575	2,909	2,798	3,169	3,564
Gearing, %	(1.8)	15.5	14.6	42.8	(3.7)
Equity to assets ratio, %	43.3	42.2	45.4	37.3	45.4
Return on capital employed (ROCE), %	22.6	23.0	16.5	1.6	12.2
Return on equity (ROE), %	23.3	22.5	16.1	(2.4)	9.5
Earnings per share	1.59	1.78	1.37	(0.22)	0.90
Dividend per share	0.47	0.55	0.59	0.40	0.60*
Market capitalization, December 31	1,945	1,745	1,553	1,752	1,612

*) Proposal by the Board of Directors

Metso's merger process was brought to a successful conclusion

The process of merging Valmet and Rauma to form Metso was brought to a successful conclusion in mid-2000. The estimated annual synergy benefits will exceed EUR 100 million. More than half of this amount was realized in 2000, with the full benefits expected in 2001.

Significant profitability improvement

Metso achieved a significant profitability improvement compared with the previous year and recorded an operating profit of EUR 200 million. Profitability was raised not only by increased delivery volumes, but also by the synergy benefits of the merger and by restructuring carried out in 1999–2000.

Order backlog at new high

Metso received notably more new orders than in previous years. Calculated for the current corporate structure, the order backlog on December 31, 2000 was at a record level of EUR 1,907 million. Orders last achieved this level in 1996.

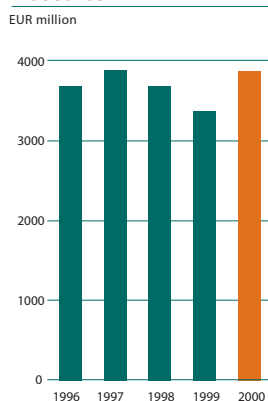
Uniform names for the businesses

To create a unified corporate image, Metso introduced uniform names for its businesses at the beginning of 2001. The new names are Metso Paper (formerly the fiber and paper technology business area, Valmet), Metso Automation (the automation and control technology business area, Neles Automation), Metso Minerals (the rock and mineral processing group, Nordberg) and Metso Engineering (the gears and components group, Santasalo). Valmet Automotive, which makes specialty cars, retains its existing name.

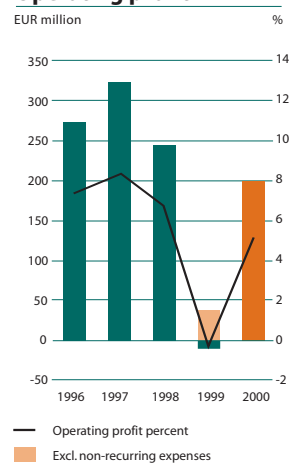
Change of President and CEO at the beginning of 2001

Metso's President and CEO, Heikki Hakala, retired at the end of 2000. His appointed successor, Tor Bergman, became President and CEO at the beginning of 2001.

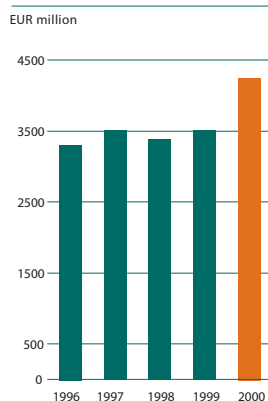
Net sales



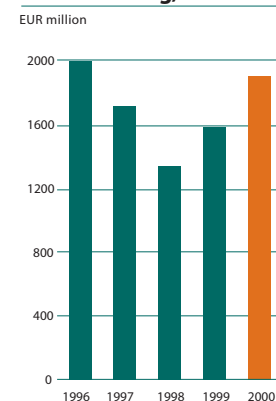
Operating profit



Orders received



Order backlog, Dec. 31



Metso's Operations

Metso Paper

Share of total net sales is 58 percent.

Products:

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

Market position:

The world's largest paper and board machine manufacturer. A strong position also as a supplier of pulping equipment and systems for the fiberboard and converting industries. Supplies 30–35 percent of global paper machine markets.

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

Resources:

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

Metso Automation

Share of total net sales is 16 percent.

Products:

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

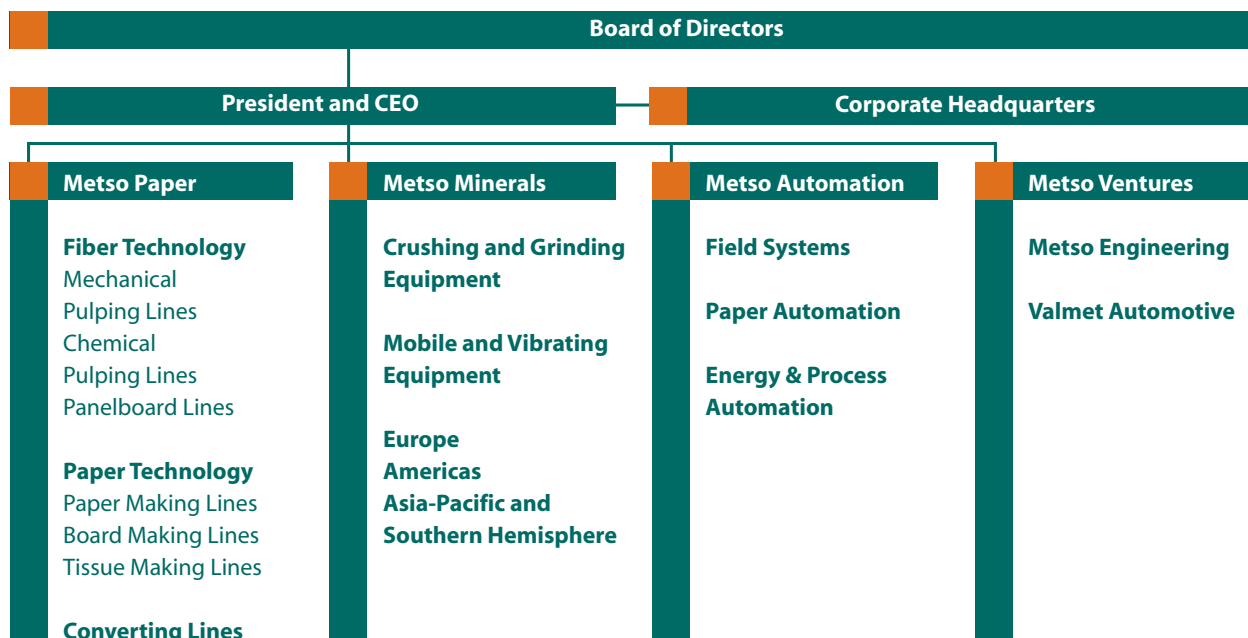
Market position:

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

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

Resources:

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



Metso Minerals

Share of total net sales is 14 percent.

Products:

Rock and mineral crushing plants, crushers, grinding mills, track and wheel mounted crushing and screening units and auxiliary equipment for crushed materials, including screens, feeders and conveyors.

Market position:

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

Its share of the global markets for crushing, grinding and screening equipment is 11–12 percent.

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

Resources:

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

The acquisition of Svedala Industri AB will significantly strengthen the product range, market position and resources of Metso Minerals.

Metso Ventures

Metso Engineering

Share of total net sales is 5 percent.

Products:

Mechanical power transmission equipment, hydraulic motors, and manufacturing and expert services related to machine construction.

Market position:

One of the world's four largest manufacturers of wind turbine gears.

The main customer segments are process equipment and systems suppliers, the process industry and the off-shore and ship building industries.

Resources:

The largest business units are located in Finland, Sweden, Germany, the USA and Canada.

Metso Engineering has a global agreement on the marketing and distribution of gears with SEW-Eurodrive.

Valmet Automotive

Share of total net sales is 3 percent.

Products:

Contract manufacture and development of specialty cars, the main products being the Porsche Boxster and the Saab Convertible.

Market position:

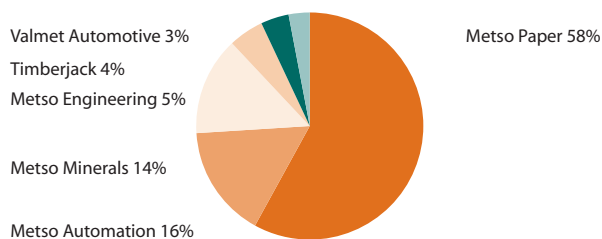
Europe's second largest contract manufacturer of convertibles.

The current customers, General Motors and Porsche AG, are leading global car manufacturers.

Resources:

The automotive plant is located in Uusikaupunki, Finland.

Net sales by business



Vision

Metso aims to be a flexible knowledge-based technology company supplying innovative solutions to customers in selected areas of the process industry around the world.

Metso will focus on its core areas of know-how: fiber and paper technology, rock and mineral processing, and automation and control technology. Metso is a global leader in its core businesses. By working closely with its customers Metso provides them with innovative total solutions.

The cornerstones of Metso's strategy are:

- development of value-enhancing solutions for the core processes of our customers
- development of know-how and aftermarket operations based on the large population of machinery, equipment and processes delivered by Metso
- integration of control technology, process automation and the most advanced information technology solutions in Metso's products.

Strate

Metso Future Care

Metso's new business concept, Metso Future Care, is firmly founded on its strategy. In compliance with the concept, Metso will focus increasingly on taking care of and improving the competitiveness of the customer's business and production processes throughout their life cycles. Metso Future Care is a way of more efficiently exploiting the extensive population of equipment and processes delivered by Metso and of creating new market potential. The Metso Future Care concept will lead to new ways of managing customer relationships and will create new earnings logic. By focusing on customer benefit, Metso will raise its profitability, increase efficiency and forge a closer partnership between the customer and Metso. Customer success is the route by which Metso aims to create added value for all of its stakeholders.

Values

Metso's values, published at the end of 2000, are: customer's success, profitable innovation, personal commitment and professional development. In terms of our everyday work they mean the following:

Customer's success

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

Profitable innovation

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

Personal commitment

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

Professional development

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

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

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Strategic goals

Metso's goal is healthy, profitable growth achieved organically, by acquisitions, by developing new businesses and by exploiting the Future Care concept. The purpose of growth is to improve profitability and attain a balanced corporate structure. The financial targets, which are calculated as 5-year averages, are an operating profit of over 9% of net sales, return on capital employed (ROCE) of over 20% and an economic value added (EVA) of over 4% of net sales.

Dividend policy

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

Presidents' Reviews

To our Shareholders

Metso's future on a firm foundation

The year 2000 was a busy and successful one for Metso. The merger of Valmet and Rauma was completed according to plan and more than a half of the estimated EUR 100 million synergy benefits were achieved. The full benefits are expected to be realized during the current year. The integration process advanced better and faster than anticipated.

The implementation of Metso's new strategy, formulated in November 1999, gathered full momentum over the year. According to the strategy, Metso's goal is to achieve healthy, profitable growth and, through it, a more balanced corporate structure. During the year Metso placed a lot of emphasis on developing and expanding its service and modernization businesses. The acquisition of the American paper machine manufacturer, Beloit, strengthened Metso's position in the paper machine aftermarket and rebuild markets. By increasing the share of aftermarket operations in machinery and equipment deliveries, the purchase of Beloit forwarded Metso's goal of leveling out cyclical changes. During the year under review, Metso sold Timberjack, the forest machine manufacturer, which reduced Metso's dependence on forest industry cycles.

The strategic decision to develop the rock and mineral processing business of Metso Corporation up to a par with fiber and paper technology took a step forward in June 2000. Metso made a public offer to acquire Svedala Industri AB of Sweden, a leading supplier of rock and mineral processing machinery. The decision was taken after an extensive study showed that the rock and mineral processing business is very well suited to Metso's strategy. Svedala was the optimal target for the implementation of this strategy, especially due to its strong market position and notable aftermarket activities. When Metso Minerals and Svedala are merged, Metso will be the world leader in rock and mineral processing know-how.



As a result of favorable markets, synergy benefits and the internal rationalization measures initiated in 1999, Metso's profitability improved significantly during 2000. As a consequence of its strong cash flow from operations and income from divestments, Metso was free of net debt at the end of the year. A strong financial position provides the resources and flexibility needed to further implement the strategy.

The year 2000 saw many changes for Metso and its employees. This was also true for me personally. My challenging task as Metso's President and CEO ended on December 31, 2000 as I retired. I wish to thank all employees for their excellent work on this first leg of Metso's journey. To our valued shareholders, I wish to say that Metso is a company with a globally unique combination of knowledge and skills. I am fully confident that it will continue to succeed under the capable leadership of my successor Mr Tor Bergman together with all Metso employees.

Heikki Hakala
President and CEO



Metso to be a knowledge-based technology company and an industry leader

My task as Metso's President and CEO began in 2001 from a situation in which the merger forming Metso had been technically completed and a strong basis for its future progress had been created. It is easy to agree with Mr. Heikki Hakala's assessment that Metso is a globally unique combination. Metso's strategy is based on in-depth knowledge of customers' core processes, on the large population of machinery and equipment supplied by Metso, and on advanced automation know-how. Our aim is to utilize these strengths in developing Metso into a flexible knowledge-based technology company. The implementation of this vision together with all Metso employees is my most important goal.

One of the most important challenges of the moment is to make Metso more uniform. It has grown out of the merger of a number of strong companies, brand names and cultures – both corporate and national. We aim to integrate all of the accumulated know-how and to harness it to serve Metso's future.

At the beginning of 2001, the names of Metso's businesses were harmonized. The purpose was to communicate the rebirth of Metso Corporation, its development – in line with our vision – into a knowledge-based technology company, and the importance of cooperation between the

business areas in implementing the Corporation's strategy. To further consolidate this uniformity, common values were also formulated. It is intended that these values will constitute a set of standards and a common language that will permanently guide Metso's business activities and the daily work of our employees. The values will be critical in our journey towards a unified Metso and the implementation of our vision and goals.

The Metso Future Care concept is at the heart of the realization of this vision. Our evolution from an equipment and process supplier to an adaptable and flexible knowledge-based technology company will require a whole new way of acting and networking with the surrounding society. Technology is of pivotal importance in this change. The concepts and ways of doing business are changing. For Metso's employees it will mean new systems and ways of working, with a stronger emphasis on information and knowledge management.

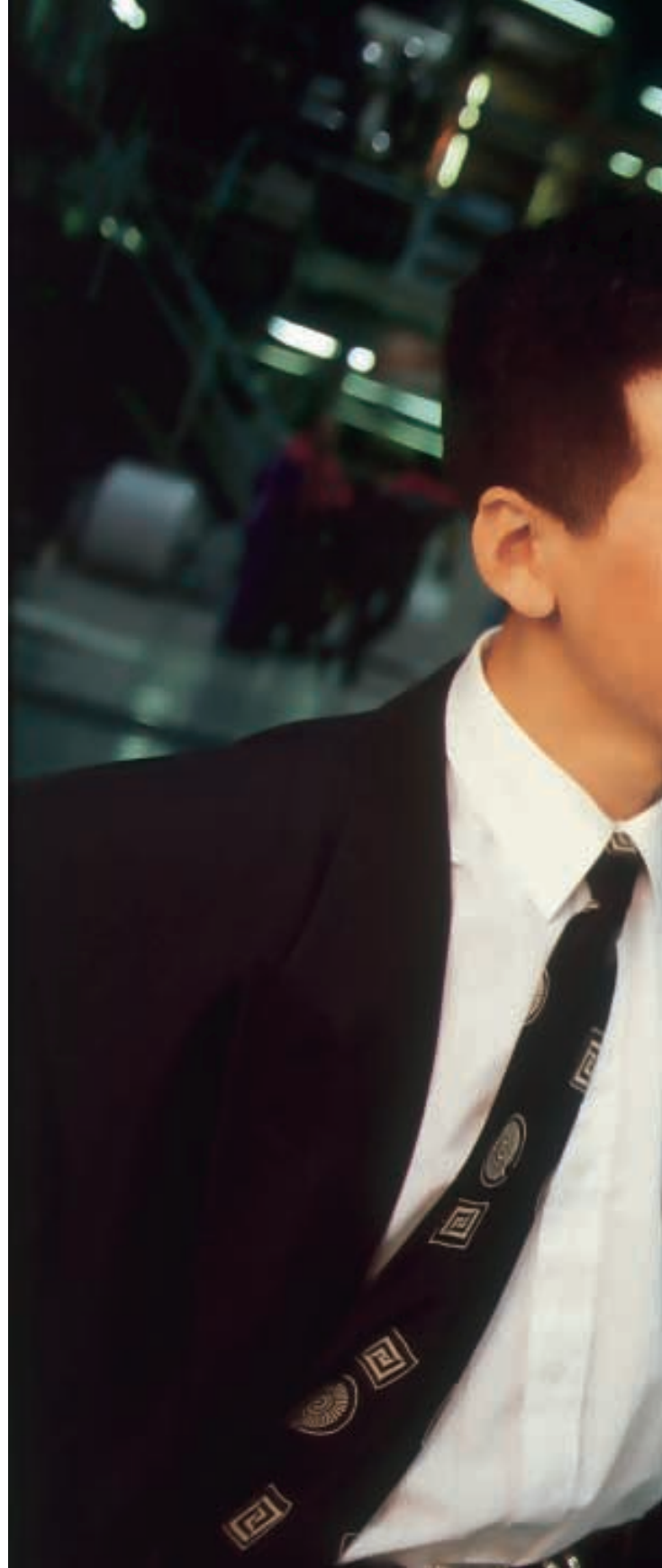
For customers, Metso offers a new type of closer partnership concept. Metso is ready to take on a greater role in developing and supporting its customers' production processes throughout their lifecycles. The relative importance of manufacturing in our operations will decline, while that of engineering and various know-how services will grow. In the future Metso will increasingly sell competitiveness rather than mere machinery and equipment. This will create a new earnings logic in which Metso enhances its productivity and value by maximizing the benefit offered to customers.

Innovations are fundamental to Metso's new role. Our goal is to anticipate our customers' future needs. Emphasis will be placed on the development of value-enhancing solutions for both Metso and its customers, focused especially on environmental innovations and on service solutions arising from cooperation between Metso's business areas. The objective is to rapidly turn innovations into practical applications with commercial potential. This will require the learning and application of new information and communication technologies, as well as full utilization of the opportunities provided by e-commerce. Metso aims to be at the forefront in using e-applications by the end of 2001.

Metso's goal is to play an active role in shaping future developments and to be the industry leader in its own field. The effective satisfying of customer needs is aimed at improving Metso's profitability and creating added value for all our stakeholders. I want to encourage all Metso employees to work for the achievement of this goal.

Tor Bergman
President and CEO as of January 1, 2001

We aim
to be
a flexible
knowledge-based
technology
company.





Shares and Shareholders

Share capital and shares

The share capital of Metso Corporation is EUR 230 million. According to the Articles of Association, the share capital may be EUR 170 million at minimum and EUR 680 million at maximum. The Corporation has a single series of shares, the nominal value being EUR 1.70. Any shareholder whose ownership of the Corporation's shares or the voting rights produced by those shares reaches or exceeds 33 1/3 percent or 50 percent, is obliged to redeem the shares of other shareholders upon demand and in the manner defined in the Articles of Association.

The total number of shares issued by Metso Corporation is 135,562,475. The Annual General Meeting, held on March 29, 2000, authorized the Board of Directors to decide, within one year of the Annual General Meeting, on the acquisition of the Corporation's own shares, using its distributable funds, to an amount that would not exceed 5 percent of the Corporation's share capital. These shares would be used as payment in acquisitions or to finance investments. The meeting also authorized the Board of Directors to decide on the disposal of the Corporation's own shares. In 2000 none of the Corporation's own shares were acquired or disposed. On December 31, 2000, the Corporation held 60,841 of its own shares, acquired for a total price of EUR 654,813 million (EUR 10.76 /share).

The Annual General Meeting of March 29, 2000 authorized the Board to decide on a new rights issue and an issue of convertible bonds and/or share options within one year of the Annual General Meeting, provided that no more than 12,500,000 shares of the Corporation with a nominal value of EUR 1.70 may be subscribed for as a result of the new rights issue or the issue of convertible bonds or share options, and that the Corporation's share capital may be raised in total by no more than EUR 21,250,000. The Board of Directors had not exercised this authorization by December 31, 2000.

In relation to the merger plan, two of the company's shareholders, UPM-Kymmene Corporation and the Republic of Finland, agreed not to sell their Metso Corporation shares before June 30, 2000, and to inform each other of any intention to sell at least 30 percent of their respective shares before June 30, 2001.

Quotation of shares

The quotation of Metso Corporation's shares began on the main list of the Helsinki Exchanges (HEX:MEO1V) and on the New York Stock Exchange (NYSE:MX) on July 1, 1999. During 2000 a total of 39 million Metso Corporation shares were traded on the Helsinki Exchanges to a value of EUR 500 million, the average share price being EUR 12.67. In the same period, 1 million ADS (American Depository Shares) were traded on the New York Stock Exchange to a value of USD 11 million, the average price of an ADS being USD 11.58. Each ADS represents one share.

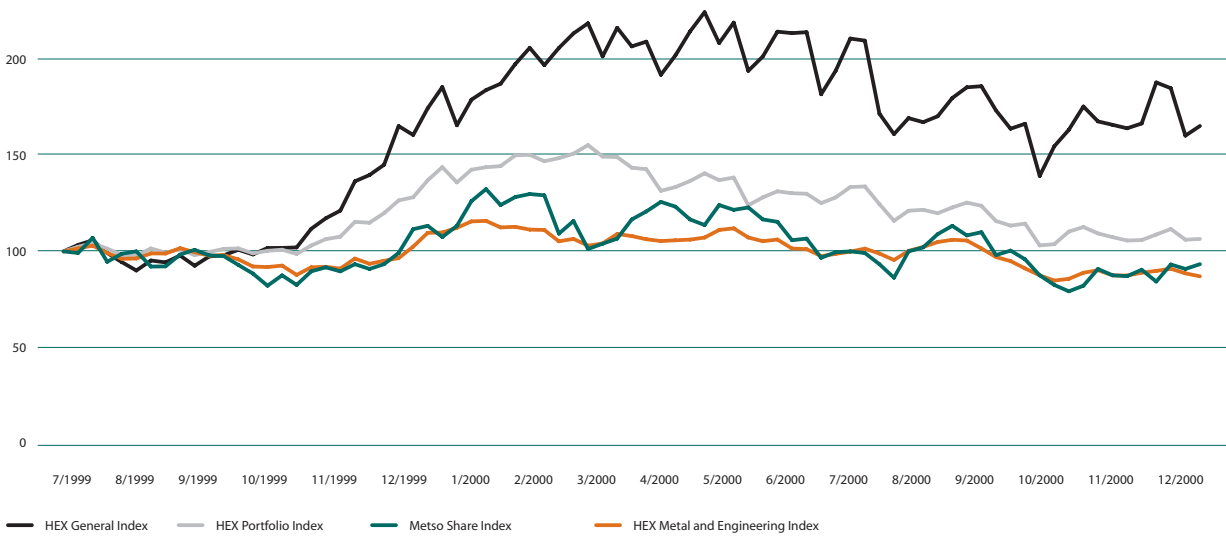
Bonds with warrants and options

Metso Corporation currently has one option program, which is designed to be part of the incentive system for key personnel. The program gives the right to subscribe for a maximum of 5,000,000 shares, and involves 182 persons. The options giving the right to subscribe for shares may be exercised in periods staggered between April 1, 2001 and April 30, 2005, and the subscription price per share is EUR 15.60 less the paid dividend. Additionally, by December 31, 2000, a total of 245,200 Metso Corporation shares had been subscribed for on the basis of options issued in 1994 and inherited from Valmet Corporation, at a subscription price of EUR 10.09. During January 1–31, 2001, 688,070 Metso Corporation shares were subscribed for using these options. A total of 50,000 options issued in 1996 and transferred from Rauma Corporation had not been exercised by December 31, 2000. Of these, 25,000 entitled subscription for 25,000 Metso Corporation shares at a subscription price of EUR 15.44 between April 2, 2000 and January 31, 2002, and likewise 25,000 entitled subscription for 25,000 Metso Corporation shares at a subscription price of EUR 15.44 between April 2, 2001 and January 31, 2002. No share entitlements provided by options transferred from Rauma Corporation were subscribed for in 2000.

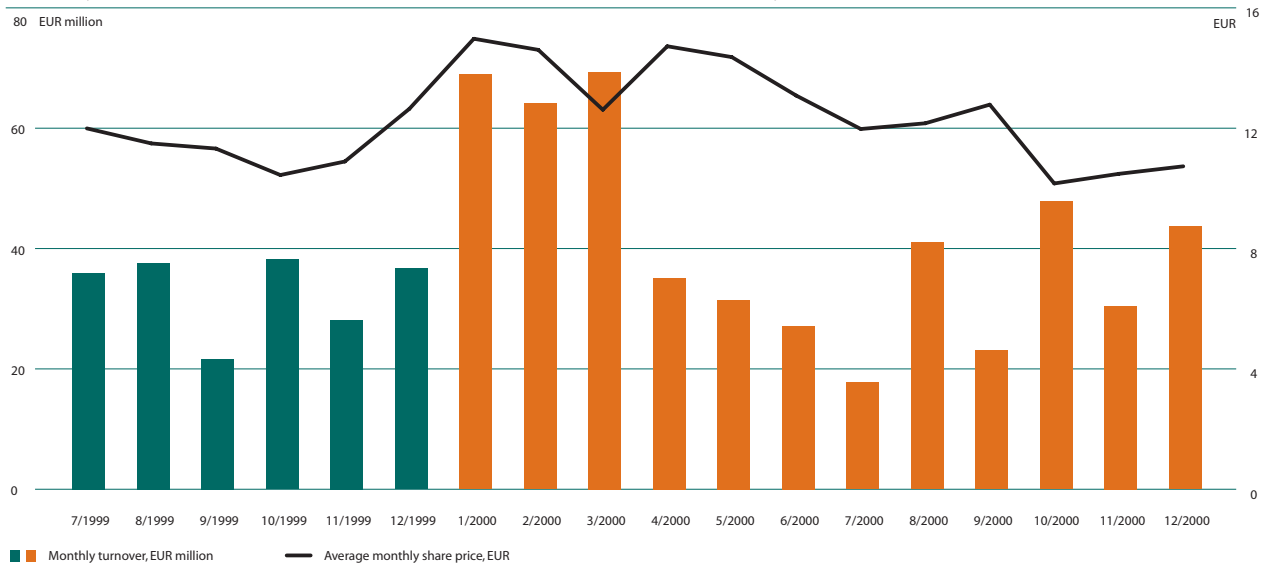
Shareholdings of the Board of Directors and the Management

On December 31, 2000, the members of Metso Corporation's Board of Directors held 14,597 Metso shares, equivalent to 0.01 percent of the Corporation's shares and the accompanying voting rights. The President and CEO Heikki Hakala owned 10,262 shares and 150,000 options, giving the right to subscribe for an equal number of shares in accordance with the terms and conditions of the options.

HEX indices and share index, July 1, 1999 – December 31, 2000



Monthly turnover and average share price on the Helsinki Exchanges July 1, 1999 – December 31, 2000



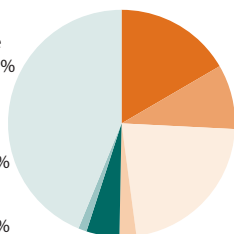
Breakdown by shareholder category on December 31, 2000

% of share capital

Share registered in the name of nominee 43.8%

Foreign ownership 1.2%

Private individuals 4.7%



Companies 16.6%

Insurance and financial institutions 9.2%

State and local authorities 22.1%

Foundations and charities 2.4%

Shares and Shareholders

Metso's biggest shareholders on December 31, 2000

	Shares	Percentage of share capital
UPM-Kymmene Corporation	19,922,115	14.7%
The Finnish Government	15,695,287	11.6%
Varma-Sampo Mutual Pension Insurance Company	3,687,169	2.7%
Industrial Insurance Company Ltd	1,542,134	1.1%
Sampo-Leonia Ltd	884,548	0.7%
Sampo Enterprise Insurance Company Limited	594,747	0.4%
Sampo Life Insurance Company Limited	80,000	0.1%
	3,101,429	2.3%
Ilmarinen Mutual Pension Insurance Company	5,181,278	3.8%
Pohjola Non-Life Insurance Company Limited	1,900,000	1.4%
Pohjola Life Assurance Company Limited	1,570,000	1.2%
	3,470,000	2.6%
Merita Optima Fund	779,236	0.6%
Merita Pension Fund Ltd	337,185	0.2%
Merita Life Assurance Ltd	268,104	0.2%
Merita Fennia Fund	261,200	0.2%
Merita Foresta Fund	219,100	0.2%
Merita Pro Finland Equity Fund	50,700	0.0%
	1,915,525	1.4%
Suomi Mutual Life Assurance Company	1,825,670	1.3%
The Local Government Pensions Institution	1,757,519	1.3%
Odin Norden	1,332,376	1.0%
Odin Finland	169,537	0.1%
	1,501,913	1.1%
Federation of Finnish Metal, Engineering and Electrotechnical Industries	749,796	0.6%
Nominee-registered shares	59,392,422	43.8%
Other shareholders *	17,362,352	12.8%
Total	135,562,475	100.0%

*) Includes 60,841 shares held by Metso Corporation

American depository shares

(Each ADS represents one share)	1999	2000
Trading volume (NYSE)	826,018	950,824
Earnings/ADS, USD	(0.22)	0.97
Highest ADS price, USD	13.77	16.25
Lowest ADS price, USD	9.18	7.75
ADS price, Dec 31, USD	13.50	10.75

Breakdown of share ownership on December 31, 2000

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital	Number of votes	% of number of votes
1 – 100	11,183	48.3%	469,967	0.4%	469,967	0.4%
101 – 1,000	10,170	43.9%	3,265,631	2.4%	3,265,631	2.4%
1,001 – 10,000	1,595	6.8%	3,813,830	2.8%	3,813,830	2.8%
10,001 – 100,000	157	0.7%	4,596,739	3.4%	4,596,739	3.4%
Over 100,000	43	0.2%	63,902,666	47.1%	63,902,666	47.1%
Nominee-registered shares	13	0.1%	59,392,422	43.8%	59,392,422	43.8%
Shares to be transferred or not converted into book entries			121,220	0.1%	121,220	0.1%
Total	23,161	100%	135,562,475	100%	135,562,475	100%

Share capital and share data 1996–2000

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

	1996	1997	1998	1999	2000
Share capital, Dec. 31	230	228	228	228	230
Number of shares					
Number of outstanding shares, Dec. 31	136,915,180	135,826,010	135,826,010	135,256,434	135,562,475
Average number of shares	139,945,936	136,264,946	135,826,010	135,631,740	135,363,537
Number of shares redeemed and canceled	7,001,430	1,089,170	-	-	500,000
Number of own shares, Dec. 31	-	-	-	560,841	60,841
Trading volume, Helsinki Exchanges	72,283,518	97,260,307	74,734,449	46,058,568	39,455,032
% of shares **	92.8	97.1	74.6	46.0	40.5
Earnings / share	1.59	1.78	1.37	(0.22)	0.90
Dividend / share	0.47	0.55	0.59	0.40	0.60*
Dividend	65	74	80	54	81*
Dividend / earnings, %	29	31	43	neg.	67*
Effective dividend yield, %	3.3	4.3	5.1	3.0	5.2*
P/E ratio	8.91	7.21	8.34	neg.	13.00
Equity / share	7.33	8.56	8.88	7.98	10.51
Highest share price	15.29	19.30	18.53	13.70	16.20
Lowest share price	8.75	11.60	7.72	8.26	8.61
Average share price	12.13	15.63	13.00	10.76	12.67
Share price, Dec. 31	14.21	12.85	11.43	12.90	11.90
Market capitalization, Dec. 31	1,945	1,745	1,553	1,752	1,612

*) Proposal by the Board of Directors

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

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

Board of Directors' Report

Markets

Overall, 2000 was a good year for Metso. Net sales rose and profitability was clearly better than the previous year. The favorable market development of Metso's customer industries was reflected in the demand for the Corporation's products, keeping it strong throughout the year.

The continuing good market situation in the pulp and paper industry increased the industry's willingness to invest, which improved the demand for the products of both Metso Paper and Metso Automation in Europe and North America. Demand also increased in Asia, particularly in China.

The demand for Metso Minerals' products supplied for construction and civil engineering was brisk in Europe and North America, but leveled off in the second half of the year due to uncertain economic prospects in the USA. The Asian markets strengthened a little. Investment in the mining industry improved slightly in the last half of the year.

Orders received and order backlog

In 2000, new orders were received totaling EUR 4,268 million, which was 21 percent higher than the comparison year. Calculated according to the current structure of the Corporation (excluding the sold Timberjack), there was comparable growth in new orders of 34 percent. The value of new orders received by Metso Paper grew by 42 percent. Orders were focused on tissue machines, machine rebuilds, finishing machines and chemical fiber lines. The new orders received by Metso Automation were 14 percent up on the comparison year and consisted mostly of automation systems for the pulp and paper industry. The value of new orders received by Metso Minerals grew by 18 percent and was focused on mobile products supplied to contractors and quarrying customers. Metso Engineering, too, received significantly more orders than in the prior year, especially in orders for wind turbine gears. At the end of the year, Metso's order backlog was 20 percent higher than at the end of 1999, totaling EUR 1,907 million. Comparable order backlog growth was 26 percent.

Net Sales

Metso's net sales totaled EUR 3,891 million, up 15 percent on the comparison year, due to sales growth in all business areas. Comparable net sales were up by 27 percent. Metso Paper accounted for 58 percent, Metso Automation 16 percent, Metso Minerals 14 percent, Metso Engineering 5 percent and Valmet Automotive 3 percent of the Corporation's net sales. Timberjack accounted for 4 percent of the Corporation's net sales.

Exports and operations outside Finland accounted for 91 percent of the Corporation's net sales, or EUR 3,530 million. 47 percent of the net sales were from Europe, 33 percent

from North America, 12 percent from Asia-Pacific, 6 percent from South America and the remaining 2 percent from the rest of the world.

Profitability

Metso's profitability improved significantly from the previous year. The operating profit for 2000 was EUR 200 million (operating loss EUR 10 million in 1999), equivalent to 5.1 percent of net sales. Comparable operating profit was EUR 187 million (operating loss EUR 38 million in 1999). Rationalization measures taken in the previous year and synergy benefits from the merger that created Metso, together with increased deliveries and improved capacity utilization rates, led to improved profitability.

Income before extraordinary items and taxes was EUR 180 million. The Corporation's net financing expenses were EUR 20 million, including dividend income of EUR 12 million. The net income for the review year, excluding extraordinary items, was EUR 121 million. Earnings per share was EUR 0.90. The return on capital employed (ROCE) was 12.2 percent and the return on equity (ROE) 9.5 percent.

Income and expenses arising from changes in corporate structure were entered in extraordinary items. After-tax profit of EUR 275 million, from the sale of Timberjack, was entered under extraordinary income. After-tax expenses of EUR 7 million, arising from the delay in the acquisition of Svedala Industri AB, were entered under extraordinary expenses.

The Corporation's tax rate was 32 percent.

Businesses

Metso Paper's net sales increased 34 percent on the comparison year and totaled EUR 2,286 million. The increase in net sales was due to growth in delivery volumes and acquisitions. Profitability was clearly better than the previous year and operating profit was EUR 106 million (operating loss EUR 75 million in 1999), or 4.7 percent of net sales. The improvement in profitability was primarily due to the higher production capacity utilization rate and internal efficiency measures. The order backlog at the end of the year was EUR 1,603 million.

Metso Automation's net sales increased 8 percent and totaled EUR 644 million. Profitability improved substantially from the previous year and operating profit rose to EUR 45 million, (EUR 6 million), or 7.0 percent of net sales. The improvement in profitability was a result of growth in delivery volumes, a better product mix and the previously implemented restructuring measures. The order backlog at the end of the year was EUR 197 million.

Metso Minerals' net sales increased 20 percent on the comparison year and totaled EUR 561 million. Businesses purchased in 1999 and growth in delivery volumes, contributed to the increase in net sales. The operating profit

improved to EUR 28 million (EUR 22 million), or 4.9 percent of net sales. In particular, profitability was good in mobile products supplied to the contractor segment. The order backlog at the end of the year was EUR 100 million.

Metso Engineering's net sales increased 88 percent on the comparison year, largely as a result of acquisitions and improved gear deliveries, and totaled EUR 194 million. Profitability improved largely due to the growth in wind turbine gear deliveries. The operating profit rose to EUR 11 million (EUR 1 million), or 5.5 percent of net sales. The order backlog at the end of the year was EUR 75 million.

Valmet Automotive's net sales increased 4 percent and totaled EUR 119 million. The operating profit was EUR 16 million (EUR 27 million), or 13.1 percent of net sales. The decrease in operating profit compared with the previous year was due to reserves from prior years released in 1999.

Sales between the business areas, of EUR 77 million, have been eliminated from the net sales of the Corporation.

Cash flow and balance sheet

Metso's net cash provided by operating activities was EUR 300 million positive. At the end of the year the Corporation was debt free (net of cash and interest-bearing receivables) after the sale of Timberjack and the acquisition of Beloit. The Corporation's net interest-bearing receivables totaled EUR 53 million. Gearing, the ratio of net interest-bearing liabilities to shareholders' equity, was 3.7 percent negative. The Corporation's equity to assets ratio was 45.4 percent.

Financing

In August, a EUR 1.2 billion loan agreement was signed with a syndicate of 15 banks. The loan is available for the acquisition of shares in Svedala Industri AB in accordance with the public offer.

In December, Metso signed a EUR 1 billion Euro Medium Term Note Program. The program further diversifies Metso's funding opportunities on the international capital markets.

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

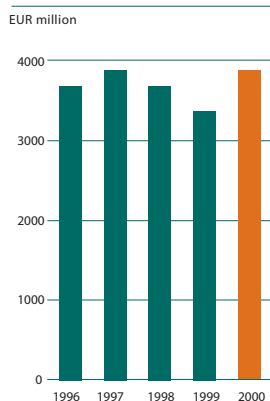
Capital expenditure and changes in corporate structure

Capital expenditure, acquisitions included, totaled EUR 313 million. Acquisitions accounted for EUR 186 million.

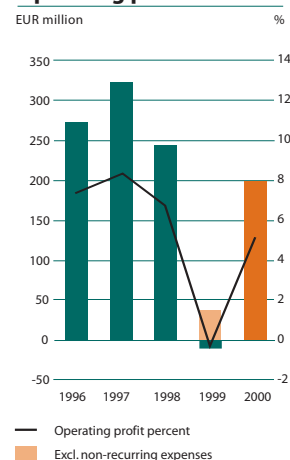
During the year under review, the Corporate structure was changed by several acquisitions and disposals.

The acquisition of the roll cover division, service and aftermarket business assets and paper machine technology of the American paper machine manufacturer, Beloit, was brought to a conclusion in May. The price was EUR 172 million.

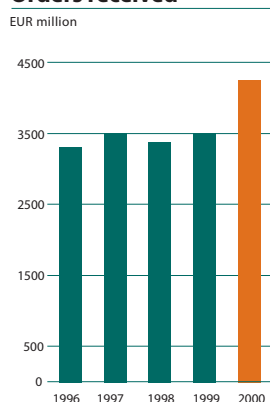
Net sales



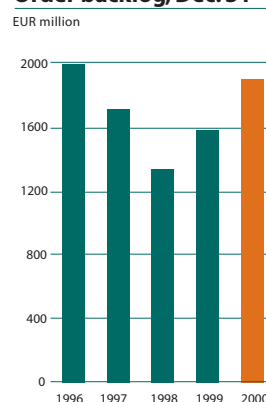
Operating profit



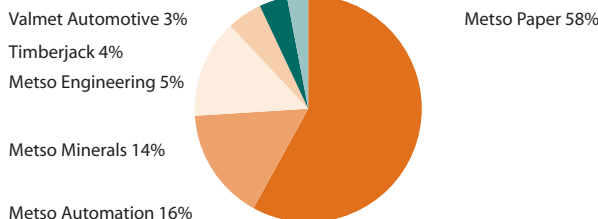
Orders received



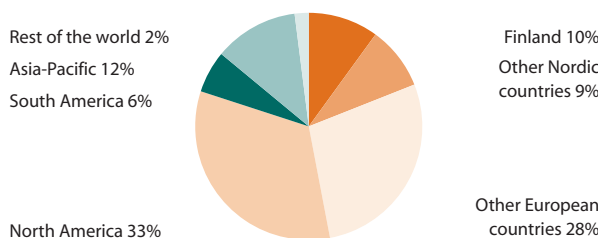
Order backlog, Dec. 31



Net sales by business



Net sales by market area



Board of Directors' Report

In March, an agreement was signed with V.I.B Systems to establish a joint venture specializing in paper machine moisture profile products and technology. In October an agreement was made on the acquisition of MAX Control Systems (MCS), a subsidiary of the Industrial Control Services Group (ICS) based in the UK. MAX Control Systems has average annual net sales of EUR 20 million.

Metso sold its forest machine manufacturer, Timberjack, which was included in the machinery business area, to the US company, Deere & Company, in April. The debt-free price was EUR 644 million. The after-tax profit of EUR 275 million was entered under extraordinary items.

In January, Metso sold Sako Ltd to Beretta Holding, and also sold its 50 percent holding in Oy Saab-Auto Ab to Saab Automobile AB. In April, Metso's 51 percent holding in Oy Valmet Fisher-Rosemount Ab, a sales company specializing in field instrumentation for process industry automation, was sold to Rosemount Inc. In June, Metso Corporation made an agreement to acquire the last third of the share capital of Santasalo Powdermet Oy from Sitra.

Names of businesses

It was decided to harmonize the names of Metso's businesses at the beginning of 2001 to create a single corporate image. The new business area names are Metso Paper, Metso Automation, Metso Minerals and Metso Ventures which includes Metso Engineering and Valmet Automotive. Additionally, all company names in the Corporation will be prefixed with Metso by the end of June.

Offer to acquire Svedala Industri AB

In June, a public offer was made to acquire the entire stock of Svedala Industri AB (listed on the OM Stockholm Stock Exchange). The offer represents a total value of SEK 9,118 million (EUR 1,032 million). Including Svedala's net debt as of September 30, 2000, the transaction is valued at SEK 14,367 million (EUR 1,626 million)

Applications for clearance were submitted to US and European competition authorities in August. In September, the US and European competition authorities requested additional information related to the offer. In January 2001, the EU Commission approved the offer subject to certain provisions, but clearance from the Federal Trade Commission had still not been received by February 13, 2001. Metso has decided to extend its offer until March 9, 2001.

In addition to receiving approval from the EU and US competition authorities, the closing of the offer is also subject to Metso acquiring 90 percent of Svedala Industri AB's share capital.

The synergy benefits obtainable through the integration

of the two companies are estimated, when fully implemented, at more than EUR 70 million per year. Metso also expects the deal to increase earnings per share in the first full fiscal year of the consolidation.

At the end of the year, Metso owned 567,300 shares of Svedala Industri AB, equivalent to 1.2 percent of the company's share capital.

Research and development

The Corporation's research and development expenses for the year under review totaled EUR 127 million, or 3.3 percent of net sales.

Personnel

On December 31, 2000, Metso Corporation employed 22,024 persons, 5 percent fewer than at the end of the previous year. The personnel gained by acquisitions during the year totaled 910 while those reduced by disposals totaled 2,066. The Corporation had 50 percent of the total personnel in Finland, 8 percent in other Nordic countries, 13 percent in other European countries, 19 percent in North America, 3 percent in Asia-Pacific, 2 percent in South America and 5 percent in the rest of the world. Total salaries and wages amounted to EUR 837 million.

Board of Directors, Management and Auditors

Metso Corporation's Annual General Meeting held on March 29, 2000 re-elected Pertti Voutilainen as Chairman of the Board. Mikko Kivimäki continued as Vice Chairman, and Jaakko Rauramo and Markku Tapio as Members of the Board. The new Members of the Board elected were Heikki Hakala, Juhani Kuusi and, representing the personnel, Pentti Mäkinen.

On February 17, 2000 Metso Corporation's Board of Directors appointed Tor Bergman as President and CEO of Metso Corporation to take effect on January 1, 2001. Heikki Hakala continued as President and CEO until his retirement on December 31, 2000. Also on February 17, 2000, Sakari Tamminen, Senior Vice President and CFO, was appointed Executive Vice President and Deputy to the CEO as of March 1, 2000.

The firm of authorized public accountants, SVH Price-waterhouse Coopers Ltd, was re-elected as the Corporation's auditor, with the principal auditors being Tauno Haataja and Lars Blomquist.

Decisions of the Annual General Meeting

The Annual General Meeting of Metso Corporation decided to amend articles 3 and 4 of the Articles of Association restating the minimum and maximum capital in euros, and changing the par value of the shares to EUR 1.70.

The Annual General Meeting authorized the Board of Directors to decide on the acquisition and disposal of the Corporation's own shares within one year of the shareholders' meeting. The Board of Directors may acquire the Corporation's own shares to an amount where the combined par value of the shares thus acquired corresponds to no more than 5 percent of the Corporation's total shares at the moment of acquisition. The Board of Directors was also authorized to dispose of the Corporation's own shares for use as payment in future acquisitions.

The Annual General Meeting also decided to issue options to key personnel of Metso Corporation and to a wholly owned subsidiary of Metso Corporation as part of the incentive program for key personnel. The purpose of the options is to standardize the incentive programs of the Corporation in such a manner that the warrants and options transferred from Valmet Corporation and Rauma Corporation to Metso Corporation may be converted to the options now being issued. The number of shares to be subscribed for on the basis of the options is 5,000,000. This number corresponds to the aggregate dilutive effect of the shares that can be subscribed for on the basis of the previous incentive programs.

The Annual General Meeting authorized the Board to decide on raising the share capital by issuing new shares, by issuing convertible bonds, and/or issuing share options within one year of the shareholders' meeting, provided that in the subscription issue or convertible bonds issue or issue of options at most 12,500,000 new shares of the Corporation with a par value of EUR 1.70 may be subscribed, and that the Corporation's share capital may be raised by no more than EUR 21,250,000. The Board had not exercised this right by December 31, 2000.

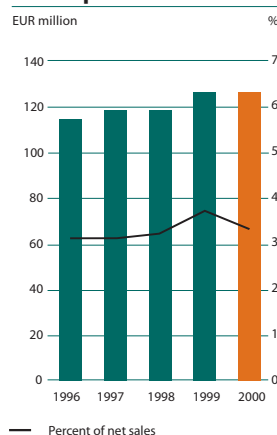
Shares

The number of Metso Corporation shares on December 31, 2000 was 135,562,475 and the shareholders' equity was EUR 230,456,207.50.

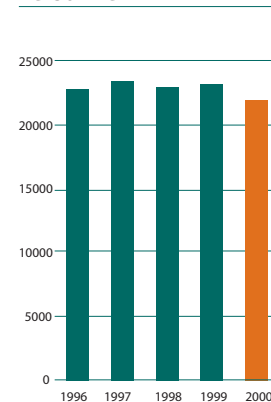
In the year under review 39 million Metso Corporation shares were traded on the Helsinki Exchanges, corresponding to a turnover of EUR 500 million. The highest quotation for the period was EUR 16.20 and the lowest EUR 8.61. On December 31, 2000, the share price was EUR 11.90 and the Corporation's market capitalization was EUR 1,612 million. 1 million Metso ADS were traded on the New York Stock Exchange amounting to a turnover of USD 11 million. The price of an ADS was USD 10.75 on December 31, 2000. The highest price was USD 16.25 and the lowest USD 7.75.

In 2000, none of the Corporation's own shares were acquired. On December 31, 2000 the Corporation held 60,841 of its own shares, their acquisition price totaling EUR 654,813 (EUR 10.76/share).

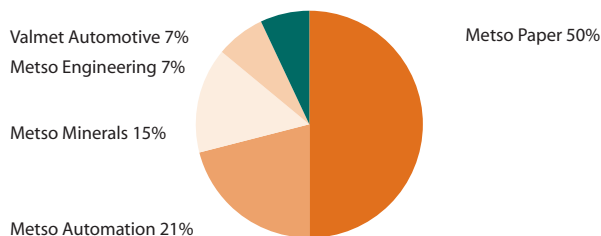
Research and development



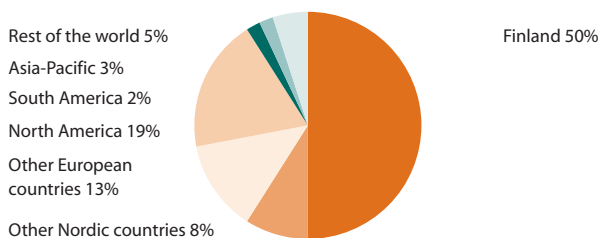
Personnel



Personnel by business



Personnel by area



Board of Directors' Report

Board of Directors' proposal for the distribution of profit

The consolidated distributable capital of Metso Corporation on December 31, 2000 was EUR 859 million. The parent company's distributable funds totaled EUR 538 million. On December 31, 2000, a total of 135,501,634 Metso shares giving entitlement to full dividends for 2000 were held outside the Corporation.

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

Short-term outlook

The favorable market situation for Metso is expected to continue.

The continued investment willingness of the pulp and paper industry is expected to remain good this year, too. The lively demand for rebuilds, spare parts and services is expected to continue. On the other hand, the demand for complete new production lines is expected to remain low in Europe and North America. In China, the market for new machines is expected to continue strong, while elsewhere in Asia development will be slower. The South American markets are expected to remain satisfactory, which will have a positive affect on the demand for pulping and panelboard lines.

Construction and civil engineering industry demand is expected to remain good, especially in Europe. The revival of investments in the mining sector is expected to continue in the main markets of South America, Australia and southern Africa.

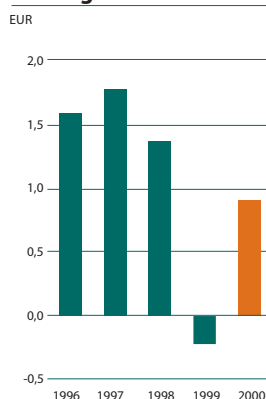
If the uncertain economic outlook of the North American market continues, it will, to some extent, influence the demand for the Corporation's products.

The Corporation's profit development is expected to improve further in 2001. This assessment is based on the Corporation's order backlog at the beginning of the year, and the fact that the synergy benefits and cost savings of the merger that created Metso will be fully realized in 2001.

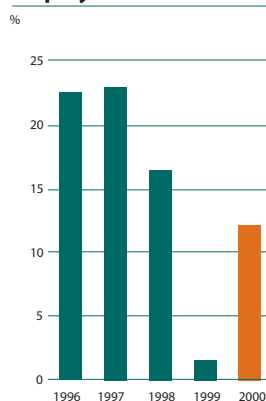
Helsinki, February 13, 2001

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

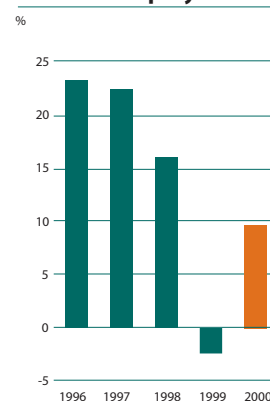
Earnings/share



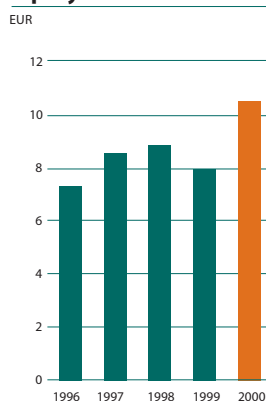
Return on capital employed



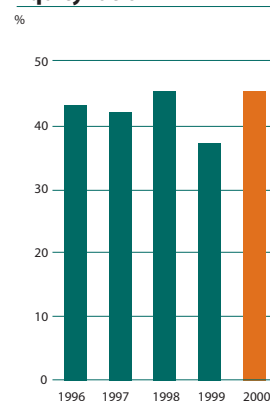
Return on equity



Equity/share



Equity ratio



Consolidated Statements of Income

(in millions, except for per share amounts)

	Note	Year ended December 31,			
		1998 EUR	1999 EUR	2000 EUR	2000 USD
Net sales		3,695	3,387	3,891	3,653
Cost of goods sold	3), 6)	(2,696)	(2,556)	(2,901)	(2,723)
Gross profit		999	831	990	930
Selling, general and administrative expenses	2), 3), 6)	(757)	(794)	(808)	(759)
Other income and expenses, net	4)	4	20	18	17
Nonrecurring operating expenses	5)	-	(67)	-	-
Operating profit (loss)		246	(10)	200	188
Financial income and expenses, net	7)	2	(19)	(20)	(19)
Share of profits of associated companies	8)	3	1	0	0
Income (loss) before extraordinary items and income taxes		251	(28)	180	169
Extraordinary income and expenses, net	9)	(2)	(59)	268	252
Income (loss) before taxes		249	(87)	448	421
Income taxes	10)	(63)	0	(59)	(56)
Minority interests		(2)	(1)	0	0
Net income (loss)		184	(88)	389	365
Earnings per share	11)	1.37	(0.22)	0.90	0.85

Consolidated Balance Sheets

(in millions)

Assets

	Note	As at December 31,		
		1999 EUR	2000 EUR	2000 USD
Fixed assets and financial assets				
Intangible assets	12)			
Goodwill		170	208	195
Other intangible assets		46	54	51
		216	262	246
Tangible assets	12), 13)			
Land and water areas		56	55	51
Buildings		262	249	234
Machinery and equipment		296	282	265
Other tangible assets		19	29	27
Assets under construction		51	55	52
		684	670	629
Financial assets				
Shareholdings and other securities	14)	124	138	129
Own shares	14)	6	1	1
Loans receivable	17)	10	4	4
Accounts receivable	17)	57	38	36
Other long-term investments	15), 17)	55	57	54
		252	238	224
Total fixed and financial assets		1,152	1,170	1,099
Current assets				
Inventories				
Materials and supplies		198	135	127
Work in process		226	355	333
Finished products		237	209	196
		661	699	656
Receivables	17)			
Accounts receivable		775	752	706
Cost and earnings of projects under construction in excess of billings	16)	158	200	188
Loans receivable		6	9	9
Accrued income and prepaid expenses		151	129	121
Deferred tax asset	10)	69	60	56
Other receivables		37	43	40
Other short-term investments		1	17	16
		1,197	1,210	1,136
Cash and cash equivalents		159	485	455
Total current assets		2,017	2,394	2,247
Total assets		3,169	3,564	3,346

Shareholders' equity and liabilities

	Note	As at December 31,		
		1999 EUR	2000 EUR	2000 USD
Shareholders' equity	18)			
Share capital		228	230	216
Share premium reserve		7	8	8
Legal reserve		221	220	206
Revaluation reserve		0	0	0
Cumulative translation differences		(2)	46	43
Reserve for own shares		6	1	1
Other reserves		202	202	190
Retained earnings		511	329	309
Net income (loss) for the financial year		(88)	389	365
Total shareholders' equity		1,085	1,425	1,338
Minority interests		9	8	8
Liabilities				
Long-term debt	19)			
Bonds		240	242	227
Loans from financial institutions		116	82	77
Pension loans		79	69	65
Other long-term debt		51	35	33
		486	428	402
Other long-term liabilities				
Accrued expenses	20), 23)	47	47	44
Deferred tax liability	10)	-	31	29
Other long-term loans		2	1	1
		49	79	74
Current liabilities				
Current portion of long-term debt		34	40	38
Other interest bearing short-term debt	21)	256	80	75
Advances received		118	153	144
Accounts payable		246	262	246
Billings in excess of cost and earnings of projects under construction	16)	136	255	239
Accrued expenses and deferred income	22), 23)	669	765	718
Deferred tax liability	10)	22	-	-
Other current liabilities		59	69	64
		1,540	1,624	1,524
Total liabilities		2,075	2,131	2,000
Total shareholders' equity and liabilities		3,169	3,564	3,346

Consolidated Statements of Cash Flows

(in millions)

	Year ended December 31,			
	1998 EUR	1999 EUR	2000 EUR	2000 USD
Cash flows from operating activities:				
Net income (loss)	184	(88)	389	365
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	131	130	128	120
Gain on sale of fixed assets	(9)	(2)	(3)	(3)
Gain on sale of Timberjack, net of taxes	-	-	(275)	(258)
(Gain) loss on sale of other subsidiaries and associated companies	-	(14)	2	2
(Gain) loss on marketable securities	(9)	(8)	(12)	(11)
Foreign exchange (gains) losses	(16)	(8)	0	0
Share of profits and losses of associated companies	(4)	(3)	0	0
Write-offs of intangible assets	-	58	-	-
Other non-cash items	23	66	43	40
Change in net working capital, net of effect from business acquisitions	(171)	(133)	28	26
Net cash provided by (used in) operating activities	129	(2)	300	281
Cash flows from investing activities:				
Capital expenditures on fixed assets	(133)	(121)	(111)	(104)
Proceeds from sale of fixed assets	28	31	41	39
Business acquisitions, net of cash acquired	(24)	(104)	(186)	(175)
Investments in associated companies	-	(3)	(1)	(1)
Proceeds from sale of subsidiaries and associated companies	10	21	7	7
Proceeds from sale of Timberjack, net of taxes	-	-	506	475
Taxes payable on gain of Timberjack sale	-	-	85	80
(Investments in) proceeds from sales of marketable securities	55	42	(32)	(30)
Net cash provided by (used in) investing activities	(64)	(134)	309	291
Cash flows from financing activities:				
Reacquisition of shares	-	(18)	-	-
Dividends paid	(74)	(80)	(54)	(51)
Hedging of net investment in foreign subsidiaries	(1)	(1)	(34)	(32)
Net borrowings (payments) on short-term debt	23	117	(183)	(172)
Proceeds from issuance of long-term debt	79	54	16	15
Principal payment of long-term debt	(47)	(27)	(73)	(68)
Notes receivable issued	(62)	(16)	(6)	(6)
Proceeds from payment on notes receivable	30	22	25	23
Proceeds from Timberjack installment credit receivables	-	-	35	33
Other	(2)	-	(10)	(9)
Net cash provided by (used in) financing activities	(54)	51	(284)	(267)
Effect of changes in exchange rates of cash and cash equivalents	(9)	19	1	1
Net increase (decrease) in cash and cash equivalents	2	(66)	326	306
Cash and cash equivalents at beginning of year	223	225	159	149
Cash and cash equivalents at end of year	225	159	485	455

	Year ended December 31,			
	1998 EUR	1999 EUR	2000 EUR	2000 USD
Change in net working capital, net of effect from business acquisitions:				
(Increase) decrease in assets and increase (decrease) in liabilities:				
Inventory	(24)	(149)	(156)	(146)
Receivables	24	(121)	(49)	(46)
Other assets	(9)	(25)	12	11
Percentage of completion: recognized assets and liabilities, net	22	55	77	72
Accounts payable	(23)	(36)	51	48
Accrued liabilities	(109)	136	65	61
Other liabilities	(52)	7	28	26
Total	(171)	(133)	28	26
Supplemental cash flow information:				
Acquisition of businesses:				
Intangible assets	1	2	18	17
Tangible assets	13	45	64	60
Goodwill	8	52	102	96
Current assets, other than cash	13	74	36	34
Minority interests	(1)	-	-	-
Liabilities assumed	(10)	(57)	(34)	(32)
Total, net of cash acquired	24	116	186	175
Less own shares used for business acquisitions	-	(12)	-	-
Acquisition of businesses, net cash used	24	104	186	175
Disposal of Timberjack:				
Noncurrent assets	-	-	138	130
Current assets	-	-	224	210
Liabilities and costs to dispose of activity	-	-	(96)	(90)
Net assets disposed of	-	-	266	250
Capital gain, net of taxes	-	-	275	258
Taxes on capital gain	-	-	103	97
Total proceeds	-	-	644	605
Installment credit receivables	-	-	(35)	(33)
Capital gain taxes paid	-	-	(18)	(17)
Balance of capital gain taxes payable at year end	-	-	(85)	(80)
Proceeds from sale of Timberjack, net of taxes	-	-	506	475
Cash paid during the year for:				
Interest	35	50	45	42
Income taxes	64	38	55	52

Consolidated Statements of Changes in Shareholders' Equity

(in millions)

	Number of shares (thousands)	Share capital (Par value EUR 1.70 per share)	Share premium reserve EUR	Legal reserve EUR	Re- valuation reserve EUR	Cumula- tive trans- lation differences EUR	Reserve for own shares EUR	Other reserves EUR	Retained earnings EUR	Total EUR
Balance at										
December 31, 1997	135,826	228	209	222	12	(14)	-	-	504	1 161
Dividends	-	-	-	-	-	-	-	-	(74)	(74)
Translation differences	-	-	-	-	-	(42)	-	-	-	(42)
Other	-	-	-	-	-	-	-	-	(23)	(23)
Net income	-	-	-	-	-	-	-	-	184	184
Balance at										
December 31, 1998	135,826	228	209	222	12	(56)	-	-	591	1,206
Dividends	-	-	-	-	-	-	-	-	(80)	(80)
Translation differences	-	-	-	-	-	54	-	-	-	54
Cash payment for fractional shares	(9)	0	0	-	-	-	-	-	-	0
Reacquisition of own shares	-	-	-	-	-	-	6	-	(6)	0
Other	-	-	(202)	(1)	(12)	-	-	202	6	(7)
Net loss	-	-	-	-	-	-	-	-	(88)	(88)
Balance at										
December 31, 1999	135,817	228	7	221	-	(2)	6	202	423	1,085
Dividends	-	-	-	-	-	-	-	-	(54)	(54)
Transfer from share premium reserve	-	3	(3)	-	-	-	-	-	-	0
Cancellation of own shares	(500)	(1)	1	-	-	-	(5)	-	-	(5)
Translation differences	-	-	-	-	-	23	-	-	-	23
Transfer of translation differences	-	-	-	-	-	25	-	-	(25)	0
Other	245	-	3	(1)	-	-	-	-	(15)	(13)
Net income	-	-	-	-	-	-	-	-	389	389
Balance at										
December 31, 2000	135,562	230	8	220	-	46	1	202	718	1,425

Shareholders' equity includes EUR 61 million undistributable accelerated depreciation and untaxed reserves at December 31, 2000.

Notes to Consolidated Financial Statements

(in millions)

1 Accounting principles

Basis of presentation

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

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

The financial statements are presented in millions of euros ("EUR"), except for share and per share amounts. For the year ended December 31, 1998, the income statement and cash flows have been restated in euros using the Finnish markka/euro irrevocable conversion rate as of January 1, 1999 of EUR 1 = FIM 5.94573. The restated financial statements depict the same trends as would have been presented if they had continued to be presented in Finnish markkas ("FIM"). However, the consolidated financial statements of Metso are not comparable to the euro financial statements of other companies that previously reported in a currency other than the Finnish markka.

Solely for the convenience of the reader, the consolidated financial statements as at and for the year ended December 31, 2000 have been translated into United States dollars ("USD") using the December 29, 2000 Noon Buying Rate of the Federal Reserve Bank of New York of USD 1.00 = EUR 1.0652. The translation should not be construed as a representation that the amounts shown could be converted into USD at that rate.

Use of estimates

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Principles of consolidation

The consolidated financial statements include the accounts of the Parent Company and each of those companies in which it owns, directly or indirectly through subsidiaries, over 50 percent of the voting rights. The companies acquired during the financial period have been consolidated from the date the responsibility for their operations were transferred to Metso. 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 by using the purchase method. Goodwill represents the excess of the purchase cost over the fair value of the net assets of the acquired companies. The excess of purchase price allocated to fixed assets is depreciated concurrently with the underlying assets. Goodwill arising from acquisitions is amortized over a period not to exceed twenty years. Deferred credit (negative goodwill) represents the excess of net assets of acquired companies over the purchase cost. Commencing on January 1, 1999, deferred credit arising from acquisitions is allocated to reduce the acquired fixed assets proportionally to their fair values at the time of the acquisition. The cumulative effect of the change in the accounting principle of EUR 11, net of taxes, was charged to extraordinary expenses in 1999.

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

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

Foreign currency translation

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transactions. At the end of the accounting period, unsettled foreign currency transaction balances are valued at the rates of exchange prevailing at the balance sheet date. Trade flow related foreign currency exchange gains and losses are treated as adjustments to sales

Notes to Consolidated Financial Statements

(in millions)

and purchases. Foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

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

Derivative financial instruments

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

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

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

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

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

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

Metso's exposure to interest rate risk, arising from interest bearing receivables and loans, is managed through interest rate

swaps. The net of interest payable and receivable on the swaps is accrued and recorded in interest and other financial expenses to match the interest income/expense on the related underlying hedged items. Realized gains and losses occurring from early termination of contracts are recorded in income over the remaining period of the original swap agreement.

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

Other long-term investments

Marketable debt securities, e.g. bonds, commercial papers and time deposits are included in other long-term investments when their maturity, at the time of their inception, exceeds one year. Commencing in 1999, the unrealized gains on marketable securities are not recognized in income.

Revenue recognition

Completed contract method: revenues from goods and services sold are recognized, net of sales taxes, discounts and foreign exchange differences, when substantially all of the risks and obligations of ownership are transferred to the buyer, or when the service is performed.

Percentage of completion method: sales and anticipated profits under long-term engineering and construction contracts with a contract value exceeding EUR 5 are recorded on a percentage-of-completion basis, using either units of delivery (based on predetermined milestones) or cost-to-cost method of accounting as the measurement basis. Estimated contract profits are recorded in earnings in proportion of recorded sales. In cost-to-cost method, sales and profits are recorded after considering the ratio of accumulated costs to estimated total costs to complete each contract. In certain cases, subcontractor materials, labor and equipment, are included in sales and costs of goods sold when management believes that Metso is responsible for the ultimate acceptability of the project. Changes to total estimated contract costs and losses, if any, are recognized in the period in which they are determined.

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

Research and development

Research and development costs are expensed as incurred. Such costs may have been deferred in a limited number of cases, where they have had alternative future use. Should such costs have been deferred, systematic amortization has been made over periods not exceeding five years. Commencing on January 1, 1999, all research and development expenses are expensed as incurred.

Maintenance, repair and renewals

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

Pensions and coverage of pension liabilities

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

The companies within Metso have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations. Metso has met minimum funding requirements for the countries in which it maintains pension schemes.

A portion of former Valmet's voluntary additional pension liability incurred in previous years has not been fully funded. It was recorded in assets as unfunded pensions and in liabilities as long-term accrued expenses. This pension liability amounting to EUR 12 at December 31, 1998 was charged to extraordinary expenses in 1999.

Fixed assets and long-term investments

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

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

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

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 disposal.

Metso reviews long-lived assets and certain intangibles to be held and used by the company for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes in circumstances indicate that an asset may not be recoverable, Metso estimates the future cash flows expected to result from the use of the asset and its eventual disposal. If the sum of such expected future cash flows (undiscounted and without interest charge) is less than the carrying amount of the asset, an impair-

ment loss is recognized in an amount by which the asset's net book value exceeds its fair market value. For purposes of assessing impairment, assets are to be grouped at the lowest level for which there are separately identifiable cash flows. The carrying value of goodwill for each business area is reviewed if the facts and circumstances, such as declines in sales, operating profit or cash flows or material adverse changes in the business climate, suggest that its carrying value may not be recoverable.

Capitalization of interest expenses

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

Revaluation of fixed assets

Commencing on January 1, 1999, fixed assets are no longer revalued. Revaluation recognized in prior periods, amounting to EUR 12, has been reversed in 1999 accounts by canceling the revaluation reserve in the shareholders' equity against a reduction in the value of shares held in associated companies.

Leasing

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

Own shares (treasury stock)

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

Cash and cash equivalents

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

Inventories

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

Notes to Consolidated Financial Statements

(in millions)

course of business after allowing for the costs of realization.

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

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

Extraordinary items

Extraordinary items, net of taxes, include significant income and expenses not resulting from ordinary course of business operations. Income and expenses excluded from ordinary businesses are income and expenses arising from harmonization of accounting principles between Rauma and Valmet and items related to discontinued activities. In addition, cost items incurred for planned acquisitions, when these do not qualify either as direct costs of acquisition or as capitalized funding costs, provided they have incurred in the financial years preceding the acquisition period.

Equity share of untaxed reserves

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

Income taxes

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

Commencing on January 1, 1999, a deferred tax liability or asset has been determined for all temporary differences between the tax bases of assets and liabilities and their amounts in financial reporting, using the enacted tax rates effective for the future years. The deferred tax liabilities are recognized in the

balance sheet in full, and the deferred tax assets at their estimated realizable amounts. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The cumulative effect of the change in accounting principle of EUR 17 was recorded in extraordinary income in 1999.

No deferred tax liability has been recognized for undistributed earnings of domestic subsidiaries 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. This amount is divided by the weighted average number of shares outstanding during each period. The average number of own shares has been deducted from the number of outstanding shares.

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

The assumption of exercise is not reflected in earnings per share when the exercise price of the warrants and options exceeds the average market price of the common stock during the period. The warrants and options have a dilutive effect only when the average market price of the common stock during the period exceeds the exercise price of the warrants and options.

Warranty

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

2 Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Marketing and selling expenses	369	356	381
Research and development expenses	117	126	123
Amortization of goodwill	16	18	15
Administrative expenses	255	294	289
Total	757	794	808

3 Personnel expenses and number of personnel

Information regarding personnel expenses and number of personnel is as follows:	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Salaries to the members of Boards of Directors and Managing directors of Group companies	14	15	12
Other wages and salaries	731	743	825
Pension costs	92	85	81
Other indirect employee costs	133	150	135
Total	970	993	1,053
Number of personnel:	1998	1999	2000
Personnel, average	23,754	22,965	22,372
Personnel, at end of year	23,064	23,274	22,024

4 Other income and expenses, net

Other income and expenses consist of the following:	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Other income	11	34	40
Other expenses	(7)	(14)	(22)
Total	4	20	18

As at December 31, 2000, other income includes EUR 14 pension surplus funds accrued by the Swedish subsidiaries of Metso.

5 Nonrecurring operating expenses

Nonrecurring operating expenses consist of the following:	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Direct costs related to the merger	-	4	-
Downsizing expenses and restructuring expenses related to the merger			
Severance and related costs	-	29	-
Write-down of fixed assets	-	11	-
Other costs	-	18	-
	-	58	-
Integration expenses	-	5	-
Total	-	67	-

In connection with the merger of Valmet and Rauma in 1999, Metso recognized certain related costs as nonrecurring items. These costs included direct costs such as finder's fee, fees to outside consultants for accounting and legal assistance. Restructuring expenses consisted of both accrued and paid expenses related to restructuring the business operations. Downsizing expenses consisted of actions taken to adjust the business to a weakened market situation. Integration expenses consisted of expenses occurred in connection with the introduction of the Metso name and of fees to outside consultants involved in the integration of the two groups.

Notes to Consolidated Financial Statements

(in millions)

6 Depreciation and amortization

Depreciation and amortization expenses consist of the following:	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Intangible assets			
Goodwill	16	18	15
Other intangible assets	9	9	10
Tangible assets			
Buildings	16	18	19
Machinery and equipment	86	80	79
Other tangible assets	4	5	5
Total	131	130	128

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

Depreciation and amortization charged against operations by activity are as follows:	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Cost of goods sold	71	60	73
Marketing, selling and administrative expenses			
Marketing and selling	8	7	8
Research and development	11	14	13
Administrative	25	31	19
Goodwill	16	18	15
Total	131	130	128

7 Financial income and expenses, net

The following table provides a summary of financial income and expenses:	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Financial income			
Dividends received	10	9	12
Interest income	25	18	21
Other financial income	11	3	2
Net gain from foreign exchange	4	8	0
Financial income total	50	38	35
Financial expenses			
Interest expenses	(42)	(49)	(47)
Other financial expenses	(6)	(8)	(8)
Financial expenses total	(48)	(57)	(55)
Financial income and expenses, net	2	(19)	(20)

8 Investments in associated companies

	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Dividends received	3	5	0
Share of profits or losses in associated companies	4	3	0
Equity value of investments in associated companies	43	23	14

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

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,		
	1998	1999	2000
	EUR	EUR	EUR
Extraordinary income, net of taxes			
Capitalization of interest on self-constructed assets	-	5	-
Recognition of deferred tax asset from prior years	-	17	-
Capital gain on disposal of Timberjack	-	-	275
Extraordinary income, net of taxes	-	22	275
Extraordinary expenses, net of taxes			
Final settlements of disposed activities	(2)	-	-
Allocation of goodwill arising from the acquisition of Valmet Automotive to fixed assets	-	(11)	-
Write-down of Atlas goodwill	-	(54)	-
Recognition of unfunded pension liabilities	-	(16)	-
Realized losses on currency derivatives caused by delay in the acquisition of Svedala Industri AB	-	-	(7)
Extraordinary expenses, net of taxes	(2)	(81)	(7)
Extraordinary income and expenses, net	(2)	(59)	268

Impairment loss recognized in the year ended December 31, 1999

In July 1997, Valmet acquired a U.K.-based company, Atlas Converting Equipment plc, and its subsidiaries, for a net price of EUR 126 resulting in goodwill of EUR 83, which is amortized on a straight-line basis over 15 years. A major portion of Atlas' business has been in the Asia-Pacific area where the slow down of economy has reduced the local demand for converting machines and generated world wide price competition seriously affecting the profitability of Atlas. In accordance with the methodology of FAS No 121 "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of,"

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

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

Notes to Consolidated Financial Statements

(in millions)

10 Income taxes

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

	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Finland	159	13	92
Other countries	92	(41)	88
Total	251	(28)	180

The components of income taxes are as follows:

	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Current taxes			
Finland	39	19	28
Other countries	24	15	13
	63	34	41
Deferred taxes			
Finland	(1)	(21)	3
Other countries	1	(13)	15
	0	(34)	18
Current and deferred taxes	63	0	59
Tax effect of extraordinary items	(1)	(24)	100
Income taxes, total	62	(24)	159

The differences between income tax expense (benefit) computed at Finnish statutory rates (28% in 1998, 1999 and 29% in 2000) and income tax expense (benefit) provided on earnings are as follows:

	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Income tax expense (benefit) at Finnish statutory rate	70	(8)	52
Income tax for prior years	0	0	(1)
Temporary differences for which no deferred tax has been provided	(7)	(3)	3
Benefit of operating loss carryforwards	(13)	(8)	(1)
Amortization of goodwill	4	5	2
Nontaxable income	(1)	(1)	(1)
Nondeductible expenses	1	3	1
Hedging transactions	0	-	1
Taxes on foreign subsidiaries' net income in excess of income taxes at Finnish statutory rates	7	(1)	4
Operating losses with no current tax benefit	-	11	13
Effect of change in accounting principles	-	(24)	-
Effect of extraordinary items	(1)	-	100
Other	2	2	(14)
Income tax expense (benefit)	62	(24)	159

The components of net deferred tax asset (liability) consist of the following:

	Year ended December 31,	
	1999	2000
	EUR	EUR
Noncurrent assets:		
Tax losses carried forward	67	47
Provisions	36	14
Other	20	16
Valuation allowance	(43)	(43)
	80	34
Current assets:		
Intercompany profit in inventory	9	7
Provisions	35	45
Valuation allowance	(2)	0
	42	52
Current liabilities:		
Pensions and other	(9)	(8)
Noncurrent liabilities:		
Accelerated depreciation and other untaxed reserves	(22)	(31)
Other	(44)	(18)
	(66)	(49)
Deferred tax asset (liability), net	47	29

At December 31, 2000, Metso had loss carryforwards, primarily attributable to foreign subsidiaries, of EUR 144. New losses for the year ended December 31, 2000, amounting to EUR 41, increased the deferred tax asset on loss carryforwards by EUR 13. Fifty percent of the accumulated loss carryforwards at December 31, 2000 have no expiration date. The remaining loss carryforwards expire mainly during the years 2001–2010.

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

	Balance at beginning of the year	Deduction	Increase	Balance at end of year
	EUR	EUR	EUR	EUR
1999				
Losses carried forward	23	(17)	17	23
Other	23	(22)	21	22
Total	46	(39)	38	45
2000				
Losses carried forward	23	(8)	12	27
Other	22	(6)	0	16
Total	45	(14)	12	43

Notes to Consolidated Financial Statements

(in millions, except for per share amounts)

11 Earnings per share

Earnings per share is calculated as follows:

	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Income (loss) before extraordinary items and income taxes	251	(28)	180
Minority interests	(2)	(1)	0
Taxes on normal business operations	(63)	0	(59)
	186	(29)	121
Weighted average number of shares issued and outstanding (in thousands)	135,826	135,632	135,364
Earnings per share	1.37	(0.22)	0.90
Weighted average number of diluted shares issued and outstanding (in thousands)	136,050	135,711	135,518
Diluted earnings per share	1.37	(0.22)	0.90

12 Intangible and tangible assets

	Year ended December 31,	
	1999	2000
	EUR	EUR
Goodwill		
Acquisition cost at beginning of year	312	338
Increases	73	123
Decreases	(56)	(85)
Exchange gains (losses)	9	4
Accumulated depreciation at end of year	(168)	(172)
Net book value at end of year	170	208
Other intangible assets		
Acquisition cost at beginning of year	95	88
Increases	17	38
Decreases	(26)	(26)
Exchange gains (losses)	2	1
Accumulated depreciation at end of year	(42)	(47)
Net book value at end of year	46	54
Land and water areas		
Acquisition cost at beginning of year	54	56
Increases	1	4
Decreases	(1)	(5)
Exchange gains (losses)	2	0
Net book value at end of year	56	55

	Year ended December 31,	
	1999	2000
	EUR	EUR
Buildings		
Acquisition cost at beginning of year	369	438
Increases	61	36
Decreases	(8)	(52)
Exchange gains (losses)	16	3
Accumulated depreciation at end of year	(176)	(176)
Net book value at end of year	262	249
Machinery and equipment		
Acquisition cost at beginning of year	969	1,003
Increases	67	83
Decreases	(77)	(80)
Exchange gains (losses)	44	7
Accumulated depreciation at end of year	(707)	(731)
Net book value at end of year	296	282
Other tangible assets		
Acquisition cost at beginning of year	45	67
Increases	22	17
Decreases	(2)	(8)
Exchange gains (losses)	2	1
Accumulated depreciation at end of year	(48)	(48)
Net book value at end of year	19	29
Assets under construction		
Acquisition cost at beginning of year	46	51
Increases	27	59
Decreases	(25)	(55)
Exchange gains (losses)	3	0
Net book value at end of year	51	55

13 Capitalization of interest expenses

The capitalized interest expenses are the following:	Year ended December 31,	
	1999	2000
	EUR	EUR
Net capitalized interest, beginning of year	-	6
Capitalized interest expenses	7*	-
Amortization of capitalized interest expense	(1)	(1)
Net capitalized interest, end of year	6	5

*) Includes EUR 7 of accumulated capitalized interest expenses from prior years following a change in accounting principles.

Notes to Consolidated Financial Statements

(in millions)

14 Shareholdings and other securities

Investments in shareholdings and other securities consist of the following:

Shareholdings and other securities:

	Year ended December 31,							
	1999				2000			
	Number of shares	Ownership %	Book value EUR	Fair value EUR	Number of shares	Ownership %	Book value EUR	Fair value EUR
UPM-Kymmene Corporation	1,670,596	0.6%	25	67	1,670,596	0.6%	25	61
Tamfelt Corporation	242,100	2.7%	4	6	242,100	2.7%	4	4
Merita Plc	700,416	0.1%	3	5	-	-	-	-
Sampo-Leonia Insurance Company Plc	285,508	0.5%	1	10	65,508	0.1%	1	4
Sato Corporation	86,760	4.0%	4	4	239,555	10.9%	12	12
Partek Corporation	4,126,039	8.5%	57	56	4,126,039	8.5%	57	55
Exel Oyj	-	-	-	-	550,000	10.5%	5	6
Svedala Industri AB	-	-	-	-	567,300	1.2%	9	10
Other shares and securities			7	7			11	13
Total investments in shares and other securities			101	155			124	165

Investments in associated companies:

	Year ended December 31,							
	1999		2000					
	Ownership %	Equity value EUR	Ownership %	Equity value EUR				
Sako Ltd	100.0%	7	-	-				
Allimand S.A.	35.8%	5	35.8%	5				
Valmet-Xian Paper Machinery Co. Ltd.	48.3%	3	48.3%	3				
Shanghai Neles-Jamesbury Valve Co. Ltd	50.0%	3	50.0%	3				
Others		5		3				
Total investments in associated companies		23		14				
Total shareholdings and other securities		124		138				
Own shares held by Metso Corporation	560,841	0.4%	6	7	60,841	0.0%	1	1

15 Other long-term investments

Other long-term investments consist of certificates of deposits, bonds and other securities with a maturity of greater than one year at the time of acquisition. They amounted to EUR 55 at December 31, 1999 and to EUR 57 at December 31, 2000. Other long-term investments are recorded at the lower of cost or market value.

	Year ended December 31,							
	1999				2000			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Bonds	12	1	-	13	14	-	-	14
Other securities	43	-	-	43	43	-	-	43
Total	55	1	-	56	57	-	-	57

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

	Year ended December 31,		
	1998	1999	2000
	EUR	EUR	EUR
Purchases	24	10	11
Reclassified in other short-term investments	-	-	5
Proceeds from sales	19	20	2
Proceeds from maturities	25	15	1
Realized gains	4	2	-
Realized losses	-	-	-

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

As of December 31, 2000, the maturities of long-term investments in debt and other securities are as follows:	EUR
Less than five years	47
Five to ten years	2
More than ten years	-
Total	49

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

Information on balance sheet items of uncompleted contracts at December 31, 2000 is as follows:

	Cost and earnings	Billings of	Net
	of uncompleted projects	projects	
	EUR	EUR	EUR
Projects where cost and earnings exceed billings	753	553	200
Projects where billings exceed cost and earnings	323	578	255

Notes to Consolidated Financial Statements

(in millions)

17 Interest bearing and non-interest bearing assets

	Year ended December 31,					
	1999			2000		
	Interest bearing	Non-interest bearing	Total	Interest bearing	Non-interest bearing	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Financial assets						
Loans receivable	1	9	10	1	3	4
Accounts receivable	53	4	57	35	3	38
Other long-term investments	55	-	55	57	-	57
Total	109	13	122	93	6	99
Receivables						
Accounts receivable	40	735	775	6	746	752
Cost and earnings of projects under construction in excess of billings	-	158	158	-	200	200
Loans receivable	1	5	6	1	8	9
Prepaid expenses and accrued income	-	151	151	-	129	129
Other receivables	-	106	106	-	103	103
Other short-term investments	1	-	1	17	-	17
Total	42	1,155	1,197	24	1,186	1,210

18 Shareholders' equity

As of December 31, 2000 Metso had 135,562,475 issued shares with a par value of EUR 1.70, the share capital being EUR 230. Under its Articles of Association Metso Corporation's authorized share capital may not be less than EUR 170 nor more than EUR 680. At the closing of the financial year Metso held 60,841 of its own shares. The reacquisition price of EUR 1 has been recorded in the reserve of own shares at cost.

Calculation of distributable funds at December 31, 2000:	EUR
Other reserves	202
Retained earnings	329
Result for the financial year	389
Equity share of accelerated depreciation and other untaxed reserves	(61)
Total distributable funds	859

The parent company's distributable funds at December 31, 2000 were EUR 538. The distribution of dividends to shareholders is limited to the lower of consolidated distributable funds or distributable funds held by the parent company.

19 Long-term debt

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

	Year ended December 31,	
	1999	2000
	EUR	EUR
Bonds	257	259
Loans from financial institutions	124	89
Pension loans	82	80
Other long-term debt	57	40
	520	468
Less current maturities	34	40
Total	486	428

Bonds:

The bonds consist principally of two loans: a USD 200 (EUR 215) bond and a FIM 200 (EUR 34) bond. The USD denominated bond was issued in the United States in December 1997 and registered with the Securities Exchange Commission (SEC). It matures in 2007 and bears a fixed annual interest rate of 6.875%. A portion of the bond has been converted through a currency swap agreement of GBP 45 (EUR 72) into British pound sterling with a fixed annual rate of 7.51%. The currency swap agreement matures concurrently with the bond.

The FIM denominated bond matures between 2001 and 2002 and bears a fixed annual interest rate of 10%. The bond has been converted into USD and to different rates of interest through interest and cross-currency swaps, maturing concurrently with the bond. The unrealized foreign currency differences, arising from the USD denominated currency leg of the cross-currency swap, have been recognized against the nominal value of the bond.

Loans from financial institutions:

Loans from financial institutions consist of international bank borrowings with either fixed or variable interest rates. A major share of loans is USD denominated. The interest rates vary from 4.1% (CHF) to 12.1% (ZAR). The loans are payable from year 2001 to 2009.

In July 1998 Metso entered into a syndicated seven-year revolving credit facility with a group of international banks for DEM 450 (EUR 230). A previously agreed syndicated credit facility of USD 80 (EUR 86) expires in January 2002. At December 31, 1999 EUR 35 of the facilities were drawn and at December 31, 2000 both facilities were undrawn.

In August 2000, Metso signed a loan of EUR 1.2 billion with a syndicate of fifteen international banks. In addition, Metso negotiated a complementary bilateral facility of EUR 200. Both facilities are available for the acquisition of the

entire stock of Svedala Industri AB in accordance with the recommended public offer made in summer 2000. The facilities were undrawn at December 31, 2000.

In December 2000, Metso established a Euro Medium Term Note Program for the issuance of EUR 1 billion amount of notes. At December 31, 2000, no notes were issued.

Pension loans:

In accordance with Finnish law, Finnish companies may borrow from their pension insurance companies a portion of amounts contributed for pensions during the year. As of December 31, 2000, the remaining balance of pension loans contracted prior to 1996 amounted to EUR 35. Principal payments are due annually based on 7% of the outstanding balance on the anniversary date of the loan. The interest rate, which is regulated by the Finnish Government, has been the following:

Period	Interest rate
January 1, 1999 – June 30, 1999	5.00%
July 1, 1999 – June 30, 2000	5.25%
July 1, 2000 – September 30, 2000	5.50%
October 1, 2000 onwards	5.75%

After changes effective from 1996, new pension loans became available for a maximum period of ten years either with fixed or variable interest rates. A further EUR 42 was borrowed in 1998 for seven years with a fixed interest rate of 3.95% p.a. The loan is amortized in semiannual installments from 2001 onwards.

Other long-term debt

Other long-term debt consists principally of pension liabilities amounting to EUR 24 both at December 31, 1999 and at December 31, 2000.

Notes to Consolidated Financial Statements

(in millions)

Maturities of long-term debt as of December 31, 2000 are as follows:

Year	Bonds EUR	Loans from financial institutions EUR	Pension loans EUR	Other long-term debt EUR	Total EUR
2001	17	7	11	5	40
2002	24	6	10	6	46
2003	0	6	11	2	19
2004	0	5	10	2	17
2005	0	5	10	1	16
Later	218	60	28	24	330

Options to purchase securities

The Annual General Meeting of former Rauma Shareholders held on April 2, 1996, approved a proposal by the Board of Directors to issue a five-year bond loan with warrants to persons belonging to the management of former Rauma. The remaining loan totaled EUR 8.4 thousand at an interest rate of five percent and an issue

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

20 Other long-term liabilities – Accrued expenses

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

	1999 EUR	2000 EUR
Pension liabilities	18	23
Accrued postretirement benefits	11	12
Warranty and guarantee liabilities	6	3
Other long-term provisions and accruals	12	9
Total	47	47

21 Other interest bearing short-term debt

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

	1999 EUR	2000 EUR
Loans from financial institutions	110	73
Domestic commercial paper -financing	23	-
Euro Commercial Paper -financing	100	-
Other	23	7
Total	256	80

The weighted average interest rate applicable to short-term borrowing at December 31, 1999 and 2000 was 5.6% and 6.8%, respectively.

The Company has established a short-term Euro Commercial Paper program of USD 150 (EUR 161) and a domestic commercial paper program amounting to EUR 100. Both facilities were undrawn as of December 31, 2000.

22 Accrued expenses and deferred income

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

	1999	2000
	EUR	EUR
Accrued expenses for restructuring and plant reorganisation	23	7
Accrued interest expenses	3	5
Accrued personnel expenses	129	135
Accrued project costs	229	304
Environmental and product liabilities	5	0
Taxes currently payable	25	70
Warranty and guarantee liabilities	91	109
Other	164	135
Total	669	765

23 Changes in cost accruals

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

	Balance at beginning of year	Impact of exchange rates	Additions charged to expense	Deductions/ other additions (1)	Balance at end of year
2000	EUR	EUR	EUR	EUR	EUR
Allowance for doubtful notes and receivables	21	(3)	8	3	29
Allowance for inventory accounts	19	0	6	(4)	21
Warranty and guarantee liabilities	97	2	51	(38)	112
Environmental and product liabilities	5	(1)	0	(4)	0
Liabilities for restructuring and plant reorganisation	25	(3)	5	(20)	7
Liabilities for employee terminations and exit costs (2)	25	0	4	(9)	20
Total	192	(5)	74	(72)	189

(1) Other additions consist of reclassifications.

(2) As of December 31, 2000, the employee termination and exit costs include EUR 15 of pension liabilities resulting from early retirement plans in Finland. Of this balance, EUR 14 was recognized in 1999, either as extraordinary or as nonrecurring expenses related to the restructuring and downsizing measures of business operations.

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

	Beginning of year	Departures	Increase	End of year
2000				
Number of employees	740	(734)	185	191

Notes to Consolidated Financial Statements

(in millions)

24 Mortgages and contingent liabilities

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

	1999	2000
	EUR	EUR
Mortgages on corporate debt	3	2
Other pledges and contingencies		
Mortgages	7	2
Pledged assets	1	0
Guarantees on behalf of associated company obligations	0	1
Other guarantees	4	8
Repurchase and other commitments	9	6

The mortgage amount on corporate debt has been calculated as the amount of the corresponding loans. The nominal value of the mortgages at December 31, 2000 was EUR 1 larger than the amount of the corresponding loans.

25 Lawsuits and claims

Several product liability suits against Metso Corporation are pending in the USA. Management does not believe that the outcome of these actions, individually or in the aggregate, will have a material adverse effect on Metso's business, liquidity, results of operations or financial position. The normal risks of legal disputes concerning deliveries cannot be regarded as material in terms of Metso's total business activities.

26 Lease contracts

Metso leases offices, manufacturing and warehouse space under various noncancelable leases. Certain contracts contain renewal options for various periods of time.

Minimum annual rentals for operating leases in effect at December 31, 2000 are shown in the table below:

Fiscal:	EUR
2001	32
2002	23
2003	17
2004	11
2005	10
2006 and later	28
Total minimum lease payments	121

Total rental expense amounted to EUR 46, EUR 37 and EUR 38 in the years ended December 31, 1998, 1999 and 2000, respectively. Amounts under capital leases are not significant.

27 Financial instruments

Foreign currency risk management

Both the production and sales activities of Metso are geographically widely spread creating exposure to various currency risks, the main currencies being EUR, USD, GBP and SEK.

The trade flow related currency risks are hedged with forward exchange contracts. Foreign exchange gains and losses, reported in the operating profit (loss) resulted in a net gain of EUR 5 in 1999 and a net gain of EUR 9 in 2000.

Currency swaps and forward exchange contracts are used to hedge the equity investments denominated in certain foreign currencies. At December 31, 2000, their remaining maturity was less than one year.

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

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

Both the currency and the fixed interest rate of FIM 200 bond (34 EUR) have been converted with a FIM/USD

cross-currency swap, which matures in 2002. The notional amount of the contract at December 31, 1999 and 2000 was EUR 59 and EUR 42, respectively.

In addition, Metso has entered into forward exchange contracts for a nominal value of EUR 109 to mitigate the SEK currency position in anticipation of the acquisition of the stock of Svedala Industri AB, an industrial group based in Sweden.

Metso measures and monitors foreign currency risk using sensitivity analysis.

The hedging of net equity investments of foreign subsidiaries and of short- and long-term funding are managed by the Corporate Treasury.

Interest rate management

Metso uses both interest and cross-currency swaps to mitigate the interest risks arising from interest bearing receivables and debt. The notional amount of interest rate swaps outstanding at December 31, 1999 and 2000 was EUR 121 and EUR 42, respectively. Interest rate risk is managed using sensitivity analysis.

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

	As at December 31,	
	1999	2000
	EUR	EUR
Trade flow related currency derivatives		
Ear-marked with underlying item	238	267
Fair valued derivatives	301	694
Foreign currency denominated equity	230	43
Foreign currency denominated loans	139	143
Short-term funding	-	6
Long-term funding and other arrangements	59	151
Mitigation of interest risk	121	42
Total notional amount of derivative instruments	1,088	1,346

Notes to Consolidated Financial Statements

(in millions)

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

	1999			2000		
	Notional amount EUR	Carrying amount EUR	Fair value EUR	Notional amount EUR	Carrying amount EUR	Fair value EUR
Forward exchange contracts	647	(5)	(9)	1,119	15	3
Cross-currency swaps	74	(4)	(4)	57	(8)	(8)
Currency swaps	206	(26)	(25)	128	(6)	(6)
Interest rate swaps	121	-	-	42	0	0
Currency options	40	4	4	-	-	-

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 of December 31, 2000 the maturities of the financial derivatives are the following (expressed as notional amounts):

	2001 EUR	2002 EUR	2003 EUR	2004 EUR	2005 and after EUR
Forward exchange contracts	1,103	16	-	-	-
Cross-currency swaps	-	50	-	-	7
Currency swaps	-	-	-	-	128
Interest rate swaps	21	21	-	-	-

Fair value of financial instruments

U.S. FAS Statement No. 107, "Disclosures about Fair Values of Financial Instruments," requires the disclosure of estimated fair values for all financial instruments, both on- and off-balance-sheet, for which it is practicable to estimate fair value. Metso has used a variety of methods and assumptions, which were based on market conditions and risks existing at the time to estimate the fair value of the Group's financial instruments at December 31, 1999 and 2000. 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,			
	1999		2000	
	Carrying value EUR	Fair value EUR	Carrying value EUR	Fair value EUR
Assets:				
Shareholdings and other securities (excluding shares in associated companies)	101	155	124	165
Own shares	6	7	1	1
Loans receivable, long-term	10	10	4	4
Accounts receivable, long-term	57	57	38	38
Other interest bearing long-term investments	55	56	57	57
Accounts receivable, short-term	775	775	752	752
Loans receivable, short-term	6	6	9	9
Short-term investments	1	1	17	17
Cash and cash equivalents	159	159	485	485
Liabilities:				
Bonds	240	235	242	247
Loans from financial institutions	116	114	82	84
Pension loans	79	78	69	68
Other long-term debt	51	51	35	35
Current portion of long-term loans	34	34	40	40
Other interest bearing short-term debt	256	256	80	80

28 Concentrations of credit risk

Metso is exposed to credit risk primarily in relation to the use of financial instruments and trade receivables. 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 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.

Notes to Consolidated Financial Statements

(in millions)

29 Principal subsidiaries

	Country	Shareholder percentage
Metso Paper		
Metso Paper Oy	Finland	100%
Valmet Inc.	United States	100%
Valmet-Karlstad AB	Sweden	100%
Valmet Fibertech AB	Sweden	100%
Valmet Mechanical Pulping Oy	Finland	100%
Valmet Fibertech Inc.	United States	100%
Valmet Chemical Pulping Oy	Finland	100%
Valmet Ltd.	Canada	100%
Valmet-Como S.p.A.	Italy	100%
Converting equipment		
Valmet Rotomec S.p.A.	Italy	100%
Atlas Converting plc	Great Britain	100%
Metso Automation		
Metso Field Systems Oy	Finland	100%
Jamesbury Inc.	United States	100%
Neles Automation USA Inc.	United States	100%
Metso Paper Automation Oy	Finland	100%
Neles Automation SCADA Solutions Inc.	United States	100%
Machinery		
Metso Minerals		
Nordberg Sales Corp.	United States	100%
Nordberg-Lokomo Oy	Finland	100%
Nordberg Inc.	United States	100%
Nordberg France S.A.	France	100%
Nordberg-Bergeaud S.A.	France	100%
Metso Engineering		
Metso Drives Oy	Finland	100%
Manufacture of Specialty Cars		
Valmet Automotive Oy	Finland	100%

30 Business area and geographic information

Net sales by business area:	Metso Paper	Metso Automation	Machinery	Total	
1998	EUR	EUR	EUR	EUR	
Net sales to unaffiliated customers and other business areas	1,946	597	1,209	3,752	
Sales to other business areas	(3)	(20)	(34)	(57)	
Net sales to unaffiliated customers	1,943	577	1,175	3,695	
1999					
Net sales to unaffiliated customers and other business areas	1,711	599	1,155	3,465	
Sales to other business areas	(6)	(40)	(32)	(78)	
Net sales to unaffiliated customers	1,705	559	1,123	3,387	
2000					
Net sales to unaffiliated customers and other business areas	2,286	644	1,038	3,968	
Sales to other business areas	(3)	(30)	(44)	(77)	
Net sales to unaffiliated customers	2,283	614	994	3,891	
Net sales of Metso Paper business area:	Fiber Technology	Paper Technology	Converting Equipment	Total	
1998	EUR	EUR	EUR	EUR	
Total net sales	408	1,356	185	1,949	
Intra-business area sales	(3)	-	-	(3)	
Net sales to unaffiliated customers and other business areas	405	1,356	185	1,946	
1999					
Total net sales	388	1,203	136	1,727	
Intra-business area sales	(15)	(1)	-	(16)	
Net sales to unaffiliated customers and other business areas	373	1,202	136	1,711	
2000					
Total net sales	597	1,580	176	2,353	
Intra-business area sales	(49)	(18)	-	(67)	
Net sales to unaffiliated customers and other business areas	548	1,562	176	2,286	
Net sales of Machinery business area:	Metso Minerals	Metso Engineering	Forest Machines	Manufacture of Specialty Cars	Total
1998	EUR	EUR	EUR	EUR	EUR
Total net sales	465	96	530	120	1,211
Intra-business area sales	(1)	(1)	-	-	(2)
Net sales to unaffiliated customers and other business areas	464	95	530	120	1,209
1999					
Total net sales	469	103	471	114	1,157
Intra-business area sales	-	(2)	-	-	(2)
Net sales to unaffiliated customers and other business areas	469	101	471	114	1,155
2000					
Total net sales	561	194	179	119	1,053
Intra-business area sales	-	(15)	-	-	(15)
Net sales to unaffiliated customers and other business areas	561	179	179	119	1,038

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(in millions)

Operating profit (loss) by business area:

	1998	1999	2000
	EUR	EUR	EUR
Fiber Technology	24	(12)	29
Paper Technology	96	(38)	77
Converting Equipment	(9)	(25)	0
Metso Paper total	111	(75)	106
Metso Automation	38	6	45
Metso Minerals	34	22	28
Metso Engineering	7	1	11
Forest Machines	42	28	13
Manufacture of Specialty Cars	25	27	15
Machinery total	108	78	67
Corporate Headquarters and other	(11)	(19)	(18)
Metso total	246	(10)	200

Capital employed by business area:

	1998	1999	2000
	EUR	EUR	EUR
Fiber Technology	92	126	94
Paper Technology	480	463	405
Converting Equipment	151	78	77
Metso Paper total	723	667	576
Metso Automation	270	204	244
Metso Minerals	215	307	331
Metso Engineering	41	65	79
Forest Machines	147	193	-
Manufacture of Specialty Cars	53	44	37
Machinery total	456	609	447
Corporate Headquarters and other	360	391	714
Metso total	1,809	1,871	1,981

Capital expenditure (including business acquisitions) by business area:

	1998	1999	2000
	EUR	EUR	EUR
Fiber Technology	14	28	7
Paper Technology	51	50	226
Converting Equipment	6	10	2
Metso Paper total	71	88	235
Metso Automation	19	15	30
Metso Minerals	25	61	22
Metso Engineering	6	28	13
Forest Machines	15	24	0
Manufacture of Specialty Cars	8	10	6
Machinery total	54	123	41
Corporate Headquarters and other	13	11	7
Metso total	157	237	313

Depreciation and amortization by business area:

	1998	1999	2000
	EUR	EUR	EUR
Fiber Technology	12	15	15
Paper Technology	42	45	53
Converting Equipment	9	9	4
Metso Paper total	63	69	72
Metso Automation	19	17	17
Metso Minerals	11	13	16
Metso Engineering	4	4	8
Forest Machines	10	12	3
Manufacture of Specialty Cars	18	11	10
Machinery total	43	40	37
Corporate Headquarters and other	6	4	2
Metso total	131	130	128

Notes to Consolidated Financial Statements

(in millions)

Information about Metso's operations in different geographical areas as of and for the years ended December 31, 1998, 1999 and 2000 is as follows:

Net sales to unaffiliated customers by destination

	Finland	Other Nordic Countries	Other European Countries	North America	South America	Asia- Pacific	Rest of the World	Elimi- nations	Metso total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1998	479	455	863	1,110	158	547	83	-	3,695
1999	356	379	1,146	945	169	277	115	-	3,387
2000	375	356	1,097	1,281	237	460	85	-	3,891

In year 2000, 24 percent of net sales was recognized under the percentage of completion method. The percentage was highest in the Paper Technology business group, where it accounted for 40 percent of net sales.

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

	Other Nordic Countries	Other European Countries	North America	South America	Asia- Pacific	Rest of the World	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1998	348	424	162	23	345	15	1,317
1999	355	590	163	22	136	11	1,277
2000	377	556	276	47	253	14	1,523

Fixed assets and financial assets by location

	Finland	Other Nordic Countries	Other European Countries	North America	South America	Asia- Pacific	Rest of the World	Elimi- nations	Metso total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1998	636	109	194	199	7	20	9	-	1,174
1999	579	110	160	260	6	28	9	-	1,152
2000	560	108	157	311	4	23	7	-	1,170

Parent Company Statement of Income

(in millions)

	Year ended December 31,	
	*1999	2000
	EUR	EUR
Net sales	-	-
Cost of goods sold	-	-
Gross profit	-	-
Selling, general and administrative expenses	(12)	(37)
Other income and expenses, net	16	15
Nonrecurring operating expenses	(7)	-
Operating profit (loss)	(3)	(22)
Financial income and expenses, net	(4)	6
Loss before contributions, untaxed reserves and income taxes	(7)	(16)
Group contributions	78	199
Change in untaxed reserves	-	-
Change in accelerated depreciation	-	-
Extraordinary income and expenses, net	-	-
Income before taxes	71	183
Income taxes	(16)	(51)
Net income	55	132

*) July 1 – December 31

Parent Company Balance Sheet

(in millions)

Assets

	As at December 31,	
	1999	2000
	EUR	EUR
Fixed assets and financial assets		
Intangible assets		
Goodwill	-	-
Other intangible assets	1	1
	1	1
Tangible assets		
Land and water areas	1	2
Buildings	1	1
Machinery and equipment	2	2
Other tangible assets	1	0
Assets under construction	-	-
	5	5
Financial assets		
Shareholdings and other securities	945	965
Own shares	6	1
Loans receivable	516	472
Accounts receivable	13	0
Other long-term investments	10	14
	1,490	1,452
Total fixed and financial assets	1,496	1,458
Current assets		
Inventories		
Materials and supplies	-	-
Work in process	-	-
Finished products	-	-
	-	-
Receivables		
Accounts receivable	12	3
Loans receivable	273	206
Accrued income and prepaid expenses	148	245
Other receivables	-	2
Other short-term investments	-	9
	433	465
Cash and cash equivalents	12	307
Total current assets	445	772
Total assets	1,941	2,230

Shareholders' equity and liabilities

	As at December 31,	
	1999	2000
	EUR	EUR
Shareholders' equity		
Share capital	228	230
Share issue	-	0
Share premium reserve	82	82
Legal reserve	216	216
Reserve for own shares	6	1
Other reserves	202	202
Retained earnings	204	205
Net income	55	132
Total shareholders' equity	993	1,068
Untaxed reserves	1	0
Liabilities		
Long-term debt		
Bonds	240	238
Loans from financial institutions	91	59
Pension loans	51	42
Other long-term debt	254	34
	636	373
Other long-term liabilities		
Accrued expenses	-	0
Current liabilities		
Current portion of long-term debt	18	27
Other interest bearing short-term debt	248	731
Advances received	-	-
Accounts payable	2	9
Accrued expenses and deferred income	42	21
Other current liabilities	1	1
	311	789
Total liabilities	948	1,162
Total shareholders' equity and liabilities	1,941	2,230

Parent Company Statement of Changes in Shareholders' Equity

(in millions)

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

Financial Indicators 1996–2000

(in millions)

	1996	1997	1998	1999	2000
	EUR	EUR	EUR	EUR	EUR
Net sales	3,697	3,898	3,695	3,387	3,891
Net sales change %	19.4	5.4	(5.2)	(8.3)	14.9
Operating profit (loss)	274	325	246	(10)	200
% of net sales	7.4	8.3	6.7	(0.3)	5.1
Income (loss) before extraordinary items and taxes	292	328	251	(28)	180
% of net sales	7.9	8.4	6.8	(0.8)	4.6
Income (loss) before taxes	280	318	249	(87)	448
% of net sales	7.6	8.2	6.7	(2.6)	11.5
Net income (loss) for the year	213	232	184	(88)	389
Exports and international operations	2,776	3,303	3,219	3,042	3,530
% of net sales	75.1	84.7	87.1	89.8	90.7
Orders received	3,322	3,528	3,399	3,528	4,268
Order backlog, December 31	2,000	1,718	1,342	1,586	1,907
Gross capital expenditure	154	163	133	121	127
% of net sales	4.2	4.2	3.6	3.6	3.3
Depreciation and amortization	118	119	131	130	128
% of net sales	3.2	3.1	3.5	3.8	3.3
Business acquisitions, net of cash acquired	13	136	24	116	186
% of net sales	0.4	3.5	0.6	3.4	4.8
Research and development	115	119	119	127	127
% of net sales	3.1	3.1	3.2	3.7	3.3
Shareholders' equity	1,004	1,161	1,206	1,085	1,425
Net interest bearing liabilities (receivables)	(18)	181	178	465	(53)
Balance sheet total	2,575	2,909	2,798	3,169	3,564
Gearing, %	(1.8)	15.5	14.6	42.8	(3.7)
Return on equity (ROE), %	23.3	22.5	16.1	(2.4)	9.5
Return on capital employed (ROCE), %	22.6	23.0	16.5	1.6	12.2
Equity to assets ratio, %	43.3	42.2	45.4	37.3	45.4
Average number of employees	23,590	23,612	23,754	22,965	22,372

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				
	2000	1999	1998	2000	1999	1998	1997	1996
USD (US dollar)	0.9240	1.0650	1.1126	0.9305	1.0046	1.1667	1.0969	1.2803
SEK (Swedish krona)	8.4459	8.7100	8.8347	8.8313	8.5625	9.4874	8.6635	8.8111
GBP (Pound sterling)	0.6094	0.6587	0.6719	0.6241	0.6217	0.7055	0.6612	0.7556

Auditors' Report

To the Shareholders of Metso Corporation

We have audited the accounting, the financial statements and the administration of Metso Corporation for the period January 1, 2000 to December 31, 2000. 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 Managing Director. Based on our audit we express an opinion on these financial statements and on administration.

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 administration is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

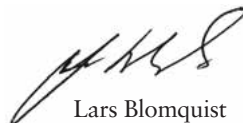
In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent 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 Managing Director 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 13, 2001

SVH Pricewaterhouse Coopers Oy
Authorized Public Accountants



Tauno Haataja
Authorized Public Accountant



Lars Blomquist
Authorized Public Accountant

We seek
healthy
growth
through
innovations.





Board of Directors and Auditors

Pertti Voutilainen, born 1940.

Chairman of the Board.

M.Sc. in Economics and Business Administration,

M.Sc. in Engineering.

Chairman of the Board: Dividum Oy, Kiinteistösi joitus Oy
Citycon, Oy Realinvest Ab.

Board Member: Sato Corporation Plc, Sponda Plc.

Holdings: 1,280 Metso shares.



Mikko Kivimäki, born 1939.

Vice Chairman of the Board. M.A. in Law.

President and CEO, Rautaruukki Oyj.

Chairman of the Board: Rautaruukki Oyj

Vice Chairman of the Board: Varma-Sampo Mutual
Pension Insurance Company, Industrial Insurance
Company Ltd.

Supervisory Board Member: YIT Corporation.

Holdings: 1,850 Metso shares.



Heikki Hakala, born 1941.

M.Sc. in Economics and Business Administration,

D.Tech. (hon.)

Chairman of the Board: Pohjola Group Insurance
Corporation, Ilmarinen Mutual Pension Insurance
Company.

Board Member: Lassila & Tikanoja plc, Kuusakoski
Group Oy.

Supervisory Board Member: Orion Corporation.

Holdings: 10,262 Metso shares.

Options: 150,000.



Juhani Kuusi, born 1938.

D.Sc. (Tech.)

Senior Vice President, Head of Nokia Research Center.

Board Member: Instrumentarium Corporation.

No holdings.





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



Jaakko Rauramo, born 1941.
M.Sc. in Engineering.
President and CEO, SanomaWSOY Oyj.
Chairman of the Board: Sanoma Corporation, Werner
Söderström Corporation, Helsinki Media Company Oy,
SWelcom Oy, Rautakirja Oyj.
Board Member: SanomaWSOY Oyj, Svenska
Dagbladets AB.
Supervisory Board Member: Finnish Medical Foundation
Holdings: 1,205 Metso shares.



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

Shareholdings and options, February 2, 2001.

Auditor:
Authorized Public Accountant
SVH Pricewaterhouse Coopers Oy

Management Board and Corporate Headquarters

Management Board

Tor Bergman, born 1948.

Chairman of the Management Board. President and CEO. M.Sc. in Engineering. Bergman joined the company on January 1, 2001.

Board Member: Federation of Finnish Metal, Engineering and Electrotechnical Industries, Confederation of Finnish Industry and Employers.

Supervisory Board Member: Tapiola Mutual Pension Insurance Company, Merita Bank Plc.

No holdings.

Options: 160,000.



Sakari Tamminen, born 1953.

Vice Chairman of the Management Board. Executive Vice President and CFO, Deputy to the President and CEO.

M.Sc. in Economics and Business Administration.

Tamminen joined the company in 1986.

Board Member: Partek Corporation.

Holdings: 580 Metso shares.

Options: 120,000.



Markku Karlsson, born 1950.

Senior Vice President, Corporate Technology. D.Sc. (Tech.) First employed by the company in 1984–1990, he re-joined in 1995.

Board Member: Academy of Finland.

Holdings: 632 Metso shares.

Options: 45,000.



Harri Luoto, born 1946.

Senior Vice President, General Counsel. M.A. in Law. Luoto joined the company in 1982.

Holdings: 564 Metso shares.

Options: 45,000.



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

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

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

Shareholdings and options, February 2, 2001.

Corporate Headquarters

President and CEO
Tor Bergman

Executive Vice President, CFO
Sakari Tamminen

Finance
Reijo Kostiainen

Treasury
Pekka Hölttä

Communications
Tarja Kivelä

Investor Relations
Taina Sollamo

Corporate Planning
Heikki Asujamaa

Information Technology
Ismo Platan

Internal Audit
Jarmo Kääriäinen

Human Resources and
Administration
Eero Leivo

Human Resources
Helge Ingård

Risk Management
Mauri Viitala

Technology
Markku Karlsson

Legal Matters
Harri Luoto

Corporate Governance

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

Annual General Meeting

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

Board of Directors of Metso Corporation

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

The Board of Directors decides upon matters, which, considering the scope and size of the operations of the Corporation, are of major importance. These include the acceptance of the goals of the Corporation and the main strategies for achieving them, the acceptance of annual budgets and action plans, the definition and acceptance of control policies, the acceptance of the organizational structure of the Corporation, the appointment of the President and CEO, his Deputy and the Management Board, and the monitoring and evaluation of their performance.

In accordance with the Articles of Association, the Board of Directors consists of at least five and at most eight members. The term of the members expires at the end of the Annual General Meeting which next follows the meeting at which they were elected. The Annual General Meeting elects a Chairman and Vice Chairman of the Board. The present Board began its operations on March 29, 2000. The members of the Board of Directors are presented on pages 62–63.

The Board of Directors forms an Audit Committee which meets under the Chairman of the Board twice annually. The Auditors elected at the Annual General Meeting are invited to these meetings.

The Chairman and Vice Chairman of the Board form

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

President and CEO

The Board of Directors of Metso Corporation appoints the President and CEO, and his Deputy. The President and CEO acts as Chairman of the Management Board.

Management Board of Metso Corporation

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

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

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

The current Management Board is presented on pages 64–65.

Business organization

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

Boards of the Businesses

The Board of Directors of Metso Corporation appoints the Boards of each Business Group. The members are chosen from the Corporate Staff and the Businesses' executives. These Boards may be supplemented with external, non-executive members, chosen for their special knowledge and experience. The President and CEO of Metso Corporation acts as the Chairman of the Boards of the Business Groups if not otherwise designated by the Board of Directors of Metso Corporation. The Business Groups have Management Groups which will be formed and meet as required by the needs of business operations.

Management salaries and other benefits

The total compensation of all members of the Management Board is result-based. The annual bonus is based on the result of the Corporation, and, concerning the management of the Businesses, also on the result of the business in question. Senior Corporate Management is included in the option schemes. More detailed information on Metso Corporation's option schemes may be found on page 12, and on the option holdings of the Management Board on pages 64–65.

Auditors

The task of statutory auditing is to check and verify the financial statements and the information given by them on the result and the financial position of the Corporation. In addition, the auditors participate in the meetings of the Audit Committee. The Corporation has one Auditor. The auditors and deputy auditors must be public accountants or firm of public accountants certified by the Central Chamber of Commerce. The auditors' duties will end at the end of the next Annual General Meeting following their election.

Insider holdings

On March 1, 2000, Metso Corporation adopted the Guidelines for Insiders approved by the Helsinki Exchanges.

Under the Securities Market Act, the following persons are permanent insiders in Metso Corporation based on their positions:

- the members of the Board of Directors
- the President and CEO
- the Auditor, or the principally responsible auditor of the firm of public accountants

In addition, Metso Corporation's extended list of insiders includes:

- the members of the Board of Management

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

Personnel

Metso's human resources strategy aims at ensuring that the Corporation has competent and committed personnel. The most important tasks of Metso's human resources management in 2000 were completing the personnel rearrangements caused by the merger and implementing the new common operating principles.

During the year, a Knowledge Management survey was conducted in order to establish how knowledge and skills are utilized. Programs focusing on the efficient use of the intellectual capital of the organization will be set up in 2001, based on the results of the survey. Development programs for workplaces were also set up on the basis of the company climate surveys conducted in 2000 measuring the attitudes of the personnel.

Metso Forum, the European organ for cooperation between management and personnel, continued to function.

Towards the end of 2000, Metso's values were confirmed. They are: customer's success, profitable innovation, personal commitment and professional development. Communicating these values to the personnel began in the beginning of 2001. The intention is that the entire personnel will participate in processing these values.

Personnel structure and turnover

At the beginning of 2000, Metso employed 23,274 persons and at the end of the year 22,024 persons. The reduction in personnel was due to redundancies caused by the merger, which were carried out during the year 2000, and the sale of Timberjack. On the other hand, the acquisition of Beloit and other, smaller companies added 910 new employees. In total Metso's personnel was reduced by 1,250 persons.

The number of recruitments went up from the previous year and constituted approximately 7 percent of the personnel i.e. approximately 1,500 people excluding Beloit. The proportions of both clerical personnel and university graduates grew and, by the end of the year, were 55 and 20 percent respectively. The number of IT and automation experts and R&D personnel grew in particular.

Development and training programs

Metso's objective of developing into a flexible knowledge-based technology company is supported by Metso's development and training programs, which cover both technical and professional as well as business know-how.

The Corporation runs two programs for developing general management capabilities, one of which started in 2000 in cooperation with the IMD in Switzerland. The other program, designed for junior managers and special-

ists, is scheduled to begin in the spring of 2001. Several tailor-made leadership programs are also underway.

The internal doctoral program, the Metso Academy, continues to support research in Metso and is being implemented in cooperation with the universities of technology. There are currently 39 students in the program, and 4 doctors and 3 licentiates of technology have already graduated.

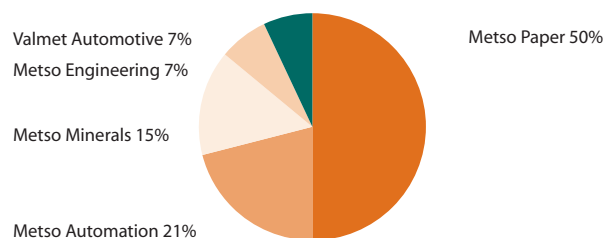
The training provided in Metso's businesses focused on products, sales and project management and technology. Other areas of focus were information technology and automation, languages and finance. Various vocational qualifications were also completed by employees in Metso locations. Furthermore, many Metso employees are studying for professional degrees in management in addition to their work.

Each employee participated, on average, in three training days in 2000, which is at the same level as the year before.

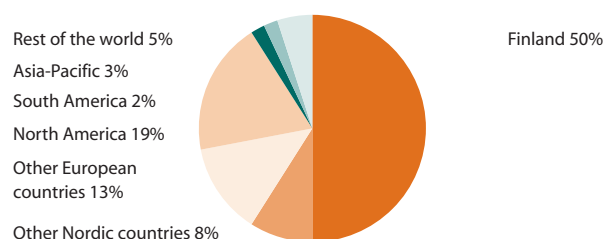
Incentive systems

Result and performance-based incentive systems were widely used in Metso during the year under review. The bonuses to be paid varied between 2 to 7 percent of the annual salaries and were based on the targets for operating profit and return on capital employed, among other things. In addition, senior management is included in a stock option program, designed to be a part of the incentive system for key personnel.

Personnel by business



Personnel by area



Information Technology

Number of personnel by business

	Personnel 1999	Personnel 2000	Recruited
Metso Paper	10,597	10,914	1,100
Metso Automation	4,352	4,551	705
Metso Minerals	3,591	3,298*	185
Metso Engineering	1,254	1,487*	82
Valmet Automotive	1,408	1,658	286
Timberjack	1,954	–	–
Other	118	116	32
Metso Corporation total	23,274	22,024	2,390

*) 202 employees left Metso Minerals with the sale of the Parkano unit.

Personnel changes due to acquisitions and disposals

	Personnel by country 31.12.1999	The sale of Timber- jack	Business acqui- sitions	Other, net	Personnel by country 31.12.2000
Australia	77			38	115
Austria	94	(5)		3	92
Belgium	59			(4)	55
Brazil	274	(89)		45	230
Canada	1,474	(647)		(43)	784
Chile	60			3	63
China	59			68	127
Finland	11,186	(399)	30	144	10,961
France	555	(5)	149	(19)	680
Germany	550			5	555
Indonesia	24			(3)	21
Italy	728			(39)	689
Japan	86			(4)	82
Mexico	246			3	249
Netherlands	29			(7)	22
New Zealand	120	(117)		10	13
Norway	44	(13)		–	31
Poland	26	(4)		(2)	20
Portugal	14			1	15
Singapore	92	(8)		(34)	50
South Africa	1,029			45	1,074
South Korea	23			(2)	21
Spain	34		4	(1)	37
Sweden	2,317	(403)		(66)	1,848
Switzerland	117			(9)	108
Thailand	83			31	114
U.K.	611	(16)	5	(46)	554
USA	3,204	(300)	721	(257)	3,368
Other countries	59	(22)	1	8	46
Total	23,274	(2,028)	910	(132)	22,024

Information technology (IT) plays a central role in Metso's strategy. Metso aims to be the industry leader in developing customer service and solutions based on the very latest technology.

Following the merger that created Metso, the IT infrastructure and services were somewhat incoherent and contained overlapping functions and costs. During the year under review, Metso integrated its global data communications network and started several customer service and internal operations projects to exploit the potential provided by new technology. Metso's global data communications network now links approx. 150 Metso's operating units in nearly 40 countries, reaching almost 16,000 employees.

New operating methods

The aim of IT development projects is to create new, more streamlined solutions that utilize the Internet. In the year under review, new electronic applications were adopted for internal communications, financing and financial reporting. In 2001 new solutions for travel management, occupational health care and purchasing systems will be adopted.

Metso's businesses are updating and renewing their operational systems and implementing projects focused on engineering, product information management and customer service management. An electronic business strategy was also created for each of Metso's businesses, and this led to the implementation of new e-solutions projects. The main aim of the businesses is to capitalize on the latest IT developments in order to serve customers better, independent of time and place.

E-business

In order to fulfil its aim of becoming the industry standard bearer for exploiting electronic operating methods Metso founded a special development unit, e-Metso, in spring 2000. Its main role is to support and accelerate development of the most important electronic customer service concepts for Metso's businesses. E-Metso's main project in 2000 was the implementation of the Pulp & Paper portal for customers in the pulp and paper industry. The pilot version of the portal was ready in December. Metso has developed new electronic remote diagnostic services and cyber stores and has continued to push the boundaries for exploiting new technology.

Central to the Metso Future Care business concept is a commitment to apply the very latest information technology. Metso aims to provide added value to its customers' processes, to accelerate and improve the flow and accessibility of information and to assist in problem solving.

Research and Development

Technology is the key in Metso's evolution from an equipment supplier to a know-how driven company with expert knowledge of the core processes of its customers. Innovative research and technology development (RTD) is essential to ensure Metso's competitiveness and new business potential.

Metso's RTD is focused, in line with its strategy, on process know-how and automation and control technology. Rather than just buying machines and equipment, customers are increasingly investing in competitiveness based on processes that function optimally in each situation. The products and services being developed for the process industry benefit to a large extent from the latest information technology and automation solutions.

The core elements of Metso's technology strategy to be defined in early 2001 are:

- Growth through innovations and new business concepts based on the life cycle concept (the Metso Future Care concept).
- The development of new solutions and business activity by integrating business area know-how.
- The consideration of environmental values in developing new products and concepts.

Focus of RTD in the Nordic countries

Metso's corporate technology function supports the research and development carried out in each business. Through corporate-wide technology development, Metso is able to provide its customers with comprehensive solutions which improve the productivity and competitiveness of the customer's core processes. Systematic technology management accelerates the commercialization of innovations and their market launch.

The Corporation's investments in research and development totaled EUR 127 million in 2000, which was about 3 percent of net sales. The number of people working in RTD grew by 5 percent over the previous year and totaled 1,164 at the end of 2000. Geographically, research and development is concentrated in Finland and Sweden, although there are also significant units in North America and Central Europe.

Research and development projects

Metso's comprehensive knowledge of customer processes, combined with its automation know-how, make it possible to focus RTD resources on whole processes and systems.

Metso Paper is developing millwide concepts in addition to machines and production lines. Metso Paper has 15 RTD centers, the largest of which are in Finland and Sweden.

During 2000, customers were kept up-to-date with the latest developments concerning the OptiConcept paper-making line. RTD has focused on online concepts for coated fine paper grades, and especially on the critical areas of runnability and reliability. June saw the start-up in Germany of a Metso-supplied LWC-machine in which the calender and coater units were integrated online for the very first time in the world.

Metso Automation's research and development activity has focused on developing intelligent field control solutions, information and knowledge management and automation solutions that are embedded in the hardware. They have resulted in several product launches that utilize leading technology in the sector, such as the neles Field-Browser, DNAemico, Sensodec WRM, SCADA applications and the new properties and tools of the metsoDNA.

Metso Automation has ten RTD centers in Finland, the USA, Canada and Germany. It aims to provide its customers with automation services covering the whole life cycle of processes. To achieve this, Metso Automation is launching open, scalable and intelligent solutions and applications which cater for the environmental, productivity and cost efficiency needs of process industry.

Metso Minerals' research and development projects in 2000 focused on developing crushing, grinding and screening processes and improving and diversifying the range of equipment. All of Metso Minerals' projects pay attention to noise, dust, recycling and environmental issues. RTD is carried out at three locations in Finland, the USA and France.

The most significant RTD projects in 2000 were focused on a primary gyratory crusher series and track-mounted impact crushing units. Metso Minerals is developing automation, control and monitoring systems for its products in cooperation with Metso Automation.

Metso Engineering's research and development is focused on mechanical power transmission and materials engineering. In 2000, a 1.5 megawatt gear construction was developed for wind power plants. Metso Engineering is developing wind power technology and gears maintenance systems and is building technology centers for wind power gears and service in Jyväskylä, Finland. The investments will be used to increase the production capacity of wind power gears and improve the operating reliability of customers' production processes.

Intellectual property rights

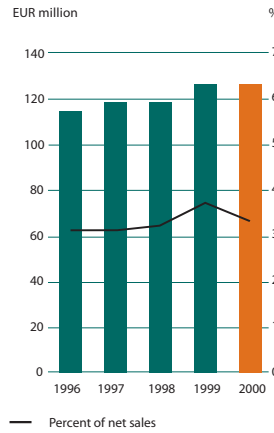
Metso systematically protects the results of its innovative product development. Over 800 invention disclosures were made in 2000 of new equipment and process solutions and the related automation applications. 270 of these led to new priority applications. Metso's technology is currently protected by about 6,500 patents in force and about 4,600 patent applications pending, of which more than one fifth is based on the rights gained through the acquisition of Beloit. During the year under review, products were protected by about 350 different trademarks, registered or the registration of which has been applied for in all the main market areas.

Areas of development

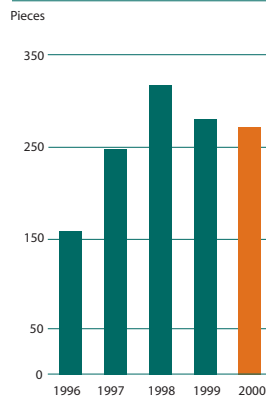
The strategic business concept, Metso Future Care, will bring closer cooperation between the equipment supplier and the customer. In order to support the Future Care concept, Metso has initiated a technology program aimed at integrating automation, information technology and mechanical engineering and implementing pilot solutions based on them. The program is being implemented in cooperation with all of Metso's business areas.

In October 2000, Metso Paper opened its first remote diagnostics center specialized in supervising customer processes. The center allows the rapid analysis and solution of problematic situations in production lines. The new technology benefits both customers and Metso, shortening delivery times, reducing downtime and diminishing the capital tied up in inventories. It allows Metso to focus more effectively on predictive and preventive maintenance. The intention is to establish more remote diagnostics centers in the main market areas.

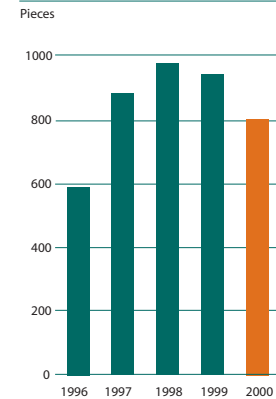
Research and development



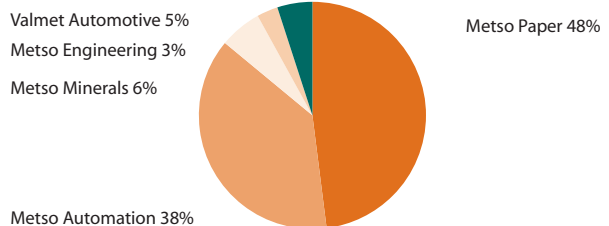
Priority patent applications



Invention disclosures



RTD Personnel by business



Environmental Issues

Metso is concentrating its know-how on customer core processes with the aim of developing technologies that will also benefit the environment. Metso's environmental strategy is a part of the Corporation's new technology strategy which will be defined during 2001.

The current systematic environmental activities are based on the Corporation-wide environmental policy made up in 1999. In June 2000 Metso signed the ICC's Business Charter for sustainable development. The environmental management principles of the Charter complement Metso's own environmental policy.

Metso takes environmental issues into consideration not only in its operations but also in its products and services. One example of this is a project that began in 2000 aiming to evaluate the lifetime environmental effects of a paper machine. The project will end in 2001 and the evaluation is being carried out in accordance with the ISO 14040 and 14041 standards. The work will include a critical evaluation and verification by a third party. The life cycle assessment project is being carried out in co-operation with Metso's customers and partners.

In 2000, 84 percent of Metso's production operations was covered by systems that comply with or were under development according to the ISO 14001 standard. The changes caused by the merger have slowed down systems development somewhat, but the objective of the Corporation is for those units with the most significant environmental impact to be ready for certification by the end of 2001.

The goals of environmental management

One tool for business development has been the ISO 9000 quality systems. This was the basis for expanding to the ISO 14000 series of environmental systems.

A Corporation-wide survey of environmental issues, which began in 1999 continued in the year under review. The survey included all the production and service units with operations that have environmental impacts. Planning, sales and marketing units were left out of the survey. The first indicative results came out at the end of 2000 and are presented in the bar graph on page 73.

The survey was based on the Global Reporting Initiative (GRI) guidelines. In future, the Corporation will expand the usage of these guidelines to deal with other elements of the system besides environment, e.g. health and safety issues. The survey will form a basis for annual surveys on the development of environmental issues. More information about the survey can be found on Metso's web site at www.metso.com.

Environmentally sound product innovations

Metso's technologies will focus on products and processes that are pro-environmental.

Metso Paper's OptiConcept paper machine has fewer production breaks, and consequently less broke, lower energy consumption and emissions than before. The phased closing of the process, together with a reduction in the consumption of raw water and the amount of waste water, increases water treatment efficiency at paper mills. Increasing the degree of mill automation levels out the process conditions, which in turn reduces environmental impact. In addition, Metso Paper has been developing chemical pulp bleaching methods that are less damaging to the environment. Metso Paper is also developing the 'Urban Mill', a paper mill of the future which will work in close cooperation with urban energy producers. As a whole, the mill will add to the eco-efficiency of paper production.

Metso Automation will focus on controlling the environmental impact of pulp and paper production processes as well as other processes. It is developing process control systems for fuels that vary in quality. As a result of these applications, the fuel processes are more stable, more efficient and release fewer emissions.

Metso Minerals is benefiting from the life cycle assessment carried out in connection with cone crusher development in 1997–1998 and will continue the development of crushing methods for recycled materials. In 1998, Metso Minerals began a project in cooperation with a customer and noise experts with the aim of lowering the noise level of crushers. So far Metso has managed to lower these levels by 13 decibels.

Metso Engineering is focusing on developing wind power technology and gear service. Materials of improved durability are being developed for different wear parts and other components.

Management of environmental risks

A study carried out in Metso's businesses shows that there are no environmental risks deriving from its operations that could significantly affect the Corporation's operations or its financial result. Metso will continue to monitor and evaluate environmental risks as a part of its environmental management. Because of the nature of the Corporation's businesses, Metso has no major environmental investment needs.

Dow Jones Index

Metso was selected for the Dow Jones Sustainability Group Index (DJSI) for the first time in 1999 and again for the period 2000–2001. Admission to the sustainable development index requires a continuous focus on environmental issues.

In the summer of 2000 the EU completed its Best Avail-

able Technologies (BAT) document for the pulp and paper industry based on the Integrated Pollution Prevention and Control (IPPC) directive. Metso contributed to and had an active role in the development of the document.

Metso's Environmental Policy

Metso will take environmental protection into consideration in all its operations

Technology

Metso will anticipate the environmental concerns of customers and the expectations of the public. We will be knowledgeable and responsive to environmental risks and opportunities in technology developments and acquisitions. Metso will cooperate with customers and partners to continuously develop processes which help prevent pollution, and achieve more efficient use of energy and materials.

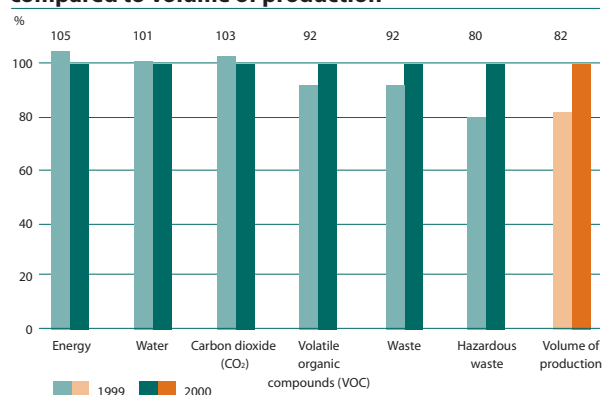
Operations

The environmental performance of operations and the awareness and commitment of the personnel will be continuously improved. Metso will comply with and anticipate environmental legislation. Environmental systems will be in accordance with ISO 14000 standards.

Relationships and Communications

Metso will maintain an effective network of relationships in order to support its environmental strategy and investments. Active and open communications concerning key environmental matters, both internally and externally, will be of high importance.

Monitored environmental indicators in Metso, compared to volume of production



The goal is to monitor future environmental effectiveness by comparing the indexed environmental indicators to the production index.

Environmental impact of production and products

Environmental concern/impact	Businesses			
	Metso Paper	Metso Automation	Metso Minerals	Metso Engineering
Environmental load of Metso's production				
Use of materials	■ ■	■	■ ■	■ ■
Energy and fuel consumption	■ ■	■	■ ■	■ ■
Water consumption	■	■	■	■
Emissions into the air	■ ■	■	■ ■	■
Emissions into the water	■	■	■	■
Wastes	■ ■	■	■ ■	■ ■
Positive environmental impact of operating Metso's products				
Use of materials	■	■ ■	■	■
Energy consumption	■	■ ■ ■	■	■
Emissions and wastes	■	■ ■ ■	■	■
Water consumption	■	■ ■		
Durability	■ ■		■ ■	■ ■
Recyclability of materials	■ ■ ■		■ ■ ■	■ ■ ■
Improvement of usability and maintainability	■	■ ■ ■	■ ■	■ ■
Health and safety	■	■ ■	■	■

■ ■ ■ = major impact ■ ■ = moderate impact ■ = little impact

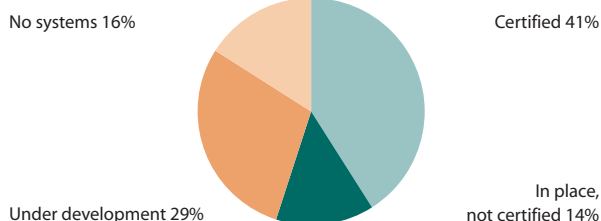
The following guiding criteria have been used in assessing the importance of environmental concerns:

- Requirements of official permits or the law
- Relationship to Metso's environmental policy
- Obvious cost/benefit to the environment
- Obvious risk to the environment or risk of accident
- Obvious stakeholder requirement

Assessments of importance should also consider the probability and extent of the matter/event related to the concern.

The assessment has been compiled from self-assessments made by the businesses in 2000.

Environmental management systems in Metso in 2000



Metso Corporation's systems which are already ISO 14001 certified, or in place or under development, as a percentage of productive activity in 2000.

We
anticipate

our customers'

needs.





Metso Paper

Metso's strategy is to strengthen Metso Paper's position as the world's leading supplier of pulp and paper industry equipment, processes and related knowledge-based technology services. The aim is to consolidate Metso Paper's position as the customers' primary long-term partner.

Metso Paper develops, designs and manufactures pulp and paper industry machinery and equipment, complete production lines for panelboard, pulp and papermaking, and machinery and equipment for the packaging and converting industries. Together with Metso Automation, Metso Paper offers its customers the automation required for these processes. An important part of the business are various knowledge-based services, such as engineering, upgrading and rebuilding services, maintenance and spare parts services, and also, in the near future, the related predictive process control services.

Metso Paper's strength is its comprehensive portfolio

Metso Paper is organized into three product groups. Fiber Technology (25 percent of Metso Paper's net sales) offers its customers machinery and equipment and complete production lines for wood handling, chemical, mechanical and recycled fiber-based pulping and pulp drying and baling. The product group also manufactures machinery, equipment and complete production lines for panelboard production used in construction and the furniture industry. Paper Technology (67 percent of net sales) produces paper, board and tissue machines, as well as finishing systems and air systems. Converting Equipment (8 percent of net sales) offers its customers rotogravure and flexographic printing presses, coating and laminating machines, and slitters and sheet cutters. Service accounts for approximately 25 percent of the net sales of Metso Paper. Service is responsible for developing and producing knowledge-based services for the maintenance and runnability of customer production lines, processes and equipment.

Solid position in world markets

Metso Paper's customers are pulp and paper manufacturers, packaging material manufacturers and panelboard producers all over the world. Metso Paper's main markets are Europe and North America, which today invest mainly in rebuilds and other aftermarket services, and the rapidly growing Asian and South American markets. Products and services are sold through 25 sales companies and 32 service centers. The demand for products depends primarily on the investments of the pulp and paper industry, the packaging industry and the panelboard industry, which in turn are affected by trends in the demand for pulp, paper and

panelboard and in the price of pulp, different paper and board grades and panelboard, as well as capacity utilization rates and the general economic outlook. Metso Paper's dependence on the investment cycles of its customer industries has been reduced by greater emphasis on increasing sales of aftermarket and maintenance services.

Metso Paper's market position varies by product. In paper technology, and especially in newsprint machines, printing paper machines and tissue machines, Metso Paper is the market leader. The main competition comes from Voith Paper (Germany) and, concerning tissue machines, Andritz-Ahlstrom (Austria). In mechanical pulping Metso Paper has the leading market position. The market position in chemical pulping varies in the different subprocesses, the main competitors being Andritz-Ahlstrom and Kvaerner Pulping (Norway).

Technology and the large number of installed machines and production lines create the basis for product and service innovations and growth. Metso Paper will focus on maintaining its leading market position especially in technology, process know-how and aftermarket services.

Profitability increased in 2000

Metso Paper clearly improved its performance and profitability in 2000. The improved market situation for the pulp and paper industry increased the sector's investment willingness and the demand for Metso Paper's products continued to be good throughout the year.

Net sales grew by 34 percent and totaled EUR 2,286 million. The increase in net sales was due to an increase in delivery volumes and to acquisitions. Operating profit improved considerably and rose to EUR 106 million, i.e. 4.7 percent of net sales. The improved profitability was mainly due to the higher capacity utilization rate, more effective project lead times resulting from rationalization measures, and the synergy benefits achieved by the merger.

Integration of Beloit proceeded as planned

In May, Metso Paper's operations were complemented by acquiring the roll cover division and paper machinery aftermarket services of Beloit, the American paper machine manufacturer. These businesses were transferred to Metso on May 11, 2000. About 690 Beloit employees transferred to Metso Paper. The integration of the acquired units has proceeded according to plan.

During the year, Metso Paper's product portfolio was strengthened by cooperation agreements. Broad cooperation in technology, sales, marketing and services was agreed on with Albany International, a manufacturer of paper machine clothing. A cooperation agreement was also made with Megatex Oy for the marketing of broke



handling technology and equipment in papermaking. The agreement complements the business area's stock preparation solutions for coated paper grades.

Significant increase in the value of new orders

Metso Paper received new orders to the value of EUR 2,648 million, representing growth of 42 percent on the previous year. The orders were mostly rebuilds. In Europe and North America the orders were primarily paper machine rebuilds, tissue machines and finishing systems. In North America the volume of roll cover orders grew as expected with the acquisition of Beloit. Most of the new orders from Asia and South America were for pulping lines and converting equipment. In China, there was also demand for new machines and production lines and several significant orders were booked from this region. A total of 15 complete new paper machines were sold during the year. There was steady growth in maintenance services in all market areas as customer capacity utilization rates rose. The most significant growth occurred in mature markets in Europe and North America. As a result of the acquisition of Beloit, sales of aftermarket services strengthened especially towards the end of the year. These services are expected to continue to grow more rapidly than other businesses. Metso Paper's order backlog grew by 31 percent and was EUR 1,603 million at the end of the year.

Paper demand is expected to continue to increase by approximately three percent annually and even more rapidly in Asia. The growth will mostly focus on those paper grades where Metso Paper has a strong position, such as in value-added writing and printing papers and tissues. It is expected that in North America and Europe investments will still focus on machine rebuilds as a result of generally more effective production facilities and concentration on more highly processed paper grades. On the other hand, the near future investment plans in Asia and especially in China will be weighted towards new machines.

Board of Directors

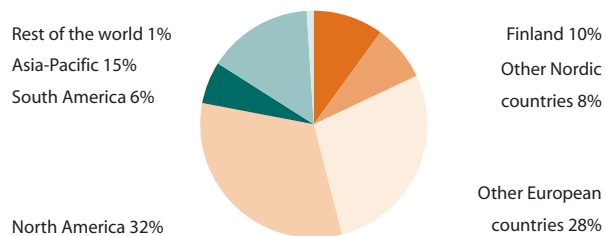
Chairman **Tor Bergman** President and CEO, Metso
Vice Chairman **Sakari Tamminen** Executive Vice President, CFO, Metso

Arto Aaltonen President, Metso Automation
Vesa Kainu Senior Vice President, Metso Paper
Juhani Pakkala President, Metso Paper

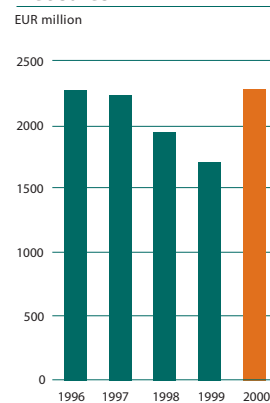
Key figures

	1999	2000
(in millions)	EUR	EUR
Net sales	1,711	2,286
Operating profit	(75)	106
Orders received	1,866	2,648
Order backlog, Dec. 31	1,226	1,603
Personnel, Dec. 31	10,597	10,914

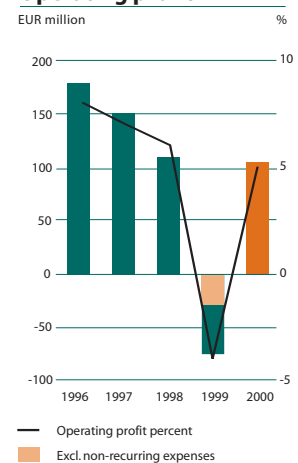
Net sales by market area



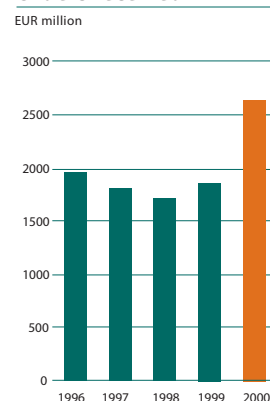
Net sales



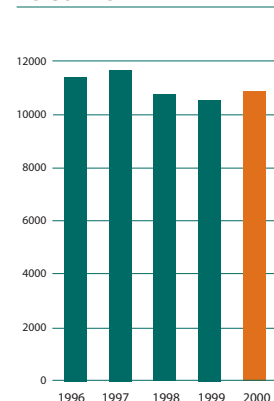
Operating profit



Orders received



Personnel



Metso Automation

According to Metso's strategy, Metso Automation has a central role in developing products and services founded on new technology. Metso Automation's product range and market position were strengthened in 2000 by several acquisitions and strategic alliances. The goal is to more efficiently utilize the high level of automation and control technology expertise in all Metso's businesses.

Metso Automation develops, designs and supplies application networks and systems and field solutions for automation and information management in the process industry. Metso Automation operates globally and has customer service units in 37 countries. These units, together with the local representatives and dealers, form a comprehensive, worldwide service network supplemented by electronic trading services.

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

Metso Automation is divided into three divisions: Field Systems which supplies control and automated valves, as well process measurements and analyzers, Paper Automation, which specializes in pulp and paper production automation and information systems, and Energy & Process Automation, which supplies similar systems to energy and other process industries and supplies real-time information solutions for oil, gas and water distribution and electricity transmissions as well.

The leading supplier of process automation and control solutions for the pulp and paper industry

The largest single customer group is the pulp and paper industry, which accounts for about half of Metso Automation's deliveries. Other process industries such as hydrocarbon and chemical industries and energy production account for a third of deliveries. The remaining fifth is made up by various other customer industries.

The global process automation markets are subdivided into field equipment and analyzers and automation systems and information management products. There are a number of competitors on the market and competition has become increasingly stiff. The main competitors are often found within major global corporations, i.e., ABB Automation (Austria), Emerson's Fisher-Rosemount (USA), Honeywell IAC (USA), Invensys (UK) and Siemens A&D (Germany). Intense competition has led to numerous acquisitions, through which leading suppliers of automation have sought to consolidate their standing. Metso Automation is, however, the world's leading sup-

plier of control valves to the pulp and paper industry and the world's third largest supplier of process automation to the pulp and paper industry.

Setting the standard in the application of new technologies

Metso Automation is focusing strongly on the opportunities provided by the latest technology to fulfil its objective of being the leading supplier of automation solutions and services for the process industry. 2000 saw the market launch of various hi-tech products, each setting the standard in its respective field. Additionally metsoDNA, a dynamic application network introduced on the market a year ago to replace traditional automation, was further enhanced with a wide range of new features and user tools adapted to the latest information technology.

Metso Automation's embedded solutions and open automation network products allow the efficient and economical use of products throughout their life cycles. Metso's businesses are structured so as to facilitate close cooperation. This opens the door to many new prospects for applying process automation not just in the pulp and paper industry, but also in energy production and rock and mineral processing.

Profitability improved clearly in 2000

2000 was a successful year for Metso Automation. Its products retained their good position in the main markets of Europe and North America. There were also signs of increased demand in some Asian countries. The most favorable development was in the pulp and paper industry, which purchased field equipment and systems, and knowledge and information management applications. Some delivery agreements were made together with Metso Paper.

Metso Automation's net sales rose by 8 percent to EUR 644 million.

Operating profit rose significantly over the previous year to EUR 45 million. Higher profitability was due not only to the increased volume of deliveries but also the beneficial product mix and the restructuring previously implemented, which enabled better cost efficiency.

Strategy implemented through acquisitions and alliances

Implementation of the strategic goals began last year. The most notable of last year's acquisitions was that of the American MAX Control Systems (MCS), a company specializing in energy automation with a broad installed base and customer service units in the United States, Europe and Asia. Another acquisition was the U.S. StoneL

President
Arto Aaltonen



Corporation, a specialist in intelligent valve technology. Several cooperation agreements were made, the most important with the U.S. Aspen Technology Inc. and the Swiss Endress+Hauser. Cooperation with Aspen Technology will strengthen Metso's market position as a supplier of information management solutions. The agreement made with Endress+Hauser involved establishing an alliance to jointly develop and sell field controls solutions. At the beginning of the year a cooperation agreement was also signed with the German V.I.B. Systems to set up a joint venture specializing in paper machine moisture profile management. An agreement was signed with Parsytec AG from Germany concerning the distribution, service and development of paper industry web inspection systems. There has been a promising start to cooperation with all parties and entailed an array of new orders as a direct result.

The new orders received amounted to EUR 651 million, being a 14 percent increase on the previous year. The large volume of production in the pulp and paper industry in particular pushed up demand both in Europe and in North America. Demand for SCADA systems also rose towards the end of the year. The order backlog emphasized automation and information systems, given that their lead-time in production is considerably longer than for field equipment. The order backlog grew by 9 percent compared to the end-of-year backlog for 1999 and stood at EUR 197 million at the end of 2000.

Open network solutions and information networks are a key for the future

The degree of automation in processes and process equipment will continually increase as high tech applications spread around the globe. At the same time, automation will increasingly be embedded as an organic part of machines and equipment. Automation continues to be integrated more closely in the total information systems of production mills or processes. For this reason, it is expected that the volume growth of the automation business will outstrip that of customer industries as a whole, and that the long-term outlook for the automation sector is good.

Board of Directors

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Arto Aaltonen President, Metso Automation

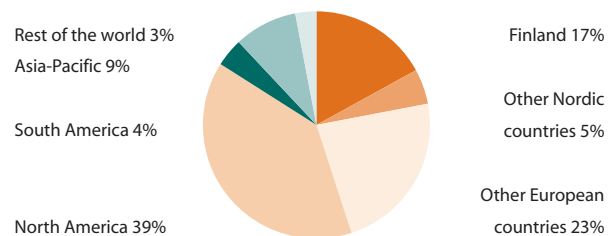
Markku Karlsson Senior Vice President, Corporate Technology, Metso

Juhani Pakkala President, Metso Paper

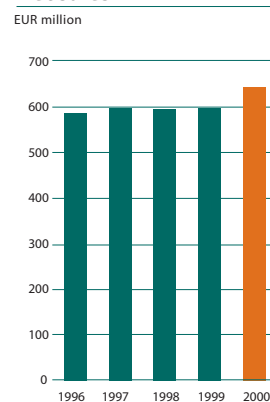
Key figures

	1999	2000
(in millions)	EUR	EUR
Net sales	599	644
Operating profit	6	45
Orders received	573	651
Order backlog, Dec. 31	181	197
Personnel, Dec. 31	4,352	4,551

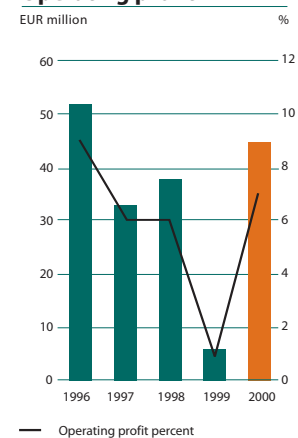
Net sales by market area



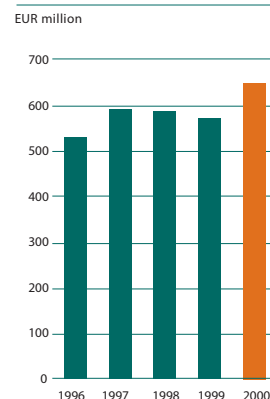
Net sales



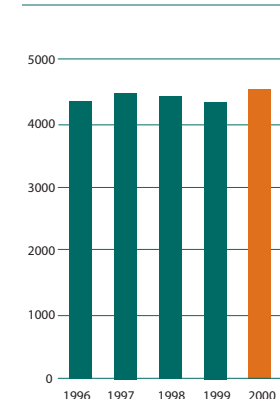
Operating profit



Orders received



Personnel



Metso Minerals

Metso's strategy is to make rock and mineral processing a core business area on par with fiber and paper technology. In order to achieve this, Metso made a public offer for Svedala Industri AB, the largest competitor of Metso Minerals, in June 2000. When it is closed, the deal will make Metso the world's leading mineral processing technology expert and supplier.

Versatile product range

Metso Minerals develops, designs and delivers equipment and total solutions for the crushing, grinding, screening and transport of rock and other minerals. The main products are crushers, screens and grinding mills. In addition to a variety of stationary crushing plants, Metso Minerals manufactures track and wheel-mounted crushing and screening units for the recycle crushing industry. It also supplies wear and spare parts and maintenance services. Metso Minerals cooperates with Metso Automation to develop products from process automation solutions.

Metso Minerals is organized into two product divisions: the Crushing and Grinding Equipment division and the Mobile and Vibrating Equipment division. Sales are channeled through three independent regional organizations: Metso Minerals Americas, Metso Minerals Europe and Metso Minerals Asia and Southern Hemisphere. The products are sold mainly through 25 sales companies owned by Metso in Europe, South America, Southern Africa, Asia and Australia. A sizeable network of local distributors supports Metso Minerals' own sales network in North America.

One third of net sales from service

The customers include road construction and other contractors, quarries, mines, and cement producers. Construction and civil engineering industry contractors make up over 40 percent of the customers, while quarries account for a good 30 percent and mining companies for about 20 percent.

Two thirds of net sales come from equipment deliveries and one third from maintenance services and sale of wear and spare parts. During 2000, over 900 crushers, more than 500 screens and feeders and more than 600 mobile crushing and screening units were sold.

Demand for crushed rock growing steadily

About 15 billion tons of crushed rock is used for construction every year. About 5 billion tons of hard rock is extracted and handled every year in mines. Population growth and GDP growth are increasing the demand for crushed rock. Stricter environmental standards are restricting the use of natural gravel and sand and are increasing

the demand for crushed rock and also recycled material. GDP growth and the demand for building steels, copper pipes, cars and jewels also affect the demand for the products of the mining industry. The demand for various industrial minerals is growing steadily mainly due to the growing consumption of paper, paint, plastic, glass and electronics.

The global markets for crushing, grinding and screening equipment are about EUR 5 billion, of which Metso Minerals has about a 11 percent market share.

Competition in the rock crusher industry is varied. Alongside a few global manufacturers are many small, regional and local manufacturers. Metso Minerals' most significant competitors in different product segments are, in addition to Svedala, Terex (USA), Astec (USA), Krupp (Germany), FL Smith (Denmark), Kawasaki (Japan), Kobe (Japan) and Estec (UK).

Installed machinery creates strong basis for aftermarket services

As the growth in demand for new crushers and crushing plants levels off, the need for maintenance services and modernization of existing equipment grows. Metso Minerals' installed crusher base is about 15,000 crushers, which is 20–25 times greater than the average annual sales of new crushers. Likewise, the base of installed vibrating units is over 5,000 which is 10–15 times greater than the annual number of new units sold. Metso Minerals' market share of aftermarket services for equipment installed by them is about one third. This gives a good foundation for strong growth in service and maintenance.

Net sales increased and profitability improved in 2000

Metso Minerals' net sales grew by 20 percent in 2000 and totaled EUR 561 million. The net sales for the comparison year was increased by businesses acquired in 1999 as well as greater deliveries to the European construction and civil engineering industry. The number of mining deliveries declined from that of the previous year due to weak markets for the mining industry.

Operating profit improved by 26 percent to EUR 28 million.

Acquisition of Svedala will strengthen market position

In June 2000 Metso made an offer to acquire Svedala, a Swedish manufacturer of rock and mineral processing equipment. The European competition authorities gave approval for the project in January 2001, but discussions with the U.S. competition authorities (Federal Trade Commission) were still unfinished at that time. The deal will be implemented when authorizations have been received

President
Olli Vaartimo



and Metso has obtained 90 percent of the share capital of Svedala. The acquisition of Svedala will strengthen Metso Minerals' position as a supplier of rock and mineral processing technology and will increase the share of service operations in Metso's business activities.

Market situation varied during the year

The demand for Metso Minerals' products was good in the first 6 months of 2000 with the exception of the mining segment, but slowed down in the latter half of the year as customers reacted to rises in oil prices and interests. Uncertainty in the market was also increased by lack of knowledge of the possible requirements of the competition authorities related to the acquisition of Svedala. After a quiet start to the year the mining industry increased its investments to some extent in the latter half of the year.

The intake of new orders increased by 18 percent over the previous year and totaled EUR 560 million. The order backlog remained nearly at the same level as the previous year, and was EUR 100 million at the end of the year.

Good outlook for customers

Despite concerns about a slowing of economic growth in the U.S.A., the outlook for Metso Minerals' customers is still quite good. Due to the TEA21 infrastructure development program approved by the U.S. Congress the funding for highway improvement projects will be increased by 40 percent over the previous 5-year period. A similar program has also been approved in China. The investments of the mining industry are turning to growth as is shown, for example, by the significant orders received by Metso Minerals in January 2001. The focus of the mining industry is transferring from North America and Europe to South America, Africa and Asia, which will increase the demand for new capacity.

Board of Directors

Chairman **Tor Bergman** President and CEO, Metso

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

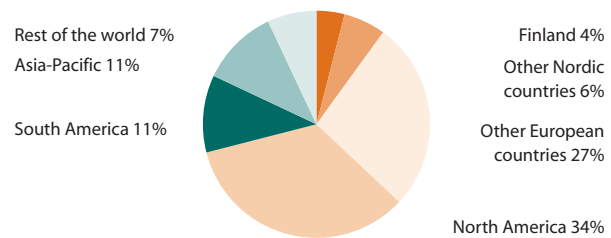
Arto Aaltonen President, Metso Automation

Olli Vaartimo President, Metso Minerals

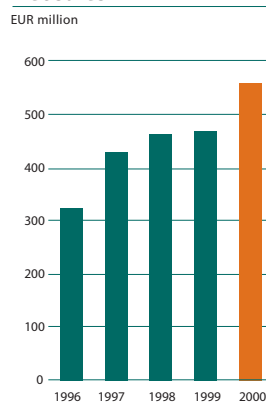
Key figures

	1999	2000
(in millions)	EUR	EUR
Net sales	469	561
Operating profit	22	28
Orders received	475	560
Order backlog, Dec. 31	103	100
Personnel, Dec. 31	3,591	3,298

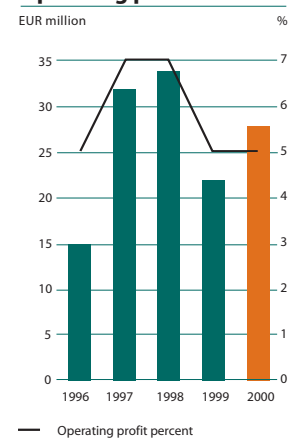
Net sales by market area



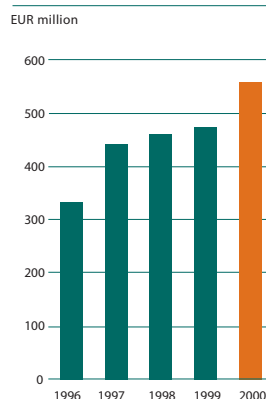
Net sales



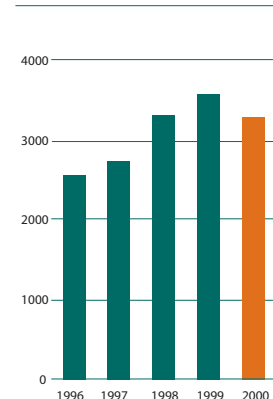
Operating profit



Orders received



Personnel



Metso Engineering

According to Metso's strategy, Metso Engineering supports Metso's core businesses. A key goal is the establishment of lasting partnerships with customers by means of value-enhancing solutions. Growth is sought primarily from smart gears for wind turbines and material innovations.

Metso Engineering develops, manufactures and supplies wind turbine gears, paper machine drives, other industrial gears and hydraulic motors, and provides maintenance services for these products. It also offers production and know-how services in machine building.

Metso Engineering is divided into four business divisions, of which Metso Drives focuses on mechanical power transmission solutions, Metso Hydraulics on hydrostatic power transmission solutions, Metso Works on machine building services and Metso Powdermet on materials technology. Metso Drives cooperates with SEW-Eurodrive in the marketing of industrial gears.

Growth from wind turbine gears

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

The demand for Metso Engineering's products is dependent on process industry investments and the construction of new wind power plants. Metso Engineering's market position varies according to product. Flender, from Germany, is the clear market leader in wind turbine gears, while the market shares of the three next largest manufacturers – Lohman from Germany, Hansen from Belgium and Metso Engineering – are almost equal. Metso Engineering is also a leader in powder metallurgy.

Metso's network the basis for improving competitiveness

Metso Engineering's expertise, coupled with the Corporation's process and automation know-how and its global presence, provide a solid platform for product development and improving competitiveness. The intelligent properties of wind turbine gears, more widely available gear maintenance and more durable material solutions are good examples of this.



Key figures

	1999	2000
(in millions)	EUR	EUR
Net sales	103	194
Operating profit	1	11
Orders received	101	218
Order backlog, Dec. 31	47	75
Personnel, Dec. 31	1,254	1,487

A year of growth and restructuring

Metso Engineering grew rapidly over the year under review as a result of restructuring and a favorable market environment. Profitability improved substantially. At the beginning of the year the acquired Santasalo gear business was integrated with Metso Engineering, as were the gear and machine building operations of the Parkano unit, which was previously part of Metso Minerals.

The revival of investments in the pulp and paper, construction and mining industries as well as rapid growth in building wind power plants increased the demand for wind turbine and industrial gears as well as machine building services. Metso Engineering's net sales grew by 88 percent in the year 2000 and totaled EUR 194 million. The increase reflects both a steep increase in demand and restructuring within the group. The operating profit for the group was EUR 11 million.

New orders grew by 116 percent to EUR 218 million. The order backlog grew 60 percent compared with the end of 1999 and amounted to EUR 75 million at the end of 2000.

New forms of energy the source of future growth

Metso Engineering's favorable outlook for the future is based on the development needs of the process industry and energy generation, which will increasingly emphasize the more efficient use of natural resources. Metso Engineering's focus on, for example, product development for wind power construction and advanced know-how in materials technology will pave the way to answering these needs.

Board of Directors

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

Vesa Kainu Senior Vice President, Metso Paper

Hannu Pietilä Division President, Metso Automation

Pentti Pietilä Division President, Metso Minerals

Erkki Pylvänäinen President, Metso Drives

Tapani Vainio-Mattila President, Metso Engineering



Valmet Automotive

Car manufacture is not one of Metso's core businesses defined in its strategy. Metso's aim is to find a strategic partner for Valmet Automotive.

Valmet Automotive is an independent, contract manufacturer of specialty cars, offering its expertise to other car manufacturers. It has focused on producing and developing demanding specialty cars.

Valmet Automotive manufactures the Saab 9-3 Convertible and the Saab 9-3 Viggen for Saab Automobile AB, the Swedish subsidiary of General Motors, and the Porsche Boxster for Porsche AG. The cooperation with Saab dates back to 1969, while the assembly of Porsche Boxsters began in September, 1997. The growth in Porsche Boxster output has exceeded expectations and the demand for the Saab Convertible has also continued at a high level. Three out of every four Porsche Boxsters are currently made in Finland. Valmet Automotive is the only Porsche manufacturer outside Germany.

Significant manufacturer of convertibles

The large car manufacturers are attempting to bring more uniformity to their production. At the same time, however, the number of special models per product family is growing. Specialty cars are designed for very limited customer segments and are increasingly being subcontracted to external manufacturers. The demand for these specialty cars amounts to a few tens of thousands annually. The subcontracting of small series to contract manufacturers is more economical for large manufacturers than producing the cars themselves.

Valmet Automotive is Europe's second largest contract manufacturer of convertibles and is one of about ten contract manufacturers of specialty cars in Europe. Its strongest competitors include Pininfarina and Bertone in Italy, Karmann in Germany and Steyr-Daimler-Puch in Austria. The combined production of European contract manufacturers has doubled in the past five years and now exceeds 300,000 cars annually.

Production facilities at the highest level

Valmet Automotive's main competitive advantages are its high quality, cost efficiency and the flexibility to rapidly start new production. The plant's facilities have been upgraded in recent years and are currently among the most modern in Europe. Valmet Automotive became one of the first automotive plants in the world to gain QS-9000 quality certification at the beginning of 1999. The environmental management system was audited in accordance with the ISO 14001 standard in early 2001.

Key figures

	1999	2000
(in millions)	EUR	EUR
Net sales	114	119
Operating profit	27	16
Cars produced	33,930	38,468
Personnel, Dec. 31	1,408	1,658

Growing demand for convertibles in 2000

Net sales grew by 4 percent over the comparison year and totaled EUR 119 million. The number of cars produced rose to a record of 38,468. The operating profit was EUR 16 million.

The demand for specialty cars has been growing for several years, especially in North America and Europe. The good demand is expected to keep Valmet Automotive's production at a high level. Production volumes are expected to further increase in 2001.

Manufacture of specialty cars to double in Europe

The manufacture of specialty cars is expected to double in Europe within four years and to rise to about 2.5 million cars. It is expected that contract manufacturers of cars will increasingly take responsibility for total product projects, including product development as well as manufacture.

Board of Directors

Chairman **Tor Bergman** President and CEO, Metso

Mauri Jaakonaho Senior Vice President,
Finance and Administration, Metso Automation

Pekka Hölttä Senior Vice President,
Corporate Treasurer, Metso

Juhani Riutta President, Valmet Automotive

Sakari Tamminen Executive Vice President, CFO, Metso

By creating
success

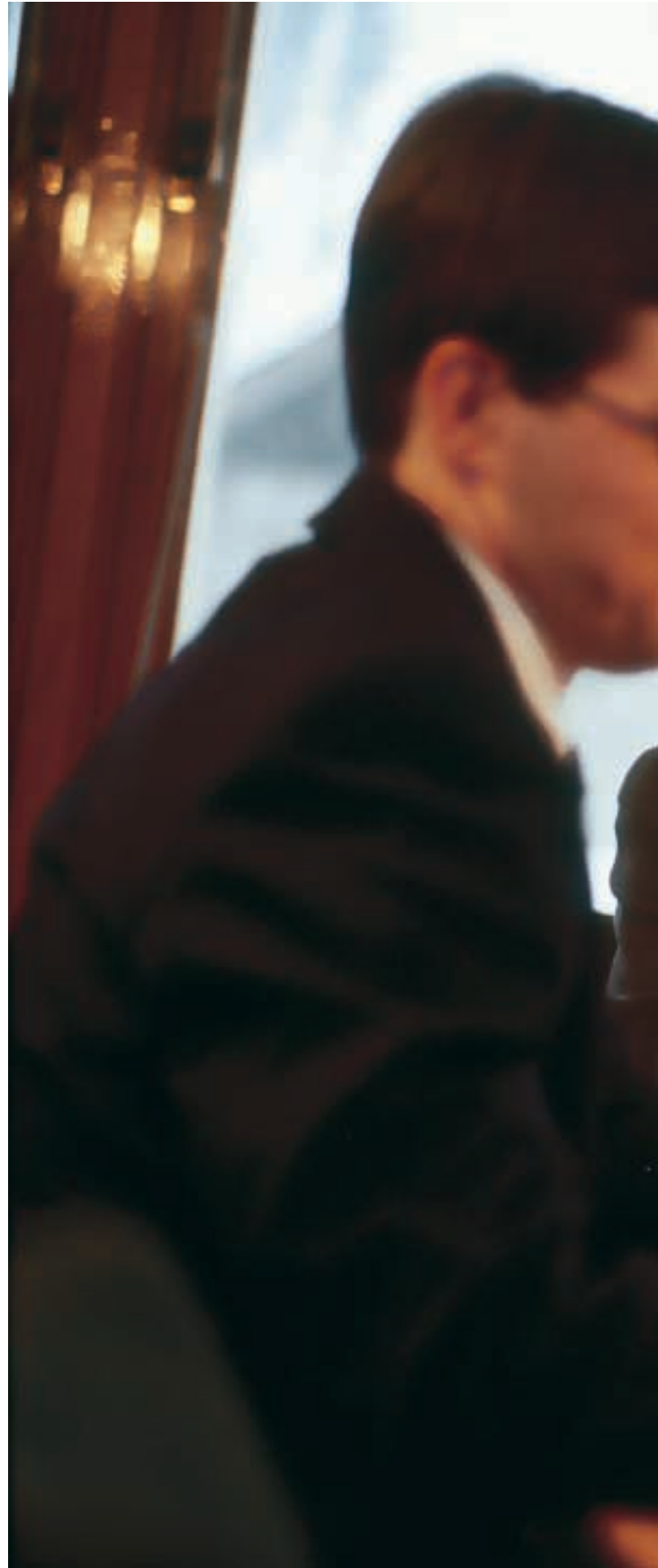
for our customers

we create

added value

for all

our stakeholders.





Highlights from Metso's Stock Exchange Releases in 2000

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

January

1.6 Metso made offer for Beloit's paper machine service assets

Metso made an offer to purchase Beloit's roll cover division, paper machine aftermarket business assets and the related paper machine technology.

February

2.17 Tor Bergman was appointed President and CEO of Metso Corporation as of January 1, 2001

The Board of Directors appointed Tor Bergman as President and CEO of Metso Corporation to take effect on January 1, 2001. It was confirmed that Heikki Hakala would continue as President and CEO of Metso Corporation until his retirement on December 31, 2000. The Board of Directors decided to promote Sakari Tamminen, then Senior Vice President and CFO of Metso Corporation, to Executive Vice President as of March 1, 2000.

April

4.10 Metso sold its holding in Valmet Fisher-Rosemount

Metso Corporation sold its 51 percent holding in Oy Valmet Fisher-Rosemount Ab to this company's other shareholder, Rosemount Inc.

4.28 Metso's sale of Timberjack to Deere & Company was closed

Metso Corporation closed the sale of its forest machine group, Timberjack, to Deere & Company. The final debt-free price was EUR 644 million. The sales gain after taxes was EUR 275 million.

May

5.5 Metso and V.I.B. Systems established joint venture company in paper machine technology

Metso Corporation and V.I.B Systems GmbH of Germany gained the approval of the competition authorities in Finland and Germany for their letter of intent to set up a joint venture to develop moisture profile products to be used in paper making.

5.12 Metso closed acquisition of Beloit's paper machine service assets

Metso Corporation closed its acquisition of the service and aftermarket assets of Beloit. The final price, EUR 172 million, was paid on the closing date, May 11, 2000, in connection with the transfer of businesses to Metso Corporation.

5.16 Metso formed partnership with Aspen Technology for information management solutions for process industries

Metso Corporation made an agreement to start a partnership with Aspen Technology Inc. to strengthen its market position in process automation solutions.

June

6.14 Metso's automation and control technology strengthened its intelligent valve technology

Metso Corporation agreed to acquire StoneL Corporation, a supplier of valve monitoring and communications solutions.

6.21 Metso and Svedala create a world leader in rock and mineral processing technology

Metso Corporation made a cash offer to acquire the entire stock of Svedala Industri AB listed on the OM Stockholm Stock Exchange. Metso's plan was to combine Nordberg, its rock and mineral processing business group, with Svedala. The acquisition was subject to Metso obtaining the acceptance of Svedala shareholders representing 90 percent of Svedala's share capital and approval by the relevant competition authorities.

July

7.3 Metso's Neles Automation and Endress+Hauser announced an alliance

Metso Corporation and Endress+Hauser International Holding AG announced their intention to form an alliance for joint technology development and sales activities.

7.7 Metso purchased Svedala management options

Metso Corporation entered into an agreement to purchase options representing 321,000 shares in Svedala Industri AB from 20 persons in Svedala's top management.

August

8.21 Metso signed EUR 1.2 billion loan agreement

Metso Corporation signed a loan agreement of EUR 1.2 billion with a syndicate of 15 banks. The loan was for the acquisition of shares in Svedala Industri AB in accordance with the public offer made in July.

8.25 Metso complemented its stock preparation solutions with a cooperation agreement

Metso's fiber and paper technology business area and Megatrex Oy concluded a cooperation agreement for the marketing of broke handling technology and equipment used in papermaking.

September

9.18 Metso extended its offer for Svedala

The Federal Trade Commission in the US requested additional information in relation to Metso Corporation's application for clearance of its public offer for Svedala Industri AB. Metso decided to extend the validity of its offer for Svedala until November 30, 2000.

October

10.4 Metso's Valmet agreed to broad cooperation with Albany International

Metso's fiber and paper technology business area and Albany International announced that they had agreed to a program intended to produce broad cooperation in technology, sales, marketing and services for the paper industry.

10.10 Metso's Valmet opened a remote diagnostics center in Jyväskylä

Metso's fiber and paper technology business area opened its first Remote Diagnostics Center in Jyväskylä, Finland. The Center will specialize in the condition and process monitoring of its customers' pulp and paper production lines.

10.12 Metso Corporation's automation and control technology strengthened its energy automation business

Metso's automation and control technology business area made an agreement on the acquisition of MAX Control Systems (MCS), a subsidiary in the Industrial Control Services Group (ICS) based in the UK.

November

11.23 Metso introduced uniform names for its business areas

The Board of Directors of Metso Corporation decided to change the names of the Corporation's business areas. The new names are Metso Paper, Metso Minerals, Metso Automation and Metso Engineering.

11.27 Metso extended its offer for Svedala

Metso Corporation's applications for clearance of its offer for Svedala Industri AB from the EU Commission and the US Federal Trade Commission (FTC) were still under consideration. Metso had received the EU Commission's Statement of Objections related to the offer and was analyzing its implications. Metso decided to extend the acceptance period for the offer to February 2, 2001.

11.28 Metso invested in wind power technology and gear service

Metso Corporation announced that it would invest EUR 11 million to construct new technology centers in Jyväskylä, Finland, to develop its wind power technology and gear service capabilities.

December

12.11 Metso signed EUR 1 billion EMTN program

Metso Corporation signed a new EUR 1 billion Euro Medium Term Note Program. The program further diversified Metso's funding opportunities on the international capital markets.

12.20 Metso expanded its tissue making research and development center in Karlstad

Metso announced that it would invest EUR 25 million in its tissue making research and development center in Karlstad, Sweden.

Contact Information for Investor Relations

Additional information on Metso is available at the Corporation's Internet address: www.metso.com > investor information.

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Symbols used in trading

Metso's shares are traded on the main list of the Helsinki Exchanges and on the New York Stock Exchange. Metso's ticker symbols and news service identifiers are:

HEX: MEO1V
NYSE: MX
Bloomberg: MEO1VFH
Bridge: FI;MEO
Reuters: MEO1V.HE
Startel: MEO1V

Analysts

The following analysts have regularly monitored Metso Corporation during the year 2000. The list may be incomplete. The listed analysts monitor Metso on their own initiative. Metso is not responsible for their views.

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Deutsche Bank	Carl-Henrik Frejborg	+358 9 2525 2551
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Complete updated addresses can be read on the home pages of each business.

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Metso Engineering (www.metsoengineering.com).**

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Paper machine rebuilt by Metso Paper.



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