Annual Report 1999

Linking Innovations

Metso

Metso was created in the summer of 1999 through the merger of Valmet, the world's leading paper and board machine supplier, and Rauma, the world's number one in its key areas of fiber technology, rock crushing, forest machines and flow control solutions. The synergies and innovation potential created by this merger will ensure the Corporation's future growth.

Keyfigures

(in millions, except per share data)	1995	1996	1997	1998	1999
	EUR	EUR	EUR	EUR	EUR
Net sales	3,096	3,697	3,898	3,695	3,387
Net sales change, %	9.4	19.4	5.4	-5.2	-8,3
Operating profit	214	274	325	246	-10
Income before extraordinary items	220	292	328	251	-28
Income before income taxes	226	280	314	249	-87
Net income	186	213	232	184	-88
Exports and foreign operations, % of net sales	86.5	75.1	84.7	87.1	89,8
Orders received	3,730	3,322	3,528	3,399	3,528
Order backlog, December 31	2366	2000	1718	1342	1,586
Gross capital expenditure	118	154	163	133	121
Business acquisitions, net of cash acquired	5	13	136	24	116
Research and development	91	115	119	119	127
Number of personnel, December 31	23,491	22,885	23,496	23,064	23,274
Shareholders' equity	927	1,010	1,172	1,206	1,085
Balance sheet total	2,834	2,575	2,909	2,798	3,169
Gearing, %	6.8	-1.8	15.5	14.6	42,8
Equity to assets ratio, %	40.6	43.3	42.2	45.4	37,3
Return on capital employed (ROCE), %	19.0	22.6	23.0	16.5	1.6
Return on equity (ROE), %	21.9	23.3	22.5	16.1	-2.4
Earnings per share	1.26	1.59	1.78	1.37	-0.22
Dividend per share	0.33	0.47	0.55	0.59	0.40*
Market capitalization, Dec. 31	1,557	1,945	1,745	1,553	1,752

**Proposal by the Board of Directors*

Contents

President's Review

To our Shareholders,

The year 1999 was an important milestone for Metso – in fact, the beginning of a new era. The merging, restructuring and integrating of two traditional and distinguished companies, Rauma and Valmet, to form a new company, was one of the major tasks of the year.

Integration progressed rapidly

After the merger was approved by extraordinary shareholders' meetings of both Rauma and Valmet in January, and was given the green light by the competition authorities, work was started in earnest to integrate organizations and dismantle overlaps.

This integration and development progressed at full speed from the very start. Rauma's fiber technology and Valmet's paper machines were combined as the Fiber and Paper Technology business area. Valmet Automation and Rauma's Neles Controls became the Automation and Control Technology business area. The Machinery business area emerged from a combination of Rauma's and Valmet's remaining businesses. Operational overlaps were combined and some sales companies closed.

Metso was officially established at the beginning of July, when quotation of the new Corporation's shares began on the Helsinki and New York Stock Exchanges. Already in spring, the Corporation had acquired a new graphic appearance and its Metso name, which received the final approval of a shareholders' meeting in August.

Market situation weakened

In addition to the integration process, the market situation of Metso's largest customer group, the pulp and paper industry, weakened rapidly and heightened the pressures for change. Operations had to be quickly down-sized to correspond to demand. Plans were announced in the spring to make an estimated 2,000 persons, equivalent to 9 percent of the Corporation's personnel, redundant by the end of the year 2000. Approximately one third of these originated from the dismantling of overlapping functions, and another third from the difficult market situation. The remaining third was aimed at improving the profitability of loss-making product groups. The negotiations required by the co-operation legislation concerning the reductions were completed by the end of 1999.

The restructuring and integration measures were not completed in time to favorably affect Metso's financial results for 1999, but the nonrecurring expenses related to their implementation burdened the result which showed a loss in 1999.

Metso's goal is healthy growth

In November, Metso published its new strategic direction. According to the strategy, Metso will be developed into a flexible and profitable know-how driven company, serving customers in selected sectors of process industry. Metso's core businesses were defined as Fiber and Paper Technology, Rock and Mineral Processing, and Automation and Control Technology.

A central goal of the strategy is to reduce the dependency on business investment cycles by developing Rock and Mineral Processing, which is less vulnerable to such cycles, into another profitable growth platform for the Corporation. This business group was therefore strengthened by acquiring the business operations of Masterskreen International, a Northern Irish manufacturer of mobile screens, and those of W.S. Tyler, a US screen and crusher manufacturer.

Likewise, Fiber Technology was strengthened by the acquisition of two businesses from Germany - the fiberboard press division of Eduard Küsters, and the fiberboard machine manufacturer, Kvaerner Panel Systems GmbH.

Operations which were defined as noncore businesses in the strategy were sold. The largest divestment was the sale of the Timberjack Forest Machines group to Deere & Company of the USA. This agreement was signed in December. The deal still requires the approval of the competition authorities which is expected in the spring of 2000.

Metso's new strategy also puts emphasis on seeking growth through a new customer service concept, "Future Care", and through new businesses with high growth potential.

The Future Care concept seeks to exploit all of Metso's service know-how, ranging from project design to process maintenance and modernization. The objective is to win an increasing share of the expanding maintenance and modernization markets, for which Metso is extremely well-positioned due to its large base of installed machinery. This was also the objective of the offer, announced in January 2000, to purchase Beloit's paper machine roll cover division, and aftermarket business assets and related technology at the US Chapter 11 process of Beloit's owner Harnischfeger. Also in line with the Future Care concept, the Helser Division of ANI Minerals Processing Inc., a US crusher parts and service company, was acquired for the Rock and Mineral Processing group in the fall of 1999.

New business potential is being developed in areas where there is simultaneously a synergy connection with the core business structure and potential for natural growth. Power transmission solutions for wind power are an example of one of these areas of rapid growth. The most recent corporate acquisition, the purchase of Santasalo's industrial gear operations, will also strengthen Metso's position on the rapidly growing wind energy market.

The primary goal of Metso's strategy is healthy growth and improved profitability, leading to an increase in the value of the Corporation.

Brighter outlook for 2000

For many reasons, the outlook for 2000 is considerably brighter than last year.

Firstly, the benefits of the integration and restructuring programs will begin to show in 2000, and cost-effectiveness will improve. Half of the estimated EUR 100 million merger benefit is expected to be realized during 2000, and the remainder in 2001.

Secondly, the market situation is clearly improving. This is indicated by the strengthening prices of market pulp and paper grades, which are the end products of Metso's core customer industries. The prices of crude oil and base metals have also strengthened since late 1999. These trends will clearly increase the investment willingness of our core customer industries.

Combined with Metso's investment power, collective know-how and willingness to change and grow, we possess all the prerequisites for a significant improvement of our position compared with last year.

Heikki Hakala

This is Metso

Metso

Metso Corporation is one of the world's most significant developers and manufacturers of process industry machinery and systems. It is the world's leading supplier of processes, machinery and systems for the pulp and paper industry and the foremost expert in the key technologies of this sector. Metso is also a strong supplier in its growth areas, namely automation and flow control solutions, and rock and mineral processing systems.

Metso Corporation operates through a global sales and service network, having its own offices in over 40 countries and employing more than 23,000 persons. Its net sales for 1999 totaled EUR 3.4 billion. Metso's shares are listed on both the Helsinki and New York Stock Exchanges, and it has approximately 23,000 shareholders. Metso is domiciled in Helsinki, Finland.

Business operations

Metso Corporation uniquely combines process know-how and expertise in automation and machine technology. Metso is being developed into the world's leading supplier of process and automation solutions for its customers' core processes. The main customer industries of the Corporation are pulp and paper, construction and civil engineering, and mining. Other significant customer sectors include the energy and chemical industries.

Metso's business areas are divided into Fiber and Paper Technology (50% of net sales in 1999), Automation and Control Technology (17%) and Machinery (33%). In 1999, 56% of the Corporation's net sales came from Europe, 28% from North America, 8% from Asia-Pacific, 5% from South America and the remainder from other parts of the world.

Strategy

Metso will focus on three core businesses: fiber and paper technology, rock and mineral processing, and automation and control technology. The Corporation's goal is to create added value for its shareholders by growth, by continually improving profitability, and by leveling out business cycles. Metso will be developed into a flexible and profitable know-how driven company, serving its customers in selected areas of process industry. Metso will focus particularly on the customers' core processes. The strategic objective of the Corporation is healthy, accelerating growth.

Growth will be sought primarily in core businesses, exploiting the innovation potential that is inherent in Metso's combined areas of know-how. Metso's core operations are market leaders in their own sectors, and their current installed base provides a natural platform for future growth - particularly in modernization and maintenance. This is also the basis for the Corporation's new Future Care business and customer service concept.

The Future Care concept ties together all of Metso's service know-how. It offers the customer a complete package of services, ranging from project design to process rebuilds and maintenance, from a single supplier. The innovative combination of automation and process expertise possessed by Metso brings a new dimension to service for all sectors – including those that are not core businesses – and will lead to the development of new business areas and/or customer sectors.

The innovation potential will be turned into a business asset in two main ways. On the one hand, Future Care will generate healthy natural growth. On the other hand, all innovations will be systematically screened to identify suitable new growth businesses for investment. New business potential will be developed in areas with apparent synergies with the core business structure and the potential for natural growth.

Organic growth will be supported by corporate acquisitions, which aim at balancing Metso's business structure and reducing the Corporation's dependency on the investment cycles of its customers. Initially, the relative importance of rock and mineral processing, which is less cyclical than fiber and paper technology, will be increased.

Financial targets

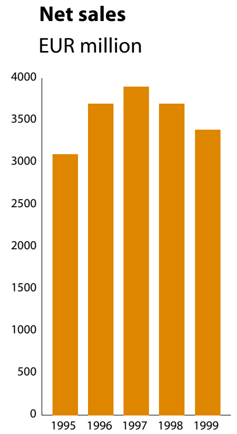
Metso's profitability target is to achieve an average operating profit of 9 percent of net sales and ROCE of 20 percent.

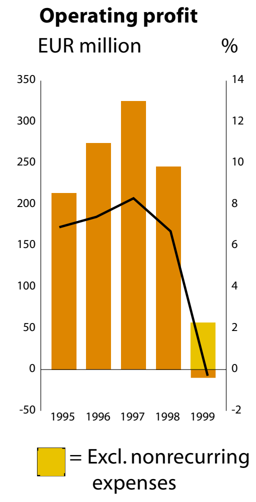
Dividend policy

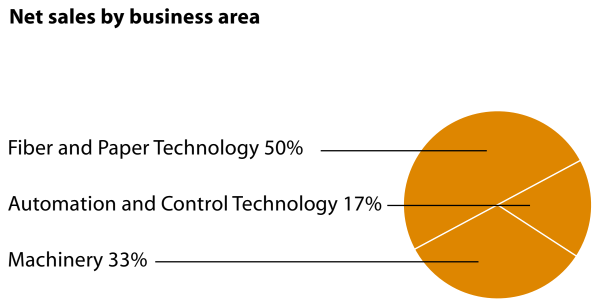
Metso's dividend policy is based on long-term profitability development and on its financial status at any given time. The objective is to distribute annually at least one third of the earnings per share to shareholders as dividends.

Values

Metso Corporation's core values – appreciation of diverse know-how and an effective business approach, cooperation, efficiency and honesty – guide all its operations, and are reflected in the new corporate image.

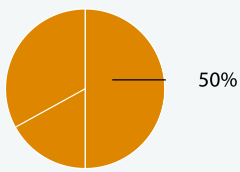






Metso's Operations

Share of total net sales



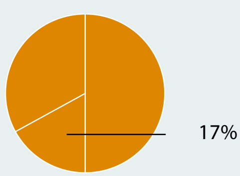
Fiber and Paper Technology

The Fiber and Paper Technology business area develops, designs and manufactures systems, equipment and maintenance services for both the pulp and paper industry and the converting and panelboard industries. The Fiber and Paper Technology business area operates under the name of Valmet.

Fiber Technology

- One of the world's most significant suppliers of equipment and processes for fiber processing.
- Equipment and processes for chemical, mechanical and recycled fiber based stock preparation, and for panelboard manufacturing.
- Operations in Finland, Sweden, Germany, Belgium, the USA, Canada, South Africa and New Zealand.
- Main customer segments: the pulp and panelboard industries.

Share of total net sales

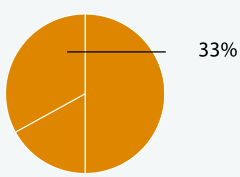


Automation and Control Technology

The Automation and Control Technology business area develops, designs and delivers automation and field control solutions for the process industry. The operations cover all three main areas of process automation: process automation and information applications, control and automated valves, and process measurements and analyzers. The Automation and Control Technology business area operates under the name of Neles Automation.

- Main customers are the pulp, paper, power generation, oil refining, chemical and petrochemical industries.

Share of total net sales



Machinery

The Machinery business area comprises Nordberg, a developer, manufacturer and supplier of rock crushing and processing plants and systems, Timberjack, a supplier of forest machines, Santasalo, which supplies gears and components, and Valmet Automotive, a specialty car manufacturer.

Rock and Mineral Processing

- One of the world's leading designers, manufacturers and suppliers of crushing, grinding and screening solutions for rock and similar materials.
- The products range from crushers and grinding mills to auxiliary equipment for the handling of crushed materials.
- Main customer segments are quarries, mines and civil engineering contractors. The fastest growing customer group is civil engineering contractors for major construction projects.
- The group intends to strengthen its market position by developing its maintenance and spare parts services, improving its support services and increasing its market share in spare parts.
- Operations e.g. in Finland, France, Great Britain, the USA, Brazil, South Africa, Australia and China.

Paper Technology

- Global market leader in papermaking technology, and a significant supplier of converting equipment for the packaging industry.
- Products and services: paper, board and tissue machines, paper finishing systems, air systems and converting equipment.
- Largest units are located in Finland, Sweden, Great Britain, Italy, Switzerland, the USA, China, Thailand and Australia.
- Main customer segments: the paper industry and packaging materials manufacturers.

Service

- Responsible for developing and producing expert services related to maintaining and maximizing uptime for customer production lines, processes and equipment, regardless of whether they were originally supplied by Valmet or other suppliers.
- Operations cover spare parts and consumables, rolls, specialized field and workshop services, and process solutions applying the latest technology.
- Range of services includes individual original spare parts and tailored process development programs.
- 24 service centers around the world: in Europe, North America, Asia-Pacific and South America.

- Already has close cooperation with Metso's Fiber and Paper Technology business area, and in the future with other business groups within the Metso Corporation.
- Business operations are divided into five divisions: Field Controls (process measurements and field control valves), Paper Automation (automation and information systems for the paper industry), Automation Networks (automation and information systems for other process industries), SCADA Solutions (IT solutions for oil, gas and water distribution and electricity transmission), and Jamesbury (automated and manual valves).
- Largest units are located in Finland, the USA, Canada, Mexico, Austria, Great Britain, France and Germany.

Forest Machines

- Global leader in engineering, manufacturing and marketing of forest machines.
- Provides maintenance, service parts and training through its dealer network.
- The main customers are private logging contractors and forest companies.
- Operates in 13 countries, with the largest units in Finland, Sweden, Canada, the USA and New Zealand.
- The group's machines are used in more than 80 countries.

Gears and Components

- Develops, manufactures and supplies industrial gears, and provides related maintenance services.
- Also provides designing, manufacturing and expert services related to machine construction.
- Customers include the Corporation's own operations, other process equipment and systems suppliers, and the process industry.
- Operations in Finland, Sweden, Germany, Canada and the USA.

Manufacture of Specialty Cars

- Contract manufacturer of specialty cars, offering its expertise to various car manufacturers.
- One of Europe's major manufacturers of convertibles.
- The company's objectives are to develop and manufacture new specialty car models and to cooperate simultaneously with several car manufacturers.
- The automotive plant is located in Finland.

R & D, Environment and Personnel

RESEARCH AND DEVELOPMENT

Metso Corporation's research and development is focused, in line with the Corporation's strategy, on automation and control technology, and process know-how. A future challenge for technology development will be to allocate sufficient resources to new, innovative areas.

Metso is aiming at healthy growth in which the entire body of knowledge and skills in the Corporation will be effectively exploited to strengthen its position in current and new customer sectors. Critical to organic growth will be innovative research and development, creating strategic competitive advantage for the Corporation.

Organization of research and development

The actual research and development is in the business units. Geographically, it is concentrated largely in Finland and Sweden, although there are also significant R&D units in the USA and France. Approximately 1,300 persons are employed in technology development.

The development of technology in the business areas is coordinated in the Corporation by a Technology Board, whose task is to ensure the potential for organic growth within the present business operations at their boundaries, as well as the potential for extending the business areas. The Technology Board comprises the presidents of the business areas and the Senior Vice President, Corporate Technology.

External cooperation networks are also an essential part of technology development. Metso is networked with customers and research institutes around the world, with the aim of building as wide a competence base as possible and thereby accelerating the creation of new innovations.

Patents

Nearly 950 invention disclosures were made in Metso in 1999 concerning new equipment and process solutions and related automation applications. 280 of these led to new priority patent applications. Due to Metso's systematic industrial property rights management system, the new products developed by the various business units are currently protected by about 4,500 patents in force and about 3,000 patent applications pending in all the main market areas.

Metso Corporation's investments in research and development totaled EUR 127 million in 1999, which was about 4 percent of net sales.

ENVIRONMENTAL AFFAIRS

Metso Corporation's environmental affairs are based on its environmental policy. This policy commits Metso to following the principle of sustainable development and taking environmental questions into consideration in its own operations and in the products and services offered to customers.

The need to consider the environmental impact of products throughout their life cycles is an essential part of the service concept that Metso offers its customers, and one way of increasing the competitiveness of customer core processes. Development is focused on environmentally sound products and processes that meet customer needs, as well as on ways of identifying and managing the lifetime environmental impacts of products. This development is based on close cooperation with customers.

In its own operations, Metso complies with environmental legislation and anticipates new developments. Metso's environmental systems meet ISO 14000 standards.

One of the more important international projects of 1999 was Metso's active participation in and influencing of the preparation of the pulp and paper industry's Best Available Technologies (BAT) document based on the EU's Integrated Pollution Prevention and Control (IPPC) directive. The IPPC directive is aimed at achieving a high level of environmental protection by dealing with the combined effects of various emissions.

In 1999 Metso was also selected for the Dow Jones Sustainability General Index (DJSGI) which includes 229 companies from around the world. Entry to the index requires excellence in many areas. The company must work for a cleaner environment. It must also promote welfare both internally and externally and, through its own example, must lead other companies in the same sector towards sustainable development.

Current status and development of environmental systems in the Corporation

The main areas of focus for environmental affairs in 1999 were the development of Metso's environmental policy and a survey of the current status of environmental systems in the various business areas.

The business areas continued to build their environmental systems in accordance with ISO 14000 standards in 1999. As part of this process, the units determined their environmental goals and programs in the following areas:

- the reduction of wastes and emissions, and their right treatment
- increasing the environmental awareness of personnel and sub-contractors
- the efficient use of energy and raw materials

The development work was supported by personnel training and by the Corporation's internal and external audits. The goal is for the Corporation's main units to be ready for certification in the year 2001. During the year under review, ISO 14001 certification was granted to two Fiber and Paper Technology units and three Machinery units.

The business areas are responsible for the daily management of environmental affairs.

In the Corporation, environmental affairs are coordinated by an Environmental Committee comprising those responsible for environmental affairs in the business areas and experts from the corporate staff.

HUMAN RESOURCES DEVELOPMENT

Metso's human resources strategy supports Metso's goal of becoming a flexible know-how driven company. The objective is to ensure that the Corporation has a competent and committed personnel for business operations. The Corporation's strategy and commitment to its new business and customer service concept, Future Care, demands a thorough knowledge especially of customer core processes in automation and control technology and in mechanical engineering. In addition to the development of competencies, the ability to nurture the working capabilities of the personnel will also be among the main future challenges in the Corporation.

Personnel incentive systems

The profit-based incentive systems are being developed to support the achievement of the business strategies and objectives. The goal is to bring as large a proportion of the personnel as possible within the various profit and performance-based flexible incentive systems. Currently, about 80 percent of the personnel are covered by bonus or incentive systems.

Development and training programs

Metso's development and training programs support the continuing development of competencies. The Corporation has two programs developing general management capabilities which have been renewed and will restart in 2000. One is targeted at young, future potentials who have a few years' working experience, while the other is aimed at experienced persons working in business management duties. An internal doctoral program, known as the Metso Academy, supports research in core technologies. 25 employees are currently doing doctoral research under this program in addition to their normal work. By the end of 1999, three doctors and two licentiates had graduated from the Metso Academy. The program is being implemented in cooperation with the universities.

Business-related training is focused on product knowledge and the knowledge of customer processes, the training of customer operating personnel, technology, project management, information technology and control systems, leadership training and the usual language and cross-cultural training. Learning on the job has high priority in human resources development.

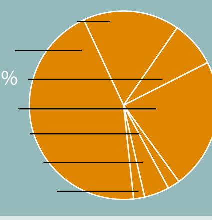
The main focus of personnel activities in 1999 was the implementation of personnel re-arrangements caused by the merger and the development of new joint operating principles and cooperation models. They were completed in large part during 1999. The beginning of December saw the establishment of the Metso Forum, an organ of cooperation between the personnel and the management at the European level.

Economic value added

Shares and Shareholders

Breakdown of shares by shareholder category, Dec. 31, 1999 (% of share capital)

Companies 16.6%
Nominee registered shareholders 44.8%
Financial institutions and insurance companies 7.8%
Public institutions 22.5%
Foundations and associations 2.1%
Private individuals 4.3%
Foreign shareholders 1.9%



Share capital and shares
The share capital of Metso Corporation is EUR 228 million. According to the Articles of Association, the share capital may be EUR 168 million at minimum and EUR 673 million at maximum. The Corporation has a single series of shares, the nominal value being FIM 10 (EUR 1.68). 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 135,817,275. An extraordinary shareholders' meeting, held on August 18, 1999, authorized the Board of Directors to decide 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 corporate acquisitions or to finance investments. In 1999, a total of 1,697,100 of the Corporation's own shares were acquired for EUR 18.2 million through the Helsinki Exchanges. Of these shares, 1,136,259 were used when acquiring the assets and operations of W.S. Tyler in the USA. On December 31, 1999, the Corporation held 560,841 of its own shares, acquired for a total price of EUR 6.1 million (EUR 10.86/ share.

The Corporation has no valid authorization for a share issue.

SHARE CAPITAL AND SHARE DATA 1995 - 1999

(In EUR millions, except for per share data and share prices)	1995	1996	1997	1998	**1999**
Share capital, Dec. 31	242	230	228	228	**228**
Number of shares					
Number of outstanding shares, Dec. 31	143,916,610	136,915,180	135,826,010	135,826,010	**135,256,434**
Average number of shares	142,827,440	139,945,936	136,264,946	135,826,010	**135,631,740**
Number of shares redeemed and canceled	-	7,001,430	1,089,170	-	-
Number of own shares, Dec. 31	-	-	-	-	**560,841**
Trading volume, Helsinki Exchanges **	36,131,418	72,283,518	97,260,307	74,734,449	**46,058,568**
% of shares	108.4	92.8	97.1	74.6	**46.0**
Earnings / share	1.26	1.59	1.78	1.37	**(0.22)**
Dividend / share	0.33	0.47	0.55	0.59	**0.40***
Dividend	48	65	74	80	**54***
Dividend / earnings, %	26	29	31	43	**neg.***
Effective dividend yield, %	3.1	3.3	4.3	5.1	**3.0***
P/E ratio	8.60	8.91	7.21	8.34	**neg.**
Equity / share	6.40	7.33	8.56	8.88	**7.98**
Highest share price	18.07	15.29	19.30	18.53	**13.70**
Lowest share price	6.56	8.75	11.60	7.72	**8.26**
Average share price	10.16	12.13	15.63	13.00	**10.76**
Share price, Dec. 31	10.82	14.21	12.85	11.43	**12.90**
Market capitalization, Dec. 31	1,557	1,945	1,745	1,553	**1,752**

* Proposal by the Board of Directors
** This is of the total amount of shares for public trading

Formulas for calculation of share-related indicators are on page 54.

BREAKDOWN OF SHARE OWNERSHIP ON DECEMBER 31, 1999

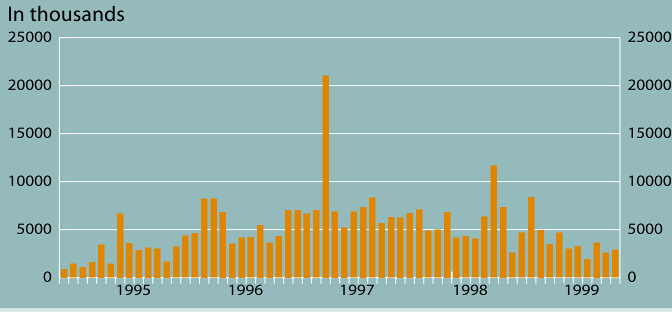
Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital	Number of votes	% of number of votes
1 - 100	11,545	49.8%	462,567	0.3%	462,567	0.3%
101 - 1,000	10,008	43.1%	3,121,235	2.3%	3,121,235	2.3%
1,001 - 10,000	1,454	6.3%	3,343,587	2.5%	3,343,587	2.5%
10,001 - 100,000	143	0.6%	4,144,707	3.1%	4,144,707	3.1%
Over 100,000	30	0.1%	63,768,790	47.0%	63,768,790	47.0%
Nominee-registered shares	14	0.1%	60,906,549	44.8%	60,906,549	44.8%
Shares to be transferred or not converted into book entries			69,840	0.1%	69,840	0.1%
Total	**23,194**	**100%**	**135,817,275**	**100%**	**135,817,275**	**100%**

The merger of Valmet and Rauma
The merger of Valmet Corporation and Rauma Corporation, approved by the extraordinary shareholders' meetings of the two companies on January 31, 1999, took effect on July 1, 1999. In the merger, Valmet shareholders received 57.5 percent of the new company's shares, and Rauma shareholders 42.5 percent. Valmet Corporation shareholders received one Metso Corporation share for each Valmet share, while Rauma Corporation shareholders received 1.08917 Metso Corporation shares for each Rauma share. They also received a cash compensation if the number of shares received was not a whole number.

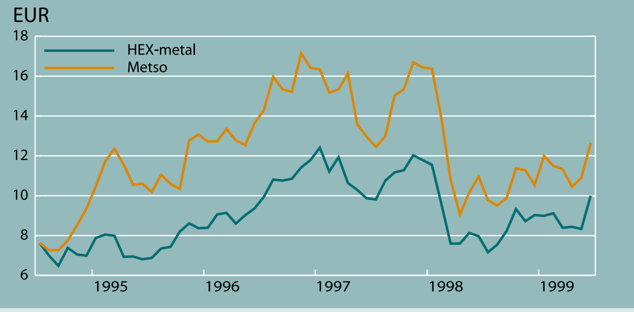
In relation to the merger plan, two of the company's shareholders, UPM-Kymmene Corporation and the Republic of Finland, agreed not to sell their Metso Corporation shares before June 30, 2000, and to inform each other of any intention to sell at least 30 percent of their respective shares before June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

Quotation of shares
The quotation of Metso Corporation's shares began

Monthly turnover of Metso's shares on the Helsinki Exchanges



Average monthly share price on the Helsinki Exchanges



on July 1, 1999 on the main list of the Helsinki Exchanges (HEX:MEO1V) and on the New York Stock Exchange (NYSE:MX). During July-December, 1999, a total of 17.3 million Metso Corporation shares were traded on the Helsinki Exchanges to a value of EUR 198 million, the average share price being EUR 11.45. In the same period, 0.5 million ADSs (American Depository Shares) were traded on the New York Stock Exchange to a value of USD 5.4 million, the average price per ADS being USD 11.79.

During January-June, 12.8 million Rauma Corporation shares were traded on the Helsinki Exchanges to a value of EUR 143.2 million. During the same period, 14.9 million Valmet Corporation shares were traded on the Helsinki Exchanges to a value of EUR 154.2 million.

Bonds with warrants and option rights

Metso Corporation has four stock option programs, approved in the merger plan, which are designed to be part of the incentive system for key personnel. The programs give the right to subscribe for a maximum of 5,000,000 shares, and involve 143 persons. The first subscription period for options giving the right to 1,000,000 shares is July 1, 1999 to January 31, 2001, and the subscription price per share is FIM 60.00 (EUR 10.09). Share subscriptions based on the other options will take place in stages from April 2, 2000 to April 17, 2005. No option rights had been exercised by December 31, 1999.

Metso Corporation's Board of Directors has decided to propose to the year 2000 Annual General Meeting that options giving the right to subscribe to 5,000,000 shares be given to key persons in the Corporation. The purpose is to unify the incentive systems so that holders of earlier given options will have the right to exchange them for the options now to be given, and that it will be possible on the basis of the current and proposed options to subscribe for a maximum of 5,000,000 shares. The intention is that the subscription periods of 2,500,000 option certificates, to be marked with the code A, would begin on April 1, 2001, and that the subscription periods of another 2,500,000 option certificates, to be marked with the code B, would begin on April 1, 2003. The subscription period for all options would end on April 30, 2005, and the subscription price per share would be EUR 16, less the amount of dividends per share distributed between February 1, 2000 and the date of subscription.

Shareholding of the Board of Directors and the Management

On December 31, 1999, the members of Metso Corporation's Board of Directors owned 5,945 shares. The President & CEO owned 10,262 shares and 105,000 warrants, giving the right to subscribe for an equal number of shares, in accordance with the terms and conditions of the warrants.

METSO'S BIGGEST SHAREHOLDERS ON DECEMBER 31, 1999

	Shares	Percentage of share capital
UPM-Kymmene Corporation	19,922,164	14.7%
The Finnish Government	15,695,287	11.6%
Ilmarinen Mutual Pension Insurance Company	5,511,878	4.1%
Varma-Sampo Mutual Pension Insurance Company	3,705,069	2.7%
Pohjola Non-Life Insurance Company Limited	2,082,279	1.5%
Pohjola Life Assurance Company Limited	1,570,000	1.2%
	3,652,279	2.7%
Industrial Insurance Company Ltd	1,542,134	1.1%
Sampo Insurance Company Ltd	673,436	0.5%
Sampo Enterprise Insurance Company Limited	631,747	0.5%
Otso Loss of Profits Insurance Company Ltd	253,848	0.2%
Sampo Life Insurance Company Limited	100,000	0.1%
Insurance Company of Finland Limited	31,664	0.0%
	3,232,829	2.4%
Odin Norden	2,209,476	1.6%
Odin Finland	230,637	0.2%
	2,440,113	1.8%
The Local Government Pensions Institution	1,992,019	1.5%
Suomi Mutual Life Assurance Company	1,530,927	1.1%
Federation of Finnish Metal, Engineering and Electrotechnical Industries	749,796	0.5%
LEL Employment Pension Fund	672,756	0.5%
Tapiola General Mutual Insurance Company	321,200	0.2%
Tapiola Mutual Life Assurance Company	190,900	0.1%
Tapiola Corporate Life Insurance Company Ltd	98,900	0.1%
	611,000	0.4%
Nominee-registered shares *)	60,906,549	45%
Other shareholders **)	15,194,609	11%
Total	**135,817,275**	**100%**

*) The Corporation has been informed that the funds managed by Franklin Resources Group held 6.98% of shares votes in July 1999. Additionally they had a 3.03% voting authority bringing their total voting rights to 10.01%.
**) Includes 560,841 shares owned by Metso Corporation

AMERICAN DEPOSITORY SHARES

(Each ADS represents one share)	1998	**1999**
Trading volume (NYSE)	2,291,474	**826,018**
Earnings / ADS, USD	1.38	**(0.22)**
Highest ADS price, USD	20.14	**13.77**
Lowest ADS price, USD	9.30	**9.18**
ADS price, Dec. 31, USD	13.16	**13.50**

Board of Directors' Report

Markets

The main customer industries of Metso Corporation are pulp and paper, construction and civil engineering, mining, and other process and energy industry.

The small number of new investment projects by the pulp and paper industry restricted demand for the products of Paper Technology and of Automation and Control Technology in all the main markets until the end of the year, when the situation began to improve slightly, especially in Europe and North America. The demand for replacement investments, process parts rebuilds, and spare parts and services remained brisk throughout the year.

The weak profitability of the energy and chemical industries reduced the sector's willingness to invest and restricted growth in demand for Automation and Control Technology products.

The demand for rock crushers supplied for construction and civil engineering was good in Europe, but the civil engineering industry's machinery investments in North America failed to meet expectations. The demand for crushers supplied to the mining industry was poor in all markets.

The demand for forest machines continued good in Europe, but the corresponding market in North America was slack until near the end of the year.

Orders received and order backlog

In 1999, new orders were received worth EUR 3,528 million (EUR 3,399 million in 1998). The volume of orders received by the Fiber and Paper Technology business area, the Rock and Mineral Processing group, and the Gears and Components group increased on the respective 1998 levels. On the other hand, the new orders received by the Automation and Control Technology business area, and Forest Machines group, declined. At the end of the year under review, Metso Corporation's order backlog totaled EUR 1,586 million (EUR 1,342 million on December 31, 1998), representing an 18 percent increase on the previous year. During the last quarter of the year a paper machine order from Italy worth EUR 250 million was included in the order backlog.

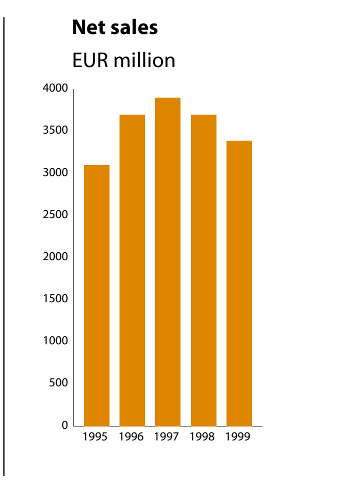
Net sales

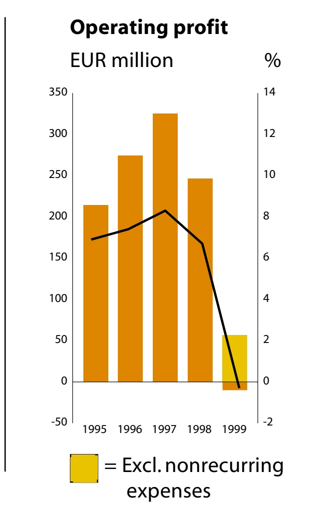
Metso Corporation's net sales in 1999 totaled EUR 3,387 million (EUR 3,695 million), which was 8 percent lower than the previous year. The net sales of the Rock and Mineral Processing group and the Gears and Components group increased. The net sales of the Automation and Control Technology business area remained at approximately the previous year's level. The net sales of Fiber and Paper Technology and Forest Machines declined due to the lack of large orders and the reduction in delivery volumes of forest machines.

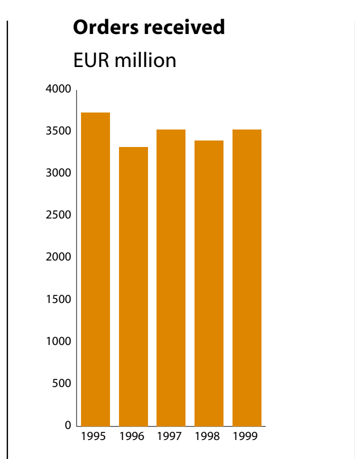
Exports and operations outside Finland accounted for 90 percent of the Corporation's net sales (87%) or EUR 3,042 million (EUR 3 219 million). 56 percent of the net sales were from Europe, 28 percent from North America, 8 percent from Asia-Pacific, 5 percent from South America and the remaining 3 percent from the rest of the world.

Profitability

Metso's profitability was weak in 1999. The operating loss for the year under review was EUR 10 million (operating profit





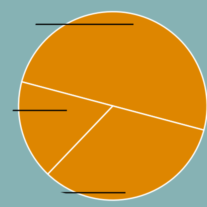


Net sales by business area

Fiber and Paper Technology 50%

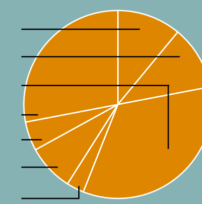
Automation and Control Technology 17%

Machinery 33%



Net sales by market area

Finland 11%
Other Nordic countries 11%
Other European countries 34%
North America 28%
South America 5%
Asia-Pacific 8%
Rest of the world 3%



EUR 246 million), including EUR 67 million in nonrecurring merger and restructuring costs. Profitability was weaker than 1998 in all business areas, and an operating loss was recorded in Fiber and Paper Technology.

Income before extraordinary items and income taxes was EUR 28 million negative (EUR 251 million positive). Financial income and expenses include received dividends of EUR 9 million and foreign exchange gains of EUR 8 million. Net income for the year under review, excluding extraordinary items, was EUR 29 million negative (EUR 186 million positive). Earnings per share were EUR 0.22 negative (EUR 1.37 positive). The return on capital employed (ROCE) was 1.6 percent (16.5%). The return on equity (ROE) was negative (16.1% positive).

Of items affecting income and arising from harmonization of the accounting principles of Rauma and Valmet, EUR 22 million was entered as extraordinary income and EUR 27 million as extraordinary expenses. EUR 54 million was also entered in extraordinary expenses as a one-time write-off of the goodwill value of the Converting Equipment business.

The threat of loss related to the inventory value of delayed deliveries to the APRIL Group in Indonesia has disappeared.

Business areas

The net sales of Fiber and Paper Technology decreased by 12 percent on the previous year, and totaled EUR 1,711 million (EUR 1,949 million). The business area accounted for 50 percent (52%) of the Corporation's net sales. Profitability weakened significantly compared with the previous year, and the operating loss was EUR 75 million (operating profit EUR 112 million), equivalent to –4.4 percent of the net sales (5.7%). The operating loss includes non-recurring costs of EUR 45 million. Profitability was primarily weakened by a significant reduction in the volume of deliveries and tight price competition. In Paper Technology, Converting Equipment continued to operate at a loss, and the profitability of Board Machines continued to be weak. The profitability of Paper Machines diminished clearly.

The net sales of Automation and Control Technology remained at nearly the same level as the previous year, totaling EUR 599 million (EUR 597 million). The business area accounted for 17 percent (16%) of the Corporation's net sales. Profitability decreased compared with the previous year. The operating profit of the business area was EUR 6 million (EUR 38 million), which is 1 percent of the net sales (6.3%). The operating profit included EUR 11 million in nonrecurring costs. Profitability was weakened by low capacity utilization rates and tight price competition.

The net sales of Forest Machines fell by 11 percent compared to the previous year, and totaled EUR 471 million (EUR 530 million). The business group accounted for 14 percent (14%) of the Corporation's net sales. Profitability was weaker compared with the previous year. The operating profit was EUR 28 million (EUR 42 million), or 6 percent of the net sales (7.9%). Profitability was weakened by a significant reduction in the volume of deliveries in the important North American markets.

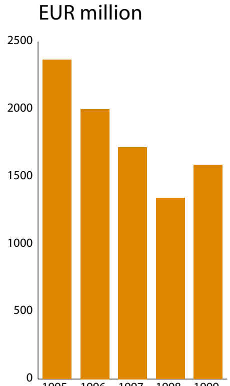
The net sales of the Rock and Mineral Processing group were nearly at the same level as in the previous year, totaling EUR 469 million (EUR 465 million). The business group accounted for 13 percent (12%) of the Corporation's net sales. Profitability was reduced compared with the previous year. The operating profit was EUR 22 million (EUR 34 million), or 4.7 percent of the net sales (7.3%). The decline in profitability was mainly due to the smaller number of deliveries to the mining segment.

The net sales of the Gears and Components group grew by 7 percent on the previous year, and totaled EUR 103 million (EUR 96 million). The business group accounted for 3 percent (3%) of the Corporation's net sales. Profitability weakened on the previous year. The operating profit was EUR 1 million (EUR 7 million), or 1 percent of the net sales (7.3%).

The net sales of the Manufacture of Specialty Cars group dropped by 5 percent compared with the previous year, and stood at EUR 114 million (EUR 120 million). The business group accounted for 3 percent (3%) of the Corporation's net sales.

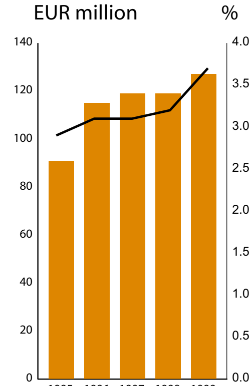
Order backlog

EUR million

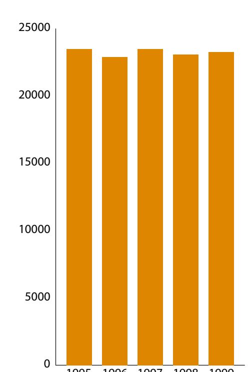


R & D

EUR million %



Personnel



Profitability improved slightly on the previous year. The operating profit was EUR 27 million (EUR 25 million), which is 24 percent of the net sales (21%).

Sales between the business areas amounting to EUR 78 million (EUR 62 million) have been eliminated from the net sales of the Corporation.

Capital expenditure, acquisitions and divestments

The Corporation's gross capital expenditure, including acquisitions, amounted to EUR 237 million (EUR 157 million), or 7.0 percent (4.3%) of the Corporation's net sales. During the year under review, a decision was made to establish a new service technology center in China, the total value of the investment being EUR 11 million. Metso also established a service joint venture company with the YIT Corporation, known as Scandinavian Mill Service Oy.

The Fiber and Paper Technology business area was strengthened by the acquisition of the fiberboard press division of Eduard Küsters Maschinenfabrik GmbH & Co. KG of Germany, and Kvaerner Panel Systems GmbH of Germany, an equipment manufacturer for the panelboard industry. The Waratah Group, a New Zealand manufacturer of heavy harvester heads, and Siiro Equipment, a US manufacturer of cut-off machines, were acquired for the Forest Machines group. The Rock and Mineral Processing group was supplemented by the acquisition of Masterskreen International Ltd., a Northern Ireland manufacturer of mobile screens, the assets and operations of W.S. Tyler, an American screen and crusher manufacturer, and the assets and operations of the Helser Division of ANI Minerals Processing Inc., an American crusher parts, refurbishment and service company. A major part of the industrial gears operations of Componenta Corporation (former Santasalo-JOT Group) was acquired for the Gears and Components group.

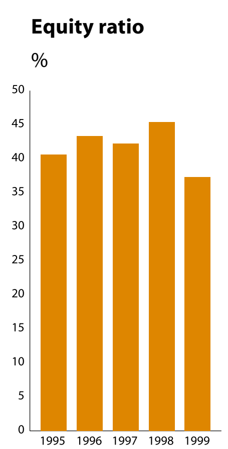
During the year under review, Metso divested its 50 percent holding in Oy Scan-Auto Ab. Metso signed an agreement on the sale of the Timberjack Group, the manufacturer of forest machines, to Deere & Company of the USA for EUR 600 million. The deal still requires the approval of the competition authorities which is expected in the spring of 2000.

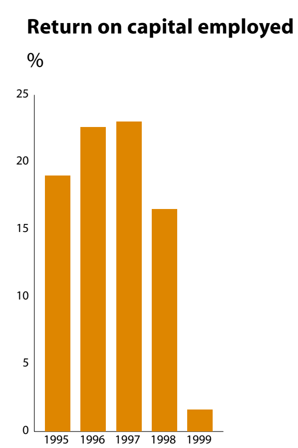
Research and development

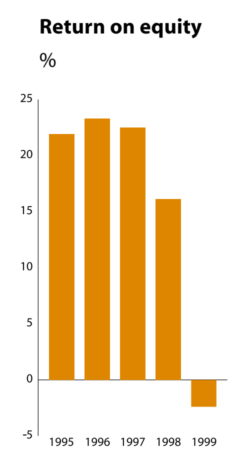
The Corporation's costs in research and development amounted to EUR 127 million (EUR 119 million) in the year under review, equivalent to 3.7 percent (3.2%) of the net sales.

Personnel

Metso Corporation employed 23,274 persons (23,064) at the end of 1999. This includes







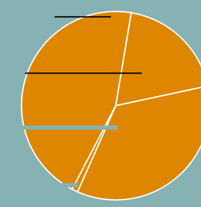
Personnel by business area

Fiber and Paper Technology 45%

Automation and Control Technology 19%

Machinery 35%

Other 1%



1,310 employees of the acquired companies. The Corporation employed 11,186 persons, or 48 percent of the total personnel, in Finland, 2,361 or 10 percent in other Nordic Countries, 2,840 or 12 percent in other European Countries, 4,678 or 20 percent in North America, 585 or 3 percent in Asia-Pacific, 587 or 3 percent in South America, and 1,037 or 4 percent in the rest of the world. Total salaries and wages amounted to EUR 758 million (EUR 745 million).

Board of Directors, Auditors and Management

The Board of Directors selected at the Annual General Meetings held by Valmet on March 30, 1999 and by Rauma on March 31, 1999 continued as the Board of Directors of Metso Corporation. Pertti Voutilainen was elected as Chairman of the Board and Mikko Kivimäki as Vice Chairman. The other members of the Board are Felix Björklund, Jaakko Rauramo, Matti Sundberg, Markku Tapio and, representing the personnel, Pertti Turtiainen. Authorized Public Accountant SVH Pricewaterhouse Coopers Ltd was elected as the auditor of the Corporation.

During the year under review, changes were made in the top management of Metso. It was decided at a meeting of Metso Corporation's Board of Directors on September 23, 1999, that Matti Sundberg, elected as CEO in conjunction with the merger, would relinquish his management position in the company with effect from October 1, 1999, after which Heikki Hakala, President & CEO, would chair the Corporation's Management Board. Heikki Hakala will retire at the beginning of 2001.

Financing

Metso's net cash provided by operating activities was EUR 2 million negative (EUR 129 million positive). Metso's net interest-bearing liabilities totaled EUR 465 million at the end of 1999 (EUR 178 million). Gearing, i.e. the ratio of net liabilities to shareholders' equity, was 42.8 percent (14.6%). The Corporation's equity to assets ratio was 37.3 percent (45.4%).

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

Shares

The number of Metso Corporation's shares on December 31, 1999 was 135,817,275, and the shareholders' equity was EUR 228 million.

The quotation of Metso Corporation's shares began on July 1, 1999 in the Helsinki and New York Stock Exchanges. During July-December, Metso Corporation shares were traded in the Helsinki Exchanges to the value of EUR 198 million. The highest quotation of the period was EUR 13.70 and the lowest EUR 9.65. On December 31, 1999, the share price was EUR 12.90, and the Corporation's market capitalization EUR 1,752 million. During July-December, trading in the New York Stock Exchange amounted to USD 5.4 million. The price of an ADS on December 31, 1999 was USD 13.50. The highest price was USD 13.75 and lowest USD 10.13. The total trading turnover of the Rauma Corporation and Valmet Corporation shares quoted separately in the first half of the year, plus the Metso Corporation shares, was EUR 496 million (EUR 972 million) in the Helsinki Exchanges.

An extraordinary shareholders' meeting of Metso Corporation, held on August 18, 1999, authorized the Board of Directors to decide on acquiring the Corporation's own shares, using its distributable funds, up to an amount corresponding to 5 percent of the Corporation's share capital, to be used as payment in corporate acquisitions or in the financing of investments. In 1999, a total of 1,697,100 of the Corporation's own shares were acquired for a price of EUR 18.2 million. 1,136,259 of the shares were used as payment in acquiring the assets and operations of the US company, W.S. Tyler. On December 31, 1999, the Corporation possessed 560,841 of its own shares, their acquisition price totaling EUR 6.1 million (EUR 10.86/share).

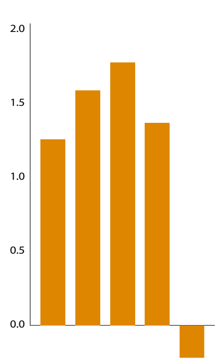
The Board of Directors has no valid authorization for a share issue.

The Year 2000 project

The turn of the millennium had no negative effect on Metso Corporation's business or on income from operations. The Year 2000 working groups will continue to operate until March 2000, however, to ensure that no leap day related disturbances arise. The

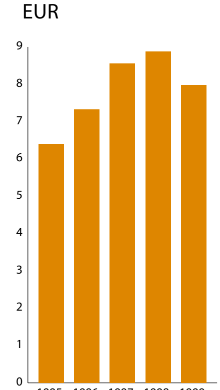
Earnings / share

EUR



Equity / share

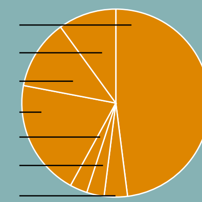
EUR



Board of Directors' Report

Personnel by area

Finland 48%
Other Nordic countries 10%
Other European countries 12%
North America 20%
South America 3%
Asia-Pacific 3%
Rest of the world 4%



total costs arising from the Year 2000 project were approximately EUR 11.5 million, of which about EUR 5.5 million were recorded in 1998, and the remaining EUR 6 million in 1999.

Creation of Metso Corporation

Extraordinary shareholders' meetings of Rauma and Valmet approved the merger of the companies on January 31, 1999. The European Commission stated on February 8, 1999 that it would not oppose the planned merger of Rauma and Valmet. The Bureau of Competition of the Federal Trade Commission, USA and the Bureau of Competition Policy, Canada had earlier made similar decisions. The National Board of Patents and Registration of Finland gave permission on June 18, 1999 for implementation of the merger, which took effect on July 1, 1999. From July 1, 1999 to August 24, 1999 the company operated under the name Valmet-Rauma Corporation. An extraordinary shareholders' meeting held on August 18, 1999 approved the new corporate name, Metso Oyj in Finnish, Metso Abp in Swedish and Metso Corporation in English. The new name was registered on August 24, 1999.

Restructuring measures

Restructuring measures were implemented during the year under review, due to the market situation, weak profit development and the changes required by business restructuring. As a result of these actions and other merger-related measures, the Corporation will reduce its personnel by an estimated 2,000 persons by the end of the year 2000. Negotiations required by cooperation legislation concerning the reductions, held in each business unit, were completed by the end of 1999.

It is estimated that annual savings of more than EUR 100 million will accrue from the synergy benefits of the merger, adaptation to the market situation and structural changes. Most of the synergy benefits comprise cost savings and are being realized in the Fiber and Paper Technology business area. The synergy benefits and cost savings are expected to be fully achieved in 2001. Non-recurring costs of EUR 67 million have been caused by the merger and restructuring.

Events after the financial year

In January, 2000, an offer was made for the purchase of certain service operations of the American paper machine manufacturer, Beloit, for USD 160 million. The deal is expected to be confirmed during the spring. The net sales of the Beloit operations included in the offer are approximately USD 200 million.

Board of Directors' proposal for the distribution of profit

The consolidated distributable funds of Metso Corporation on December 31, 1999 were EUR 581 million. The parent company's distributable funds totaled EUR 461 million. On December 31, 1999, a total of 135,256,434 Metso shares giving entitlement to full dividends for 1999 were held outside the Corporation.

Metso Corporation's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.40 per share be distributed.

Short-term outlook

The price of market pulp has continued to rise and the prices of paper grades have strengthened further. The investments of the pulp and paper industry are expected to grow, and increase the demand for the products of Fiber and Paper Technology, and Automation and Control Technology. The demand for process parts rebuilds and modernizations, spare parts and services is estimated to remain good.

The investments of the civil engineering industry are expected to continue strong in Europe and to liven up in the North American markets. The strengthening of basic metal prices is expected to create better conditions for mining investments in the current year.

The conditions for investment are expected to show gradual improvement in the Southeast Asian and South American markets.

The demand for forest machines is estimated to be good in both Europe and North America.

A clear improvement is expected in the Corporation's profitability in 2000, due to the affect of restructuring measures and the improved market situation.

Helsinki, February 16, 2000

Pertti Voutilainen
Mikko Kivimäki
Felix Björklund
Jaakko Rauramo
Matti Sundberg
Markku Tapio
Pertti Turtiainen

Consolidated Statements of Income

(in millions, except for per share amounts)

	Note	1997 EUR	1998 EUR	**1999 EUR**	**1999 USD**
		Year ended December 31,			
Net sales		3,898	3,695	**3,387**	**3,411**
Cost of goods sold	3), 6)	(2,873)	(2,696)	**(2,556)**	**(2,574)**
Gross profit		1,025	999	**831**	**837**
Selling, general and administrative expenses	2),3),6)	(756)	(757)	**(794)**	**(800)**
Other income and expenses, net	4)	56	4	**20**	**20**
Nonrecurring operating expenses	5)	-	-	**(67)**	**(67)**
Operating profit (loss)		325	246	**(10)**	**(10)**
Financial income and expenses, net	7)	0	2	**(19)**	**(19)**
Share of profits of associated companies	8)	3	3	**1**	**1**
Income before extraordinary items and income taxes		328	251	**(28)**	**(28)**
Extraordinary income and expenses, net	9)	(10)	(2)	**(59)**	**(60)**
Income before taxes		318	249	**(87)**	**(88)**
Income taxes	10)	(82)	(63)	**0**	**0**
Minority interests		(4)	(2)	**(1)**	**(1)**
Net income		232	184	**(88)**	**(89)**
Earnings per share	11)	1.78	1.37	**(0.22)**	**(0.22)**

Consolidated Balance Sheets

(in millions)

ASSETS

		December 31,		
		1998	**1999**	**1999**
Fixed assets and financial assets	Note	EUR	**EUR**	**USD**
Intangible assets	12)			
Goodwill		177	**170**	**171**
Other intangible assets		47	**46**	**46**
		224	**216**	**217**
Tangible assets	12), 13)			
Land and water areas		54	**56**	**57**
Buildings		235	**262**	**264**
Machinery and equipment		286	**296**	**298**
Other tangible assets		14	**19**	**19**
Assets under construction		46	**51**	**51**
		635	**684**	**689**
Financial assets				
Shareholdings and other securities	14)	158	**124**	**125**
Own shares	14)	-	**6**	**6**
Loans receivable	18)	10	**10**	**10**
Accounts receivable	18)	68	**57**	**58**
Other long-term investments	15), 18)	78	**55**	**55**
		314	**252**	**254**
Total fixed and financial assets		1,173	**1,152**	**1,160**
Unfunded pensions	16)	12	**-**	**-**
Current assets				
Inventories				
Materials and supplies		165	**198**	**199**
Work in process		43	**226**	**228**
Finished products		199	**237**	**239**
		407	**661**	**666**
Receivables	18)			
Accounts receivable		609	**775**	**780**
Cost and earnings of projects under construction in excess of billings	17)	203	**158**	**159**
Loans receivable		5	**6**	**6**
Accrued income and prepaid expenses		132	**151**	**152**
Deferred tax asset	10)	-	**69**	**69**
Other receivables		24	**37**	**37**
Other short-term investments		8	**1**	**1**
		981	**1,197**	**1,205**
Cash and cash equivalents		225	**159**	**160**
Total current assets		1,613	**2,017**	**2,031**
Total assets		2,798	**3,169**	**3,191**

SHAREHOLDERS' EQUITY AND LIABILITIES

		December 31,		
		1998	**1999**	**1999**
	Note	EUR	**EUR**	**USD**
Shareholders' equity	19)			
Share capital		228	**228**	**230**
Share premium reserve		209	**7**	**7**
Legal reserve		222	**221**	**223**
Revaluation reserve		12	**0**	**0**
Cumulative translation adjustment		(56)	**(2)**	**(2)**
Reserve for own shares		-	**6**	**6**
Other reserves		-	**202**	**203**
Retained earnings		407	**511**	**515**
Net income for the financial year		184	**(88)**	**(89)**
Total shareholders' equity		1,206	**1,085**	**1,093**
Minority interests		10	**9**	**9**
Liabilities				
Long-term debt	20)			
Bonds		229	**240**	**242**
Loans from financial institutions		77	**116**	**116**
Pension loans		85	**79**	**80**
Other long-term debt		25	**51**	**51**
		416	**486**	**489**
Other long-term liabilities				
Accrued expenses	21)	26	**47**	**47**
Other long-term loans		23	**2**	**2**
		49	**49**	**49**
Current liabilities				
Current portion of long-term debt		36	**34**	**34**
Other interest-bearing short-term debt	22)	129	**256**	**258**
Advances received		12	**118**	**119**
Accounts payable		241	**246**	**248**
Billings in excess of cost and earnings of projects under construction	17)	121	**136**	**137**
Accrued expenses and deferred income	23)	536	**669**	**674**
Deferred tax liability	10)	8	**22**	**22**
Other current liabilities		34	**59**	**59**
		1,117	**1,540**	**1,551**
Total liabilities		1,582	**2,075**	**2,089**
Total shareholders' equity and liabilities		2,798	**3,169**	**3,191**

Consolidated Statements of Cash Flows

(in millions)

	Year ended December 31,			
	1997	1998	**1999**	**1999**
	EUR	EUR	**EUR**	**USD**
Cash flows from operating activities:				
Net income	232	184	**(88)**	**(89)**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	119	131	**130**	**132**
Gain on sale of fixed assets	(3)	(9)	**(2)**	**(2)**
Gain on sale of subsidiaries and associated companies	(38)	-	**(14)**	**(14)**
(Gain) loss on marketable securities	(21)	(9)	**(8)**	**(8)**
Foreign exchange (gains) losses	13	(16)	**(8)**	**(8)**
Share of profits and losses of associated companies	(3)	(4)	**(3)**	**(3)**
Write-offs of intangible assets	-	-	**58**	**58**
Other non-cash items	23	23	**66**	**66**
Change in net working capital, net of effect from business acquisitions	(190)	(171)	**(133)**	**(134)**
Net cash provided by (used in) operating activities	132	129	**(2)**	**(2)**
Cash flows from investing activities:				
Capital expenditures on fixed assets	(161)	(133)	**(121)**	**(122)**
Proceeds from sale of fixed assets	8	28	**31**	**31**
Business acquisitions, net of cash acquired	(136)	(24)	**(116)**	**(117)**
Investments in associated companies	(2)	-	**(3)**	**(3)**
Proceeds from sale of subsidiaries and associated companies	9	10	**21**	**21**
(Investments in) proceeds from sales of marketable securities	98	55	**42**	**43**
Net cash used in investing activities	(184)	(64)	**(146)**	**(147)**
Cash flows from financing activities:				
Reacquisition of shares	(18)	-	**(6)**	**(6)**
Dividends paid	(65)	(74)	**(80)**	**(81)**
Hedging of net investment in foreign subsidiaries	(29)	(1)	**(1)**	**(1)**
Net borrowings (payments) on short-term debt	(31)	23	**117**	**118**
Proceeds from issuance of long-term debt	251	79	**54**	**54**
Principal payment of long-term debt	(67)	(47)	**(27)**	**(27)**
Notes receivable issued	(43)	(62)	**(16)**	**(16)**
Proceeds from payment on notes receivable	25	30	**22**	**22**
Other	-	(2)	**-**	**-**
Net cash provided by (used in) financing activities	23	(54)	**63**	**63**
Effect of changes in exchange rates on cash and cash equivalents	6	(9)	**19**	**19**
Net increase (decrease) in cash and cash equivalents	(23)	2	**(66)**	**(67)**
Cash and cash equivalents at beginning of year	246	223	**225**	**227**
Cash and cash equivalents at end of year	223	225	**159**	**160**

	Year ended December 31,			
	1997	1998	**1999**	**1999**
	EUR	EUR	**EUR**	**USD**
Change in net working capital, net of effect from business acquisitions:				
(Increase) decrease in assets and increase (decrease) in liabilities:				
Inventory	(25)	(24)	**(149)**	**(150)**
Receivables	(40)	24	**(121)**	**(122)**
Other assets	(21)	(9)	**(25)**	**(25)**
Percentage of completion: recognized assets and liabilities, net	(97)	22	**55**	**55**
Accounts payable	4	(23)	**(36)**	**(36)**
Accrued liabilities	80	(109)	**136**	**137**
Other liabilities	(91)	(52)	**7**	**7**
Total	(190)	(171)	**(133)**	**(134)**
Supplemental cash flow information:				
Acquisition of businesses:				
Intangible assets	3	1	**2**	**2**
Tangible assets	19	13	**45**	**45**
Goodwill	89	8	**52**	**52**
Current assets, other than cash	74	13	**74**	**75**
Minority interest	-	(1)	**-**	**-**
Liabilities assumed	(49)	(10)	**(57)**	**(57)**
Total, net of cash acquired	136	24	**116**	**117**
Cash paid during the year for:				
Interest	36	35	**50**	**50**
Income taxes	46	64	**38**	**38**

Consolidated Statements of Changes in Shareholders' Equity

(in millions)

	Number of shares (thousands)	Share capital (Par value FIM 10 per share)	Share premium reserve EUR	Legal reserve EUR	Revaluation reserve EUR	Cumulative translation adjustment EUR	Reserve for own shares EUR	Other reserves EUR	Retained earnings EUR	Total EUR
Balance at December 31, 1996	136,915	230	207	222	12	(22)	-	-	355	1,004
Dividends	-	-	-	-	-	-	-	-	(65)	(65)
Translation adjustments	-	-	-	-	-	8	-	-	-	8
Cancellation of own shares	(1,089)	(2)	2	-	-	-	-	-	(18)	(18)
Net income	-	-	-	-	-	-	-	-	232	232
Balance at December 31, 1997	**135,826**	**228**	**209**	**222**	**12**	**(14)**	**-**	**-**	**504**	**1,161**
Dividends	-	-	-	-	-	-	-	-	(74)	(74)
Translation adjustments	-	-	-	-	-	(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 adjustments	-	-	-	-	-	54	-	-	0	54
Cash payment for fractional shares	(9)	0	0	-	-	-	-	-	0	0
Reacquisition of own shares	-	-	-	-	-	-	6	-	(6)	0
Other	-	-	(202)	(1)	(12)	-	-	202	6	(7)
Net income	-	-	-	-	-	-	-	-	(88)	(88)
Balance at December 31, 1999	**135,817**	**228**	**7**	**221**	**0**	**(2)**	**6**	**202**	**423**	**1,085**

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.

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

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

Solely for the convenience of the reader, the consolidated financial statements as of and for the year ended December 31, 1999 have been translated into United States dollars ("USD") using the December 31, 1999 Noon Buying Rate of the Federal Reserve Bank of New York of USD 1.00 = EUR 0.9930. 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, Metso Corporation, and each of those companies in which it owns, directly or indirectly through subsidiaries, over 50% of the voting rights. The companies acquired during the financial period have been consolidated from the date the responsibility for their operations was transferred to Metso. Subsidiaries sold have been included up to their date of sale.

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 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. Badwill represents the excess of net assets of acquired companies over the purchase cost. Commencing on January 1, 1999, badwill 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 was charged to expenses in 1999, net of taxes, and is included in extraordinary expenses in the consolidated statement of income.

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

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.

Metso does not hold or 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.

(in millions)

Metso hedges its net foreign investments in certain currencies to reduce the effect of exchange rate fluctuations. The hedging instruments are cross-currency swaps, foreign currency loans, forward exchange contracts and options. Premium/discount on the forward exchange contracts are computed at the inception of the contracts and recognized, net of taxes, in the cumulative translation adjustments component of the equity over the life of the 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.

Metso's exposure to interest rate risk, arising from interest bearing receivables and loans, is managed using 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 hedge 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 interest 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 acquisition, exceeds one year. Commencing in 1999 the unrealized gains on marketable securities are not recognized in income.

Revenue recognition
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.

Revenues from other 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.

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.

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 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 income in 1999, net of taxes, and is included in extraordinary expenses in the consolidated statement of income.

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

Capitalization of interest expenses
Commencing on January 1, 1999, the interest expenses of self-constructed investments exceeding EUR 10 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 12 EUR, has been reversed in 1999 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 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 related to harmonization of accounting principles between Rauma and Valmet, and to discontinued activities.

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 income in 1999, and is included in extraordinary income in the consolidated statement of income.

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 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.

Notes to Consolidated Financial Statements

(in millions)

2 Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	Year ended December 31,		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Marketing and selling expenses	(359)	(369)	**(356)**
Research and development expenses	(115)	(117)	**(126)**
Amortization of goodwill	(14)	(16)	**(18)**
Administrative expenses	(268)	(255)	**(294)**
Total	(756)	(757)	**(794)**

3 Personnel expenses and number of personnel

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

	Year ended December 31,		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Salaries to the members of boards of directors and managing directors of group companies	15	14	**15**
Other wages and salaries	721	731	**743**
Pension costs	96	92	**85**
Other indirect employee costs	147	133	**150**
Total	979	970	**993**

	1997	1998	**1999**
Number of personnel:			
Personnel, average	23,612	23,754	**22,965**
Personnel, at end of year	23,496	23,064	**23,274**

4 Other income and expenses, net

Other income and expenses consist of the following:

	Year ended December 31,		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Other income	71	11	**34**
Other expenses	(15)	(7)	**(14)**
Total	56	4	**20**

In 1997 other income included gain on disposal of Tamrock Corp's shares in the amount of EUR 25 and a gain of EUR 34 on sale of 25.4 % holding in Sisu Corp.

5 Nonrecurring operating expenses

Nonrecurring operating expenses consist of the following:

	Year ended December 31,		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Direct costs related to merger	-	-	**4**
Downsizing expenses and restructuring expenses related to merger			
Severance and related costs	-	-	**29**
Write-down of fixed assets	-	-	**11**
Other costs	-	-	**18**
	-	-	**58**
Integration expenses	-	-	**5**
Total	-	-	**67**

Direct costs include finder's fee, fees to outside consultants for accounting and legal assistance related to the merger of Valmet and Rauma.

Restructuring expenses consist of both accrued and paid expenses related to restructuring the business operations. Downsizing expenses consist of actions taken to adjust the business to a weakened market situation.

Integration expenses consist 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.

6 Depreciation and amortization

Depreciation and amortization expense consists of the following:

	Year ended December 31,		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Intangible assets			
Goodwill	14	16	**18**
Other intangible assets	8	9	**9**
Tangible assets			
Buildings	14	16	**18**
Machinery and equipment	80	86	**80**
Other tangible assets	3	4	**5**
Total	119	131	**130**

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

	Year ended December 31,		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Cost of goods sold	64	71	**60**
Marketing, selling and administrative expenses			
Marketing and selling	8	8	**7**
Research and development	11	11	**14**
Administrative	22	25	**31**
Amortization of goodwill	14	16	**18**
Total	119	131	**130**

(in millions)

7 Financial income and expenses, net

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

	Year ended December 31,		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Financial income:			
Dividends received	5	10	**9**
Interest income	25	25	**18**
Other financial income	5	11	**3**
Net gain from foreign exchange	10	4	**8**
Financial income total	45	50	**38**
Financial expenses:			
Interest expenses	(36)	(42)	**(49)**
Other financial expenses	(9)	(6)	**(8)**
Financial expenses total	(45)	(48)	**(57)**
Financial income and expenses, net	0	2	**(19)**

8 Investments in associated companies

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

	Year ended December 31,		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Dividends received	1	3	**5**
Share of profits or losses in associated companies	3	4	**3**
Equity value of investments in associated companies	46	43	**23**

9 Extraordinary income and expenses

The following extraordinary income and expenses include significant transactions considered outside the normal course of business and effects of changes in the accounting principles.

	Year ended December 31,		
	1997	1998	**1999**
	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**
Extraordinary income, net of taxes	-	-	**22**
Extraordinary expenses, net of taxes			
Compensation to Beloit on patent disputes	(10)	-	**-**
Final settlements of disposed activities	-	(2)	**-**
Allocation of badwill arising from the acquisition of			
Valmet Automotive to fixed assets	-	-	**(11)**
Write-down of Atlas goodwill	-	-	**(54)**
Recognition of unfunded pension liabilities	-	-	**(16)**
Extraordinary expenses, net of taxes	(10)	(2)	**(81)**
Extraordinary income and expenses, net	(10)	(2)	**(59)**

Goodwill of Atlas

In July 1997, Valmet acquired a U.K. based company, Atlas Converting Equipment plc, and its subsidiaries, for a net price of EUR 126 resulting in a goodwill of EUR 83, which is amortized on a straight-line basis over 15 years. A major portion of Atlas' business has been in the Asia-Pacific area where the slow down of economy has reduced the local demand for converting machines and generated a world wide price competition seriously affecting the profitability of Atlas. In accordance with FAS No 121 – Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of, Metso has reviewed the future undiscounted cash flows of Atlas' business for impairment. The carrying amount of Atlas exceeds 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 takes into account the financial costs of the investment added by a risk factor adherent to the business, the annual growth assumption used is 2%.

The impairment valuation involves 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.

(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		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Finland	233	159	**13**
Other countries	95	92	**(41)**
Total	328	251	**(28)**

The components of income taxes are as follows:

	Year ended December 31,		
	1997	1998	**1999**
Current taxes	EUR	EUR	**EUR**
Finland	59	39	**19**
Other countries	29	24	**15**
	88	63	**34**
Deferred taxes			
Finland	(2)	(1)	**(21)**
Other countries	(4)	1	**(13)**
	(6)	0	**(34)**
Current and deferred taxes	82	63	**0**
Tax effect of extraordinary items	(4)	(1)	**(24)**
Income taxes, total	78	62	**(24)**

The differences between income tax expense (benefit) computed at Finnish statutory rates (28% in 1997, 1998,1999 and 29 % in 2000) and income tax expense (benefit) provided on earnings are as follows:

	Year ended December 31,		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Income tax expense (benefit) at Finnish statutory rate	92	70	**(8)**
Income tax for prior years	(1)	0	**0**
Deduction for write-down of investments in subsidiaries	(2)	-	**-**
Temporary differences for which no deferred tax has been provided	(8)	(7)	**(3)**
Benefit of operating loss carryforwards	(12)	(13)	**(8)**
Amortization of goodwill	3	4	**5**
Nontaxable income	(1)	(1)	**(1)**
Nondeductible expenses	7	1	**3**
Hedging transactions	0	0	**-**
Taxes on foreign subsidiaries' net income in excess of income taxes at Finnish statutory rates	2	7	**(1)**
Operating losses with no current tax benefit	4	-	**11**
Effect of change in accounting principles	-	-	**(24)**
Other	(6)	1	**2**
Income tax expense (benefit)	78	62	**(24)**

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

	Year ended December 31, 1998 EUR	1999 EUR
Noncurrent assets:		
Tax losses carried forward	51	**67**
Provisions	2	**36**
Other	26	**20**
Valuation allowance	(46)	**(43)**
	33	**80**
Current assets:		
Intercompany profit in inventory	9	**9**
Provisions	26	**35**
Valuation allowance	-	**(2)**
	35	**42**
Current liabilities:		
Pensions and other	(10)	**(9)**
Noncurrent liabilities:		
Accelerated depreciation and other untaxed reserves	(32)	**(22)**
Other	(34)	**(44)**
	(66)	**(66)**
Deferred tax asset (liability), net	(8)	**47**

11 Earnings per share

Earnings per share is calculated as follows:

	Year ended December 31,		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Income before extraordinary items and income taxes	328	251	**(28)**
Minority interests	(4)	(2)	**(1)**
Taxes on normal business operations	(82)	(63)	**0**
	242	186	**(29)**
Weighted average number of shares issued and outstanding (in thousands)	136,265	135,826	**135,632**
Earnings per share	1.78	1.37	**(0.22)**
Weighted average number of diluted shares issued and outstanding (in thousands)	136,654	136,050	**135,711**
Diluted earnings per share	1.77	1.37	**(0.22)**

12 Intangible and tangible assets

	Year ended December 31,	
	1998	**1999**
	EUR	**EUR**
Goodwill		
Acquisition cost at beginning of year	333	**312**
Increases	13	**73**
Decreases	(21)	**(2)**
Exchange gains (losses)	(13)	**9**
Accumulated depreciation at end of year	(135)	**(222)**
Net book value at end of year	177	**170**
Other intangible assets		
Acquisition cost at beginning of year	85	**95**
Increases	14	**17**
Decreases	(3)	**(26)**
Exchange gains (losses)	(1)	**2**
Accumulated depreciation at end of year	(48)	**(42)**
Net book value at end of year	47	**46**
Land and water areas		
Acquisition cost at beginning of year	56	**54**
Increases	2	**1**
Decreases	(3)	**(1)**
Exchange gains (losses)	(1)	**2**
Net book value at the end of the year	54	**56**

	Year ended December 31, 1998 EUR	**1999 EUR**
Buildings		
Acquisition cost at beginning of year	358	**369**
Increases	25	**61**
Decreases	(8)	**(8)**
Exchange gains (losses)	(6)	**16**
Accumulated depreciation at end of year	(134)	**(176)**
Net book value at end of year	235	**262**
Machinery and equipment		
Acquisition cost at beginning of year	940	**969**
Increases	84	**67**
Decreases	(39)	**(77)**
Exchange gains (losses)	(16)	**44**
Accumulated depreciation at end of year	(683)	**(707)**
Net book value at end of year	286	**296**
Other tangible assets		
Acquisition cost at beginning of year	40	**45**
Increases	7	**22**
Decreases	0	**(2)**
Exchange gains (losses)	(2)	**2**
Accumulated depreciation at end of year	(31)	**(48)**
Net book value at end of year	14	**19**
Assets under construction		
Acquisition cost at beginning of year	36	**46**
Increases	38	**27**
Decreases	(28)	**(25)**
Exchange gains (losses)	0	**3**
Net book value at end of year	46	**51**

(in millions)

13 Capitalization of interest expenses

The capitalized interest expenses are following:

	As at December 31, 1999 EUR
Net capitalized interest, beginning of year	-
Capitalized interest expense *)	7
Amortization of capitalized interest expense	(1)
Net capitalized interest, end of year	**6**

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

14 Shareholdings and other securities

Shareholdings and other securities consist of the following:

Investments in associated companies:	Year ended December 31, 1998 Number of shares	1998 % ownership	1998 Equity value EUR	**1999 Number of shares**	**1999 % ownership**	**1999 Equity value EUR**
Oy Scan-Auto Ab	350,000	50%	22	-	-	-
Sako Ltd	40,000	50%	7	**80,000**	**100%**	**7**
Other			14			**16**
Total investment in associated companies			43			**23**

Investments in shareholdings and other securities:

	Number of shares	% ownership	Book value EUR	Fair value EUR	**Number of shares**	**% ownership**	**Book value EUR**	**Fair value EUR**
UPM-Kymmene Corporation	1,984,396	0.7%	29	48	**1,670,596**	**0.6%**	**25**	**67**
Tamfelt Corporation	242,100	2.7%	4	5	**242,100**	**0.1%**	**4**	**6**
Merita Plc	440,000	0.1%	1	2	**700,416**	**0.1%**	**3**	**5**
Sampo Insurance Company Plc	356,408	0.6%	1	11	**285,508**	**0.5%**	**1**	**10**
Sato Corporation	86,760	3.9%	4	4	**86,760**	**4.0%**	**4**	**4**
Partek Corporation	4,126,039	8.5%	57	32	**4,126,039**	**8.5%**	**57**	**56**
Other shares			19	20			**7**	**7**
Total investment in other securities			115	122			**101**	**155**
Total shareholdings and other securities			158	165			**124**	**178**
Own shares held by Metso Corporation			-	-	**560,841**	**0.4 %**	**6**	**7**

15 Other long-term investments

Other long-term investments consist of time deposits, certificates of deposits, treasury bills and bonds and other securities with a maturity of greater than one year at the time of acquisition. They amounted to EUR 78 at December 31, 1998 and to EUR 55 at December 31, 1999. Prior to January 1, 1999 the long-term investments were fair valued quarterly. Commencing on January 1, 1999 they are recorded at lower of cost or market value.

Information regarding other long-term investments is as follows:

	As at December 31,							
	1998				**1999**			
	Cost	Unrealized gains	Unrealized losses	Fair value	**Cost**	**Unrealized gains**	**Unrealized losses**	**Fair value**
	EUR	EUR	EUR	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Time deposits	4	-	-	4	-	-	-	-
Bonds	21	1	-	22	**12**	**1**	-	**13**
Other securities	50	2	-	52	**43**	-	-	**43**
Total	75	3	-	78	**55**	**1**	-	**56**

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

	Year ended December 31,		
	1997	1998	**1999**
	EUR	EUR	**EUR**
Purchases	59	24	**10**
Proceeds from sales	41	19	**20**
Proceeds from maturities	48	25	**15**
Realized gains	6	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, 1999, the maturity dates of long-term investments in debt securities are as follows:

	EUR
Less than five years	**47**
Five to ten years	-
More than ten years	-
Total	**47**

16 Unfunded pensions

Unfunded pension liability refers to the portion of total pension liability, which has not been expensed. As of December 31, 1998, it consisted of following:

	EUR
Voluntary additional pension liability to former Valmet's pension plan	6
Additional direct pension liability	6
Total	12

The unfunded pension liability of EUR 12 is included in assets and long-term accrued liabilities in the consolidated balance sheet for the year ended December 31, 1998. In 1999 the remaining balance of the unfunded liability was expensed.

(in millions)

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

Information on balance sheet items of uncompleted contracts at December 31, 1999 is as follows:

	Cost and earnings of uncompleted projects EUR	Billings of projects EUR	Net EUR
Projects where cost and earnings exceed billings	437	279	158
Projects where billings exceed cost and earnings	82	218	136

18 Interest bearing and non-interest bearing assets

	Year ended December 31, 1998			1999		
	Interest bearing EUR	Non-interest bearing EUR	Total EUR	**Interest bearing EUR**	**Non-interest bearing EUR**	**Total EUR**
Financial assets						
Loans receivable	-	10	10	**1**	**9**	**10**
Accounts receivable	61	7	68	**53**	**4**	**57**
Other long-term investments	78	-	78	**55**	**-**	**55**
Total	139	17	156	**109**	**13**	**122**
Receivables						
Accounts receivable	29	580	609	**40**	**735**	**775**
Cost and earnings of projects under construction in excess of billings	-	203	203	**-**	**158**	**158**
Loans receivable	2	3	5	**1**	**5**	**6**
Prepaid expenses and accrued income	-	132	132	**-**	**151**	**151**
Other receivables	-	24	24	**-**	**106**	**106**
Other short-term investments	8	-	8	**1**	**-**	**1**
Total	39	942	981	**42**	**1,155**	**1,197**

19 Shareholders' equity

As of December 31, 1999 Metso had 135,817,275 issued shares with a par value of 10 Finnish markka the share capital being EUR 228. Under its Articles of Association Metso Corporation's authorized share capital may not be less than EUR 168 nor more than EUR 673. At the closing of the financial year Metso held 560,841 of its own shares. The reacquisition price of EUR 6 has been recorded in the reserve for own shares at cost.

Calculation of distributable funds at December 31, 1999:

	EUR
Reserve for own shares	**6**
Other reserves	**202**
Retained earnings	**511**
Result for the financial year	**(88)**
Equity share of accelerated depreciation and other untaxed reserves	**(44)**
Reserve for own shares	**(6)**
Total distributable funds	**581**

The parent company's distributable funds at December 31, 1999 were EUR 461. The distribution of dividends to shareholders is limited to the lower of consolidated distributable funds or distributable funds held by the parent company.

20 Long-term debt

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

	1998 EUR	**1999 EUR**
Bonds	229	**257**
Loans from financial institutions	100	**124**
Loans from pension institutions	88	**82**
Other long-term loans	35	**57**
	452	**520**
Less current maturities	36	**34**
Total	416	**486**

Bonds:

The bonds consist of two loans: a USD 200 bond (EUR 199) and a FIM 300 (EUR 50) 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 2000 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 cross-currency and interest rate swaps. The unrealized foreign currency differences, arising from the USD denominated currency leg of the derivatives, 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 are EUR and USD denominated. The interest rates vary from 2.35% (CHF) to 12.5% (ZAR). The loans are payable from year 2000 to 2006.

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 syndicated credit facility of USD 80 (EUR 80) contracted by Metso expires in January 2002. At December 31, 1999 EUR 35 of the facilities were drawn, at December 31, 1998 both facilities were undrawn.

Loans from pension institutions:

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, 1999 the remaining balance of pension loans contracted prior to 1996 amounted to EUR 46. 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, was 5.5% from January 1, 1997 through December 31, 1998, 5% from January 1, 1999 to June 30, 1999 and 5.25% from July 1, 1999 onwards.

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. It is payable in semiannual installments after two years' grace period.

Other long-term loans:

Other long-term loans consist principally of pension liabilities amounting to EUR 20 at December 31, 1998 and EUR 24 at December 31, 1999.

(in millions)

Maturities of long-term debt as of December 31, 1999 are as follows:

Year	Bonds	Loans from financial institutions	Loans from pension institutions	Other long-term loans	Total
	EUR	EUR	EUR	EUR	EUR
2000	17	8	3	6	34
2001	17	6	11	12	46
2002	24	5	11	5	45
2003	-	4	11	1	16
2004	-	3	10	1	14
Later	199	98	37	31	365

Options to purchase securities:

The Annual General Meeting of former Rauma's Shareholders held on April 2, 1996, approved a proposal by the Board of Directors to issue a bond loan with warrants to persons belonging to the management of former Rauma. The five-year bonds have been issued to 48 senior members of management for an aggregate amount of EUR 0.2 at an interest rate of five percent and an issue price of 100 percent. The warrants entitle the holders to subscribe to an aggregate total of 900,000 shares of Metso during the period of April 2, 2000 through January 31, 2002 at a price of FIM 92 (EUR 15) per share. The original exercise price of FIM 100 (EUR 17) per share has been adjusted for the conversion ratio of the Rauma shares of 1.08917.

21 Other long-term liabilities - Accrued expenses

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

	1998	**1999**
	EUR	**EUR**
Pension liabilities	16	**18**
Accrued postretirement benefits	-	**11**
Other long-term provisions and accruals	10	**18**
Total	26	**47**

22 Other interest bearing short-term debt

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

	1998	**1999**
	EUR	**EUR**
Loans from financial institutions	51	**110**
Domestic commercial paper-financing	30	**23**
Euro Commercial Paper-financing	38	**100**
Other	10	**23**
Total	129	**256**

The weighted average interest rate applicable to short-term borrowing at December 31, 1998 and 1999 was 6.2% and 5.6%, respectively. The Company has established a short-term Euro Commercial Paper Program of USD 150 (EUR 149) and domestic commercial paper programs amounting to EUR 80.

Metso had uncommitted unused credit facilities for financing with banks totaling EUR 397 and EUR 485 at December 31, 1998 and 1999, respectively.

23 Accrued expenses and deferred income

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

	1998 EUR	1999 EUR
Accrued personnel expenses	135	**129**
Accrued project costs	176	**229**
Provision for losses on projects	3	**-**
Accrued expenses for plant reorganization	4	**23**
Warranty and guarantee liabilities	90	**91**
Environmental and product liabilities	4	**5**
Taxes currently payable	30	**25**
Other	94	**167**
Total	536	**669**

24 Mortgages and contingent liabilities

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

	1998 EUR	1999 EUR
Mortgages on corporate debt	6	**3**
Other pledges and contingencies		
Mortgages	5	**7**
Pledged assets	2	**1**
Guarantees on behalf of associated company obligations	1	**0**
Other guarantees	6	**4**
Total	14	**12**
Repurchase and other commitments	3	**9**
Employee benefit obligations	2	**-**

The mortgage amount on corporate debt has been calculated as the amount of corresponding loans. The nominal value of the mortgages at December 31, 1999 was EUR 5 larger than the amount of the corresponding loans. The pledged assets amount has been calculated as the amount of the corresponding loans and other commitments.

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 Leasing 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, 1999 are shown in the table below:

Fiscal:	**EUR**
2000	**34**
2001	**23**
2002	**17**
2003	**12**
2004	**9**
2005 and later	**25**
Total minimum lease payments	**120**

Total rental expense amounted to EUR 41, EUR 46 and 37 EUR in the years ended December 31, 1997, 1998 and 1999, respectively. Amounts under capital leases are not significant.

(in millions)

27 Financial instruments

Foreign currency risk management

Both the production and sales activities of Metso are geographically widely spread creating exposure to various currency risks, the main currencies being USD, EUR, 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 4 in 1998, and a net gain of EUR 5 in 1999.

Currency swaps, forward exchange contracts and, to some extent, options are used to hedge the equity investments denominated in certain foreign currencies. Their maturities vary from less than one year to seven years.

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. Prior to the introduction of EUR, short-term funding was mainly done in USD and the currency risk was hedged with forward exchange contracts. Commencing on January 1, 1999 the main currency for short-term borrowing is EUR.

Both the currency and the fixed interest rate of FIM 300 bond (EUR 50) have been converted with a FIM/USD cross currency swap, which matures in 2002. The notional amount of the contract at December 31, 1998 and 1999 was EUR 50 and EUR 59, respectively.

Metso measures and monitors foreign currency risk using sensitivity analysis. The hedging of net equity investments of foreign subsidiaries, 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, 1998 and 1999 was EUR 130 and EUR 121, 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,	
	1998	**1999**
	EUR	**EUR**
Trade flow related currency derivatives		
Ear-marked with underlying item	575	**238**
Fair valued derivatives	-	**301**
Foreign currency denominated equity	758	**230**
Foreign currency denominated loans	63	**139**
Short-term funding	87	**-**
Long-term funding	50	**59**
Mitigation of interest risk	130	**121**
Total notional amount of derivative instruments	1,663	**1,088**

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

		1998			**1999**	
	Notional amount EUR	Carrying amount EUR	Fair value EUR	**Notional amount EUR**	**Carrying amount EUR**	**Fair value EUR**
Forward exchange contracts	1,256	3	9	**647**	**(5)**	**(9)**
Cross-currency swaps	180	(1)	5	**74**	**(4)**	**(4)**
Currency swaps	64	0	(4)	**206**	**(26)**	**(25)**
Interest rate swaps	130	(1)	(2)	**121**	**(0)**	**(0)**
Currency options	34	0	(1)	**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, 1999 the maturities of the financial derivatives are following (expressed as notional amounts):

	2000 EUR	2001 EUR	2002 EUR	2003 EUR	2004 and after EUR
Forward exchange contracts	594	51	2	-	-
Cross-currency swaps	-	-	67	-	7
Currency swaps	82	-	-	-	124
Interest rate swaps	82	19	20	-	-
Currency options	40	-	-	-	-

Fair value of financial instruments

U.S. FASB 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, 1998 and 1999. 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,			
	1998		**1999**	
	Carrying value EUR	Fair value EUR	**Carrying value EUR**	**Fair value EUR**
Assets:				
Shareholdings and other securities				
(excluding shares in associated companies)	158	122	**101**	**155**
Own shares	-	-	**6**	**7**
Loans receivable, long-term	10	10	**10**	**10**
Accounts receivable, long-term	68	68	**57**	**57**
Other long-term investments	78	78	**55**	**56**
Accounts receivable, short-term	609	609	**775**	**775**
Loans receivable, short-term	5	5	**6**	**6**
Short-term investments	8	8	**1**	**1**
Cash and cash equivalents	225	225	**159**	**159**
Liabilities:				
Bonds	229	255	**240**	**235**
Loans from financial institutions	77	81	**116**	**114**
Pension loans	85	85	**79**	**78**
Other long-term debt	25	25	**51**	**51**
Current portion of long-term loans	36	36	**34**	**34**
Other interest-bearing short-term debt	129	128	**256**	**256**

(in millions)

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.

29 Principal subsidiaries

	Country	Shareholder percentage
Fiber and Paper Technology		
Valmet Oy	Finland	100.0
Valmet-Karlstad AB	Sweden	100.0
Valmet Inc.	United States	100.0
Valmet Fibertech AB	Sweden	100.0
Valmet Mechanical Pulping Oy	Finland	100.0
Valmet Canada Inc.	Canada	100.0
Valmet-Como S.p.A.	Italy	100.0
Valmet Woodhandling Oy	Finland	100.0
Valmet Manufacturing AB	Sweden	100.0
Converting Equipment		
Valmet Rotomec S.p.A.	Italy	100.0
Atlas Converting Equipment plc	Great Britain	100.0
Automation and Control Technology		
Neles Field Controls Oy	Finland	100.0
Neles Paper Automation Oy	Finland	100.0
Neles Automation Networks Oy	Finland	100.0
Neles Automation SCADA Solutions Ltd	Canada	100.0
Jamesbury Inc.	United States	100.0
Machinery		
Forest Machines		
Timberjack Oy	Finland	100.0
Timberjack AB	Sweden	100.0
Timberjack Corporation	United States	100.0
Timberjack Inc.	Canada	100.0
Rock and Mineral Processing		
Nordberg-Lokomo Oy	Finland	100.0
Nordberg Inc.	United States	100.0
Nordberg Sales Corp.	United States	100.0
Nordberg-Bergeaud S.A.	France	100.0
Gears and Components		
Santasalo Gears Oy	Finland	100.0
Manufacture of Specialty Cars		
Valmet Automotive Oy	Finland	100.0

30 Business area and geographic information

Net sales by business area: 1997	Fiber and Paper Technology EUR	Automation and Control Technology EUR	Machinery EUR	Total EUR
Net sales to unaffiliated customers and other business areas	2,237	598	1,138	3,973
Sales to other business areas	(3)	(26)	(46)	(75)
Net sales to unaffiliated customers	2,234	572	1,092	3,898
1998				
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**

Net sales of Fiber and Paper Technology business area:	Fiber Technology EUR	Paper Technology EUR	Converting Equipment EUR	Total EUR
1997				
Total net sales	557	1,535	145	2,237
Intra-business area sales	-	-	-	-
Net sales to unaffiliated customers and other business areas	557	1,535	145	2,237
1998				
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**

Net sales of Machinery business area:	Forest Machines EUR	Rock and Mineral Processing EUR	Gears and Components EUR	Manu-facture of Specialty Cars EUR	Total EUR
1997					
Total net sales	500	430	113	98	1,141
Intra-business area sales	-	(1)	(2)	-	(3)
Net sales to unaffiliated customers and other business areas	500	429	111	98	1,138
1998					
Total net sales	530	465	96	120	1,211
Intra-business area sales	-	(1)	(1)	-	(2)
Net sales to unaffiliated customers and other business areas	530	464	95	120	1,209
1999					
Total net sales	**471**	**469**	**103**	**114**	**1,157**
Intra-business area sales	**-**	**-**	**(2)**	**-**	**(2)**
Net sales to unaffiliated customers and other business areas	**471**	**469**	**101**	**114**	**1,155**

(in millions)

Operating profit (loss) by business area:

	1997 EUR	1998 EUR	**1999** **EUR**
Fiber Technology	31	24	**(12)**
Paper Technology	120	96	**(38)**
Converting Equipment	1	(9)	**(25)**
Fiber and Paper Technology total	152	111	**(75)**
Automation and Control Technology	33	38	**6**
Forest Machines	35	42	**28**
Rock and Mineral Processing	32	34	**22**
Gears and Components	14	7	**1**
Manufacture of Specialty Cars	19	25	**27**
Machinery total	100	108	**78**
Corporate Headquarters and other	40	(11)	**(19)**
Metso total	325	246	**(10)**

Capital employed by business area:

	1997 EUR	1998 EUR	**1999** **EUR**
Fiber Technology	114	92	**126**
Paper Technology	565	480	**463**
Converting Equipment	159	151	**78**
Fiber and Paper Technology total	838	723	**667**
Automation and Control Technology	257	270	**204**
Forest Machines	132	147	**193**
Rock and Mineral Processing	178	215	**307**
Gears and Components	34	41	**65**
Manufacture of Specialty Cars	61	53	**44**
Machinery total	405	456	**609**
Corporate Headquarters and other	240	360	**391**
Metso total	1,740	1,809	**1,871**

Capital expenditure (including business acquisitions) by business area:

	1997 EUR	1998 EUR	**1999 EUR**
Fiber Technology	15	14	**28**
Paper Technology	60	51	**50**
Converting Equipment	129	6	**10**
Fiber and Paper Technology total	204	71	**88**
Automation and Control Technology	18	19	**15**
Forest Machines	10	15	**24**
Rock and Mineral Processing	27	25	**61**
Gears and Components	8	6	**28**
Manufacture of Specialty Cars	17	8	**10**
Machinery total	62	54	**123**
Corporate Headquarters and other	15	13	**11**
Metso total	299	157	**237**

Depreciation and amortization by business area:

	1997 EUR	1998 EUR	**1999 EUR**
Fiber Technology	14	12	**15**
Paper Technology	41	42	**45**
Converting Equipment	5	9	**9**
Fiber and Paper Technology total	60	63	**69**
Automation and Control Technology	19	19	**17**
Forest Machines	8	10	**12**
Rock and Mineral Processing	10	11	**13**
Gears and Components	4	4	**4**
Manufacture of Specialty Cars	13	18	**11**
Machinery total	35	43	**40**
Corporate Headquarters and other	5	6	**4**
Metso total	119	131	**130**

(in millions)

Information about Metso's operations in different geographic areas as of and for the years ended December 31, 1997, 1998 and 1999 is as follows:

	Finland EUR	Other Nordic Countries EUR	Other European Countries EUR	North America EUR	South America EUR	Asia-Pacific EUR	Rest of the World EUR	Elimi-nations EUR	Metso total EUR
Net sales to unaffiliated customers by destination									
1997	599	457	573	1,196	215	753	105	-	3,898
1998	479	455	863	1,110	158	547	83	-	3,695
1999	**356**	**379**	**1,146**	**945**	**169**	**277**	**115**	**-**	**3,387**
Fixed assets and financial assets by location									
1997	670	117	200	217	7	19	2	-	1,232
1998	636	109	194	199	7	20	9	-	1,174
1999	**579**	**110**	**160**	**260**	**6**	**28**	**9**	**-**	**1,152**

Metso's export sales, including sales to unaffiliated customers and intra-group sales from Finland, in different geographic areas for the years ended December 31 are as follows:

	Other Nordic Countries EUR	Other European Countries EUR	North America EUR	South America EUR	Asia-Pacific EUR	Rest of the World EUR	Metso total EUR
1997	336	286	301	33	488	23	1,467
1998	348	424	162	23	345	15	1,317
1999	**355**	**590**	**163**	**22**	**136**	**11**	**1,277**

Parent Company Statement of Income

(in millions)

	July 1 - December 31, 1999 EUR
Net sales	-
Cost of goods sold	-
Gross profit	-
Selling, general and administrative expenses	(12)
Other income and expenses	16
Nonrecurring operating expenses	(7)
Operating loss	(3)
Financial income and expenses	(4)
Income before contributions, untaxed reserves and income taxes	(7)
Group contributions	78
Change in untaxed reserves	-
Change in accelerated depreciation	-
Extraordinary income and expenses	-
Income before taxes	71
Income taxes	(16)
Net income	**55**

Parent Company Balance Sheet

(in millions)

ASSETS

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

SHAREHOLDERS' EQUITY AND LIABILITIES

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

Parent Company Statement of Changes in Shareholders' Equity

(in millions)

	Number of shares (thousand)	Share capital (Par value FIM 10 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**

Financial Indicators 1995 - 1999

(in millions)

	1995 EUR	1996 EUR	1997 EUR	1998 EUR	**1999 EUR**
Net sales	3,096	3,697	3,898	3,695	**3,387**
Net sales change %	9.4	19.4	5.4	(5.2)	**(8.3)**
Operating profit (loss)	214	274	325	246	**(10)**
% of net sales	6.9	7.4	8.3	6.7	**(0.3)**
Income before extraordinary items and income taxes	220	292	328	251	**(28)**
% of net sales	7.1	7.9	8.4	6.8	**(0.8)**
Income before taxes	226	280	318	249	**(87)**
% of net sales	7.3	7.6	8.2	6.7	**(2.6)**
Net income for the year	186	213	232	184	**(88)**
Exports and international operations	2,679	2,776	3,303	3,219	**3,042**
% of net sales	86.5	75.1	84.7	87.1	**89.8**
Orders received	3,730	3,322	3,528	3,399	**3,528**
Order backlog, December 31	2,366	2,000	1,718	1,342	**1,586**
Gross capital expenditure	118	154	163	133	**121**
% of net sales	3.8	4.2	4.2	3.6	**3.6**
Depreciation and amortization	110	118	119	131	**130**
% of net sales	3.6	3.2	3.1	3.5	**3.8**
Business acquisitions, net of cash acquired	5	13	136	24	**116**
% of net sales	0.2	0.4	3.5	0.6	**3.4**
Research and development	91	115	119	119	**127**
% of net sales	2.9	3.1	3.1	3.2	**3.7**
Shareholders' equity	927	1,004	1,161	1,206	**1,085**
Net interest-bearing liabilities	63	(18)	181	178	**465**
Balance sheet total	2,834	2,575	2,909	2,798	**3,169**
Gearing, %	6.8	(1.8)	15.5	14.6	**42.8**
Return on equity (ROE), %	21.9	23.3	22.5	16.1	**(2.4)**
Return on capital employed (ROCE), %	19.0	22.6	23.0	16.5	**1.6**
Equity to assets ratio, %	40.6	43.3	42.2	45.4	**37.3**
Average number of personnel	23,204	23,590	23,612	23,754	**22,965**

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

Formulas for Calculation of Financial Indicators

Gearing, %:

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

Return on equity (ROE), %:

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

Equity to assets ratio, %:

$$\frac{\text{(Shareholders´ equity + minority interests)}}{\text{Balance sheet total – advances received}} \times 100$$

Return on capital employed (ROCE), %:

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

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				
		1999	1998	1997	1999	1998	1997	1996	1995
USD	(US dollar)	1.0650	1.1126	1.1454	1.0046	1.1667	1.0969	1.2803	1.3641
SEK	(Swedish krona)	8.7100	8.8347	8.7489	8.5625	9.4874	8.6635	8.8111	9.0830
GBP	(Pound sterling)	0.6587	0.6719	0.6695	0.6217	0.7055	0.6612	0.7556	0.8820
CAD	(Canadian dollar)	1.5825	1.6461	1.5854	1.4608	1.8061	1.5721	1.7539	1.8604

Auditors' Report

To the Shareholders of Metso Corporation,

We have audited the accounting records, the financial statements and the corporate governance of Metso Corporation for the financial period ended December 31, 1999. Metso Corporation was formed through the merger of Valmet Corporation and Rauma Corporation on July 1, 1999. The financial statements of the new parent company are for the period July 1, 1999 to December 31, 1999. The consolidated financial statements have been prepared from the financial statements of the merged companies and their subsidiaries and relate to the period January 1, 1999 to December 31, 1999. The comparative figures for previous years have been obtained by combining the official financial statements of the merged companies.

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 corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the 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 distributable assets is in compliance with the Companies' Act.

Helsinki, February 16, 2000

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Tauno Haataja
Authorised Public Accountant

Lars Blomquist
Authorised Public Accountant

A flexible know-how driven company

Fiber and Paper Technology

Markets

The weak market situation in the pulp and paper industry restricted investment willingness in the sector in all the main markets until mid-1999 when the situation began to improve, especially in Europe and North America. The Asian market continued to be split between China, where the investment ratio of the country's pulp and paper industry was high, and the rest of Asia where markets continued to be weak. The capacity utilization rates of paper mills improved somewhat in the main markets and the prices of some paper grades strengthened towards the end of the year. The price of market pulp began a clear upward trend in the summer which continued for the rest of the year.

The total demand for the products of the Fiber and Paper Technology business area did not essentially grow in 1999. In Fiber Technology, the demand for products increased, but in Paper Technology, the volume of orders for new paper and board machines continued to be small. On the other hand, the volume of rebuilds grew especially in Europe. The market for Service picked up as pulp and paper mill utilization rates improved towards the end of the year.

Orders received and order backlog

During 1999 new orders were received to the value of EUR 1,866 million (EUR 1,718 million). The volume of new orders in Fiber Technology grew to EUR 542 million (EUR 333 million) mainly due to orders for panelboard technology and mechanical pulping equipment. The volume of new orders in Paper Technology also grew a little from the previous year and totaled EUR 1,304 million (EUR 1,233 million). On the other hand, new orders for converting equipment fell from the previous year, amounting to EUR 121 million (EUR 152 million).

During the year under review, orders were received for 6 tissue machines, 3 paper machines and 3 board machines, as well as 3 fiber lines and 5 panelboard lines. Other orders were for rebuilds of paper, board and fiber lines, paper finishing systems and air systems. The order backlog of the business area grew by 22 percent from the situation at the end of 1998 and stood at EUR 1,226 million on Dec. 31, 1999 (EUR 1,009 million on Dec. 31, 1998). The order backlog of Fiber Technology was EUR 342 million (EUR 154 million) while that of Paper Technology was EUR 924 million (EUR 788 million). The order backlog of converting equipment was EUR 58 million (EUR 68 million).

Net sales

The net sales of Fiber and Paper Technology during the year under review were EUR 1,711 million (EUR 1,949 million in 1998), or 12 percent down on the previous year. The net sales of Fiber Technology diminished by 5 percent compared with 1998, totaling EUR 388 million (EUR 408 million). The net sales of Paper Technology fell by 13 percent and amounted to EUR 1,203 million (EUR 1,356 million). The net sales of Converting Equipment decreased by 26 percent and were EUR 136 million (EUR 185 million). The decrease in the net sales of Fiber and

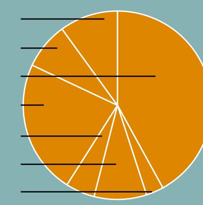
President
Juhani Pakkala

Key figures

(in millions)	1998 EUR	**1999 EUR**
Net sales	1,949	**1,711**
Operating profit	112	**(75)**
Orders received	1,718	**1,866**
Order backlog, Dec. 31	1,009	**1,226**
Personnel, Dec. 31	10,807	**10,597**

Net sales by market area

Finland 10%
Other Nordic countries 8%
Other European countries 42%
North America 23%
South America 5%
Asia-Pacific 9%
Rest of the world 3%



Paper Technology resulted from the weak market situation, which has continued for a long time, and in particular from reductions and postponements in orders for large projects during 1998.

Profitability

The operating loss of Fiber and Paper Technology was EUR 75 million (operating profit in 1998 EUR 112 million), which included nonrecurring expenses of EUR 45 million. The operating loss of Fiber Technology was EUR 12 million (operating profit EUR 24 million), which included nonrecurring expenses of EUR 20 million. The operating loss of Paper Technology was EUR 38 million (operating profit EUR 96 million), which included nonrecurring expenses of EUR 23 million. Losses were recorded by paper and board machine operations, in particular. The operating loss of converting equipment was EUR 25 million (EUR 9 million), which included nonrecurring expenses of EUR 2 million. Profitability was weakened by the scarcity of projects and tight price competition.

Investments and acquisitions

It was decided during the year to establish a new service technology center in China, representing an investment of approx. EUR 11 million. When it is completed in 2001 the center will strengthen the business area's market position and service capabilities in the Chinese pulp and paper industry, which will carry out substantial modernization and renewal of its production machinery in the coming years, due to the growing demand for paper, board and tissue. The technology center will both support the business area's own machine deliveries and offer a wide selection of expert services related to process improvements, rebuilds and maintenance services for all kinds of fiber and paper production lines.

The other investments of the business area focused on efficiency and productivity improvements, and research and development.

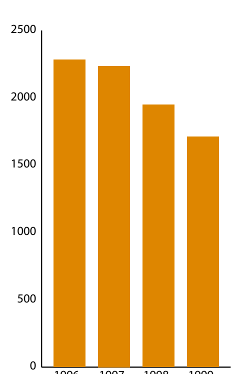
The fiberboard press division of the German company Eduard Küsters Maschinenfabrik GmbH & Co. KG was acquired for the Fiber and Paper Technology business area. The annual net sales of the division are approximately EUR 13 million. In addition, the German company Kvaerner Panel Systems GmbH was acquired to supplement the range of equipment supplied to the panelboard industry. The company's annual net sales are about EUR 45 million and it employs about 250 persons.

Research and development

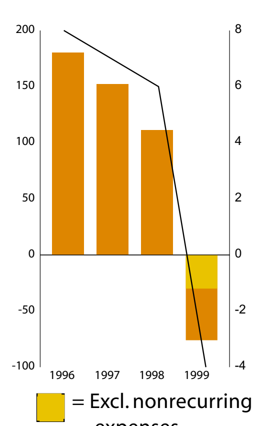
Research and development in Fiber and Paper Technology is focused on the management of total pulp and paper industry processes and the reduction of their environmental impact. During the year substantial R&D investments continued at the ten research centers in Finland, Sweden, Germany, Great Britain, Italy and the USA. The Karlstad research center in Sweden inaugurated a new tissue pilot machine incorporating Through Air Drying (TAD) technology, which will facilitate the more widespread commercialization of this technology. The OptiConcept paper making line was supplemented by launching the OptiSoft Slimline calender developed for paper finishing and the OptiSizer and OptiDoser coating equipment.

Among the Fiber Technology innovations that achieved market success were new-generation delignification methods for chemical pulping, by which lignin is extracted from wood in an efficient and environmentally-friendly way with the aid of oxygen and ozone, thus decreasing emissions in the

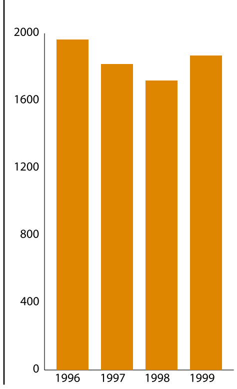
Net sales
EUR million



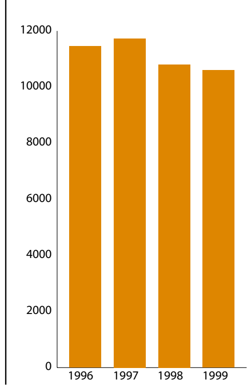
Operating profit
EUR million %



Orders received
EUR million



Personnel



pulp bleaching process. The panelboard industry launched cleaning systems developed for use with recycled wood, and new-generation forming and pressing lines which save energy and raw material costs.

Operating structure and customers

The Fiber and Paper Technology business area was reorganized during the year under review into seven business lines. Fiber Technology includes the mechanical pulping, chemical pulping and panelboard technology business lines, while Paper Technology includes the paper machines, board machines, tissue machines and converting business lines. In addition, the service operations of the whole business area were divided into a separate product group.

The products of Fiber and Paper Technology are sold by the business area's own sales companies in 29 countries. In addition, the business area's 24 service centers cover all the main markets.

The investments in fiber and paper technology machines and systems are affected by the development of consumption of paper, board and panelboard, capacity utilization rates, the prices of pulp and the different paper and board grades, and the needs of panelboard manufacturers.

Integration and cost cutting

Due to the merger, and the adjustments required by business restructuring and the market situation, the Fiber and Paper Technology business area implemented large-scale changes during the year under review.

In Fiber Technology, panelboard technology concentrated all its Swedish operations in Sundsvall. The panelboard technology unit operating in Finland will transfer in the fall from Loviisa to Nastola. The transfer of the mechanical pulping unit to Valkeakoski in Finland has already been mostly completed, while the pulp drying business moved from Karhula to Pori, Finland in 1999.

In Finland, Paper Technology's liner and fluting board machine business will be relocated in Jyväskylä by the end of March 2000, at which time the operations of the Tampere unit will finish. It was decided to convert the Karhula board machine unit into a service center and manufacturing unit for paper machine headboxes.

The merger resulted in the dismantling of overlaps in the distribution network, administration and production of the business area. It was also decided to combine the sales companies operating in the same areas or countries, resulting in the closure of 9 offices during 1999. A further 4 offices will be combined during 2000.

1,200 employees will be made redundant in the Fiber and Paper Technology business area, mostly as a result of the contraction of operations and structural changes. Personnel reductions affected all the largest units in Europe and North America. The most significant restructuring occurred in the board machines group and was completed during the year under review. The board machine business is now concentrated in Karlstad in Sweden and Jyväskylä in Finland.

Several cooperation projects are underway with other business areas in the Corporation. One of the most important is a development project being carried out with the Automation and Control Technology business area and focused on applying embedded automation technology to the OptiConcept papermaking line. Other development projects applying remote diagnostics and global information networks to paper machine service and maintenance are also being implemented. Cooperation is underway with the Gears and Components group to investigate solutions related to mechanical power transmission, machine construction and materials technology and aimed at raising the competitiveness of equipment and processes.

Board of Directors:
Chairman
Heikki Hakala
President and CEO
Metso

Vesa Kainu
Senior Vice President
Service
Valmet

Jyrki Mustaniemi
Senior Vice President,
Customer and
Public Relations
Metso

Juhani Pakkala
President
Valmet

Sakari Tamminen
Executive Vice President,
CFO
Metso

Automation and Control Technology

President
Arto Aaltonen

Markets
The low level of investments in the pulp and paper industry restricted the growth of demand for Automation and Control Technology products in 1999. Other factors affecting this trend were continuing consolidation in the oil refining industry and weak profitability in the chemical and petrochemical industries due to low oil prices in the early part of the year. Demand had still not revived by year's end, despite the rise in the price of oil.

Despite the tight market situation, success was achieved in increasing the market share of paper industry automation systems in the second half of 1999. The demand for pulp industry automation systems was good in Europe. The markets for SCADA systems livened up to some extent in North America. Conversely, the demand for field equipment, i.e. control valves and process measurement systems, weakened in all markets.

Orders received and order backlog
The new orders received amounted to EUR 573 million (EUR 588 million), being 3 percent lower than the previous year. Deliveries of automation and SCADA systems grew, while deliveries of control valves and process measurement systems fell. The end-of-year order backlog fell by 6 percent compared with the end of 1998, standing at EUR 181 million on Dec. 31, 1999 (EUR 192 million on Dec. 31, 1998). The lead time needed for orders shortened considerably, as the proportion of large orders fell.

Net sales
Net sales totaled EUR 599 million in 1999, a level that was approximately the same as the previous year (EUR 597 million).

Profitability
The operating profit was EUR 6 million (EUR 38 million), or 1 percent of net sales (6%) including nonrecurring costs of EUR 11 million. Tight competition and low capacity utilization rates weakened profitability. Another factor was the more unfavorable distribution of deliveries between product groups, compared with the previous year.

Research and development
Research and development projects during the year under review focused on systems development, and the application of remote diagnostics and internet technologies in solving production process problems and planning preventive maintenance for instance by utilizing WAP technology.

Several products exploiting the latest technology were launched. The nelesDNA is an open automation application environment which continuously networks all automation and information operations from the field to the office in one integrated system to support decision making in the organization. The nelesDNA creates better conditions to compete with the large suppliers for automation deliveries. Other product launches included the SmartLX which is an optical transmitter for measuring the consistence of mechanical stock, and the kajaaniCATi which is a measurement and management system for the paper machine's wet end. The nelesValvGuard, an automated testing and monitoring system for emergency shutdown valves, was also launched.

The Finnish Society of Automation granted its 1999 Automation Award to the Automation and Control Technology business area for the development of its remote diagnostics system and accompanying intelligent field devices (the Field Browser).

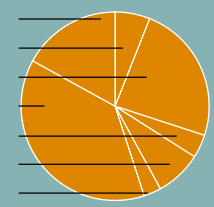
Operating structure and customers
The business operations of the Automation and Control Technology business area were re-organized into five divisions: Field Controls which supplies process measurements, and

Key figures

	1998	**1999**
(in millions)	EUR	**EUR**
Net sales	597	**599**
Operating profit	38	**6**
Orders received	588	**573**
Order backlog, Dec. 31	192	**181**
Personnel, Dec. 31	4,440	**4,352**

Net sales by market area

Finland 17%
Other Nordic countries 6%
Other European countries 24%
North America 38%
South America 4%
Asia-Pacific 8%
Rest of the world 3%



control and automated valves, Paper Automation which specializes in paper production automation and information systems, Automation Networks which supplies similar systems to other process industry, SCADA Solutions which supplies IT solutions for oil, gas and water distribution and electricity transmission, and Jamesbury which makes automated and manually-operated valves.

The most significant customer segment is the pulp and paper industry which accounts for nearly a half of the business area's deliveries. About a third of deliveries go to other process industries and energy generation, and the remaining one fifth to other customer industries.

Product demand was influenced by the international prices and price expectations of pulp and crude oil, and expectations related to the demand and supply of end products. Demand was also influenced by the development of more customer-oriented automation technology.

The business area operates globally and each division is responsible for its sales and distribution around the world. Automation and Control Technology has its own sales units in 36 countries. These units, together with the local representatives and dealers, form a comprehensive, worldwide service network supplemented by electronic trading services.

Restructuring and integration

Cost cuts were initiated in the business area due to the changes required by weak profit performance and the restructuring of business operations. The dismantling of overlaps resulting from the merger was initiated in the distribution network, administration and production. The combining of sales offices is leading to the closing down of 20 sales offices in countries with overlapping operations. All-in-all, about 300 persons will be made redundant. These reductions mainly affect units operating outside Finland. The number of personnel was decreased by about 100 persons in 1999.

Operations in America were integrated in order to improve cost effectiveness and customer service. It was decided to transfer some of the Shrewsbury activities to Atlanta and some valve manufacture from Shrewsbury, USA, to Chihuahua in Mexico where the Jamesbury Division already had shut-off valve production. It was also decided to close the Brazilian valve factory and to move its production to the Mexico factories.

Considerable investment was required to combine and develop the resource planning systems and production logistics systems of the new organization. This development work is continuing.

A number of cooperation projects with the Corporation's Fiber and Paper Technology business area are underway in Automation and Control Technology. The projects relate to research and development, and marketing and sales. The primary development target is to apply embedded automation technology to the OptiConcept papermaking line. Other development projects related to maintenance and the use of remote diagnostics and global information networks are also in progress.

Cooperation has also been initiated with the Corporation's Rock and Mineral Processing group to develop process automation solutions for crushers and crushing plants.

Board of Directors:

Chairman
Heikki Hakala
President and CEO
Metso

Arto Aaltonen
President
Neles Automation

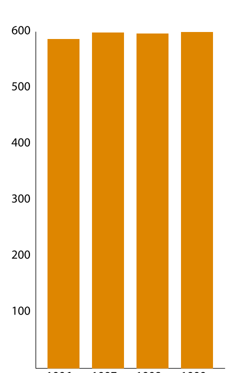
Markku Karlsson
Senior Vice President,
Corporate Technology
Metso

Juhani Kuusi
Senior Vice President, Head of Nokia Research Center

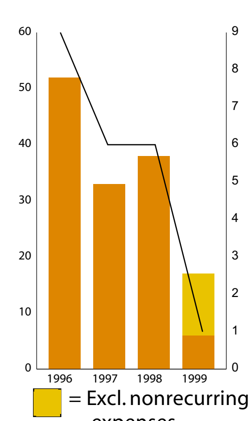
Juhani Pakkala
President
Valmet

Sakari Tamminen
Executive Vice President,
CFO
Metso

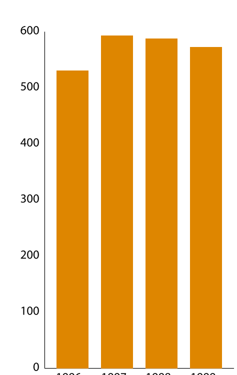
Net sales
EUR million



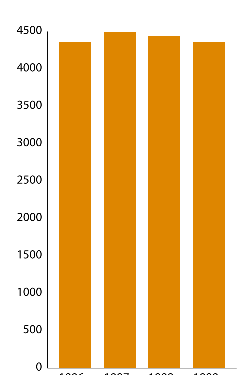
Operating profit
EUR million %



Orders received
EUR million



Personnel



Rock and Mineral Processing

Markets

Demand for the equipment and services of the Rock and Mineral Processing group continued buoyant in Europe during the year under review. In North America, on the other hand, construction and civil engineering industry demand did not fully live up to expectations, due to the slower-than-expected start to the TEA21 infrastructure development program approved by the US Congress. Demand continued to be slack in the South American and African markets as a result of the low investment activity of the mining industry, prompted by the low price levels of major metals prevailing throughout the year. Asia remained quiet, even though the first signs of a revival were to be observed.

Orders received and order backlog

The new orders received in 1999 amounted to EUR 475 million (EUR 462 million). Strong growth in contracting raised the volume of orders, particularly of mobile wheel and track-mounted crushing systems. The demand for wear and spare parts was also good, especially in the construction and civil engineering industry. The group's end-of-year order backlog grew by 12 percent, and stood at EUR 103 million on Dec. 31, 1999 (EUR 92 million on Dec. 31, 1998).

Net sales

Net sales in the year under review totaled EUR 469 million (EUR 465 million), a level that was approximately the same as the previous year. Growth in demand from construction and civil engineering industries compensated the steep decline in mining industry deliveries and increased the net sales.

Profitability

The operating profit fell by 35 percent from the previous year and was EUR 22 million (EUR 34 million). The decrease was due to the small volume of mining deliveries, tight competition in the civil engineering contractor sector, and the costs related to both the strengthening of market position in the growing construction and civil engineering industry and the adaptation of operations to correspond to lower mining industry demand.

Investments and acquisitions

During the year under review, the Northern Irish company Masterskreen International, specializing in the manufacturer of mobile screens, was acquired. Masterskreen's products were already sold through the group's distribution network. Masterskreen has annual net sales of approximately EUR 8 million and employs about 65 persons.

In October, the operations of W.S. Tyler, an American screen and crusher manufacturer, were acquired to strengthen the group's position as a supplier of screens and classifying solutions for crushed rock material. The quality and cleanness requirements for crushed materials are continually tightening, and by combining its own expertise with that of W.S. Tyler, the group will be able to supply more complete solutions for rock processing. The company's installed base of over 16,000 screens and 4,000 crushers also offers a solid foundation for further developing the group's aftermarket business. W.S. Tyler has annual net sales of about EUR 40 million and employs about 300 persons.

Near the end of 1999, the Helser Division of ANI Minerals Processing Inc., an American company specializing in crusher parts, refur-

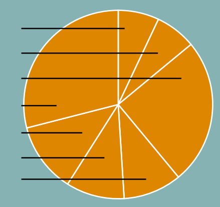
President
Olli Vaartimo

Key figures

	1998	**1999**
(in millions)	EUR	**EUR**
Net sales	465	**469**
Operating profit	34	**22**
Orders received	462	**475**
Order backlog, Dec. 31	92	**103**
Personnel, Dec. 31	3,318	**3,591**

Net sales by market area

Finland 7%
Other Nordic countries 7%
Other European countries 25%
North America 29%
South America 12%
Asia-Pacific 10%
Rest of the world 10%



bishment and service was acquired. This acquisition will strengthen the group's position in providing full-line, after-market services for crushing equipment users in quarries and mines throughout North America, and especially on the west coast where the group has not had its own repair and refurbishment facility. Helser has annual net sales of about EUR 10 million and employs about 60 persons.

Research and development

Research and development projects in the year under review were focused on developing more efficient crushing and screening processes, developing mobile equipment and automating the crushing process. The most notable development projects concerned new track-mounted screening and crushing units, a new-generation GP gyratory crusher series, two completely new solid screen series, and the A2020 automation system designed to optimize crusher operations. After the installation of a grinding mill in the R&D center in Milwaukee, USA , the center now possesses the whole crushing and grinding process.

Operating structure and customers

The operations of the Rock and Mineral Processing group are organized into four product divisions, namely the crushing equipment division, the mobile equipment division, the screening and crushing systems division and the minerals processing division.

The group's products are sold through four independent regional organizations – Nordberg Americas, Nordberg Europe, Nordberg Asia-Pacific and Nordberg South. Customers around the world are served by a comprehensive network of 25 Nordberg sales companies and numerous local distributors.

The most significant customer segments are quarries, construction and civil engineering contractors, and mines. The quarrying segment, which supplies crushed material, accounts for about 40 percent of sales, the mining segment for 20 percent and construction and civil engineering contractors for 30 percent. About 10 percent of net sales is accounted for recycle crushing, which uses stone and construction waste material. One third of deliveries comprise wear and spare parts, and after-sales services.

The markets for the products of the Rock and Mineral Processing group are influenced by factors such as GDP development, infrastructure investments, the prices of major minerals and metals and the price of and demand for crushed material. Tighter environmental requirements are limiting the use of natural gravel and sand, which is increasing the demand for recycled crushed material.

Integration and restructuring

The Rock and Mineral Processing group started a project in cooperation with the Corporation's Automation and Control Technology business area to develop process automation solutions for crushers and crushing plants. Cooperation was also begun with the Corporation's Gears and Components group to develop power transmission solutions for mining mills and crushers.

During 1999, production capacity was adapted to the demand situation in those units producing crushers for the mining industry in the USA and South Africa. Restructuring measures were also implemented to improve the competitiveness of the Tampere foundry in Finland. Due to the tight market situation in Asia, the Singapore office was closed and operations were transferred to the Perth office in Australia. More than 200 employees from the group were made redundant to improve competitiveness and adjust capacity.

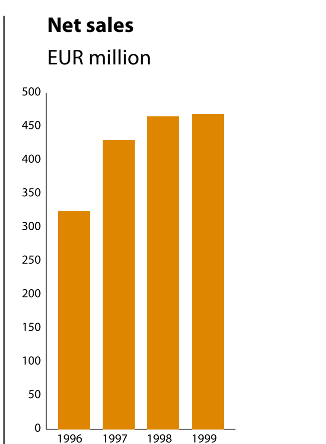
Board of Directors:
Chairman
Heikki Hakala
President and CEO
Metso

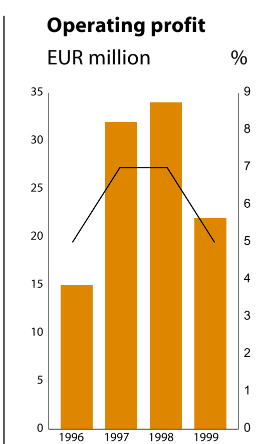
Mikko Rysä
President
Timberjack

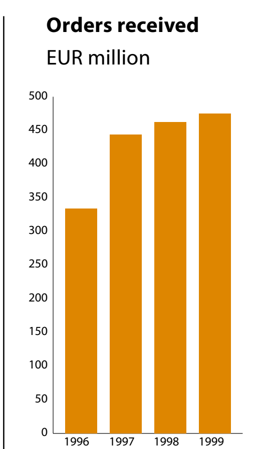
Sakari Tamminen
Executive Vice President,
CFO
Metso

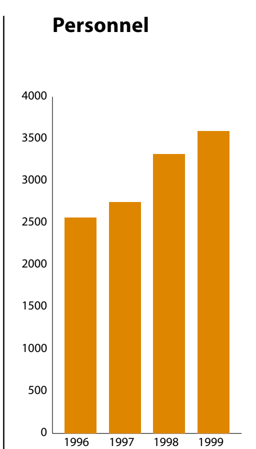
Olli Vaartimo
President
Nordberg

Tapani Vainio-Mattila
President
Santasalo









Forest Machines

President
Mikko Rysä

Markets

Due to the high harvesting volumes, the demand for forest machines continued strong in Europe. Even in North America, where the demand was exceptionally weak during the first six months of the year, the markets began to pick up towards the end of the year as the forestry industry reduced its raw material inventories and the demand for timber increased. The Asian markets revived slowly. The demand for forest machines in South America remained slack. At the end of the year, the increased pulp prices and the reduction in pulp reserves had a positive effect on forest machine demand.

Orders received and order backlog

New orders worth EUR 485 million (EUR 490 million) were received during 1999. The decline in orders was caused by the weak demand in North America. Significant orders were gained in Europe, Russia and Indonesia. The market shares of the Forest Machine group remained stable throughout the year. The order backlog increased by 58 percent compared with the situation at the end of 1998 and was EUR 71 million on December 31, 1999 (EUR 45 million on Dec. 31, 1998).

Net sales and profitability

The group's net sales for 1999 were EUR 471 million (EUR 530 million), which was 11 percent lower than the previous year. The decrease in net sales resulted primarily from the substantial decline in delivery volumes on the North American market.

Operating profit for 1999 was EUR 28 million (EUR 42 million). Profitability was weakened by the low capacity utilization of the North American units, where production volumes had to be reduced. In Europe, the group's profitability improved from the good level achieved in 1998.

Investments and acquisitions

Waratah Group, a New Zealand based manufacturer of heavy-duty harvester heads was acquired. The acquisition strengthened the group's product offering and was in line with its aim of becoming the leading forestry attachment supplier in the world. With yearly net sales of approximately EUR 13 million, the Waratah Group has some 90 employees. The integration of Waratah into the Forest Machine group has proceeded well, and its sales grew towards the end of the year.

At the end of 1999, Woodlans Engineering Ltd., previously the group's dealer in England and Ireland was acquired. Woodlans has yearly net sales of about EUR 22 million. The Forest Machines group also established its own retail companies in Austria and Poland.

Research and development

The Forest Machines group launched a compact wheel harvester mainly for thinning operations and a medium-sized track feller-buncher. Both products are complementary to the group's harvesting machine product range. The group also introduced several forestry attachments.

An agreement on the sale of Timberjack to Deere & Company was signed on December 13, 1999. The deal still requires the approval of the competition authorities which is expected in the spring of 2000.

Board of Directors:

Chairman
Heikki Hakala
President and CEO, Metso

Pekka Hölttä
Senior Vice President,
Corporate Treasurer
Metso

Mikko Rysä
President, Timberjack

Sakari Tamminen
Executive Vice President, CFO
Metso

Olli Vaartimo
President, Nordberg

Hannu Vainio
Vice President and Forest
Director, UPM-Kymmene

Key figures

	1998	**1999**
(in millions)	EUR	**EUR**
Net sales	530	**471**
Operating profit	42	**28**
Orders received	490	**485**
Order backlog, Dec. 31	45	**71**
Personnel, Dec. 31	1,900	**1,954**

Gears and Components

President
Tapani Vainio-Mattila

Markets
Limited investment by the pulp and paper industry and low capacity utilization in the offshore and shipbuilding sectors affected the demand for gears and engineering services, and consequently reduced order volumes. The building of wind power plants increased, boosting demand for gears for this purpose. Orders of wind turbine gears grew by nearly 80 percent.

Net sales and profitability
The group's net sales grew by 7 percent and reached EUR 103 million (EUR 96 million) due to deliveries of wind turbine gears and materials technology services. The operating profit was EUR 1 million (EUR 7 million). Profitability was weakened by warranty costs due to bearing breakage in the wind turbine gears and hard price competition in machine building.

Corporate acquisitions and restructuring
At the end of 1999, Santasalo Oy's industrial gears operations, with net sales of EUR 50 million, were acquired. At the same time, sales and distribution cooperation was begun with SEW-Eurodrive.

The Gears and Components group was reorganized into three divisions, of which the first focuses on mechanical power transmission solutions, the second on engineering, manufacturing and installation services for machine building, and the third on materials technology and components manufacturing utilizing powder metallurgy.

Research and development
The group's R&D was focused on mechanical power transmission. During 1999, wind turbine gears with a power output of 1.5 megawatts were launched. New technology monitoring the operation and condition of gears, and new jointing and surfacing methods for machine building were developed. New applications were also developed for powder metallurgical manufacturing, including paper winder slitters.

Integration of operations
Integration of the acquired gear operations into the group was started near the end of 1999. The goal is to develop and increase the gear business into a leader in its field. At the start of 2000, a unit in Parkano, Finland, supplying gear wheels and machine building services and which was earlier part of Metso's Rock and Mineral Processing was joined to the group. A sales company specializing in powder metallurgy was set up in Sweden.

In 1999, projects were initiated with the Corporation's other businesses to investigate solutions in power transmission, machine building and materials technology aimed at increasing equipment and process competitiveness. The Corporation's automation expertise is also being utilized in the development of gears.

Board of Directors:
Chairman
Olli Vaartimo
President
Nordberg

Vesa Kainu
Senior Vice President
Service
Valmet

Hannu Pietilä
Division President
Neles Automation

Pentti Pietilä
President
Nordberg-Lokomo

Erkki Pylvänäinen
President
Santasalo Gears

Tapani Vainio-Mattila
President
Santasalo

Key figures

	1998	**1999**
(in millions)	EUR	**EUR**
Net sales	96	**103**
Operating profit	7	**1**
Orders received	98	**101**
Order backlog, Dec. 31	39	**47**
Personnel, Dec. 31	841	**1,254**

Manufacture of Specialty Cars

Markets
During the year under review, the demand for convertible and sports cars continued to increase in both Europe and the USA, due to favorable economic growth. The Manufacture of Specialty Cars group's volume also increased in 1999.

The group's production comprised the Saab 9-3 Convertible, the Saab 9-3 Viggen and the Porsche Boxster sports car. A total of 33,930 cars were produced in 1999 (31,400 cars in 1998).

Net sales and profitability
The group's net sales decreased in 1999 by 5 percent and totaled EUR 114 million (EUR 120 million). The operating profit was EUR 27 million (EUR 25 million), up by 7 percent. The decrease in net sales compared with the previous year was due to income recognition related to the ending of assembly contracts which affected the figures for 1998.

Investments
The major investment of 1999 was a completely new production line for car assembly. The renewed assembly line is even better suited for the production of specialty cars. It also allows an improvement in quality, productivity and ergonomics. The line's capacity is 125 cars per shift. More efficient use of space also means that, if necessary, another completely new assembly line can be built in the automotive plant. The total cost of the investment exceeded EUR 9 million.

Research and development
The group's product development center has focused on body and interior solutions for specialty cars, and the development of roof systems for convertibles.

At the beginning of 1999, the group was one of the first automotive plants in the world to gain QS-9000 quality certification.

Board of Directors:
Chairman
Heikki Hakala
President and CEO
Metso

Pekka Hölttä
Senior Vice President,
Corporate Treasurer
Metso

Mauri Jaakonaho
Senior Vice President,
Finance and Administration
Neles Automation

Juhani Riutta
President
Valmet Automotive

Sakari Tamminen
Executive Vice President,
CFO
Metso

President
Juhani Riutta

Key figures

	1998	**1999**
(in millions)	EUR	**EUR**
Net sales	120	**114**
Operating profit	25	**27**
Cars produced	31,400	**33,930**
Personnel, Dec. 31	1,476	**1,408**

Metso's Organization

- **Board of Directors**
  - **President and CEO**
    - Corporate Headquarters
    - **Fiber and Paper Technology**
      - Mechanical Pulping Line
      - Chemical Pulping Line
      - Panelboard Line
      - Paper Making Line
      - Board Making Line
      - Tissue Making Line
      - Converting Line
      - Service
    - **Automation and Control Technology**
      - Field Controls
      - Paper Automation
      - Automation Networks
      - SCADA Solutions
      - Jamesbury
    - **Machinery**
      - **Rock and Mineral Processing**
      - **Forest Machines**
      - **Gears and Components**
      - **Manufacture of Specialty Cars**

Healthy growth from innovation potential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Board of Directors and Auditors

Pertti Voutilainen, born 1940.
Chairman of the Board.
M.Sc. in Economics and Business Administration, M.Sc. in Engineering.
President of Merita Bank Plc., Executive Vice President of MeritaNordbanken Plc.
Chairman of the Board: Kiinteistösijoitus Oyj Citycon.
Chairman: The Finnish Bankers' Association.
Board Member: Sato Corporation Plc, Sponda Plc., Oy Realinvest Ab, European Banking Federation.
Holdings: 980 Metso shares

Mikko Kivimäki, born 1939.
Vice Chairman of the Board.
MA 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.
Board Member: Merita Plc., Nordbanken Holding AB, MeritaNordbanken Plc., Confederation of Finnish Industry and Employers.
Supervisory Board Member: YIT Corporation.
Other: Chairman of the Board of Management in the Finnish Maritime Administration.
Holdings: 1,000 Metso shares

Felix Björklund, born 1943.
B.Sc. in Economics and Business Administration
Partner, Nordic Capital.
Chairman of the Board: SFK Finance Oy, Starkki Oy, Maj & Tor Nessling Foundation, Stiftelsen Svenska Handelshögskolan.
Board Member: Amer Group Plc, Oy Snellman Ab, Paloheimo Oy.
Vice Chairman of Supervisory Board: Finnair Oyj.
Holdings: 2,500 Metso shares

Jaakko Rauramo, born 1941. M.Sc. in Engineering. President and CEO, Sanoma-WSOY Oyj. Chairman of the Board: Sanoma Corporation, Werner Söderström Corporation, Rautakirja Oyj, Helsinki Media Company Oy. Supervisory Board Member: Finnish Medical Foundation. Board Member: Sanoma-WSOY Oyj, Svenska Dagbladets AB, A-pressen ASA, Scandinavian International Management Institute. Trustee: Reuters Founders Share Company Limited. Holdings: 55 Metso shares

Matti Sundberg, born 1942. M.Sc. in Economics and Business Administration, Dr. (hon), Senior Advisor, Metso Corporation. Chairman of the Board: Oy Scan-Auto Ab, Oy LM Ericsson Ab, Aarne Koskelo Foundation. Board Member: Foundation for Economic Education, World Forestry Center. Vice Chairman of the Supervisory Board: The Finnish Fair Corporation. Supervisory Board Member: Merita Bank Plc., Sampo Insurance Company Ltd., the Finnish Air Force Benevolent Fund. Other: Chairman of the Advisory Board of the Center for Excellence Finland, Chairman of the Finnish-American Chamber of Commerce in Finland. Holdings: 2,910 Metso shares Warrants and Options: 86,000 warrants (1994[1]) and 80,000 options (1998[2]).

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

Pertti Turtiainen, born 1946. Labor representative, Metso Corporation. Member of Finnish Parliament. No holdings.

Shareholdings, January 31, 2000

1) Valmet Corporation's bonds with warrants, issued in 1994 (1 warrant gives the right to subscribe for 2 Metso Corporation shares).

2) Valmet Corporation's option rights, issued in 1998 (1 option gives the right to subscribe for 1 Metso Corporation share).

Auditor:
Authorized Public Accountant
SVH Pricewaterhouse Coopers Oy

Management Board and Corporate Headquarters

Heikki Hakala, born 1941. Chairman of the Management Board. M.Sc. in Economics and Business Administration, D Tech (hon). President and CEO. Hakala joined the company in 1986*.
Chairman of the Board: Pohjola Group Insurance Corporation, Ilmarinen Mutual Pension Insurance Company.
Vice Chairman of the Board: Lassila & Tikanoja plc, Kuusakoski Oy.
Board Member: Confederation of Finnish Industry and Employers, Federation of Finnish Metals, Engineering and Electrotechnical Industries.
Holdings: 10,262 Metso shares.
Warrants and Options: 40,000 (1996[3]) and 65,000 (1998[4]).

Sakari Tamminen, born 1953. Vice Chairman of the Management Board. M.Sc. in Economics and Business Administration. Executive Vice President and CFO. Tamminen joined the company in 1986*.
Holdings: 580 Metso shares.
Warrants and Options: 30,000 (1996[3]) and 45,000 (1998[4]).

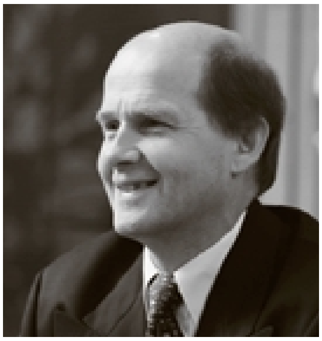
Arto Aaltonen, born 1947. M.Sc. in Engineering. President, Automation and Control Technology business area (Neles Automation). Aaltonen joined the company in 1987*.
No holdings.
Warrants and Options: 40,000 (1996[3]) and 50,000 (1998[4]).

Jyrki Mustaniemi, born 1940. M.Sc. in Engineering, D Tech (hon), Senior Vice President, Customer and Public Relations. Mustaniemi joined the company in 1978*.
Holdings: 35 Metso shares.
Warrants and Options: 30,000 warrants (1994[1]) and 40,000 options (1998[2]).

Juhani Pakkala, born 1945. M.Sc. in Engineering. President, Fiber and Paper Technology business area (Valmet). Pakkala joined the company in 1970*.
No holdings.
Warrants and Options: 25,000 warrants (1994[1]) and 30,000 options (1998[2]).

Harri Luoto, born 1946.
MA in Law. Senior Vice President, General Counsel. Luoto joined the company in 1982*.
Holdings: 564 Metso shares.
Warrants and Options: 30,000 warrants (1994[1]) and 30,000 options (1998[2]).

Markku Karlsson, born 1950.
D Tech. Senior Vice President, Corporate Technology. Employed by the company in 1984 – 1990, re-joining the company in 1995*.
Holdings: 632 Metso shares.
Warrants and Options: 10,000 warrants (1994[1]) and 30,000 options (1998[2]).



Olli Vaartimo, born 1950.
M.Sc. in Economics and Business Administration.
President, Machinery business area and Rock and Mineral Processing group (Nordberg).
Vaartimo joined the company in 1974*.
Holdings: 544 Metso shares.
Warrants and Options: 40,000 (1996[3]) and 50,000 (1998[4]).

*) In this Management Board presentation, the year of joining the company refers to the year in which the Board Member joined Valmet or Rauma or the predecessors of Rauma.

1) Valmet Corporation's bonds with warrants, issued in 1994 (1 warrant gives the right to subscribe for 2 Metso Corporation shares).

2) Valmet Corporation's option rights, issued in 1998 (1 option gives the right to subscribe for 1 Metso Corporation share).

3) Rauma Corporation's bonds with warrants, issued in 1996 (1 warrant gives the right to subscribe for 1 Metso Corporation share).

4) Rauma Corporation's option rights, issued in 1998 (1 option gives the right to subscribe for 1 Metso Corporation share).

Corporate Headquarters

President & CEO
Heikki Hakala

Executive Vice President, CFO
Sakari Tamminen

Finance
Reijo Kostiainen

Treasury
Pekka Hölttä

Corporate Communications
Tarja Kivelä

Corporate Development
Mikko Siiteri

Information Technology
Ismo Platan

Internal Audit
Jarmo Kääriäinen

Human Resources and Administration
Eero Leivo

Human Resources
Helge Ingård

Administration
Seppo Leväjärvi

Corporate Technology
Markku Karlsson

Customer and Public Relations
Jyrki Mustaniemi

Legal Matters
Harri Luoto

Corporate Governance

The corporate governance system in Metso Corporation favors solutions that are as simple and clear-cut as possible. The Corporate Administration 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 (CG)". The principles of corporate governance contained in them are summarized below.

Annual General Meeting

The Annual General Meeting is the supreme decision-making body of Metso Corporation, assembling normally once a year. The Annual General Meeting decides on the matters stipulated in the Companies Act.

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 a code of ethical conduct.

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 nomination of the President & CEO 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 appoints a Chairman and Vice Chairman of the Board. The present Board began its operations on July 1, 1999, when the merger of Rauma and Valmet Corporations took effect. The members of the Board of Directors are presented on pages 72-73.

The Board of Directors, together with the Auditors elected at the Annual General Meeting, forms an Audit Committee which meets under the Chairman of the Board twice annually.

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, who acts as Chairman of the Management Board. The current President and CEO of the Corporation, Mr Heikki Hakala, took up his post on July 1, 1999, when the merger of Rauma and Valmet took effect. He will retire at the beginning of the year 2001.

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, principles for important 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 investments on the agenda of the Board of Directors of Metso Corporation.

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

The current Management Board is presented on pages 74-75.

Business organization

Metso Corporation is divided into Business Areas which are accountable for the business results. The Business Areas are Fiber and Paper Technology, Automation and Control Technology, and Machinery. The three business areas are further divided into Business Groups which are also accountable for the business results. The Business Groups independently manage their duties as required by business operations.

Boards of the Business Groups

The Board of Directors of Metso Corporation appoints the Boards of each Business Group. The members are chosen from the Corporate Staff and Business Group 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. 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 Chairman and Vice Chairman of the Board of Directors of Metso Corporation form a Compensation Committee which makes proposals to the Board concerning the compensation of the management and the personnel compensation systems.

The total salaries of all members of the Management Board are result-based. The annual bonus is based on the result of the Corporation, and, concerning the management of the Business Areas, 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 13, and on the option holdings of the Management Board on pages 74-75.

Auditors

The task of the 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, together with the Board of Directors of Metso Corporation form an Audit Committee. The Corporation has one auditor. The auditors and deputy auditor must be a 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

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

In accordance with the Securities Market Act, the following persons are permanent insiders in Metso Corporation:

- 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, the extended inner circle of Metso Corporation 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. The updated information on Metso Corporation's insider holdings can be ordered from the SIRE system of the Central Securities Depository at Eteläesplanadi 20, FIN-00130 Helsinki. The toll-free service number to the Central Securities Depository is + 358 (0)800 180 500. The regular phone number is +358 (0)9 686 200, and fax +358 (0)9 6862 0230.

Metso Corporation's extended insider holdings are also presented on the Corporation's homepages at:

www.metsocorporation.com/ Investor Information/Shares/ Insiders

Metso's Contact Information

Complete contact information can be found on the home pages of Metso and its business groups:
www.metsocorporation.com (www.valmet.com, www.nelesautomation.com, www.nordberg.com, www.santasalo.com, www.timberjack.com and www.valmet-automotive.com).

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No. 1013, 10th Floor
Barton Centre, M. G. Road
Bangalore 560001, India
Tel. +91 80 509 1577
Fax +91 80 509 1580

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No. 3, Tohsho Bldg. 3F
3-9-5 Shin-Yokohama
Kouhoku-ku, Yokohama
222-0033 Japan
Tel. +81 45 476 3930
Fax +81 45 476 3933

Nordberg (Malaysia) Sdn Bhd
No. 20 Jalan U1/32
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Seksyen U1
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Tel. +60 3 519 3299
Fax +60 3 519 3313

Nordberg Norway A/S
Boks 131, N-3161 Stokke
Borgeskogen S, N-3160 Stokke
Norway
Tel. +47 3336 0400
Fax +47 3336 0401

Nordberg Philippines Inc.
Room 304, Gaston Building
No. 30 J. Elizalde Street, BF Homes
Parañaque 1700, Metro Manila
Philippines
Tel. +63 2 809 6169
Fax +63 2 809 6165

Nordberg Portugal Lda.
Rua Sebastião e Silva, Nos. 71-73
Zona Industrial de Massamá
2745-838 Massamá, Portugal
Tel. +351 1 438 8550
Fax +351 1 438 8559

Nordberg España S.A.
Polígono Industrial El Malvar
Calle Nevada, 9
28500 Arganda del Rey (Madrid)
Spain
Tel. +34 91 870 0669
Fax +34 91 870 3526

Nordberg Sweden AB
Bergkällavägen 27B
S-192 79 Sollentuna, Sweden
Tel. +46 8 626 8650
Fax +46 8 626 8660

Nordberg (Thailand) Co. Ltd.
9th Floor, Home Place Office Building
283/44 Soi Thonglor 13
Sukhumvit 55 Road
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Nordberg (UK) Ltd.
PO Box 8, Bardon 22
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Fax +44 1530 278 240

SANTASALO – GEARS AND COMPONENTS

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

Largest Manufacturing and Sales Units (including maintenance services)

Santasalo North America Inc.
PO Box 20100
Cambridge N1R 8C8, Ontario
Canada
Tel. +1 519 621 6390
Fax +1 519 621 7660

Santasalo Gears Oy
Martinkatu, Rautpohja
PO Box 158, FIN-40101 Jyväskylä
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Tel. +358 20 484 126
Fax +358 20 484 127

Santasalo Gears Oy
Santasalonkatu 5, PO Box 27
FIN-03601 Karkkila, Finland
Tel. +358 20 484 132
Fax +358 20 484 133

Santasalo Gears Oy
Santasalo Engineering Oy
Vanhantalontie 3
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Tel. +358 20 484 124
Fax +358 20 484 125

Santasalo Engineering Oy
Valkolammentie 2
FIN-07910 Valko, Finland
Tel. +358 20 484 128
Fax +358 20 484 129

Santasalo Engineering Oy
Puunaulakatu 3, PO Box 96
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Tel. +358 20 484 122
Fax +358 20 484 123

Santasalo Powdermet Oy
Lokomonkatu 3, PO Box 306
FIN-33101 Tampere, Finland
Tel. +358 20 484 120
Fax +358 20 484 121

Valmet Hydraulics Oy
Valmetintie 9, FIN-40420 Jyskä
PO Box 633, FIN-40101 Jyväskylä
Finland
Tel. +358 20 484 126
Fax +358 20 484 127

Santasalo GmbH
Otto-Hahn-Str. 51, Pf 21 05 62
DE-42369 Wuppertal, Germany
Tel. +49 202 24140
Fax +46 202 241 4200

Santasalo Powdermet Oy
PO Box 54
SE-735 21 Surahammar, Sweden
Tel. +46 220 348 80
Fax +46 220 334 90

Santasalo Svenska AB
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Tel. +46 31 141 090
Fax +46 31 141 086

Santasalo Gear Service Inc.
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TIMBERJACK – FOREST MACHINES

Timberjack Group Oy
Headquarters
PO Box 1220
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Distribution Centers

Timberjack Indústria e Comércio Ltda.
Continental Distribution Center
for South America
Alameda Caiapós, 298
06460-110 – Tamboré, Barueri
São Paulo, Brazil
Tel. +55 11 7295 4790
Fax +55 11 421 1762

Timberjack (Asia-Pacific) Pty. Ltd.
Continental Distribution Center
for Asia-Pacific
501 Orchard Road
Wheelock Place # 05-09
Singapore 238880
Tel. +65 738 6500
Fax +65 839 9781

Timberjack AB
Continental Distribution Center
for Europe, Russia, Africa
PO Box 502
S-195 25 Märsta, Sweden
Tel. +46 8 591 252 00
Fax +46 8 591 112 61

Timberjack Corporation
Continental Distribution Center for
North America
6215 Unit E Fulton Industrial Blvd
Atlanta, GA 30336-2859, USA
Tel. +1 404 629 9044
Fax +1 404 629 0513

VALMET AUTOMOTIVE - MANUFACTURE OF SPECIALTY CARS

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

Infomation to Shareholders

Analysts

The following analysts have regularly monitored the Metso Corporation during the year 1999. The list may be incomplete. The listed analysts monitor Metso on their own initiative. Metso is not responsible for their views.

Company	Analyst	Telephone
Frankfurt		
Credit Suisse First Boston	Kristian Gevert	+49-69-75382195
Salomon Smith Barney	Barbara C. Haas	+49-69-2607117
Helsinki		
Alfred Berg	Robert Sergelius	+358-9-22832710
Aros Securities	Carl-Henrik Frejborg	+358-9-17337310
Carnegie Finland	Raoul Konnos	+358-9-61871230
CAI Cheuvreux Nordic	Jan Kaijala	+358-9-69692969
Conventum	Hannu Nyman	+358-9-54993311
Danske Securities	Mats Lindholm	+358-9-75145332
Evli Securities	Pekka Spolander	+358-9-47669201
Enskilda Securities	Johan Lindh	+358-9-61628726
Leonia Bank	Eeva Mäkelä	+358-204255476
Mandatum Stockbrokers	Erkki Vesola	+358-9-16672341
Merita Securities	Jari Koskela	+358-9-12340312
OKOBANK	Sanna Päiväniemi	+358-9-4044393
Svenska Handelsbanken	Markus Larsson	+358-104442409
London		
ABG-Securites	Klas Andersson	+44-171-9055632
Dresdner Kleinwort Benson	Marcus Storr	+44-171-4752467
Goldman Sachs	Håkan Östling	+44-171-7742365
HSBC Securities	Roddy Bridge	+44-171-3364218
Merrill Lynch	Paul Compton	+44-171-7722552
Morgan Stanley Dean Witter	Gideon Franklin	+44-171-4256649
BNP-Paribas	Liz Mitchell	+44-171-5953685
Stockholm		
Deutsche Bank	Hans-Olov Bornemann	+46-8-4635512
Warburg Dillon Reed	Patrik Sjöblom	+46-8-4537324

Annual General Meeting

The Annual General Meeting of Metso Corporation will be held in the Marina Congress Center at Katajanokanlaituri 6, Helsinki, Finland, on Wednesday March 29, 2000, 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 24, 2000 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 24, 2000, either by mail to Metso Corporation, Fabianinkatu 9 A, PO Box 1220, FIN-00101 Helsinki, Finland, or by phone at +358-(0)-1080 8300, or by fax at +358-(0)20-484 3125. Written notices of participation must be received by the above-mentioned deadline. Powers-of-attorney should be sent to the above-mentioned address along with notification of participation.

Dividend

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of EUR 0.40 per share be paid for 1999.

Dividends will be paid to those shareholders who are entered in the Corporation's shareholder register maintained by the Finnish Central Securities Depository Ltd. on the record date for payment of dividends, i.e. on April 3, 2000. The actual payment of dividends will take place on April 10, 2000.

Metso Corporation's financial publications in 2000

In addition to its financial statements and annual report for 1999, Metso Corporation will publish three interim reviews on the following schedule:

Interim review for January – March, 2000	May 3, 2000
Interim review for January – June, 2000	August 9, 2000
Interim review for January – September, 2000	October 31, 2000

Ordering of financial publications

The financial publications 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 info@metsocorporation.com

Metso Corporation's financial reports will also be published on Metso's internet pages at ***http://www.metsocorporation.com.***

Investor relations:

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Ms Paula Laurinen, secretary
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Mr Mike Phillips (North America),
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