02

Annual Review 2002

metso

Contents

Information to Shareholders

Annual General Meeting

The Annual General Meeting of Metso Corporation will be held on Tuesday, April 15, 2003 at 2.00 p.m. in the Marina Congress Center at Katajanokanlaituri 6, FIN-00160 Helsinki. Registration of the shareholders participating in the meeting and distribution of ballots will begin at 1.00 p.m.

The shareholders who are entered as shareholders in the Corporation's shareholder register maintained by the Finnish Central Securities Depository Ltd. by April 4, 2003 shall have the right to participate in the Annual General Meeting.

Shareholders who wish to participate in the meeting should notify the Corporation of their intention to participate by no later than 4.00 p.m. on April 10, 2003, either by mail to Metso Corporation, PO Box 1220, FIN-00101 Helsinki, or by phone at +358 10 808 300, by fax at +358 20 484 3125, or by email to soili.i.johansson@metso.com. Notices of participation must be received by the above-mentioned deadline. Any powers-of-attorney should also be sent to the above address by the same deadline.

Payment of dividends

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2002.

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 22, 2003. The actual payment of dividends will take place on April 29, 2003.

Financial reviews in 2003

Financial statements release 2002	February 5, 2003
Interim review for January-March	April 29, 2003
Interim review for January-June	July 30, 2003
Interim review for January-September	October 29, 2003

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

Metso publishes its Index investor magazine three times a year in Finnish, Swedish and English. The main investor information is also gathered in the Investors' section on Metso's Internet pages in Finnish and English.

Annual reports for 2002

This Annual Review together with Metso's Financial Statements form Metso's Annual Report for 2002. Metso has also published a Sustainability Report for 2002. The reports are published in Finnish, English and Swedish and are also available in Finnish and English on Metso's Internet pages at www.metso.com/reports.

Ordering of financial reviews

Annual reports and interim reviews can be ordered from:
Metso Corporation
Corporate Communications
PO Box 1220
FIN-00101 Helsinki
By phone +358 20 484 100
By fax +358 20 484 3123
By email: metso.info@metso.com

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

Changes of address

If your address changes, please send written notification of this to the bank where your book-entry account is held or, if your account is held at the Finnish Central Securities Depository Ltd., please send notification to:
Finnish Central Securities Depository Ltd.
Fabianinkatu 14
PO Box 361
FIN-00131 Helsinki, Finland
Tel. +358 9 6166 7529
(free customer helpline Monday to Friday from 9 a.m. to 4 p.m. Finnish time, tel. +358 800 180 500)

Metso ADS holders are requested to contact the Bank of New York:
The Bank of New York
PO Box 11258
Church Street Station
New York, NY 10286-1258, USA
Tel. (national) 1-888-BNY-ADRS
Tel. (international) +1 610 312 5315
Email: shareowner-svcs@bankofny.com
www.adrbny.com or www.stockbny.com

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

Metso has some 27,000 shareholders. The photo shows Finnish owners at Metso's 2002 Annual General Meeting.

Corporate Profile

Metso Corporation is a global supplier of process industry machinery and systems, as well as aftermarket and know-how services. The Corporation's core businesses are fiber and paper technology (Metso Paper), rock and minerals processing (Metso Minerals) and automation and control technology (Metso Automation).

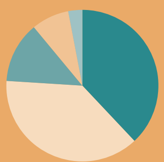
Metso is the global market leader of papermaking lines and rock and minerals processing systems. The main customer sectors are the pulp and paper industry, construction and civil engineering, mining and the energy industry.

In 2002, Metso's net sales amounted to EUR 4,691 million and the number of personnel totaled approximately 28,500. Metso has business operations in over 50 countries. The main markets are in Europe and North America.

Metso is listed on the Helsinki and New York Stock Exchanges.

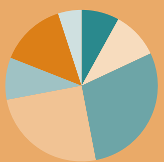
The paper machine delivered by Metso Paper to UPM-Kymmene's mill in Augsburg, Germany, is one of the world's largest LWC magazine paper machines.

Net sales by business area



- Metso Paper 38%
- Metso Minerals 38%
- Metso Automation 13%
- Metso Ventures 8%
- Converting 3%

Net sales by market area



- Finland 8%
- Other Nordic countries 10%
- Other European countries 29%
- North America 25%
- South America 9%
- Asia-Pacific 14%
- Rest of the world 5%

Metso's Business Areas

Metso Paper

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

Market position The global market leader of paper making lines. A strong position also as a supplier of board making lines and pulping equipment. Supplies 30–35 percent of global paper machine markets.

Metso Minerals

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

Market position The global market leader of rock and minerals processing systems. Metso Minerals supplies approximately 20 percent of the global markets for mineral crushing, grinding and screening systems.

Metso Automation

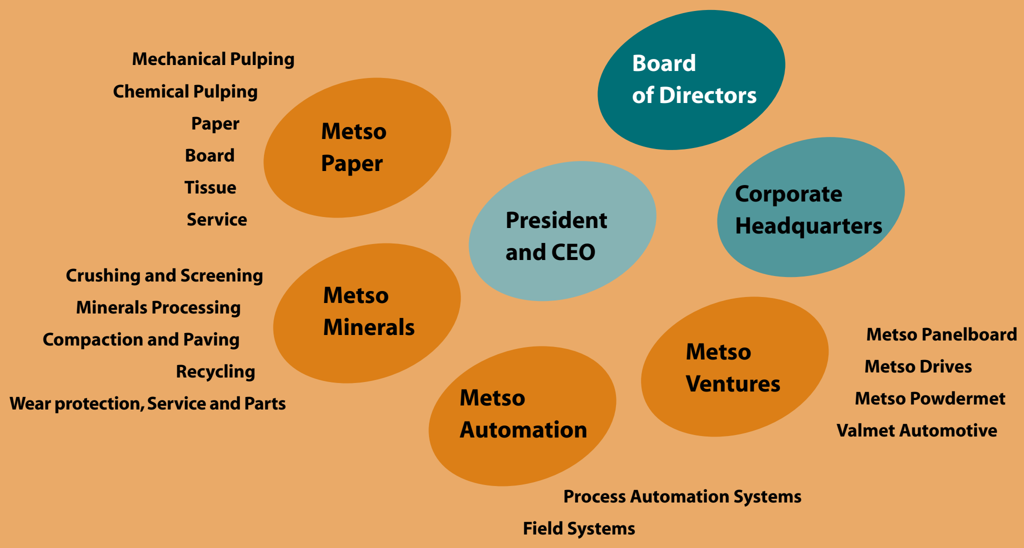
Products Process industry automation and information management application networks and systems, production process measurement systems, control valves and support and maintenance services.

Market position Metso Automation is the global market leader of pulp and paper industry special analyzers, consistency transmitters and automatic shut-off valves. The world's third largest supplier of pulp and paper industry automation solutions.

Metso Ventures

Products Equipment and machinery for the panelboard industry, mechanical power transmission systems for the process and energy industry, material technology expert services and the contract manufacturing of specialty cars.

Market position Metso Panelboard is among the three largest panelboard industry equipment suppliers. Metso Drives is the leading supplier of mechanical drives for the wood refining industry. Valmet Automotive is Europe's second largest contract manufacturer of convertibles.



In line with the Metso Future Care business concept, we are developing products and services that cover the entire lifecycle of our customers' core industrial processes. Metso Future Care means we take comprehensive responsibility for our customers' competitiveness.

Mario Villa, Area Manager for Metso Paper (left) is shown on a mill visit with Oscar Chávez, Mechanical Maintenance Chief at the Laja Pulp Mill, CMPC Celulosa S.A., Chile.


Robotyer™

President's Review

To our shareholders

In 2002, despite expectations to the contrary, the global economy slid into further uncertainty. The early positive outlook was already faltering in the spring, and the rest of the year brought no change. However, on the whole, we were able to increase our flexibility, achieve a satisfactory result and increase Metso's net sales to EUR 4.7 billion.

In this challenging market situation, the demand for Metso's products remained satisfactory. Our position strengthened in Asia, particularly in China where we received, among others, orders for five complete board making lines. In rock and minerals processing, too, the Asian market was good as a result of infrastructure projects in China and India.

In line with our strategy, we continued to focus on aftermarket and maintenance services, the demand for which remained good. Their share of Metso's net sales grew to 33 percent. Aftermarket services play the greatest role in rock and minerals processing, accounting for 42 percent of net sales in 2002.

Global market leader in two businesses

We have developed Metso Minerals into the global market leader in its field, paralleling Metso Paper. They are supported by our automation and control technology competence, which has a key role in developing Metso's lifecycle services.

Metso Automation's strategy was refocused in 2002 to improve profitability and make better use of the Corporation's internal synergies. The strategy concentrates on process automation for the pulp and paper industry and rock and minerals processing, and on field systems applicable to various industries.

Focus on improving profitability

Our major project for 2002 was to complete Metso Minerals' operational integration following the Svedala acquisition of the previous year. We dismantled production and distribution overlaps and divested non-core businesses, which resulted in a reduction in personnel. Many of the decisions were difficult, but essential in safeguarding the competitiveness of the business. The integration process was concluded as planned and is expected to bring more synergy benefits than was originally estimated, of which more than half were realized already in the year under review.

We also streamlined our operations through many other projects. The number of units in North America was slimmed by about one quarter due to the merging of administrative functions and the integration of Metso Minerals. Administrative activities were also reorganized in China, where the market is expanding rapidly. In Brazil we concentrated our activities in the Metso Minerals' factory area at Sorocaba, São Paulo. Metso Automation's operations were relocated there and a Metso Paper Service Technology Center was built to cater for the needs of the pulp and paper industry.

We also improved our capital efficiency. The effects on profitability of the measures taken are beginning to show. Metso Minerals' cost structure was streamlined towards the end of 2002. Another step in the right direction was the turnaround in Metso Panelboard's operating profit which turned positive at year's end.

We are transforming for a service-oriented environment

With global uncertainties still continuing into 2003, it will be important for Metso to strengthen its capability to adapt to changing markets and customer needs.

Our goal is to be the leading knowledge-based, technology company. We wish to improve the competitiveness of our customers' industrial core processes throughout their lifecycles, in line with the Metso Future Care business concept.

Metso Future Care is also Metso's tool for change management. In 2003 we will continue to apply the Metso Future Care concept to new products and services in order to improve our customers' competitiveness. In addition to developing products and services tailored to customer needs, we will focus on developing our competence and our service capabilities to identify the needs of our customers and their businesses and to generate the appropriate services.

As we look back on this intensive and in many respects successful year, I would like to thank all Metso employees for a job well done in 2002. My warm thanks also go to Sakari Tamminen, who is leaving his post as Executive Vice President and CFO, and to Juhani Pakkala, the retiring President of Metso Paper, for their long and distinguished work on behalf of Metso.

In 2003 we will continue our drive for improved profitability, to produce added value for our owners. We will utilize our synergies, streamline our operations and develop the structure of our businesses. Metso is a strong company, and due to the measures taken to reduce our cost structure we have a good base from which to reach towards our profitability targets. At the same time, we are transforming ourselves into a leading customer-oriented and service-oriented player in our field, able to take full advantage of our versatile expertise for the good of both customers and shareholders.

Tor Bergman
President and CEO

The Year 2002 in Brief

Track-mounted crushing units are popular around the world. This one was delivered by Metso Minerals to Singapore.

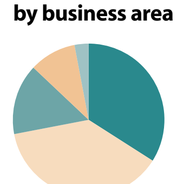
Metso Minerals' integration concluded

The integration of Svedala, acquired in September 2001, into Metso Minerals was concluded as planned. It is estimated that the annual synergy benefits will amount to EUR 90 million. Metso Minerals is now the global market leader in supplying solutions, equipment and aftermarket services for rock and minerals processing. The acquisition strengthened Metso Minerals especially in the mining industry and in aftermarket operations.

Metso Automation's strategy refocused

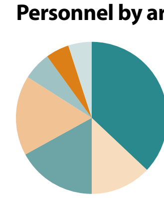
Metso Automation will concentrate on industry specific process automation solutions for the pulp and paper industry and rock and minerals processing. The other area of focus for Metso Automation will be field systems business with solutions for various industry sectors. According to the refocused strategy, the emphasis of Metso's automation business will now be the development of solutions for the entire lifecycle of customers' industrial processes, in line with the Metso Future Care business concept.

Personnel by business area



- Metso Paper 34%
- Metso Minerals 38%
- Metso Automation 15%
- Metso Ventures 10%
- Converting 3%

Personnel by area



- Finland 37%
- Other Nordic countries 13%
- Other European countries 17%
- North America 17%
- South America 6%
- Asia-Pacific 5%
- Rest of the world 5%

Investment in Metso Future Care business continued

Metso opened two new remote diagnostics centers, one in Atlanta, Georgia, USA and one in Pori, Finland. Metso Paper will open new service technology centers during the early part of 2003 in Järvenpää, Oulu and Raisio in Finland and in Sorocaba, São Paulo, Brazil. The centers will provide services for the pulp and paper industry. Furthermore, Metso's service operations were strengthened with the acquisition of the entire share capital of Scandinavian Mill Service Oy, which specializes in paper industry service and maintenance operations.

Unification of administrative functions begun

Metso decided to unify and reorganize its administrative functions in North America to achieve synergy benefits. Corporation's administrative functions were also unified in China. Moreover, Metso has concentrated its Brazilian operations in Sorocaba, São Paulo, Brazil. A project was started in Finland to establish a financial service center.

Position of the panelboard business in the Corporation changed

Metso Panelboard, which supplies production lines, equipment and machinery for the panelboard industry, was transferred from Metso Paper to the Metso Ventures business area. The goal is to improve the profitability and cost effectiveness of Metso Panelboard's business by strengthening the market position of the group, especially in the rebuild and aftermarket business and service operations.

Memorandum of understanding on selling the Converting group

In November, Metso Corporation signed a memorandum of understanding on selling its Converting group to the Swiss Bobst Group for approximately EUR 90 million. The transaction is estimated to be completed during the first quarter of 2003. Metso's Converting group comprises four business units of which the largest are located in England and Italy. The net sales of the business group totaled EUR 160 million in 2002, and the personnel numbered 829.

Metso selected for the DJSI and FTSE4Good indexes

Metso was re-selected for the fourth time for the Dow Jones Sustainability Index (DJSI). DJSI was launched in 1999 and assesses leading companies around the world that take sustainable development into account in their operations. Metso was also selected for the FTSE4Good Global index. The FTSE4Good index assessment is based on consideration of environmental effects, good management of stakeholder contacts and respect for human rights.

Metso published ethical business principles

Metso's ethical principles describe the company's culture, commonly accepted practices and its commitment to comply with laws and regulations. Metso strives to operate in an exemplary manner all over the world. Ethical standards and principles also support Metso's sustainability. The purpose of Metso's ethical principles is to guide our own actions and the actions of the stakeholders cooperating with us.

Financial Review

Metso's goals

Metso's goal is healthy, profitable growth. Metso seeks growth by applying the Metso Future Care business concept and by developing new businesses. In the near future, profitability improvement will take priority over growth.

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

- an operating profit of over 9 percent of net sales
- a return on capital employed (ROCE) of over 20 percent
- an annual dividend equivalent to at least one third of earnings per share.

The dividend policy is founded on the Corporation's long-term profitability and financial strength. The financial targets form the basis for the Corporation's internal incentive system and thus guide all Metso employees.

Gearing

Metso is working to decrease its gearing ratio, which rose as a result of the Svedala acquisition. At the end of 2002, net interest bearing liabilities stood at EUR 1,118 million, a reduction of EUR 133 million compared with the previous year. Accordingly, the gearing ratio (the ratio of net interest bearing liabilities to shareholders' equity) was also reduced during 2002, being 80.6 percent at the end of the year. The sale of shares and the divestment of non-core businesses decreased gearing. Long-term interest bearing debt accounted for 75 percent of total debt at the end of 2002. The Corporation's equity to assets ratio was 33.3 percent.

Metso aims to further decrease its gearing by disposing of non-core assets and operations and also by releasing working capital currently tied up in operations. A memorandum of understanding on selling the Converting group was signed in November 2002. The transaction, expected to be completed in early 2003, is valued at approximately EUR 90 million. ThyssenKrupp Automotive AG's option to acquire Metso's 90 percent holding in Valmet Automotive is valid until the end of 2003.

Credit ratings

On November 26, 2002, Standard & Poor's lowered Metso's rating for long-term loans to BBB. The short-term rating remained at A-2. Meanwhile, on December 3, 2002, Moody's confirmed Metso's long-term rating as Baa2.

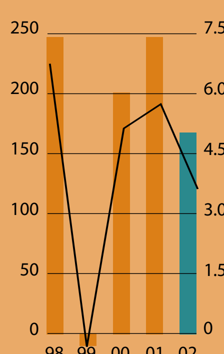
Profitability improvement measures

Metso's target is an operating profit of over 9 percent of net sales. In 2002, the operating profit percentage was 3.6. In general, the profitability of Metso's aftermarket and maintenance services is better than that of new equipment and machinery deliveries. Increasing the relative share of aftermarket and maintenance services is expected to improve Metso's profitability.

In 2002, Metso undertook the following profitability improvement measures. In September, the operational integration of Metso Minerals was completed as planned and on schedule. At the beginning of the process it had been estimated that the annual synergy benefits of integration

Operating profit

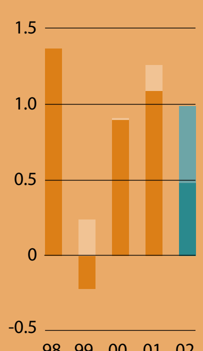
EUR million %



Operating profit percentage

Earnings/share

EUR

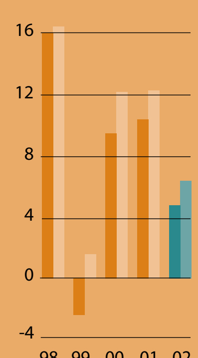


Earnings/share

Earnings/share excl. nonrecurring items and amortization of goodwill

Return on equity and capital employed

%

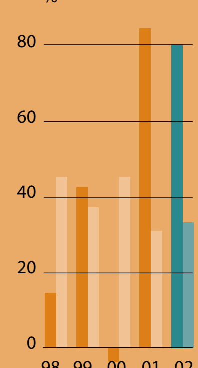


Return on equity (ROE)

Return on capital employed (ROCE)

Gearing and equity to assets

%

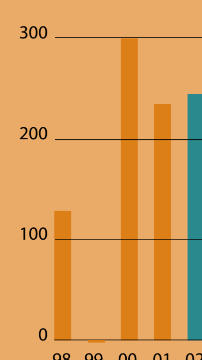


Gearing

Equity to assets

Operating cash flow

EUR million



would amount to EUR 70 million and be realized in full during 2003. As the integration process proceeded, Metso raised the target to EUR 90 million, over half of which was realized already in 2002.

The focus of integration has now been transferred to the reduction of working capital. The target is to release approximately EUR 350 million of capital within 18 months of the Svedala acquisition, i.e. by the end of March 2003. The capital release project progressed as planned during the year 2002, and at the year-end 2002 about two thirds of the target had been realized. The work continues in 2003.

In August 2002, Metso Automation's operations were refocused on industry-specific process automation solutions that support the pulp and paper industry and on the rock and minerals processing industry. The other area of focus is the field systems business with solutions for various industry sectors. The revised strategy aims to improve the profitability of the automation business and to utilize Metso's internal synergies more effectively.

The position of Metso Panelboard, which supplies production lines, equipment and machinery for the panelboard industry, was strengthened in 2002. The aim was to significantly improve the profitability by strengthening its market position especially in modernization projects and aftermarket and maintenance services and by improving cost efficiency. As a result of the actions taken, Metso Panelboard achieved its aim of breaking even during the last quarter. The number of orders received by Metso Panelboard also rose clearly during the year.

Cost savings from synergy projects

Efforts to improve profitability also focus on better utilizing Metso's internal synergies, which exist both within and between the business areas.

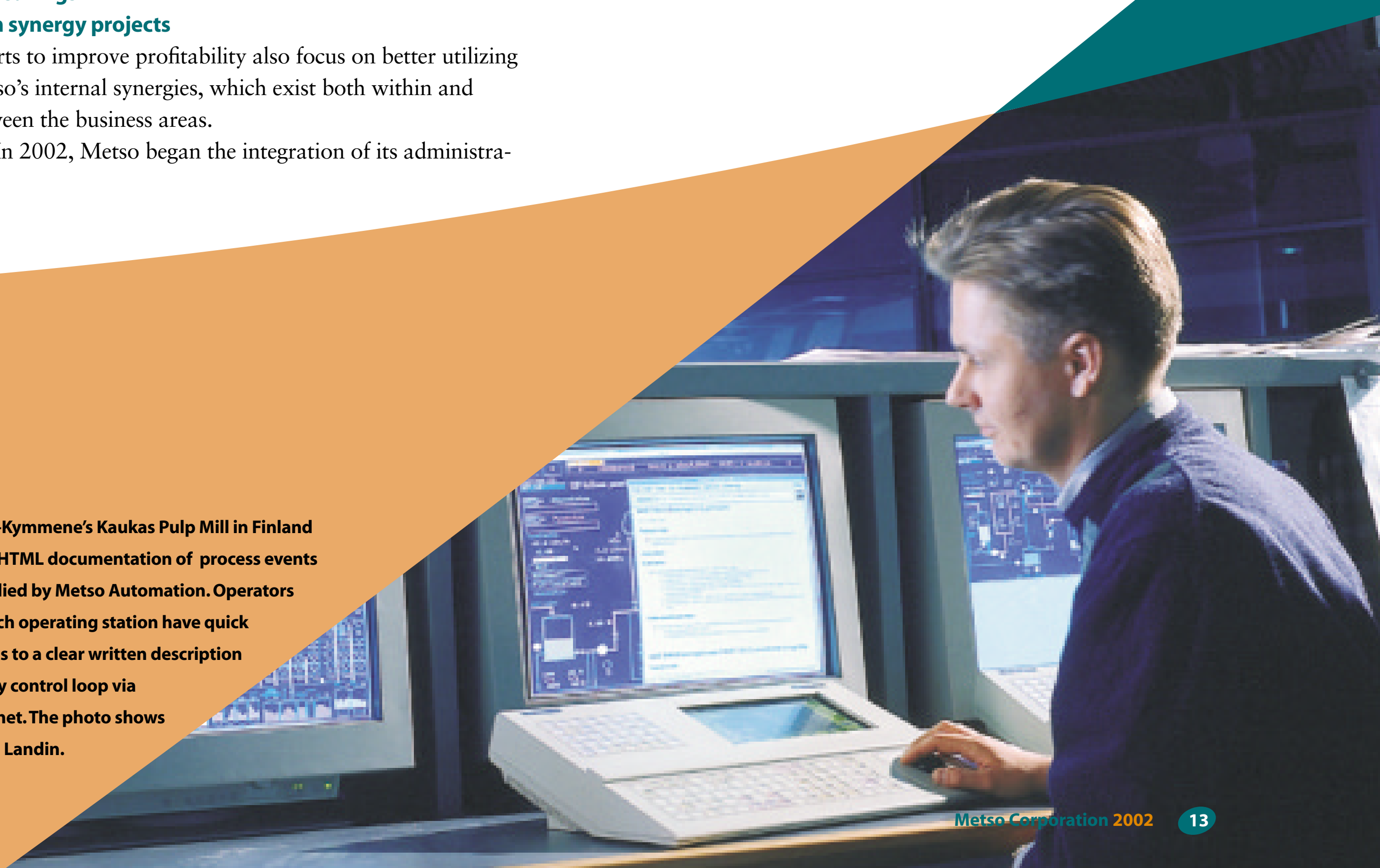
In 2002, Metso began the integration of its administrative functions in North America. The company is seeking savings by centralizing its service procurement and emphasizing joint operations. Initially, the changes have focused on areas such as travel expenses, the management of employment benefits, payroll accounting, transportation, IT and telecommunications solutions and legal matters. The measures are expected to produce annual savings of approximately 10 percent in fixed costs. The second stage of the project due to begin in 2003 will focus on synergies in financial administration, HR, logistics and production.

The aim of Metso's procurement development project is to streamline operating methods through the use of joint purchase contracts, greater efficiency, e-invoices and more centralized invoice processing.

Together the above mentioned two projects are estimated to produce annual synergy benefits of approximately EUR 50 million.

In 2002, Metso integrated its administrative functions in China. In addition, Metso is seeking synergy benefits by using joint resources and developing Metso's local organizations in China. Metso's Brazilian operations have been concentrated in Sorocaba, São Paulo.

The basic financial administration processes of Metso's Finnish units are being concentrated in two service centers in Tampere and Jyväskylä, Finland. The service centers will provide services related to invoicing, payment transactions, collections, accounting and standard reporting.



UPM-Kymmene's Kaukas Pulp Mill in Finland uses HTML documentation of process events supplied by Metso Automation. Operators at each operating station have quick access to a clear written description of any control loop via intranet. The photo shows Matti Landin.

Metso in 2002

Net sales

Metso's net sales increased by 8 percent on the comparison year and totaled EUR 4,691 million. The share of aftermarket and maintenance services in Metso's net sales was 33 percent. Metso aims to increase this share considerably. In 2002, aftermarket and maintenance services accounted for 28 percent of Metso Paper's net sales, 42 percent of Metso Minerals' net sales and 23 percent of Metso Automation's net sales.

Result

Metso's income before extraordinary items and income taxes weakened by 58 percent from 2001 and stood at EUR 93 million. Earnings per share decreased by 56 percent, totaling EUR 0.48. Profit declined from the previous year, especially due to the weakened market situation in Germany and the USA. In addition, the operating loss of Metso Panelboard, part of Metso Ventures, and of the Converting Equipment group, part of Metso Paper, as well as the extensive integration carried out in Metso Minerals, weakened the Corporation's profitability.

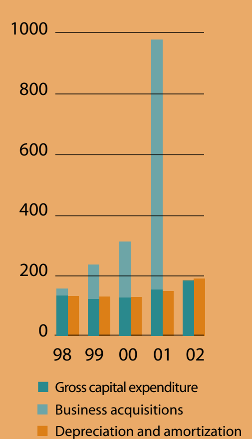
Nonrecurring income totaled EUR 8 million. The EUR 7 million profit gained on the sale of Partek Corporation shares was entered under nonrecurring income for the third quarter. Nonrecurring expenses of EUR 35 million were recorded, mainly due to business restructuring. Nonrecurring expenses were divided by business area as follows: Metso Paper EUR 6 million, Metso Minerals EUR 13 million, Metso Automation EUR 3 million and Metso Panelboard EUR 8 million. Nonrecurring expenses of Converting Equipment group were EUR 5 million.

Orders

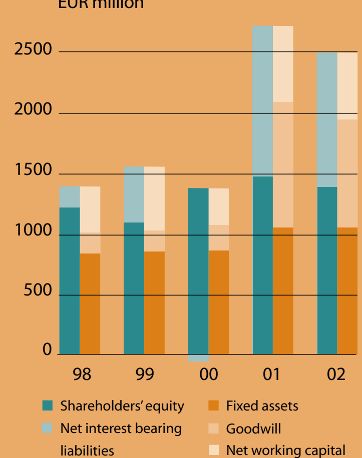
In 2002, Metso received most orders from Europe. The value of new orders totaled EUR 4,646 million. The order backlog decreased by 10 percent, totaling EUR 1,589 million at the end of 2002.

Metso Paper's most significant orders during 2002 were for an extensive rebuild of the Canadian Gaspésia Papers' paper making line and the delivery of a chemical pulping line to Zellstoff Stendal GmbH's new pulp mill in Saxony-Anhalt, Germany. The automation systems related to these deliveries were correspondingly the largest orders of the year for Metso Automation. Metso Minerals' most significant orders were for deliveries of diamond mining equipment to AK Alrosa in Nurba, Russia and copper mining equipment to Sossego, Brazil and Codelco, Chile. Metso Panelboard will deliver a complete OSB (Oriented Strand Board) production line to Sovetskiy DOK's mill in Russia.

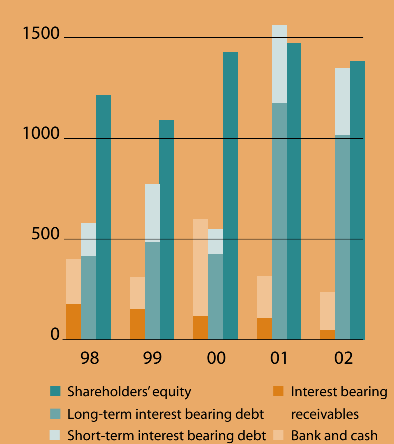
Capital expenditure and depreciation
EUR million



Balance sheet structure
EUR million



Capital structure
EUR million



Key figures

(in millions, except for per share data)	2000 EUR	2001 EUR	**2002 EUR**
Net sales	3,891	4,343	**4,691**
Aftermarket and maintenance services, % of net sales	-	27.0	**33.0**
Exports and international operations, % of net sales	90.7	86.7	**92.1**
Operating profit before nonrecurring items and amortization of goodwill	197	270	**251**
Operating profit	200	246	**167**
Income before extraordinary items and income taxes	180	222	**93**
Net income for the year	389	141	**65**
Orders received	4,268	3,778	**4,646**
Order backlog, December 31	1,907	1,772	**1,589**
Number of personnel, December 31	22,024	30,242	**28,489**
Earnings / share excl. nonrecurring items and amortization of goodwill	0.91	1.26	**0.99**
Earnings / share	0.90	1.09	**0.48**
Dividend / share	0.60	0.60	**0.60***
Return on capital employed (ROCE), %	12.2	12.3	**6.4**
Return on equity (ROE), %	9.5	10.4	**4.8**
Research and development	127	150	**156**
Balance sheet total	3,564	5,042	**4,399**
Gearing, %	(3.7)	84.8	**80.6**
Equity to assets ratio, %	45.4	31.1	**33.3**

*) Proposal by the Board of Directors

Metso Paper has about 1,500 employees in North America. The business area's U.S. regional office is located in Atlanta, Georgia. Shown from the left are: Laura Radford, Amanda Roberson, George Swett, Jeremy Stack (standing), Amy Corasaniti and Bob Blanchard.

Metso Future Care increases the share of aftermarket and maintenance services in our business operations, and brings steady, profitable business for us.

Mario Massuchine, Operator for Votorantim Celulose e Papel and Fernando Vieira, Project Coordinator for Metso Paper meet at the VCP's Pulp Mill in Jacarei, Brazil.


metso

Metso's Strategy

Metso's strategic goal is to transform from an equipment supplier to a provider of solutions and process optimization. We want to create added value for our customers by improving the productivity, quality and competitiveness of their core processes.

The cornerstones of our strategy are

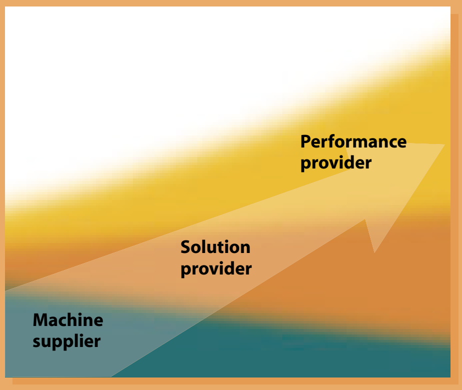
- in-depth knowledge of customers' core processes
- integrated, embedded automation and ICT (information and communications technology)
- large base of installed machinery.

As the market and technology leader in its core business areas, Metso possesses a unique and in-depth knowledge of its customers' core processes with a significant impact on the efficiency, quality, environmental soundness and competitiveness of our customers' production. We are constantly producing new, better and more flexible solutions for our customers' processes. There is increased emphasis on features that enable machines and equipment to be flexibly modified throughout their entire lifecycle. Most of these features are based on automation and ICT. Our automation and control technology know-how enables us to develop and implement applications that take into account the special needs of our customers.

Metso has delivered over 2,000 paper machines, 800 pulping lines, 30,000 crushers, 15,000 screening systems and 3,000 grinding mills around the world. The large base of installed machinery forms a strong basis for developing

Metso's vision

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



know-how and aftermarket services that cover the entire life cycle of the processes. We aim to increase the installed base that is under our maintenance, as at the moment we provide maintenance or other services to only one third of the machinery delivered by Metso.

Metso's vision is implemented through the Metso Future Care business concept, which forms the basis for the development of an increased product and service range to serve our customer processes throughout their lifecycle. We aim to increase the share of aftermarket and maintenance services in our net sales. According to our estimation, this will enable our business to grow faster than our customer industries, whose demand is usually dependent on GDP.

The changes in our customers' businesses are the basis for the Metso Future Care business concept. Our customers are increasingly concentrating on the needs of their own customers, which emphasizes the role and responsibility of equipment suppliers for the delivered processes throughout their entire lifecycle. Metso wants to be active and provide its customers with its technology know-how and expert services.

Strategic focus areas

Metso's strategic focus areas are:
- improving profitability
- implementing the Metso Future Care business concept
- further developing Metso's business portfolio.

Metso's main goal is to improve profitability. The company aims to achieve this by improving cost-efficiency and by increasing the share of aftermarket services in net sales. The key factors are utilizing internal synergies, creating common and centralized administrative services and the efficiency of operations, which is based on improving the quality of our operations and products, and decreasing costs and working capital.

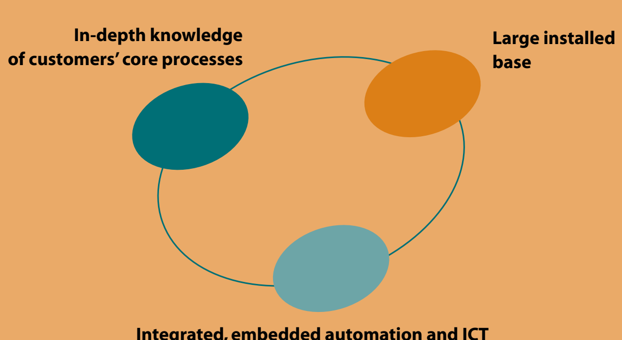
In 2002, the main focus areas of the Metso Future Care concept were developing aftermarket and maintenance service concepts, remote services, customer relationship management models and know-how services for the preparation and implementation of customer investments.

Metso has significantly developed its business portfolio in recent years. The most important acquisitions and divestments have been acquiring Beloit's aftermarket operations in 2000, the Svedala acquisition in 2001 and divesting Timberjack forest machines in 2000. Metso's business structure is developed through solutions that

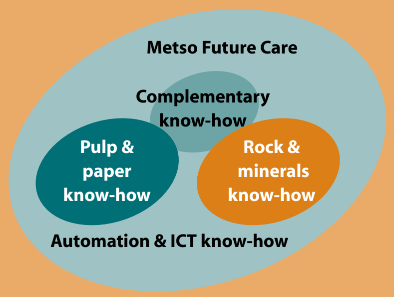
- support the implementation of the Metso Future Care business concept
- complement Metso's range of eco-efficient products and services
- provide synergy benefits to achieve Metso's financial goals
- support the implementation of Metso's vision.

Metso aims to divest businesses that have better preconditions for growth and profitability outside Metso and do not support Metso's core businesses. Accordingly, in 2002 Metso sold Metso Works, and Svedala Robot and Rolac from Metso Minerals. A memorandum of understanding was also signed to divest Metso Paper's converting equipment business.

Metso's strategic cornerstones

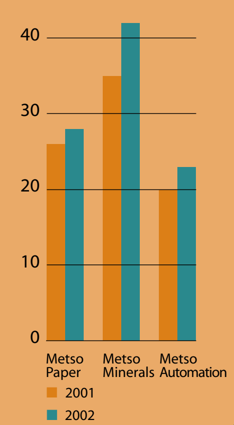


Metso's know-how



Aftermarket and maintenance services

% of net sales



Metso participated in a major exhibition for contractors in Shanghai, China, at the end of 2002. The picture shows Zhang Yaoming, Liang Xiaofeng and Li Ziqiang from Metso Minerals.

Operating Environment

The demand for Metso's products and services follows trends in investment willingness, product prices, production capacity utilization rates and the financial conditions of Metso's customer sectors. The main factor affecting the sectors is the development of GDP.

The industry sectors where Metso's most important customers operate globally are: the pulp and paper industry, the mining, construction and civil engineering industries, aggregate production, the energy and process industry and the mechanical forest industry. Metso holds a leading market position in its core businesses.

In the future, Metso aims to increase its share of aftermarket and maintenance services, which is estimated to enable significant growth in the company's markets. With respect to Metso Paper, the net sales targets have been divided as follows: aftermarket and maintenance services 40 percent, rebuilds 40 percent and deliveries of new equipment 20 percent of the business area's total net sales.

Pulp and paper machine market

The estimated value of the global pulp and paper machine market is EUR 8–10 billion. Metso's share of the global paper machine market is approximately 30–35 percent.

Metso Paper is the leader in paper, board and tissue technology. Its main competitors are Voith Paper from Germany and Andritz from Austria. Metso Paper is also a leading supplier of mechanical and chemical pulping equipment. Its main competitors in this sector are Andritz, Voith Paper and the Norwegian Kvaerner Pulping.

During the past few decades, pulp and paper manufacture has concentrated, as the largest pulp and paper manufacturers have increased their share of overall capacity through business acquisitions.

In 2001, a total of 318 million tons of paper, 160 million tons of wood-based pulp and 155 million tons of recycled fiber were used worldwide.

The demand for pulp and paper machines depends mainly on the general economic outlook, trends in the demand for pulp and paper, the development of the price of pulp and different paper and board grades, as well as the capacity utilization rates of the manufacturers of these products. Nowadays rebuilds of existing machines are more common than building new machines.

Rock and minerals processing equipment market

The global markets for the segments where Metso Minerals operates are worth EUR 10–12 billion. Metso Minerals is the largest supplier of rock and minerals processing systems, with a 20 percent share of the total market.

In the market for rock and minerals processing solutions there are many small local manufacturers alongside the few global manufacturers. Metso Minerals' main competitors in different product segments are, among others, US companies Terex, Ingersoll-Rand, Caterpillar, Astec and Fueller, the Swedish Sandvik and the German companies Bomag and Wirtgen.

The structure of Metso Minerals' customer base is also changing: companies are consolidating and becoming bigger and their scope of activities is widening.

Rock is the most frequently used raw material in the world. For example, the construction and civil engineering industry uses approximately 15 billion tons of aggregate annually. The mining industry handles approximately 5 billion tons of rock and minerals per annum.

GDP and population growth increase transportation and other infrastructure construction, which raises the demand for aggregate. Stricter environmental requirements are restricting the use of natural gravel and sand and increasing the use of crushed rock and also recycled material. The demand for mining industry products follows trends in the demand for and price of metals.

Automation market

The annual global markets for automation solutions in the segments where Metso Automation operates total approximately EUR 5 billion. Metso Automation is the global market leader of pulp and paper industry special analyzers, consistency transmitters and automatic shut-off valves, and the second largest supplier of control valves. As an automation systems supplier for power generation, Metso Automation is among the ten largest in the world.

Metso Automation's main competitors operate globally and include ABB from Switzerland, Emerson, Honeywell and Flowserve from the USA, Invensys from the UK and Siemens from Germany. Lately the automation market has been characterized by the attempts of Metso's main competitors to simplify their cost structures. The companies in the sector are expected to be further divided into three groups: major global companies, medium-sized companies that specialize in specific industries, and small local companies.

Developments in the automation market depend on general industrial growth. Investments and the capacity utilization rate of customer sectors also affect demand.

Panelboard market

The market for equipment and machinery for the panelboard industry totals approximately one billion euros. Metso Panelboard is among the three largest panelboard industry suppliers. The main competitors are the German Siempelkamp and Dieffenbacher. The most important customer sectors for the panelboard industry are the furniture, construction and packaging industries.

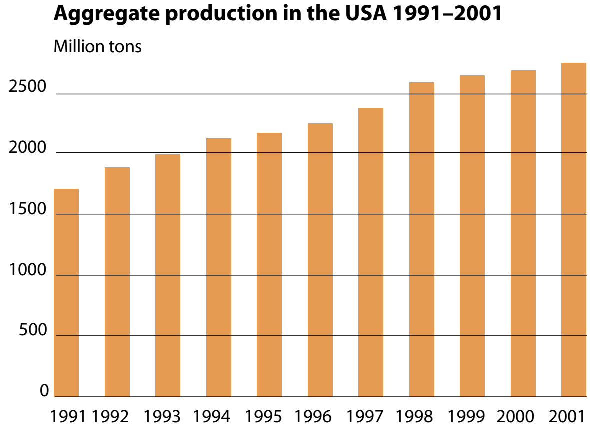
Market for gears

Metso Drives operates in a market with a value slightly over one billion euros. Metso Drives is one of the ten largest companies in the world specializing in solutions for mechanical power transmission, and in its main sectors Metso Drives is even stronger: it is the leading supplier of mechanical drives for the wood refining industry, and one of the four largest companies manufacturing wind turbine gears.

Metso's main competitors among the suppliers of medium heavy and heavy industrial gears are the German companies Flender and Lohmann, the Belgian Hansen and Falk from the USA.

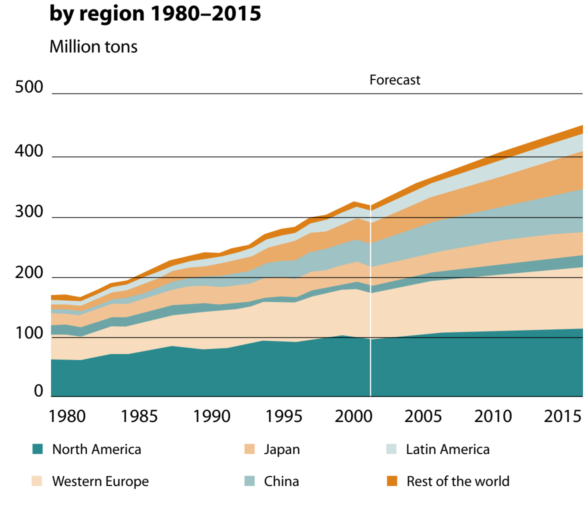
The main customer sectors are the wood refining industry, the mineral processing industry and the energy industry. The demand for Metso Drives' products is mainly affected by investments in the pulp and paper and the rock and minerals processing industries, and by the construction of wind power.

Aggregate production in the USA 1991–2001



Source: United States Geological Survey

World demand for paper and board by region 1980–2015



Source: Jaakko Pöyry Consulting

Metso Future Care combines our versatile competence across our business lines. We are developing new solutions by integrating our automation, control and process know-how with the possibilities created by information and communications technology.

Metso Automation's Atlanta office in Georgia, USA, concentrates on serving the local pulp and paper industry. From the left in front: Tanya Lambert, Rodney Goff and Vince Maurer. At the back: Daisy Hughes-Plante, Leslie Mobley and Keith Shewbert.

Juhani Pakkala
President
Metso Paper

Metso Paper

In 2002, Metso Paper focused on increasing its service operations by establishing new service technology centers in key market areas. These centers support the Metso Future Care business concept. Other major targets of the year were improving profitability and increasing efficiency.

Metso Paper is organized into six business lines according to customer group. The business lines are Mechanical Pulping, Chemical Pulping, Paper, Board, Tissue and Service.

A satisfactory market situation

Metso Paper's market situation was satisfactory, although the value of orders received decreased to some extent on the previous year. Major paper machine projects were ongoing mainly in Canada, China and Europe. The extensive modernization of the Canadian Gaspésia Papers' paper making line and the new magazine paper making line of Canada's Kruger Waygamack were the most significant orders for paper machines. Several orders for board machines were received from China. Several orders for tissue machines and tissue machine rebuilds were received from North America, Europe and Asia. There were modernizations pending mainly in Europe. Demand for aftermarket and service operations was good.

Pulping line investments were made mostly in Europe and South America. In September Metso Paper finalized an agreement to deliver a chemical pulping line to Zellstoff Stendal's new pulp mill in Saxony-Anhalt, Germany. Another significant chemical pulping line order was received in February from Celulosa Arauco y Constitución SA in Chile. New recycling and pulp handling products for mechanical pulping lines were a success on the market.

46 percent of new orders originated from Europe, 35 percent from North America, 10 percent from Asia-Pacific, 8 percent from South America and 1 percent from the rest of the world. At the end of 2002, Metso Paper's order

Key figures

	2001 EUR million	**2002 EUR million**
Net sales	2,209	**1,812**
Operating profit before nonrecurring items and amortization of goodwill	190.7	**132.3**
Operating profit	167.6	**118.2**
Orders received	1,737	**1,642**
Order backlog, Dec. 31	957	**742**
Personnel, Dec. 31	9,458	**9,719**

The Converting group has been classified as a discontinued operation. Metso Paper's figures for 2002 and for the comparison year are presented without the Converting group.

backlog was 22 percent lower the comparison year, totaling EUR 742 million.

Financial development 2002

Metso Papers' net sales were EUR 1,812 million, down 18 percent on the comparison year. This is mostly due to a decrease in large-scale paper technology deliveries. Aftermarket and maintenance services accounted for 28 percent of net sales.

Operating profit was EUR 118.2 million, representing 6.5 percent of net sales. Profitability decreased due to the small number of deliveries at the beginning of the year and underutilization of production capacity.

Metso Paper continued with the measures already begun in the previous year to improve production flexibility and reduce costs. In the USA, for example, units located in Knoxville, Tenn. and Charlotte, N.C. were shut down.

Corporate acquisitions, divestments and cooperation agreements

Metso Paper acquired the entire share capital of Scandinavian Mill Service Oy, a company specializing in paper industry maintenance.

A memorandum of understanding on selling the Converting Equipment group was signed with the Swiss Bobst Group SA in November. The sale is expected to be realized in the first quarter of 2003.

Metso Paper and Emulsion Polymers, the global business unit of Dow Chemicals (Dow), agreed upon developing and bringing to market a new paper and board coating process.

Metso Future Care

Metso Paper signed several extensive cooperation agreements for the annual maintenance and service development of paper and pulp making lines. These cooperation agreements aim for long-term improvements in production line functionality, paper quality and cost efficiency. The agreements are based on the Metso Future Care business concept, which optimizes the lifecycle efficiency of production lines. In Europe Metso Paper has made more than 20 extensive cooperation agreements to develop and maintain paper production lines.

New technology and service centers

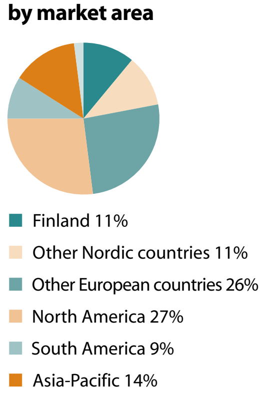
During 2002 Metso Paper set up a winding technology center in Järvenpää, Finland and a tissue machine technology center in Karlstad, Sweden. In addition, a remote diagnostics center that supports the Metso Future Care business concept and specializes in the pulp industry was inaugurated in Pori, Finland. A mechanical pulp technology and research center, which focuses on de-inking and CTMP pulp researched, was built in Anjalankoski, Finland.

In the beginning of 2003 Metso Paper inaugurated service technology centers in Järvenpää, Finland, and Sorocaba, São Paulo, Brazil, to serve the pulp and paper industry. Early in 2003 a new service center was also set up in Raisio, Finland, and a service logistics center was inaugurated in Jyväskylä, Finland.

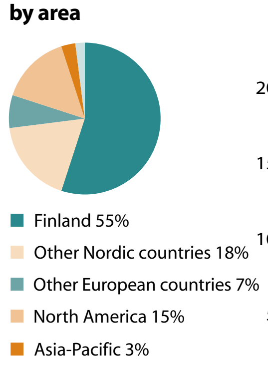
Converting Equipment group in 2002

The net sales of the Converting group decreased by 9 percent from the comparison year, totaling EUR 160 million (EUR 176 million in 2001). The group's operating loss before nonrecurring items and amortization of goodwill was EUR 3.1 million (operating profit EUR 4.3 million), while its operating loss was EUR 8.9 million (operating profit EUR 3.0 million). The orders received by the group totaled EUR 196 million (EUR 169 million) and the order backlog at the end of the year was EUR 102 million (EUR 72 million).

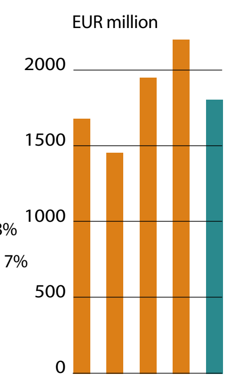
Net sales by market area



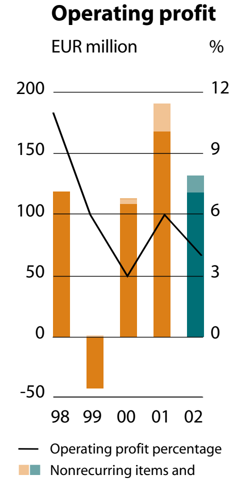
Personnel by area



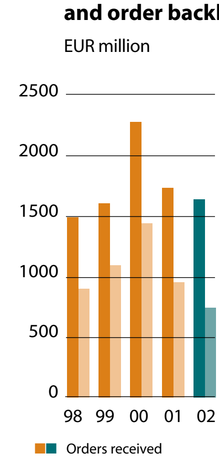
Net sales



Operating profit



Orders received and order backlog



Metso Minerals

Metso Minerals focused on integrating the operations of Svedala, acquired the previous year. Metso Minerals is now the global market leader in its field, supplying solutions, equipment and services to civil engineering contractors, quarries and mines. Another focal area was the development of solutions and products in line with the Metso Future Care business concept.

Olli Vaartimo
President
Metso Minerals

Market leader with a comprehensive product and service range

The operations of Metso Minerals have been organized into five business lines and six market areas. The business lines, which offer the widest product and service selection in the industry, are Crushing and Screening, Minerals Processing, Compaction and Paving, Recycling, and Wear Protection, Service and Parts. The new recycling business line was established to develop the growing metal recycling solutions business and also to examine minerals recycling solutions more broadly. The six Metso Minerals market areas are Northern and Central Europe, Southern Europe and the Mediterranean, North and Central America, South America, Asia-Pacific and Southern Africa. Metso Minerals has sales and service units, dealers and distributors in 150 countries, and more than 40 production units worldwide.

Markets

The demand for Metso Minerals' construction and civil engineering industry products was good in Europe, except for Germany. With respect to Asia, the market situation remained buoyant in China and India throughout the year. Infrastructure development is a special national program in both countries. Demand in the US market however, continued to be slow. The demand for mining industry products increased slowly throughout the year in the southern hemisphere, but remained relatively low elsewhere. On the other hand demand for aftermarket and maintenance services was good globally.

New orders were booked to the value of EUR 1,860 million. 43 percent of the orders originated from Europe, 22 percent from North America, 15 percent from Asia-Pacific, 12 percent from South America and 8 percent from the rest of the world. Major orders included mining equipment for AK Alrosa's diamond mine in Nurba, Russia,

Key figures

	2001 EUR million	**2002 EUR million**
Net sales	913	**1,819**
Operating profit before nonrecurring items and amortization of goodwill	44.6	**107.9**
Operating profit	14.7	**51.4**
Orders received	873	**1,860**
Order backlog, Dec. 31	499	**474**
Personnel, Dec. 31	11,725	**10,784**

copper mining equipment for Sossego, Brazil and Codelco, Chile, and gold mining equipment for Newcrest Mining in Australia. The order backlog at the end of the year was EUR 474 million, a decrease of 5 percent on the previous year.

To further strengthen its position in the Chinese market, Metso Minerals moved into a new, extended crusher manufacturing plant in Tianjin in November. The production capacity of this plant clearly exceeds that of the first one opened in China in 1998. Metso Minerals also has a Chinese compaction and paving equipment plant, established in 2001.

Financial development in 2002

Metso Minerals' net sales totaled EUR 1,819 million. Year 2002 was the first full year to include the figures for the businesses acquired through Svedala, which explains the sizeable growth in net sales (EUR 913 million in 2001). Aftermarket and maintenance services accounted for 42 percent of net sales. To further increase the share of these services, Metso Minerals continued to develop products and services in line with the Metso Future Care business concept.

During the summer the operations of a US company specializing in high quality simulation models were bought. Simulation models are used as a tool in e.g. optimizing production processes and choosing the best possible wear part solutions for different application environments.

Operating profit was EUR 51.4 million, or 2.8 percent of net sales. The elimination of overlapping functions and dismantling of surplus production capacity were reflected in a more streamlined cost structure towards the end of the year.

Nonrecurring costs amounted to EUR 13 million and resulted mainly from the US Clintonville and Brazilian Vespasiano production plant closures and the restructuring of the Milwaukee plant in the USA.

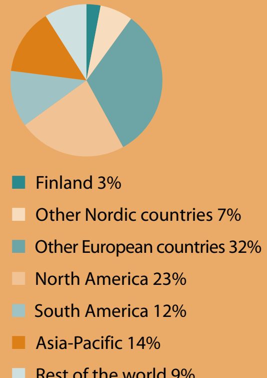
Year of integration

The operations of Svedala, acquired in 2001, were fully integrated into Metso Minerals in 2002. The success of this integration enabled Metso to improve its estimate of the synergy benefits achievable through the Svedala acquisition from EUR 70 million to EUR 90 million. More than half of this was realized in 2002. The synergy benefits are expected to be fully realized in 2003.

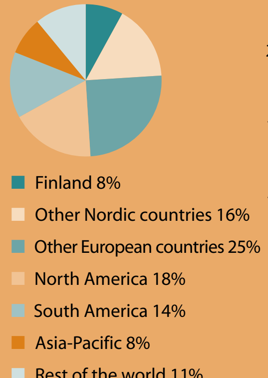
During 2002, four non-core businesses – Interconsult, Kranlyft, Svedala Robot and Rolac – were sold or closed. In 2001 the net sales of these businesses amounted to EUR 79 million. In addition, 12 manufacturing plants were shut down or sold. The integration of distribution operations was completed and as a result 70 distribution and service units were closed. The number of personnel decreased by 1,800 from September 2001. 500 of these employees transferred to other companies as a result of divestments.

When Metso acquired Svedala, it set a target of releasing capital amounting to EUR 350 million during the first 18 months, i.e. by the end of March 2003. After completing the operational integration measures, Metso Minerals has focused on significantly lowering the working capital tied up in operations, especially inventories and accounts receivable. The capital release project progressed as planned in 2002, and at the year-end about two thirds of the target had been realized.

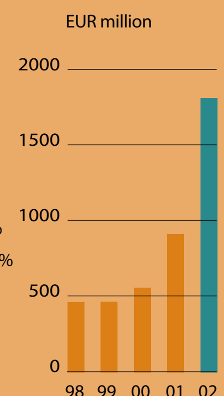
Net sales by market area



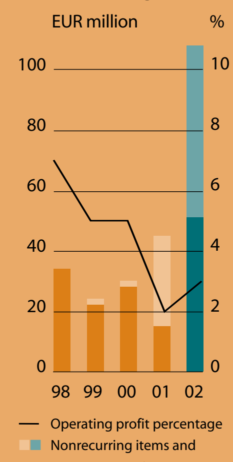
Personnel by area



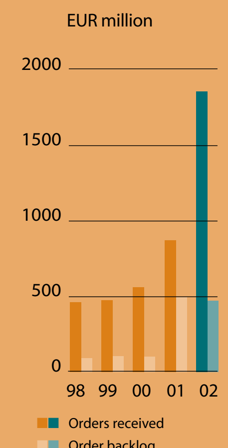
Net sales



Operating profit



Orders received and order backlog



Matti Kähkönen
President
Metso Automation

Metso Automation

In 2002, Metso Automation revised its strategy, with operations being refocused on industry-specific process automation solutions supporting Metso's core businesses. The other area of focus is the field systems business which supplies solutions for various industry sectors.

The strategy revision led to a reorganization within Metso Automation. A new business line, Process Automation Systems, will develop and maintain process automation technology for Metso's core businesses and will supply solutions for eco-efficient power industry. A second business line, Field Systems, will develop field systems for various industries as well as smart, embedded measurement and control solutions, sensors and analyzers for special applications. To enhance customer service efficiency, Metso Automation's North American businesses will be concentrated into one business unit.

Market position kept despite competition

Low demand and overcapacity led to restructuring in many automation companies. As a specialized supplier, Metso Automation kept its market position and experienced satisfactory demand everywhere except the USA, where the market was weak the whole year.

New orders totaled EUR 643 million, or 5 percent less than in 2001.

In 2002, Gaspésia Papers from Canada ordered a large automation system for its paper making line rebuild while Zellstoff Stendal GmbH from Germany ordered complete process automation for a new pulp mill. Wisaforest from Finland placed a major order for automation systems and field control equipment for a new recovery line at the kraft pulp mill in Pietarsaari. Oy Metsä-Botnia Ab ordered an

Key figures

	2001 EUR million	**2002 EUR million**
Net sales	693	**622**
Operating profit before nonrecurring items and amortization of goodwill	28.7	**21.9**
Operating profit	17.3	**16.3**
Orders received	676	**643**
Order backlog, Dec. 31	182	**185**
Personnel, Dec. 31	4,532	**4,150**

information management system for its pulp mill in Kemi, Finland, which will be Metso Automation's largest single information system delivery. About half of Metso Automation's deliveries were to the pulp and paper industry.

Agreements were made on major power plant automation deliveries to Finland, Estonia, the USA and Turkey.

CSPC, a joint venture of Shell Petrochemicals and China National Offshore Oil Corporation, ordered all rotary control valves from Metso Automation for a large new petrochemical production plant in China. Other big orders for field systems and analyzers were placed by Stora Enso for its Langerbrugge mill in Belgium and by Celulosa Arauco for its Valdivia Mill in Chile.

45 percent of new orders originated from Europe, 37 percent from North America, 9 percent from Asia-Pacific, 6 percent from South America and 3 percent from the rest of the world. The end-of-year order backlog of EUR 185 million was 2 percent larger than one year previously.

Financial development 2002

Metso Automation's net sales were EUR 622 million, down by 10 percent on 2001. The decrease in net sales was largely due to reduced deliveries of automation systems for the pulp and paper industry. Aftermarket and maintenance services were 23 percent of net sales.

Operating profit was EUR 16.3 million, or 2.6 percent of net sales. Profitability was weakened by tight price competition and the underutilization of production capacity.

Expenses were cut by EUR 20 million and 400 employees, (8 percent of the total) were made redundant, mostly in Finland. These measures resulted from reorganizations necessitated by the strategy revision in Metso Automation, as well as from production outsourcing, product portfolio optimization, more efficient inventory management and concentration of technology development and marketing.

Cooperation agreements

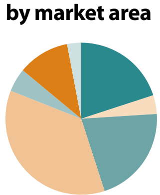
The major cooperation agreements included one on sales and service for special valves with MAPAG, part of the German Linde Group, and an agreement on the resale and development of production planning solutions with Greycon, UK.

Many new and improved products were introduced, including IQInsight moisture measurement to facilitate paper machine runnability and adjustability, a complete mill automation application based on metsoDNA and a power plant boiler condition monitoring solution, Boiler Life Monitoring.

Metso Future Care

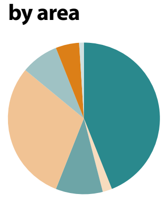
As a supplier of automation and information management applications and systems, Metso Automation is crucial to the implementation of the Metso Future Care business concept. An example is the remote diagnostics centers, focusing on preventive maintenance and process upgrading and optimizing, the latest of which was opened in Atlanta, GA, USA, in April.The extranet application, Metso Portal for Pulp & Paper, was implemented at the beginning of 2002. It already includes 35 paper mills and 800 users. The extended number of automation system installations and the development of new maintenance services enabled growth in pulp and paper industry system services in 2002.

Net sales by market area



- Finland 20%
- Other Nordic countries 4%
- Other European countries 21%
- North America 36%
- South America 5%
- Asia-Pacific 11%
- Rest of the world 3%

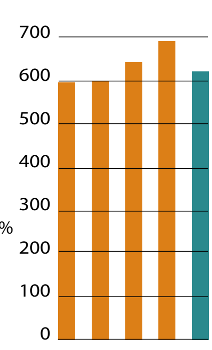
Personnel by area



- Finland 44%
- Other Nordic countries 2%
- Other European countries 10%
- North America 30%
- South America 8%
- Asia-Pacific 5%
- Rest of the world 1%

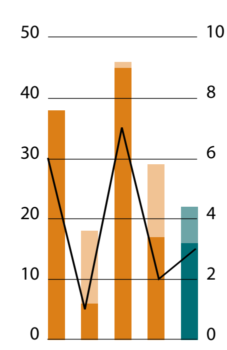
Net sales

EUR million



Operating profit

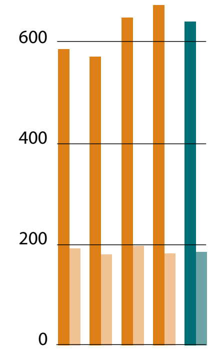
EUR million %



Operating profit percentage
Nonrecurring items and amortization of goodwill

Orders received and order backlog

EUR million



Orders received
Order backlog

Metso Ventures

According to Metso's strategy, Metso Ventures is a development unit for businesses that serve Metso's other businesses or are under strategic development. In addition, Metso Ventures forms an organization for potential future businesses.

Metso Ventures comprises Metso Panelboard, a supplier of panelboard industry production lines, equipment and machinery, Metso Drives, a supplier of wind turbine gears, paper machine drives and other industrial gears, Metso Powdermet, a specialist in materials technology, and Valmet Automotive, a contract manufacturer of specialty cars. On April 12, 2002, the ownership of Metso Works, a company belonging to Metso Ventures' business area with engineering workshop operations in Pori, Parkano and Loviisa, Finland, was transferred to Hollming Oy. In addition, Metso sold Metso Hydraulics to Sampo-Rosenlew in January 17, 2003.

Metso Ventures in 2002

The net sales of Metso Ventures in 2002 were EUR 374 million, which was 24 percent less than the previous year. The decrease in net sales was mainly due to the decline in panelboard technology and gear deliveries.

Metso Ventures' operating profit decreased from the comparison year and totaled EUR 14.9 million, which is 4.0 percent of net sales.

New orders were received to the value of EUR 411 million, which was 7 percent less than the previous year. 80 percent of new orders originated from Europe, 7 percent from North America, 10 percent from Asia-Pacific, 1 percent from South America and 2 percent from the rest of the world. The order backlog grew to EUR 139 million at the end of 2002.

Metso Panelboard position strengthened

Metso Panelboard was transferred from Metso Paper to the Metso Ventures business area in the beginning of 2002. The move aimed to significantly improve the profitability of Metso Panelboard's operations by strengthening its market position especially in modernization and aftermarket operations, by improving cost efficiency and utilizing

Sakari Tamminen
President
Metso Ventures

Key figures

	2001 EUR million	**2002 EUR million**
Net sales	489	**374**
Operating profit before nonrecurring items and amortization of goodwill	29.8	**23.4**
Operating profit	28.2	**14.9**
Orders received	440	**411**
Order backlog, Dec. 31	111	**139**
Personnel, Dec. 31	3,586	**2,873**

Metso's synergies. During the last quarter Metso Panelboard reached its aim of breaking even.

Metso Panelboard's organization was simplified during the year, which reduced the number of personnel in the business group by approximately 34 percent. At the end of the year there were 334 employees.

Efforts to increase the proportion of aftermarket services were continued throughout the year.

Metso Panelboard in 2002

Metso Panelboard's net sales in 2002 were EUR 66 million, which was 54 percent less than the previous year. The decrease in net sales was due to a decline in project deliveries.

Metso Panelboard's operating loss before nonrecurring items and amortization of goodwill was EUR 11.8 million. Nonrecurring expenses worth EUR 8 million were booked due to the measures taken to improve profitability during the year. Metso Panelboard's profitability improved, and the operating profit before nonrecurring items and amortization of goodwill of the business group was EUR 2.9 million in the final quarter of the year.

Metso Panelboard received a significant volume of new orders in the second half of the year, compared with the first half. The largest new orders were the MDF/HDF fiberboard production line to Guangxi Sunway Forest Products Industry Co. Ltd in Guangxi, China, and an OSB production line to Sovetskiy DOK's mill in Russia.

Metso Drives

In September 2002, Metso Drives inaugurated new gear technology and service facilities in Jyväskylä, Finland. This investment supports the expansion of Metso Drives' activities into wind power technology and mineral processes. It also helps Metso to develop condition monitoring solutions for the needs of power transmission in the process industry, in line with the Metso Future Care business concept.

Metso Drives in 2002

In 2002, the net sales of Metso Drives were EUR 173 million, which was 15 percent less than the previous year. The net sales of aftermarket services and wind turbine gear deliveries increased, whereas the net sales of process industry drives decreased from the previous year. General investment development in the wood processing industry decreased the number of gear deliveries. The number of wind power technology deliveries suffered in turn from uncertainty in the North American market.

Metso Drives' operating profit was EUR 12.8 million, representing 7.4 percent of net sales.

Valmet Automotive

Valmet Automotive manufactures Porsche Boxster sports cars for the German Porsche AG. The cooperation agreement between Valmet Automotive and Porsche AG covers the manufacturing of cars at least until 2008 with an option of continuing until 2011. In addition Valmet Automotive manufactures Saab 9-3 convertibles and the Saab 9-3 Viggen until the beginning of May 2003.

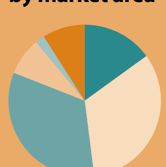
According to Metso's strategy, car manufacture is not one of Metso's core businesses. In November 2001, ThyssenKrupp Automotive AG from Germany acquired a 10 percent minority holding in Valmet Automotive with an option to acquire the remaining 90 percent by the end of 2003.

The cooperation with ThyssenKrupp Automotive AG began in 2002. This cooperation and the possibility of utilizing ThyssenKrupp Automotive AG's global contact network enhance Valmet Automotive's opportunities to deliver complete specialty car projects to car manufacturers.

Valmet Automotive in 2002

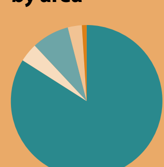
The net sales of Valmet Automotive decreased by 6 percent over 2001 and totaled EUR 128 million. Operating profit was EUR 23.4 million, representing 18.3 percent of net sales. In 2002, 41,066 cars were manufactured (41,916 cars in 2001).

Net sales by market area



- Finland 15%
- Other Nordic countries 33%
- Other European countries 33%
- North America 8%
- South America 2%
- Asia-Pacific 9%

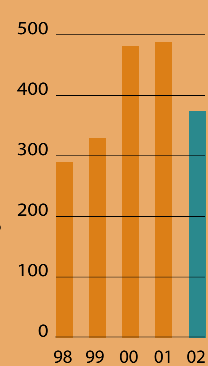
Personnel by area



- Finland 84%
- Other Nordic countries 4%
- Other European countries 8%
- North America 3%
- Asia-Pacific 1%

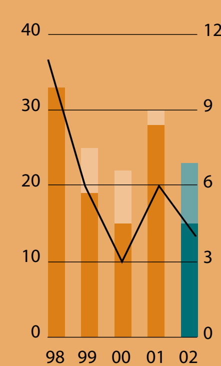
Net sales

EUR million



Operating profit

EUR million %

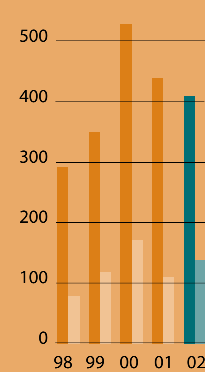


Operating profit percentage

Nonrecurring items and amortization of goodwill

Orders received and order backlog

EUR million



Orders received

Order backlog

Metso Future Care is based on customer needs. Instead of managing everything themselves, companies can outsource support functions or even handle entire production chains through networking and concentrate on their core competences and customer relationship management.

Xue Saloniemi, Project Assistant and Timo Väkeväinen, Chief Development Engineer at Metso Automation's office in Helsinki.

Corporate Governance

The corporate governance system in Metso Corporation favors solutions that are simple and functional. Corporate governance is based on Finland's Companies' Act and on Metso's Articles of Association. Metso is listed on the Helsinki and New York Stock Exchanges. The Corporation complies with the rules and regulations of these exchanges concerning listed companies. The Corporation's general operating principles and responsibility relationships are described in the principles "Corporate Governance" and "Arrangement of the Management of Metso Corporation". Metso's values and ethical principles create the foundation for corporate governance and working with key stakeholders.

Annual General Meeting

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

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

Board of Directors of Metso Corporation

The Board of Directors of Metso Corporation has ultimate responsibility for the management and proper arrangement of the operations of the Corporation, and for assuring good corporate governance in compliance with legislation. The Board of Directors decides upon matters, which, considering the scope and size of the operations of the Corporation, are of major importance. These include the acceptance of the goals of the Corporation and the main strategies for achieving them, the acceptance of action plans, the definition and acceptance of control policies, the acceptance of the organizational structure of the Corporation, and the nomination of the President and CEO, his deputy and the members of the Executive Board and the monitoring and evaluating of their performance.

The Annual General Meeting elects a Chairman and a Vice Chairman of the Board as well as other Board Members. In accordance with the Articles of Association, the Board of Directors consists of at least five and at most eight members. The Annual General Meeting held on March 27, 2002 elected seven members to the Board of Directors of Metso Corporation. The term of the members expires at the end of the Annual General Meeting which next follows the meeting at which they were elected. Metso's Board of Directors convenes at least 12 times during a calendar year. In 2002, the Board of Directors convened 13 times. The Corporation's current Board of Directors is presented on pages 36–37.

The Committees of the Board of Directors

The Board of Directors forms an Audit Committee which meets under the Chairman of the Board twice annually. The Auditor elected at the Annual General Meeting is invited to these meetings. The duties of the Audit Committee include internal supervision, the monitoring of financial risks and their reporting, and the guidance of internal and external audits.

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

President and CEO

The President and CEO and his deputy are appointed by the Board of Directors of Metso Corporation. If required, the Board of Directors also elects one or more Executive Vice Presidents for the Corporation. The duties of the President and CEO are laid down by the law, Metso's Articles of Association and directions of the Board of Directors. The President and CEO acts as Chairman of the Executive Board and reports to the Board of Directors. Tor Bergman became President and CEO on January 1, 2001.

Executive Board of Metso Corporation

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

The Executive Board assists the President and CEO in matters concerning the agenda of meetings of the Board of Directors of Metso Corporation, and considers all matters essential to corporate management, including matters relating to strategies, acquisitions and divestments, image, monthly reports, interim reviews, bonus plans, and the main principles of investor relations and human resources policy. The Executive Board prepares matters relating to capital expenditure that the Board of Directors of Metso Corporation approves. The Executive Board should strive to create additional value for the Corporation by working actively and coordinating various functions.

The Executive Board may have extended meetings, if necessary, in which other executives designated by the Board of Directors may also participate. Metso's Executive Board convenes once a month and when necessary. The current Executive Board is presented on pages 38–39.

Business organization

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

Boards of the businesses

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

Management salaries and other benefits

The salaries of all members of the Executive Board comprise a fixed basic salary and a bonus based on the result of the Corporation or of the business area in question. The salary may also be based on other development objectives central to the operation. Senior Corporate Management is also included in the option schemes. More detailed information on Metso Corporation's option schemes may be found on page 5 of the Financial Statements, and on the option holdings of the Executive Board on page 38 of the Annual Review.

Auditors

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

Internal audit

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

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

Insiders

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

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

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

Board of Directors and Auditors

Pertti Voutilainen born 1940.
Metso Board Member and Chairman of the Board since 1999.
M.Sc. in Economics and Business Administration, M.Sc. in Engineering.
Chairman of the Board: Viola Systems Ltd.
Vice Chairman of the Board: Technopolis Plc.
Board Member: Fingrid Oyj, Lizar Oy, Riddarhyttan Resources AB.
Holdings: 1,280 Metso shares, votes in General Meeting 1,280.
Member of Metso's Compensation Committee.
Independent Board Member. Finnish citizen.

Mikko Kivimäki born 1939.
Metso Board Member and Vice Chairman of the Board since 1999.
Master of Laws.
President and CEO, Board Member, Rautaruukki Oyj.
Board Member: Varma-Sampo Mutual Pension Insurance Company, YIT Corporation.
Chairman of the Executive Board: Finnish Maritime Administration.
Holdings: 1,850 Metso shares, votes in General Meeting 1,850.
Member of Metso's Compensation Committee.
Independent Board Member. Finnish citizen.

Heikki Hakala born 1941.
Metso Board Member since 2000.
M.Sc. in Economics and Business Administration, D.Tech. (hon).
Chairman of the Board: Kuusakoski Group Oy, Juhani Mäkivirta Oy.
Vice Chairman of the Board: Lassila & Tikanoja plc, Pohjola Group plc.
Board Member: Altia Corporation, Orion Corporation.
Holdings: 10,262 Metso shares, votes in General Meeting 10,262.
Options: 150,000.
Acted as President and CEO of Rauma Corporation between 1996 and 1999 and as President and CEO of Metso Corporation from 1999 to the end of 2000. Finnish citizen.

Shareholdings and options on December 31, 2002.

Juhani Kuusi born 1938.
Metso Board Member since 2000.
D.Sc. (Tech.)
Senior Vice President, Head of Nokia Research Center.
Board Member: Instrumentarium Corporation.
Holdings: 6,000 Metso shares, votes in General Meeting 6,000.
Independent Board Member. Finnish citizen.

Pentti Mäkinen born 1952.
Metso Board Member since 2000.
Chief Shop Steward, Metso Paper, Jyväskylä, Finland.
No holdings.
Employee of Metso since 1969. Finnish citizen.

Jaakko Rauramo born 1941.
Metso Board Member since 1999.
M.Sc. in Engineering.
Chairman of the Board: SanomaWSOY Corporation.
Board Member: European Publishers Council, Stiftelsen Svenska Dagbladet, Scandinavian International Management Institute Foundation.
Trustee: Reuters Founders Share Company Limited.
Holdings: 4,205 Metso shares, votes in General Meeting 4,205.
Independent Board Member. Finnish citizen.

Markku Tapio born 1948.
Metso Board Member since 1999.
M.Sc. in Political Science.
Director General, State Shareholdings Unit, Ministry of Trade and Industry.
Chairman of the Board: Altia Corporation, Finnish Industry Investment Ltd.
No holdings.
Independent Board Member. Finnish citizen.

Auditor
Authorized Public Accountant
PricewaterhouseCoopers Oy
Metso's auditor since 1999.

Metso's Management

Metso's Executive Board

Tor Bergman born 1948.
Chairman of the Executive Board. President and CEO.
M.Sc. in Engineering.
Joined the company and became President and CEO in 2001. Member of the Executive Board since 2001.
Chairman of the Board: Ilmarinen Mutual Pension Insurance Company.
Board Member: Federation of Finnish Metal, The Confederation of Finnish Industry and Employers, ICC Finland.
Supervisory Board Member: The Finnish Fair Cooperative.
No holdings. Options: 220,000.

Sakari Tamminen born 1953.
Vice Chairman of the Executive Board. Executive Vice President and CFO, Deputy to the President and CEO.
M.Sc. in Economics and Business Administration.
Joined the company in 1986. Member of the Executive Board since 1999.
Board Member: Kuusakoski Group Oy, The Finnish Foundation for Share Promotion.
Supervisory Board Member: Sampo Life Insurance Company Limited.
Holdings: 1,380 Metso shares. Options: 150,000.
Sakari Tamminen has been appointed President and CEO of Rautaruukki from January 1, 2004 onwards. He will begin as Senior Executive Vice President and Deputy to the President at Rautaruukki at the latest on May 1, 2003.

Olli Vaartimo born 1950.
President, Metso Minerals.
M.Sc. in Economics and Business Administration.
Joined the company in 1974. Member of the Executive Board since 1999.
Holdings: 1,144 Metso shares. Options: 100,000.
Olli Vaartimo has been appointed Metso's Executive Vice President and CFO and Deputy to the President and CEO. He will begin in his new position at the latest on May 1, 2003. Bertel Langenskiöld (52) M.Sc. in Engineering, has been appointed the new President of Metso Minerals.

Juhani Pakkala born 1945.
President, Metso Paper. M.Sc. in Engineering.
Joined the company in 1970. Member of the Executive Board since 1999.
No holdings. Options: 100,000.
Juhani Pakkala will retire on July 31, 2003. Bertel Karlstedt (40), M.Sc. in Engineering, has been appointed the new president of Metso Paper as of March 1, 2003.

Arto Aaltonen born 1947.
Executive Vice President, Metso Paper.
M.Sc. in Engineering.
Joined the company in 1987. Member of the Executive Board since 1999.
Holdings: 600 Metso shares. Options: 100,000.

Matti Kähkönen born 1956.
President, Metso Automation. M.Sc. in Engineering.
Joined the company in 1980. Member of the Executive Board since 2001.
No holdings. Options: 90,000.

Harri Luoto born 1946.
Senior Vice President, General Counsel. Master of Laws.
Joined the company in 1982. Member of the Executive Board since 1999.
Holdings: 564 Metso shares. Options: 45,000.

Shareholdings and options of the members of the Executive Board on December 31, 2002.


Tor Bergman


Sakari Tamminen


Olli Vaartimo


Juhani Pakkala

The Boards of Directors of Metso's business areas

Metso Paper
Tor Bergman Chairman
Sakari Tamminen Vice Chairman
Arto Aaltonen
Markku A. Karlsson Senior Vice President, Corporate Technology, Metso
Juhani Pakkala
Harri Luoto Secretary of the Board

Metso Minerals
Tor Bergman Chairman
Sakari Tamminen Vice Chairman
Markku A. Karlsson
Vesa Kainu Executive Vice President, Metso Minerals
Matti Kähkönen
Olli Vaartimo
Harri Luoto Secretary of the Board

Metso Automation
Tor Bergman Chairman
Sakari Tamminen Vice Chairman
Markku A. Karlsson
Matti Kähkönen
Bertel Karlstedt President, Paper Making Lines, Metso Paper
Vesa Kainu
Harri Luoto Secretary of the Board

Metso Ventures
Tor Bergman Chairman
Sakari Tamminen Vice Chairman
Markku A. Karlsson
Juhani Kyytsönen Senior Vice President, Corporate Development, Metso
Harri Luoto Secretary of the Board

Corporate Headquarters

Human Resource Development
Vesa Taatila

Human Resources Management and Administration
Eero Leivo

Technology
Markku A. Karlsson

President and CEO
Tor Bergman

Legal Matters
Harri Luoto

Executive Vice President and CFO
Sakari Tamminen

Finance
Reijo Kostiainen

Treasury
Pekka Hölttä

Communications
Helena Aatinen

Investor Relations
Taina Sollamo

Corporate Development
Juhani Kyytsönen

Information Technology
Ismo Platan

Internal Audit
Jarmo Kääriäinen


Arto Aaltonen


Matti Kähkönen


Harri Luoto

Releases in 2002

January

1.7 Metso to rebuild Sappi Skowhegan's paper machine in Maine, U.S.
1.16 Metso to sell Interconsult to Jyki Corporation
1.29 Metso to supply an on-line LWC paper line to Kruger, Canada

February

2.7 Metso Corporation Financial Statements 2001
2.7 Metso's Board of Directors' proposals to the Annual General Meeting
2.7 Metso to supply pulping system for Arauco Valdivia in Chile
2.7 Metso Minerals streamlines its U.S. operations
2.22 Notice of Annual General Meeting

March

3.1 Valmet-Raisio became Metso PaperChem
3.12 Metso to concentrate its Brazilian operations
3.15 Metso to sell three engineering workshops
3.18 Metso to strengthen its service operations in Brazil
3.25 Metso to rebuild paper machine at UPM-Kymmene's Jämsänkoski mill
3.27 The Annual General Meeting of Metso Corporation
3.28 Metso to rebuild paper machine at Cadidavid, Italy

April

4.2 Metso opens an automation service center in North America
4.4 Metso to supply EUR 57 million diamond mining equipment to Siberia
4.8 Metso to supply mining equipment to Codelco in Chile
4.12 Metso Works sale to Hollming has been closed
4.24 The Capital Group Companies, Inc.'s holdings of total votes of Metso below 5 per cent
4.30 Metso's Interim Review, January-March 2002
4.30 Metso to rebuild coating machine at Myllykoski

May

5.7 Metso to supply continuous particleboard line to Swedspan AB in Sweden
5.16 Metso to rebuild UPM-Kymmene Rauma PM 1 on-machine coater
5.22 Metso intends to close its conveyor belt production unit in Hamburg, Germany

June

6.5 Metso to deliver board making line to Sun Paper in China
6.10 Metso sells an engineering workshop in the U.S.
6.12 Franklin Resources, Inc.'s holdings in Metso
6.18 Metso proposes reduction in UK manufacturing capacity
6.19 Metso Annual report on Form 20-F published
6.26 Metso agreeed upon service cooperation with M-real Kangas and M-real Äänekoski Paper
6.26 Metso to supply mining equipment to Brazil's largest copper project
6.27 Metso supplies crushing and road construction equipment to India

July

7.3 Metso to supply major rebuild for Gaspésia Papers, Canada
7.11 Metso sells Rolac construction equipment distribution business to Bilia
7.26 Metso sells the Dutch pump unit
7.31 Metso's Interim Review, January-June 2002

August

8.7 Metso to supply pulp bleaching system to Suzano Bahia Sul, Brazil
8.20 Metso to supply fiberboard production line to China and particleboard production equipment to Sweden
8.28 Metso to refocus its automation business strategy

September

9.2 Metso acquires the entire stock of Scandinavian Mill Service Oy
9.3 Metso completes the sale of Rolac construction equipment distribution business to Bilia
9.26 Metso's third quarter result will remain below the estimate
9.27 Metso signed final contract for pulping system in Stendahl kraft pulp mill, Germany
9.30 Metso receives orders for metal recycling machinery worth 18 million

October

10.4 Metso Minerals' operational integration concluded as planned
10.7 Metso to supply paper industry process systems to Stora Enso
10.14 Metso and Dow to bring a new paper-coating process to the market
10.22 Sakari Tamminen to become President and CEO of Rautaruukki as of 1 January 2004
10.24 Metso supplies automation solutions worth over EUR 10 million for Wisaforest pulp mill
10.30 Metso's Interim Review, January-September 2002
10.30 Olli Vaartimo to become Metso's Executive Vice President and CFO as of 1 May 2003

November

11.7 Metso has no material pending asbestos litigation in the United States
11.19 Metso supplies board making line to Dongguan Jian Hui, China
11.19 Metso rebuilds Stora Enso's paper machine in Kotka, Finland
11.22 Metso plans to sell its Converting group to Swiss Bobst Group for approximately EUR 90 million
11.22 Metso supplies board making technology to Nine Dragons Paper in China
11.26 Metso has signed a contract for the world's largest boardmachine with Ning Shing Development Co. in China
11.26 Rating on Metso Corporation downgraded to BBB by Standard & Poor's

December

12.4 Metso to concentrate its financial administration services in Finland
12.4 Rating on Metso Corporation confirmed at Baa2 by Moody's
12.4 Metso receives orders worth EUR 25 million for grinding equipment to Chile and China
12.10 Metso will supply crushing and grinding equipment worth EUR 30 million in Australia
12.17 Metso's financial information in 2003
12.20 Metso sells its foundry operations in Karlstad, Sweden

Metso Minerals' new crusher factory was inaugurated at Tianjin, China in November. Zhang Jun, the Vice Chairman of the Tianjin Economical Development Area addressed the visitors at the ceremony.

Investor Relations

Principles

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

Commitment of top management The Corporation's top management is committed to serving the needs of the capital markets.

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

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Senior Vice President, Finance and Administration
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Taina Sollamo, Vice President, Investor Relations, is on child-care leave.

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

Symbols and units used in trading

Metso Corporation has one share series. Metso's shares are listed on the Helsinki Exchanges and are registered in the Finnish Book-Entry Register maintained by the Finnish Central Securities Depository.

On the New York Stock Exchange Metso's shares are listed as American Depository Shares (ADS). Each Metso ADS represents one Metso share. The Bank of New York acts as the depository for Metso ADSs.

Metso's 2000 A-warrants have been traded at the Helsinki Exchanges since June 29, 2001.

Helsinki Exchanges

Trading code	MEO1V
Lot size	100 shares
Trading currency	EUR

2000 A-warrants

Trading code	MEO1VEW100

New York Stock Exchange

Trading code	MX
Trading currency	USD

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

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

Indexes

Metso's shares are included in at least the following indexes:
HEX General Index
HEX Portfolio Index
HEX Metal Index
HEX 25
DJ STOXX 600
DJ STOXX 600 Industrial Goods and Services
MSCI Europe Industrials
Dow Jones Sustainability Index
FTSE4GOOD Index

Additional information on Metso

Codes used for Metso by the news agencies
Bloomberg: MEO1V FH
Reuters: MEO1V.HE
Startel: MEO1V

Equity analysis

According to Metso's knowledge, equity analysts from the following banks and brokerage firms have regularly followed Metso Corporation during 2002. The equity analysts employed by the listed banks and brokerage firms follow Metso on their own initiative. Metso is not responsible for their views.

Helsinki

Aktia Savings Bank
Alfred Berg Finland
Conventum Securities
D. Carnegie
Deutsche Bank
Enskilda Securities
Evli Bank
Handelsbanken Capital Markets
Kaupthing Sofi
Mandatum Stockbrokers
Nordea Securities
Opstock

Rest of Europe

ABG Sundal Collier
CAI Cheuvreux
Cazenove Global Equities
Credit Suisse First Boston
Dresdner Kleinwort Wasserstein
HSBC Securities
Lehman Brothers
Merrill Lynch
Morgan Stanley Dean Witter
Schroder Salomon Smith Barney
UBS Warburg

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

Metso arranged its 2002 Capital Markets Day in Tampere, Finland. Ebba Lindahl (SEB Merchant Banking), Carl-Henrik Frejborg (Deutsche Bank) and Samir Parekh (Bernstein Investment Research and Management) exchanged ideas with Olli Vaartimo, President of Metso Minerals.

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Financial Statements 2002

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Information to Shareholders

Annual General Meeting

The Annual General Meeting of Metso Corporation will be held on Tuesday, April 15, 2003 at 2.00 p.m. in the Marina Congress Center at Katajanokanlaituri 6, FIN-00160 Helsinki. Registration of the shareholders participating in the meeting and distribution of ballots will begin at 1.00 p.m.

The shareholders who are entered as shareholders in the Corporation's shareholder register maintained by the Finnish Central Securities Depository Ltd. by April 4, 2003 shall have the right to participate in the Annual General Meeting.

Shareholders who wish to participate in the meeting should notify the Corporation of their intention to participate by no later than 4.00 p.m. on April 10, 2003, either by mail to Metso Corporation, PO Box 1220, FIN-00101 Helsinki, or by phone at +358 10 808 300, by fax at +358 20 484 3125, or by email to soili.i.johansson@metso.com. Notices of participation must be received by the above-mentioned deadline. Any powers-of-attorney should also be sent to the above address by the same deadline.

Payment of dividends

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2002.

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 22, 2003. The actual payment of dividends will take place on April 29, 2003.

Financial reviews in 2003

Financial statements release 2002	February 5, 2003
Interim review for January-March	April 29, 2003
Interim review for January-June	July 30, 2003
Interim review for January-September	October 29, 2003

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

Metso publishes its Index investor magazine three times a year in Finnish, Swedish and English. The main investor information is also gathered in the Investors' section on Metso's Internet pages in Finnish and English.

Annual reports for 2002

This Financial Statements together with Metso's Annual Review form Metso's Annual Report for 2002. Metso has also published a Sustainability Report for 2002. The reports are published in Finnish, English and Swedish and are also available in Finnish and English on Metso's Internet pages at www.metso.com/reports.

Ordering of financial reviews

Annual reports and interim reviews can be ordered from:
Metso Corporation
Corporate Communications
PO Box 1220
FIN-00101 Helsinki
By phone +358 20 484 100
By fax +358 20 484 3123
By email: metso.info@metso.com

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

Changes of address

If your address changes, please send written notification of this to the bank where your book-entry account is held or, if your account is held at the Finnish Central Securities Depository Ltd., please send notification to:
Finnish Central Securities Depository Ltd.
Fabianinkatu 14
PO Box 361
FIN-00131 Helsinki, Finland
Tel. +358 9 6166 7529
(free customer helpline Monday to Friday from 9 a.m. to 4 p.m. Finnish time, tel. +358 800 180 500)

Metso ADS holders are requested to contact the Bank of New York:
The Bank of New York
PO Box 11258
Church Street Station
New York, NY 10286-1258, USA
Tel. (national) 1-888-BNY-ADRS
Tel. (international) +1 610 312 5315
Email: shareowner-svcs@bankofny.com
www.adrbny.com or www.stockbny.com

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

Shares and Shareholders

Share capital and shares

Metso's share capital is EUR 231,625,926.50, and it is divided into 136,250,545 fully paid shares. According to the Articles of Association, the minimum share capital is EUR 170 million and the maximum share capital is EUR 680 million. Metso has a single series of shares. Each share has a nominal value of EUR 1.70 and entitles its holder to one vote at a general meeting.

Redemption obligation

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

Own shares

The Annual General Meeting of March 27, 2002 authorized the Board of Directors to decide, within one year of the Meeting, on the acquisition of the Corporation's own shares, using its distributable funds. The Corporation's own shares may be acquired for use as payment in acquisitions or in financing investments. The Meeting also authorized the Board of Directors to decide on the disposal and annulment of the Corporation's own shares. Such shares may be acquired provided their combined nominal value does not exceed 5 percent of the Corporation's share capital, i.e. 6,812,527 shares.

In 2000-2002, none of the Corporation's own shares were acquired or disposed of. On December 31, 2002 the Corporation held 60,841 of its own shares, representing 0.04 percent of total shares and votes. These shares were acquired in 1999 for a total price of EUR 654,813, i.e. EUR 10.76/share.

Board authorizations

The Annual General Meeting of March 27, 2002 authorized the Board to decide on raising the share capital by a rights offering, a convertible bonds issue and/or an issue of share options. The authorization expires one year from the Annual General Meeting. No more than 12,500,000 new shares with a nominal value of EUR 1.70 may be subscribed for as a result of the rights offering, convertible bond issue or issue of share options. The Corporation's share capital may be raised in total by no more than EUR 21,250,000. The Board of Directors had not exercised these authorizations by December 31, 2002.

Market capitalization and trading

Metso Corporation's shares have been listed on the Helsinki Exchanges (HEX:MEO1V) and the New York Stock Exchange (NYSE:MX) since July 1, 1999. Metso's 2000 A warrants have been listed on the Helsinki Exchanges since June 29, 2001.

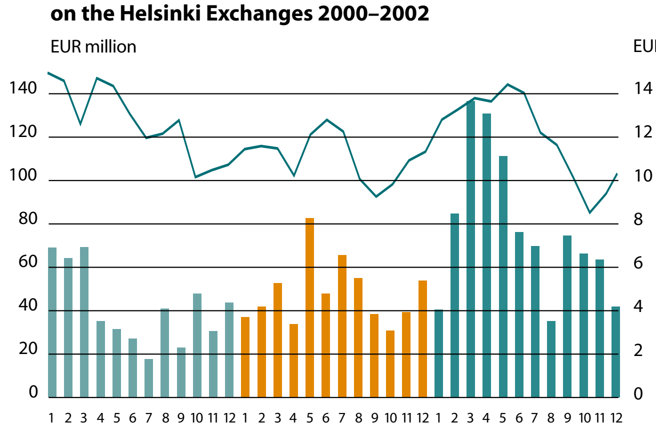
The highest quotation of Metso's share on the Helsinki Exchanges was EUR 15.15, and the lowest EUR 7.73. The share price on December 31, 2002 was EUR 10.30, and the average trading price for the year was EUR 12.13. The Corporation's end-of-year market capitalization was EUR 1,403 million.

In 2002, 76,737,801 Metso shares were traded on the Helsinki Exchanges. The total turnover was EUR 931 million. The average daily trading volume was 308,184 shares. The relative turnover including the ADS turnover was 57 per cent.

The highest price of Metso's American depositary share (ADS) on the New York Stock Exchange was USD 14.26, and the lowest USD 7.81. The ADS price on December 31, 2002 was USD 10.92, and the average trading price was USD 11.39. In 2002, 914,715 Metso American depositary shares were traded on the New York Stock Exchange, to a value of USD 10 million. Each ADS represents one share.

The highest quotation of Metso's 2000 A warrants on the Helsinki Exchanges was EUR 2.75, and the lowest EUR 1.20 which was also the value of the share options on December 31, 2002. During the year 83,100 Metso 2000 A warrants were traded. The total turnover was EUR 180,608.

Monthly turnover and average share price on the Helsinki Exchanges 2000–2002



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

Options programs

Metso Corporation currently has two options programs, launched in 2000 and 2001. The programs are part of the incentive system for key personnel, and included 226 persons at the end of 2002. The programs give the right to subscribe for a maximum of 6,000,000 new shares.

The 2000 options program includes 5,000,000 options, which entitle their holders to subscribe for a maximum of 5,000,000 shares. 2,500,000 of the warrants are marked with the letter 'A', and 2,500,000 with the letter 'B'. The share subscription price was EUR 14.40 on December 31, 2002. Annually paid dividends are deducted from the subscription price. Share subscriptions based on A options began on April 1, 2001, while those based on B options will begin on April 1, 2003. The subscription period for all share options ends on April 30, 2005.

The 2001 options program includes 1,000,000 options, which entitle their holders to subscribe for a maximum of 1,000,000 shares. 500,000 of the warrants are marked with the letter 'A', and 500,000 with the letter 'B'. The share subscription price was EUR 14.40 on December 31, 2002. Annually paid dividends are deducted from the subscription price. Share subscriptions based on A options began on April 1, 2001, while those based on B options will begin on April 1, 2003. The subscription period for all options ends on April 30, 2005.

A total of 50,000 options issued in 1996 and transferred from Rauma Corporation had not been exercised in 2001 nor at the end of the subscription period on January 31, 2002. Of these, 25,000 entitled subscription for 25,000 Metso Corporation shares at a subscription price of EUR 15.44 between April 2, 2000 and January 31, 2002. Another 25,000 entitled subscription for 25,000 Metso Corporation shares at a subscription price of EUR 15.44 between April 2, 2001 and January 31, 2002. No share entitlements provided by options transferred from Rauma Corporation were subscribed for in 2002, and the program has now ended.

Shareholdings of the Board of Directors and the Management

On December 31, 2002, the members of the Metso Corporation's Board of Directors held 23,597 Metso shares, equivalent to 0.02 percent of the Corporation's shares and the accompanying voting rights. Tor Bergman, President and CEO, owned 220,000 options. Mr. Bergman did not own any Metso shares. Sakari Tamminen, Executive Vice President and CFO, owned 1,380 Metso shares and 150,000 options. Metso Corporation's extended insider holdings are also presented on the Corporation's homepages at www.metso.com > Metso > Management > Insiders.

The taxable value of Metso's share in Finland

The taxable value of Metso Corporation's share in Finland in 2002 is EUR 7.19 / share.

Dividend policy

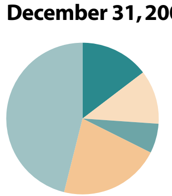
Metso's objective is to distribute annual dividends equivalent to at least one third of the average earnings per share over five years. The dividend policy is founded on the Corporation's long-term profitability and financial strength.

Metso's Board of Directors has decided to propose to the Annual General Meeting, which will convene on April 15, 2003, that a dividend of EUR 0.60 per share be distributed for 2002, which is 126 percent of the earnings per share.

Shareholders

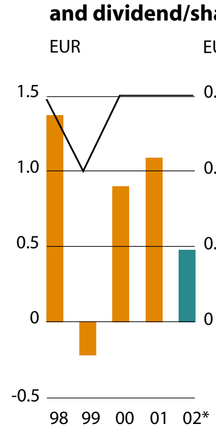
At the end of 2002, Metso had approximately 27,000 shareholders. Metso's biggest shareholders are UPM-Kymmene Corporation, which held 14.6 percent of all shares, and the Finnish Government with an 11.5 percent holding. Nominee-registered shares and shares in direct foreign ownership accounted for 46.1 percent of the total stock. 6.3 percent of the total stock was held by Finnish private individuals.

Breakdown by shareholder category on December 31, 2002



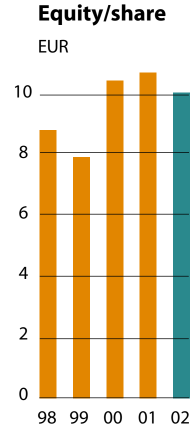
- UPM-Kymmene Corporation 14.6%
- The Finnish Government 11.5%
- Finnish private investors 6.3%
- Finnish institutions, companies and foundations 21.5%
- Nominee-registered and foreign ownership 46.1%

Earnings/share and dividend/share

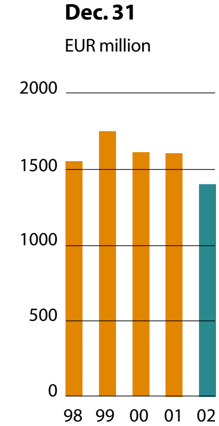


* Proposal by the Board of Directors

Equity/share



Market capitalization, Dec. 31



Shares and Shareholders

Metso's biggest shareholders on December 31, 2002

	Number of shares	% of share capital
1. UPM-Kymmene Corporation	**19,922,115**	**14.6**
2. The Finnish Government	**15,695,287**	**11.5**
3. Varma-Sampo Mutual Pension Insurance Company	**3,217,069**	**2.4**
4. Ilmarinen Mutual Pension Insurance Company	**3,055,678**	**2.2**
5. Suomi Group		
Suomi Mutual Life Assurance Company	1,750,000	1.3
Suomi Insurance Company Ltd.	400,000	0.3
	2,150,000	**1.6**
6. OKO Bank		
OP-Delta Mutual Fund	868,900	0.6
OP-Pirkka Mutual Fund	345,600	0.3
OP-Tuotto Mutual Fund	219,700	0.2
OKO Bank	80,000	0.1
OP-Focus Mutual Fund	73,400	0.1
Opstock Finland Index Mutual Fund	64,877	0.0
OP-Forest Mutual Fund	48,160	0.0
	1,700,637	**1.3**
7. Odin		
Odin Norden	1,160,376	0.9
Odin Finland	156,037	0.1
	1,316,413	**1.0**
8. Pohjola Group Plc		
Pohjola Non-Life Insurance Company Limited	1,020,000	0.7
Mutual Fund Pohjola Finland Value	230,000	0.2
	1,250,000	**0.9**
9. Svenska litteratursällskapet i Finland	**828,577**	**0.6**
10. Nordea		
Nordea Optima.fi Fund	234,836	0.2
Nordea Fennia Fund	220,100	0.2
Nordea Life Assurance Ltd.	152,310	0.1
Nordea Nordia Fund	62,100	0.0
Nordea Pro Suomi Fund	50,000	0.0
	719,346	**0.5**
10 largest shareholders total	**49,855,122**	**36.6**
Nominee-registered shares*	61,152,968	44.9
Other shareholders	25,181,164	18.5
Shares held by Metso Corporation	60,841	0.0
Total	**136,250,545**	**100.0**

*) The Corporation was informed on April 24, 2002 that the funds managed by Capital Group Companies, Inc. held 6.29% of share capital and 4.97% of voting rights. The Corporation was informed on June 12, 2002 that the funds managed by Franklin Resources, Inc. held 5.17% of share capital and 6.30% of voting rights.

Breakdown of share ownership on December 31, 2002

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1 – 100	11,015	43.9	489,906	0.3
101 – 1,000	11,589	46.1	4,049,765	3.0
1,001 – 10,000	2,244	8.9	5,720,930	4.2
10,001 – 100,000	228	0.9	6,494,261	4.8
Over 100,000	51	0.2	58,268,214	42.8
	25,127	100.0	75,023,076	55.1
Nominee-registered shares	12		61,152,968	44.9
Shares held by Metso Corporation			60,841	0.0
Shares to be transferred or not converted into book entries			13,660	0.0
Total			**136,250,545**	**100.0**

Each nominee-register is entered in Metso's shareholder register at the Finnish Central Securities Depository Ltd. as one shareholder. Metso has estimated that the number of shareholders in these nominee-registers was approximately 1,900 on December 31, 2002, and hence the total number of shareholders is approximately 27,000.

Share capital and share data 1998–2002

(In EUR millions, except for per share data, share prices and number of shares)	1998	1999	2000	2001	**2002**
Share capital, Dec. 31	228	228	230	232	**232**
Number of shares					
Number of outstanding shares, Dec. 31	135,826,010	135,256,434	135,501,634	136,189,704	**136,189,704**
Average number of shares	135,826,010	135,631,740	135,363,537	136,135,223	**136,189,704**
Number of shares redeemed and canceled	-	-	500,000	-	-
Number of own shares, Dec. 31	-	560,841	60,841	60,841	**60,841**
Trading volume, Helsinki Exchanges	74,734,449	46,058,568	39,455,032	51,858,765	**76,737,801**
% of shares**	74.6	46.0	40.5	52.5	**77.2**
Earnings / share	1.37	(0.22)	0.90	1.09	**0.48**
Dividend / share	0.59	0.40	0.60	0.60	**0.60***
Dividend	80	54	81	82	**82***
Dividend / earnings, %	43	neg.	67	55	**126***
Effective dividend yield, %	5.1	3.0	5.2	5.2	**5.8***
P/E ratio	8.34	neg.	13.00	10.62	**21.54**
Equity / share	8.88	7.98	10.51	10.78	**10.12**
Highest share price	18.53	13.70	16.20	14.10	**15.15**
Lowest share price	7.72	8.26	8.61	7.81	**7.73**
Average share price	13.00	10.76	12.67	11.16	**12.13**
Share price, Dec. 31	11.43	12.90	11.90	11.80	**10.30**
Market capitalization, Dec. 31	1,553	1,752	1,612	1,608	**1,403**

*) Proposal by the Board of Directors
**) Of the total amount of shares for public trading

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

American depositary shares

(Each ADS represents one share)	2001	**2002**
Trading volume (NYSE)	980,606	**914,715**
Earnings / ADS, USD	0.98	**0.45**
Highest ADS price, USD	11.30	**14.26**
Lowest ADS price, USD	7.68	**7.81**
ADS price, Dec. 31, USD	10.45	**10.92**

Risks and Risk Management

Business operation risks

Global economy and customer industries

Cyclical changes in the global economy have an impact on the demand for Metso's products and its financial position, especially in the short-term. In the long-term, these impacts are leveled out by the wide geographical spread of Metso's operations, the number of customers from different industries, the large base of installed machinery and stable customer relationships.

The Svedala acquisition led to a significant change in the Corporation's structure, for the Metso Minerals business area now equals Metso Paper in size. Due to the acquisition, Metso's dependence on the business cycles of the pulp and paper industry has diminished, since Metso Minerals is tied to the development of the mining, construction and civil engineering industries. Metso Minerals' main focus is on infrastructure investments, the demand for which is more stable by nature. In addition, the increasing share of net sales derived from aftermarket and maintenance services reduces the risks related to cyclical changes.

Competition

The business of both Metso and its customers is geographically widely spread. Political and legislative changes can weaken Metso's competitiveness or restrict its operations in some countries. At the end of 2002 Metso was not aware of any probable political risks of potential material significance to Metso's operations.

Current or future competitors may launch new and revised products and new technology that may decrease the value and competitiveness of Metso's products and weaken Metso's possibilities to achieve its financial goals.

Changes in foreign exchange rates have an impact on Metso's competitiveness. This impact is reflected directly in the prices of raw materials, factors of production and the final products. Indirectly they can affect the profitability of Metso's competitors and Metso's position on the market. The wide geographical spread of Metso's operations reduces the significance of individual currencies, however.

Production, products and technology

Every attempt is made to maintain and improve the competitiveness of products and services by emphasizing research and development, by taking care of intellectual property rights, including patents, and by cooperating with other companies.

The adaptability of production to changes in demand has been enhanced by, for example, increasing outsourcing and by focusing on the manufacture and assembly of key components. Quality and internal processes are controlled in accordance with ISO 9001 quality systems.

Metso has been involved in general lawsuits or those associated with product liability, and the claims arising have been covered with general and product liability insurance. Attempts are made to prevent product liability lawsuits by emphasizing product safety at the product planning phase.

Environmental aspects are increasingly emphasized in Metso's products. It is the task of product development to ensure that the environmental impacts of new products and services are taken into account. Many laws and regulations that promote environmental protection guide the Corporation's operations. Moreover, environmental systems meeting ISO 14001 standards are essential tools in Metso's environmental management.

Raw materials and subcontractors

Developments in the global economy and political factors may influence the prices and availability of raw materials. For example, changes in energy and oil prices have a negative influence on Metso in cases where the price changes directly affect customer industries' willingness to invest.

Metso buys most of the raw materials and product components it needs from subcontractors with whom it has made long-term contracts. These limit the availability and pricing risks related to purchasing. The most significant subcontractors are audited before cooperation begins and also regularly during the contract period.

Financial risks

Financial risk management

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

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

Liquidity

To ensure the Corporation's short-term liquidity, a minimum has been set for cash and revolving credit facilities. Limits have also been set for the proportion of short-term loans and for the average remaining maturity of long-term loans. Risks in the availability of funds and pricing are managed in the long-term by diversifying funding between money and capital markets and the banks.

Interest rate risks

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

Currency risks

A good half of Metso's net sales originate from outside the euro zone. Various currencies are used for customer deliveries and for intercompany transactions within Metso. Alongside the euro, the most important currencies used in invoicing are the U.S. dollar and the Swedish krona. Metso has operations in countries in which currency regulation affects hedging risks. The most important of these are Brazil, China and South Africa.

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

The equity of subsidiaries outside the euro zone is affected by exchange rate risks, which may lead to translation differences in the Corporation's consolidated equity. Metso hedges these risks, with respect to essential currencies, in accordance with its Treasury policy.

Share value risks

Metso has, to a small extent, investments in the shares of other listed companies. Metso has not hedged the risks pertaining to their market value.

Credit and other counterparty risks

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

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

Board of Directors' Report

General market environment

The uncertainty of the global economy was reflected in Metso's market environment and product demand throughout the year under review, especially in the USA and Germany, both important markets for the Corporation. On the other hand, the growing Chinese market showed positive development.

In the year's final quarter, the paper industry began to activate its investment planning, while infrastructure building in the construction and civil engineering industry continued at the level of the beginning of the year.

The demand for Metso's products

The market for Metso Paper was satisfactory. Major paper machine projects were ongoing mainly in Canada, China and Europe. Metso also strengthened its market position in tissue and pulping lines. The US markets remained slow throughout the year. Rebuilds were pending mainly in Europe. The demand for Metso Paper's aftermarket and maintenance services was good.

The demand for Metso Minerals' products supplied to the construction and civil engineering industries was good in Europe, except for Germany. In the US markets, on the other hand, the demand continued weak. The demand for mining industry products strengthened slowly during the year in the southern hemisphere, but was modest elsewhere. The demand for Metso Minerals' aftermarket and maintenance services was good.

The demand for Metso Automation's products was satisfactory everywhere except the USA, where the market was weak the whole year.

Orders received and order backlog

In 2002, Metso received new orders worth EUR 4,646 million, or 23 percent more than in the comparison year 2001 due to the acquisition of Svedala. 46 percent of these orders originated from Europe, 27 percent from North America, 13 percent from Asia-Pacific, 9 percent from South America and 5 percent from the rest of the world.

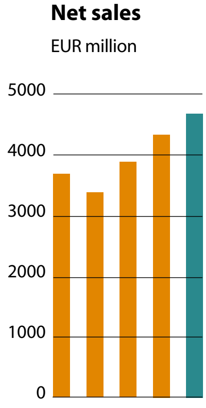
The value of orders received by Metso Paper was 5 percent lower than in the comparison year (excluding the Converting Equipment group). The value of orders received by Metso Minerals increased substantially from the comparison year due to the acquisition of Svedala. The orders received by Metso Automation were 5 percent lower than in the comparison year. The orders received by Metso Ventures were 7 percent lower than in the comparison year.

Metso's order backlog was EUR 1,589 million at the end of the year under review, a decrease of 10 percent from the end of 2001. Metso Paper accounted for 45 percent of the Corporation's order backlog, Metso Minerals for 29 percent, Metso Automation for 11 percent and Metso Ventures for 9 percent. The Converting Equipment group accounted for 6 percent of the Corporation's order backlog.

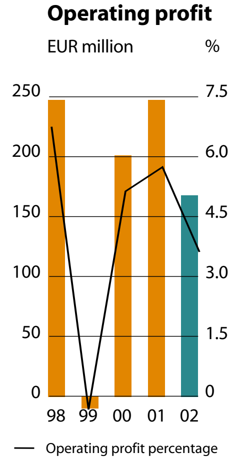
Net sales

Metso's net sales totaled EUR 4,691 million, 8 percent more than in the comparison year. Aftermarket and maintenance services accounted for 33 percent of the Corporation's net sales (excluding Metso Ventures). The corresponding figure in the comparison year was 27 percent. Of the Corporation's net sales, 38 percent came from the deliveries of Metso Paper, 38 percent from Metso Minerals, 13 percent from Metso Automation and 8 percent from Metso Ventures.

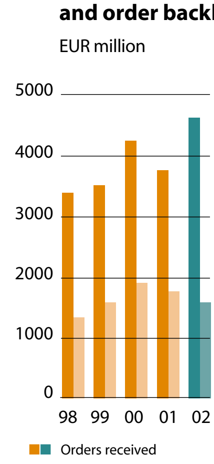
Net sales



Operating profit



Orders received and order backlog



The Converting Equipment group accounted for 3 percent of the Corporation's net sales.

Exports and operations outside Finland accounted for 92 percent of the Corporation's net sales, or EUR 4,320 million. 47 percent of net sales originated from Europe, 25 percent from North America, 14 percent from Asia-Pacific, 9 percent from South America and 5 percent from the rest of the world.

Sales between business areas of EUR 96 million have been eliminated from the Corporation's net sales.

Result

The Corporation's operating profit before nonrecurring items and amortization of goodwill was EUR 250.6 million, representing 5.3 percent of net sales. The nonrecurring income of EUR 8 million arose from the sale of shares and other assets. The nonrecurring expenses of EUR 35 million originated mainly from business restructuring. During the year's final quarter, nonrecurring expenses of EUR 8 million were booked.

Metso's operating profit for 2002 was EUR 167.0 million, or 3.6 percent of net sales. Income before extraordinary items and taxes was EUR 93 million. Profit declined from the previous year, especially due to the weakened market situation in Germany and the USA. In addition, the operating losses of Metso Panelboard, part of Metso Ventures, and of the Converting Equipment group, part of Metso Paper, as well as the extensive integration carried out in Metso Minerals, weakened the Corporation's profitability.

The Corporation's net financial expenses were EUR 74 million, including dividend income of EUR 7 million.

The net income for the year was EUR 65 million. Earnings per share were EUR 0.48 or, excluding nonrecurring items and amortization of goodwill, EUR 0.99. The return on capital employed (ROCE) was 6.4 percent, while the return on equity (ROE) was 4.8 percent.

The Corporation's tax rate was 28.0 percent (32.4% in 2001). The tax rate was exceptionally low because the accumulated losses of the Converting Equipment group became tax deductable already in 2002 when a memorandum of understanding was signed on its sale. On the other hand, the tax rate was raised by increased amortization of goodwill due to the Svedala acquisition.

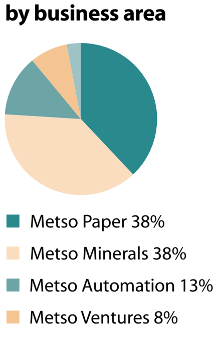
Businesses

Metso Paper

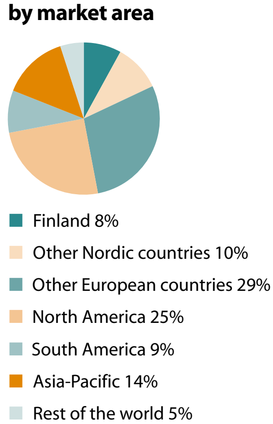
A memorandum of understanding was signed in November concerning the sale of Metso Paper's Converting Equipment group. The group is regarded as a discontinued operation and has been transferred out of the Corporation's continuing businesses. Metso Paper's figures for the comparison year are also presented without the Converting Equipment group. Metso Panelboard was transferred to Metso Ventures at the beginning of 2002 and is reported in the figures for Metso Ventures.

(in millions)	**1–12/02 EUR**	1–12/01 EUR	Change %
Net sales	**1,812**	2,209	(18)
Operating profit before nonrecurring items and amortization of goodwill	**132.3**	190.7	(31)
% of net sales	**7.3**	8.6	
Operating profit	**118.2**	167.6	(29)
% of net sales	**6.5**	7.6	
Orders received	**1,642**	1,737	(5)
Order backlog Dec. 31	**742**	957	(22)

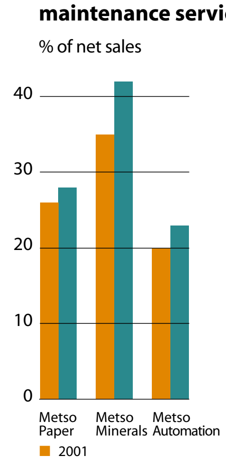
Net sales by business area



Net sales by market area



Aftermarket and maintenance services



Board of Directors' Report

In 2002 Metso Paper's net sales were EUR 1,812 million, which is down 18 percent on the comparison year. Net sales decreased in paper technology, largely due to the small number of deliveries of large paper making lines. On the other hand, pulping technology deliveries increased slightly on the comparison period. Aftermarket and maintenance services accounted for 28 percent of net sales (26% in 2001).

Metso Paper's operating profit before nonrecurring items and amortization of goodwill was EUR 132.3 million, or 7.3 percent of net sales. The small number of deliveries at the beginning of the year and the underutilization of production capacity weakened profitability. Nonrecurring expenses totaled EUR 6 million, and were mainly due to business restructuring in Sweden and the USA. Metso Paper's operating profit was EUR 118.2 million, or 6.5 percent of net sales. During the final quarter of the year, Metso Paper's deliveries increased and profitability improved clearly.

The value of orders received by Metso Paper was EUR 1,642 million and the order backlog at the end of the year was EUR 742 million.

The net sales of Metso Paper's Converting Equipment group totaled EUR 160 million (EUR 176 million in 2001). The operating loss of the Converting Equipment group was EUR 8.9 million (operating profit EUR 3.0 million in 2001), which includes nonrecurring expenses of EUR 5 million.

Metso Minerals

(in millions)	**1–12/02 EUR**	1–12/01 EUR	Change %
Net sales	**1,819**	913	99
Operating profit before nonrecurring items and amortization of goodwill	**107.9**	44.6	142
% of net sales	**5.9**	4.9	
Operating profit	**51.4**	14.7	250
% of net sales	**2.8**	1.6	
Orders received	**1,860**	873	113
Order backlog Dec. 31	**474**	499	(5)

Metso Minerals' net sales totaled EUR 1,819 million. The increase in net sales from the comparison year was largely due to Svedala, which was acquired in September 2001, being included in Metso Minerals' figures for the whole year under review. Aftermarket and maintenance services accounted for 42 percent of net sales (35%).

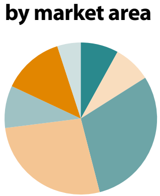
Metso Minerals' operating profit before nonrecurring items and amortization of goodwill was EUR 107.9 million, or 5.9 percent of net sales. The elimination of overlapping functions and the dismantling of surplus production capacity were gradually beginning to be reflected in a streamlined cost structure towards the end of the year. The nonrecurring expenses of EUR 13 million were mainly due to the closing of the Clintonville and Vespasiano plants and the restructuring of the Milwaukee plant in the USA. The operating profit of Metso Minerals was EUR 51.4 million, or 2.8 percent of net sales. In the year's final quarter, profitability improved even though net sales increased only slightly over the previous quarter.

The value of orders received by Metso Minerals was EUR 1,860 million and the order backlog at the end of the year was EUR 474 million.

Metso Automation

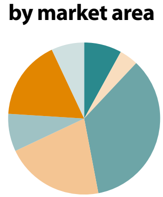
(in millions)	**1–12/02 EUR**	1–12/01 EUR	Change %
Net sales	**622**	693	(10)
Operating profit before nonrecurring items and amortization of goodwill	**21.9**	28.7	(24)
% of net sales	**3.5**	4.1	
Operating profit	**16.3**	17.3	(6)
% of net sales	**2.6**	2.5	
Orders received	**643**	676	(5)
Order backlog Dec. 31	**185**	182	2

Orders received by market area



- Finland 8%
- Other Nordic countries 8%
- Other European countries 30%
- North America 27%
- South America 9%
- Asia-Pacific 13%
- Rest of the world 5%

Order backlog by market area



- Finland 8%
- Other Nordic countries 4%
- Other European countries 35%
- North America 21%
- South America 8%
- Asia-Pacific 17%
- Rest of the world 7%

Metso Automation's net sales were EUR 622 million, which is down 10 percent on the comparison year. The decrease in net sales was largely due to reduced deliveries of automation systems for the pulp and paper industry. Aftermarket and maintenance services accounted for 23 percent (20 percent) of Metso Automation's net sales.

Metso Automation's operating profit before nonrecurring items and amortization of goodwill was EUR 21.9 million, or 3.5 percent of net sales. Profitability was weakened by tougher price competition and underutilization of production capacity. Nonrecurring expenses totaled EUR 3 million, and were due to business restructuring in Finland and the USA. Expenses were cut by approximately EUR 20 million and the personnel was reduced by approximately 400, or 8 percent. Metso Automation's operating profit was EUR 16.3 million, or 2.6 percent of net sales. In the last quarter, the value of deliveries was the strongest of 2002 and the operating profit was higher than in the previous year.

The value of orders received by Metso Automation was EUR 643 million and the order backlog at the end of the year was EUR 185 million.

Metso Ventures

In the beginning of 2002 Metso Panelboard was transferred to Metso Ventures. It is reported in Metso Ventures' figures for the year under review and the comparison year.

(in millions)	**1–12/02 EUR**	1–12/01 EUR	Change %
Net sales	**374**	489	(24)
Operating profit before nonrecurring items and amortization of goodwill	**23.4**	29.8	(21)
% of net sales	**6.3**	6.1	
Operating profit	**14.9**	28.2	(47)
% of net sales	**4.0**	5.8	

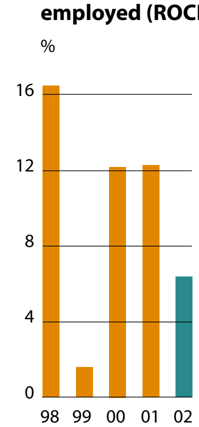
The net sales of Metso Ventures were down 24 percent on the comparison year, and totaled EUR 374 million. The operating profit of Metso Ventures was EUR 14.9 million, or 4.0 percent of net sales. Nonrecurring expenses amounted to EUR 8 million and were due to the restructuring of Metso Panelboard.

The net sales of Metso Panelboard decreased to EUR 66 million (EUR 144 million in 2001). In line with the goals set for the restructuring of Metso Panelboard the operating result turned positive in the final quarter of the year. However, the operating result for the whole year before nonrecurring items and amortization of goodwill was a loss of EUR 11.8 million (loss EUR 6.1 million). Metso Panelboard's operating loss was EUR 20.6 million (loss EUR 7.2 million). During the second half of the year Metso Panelboard received significantly more orders than during the first half. The value of orders received during the year amounted to EUR 128 million (EUR 72 million), and the order backlog increased to EUR 76 million (EUR 14 million).

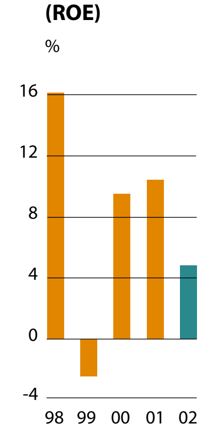
Metso Drives' net sales decreased to EUR 173 million (EUR 204 million). Metso Drives' operating profit was EUR 12.8 million (EUR 8.3 million). The value of orders received amounted to EUR 150 million (EUR 220 million) and the order backlog at the end of the year was EUR 53 million (EUR 88 million).

Valmet Automotive's net sales decreased to EUR 128 million (EUR 136 million). Valmet Automotive's operating profit was EUR 23.4 million (EUR 27.4 million). In the year under review 41,066 cars were manufactured (41,916 cars in 2001).

Return on capital employed (ROCE)



Return on equity (ROE)



Board of Directors' Report

Cash flow and balance sheet

In 2002 Metso's net cash provided by operating activities was EUR 252 million. Cash flow continued to be strong in the year's final quarter, totaling EUR 93 million. Net interest bearing liabilities fell from EUR 1,184 million at the end of September to EUR 1,118 million at the end of December. Gearing, i.e. the ratio of net interest bearing liabilities to shareholders' equity, fell from 87.3 percent at the end of September to 80.6 percent at the end of December. The strengthening of the euro against Metso's other main currencies affected the Corporation's currency-denominated shareholders' equity, which decreased equity by EUR 85 million during the financial year. This raised gearing by 4.6 percentage points. The long-term portion of interest bearing debt accounted for 75 percent of the total. The Corporation's equity to assets ratio was 33.3 percent.

On December 3, 2002, Moody's Investors Service confirmed its current Baa2 long-term rating for Metso Corporation. At the same time Metso's outlook was changed from stable to negative. On November 26, 2002, Standard & Poor's Rating Services lowered its long-term rating of Metso Corporation from BBB+ to BBB. At the same time the A-2 short-term rating was affirmed. All ratings were removed from Credit Watch and Metso's outlook was considered to be stable.

Metso's goal has been to return gearing to less than 50 percent by the end of the first quarter of 2003. Steps continue to be taken to achieve this goal by, for example, reducing net working capital. However, in the current market situation, the corporate divestments required to fulfil this target look to be advancing more slowly than expected.

Capital expenditure

Metso's gross capital expenditure was EUR 194 million (EUR 982 million) and the net capital expenditure was EUR 56 million (EUR 884 million). The most significant capital expenditures during the year were Metso Paper's service centers in Finland and Brazil and Metso Drives' efforts to raise the capacity of its gears production and service center. The figure for the comparison year includes a net EUR 804 million for the acquisition of Svedala.

Revised strategy for Metso Automation

Metso Automation's strategy was revised in the second half of the year to improve the profitability of the automation business and to better utilize the Corporation's internal synergy potential. The focus of Metso Automation's operations is being redirected to industry-specific process automation for the pulp and paper industry and for rock and mineral processing as well as field systems solutions for various industry sectors.

Integration of Metso Minerals

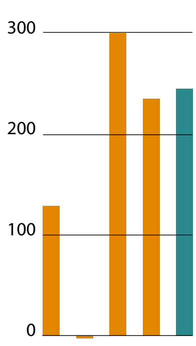
Metso Minerals' operational integration was concluded by the end of September. By the end of the year under review 12 production plants, mostly in the USA, had been closed down or sold. In addition, as a result of the integration of distribution operations, about 70 distribution and service units were closed. These decisions reduced Metso Minerals' personnel by about 1,800 from the beginning of integration to the end of 2002. Metso Minerals also divested or closed four non-core businesses – Svedala Robot B.V., Kranlyft Ab, Interconsult i Falkenberg Ab and Oy Rolac Ab. The combined sales of these units totaled EUR 79 million in 2001.

At the turn of the year Metso Minerals finalized the divestiture of its Hodge foundry unit in Greenville, Pennsylvania, which was sold to a group of investors. The foundry, employing 90 persons, was transferred on December 31, 2002 to the new company, Hodge Foundry, Inc.

At the beginning of the process, it was estimated that the annual synergy benefits of integration would amount to EUR 70 million and be realized in full in 2003. Later, the target was raised to EUR 90 million, of which more than half was realized in 2002.

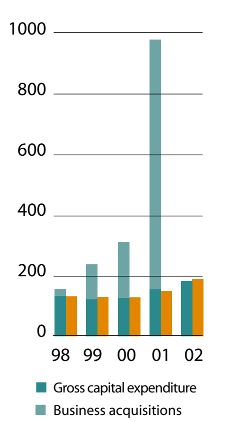
Operating cash flow

EUR million



Capital expenditure and depreciation

EUR million



The total nonrecurring restructuring expenses of integration from the acquisition date have been EUR 72 million (90 million net of tax benefits of EUR 18 million).

Corporate-wide synergy projects

The corporate-wide synergy projects aim at better utilizing Metso's joint resources, processes and methods. In 2002, reorganization of administrative functions in North America was launched, and a project aiming to exploit the synergy potential within the Corporation's purchasing activities was also started. These two projects together are estimated to produce annual cost benefits of over EUR 50 million. In addition, Metso continued to unify its administrative operations in China and to concentrate its Brazilian operations in Sorocaba, São Paulo.

In December, Metso announced that it would rationalize its Finnish financial administration by establishing a service center to centrally handle all the financial administration services of its Finnish units. The service center will operate in two locations, Tampere and Jyväskylä, and is expected to reduce the personnel required for financial administration and payroll accounting by about 50.

Corporate acquisitions and divestments

In April Metso sold Metso Works, a company with engineering workshop operations in Pori, Parkano and Loviisa, Finland to Hollming Oy. Metso Works' net sales in 2001 totaled EUR 38 million and its personnel numbered 532.

In September, Metso acquired YIT's shareholding in Scandinavian Mill Service Oy, i.e. 51 percent of the company's shares. After this, Metso owns the entire share capital of Scandinavian Mill Service. The company's net sales in 2001 were EUR 5.3 million and its personnel numbered 140. The acquisition is in line with Metso's aim to expand its scope in daily service operations for the pulp and paper industry.

In November, Metso signed a memorandum of understanding with the Swiss Bobst Group SA for the sale of its Converting Equipment group. The transaction is intended to be completed in the first quarter of 2003. The value of the transaction is approximately EUR 90 million, corresponding to the group's book value in Metso's balance sheet.

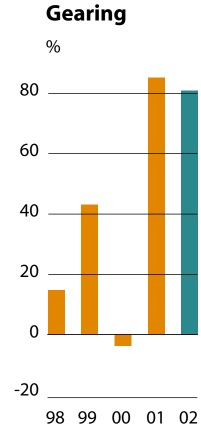
In December, Metso signed a memorandum of understanding for the sale of its foundry operations, located in Karlstad, Sweden, to a newly established company, which is owned by Åkers AB and Metso Paper Karlstad AB. Åkers AB will initially hold 51 percent of the shares in the new company, and it has an option to acquire the rest of the shares later.

Research and development

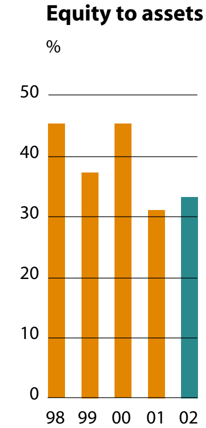
Metso's research and development expenditure in the year under review totaled EUR 156 million (EUR 150 million), or 3.3 percent of the Corporation's net sales.

In 2002, research and development focused mainly on strengthening lifecycle technologies and process know-how in line with the Metso Future Care business concept. In fiber and paper technology, investments were made mostly in mechanical pulp processing and paper surface treatment technologies. In rock and minerals processing, development focused especially on high-precision simulations and knowledge-based control systems. In automation and control technology, the aim was to develop automation and information system solutions, mainly those based on open standards, and paper quality measurements. The development of power transmission technology focused on gear technology and maintenance services. In panelboard technology, improvements were made in the continuously operated press and related process technology.

Gearing



Equity to assets



Board of Directors' Report

Personnel

In 2002, Metso's personnel numbered 29,258 on average. At the end of the year the number of personnel was 28,489, or 6 percent less than at the end of 2001.

The Corporation employed 37 percent of its total personnel in Finland, 13 percent in other Nordic countries, 17 percent in other European countries, 17 percent in North America, 5 percent in Asia-Pacific, 6 percent in South America and 5 percent in the rest of the world.

Of the personnel, 34 percent were employed by Metso Paper, 38 percent by Metso Minerals, 15 percent by Metso Automation and 10 percent by Metso Ventures. 3 percent of the Corporation's personnel worked in the Converting Equipment group.

Changes in corporate management

Metso's Board of Directors has appointed Olli Vaartimo (52), M.Sc. (Econ), the Corporation's Executive Vice President, CFO and Deputy to the President. Vaartimo will start in this position by May 1, 2003. Vaartimo is currently President of Metso Minerals.

Sakari Tamminen, Metso's Executive Vice President, CFO, has been appointed the CEO of Rautaruukki as of January 1, 2004. Tamminen will transfer to Rautaruukki by May 1, 2003.

On January 29, 2003, Metso's Board of Directors appointed Bertel Langenskiöld (52), M.Sc. (Eng), the President of Metso Minerals and a member of Metso's Executive Board. He is currently the President and CEO of Fiskars Corporation. Langenskiöld will start in this position at a date that will be confirmed later.

Board of Directors and Auditors

Metso Corporation's Annual General Meeting held on March 27, 2002 re-elected Pertti Voutilainen as Chairman of the Board. Mikko Kivimäki was re-elected the Vice Chairman of the Board. Board members re-elected were Heikki Hakala, Juhani Kuusi, Jaakko Rauramo, Markku Tapio and Pentti Mäkinen, who was proposed by the personnel of Metso Corporation. PricewaterhouseCoopers, Authorized Public Accountants, was re-elected as the Corporation's auditor, with the responsible auditors being Lars Blomquist, APA, and Heikki Lassila, APA.

Decisions of the Annual General Meeting

The Annual General Meeting of Metso Corporation on March 27, 2002 authorized the Board of Directors to resolve the repurchase and transfer of the Corporation's own shares as well as to increase the share capital within one year of the shareholders' meeting. The Corporation's own shares may be procured for use as payment in possible future acquisitions or for financing investments. The Board of Directors had not utilized the authorization by December 31, 2002.

The Annual General Meeting decided to pay a dividend of EUR 0.60 per share for the fiscal year that ended December 31, 2001.

Events after the review period

On January 17, 2003, Metso sold its hydraulic power transmission unit, Metso Hydraulics, to Sampo-Rosenlew Oy. Metso Hydraulics was part of the Metso Ventures business area. In 2002, its net sales was EUR 18 million, operating profit EUR 3 million and number of personnel approximately 120.

On January 31, 2003, Metso agreed on the sale of its Network Management Solutions companies (NMS) to Telvent from Spain. The divestment is expected to be closed in February 2003. The value of the transaction is approximately EUR 35 million and it will reduce Metso's gearing by approximately 3 percentage points.

Short-term outlook

The market environment is expected to continue uncertain in the near future.

No significant change in the near term is expected in Metso Paper's market situation, although the paper industry's investment planning activity seems to be cautiously reviving.

The demand for construction and civil engineering industry products supplied by Metso Minerals is expected to remain at the present level. The prospects for the mining industry have improved slightly everywhere except for the USA.

The demand for Metso Automation's field systems is expected to pick up slightly.

The actions taken to streamline the cost structure create a basis for improved profitability in 2003. The work in order to achieve the Corporation's financial goals continues.

Board of Directors' proposal for the distribution of profit

The consolidated distributable funds of Metso Corporation on December 31, 2002 were EUR 861 million. The parent company's distributable funds totaled EUR 697 million. On December 31, 2002, a total of 136,189,704 Metso shares, giving entitlement to full dividends for 2002, were held outside the Corporation.

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

Helsinki, February 5, 2003
Metso Corporation's Board of Directors

Consolidated Statements of Income

		Year ended December 31,			
		2000	2001	**2002**	**2002**
(In millions, except for per share amounts)	Note	EUR	EUR	**EUR**	**USD**
Net sales		3,891	4,343	**4,691**	**4,918**
Cost of goods sold	3), 5)	(2,901)	(3,200)	**(3,425)**	**(3,591)**
Gross profit		990	1,143	**1,266**	**1,327**
Selling, general and administrative expenses	2), 3), 5)	(793)	(873)	**(1,015)**	**(1,064)**
Operating profit before nonrecurring operating items and amortization of goodwill		197	270	**251**	**263**
% of net sales		5.1%	6.2%	**5.3%**	**5.3%**
Nonrecurring operating income and expenses, net	4)	18	4	**(27)**	**(28)**
Amortization of goodwill	5)	(15)	(28)	**(57)**	**(60)**
Operating profit		200	246	**167**	**175**
% of net sales		5.1%	5.7%	**3.6%**	**3.6%**
Financial income and expenses, net	6)	(20)	(24)	**(74)**	**(78)**
Share of profits of associated companies	7)	0	0	**0**	**0**
Income before extraordinary items and income taxes		180	222	**93**	**97**
Extraordinary income and expenses, net	8)	268	(8)	**-**	**-**
Income before taxes		448	214	**93**	**97**
Income taxes	9)	(59)	(72)	**(26)**	**(27)**
Minority interests		0	(1)	**(2)**	**(2)**
Net income		389	141	**65**	**68**
Earnings per share	10)	0.90	1.09	**0.48**	**0.50**
Earnings per share excl. nonrecurring items and amortization of goodwill	10)	0.91	1.26	**0.99**	**1.04**

Consolidated Balance Sheets

Assets

(In millions)	Note	As at December 31, 2001 EUR	2002 EUR	2002 USD
Fixed assets and financial assets				
Intangible assets	11)			
Goodwill		1,037	**895**	**938**
Other intangible assets		57	**116**	**122**
		1,094	**1,011**	**1,060**
Tangible assets	11), 12)			
Land and water areas		68	**85**	**89**
Buildings		340	**350**	**367**
Machinery and equipment		387	**343**	**360**
Other tangible assets		32	**31**	**33**
Assets under construction		59	**82**	**86**
		886	**891**	**935**
Financial assets				
Shareholdings and other securities	14)	114	**51**	**53**
Own shares	14)	1	**1**	**1**
Loans receivable	17)	17	**20**	**21**
Accounts receivable	17)	10	**5**	**5**
Other long-term investments	15), 17)	73	**26**	**27**
		215	**103**	**107**
Total fixed and financial assets		2,195	**2,005**	**2,102**
Current assets				
Inventories				
Materials and supplies		225	**186**	**195**
Work in process		320	**281**	**295**
Finished products		404	**352**	**369**
		949	**819**	**859**
Receivables	17)			
Accounts receivable		1,106	**836**	**876**
Cost and earnings of projects under construction in excess of billings	16)	133	**174**	**182**
Loans receivable		16	**5**	**5**
Accrued income and prepaid expenses		146	**201**	**211**
Deferred tax asset	9)	176	**98**	**103**
Other receivables		100	**60**	**63**
Other short-term investments		9	**11**	**12**
		1,686	**1,385**	**1,452**
Cash and cash equivalents		212	**190**	**199**
Total current assets		2,847	**2,394**	**2,510**
Total assets		5,042	**4,399**	**4,612**

Shareholders' equity and liabilities

		As at December 31,		
		2001	**2002**	**2002**
(In millions)	Note	EUR	**EUR**	**USD**
Shareholders' equity	18)			
Share capital		232	**232**	**243**
Share premium reserve		14	**14**	**15**
Legal reserve		221	**227**	**238**
Revaluation reserve		0	**0**	**0**
Cumulative translation differences		25	**(60)**	**(63)**
Reserve for own shares		1	**1**	**1**
Other reserves		202	**202**	**212**
Retained earnings		633	**698**	**732**
Net income for the financial year		141	**65**	**68**
Total shareholders' equity		1,469	**1,379**	**1,446**
Minority interests		7	**10**	**10**
Liabilities				
Long-term debt	19)			
Bonds		730	**713**	**748**
Loans from financial institutions		373	**233**	**244**
Pension loans		47	**38**	**40**
Other long-term debt		29	**36**	**38**
		1,179	**1,020**	**1,070**
Other long-term liabilities				
Accrued expenses	20), 23)	148	**126**	**132**
Deferred tax liability	9)	34	**25**	**26**
Other long-term loans		1	**1**	**1**
		183	**152**	**159**
Current liabilities				
Current portion of long-term debt		46	**50**	**52**
Other interest bearing short-term debt	21)	343	**283**	**297**
Advances received		183	**141**	**148**
Accounts payable		390	**321**	**337**
Billings in excess of cost and earnings of projects under construction	16)	114	**84**	**88**
Accrued expenses and deferred income	22), 23)	1,040	**873**	**915**
Other current liabilities		88	**86**	**90**
		2,204	**1,838**	**1,927**
Total liabilities		3,566	**3,010**	**3,156**
Total shareholders' equity and liabilities		5,042	**4,399**	**4,612**

Consolidated Statements of Cash Flows

	Year ended December 31,			
	2000	2001	**2002**	**2002**
(In millions)	EUR	EUR	**EUR**	**USD**
Cash flows from operating activities:				
Net income	389	141	**65**	**68**
Adjustments to reconcile net income to net cash				
provided by operating activities:				
Depreciation and amortization	128	149	**197**	**206**
Gain on sale of fixed assets	(3)	(4)	**(7)**	**(7)**
Gain on sale of Timberjack, net of taxes	(275)	-	**-**	**-**
(Gain) loss on sale of other subsidiaries and associated companies	2	(11)	**(1)**	**(1)**
Gain on marketable securities	(12)	(37)	**(7)**	**(7)**
Share of profits and losses of associated companies	0	0	**(1)**	**(1)**
Other non-cash items	43	10	**28**	**29**
Change in net working capital, net of effect from business acquisitions	28	(13)	**(22)**	**(23)**
Net cash provided by (used in) operating activities	300	235	**252**	**264**
Cash flows from investing activities:				
Capital expenditures on fixed assets	(111)	(154)	**(191)**	**(200)**
Proceeds from sale of fixed assets	41	18	**33**	**34**
Acquisition of Svedala, net of cash acquired	-	(804)	**-**	**-**
Other business acquisitions, net of cash acquired	(186)	(24)	**(1)**	**(1)**
Investments in associated companies	(1)	-	**(1)**	**(1)**
Proceeds from sale of subsidiaries and associated companies	7	17	**38**	**40**
Proceeds from sale of Timberjack, net of taxes	506	-	**-**	**-**
Taxes payable (taxes paid) on gain of Timberjack sale	85	(85)	**-**	**-**
Proceeds from sale of shares and marketable securities	15	90	**110**	**115**
Investments in shares and marketable securities	(47)	(1)	**(2)**	**(2)**
Net cash provided by (used in) investing activities	309	(943)	**(14)**	**(15)**
Cash flows from financing activities:				
Dividends paid	(54)	(81)	**(82)**	**(86)**
Hedging of net investment in foreign subsidiaries	(34)	0	**-**	**-**
Net borrowings (payments) on short-term debt	(183)	114	**(50)**	**(53)**
Proceeds from issuance of long-term debt	16	798	**200**	**210**
Principal payment of long-term debt	(73)	(466)	**(311)**	**(326)**
Notes receivable issued	(6)	(7)	**(4)**	**(4)**
Proceeds from payment on notes receivable	25	68	**14**	**15**
Proceeds from Timberjack installment credit receivables	35	-	**-**	**-**
Other	(10)	7	**0**	**0**
Net cash provided by (used in) financing activities	(284)	433	**(233)**	**(244)**
Effect of changes in exchange rates of cash and cash equivalents	1	2	**(27)**	**(28)**
Net increase (decrease) in cash and cash equivalents	326	(273)	**(22)**	**(23)**
Cash and cash equivalents at beginning of year	159	485	**212**	**222**
Cash and cash equivalents at end of year	485	212	**190**	**199**

(In millions)	Year ended December 31, 2000 EUR	2001 EUR	2002 EUR	2002 USD
Change in net working capital, net of effect from business acquisitions:				
(Increase) decrease in assets and increase (decrease) in liabilities:				
Inventory	(156)	57	**24**	**25**
Receivables	(49)	(40)	**183**	**192**
Other assets	12	(34)	**35**	**37**
Percentage of completion: recognized assets and liabilities, net	77	(74)	**(71)**	**(75)**
Accounts payable	51	8	**(46)**	**(48)**
Accrued liabilities	65	79	**(119)**	**(125)**
Other liabilities	28	(9)	**(28)**	**(29)**
Total	28	(13)	**(22)**	**(23)**

Supplemental cash flow information:

Acquisition of businesses:				
Intangible assets	18	11	**0**	**0**
Tangible assets	64	197	**1**	**1**
Goodwill	102	836	**4**	**4**
Current assets, other than cash	36	909	**2**	**2**
Minority interests	-	10	**0**	**0**
Liabilities assumed	(34)	(1,135)	**(6)**	**(6)**
Total, net of cash acquired	186	828	**1**	**1**
Cash paid during the year for:				
Interest	45	47	**83**	**87**
Income taxes	55	113	**57**	**60**

Consolidated Statements of Changes in Shareholders' Equity

(In millions)	Number of shares (thousands)	Share capital (Par value EUR 1.70 per share)	Share premium reserve EUR	Legal reserve EUR	Cumulative translation differences EUR	Reserve for own shares EUR	Other reserves EUR	Retained earnings EUR	Total EUR
Balance at									
December 31, 1999	135,817	228	7	221	(2)	6	202	423	1,085
Dividends	-	-	-	-	-	-	-	(54)	(54)
Transfer from share									
premium reserve	-	3	(3)	-	-	-	-	-	0
Cancellation of own shares	(500)	(1)	1	-	-	(5)	-	-	(5)
Translation differences	-	-	-	-	23	-	-	-	23
Transfer of translation differences	-	-	-	-	25	-	-	(25)	0
Other	245	-	3	(1)	-	-	-	(15)	(13)
Net income	-	-	-	-	-	-	-	389	389
Balance at									
December 31, 2000	**135,562**	**230**	**8**	**220**	**46**	**1**	**202**	**718**	**1,425**
Dividends	-	-	-	-	-	-	-	(81)	(81)
Share issue (option rights)	689	2	6	-	-	-	-	-	8
Translation differences	-	-	-	-	(21)	-	-	-	(21)
Other	-	-	-	1	-	-	-	(4)	(3)
Net income	-	-	-	-	-	-	-	141	141
Balance at									
December 31, 2001	**136,251**	**232**	**14**	**221**	**25**	**1**	**202**	**774**	**1,469**
Dividends	-	-	-	-	-	-	-	(82)	(82)
Translation differences	-	-	-	-	(85)	-	-	-	(85)
Other	-	-	-	6	-	-	-	6	12
Net income	-	-	-	-	-	-	-	65	65
Balance at									
December 31, 2002	**136,251**	**232**	**14**	**227**	**(60)**	**1**	**202**	**763**	**1,379**

Shareholders' equity includes EUR 44 million nondistributable accelerated depreciation and untaxed reserves and EUR 60 million negative translation differences at December 31, 2002.

Notes to Consolidated Financial Statements

1 Accounting principles

Basis of presentation

The consolidated financial statements, prepared in accordance with Finnish generally accepted accounting principles (Finnish GAAP), include the financial statements of Metso Corporation (the “Parent Company”) and its subsidiaries (together, “Metso”). Metso Corporation was formed in 1999 as a result of the merger of Rauma Corporation (“Rauma”) and Valmet Corporation (“Valmet”). The merger was consummated on July 1, 1999 and was accounted for by the pooling of interest method.

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, 2002 have been translated into United States dollars (“USD”) using the December 31, 2002 Noon Buying Rate of the Federal Reserve Bank of New York of EUR 1.00 = 1.0485 USD (USD 1.00 = EUR 0.9538). Translation should not be construed as a representation that the amounts shown could be converted into USD at that rate.

Use of estimates

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Principles of consolidation

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

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

Acquisitions of companies are accounted for by using the purchase method. Goodwill represents the excess of the purchase cost over the fair value of the net assets of the acquired companies. The excess of purchase price allocated to fixed assets is depreciated concurrently with the underlying assets. Goodwill arising from acquisitions is amortized over a period not to exceed twenty years. Deferred credit (negative goodwill) represents the excess of net assets of acquired companies over the purchase cost. Deferred credit arising from acquisitions is allocated to reduce the acquired fixed assets proportionally to their fair values at the time of the acquisition.

The equity method of accounting is used for investments in associated companies in which the investment provides Metso 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.

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

Derivative financial instruments

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

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

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

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

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

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

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

If the interest leg of a cross-currency swap or an interest swap has not been designated as a hedge of an underlying item at its inception, the interest portion of the swaps is fair valued quarterly. Interest rate futures are fair valued quarterly and the change in fair value is recognized in financial income and expenses, net.

Other long-term investments

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

Revenue recognition

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

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

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

Research and development

Research and development costs are expensed as incurred.

Maintenance, repair and renewals

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

Pensions and coverage of pension liabilities

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

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

Fixed assets and long-term investments

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

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

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

Impairments on fixed assets and capital gains and losses on the disposal are included in operating profit (loss) or in extraordinary items depending on the nature of the event. Goodwill arising from strategic business acquisitions is amortized in 20 years.

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 annually or, more frequently, if the facts and circumstances, such as declines in sales, operating profit or cash flows or material adverse changes in the business climate, suggest that its carrying value may not be recoverable. Metso uses discounted future cash flow analysis to assess whether the carrying value of goodwill exceeds its fair value.

Capitalization of interest expenses

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

Revaluation of fixed assets

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

Leasing

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

Own shares (treasury stock)

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

Cash and cash equivalents

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

Inventories

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

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

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

Notes to Consolidated Financial Statements

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

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

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.

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

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

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

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

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

2 Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	Year ended December 31,		
	2000	2001	**2002**
(In millions)	EUR	EUR	**EUR**
Marketing and selling expenses	381	425	**548**
Research and development expenses	123	137	**146**
Administrative expenses	289	315	**341**
Other income	(15)	(15)	**(26)**
Other expenses	15	11	**6**
Total	793	873	**1,015**

3 Personnel expenses and the number of personnel

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

	Year ended December 31,		
	2000	2001	**2002**
(In millions)	EUR	EUR	**EUR**
Salaries to the members of Boards of Directors			
and Managing Directors of Group companies	12	12	**14**
Other wages and salaries	825	924	**1, 062**
Pension costs	81	99	**112**
Other indirect employee costs	135	156	**183**
Total	1,053	1,191	**1,371**

Number of personnel:	2000	2001	**2002**
Personnel, average	22,372	25,613	**29,258**
Personnel, at end of year	22,024	30,242	**28,489**

Notes to Consolidated Financial Statements

4 Nonrecurring operating income and expenses

	Year ended December 31,		
	2000	2001	**2002**
(In millions)	EUR	EUR	**EUR**
Pension refunds of Swedish subsidiaries			
Metso Paper	11	-	-
Metso Minerals	0	-	-
Metso Automation	1	-	-
Metso Ventures	2	-	-
Gain on sale of listed and other shares			
Metso Ventures	-	-	**1**
Headquarters and other	11	47	**7**
Nonrecurring operating income, total	25	47	**8**
Restructuring expenses			
Metso Paper	-	(15)	**(6)**
Metso Minerals	-	(13)	**(10)**
Metso Automation	-	(8)	**(3)**
Metso Ventures	(7)	-	**(8)**
Converting Equipment	-	-	**(1)**
Other expenses			
Metso Minerals	-	(3)	**(3)**
Headquarters and other	-	(4)	**-**
Converting Equipment	-	-	**(4)**
Nonrecurring operating expenses, total	(7)	(43)	**(35)**
Nonrecurring operating income and expenses, net	18	4	**(27)**

Gain on sale of listed and other shares included gain on disposal of listed companies of EUR 11 million, EUR 37 million and EUR 7 million for the years ended December 31, 2000, December 31, 2001 and December 31, 2002, respectively.

Restructuring expenses consist of both paid and accrued expenses related to the restructuring of business operations. For the year ended December 31, 2000, restructuring expenses of EUR 7 million consisted of reorganizing Metso Ventures' Panelboard Technology operations in Germany.

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

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

For the years ended December 31, 2001 and 2002, respectively, other expenses comprised of EUR 4 million for extending the use of the Metso name to business operations and of additional one-time inventory write-off of EUR 4 million in Converting Equipment. For the years ended December 31, 2001 and 2002, respectively, the caption includes, in both financial years, costs of EUR 3 million in Metso Minerals for integration projects, initiated before the acquisition of Svedala, and which continued throughout the year 2002.

5 Depreciation and amortization

Depreciation and amortization expenses consist of the following:

	Year ended December 31,		
	2000	2001	**2002**
(In millions)	EUR	EUR	**EUR**
Intangible assets			
Goodwill	15	28	**57**
Other intangible assets	10	16	**19**
Tangible assets			
Buildings	19	22	**26**
Machinery and equipment	79	77	**87**
Other tangible assets	5	6	**8**
Total	128	149	**197**

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

	Year ended December 31,		
	2000	2001	**2002**
(In millions)	EUR	EUR	**EUR**
Cost of goods sold	73	77	**83**
Marketing, selling and administrative expenses			
Marketing and selling	8	7	**12**
Research and development	13	9	**11**
Administrative	19	28	**34**
Goodwill	15	28	**57**
Total	128	149	**197**

6 Financial income and expenses

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

	Year ended December 31,		
	2000	2001	**2002**
(In millions)	EUR	EUR	**EUR**
Financial income			
Dividends received	12	12	**7**
Interest income	21	24	**11**
Other financial income	2	3	**3**
Net gain (loss) from foreign exchange	0	2	**(4)**
Financial income total	35	41	**17**
Financial expenses			
Interest expenses	(47)	(53)	**(87)**
Other financial expenses	(8)	(12)	**(4)**
Financial expenses total	(55)	(65)	**(91)**
Financial income and expenses, net	(20)	(24)	**(74)**

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

7 Investments in associated companies

(In millions)	2000 EUR	2001 EUR	**2002 EUR**
	Year ended December 31,		
Dividends received	0	0	**0**
Share of profits or losses in associated companies	0	0	**1**
Equity value of investments in associated companies	14	14	**14**

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

8 Extraordinary income and expenses

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

(In millions)	2000 EUR	2001 EUR	**2002 EUR**
	Year ended December 31,		
Extraordinary income			
Capital gain on disposal of Timberjack	378	-	-
Tax effect	(103)	-	-
Extraordinary income, net of taxes	275	-	-
Extraordinary expenses			
Realized losses on currency derivatives caused by delay in the acquisition of Svedala Industri AB	(10)	-	-
Inventory adjustment in Metso Drives' German operations	-	(3)	-
Accounting adjustments in Metso Automation's U.S. operations	-	(8)	-
Tax effect	3	3	-
Extraordinary expenses, net of taxes	(7)	(8)	-
Extraordinary income and expenses, net	268	(8)	-

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9 Income taxes

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

	Year ended December 31,		
	2000	2001	**2002**
(In millions)	EUR	EUR	**EUR**
Finland	92	208	**103**
Other countries	88	14	**(10)**
Total	180	222	**93**

The components of income taxes are as follows:

	Year ended December 31,		
	2000	2001	**2002**
(In millions)	EUR	EUR	**EUR**
Current taxes			
Finland	28	50	**(18)**
Other countries	13	23	**17**
	41	73	**(1)**
Deferred taxes			
Finland	3	10	**22**
Other countries	15	(11)	**5**
	18	(1)	**27**
Current and deferred taxes	59	72	**26**
Tax effect of extraordinary items	100	(3)	**-**
Income taxes, total	159	69	**26**

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

	Year ended December 31,		
	2000	2001	**2002**
(In millions)	EUR	EUR	**EUR**
Income tax expense (benefit) at Finnish statutory rate	52	64	**27**
Income tax for prior years	(1)	(7)	**(9)**
Write-down of subsidiary shares	-	-	**(29)**
Temporary differences for which no deferred tax has been provided	3	(1)	**2**
Benefit of operating loss carryforward	(1)	(3)	**(3)**
Amortization of goodwill	2	4	**16**
Nontaxable income	(1)	0	**0**
Nondeductible expenses	1	1	**1**
Taxes on foreign subsidiaries' net income in excess of income taxes at Finnish statutory rates	4	3	**4**
Operating losses with no current tax benefit	13	9	**16**
Effect of extraordinary items	100	(3)	**-**
Other	(13)	2	**1**
Income tax expense (benefit)	159	69	**26**

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

(In millions)	Year ended December 31, 2001 EUR	2002 EUR
Noncurrent assets:		
Tax losses carried forward	157	**186**
Provisions	34	**29**
Other	16	**0**
Valuation allowance	(104)	**(110)**
	103	**105**
Current assets:		
Intercompany profit in inventory	11	**10**
Provisions	126	**84**
Valuation allowance	(1)	**0**
	136	**94**
Current liabilities:		
Inventories and other	(24)	**(8)**
Noncurrent liabilities:		
Accelerated depreciation and other untaxed reserves	(34)	**(25)**
Other	(39)	**(93)**
	(73)	**(118)**
Deferred tax asset (liability), net	142	**73**

The change in the deferred tax asset includes EUR 31 million of deferred tax liability arising from allocation of the excess of purchase consideration to fair values in the opening balance of Svedala companies.

As at December 31, 2002, Metso had EUR 548 million of losses carried forward, primarily attributable to foreign subsidiaries. New losses for the year ended December 31, 2002, amounting to EUR 262 million, increased the deferred tax asset on loss carryforward by EUR 38 million. Approximately 40% of the accumulated loss carryforwards at December 31, 2002 have no expiration date, 10% expires between years 2003–2011 and the remaining 50% between years 2012–2017.

The valuation allowance for the deferred tax asset is as follows:

(In millions)	Balance at beginning of year EUR	Deduction EUR	Increase EUR	Balance at end of year EUR
2001				
Losses carried forward	27	(1)	62	88
Other	16	0	1	17
Total	43	(1)	63	105
2002				
Losses carried forward	88	(34)	56	110
Other	17	(17)	0	0
Total	**105**	**(51)**	**56**	**110**

Notes to Consolidated Financial Statements

10 Earnings per share

Earnings per share is calculated as follows:

	Year ended December 31,		
	2000	2001	**2002**
(In millions, except for per share amounts)	EUR	EUR	**EUR**
Income before extraordinary items and income taxes	180	222	**93**
Minority interests	0	(1)	**(2)**
Taxes on normal business operations	(59)	(72)	**(26)**
	121	149	**65**
Weighted average number of shares issued and outstanding (in thousands)	135,364	136,135	**136,190**
Earnings per share	0.90	1.09	**0.48**
Weighted average number of diluted shares issued and outstanding (in thousands)	135,518	136,135	**136,190**
Diluted earnings per share	0.90	1.09	**0.48**

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

	Year ended December 31,		
	2000	2001	**2002**
(In millions, exept for per share amounts)	EUR	EUR	**EUR**
Nonrecurring operating income and expenses, net	18	4	**(27)**
Amortization of goodwill	(15)	(28)	**(57)**
Expenses related to the temporary financing of the Svedala acquisition (incl. in financing expenses)	-	(5)	**-**
Nonrecurring items and amortization of goodwill, total	3	(29)	**(84)**
Tax effect	(4)	5	**13**
The impact of nonrecurring items and amortization of goodwill on net income	(1)	(24)	**(71)**
The impact of nonrecurring items and amortization of goodwill on earnings per share	0.01	0.17	**0.51**
Earnings per share excl. nonrecurring items and amortization of goodwill	0.91	1.26	**0.99**

11 Intangible and tangible assets

(In millions)	Year ended December 31, 2001 EUR	2002 EUR
Goodwill		
Acquisition cost at beginning of year	380	**1,252**
Increases	895	**20**
Decreases	(31)	**(94)**
Exchange gains (losses)	8	**(41)**
Accumulated depreciation at end of year	(215)	**(242)**
Net book value at end of year	1,037	**895**
Other intangible assets		
Acquisition cost at beginning of year	101	**130**
Increases	36	**81**
Decreases	(7)	**(6)**
Exchange gains (losses)	0	**(3)**
Accumulated depreciation at end of year	(73)	**(86)**
Net book value at end of year	57	**116**
Land and water areas		
Acquisition cost at beginning of year	55	**68**
Increases	14	**23**
Decreases	(1)	**(3)**
Exchange gains (losses)	0	**(3)**
Net book value at end of year	68	**85**
Buildings		
Acquisition cost at beginning of year	425	**576**
Increases	164	**82**
Decreases	(16)	**(30)**
Exchange gains (losses)	3	**(29)**
Accumulated depreciation at end of year	(236)	**(249)**
Net book value at end of year	340	**350**

(In millions)	Year ended December 31, 2001 EUR	2002 EUR
Machinery and equipment		
Acquisition cost at beginning of year	1,013	**1,383**
Increases	439	**85**
Decreases	(70)	**(113)**
Exchange gains (losses)	1	**(62)**
Accumulated depreciation at end of year	(996)	**(950)**
Net book value at end of year	387	**343**
Other tangible assets		
Acquisition cost at beginning of year	77	**88**
Increases	25	**16**
Decreases	(15)	**(6)**
Exchange gains (losses)	1	**(5)**
Accumulated depreciation at end of year	(56)	**(62)**
Net book value at end of year	32	**31**
Assets under construction		
Acquisition cost at beginning of year	55	**59**
Increases	39	**54**
Decreases	(35)	**(30)**
Exchange gains (losses)	(0)	**(1)**
Net book value at end of year	59	**82**

12 Capitalization of interest expenses

The capitalized interest expenses are the following:

(In millions)	Year ended December 31, 2001 EUR	2002 EUR
Net capitalized interest, beginning of year	5	**4**
Capitalized interest expenses	-	**-**
Amortization of capitalized interest expense	(1)	**(1)**
Net capitalized interest, end of year	4	**3**

13 Final goodwill arising from the acquisition of Svedala

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

Allocation of fair market values

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

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

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

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

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14 Shareholdings and other securities

Investments in shareholdings and other securities consist of the following:
Investments in associated companies:

	Year ended December 31,			
	2001		**2002**	
(In millions)	Ownership %	Equity value EUR	**Ownership %**	**Equity value EUR**
Allimand S.A.	35.8%	5	**35.8%**	**5**
Valmet-Xian Paper Machinery Co. Ltd.	48.3%	3	**48.3%**	**4**
Shanghai Neles-Jamesbury Valve Co. Ltd.	50.0%	3	**50.0%**	**3**
Others		3		**2**
Total investments in associated companies		14		**14**

Shareholdings and other securities:

	Year ended December 31,							
	2001				**2002**			
(In millions, except for number of shares)	Number of shares	Ownership %	Book value EUR	Fair value EUR	**Number of shares**	**Ownership %**	**Book value EUR**	**Fair value EUR**
Tamfelt Corporation	242,100	2.7%	4	6	**242,100**	**2.7%**	**4**	**7**
Sampo Plc	327,540	0.1%	1	3	**327,540**	**0.1%**	**1**	**2**
Sato Corporation plc	239,555	10.9%	12	12	**239,555**	**10.9%**	**12**	**12**
Partek Corporation	4,126,039	8.5%	57	38	**-**	**-**	**-**	**-**
Exel plc	550,000	10.5%	5	5	**650,000**	**12.3%**	**5**	**4**
Other shares and securities			21	21			**15**	**15**
Total investments in shares and other securities			100	85			**37**	**40**
Total shareholdings and other securities			114				**51**	
Own shares held by Metso Corporation	60,841	0.0%	1	1	**60,841**	**0.0%**	**1**	**1**

15 Other long-term investments

Other long-term investments consist of certificates of deposits, bonds and other securities with a maturity of greater than one year at the time of acquisition. They amounted to EUR 73 million at December 31, 2001 and to EUR 26 million at December 31, 2002. Other long-term investments are recorded at the lower of cost or market value.

	Year ended December 31,							
	2001				**2002**			
		Unrealized	Unrealized	Fair		**Unrealized**	**Unrealized**	**Fair**
	Cost	gains	losses	value	**Cost**	**gains**	**losses**	**value**
(In millions)	EUR	EUR	EUR	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Bonds and Treasury bills	24	0	-	24	**8**	**0**	**-**	**8**
Other securities	49	0	-	49	**18**	**0**	**-**	**18**
Total	73	0	-	73	**26**	**0**	**-**	**26**

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

	Year ended December 31,		
	2000	2001	**2002**
(In millions)	EUR	EUR	**EUR**
Purchases	11	-	**6**
Transferred through Svedala acquisition	-	25	**-**
Reclassified in other short-term investments	5	5	**35**
Proceeds from sales	2	1	**18**
Proceeds from maturities	1	3	**-**
Realized gains	-	-	**-**
Realized losses	-	-	**(1)**

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

As at December 31, 2002, the maturities of long-term investments in debt and other securities are as follows:

(In millions)	**EUR**
Less than five years	**13**
Five to ten years	**-**
More than ten years	**13**
Total	**26**

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

Information on balance sheet items of uncompleted contracts at December 31, 2002 is as follows:

(In millions)	Cost and earnings of uncompleted projects EUR	Billings of projects EUR	Net EUR
Projects where cost and earnings exceed billings	538	364	174
Projects where billings exceed cost and earnings	161	245	84

17 Interest bearing and non-interest bearing assets

(In millions)	2001 Interest bearing EUR	2001 Non-interest bearing EUR	2001 Total EUR	2002 Interest bearing EUR	2002 Non-interest bearing EUR	2002 Total EUR
	Year ended December 31,					
Financial assets						
Loans receivable	1	16	17	2	18	20
Accounts receivable	6	4	10	1	4	5
Other long-term investments	73	-	73	26	-	26
Total	80	20	100	29	22	51
Receivables						
Accounts receivable	5	1,101	1,106	2	834	836
Cost and earnings of projects under construction in excess of billings	-	133	133	-	174	174
Loans receivable	11	5	16	2	3	5
Prepaid expenses and accrued income	-	146	146	-	201	201
Other receivables	-	276	276	-	158	158
Other short-term investments	9	-	9	11	-	11
Total	25	1,661	1,686	15	1,370	1,385

18 Shareholders' equity

As at December 31, 2002 Metso had 136,250,545 issued shares with a par value of EUR 1.70, the share capital being EUR 232 million. Under its Articles of Association Metso Corporation's authorized share capital may not be less than EUR 170 million nor more than EUR 680 million. At the closing of the financial year Metso held 60,841 of its own shares. The reacquisition price of EUR 1 million has been recorded in the reserve of own shares at cost.

Calculation of distributable funds at December 31, 2002:

(In millions)	EUR
Other reserves	202
Retained earnings	698
Result for the financial year	65
Equity share of accelerated depreciation and other untaxed reserves	(44)
Translation differences	(60)
Total distributable funds	861

The parent company's distributable funds at December 31, 2002 were EUR 697 million. The distribution of dividends to shareholders is limited to the lower of consolidated distributable funds or distributable funds held by the parent company.

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

(In millions)	2001 EUR	2002 EUR
Cumulative translation adjustment at beginning of year	46	25
Change in foreign currency translation	(17)	(127)
Hedging of net investment denominated in foreign currency	(6)	59
Tax effect	2	(17)
Cumulative translation adjustment at end of year	25	(60)

19 Long-term debt

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

(In millions)	2001 EUR	**2002 EUR**
Bonds	754	**713**
Loans from financial institutions	378	**270**
Pension loans	56	**48**
Other long-term debt	37	**39**
	1,225	**1,070**
Less current maturities	46	**50**
Total	1,179	**1,020**

Bonds:
The bonds consist principally of two loans: a USD 200 million (EUR 191 million) bond and a EUR 500 million bond. The USD denominated bond was issued in the United States in December 1997 and registered with the Securities Exchange Commission (SEC). It matures in 2007 and bears a fixed annual interest rate of 6.875%. A portion of the bond has been converted through a currency swap agreement of GBP 45 million (EUR 69 million) into British pound sterling with a fixed annual rate of 7.51%. The currency swap agreement matures concurrently with the bond.

The EUR 500 million bond was issued in December 2001 under the Euro Medium Term Note Program of EUR 1 billion, which Metso established in December 2000. The bond matures in 2006 and carries a fixed interest of 6.25%.

Loans from financial institutions:
Loans from financial institutions consist of international bank borrowings with either fixed or variable interest rates. A major share of loans is either USD or EUR denominated. The interest rates vary from 1.9% (USD) to 14.0% (ZAR). The loans are payable from year 2003 to 2011.

In July 1998 Metso entered into a syndicated seven-year revolving credit facility with a group of international banks for EUR 230 million. At December 31, 2001 and 2002 the facility was undrawn.

In August 2000, Metso signed loan facilities of EUR 1.2 billion with a syndicate of fifteen international banks for financing the acquisition of Svedala. The short-term portion of the facilities expired in February, 2002, and the long term revolving credit portion of EUR 400 million expires in 2005. Of the facility EUR 334 million was utilised at December 31, 2001 and EUR 98 million at December 31, 2002.

As at December 31, 2002 the undrawn committed facilities of Metso totaled EUR 532 million.

Pension loans:
Pension loans consist of Finnish pension insurance reborrowing loans amounting to EUR 42 million and of EUR 6 million foreign pension loans.

Other long-term debt:
Other long-term loans consist principally of pension liabilities amounting to EUR 37 million at December 31, 2001 and EUR 39 million at December 31, 2002.

Maturities of long-term debt as at December 31, 2002 are as follows:

(In millions)	Bonds EUR	Loans from financial institutions EUR	Pension loans EUR	Other long-term debt EUR	Total EUR
2003	-	37	10	3	50
2004	-	10	9	2	21
2005	-	105	10	1	116
2006	500	50	1	1	552
2007	191	1	1	1	194
Later	22	67	17	31	137

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20 Other long-term liabilities – Accrued expenses

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

(In millions)	2001 EUR	2002 EUR
Pension liabilities	44	**49**
Pension liabilities for terminated personnel	6	**6**
Accrued postretirement benefits	52	**43**
Warranty and guarantee liabilities	12	**9**
Accrued restructuring costs	7	**0**
Other long-term provisions and accruals	27	**19**
Total	148	**126**

21 Other interest bearing short-term debt

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

(In millions)	2001 EUR	2002 EUR
Loans from financial institutions	214	**67**
Domestic commercial paper financing	116	**200**
Euro Commercial Paper financing	-	**-**
Other	13	**16**
Total	343	**283**

The weighted average interest rate applicable to short-term borrowing at December 31, 2001 and 2002 was 4.6% and 3.4%, respectively.

Metso had undrawn committed short term credit facilities with banks totaling EUR 100 million at December 31, 2002.

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

22 Accrued expenses and deferred income

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

(In millions)	2001 EUR	2002 EUR
Accrued expenses for restructuring and plant reorganisation	107	**56**
Accrued interest expenses	9	**8**
Accrued personnel expenses	203	**156**
Accrued project costs	304	**334**
Environmental and product liabilities	5	**4**
Taxes currently payable	76	**47**
Warranty and guarantee liabilities	152	**144**
Other	184	**124**
Total	1,040	**873**

23 Changes in cost accruals

The cost accruals, including both long- and short-term portions, have changed as follows during the financial year 2002:

(In millions)	Balance at beginning of year EUR	Impact of exchange rates EUR	Additions charged to expense EUR	Deductions/ other additions [1] EUR	Balance at end of year EUR
Allowance for doubtful notes and receivables	56	(8)	13	(16)	45
Allowance for inventory	80	(7)	12	(13)	72
Warranty and guarantee liabilities	164	(6)	37	(42)	153
Environmental and product liabilities [2]	5	(1)	0	0	4
Liabilities for restructuring and plant reorganisation	58	(4)	31	(53)	32
Liabilities for employee terminations and exit costs	62	(4)	17	(45)	30
Total	**425**	**(30)**	**110**	**(169)**	**336**

1) Other additions consist of reclassifications.

2) Environmental and product liabilities include cost accruals of EUR 4 million for cleaning up water and soil contamination at former manufacturing sites in North America and in Europe.

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

2002	Beginning of year	Increase	Departures	End of year
Number of employees	1,365	588	(1,766)	187

24 Mortgages and contingent liabilities

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

(In millions)	2001 EUR	**2002 EUR**
Mortgages on corporate debt	2	**1**
Other pledges and contingencies		
Mortgages	2	**2**
Pledged assets	1	**0**
Guarantees on behalf of associated company obligations	1	**0**
Other guarantees	4	**4**
Repurchase and other commitments	30	**25**

The mortgage amount on corporate debt has been calculated as the amount of corresponding loans. The nominal value of the mortgages at December 31, 2002 was EUR 1 million larger than the amount of the corresponding loans.

25 Lawsuits and claims

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

Pending asbestos litigation

The results of a survey on legal implications resulting from potential health hazards caused by exposure to asbestos indicate that Metso has no material asbestos related claims in the United States. As of December 31, 2002, the survey had identified 263 claims brought against Metso's U.S. subsidiary Neles-Jamesbury Inc. relating to valves previously manufactured by the company. Out of the total number of claims 77 have been dismissed in the relevant court and 51 have been settled for an average compensation of USD 551 each. The remaining 135 claims, in which Metso is one of numerous defendants, are still pending but their outcome is not expected to materially deviate from the outcome of the previous claims. In addition, two claims have been brought against another U.S. based subsidiary of Metso, Metso Minerals Industries Inc, one of which has been dismissed. In the other claim Metso is one of the 22 defendants, and the claim is not expected to have material adverse economic effect on Metso.

26 Lease contracts

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

Minimum annual rentals for leases in effect at December 31, 2002 are shown in the table below:

(In millions)	Operating leases EUR	Capital leases EUR
Fiscal 2003	43	2
2004	36	1
2005	28	1
2006	20	1
2007	17	1
2008 and later	31	0
Total minimum lease payments	**175**	**6**

Total rental expense amounted to EUR 38 million, EUR 46 million and EUR 41 million in the years ended December 31, 2000, 2001 and 2002, respectively.

27 Financial instruments

Foreign currency risk management
Both the production and sales activities of Metso are geographically widely spread creating exposure to various currency risks, the main currencies being USD, EUR, SEK and GBP. Due to the number of Sweden based operations of acquired Svedala companies the SEK exposure against other currencies has increased since September 2001.

Foreign exchange gains and losses, reported in the operating profit resulted in a net gain of EUR 9 million in 2000, EUR 1 million in 2001, respectively, and a net loss of EUR 3 million in 2002.

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

Foreign currency denominated equity
Metso hedges its USD and SEK denominated net investments to reduce the effect of exchange rate fluctuations. As of December 31, 2002, the hedging istruments were foreign currency loans, receivables and forward exchange contracts. Both realized and unrealized exchange gains and losses measured on these instruments are recorded, net of taxes, in a separate component of equity against the translation differences arising from consolidation. The forwards are designated as hedges of net investments at inception and their effectiveness is measured quarterly. The interest component of forwards is fair valued and the change in fair value is recognized in the income statement.

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

Short-term funding and liquidity management
Forward exchange contracts are used to mitigate foreign currency risk arising from short-term borrowing and liquidity management. Such forwards are fair valued quarterly. Metso also enters into call and put options to allow more flexible control of the net currency exposures. The options have maturities not exceeding twelve months and they are fair valued quarterly.

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

Interest rate management
Metso uses both interest rate and cross-currency swaps and interest rate futures contracts to mitigate the risks arising from interest bearing receivables and debt. The notional amount of interest rate swaps outstanding at December 31, 2001 and 2002 was EUR 22 million and EUR 60 million, respectively. As of December 31, 2002, the notional amount of interest rate futures contracts amounted to EUR 15 million. The interest rate risk is measured using sensitivity analysis and controlled by the Corporate Treasury.

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

	Year ended December 31,	
	2001	**2002**
(In millions)	EUR	**EUR**
Trade flow related currency derivatives		
Fair valued derivatives	770	**778**
Ear-marked with underlying item	74	**5**
Foreign currency denominated equity	-	**102**
Foreign currency denominated loans	136	**104**
Short-term funding and liquidity management	211	**533**
Long-term funding and other arrangements	22	**38**
Currency risk management	594	**184**
Interest risk management	22	**75**
Total notional amount of derivative instruments	1,829	**1,819**

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

		2001			**2002**	
	Notional	Carrying			**Notional**	**Carrying**
	amount	amount	Fair value	**amount**	**amount**	**Fair value**
(In millions)	EUR	EUR	EUR	**EUR**	**EUR**	**EUR**
Forward exchange contracts	1,421	(23)	(29)	**1,617**	**38**	**65**
Cross-currency swaps	37	(7)	(8)	**4**	**0**	**(1)**
Currency swaps	121	(1)	(3)	**100**	**2**	**1**
Interest rate swaps	22	0	0	**60**	**0**	**2**
Interest rate futures contracts	-	-	-	**15**	**0**	**0**
Option agreements						
Bought	112	1	1	**9**	**1**	**1**
Sold	116	(1)	(1)	**14**	**0**	**0**

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

As at December 31, 2002 the maturities of the financial derivatives are following (expressed as notional amounts):

	2003	2004	2005	2006	2007 and after
(In millions)	EUR	EUR	EUR	EUR	EUR
Forward exchange contracts	1,615	2	-	-	-
Cross-currency swaps	-	-	-	-	4
Currency swaps	-	-	28	-	72
Interest rate swaps	-	-	-	40	20
Interest rate futures contracts	15	-	-	-	-
Option agreements					
Bought	9	-	-	-	-
Sold	14	-	-	-	-

Fair value of financial instruments

Disclosures about fair values of financial instruments require the disclosure of estimated fair values for all financial instruments, both on- and off-balance sheet, for which it is practicable to estimate fair value. Metso has used a variety of methods and assumptions, which were based on market conditions and risks existing at the time to estimate the fair value of the Group's financial instruments at December 31, 2001 and 2002. 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,			
	2001		**2002**	
(In millions)	Carrying value EUR	Fair value EUR	**Carrying value EUR**	**Fair value EUR**
Assets:				
Shareholdings and other securities				
(excluding shares in associated companies)	100	85	**37**	**40**
Own shares	1	1	**1**	**1**
Loans receivable, long-term	17	17	**20**	**20**
Accounts receivable, long-term	10	10	**5**	**5**
Other interest bearing long-term investments	73	73	**26**	**26**
Accounts receivable, short-term	1,106	1,106	**836**	**836**
Loans receivable, short-term	16	16	**5**	**5**
Short-term investments	9	9	**11**	**11**
Cash and cash equivalents	212	212	**190**	**190**
Liabilities:				
Bonds	730	721	**713**	**757**
Loans from financial institutions	373	377	**233**	**240**
Pension loans	47	47	**38**	**38**
Other long-term debt	29	29	**36**	**36**
Current portion of long-term loans	46	46	**50**	**50**
Other interest bearing short-term debt	343	343	**283**	**283**

Notes to Consolidated Financial Statements

28 Concentrations of credit risk

Metso is exposed to credit risk primarily in relation to project deliveries, trade receivables and the use of financial instruments. The companies within Metso conduct diverse business activities with a large number of customers and suppliers. The receivables are well diversified and, where appropriate, secured by various trade finance instruments such as letters of credit, export guarantees or by withheld security interest in products sold under extended credit terms. In the use of financial instruments, Metso minimizes credit and counterparty risk by dealing only with major local or international banks and financial institutions or companies with investment grade credit ratings.

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

29 Principal subsidiaries

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

30 Business area and geographic information

Net sales by business area:

(In millions)	2000 EUR	2001 EUR	**2002 EUR**
Metso Paper	1,956	2,209	**1,812**
Metso Minerals	561	913	**1,819**
Metso Automation	644	693	**622**
Metso Ventures	482	489	**374**
Intra Metso net sales	(107)	(137)	**(96)**
Continuing operations	3,536	4,167	**4,531**
Forest Machines	179	-	**-**
Converting Equipment	176	176	**160**
Metso total	3,891	4,343	**4,691**

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

(In millions)	2000 EUR	% of net sales	2001 EUR	% of net sales	**2002 EUR**	**% of net sales**
Metso Paper	113.1	5.8%	190.7	8.6%	**132.3**	**7.3%**
Metso Minerals	30.2	5.4%	44.6	4.9%	**107.9**	**5.9%**
Metso Automation	45.5	7.1%	28.7	4.1%	**21.9**	**3.5%**
Metso Ventures	21.9	4.5%	29.8	6.1%	**23.4**	**6.3%**
Corporate Headquarters and other	(29.0)	-	(27.6)	-	**(31.8)**	**-**
Continuing operations	181.7	5.1%	266.2	6.4%	**253.7**	**5.6%**
Forest Machines	14.4	8.0%	-	-	**-**	**-**
Converting Equipment	1.5	0.9%	4.3	2.4%	**(3.1)**	**(1.9%)**
Metso total	197.6	5.1%	270.5	6.2%	**250.6**	**5.3%**

Notes to Consolidated Financial Statements

Nonrecurring operating items by business area:

(In millions)	2000 EUR	2001 EUR	**2002 EUR**
Metso Paper	11.0	(14.9)	**(5.9)**
Metso Minerals	0.2	(16.0)	**(13.3)**
Metso Automation	1.0	(8.5)	**(2.6)**
Metso Ventures	(5.0)	-	**(7.1)**
Corporate Headquarters and other	10.4	43.1	**6.9**
Continuing operations	17.6	3.7	**(22.0)**
Forest Machines	-	-	**-**
Converting Equipment	-	-	**(4.5)**
Metso total	17.6	3.7	**(26.5)**

Amortization of goodwill by business area:

(In millions)	2000 EUR	2001 EUR	**2002 EUR**
Metso Paper	(6.9)	(8.2)	**(8.2)**
Metso Minerals	(2.7)	(13.9)	**(43.2)**
Metso Automation	(1.5)	(2.9)	**(3.0)**
Metso Ventures	(1.4)	(1.6)	**(1.4)**
Corporate Headquarters and other	-	-	**-**
Continuing operations	(12.5)	(26.6)	**(55.8)**
Forest Machines	(1.1)	-	**-**
Converting Equipment	(1.5)	(1.3)	**(1.3)**
Metso total	(15.1)	(27.9)	**(57.1)**

Operating profit (loss) by business area:

(In millions)	2000 EUR	% of net sales	2001 EUR	% of net sales	**2002 EUR**	**% of net sales**
Metso Paper	117.2	6.0%	167.6	7.6%	**118.2**	**6.5%**
Metso Minerals	27.7	4.9%	14.7	1.6%	**51.4**	**2.8%**
Metso Automation	45.0	7.0%	17.3	2.5%	**16.3**	**2.6%**
Metso Ventures	15.5	3.2%	28.2	5.8%	**14.9**	**4.0%**
Corporate Headquarters and other	(18.6)	-	15.5	-	**(24.9)**	**-**
Continuing operations	186.8	5.3%	243.3	5.8%	**175.9**	**3.9%**
Forest Machines	13.3	7.4%	-	-	**-**	**-**
Converting Equipment	0.0	0.0%	3.0	1.7%	**(8.9)**	**(5.6%)**
Metso total	200.1	5.1%	246.3	5.7%	**167.0**	**3.6%**

Capital employed by business area at the end of year:

(In millions)	2000 EUR	2001 EUR	**2002 EUR**
Metso Paper	502	562	**517**
Metso Minerals	331	1,525	**1,401**
Metso Automation	244	282	**207**
Metso Ventures	113	139	**145**
Corporate Headquarters and other	714	476	**417**
Continuing operations	1,904	2,984	**2,687**
Forest Machines	-	-	**-**
Converting Equipment	77	60	**55**
Metso total	1,981	3,044	**2,742**

Capital expenditure (including business acquisitions) by business area:

(In millions)	2000 EUR	2001 EUR	**2002 EUR**
Metso Paper	233	68	**73**
Metso Minerals	22	827	**50**
Metso Automation	30	43	**13**
Metso Ventures	19	33	**37**
Corporate Headquarters and other	7	8	**18**
Continuing operations	311	979	**191**
Forest Machines	-	-	**-**
Converting Equipment	2	3	**3**
Metso total	313	982	**194**

Depreciation and amortization by business area:

(In millions)	2000 EUR	2001 EUR	**2002 EUR**
Metso Paper	65	66	**63**
Metso Minerals	16	37	**90**
Metso Automation	17	19	**18**
Metso Ventures	21	21	**20**
Corporate Headquarters and other	2	2	**3**
Continuing operations	121	145	**194**
Forest Machines	3	-	**-**
Converting Equipment	4	4	**3**
Metso total	128	149	**197**

Information about Metso's operations in different geographical areas as at and for the years ended December 31, 2000, 2001 and 2002 is as follows:

Net sales to unaffiliated customers by destination

(In millions)	Finland EUR	Other Nordic Countries EUR	Other European Countries EUR	North America EUR	South America EUR	Asia-Pacific EUR	Rest of the World EUR	Elimi-nations EUR	Metso total EUR
2000	375	356	1,097	1,281	237	460	85	-	3,891
2001	587	417	1,172	1,143	360	521	143	-	4,343
2002	**382**	**453**	**1,363**	**1,199**	**417**	**652**	**225**	**-**	**4,691**

In year 2002, 24 percent of net sales was recognized under percentage of completion method. The percentage was highest in the Metso Paper business area, where it accounted for 45 percent of net sales.

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

(In millions)	Other Nordic Countries EUR	Other European Countries EUR	North America EUR	South America EUR	Asia-Pacific EUR	Rest of the World EUR	Total EUR
2000	377	556	276	47	253	14	1,523
2001	365	592	200	85	269	20	1,531
2002	**297**	**567**	**183**	**137**	**248**	**21**	**1,453**

Fixed assets and financial assets by location

(In millions)	Finland EUR	Other Nordic Countries EUR	Other European Countries EUR	North America EUR	South America EUR	Asia-Pacific EUR	Rest of the World EUR	Elimi-nations EUR	Metso total EUR
2000	560	108	157	311	4	23	7	-	1,170
2001	530	949	158	457	28	64	9	-	2,195
2002	**514**	**935**	**108**	**357**	**24**	**57**	**10**	**-**	**2,005**

Parent Company Statement of Income

	Year ended December 31,		
	2000	2001	**2002**
(In millions)	EUR	EUR	**EUR**
Net sales	-	-	**-**
Cost of goods sold	-	-	**-**
Gross profit	-	-	**-**
Selling, general and administrative expenses	(37)	(26)	**(31)**
Other income and expenses, net	15	9	**(11)**
Operating profit (loss)	(22)	(17)	**(42)**
Financial income and expenses, net	6	158	**201**
Profit (loss) before contributions, untaxed reserves and income taxes	(16)	141	**159**
Group contributions	199	81	**2**
Change in untaxed reserves	-	-	**-**
Change in accelerated depreciation	-	-	**-**
Extraordinary income and expenses, net	-	-	**-**
Income before taxes	183	222	**161**
Income taxes	(51)	(17)	**(44)**
Net income	132	205	**117**

Parent Company Balance Sheet

Assets

(In millions)	As at December 31, 2001 EUR	2002 EUR
Fixed assets and financial assets		
Intangible assets		
Goodwill	-	-
Other intangible assets	1	**2**
	1	**2**
Tangible assets		
Land and water areas	2	**2**
Buildings	1	**1**
Machinery and equipment	1	**1**
Other tangible assets	0	**0**
Assets under construction	-	-
	4	**4**
Financial assets		
Shareholdings and other securities	1,263	**1,251**
Own shares	1	**1**
Loans receivable	462	**345**
Accounts receivable	0	-
Other long-term investments	8	**8**
	1,734	**1,605**
Total fixed and financial assets	1,739	**1,611**
Current assets		
Inventories		
Materials and supplies	-	-
Work in process	-	-
Finished products	-	-
	-	-
Receivables		
Accounts receivable	3	**6**
Loans receivable	1,220	**1,254**
Accrued income and prepaid expenses	103	**81**
Other receivables	1	**0**
Other short-term investments	14	**5**
	1,341	**1,346**
Cash and cash equivalents	16	**2**
Total current assets	1,357	**1,348**
Total assets	3,096	**2,959**

Shareholders' equity and liabilities

(In millions)	As at December 31, 2001 EUR	2002 EUR
Shareholders' equity		
Share capital	232	**232**
Share issue	-	**-**
Share premium reserve	88	**88**
Legal reserve	216	**216**
Reserve for own shares	1	**1**
Other reserves	202	**202**
Retained earnings	255	**378**
Net income for the financial year	205	**117**
Total shareholders' equity	1,199	**1,234**
Untaxed reserves	0	**0**
Liabilities		
Long-term debt		
Bonds	727	**711**
Loans from financial institutions	346	**213**
Pension loans	25	**17**
Other long-term debt	-	**1**
	1,098	**942**
Other long-term liabilities		
Accrued expenses	-	**-**
Current liabilities		
Current portion of long-term debt	38	**39**
Other interest bearing short-term debt	731	**703**
Advances received	-	**-**
Accounts payable	6	**5**
Accrued expenses and deferred income	23	**35**
Other current liabilities	1	**1**
	799	**783**
Total liabilities	1,897	**1,725**
Total shareholders' equity and liabilities	3,096	**2,959**

Parent Company Statement of Changes in Shareholders' Equity

(In millions)	Number of shares (thousands)	Share capital (Par value EUR 1.70 per share)	Share premium reserve EUR	Legal reserve EUR	Reserve for own shares EUR	Other reserves EUR	Retained earnings EUR	Total EUR
Balance at December 31, 1999	135,817	228	82	216	6	202	259	993
Dividends	-	-	-	-	-	-	(54)	(54)
Transfer from share premium reserve	-	3	(3)	-	-	-	-	0
Cancellation of own shares	(500)	(1)	1	-	(5)	-	-	(5)
Other	245	-	2	-	-	-	-	2
Net income	-	-	-	-	-	-	132	132
Balance at December 31, 2000	**135,562**	**230**	**82**	**216**	**1**	**202**	**337**	**1,068**
Dividends	-	-	-	-	-	-	(81)	(81)
Share issue (option rights)	689	2	6	-	-	-	-	8
Other	-	-	-	-	-	-	(1)	(1)
Net income	-	-	-	-	-	-	205	205
Balance at December 31, 2001	**136,251**	**232**	**88**	**216**	**1**	**202**	**460**	**1,199**
Dividends	-	-	-	-	-	-	(82)	(82)
Net income	-	-	-	-	-	-	117	117
Balance at December 31, 2002	**136,251**	**232**	**88**	**216**	**1**	**202**	**495**	**1,234**

Financial Indicators 1998–2002

(In millions)	1998 EUR	1999 EUR	2000 EUR	2001 EUR	**2002 EUR**
Net sales	3,695	3,387	3,891	4,343	**4,691**
Net sales change, %	(5.2)	(8.3)	14.9	11.6	**8.0**
Operating profit (loss)	246	(10)	200	246	**167**
% of net sales	6.7	(0.3)	5.1	5.7	**3.6**
Income (loss) before extraordinary items and taxes	251	(28)	180	222	**93**
% of net sales	6.8	(0.8)	4.6	5.1	**2.0**
Income (loss) before taxes	249	(87)	448	214	**93**
% of net sales	6.7	(2.6)	11.5	4.9	**2.0**
Net income (loss) for the year	184	(88)	389	141	**65**
Exports and international operations	3,219	3,042	3,530	3,764	**4,320**
% of net sales	87.1	89.8	90.7	86.7	**92.1**
Orders received	3,399	3,528	4,268	3,778	**4,646**
Order backlog, December 31	1,342	1,586	1,907	1,772	**1,589**
Gross capital expenditure	133	121	127	154	**193**
% of net sales	3.6	3.6	3.3	3.5	**4.1**
Depreciation and amortization	131	130	128	149	**197**
% of net sales	3.5	3.8	3.3	3.4	**4.2**
Business acquisitions, net of cash acquired	24	116	186	828	**1**
% of net sales	0.6	3.4	4.8	19.1	**0.0**
Research and development	119	127	127	150	**156**
% of net sales	3.2	3.7	3.3	3.5	**3.3**
Shareholders' equity	1,206	1,085	1,425	1,469	**1,379**
Net interest bearing liabilities (receivables)	178	465	(53)	1,251	**1,118**
Balance sheet total	2,798	3,169	3,564	5,042	**4,399**
Gearing, %	14.6	42.8	(3.7)	84.8	**80.6**
Return on equity (ROE), %	16.1	(2.4)	9.5	10.4	**4.8**
Return on capital employed (ROCE), %	16.5	1.6	12.2	12.3	**6.4**
Equity to assets ratio, %	45.4	37.3	45.4	31.1	**33.3**
Average number of employees	23,754	22,965	22,372	25,613	**29,258**

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

Formulas for Calculation of Indicators

Formulas for calculation of financial indicators

Gearing, %:

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

Return on equity (ROE), %:

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

Return on capital employed (ROCE), %:

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

Equity to assets ratio, %:

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

Formulas for calculation of share-related indicators

Earnings / share:

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

Equity / share:

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

Dividend / share:

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

Dividend / earnings, %:

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

Effective dividend yield, %:

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

P/E ratio:

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

Average share price:

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

Market capitalization:

Total number of shares x share price at the end of period

Exchange rates used

		Average rates			Year-end rates				
		2002	2001	2000	2002	2001	2000	1999	1998
USD	(US dollar)	0.9449	0.8957	0.9240	1.0487	0.8813	0.9305	1.0046	1.1667
SEK	(Swedish krona)	9.1591	9.2557	8.4459	9.1528	9.3012	8.8313	8.5625	9.4874
GBP	(Pound sterling)	0.6288	0.6219	0.6094	0.6505	0.6085	0.6241	0.6217	0.7055
CAD	(Canadian dollar)	1.4828	1.3867	1.3712	1.6550	1.4077	1.3965	1.4608	1.8061

Auditors' Report

To the shareholders of Metso Corporation

We have audited the accounting, the financial statements and the corporate governance of Metso Corporation for the period January 1, 2002 to December 31, 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit we express an opinion on these financial statements and on corporate governance of the parent company.

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

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

Helsinki February 12, 2003

PricewaterhouseCoopers Oy
Authorized Public Accountants

Lars Blomquist
Authorized Public Accountant

Heikki Lassila
Authorized Public Accountant

Quarterly Information

Net sales by business area

(In millions)	1–3/01 EUR	4–6/01 EUR	7–9/01 EUR	10–12/01 EUR	**2001 EUR**	1–3/02 EUR	4–6/02 EUR	7–9/02 EUR	10–12/02 EUR	**2002 EUR**
Metso Paper	567	546	481	615	**2,209**	418	412	411	571	**1,812**
Metso Minerals	123	150	133	507	**913**	436	518	427	438	**1,819**
Metso Automation	153	169	177	194	**693**	151	155	149	167	**622**
Metso Ventures	148	135	109	97	**489**	95	85	86	108	**374**
Intra Metso net sales	(28)	(29)	(56)	(24)	**(137)**	(27)	(27)	(9)	(33)	**(96)**
Continuing operations	963	971	844	1,389	**4,167**	1,073	1,143	1,064	1,251	**4,531**
Converting Equipment	39	46	43	48	**176**	38	35	41	46	**160**
Metso total	1,002	1,017	887	1,437	**4,343**	1,111	1,178	1,105	1,297	**4,691**

Orders received by business area

(In millions)	1–3/01 EUR	4–6/01 EUR	7–9/01 EUR	10–12/01 EUR	**2001 EUR**	1–3/02 EUR	4–6/02 EUR	7–9/02 EUR	10–12/02 EUR	**2002 EUR**
Metso Paper	646	327	300	464	**1,737**	490	473	398	281	**1,642**
Metso Minerals	149	152	137	435	**873**	545	469	415	431	**1,860**
Metso Automation	189	165	151	171	**676**	162	184	139	158	**643**
Metso Ventures	135	140	72	93	**440**	83	112	91	125	**411**
Intra Metso orders received	(47)	(30)	(13)	(27)	**(117)**	(27)	(28)	(23)	(28)	**(106)**
Continuing operations	1,072	754	647	1,136	**3,609**	1,253	1,210	1,020	967	**4,450**
Converting Equipment	58	31	47	33	**169**	38	46	37	75	**196**
Metso total	1,130	785	694	1,169	**3,778**	1,291	1,256	1,057	1,042	**4,646**

Order backlog by business area

(In millions)	Mar 31, 2001 EUR	June 30, 2001 EUR	Sep 30, 2001 EUR	**Dec 31, 2001 EUR**	Mar 31, 2002 EUR	June 30, 2002 EUR	Sep 30, 2002 EUR	**Dec 31, 2002 EUR**
Metso Paper	1,522	1,298	1,093	**957**	1,023	1,063	1,035	**742**
Metso Minerals	127	130	535	**499**	592	504	461	**474**
Metso Automation	238	238	203	**182**	193	209	199	**185**
Metso Ventures	160	165	129	**111**	101	116	122	**139**
Intra Metso order backlog	(99)	(99)	(59)	**(49)**	(48)	(46)	(56)	**(53)**
Continuing operations	1,948	1,732	1,901	**1,700**	1,861	1,846	1,761	**1,487**
Converting Equipment	94	81	84	**72**	71	79	77	**102**
Metso total	2,042	1,813	1,985	**1,772**	1,932	1,925	1,838	**1,589**

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

(In millions)	1–3/01 EUR	4–6/01 EUR	7–9/01 EUR	10–12/01 EUR	**2001 EUR**	1–3/02 EUR	4–6/02 EUR	7–9/02 EUR	10–12/02 EUR	**2002 EUR**
Metso Paper	54.6	42.9	42.1	51.1	**190.7**	32.5	30.5	14.5	54.8	**132.3**
Metso Minerals	7.2	12.6	9.0	15.8	**44.6**	22.0	36.9	21.9	27.1	**107.9**
Metso Automation	5.4	5.5	10.0	7.8	**28.7**	0.1	8.5	6.1	7.2	**21.9**
Metso Ventures	13.7	9.1	(0.4)	7.4	**29.8**	0.2	7.1	4.0	12.1	**23.4**
Corporate Headquarters and other	(7.5)	(3.7)	(8.2)	(8.2)	**(27.6)**	(7.3)	(9.4)	(8.2)	(6.9)	**(31.8)**
Continuing operations	73.4	66.4	52.5	73.9	**266.2**	47.5	73.6	38.3	94.3	**253.7**
Converting Equipment	1.7	0.4	0.7	1.5	**4.3**	(0.8)	(2.1)	(0.5)	0.3	**(3.1)**
Operating profit (loss) before nonrecurring operating items and amortization of goodwill	75.1	66.8	53.2	75.4	**270.5**	46.7	71.5	37.8	94.6	**250.6**
Nonrecurring operating income and expenses, net	(9.0)	(3.8)	0.7	15.8	**3.7**	(2.0)	(13.5)	(3.1)	(7.9)	**(26.5)**
Amortization of goodwill	(4.1)	(4.2)	(4.2)	(15.4)	**(27.9)**	(13.8)	(15.4)	(14.2)	(13.7)	**(57.1)**
Operating profit (loss)	62.0	58.8	49.7	75.8	**246.3**	30.9	42.6	20.5	73.0	**167.0**
Financial income and expenses, net	4	3	(6)	(25)	**(24)**	(17)	(20)	(18)	(19)	**(74)**
Income before extraordinary items and income taxes	66	62	44	50	**222**	14	22	3	54	**93**
Extraordinary income and expenses, net	-	(5)	-	(3)	**(8)**	-	-	-	-	**-**
Income before taxes	66	57	44	47	**214**	14	22	3	54	**93**
Income taxes	(21)	(20)	(14)	(17)	**(72)**	(7)	(11)	(2)	(6)	**(26)**
Minority interests	(2)	(1)	(1)	3	**(1)**	(1)	(1)	0	0	**(2)**
Net income	43	36	29	33	**141**	6	10	1	48	**65**
Earnings per share, EUR	0.32	0.29	0.22	0.26	**1.09**	0.04	0.08	0.01	0.35	**0.48**
Earnings per share excl. nonrecurring items and amortization of goodwill, EUR	0.38	0.39	0.29	0.20	**1.26**	0.16	0.27	0.07	0.49	**0.99**

Consolidated balance sheets

(In millions)	Mar 31, 2001 EUR	June 30, 2001 EUR	Sep 30, 2001 EUR	**Dec 31, 2001 EUR**	Mar 31, 2002 EUR	June 30, 2002 EUR	Sep 30, 2002 EUR	**Dec 31, 2002 EUR**
Fixed assets and financial assets								
Intangible assets	268	276	1,000	**1,094**	1,086	1,031	1,031	**1,011**
Tangible assets	666	678	858	**886**	892	893	898	**891**
Financial assets	260	246	260	**215**	197	194	139	**103**
Current assets								
Inventories	741	787	1 072	**949**	999	959	903	**819**
Receivables	1,162	1,162	1,714	**1,686**	1,444	1,438	1,408	**1,385**
Cash and cash equivalents	531	398	307	**212**	227	124	134	**190**
Total assets	3,628	3,547	5,211	**5,042**	4,845	4,639	4,513	**4,399**
Share capital	232	232	232	**232**	232	232	232	**232**
Other shareholders' equity	1,163	1,211	1,211	**1,237**	1,148	1,124	1,114	**1,147**
Minority interests	10	11	11	**7**	8	9	9	**10**
Long-term liabilities	495	487	634	**1,362**	1,456	1,408	1,314	**1,172**
Current liabilities	1,728	1,606	3,123	**2,204**	2,001	1,866	1,844	**1,838**
Total shareholders' equity and liabilities	3,628	3,547	5,211	**5,042**	4,845	4,639	4,513	**4,399**
Net interest bearing liabilities								
Long-term interest bearing liabilities	412	399	466	**1,179**	1,291	1,244	1,167	**1,020**
Short-term interest bearing liabilities	125	130	1,279	**389**	228	270	229	**333**
Cash and cash equivalents	(531)	(398)	(307)	**(212)**	(227)	(124)	(134)	**(190)**
Other interest-bearing assets	(115)	(75)	(152)	**(105)**	(84)	(78)	(78)	**(45)**
Total	(109)	56	1,286	**1,251**	1,208	1,312	1,184	**1,118**
Equity to assets ratio, %	43.6	45.5	30.0	**31.1**	30.5	31.2	31.8	**33.3**
Gearing, %	(7.8)	3.9	88.5	**84.8**	87.1	96.1	87.3	**80.6**

Personnel by business area

	Mar 31, 2001	June 30, 2001	Sep 30, 2001	**Dec 31, 2001**	Mar 31, 2002	June 30, 2002	Sep 30, 2002	**Dec 31, 2002**
Metso Paper	9,524	10,053	9,550	**9,458**	9,427	9,831	9,565	**9,719**
Metso Minerals	3,282	3,235	12,034	**11,725**	11,184	11,040	10,953	**10,784**
Metso Automation	4,569	4,804	4,666	**4,532**	4,387	4,395	4,223	**4,150**
Metso Ventures	3,767	3,847	3,670	**3,586**	3,571	3,134	2,965	**2,873**
Corporate Headquarters and other	114	124	118	**117**	118	132	131	**134**
Continuing operations	21,256	22,063	30,038	**29,418**	28,687	28,532	27,837	**27,660**
Converting Equipment	795	810	837	**824**	840	830	835	**829**
Metso total	22,051	22,873	30,875	**30,242**	29,527	29,362	28,672	**28,489**

Exchange rates used

	1–3/2001	1–6/2001	1–9/2001	1–12/2001	1–3/2002	1–6/2002	1–9/2002	1–12/2002
USD (US dollar)	0.9232	0.8982	0.8957	0.8957	0.8764	0.8979	0.9265	0.9449
SEK (Swedish krona)	9.0030	9.0649	9.1820	9.2557	9.1566	9.1567	9.1806	9.1591
GBP (Pound sterling)	0.6326	0.6236	0.6222	0.6219	0.6146	0.6217	0.6262	0.6288
CAD (Canadian dollar)	1.4097	1.3781	1.3773	1.3867	1.3973	1.4127	1.4539	1.4828

	Mar 31, 2001	June 30, 2001	Sep 30, 2001	Dec 31, 2001	Mar 31, 2002	June 30, 2002	Sep 30, 2002	Dec 31, 2002
USD (US dollar)	0.8832	0.8480	0.9131	0.8813	0.8724	0.9975	0.9860	1.0487
SEK (Swedish krona)	9.1570	9.2125	9.7321	9.3012	9.0304	9.1015	9.1516	9.1528
GBP (Pound sterling)	0.6192	0.6031	0.6220	0.6085	0.6130	0.6498	0.6295	0.6505
CAD (Canadian dollar)	1.3904	1.2927	1.4418	1.4077	1.3923	1.5005	1.5566	1.6550

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