Financial Statements Review
2007

metso
Expect results

Metso Corporation's Financial Statements Release 2007

Strong growth and record profits

Highlights of 2007

- New orders worth EUR 6,965 million were received in 2007, i.e. 22 percent more than in the previous year (EUR 5,705 million in 2006).*)
- At year's end, the order backlog was EUR 4,341 million (EUR 3,737 million at December 31, 2006).
- Net sales increased by 26 percent and totaled EUR 6,250 million (EUR 4,955 million).*)
- Earnings before interest, tax and amortization (EBITA) were EUR 635.4 million, i.e. 10.2 percent of net sales (EUR 481.1 million and 9.7%).
- Operating profit (EBIT) was EUR 579.8 million, i.e. 9.3 percent of net sales (EUR 457.2 million and 9.2%).
- Earnings per share were EUR 2.69 (EUR 2.89, adjusted EPS: EUR 2.28).
- Free cash flow was EUR 198 million (EUR 364 million).
- Return on capital employed (ROCE) was 26.1 percent (22.5%).
- The Board proposes a dividend of EUR 3.00 per share (EUR 1.50). The proposed dividend consists of an ordinary dividend of EUR 1.65 and an extra dividend of EUR 1.35.

Highlights of the last quarter of 2007

- New orders worth EUR 1,771 million were received in October-December (EUR 1,557 million in Q4/06).*)
- Net sales increased by 23 percent and totaled EUR 1,896 million (EUR 1,538 million).*)
- Earnings before interest, tax and amortization (EBITA) were EUR 193.9 million, i.e. 10.2 percent of net sales (EUR 136.1 million and 8.8%).
- Operating profit (EBIT) was EUR 179.7 million, i.e. 9.5 percent of net sales (EUR 125.0 million and 8.1%).
- Earnings per share were EUR 0.85 (EUR 0.86, adjusted EPS: EUR 0.65).

*) The acquisition of the Pulping and Power businesses at the end of 2006 contributed to the increase in 2007.

"2007 was again the best year ever for Metso. Our net sales grew by 26 percent, our EBITA margin exceeded 10 percent, and we are also proposing a record-breaking dividend. Our strong growth was driven by good demand in emerging markets and the mining and energy industry. About one half of the net sales growth derived from the successful Pulping and Power acquisition", says Jorma Eloranta, President and CEO of Metso Corporation.

"Going forward, we will seek further profitable growth by strengthening our global presence, investing in services growth and responding to our customers' environmental needs. We will also continue strict cost control and development of our delivery capability."

"Our market outlook continues to be favourable, especially on the emerging markets which already accounted for 43 percent of our 2007 order intake. Year-on-year, our order backlog rose by 16 percent, to 4.3 billion euros, the majority of which is for 2008 and some larger deliveries extend to 2009 and 2010. We are confident of delivering profitable growth in 2008 and beyond."

In 2008, Metso targets to achieve, at comparable exchange rates, net sales growth of about 10 percent compared to 2007, and to reach an operating profit margin level of about 10 percent.

Metso's key figures

EUR million	Q4/07	Q4/06	Change %	2007	2006	Change %
Net sales	**1,896**	1,538	23	**6,250**	4,955	26
Earnings before interest, tax and amortization (EBITA)	**193.9**	136.1	42	**635.4**	481.1	32
% of net sales	**10.2**	8.8		**10.2**	9.7	
Operating profit	**179.7**	125.0	44	**579.8**	457.2	27
% of net sales	**9.5**	8.1		**9.3**	9.2	
Earnings per share, EUR	**0.85**	0.86	(1)	**2.69**	2.89	(7)
Adjusted earnings per share, EUR 1)	**0.85**	0.65	31	**2.69**	2.28	18
Orders received	**1,771**	1,557	14	**6,965**	5,705	22
Order backlog at end of period				**4,341**	3,737	16
Free cash flow 2)	**0**	54	(100)	**198**	364	(46)
Return on capital employed (ROCE), annualized, %				**26.1**	22.5	
Equity to assets ratio at end of period, %				**37.7**	35.4	
Gearing at end of period, %				**33.4**	31.3	

In 2007, the accounting of actuarial gains and losses was changed to comply with the amendment of IAS 19. The actuarial gains and losses are recognized immediately in equity and the pension liability is presented in the balance sheet in full. The previous years' data has been restated accordingly.
1) In 2006, Metso recognized nonrecurring deferred tax assets totaling EUR 87 million, which improved the earnings per share by EUR 0.61. Of the deferred tax assets, EUR 57 million was recognized in Q2/2006 (impact on EPS: EUR 0.40) and EUR 30 million in Q4/2006 (impact on EPS: EUR 0.21).
2) The calculation of free cash flow has been revised: Only the capital expenditure related to maintenance of production facilities, and not the capital expenditure related to capacity increases, is deducted from net cash provided by operating activities. The comparison periods have been restated correspondingly.

Metso's fourth quarter 2007 review

Operating environment and demand for products in October-December

The market situation for Metso's products and services continued much the same in the year's final quarter as it had been earlier in the year. Uncertainty on the international financial markets did not materially affect the demand for Metso's products and services.

The market situation for Metso Paper's products and services did not change during the last quarter of the previous year. The demand for new paper, board and tissue machines and for fiber lines remained at the level of the previous quarters. The consumption of paper and board continued to grow strongly in China, maintaining the area's new investments at a good level. Several new pulping line projects were under consideration, but no decisions on new investments were made during the final quarter. The demand for power boilers utilizing renewable energy sources continued to be excellent, particularly in Metso's main market area, Europe. The decisions to shut down pulp and paper mills in northern Europe and North America did not have a material effect on the demand for Metso's services business (previously aftermarket services).

Metso Minerals' favorable market situation continued during the year's final quarter. Brisk economic growth and urbanization continued to boost the demand for minerals, metals and aggregates in emerging markets. Consequently the markets for mining products and metals recycling equipment remained excellent, and the demand for construction equipment was at a good level in the fourth quarter.

Metso Automation's market situation was much the same as it had been in the previous nine months of the year. In the power, oil and gas industries, the demand for process automation systems continued to be good and the demand for flow control systems excellent. In the pulp and paper industry, the market situation was satisfactory. Energy industry investments are driven by the increased consumption of energy due to global economic growth and by high oil prices.

Orders received in October-December

The value of orders received by Metso in October-December increased by 14 percent on the corresponding period of 2006, and totaled EUR 1,771 million.

Metso Paper's order intake increased strongly, by 24 percent, compared with the previous year's fourth quarter. Geographically, the most important market areas were Europe and Asia-Pacific. The largest orders received by Metso Paper in October-December included a power boiler to a Stora Enso mill in Belgium, fine paper lines to the Portucel Group in Portugal and to MCC Paper Yinhe in China and two board machines to Nine Dragons Paper in China.

Metso Minerals' order intake grew by 8 percent on the high level of the previous year's corresponding period. Growth in orders received was strongest in the Construction business line. Geographically, Metso Minerals' order intake growth was strongest in the United States, Australia and South Africa. Orders received by Metso Minerals in the final quarter of 2007 consisted of several orders from all market areas. Metso Minerals signed a 5-year contract with SKF Logistics Services over Metso's spare and wear parts logistics and warehousing services in the European construction market.

Metso Automation's orders received in the final quarter were at the level of the last year's corresponding period. Orders for automation systems increased, but in the Flow Control business, order intake was limited by high utilization of production capacity. The largest orders in October-December included an automation solution to Shouguang Chenming's mill in China and an automation system to Talvivaara Mining Company in Sotkamo, Finland.

Financial performance in October-December

Metso's fourth-quarter net sales grew by 23 percent on the corresponding period last year and totaled EUR 1,896 million. Growth was good across all business areas. About half of the growth was organic and half resulted from acquisitions.

Metso's fourth-quarter earnings before interest, tax and amortization (EBITA) improved notably and were EUR 193.9 million, or 10.2 percent of net sales compared with EUR 136.1 million or 8.8 percent of net sales for the corresponding period last year. Metso's fourth-quarter operating profit (EBIT) was EUR 179.7 million or 9.5 percent of net sales (EUR 125.0 million and 8.1% in Q4/ 2006). The operating profit improved in all business areas, and most substantially in Metso Paper.

Financial Statements Release 2007

Operating environment and demand for products in January-December

The market situation for Metso's products and services was favorable throughout the year. The uncertainty that characterized the financial markets from the summer onwards had no material effect on the investment decisions of Metso's customers. The weakening of the United States economic outlook did not have material impact on Metso's orders received as the share of the United States in Metso's total order intake has decreased in recent years to just over 10 percent.

Order intake grew most substantially in Europe, where the rapid increase in the importance of Eastern Europe and Russia was notable. Growth was strong also in Asia, South Africa and the Middle East. In the United States, Metso's volume of new orders received remained at the level of the previous year.

The demand for paper and board machines was satisfactory during the year, and is expected to continue along the same lines due to strong economic growth in Asia. The steady growth in the consumption of tissue, especially in emerging economies, kept the demand for tissue machines at a satisfactory level. The demand for fiber lines remained satisfactory, but no final decisions on complete pulp production lines were made after the first half-year. Power boilers utilizing renewable energy sources continued to be in high demand, but related decision-making was limited by high capacity utilization among suppliers. The demand for Metso Paper's services continued to be satisfactory in both paper and board machines and in power plants. Paper and board machines accounted for almost one half of orders received, and power boilers for about one quarter.

The demand for Metso Minerals' construction equipment and solutions was good. Demand was supported by ongoing development projects concerning road networks and other transportation infrastructure around the world and especially in emerging economies. The sales growth of construction equipment and solutions was particularly substantial in Eastern Europe and solid also in the United States, where new orders remained at almost the previous year's level. The construction equipment market is expected to continue to be good. The demand for mining equipment and services was excellent in all market areas. The investment plans of mining companies indicate that demand will also remain strong in the future. The demand in the metals recycling industry was excellent, thanks to increased recycling and the high prices of metals, and this trend is expected to continue. The mining industry accounted for over 50 percent of orders received, construction for about one third and metals recycling for about 10 percent.

At Metso Automation, the market for process automation systems for the pulp and paper industry was satisfactory all year, and growth is expected to take place in the Eastern European, Chinese and South American markets. Demand was satisfactory for pulp and paper industry flow control solutions, and excellent in the power, oil and gas industries. The markets for process automation systems in power production were good and are expected to grow. The power, oil and gas industries increased their share of orders received to over 50 percent.

Orders received and order backlog

In 2007, Metso's orders received grew by 22 percent on the previous year, and totaled EUR 6,965 million. The Pulping and Power businesses acquired at the end of 2006 contributed about one half to the increase. Orders received grew in all business areas. Excluding the effect of exchange rate translation, the increase in orders received would have been about 3 percentage points higher. Metso's order backlog increased by 16 percent on the end of 2006 and was EUR 4,341 million at the end of 2007.

Orders received by business area

	2007		2006	
	EUR million	**% of orders received**	EUR million	% of orders received
Metso Paper	**3,109**	**44**	2,276	40
Metso Minerals	**3,075**	**44**	2,655	46
Metso Automation	**763**	**11**	717	12
Valmet Automotive	**85**	**1**	109	2
Intra-Metso and other orders received	**(67)**		(52)	
Total	**6,965**	**100**	5,705	100

Orders received by market area

	2007		2006	
	EUR million	**% of orders received**	EUR million	% of orders received
Europe	**3,135**	**44**	1,993	35
North America	**1,033**	**15**	1,099	19
South and Central America	**818**	**12**	757	13
Asia-Pacific	**1,514**	**22**	1,503	27
Rest of the world	**465**	**7**	353	6
Total	**6,965**	**100**	5,705	100

Net sales

Metso's net sales in 2007 grew by 26 percent on the comparison period and totaled EUR 6,250 million. Excluding the effect of exchange rate translation, the increase in net sales would have been about 3 percentage points higher. About half of the growth was organic and the rest resulted from acquisitions. The net sales of the services business (previously the aftermarket business) increased by 19 percent, and accounted for 33 percent of the Corporation's net sales (35 percent in 2006). The decrease in the relative share of the services was due to the acquired Pulping and Power businesses, in which the share of the services is below Metso's average.

The countries in which Metso had the highest net sales in 2007 were the United States, Brazil, China, Finland and Sweden.

Net sales by business area

	2007		2006	
	EUR million	**% of net sales**	EUR million	% of net sales
Metso Paper	**2,925**	**46**	2,092	42
Metso Minerals	**2,607**	**41**	2,199	44
Metso Automation	**698**	**11**	613	12
Valmet Automotive	**85**	**2**	109	2
Intra-Metso and other net sales	**(65)**		(58)	
Total	**6,250**	**100**	4,955	100

Net sales by market area

	2007		2006	
	EUR million	**% of net sales**	EUR million	% of net sales
Europe	**2,551**	**40**	2,002	41
North America	**1,049**	**17**	1,012	20
South and Central America	**859**	**14**	685	14
Asia-Pacific	**1,488**	**24**	991	20
Rest of the world	**303**	**5**	265	5
Total	**6,250**	**100**	4,955	100

Financial result

Metso's 2007 earnings before interest, tax and amortization (EBITA) improved clearly and were EUR 635.4 million, or 10.2 percent of net sales (EUR 481.1 million and 9.7% in 2006). EBITA improved in all business areas, both in terms of euros and in relation to net sales. This improvement was mainly due to increased delivery volumes, but also to the profitability improvement measures taken at Metso Paper.

Metso's operating profit for 2007 was EUR 579.8 million, or 9.3 percent of net sales (EUR 457.2 million and 9.2% in 2006). Operating profit includes a EUR 36 million amortization of intangible assets related to the acquisition of the Pulping and Power businesses.

Metso's net financial expenses for 2007 were EUR 33 million (EUR 36 million). Net financial expenses include EUR 7 million in foreign exchange gains.

Metso's profit before taxes was EUR 547 million (EUR 421 million). The profit attributable to shareholders in 2007 was EUR 381 million (EUR 409 million), corresponding to earnings per share (EPS) of EUR 2.69 (EUR 2.89 per share). In 2006, Metso recognized in the income statement a nonrecurring deferred tax asset of EUR 87 million related to its operations in the United States, which lowered the tax rate for 2006 and improved EPS by EUR 0.61. Metso's tax rate for 2007 was 29.8 percent, and it is estimated to be at approximately 30 percent in 2008.

Metso's return on capital employed (ROCE) was 26.1 percent (22.5%) and return on equity (ROE) was 25.4 percent (30.9%).

Cash flow and financing

Metso's net cash generated by operating activities in 2007 was EUR 294 million (EUR 442 million). As a result of the strong growth of the order backlog and net sales, inventories increased in all business areas. Growth in inventories was partly offset by growth in advances received and accounts payable. The net working capital increase for the full year was EUR 286 million. Metso's free cash flow for 2007 was EUR 198 million (EUR 364 million).

Net interest-bearing liabilities totaled EUR 540 million at the end of December (EUR 454 million). Metso's gearing was 33.4 percent and the equity to assets ratio was 37.7 percent. In April, Metso paid out dividends of EUR 212 million for 2006.

In October, Moody's Investor Service upgraded Metso's long-term rating from Baa3 to Baa2 and estimated the rating outlook as stable. In May, Standard & Poor's Rating Services upgraded the corporate credit rating of Metso from BBB- to BBB and the short-term rating from A-3 to A-2. Standard & Poor's also upgraded the rating of Metso's senior unsecured debt from BB+ to BBB-. Standard & Poor's estimated the rating outlook as stable.

Capital expenditure

In 2007 Metso's gross capital expenditure grew by 21 percent from 2006 and was EUR 159 million excluding acquisitions (EUR 131 million). The most significant investments were for extensions or establishments of production plants and service centers, and for new enterprise resource planning (ERP) systems. About one third of the capital expenditure was related to investments increasing capacity necessitated by strong volume growth.

Metso is investing in the expansion of its paper industry service units in Guangzhou and Wuxi, China, and the boiler service units in Lancaster, South Carolina, and in Fairmont, West Virginia, the United States. During the year, Metso invested in the expansion of crusher manufacturing in Tampere, Finland and in Tianjin, China. In India, investments were made to increase assembly capacity in Bawal and to expand foundry capacity in Ahmedabad. The units in Shanghai, China, and Helsinki, Finland expanded their production capacity for flow control equipment. In Finland, the roll delivery capacity in Jyväskylä and the boiler rebuild and maintenance capacity in Lapua were expanded. Additionally, extension of office facilities in New Delhi, India is underway to cater for the needs of all Metso units operating in India. In Brazil, Metso opened a new process technology center to offer R&D and testing services relating to mineral processing. A research center including a pilot plant and rock laboratory for construction business was completed in Tampere late last year.

An investment project for an ERP system covering the entire supply chain was started at Metso Automation. The system will be introduced in stages, starting in 2009. An ERP system is also being developed at Metso Minerals.

It is estimated that, excluding acquisitions, Metso's gross capital expenditure for 2008 will exceed EUR 200 million. The increase will be due to the capacity-increasing investments necessitated by volume growth and development of Metso's global presence.

Holding in Talvivaara Mining Company Ltd

Metso's 3.4 percent holding in Talvivaara Mining Company Ltd is classified in the balance sheet as an available-for-sale investment. In December 2007, Metso sold 1.2 million of the company's shares and recognized a capital gain of almost EUR 5 million. At the end of December, Metso's holding was valued at approximately EUR 31 million. Metso's holding relates to a joint R&D project with Talvivaara Mining Company to develop rock processing and bulk materials handling processes.

Acquisitions and divestments

In March 2007, Metso acquired the North American metals recycling technology provider, Bulk Equipment Systems and Technologies Inc., located in Cleveland, Ohio. The acquisition price was approximately EUR 9 million. The company's net sales in 2006 were EUR 8 million and it employs approximately 40 people.

In June 2007, Metso strengthened its services to the paper industry by acquiring Mecanique et Dépannage Industries s.a.r.l. (MDI) in France. MDI employs 30 people. The transaction price was less than EUR 1 million.

In July 2007, Metso acquired Bender Holdings Limited and its subsidiaries in the United Kingdom. As a result of the acquisition, Metso became the global market leader in Yankee cylinder grinding and coating services for tissue machines. The transaction price was EUR 16 million, excluding the acquired cash assets. The company employs 97 people and its net sales in 2006 amounted to approximately EUR 24 million.

In October 2007, Metso acquired Mueller Engineering Inc (MEI), the leading provider of equipment and services for high voltage drive systems to the North American metal recycling industry. The acquisition price was approximately EUR 6 million. In 2006, MEI's net sales were EUR 10 million, and it employed some 20 people.

In March 2007, Metso sold the majority of Metso Paper AG in Delémont, Switzerland. Metso remained as a minority shareholder. The company has about 70 employees and annual net sales of approximately EUR 10 million.

In September 2007, Metso sold the assets of its German panelboard press business to G. Siempelkamp GmbH & Co. KG. The 65 employees of Metso Panelboard GmbH were transferred to Siempelkamp. The transaction price was EUR 7 million. Metso booked a small gain on the sale in the third quarter.

Changes in the corporate structure

Since the beginning of 2007, Metso has had three business areas. Metso Paper's business was reorganized as of June 1, 2007 into the following business lines: Paper and Board, Tissue, Fiber, Power and Panelboard. The Panelboard business line was discontinued as a separate business line in January 2008. The operations of Metso Minerals were reorganized as of January 1, 2007 in accordance with the three main customer segments into the Construction, Mining and Recycling business lines. Metso Automation's business lines are Flow Control and Process Automation Systems.

Acquisition and integration of the Pulping and Power businesses

Metso closed the acquisition of Aker Kvaerner's Pulping and Power businesses on December 29, 2006. The acquisition price was EUR 336 million, including EUR 6 million in expenses related to the acquisition and EUR 53 million in net cash.

Integration of the acquired businesses into Metso Paper has proceeded according to plan. Metso estimates that the annual cost savings achievable through synergies will amount to EUR 20-25 million from 2008 onwards. The cost savings for the first year were realized sooner than expected, and approximately EUR 14 million of the annual savings materialized already in 2007. The nonrecurring expenses resulting from integration of the acquired businesses are estimated to be approximately EUR 10 million, of which EUR 9 million was recognized in 2007.

As a result of integration, the number of employees was reduced by about 160 by the end of December. The total number of redundancies are estimated to be about 220 people.

The amortization of intangible assets resulting from the transaction amounted to EUR 36 million in 2007. It is estimated that intangible assets will be amortized by EUR 20 million in 2008, and by EUR 13 million annually thereafter until they are fully amortized.

Research and development

Metso's research and development focuses on environmental technology, technology related to the services business and the development of smart applications. In 2007, Metso's R&D expenses totaled EUR 117 million, i.e. 1.9 percent of net sales (EUR 109 million and 2.2%). R&D employed 923 people (839) in 2007. Metso's personnel made almost 850 invention disclosures (710), which led to over 220 patent applications (220). At the end of year, approximately 2,800 Metso inventions were protected by patents (2,500).

The objectives of Metso Paper's product development are to lower customers' production costs, decrease the environmental impact of their processes and improve energy efficiency. During the year, Metso Paper introduced a renewed, more energy-efficient recovery boiler, and developed a standardized, more cost-effective machine concept for liner and fluting board production, especially for the Chinese market. The Val product family developed for machine rebuilds was expanded with forming solutions suitable for paper and board grades and with the launch of a new calender that saves raw material. The maintenance business was supported by the development of new roll surfaces and service and analysis packages. New press technology, which enhances press efficiency and reduces the energy used in paper drying, was introduced for tissue machines.

The central themes of Metso Minerals' R&D operations are the development of new business concepts and products related to lifecycle services, and environmental technology. In addition, there is a focus on enhancing equipment performance and combining process technology and automation in current products. Materials technology also plays a significant role in the development of lifecycle services. Metso Minerals' product innovations included a Lokotrack mobile crusher designed for use in construction projects, in which the mobility and utilization rate of the crusher was improved. In the recycling business, a Lindemann baling press was launched. The new solution increases the capacity of recycling processes and makes cutting more efficient.

Metso Automation seeks, through its product development projects, to strengthen its position as a significant automation supplier for the pulp and paper industry and to expand the product range for energy and power generation customers. The product innovations included an analyzer for the Kajaani product family that enhances the productivity and quality of fiber processes and a new version of the metsoDNA automation network that includes reporting and analysis tools that improve the performance tracking of process controls and field equipment. These properties will improve Metso Automation's competitiveness also as an energy industry automation supplier. The product innovations also include a valve for the Neles product family that combines the best technological properties of linear seated valves and rotary valves. The new paper grade measurement solutions of the IQ product family complement earlier measurement systems.

Environment and environmental technology

The environmental impact of Metso's own production is minor and relates mainly to the consumption of raw materials, the use of energy, emissions to the air, water consumption and waste. Metso seeks to reduce environmental hazards through continuous development and by decreasing the use of power, materials and hazardous substances.

Metso's R&D develops products and solutions that reduce the environmental impact of Metso's customer industries. Many of Metso's environmental technology solutions have been developed in close cooperation with customers. Metso offers environmental solutions related to energy efficiency, air quality, waste management, recycling and recovery of raw materials, water efficiency, water treatment and process optimization.

Environmental technology is a strategic growth area for Metso, and an increasing proportion of net sales stems from environmental solutions delivered to the customers. Over one half of Metso's net sales are classified as environmental business, using the OECD definition. Metso's strategy highlights the importance of environmental solutions.

Risks and business uncertainties

Metso's operations are affected by various strategic, operational, hazard and financial risks. Metso takes measures to manage and limit the potential adverse effects of these risks. However, if such risks materialized, they could have material adverse impact on Metso's business, financial situation and operating result or on the value of shares and other securities.

Metso's risk assessments take into consideration the probability and effects of the risks on net sales and financial results. The risk level is estimated to be currently acceptable in proportion to the type and scope of Metso's operations. This section features a brief description of Metso's most significant strategic and operational risks.

Business cycles in the global economy and customer industries affect the demand for Metso's products and the company's financial situation. In particular, development of economies in the BRIC countries (Brazil, Russia, India and China) has a significant influence on Metso's growth potential. For example, as China is the primary market for new paper and board machines, any major variations in demand in China affect Metso Paper's profitability. Metso's wide geographical scope of operations and several different customer industries even out business cycle changes in the long run. In general, orders of new equipment are more susceptible to cyclical changes than the services business. Consequently, Metso is actively growing its services business. In recent years, Metso has increased the flexibility of its cost structure by subcontracting more and focusing in its own operations on producing and assembling key components.

Metso has its own manufacturing and subcontracting networks in many emerging economies. Sudden political, economic and/or legislative changes, especially in the BRIC countries, can interrupt business. Metso's operations are also affected by the environmental legislation of various countries, which may complicate the sale of Metso's products and increase costs. On the other hand, the tighter environmental standards introduced by new legislation open up possibilities to offer customers new solutions that improve energy-efficiency, reduce emissions and promote recycling.

Metso's technology risks are related to technological competence, research and product development. The use of new technology may temporarily increase quality-related costs. Metso protects its products and business-related intellectual property rights through patents and trademarks.

By continuously assessing human resources and organizational structures, Metso aims to ensure organizational efficiency and competence and to avoid and manage risks such as unsuitable recruiting, imbalance in the age structure and excessive personnel turnover.

The supply problems of raw material suppliers may increase the costs and availability of the raw materials used in Metso's products. For example, steel and iron scrap are among the most important raw materials, and their prices and availability vary depending on the market demand. Substantial fluctuations in the prices of steel and iron scrap may have an adverse effect on Metso's operations. Increases in the prices of electricity, oil and metals mainly serve to boost the demand for Metso's products, but such price fluctuations may indirectly have an adverse effect, if they decrease the investment willingness of customers. The direct risks associated with raw materials procurement have decreased in recent years, because Metso has increasingly focused on manufacturing and assembling core components. On the other hand, outsourcing has increased the importance of and risks related to suppliers and subcontractors. The delivery times for Metso's products have lengthened due to the strong growth in orders received. Because of this, the risk exists that material and other costs may increase substantially during the delivery period and affect Metso's profitability to a larger extent than what is estimated today. In the current situation of strong demand, the short supply of certain components and the scarcity of subcontractor resources, particularly at Metso Minerals and Metso Automation, may also result in extended delivery times.

Metso's operations partly consist of large-scale project deliveries. These may involve project-specific risks concerning delivery schedules, equipment start-up, production capacity and end-product quality. In some projects, risks may also arise from new technology included in the deliveries. However, the risks related to any single project are not generally substantial, considering the scope of the company's business. General uncertainty on the financial markets is not estimated to have a material effect on the demand for Metso's products and services. This uncertainty may, however, affect the timing of certain customer projects or the demand in certain geographical areas.

Securing the continuity of Metso's operation requires that sufficient financing be ensured under all circumstances. Of the financial risks that affect Metso's profit, currency exchange rate risks are the most substantial. Exchange rate changes affect the business, although the geographical diversity of operations decreases the significance of any single currency. Exchange rate changes can have a direct impact in situations in which the invoicing currency is different from the currency of the costs.

Subpoena from the United States Department of Justice requiring Metso to produce documents

In November 2006, Metso Minerals Industries, Inc., which is Metso Minerals' U.S. subsidiary, received a subpoena from the Antitrust Division of the United States Department of Justice calling for Metso Minerals Industries, Inc. to produce certain documents. The subpoena relates to an investigation of potential antitrust violations in the rock crushing and screening equipment industry. Metso is cooperating fully with the Department of Justice. During 2007 Metso recognized about EUR 4 million in costs from the investigation.

Personnel

At the end of the year, Metso employed 26,837 people. This was 1,159 more than at the end of 2006 (25,678 people). The number of personnel grew most in emerging markets where Metso is actively increasing its presence. In 2007, Metso employed an average of 26,269 people.

The main drivers behind personnel increases have been the investments in delivery and service capability required by strong growth. Metso Paper's personnel increased in Asia-Pacific due to production capacity expansions, but this was offset by personnel decreases in Europe and North America due to efficiency improvement measures. Metso Minerals' number of personnel grew strongly in Finland, France, Chile, the United States, India and Russia as a result of growth investments. Metso Automation's personnel increased mainly through the rises in the production capacity of the Flow Control business line in Finland and China.

The salaries and wages of Metso employees are determined on the basis of local collective and individual agreements, employee performance and job evaluations. Basic salaries and wages are complemented by performance-based compensation systems. In 2007, the total amount of salaries and wages paid was EUR 1,036 million (EUR 914 million in 2006). The increase was primarily due to the acquisition of Pulping and Power businesses.

Personnel by area

	2007		2006		
	Dec 31	**% of total personnel**	Dec 31	% of total personnel	Change %
Finland	**9,386**	**35**	9,281	36	1
Other Nordic countries	**3,602**	**14**	3,580	14	1
Other Europe	**3,183**	**12**	3,067	12	4
North America	**3,865**	**14**	3,715	14	4
South and Central America	**2,675**	**10**	2,439	10	10
Asia-Pacific	**2,705**	**10**	2,262	9	20
Rest of the world	**1,421**	**5**	1,334	5	7
Total personnel	**26,837**	**100**	25,678	100	5

Financial targets and dividend policy

Metso's financial targets remained unchanged in 2007. The average annual net sales growth target is more than 10 percent. Growth will be attained both organically and through value-enhancing complementary acquisitions. Major acquisitions with a significant impact on Metso will come on top of this 10 percent growth target. The operating profit margin target (EBIT-%) is more than 10 percent. Furthermore, Metso's target is that its key financial indicators, capital structure and cash flow metrics will support solid investment grade credit ratings. Metso's dividend policy is to distribute at least 50 percent of annual earnings per share as dividends or in other forms of repatriation of capital.

Decisions of the Annual General Meeting

On April 3, 2007 the Annual General Meeting of Metso Corporation approved the accounts for 2006 as presented by the Board of Directors and discharged the members of the Board of Directors and the President and CEO from liability for the 2006 financial year. In addition, the Annual General Meeting approved the proposals of the Board of Directors to amend the Articles of Association and to authorize the Board of Directors to resolve on a repurchase of the Corporation's own shares and on a share issue.

The Annual General Meeting decided to establish a Nomination Committee of the Annual General Meeting to prepare proposals for the following Annual General Meeting in respect of the composition of the Board of Directors and the remuneration of directors. The Nomination Committee consists of representatives appointed by the four biggest shareholders along with the Chairman of the Board of Directors as an expert member.

Matti Kavetvuo was re-elected as the Chairman of the Board and Jaakko Rauramo was re-elected as the Vice Chairman of the Board. Eva Liljeblom, Professor at the Swedish School of Economics and Business Administration, Helsinki, Finland, was elected as a new member of the Board. The Board members re-elected were Svante Adde, Maija-Liisa Friman, Christer Gardell and Yrjö Neuvo. The term of office of Board members lasts until the end of the following Annual General Meeting.

The Annual General Meeting decided that the annual remuneration of Board members would be EUR 80,000 for the Chairman, EUR 50,000 for the Vice Chairman and the Chairman of the Audit Committee and EUR 40,000 for the members. It was also decided that the meeting fee, including committee meetings, would be EUR 500 per meeting.

PricewaterhouseCoopers Oy, Authorized Public Accountants, was re-elected to act as the Auditor of Metso until the end of the next Annual General Meeting.

The Annual General Meeting decided to pay a dividend of EUR 1.50 per share for the financial year, which ended on December 31, 2006. The dividend was paid to shareholders who were entered in Metso's shareholder register maintained by the Finnish Central Securities Depository on the record date for dividend payment, April 10, 2007. The dividend was paid on April 17, 2007.

Board committees

At its assembly meeting the Board of Directors elected from its midst the members of the Audit Committee and Compensation Committee. The Board's Audit Committee consists of Maija-Liisa Friman (Chairman), Svante Adde and Eva Liljeblom. The Board of Directors assigned Svante Adde as the financial expert of the Audit Committee. The Board's Compensation Committee consists of Matti Kavetvuo (Chairman), Jaakko Rauramo, Christer Gardell and Yrjö Neuvo.

Shares, options and share capital

A total of 35,000 shares were subscribed with Metso Corporation's 2003A stock options during the period February 8 – March 21, 2007. The resulting increase in share capital of EUR 59,500 was entered in the Finnish Trade Register on March 29, 2007. The shares became subject to trading on the OMX Nordic Exchange Helsinki together with the existing shares on March 30, 2007. The right to receive dividends and other shareholder rights of the new shares commenced on the registration date.

At the end of 2007, Metso's share capital was EUR 240,982,843.80 and the number of shares was 141,754,614. The number of shares includes 60,841 Metso shares held by the parent company and 206,539 Metso shares held by a limited partnership consolidated in Metso's consolidated financial statements. Together these represent 0.19 percent of all the shares and votes. The average number of shares outstanding in 2007, excluding Metso shares held by the company, was 141,460,012.

After cancellations and exercised options there remains a total of 100,000 year 2003A options in Metso's stock options program, all of them held by Metso's subsidiary, Metso Capital Ltd.

Metso's market capitalization, excluding Metso shares held by the company, was EUR 5,282 million on December 31, 2007.

Share ownership plan

Metso has a share ownership plan for 2006–2008. The maximum number of shares to be allocated to the 2006–2008 incentive plan is 360,000 Metso shares.

The share ownership plan for the year 2006 was allocated to 60 Metso managers. Based on the 2006 earnings period, 99,961 shares corresponding to 0.07 percent of Metso shares were distributed at the end of March 2007. Members of Metso's Executive Team received 25,815 shares.

Metso's Board of Directors decided in February 2007 to allocate the 2007 share ownership plan to a total of 81 Metso managers. The potential reward from the plan was to be based on the operating profit for 2007 of Metso and its business areas. The share ownership plan was to cover a maximum of 125,500 Metso shares in 2007. Members of the Metso Executive Team were to be allocated a maximum of 26,500 shares of this total. If the average trade-weighted price of the Metso share during the first two full weeks of March 2008 exceeded EUR 48, the number of shares to be granted under the 2007 plan would be decreased by a corresponding ratio. Payment of the potential rewards will be decided during the first quarter of 2008.

Metso's Board of Directors decided in February 2008 on the number of shares to be allocated for 2008 and the criteria for earning them. The potential reward from the plan will be based on the operating profit of Metso and its business areas for 2008. In 2008, the share ownership plan will cover a maximum of 130,000 Metso shares, corresponding to 0.09 percent of all Metso shares. Metso's entire Executive Team is covered by the 2008 share ownership plan, and a maximum of 26,000 shares has been allocated to Executive Team members. The maximum reward from the plan is limited to each person's annual salary, which is calculated for the plan's purposes by multiplying the person's monthly base salary for the share distribution month by a factor of 12.5. The payment of rewards, if any, will be decided during the first quarter of 2009.

Metso's listing on the NYSE, SEC registration and related reporting obligations have been terminated

In July, 2007 Metso decided to apply for the delisting of its share and deregistration in the United States. The final day for trading in Metso's American Depositary Shares (ADS) on the New York Stock Exchange was September 14, 2007.

Metso filed a Form 15F with the U.S. Securities and Exchange Commission (SEC) on September 17, 2007 to terminate its reporting obligations under the U.S. Securities Exchange Act. Termination became effective on December 17, 2007.

Metso maintains its American Depositary Receipt (ADR) facility with the Bank of New York, and Metso's ADSs are traded over-the-counter (OTC) under the symbol "MXCYY" in the United States. Metso's ordinary shares will continue to trade on the OMX Nordic Exchange Helsinki.

Metso publishes in English on its website (www.metso.com) materials that are required to be made public pursuant to Finnish law, or required to be publicly filed with its primary trading market or required to be distributed to securities holders.

BUSINESSES

Metso Paper

EUR million	Q4/07	Q4/06	Change %	2007	2006	Change %
Net sales	**909**	717	27	**2,925**	2,092	40
Earnings before interest, tax and amortization (EBITA)	**51.5**	22.1	133	**184.5**	105.6	75
% of net sales	**5.7**	3.1		**6.3**	5.0	
Operating profit	**39.6**	13.2	200	**136.9**	89.8	52
% of net sales	**4.4**	1.8		**4.7**	4.3	
Orders received	**838**	677	24	**3,109**	2,276	37
Order backlog at end of period				**2,363**	2,225	6
Personnel at end of period				**11,694**	11,558	1

Aker Kvaerner's Pulping and Power businesses were acquired on December 29, 2006, and the acquired balance sheet was consolidated to Metso on December 31, 2006. The acquired businesses had no effect on Metso's income statement for 2006 and are therefore not included in the comparative segment information except for order backlog and personnel as at December 31, 2006.

Metso Paper's net sales grew by 40 percent on the comparison year and totaled EUR 2,925 million. About one-third of the growth was organic, and two-thirds were related to the acquisition of the Pulping and Power businesses. Organic growth was strongest at the Paper and Board and the Power business lines.

Metso Paper's services business grew by 31 percent. Excluding the acquired Pulping and Power business and the effect of exchange rate translation, the growth of the services business was about 8 percent. The services business accounted for 29 percent of net sales (30% in 2006). During 2007, Metso Paper carried out acquisitions supporting the services business, invested in service centers in China, and signed a large-scale service agreement with a Plattling Papier paper mill it had delivered in Germany.

The favorable development of Metso Paper's profitability continued, and EBITA for the entire year was EUR 184.5 million, or 6.3 percent of net sales (EUR 105.6 million and 5.0% in 2006). The improvement was mainly due to strong volume growth and effective control of fixed costs.

Metso Paper's operating profit was EUR 136.9 million, or 4.7 percent of net sales (EUR 89.8 million and 4.3% in 2006). The operating profit in 2007 was weakened by the EUR 36 million amortization of intangible assets related to the acquisition of the Pulping and Power businesses.

The value of orders received by Metso Paper increased by 37 percent on the comparison period and totaled EUR 3,109 million. The order intake growth was very strong in the Power business line, in which the value of orders received exceeded EUR 800 million in 2007. Orders received by the Paper and Board business line also increased notably, while the orders received by the Fiber and Tissue business lines decreased from the comparison year. The most significant orders for the year included pulp mill equipment for Votorantim Celulose e Paper in Brazil and Celbi in Portugal, a printing paper line for Henan Puyang Longfeng Paper in China, and an uncoated fine paper production line for the Portucel Group in Portugal. At the end of the year, the order backlog was EUR 2,363 million, which was 6 percent more than at the end of 2006.

In 2007, Metso Paper carried out a number of measures to improve cost competitiveness and increase the efficiency of the production structure. This resulted in decisions to reduce the company's personnel by almost 700 persons, mainly in Europe and North America. Of the reductions, some 250 affect the Finnish operations, about 350 the Swedish operations, 50 the rest of Europe and a further 40 North America. At the same time, the number of personnel increased in Asia by 240 people, strengthening Metso Paper's presence in emerging markets, close to its customers. About 220 of the personnel reductions are related to the integration of the Pulping business. The personnel negotiations related to the reductions have mainly been completed and the related decisions have been made. The nonrecurring costs resulting from these measures recorded in 2007 were approximately EUR 27 million, of which about EUR 9 million were related to the integration of the acquired Pulping business and the remaining EUR 18 million to other efficiency improvement measures. About EUR 17 million of these nonrecurring costs were realized in the fourth quarter, and slightly less than EUR 5 million of this was related to the integration of the acquired Pulping business.

Metso Minerals

EUR million	Q4/07	Q4/06	Change %	2007	2006	Change %
Net sales	**770**	630	22	**2,607**	2,199	19
Earnings before interest, tax and amortization (EBITA)	**115.2**	91.1	26	**367.1**	302.1	22
% of net sales	**15.0**	14.5		**14.1**	13.7	
Operating profit	**113.9**	90.0	27	**362.6**	297.7	22
% of net sales	**14.8**	14.3		**13.9**	13.5	
Orders received	**761**	705	8	**3,075**	2,655	16
Order backlog at end of period				**1,690**	1,277	32
Personnel at end of period				**10,446**	9,433	11

Metso Minerals' net sales rose by 19 percent on the comparison year and totaled EUR 2,607 million. The growth was strongest in the Mining business line. Net sales of the Construction business line also increased clearly, by over 10 percent on the previous year. The Recycling business line's growth was slightly below 10 percent. Metso Minerals' services business grew by 12 percent, and accounted for 40 percent of the net sales (43% in 2006).

The operating profit of Metso Minerals increased to EUR 362.6 million and was 13.9 percent of net sales (EUR 297.7 million and 13.5%). This improvement was mainly due to the strong growth in net sales, offsetting the negative impact of cost increases and the growth in the relative share of project deliveries. All business lines improved their operating profit on the preceding year. It is estimated that the continued strengthening of the euro decreased Metso Minerals' operating margin for 2007 by almost one percentage point.

The value of orders received by Metso Minerals increased by 16 percent and totaled EUR 3,075 million. The growth in order intake was strong across all business lines. From the beginning of 2007, Metso Minerals applied a new customer-oriented operating model, which had a favorable impact especially on the order intake of the Construction business line. Geographically, the growth was strongest in Eastern Europe, South Africa and China. The largest orders in 2007 included bulk materials handling equipment for Alcoa in Brazil, a grinding system for Boliden in Sweden, grinding equipment for Osisko Exploration in Canada, minerals processing equipment for Gold Reserve in Venezuela, and minerals processing equipment for Arcelor Mittal Steel in the Ukraine. The order backlog increased by 32 percent on the end of 2006 and was EUR 1,690 million at the end of 2007.

Metso Automation

EUR million	Q4/07	Q4/06	Change %	2007	2006	Change %
Net sales	**213**	193	10	**698**	613	14
Earnings before interest, tax and amortization (EBITA)	**34.7**	32.2	8	**100.4**	88.3	14
% of net sales	**16.3**	16.7		**14.4**	14.4	
Operating profit	**34.2**	31.8	8	**98.8**	86.7	14
% of net sales	**16.1**	16.5		**14.2**	14.1	
Orders received	**165**	162	2	**763**	717	6
Order backlog at end of period				**332**	276	20
Personnel at end of period				**3,564**	3,352	6

Metso Automation's net sales increased by 14 percent on the comparison year and totaled EUR 698 million. The growth mainly originated from deliveries of flow control systems for the energy industry. Deliveries of automation systems were at the previous year's level. The services business grew by 8 percent and accounted for 22 percent of net sales (23% in 2006).

Metso Automation's operating profit improved notably to EUR 98.8 million and was 14.2 percent of net sales. This improvement was mainly due to the strong growth in net sales, offsetting the negative impact of increases in raw material prices and the growth in the relative share of project deliveries.

The value of new orders received by Metso Automation increased by 6 percent on the comparison period and totaled EUR 763 million. The growth mainly originated from orders with the power, oil and gas industry. In the second half of the year, order intake in the Flow Control business was limited by the strong order backlog and the high capacity utilization. The largest orders in 2007 included valves for the Chiyoda-Technip Joint Venture in Qatar, automation modernization for the REVAP refinery of Petrobras in Brazil, and an automation solution for Shouguang Chenming's mill in China. Metso Automation's order backlog was 20 percent stronger than at the end of 2006 and totaled EUR 332 million.

Valmet Automotive

Valmet Automotive's net sales were EUR 85 million in 2007. The operating profit was EUR 8 million, or 9.4 percent of net sales. About half of the operating profit is attributable to non-recurring income. During the year, Valmet Automotive manufactured an average of 110 vehicles per day and a total number of cars manufactured during 2007 is 24,006 (32,393 cars in 2006). At the end of 2007, the number of Valmet Automotive's personnel was 789, which was 224 less than one year before, when the number of personnel was adjusted to meet the needs of production.

Events after the review period

Panelboard divestment to conclusion

Metso successfully concluded the divestment of the Panelboard business at the beginning of 2008. The German panelboard press business was divested to Siempelkamp earlier in September 2007, and in January 2008 an agreement was concluded on the divestment of the panelboard operations in Nastola, Finland and Sundsvall, Sweden to Dieffenbacher GmbH & Co. KG.

According to the agreement made with German Dieffenbacher, all the panelboard operations' 60 employees in Finland and 40 employees in Sweden will be transferred to Dieffenbacher. The refiner-related operations in Sundsvall, Sweden, will remain in Metso's ownership and are not included in the transaction. This unit with its 40 employees will continue to supply fiber preparation technology to the global MDF industry as part of Metso Paper.

As a result of the two divestments, some 160 Panelboard employees were transferred to the acquiring companies. After the divestments, around EUR 20-30 million of the former Panelboard's total net sales of EUR 100-150 million remain with Metso. The Panelboard business line was discontinued as a separate business line in January 2008.

Metso's Nomination Committee proposes seven members to the Board

The Nomination Committee established by Metso's Annual General Meeting, proposes to the next Annual General Meeting, will be held on April 2, 2008, that the number of Board members is seven.

The Nomination Committee proposes that from the current Board members Maija-Liisa Friman, Christer Gardell, Matti Kavetvuo, Yrjö Neuvo and Jaakko Rauramo be re-elected. Matti Kavetvuo is proposed to continue as Chairman of the Board and Jaakko Rauramo as Vice Chairman. It is also proposed that Jukka Viinanen and Arto Honkaniemi shall be elected as new members of the Metso Board.

The Nomination Committee proposes the following annual fees to be paid: Chairman of the Board EUR 92,000, Vice Chairman of the Board EUR 56,000 and other Board members EUR 45,000. In addition, a fee of EUR 600 per meeting is paid to all members for the Board and Board committee meetings they attend.

The Nomination Committee notes that a personnel representative will participate as an external expert in the Metso Board meetings also in the next Board term within the limitations imposed by the Finnish law. The new Board will invite the personnel representative as its external expert in April 2008.

Metso's Nomination Committee consisted of Chairman Pekka Timonen (State of Finland) and members Mikko Koivusalo (Varma Mutual Pension Insurance Company), Harri Sailas (Ilmarinen Mutual Pension Insurance Company) and Lars Förberg (Cevian Capital). Matti Kavetvuo, Chairman of Metso's Board, served as the Nomination Committee's expert member.

Short-term outlook

The favorable market situation for Metso's products and services is expected to continue. However, general uncertainty about the growth of the global economy may have an impact on the realization of certain customer projects and the demand in certain geographical areas.

No significant changes are expected in Metso Paper's market situation in 2008. The demand for new paper, board and tissue machines and fiber lines is expected to remain at the current level, although issues related to our customers' financing and required permits may in some cases have an impact on timing of projects. In China, the main factor affecting customer investments in new equipment is the growth of paper and board consumption, which is estimated to continue at a rapid rate. In Europe and North America, demand is expected to focus mainly on machine rebuilds and services. The demand for power plants utilizing renewable energy sources is estimated to continue at an excellent level in Metso's main market areas; Europe and North America. Metso Paper aims to substantially grow its services business, and the demand for services is expected to remain satisfactory.

Metso Minerals' favorable market situation is expected to continue in 2008. The demand for mining products, metal recycling equipment and services business is expected to continue at an excellent level. Investments in industrials and commercial facilities, infrastructure, services and housing are forecast to remain buoyant, particularly in emerging economies. As a result, it is expected that the demand for metals will remain strong and that the investment activity of Metso's customers will remain excellent. In the construction sector, demand for Metso Minerals' equipment relating to aggregates production is estimated to remain good. Construction demand will be bolstered by ongoing development projects concerning road networks and other transportation infrastructure around the world.

The demand for Metso Automation's products in the pulp and paper industry is expected to be good in 2008. In the power, oil and gas industries, the demand for process automation systems is expected to be good and the demand for flow control systems excellent. Energy industry investments are driven by the increased consumption of energy and high oil prices due to global economic growth.

In 2008, Metso targets to achieve, at comparable exchange rates, net sales growth of about 10 percent compared to 2007, and to reach an operating profit margin level of about 10 percent.

The profit performance estimates are based on Metso's current market outlook, order backlog and business scope.

Board of Directors' proposal for the distribution of profit

The Parent Company's distributable funds totaled EUR 713,240,970.52 on December 31, 2007, of which the net profit for the year was EUR 518,795,581.49.

The Board proposes to the Annual General Meeting that a dividend of EUR 3.00 per share be distributed for the year ended on December 31, 2007, and that the rest be retained and carried further. The proposed EUR 3.00 dividend consists of an ordinary dividend of EUR 1.65 and an extra dividend of EUR 1.35.

It is proposed that the record date for the payment of dividends will be April 7, 2008 and that the dividend will be paid on April 15, 2008. All the shares outstanding on the dividend record date will be entitled to a dividend, except for the treasury shares held by the Parent Company.

Annual General Meeting 2008

The Annual General Meeting of Metso Corporation will be held at 3 p.m. on Wednesday, April 2, 2008 at the Marina Congress Center in Helsinki.

Helsinki, February 6, 2008

Metso Corporation's Board of Directors

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.

Consolidated statements of income

EUR million	10-12/2007	10-12/2006	1-12/2007	1-12/2006
Net sales	**1,896**	1,538	**6,250**	4,955
Cost of goods sold	**(1,453)**	(1,179)	**(4,702)**	(3,659)
Gross profit	**443**	359	**1,548**	1,296
Selling, general and administrative expenses	**(256)**	(235)	**(972)**	(846)
Other operating income and expenses, net	**(8)**	0	**1**	6
Share in profits of associated companies	**1**	1	**3**	1
Operating profit	**180**	125	**580**	457
% of net sales	**9.5%**	8.1%	**9.3%**	9.2%
Financial income and expenses, net	**(8)**	(8)	**(33)**	(36)
Profit before taxes	**172**	117	**547**	421
Income taxes	**(49)**	5	**(163)**	(11)
Profit	**123**	122	**384**	410
Profit attributable to minority interests	**3**	0	**3**	1
Profit attributable to equity shareholders	**120**	122	**381**	409
Profit	**123**	122	**384**	410
Earnings per share, EUR	**0.85**	0.86	**2.69**	2.89
Adjusted earnings per share, EUR [1)]	**0.85**	0.65	**2.69**	2.28

[1)] In 2006, Metso recognized nonrecurring deferred tax assets totaling EUR 87 million, which improved the earnings per share by EUR 0.61. Of the deferred tax asset, EUR 57 million was recognized in the second quarter of 2006 (impact to EPS EUR 0.40) and EUR 30 million in the last quarter of 2006 (impact to EPS EUR 0.21).

Consolidated statement of recognized income and expense

EUR million	10-12/2007	10-12/2006	1-12/2007	1-12/2006
Cash flow hedges, net of tax	**(3)**	4	**(2)**	16
Available-for-sale equity investments, net of tax	**(3)**	0	**22**	1
Share-based payments, net of tax	**-**	-	**1**	0
Currency translation on subsidiary net investments	**(16)**	(18)	**(29)**	(59)
Net investment hedge gains (losses), net of tax	**(2)**	8	**(2)**	22
Defined benefit plan actuarial gains (losses), net of tax	**(1)**	3	**(1)**	3
Other	**1**	2	**2**	2
Net income (expense) recognized directly in equity	**(24)**	(1)	**(9)**	(15)
Profit	**123**	122	**384**	410
Total recognized income (expense) for the year	**99**	121	**375**	395
Total recognized income (expense) attributable to minority interests	**3**	0	**3**	1
Total recognized income (expense) attributable to equity shareholders	**96**	121	**372**	394
Total recognized income (expense) for the year	**99**	121	**375**	395

Consolidated balance sheet

ASSETS

EUR million	Dec 31, 2007	Dec 31, 2006
Non-current assets		
Intangible assets		
Goodwill	**772**	768
Other intangible assets	**251**	274
	1,023	1,042
Property, plant and equipment		
Land and water areas	**54**	57
Buildings and structures	**216**	221
Machinery and equipment	**315**	318
Assets under construction	**49**	19
	634	615
Financial and other assets		
Investments in associated companies	**19**	19
Available-for-sale equity investments	**45**	15
Loan and other interest bearing receivables	**5**	6
Available-for-sale financial investments	**5**	5
Deferred tax asset	**144**	238
Other non-current assets	**22**	33
	240	316
Total non-current assets	**1,897**	1,973
Current assets		
Inventories	**1,410**	1,112
Receivables		
Trade and other receivables	**1,274**	1,218
Cost and earnings of projects under construction in excess of advance billings	**374**	284
Loan and other interest bearing receivables	**2**	2
Available-for-sale financial assets	**0**	10
Tax receivables	**30**	16
	1,680	1,530
Cash and cash equivalents	**267**	353
Total current assets	**3,357**	2,995
Assets held for sale	**-**	-
TOTAL ASSETS	**5,254**	4,968

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Dec 31, 2007	Dec 31, 2006
Equity		
Share capital	**241**	241
Share premium reserve	**77**	77
Cumulative translation differences	**(76)**	(45)
Fair value and other reserves	**456**	432
Retained earnings	**910**	739
Equity attributable to shareholders	**1,608**	1,444
Minority interests	**7**	6
Total equity	**1,615**	1,450
Liabilities		
Non-current liabilities		
Long-term debt	**700**	605
Post employment benefit obligations	**177**	191
Deferred tax liability	**41**	57
Provisions	**37**	53
Other long-term liabilities	**2**	2
Total non-current liabilities	**957**	908
Current liabilities		
Current portion of long-term debt	**22**	93
Short-term debt	**97**	132
Trade and other payables	**1,307**	1,238
Provisions	**222**	213
Advances received	**637**	655
Billings in excess of cost and earnings of projects under construction	**331**	222
Tax liabilities	**66**	57
Total current liabilities	**2,682**	2,610
Liabilities held for sale	**-**	-
Total liabilities	**3,639**	3,518
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**5,254**	4,968

NET INTEREST BEARING LIABILITIES		
Long-term interest bearing debt	**700**	605
Short-term interest bearing debt	**119**	225
Cash and cash equivalents	**(267)**	(353)
Other interest bearing assets	**(12)**	(23)
Total	**540**	454

Condensed consolidated cash flow statement

EUR million	10-12/2007	10-12/2006	1-12/2007	1-12/2006
Cash flows from operating activities:				
Profit	**123**	122	**384**	410
Adjustments to reconcile profit to net cash provided by operating activities				
Depreciation	**38**	27	**148**	105
Interests and dividend income	**6**	4	**32**	26
Income taxes	**49**	(5)	**163**	11
Other	**(8)**	(2)	**(4)**	-
Change in net working capital	**(123)**	(34)	**(286)**	(18)
Cash flows from operations	**85**	112	**437**	534
Interest paid and dividends received	**(17)**	(21)	**(29)**	(24)
Income taxes paid	**(34)**	(17)	**(114)**	(68)
Net cash provided by (used in) operating activities	**34**	74	**294**	442
Cash flows from investing activities:				
Capital expenditures on fixed assets	**(49)**	(41)	**(159)**	(129)
Proceeds from sale of fixed assets	**3**	3	**16**	14
Business acquisitions, net of cash acquired	**(8)**	(268)	**(55)**	(277)
Proceeds from sale of businesses, net of cash sold	**-**	13	**9**	13
(Investments in) proceeds from sale of financial assets	**0**	41	**13**	154
Other	**-**	(1)	**-**	(2)
Net cash provided by (used in) investing activities	**(54)**	(253)	**(176)**	(227)
Cash flows from financing activities:				
Share options exercised	**-**	1	**0**	1
Redemption of own shares	**-**	(11)	**-**	(11)
Dividends paid	**-**	-	**(212)**	(198)
Net funding	**29**	49	**(5)**	35
Other	**-**	-	**15**	(6)
Net cash provided by (used in) financing activities	**29**	39	**(202)**	(179)
Net increase (decrease) in cash and cash equivalents	**9**	(140)	**(84)**	36
Effect from changes in exchange rates	**(3)**	-	**(2)**	(6)
Cash and cash equivalents at beginning of period	**261**	493	**353**	323
Cash and cash equivalents at end of period	**267**	353	**267**	353

Free cash flow

EUR million	10-12/2007	10-12/2006	1-12/2007	1-12/2006
Net cash provided by operating activities	**34**	74	**294**	442
Capital expenditures on maintenance investments	**(37)**	(23)	**(112)**	(92)
Proceeds from sale of fixed assets	**3**	3	**16**	14
Free cash flow	**0**	54	**198**	364

Consolidated statement of changes in shareholders' equity

EUR million	Share capital	Share premium reserve	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Equity attributable to shareholders	Minority interests	Total equity
Balance at Jan 1, 2006	**241**	**76**	**(9)**	**424**	**526**	**1,258**	**7**	**1,265**
Cash flow hedges, net of tax	-	-	-	16	-	16	-	16
Available-for-sale equity investments, net of tax	-	-	-	1	-	1	-	1
Share-based payments, net of tax	-	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	-	(59)	-	-	(59)	-	(59)
Net investment hedge gains (losses), net of tax	-	-	22	-	-	22	-	22
Defined benefit plan actuarial gains (losses), net of tax	-	-	-	-	3	3	-	3
Other	-	-	1	1	-	2	-	2
Net income (expense) recognized directly in equity	-	-	(36)	18	3	(15)	-	(15)
Profit	-	-	-	-	409	409	1	410
Total recognized income (expense) for 2006	-	-	(36)	18	412	394	1	395
Dividends	-	-	-	-	(198)	(198)	-	(198)
Share options exercised	-	1	-	-	-	1	-	1
Redemption of own shares	-	-	-	(11)	-	(11)	-	(11)
Other	-	-	-	1	(1)	-	(2)	(2)
Balance at Dec 31, 2006	**241**	**77**	**(45)**	**432**	**739**	**1,444**	**6**	**1,450**
Cash flow hedges, net of tax	-	-	-	(2)	-	(2)	-	(2)
Available-for-sale equity investments, net of tax	-	-	-	22	-	22	-	22
Share-based payments, net of tax	-	-	-	1	-	1	-	1
Currency translation on subsidiary net investments	-	-	(29)	-	-	(29)	-	(29)
Net investment hedge gains (losses), net of tax	-	-	(2)	-	-	(2)	-	(2)
Defined benefit plan actuarial gains (losses), net of tax	-	-	-	-	(1)	(1)	-	(1)
Other	-	-	-	-	2	2	-	2
Net income (expense) recognized directly in equity	-	-	(31)	21	1	(9)	-	(9)
Profit	-	-	-	-	381	381	3	384
Total recognized income (expense) for 2007	-	-	(31)	21	382	372	3	375
Dividends	-	-	-	-	(212)	(212)	-	(212)
Share options exercised	0	0	-	-	-	0	-	0
Redemption of own shares	-	-	-	-	-	-	-	-
Other	-	-	-	3	1	4	(2)	2
Balance at Dec 31, 2007	**241**	**77**	**(76)**	**456**	**910**	**1,608**	**7**	**1,615**

Acquisitions

Acquisitions in 2007

Metso Minerals acquired North American metal recycling provider, Bulk Equipment Systems and Technologies Inc (B.E.S.T. Inc), on March 30, 2007. The acquisition price was approximately EUR 9 million. Excess purchase price of EUR 3 million was allocated to intangible assets, representing the fair values of the acquired customer base, brands, technology and order backlog. The remaining excess purchase price of EUR 7 million represents goodwill associated to Metso's improved position in the North American metal recycling market.

On June 27, 2007, Metso Paper acquired Mecanique et Dépannage Industries s.a.r.l. (MDI), a French company supplying maintenance services to the paper industry. The purchase price was less than EUR 1 million.

Metso Paper acquired on July 18, 2007 a UK based service provider Bender Holdings Limited with its subsidiaries. The purchase price was EUR 16 million, net of cash acquired. Excess purchase price of EUR 10 million was allocated to intangible assets, representing the fair values of acquired technology, customer base and existing long-term contracts. The remaining excess purchase price of EUR 6 million is goodwill related to Metso's improved position in the worldwide market for services to pulp and paper industry.

Metso Minerals strengthened its metal recycling business by acquiring Mueller Engineering Inc. in the USA on October 31, 2007. Mueller Engineering is a shredder plant service provider specializing in servicing the drive motors and related equipment critical to the functioning of the shredder. The purchase price was EUR 6 million. Excess purchase price of EUR 3 million was allocated to intangible assets representing the fair values of acquired customer base, technology and order backlog and the remaining EUR 4 million represents goodwill arising from the leading market position gained on metal recycling plant services in North America.

Had these acquisitions taken place on January 1, 2007, Metso's net sales and net profit would have increased by EUR 26 million and EUR 3 million, respectively.

Summary information on acquisitions made in 2007:

EUR million	Carrying amount	Fair value allocations	Fair value
Intangible assets	0	16	**16**
Property, plant and equipment	2	-	**2**
Inventories	2	-	**2**
Trade and other receivables	8	-	**8**
Deferred tax liabilities	(1)	(5)	**(6)**
Other liabilities assumed	(7)	-	**(7)**
Non-interest bearing net assets	4	11	**15**
Cash and cash equivalents acquired	4	-	**4**
Debt assumed	(1)	-	**(1)**
Purchase price	(36)	-	**(36)**
Goodwill	29	(11)	**18**
Purchase price settled in cash			**(36)**
Cash and cash equivalents acquired			**4**
Cash outflow on acquisition			**(32)**

Acquisition of Pulping and Power businesses in 2006

Metso acquired the Pulping and Power businesses from Aker Kvaerner on December 29, 2006. The final asset values of the businesses were agreed upon in July 2007 and the revised purchase price amounted to EUR 336 million including EUR 6 million in expenses related to the acquisition and EUR 53 million of net cash. The resulting purchase price adjustment of EUR 23 million was settled in July.

The total excess purchase price amounted to EUR 379 million, whereof EUR 154 million was allocated to intangible assets, representing the fair values of acquired customer base, technology and order backlog. The related deferred tax liability was EUR 41 million. The remaining excess purchase price of EUR 266 million represents goodwill, which reflects the value of assembled workforce, significant synergy benefits and widened business portfolio offering Metso potential to expand its operations into new markets and customer segments.

Details of the acquired net assets and goodwill are as follows:

EUR million	Carrying amount	Fair value allocations	**Fair value**
Intangible assets	5	154	**159**
Property, plant and equipment	25	-	**25**
Inventories	52	-	**52**
Trade and other receivables	186	-	**186**
Other assets	29	-	**29**
Minority interests	-	-	**-**
Advances received	(214)	-	**(214)**
Deferred tax liabilities	(4)	(41)	**(45)**
Other liabilities assumed	(175)	-	**(175)**
Non-interest bearing net assets	(96)	113	**17**
Cash and cash equivalents	248	-	**248**
Debt assumed	(195)	-	**(195)**
Purchase price	(330)	-	**(330)**
Costs related to acquisition	(6)	-	**(6)**
Goodwill	379	(113)	**266**
Purchase price settled in cash			**(307)**
Settlement of acquired debt			**(195)**
Costs related to acquisition			**(6)**
Cash and cash equivalents acquired			**248**
Cash outflow on acquisition for 2006			**(260)**
Purchase price adjustment paid in July 2007			**(23)**
Total cash outflow on acquisition			**(283)**

Other acquisitions in 2006

In August 2006, Metso acquired a Chinese paper machine manufacturer Shanghai-Chenming Paper Machinery Co. Ltd. at a cash consideration of EUR 12 million and debt assumed of EUR 19 million. The company was consolidated into Metso Paper from September 2006 onwards.

Additionally, Metso acquired minor service related businesses in Sweden for a purchase consideration of EUR 4 million and the remaining minority interest of 35% in Metso-SHI Co. Ltd. in Japan at a price of EUR 2 million.

Assets pledged and contingent liabilities

EUR million	Dec 31, 2007	Dec 31, 2006
Mortgages on corporate debt	**9**	14
Other pledges and contingencies		
Mortgages	**2**	2
Pledged assets	**0**	0
Guarantees on behalf of associated company obligations	**-**	-
Other guarantees	**11**	6
Repurchase and other commitments	**8**	10
Lease commitments	**142**	166

Notional amounts of derivative financial instruments

EUR million	Dec 31, 2007	Dec 31, 2006
Forward exchange rate contracts	**1,387**	1,357
Interest rate and currency swaps	**0**	1
Currency swaps	**-**	1
Interest rate swaps	**143**	143
Option agreements		
Bought	**-**	7
Sold	**-**	6

The notional amount of electricity forwards was 356 GWh as of Dec 31, 2007 and 475 GWh as of Dec 31, 2006.

The notional amount of nickel forwards to hedge stainless steel prices was 396 tons as of Dec 31, 2007. In the comparison period Metso had not entered into nickel forwards.

The notional amounts indicate the volumes in the use of derivatives, but do not indicate the exposure to risk.

Key ratios

	1-12/2007	1-12/2006
Earnings per share, EUR	**2.69**	2.89
Adjusted earnings per share, EUR [1)]	**2.69**	2.28
Equity/share at end of period, EUR	**11.36**	10.21
Return on equity (ROE), % (annualized)	**25.4**	30.9
Return on capital employed (ROCE), % (annualized)	**26.1**	22.5
Equity to assets ratio at end of period, %	**37.7**	35.4
Gearing at end of period, %	**33.4**	31.3
Free cash flow	**198**	364
Free cash flow/share	**1.40**	2.57
Gross capital expenditure (excl. business acquisitions)	**159**	131
Business acquisitions, net of cash acquired	**55**	277
Depreciation and amortization	**148**	105
Number of outstanding shares at end of period (thousands)	**141,487**	141,359
Average number of shares (thousands)	**141,460**	141,581
Average number of diluted shares (thousands)	**141,460**	141,600

[1)] In 2006, Metso recognized nonrecurring deferred tax assets totaling EUR 87 million, which improved the earnings per share by EUR 0.61. Of the deferred tax asset, EUR 57 million was recognized in the second quarter of 2006 (impact to EPS EUR 0.40) and EUR 30 million in the last quarter of 2006 (impact to EPS EUR 0.21).

Exchange rates used

		1-12/2007	1-12/2006	**Dec 31, 2007**	Dec 31, 2006
USD	(US dollar)	**1.3797**	1.2630	**1.4721**	1.3170
SEK	(Swedish krona)	**9.2647**	9.2533	**9.4415**	9.0404
GBP	(Pound sterling)	**0.6873**	0.6819	**0.7334**	0.6715
CAD	(Canadian dollar)	**1.4663**	1.4267	**1.4449**	1.5281
BRL	(Brazilian real)	**2.6623**	2.7375	**2.5949**	2.8105

Formulas for calculation of indicators

Earnings/share:

$$\frac{\text{Profit attributable to equity shareholders}}{\text{Average number of shares during period}}$$

Equity/share:

$$\frac{\text{Equity attributable to shareholders}}{\text{Number of shares at end of period}}$$

Return on equity (ROE), %:

$$\frac{\text{Profit}}{\text{Total equity (average for period)}} \times 100$$

Return on capital employed (ROCE), %:

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

Gearing, %:

$$\frac{\text{Net interest bearing liabilities}}{\text{Total equity}} \times 100$$

Equity to assets ratio, %:

$$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$$

Free cash flow:

Net cash provided by (used in) operating activities
– capital expenditures on maintenance investments
+ proceeds from sale of fixed assets
= Free cash flow

Business area information

Metso Ventures Business Area was dismantled as of January 1, 2007. Two of Metso's three foundries were transferred to Metso Paper and one to Metso Minerals. Metso Panelboard became part of Metso Paper. Valmet Automotive is reported as part of Corporate Office and others group. Comparative segment information for 2006 is presented according to the new organization structure.

Aker Kvaerner's Pulping and Power businesses were acquired as of December 29, 2006 and the acquired balance sheet was consolidated to Metso as of December 31, 2006. The acquired businesses had no effect to Metso's income statement for 2006 and are therefore not included in the comparative segment information except for capital employed, order backlog and personnel as at December 31, 2006.

Net sales

EUR million	**10-12/2007**	10-12/2006	**1-12/2007**	1-12/2006	Change, %
Metso Paper	**909**	717	**2,925**	2,092	40
Metso Minerals	**770**	630	**2,607**	2,199	19
Metso Automation	**213**	193	**698**	613	14
Valmet Automotive	**21**	28	**85**	109	(22)
Corporate office and other	**-**	3	**-**	10	(100)
Corporate office and others total	**21**	31	**85**	119	(29)
Intra Metso net sales	**(17)**	(33)	**(65)**	(68)	
Metso total	**1,896**	1,538	**6,250**	4,955	26

Other operating income (+) and expenses (-), net

EUR million	**10-12/2007**	10-12/2006	**1-12/2007**	1-12/2006
Metso Paper	**(14.3)**	(10.4)	**(11.5)**	(11.0)
Metso Minerals	**4.3**	10.7	**7.7**	16.1
Metso Automation	**2.1**	0.4	**2.4**	0.3
Valmet Automotive	**0.0**	0.0	**0.0**	0.0
Corporate office and other	**0.0**	(1.1)	**2.5**	0.4
Corporate office and others total	**0.0**	(1.1)	**2.5**	0.4
Metso total	**(7.9)**	(0.4)	**1.1**	5.8

Share in profits of associated companies

EUR million	**10-12/2007**	10-12/2006	**1-12/2007**	1-12/2006
Metso Paper	**0.6**	0.7	**1.1**	1.7
Metso Minerals	**0.3**	0.0	**0.3**	0.1
Metso Automation	**0.1**	0.2	**1.4**	0.8
Valmet Automotive	**-**	-	**-**	-
Corporate office and other	**-**	(0.4)	**-**	(1.7)
Corporate office and others total	**-**	(0.4)	**-**	(1.7)
Metso total	**1.0**	0.5	**2.8**	0.9

Operating profit (loss)

EUR million	**10-12/2007**	10-12/2006	**1-12/2007**	1-12/2006	Change, %
Metso Paper	**39.6**	13.2	**136.9**	89.8	52
Metso Minerals	**113.9**	90.0	**362.6**	297.7	22
Metso Automation	**34.2**	31.8	**98.8**	86.7	14
Valmet Automotive	**0.9**	1.0	**8.0**	11.7	(32)
Corporate office and other	**(8.9)**	(11.0)	**(26.5)**	(28.7)	(8)
Corporate office and others total	**(8.0)**	(10.0)	**(18.5)**	(17.0)	9
Metso total	**179.7**	125.0	**579.8**	457.2	27

Operating profit (loss), % of net sales

%	**10-12/2007**	10-12/2006	**1-12/2007**	1-12/2006
Metso Paper	**4.4**	1.8	**4.7**	4.3
Metso Minerals	**14.8**	14.3	**13.9**	13.5
Metso Automation	**16.1**	16.5	**14.2**	14.1
Valmet Automotive	**4.3**	3.6	**9.4**	10.7
Corporate office and other	**n/a**	n/a	**n/a**	n/a
Corporate office and others total	**n/a**	n/a	**n/a**	n/a
Metso total	**9.5**	8.1	**9.3**	9.2

EBITA

EUR million	**10-12/2007**	10-12/2006	**1-12/2007**	1-12/2006	Change, %
Metso Paper	**51.5**	22.1	**184.5**	105.6	75
Metso Minerals	**115.2**	91.1	**367.1**	302.1	22
Metso Automation	**34.7**	32.2	**100.4**	88.3	14
Valmet Automotive	**1.0**	1.0	**8.1**	11.7	(31)
Corporate office and other	**(8.5)**	(10.3)	**(24.7)**	(26.6)	(7)
Corporate office and others total	**(7.5)**	(9.3)	**(16.6)**	(14.9)	11
Metso total	**193.9**	136.1	**635.4**	481.1	32

EBITA, % of net sales

%	**10-12/2007**	10-12/2006	**1-12/2007**	1-12/2006
Metso Paper	**5.7**	3.1	**6.3**	5.0
Metso Minerals	**15.0**	14.5	**14.1**	13.7
Metso Automation	**16.3**	16.7	**14.4**	14.4
Valmet Automotive	**4.8**	3.6	**9.5**	10.7
Corporate office and other	**n/a**	n/a	**n/a**	n/a
Corporate office and others total	**n/a**	n/a	**n/a**	n/a
Metso total	**10.2**	8.8	**10.2**	9.7

Orders received

EUR million	**10-12/2007**	10-12/2006	**1-12/2007**	1-12/2006	Change, %
Metso Paper	**838**	677	**3,109**	2,276	37
Metso Minerals	**761**	705	**3,075**	2,655	16
Metso Automation	**165**	162	**763**	717	6
Valmet Automotive	**21**	28	**85**	109	(22)
Corporate office and other	**-**	4	**-**	15	(100)
Corporate office and others total	**21**	32	**85**	124	(31)
Intra Metso orders received	**(14)**	(19)	**(67)**	(67)	
Metso total	**1,771**	1,557	**6,965**	5,705	22

Quarterly information

Net sales

EUR million	10-12/2006	1-3/2007	4-6/2007	7-9/2007	**10-12/2007**
Metso Paper	717	666	708	642	**909**
Metso Minerals	630	540	648	649	**770**
Metso Automation	193	146	174	165	**213**
Valmet Automotive	28	28	19	17	**21**
Corporate office and other	3	-	-	-	**-**
Corporate office and others total	31	28	19	17	**21**
Intra Metso net sales	(33)	(14)	(13)	(21)	**(17)**
Metso total	1,538	1,366	1,536	1,452	**1,896**

Other operating income (+) and expenses (-), net

EUR million	10-12/2006	1-3/2007	4-6/2007	7-9/2007	**10-12/2007**
Metso Paper	(10.4)	1.9	(3.3)	4.2	**(14.3)**
Metso Minerals	10.7	1.2	0.2	2.0	**4.3**
Metso Automation	0.4	0.5	(0.4)	0.2	**2.1**
Valmet Automotive	0.0	0.0	0.0	0.0	**0.0**
Corporate office and other	(1.1)	2.2	0.4	(0.1)	**0.0**
Corporate office and others total	(1.1)	2.2	0.4	(0.1)	**0.0**
Metso total	(0.4)	5.8	(3.1)	6.3	**(7.9)**

Operating profit (loss)

EUR million	10-12/2006	1-3/2007	4-6/2007	7-9/2007	**10-12/2007**
Metso Paper	13.2	25.4	35.7	36.2	**39.6**
Metso Minerals	90.0	67.8	95.7	85.2	**113.9**
Metso Automation	31.8	15.5	23.3	25.8	**34.2**
Valmet Automotive	1.0	4.4	1.0	1.7	**0.9**
Corporate office and other	(11.0)	(4.7)	(7.4)	(5.5)	**(8.9)**
Corporate office and others total	(10.0)	(0.3)	(6.4)	(3.8)	**(8.0)**
Metso total	125.0	108.4	148.3	143.4	**179.7**

EBITA

EUR million	10-12/2006	1-3/2007	4-6/2007	7-9/2007	**10-12/2007**
Metso Paper	22.1	37.1	47.7	48.2	**51.5**
Metso Minerals	91.1	68.7	96.9	86.3	**115.2**
Metso Automation	32.2	15.9	23.6	26.2	**34.7**
Valmet Automotive	1.0	4.4	1.0	1.7	**1.0**
Corporate office and other	(10.3)	(4.2)	(6.9)	(5.1)	**(8.5)**
Corporate office and others total	(9.3)	0.2	(5.9)	(3.4)	**(7.5)**
Metso total	136.1	121.9	162.3	157.3	**193.9**

Capital employed

EUR million	Dec 31, 2006	Mar 31, 2007	June 30, 2007	Sep 30, 2007	**Dec 31, 2007**
Metso Paper	616	558	637	593	**674**
Metso Minerals	949	965	1,030	1,045	**1,106**
Metso Automation	149	155	189	201	**214**
Valmet Automotive	23	23	23	29	**21**
Corporate office and other	543	564	419	444	**419**
Corporate office and others total	566	587	442	473	**440**
Metso total	2,280	2,265	2,298	2,312	**2,434**

Orders received

EUR million	10-12/2006	1-3/2007	4-6/2007	7-9/2007	**10-12/2007**
Metso Paper	677	653	1,103	515	**838**
Metso Minerals	705	771	798	745	**761**
Metso Automation	162	228	185	185	**165**
Valmet Automotive	28	28	19	17	**21**
Corporate office and other	4	-	-	-	**-**
Corporate office and others total	32	28	19	17	**21**
Intra Metso orders received	(19)	(16)	(15)	(22)	**(14)**
Metso total	1,557	1,664	2,090	1,440	**1,771**

Order backlog

EUR million	Dec 31, 2006	Mar 31, 2007	June 30, 2007	Sep 30, 2007	**Dec 31, 2007**
Metso Paper	2,225	2,190	2,584	2,455	**2,363**
Metso Minerals	1,277	1,497	1,673	1,728	**1,690**
Metso Automation	276	356	365	382	**332**
Valmet Automotive	-	-	-	-	**-**
Corporate office and other	-	-	-	-	**-**
Corporate office and others total	-	-	-	-	**-**
Intra Metso order backlog	(41)	(44)	(48)	(46)	**(44)**
Metso total	3,737	3,999	4,574	4,519	**4,341**

Personnel	Dec 31, 2006	Mar 31, 2007	June 30, 2007	Sep 30, 2007	**Dec 31, 2007**
Metso Paper	11,558	11,469	11,954	11,774	**11,694**
Metso Minerals	9,433	9,545	9,967	10,194	**10,446**
Metso Automation	3,352	3,379	3,564	3,523	**3,564**
Valmet Automotive	1,013	899	782	777	**789**
Corporate office and other	322	324	342	335	**344**
Corporate office and others total	1,335	1,223	1,124	1,112	**1,133**
Metso total	25,678	25,616	26,609	26,603	**26,837**

Notes to the Financial Statements Release

This Financial Statements Release has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies have been applied as in the annual financial statements.

Tax losses carried forward and related deferred tax assets as at December 31 stated by the most significant countries are as follows:

EUR million	Tax losses carried forward	Deferred tax asset	Not recorded	Deferred tax asset in balance sheet
2006				
Finland	164	43	0	43
USA	77	32	0	32
Germany	51	19	0	19
Other	92	27	10	17
Total	**384**	**121**	**10**	**111**

EUR million	Tax losses carried forward	Deferred tax asset	Not recorded	Deferred tax asset in balance sheet
2007				
Finland	64	17	0	17
USA *)	43	4	0	4
Germany	33	9	0	9
Other	61	16	5	11
Total	**201**	**46**	**5**	**41**

*) Main part of the remaining losses concern state taxes.

Changes in accounting policies and new accounting standards

Prior to 2007 Metso had applied the corridor method in recognizing the actuarial gains and losses related to its defined post-employment schemes. Under the corridor method, the accumulated actuarial gains and losses are expensed over the expected average remaining working lives of employees in the plan.

At the beginning of 2007, Metso adopted the amendment to IAS19 'Employee benefits', which permits the recognition of all actuarial gains and losses in the period in which they occur outside the income statement directly in shareholders' equity. This policy was adopted to improve the transparency of Metso's financial statements. The comparative figures are also presented correspondingly. The change in accounting policy decreased the shareholders' equity, net of tax, by EUR 24 million in 2006 (EUR 27 million in 2005) and increased the pension liability by EUR 34 million at December 31, 2006 (EUR 40 million at December 31, 2005).

IFRS 8

In November 2006, IASB issued IFRS 8 'Operating Segments', which requires the company to adopt the 'management approach' to reporting on the financial performance of its operating segments. Thus, the information to be reported would be what management uses internally for evaluating segment performance. Metso is currently evaluating the effects to its financial statements, however it expects the standard not to impact its current segment structure.

IFRS 8 is effective for annual financial statements for periods beginning on or after January 1, 2009. Earlier adoption is permitted.

Metso will apply the standard for the financial year beginning on January 1, 2009.

IFRIC 14

IASB has published IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. The interpretation is applied to post-employment defined benefit plans and other long-term defined benefit plans under

IAS 19, if the plan includes minimum funding requirements. The interpretation also clarifies the criteria for recognition of an asset on future refunds or reductions in future contributions. Metso does not expect the new requirements to have a material impact to its financial statements.

IFRIC 14 is effective for annual financial statements for periods beginning on or after January 1, 2008. The interpretation is still subject to endorsement by the European Union. Pending on endorsement by the European Union Metso should apply the standard for the financial year beginning on January 1, 2008.

IAS 1 (Revised)

IASB has published IAS 1 (Revised) 'Presentation of Financial Statements'. The revised standard is aimed at improving users' ability to analyse and compare the information given in financial statements by separating changes in equity of an entity arising from transactions with owners from other changes in equity.

IAS 1 (Revised) is effective for annual financial statements for periods beginning on or after January 1, 2009. The standard is still subject to endorsement by the European Union.

Provided the standard is endorsed by the European Union before the end of 2008, Metso will apply the standard for the financial year beginning on January 1, 2009.

IFRS 3 (Revised)

IASB has published IFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes such as expensing of transaction costs. In addition, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. Metso is currently evaluating the effects to its financial statements.

IFRS 3 (Revised) is effective for annual financial statements for periods beginning on or after July 1, 2009. The standard is still subject to endorsement by the European Union.

Provided the revision receives endorsement by the European Union, Metso will apply the standard for the financial year beginning on January 1, 2010.

IAS 23 (Amended)

IASB has published Amendment to IAS 23 'Borrowing Costs', which requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of that asset. A qualifying asset can be intended for its own use (self-constructed asset) or for sale. The option of immediately expensing those borrowing costs will be removed. The amendment does not change the accounting policy applied by the group to self-constructed assets and therefore, should not have material impact on the group's financial statements, however the implementation of the amendment to qualifying assets for sale is under review and its effects are being evaluated by Metso.

The amendment is effective for annual periods beginning on or after January 1, 2009. The standard is still subject to endorsement by the European Union.

Provided the amendment receives the endorsement by the European Union, Metso will apply the standard for the financial year beginning on January 1, 2009.

IAS 27 (Revised)

IASB has published IAS 27 (Revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is expensed. Metso is currently evaluating the effects to its financial statements.

IAS 27 (Revised) is effective for annual financial statements for periods beginning on or after July 1, 2009. The standard is still subject to endorsement by the European Union.

Provided the revision receives endorsement by the European Union, Metso will apply the standard for the financial year beginning on January 1, 2010.

Shares traded on the Helsinki and New York Stock Exchanges

The number of Metso Corporation shares traded on the OMX Nordic Exchange Helsinki during 2007 was 350 million shares, equivalent to a turnover of EUR 14,508 million. The share price on December 31, 2007 was EUR 37.33, and the average trading price for the year was EUR 41.43. The highest quotation during the review period was EUR 49.95 and the lowest EUR 34.06.

The trading of Metso ADSs (American Depositary Shares) on the New York Stock Exchange was terminated on September 14, by which time approximately 6 million Metso ADSs, equivalent to a turnover of USD 344 million, had been traded since the beginning of 2007. The highest price of Metso's ADS in the United States in 2007 was USD 70.62, and the lowest USD 46.18. At the end of the year, the price of an ADS was USD 53.70. Each ADS represents one share.

Disclosures of changes in holdings

Only one disclosure of a change in holdings was received during the year. J.P. Morgan Chase & Co. announced that the funds they managed held 6,996,732 Metso shares/ADSs on February 12, 2007 corresponding to 4.94 percent of the paid up share capital of Metso.

Metso's Financial Reporting in 2008

Metso will publish three interim reviews in 2008 as follows:
Interim report for January-March on April 24, 2008,
Interim review for January-June on July 24, 2008 and
Interim review for January-September on October 28, 2008.
The Annual Report for 2007 will be published during the week starting on March 10, 2008

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Debt and maturity structure
Credit ratings

Credit ratings

The rating agencies have assigned Metso with the following ratings:

Standard & Poor's (May 15, 2007):
Corporate credit rating: BBB, outlook: stable
Short term rating: A-2
Ratings for outstanding bonds and EMTN program: BBB-
Report from Standard & Poor's (May 15, 2007)
Report from Standard & Poor's (June 7, 2007)
Report from Standard & Poor's (August 15, 2007)

Moody's (Oct 31, 2007):
Long-term rating: Baa2, outlook stable
Credit report from Moody's (Nov 1, 2007)
Moody's press release (Oct 31, 2007)
Moody's press release (Sep 28, 2006)
Credit report from Moody's (Oct 5, 2006)

The development of Metso's credit ratings:

Moody's	**Standard & Poor's**
Oct 31, 2007 Baa2, outlook stable	May 15, 2007 BBB, outlook stable / A-2 Outstanding bonds and EMTN program: BBB-
Sep 28, 2006 Baa3, outlook stable	Oct 9, 2006 BBB-, outlook stable / A-3 Outstanding bonds and EMTN program: BB+
Dec 13, 2005 Ba1, outlook positive	Apr 6, 2006 BB+, outlook positive / B Outstanding bonds and EMTN program: BB
Feb 24, 2005 Ba1, outlook stable	
Feb 17, 2004 Ba1, outlook negative	Mar 3, 2004 BB+, outlook stable / B Outstanding bonds and EMTN program: BB
Jun 23, 2003 Baa3, outlook stable	Jun 27, 2003 BBB, outlook negative / A-3
Dec 3, 2002 Baa2, outlook negative	Nov 26, 2002 BBB, outlook stable / A-2
Nov 8, 2001 Baa2, outlook stable	Jun 21, 2000 BBB+, outlook negative / A-2
Jun 21, 2000 Baa2, outlook negative	Dec 21, 1999 BBB+, outlook stable / A-2
Jun 30, 1999 Baa2, outlook positive	Jul 1, 1999 BBB+, outlook positive / A-2

Credit Opinion: Metso Corporation

Metso Corporation

Helsinki, Finland

Ratings

Category	**Moody's Rating**
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2

Contacts

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Johannes Wassenberg/Frankfurt	

Key Indicators

Metso Corporation

	[1]**2006**	[1]**2005**	[2]**2004**	[3]**2003**	[3]**2002**
EBITA Margin %	**11.1%**	**10.3%**	**8.4%**	**3.2%**	**5.5%**
EBIT / Interest Expense	**8.2x**	**5.7x**	**3.4x**	**1.6x**	**2.5x**
FCF / Debt	**11.2%**	**2.8%**	**11.2%**	**-3.8%**	**-1.2%**
Debt / EBITDA	**1.8x**	**2.1x**	**3.1x**	**6.0x**	**4.4x**
EBIT / Avg. Book Capitalization	**21.1%**	**17.8%**	**11.9%**	**6.2%**	**n.a.**
Debt / Book Capitalization	**44.2%**	**46.9%**	**57.2%**	**66.6%**	**60.0%**

[1] IFRS [2] IFRS, restated [3] Finnish GAAP

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Company Profile

Metso Corporation, headquartered in Helsinki, Finland, is a leading global supplier of machinery and technology for the pulp and paper industry, as well as the world's largest player in the rock and mineral equipment business. The company also has a significant position in process automation and flow control solutions with a particular focus on its key customer industries. For the first nine months of 2007, Metso reported revenues of EUR 4.35 billion and a EUR 261 million net income.

Rating Rationale

The Baa2 ratings reflect Metso's global market leadership in paper machines and minerals business, a large installed base of assets which allows to leverage upon in building up its services and maintenance offering, the improved overall cost base which lowered the profitability break-even levels and increased the potential for sizeable Free Cash Flows. However, the ratings also take into consideration the volatile order patterns in the paper industry although somewhat mitigated by maintenance / refurbishment orders, the risk of further acquisitions increasing leverage again and the increased shareholder orientation, evidenced by the further increase of the targeted dividend payout ratio to at least 50% of earnings per share.

Drivers of Rating Change

The recent upgrade to Baa2 reflects Metso's continued improvements of its financial profile, supported by a large order book providing strong medium term revenue visibility. Even when taking into account the positive impact of an overall benign market environment in its customer markets, especially in mining, the improvements of Metso's financial and operational performance are considered sustainable as evidenced by (i) the further increase of the reported operating profit margin beyond the 2006 group target of 7% towards the new target level of 10%, supported by increasing order times in the rock and minerals equipment business, solid order levels from Asian and Latin American paper and pulp producers as well as a strong automation business; (ii) the significant debt reduction, primarily through disposals, reducing net debt as adjusted by Moody's to EUR 800 million by end of 2005 from EUR 1,536 million at the end of 2003 (iii) the company's ability to pay a cash consideration of EUR260 million (in 2006) for the acquisition of Aker Kvaerner's Pulping and Power businesses without materially increasing debt levels and (iv) the stabilization of the retained cash flow to net debt metric in the mid thirties, indicating financial discipline with regards to dividend payments and debt levels, and solid cash operating performance.

Using the rating factors identified in Moody's Heavy Manufacturing Rating Methodology, Metso's rating drivers suggest a A3 rating, two notches above the current Baa2 rating. While the recent upgrade to Baa2 acknowledges the improved operating performance of Metso, key limiting factors for the current Baa2 rating continue to be the inherent volatiliy of Metso's activities and the increased shareholder focus.

The key rating factors currently influencing Metso's rating and stable outlook are:

Factor 1 - Order Trends:

Order trends indicate a further sales increase for Metso going forward. Measured by orders received during the last twelve months orders at Metso Paper increased by 39% since the end of June 2005. Orders at Metso Minerals, which typically show less volatility than the Paper Business, follow a steady upward trend since end of 2003. A solid aftermarket share of one third of sales in the Paper Business and close to 50% in the Minerals Business results in a 5-year order volatility which is at the upper end of the Baa scale. Metso receives a sizeable amount of advance payments of 52% of sales which indicates sound market practice and negotiation power. Major parts of the advanced payments belong to projects accounted according to the percentage-of-completion method and might underlay some larger swings. Together with a low warranty utilisation in line with the industry, Metso achieves a high A-rating for this category.

Factor 2 - Scale and Diversification:

The rating methodology ranks Metso in the low A-range for this factor primarily due to very good regional diversification. However, this factor is constrained by revenues in the mid of the Baa-range for the scale sub-factor, three core segments varying in size which also indicate a Baa sub-factor rating and an increased sales volatility.

Factor 3 - Market Structure and Competitive Position:

Metso holds strong market positions in its core businesses: Metso Paper is among the top 3 players in the Paper Machine business and Metso Minerals is market leader in the production of machines for crushing and screening, minerals processing, wear protection and for conveying and recycling. The low level of R&D spent balances this rating factor in the middle of the Baa-factor range.

Factor 4 - Cost Position and Profitability:

Metso's restructuring programmes which have resulted in annual savings of EUR 150 million have contributed to further improve the company's cost and resulting cash flow profile. The factor rating in the mid of the Aa-range indicates that Metso has improved operating margins and reduced its SG&A costs as a percentage of revenue in each of the past 3 years and laid the foundation for its robustness to future challenges.

Factor 5 - Financial Policy and Capital Structure:

The company's cash flow leverage (measured as RCF/net Debt) stabilized in the mid thirties after steady improvement from its 2003 trough following the Svedala acquisition in 2001 and a cyclical downturn. The 3-year average EBITDA leverage of 2.1x now ranks in the highest category, with further improvements expected. Metso's EUR 500 million disposal programme has contributed to reduce gross debt (as adjusted by Moody's) by EUR 600 million to EUR 1,184 million during the last 3 years. Overall the rating for this factor improved to the upper A-range.

Factor 6 - Financial Strength:

Companies in the capital intensive and cyclical heavy manufacturing industry need to generate sufficient earnings and cash flow to cover their significant maintenance capital expenditures, in addition to dividends, interest expense and debt amortisation. Metso's rating for this factor is in the mid of the Ba-range and the major constraint for the rating. During the 3-year period 2004 - 2006 Metso was able to boost Funds From Operations and Retained Cash Flow pre working capital. High working capital needs in 2005 and increased shareholder orientation, evidenced by a loosened dividend policy and a 83% dividend payout ratio for 2005 - including EUR 0.70 per share extra dividend - weigh on the Free Cash Flow generation ability making FCF / Gross debt the second negative outlier among

Metso's Key rating factors.

Liquidity

Metso's Liquidity needs over the 12 month period October 2007 through September 2008 are estimated to add up to EUR920 million, including EUR150 million of working cash required to run the business, EUR100million working capital, EUR150 million Capital Expenditures and EUR210 million debt repayments including CP maturities. These needs are amply covered by the company's available liquidity sources totalling EUR1.2 billion, including EUR261 million cash on hand, EUR450 million FFO and a EUR500 million credit facility maturing in December 2011.

Due to the existence of a Dept / Capital covenant, albeit with ample headroom, in the legal documentation for the EUR500 million credit facility the overall liquidity profile is considered as solid, only.

Rating Outlook

The stable outlook reflects i) the very benign demand environment in the mining industry, which leaves Metso exposed to an eventual weakening in the case of a global or regional downturn and a softening demand for natural resources; ii) growing concerns about long-term fundamentals in the pulp & paper industry, with the possibility of a slow-down of capex also in Latin America and Asia - which have recently been pivotal for the demand development of Metso's products. Therefore, any further upside rating pressure will need to assess the degree of resilience that Metso can demonstrate in the face of an expected industry softening in the pulp and paper sector, which Moody's believes will only become visible over the next 18 to 24 months.

What Could Change the Rating - Up

Any further upward rating action would require a sustainable and structural stabilization of Metso's debt protection metrics (RCF/Net Debt of around 30% and FCF/Debt in the range of 7% - 10%) beyond a cyclical recovery, for example by further debt reductions supported by a conservative financial policy.

What Could Change the Rating - Down

Moody's notes that one of the key limitations to the rating is the expectation of a certain volatility of the company's financial performance, and therefore being incorporated into the Baa2 rating. However, Moody's cautions that growth strategies combined with a generous dividend policy exceeding Free Cash Flow generation, resulting in increased debt levels, would have negative rating implications. Further, a significant and continuous disruption in earnings and cash flows, resulting in Retained Cash Flow to Debt metrics falling and remaining below 25% would place downward pressure on the ratings.

Rating Factors

Metso Corporation

Heavy Manufacturing Industry	Aaa-Aa	A	Baa	Ba	B
Factor 1: Order Trends & Quality (10%)					
a) 5-Year Order Volatility			14.0%		
b) Warranty Utilization / Sales					1.7%
c) Advance Payments / Sales	52%				
Factor 2: Scale & Diversification (25%)					
a) Revenues (USD)			$6.5B		
b) Regional Diversification	x				
c) # Industry Segments >10% Sales			x		
d) 5-Year Sales Volatility			12%		
Factor 3: Market Structure & Competitive Position (20%)					
a) Market Position		x			
b) Market Structure / Barriers to Entry			x		
c) R&D / Sales				2.2%	
Factor 4: Cost Position & Profitability (15%)					
a) EBITA Margin		10%			
b) EBITA per Employee (USD)	28,300				
c) EBIT / Average Book Capitalization	17%				

Factor 5: Financial Policy & Capital Structure (15%)					
a) Gross Debt / Book Capital		49%			
b) (Cash & Marketable Securities) / Debt		34.4%			
c) Gross Debt / EBITDA	2.3x				
Factor 6: Financial Strength (15%)					
a) EBIT / Interest Expense	5.8x				
b) RCF (Pre-WC) / Net Debt		32%			
c) Free Cash Flow / Gross Debt			9%		
Rating:					
a) Indicated Rating from Methodology		A3			
b) Actual Rating Assigned			Baa2		