We shape the world

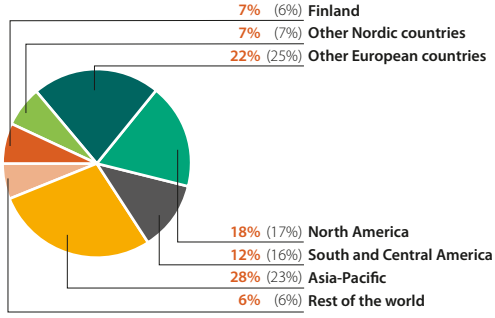
SUSTAINABILITY REPORT 2009

metso

Metso and sustainability 2009

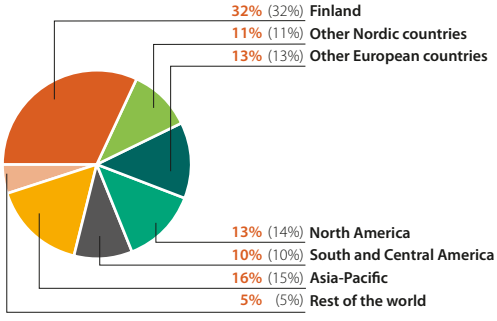
Orders received by market area

Orders received EUR 4,358 million (2008: EUR 6,384 million)

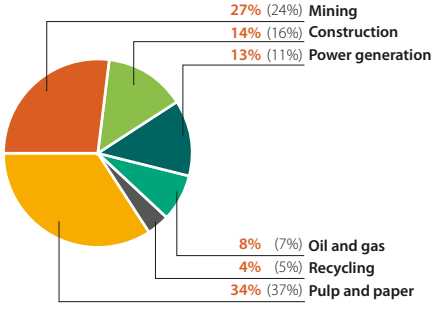


Personnel by area

Personnel 27,166 (2008: 29,322)



Net sales by customer industry



Metso in brief

Metso is a global supplier of sustainable technology and services for mining, construction, power generation, oil and gas, recycling and the pulp and paper industries. We have about 27,000 employees in more than 50 countries.

Global energy conservation and CO_2 emissions targets

We aim to cut energy consumption and emissions in our own production by 15 percent by 2015 and by 20 percent by 2020, in line with EU targets.

Global occupational safety targets

The goal for each of our sites is less than 10 accidents resulting in absences per million working hours by 2012.

Renewed supplier criteria for subcontractors and partners

We have guidelines for integrating sustainability along the entire production chain.

Our solutions shape the future »

Contents

Eco-efficient technology and services for our customers.
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Shortcuts

How to read this report

Our annual reporting for 2009 consists of Annual Report and Sustainability Report, which together describe our operating environment, our strategy and our operations. You can find information about the megatrends in our operating environment, our financial development, our businesses as well as risks and risk management in the Annual Report.

Read more:
www.metso.com/sustainability

Sustainability is part of our strategy

The main themes of our strategy are growing our services business, developing and offering eco-efficient solutions, and strengthening our local presence. By responding to the challenges of sustainable development we are creating value and prosperity for our stakeholders and the surrounding communities over the long term. We use our know-how and expertise to promote sustainability in industry around the world.

Environmental business

The environmental business accounts for a significant share of our operations. All our businesses offer products and services that reduce the environmental load and improve the quality of our customers' operations. Our solutions increase the efficiency of energy and materials and decrease emissions and water consumption. Our services business helps extend the life cycle of our customers' industrial processes. We focus our research and product development activities on environmental technology solutions. We believe advanced technology plays a significant role in curbing and adapting to climate change.

Local presence

We operate globally. We are strengthening our local presence close to our customers. We support the adoption of clean technology and local innovations. Our operations, particularly in emerging markets, support the development of local communities and promote the improvement of living conditions. Our business brings prosperity to many stakeholder groups.

Work safety and well-being

Issues affecting work well-being include occupational safety, competence development, supervisory work, communications and workplace atmosphere. We create and maintain systems and best practices to advance the well-being and safety of our personnel. In line with Metso's occupational health and safety policy, we strive to offer all employees a safe, healthy and motivating work environment. We advance workplace well-being also through a variety of local development projects, which we define based on the feedback and needs of the personnel.

Greetings from the CEO

At Metso sustainability is an integral part of our business model. Our goal is to operate in an economically and environmentally sustainable manner. Sustainability also benefits all our stakeholders.

Jorma Eloranta, President and CEO.

We encourage our personnel and our partners to find new methods and ways of operation.

Sustainability and especially the need for new environmental solutions are issues that unite our entire world. Even the economic recession hasn't significantly weakened the concern that people, companies, communities and countries have about the state and future of our planet. Concern alone, however, is not enough; actions are also needed. According to some estimates, we will need another earth in as few as fifty years, unless we change our consumption and production habits.

In theory, drastically lowering our standard of living is the simplest way to save the world from an environmental crisis. However, cutting salaries in the Western world and putting the brakes on escalating prosperity in the emerging markets aren't likely to gain much support. I personally believe that fastest results can be achieved through technological advancements and by renewing existing ways of operating.

SUSTAINABLE BUSINESS

For Metso, sustainability is the core of our strategy: Our goal is for environmentally and socially sustainable business. In technology development we are focusing on enhancing equipment performance and energy efficiency and on minimizing the use of raw materials. Our services business lengthens the life cycle of processes and equipment. For our customers, an eco-efficient production process often means lower production costs. We have also set clear environmental goals for our own production.

LOCAL PRESENCE IS PART OF SUSTAINABILITY

Developing our operations in Asian and South American growth markets close to our customers contributes to sustainability. Our new production units in China, for example, enable a price level that is competitive locally. At the same time, we are promoting local well-being. Orders received from emerging markets bring work also to Metso units elsewhere in the world.

Metso's economic sustainability benefits all our stakeholders. Profitable business enables investments into the development of new kinds of environmental solutions and business models. We encourage open innovation and cross-sector and -business integration of various competencies.

BUILDING THE FUTURE

We encourage our personnel and our partners to find new methods and ways of operating. We have also defined sustainability criteria for our suppliers and subcontractors.

Our values, our Code of Conduct and the UN Global Compact initiative we endorse also guide all Metso employees towards sustainable operations.

The results of the TellUs employee survey we conducted in the latter part of 2009 indicate that, despite the uncertainty caused by the recession, Metso employees feel they can make an impact on the development of our company and our shared future. Also our investments in global training programs are strengthening the know-how Metso employees have and their ability to respond to future business needs.

We take sustainability into account as a whole in our business. We want to solve global problems actively and comprehensively and thus create a foundation for Metso's sustainable, profitable growth and for the continuous well-being of our stakeholders.

Jorma Eloranta
President and CEO
Metso Group

Key figures

	2005	2006	2007	2008	**2009**
Financial					
Net sales, EUR million	4,221	4,955	6,250	6,400	**5,016**
Profit, EUR million	237	410	384	390	**150**
Earnings per share, EUR	1.69	2.89	2.69	2.75	**1.06**
Gearing, %	22.8	31.3	33.4	75.7	**32.5**
Return on equity (ROE), %	21.1	30.9	25.4	26.0	**9.8**
Procurements, EUR million*	2,659	3,208	4,159	4,214	**3,248**
Gross capital expenditure (excl. business acquisitions), EUR million	107	131	159	255	**117**
Orders					
Orders received, EUR million	4,745	5,705	6,965	6,384	**4,358**
Order backlog, December 31, EUR million	2,350	3,737	4,341	4,088	**3,415**
Research and development					
Research and development expenditure, EUR million (including IPR expenses)	107	120	129	148	**131**
Patent applications, pcs*	160	220	220	230	**200**
Invention disclosures, pcs*	660	710	850	900	**620**
Human resources					
Average number of employees	22,405	23,364	26,269	28,010	**27,813**
Wages and salaries, EUR million	854	909	1,036	1,066	**991**
Training, days/employee*	2.0	2.2	2.6	2.8	**2.4**
Absences due to illness, days/employee*	6.0	5.6	5.2	5.7	**5.0**
Absences due to injury, days/employee*	0.38	0.50	0.30	0.38	**0.38**
Sponsorships, EUR thousand*	440	495	498	902	**592**
Environment					
**Coverage of certified environmental management systems, %*	58.5	56.2	60.0	58.0	**63.0**
Carbon dioxide emissions, 1,000 t*	207	227	245	293	**248**
Energy consumption, TJ*	3,190	3,510	3,748	4,083	**3,432**
Material use, 1,000 t*	231	272	305	250	**155**

* Unaudited
**In proportion to the energy consumption

Metso in sustainability indexes

Corporate responsibility indexes are used particularly by institutional investors, ethical investment funds and pension funds, which emphasize responsibility criteria in their investment decisions. Research facilities focusing on corporate social responsibility compile investment analyses based on social responsibility criteria. In 2009 Metso was included in the following sustainability indexes: FTSE4GOOD Index, EthibelSustainability Index, ASPI Eurozone Index, OMX GES Ethical Nordic Index, OMX GES Ethical Finland Index and Kempen/SNS Smaller Europe SRI Index. We also participate in the Carbon Disclosure Project (CDP). The CDP is a community of 475 institutional investors with nearly 40 billion euros in assets under management. Some 2,500 organizations in about 60 countries around the world measure and report their greenhouse gas emissions through the CDP.

Reporting principles

Our 2009 Sustainability Report is based on the core indicators of the Global Reporting Initiative's (GRI) G3 Guidelines. The Global Reporting Initiative is an independent and multi-stakeholder network that publishes guidelines related to sustainability reporting. We have selected the indicators from the G3 Guidelines that are most relevant in terms of our operations, products and stakeholders. The essential focus areas of sustainability in terms of economic, social and environmental responsibility for 2010 are illustrated on pages 13, 21 and 33. We estimate that the content of our report is consistent with level B reporting of the G3 Guidelines. A comparison of the report data against G3 Guidelines and the UN Global Compact initiative is presented on pages 38–39.

In our report, we present the comparable figures for 2008 in parentheses. The report includes the parent company and our most significant subsidiaries. The report does not cover our associated companies, joint ventures or supply chain companies. Tamfelt Corporation, which was acquired in December 2009, has been consolidated into Metso's balance sheet and its number of personnel has been included in Metso's number of personnel on December 31, 2009.

FINANCIAL REPORTING

In our financial reporting, we follow International Financial Reporting Standards (IFRS). Our financial reporting system data covers all Metso units, in accordance with IFRS. Figures describing economic responsibility, excluding procurement data, are based on accounting and audited financial statements. Procurement data is used in the internal management of operations and is unaudited.

The sustainability key indicators complementing the financial statements are unaudited. We have internally verified the quality and reliability of the data presented.

ENVIRONMENTAL REPORTING

We collect data related to the environmental impacts of our own production facilities into a reporting system that covers 91 (92) of our units with the most significant environmental impacts or production. The quality of the environmental data has been assessed with an external consultant. The units are responsible for the accuracy of the information they report into the system. The reporting of environmental expenses and responsibilities is based on the Finnish Accounting Act. Data related to our research and development activities is collected from our research and development units every six months. Our reporting segments are responsible for the accuracy of the figures.

REPORTING PERSONNEL DATA

Our HR management is responsible for collecting and reporting personnel data. The data covers our entire Group. The personnel and wages data published in the financial statements is obtained in conjunction with the financial reporting. The supplementary data is obtained from the Group-wide database into which our segments report their HR figures. Development of a more comprehensive HR information system will continue in 2010.

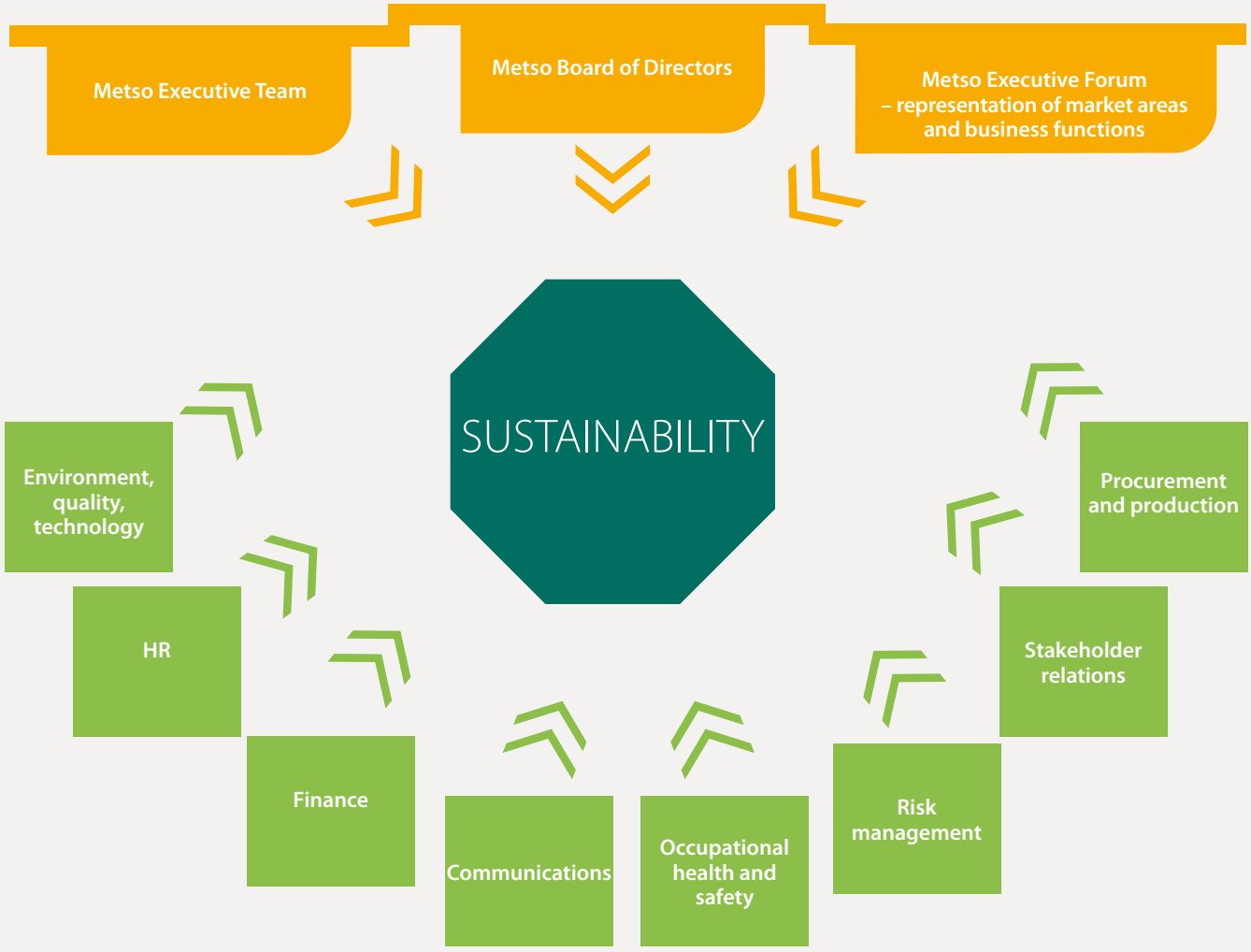
Our previous Sustainability Report was published in March 2009. Sustainability information for 2009 is published as a separate report in conjunction with the Annual Report. This report is supplemented by our Annual Report and the sustainability pages on our website www.metso.com/sustainability. The printed report is supplemented online with the Management Systems section in particular.

THE GLOBAL COMPACT
WE SUPPORT

Good governance and management support sustainability

Our values and Code of Conduct guide our operations and management. We strive to consider all aspects of the economic, social and environmental impacts of our operations. Operating responsibly helps us, our customers and our partners succeed. A continuous and open dialogue with the different stakeholder groups is essential in sustainability management.

Sustainability management at Metso



Metso's management and daily operations are guided by our values – customer success, profitable innovation, professional development and personal commitment – and our Code of Conduct, as well as by operating guidelines that comply with local legislation. Our goal is to operate more distinctly as one Metso. Having shared values and a Code of Conduct ensures that our operations are consistent, uniform and transparent, regardless of the business or the geographical location.

Our Code of Conduct describes Metso's corporate culture, commonly accepted practices and the commitment to comply with laws and regulations. It supports responsible operations, sustainability and Metso's success. At the same time, it functions as commonly accepted operating guidelines for Metso employees and our collaboration partners and as a foundation for all decision making, business transactions and work assignments.

A FOUNDATION OF INTERNATIONAL PRINCIPLES

The foundation of our Code of Conduct is the UN's Universal Declaration of Human Rights, the UN's Global Compact initiative, which we have endorsed, and the International Labor Organization's (ILO) declaration on Fundamental Principles and Rights at Work. When applicable, the OECD's Guidelines for Multinational Enterprises are also incorporated into our Code of Conduct. Metso recognizes the right of employees to join trade unions and to enter into collective bargaining agreements; Metso's employees have the freedom to organize. As a Group, we endorse the International Chamber of Commerce's (ICC) Business Charter for Sustainable Development.

In line with our Code of Conduct, we comply with the ten principles of the UN's Global Compact initiative in the areas of human rights, labor standards, the environment and anti-corruption.

We do not use child labor nor do we engage subcontractors or suppliers that do so. We require our subcontractors and suppliers to comply with our Code of Conduct or with their own operating principles that are similar in content. We do not accept bribery nor do we take part in business relationships that can lead to conflicts of interest. We do not support political parties or religious organizations.

SUSTAINABILITY MANAGEMENT

We strive to consider all aspects of the social and environmental implications of our operations, to tap into opportunities created by sustainability and to manage risks. We develop products and solutions that are safe and that burden the environment as little as possible.

Our shared values and Code of Conduct create a foundation for consistent, uniform and transparent operations.

Support for rebuilding schools in China's earthquake area

The major earthquake that hit Sichuan Province in China in May 2008 caused severe damages, and the recovery effort is still under way. Immediately after the disaster, Metso's personnel in China took up a collection and raised a significant amount of funds from amongst themselves; Metso as a company also made a donation, bringing the amount collected for the reconstruction effort to one million renminbi (about 100,000 euros). The Red Cross of China recommended the aid be used for the badly damaged Sandong high school in Jiajing, 124 kilometers from the epicenter of the earthquake.

Metso teamed up with the Red Cross on the construction of a new school building to replace the damaged one; the new building was inaugurated in spring 2009. Today the school is called Metso Boai Middle School and has over 300 students between the ages of 12 and 15 years. The school building contains classrooms, multimedia classrooms, laboratories, teachers' facilities and meeting rooms. Before its completion, the students studied for a year in temporary classrooms with dirt floors.

Metso was also one of more than 20 other Finnish companies that took part in rebuilding another school that was destroyed in the earthquake: the Fenfang elementary school in the city of Guanghan. The project started in May 2009 and was completed just before the approximately 250 enthusiastic students started their autumn semester.

We commit to good corporate governance by complying with laws and regulations. Additionally, we apply best practices, like the Finnish Corporate Governance Code for listed companies, in our management and governance. Corporate governance principles form the foundation for the management of our company. Metso's corporate governance principles, management model, and internal audit and risk management systems are presented in more detail in our Annual Report.

Sustainability and its management are the responsibility of Metso's President and CEO and the Metso Executive Team. It is the responsibility of our business management and supervisors to ensure that our employees are familiar with and comply with the legislation, regulations and internal operating guidelines of their respective areas of responsibility. Additionally, we strive to make good use of the best practices and synergy benefits of our businesses and to continuously improve our personnel's awareness of sustainable operations.

Sustainability is not a separate sub-area, it is an integral part of our daily operations. HR, risk management, finance, communications, stakeholder relations , environmental team, procurement, production and the R &D among others, participate in sustainability projects. The Sustainability Manager coordinates various corporate social responsibility development projects globally.

Initiatives related to sustainability are reviewed when needed by the Metso Executive Team and Metso Executive Forum. Metso's Board of Directors annually reviews sustainability guidelines.

ACTIVE ENGAGEMENT WITH STAKEHOLDERS

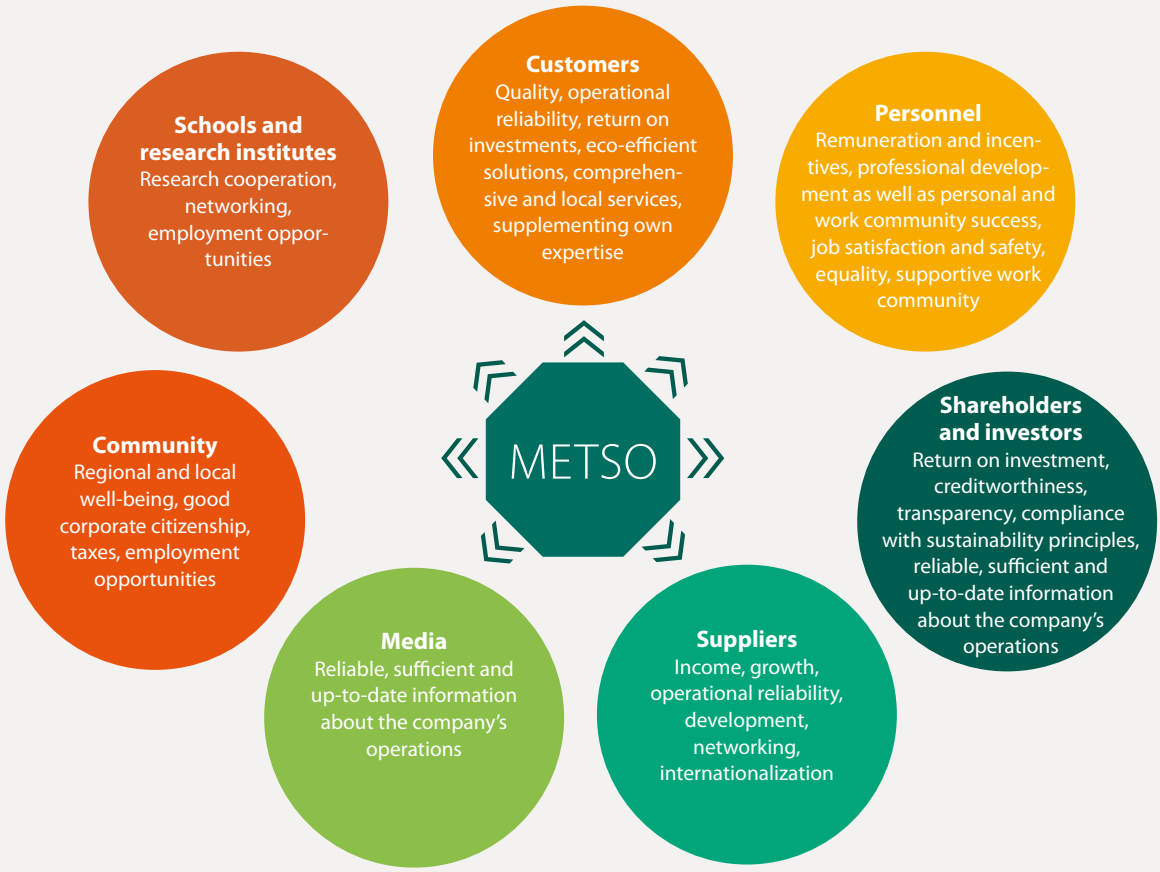
Our key stakeholders are customers, personnel, investors, collaboration partners and media. We comply with our Code of Conduct and with local and international laws and commitments in all our interactions with stakeholders.

We strive to interact closely with our key stakeholders. We openly and actively, both internally and externally, communicate our goals and financial results or results significant in terms of environmental and social responsibility. We understand that our operations impact our stakeholders, and, at the same time, the expectations of our stakeholders are reflected in our way of operating.

We have defined our relationship with our key stakeholders and their expectations towards Metso as well as the essential channels for engagement, the tools and the bodies responsible for collaboration. Aiming for an ongoing and natural dialogue, we continuously develop our interaction with our stakeholders. In autumn 2009 we carried out a stakeholder survey, the results of which are reported on the next page.

Many countries expect major companies with local operations to shoulder their corporate social responsibility by supporting local communities. We also encourage our units and employees to participate in activities that advance the well-being of local communities. Our reporting segments are responsible for the local community and stakeholder activities and for the student collaboration related to and supportive of their business operations.

Stakeholder expectations



Results delivered

Our stakeholders value energy-efficient and low-emissions solutions

In autumn 2009 we carried out a survey to find out how our stakeholders view Metso's sustainability activities. We will use the results in our continuous efforts to develop our operations, management and stakeholder dialogue.

The survey was implemented in collaboration with an independent partner and was sent to about 1,200 representatives of internal and external stakeholder groups. The external stakeholders included customers, representatives of shareholders and investors as well as analysts, subcontractors and other partners, and media representatives. Internal stakeholder groups included representatives of Metso's Board of Directors and management, procurement, environmental experts and sales. The response rate for the online-based survey was an average of 31% and was as high as 58% in some groups.

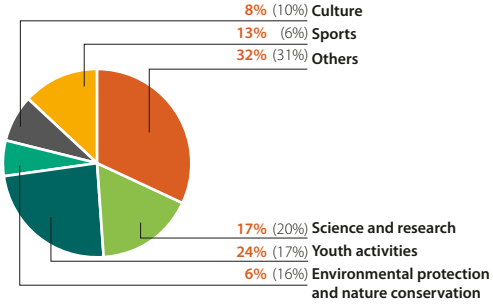
The survey addressed all sub-areas of sustainability, but the main emphasis was on environmental responsibility. The seven areas in the survey were corporate responsibility, environmental technology solutions, curbing climate change, eco-efficiency of the supply chain and production facilities, and economic and social responsibility. Both the internal and external stakeholder groups considered successful customer relations, the development of energy and environmental technology, and the services business as the most important factors in terms of promoting sustainability.

Sustainability was perceived as creating business opportunities for Metso, and energy, recycling and environmental technology in particular was believed to offer significant growth opportunities in the future. Energy efficiency and reducing greenhouse gas emissions were considered the most important focus in environmental technology solutions.

Along with technology, the stakeholder groups listed support for sustainable operations of customers and other stakeholders as one of the most important ways to mitigate climate change.

In terms of social responsibility, both internal and external stakeholder groups prioritized employee well-being, work safety and competence development.

Support for non-profit organizations
EUR 592,000 (EUR 902,000)



SUPPORT FOR NON-PROFIT ORGANIZATIONS

We adhere to our Code of Conduct in our sponsorship activities. In general, the Group Head Office is responsible for national and international sponsorship projects. The amount of our support for non-profit organizations totaled 592,000 (902,000) euros.

Read more about sustainability management and our interaction with stakeholders on our website:
www.metso.com/sustainability

We are continuing our investments in emerging markets

In 2009 we continued strengthening our presence and know-how in emerging markets where we expect strong, long-term growth in our customers' business. Our emphasis in developed markets was on the services and environmental business. With our global investments of about EUR 117 million in the past year, we aim to improve our delivery capacity, enhance our customer service and operate close to our customers.

Infrastructure construction started growing in India in late 2009.

We are a global supplier of environmentally sustainable technologies and services for the mining, construction, energy, recycling, and pulp and paper industries. We have engineering, production, procurement, services, sales and other operations in over 50 countries. We employ about 27,000 professionals globally, and we have customers in over 100 countries. The majority of our customers operate in the process industry and refine natural raw materials like wood, minerals and rock. Our operations cover the entire life cycle of our customers' processes – from project and product business to maintenance, rebuilds and process optimization. Today the services business accounts for already over 40 percent of our net sales and well over half of our earnings.

A natural way to examine our operations is by dividing the areas into emerging and developed markets. In emerging markets – Asia, South and Central America, Eastern Europe, Africa, and the Middle East – the emphasis is on deliveries of new equipment and processes to build new capacity. In developed markets – Western and Northern Europe, North America and the Pacific region – customers are building less new production capacity, and the emphasis is on rebuilds, process optimization and services. As our equipment base grows in emerging markets, so too does the demand for our services business.

Essential themes of financial responsibility in 2009

	Impact on society	Impact on the implementation of Metso's strategy
Laws, regulations and Code of Conduct	●●	●
Customer success	●●●	●●●
Shareholder value	●	●●●
Energy and environment	●●●	●●●
Emerging markets	●●●	●●●
Infrastructure development	●●●	●●●
Services business growth	●	●●●

The figure presents our most essential and relevant financial responsibility themes. The feedback received in our 2009 sustainability survey has been used in prioritizing the themes.

Emerging countries are investing strongly in new infrastructure.

Emerging countries are investing strongly in new infrastructure, which is a basic requisite for sustainable economic growth and better living conditions. Countries that have earmarked a lot of funds to build and improve roads and other infrastructure, particularly India, China and Brazil, are what we see as rapid growth areas. There is a significant need for infrastructure development also in Eastern Europe and Southeast Asia. In the mining and pulp industries, the focus of new investments is also in the emerging markets, especially in South America. Despite the challenging market situation, we have continued our investments to further strengthen our operations, especially in emerging markets. In 2009 our investments in emerging countries totaled about EUR 38 (64) million.

In developed markets the demand outlook for the energy industry, particularly energy production from renewable fuels and for recycling technology for waste materials, is promising. It is estimated, for example, that biomass-based energy production will require investments of about 40 billion euros by 2030.

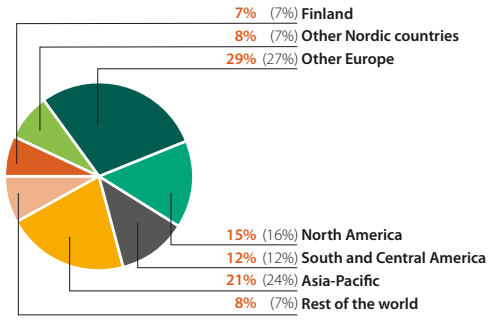
The global economic downturn significantly impacted all our customer industries both in emerging and developed markets in 2009. Our customers were cautious in making new investments, which weakened demand for our products. Additionally, some previously received orders were cancelled and delivery schedules for some projects were extended. The impacts of the downturn were visible also in our services business as a result of our customers' reduced capacity utilization rates. We adjusted our operations to correspond with the weakened demand, particularly in developed markets. In the latter half of the year we started to see signs of a gradual recovery in the global economy.

ASIA

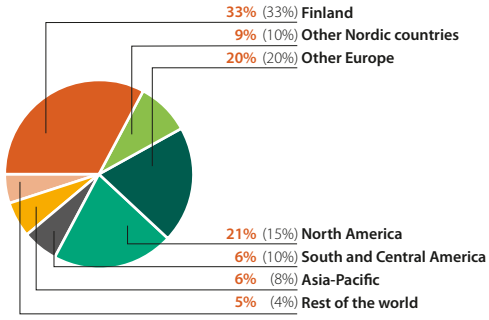
The long-lasting rapid economic growth in China, India and elsewhere in continental Asia slowed in 2009. Our net sales in Asia decreased by 27 percent. However, in the latter half of the year the markets in China and India returned to a growth path. In our view, economic growth and urbanization will continue in these areas over the long term, and we believe this will increase demand in all our customer segments in China, India and continental Asia.

The number of our personnel in Asia decreased by 35, particularly in China. Our orders received from Asia amounted to EUR 997 (1,040) million, or 23 (16) percent of our total order intake. Our procurements from the Asia region decreased by EUR 48 million, i.e. by 32 percent.

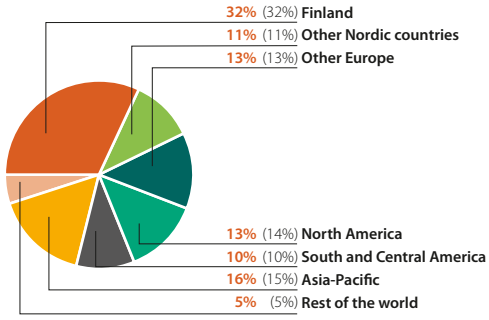
Net sales by market area



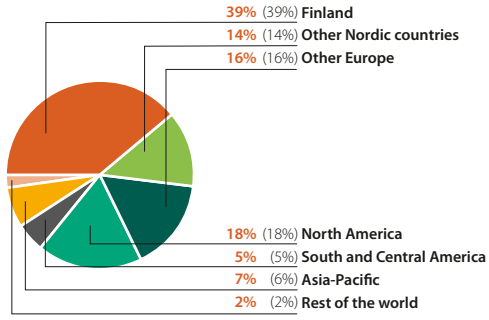
Purchases by area



Personnel by area



Wages and salaries by area



China

Demand for paper and board lines remained satisfactory in China, buoyed by economic stimulus measures implemented in the country. In 2009 we agreed on several new equipment and process deliveries to our paper industry customers in China.

Metso's new pulp and paper industry service center in China was inaugurated in January in Guangzhou, Guangdong Province. The service center offers maintenance services for the pulp and paper industry in southern China. Additionally, we are in the process of establishing our third pulp and paper industry service center in China, in Zibo, Shandong Province.

We are also strengthening production and customer service for our standard valves. Production and office facilities will be completed in spring 2010 in Shanghai and will provide a solid platform e.g. for growing our valve production in China. The expansion to the Tianjin crusher factory was inaugurated in March 2009, doubling our factory's production capacity. The factory serves our customers globally.

India

Infrastructure construction slowed in India in early 2009, but made a distinct turnaround to growth during the last quarter of the year. We are currently building the Metso Park industrial center in Alwar, in the state of Rajasthan, in northwest India. Metso Park will serve our Mining and Construction Technology segment in particular and, upon completion, will employ about 700 people.

We have also continued investments in power generation technology and have expanded our Chennai unit, which employed 80 people at the end of the year.

Rest of continental Asia

In 2009 we delivered an OptiLayer multilayer curtain coater for Dong Il Paper's containerboard machine in Ansan, South Korea. Additionally, we are supplying a recovery boiler to the Phoenix Pulp & Paper Public Company Limited's pulp and paper mill in Khon Kaen Province in the northeastern part of Thailand.

SOUTH AND CENTRAL AMERICA

South and Central America are important markets for us in mining and construction, power generation, and the pulp and paper industries.

Infrastructure construction in Brazil remained strong, despite the recession. Additionally, there are several pulp mill projects being planned in South and Central America, and they are estimated to be launched in 2011–2012. Our order backlog includes a big pulp mill project for the Brazilian company Fibria, the world's biggest pulp producer, created through the merger of Votorantim and Aracruz. Fibria has put the project on hold for now. The payments Metso has received from Fibria cover the project-related expenses incurred thus far.

The number of our personnel in South and Central America decreased by 373. Most of the decrease was in Brazil. Our orders received from South and Central America amounted to EUR 510 (1,056) million, or 12 (16) percent of our total order intake. Procurements from the area decreased by about EUR 177 million, i.e. by 53 percent.

AFRICA AND THE MIDDLE EAST

Our strongest customer segments in Africa and the Middle East are the mining and construction industry, but there has been strong growth also in our valve deliveries, particularly to the Middle East. The rapidly deteriorated global economy weakened the demand for our products in 2009 also in Africa and the Middle East. In 2009 we signed a multi-year service agreement with the AngloGold Ashanti Iduapriem Mine in Tarkwa, Ghana. The contract includes the supply of maintenance management services and spare and wear parts for the crushing and screening plant that we delivered. AngloGold Ashanti is the world's third-largest gold producer.

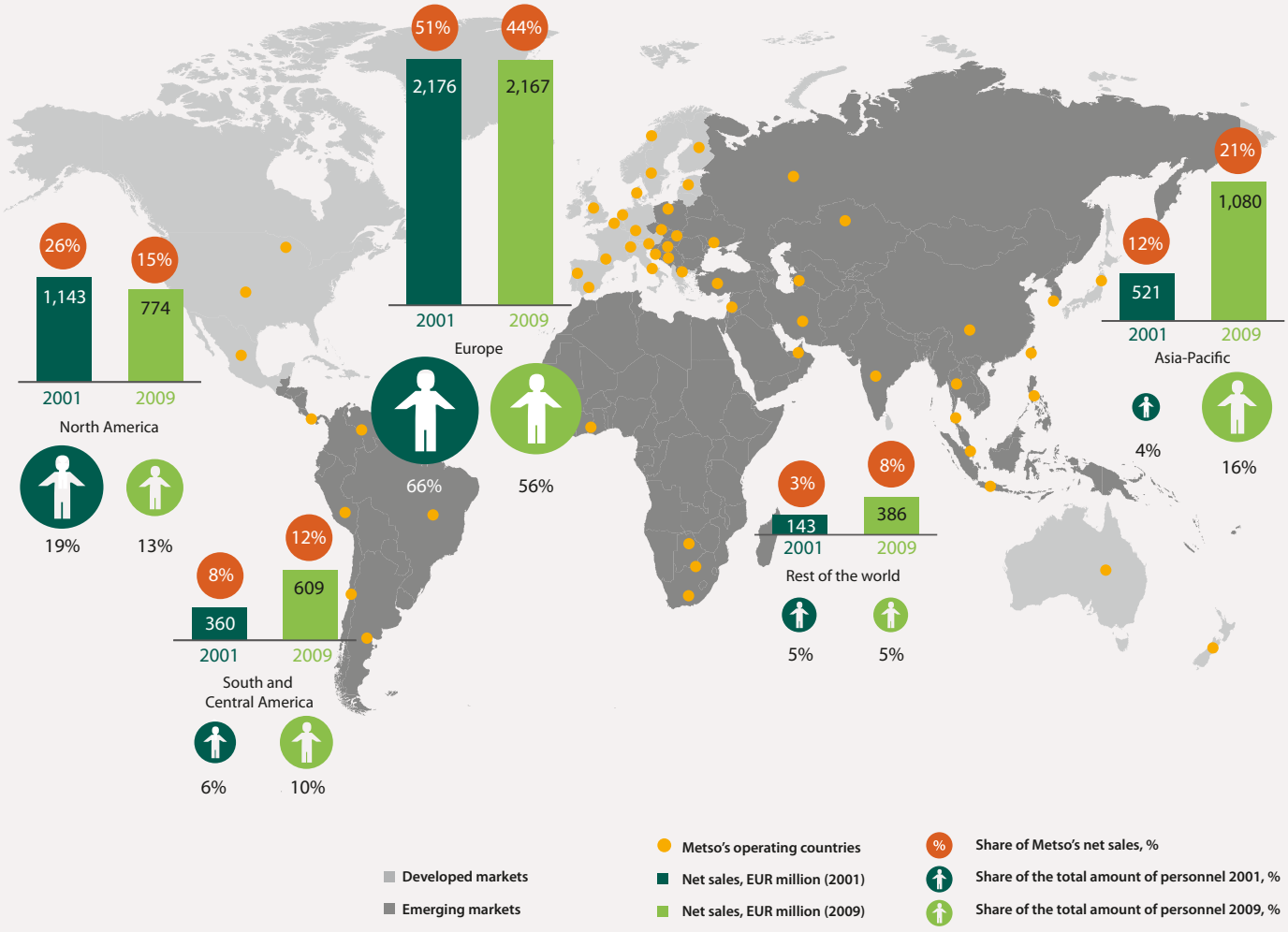
The number of our personnel in Africa and the Middle East decreased by 87, mostly in South Africa. Our orders received from the area amounted to EUR 252 (407) million, or 6 (6) percent of our total order intake. Our procurements from Africa and the Middle East decreased by EUR 28 million, i.e. by 25 percent.

EASTERN EUROPE

Eastern Europe is becoming an increasingly significant area for our business, even though the recession curbed the demand in 2009. In the long-term, infrastructure development in transportation and energy, local utilization of natural resources in the mining and pulp industries, and various projects supporting sustainability in particular will create demand for our solutions. In 2009 we signed an agreement to supply a biomass-fired boiler plant and automation system for PGE Zespół Elektrowni Dolna Odra S.A.'s combined heat and power plant in Szczecin, Poland.

The number of our employees in Eastern Europe decreased by 51, mostly in the Czech Republic. Our orders received from the area amounted to EUR 330 (575) million, or 8 (9) percent of our total order intake. Our procurements from Eastern Europe decreased by about EUR 3 million, i.e. by 31 percent.

Metso in emerging and developed markets



Metso's Board of Directors visited India in 2009. Picture is taken from our mobile crusher factory in Bawal.

WESTERN AND NORTHERN EUROPE

We estimate the promising market outlook in Europe's energy industry and especially energy production based on renewable energy sources to bring us new business opportunities in the future. The European Union is aiming to raise the share of renewable energy sources in energy production to 20 percent by 2020; this means an increase in the use of biomass, unsorted municipal waste, and combinations of different fuels in energy production.

MW Power Oy, a joint venture created through the merger of Wärtsilä's Biopower business and Metso's Heat & Power business, started operating at the beginning of 2009. The company complements our solid know-how in renewable fuel-based power plant solutions.

Demand for power plants using renewable energy sources was satisfactory, but problems in the availability of funding delayed decisions on many projects. However, at the end of 2009 we made several sales related to power and biomass boilers. For example, we signed an agreement to supply Affärsverken Karlskrona AB with a biomass boiler plant for combined heat and power production in Karlskrona, Sweden.

Additionally, we signed an agreement to supply a power boiler for Industrias Celulosa Aragonesa's (SAICA) new waste-to-energy power plant in the Zaragoza region in Spain. We also signed agreements to supply a new evaporation plant and two recovery boiler upgrades for Korsnäs AB's pulp mill in Gävle, Sweden, and automation systems for two energy-from-waste plants in the United Kingdom. We also signed an agreement to supply Lahti Energia Oy in Finland with a waste gasification plant. Our delivery to Lahti's new power plant includes the waste gasification process, gas boiler and flue gas cleaning system, including auxiliary systems, as well as an automation system for the entire power plant.

New environmental directives in the EU call for increased processing and recycling of various wastes; we believe these directives will escalate the demand for our recycling solutions. To expand our offering, in October 2009 we acquired M&J Industries A/S, a Danish manufacturer of solid-waste crushing equipment. The company employs about 100 people.

The Finnish production and administrative functions of Metso's industrial valves will move from Helsinki to nearby Vantaa at the

Net sales (20 largest countries), EUR million	2008	2009
USA	793	**566**
China	613	**538**
Germany	325	**350**
Sweden	377	**335**
Finland	461	**328**
Brazil	456	**301**
Australia	248	**216**
Canada	223	**208**
Portugal	252	**164**
France	183	**160**
South Africa	171	**158**
India	181	**131**
Chile	128	**129**
Russia	150	**119**
Poland	121	**115**
Spain	120	**81**
Mexico	91	**78**
United Kingdom	117	**75**
Belgium	67	**67**
Norway	81	**62**

Orders received (20 largest countries), EUR million	2008	2009
China	640	**762**
USA	748	**631**
Finland	376	**292**
Sweden	337	**231**
Brazil	708	**200**
Germany	312	**194**
Australia	370	**165**
Canada	322	**165**
Chile	112	**134**
Russia	185	**127**
India	205	**117**
South Africa	166	**115**
Poland	128	**109**
France	217	**108**
Spain	95	**107**
Mexico	78	**93**
Norway	73	**71**
Belgium	47	**57**
United Kingdom	106	**49**
Japan	59	**48**

beginning of 2011. The new facilities will bring added efficiency to the production process and will improve the requisites to further improve quality and delivery capability.

In December we acquired the Finnish Tamfelt through a share exchange. Tamfelt is one of the world's leading suppliers of technical textiles and the combination strengthens Metso's services business, especially in the pulp and paper industry.

Demand for mining and construction technology in Europe was satisfactory. We signed an agreement to supply a fine-crushing and screening system for Norsk Stein's Jelsa quarry expansion in Norway. The delivery will be completed by the end of June 2010.

Demand for paper and board lines in 2009 was weak; demand for tissue machines was satisfactory. Capacity utilization rates in the pulp and paper industry were low, which contributed to the weak demand in the services business.

During 2009 we adjusted our own operations in all our segments. The adjustment measures primarily aim to secure our competitiveness and our profitability.

We closed Mining and Construction Technology's Kongsvinger factory in Norway, the Cappagh factory in Northern Ireland and the Bristol site in United Kingdom. Additionally, we have discontinued or divested operations at Paper and Fiber Technology's Hollola site, the Oulu composites manufacturing unit, the Tampere roll factory, and the Turku air systems operations in Finland, and we transferred their know-how to our other sites or factories.

Including business acquisitions and divestitures, the number of our employees in Finland and Sweden decreased by a total of about 2,200, primarily as a result of the capacity adjustment measures in our Paper and Fiber Technology operations and due to the industry's ongoing structural change. Additionally, as a result of decisions already made, personnel numbers will decrease by about 500 during the first half of 2010.

Personnel (20 largest countries)*	2008	2009
Finland	9,252	**8,746**
USA	3,224	**2,758**
Sweden	3,152	**2,754**
China	2,677	**2,622**
Brazil	2,075	**1,738**
South Africa	1,403	**1,311**
Germany	1,051	**993**
France	834	**755**
India	704	**735**
Canada	740	**670**
Chile	578	**563**
Australia	587	**507**
Czech Republic	425	**337**
United Kingdom	412	**273**
Spain	316	**270**
Portugal	32	**263**
Mexico	196	**179**
Russia	208	**177**
Italy	172	**161**
Peru	139	**135**

*Acquisitions increased personnel by 1,024 in Finland, 235 in Portugal and 95 in China.

We adjusted our operations in 2009 to correspond with demand.

All in all, our personnel numbers in Western and Northern Europe decreased by 956. Personnel increased by about 1,600 employees through business acquisitions, some 110 employees were transferred in conjunction with disposals of business, and capacity adjustment measures resulted in a reduction of about 2,400 employees.

Our orders received from the area amounted to EUR 1 249 (1 800) million, or 29 (28) percent of our total order intake. Our procurements from Western and Northern Europe decreased by EUR 973 million, i.e. by 37 percent.

NORTH AMERICA

About half of our net sales in North America come from the services business. In terms of new equipment sales, our most significant customer segments are the mining, construction and energy industries. Demand for power plants using renewable energy sources was satisfactory in North America in 2009, while demand for new equipment otherwise was weak.

In 2009 we signed an agreement to supply a biomass boiler to the Nacogdoches Generating Facility in Sacul, Texas, USA. The delivery includes also an automation system. The new biomass boiler plant will utilize bubbling fluidized bed technology and will use logging waste and commercial and industrial wood waste as the main fuel. The plant will produce approximately 100 MW of renewable electric power. Once operational, it will be one of the largest and most efficient biomass boiler plants in the world.

As in Europe, we have adjusted our operations in North America to correspond with the weakened demand and the longer-term demand outlook. As part of these measures, we have temporarily closed the crushing equipment production operations at our Columbia factory and have cut our capacity also in many other units.

The number of our personnel in North America decreased by 536. Our orders received from North America amounted to EUR 796 (1,070) million, or 18 (17) percent of our total order intake. Our procurements from North America decreased by EUR 81 million, i.e. by 13 percent.

PACIFIC REGION

Of the countries in the Pacific region, the global downturn did not impact demand in Australia as hard as it did elsewhere in the world. What's more, in the second half of the year, there were clear signs of market recovery, particularly in the mining industry. The market situation in Japan was challenging throughout the year.

The number of our personnel in the Pacific region decreased by 118. Our orders received from the Pacific region amounted to EUR 223 (436) million, or 5 (7) percent of our total order intake. Our procurements from the Pacific region decreased by EUR 31 million, i.e. by 43 percent.

Prosperity for our stakeholders

Monetary flows by stakeholder group EUR million		2005	% *	2006	% *	2007	% *	2008	% *	**2009**	% *
Generation of value added											
Customers	Net sales	4,221		4,955		6,250		6,400		**5,016**	
Suppliers	Procurements	-2,659	63	-3,208	65	-4,159	67	-4,214	66	**-3,248**	65
Metso-produced added value		1,562		1,747		2,091		2,186		**1,768**	
Distribution of value added											
Employees	Wages and salaries	-854	20	-909	18	-1,036	17	-1,066	17	**-991**	20
Public sector	Taxes and indirect employee costs	-301	7	-262	5	-466	7	-471	7	**-375**	7
Creditors	Financing expenses	-43	1	-36	1	-33	1	-89	1	**-72**	1
Shareholders	Dividends	-48	1	-198	4	-212	3	-425	7	**-99**	2
Distributed to stakeholders		-1,246		-1,405		-1,747		-2,051		**-1,537**	
Retained in business		316	7	342	7	344	6	135	2	**231**	5

* % of net sales

Purchases decreased in all markets

The value of the products, raw materials, components and services we purchased in 2009 was EUR 3,248 (2008: 4,214) million, i.e. 65 percent (66%) of our net sales. About 75 percent of our purchases were directly related to products, and the remaining 25 percent were indirect purchases, i.e. goods and services necessary to maintain operations.

The economic downturn was visible also in purchases. In some cases, the reduction in our purchases was even greater than the net sales decrease caused by the economic downturn as we reduced previous inventories. We made more purchases close to our production and our customers. New procurement offices were established in China and India to serve our units globally. Even though purchases from China decreased in 2009, the country still offers the biggest growth opportunity also in procurements.

Core components customized for pulp and paper customers are still manufactured in Finland and Sweden, so the Nordic countries remained our biggest procurement area. In Mining and Construction Technology we aimed to increase purchases from countries with a lower cost level and to gain cost benefits from the global supply chain. In Energy and Environmental Technology the focus of purchases was shifted to countries with a lower cost level.

Purchases (10 largest countries)	2008	**2009**
Finland	1,404	**878**
USA	525	**338**
Sweden	396	**223**
Germany	270	**180**
Brazil	372	**143**
South Africa	141	**106**
France	174	**105**
Canada	96	**92**
China	145	**86**
Spain	90	**72**

Personnel reduction was reflected in wages and salaries

In 2009 we paid wages and salaries, excluding indirect employee expenses, of EUR 991 million, or 20 percent of net sales (2008: 1,066 million and 17%). The number of employees and the performance-based bonuses and incentives have an impact on the total amount of wages and salaries. The wages and salaries on the income statement are gross wages and salaries, a portion of which is paid by the employees as taxes to society. The wages and salaries also include holiday pay.

As a result of the global downturn, profitability weakened to a satisfactory level and led to a decrease in the amount of bonuses paid. We apply profit- and performance-based incentive systems when it justifiably supports management. In 2009, EUR 21.0 million (35.6 million) was paid in bonuses. Additionally, certain key persons in Metso were paid a share incentive, the value of which at the time of the payment was about EUR 2 million.

Indirect employee costs include payments related to pension insurance, social security, and unemployment and disability insurance based on the wages and salaries paid. Indirect employee costs depend on the scope of operations and the number of employees. In 2009 our indirect employee costs were EUR 304 million (307 million).

Total wages and salaries (10 largest countries)	2008	**2009**
Finland	418	**384**
USA	154	**145**
Sweden	138	**116**
Germany	59	**59**
Brazil	39	**36**
Canada	33	**32**
France	45	**31**
Australia	25	**28**
South Africa	24	**21**
China	17	**20**

We monitor trends in base salary levels in comparable industries in each country. The average annual salary of Metso employees in 2009 was EUR 35,541 (EUR 38,002).

Of our personnel, 59 percent (55%) work in EU countries and 28 percent (28%) work in non-OECD countries.

Economic downturn impacted also taxes paid

We paid about EUR 138 million (2008: EUR 154 million) in corporate income taxes. In addition to income taxes, we paid real estate and waste disposal taxes, among others, related to our operations. The income tax cost on the income statement was EUR 71 million (158 million).

The taxes we paid were substantially higher than the income tax cost on the income statement because the decrease in earnings in the financial period was only partially visible in the paid taxes. In 2009 we still paid a significant amount of final taxes related to the 2008 earnings, and our prepaid taxes for 2009 were higher than the taxes recognized in the income statement based on the earnings in the financial period.

The income taxes paid by Metso's Finnish companies remained low compared to the scope of operations. The combined profit of all the Finnish companies for the financial year was negative, and the taxes paid in Finland consisted only of the taxes of those companies that were not able to utilize group contributions due to minority interests, and of foreign taxes at source. A significant amount of losses and other credits will remain available for use in upcoming years.

Income taxes paid, EUR million (10 largest countries)	2008	**2009**
USA	43	**41**
France	18	**22**
South Africa	7	**11**
China	7	**8**
Finland	5	**8**
Australia	3	**8**
Germany	18	**6**
Brazil	13	**6**
Japan	1	**4**
The Netherlands	1	**3**

In emerging markets, we paid the most income taxes in South Africa and China. Despite the recession, earnings from our Chinese operations remained at the previous year's level, and the amount of taxes paid in China increased due to the phase out of the tax breaks given to foreign-owned companies.

Net interest-bearing liabilities and financial expenses decreased

Our net financial expenses decreased in 2009 compared to the previous year and were EUR 72 million (2008: EUR 89 million), or 1 percent of net sales (1%). Strong operating cash flow and tight investment policy led to a significant decrease in the amount of net interest-bearing liabilities. Even though we had a strong cash position throughout the year, our interest expenses increased by EUR 3 million to EUR 75 million due to the higher amount of gross debt. Foreign exchange losses of EUR 4 million (losses of EUR 24 million) are included in our net financial expenses.

In 2009 EUR 518 million of net working capital was released, and our free cash flow was very strong, EUR 717 million (29 million).

Interest-bearing liabilities consist principally of bonds and fixed and variable interest-rate loans from international financial institutions. Net interest-bearing liabilities were EUR 583 million (1,099 million) at the end of 2009. Gearing was 32.5 percent (75.7%). Interest-bearing receivables and cash and equivalents amounted to EUR 993 million at the end of 2009 (336 million). Metso has a EUR 500 million revolving loan facility that was signed in 2006 with a syndicate of 14 banks. The loan facility was undrawn at the end of 2008 and 2009.

In November 2009 Moody's affirmed Metso's Baa2 long-term credit rating. The outlook remained negative. In February 2009 Standard & Poor's affirmed Metso's BBB long-term credit rating and changed the outlook from stable to negative. At the same time, our short-term corporate credit rating was lowered from A-2 to A-3.

Metso's share value tripled in 2009

Metso's target, in line with its dividend policy, is to distribute at least 50 percent of annual earnings per share as dividends or in other forms of repatriation of capital.

In spite of the economic downturn, our profitability remained satisfactory in 2009, and earnings per share were EUR 1.06 (2008: EUR 2.75). The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.70 per share be distributed for 2009. This would be a total of EUR 105 million. Even though the global economy is showing budding signs of improvement, the moderate dividend aims to secure financial latitude if the weak market situation continues.

We paid dividends totaling EUR 99 million, i.e. EUR 0.70 per share for 2008 (for 2007 we paid EUR 425 million, i.e. EUR 3.00 per share).

Our market capitalization more than tripled in 2009 and at the end of the year it was EUR 3,693 million (excluding own shares). When the dividends paid and the change in share price are taken into consideration, Metso's total shareholder return (TSR) in 2009 was positive 197.3 percent (negative 69.1%).

Sustainable results with environmental solutions

We promote sustainability by supplying eco-efficient technology and services to our customers. Our research and product development also focuses on the advancement of environmental solutions. We are developing the eco-efficiency of our own environmental management and production facilities as well as collaboration with our subcontractors and the entire supply chain to promote eco-efficiency.

Important elements of our climate change strategy include strengthening the sustainable development of customers and other key stakeholders, developing environmental solutions and supporting the eco-efficiency of subcontractors.

Our environmental business consists of products and services that reduce the environmental load and improve the quality of our customers' operations. Our solutions improve energy and materials efficiency and reduce the emissions and water consumption of the processes we deliver.

The maintenance, services and training we offer boost the efficiency of production processes over their entire life cycle. Our services extend the lifetime of processes and promote the environmentally sustainable use of equipment and processes, thereby improving eco-efficiency. In 2009 about 60 percent of our net sales came from what the OECD defines as environmental business.

CLEAN ENERGY IS A PROFITABLE INVESTMENT

Investments in renewable energy sources have increased significantly in recent years. Using various biomasses and wastes as a raw material is an eco-efficient way to produce energy and conserve natural resources. Converting renewable fuels into electricity and heat requires specialized know-how, for instance in using combinations of multiple fuels simultaneously in the combustion process.

Our fluidized bed boilers can burn a variety of materials of different weights and composition – for example, logging residuals, reed canary grass and peat – at the same time. With the technology we have developed, it is possible to produce low-emissions electricity and heat even with fuel that isn't of a homogenous quality.

We are one of the world's leading suppliers of bioenergy plants. The total capacity of the biofuel-fired boilers we have delivered since 2000 is 13 GWth, which is comparable to 5.2 GWe of electric power.

Essential themes of environmental responsibility in 2009

	Impact on society	Impact on the implementation of Metso's strategy
Climate change	●●●	●●●
Environmental solutions and R&D	●●●	●●●
Environmental management	●	●●
Eco-efficiency of subcontractors and supply chain	●●	●●
Eco-efficiency of our own production facilities	●	●●

The figure presents our most essential and relevant environmental responsibility themes. The feedback received in our 2009 sustainability survey has been used in prioritizing the themes.

Converting renewable fuels into electricity and heat requires specialized know-how.

Producing the same amount of electricity using biofuel-fired boilers instead of boilers fired with fossil fuel is the equivalent of eliminating the carbon dioxide emissions of 24 million cars*. It would take 14 million tons of coal annually (the equivalent of 140,000 railroad cars of coal, each car carrying 100 tons) to produce the same electric power. Carbon dioxide emissions can be reduced through the choice of fuel used at power plants, and the share of bio-based fuels can be increased significantly by utilizing new technology.

With our advanced automation and information management systems and our optimized flue-gas cleaning systems, power plants can reduce their CO_2, NOx, SO_2, particle and other emissions. Automation solutions for processes have a key role in increasing eco-efficiency and cost-savings, both in power generation and in the process industry. Customers can use these solutions to improve the utilization and runnability of processes and minimize the use of raw materials and energy.

The environmental monitoring and reporting systems we offer make it possible to quickly respond to production changes caused by e.g. fuel composition or production volumes. The systems also enable comprehensive reporting to environmental authorities.

RECYCLING SAVES ENERGY AND REDUCES EMISSIONS

Increasing the efficiency of industrial and household waste processing can reduce the amount of waste ending up in landfills and decrease the environmental load caused by waste. We supply equipment and plants to efficiently process scrap metal, and solid and other municipal waste.

Recycling scrap metal reduces environmental impacts from mining operations and the use of chemicals in the production of metals. It also saves a significant amount of energy. It takes 70 percent less energy to produce steel from recycled scrap than it does to produce it from iron ore. It also reduces emissions by nearly 90 percent. The shears, balers, crushers and other metal recycling equipment we have delivered accounts for about 30 percent of the world's scrap metal handling capacity. Our customers handle about 150 million tons of scrap metal per year using equipment supplied by us. In 2009 we expanded our operations also to solid-waste recycling solutions with the acquisition of the Danish M&J Industries A/S.

* Based on CO_2 emissions of 165g/km and driving 10,000 kilometers in a year.

Results delivered

The world's most eco-efficient crushing plant?

Velde Pukk AS has probably the most eco-efficient crushing plant in the world. Located close to Stavanger, Norway, its plant was commissioned in 2009 and can utilize virtually all the rock material it has quarried. Similar crushing processes typically produce about 20–30 percent of a poor-quality by-product that ends up as filler or in other secondary applications.

The investment decision was preceded by extensive research work involving Velde Pukk, Metso and Sintef, a Norwegian expert in concrete. Metso supplied the plant with primary, secondary and fine crushers. Based on the good results of the crushing and concrete tests, the customer also turned to Metso for the final phase of the process, which utilizes the existing technology in a way that promotes sustainability.

In the process, the 0–4 millimeter grains of crushed sand – most often the waste material – is refined into valuable, high-quality crushed sand that can replace the natural sand used in concrete. The method conserves nature's own sand and gravel reserves.

The quality of the crushed sand with its angular grains has been surprising: When used to mix concrete, it makes the concrete up to 15 percent stronger than concrete mixed with natural sand. Less cement can be used to make the concrete, and that, in turn, reduces energy-intensive cement production and the climate-warming greenhouse gases caused by it.

Velde Pukk has also minimized the dust emissions released into the environment. It uses a so-called dry process whereby granite aggregate dust is controlled using filters, dust removal equipment and a recovery system. The customer uses the dust and fine material produced in the process in their own concrete and asphalt production.

Examples of environmental development projects

	2009	2010 »
Development measures to support the climate change strategy	Global energy conservation and CO_2 emissions targets for own production.	Establishment of a new energy team and program launch.
R&D	Tapping into open innovation networks in research collaboration in e.g. North America and China.	New, environmental business-focused innovations from collaboration projects.
Metrics	First year of testing our new environmental reporting system. Development of internal environmental assessments.	Further development of our reporting system to achieve e.g. our new energy conservation and CO_2 emissions targets. Test runs in units as part of Internal Audit's Compliance program.
Supply chain	Adjustment of sustainability assessment criteria.	Communicating assessment criteria and development of supplier assessment.
LCA (Life Cycle Assessment) development	Establishing the LCA team to develop life cycle assessments and setting goals.	Piloting phase complete in 2011.

ECO-EFFICIENT TECHNOLOGY FOR THE MINING AND CONSTRUCTION INDUSTRY

Innovative crushing technology is one of our strengths. Optimized crushing engineering combined with automation improves the energy efficiency of mines and ensures continuous usability of equipment.

Our solutions for the mining industry also include a variety of optimized systems for pumping, water removal and sorting. With the mobile crusher, screening and conveyor solutions we have developed, crushing can take place on site at the bottom of a quarry or at a construction site at the source of the rock material. This significantly reduces truck traffic around quarries and construction sites. This results in less emissions and dust, lower energy consumption and better work safety.

Mobile crushers and screens are also very efficient for processing rock-based demolition materials, like reinforced concrete, tiles, bricks and even asphalt. When recycling is done on location, there is less need to transport waste and rock material since the recycled rock material can be used in place of or along with aggregates in e.g. in the foundation structures of landfills or roads.

SIGNIFICANT RESULTS IN THE PULP AND PAPER INDUSTRY

The eco-efficiency of the pulp and paper industry has improved significantly. Water is one of the most critical raw materials for pulp and paper mills. Water consumption by paper mills in Finland, for instance, has decreased from 100–150 m^3 per produced paper ton to less than 10 m^3 during recent decades, largely as a result of Metso's technology. In pulp production, water consumption has dropped to 20–50 m^3 per produced pulp ton, i.e. to just a fraction of what it used to be. Advanced water and raw materials management utilizing various filtering and treatment technologies enables the reuse of process waters.

In the development of sustainable paper production solutions, the overall processes and the individual equipment units must be taken into consideration. A good example of an eco-efficient solution is our ValZone calender. Our customers can use it to make lighter-weight paper or board with improved surface properties and no changes in the thickness. Compared to traditional solutions, it uses up to 10 percent less fiber. This saves energy and raw materials throughout the product's life cycle – starting with the trees in the forest, transporting logs to the mill, and ultimately ending with paper recycling.

AUTOMATION BOOSTS OPERATIONAL RELIABILITY IN THE OIL AND GAS INDUSTRY

Our advanced valve solutions help production facilities conserve energy and reduce their environmental impacts. We have installed more than 10,000 special valves that help oil refineries and gas production facilities improve safety and prevent dangerous leaks into the environment. Our control valve solutions improve process performance, thereby reducing the consumption of energy and raw materials. Our automation solutions include process control and safety systems for crude oil and natural gas production.

Electric motoring puts the brakes on climate change

Plenty of expectations are being put on the car industry, because moving from oil-based energy to electricity produced with low emissions to power cars can significantly reduce carbon dioxide emissions generated by traffic. More than 90 percent of car users drive under 100 kilometers a day and that adds up to huge potential for electric and hybrid cars.

Metso's subsidiary Valmet Automotive is a vanguard supplier of engineering and manufacturing services for the automobile industry's electric and hybrid cars. The strong expertise is based on 40+ years of experience and the production of nearly 1.1 million conventional cars.

Valmet Automotive's Uusikaupunki factory started manufacturing electric THINK City cars and Garia golf cars in late 2009. THINK City has a driving range of 180 kilometers on a single charge with no emissions. Its environmentally sound solutions, safety and driving characteristics promote the mainstreaming of electric cars as a vehicle for eco-conscious consumers.

In 2010 Valmet Automotive will start production of the sporty, four-door Fisker Karma hybrid car. The driving range of the plug-in hybrid is 80 kilometers on a single charge and, with the electric and combustion engine combined, a total of 480 kilometers.

Cleaner energy production and more energy efficiency

Mitigating climate change requires better energy efficiency and the adoption of new energy production methods. Investments to improve industry's energy efficiency mean lower energy costs and less carbon dioxide emissions. We know how to turn process technology and automation know-how into smart energy solutions.

Challenges and megatrends in energy production and energy technology

New biopower plants will be built around the world in the upcoming years and old plants will be rebuilt. Technology suppliers must be able to also offer plant maintenance services. Tomorrow's plants will also burn fossil fuels, like coal, but in a cleaner way than today.

We are responding to the challenges by e.g. developing solutions for power and heat production that utilize combinations of different fuels simultaneously, automation solutions to optimize energy use and resources, and maintenance services based on the life cycle concept.

Read more about global megatrends and their impact on Metso on pages 12–19 of our Annual Report.

- Energy consumption is growing
- Significance of local energy sources and bioenergy is increasing

- Oil and coal supplies are being depleted
- Greenhouse gas emissions must be reduced

Results delivered

Power plant produces energy from local biofuels

Porin Prosessivoima Oy's new biopower plant in Pori, Finland, was taken into commercial operation at the end of 2008. The plant produces process steam for the nearby industrial area, district heat for the city of Pori and electricity for its owners. The plant is an extension to its parent company's (Pohjolan Voima) biofuel program, which aims to increase the use of renewable energy sources, maximize the use of local bioenergy resources and reduce the use of oil in industry and in the production of district heat.

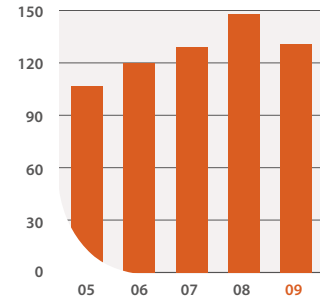
Metso supplied the power plant with a circulating fluidized bed technology-based CYMIC multi-fuel boiler that has a nominal heat input of 192 megawatts. Modern boiler technology enables the use of an exceptionally wide range of fuels. The fuels for this plant include peat, clean wood-based fuel, coal and recycled fuel, which consists of sorted commercial and industrial waste. The share of wood-based fuel has been almost half and the recycled waste about one tenth of the heat input. Oil is used only in start-ups and as a back-up fuel.

According to the current environmental permit, up to 25,000 tons per year of recycled fuel can be used, i.e. about 10 percent of all fuel. However, its economic value in energy production is significant. Thanks to the more economical price, Porin Prosessivoima saves a considerable amount in fuel costs. Moreover, instead of ending up in landfills, the waste is converted into energy.

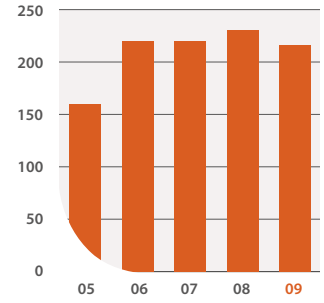
In addition to the boiler, Metso supplied the plant with a flue-gas cleaning system, which makes the burning of the fuels more environmentally efficient than before. The installation also consisted of Metso's process automation solution, including emissions reporting application, and a boiler safety system.

Research and product development (R&D) supports business strategy and sustainability

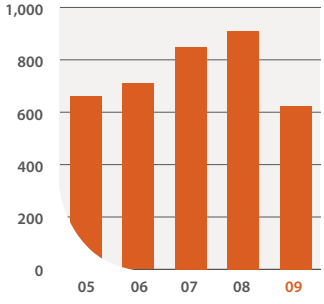
RTD expenditure,
(including IPR expenses) EUR million



Priority applications,
pcs



Invention disclosures,
pcs



Our R&D activities aim to help our customers improve the cost efficiency and overall competitiveness of their business operations. We focus on many important areas of sustainability, such as energy and raw materials efficiency, the utilization of renewable raw materials, advanced process control technology, and increasingly also on new services business solutions.

In our R&D activities we aim to increase interaction with our customers and the different stakeholder groups of our customer industries as well as increase open innovation development. In open innovation activities, we network with external partners also in an effort to find new experts and talents for the sector.

We work in close cooperation with several Nordic universities and research facilities, and with South China University, the American Massachusetts Institute of Technology (MIT) and the Russian Petrozavodsk State University, to name a few.

One example of collaboration with our partner network is the project to develop a new, energy-efficient mechanical pulping process for the energy-intensive production of mechanical pulp. The annual energy savings potential of the new pulping process is significant.

In 2009 we introduced a biomass-based bio-oil production process that we have developed in collaboration with a consortium of Finnish companies. Bio-oil produced from byproducts of the forest industry is a clean energy solution that offers an alternative to fossil fuels and reduces the load on the atmosphere. Besides Metso, the consortium includes Fortum, UPM, and VTT Technical Centre of Finland. The EU, among others, is subsidizing the project.

During the reporting year we also launched a joint R&D project with Fortum to explore oxyfuel combustion technology. Oxyfuel combustion is part of a technical concept that enables carbon capture in power and heat generation.

STRATEGIC MANAGEMENT OF R&D ACTIVITIES

As a result of the global economic recession, we have focused our R&D activities on the projects we consider to be the most important in terms of utilizing the future growth opportunities with the most potential.

R&D activities must quickly respond to the challenges arising from developing and evolving business needs. Combining global know-how and resources into an efficient internal network requires the deployment of new tools supporting the innovative efforts and the distribution of information.

ACQUISITIONS SUPPORT R&D

In addition to organic growth, we make corporate acquisitions to complement our product and services portfolio. The additional know-how gained in this manner is important for tapping into future growth

opportunities more quickly. In 2009 we expanded our business in solid-waste recycling solutions by acquiring the Danish M&J Industries A/S.

We acquired Tamfelt, one of the world's leading suppliers of technical textiles, such as forming fabrics and felts, to the pulp and paper industry. The acquisition strengthens our services business and enables more comprehensive deliveries and the development of optimal production processes for the pulp and paper industry.

In the United States we acquired Pacific International's doctor blade business, which strengthens our maintenance services offering in coater and creping blades and coated blades for pulp and paper production.

KEY R&D FIGURES

In 2009 our investments in R&D, including intellectual property rights, were a total of EUR 131 (2008: 148) million, i.e. 2.6 (2.3) percent of our net sales. Our investments into R&D projects supporting the environmental business totaled an estimated EUR 40 (50) million.

We monitor the success of our product development activities through, among other things, the number of product launches, investments targeting IPRs and patent applications.

At the end of 2009 there were 763 (2008: 905) Metso employees working in product development. Our employees submitted approximately 620 (900) invention disclosures that led to more than 200 (230) priority patent applications. At the end of the year our patent portfolio included approximately 3,000 (3,000) inventions. Our product development resources work in 40 networked units in Europe, North America, South America and Asia. About 75 percent of our R&D work is concentrated to Finland and Sweden, but the share of emerging markets is on the rise.

We launched about 80 new products in 2009. One example, DNAmachineAssessor, a product that complements our automation solutions, helps to predict equipment maintenance needs and prevent disruptions in production. We have also developed new crushing and screening solutions that provide higher capacity utilization and eco-efficiency through improved process optimization. We strengthened our offering for the pulp and paper industry by introducing several new solutions and services that improve the energy and process efficiency of production lines.

Industrial design gives products a smaller carbon footprint

Metso has a solid history of industrial design. Our design expertise focuses on the usability, work safety, and manufacturing and operating costs of our products. Aesthetically successful design helps distinguish Metso from other suppliers in the industry and gives the people using our products the impression of an overall well-designed product.

Good design starts with responsibility. We develop products that are competitive in terms of usability and technology, easy to manufacture, consistent with principles of sustainability, modular and suitable for serial production. Additionally, development work helps to achieve our business goals and strengthen profitability. The aim is to reduce the amount of materials used in products. Every ton matters: Reducing the amount of stainless steel used in a product by 1,000 kilos eliminates 6,400 kilos of carbon dioxide emissions.

KajaaniPaperLab is our new product for the automated testing of paper quality. The number of components in the frame structure of the product has been significantly reduced, thanks to the aluminum casting and thin sheet technology as well as the embedded electronics. KajaaniPaperLab's design and usability were awarded the distinguished Fennia Prize at the beginning of 2009.

Internal development projects

In 2009 we decided to establish a Life Cycle Assessment (LCA) team. In a life cycle assessment, the environmental impacts of a product, a process or a function over its entire life cycle are analyzed. Our goal is to pilot a project to conduct a life cycle assessment on a few of our products in 2010. We will analyze the eco-efficiency of the products over their entire life cycle, taking into consideration the raw materials, subcontracting, our own production and the operating characteristics of the products. It is our intention to make the LCA an integral part of our internal processes and to expand the assessments to all our product lines.

New, global energy conservation and CO_2 emissions targets

In 2009 we set global, Metso-wide energy conservation and carbon dioxide emissions targets for our production. We aim to cut our energy consumption and emissions by 15 percent by 2015 and by 20 percent by 2020, in line with EU targets. The target level is calculated from the average of the past five years of operation. Until recently, our production units had their own local energy conservation and carbon dioxide emissions targets. For example, our units serving the pulp and paper industries had over a long period developed their own energy efficiency procedures.

To achieve the energy and carbon dioxide emission targets, a global energy team will be established in 2010. The team will compile action plans, map investment needs and define the indicators to be used, and take responsibility for reporting.

In 2008 we started internal environmental audits. Based on the experiences, we are developing and expanding the monitoring. In addition to environmental aspects, issues related to e.g. occupational safety and operating principles will be included in Internal Audit's Compliance program. Auditing will improve internal reporting and processes and will support the achievement of the new energy and carbon dioxide emissions targets.

We also continued to develop the eco-efficiency of our offices. Our Group Head Office in Helsinki was granted the World Wildlife Fund's (WWF) Green Office certificate. The goal of the practical environmental program launched by WWF Finland is to reduce the ecological footprint and carbon dioxide emissions of office environments. We aim to incorporate the same principles in our other offices around the world. In March we participated also in the WWF's global Earth Hour campaign, which highlighted the importance of mitigating climate change.

» The key environmental impacts of our production are presented on pages 30–31.

Markku Koivisto, Paper business line, Jyväskylä, Finland, at the pickling station.

Small and significant actions for the environment

The Paper business line's unit in Jyväskylä, Finland, used to perform small-scale pickling of pipes, brackets and welding seams in different parts of the preassembly hall. Pickling is a method used to acid-treat welded seams to prevent rusting. Collecting the rinse water that is laden with heavy metals and treating it wasn't possible before; handling acids in areas not dedicated for such work wasn't a good solution in terms of work safety.

After employee brainstorming and planning, and with management's support, a big container was built in the area and now the employees can rinse and pickle the structures they have welded. The container was named Dewdrop. Now the rinse water is collected in a controlled manner and put through a treatment process. Consolidating the washing lines made it possible to use the rinse water as part of the production process and also work safety improved.

CO_2

2015:
-15%

2020:
-20%

Read more about environmental management and development of our own operations on our website:
www.metso.com/sustainability
» environmental management

Environmental impacts of our production facilities

Our production facilities compile environmental targets and develop their environmental operations in accordance with our environmental policy. We comply with the ISO 14001 standard in the development of products and operations and in risk management. We discuss risk management on pages 26–33 of our Annual Report.

Our certified environmental systems cover 63 (58) percent of our production operations in proportion to the energy consumption of the units that are within the sphere of environmental reporting. We proportion the scope of our environmental system to energy consumption, which also supports our new global targets for energy conservation and CO_2 emissions.

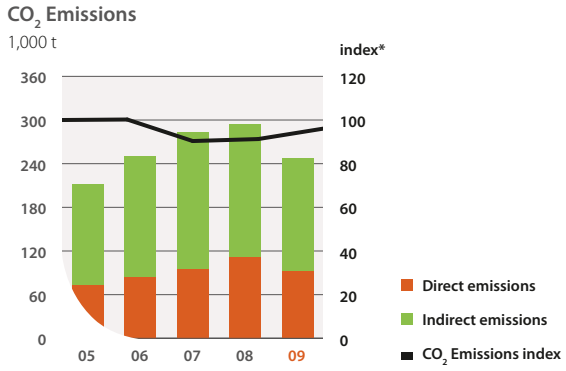
ENVIRONMENTAL REPORTING SYSTEM

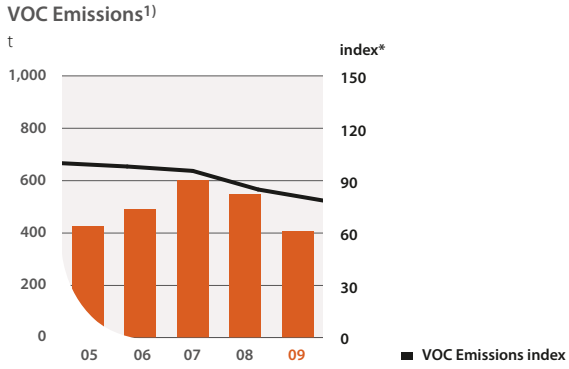
Our environmental reporting system is based on GRI core indicators and is used in 91 of our units. All units that have production operations with significant environmental impacts are included in the reporting. Our ownership in the production facilities within the sphere of the system is at least 50 percent.

RESPONSIBILITY OF THE PRODUCTION CHAIN

In our operations we focus on our core competencies, such as product development, engineering and delivering comprehensive solutions. We outsource many work phases, like welding and painting, as well as semi-finished products, such as castings and forged components, to our subcontractors. This decreases the environmental load of our own operations, but emphasizes our responsibility for the environmental efficiency of our subcontractors.

We have guidelines and criteria for integrating sustainability along the entire production chain. We require our subcontractors to comply with local legislation and to identify their own environmental impacts. We monitor the realization of environmental impacts also through supplier assessments. We require our subcontractors and suppliers to be familiar with our environmental policy and with the International Chamber of Commerce's Business Charter for Sustainable Development that we have endorsed. Our subcontractors must comply with our Code of Conduct or with their own operating principles that are similar in content. In 2009 we compiled new, more elaborate and detailed sustainability assessment criteria for our suppliers.





Emissions to air

Our carbon dioxide emissions were 248,248 (293,693) tons. About 63 percent of our CO_2 emissions are created indirectly when the purchased electricity is produced elsewhere. The decrease in total carbon dioxide emissions is mostly due to the global economic downturn and decreased production. Some of our units have also been closed. Two of them, Paper and Fiber Technology's Finnish units in Anjalankoski and Oulu, had relatively high energy consumption.

Our VOC emissions are created for example during the use of solvent-rich chemicals in foundry and painting processes as well as in washing components. In 2009 our VOC emissions were about 406 (547) tons. The decrease in total VOC emissions is mostly due to decreased production at some of our units that normally use a relatively large amount of solvents and paints. The Valmet Automotive unit has also started to use a solvent-free detergent, decreasing its VOC emissions.

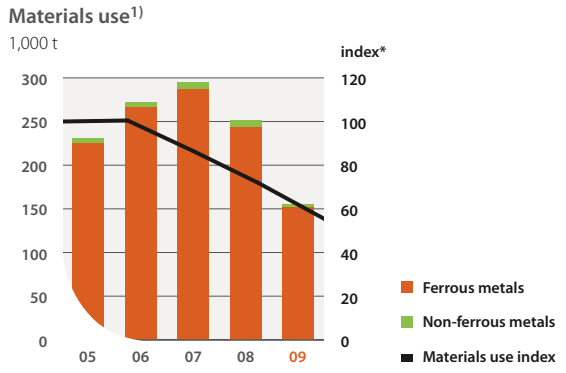
1) In four of our units, VOC emissions for 2008 were reported incorrectly. The figures for that year have been corrected in the 2009 report.

* The index is proportioned to Metso's net sales. For comparison, the baseline given for 2005 is 100.

Materials use

The majority of the materials we use in our production are recyclable metals. We use only small amounts of hazardous materials and chemicals in our production. In 2009, we used 155,527 (250,884) tons of metals. The reduction in materials use is mostly due to lower production at some of our normally material-intensive Mining and Construction Technology units, as well as to the outsourcing of production in our Paper and Fiber Technology unit in Turku, Finland. Our production decreased globally in 2009.

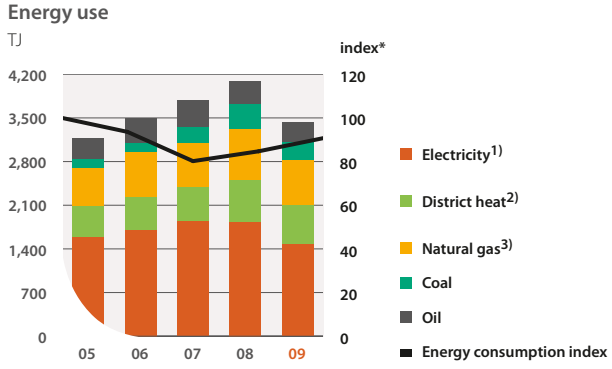
1) In two of our units, materials use for 2008 was lower than previously reported. The figures for that year have been corrected in the 2009 report.



Energy use

Some of our production is energy intensive, for example in our foundries. The majority of our energy consumption is in the form of electricity, natural gas and district heat. Fuel oil is used by some units for their own needs, and one of our units uses coal. Our total energy consumption was 3,432 (4,083) TJ. The figure does not include the fuels used in transportation and vehicles. The decrease in energy consumption is due to the economic downturn and decreased production as well as to closed units.

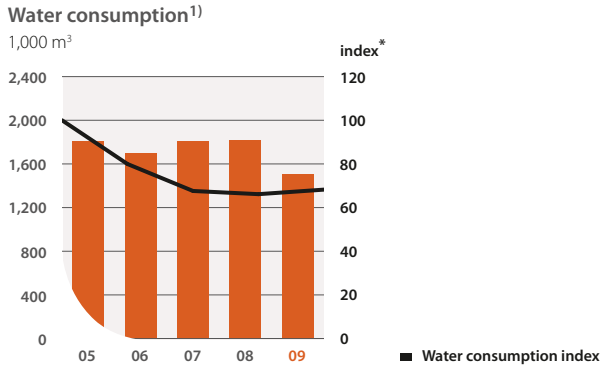
1) In one of our units, the use of electricity for 2008 was lower than previously reported. The figures for that year have been corrected in the 2009 report.
2) In one of our units, the use of district heat for 2008 was higher than previously reported. The figures for that year have been corrected in the 2009 report.
3) In two of our units, the use of natural gas for 2008 was reported incorrectly. The figures for that year have been corrected in the 2009 report.



Water consumption

Most of our units use water only for catering and sanitation purposes. Our water consumption was 1,502,845 (1,814,364) m³. Additionally, we use recycled industrial water for cooling purposes at foundries. The reduction in water consumption is mostly due to the closing of some of our units as well as decreased production. At the Rautpohja unit in Jyväskylä, Finland, there were fewer pilot trials compared to 2008, decreasing water consumption as well.

1) In one of our units, the water consumption for 2008 was lower than previously reported. The figures for that year have been corrected in the 2009 report.



Waste

The waste generated by our operations includes among others metal, wood, cardboard, paper and municipal waste. A significant part of the waste is recyclable metal and other recyclable materials. Waste is recycled in compliance with local regulations and whenever possible. Our operations generated a total of 84,801 (124,309) tons of waste. Our operations generate small amounts of hazardous waste, such as oils, cutting fluids and paints, which we deliver to hazardous waste disposal facilities. About 4,777 (8,065) tons of hazardous waste was generated.

1) In two of our units, the amount of waste for 2008 was incorrectly reported. The figures for that year have been corrected in the 2009 report.

Personnel and work environment development

Despite cost-cutting measures due to the economic recession, we continued renewing our global HR management practices and the supporting processes, systems and organization. We also carried out our key training programs and we continued developing work safety.

Personal development plans encourage competence development.
Pictured are Usha Baxla (left) and Monisha Majumdar, Mining and Construction Technology, India.

Development of personnel and the work environment is guided by our values: customer success, profitable innovation, professional development and personal commitment.

Personnel leadership and competence development are emphasized also in our business strategy. Successful implementation of our strategy requires Metso to have motivated employees who are goal-oriented and who have the right competencies. Competence development is a continuous focus.

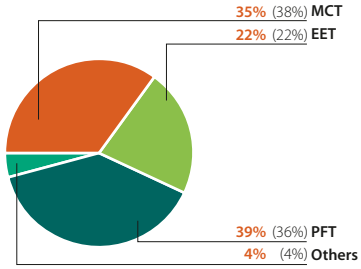
PERSONNEL STRUCTURE

Our number of personnel decreased in 2009 due to measures to adjust capacity and the cost structure and to improve the efficiency of our operating model. At the end of 2009 we had a total of 27,166 (2008: 29,322) employees, including the nearly 1,600 employees transferred to Metso through acquisitions. 110 employees were transferred as part of divestments, and adjustment measures resulted in a reduction of some 3,600 employees.

The number of personnel decreased in all our reporting segments, particularly as a result of the streamlining measures in our Paper and Fiber Technology segment in Finland and Sweden. The share of our employees in emerging markets in proportion to our total number of personnel remained at last year's level and was 31 percent. Females accounted for 18 (17) percent of our workforce.

Of our personnel, 98 percent were employed full-time and 2 percent part-time. Permanent employees, both full-time and part-time, made up 96 (95) percent of the personnel structure. The overall employee turnover rate was 17 (11) percent. The average age of employees was 42 years and the average length of service was approximately 13 years. The countries with the most Metso employees were Finland, the United States, Sweden, China and Brazil. These five countries accounted for 69 percent of Metso Group's total workforce.

Personnel by segments



MCT	Mining and Construction Technology
EET	Energy and Environmental Technology
PFT	Paper and Fiber Technology
Others	Group Head Office, Valmet Automotive and Metso Shared Services

Essential themes of social responsibility in 2009

	Impact on society	Impact on the implementation of Metso's strategy
Competence development and identification of talent potential	●●	●●●
Occupational health and safety	●●	●●
Occupational well-being	●	●●
Code of Conduct	●	●●●
Leadership development	●	●●●
Harmonizing HR practises	●	●●

The figure presents our most essential social responsibility themes. The feedback received in our 2009 sustainability survey has been used in prioritizing the themes.

ADJUSTMENT MEASURES

2009 was characterized by adjustment measures that affected our personnel. These measures were implemented as a result of the global economic downturn. We initiated measures to adjust our capacity and cost structure to the lower demand already in 2008. We continued implementing measures in 2009 with the aim of developing new, more efficient operating models and securing the competitiveness of our business. Adjustments and the development of new operating models have been made on a business-specific basis, depending on order backlog timing or market outlook development.

During 2008–2009 we reduced the use of temporary personnel and subcontractors, and we started temporary layoffs or permanent personnel reductions in several units. The impacts of these measures on our personnel are reviewed by area in the Finance and operations section.

In layoffs and other arrangements, we have complied with local practices.The practices concern changes in the company's operations that employees and their representatives must be notified of or changes that must be negotiated with them.

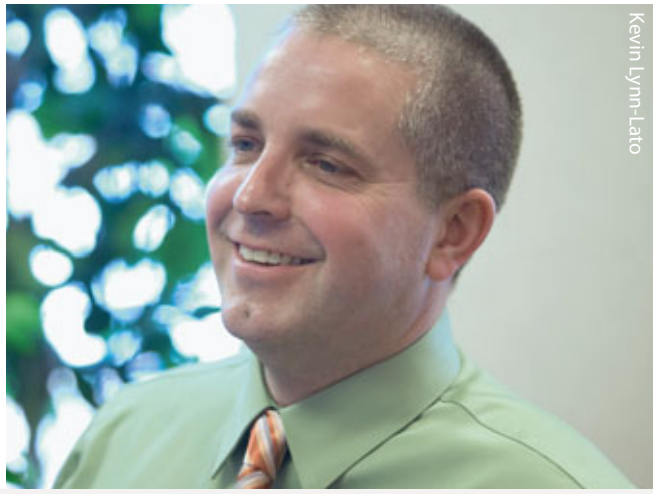
PERSONNEL COMPETENCE DEVELOPMENT

We have ensured that we maintain and strengthen our competence to meet future business needs. The training programs in Metso's international training portfolio that support leadership were implemented almost entirely according to plan. The number of Metso employees participated in our global training programs was 160 (200) with a total of 1,200 training days. In recognition of our long-term commitment to continuous personnel development and the courage to invest in development projects also during an economically challenging time, we received the Helsinki School of Economics (HSE) Executive Education's 2009 Thirst for Knowledge award, which is awarded to an organization with an exemplary track record in personnel training.

Photos: Tomi Parkkonen (photo on the left), JAWiley Photography (photo on the right).


Hannele Salminen

Results delivered


Kevin Lynn-Lato

Navigator training provides fresh perspectives for leadership

One of our global training programs, Navigator, is intended for middle management and experienced supervisors. Two of the themes covered in the training include managing profitable growth and developing leadership skills. The Navigator training program is divided into two five-day sessions of intensive studying and team work. In between sessions, the participants work together in teams on a project related to our business strategy. The program is organized in collaboration with IMD in Lausanne, Switzerland.

The Paper business line's **Hannele Salminen**, General Manager, Finance, Service, from Finland, and the Power business line's **Kevin Lynn-Lato**, General Manager of Supply Management and Production, from North America, participated in the Navigator training in 2009 and found it very rewarding. "The training program provided deeper insight into the challenges and opportunities of our business. It also provided an opportunity to network with Metso employees working in different parts of the world," Salminen says. "Particularly the segment focusing on the personal attributes affecting your own career path and leadership provided a lot of resources for developing personal leadership skills," Lynn-Lato adds. "I appreciate that leadership was dealt with also from this angle. Rarely during a routine day do we have the time to stop and think about these issues – even though they play a big role in achieving concrete results," Salminen notes.

Hannele Salminen and Kevin Lynn-Lato both agree that the training has been beneficial in their own work. They especially appreciate the added experience it has given them in global project work and the fact that it really inspired them to think about the kind of supervisor they want to be. "The training increased the understanding that each team member brings different attributes, talents and problem-solving skills to the team. It is up to the supervisor to combine the various strengths and to guide and support the team members," Lynn-Lato concludes.

We strive to ensure a high-quality work environment, prevent work-related illnesses and promote occupational health.

In arranging training, we are engaging in more Metso-wide collaboration. The aim is to coordinate joint training in sub-areas that will produce quality benefits for all Metso units operating in the same geographical area. This approach has increased the networking and collaboration of experts across businesses and has improved the quality, cost-effectiveness and professional level of the training. Our training expenses, not including the cost of wages and salaries for the participants, totaled EUR 10 (17) million in 2009. On average, 2.4 (2.8) training days per Metso employee were held.

The Annual Review Process is an important way to support goal-oriented performances of all individuals and teams and to tie them to shared business goals. The Annual Review Process also helps to map training needs. 50 percent of our personnel completed the Annual Review Process with their supervisor in 2009. We will invest more in the

quality of and guidance related to goal-setting. A personal development plan ensures that the development measures strengthen the individual's competence and genuinely contribute to our competitiveness. They also help to improve career planning and internal rotation of personnel at Metso.

Towards the end of 2009 we launched the biennial TellUs employee survey, which gives every Metso employee the opportunity to express their opinion about work issues that affect them. The response rate was over 70%. Among the strengths listed by respondents were work organization and awareness of goals. Employees also rated highly the opportunities to influence decisions. Future development projects are planned based on the results. The previous survey, conducted in 2007, led to the launch of about 500 development projects. The development projects focused on issues like improving the work atmosphere and bringing more clarity to project resourcing.

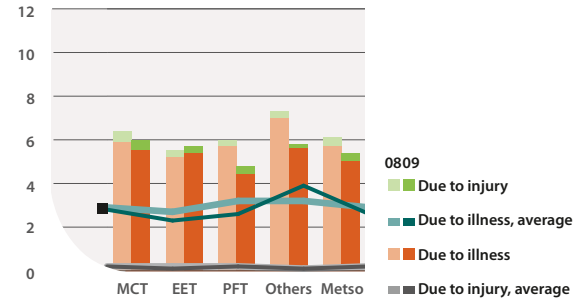
LEADERSHIP QUALITY AND INTERNAL INTERACTION

During 2009 we highlighted the importance of leadership and supervisory work as well as direct, open communication in the recession. One of the most important themes was the role that managers and supervisors have in encouraging and inspiring personnel during economically challenging times of major change.

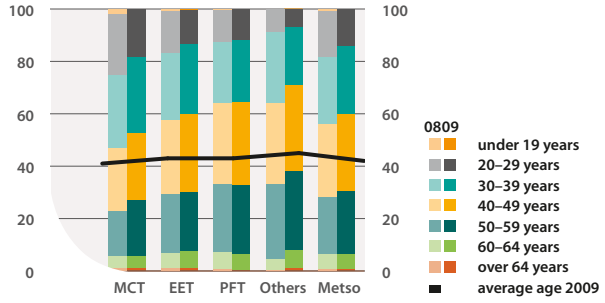
In fall 2009 we held Area Management Meetings in Shanghai, New York, Berlin and Sao Paulo in which Metso's top executives and 250 Metso managers discussed issues related to strategy and leadership. Held every other year, the Area Management Meetings are an important part of Metso's management and strategy work.

Operating alongside the Metso Executive Team is the Metso Executive Forum (MEF). The purpose of the MEF is to boost the interaction among executive management and to support the implementation of Metso's global strategy. The MEF consists of the management of the key business lines and geographical regions as well as Executive Team members. The President and CEO convenes the MEF meetings, of which there were three held in 2009.

Illness- and injury-related absences,
days per person



Age structure,
% of personnel



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Metso	Metso Group

Examples of HR development projects

Goal	2009	2010 »
Occupational health and safety	Launching the implementation of the new OHS Monitor system. Improving communication about occupational safety. New occupational safety goals for all units.	Global expansion of the monitoring system continues.
Competence development	Continuation of global training programs.	Launch of new global training programs supporting the services business.
Job satisfaction	Global implementation of TellUs employee satisfaction survey.	Launch of local development projects based on results received.
Harmonization of HR practises	Planning of global HR processes, operating model and data system.	Launch of the HR Services unit serving Finland and Sweden.
Leadership development	Launching a leadership development project based on the dialogue at Area Management Meetings in fall 2009.	The project will further develop working as one Metso, strengthen trust and engage Metso employees in decision making.

Results delivered

Eneas de Almeida Morais (left) and Lucas Gomes Corral work for the Services business line in Sorocaba, Brazil.

Making safety a value at Sorocaba

Work safety and well-being at our workshop and foundry in Sorocaba, Brazil, were systematically developed in 2009. Special attention was placed on developing the general safety culture among employees and subcontractors as well as eliminating all work practices that are not in line with the safety guidelines.

The results have been impressive: Lost day frequency rate decreased by a total of 43 percent and the total number of lost day injuries by 52 percent compared to 2008. "We have improved work safety through various means, including safety analyses, inspections, observations and job orientations. We have also talked a lot about safety," says **Luiz Roberto Silveira**, Safety & Environment Manager at Sorocaba. He says that management's commitment has been very important in improving occupational well-being and safety.

"Management has supported and participated in our efforts in many ways. For example, all management members have made safety rounds in the production area and have given guidance on safe work procedures." Most important – and the most difficult – is changing the prevailing ways of thinking.

"But the issue itself is simple. Work safety is a priority every single day, and, generally speaking, it is something that also affects the quality and the efficiency of the work," Roberto Silveira says.

Efforts to improve work safety will continue: Sorocaba's goal is to be a leader in work safety by the end of 2012.

Metso Forum (the European Works Council for our employees) convened in Helsinki in March 2009. Employee representatives from different countries and several top management representatives participated in Metso Forum. Issues discussed at the meeting included maintaining job satisfaction during a recession and how to ensure the quality of our core competence and customer service in spite of the adjustment measures.

WORK ENVIRONMENT AND WORK WELL-BEING

A Metso-wide occupational health and safety policy supports the development of a safe, healthy and well-kept work environment. Every Metso employee has the right to work in a safe manner and, at the same time, the obligation to comply with prescribed work safety guidelines. Our goal is to increase our employees' awareness of work safety and to get every employee to take responsibility for work safety issues.

We strive to prevent accidents and injuries with operating guidelines and with measures that reduce work environment risks. We create and maintain systems and best practices to prevent or to quickly detect and correct conditions that threaten the well-being and safety of our personnel. We systematically monitor the implementation and outcome of the policy.

In 2009 we decided on new occupational safety targets. We set the same occupational safety target for all our worksites: Less than 10 accidents resulting in absences per million working hours. The target must be reached by 2012.

A new occupational health and safety monitoring system, OHS Monitor, was adopted during 2009 in parts of the Group. This system increases the transparency of work safety efforts; the goal is for all of our units to be using the system by the end of 2010. All significant accidents, environmental damage, near-miss situations and observed

risks related to occupational health and safety are collected into the OHS Monitor. Analyzing them can prevent similar incidents throughout the Group. At the factory level, the system accelerates the procedures for reviewing accidents and dangerous situations.

Work safety committees provide guidance in implementing work safety programs in our units and assist in the monitoring of them. Joint employee/employer committees review all current work safety issues. The committees represent our entire personnel and operate at sites that have 30 or more employees. Employee orientation, continuous training, risk assessment, and systematic monitoring of local legislation form the foundation for our occupational safety management.

We strive to ensure a high-quality work environment, prevent work-related illnesses and promote occupational health. We require our subcontractors and partners to comply with the same work safety guidelines that our own employees follow.

In 2009 there were an average of 5.0 (5.7) days of absence per person; 137,021 (167,980) days of absence were due to illness and 10,312 (11,178) were injury-related. There were 2 (3) work-related fatalities. The number of work-related illnesses was 133 (175) and work-related injuries 639 (843). The number of employees who started drawing a disability pension was 31 (27). An estimated total of 70,361 (56,041) hours (an average of 2.6 (2) hours per person) of work safety training was given.

HARMONIZING HR PRACTISES

Implementing our strategy and supporting business require clear and effective human resources management. The harmonization of Metso's HR practises will continue by developing global HR management and the supporting processes, systems and organization.

Our goal is for HR professionals to be able to offer better support for the work of supervisors and personnel. A new, global HR data system will also be created to support the work of the HR professionals and supervisors at Metso.

As part of the global development of HR management, we are establishing four regional HR management service centers. As of the beginning of 2010, the first HR Services unit will be responsible for handling personnel issues in Finland and Sweden. Centralizing HR services will continue also elsewhere around the world. The new operating model ensures that personnel issues are handled efficiently and by business line throughout the Group. Additionally, the aim is for the principles of leadership to become clearer and more transparent to all employees.

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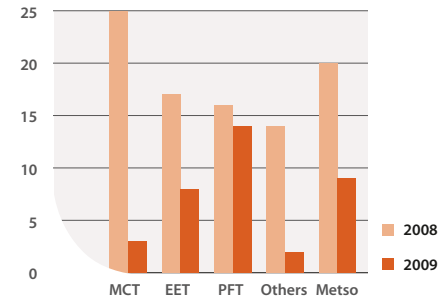
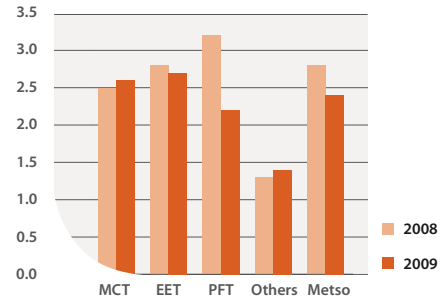
Metso	Metso Group

More information:
www.metso.com/sustainability

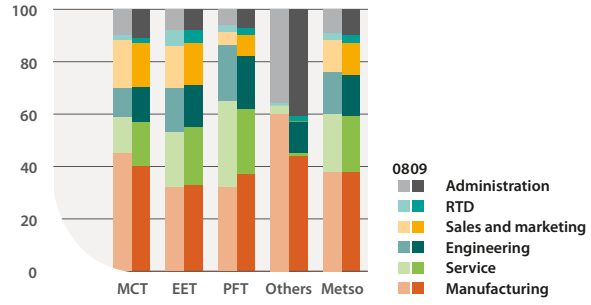
Recruitment,
% of personnel



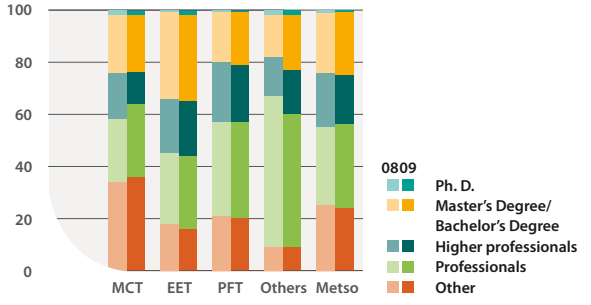
Training days,
average per person



Personnel by function,
% of personnel



Education level,
% of personnel



GRI content index

Comparison with the guidelines of the Global Reporting Initiative and the principles of Global Compact.

■	Fully reported
■	Partly reported
■	Not reported in 2009
AR	Reported in Annual Report

GRI guidelines Code	Content	Status	Pages	Comments/Remarks	Global Compact
Profile					
Strategy and Analysis					
1.1.	CEO's statement	■	4–5		
1.2.	Key impacts, risks and opportunities	■	2–3, 10, AR 18–19		
Organizational Profile					
2.1.	Name of the organization	■	inside front cover		
2.2	Primary brands, products and services	■	AR 8–11		
2.3.	Operational structure	■	AR 34–35, 67, 115–116	www.metso.com	
2.4.	Location of organization's headquarters	■	28, inside back cover		
2.5.	Number of countries and location of operations	■	12–17, AR 115–116	www.metso.com -> contact us	
2.6.	Nature of ownership and legal form	■	AR 130–132,142		
2.7.	Markets served	■	AR 34–35		
2.8.	Scale of reporting organization	■	6, 16-19		
2.9.	Significant changes	■	12–17, AR 52		
2.10.	Awards received in the reporting period	■	27, 33		
Report Parameters					
3.1.	Reporting period	■	7		
3.2.	Date of most recent report	■	7		
3.3.	Reporting cycle	■	7		
3.4.	Contact point for questions	■	inside back cover	www.metso.com/reports	
Report Scope and Boundary					
3.5.	Process for defining report content	■	10–11, 13, 21, 33		
3.6.	Boundary of the report	■	7		
3.7.	Limitations on the report's scope or boundary	■	7, 30		
3.8.	Basis for reporting subsidiaries and joint ventures	■	7		
3.9.	Data measurement techniques and bases of calculations	■	7		
3.10.	Explanations of re-statements	■	30–31		
3.11.	Significant changes from previous reporting periods	■	AR 67,122		
3.12.	GRI content index	■	38–39		
3.13.	Assurance policy and practice	■	7		
Governance, Commitments and Engagement					
4.1.	Governance structure	■	AR 141–146		
4.2.	Position of the Chairman of the Board	■	AR 143		
4.3.	Independence of the Board members	■	AR 143–145		
4.4.	Mechanisms for shareholder and employee consultation	■	35–36, AR 142–143, 153		
4.5.	Executive compensation and linkage to organization's performance	■	AR 149–151		
4.6.	Processes for avoiding conflicts of interest	■	AR 143–145		
4.7.	Process for determining expertise	■	AR 143–145, 152–153		
4.8.	Implementation of mission and values statements; code of conduct	■	8–9	www.metso.com-> Code of Conduct, Values	
4.9.	Procedures of the Board for overseeing risk management	■	9–10, AR 144		
4.10.	Processes for evaluating the Board's performance	■	AR 142–143		
4.11.	Precautionary principle	■		www.metso.com/sustainability -> environmental management	
4.12.	Voluntary charters and other initiatives	■	7, 9–10		
4.13.	Memberships in associations	■	9–10		
4.14.	List of stakeholder groups	■	10		
4.15.	Identification and selection of stakeholders	■	8–11	www.metso.com/sustainability	
4.16.	Approaches to stakeholder engagement	■			
4.17.	Key topics raised through stakeholder engagement	■	10–11, 13, 21, 33		
Management Approach and Performance Indicators					
Economic Performance Indicators					
EC1	Economic value generated and distributed	■	18–19		
EC2	Risks and opportunities due to climate change	■	20–27		
EC3	Coverage of the organization's defined benefit plan obligations	■	AR 80,109–112		
EC4	Significant subsidies received from government	■	AR 69		
EC5	Entry-level wage compared to minimum wage	■			
EC6	Spending on local suppliers	■	13–19		
EC7	Local hiring	■	13-19		
EC8	Infrastructure investments provided for public benefit	■	12–17, 9, 11		
EC9	Significant indirect impacts	■	12–17		

GRI guidelines Code	Content	Status	Pages	Comments/Remarks	Global Compact
Environmental Performance Indicators					
EN1	Materials used by weight or volume		6, 30–11		
EN2	Recycled materials used		33–31		
EN3	Direct energy consumption		33–31		
EN4	Indirect energy consumption		30–31		
EN5	Energy saved due to conservation and efficiency improvements		28		
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services		20–27, 28		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved		22–28		
EN8	Total water withdrawal		30-31		
EN9	Water sources significantly affected			EN9-EN15, not a significant environmental aspect in Metso's own operations	
EN10	Percentage and total volume of water recycled and reused		23–29		
EN11	Location and size of land holdings in biodiversity-rich habitats				
EN12	Description of significant impacts of activities, products, and services on biodiversity				
EN13	Habitats protected or restored				
EN14	Managing impacts on biodiversity				
EN15	Species with extinction risk with habitats in areas affected by operations				
EN16	Total direct and indirect greenhouse gas emissions by weight		6, 30–31		
EN17	Other relevant indirect greenhouse gas emissions		3–31		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		28, 30–31		
EN19	Emissions of ozone-depleting substances				
EN20	SOx, NOx and other significant air emissions		22–23		
EN21	Total water discharge			Not a significant environmental aspect in Metso's own operations	
EN22	Total amount of waste		30–31		
EN23	Significant spills		30–31		
EN24	Transported, imported, exported or treated hazardous waste		30–31		
EN25	Water bodies and habitats affected by discharges of water			Not a significant environmental aspect in Metso's own operations	
EN26	Mitigating environmental impacts of products and services		20–29		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category				
EN28	Significant fines and sanctions for non-compliance with environmental regulations		AR 107	Nothing to report for 2009	
EN29	Environmental impacts on transportation				
EN30	Total environmental protection expenditures and investments		26-27		
GC 7	Support for precautionary approach to environmental challenges		14	www.metso.com/sustainability -> environmental management	Global Compact
GC 8	Initiatives to promote greater environmental responsibility		20–27		Global Compact
GC 9	Development and diffusion of environmentally friendly technologies		20–27		Global Compact
Social Performance Indicators					
LA1	Breakdown of workforce		6, 33		
LA2	Breakdown of employee turnover		13–17, 33		
LA3	Employee benefits			Local issue	
LA4	Coverage of collective bargaining activities			Local issue	
LA5	Minimum notice period regarding operational changes		33		
LA6	Representation in joint management-worker health and safety committees		33		
LA7	Rates of injury, lost time injury, fatalities and absenteeism		37		
LA8	Education and prevention programs regarding serious diseases		36		
LA9	Health and safety topics covered in formal agreements with trade unions			Local issue	
LA10	Average hours of training per year per employee by employee category		34		
LA11	Programs for skills management		33–35		
LA12	Employees receiving regular performance and career development reviews		34–35		
LA13	Composition of governance bodies and breakdown of employees		AR 152–156		
LA14	Ratio of basic salary of men to women				
GC 3	Freedom of association and the effective recognition of the right to collective bargaining		9		Global Compact
GC4	Elimination of all forms of forced and compulsory labor		9		Global Compact
GC 5	Effective abolition of child labor		9		Global Compact
GC 6	Elimination of discrimination in respect of employment and occupation		9	www.metso.com/sustainability -> management systems	Global Compact
Human Rights					
HR1	Investment agreements that include human rights clauses			Code of Conduct	
HR2	Significant suppliers and contractors that have undergone human rights screening			Code of Conduct	
HR3	Employee training on policies and procedures concerning aspects of human rights		AR 147–148	Code of Conduct	
HR4	Incidents of discrimination and actions taken				
HR5	Actions to support freedom of association and collective bargaining in risk areas		9		
HR6	Measures taken to contribute to the elimination of child labor		9		
HR7	Measures taken to contribute to the elimination of forced labor		9		
HR8	Human rights-related training for security personnel			Code of Conduct	
HR9	Incidents of violations involving rights of indigenous people and actions taken				
GC 1	Support for the protection of internationally proclaimed human rights		9	Code of Conduct	Global Compact
GC 2	Certainty of not being complicit in human rights abuses		9	Code of Conduct	Global Compact
Society					
SO1	Managing impacts of operations on communities		8–11, 40		
SO2	Number of business units analyzed for risks related to corruption			Code of Conduct	
SO3	Employees trained in organization's anti-corruption policies			Code of Conduct	
SO4	Actions taken in response to incidents of corruption		AR 147–148	Code of Conduct	
SO5	Public policy positions and participation in public policy development and lobbying			Participation in the work of organizations, www.metso.com/sustainability	
SO6	Contributions to political parties, politicians and related institutions				
SO7	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices				
SO8	Fines and sanctions for non-compliance with laws and regulations		AR 147–148	Nothing to report for 2009	
GC 10	Work against corruption in all its forms, including extortion and bribery		9	Code of Conduct	Global Compact
Product Responsibility					
PR1	Assessment of health and safety impacts of products			PR1-4, ei raportoida Metso-konsenin tasolla	
PR2	Non-compliance with regulations concerning health and safety impacts of products				
PR3	Product and service information required by procedures				
PR4	Non-compliance with regulations concerning product and service information and labeling				
PR5	Practices related to customer satisfaction		11		
PR6	Adherence to marketing communications laws, standards and voluntary codes		AR 147–148		
PR7	Non-compliance with regulations and voluntary codes concerning marketing communications				
PR8	Complaints regarding breaches of customer privacy			Not a significant aspect in Metso's own operations	
PR9	Fines for non-compliance concerning the provision and use of products and services			Nothing to report for 2009	

Photo: Martin Harvey/WWF-Canon.

This wallaby species is on Australia's endangered list.

Footprints in the sand

The wildlife of Australia's deserts has changed dramatically since European settlement. More than 18 native mammal species are now extinct; ground-nesting and -dwelling birds have significantly declined; and feral species roam the deserts. The arid zone is still home to many threatened mammal species, as well as hundreds of bird and reptile species.

Observing animal tracks offers an effective and efficient way to monitor threatened and invasive species inhabiting desert regions. Although many desert animals are nocturnal, they leave some signs that can be used to identify them. In 2009 Metso produced a Native Species Tracking Guide in cooperation with WWF Australia.

The guidebook is intended to chart the distribution and abundance of threatened animals in arid Australia. Due to the remoteness of the deserts and their sparse human population, it's not known if these animal populations are still declining, have stabilized, or perhaps are even increasing. The guidebook will also help residents and visitors understand and enjoy the arid zone.

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FORWARD-LOOKING STATEMENTS

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.

About this report

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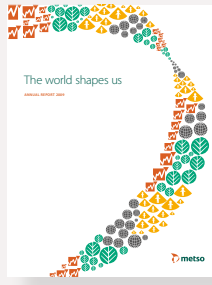

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