

# Interim Review

January 1 - June 30, 2005

# Metso Corporation's Interim Review, January 1 -June 30, 2005

## The Corporation's key figures

| EUR million  | 4-6/05       | 1-6/05         | 4-6/04 | 1-6/04  | 2004     |
|--|--------------|----------------|--------|---------|----------|
| Net sales  | <b>1,028</b> | <b>1,922</b>   | 879    | 1,672   | 3,602    |
| Operating profit   | <b>83.3</b>  | <b>138.0</b>   | 45.3   | 37.4    | 199.5    |
| % of net sales   | <b>8.1</b>   | <b>7.2</b>     | 5.2    | 2.2     | 5.5      |
| Earnings per share from continuing operations, basic, EUR                  | <b>0.37</b>  | <b>0.63</b>    | 0.21   | 0.06    | 1.16     |
| Earnings per share from continuing and discontinued operations, basic, EUR | <b>0.49</b>  | <b>0.75</b>    | 0.14   | (0.03)  | 1.05     |
| Orders received  | <b>1,203</b> | <b>2,292</b>   | 1,268  | 2,239   | 3,989    |
| Order backlog from continuing operations                                   |              | <b>30.6.05</b> |        | 30.6.04 | 31.12.04 |
|  |              | <b>2,157</b>   |        | 1,900   | 1,705    |
| Return on capital employed (ROCE), %                                       |              | <b>17.3</b>    |        | 4.6     | 10.7     |
| Equity to assets ratio, %  |              | <b>34.3</b>    |        | 24.8    | 30.9     |
| Gearing, %   |              | <b>25.8</b>    |        | 78.2    | 49.7     |

Metso adopted the International Financial Reporting Standards (IFRS) at the beginning of 2005. The transition to IFRS has been described in the Notes to the Interim Review.

### Metso's operating environment

In the pulp and paper industry markets the price of chemical pulp turned to a decline. In Europe, the prices for printing paper rose slightly, but were still clearly below the prices targeted by producers. In North America, paper prices continued their moderate increase. The overall capacity utilization rates of pulp and paper industry machinery were good, but in Finland a dispute over the paper industry collective bargaining agreement resulted in a shutdown of mills in May-June.

As in the previous quarters, the investment activity in the mining industry continued to be good, although the rise in prices of both metals and iron scrap leveled off. Due to a shortage of experienced management and other resources the time required to implement investments in the mining industry has been lengthened and investment decision-making has slowed. The demand for aggregates continued to be good in Europe, North America and Asia due to investments in construction and civil engineering.

The continuing high price of crude oil kept investments in the energy, oil and gas industry at the good level of the first quarter.

### Demand for Metso's products

The good capacity utilization rates of the pulp and paper industry contributed to a positive demand for Metso Paper's machinery rebuilds and aftermarket services. After a lengthy quiet period, the markets for new paper

machines became slightly more active, and Metso booked two new paper machine orders in the second quarter. The tissue machine markets clearly improved, and Metso Paper received several orders for small machines though the price level was weak. Major investments continued in the pulp industry in South America, and the demand for pulping line rebuilds was strong in all market areas.

The demand for Metso Minerals' construction and civil engineering equipment was good in Europe and Asia and excellent in North America. The demand for mining industry equipment remained excellent in South America, Asia and the Pacific region. Demand for metals recycling equipment continued strong. The high capacity utilization of mines and quarries continued to keep the demand for aftermarket and maintenance services good.

Markets for Metso Automation's energy, oil and gas industry products continued to be good. In contrast, demand for pulp and paper industry products was satisfactory. The demand for field equipment was good in North America and Asia, whereas in Europe demand weakened a little. The demand for process automation systems was satisfactory.

### Orders received and order backlog

In January-June 2005, the value of orders received by Metso Corporation totaled EUR 2,292 million, an increase of 2 percent from January-June 2004. The orders received in the comparison period included a large order for an SC magazine paper line for Stora Enso's Kvarnsveden mill in Sweden. The Corporation's order backlog of continuing operations increased by 27 percent from the end of 2004 and was EUR 2,157

million at the end of June. The order backlog of continuing operations increased by 14 percent compared with the order backlog on June 30, 2004.

Major orders received by Metso Paper included papermaking line orders in China and Indonesia, a rebuild of a fine paper machine in Germany and a fiber line for a new bamboo pulp mill in China. The orders received by Metso Minerals comprised of numerous smaller projects, equipment and aftermarket deliveries. Metso Automation's most significant orders included the delivery of large energy automation systems to Russia.

Metso Paper accounted for 39 percent, Metso Minerals 41 percent, Metso Automation 13 percent and Metso Ventures 7 percent of orders received.

The relative share of orders from Asia and South America increased the most compared with January-June 2004. 41 percent (50% in 1-6/04) of orders originated from Europe, 21 (20) percent from North America, 23 (16) percent from Asia-Pacific, 11 (9) percent from South America and 4 (5) percent from the rest of the world.

#### Net sales

Metso's net sales in January-June increased significantly and totaled EUR 1,922 million, up 15 percent on the comparison period. Net sales grew in all business areas. The growth was strongest in Metso Minerals where net sales rose by 22 percent compared with January-June 2004. Aftermarket operations accounted for 39 percent (43% in 1-6/04) of the Corporation's net sales (excluding Metso Ventures).

Of the net sales, 40 percent came from the deliveries of Metso Paper, 39 percent from Metso Minerals, 14 percent from Metso Automation and 7 percent from Metso Ventures.

Compared with January-June 2004, the relative share of net sales increased the most in North and South America. 46 percent (41% in 1-6/04) of net sales came from Europe, 21 (22) percent from North America, 18 (24) percent from Asia-Pacific, 10 (7) percent from South America and 5 (6) percent from the rest of the world.

#### Result

The Corporation's operating profit improved significantly on the comparison period and was EUR 138.0 million, or 7.2 percent of net sales (EUR 37.4 million, or 2.2% of net sales in 1-6/04). Metso Minerals' profitability continued to improve and Metso Paper's profitability clearly increased on the comparison period, due to improved efficiency and better capacity utilization rates. Metso Automation's profitability remained good. Metso Ventures' operating profit turned positive.

Metso's net financial expenses were EUR 24 million including nonrecurring expenses of EUR 5 million due to early repayment of loans (EUR 27 million in 1-6/04).

Metso's income from continuing operations before taxes was EUR 114 million. No deferred tax assets have been booked with respect to the losses sustained in the previous years of Metso's U.S. operations, which reduces the Corporation's taxation rate (see Notes). The Corporation's taxation rate is estimated to be around 24 percent in 2005.

The distributable profit, i.e. the net income for the review period, was EUR 104 million. Earnings per share from continuing operations was EUR 0.63, while earnings per share from continuing and discontinued operations was EUR 0.75.

Metso Corporation's return on capital employed (ROCE) in January-June was 17.3 percent (4.6% in 1-6/04).

## BUSINESSES

### Metso Paper

| EUR million             | 4-6/05 | 1-6/05  | 4-6/04 | 1-6/04  | 2004     |
|-------------------------|--------|---------|--------|---------|----------|
| Net sales               | 410    | 796     | 351    | 711     | 1,559    |
| Operating profit (loss) | 19.8   | 37.5    | 10.8   | (5.4)   | 48.0     |
| % of net sales          | 4.8    | 4.7     | 3.1    | (0.8)   | 3.1      |
| Orders received         | 564    | 918     | 699    | 1,135   | 1,726    |
|                         |        | 30.6.05 |        | 30.6.04 | 31.12.04 |
| Order backlog           |        | 1,082   |        | 1,211   | 946      |

Metso Paper's net sales in January-June were EUR 796 million, up 12 percent on the comparison period. The growth was due to an increase in paper machinery deliveries. Aftermarket and maintenance services accounted for 34 percent of the net sales (38 % in 1-6/04). The relative proportion of the aftermarket business decreased on the comparison period due to the increase in deliveries of new machines and rebuilds. Measured in euros, the volume of both aftermarket operations and machine rebuilds grew.

Metso Paper's operating profit was EUR 37.5 million, or 4.7 percent of net sales. The efficiency improvement measures and an improved capacity utilization rate clearly raised profitability. The comparison period's operating profit was burdened by nonrecurring costs. The results of the Paper and Fiber business lines, in particular, have improved. The Tissue business line still recorded a loss.

The program aimed at renewing Metso Paper's business concept and streamlining its cost structure (MP50) will be brought to a conclusion by the end of

2005. The remaining measures related to the program are aimed particularly at renewing the business concept and streamlining the cost structure of the Tissue business. In the second quarter, negotiations were started to reduce approximately 40 people in the Karlstad unit, which is a part of the Tissue business line in Sweden. Metso Paper recorded approximately EUR 5 million in nonrecurring costs related to the program in the second quarter. The MP50 program's total expenses are estimated to remain under EUR 40 million, of which approximately EUR 30 million had been recorded by the end of June.

The value of orders received by Metso Paper was 19 percent lower than in the comparison period and totaled EUR 918 million. The orders received in the comparison period included a large order for an SC magazine paper line for Stora Enso's Kvarnsveden mill in Sweden. The order backlog at the end of June was EUR 1,082 million, which was 14 percent higher than at the end of 2004.

**Metso Minerals**

| EUR million      | 4-6/05 | 1-6/05  | 4-6/04 | 1-6/04  | 2004     |
|------------------|--------|---------|--------|---------|----------|
| Net sales        | 426    | 764     | 344    | 628     | 1,366    |
| Operating profit | 40.2   | 71.4    | 27.0   | 39.1    | 105.2    |
| % of net sales   | 9.4    | 9.3     | 7.8    | 6.2     | 7.7      |
| Orders received  | 458    | 963     | 374    | 742     | 1,566    |
|                  |        | 30.6.05 |        | 30.6.04 | 31.12.04 |
| Order backlog    |        | 826     |        | 476     | 560      |

The net sales of Metso Minerals clearly increased on the comparison period and totaled EUR 764 million, 22 percent more than in January-June 2004. Due to good demand, delivery volumes increased particularly in the mining industry, and in crushing and screening equipment. Metso Minerals' aftermarket and maintenance services accounted for 49 percent of net sales (56% in 1-6/04). Due to a significant number of project and equipment deliveries, the relative proportion of the aftermarket business was lower than in the comparison period.

The operating profit of Metso Minerals increased to EUR 71.4 million, which was 9.3 percent of net sales.

Increased delivery volumes, the full use of manufacturing capacity and the efficiency improvement measures of the previous years improved profitability. The strongest improvement in profitability occurred in the Crushing and Screening business line.

The value of orders received by Metso Minerals increased by 30 percent and totaled EUR 963 million. Orders from the mining industry doubled from the comparison period. The intake of orders for metals recycling equipment was also good. Metso Minerals' order backlog strengthened by 48 percent from the end of 2004 and was EUR 826 million at the end of June.

**Metso Automation**

| EUR million      | 4-6/05 | 1-6/05  | 4-6/04 | 1-6/04  | 2004     |
|------------------|--------|---------|--------|---------|----------|
| Net sales        | 144    | 273     | 135    | 248     | 535      |
| Operating profit | 17.9   | 31.5    | 12.9   | 18.8    | 69.6     |
| % of net sales   | 12.4   | 11.5    | 9.6    | 7.6     | 13.0     |
| Orders received  | 145    | 290     | 154    | 294     | 570      |
|                  |        | 30.6.05 |        | 30.6.04 | 31.12.04 |
| Order backlog    |        | 199     |        | 193     | 176      |

Metso Automation's net sales rose by 10 percent from the comparison period and totaled EUR 273 million. The deliveries of field equipment, in particular, increased from the comparison period, mainly due to the good demand of the energy, oil and gas industry. Aftermarket and maintenance services accounted for 23 percent of net sales (24% in 1-6/04).

Metso Automation's profitability was good and the operating profit rose to EUR 31.5 million, or 11.5

percent of net sales. Delivery volumes were higher than the comparison period and increased productivity improved profitability.

The value of orders received by Metso Automation was at the level of the comparison period, totaling EUR 290 million. Compared with the end of 2004, Metso Automation's order backlog strengthened by 13 percent and was EUR 199 million at the end of June.

**Metso Ventures**

| EUR million             | 4-6/05 | 1-6/05  | 4-6/04 | 1-6/04  | 2004     |
|-------------------------|--------|---------|--------|---------|----------|
| Net sales               | 71     | 133     | 66     | 120     | 230      |
| Operating profit (loss) | 7.8    | 6.6     | (2.0)  | (7.8)   | (6.2)    |
| % of net sales          | 11.0   | 5.0     | (3.0)  | (6.5)   | (2.7)    |
| Orders received         | 57     | 158     | 65     | 111     | 213      |
| Number of cars produced | 5,109  | 9,766   | 2,350  | 4,595   | 10,051   |
|                         |        | 30.6.05 |        | 30.6.04 | 31.12.04 |
| Order backlog           |        | 88      |        | 73      | 66       |

The net sales of Metso Ventures were up by 11 percent on the comparison period and totaled EUR 133 million in January-June. The deliveries of Valmet Automotive and the Foundries increased. Metso Panelboard's deliveries of aftermarket and maintenance services increased by about one third from the comparison period, but the timing of project deliveries to the latter half of this year reduced net sales.

Metso Ventures' profitability improved and the operating profit turned positive due to the improved,

though still a slight loss, result of Valmet Automotive. Metso Ventures' operating profit for the second quarter also includes EUR 3.6 million in real estate sales gains.

The value of orders received by Metso Ventures clearly improved from the comparison period and rose to EUR 158 million, mainly due to the increased orders of Metso Panelboard and the Foundries and the increased production by Valmet Automotive. Metso Ventures' order backlog improved by 33 percent from the end of 2004 and was EUR 88 million at the end of June.

### Cash flow and financing

In January-June, Metso Corporation's net cash generated by operating activities was EUR 124 million. EUR 12 million was committed to net working capital. Due to the growth in business volume, more capital was tied up in net working capital in the second quarter, especially in Metso Minerals. The Corporation's free cash flow was EUR 107 million (EUR 55 million in 1-6/04).

Net interest-bearing liabilities decreased by EUR 202 million from the beginning of the year and totaled EUR 293 million at the end of June. During the second quarter, EUR 93 million in bonds and other loans was prematurely repaid. This caused a nonrecurring addition to financial expenses of EUR 5 million, while corresponding savings will be achieved later. Dividends of EUR 48 million were paid for 2004.

Gearing, i.e. the ratio of net interest-bearing liabilities to shareholders' equity, was 25.8 percent, compared with 49.7 percent at the beginning of the year. Shareholders' equity increased, as a result of both the improved net income and a capital increase of EUR 72 million arising from the stock option programs. In addition, the divestiture of Metso Drives decreased net interest-bearing liabilities. Metso's equity to assets ratio was 34.3 percent at the end of June.

Moody's Investors Service confirmed Metso's existing long-term Ba1 credit rating and changed the rating outlook from negative to stable on February 25, 2005. Standard & Poor's Ratings Services has confirmed Metso's existing long-term BB+ corporate rating, the BB rating on bonds issued and the EMTN program, as well as the B rating on short-term credits, and has kept the rating outlook as stable.

### Capital expenditure

Metso's gross capital expenditure, including acquisitions, totaled EUR 47 million (EUR 41 million in 1-6/04). Total capital expenditure was less than depreciation. Metso made investments to increase foundry capacity in Finland, Brazil, South Africa and India. Metso Minerals initiated investments in a production plant and logistic center in Columbia, South Carolina, USA, to significantly increase local manufacturing capacity and to concentrate logistical functions in one location. In May, Metso Minerals launched a project, expected to last several years, to build a comprehensive ERP (enterprise resource planning) system.

### Divestitures

In March, Metso reached an agreement on the divestiture of its mechanical power transmission equipment business (Metso Drives) to CapMan, a private equity investor. Metso Drives Oy and its foreign subsidiaries were transferred to the ownership of funds managed/advised by CapMan on April 8, 2005. The debt-free price of the transaction was EUR 97 million. The sales gain related to the divestiture and Metso Drives' net result in the first quarter, together totaling EUR 17 million, are reported in the income statement on the 'Discontinued operations' line, below the net result of 'Continuing operations.'

### Research and development

Metso's research and development expenses in January-June totaled EUR 47 million (EUR 53 million in 1-6/04), representing 2.4 percent of the Corporation's net sales.

During the review period, Metso Paper launched the SuperKit upgrade package, containing new equipment solutions, for continuous cooking digesters in pulp production. The second quarter saw the start-up, ahead of schedule, of the world's largest and technologically most advanced OptiConcept uncoated fine paper line, delivered by Metso Paper for UPM's Changshu mill in China.

Metso Minerals launched the new Lokotrack LT200HP crushing unit equipped with a cone crusher which is specifically designed for secondary and fine crushing. The unit can process 250 tph. Due to its interactive, intelligent automation system, the equipment optimizes the quantity of the end product and ensures high quality.

During the review period, Metso Automation launched a new rotary pulp consistency transmitter and online analyzer for pulp quality, which expands the range of consistency transmitters to cover all the pulp and papermaking processes.

### Personnel

At the end of June, Metso Corporation's continuing operations employed 22,380 persons, which was 475 more than at the end of 2004. Of these, approximately 600 were seasonal workers.

The Corporation employed 38 percent of its personnel in Finland, 11 percent in other Nordic countries, 13 percent in other European countries, 16

percent in North America, 7 percent in Asia-Pacific, 9 percent in South America and 6 percent in the rest of the world.

#### Changes in the top management

Metso Corporation's Board of Directors appointed Risto Hautamäki as President of Metso Paper and a member of the Metso Executive Team as of April 1, 2005. Metso Paper's Executive Vice President Bertel Karlstedt will resign from Metso on August 31, 2005.

#### Share capital and market capitalization

As a result of the registration of share subscriptions made with year 2000 and 2001 stock options, Metso's share capital increased to EUR 240,812,843.80 on May 11, 2005. A total of 4,538,869 shares were subscribed with Metso Corporation's year 2000 stock options and 865,200 shares with year 2001 stock options during a subscription period that ended on April 30, 2005. The number of shares at the end of June was 141,654,614, of which the Corporation holds 60,841 shares in treasury. The average number of shares in January-June was 137,652,684.

Metso's market capitalization on the Helsinki Stock Exchange increased by 80 percent on the comparison period a year earlier and was EUR 2,553 million on June 30, 2005.

#### Decisions of the Annual General Meeting

Metso Corporation's Annual General Meeting, held on April 4, 2005, approved the accounts for 2004 and voted to discharge the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting approved the Board's proposals concerning authorizations to repurchase and dispose of the Corporation's shares. The Annual General Meeting also authorized the Board to decide on increasing the share capital by issuing new shares, convertible bonds and/or stock options. Furthermore, the Annual General Meeting decided to cancel stock options as proposed by the Board of Directors.

The Annual General Meeting decided to establish a Nomination Committee of the Annual General Meeting to prepare proposals for the following General Meeting concerning the composition of the Board of Directors and the remuneration of the Directors. The Nomination Committee comprises the representatives appointed by Metso's four biggest registered shareholders as of December 1, 2005, along with the Chairman of the

Board as an expert member. Furthermore, the Annual General Meeting decided to amend the Articles of Association to state that a person aged 68 years or more is not eligible to be elected to the Board of Directors.

Metso Corporation's Annual General Meeting re-elected Matti Kavetvuo as the Chairman of the Board and Jaakko Rauramo, Chairman of SanomaWSOY Corporation, as the Vice Chairman of the Board. Svante Adde was elected as a new member of the Board. The Board members re-elected were Maija-Liisa Friman, President and CEO of Aspocomp Group Oyj, Satu Huber, Director of Finance and Head of the Finance Division, State Treasury, and Juhani Kuusi, D. Sc. (Tech.).

PricewaterhouseCoopers, a firm of Authorized Public Accountants, was re-elected as the Auditor of the Corporation.

Pentti Mäkinen, who was elected by Metso's personnel groups, will attend the meetings of Metso's Board of Directors as a personnel representative invited by the Board, starting from the Annual General Meeting of April 4, 2005 until the 2006 Annual General Meeting.

The Annual General Meeting decided to distribute a dividend of EUR 0.35 per share for the financial year that ended on December 31, 2004. The dividend was paid on April 14, 2005.

#### Short-term outlook

It is expected that, in Metso Paper's markets, the demand for rebuilds and aftermarket services will continue to be good. It is anticipated that the improved capacity utilization rates in customer industry mills will gradually increase the readiness to also invest in new production lines. Investments in new machinery are expected to be focused in China and South America.

The demand for Metso Minerals' equipment related to aggregates production is expected to remain good, especially due to comprehensive road network development projects. The demand in the mining industry is estimated to remain strong, though the investment activity is anticipated to somewhat level out due to the general shortage of experienced management and other resources.

Metso Automation's markets are expected to continue to be good in the energy, oil and gas industry and satisfactory in the pulp and paper industry.

Metso Minerals and Metso Automation are expected to clearly surpass the operating profit targets set for 2005. Metso Paper's operating profit target is challenging,

because profit is burdened by the weak profitability and restructuring costs in the Tissue business. It is estimated that Metso Ventures' operating profit will be slightly lower than its target due mainly to structural changes.

The financial targets set for Metso Corporation in 2005 are an operating margin that is 6 percent of net sales and a 12 percent return on capital employed. It is estimated that the Corporation's net sales for 2005 will increase to approximately EUR 4.1 billion and that the financial targets set for 2005 will be exceeded. The measures aimed at streamlining the cost structure, the strengthened order backlog and the first half-year result will support a continuation of the favorable profit trend.

During 2004 and 2005, Metso has focused on improving its profitability and strengthening its balance sheet. Efforts toward operational excellence will be continued in all business areas, in particular in Metso Paper. At the same time the management agenda is increasingly shifted toward profitable growth, starting from Metso Automation and Metso Minerals. Metso is primarily targeting organic growth, notably in the emerging markets. Steps will also be taken to investigate complement add-on acquisitions to strengthen Metso's competitiveness as well as product and service offering.

Helsinki, July 27, 2005

Metso Corporation's Board of Directors

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#### Publication dates for Metso's Interim Reviews in 2005

October 26, 2005

Interim Review for January – September 2005

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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.

(The interim review is unaudited)

### Consolidated statements of income

| (Millions)   | <b>4-6/2005</b> | 4-6/2004 | <b>1-6/2005</b> | 1-6/2004 | 1-12/2004 |
|--|-----------------|----------|-----------------|----------|-----------|
|  | <b>EUR</b>      | EUR      | <b>EUR</b>      | EUR      | EUR       |
| Net sales  | <b>1,028</b>    | 879      | <b>1,922</b>    | 1,672    | 3,602     |
| Cost of goods sold   | <b>(748)</b>    | (646)    | <b>(1,404)</b>  | (1,249)  | (2,673)   |
| Gross profit   | <b>280</b>      | 233      | <b>518</b>      | 423      | 929       |
| Selling, general and administrative expenses                               | <b>(199)</b>    | (195)    | <b>(388)</b>    | (399)    | (798)     |
| Other operating income and expenses, net                                   | <b>2</b>        | 7        | <b>8</b>        | 13       | (7)       |
| Reversal of Finnish pension liability                                      | -               | -        | -               | -        | 75        |
| Operating profit   | <b>83</b>       | 45       | <b>138</b>      | 37       | 199       |
| % of net sales   | <b>8.1%</b>     | 5.2%     | <b>7.2%</b>     | 2.2%     | 5.5%      |
| Financial income and expenses, net   | <b>(14)</b>     | (17)     | <b>(24)</b>     | (27)     | (59)      |
| Profit on continuing operations before tax                                 | <b>69</b>       | 28       | <b>114</b>      | 10       | 140       |
| Income taxes on continuing operations                                      | <b>(16)</b>     | 0        | <b>(27)</b>     | (3)      | 18        |
| Profit on continuing operations  | <b>53</b>       | 28       | <b>87</b>       | 7        | 158       |
| Profit (loss) on discontinued operations                                   | <b>16</b>       | (9)      | <b>17</b>       | (11)     | (14)      |
| Profit (loss)  | <b>69</b>       | 19       | <b>104</b>      | (4)      | 144       |
| Profit (loss) attributable to minority interests                           | <b>0</b>        | 0        | <b>0</b>        | 0        | (1)       |
| <b>Profit (loss) attributable to equity shareholders</b>                   | <b>69</b>       | 19       | <b>104</b>      | (4)      | 143       |
| <b>Earnings per share from continuing operations, EUR</b>                  |                 |          |                 |          |           |
| Basic  | <b>0.37</b>     | 0.21     | <b>0.63</b>     | 0.06     | 1.16      |
| Diluted  | <b>0.37</b>     | 0.21     | <b>0.63</b>     | 0.06     | 1.16      |
| <b>Earnings per share from discontinued operations, EUR</b>                |                 |          |                 |          |           |
| Basic  | <b>0.12</b>     | (0.07)   | <b>0.12</b>     | (0.09)   | (0.11)    |
| Diluted  | <b>0.12</b>     | (0.07)   | <b>0.12</b>     | (0.09)   | (0.11)    |
| <b>Earnings per share from continuing and discontinued operations, EUR</b> |                 |          |                 |          |           |
| Basic  | <b>0.49</b>     | 0.14     | <b>0.75</b>     | (0.03)   | 1.05      |
| Diluted  | <b>0.49</b>     | 0.14     | <b>0.75</b>     | (0.03)   | 1.05      |

## Consolidated balance sheets

### ASSETS

| (Millions)   | <b>June 30, 2005</b> | June 30, 2004 | Dec 31, 2004 |
|--|----------------------|---------------|--------------|
|  | <b>EUR</b>           | EUR           | EUR          |
| <b>Non-current assets</b>  |                      |               |              |
| <b>Intangible assets</b>   |                      |               |              |
| Goodwill   | <b>495</b>           | 502           | 491          |
| Other intangible assets  | <b>91</b>            | 98            | 94           |
|  | <b>586</b>           | 600           | 585          |
| <b>Property, plant and equipment</b>   |                      |               |              |
| Land and water areas   | <b>61</b>            | 76            | 70           |
| Buildings and structures   | <b>223</b>           | 273           | 253          |
| Machinery and equipment  | <b>273</b>           | 313           | 307          |
| Assets under construction  | <b>27</b>            | 39            | 19           |
|  | <b>584</b>           | 701           | 649          |
| <b>Financial assets</b>  |                      |               |              |
| Investments in associated companies  | <b>19</b>            | 16            | 17           |
| Available for sale financial assets  | <b>13</b>            | 12            | 10           |
| Treasury stock   | <b>-</b>             | 1             | 1            |
| Loan and other interest bearing receivables                                    | <b>52</b>            | 12            | 15           |
| Deferred tax asset   | <b>165</b>           | 139           | 159          |
| Other non-current assets   | <b>13</b>            | 17            | 37           |
|  | <b>262</b>           | 197           | 239          |
| <b>Total non-current assets</b>  | <b>1,432</b>         | 1,498         | 1,473        |
| <b>Current assets</b>  |                      |               |              |
| <b>Inventories</b>   | <b>888</b>           | 692           | 692          |
| <b>Receivables</b>   |                      |               |              |
| Trade and other receivables  | <b>848</b>           | 839           | 790          |
| Cost and earnings of projects under construction in excess of advance billings | <b>151</b>           | 207           | 190          |
| Interest bearing receivables   | <b>67</b>            | 35            | 53           |
|  | <b>1,066</b>         | 1,081         | 1,033        |
| <b>Cash and cash equivalents</b>   | <b>374</b>           | 419           | 372          |
| <b>Total current assets</b>  | <b>2,328</b>         | 2,192         | 2,097        |
| <b>Assets held for sale</b>  | <b>-</b>             | 42            | -            |
| <b>TOTAL ASSETS</b>  | <b>3,760</b>         | 3,732         | 3,570        |

## SHAREHOLDERS' EQUITY AND LIABILITIES

| (Millions)   | June 30, 2005<br>EUR | June 30, 2004<br>EUR | Dec 31, 2004<br>EUR |
|--|----------------------|----------------------|---------------------|
| <b>Equity</b>  |                      |                      |                     |
| <b>Share capital</b>   | <b>241</b>           | 232                  | 232                 |
| <b>Other shareholders' equity</b>                                      |                      |                      |                     |
| Share premium reserve  | 77                   | 14                   | 14                  |
| Legal reserve  | 228                  | 228                  | 228                 |
| Cumulative translation differences                                     | (39)                 | (43)                 | (48)                |
| Treasury stock   | -                    | 1                    | 1                   |
| Fair value and hedge reserves  | (11)                 | -                    | -                   |
| Other reserves   | 202                  | 202                  | 202                 |
| Retained earnings  | 328                  | 211                  | 218                 |
| Net profit (loss) for the period                                       | 104                  | (4)                  | 143                 |
| <b>Equity attributable to shareholders</b>                             | <b>1,130</b>         | 841                  | 990                 |
| <b>Minority interests</b>  | <b>6</b>             | 7                    | 5                   |
| <b>Total equity</b>  | <b>1,136</b>         | 848                  | 995                 |
| <b>Liabilities</b>   |                      |                      |                     |
| <b>Non-current liabilities</b>   |                      |                      |                     |
| Long-term debt   | 747                  | 914                  | 885                 |
| Post employment benefit obligations                                    | 158                  | 230                  | 171                 |
| Deferred tax liability   | 14                   | 32                   | 16                  |
| Provisions   | 47                   | 50                   | 31                  |
| Other long-term liabilities  | 2                    | 9                    | 6                   |
| <b>Total non-current liabilities</b>                                   | <b>968</b>           | 1,235                | 1,109               |
| <b>Current liabilities</b>   |                      |                      |                     |
| Current portion of long-term debt                                      | 8                    | 20                   | 19                  |
| Short-term debt  | 31                   | 194                  | 31                  |
| Trade and other payables   | 1,165                | 1,112                | 1,065               |
| Advances received  | 327                  | 222                  | 227                 |
| Billings in excess of cost and earnings of projects under construction | 125                  | 88                   | 124                 |
| <b>Total current liabilities</b>                                       | <b>1,656</b>         | 1,636                | 1,466               |
| <b>Liabilities held for sale</b>                                       | -                    | 13                   | -                   |
| <b>Total liabilities</b>   | <b>2,624</b>         | 2,884                | 2,575               |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>                      | <b>3,760</b>         | 3,732                | 3,570               |

## NET INTEREST BEARING LIABILITIES

|                                  |            |       |       |
|----------------------------------|------------|-------|-------|
| Long-term interest bearing debt  | 747        | 914   | 885   |
| Short-term interest bearing debt | 39         | 214   | 50    |
| Cash and cash equivalents        | (374)      | (419) | (372) |
| Other interest bearing assets    | (119)      | (47)  | (68)  |
| <b>Total</b>                     | <b>293</b> | 662   | 495   |

### Condensed consolidated cash flow statement

| (Millions)  | <b>4-6/2005</b> | 4-6/2004 | <b>1-6/2005</b> | 1-6/2004 | 1-12/2004 |
|---|-----------------|----------|-----------------|----------|-----------|
|   | <b>EUR</b>      | EUR      | <b>EUR</b>      | EUR      | EUR       |
| <b>Cash flows from operating activities:</b>  |                 |          |                 |          |           |
| Net profit (loss) for the period  | <b>69</b>       | 19       | <b>104</b>      | (4)      | 143       |
| Adjustments to reconcile net profit (loss) to net cash provided by operating activities |                 |          |                 |          |           |
| Depreciation  | <b>23</b>       | 29       | <b>49</b>       | 58       | 115       |
| Provisions / Efficiency improvement programs  | <b>(2)</b>      | (11)     | <b>(7)</b>      | (17)     | (11)      |
| Asset write-downs related to the efficiency improvement programs                        | -               | -        | -               | -        | 10        |
| Other   | <b>9</b>        | 30       | <b>31</b>       | 55       | 23        |
| Change in net working capital   | <b>(74)</b>     | 24       | <b>(12)</b>     | 22       | 63        |
| <b>Cash flows from operations</b>   | <b>25</b>       | 91       | <b>165</b>      | 114      | 343       |
| Financing expenses, net   | <b>(13)</b>     | (12)     | <b>(15)</b>     | (14)     | (51)      |
| Taxes paid  | <b>(17)</b>     | (8)      | <b>(26)</b>     | (15)     | (31)      |
| <b>Net cash provided by (used in) operating activities</b>                              | <b>(5)</b>      | 71       | <b>124</b>      | 85       | 261       |
| <b>Cash flows from investing activities:</b>  |                 |          |                 |          |           |
| Capital expenditures on fixed assets  | <b>(25)</b>     | (21)     | <b>(45)</b>     | (39)     | (89)      |
| Proceeds from sale of fixed assets  | <b>19</b>       | 4        | <b>28</b>       | 9        | 39        |
| Business acquisitions, net of cash acquired   | -               | (1)      | <b>(1)</b>      | (2)      | (2)       |
| Proceeds from sale of businesses  | <b>95</b>       | 294      | <b>95</b>       | 367      | 390       |
| (Investments in) proceeds from sale of financial assets                                 | <b>(84)</b>     | 13       | <b>(49)</b>     | 25       | (21)      |
| Other   | <b>0</b>        | (19)     | <b>(1)</b>      | (19)     | (5)       |
| <b>Net cash provided by (used in) investing activities</b>                              | <b>5</b>        | 270      | <b>27</b>       | 341      | 312       |
| <b>Cash flows from financing activities:</b>  |                 |          |                 |          |           |
| Share options exercised   | <b>72</b>       | -        | <b>72</b>       | -        | -         |
| Dividends paid  | <b>(48)</b>     | (27)     | <b>(48)</b>     | (27)     | (27)      |
| Net funding   | <b>(113)</b>    | (57)     | <b>(162)</b>    | (106)    | (293)     |
| Other   | <b>1</b>        | (1)      | <b>(2)</b>      | (6)      | (12)      |
| <b>Net cash provided by (used in) financing activities</b>                              | <b>(88)</b>     | (85)     | <b>(140)</b>    | (139)    | (332)     |
| Net increase (decrease) in cash and cash equivalents                                    | <b>(88)</b>     | 256      | <b>11</b>       | 287      | 241       |
| Effect from changes in exchange rates   | <b>(6)</b>      | (1)      | <b>(9)</b>      | 2        | 1         |
| Cash and cash equivalents at beginning of period  | <b>468</b>      | 164      | <b>372</b>      | 130      | 130       |
| <b>Cash and cash equivalents at end of period</b>                                       | <b>374</b>      | 419      | <b>374</b>      | 419      | 372       |

### Free cash flow:

| (Millions)                                | <b>4-6/2005</b> | 4-6/2004 | <b>1-6/2005</b> | 1-6/2004 | 1-12/2004 |
|---|-----------------|----------|-----------------|----------|-----------|
|   | <b>EUR</b>      | EUR      | <b>EUR</b>      | EUR      | EUR       |
| Net cash provided by operating activities | <b>(5)</b>      | 71       | <b>124</b>      | 85       | 261       |
| Capital expenditures on fixed assets      | <b>(25)</b>     | (21)     | <b>(45)</b>     | (39)     | (89)      |
| Proceeds from sale of fixed assets        | <b>19</b>       | 4        | <b>28</b>       | 9        | 39        |
| <b>Free cash flow</b>                     | <b>(11)</b>     | 54       | <b>107</b>      | 55       | 211       |

## Consolidated statements of changes in shareholders' equity

| (Millions)                                      | Share capital<br>EUR | Share premium reserve<br>EUR | Cumulative translation adjustments<br>EUR | Fair value and other reserves<br>EUR | Retained earnings<br>EUR | Equity attributable to shareholders<br>EUR | Minority interest<br>EUR | Total equity<br>EUR |
|---|----------------------|------------------------------|---|--------------------------------------|--------------------------|--|--------------------------|---------------------|
| <b>Balance at Dec 31, 2004</b>                  | <b>232</b>           | <b>14</b>                    | <b>(48)</b>                               | <b>431</b>                           | <b>361</b>               | <b>990</b>                                 | <b>5</b>                 | <b>995</b>          |
| Effects of adopting IAS 39                      |                      |                              |   |                                      |                          |  |                          |                     |
| Treasury stock                                  | -                    | -                            | -   | (1)                                  | -                        | (1)  | -                        | (1)                 |
| Cash flow hedges, net of tax                    | -                    | -                            | -   | 4                                    | -                        | 4  | -                        | 4                   |
| Available-for-sale financial assets, net of tax | -                    | -                            | -   | 2                                    | -                        | 2  | -                        | 2                   |
| Other   | -                    | -                            | -   | -                                    | 2                        | 2  | -                        | 2                   |
| <b>Balance at Jan 1, 2005</b>                   | <b>232</b>           | <b>14</b>                    | <b>(48)</b>                               | <b>436</b>                           | <b>363</b>               | <b>997</b>                                 | <b>5</b>                 | <b>1,002</b>        |
| Dividends                                       | -                    | -                            | -   | -                                    | (48)                     | (48)                                       | -                        | (48)                |
| Share options exercised                         | 9                    | 63                           | -   | -                                    | -                        | 72   | -                        | 72                  |
| Translation differences                         | -                    | -                            | 23  | -                                    | -                        | 23   | -                        | 23                  |
| Net investment hedge gains (losses)             | -                    | -                            | (14)                                      | -                                    | -                        | (14)                                       | -                        | (14)                |
| Cash flow hedges, net of tax                    | -                    | -                            | -   | (17)                                 | -                        | (17)                                       | -                        | (17)                |
| Available-for-sale financial assets, net of tax | -                    | -                            | -   | -                                    | -                        | -  | -                        | -                   |
| Other   | -                    | -                            | -   | -                                    | 13                       | 13   | 1                        | 14                  |
| Net profit (loss) for the period                | -                    | -                            | -   | -                                    | 104                      | 104  | -                        | 104                 |
| <b>Balance at June 30, 2005</b>                 | <b>241</b>           | <b>77</b>                    | <b>(39)</b>                               | <b>419</b>                           | <b>432</b>               | <b>1,130</b>                               | <b>6</b>                 | <b>1,136</b>        |

The distributable funds of Metso Corporation at June 30, 2005 consist of retained earnings (EUR 432 million) excluding accelerated depreciation and untaxed reserves (EUR 4 million) and negative translation differences (EUR 39 million), and other reserves (EUR 202 million), totaling EUR 591 million. At the end of the period Metso Corporation possessed 60,841 of its own shares.

## Assets pledged and contingent liabilities

| (Millions)   | June 30, 2005<br>EUR | Dec 31, 2004<br>EUR |
|--|----------------------|---------------------|
| Mortgages on corporate debt                            | <b>3</b>             | 2                   |
| Other pledges and contingencies                        |                      |                     |
| Mortgages  | <b>2</b>             | 2                   |
| Pledged assets   | -                    | 4                   |
| Guarantees on behalf of associated company obligations | -                    | -                   |
| Other guarantees                                       | <b>8</b>             | 9                   |
| Repurchase and other commitments                       | <b>12</b>            | 15                  |
| Lease commitments                                      | <b>124</b>           | 142                 |

Other guarantees include EUR 5 million guarantees given on behalf of sold businesses. The respective buyers have indemnified Metso and have committed themselves to release Metso from its guarantee obligations within agreed time periods.

## Notional amounts of derivative financial instruments

| (Millions)                       | June 30, 2005<br>EUR | Dec 31, 2004<br>EUR |
|----------------------------------|----------------------|---------------------|
| Forward exchange rate contracts  | <b>1,624</b>         | 1,770               |
| Interest rate and currency swaps | <b>2</b>             | 2                   |
| Currency swaps                   | <b>5</b>             | 73                  |
| Interest rate swaps              | <b>183</b>           | 188                 |
| Interest rate futures contracts  | <b>0</b>             | 10                  |
| Option agreements                |                      |                     |
| Bought                           | <b>20</b>            | 10                  |
| Sold                             | <b>43</b>            | 16                  |
| Electricity forward contracts 1) | <b>322</b>           | 329                 |

1) Notional amount GWh

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

## Key ratios

|  | 1-6/2005       | 1-6/2004 | 1-12/2004 *) |
|--|----------------|----------|--------------|
| Earnings per share from continuing operations, EUR                               | <b>0.63</b>    | 0.06     | 1.16         |
| Earnings per share from discontinued operations, EUR                             | <b>0.12</b>    | (0.09)   | (0.11)       |
| Earnings per share from continuing and discontinued operations, EUR              | <b>0.75</b>    | (0.03)   | 1.05         |
| Equity/share at end of period, EUR   | <b>7.98</b>    | 6.17     | 7.27         |
| Return on equity (ROE), % (annualized)   | <b>21.0</b>    | (0.9)    | 15.9         |
| Return on capital employed (ROCE), % (annualized)                                | <b>17.3</b>    | 4.6      | 10.7         |
| Equity to assets ratio at end of period, %                                       | <b>34.3</b>    | 24.8     | 30.9         |
| Gearing at end of period, %  | <b>25.8</b>    | 78.2     | 49.7         |
| Free cash flow   | <b>107</b>     | 55       | 211          |
| Free cash flow/share   | <b>0.78</b>    | 0.40     | 1.55         |
| Gross capital expenditure of continuing operations (excl. business acquisitions) | <b>46</b>      | 35       | 89           |
| Business acquisitions, net of cash acquired                                      | <b>1</b>       | 2        | 2            |
| Depreciation and amortization of continuing operations                           | <b>49</b>      | 52       | 105          |
| Average number of shares (thousands)   | <b>137,653</b> | 136,190  | 136,190      |
| Average number of diluted shares (thousands)                                     | <b>137,667</b> | 136,190  | 136,192      |

\*) 1-12/2004 key figures excluding reversal of Finnish pension liability are as follows: Earnings per share from continuing operations 0.75 eur, earnings per share from discontinued and continuing operations 0.62 eur, return on equity (ROE) 9.5% and return on capital employed (ROCE) 6.5%.

## Exchange rates used

|                       | 1-6/2005      | 1-6/2004 | 1-12/2004 | June 30, 2005 | June 30, 2004 | Dec 31, 2004 |
|-----------------------|---------------|----------|-----------|---------------|---------------|--------------|
| USD (US dollar)       | <b>1.2855</b> | 1.2275   | 1.2433    | <b>1.2092</b> | 1.2155        | 1.3621       |
| SEK (Swedish krona)   | <b>9.1407</b> | 9.1640   | 9.1250    | <b>9.4259</b> | 9.1451        | 9.0206       |
| GBP (Pound sterling)  | <b>0.6861</b> | 0.6736   | 0.6786    | <b>0.6742</b> | 0.6708        | 0.7051       |
| CAD (Canadian dollar) | <b>1.5883</b> | 1.6430   | 1.6170    | <b>1.4900</b> | 1.6343        | 1.6416       |
| BRL (Brazilian real)  | <b>3.2912</b> | 3.6582   | 3.6350    | <b>2.8385</b> | 3.7905        | 3.6177       |

## Formulas for calculation of key ratios

Earnings/share:

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

Equity/share:

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

Return on equity (ROE), %:

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

Return on capital employed (ROCE), %:

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

Gearing, %:

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

Equity to assets ratio, %:

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

Free cash flow:

$$\begin{aligned} &\text{Net cash provided by (used in) operating activities} \\ &- \text{capital expenditures on fixed assets} \\ &+ \text{proceeds from sale of fixed assets} \\ &= \text{Free cash flow} \end{aligned}$$

## By business area information

### Net sales by business area

|                       | <b>4-6/2005</b> | 4-6/2004 | <b>1-6/2005</b> | 1-6/2004 | 7/2004-6/2005 | 1-12/2004 |
|-----------------------|-----------------|----------|-----------------|----------|---------------|-----------|
| <b>(Millions)</b>     | <b>EUR</b>      | EUR      | <b>EUR</b>      | EUR      | EUR           | EUR       |
| Metso Paper           | <b>410</b>      | 351      | <b>796</b>      | 711      | 1,644         | 1,559     |
| Metso Minerals        | <b>426</b>      | 344      | <b>764</b>      | 628      | 1,502         | 1,366     |
| Metso Automation      | <b>144</b>      | 135      | <b>273</b>      | 248      | 560           | 535       |
| Metso Ventures        | <b>71</b>       | 66       | <b>133</b>      | 120      | 243           | 230       |
| Intra Metso net sales | <b>(23)</b>     | (17)     | <b>(44)</b>     | (35)     | (97)          | (88)      |
| <b>Metso total</b>    | <b>1,028</b>    | 879      | <b>1,922</b>    | 1,672    | 3,852         | 3,602     |

### Other operating income (+) and expenses (-) net, by business area

|                            | <b>4-6/2005</b> | 4-6/2004 | <b>1-6/2005</b> | 1-6/2004 | 7/2004-6/2005 | 1-12/2004 |
|----------------------------|-----------------|----------|-----------------|----------|---------------|-----------|
| <b>(Millions)</b>          | <b>EUR</b>      | EUR      | <b>EUR</b>      | EUR      | EUR           | EUR       |
| Metso Paper                | <b>(2.0)</b>    | 1.6      | <b>(1.4)</b>    | 3.4      | (21.5)        | (16.7)    |
| Metso Minerals             | <b>(2.4)</b>    | 1.0      | <b>1.9</b>      | 1.3      | 1.3           | 0.7       |
| Metso Automation           | <b>(0.5)</b>    | 0.1      | <b>(0.5)</b>    | 0.1      | (3.9)         | (3.3)     |
| Metso Ventures             | <b>2.9</b>      | 0.0      | <b>2.6</b>      | (1.4)    | 1.9           | (2.1)     |
| Corporate office and other | <b>4.0</b>      | 4.4      | <b>5.1</b>      | 9.3      | 10.4          | 14.6      |
| <b>Metso total</b>         | <b>2.0</b>      | 7.1      | <b>7.7</b>      | 12.7     | (11.8)        | (6.8)     |

### Reversal of Finnish pension liability by business area

|                            | <b>4-6/2005</b> | 4-6/2004 | <b>1-6/2005</b> | 1-6/2004 | 7/2004-6/2005 | 1-12/2004 |
|----------------------------|-----------------|----------|-----------------|----------|---------------|-----------|
| <b>(Millions)</b>          | <b>EUR</b>      | EUR      | <b>EUR</b>      | EUR      | EUR           | EUR       |
| Metso Paper                | -               | -        | -               | -        | 39.8          | 39.8      |
| Metso Minerals             | -               | -        | -               | -        | 4.9           | 4.9       |
| Metso Automation           | -               | -        | -               | -        | 13.7          | 13.7      |
| Metso Ventures             | -               | -        | -               | -        | 14.6          | 14.6      |
| Corporate office and other | -               | -        | -               | -        | 2.3           | 2.3       |
| <b>Metso total</b>         | -               | -        | -               | -        | 75.3          | 75.3      |

### Operating profit (loss) by business area

|                            | <b>4-6/2005</b> | 4-6/2004 | <b>1-6/2005</b> | 1-6/2004 | 7/2004-6/2005 | 1-12/2004 |
|----------------------------|-----------------|----------|-----------------|----------|---------------|-----------|
| <b>(Millions)</b>          | <b>EUR</b>      | EUR      | <b>EUR</b>      | EUR      | EUR           | EUR       |
| Metso Paper                | <b>19.8</b>     | 10.8     | <b>37.5</b>     | (5.4)    | 90.9          | 48.0      |
| Metso Minerals             | <b>40.2</b>     | 27.0     | <b>71.4</b>     | 39.1     | 137.5         | 105.2     |
| Metso Automation           | <b>17.9</b>     | 12.9     | <b>31.5</b>     | 18.8     | 82.3          | 69.6      |
| Metso Ventures             | <b>7.8</b>      | (2.0)    | <b>6.6</b>      | (7.8)    | 8.2           | (6.2)     |
| Corporate office and other | <b>(2.4)</b>    | (3.4)    | <b>(9.0)</b>    | (7.3)    | (18.8)        | (17.1)    |
| <b>Metso total</b>         | <b>83.3</b>     | 45.3     | <b>138.0</b>    | 37.4     | 300.1         | 199.5     |

### Orders received by business area

|                             | <b>4-6/2005</b> | 4-6/2004 | <b>1-6/2005</b> | 1-6/2004 | 7/2004-6/2005 | 1-12/2004 |
|-----------------------------|-----------------|----------|-----------------|----------|---------------|-----------|
| <b>(Millions)</b>           | <b>EUR</b>      | EUR      | <b>EUR</b>      | EUR      | EUR           | EUR       |
| Metso Paper                 | <b>564</b>      | 699      | <b>918</b>      | 1,135    | 1,509         | 1,726     |
| Metso Minerals              | <b>458</b>      | 374      | <b>963</b>      | 742      | 1,787         | 1,566     |
| Metso Automation            | <b>145</b>      | 154      | <b>290</b>      | 294      | 566           | 570       |
| Metso Ventures              | <b>57</b>       | 65       | <b>158</b>      | 111      | 260           | 213       |
| Intra Metso orders received | <b>(21)</b>     | (24)     | <b>(37)</b>     | (43)     | (80)          | (86)      |
| <b>Metso total</b>          | <b>1,203</b>    | 1,268    | <b>2,292</b>    | 2,239    | 4,042         | 3,989     |

## Personnel by business area

|                                    | <b>June 30, 2005</b> | June 30, 2004 | Dec 31, 2004 |
|------------------------------------|----------------------|---------------|--------------|
| Metso Paper                        | <b>8,637</b>         | 9,340         | 8,660        |
| Metso Minerals                     | <b>8,331</b>         | 8,267         | 8,048        |
| Metso Automation                   | <b>3,338</b>         | 3,365         | 3,267        |
| Metso Ventures                     | <b>1,774</b>         | 1,587         | 1,637        |
| Corporate office & Shared services | <b>300</b>           | 276           | 293          |
| <b>Continuing operations</b>       | <b>22,380</b>        | 22,835        | 21,905       |
| Discontinued operations            | -                    | 1,236         | 897          |
| <b>Metso total</b>                 | <b>22,380</b>        | 24,071        | 22,802       |

## Quarterly information

### Net sales by business area

| (Millions)            | 4-6/2004<br>EUR | 7-9/2004<br>EUR | 10-12/2004<br>EUR | 1-3/2005<br>EUR | <b>4-6/2005<br/>EUR</b> |
|-----------------------|-----------------|-----------------|-------------------|-----------------|-------------------------|
| Metso Paper           | 351             | 378             | 470               | 386             | <b>410</b>              |
| Metso Minerals        | 344             | 340             | 398               | 338             | <b>426</b>              |
| Metso Automation      | 135             | 140             | 147               | 129             | <b>144</b>              |
| Metso Ventures        | 66              | 52              | 58                | 62              | <b>71</b>               |
| Intra Metso net sales | (17)            | (23)            | (30)              | (21)            | <b>(23)</b>             |
| <b>Metso total</b>    | <b>879</b>      | <b>887</b>      | <b>1,043</b>      | <b>894</b>      | <b>1,028</b>            |

### Other operating income (+) and expenses (-) net, by business area

| (Millions)                 | 4-6/2004<br>EUR | 7-9/2004<br>EUR | 10-12/2004<br>EUR | 1-3/2005<br>EUR | <b>4-6/2005<br/>EUR</b> |
|----------------------------|-----------------|-----------------|-------------------|-----------------|-------------------------|
| Metso Paper                | 1.6             | (1.2)           | (18.9)            | 0.6             | <b>(2.0)</b>            |
| Metso Minerals             | 1.0             | 1.3             | (1.9)             | 4.3             | <b>(2.4)</b>            |
| Metso Automation           | 0.1             | 0.2             | (3.6)             | 0.0             | <b>(0.5)</b>            |
| Metso Ventures             | 0.0             | (0.4)           | (0.3)             | (0.3)           | <b>2.9</b>              |
| Corporate office and other | 4.4             | 2.7             | 2.6               | 1.1             | <b>4.0</b>              |
| <b>Metso total</b>         | <b>7.1</b>      | <b>2.6</b>      | <b>(22.1)</b>     | <b>5.7</b>      | <b>2.0</b>              |

### Reversal of Finnish pension liability by business area

| (Millions)                 | 4-6/2004<br>EUR | 7-9/2004<br>EUR | 10-12/2004<br>EUR | 1-3/2005<br>EUR | <b>4-6/2005<br/>EUR</b> |
|----------------------------|-----------------|-----------------|-------------------|-----------------|-------------------------|
| Metso Paper                | -               | -               | 39.8              | -               | -                       |
| Metso Minerals             | -               | -               | 4.9               | -               | -                       |
| Metso Automation           | -               | -               | 13.7              | -               | -                       |
| Metso Ventures             | -               | -               | 14.6              | -               | -                       |
| Corporate office and other | -               | -               | 2.3               | -               | -                       |
| <b>Metso total</b>         | <b>-</b>        | <b>-</b>        | <b>75.3</b>       | <b>-</b>        | <b>-</b>                |

### Operating profit (loss) by business area

| (Millions)                 | 4-6/2004<br>EUR | 7-9/2004<br>EUR | 10-12/2004<br>EUR | 1-3/2005<br>EUR | <b>4-6/2005<br/>EUR</b> |
|----------------------------|-----------------|-----------------|-------------------|-----------------|-------------------------|
| Metso Paper                | 10.8            | 20.1            | 33.3              | 17.7            | <b>19.8</b>             |
| Metso Minerals             | 27.0            | 27.4            | 38.7              | 31.2            | <b>40.2</b>             |
| Metso Automation           | 12.9            | 19.6            | 31.2              | 13.6            | <b>17.9</b>             |
| Metso Ventures             | (2.0)           | (8.8)           | 10.4              | (1.2)           | <b>7.8</b>              |
| Corporate office and other | (3.4)           | (3.9)           | (5.9)             | (6.6)           | <b>(2.4)</b>            |
| <b>Metso total</b>         | <b>45.3</b>     | <b>54.4</b>     | <b>107.7</b>      | <b>54.7</b>     | <b>83.3</b>             |

### Capital employed by business area

|                              | June 30, 2004 | Sep 30, 2004 | Dec 31, 2004 | Mar 31, 2005 | June 30, 2005 |
|------------------------------|---------------|--------------|--------------|--------------|---------------|
| <b>(Millions)</b>            | EUR           | EUR          | EUR          | EUR          | EUR           |
| Metso Paper                  | 389           | 397          | 323          | 275          | <b>293</b>    |
| Metso Minerals               | 675           | 698          | 712          | 731          | <b>780</b>    |
| Metso Automation             | 130           | 131          | 135          | 126          | <b>146</b>    |
| Metso Ventures               | 50            | 25           | 39           | 39           | <b>51</b>     |
| Corporate office and other   | 619           | 507          | 642          | 658          | <b>652</b>    |
| <b>Continuing operations</b> | <b>1,863</b>  | <b>1,758</b> | <b>1,851</b> | <b>1,829</b> | <b>1,922</b>  |
| Discontinued operations      | 113           | 114          | 80           | 79           | -             |
| <b>Metso total</b>           | <b>1,976</b>  | <b>1,872</b> | <b>1,931</b> | <b>1,908</b> | <b>1,922</b>  |

### Orders received by business area

|                             | 4-6/2004     | 7-9/2004   | 10-12/2004 | 1-3/2005     | 4-6/2005     |
|-----------------------------|--------------|------------|------------|--------------|--------------|
| <b>(Millions)</b>           | EUR          | EUR        | EUR        | EUR          | EUR          |
| Metso Paper                 | 699          | 291        | 300        | 354          | <b>564</b>   |
| Metso Minerals              | 374          | 373        | 451        | 505          | <b>458</b>   |
| Metso Automation            | 154          | 146        | 130        | 145          | <b>145</b>   |
| Metso Ventures              | 65           | 33         | 69         | 101          | <b>57</b>    |
| Intra Metso orders received | (24)         | (20)       | (23)       | (16)         | <b>(21)</b>  |
| <b>Metso total</b>          | <b>1,268</b> | <b>823</b> | <b>927</b> | <b>1,089</b> | <b>1,203</b> |

### Order backlog by business area

|                              | June 30, 2004 | Sep 30, 2004 | Dec 31, 2004 | Mar 31, 2005 | June 30, 2005 |
|------------------------------|---------------|--------------|--------------|--------------|---------------|
| <b>(Millions)</b>            | EUR           | EUR          | EUR          | EUR          | EUR           |
| Metso Paper                  | 1,211         | 1,124        | 946          | 918          | <b>1,082</b>  |
| Metso Minerals               | 476           | 525          | 560          | 742          | <b>826</b>    |
| Metso Automation             | 193           | 198          | 176          | 194          | <b>199</b>    |
| Metso Ventures               | 73            | 55           | 66           | 105          | <b>88</b>     |
| Intra Metso order backlog    | (53)          | (50)         | (43)         | (40)         | <b>(38)</b>   |
| <b>Continuing operations</b> | <b>1,900</b>  | <b>1,852</b> | <b>1,705</b> | <b>1,919</b> | <b>2,157</b>  |
| Discontinued operations      | 85            | 78           | 53           | 70           | -             |
| <b>Metso total</b>           | <b>1,985</b>  | <b>1,930</b> | <b>1,758</b> | <b>1,989</b> | <b>2,157</b>  |

# Notes to the Interim Review

## Adoption of IAS 32 and IAS 39

### Consolidated balance sheets

| (Millions)                      | Dec 31, 2004<br>EUR | Effect of<br>adoption of<br>IAS 32 and<br>IAS 39<br>EUR | Jan 1, 2005<br>EUR |
|---------------------------------|---------------------|---|--------------------|
| <b>ASSETS</b>                   |                     |   |                    |
| <b>Non-current assets</b>       |                     |   |                    |
| Intangible assets               | 585                 | -   | 585                |
| Property, plant and equipment   | 649                 | -   | 649                |
| Financial assets                | 239                 | (19)  | 220                |
| <b>Total non-current assets</b> | 1,473               | (19)  | 1,454              |
| <b>Current assets</b>           |                     |   |                    |
| Inventories                     | 692                 | -   | 692                |
| Receivables                     | 1,033               | 13  | 1,046              |
| Cash and cash equivalents       | 372                 | -   | 372                |
| <b>Total current assets</b>     | 2,097               | 13  | 2,110              |
| Assets held for sale            | -                   | -   | -                  |
| <b>Total assets</b>             | 3,570               | (6)   | 3,564              |

### SHAREHOLDERS' EQUITY AND LIABILITIES

| (Millions)  | Dec 31, 2004<br>EUR | Effect of<br>adoption of<br>IAS 32 and<br>IAS 39<br>EUR | Jan 1, 2005<br>EUR |
|---|---------------------|---|--------------------|
| <b>Equity</b>                                     |                     |   |                    |
| Share capital                                     | 232                 | -   | 232                |
| Other shareholders' equity                        | 758                 | 7   | 765                |
| Minority interests                                | 5                   | -   | 5                  |
| <b>Total equity</b>                               | 995                 | 7   | 1,002              |
| <b>Liabilities</b>                                |                     |   |                    |
| Non-current liabilities                           | 1,109               | (22)  | 1,087              |
| Current liabilities                               | 1,466               | 9   | 1,475              |
| Liabilities held for sale                         | -                   | -   | -                  |
| <b>Total liabilities</b>                          | 2,575               | (13)  | 2,562              |
| <b>Total shareholders' equity and liabilities</b> | 3,570               | (6)   | 3,564              |

### Tax losses carried forward as of December 31, 2004 (under IFRS)

| Country<br>(Millions) | Amount<br>EUR | Deferred<br>tax asset<br>EUR | Valuation<br>allowance<br>EUR | Deferred tax<br>asset in<br>balance sheet<br>EUR |
|-----------------------|---------------|------------------------------|-------------------------------|--|
| Finland               | 269           | 70                           | 9                             | 61   |
| USA                   | 189           | 71                           | 70                            | 1  |
| Germany               | 103           | 36                           | 9                             | 27   |
| Other                 | 111           | 33                           | 18                            | 15   |
| <b>Total</b>          | <b>672</b>    | <b>210</b>                   | <b>106</b>                    | <b>104</b>                                       |

### Adoption of International Financial Reporting Standards (IFRS)

Metso adopted the International Financial Reporting Standards (IFRS) at the beginning of 2005. The principal changes and impact of IFRS on the 2004 income statement and balance sheet were described in the releases published on March 31, 2005 and April 19, 2005 (quarterly information). The classification of financial assets and liabilities and the recognition of derivative financial instruments used for hedging has been done in accordance with IAS 32 and IAS 39 in the opening balance sheet of January 1, 2005, which is presented in the tables of the Interim Review.

Since Metso published the press releases on its transition to IFRS, the comparative information for 2004 has been changed by separating the power transmission business (Drives), which was divested in April 2005, from Metso's continuing operations. The net result of the Drives business is also reported for the comparison year in the line 'Discontinued businesses,' after 'Continuing operations.'

The operating profit of the IFRS income statement for the comparison year is improved by a nonrecurring annulment of a disability pension liability of EUR 75 million (excluding the divested Drives business) due to amendments of the Finnish employee pension system (TEL) in December 2004. The reversal of the pension liability is presented by business area in the tables of the Interim Review.

The Interim Review has been prepared in accordance with the recognition and measurement principles of the IFRS and by applying the same policies as in the above-mentioned releases.

In accordance with IFRS 5, profit or loss on discontinued operations net of taxes and the gain or loss on their disposal are presented in the income statement separate from continuing operations, while assets and liabilities classified as held for sale are presented separately in the balance sheet. The discontinued operations reported by Metso were Converting Equipment, the Compaction and Paving business line (Dynapac) and the Drilling business line (Reedrill) divested in 2004 which were part of Metso Minerals, and the power transmission business (Drives), which was part of Metso Ventures, divested in 2005.

### Shares traded on the Helsinki and New York Stock Exchanges

The Helsinki Stock Exchange traded 150.8 million Metso Corporation shares in January-June, equivalent to

a turnover of EUR 2,201 million. The share price on June 30, 2005 was EUR 18.02. The highest quotation was EUR 18.12 and the lowest EUR 11.31.

The New York Stock Exchange traded 4.2 million Metso ADRs (American Depositary Receipts), equivalent to a turnover of USD 76 million. The price of an ADR on June 30, 2005 was USD 21.70. The highest quotation was USD 22.11 and the lowest USD 14.70.

### Disclosures

On February 21, 2005, Capital Research and Management Company announced a decrease in the holding of Metso Corporation under its management. The holding managed by Capital Research and Management Company on December 31, 2004 was 6,400,000 Metso shares. This holding amounts to 4.7 percent of Metso's paid up share capital and total votes. Previously, as disclosed on April 17, 2002, the holding had amounted to 6.29 percent of Metso's paid up share capital and 4.97 percent of the total votes.

On March 8, 2005, UPM-Kymmene announced that they had sold their entire holding of Metso Corporation shares. Previously, they had owned 14.6 percent of Metso's paid up share capital and votes.

On March 11, 2005, Deutsche Bank AG announced an increase in the Metso Corporation shares held by Deutsche Bank AG and its subsidiary companies. According to the disclosure, on March 9, 2005 Deutsche Bank AG and its subsidiary companies were in possession of 9,801,820 Metso shares to which they had the dispositive rights. This holding amounts to 7.19 percent of the paid up share capital of Metso Corporation. As part of this holding Deutsche Bank AG and its subsidiary companies were in possession of 9,189,802 Metso shares to which they had voting rights on March 9, 2005. This voting authority represents 6.74 percent of the total votes of Metso Corporation.

On April 15, 2005, Deutsche Bank AG announced an increase in the holding by Deutsche Bank AG and its subsidiary companies of the paid up share capital of Metso Corporation. According to the disclosure, on April 8, 2005, Deutsche Bank AG and its subsidiary companies were in possession of 15,915,808 Metso shares to which they had the dispositive rights. This holding amounts to 11.68 percent of the paid up share capital of Metso Corporation. As part of this holding Deutsche Bank AG and its subsidiary companies were in possession of 15,569,254 Metso shares to which they had voting rights on April 8, 2005. This voting authority represents 11.43 percent of the total votes of Metso Corporation.

On April 20, 2005, Deutsche Bank AG announced a decrease in the holding by Deutsche Bank AG and its subsidiary companies of the paid up share capital of Metso Corporation. According to the disclosure, on April 14, 2005, Deutsche Bank AG and its subsidiary companies were in possession of 10,653,332 Metso shares to which they had the dispositive rights. This holding amounts to 7.82 percent of the paid up share capital of Metso Corporation. As part of this holding Deutsche Bank AG and its subsidiary companies were in possession of 9,898,778 Metso shares to which they had voting rights on April 14, 2005. This voting authority represents 7.27 percent of the total votes of Metso Corporation.

On May 25, 2005, Harris Associates L.P. disclosed a decrease in the holding of the accounts managed by Harris Associates L.P. of the paid up share capital of Metso Corporation. On May 19, 2005, the accounts managed by Harris Associates L.P. became the beneficial owners of 6,828,800 Metso shares. This holding amounts to 4.82 percent of the paid up share capital and the voting rights of Metso Corporation after being, on the basis of the previous announcement, 5.07 percent on March 24, 2003.

Franklin Resources, Inc. announced, on June 17, 2005, an increase in the holding of the mutual funds and separate accounts managed by Franklin Resources, Inc. of the paid up share capital of Metso Corporation. On June 14, 2005, Franklin Resources, Inc.'s holdings amounted to 3.51 percent of the paid up share capital and 5.36 percent of the voting rights of Metso Corporation after being, on the basis of their previous disclosure, 2.82 percent of the paid up share capital and 4.95 percent of the voting rights on January 26, 2005.

The holdings by mutual funds managed by Franklin Resources, Inc. were as follows on June 14, 2005:

|  |                  |
|--|------------------|
| Franklin Mutual Advisers, LLC              | 1,845,600 shares |
| Franklin Templeton Investments (Asia) Ltd. | 576,670 shares   |
| Franklin Templeton Investment Mgmt. Ltd.   | 2,116,825 shares |
| Templeton Investment Counsel, LLC          | 432,426 shares   |
| Total                                      | 4,971,521 shares |

This holding amounts to 3.51 percent of the paid up share capital and the total voting rights of Metso Corporation.

In addition, Franklin Resources, Inc. has voting authority representing 1.85 percent of the total shares and ADRs as follows:

|  |                       |
|--|-----------------------|
| Franklin Templeton Investments (Asia) Ltd. | 182,634 ADRs          |
| Templeton Investment Counsel, LLC          | 2,176,764 shares      |
| Franklin Templeton Investment Mgmt. Ltd.   | 216,040 shares        |
| Franklin Templeton Investments Corp.       | 41,080 shares         |
| Franklin Templeton Investments (Asia) Ltd. | 5,535 shares          |
| Total                                      | 2,622,053 shares/ADRs |

On June 16, 2005, NWQ Investment Management Company LLC disclosed an increase in the holding of the accounts managed by NWQ Investment Management Company LLC of the paid up share capital of Metso Corporation. On February 23, 2005, the accounts managed by NWQ Investment Management Company LLC had become beneficial owners of 431,430 Metso's common shares and 6,415,661 American Depository Receipts. These holdings amounted to 6,847,091 shares in total and corresponded to 5.03 percent of the paid up share capital and the voting rights of Metso Corporation. On February 23, 2005 the total amount of Metso shares outstanding was 136,250,545. On May 31, 2005, the accounts managed by NWQ Investment Management Company LLC held 8,100,505 shares in Metso Corporation corresponding to 5.71 percent of the paid up share capital and the voting rights.