Metso Corporation

Metso in brief
Metso’s strategy and financial targets
Recent financial performance
Additional information
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.
Metso in brief
Metso in brief

• Global technology company
• Serves the pulp and paper industry, rock and minerals processing, energy and selected other industries
• Net sales of EUR 4.2 billion in 2005
• Approx. 22,000 employees in more than 50 countries
• Listed on the Helsinki (ME01V.HEX) and New York (MX.NYSE) Stock Exchanges
• More than 30,000 shareholders, more than 70% of shares in non-Finnish ownership
# Metso’s customer industries and achievable markets

<table>
<thead>
<tr>
<th>Customer Industry</th>
<th>Achievable Market (EUR billion)</th>
<th>Metso’s Current Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pulp and paper</strong></td>
<td>Metso Paper 10, Metso Minerals 12, Metso Automation 10</td>
<td>&gt;30% in new machines, ~15% in aftermarket &amp; rebuilds, ~15%</td>
</tr>
<tr>
<td><strong>Aggregates and mining</strong></td>
<td></td>
<td>~6%</td>
</tr>
<tr>
<td><strong>Pulp and paper, energy, other process industry</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Pulp and paper: Pulp and papermaking equipment, processes and services
- Aggregates and mining: Rock and minerals processing equipment, processes and services
- Pulp and paper, energy, other process industry: Automation systems, valves and services
Metso’s strategy and financial targets
From restructuring to profitable growth

Focus in 2003-2005

- Transformation from an equipment supplier to a life cycle service provider

Focus in 2006-2008

- Profitable growth
  - Organic growth
  - Complementary acquisitions

- Continuous improvement of competitiveness and profitability
  - Clear profit improvement in core businesses
  - Releasing capital from non-core operations
Sustainably more flexible cost structure
Gross margin -% and S,G&A -% (rolling 12 months)
Metso’s business portfolio provides solid growth opportunities

Global trends

• Rapid growth of paper and board consumption in new emerging economies

• New pulp capacity developed in southern hemisphere

• Emerging economies invest heavily in development of transportation and other infrastructure

• Growth in emerging economies drives minerals consumption up for several years - mining moves to south and/or east

• Demand for upgrades, rebuilds and aftermarket services growing in developed countries - Metso has competitive edge due to large installed base

• Increased importance of process and unit machine automation
Metso’s financial targets 2006-2008

- **Growth**
  - Net sales to grow some 10% per annum

- **Profitability**
  - Operating profit margin (EBIT-%) to be 9%
  - Return on capital employed (ROCE-%) to be consistently over 15%

- **Capital structure**
  - Solid investment grade company status

**Dividend policy:**

Metso distributes an annual dividend of at least 40 percent of earnings per share.
Paper&Board production prospects 2004-2020

The growth of production is shifting outside the traditional supply areas. The share of North America and Western Europe of the world’s paper and paperboard production is forecast to decline from the current 55-56% to 44% by 2020. At the same time, Asia’s (incl. Japan) share is expected to grow from 34% at present to 42%.

Source: Jaakko Pöyry Consulting
The total consumption of kraft pulp is expected to grow from 119 million tons (2003) to 148 million tons by year 2015. New capacity will be set up mainly in the Southern Hemisphere based on planted forest.

BSKP = Bleached soft wood kraft pulp
BHKP = Bleached hard wood kraft pulp
UKP = Unbleached kraft pulp

Source: Jaakko Pöyry Consulting
Growth of aggregates and construction industry
Past, present and expected

- In 2005 US Congress approved new US “highway” bill
  - USD 286 billion government funding for infrastructure over six years (30% increase on the previous bill)
- Infrastructure development projects ongoing and coming in emerging markets
  - Chinese government announced that it will build 50,000 km of four-lane roads by 2020
  - India expanding rapidly its transportation infrastructure
  - Russian aggregates production is steadily growing 7%/a

Source: Freedonia
Growth of the mining industry
Past, present and expected

Total return to shareholders*

- Mining super-cycle forecast Asian-driven until 2020
- PWC’s mining review 2004:
  - Boom will continue for decades
  - Top 5 mining companies based on revenue comprise 50% of total revenue
  - China will invest heavily in minerals exploration and production, promoting sustainable development and encouraging more foreign participation
  - Chinese government targets “well-off society” by 2020 doubling GDP
  - Latin America leader in mining exploration

* Defined as share price development plus dividends
Source: Datastream

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Metso Paper

Net sales 2005: EUR 1,702 million
Target 2006-08: > 10% growth/a.
   half organic, half acquisitions

Actions:
• Strong order backlog
• Rapid paper capacity expansion will continue in China
• Continued high growth rates in pulp capacity in South America and China
• Eastern European and Russian pulp and paper mills upgrading and expanding capacity
• India expanding paper capacity 1 mtons/a and upgrading pulp mills
• > EUR 100 million growth targeted in aftermarket through broader product and service offering
• Fiber line offering to cover continuous cooking, recovery and power
Acquisition of Aker Kvaerner Pulping and Power business

• Final purchase agreement signed.

• Closing requires regulatory approvals.

• Transaction finalized during H2/2006.

• Cash and interest-bearing debt free acquisition price EUR 335 million.

• Annual cost-based synergies EUR 15-20 million, non-recurring costs less than EUR 10 million.
Acquisition will provide enhanced capabilities: Complete chemical pulp mill and hardwood pulping processes
Metso Minerals

<table>
<thead>
<tr>
<th>Net sales 2005:</th>
<th>EUR 1,735 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target 2006-08:</td>
<td>&gt; 10% growth/a.</td>
</tr>
<tr>
<td></td>
<td>half organic, half acquisitions</td>
</tr>
</tbody>
</table>

**Actions:**
- Strong order backlog
- Strong mining cycle expected to continue
- 30% higher SAFETEA-LU funding plan to boost construction in the USA
- Infrastructure investments in China, India, Eastern Europe and Russia will continue
- Increased car population drives for increased investments in road network expansion and maintenance
- Recycling of scrap metals will continue to benefit from high metal prices
- Service business expansion targeted through wider offering
- Selective complementary acquisitions actively investigated
Net sales 2005: EUR 584 million

Target 2006-08: > 10% growth/a.
half organic, half acquisitions

**Actions:**
- Stronger market presence in emerging markets (BRIC)
- Energy and power segment provides good growth opportunities
- > 100 new sales & service employees in 2006 (> 60% in BRIC)
- Investments in service operations close to key customer facilities
- Active screening of potential acquisition targets
Profitable growth continues

- Exploiting the good market situation
- Ensuring customer satisfaction
- Strengthening presence in the emerging markets
- Investing in aftermarket and service business; special focus on Europe and North America
- Ensuring sustainability of our technology leadership
- Expanding delivery capabilities; especially in Minerals and Automation
- Continuous productivity and quality improvement
- Value enhancing complementary acquisitions
Recent financial performance
Orders received by business area

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Million EUR 1-3/05</th>
<th>Million EUR 1-3/06</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metso Paper</td>
<td>496</td>
<td>681</td>
<td>+32%</td>
</tr>
<tr>
<td>Metso Minerals</td>
<td>191</td>
<td>103</td>
<td></td>
</tr>
<tr>
<td>Metso Automation</td>
<td>103</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metso Ventures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metso</td>
<td></td>
<td>1,437</td>
<td>+32%</td>
</tr>
</tbody>
</table>
Order backlog by business area

Million EUR

Metso Paper 1,372 1,021
Metso Minerals 1,021 234
Metso Automation 234 129
Metso Ventures 129
Metso 2,692

31.3.05 31.3.06

+40%
Metso Paper - quarterly performance

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net sales</th>
<th>Operating profit -%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3/05</td>
<td>386</td>
<td>4.6</td>
</tr>
<tr>
<td>4-6/05</td>
<td>390</td>
<td>5.4</td>
</tr>
<tr>
<td>7-9/05</td>
<td>390</td>
<td>5.4</td>
</tr>
<tr>
<td>10-12/05</td>
<td>390</td>
<td>5.4</td>
</tr>
<tr>
<td>1-3/06</td>
<td>390</td>
<td>5.4</td>
</tr>
</tbody>
</table>

Net sales in million EUR.
Metso Minerals - quarterly performance

Million EUR

<table>
<thead>
<tr>
<th>Period</th>
<th>Net sales</th>
<th>Operating profit %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3/05</td>
<td>338</td>
<td>9.2</td>
</tr>
<tr>
<td>4-6/05</td>
<td>498</td>
<td>9.4</td>
</tr>
<tr>
<td>7-9/05</td>
<td>11.8</td>
<td>11.8</td>
</tr>
<tr>
<td>10-12/05</td>
<td>10.2</td>
<td>10.2</td>
</tr>
<tr>
<td>1-3/06</td>
<td>12.0</td>
<td>12.0</td>
</tr>
</tbody>
</table>
Metso Automation - quarterly performance

Million EUR

<table>
<thead>
<tr>
<th>Period</th>
<th>Net sales</th>
<th>Operating profit -%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3/05</td>
<td>129</td>
<td>10.5</td>
</tr>
<tr>
<td>4-6/05</td>
<td>141</td>
<td>12.4</td>
</tr>
<tr>
<td>7-9/05</td>
<td>174</td>
<td>17.4</td>
</tr>
<tr>
<td>10-12/05</td>
<td>154</td>
<td>14.4</td>
</tr>
<tr>
<td>1-3/06</td>
<td>134</td>
<td>11.4</td>
</tr>
</tbody>
</table>
Metso Ventures

• Net sales totaled EUR 78 million, up 26%. This was mainly due to Valmet Automotive’s increased delivery volumes.

• Operating profit EUR 5.7 million, 7.3% of net sales. Profitability of Valmet Automotive clearly improved.
Business area operating profit -% vs. targets

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Operating profit -%</th>
<th>Target 2006</th>
<th>Target 2006-2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metso Paper</td>
<td>5.5</td>
<td>&gt;8.0</td>
<td></td>
</tr>
<tr>
<td>Metso Minerals</td>
<td>10.9</td>
<td>&gt;11.0</td>
<td>&gt;12.0</td>
</tr>
<tr>
<td>Metso Automation</td>
<td>14.0</td>
<td>&gt;12.0</td>
<td>&gt;12.0</td>
</tr>
<tr>
<td>Metso Ventures</td>
<td>5.9</td>
<td>6.0</td>
<td>&gt;9.0</td>
</tr>
<tr>
<td>Metso</td>
<td>8.5</td>
<td>&gt;7.0</td>
<td></td>
</tr>
</tbody>
</table>
Cash flow and gearing

Net cash generated by operating activities

Million EUR

- 2005: 164
- 1-3/05: 123
- 1-3/06: 169

Gearing

- 31.3.05: 36.2%
- 30.6.05: 25.8%
- 30.9.05: 25.3%
- 31.12.05: 22.4%
- 31.3.06: 10.5%
Short-term financial outlook

• It is estimated that in 2006, Metso's net sales will grow by over 10% and operating profit will clearly surpass the operating profit in 2005.

• Estimates do not include any changes resulting from acquisitions or divestitures.
Additional information
## Metso Paper

<table>
<thead>
<tr>
<th>Business line</th>
<th>Main products</th>
<th>Trade names</th>
<th>Customers</th>
<th>Competitors</th>
<th>Market position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiber</td>
<td>Chemical and Mechanical Pulping Lines</td>
<td>SuperBatch, OptiScreen, OptiSlush, OptiFiner</td>
<td>Pulp Mills, Paper Mills with Chemical Pulping</td>
<td>Andritz, Kvaerner, Voith</td>
<td>1-3.</td>
</tr>
<tr>
<td>Tissue</td>
<td>Tissue Machines</td>
<td>Advantage, DCT</td>
<td>Tissue Mills</td>
<td>Voith, Toscotec, Celli</td>
<td>1.</td>
</tr>
</tbody>
</table>
# Metso Minerals

<table>
<thead>
<tr>
<th>Business line</th>
<th>Main products</th>
<th>Trade names</th>
<th>Customers</th>
<th>Competitors</th>
<th>Market position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crushing and Screening</td>
<td>Stationary crushers Mobile crushers Screens</td>
<td>Nordberg Lokotrack Barmac</td>
<td>Quarries, mines and minerals processing plants Contractors</td>
<td>Terex Sandvik Astec</td>
<td>1.</td>
</tr>
<tr>
<td>Wear Protection and Conveying</td>
<td>Rubber/PU wear parts Conveyor components</td>
<td>Trellex Skega Flexowell</td>
<td>Mining, energy, recycling, materials handling and pulp &amp; paper industries</td>
<td>Rubber Engineering Isenmann Goodyear</td>
<td>1.</td>
</tr>
<tr>
<td>Recycling</td>
<td>Shredders Scrap shears Balers</td>
<td>Lindemann</td>
<td>Metal recycling Automotive industry Foundries</td>
<td>Henscel Newell-Riverside SWB</td>
<td>1.</td>
</tr>
</tbody>
</table>
## Metso Automation

<table>
<thead>
<tr>
<th>Business</th>
<th>Main products</th>
<th>Markets</th>
<th>Competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valves</td>
<td>Automated, control-, ESD and manual valves Solutions and intelligent condition monitoring</td>
<td>Served market: EUR 5.7 billion Metso Automation net sales: EUR 270 million Market growth: 3.2%</td>
<td>Emerson Flowserve Dresser Samson</td>
</tr>
<tr>
<td>Energy &amp; Process</td>
<td>Process automation &amp; information management Life cycle services</td>
<td>Served market: EUR 2.2 billion Metso Automation net sales: EUR 60 million Market growth: 3.8%</td>
<td>ABB Siemens Emerson Invensys Honeywell Yokogawa</td>
</tr>
</tbody>
</table>

**Served market** EUR 10 billion

**Metso Automation** EUR 600 million
Output of our customer industries is growing

Index (2005 = 100)

- Paper, board and papermaking fibre: 2-3 %/a, Growth ~20% (2005-2012)
- Metal ore: 3-4 %/a, Growth ~30% (2005-2012)
- Aggregates: 4-5 %/a, Growth ~40 % (2005-2012)
- Energy: ~2 %/a, Growth ~15% (2005-2012)

Sources: Jaakko Pöyry, Raw Materials Group, Freedonia, International Energy Agency
Demand growth for paper and paperboard
2000-2020e

Demand growth, %/a

- India: 6%
- Russia: 5%
- China: 4.5%
- Eastern Europe: 4%
- Middle East: 4%
- Latin America: 3.5%
- Africa: 3%
- Rest of Asia: 2.5%
- Oceania: 2%
- Western Europe: 1.5%
- North America: 1%
- Japan: 0.5%

Average: 2.1% per annum

Share of consumption in 2004, %

Source: Jaakko Pöyry Consulting
Changing raw-material use pattern

Pulp demand is polarising towards fast growing single-species pulps. The growth will be strongest in Acacia and Eucalyptus, but also mixed hardwoods will increasingly comprise single-species grades. Continuous cooking is clearly the preferred technology for this raw-material base.

### Million tons

<table>
<thead>
<tr>
<th>Year</th>
<th>Birch</th>
<th>Mixed northern</th>
<th>Mixed southern</th>
<th>Mixed tropical</th>
<th>Acacia</th>
<th>Eucalyptus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
</tr>
<tr>
<td>1985</td>
<td>12</td>
<td>25</td>
<td>35</td>
<td>45</td>
<td>55</td>
<td>70</td>
</tr>
<tr>
<td>1990</td>
<td>14</td>
<td>28</td>
<td>38</td>
<td>48</td>
<td>58</td>
<td>80</td>
</tr>
<tr>
<td>1995</td>
<td>16</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>90</td>
</tr>
<tr>
<td>2000</td>
<td>18</td>
<td>32</td>
<td>42</td>
<td>52</td>
<td>62</td>
<td>100</td>
</tr>
<tr>
<td>2005</td>
<td>20</td>
<td>35</td>
<td>45</td>
<td>55</td>
<td>65</td>
<td>110</td>
</tr>
<tr>
<td>2010</td>
<td>22</td>
<td>38</td>
<td>48</td>
<td>58</td>
<td>68</td>
<td>120</td>
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<tr>
<td>2015</td>
<td>24</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>130</td>
</tr>
</tbody>
</table>

**Forecast**

- Eucalyptus & Acacia of total: 17% 18% 26% 38%

Source: Jaakko Pöyry Consulting
Net sales and number of new paper machine investments

- Metso Paper net sales
- Start-up of new paper machines

- **EUR million**
- **No.**

<table>
<thead>
<tr>
<th>Year</th>
<th>EUR million</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>1,200</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>2,200</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>1,700</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>1,300</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>1,400</td>
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</tbody>
</table>
## Trends in Metso Minerals’ customer industries

<table>
<thead>
<tr>
<th>Industry segment</th>
<th>Net sales of customer industries</th>
<th>Estimated annual production volume growth</th>
<th>Customer’s typical EBIT margin</th>
<th>Customer’s end product prices</th>
<th>Cyclicality</th>
<th>Level of fragmentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td><img src="Graph1.png" alt="Graph" /></td>
<td><img src="Graph2.png" alt="Graph" /></td>
<td>15%</td>
<td>Very high</td>
<td>High globally</td>
<td>Fragmented overall, but oligopolies in selected metals</td>
</tr>
<tr>
<td>Aggregates</td>
<td><img src="Graph3.png" alt="Graph" /></td>
<td><img src="Graph4.png" alt="Graph" /></td>
<td>12%</td>
<td>Relatively stable with regional variations</td>
<td>Medium/High locally</td>
<td>Very fragmented</td>
</tr>
<tr>
<td>Metals recycling</td>
<td><img src="Graph5.png" alt="Graph" /></td>
<td><img src="Graph6.png" alt="Graph" /></td>
<td>N/A</td>
<td>Very high</td>
<td>Medium/High</td>
<td>Fragmented</td>
</tr>
</tbody>
</table>

**Estimate**

Source: Metso Minerals
Federal highway programme funding

USD billion

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>121</td>
<td>172</td>
<td>228</td>
</tr>
<tr>
<td>2005</td>
<td>172</td>
<td>228</td>
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<td>2006E</td>
<td>228</td>
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<td>2007E</td>
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<td>2008E</td>
<td>300</td>
<td>320</td>
<td>340</td>
</tr>
<tr>
<td>2009E</td>
<td>320</td>
<td>340</td>
<td>360</td>
</tr>
</tbody>
</table>

Source: American Road and Transportation Builders Association
Process automation business by industry

Metso Automation key customer industries

Source: ARC 2004
Metso’s financial statements and other financial information are available on Metso’s web-site at: www.metso.com/investors

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