

# Metso Corporation

JPMorgan Pan-European Capital Goods CEO conference  
June 7, 2006

Jorma Eloranta, President and CEO



# Metso Corporation

Metso in brief

Metso's strategy and financial targets

Recent financial performance



# 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

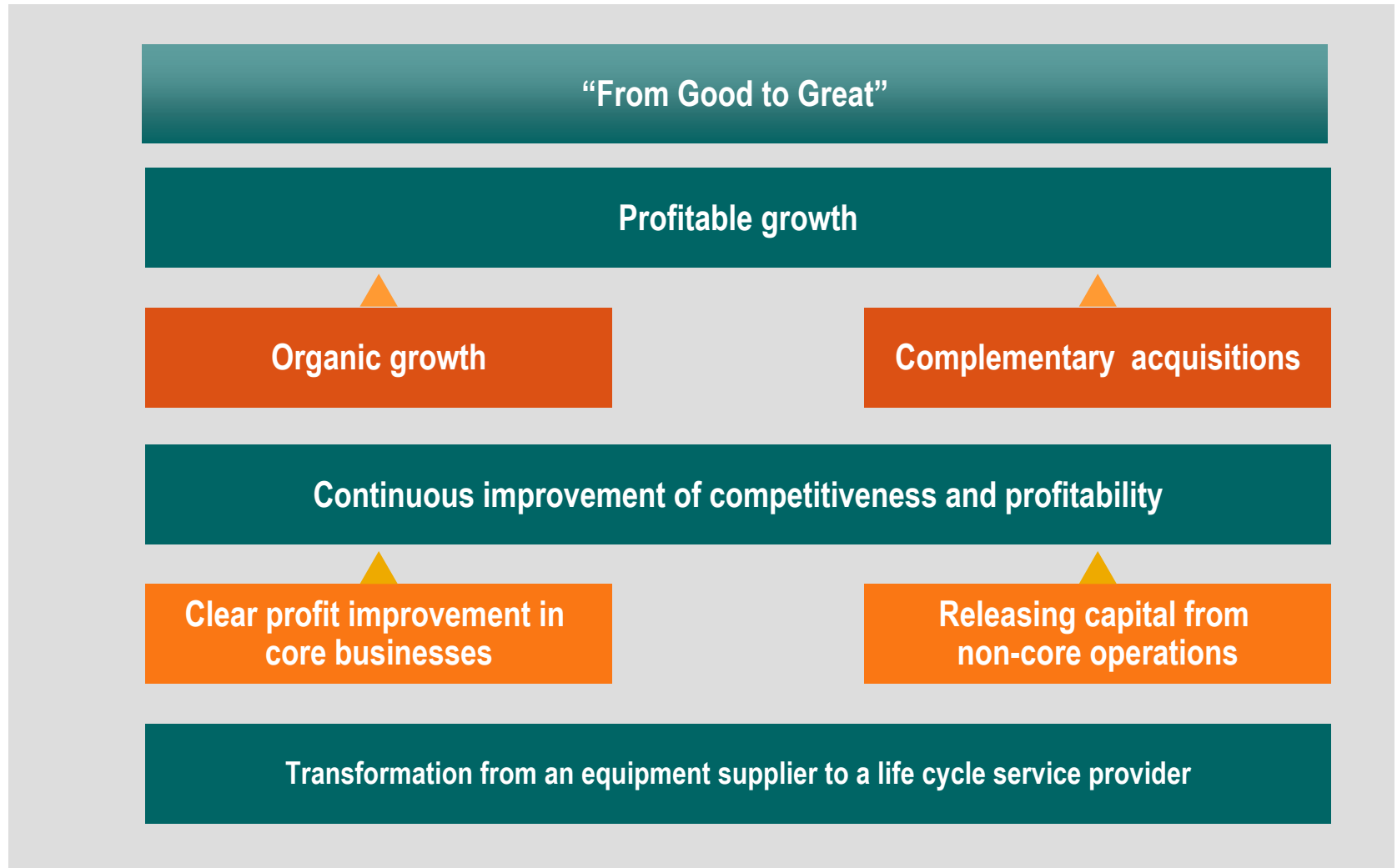
| <p><b>Pulp and paper</b><br/>Pulp and papermaking equipment, processes and services</p> | <p><b>Aggregates and mining</b><br/>Rock and minerals processing equipment, processes and services</p> | <p><b>Pulp and paper, energy, other process industry</b><br/>Automation systems, valves and services</p> |
|---|--|--|
|   | <p><b>Achievable market, EUR billion</b></p>   | <p><b>Metso's current market share</b></p>   |
| <p>Metso Paper</p>  | <p>10</p>  | <p>&gt;30% in new machines<br/>~15% in aftermarket&amp;rebuids</p>                                       |
| <p>Metso Minerals</p>   | <p>12</p>  | <p>~15%</p>  |
| <p>Metso Automation</p>   | <p>10</p>  | <p>~6%</p>   |



# Metso's strategy and financial targets



# From restructuring to profitable growth



# Metso Executive Team

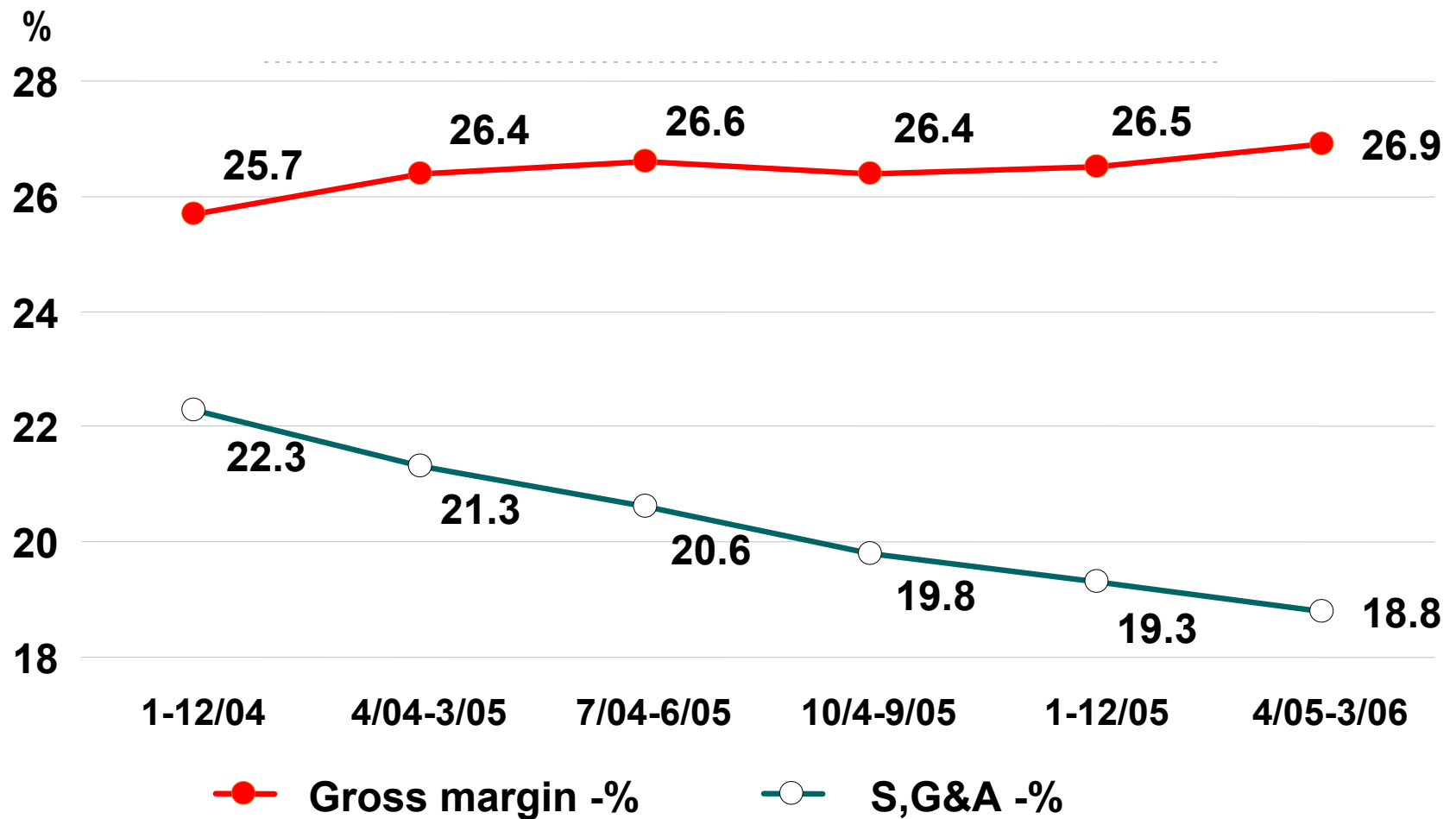
As of August 1, 2006

- **Jorma Eloranta**, President and CEO
- **Olli Vaartimo**, Executive Vice President
- **Risto Hautamäki**, President of Metso Paper until April 1, 2007. Senior Executive until end of 2007.
- **Bertel Langenskiöld**, head of Fiber and Power Businesses until April 1, 2007. President of Metso Paper as of April 1, 2007.
- **Matti Kähkönen**, President of Metso Minerals
- **Pasi Laine**, President of Metso Automation
- **Vesa Kainu**, President of Metso Ventures



# 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

|                          |   |
|--------------------------|---|
| <b>Growth</b>            | <ul style="list-style-type: none"><li>• Net sales to grow some 10% per annum</li></ul>  |
| <b>Profitability</b>     | <ul style="list-style-type: none"><li>• Operating profit margin (EBIT-%) to be 9%</li><li>• Return on capital employed (ROCE-%) to be consistently over 15%</li></ul> |
| <b>Capital structure</b> | <ul style="list-style-type: none"><li>• Solid investment grade company status</li></ul>   |

## **Dividend policy:**

At least 40 percent of earnings per share.



# 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.



## **AKPP in 2005:**

Net sales EUR 565 million  
Operating profit EUR 35 million  
after corporate allocations.

# Metso Minerals

Net sales 2005: EUR 1,735 million

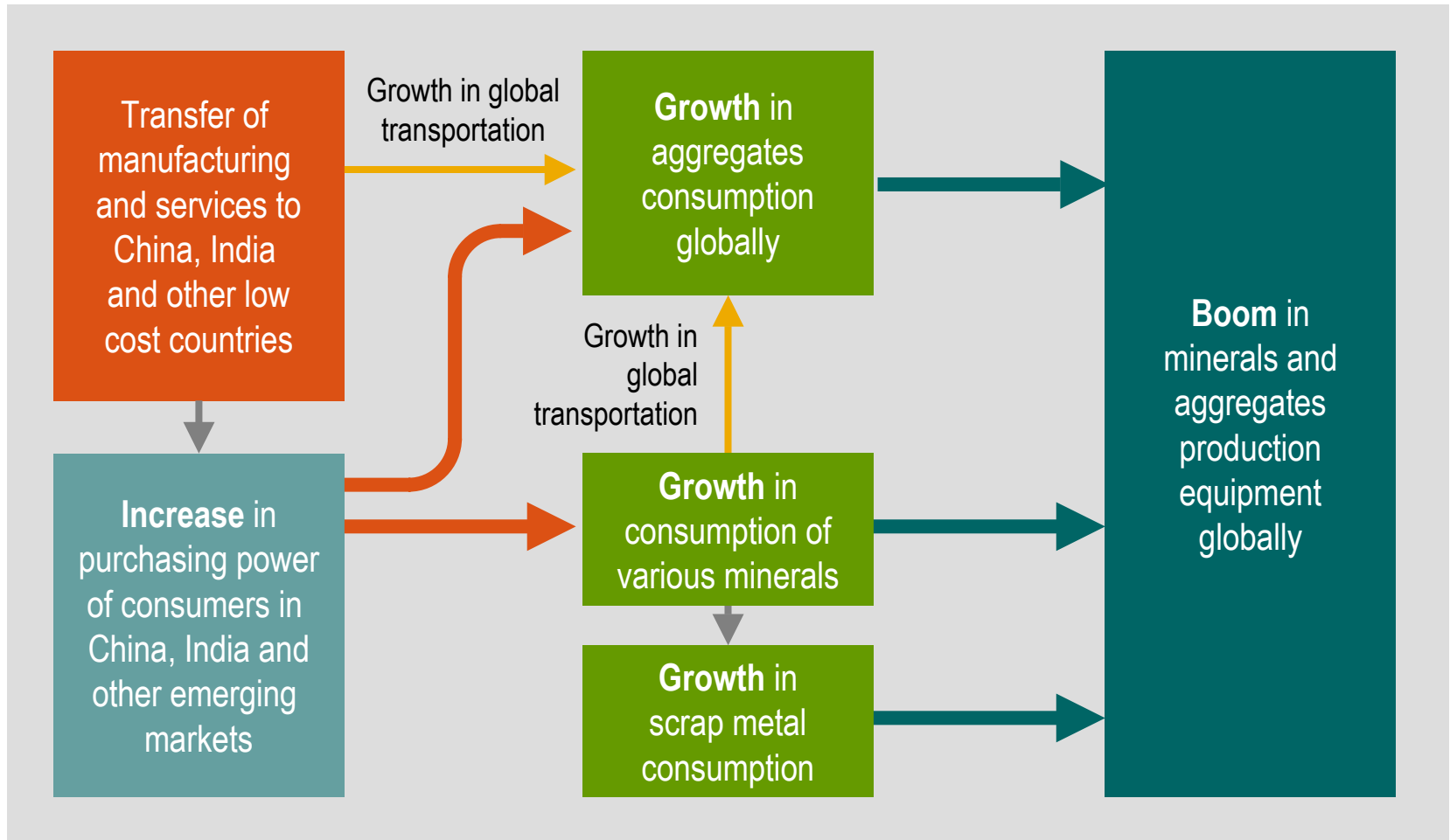
Target 2006-08: > 10% growth/a.  
half organic, half acquisitions

## Actions:

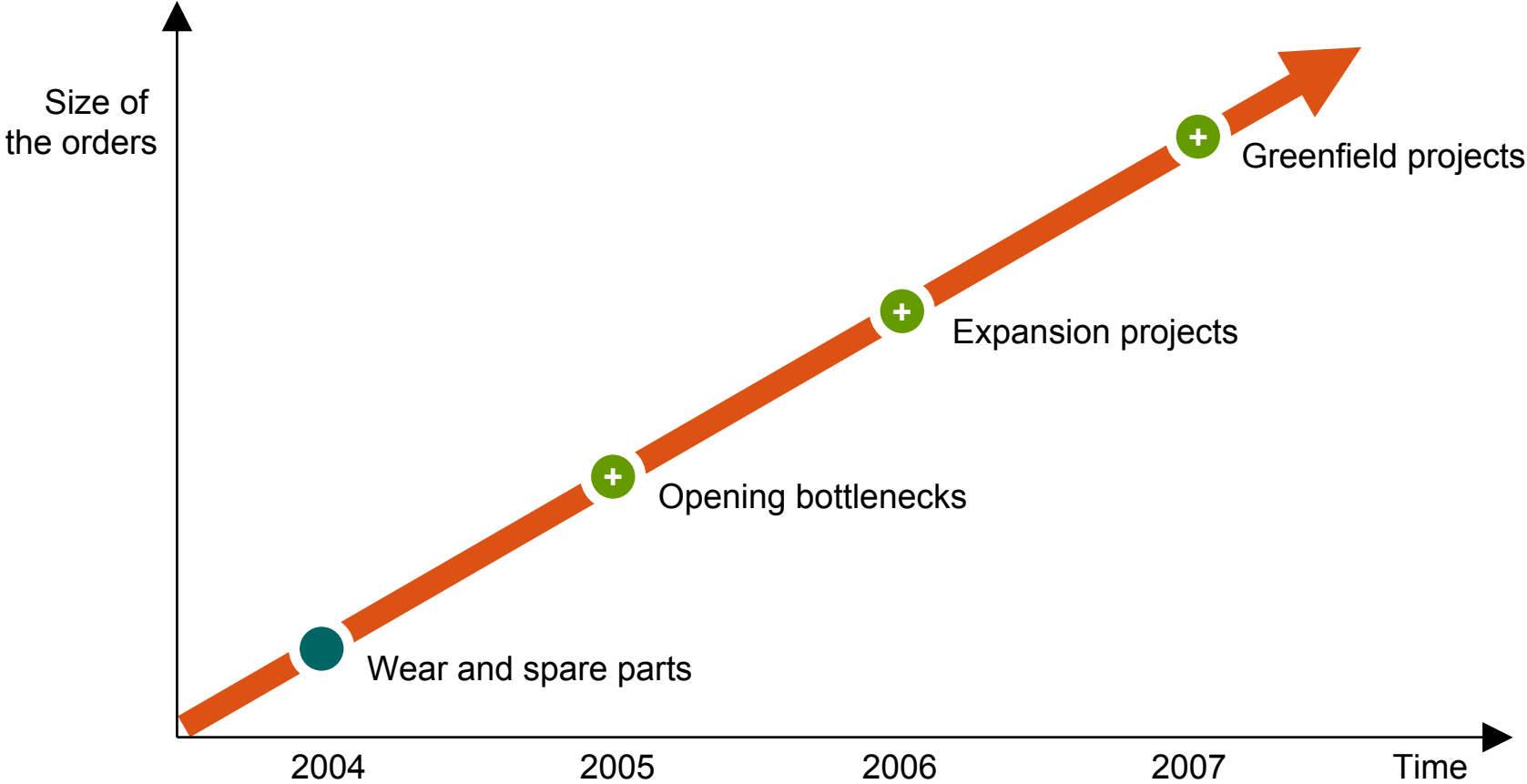
- Strong order backlog
- Strong mining cycle expected to continue
- 30% higher SAFETEA-LU funding plan to boost construction in the USA
- Infrastructure investments in China, India, Eastern Europe and Russia will continue
- Increased car population drives for increased investments in road network expansion 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



# Emerging markets and the minerals boom



# Size of the mining projects growing



# Metso Automation

Net sales 2005: EUR 584 million

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

## Actions:

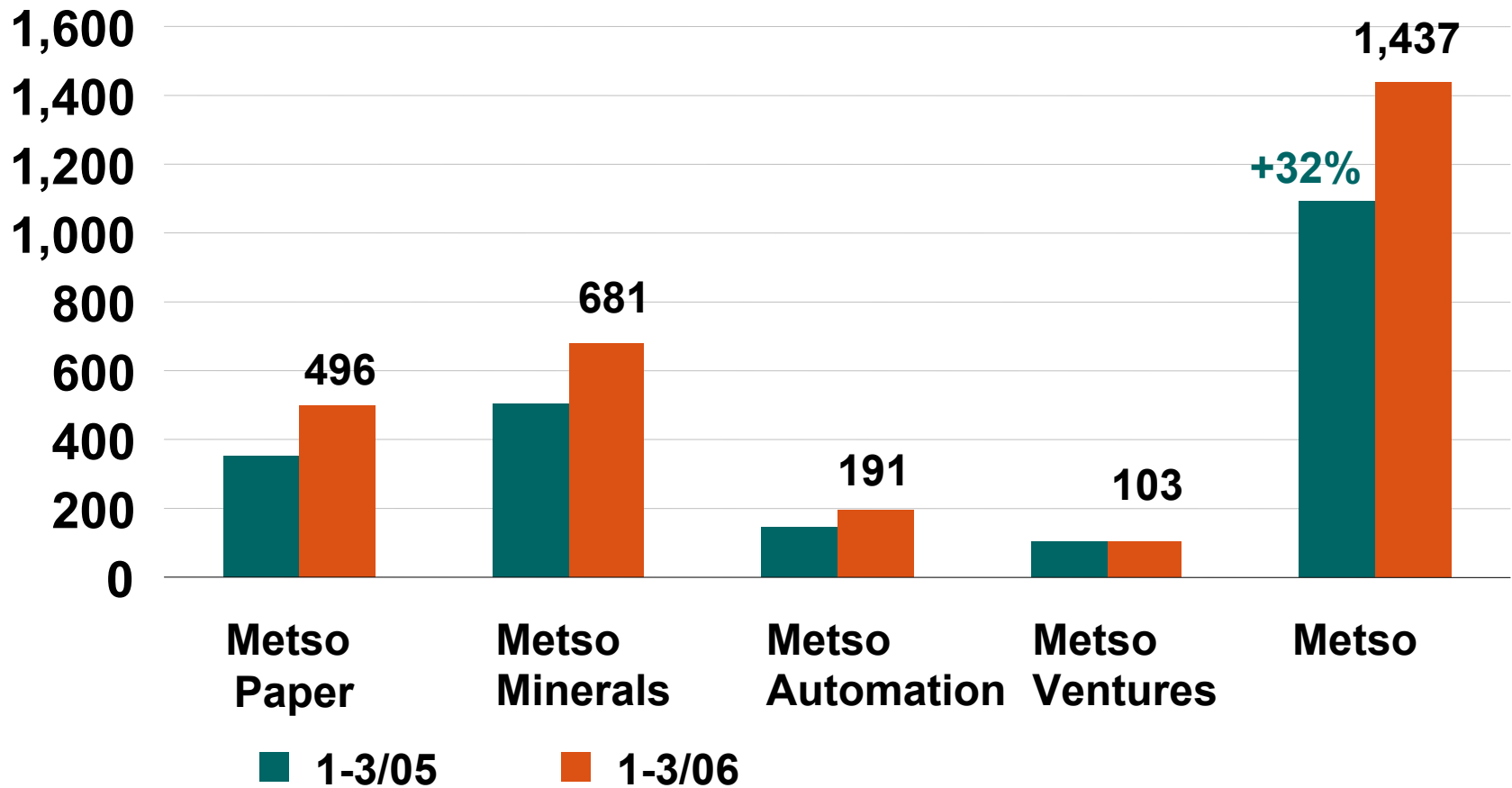
- Stronger market presence in emerging markets (BRIC)
- Energy and power segment provides good growth opportunities
- > 100 new sales & service employees in 2006 (> 60% in BRIC)
- Investments in service operations close to key customer facilities
- Active screening of potential acquisition targets

# Recent financial performance



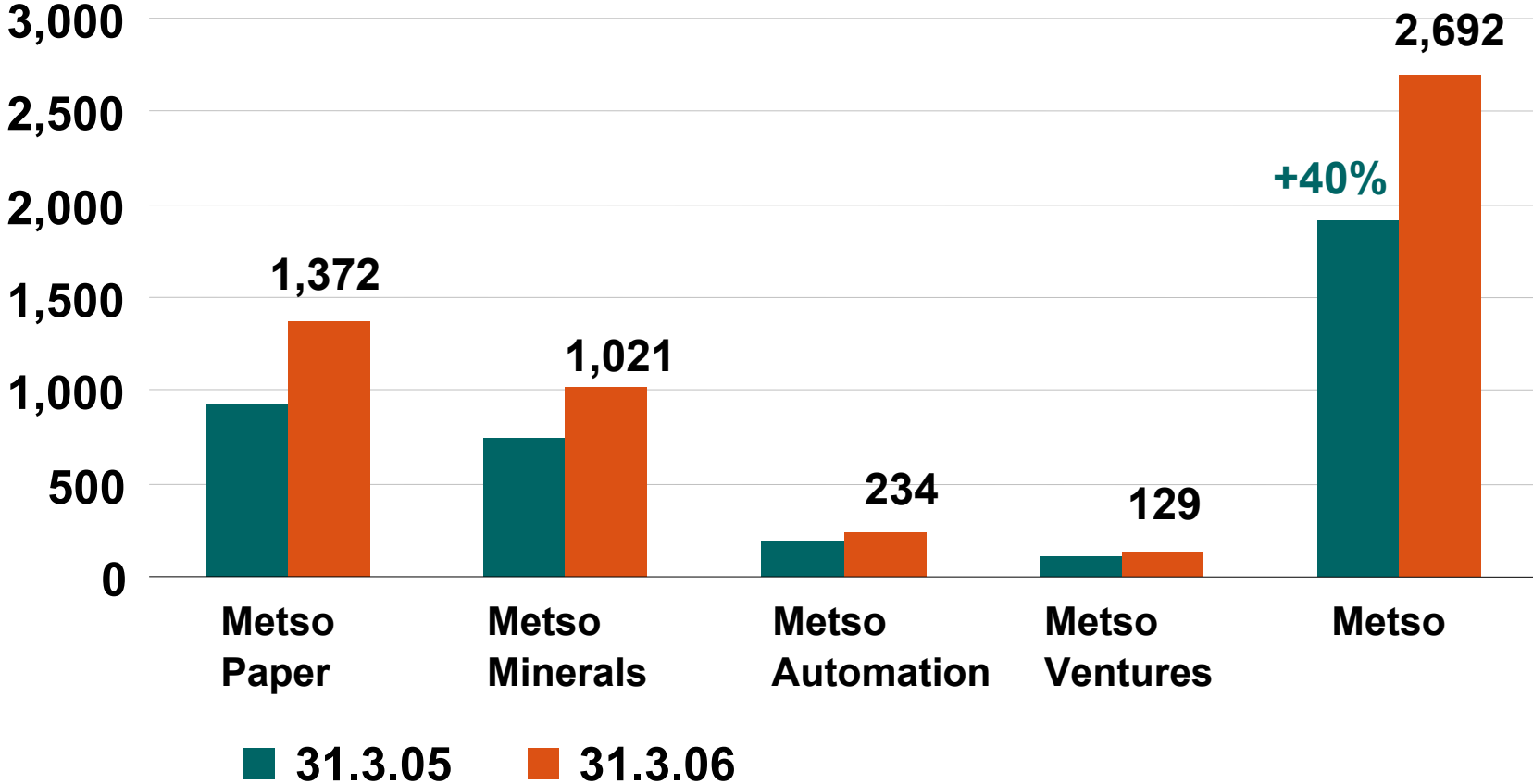
# Orders received by business area

Million EUR



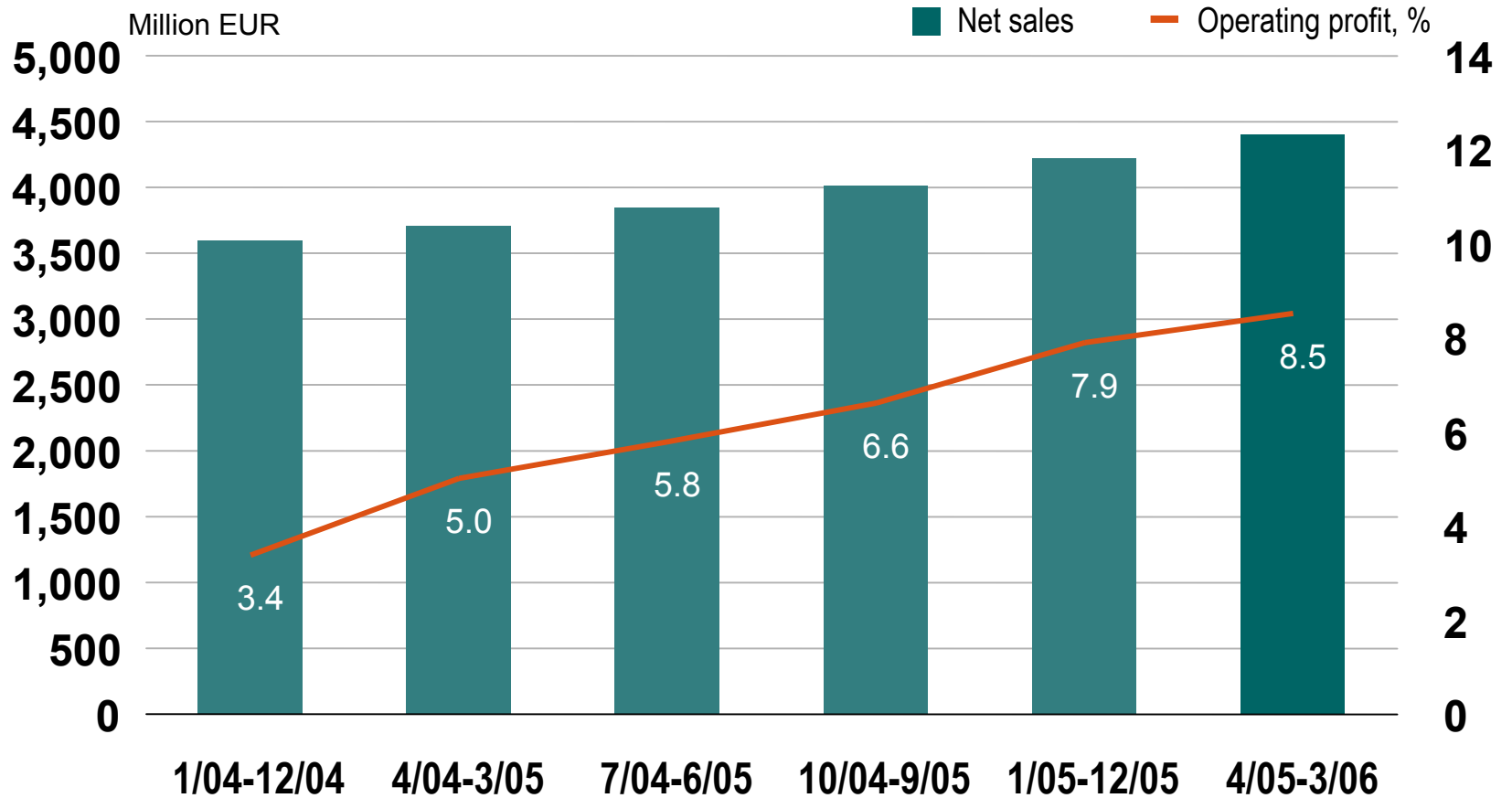
# Order backlog by business area

Million EUR



# Metso

## Rolling 12 months

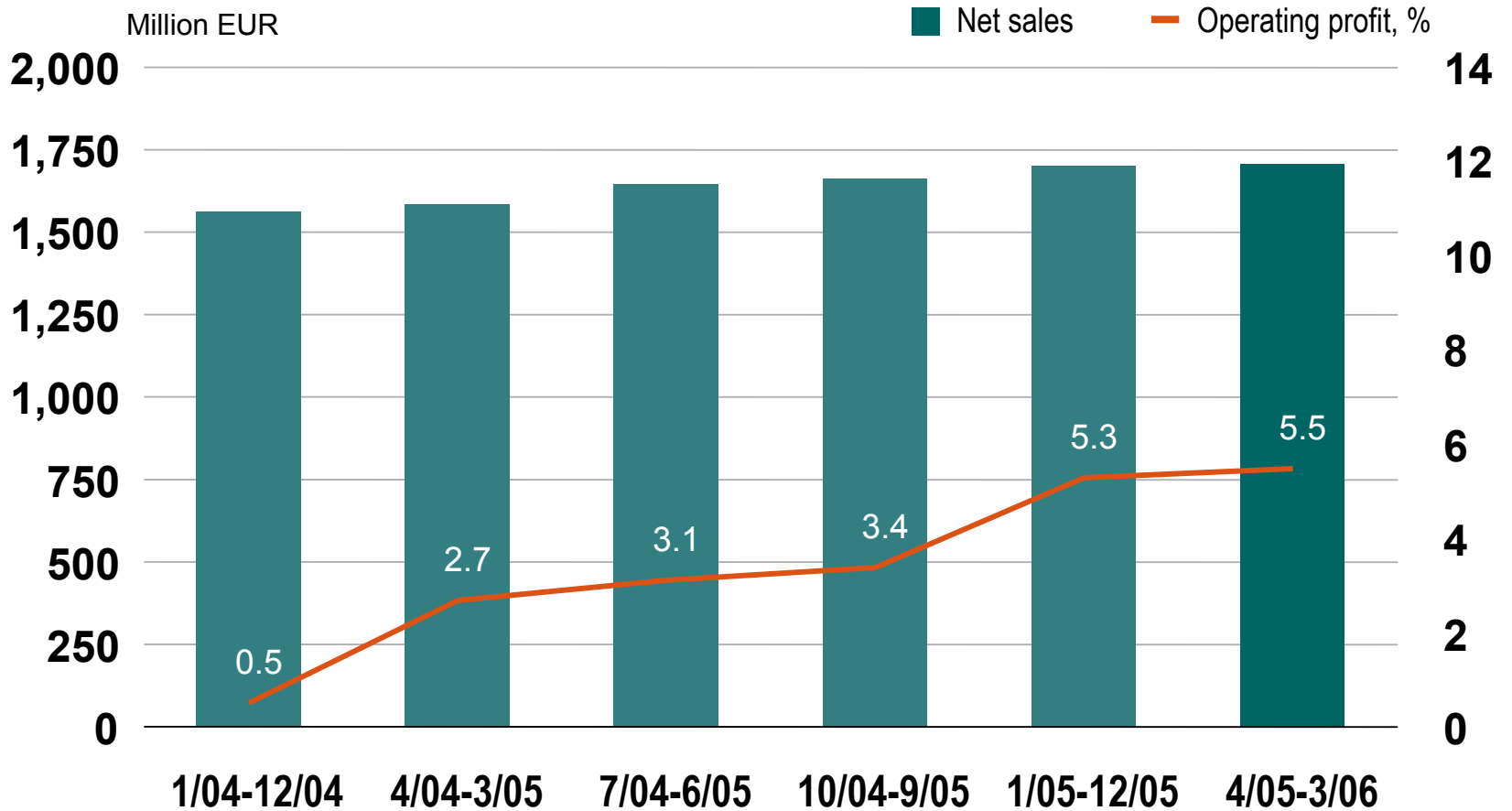


Q4/04 excl. Finnish TEL pension liability of EUR 75 million



# Metso Paper

## Rolling 12 months

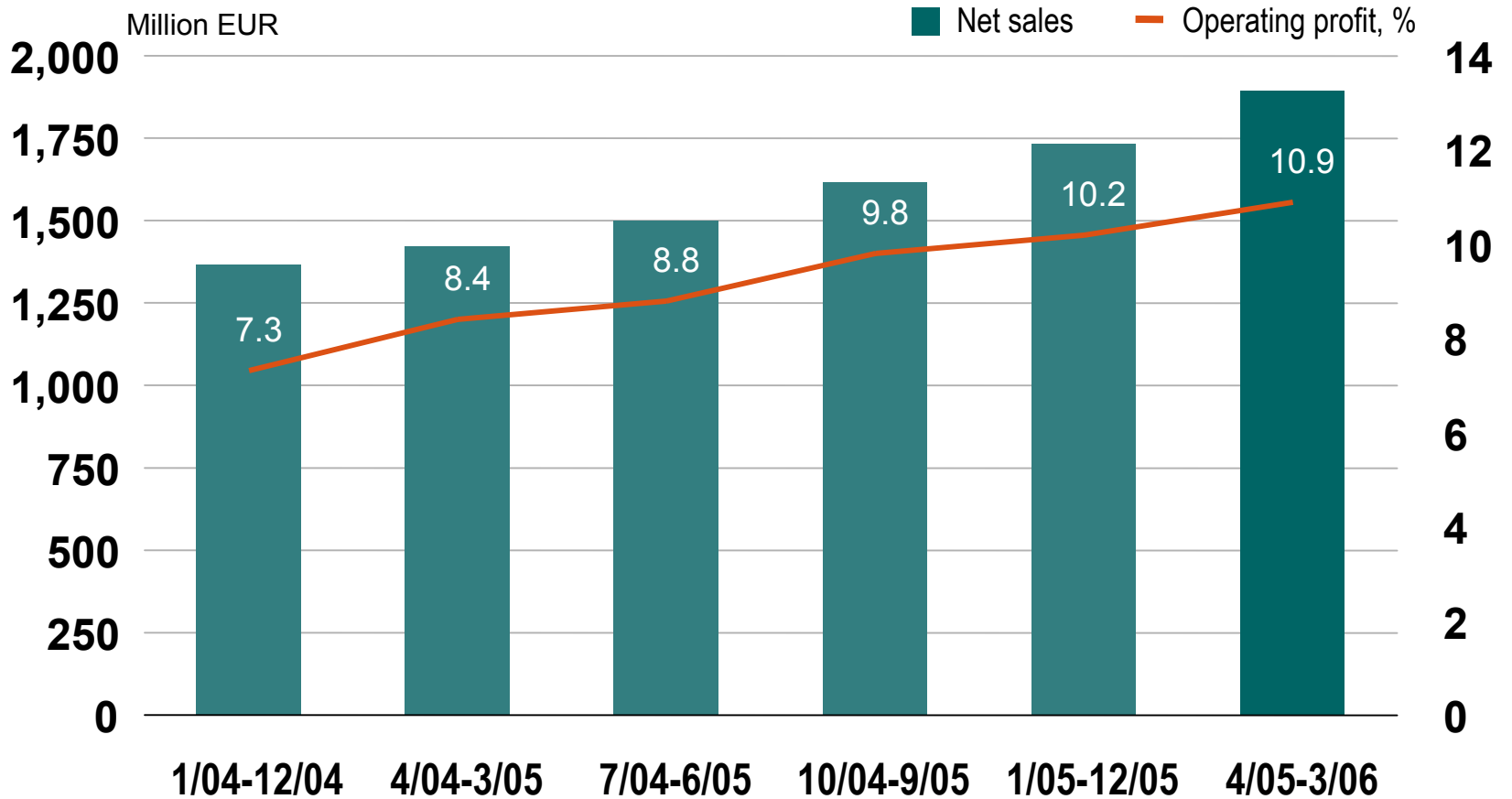


Q4/04 excl. Finnish TEL pension liability of EUR 40 million



# Metso Minerals

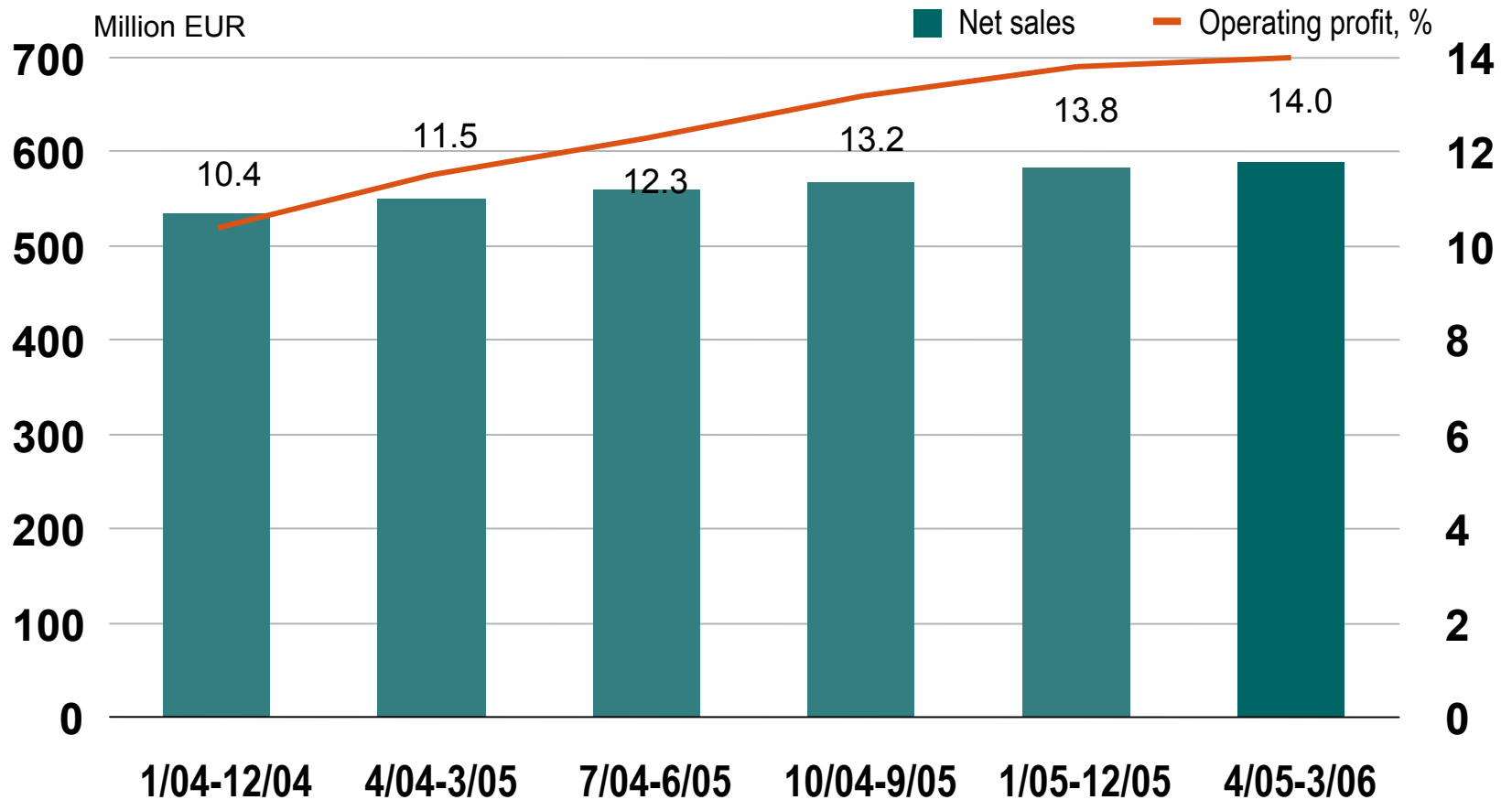
## Rolling 12 months



Q4/04 excl. Finnish TEL pension liability of EUR 5 million

# Metso Automation

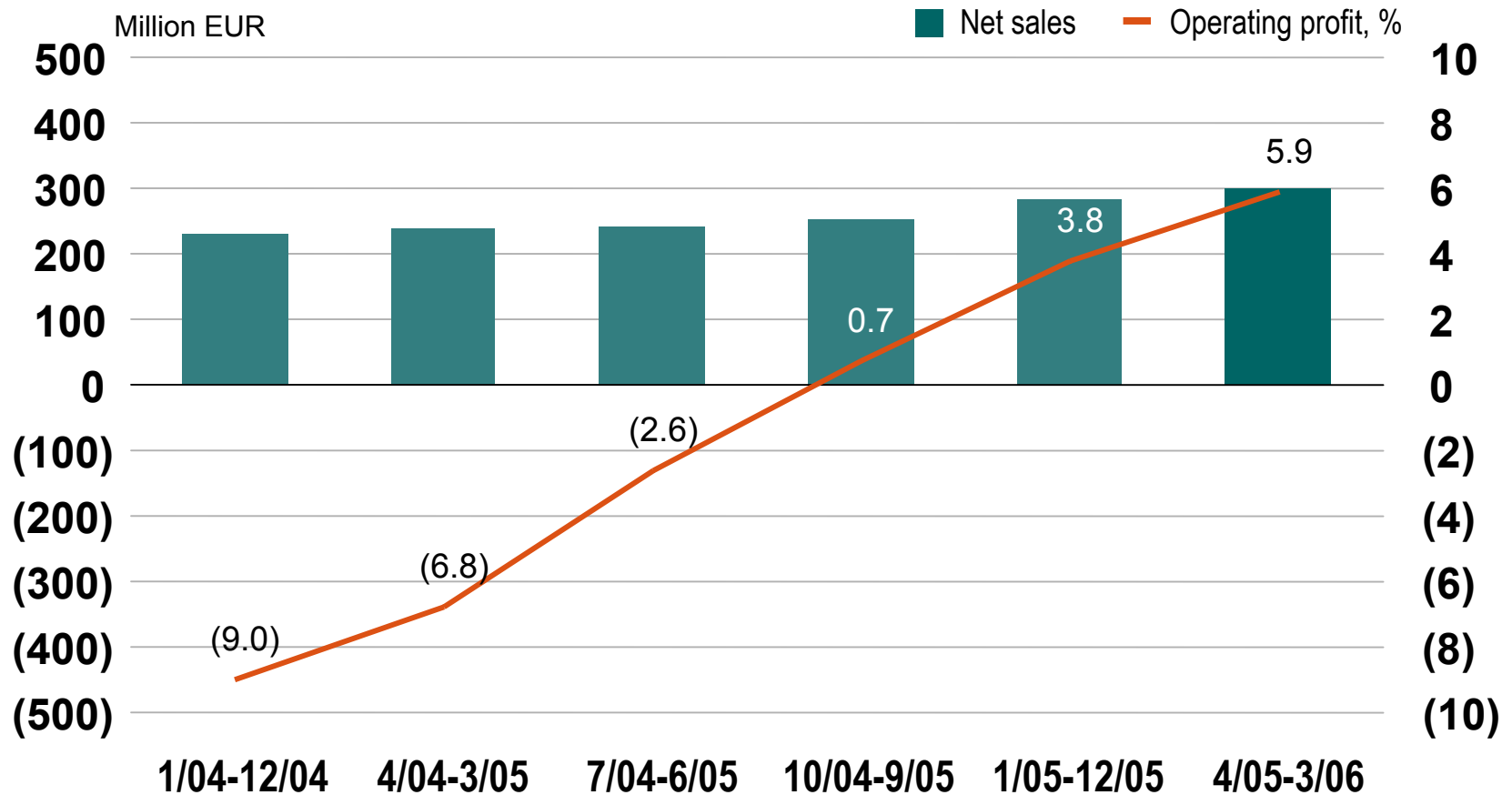
## Rolling 12 months



Q4/04 excl. Finnish TEL pension liability of EUR 14 million

# Metso Ventures

## Rolling 12 months

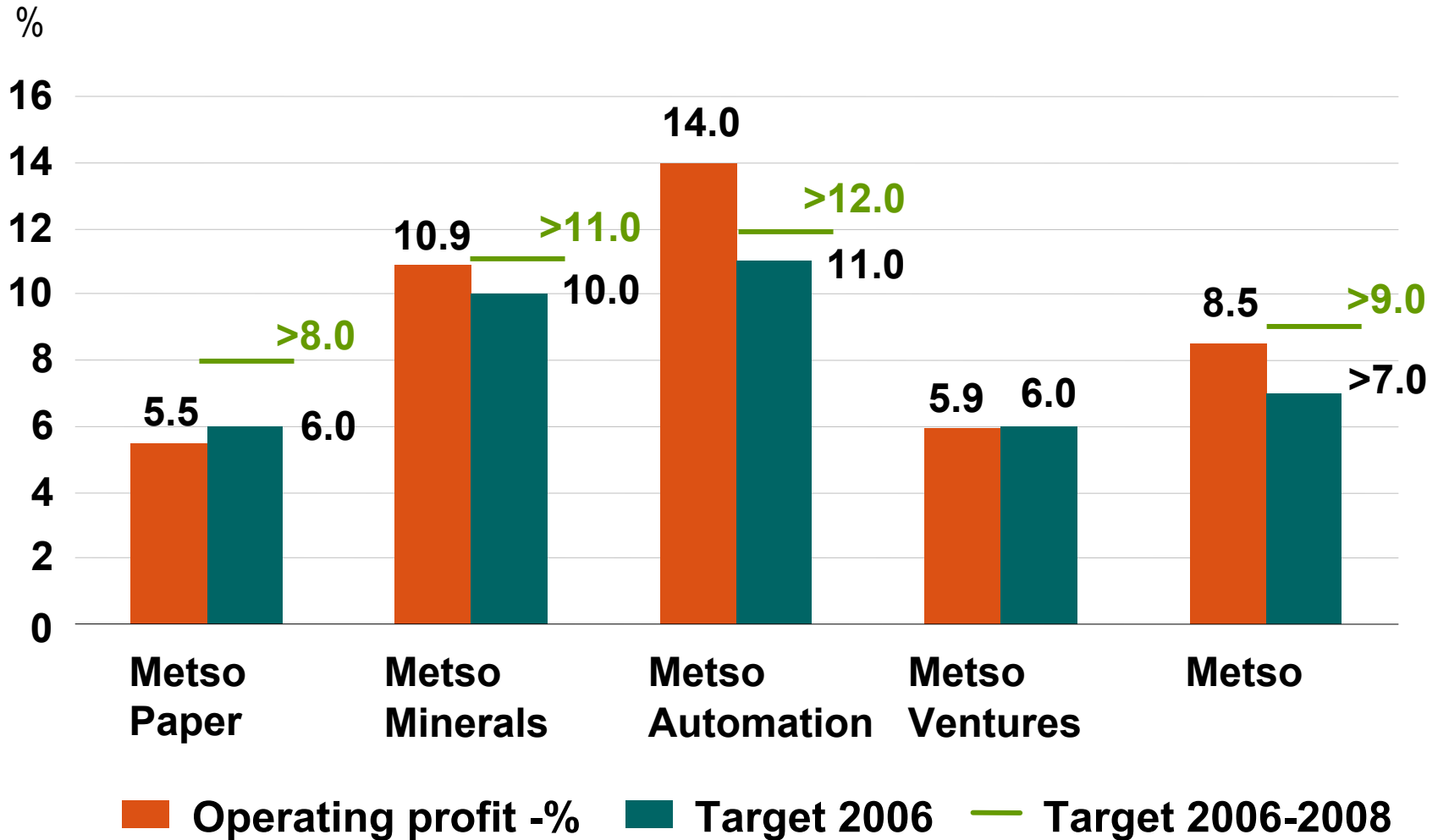


Q4/04 excl. Finnish TEL pension liability of EUR 15 million

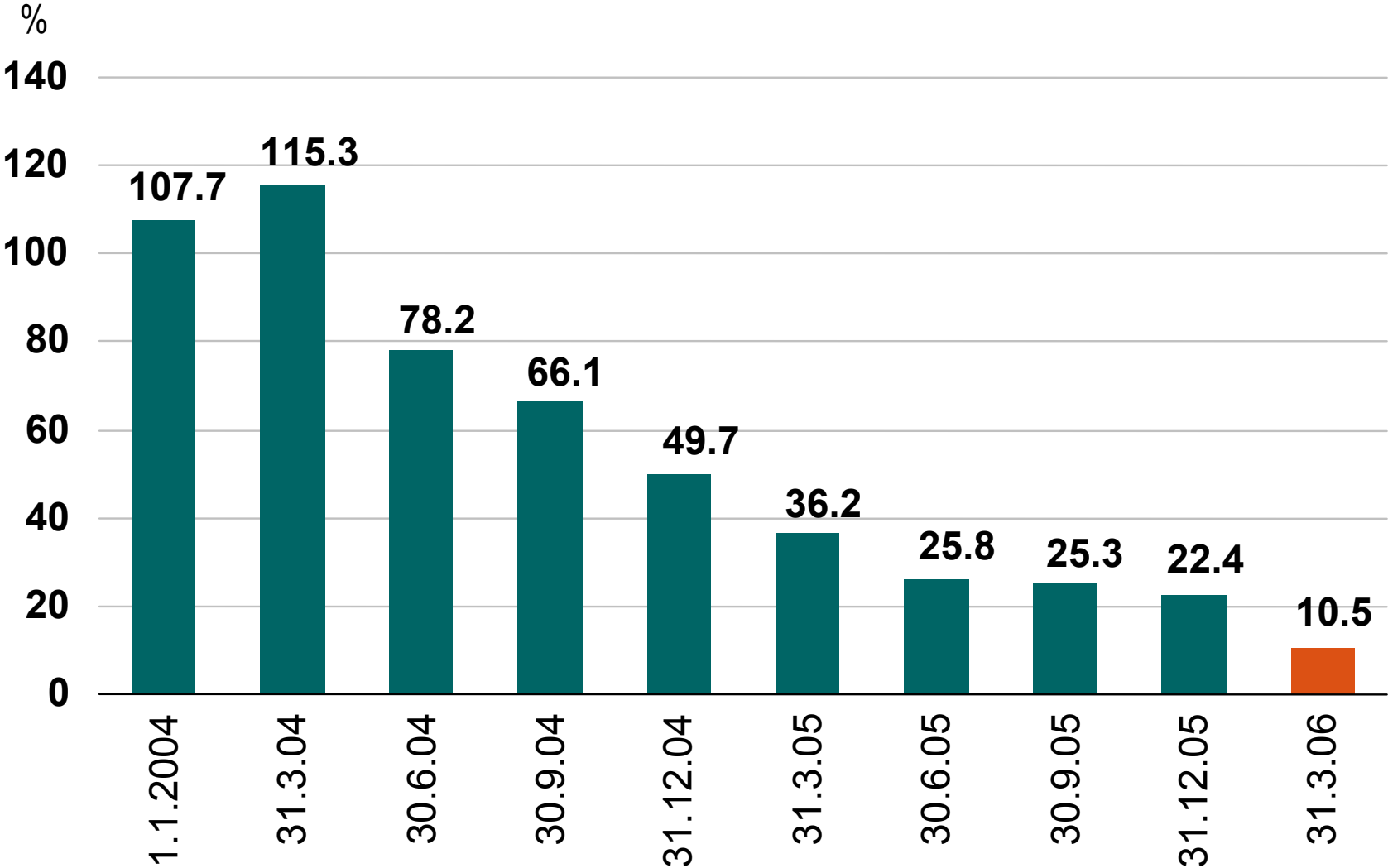


# Business area operating profit -% vs. targets

Last 12 months 4/2005 - 3/2006

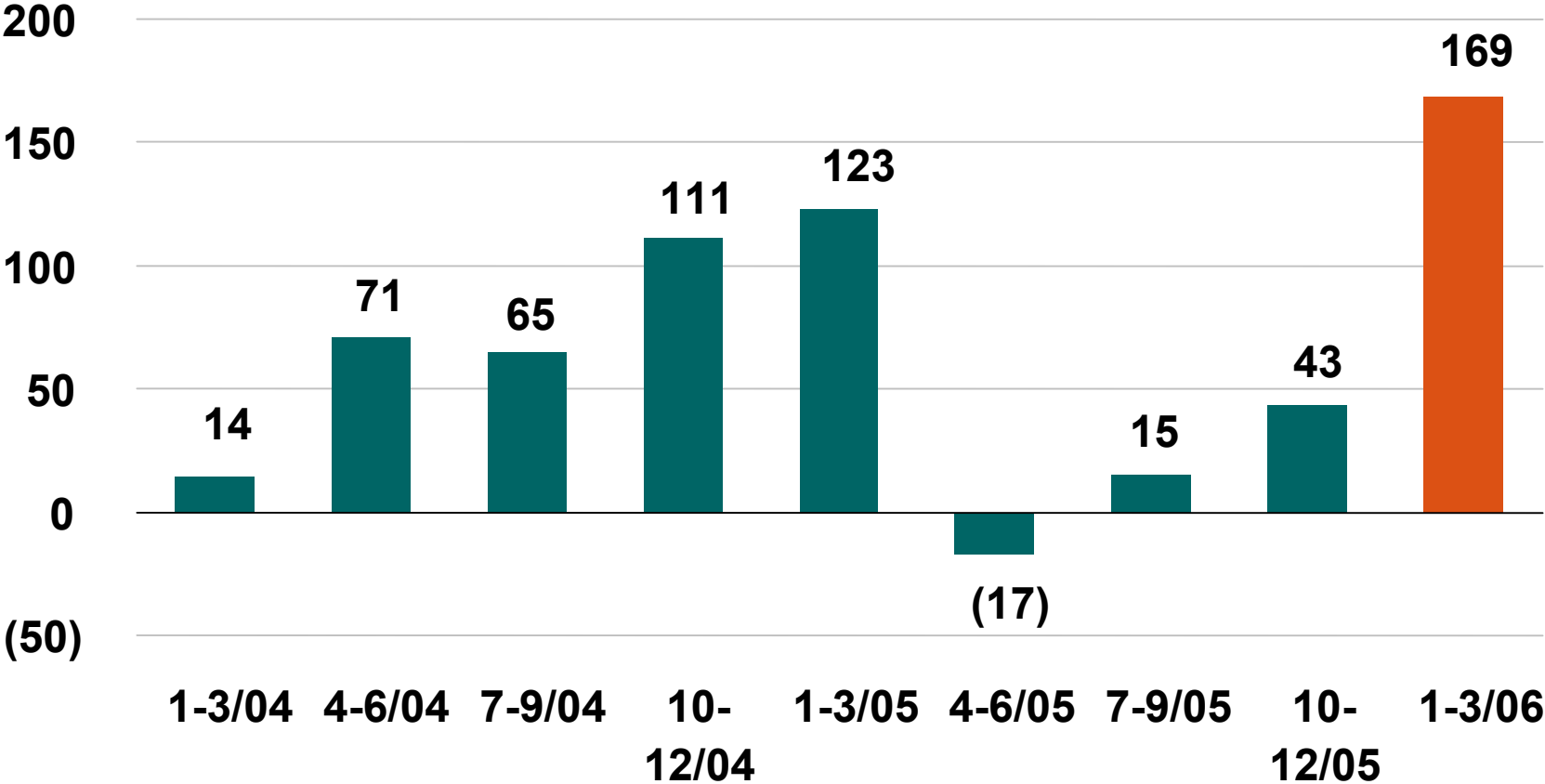


# Gearing



# Net cash generated by operating activities

Million EUR



# 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.

# Metso's 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





**metso**

Metso's financial statements and other financial information are available on Metso's web-site at: [www.metso.com/investors](http://www.metso.com/investors)

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