

# Metso and profitable growth

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# Forward looking statements

- It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company growth, development and profitability and the realization of synergy benefits and cost savings, and statements preceded by "expects", "estimates", "forecasts" or similar expressions, are forward-looking statements. These statements are based on current decisions and plans and currently known factors. They involve risks and uncertainties which may cause the actual results to materially differ from the results currently expected by the company.
- Such factors include, but are not limited to:
  - (1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers and thereby the orders received by the company and their margins
  - (2) the competitive situation, especially significant technological solutions developed by competitors
  - (3) the company's own operating conditions, such as the success of production, product development and project management and their continuous development and improvement
  - (4) the success of pending and future acquisitions and restructuring.

This is Metso



# Operating through three business areas

	<b>Metso Paper</b> Net sales EUR 2.5 billion*	<b>Metso Minerals</b> Net sales EUR 2.2 billion	<b>Metso Automation</b> Net sales EUR 600 million
<b>Customer offering</b>	Equipment for pulp & paper, panelboard and power generation industries; processes and services	Rock and minerals processing equipment, processes and services	Automation systems, valves and services
<b>Division of sales</b>	<ul style="list-style-type: none"> <li>• 55% Paper</li> <li>• 35% Pulp</li> <li>• 10% Power</li> <li>• ~40% new equipment</li> <li>• ~30% rebuilds</li> <li>• ~30% aftermarket</li> </ul>	<ul style="list-style-type: none"> <li>• 50% Mining</li> <li>• 40% Construction</li> <li>• 10% Metal recycling</li> <li>• ~50% new equipment</li> <li>• ~50% aftermarket</li> </ul>	<ul style="list-style-type: none"> <li>• 50% Pulp &amp; Paper</li> <li>• 50% Power, oil &amp; gas</li> <li>• ~75% new equipment</li> <li>• ~25% aftermarket</li> </ul>
<b>Market position</b>	<ul style="list-style-type: none"> <li>• # 1-2 in both pulp &amp; paper</li> <li>• # 1-3 in power</li> <li>• Consolidated market</li> </ul>	<ul style="list-style-type: none"> <li>• Leading in selected segments</li> <li>• Fragmented market</li> </ul>	<ul style="list-style-type: none"> <li>• Leader in pulp &amp; paper</li> <li>• Niche player in energy</li> <li>• Fragmented market</li> </ul>

\*Including Pro forma Pulping & Power businesses, year 2006 figures

# Delivering profitable growth

Strategic initiatives

Emerging markets

Complementary acquisitions



- Growing customer industries
- Aftermarket potential
- New business concepts, products and services
- Efficient, global business processes

- BRIC countries
- Increased sales & service presence
- Local sourcing, production & engineering

- Value enhancing
  - Strategic fit
  - Financial fit
  - Feasibility

# Target markets

## Target markets

### Energy EUR 11 billion

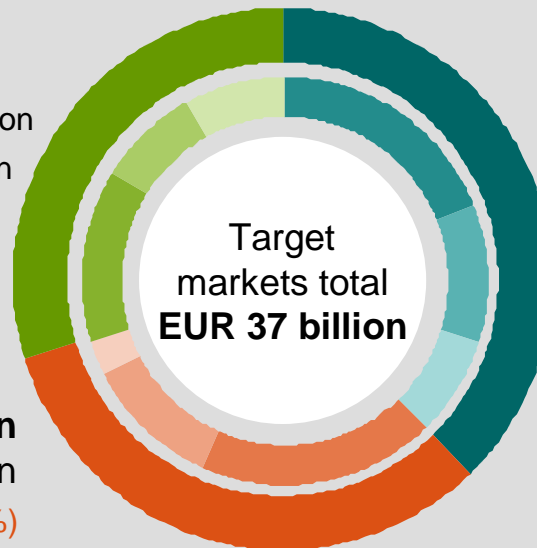
(Metso market share ~5%)

- Oil & Gas upstream Eur 5 billion
- Power Generation Eur 3 billion
- Energy & Process automation Eur 3 billion

### Mining & Construction EUR 12 billion

(Metso market share 15-20%)

- Construction Eur 7 billion
- Mining Eur 4 billion
- Recycling Eur 1 billion

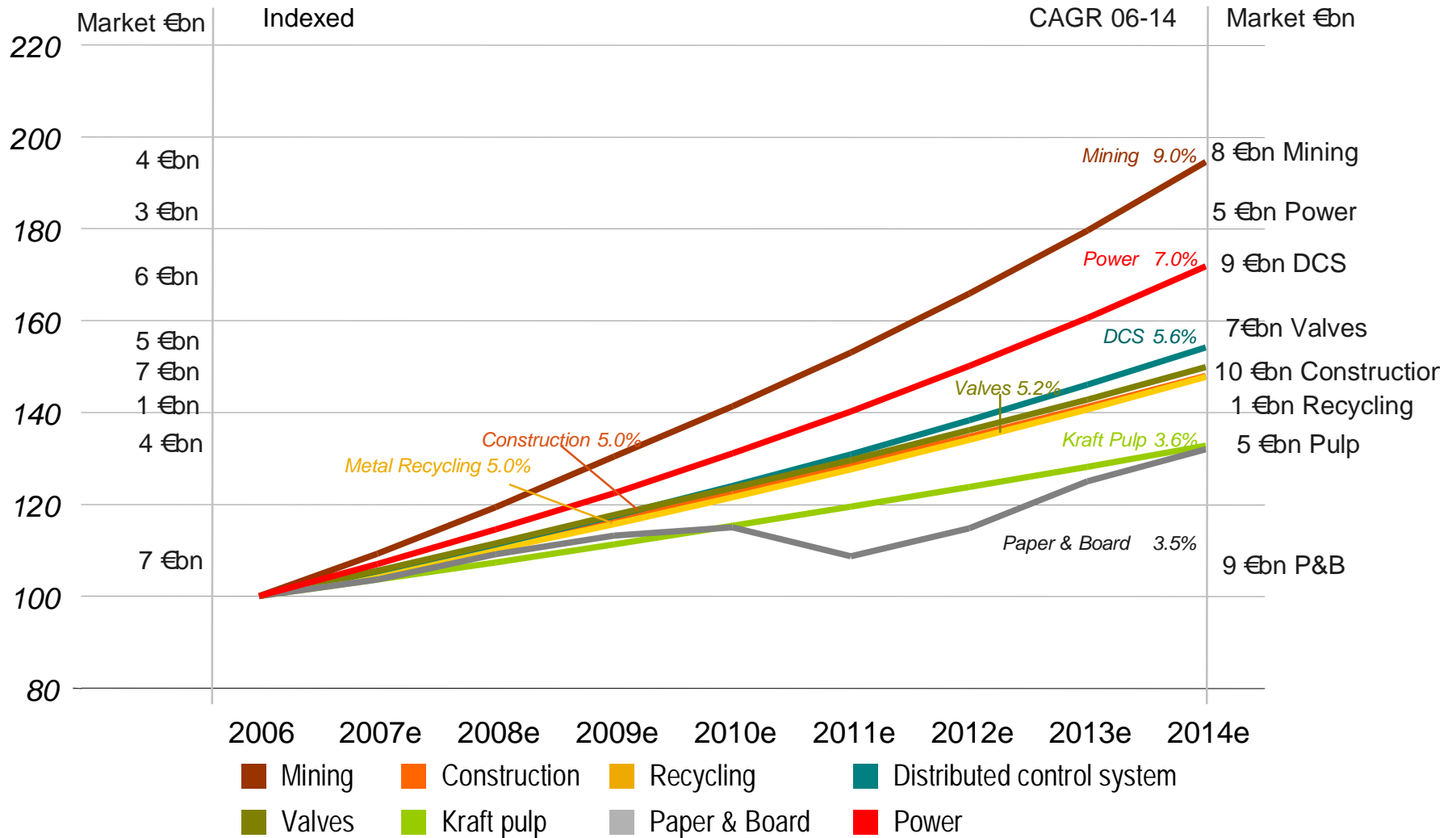


### Pulp & Paper EUR 14 billion

(Metso market share 15-20%)

- Paper & Board Eur 7 billion
- Fiber Eur 4 billion
- Pulp & Paper automation Eur 3 billion

# Demand trends for Metso's products



Including aftermarket. All figures nominal, including inflation.

Sources: Freedonia, ARC, Pöyry, European Renewable Energy Council, Metso estimates



# Markets for pulp and paper

Pulp segment	Business environment
<ul style="list-style-type: none"><li>Mechanical and chemical pulp producers</li></ul>	<ul style="list-style-type: none"><li><b>Satisfactory demand</b></li><li>Europe and US rebuild and aftermarket.</li><li><b>Drivers:</b> Production is shifting towards Southern Hemisphere where planted hardwood is used as raw material.</li><li><b>Customers</b> work for enhanced operational efficiency and are outsourcing services.</li><li><b>Trend</b> towards complete and large scale mill deliveries. Use of recycled fiber will continue to grow.</li></ul>
Paper and board segment	Business environment
<ul style="list-style-type: none"><li>Paper, tissue and board producers</li></ul>	<ul style="list-style-type: none"><li><b>Satisfactory demand</b></li><li>Europe and US rebuild and aftermarket.</li><li><b>Drivers:</b> Growing paper consumption attracts new investments to China and rest of South-East Asia. Aging of existing machinery drive for process improvements and process automation investments in Europe and North America.</li><li><b>Customers</b> work for enhanced operational efficiency and are outsourcing services.</li></ul>

# Markets for construction, mining and metal recycling

Construction segment	Business environment
<ul style="list-style-type: none"> <li>Quarries and crushing projects</li> <li>Contractors</li> <li>Engineering and consulting companies</li> </ul>	<ul style="list-style-type: none"> <li><b>Good demand.</b></li> <li><b>Drivers:</b> Active road network and infrastructure development boost aggregates prices and demand.</li> <li><b>Customers</b> are outsourcing services.</li> <li><b>Trend</b> towards mobile solutions.</li> </ul>
Mining segment	Business environment
<ul style="list-style-type: none"> <li>Mining and industrial minerals companies</li> <li>Mining contractors</li> <li>Engineering and consulting companies</li> </ul>	<ul style="list-style-type: none"> <li><b>Excellent demand.</b></li> <li><b>Drivers:</b> Emerging economies and high metal prices drive extensive investments.</li> <li><b>Customers</b> are outsourcing services and consolidating.</li> <li><b>Trend</b> towards larger equipment and projects.</li> </ul>
Metal recycling segment	Business environment
<ul style="list-style-type: none"> <li>Metal recycling industry</li> </ul>	<ul style="list-style-type: none"> <li><b>Excellent demand.</b></li> <li><b>Drivers:</b> High commodity demand accelerates scrap demand. Mining boom and high metal prices.</li> <li><b>Customers</b> are consolidating.</li> </ul>



# Markets for power, oil and gas

Power generation	Business environment
<ul style="list-style-type: none"><li>• Power plants: coal fired, industrial, combined cycle, energy from waste</li><li>• Engineering firms and construction companies</li><li>• Automation integrators</li><li>• Chemical industry</li><li>• Oil &amp; Gas industry</li></ul>	<ul style="list-style-type: none"><li>• <b>Strong demand</b></li><li>• <b>Drivers:</b> Growing energy consumption and high prices drive for new plant investments and improvements at the existing plants.</li><li>• <b>Customers</b> work for enhanced operational efficiency are outsourcing services.</li><li>• <b>Trend</b> towards global deregulation opens competition and privatization as well as increased requirements for safety and environment.</li></ul>
Oil & gas upstream	Business environment
<ul style="list-style-type: none"><li>• Oil &amp; gas industry</li><li>• Refineries</li></ul>	<ul style="list-style-type: none"><li>• <b>Strong demand</b></li><li>• <b>Drivers:</b> High prices and increased consumption keep investments at a high level.</li><li>• <b>Customers</b> are globalizing and outsourcing services.</li><li>• <b>Trend</b> towards increased requirements for safety and environment.</li></ul>



# Financial performance



# 2006 - A year of consistent profitable growth

- Growth
  - Order intake +20%
  - Net sales +17%
- Profitability
  - Operating profit +36%
  - Operating profit margin 9.2%
- Strategy implementation
  - Aftermarket development mixed
  - Growth in emerging markets
  - Pulping and Power deal closed



# Pulping and Power deal - Excellent strategic fit for Metso

- Acquisition of the Pulping and Power businesses from Aker Kvaerner completed on Dec. 29, 2006.
- Metso is now full-scope supplier
  - Complete pulp mills, modernizations and related service
  - Environmentally sound, bio-fuel based power generation solutions
- Integration proceeding according to plans
- Positive effect in 2007 on:
  - Operating profit before the integration costs
  - Cash flow from operating activities



## Financial highlights in Q4 and 2006

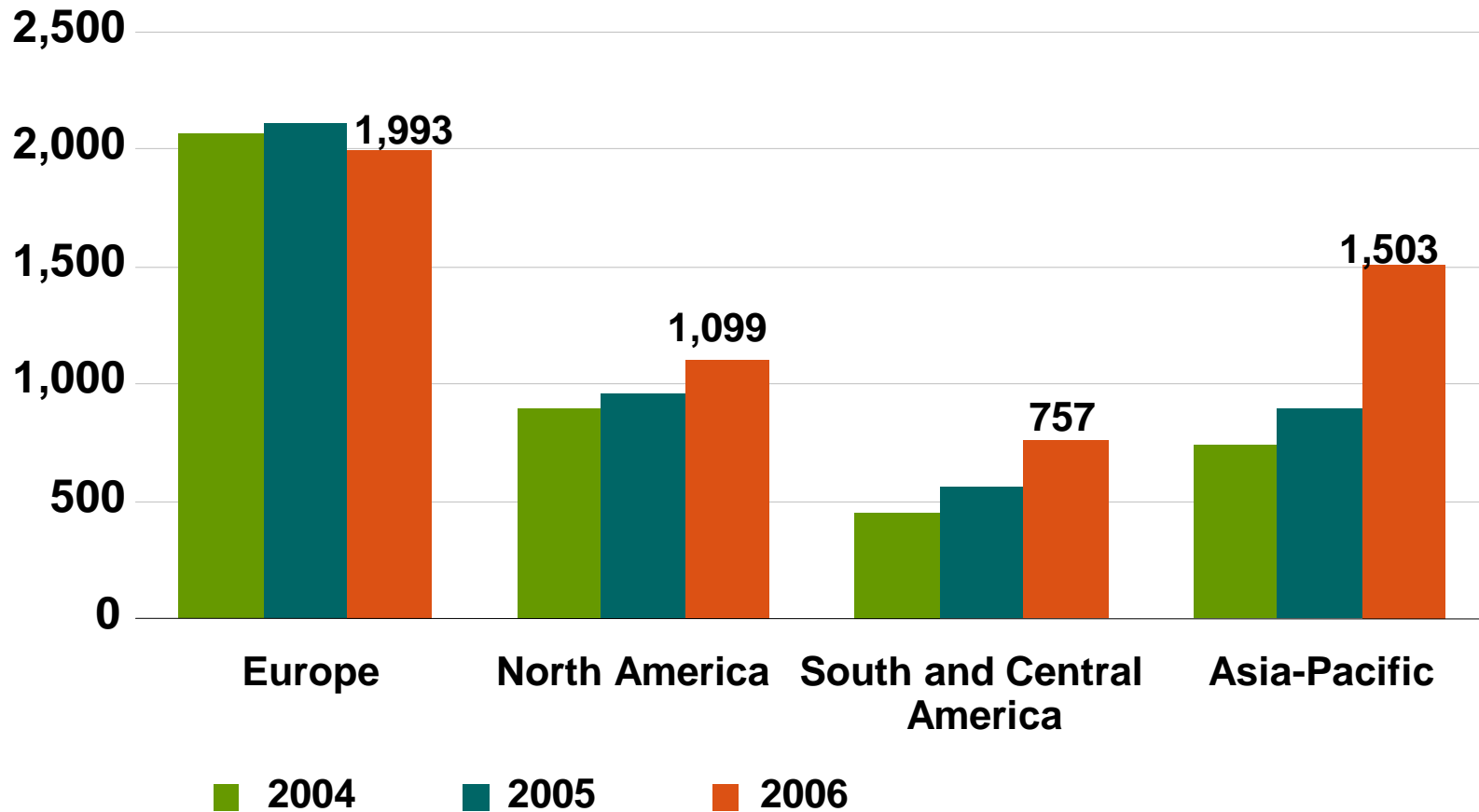
	Q4/06	Q4/05	Change	2006	2005	Change
Orders received, EUR million	1,557	1,537	+1%	5,705	4,745	+20%
Order backlog, EUR million				3,737	2,350	+59%
Net sales, EUR million	1,538	1,254	+23%	4,955	4,221	+17%
Operating profit, EUR million	125	102	+23%	457	335	+36%
Operating profit margin	8.1	8.1	-	9.2	7.9	-
EPS, EUR	0.86	0.47	+83%	2.89	1.69	+71%
Dividend per share, EUR				1.50*	1.40	+7%
Free cash flow, EUR million	36	18	+100%	327	106	+208%
ROCE, %				22.2	18.8	-

\* Board proposal

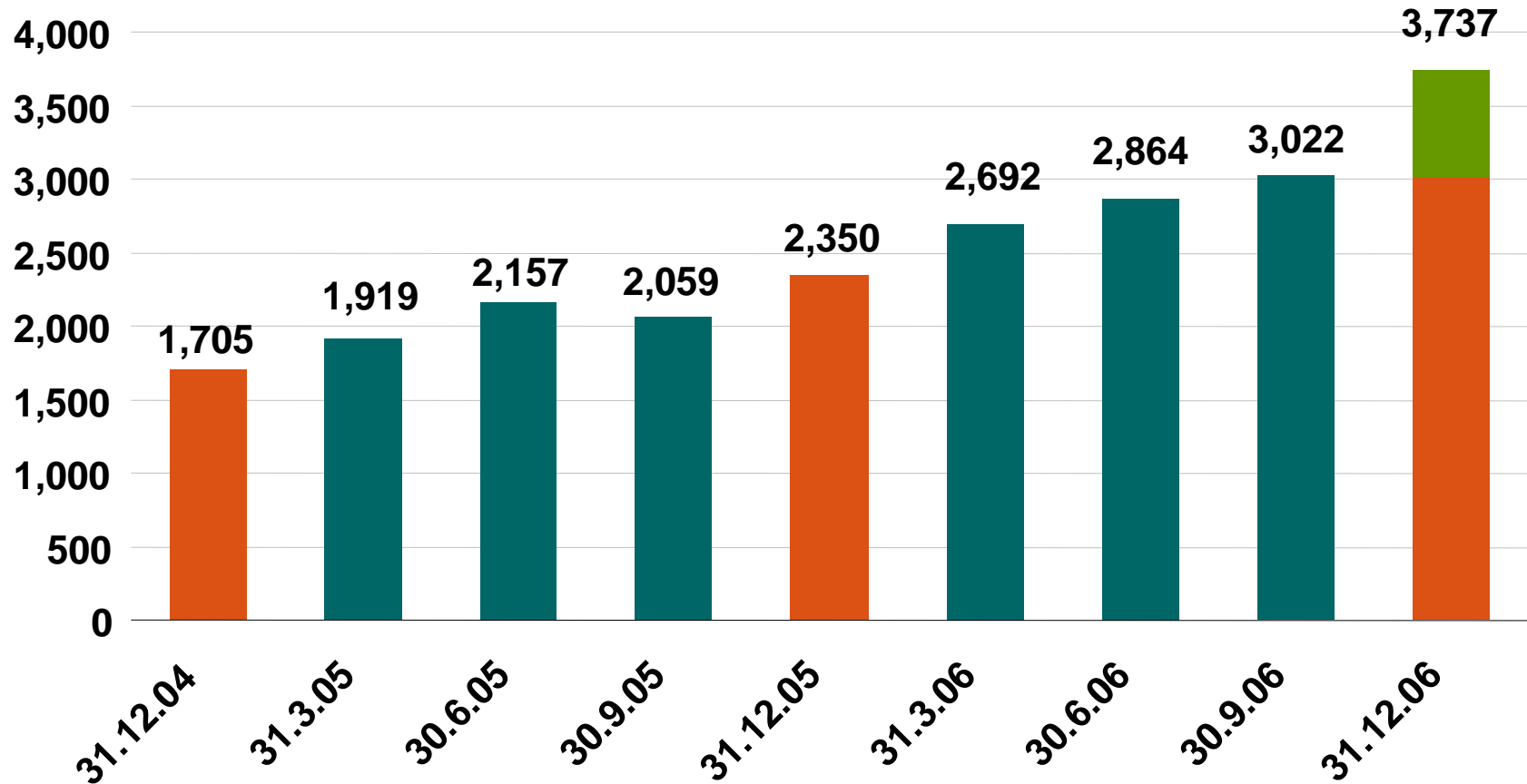


# Strongest growth in new orders in Asia-Pacific

Million EUR



# Order backlog

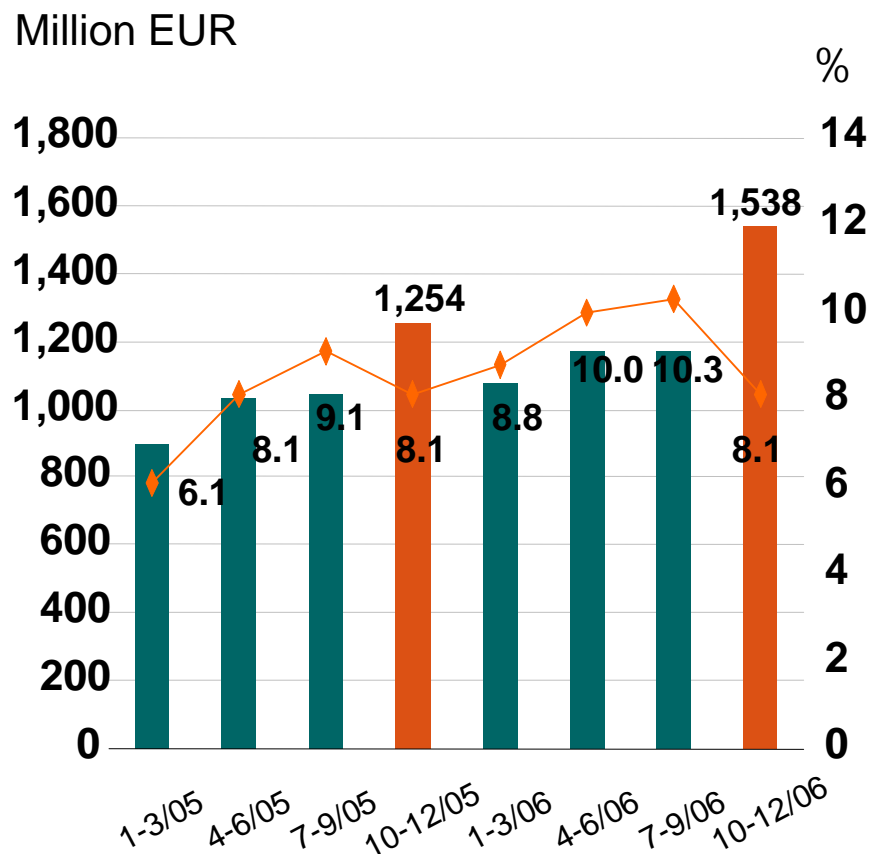


 Acquired Pulping and Power

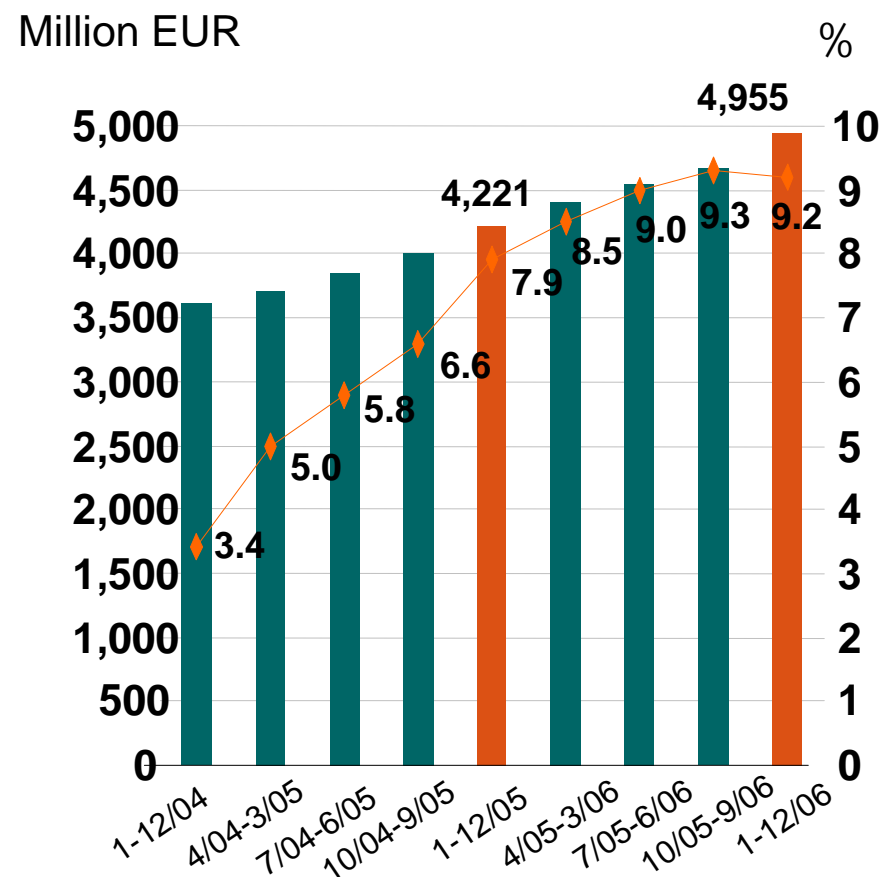


# Metso

## Quarterly performance



## Rolling 12 months performance



Net sales

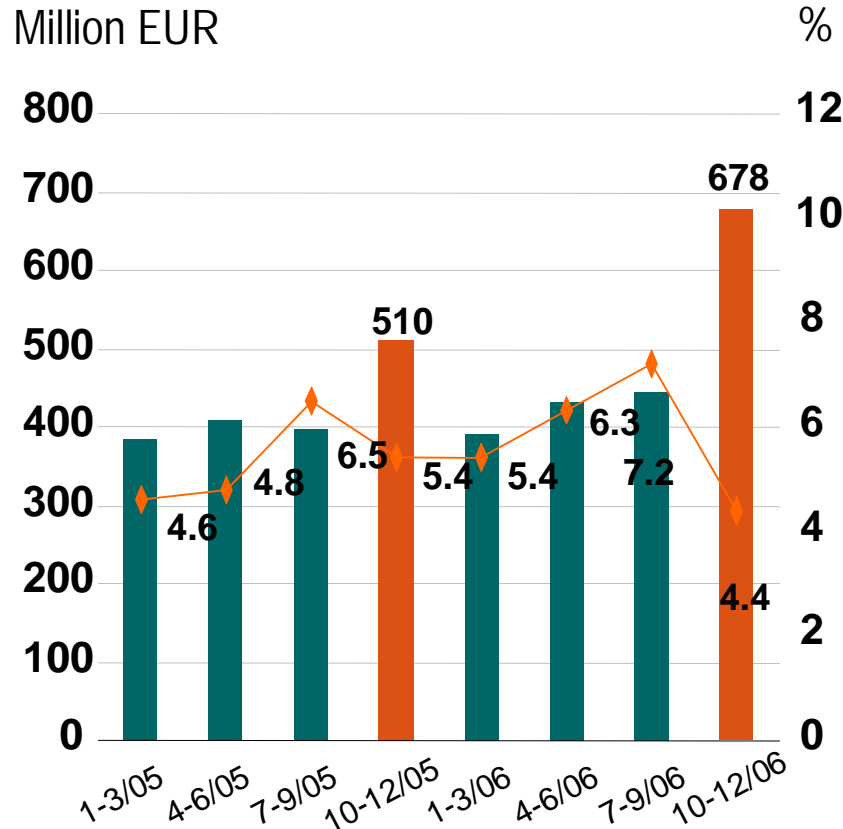
Operating profit -%

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

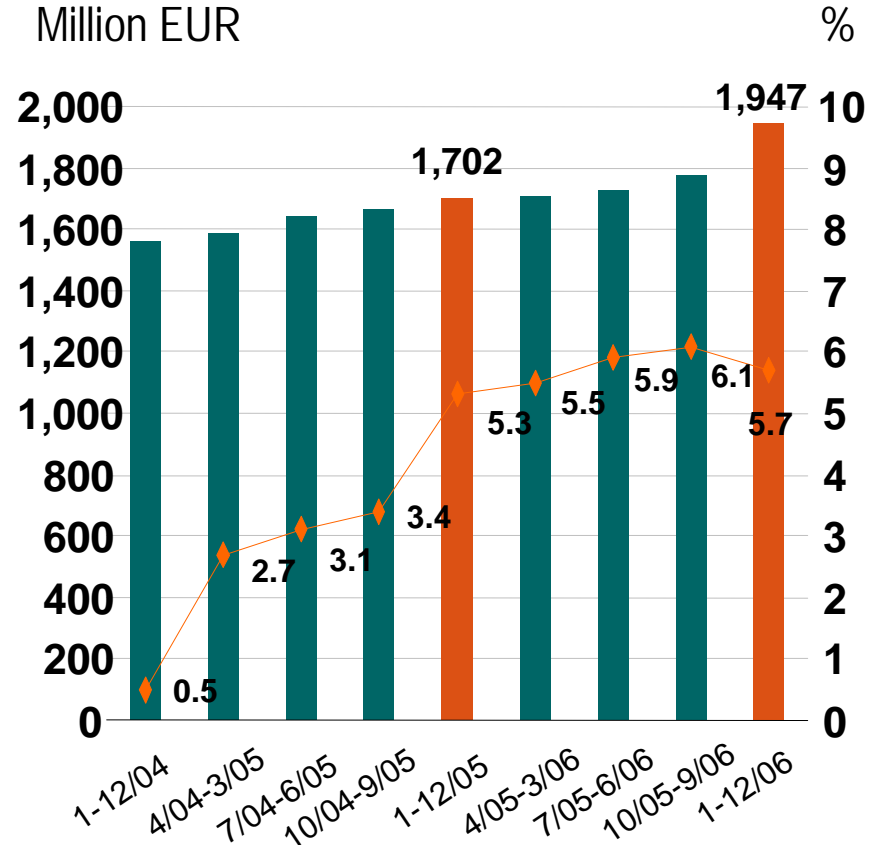


# Metso Paper

## Quarterly performance



## Rolling 12 months performance



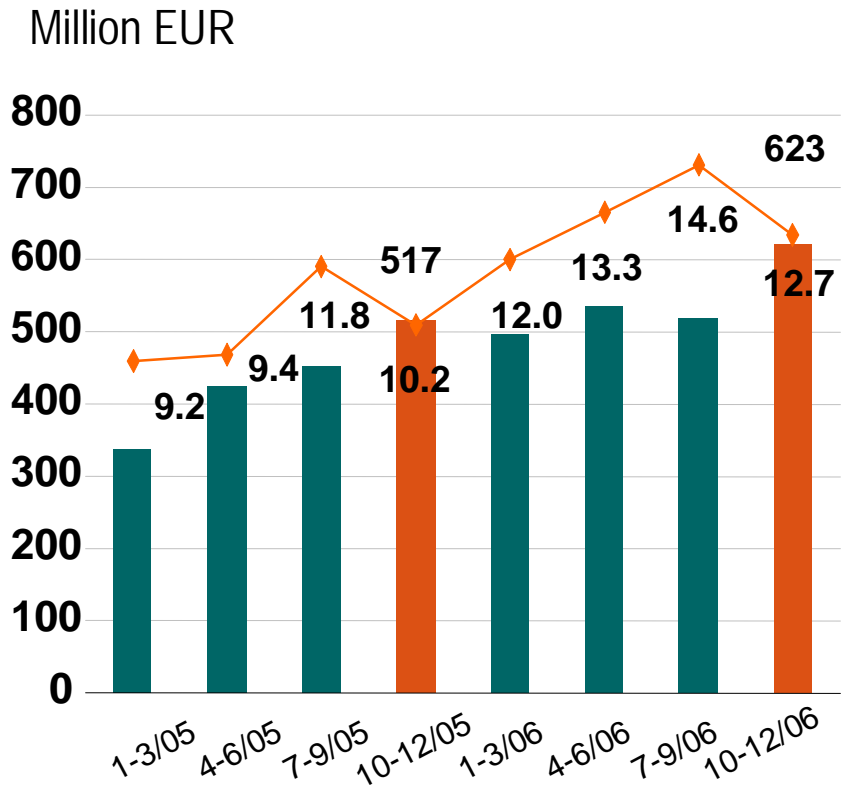
Net sales
  Operating profit -%

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

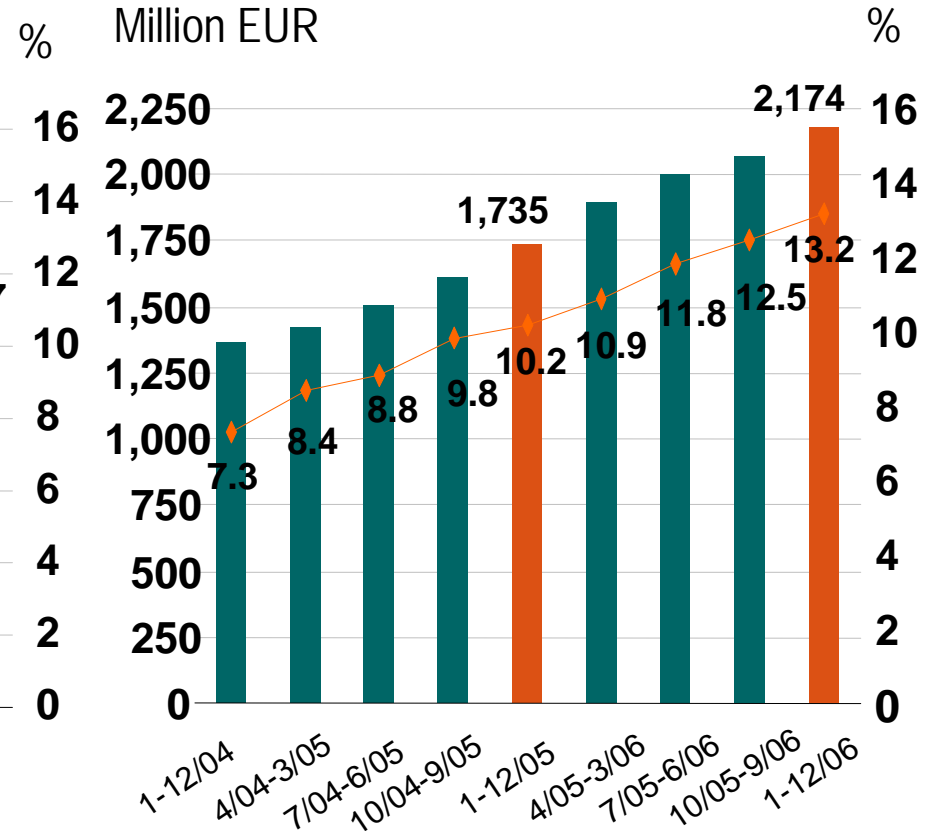


# Metso Minerals

## Quarterly performance



## Rolling 12 months performance



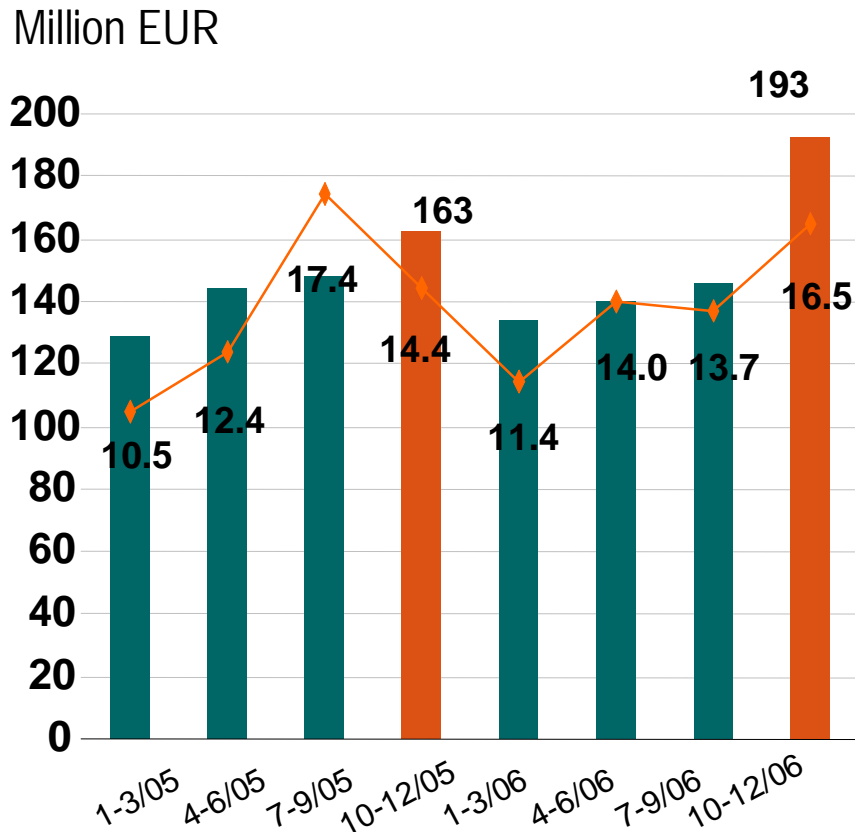
Net sales
  Operating profit -%

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

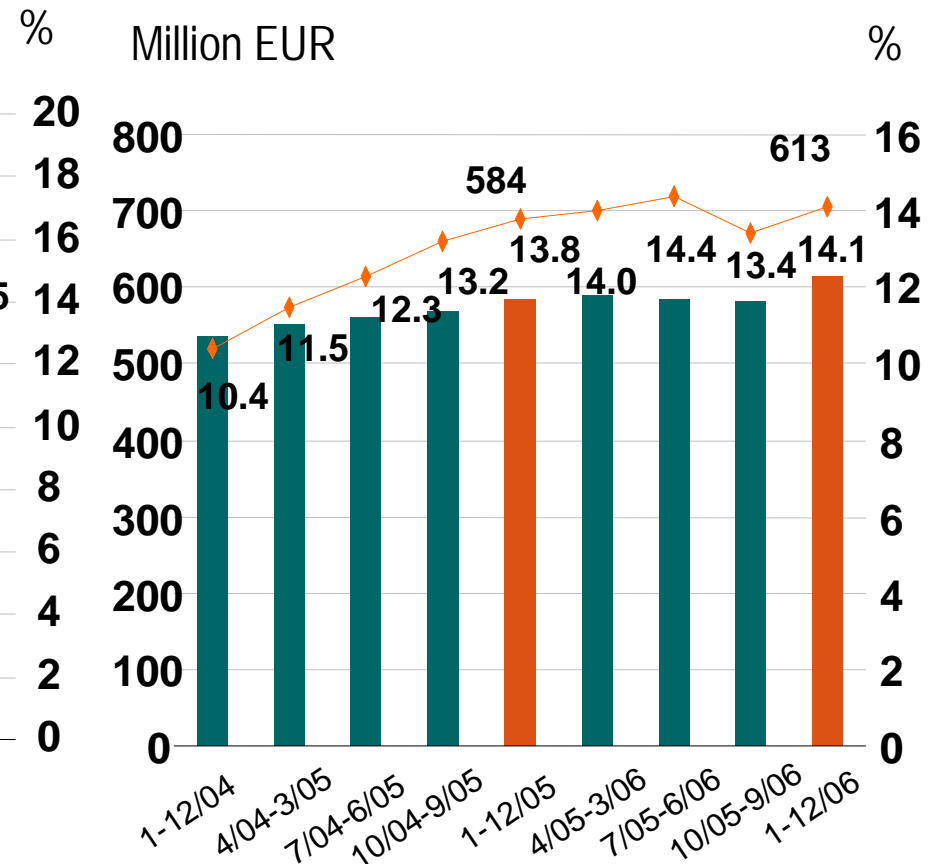


# Metso Automation

## Quarterly performance



## Rolling 12 months performance



**Net sales**


**Operating profit -%**

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



# Aftermarket grew by 10% y-on-y representing 36% of net sales

Million EUR

1,000

900

800

700

600

500

400

300

200

100

0

%

100

90

80

70

60

50

40

30

20

10

0

2004

2005

2006

2004

2005

2006

2004

2005

2006

Metso Paper

Metso Automation

Metso Minerals

% of net sales

546

594

604

701

804

939

124

130

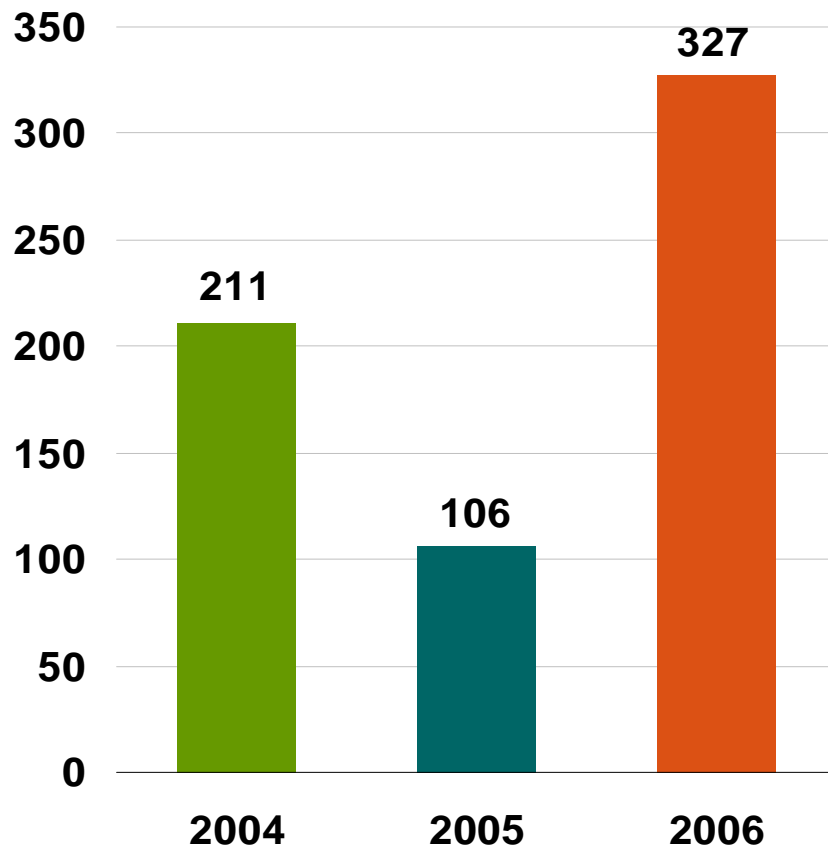
130



# Free cash flow and gearing

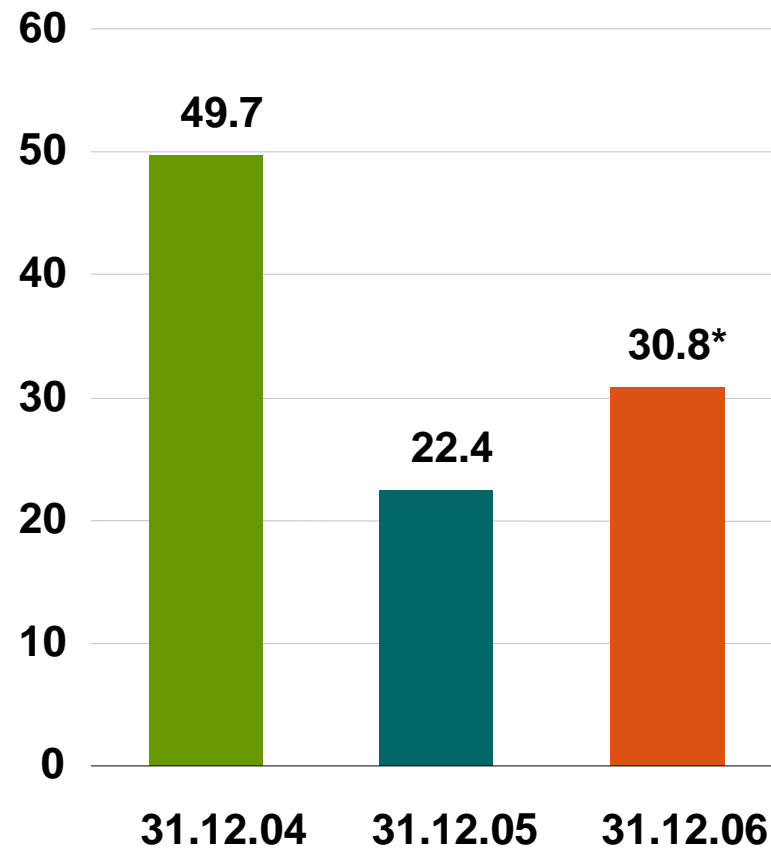
## Free cash flow

Million EUR



## Gearing

%



\* Effect of the acquisition of the Pulping & Power businesses 18 percentage points.



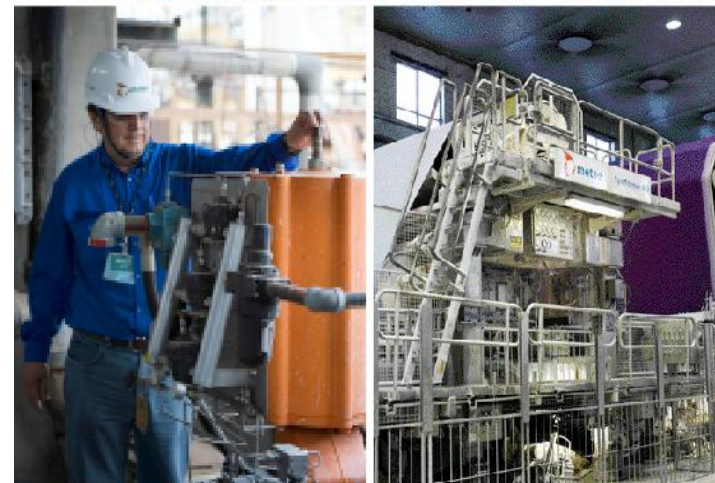
# Favourable market outlook for 2007

	2007
<b>Metso Paper</b>	
Fiber	Satisfactory/Good
Paper & Board	Satisfactory
Tissue	Satisfactory/Good
Power	Excellent
<b>Metso Minerals</b>	
Construction	Good/Excellent
Mining	Excellent
Metal recycling	Excellent
<b>Metso Automation</b>	
Pulp & Paper	Satisfactory/Good
Power, oil & gas	Good/Excellent



# Financial outlook for 2007

- Thanks to the strong order backlog, continuing favorable market situation and the expanded business scope, Metso's net sales in 2007 are estimated to grow by more than 20% on 2006.
- Operating profit is estimated to clearly improve.
- It is estimated that the operating profit margin in 2007 will be slightly below Metso's over 10% target.
- This is primarily due to the high first-year amortization of intangible assets, integration costs and only partially materializing synergy benefits related to the acquisition of the Pulping and Power businesses.



The estimates do not include changes resulting from any future acquisitions or divestitures.



# Another record year

- still a lot of improvement potential

- Metso Minerals, Metso Automation and Metso Power; exploit organic growth opportunities in full.
- Metso Paper
  - operational issues to boost profitability
  - successful integration of Pulping and Power
- Stronger global presence





**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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