

# Metso and profitable growth

Handelsbanken Breakfast in Helsinki  
February 16, 2007

Jorma Eloranta, President and CEO



## 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

	Metso Paper Net sales EUR 2.5 billion*	Metso Minerals Net sales EUR 2.2 billion	Metso Automation 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

© Metso Corporation 2007 16.02.2007



## 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

5

© Metso Corporation 2007 16.02.2007



## Target markets

### Target markets

#### Energy EUR 11 billion

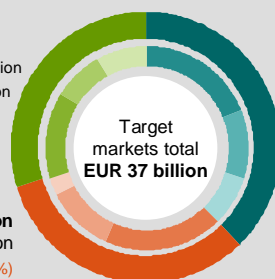
(Metso market share ~5%)

- 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

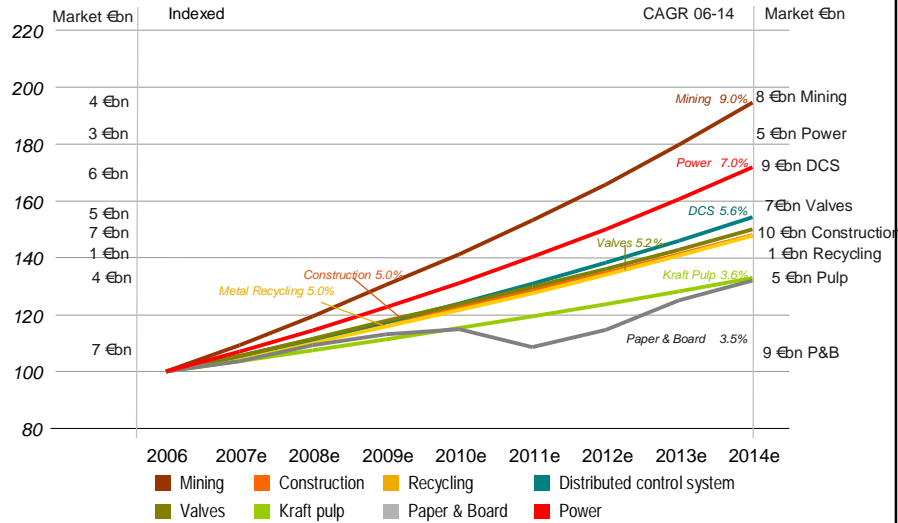
Target markets total  
EUR 37 billion

6

© Metso Corporation 2007 16.02.2007



## Demand trends for Metso's products



Including aftermarket. All figures nominal, including inflation.  
Sources: Freedonia, ARC, Pöyry, European Renewable Energy Council, Metso estimates



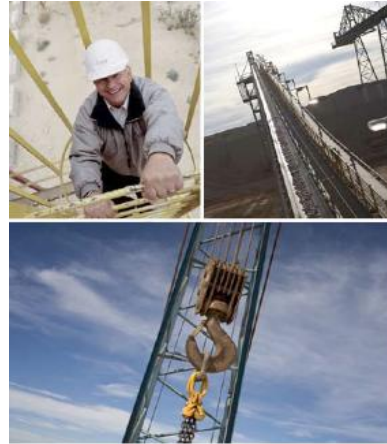
© Metso Corporation 2007 16.02.2007

## Financial performance



## 2006 - A year of consistent profitable growth <sup>1</sup>

- 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



9

© Metso Corporation 2007 16.02.2007



## Pulping and Power deal - Excellent strategic fit for Metso <sup>2</sup>

- 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



10

© Metso Corporation 2007 16.02.2007



## Financial highlights in Q4 and 2006

3

	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

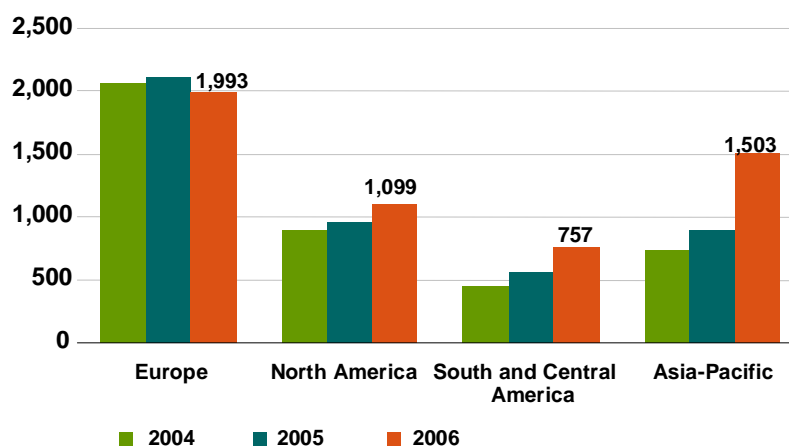
11

© Metso Corporation 2007 16.02.2007



## Strongest growth in new orders in Asia-Pacific<sup>6</sup>

Million EUR

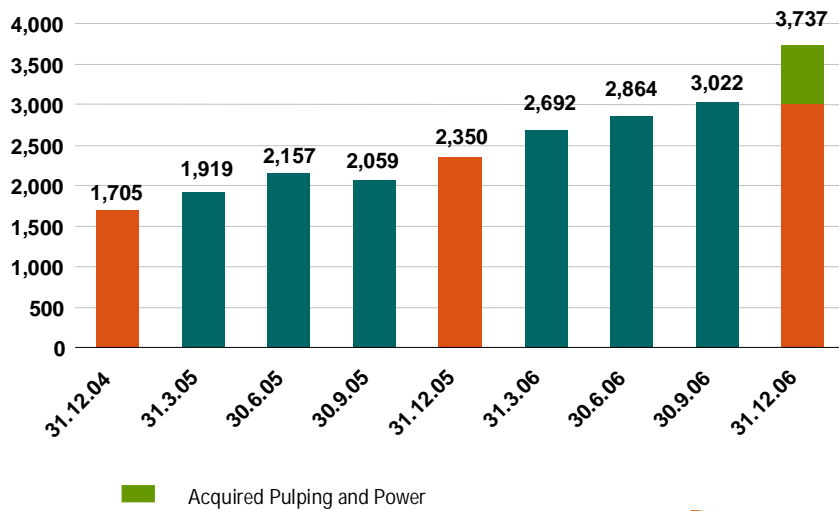


12

© Metso Corporation 2007 16.02.2007



## Order backlog



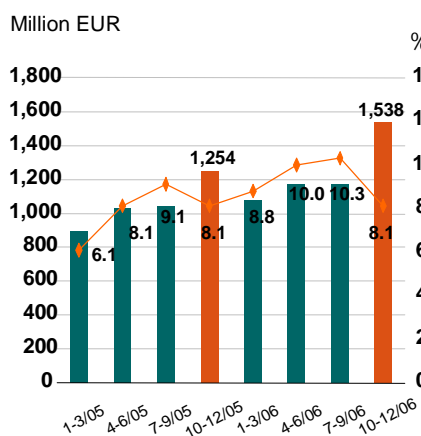
13

© Metso Corporation 2007 16.02.2007

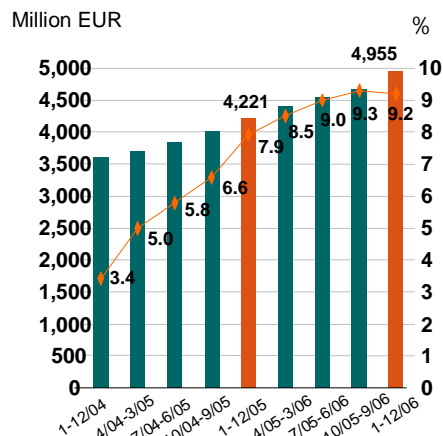


## Metso

### Quarterly performance



### Rolling 12 months performance



Legend: Net sales (Bar), Operating profit -% (Line with diamond)  
 Q4/04 excl. Finnish TEL pension liability of EUR 75 million

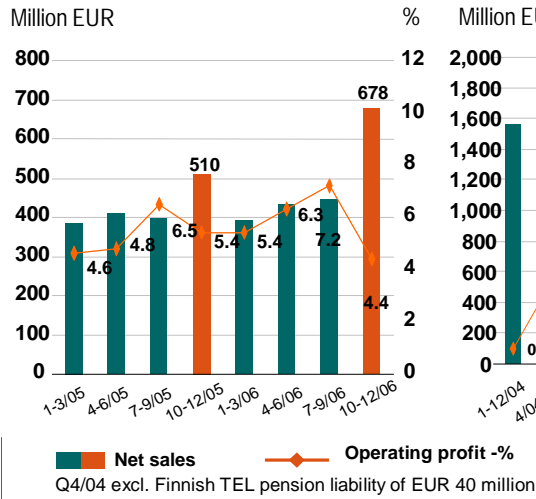
14

© Metso Corporation 2007 16.02.2007

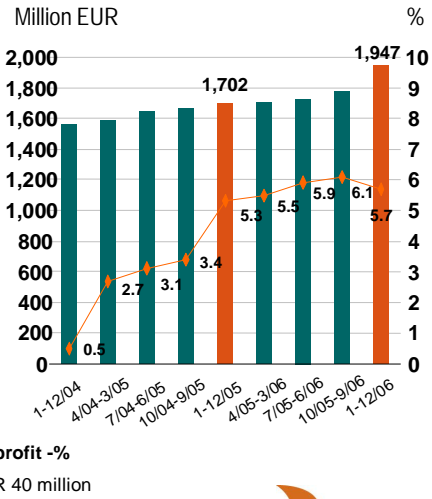


# Metso Paper

## Quarterly performance



## Rolling 12 months performance



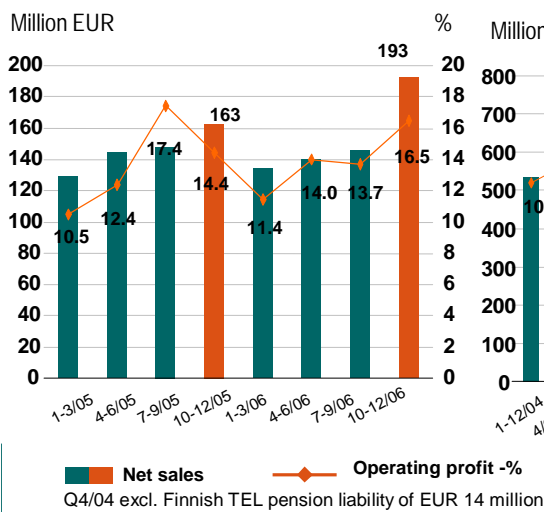
15

© Metso Corporation 2007 16.02.2007

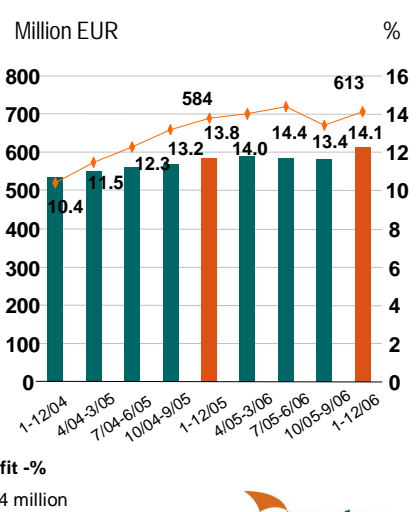


# Metso Automation

## Quarterly performance



## Rolling 12 months performance



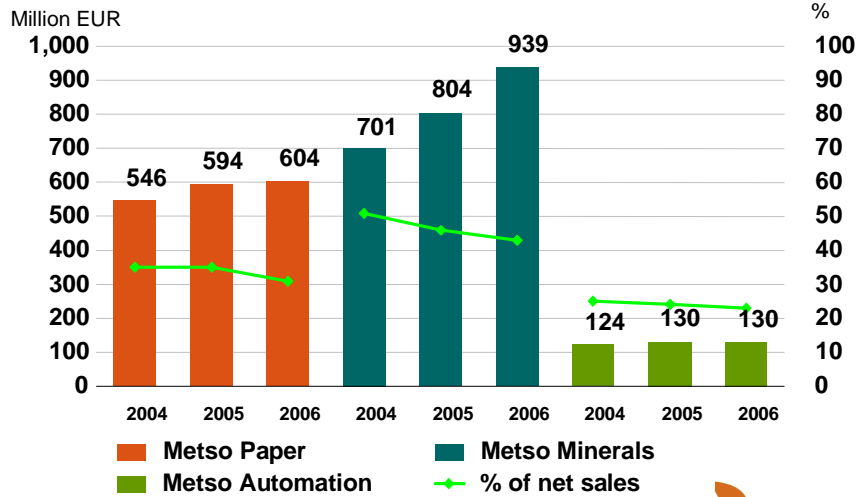
16

© Metso Corporation 2007 16.02.2007



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

9



© Metso Corporation 2007 16.02.2007

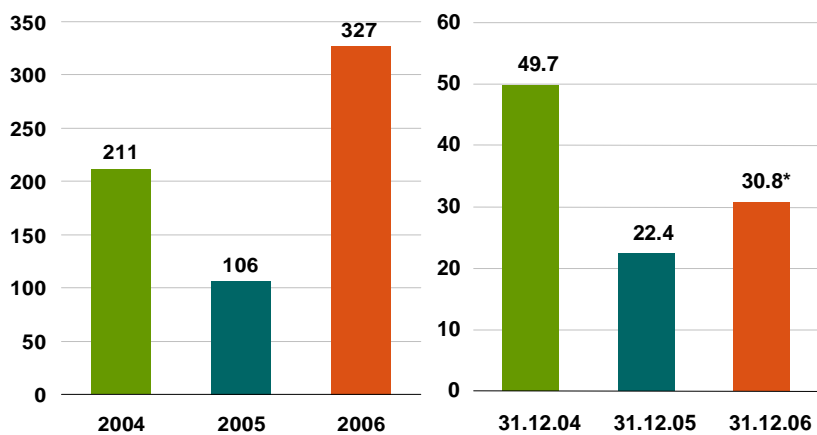


17

## Free cash flow and gearing

Free cash flow  
Million EUR

Gearing  
%



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

© Metso Corporation 2007 16.02.2007



18

## 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



19

© Metso Corporation 2007 16.02.2007

## 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.



20

© Metso Corporation 2007 16.02.2007

## 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
  - successfull integration of Pulping and Power
- Stronger global presence



# Metso Minerals

Handelsbanken Breakfast in Helsinki  
February 16, 2007

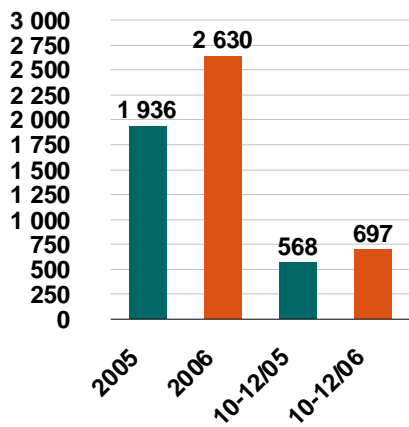
Matti Kähkönen, President, Metso Minerals



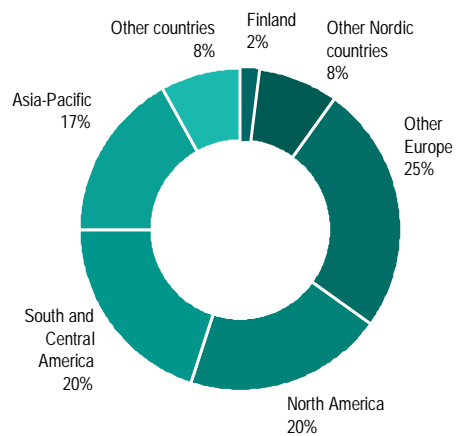
## Metso Minerals

### Orders received

Million EUR



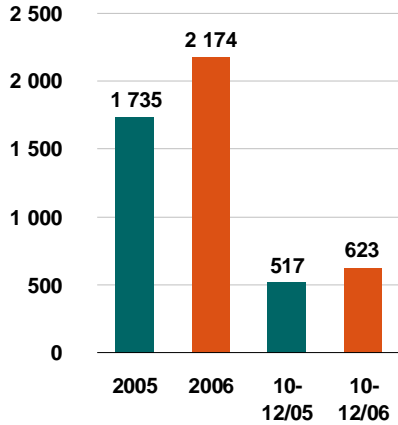
### Orders received by market area



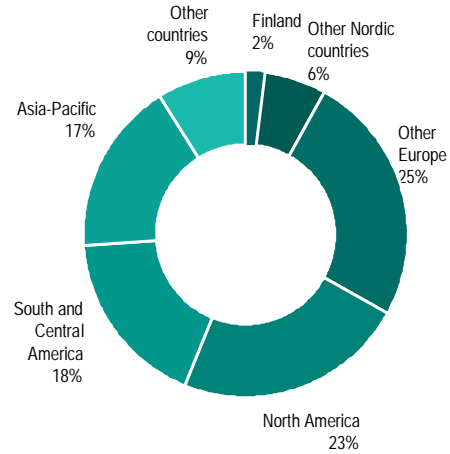
## Metso Minerals

### Net sales

Million EUR



### Net sales by market area



25

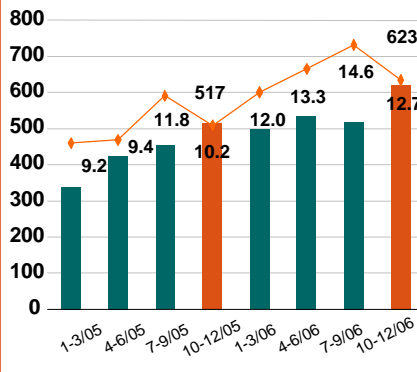
© Metso Corporation 2007 16.02.2007



## Metso Minerals

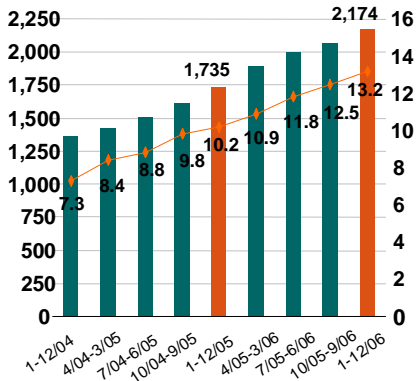
### Quarterly performance

Million EUR



### Rolling 12 months performance

Million EUR



Net sales Operating profit -%  
Q4/04 excl. Finnish TEL pension liability of EUR 5 million

26

© Metso Corporation 2007 16.02.2007



## 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>

27

© Metso Corporation 2007 16.02.2007



## Metso Minerals Management Agenda

- Successful implementation of the new customer segment focused strategy and structure
- Development of new concepts and products for life cycle services
- Strengthening our presence in the emerging markets - India, China and Russia
- Continuous improvement of productivity for better profitability
- Further growth through acquisitions and developing our offering
- Smooth roll-out and implementation of SAP



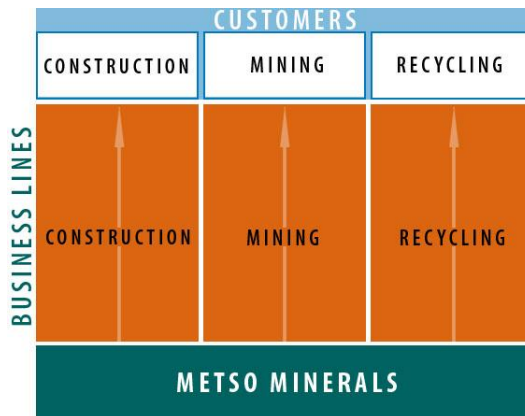
28

© Metso Corporation 2007 16.02.2007



## Operations model

- Structure optimized to serve Metso Minerals' core customer segments:
  - Business lines to develop intensive customer relations, life cycle services, offering, and process knowhow within the customer segments.



29

© Metso Corporation 2007 16.02.2007



## Summary

- Metso Minerals' target markets are developing positively and the demand for customers' end products varies from good to strong.
- Metso Minerals will adjust its operations model and strategy to better respond to the needs of its main customer segments.
- Further development of service business and product portfolio is essential.
- Metso Minerals targets growth also through stronger foothold on the emerging markets, improved productivity, and by complementary acquisitions.



30

© Metso Corporation 2007 16.02.2007





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)

**Metso Corporation - Investor Relations**

Fabianinkatu 9 A, P.O. Box 1220, FIN-00101 Helsinki, Finland  
Tel. +358 20484 100 Fax +358 20 484 3236

**Johanna Sintonen**, Vice President, Investor Relations  
Tel. +358 20 484 3253  
[johanna.sintonen@metso.com](mailto:johanna.sintonen@metso.com)

**Elina Lehtinen**, Financial Communicator, Investor Relations  
Tel. +358 20 484 3215  
[elina.lehtinen@metso.com](mailto:elina.lehtinen@metso.com)

**Anne-Mari Ylikulppi**, Assistant, Investor Relations  
Tel. +358 20 484 3117  
[anne-mari.ylikulppi@metso.com](mailto:anne-mari.ylikulppi@metso.com)

**North America:**

**Mike Phillips**, Senior Vice President, Finance and Administration, Metso USA Inc.  
Tel. +1 770 246 7237  
[mike.phillips@metso.com](mailto:mike.phillips@metso.com)

