

Metso and profitable growth

Road show in Frankfurt with Deutsche Bank
February 12, 2007

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Market drivers and trends
Metso's strategy and actions
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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.

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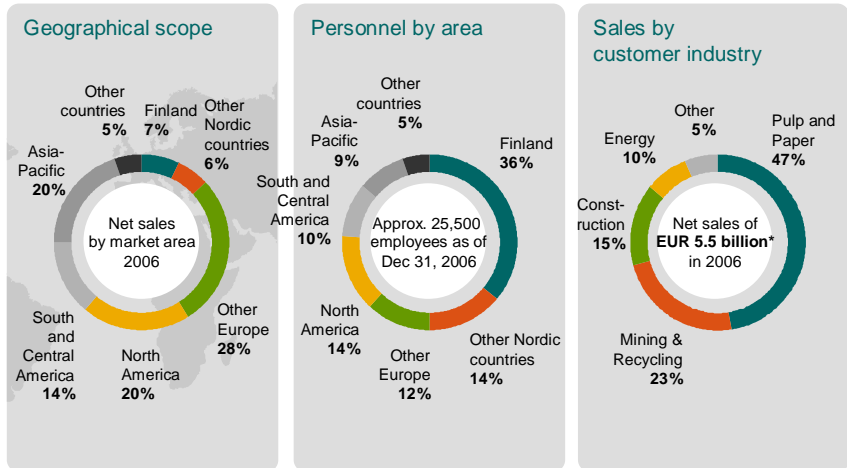
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This is Metso



Metso at a glance



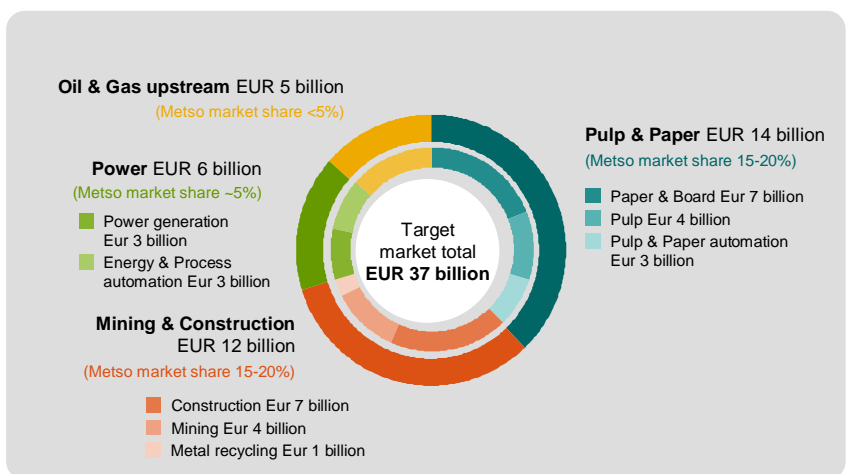
*Including Pro forma Pulping & Power businesses



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Metso's target markets



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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
Customer offering	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
Division of sales	<ul style="list-style-type: none"> • 55% Paper • 35% Pulp • 10% Power • 1/3 new equipment • 1/3 rebuilds • 1/3 aftermarket 	<ul style="list-style-type: none"> • 50% Mining • 40% Construction • 10% Metal recycling • 1/2 new equipment • 1/2 aftermarket 	<ul style="list-style-type: none"> • 50% Pulp & Paper • 50% Power, oil & gas • 3/4 new equipment • 1/4 aftermarket
Market position	<ul style="list-style-type: none"> • # 1-2 in both pulp & paper • # 1-3 in power • Consolidated market 	<ul style="list-style-type: none"> • Leading in selected segments • Fragmented market 	<ul style="list-style-type: none"> • Leader in pulp & paper • Niche player in energy • Fragmented market

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

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Market drivers and trends



Metso's business portfolio provides solid growth opportunities

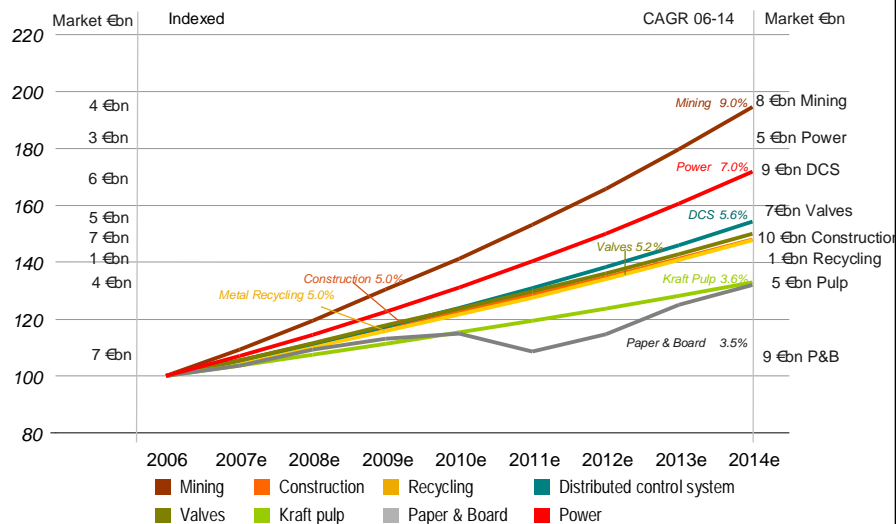
- Rapid growth of paper and board consumption in new emerging economies
- New pulp capacity developed in Southern Hemisphere
- Emerging economies invest heavily in transportation and other infrastructure development
- Growth in emerging economies drives minerals consumption up for several years - mining 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
- New business opportunities in the power industry and biomass technologies

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Demand trends for Metso's products



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

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Markets for pulp and paper

Pulp segment

- Mechanical and chemical pulp producers

Business environment

- **Satisfactory demand**
- Europe and US rebuild and aftermarket.
- **Drivers:** Production is shifting towards Southern Hemisphere where planted hardwood is used as raw material.
- **Customers** work for enhanced operational efficiency and are outsourcing services.
- **Trend** towards complete and large scale mill deliveries. Use of recycled fiber will continue to grow.

Paper and board segment

- Paper, tissue and board producers

Business environment

- **Satisfactory demand**
- Europe and US rebuild and aftermarket.
- **Drivers:** 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.
- **Customers** work for enhanced operational efficiency and are outsourcing services.

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Markets for construction, mining and metal recycling

Construction segment

- Quarries and crushing projects
- Contractors
- Engineering and consulting companies

Business environment

- **Good demand.**
- **Drivers:** Active road network and infrastructure development boost aggregates prices and demand.
- **Customers** are outsourcing services.
- **Trend** towards mobile solutions.

Mining segment

- Mining and industrial minerals companies
- Mining contractors
- Engineering and consulting companies

Business environment

- **Excellent demand.**
- **Drivers:** Emerging economies and high metal prices drive extensive investments.
- **Customers** are outsourcing services and consolidating.
- **Trend** towards larger equipment and projects.

Metal recycling segment

- Metal recycling industry

Business environment

- **Excellent demand.**
- **Drivers:** High commodity demand accelerates scrap demand. Mining boom and high metal prices.
- **Customers** are consolidating.

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Markets for power, oil and gas

Power generation

- Power plants: coal fired, industrial, combined cycle, energy from waste
- Engineering firms and construction companies
- Automation integrators
- Chemical industry
- Oil & Gas industry

Business environment

- **Strong demand**
- **Drivers:** Growing energy consumption and high prices drive for new plant investments and improvements at the existing plants.
- **Customers** work for enhanced operational efficiency are outsourcing services.
- **Trend** towards global deregulation opens competition and privatization as well as increased requirements for safety and environment.

Oil & gas upstream

- Oil & gas industry
- Refineries

Business environment

- **Strong demand**
- **Drivers:** High prices and increased consumption keep investments at a high level.
- **Customers** are globalizing and outsourcing services.
- **Trend** towards increased requirements for safety and environment.

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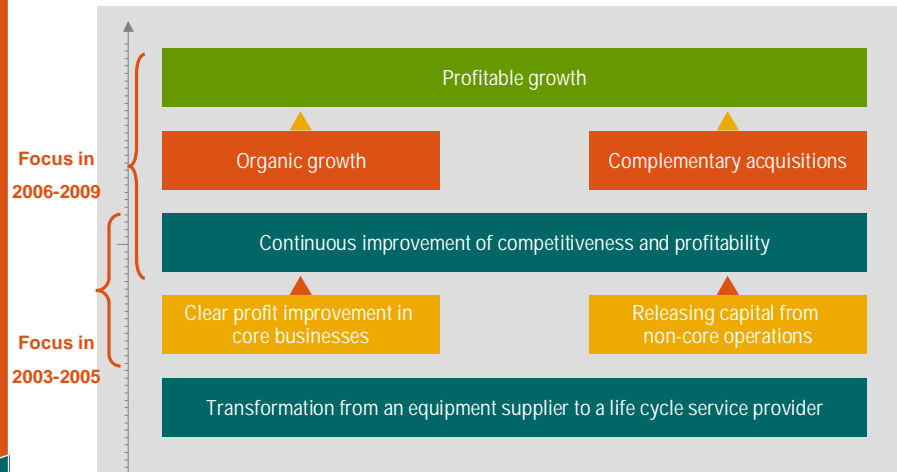
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Metso's strategy and actions



From restructuring to profitable growth



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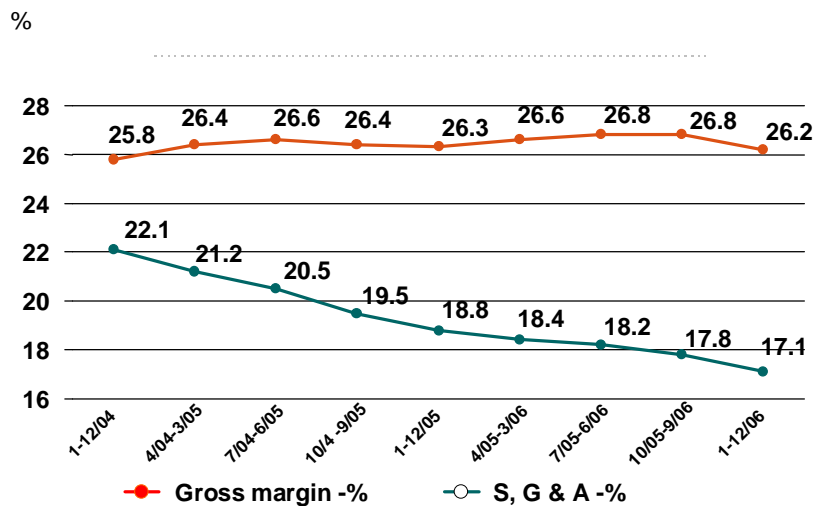
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Cost structure

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Gross margin -% and S,G&A -% (rolling 12 months)



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Metso's financial targets

Growth	• Average annual net sales growth of more than 10%
Profitability	• Operating profit margin (EBIT-%) of more than 10%
Capital structure	• Solid investment grade status

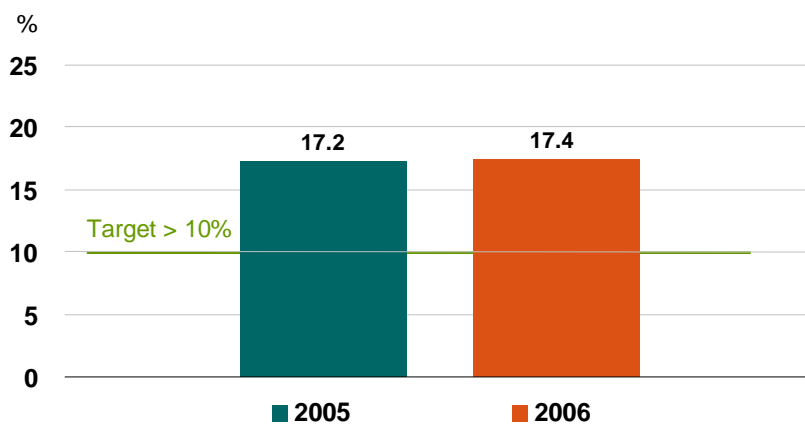
Dividend policy:
Annual dividend at least 50% of EPS

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Net sales growth -% vs. target

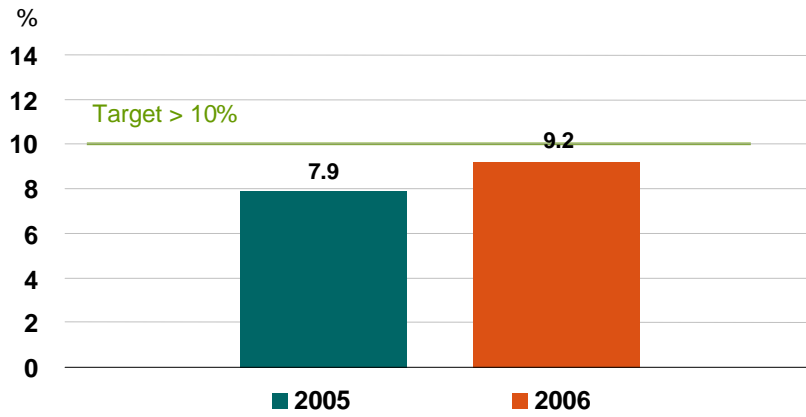


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Operating profit -% vs. target



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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

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Growth through acquisitions

Metso Acquisition Process

- Texas Shredder, Inc. (August 2005)
- Shanghai-Chenming Paper Machinery Co. Ltd (September 2006)
- Svensk Gruvteknik AB and Svensk Pappersteknik AB (October 2006)
- Aker Kvaerner Pulping & Power (December 2006)

2005

2006

2007

2008

Strategic Fit

- Complement product/service offering
- Stronger presence in emerging markets
- Aftermarket potential
- Closing geographical gaps

Financial Fit

- Target business to be shortly earnings-enhancing

Feasibility

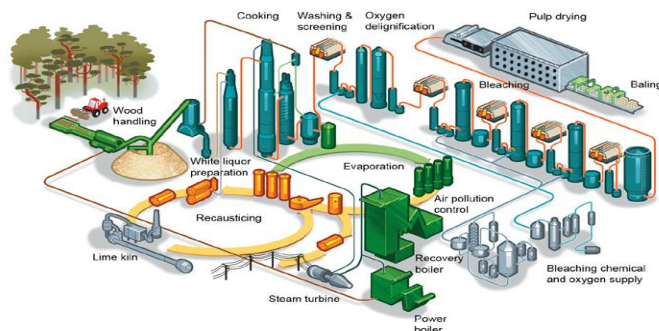
- Availability
- Anti-trust requirements
- Environmental liabilities
- Unusual risks

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Acquisition of Pulping and Power businesses



- Deal closed in December 2006.
- Estimated acquisition cost EUR 341 million incl. EUR 6 million costs related to acquisition and EUR 52 million acquired net cash.
- Final closing price will be agreed in Q1/2007.
- Annual cost-based synergies EUR 20-25 million, 1/3 will realize during 2007.
- One-time integration costs appr. EUR 10 million, will realize mainly in 2007.
- Amortization of intangible assets of EUR 154 million: 2007 EUR 37 million, 2008: EUR 20 million, and EUR 13 million thereafter

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Strong local presence globally key for competitiveness - case Metso Paper in China

- Metso Paper Technology (Shanghai) Co. Ltd.
 - acquired in September 2006
 - strengthened capabilities in China and new opportunities outside China
 - workshop, foundry and design department for mid-sized paper and board machinery
 - employs around 450 people
 - debt-free purchase price and investments for the unit development approx. EUR 35 million
- Valmet-Xian Machinery Co. Ltd. in China.
 - Metso has had 48.3% stake in the JV since 1980s
 - focuses on small and medium sized paper and board machines
 - employs approximately 1,110 people

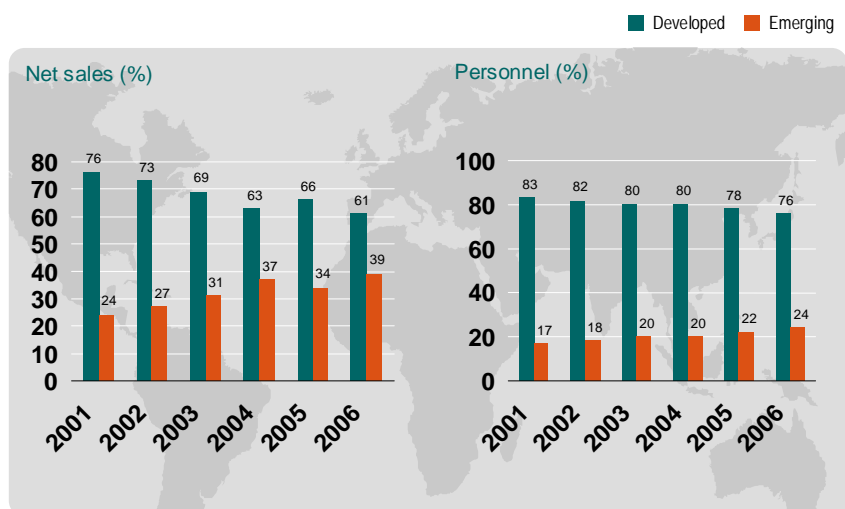


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Stronger presence in emerging markets



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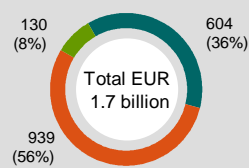
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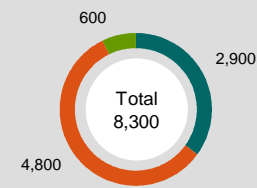
Growth and earnings stability through aftermarket business

- Metso's large installed base offers great potential
- Further growth in aftermarket business:
 - more management focus, esp. in Europe and North America
 - developing new business and service concepts
 - broadening of consumables offering
 - complementary acquisitions

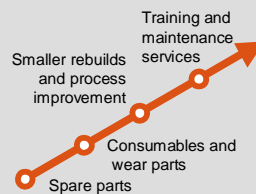
Metso aftermarket net sales growth 10% on 2005.



Metso's aftermarket personnel



Metso aftermarket offering



● Metso Paper ● Metso Minerals ● Metso Automation

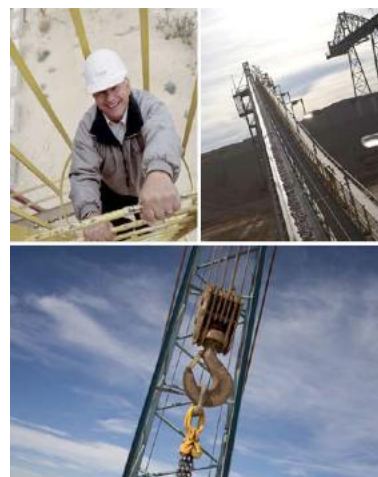
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Operational excellence through global sourcing

- More stable cost structure through flexible supplier network
 - from Nordic and European sourcing to global sourcing
 - purchases and subcontracting account for 2/3 of Metso's net sales
- Maintaining good balance between in-house capacity and global subcontractor and supplier network
 - the optimal solution varies between businesses
 - concentrating on core competencies while outsourcing basic operations to subcontractors
 - global sourcing of higher-value components and better coordination of common purchases



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Own actions to support profitable growth

- Continuous productivity improvement
- Efficient, global sourcing and manufacturing management
- Expansion of delivery capabilities
- Strict control of fixed cost base
- Cutting non-quality costs
- Sales management
- Metso Innovation Process
- Global ERP systems



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Financial performance



Financial highlights in Q4 and 2006

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	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

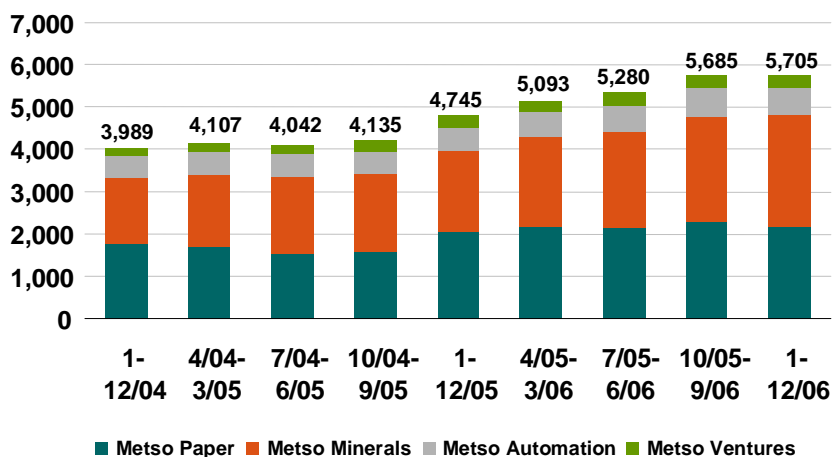
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Orders received – Rolling 12 months

Million EUR

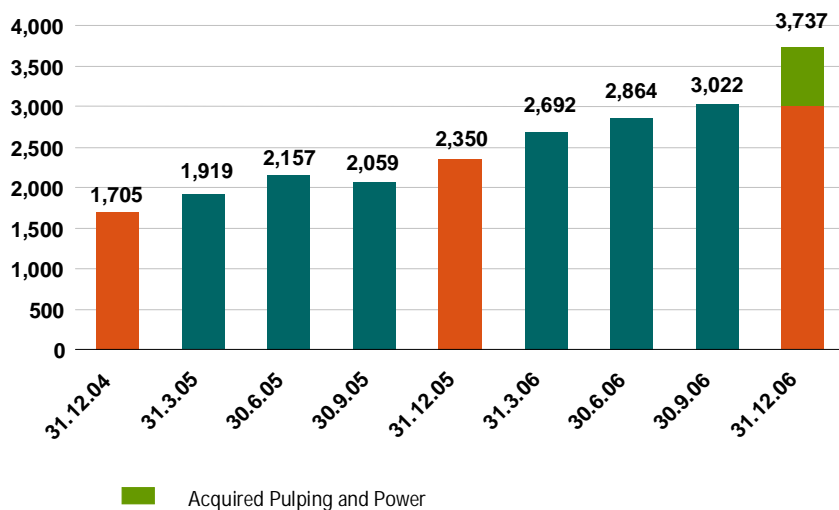


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Order backlog



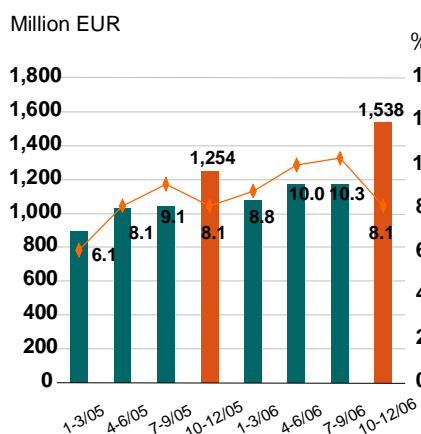
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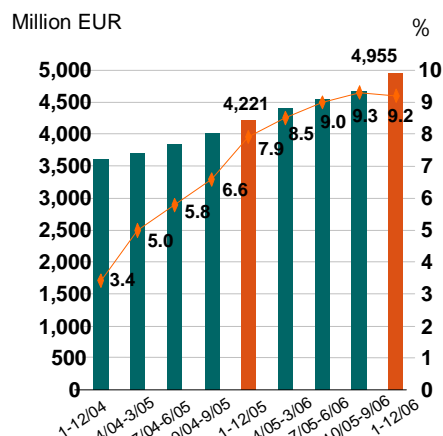


Metso

Quarterly performance



Rolling 12 months performance



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

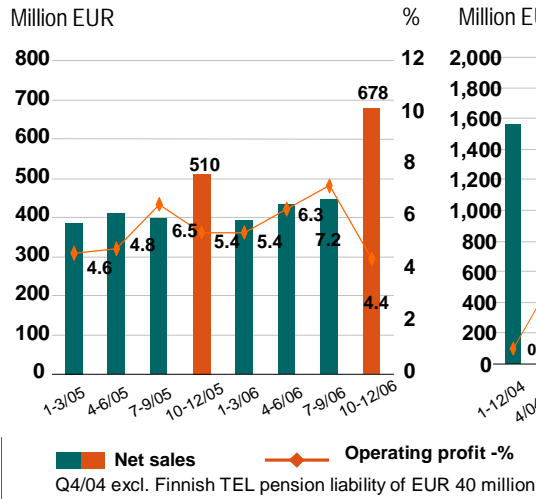
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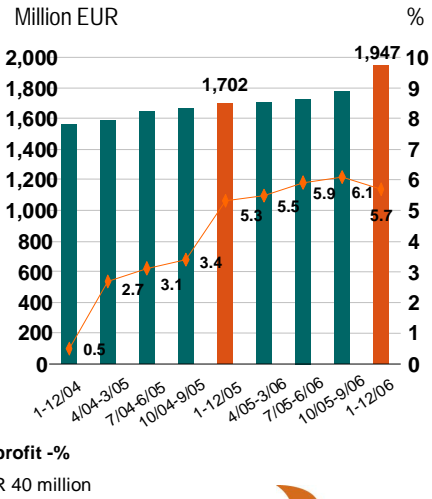


Metso Paper

Quarterly performance



Rolling 12 months performance



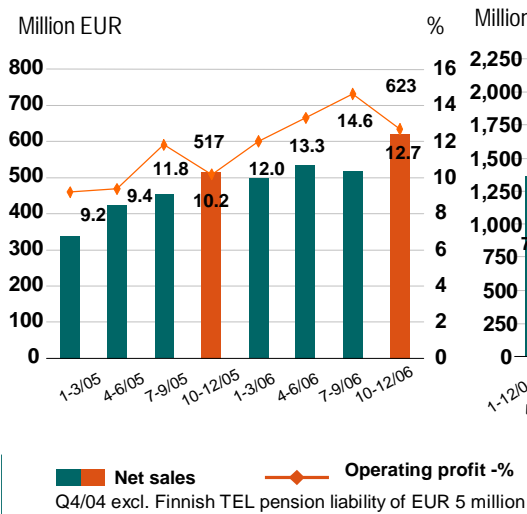
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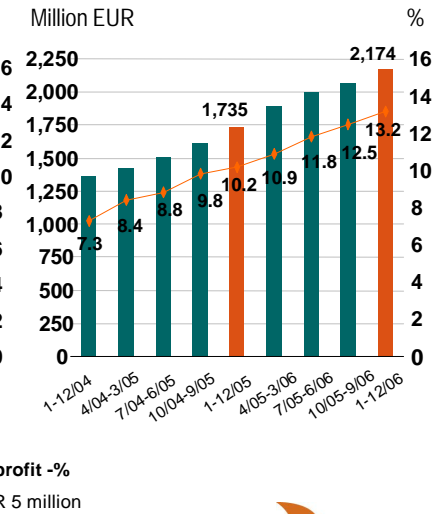


Metso Minerals

Quarterly performance



Rolling 12 months performance



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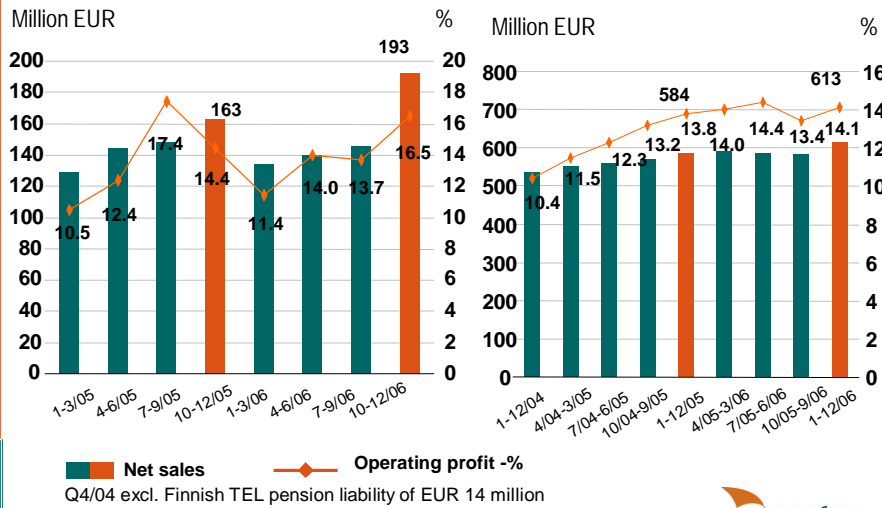
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Metso Automation

Quarterly performance

Rolling 12 months performance



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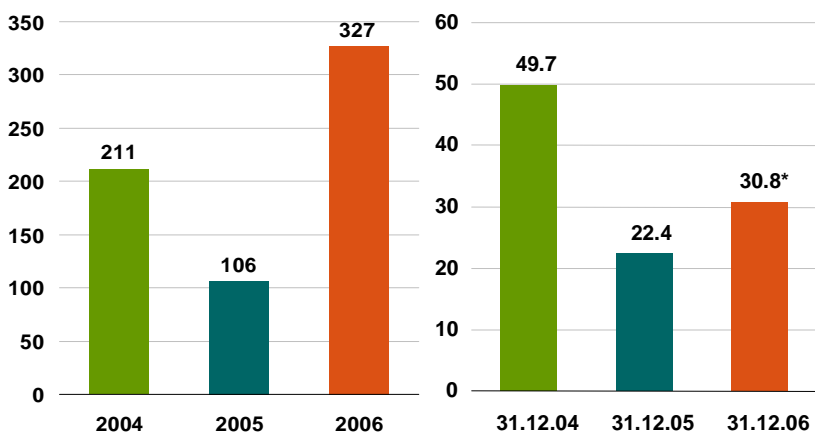
Free cash flow and gearing

Free cash flow

Million EUR

Gearing

%



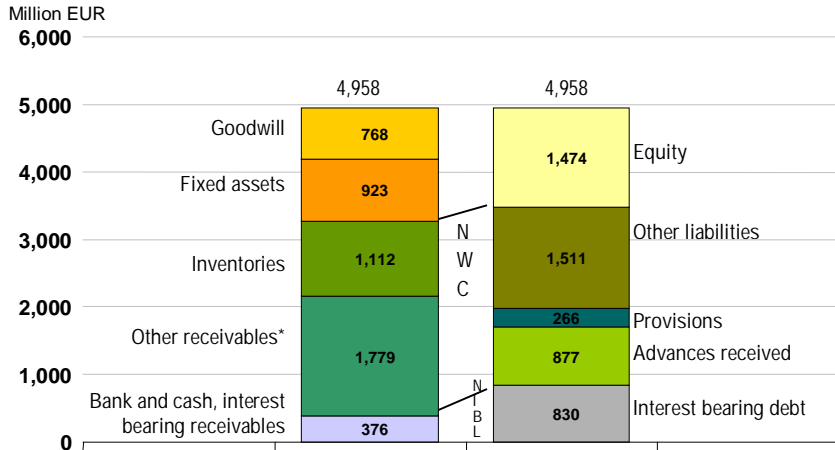
* Effect of the acquisition of the Pulping & Power businesses 18 percentage points.

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Balance sheet structure 31.12.2006



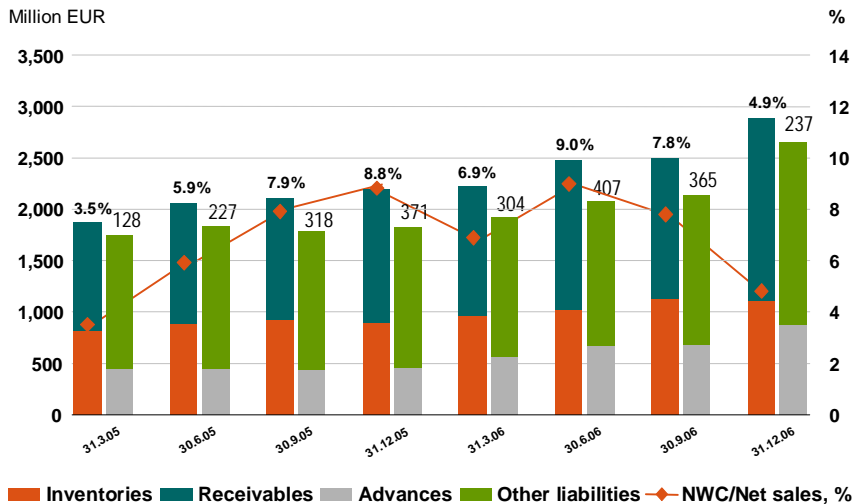
- NWC: Net working capital EUR 237 million, increase of EUR 18 million from year 2005
- NIBL: Net interest bearing liabilities were EUR 454 million and gearing 30.8%
- * Incl. "Costs and earnings of projects under construction in excess of advanced billings".

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Net working capital development



Legend: ■ Inventories ■ Receivables ■ Advances ■ Other liabilities ◆ NWC/Net sales, %

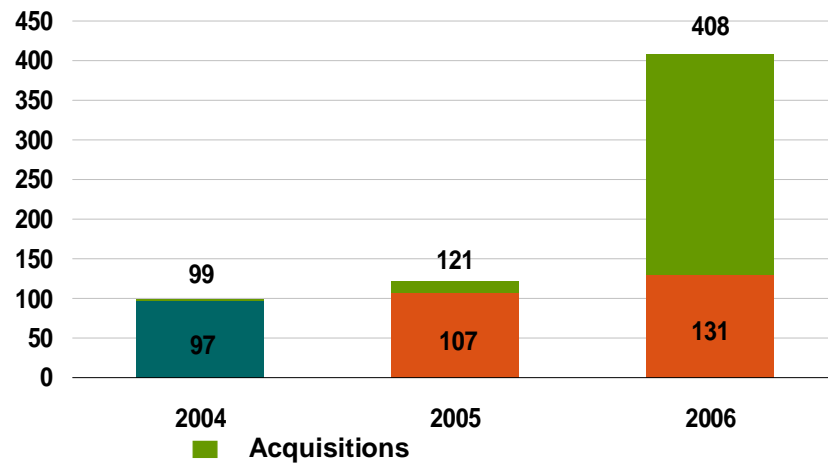
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Gross capital expenditure including acquisition

Million EUR



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Other issues

- Raw material prices
 - Majority of price increases passed through to end-product prices
 - Long-term contracts with key suppliers
- Exchange rates
 - main currencies in addition to EUR: USD, BRL, SEK, CAD
- Taxe rate
 - 2007: estimated to be about 30%.

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Favourable market outlook for 2007

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



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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.



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Metso and profitable growth

1. Solid platform established

- Strengthened financial performance
- Sustainably more flexible cost structure
- Strong order backlog & good visibility

2. Continued favorable market situation

3. Clear roadmap for profitable growth

- Expanding delivery capabilities; especially in Metso Minerals and Metso Automation
- Continuous productivity and quality improvement with special focus on Metso Paper
- Investing in aftermarket business; special focus on Europe and North America
- Strengthening presence in emerging markets
- Value-enhancing complementary acquisitions



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Additional information



Metso Paper 1




Business Line	Main products	Trade names	Customers	Competitors	Pos.
Fiber	 Chemical and Mechanical Pulping Lines, Recovery island	Compact Cooking SuperBatch OptiScreen OptiSlush OptiFiner	Pulp Mills and integrated Paper Mills	Andritz, GL&V, Voith	1-2.
Paper and Board	 Paper Machines	OptiConcept SymConcept	Paper Mills	Voith, MHI	1-2.
Finishing	 Calanders, Coaters, Air Systems	OptiReel WinBelt OptiLoad	Pulp, Paper, Board and Tissue Mills	Voith, Küsters	1.
Tissue	 Tissue Machines	Advantage DCT	Tissue Mills	Voith, Toscotec, Celli	1.

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Metso Paper 2



Business Line	Main products	Trade names	Customers	Competitors	Pos.
Service	 Roll Service Mill Maintenance Spares	SMS M.O.R.E.	Pulp, Paper, Board and Tissue Mills	Voith, Andritz, Stowe Woodward	1-2.
Power	 Recovery boilers Power boilers Evaporators Environmental systems Service	Hybex Cymic Recox Tubel	Pulp mills Paper mills Power generation industry	Andritz Foster & Wheeler Austrian Energy & Environment Mitsubishi Babcock & Wilcox HPD	1-3.
Panelboard	 Plants, productions lines for MDF- and Particleboard production, Energy Plants, services and modernisations	ClassiFormer Metso Contipress Defibrator Lukki AttackBar	MDF and Particleboard industry	Siempelkamp Dieffenbacher Andritz Kontra Schenkman u. Piehl PAL	2-3.

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Metso Minerals



Business line	Main products	Customers	Competitors	Pos.
Construction	 <p>Stationary and mobile crushers, screens and conveyors. Complete systems and service solutions.</p>	<p>Quarries Contract crushing operations Consultant and engineering companies</p>	<p>Terex Sandvik Astec</p>	1.
Mining	 <p>Grinding mills, crushing and materials handling equipment, process equipment. Complete systems and service solutions.</p>	<p>Mines and minerals processing plants Engineering houses Energy and metal industry</p>	<p>FFE Minerals Krupp-Polysius Outokumpu</p>	1.
Recycling	 <p>Shredders, scrap shears, balers. Complete systems and service solutions.</p>	<p>Metal recycling Automotive industry Foundries</p>	<p>Harris Newell-Riversid SWB</p>	1.

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Metso Automation

Business line	Main products	Competitors	Positioning
Process Automation Systems	 <p>Process automation systems Specialty analyzers Life cycle services</p>	<p>ABB Emerson Honeywell Invensys Siemens Yokogawa</p>	Results
Flow Control	 <p>Automated, control-, ESD and manual valves Solutions and intelligent condition monitoring Life cycle services</p>	<p>Emerson Flowserve Dresser Samson</p>	Intelligent reliability

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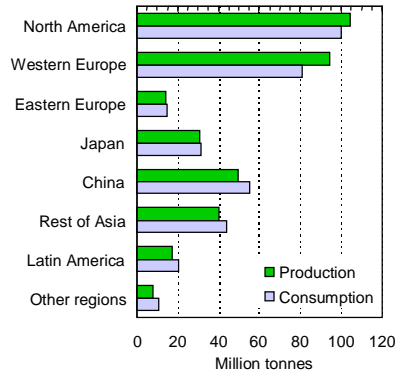
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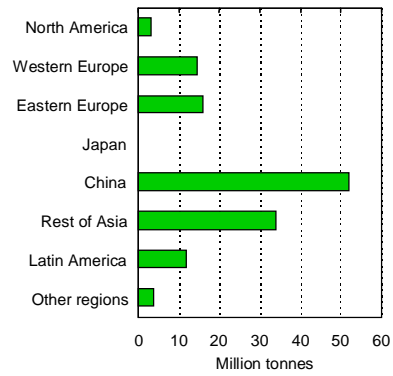
Paper&board production prospects 2004-2020

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%.

Production and Consumption 2004



Growth of Production 2004-2020



Source: Jaakko Pöyry Consulting

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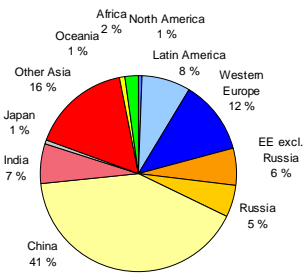


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Demand and supply increase of papermaking fibre 2005-2015

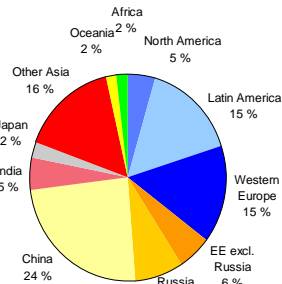
In China, demand for fibre is growing faster than its supply resulting in increasing fibre supply growth particularly in Latin America (kraft pulp) as well as North America and Western Europe (recovered paper collection).

DEMAND INCREASE
Papermaking fibre



Total demand increase 2005-2015
98.3 million tons

SUPPLY INCREASE
Papermaking fibre



Total supply increase 2005-2015
101.0 million tons

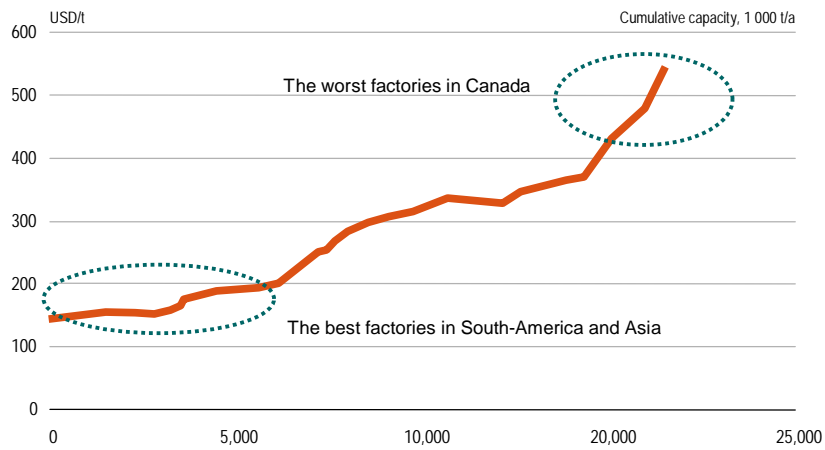
Source: PÖYRY

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Pulp production costs

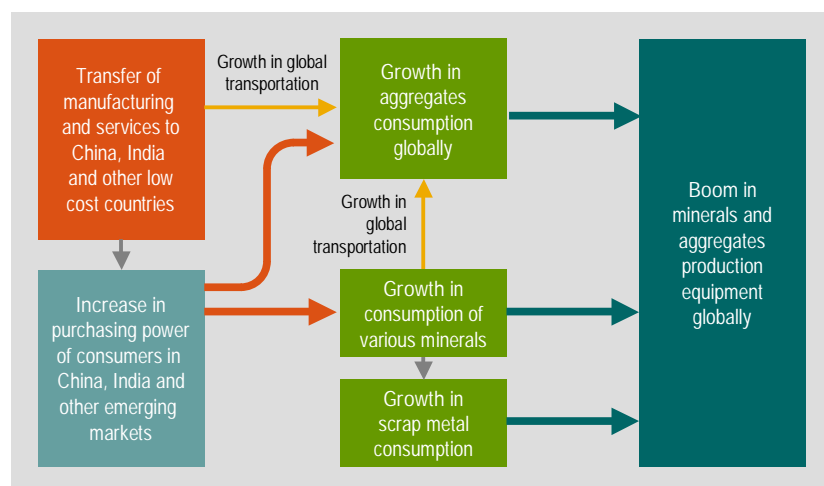


Source: Pöyry and Kauppaletti
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Emerging markets and the minerals boom



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