

Metso and profitable growth

JPMorgan Pan-European Capital Goods & Aerospace CEO
Conference

June 13, 2007

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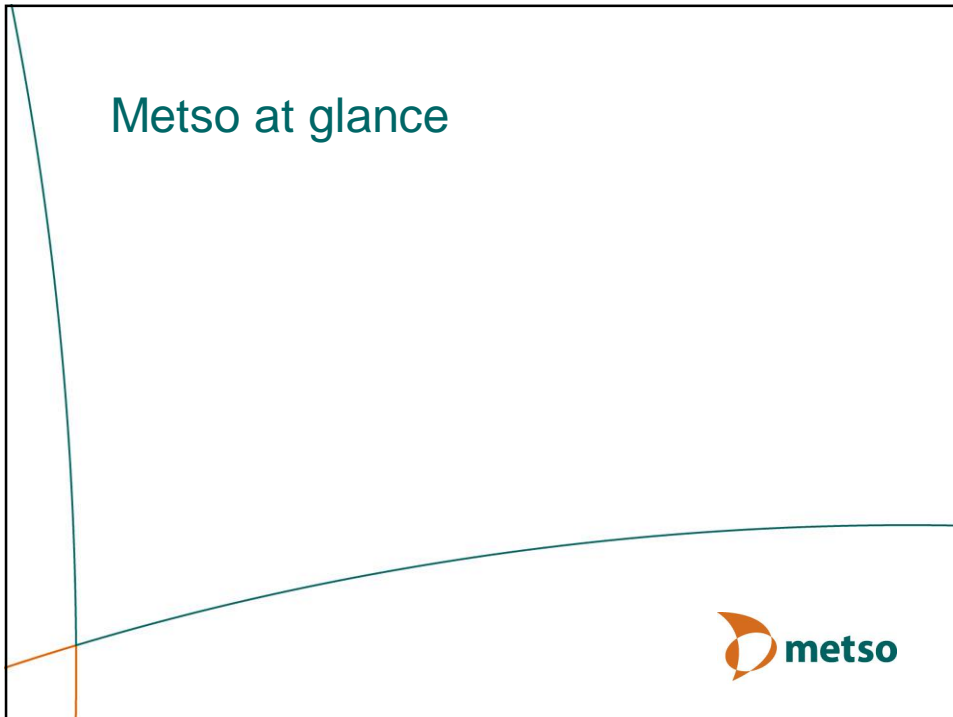
- It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company 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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Metso at glance



Operating through three Business Areas

Metso Paper	Key focus areas	Division of sales
<p>Net sales EUR 2.5 billion*</p> <ul style="list-style-type: none"> • Total process solutions for pulp, paper and board • Unit equipment • Process automation • Parts and services 	<ul style="list-style-type: none"> • Profitability improvement • Aftermarket growth • More global footprint • "Power opportunity" 	<ul style="list-style-type: none"> • 55% Paper • 35% Pulp • 10% Power • ~40% new equipment • ~30% rebuilds • ~30% aftermarket
Metso Minerals	Key focus areas	Division of sales
<p>Net sales EUR 2.2 billion</p> <ul style="list-style-type: none"> • Process solutions for size reduction, separation and material handling • Unit equipment • Parts and services 	<ul style="list-style-type: none"> • Maximal exploitation of mining "super cycle" • Sustainability of profitability over the cycle • Capacity expansion • Complementary acquisitions 	<ul style="list-style-type: none"> • 50% Mining • 40% Construction • 10% Metal recycling • ~50% new equipment • ~50% aftermarket
Metso Automation	Key focus areas	Division of sales
<p>Net sales EUR 600 million</p> <ul style="list-style-type: none"> • Power plants using solid fuels • Process control solutions • Flow control solutions and equipment • Services 	<ul style="list-style-type: none"> • Maximal exploitation of strong markets • Growth in energy and power • Sustainability of profitability over the cycle • Capacity expansion • Complementary acquisitions 	<ul style="list-style-type: none"> • 50% Pulp & Paper • 50% Power, Oil & Gas • ~75% new equipment • ~25% aftermarket

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



Targeting three core customer segments

Pulp, Paper & Board Producers	Mining, Construction and Metal recycling companies	Energy and Power Producers
<ul style="list-style-type: none"> • Total market EUR 14 billion • Metso market share 15 - 20% • Metso Paper and Metso Automation # 1-2 in both Pulp & Paper • Consolidated market 	<ul style="list-style-type: none"> • Total market EUR 12 billion • Metso market share 15 - 20% • Metso Minerals leading in selected segments • Fragmented market 	<ul style="list-style-type: none"> • Total market EUR 11 billion • Metso market share 5% • Metso Paper # 1-3 in Power • Metso Automation a niche player in Energy • Fragmented market
<ul style="list-style-type: none"> • Europe & North America rebuild & aftermarket focused • Rapid paper and board capacity growth in Asia • Rapid pulp capacity expansion in South America and South-East Asia • Environmentally friendly solutions 	<ul style="list-style-type: none"> • "Super cycle" in mining • Rapid transportation infrastructure development in emerging countries • Increasing use of scrap metal as raw material in steel production • Environmentally friendly solutions 	<ul style="list-style-type: none"> • Rapid growth in energy consumption all over the world • Increasing use of renewable energy sources • CO² reductions

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Target markets

Target markets

Energy EUR 11 billion

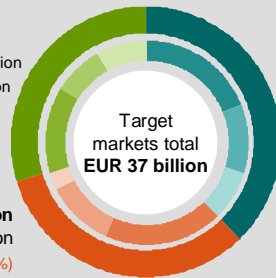
(Metso market share ~5%)

- 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%)

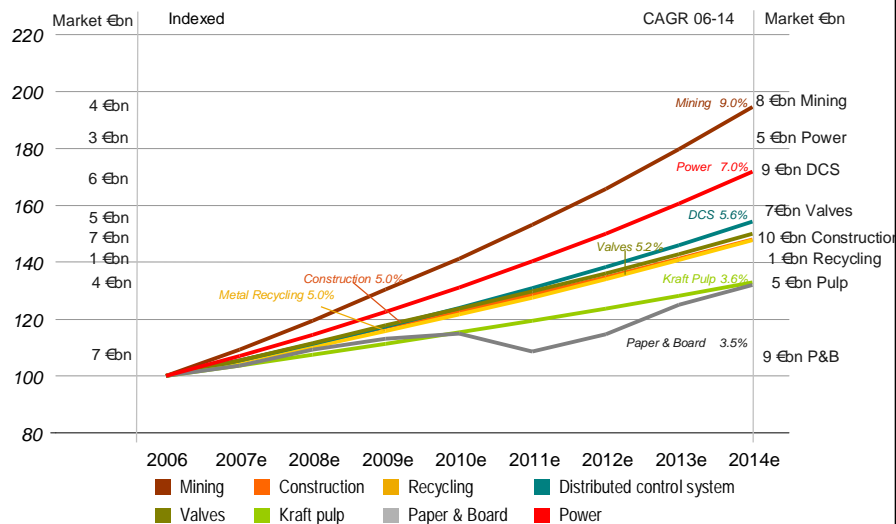
- Paper & Board Eur 7 billion
- Fiber Eur 4 billion
- Pulp & Paper automation Eur 3 billion

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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

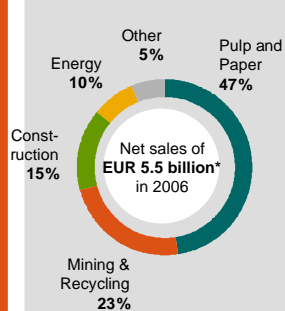
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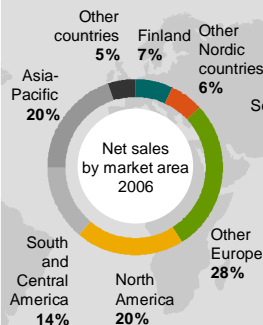
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Metso in numbers

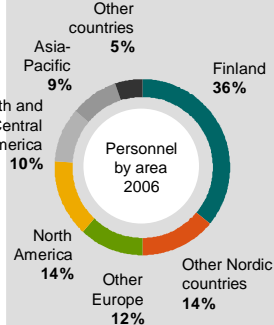
Balanced portfolio



Strong global coverage



More global footprint needed



Approx. 25,500 employees as of Dec 31, 2006

*Including Pro forma Pulping & Power businesses



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Highlights of the first quarter

EUR million	Q1/07	Q1/06	Change %
Orders received, EUR million	1,664	1,437	+16
Order backlog, EUR million	3,999	2,692	+49
Net sales, EUR million	1,366	1,078	+27
EBITA, EUR million	121.9	99.9	+22
Operating profit, EUR million	108.4	95.4	+14
Operating profit margin, %	7.9	8.8	
EPS, EUR	0.50	0.47	+6
Free cash flow, EUR million	97	152	(36)
ROCE, %	20.7	20.2	
Gearing, %	22.9	10.5	



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Metso's financial targets

	2005 actual	2006 actual	2007 guidance	2007- target
Net sales growth	17%	17%	> 20%	> 10%
Operating profit margin	7.9%	9.2%	Slightly < 10%	> 10%
Investment grade	No	Yes	N/A	Solid
Dividend	83%	52%	N/A	> 50%

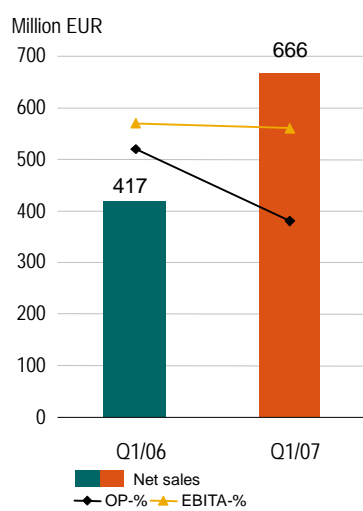
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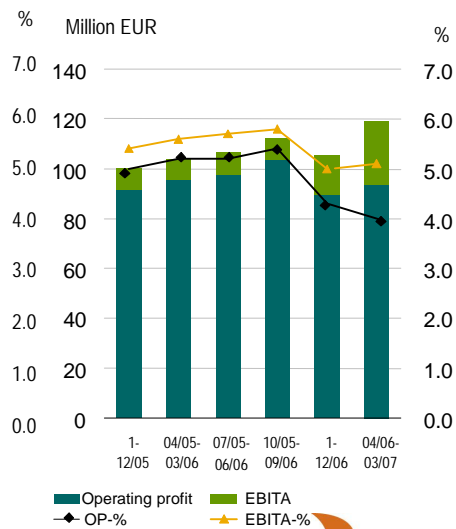


Metso Paper - Net sales and profitability

Q1 net sales and profitability



Operating profit and EBITA, rolling 12 months



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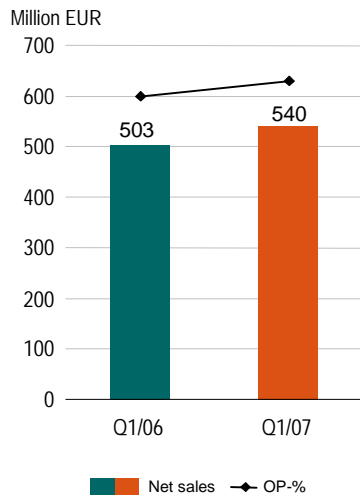
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Comparison figures restated to comply with current organizational structure. Pulping and Power included from the date of acquisition.

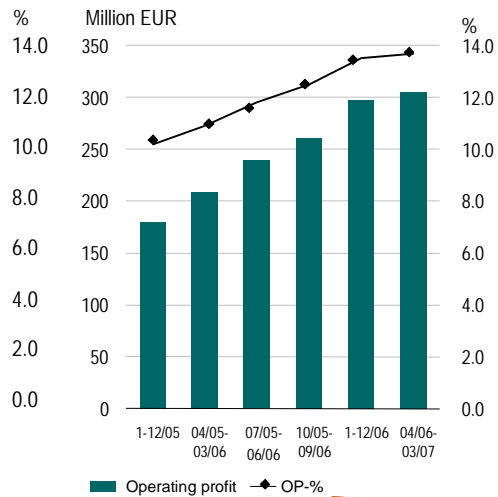


Metso Minerals - Net sales and profitability

Q1 net sales and profitability



Operating profit, rolling 12 months



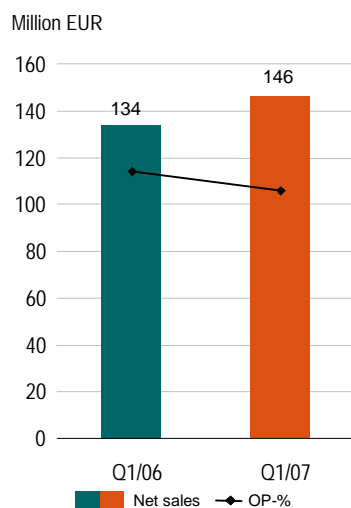
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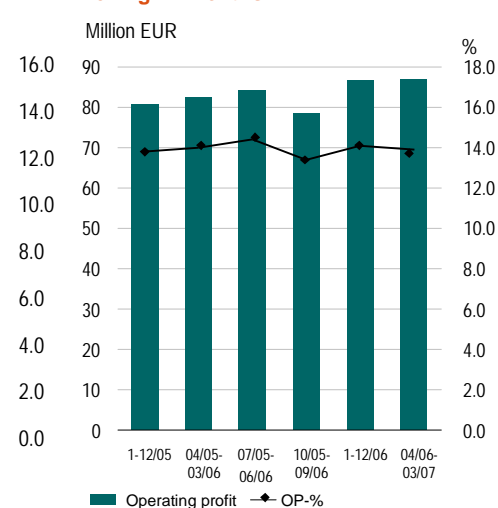


Metso Automation - Net sales and profitability

Q1 net sales and profitability



Operating profit, rolling 12 months



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Short-term risks of business operations

- Significance of China as the primary market for new paper and board machines has increased
- Rapid changes in Chinese demand may have negative impact on Metso Paper
 - ➔ development of aftermarket and flexible supply chain
- Delivery times have lengthened
 - Material and other costs may rise during the extended delivery time and impact our profitability
 - Scarcity of certain components and subcontractor resources may lengthen delivery times
 - ➔ exact delivery terms, hedging of key raw materials and flexible supply chain

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Favorable overall market outlook continues

2007

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



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Short-term financial outlook

- Metso's financial performance for the rest of 2007 is estimated to be stronger than in the first quarter.
- 2007 net sales are estimated to grow by more than 20% on 2006 and the operating profit is estimated to clearly improve.
- 2007 operating profit margin is estimated to be slightly below Metso's target, which is over 10%.



The estimates concerning Metso's financial performance are based on Metso's current structure, order backlog and market outlook.



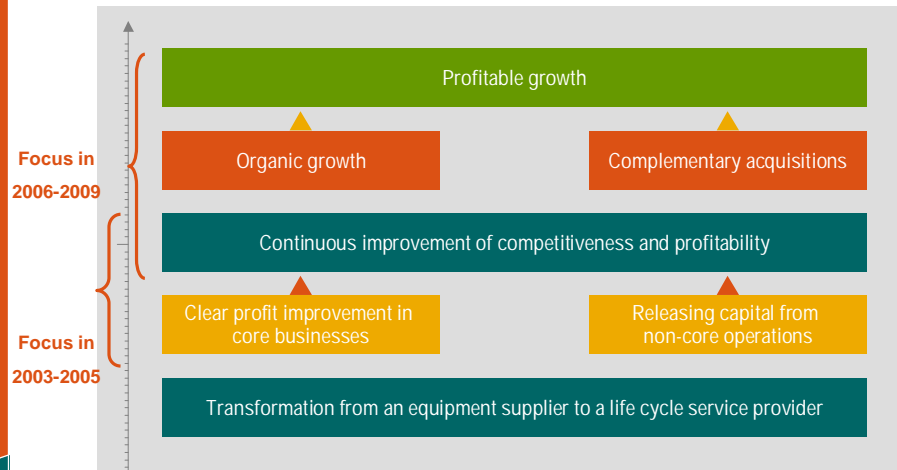
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Focus areas in 2007



From restructuring to profitable growth



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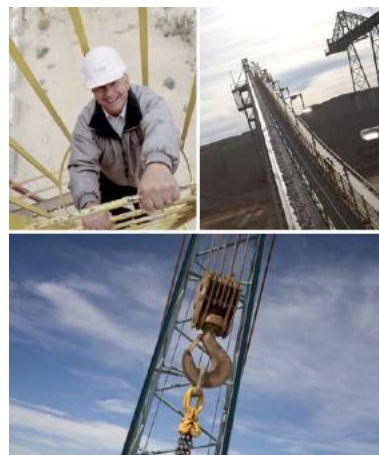
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Operational excellence to boost profitability

All Metso businesses continue to have a lot of opportunities to boost profitability

- Consistent productivity improvement of 4-6%/a
- Quality costs down, especially in Metso Paper
- Global sourcing
- Global business processes and way to operate

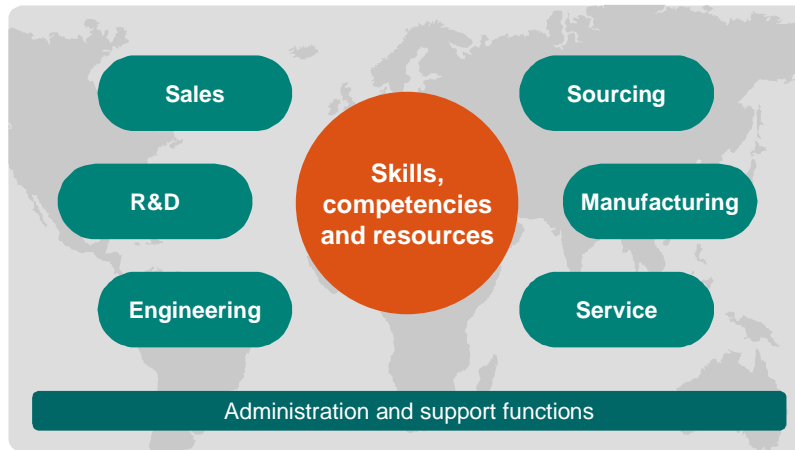


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More global footprint throughout the value chain



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Strengthening global delivery capability

Metso Paper

- Expansion of paper roll manufacturing in Jyväskylä, Finland (operational in Q3/07)
- Paper machinery facility in Shanghai, China (operational since 2006)
- Expansion of service center in Wuxi, China (operational in Q3/07)
- Service center in Guangzhou, China (operational in 2008)

Metso Minerals

- Expansion of mobile crushing production in Tampere, Finland (operational since Q2/07)
- Start of track mounted crushing equipment manufacturing in the United States (operational since 2006)
- More than doubling of manufacturing and foundry capacity in India (operational since 2006)

Metso Automation

- Expansion of valve production in Shanghai, China (ongoing)



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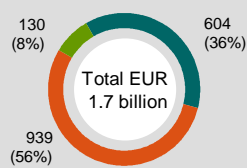
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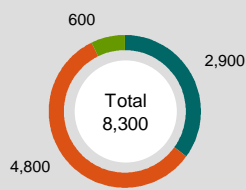
Growth and earnings stability through aftermarket business

- Both technology and service orientation needed in Metso
 - More management focus, especially in Europe and North America
 - Stronger status of aftermarket
 - Best competencies to develop business models in service
- New service products and business models
 - Full utilization of large installed base
- Enhanced wear part and consumables offering
- Acquisitions to accelerate growth in aftermarket

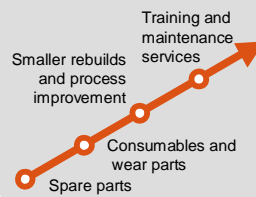
Metso aftermarket net sales growth 10% on 2005.



Metso's aftermarket personnel



Metso aftermarket offering



● Metso Paper ● Metso Minerals ● Metso Automation



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Growth through acquisitions

Metso Acquisition Process

- Bulk Equipment Systems and Technologies Inc., (March 2007)
- Aker Kvaerner Pulping & Power (December 2006)
- Svensk Gruvteknik AB and Svensk Pappersteknik AB (October 2006)
- Shanghai-Chenming Paper Machinery Co. Ltd (September 2006)
- Texas Shredder, Inc. (August 2005)

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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Metso's power opportunity

- Metso Power is a forerunner in fluidized bed combustion of biomass, coal and other fuels to power plants and a global leader in chemical recovery systems to pulp and paper mills
- The products are fluidized bed boilers and recovery boilers, oil and gas boilers, evaporators, environmental systems and services
- Environmentally sound, biomass and waste based power generation solutions provide exciting new growth opportunities for Metso

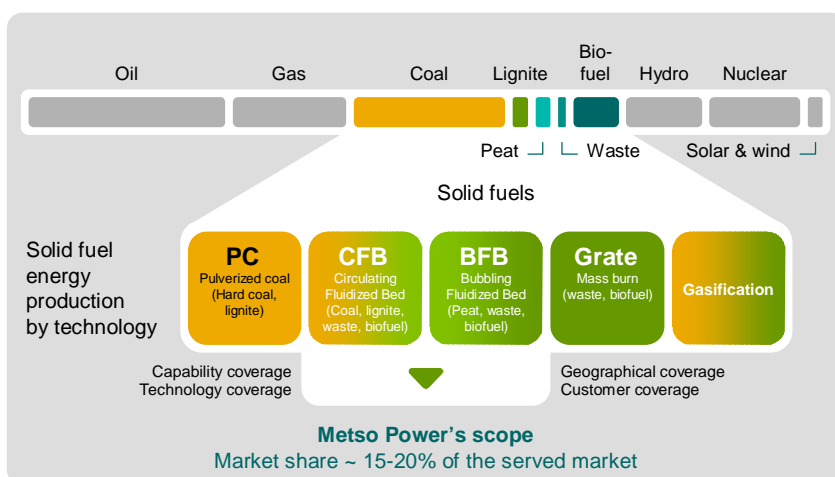


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Metso Power's focus

World's electricity production capacity by fuels

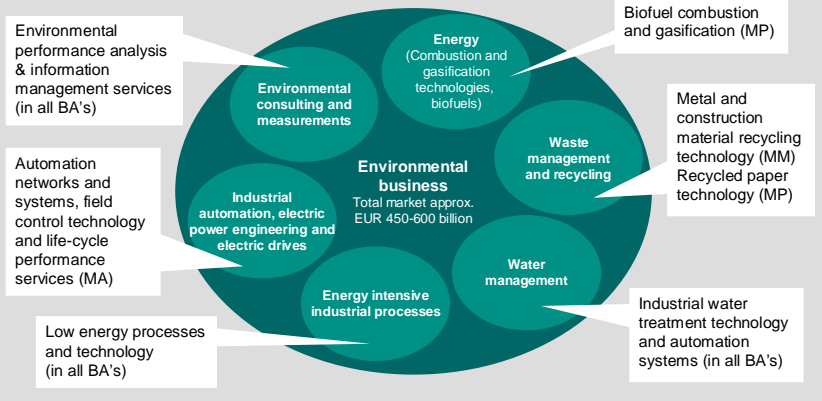


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Metso as a supplier of environmental technology

Using the OECD definition about 50% of our net sales can be classified as environmental business^{*)}



*) Analysis of environmental business based on the OECD definition is ongoing in Metso. Given number is an estimate.

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Profitable growth continues

- 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
- Sustainability of profits over business cycle
- Complementary acquisitions
- Power, biomaterials refining and environmental technology as new longer-term opportunities







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Additional information






Metso Paper Business lines 1(2)

Business line	Main products	Trade names	Customers	Competitors	Pos.
Fiber	 Chemical and mechanical pulping lines, Stock preparation, Recycled fiber	GentleBarking, CompactCooking, TwinRoll, DryWay, OptiFiner, Caustec	Pulp Mills and integrated Paper Mills	Andritz Kadant GL&V Voith	1-2.
Paper and Board	 Paper and Board Machines	OptiConcept, Sym products, Val products	Paper and Board Mills	Voith MHI	1-2.
Finishing	 Calenders, Coaters, Winders, Air and chemical Systems	OptiReel, WinBelt, WinRoll, OptiLoad, OptiCoat Jet, HIRun, OptiScreen	Pulp, Paper, Board and Tissue Mills	Voith Küsters Jagenberg	1.
Tissue	 Tissue Machines	Advantage DCT, STT, THRU-AIR	Tissue Mills	Voith Toscofec Celli Overmeccanica	1.



Metso Paper Business Lines 2(2)




Business line	Main products	Trade names	Customers	Competitors	Pos.
Service	 Roll Service Mill Maintenance Spares and consumables	M.O.R.E. (fiber) Boost	Pulp, Paper, Board and Tissue Mills	Voith Andritz Stowe Woodward ABB	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 Production lines for MDF- and particle-board 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 Lines


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

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Metso Automation Business Lines

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>	<p>Results</p>
Flow Control	 <p>Automated, control-, ESD and manual valves Solutions and intelligent condition monitoring Life cycle services</p>	<p>Emerson Flowserve Dresser Samson</p>	<p>Intelligent reliability</p>

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Markets for pulp and paper

Pulp segment	Business environment
<ul style="list-style-type: none"> Mechanical and chemical pulp producers 	<ul style="list-style-type: none"> 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	Business environment
<ul style="list-style-type: none"> Paper, tissue and board producers 	<ul style="list-style-type: none"> 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	Business environment
<ul style="list-style-type: none"> Quarries and crushing projects Contractors Engineering and consulting companies 	<ul style="list-style-type: none"> Excellent demand. Drivers: Active road network and infrastructure development boost aggregates prices and demand. Customers are outsourcing services. Trend towards mobile solutions.
Mining segment	Business environment
<ul style="list-style-type: none"> Mining and industrial minerals companies Mining contractors Engineering and consulting companies 	<ul style="list-style-type: none"> 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	Business environment
<ul style="list-style-type: none"> Metal recycling industry 	<ul style="list-style-type: none"> 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

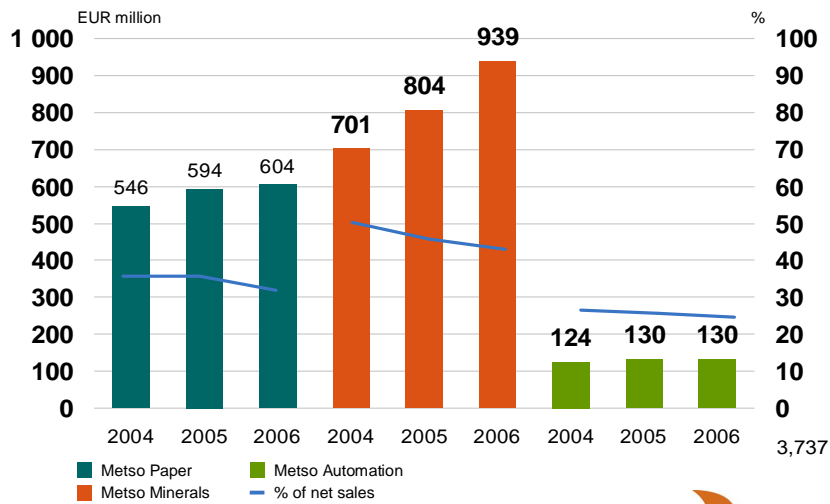
Power generation	Business environment
<ul style="list-style-type: none"> Power plants: coal fired, industrial, combined cycle, energy from waste Engineering firms and construction companies Automation integrators Chemical industry Oil & Gas industry 	<ul style="list-style-type: none"> Strong demand Drivers: 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	Business environment
<ul style="list-style-type: none"> Oil & gas industry Refineries 	<ul style="list-style-type: none"> 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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Aftermarket business continues to provide opportunities

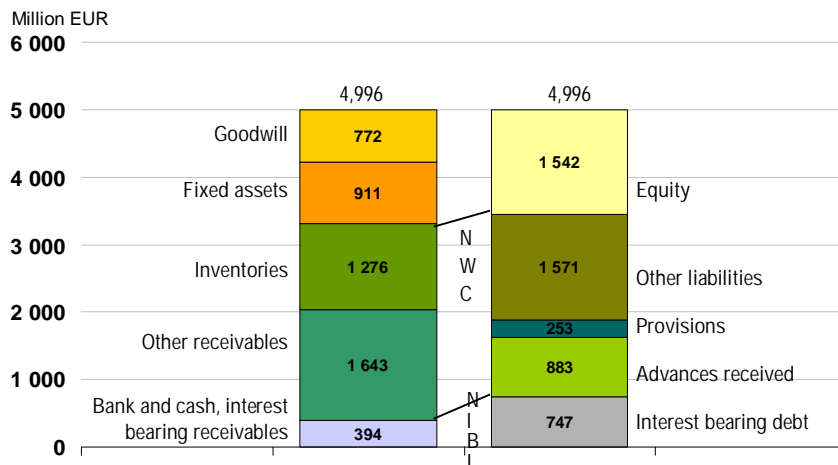


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Balance sheet structure 31.3.2007



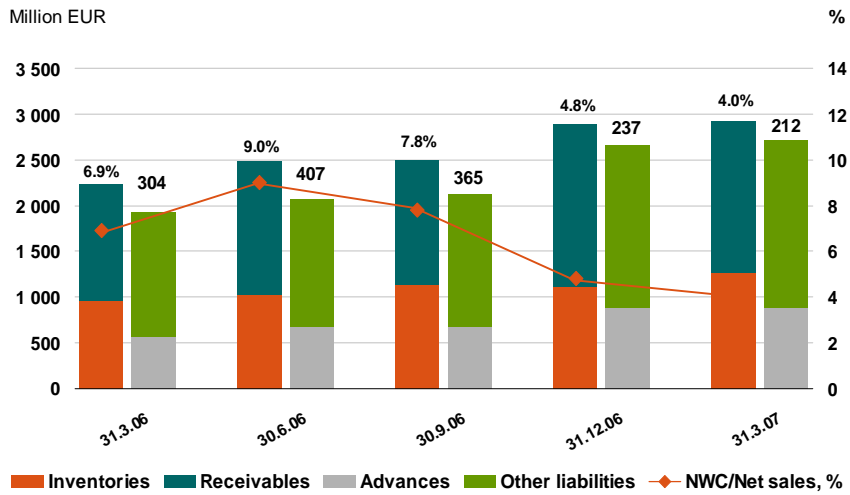
- NWC: Net working capital EUR 212 million, decrease of EUR 92 million from March 2006
- NIBL: Net interest bearing liabilities were EUR 353 million and gearing 22.9%

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Net working capital development

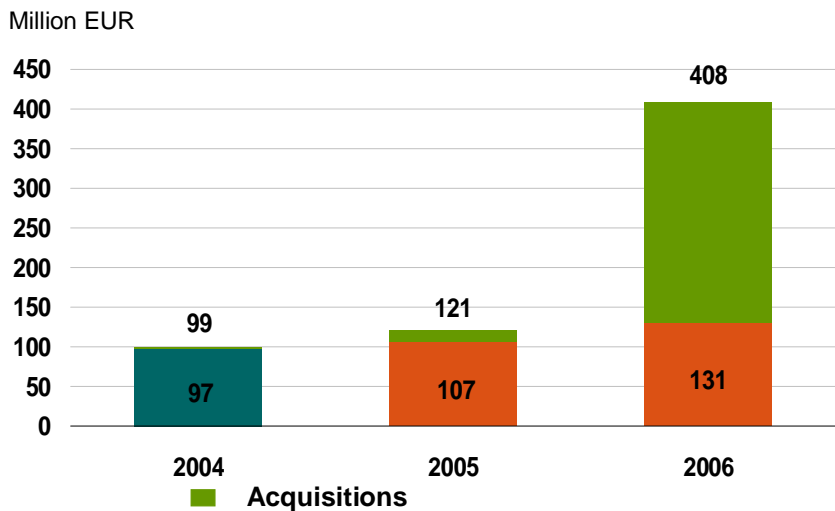


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Gross capital expenditure including acquisition



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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
 - In Q1/07 Metso Paper's and Metso Automation's operating profit was negatively affected by a steep increase in the price of stainless steel, a key raw material for components
- Exchange rates
 - main currencies in addition to EUR: USD, BRL, SEK, CAD
- Taxe rate
 - 2007: estimated to be about 30%

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

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