

# Metso and profitable growth

Roadshow in London with UBS  
July 30-31, 2007

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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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## Metso at glance



## Operating through three business areas

Metso Paper	Key focus areas	Division of sales
<p><b>Net sales EUR 2.5 billion*</b></p> <ul style="list-style-type: none"> <li>• Total process solutions for pulp, paper and board</li> <li>• Unit equipment</li> <li>• Process automation</li> <li>• Parts and services</li> </ul>	<ul style="list-style-type: none"> <li>• Profitability improvement</li> <li>• Aftermarket growth</li> <li>• More global footprint</li> <li>• "Power opportunity"</li> </ul>	<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>
Metso Minerals	Key focus areas	Division of sales
<p><b>Net sales EUR 2.2 billion</b></p> <ul style="list-style-type: none"> <li>• Process solutions for size reduction, separation and material handling</li> <li>• Unit equipment</li> <li>• Parts and services</li> </ul>	<ul style="list-style-type: none"> <li>• Maximal exploitation of mining "super cycle"</li> <li>• Sustainability of profitability over the cycle</li> <li>• Capacity expansion</li> <li>• Complementary acquisitions</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>
Metso Automation	Key focus areas	Division of sales
<p><b>Net sales EUR 600 million</b></p> <ul style="list-style-type: none"> <li>• Power plants using solid fuels</li> <li>• Process control solutions</li> <li>• Flow control solutions and equipment</li> <li>• Services</li> </ul>	<ul style="list-style-type: none"> <li>• Maximal exploitation of strong markets</li> <li>• Growth in energy and power</li> <li>• Sustainability of profitability over the cycle</li> <li>• Capacity expansion</li> <li>• Complementary acquisitions</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>

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

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# Target markets

## Target markets

### Energy EUR 11 billion

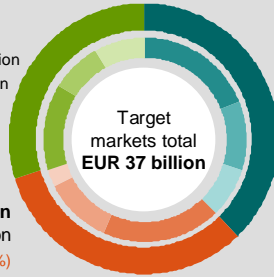
(Metso market share ~5%)

- 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%)

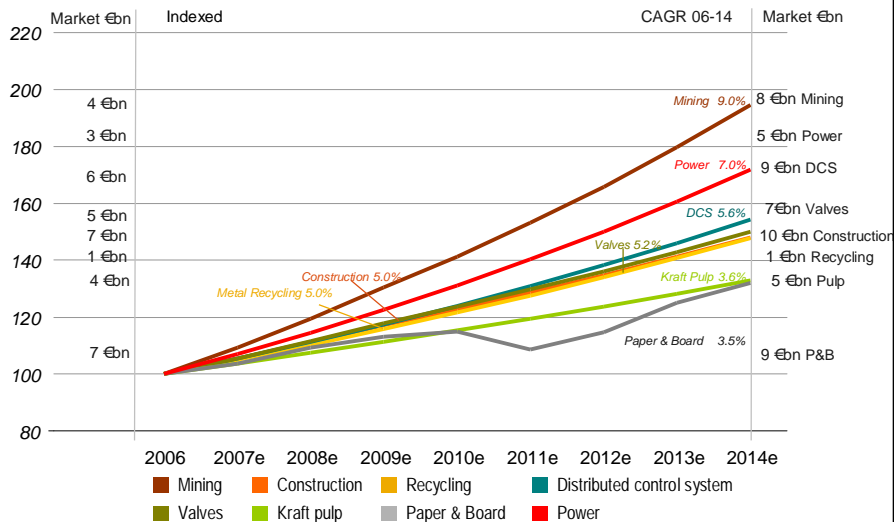
- Paper & Board Eur 7 billion
- Fiber Eur 4 billion
- Pulp & Paper automation Eur 3 billion

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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

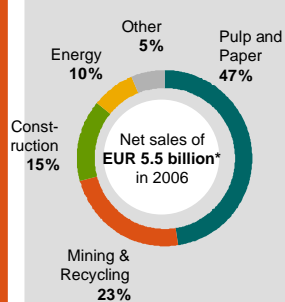
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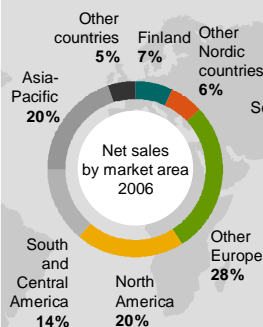


## Metso in numbers

### 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 second quarter

	Q2/07	Q2/06	Change %
Orders received, EUR million	2,090	1,390	+50
Order backlog, EUR million	4,574	2,864	+60
Net sales, EUR million	1,536	1,170	+31
EBITA, EUR million	162.3	120.7	+34
EBITA margin, %	10.6	10.3	
Operating profit, EUR million	148.3	116.4	+27
Operating profit margin, %	9.7	10.0	
EPS <sup>(1)</sup> , EUR	0.68	0.97	(30)
Free cash flow, EUR million	(67)	26	n.a.
ROCE annualized for H1, %	24.0	21.7	

(1) EUR 57 million non-recurring deferred tax assets recorded in Q2/06 with an EPS impact of EUR 0.40.

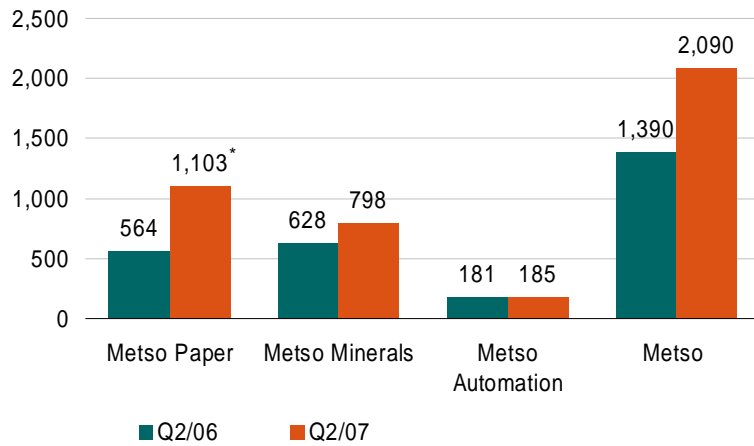


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## Orders received by business

EUR million



\* Acquired Pulping and Power businesses in Q2/07 about EUR 500 million.

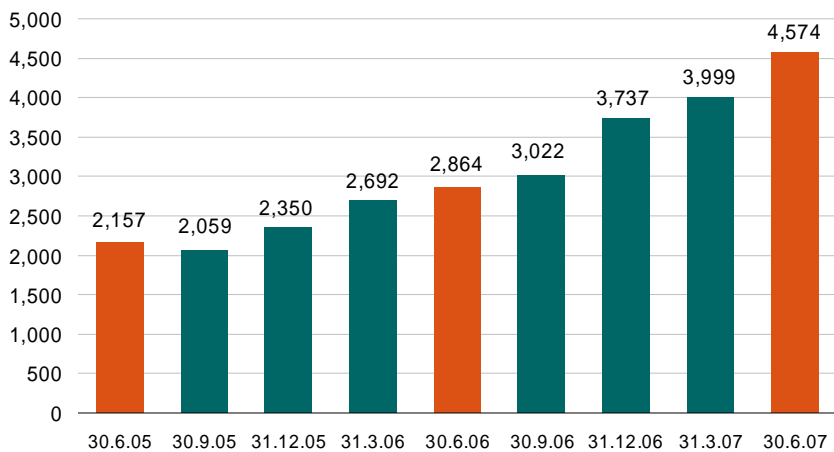


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## Development of order backlog

EUR million



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## Metso's financial targets

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

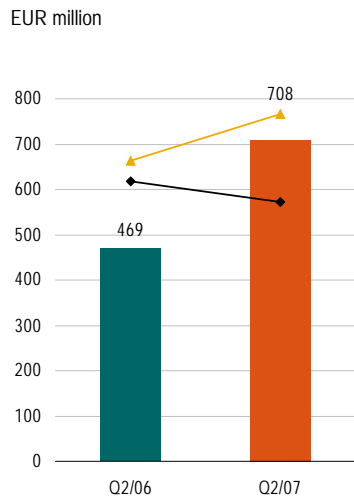
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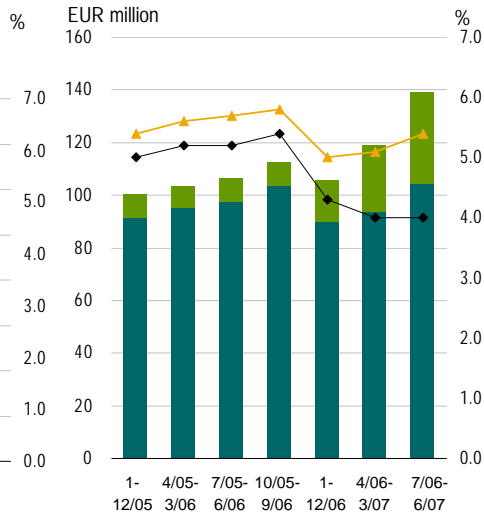


## Metso Paper - Net sales and profitability

### Q2 net sales and profitability



### Rolling 12 months operating profit and EBITA



Net sales  
OP-% EBITA-%

Operating profit EBITA  
OP-% EBITA-%

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

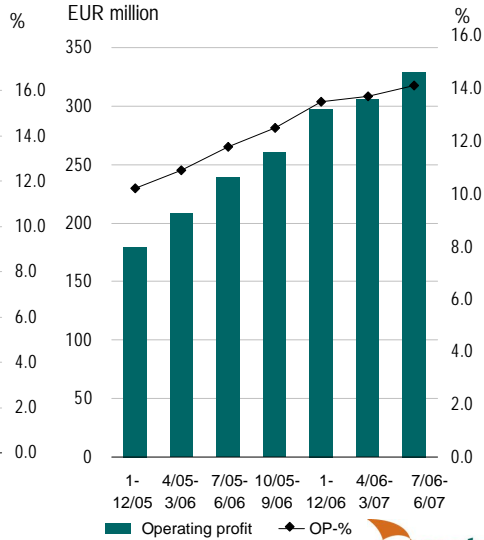
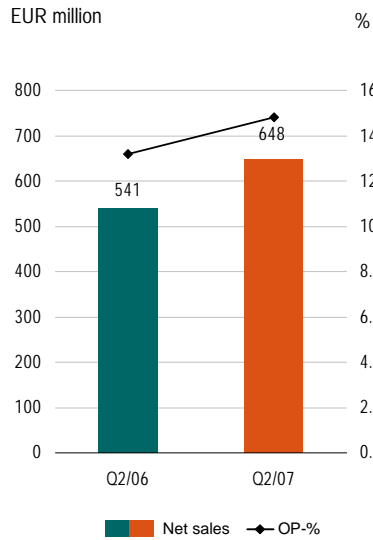


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## Metso Minerals - Net sales and profitability

Q2 net sales and profitability

Rolling 12 months operating profit



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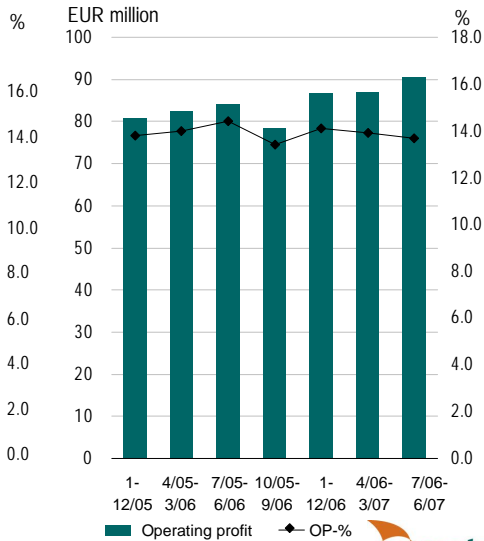
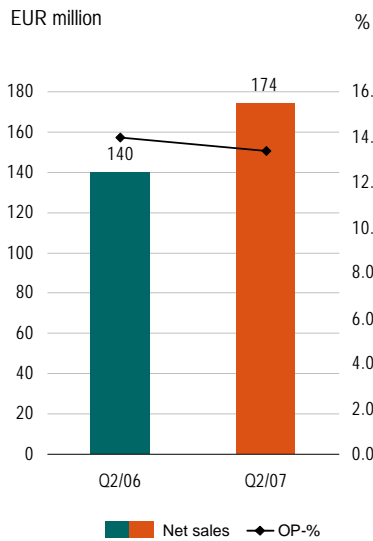
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## Metso Automation - Net sales and profitability

Q2 net sales and profitability

Rolling 12 months operating profit



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## Short-term risks of business operations

- China is the primary market for new paper and board machines has increased
- Substantial changes in the Chinese market may have negative impact on Metso Paper
  - ➔ global aftermarket operation and flexible supply chain
- Delivery times have lengthened
  - Material and other costs may rise during the extended delivery time and have an impact on 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

<b>Metso Paper</b>	
Pulp	Satisfactory/Good
Paper & Board	Satisfactory/Good
Tissue	Satisfactory
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



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## Short-term financial outlook

- 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 business scope, order backlog and market outlook.



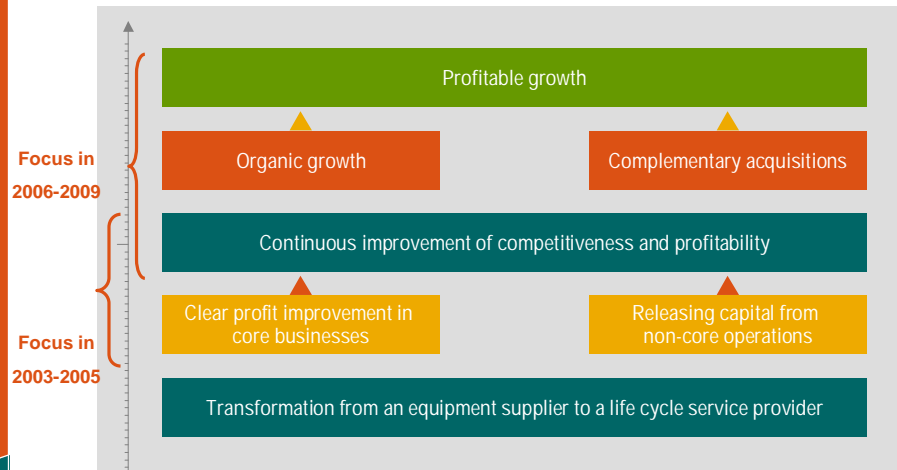
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## Focus areas in 2007



## From restructuring to profitable growth



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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

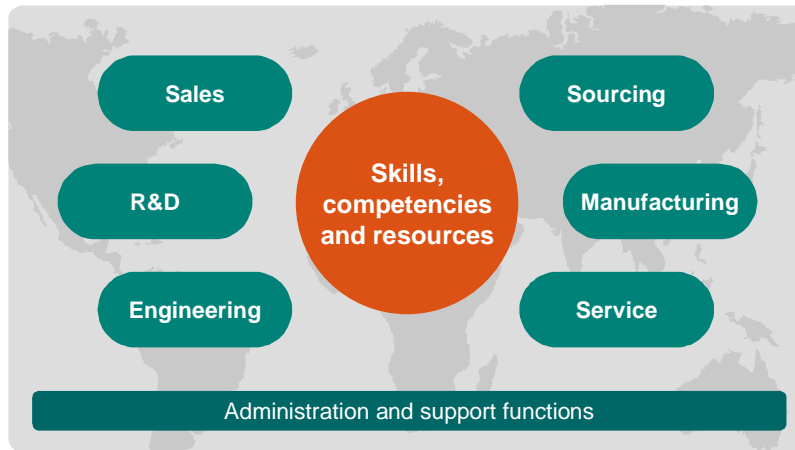


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## More global footprint throughout the value chain



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## Strengthening global delivery capability

### Metso Paper

- Expansion of power boiler facilities in Lapua, Finland (operational in Q1/2008)
- 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 crusher assembly capacity in Bawal, India (operational in Q4/08)
- Expansion of crusher manufacturing in Brazil (operational in Q3/07)
- Expansion of mobile crushing production in Tampere, Finland (operational in 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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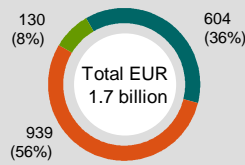
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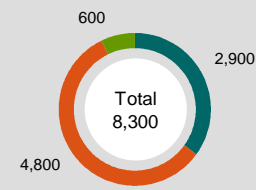
## Growth and earnings stability through aftermarket business

- 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

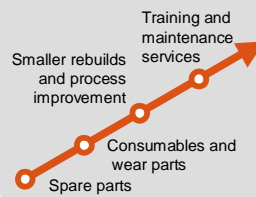
Metso aftermarket net sales growth 10% on 2005.



Metso's aftermarket personnel



Metso aftermarket offering



● Metso Paper ● Metso Minerals ● Metso Automation

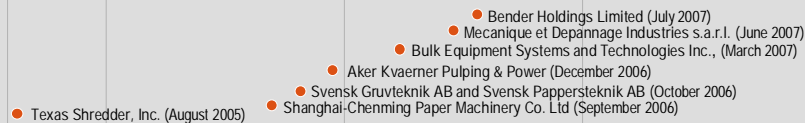


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## Growth through acquisitions

### Metso Acquisition Process



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 exiting new growth opportunities for Metso

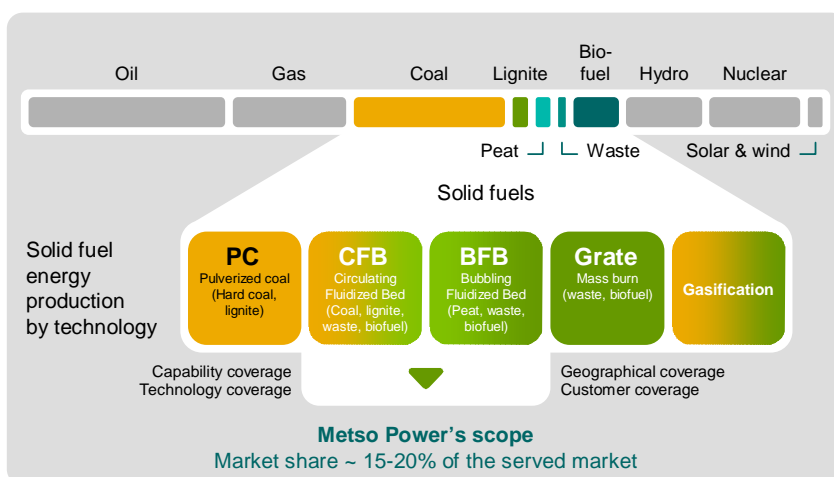


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## Metso Power's focus

World's electricity production capacity by fuels

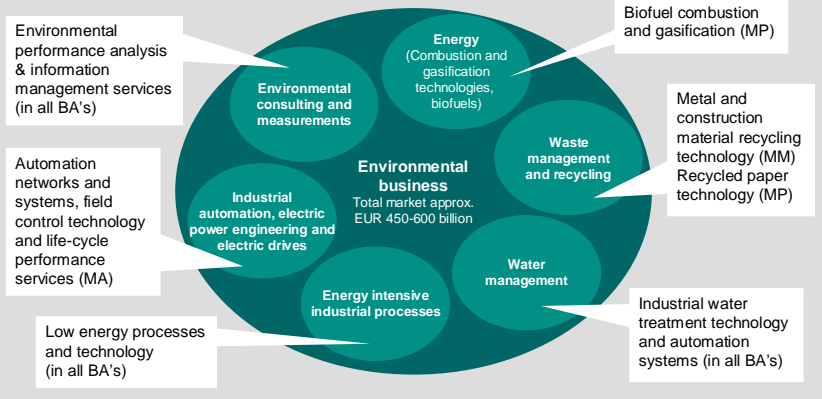


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## Metso as a supplier of environmental technology

Using the OECD definition about 50% of our net sales can be classified as environmental business<sup>\*)</sup>



\*) 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, recovery island, service	Compact Cooking SuperBatch OptiScreen OptiSlush OptiFiner	Pulp mills and integrated paper mills	Andritz, GL&V, Voith	1-2.
Paper and Board	 Paper machines, board machines calenders, coaters, roll finishing systems, air systems, service	OptiConcept OptiReel WinBelt OptiLoad ValZone	Paper and board mills	Voith, MHI, Küsters	1-2.
Tissue	 Tissue machines, service	Advantage DCT	Tissue mills	Voith, Andritz, Toscotec, A. Celli	1.



## Metso Paper business lines 2(2)




Business line	Main products	Trade names	Customers	Competitors	Pos.
Power	 Recovery boilers, power boilers, evaporators, environmental systems, service	Hybex Cymic Recox Tubel	Pulp and paper mills, power generation industry	Andritz Foster & Wheeler Austrian Energy & Environment Mitsubishi Babcock & Wilcox HPD	1-3.
Panelboard	 Plants and production lines for MDF- and particleboard production, (energy plants), services and modernizations	ClassiFormer (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 Smidth Krupp- Polysius Outotec	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

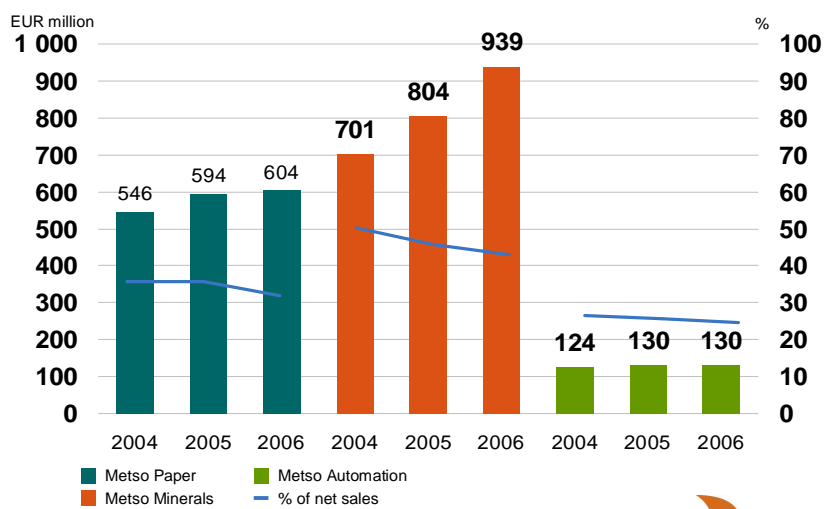
Business line	Main products	Competitors	Positioning
Process Automation Systems 	Process automation systems Specialty analyzers Life cycle services	ABB Emerson Honeywell Invensys Siemens Yokogawa	Results
Flow Control 	Automated, control-, ESD and manual valves Solutions and intelligent condition monitoring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

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## Aftermarket business continues to provide opportunities



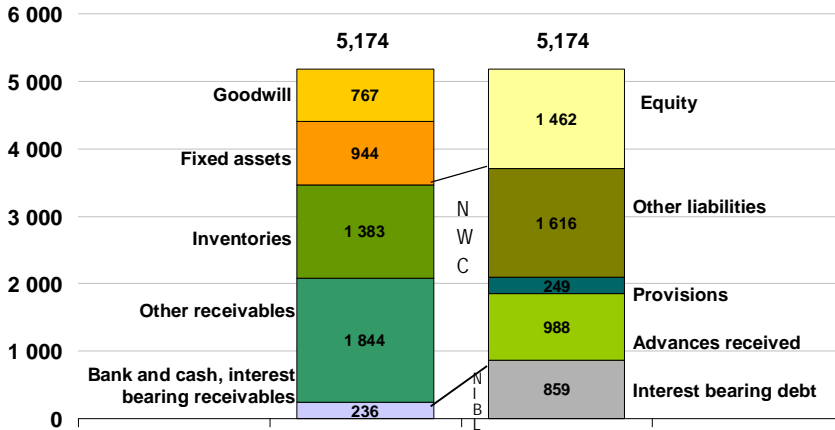
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## Balance sheet structure 30.6.2007

Million EUR



- NWC: Net working capital EUR 374 million, decrease of EUR 33 million from June 2006
- NIBL: Net interest bearing liabilities were EUR 623 million and gearing 42.6%



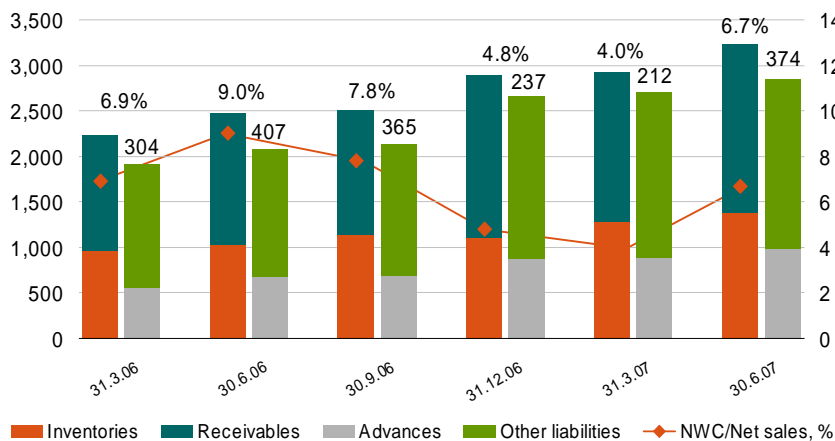
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## Net working capital development

EUR million

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Legend: Inventories (orange), Receivables (teal), Advances (grey), Other liabilities (green), NWC/Net sales, % (red line with diamond)



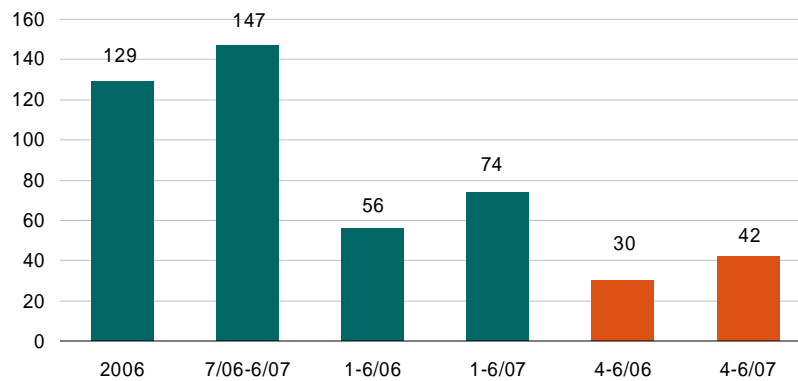
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## Capital expenditure

EUR million

Capex guidance: Gross CAPEX for 2007 up by 30% compared to 2006.



Excluding business acquisitions.

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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 H1/07 operating profit was negatively affected by a steep increase in stainless steel prices, a key raw material for components. Net impact about 10 million euros
- Exchange rates
  - main currencies in addition to EUR: USD, BRL, SEK, CAD
- Tax 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](http://www.metso.com/investors)

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