

2000

Interim Report
January-March



INTERIM REPORT JANUARY-MARCH 2000 METRA CORPORATION

- Metra net sales EUR 756.0 (663.6) mill. during the first quarter.
- Profit before extraordinary items EUR 133.9 (15.2) mill.
- Earnings per share EUR 1.54 (0.17).
- Sanitec from subsidiary to associated company, Assa Abloy no more associated company.
- Alliance with John Crane Lips – complete power solutions for marine.
- Significant power plant orders from Latin America, Africa and India.

The consolidated operating profit was EUR 136.9 (24.4) million, which represented 18.1% (3.7%) of net sales. The operating profit included a profit of EUR 99.1 million on the sale of five million Assa Abloy shares. The proforma operating profit in the comparable period did not contain any corresponding items.

CHANGES IN GROUP STRUCTURE

Wärtsilä NSD became a wholly owned subsidiary of Metra on 29 February 2000 when Metra acquired the 15.4% minority holding owned by Fincantieri Cantieri Navali Italiani for EUR 100 million. This purchase also constituted the bulk of Metra's capital expenditure during the period. The split-up of the Cummins Wärtsilä joint venture took place during February. The transfer of the operations allocated to Wärtsilä NSD has proceeded as planned and Wärtsilä NSD's personnel increased by 847 employees as a result.

Metra's holding in Sanitec now totals 46.7% following the distribution of an extra dividend in Sanitec shares on 7 April 2000, as decided by Metra's Annual General Meeting on 23 March 2000. Consequently, Sanitec is consolidated in this interim report as a subsidiary in the income statement but as an associated company in the balance sheet.

On 8 March Metra sold five million Assa Abloy shares for EUR 111.5 million, generating a profit of EUR 99.1 million before tax. The transaction reduced Metra's holding in Assa Abloy from 21.4% to 19.8%. Assa Abloy is no longer treated as an associated company in Metra's accounts.

NET SALES BY DIVISION

EUR mill.	Q1/2000	Q1/1999 ¹⁾	Change	1999
Wärtsilä NSD	480.5	462.5	+3.9%	1,896.6
Imatra Steel	51.0	47.2	+8.1%	173.0
Sanitec	224.4	153.7	+46.0%	630.0
Other operations ²⁾	2.1	1.2		8.8
Internal net sales	-2.0	-1.0		-8.4
Total	756.0	663.6	+13.9%	2,700.0

¹⁾In earlier years Metra published interim reports tertially. For this reason the comparable figures for the first quarter in 1999 are proforma figures.

²⁾Metra Real Estate and Corporate Management

OPERATING PROFIT BY DIVISION

EUR mill.	Q1/2000	Q1/1999	Change	1999
Wärtsilä NSD	5.1	0.0	+5.1	-28.5
Imatra Steel	4.8	3.9	+0.9	10.8
Sanitec	17.9	17.0	+0.9	80.6
Other operations ²⁾	109.1 ¹⁾	3.5	+105.6	209.8
Total	136.9	24.4	+112.5	272.7

¹⁾Includes a profit of EUR 99.1 million on the sale of Assa Abloy shares.

²⁾Metra Real Estate and Corporate Management.

WÄRTSILÄ NSD

Wärtsilä NSD succeeded during the first quarter in its most important objective of raising profitability, combined with sales growth. Its net sales amounted to EUR 480.5 (462.5) million, representing growth of 3.9%. The operating profit was EUR 5.1 (0.0) million. The order intake was EUR 592.9 (403.5) million and the orderbook at the end of March totalled EUR 1,462.7 (1,331.4) million.

Marine

EUR mill.	Q1/2000	Q1/1999	Change	1999
Net Sales	147.1	169.0	-13.0%	637.7
Orders received	179.3	131.6	+36.2%	688.8
Orderbook end of period	767.9	662.1	+16.0%	678.1

Demand continued to be good in the Marine market. Shipyards received several important cruise ship orders and in this segment Wärtsilä NSD maintained its high market share. Wärtsilä NSD's smokeless EnviroEngine, launched in February, attracted worldwide interest.

Demand was also buoyant for large containerships and Wärtsilä NSD's RTA96C engine, with more than 50 units on order, continues to be the frontrunner in this segment. Smokeless features will grow in importance in cargo ships as well and the RT flex common rail technology is solidly placed to meet this demand. The first engine incorporating Wärtsilä NSD's RT flex technology has been sold to a customer in the USA.

Shipbuilding continued to move out of Europe. This trend was further emphasised by cruise ship orders placed with Japanese shipyards and the low number of ships in general ordered in Europe during the first quarter. The trend will place new requirements on European ship equipment suppliers.

The alliance with John Crane Lips strengthens Wärtsilä NSD's ability to supply total marine solutions. The markets have shown considerable interest in this concept which, with innovative engine technology, will make Wärtsilä NSD well positioned to respond to shipbuilding trends.

Power

EUR mill.	Q1/2000	Q1/1999	Change	1999
Net Sales	163.7	155.5	+5.3%	655.4
Orders received	238.0	115.9	+105.3%	552.6
Orderbook end of period	555.8	522.4	+6.4%	460.3

The order intake for power plants during the first quarter was more than double the same level of orders received during the corresponding proforma period last year. Several orders for heavy fuel burning plants were received from Latin America. The strong order intake also continued through April and into May. The IPP (independent power producer) markets were particularly active and several major orders also involving financing arranged by Wärtsilä NSD were gained in southern Asia and Africa. Many orders also included long-term operation contracts.

In the gas sector Wärtsilä NSD penetrated new markets in India although Western Europe remains the main market. Financing arrangements in support of small gas power plant sales are being further developed.

Service

EUR mill.	Q1/2000	Q1/1999	Change	1999
Net Sales	163.9	134.6	+21.8%	589.9

INCOME STATEMENT

EUR mill.	Q1/2000	Q1/1999 ¹⁾	1999
Net sales	756.0	663.6	2,700.0
Other operating income	118.4	5.6	236.6
Expenses	-701.1	-613.0	-2,540.9
Depreciation and writedowns	-35.5	-27.8	-112.9
Share of profits/losses in associated companies	-0.9	-4.0	-10.1
Operating profit	136.9	24.4	272.7
Financial income and expenses	-3.0	-9.2	-35.7
Profit before extraordinary items	133.9	15.2	237.0
Extraordinary expenses			-2.5
Profit before taxes	133.9	15.2	234.5
Income taxes ²⁾	-46.8	-6.1	-95.9
Minority interests	-3.5	0.2	-8.5
Profit for the financial period	83.6	9.3	130.1

¹⁾ In earlier years Metra published interim reports tertially. For this reason the comparable figures for the first quarter in 1999 are proforma figures.

²⁾ The calculation of taxes is based on the profit of the period.

BALANCE SHEET

EUR mill.	31.3.2000 ¹⁾	31.3.1999	31.12.1999
Fixed assets	1,003.9	1,010.2	1,217.4
Current assets			
Inventories	620.3	693.3	667.7
Receivables	974.3	976.5	975.8
Cash and bank balances	83.2	105.1	110.3
Balance sheet total	2,681.7	2,785.1	2,971.2
Share capital	189.7	182.3	189.7
Other shareholders' equity	602.0	562.8	636.8
Minority interests	12.8	69.4	180.4
Provisions	134.5	121.6	173.4
Long-term liabilities	484.3	519.8	471.6
Current liabilities	1,258.4	1,329.2	1,319.3
Balance sheet total	2,681.7	2,785.1	2,971.2
Interest-bearing liabilities	726.2	897.0	794.3
Non-interest-bearing liabilities	1,016.5	952.0	996.6

¹⁾ Sanitec associated company

FINANCIAL ANALYSIS

EUR mill.	Q1/2000	Q1/1999	1999
Net cash from operating activities	59.3	-50.8	106.9
Net cash used in investing activities	-24.4 ¹⁾	-58.4	-32.1
Net cash used in financing activities	-74.2	130.4	-59.1
Change in liquid funds	-39.3	21.2	15.7

¹⁾ Change includes the decrease of Sanitecs' liquid funds -30.7 EUR mill.

EXPENDITURE

EUR mill.	Q1/2000	1.1.-30.4.1999	1999
Group, gross capital expenditure	117.3	64.2	263.8
of which acquisitions and shares	102.7	39.9	180.0
Decreases in fixed assets	26.2	4.1	58.4
Net expenditure	91.1	60.1	205.4

FINANCIAL RATIOS

	Q1/2000	Q1/1999	1999
Earnings per share ¹⁾ , euro	1.54	0.17	2.43
Earnings per share ²⁾ , euro	1.43	0.18	2.33
Equity per share, euro	12.45	11.58	13.09
Solvency ratio 1, %	27.7	26.8	31.4
Solvency ratio 2 ³⁾ , %	32.4	31.2	35.5
Gearing 1	1.11	1.30	0.90
Gearing 2 ³⁾	0.80	0.97	0.68

¹⁾ Excl. the possible dilution effect of convertible subordinated debentures and options.

²⁾ ncl. the dilution effect of the convertible subordinated debentures and options.

³⁾ In solvency ratio 2 and gearing 2 the convertible subordinated debentures (117.2 EUR mill.) are included in the shareholders' equity.

PERSONNEL

On average	Q1/2000	1.1.-30.4.1999	1999
Wärtsilä NSD	9,017	8,741	8,472
Imatra Steel	1,252	1,242	1,237
Sanitec	8,340	5,683	5,796
Other operations ¹⁾	46	59	46
Group	18,655	15,725	15,551
Personnel, end of period	10,246	15,700	17,937

¹⁾ Metra Real Estate and Corporate Management.

CONTINGENT LIABILITIES

EUR mill.	31.3.2000	30.4.1999	31.12.1999
Mortgages	99.3	96.8	91.0
Chattel mortgages	9.0	5.8	11.9
Total	108.3	102.6	102.9
Guarantees and contingent liabilities			
on behalf of the company	525.9	469.3	440.6
on behalf of associated comp.	30.5	91.5	95.7
on behalf of others	2.4	4.2	4.9
Leasing obligations	34.4	37.6	47.3
Total	593.2	602.6	588.5

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR mill.	Total amount	of which closed
Interest rate FRAs and futures	504.7	
Interest rate options, purchased	41.9	
Interest rate options, written	31.4	
Interest rate swaps	291.7	
Foreign exchange forward contracts	831.9	62.3
Currency options, purchased	47.2	
Currency options, written	10.3	

If all the above instruments were sold at market prices at the end of period, the effect would be EUR -23.0 million.

The Service business, one of Wärtsilä NSD's focus areas, showed further good development, growing 21.8% on the comparable period last year. Improved customer satisfaction and higher sales were the result of new products, better spare parts availability and active sales work. Service's goal is close co-operation with customers. Systematic efforts have raised the number of long-term operation and maintenance contracts.

Continuous improvement

Most of Wärtsilä NSD's product lines reported high utilisation rates during the first quarter. Production was re-structured in 1998 and 1999 to match the prevailing market conditions and this raised the company's competitiveness. The process continues this year, particularly in France and Italy.

Wärtsilä NSD's Operative Excellence project continues throughout the organisation. During 2000 the focus is on Self Assessments based on the European Foundation of Quality Model (EFQM). Implementation of the Environment Management System (EMS) is also making sound progress and the first Wärtsilä NSD unit has achieved ISO 14001 certification.

IMATRA STEEL

Imatra Steel recorded net sales of EUR 51.0 (47.2) million, which was up 8.1% on last year. The operating profit was EUR 4.8 (3.9) million, which was 9.4% (8.3%) of net sales.

The market for special engineering steels picked up at the end of last year and this trend continued during the first quarter. Production volumes in the vehicle industry have returned to their previous record levels and Nordic engineering companies have also reported higher order books this year. Delivery volumes at all Imatra Steel units were higher than in the same period last year. Despite strong demand, however, prices of special steel bars have risen only slightly. There continues to be strong pressure to raise prices, particularly since the price of scrap has increased considerably.

SHAREHOLDINGS AND OTHER OPERATIONS

The associated company Sanitec's net sales totalled EUR 224.4 (153.7) million and its operating profit was EUR 17.9 (17.0) million. Sanitec published its own interim report on 9 May 2000. Metra's share (46.7%) of Sanitec's market capitalisation on 31 March 2000 was EUR 388 million. Sanitec's book value in Metra's consolidated balance sheet is EUR 154.5 million.

Assa Abloy reported net sales of EUR 351.3 (272.7) and an operating profit of EUR 40.4 (30.6) million. Assa Abloy published its interim report on 3 May 2000. Metra's share (19.7%) of Assa Abloy's market capitalisation on 31 March 2000 was EUR 1,287 million. Assa Abloy's book value in Metra's consolidated balance sheet is EUR 121.7 million. Metra will record a dividend of approximately EUR 5.6 million from Assa Abloy in May 2000.

Metra will participate in Assa Abloy's share issue during May-June in proportion to its holding, i.e. Metra will subscribe for about 2.5 million new shares, totalling approx. EUR 37 million. Metra's holding will be diluted to approximately 19% when Assa Abloy issues shares to Williams Plc in part payment for this company's lock division Yale Intruder Security.

Metra Real Estate sold properties and shares in housing companies totalling EUR 9.3 (0.9) million during the

period, which yielded a profit of EUR 5.4 (0.1) million. Rental income totalled EUR 1.7 (1.8) million.

CORPORATE MANAGEMENT

Metra's President and CEO, Mr Georg Ehrnrooth, has announced that he will exercise his right to retire from this position at the age of 60 in November this year. He will be succeeded as President and CEO of Metra Corporation by Mr Ole Johansson MSc(Econ.), who will also continue as President and CEO of Wärtsilä NSD Corporation. Mr Raimo Lind MSc. (Econ.) has been appointed Chief Financial Officer in place of Mr Timo Lehto MSc. (Econ.) LL.M., who is moving to Sanitec. Mr Lind also continues as Chief Financial Officer of Wärtsilä NSD.

The corporate managements of Metra and Wärtsilä NSD will be combined during the spring. This change relates to Metra's transformation into a mechanical engineering group with Wärtsilä NSD as core business.

INFORMATION FOR SHAREHOLDERS

The Annual General Meeting on 23 March 2000 approved payment of a dividend of EUR 0.50 per share in cash as well as an extra dividend of EUR 2.35 per share principally in the form of Sanitec shares. The terms of the convertible debentures and bond warrants were amended corresponding to the amount of the extra dividend.

The number of members of the Board of Directors was reduced by one when Mr Carl-Olaf Homén declined re-election. In other respects the Board's composition remained unchanged. The AGM authorised the Board to repurchase and dispose of the company's own shares. The authorization comprises at the most 5% of the total amount of shares and votes.

	Q1/2000	Q1/1999	1999
Share trading in Helsinki, shares	15.8%	9.6%	32.7%
Share trading in Helsinki, votes	6.8%	3.2%	14.5%
Share trading in SEAQ, shares	3.5%	5.3%	9.2%
Shareholders outside Finland end of period	12.9%	20.2%	16.5%

Shares 31.3.2000	A-share	B-share	total
Number of shares	13,935,104	40,265,142	54,200,246
Number of votes	139,351,040	40,265,142	179,616,182

PROSPECTS TO END OF YEAR

The healthy orderbook for Wärtsilä NSD's marine engines provides a solid basis for the remainder of the year and demand is expected to remain high. The order intake for power plants showed positive development in the first months of the year despite tight market conditions. The good Marine and Power orderbooks, along with increasing Service sales, put Wärtsilä NSD's net sales on track for growth this year. The result of operations will improve and result before extraordinary items is forecast to enter into profit.

Imatra Steel's markets are forecast to remain good in the coming months. The company expects to report higher net sales for the year and an improvement in profits.

10 May 2000
Metra Corporation
Board of Directors