

Interim Report

January-June

2000



INTERIM REPORT JANUARY-JUNE 2000 METRA CORPORATION

SECOND QUARTER HIGHLIGHTS

- Metra's net sales EUR 596.1 (663.6) million, comparable growth 19%.
- The profit before extraordinary items was EUR 16.5 (15.2) million, comparable growth was EUR 20.2 million.
- Wärtsilä NSD's orderbook up 41%, intake of new orders up 79% on same period last year.
- Wärtsilä NSD posted an operating profit of EUR 19.3 (0.0) million, which is 3.6% of net sales.

RESULT JANUARY – JUNE 2000

Metra's consolidated net sales totalled EUR 1,352.1 (1,327.2) million. The operating profit was EUR 165.3 (48.9) million, or 12.2% (3.7%) of net sales and included a profit of EUR 99.1 million on the sale of five million Assa Abloy shares. The comparable proforma operating profit last year did not contain any corresponding items. The profit before extraordinary items was EUR 150.4 (30.4) million. Earnings per share totalled EUR 1.70 (0.35).

NET SALES BY DIVISION

EUR million	Q2/2000	Q2/1999 ¹⁾	Change	
Wärtsilä NSD	544.4	456.9	+19.2%	
Imatra Steel	51.3	45.4	+13.0%	
Sanitec ³⁾		161.2		
Other operations ²⁾	2.1	3.2		
Internal net sales	-1.7	-3.1		
Total	596.1	663.6	-10.2%	
	1-6/2000	1-6/1999	Change	1999
Wärtsilä NSD	1,024.9	919.4	+11.5%	1,896.6
Imatra Steel	102.3	92.6	+10.5%	173.0
Sanitec ³⁾	224.4	314.9		630.0
Other operations ²⁾	4.2	4.4		8.8
Internal net sales	-3.7	-4.1		-8.4
Total	1,352.1	1,327.2	+1.9%	2,700.0

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

²⁾Metra Real Estate and Corporate Management.

³⁾Sanitec only 1-3/2000 in 2000.

OPERATING PROFIT BY DIVISION

EUR million	Q2/2000	Q2/1999	Change	
Wärtsilä NSD	19.3	0.0	+19.3	
Imatra Steel	5.8	2.5	+3.3	
Sanitec ³⁾		21.3		
Other operations ²⁾	3.3	0.7	+2.6	
Total	28.4	24.5	+3.9	
	1-6/2000	1-6/1999	Change	1999
Wärtsilä NSD	24.4	0.0	+24.4	-28.5
Imatra Steel	10.6	6.4	+4.2	10.8
Sanitec ³⁾	17.9	38.3		80.6
Other operations ²⁾	¹⁾ 112.4	4.2	+108.2	209.8
Total	165.3	48.9	+116.4	272.7

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

²⁾Metra Real Estate, Corporate Management and associated companies.

³⁾Sanitec only 1-3/2000 in 2000.

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. The split-up of the Cummins Wärtsilä joint venture took place during February.

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 AGM on 23 March 2000. Consequently, Sanitec is consolidated in this interim report as a subsidiary in the income statement until the end of March and as an associated company from April on.

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. Metra's holding in Assa Abloy now stands at 19.3%. Assa Abloy is no longer treated as an associated company in Metra's accounts.

Metra participated in Assa Abloy's share issue in proportion to its holding during June paying EUR 35.9 million for 2.5 million new shares. Metra's holding will be diluted to approximately 18% when Assa Abloy issues shares to Williams Plc in part payment for Yale Intruder Security.

The acquisition of the outstanding minority shareholding in Wärtsilä NSD and Metra's participation in the Assa Abloy share issue constituted the bulk of capital expenditure during the reporting period.

WÄRTSILÄ NSD

EUR million	Q2/2000	Q2/1999	Change	
Net sales	544.4	456.9	+19.2%	
Operating profit	19.3	0.0		
% of net sales	3.6%	0.0%		
Order intake	595.0	333.4	+78.5%	
	1-6/2000	1-6/1999	Change	1999
Net sales	1,024.9	919.4	+11.5%	1,896.6
Operating profit/loss	24.4	0.0		-28.5
% of net sales	2.4%	0.0%		-1.5%
Order intake	1,187.9	736.9	+61.2%	1,853.7
Orderbook, end of period	1,576.3	1,115.3	+41.3%	1,314.9

Wärtsilä NSD's orderbook reached a record level at the close of the second quarter owing to major power plant orders received from India and Kenya and to a further increase in demand for marine propulsion systems. Power plant orders tripled and marine engine orders doubled between April and June compared to the low order intake in the same period last year.

Wärtsilä NSD's second-quarter net sales rose as planned.

The restructuring measures contributed to raising profitability which is Wärtsilä NSD's main goal.

Marine engines

EUR million	Q2/2000	Q2/1999	Change	
Net sales	181.9	129.3	+40.7%	
Order intake	224.0	115.4	+94.1%	
	1-6/2000	1-6/1999	Change	1999
Net sales	329.0	298.3	+10.3%	637.7
Order intake	403.3	247.0	+63.3%	688.8
Orderbook, end of period	810.0	618.9	+30.9%	678.1

Shipyards around the world continued to report high orderbooks during the reporting period. South Korean shipyards were particularly successful in receiving orders for new medium-sized and large ships but increasingly also shipyards in Japan and China received orders as well. Demand was especially strong for container vessels, cruise ships and ropax vessels. These are all ship types for which Wärtsilä NSD has proven, well established engine solutions. Wärtsilä and Sulzer engines retained their high market shares.

Wärtsilä NSD's smokeless EnviroEngine, launched in February, has contributed to the company's success and will be installed in several of the new cruise ships on order. This interest is expected to extend to other types of vessels, an indication of which is an order placed by a US customer for a cargo vessel equipped with a Sulzer low-speed engine incorporating smokeless common rail technology. The engine will be built by Wärtsilä NSD's licence manufacturer Hyundai in Korea.

The industrial restructuring agreed upon with John Crane Lips strengthens Wärtsilä NSD's position as a ship power supplier. As a part of this Wärtsilä NSD will be the sole supplier of Lips propellers as a part of total propulsion packages. The agreement calls for transfer of Wärtsilä NSD's propeller manufacturing operation in Rubbestadsneset, Norway, along with

its 120 employees, to John Crane Lips. The deal does not affect Wärtsilä NSD's service activities or manufacture of reduction gears, nor does it have any significant impact on Wärtsilä NSD's profit.

Power plants				
EUR million	Q2/2000	Q2/1999	Change	
Net sales	183.9	177.5	+3.6%	
Order intake	198.1	66.1	+199.7%	
	1-6/2000	1-6/1999	Change	1999
Net sales	343.8	333.0	+3.3%	655.4
Order intake	436.2	182.0	+139.7%	552.6
Orderbook, end of period	614.6	349.1	+76.1%	460.3

The order intake for power plants was on a good level during the second quarter with orders for heavy fuel burning plants received from India, Kenya, Taiwan and Saudi Arabia. Wärtsilä NSD's concept of distributed power generation is particularly suitable for countries without gas and where coal cannot be used for environmental or economic reasons.

In areas where gas is available, Wärtsilä NSD's combined heat and power plants based on gas and multifuel engines offer an economic alternative as their high total efficiency helps to minimize environment impact. Orders for such plants were mainly gained in Western Europe. A co-operation agreement was signed with Fortum Engineering in May to strengthen marketing of this concept in central Europe.

Service				
EUR million	Q2/2000	Q2/1999	Change	
Net sales	169.4	148.1	+14.4%	
	1-6/2000	1-6/1999	Change	1999
Net sales	333.3	282.7	+17.9%	589.9

Wärtsilä NSD's Service business continued to grow well during the second quarter. Continuous improvement in customer service is creating opportunities to further strengthen the market share in the future.

The service and sales of spare parts will be the first in the company to benefit from e-business solutions. The first stage will be sales of spare parts via the Internet. The aim of this is to provide more timely and accurate customer services combining by the company's expert and monitoring systems to the e-business.

Power plant operation is developing into an important part of Wärtsilä NSD's total service concept. New orders for operating contracts totalled 166 MW during the first half of the year. The total power base served by operation contracts stands at 1,079 MW.

Continuous improvement

Most of Wärtsilä NSD's product lines reported ongoing high utilization rates during the second quarter. Restructuring measures will be continued, especially in France and Italy. Wärtsilä NSD's Operating Excellence project aiming at total quality enhancement continues to run.

IMATRA STEEL				
EUR million	Q2/2000	Q2/1999	Change	
Net sales	51.3	45.4	+13.0%	
Operating profit	5.8	2.5	+132.0%	
% of net sales	11.3%	5.5%		
	1-6/2000	1-6/1999	Change	1999
Net sales	102.3	92.6	+10.5%	173.0
Operating profit	10.6	6.4	+65.6%	10.8
% of net sales	10.4%	6.9%		6.2%

The growth of Imatra Steel's sales accelerated. In January-June the company reported net sales of EUR 102.3 (92.6) million, up 10.5% on the same period last year. The operating profit was EUR 10.6 (6.4) million, or 10.4% (6.9%) of net sales.

Demand for special engineering steels remained favourable. Production volumes in the vehicle industry grew during the first half of the year, as did deliveries to engineering companies and wholesalers. Delivery volumes at all Imatra Steel units were higher than in the same period last year. Despite strong demand, prices of special steel bars have risen only slightly.

SHAREHOLDINGS AND OTHER OPERATIONS

The associated company Sanitec contributed to Metra's result with an operating profit of EUR 17.9 (17.0) million as a subsidiary during the first quarter, and with a EUR 3.6 million share of profit during the second quarter. Sanitec published its own interim report on 7 August 2000. Metra's share (46.7%) of Sanitec's market capitalization on 30 June 2000 was EUR 305 million. Sanitec's book value in Metra's balance sheet is EUR 155.8 million.

Assa Abloy publishes its interim report on 10 August 2000. Metra's share (19.3%) of Assa Abloy's market capitalization on 30 June 2000 was EUR 1,337 million and Assa Abloy's book value in Metra's balance sheet is EUR 157.3 million. Metra booked a dividend paid by Assa Abloy of EUR 5.7 million in May.

Metra Real Estate sold properties and shares in housing companies totalling EUR 10.6 (8.0) million during the period, which yielded a profit of EUR 6.9 (1.0) million. Rental income totalled EUR 3.2 (3.6) million.

CORPORATE MANAGEMENT

Metra's President and CEO, Mr Georg Ehrnrooth, has announced that he will exercise his right to retire from this position during 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 CFO of Metra Corporation. Mr Lind also continues as CFO of Wärtsilä NSD. The corporate managements of Metra and Wärtsilä NSD have been combined as planned.

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 authorized the Board to repurchase and dispose of the company's own shares. The authorization comprises at most 5% of the total amount of shares and votes.

PROSPECTS TO END OF YEAR

The intake of orders for Wärtsilä NSD's marine engines and power plants during the first six months of the year was considerably better than one year ago. Consequently the order intake for the full year will exceed the previous year's level. The healthy orderbook and the growing Service business create a solid basis for an increase in Wärtsilä NSD's net sales this year. The operating profit during the second half of the year is forecast to reach at least the same level as for the first six months.

Conditions in Imatra Steel's markets are forecast to remain good in the coming months. The operating profit during the rest of the year is forecast to remain at close to the same level as in the first six months.

9 August 2000

Metra Corporation

Board of Directors

METRA GROUP UNAUDITED

INCOME STATEMENT

EUR million	1-6/2000	1-6/1999 ¹⁾	1999
Net sales	1,352.1	1,327.2	2,700.0
Other operating income	123.9	11.3	236.6
Expenses	-1,255.2	-1,225.9	-2,540.9
Depreciation and writedowns	-58.1	-55.7	-112.9
Share of profits/losses in associated companies	2.6	-8.0	-10.1
Operating profit	165.3	48.9	272.7
Financial income and expenses	-14.9	-18.5	-35.7
Profit before extraordinary items	150.4	30.4	237.0
Extraordinary expenses			-2.5
Profit before taxes	150.4	30.4	234.5
Income taxes ²⁾	-54.4	-12.1	-95.9
Minority interests	-4.1	0.4	-8.5
Profit for the financial period	91.9	18.7	130.1

¹⁾In earlier years Metra published interim reports tertially. For this reason the comparable figures for the interims in 1999 are pro-forma figures.

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

BALANCE SHEET

EUR million	30.6.2000	30.6.1999	31.12.1999
Fixed assets	1,022.9	1,037.0	1,217.4
Current assets			
Inventories	648.4	676.3	667.7
Receivables	824.7	975.5	975.8
Cash and bank balances	70.7	108.1	110.3
Balance sheet total	2,566.7	2,796.9	2,971.2
Share capital	189.7	189.7	189.7
Other shareholders' equity	603.6	541.7	636.8
Minority interests	12.6	68.5	180.4
Provisions	133.1	145.6	173.4
Long-term liabilities	420.7	529.7	471.6
Current liabilities	1,207.0	1,321.7	1,319.3
Balance sheet total	2,566.7	2,796.9	2,971.2
Interest-bearing liabilities	622.2	894.5	794.3
Non-interest-bearing liabilities	1,005.5	956.9	996.6

FINANCIAL ANALYSIS

EUR million	1-6/2000	1-6/1999	1999
Net cash from operating activities	109.0	6.3	106.9
Net cash used in investing activities ¹⁾	-41.9	-55.1	-32.1
Net cash used in financing activities	-106.7	73.0	-59.1
Change in liquid funds	-39.6	24.2	15.7

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

EXPENDITURE

EUR million	1-6/2000	1-6/1999	1999
Group, gross capital expenditure	161.6	81.0	263.8
of which acquisitions and shares	138.3	56.7	180.0
Decreases in fixed assets	27.4	20.9	58.4
Net expenditure	134.2	60.1	205.4

FINANCIAL RATIOS

	1-6/2000	1-6/1999	1999
Earnings per share ¹⁾ , euro	1.70	0.35	2.43
Earnings per share ²⁾ , euro	1.57		
Equity per share, euro	12.47	11.33	13.09
Solvency ratio 1, %	29.5	26.1	31.4
Solvency ratio 2 ³⁾ , %	34.5	30.5	35.5
Gearing 1	0.97	1.32	0.90
Gearing 2 ³⁾	0.68	0.98	0.68
Net interest-bearing debt, EUR mill.	544.5	745.9	676.8

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

²⁾Incl. the dilution effect of the convertible subordinated debentures and warrants.

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

PERSONNEL

On average	1-6/2000	1-6/1999	1999
Wärtsilä NSD	9,002	8,690	8,472
Imatra Steel	1,273	1,240	1,237
Sanitec ¹⁾		5,687	5,796
Other operations ²⁾	33	55	46
Group	10,308	15,672	15,551
Personnel, end of period	10,313	15,580	17,937

¹⁾Sanitec personnel not included in 2000 figure.

²⁾Metra Real Estate and Corporate Management.

CONTINGENT LIABILITIES

EUR million	30.6.2000	30.6.1999	31.12.1999
Mortgages	94.6	113.7	91.0
Chattel mortgages	9.0	5.9	11.9
Total	103.6	119.6	102.9
Guarantees and contingent liabilities			
on behalf of the company	494.0	473.6	440.6
on behalf of associated comp.	30.5	112.6	95.7
on behalf of others	2.4	3.9	4.9
Leasing obligations	38.3	39.6	47.3
Total	565.2	629.6	588.5

NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR million	Total amount	of which closed
Interest rate options, purchased	41.9	
Interest rate options, written	31.4	
Interest rate swaps	260.3	
Foreign exchange forward contracts	971.0	45.6
Currency options, purchased	51.7	
Currency options, written	9.9	

If all the above instruments were sold at market prices at the end of period, the effect would be EUR -2.3 million.

	1-6/2000	1-6/1999	1999
Share trading in Helsinki, shares	21.8%	15.5%	32.7%
Share trading in Helsinki, votes	9.9%	6.0%	14.5%
Share trading in SEAQ, shares	4.5%	7.5%	9.2%
Shareholders outside Finland end of period	13.0%	20.0%	16.5%

Shares 30 June 2000	Series A	Series B	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