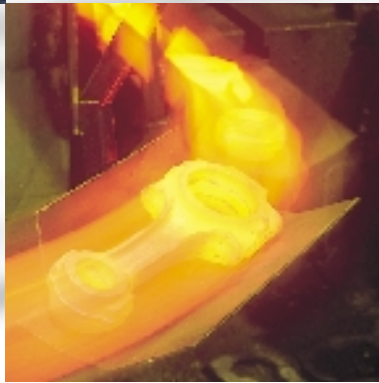


*A n n u a l R e p o r t*

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**METRA**

# Contents

- 3 Information for Shareholders
- 4 Metra in Brief
- 6 President's Review

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- 8 Five Years in Figures
- 9 Shares and Shareholders

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- 14 Review by the Board of Directors
- 19 Group and Parent Company Financial Statements
- 23 Accounting Principles
- 25 Notes to the Financial Statements
- 37 Proposal of the Board
- 38 Auditors' Report

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- 39 Calculation of Financial Ratios
- 40 Financial Risk Management
- 41 Business Environment
- 43 Human Resources
- 44 Wärtsilä NSD
- 50 Imatra Steel
- 53 Sanitec
- 54 Assa Abloy
- 54 Metra Real Estate
- 55 Corporate Board and Management
- 57 Main Releases 1999
- 59 Financial Analysts

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# Information for Shareholders

## ANNUAL GENERAL MEETING

The Annual General Meeting of Metra Corporation will take place in the Congress Wing of the Helsinki Fair Centre on Thursday 23 March 2000, beginning at 4 p.m.

Shareholders who have registered themselves no later than 18 March 2000 in the Company's shareholder register maintained by the Finnish Central Securities Depository Ltd may attend the AGM.

Shareholders whose shares have not been transferred to the book-entry securities system may also attend the AGM on condition that such shareholders were registered in the Company's shareholder register before 26 February 1993. In such a case, shareholders must present at the AGM their share certificates or other evidence that their shareholding rights have not been transferred to the book-entry securities system.

Shareholders wishing to attend the AGM must notify the Company by 4 p.m. on 20 March 2000 either by letter addressed to

Metra Corporation  
Share Register  
P.O. Box 230  
FIN-00101 Helsinki  
Finland

or by telephone, +358-9-7095 295  
Mrs Aila Aho.

Letters authorizing a proxy to exercise a shareholder's voting right at the AGM should be sent to the Company before the notification period expires.

## PAYMENT OF DIVIDEND

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.50 (FIM 2.97) per share be paid on the 1999 financial period.

An extra dividend of EUR 2.35 (FIM 13.97) per share will also be proposed to the AGM, principally in the form of Sanitec Corporation shares.

The record date for dividend payment is 28 March 2000, and the dividend payment date is 7 April 2000, should the Board's proposal be approved. For technical reasons dividends will be paid into shareholders' accounts on the following banking day, 10 April 2000.

Shareholders cannot be paid a dividend until they have transferred their shares to the book-entry securities system.

The extra dividend will be paid only in cash to such shareholders whose shares are not registered in their book-entry account on the record date.

## ANNUAL REPORT 1999

This Annual Report is also available in Finnish and Swedish. It is also available on Metra's Internet site, [www.metra.fi](http://www.metra.fi).

Wärtsilä NSD publishes its Annual Report in English and Imatra Steel in English and Finnish. Sanitec's Annual Report is available in English, Finnish and Swedish.

## INTERIM REPORTS 2000

Metra Corporation will publish Interim Reports on its financial performance during 2000 as follows:

January – March	11 May 2000
January – June	9 August 2000
January – September	9 Nov. 2000

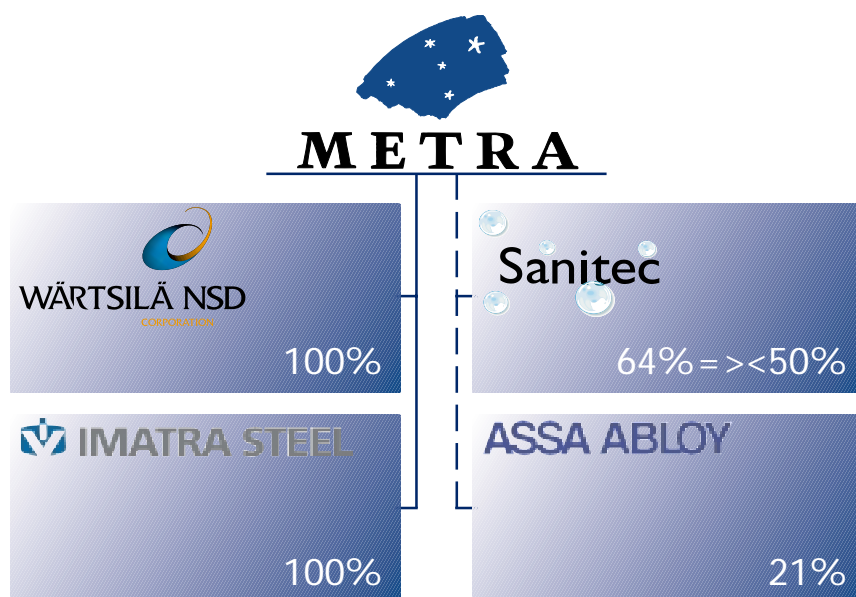
These Interim Reports are published in English, Finnish and Swedish on Metra's Internet site. Interim Reports will be sent by post on request.

Interim Report orders:  
tel. +358-9-70951 or  
Internet: [www.metra.fi](http://www.metra.fi)

## STOCK EXCHANGE RELEASES:

Metra's Stock Exchange releases are available in English, Finnish and Swedish on Metra's Internet site, [www.metra.fi](http://www.metra.fi)

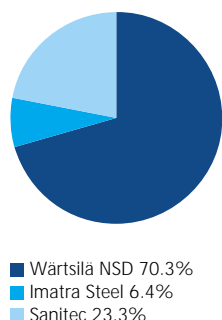
# Metra in Brief



Group structure, percentages are Metra's holdings.

Metra is an industrial group with Wartsilä NSD as its core division. Imatra Steel is its other industrial division. Metra also has significant holdings in the listed companies Sanitec and Assa Abloy. Metra intends to reduce its holding in Sanitec to below 50%. In support of this aim Metra's Board of Directors proposes to distribute an extra dividend in the form of Sanitec shares in spring 2000.

NET SALES BY DIVISION 1999



## Wartsilä NSD

### Power for land and sea

Wartsilä NSD is Metra's core division. Wartsilä NSD is a global engineering group providing complete solutions for power generation and marine propulsion. The company designs, manufactures, licenses, sells and services Wartsilä and Sulzer engines with unit outputs of 500-66,000 kW, and installations based on them. The engines can be run on heavy fuel oil, light fuel oil, gas and new fuels such as Orimulsion®.

Net sales: EUR 1,896.6 million

Operating loss: EUR -28.5 million

Number of employees: 8,257

## Imatra Steel

Engineering steels for demanding customers

Imatra Steel, Metra's other industrial division, produces special engineering steels for automotive and mechanical engineering companies in Europe. Its products include round, square and flat bars, forged engine and front axle components, leaf springs and tubular stabilizer bars.

Net sales: EUR 173.0 million

Operating profit: EUR 10.8 million

Number of employees: 1,235

## Sanitec

### The bathroom at its best

Sanitec is one of the leading bathroom product companies in Europe. It is also active in Asia. Sanitec's brands include Albatros, Allia, Ido, Ifö, Keramag, Kolo, Porsgrund, Pozzi-Ginori, Revita, Scandispa, Sphinx, Koralle, Leda and Evac. Sanitec is listed on the Helsinki Exchanges.

Net sales: EUR 630.0 million

Operating profit: EUR 80.6 million

Number of employees: 8,399

## Assa Abloy

### A global locking group

Assa Abloy is the world's leading locks and locking group. It is listed on the Stockholm Stock Exchange.

Net sales: EUR 1,170.5 million<sup>1</sup>

Operating profit: EUR 135.9 million<sup>2</sup>

Number of employees: 12,654<sup>1</sup>

<sup>1</sup> Not included in Metra's financial statements

<sup>2</sup> Metra's operating profit includes its share of Assa Abloy's profit as an associated company, EUR 17.8 million.



## Highlights

- Metra's Sanitec holding to below 50% in spring 2000.
- Wärtsilä NSD to become a 100%-owned subsidiary, role as Metra's core division strengthens.
- Metra's 1999 result clearly up on the previous year.
- Wärtsilä NSD's result improved substantially, but still a loss.
- Cummins Wärtsilä joint venture split up between the owners.
- Sanitec listed on the Helsinki Exchanges.
- Sanitec acquired Sphinx Gustavsberg.

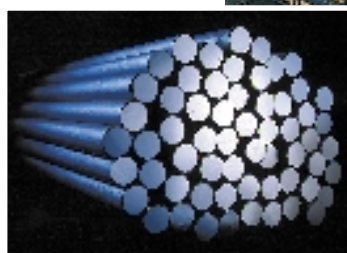
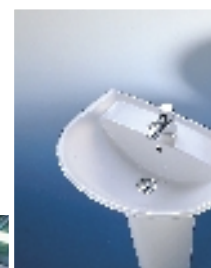
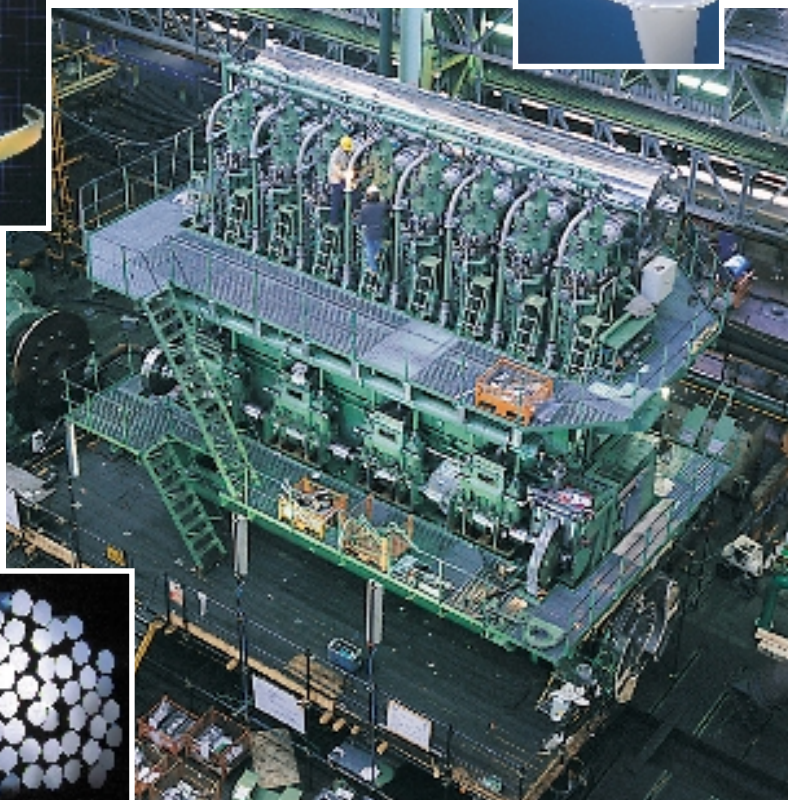
## Strategy

After Metra's holding in Sanitec falls to below 50%, Metra will be an engineering group whose core division is Wärtsilä NSD and its other division is Imatra Steel. Assa Abloy and Sanitec are valuable holdings which reinforce the Group's financial standing.

Metra's main business, Wärtsilä NSD, is the world's leading manufacturer of medium-speed diesel and gas engines and a major supplier of low-speed diesel engines.

Wärtsilä NSD's strategic goal is to be a global supplier of complete power solutions and marine propulsion systems along with comprehensive operations and maintenance services.

The focus of Wärtsilä NSD's R&D activities is on environmentally friendly performance-enhancing solutions that serve the goals and needs of its customers.



## KEY FIGURES

EUR mill.	1997	1998	1-3/1999 PF	1-6/1999 PF	1-9/1999 PF	1999
Net sales	2,572.8	2,602.6	663.6	1,327.2	1,931.2	2,700.0
Operating profit	117.1	87.6	24.4	48.9	191.2	272.7
Profit before extraordinary items	66.3	44.9	15.2	30.4	160.6	237.0
Profit for the financial period	41.1	21.7	9.3	18.7	99.2	130.1
Balance sheet total	2,574.9	2,581.5	2,785.1	2,796.9	2,867.5	2,971.2
Interest-bearing liabilities, gross	796.2	686.8	897.0	894.5	762.6	794.3
Convertible subordinated debentures	117.4	117.2	117.2	117.2	117.2	117.2
Cash and bank balances	122.5	83.9	105.1	108.1	108.9	110.3

Metra published four-month and eight-month interim reports during 1999. The quarterly figures are proforma figures. In 2000 Metra will report quarterly.

# President's Review



Georg Ehrnrooth  
President and CEO

## *Dear shareholders*

Metra experienced a series of major changes during 1999. Sanitec was listed on the Helsinki Exchanges and became an independent company with Metra being a major shareholder. Our largest industrial division, Wärtsilä NSD, was heavily restructured to raise operational efficiency and streamline manufacturing capacity to prevailing market conditions.

Our consolidated profit before extraordinary items improved substantially from EUR 44.9 million to EUR 237.0 million. The major part of this increase, EUR 174.5 million, was derived from non-recurring items, principally from the sale of shares in Sanitec and Assa Abloy. The corresponding net impact from non-recurring items last year was EUR 35.3 million. Hence, our result of operations improved by EUR 52.9 million. Most of this, EUR 50.5 million, was generated by Wärtsilä NSD. Despite major improvements in several sectors the company's result before non-recurring expenses and extraordinary items, however, remained a loss of EUR 26.4 million. The improvement was the result of higher margins for power plants, expansion of the service business and reduced costs. In the Netherlands the power plant business was particularly unprofitable owing to a low order intake and high costs. The Cummins Wärtsilä joint venture, likewise, reported another heavy loss, EUR 27.1 million, which depressed our result.

We placed top priority on addressing these problems during 1999. We acquired the remaining 40% of the Dutch company and at the same time reorganized its operations. The decision was also made to split the Cummins Wärtsilä joint

venture between the owners. Wärtsilä NSD takes over the larger engines which are manufactured in France and complement our other products. Cummins will have the smaller engine types which well match their product range manufactured in England. We will also take this opportunity to rationalize and concentrate our French operations. We entered a provision of EUR 20 million in the 1999 accounts to cover the aggregate costs of this restructuring. These actions will considerably improve the performance of our Dutch operation and the part of Cummins Wärtsilä activity that is now our responsibility.

Delivery volumes in the steel markets rose during the autumn but prices and volumes developed weakly at the start of the year. Consequently Imatra Steel's result deteriorated but it remained nevertheless at a good level compared to other companies in the sector.

Sanitec continued its strong development during the year and the acquisition of Sphinx considerably strengthened its market position.

Sanitec's listing during 1999 is a logical step in Metra's strategy to create strong companies concentrating on their own core expertise. Metra offered its shareholders the pre-emptive right to subscribe for Sanitec shares in connection with the Initial Public Offering. Later in the year we also distributed an additional dividend in the form of Sanitec shares and announced our intention to do the same during 2000. In this way we wish to offer Metra shareholders the opportunity to participate in the positive development which I believe Sanitec can look forward to.

Our stake in Assa Abloy has been reduced from 25.0 to 21.4%. Despite this, the market value of our holding rose from EUR 580 million at the start of the year to over EUR 900 million.

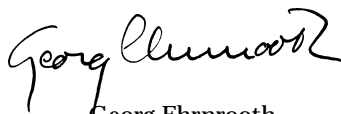
In February 2000 we reached agreement on Metra's acquisition of the 15.4% of the Wärtsilä NSD shares held by Fincantieri. When completed, this transaction will make Wärtsilä NSD a wholly owned subsidiary of Metra.

Taken together, all these changes have refocused Metra into an engineering group with significant holdings in Sanitec and Assa Abloy. In the future we will continue to concentrate on further strengthening Wärtsilä NSD's position as the world's leading manufacturer of marine propulsion systems and a leading provider of diesel and gas power plants. At the same time we will increase our resources in order to expand our operations and maintenance services.

Wärtsilä NSD now stands on a firm foundation thanks to the action we have taken, and resolved to take, and the strategy we have adopted. Project-based business operations, of course, have their own risks associated with new and existing orders. Nonetheless, I am confident that the provisions we have made now match the current situation. In other words, Wärtsilä NSD is now fully equipped to perform profitably, which in turn will raise its corporate value as a world leader in its field. Our holdings in Sanitec and Assa Abloy, in which we exercise an active ownership role, will contribute financial strength and flexibility to the Group.

My sincere thanks are due to our shareholders, customers and personnel for the confidence you placed in our company during the year.

February 2000



Georg Ehrnrooth  
President and CEO

# Five Years in Figures

EUR million		1999	1998	1997	1996	1995
Net sales		2,700.0	2,602.6	2,572.8	1,961.0	1,785.7
of which outside Finland	%	95.2	95.5	95.1	95.8	94.0
Exports from Finland		1,008.1	972.4	890.1	798.4	684.2
Personnel on average		15,551	13,766	13,704	11,986	11,714
of which in Finland		3,807	3,867	3,701	3,603	3,679
Orderbook, Wärtsilä NSD		1,314.9	1,210.2	1,177.0	791.7	824.1

## From the income statement

Depreciation and writedowns		112.9	110.5	95.2	76.9	76.0
Share of profits/losses in associated companies		-10.1	-40.5	-13.6	-3.7	2.5
Operating profit		272.7	87.6	117.1	182.0	168.2
as a percentage of net sales	%	10.1	3.4	4.6	9.3	9.4
Net financial items		-35.7	-42.7	-50.8	-31.6	-34.5
as a percentage of net sales	%	-1.3	-1.7	-2.0	-1.6	-1.9
Profit before extraordinary items		237.0	44.9	66.3	150.4	133.7
as a percentage of net sales	%	8.8	1.7	2.6	7.7	7.5
Profit before taxes		234.5	41.4	66.1	155.9	124.6
as a percentage of net sales	%	8.7	1.6	2.6	8.0	7.0
Profit for the financial year		130.1	21.7	41.0	121.8	80.6
as a percentage of net sales	%	4.8	0.8	1.6	6.2	4.5

## From the balance sheet

Fixed assets		1,217.4	964.6	1,044.5	864.7	809.8
Current assets						
Inventories		667.7	679.8	588.7	460.7	437.5
Receivables		975.8	853.2	819.2	642.5	614.4
Cash and bank balances		110.3	83.9	122.4	86.8	75.5
Shareholders' equity		826.5	742.6	772.0	730.3	645.2
Minority interests		180.4	57.8	88.0	32.0	30.4
Preferred capital notes					78.0	73.3
Provisions		173.4	102.8	96.9	80.6	79.9
Interest-bearing liabilities		794.3	686.8	796.2	491.3	460.0
Non interest-bearing liabilities		996.6	991.4	821.8	642.5	648.2
Balance sheet total		2,971.2	2,581.5	2,574.8	2,054.6	1,937.0
Gross capital expenditure		263.8	163.7	282.6	223.9	187.2
as a percentage of net sales	%	9.8	6.3	11.0	11.4	10.5
Research and development expenses		86.9	86.6	93.5	57.4	52.1
as a percentage of net sales	%	3.2	3.3	3.6	2.9	2.9
Dividends paid for the financial year		27.1	20.1	24.9	24.9	24.9
Supplementary dividend		127.4	64.0		13.6	
Dividends total		154.5 <sup>1</sup>	84.1	24.9	38.5	24.9

## Financial ratios

Earnings per share (EPS)	euro	2.43	0.45	0.92	1.90	1.66
Dividend per share	euro	2.85 <sup>1</sup>	1.55	0.46	0.71	0.46
Payout ratio	%	117.3 <sup>1</sup>	344.4	50.4	37.5	27.8
Interest coverage <sup>2</sup>		4.8	2.9	2.9	4.2	3.9
Return on investment (ROI) <sup>2</sup>	%	20.1	9.6	10.0	17.4	16.9
Return on equity (ROE)	%	18.0	-0.4	6.7	17.6	17.1
Solvency ratio 1 <sup>3</sup>	%	31.4	28.3	30.1	32.1	30.0
Solvency ratio 2	%	35.5	33.2	35.0	38.0	36.4
Net Gearing 1 <sup>3</sup>		0.90	1.05	1.07	0.93	1.06
Net Gearing 2		0.68	0.75	0.78	0.63	0.70
Equity per share	euro	13.09	11.60	12.11	11.44	9.75

<sup>1</sup> Proposal of the Board of Directors. Additional dividend will be paid in Sanitec shares. Financial ratios calculated from total amount of dividend.

<sup>2</sup> The change in accounting practice in the Group's financing company applying to a portion of foreign currency forward contracts applies to the financial ratios from 1998 onwards.

<sup>3</sup> Please refer to the Calculation of Financial Ratios on page 39.



# Shares and Shareholders

Metra Corporation's shares are listed on the main list of Helsinki Exchanges. The shares are also traded on the SEAQ International (Stock Exchange Automatic Quotation) system on the London Stock Exchange.

The share capital of Metra Corporation is minimum EUR 87.5 million and maximum EUR 350 million. Within these limits the share capital may be raised or lowered without amending the Articles of Association. The Annual General Meeting on 25 March 1999 decided to restate the Company's share capital in euros. This was done through a EUR 7,384,210.33 bonus issue in which the nominal value of the shares was raised to the nearest quarter of a euro, i.e. to EUR 3.50. The Company's paid-up and registered share capital is EUR 189,700,861. Series A shares carry 10 votes and Series B shares 1 vote at general shareholders' meetings. All shares carry equal dividend rights. There are altogether 54,200,246 shares in all: 13,935,104 A shares and 40,265,142 B shares.

## Convertible subordinated debentures and bonds with warrants for management

In March 1994 the Board floated two convertible capital notes issues, each of the same amount and together totalling FIM 700 million (EUR 117.7 million). One is convertible into Series A and Series B shares, and the other into Series B shares. Altogether 8,436 Series A shares and 12,284 Series B shares had been converted by 31 December 1999, representing EUR 0.5 million (FIM 2.9 million) of the loan principal. The calculated conversion price was EUR 21.56/share.

The Company also issued bonds with warrants for a nominal value of

FIM 180,000 (EUR 30,274) to Company executives based on the authorization of the 1996 AGM. The right to subscribe for shares began on 1 September 1996 and ends on 2 May 2003. The subscription price is EUR 15.84. The bonds were subscribed by 34 members of corporate and division management. Altogether 9,600 Series B shares have been subscribed, based on this issue (0.02 % of the shares and 0.005 % of the voting rights). The Group has no other personnel incentive schemes based on shares.

Conversions and subscriptions during 1999 raised Metra Group's share capital by EUR 2,849. The number of A shares rose by 407 and the number of B shares by 407, making a total of 814 shares and 4,477 voting rights.

## Management holdings

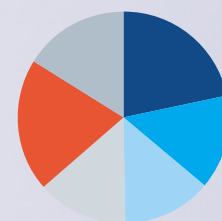
The members of the Board of Directors, the CEO and the corporations under their control own altogether 1,107,654 Metra Corporation shares, which represent 2.04 % of the stock and 3.17 % of the voting rights. Furthermore, the members of the Board of Directors, the CEO and the corporations under their control own altogether convertible subordinated debentures totalling FIM 20,390,000 (EUR 3,429,352), i.e. 2.92 % of the principal. If the conversion rights were exercised in full, this would increase their holding by 159,042 shares, representing 0.29 % of the current stock and 0.41 % of the voting rights. The CEO also owns 41 warrants, based on the 1996 bond with warrants, which, if exchanged for shares, would increase his shareholding by at most 49,200 shares, i.e. by 0.09 % of the Company's current stock and 0.03 % of the voting rights.

## SHARE INFORMATION

	Series A	Series B
Share lot	100	100
Votes/share	10	1
Taxation		
EUR <sup>1</sup>	12.96	12.87
FIM <sup>1</sup>	77.06	76.52

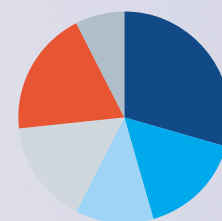
<sup>1</sup> Value per share in 1999.

## OWNERSHIP STRUCTURE ACCORDING TO SHARES HELD



- Private corporations 21.7%
- Banks and insurance companies 14.4%
- Public sector entities 13.7%
- Non-profit organizations 13.7%
- Households 20.3%
- Outside Finland or nominee register 16.1%

## OWNERSHIP STRUCTURE ACCORDING TO VOTES HELD



- Private corporations 29.4%
- Banks and insurance companies 16.1%
- Public sector entities 12.0%
- Non-profit organizations 15.7%
- Households 19.1%
- Outside Finland or nominee register 7.5%

## Shares and Shareholders

*Formulas for calculating the financial ratios are given on page 39.*

*Metra Corporation, domicile Helsinki, was entered in the Trade Register on 16 January 1991. Metra shares were transferred to the book-entry securities system in February 1993.*

*The share prices before 1999 have been converted into euro using the official exchange rate: 1 euro = FIM 5.94573.*

### Insider guidelines

On 28 October 1999 the Helsinki Exchanges approved new guidelines for insiders in listed companies. Metra's Board of Directors decided on 15 February 2000 to adopt these insider guidelines from 1 March 2000.

### Proposals to the Annual General Meeting

The Board of Directors will propose to the AGM on 23 March 2000 that, in addition to the dividend of EUR 0.50 (FIM 2.97) distributed on the financial year ended 31 December 1999, an extra dividend of EUR 2.35 (FIM 13.97) per share, totalling EUR 127,370,578.10 (FIM 757,311,067.33), be distributed in the form of Sanitec Corporation shares. However, those shareholders whose holding of series A or series B does not exceed 99 shares in an individual book-entry account on the record date for dividend payment will to this extent be paid the dividend in cash. The number of shares distributed as dividend will be calculated from the average price of the Sanitec Corporation share on the Helsinki Exchanges on the dividend payment date. Metra will pay the capital transfer tax due on the dividend payment. The other terms and

conditions of the dividend distribution are described in the Board's proposal.

With respect to the extra dividend distribution, the Board will propose to the AGM that the conversion rate of the 1994 convertible debentures and the subscription price of the Metra Series B share under the warrants attached to the 1996 bond with warrants be changed corresponding to the amount of extra dividend.

Furthermore, the Board proposes that the AGM authorizes it for one year to repurchase the Company's own shares in public trading on the Helsinki Exchanges at the prevailing market price and other than in proportion to the holdings of shareholders. At most 696,755 A shares and at most 2,013,257 B shares may be so repurchased. The authorization requested by the Board would also include the right to dispose of the company's shares at a price no lower than the quoted price on the Helsinki Exchanges, disapplying shareholders' pre-emptive subscription rights.

DILUTION EFFECTS OF THE CONVERTIBLE SUBORDINATED DEBENTURES AND BONDS WITH WARRANTS ON THE SHARE CAPITAL							
	Number of shares		Share capital		Votes	Conversion/Subscription terms	
		%	EUR		%	Price	Time
Conv. subordin. debentures	+5,159,280	+9.52	+18,057,480		+9.32	21.56	2.1.-30.11. annually
Bonds with warrants	+206,400	+0.38	+722,400		+0.11	15.84	2.1.-30.11. until 2.5.2003
Total	+5,365,680	+9.9	+18,779,880		+9.43		

*Number of Metra shares 59,565,926 and number of votes 198,396,062, if all conversion and subscription rights are exercised.*

CHANGE IN THE SHARE CAPITAL			SERIES A		SERIES B		TOTAL		
	Number of shares	%	Number of votes	%	Shares	%	Votes	%	
Shares/votes	31.12.98	13,934,697	25.7	139,346,970	77.6	40,264,735	74.3	40,264,735	22.4
debentures converted		407		4,070		407		814	
bonds with warrants subscribed		-		-		-		-	
Total	31.12.1999	13,935,104	25.7	139,351,040	77.6	40,265,142	74.3	40,265,142	22.4

METRA SHARES ON THE HELSINKI EXCHANGES		1999	1998	1997	1996	1995
Trading volume	EUR mill.					
Series A		17.3	44.8	65.2	56.3	104.6
Series B		310.0	474.1	403.4	256.5	207.5
Total		327.3	518.9	468.6	312.8	312.1
Number traded	1.000					
Series A		924	2,018	2,611	2,976	7,294
Series B		16,825	20,748	16,255	13,980	14,318
Total		17,749	22,766	18,866	16,956	21,612
Stock turnover	%					
Series A		6.6	14.5	18.8	10.7	26.2
Series B		41.8	51.7	40.6	53.7	55.0
Total		32.7	42.1	35.0	31.5	40.1
Average share price	EUR					
Series A		18.69	22.19	24.95	18.92	14.38
Series B		18.43	22.86	24.86	18.33	14.46
Trading low/high	EUR					
Series A	low	14.60	12.61	20.18	14.46	11.60
	high	23.75	32.96	32.96	23.46	17.41
Series B	low	13.71	12.78	19.88	14.30	11.35
	high	24.00	33.30	32.80	23.46	17.66
Share price at year end	EUR					
Series A		18.20	15.09	21.70	21.78	15.05
Series B		18.50	14.80	21.53	21.70	15.05
Year end market capitalization	EUR mill.	999	806	1,163	1,166	811

*Metra company and share codes:*

*Helsinki Exchanges MET*

*Series A METAS*

*Series B METBS*

*Reuters' RIC*

*Series A METAS.HE*

*Series B METBS.HE*

*Bloomberg*

*Series A META FH*

*Series B METB FH*

KEY FIGURES FOR METRA SHARES

		1999	1998	1997	1996	1995
Earnings per share (EPS)	EUR	2.43	0.45	0.92	1.90	1.66
Diluted EPS	EUR	2.33				
Book value of equity/share	EUR	13.09	11.60	12.11	11.44	9.75
Dividend/share	EUR	2.85 <sup>1</sup>	1.55	0.46	0.71	0.46
Dividend/earnings	%	117.3 <sup>1</sup>	344.4	50.4	37.5	27.8
Dividend yield	%					
Series A		15.66 <sup>1</sup>	10.27	2.12	3.30	3.07
Series B		15.41 <sup>1</sup>	10.47	2.16	3.31	3.07
Price per earnings (P/E)						
Series A		7.5	36.4	23.8	11.4	9.1
Sarja B		7.6	35.7	23.3	11.4	9.1
Price to book value (P/BV)						
Series A		1.4	1.3	1.8	1.8	1.5
Series B		1.4	1.2	1.8	1.9	1.5
Adjusted number of shares	1.000					
end of financial year		54,200	54,199	53,901	53,868	53,868
on average		54,199	54,050	53,868	53,868	53,868

<sup>1</sup> Proposal by the Board of Directors



# Shares and Shareholders

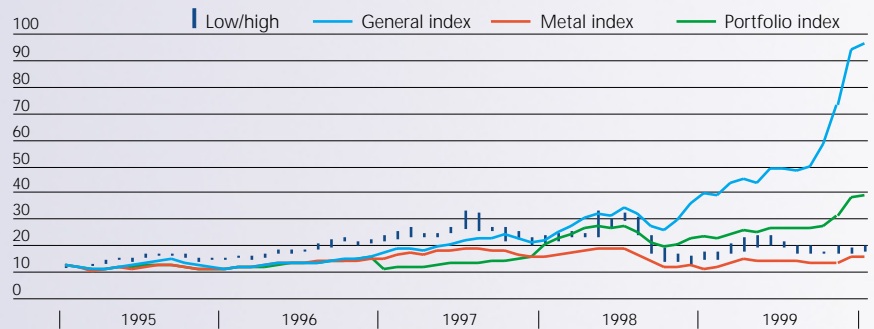
The adjacent diagrams describe share price trends from 2 January 1995 to 31 January 2000.

HEX all-share index, portfolio index and metal index have been indexed to the Metra share trends.

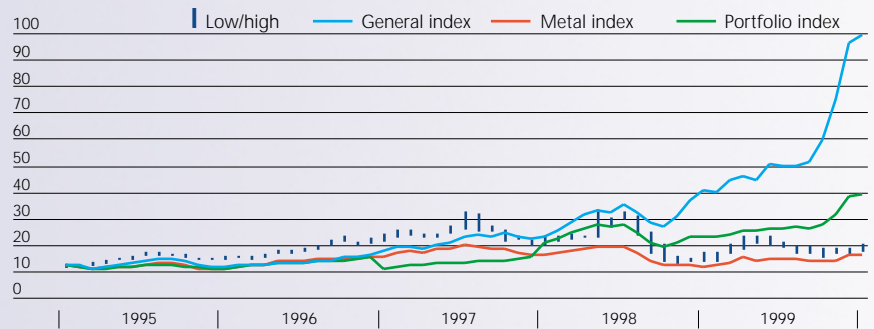
Since 4 January 1999 all shares on the Helsinki Exchanges have been quoted in euro.

Approximately 5 million Metra shares were traded on the SEAQ system in London during 1999.

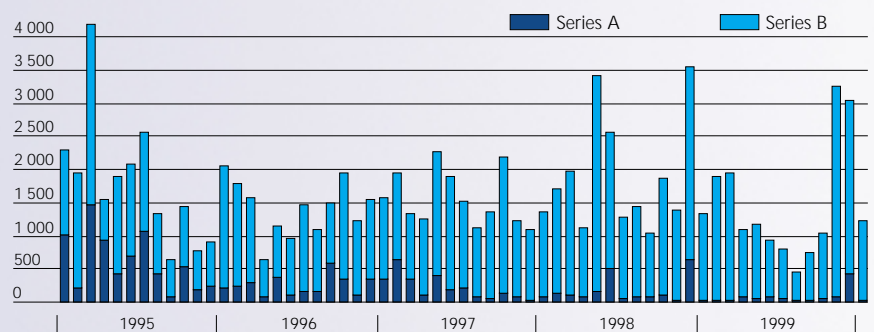
**SERIES A QUOTATIONS** euro



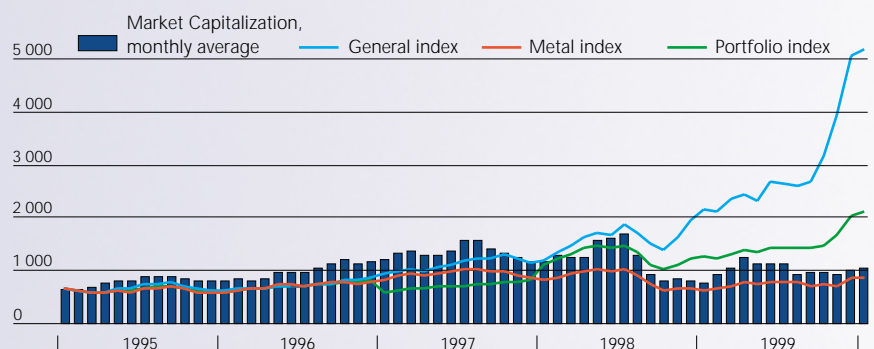
**SERIES B QUOTATIONS** euro



**TRADED SHARES**/month no. '000



**MARKET CAPITALIZATION** EUR mill.



MAJOR SHAREHOLDERS	NO. OF SHARES 1,000		% of votes	% of shares		
	SERIES A	SERIES B				
1. Fiskars Corporation		3,633	4,884	22.9	15.7	
2. Sampo Insurance Company plc	338		148			
Industrial Insurance Company Ltd	570		1,000			
Sampo Life Insurance Company Limited	264		588			
Sampo Enterprise Insurance Company Ltd	40	1,212	100	1,836	7.8	5.6
3. Varma-Sampo Mutual Pension Insurance Company		675	761	4.2	2.6	
4. Merita Bank Plc		500	0	2.8	0.9	
5. Agrofin Oy Ab		416	418	2.6	1.5	
6. Ilmarinen Mutual Pension Insurance Co.		250	1,723	2.3	3.6	
7. Tapiola General Mutual Insurance Co.	185		338			
Tapiola Mutual Pension Insurance Co.	80		349			
Tapiola Mutual Life Insurance Co.	20		168			
Tapiola Corporate Life Insurance Co.	6	291	78	933	2.1	2.3
8. Svenska Litteratursällskapet		274	22	1.6	0.5	
9. The Local Government Pensions Institution		201	606	1.5	1.5	
10. Brita Maria Renlund Foundation		228	330	1.5	1.0	
11. Pohjola Life Insurance Company Ltd	90		250			
Pohjola Non-Life Insurance Company Ltd	88	178	260	510	1.3	1.3
12. Association of Finnish Metal Industries		202	337	1.3	1.0	
13. Signe and Ane Gyllenberg Foundation		201	142	1.2	0.6	
14. The Social Insurance Institution		165	377	1.1	1.0	
15. Sigrid Juselius Foundation		181	181	1.1	0.7	
15 largest, total		8,607	13,060	55.3	39.8	

*The adjacent tables are based on the book-entry accounts at 31 January 2000.*

DIVISION OF SHARES			SERIES A		SERIES B			
Number of shares	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
1 -100	6,071	58.4	245,934	1.8	4,9553	1.0	249,506	0.6
101-1,000	3,685	35.4	1,155,196	8.3	8,693	54.3	3,070,276	7.7
1,001-10,000	570	5.5	1,374,490	9.8	2,103	13.1	5,552,809	13.8
10,001-100,000	57	0.5	1,751,868	12.5	224	1.4	6,043,061	15.0
100,001-1,000,000	21	0.2	5,751,964	41.3	39	0.2	9,923,066	24.6
1,000,001-	1	0.0	3,632,724	26.1	4	0.0	15,378,297	38.2
Not transferred	-	-	22,928	0.2	-	-	48,127	0.1
	10,405	100	13,935,104	100	16,018	100	40,265,142	100

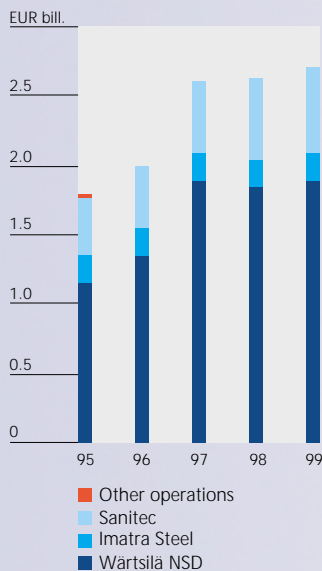
*Metra has 16,695 registered shareholders.*

OWNERSHIP STRUCTURE	SERIES A		SERIES B		TOTAL	
	% of shareholders	% of shares	% of shareholders	% of shares	% of votes	% of shares
Private corporations	2.1	8.4	3.0	13.3	29.4	21.7
Public corporations	-	-	-	-	-	-
Banks and insurance companies	0.2	4.3	0.5	10.0	16.1	14.4
Public sector entities	0.2	2.9	0.5	10.8	12.0	13.7
Non-profit organizations	3.8	4.3	3.9	9.5	15.7	13.7
Households	92.8	4.8	91.2	15.5	19.1	20.3
Outside Finland and nominee registered	0.9	0.9	0.9	15.1	7.5	16.1
Not transferred	-	0.1	-	0.1	0.2	0.1
	100	25.7	100	74.3	100	100

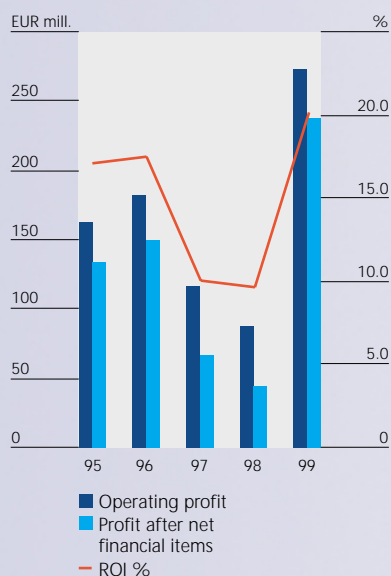


# Review by the Board of Directors 1999

## DEVELOPMENT OF NET SALES



## RESULT



Metra Group's net sales in 1999 totalled EUR 2,700.0 (EUR 2,602.6) million. The consolidated profit before extraordinary items was a distinct improvement on the previous year, EUR 237.0 (44.9) million. The result contained substantial profits on asset sales and other non-recurring items, generating aggregate net income of EUR +174.5 million. They include a profit of EUR 94.7 million on the sale of Assa Abloy AB (publ.) shares and subscription rights and Assa Abloy's share issue, a profit of EUR 99.8 million on the sale and issue of shares in the subsidiary Sanitec Corporation's Initial Public Offering, and Wartsilä NSD's restructuring provision of EUR 20.0 million resulting from the split-up of the joint venture Cummins Wartsilä. Non-recurring items in 1998 had a net impact of EUR +35.3 million on that year's result. Eliminating the effects of these items, the Group's result from operations before extraordinary items increased by EUR 52.9 million on the year before.

In order to rationalize its operations Wartsilä NSD continued implementation of its wide-reaching restructuring programme during the year. The provision made for this purpose in 1998 has been used according to the plan. Wartsilä NSD's business focus is now shifting increasingly towards deliveries of complete systems along with operations and maintenance services. Its result before extraordinary items

improved by EUR 83.0 million but remained a loss of EUR 46.4 million after the provision for restructuring. Excluding the effect of non-recurring items Wartsilä NSD's result in 1999 was EUR 50.5 million better than in the previous year.

Sales of marine engines again hit record levels and the Service business continued to grow. Sales of power plants, however, remained slack despite signs of recovery in the market. Wartsilä NSD booked new orders totalling EUR 1,853.7 (1,870.8) million during the year. The total orderbook at the year end stood at EUR 1,314.9 (1,210.2) million.

Imatra Steel's result was depressed by a strong decline in demand for special engineering steel products early in 1999. The division recorded net sales of EUR 173.0 million and a profit before extraordinary items of EUR 7.1 million, both well below their 1998 levels. The result was nonetheless satisfactory in the prevailing market conditions.

Metra's subgroup Sanitec was listed on the Helsinki Exchanges in July. At the same time Sanitec launched an Initial Public Offering and Metra sold part of its Sanitec holding in a public offering. In December Metra paid an additional dividend almost completely in the form of Sanitec shares. These transactions reduced Metra's holding in Sanitec to 64.2%.

Sanitec's net sales and performance developed well during the year. Net sales rose 10.4% and the profit before extraordinary items increased 8.4% to EUR 71.3 million. Sanitec recorded successes in its existing strong markets as well as consolidated its presence through new acquisitions. The largest of these was the purchase of the Dutch company N.V. Koninklijke Sphinx Gustavsberg in December.

NET SALES	EUR mill.	Change	%
	1999	1998	
Wartsilä NSD	1,896.6	1,834.6	3.4
Imatra Steel	173.0	195.1	-11.3
Sanitec	630.0	570.8	10.4
Other operations	8.8	10.7	
Internal sales	-8.4	-8.6	
Group	2,700.0	2,602.6	3.7

OPERATING PROFIT	EUR mill.		ROI %	
	1999	1998	1999	1998
Wartsilä NSD	-28.5	-108.3	-0.1	-11.8
Imatra Steel	10.8	20.8	10.0	20.4
Sanitec	80.6	77.4	18.4	24.7
Other operat.	209.8	97.7		
Group	272.7	87.6	20.1	9.6

The associated company Assa Abloy (publ.) is, like Sanitec, one of Metra's significant holdings. Assa Abloy's net sales showed further lively growth, both organically and through acquisitions, rising to EUR 1,170.5 (977.4) million. The company also posted a clear improvement in profit before extraordinary items, EUR 111.7 (85.2) million.

#### Net sales and result

Metra's consolidated net sales totalled EUR 2,700.0 (2,602.6) million. Wärtsilä NSD recorded EUR 1,896.6 (1,834.6) million in net sales, Sanitec EUR 630.0 (570.8) million and Imatra Steel EUR 173.0 (195.1) million.

The consolidated operating profit was EUR 272.7 (87.6) million, which included Metra's share of its associated companies' results, EUR -10.1 (-40.5) million. The major items in this figure were a profit of EUR 17.8 million from Assa Abloy and a loss of EUR -27.1 million from Cummins Wärtsilä. The consolidated profit before extraordinary items rose to EUR 237.0 (44.9) million. This figure, and the same figure in the previous year, include the non-recurring items mentioned at the beginning of this review.

Taxes totalled EUR 95.9 (44.8) million including EUR 85.3 (56.5) million in taxes for the financial year. The change in deferred tax liability increased total taxation by EUR 11.4 million. The effect of non-recurring items in total taxation amounted to EUR 53.1 (9.9) million.

Metra Group posted a net profit of EUR 130.1 (21.7) million and earnings per share of EUR 2.43 (0.45). Return on investment (ROI) was 20.1% (9.6%) and return on equity (ROE) was 18.0% (-0.4%).

#### Financing

Wärtsilä NSD's cash flow varied also in 1999, due to the nature of its operations. However, all Metra's divisions reported positive cash flow from operations during the year. Hence, the Group's cash flow from operations increased to EUR 106.9 (103.0) million after non-recurring items. The Group's financial position was good and net financial expenses decreased to EUR 35.7 (42.7) million.

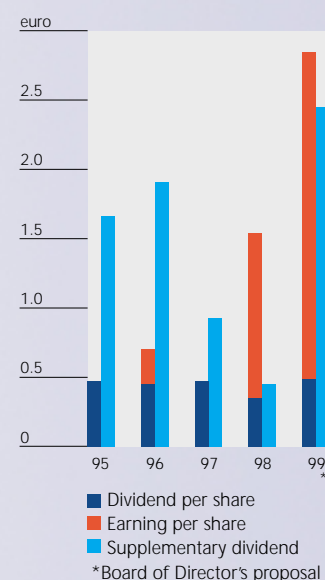
The Group had cash reserves totalling EUR 110.3 (83.9) million at the close of the period. Net interest-bearing loan capital amounted to EUR 676.8 (594.6) million. The solvency ratio improved to 31.4% (28.3%). The same figures, including the convertible subordinated debentures, were 35.5% and 33.2% respectively. The balance sheet increased to EUR 2,971.2 (2,581.5) million, which was principally due to the consolidation of Wärtsilä NSD Italia (formerly Grandi Motori Trieste) in the beginning of the year and to the consolidation of Sphinx Gustavsberg at the end of the year. Gearing improved to 0.68 (0.75). Treating the convertible subordinated debentures as interest-bearing debt, gearing was 0.90 (1.05).

The Group transferred its main treasury functions to the main divisions at the start of 1999 with the establishment of Treasury Departments in Wärtsilä NSD and Sanitec. The Group also adopted the common European currency on 1 January 1999. The euro was widely adopted as the Group's payment, treasury and reporting currency at the start of the year, and is being introduced in the business operations in stages.

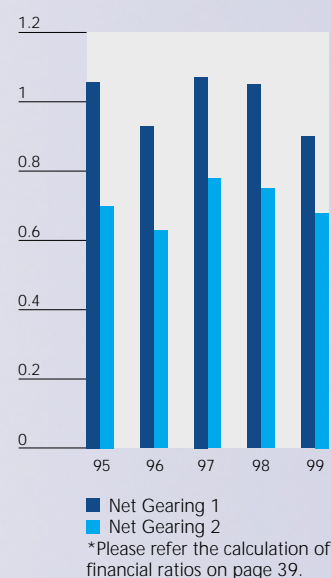
#### Capital expenditure and R&D

The Group's gross capital expenditure totalled EUR 263.8 (163.7) million and net investments were EUR

#### EARNING PER SHARE, DIVIDEND PER SHARE



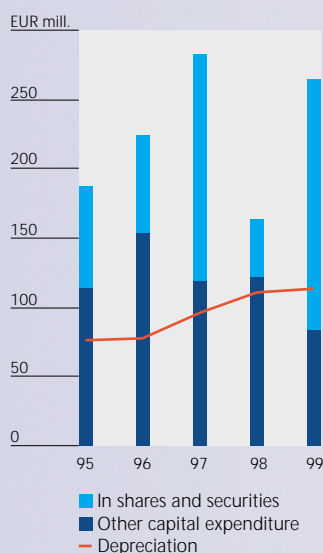
#### GEARING



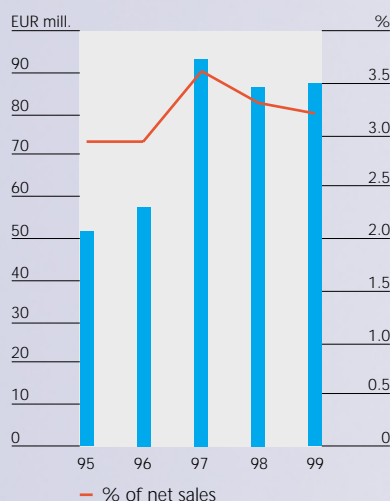
INTEREST-BEARING LOAN CAPITAL		
EUR mill.	1999	1998
Long-term liabilities	403.1	412.8
Short-term liabilities	391.2	274.0
Preferred capital notes	117.2	117.3
Loan receivables	-124.4	-125.6
Cash and bank balances	-110.3	-83.9
Net	676.8	594.6

## Review by the Board of Directors 1999

### GROSS CAPITAL EXPENDITURE AND DEPRECIATION



### R & D EXPENSES



### GROSS CAPITAL EXPENDITURE

EUR mill.	1999	1998
Acquisitions	122.1	26.6
Investments in securities	57.9	14.8
Other investments:		
Wärtsilä NSD	41.7	74.0
Imatra Steel	9.0	12.1
Sanitec	31.0	34.0
Other operations	2.1	2.2
Group	263.8	163.7

205.4 (133.9) million. EUR 180.0 (41.4) million of this figure covered acquisitions and investments in securities. Hence, other investments fell significantly to below the level of depreciation, which totalled EUR 112.9 (110.5) million.

Wärtsilä NSD's investments in production decreased by approximately 30% on the previous year owing to extensive factory upgrades in previous years well above the need for normal maintenance investments. New engine testing facilities were introduced at the Vaasa factory during the year and it was decided to make a similar investment at the Turku factory during the current year. Wärtsilä NSD's overall net investments in 1999 totalled EUR 50.3 (69.7) million, which included EUR 8.6 (7.7) million in investments in acquisitions and securities.

Sanitec's net investments amounted to EUR 152.1 (62.6) million, including EUR 122.8 million in acquisitions and securities. Domino expanded its factory in Italy in response to rising demand for showers and bathtubs. Keramag installed a new tunnel kiln at its Haldensleben factory, while Sanitec Kolo started a greenfield factory project in Poland.

Imatra Steel's net investments, EUR 8.8 (11.6) million, related to efficiency improvements and quality assurance at the Imatra, Kilsta and Billnäs factories.

Wärtsilä NSD's R&D costs amounted to EUR 73.5 (73.7) million, corresponding to 3.9% (4.0%) of the division's net sales. Sanitec's R&D expenditure totalled EUR 11.3 (10.7) million and Imatra Steel's EUR 2.1 (1.9) million.

### Group structural development

Wärtsilä NSD began implementation of an extensive restructuring

programme in autumn 1998 to adjust production capacity to the market situation, to raise efficiency and to improve its performance. Engine manufacture in Sweden was terminated in autumn 1999, and manufacture of the Wärtsilä 28SG gas engine and the center of the gas business were transferred to the Netherlands. The operations of the Cummins Wärtsilä joint venture were concentrated at Mulhouse in France and Daventry in the UK. At the end of the year it was decided to split these operations between the owners, Cummins Engine Company and Wärtsilä NSD. This agreement came into effect in January 2000. After the split each company now concentrates on the engines within its core expertise.

The 40% owned associated company Wärtsilä NSD Italia S.p.A. (formerly Grandi Motori Trieste S.p.A.) became a wholly owned subsidiary of Wärtsilä NSD at the beginning of the year. This raised Fincantieri Cantieri Navali Italiani S.p.A.'s holding in Wärtsilä NSD from 12.2% to 15.4%. At the beginning of May Wärtsilä NSD acquired the entire share capital of Wärtsilä NSD Nederland after Stork NV sold its 40% holding. Hence, these two companies were brought more closely under Wärtsilä NSD's management and control.

Agreement was reached in February 2000 that Metra would acquire Fincantieri's 15.4% minority holding in Wärtsilä NSD. The shares will be transferred to Metra at the end of February, after which Wärtsilä NSD will be a wholly owned subsidiary of Metra.

Sanitec acquired the entire share capital of its associated company Johnson Sanitec and the German vacuum toilet systems manufacturer Sanivac Vakuumtechnik GmbH at the start of the year. On 3 June 1999 Sanitec made a public offer to acquire



the entire share capital of the Dutch company N.V. Koninklijke Sphinx Gustavsberg. The offer was accepted and the deal came into force in December on completion of the EU Commission's investigation of the acquisition's possible impact on the competitive situation. The acquisition had a total value of approx. EUR 200 million. Sphinx Gustavsberg, a leading European manufacturer of bathroom products, recorded net sales of EUR 287 million and an operating profit of EUR 8 million for the financial year ended 31 March 1999. The EU competition authorities approved the deal subject to Sanitec's divestment of the Gustavsberg operations in the Nordic countries.

At the end of June Metra and Sanitec launched a combined share offering and sale. This generated approximately EUR 84.6 million in new shareholders' equity for Sanitec and EUR 98.4 million for Metra on the sale of its Sanitec shares. Sanitec Corporation was listed on the main list of the Helsinki Exchanges on 8 July 1999. Metra's holding in Sanitec at the time decreased to 72.3% and Sanitec received roughly 11,000 new shareholders, some two thirds of whom were Metra shareholders.

Metra has announced its intention to further reduce its holding in Sanitec to below 50%. Part of this plan was the decision of an extraordinary general meeting on 23 November 1999 to distribute an extra dividend on 1998 of EUR 1.18 per share, totalling approx. EUR 64 million. This additional dividend, paid to Metra shareholders in early December almost entirely in the form of Sanitec shares, further reduced Metra's holding in Sanitec to 64.2%. Simultaneously, Metra announced its intention to distribute a further additional dividend in the form of

Sanitec shares in 2000 as well. The Board's dividend proposal for 1999 described below in this review is based on this. Sanitec's market capitalization on the Helsinki Exchanges on 31 December 1999 totalled EUR 808.7 million.

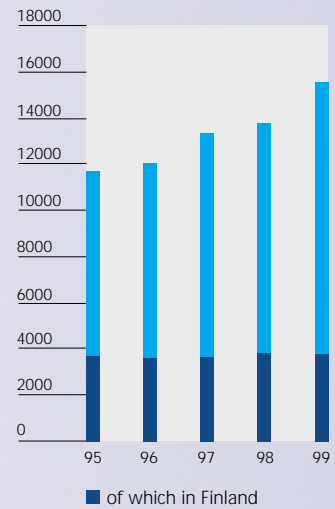
Metra committed about EUR 35.9 million to Assa Abloy's rights issue, which ended on 2 July 1999 and at the same time sold its remaining subscription rights, yielding a profit of about EUR 5.9 million. In November Metra sold 2.5% of its Assa Abloy shares on the Stockholm Stock Exchange, which produced a profit of some EUR 73.0 million. Following these transactions Metra owns 21.4% (25.0%) of the Assa Abloy shares and 33.0% (33.5%) of the voting rights. Assa Abloy's market capitalization on the Stockholm Stock Exchange on 31 December 1999 was EUR 4,407 million.

#### Personnel and management

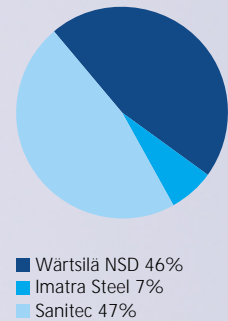
The Group had 15,551 (13,766) employees on average during the year. Personnel numbered 14,422 at the beginning of the period and 17,937 at the end. The Group's Finnish companies employed 3,704 (3,881) people on 31 December 1999, which included 45 (71) in the parent company. The Group's personnel development and training schemes continued to run as before. At the end of the year the divisions assumed full responsibility for their management development and training programmes, as planned.

Mr Berndt Brunow was appointed Executive Vice President of Sanitec in September 1999. He will become President and CEO of Sanitec in March 2000. The present President and CEO, Mr Henrik Eklund then steps down from the position of President in order to retire at the end of the year.

#### PERSONNEL ON AVERAGE



#### PERSONNEL BY DIVISION 31 Dec. 1999



## Review by the Board of Directors 1999

### Board of Directors and auditors

The Annual General Meeting was held on 25 March 1999. In turn for retirement from the Board of Directors were Mr Vesa Vainio, Mr Göran J. Ehrnrooth and Mr Christoffer Taxell, all of whom were re-elected for the period from 1999 to 2002. The number of Board members was increased to eight and Metra's President and CEO, Mr Georg Ehrnrooth, was elected as a new member for the same period. Mr Robert G. Ehrnrooth continued as Chairman of the Board and Mr Vesa Vainio as Deputy Chairman.

The firm of authorized public accountants KPMG Wideri Oy Ab was elected as the company's auditors.

The AGM also decided to restate the share capital in euro and the nominal value of the shares as EUR 3.50 per share. This was done by increasing the share capital through a EUR 7,384,210.33 bonus issue. The articles of association were amended accordingly.

The extraordinary general meeting of shareholders on 23 November 1999 which decided on payment of the aforementioned additional dividend also decided as a consequence to change the conversion ratio of the company's convertible subordinated debentures and the subscription price of the shares subscribed under the bonds with warrants, corresponding to the amount of additional dividend.

### Bonds with warrants and debentures

Eight warrants have been exercised to subscribe for altogether 9,600 Series B shares based on the 1996 bond with warrants, corresponding to 0.02% of the stock and 0.005% of the voting rights.

Altogether 8,436 A shares and 12,284 B shares have been subscribed based on the conversion rights attached to the two 1994 convertible subordinated debentures; these shares represented EUR 0.5 million of the principal.

Conversions during 1999 raised Metra Group's share capital by EUR 2,849 to EUR 189,700,861. There are altogether 54,200, 246 shares in all: 13,935,104 A shares and 40,265,142 B shares.

### Proposals to the Annual General Meeting

The Board of Directors will propose to the AGM on 23 March 2000 that, in addition to the dividend of EUR 0.50 (FIM 2.97) distributed on the financial year ended 31 December 1999, an extra dividend of EUR 2.35 (FIM 13.97) per share, totalling EUR 127,370,578.10 (FIM 757,311,067.33), be distributed in the form of Sanitec shares. However, those shareholders whose holding of series A or series B shares does not exceed 99 shares in individual book-entry accounts on the record date for dividend payment will to this extent be paid the dividend in cash. The number of shares distributed as dividend will be calculated from the average price of the Sanitec Corporation share on the Helsinki Exchanges on the dividend payment date. Metra will pay the capital transfer tax due on the dividend payment. The other terms and conditions of the dividend distribution are described in the Board's proposal.

With respect to the extra dividend distribution, the Board will propose to the AGM that the conversion rate of the 1994 convertible debentures and the subscription price of the Metra Series B share under the warrants attached to the 1996 bond with warrants be changed corresponding to the amount of the extra dividend.

Furthermore, the Board proposes that the AGM authorizes it for one year to repurchase the company's own shares in public trading on the Helsinki Exchanges at the prevailing market price and other than in proportion to the holdings of sharehold-

ers. At most 696,755 A shares and at most 2,013,257 B shares may be so repurchased. The authorization requested by the Board would also include the right to dispose of the company's shares at a price no lower than the quoted price on the Helsinki Exchanges, disapplying shareholders' preemptive subscription rights.

### Prospects for 2000

Owing to the aforementioned structural changes in the Group the prospects are estimated by divisions only.

Wärtsilä NSD will seek to capitalize on the results of its extensive restructuring programme and strong strategic position during the year. The solid orderbook for marine engines will provide a good start to the year and demand in Wärtsilä NSD's market segments is expected to remain good. The power plant business, on the other hand, is burdened by the slow market recovery. Further investments in operations and maintenance services will raise the proportion of this business segment. The net sales of Wärtsilä NSD are expected to increase in 2000. The result of operations will improve and Wärtsilä NSD's result before extraordinary items is forecast to enter into profit.

Demand for Imatra Steel's products at the start of 2000 appears positive and is expected to continue that way at least during the first months of the year. Imatra Steel's net sales are estimated to rise in 2000 and its result to improve.

The outlook for the construction business is good in Sanitec's main markets in Europe. The impact of the Sphinx acquisition on earnings per share will be positive in 2001. Sphinx and also organic growth will raise Sanitec's net sales significantly. Sanitec's profits are estimated to increase, although Sphinx will somewhat reduce the operating profit as a percentage of sales.



# Financial Statements

## INCOME STATEMENT

EUR million	Note	Group				Parent Company	
		1999	%	1998	%	1999	1998
<b>Net sales</b>	1	2,700.0	100.0	2,602.6	100.0	8.1	9.9
Change in inventories of finished goods and work in progress		-82.3		118.1			
Production for own use		14.0		2.9			
Other operating income	2	236.6		118.4		182.5	100.9
Materials and services							
Materials and consumables							
Purchases during the financial year		-1,058.6		-1,252.1			
Change in inventories		-25.1		-44.2			
External services		-439.7		-387.4			
		-1,523.4		-1,683.7			
Personnel expenses	3	-602.1		-539.6		-3.4	-5.4
Depreciation and writedowns	4	-112.9		-110.5		-2.6	-3.1
Other operating expenses		-347.1		-380.1		-13.6	-10.8
Share of profits/losses in associated companies		-10.1		-40.5			
<b>Operating profit</b>		272.7	10.1	87.6	3.4	171.0	91.5
Financial income and expenses	5						
Income from financial assets		2.5		3.0		17.8	6.5
Other interest income and financial income		55.0		60.6		16.5	14.0
Exchange gains and losses		0.3		2.1		-14.3	14.3
Interest expenses and other financial expenses		-93.5		-108.4		-25.3	-30.7
		-35.7	-1.3	-42.7	-1.7	-5.3	4.1
<b>Profit before extraordinary items</b>		237.0	8.8	44.9	1.7	165.7	95.6
Extraordinary items	6						
Extraordinary income				10.0			1.2
Extraordinary expenses		-2.5		-13.5		-2.6	-13.6
Group contribution						5.0	12.7
		-2.5		-3.5		2.4	0.3
<b>Profit before appropriations and taxes</b>		234.5	8.7	41.4	1.6	168.1	95.9
Appropriations							
Change in depreciation difference						1.5	1.2
<b>Profit before taxes</b>		234.5	8.7	41.4	1.6	169.6	97.1
Income taxes	7	-95.9		-44.8		-45.8	-20.7
Minority interests		-8.5		25.1			
<b>Profit for the financial year</b>		130.1	4.8	21.7	0.8	123.8	76.4

## Financial Statements

BALANCE SHEET									
Assets									
EUR mill.	Note	Group				Parent Company			
		31 Dec.1999	%	31 Dec.1998	%	31 Dec.1999	%	31 Dec.1998	%
<b>Fixed assets</b>	8								
<b>Intangible assets</b>									
Intangible rights		9.8		4.6					
Goodwill on consolidation		189.6		128.1					
Other long-term expenditure		18.3		17.8		7.3		8.8	
		217.7	7.3	150.5	5.8	7.3	0.8	8.8	0.9
<b>Tangible assets</b>									
Land and water		91.5		78.1		25.1		28.0	
Buildings and structures		233.4		199.0		10.6		13.2	
Machinery and equipment		328.2		287.8		0.6		0.7	
Other tangible assets		11.9		11.4		0.5		0.6	
Advance payments and construction in progress		30.5		23.7		1.4		2.7	
		695.5	23.4	600.0	23.3	38.2	4.0	45.2	4.4
<b>Financial assets</b>									
Shares in Group companies						482.5		506.8	
Receivables from Group companies						20.0		0.1	
Shares in associated companies		195.2		106.3		78.7		51.7	
Receivables from associated companies		0.5		0.6		0.5		0.6	
Other shares and securities		98.0		75.0		37.4		47.2	
Other receivables		10.5		32.2		4.2		29.4	
		304.2	10.3	214.1	8.3	623.3	65.2	635.8	62.1
<b>Total fixed assets</b>		1,217.4	41.0	964.6	37.4	668.8	70.0	689.8	67.4
<b>Current assets</b>									
<b>Inventories</b>									
Materials and consumables		263.8		235.3					
Work in progress		280.6		314.8					
Finished products/goods		114.8		79.7					
Advance payments		8.5		50.0					
		667.7	22.5	679.8	26.3				
<b>Long-term receivables</b>	9								
Trade receivables		9.1		5.2					
Receivables from Group companies								22.4	
Receivables from associated companies		10.3		6.2		4.9		0.7	
Loan receivables		17.0		3.2		1.4		2.0	
Deferred tax assets	17	41.4		51.1					
Other receivables		0.1		3.7					
Prepaid expenses and accrued income	11	3.6		0.8					
		81.5	2.7	70.2	2.7	6.3	0.7	25.1	2.5
<b>Short-term receivables</b>	10								
Trade receivables		621.9		551.3		0.2		0.2	
Receivables from Group companies						240.1		22.7	
Receivables from associated companies		15.5		23.5				0.1	
Loan receivables		97.2		81.5		0.6		0.4	
Other receivables		38.2		43.2				0.1	
Prepaid expenses and accrued income	11	121.5		83.5		6.0		4.1	
		894.3	30.1	783.0	30.3	246.9	25.8	27.6	2.7
<b>Investments</b>	12								
Other shares and securities		4.8	0.1			4.8	0.4		
<b>Cash and bank balances</b>		105.5	3.6	83.9	3.3	29.5	3.1	281.5	27.4
<b>Total current assets</b>		1,753.8	59.0	1,616.9	62.6	287.5	30.0	334.2	32.6
<b>Assets</b>		2,971.2	100.0	2,581.5	100.0	956.3	100.0	1,024.0	100.0

## BALANCE SHEET

## Shareholders' equity and liabilities

EUR mill.

	Note	Group				Parent Company			
		31 Dec.1999	%	31 Dec.1998	%	31 Dec.1999	%	31 Dec.1998	%
<b>Shareholders' equity</b>	13								
Share capital		189.7		182.3		189.7		182.3	
Share premium reserve		45.5		52.9		45.5		52.9	
Other reserves		74.4		64.2					
Retained earnings		269.6		304.3		258.0		227.4	
Profit for the financial year		130.1		21.7		123.8		76.4	
		709.3	23.9	625.4	24.2	617.0	64.5	539.0	52.6
Convertible subordinated debentures	14	117.2	3.9	117.2	4.6	117.2	12.3	117.3	11.5
<b>Total shareholders' equity</b>		826.5	27.8	742.6	28.8	734.2	76.8	656.3	64.1
<b>Minority interest</b>		180.4	6.1	57.8	2.2				
<b>Accumulated appropriations</b>									
Depreciation difference						6.4		7.9	
Voluntary provisions						0.1		0.1	
						6.5	0.7	8.0	0.8
<b>Provisions</b>	15								
Provisions for pensions		76.6		43.5		3.6		3.7	
Provisions for taxation		10.7		9.1		1.4		1.4	
Other provisions		86.1		50.2		2.6		2.5	
		173.4	5.8	102.8	4.0	7.6	0.8	7.6	0.7
<b>Liabilities</b>	16								
Long-term									
Bonds		54.7		79.9		54.7		79.9	
Loans from credit institutions		290.7		264.4		89.9		166.7	
Pension loans		52.9		60.7		14.5		22.1	
Deferred tax liability	17	65.2		69.2					
Other long-term liabilities		8.1		10.3					
		471.6	15.9	484.5	18.8	159.1	16.6	268.7	26.2
Current									
Loans from credit institutions		283.6		144.3		0.2		16.1	
Pension loans		6.7		4.3		2.0		1.4	
Advances received		135.4		168.8					
Trade payables		349.3		375.4		0.3		0.5	
Liabilities to Group companies	19					0.2		0.4	
Liabilities to associated companies	19	6.1		18.5		0.7			
Other current liabilities		144.0		149.9		1.0		30.4	
Accrued expenses and deferred income	18	394.2		332.6		44.5		34.6	
		1,319.3	44.4	1,193.8	46.2	48.9	5.1	83.4	8.2
<b>Total liabilities</b>		1,790.9	60.3	1,678.3	65.0	208.0	21.7	352.1	34.4
<b>Shareholders' equity and liabilities</b>		2,971.2	100.0	2,581.5	100.0	956.3	100.0	1,024.0	100.0

## Financial Statements

FINANCIAL ANALYSIS				
EUR mill.	Group		Parent Company	
	1999	1998	1999	1998
<b>Cash flow from operating activities:</b>				
Operating profit	272.7	87.6	171.0	91.5
Adjustments for:				
Share of profits in associated companies	10.1	40.5		
Depreciation and write-downs	112.9	110.5	2.6	3.1
Profit and loss on sale of fixed assets	-203.5	-91.5	-176.3	-95.0
Cash flow before changes in working capital	192.2	147.1	-2.7	-0.4
Changes in working capital:				
Current assets, non-interest bearing, increase(-)/decrease(+)	51.3	-35.0	16.2	23.4
Inventories, increase (-)/decrease(+)	149.4	-99.7		
Current liabilities, non-interest bearing, increase(+)/decrease(-)	-161.3	193.7	-6.0	20.1
	39.4	59.0	10.2	43.5
<b>Cash flow from operating activities before financial items and taxes</b>	231.6	206.1	7.5	43.1
Interest and other financial expenses	-249.8	-108.1	-68.1	-52.7
Dividends received from operating activities	5.3	5.8	16.1	4.2
Interest and other financial income from operating activities	206.5	62.3	44.9	52.6
Income taxes	-86.7	-52.3	-45.8	-20.7
Cash flow from operating activities before extraordinary items	106.9	113.8	-45.4	26.5
Cash flow from extraordinary items		-10.8		-10.8
<b>Cash flow from operating activities (A)</b>	106.9	103.0	-45.4	15.7
<b>Cash flow from investing activities:</b>				
Acquisitions	-122.1	-26.6		
Investments in shares	-58.0	-14.8	-36.3	-1.8
Investments in other tangible and intangible assets	-83.6	-106.8	-1.9	-2.1
Proceeds from sale of shares	188.3	99.4	201.0	87.6
Proceeds from sale of tangible and intangible assets	22.9	23.2	20.2	10.1
Loan receivables, increase(-), decrease(+)	18.1	5.1		
Interest income from investments	0.8	1.5	0.8	1.4
Dividends received from investments	1.5	1.6	0.9	0.9
<b>Cash flow from investing activities (B)</b>	-32.1	-17.4	184.7	96.1
<b>Cash flow from financing activities:</b>				
Share capital investment by minority shareholders	84.8			
Issuance of share capital		1.0		1.0
Issue premium		5.1	0.0	5.1
Loans receivable, increase (-)/decrease(+)	147.9	17.0	-224.4	5.2
Current loans increase (+)/decrease(-)	-208.4	-43.7	-28.9	19.0
New long-term loans	163.9	211.7	84.6	146.0
Amortization and other changes in long-term loans	-234.0	-283.4	-209.8	-196.2
Group contributions			12.7	21.9
Paid dividends <sup>(1)</sup>	-21.2	-26.1	-20.6	-24.9
Other changes	7.9	-1.6		
<b>Cash flow from financing activities (C)</b>	-59.1	-120.0	-386.4	-22.9
<b>Change in liquid funds (A)+(B)+(C), increase (+)/decrease(-)</b>	15.7	-34.4	-247.1	88.9
Liquid funds at beginning of period	94.6	118.3	281.5	192.6
Liquid funds at end of period	110.3	83.9	34.4	281.5

*The impact of changes in exchange rates on consolidation has been eliminated.*

<sup>1</sup> Dividend 1999 EUR 20.1 million and supplementary dividend mainly in Sanitec shares EUR 7.0 million.



# Accounting Principles

The consolidated financial statements of Metra Corporation have been prepared and presented in accordance with the Finnish accounting regulations which came into force on 31 December 1997. In all essential respects these comply with the accounting standards issued by the International Accounting Standards Committee (IASC). Major deviations to these standards are described below.

The financial statements are presented in euro. The preparation of the financial statements in conformity with applicable regulations and generally accepted accounting principles requires management to make estimates and assumptions that affect the valuation and allocation of the reported figures. Actual results may differ from such estimates.

## Principles of consolidation

The consolidated financial statements include the accounts of the parent company and the accounts of its directly or indirectly owned subsidiaries (over 50% of the voting rights) and associated companies. Acquired or established subsidiaries and associated companies are consolidated from the date of acquisition or establishment until the end of the period of ownership. Certain real estate and housing companies and the Group's reinsurance company are not consolidated since they have a negligible effect on the Group's result and distributable equity.

All intra-group transactions as well as distribution of profit, receivables and liabilities, and unrealized margins on intra-group transactions are eliminated in the consolidation. Minority interests are presented in the income statement as a separate item after taxes. The share of minority interests in shareholders' equity is also shown separately in the consolidated balance sheet.

Mutual shareholdings are eliminated using the purchase method. The goodwill in the subsidiaries is calculated on the basis of their acquisition cost by eliminating the Group's share of the equity of the acquired subsidiaries, including reserves, less

deferred tax liability. Of the difference between the cost of the acquisition and the equity of the subsidiaries at the date of acquisition, that amount by which the value of fixed assets can be considered to exceed the subsidiary's balance sheet value has been entered under fixed assets. The remainder of the difference is recorded as goodwill. Goodwill is amortized over the useful life of the asset, nevertheless over a period not exceeding twenty years.

Investments in associated companies (voting rights between 20% and 50%) are included in the consolidated accounts using the equity method. The consolidated income statement includes the Group's share of results in associated companies taking into account goodwill write-offs and dividends received. The Group's share of post-acquisition increase of the net assets of these companies is added to the acquisition cost and to shareholders' equity. The book values of the shares of associated companies are listed in the notes to the financial statements as recorded by the shareholding subsidiaries. Investments in other companies are listed in the balance sheet at acquisition cost and the book values of these shares are written down, if required, to correspond with their market value.

## N.V. Koninklijke Sphinx Gustavsberg

The balance sheet of Sphinx was consolidated in the Sanitec accounts at 31 December 1999 following approval by the EU Commission of Sanitec Corporation's acquisition of N.V. Koninklijke Sphinx Gustavsberg. Since Sanitec is committed to divesting Gustavsberg, this company is not consolidated. The value of the AB Gustavsberg shares owned by Sphinx have been revalued in the consolidation to correspond with the estimated divestment value of the Gustavsberg group companies.

## Wärtsilä NSD restructuring provision

The treatment of the Wärtsilä NSD provision for restructuring in the 1999 accounts complies in all essential respects with IAS regulations. However, when preparing the

financial statements it was not possible to allocate all the items related to the restructuring provision based on the IAS-approved plan.

## Foreign subsidiaries

In the consolidated accounts all items in the income statements of foreign subsidiaries are translated into euros at the average exchange rates for the financial year. The balance sheet items of subsidiaries are translated into euros at the rates of exchange ruling on the balance sheet date. Translation differences arising from the application of the purchase method are treated as an adjustment affecting consolidated shareholders' equity; the translation difference applying to shareholders' equity at the time of acquisition is allocated to distributable and non-distributable equity. Those differences which arise from the translation of income statement items and balance sheet items at different rates are recorded under consolidated distributable equity.

The Group applies the equity hedging method to hedge most of the shareholders' equities of subsidiaries outside the EMU area using currency loans or forward contracts, to reduce the effects of exchange rate fluctuations on the Group's shareholders' equity. Exchange gains and losses resulting from the hedging transactions are netted against the translation differences recorded in the shareholders' equity of the consolidated balance sheet.

## Transactions denominated in foreign currencies

Business transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Receivables and payables on the balance sheet date are valued at the exchange rates prevailing on that date. Open hedging instruments of foreign currency based items, including interest components, are valued at the balance sheet date. Exchange gains and losses related to business operations are treated as adjustments to net sales and operating expenses. Exchange gains and losses re-



lated to financing operations are entered at their net values under financial income and expenses.

#### Revenue recognition

Net sales is calculated by deducting items including indirect sales taxes and discounts from gross sales revenues. Revenue is recognized at the date of delivery except for large, long-term projects, which are recognized using the percentage-of-completion method.

#### Research and development

Research and development costs are expensed in the financial period in which they occurred, with the exception of investments in buildings, machinery and equipment, which are capitalized and depreciated. In the Netherlands, where R&D is supported by conditional state development credits, R&D costs are charged to earnings after deducting the amount of these credits. Repayment obligations, if any, in respect of these credits are recorded as expenses in the income statement when realized. The principal of such development credits on the balance sheet date is shown under contingent liabilities in the notes to the financial statements. In this respect the treatment of R&D costs differs from IAS principles.

#### Pension arrangements

Statutory and supplementary pension obligations in Finland are covered through payments to pension insurance institutions and recorded as determined by periodical actuarial calculations prepared by those institutions. In the Group companies outside Finland, the pension obligations are arranged and pension liabilities recorded in accordance with local legislation and practice. Changes in uncovered pension obligations are entered in the income statement and the pension liability is included in provisions in the balance sheet. The treatment of pension costs, differs from IAS principles, but is not estimated to have a material effect on the financial statements.

#### Warranty costs

The estimated warranty costs of goods delivered to customers are included under current liabilities in the balance sheet. Actual warranty costs, including changes in warranty liability, are charged against earnings for the period.

#### Valuation of inventories

Inventories are valued at their direct acquisition cost, which includes direct manufacturing costs and an appropriate proportion of indirect production overheads and acquisition costs. The upper value used in the valuation of inventories is their net realizable value.

#### Fixed assets and depreciation

Fixed assets are valued in the balance sheet at their direct acquisition cost less accumulated depreciation. Certain land and buildings also include revaluations; these are stated in the notes to the financial statements.

The following indicative useful lives are used:

Other long-term expenditure	3-10 years
Buildings	10-40 years
Machinery and equipment	5-20 years.

#### Leasing

Operating leasing payments are treated as rentals. Significant financial leasing items are capitalized as fixed assets.

#### Extraordinary income and expenses

Extraordinary income and expenses include items which fall outside the ordinary activities of the company, such as items arising from divestments of operations.

#### Appropriations

Appropriations comprise voluntary provisions and the depreciation difference. In the consolidated accounts accumulated appropriations are divided into tax liability and shareholders' equity. The change in appropriations, net of tax liability, is included

in the result for the year. The amount of appropriations entered under shareholders' equity is not regarded as distributable funds.

#### Provisions

Provisions in the balance sheet comprise those items which the Company is committed to covering either through agreements or otherwise, but which are not yet realized. These include uncovered pension liabilities, forecast losses on projects in progress and restructuring expenses. Changes to provisions are included in the income statement.

#### Income taxes

Income taxes in the income statement include taxes of subsidiaries for the financial period, calculated in accordance with local regulations, as well as adjustments to prior year taxes and deferred taxes. Taxes allocated to extraordinary items are presented in the notes to the financial statements.

Deferred tax liabilities or assets are calculated as the temporary differences between the tax and financial periods using the tax rate for subsequent years confirmed on the balance sheet date. The balance sheet includes deferred tax liabilities in their entirety and the probable realizable amount of deferred tax assets.

#### Convertible capital notes

Metra Corporation has made two convertible capital notes issues, which are treated as equivalent to shareholders' equity. The terms are described in the notes to the financial statements.

#### Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the Annual General Meeting.

# Notes to the Financial Statements

	1999		1998	
	EUR million	%	EUR million	%
<b>1. Net sales</b>				
<b>Net sales by country</b>				
Germany	290.8	10.8	236.5	9.1
Norway	130.1	4.8	159.9	6.2
France	134.2	5.0	146.7	5.6
Italy	244.9	9.1	144.8	5.6
Sweden	127.3	4.7	133.5	5.1
Finland	130.1	4.8	116.0	4.5
Spain	108.0	4.0	110.5	4.3
Great Britain	99.4	3.7	104.3	4.0
The Netherlands	75.0	2.8	93.7	3.6
Denmark	64.4	2.4	68.5	2.6
Poland	55.4	2.1	53.3	2.0
Other European countries	153.5	5.7	110.5	4.2
Europe	1,613.1	59.7	1,478.2	56.8
India	150.7	5.6	114.4	4.4
China and Hong Kong	85.5	3.2	67.3	2.6
Philippines	16.5	0.6	62.4	2.4
Korea	65.2	2.4	51.6	2.0
Japan	56.1	2.1	42.7	1.6
Indonesia	12.8	0.5	34.1	1.3
Middle East	68.3	2.5	50.8	2.0
Other Asian countries	134.0	5.0	188.9	7.2
Asia	589.1	21.8	612.2	23.5
USA and Canada	127.5	4.7	173.6	6.7
South America	116.1	4.3	125.3	4.8
Central America	122.1	4.5	103.8	4.0
The Americas	365.7	13.5	402.7	15.5
African countries	86.4	3.2	66.4	2.5
Other countries	45.7	1.7	43.2	1.7
Total	2,700.0	100.0	2,602.7	100.0

	Group		Parent Company	
	1999	1998	1999	1998

## Projects for which percentage-of-completion method is applied

### Uncompleted projects

Recognized accumulated income	676.0	824.6
Unrecognized part of income	94.0	196.6
Recognized accumulated contribution	77.7	56.7

## 2. Other operating income

Rental income	2.0	3.0	1.1	1.4
Profit on sales of fixed assets	209.2	100.5	181.0	96.4
Other operating income	25.4	14.9	0.4	3.1
Total	236.6	118.4	182.5	100.9

## 3. Personnel expenses

Wages and salaries	457.2	419.4	2.8	3.8
Pension costs	21.0	18.0	0.3	1.2
Other compulsory personnel costs	123.9	102.2	0.3	0.4
Total	602.1	539.6	3.4	5.4

Pension costs contain only pension costs for Finnish companies. Pension costs for foreign companies are included in Other compulsory personnel costs.

	Group		Parent Company	
	1999	1998	1999	1998
<b>Salaries and emoluments to senior management</b>				
Presidents and members of the Boards of Directors	11.9	12.3	0.5	0.5

The CEO and the presidents of some Group Companies have the right to retire at the age of 60 years.

The Company's Board of Directors decides the remunerations of the President and his immediate subordinates.

<b>Personnel on average</b>			Change		
Wärtsilä NSD	8,472	7,396	1,076		
Sanitec	5,796	5,034	762		
Imatra Steel	1,237	1,252	-15		
Other operations	46	84	-38	45	71
<b>Total</b>	<b>15,551</b>	<b>13,766</b>	<b>1,785</b>		

#### 4. Depreciation and writedowns

<b>Depreciation according to plan</b>				
Intangible assets	2.4	2.9		
Goodwill on consolidation	12.7	13.9		
Other long-term expenditure	6.2	5.0	1.4	1.5
Buildings and structures	15.4	16.2	1.0	1.1
Machinery and equipment	72.1	68.3	0.2	0.4
Other tangible assets	3.4	3.9		0.1
Construction in progress	0.1	0.4		
<b>Total depreciation according to plan</b>	<b>112.3</b>	<b>110.6</b>	<b>2.6</b>	<b>3.1</b>
Total book depreciation			2.1	1.9
Depreciation difference			0.5	1.2
Adjustment of depreciation difference on sold fixed assets			1.0	-0.1
 Writedowns of fixed assets	 0.6			
 Depreciation difference on 1 January			7.9	9.0
Change in depreciation difference			-1.5	-1.1
Depreciation difference on 31 December			6.4	7.9

#### 5. Financial income and expenses

##### Income from financial assets

##### Dividend income

From Group companies			11.0	
From associated companies	0.1		5.1	4.2
From other companies	1.6	1.6	0.9	0.9
<b>Total</b>	<b>1.7</b>	<b>1.6</b>	<b>17.0</b>	<b>5.1</b>

##### Interest income from financial assets

From other companies	0.8	1.4	0.8	1.4
<b>Income from financial assets, total</b>	<b>2.5</b>	<b>3.0</b>	<b>17.8</b>	<b>6.5</b>

##### Other interest income and financial income

From Group companies			12.4	11.3
From other companies	55.0	60.6	4.1	2.7
<b>Total</b>	<b>55.0</b>	<b>60.6</b>	<b>16.5</b>	<b>14.0</b>

##### Exchange gains and losses

	0.3	2.1	-14.3	14.3
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##### Writedowns of financial assets

	-1.4			
--	------	--	--	--

	Group		Parent Company	
	1999	1998	1999	1998
<b>Interest expenses and financial expenses</b>				
To Group companies			-0.7	-0.4
To other companies	-92.1	-108.4	-24.6	-30.3
Total	-92.1	-108.4	-25.3	-30.7
<b>Financial income and expenses, total</b>				
	-35.7	-42.7	-5.3	4.1
<b>6. Extraordinary income and expenses</b>				
Discontinued operations		1.1		1.2
Share writedowns	-2.6	-1.5	-2.6	-1.5
Deferred tax, change in accounting principles		8.8		
Other income		0.1		
Allowances for damages		-3.6		-3.6
Single payments for pension and life annuity		-8.4		-8.4
Group contributions received			5.0	12.7
Total	-2.6	-3.5	2.4	0.4
<b>7. Income taxes</b>				
Income taxes on operations				
- for the financial year	-85.3	-56.5	-46.2	-25.3
- for prior years	0.8	4.2	0.4	4.6
Change in deferred tax	-11.4	7.5		
Total	-95.9	-44.8	-45.8	-20.7
Income taxes on extraordinary items	0.7	2.8	-0.7	-0.8
<b>8. Fixed assets</b>				
<b>Revaluations</b>				
Land	16.9	19.7	16.9	19.7
<b>Amount of goodwill on consolidation of associated companies, which has not yet been amortized</b>				
	8.7	10.6		
<b>Capitalized interest expenses</b>				
Capitalized interest expenses, which have not yet been amortized				
Buildings and structures	0.5	0.5		
Machinery and equipment	1.3	1.3		
Total	1.8	1.8		



**Fixed assets**

	Acquisition cost on 1 Jan.	Increases	Decreases	Accum. depreciation and writedowns on 1 Jan.	Accum. Depreciation in decreases	Depreciation during year	Writedowns and their reversals	Residual value on 31 Dec.
<b>Group</b>								
<b>Intangible assets</b>								
Intangible rights	14.3	5.6	-1.2	-7.1	0.6	-2.4		9.8
Goodwill on consolidation	173.8	81.7		-53.2		-12.7		189.6
Other long-term expenditure	53.0	4.1	-1.8	-32.2	1.4	-6.2		18.3
Group 1999	241.1	91.4	-3.0	-92.5	2.0	-21.3		217.7
Group 1998	228.7	34.0	-0.5	-90.3	0.4	-21.8		150.5
<b>Tangible assets</b>								
Land and water	82.6	16.9	-6.9	-0.5			-0.6	91.5
Buildings and structures	358.7	18.1	-12.7	-118.5	3.2	-15.4		233.4
Machinery and equipment	751.1	52.2	-13.9	-400.9	11.8	-72.1		328.2
Other tangible assets	27.3	3.2	-1.1	-14.8	0.7	-3.4		11.9
Advance payments and constr'n in progress	29.3	16.5	-13.9	-1.9	0.6	-0.1		30.5
Group 1999	1,249.0	106.9	-48.5	-536.6	16.3	-91.0	-0.6	695.5
Group 1998	1,173.5	114.3	-100.8	-558.6	60.2	-88.7		599.9
<b>Financial assets</b>								
Shares in associated companies	201.0	37.8	-42.7				-0.9	195.2
Receivables from associated companies	0.6		-0.1					0.5
Shares in other companies	91.0	35.7	-24.1	-4.1			-0.5	98.0
Receivables from other companies	32.2		-21.7					10.5
Group 1999	324.8	73.5	-88.6	-4.1			-1.4	304.2
Group 1998	295.0	16.3	-97.0				-1.5	212.8
<b>Parent company</b>								
<b>Intangible assets</b>								
Intangible rights	0.4			-0.3				0.1
Other long-term expenditure	18.6			-9.9		-1.4		7.3
Parent company 1999	19.0			-10.2		-1.4		7.4
Parent company 1998	19.0			-8.8		-1.5		8.7
<b>Tangible assets</b>								
Land and water	28.0	0.1	-0.3				-2.8	25.0
Buildings and structures	31.1	0.4	-1.9	-18.0		-1.0		10.6
Machinery and equipment	6.7	0.1	-0.1	-6.0		-0.2		0.5
Other tangible assets	1.5			-0.9				0.6
Construction in progress	2.7	1.3	-2.5					1.5
Parent company 1999	70.0	1.9	-4.8	-24.9		-1.2	-2.8	38.2
Parent company 1998	83.1	2.0	-15.2	-23.5	0.3	-1.6		45.1
<b>Financial assets</b>								
Shares in Group companies	506.9	0.3	-24.7					482.5
Shares in associated companies	51.7	35.8	-8.8					78.7
Shares in other companies	48.7	0.4	-7.6	-1.5			-2.6	37.4
Parent company 1999	607.3	36.5	-41.1	-1.5			-2.6	598.6
Parent company 1998	648.7	2.4	-13.7				-1.5	635.9



	Group		Parent Company	
	1999	1998	1999	1998
<b>9. Specification of long-term receivables</b>				
<b>Receivables from Group companies</b>				
Loan receivables				22.4
<b>Receivables from associated companies</b>				
Loan receivables	10.3	6.2	4.9	0.7
<b>10. Specification of short-term receivables</b>				
<b>Receivables from Group companies</b>				
Trade receivables			0.1	0.1
Loan receivables			238.9	22.0
Prepaid expenses and accrued income			1.1	0.6
Total			240.1	22.7
<b>Receivables from associated companies</b>				
Trade receivables	13.8	10.9		
Loan receivables	1.4	11.4		0.1
Prepaid expenses and accrued income	0.3	1.2		
Total	15.5	23.5		0.1
<b>11. Main items in prepaid expenses and accrued income</b>				
Interest	3.6	3.0	0.1	0.5
Other financial items	12.6	2.2	0.2	1.2
Income and other taxes	32.3	17.0	3.4	
Other	76.6	62.1	2.2	2.4
Total	125.1	84.3	5.9	4.1
<b>12. Investments in shares and securities</b>				
Market value	8.4		8.4	
Book value	4.8		4.8	
Difference	3.6		3.6	
<b>13. Shareholders' equity</b>				
<b>Share capital</b>				
Share capital on 1 Jan.				
Series A	46.9	46.9	46.9	46.9
Series B	135.4	134.4	135.4	134.4
Total	182.3	181.3	182.3	181.3
Bonus issue	7.4		7.4	
Exchange of warrants for shares		1.0		1.0
Conversion of debentures		0.1		0.1
Share capital on 31 Dec.				
Series A	48.8	46.9	48.8	46.9
Series B	140.9	135.4	140.9	135.4
Total	189.7	182.3	189.7	182.3
<b>Share premium reserve</b>				
Share premium reserve on 1 Jan.				
Share premium reserve	52.9	47.8	52.9	47.8
Bonus issue	-7.4		-7.4	
Issue premium		5.1		5.1
Share premium reserve on 31 Dec.	45.5	52.9	45.5	52.9

	Group		Parent Company	
	1999	1998	1999	1998
<b>Other reserves</b>				
Other reserves on 1 Jan.	64.2	72.7		
Transfers from retained earnings/to retained earnings	-1.9	2.6		
Translation differences and other changes	12.1	-11.1		
Other reserves on 31 Dec.	74.4	64.2		
<b>Retained earnings</b>				
Retained earnings on 1 Jan.	326.0	352.9	303.8	263.6
Dividend distribution/ordinary shareholders' meeting	-20.1	-24.9	-20.1	-24.9
Dividend distribution in Sanitec shares/extraordinary shareholders' meeting	-23.0		-6.5	
Dividend distribution in cash/extraordinary shareholders' meeting	-0.5		-0.5	
Taxes on distributed Sanitec shares	-15.9		-15.9	
Reversal of revaluation	-2.8	-11.3	-2.8	-11.2
Change in deferred tax liability on revaluation	0.8	-5.5		
Transfers to other reserves/from other reserves	1.9	-2.6		
Net change in translation differences	-4.1	-4.3		
Other changes	7.2			
Profit/loss for the year	130.1	21.7	123.8	76.3
Retained earnings 31 Dec.	399.6	326.0	381.8	303.8
<b>Distributable equity</b>				
Retained earnings 31 Dec.	399.6	326.0	381.8	303.8
Voluntary provisions and depreciation difference	-58.8	-67.4		
Deferred tax liability	17.4	19.8		
Undistributable share issue gains	-54.3			
Distributable equity	303.9	278.4	381.8	303.8
<b>14. Convertible subordinated debentures</b>	117.2	117.2	117.2	117.2
<b>Main terms:</b>				
* Two issues of convertible subordinated debentures, each carrying principal of FIM 350 million at the date of issue.				
* Should Metra Corporation be put into liquidation or become bankrupt, the principal of the loan shall rank junior to Metra Corporation's other obligations (and equal to the Company's other equivalent loans raised to strengthen shareholders' equity).				
* The loans are dated on 24 March 1994. The notes are not collateralized and are perpetual.				
* Metra Corporation is entitled to pay back the principal with interest at any time from 2 May 2004 assuming that the Company and the Group still have distributable equity after making the payment. Furthermore, Metra Corporation is entitled to pay back the principal on the same terms if the share price exceeds the conversion price by at least 40 percent, in which case note holders are entitled to convert their notes to Company shares before payback.				
* The notes shall pay fixed interest of 7.8 percent until 2 May 2004, and thereafter a rate of interest to be fixed annually which shall exceed the 12-month Euribor rate by five percentage points.				
* Interest may be paid annually only to the extent that the payments do not exceed the distributable equity shown in the most recent approved financial accounts. Any interest left unpaid shall remain the liability of the Company. Interest is paid before dividend.				
* Each bond of nominal value FIM 10,000 convertible into Series A shares may be exchanged for 39 Series A shares and 39 Series B shares. The aggregate conversion price of one Series A share and one Series B share is EUR 43.125 (FIM 256.41).				
* Each bond of nominal value FIM 10,000 convertible into Series B shares may be exchanged for 78 Series B shares. The aggregate conversion price of two Series B shares is EUR 43.125 (FIM 256.41).				
* The conversion right commenced on 1 June 1994 and the annual period of conversion shall extend from January 2 to November 30 inclusive. The conversion right will end 14 days prior to the maturity of the notes.				
* By 31 December 1999 altogether 407 Series A shares and 407 Series B shares had been converted. This represents a loan capital of FIM 110,000 and by this amount the principal has decreased.				
<b>15. Provisions</b>				
Provisions for pensions	76.6	43.5	3.6	3.7
Provisions for taxation	10.7	9.1	1.4	1.5
Other provisions:				
Internal restructuring	48.8	13.4		
Foreseeable losses and cost reservations	11.6	24.3		
Litigation	4.9	8.0		
Other	20.8	4.5	2.6	2.5
Other provisions, total	86.1	50.2	2.6	2.5
Provisions, total	173.4	102.8	7.6	7.7
Change in provisions	70.6	5.9	-0.1	-1.5

	Group		Parent Company	
	1999	1998	1999	1998
<b>16. Liabilities</b>				
<b>Long-term</b>				
Non interest-bearing	68.4	71.7		
Interest-bearing	403.1	412.8	159.1	268.6
Total	471.5	484.5	159.1	268.6
<b>Current</b>				
Non interest-bearing	928.2	919.8	45.3	35.4
Interest-bearing	391.2	274.0	3.6	48.1
Total	1,319.4	1,193.8	48.9	83.5
<b>Bonds</b>				
1993-2002, 6-month Euribor		25.2		25.2
1994-2001, 6-month Euribor	50.5	50.5	50.5	50.5
1994-2002, 6-month Euribor	4.2	4.2	4.2	4.2
Total	54.7	79.9	54.7	79.9
<b>Bond with warrants 1996</b>	0,0	0,0	0,0	0,0

**Main terms:**

\* Principal FIM 180,000.

\* Each FIM 1,000 bond carries a warrant to subscribe for 1,200 Series B shares, nominal value EUR 3.50, for a subscription price of EUR 15.84 (FIM 94.18) per share.

\* The loan is dated on 2 May 1996. The conversion period commenced on 1 September 1996 and will end on 2 May 2003, on which date the principal will also be repaid.

\* Annual interest on bonds is equivalent to the Bank of Finland's base rate minus 1 percentage point.

\* 34 executives have subscribed for the loan.

**Long-term debt with maturity profile**

	Bonds	Bank loans <sup>1</sup>	Pension loans	Other loans	Total
2000		12.9	6.6	1.0	20.5
2001	50.5	132.8	6.6	3.3	193.2
2002	4.2	43.9	6.6	0.6	55.3
2003		76.0	5.6	0.3	81.9
2004		9.2	4.9	0.3	14.4
2005 -		28.8	29.2	0.4	58.4
Total 31 Dec. 1999	54.7	303.6	59.5	5.9	423.7
Total 31 Dec. 1998	79.9	285.6	65.1	9.4	440.0

<sup>1</sup> inclusive Revolving Credit loans amounting to EUR 117.6 million, which can be repaid and drawn again.

**Division of long-term loans by currency**

	31 Dec. 1999	31 Dec. 1998
EUR	78%	64%
USD	17%	28%
SEK	2%	3%
PLN	1%	3%
Other currencies	2%	2%

	Group		Parent Company	
	1999	1998	1999	1998

**17. Specification of deferred tax assets and liabilities**

**Deferred tax assets**

Based on consolidation	16.1	24.1		
Based on balance sheets of Group companies	25.2	27.0		
Total	41.3	51.1		

	Group		Parent Company	
	1999	1998	1999	1998
<b>Deferred tax liabilities</b>				
Based on appropriations	31.4	25.2		
Based on consolidation	22.7	16.7		
Based on balance sheets of Group companies	11.1	27.3		
Total	65.2	69.2		

Revaluations are included in the calculation of deferred tax liabilities.

Parent company's deferred tax has been included in the Group.

#### 18. Main items in accrued expenses and deferred income

Warranty costs	75.5	56.1		
Project costs	88.4	62.7		0.3
Income and other taxes	61.9	50.1	36.3	23.0
Personnel expenses	83.5	68.9	0.3	0.5
Interest and other financial items	25.5	24.0	7.5	10.1
Other	59.4	70.8	0.4	0.7
Total	394.2	332.6	44.5	34.6

#### 19. Specification of current liabilities

##### Liabilities to Group companies

Trade payables				0.1
Other current liabilities			0.2	0.2
Accrued expenses and deferred income				0.1
Total			0.2	0.4

##### Liabilities to associated companies

Advances received	0.2			
Trade payables	4.8	14.8	0.7	
Other liabilities	1.2	0.3		
Accrued expenses and deferred income	0.1	3.2		
Total	6.1	18.5	0.7	

#### 20. Collateral, contingent liabilities and other commitments

	1999		1998	
	Balance sheet debt	Collateral	Balance sheet debt	Collateral
<b>Group</b>				
<b>Mortgages given as collateral for liabilities and commitments</b>				
Loans from credit institutions	16.9	24.5	19.5	23.5
Pension loans	46.8	47.8	35.0	41.5
Off balance sheet commitments		18.7		25.1
Total	63.7	91.0	54.5	90.1
<b>Chattel mortgages given as collateral for liabilities</b>				
Loans from credit institutions	5.9	10.0	0.1	3.7
Off balance sheet commitments		1.9		1.7
Total	5.9	11.9	0.1	5.4
<b>Other pledges given as collateral for liabilities</b>				
Loans from credit institutions	0.3	0.1	3.3	5.4
Other liabilities		0.8	0.1	1.1
Off balance sheet commitments		1.1		4.7
Total	0.3	2.0	3.4	11.2



	1999		1998	
	Balance sheet debt	Collateral	Balance sheet debt	Collateral
<b>Parent company</b>				
<b>Mortgages given as collateral for liabilities and commitments</b>				
Loans from credit institutions	16.9	17.0	0.6	0.5
Off-balance-sheet commitments		14.6		13.5
Total	16.9	31.6	0.6	14.0
	Group		Parent Company	
	1999	1998	1999	1998
<b>Collateral on behalf of Group companies</b>				
Mortgages			1.3	5.9
<b>Guarantees and contingent liabilities</b>				
on behalf of Group companies	440.6	503.1	163.0	246.7
on behalf of associated companies	95.7	97.6	48.8	61.2
on behalf of others	4.9	2.3	0.3	0.2
<b>Other commitments</b>				
All pension liabilities are included in the balance sheet.				
<b>Nominal amounts of rents according to leasing contracts</b>				
Payable within one year	9.9	7.5		
Payable after one year	37.4	35.4		
Total	47.3	42.9		

## 21. Inner circle loans and commitments

There are no loan receivables from senior management and the members of the Board of Directors. No pledges or other commitments were given on behalf of senior management or shareholders.

## 22. Nominal values of derivative instruments on 31 December 1999

	Total amount	of which closed contracts
Interest rate options; purchased	39.8	
Interest rate options; written	29.9	
Interest rate swaps	339.1	
Foreign exchange forward contracts	962.6	133.1
Currency options; purchased	36.4	
Currency options; written	10.5	
Total	1,418.3	133.1

If all the above instruments were reversed (sold) at market prices at the year end, the net effect would be EUR 2.1 million.

## 23. Exchange rates

	Closing rates		Average rates	
	31 Dec.99	31 Dec.98	1999	1998 **
FIM	5.94573	5.94573	5.94573	5.99400
USD	1.00460	1.16675	1.06580	1.12216
GBP	0.62170	0.70547	0.65874	0.67752
SEK	8.56250	9.48736	8.80750	8.91832
NOK	8.07650	8.87158	8.31040	8.46849
CHF	1.60510	1.60778	1.60030	1.62527
DEM	1.95583	1.95583	1.95583	1.97294
NLG	2.20371	2.20371	2.20371	2.22387
FRF	6.55957	6.55957	6.55957	6.61443
ITL*	1.93627	1.93627	1.93627	1.94610

\*1.000 units

\*\* EUR/ECU

## 24. Shares and securities

		Number of shares	Share %	Currency	Nominal value		Book value '000		
					'000	Currency	Metra Corp. direct ownership	Indirect ownership through subsidiary	
<b>SUBSIDIARIES</b>									
<b>Wärtsilä NSD Oy Ab</b>	Finland	14,544,704	84.6*	FIM	1,454,470	EUR	347,858		
Wärtsilä NSD Finland Oy	Finland	4,800,000	100.0	FIM	480,000	EUR			100,912
Wärtsilä Development & Financial Services Oy	Finland		100.0	FIM	15	EUR			3
Wärtsilä NSD Nederland B.V.	The Netherlands	63,825	100.0	NLG	100,825	EUR			32,787
Wärtsilä NSD Sweden AB	Sweden	40,000	100.0	SEK	40,000	DKK			150,407
Wärtsilä NSD Norway A/S	Norway	20,000	100.0	NOK	60,000	EUR			10,079
Wärtsilä NSD Iberica S.A.	Spain	15,000	100.0	ESP	150,000	EUR			3,875
Wärtsilä NSD Motores (Portugal) Lda.	Portugal		100.0	PTE	40,410	EUR			225
Wärtsilä NSD Danmark A/S	Denmark	61,320	100.0	DKK	61,320	EUR			9,631
Wärtsilä NSD Deutschland GmbH	Germany		100.0	DEM	1,000	EUR			507
Wärtsilä NSD UK Ltd.	Great Britain	1,050,000	100.0	GBP	1,050	EUR			2,876
Wärtsilä NSD Ireland Ltd.	Ireland	10,000	100.0	IEP	10	IEP			10
Wärtsilä Diesel Polska Sp.z.o.o.	Poland	5,120	100.0	PLN	512	EUR			138
Wärtsilä Diesel Hellas S.A.	Greece	700	100.0	GRD	20,000	EUR			369
Wärtsilä NSD Cyprus Ltd.	Cyprus	1,000	100.0	GRD	5,069	EUR			118
Wärtsilä NSD North America, Inc.	USA	50,000	100.0	USD	40,000	EUR			37,988
Wärtsilä Operations, Inc.	USA	100	100.0	USD	10	USD			10
Wärtsilä NSD Canada Inc.	Canada	420	100.0	CAD	1,300	USD			1,172
Wärtsilä NSD de Mexico, SA.	Mexico	100	100.0	MXP	50,000	USD			3,236
Wärtsilä NSD Latin America Ltd.	Bermuda	900	100.0	USD	900	EUR			704
Wärtsilä NSD Chile Ltda.	Chile		100.0	CLP	500	EUR			794
Wärtsilä NSD del Ecuador S.A.	Ecuador	70,000	100.0	ESC	70,000	USD			491
Wärtsilä NSD do Brasil Ltda.	Brazil	144,300	100.0	BRL	144	USD			306
Wärtsilä NSD de Colombia S.A.	Columbia	9,469	100.0	COP	10,000	USD			35
Wärtsilä NSD del Peru S.A.	Peru	1,960	100.0	PEN	20	USD			107
Wärtsilä NSD del Argentina S.A.	Argentina	12,500	100.0	USD	0	USD			172
Wärtsilä NSD Venezuela, C.A.	Venezuela	8,500	100.0	VEB	1,700	USD			10
Wärtsilä NSD Caribbean, Inc.	Puerto Rico	250,000	100.0	USD	578	EUR			0
Wärtsilä Development & Financial Services, Inc.	USA	100	75.0	USD	3,000	EUR			2,285
Wärtsilä NSD Singapore Pte Ltd.	Singapore	13,000,000	100.0	SGD	13,000	EUR			3,151
Wärtsilä NSD China Ltd.	Hong Kong	300,000	100.0	HKD	30,000	EUR			3,095
Nippon Wärtsilä Diesel Co. Ltd.	Japan	400	100.0	JPY	20,000	EUR			701
Wärtsilä NSD Korea Ltd.	South Korea	15,000	100.0	WON	695,000	EUR			894
Wärtsilä NSD Taiwan Ltd.	Taiwan	1,450	96.7	TWD	15,000	EUR			401
Wärtsilä NSD Philippines Inc.	Philippines	126,976	100.0	PHP	12,698	EUR			645
PT. Wärtsilä NSD Indonesia	Indonesia	45,484	100.0	IDR	53,535,845	EUR			10,289
Wärtsilä NSD Australia Pty Ltd.	Australia	999,998	100.0	AUD	1,000	EUR			545
Wärtsilä NSD India Ltd.	India	6,137,300	51.0	INR	61,373	EUR			11,952
Wärtsilä NSD Pakistan (Pvt.) Ltd.	Pakistan	7,775,000	100.0	PKR	166,447	EUR			3,713
Wärtsilä Diesel Saudi Arabia Ltd.	Saudi Arabia	3,660	60.0	SAR	3,660	EUR			1,195
Wärtsilä NSD Gulf FZE	Unit. Arab Em.	1	100.0	AED	1,000	EUR			213
Wärtsilä NSD Middle East S.a.r.l.	Lebanon		100.0	LBP	100,000	EUR			51
Wärtsilä NSD South Africa (Pty) Ltd.	South Africa	1,500,000	100.0	ZAR	1,500	EUR			316
Wärtsilä NSD Mediterranean Ltd.	Cyprus	1,000	100.0	CYP	10	EUR			17
Wärtsilä NSD Eastern Africa Ltd.	Kenya		100.0	KES	1,000	EUR			15
Wärtsilä NSD Italia S.p.A.	Italy		100.0	ITL	127,000,000	EUR			71,560
Wärtsilä NSD Switzerland Ltd.	Switzerland	50,000	100.0	CHF	50,000	EUR			57,273
NSD Japan Ltd.	Japan	400	100.0	JPY	20,000	JPY			20,000
Wärtsilä Diesel Japan Company Ltd.	Japan		50.0	JPY	100,000	EUR			772
Wärtsilä NSD France S.A.	France		100.0	FRF	174,908	EUR			55,045

**Shares and securities**

		Number of shares	Share %	Currency	Nominal value '000		Book value '000	
					Currency	Currency	Metra Corp. direct ownership	Indirect ownership through subsidiary
<b>Sanitec Corporation</b>	Finland	39,966,028	64.2*	EUR	41,565	EUR	52,089	
Ido Kylpyhuone Oy	Finland	300,000	100.0	FIM	30,000	EUR		5,046
Ido Badrum AB	Sweden	20,000	100.0	SEK	2,000	EUR		1,795
Porsgrund Oy	Finland	600	100.0	FIM	600	EUR		101
Porsgrund Bad AS	Norway	10,000	100.0	NOK	10,000	EUR		1,019
Ifö Sanitär AB	Sweden	20,000	100.0	SEK	20,000	EUR		5,887
Fastighets AB Pressarna	Sweden	100,000	100.0	SEK	10,000	SEK		20,882
Ifö Sanitär A/S	Norway	20	100.0	NOK	200	SEK		185
Scandi-aqualine A/S	Denmark	70,000	100.0	DKK	7,000	SEK		14,770
Scandiaqua Sp.zo.o.	Poland	4,995	100.0	PLN	500	SEK		1,882
Sanitec International S.A.	France	1,775,000	100.0	FRF	177,500	EUR		105,960
Allia S.A.	France	1,099,994	100.0	FRF	109,999	FRF		109,999
Polyroc S.A.	France	67,995	99.9	FRF	680	FRF		8,502
Omnium de Distribution Sanitaires S.A.S.	France	2,499	99.9	FRF	250	FRF		250
Omnium de Distribution Sanitaires	Poland	1,000	99.9	PLN		FRF		170
Keramag Keramische Werke AG	Germany	4,572,500	95.3	DEM	23,289	EUR		25,812
Hutschenreuther-Keramag GmbH	Germany		47.7	DEM	1,500	DEM		2,587
Keramag Haldensleben GmbH	Germany		95.3	DEM	5,254	DEM		5,263
Keramag Vertriebs Holding GmbH	Germany		95.3	DEM	1,000	DEM		1,000
Varicor S.A.	France	6,358	95.3	FRF	6,358	DEM		5,185
Spectra Vertriebsgesellschaft GmbH	Germany	15,000	95.3	DEM	1,500	DEM		1,556
Eurocer Industria de Sanitarios S.A.	Portugal	540,000	100.0	PTE	54,000	FRF		23,748
Laminex Sp. z o.o.	Poland	10,040	99.0	PLN	2,510	FRF		10,336
Murena S.A.	France	2,573	99.9	FRF	1000	FRF		206,241
Leda S.A.	France	49,994	99.9	FRF	100	FRF		69,992
Leda Production S.A.	France	4,994	99.9	FRF	400	FRF		250
Leda Tech S.A.	France	2,994	99.9	FRF	100	FRF		249
De Touraine S.A.	France	10,134	99.8	FRF	670	FRF		134,547
S.N.B. Manufacture E.U.R.L.	France	500	100.0	FRF	100	FRF		50
N.V. Koninklijke Sphinx Gustavsberg	The Netherlands	9,242,014	99.9	NLG	23,105	FRF		788,107
Sphinx Gustavsberg Sanker spol. S.r.o.	Slovakia	1	99.9	SIT	112,291	EUR		706
Gustavsberg Poland Sp.z.o.o.	Poland	1,000	99.9	PLN	200	EUR		49
Sphinx Gustavsberg Wroclaw Sp.z.o.o.	Poland	199,000	80.4	PLN	400	EUR		3,714
B.V. Aardewerfabriek " De Toekomst"	The Netherlands	400	99.9	NLG	400	EUR		182
Warneton Industrie S.A.	Belgium	3,178,117	99.9	BEF	391,878	EUR		6,706
Gustavsberg International B.V.	The Netherlands	4,000	99.9	NLG	4,000	EUR		9,071
Baduschko Vertriebsges. m.b.H.	Austria	1	99.9	ATS	500	EUR		0
Richard Heinze Gesellschaft m.b.H.	Austria	1	99.9	ATS	500	EUR		128
Richard Heinze Ges.m.b.H.& Co KG	Austria	2	99.9	ATS	5,696	EUR		0
Sphinx Gustavsberg Belgium N.V.	Belgium	25,250	99.9	BEF	25,250	EUR		622
Koralle S.a.r.l.	France	1,000	99.9	FRF	100	EUR		0
Sphinx Bathrooms Ltd	Great Britain	900,000	99.9	GBP	900	EUR		2,292
Bekon-Koralle AG	Switzerland	1,000	99.9	CHF	1,000	EUR		1,387
Koralle Sp.Z.o.o.	Poland	800	99.9	PLN	400	EUR		58
Sphinx Services B.V.	The Netherlands	40	99.9	NLG	40	EUR		7,344
Sphinx Sanitair B.V.	The Netherlands	1,000	99.9	NLG	1,000	EUR		14,029
Sanitair Techniek Rosmalen B.V.	The Netherlands	600	99.9	NLG	60	EUR		613
Deutsche Sphinx Beteiligungen GmbH	Germany	2	99.9	DEM	25,403	EUR		8,524
Gustavsberg International GmbH	Germany	1	99.9	DEM	50	EUR		3,043
Deutsche Sphinx Sanitär GmbH	Germany	2	99.9	DEM	4,050	EUR		13,431
Koralle Sanitär Produkte GmbH	Germany	1	99.9	DEM	1,550	EUR		5,905
Evac International Oy	Finland	500	100.0	FIM	5,000	EUR		1,705
AquaMar Wasserbehandlung GmbH	Germany		70.0	DEM	50	EUR		338
Evac AB	Sweden	70,000	100.0	SEK	7,000	EUR		758



## Shares and securities

		Number of shares	Share %	Currency	Nominal value '000	Book value '000		
						Currency	Metra Corp. direct ownership	Indirect ownership through subsidiary
Evac Oy	Finland	70,000	100.0	FIM	7,000	EUR		1,040
Evac S.r.l.	Italy		100.0	ITL	150,000,000	EUR		716
Evac S.A.R.L.	France	500	100.0	FRF	50	EUR		115
Evac (U.K.) Ltd.	Great Britain	2	100.0	GBP	0	EUR		0
Envirovac Inc.	USA	1,010	100.0	USD	1,246	EUR		923
Envirovac Inc.	Canada	1	100.0	CAD	1	USD		1
Evac GmbH	Germany		100.0	DEM	300	USD		215
Sanitec Kolo Sp. z o.o.	Poland	413,024	99.5	PLN	20,651	EUR		12,371
Sanitec International GmbH	Germany	1	100.0	DEM	250,000	EUR		100
Sanitec Leasing AB	Sweden	1,000	100.0	SEK	100	EUR		2,523
Sanitari Pozzi S.p.A.	Italy	4,956,597	100.0	ITL	17,348,090,000	EUR		4,161
Domino S.p.A.	Italy	2,666,996	100.0	ITL	2,666,996,000	EUR		32,153
Sanitec Servizi Logistici S.r.l.	Italy	80,000	100.0	ITL	8,000,000,000	EUR		4,152
Sanitec Holding AG	Switzerland	15,000	100.0	CHF	3,750	EUR		15,776
Sanitec Johnson Suisse Sdn Bhd	Malaysia	20,145,455	83.9	MYR	20,146	CHF		6,461
<b>Imatra Steel Oy Ab</b>	Finland	104,000	100.0*	FIM	104,000	EUR	46,612	
Imatra Kilsta AB	Sweden	200,000	100.0	SEK	20,000	EUR		8,478
Imatra Tooling AB	Sweden	1,000	100.0	SEK	1,000	SEK		4,900
Imatra Stahl GmbH	Germany		100.0	DEM	100	EUR		45
Imatra Steel Ltd.	Great Britain		100.0	GBP	50	EUR		65
Imatra Steel S.A.R.L.	France		100.0	FRF	200	EUR		32
Metra Finance Oy Ab	Finland	382,000	100.0	FIM	191,000	EUR	32,125	
Vulcan Insurance Ltd. <sup>1</sup>	Great Britain	2,000,000	100.0	GBP	2,000	EUR	336	
Metra Corporation housing corporations (48)						EUR	2,796	
Metra Corporation others (4)						EUR	703	
<b>Total</b>							<b>482,519</b>	

<sup>1</sup> Non consolidated; profit EUR 231 thousand, shareholders' equity EUR 814 thousand.

## ASSOCIATED COMPANIES

Assa Abloy AB (publ.)	Sweden	67,323,823	21.4	SEK	17,710	EUR	73,660	
Cervuctum Oy <sup>1)</sup>	Finland	250,000	31.3	FIM	25,000	EUR	4,205	
Cummins Wartsilä S.A.	France	3,767,784	50.0	FRF	376,778	EUR		29,439
Wasa Pilot Power Plant Oy	Finland	9,980	49.9	FIM	9,980	EUR		1,679
Wartsilä Navim Diesel S.r.l.	Italy		40.0	ITL	24,000	EUR		13
Ina/Ifö Co Ltd.	Japan	60,000	50.0	JPY	30,000	SEK		947
Raftery Holding B.V.	The Netherlands	10	50.0	NLG	10,000	USD		14
Metra Corporation others (3)						EUR	835	
<b>Total</b>							<b>78,700</b>	

<sup>1</sup> Non consolidated; loss EUR -314 thousand, shareholders' equity EUR 22.699 thousand.

## OTHER COMPANIES

Sato-Yhtymä Oyj	Finland	104,383		FIM	1,044	EUR	1,853	135
Kiinteistö Oy Nordic HotelliKiinteistöt	Finland	80,000	19.0	FIM		EUR	12,782	
Polar Real Estate Corporation	Finland	14,463,438	8.0	FIM	72,317	EUR	14,161	
Rautaruukki Oyj	Finland	29,416	0.1	FIM	294	EUR	59	
Sampo Insurance Company plc	Finland	380,200	0.6	FIM	1,901	EUR	3,798	
St. Laurence Golf Oy	Finland	50	22.7	FIM	,000	EUR	158	
Power Partners Oy	Finland	487,500		FIM	4,875	EUR		820
Metra Corporation housing corporations (17)						EUR		1,478
Metra Corporation others (33)						EUR	3,111	
<b>Total</b>							<b>37,400</b>	

Metra Corporation; total shares and securities

598,618

A complete list of shares and securities in accordance with the Finnish Companies Act is included in the official financial statements.

\*) Share of group and parent company. The percentage referring to other subsidiaries indicates the ownership share within the respective subgroup.



# Proposal of the Board

On 31 December 1999 the consolidated retained earnings of the Group amounted to EUR 399,601,000 and included distributable funds totalling EUR 303,884,000. The Parent Company's net profit for the financial year amounted to EUR 123,831,014.90 and the retained earnings to EUR 257,924,326.61. The distributable funds of the Parent Company on 31 December 1999 amounted to EUR 381,755,341.51. The number of shares entitled to a dividend is 54,200,246. The Board of Directors proposes, that

- 1) A dividend of EUR 0.50 (approx. FIM 2.97) per share be paid i.e. totally EUR 27,100,123.00.
- 2) An extra dividend having the value of EUR 2.35 (approx. FIM 13.97) per share, totalling EUR 127,370,578.10 will be distributed in the form of Sanitec Corporation shares and cash. The said value of the extra dividend represents the amount of dividend received by the recipient of the dividend. The proportion of the total dividend to be paid in shares will be determined by the market value of the share on the dividend payment date. The Company will record the shares to be distributed as a reduction of its distributable funds at the book value of those shares. The amount of the reduction depends

on the final number of shares to be distributed.

The dividend will be paid in the form of Sanitec Corporation shares. However, those Metra Corporation shareholders whose holding of either Series A or Series B Metra Corporation shares in an individual book-entry account does not exceed 99 shares on the record date for dividend payment shall, for the respective part, receive the entire dividend, EUR 2.35 per share, solely in cash. Those Metra Corporation shareholders whose holding of either Series A or Series B shares registered in individual book-entry accounts on the record date for dividend payment equals or exceeds 100 shares shall receive an equivalent dividend in the form of Sanitec Corporation shares. The number of shares to be distributed as dividend will be calculated from the average price of the Sanitec Corporation share quoted on the Helsinki Exchanges on the dividend payment date. To the extent the number of Sanitec Corporation shares to be distributed to a shareholder as dividend cannot be divided as whole shares into the total value of the dividend, the remainder will be paid in cash. Such remainders will be calculated separately by share series for each book-entry account.

The proposal complies with the terms of the convertible subordinated debentures.

Helsinki, 15 February 2000

Robert G. Ehrnrooth

Vesa Vainio

Göran J. Ehrnrooth

Carl-Olaf Homén

Jaakko Iloniemi

Paavo Pitkänen

Christoffer Taxell

Georg Ehrnrooth  
President and CEO

# Auditors' Report

## To the shareholders of Metra Corporation

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the President of Metra Corporation for the year ended 31 December 1999. The annual accounts prepared by the Board of Directors and the President include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements and the Parent Company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management,

as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the Board of Directors and the President have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the President of the Parent Company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the retained earnings is in compliance with the Finnish Companies Act.

Helsinki, 17 February 2000

KPMG WIDERI OY AB

Eric Haglund  
Authorized Public Accountant

# Calculation of Financial Ratios

Return on investment (ROI)

$$\frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities - provisions, average over the year}} \times 100$$

Return on equity (ROE)

$$\frac{\text{Profit before extraordinary items - taxes for the financial year}}{\text{Shareholders' equity + minority interests, average over the year}} \times 100$$

Interest coverage

$$\frac{\text{Profit before extraordinary items + depreciation + interest and other financial expenses}}{\text{Interest and other financial expenses}}$$

Solvency ratio<sup>1</sup>

$$\frac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total - advances received}} \times 100$$

Net Gearing<sup>2</sup>

$$\frac{\text{Interest bearing liabilities - cash and bank balances}}{\text{Shareholders' equity + minority interests}}$$

Earnings per share (EPS)

$$\frac{\text{Profit before extraordinary items - income taxes - minority interests}}{\text{Adjusted number of shares over the financial year}}$$

Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial year}}$$

Dividend per share

$$\frac{\text{Dividends paid for the financial year}}{\text{Adjusted number of shares at the end of the financial year}}$$

Payout ratio

$$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$$

Effective dividend yield

$$\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial year}} \times 100$$

Price/earnings (P/E)

$$\frac{\text{Adjusted share price at the end of the financial year}}{\text{Earnings per share (EPS)}}$$

<sup>1</sup> Solvency ratio 2, shareholders' equity includes subordinated debentures (EUR 117.2 mill.)

<sup>2</sup> Net gearing 2, shareholders' equity includes subordinated debentures (EUR 117.2 mill.)

# Financial Risk Management

Metra's Treasury function has two main objectives. It arranges adequate funding of the Group's underlying operations on competitive terms using debt and equity financing instruments. Treasury also hedges the Group and various companies against unfavourable changes in the financial markets and minimizes the impact of foreign exchange, interest rate, credit and liquidity risks on the Group's cash reserves, profits and shareholders' equity.

The risk policy set by the Board of Directors defines the goals, responsibilities and limits of the company's financing and risk management activities. Treasury employs only such instruments whose market value and risk profile can be reliably monitored.

Funding and financial risk management in Sanitec became this group's exclusive responsibility after it was listed on the Helsinki Exchanges. Metra and Sanitec have no significant mutual debts, guarantees or other liabilities.

Funding in Wärtsilä NSD is handled in cooperation with Metra and is mainly underwritten by Metra. Wärtsilä NSD's Treasury Department is responsible for day-to-day risk management.

## Foreign exchange risk

Roughly 95% of Metra's net sales and 55% of its production volume are derived outside Finland. Some 44% of sales and 61% of operating costs took place in euro. Adoption of the euro at the beginning of 1999 has substantially eased management of the Group's foreign exchange exposure and reduced its hedging costs.

The Group's profits and competitiveness are also indirectly affected by the domestic currencies of its main competitors: the USD, GBP and euro. Foreign exchange risks are monitored for each Group company separately.

Significant commercial currency surpluses and deficits, like fixed purchase and sales contracts, are hedged. Hedgings are made up to such time periods that both the prices and costs can be adjusted to the new exchange rates. These periods vary among Group companies from one month to two years. The Group also hedges the balance sheet position of its foreign exchange reserves, which include receivables and payables denominated in foreign currencies.

The instruments, and their nominal values, used to hedge the Group's foreign exchange exposure are listed in the notes to the financial statements, page 33. At the end of 1999 the net asset value of Metra's foreign subsidiaries outside the euro area totalled EUR 292 million, of which EUR 260 million was hedged. The translation difference arising from consolidation of the foreign subsidiaries in 1999 amounted to EUR 15.8 million. The corresponding exchange rate difference from hedging was EUR 12.2 million, which has been taken directly to shareholders' equity in the consolidated financial statements.

## Interest rate risk

The interest rate risk represents primarily changes in market interest rates on the loan portfolio. Metra spreads its interest rate risk exposure by taking both fixed and floating rate loans. The share of floating rate loans as a proportion of the total debt can vary between 30-70%. At the end of 1999 the ratio was 40% after adjustment for interest rate swaps.

The average interest rate on interest-bearing debt was 5.0% at the end of 1999. The short-term (maturity less than 1 year) portion of total interest-bearing loan capital was 40%. The maturity profile, division by currency and other information on long-term debt is provided on page 31. The ef-

fect of a 1 percentage point parallel change in the yield curve on the value of the net debt portfolio, excluding the perpetual convertible of EUR 117.2 million, would increase the total interest exposure by EUR 14 million.

## Liquidity risk

Metra Group's liquidity is good. To maintain financial latitude, Metra had EUR 320 million in non-utilized committed credit lines and substantial commercial paper programmes. Furthermore, the Sanitec Group signed a EUR 160 million committed credit line in the spring to safeguard its own financial position.

## Credit risk

The management of credit risks associated with ordinary commercial activities is the responsibility of the Group companies.

Credit risks related to major business transactions are minimized by spreading these risks between banks, insurance companies, export credit organizations and suppliers.

Credit risks related to the placement of liquid funds and to trading in financial instruments are minimized by setting explicit lines for the counterparties and by making agreements only with the most reputable domestic and international banks and financial institutions.

## CURRENCY DISTRIBUTION 1999

	Invoiced sales	Operating costs
EUR area	43.7%	60.6%
USD	30.2%	16.4%
SEK	4.9%	5.3%
NOK	4.7%	3.6%
Other EU	5.6%	0.6%
Other	10.9%	13.5%
	100.0%	100.0%

*The distribution of the Group's sales and operating costs by currency provide a view of the Group's long-term currency sensitivity.*



# Business Environment

## WÄRTSILÄ NSD

### Power Plants

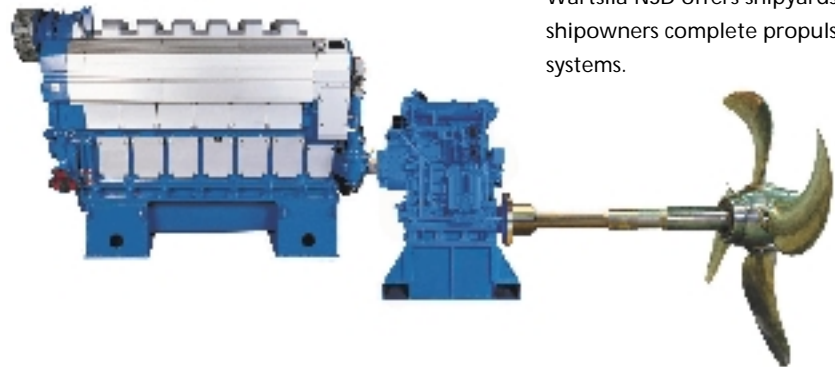
Wärtsilä NSD's power plants based on diesel and gas engines offer the advantages of flexible, rapid implementation from order to startup, and high output efficiency. Wärtsilä's power plants are modular in design, which enables them to be rapidly constructed and also expanded later, if desired. Short construction times reduce the related capital.

Wärtsilä power plants are designed to run on a variety of fuels from heavy fuel oil (HFO) to gas, with the option to change from one to the other as required. Natural gas is emerging as an important fuel for both operational and environmental reasons. The company is also conducting tests with new types of fuel. In areas where gas is not available oil-fired power plants are the appropriate solution since diesel engines have a high efficiency while they produce low emissions.

Wärtsilä power plants can also be used for decentralized power generation by municipalities. This brings the power plants close to the energy consumer and reduces transmission costs. Cogeneration, or combined heat and power generation, can increase a power plant's overall efficiency to approx. 90%. High efficiency is also an effective means of reducing carbon dioxide emissions. Power plants delivered to industry ensure an uninterrupted supply of energy especially in areas suffering from power shortages.

### Marine engines

In the marine engine market Wärtsilä NSD offers complete propulsion systems and engine room solutions for shipyards and shipowners. These comprise main and auxiliary engines, generator sets, gear boxes, ship's propellers, training,



Wärtsilä NSD offers shipyards and shipowners complete propulsion systems.

spare parts and maintenance services.

Wärtsilä NSD's strength is its comprehensive range of technically advanced, reliable and economical marine engines backed by its own global sales and service network.

### SERVICE

Wärtsilä NSD's Service activity is based on the company's global installed engine base. The company supports the business operations of its customers throughout the life-cycle of its products. It also offers operations, maintenance and rehabilitation services in addition to basic after-sales service.

The increasingly large engine base, coupled with growth based on long-term contracts, will increase the share of the stable service business in Wärtsilä NSD's total net sales.

### Changes in the business environment

Depletion of the world's oil and gas reserves is often mentioned as a long-term risk in sectors dependent on these fuels. Current knowledge and analyses, however, suggest that fossil fuels will continue to play a central role in power generation for a long time to come.

Various countries support alternative forms of energy based on reusable reserves and their significance is growing. This trend may have some effect on the markets of diesel and

gas engine technologies in power plant applications. On the other hand, interesting opportunities also exist for combining these forms of energy with reciprocating engine technology into new power generation solutions.

Current business conditions are creating excess manufacturing capacity for power generation equipment, which is reducing price levels. For this reason Wärtsilä NSD is taking its own measures to ensure that costs and excess capacity are reduced.

Environmental legislation affects Wärtsilä NSD's operations through stricter national and international regulations governing marine traffic and power generation. The company's technology investments have been focused, therefore, on developing its products to ensure that they meet the strictest environmental standards.

The crises in the Asian economies and its effects elsewhere have clearly affected Wärtsilä NSD's power plant and service markets. Wärtsilä NSD's wide marketing and service network in more than 50 countries has nevertheless managed to shift the focus of operations to other markets, which is offsetting the impact of this disruption.

### IMATRA STEEL

Imatra Steel's strengths are its long-standing customer relationships and recognized position as a supplier to the European automotive and mechanical engineering industries. Cus-

## Business Environment

customer satisfaction surveys indicate that Imatra Steel is a manufacturer of high-quality products and a reliable supplier. Another key strength is Imatra Steel's flat, responsive organization with its wide base of direct customer contacts, and its competent and motivated personnel.

The delivery chain in which Imatra Steel operates is currently experiencing change, its customers are consolidating and its business globalizing. These trends could create a need in Imatra Steel to make further investments.

### SANITEC

Sanitec ranks among the leading European bathroom products companies and among the world's foremost bathroom ceramics companies. The foundation for its success is strong local brands which are leaders in their markets. Its network of focused factories in countries with different cost structures enable flexible coordination of production. Sanitec's subsidiary Evac is the world's leading manufacturer of vacuum sewage systems.

Sanitec's net sales is partly linked to the cyclical nature of the building and construction industry and general economic trends. However, this risk is reduced since the segment most affected is new building whereas some 70% of the company's total sales comes from the renovation market. Moreover, Sanitec has subsidiaries and operations in several countries, which balances out the effects of fluctuations in local markets.

The successful integration of Sphinx into the Sanitec group, coupled with Sanitec's ability to maintain high productivity and a competitive cost structure, are factors of high importance to Sanitec's positive development.

### ENVIRONMENTAL ISSUES

#### Wärtsilä NSD

The focus of Wärtsilä NSD's R&D activities is on the environmental impacts of its engines and enhancing their efficiency. Most of Wärtsilä NSD's engines are certified as meeting the environmental requirements of the International Maritime Organization (IMO). The power plant engines comply with the World Bank's emission limits.

Customers are showing increasing interest in a method developed by Wärtsilä NSD to reduce nitrogen oxide emissions by direct injection of water into the engine cylinder. The method is now being further refined for retrofitting to older engines.

Engine development has also reduced the environmental loads of Wärtsilä NSD's factories through reduced emissions during engine testing.

Wärtsilä NSD continued group-wide implementation of its Operative Excellence System, which covers management of quality, environmental and occupational health and safety issues.

Wärtsilä NSD approved an environmental policy and instructions covering the entire group. Implementation of this system started with environmental training and initial environmental reviews were carried out in the major units. The aim is to implement the new environmental management system complying with the ISO 14001 standard in all major units at the end of 2001.

#### Imatra Steel

Imatra Steel made further progress in development of its environment management system. The Imatra Steel Works received QS 9000 certification in autumn 1999. The Imatra



Gas power plant in Præstø Denmark generates electricity and heat.

Steel Works and Billnäs Spring Works were awarded ISO 14001 environment certification during the year. The Imatra Steel Works also signed an agreement with Finland's Ministry of Trade and Industry to reduce energy consumption.

#### Sanitec

Sanitec's manufacture of bathroom products, the raw materials and production methods used, their environmental emissions and waste treatment, are governed by national environmental laws and regulations. Sanitec regularly monitors the impact of its operations and many Sanitec units have received ISO 14001 environmental certification. Sanitec's target is to develop the operations of its production units so that they all comply with the requirements of the ISO 14001 standard. Evac's vacuum systems help to save water and reduce sewage since they use only small amounts of water and the waste is handled in controlled conditions.

### THE YEAR 2000

The Metra group encountered no significant problems in the roll-over into the year 2000.

# Human Resources

Metra Group had 14,422 employees at the beginning of the period and 17,937 at the end. The number of employees in Wärtsilä NSD increased by 745. This was mainly because Grandi Motori Trieste, formerly an associated company, became a subsidiary during the year, which added 1,289 employees to the total. Personnel also increased in operations and maintenance services.

On the other hand Wärtsilä NSD's restructuring programme led to significant personnel reductions. The main impacts were felt in Sweden, in the manufacturing operations in Finland, in Switzerland and in the Netherlands, where personnel was reduced by altogether approx. 500. Streamlining measures in Cummins Wärtsilä reduced personnel by some 250 employees in France and the UK.

Sanitec's personnel increased by 182 during the period. The acquisition of Sphinx Gustavsberg at the year end added a further 2,660 employees. Imatra Steel's personnel decreased by 39 people and the number of employees in the parent company Metra fell by 37.

## Development and training

The third Metra Leadership programme for senior executives was completed during 1999, as well as three ManTra management training modules for divisional managers. Key managers from Wärtsilä NSD, Sanitec, Imatra Steel and corporate management participated in these training programmes. Wärtsilä NSD started several management training and leadership development programmes. Management Competency Assessments were carried out in conjunction with these programmes and the methods were further developed to take account of changing business needs.

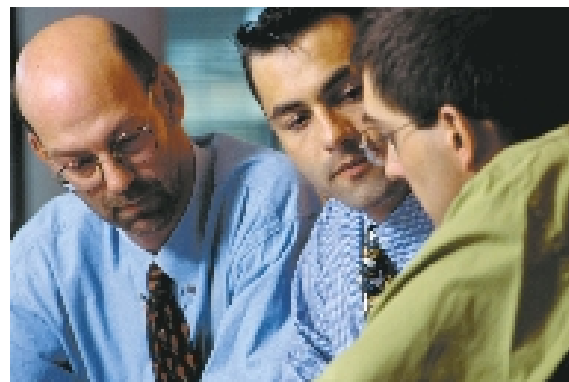
At the end of 1999 full responsibility for management development and training activities was transferred to the divisions as planned. The experiences gained from the Group human resources development and training schemes will be used by the divisions and they will continue the development of the programmes. Plans for the year 2000 indicate that investments in management and personnel development and training will be continued.

## Company councils

European-wide co-operation with personnel was continued in accordance with the voluntary agreements made by Metra's divisions in 1996. At the beginning of 1999 the agreements were extended virtually unchanged for a further two years, after which they will continue to operate indefinitely until terminated. As in previous years Wärtsilä NSD, Sanitec and Imatra Steel each arranged its own Company Council meeting, which reviewed the division's and Metra's business operations and prospects, as well as the views of personnel representatives.

In Finland this cooperation took the form of a Corporate Cooperation Committee comprising management and personnel representatives of the various units and chaired by Metra's CEO. This Committee convened twice.

A seminar attended by representatives of the Finnish units was arranged with the Varma-Sampo insurance company to support the Work Ability for Tomorrow (TYKY) effort.



Wärtsilä NSD started several management training and leadership development programmes.

## PERSONNEL BY COUNTRY

	31 Dec. 1999	31 Dec. 1998
Finland	3,704	3,881
Sweden	1,423	1,607
France	1,956	1,314
Germany	1,565	955
Netherlands	1,453	918
Poland	1,034	769
Italy	2,089	764
Norway	535	538
Switzerland	459	513
Portugal	329	340
Denmark	223	211
Great Britain	156	149
Spain	133	111
Other Europe	707	110
Europe	15,766	12,180
India	611	608
Malaysia	378	421
Singapore	137	131
China, Hong Kong	105	126
Other Asia	389	415
Asia	1,620	1,701
USA	350	354
Other Americas	122	107
Americas	472	461
Other countries	79	80
Total	17,937	14,422





Wärtsilä NSD's Service business area seeks to keep customers' investments productive by optimizing their operations and product lifecycle .



Royal Caribbean Cruise Line's Voyager of the Seas cruise ship is powered by six Wärtsilä 46 engines.

The increasing number of power plants forms a base for developing plant operations services.

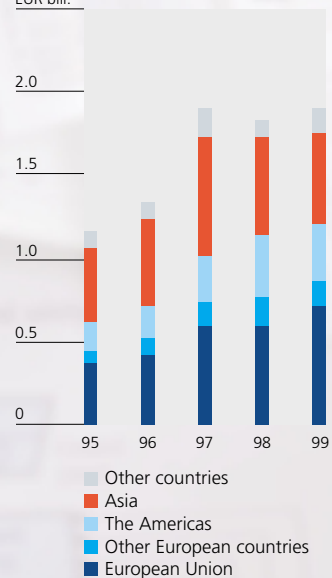


Pure Energy gas power plants are a growth area for Wärtsilä NSD especially in Europe and the USA. Shown here is the Mobile Bay power plant in Alabama, USA.



#### SALES BY MARKET AREA 1999

EUR bill.



#### FIVE YEARS IN FIGURES, WÄRTSILÄ NSD

EUR mill.	1999	1998 <sup>1</sup>	1997	1996	1995
Orderbook, end of period	1,314.9	1,210.2	1,177.0	791.7	824.1
Orders received	1,853.7	1,870.8	2,061.6	1,309.3	1,370.1
Net sales	1,896.6	1,834.6	1,898.5	1,348.2	1,163.9
of which outside Finland	96.4%	97.2%	96.3%	98.1%	97.0%
Depreciation and writedowns	-64.6	-64.2	-54.4	-36.3	-35.4
Operating profit/loss	-28.5	-108.3	-16.9	53.8	64.8
Profit before extraordinary items	-46.4	-129.4	-41.6	35.4	55.0
ROI	-0%	-12%	-1%	11%	19%
Personnel at end of period	8,257	7,512	7,294	6,454	6,062
of which outside Finland	5,858	4,982	4,856	4,113	3,828

<sup>1</sup> Wärtsilä NSD Italia was consolidated as an associated company in 1998 and as a subsidiary in 1999.



# Wärtsilä NSD

During 1999 the Wärtsilä NSD group concentrated on restructuring and raising the overall quality of its operations. The result improved clearly but remained a loss. In line with its endorsed strategy Wärtsilä NSD is shifting its focus towards supplying complete systems and providing operations and maintenance services.

Sales of marine engines hit record levels for the second year running. The Service business continued to grow. Interest in Wärtsilä NSD's power plants started to rise during the year but an increase in sales was not yet evident. The year-end orderbook totalled EUR 1.3 (1.2) billion. The group supplied marine and power plant engines with an aggregate output of 3,663 MW (4,182). License manufacturers shipped a further 2,615 MW (2,748) of Sulzer engines.

Net sales increased to EUR 1,896.6 (1,834.6) million.

The result before extraordinary items was a distinct improvement, EUR -46.4 (-129.4) million, as a result of the company's determined restructuring actions, cost-cutting programme and entry into new markets. The profitability targets, however, were not reached mainly because of the power plant business and the Cummins Wärtsilä joint venture. In the power plant sector, the volume gained from new markets was not sufficient to compensate for contracted demand in the traditional heavy fuel oil market, which led to underutilization of production capacity. Cummins Wärtsilä, which specializes in high-speed engines, recorded a heavy loss despite the closure of two factories during the year.

The restructuring programme to rationalize operations was carried out as planned. At the end of the

year it was decided to split the operations of the Cummins Wärtsilä joint venture between the two owners, Wärtsilä NSD and Cummins Engine Company. Each company now concentrates on the engines in which they have core competency. In addition to the above mentioned measures taken in Cummins Wärtsilä, production was terminated in Sweden and the centre of the gas engine business was moved to the Netherlands. The companies in Sweden and Denmark were made a regional service unit under single management. Furthermore, Wärtsilä NSD acquired the outstanding shares of Wärtsilä NSD Nederland and Grandi Motori Trieste, facilitating integration of these units within the Wärtsilä NSD organization. Restructuring also reduced personnel, whereas employee numbers rose in operations and maintenance services.

## Another lively year for marine engines

Wärtsilä NSD's marine engine sales reached record levels for the second year running. Net sales increased 2.8% to EUR 637.7 (620.5) million.

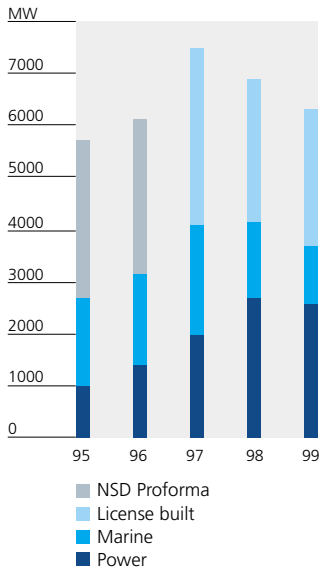


President Ole Johansson  
"Wärtsilä NSD is shifting its focus towards supplying complete systems and providing operations and maintenance services."

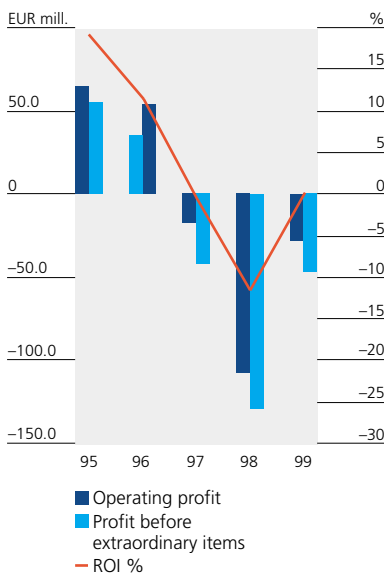
INCOME STATEMENT, WÄRTSILÄ NSD		
EUR mill.	1999	1998
Net sales	1,896.6	1,834.6
Expenses	-1,833.4	-1,825.5
Dep. and writedowns	-64.6	-64.2
Share of profits/losses in associated companies	-27.1	-53.0
Operating profit/loss	-28.5	-108.3
Fin. income and expenses	-17.9	-21.1
Profit before extraord. items	-46.4	-129.4
Extraordinary items	0.0	13.8
Profit before taxes	-46.4	-115.6
Income taxes	-15.5	5.6
Minority interests	-1.4	14.9
Profit for the financial year	-63.3	-95.1

BALANCE SHEET, WÄRTSILÄ NSD		
EUR mill.	1999	1998
Fixed assets	448.1	388.1
Current assets		
Inventories	504.0	554.0
Receivables	678.7	593.9
Cash and bank balances	53.1	63.0
Balance sheet total	1,683.9	1,599.0
Share capital	289.2	278.6
Other shareholders' equity	-15.3	37.4
Minority interests	11.9	9.7
Provisions	104.5	60.1
Long-term liabilities	98.1	101.1
Current liabilities	1,195.5	1,112.1
Balance sheet total	1,683.9	1,599.0
Interest-bearing liabilities	593.8	446.6
Non interest-bearing liabilities	699.8	766.6

## MEGAWATTS DELIVERED



## RESULT



### WÄRTSILÄ NSD NET SALES BY BUSINESS AREA

EUR mill.	1999	1998	Change%
Power	655.4	722.9	-9.3
Marine	637.7	620.5	2.8
Service	589.9	466.8	26.4 <sup>1</sup>
Other	13.6	24.4	-44.1
Total	1,896.6	1,834.6	

<sup>1</sup> Wärtsilä NSD Italia was consolidated in 1999.

Comparable growth was 9.3%.

The marine engine orderbook at the end of the year totalled EUR 678.1 (591.8) million.

The volume of medium-speed and high-speed Wärtsilä engine deliveries amounted to 2,317 MW (2,512). License manufacturers supplied altogether 2,615 MW (2,748) of Sulzer low-speed engines. Wärtsilä NSD is the global leader in medium-speed engines with a market share of 36% (28%). In low-speed engines the company ranks second with a market share of 35% (31%)\*.

Overcapacity at shipyards has led to increasing competition also for special vessels, the main business of the European shipyards. However, the present order backlog at shipyards will keep capacity loads high in 2000-2001. A further shift from west to east will be evident.

Investment was low in the offshore segment last year. The rising price of oil is encouraging greater oil exploration and drilling. The utilization rate of offshore equipment is high, which indicates an increasing need for new drilling rigs and offshore vessels.

Wärtsilä NSD is the market leader in cruise ship engines. The group is also very strong in Ro-Ro vessels and large container ships, where the company's market share is above 50%. In 1999 Wärtsilä NSD supplied more engines to these segments than any year in the past.

Environmental issues are assuming ever increasing importance in the marine business. Wärtsilä NSD's engines comply with all environmental regulations and in this area represent state-of-the-art technology.

\* Source: Diesel & Gas Turbine Worldwide, 11/99.

Statistics based on period from June 1998 to May 1999.

Intensifying competition on prices is changing the shipbuilding industry. Shipyards are increasingly outsourcing work and looking for cost savings. The engine room, a major element in a vessel's overall cost, offers considerable savings potential in this respect. By positioning itself to offer complete ship propulsion systems, Wärtsilä NSD is helping shipyards to enhance their efficiency.

In February 2000 Wärtsilä NSD and John Crane Lips, a member of the British TI Group, signed a Letter of Intent covering the development, marketing and sales of total marine power systems, which will be offered to shipowners and shipbuilders. Under the co-operation agreement Wärtsilä NSD will act as the prime contractor to shipyards. Wärtsilä NSD and John Crane-Lips will continue to sell their products separately to customers not wishing to purchase total marine propulsion systems. The parties have agreed to start negotiations over the integration of Wärtsilä NSD's propeller production in Norway, into John Crane-Lips.

### Gas power plants take greater share

The Power Plant business generated net sales of EUR 655.4 (722.9) million. The year-end orderbook was EUR 460.3 (543.9) million. The delivery volume of power plants during the year totalled 1,320 MW (1,670), which included 298 MW (302) of gas and dual-fuel power plants and 1,022 MW (1,368) of heavy fuel oil plants.

The Power Plant business has undergone several major changes in recent years. First, the crisis in South East Asia halted sales in this region. There are now signs of a recovery in these markets but no new orders have yet been placed.

Wärtsilä NSD has gained new orders from other markets, notably Europe, India and Central and South America. A second major change was visible in fuels. Demand for gas and dual-fuel engines is increasing, whereas the traditional heavy fuel market is contracting.

The overall market for diesel and gas engines over 1 MW in output remained largely unchanged, 9,617 MW (9,644). Wärtsilä NSD's market share was 17% (18%)\*. More orders were placed for gas and dual-fuel power plants and Wärtsilä NSD's share of this market was 20% (19%). Orders for heavy fuel power plants decreased while Wärtsilä NSD's market share in this sector remained almost at the previous year's high level, 57% (59%).

The gas power plant markets are primarily in Europe and the USA, both of which yielded interesting orders for Wärtsilä NSD. The first gas compressor installations were delivered to Germany and the USA.

The main deliveries for power plants running on residual oil (HFO)

were made to India, and Central and South America. The first IPP plant sold to India has an output of 100 MW.

The Power Plant Operations business received 250 MW in new contracts. At the year end the Operations portfolio had contracts totalling 990 MW of respective power plant output.

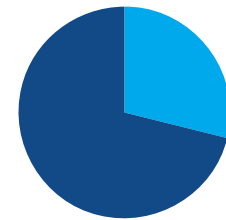
The operations of Wärtsilä Power Finance and Wärtsilä Power Development were merged to form a single company called Wärtsilä Development and Financial Services. This company develops power plant projects and provides financial services for power plant customers. The development of operations and financial services is based on the growing population of installed engines and increased demand for these services.

#### Number of long-term service agreements increases

Net sales of the Service business rose to EUR 589.9 (466.8) million. Comparable growth was 9.3%.

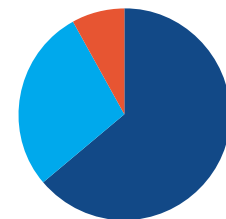
#### Wärtsilä NSD Marine Market Shares

Marine Propulsion & Auxiliary Engines  
Engine Orders June '98 - May '99  
Total Market 17,159 MW (19,539)



■ Wärtsilä NSD 29% (25%)  
■ Other engine makers 71%

#### Wärtsilä NSD Fuel Breakdown 1999



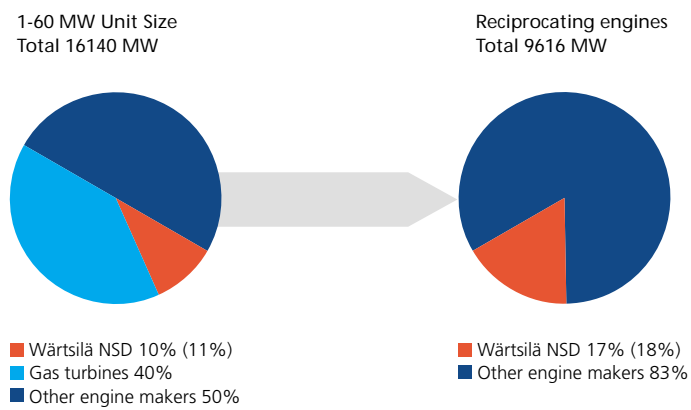
■ Oil, Marine 64% (60%)  
■ Oil, Power 28% (33%)  
■ Gas + multifuel, Power 8% (7%)

WÄRTSILÄ NSD EUR mill.	NET SALES			PERSONNEL 31 DEC.1999	
	1999	1998	Change <sup>1</sup>		Change
Wärtsilä NSD Finland Oy	931.4	862.5	8.0%	2,145	-144
Wärtsilä NSD Nederland B.V.	185.9	299.3	-37.9%	820	-89
Wärtsilä NSD Switzerland Ltd.	206.0	172.6	18.5%	403	-77
Wärtsilä NSD France S.A.	117.1	175.9	-33.4%	316	-3
Wärtsilä NSD Norway A/S	110.1	136.9	-20.5%	446	-6
Wärtsilä NSD Sweden AB	88.8	117.7	-24.9%	182	-191
Wärtsilä NSD North America Inc.	232.5	205.7	8.2%	214	13
Wärtsilä NSD Ibérica S.A.	90.9	86.3	5.4%	133	22
Wärtsilä NSD India Ltd.	70.0	45.2	53.1%	599	9
Wärtsilä NSD Italia S.p.A.	194.4	-	-	1,395	-41
Wärtsilä NSD Singapore Pte.Ltd	32.9	45.2	-29.6%	119	-11
Other subsidiaries	371.4	309.3	12.6%	1,485	-83
Internal sales	-734.7	-622.0	18.1%	-	-
Total	1,896.6	1,834.6	3.4%	8,257	-601
Grandi Motori Trieste S.p.A. <sup>2</sup>	-	211.7	-	-	-
Cummins Wärtsilä S.A.	159.7	149.4	6.9%	948	-250
Other associated companies	11.3	8.7	30.9%	45	6
Total	2,067.6	2,204.3	-6.2%	9,250	-845

<sup>1</sup> The subsidiaries' figures have been compared in local currencies.

<sup>2</sup> The company was consolidated in 1999. Grandi Motori Trieste has changed its name in 1999 to Wärtsilä NSD Italia.

Reciprocating Engine and Gas Turbine Orders (from June 98 to May 99)



The market was weak in China and Indonesia due to lower utilization rate of power plants.

Less than 50% of power capacity installed by Wärtsilä NSD in East and South East Asia was in production in 1999. Nonetheless, Wärtsilä NSD succeeded in increasing the number of operations and maintenance contracts. Wärtsilä NSD concluded several long-term customer contracts during the year and their share of Service's net sales was 10%. New service products and continuous improvement in customer service will further increase growth in this segment.

The group is launching several new service products in 2000. Spare part sales via the Internet is being tested and will ensure faster response and improved service. Further development of workshop capacity and capabilities will ensure global maintenance and parts service for all Wärtsilä and Sulzer engines.

Technology focuses on environmental issues

Wärtsilä NSD continues to focus its R&D activities on emission control

and efficiency enhancement. Most engines received IMO (International Maritime Organization) environmental certification. The power plant engines comply with the World Bank emission requirements.

Direct Water Injection, a method developed by Wärtsilä NSD to reduce nitrogen oxides by direct injection of water into engine cylinder, is in increasing demand by customers. Wärtsilä NSD will develop the method to be offered also as a retrofit for older engine types.

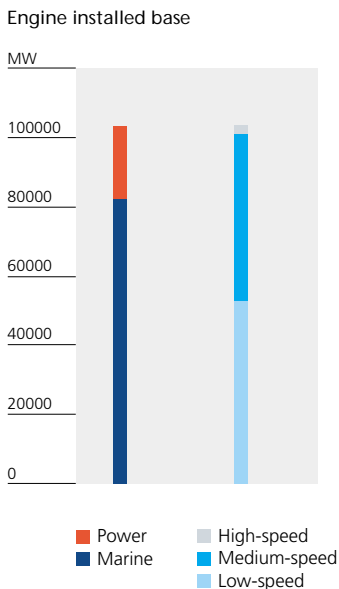
Gas engine development was consolidated into the R&D unit in Zwolle, the Netherlands. The gas engine portfolio is the widest on the market.

A new low-speed engine, the Sulzer RTA60C, was released on the market.

Tests using Orimulsion® as fuel have yielded promising results. The target is to release engines using this new and economical type of fuel during 2000.

Greater flexibility in manufacturing Restructuring to match capacity to changed volumes continued in 1999. The workforces at almost all factories were reduced. Flexible manufacturing was introduced with each specialized factory supported by back-up factories for assembly and component manufacturing. This smooths out volume fluctuations among the factories and enables better use of existing global resources without major investments. Rationalization will continue during 2000. Flexible manufacturing will be tested in co-operation between the factories and at the same time the global purchasing organization will be further developed.

Engine installed base



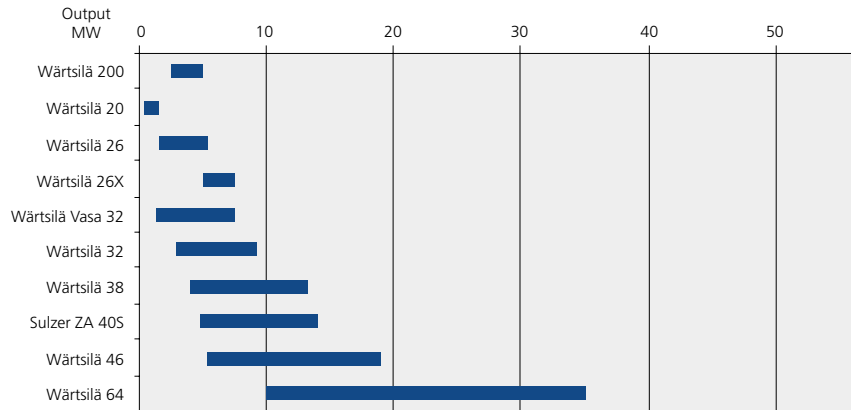


Prospects for 2000

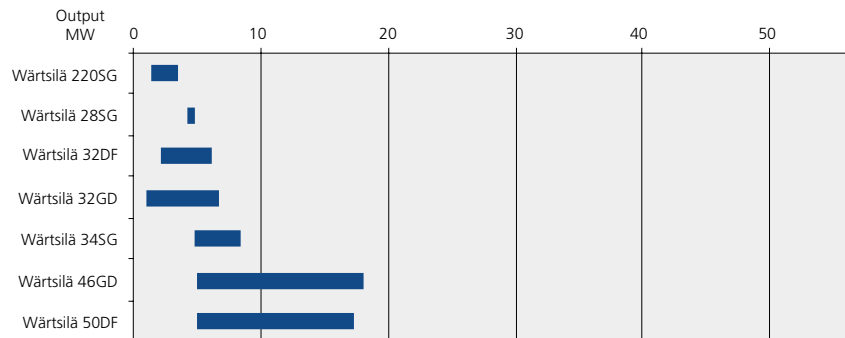
Wärtsilä NSD will seek to capitalize on the results of its extensive restructuring programme and strong strategic position during the year. The solid orderbook for marine engines will provide a good start to the year and demand in Wärtsilä NSD's market segments is expected to remain good. The power plant business, on the other hand, is burdened by the slow market recovery. Further investments in operations and maintenance services will raise the proportion of this business segment. The net sales of Wärtsilä NSD is expected to increase in 2000. The result of operations will improve and Wärtsilä NSD's result before extraordinary items is forecast to enter into profit.

Wärtsilä NSD Engine Portfolio

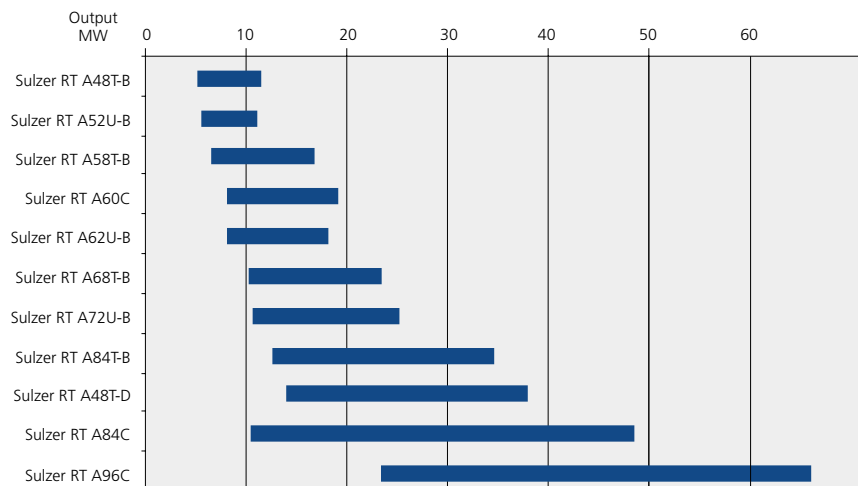
HIGH AND MEDIUM-SPEED ENGINES, diesel

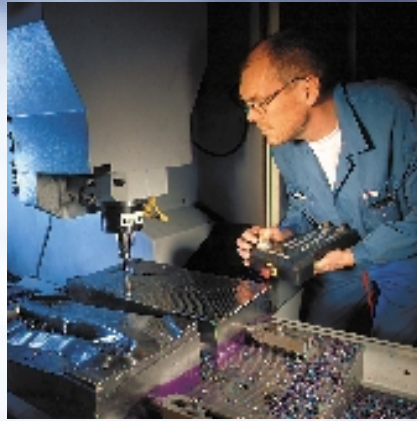


HIGH AND MEDIUM-SPEED ENGINES, gas

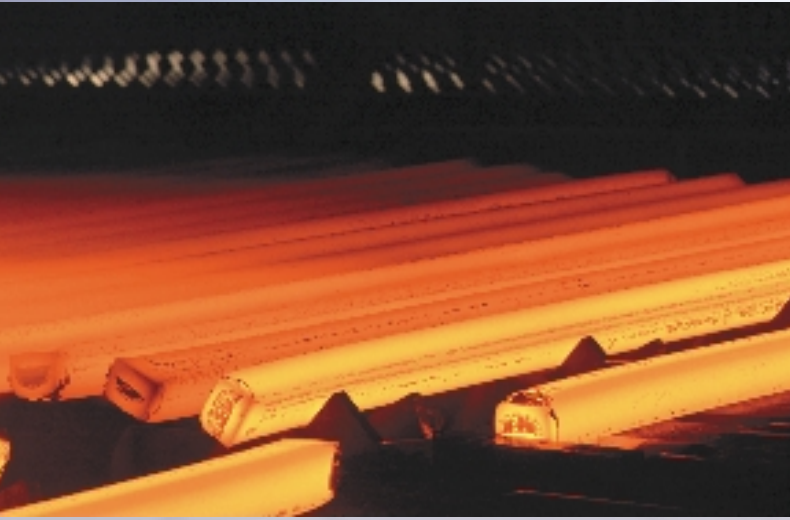


LOW-SPEED ENGINES

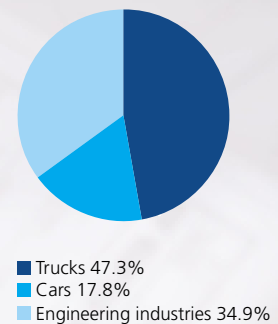




Kilsta Forge began deliveries of forgings for connecting rods.



NET SALES BY MARKET SEGMENT 1999



FIVE YEARS IN FIGURES, IMATRA STEEL

EUR mill.	1999	1998	1997	1996	1995
Net sales	173.0	195.1	174.7	155.5	167.2
of which outside Finland	84.4%	83.4%	82.8%	82.0%	80.3%
Depreciation and writedowns	-12.1	-12.0	-10.7	-9.1	-7.9
Operating profit/loss	10.8	20.8	20.1	17.1	29.0
Profit before extraordinary items	7.1	18.6	17.0	14.3	25.5
ROI	10.0%	20.4%	18.2%	16.7%	29.0%
Personnel, end of period	1,235	1,274	1,176	1,113	1,188
of which outside Finland	371	390	325	313	305

# Imatra Steel

Demand for special engineering steels weakened sharply at the start of 1999, evidenced by a drop in both delivery volumes and prices. Truck production began to decline after the previous year's record level and this heavily reduced the demand for forgings and springs. Streamlining action was taken in all Imatra Steel's units.

The market for special and automotive steels started to improve during the spring, with a further recovery noticeable during the autumn. Production of heavy trucks reached 1998 levels and the year's total production of passenger cars actually exceeded the previous year's volume. Demand among engineering companies and wholesalers for mechanical engineering steels recovered much more slowly.

## Highlights of 1999

Imatra Steel's net sales in 1999 totalled EUR 173.0 (195.1) million, 11% down on 1998. All units reported lower delivery volumes especially at the start of the year. The profit before extraordinary items was EUR 7.1 (18.6) million, well below the level in 1998. This result was nonetheless satisfactory in the prevailing market conditions.

Imatra Steel's operations were developed to match the many changes taking place in the supply chain and among its customers. Special focus was placed on developing partnerships with customers, on raising the quality of workmanship and products, and on the process of continuous learning. The priority in development projects was on information and material flows.

During the autumn the Kilsta Forge began deliveries of forgings for connecting rods while the Billnäs Spring Factory started shipments of new-generation tubular stabilizer

bars. Agreement was reached with a long-standing customer on delivery of the first automotive components based on the Imaform forging steels developed by the Imatra Steel Works.

Customer-driven development projects were once again an investment priority. A new controlled cooling line for round bars was brought into operation at the Imatra Steel Works. A machining line for milling and balancing heavy crankshafts was completed at the Kilsta Forge, while at the Billnäs Spring Factory investments in a new stabilizer bar hardening machine are in progress.

Development of quality and environmental management systems made further progress. The Imatra Steel Works was awarded QS 9000 certification in autumn 1999 and both the Imatra Steel Works and Billnäs Spring Factory gained ISO 14001 environmental certificates. The Imatra Steel Works also signed an energy conservation agreement with Finland's Ministry of Trade and Industry to reduce energy consumption.

## Prospects for 2000

Demand was favourable at the start of the year 2000. Market conditions are expected to remain good at least until the end of spring. A worldwide



President Kari Tähtinen  
"Imatra Steel's operations are developed to match the many changes taking place in the supply chain and among its customers."

surge in demand for scrap has raised scrap prices, which will also drive up the steel and component costs and the need to raise prices.

Imatra Steel is expected to return higher net sales in 2000 and an improved result.

INCOME STATEMENT, IMATRA STEEL		
EUR mill.	1999	1998
Net sales	173.0	195.1
Expenses	-150.1	-162.3
Depr. and writedowns	-12.1	-12.0
Operating profit/loss	10.8	20.8
Fin. income and expenses	-3.6	-2.2
Profit before extraord. items	7.1	18.6
Extraordinary items	-5.0	-14.2
Profit before taxes	2.2	4.4
Income taxes	-1.3	-2.0
Profit for the financial period	0.9	2.4

BALANCE SHEET, IMATRA STEEL		
EUR mill.	1999	1998
Fixed assets	87.3	89.5
Current assets		
Inventories	34.8	36.9
Receivables	32.6	30.7
Cash and bank balances	6.3	3.0
Balance sheet total	161.0	160.1
Share capital	17.5	17.5
Other shareholders' equity	34.0	31.3
Provisions	2.4	3.3
Long-term liabilities	59.3	60.1
Current liabilities	47.8	47.9
Balance sheet total	161.0	160.1
Interest-bearing liabilities	62.2	55.8
Non interest-bearing liabilities	44.9	55.2

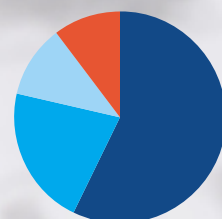


Sanitec's most important acquisition was Sphinx Gustavsberg.



Sanitec was listed on the Helsinki Exchanges.

NET SALES BY PRODUCT SEGMENT 1999



- Bathroom ceramics 57.3%
- Bathtubs and shower enclosures 21.4%
- Vacuum toilet systems 10.9%
- Other products 10.4%

FIVE YEARS IN FIGURES, SANITEC					
EUR mill.	1999	1998	1997	1996	1995
Net sales	630.0	570.8	496.4	451.9	419.8
of which outside Finland	94.8%	94.7%	94.7%	94.8%	95.0%
Depreciation and writedowns	-34.4	-34.3	-29.9	-29.8	-30.8
Operating profit/loss	80.6	77.4	68.8	59.3	54.5
Profit before extraordinary items	71.3	65.6	62.1	53.4	44.9
ROI	18.4%	24.7%	26.4%	24.6%	21.4%
Personnel, end of period	8,399	5,557	4,824	4,416	4,456
of which outside Finland	8,004	5,175	4,447	4,059	4,109



# Sanitec

Sanitec is one of Metra's major holdings. In May 1999 Metra decided to apply for listing of Sanitec on the Helsinki Exchanges to improve the transparency of Sanitec's value and create stronger development potential for Sanitec through greater independence. An Initial Public Offering was launched in July in conjunction with Sanitec's listing, in addition to which Metra Corporation also sold part of its Sanitec shares. The combined offering was subscribed by Metra's shareholders, institutional and private investors, and Sanitec's personnel. Furthermore, Metra distributed an additional dividend in the form of Sanitec shares at the end of the year. These transactions reduced Metra's holding in Sanitec to 64.2%. Metra intends to reduce its holding in Sanitec to below 50% and to distribute another additional dividend of Sanitec shares in 2000.

## Highlights of 1999

Sanitec's net sales increased 10% during 1999 to EUR 630.0 (570.8) million. Growth was particularly pronounced in Poland, France, Italy and Denmark. Sanitec posted an operating profit of EUR 80.6 million (77.4). Half of the growth in operating profit was derived from acquisitions. Sanitec acquired the German company Sanivac Vakuumtechnik GmbH as well as the outstanding minority holding in Johnson Sanitec at the beginning of the year. In September Sanitec took a majority holding in the German waste management company AquaMar GmbH. The largest acquisition during the year, however, took place in December, when Sanitec acquired Dutch company N.V. Koninklijke Sphinx Gustavsberg for a total enterprise value of EUR 210 million. The EU Commission approved the acquisition subject to the divestment of

Gustavsberg, which mainly operates in the Nordic countries.

## Markets

Growth was modest in the German sanitaryware market during 1999. In France building activity increased twice as much as the economy overall and reduced VAT rates will keep the level of renovation high for the near future as well. In Italy fiscal incentives enjoyed by the renovation business resulted in further growth in the bathroom market. The Polish economy developed more slowly than in recent years but still above the European average. The Nordic markets developed unevenly. Especially important was the start of recovery in the Swedish construction market.

Evac's sales of vacuum toilets for marine applications continued to grow. Sales are expected to pick up in the cruise ship market in 2000. The train applications market was stagnant but potential in the train renovation market is expected to increase sales in the long term. The aviation market declined slightly. The building market offers promising potential.

## Prospects for 2000

The outlook for the construction business is good in Europe. In addition to organic sales growth, Sanitec's development will be strongly affected by Sphinx; Sphinx's sales excluding Gustavsberg will add about EUR 200 million to Sanitec's sales in 2000. The impact of the Sphinx acquisition on earnings per share will be positive in 2001. Sanitec's profits are estimated to increase in 2000, although Sphinx will somewhat reduce the percentage of operating profit to sales.



Mr Berndt Brunow was appointed Executive Vice President of Sanitec Corporation in September 1999. Mr Brunow will start as President of Sanitec during March 2000. Mr Henrik Eklund then steps down from the position of President and will retire before the end of the year 2000.

tion to organic sales growth, Sanitec's development will be strongly affected by Sphinx; Sphinx's sales excluding Gustavsberg will add about EUR 200 million to Sanitec's sales in 2000. The impact of the Sphinx acquisition on earnings per share will be positive in 2001. Sanitec's profits are estimated to increase in 2000, although Sphinx will somewhat reduce the percentage of operating profit to sales.

## INCOME STATEMENT, SANITEC

EUR mill.	1999	1998
Net sales	630.0	570.8
Expenses	-514.2	-456.1
Depr. and writedowns	-34.4	-34.3
Associated companies	-0.8	-3.0
Operating profit/loss	80.6	77.4
Financial items	-9.3	-11.8
Profit before extraord. items	71.3	65.6
Extraordinary items	-	-0.7
Profit before taxes	71.3	64.9
Income taxes	-26.6	-26.5
Minority interests	-1.3	-1.4
Profit for the financial year	43.4	37.0

## BALANCE SHEET, SANITEC

EUR mill.	1999	1998
Fixed assets	444.0	260.6
Current assets		
Inventories	129.0	89.1
Receivables	207.2	125.5
Cash and bank balances	30.8	27.8
Balance sheet total	811.0	503.0
Share capital	64.8	56.5
Other shareholders' equity	274.7	153.6
Minority interests	4.9	9.6
Provisions	58.9	31.4
Long-term liabilities	131.3	40.4
Current liabilities	276.5	211.5
Balance sheet total	811.0	503.0
Interest-bearing liabilities	223.9	121.3
Non interest-b. liabilities	183.8	130.5

## Assa Abloy



Organic growth and acquisitions will sustain Assa Abloy's profitable growth.

ing in the company is 21.4% (25.0%) of the share capital and 33.0% (33.5%) of the voting rights. Metra is Assa Abloy's largest shareholder.

Assa Abloy generated net sales of EUR 1.2 (1.0) billion in 1999. The profit before extraordinary items improved 31% to EUR 111.7 (85.2) million. Metra's share of this result in the 1999 income statement was EUR 17.8 (15.5) million. Metra also recorded a profit of EUR 94.7 million under other operating income, comprising the profits on the July share issue and sold subscription rights and the shares sold in November. The market value of Metra's holding was EUR 943 million at the end of December, 1999. The value of the shares in the balance sheet was EUR 137.7 (71.7) million.

Assa Abloy, with a large number of strong brands, is the world's leading locks and locking group. It holds 7-8% of the very fragmented global market. Its main markets are in the Nordic countries, where it is the market leader. Assa Abloy also

holds a strong position in Continental Europe and North America. The acquisition of a 50% stake in Lockwood made Assa Abloy the market leader also in Australia and South East Asia. The company also consolidated its presence in electromechanical locks with the purchase of effeff in Germany, the world's leading manufacturer of electric strikes. Assa Abloy also holds world leadership in electronic hotel locking through VingCard and Timelox.

### Strategy and prospects

Assa Abloy's strategy is to grow organically in new markets and, through acquisitions, in mature markets. Besides Lockwood and effeff, the most important acquisitions in 1999 were Stremler and Fichet Serrurerie Bâtiment in France, and AZBE in Spain.

Assa Abloy's market position, sector-wide growth and consolidation, and its own internal streamlining measures will underpin strong performance in 2000.

Assa Abloy AB (publ.), listed on the Stockholm Stock Exchange, is one of Metra's core holdings. The company's share price on 31 December 1999 was 119.50 Swedish krona, giving a market capitalization of EUR 4,407 million for the company. Assa Abloy launched a rights issue in July 1999 in which Metra subscribed for 4,483,983 shares and sold subscription rights for 2.6 million shares. Metra sold a further 8 million Assa Abloy shares in November. Following these transactions Metra's hold-

## Metra Real Estate



The Arabianranta site in Helsinki is the most important development project in Metra Real Estate's portfolio. It will become the leading centre in the Nordic countries for education and production in art, media and design industry.

Metra Real Estate is responsible for developing, selling, leasing and maintaining Metra's property assets not related to its operational activities. The property market continued to surge in 1999 in Finland. The up-

swing was especially evident in Greater Helsinki, where rents for business premises increased by almost 10%. The buoyant economic conditions also favoured Metra Real Estate.

Metra's largest property development project is the Arabianranta art and media industry centre, marketing of which gained pace strongly during the year. Metra owns 100,000 floor-m<sup>2</sup> of building rights for residential and office premises on this site.

Metra Real Estate sold properties and shares in housing companies worth altogether EUR 19.9 (10.1) million, which yielded a profit of

EUR 7.1 (3.4) million. An additional EUR 3.7 million in revaluations of sold properties were reversed. These divestments reduced rental income to EUR 6.7 (8.2) million. However, the occupancy rate rose, standing at 90% (88%) at the close of the period. The portfolio's yield (net operating income / book value) remained unchanged at 8.5% (8.5%).

The book value of the properties at the end of the year, excluding the properties used by Metra itself, totalled EUR 49.8 (67.8) million.

# Corporate Board and Management

## BOARD OF DIRECTORS

**Robert G. Ehrnrooth**, Lic Sc (Econ.), Chairman, born 1939. Chairman of the Board of Lohja Corporation 1986 - 90. Director of Oy Wärtsilä Ab 1990 - 91. Chairman of the Board of Metra Corporation since 1990. Term expires in 2000. Member of the Boards of Finnair Oyj, Fiskars Corporation and Sanitec Corporation. Owns 30,412 shares in Metra.

**Vesa Vainio**, LL.M., Deputy Chairman, born 1942. Deputy Chairman of MeritaNordbanken Oyj, President and CEO of Merita Oyj. Member of the Board of Metra Corporation since 1993. Term expires in 2002. Member of the Board of Nokia Corporation and UPM-Kymmene Corporation. Owns no shares in Metra.

**Georg Ehrnrooth**, M Sc (Eng.), born 1940. President and CEO of Metra Corporation. Member of the Board of Metra Corporation since 1999. Term expires 2002. Joined the company in 1965. Chairman of the Boards of Assa Abloy AB and Sanitec Corporation, member of the Boards of Sampo Insurance Company plc and Sandvik AB, member of the Supervisory Board of Rautaruukki Oyj. Owns 22,940 shares in Metra.

**Göran J. Ehrnrooth**, M Sc (Econ.), born 1934. Chairman of the Board of Fiskars Corporation. Member of the Board of Metra Corporation since 1992. Term expires in 2002. Member of the Board of Assa Abloy AB and Supervisory Board of Rautaruukki Corporation. Owns 26,528 shares in Metra.



Front row, from left: Vesa Vainio, Robert G. Ehrnrooth ja Jaakko Iloniemi. Back row, from left: Christoffer Taxell, Carl-Olaf Homén, Göran J. Ehrnrooth, Paavo Pitkänen and Georg Ehrnrooth.

**Carl-Olaf Homén**, LL.M., born 1936. Deputy member of the Board of Oy Wärtsilä Ab 1987 - 90, member of the Board 1990 - 91. Member of the Board of Lohja Corporation 1989 - 90 and Metra Corporation since 1990. Term expires in 2000. Chairman of the Supervisory Board of Aktia Savings Bank plc, member of the Supervisory Board of HPY Holding Oyj, member of the Boards of Hackman Oyj Abp and Kyro Corporation. Owns 1,202 Metra shares.

**Jaakko Iloniemi**, M Sc (Pol. Sc.), born 1932. Member of the Board of Metra Corporation since 1994. Term expires in 2000. Member of the Supervisory Board of Mandatum Bank plc. Owns no shares in Metra.

**Paavo Pitkänen**, MA, born 1942. Managing Director of Varma-Sampo Mutual Pension Insurance Company. Member of the Board of Metra Corporation since 1995. Term expires in 2001. Member of the Boards of Stora Enso Oyj, Sampo Insurance Company plc and Partek Corporation, member of the Supervisory Boards of Alma Media Corporation, and Kesko Oyj. Owns no shares in Metra.

**Christoffer Taxell**, LL.M., born 1948. President and CEO and member of the Board of Partek Corporation. Member of the Board of Metra Corporation since 1996. Term expires in 2002. Chairman of the Board of Kalmar Industries AB. Member of the Boards of KCI Konecranes International Oyj Abp, Stockmann plc and Sampo Insurance Company plc. Owns 700 shares in Metra.

# Corporate Board and Management

## CORPORATE MANAGEMENT

**Georg Ehrnrooth**, President and CEO.

**Heikki Allonen**, M Sc (Eng.), born 1954. Senior Vice President, Corporate Planning. Joined the company in 1979. Member of the Board of Polar Corporation. Owns 1,886 shares in Metra.

**Henrik Eklund**, M Sc (Eng.), born 1939. President of Sanitec Corporation. Joined the company in 1968. Member of the Board of Saunatec Plc. Owns 226 shares in Metra.

**Ole Johansson**, M Sc (Econ.), born 1951. President of Wärtsilä NSD Corporation. Worked for the company 1975 - 79 and rejoined in 1981. Owns 9,500 shares in Metra.

**Pekka Virtanen**, LL.M., born 1941. Senior Vice President, Administration, Company Secretary. Joined the company in 1970. Owns 4,758 shares in Metra.

## INFORMATION ON THE BOARD'S ACTIVITIES

The principles applied by the Board of Directors in its work are specified in the rules of procedure approved by the Board. These rules also define the main tasks and operating principles to be adopted by the committees appointed by the Board. The committees do not have the authority to make decisions; their purpose is to prepare matters for consideration by the Board at its meetings.

The Board of Directors convened fourteen times during 1999. The Chairman was Mr Robert G. Ehrnrooth and the Deputy Chairman was Mr Vesa Vainio. The Board appointed three committees, as in

previous years: a Planning Committee for strategic planning, an Audit Committee to supervise the annual accounts and financial control, and a Personnel Administration Committee to oversee remuneration, pensions and other matters related to the company's human resources.

The Audit Committee comprised Mr Robert G. Ehrnrooth (chairman), Mr Göran J. Ehrnrooth and Mr Paavo Pitkänen and the presenting officer was Mr Georg Ehrnrooth.



# Metra's Main Releases 1999 in Brief

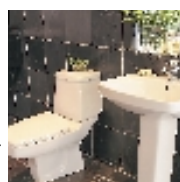


5 Jan.

19 March



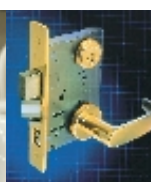
25 March



31 March



3 June



2 July



1 Dec.



16 Dec.

**5 January 1999**

**EVAC ACQUIRES GERMAN SANIVAC**

Sanitec's subsidiary Evac International is acquiring 100% of the shares of Sanivac GmbH.

**14 January 1999**

**METRA'S 1998 RESULT WILL REMAIN BELOW PREVIOUS YEAR'S LEVEL**

Wärtsilä NSD has decided to increase its restructuring provision, tighten the criteria for valuating uncompleted power plant projects, and make further writedowns in receivables and inventories. Owing to Wärtsilä NSD's weaker result, Metra's 98 result after net financial items will not reach the previous year's level. Sanitec and Imatra Steel both continue to perform well.

**4 February 1999**

**MANAGEMENT CHANGES IN WÄRTSILÄ NSD**

Mr Matti Mikkonen, M. Sc. (Eng.) has been appointed President of Wärtsilä NSD Nederland BV, Holland, Zwolle, as from 1 April 1999.

**18 February 1999**

**FINANCIAL STATEMENT BULLETIN**

Metra's net profit MFIM 267, Wärtsilä NSD posts heavy loss, Sanitec and Imatra Steel record good profits.

Metra Group's net sales in 1998 remained on previous year's level, totalling FIM 15.5 (15.3) billion. The profit before extraordinary items decreased to FIM 267 (394) million. Metra's result was weakened by Wärtsilä NSD's heavy loss. Sanitec and Imatra Steel both recorded good results. The Board will propose a dividend of FIM 2.20 (2.75) per share to the AGM.

**19 March 1999**

**GRANDI MOTORI TRIESTE TRANSFERRED TO WÄRTSILÄ NSD**

Metra Corporation, Wärtsilä NSD Corporation and Fincantieri Cantieri Navali Italiani S.p.A. have reached agreement on the transfer to Wärtsilä NSD of Fincantieri's 60% holding in Grandi Motori Trieste (GMT). The GMT shares will be contributed in exchange for shares in Wärtsilä NSD. This will increase Fincantieri's holding in Wärtsilä NSD from the existing 12.2% to 15.4% in accordance with the previously agreed plan. After the transaction GMT will become a wholly owned subsidiary of Wärtsilä NSD.

**25 March 1999**

**METRA'S ANNUAL GENERAL MEETING**

**25 MARCH 1999**

Metra's Annual General Meeting approved the financial statements and discharged the members of the Board of Directors and the

President and CEO from liability for 1998.

The dividend was decided to FIM 2.20 per share (1997: 2.75). The AGM decided the Company's share capital to be stated in euro and the nominal value of the shares be EUR 3.50 per share.

**31 March 1999**

**SANITEC ACQUIRES THE WHOLE OWNERSHIP OF JOHNSON SANITEC'S OPERATIONS IN SINGAPORE AND MALAYSIA**

Sanitec, a subgroup of the Finnish Metra Corporation, acquires the outstanding 40% of the shares of Johnson Sanitec from the co-owner in the joint-venture.

**10 May 1999**

**WÄRTSILÄ NSD ACQUIRES REMAINING 40 PERCENT OF WÄRTSILÄ NSD NEDERLAND**

Metra's subgroup Wärtsilä NSD Corporation will increase its holding in Wärtsilä NSD Nederland BV from the original 60% that was acquired in 1989 to 100%. The other shareholder has been Stork NV.

**17 May 1999**

**METRA TO APPLY FOR LISTING OF SANITEC GROUP ON HELSINKI EXCHANGES**

Metra has decided to undertake preparations for listing of the shares of its bathroom ceramics company Sanitec Ltd Oy on the Main List of the Helsinki Exchanges.

**3 June 1999**

**SANITEC MAKES A PUBLIC OFFER FOR SPHINX GUSTAVSBERG**

Sanitec Ltd Oy and N.V. Koninklijke Sphinx Gustavsberg announce their intention to merge to create a strong, focused bathroom products group. The merged group will be a profitable, leading player in the European bathroom products market.

**7 June 1999**

**SANITEC'S NEW ARTICLES OF ASSOCIATION REGISTERED**

The company has been changed to become a public limited company called Sanitec Oyj Abp in Finnish and Swedish, Sanitec Corporation in English. The company's shares have been administered within the book-entry system since 1 June 1999. The company's share capital was restated in euro and totals 56,511,143.29 euro.

**8 June 1999**

**BERNDT BRUNOW APPOINTED SANITEC'S EXECUTIVE VICE PRESIDENT**

Mr Berndt Brunow, B Sc (Econ.), has been appointed Executive Vice President of Sanitec Corporation as from 1 September 1999.

**15 June 1999**

**SANITEC'S COMBINED OFFERING COMMENCES ON JUNE 21, 1999**

The Extraordinary General Meeting of Sanitec Corporation and the Board of Directors of Metra Corporation, the parent company holding the whole share capital in Sanitec Corporation, on 15 June 1999 decided to consummate a primary offering and secondary offering of Sanitec shares from June 21, 1999 through July 1, 1999.

**16 June 1999**

**METRA'S INTERIM REPORT JANUARY-APRIL 1999**

Metra Group's net sales increased to EUR 884.8 (719.2 in 1998) million between January and April 1999. Metra's profit before extraordinary items improved clearly, totalling EUR 20.3 (-14.5) million.

**2 July 1999**

**METRA CORPORATION SUBSCRIBED**

**ASSA ABLOY SHARES IN THE RIGHTS ISSUE**  
Metra Corporation has subscribed 921,890 series A shares and 3,562,093 series B shares totalling 4,483,983 shares in the rights issue of Assa Abloy AB (publ.). The total subscription price was SEK 313,878,810 equalling to EUR 35.9 million (FIM 213.5 million). Metra Corporation has additionally sold its subscription rights to 2.6 million series B shares of Assa Abloy. The net gain from this transaction is approx. EUR 5.9 million (FIM 35 mill.).

After the rights issue Metra's holding in Assa Abloy's stock is 24.0% and share of votes is 34.7%.

**THE OFFER PERIOD OF SANITEC CORPORATION'S COMBINED OFFERING HAS ENDED.**

**THE OFFER PRICE IS EUR 11.00 PER SHARE**

The final offer price of the shares offered in the Combined Offering of Sanitec is EUR 11.00 per share. The initial offer price range was EUR 9.50 - 11.00 per share. The offer price in the Employee Offering is 10% lower i.e. EUR 9.90 per share.

**5 July 1999**

**SANITEC'S EXTRAORDINARY SHAREHOLDERS' MEETING**

Sanitec's Extraordinary Shareholders' Meeting decided on 5 July 1999 about the changes in the members of Board of Directors of Sanitec Corporation to take effect on 8 July 1999. The number of directors was confirmed to seven. The period of office for the new Board will continue until the end of the Annual General Meeting to be held in the spring of 2000.

As a result of the offers made to institutional and retail investors and Sanitec em-

## Metra's Main Releases 1999 in Brief

ployees in the Combined Offering the Extraordinary General Meeting of Sanitec decided on July 5, 1999 to increase the share capital of Sanitec by totally EUR 8.351,206.27 by issuing 8,009,582 new shares with an approximate counter book value of EUR 1.04 per share. The fully paid up share capital of Sanitec will be EUR 64,862,349.56 divided into 62,209,014 shares.

9 July 1999

### METRA CORPORATION SELLS 1,500,000 SHARES IN ACCORDANCE WITH THE OVER-ALLOTMENT OPTION

The managers of the Combined Offering of Sanitec shares have informed Metra that they will exercise in full the over-allotment option to purchase 1,500,000 shares.

Following the exercise of the over-allotment option, Metra has sold in the Combined Offering altogether 9,242,776 shares in Sanitec and its shareholding in Sanitec is 72.3%.

4 August 1999

### THE EUROPEAN COMMISSION MAKES FURTHER INVESTIGATION OF SANITECS PUBLIC OFFER FOR SPHINX GUSTAVSBERG

The European Commission has examined the notification of the public offer of Sanitec Corporation for all outstanding shares and depository receipts of shares in N.V. Koninklijke Sphinx Gustavsberg. The preliminary finding of the Commission is that the proposed transaction could result in a dominant position in some product markets. The Commission has therefore decided to initiate proceedings for further investigation.

9 August 1999

### EXTENSION OF THE PERIOD OF SANITEC'S PUBLIC OFFER FOR SPHINX GUSTAVSBERG

The period of Sanitec Corporation's public offer is extended from August 10, 1999 until December 6, 1999. The extension is due to the detailed investigation of the merger by the European Commission announced on August 4, 1999.

31 August 1999

MR PEKKA AHLQVIST APPOINTED PRESIDENT OF WÄRTSILÄ NSD FINLAND OY  
Mr Pekka Ahlqvist, M Sc (Eng.), MBA, has been appointed President of Wärtsilä NSD Finland Oy as from October 11, 1999.

13 October 1999

### SANITEC'S JANUARY-AUGUST 1999 OPERATING PROFIT AT THE LEVEL OF THE CORRESPONDING PERIOD LAST YEAR

Sanitec's net sales during January-August totalled EUR 411.0 (374.2) million, representing growth of 9.8%. The operating profit remained at the level of the previous year's eight months, EUR 50.4 (50.7) million, or 12.3% (13.5%) of net sales. Sanitec posted a profit before extraordinary items of EUR 43.8 (43.3) mill. and a profit after taxes and minority interest of EUR 25.9 (23.2) million.

14 October 1999

### METRA'S BOARD TO PROPOSE ADDITIONAL DIVIDEND PAID IN SANITEC SHARES

Metra's Board of Directors will propose to an extraordinary general meeting the payment of an additional dividend on the financial year ended 31 December 1998.

METRA INTERIM REPORT JANUARY-AUGUST 99

Metra Group's net sales rose to EUR 1,716.6 mill. between January and August 1999 (EUR 1,669.7). The result showed positive development and the operating profit was EUR 0.3 (-51.4) million. Metra's profit before extraordinary items improved clearly and totalled EUR 156.3 (69.9) mill.

11 November 1999

### METRA SELLS ASSA ABLOY SHARES FOR MEUR 89.7

Metra Corporation sold 8 million Series B shares of Assa Abloy AB (publ.) on the Stockholm Stock Exchange on 11 November 1999 for 776 million Swedish krona (EUR 89.7 million). The shares sold totalled 2.5% of Assa Abloy's stock. Metra will record a profit of approximately EUR 73 million on this sale. Following the transaction Metra holds 10,140,794 Series A shares and 57,183,029 Series B shares.

23 November 1999

### METRA WILL DISTRIBUTE AN ADDITIONAL DIVIDEND OF 1.18 EURO PER SHARE PAID MAINLY IN SANITEC SHARES

Metra's extraordinary general meeting held on November 23, 1999, decided according to the Board's proposal on payment of an additional dividend on the financial year ended 31 December 1998. This dividend will be paid to Metra shareholders principally in the form of Sanitec shares. The dividend is EUR 1.18 (FIM 7.02) per share and total EUR 63,955,329.76.

1 December 1999

### SANITEC'S PUBLIC OFFER FOR SPHINX GUSTAVSBERG CLEARED BY THE EUROPEAN COMMISSION

The Commission has approved the merger between Sanitec Corporation and N.V. Koninklijke Sphinx Gustavsberg after an in-depth investigation of the European bathroom product market. The merger was cleared following the commitment by Sanitec to divest the Gustavsberg business, which eliminated the competitive concerns of the Commission.

7 December 1999

SANITEC WILL ACQUIRE SPHINX GUSTAVSBERG  
N.V. Koninklijke Sphinx Gustavsberg will be acquired by Sanitec Corporation. Almost all shareholders accepted the public offer of Sanitec. The offer period of Sanitec's public offer ended on December 6, 1999. Totally 9,242,014 shares and depository receipts of shares in Sphinx Gustavsberg, representing 97.8% of the share capital, were submitted for sale.

Since all conditions of the public offer have been fulfilled Sanitec is honouring the offer. The price 13.00 euro per share will be paid not later than December 14, 1999.

### PAYMENT OF THE EXTRAORDINARY DIVIDEND ON 3 DECEMBER 1999

Metra made the payment of the extraordinary dividend, mainly in form of Sanitec shares, on 3 December 1999. The extraordinary shareholders meeting on 23 November 1999 had accepted the dividend. The total dividend was EUR 63,955,329.76. The average price of the Sanitec share on the Helsinki Exchanges was EUR 12.68 on the payment day. Based on this average price, the number of distributed Sanitec shares was 4,990,628. Additionally a total of EUR 588,331.37 was distributed in cash. As a consequence of the dividend, Metra's ownership in Sanitec decreased from 72.3% to 64.2%. Currently Metra holds 39,966,028 Sanitec shares.

15 December 1999

### SANITEC CLOSURES ACQUISITION OF DUTCH SPHINX GUSTAVSBERG

Sanitec Corporation has completed the acquisition of the shares and depository receipts in N.V. Koninklijke Sphinx Gustavsberg following the public offering that expired on 6 December 1999. Sanitec now hold 97.8% of the shares in Sphinx.

16 December 1999

### OWNERS TO SPLIT CUMMINS WÄRTSILÄ OPERATIONS

The operations of Cummins Wärtsilä, a 50/50 joint venture owned by Wärtsilä NSD and Cummins Engine Company, will be divided between the owners.

22 December 1999

### CHANGE OF METRA'S SHARE CAPITAL AS A RESULT OF SHARE SUBSCRIPTIONS BASED ON CONVERTIBLE DEBENTURES

Between 1 January and 30 November 1999 altogether 407 new Series A shares and 407 new Series B shares, representing loan capital totalling FIM 110,000 (EUR 18,500.67) had been converted based on the rights attaching to Metra's convertible subordinated debentures floated in 1994.

These conversions and subscriptions have raised Metra's share capital by altogether EUR 2,849.00 and the share capital now totals EUR 189,700,861. There are altogether 54,200,246 shares divided into 13,935,104 Series A shares and 40,265,142 Series B shares. This share capital increase was registered in the Trade Register on 22 December 1999.

The new shares carry the same shareholder rights as the existing shares and they may be traded on the Helsinki Exchanges along with Metra's existing Series A and Series B shares with effect from 23 December 1999.

# Financial Analysts



*To our knowledge at least the following brokers and financial analysts have followed Metra's development during the last 12 months on their own initiative. They have analyzed Metra Corporation and drawn up reports and comments and they are able to evaluate the company as an investment target. Metra takes no responsibility for the opinions expressed therein.*

ABG Securities Ltd	Mr Ben Wärn	+44 171 905 5600	ben.warn@abgsec.co.uk
Aktia Securities	Mr Thomas Saarinen	+358 10 247 5000	thomas.saarinen@aktia.fi
Alfred Berg ABN Amro	Ms Tia Lehto Mr Ronny Ruohomaa	+358 9 228 321 +44 171 678 6906	tia.lehto@alfredberg.fi ronny.ruohomaa@uk.abnamro.com
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