

Interim review

January 1–September 30, 1999

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- **Metso's net sales for January-September totaled EUR 2,315 million (EUR 2,729 million for January-September, 1998).**
- **The operating loss was EUR 9 million (operating profit EUR 171 million), including EUR 14 million in non-recurring merger and restructuring expenses.**
- **New orders worth EUR 2,372 million (EUR 2,589 million) were received, and the order backlog was EUR 1,463 million at the end of September (EUR 1,342 million on December 31, 1998).**
- **During the period under review, the Corporation's strategic direction was further defined and changes took place in top corporate management.**

Markets

The market situation and demand for Metso's products remained modest throughout the review period, and was also weak in July-September.

A slump in investments by the paper industry continued to restrict demand for the products of Paper Technology, and of Automation and Control Technology. In Fiber Technology on the other hand, the demand for panelboard technology products improved during the third quarter. The demand for replacement investments, process parts rebuilds and spare parts and maintenance services remained brisk.

The low level of investments by the energy and chemical industries reduced the demand for Automation and Control Technology products, particularly in the North American and Asian markets.

The demand for crushing equipment supplied to the construction and civil engineering industries continued brisk in Europe, but slackened in North America during the review period. The demand for crushers supplied to the mining industry remained weak in all markets.

In Europe high cutting volumes maintained good demand for forest machines, but in North America the demand for for-

est machines remained low until the end of the review period when the first signs of recovery could be seen. The Southeast Asian and Russian forest machine markets also showed some recovery.

Orders received and order backlog

During January-September the new orders received were 8 percent lower than during the corresponding period last year, their value totaling EUR 2,372 million (EUR 2,589 million for January-September, 1998). The volume of orders received by the Fiber and Paper Technology business area fell by 11 percent compared with the same period last year, mainly due to a reduction in orders for paper technology. The volume of new orders received by the Automation and Control Technology business area declined by 4 percent compared with the same period last year, and that of the Machinery business area by 7 percent, mainly due to a reduction in orders for forest machines. At the end of September, Metso's order backlog totaled EUR 1,463 million (EUR 1,520 million).

Net sales

Metso's net sales for January-September were EUR 2,315 million (EUR 2,729 million) of which Fiber and Paper Technology accounted for 48 percent, Automation and Control Technology for 18 percent and Machinery for 34 percent.

Net sales fell by 15 percent on the corresponding period last year, mainly due to significant decreases in the volume of deliveries of paper technology and forest machines.

In January-September, 55 percent of net sales were from Europe, 28 percent from North America, 9 percent from Asia-Pacific, 5 percent from South America and the remaining 3 percent from the rest of the world.

Profitability

The operating loss for January-September was EUR 9 million (operating profit EUR 171 million), including EUR 14 million in non-recurring merger and restructuring expenses. Profitability

was weaker than in the corresponding period last year in all business areas. In the Fiber and Paper Technology business area, the Converting unit and the Board Machine unit operated at a clear loss. The profitability of the paper machine business also weakened significantly.

Income before extraordinary items and income taxes was EUR 12 million negative (EUR 171 million positive). Financial income and expenses include received dividends of EUR 8 million and foreign exchange gains of EUR 7 million. Net income for the review period, excluding extraordinary items, was EUR 12 million negative (EUR 122 million positive). Earnings per share were EUR 0.09 negative (EUR 0.90 positive). The return on capital employed (ROCE) was 2.0 percent (15.7%) and the return on equity (ROE) was 1.4 percent negative (14.4% positive).

The taxes corresponding to the income for the review period have been entered as taxes.

Items affecting profit and arising from harmonization of the accounting policies of Rauma and Valmet, EUR 23 million were entered as extraordinary income and EUR 19 million as extraordinary expenses.

Investments, corporate acquisitions and divestments

Gross investments, including acquisitions, amounted to EUR 106 million (EUR 110 million).

The fiberboard press division of the German company, Eduard Küsters Maschinenfabrik GmbH & Co. KG, was acquired for the Fiber and Paper Technology business area, in accordance with the letter of intent signed in the summer. The division's net sales were approximately EUR 23 million in 1998.

After the review period, in October, the Fiber and Paper Technology business area was strengthened by the acquisition of the German company, Kvaerner Panel Systems GmbH. The company's net sales totaled EUR 45 million in 1998. An agreement was also signed in October on the acquisition of the Centric business operations in the US, to complement the screens and crushers of the Corporation's Rock Crushing Systems group. Centric's net sales for 1998 amounted to approximately EUR 40 million. Metso Corporation's shares will be used as payment of the acquisition. The acquisition still requires the approval of the US competition authorities.

In October, Metso made a preliminary agreement to sell its 50 percent holding in Oy Scan-Auto Ab to this company's other shareholder, Scania AB in Sweden, for a price of EUR 22.7 million.

Personnel

Metso had 22,345 employees (23,489) at the end of September. The biggest personnel reduction took place in the Paper Technology business group.

Financing

Metso's net cash provided by operating activities was EUR 10 million negative (EUR 58 million positive). No significant changes took place in delayed deliveries to the APRIL Group in Indonesia during the third quarter of the year. Metso's net interest-bearing liabilities totaled EUR 417 million (EUR 197 million). Gearing, i.e. the ratio of net liabilities to shareholders' equity, was 36.5 percent (16.9%). The equity to assets ratio was 42.4 percent (43.3%).

Shares

The quotation of Metso Corporation's shares began on July 1, 1999 in the Helsinki and New York Stock Exchanges. During July-September, 8.2 million Metso Corporation shares were traded on the Helsinki Exchanges, equivalent to a turnover of EUR 95.2 million. The share price on September 30, 1999 was EUR 10.61. The highest quotation was EUR 13.10 and the lowest EUR 10.50. The Corporation's market capitalization on September 30, 1999 was EUR 1,441 million. Trading on the New York Stock Exchange amounted to USD 2.6 million. The price of an ADS on September 30, 1999 was USD 11.50. The highest price was USD 13.13 and the lowest USD 11.0. One ADS corresponds to one share.

During January-June, 12.8 million Rauma Corporation shares were traded on the Helsinki Exchanges, equivalent to a turnover of EUR 143.2 million. During the same period, 14.9 million Valmet Corporation shares were traded on the Helsinki Exchanges, equivalent to a turnover of EUR 154.2 million.

An extraordinary general meeting of Metso Corporation, held on August 18, 1999, authorized the Board of Directors to decide on acquiring the Corporation's own shares with its distributable funds, provided that the combined nominal value of the shares thus acquired corresponds to no more than 5 percent of the Corporation's total share capital at the moment of acquisition. It is intended to use these shares as payment in possible future corporate acquisitions, or in the financing of investments. Metso's Board of Directors decided on September 30, 1999 to acquire up to 6,790,863 of the Corporation's own shares through the Helsinki Exchanges. The acquisition of the shares will reduce the Corporation's distributable equity, which totaled EUR 412 million in the parent company on July 1, 1999. By November 4, 1999, the Corporation had purchased altogether 1,697,100 of its own shares, valued at EUR 18.2 million.

Year 2000

Metso's Year 2000 project has progressed according to plan. The most important alterations, updates and contingency and standby plans had been prepared by the end of August. The activities required by the Year 2000 projects will be continued until the end of the year, however. The contingency and standby plans will also be continuously updated.

The Year 2000 project is not expected to cause significant costs to Metso Corporation, nor is it expected that it will have any substantial detrimental effect on the Corporation's business or on income from operations. Of the estimated total costs of EUR 12.5 million, about EUR 5.5 million had been recorded by the end of 1998, and about EUR 4.5 million in January-September, 1999. The accumulation of costs has slowed, and the total costs are anticipated to be lower than originally estimated.

Restructuring measures

The Merger of Rauma and Valmet Corporations took effect on July 1, 1999. An extraordinary general meeting on August 18 approved Metso Corporation as the new name for the Company.

The integration of businesses progressed as planned. The corporate administration functions were combined and overlaps were dismantled. Likewise, the dismantling of overlaps in the distribution networks, administrations and production of the

business areas was continued. Altogether, 32 sales offices will be closed due to the overlapping operations of the sales companies.

Measures to adapt to the market situation were continued in the Corporation, due to weak profit performance and the alterations required by restructuring business activities. As a result of these and other merger-related measures, Metso will reduce its personnel by an estimated 2,000 persons by the end of the year 2000. Negotiations required by co-operation legislation concerning the reductions took place during the review period, and will be continued until the end of the year.

It is estimated that annual savings of more than EUR 100 million will accrue from the synergy benefits of the merger, adaptation to the market situation and structural changes. Most of the synergy benefits consist of cost savings, and will be realized in the Fiber and Paper Technology business area. The synergy benefits and cost savings are expected to be achieved in full by 2001. The total non-recurring merger and restructuring costs, estimated at approximately EUR 60 million, will be entered as expenses during the second half of 1999. EUR 14 million of these expenses were booked for the July-September period.

Strategic direction

Metso has further defined its future strategic direction as concentrating on business areas serving the process industries. The pulp and paper industry, and the construction and civil engineering industries will be the Corporation's key customer sectors. Other significant customer sectors will be mining and the energy and chemical industries.

The operations of Metso Corporation will focus on three principal business areas: Fiber and Paper Technology, Automation and Control Technology and Rock Processing technology. The other business operations will either produce services for the Corporation's core businesses or are estimated to offer new business potential in the future.

Metso Corporation's most important strategic objective is healthy growth, especially through internal innovations and acquisitions. In the Fiber and Paper Technology business area, the objective is a radical improvement in profitability by strengthening key technology and developing a new customer-oriented service concept. The Rock Processing business will be expanded to balance the Corporate structure and level out fluctuations in the business cycle. The competence of the Automation and Control Technology business area will play a key role in creating conditions for growth within the Corporation and for development of new future business.

Metso will evaluate the strategic fit and different alternatives for its businesses outside the core areas. Based on these policies, an evaluation was initiated during the period under review concerning the divestment of the forest machine manufacturer, the Timberjack Group.

Changes in corporate management

During the period under review, changes were made in the top management of Metso Corporation. In order to streamline the operational management of the Corporation, it was decided to transfer, as of October 1, 1999, to a one president system in which Heikki Hakala continued as President and CEO. Matti Sundberg, CEO, relinquished his management position in the company with effect from October 1, 1999, but will continue as a member

of Metso Corporation's Board of Directors and as a Senior Advisor to corporate management.

In September, an eight-member Management Board was elected for the Corporation, under the chairmanship of Heikki Hakala, President and CEO of Metso Corporation. The other members are Sakari Tamminen, Vice Chairman of the Management Board and Senior Vice President and CFO, Arto Aaltonen, President, Automation and Control Technology business area (Neles Automation), Markku Karlsson, Senior Vice President, Corporate Technology, Harri Luoto, Senior Vice President, General Counsel, Jyrki Mustaniemi, Senior Vice President, Customer and Public Relations, Juhani Pakkala, President, Fiber and Paper Technology business area (Valmet), and Olli Vaartimo, President, Machinery business area and Nordberg Group.

FIBER AND PAPER TECHNOLOGY

The Fiber and Paper Technology business area (Valmet) develops, designs and manufactures processes, machinery and equipment for the pulp, paper, panelboard and packaging industries. The products range from wood handling equipment to roll wrapping and panelboard manufacturing equipment, and include converting machines for paper and packaging materials. The business area is divided into the Paper Technology, Fiber Technology and Service business groups. Together with the Automation and Control Technology business area, it offers customers unique process solutions. Service and spare parts form an essential part of operations.

The net sales of the business area decreased during the January-September period by 22 percent compared to the same period in the previous year, and totaled EUR 1,138 million (EUR 1,460 million). The decline in net sales resulted from a very weak market situation that has continued for a long time and in particular from a decrease in the number of large project orders received during 1998. The net sales decrease was biggest in the Paper Technology business group. Due to the weakened demand, the capacity utilization rates fell. By the end of September, rebuilds accounted for almost half and service for about one quarter of the net sales of Fiber and Paper Technology.

The operating loss for the period was EUR 25.6 million (operating profit EUR 81.3 million), which includes non-recurring expenses of EUR 4.6 million. The Paper Technology business group made a loss, and the profitability of the Fiber Technology business group weakened compared with the corresponding period last year. In the Paper Technology group, Converting continued to operate at a clear loss, and the profitability of Board Machines continued to be poor. In addition, the profitability of Paper Machines diminished considerably during the period. Except for Service, profitability continued to be reduced by a significant reduction in the number of deliveries and tight price competition.

The demand for the products of Fiber and Paper Technology remained low due to the small number of investment projects of the pulp and paper industry and weak demand in the Asian markets. Demand livened up somewhat in the European markets. In a departure from the general trends, the demand for tissue machines remained good in both Europe and Asia. The

capacity utilization rates of paper mills improved slightly, while the prices of some paper grades strengthened a little. The price of market pulp continued its gradual rise for the third quarter.

New orders received fell by 11 percent compared with the same period last year, and totaled EUR 1,155 million (EUR 1,298 million). The volume of orders for Fiber Technology products grew by one fifth compared with the same period last year, mainly due to equipment orders for panelboard technology and mechanical pulping. On the other hand, the volume of new orders in Paper Technology dropped. During the January-September period, orders were received for five tissue machines, two paper machines and two board machines. The other orders received during the period were for paper, board and fiber line rebuilds, paper finishing machinery and air systems. Demand for converting machinery continued to be weak. Orders obtained from the North American markets continued to emphasize machine rebuilds. The order backlog of the business area grew by 8 percent over the situation at the end of the previous year to reach EUR 1,090 million at the end of September (EUR 1,009 million on December 31, 1998).

A letter of intent, signed in August and worth EUR 250 million, concerning delivery of a papermaking line to Italy is not included in the order backlog for January-September.

Brisk demand for services continued, particularly in Europe, and deliveries grew by nearly 10 percent compared with the same period last year.

In accordance with the letter of intent, the fiberboard press division of Eduard Küsters Maschinenfabrik GmbH & Co. KG was purchased for the Fiber and Paper Technology business area. After the end of the period under review, in October, Kvaerner Panel Systems GmbH was acquired.

Cost cutting and the dismantling of operational overlaps arising from the merger were continued in the business area. The combining of sales offices will reduce the number of offices by 12.

It is estimated that 1,200 employees will need to be made redundant, mostly due to operational adaptations and structural changes. The employee reductions will affect all the larger units in Europe and North America. The arrangements to be made in Finland and Sweden have already been mostly agreed. The most significant changes will occur in the Board Machine business, and the reorganization plans were almost entirely finalized during the period under review.

AUTOMATION AND CONTROL TECHNOLOGY

The Automation and Control Technology business area (Neles Automation) develops, designs and delivers automation and field equipment solutions for the process industry. The most important customers are the pulp and paper industry, and other process industries and the energy industry, i.e. mainly power generation, oil refining and the petrochemical and chemical industries. The business area comprises five divisions. Field Controls supplies valves and measurement devices for the field control and measurement of processes. Paper Automation supplies automation and information systems for paper production. Control Systems supplies corresponding systems for the pulp, energy and other process industries. Sage Systems supplies remote control (SCADA) systems for oil, gas and electricity distribution, and Jamesbury supplies automated and manual valves.

Net sales during January-September remained at nearly the same level as during the corresponding period last year, totaling EUR 415 million (EUR 421 million). Deliveries of automation systems and remote control systems (SCADA) increased, but deliveries of field devices, i.e. control valves and process measurement systems decreased. Tight competition and low capacity utilization rates weakened profitability. The operating profit for January-September fell clearly compared with the corresponding review period and was EUR 8.2 million (EUR 13.7 million) which includes non-recurring expenses of EUR 1.2 million.

The low level of investments in the pulp and paper industry limited the growth of demand for automation and control technology products. The energy and chemical industries also postponed investments. The demand for automation systems was good in Europe and remained steady in North America. Most of the new orders for field devices came from Europe. Demand on the Asian markets remained slack. The value of new orders received was 4 percent less than during the same period last year and totaled EUR 422 million (EUR 439 million). The order backlog strengthened by 9 percent from the situation at the end of last year, totaling EUR 209 million at the end of September (EUR 192 million on December 31, 1998).

Measures to bring business operations in line with demand, and the dismantling of overlaps arising from the merger, were continued in the business area. It is estimated that about 300 employees need to be made redundant in Automation and Control Technology. In accordance with previous announcements, the combining of sales offices will lead to the closure of 20 offices. In addition, the business area will combine its operations in North America to improve cost effectiveness and customer service. A part of valve production will be transferred from Shrewsbury in the United States to Chihuahua in Mexico where the Jamesbury division already has production of shut-off valves.

During the review period, Automation and Control Technology launched a new generation product, the nelesDNA, which flexibly networks all automation and information operations from the field to the office in one integrated system. The basic idea is a freely adapting, dynamic application network, replacing traditional systems, which will grow according to the automation and information application needs of mills. This innovation creates better conditions to compete with the large suppliers for automation deliveries to mills.

MACHINERY

The Machinery business area is divided into four groups: forest machines (Timberjack), rock crushing systems (Nordberg), gears and components, and car manufacturing (Valmet Automotive). Timberjack is the world's leading supplier of forest machines used for timber harvesting, terrain transport and log loading. Nordberg is likewise one of the world's leading suppliers in its own sector, specializing in the crushing, grinding and screening of rock and similar materials. The Gears and Components group focuses on mechanical and hydraulic power transmission equipment, and on manufacturing and expert services for machine building. Valmet Automotive is a contract manufacturer of specialty cars.

The net sales of the forest machines group fell by 17 percent to EUR 318 million (EUR 382 million). The decrease in net sales was the result of a reduction in deliveries in the North American markets. The operating profit was EUR 12.5 million (EUR 30.6 million). The new forest machine orders received were 12 percent down on the same period last year, and were valued at EUR 342 million (EUR 389 million). The capacity utilization rates of the Forest Machine group remained low in North America where cuts had to be made in production due to the weak market situation. The demand for forest machines continued good in Europe and the capacity utilization rates in the group's European factories were good. Significant orders were received in Russia and Indonesia, among others. At the end of the review period, the demand for forest machines began to revive on the North American markets, too. The Forest Machines group increased its market share in all markets apart from North America where the market share remained stable. The order backlog strengthened by 78 percent from the situation at the end of last year to reach EUR 80 million at the end of September (EUR 45 million on December 31, 1998).

The net sales of rock crushing systems in the review period were at the same level as in the corresponding period last year, i.e. EUR 345 million (EUR 344 million). The operating profit was EUR 16 million (EUR 24 million). The decline in the operating profit was due to the smaller number of mining deliveries and tight price competition. The value of new orders was down 5 percent compared with January-September last year, and totaled EUR 334 million (EUR 351 million). The demand for crushing equipment for the construction and civil engineering industries grew in Europe, but weakened somewhat in North America. The demand for mobile crushing equipment grew clearly and it is expected that this will increase the market share in the long term. The demand for mining products continued modest in the traditional market areas. At the end of September, the order backlog was 5 percent lower than at the end of the previous year and totaled EUR 87 million (EUR 92 million on December 31, 1998). After the end of the review period, in October, the Centric business operations in the US were acquired in order to supplement the screens and crushers of the Rock Crushing Systems group.

The net sales of gears and components grew by 11 percent in January-September, compared with the corresponding review period last year, and stood at EUR 79 million (EUR 71 million). The increase was due to a growth in deliveries of wind turbine gears and powder metallurgy components. The value of new orders received was down by 4 percent on the same period last year, and totaled EUR 71 million (EUR 74 million) despite the increase in the number of orders for wind turbine gears.

The net sales of car manufacturing dropped by 22 percent compared with the same period last year, and stood at EUR 76 million (EUR 98 million). The reduction in net sales was due to the income related to the termination of some assembly contracts being included in the corresponding review period last year. In addition, the drop in net sales was influenced by a shutdown due to an investment carried out in the third quarter. In the

January-September period, 24,439 cars (23,689) were produced, most of which were convertibles. The profitability of operations was temporarily weakened in the third quarter due to the building and start-up of a completely new assembly line.

RESULTS FOR 1999

A slight operating loss was recorded for January-September, due to the effect of EUR 14 million in non-recurring merger and restructuring expenses booked by the end of the review period. It is estimated that the total amount of non-recurring expenses will be approximately EUR 60 million altogether in 1999, and that these can be offset by the operating result for the last quarter. Consequently, the operating result for the whole year is estimated to either break even or be a slight loss.

Consideration has also been given to writing off certain non-cash balance sheet items to the extent that their return expectations are questionable, such as the goodwill value of the Converting unit and the balance sheet value of inventory related to delayed deliveries to the APRIL Group in Indonesia. The combined sum of the estimated write-offs will be, according to the current understanding, EUR 70 million at maximum.

Outlook for the near future

No significant change is expected in Metso's market situation in the rest of the year.

The investment slump in the pulp and paper industry is expected to continue to restrict the demand for the products of Fiber and Paper Technology and of Automation and Control Technology during the last quarter of 1999. The demand for process parts rebuilds and spare parts and service is expected to continue relatively good.

The price of market pulp has continued its rise and the prices of some paper grades have also strengthened slightly. It is not however believed that this will be significantly reflected in the demand for the products of Fiber and Paper Technology in the next few months. On the other hand, the demand for tissue machines and panelboard technology is expected to remain good.

The investments of the construction and civil engineering industry are expected to remain good in Europe and are also expected to revive in the North American markets. The prices of basic metals began to strengthen at the end of the review period, which is expected to create better conditions for mining industry investments next year.

The demand for forest machines is expected to continue strong in Europe and also to improve in the North American markets in the last quarter of the year.

Expectations for improved profitability in the year 2000 have been strengthened on the basis of the ongoing restructuring and the improved outlooks in customer industries.

November, 1999

Board of Directors

CONSOLIDATED INCOME STATEMENT

(The interim review is unaudited)

| (Millions) | 7-9/99 EUR | 7-9/98 EUR | 1-9/99 EUR | 1-9/98 EUR | 1-12/98 EUR |
|---|---------------|---------------|----------------|---------------|----------------|
| Net Sales | 732 | 816 | 2,315 | 2,729 | 3,695 |
| Cost of goods sold | (547) | (590) | (1,735) | (1,987) | (2,696) |
| Gross profit | 185 | 226 | 580 | 742 | 999 |
| Selling, marketing and administrative expenses | (181) | (179) | (575) | (571) | (753) |
| Non-recurring operating expenses | (14) | 0 | (14) | 0 | 0 |
| Operating profit (loss) | (10) | 47 | (9) | 171 | 246 |
| Financial income and expenses | (8) | (10) | (6) | (2) | 2 |
| Share of profits of associated companies | 1 | 0 | 3 | 2 | 3 |
| Income before extraordinary items and income taxes | (17) | 37 | (12) | 171 | 251 |
| Extraordinary income and expenses | 0 | 0 | 4 | 0 | (2) |
| Income before taxes | (17) | 37 | (8) | 171 | 249 |
| Income taxes | 2 | (12) | 0 | (47) | (63) |
| Minority interests | 0 | (1) | 0 | (2) | (2) |
| Net income | (15) | 24 | (8) | 122 | 184 |

CONSOLIDATED BALANCE SHEET

| (Millions) | Sep 30,99 EUR | Sep 30,98 EUR | Dec 31,98 EUR |
|--|------------------|------------------|------------------|
| Total fixed assets and other long-term assets | | | |
| Intangible assets | 253 | 235 | 224 |
| Tangible assets | 641 | 626 | 635 |
| Other long-term assets | 226 | 207 | 194 |
| Unfunded pensions | 0 | 14 | 12 |
| Current assets | | | |
| Inventories | 441 | 475 | 407 |
| Receivables | 1,147 | 980 | 1,025 |
| Cash and short-term investments | 209 | 285 | 301 |
| Total assets | 2,917 | 2,822 | 2,798 |
| Share capital | 228 | 228 | 228 |
| Other shareholders' equity | 905 | 934 | 978 |
| Minority interests | 9 | 10 | 10 |
| Long-term liabilities | 510 | 491 | 477 |
| Current liabilities | 1,265 | 1,159 | 1,105 |
| Total shareholders' equity and liabilities | 2,917 | 2,822 | 2,798 |
| Net interest-bearing liabilities | | | |
| Long-term interest-bearing liabilities | 485 | 410 | 412 |
| Short-term interest-bearing liabilities | 241 | 166 | 161 |
| Cash and cash equivalents | (209) | (285) | (301) |
| Other interest-bearing assets | (100) | (94) | (94) |
| Total | 417 | 197 | 178 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| (Millions) | 7-9/99 EUR | 7-9/98 EUR | 1-9/99 EUR | 1-9/98 EUR | 1-12/98 EUR |
|--|---------------|---------------|---------------|---------------|----------------|
| Cash flows from operating activities: | | | | | |
| Net income | (15) | 24 | (8) | 122 | 184 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | | |
| Depreciation and amortization | 29 | 32 | 94 | 101 | 131 |
| Gain (loss) on securities | (4) | 0 | (4) | (9) | (9) |
| Other | (8) | 9 | 3 | 7 | (9) |
| Change in net working capital | 62 | (1) | (95) | (163) | (202) |
| Net cash provided by operating activities | 64 | 64 | (10) | 58 | 95 |
| Cash flows from investing activities: | | | | | |
| Capital expenditures on property and equipment | (20) | (34) | (68) | (86) | (133) |
| Proceeds from sale of property and equipment | 3 | 5 | 8 | 21 | 28 |
| Business acquisitions, net of cash acquired | (8) | (8) | (38) | (24) | (24) |
| Proceeds from sale of subsidiaries and associated companies | 0 | 0 | 1 | 6 | 10 |
| Proceeds from sale of shares in listed companies | 9 | 0 | 9 | 25 | 40 |
| Other | (4) | 1 | (5) | 4 | 0 |
| Net cash used by investing activities | (20) | (36) | (93) | (54) | (79) |
| Cash flows from financing activities: | | | | | |
| Dividends paid | 0 | 0 | (80) | (74) | (74) |
| Hedging of net investment in foreign subsidiaries | 0 | 0 | 4 | (1) | (1) |
| Net funding | (33) | (12) | 89 | 50 | 55 |
| Other | (1) | 1 | (7) | (1) | (1) |
| Net cash provided (used) by financing activities | (34) | (11) | 6 | (26) | (21) |
| Effect of changes in exchange rates and market values of short-term investments | (7) | (6) | 5 | (8) | (9) |
| Net increase (decrease) in cash and short-term investments | 3 | 11 | (92) | (30) | (14) |
| Cash and short-term investments at beginning of period | 206 | 274 | 301 | 315 | 315 |
| Cash and short-term investments at end of period | 209 | 285 | 209 | 285 | 301 |

KEY RATIOS

| | Sep 30,99 | Sep 30,98 | Dec 31,98 |
|--------------------------------------|-----------|-----------|-----------|
| Earnings/share, EUR | (0.09) | 0.90 | 1.37 |
| Equity/share, EUR | 8.34 | 8.56 | 8.88 |
| Return on equity (ROE), % | (1.4) | 14.4 | 16.1 |
| Return on capital employed (ROCE), % | 2.0 | 15.7 | 16.5 |
| Equity to assets ratio, % | 42.4 | 43.3 | 45.4 |
| Gearing, % | 36.5 | 16.9 | 14.6 |
| Average number of shares (thousands) | 135,823 | 135,826 | 135,826 |

ASSETS PLEDGED AND CONTINGENT LIABILITIES

| (Millions) | Sep 30,99 EUR | Dec 31,98 EUR |
|--|------------------|------------------|
| Collateral on corporate debt | 2 | 6 |
| Other pledges and contingencies | 15 | 15 |
| Guarantees on behalf of associated companies | 1 | 1 |
| Guarantees on behalf of others | 3 | 6 |
| Leasing commitments | 119 | 123 |

FINANCIAL INSTRUMENTS, CONTRACT AMOUNTS

| (Millions) | Sep 30,99 EUR | Dec 31,98 EUR |
|----------------------------------|------------------|------------------|
| Forward exchange rate contracts | 591 | 1,256 |
| Interest rate swaps | 117 | 129 |
| Interest rate and currency swaps | 69 | 50 |
| Currency swaps | 201 | 194 |
| Option agreements | 38 | 34 |

EXCHANGE RATES USED

| | 1-9/99 | 1-9/98 | 1-12/98 | 30.09.99 | 30.09.98 | 31.12.98 |
|-----------------------|--------|--------|---------|----------|----------|----------|
| USD (US dollar) | 1.0738 | 1.0928 | 1.1126 | 1.0665 | 1.1663 | 1.1667 |
| SEK (Swedish krona) | 8.7303 | 8.6799 | 8.8347 | 8.7235 | 9.1473 | 9.4874 |
| GBP (Pound sterling) | 0.6661 | 0.6624 | 0.6719 | 0.6475 | 0.6856 | 0.7055 |
| CAD (Canadian dollar) | 1.6003 | 1.5975 | 1.6461 | 1.5652 | 1.7685 | 1.8061 |

NET SALES BY BUSINESS AREA

| (Millions) | 7-9/99 | 7-9/98 | 1-9/99 | 1-9/98 | 10/98 - 9/99 | 1-12/98 |
|-----------------------------------|------------|------------|--------------|--------------|--------------|--------------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| Fiber and Paper Technology | 354 | 426 | 1,138 | 1,460 | 1,627 | 1,949 |
| Automation and Control Technology | 136 | 140 | 415 | 421 | 592 | 597 |
| Machinery | 259 | 266 | 816 | 894 | 1,133 | 1,211 |
| Intra-group net sales | (17) | (16) | (54) | (46) | (70) | (62) |
| Metso total | 732 | 816 | 2,315 | 2,729 | 3,282 | 3,695 |

NON-RECURRING EXPENSES BY BUSINESS AREA

| | 7-9/99 | 7-9/98 | 1-9/99 | 1-9/98 | 10/98 - 9/99 | 1-12/98 |
|-----------------------------------|---------------|------------|---------------|------------|---------------|------------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| Fiber and Paper Technology | (4.6) | 0.0 | (4.6) | 0.0 | (4.6) | 0.0 |
| Automation and Control Technology | (1.2) | 0.0 | (1.2) | 0.0 | (1.2) | 0.0 |
| Machinery | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Corporate overhead and other | (8.6) | 0.0 | (8.6) | 0.0 | (8.6) | 0.0 |
| Metso total | (14.4) | 0.0 | (14.4) | 0.0 | (14.4) | 0.0 |

Restructuring expenses related to the merger and downsizing of operations in Fiber and Paper Technology and Automation and Control Technology as well as Corporate Headquarters have been reported as non-recurring operating expenses.

OPERATING PROFIT (LOSS) BY BUSINESS AREA

| (Millions) | 7-9/99 | 7-9/98 | 1-9/99 | 1-9/98 | 10/98 - 9/99 | 1-12/98 |
|-----------------------------------|---------------|-------------|--------------|--------------|--------------|--------------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| Fiber and Paper Technology | (10.7) | 18.9 | (25.6) | 81.3 | 4.6 | 111.5 |
| Automation and Control Technology | 2.8 | 8.5 | 8.2 | 13.7 | 32.0 | 37.5 |
| Machinery | 9.9 | 23.1 | 38.9 | 85.0 | 62.0 | 108.1 |
| Corporate overhead and other | (12.1) | (3.5) | (30.2) | (8.5) | (31.5) | (11.1) |
| Metso total | (10.1) | 47.0 | (8.7) | 171.5 | 67.1 | 246.0 |

ORDERS RECEIVED BY BUSINESS AREA

| (Millions) | 7-9/99 | 7-9/98 | 1-9/99 | 1-9/98 | 10/98 - 9/99 | 1-12/98 |
|-----------------------------------|------------|------------|--------------|--------------|--------------|--------------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| Fiber and Paper Technology | 288 | 468 | 1,155 | 1,298 | 1,575 | 1,718 |
| Automation and Control Technology | 128 | 140 | 422 | 439 | 571 | 588 |
| Machinery | 270 | 264 | 849 | 912 | 1,107 | 1,170 |
| Intra-group orders received | (19) | (18) | (54) | (60) | (71) | (77) |
| Metso total | 667 | 854 | 2,372 | 2,589 | 3,182 | 3,399 |

PERSONNEL BY BUSINESS AREA

| | Sep 30,99 | Sep 30,98 | Dec 31,98 |
|-----------------------------------|---------------|---------------|---------------|
| Fiber and Paper Technology | 10,626 | 10,996 | 10,807 |
| Automation and Control Technology | 4,358 | 4,590 | 4,440 |
| Machinery | 7,224 | 7,621 | 7,535 |
| Other | 137 | 282 | 282 |
| Metso total | 22,345 | 23,489 | 23,064 |

QUARTERLY INFORMATION

NET SALES BY BUSINESS AREA

| (Millions) | 7-9/98 | 10-12/98 | 1-3/99 | 4-6/99 | 7-9/99 |
|-----------------------------------|------------|------------|------------|------------|-------------|
| | EUR | EUR | EUR | EUR | EUR |
| Fiber and Paper Technology | 426 | 489 | 362 | 422 | 354 |
| Automation and Control Technology | 140 | 177 | 123 | 156 | 136 |
| Machinery | 266 | 317 | 260 | 297 | 259 |
| Intra-group net sales | (16) | (16) | (14) | (23) | (17) |
| Metso total | 816 | 967 | 731 | 852 | 732 |

OPERATING PROFIT (LOSS) BY BUSINESS AREA

| (Millions) | 7-9/98 | 10-12/98 | 1-3/99 | 4-6/99 | 7-9/99 |
|-----------------------------------|-------------|-------------|--------------|-------------|---------------|
| | EUR | EUR | EUR | EUR | EUR |
| Fiber and Paper Technology | 18.9 | 30.2 | (8.1) | (6.8) | (10.7) |
| Automation and Control Technology | 8.5 | 23.8 | (2.3) | 7.7 | 2.8 |
| Machinery | 23.1 | 23.1 | 10.6 | 18.4 | 9.9 |
| Corporate overhead and other | (3.5) | (1.3) | (9.6) | (8.5) | (12.1) |
| Metso total | 47.0 | 75.8 | (9.4) | 10.8 | (10.1) |

ORDERS RECEIVED BY BUSINESS AREA

| (Millions) | 7-9/98 | 10-12/98 | 1-3/99 | 4-6/99 | 7-9/99 |
|-----------------------------------|------------|------------|------------|------------|-------------|
| | EUR | EUR | EUR | EUR | EUR |
| Fiber and Paper Technology | 468 | 420 | 378 | 489 | 288 |
| Automation and Control Technology | 140 | 149 | 157 | 137 | 128 |
| Machinery | 264 | 258 | 300 | 279 | 270 |
| Intra-group orders received | (18) | (17) | (21) | (14) | (19) |
| Metso total | 854 | 810 | 814 | 891 | 667 |

Formulas for calculating key figures:

Earnings/share:

$$\frac{\text{Profit before extraordinary items and income taxes} - \text{taxes} \pm \text{minority interests}}{\text{Average number of shares during period}}$$

Equity/share:

$$\frac{\text{Shareholder's equity}}{\text{Number of shares at end of period}}$$

Return on capital employed (ROCE), %:

$$\frac{(\text{Profit before extraordinary items and income taxes} + \text{interest and other financial expenses})}{\text{Balance sheet total} - \text{non-interest bearing liabilities (average for period)}} \times 100$$

Return on equity (ROE), %:

$$\frac{(\text{Profit before extraordinary items and income taxes} - \text{taxes})}{\text{Shareholder's equity} + \text{minority interests (average for period)}} \times 100$$

Equity to assets, %:

$$\frac{(\text{Shareholder's equity} + \text{minority interests})}{\text{Balance sheet total} - \text{advances received}} \times 100$$

Gearing, %:

$$\frac{\text{Net interest bearing liabilities}}{\text{Shareholder's equity} + \text{minority interests}} \times 100$$

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