



PRESS RELEASE

1(3)

For publication on  
September 11, 2001 at 12.30 p.m.  
Finnish time

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## **METSO AND SVEDALA CREATE WORLD LEADER IN ROCK AND MINERAL PROCESSING TECHNOLOGY**

**Metso Corporation has decided to complete its offer to the shareholders of Svedala Industri AB. The combination of Metso Minerals with Svedala creates a clear world leader in rock and mineral processing technology. The acquisition will increase Metso's net sales to approximately EUR 5,500 million and the amount of personnel to 32,000. Metso's estimate of the synergies available are at EUR 70 million per annum. Metso believes that the acquisition will be earnings enhancing from 12 months after completion of the acquisition.**

On September 10, 2001, Metso declared its offer for Svedala unconditional and indicated that settlement of the offer will begin on September 14, 2001. This is an important move for Metso in line with its strategy of moving to a more balanced portfolio with a less cyclical business mix and increasing the sales volume of service activities. Metso believes that the acquisition will be earnings enhancing from 12 months after completion of the acquisition. The remedy package of disposals agreed to obtain clearance from the competition authorities is in line with Metso's expectations at the time the offer was launched and Metso's estimate of the synergies available are at EUR 70 million per annum, while restructuring charges are estimated at EUR 60-70 million.

Following the acquisition of Svedala, Metso owns two global leaders in the Metso Paper and Metso Minerals businesses, both with strong global market shares. These are supported by the Metso Automation business which aims to take advantage of the considerable opportunities in embedded machine intelligence, and are complemented by Metso Ventures.

The acquisition will result in a more balanced business portfolio for Metso. Metso Paper will account for 42% of combined group sales for 2000 and Metso Minerals 39% (adjusted for sales of the remedy package disposals). Following the integration of Svedala, it is expected that Metso's business will be less cyclical than currently. Metso Minerals, enhanced by Svedala, has a high proportion of aftermarket business, with significant potential for growth in this area based on the large installed base worldwide. The enlarged Metso Minerals fits very well with Metso's Future Care concept: trends in its customer industries such as consolidation, outsourcing and rapid growth in maintenance will speed Metso's transformation from equipment supplier to lifecycle service provider. Metso aims to exploit its understanding of customers' core processes to provide a service which is integral to its customers' businesses and profitability.

Following completion, Metso is ready to initiate an immediate integration programme that has been planned over the course of the offer period. Metso continues to estimate synergies at EUR 70 million, principally from elimination of overlapping administration costs and integration of distribution networks and manufacturing operations. These are

expected to be realized in full in 2003, with roughly 50% being achieved in 2002. Restructuring costs are estimated at EUR 60-70 million. There are also opportunities for revenue growth from developing the broader product and service offering of the enlarged Metso Minerals.

Olli Vaartimo has been appointed President of enlarged Metso Minerals. Olli Vaartimo has been President of current Metso Minerals from 1993. Vaartimo joined Rauma-Repola in 1974. Born 1950, he has an MSc in Economics and Business Administration.

At 30 June 2001 Metso had net debt of EUR 56 million and Svedala had net debt of EUR 554 million. The acquisition has been financed through a syndicated bank facility at attractive rates. Metso aims to restore net gearing to within the range of 40-50% within 18 months following closing of the acquisition through the disposal of non-core assets and its operating cash flow.

Following the acquisition, Metso is re-iterating its key financial targets, to achieve, measured as a rolling 5-year average:

- EBIT margin in excess of 9%
- ROCE in excess of 20%
- EVA in excess of 4% of net sales

Settlement for the shares and convertible debentures already tendered in the offer will begin on September 14, 2001. Holders of shares and convertible debentures who have not yet accepted the offer are given the opportunity to tender their shares and convertible debentures until September 28, 2001. Settlement for these shares and convertible debentures will begin around October 5, 2001.

*Metso Corporation is a global supplier of process industry machinery and systems. Metso's core businesses are divided between Metso Paper (fiber and paper technology), Metso Minerals (rock and mineral processing) and Metso Automation (automation and control technology). In 2000, the net sales of Metso Corporation were EUR 3.9 billion, and the personnel totaled approximately 22,000. Metso Corporation is listed on the Helsinki and New York Stock Exchanges.*

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APPENDIX

Brief information on Metso and Svedala

## APPENDIX

**BRIEF INFORMATION ON METSO AND SVEDALA**

Incl. remedy packages

<b>Income statement 1-12/2000</b>	<b>Metso</b>	<b>Svedala</b>	<b>Combined</b>
EUR million			
Net sales	3,891	1,714	*5,605
Profit before nonrecurring expenses	200	61	261
Nonrecurring operating expenses	-	-24	-24
Operating profit	200	37	237

<b>Income statement 1-6/2001</b>	<b>Metso</b>	<b>Svedala</b>	<b>Combined</b>
EUR million			
Net sales	2,019	827	2,846
Profit before nonrecurring expenses	121	17	138
Nonrecurring operating expenses	0	0	0
Operating profit	121	17	138

\* Net sales excluding remedy packages is EUR 5,440 million.