

Press release

Pontos and Finnish Industry Investment to develop Valmet Automotive with Metso; First step is the acquisition of Karmann's convertible roof business

Helsinki, 05 November 2010 – Metso and the Finnish investment companies Pontos Group and Finnish Industry Investment Ltd have agreed that both investment companies will each invest through a directed share issue EUR 10 million into Metso's fully-owned subsidiary Valmet Automotive, thereby giving them a total shareholding of 34% in Valmet Automotive. At the same time, Metso will strengthen Valmet Automotive's capital base by converting an internal loan of about 10 million euros into a subordinated loan. In the same conjunction, it has been agreed that Valmet Automotive's key management will be committed to Valmet Automotive through a separate directed share issue under which the management will invest into Valmet Automotive, too. Metso's share of ownership then will be after these arrangements in excess of 60%. The owners will not exclude new investors from joining in.

"In addition to contract manufacturing, Valmet Automotive has successfully focused its operations in recent years on engineering services for the car industry and on electric cars. The company's current production portfolio includes three next-generation electric cars, and about 25% of the company's net sales this year come from the sales of engineering services. We see interesting development opportunities in Valmet Automotive's operations; however, since the automobile industry is not one of Metso's core customer industries, we have decided to allow outside investors to participate in the development of Valmet Automotive's business, to strengthen the company's capital base in partnership with them and in this way find new paths to develop the company," says Olli Vaartimo, Chairman of the Board of Valmet Automotive and CFO of Metso.

It has been agreed that as the first step Valmet Automotive will acquire Karmann's convertible roof business in Germany and Poland. Valmet Automotive and the administrative receivers of Karmann's roof business have signed an agreement regarding the convertible roof business. The parties have agreed not to disclose the price of the transaction.

The completion of the transaction is subject to the receiving of the necessary regulatory permits. Valmet Automotive estimates that the acquisition could be finalized and the business transferred to its ownership by the end of this year at the latest.

The acquisition complements Valmet Automotive's service offering in line with the company's strategy in convertible engineering and manufacturing services and particularly in component manufacturing. Completion of the acquisition would make the roof business Valmet Automotive's fourth business line in addition to engineering, manufacturing and business services.

"This acquisition is so far the most significant step in our strategy to expand internationally and to become a leading supplier of a wide range of services for the automotive industry industry. The engineering and manufacturing of convertible roofs at Karmann represents the best of the industry, and its customers include BMW/MINI, Daimler, Renault and Bentley. Karmann's roof know-how complements Valmet Automotive's convertible know-how and substantially increases our capacity in engineering and in component manufacturing," notes Ilpo Korhonen, President, Valmet Automotive.

"The manufacturing of convertibles in Europe is estimated to reach the pre-recession level of over half a million cars by 2012-2013. The roof systems of convertibles require special know-how, and they are often acquired from specialized suppliers," Korhonen continues.

"Globally, the electric car segment will grow strongly in the next ten years. Thanks to its strong quality image and far-sighted strategy, Valmet Automotive is a frontrunner in this development. For Valmet Automotive, acquiring Karmann's roof business strengthens connections to Central Europe's leading car manufacturers and gives the company critical mass, enabling the development of the roof business, the utilization of the accumulated electric car know-how and the strategic development of the company from a totally new platform. Through our investment, we want to be part of this development," note Pontos Group's CEO Kai Becker and Finnish Industry Investment Ltd's Investment Director Heikki Vesterinen.

Karmann's convertible roof business currently employs over 700 people in Osnabrück, Germany, and Zary, Poland; they will transfer to Valmet Automotive's payroll. The net sales of the business to be acquired are estimated to be about EUR 180 million in 2010. As one of three leading suppliers of roof systems, Karmann has a market share of about 25 percent and an order backlog spanning several years.

Valmet Automotive is a provider of engineering, manufacturing and business services for the automotive industry. In 2009 the company's net sales were EUR 56 million. It employs about 800 people. The company's Head Office is in Uusikaupunki, Finland, and it has units in Frankfurt, Germany, and Gothenburg, Sweden. A new unit will be opened this year in the United States.

Porsche Cayman sports cars, electric Garia golf cars and THINK City urban cars are currently manufactured in Uusikaupunki. The plan is to start serial production of Fisker Karma hybrid cars in the first quarter of 2011. There are engineering projects under way for several customers.

Valmet Automotive and Metso were advised by MCF Corporate Finance in the transactions.

About MCF Corporate Finance (MCF)

MCF is an independent international corporate finance advisory firm specializing in cross border and domestic M&A transactions in the German and Nordic markets. MCF's head office is in Hamburg and it has a branch office in Helsinki and a subsidiary in London. For further information please refer to www.mcfcorpfin.com.

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