



JAAKKO PÖYRY GROUP
ANNUAL REPORT

1997

JAAKKO PÖYRY

ANNUAL GENERAL MEETING

The shareholders of Jaakko Pöyry Group Oyj are invited to attend the Annual General Meeting, which will be held on Monday, March 30, 1998 at 4.30 p.m. at the Pöyry House, Jaakonkatu 3, 01620 Vantaa, Finland.

FINANCIAL INFORMATION

In 1998 Jaakko Pöyry Group Oyj will publish its interim report for January - March on May 14, for January - June on August 20 and for January - September on November 11. Jaakko Pöyry Group Oyj will publish its annual report in March.

The annual report and the interim reports are available at Jaakko Pöyry Group Oyj in English, Finnish and Swedish, telephone +358 9 8947 3022, telefax +358 9 878 5855.

DIVIDEND

The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 1,30 per share, be paid for the fiscal year that ended December 31, 1997.

The Board of Directors proposes that the record date shall be April 2, 1998 and that the dividend shall be payable on April 7, 1998.

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PRESIDENT'S REVIEW

"The stock exchange listing and the strategic alliance with Electrowatt Engineering will create new opportunities"



You are now reading the Jaakko Pöyry Group's first annual report. Hopefully, it serves the reader well and provides sufficient detail to depict our company as an interesting and attractive investment option.

The Group's parent company Jaakko Pöyry Group Oyj became a public limited company when its shares were listed on the stock exchanges in Helsinki and Stockholm at the end of 1997. In the initial public offering, Finvest Oyj sold 6 500 000 of its shares in Jaakko Pöyry Group Oyj which emitted 1 500 000 new shares. I would like to wish all of our 1 600 new shareholders welcome.

This year, our company will celebrate its 40th anniversary. A lot has happened in four decades - in the forest products industry, Jaakko Pöyry is today well known all over the world. The company's founder and current board member, Jaakko Pöyry, D.Sc. h.c., has every reason to be pleased with the achievements of his company.

EWE WILL BALANCE THE BUSINESS PORTFOLIO

The Jaakko Pöyry Group has systematically expanded its operations in the past few years from the forest products industry towards energy, environmental and infrastructure know-how, and also civil engineering and

construction management. A major event in 1997 was the acquisition of a 49 per cent interest in the Swiss consulting and engineering firm Electrowatt Engineering Ltd (EWE).

The acquisition of EWE will strengthen the Jaakko Pöyry Group's business operations and know-how, particularly in the Energy and the Environment and Infrastructure business groups. EWE's net sales for the financial year 1997 were FIM 772.0 million, compared with FIM 1 303.9 million for the Jaakko Pöyry Group. Jaakko Pöyry Group Oyj has the option to increase its ownership at a later stage, to include EWE in the Group. We believe that the recently established cooperation between the Jaakko Pöyry Group and Electrowatt Engineering will create good opportunities for future development of both parties' business operations.

GLOBALISATION AND NETWORKING CONTINUE

Initiated in 1996, the restructuring of the partnership between the Jaakko Pöyry Group and the US-based Fluor Daniel Group was also completed last year. Jointly owned companies have been dissolved and the cooperation will continue case by case, with the Jaakko Pöyry Group offering consulting and engineering services to the Fluor Daniel Group. As the

last step in this process, the US engineering company Marathon LLC was acquired by the Jaakko Pöyry Group in the autumn of 1997. Marathon at present employs 140 people.

The acquisitions of EWE and Marathon reflect a major trend in this sector: consulting and engineering companies are becoming increasingly globalised and specialised, with alliances and networking becoming more common. To succeed in the competition, the services offered must be based on international know-how, add value to the clients business and preferably be available locally.

Besides retaining its leading position in the forest products industry, the Jaakko Pöyry Group also wants to establish a strong international presence in the energy, environment and infrastructure sectors. At the same time, we shall continue to improve our local service capabilities.

A STRONGER CONTRIBUTION TO OUR CLIENTS' PROJECTS

The earnings of the Jaakko Pöyry Group for

the financial year 1997 corresponded well with budgeted targets. Profitability targets were reached in all business groups, except in Process Contracting. The stock exchange listing and the acquisition of EWE will improve our possibilities of serving our clients globally and of participating in different ways in the development and implementation of our clients' projects.

The Group's order stock provides a good basis for the current year's activities. On the other hand, the possible indirect effects of the currency crisis in Asia in our main markets in Europe are apparently not yet clear, and they may affect our clients' investment behaviour.

I would like to thank all of the Jaakko Pöyry Group's clients, employees, shareholders and other cooperation partners for their active cooperation, which made it possible for us to achieve the targets set for the year under review. We are now in a good position to continue developing our operations during the current year.

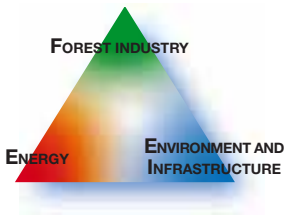
Vantaa, February 26, 1998



Niilo Pellonmaa
President and CEO

JAAKKO PÖYRY GROUP

The Jaakko Pöyry Group is a global consulting and engineering group whose core areas of expertise are forest industry, energy, and environment and infrastructure. The Group is a world market leader in the forest industry, with the energy and environment and infrastructure sectors offering major growth potential.

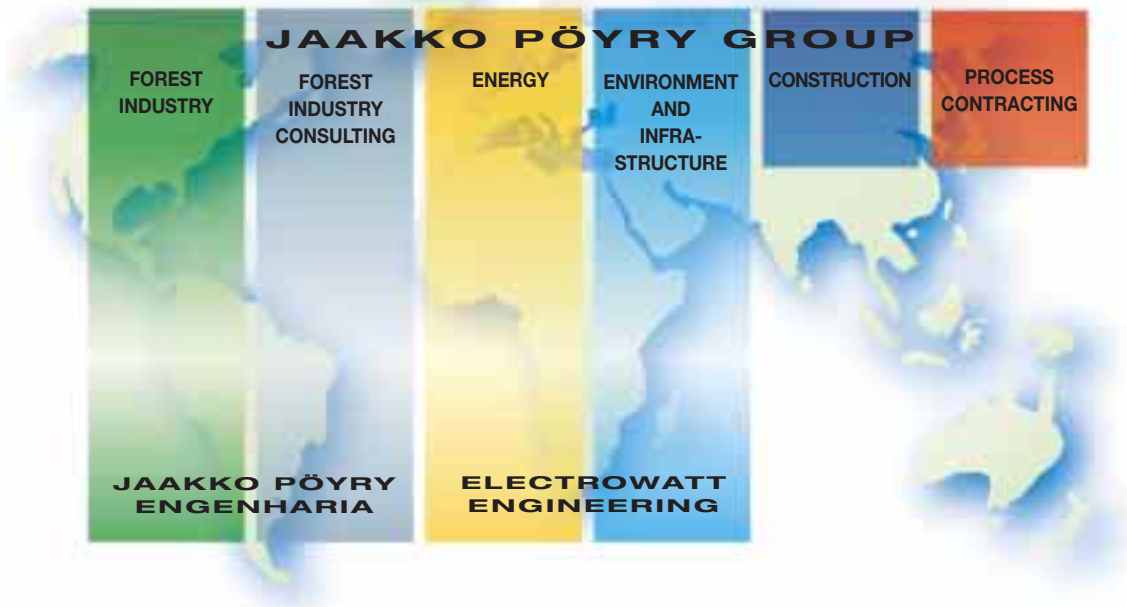


The Jaakko Pöyry Group assists its clients with all phases of the life-cycle of their investments, including marketing and strategic consulting services, feasibility studies, engineering services, construction management, and maintenance engineering. The Group's business operations are conducted through six business groups.

Over the past 40 years, the Jaakko Pöyry Group has carried out thousands of consulting and engineering projects in more than one hundred countries. The Group has been main engineering consultant in over 300 major pulp and paper mill engineering projects and in 200 power plant projects.



Including consolidated and associated companies, the Jaakko Pöyry Group is the world's fourth biggest consulting engineering firm.



The Group has offices in 22 countries serving customers around the world. This geographic diversity enables the Group to combine local

service with global resources. The Group's services involve a high degree of knowledge and expertise.



GROUP STRATEGY

The Group's objectives are to further increase its profitability, develop a more diversified revenue base, and continue to generate stable cash flows. To meet these goals, the Group pursues the following principal strategies:

Maintain global leadership in forest industry consulting and engineering. The Group has an extensive customer base that includes the world's largest forest products companies and international development banks. The Group's numerous successful projects provide an important strategic advantage in competing against new market entrants.

Develop a global market position in the energy and environment and infrastructure sectors. The Group's business operations are based on three know-how clusters characterised by complementary knowledge bases and technologies, drawing upon the strengths and expertise developed in the Nordic countries.

Local presence and global resources. The Group is the only consulting and engineering group that offers strong expertise across an extensive global presence. These skills are made available through offices worldwide. The Jaakko Pöyry Group is independent of any contractors and suppliers.

Continue to strengthen human resources. Human resources are the Group's most important strength. The Group will continue to increase the training and expertise of its employees and to strengthen their technical, marketing and language skills.

Reduce impact of cyclicity. The Group intends to expand the businesses that are not dependent on the forest products sector and continue its geographical diversification. The Group also seeks to reduce the impact of cyclicity by using more temporary employees and subcontractors.

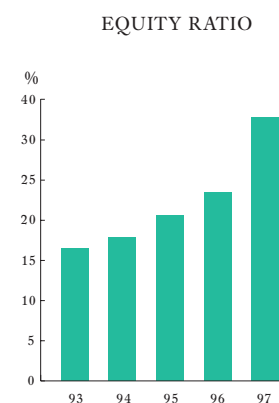
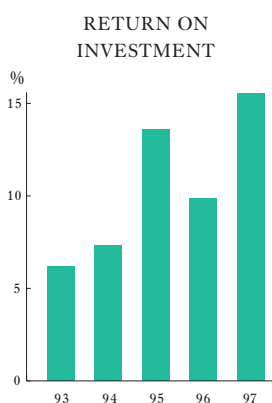
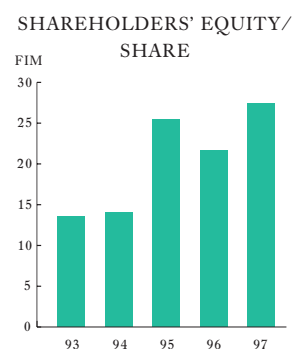
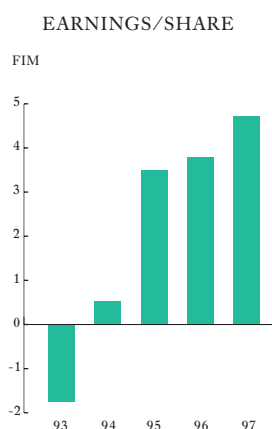
The business groups will pursue these strategies adapted to their respective markets.

KEY FIGURES

	1996	1997
Net sales, FIM million	1 248.1	1 303.9
Operating profit, FIM million	72.7	116.9
Profit after financial items, FIM million	50.9	100.7
Earnings/share, FIM	3.79	4.72
Shareholders' equity/share, FIM	21.65	27.43
Balance sheet total, FIM million	1 133.8	1 332.9
Order stock, FIM million	680.2	836.9
Personnel in Group companies	2 646	2 775
Personnel in associated companies	2 001	3 024

FINANCIAL TARGETS

	1995	1996	1997	Medium term target
Operating profit %	7.7	5.8	9.0	> 8.0
Return on investment %	13.5	9.9	15.5	> 15.0
Equity ratio %	20.4	23.8	33.8	> 40.0
Net debt/equity ratio %	202.8	110.6	44.0	< 30.0



MAJOR EVENTS DURING 1997

ACQUISITION OF ELECTROWATT ENGINEERING LTD

The Jaakko Pöyry Group acquired on September 30, 1997 a 49 per cent interest in the Swiss consulting engineering firm Electrowatt Engineering (EWE) Ltd. At the same time, the remaining shares were acquired by a group of Swiss investors comprising Ernst Göhner Stiftung, the Lombard Odier bank and Nordostschweizerische Kraftwerke. The contract includes an option allowing Jaakko Pöyry Group Oyj to raise its interest in EWE to 70 per cent after January 1, 1999.

EWE is a world leading energy specialist and European market leader in the planning of transport and tunnelling systems. The company employs 1400 people, and its net sales for the financial year 1997 amounted to FIM 772.0 million. EWE will continue operating as a separate company, but will enter into close cooperation with the Jaakko Pöyry Group in the areas of marketing, project development and implementation, and in improving its efficiency and productivity.

Through this acquisition, the Jaakko Pöyry Group secured a strong position in the world market for energy and infrastructure engineering services. The Jaakko Pöyry Group's and Electrowatt Engineering's strategic alliance covers all major energy technologies worldwide.

The EWE acquisition significantly strengthened the Jaakko Pöyry Group's strategy. It balances the Group's business portfolio, improves its profit potential and boosts its shareholder value.

STOCK EXCHANGE LISTING IN HELSINKI AND STOCKHOLM

In the summer of 1997, the Board of Directors of Finvest Oyj decided to explore the possibilities of listing the shares of Finvest's fully owned subsidiary Jaakko Pöyry Group

Oyj on the stock exchanges in Helsinki and Stockholm. The purpose of the plan was to improve the capital structure of Jaakko Pöyry Group Oyj.

The boards of directors of Finvest Oyj and Jaakko Pöyry Group Oyj decided on October 9 to start preparations for the stock exchange listing. The listing was intended to improve the Jaakko Pöyry Group's possibilities of developing its international consulting and engineering business. Finvest Oyj declared that it would reduce its ownership to less than half of Jaakko Pöyry Group Oyj's shares, though it would remain a major shareholder. The investment banking firm Carnegie was appointed global coordinator for the stock exchange listing.

Jaakko Pöyry Group Oyj's global offering was completed during the period from November 12 to 24. The share issue consisted of 8.0 million shares. Finvest Oyj sold 6.5 million shares and Jaakko Pöyry Group Oyj emitted 1.5 million new shares. In the initial public offering, the final price was set at FIM 65 per share.

Of the total number of shares 50.5 per cent were allocated to Nordic institutional investors, 10.5 per cent to the public in Finland and Sweden, and to the Group's employees in Finland, and 39.0 per cent to international institutional investors. Following the initial public offering, 29.5 per cent of Jaakko Pöyry Group Oyj's shares were foreign-owned. Shares were issued to about 1600 new shareholders.

As a result of the offering, Finvest Oyj's interest in Jaakko Pöyry Group Oyj's share capital and number of votes declined to 41.6 per cent. At the same time, the consolidation between the two companies was dissolved.

Jaakko Pöyry Group Oyj's shares were quoted on the stock exchanges in Helsinki and Stockholm as of December 2.

SELECTED EVENTS

JANUARY

At the beginning of the year, the name of the Group's parent company was changed into Jaakko Pöyry Group Oy. On September 29, the company was registered as a public limited company, in accordance with the new Companies Act, under the name of Jaakko Pöyry Group Oyj.

JPI Process Contracting signed a contract worth FIM 50 million for the delivery of a fuel alcohol plant to France.

FEBRUARY

Ekono Energy established a joint venture company in Thailand, Advance Ekono Co Ltd, to provide construction management services for power plant projects.

MARCH

Ekono Energy expanded its operations in Sweden by acquiring the entire share capital in Startekno AB. Employing 12 people, this consulting engineering firm specialises in waste incineration and air pollution control.

The Finvest Group's annual accounts for 1996 were published: The Jaakko Pöyry Group's net sales for 1996 were FIM 1,248.1 million, the operating profit FIM 72.7 million and the order stock FIM 680.2 million.

JUNE

Jaakko Pöyry Oy increased its ownership in Marathon LLC to 94.2 per cent. Specialising in serving the US forest products industry, Marathon's net sales are about FIM 80 million. The company has 140 employees.

The Finvest Group's interim report for the period January - April was published: The Jaakko Pöyry Group's business performance exceeded expectations, with net sales of FIM 414.4 million, an operating profit of FIM 31.3 million and an order stock of FIM 735.8 million.

Jaakko Pöyry Oy won orders worth over FIM 100 million: the company was commissioned to serve as main engineering consultant for Norske Skog Golbey S.A.'s new newsprint mill in France and for Metsä-Botnia Oy's expansion of the Joutseno-Pulp chemical pulp mill in Finland.

JULY

Finvest Oyj announced that it would explore the possibilities of applying for listing of Jaakko

Pöyry Group Oy's shares on the Helsinki and Stockholm stock exchanges.

AUGUST

Jaakko Pöyry Group, in a consortium with Parsons International and KS-Invest, won a contract of FIM 50 million for project management and engineering services for the rehabilitation of St. Petersburg's historic city centre and for planning the continuation of this major project.

SEPTEMBER

Jaakko Pöyry Group Oyj acquired a 49 per cent interest in the Swiss company Electrowatt Engineering Ltd at a price of FIM 50 million. EWE is an international consulting engineering firm specialising in energy and infrastructure, with net sales for the financial year 1997 amounting to FIM 772.0 million and a total of 1400 employees.

OCTOBER

The Jaakko Pöyry Group's interim report for the period January - August was published: net sales FIM 811.3 million, operating profit FIM 63.9 million and order stock FIM 761.0 million.

Jaakko Pöyry Group Oyj refinanced its long-term loans by emitting a floating-rate note transaction for the amount of DEM 100 000 000.

A new board of directors was appointed for Jaakko Pöyry Group, with **Olle Alsholm, Henrik Ehrnrooth, Matti Lehti, Heikki Lehtonen, Niilo Pellonmaa** and **Jaakko Pöyry** as members. Heikki Lehtonen was elected Chairman of the Board.

Ekono Energy's subsidiary Procedo Oy won a contract worth FIM 40 million for the delivery of China's first natural gas-fired boiler plant to a district heating plant in Beijing.

NOVEMBER

JPI Process Contracting won a contract worth FIM 137 million for the delivery of a fuel alcohol plant to Cartagena in Spain.

Jaakko Pöyry Group Oyj's initial public offering from November 12 to 24.

DECEMBER

Jaakko Pöyry Group Oyj's shares were listed on the Helsinki Stock Exchange and the Stockholm Stock Exchange as of December 2.



Oskar K. Ronner, CEO, Electrowatt Ltd, and Jukka Nyrölä, CEO of the Jaakko Pöyry Group's Energy business group (right). In the background legal counsels Thomas Emch and Kari Heliö (right).

SHAREHOLDERS AND SHARES

MAJOR SHAREHOLDERS

Per cent of shares and voting rights		
Finvest Oyj	41.6	The members of the Board of Directors and the President and CEO own 15 780 shares, representing 0.12 per cent of the shares. 5 410 348 of the shares of the company were nominee registered, representing 39.5 per cent of the shares.
Nova Life Insurance Company	1.3	
Pensions Varma Mutual Insurance Company	1.1	
Insurance Company Sampo Pension Ltd.	1.0	
Partita Oy	0.7	
Mutual Pension Insurance Company Tapiola	0.7	
Tapiola Mutual Insurance Company	0.7	
Pension Insurance Company Ilmarinen Ltd	0.6	
Pohjola Life Assurance Company Ltd	0.6	
Alfred Berg Optimal Unit Trust	0.4	
Alfred Berg Finland Unit Trust	0.4	
Finnish Red Cross	0.4	
Others	50.5	
Total	100.0	

OWNERSHIP STRUCTURE BY TYPE OF SHAREHOLDER

	Owners, pcs	Per cent of owners	Per cent of shares and voting rights
Companies	113	10.2	46.3
Financial and insurance institutions	31	2.8	8.0
Households	934	84.4	3.1
Outside Finland and nominee registered	10	0.9	39.7
General government and non-profit associations	18	1.6	2.9
Total	1 106	100.0	100.0

OWNERSHIP STRUCTURE BY NUMBER OF SHARES OWNED

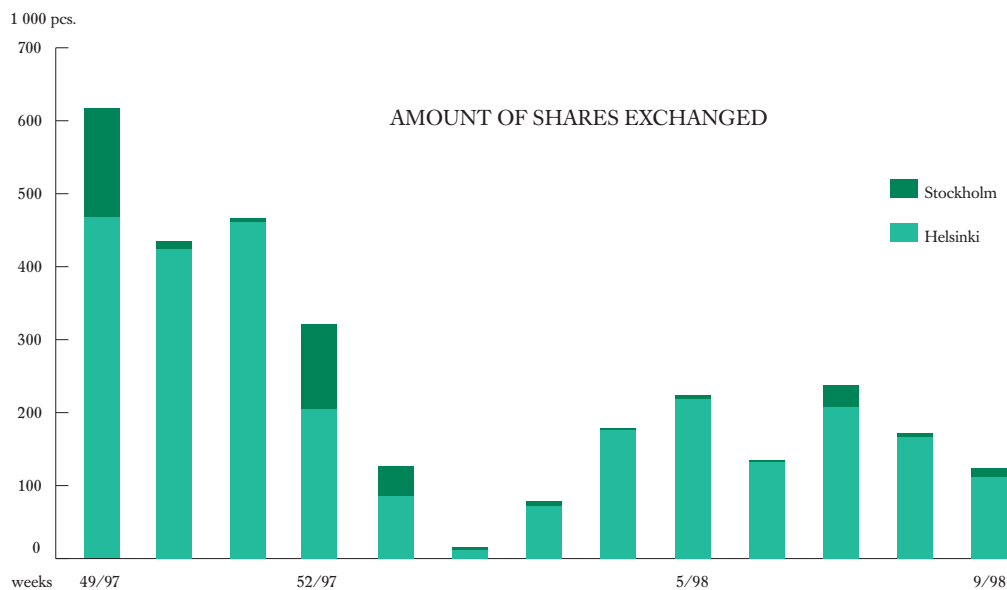
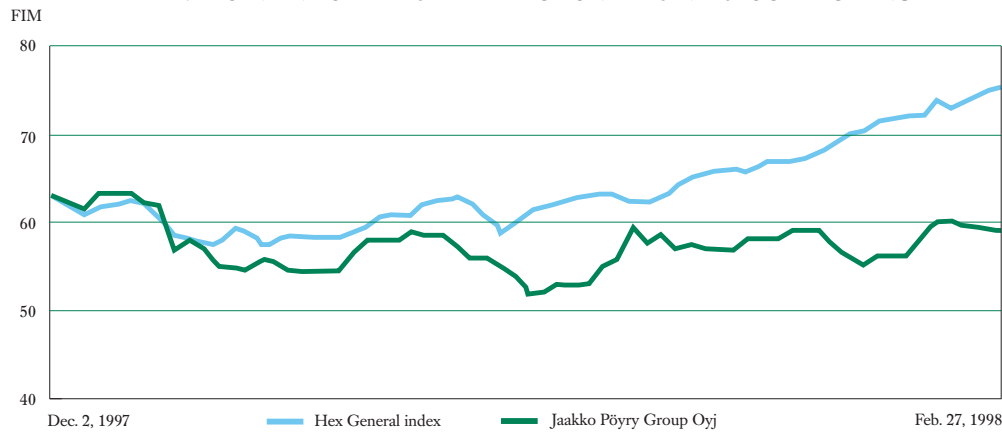
Number of shares, pcs	Owners, pcs	Per cent of owners	Per cent of shares and voting rights
1 – 50	12	1.1	0.0
51 – 100	263	23.8	0.2
101 – 500	533	48.2	1.1
501 – 1 000	133	12.0	0.9
1 001 – 2 000	50	4.5	0.6
2 001 – 3 000	14	1.3	0.3
3 001 – 5 000	30	2.7	0.9
5 001 –	71	6.4	96.1
Total	1 106	100.0	100.0

The information is based on Finnish Central Securities Depository Ltd's register December 31, 1997. In Sweden the shareholders were 68 and they owned totally 882 653 shares, representing 6.4 per cent of the shares.

DEVELOPMENT OF SHARES AND SHARE CAPITAL

Date of share issues	Share-capital FIM 1000	Share premium reserve FIM 1000	Legal reserve FIM 1000	Shares 1000 pcs	Nominal value FIM/share
December 23, 1994	15		0	15	1.00
March 7, 1995	50 000		0	50 000	1.00
December 21, 1995	51 000		10 000	51 000	1.00
December 31, 1996	51 000		10 000	51 000	1.00
May 12, 1997	61 000		120 000	61 000	1.00
September 29, 1997	61 000		120 000	12 200	5.00
December 2, 1997	68 500	89 531	120 000	13 700	5.00

DEVELOPMENT OF THE SHARE PRICE ON HELSINKI STOCK EXCHANGE



BOARD OF DIRECTORS' REPORT

January 1 - December 31, 1997



BOARD OF DIRECTORS

Jaakko Pöyry,	1924,	Chairman of the Board of Directors of Jaakko Pöyry Consulting Oy
Heikki Lehtonen,	1959,	Chairman of the Board of Directors; President of Santasalo-JOT Ltd
Matti Lehti,	1947,	President and Chief Executive Officer of TT Tieto Oy
Olle Alsholm,	1937,	President of the Swedish Pulp and Paper Research Institute
Niilo Pellonmaa,	1941,	President and Chief Executive Officer of Jaakko Pöyry Group Oyj
Henrik Ehrnrooth,	1954,	Vice Chairman of the Board of Directors

CONSOLIDATED EARNINGS AND BALANCE SHEET

The operations and earnings of Jaakko Pöyry Group developed according to plans and budgeted targets during the year under review. Profit after financial items doubled compared with the previous year's figure. Consolidated net sales were FIM 1 303.9 (the previous year's figure 1 248.1) million. The operating profit (after depreciation) was FIM 116.9 (72.7) million, which equals 9.0 (5.8) per cent of net sales. Profit after financial items was FIM 100.7 (50.9) million.

The consolidated balance sheet total was FIM 1 332.9 (1 133.8) million. Shareholders' equity and voluntary reserves were FIM 375.7 (100.7) million. The equity ratio was 33.8

(23.8) per cent. The Group's liquidity remained good. At the end of the year, the Group's cash in hand and at banks amounted to FIM 292.5 (204.4) million, with net interest bearing debts totalling FIM 180.2 (274.9) million. The net debt/equity ratio (gearing) was 44.0 (110.6) per cent.

GROUP STRUCTURE

The Jaakko Pöyry Group's parent company is Jaakko Pöyry Group Oyj. In 1996, the name of Jaakko Pöyry Group Oyj was Jaakko Pöyry Oy, and this company served as the Forest Industry business group's operative company. On January 1, 1997, the operations of the Forest Industry business group were transferred to a subsidiary named Jaakko Pöyry Oy.

Jaakko Pöyry Group Oyj was a wholly owned subsidiary of Finvest Oyj until November 25, 1997, with the Jaakko Pöyry Group being a part of the Finvest Group. Finvest Oyj gave up its majority shareholding in Jaakko Pöyry Group Oyj during the financial year in connection with Jaakko Pöyry Group Oyj's listing issue by selling 6.5 million of the company's shares based on a public offering. Following the listing issue and the sale of shares, Finvest Oyj's shareholding in the company declined to 41.6 per cent. Jaakko Pöyry Group Oyj's and Finvest Oyj's joint functions and organisations were separated at the end of 1997.

The Group's operations are conducted through six business groups: Forest Industry, Forest Industry Consulting, Energy, Environment and Infrastructure, Construction and Process Contracting. Nearly all of the Group's subsidiaries are wholly owned. In addition, the Group has a number of associated companies, of which the most important ones are the international company Electrowatt Engineering Ltd (49.0 per cent), which operationally is part of the Energy and the Environment and Infrastructure business groups, and Jaakko Pöyry Engenharia Ltda (40.0 per cent) in Brazil, which is part of the Forest Industry business group.

On September 30, 1997, Jaakko Pöyry Group Oyj acquired 49.0 per cent of the shares in the international company Electrowatt Engineering (EWE) Ltd at a price of about FIM 50 million. Jaakko Pöyry Group Oyj also acquired an option to increase its ownership in EWE up to 70.0 per cent after January 1, 1999 for CHF 5.9 million, or about FIM 22 million, plus interest from the closing date calculated at three month LIBOR plus one per cent. EWE strengthens the Jaakko Pöyry Group's business operations and know-how in the Energy business group and the Environment and Infrastructure business group, in particular. After this acquisition, the Jaakko Pöyry Group, including consolidated and associated companies, is the world's fourth biggest independent consulting engineering firm.

Jaakko Pöyry Group Oyj increased its ownership in Marathon Engineers/Architects/Planners LLC during the financial year from 25.0 per cent to 94.2 per cent. At the same time, Jaakko Pöyry Oy's and the Fluor Daniel Group's North American partnership was dissolved, and the cooperation will be continued in individual projects.

Other changes in the Group structure during the period under review are explained in the section dealing with accounting principles.

BUSINESS GROUPS

Forest Industry

Net sales for the financial year were FIM 622.0 (661.1) million, and the operating profit FIM 93.7 (70.2) million, which equals 15.1 (10.6) per cent of net sales. The profitability was good. The order stock at the end of the year was FIM 270.8 (280.9) million.

Forest Industry Consulting

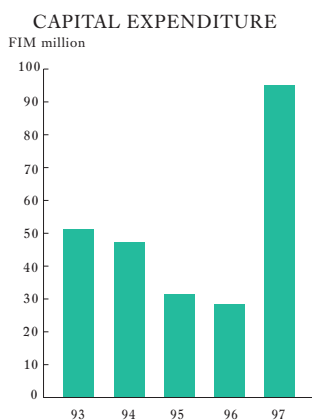
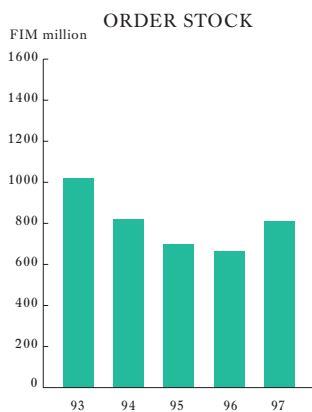
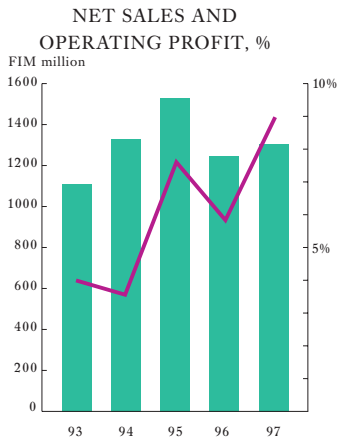
Net sales for the financial year were FIM 216.3 (180.3) million, and the operating profit FIM 16.2 (13.7) million, which equals 7.5 (7.6) per cent of net sales. The profitability was satisfactory. The order stock at the end of the year was FIM 125.9 (124.3) million.

Energy

Net sales for the financial year were FIM 101.9 (84.8) million, and the operating profit FIM 7.8 (10.8) million, which equals 7.7 (12.7) per cent of net sales. The profitability was satisfactory. The order stock at the end of the year was FIM 65.5 (37.0) million.

Environment and Infrastructure

Net sales for the financial year were FIM 111.5 (88.6) million, and the operating profit FIM 15.6 (2.5) million, which equals 14.0 (2.8) per cent of net sales. The profitability was good. The order stock at the end of the year was FIM 70.6 (35.0) million.



Construction

Net sales for the financial year were FIM 112.5 (87.5) million, and the operating profit FIM 10.3 (-1.9) million, which equals 9.2 (-2.2) per cent of net sales. The profitability was good. The order stock at the end of the year was FIM 39.6 (37.3) million.

Process Contracting

Net sales for the financial year were FIM 54.0 (61.8) million, and the operating result was FIM -6.3 (-4.2) million, which equals -11.7 (-6.8) per cent of net sales. The business group declared a loss. The order stock at the end of the year was FIM 233.4 (139.3) million.

The business groups have been debited by the expenses from the parent company in proportion to the amount of personnel and wages and salaries in the business groups.

Other operative companies

Net sales of other operative companies totalled FIM 89.2 (90.1) million, and their operating profit was FIM 1.5 (2.4) million. The order stock at the end of the year was FIM 31.1 (26.4) million.

Electrowatt Engineering, EWE

EWE has been consolidated in accordance with the equity method for the period October 1, 1997 - December 31, 1997, during which period the company's net sales were FIM 191.6 million and earnings FIM 4.3 million. EWE's effect on Group earnings for 1997, after write-offs on consolidation goodwill, amounted to FIM 1.5 million. The EWE Group's net sales for the financial year ended September 30, 1997 were FIM 772.0 million. EWE's order stock at the end of 1997 was FIM 769.4 (729.1 at September 30, 1997) million.

Jaakko Pöyry Engenharia

The associated company Jaakko Pöyry Engenharia Ltda has not been consolidated into the Group. Jaakko Pöyry Engenharia Ltda's operations were unprofitable during the second half of the year and a FIM 10.0 million additional write-off was made on the company's shares in the accounts for 1997.

NET SALES BY MARKET AREAS

The Jaakko Pöyry Group's net sales in 1997 were distributed between regions as follows: the Nordic countries FIM 531.8 million (40.8 per cent), the rest of Europe FIM 333.7 million (25.6 per cent), Asia FIM 206.1 million (15.8 per cent), North America FIM 114.6 million (8.8 per cent), other countries FIM 117.7 million (9.0 per cent).

Of the net sales generated in Asia, China accounted for FIM 69.6 million (5.4 per cent), long-term projects financed from public funds for FIM 56.5 million (4.3 per cent), management consulting services for FIM 26.0 million (2.0 per cent) and engineering and project implementation services for FIM 54.0 million (4.1 per cent).

ORDER STOCK

The order stock has increased during the period under review, amounting to FIM 836.9 (680.2) million at the end of the financial year. Of this total, engineering projects accounted for FIM 567.8 (540.9) million and contracting deliveries for FIM 269.1 (139.3) million. The above-mentioned order stock does not include associated companies' order stocks.

PERSONNEL

The Group employed an average of 2 690 (2 772) people and at the end of the financial year 2 775 (2 646) people. The Group's associated companies employed a total of 3 024 people (2 001), primarily in the EWE Group companies and in the associated companies in Brazil.

RESEARCH AND DEVELOPMENT

The Group's research and development is intended to improve the quality of projects and to promote more efficient implementation. The expenses related to research and development have been booked as an annual expense.

CAPITAL EXPENDITURE

The Group's capital expenditure totalled FIM 95.4 (29.5) million. Capital expenditure on operating fixed assets totalled FIM 35.8 million and expenditure on real estate in the Group's own

use FIM 7.9 million. Investments in associated companies' shares accounted for the remaining FIM 51.7 million.

FINANCING

The Group's liquidity remained good during the financial year. At the end of the year, the Group's cash in hand and at banks totalled FIM 292.5 (204.4) million and interest-bearing liabilities FIM 472.7 (479.3) million, so interest bearing net debts amounted to FIM 180.2 (274.9) million. The net debt/equity ratio (gearing) at the end of the year was 44.0 (110.6) per cent.

Jaakko Pöyry Group Oyj signed a loan agreement with Chase Manhattan International Limited during the financial year for a loan of DEM 100.0 million (FIM 302.8 million). The loan was drawn in November and used to pay off the loans awarded to Jaakko Pöyry Group Oyj by Finvest Oyj. The interest rate is DEM LIBOR based, and the loan will be paid back in equal instalments during the period 2000 - 2002.

In addition to the above-mentioned loan, the Group has pension loans of FIM 151.1 million from pension insurance companies and the Jaakko Pöyry Group's pension foundation, and other loans totalling FIM 18.8 million.

SHARE CAPITAL, SHARES AND STOCK EXCHANGE LISTING

Jaakko Pöyry Group Oyj's share capital at the beginning of 1997 was FIM 51,000,000.00 and the nominal value of the shares FIM 1.00. The preferred capital notes of FIM 120,000,000.00 were converted into shareholders' equity on May 12, 1997 by increasing the share capital by FIM 10,000,000.00 and by transferring FIM 110,000,000.00 to the legal reserve, and increasing the number of shares by 10,000,000. The nominal value of the shares was raised on September 29, 1997 in the ratio of 5:1, reducing the number of shares to 12,200,000 shares and raising the nominal value of the share to FIM 5.00.

The extraordinary meeting of shareholders on October 22, 1997 authorised the Board of Directors to raise the company's share capital

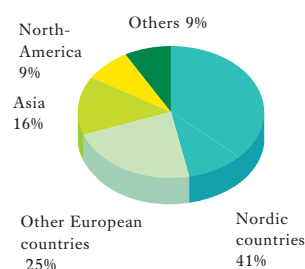
through a targeted issue of shares. On November 12, 1997, the company's Board of Directors decided to issue new shares for the stock exchange listing through a public offering to Finnish and international institutional investors, to the public in Finland and Sweden and to the Group's employees in Finland, offering preliminarily 1,500,000 shares with a nominal value of FIM 5.00 for subscription, deviating from the shareholders' preemptive subscription rights. The preliminary subscription price was FIM 65.00 - 78.00 per share. The Board of Directors made its final decision on the price and allocation of subscriptions on November 25, 1997. The subscription price was set at FIM 65.00 per share, and a total of 1,500,000 shares were issued. The share capital increased by FIM 7,500,000.00 to FIM 68,500,000.00 and FIM 89,531,174.50 was transferred to the share premium reserve. The number of shares after the issue totalled 13,700,000. The company or its subsidiaries do not hold any shares in the company. The company has one series of shares.

In connection with the stock exchange listing, Finvest Oyj sold 6,500,000 of Jaakko Pöyry Group Oyj's shares. Of the total of 8,000,000 shares, about 50.5 per cent were allocated to Nordic institutional investors and about 10.5 per cent to the public in Finland and Sweden and to Jaakko Pöyry Group Oyj's employees in Finland. The remaining 39.0 per cent were allocated to international institutional investors. Following the stock exchange listing issue, 29.5 per cent of Jaakko Pöyry Group Oyj's shares were in foreign ownership. In the share issue, shares were allocated to about 1600 new shareholders.

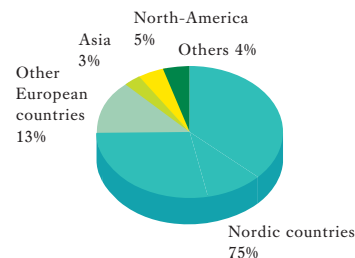
The shares of Jaakko Pöyry Group Oyj were quoted on the Helsinki and Stockholm stock exchanges as of December 2, 1997.

On the Helsinki Stock Exchange, a total of 1.6 million of Jaakko Pöyry Group Oyj's shares were traded during December, corresponding to a turnover of FIM 95.5 million. The average trading price was FIM 59.29, the highest trading price FIM 65.00 and the lowest FIM 54.00.

NET SALES



PERSONNEL



On the Stockholm Stock Exchange, a total of 0.3 million of Jaakko Pöyry Group Oyj's shares were traded during December, corresponding to a turnover of SEK 27.2 million. The average trading price was SEK 84.78 (FIM 58.19), the highest trading price SEK 92.00 (FIM 63.14) and the lowest SEK 75.00 (FIM 51.47).

AUTHORISATION TO ISSUE SHARES

The Board of Directors of Jaakko Pöyry Group Oyj has an authorisation, which is in force until September 30, 1998, to decide on an increase in the company's share capital through the issue of a maximum of 500,000 new shares with a nominal value of FIM 5.00 per share at a subscription price to be decided by the Board of Directors. The shares will be offered to the management as a part of the employee incentive scheme. The company's Board of Directors has decided to propose for the Annual General Meeting to withdraw the authorisation and the Board of Directors propose to the Annual General Meeting that bonds with warrants will be issued to all employees in the Group.

BONDS WITH WARRANTS AND CONVERTIBLE BONDS

Jaakko Pöyry Group Oyj does not have any outstanding bonds with warrants or convertible bonds, and the Board of Directors is not authorised to issue bonds with warrants or convertible bonds.

DIVIDEND POLICY

The company's aim is to pay dividends regularly every year. The dividends to be paid, their size and the time of payment are dependent on the Group's earnings, financial position, capital needs and other factors. The company intends to pursue a stable dividend policy, basically reflecting the development of Group earnings. In

the offering circular describing the stock exchange listing, dated November 12, 1997, it is said that the dividend should be at least 30.0 per cent of the earnings per share for the financial year in question.

BOARD OF DIRECTORS' PROPOSAL

The Board of Directors of Jaakko Pöyry Group Oyj proposes to the Annual General Meeting to be held on March 30, 1998 that a dividend of FIM 1.30 per share be paid, totalling FIM 17.8 million. The proposed dividend corresponds to 32.4 per cent to the earnings per share for the financial year.

BOARD OF DIRECTORS AND PRESIDENT

Members of the Board of Directors of Jaakko Pöyry Group Oyj until October 22, 1997 were Mr Matti Kankaanpää, (Chairman), Mr Henrik Ehrnrooth, (Vice Chairman), Mr Christer Granskog, Mr Timo Jouhki, Mr Niilo Pellonmaa, Mr Jaakko Pöyry, Dr. Sc. h.c., and Mr Kari Stadigh. Members of the Board of Directors elected by the extraordinary general meeting on October 22, 1997 are Mr Heikki Lehtonen, (Chairman), Mr Henrik Ehrnrooth, (Vice Chairman), Mr Olle Alsholm, Mr Matti Lehti, Mr Niilo Pellonmaa and Mr Jaakko Pöyry, Dr. Sc. h.c.

President and CEO of the company is Mr Niilo Pellonmaa.

AUDITORS

Auditors were SVH Coopers & Lybrand Oy, Authorised Public Accountants, with Ms Ulla Holmström, Authorised Public Accountant, as responsible auditor.

PROSPECTS

The Jaakko Pöyry Group's competitiveness and market position are expected to remain stable in 1998.

In view of the current order stock and taking into account the economic prospects in the main markets in Europe, the Group's earnings prospects are favourable for 1998.

The indirect effects of the economic crisis in Asia may affect clients' investment behaviour in the second half of the year, thereby reducing demand for consulting and engineering services.



STATEMENT OF CHANGES IN FINANCIAL POSITION

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
FUNDS GENERATED				
From operations				
Operating profit before depreciation	169.6	133.1	- 15.7	78.1
Financial income and expenses	- 16.2	- 21.8	- 4.2	- 31.9
Extraordinary income and expenses	- 0.6	- 37.7	+129.3	- 48.0
Taxes	- 38.9	- 11.3	- 28.6	- 2.9
Total from operations	113.9	62.3	80.8	- 4.7
Decrease in fixed assets		159.5	160.4	164.0
Decrease in non-current financial assets, net		11.7	112.7	
Decrease in valuation items, net	0.4	13.0		
Share issue	217.0		217.0	
Increase in non-current liabilities, net				282.9
Translation adjustments and changes in group structure	- 5.2	5.6		18.2
	326.1	252.1	570.9	460.4
FUNDS APPLIED				
Capital expenditure, fixed assets	43.7	29.3	4.6	320.8
Increase in non-current financial assets, net	39.3		324.6	116.6
Increase in consolidation goodwill	8.3			
Decrease in minority interest	1.4	1.4		
Decrease in non-current liabilities, net	66.6	282.2	86.2	
Change in net working capital increase (+) decrease (-)	+ 166.8	- 60.8	+ 155.5	+ 23.0
	326.1	252.1	570.9	460.4
SPECIFICATION OF CHANGES IN NET WORKING CAPITAL				
Change in inventories increase (+) decrease (-)		- 1.5		
Change in receivables increase (+) decrease (-)	- 14.7	+ 22.1	+ 5.0	+ 161.9
Change in current investments increase (+) decrease (-)	+ 170.9	- 67.0	+ 172.7	+ 30.7
Change in current liabilities increase (-) decrease (+)	+ 10.6	- 14.4	- 22.2	- 169.6
	+ 166.8	- 60.8	+ 155.5	+ 23.0

STATEMENT OF INCOME

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
1 NET SALES	1 303.9	1 248.1		340.5
Other operating income	13.8	23.6	21.3	24.8
Expenses				
Materials and supplies	- 34.8	- 58.4		
Change in inventories	- 0.0	- 1.9		
External charges	-150.4	- 160.9		- 103.8
Share of associated companies' results	+ 1.8	+ 0.4		
4 Personnel expenses	-704.1	- 684.7	- 4.1	- 126.7
Rents	- 53.1	- 46.0	- 15.6	- 9.2
Other expenses	-207.5	- 187.1	- 17.3	- 47.5
	- 1 148.1	-1 138.6	- 37.0	- 287.2
OPERATING PROFIT BEFORE DEPRECIATION	169.6	133.1	- 15.7	78.1
5 Depreciation on fixed assets and other capitalized expenditure	- 52.7	- 60.4	- 1.4	- 25.9
OPERATING PROFIT AFTER DEPRECIATION	116.9	72.7	- 17.1	52.2
6 Financial income and expenses	- 16.2	- 21.8	- 4.2	- 31.9
PROFIT AFTER FINANCIAL ITEMS	100.7	50.9	- 21.3	20.3
8 Extraordinary income and expenses	- 0.6	- 37.7	+ 129.3	- 48.0
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	100.1	13.2	108.0	- 27.7
Depreciation in excess of plan	13.6	14.2	0.2	51.7
Change in voluntary provisions	1.0	0.0	1.2	0.0
9 Income taxes	- 38.9	- 11.3	- 28.6	- 2.9
PROFIT BEFORE MINORITY INTEREST	75.8	16.1	80.8	21.1
Minority interest	- 7.9	- 4.9		
NET PROFIT FOR THE PERIOD	67.9	11.2	80.8	21.1

BALANCE SHEET

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
ASSETS				
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS				
1 Intangible assets				
Intangible rights	0.1	0.2		
Goodwill	1.6	2.8	0.9	146.8
Consolidation goodwill	206.8	215.0		
Other capitalized expenditure	14.6	6.8	4.4	1.7
	223.1	224.8	5.3	148.5
1 Tangible assets				
Land areas	28.6	27.8	22.1	22.2
Buildings and structures	72.1	63.6		
Machinery and equipment	57.1	60.4	0.5	14.7
Other tangible assets	1.0	0.4	0.3	0.0
	158.8	152.2	22.9	36.9
3.4 Financial assets				
Shares in subsidiaries			251.2	213.4
Shares in associated companies	114.6	85.3	67.7	16.1
Other shares	27.4	29.8	19.3	20.4
Loans receivable	28.3	15.9	240.2	116.6
	170.3	131.0	578.4	366.5
5 VALUATION ITEMS	10.1	11.4		
CURRENT ASSETS				
6 Receivables				
Accounts receivable	327.7	277.1	4.7	93.4
Loans receivable	6.4	119.2	5.8	1.5
Prepaid expenses and accrued income	117.1	75.8	10.4	17.2
Other receivables	26.9	20.7	147.5	51.3
	478.1	492.8	168.4	163.4
Investments				
Other investments	212.6	59.3	191.7	24.6
Cash in hand and at banks	79.9	62.3	11.7	6.1
	1 332.9	1 133.8	978.4	746.0

FIM Million	Group		Parent Company		
	1997	1996	1997	1996	
SHAREHOLDERS' EQUITY AND LIABILITIES					
8	SHAREHOLDERS' EQUITY				
	Restricted				
	Share capital	68.5	51.0	68.5	51.0
	Share premium reserve	89.5	0.0	89.5	0.0
	Legal reserve	120.0	10.0	120.0	10.0
	Other restricted equity	0.0	13.0		
		278.0	74.0	278.0	61.0
	Non-restricted				
	Other non-restricted equity	9.3	- 4.7		
	Retained earnings	20.5	9.3	2.8	- 18.3
	Net profit for the period	67.9	11.2	80.8	21.1
		97.7	15.8	83.6	2.8
9	PREFERRED CAPITAL NOTES	0.0	120.0	0.0	120.0
	MINORITY INTEREST	34.3	27.9		
10	PROVISIONS				
	Accumulated depreciation in excess of plan	0.0	13.6	0.8	4.8
	Other voluntary provisions	0.0	1.0	0.0	13.0
	Obligatory provisions	0.0	0.6	0.0	0.6
11	VALUATION ITEMS	5.9	6.8		
	LIABILITIES				
12	Non-current				
	Loans from credit institutions	313.5	11.1	302.7	3.5
	Pension loans	151.1	63.4	92.0	52.0
	Other non-current liabilities	30.4	367.0	19.2	309.0
		495.0	441.5	413.9	364.5
	Current				
	Loans from credit institutions	4.7	39.9	0.0	15.3
	Pension loans	0.0	0.0	0.0	0.0
	Advances received	120.7	90.4	0.0	26.8
	Accounts payable	78.5	50.1	2.1	21.9
	Accrued expenses and deferred income	178.0	135.9	37.5	38.7
	Other current liabilities	40.1	116.3	162.5	76.6
		422.0	432.6	202.1	179.3
		1 332.9	1 133.8	978.4	746.0

KEY FIGURES ¹⁾

FIM Million	1993	1994	1995	1996	1997
STATEMENT OF INCOME					
Net sales	1 111.5	1 328.8	1 529.6	1 248.1	1 303.9
Operating profit before depreciation	106.8	103.9	173.7	133.1	169.6
Proportion of net sales, %	9.6	7.8	11.4	10.7	13.0
Operating profit after depreciation	44.7	48.2	117.7	72.7	116.9
Proportion of net sales, %	4.0	3.6	7.7	5.8	9.0
Financial income and expenses	- 78.7	- 29.9	- 50.8	- 21.8	- 16.2
Proportion of net sales, %	7.1	2.3	3.3	1.7	1.2
Profit/loss after financial items	- 34.0	18.3	66.9	50.9	100.7
Proportion of net sales, %	3.1	1.4	4.4	4.1	7.7
Extraordinary income and expenses	- 10.0	- 18.3	- 18.2	- 37.7	- 0.6
Profit/loss before appropriations and taxes	- 44.0	0.0	48.7	13.2	100.1
Proportion of net sales, %	4.0	0.0	3.2	1.1	7.7
Appropriations	50.4	10.9	- 8.7	14.2	14.6
Taxes	- 11.5	- 15.5	- 22.2	- 11.3	- 38.9
Minority interest	12.0	- 0.4	- 6.5	- 4.9	- 7.9
Net profit/loss for the period	6.9	- 5.0	11.3	11.2	67.9

¹⁾ The key figures presented for the years ended December 31, 1993 and 1994 are extracted from the consolidated financial statements of JP-Finance Oy, Jaakko Pöyry Group Oyj's predecessor corporation. The key figures presented for the year ended December 1995 have been obtained by adding together the consolidated income statement of JP-Finance Oy for the three months ended March 31, 1995 and the consolidated income statement of Jaakko Pöyry Group Oyj for the immediately succeeding nine months ended December 31, 1995.

²⁾ Current investments, cash in hand and at banks include as at December 31, 1996 also deposits in bank accounts maintained and managed by Finvest Oyj.

³⁾ Depreciation in excess of plan and other provisions are divided into shareholders' equity and deferred tax liability, which is included in non-current liabilities.

⁴⁾ Changes in the figures representing shareholders' equity in 1994 and 1995 are due to the change in the group structure in 1995.

FIM Million	1993	1994	1995	1996	1997
BALANCE SHEET					
Consolidation goodwill	22.8	23.9	274.5	215.0	206.8
Intangible and tangible assets	681.5	520.7	355.2	162.0	175.1
Shares and other non-current investments	169.4	149.1	142.7	131.0	170.3
Valuation items	17.6	22.7	25.3	11.4	10.1
Inventories	14.2	24.8	1.5	0.0	0.0
Receivables	440.6	439.8	470.7	410.0	478.1
Current investments, cash and bank accounts ²⁾	176.9	219.8	188.6	204.4	292.5
ASSETS TOTAL	1 523.0	1 400.8	1 458.5	1 133.8	1 332.9
Shareholders' equity ^{3,4)}	18.4	22.8	138.9	100.7	375.7
Preferred capital notes	120.0	120.0	120.0	120.0	0.0
Minority interest	83.7	88.9	24.4	27.9	34.3
Valuation items	3.6	39.8	7.7	6.8	5.9
Interest bearing liabilities	830.1	687.7	763.1	479.3	472.7
Non-interest bearing liabilities	467.2	441.6	404.4	399.1	444.3
LIABILITIES TOTAL	1 523.0	1 400.8	1 458.5	1 133.8	1 332.9

	1993	1994	1995	1996	1997
PROFITABILITY AND OTHER KEY FIGURES					
Return on investment, %	6.2	7.0	13.5	9.9	15.5
Return on equity, %	-	1.3	17.4	14.9	18.8
Equity ratio, %	16.7	17.6	20.4	23.8	33.8
Equity/Assets ratio, %	14.6	16.5	19.4	21.9	30.8
Net debt/Equity ratio (gearing), %	294.1	202.0	202.8	110.6	44.0
Current ratio	1.4	1.5	1.6	1.4	1.8
Order stock, FIM Million	1 078.8	867.6	710.1	680.2	836.9
Capital expenditure, FIM Million	51.0	48.4	31.7	29.5	95.4
Proportion of net sales, %	4.6	3.6	2.1	2.4	7.3
Personnel in Group companies, December 31	2 780	2 548	2 740	2 646	2 775
Personnel in associated companies, December 31	1 751	1 820	2 110	2 001	3 024
Personnel in Group companies, in average	2 780	2 548	2 705	2 772	2 690

	1993	1994	1995	1996	1997
KEY FIGURES FOR THE SHARES ⁵⁾					
Earnings/share, FIM	- 1.90	0.53	3.51	3.79	4.72
Shareholders' equity/share, FIM	13.57	14.00	25.39	21.65	27.43
Dividend, FIM Million	0.0	0.0	0.0	0.0	17.8 ^{*)}
Dividend/share, FIM					1.30 ^{*)}
Dividend/earnings, %					32.4
Effective return on dividend, %					2.2
Price/earnings multiple					12.3
Issue-adjusted trading prices, FIM					
Average trading price					59.29
Highest trading price					65.00
Lowest trading price					54.00
Total market value of shares, FIM Million					794.6
Trading volume of shares					
Shares, 1 000 pcs					1 610
Proportion of the total volume, %					13.8
Issue-adjusted number of shares, 1 000 pcs					
Average for the fiscal year	10 200	10 200	10 200	10 200	11 658
At the end of the fiscal year	10 200	10 200	10 200	10 200	13 700
^{*)} Board of Director's proposal					

⁵⁾ For all periods presented, earnings per share, equity per share and dividends per share take into account the reverse stock split in 1997. For 1993 and 1994, earnings per share, equity per share and dividends per share are calculated using the average number of shares outstanding for 1995 in order to present comparable ratios for prior and subsequent periods.

CALCULATION OF KEY FIGURES

RETURN ON INVESTMENT, ROI (%)	100 x	$\frac{\text{profit after financial items + interest and other financial expenses}}{\text{balance sheet total - non-interest bearing liabilities (average)}}$
RETURN ON EQUITY, ROE (%)	100 x	$\frac{\text{profit after financial items - taxes}}{\text{shareholders' equity + minority interest + preferred capital notes (average)}}$
EQUITY RATIO (%)	100 x	$\frac{\text{shareholders' equity + minority interest + preferred capital notes}}{\text{balance sheet total - advance payments received}}$
EQUITY/ASSETS RATIO (%)	100 x	$\frac{\text{shareholders' equity + minority interest + preferred capital notes}}{\text{balance sheet total}}$
NET DEBT/EQUITY RATIO, GEARING (%)	100 x	$\frac{\text{interest-bearing liabilities - current investments - cash in hand and at banks}}{\text{shareholders' equity + minority interest + preferred capital notes}}$
CURRENT RATIO		$\frac{\text{current assets}}{\text{current liabilities}}$
EARNINGS/SHARE, EPS		$\frac{\text{profit after financial items - taxes including taxes from appropriations - minority interest}}{\text{issue-adjusted average number of shares for the fiscal year}}$
SHAREHOLDERS' EQUITY/ SHARE		$\frac{\text{shareholders' equity + preferred capital notes}}{\text{issue-adjusted number of shares at the end of the fiscal year}}$
DIVIDEND/SHARE		$\frac{\text{dividend}}{\text{issue-adjusted number of shares at the end of the fiscal year}}$
DIVIDEND/EARNINGS (%)	100 x	$\frac{\text{dividend for the fiscal year}}{\text{profit after financial items - taxes including taxes from appropriations - minority interest}}$
EFFECTIVE RETURN ON DIVIDEND (%)	100 x	$\frac{\text{dividend/share}}{\text{issue-adjusted trading price at the end of the fiscal year}}$
PRICE/EARNINGS MULTIPLE, P/E		$\frac{\text{quoted share price at the end of the fiscal year}}{\text{earnings per share}}$
MARKET VALUE OF SHARE CAPITAL		$\text{number of shares at the end of the fiscal year} \times \text{last trading price at the end of the fiscal year}$
EXCHANGE OF SHARES (%)		$\frac{\text{number of shares exchanged during the fiscal year}}{\text{average number of shares for the fiscal year}}$

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

GROUP FINANCIAL STATEMENTS

The consolidated financial statements include the parent company and the subsidiaries in which the Group owns more than fifty per cent of the voting rights at the end of the fiscal year. The companies in which the Group owns between twenty and fifty per cent have been accounted for as associated companies. Companies acquired during the fiscal year are included in the consolidated financial statements from the date of acquisition. Closed or sold companies have been included until the closing or sales date.

As of 1996, the Jaakko Pöyry Group's companies in Brazil have no longer been consolidated into the Group in accordance with the equity method. The companies are included in the consolidated balance sheet with the value of December 1995. In 1997 the value was decreased by FIM 10.0 million, which is included in other expenses.

CONSOLIDATION PRINCIPLES

Group companies have been consolidated and the inter-company share ownership has been eliminated in accordance with the acquisition method.

Transactions between Group companies, internal receivables and liabilities, internal revenues and expenses, internal dividends as well as gains or losses on the sale of fixed assets have been eliminated.

Minorities have been presented as separate items in the consolidated statement of income and the consolidated balance sheet.

The difference between the acquisition cost and the shareholders' equity on the acquisition date is depreciated over 20 or 10 years. The consolidation goodwill related to the acquisition of the Jaakko Pöyry Group companies in 1995 is depreciated in 20 years, because the acquisition is a long-term investment. On December 31, 1997 the value of the goodwill was FIM 178.0 million. The remainder of the consolidated goodwill, FIM 28.8 million, is depreciated in 10 years. The total amount of depreciation of consolidated goodwill in 1997 was FIM 16.5 million.

Associated companies have been consolidated into the consolidated statement of income and the consolidated balance sheet in accordance with the equity method.

CHANGE IN GROUP STRUCTURE

Jaakko Pöyry Oy was the parent company of the Jaakko Pöyry Group in 1996. Jaakko Pöyry Oy

served both as an operating company in the Forest Industry business group and as the Group's parent company. On December 31, 1996, Jaakko Pöyry Oy was renamed Jaakko Pöyry Group Oy (later Oyj).

On January 1, 1997, the operations of the Forest Industry business group were organized into a subsidiary with the name Jaakko Pöyry Oy. Jaakko Pöyry Group Oyj has since that time functioned as a holding company conducting only administrative operations.

Due to the above the financial information for the Group's parent company is not comparable in 1997 and 1996.

Other changes in the Group structure during 1997 are:

Jaakko Pöyry Group Oyj acquired 49.0 per cent of the shares of the Swiss company Electrowatt Engineering Ltd. The share of Electrowatt Engineering Ltd earnings for the period October 1 - December 31, 1997 is included in the consolidated Statement of Income.

Jaakko Pöyry Oy increased its ownership in Marathon Engineers/Architects/Planners LLC in the United States from 25.0 per cent to 94.2 per cent. The earnings for the period November 1 - December 31, 1997 are included in the consolidated Statement of Income.

In France the Forest Industry business group's operations were transferred from Jaakko Pöyry S.A. to a new company named JP Engineering S.N.C. and the Process Contracting business group's operations to JPI Process Contracting S.N.C.

JP-Suunnittelu Oy bought from the minority shareholders their 10.0 per cent of Papes Oy.

Jaakko Pöyry Group Oyj's ownership in Jaakko Pöyry Consulting Oy decreased from 60.0 per cent to 57.0 per cent in September.

Ekono Energy Ltd bought the shares in the Swedish Startekno AB and founded in England Ekono Energy (UK) Ltd and an associated company (50 per cent) Advance Ekono Co Ltd in Thailand.

Jaakko Pöyry Group Oyj bought from the minority shareholders their 0.1 per cent of Soil and Water Ltd. MV-Arkkitehdit was merged with Soil and Water Ltd. PSV-Soil and Water Ltd. was merged with Pohjois-Suomen Vesitutkimustoimisto Oy. Maalab Oy was merged with Geokeskus Oy.

Jaakko Pöyry Group Oyj bought the real estate company Vesitalo Oy in Oulu, Finland and a real estate investment company Arvest New Zealand B.V.

and its subsidiary Arvest Properties (N.Z.) Ltd in New Zealand.

PROPERTY VALUES

The properties have been valued at original acquisition cost or at yield value below the acquisition cost.

CAPITALIZED EXPENDITURE

Capitalized expenditure includes mainly purchases of computer software.

DEPRECIATION PRINCIPLES

A predetermined schedule has been used in depreciation according to plan on depreciable fixed assets. Depreciation according to plan has been calculated on a straight-line basis. Goodwill will be depreciated over five to ten years. The difference between the acquisition cost and the shareholders' equity on the acquisition date is depreciated over 10 or 20 years.

Capitalized expenditures will be depreciated over three to ten years. For buildings the depreciation period is 20 to 40 years. Machinery and equipment will be depreciated over four to ten years.

VOLUNTARY PROVISIONS AND DEFERRED TAX LIABILITIES

The accumulated depreciation in excess of plan as well as other voluntary provisions are presented as provisions in the financial statements of separate group companies. On group level the provisions are divided into shareholders' equity and deferred tax liability.

INCOME FROM LONG-TERM PROJECTS

The Jaakko Pöyry Group's long-term projects are recognized as income in proportion to the degree of completion of each project. The degree of completion is calculated based on the ratio between the project cost and the total estimated cost of the project. Foreign currency cash flows in long-term projects have been mainly hedged for changes in exchange rates.

The cash flows in foreign currency of long-term projects of JPI Process Contracting Oy have mainly been hedged by forward market contracts. Income from main projects in progress is booked on the basis of the degree of completion, using average exchange rates of the forward market contracts in each project. The currency difference from the booking difference between income recognition of the

average exchange rate and the rate of the origin date of advances has been recognized in the valuation items of the financial statements.

FOREIGN CURRENCY TRANSLATION

The receivables and liabilities of Finnish companies have been translated into Finnish marks at the Bank of Finland middle rate on the balance sheet date. Balance sheet items in foreign currency which have been protected by binding agreements have been translated into Finnish marks according to agreed rates. The result for the forward exchange transactions has been booked on the basis of realization. Open forward contracts have been translated according to the exchange rate on the balance sheet date, except for forward contracts related to order stock, and the exchange gains (losses) are taken into income.

The balance sheet and income statement items of non-Finnish subsidiaries have been translated into Finnish marks at the Bank of Finland middle rate on the balance sheet date. The translation adjustment on equity between the balance sheet date and the date of acquisition is included in the unrestricted shareholders' equity.

PENSION ARRANGEMENTS

For Finnish companies, the statutory pension liabilities are generally satisfied through contracts with insurance companies. Voluntary pensions are organized through pension insurances and the companies' own pension foundations. Employees who are members of the Jaakko Pöyry Group pension foundation have the right to retire at the age of 60, 62 or 63. Employees who are members of Soil and Water Ltd's pension foundation have the right to retire at the age of 62.

The unfunded pension liabilities in the Jaakko Pöyry Group and Soil and Water Ltd at the end of the period were FIM 19.2 (18.8) million. On the Group level, unfunded pension liabilities of FIM 1.8 million have been recognized as expenses in 1997 and FIM 7.3 million before that. Unfunded liabilities have been presented in the assets in the valuation items and in the liabilities as a non-current liability. The pension foundations have been closed.

Subsidiaries outside Finland organize their pension arrangements in accordance with the practice of each country.

NOTES TO THE STATEMENT OF INCOME

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
1. NET SALES				
Net sales by division				
Engineering	905.4	912.8		340.5
Consulting	306.6	269.3		
Contracting	75.5	52.5		
Other	16.4	13.5		
Total	1 303.9	1 248.1		340.5
Net sales by area				
The Nordic Countries	531.8	629.9		239.2
Other Europe	333.7	268.7		56.7
Asia	206.1	172.4		24.0
North America	114.6	79.2		17.3
Others	117.7	97.9		3.3
Total	1 303.9	1 248.1		340.5
2. PERCENTAGE-OF-COMPLETION PROJECTS				
Amount recognized as income from percentage-of-completion projects	813.8	838.3		340.5
Amount recognized as net sales during the fiscal year or earlier from uncompleted percentage-of-completion projects	1 286.9	1 208.1		539.8
Net sales from percentage-of-completion projects included in accrued income	49.9	15.5		
Advance payments received from percentage-of-completion projects	96.7	54.9		
Expenses from percentage-of-completion projects included in accrued expenses	5.8	1.0		
3. ORDER STOCK				
Order stock of uncompleted percentage-of-completion projects	658,9	445,7		156,8
Order stock of projects, which are recognized as income when delivered	178,0	234,5		
Total	836,9	680,2		156,8

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
4. PERSONNEL EXPENSES				
Wages and salaries	551.5	538.7	3.4	102.7
Pension expenses	62.1	59.1	0.1	13.5
Other personnel expenses	90.5	86.9	0.6	10.5
	704.1	684.7	4.1	126.7
Fringe benefits	5.4	5.3	0.4	1.5
Total	709.5	690.0	4.5	128.2
Members of the Board of Directors and Company Presidents				
Salaries paid	22.6	20.2	0.3	2.4
Emoluments paid	2.0	1.8	0.0	0.3
Pension expenses	2.2			
Other personnel expenses	6.1			
	32.9		0.3	
Fringe benefits	0.7		0.2	
Total	33.6		0.5	
The salary paid to the President of the parent company was FIM 0.9 million in 1997 the value of the fringe benefits was FIM 0.1 million. The amounts are debited Jaakko Pöyry Group Oyj by Finvest Oyj as Management Fee.				
The Chief Executive Officer is eligible to receive pension at age 60.				
Other personnel expenses include statutory and voluntary personnel expenses.				
5. DEPRECIATION				
Depreciation according to plan				
Intangible rights	0.0	0.2		
Goodwill	0.4	4.7	0.9	12.6
Consolidation goodwill	16.5	20.5		
Other capitalized expenditure	3.1	3.6	0.2	1.8
Buildings and structures	1.8	5.5	0.0	3.4
Machinery and equipment	31.4	30.5	0.3	8.1
Other tangible assets	0.1	0.1	0.0	0.0
Total	53.3	65.1	1.4	25.9
Decrease in consolidation reserve	- 0.6	- 4.7		
Total	52.7	60.4		
Change in accumulated depreciation in excess of plan				
Goodwill	- 0.9	- 3.0	0.0	- 2.9
Other capitalized expenditure	- 1.0	- 0.1	- 0.1	- 0.3
Buildings and structures	- 5.1	- 45.4	0.0	- 45.2
Machinery and equipment	- 6.6	- 3.4	- 0.1	- 3.3
Extra depreciation of consolidation goodwill		+37.7		
Total	- 13.6	- 14.2	- 0.2	- 51.7

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
6. FINANCIAL INCOME AND EXPENSES				
Financial income				
Dividend income	0.2	0.7	5.0	4.8
Interest income from non-current investments	1.5	0.0	3.3	7.3
Interest income from current investments	5.2	13.2	1.4	3.1
Other interest income	1.6	0.9	0.0	5.0
Other financial income	0.5	1.1	0.0	0.0
Exchange rate gains	18.9	18.2	12.6	15.8
Total	27.9	34.1	22.3	36.0
Financial expenses				
Interest expenses	25.3	41.5	15.5	39.9
Other financial expenses	2.7	4.4	1.8	3.4
Exchange rate losses	16.1	10.0	9.2	24.6
Total	44.1	55.9	26.5	67.9
7. INTER-COMPANY FINANCIAL INCOME AND EXPENSES				
Financial income from Group companies				
Dividend income			3.6	3.9
Interest income from non-current investments			2.3	6.3
Other interest income			0.0	0.2
Total			5.9	10.4
Financial expenses to Group companies				
Interest expenses			0.8	16.1
Total			0.8	16.1
8. EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income				
Group contribution			137.5	49.8
Other extraordinary income	1.2	0.5	0.6	0.0
Total	1.2	0.5	138.1	49.8
Extraordinary expenses				
Group contribution		31.8	7.5	36.4
Loss on sale of fixed assets		0.0	0.0	53.5
Depreciation of receivables and shares		3.1	1.3	7.1
Other extraordinary expenses	1.8	3.3	0.0	0.8
Total	1.8	38.2	8.8	97.8
9. TAXES				
Taxes for the fiscal year	37.8	9.4	28.4	1.5
Taxes for previous years	- 1.4	1.9	0.2	1.4
Deferred taxes on voluntary provisions	2.5			
Total	38.9	11.3	28.6	2.9

NOTES TO THE BALANCE SHEET

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
1. INTANGIBLE AND TANGIBLE ASSETS				
Intangible assets				
Intangible rights				
Acquisition value Jan. 1	0.5	1.2		
Increase	+ 0.1	+ 0.2		
Decrease	- 0.5	- 0.9		
Accumulated depreciation according to plan	- 0.0	- 0.3		
Book value Dec. 31	0.1	0.2		
Goodwill				
Acquisition value Jan. 1	10.7	10.6	163.7	10.1
Increase	+ 0.0	+ 0.1	+ 0.0	+ 153.6
Decrease	- 7.4	- 0.0	- 160.2	- 0.0
Accumulated depreciation according to plan	- 1.7	- 7.9	- 2.6	- 16.9
Book value Dec. 31	1.6	2.8	0.9	146.8
Accumulated depreciation in excess of plan Jan. 1				
	0.9	3.8	0.9	3.8
Change	- 0.9	- 2.9	- 0.0	- 2.9
Accumulated depreciation in excess of plan Dec. 31	0.0	0.9	0.9	0.9
Consolidation goodwill				
Acquisition value Jan. 1	248.1	287.1		
Increase	+ 17.1	+ 12.8		
Decrease	- 8.8	- 51.8		
Accumulated depreciation according to plan	- 49.6	- 33.1		
Book value Dec. 31	206.8	215.0		
Other capitalized expenditure				
Acquisition value Jan. 1	13.3	10.1	4.8	4.4
Increase	+ 11.3	+ 3.8	+ 4.3	+ 0.4
Decrease	- 0.4	- 0.6	- 2.5	- 0.0
Accumulated depreciation according to plan	- 9.6	- 6.5	- 2.2	- 3.1
Book value Dec. 31	14.6	6.8	4.4	1.7
Accumulated depreciation in excess of plan Jan. 1				
	1.0	1.1	0.5	0.8
Change	- 1.0	- 0.1	- 0.5	- 0.3
Accumulated depreciation in excess of plan Dec. 31	0.0	1.0	0.0	0.5
Tangible assets				
Land areas				
Acquisition value Jan. 1	27.8	30.1	22.2	22.2
Increase	+ 0.8	+ 0.0	0.0	0.0
Decrease	- 0.0	- 2.3	- 0.1	0.0
Book value Dec. 31	28.6	27.8	22.1	22.2

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
Buildings and structures				
Acquisition value Jan. 1	67.1	265.5		163.0
Increase	+ 10.5	+ 0.0		+ 0.0
Decrease	- 0.0	- 198.4		- 141.4
Accumulated depreciation according to plan	- 5.5	- 3.5		- 21.6
Book value Dec. 31	72.1	63.6		0.0
Accumulated depreciation in excess of plan Jan. 1	4.9	50.3		45.2
Change	- 4.9	- 45.4		- 45.2
Accumulated depreciation in excess of plan Dec. 31	0.0	4.9		0.0
Machinery and equipment				
Acquisition value Jan. 1	114.6	94.3	29.9	27.9
Increase	+ 31.1	+ 25.1	+ 0.4	+ 2.6
Decrease	- 7.5	- 4.8	- 29.1	- 0.6
Accumulated depreciation according to plan	- 81.1	- 54.2	- 0.7	- 15.2
Book value Dec. 31	57.1	60.4	0.5	14.7
Accumulated depreciation in excess of plan Jan. 1	6.6	10.0	3.3	6.6
Change	- 6.6	- 3.4	- 3.4	- 3.3
Accumulated depreciation in excess of plan Dec. 31	0.0	6.6	- 0.1	3.3
Other tangible assets				
Acquisition value Jan. 1	0.5	0.9	0.0	
Increase	+ 0.7	+ 0.1	+ 0.4	
Decrease	- 0.0	- 0.5	0.0	
Accumulated depreciation according to plan	- 0.2	- 0.1	- 0.1	
Book value Dec. 31	1.0	0.4	0.3	

2. TAXATION VALUES OF FIXED ASSETS

Land areas	16,6	16,6	16,2	16,2
Buildings and structures	4,5	1,6		
Shares in Finnish subsidiaries			96,1	148,5
Shares in Finnish associated companies	8,4	9,2	7,4	5,2
Other Finnish shares	11,0	13,0	7,1	7,4

Only the Finnish companies' taxation values of fixed assets are included.
If there are no taxation values, book values are used.

	Group ownership of voting rights, %	Parent company ownership of voting rights, %	Group share of equity MFIM	Parent company MFIM	Book value Other Group company MFIM	Net sales MFIM	Personnel	Net profit/loss for the last fiscal year MFIM
3. SHARE OWNERSHIP								
Group companies:								
Forest Industry								
Jaakko Pöyry Oy, Vantaa, Finland	100.0	100.0	146.2	145.3		336.4	444	0.9
JP-Suunnittelu Oy, Vantaa, Finland	100.0		22.3		21.6	166.4	470	0.0
Papes Oy, Tampere, Finland	100.0		1.3		1.1	6.0	12	0.1
Jaakko Pöyry AB, Sweden	100.0		6.0		43.0	0.2		0.0
JP Projektteknik AB, Sweden	100.0		21.5		1.0	72.6	144	1.4
JP Engineering A/S, Norway	55.0		4.4		1.5	35.1	59	1.1
Jaakko Pöyry Deutschland GmbH, Germany	100.0		-0.7		0.9	25.7	54	3.0
JP Engineering S.N.C., France	100.0		1.5		1.8	9.7	15	-0.3
Jaakko Pöyry Southern Africa B.V., Southern Africa	100.0		2.2		6.5	21.5	40	1.1
Marathon Engineers/Architects/Planners LLC, USA	94.2		13.9		28.4	26.1	112	0.6
P.T. Jaakko Pöyry, Indonesia	80.0		-8.4		0.0	9.8	24	-0.8
Jaakko Pöyry (Thailand) Co., Ltd, Thailand	100.0		-3.1		1.0	15.8	8	-3.4
Jaakko Pöyry Pty Ltd, Australia	100.0		-0.1		0.0	2.0	1	0.3
Forest Industry Consulting								
Jaakko Pöyry Consulting Oy, Vantaa Finland	57.0	57.0	15.3	18.7		112.7	123	11.1
Jaakko Pöyry Consulting AB, Sweden	57.0		0.4		2.6	21.8	30	0.2
Interforest AB, Sweden	57.0		0.0		0.0			
Jaakko Pöyry Consulting (UK) Ltd, United Kingdom	57.0		1.3		0.6	32.2	28	0.3
Jaakko Pöyry Consulting Inc., USA	57.0		3.8		0.0	38.6	30	2.0
Jaakko Pöyry Consulting (Asia-Pacific) Pte Ltd, Singapore	57.0		1.4		1.5	11.3	12	0.4
Margules Pöyry Pty Ltd, Australia	37.2		0.5		0.7	7.8	15	-0.1
Groome Pöyry Ltd, New Zealand	36.0		1.0		1.4	23.0	22	0.4
Anzdec Ltd, New Zealand	36.0		0.0		0.3		4	0.0
Agrico Ltd, New Zealand	36.0		0.0		0.0			0.1
JP Operations Management Ltd Oy, Vantaa, Finland	58.1		1.2		0.8	7.9	4	1.2
Energy								
Ekono Energy Ltd, Espoo, Finland	100.0	100.0	19.3	7.2		96.0	174	6.1
Procedo Oy, Espoo, Finland	100.0		1.4		0.0	5.8	1	-0.4
Ekono Startekno AB, Sweden	100.0		-0.8		0.1	4.6	9	-0.2
Ekono Energy (UK) Ltd, United Kingdom	100.0		0.3		0.6	2.1	2	-0.4
Ekono Energy (Asia) Pte Ltd, Singapore	100.0		-1.6		0.5	1.8	5	-1.5
Environment and Infrastructure								
Soil and Water Ltd, Helsinki, Finland	100.0	100.0	18.5	2.1		97.9	246	1.7
PSV-Soil and Water Ltd, Oulu, Finland	100.0		1.3		2.2	14.6	46	-0.3
Geokeskus Oy, Helsinki, Finland	100.0		1.1		0.6	8.6	18	0.5
Soil and Water International Oy, Helsinki, Finland	100.0		0.3		0.1			0.0
Soil & Water Portugal -Consultores Lda, Portugal	100.0				0.0			

	Group ownership of voting rights, %	Parent company ownership of voting rights, %	Group share of equity MFIM	Parent company MFIM	Book value Other Group company MFIM	Net sales MFIM	Personnel	Net profit/loss for the last fiscal year MFIM
Construction								
JP-Kakko Oy, Vantaa, Finland	100.0	100.0	6.2	6.4		35.3	111	0.0
JP Building Engineering Ltd, Espoo, Finland			6.0		6.4	48.8	143	0.0
JP-Projektivalvelu Oy, Espoo, Finland	100.0	100.0	1.4	0.0		3.0	8	0.2
JP-Terasto Oy, Vantaa, Finland	100.0	100.0	3.2	2.9		35.8	50	0.0
Jaakko Pöyry Group Projects Ltd Oy, Vantaa, Finland	100.0		0.1		0.0	0.8		0.0
East Engineering Ltd Oy, Vantaa, Finland	100.0		0.2		0.1	15.9		0.0
JP-Terasto Eesti Oü, Estonia	80.0		0.1		0.0	0.8	4	0.0
SIA JP-Terasto, Latvia	100.0		0.0		0.0	0.0		0.0
ZAO JP-Terasto, Russia	100.0		0.0		0.1	1.9	7	0.0
Process Contracting								
JPI Process Contracting Oy, Helsinki, Finland	100.0	100.0	34.0	22.9		32.0	38	5.4
JPI Process Contracting S.N.C., France	100.0		-0.4		2.7	31.5	20	-3.1
Jaakko Pöyry BCEL Engineering Ltd, China	51.0		1.2		1.4			0.0
Other								
Heymo Ingenieria S.A., Spain	60.8	60.8	8.6	7.6		39.7	133	1.5
Retma S.A., France	100.0		4.3		3.9	30.0	55	-0.2
SEEI S.A., France	100.0		3.4		9.3	20.1	37	0.1
Jaakko Pöyry S.A., France	100.0	100.0	10.2	13.3		7.3	1	1.6
JP-Sijointus Oy, Helsinki, Finland	100.0	100.0	4.6	2.5		0.9		-0.1
JP-Innoventia Oy, Vantaa, Finland	100.0	100.0	2.0	0.7		0.0		0.1
Kiinteistö Oy Kalevalankuja 10, Oulu, Finland	100.0	100.0	0.7	0.9				0.0
Vesitalo Oy, Oulu, Finland	100.0	100.0	0.9	2.5				0.1
Jaakko Pöyry Holding AB, Sweden	100.0	100.0	13.7	14.8				0.0
JP Fastighets AB, Sweden	100.0		1.4		19.8			0.0
Dølasletta Eiendom A.S., Norway	100.0	100.0	-1.4	0.0				-0.2
SCI J.P.R. Pecq, France	100.0		0.3		0.1			0.2
JP-Finanz AG, Switzerland	70.0	70.0	2.9	2.9		2.9		0.0
Jaakko Pöyry Espanola S.A., Spain	100.0	100.0	1.3	0.4				0.9
Jaakko Pöyry (USA) Inc., USA	100.0		82.6		15.0			-0.1
JP-Marathon Inc., USA	100.0		20.8		50.5			-0.3
Jaakko Pöyry Inc., USA	100.0		6.2		68.9			-0.1
Jaakko Pöyry Canada Ltd, Canada	100.0		0.0		0.0			0.0
Jaakko Pöyry Tecnologia s.c. Ltda, Brazil	100.0		33.8		30.0			-0.4
JP Representações e Participações Ltda, Brazil	70.0		10.6		29.1			-0.2
Arvest New Zealand B.V. Netherlands	100.0	100.0	3.3	0.1				1.4
Arvest Properties (N.Z.) Ltd, New Zealand	100.0		-1.5		0.3			-0.1
JP New Zealand Ltd, New Zealand	100.0		0.0		0.0	0.3		0.1
Proratio Engineering GmbH, Austria	100.0	100.0	-0.6	0.0				0.0
JP Projectos Industriais Lda, Portugal	100.0	100.0		0.0				-2.2
Jaakko Pöyry spol S.R.O., Czech Republic	100.0	100.0	0.0	0.0				
Konsofin Consulting Engineers, Russia	70.0	70.0		0.0				
Alcora Trading S.A., Uruguay	100.0	100.0		0.0				

	Group ownership of voting rights, %	Parent company ownership of voting rights, %	Group share of equity MFIM	Parent company MFIM	Book value Other Group company MFIM	Net sales MFIM	Personnel	Net profit/loss for the last fiscal year MFIM
Associated companies:								
Forest Industry								
Jaakko Pöyry Engenharia Ltda, Brazil	40.0		24.6		33.1			-27.6
Jaakko Pöyry Commercial Exp. e Imp. Ltda, Brazil	40.0		0.0		0.0			0.4
Diedro Viagens Ltda, Brazil	38.0		0.2		0.1			0.2
Jaakko Pöyry Construction (South America) S.A., Uruguay	50.0	50.0	0.3	0.5				-0.4
Jaakko Pöyry Engineering (South America) S.A., Uruguay	50.0	50.0	0.4	0.3				1.9
Jaakko Pöyry Consulting (South America) S.A., Uruguay	50.0	50.0	0.0	0.0				0.0
Consulting Forest Industry								
International Resources Group Ltd, USA	19.6		2.1		2.4			2.8
Oy FEG-Forest and Environment Group Ltd, Joensuu, Finland	17.1		0.1		0.2			-0.1
Energy								
Electrowatt Engineering Ltd, Switzerland	49.0	49.0	31.4	51.5				36.0
Polartest Oy, Vantaa, Finland	20.0		1.0		0.5			2.4
Korea District Heating Engineering Company Ltd, Korea	50.0		2.8		1.1			1.7
Advance Ekono Co. Ltd, Thailand	49.0				0.2			
Environment and Infrastructure								
Entec A/S, Estonia	42.0		0.0		0.1			
Soil and Water Mesar Inc., Canada	50.0		0.0		0.1			
Associated companies, real estate								
Martinparkki Oy, Vantaa, Finland	50.0	50.0	13.6	13.4				0.0
Kiinteistö Oy Manuntori, Joutseno, Finland	34.2	34.2	1.8	1.6				0.0
SCI Le Pecq, France	50.0		20.3		20.3			0.0
Pembroke S.A., Uruguay	50.0	50.0	0.5	0.3				-0.1
Accumulated influence on the earnings and the balance sheet			15.5		-11.2			
Total associated companies			114.6	67.7	46.9			
Other share ownership:								
Devecon Oy	19.0				0.2			
Helsingin Puhelinyhdistys				0.2	0.6			
Industry Council for Development Services B.V.				0.2				
Jaakko Pöyry Hungaria Engineering Ltd	19.9			0.2				
Hadwaco Ltd Oy	1.0				0.2			
Shares in condominiums and in real estate companies				16.8	5.6			
Other shares				1.9	1.5			
Total other shares				19.3	8.1			

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
4. NON-CURRENT INVESTMENTS				
Shares in Group companies			251.2	213.4
Loans receivable from Group companies			216.3	115.1
Total			467.5	328.5
Shares in associated companies	114.6	85.3	67.7	16.1
Loans receivable from associated companies	24.6	13.6	22.9	1.5
Total	139.2	98.9	90.6	17.6
Other shares	27.4	29.8	19.3	20.4
Other loans receivable	3.7	2.3	1.0	0.0
Total	31.1	32.1	20.3	20.4
5. VALUATION ITEMS				
Valuation items Jan. 1	11.4	25.3		
Decrease	- 1.3	- 13.9		
Valuation items Dec. 31	10.1	11.4		
Valuation items are unfunded liabilities in own pension foundations.				
6. RECEIVABLES WITH DUE DATE AFTER ONE YEAR OR LATER				
Accounts receivable	0.1	0.3		
Loans receivable	0.0	1.6	240.2	116.6
Prepaid expenses and accrued income	1.1	2.3		
Other receivables	5.0	0.4		
Total	6.2	4.6	240.2	116.6
7. CURRENT RECEIVABLES FROM GROUP COMPANIES AND ASSOCIATED COMPANIES				
Accounts receivable		0.1	1.3	10.5
Loans receivable		111.4	0.0	0.1
Prepaid expenses and accrued income		0.2	7.8	0.5
Other receivables		0.0	139.1	50.1
Total Group companies		111.7	148.2	61.2
Accounts receivable	2.8	4.2	0.0	2.5
Prepaid expenses and accrued income	0.5	0.0	0.0	0.0
Other receivables	1.9	0.7	1.8	0.7
Total associated companies	5.2	4.9	1.8	3.2

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
8. SHAREHOLDERS' EQUITY				
Restricted equity				
Share capital Jan. 1	51.0	51.0	51.0	51.0
Share issue	17.5	0.0	17.5	0.0
Share capital Dec. 31	68.5	51.0	68.5	51.0
Share premium reserve Jan. 1	0.0		0.0	
Share issue	89.5		89.5	
Share premium reserve Dec. 31	89.5		89.5	
Legal reserve Jan. 1	10.0	10.0	10.0	10.0
Share issue	110.0	0.0	110.0	0.0
Legal reserve Dec. 31	120.0	10.0	120.0	10.0
Translation adjustments Jan. 1	13.0	0.9		
Change	- 13.0	12.1		
Translation adjustments Dec. 31	0.0	13.0		
Restricted equity Dec. 31	278.0	74.0	278.0	61.0
Non-restricted equity				
Translation adjustments Jan. 1	- 4.7	1.2		
Change	14.0	- 5.9		
Translation adjustments Dec. 31	9.3	- 4.7		
Retained earnings Jan. 1	20.5	9.3	2.8	- 18.3
Net profit/loss for the period	67.9	11.2	80.8	21.1
Retained earnings Dec. 31	88.4	20.5	83.6	2.8
Non-restricted equity Dec. 31	97.7	15.8	83.6	2.8
From voluntary provisions	- 5.9	0.0		
Distributable earnings Dec. 31	91.8	15.8		
9. PREFERRED CAPITAL NOTES				
Preferred capital notes Dec. 31		120.0		120.0
In 1997 Finvest Oyj converted the loan into shareholders' equity.				
10. PROVISIONS				
Consolidation reserve Jan. 1	0.0	4.7		
Increase	0.6	0.0		
Depreciated	- 0.6	- 4.7		
Consolidation reserve Dec. 31	0.0	0.0		
Accumulated depreciation in excess of plan Jan. 1	13.6	65.5	4.8	56.5
Decrease	- 13.6	- 51.9	- 4.0	- 51.7
Accumulated depreciation in excess of plan Dec. 31	0.0	13.6	0.8	4.8
Other voluntary provisions Jan. 1	1.0	18.8	13.0	13.0
Decrease	- 1.0	- 17.8	- 13.0	- 0.0
Other voluntary provisions Dec. 31	0.0	1.0	0.0	13.0
Obligatory provisions Jan. 1	0.6	2.4	0.6	0.7
Decrease	- 0.6	- 1.8	- 0.6	- 0.1
Obligatory provisions Dec. 31	0.0	0.6	0.0	0.6

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
11. VALUATION ITEMS				
Valuation items Jan. 1	6.8	7.7		
Decrease	- 0.9	- 0.9		
Valuation items Dec. 31	5.9	6.8		
Valuation items include unrealized exchange rate gains from long term projects.				
12. LOANS WITH DUE DATE AFTER FIVE YEARS OR LATER				
Loans from credit institutions	0.2	0.2		
Pension loans	49.1	62.2	2.0	52.0
Other non-current loans	3.4	362.8	19.2	
Total	52.7	425.2	21.2	52.0
13. LOANS ACCORDING TO MATURITY				
Year 1997		41.2		15.3
Year 1998	5.8	2.1		108.1
Year 1999	41.2	8.5	30.0	1.0
Year 2000	134.6	1.2	130.9	202.5
Year 2001	134.6	1.1	130.9	0.9
Year 2002	103.8	1.2	100.9	0.0
Later	52.7	424.0	21.2	52.0
Total	472.7	479.3	413.9	379.8
14. NON-CURRENT LOANS FROM GROUP COMPANIES				
Other non-current loans		312.6	19.2	309.0
Total		312.6	19.2	309.0
15. CURRENT LIABILITIES FROM GROUP COMPANIES AND ASSOCIATED COMPANIES				
Accounts payable		0.0	0.7	13.3
Accrued expenses and deferred income		0.6	4.1	0.7
Other current liabilities		55.6	160.8	68.5
Total Group companies		56.2	165.6	82.5
Accounts payable	0.3	2.2	0.0	1.9
Other current liabilities	0.0	0.6	0.0	0.0
Total associated companies	0.3	2.8	0.0	1.9

OTHER NOTES

FIM Million	Group		Parent Company	
	1997	1996	1997	1996
1. CONTINGENT LIABILITIES				
For own debt				
Pledged assets	27.5	64.3	22.4	64.3
Pledged accounts receivable	0.0	71.0	0.0	0.0
Mortgages, real estate	8.1	13.8	0.0	0.0
Mortgages on company assets	36.0	61.3	5.0	30.0
Total	71.6	210.4	27.4	94.3
Other obligations				
Pledged assets	9.0	0.5	8.6	0.0
Mortgages, real estate	14.8	0.0	0.0	0.0
Rent and leasing obligations	220.6	194.3	146.6	151.2
Pension obligations	2.3	2.4	2.3	2.4
Other obligations	63.7	21.4	0.0	0.0
Total	310.4	218.6	157.5	153.6
For Group companies				
Mortgages, real estate			1.2	
Other obligations			74.9	50.2
Total			76.1	50.2
For associated companies				
Other obligations	0.0	22.5	0.0	22.5
Total	0.0	22.5	0.0	22.5
For others				
Pledged assets	15.0	15.0	15.0	15.0
Pledged accounts receivable	0.0	0.0	0.0	30.7
Mortgages, real estate	22.2	22.2	22.2	22.2
Total	37.2	37.2	37.2	67.9
Total				
Pledged assets	51.5	79.8	46.0	79.3
Pledged accounts receivable	0.0	71.0	0.0	30.7
Mortgages, real estate	45.1	36.0	23.4	22.2
Mortgages on company assets	36.0	61.3	5.0	30.0
Rent and leasing obligations	220.6	194.3	146.6	151.2
Pension obligations	2.3	2.4	2.3	2.4
Other obligations	63.7	43.9	74.9	72.7
2. RENT AND LEASING OBLIGATIONS				
Leasing contracts with due date after one year or later will be due according to the following:				
Year 1997		25.4		13.7
Year 1998	38.8	22.3	13.5	13.7
Year 1999 - 2002	82.7	66.8	46.6	13.7
Later	99.1	79.8	86.5	110.1
Total	220.6	194.3	146.6	151.2
3. DERIVATIVE INSTRUMENTS				
The notional value of the derivative instruments used for hedging against the foreign exchange risk and not shown on the balance sheet:				
Foreign exchange forward contracts	151.8	139.6	147.1	131.1

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFIT

The Consolidated Balance Sheet at December 31, 1997 shows the distributable non-restricted equity to stand at

FIM 91 815 000.00

The parent company's non-restricted equity is

Retained earnings FIM 2 830 202.33

Net profit for the period FIM 80 751 639.35

FIM 83 581 841.68

The Board of Directors proposes that a dividend of

FIM 1.30 per share be paid on

the share capital of FIM 68 500 000.00

FIM 17 810 000.00

the remainder be transferred to retained earnings, thus

FIM 65 771 841.68

FIM 83 581 841.68

Vantaa, February 26, 1998

JAAKKO PÖYRY GROUP OYJ

Board of Directors



Heikki Lehtonen



Henrik Ehrnrooth



Olle Alsholm



Matti Lehti



Niilo Pellonmaa
President and CEO



Jaakko Pöyry

AUDITORS' REPORT

TO THE SHAREHOLDERS OF JAAKKO PÖYRY GROUP OYJ

We have audited the accounting, the financial statements and the administration of Jaakko Pöyry Group Oyj for the period January 1 - December 31, 1997. The financial statements, which have been prepared by the Board of Directors and the President and CEO, include the report of the Board of Directors, consolidated and parent company income statements and balance sheets and notes to the financial statements. Based on our audit we express our opinion on these financial statements and on the administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. In this respect, we have on a test basis examined evidence supporting the amounts and disclosures in the financial statements, assessed the accounting principles used and significant estimates made by the management as well as evaluated the overall financial statement presentation to obtain reasonable assurance about whether the financial statements, are to a substantial extent, correctly prepared. The purpose of our audit of the administration is to examine whether the Board of Directors and the President and CEO have legally complied with the rules of the Companies Act.

In our opinion the financial statements showing a profit of FIM 80 751 639.35 for the parent company and a profit of FIM 67 941 000.00 for the Group have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as the financial position. The financial statements together with the consolidated financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal of the Board of Directors regarding the disposal of the profit is in compliance with the Companies Act.

Vantaa February 26, 1998

SVH Coopers & Lybrand Oy
Authorised Public Accountants



Ulla Holmström
Authorised Public Accountant



FOREST INDUSTRY



Jaakko Pöyry is a global leader in forest industry engineering. In Europe, the Group's market share is about 60 per cent, globally 30 - 40 per cent. Over the past 40 years, Jaakko Pöyry has been main engineering consultant for more than 300 major pulp and paper mill projects.

The market is divided between three practice areas: new projects, rebuilds and maintenance. For new projects, engineering work is organised through Jaakko Pöyry Oy's headquarters in Finland, projects for rebuilds and maintenance engineering typically through local offices. New projects account for about half of the business group's net sales, rebuilds and maintenance projects for about 25 per cent each. Non-cyclical rebuilds and maintenance engineering projects will account for a growing share of net sales.

The business group provides project development and implementation services and addresses all aspects of industrial projects, including process engineering, procurement services, civil and structural engineering, detail engineering, project management, construction management, erection supervision, operator training and start-up assistance.

The Forest Industry business group, in cooperation with the other business groups, strives to provide a comprehensive service package, also taking into account the investment project's energy, environmental protection and construction needs.

The business group's clients include all leading forest products companies in the Nordic countries and several major forest products companies in Western and Southern Europe, Asia and South and North America.

IMPROVED PROFITABILITY

The work load and net sales of the Forest Industry business group remained at the previous year's level during 1997. The centre of gravity in the market shifted away from Fin-

land and Scandinavia towards Western Europe, and also the group's Asian projects proceeded according to plan. The profitability of the business improved in 1997.

A LOCAL OFFICE IN THE UNITED STATES

Jaakko Pöyry Oy increased its shareholding in the US forest industry consulting firm Marathon LLC from 25.0 per cent to 94.2 per cent. At the same time, Jaakko Pöyry Oy's and the Fluor Daniel Group's North American partnership was dissolved, and the cooperation will continue case by case. Situated at Appleton, Wisconsin, Marathon has net sales of about FIM 80 million, employing a total of 140 people. Jaakko Pöyry Oy will continue to develop Marathon's services with a view to serving the local forest products industry and handling rebuild projects.

In Germany, engineering services were concentrated in Jaakko Pöyry Deutschland GmbH's office near Dresden.

THE WORLD'S BIGGEST NEWSPRINT MACHINE UNDER WORK

Jaakko Pöyry was appointed main engineering consultant for Norske Skog Golbey S.A's new paper mill project and for the expansion of Metsä-Botnia Oy's chemical pulp mill at Joutseno, Finland. The combined value of these two projects exceeds FIM 100 million.

Jaakko Pöyry Oy provides complete engineering services, including structural design, for the newsprint machine being built at Golbey in France. The world's biggest newsprint machine, the new PM2 will have a production capacity of 325 000 tons a year. It is scheduled for start-up at the beginning of 1999. The expansion of the Joutseno pulp mill comprises a new evaporation plant, recovery boiler plant, turbine and white liquor preparation plant. The expansion project is due to be completed by the end of 1988.



The operations of the Forest Industry business group are conducted through Jaakko Pöyry Oy and its 11 subsidiaries.

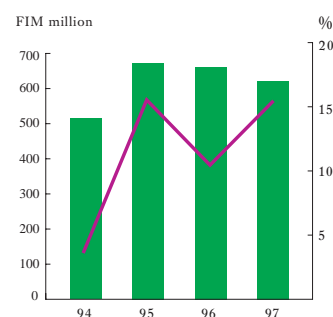
OFFICES

- Australia
- Brazil
- Finland
- France
- Germany
- Indonesia
- Norway
- Singapore
- South Africa
- Sweden
- Thailand
- United States

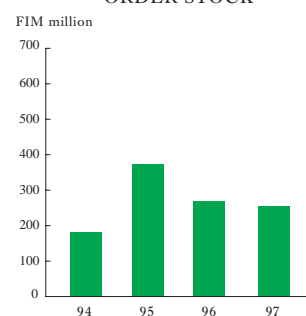


KNP Leykam's PM11 was started up during 1997.

NET SALES AND OPERATING PROFIT



ORDER STOCK



MAJOR PROJECTS COMPLETED DURING THE YEAR

- KNP Leykam, PM11, coated fine paper manufacturing line in Austria
- AssiDomän, Frövifors PM5, modernisation of liquid containerboard machine in Sweden
- UPM-Kymmene, Rauma PM4, LWC paper mill in Finland
- Riau Andalan, PM1, fine paper machine in Indonesia

NEW ENGINEERING PROJECTS

- Norske Skog, Golbey PM2, newsprint machine in France
- Metsä-Botnia, Joutseno, expansion of chemical pulp mill in Finland
- Myllykoski, PM7, modernisation of SC paper machine in Finland
- Enso, Holtzmann PM8, modernisation of SC paper machine in Germany

PROSPECTS FOR 1998

In view of the present order stock and market situation, the net sales and profitability of the Forest Industry business group are expected to remain at the previous year's levels. The main market areas, besides the Nordic countries, will be Western and Southern Europe, where activities will be primarily concerned with pulp and paper mill rebuilds and maintenance engineering projects, and a number of new investment projects. Investment activity in the Southeast Asian market is being depressed by the region's economic turmoil.

KEY DATA FIM million	1994	1995	1996	1997
Net sales	514.0	672.8	661.1	622.0
Operating profit	15.6	108.1	70.2	93.7
Order stock	286.1	382.4	280.9	270.8
Personnel	1 281	1 407	1 354	1 383

FOREST INDUSTRY CONSULTING



Jaakko Pöyry Consulting is world market leader for forest industry consulting services. Specialising in management consulting and services related to sustainable development of natural resources, the company's main competitive strengths are its international reputation, its global network of offices and its deep experience within the forest products industry.

The business group provides strategic planning, project development and evaluation services, and strategy consulting concerning mergers and acquisitions in the forest products industry. With these services the business group strives to improve its clients' business performance and profitability, and thus to maximise the shareholder value.

Consulting services also cover technology and mill operations improvement and fibre strategies.

Clients include the world's leading forest products companies and their owners, financial institutions and multinational organisations.

HIGHER NET SALES

The Forest Industry Consulting business group performed well in 1997. Net sales increased by 20 per cent, and the operating profit increased. New orders were received as usual and the order stock at the end of the year was good.

The restructuring of the forest products industry continued in Europe and North America. In addition to normal market, competitiveness and environmental analyses, the business group was involved as an advisor in several major mergers and acquisitions. The rapid growth in Southeast Asia slowed down at the end of the year, which affected local business operations and also affected the main markets.

European clients' share of the group's business declined to 31 per cent, whereas North American client's share remained unchanged. However, because of the globalisation of the industry, several new assignments covered all main forest industry regions. Asian client's share increased to 29 per cent, but most of the assignments came from institutional and multinational organisations.

PROSPECTS FOR 1998

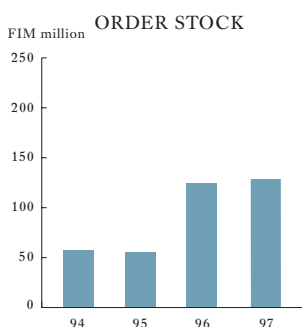
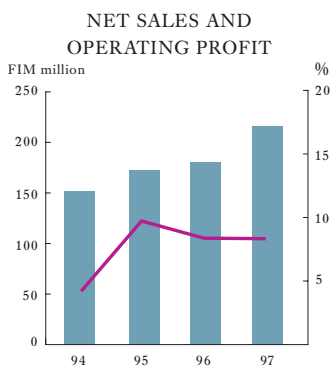
The business group's prospects for 1998 are basically favourable. The restructuring of the forest products industry will continue both in Europe and North America, and increasingly also in Southeast Asia and South America. The main producers' strong market position will result in growing demand for comprehensive global business strategy studies.



The operations of the Forest Industry Consulting business group are conducted by Jaakko Pöyry Consulting Oy and its eight subsidiaries.

OFFICES

- Argentina
- Australia
- Brazil
- Finland
- Germany
- Indonesia
- Mexico
- New Zealand
- Singapore
- Sweden
- United Kingdom
- United States



KEY DATA FIM million	1994	1995	1996	1997
Net sales	151.8	173.0	180.3	216.3
Operating profit	6.2	17.0	13.7	16.2
Order stock	55.1	52.1	124.3	125.9
Personnel	257	259	266	268



ENERGY



Ekono Energy's and Electrowatt Engineering's (EWE) complementary areas of know-how and geographical coverage result in an internationally competitive energy consulting and engineering service. EWE is described in more detail on pages 48 and 49.

Ekono Energy Ltd is a market leader in independent energy consulting and engineering in Finland. In cooperation with its subsidiaries and associated companies, Ekono Energy is aiming for selected international markets, with foreign clients accounting for over half of net sales. The company's specialised know-how includes strategic planning, industrial power plants, municipal cogeneration of heat and electricity, district heating and biofuels.

Its key practice areas are consulting services, project development and implementation, and environmental technology. Its most important clients are power utilities and forest products companies, ministries, municipal energy companies and international organisations.

INVESTMENT DECISIONS PENDING IN FINLAND

In 1997, the Energy business group's net sales totalled FIM 100 million, whereas the operating profit was lower than in the previous year. The order stock was strengthened by a major project in China, which incorporated equipment deliveries.

The following cogeneration plants engineered by Ekono Energy were commissioned

in Finland during the year under review: Imatran Voima Oy's plant at Kirkniemi, Neste Oy's plant at Porvoo and Nokian Lämpövoima Oy's plant at Nokia.

Investment decisions were postponed because of restructuring activities in the Finnish energy sector, which impaired Ekono Energy's profitability to some extent. International operations continued favourably. The liberalisation of the energy market and related changes in different countries resulted in numerous consulting assignments for Ekono Energy.

BOILER PLANT DELIVERY TO CHINA

Ekono Energy's subsidiary Procedo Oy will deliver China's first gas-fired boiler plant to a district heating utility in Beijing. This FIM 40 million delivery is financed by the World Bank.

The business group continued its internationalisation by expanding operations of its subsidiaries in Sweden, the United Kingdom and Singapore. In Thailand, engineering and project management services were provided for a 2x150 MW coal-fired power plant (picture).



PROSPECTS FOR 1998

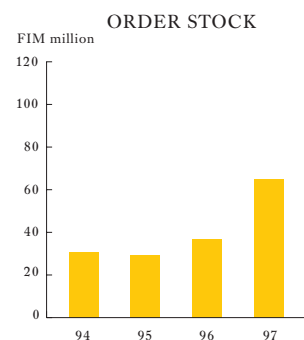
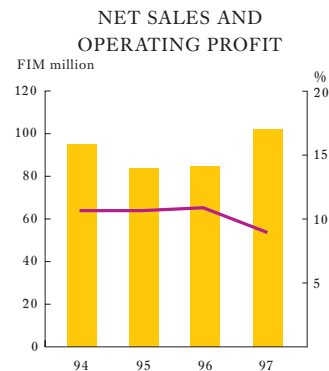
The Energy business group's prospects for 1998 are favourable. Its profitability is expected to improve further, provided that investment activity will recover in the domestic market as predicted. The alliance with Electrowatt Engineering is believed to open up new possibilities in international markets.



The operations of the Energy business group are conducted through Ekono Energy. The strategic alliance with Electrowatt Engineering will strengthen international operations.

OFFICES

- Finland
- Korea
- Singapore
- Sweden
- Thailand
- United Kingdom



KEY DATA FIM million	1994	1995	1996	1997
Net sales	95.0	83.7	84.8	101.9
Operating profit	11.6	10.2	10.8	7.8
Order stock	30.0	27.2	37.0	65.5
Personnel	150	157	172	191

ENVIRONMENT AND INFRASTRUCTURE



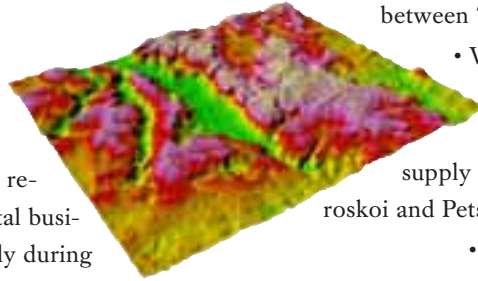
Soil and Water Ltd has specialised international know-how related to water supply systems and environmental technologies. Electrowatt Engineering (EWE) is a European market leader in the planning and engineering of transport and tunnelling systems. EWE is described in more detail on pages 48 and 49.

Soil and Water Ltd is market leader in its field in Finland, with the most important practice areas being water and infrastructure engineering. Its main clients are in the public sector and the forest products industry. The principal focus of the business group's international business is on water, environmental protection and geographical information systems (GIS). Clients include the Ministry for Foreign Affairs of Finland, the EU and international development banks. Exports account for one-third of Soil and Water Ltd's net sales.

Vietnam will continue with improvement of the city's sanitation systems. Soil and Water Ltd was commissioned to provide consulting services for the next stage, lasting until the end of the year 2000. In Egypt a major project for reducing the environmental impacts of industrial plants was launched during the year. This project is financed by the Ministry for Foreign Affairs of Finland.

MAJOR PROJECTS

- General plan and terrain investigations for a new railway to the Vuosaari harbour in Helsinki, Finland
- Planning for the Leppävaara city railway for the section between Pasila and Huopalahti
- Finland's first privately financed road construction project, trunk road E 75 between Tuuliharja and Joutjärvi
- Water supply development project in Namibia
- Preparations for water supply investment project in Petroskoi and Petsora in Russia
- Development of real estate administration in Palestine
- Kvaerner Masa-Yards, geographical information system for Petsora sea



Satellite image-based contour model of Luxembourg, which will be utilised in planning the GSM telephone network and in determining the locations of base stations.

OPERATIONS AND PROFITABILITY ON THE RISE

Following the prolonged recession, the environmental business developed favourably during 1997. The business group's net sales rose from FIM 88.6 million to FIM 111.5 million, and its profitability improved significantly. The order stock doubled.

HAIPHONG WATER SUPPLY PROJECT CONTINUES

Financed by the World Bank and the Finnish International Development Agency, the extensive Haiphong water supply project in

- EU's PHARE-DISAE, streamlining environmental legislation in Bulgaria, Latvia, the Czech Republic and Slovakia

PROSPECTS FOR 1998

In view of the order stock and market prospects, business operations are expected to develop favourably during 1998. Major export projects are being implemented in Russia, Vietnam, Namibia and Egypt. The alliance with Electrowatt Engineering is believed to open up new business opportunities in the medium term.

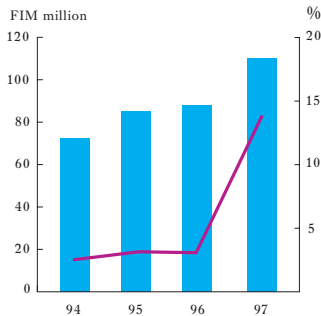


The operations of the Environment business are conducted through Soil and Water Ltd. The infrastructure business will be markedly expanded by the alliance with Electrowatt Engineering.

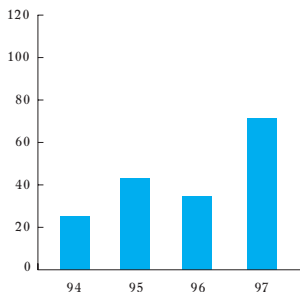
OFFICES

- Finland
- Estonia
- Canada

NET SALES AND OPERATING PROFIT



ORDER STOCK



KEY DATA	FIM million	1994	1995	1996	1997
Net sales		74.2	85.0	88.6	111.5
Operating profit		1.8	2.5	2.5	15.6
Order stock		26.8	42.8	35.0	70.6
Personnel		234	276	277	310

CONSTRUCTION

Jaakko Pöyry's three subsidiaries in the construction business are all market leaders in Finland, while expanding their business to Russia and the Baltic states.

The business group's services support and complement Jaakko Pöyry's other business sectors.

JP-Kakko Oy specialises in structural design for industrial plants, offices and commercial buildings; JP Building Engineering Ltd in HVAC services and electrical and automation services for commercial, office and industrial projects; JP-Terasto Oy offers construction management services for office, commercial and industrial clients. The business group's most important clients are major Finnish companies.

IMPROVED PROFITABILITY

The restructuring of the business group and the recovery of the Finnish construction market significantly improved the companies' profitability in 1997. Net sales increased from FIM 87.5 million to FIM 112.5 million. The order stock remained stable.

ST. PETERSBURG PROJECT STARTED

The Jaakko Pöyry Group, in a joint venture with Parsons International of the United States and the Russian KS-Invest, won the international tendering competition for the renovation of the St. Petersburg city centre. Headed by JP-Terasto, the Jaakko Pöyry Group companies will participate in the design and implementation of pilot objects and in preparations for the continuation of the project valued at USD 300 million.

COMPLETED PROJECTS

- UPM-Kymmene Oy, Rauma paper mill, Finland; structural, HVAC and automation design
- Primalco, extension of Rajamäki



alcohol plant, Finland; project management, structural, HVAC, electrical and automation design

- Arctia Oy, renovation of Hotel Marski and Hotel Kalastajatorppa in Helsinki, Finland; project management

- McDonald's Oy, Helsinki, office building; construction management
- Neste, service stations in St. Petersburg, construction management
- Jyväskylän yliopisto, Finland, extension, HVAC, electrical and automation design

MAJOR NEW PROJECTS

- Norske Skog, Golbey paper mill, France, structural and HVAC design
- Metsä-Botnia, expansion of Joutseno pulp mill, Finland; structural and HVAC design
- Sinebrychoff, Vena brewery, St. Petersburg; assistance in project management, structural, HVAC, electrical and automation design
- Nokia Research Centre, Helsinki; structural design
- YIT, office block in Helsinki; HVAC, electrical and automation design
- Extension of Parliament building, Helsinki; construction management



PROSPECTS FOR 1998

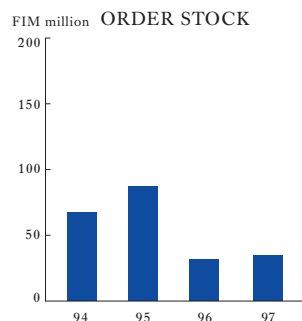
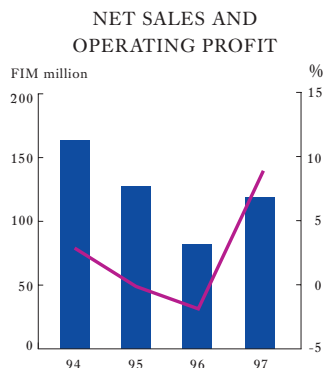
In view of the recovery of the domestic market and new export projects in Russia, the activities of the Construction business group are expected to develop favourably during 1998.



The Construction business group consists of JP-Kakko Oy, JP Building Engineering Ltd and JP-Terasto Oy, which all specialise in their own areas.

OFFICES

- Finland
- Estonia
- Russia



KEY DATA FIM million	1994	1995	1996	1997
Net sales	165.8	139.9	87.5	112.5
Operating profit	6.4	0.0	-1.9	10.3
Order stock	65.5	82.7	37.3	39.6
Personnel	324	340	296	323

PROCESS CONTRACTING



JPI Process Contracting provides process contracting services for industrial projects in the forest products, chemical and biotechnical industries and for environmental protection projects. The Process Contracting business group seeks to build on its base of significant proprietary technologies that can add value to clients' operations in forest products and chemicals. JPI Process Contracting has special technologies related to alcohol and tall oil production.

The most important markets are Europe for alcohol production facilities, and Asia, principally China, for process contracting solutions for pulp and paper mills.

NEW MARKETS IN EUROPE

The year under review was difficult for the Process Contracting business group, because there were not enough new orders. Net sales and operating profit did not develop satisfactorily. The order stock improved at the end of the year as a result of the contract for delivering a fuel alcohol plant to Spain.

The market situation in China was difficult and no new projects were won during the year. The situation in China is likely to remain unchanged.

There were several deliveries of tall oil plants during 1997; in addition to plants delivered to Poland and Canada, two projects were nearing completion in Sweden at the end of the year.

Apart from the tall oil plants, an alcohol plant was handed over to the owners at Zyrardow in Poland. Two new alcohol distilling plants were started up in Korea and in China the new automation system of the Jiamusi chemical pulp mill was taken into use.

MAJOR FUEL ALCOHOL PROJECT IN SPAIN

The biggest delivery in France was the plastic film plant for Du Pont, which is due to be completed in early 1998. The fuel alcohol project at Bazancourt, which started in 1996, was put on hold after completion of the basic engineering phase.

In 1997 the business group won a major fuel alcohol project for delivery to Ecocarburantes Españoles in Cartagena, Spain. The value of the supply contract is FIM 137 million.



PROSPECTS FOR 1998

The Process Contracting business group is expected to show a slight profit for 1998. In addition to the alcohol plant projects, efforts to develop projects based on clients' proprietary technologies are expected to result in the implementation of new projects in Europe during 1998. Among several offers for tall oil plant deliveries, two are expected to reach the implementation phase during 1998.

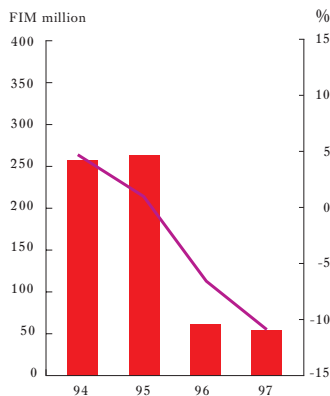


JPI Process Contracting offers process contracting services and its own technologies to the process industries.

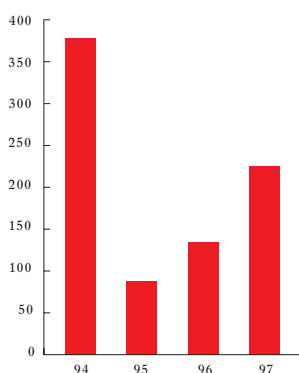
OFFICES

- Finland
- France
- China

NET SALES AND OPERATING PROFIT



ORDER STOCK



KEY DATA FIM million	1994	1995	1996	1997
Net sales	258.0	263.3	61.8	54.0
Operating profit	12.5	-3.2	-4.2	-6.3
Order stock	379.3	91.1	139.3	233.4
Personnel	56	77	54	58



OTHER GROUP COMPANIES IN EUROPE



HEYMO INGENIERIA

Heymo Ingenieria S.A. offers engineering and project management services to the Spanish forest products industry, gas companies and for infrastructure and environmental projects. The company's net sales for 1997 were FIM 39.7 million. It employs 133 people.

RETMA AND SEEI

Of the Group's subsidiaries in France, Retma S.A. specialises in engineering services e.g. for the chemical and petrochemical industries, and for the pharmaceutical industry. SEEI S.A. offers engineering services to the food, pharmaceutical and chemical industries. In 1997 Retma had net sales of FIM 30.0 million and a total of 55 employees. SEEI had net sales of FIM 20.1 million and 37 employees.



The Jaakko Pöyry Group's three subsidiaries in Europe have a strong position in the local markets for engineering services.

KEY DATA FIM million	1994	1995	1996	1997
Net sales	62.1	86.5	90.1	89.2
Operating profit	-4.2	1.0	2.4	1.5
Order stock	24.2	31.8	26.4	31.1
Personnel	183	204	203	225

JAAKKO PÖYRY IN BRAZIL

Jaakko Pöyry Engenharia offers a wide range of consulting and engineering services to the forest products industry in Brazil and the rest of South America, to the chemical and petrochemical industries, to energy, mining and metal processing companies and to the telecommunications sector. The company concentrates on serving private-sector projects, having served over 1400 companies over the years.

Jaakko Pöyry Engenharia's headquarters is situated in São Paulo and it has local offices in 12 locations throughout Brazil. The company also has offices in Argentina and Chile.

The Jaakko Pöyry Group owns 40 per cent of the company; the remaining shares are held by the company's



Jaakko Pöyry expanded its operations to South America in 1973, when the company was commissioned to provide engineering services for the new Aracruz Pulp mill in Brazil.

operative management.

Through strategic cooperation with Engenharia, the Jaakko Pöyry Group strives to create new business opportunities in Brazil and the rest of South America. In projects implemented by Jaakko Pöyry Engenharia, the Jaakko Pöyry Group is commissioned to serve as subsupplier or consultant.

Jaakko Pöyry Engenharia's net sales for 1997 were FIM 530.7 million. The company has a total of 1 327 employees.



The Jaakko Pöyry Group's operations in Brazil are conducted through its associated company. Jaakko Pöyry Engenharia Ltda is South America's leading consulting and engineering firm.

KEY DATA FIM million	1994	1995	1996	1997
Net sales	347.7	436.3	498.3	530.7
Operating profit	26.4	2.1	1.1	-22.4
Order stock	249.5	189.2	236.8	206.5
Personnel	1 529	1 561	1 477	1 327

ELECTROWATT ENGINEERING



The Jaakko Pöyry Group's associated company Electrowatt Engineering (EWE) is a Swiss consulting engineering firm specialising in energy and infrastructure.

Electrowatt Engineering Ltd has a strong international market position in engineering services for hydroelectric and thermal power projects, waste incineration and nuclear safety. EWE is European market leader in the design of traffic and tunnelling systems.

On September 30, 1997, Jaakko Pöyry Group Oyj acquired 49 per cent of Electrowatt Engineering Ltd's share capital. Jaakko Pöyry Group Oyj also acquired the option to increase its shareholding to 70 per cent at a later stage. EWE's business operations will form a strategic alliance with Jaakko Pöyry's Energy, and Environment and Infrastructure business groups. The Jaakko Pöyry Group's and Electrowatt Engineering's services complement each other and bring synergistic benefits.

EWE was previously a part of the Swiss listed company Electrowatt AG. EWE has been involved in international project work since 1920, first as an engineering department, later as an independent consulting engineering firm.

EWE operates through offices in 20 countries and its headquarters is situated in Zürich. Through its global network of offices, EWE offers its clients a complete range of engineering services, including project management, construction management, EPC and operations and maintenance services. The company's objective is to maintain its leading position in the areas of hydropower and waste incineration, thermal power and traffic planning, and to develop new project implementation models for the changing energy and infrastructure markets.

The EWE Group's net sales in the financial year ended September 30, 1997 were FIM 772 million. The company employs about 1400 people, of whom 400 in Switzerland, 400 elsewhere in Europe and 500 on ot-



Vereina tunnel project in Switzerland, 1991-1998



Thermal waste treatment plant Thurgau in Switzerland

her continents. The company's order stock at the end of 1997 totalled about FIM 770 million.

ENERGY

Energy consulting and project implementation services ac-

counted for 55 per cent of EWE's net sales in the financial year 1997.

Major clients in the energy segment include public and private power utilities, industrial companies, municipalities and financing institutions. The most important market areas are Switzerland, Germany, Eastern Europe, the Middle East, Asia and South America.

INFRASTRUCTURE

Infrastructure consulting and engineering services accounted for 30 per cent of EWE's net sales in the financial year 1997. EWE specialises

in planning and implementing rail traffic systems - such as high-speed train and urban mass transit systems - roads and tunnels.

The most important clients of the Infrastructure business group are

public railway companies, private transport operators, authorities and institutional investors.

GENERAL BUILDING

General building services accounted for 15 per cent of EWE's net sales in the financial year 1997. Services include urban planning, and structural, electrical and automation design.

EWE has provided engineering services for public buildings, commercial buildings, airports and security and communications building projects.

The general building services are often related to energy and transport projects. The most important clients are the public sector, industrial

MAIN OFFICES

- Chile
- Germany
- Oman
- Switzerland
- Thailand
- United Kingdom



Karakaya hydroelectric power plant in Turkey. EWE provided planning, tender design, construction supervision and coordination services.

companies, financial institutions and contractors. Public sector projects account for about 40 per cent of net sales.

PROSPECTS

In line with the concentration on its core businesses, EWE in January 1998 sold its subsidiary in the Philippines, which specialises in detailed civil engineering services. The company's net sales in 1997 were about FIM 27 million and it had 308 employees.

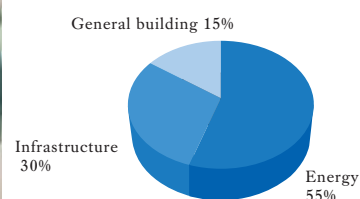
The streamlined business structure makes it easier for EWE to respond to the market needs. Major potential business opportunities include long-term tunnelling and railway projects in Switzerland and Germany, major power plants in Asia and South America, and thermal power plant projects, especially in Asia.

The economic problems in South-East Asia are affecting EWE's growth in this region. The investment activity in Central Europe is, on the other hand, recovering.

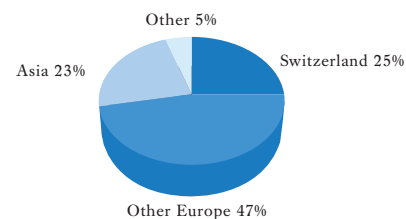
The strategic alliance between Electrowatt Engineering and the Jaakko Pöyry Group is expected to open up substantial new business opportunities. The companies are joining forces to penetrate the developing energy and infrastructure markets in Northern and Eastern Europe.

KEY DATA FIM million	1.10.1994- 30.9.1995	1.10.1995- 30.9.1996	1.10.1996- 30.9.1997	1.10.1997- 31.12.1997
Net sales	955.3	806.3	772.0	191.6
Operating profit	33.9	1.8	-7.3	4.3
Order stock	850.0	487.3	729.1	769.4
Personnel	1 638	1 597	1 501	1 417

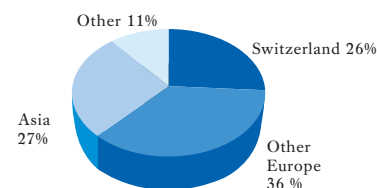
NET SALES BY BUSINESS GROUP



NET SALES BY MARKET AREA



PERSONNEL BY MARKET AREA



PERSONNEL

The Jaakko Pöyry Group's services are based on a high level of skill and expertise. Continuous development of human resources and a strong desire to provide customer satisfaction are important competitive tools.



The Jaakko Pöyry Group is a professional service company consisting of highly educated and experienced people.

Jaakko Pöyry staff serving as expert advisors have solid special skills, usually combined with an academic or college degree in a technical subject or economics.

The Group companies encourage their staff to continue their studies alongside work. There are several post-graduate students in all of Jaakko Pöyry's business groups.

SKILLS ARE REFINED IN PROJECT WORK

Employee skills are further refined in project work, where problem-solving demands introduce a new dimension to the employee's professional skills. Apart from technical and economic skills, successful project work requires leader-

ship and communication skills, a feeling for team work and an understanding of foreign cultures and working practices.

In competing for new orders, the personal merits of the project staff are also valuable. For example the project managers in charge of Jaakko Pöyry Oy's forest industry engineering projects have many years' experience of managing similar demanding mill projects under widely varying conditions.

The know-how and valuable experience that accumulates through successful projects is transferred to new staff engaged in project work. On-the-job learning is enhanced by internal and external training courses.

CLOSE CONTACT WITH COLLEGES AND UNIVERSITIES

To maintain its technological edge and to develop it further, the Jaakko Pöyry Group has created a good recruitment base. The company is keeping close contact with universities and other educational institutions. Various recruitment campaigns and presentations in the Helsinki region's universities and colleges are part of the everyday routine. For example Ekono Energy has recruited several of the students who have done their Master's theses for the company.

The Group companies also employs trainees on a regular basis. Jaakko Pöyry Oy has signed a cooperation agreement with the Espoo-Vantaa Technical College, EVTEK.

AN ACTIVE EFFORT TO MAINTAIN EMPLOYEE HEALTH

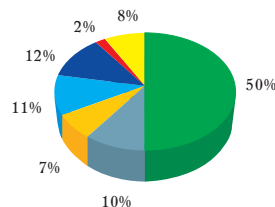
The Jaakko Pöyry Group's employees are in good health. Staff sick leave equals less than 2 per cent of the total annual working time, whereas in the Finnish industry it averages between four and five per cent.

The Pöyry House at Vantaa, which is being expanded at present, offers a bright and modern working environment for more than one thousand Group employees. With continuously developing office automation and Computer Aided Design tools, special emphasis is given to ergonomics. To counteract the strains of static office work, employees are encouraged to take physical exercise, which also provides mental relaxation. Supported by the Jaakko Pöyry Group, there are more than 20 employee clubs in the Pöyry House, which have great importance for maintaining the physical and mental health of the Group's employees and for promoting social activities.

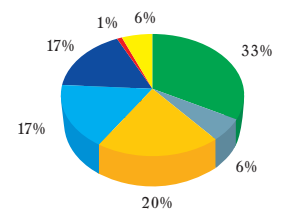
Any symptoms of illnesses or other ailments are promptly diagnosed and treated. The Jaakko Pöyry Group has made a particular effort to look after the health of employees who travel a lot, for example by regular



PERSONNEL BY BUSINESS GROUP

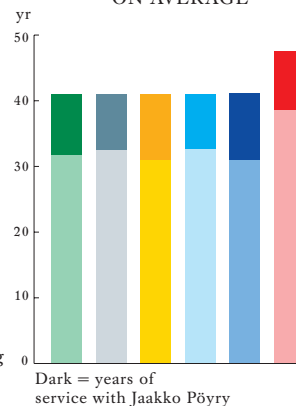


Jaakko Pöyry Group



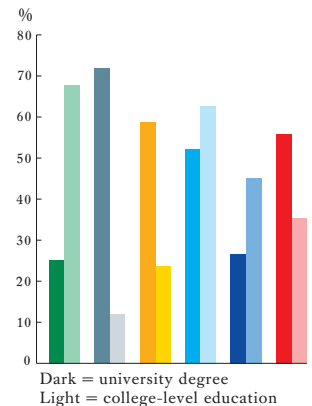
Jaakko Pöyry Group and Electrowatt Engineering

AGE AND YEARS OF SERVICE ON AVERAGE



Dark = years of service with Jaakko Pöyry

EDUCATION



Dark = university degree
Light = college-level education



check-ups and by making sure that vaccinations are in order. All employees go through a major medical test at least every five years. This test includes measurements of physical fitness and a discussion of the working environment and general atmosphere.

QUALITY CREATES CUSTOMER SATISFACTION

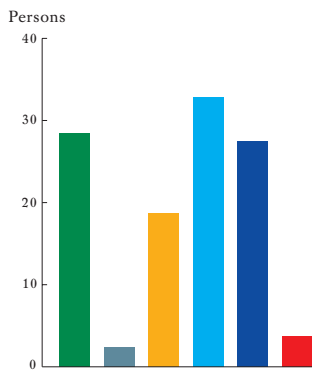
Besides its high level of professional skill, Jaakko Pöyry staff is also known for its strong commitment to clients' objectives. The Jaakko Pöyry Group companies have completed thousands of successful consulting and engineering projects in over one hundred countries. In forest industry engineering, Jaakko Pöyry Oy's reference projects, spanning a period of 40 years, are unique in the world.

In a market study commissioned by the Finnish Association of Consulting Firms, SKOL, in 1997, Jaakko Pöyry Oy got the best marks for its general performance, reputation in the market, reliability, technical know-how,

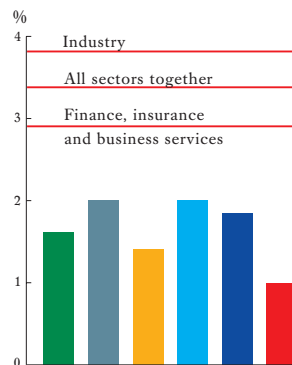


modernity and technical competence. Its overall corporate image among Finnish client companies is very good based on its experience as a project organiser, technical advisor and design engineer. From the employees' viewpoint, the study puts special weight on

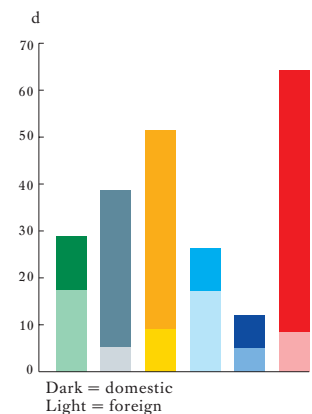
PERSONNEL GROWTH



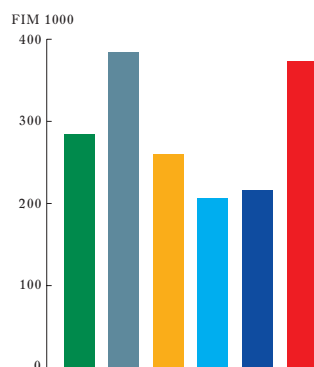
SICK LEAVE AND AVERAGES IN OTHER SECTORS



DAYS OF TRAVEL PER PERSON



PAYROLL COSTS PER PERSON



- Forest Industry
- Forest Industry Consulting
- Energy
- Environment and Infrastructure
- Construction
- Process Contracting

clients' trust in Jaakko Pöyry's technical skills, professional competence and wide-ranging experience of engineering work.

The Jaakko Pöyry Group is determined to further intensify its client orientation. Group companies strive to carry out their projects in the best possible way, putting great emphasis on overall quality, but also on flexibility and on meeting clients' needs.

“DEVELOPING OUR COMPETENCES IS A CONTINUOUS CHALLENGE”

*Ritva Minkkinen, Personnel Manager,
Jaakko Pöyry Group*

The technical development in our business is changing the content of our work at an accelerating pace. In the information society every individual is responsible for his own education, skills and competitiveness. In a continuously changing world, the individual is seeking comfort in his own capabilities, the feeling of being self-reliant. Information does not bring power as such, it is available and accessible to everybody. More important is the ability to manage this information and to have a vision of what kind of knowledge and skills that we shall need in the future.

Because of the need for technical competence and the ever-growing internationalisation, Jaakko Pöyry staff must continuously develop its capabilities and skills. Working globally requires international cooperation, and a readiness to accept differences. To this end, the Jaakko Pöyry Group systematically promotes the language skills of its staff.

Besides professional and technical skills, also social skills are becoming increasingly important. In this era of teams and networks, employees must get along better with each other and be ready to accept different opinions, while promoting their own views.

According to a recent study, a typical Finnish engineer is a goal-oriented expert, who is consistently developing his own competences. When it comes to inspiring and



supporting his subordinates and to improving working conditions, he is still in the learning phase. The Jaakko Pöyry Group also wants to improve the managerial skills of its staff. An open discussion is encouraged in the working place, which puts great demands on managers at all levels. We must continue to improve our communication skills, our ability to inspire each other, and our interest in the social aspects of work.

Personnel development must be interlinked with real business objectives. To safeguard the professional competence of our staff, all business groups analyse their development needs as a basis for improving the knowledge, skills, attitudes, personal interaction and experience of all employees. This kind of analysis is a powerful tool for assessing and improving the performance of an individual, a team or a complete organisation.

We are strongly committed to our work. By continuously developing our personal skills and by sharing our knowledge and experience, we shall continue to succeed in the consulting and engineering market.



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