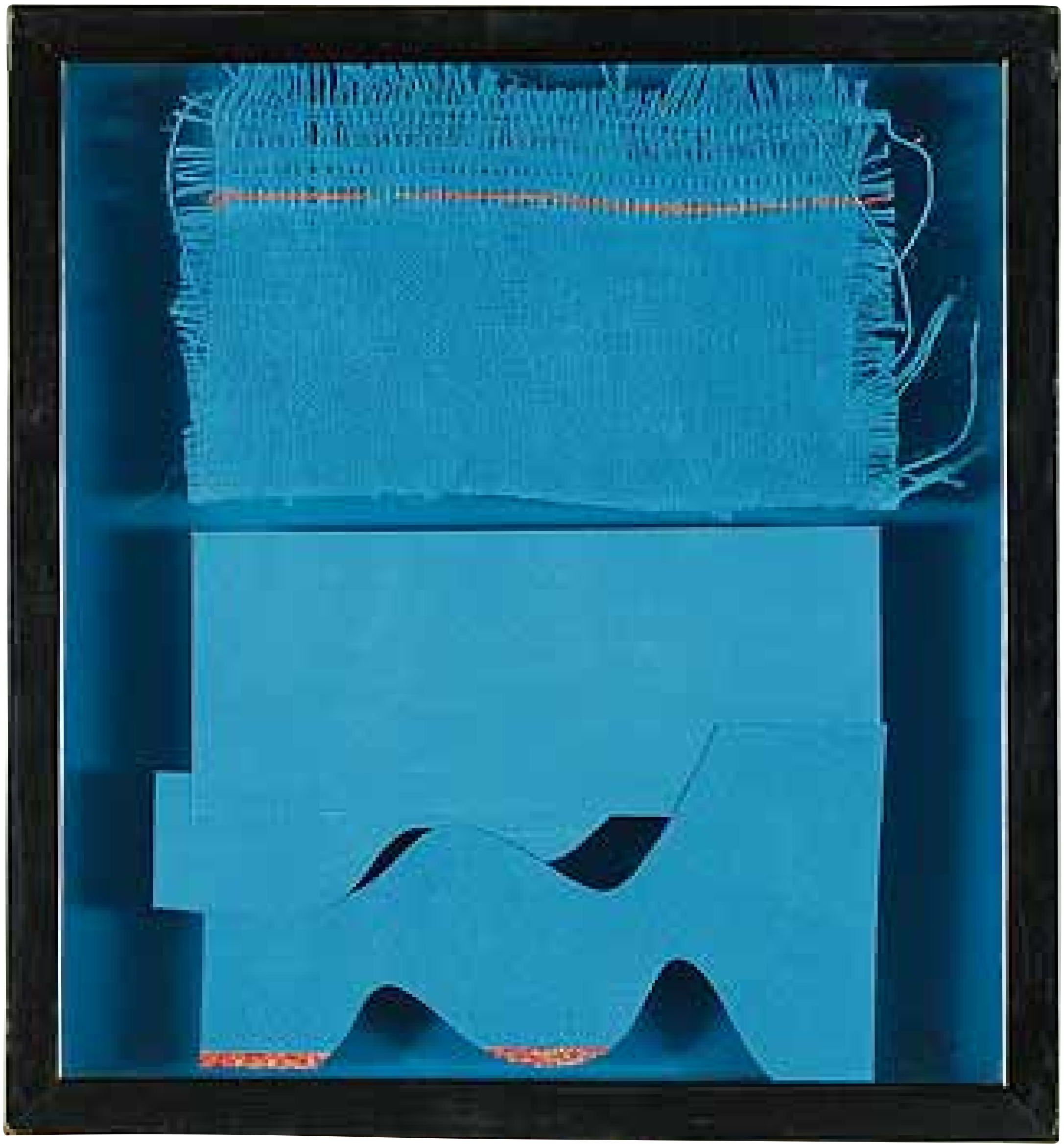
CULTOR

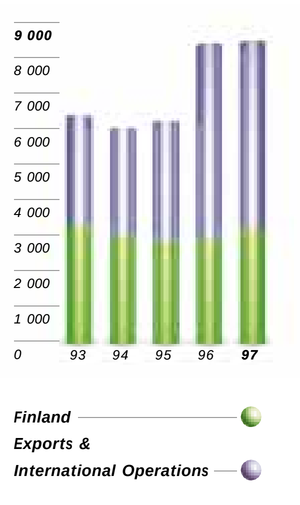


Red Thread

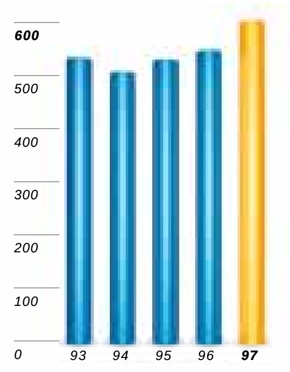
To understand the *wisdom* of *nature*

and true *understanding* is being able to

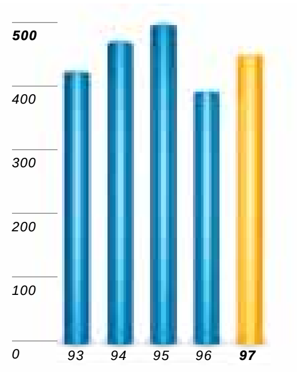
Net Sales, MFIM



Operating Profit, MFIM



Profit after Financial Items, MFIM



Key Figures

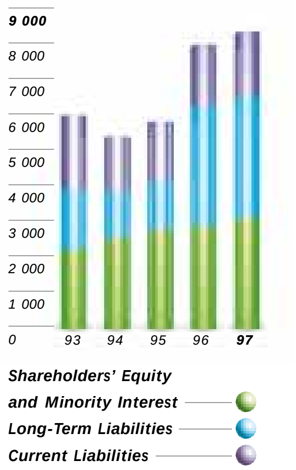
	1997 1.1 – 31.12	1996 1.1 – 31.12
Net sales, FIM million	**8 437**	8 362
Exports & international operations, %	**62**	65
Operating profit, FIM million	**600**	545
Earnings/share, FIM	**15.01**	12.71
Equity-to-assets ratio, %	**38**	37
Personnel, average	**7 192**	7 016
Net sales, ECU million	**1 437**	1 451
Operating profit, ECU million	**102**	95
Earnings/share, ECU	**2.56**	2.21

Financial data will be published in Finnish markka in 1999, with key figures provided in EUROs. The Group will adopt the EURO in its consolidation as of January 1, 2000.

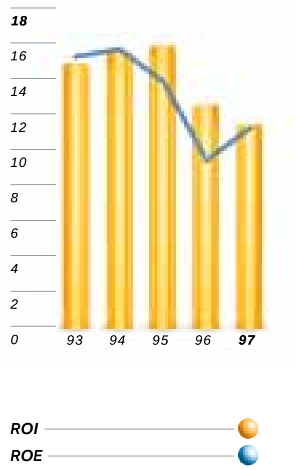
is a sign of true wisdom

apply that wisdom for our common well-being.

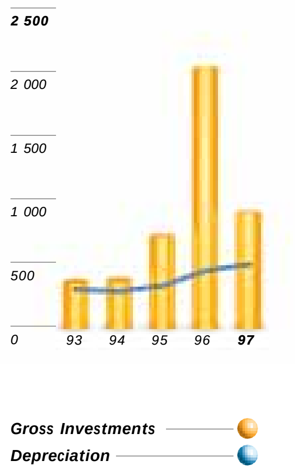
Financial Structure, MFIM



Return on Investment and Equity (ROI and ROE), %



Gross Investments and Depreciation, MFIM



Cultor Today

Cultor is one of the world's leading companies in high-performance nutrition products, with a focus on food and feed ingredients, animal and fish feeds, sugar, bakery products, and enzymes. Cultor offers its customers a range of highly innovative solutions, designed to continuously open up new, value-added application opportunities.

Cultor's strengths include being the world's largest producer of the specialty sweetener, xylitol; the world leader in feed enzymes; the world's second-largest producer of salmon feed; and a 50% partner in the world's second-largest producer of industrial enzymes. The Group combines expertise in advanced R & D and process technologies with a commitment to cost-efficient, environmentally compatible manufacturing.

Cultor operates in all the world's main markets. Exports from Finland, where Cultor is headquartered, together with international operations, account for some 62% of net sales. Production takes place in 14 countries. The Group employs some 7,200 people, of whom around 50% are based outside Finland.

Cultor has grown profitably throughout the 1990s, and the Group's market capitalization has more than tripled during the last five years.

Cultor Food Science

Cultor Food Science has one of the most advanced portfolios of specialty food ingredients anywhere. Innovative products from the Xyrofin Division include specialty sweeteners, such as xylitol; and reduced-calorie fats, low-calorie bulk sweeteners, and low-calorie bulking agents, such as Benefat™, lactitol, and Litesse®. Compound flavours and flavouring and fragrance ingredients produced by the Flavor Division are used in a wide range of beverages and foods; while antioxidants and anti-microbial agents from the Protectants Division enhance shelf-life and food safety.

Cultor Feed Ingredients

Cultor Feed Ingredients is the world's leading supplier and developer of feed enzymes, and the market leader in betaine. Added to pig and poultry diets, feed enzymes from Finnfeeds International enhance the nutritional value of feedstuffs, giving farmers improved feed conversion and margins. Betaine products from Finnsugar Bioproducts offer farmers and fish farmers improved growth performance. Fish meal and fish oil, two key components of fish feed, are produced by Pacific Protein.

Cultor Baking

Cultor Baking produces fresh bakery products and crispbread in Finland, Sweden, Estonia, and Latvia. With its 24 local bakeries and frozen bakery unit, Vaasan Baking is the market leader on the Finnish retail bakery market. Leibur in Estonia and Hanzas Maiznica in Latvia are the number-one bakers in their markets.
The sector is also the world's third-largest crispbread producer, with production in Finland and Sweden.

Cultor Nutrition

Cultor Nutrition's EWOS Division is the world's second largest producer of salmon feed, and the leading technology company in the field. Finnsugar produces a complete range of sugar products, primarily for the Finnish market. Suomen Rehu is Finland's leading industrial feed company, and operates a feed supplement business in the Nordic region, the Baltic Rim countries, and Russia.

Genencor International

A 50/50 joint venture with Eastman Chemical Co., Genencor is the world's second-largest producer of industrial enzymes.

- Sales related to ongoing business were up 7%. Growth was mainly driven by xylitol, fructose, and flavour products.
- Operating profit was down, as a result of divestments, one-off items, and the strong dollar.
- Xylitol was approved for food use in Japan; and Xyrofin commissioned a new xylose plant.
- Flavor developed new processing technology for maltol-type flavour enhancers.
- Sales of Natamax® developed well.

Net sales, MFIM	***2 117***
Operating profit, MFIM	***124***
Personnel, average	***910***

- Net sales rose by 27%; all three businesses turned in satisfactory growth.
- Profitability was held back by large expenditure in R & D and marketing by Finnfeeds International (FFI), as well as strong pressure on price and margins.
- Sales of FFI's ground-breaking corn-soya product, Avizyme® 1500, virtually tripled.
- Increased sales of betaine were mainly driven by increased penetration of the broiler segment.
- Cultor acquired Degussa's 40% stake in FFI in December.

Net sales, MFIM	***470***
Operating profit, MFIM	***46***
Personnel, average	***333***

- Net sales rose by 23%, boosted by the consolidation of Hanzas Maiznica and the acquisition of the Aschan Bakery.
- Operating profit was held back by a slow market in Estonia.
- Additional production capacity was introduced to meet increased demand for frozen bakery products in Finland.
- Leibur increased its sales outside Tallinn; and Hanzas Maiznica turned in an encouraging performance.
- Exports of crispbread increased, particularly to Germany.

Net sales, MFIM	***1 219***
Operating profit, MFIM	***82***
Personnel, average	***3 632***

- Net sales rose by 12%, helped by a 34% increase at EWOS.
- Operating profit was up FIM 20 million; EWOS was the largest single contributor.
- Finnsugar announced that the Turenki plant is to close. FIM 50 million will be invested at Salo and Säkylä in 1998.
- EWOS increased its market share in Chile and Norway, and completed its strategic shift to the four main salmon farming countries.
- Suomen Rehu launched ISO-Vilja™, an environmentally advanced cereal farming concept.

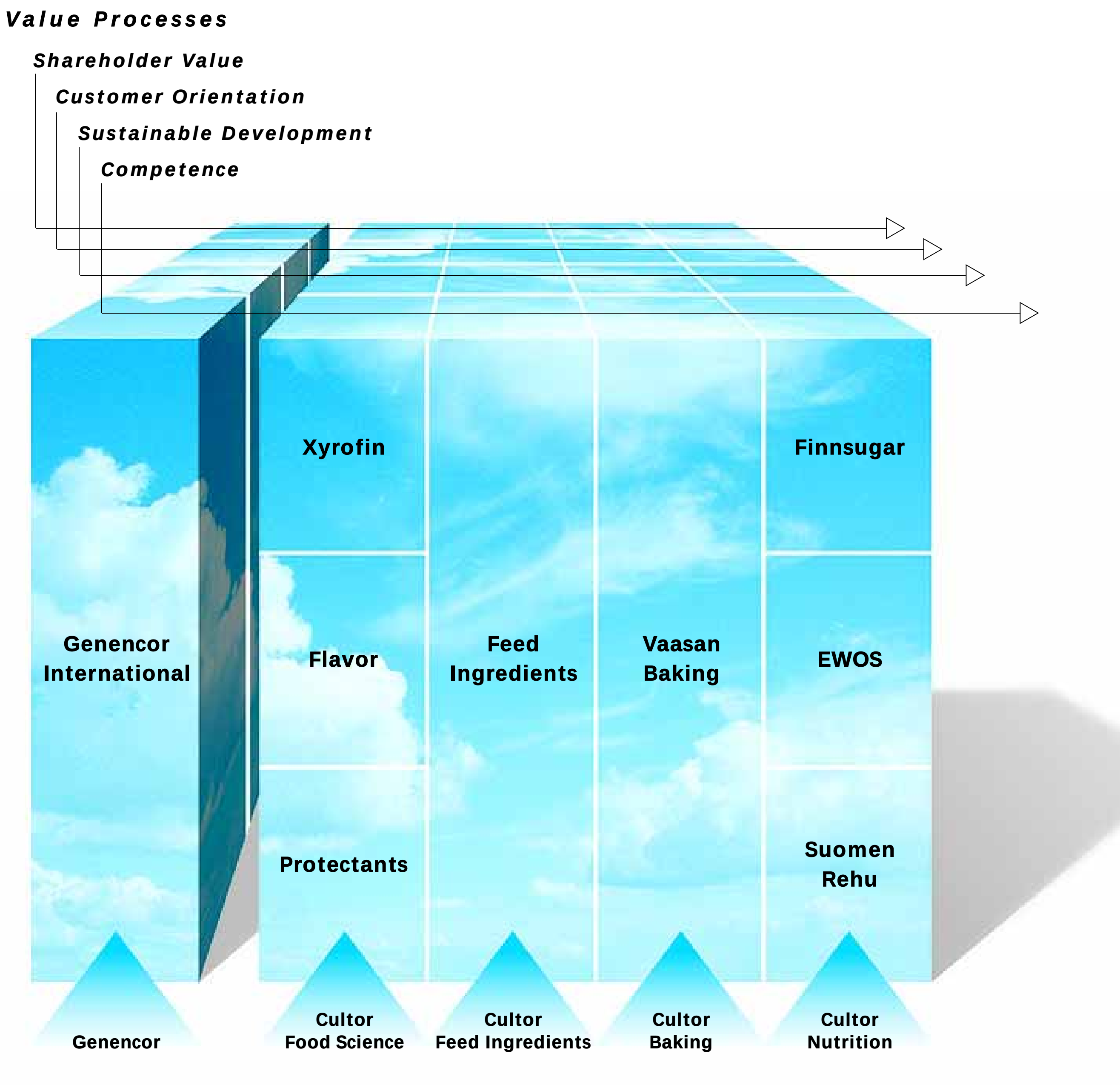
Net sales, MFIM	***4 052***
Operating profit, MFIM	***301***
Personnel, average	***1 609***

- Net sales rose by 35%, helped by increased volumes, particularly in the cleaning products business, and sales mix improvements.
- Operating profit was also a significant improvement on 1996.

Net sales, MFIM	***1 585***
Operating profit, MFIM	***209***
Personnel, average	***1 034***

(Total figures for the 50/50 joint venture)

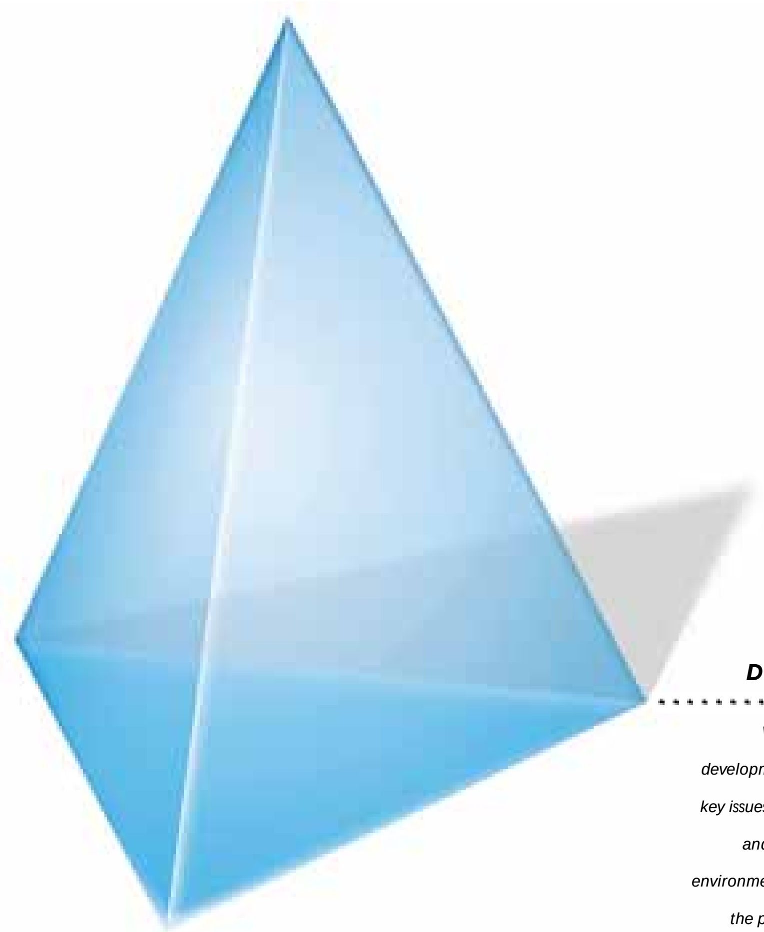
Cultor Group in 1998



Cultor's Value Processes

Shareholder Value

We are committed to delivering profitable performance and a long-term increase in value to our shareholders. We do this through a dynamic, balanced portfolio, by creating competitive advantage in all our activities through our customer orientation, competence, and sustainable development value processes. And by seeking growth in global, technology-driven niche markets for ingredients.



Customer Orientation

We are proactive with our customers, and highlight the importance of understanding and anticipating their true needs and those of their customers. We also promote long-term customer relationships. By doing so, we are able to offer innovative solutions that open up new, value-added application opportunities, and generate long-term sustainable advantage for our customers and for Cultor.

Sustainable Development

We work for sustainable development by prioritizing four key issues in our decision-making and day-to-day operations: environmental protection, quality, the protection of intellectual capital, and legal and ethical compliance.

Competence

We believe in building our success on interactive teams of individuals capable of managing change and seeing change as an opportunity – teams that are committed to continuous learning and developing their knowledge, skills, and abilities. Cultor's competitive edge lies in its unique combination of people and advanced technological know-how.

Shareholder Value: Håkan Laurén   Customer Orientation: Juha Järvinen   Sustainable Development: Juha Kurkinen   Competence: Daniel Pardo.

The Year in Focus

January

Suomen Rehu sold its small silage preservative business in Norway and Sweden to Denofa AS. This followed the sale of the division's Finnish silage preservative business in December 1996.

March

In March, EWOS sold its Spanish subsidiary, Ewos SA, to Provimi Holding b.v. The transaction covered the division's fish feed businesses in Spain and Greece. The sale completed EWOS' strategic shift to focusing on the world's four leading salmon farming countries.

Cultor Corporation sold its head office building in Helsinki and signed a preliminary agreement covering the purchase of premises in Espoo for the Group's administration and staff functions.

Cultor Food Science started construction of a new lactitol production facility at Xyrofin's site in Thomson, Illinois. The USD 35 million investment will significantly increase Xyrofin's capacity to supply the growing low-calorie and sugar-free markets.

Suomen Rehu launched a new, environmentally compatible cereal farming concept known as ISO-Vilja™. An estimated 1,000 farmers signed up to use the new approach as part of the launch. The system is designed to optimize the amounts of fertilizer and crop chemicals farmers use.

April

Negotiations were started with sugar beet growers and Finnsugar employees on ways of securing the competitiveness of beet-based sugar production in Finland.

Xylitol was officially designated an approved food additive by the Japanese Ministry of Health and Welfare. Xylitol is already approved for food use in over 40 countries worldwide, and Japan is the last significant market to be opened up.

Vaasa Bakeries acquired Aschan Oy, a bakery located in Turku in South-West Finland. Aschan had net sales of some FIM 40 million in 1996 and employs 100 people.

Cultor licensed its immobilized yeast technology for fermented beverages to Tuchenhagen. The main applications of immobilized yeast technology are currently in beer lagering and the brewing of alcohol-free beer.

August

Sucros announced that it will close its Turenki sugar beet processing plant at the end of the 1998 processing season. The decision forms part of a wider programme aimed at improving the competitiveness of the Finnish beet sugar industry. Production will be concentrated at the company's two other plants at Salo and Säkylä.

Cultor's eighth 'From Field to Table' summer event was held in Kotka. Over 750 people attended. The keynote speaker was Minister of Finance Sauli Niinistö, who spoke on the challenges facing Finnish agriculture and the country's food processing industry in today's European Union.

The subscription period for the A warrants included in Cultor Corporation's 1994 bond with warrants issue ended on August 29; a total of 145,000 Series II Cultor shares were subscribed to and paid for at a price of FIM 160.50/share. The Company's paid-up and registered capital stock rose by FIM 1,740,000 as a result, to FIM 278,310,000.

September

Tom Weymarn, Executive Vice President of the Cultor Group since 1991, was appointed the new CEO of Oy Rettig Ab as of the beginning of 1998.

Sucros is to invest in more efficient process equipment at its two plants in South-West Finland. A new pulp press will be installed at Salo and a new extraction tower at Säkylä. Investments during 1998 will total approximately FIM 50 million as a result of these projects.

Cultor Food Science announced it was to sell its line of brewery ingredients to John I. Haas, Inc. of Washington, DC.

Kemira Agro, Suomen Rehu, and Telecom Finland set up a joint logistics management and development company, owned on a 40/40/20 basis. Known as Movere Oy, the new company will serve markets in Northern Europe and the Baltic Rim.

Polfarm became the first premix and feed supplement company in Poland, and Eastern Europe as a whole, to receive ISO 9001 certification when Den Norske Veritas handed over the company's new quality certificate.

Cultor Baking announced that Vaasa Bakeries and Vaasamills are to join forces as of January 1, 1998, and merge into a single division known as Vaasan Baking.

CFO Filip Frankenhaeuser was appointed Senior Vice President, Corporate Business Development & Strategic Planning, as of February 2, 1998. Håkan Laurén, President of Cultor Food Science, was appointed CFO as of February 2, 1998. Dr. Joe Dunne was appointed President of Cultor Food Science and President of Cultor Food Science Inc. as of January 9, 1998. He joins Cultor from Quest International.

In September, Xyrofin officially opened the world's largest xylose factory in Lenzing in Upper Austria. The project was completed ahead of schedule, and initial commercial batches of xylose were produced in the spring.

November

Cultor announced its intention to sell Polfarm Ltd., Suomen Rehu's Polish premix and feed supplement business, to Nutreco. Long-term cooperation with Nutreco's subsidiary, Trouw Nutrition, was also announced.

Cultor Food Science agreed the sale of its polymyxin antibiotic business to the Fine Chemicals Division of Alpharma Inc.

Cultor Corporation signed a USD 200 million multicurrency revolving credit facility with an international syndicate of 17 banks, headed by Merita Bank Ltd. and Union Bank of Switzerland as arranging banks. The facility will be used for general corporate financing purposes.

In November, Cultor Food Science opened its new Customer and Technology Center in Ardsley, NY.

December

A total of 81,000 new Series II Cultor shares have been subscribed to and paid for at a price of FIM 80/share under the warrants associated with Cultor Corporation's 1992 bond with warrants issue. The Company's paid-up and registered capital stock rose by FIM 972,000 as a result of the subscription to FIM 279,282,000. The total number of Series II Cultor shares now stands at 8,093,500.

The Ingredients for a Good Life

Cultor's performance in 1997 met our overall expectations, and I would describe our result as satisfactory. We recorded net sales of around the same level as in 1996, but our earnings per share were up 18%, although our business environment offered us more challenges than opportunities. With the exception of 1996, our profit per share has improved every year during the 1990s – despite the fact that our agricultural-based businesses have lost operating profits worth some FIM 130 million since 1993 due to changes in their operating environment. Our 1997 performance shows that we are back on track to deliver continuously improving earnings.

Our earnings per share of FIM 15.01 were an all-time high, exceeding our previous record set in 1995. Our policy is to distribute roughly one-third of our earnings in the form of shareholder dividend. The Board's proposal for 1997 is to pay FIM 5.50 per share, or 37% of earnings.

Moving in the right direction

We completed the integration of Cultor Food Science during 1997. Important parts of this process included divesting products that did not serve our main customers in the global food processing industry, and investing in new capacity for some of our fast-growing ingredients, such as xylitol and lactitol. Not everything went smoothly, however. We had to make one-time write-offs, and were also affected by changes in exchange rates, especially the stronger dollar.

The sector's underlying growth and profitability have nevertheless developed well, and we will now move ahead to continuously build on the core strengths we have put in place.

We have many positive things to report on from Cultor Feed Ingredients, although the sector failed to deliver on all our expectations during 1997. The sector has been the first anywhere to offer an enzyme package for corn-soya feed, for example. Substantial R & D input has generated a number of interesting new products like this, and is laying the foundation for future value creation.

Global fish consumption continues to grow. With declining catches of wild fish, farmed salmon accounts for a growing proportion of the fish we eat. We expect EWOS to continue to grow, and retain its number-two position globally as a supplier of salmon feed. Our compound feed, bakery and crispbread, and sugar divisions all met, and in some cases exceeded, our expectations; and provided the Group with a good level of cash flow.

It is a particular pleasure to report the strong performance of Genencor during 1997. The company was able to take full advantage of restructuring in 1995 and 1996. Genencor's improvement was substantial. Although not yet at our target level, we believe Genencor will develop well during the coming years.

A strong niche player

We have strong positions and growth opportunities in our selected USD 1.5 – 2 billion global niche markets, and many of our products offer our customers unique opportunities. Through our proprietary technology, we are able to offer true added value. We need to ensure that we are continuously capable of delivering innovation to our customers – and of maintaining and improving our positions in markets that are becoming increasingly competitive.

Another challenge that we face is of managing unrest and instability, both political and financial, in different parts of the world. We also remain committed to maintaining open dialogue with consumers on the consequences of modern technology for the food industry. With its combination of growth and cash flow businesses, the structure of our portfolio is a strong one. However, continuous developments in our business environment and the marketplace mean that we must continue, as always, to be open and proactive towards change.

The 10 – 15% increase in illnesses resulting from contamination and bad hygiene in food preparation reported in some countries recently, and the questions it raises about where food safety is going, is a cause for concern for all of us. We believe that our focus on quality and sustainable development in all of our operations means that we have something to offer both our own customers and, ultimately, consumers as well.

The impact of decisions linked to the reform of the EU's Common Agricultural Policy, together with the outcome of the WTO negotiations due to start in 1999, will be crucial for our businesses based around the Baltic Rim. Critical factors here include issues such as raw material availability, prices, subsidies, and access to markets.

Risks…

Europe's move towards a common currency will benefit Cultor. Elsewhere, however, we expect to experience some impact from the problems affecting the economies of South-East Asia, although only some 6% of our sales are generated by customers in the region. We will feel this directly through our own sales, and indirectly through sales made by our customers exporting into the region.

Perhaps the greatest challenge facing us, however, is being able to anticipate future developments among our customers and our customers' customers, and their changing needs and business environments. The importance of ensuring that our technology consistently and constantly serves these needs will be further underlined as our operating environment continues to change. We are committed to making our customers' future needs and expectations the drivers of our growth, both in terms of organic growth and strategic acquisitions.

…and opportunities

Our chosen strategy of building leadership in narrow global niches continues to be rooted in our four, interlocking core value processes: shareholder value, customer orientation, sustainable development, and competence. They are our foundation for delivering unique, high-tech products to the food processing industry. They also underpin our stable, profitable cash-generating activities.

Biotechnology will play an important role, and will also be a challenge for the future development of Cultor. Reflecting this, we will continuously increase resources for research and development in this field. I expect this strategy to result in a steady and continuous improvement in profitability for the Group.

I would like to take this opportunity to thank our customers, suppliers, and owners, and especially our own Cultor people, for their contribution to our success in 1997.

Our success will be built on offering the ingredients for a good life. The products developed by Cultor's divisions all make valuable contributions to enhancing our common well-being and promoting a responsible attitude to our environment and the sustainability of future generations. We at Cultor believe that this is a contribution that counts.

Björn Mattsson
President & CEO

Cultor's Strategic Vision

Cultor is

committed to being

a significant food and feed ingredients

company, producing and marketing high-performance

nutrition products and services

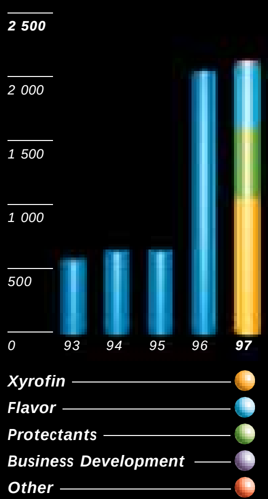
for global niche

markets.

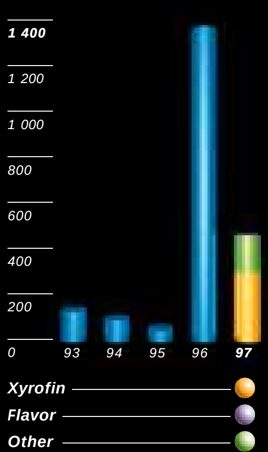
Images on Arkkusaari

Cultor Food Science

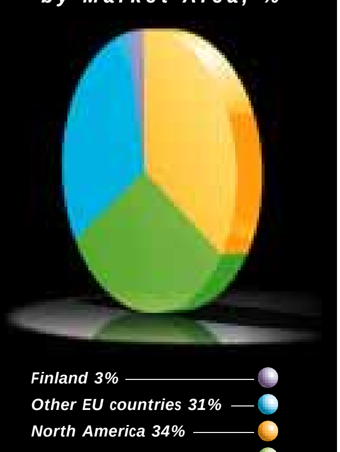
Net Sales, MFIM



Investments, MFIM



Net Sales by Market Area, %



	1997	1996
Net sales, FIM million	**2 117**	2 035
Exports & international operations	**2 055**	1 967
Finland	**62**	68
Other EU countries	**647**	753
North America	**732**	819
Other countries	**676**	395
Xyrofin	**1 054**	940
Flavor	**478**	408
Protectants	**541**	674
Business Development	**39**	20
Other	**14**	15
Internal invoicing	**-9**	-22
Operating profit, FIM million	**124**	167

	1997	1996
RONA, %	**6.1**	9.4
Investments, FIM million	**460**	1 363
Xyrofin	**300**	249
Flavor	**4**	5
Protectants		
Business Development		
Other	**156**	1 109
Personnel, average	**910**	915
Xyrofin	**495**	432
Flavor	**192**	244
Protectants	**91**	105
Business Development	**77**	83
Other	**55**	51

Net sales in 1997 totalled FIM 2,117 million (FIM 2,035 million). Sales related to the sector's ongoing strategic portfolio rose by FIM 120 million, or 7%, to FIM 1,843 million. This growth was mainly driven by xylitol, fructose, Natamax®, and Flavor Division products.

Product portfolio evaluation continued during 1997, in line with the sector's strategic focus on food industry needs in the areas of nutritional enhancement, taste, and safety and protection. This resulted in a series of divestments covering dairy ingredients, polymyxin, brewery ingredients, and Astos stabilized vitamin C products. All non-strategic businesses have now been divested. Despite the successful completion of this process, some delays were encountered in bringing new products already in the development pipeline to market, to compensate for the loss of divested and discontinued lines; this held back organic growth.

Operating profit totalled FIM 124 million, against FIM 167 million in 1996. This figure was depressed by FIM 50 million compared to 1996 as a result of the loss of operating profit from divested and discontinued products. Net after-tax gains from divestments reduced goodwill by a figure of FIM 64 million. The strong US dollar also adversely impacted profitability and sales, as a significant part of the sector's production is located in the United States but sold worldwide. Other factors included additional depreciation on fixed assets, a one-time xylose inventory write-off, and other one-time items, totalling FIM 34 million. Net cash flow from operations was above target, however, as was cash flow from divestments.

Outlook for the future

The sector's integration and reorganization process, initiated in 1996, has been a demanding one, and required a sizeable resource input in 1997. The overall process is now complete, and has given the sector the right portfolio base to take advantage of the good underlying growth and profitability potential of its key segments. Double-digit organic growth is expected for the sector's ingredients portfolio for 1998 in an overall global food ingredients market growing at between 3% and 4% annually. European markets are expected to continue growing somewhat faster than the US, although low-fat, low-calorie products continue to develop very positively in the latter. The economic difficulties being experienced in the Asia-Pacific region, excluding Japan, will not have a major adverse effect, except in the case of South Korea.

Reduced-calorie fats, such as Benefat™, low-calorie bulking agents, such as Litesse®, and low-calorie bulk sweeteners, such as lactitol, together with specialty sweeteners, such as xylitol and crystalline fructose, are projected to continue growing at well above the average rate for ingredients. Sales of Benefat, for example, are expected to rise rapidly during 1998 as a result of new product application launches. Good sales of new products within the Litesse family are also expected, with US regulatory approval for Litesse III anticipated early in 1998. The sector's existing strength in the lactitol market will be further strengthened when the new plant at Thomson, Illinois is completed. The outlook for xylitol continues to be bright, with a full year of sales in Japan in 1998, and continued growth in Europe. Fructose sales are expected to show strong growth, following the completion of capacity expansion in 1997.

Flavours will grow at closer to the industry average, although some niche segments will grow faster. Growth potential for some of Protectants' new products is particularly strong. Enhancements made in R & D and business development capabilities will support the launch of new product lines, such as the new natural antioxidant now scheduled for launch in the first quarter of 1998.

Strong competition and pressure on margins will continue in a number of markets in 1998, but the sector's overall profit performance is expected to show a clear improvement on 1997.

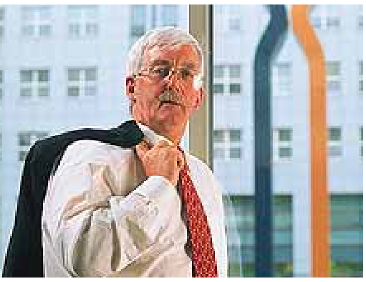
Xyrofin

Net sales rose by 12% over 1996. With the exception of Japan, however, the market for the division's ingredients grew at a slower rate than has been typical of the 1990s. This was linked to a levelling-off of expansion in Eastern Europe and the high level of penetration in some sugar-free categories in a number of markets. The division's operational profit was lower than expected, depressed by currency-related pressures and a xylose inventory write-off.

The long-awaited granting of food approval for xylitol in Japan, and the successful start-up of the new xylose production unit in Austria, marked the two major highlights of the year. Sales of xylitol in Japan were particularly encouraging. Xylitol emerged as the sweetener of preference for chewing gum, and a number of new oral hygiene products were also launched. In total, over 50 products containing xylitol were launched in Japan in 1997. The new Lenzing plant, which was completed within budget and on time, now provides Xyrofin with a low-cost source of raw material for xylitol production.

Lactitol sales developed well during 1997, performing above 1996 levels, and Xyrofin is now the world's largest supplier to the confectionery industry. Anhydrous lactitol was successfully launched for use in sugar-free chocolate. Xyrofin will become the world's largest producer of lactitol in 1998 when the new plant under construction at Thomson comes on stream during the second half. This represents the final stage of the division's FIM 500 million investment in polyol production capacity, announced in 1994.

"Teamwork is essential for success today - not just our own success but that of our customers as well," says food technologist Michael Liston (far right). "By working together with other people in the CFS technology organization like Alice Havens and Otis Curtis , we can optimize our ingredients offerings. This allows the consumer to benefit from foods containing less fat, calories, and sugar; that stay fresh and are safe to eat for longer; and taste great as well."



Joe Dunne took over at the helm of Cultor Food Science in early January 1998. His extensive experience in the biotechnology and food ingredients areas will be a valuable addition to CFS' skills base.

Cultor Food Science's new headquarters and Customer and Technology Center in Ardsley, New York, which was opened in November, will play an important role in enabling the sector to launch product innovations faster in the future.

Xyrofin, Pekka Sorsa
Flavor, Carlo Colesanti
Protectants, Richard Green

The division increased its market share in the low-calorie bulking agent market, although total market development was disappointing. Following its successful introduction in Japan, Litesse III, a proprietary patented product primarily used in hard candy products, was launched in Europe. Fructose sales were down during the first half as a result of production problems, but the year as a whole was a successful one. Sales of grades for higher value-added applications increased.

After its successful launch in the US and favourable overall sales performance, the Benefat family of salatrim-based reduced-calorie fats was transferred to the Xyrofin product portfolio. Benefat's strengths lie in the exciting opportunities it offers in combination with Litesse and lactitol to deliver reduced-calorie and reduced-fat products with improved taste.

Flavor

The year was a good one for the Flavor Division. Excluding discontinued operations, sales rose by some 20% over 1996. Record profit levels were attained by Flavoring AB, FTC, and CAL, driven by increased volumes, product mix development, and cost control measures. Operational profit was satisfactory.

The division continues to be the worldwide market leader in maltol-type flavour enhancers (Veltol®) used in sweet goods applications. This position has been further secured through the development of new processing technology.

The division's increased focus on compound flavours and natural extracts continues to result in aggressive growth. This effort is designed to expand Flavor's market share in the beverage and dairy markets in the Nordic area and Eastern Europe, as well as in the markets for reduced-fat and low-calorie products in the confectionery, bakery, and dairy segments in North America and Japan. Non-strategic brewery products were divested in December.

Protectants

Overall sales in Protectants were down, partly as a result of lost revenues from divested lines and partly due to strong competition and price pressure, particularly in erythorbates. Operational profits were down for the same reasons.

Divisional growth was led, for the second year in a row, by Natamax, a highly effective anti-fungal agent for cheese and meat applications. New regulatory approvals, customer-developed applications, and expansion into emerging markets are expected to sustain further growth. Sales volumes of sodium erythorbates, a family of water-soluble antioxidants used to extend shelf-life in food and beverage applications, continued to be strong, and the division maintained its leadership in this market.

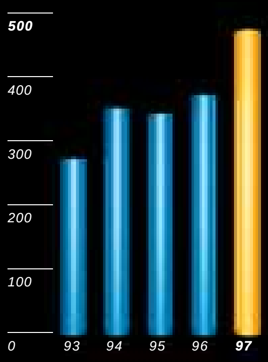
Several key approvals are in the process of being secured for Everfresh®, a unique sulphite replacement that provides a permanent solution to seafood blackspot. Other applications are being developed for this novel product line, in response to increasing regulatory and consumer pressure to discontinue the use of sulphites in foods.

Work continued to strengthen Protectants' core products and spin off non-strategic activities. This saw the divestment of polymyxin, an antibiotic, and of the Astos stabilized vitamin C business.

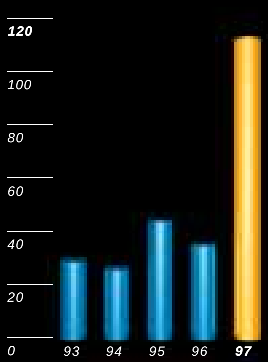
Fighting Wood Grouse (Wright-reconstruction)

Cultor Feed Ingredients

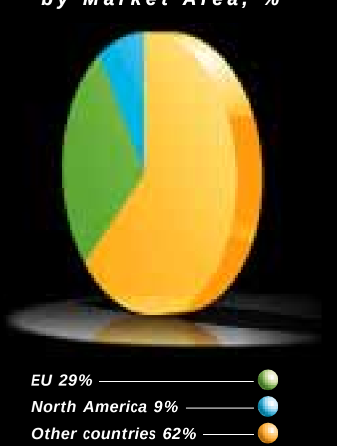
Net Sales, MFIM



Investments, MFIM



Net Sales by Market Area, %



	1997	1996
Net sales, FIM million	**470**	370
Exports & international operations	**468**	368
Finland	**2**	2
Other EU countries	**133**	118
North America	**42**	36
Other countries	**293**	214

	1997	1996
Operating profit, FIM million	**46**	58
RONA, %	**14.6**	24.8
Investments, FIM million	**112**	35
Personnel, average	**333**	350

Cultor Feed Ingredients recorded net sales of FIM 470 million in 1997, an increase of 27% over 1996. All three businesses turned in satisfactory sales growth. As expected, the sector's earnings were somewhat down; operating profit totalled FIM 46 million, a drop of FIM 12 million on 1996. Profitability was held back by heavy expenditure in R & D and marketing by Finnfeeds International (FFI), and problems at Pacific Protein (PP) associated with the El Niño phenomenon. Strong competition-related pressure on prices and margins was also a factor for FFI and Finnsugar Bioproducts (FSB).

New opportunities

An important development for the future of Cultor Feed Ingredients took place at the end of the year when Cultor acquired the 40% stake held in Finnfeeds by Degussa AG since 1993. Work has been started to more closely integrate FFI with other areas of Cultor's portfolio, particular FSB. Extensive synergies exist for developing a stronger and more cost-efficient operation, and for building a broader and stronger biotechnology-driven animal nutrition offering. A single management team is now responsible for the operations, sales, marketing, and applications research of FFI and FSB.

Outlook for the future

The opportunities for market growth in feed enzymes and betaine remain very substantial, given that less than 5% of global feed production makes use of either of these technologies. Overcoming initial customer resistance to novel products is always a challenge, but as the recent example of FFI's encouraging sales performance in countries such as China, Thailand, and Taiwan shows, new markets can offer exciting opportunities. Economic problems in the Asia-Pacific region, however, represent a serious destabilizing factor. Sales of feed enzymes and betaine as a whole in 1998 are expected to continue growing at double-digit rates.

A high level of investment in technology projects and marketing will continue in 1998. Discussions are under way with a number of potential partners to further strengthen the sector's technology base.

Finnfeeds International

The global feed industry continued to grow during 1997, particularly in the Asia-Pacific region. Despite the economic difficulties experienced in 1997, the long-term trend in this region continues to be towards increased meat consumption, driven by rising levels of disposable income. Feed enzymes also offer greater benefits for feed manufacturers and farmers when the cost of cereals used as feed raw materials increases.

Compared to growth of 2 – 3% in the feed industry as a whole, the market for feed enzymes expanded by 10 – 15% in terms of value compared to 1996. This was nevertheless slower than expected. A reduced wheat segment, linked to the lack of a wheat window in the United States, was one contributory factor. Market growth was concentrated in phytase and corn-soya applications, the latter an application area that has been pioneered by Finnfeeds.

Sales move up steadily as the year progressed, with the highest growth recorded towards the end of the year. The last three to four months saw a major increase in the importance of the Asia-Pacific market, where FFI's products have been very well received. Aggressive moves by competitors, keen to build market share, put margins under increasing pressure. This was particularly evident in Europe. Feed enzyme prices were consistently lower throughout the year than during 1996. FFI nevertheless successfully retained its market share and continued to be able to command a substantial price premium for its products.

Sales of Avizyme® 1500, FFI's ground-breaking corn-soya product for poultry diets, virtually tripled over 1996, when the product was launched, and it established itself as one of FFI's core products. Despite this success, market penetration was slower than projected in 1997, especially in North America. The potential for corn-soya applications remains significantly higher than in more mature segments such as wheat, however. The Porzyme® range of enzymes for pig producers proved particularly successful in 1997, with volume growth some 40% above 1996. Pescazyme®, a unique product for carp and tilapia, was launched in 1997. Sales of this product, which allows increasingly expensive fish meal to be replaced by lower-cost vegetable protein sources in fish diets, got off to a promising start.

A powerful new tool for optimizing the cost-effective use of Avizyme enzymes and avoiding the use of fixed dosage levels to ensure maximum economic benefit was introduced. The Avicheck service combines laboratory analysis of the quality of the cereals customers use with a computer-based model drawing on a database of predicted enzyme dose responses and key production parameters.

A commitment to technology

To counter ongoing pressure from competitors and secure its leadership in a technology-driven business, Finnfeeds committed significant funds to R & D investments in 1997. This figure will rise to over 15% of net sales in 1998. Work in 1997 focused on areas such as discovering and developing new and more effective enzymes, and building up greater in-depth knowledge on modes of action. The assay service laboratory in Marlborough was also extended, partly to serve the needs of the new Avicheck service. The capacity expansion of Finnfeeds' production plant at Vaasa in Finland was completed in the spring.

Finnfeeds continues to work closely with Genencor International, and the two companies have signed a new type of three-year product development agreement. In addition to this

"As Northern Ireland's leading pig feed producer, we at John Thompson and Sons are committed to offering our customers animal diets that outperform the competition," according to Sam Smyth, Thompson's Pig Nutritionist (right). "That's where Porzyme® comes in," says Finnfeeds' Charles Sheppy. "Porzyme helps pigs make better use of the nutrients in their feed, and reduces digestive disorders. The result – healthier pigs and happier farmers."

long-established, strategic partner, FFI has entered into a long-term enzyme discovery agreement focused on phytase with Diversa Corporation. This project has already yielded an exciting new enzyme. This new phytase is currently being field tested, and the initial results have been very promising. FFI divested its small silage enzyme business to Genencor in the summer.

Finnsugar Bioproducts

Production of Betafin®, Finnstim®, and other Finnsugar Bioproducts products takes place at Naantali in South-West Finland. Raija Moilanen is seen here alongside the product packaging line.

As the world's largest supplier of betaine, Finnsugar Bioproducts continues to be the major player in expanding the betaine market and developing new betaine applications. FSB's strength lies in its production of betaine from sugar beet molasses using Cultor's patented separation technology, while its competitors generally rely on betaine-rich molasses fractions and betaine-choline mixtures.

As in the case of Finnfeeds, FSB also finished the year strongly, with a steady increase in sales volumes through the second half. Increased sales were mainly driven by increased penetration of the broiler segment. Operational profits reached very satisfactory levels.

Significant advances were made in Latin America, where volumes moved up encouragingly on 1996, and in the large US market. Sales of liquid Betafin®, introduced in 1996 to meet the needs of US poultry producers, moved ahead. The market for Finnstim®, used when transferring farmed salmon from fresh to salt water, expanded, helped by the growth in the salmon farming business.

Modest but encouraging progress has been made with Greenstim™, a foliar fertilizer launched in selected markets in 1996. Further field trials have yielded positive additional evidence on using betaine in this way to improve yields when farming high-value crops, such as tomatoes, in difficult climatic conditions.

Betaine sourcing was expanded through new agreements in both the US and Europe. FSB's technological base was reinforced by new patents filed during 1997 protecting additional aspects of Cultor's separation technology.

Pacific Protein

Despite a good start to the year, Pacific Protein was hampered by severely reduced fish catches. This was particularly evident in the second half, as a result of the unusual weather associated with the El Niño phenomenon. PP's catches were down by some 19% over the average for the last three years. Fishing bans imposed by the Chilean government, in response to the smaller size of fish being caught as a result of El Niño, also played a part in lower catch levels. The resulting raw material shortages sharply limited output at PP, but kept prices for fish meal high. There is, as yet, no consensus as to when the El Niño phenomenon is expected to recede in 1998.

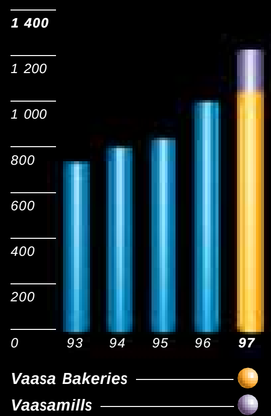
The rapid growth of the Chilean salmon farming industry, which continued in 1997, saw a major shift in the focus of PP's traditional markets from countries such as Thailand and Japan to customers in Chile. This was accompanied by lower logistics costs.

Despite being essentially a commodity business, PP successfully increased the proportion of higher value-added products in its output, building on the efficiency of its plant and fishing fleet, both of which are among the most advanced in Chile. The company's modernization programme was completed with the delivery of the second of the two new modern fishing vessels ordered in 1996.

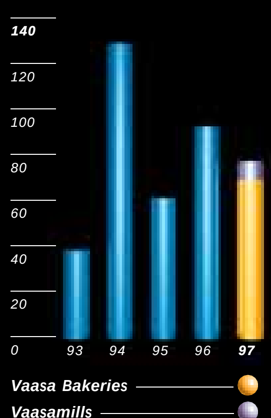
Parcel on the Ice

Cultor Baking

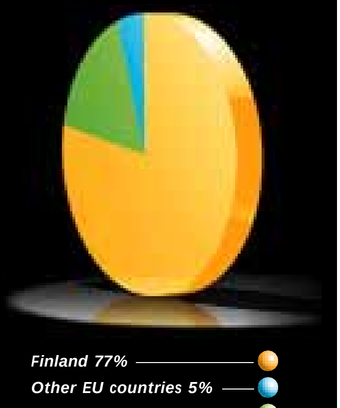
Net Sales, MFIM



Investments, MFIM



Net Sales by Market Area, %



	1997	1996
Net sales, FIM million	**1 219**	994
Exports & international operations	**280**	190
Finland	**939**	804
Other EU countries	**64**	47
North America	**4**	0
Other countries	**212**	143
Vaasa Bakeries	**1 039**	832
Vaasamills	**180**	162
Operating profit, FIM million	**82**	80

	1997	1996
RONA, %	**18.6**	18.8
Investments, FIM million	**77**	92
Vaasa Bakeries	**69**	89
Vaasamills	**8**	3
Personnel, average	**3 632**	3 077
Vaasa Bakeries	**3 413**	2 853
Vaasamills	**219**	224

Cultor Baking recorded net sales of FIM 1,219 million, up 23% on 1996. This increase resulted from three main factors: a full year of revenues from Hanzas Maiznica in Latvia, which was consolidated for only six months in 1996; the acquisition of the Aschan Bakery in Finland; and a growth in crispbread sales, particularly in key export markets. The sector's operating profit, at FIM 82 million, was up only marginally on 1996, held back by a slow market in Estonia.

The sector took a major step forward at the end of the year when Vaasa Bakeries and Vaasamills were merged into a single division as of January 1, 1998, known as Vaasan Baking. Coming at a logical stage in the development of both businesses, this new operating structure will enhance cost efficiency, boost synergy benefits, and help promote the Vaasan brand. In particular, it will enable the development of a highly efficient and versatile industrial baking facility at Kotka, along the lines of the successful frozen bakery products unit, based at the Joutsenolainen Bakery. Kotka is already the location of Vaasamills' crispbread plant, fresh bread baking, and centralized Swiss roll production. Following the completion of a new production line at the end of 1998, production at Kotka will be further expanded when centralized baking of toast bread starts.

Outlook for the future

Cultor Baking has a strong position in the Baltic Rim area, particularly in the healthy, high-fibre rye products that are most popular with the region's consumers. Although market trends in Finland in fresh bakery products and crispbread are not expected to show any major changes in 1998, the growth of the sector's frozen bakery products business, now running at around 20% a year, is expected to continue. The share of sales accounted for by in-store baking and new retail channels is also expected to rise.

Given the advances already made in establishing broader, national markets in Latvia and Estonia for Hanzas Maiznica's and Leibur's products, overall performance in the Baltic countries is expected to improve in 1998. Encouraged by good export performance and the success of the new distributor agreements now in place in key markets, a greater share of crispbread production is expected to go for export in 1998 and beyond.

Vaasa Bakeries

The year saw a significant increase in the division's net sales, as a result of the effect of the consolidation of Hanzas Maiznica and the Aschan acquisition. Operational profits were slightly down.

The fresh baked goods market in Finland was marked by slower growth of 1 – 2%, compared to 3 – 4% in 1996. Demand for bun bread and cakes and pastries grew slightly more than the market average. Frozen bakery products were an exception to this general trend, however, as was in-store baking. New retail channels, such as kiosks and service stations, also increased their share of sales at the expense of more traditional ones. Vaasa Bakeries retained its over 30% share of the overall retail bakery market.

The Aschan acquisition reinforced Vaasa Bakeries' local market position in South-West Finland, which was further helped through a restructuring of production with other units in the region. The purchase strengthened Vaasa Bakeries' network of local bakeries, which now totals 24 companies covering the entire country. Work continued on enhancing the network's performance and integrating production in the Great Helsinki area, where Elanto's bakery business was acquired in 1996. Marketing efforts are currently under way to give the chain a more integrated identity and reinforce the Vaasan brand.

To meet the growth in demand resulting from the continuing expansion in frozen bakery products, additional production capacity was introduced in late 1997, together with a number of new products. The popularity of in-store baking continues to grow, and an increasing percentage of frozen products go to the over 100 in-store baking units operated by Vaasa Bakeries. The trend is towards introducing these units in smaller outlets. As this increases, and as retailers continue to find their margins under pressure, competition can be expected to get tougher. Exports, which started to Sweden in 1996, progressed positively. Beginning in November, the first shipments of frozen rye bread were exported to Belgium.

"Traditional, healthy wholemeal bread and crispbread are a regular part of our family breakfast," says Olli Lavikka, a development manager with Cultor Baking's Industrial Baking Unit, and father of three young boys, (left to right) Anttoni, Miikkael, and Joonatan. "For boys like ours, bread is an important part of their diet, and helps give them the energy they need as they grow. And energy's one thing they're certainly not short of," laughs Olli's wife, Pirjo.

Developments in the Baltic countries

Demand in Estonia and Latvia, where Cultor's local subsidiaries Leibur and Hanzas Maiznica both have some 30% of the local retail bakery markets, has continued to be under pressure. Factors contributing to this include the fact that bread has become a more expensive item, relatively speaking, in families' shopping baskets. Raw material costs stabilized, in line with a drop in inflation levels, which helped keep costs in check.

Sales volumes in Estonia, in particular, were disappointing. Positive progress was made, however, with extending Leibur's distribution beyond the company's base in Tallinn; and the rest of the country now accounts for over 20% of total sales. This represents a new development for the Estonian market, where no truly national bakery companies exist and consumer loyalties lie with established local producers.

Production at Leibur has now been concentrated at a single location in Tallinn, and this has already begun to yield valuable cost savings, particularly in terms of improved efficiency and lower labour costs. Building on Leibur's strong heritage as a traditional Estonia baker continues to be a priority, and new products, while drawing on cooperation with other Vaasa Bakeries units, are closely tailored to local tastes.

Performance at Hanzas Maiznica was encouraging. Bakery volumes remained unchanged compared to 1996. Like Leibur, Hanzas Maizica has been working to strengthen its market position outside its main base in the country's capital, Riga; a nationwide sales organization was established in 1996. The Latvian market offers promising market potential over the short term. Progress made on developing the company's brand portfolio and product quality should help Hanzas Maiznica take advantage of this.

Contract farming, a Cultor approach designed to guarantee supplies of high-quality cereals, was successfully started in Latvia in 1996. This contributed to the country's success in becoming virtually self-sufficient in wheat in 1997.

The merger of Vaasa Bakeries and Vaasamills will make a valuable contribution to strengthening Cultor Baking's performance in 1998 and onwards.

Vaasamills

The competitive position in Finland remained unchanged, despite renewed marketing efforts by competitors, and Vaasamills was able to retain its approximately 70% market share. Total demand rose by around 2%, similar to 1996. New products such as Sorja, a new type of thin rye crispbread, and Digestive, a round wheat product, also proved successes. Despite a somewhat depressed market for crispbread in Europe, Vaasamills succeeded in increasing its export volumes. Exports to Germany, for example, were virtually doubled, and the private label business, particularly in Britain, was significantly expanded. The sector's net sales rose, reversing the slight downward trend seen in 1996. Operational profits also improved.

Martti Tähtinen, one of Cultor Baking's regional managers, is based at Turku in Finland.

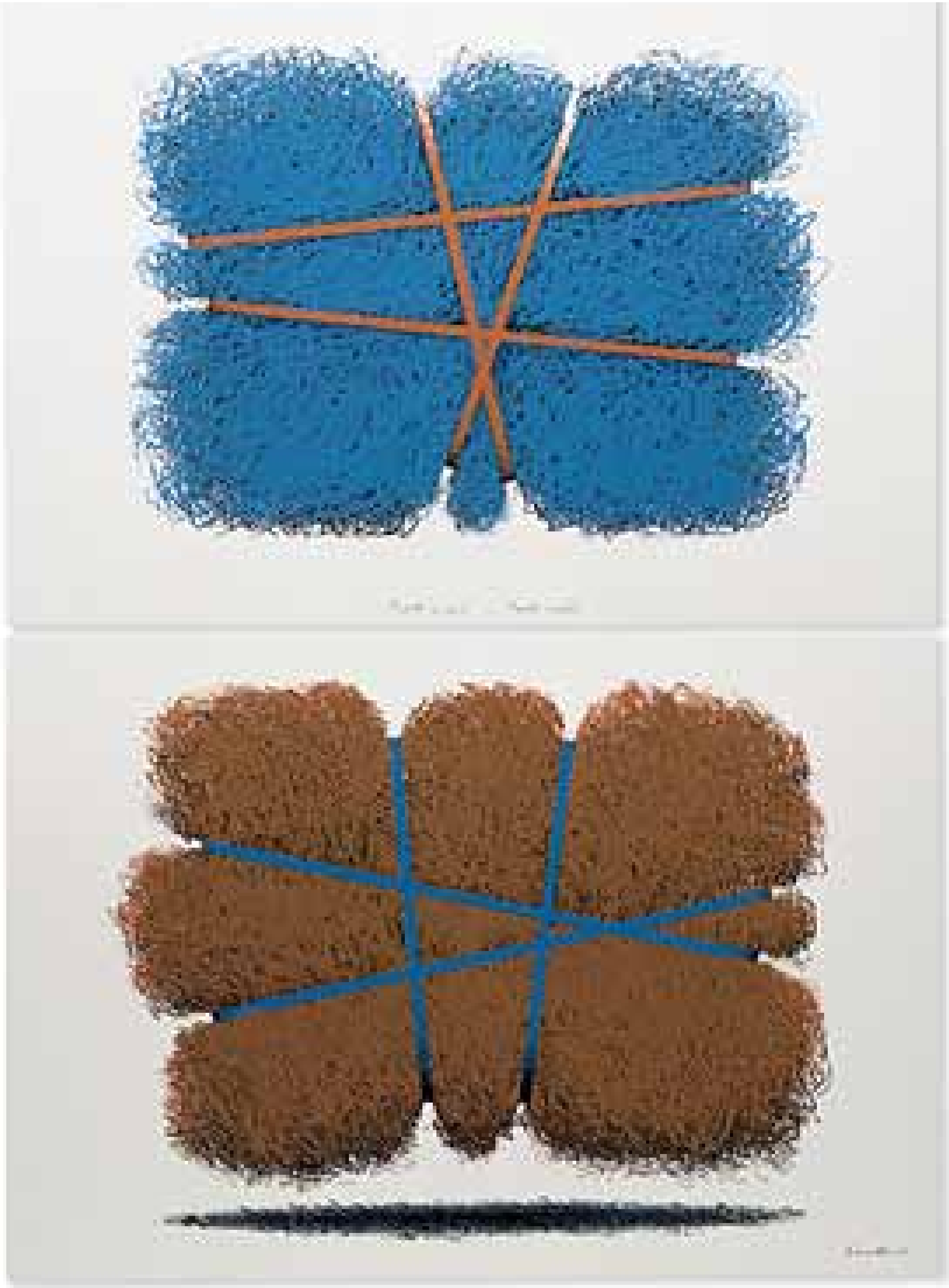
Vaasamills' distribution partnership with Brandt GmbH in Germany has proved very satisfactory, and was instrumental in the upswing there. Good progress was also made in Sweden, where the work done by Adaco AB has yielded good results in terms of visibility on the supermarket shelf. A new private label product was successfully launched in Britain for the Tesco supermarket chain, building on the success of existing products of this type with other chains on the British market.

The rationalization and development programme initiated at Siljans in Sweden in 1996 fed through into much improved profit and cost performance in 1997. Net sales were also up. Although volumes have increased, particularly in respect of Siljans' traditional 'Big Rounds' rye products, more work will be needed to take advantage of potential in wheat-based products. The first deliveries of wheat 'Small Rounds' took place in January 1998. Private labels using Siljans products were launched by ICA and KF in Sweden.

Contract farming concentrated in South-East Finland expanded substantially in 1997. The programme has seen a major increase in rye acreage, and will enable Vaasamills to considerably increase the proportion of controlled quality rye it uses in 1998.

Intensive work on building an environmental system based on the ISO 14001 standard was rewarded in early January 1998 with certification by Lloyds Register.

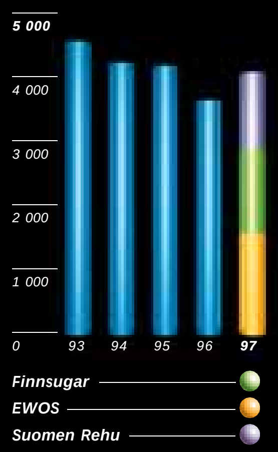
Vaasan Baking, Matti Lappalainen



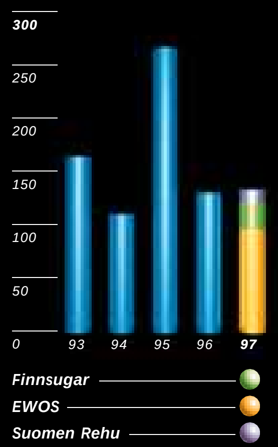
Package of Love – Package of Warmth

Cultor Nutrition

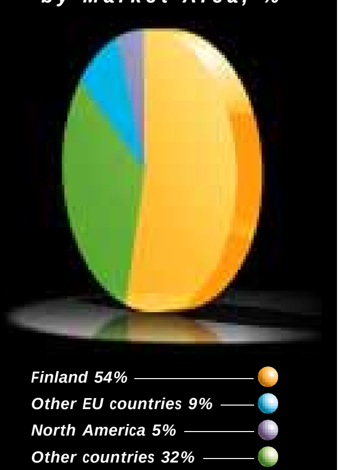
Net Sales, MFIM



Investments, MFIM



Net Sales by Market Area, %



	1997	1996
Net sales, FIM million	**4 052**	3 634
Exports & international operations	**1 882**	1 440
Finland	**2 170**	2 194
Other EU countries	**371**	301
North America	**211**	182
Other countries	**1 300**	957
Finnsugar	**1 311**	1 339
EWOS	**1 569**	1 172
Suomen Rehu	**1 172**	1 123
Operating profit, FIM million	**301**	281

	1997	1996
RONA, %	**16.5**	15.9
Investments, FIM million	**133**	130
Finnsugar	**25**	20
EWOS	**96**	76
Suomen Rehu	**12**	34
Personnel, average	**1 609**	1 661
Finnsugar	**641**	702
EWOS	**556**	499
Suomen Rehu	**412**	460

Cultor Nutrition recorded a 12% increase in net sales, which reached FIM 4,052 million (FIM 3,634 million). Both figures exclude the effect of the sale of Cultor's holding in Svenska Foder in 1996. EWOS turned in particularly strong sales performance, with a year-on-year increase of 34%, helped by strong demand for Chilean-produced salmon. The sector also recorded an improved profit of FIM 301 million (FIM 281 million); EWOS was the single strongest contributor.

EWOS and Suomen Rehu both prioritized enhancing their raw material management systems during 1997. This enabled them to anticipate and respond more rapidly and effectively to the fluctuations in the prices of their raw materials, such as amino acids, soya, and fish meal, which were characteristic of the year.

Outlook for the future

The World Trade Organization's forthcoming 'Millennium Round' and its proposals for further liberalizing agricultural trade, together with ongoing developments around the Agenda 2000 proposal for further reform of the EU's Common Agricultural Policy (CAP), represent important issues for the sector's businesses, particularly Finnsugar and Suomen Rehu. Both divisions will have to pay continued attention to issues related to costs and competitiveness.

The future of the EU's Sugar Regime after 2001 remains uncertain. Although there may be some reductions in prices or quotas towards the end of the current GATT period, the rationalization and other efficiency enhancements already implemented by Finnsugar, combined with ongoing efforts in these areas, will make it possible to maintain the recent level of profitability.

Economic turbulence in Asian markets, the potential impact of the El Niño phenomenon on raw material availability, and quotas in Norway will all be challenges for the salmon farming industry in 1998. EWOS nevertheless projects positive sales growth and improved profit opportunities for the year.

With its highly competitive cost structure, Suomen Rehu is focusing on serving its customers with new innovative products and feeding programmes. This will secure current levels of profitability after the end of the transition period agreed upon in Finland's accession agreement with the EU.

Finnsugar

Domestic sales of sugar grew by 1%. The exceptionally warm summer, however, provided a welcome upswing around the middle of the year, with increased purchases by soft drinks and ice cream manufacturers. The decision by some customers to shift production to Finland from abroad also contributed to industrial demand. Retail demand, on the other hand, saw a small decline, influenced by the continuing trend towards less home cooking. Exports were modest and lower than in 1996, restricted by the limited availability of sugar. Raw material costs remained stable.

The year was a record one for Finnish sugar beet farmers, who harvested some 40 tonnes/hectare, up 25% on the average. The harvest yielded around 180,000 tonnes of sugar, some way above the Finnish quota of 146,776 tonnes (A: 133,433 tonnes; B: 13,343 tonnes). Part of the excess will be carried over, when it will be used to compensate for any possible shortfall in the 1998 harvest.

Despite a slight drop in net sales, the division's operational profit reached 1996 levels. Cost-cutting initiatives introduced in 1996 resulted in valuable savings. These initiatives are part of a wider four-year development and investment programme aimed at improving competitiveness.

Against the background of the trend in the European sugar business towards larger processing units, it was decided to close Sucros' plant at Turenki at the end of the 1998 processing season, and concentrate production at Salo and Säkylä. This is not expected to significantly change the volume of sugar beet grown, although the focus of cultivation will probably shift south-westwards.

Marketing responsibilities within Sucros between Finnsugar and its minority partner, Lännen Tehtaat, were clarified in the spring. This change will enable Finnsugar to concentrate on industrial and catering customers, and Lännen Tehtaat, with its strengths in consumer products, on the retail segment.

The use of starch-based sweeteners continues to grow at the expense of traditional sugar products, thanks to the cost advantages they enjoy under the CAP. Finnsugar's new marketing joint venture with Cerestar Scandinavia A/S, Cerenes, serving this market, became operational in early 1997. Although the company has got off to a good start, competition has proved particularly tough.

EWOS

Demand for salmon feed is continuing to grow at over 15%. Of the four major producers of farmed salmon (Norway, Chile, Canada, and Scotland), which now account for 90% of the value of world salmon farming, Chile is growing the fastest. Economic turbulence in Asia, Chile's main export market, however, has reduced demand and price expectations. Exports to the US are growing, and this is expected to continue, despite a preliminary ruling by the US Department of Commerce imposing a 5.79% anti-dumping duty on some 35 Chilean producers. Settlement of the dispute between Norway and the EU has resulted in greater price stability for Norwegian producers.

EWOS turned in strong sales, and profits were also up. The company succeeded in increasing its market share in Chile and Norway, while production in Chile benefited from a major improvement

With 130 hectares planted for feed cereals and some 30,000 broiler chickens, the feed business is a very familiar one to Anssi Peltomäki (left), who farms near Huittinen in South-West Finland. "Like most farmers, I'm pretty conservative when it comes to new ideas, but the concept behind Suomen Rehu's ISO-Vilja™ Technology made sense to me from the start. Getting nitrogen and herbicide applications just right in terms of quantity and timing is a big cost and quality advantage for the farmer."

"Opening up the potential for higher yields using less fertilizer and herbicides also makes sense from an environmental point of view," adds Reijo Laine of Suomen Rehu.

Concentrating on the industry's key producers will enhance EWOS' capability to develop global solutions for salmon farmers, drawing on the success of products such as the Vextra® range of high-energy feeds and FarmControl™, its state-of-the-art farm management system.

The competitiveness of the Salo and Säkylä sugar beet processing plants will be enhanced in 1998 as part of a FIM 50 million investment programme.

Finnsugar, Matti Suokas
EWOS, Philip Smith
Suomen Rehu, Antero Nyyssönen

in plant efficiency. EWOS also completed its strategic shift to focusing on the four main salmon farming countries in 1997 with the sale of its Spanish subsidiary.

Elevated water temperatures in Norway and Scotland caused by the El Niño phenomenon held back feeding, and led to increased fish health problems in Scotland. Heavy algae blooming in British Columbia prevented fish feeding as normal, and increased fish losses. The adverse effect of the El Niño phenomenon on fishing by Chile and Peru saw a significant increase in the price of fish meal and fish oil.

EWOS' work on supply chain management, together with its R & D programmes on alternative proteins and formulations, will continue to reduce the company's susceptibility to raw material problems over the longer term.

Suomen Rehu

Total market demand remained largely unchanged at 1996 levels. Growth was concentrated in cattle and chickens, while there was a small drop in demand by pig farmers. Suomen Rehu's sales volumes grew slightly in Finland, as did exports to the Baltic countries and Russia. Raw material prices rose throughout the first half, but moved down later. Suomen Rehu recorded a slightly better operational profit than in 1996, helped by the successful launch of new products and further cost structure improvements.

Suomen Rehu has prioritized strengthening its core competitive strengths in compound feeds and feed supplements. The division sold its Polish premix and feed supplement business, Polfarm Ltd. This followed the sale of its silage preservative business in Norway and Sweden earlier in the year. Strengthening competitiveness also lay behind the setting-up of a new, joint venture logistics company in September known as Movere Oy.

Increased focus was given in 1997 to helping farmers ensure that the food processing industry and, ultimately, the consumer receives the highest quality food. The Chickment® and Pigment® quality programmes, for chicken and pork producers respectively, were both expanded. The Eggment® project was also started in association with egg producers and egg packers. Sales of Omega eggs, containing healthy fatty acids and produced using Punaheltta Omega™ feed, based on wholemeal grain and cold-pressed linseed oil, have performed very successfully.

A group of innovative new feed products, based on Suomen Rehu's target feeding programme concept, was launched for the cattle market. These included the Kiri-Herutus system for milk cows, and Calftona Rival for calves.

Suomen Rehu's pioneering implementation of certified quality and environmental management systems and use of broad-based value networks embracing farmers, slaughterhouses, retailers, and consumers, was further extended. ISO 9001 certification was received by Teknosan AB in Sweden, Agrivit AS in Norway, and Polfarm Ltd. in Poland.

In the spring, Suomen Rehu launched a new environmentally advanced cereal farming concept, known as ISO-Vilja™. The system, which has been patented, covers the whole production and quality control chain. Optimizing the amounts of fertilizer and crop chemicals used increases profitability, while cutting nitrogen run-off by up to one-third. Some 3,000 farmers have received training and a large proportion of these now use the system.

Genencor International

Genencor International, Inc., Cultor's 50/50 joint venture with Eastman Chemical Company, had a successful year. Net sales totalled FIM 1,585 million (FIM 1,169 million). Inclusive of exchange rate impact, this was up 35% on 1996, when sales also improved considerably. Increased volume and improvements in the sales mix both contributed. Higher sales volumes were primarily concentrated in the cleaning products business. Overall price developments were neutral. Operating profit moved up throughout the year, to total FIM 209 million, a significant increase over 1996 (FIM 70 million). This improvement was driven by improved manufacturing processes, higher production volumes, and the success of manufacturing cost reduction programmes.

		1997	1996
Net sales,	MFIM	**1 585**	1 169
	MUSD	**304**	254
Operating profit,	MFIM	**209**	70
	MUSD	**40**	15
Personnel, average		**1 034**	1 032

Total figures for the 50/50 joint venture

Genencor completed the integration of its 1995 and 1996 acquisitions from Solvay S. A. and Royal Gist-brocades N.V. Production and product portfolios were successfully rationalized, benefiting grain processing products in particular. Genencor also expanded its presence in the Pacific Rim region.

Outlook for the future

Genencor has consolidated its position as the world's number-two industrial enzyme company, and is now strategically positioned for further growth. The outlook for 1998 is positive. Genencor expects increased sales and profits in 1998 to be driven by its strong partnerships, better penetration of regional markets, product innovation, and low-cost manufacturing infrastructure, all of which will enable the company to benefit from the 10% rate of market growth projected for 1998. A new R & D and European headquarters facility, to be built in 1998, will further enhance Genencor's technology position.

Genencor received a USD 2 million award from the US Advanced Technology Program in 1997 to fund the development of low-allergenicity enzyme products.

Technological innovation

Genencor's approach to creating value is based on a high level of technological innovation. Reflecting this, Genencor spends the equivalent of over 10% of its net sales annually on R & D. Genencor's particular strengths lie in the area of enzyme discovery and modification, innovative enzyme applications, and developing new and better microbial strains for manufacturing enzymes. The company continues to lead the field in the use of directed evolution and microbial and environmental screening. This enables Genencor to discover or make thousands of new enzymes each year for developing into new products for its five main application areas: detergents and cleaning products; textiles; grain processing; feed; and fine and specialty chemicals.

Genencor supplies Finnfeeds International with an extensive range of enzymes, and in 1997 the two companies entered into a new type of cooperation agreement to identify, develop, and commercialize new enzymes exclusively for feed applications.

Building on its proprietary technology in pathway engineering and biocatalysts, Genencor is in the process of creating new applications for fine and speciality chemicals. Scientists from Genencor and DuPont are collaborating on a new process for producing a polymer intermediate using recombinant DNA processes, for example, with potential use in textiles and home furnishings. Genencor also introduced Puradex HA, the first commercial product from extremophile research, for high-alkaline cleaning applications; and a unique alpha amylase for wet milling.

Genencor International, W. Thomas Mitchell

Technology

Cultor has been a technology pioneer in areas such as fructose, betaine, xylitol, and feed enzymes. Technology plays an increasingly important role in the development of the Group's high-performance food and feed ingredients. Particular areas of Cultor excellence in biotechnology and life sciences include biomass extraction, crystallization and chromatographic separation, enzymology, animal nutrition, digestive physiology, and microbiology.

Cultor's Technology Network is based around three technology centres operated by Cultor Food Science, EWOS, and Genencor International; a corporate resource, the Cultor Technology Center (CTC); and an external technology network.

Extending networking, both internally and externally, has been identified as a priority. Closer cooperation is already taking place between technology teams at Cultor Food Science, EWOS, Finnfeeds International, Genencor, and CTC. Cultor's first technology seminar to involve participants from Cultor, Genencor, Eastman Chemical, and outside research institutions and other companies, and based around biotechnology and its application to nutrition, was held in September. New forms of collaboration have also been established between Cultor and public research institutes in the US, Europe, and Asia.

Cultor holds well over 2,000 patents and patent applications, and Genencor International some 2,700 enzyme-related patents and patents pending.

Pushing forward with technology

Separation of valuable products from biomass is the basis for the production of some of Cultor's key products, such as betaine and xylitol. Cultor's separation technology has been further extended through recent work at CTC to add recovery capabilities for rare sugars and biopolymers. The process to be used at the new lactitol plant under construction by Cultor Food Science in the US is also based on in-house technology development.

Work on nutrition at CTC has seen the development of a range of tools for studying the microbiology of the gastrointestinal tract of various animals. These tools are designed to broaden our understanding of how diet and feed ingredients modulate microflora, a factor that is known to play a key role in animal nutrition and health. A number of metabolic engineering projects are in progress to produce food and feed ingredients through fermentation. CTC also continues to discover new enzymes and applications for biocatalysts.

The new xylose plant at Lenzing is the latest facility to make use of Cultor's proprietary separation technology.

Research facilities at Cultor Food Science have been extended following the opening of the new Customer and Technology Center at Ardsley, New York; these expand the sector's sizeable Technology Development Unit based in Finland. The new state-of-the-art facility at Ardsley houses R & D, laboratories, and a pilot plant for developing ingredients for confectionery, frozen dairy products, and bakery and beverage applications.

New Benefat™ products were developed during 1997 to broaden the range of applications in which this reduced-calorie fat can be used. An intensive programme to develop unique, biotechnology-derived flavour bases for creating natural flavour systems was also initiated. In the polydextrose area, production process efficiency was enhanced to improve product quality and develop new types of polydextrose.

Work by the team at the EWOS Technology Centre in Scotland resulted in new processes for preventing feed float problems and oil seeping out from high-oil products; patents have been applied for both processes. A patent has also been applied for a new process for an alternative vegetable protein source to fishmeal. EWOS worked closely with CTC on this enzyme process. Development of a full-scale production process will take place in 1998.

Cultor Technology Center, Andrew Morgan

CFS Technology Center, Raymond Glowaky

EWOS Technology Centre, Douglas Simmonds

Genencor Technology Center, Wayne Pitcher

Sustainable Development

Cultor's concept of sustainable development is based on four main components: environmental protection, quality, the protection of intellectual capital, and legal and ethical compliance. The Group's strategy is to implement the sustainable development value process in all decision-making, operations, and R & D. Divisions and units are responsible for setting detailed objectives and targets relating to their own business areas, in line with Group policy.

Group policies are now in place covering quality, the environment, and health and safety; modern biotechnology; regulatory issues; and animal trials. The scope of Cultor's original environmental policy was extended at the beginning of 1998, and is now more closely linked to the ICC's Business Charter for Sustainable Development, which Cultor signed in 1991. Cultor's position paper on modern biotechnology was published in 1997. The policy commits Cultor to using this technology in a safe and responsible way, through transparency and dialogue with stakeholders. In regulatory matters, Cultor stresses the importance of a sound regulatory framework for protecting the environment and ensuring quality and safety.

Suomen Vilja, a Cultor unit specializing in innovative cultivation techniques, has worked with Suomen Rehu and Cultor Baking to develop methods for ensuring that the cereals used by Cultor are optimally suited to the Group's different needs, and reduce agricultural-related environmental impact.

Managing environmental impact

The most significant environmental aspects of Cultor's operations are related to the indirect impact of the raw materials Cultor uses, and to the use of Cultor products in agriculture and aquaculture. Cultor has worked successfully for many years to reduce production-related emissions and the environmental impact of its products. Cultor Food Science, for example, makes extensive use of extraction from natural sources, such as by-product streams; while Cultor Feed Ingredients's premixes can reduce manure output by up to 20% and nitrogen excretion by up to 30%.

Cultor has prioritized the implementation of documented quality and environmental management systems based around the ISO 9000 standard series and the ISO 14001 standard. A total of 18 ISO 9000 certificates have been received. Suomen Rehu's Finnish operations, Cultor Baking's Industrial Baking Unit, and the Sugar Beet Research Centre have been ISO 14001 certified

Life Cycle Inventories (LCI) are conducted to identify the environmental impact of Cultor's main products. Cultor's first LCI, covering sugar beet and the main products refined from beet, was made in 1995. Examples of work since then include a study on mineral feed conducted by Suomen Rehu in 1997, and by Cultor Baking on fresh and frozen bakery products in early 1998.

Stakeholder relationships and ethical issues

The key elements in Cultor's relationship with its stakeholders are transparency, openness, proactivity, and honesty. Stakeholder dialogue has been very active over the last few years, in areas such as the use of modern biotechnology. In a move designed to open up a new channel of dialogue, Cultor and the World Wide Fund for Nature (WWF) Finland signed a cooperation agreement at the end of 1997. Under the agreement, Cultor will be able to make use of WWF's expertise, and WWF will be able to make a valuable contribution to promoting the continued development of Cultor's sustainable development value process.

A separate Environmental Report will be published in May 1998.

Compliance programme

A set of principles governing the Group's competition compliance practice, together with associated review and training programmes, was approved in December 1997. They emphasize the importance of consistently observing competition regulations in a continually changing competitive environment.

Environment, Eija Pitkänen

Financial Review

Overview

	1997 1.1–31.12	1996 1.1–31.12	1995 1.1–31.12
Net sales, FIM million	**8 437**	8 362	6 201
Exports & international operations, %	**62**	65	54
Operating profit, FIM million	**600**	545	528
Profit after financial items, FIM million	**447**	391	494
Profit for the year, FIM million	**366**	283	335
Earnings / share, FIM	**15.01**	12.71	14.91

Cultor recorded net sales of FIM 8,437 million in 1997. Net sales rose in all of the Group's businesses. The largest growth was seen in Cultor Feed Ingredients and Cultor Baking, where sales moved up 27% and 23% respectively. Net sales at EWOS, part of Cultor Nutrition, rose by 34%, led by increased sales in Chile. The sale of Cultor's holding in Svenska Foder in November 1996, divestments by Cultor Food Science, and the sale of EWOS' activities in the Mediterranean decreased consolidated net sales by a total of some FIM 1,111 million.

After the impact of investments and divestments made in 1996 and 1997 is eliminated, net sales rose by 13%. Taking into account the impact of exchange rate consolidation, actual growth was 8%.

International operations totalled FIM 5,240 million, and accounted for 62% of net sales. The proportion of net sales accounted for by Europe has declined, and that of North America increased, following the 1996 acquisition of the Food Science Group.

The Group's operating profit totalled FIM 600 million, an increase of 10% on 1996. This increase was driven by improved profitability at Genencor International and Cultor Nutrition, particularly improved profits at EWOS. Divestments by Cultor Food Science and the strong US dollar reduced the Group's operating profit. Heavy expenditure in R & D and marketing reduced operating profit at Cultor Feed Ingredients.

The Group's profit after financial items rose by 14% to FIM 447 million. Direct taxes were FIM 89 million (1996: FIM 77 million), equivalent to 20% of the Group's result. Earnings per share rose to FIM 15.01.

The positive effect of the exchange rates used in consolidation lifted the Group's result by some 3%.

Financial position

	1997 1.1–31.12	1996 1.1–31.12	1995 1.1–31.12
Net gearing, %	**69.9**	85.2	20.9
Net cash flow from operations, FIM million	**943**	412	432

Cultor's financial position strengthened during 1997, and liquidity was good throughout the year. The Group's net liabilities as of the end of the year totalled FIM 2,069 million (FIM 2,300 million). Net gearing fell by 15 percentage points to 70%. Net financial expenses remained at 1996 levels as a result of the strong US dollar, and totalled FIM 153 million (FIM 154 million), equivalent to 1.8% of net sales.

Both net gearing and financing expenses rose in 1996 as a result of the financing required for the purchase of the Food Science Group. The level of USD-denominated assets and loans, used to fund the transaction, both rose.

The Group's net cash flow from operations rose substantially over 1996, thanks to lower net working capital.

Investments and R & D

	1997 1.1–31.12	1996 1.1–31.12	1995 1.1–31.12
Gross investments, FIM million	**901**	2 034	715
R & D expenditure, FIM million	**236**	221	143

Research and development expenditure rose compared to 1996, and totalled some FIM 236 million, equivalent to 3% of the Group's net sales. The Group's technology-driven sectors, Cultor Food Science, Cultor Feed Ingredients, and Genencor, all invested more in R & D.

The Group's gross capital expenditure totalled FIM 901 million, and sales of fixed assets FIM 422 million (FIM 323 million). A major part of investments was accounted for by Cultor Food Science, where the largest projects were the new xylose plant at Lenzing and the start of construction of a new lactitol plant at Thomson. The level of cash flow financing of investments increased significantly, and all investments made in 1997 were funded internally. This compares to 20% in 1996.

Balance Sheet

	1997 31.12	1996 31.12	1995 31.12
Return on investment, %	**11.4**	12.5	15.8
Return on equity, %	**11.2**	9.4	13.9
Equity-to-assets ratio, %	**37.8**	36.5	47.8
Balance sheet total, FIM million	**8 291**	7 932	5 795
Equity / share, FIM	**128.10**	117.06	108.52

The Group's return on investment fell to 11.4%, despite the increase recorded in operating profit, as the stronger US dollar served to increase the size of Cultor's balance sheet total. Return on equity rose to 11.2%. Cultor's equity-to-assets ratio was 38%. The fall in profitability and solidity, and the increase in the balance sheet total in 1996, resulted from the Food Science Group transaction.

Dividend and market capitalization

	1997	1996	1995
Dividend / share, FIM	**5.50** *)	5.00	5.00
Market capitalization as of 31.12.1997, FIM million	**6 914**	5 660	4 149

*) Board proposal

The Board of Directors has proposed a dividend of FIM 5.50 per share, or 37% of earnings, for 1997.

The highest price paid for Cultor's Series I shares during 1997 was FIM 310, and the lowest FIM 240. The highest price paid for Series II shares was FIM 312, and the lowest FIM 234. As of the end of the year, the share price stood at FIM 296 (Series I) and FIM 295 (Series II). Turnover of Series I and Series II shares totalled 2.95 million and 4.61 million respectively, equivalent to some 33% of Cultor's total shares. Trading volume was FIM 2,136 million (FIM 2,039 million). Cultor's market capitalization at the end of the year was FIM 6.91 billion.

Cultor issued a FIM 500,000 bond with warrants issue intended for the management of the Company and its subsidiaries in 1997. The loan period is for three years and the loan is interest-free. The associated warrants entitle holders to subscribe to a total of 500,000 Series II Cultor shares.

Cultor Corporation's capital stock increased twice during the year, by a total of FIM 2,712,000. These increases were linked to Cultor's 1994 and 1992 bond with warrants issues, and resulted in the Corporation's paid up and registered capital stock reaching FIM 279,282,000. The total number of Cultor shares stood at 23,273,500 (Series I 15,180,00; Series II 8,093,500).

The total number of shareholders registered under the book-entry system at the end of the fiscal year was 10,496. Non-Finnish shareholders held 50.3% of the shares of Cultor Corporation, and 41.9% of voting rights.

Cultor's five largest shareholders as of December 31, 1997		% of total	% of votes
1	Finasucre S.A.	15.34	22.32
2	Finnish Producers Organizations	9.87	14.36
3	Pension Varma	6.94	10.03
4	Sampo Group	6.31	6.14
5	Pohjola Group	4.86	4.75

Consolidated income statement, FIM million	1997 1.1–31.12	1996 1.1–31.12
NET SALES	**8 437**	8 362
OPERATING PROFIT	**600**	545
Net financing	**-153**	-154
PROFIT AFTER FINANCIAL ITEMS	**447**	391
Extraordinary items	**19**	-9
PROFIT BEFORE TAXES	**465**	381
Taxes	**-89**	-77
Minority interest	**-11**	-20
Profit for the year	**366**	283

Consolidated balance sheet, FIM million	1997 31.12	1996 31.12
Fixed and other non-current assets	**4 525**	4 345
Inventories	**1 294**	1 203
Financial assets	**2 472**	2 384
TOTAL ASSETS	**8 291**	7 932
Shareholders' equity	**2 959**	2 698
Minority interest	**157**	186
Long-term liabilities	**3 346**	3 320
Current liabilities	**1 829**	1 728
TOTAL LIABILITIES	**8 291**	7 932

Outlook for the future

Cultor's divisions and units are well-placed for 1998 in terms of their market position. The strong market growth of food and feed ingredients, salmon feed, and industrial enzymes is expected to continue. We expect economic difficulties in Asia to have only a minimal impact on the Group's business.

The first four months of the year are generally weaker in terms of profit performance than the second four months and the third four months, as a result of the types and seasonal fluctuations of the businesses in the Group's portfolio. We expect Cultor to record a result for January to April 1998 in line with last year's for the equivalent period, but Cultor's earnings per share performance for the year as a whole is projected to show an improvement over 1997.

Statement from the auditors

The financial review of the Cultor Group for the 1997 fiscal year presented on Pages 32 – 34 is a summary of the information contained in the Group's official Financial Statements, and is in our opinion consistent with the official statements.

Helsinki, March 12, 1998

SVH Coopers & Lybrand Oy

Johan Kronberg
Authorized Public Accountant

Corporate Governance in Cultor

Board of Directors

The Annual General Meeting of Shareholders (AGM) confirms the number of members of the Board of Directors (minimum of six members, maximum of 12); elects the members of the Board; and confirms members' emoluments for one year until the following AGM. The Board elects its Chairman, together with the members of its committees and their chairmen, from its own members. The Board also elects Cultor's CEO.

The CEO can be elected as a member of the Board. The CEO's remuneration and other benefits are approved by the Board, and specified in a written agreement between the CEO and Cultor.

No specific division is made between the tasks and responsibilities of the members and Chairman. Subcommittees and working groups can be set up to address specific issues. The CEO can participate in the work of these groups, but cannot be a member of them unless specifically agreed.

The current Cultor Board has two committees: a Compensation Committee and an Audit Committee. The Compensation Committee deals with all principal issues relating to the salaries and other benefits of senior corporate and divisional management. The Compensation Committee comprises Jouko K. Leskinen (Chairman), Sakari Heikkilä, and Paul Lippens.

The Audit Committee handles all auditing-related questions. The Group's company auditors are also present at the Committee's meetings. The Audit Committee comprises Olivier Lippens (Chairman), Ralf Lehtonen, and Pekka Rinne.

Emoluments

The emoluments for the Board during 1997 were as follows: Chairman FIM 11,000/month and FIM 2,000/ meeting; members FIM 7,500/month and FIM 1,000/ meeting. Emoluments have also been paid for certain committee meetings. The CEO does not receive these emoluments.

The main elements of the CEO's remuneration and other benefits during 1997 were as follows: salary, FIM 1,511,997; other benefits valued at FIM 49,440; and a bonus of FIM 250,000; and options valued at FIM 5,220,307. The CEO currently has the following holdings under two Cultor bonds with warrants issues: 1992: 20,000 Series I shares or 30,000 Series II shares; 1997: 11,000 Series II shares.

The Executive Vice President received the following remuneration and benefits: salary, FIM 1,205,734; other benefits, FIM 35,516; a bonus of FIM 72,000; and options valued at FIM 6,603,109.

The CEO's retirement age is 60 years, and his pension 60%. Early termination can be made on payment of up to 24 months' salary. A retirement age of 60 years is applicable to certain members of the Cultor Executive Committee, corporate staff, and divisional managers.

Personnel Forum

The Group's Personnel Forum was established in 1996, and meets once a year. The Forum is based on an agreement as stipulated in Article 13 of European Union Council Directive 94/45/EEC. The role of the Forum is to promote and strengthen dialogue between management and personnel; and foster the exchange of opinions and experiences, and enhance shared understanding. The Forum addresses matters that relate to more than one country and one division, including the Group's financial results, environmental issues, and international cooperation.

Members and their deputies are elected by personnel from local personnel representatives in each country and division, as well as from Cultor Corporation and the Cultor Technology Center. Representation is based on the average number of personnel in each unit. The number of members can range from one to four. Election procedure follows local laws and practices. The representatives of Group management present at Forum meetings are invited by the Group's President and CEO. A total of 22 members participated in 1997; nine additional members will be elected in 1998.

Board of Directors

April 11, 1997 – April 16, 1998

Björn Mattsson,
born 1941, M.Sc.(Chem) and Ph. Lic., is President and CEO of Cultor Corporation. He is Chairman of the Board of Partek Corporation, Aamulehti Oyj, and MTV Oy. He serves on the boards of Paloheimo Oy, Industrial Mutual Insurance Co. Ltd., and the Åbo Akademi Foundation. He is also a member of the Supervisory Boards of Merita Bank Ltd. and Pension-Varma Mutual Insurance Company; and a member of the Defence Council of Finland and Chairman of the Planning Board for Defence Economy. He has served on the Cultor Board since spring 1987.

Sakari Heikkilä,
born 1936, B. Sc. (Agriculture), serves on the board of the Federation of Agricultural Employers. He has been a member of the Cultor Board since 1993.

Paul Lippens,
born 1952, Commercial Engineer, is President of Groupe Sucrier S.A. and Director of Finasucre S.A. He is President of the Belgian-Finnish Business Association. He has been a member of the Cultor Board since 1995.

Olivier Lippens,
born 1953, Commercial Engineer, is Managing Director of Finasucre S.A. and Groupe Sucrier S.A. He is also Chairman of the Belgian Association of Sugar Producers. He has served on the Cultor Board since June1994.

From left to right, back row: Björn Mattsson, Sakari Heikkilä, Paul Lippens, and Olivier Lippens.
From left to right, front row: Pekka Rinne, Jouko K. Leskinen (Chairman), and Ralf Lehtonen.

Pekka Rinne,
born 1944, M.Sc.(Agriculture), has been Managing Director of the Finnish Association of Academic Agronomists since 1982, and works as a farmer near Salo in South-West Finland. He serves on the boards of Salon seudun Osuuspankki, the Confederation of Unions for Academic Professionals in Finland, and Agro-Food. He is also a deputy member of the Board of Tapiola Mutual Pension Insurance Company. He has been a Cultor Board member since 1989.

Jouko K. Leskinen,
born 1943, Master of Law, has been a Board member since 1996, and Chairman of the Board since 1997. He is President and CEO of the Sampo Group. He currently serves on the Boards of Sampo Insurance Co. Ltd., Finnlines Ltd., Nokia Corporation, and UPM-Kymmene. He is Chairman of the Board of Industrial Insurance Co. Ltd., Kaleva Mutual Insurance Company, Sampo Enterprise Insurance Co. Ltd., Private Sampo, Sampo Life Insurance, and the Federation of Finnish Insurance. He is Vice-Chairman of Nova Life Insurance Company Ltd.; and is a member of the Supervisory Boards of Finnair, Tamro Corporation, and Orion Corporation.

Ralf Lehtonen,
born 1937, M.Sc. (Pol), retired as Director at Pension-Varma Mutual Insurance Company on December 31, 1997. He serves on the boards of AG-Partners Oy Ab, Nova Life Insurance Company Ltd. Tampereen Kiinteistöt Invest Oy, the Promotional Foundation of the Stock Market in Finland, Rahastopalvelu RP Oy, Interbank Oy, Norvestia, and Ekonomiska Samfundet. A member of the Cultor Board since 1990.

Company auditors

SVH Coopers & Lybrand Oy: Auditing Partner Johan Kronberg, Authorized Public Accountant

Corporate Executive Committee

Björn Mattsson
born 1941

President & CEO

Chairman of Divisional Boards in 1998: Cultor Food Science, Cultor Feed Ingredients, EWOS, and Finnsugar

Chairman, Compensation Committee, Genencor International

(Chairman of Cultor Food Science Divisional Board in 1997)

Joe Dunne
born 1942

President, Cultor Food Science (since January 9, 1998)

President, Cultor Food Science Inc. (since January 9, 1998)

Juha Järvinen
born 1946

Senior Vice President

Chairman of Divisional Boards in 1998: Vaasan Baking and Suomen Rehu

(Chairman of Divisional Boards in 1997: Vaasa Bakeries and Vaasamills)

Value Process Responsibility: Customer Orientation

Håkan Laurén
born 1941

Chief Financial Officer (since February 2, 1998)

(President, Cultor Food Science (until February 1, 1998))

(President, Cultor Food Science Inc. (until February 1, 1998))

Value Process Responsibility: Shareholder Value

Daniel Pardo
born 1946

Senior Vice President, Technology

Chairman, Genencor Technology Committee

Value Process Responsibility: Competence

Richard Cooper
born 1958

President, Cultor Feed Ingredients

President, Finnfeeds International Ltd.

Filip Frankenhaeuser
born 1951

Senior Vice President, Corporate Business Development & Strategic Planning (since February 2, 1998)

(Chief Financial Officer until February 1, 1998)

Juha Kurkinen
born 1953

Group General Counsel

Deputy to the President & CEO (since April 1, 1998)

Value Process Responsibility: Sustainable Development

Esko Lindstedt
born 1943

Vice President, International Trade Policy

Tom Weymarn
born 1944

Executive Vice President (until December 31, 1997)

(Chairman of Divisional Boards in 1997: Finnsugar, Suomen Rehu, EWOS, and Feed Ingredients)

Corporate Staff

Business Development & Strategic Planning, ***Filip Frankenhaeuser***

International Trade Policy, ***Esko Lindstedt***

Real Estate, ***Olavi Hernelahti***

Legal, ***Juha Kurkinen***

Technology, ***Daniel Pardo***

Investor Relations & Corporate Communications, ***Raija Kariola***

Finance, ***Håkan Laurén***

New Markets, ***Theo van Assendelft***

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Linnaleipä Bakery (Savonlinna)
Maijala Bakery (Seinäjoki)
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Mesileipä Bakery (Kokkola)
Nelo Bakery (Lahti)
Nylander Bakery (Hämeenlinna)
Oulun Pakari Bakery (Oulu)
Puijon Pakari Bakery (Kuopio)
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* * * * *

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(Iowa, USA)

Please see our Web site (www.cultor.com) for changes in our addresses after April 1998.

Investing in Cultor

Information for shareholders

The Annual General Meeting of Shareholders of Cultor Corporation will be held at 2 p.m. at the Helsinki Exhibition Centre	April 16, 1998
Result of fiscal 1997	February 27, 1998
Annual Report for 1997	April 16, 1998
Interim Report for January 1, 1998 – April 30, 1998	May 28, 1998
Interim Report for January 1, 1998 – August 31, 1998	October 1, 1998

(Results are normally made public at 9.00 a.m. Finnish time)

Reviews are published in Finnish, English, and Swedish, and are available from:

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Reporting on Cultor in 1997

To illustrate Cultor's Annual Report for 1997, we have chosen a series of works by Finnish artist Kimmo Kaivanto. These can be found as follows:

Page 1:	Red Thread (1968, 36 cm x 34 cm, collage)
Page 13:	Images on Arkkusaari (1974, 105 cm x 121 cm, mixed media)
Page 17:	Fighting Wood Grouse (Wright-reconstruction) (1974, 140 cm x 150 cm, oil)
Page 21:	Parcel on Ice (1973: 162 cm x 195 cm, oil)
Page 25:	Package of Warmth – Package of Love (1981, 140 cm x 140 cm, serigraph)
Page 43:	Non-instrumental Joys (1974, 210 cm x 120 cm, mixed media)

Kimmo Kaivanto (born 1932) is one of the most important representatives of contemporary Finnish art. He has exhibited widely in Finland and elsewhere in Europe, as well as in the United States. Kimmo Kaivanto was awarded the title of Professor in 1995, and elected to the European Academy in 1996.

A highly original idea lies at the heart of all the works in Kaivanto's varied output, an idea that often opens up new perspectives on familiar subjects. Exciting and unexpected associations, fleeting glimpses and impressions of scenes from the natural world and everyday life. Contrasts and paradoxes. Memories of things seen and experienced. Kaivanto goes beyond depicting the surface of reality, elevating his subjects to a higher plane.

Kimmo Kaivanto's association with Cultor goes back many years. His sculpture, Biogenesis, is familiar to many as the underlying image in Cultor's corporate symbol.

Content:	*Investor Relations & Corporate Communications*
	Group Finance
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Non-instrumental Joys

Report of the Board of Directors

Net sales

Net sales of the Cultor Group totalled FIM 8,437 million (FIM 8,362 million). All the Group's sectors recorded increased sales. The sale of Cultor's holding in Svenska Foder in November 1996, divestments by Cultor Food Science, and the sale of EWOS' business activities in the Mediterranean decreased net sales by a total of some FIM 1,111 million. Growth by Genencor, EWOS, and Cultor Baking compensated in part for this. The figures for Svenska Foder are included under 'Others'.

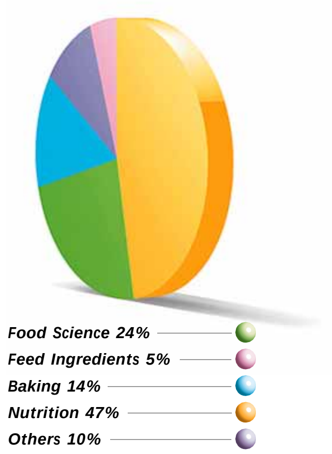
Net sales rose by 13% after the impact of investments and divestments made in 1996 and 1997 is eliminated. Taking into account the impact of exchange rates in consolidation, actual growth was 8%. International operations totalled FIM 5,240 million, and accounted for 62% of net sales.

Group result

The Group's operating profit totalled FIM 600 million, an increase of 10% on 1996 (FIM 545 million). This rise was driven by improved profitability at Genencor and Cultor Nutrition, particularly EWOS. Divestments by Cultor Food Science (CFS) reduced operating profit by some FIM 50 million. One-off items recorded by CFS, in the form of write-offs associated with divested and discontinued lines and raw material inventories, had a negative impact of approximately FIM 34 million.

The Group's profit after financial items rose by 14% to FIM 447 million (FIM 391 million). The Group's net financial costs remained at 1996 levels, and totalled FIM 153 million (FIM 154 million). The impact of exchange rate fluctuations, particularly associated with the strong US dollar, on the Group's businesses and financing costs was clearly negative. This was partly compensated for by the positive effect of the exchange rates used in consolidation, which lifted the Group's result by 3%.

Net Sales by Sector, %



The Group recorded a profit for the year of FIM 366 million (FIM 283 million). Direct taxes were FIM 89 million (FIM 77 million), equivalent to 20% of the Group's result.

The Group's return on investment was 11.4% (12.5%), and return on equity 11.2% (9.4%).

Earnings per share were FIM 15.01 (FIM 12.71), and equity per share FIM 128.10 (FIM 117.06). The Board proposes paying a dividend of FIM 5.50 a share, equivalent to 37% of earnings per share.

The Group's net gearing improved and was 70% (85%), as did the equity-to-assets ratio, which stood at 38% (37%).

Sector Reviews

Cultor Food Science

Cultor Food Science recorded net sales of FIM 2,117 million (FIM 2,035 million). Sales related to the sector's ongoing business totalled FIM 1,843 million, up 7%. Growth was mainly driven by xylitol, fructose, Natamax®, and Flavor Division products.

Operating profit totalled FIM 124 million (FIM 167 million). This figure was depressed by the impact of divestments (FIM 50 million), one-off items (FIM 34 million), and the strong US dollar. Divestments during the year covered dairy ingredients, polymyxin, brewery ingredients, and Astos products. All non-strategic businesses have now been divested.

Revenue from divested products (1996 – 1997) totalled USD 78 million. Goodwill and intangible assets associated with the Food Science acquisition were reduced as a result by USD 50 million. Following this and depreciation made according to the 1997 plan, goodwill and intangible assets totalled USD 87 million.

Xyrofin's net sales rose by 12%. Xylitol was approved for food use in Japan. The division's new xylose plant at Lenzing was commissioned in the early summer, ahead of schedule. Sales of lactitol were up on 1996. Additional capacity will come on stream towards the end of the year when the new lactitol plant under construction in the US is completed. Litesse® increased its market share, but overall development in this segment was slow. Despite production-related problems in the early part of the year, net sales of fructose exceeded 1996 levels. Sales of the Benefat™, a reduced-calorie fat, continued to grow very well.

The Flavor Division recorded improved net sales. Net sales of the current portfolio rose by some 20%. Operational profits also improved. The division's market leadership in maltol-type flavour enhancers (Veltol®) was further secured through the development of new processing technology.

Overall sales in Protectants were down. The largest contributory factor was the divestment of non-strategic products. Based on the current portfolio, net sales dropped by 1.9%. Strong price competition, particularly in erythorbates, continued to be a factor. Sales of Natamax, an anti-fungal agent, grew significantly.

In the future, the impact of exchange rate fluctuations on the sector's result will be reduced by closer adaption to changes in the operating environment. Increased production capacity and the launch of new products will have a positive impact on performance. Cultor Food Science's overall profit in 1998 is expected to show a clear improvement on 1997.

(The 1996 figures for the businesses acquired from Pfizer, Inc. are for 11 months).

Cultor Feed Ingredients

Cultor Feed Ingredients (CFI) recorded a 27% increase in net sales, which totalled FIM 470 million (FIM 370 million). Operating profit totalled FIM 46 million (FIM 58 million), as a result of large expenditure in R & D and marketing, and tough competition.

Cultor acquired the 40% stake held in Finnfeeds International (FFI) by Degussa AG at the end of December. Following this, Cultor will be better-placed in terms of strategic position to develop CFI's business.

Sales of Avizyme™ 1500, FFI's corn-soya product launched in 1996, proved very successful. Sales of feed ingredients generally grew throughout the year, despite the lack of demand in the US for enzymes for wheat-based diets. CFI maintained its market share, but prices were lower than in 1996 as result of tougher competition. Sales of Avizyme and Porzyme™ products developed well.

Sales of betaine, particularly for use in broiler diets, rose, and the sector advanced in the US and new Latin American markets. The availability of betaine produced through less advanced technology has increased competition. Prices for fish meal remained high as a result of short supply.

The sector's high level of expenditure in R & D and marketing will continue in 1998. The sector's operating profit is expected to be slightly lower than that in 1997.

Cultor Baking

Cultor Baking recorded net sales of FIM 1,219 million, up 23% (FIM 994 million). Acquisitions boosted net sales by some FIM 100 million. Hanzas Maiznica was consolidated into the Group in July 1996, and the Aschan Bakery was acquired in spring 1997. Exports of crispbread developed well.

The sector's operating profit, at FIM 82 million remained at 1996 (FIM 80 million) levels.

Vaasa Bakeries launched a number of new products, and retained its approximately 30% market share in Finland. Production of frozen products, a segment that is growing strongly, was increased. Demand for bread in Estonia dropped. The rest of the country outside Tallinn now accounts for 20% of sales. Performance at Hanzas Maiznica was encouraging, and the company strengthened its position outside Riga. Both Leibur and Hanzas Maiznica retained their approximately 30% market shares.

Net sales of crispbread rose, as did operating profit. Exports developed well, and rationalization and development measures made an improved contribution.

Vaasa Bakeries and Vaasamills were merged into a single division at the beginning of 1998, a move that will improve the sector's competitiveness.

The sector is expected to record a similar result in 1998 to that seen in 1997.

Cultor Nutrition

Cultor Nutrition recorded net sales totalling FIM 4,052 million, an increase of 12% (FIM 3,634 million). Net sales were enhanced by a 34% growth in sales at EWOS, particularly in Chile. Both EWOS and Suomen Rehu were impacted by fluctuations in the price of their raw materials. Operating profit totalled FIM 301 million (FIM 281 million). EWOS was the largest contributor to this improvement.

Domestic sales of sugar grew by 1%. Exports were modest, restricted by the small harvest in 1996. Demand for starch-based sweeteners continued to grow. The 1997 sugar beet crop was exceptionally good, and yielded some 180,000 tonnes of sugar. Finnsugar's operational profit remained at 1996 levels.

The Turenki sugar processing plant will be closed at the end of the 1998 processing season as part of a programme to improve the competitiveness of beet-based sugar production in Finland. The competitiveness of the two other plants operated by Finnsugar's operating company, Sucros, will be enhanced during 1998 through a FIM 50 million investment.

EWOS completed its strategic shift to a focus on the four largest salmon farming countries. A strong upward trend in net sales was accompanied by improved profitability. The division increased its share of the market in Norway and in Chile, which was the fastest growing market in farmed salmon. Production in Chile benefited from a major improvement in plant efficiency. Growth in Norway was some 10%, while Scotland and Canada remained at 1996 levels. Settlement of the dispute between the EU and Norway over salmon quotas had a stabilizing impact. EWOS divested its fish feed business in Spain and Greece in March 1997.

By concentrating on quality and safety issues in animal feed questions, Suomen Rehu was able to improve its competitiveness. The division's market share remained stable. Net sales rose by 4%. Exports to the Baltic countries and Russia also rose. Raw material prices rose during the first half of the year, but moved down later. The division recorded a slightly better operational profit, helped by the launch of new products and further cost structure improvements. The division sold its operations in Poland (Polfarm) in November.

Strong demand for farmed salmon will continue to foster growth at EWOS. The division is expected to record a further profit improvement in 1998, although destabilizing factors in Asia could have a downward effect on prices. The sector as a whole is expected to see a slight improvement in profit.

Genencor International

Cultor's 50/50 joint venture, Genencor International, recorded net sales of FIM 1,585 million (USD 304 million), an increase of 35% over 1996, when sales also moved up significantly. Acquisitions made in previous years were the largest contributory factor. The company has strengthened its market position as a result of research and development work. Sales of industrial enzymes in cleaning products were clearly up. Operating profit also increased significantly, to FIM 209 million, or USD 40 million. This improvement was driven by improved manufacturing processes, higher production volumes, and rationalization measures. Genencor expects sales and profits to continue to increase in 1998.

(In respect of Genencor and in line with Cultor's 50% holding, 50% of each entry in the company's income statement, balance sheet, and notes are included in the Group's consolidated figures.)

Research & Development

Research and development expenditure totalled FIM 236 million (FIM 221 million), and is included in annual expenses.

Capital expenditure and depreciation

The Group's gross capital expenditure totalled FIM 901 million (FIM 2,034 million), while sales of fixed assets yielded FIM 422 million (FIM 323 million). A major part of investments was accounted for by Cultor Food Science, where the largest projects were the new xylose plant at Lenzing and the start of construction of the new lactitol plant at Thomson. Depreciation of FIM 491 (FIM 443 million) was booked on fixed assets.

Capital expenditure by sector was as follows:

FIM million	1997	1996
Cultor Food Science	460	1 363
Cultor Feed Ingredients	112	35
Cultor Baking	77	92
Cultor Nutrition	133	130
Other & Group investments	119	414
Total	901	2 034

Financing

As of the end of the fiscal year, the Group's net liabilities totalled FIM 2.1 billion (FIM 2.3 billion). Net gearing fell to 70% (85%). Net financial expenses totalled FIM 153 million (FIM 154 million), equivalent to 1.8% of net sales, unchanged from 1996.

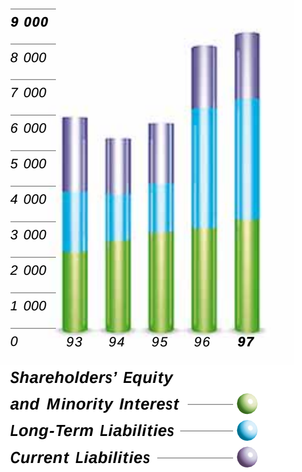
Cultor's financing position strengthened during 1997, and liquidity was good through the year. Cash flow from operations was substantially higher than in 1996.

Cultor signed a seven-year USD 200 million multicurrency revolving credit facility in November. The facility, which takes advantage of the availability of cost-effective capital funds, will be used for general corporate financing purposes.

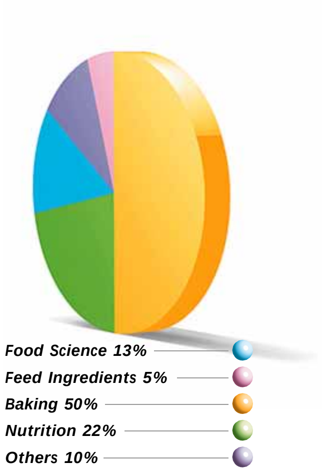
Personnel and Personnel Fund

The Group employed a total of 6,849 people (7,205) as of the end of the year. Average personnel strength was 7,192 (7,016). This

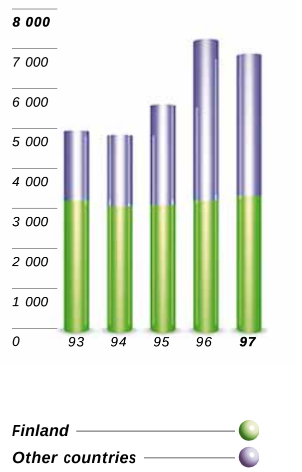
Financial Structure, MFIM



Average Personnel by Sector, 1997



Personnel as of the End of the Year



increase was largely the result of the consolidation of Hanzas Maiznica. The Parent Company employed 325 people (268) as of the end of the year.

The Group's Finnish Works Council met on May 14. As of the beginning of 1998, the Council will operate at both Group and divisional level. Cultor's Personnel Forum met for the first time in May. All of Cultor's locations in Europe will be represented at the Forum from the beginning of 1998.

The profit sharing transferred to the Personnel Fund for 1997 amounted to FIM 11.1 million (FIM 6.2 million). As of the end of the year, the Fund held over 78,000 Cultor shares.

Share capital and changes in company form

Cultor Corporation's share capital increased twice during 1997. The first increase took place on September 2 and totalled FIM 1,740,000. The increase was linked to Cultor's 1994 bond with warrants, under the A warrants of which 145,000 new Series II shares were subscribed to and paid for at a subscription price of FIM 160.50/share. The second increase took place on December 19 and totalled FIM 972,000, and was linked to the Corporation's 1992 bond with warrants issue, under which 81,000 new Series II shares were subscribed to and paid for at a subscription price of FIM 80/share.

Following both increases, Cultor's share capital stands at FIM 279,282,000. The number of Cultor's Series I shares total 15,180,000, and those of Series II shares number 8,093,500.

The Annual General Meeting held on April 11 authorized the Board of Directors to increase the Company's share capital and/or issue convertible bonds and/or bonds with warrants. The maximum number of Series II shares, nominally valued at FIM 12, available for subscription on the basis of a rights issue or issues, or through convertible bond issues and/or issues of bonds with warrants, was set at 4,000,000, equivalent to a total nominal value of a maximum of FIM 48,000,000. This authorization is effective for one year from the date of the meeting. The decision to deviate from shareholders' subscription privilege was taken to provide the Group with the possibility of using the Company's shares, either directly or indirectly, to finance acquisitions, make cooperation arrangements, or in other situations of major economic significance where their use is deemed appropriate. This authorization has not been exercised.

Cultor issued a FIM 500,000 bond with warrants issue intended for the management of the Company and its subsidiaries. The loan period is for three years and the loan is interest-free. The associated warrants entitle holders to subscribe to a total of 500,000 Series II Cultor shares.

Cultor became a public limited company as of September 1, and changed its name to Cultor Oyj (Cultor Corporation). This change is based on amendments to the Finnish Companies Act and a decision taken by the Annual General Meeting on April 11, 1997.

Board of Directors, President, and Auditors

The Annual General Meeting held on April 11, 1997 confirmed the following seven people as members of the Board of Directors until the 1998 meeting: Mr Jouko K. Leskinen, who has served as Chairman, Mr Sakari Heikkilä, Mr Ralf Lehtonen, Mr Olivier Lippens, Mr Paul Lippens, Mr Pekka Rinne, and the Company's President and CEO, Mr Björn Mattsson. Mr Mattsson served as President and CEO for the entirety of the fiscal period.

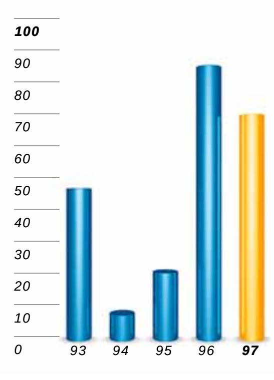
SVH Coopers & Lybrand Oy acted as Auditors.

Outlook for the future

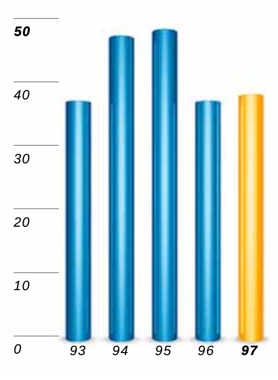
Cultor's divisions and units are well-placed for 1998 in terms of their market position. The strong market growth of food and feed ingredients, salmon feed, and industrial enzymes is expected to continue. We expect economic difficulties in Asia to have only a minimal impact on the Group's business.

The first four months of the year are generally weaker in terms of profit performance than the second four months and the third four months, as a result of the types and seasonal fluctuations of the businesses in the Group's portfolio. We expect Cultor to record a result for January to April 1998 in line with last year's for the equivalent period, but Cultor's earnings per share performance for the year as a whole are projected to show an improvement over 1997.

Net Gearing, %



Equity-to-Assets Ratio, %



Proposal on the Allocation of Profits

According to the consolidated balance sheet on December 31, 1997, unrestricted equity amounted to FIM 2,174,037,000, including distributable equity of FIM 1,600,177,000. The Parent Company's retained earnings according to the balance sheet on December 31, 1997 are as follows:

from previous years	FIM	1 704 911 714.65
for the fiscal year	FIM	-9 654 413.62
Total	FIM	1 695 257 301.03

The Board of Directors proposes that the profit be allocated as follows:

a dividend of FIM 5.50 per share	FIM	128 004 250.00
the balance carried forward to retained earnings	FIM	1 567 253 051.03
Total	FIM	1 695 257 301.03

Helsinki, February 27, 1998

Jouko K. Leskinen
Chairman

Sakari Heikkilä

Ralf Lehtonen

Olivier Lippens

Paul Lippens

Björn Mattsson
President & CEO

Pekka Rinne

Consolidated Income Statement

	1.1 – 31.12.1997	%	1.1 – 31.12.1996	%
Net sales (1)	**8 437 393**	**100.0**	8 361 837	100.0
Cost of goods sold	**-6 487 523**		-6 509 286	
Gross profit	**1 949 870**	**23.1**	1 852 551	22.2
Sales and marketing expenses	**-620 147**		-635 704	
Administrative expenses	**-484 653**		-464 177	
Other operating expenses	**-350 518**		-321 254	
Other operating income	**105 207**		108 925	
Share of result of associated companies	**57**		4 300	
Operating profit (2), (3), (4)	**599 816**	**7.1**	544 641	6.5
Financial income and expenses (5)				
Dividend income	**3 588**		626	
Interest income from non-current investments	**28 928**		20 074	
Other financial income	**70 370**		85 386	
Interest expenses	**-220 841**		-190 935	
Other financial expenses	**-35 239**		-69 045	
	-153 194	**-1.8**	-153 894	-1.8
Profit after financial items	**446 622**	**5.3**	390 747	4.7
Extraordinary income and expenses (6)	**18 697**	**0.2**	-9 480	-0.1
Profit before taxes and minority interest	**465 319**	**5.5**	381 267	4.6
Direct taxes (7)	**-89 260**	**-1.1**	-77 465	-0.9
Minority interest	**-10 511**	**-0.1**	-20 446	-0.2
Profit for the year	**365 548**	**4.3**	283 356	3.4

Figures in thousands of FIM. The numbers in parenthesis refer to the notes to the financial statements.

Consolidated Balance Sheet

ASSETS	31.12.1997	%	31.12.1996	%
Fixed and other non-current assets (8)				
Intangible assets				
Goodwill and intangible rights	**910 216**		1 024 157	
Other intangible assets	**108 704**		61 665	
	1 018 920	**12.3**	1 085 822	13.7
Tangible assets				
Land and water	**106 247**		108 291	
Buildings	**923 546**		807 566	
Machinery and equipment	**1 994 348**		1 834 708	
Other tangible assets	**21 015**		8 376	
Advance payments and construction in progress	**254 715**		313 104	
	3 299 871	**39.8**	3 072 045	38.7
Financial and other non-current assets				
Shares in associated companies	**55 849**		61 125	
Other shares	**50 100**		26 421	
Other non-current assets	**100 000**		100 000	
	205 949	**2.5**	187 546	2.4
Current assets (9)				
Inventories				
Raw materials and consumables	**422 974**		314 469	
Work in progress	**95 982**		94 219	
Finished products	**744 439**		745 697	
Other inventories	**30 401**		48 457	
	1 293 796	**15.6**	1 202 842	15.2
Receivables				
Trade receivables	**1 369 961**		1 412 160	
Loan receivables	**155 615**		163 648	
Prepaid expenses and accrued income	**141 390**		83 135	
Other receivables	**133 981**		159 687	
	1 800 947	**21.7**	1 818 630	22.9
Investments				
Other marketable securities	**72 623**	**0.9**	95 865	1.2
Cash and cash equivalents	**598 399**	**7.2**	469 125	5.9
	8 290 505	**100.0**	7 931 875	100.0

LIABILITIES	31.12.1997	%	31.12.1996	%
Shareholders' equity				
Restricted equity (10)				
Share capital	**279 282**		276 570	
Premium fund	**505 748**		479 109	
Revaluation fund	**0**		36 000	
	785 030	**9.5**	791 679	10.0
Unrestricted equity (11)				
Contingency fund	**60 263**		58 677	
Retained earnings	**1 748 226**		1 564 195	
Profit for the year	**365 548**		283 356	
	2 174 037	**26.2**	1 906 228	24.0
Minority interest	**156 839**	**1.9**	185 681	2.3
Payables (12)				
Long-term				
Debentures	**975**		593	
Loans from credit institutions	**1 529 588**		1 592 736	
Pension loans	**375 497**		404 937	
Deferred tax liability	**339 796**		330 008	
Other long-term liabilities	**1 099 661**		991 456	
	3 345 517	**40.4**	3 319 730	41.9
Current				
Loans from credit institutions	**151 986**		114 874	
Pension loans	**30 613**		31 313	
Advances received	**43 350**		40 688	
Trade payables	**859 561**		832 276	
Accrued liabilities and deferred income	**387 354**		393 358	
Other current payables	**356 218**		316 048	
	1 829 082	**22.1**	1 728 557	21.8
	8 290 505	**100.0**	7 931 875	100.0

Figures in thousands of FIM. The numbers in parenthesis refer to the notes to the financial statements.

Consolidated Statement of Changes in Financial Position

	1.1 – 31.12.1997		1.1 – 31.12.1996	
Cash flow from operations				
Operating profit	**599 816**		544 641	
Share of result of associated companies	**-57**		-4 300	
Depreciation	**491 056**		443 418	
Financial expenses (net)	**-153 194**		-153 894	
Extraordinary items	**18 697**		-9 480	
Direct taxes	**-64 322**		-111 697	
Cash flow from operations		**891 996**		708 688
Change in trade and other receivables	**88 496**		-392 589	
Change in inventories	**-26 224**		-143 463	
Change in trade payables	**-10 999**		238 973	
Change in net working capital, increase (-)/decrease (+)		**51 273**		-297 079
Net cash flow from operations		**943 269**		411 609
Investments in fixed assets	**-901 407**		-2 033 615	
Proceeds from sales of fixed assets	**422 019**		323 107	
Net investments		**-479 388**		-1 710 508
Net cash flow from operations after investments		**463 881**		-1 298 899
Change in long-term loan receivables	**62 172**		-117 232	
Change in long-term borrowings	**-75 549**		2 011 796	
Change in current financial assets	**-25 039**		-74 632	
Change in current borrowings	**1 539**		-213 666	
Increase (+)/decrease (-) in financing		**-36 877**		1 606 266
Other items				
Dividends paid		**-115 237**		-115 237
Increase in restricted equity		**29 087**		0
Change in minority interest		**-44 394**		-102 880
Adjustment items		**-190 428**		
Increase (+)/decrease (-) in liquid assets		**106 032**		89 250

Cash flow from operations over gross investments	**100%**	20%

The impact of foreign exchange rate differences on the Group's working capital and financing items during the 1997 fiscal year are shown in a separate adjustment item.

Figures in thousands of FIM.

Accounting Principles Applied in 1997 Consolidation

Extent of the consolidated financial statements

The consolidated financial statements include, in addition to Cultor Corporation, companies in which Cultor Corporation holds, either directly or through subsidiaries, more than half of the voting rights – with the exception of dormant companies and real-estate companies of minor significance and which have no effect on the disclosure of a true and fair view. The Genencor Group is included using the proportional consolidation method: 50% of each entry in Genencor's income statement, balance sheet, and notes is consolidated in line with Cultor's 50% holding. Companies in which the Group exercises considerable influence (20 – 50% of voting rights) and a significant holding (over 20%) are treated as associated companies and have been consolidated in the accounts according to the equity method. Subsidiaries acquired during the fiscal year have been included in the consolidated financial statements from the time of acquisition; subsidiaries that have been sold have been included up to the date of sale.

Accounting policies applied

The consolidated financial statements have been prepared according to the Finnish Accounting Standards, which essentially conform with EU accounting standards. The preparation of the consolidated financial statements follows the acquisition cost method. Before carrying out final consolidation, the separate financial statements of Group companies have been adjusted in accordance with the Group's uniform accounting policies.

Intra-Group share ownership and material internal margins, profit sharing, transactions, receivables, and liabilities between Group companies have been eliminated. The goodwill values paid for the shares of subsidiaries have been calculated to include the untaxed reserves of subsidiaries at the time of acquisition, less imputed deferred taxes, in unrestricted equity.

Goodwill amounts consolidated prior to December 1, 1993 are depreciated over a 10-year period, and amounts after this date over 5 – 20 year periods. The elimination difference allocated to fixed asset items is depreciated according to each item's depreciation plan.

Sales are recorded upon shipment of products and customer acceptance, if any, or performance of services, net of sales taxes, and currency rate differencies. Delivery costs of sold products, and credit losses are recorded as operational expenses. Research and development costs are booked in the financial period during which they are incurred.

The accumulated difference between booked and planned depreciation of Group companies in the consolidated financial statements, as well as voluntary untaxed reserves, have been apportioned between the profit for the fiscal year and equity, as well as the change in imputed deferred taxes and the deferred tax liability. In other respects, taxes for the fiscal year are shown in the consolidated financial statements as a combined amount covering the taxes entered in the separate financial statements prepared in accordance with local practice. The avoir fiscal income included in the dividends obtained by one Group company or associated company from another has been eliminated against the Group's taxes for the fiscal year.

The Group's pension arrangements conform to the custom and practice prescribed by local legislation. Pension expenditure has been booked as expenses for the fiscal year. Future losses that are judged to be imminent and apparent and which can be estimated with sufficient accuracy are shown under liability items in the balance sheet.

The minority interest share of the consolidated equity, of untaxed reserves and accumulated depreciation difference less deferred taxes, and of the net profit for the fiscal year, have been calculated prior to the elimination of intra-Group transactions.

Valuation and periodization principles

The inventories of all Group companies have been entered in the balance sheet according to the FIFO principle at the variable purchase cost, repurchase cost, or probable sale price, whichever is lower.

Fixed assets have been capitalized in correspondence with direct purchase and manufacturing costs. Depreciation according to plan has been calculated on a straight-line basis according to the technical and economic lifetimes of fixed asset items.

Investments classified as financial assets are generally valued at the purchase cost or probable sale price on the balance sheet date, whichever is lower (market value). Changes in market values are booked to expenses or income. Premiums paid in purchasing financial assets are charged as an expense over the maturity of investments.

Long-term investments are valued at the acquisition cost. Permanent write-downs have been booked as expenses. Investments in associated companies are valued according to the equity method.

Items denominated in foreign currencies

The profit and loss accounts of foreign subsidiaries are translated into Finnish markka at monthly-based average exchange rates for the year, and their balance sheets at the rates on the balance sheet date.

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. Receivables and liabilities denominated in foreign currencies have been translated into Finnish markka amounts at the rate quoted by the Bank of Finland on the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales and purchases. Foreign exchange gains and losses associated with financing are entered as net amounts under financial income and expenses. Foreign currency-denominated receivables and liabilities that have been hedged using forward contracts have been valued at the forward rate, and the interest portion of the contract periodized on an accrual basis. The foreign currency-denominated cash flow has been hedged over a maximum period of 12 months. In line with hedge accounting, the profit impact of hedging transactions made via these forward contracts is not booked until they have fallen due, i.e., against the item to be hedged.

The translation differences that have arisen in the elimination of the equity of subsidiaries and associated companies have been credited or charged to unrestricted equity. The interest rate differences on forward contracts made, and loans taken out for hedging purposes, have been booked after tax against these translation differences in the consolidated accounts.

Notes to the Consolidated Financial Statements

1. Sector information

	Net sales, MFIM				Operating profit, MFIM			
By sector	**1997**	**%**	1996	%	**1997**	**%**	1996	%
Food Science	**2 117**	**24**	2 035	24	**124**	**21**	167	28
Feed Ingredients	**470**	**5**	370	4	**46**	**8**	58	10
Baking	**1 219**	**14**	994	12	**82**	**14**	80	14
Nutrition	**4 052**	**47**	3 634	42	**301**	**50**	281	48
Others	**841**	**10**	1 597	18	**47**	**7**	-41	
Internal transactions	**-262**		-268					
	8 437	**100**	8 362	100	**600**	**100**	545	100

'Others' include Genencor, Group eliminations, corporate staff, and other operations

	Net sales, MFIM				Operating profit, MFIM			
By market area	**1997**	**%**	1996	%	**1997**	**%**	1996	%
Finland	**3 197**	**38**	2 941	35	**286**	**47**	233	43
Other EU countries	**1 216**	**14**	2 356	28	**90**	**15**	61	11
North America	**1 291**	**16**	1 404	17	**124**	**21**	183	34
Other countries	**2 733**	**32**	1 661	20	**100**	**17**	68	12
	8 437	**100**	8 362	100	**600**	**100**	545	100

Growth in ongoing businesses			MFIM	%
Net sales	1996	8 362		
- Sold businesses		-1 111	**7 251**	
Net sales	1997	8 437		
- Acquired businesses		-252	**8 185**	
Growth before currency exchange rate differences			**934**	**13**
Currency effect in consolidation			**-369**	
Growth, including currency effect			**565**	**8**

2. Personnel, wages, and salaries

	Personnel at the end of the year				Average number of personnel			
By sector	**1997**	**%**	1996	%	**1997**	**%**	1996	%
Food Science	**880**	**13**	938	13	**910**	**13**	915	13
Feed Ingredients	**320**	**5**	345	5	**333**	**5**	350	5
Baking	**3 494**	**51**	3 604	50	**3 632**	**51**	3 077	44
Nutrition	**1 453**	**20**	1 579	22	**1 609**	**22**	1 661	24
Others	**702**	**11**	739	10	**708**	**9**	1 013	14
	6 849	**100**	7 205	100	**7 192**	**100**	7 016	100

	Personnel at the end of the year				Wages and salaries in the income statement			
By market area	**1997**	**%**	1996	%	**1997**	**%**	1996	%
Finland	**3 362**	**50**	3 246	45	**565 955**	**53**	524 872	52
Other EU countries	**560**	**8**	613	9	**126 942**	**12**	178 577	18
North America	**710**	**10**	722	10	**248 699**	**23**	179 406	18
Other countries	**2 217**	**32**	2 624	36	**131 799**	**12**	119 533	12
	6 849	**100**	7 205	100	**1 073 395**	**100**	1 002 388	100

Personnel expenses	**1997**	**%**	1996	%
Wages, salaries, and the monetary value of fringe benefits,	**1 147 607**	**85**	1 045 235	80
of which salaries and emoluments to the Group's Board of Directors and Presidents	**44 124**		29 173	
Pension expenses	**82 240**	**6**	119 777	9
Other social expenses	**119 839**	**9**	139 113	11
	1 349 686	**100**	1 304 125	100

Other social expenses include bonus transfers of FIM 11.1 million based on personnel fund legislation. The salaries and emoluments to the Board of Directors and President of the Parent Company amount to FIM 3.7 million. The Parent Company is responsible for a pension liability in the amount of FIM 1.5 million, which is shown on the balance sheet as a long-term liability. The pension age of the Managing Director and the Deputy Managing Director of the Parent Company has been agreed as 60 years. The pension commitments of subsidiaries' managements are determined according to normal local pension practice.

Figures in thousands of FIM.

3. Other operating expenses

	1997	1996
Total research and development costs	**235 982**	221 073
As % of net sales	**3**	3

4. Depreciation

Depreciation by balance sheet categories and typical depreciation periods:		1997	1996
Intangible assets	5 – 15 years	**53 303**	43 067
Goodwill	5 – 20 years	**14 565**	12 050
Consolidation goodwill	5 – 20 years	**39 799**	41 900
Other intangible assets	5 – 10 years	**7 874**	7 008
Buildings	25 years	**50 859**	48 327
Machinery and equipment	3 – 15 years	**321 814**	290 119
Other tangible assets	10 years	**2 842**	947
Total		**491 056**	443 418

Depreciation by operations		
Production	**343 993**	315 309
Sales and marketing	**25 767**	26 000
Administration	**30 596**	23 787
Other, including goodwill depreciation	**90 700**	78 322
Total	**491 056**	443 418

5. Financial income and expenses

	1997	1996
Interest income from current investments	**46 539**	38 749
Exchange rate differences, net	**-5 221**	-41 488
Net interests of net sales, %	**-2**	-2
Net interests of average net debts, %	**7**	9

6. Extraordinary items

The profit made on sales of fixed assets before tax was FIM 34.2 million. Of this, tax for the period was FIM 8 million and the change in deferred tax FIM 7.5 million.

	1997	1996
Profit made on sales of fixed assets	**18 697**	0
Abandonment of businesses	**0**	-13 229
Items referring to previous years:		
Unemployment insurance fees	**0**	3 749
	18 697	-9 480

7. Direct taxes

	1997	1996
Taxes for the period	**73 878**	109 111
Effect on taxes of equity hedging	**47 470**	0
Taxes for previous fiscal years	**-9 556**	2 586
Change in the deferred tax liability	**-22 532**	-34 232
	89 260	77 465

8. Fixed and other non-current assets

1997	Acquistion cost, 1.1	Changes in exch.rates	Additions	Disposals	Acquisition cost, 31.12	Revaluations 1.1	Changes in exch.rates	Additions	Disposals	Revaluations 31.12	Accumulated depreciation, 31.12	Net book value, 31.12
Intangible rights	**689 731**	**58 048**	**27 217**	**-73 503**	**701 493**						**-137 311**	**564 182**
Goodwill	**149 256**	**10 001**	**14 769**	**-65 546**	**108 480**						**-38 314**	**70 166**
Consolidation goodwill	**463 843**	**46 406**	**64 954**	**-31 864**	**543 339**						**-267 471**	**275 868**
Other intangible assets	**92 985**	**10 355**	**48 942**	**-3 111**	**149 171**						**-40 467**	**108 704**
Land and water	**72 250**	**3 653**	**1 927**	**-5 579**	**72 251**	**33 996**	**0**	**0**	**0**	**33 996**	**0**	**106 247**
Buildings	**1 116 933**	**55 860**	**191 208**	**-36 712**	**1 327 289**	**81 064**	**0**	**0**	**-57 321**	**23 743**	**-427 486**	**923 546**
Machinery and equipment	**3 554 176**	**198 835**	**568 000**	**-146 269**	**4 174 742**						**-2 180 394**	**1 994 348**
Other tangible assets	**18 817**	**847**	**17 041**	**-954**	**35 751**						**-14 736**	**21 015**
Total	**6 157 991**	**384 005**	**934 058**	**-363 538**	**7 112 516**	**115 060**	**0**	**0**	**-57 321**	**57 739**	**-3 106 179**	**4 064 076**
1996												
Total	4 898 846	118 949	1 785 141	-454 456	6 348 480	114 478	545	0	0	115 023	-2 618 740	3 844 763

Taxation values	1997	1996
Shares	**528 194**	540 545
Land and water	**64 778**	45 170
Buildings	**699 219**	526 848
Total	**1 292 191**	1 112 563

9. Receivables

	1997	1996
Non-interest-bearing receivables	**1 438 552**	1 608 823
Interest-bearing receivables	**1 033 417**	774 797
Total	**2 471 969**	2 383 620

The terms of the loan receivables from Board members and managing directors do not significantly differ from general market terms.

Receivables from associated companies	**46 582**	23 350
Loan receivables from Board members and managing directors	**25**	50

Receivables falling due after one year or more

Trade receivables	**124 815**	137 924
Loan receivables	**2 169**	37 760
Other receivables	**1 952**	0
	128 936	175 684

The non-current part of trade receivables arises from a business divestiture, and the final payment will occur in January 1999.

Consolidation goodwill

The differences in the elimination of shares in subsidiaries have been allocated in part to fixed asset items and have been shown in part as a separate consolidation goodwill item on the balance sheet.

The elimination difference relating to balance sheet items as of December 31, 1997 has been allocated to land areas in the amount of FIM 4.5 million and to buildings in the amount of FIM 4.9 million.

Consolidation goodwill depreciation in the consolidated income statement totals FIM 41.1 million (FIM 43.0 million) and the part of the Group reserve booked as income totals FIM 1.3 million (FIM 1.1 million).

Book value of consolidation goodwill is FIM 272.0 million (FIM 276.2 million) and of the Group reserve FIM 3.8 million (FIM 0.3 million).

The net book value of machines and equipment as of 31.12 is FIM 1,841.0 million (FIM 1,646.4 million).

Inconsistency in the opening balance sheet values is due to changes in the Group's structure.

10. Restricted equity	1997	1996
Share capital as of 1.1		
Series I	**182 160**	182 160
Series II	**94 410**	94 410
Total	**276 570**	276 570
Share capital as of 31.12		
Series I	**182 160**	182 160
Series II	**97 122**	94 410
Total	**279 282**	276 570
Revaluation fund	**0**	36 000
Premium fund		
As of 1.1	**479 109**	478 845
- increase	**26 639**	264
As of 31.12	**505 748**	479 109

11. Unrestricted equity	1997	1996
Contingency fund	**60 263**	58 677
Retained earnings		
As of 1.1	**1 847 551**	1 651 154
Profit for the year	**365 548**	283 356
Dividends paid	**-115 237**	-115 237
Translation difference	**15 912**	28 278
As of 31.12	**2 113 774**	1 847 551
Distributable funds included in retained earnings:	**1 600 177**	1 290 554

12. Payables	1997	1996
Non-interest-bearing liabilities	**1 972 349**	1 873 985
Interest-bearing liabilities	**3 202 250**	3 174 302
Total payables	**5 174 599**	5 048 287
Payables to associated companies	**4 738**	4 821

Long-term liabilities with annual amortization by currency as of Dec. 31, 1997:

	FIM	USD	Other	Total
%	13	79	8	100

Long-term liabilities falling due after five years or more and their repayment schedule:

The terms of the bonds with warrants issues are itemized in Note 14 of the Notes to the Financial Statements of the Parent Company.

	Outstanding at 31.12.1997	Repayments 1998	1999	2000 – 2002	2003 or later
Loans from credit institutions	**1 681 574**	238 024	39 524	419 883	984 143
Pension loans	**406 110**	28 428	26 438	68 718	282 527
Warrant bonds	**975**	182	0	793	0
Other interest-bearing long-term liabilities	**1 055 289**	0	0	0	1 055 289
	3 143 948	266 634	65 962	489 394	2 321 959

Contingent liabilities of the Group and Parent Company	Group 1997	1996	Parent Company 1997	1996
Own obligations				
Pledged securities	**114 788**	114 684	**58 456**	0
Mortgages	**434 181**	482 059	**450**	65 005
Group companies				
Guarantees			**263 993**	261 422
Pledged securities			**41 544**	100 000
Mortgages			**12 800**	43 245
On behalf of company managements				
Guarantees	**0**	0	**0**	0
On behalf of associated companies				
Guarantees	**2 913**	11 593	**138 430**	127 691
Pledged securities	**29 348**	23 340	**0**	0
On behalf of others				
Guarantees	**20 610**	22 182	**16 574**	16 993
Pledged securities	**0**	655	**0**	0
Mortgages	**0**	9 288	**0**	0
Leasing liabilities, not included in debts				
Portion falling due during the following year	**33 820**	4 623		
Amount remaining	**241 276**	5 194		
Other liabilities	**25 666**	27 393		

Derivative instruments	Group 1997	1996
I Interest rate derivatives		
Forward rate agreements	**100 000**	100 000
Interest rate options bought	**0**	92 878
Interest rate swaps	**1 128 317**	958 053
II Currency derivatives		
Forward contracts	**4 436 491**	3 128 802
Currency swaps	**10 234**	10 234
Currency options bought	**0**	32 507
Currency options sold	**0**	32 507
III Other derivative instruments		
Commodity futures	**0**	0

The Cultor Group uses derivative instruments for hedging purposes. The Group hedges foreign currency-denominated receivables and liabilities, as well as foreign currency-denominated equity of subsidiaries and associated companies.

These currency hedges are valued at market rates on the balance sheet date, and the interest portions of forward contracts are periodized on an accrual basis. These exchange rate differences after tax on forward contracts made for equity hedging purposes are booked in the consolidated financial statement against translation differences.

The future foreign currency-denominated cash flow of certain Group companies is hedged over a maximum period of 12 months. Under hedge accounting, the impact on the result of hedging transactions made under these forward contracts is not booked until they have fallen due, i.e. against the underlying transactions.

The Cultor Group also hedges the interest rate risk arising from interest-bearing receivables and liabilities, mainly with forward rate agreements and interest rate swaps. The profit impact of these hedges is periodized on an accrual basis against the interest rate of the hedged item.

Subsidiaries and Associated Companies by Sector in 1997

				Shares owned by Parent Company				
	Group's shareholding, %	Group's holding of voting rights, %	Group's share of equity, KFIM	Shareholding, %	Number	Nominal value, 1 000	Currency	Book value, KFIM
CULTOR FOOD SCIENCE								
Cultor Food Science B.V., The Netherlands	100	100	2 272					
Cultor Food Science Ltd., Canada	100	100	11 089					
Cultor Food Science GmbH, Germany	100	100	4 517	100	1	1		6 066
Cultor Food Science Inc., USA	100	100	735 611					
Cultor Food Science Japan K.K., Japan	100	100	45 252	100	72 000	720 000	JPY	63 684
Cultor Food Science México S.A. de C.V., Mexico	100	100	5 019	98	49		USD	1 079
Cultor France S.A., France	99	99	105 411					
Cultor (Guangzhou) Company Ltd., China	100	100	-1 644	100				2 506
Flavoring AB, Sweden	100	100	13 973	100	40 000	4 000	SEK	61 974
Nissin Sweeteners Co.Ltd., Japan	55	55	1 633	55	11 000	5 500	JPY	526
Xyrofin Oy, Finland	100	100	72 541	100	107 000	107 000	FIM	120 670
Xyrofin (UK) Ltd., Great Britain	100	100	5 863					
Xyrofin Süssmittel Produktion GesmbH, Austria	100	100	-26 717	100				219
CULTOR FEED INGREDIENTS								
Finnfeeds Group, Great Britain	100	100	83 707					
Pesquera Pacific Protein S.A., Chile	100	100	120 432					
Pacific Fisheries S.A., Chile	50	50	18 376					
Pesquera Cojinova S.A., Chile	30	30	8 055					
CULTOR BAKING								
Aschan Oy, Finland	100	100	14 448					
Joutsenolainen Oy, Finland	100	100	-90					
Leibur AS, Estonia	75	75	25 168	75	750	27 000	EEK	12 056
Siljans Knäcke AB, Sweden	100	100	2 699					
Vaasan Leipomot Oy, Finland	100	100	125 115	100	115 000	115 000	FIM	115 320
Vaasanmylly Oy, Finland	100	100	153 519	100	155 000	155 000	FIM	155 000
A/S Hanzas Maiznica Group, Latvia	51	51	29 394	48	526 619	527	LVL	29 622

	Group's shareholding, %	Group's holding of voting rights, %	Group's share of equity, KFIM	Shares owned by Parent Company				
				Shareholding, %	Number	Nominal value, 1 000	Currency	Book value, KFIM
CULTOR NUTRITION								
Agrivit A.S., Norway	100	100	125	100	100	100	NOK	844
SIA Baltic Feed Ltd., Latvia	75	75	4 736	75	5 199	260	LVL	4 422
Ewos AB, Sweden	100	100	9 435					
EWOS as, Norway	100	100	122 616					
Ewos Ltd., Great Britain	100	100	43 189	100	8 600 000	8 600	GBP	64 441
Ewos Canada Ltd., Canada	100	100	22 287	100	8 501	8 501	CAD	0
Ewos Chile S.A., Chile	100	100	188 071					
Neson Oy, Finland	92	92	27 882					
Porkkalan Sokeripuhdistamo Oy, Finland (since January 1, 1998 Suomen Sokeri Oy)	80	80	200 462					
Sucros Oy, Finland	80	80	441 648	23	800 000	80 000	FIM	80 000
Suomen Rehu Oy, Finland	100	100	396 179	100	1 473 684	147 368	FIM	408 344
Suomen Sokeri Oy, Finland (since January 1, 1998 Sohkar Oy)	100	100	285 575	100	269 000	269 000	FIM	269 000
Teknosan AB, Sweden	100	100	2 282	100	752	752	SEK	4 108
Cerenes Oy, Finland	25	25	450					
Movere Oy, Finland	40	40	200					
Pacific Aqua Salmon Farming Partnership, Canada	49	49	24 870					
OTHERS								
Cultor Holding France S.A., France	99	99	549	93	53 997	5 400	FRF	4 706
Cultor Holland B.V., The Netherlands	100	100	514 367	100	401	40	NLG	518 202
Cultor U.K. Ltd., Great Britain	100	100	96 511	100	8 600 000	8 600	GBP	64 441
Cultor U.S. Inc., USA	100	100	616 035					
Finnsugar Cultor Sverige AB, Sweden	100	100	82 019	100	300 000	30 000	SEK	75 643
Genencor International Inc., USA	50	50	667 554	35	2 485		USD	484 072

OTHER SHARES HELD BY THE GROUP

	Group's shareholding, %	Number	Nominal value, KFIM	Book value, KFIM
Diversa, USA				10 269
Mainstream Salmones y Alimentos S.A., Chile	14			14 034
Mildola Oy, Finland	18	210	2 100	12 828
Shares of housing corporations and real estate companies				6 735
Other shares				6 234
TOTAL				50 100
SHARES IN ASSOCIATED COMPANIES HELD BY THE GROUP				55 849
TOTAL OTHER SHARES ON CONSOLIDATED BALANCE SHEET				**105 949**

A complete list of the shareholdings of Cultor Corporation is available from Group Finance.

Parent Company Income Statement

	1997 1.1 – 31.12	%	1996 1.1 – 31.12	%
Net sales	222 905	100.0	182 203	100.0
Cost of goods sold	-165 439		-122 678	
Gross profit	57 466	25.8	59 525	32.7
Sales and marketing expenses	-11 515		-8 712	
Administrative expenses	-95 011		-82 241	
Other operating expenses	-32 843		-28 302	
Other operating income	21 569		19 545	
Operating profit (1), (2), (3)	-60 334	-27.1	-40 185	-22.1
Financial income and expenses (4)				
Dividend income	54 308		17 546	
Interest income from non-current investments	122 829		146 992	
Other financial income	29 590		21 019	
Interest expenses	-196 461		-180 258	
Other financial expenses	-196 131		-47 958	
	-185 865	-83.4	-42 659	-23.4
Result after financial items	-246 199	-110.4	-82 844	-45.5
Extraordinary income and expenses (5)	281 015	126.1	132 842	72.9
Profit before reserves and taxes	34 816	15.6	49 998	27.4
Increase (-) or decrease (+) in accelerated depreciation	28 100		20	
Increase (-) or decrease (+) in voluntary reserves	-59 872		0	
Direct taxes (6)	-12 698	-5.7	-6 668	-3.7
Result for the year	-9 654	-4.3	43 350	23.8

Figures in thousands of FIM. The numbers in parenthesis refer to the notes to the financial statements.

Parent Company Statement of Changes in Financial Position

	1997 1.1 – 31.12	1996 1.1 – 31.12
Cash flow from operations		
Operating profit	-60 334	-40 185
Depreciation	43 121	43 600
Financial expenses (net)	-185 865	-42 659
Extraordinary items	290 553	296 210
Direct taxes	-12 698	-8 763
Cash flow from operations	74 777	248 203
Change in trade and other receivables	-21 575	50 024
Change in inventories	610	-6 107
Change in trade payables	-19 406	39 268
Increase (-)/decrease (+) in net working capital	-40 371	83 185
Net cash flow from operations	34 406	331 388
Investments in fixed assets	-66 735	-1 024 563
Proceeds from sales of fixed assets	163 015	16 690
Net investments	96 280	-1 007 873
Net cash flow from operations after investments	130 686	-676 485
Change in long-term loan receivables	51 027	102 348
Change in long-term borrowings	13 954	1 814 174
Change in current financial assets	107 118	-743 231
Change in current borrowings	-69 396	-342 730
Increase (+)/decrease (-) in financing	102 703	830 561
Other items		
Dividends paid	-115 237	-115 237
Increase in restricted equity	29 752	0
Increase (+)/decrease (-) in cash	147 904	38 839

Parent Company Balance Sheet

ASSETS	31.12.1997	%	31.12.1996	%
Fixed and other non-current assets				
Intangible assets (7)				
Intangible rights	**230 795**		259 888	
Goodwill	**92**		192	
Other intangible assets	**2 733**		2 480	
	233 620	**4.0**	262 560	4.4
Tangible assets (7)				
Land and water	**55 897**		55 915	
Buildings	**18 978**		145 604	
Machinery and equipment	**53 510**		50 920	
Other tangible assets	**2 497**		2 728	
Advance payments and construction in progress	**38 574**		5 272	
	169 456	**2.9**	260 439	4.3
Financial and other non-current assets (8)				
Other bonds and shares	**502 864**		534 785	
Shares in subsidiaries	**2 234 303**		2 267 397	
Other investments	**136 471**		187 498	
	2 873 638	**49.1**	2 989 680	49.6
Current assets				
Inventories				
Raw materials and consumables	**14 181**		14 285	
Work in progress	**4 259**		3 606	
Finished products	**8 361**		9 602	
Other inventories	**1 674**		1 592	
	28 475	**0.5**	29 085	0.5
Receivables (9)				
Trade receivables	**37 058**		37 268	
Loan receivables	**1 675 024**		1 734 697	
Prepaid expenses and accrued income	**323 462**		301 677	
Other receivables	**52 142**		99 588	
	2 087 686	**35.7**	2 173 230	36.1
Investments				
Other marketable securities	**186 858**	**3.2**	86 379	1.4
Cash and cash equivalents	**271 656**	**4.6**	224 231	3.7
	5 851 389	**100.0**	6 025 604	100.0

LIABILITIES	31.12.1997	%	31.12.1996	%
Shareholders' equity				
Restricted equity (10)				
Share capital	**279 282**		276 570	
Premium fund	**478 408**		451 367	
Revaluation fund	**0**		36 000	
	757 690	**12.9**	763 937	12.7
Unrestricted equity (11)				
Contingency fund	**58 112**		58 112	
Retained earnings	**1 704 911**		1 776 799	
Result for the year	**-9 654**		43 350	
	1 753 369	**30.0**	1 878 261	31.2
Reserves (12)				
Accumulated depreciation difference	**47 426**		75 527	
Voluntary provisions				
Other reserves	**75 000**		15 127	
	122 426	**2.1**	90 654	1.5
Payables (13)				
Long-term				
Bonds and debentures	**1 147**		593	
Loans from credit institutions	**1 030 127**		1 138 157	
Pension loans	**122 604**		132 450	
Other long-term liabilities	**1 051 856**		920 580	
	2 205 734	**37.7**	2 191 780	36.4
Current				
Loans from credit institutions	**8 559**		16 060	
Pension loans	**9 548**		10 234	
Advances received	**27 318**		27 315	
Trade payables	**22 387**		28 893	
Accrued liabilities and deferred income	**34 649**		47 552	
Other current payables	**909 709**		970 918	
	1 012 170	**17.3**	1 100 972	18.3
	5 851 389	**100.0**	6 025 604	100.0

Figures in thousands of FIM. The numbers in parenthesis refer to the notes to the financial statements.

Notes to the Financial Statements of the Parent Company

1. Personnel expenses	1997	%	1996	%
Wages, salaries and the monetary value of fringe benefits	**74 700**	**76.7**	60 113	74.5
Pension expenses	**11 939**	**12.3**	11 165	13.8
Other personnel expenses	**10 699**	**11.0**	9 407	11.7
	97 339	**100.0**	80 686	100.0

2. Expenses	1997	1996
Total research and development costs	**14 927**	25 636
% of net sales	**6.7**	14.1

3. Depreciation

Depreciation by balance sheet categories and their generally applied depreciation periods:		Depreciation according to plan 1997	1996	Change in deprec. difference 1997	1996
Intangible assets	5-10 years	**28 676**	26 180	**1 775**	2 269
Goodwill	5-10 years	**100**	100	**0**	0
Other intangible assets	5-10 years	**913**	789	**137**	97
Buildings	25 years	**1 694**	4 695	**-679**	-2 570
Machinery and equipment	5-10 years	**11 508**	11 589	**14 247**	163
Other tangible assets	10 years	**230**	247	**1**	1
Depreciation difference of sold fixed assets		**0**	0	**-43 581**	20
Total		**43 121**	43 600	**-28 100**	-20

Depreciation by operations	1997	1996
Production	**34 926**	31 850
Sales and marketing	**0**	0
Administration	**6 237**	9 570
Other	**1 958**	2 180
Total	**43 121**	43 600

4. Financial income and expenses	1997	1996
Interest income from non-current investments	**122 829**	146 992
Interest income from current investments	**13 559**	18 562
Internal financial income and expenses of the Group		
Dividend income from Group companies	**52 435**	17 340
Interest income from non-current investments from Group companies	**93 902**	123 154
Other interest income from Group companies	**6 610**	9 579
Other financial income from Group companies	**1 464**	2 308
Interest expenses paid to the Group companies	**-33 077**	-42 373

5. Extraordinary items	1997	1996
Gain/loss on sale of fixed assets	**34 262**	0
Group contributions	**256 291**	257 713
Mergers and disclosures of subsidiaries	**-9 538**	-8 680
Reduction of share values of subsidiaries	**0**	-116 191
	281 015	132 842

6. Income taxes	1997	1996
Taxes for previous fiscal years	**-9 126**	-3 543
Taxes for the period	**0**	-5 220
	-9 126	-8 763
Withholding taxes in our favour	**-3 572**	2 095
Direct taxes in income statement	**-12 698**	-6 668

Figures in thousands of FIM.

7. Fixed and other non-current assets

1997	Acquisition cost, 1.1	Additions	Disposals	Acquisition cost, 31.12	Revaluations	Accumulated depreciation, 31.12	Net book value, 31.12	Accum. depr. difference, 31.12
Intangible rights	**289 382**	**3 775**	**-4 237**	**288 920**	**0**	**-58 126**	**230 795**	**4 289**
Goodwill	**4 500**	**0**	**0**	**4 500**	**0**	**-4 408**	**92**	**-8**
Other intangible assets	**6 694**	**1 253**	**-271**	**7 676**	**0**	**-4 943**	**2 733**	**619**
Land and water	**25 919**	**0**	**-18**	**25 901**	**29 996**	**0**	**55 897**	**0**
Buildings	**129 683**	**82**	**-103 720**	**26 045**	**0**	**-7 068**	**18 978**	**3 953**
Machinery and equipment	**171 143**	**20 652**	**-21 413**	**170 381**	**0**	**-116 871**	**53 510**	**38 573**
Other tangible assets	**9 027**	**0**	**-16**	**9 011**	**0**	**-6 514**	**2 497**	**0**
Total	**636 348**	**25 762**	**-129 675**	**532 435**	**29 996**	**-197 929**	**364 502**	**47 426**
1996								
Total	335 659	301 289	-600	636 348	87 317	-205 938	517 727	75 527

	1997	1996
Balance sheet value of machinery and equipment at the end of the period	**34 452**	35 835

Taxation values	**1997**	1996
Shares	**2 737 147**	2 714 130
Land and water	**22 583**	22 583
Buildings	**12 080**	72 286
Total	**2 771 810**	2 808 999

8. Financial and other non-current assets

	1997	1996
Group companies		
Other investments	**36 471**	87 498

Other investments in Group companies includes a capital loan of FIM 2.4 million to Kiinteistö-osakeyhtiö Turun Seulunranta. The interest of the loan is the base rate of the Bank of Finland plus 1%. The interest is to be paid only if the amount could be used for profit sharing according to the confirmed balance sheet from the latest accounting period of Kiinteistöosakeyhtiö Turun Seulunranta. Under the loan terms, no interest was due for 1997.

9. Receivables

Receivables falling due after one year or later:	**1997**	1996
Loan receivables	**1 546 487**	1 659 232

Receivables from Group companies and associated companies

Trade receivables/Group companies	**11 854**	16 956
Trade receivables/associated companies	**64**	16
Prepaid expenses and accrued income/Group companies	**279 504**	286 407
Loan receivables/Group companies	**1 641 956**	1 676 117
Loan receivables/associated companies	**0**	0
Other receivables/Group companies	**142 839**	2 739
	2 076 217	1 982 235

Loan receivables

Loan receivables from Board directors and President	**0**	0

10. Changes in equity

Restricted equity	1997	1996
Share capital as of 1.1		
Series I	182 160	182 160
Series II	94 410	94 410
Total	276 570	276 570
Increase during the year		
Series I	0	0
Series II	2 712	0
Total	2 712	0
Share capital as of 31.12		
Series I	182 160	182 160
Series II	97 122	94 410
Total	279 282	276 570
Revaluation fund		
As of 1.1	36 000	36 000
- Decrease	-36 000	0
As of 31.12	0	36 000
Premium fund		
As of 1.1	451 367	451 367
+ Increase	27 041	0
As of 31.12	478 408	451 367

11. Unrestricted equity

11. Unrestricted equity	1997	1996
Contingency fund	58 112	58 112
Retained earnings		
At the beginning	1 820 149	1 892 036
Result for the year	-9 654	43 350
Dividends paid	-115 237	-115 237
As of 31.12	1 695 257	1 820 149

12. Voluntary reserves

12. Voluntary reserves	1997	1996
Accumulated difference of total depreciations and depreciations according to plan as of 1.1	75 527	75 547
Change in income statement	-28 101	-20
Accumulated difference of total depreciations and depreciations according to plan as of 31.12	47 426	75 527
Reacquisition reserve as of 1.1	0	0
Change in income statement	75 000	0
Reacquisition reserve as of 31.12	75 000	0
Reserve for transitional phase as of 1.1	15 127	15 127
Change in income statement	-15 127	0
Reserve for transitional phase as of 31.12	0	15 127

13. Payables

Long-term

Long-term liabilities falling due after five years or later:	1997	1996
Loans from credit institutions	771 584	338 947
Pension loans	91 714	98 884
Warrant bonds *)	0	0
Other long-term liabilities	1 051 616	900 917
	1 914 914	1 338 748

*) The terms of the warrant bonds are itemized in Note 14 to the Financial Statements.

Liabilities to Group and associated companies

Trade payables/Group companies	7 048	7 323
Trade payables/associated comp.	0	0
Accrued liabilities and deferred income/Group comp.	9 836	21 700
Liabilities/Group companies	903 282	943 545
Other long-term liabilities/Group companies	0	19 424
	920 166	991 992

14. Bonds with warrants

The 1992 bond with warrants has been issued to persons on the Cultor Executive Committee. The issue rate was 100%, the loan period six years, and the interest rate 11%. A warrant is attached to each FIM 1,000 note of the loan, entitling the holder to subscribe to either 1,000 Series I shares at a price of FIM 89.00 each or 1,500 Series II shares at a price of FIM 80.00 each. The execution period for the conversion of the bonds is December 1, 1997 to December 1, 1998. A maximum of a total of 300,000 new shares may be subscribed, and the share capital may be increased by a maximum of FIM 3,600,000 as a result of subscription. A total of 81,000 new Series II shares have been subscribed to and paid for under the warrants during the 1997 fiscal year. The Company's paid-up and registered capital stock rose by FIM 972,000 as a result of the subscription, and the total number of Series II Cultor shares rose to 8,093,500 on December 19, 1997.
An issue premium of FIM 5,508,000 was transferred to the premium fund. The company has redeemed FIM 18,000 of the loan and annulled 18 warrants. A total of either 128,000 Series I shares or 192.000 Series II shares may be subscribed, and the share capital may be increased by a maximum of FIM 2,304,000, under the remaining warrants.

The 1994 bond with warrants has been issued to persons in managerial positions in different units. The issue rate was 100%, the loan period seven years, and the annual interest rate the 12-month Helibor rate. Each FIM 1,500 promissory note is accompanied by three warrants (A,B,C) and each warrant has entitled or entitles the holder to subscribe to 500 shares in Series II as follows:

Warrants A entitled holders to subscribe to 155,000 Series II shares between May 3 and August 29, 1997 at a subscription price of FIM 160.50 per share. The subscription price was equal to the average rate of the deals closed for Series II shares on the Helsinki Exchanges between February 8 and March 10, 1994, however, not less than the average rate of the deals closed on May 2, 1994. A total of 145,000 Series II shares were subscribed to and paid for during the subscription period. All A warrants not used became null and void as of the end of the subscription period. On September 2, 1997, the Company's paid-up and registered capital stock rose due to subscription by FIM 1,740,000, and the total number of Series II shares rose to 8,012,500. An issue premium of FIM 21,532,500 was transferred to the premium fund.

Warrant B entitles holders to subscribe between May 3 and August 31, 1999 at a subscription price equal to the average rate of the deals closed for Series II shares on the Helsinki Exchanges between November 1, 1995 and October 31, 1996. Thus the subscription price will be FIM 208.35.

Warrant C entitles holders to subscribe between May 2 to August 31, 2001 at a subscription price equal to the average rate of the deals closed for Series II shares on the Helsinki Exchanges between November 3, 1997 and November 2, 1998. The subscription price must not be less than the subscription price of the shares subscribed to under Warrant A.

The share capital may be increased by a maximum of FIM 3,720,000, and by a maximum of 310,000 new shares, through subscription under the remaining warrants (B and C).

The 1997 bond with warrants has been issued to the management of Cultor Corporation or any of its subsidiaries. The issue rate was 100%, the loan period three years, and the loan pays no interest. Each bond of FIM 500, of which 800 are marked with the letter A and 200 with the letter B, carries 500 warrants. Of the warrants attached to bond A, 250 are marked with the letter C and 250 with the letter D. Warrants attached to bond B are marked with the letter E. Each warrant entitles holders to subscribe to one Series II share as follows:

The subscription period with Warrants C is from December 1, 1999 to January 31, 2002, and with Warrants D and E from December 3, 2001 to January 29, 2004.

The subscription price of the shares with Warrants C and D is the turnover-weighted average rate of Cultor Series II shares on the Helsinki Exchanges between April 1 and 10, 1997, and with Warrants E between December 1 and 31, 1999. Thus the subscription price with Warrants C and D will be FIM 290.27.

The share capital may be increased by a maximum of FIM 6,000,000 and by a maximum of 500,000 new shares in total as a result of subscription.

Capital Stock and Shares

Shares series

Cultor Corporation's capital stock is divided into two series of shares as follows:

Series I	15,180,000
Series II	8,093,500
Total	23,273,500

Series I shares entitle holders to 10 votes at the Annual General Meeting of Shareholders, and Series II shares to one vote. The nominal value of Cultor's shares is FIM 12, and their 1997 taxable value in Finland was FIM 205/share.

Cultor's shares are quoted on the Helsinki Exchanges. Series I shares are identified as CUL1S in the Exchange's trading system, and Series II shares as CUL2V. Both series of shares are traded in blocks of 100. Cultor has an American Depository Receipt (ADR) programme in the US, arranged through the Bank of New York. The international ISIN codes of Cultor's shares are FI0009002844 (Series I) and FI0009002869 (Series II).

Capital stock

According to Cultor Corporation's Articles of Association, the Company's minimum capital stock is FIM 252,000,000, and maximum capital stock FIM 1,008,000,000. The Company's paid-up and registered capital stock as of December 31, 1997 stood at FIM 279,282,000.

Cultor Corporation's capital stock increased twice during the year. The first increase was registered with the Company Register on September 2 and totalled FIM 1,740,000, following which the Corporation's capital stock stood at FIM 278,310,000. The increase was linked to Cultor's 1994 bond with warrants, under the A warrants of which 145,000 new Series II shares were subscribed to and paid for at a subscription price of FIM 160.50/share.

The second increase was registered on December 19 and totalled FIM 972,000. Following this, the Corporation's capital stock stood at FIM 279,282,000. The increase was linked to the Corporation's 1992 bond with warrants issue, under which 81,000 new Series II shares were subscribed to and paid for at a subscription price of FIM 80/share.

Cultor issued a FIM 500,000 bond with warrants issue intended for the management of the Company and its subsidiaries in 1997. The loan period is for three years and the loan is interest-free. The associated warrants entitle holders to subscribe to a total of 500,000 Series II Cultor shares. A detailed review of Cultor's bond with warrants issues can be found in the Notes to the Consolidated Financial Statements on Page 67.

Board authorization

The Annual General Meeting held on April 11, 1997 authorized the Board of Directors to increase the Company's share capital and/ or issue convertible bonds and/or bonds with warrants. The maximum number of Series II shares, nominally valued at FIM 12, available for subscription on the basis of a rights issue or issues, or through convertible bond issues and/or issues of bonds with

Share Capital	**1997**	1996	1995	1994	1993
Share capital, FIM million	**279.28**	276.57	276.57	276.57	276.57
Series I	**182.16**	182.16	182.16	182.16	182.16
Series II	**97.12**	94.41	94.41	94.41	94.41

Share Issues and increases in share capital		FIM million	Series I number	Series II number
Increase	2.9.1997	1.740	-	145 000
Increase	19.12.1997	0.972	-	81 000
	Total	2.712	-	226 000

(No share issues or increases in share capital took place during 1993 -1996)

Number of Shares	**1997**	1996	1995	1994	1993
Number of shares, million	**23.27**	23.05	23.05	23.05	23.05
Series I	**15.18**	15.18	15.18	15.18	15.18
Series II	**8.09**	7.87	7.87	7.87	7.87
Corrected average number of shares, million	**23.10**	23.05	23.05	23.05	23.05

warrants, was set at 4,000,000, equivalent to a total nominal value of a maximum of FIM 48,000,000. This authorization is effective for one year from the date of the meeting. The decision to deviate from shareholders' subscription privilege was taken to provide the Group with the possibility of using the Company's shares, either directly or indirectly, to finance acquisitions, make cooperation arrangements, or in other situations of major economic significance where their use is deemed appropriate. This authorization has not been exercised.

Share price development and trading volume

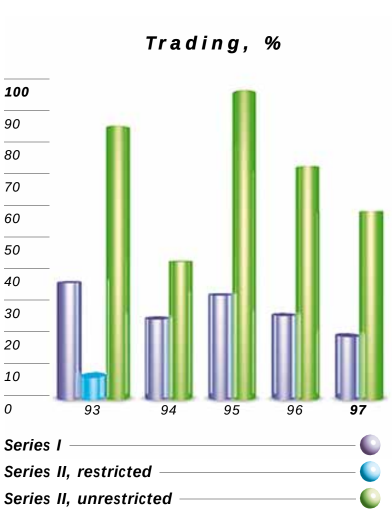
The highest price paid for Cultor's Series I shares during 1997 was FIM 310, and the lowest FIM 240. The highest price paid for Series II shares was FIM 312, and the lowest FIM 234. As of the end of the year, the share price stood at FIM 296 (Series I) and FIM 295 (Series II). Turnover of Series I and Series II shares totalled 2,953,384 and 4,612,711 respectively, equivalent to some 33% of Cultor's total shares. Trading volume was FIM 2,136 million.

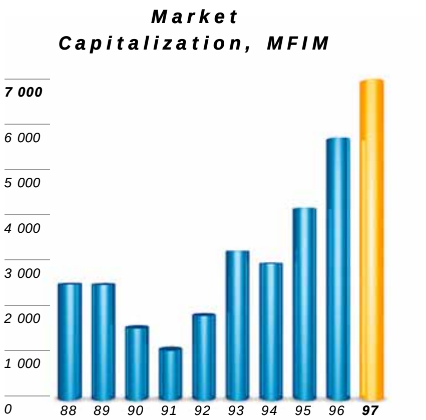
Value of Shares		**1997**	1996	1995	1994	1993
Exchange quotation: At the end of the fiscal year, FIM						
Series I		**296.00**	250.00	180.00	128.00	140.00
Series II		**295.00**	237.00	180.00	128.00	139.00
Average, FIM						
Series I		**282.31**	214.27	151.27	143.95	120.95
Series II		**282.33**	210.92	155.36	142.51	111.82[1]
Adjusted, FIM						
Series I		**296.00**	250.00	180.00	128.00	140.00
Series II		**295.00**	237.00	180.00	128.00	139.00
Market capitalization, FIM million		**6 913.53**	5 659.60	4 148.55	2 950.08	3 218.78

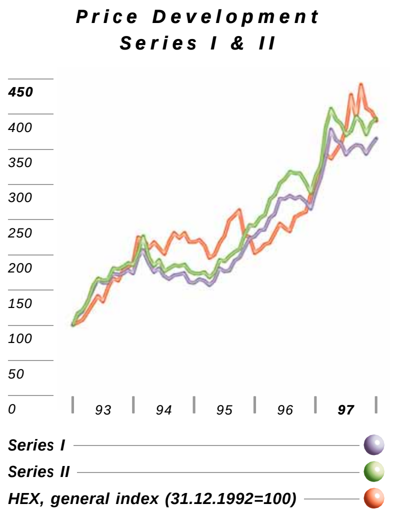
[1] The average value of restricted shares during the 1993 fiscal year, based on trading data for December 1992, was FIM 73.2.

Trading		**1997**	1996	1995	1994	1993
Trading volume, FIM million		**2 136**	2 039	1 905	1 021	1 431
Turnover of shares (1,000 shares)						
Series I		**2 953**	3 934	4 892	3 769	5 558
Series II		**4 613**	5 669	7 499	3 356	6 644
Average trading volume/trading day						
Series I	number	**11 861**	15 735	19 647	15 017	22 144
	FIM	**3 352 097**	3 371 640	2 971 999	2 161 693	2 678 352
Series II	number	**18 525**	22 677	30 117	13 369	26 471[2]
	FIM	**5 227 995**	4 782 992	4 678 928	1 905 180	2 959 860[2]

[2] The average volume of daily trades of restricted shares during the 1993 fiscal year, based on trading data for December 1992, was 10,948 shares, valued at FIM 63,854.







Ownership

Shares owned by members of the Board of Directors, the President, and Executive Vice President numbered 2,143 and represented 10,675 votes at the end of the fiscal year. Shares owned by the President, Executive Vice President, and other members of Corporate Management numbered 5,145 and represented 24,495 votes. In addition, the members of Corporate Management owned FIM 98,000 of the Company's 1992 bond with warrants issue and 44 warrants associated with the issue, which entitle holders to subscribe either to 44,000 Series I shares or 66,000 Series II shares. Members also owned FIM 64,000 of the Company's 1997 bond with warrants issue and 128 warrants associated with the issue, which entitle holders to subscribe to a total of 64,000 Series II shares.

The Cultor Group Personnel Fund remains among the Group's 20 largest shareholders. As of the end of the fiscal year, the Fund held 78,200 shares, entitling the Fund to 782,000 votes. The percentage of voting rights associated with Cultor shares held by Pension-Varma, Mutual Insurance Company rose to over 10% during the year, when the holdings of Pension-Varma and the Nova Life Insurance Company Ltd. were amalgamated.

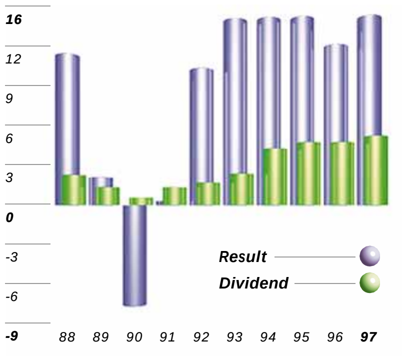
The total number of shareholders registered under the book-entry system at the end of the fiscal year was 10,496. Foreign shareholders held 50.3% of the shares of Cultor Corporation, and 41.9% of voting rights. Shares held in trust accounted for 34.9% of Cultor's capital stock as of December 31, 1997, and 19.4% of votes.

Cultor Corporation's shares have been registered under the book-entry system since October 22, 1993. As of the end of the year, 99.81% of shares were registered under the system.

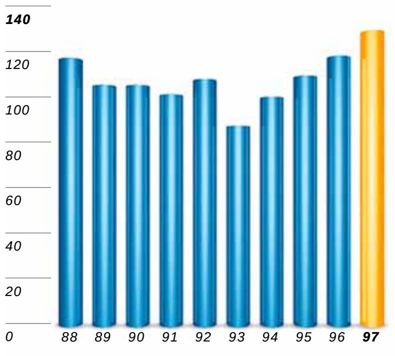
Earnings and Dividend	**1997**	1996	1995	1994	1993
Earnings/share, FIM	**15.01**	12.71	14.91	14.84	14.75
Equity/share, FIM	**128.10**	117.06	108.52	99.45	86.91
Dividend/share, FIM	**5.50**(*	5.00	5.00	4.50	2.50
Dividend, FIM million	**128.00**	115.24	115.24	103.71	57.62
Dividend/result, %	**36.90**	39.35	33.53	30.32	16.95
Dividend, %					
Series I	**1.84**	2.00	2.78	3.52	1.79
Series II	**1.86**	2.08	2.78	3.52	1.80
P/E ratio					
Series I	**19.86**	19.68	12.07	8.62	9.49
Series II	**19.65**	18.93	12.07	8.62	9.42

Earnings/share includes results in associated companies. Calculation formulae are given on Page 73.
Earnings/share, incl. dilution effect FIM 14.49.
(*Board proposal

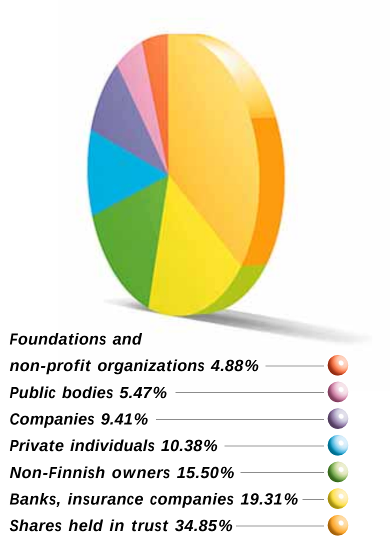
Earnings and Dividend/Share, FIM



Equity/Share, FIM



Distribution of Shares, %



20 MAJOR SHAREHOLDERS AS OF DECEMBER 31, 1997

	Shareholders	Number of shares Series I	Series II	total	% of total shares	Votes	% of total votes
	Groupe Sucrier S.A.	2 160 000		2 160 000	9.28	21 600 000	13.51
	Societé Financière des Sucres S.A.	1 100 000		1 100 000	4.73	11 000 000	6.88
	Sopagri S.A.	220 000		220 000	0.95	2 200 000	1.38
	Soreas S.A.	89 446		89 446	0.38	894 460	0.56
1.	**Finasucre S.A.**	**3 569 446**		**3 569 446**	**15.34**	**35 694 460**	**22.32**
	Turengin Juurikkaantuottajat Oy	807 645		807 645	3.47	8 076 450	5.05
	Naantalin Juurikkaantuottajat Oy	540 162		540 162	2.32	5 401 620	3.38
	Salon Juurikkaantuottajat Oy	499 838		499 838	2.15	4 998 380	3.13
	Central Union of Agricultural Producers and Forest Owners	441 299		441 299	1.90	4 412 990	2.76
	Central Union of Agricultural Producers, Foundation	7 588		7 588	0.03	75 880	0.05
2.	**Producers' Organizations**	**2 296 532**		**2 296 532**	**9.87**	**22 965 320**	**14.36**
	Pension-Varma, Mutual Insurance Company	1 282 402	5 700	1 288 102	5.53	12 829 720	8.02
	Nova Life Insurance Co. Ltd.	319 768	6 800	326 568	1.40	3 204 480	2.00
3.	**Pension Varma**	**1 602 170**	**12 500**	**1 614 670**	**6.94**	**16 034 200**	**10.03**
	Industrial Insurance Company Ltd.	770 000		770 000	3.31	7 700 000	4.82
	Sampo Insurance Company Ltd.	157 700	141 500	299 200	1.29	1 718 500	1.07
	Insurance Company Sampo Pension Ltd.		135 000	135 000	0.58	135 000	0.08
	Sampo Enterprice Insurance Company Ltd.		85 000	85 000	0.37	85 000	0.05
	Kaleva Mutual Insurance Company		80 000	80 000	0.34	80 000	0.05
	Sampo Life Insurance Company Ltd.		75 000	75 000	0.32	75 000	0.05
	Otso Loss of Profits Insurance Company Ltd.		25 000	25 000	0.11	25 000	0.02
4.	**Sampo Group**	**927 700**	**541 500**	**1 469 200**	**6.31**	**9 818 500**	**6.14**
	Pension Insurance Company Ilmarinen Ltd.	541 000	79 700	620 700	2.67	5 489 700	3.43
	Pohjola Insurance Company Ltd.	118 000	100 600	218 600	0.94	1 280 600	0.80
	Suomi Mutual Life Assurance Company	22 000	163 000	185 000	0.79	383 000	0.24
	Pohjola Life Assurance Company Ltd.	37 000	68 900	105 900	0.46	438 900	0.27
5.	**Pohjola Group**	**718 000**	**412 200**	**1 130 200**	**4.86**	**7 592 200**	**4.75**
6.	**Polaris Pension Fund**	**375 000**	**75 000**	**450 000**	**1.93**	**3 825 000**	**2.39**
7.	**The Local Government Pensions Institution**	**55 700**	**238 400**	**294 100**	**1.26**	**795 400**	**0.50**
	Tapiola General Mutual Insurance Company	103 000		103 000	0.44	1 030 000	0.64
	Tapiola Mutual Pension Insurance Company	42 200		42 200	0.18	422 000	0.26
	Tapiola Mutual Life Assurance Company	17 000		17 000	0.07	170 000	0.11
8.	**Tapiola Insurance Company**	**162 200**		**162 200**	**0.70**	**1 622 000**	**1.01**
	OKOBANK Pension Foundation		84 550	84 550	0.36	84 550	0.05
	OKOBANK Pension Fund		79 450	79 450	0.34	79 450	0.05
9.	**OKOBANK**		**164 000**	**164 000**	**0.70**	**164 000**	**0.10**
10.	**Instrumentarium Pension Fund**	**93 400**	**3 000**	**96 400**	**0.41**	**937 000**	**0.59**
11.	**Cultor Group Personnel Fund**	**78 200**		**78 200**	**0.34**	**782 000**	**0.49**
12.	**Blomberg, Anne-Sofie**	**55 297**	**2 950**	**58 247**	**0.25**	**555 920**	**0.35**
13.	**Finnish National Fund for R&D**	**50 000**		**50 000**	**0.22**	**500 000**	**0.31**
14.	**Jenny and Antti Wihuri Fund**	**37 400**		**37 400**	**0.16**	**374 000**	**0.23**
15.	**Bonsdorff, Veikko Olavi**		**33 801**	**33 801**	**0.15**	**33 801**	**0.02**
16.	**von Frenckell, Christoffer**	**33 000**		**33 000**	**0.14**	**330 000**	**0.21**
17.	**von Frenckell, Ralf Johan Christoffer, estate**	**25 831**	**5 700**	**31 531**	**0.14**	**264 010**	**0.17**
18.	**Mutual Fund Merita Fennia**		**32 000**	**32 000**	**0.14**	**32 000**	**0.02**
19.	**ABB Pension Foundation**		**33 000**	**33 000**	**0.14**	**33 000**	**0.02**
20.	**Verdandi Pension Insurance Company Ltd.**	**20 200**	**9 800**	**30 000**	**0.13**	**211 800**	**0.13**
	20 Major Shareholders Total	**10 100 076**	**1 301 050**	**11 401 126**	**48.99**	**102 301 810**	**63.98**

Shareholders (December 31, 1997)

Shares, number	Number	% of holders	% of shares	% of votes
1 – 30	2 480	23.6	0.2	0.2
31 – 100	3 659	34.9	1.0	1.1
101 – 500	3 053	29.1	3.1	3.6
501 – 1 000	679	6.5	2.1	2.4
1 001 – 5 000	498	4.7	4.5	5.1
5 001 – 10 000	50	0.5	1.5	1.5
over 10 000	77	0.7	87.4	86.0
Total	10 496	100.0	99.8	99.9
Shares not in the book-entry system			0.2	0.1
Total			100.0	100.0

Shareholders	Number
1997	**10 496**
1996	10 960
1995	11 566
1994	12 819
1993	12 736

10-Year Data

Information dating from before 1993 is not comparable with later years because of changes in accounting principles.

Since 1994, the accounting year has been the calendar year and income statements are converted to FIM using the average exchange rates of the periods concerned.

Genencor has been consolidated according to the proportional consolidation method since 1995; before that as an associated company.

	1988	1989	1990	1991	1992	1993	1994	1995	1996	**1997**
Profitability										
Operating profit, %	7.0	2.5	1.8	5.0	6.9	8.3	8.4	8.5	6.5	**7.1**
Return on investment, ROI, %	10.9	4.6	3.6	8.1	12.0	14.8	15.5	15.8	12.5	**11.4**
Return on equity, ROE, %	11.1	-0.2	-7.5	3.1	10.3	15.3	15.7	13.9	9.4	**11.2**
Financing										
Quick ratio	1.5	1.1	1.0	1.0	1.0	1.1	1.2	1.0	1.4	**1.4**
Current ratio	2.2	1.5	1.4	1.4	1.5	1.5	1.8	1.6	2.1	**2.1**
Net cash flow from operations				611	611	610	649	432	412	**943**
Net gearing, %			99.6	74.9	60.4	47.0	7.6	20.9	85.2	**69.9**
Equity-to-assets ratio, %	47.2	39.3	34.5	38.3	41.4	37.3	47.4	47.8	36.5	**37.8**
Income statement, FIM million										
Net sales	4 051	4 599	5 009	5 823	6 015	6 359	6 016	6 201	8 362	**8 437**
Share of net sales from foreign activities, %	28	32	44	48	45	48	50	54	65	**62**
Exports from Finland	333	426	354	392	446	646	610	680	673	**949**
Wages and salaries	454	538	615	762	750	719	660	771	1 002	**1 073**
Depreciation according to plan	186	219	245	291	321	291	277	320	443	**491**
Operating profit	285	117	89	293	415	531	505	528	545	**600**
Financial expenses (net)	5	86	201	167	113	110	38	34	154	**153**
Result after financial items	280	31	-112	125	302	421	467	494	391	**447**
Result for the year	120	-179	-100	82	-53	301	320	335	283	**366**
Net result	12	-79	-306	247	-27	340	342	344	293	**347**
Balance sheet, FIM million										
Fixed assets	2 020	2 990	3 356	3 144	3 277	2 790	2 531	3 016	4 345	**4 525**
Inventories	975	933	1 115	897	893	882	853	1 075	1 203	**1 294**
Financial assets	2 262	2 173	2 791	1 967	1 959	2 190	1 889	1 704	2 384	**2 472**
Shareholders' equity	1 049	999	835	872	761	2 003	2 292	2 501	2 698	**2 959**
Distributable funds in retained earnings	438	213	142	187	76	336	742	1 027	1 291	**1 600**
Liabilities	2 828	3 756	4 830	3 942	3 704	3 739	2 830	3 028	5 048	**5 175**
Deferred tax liability						415	377	393	330	**340**
Balance sheet total	5 353	6 182	7 356	6 380	6 315	5 962	5 374	5 795	7 932	**8 291**
Others										
Gross investments, FIM million	462	1 446	921	513	475	353	376	715	2 034	**901**
Net investments, FIM million			379	211	148	-27	241	613	1 711	**479**
Value added, FIM million	1 103	1 047	1 145	1 618	1 759	1 768	1 672	1 880	2 292	**2 441**
Personnel, average	4 226	4 636	5 317	6 193	5 640	5 159	5 304	5 688	7 016	**7 192**
Value added/employee, FIM thousands	261	226	215	261	312	343	315	331	327	**339**
Dividend distribution (Board proposal '97, FIM thousands)	51 954	31 172	13 828	33 188	41 485	57 619	103 714	115 237	115 237	**128 004**
Transfer to the Personnel Fund, FIM thousands					2 118	5 845	10 373	11 567	6 168	**11 142**

Exchange rates

	Year-end rates			Average rates		
	31.12.97	31.12.96	31.12.95	**1997**	1996	1995
USD	**5.4207**	4.6439	4.3586	**5.2106**	4.6028	4.3405
GBP	**8.9920**	7.8690	6.7410	**8.5396**	7.2230	6.8720
FRF	**0.9046**	0.8862	0.8906	**0.8904**	0.8989	0.8782
JPY	**0.0417**	0.0400	0.0423	**0.0429**	0.0422	0.0465
ECU	**5.9890**	5.7700	5.5970	**5.8708**	5.7630	5.6470

The Bank of Finland's exchange rates

Definitions of Key Ratios

Return on equity, ROE, % $$= \frac{\text{Result after financial items - taxes for the period}}{\text{(Shareholders' equity + minority interest), annual average}} \times 100\%$$

Return on investment, ROI, % $$= \frac{\text{Result after financial items + interest and other financing expenses}}{\text{(Balance sheet total - non-interest bearing liabilities), annual average}} \times 100\%$$

Quick ratio $$= \frac{\text{Financial assets}}{\text{Current liabilities - advances received}}$$

Current ratio $$= \frac{\text{Financial assets + inventories}}{\text{Current liabilities}}$$

Net gearing, % $$= \frac{\text{Interest bearing liabilities - interest bearing assets}}{\text{Shareholders' equity}} \times 100\%$$

Equity-to-assets ratio, % $$= \frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advances received}} \times 100\%$$

Net result = Result for the year - extraordinary items

Value added = Operating profit + depreciation by operations + personnel costs

RONA, % $$= \frac{\text{Operating profit}}{\text{Average capital employed}} \times 100\%$$

Earnings/share $$= \frac{\text{Result for the year - extraordinary items}}{\text{Number of shares}}$$

Cash flow/share $$= \frac{\text{Cash flow from operations}}{\text{Number of shares}}$$

Shareholders' equity/share $$= \frac{\text{Shareholders' equity}}{\text{Number of shares}}$$

Dividend/share $$= \frac{\text{Dividend distribution}}{\text{Number of shares}}$$

Dividend/result $$= \frac{\text{Dividend distribution}}{\text{Result for the year - extraordinary items}}$$

Dividend yield, % $$= \frac{\text{Dividend /share}}{\text{Stock price, book closing day}} \times 100\%$$

P/E ratio $$= \frac{\text{Stock price, book closing day}}{\text{Earnings/share}}$$

Market capitalization = Number of shares × stock price by series, book closing day

Auditor´s Report

To the shareholders of Cultor Corporation

We have audited the accounting, the financial statements and the corporate governance of Cultor Corporation for the period 1.1 – 31.12.1997. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President & CEO. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statements presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President & CEO have legally complied with the rules of the Companies' Act.

In our opinion the financial statements 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 of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President & CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

We have reviewed the interim reports published during the financial year. In our view, these have been prepared in accordance with applicable regulations.

Helsinki, March 12, 1998

SVH Coopers & Lybrand Oy
Authorised Public Accountants

Johan Kronberg
Authorized Public Accountant

Financial Risk Management

Liquidity and refinancing risks

The Cultor Group's long-term loans totalled FIM 3,144 million as of December 31, 1997, of which long-term committed credit lines accounted for FIM 813 million, and that due payable in 1998 totalled FIM 267 million. To secure the Group's liquidity, the Group has agreed long-term committed credit lines extending to some FIM 2.6 billion. The average term of these loans and unused credit lines was over six years as of the end of the year. A breakdown of long-term loans by term and currency can be found on Page 58.

Marketable securities, deposits, and cash funds as of the end of the fiscal year totalled FIM 650 million, and unused committed credit lines FIM 1,850 million. In total, this is equivalent to 30% of the Group's net sales. In addition, Cultor has contracted a total of FIM 550 million in uncommitted Finnish commercial paper programmes, and USD 100 million in the international ECP programme.

The Group's cash flow is susceptible to seasonal change, and is usually negative around the end of the year as a result of the low level of sales made by EWOS during the winter months and the sugar beet payments Sucros makes to farmers. Sucros paid a total of FIM 360 million in such payments in respect of 1997 between December 1997 and February 1998.

Interest rate risk

Cultor hedges itself against interest rate risks primarily by dividing loans and investments, by currency, into fixed-interest and floating-interest items. As of the end of the year, fixed-rate loans, when converted into Finnish markka, amounted to FIM 1,065 million, while floating-rate loans totalled FIM 1,164 million. Floating-rate receivables totalled some FIM 585 million, and fixed-rate receivables FIM 65 million.

Risks are assessed by monitoring maturity profiles and comparing contract interest rates to market rates. To achieve the desired balance, interest rate swap contracts, options, forward contracts, and futures with terms varying from three months to four years are used. An increase of one percentage point in the Finnish markka interest rate in Cultor's interest rate position, inclusive of the impact of interest rate instruments, increases the Group's interest income by FIM 10 million. In respect of other currencies, interest rate changes after hedging are insignificant. The average rate of interest paid on loans in 1997, when interest income from investments and deposits is taken into account, was 6% p.a. See also Page 59.

Currency risk

In the income statement

A significant proportion of Cultor's products are sold in different markets than where they are manufactured, and international net sales accounted for 62% of total net sales in 1997. The role played by different currencies varies across Cultor's divisions. Currency risks are minimal in Cultor Baking's bakery activities, as sales and costs take place virtually completely in local currencies. Fluctuations in some currencies, particularly the US dollar, have a significant impact on the sales and profitability of Cultor's international businesses, such as Cultor Feed Ingredients, and especially Cultor Food Science.

Estimated foreign currency sales and purchases are hedged at the discretion of individual divisions. Hedging is of the order of 50 – 70%, and contract terms a maximum of 12 months. Fixed purchase and sales agreements are fully hedged, and contract terms can extend to a number of years. See also Page 59.

Exchange rate changes in 1997 had a net positive impact of 5% on the Group's consolidated net sales, and 3% on the Group's consolidated result.

Cultor's main financial risks are of the liquidity, refinancing, interest rate, currency, and counterparty type. Risks are handled on a centralized basis with the aim of minimizing their negative impact on the Group's balance sheet and result, in line with regulations laid down by Cultor's Board of Directors. Risk exposure is managed using forward contracts, currency and interest rate swap contracts, futures, options, deposits, loans, and risk netting arrangements.

In the balance sheet

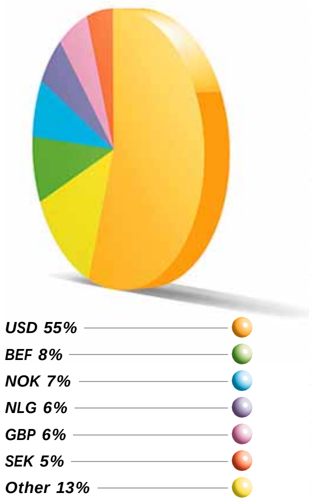
Cultor's currency position is based on loans and loan receivables denominated in foreign currencies, off-balance sheet receivables and payments denominated in foreign currencies, and equity invested in subsidiaries and their businesses. The most important hedging method used by Cultor is to net different currency exposure across the Group. Currency forward contracts, options, and currency swap contracts with terms ranging from one to 12 months are also used.

Changes in exchange rates inevitably cause changes in the Finnish markka value of Cultor's foreign assets and liabilities. Funds invested in the Group's foreign subsidiaries totalled FIM 2,000 million as of the end of the year.

Cultor Corporation's Treasury is responsible for hedging the equity of the Group's subsidiaries through loans and currency instruments. As of the end of the year, virtually all of such equity, totalling FIM 1,900 million, was hedged, through instruments with terms varying from three to six months. Unhedged investments were held in foreign currencies, for which sophisticated hedging instruments do not exist or where hedging would be expensive.

The most important currency risk in the balance sheet is that associated with the US dollar. USD-denominated equity invested in the Group's subsidiaries as of the end of the year totalled USD 203 million. USD-denominated loans totalled USD 433 million. A change in the USD-FIM exchange rate of FIM 0.10 increases, or reduces Cultor's net financial position by FIM 20 million.

Currency Breakdown of the Equity in Foreign Subsidiaries, %



Economic risk

Economic risk impacting long-term competitiveness is a typical factor associated with changes in exchange rates. With the advent of the EURO, currency risks linked to production and business in countries adopting the new currency will be reduced. At the beginning of 1998, Cultor had industrial production in three countries due to adopt the EURO: Finland, Austria, and France. Combined sales of the companies concerned total some FIM 4,000 million annually.

Based on Cultor's currency position and the currencies of the countries most likely to adopt the EURO, our expectation is that currency exchange and interest-related savings resulting from the switch to the EURO will be in the order of FIM 2 million annually.

Counterparty risk

Counterparty risk is generated when a contractual counterparty is unable to meet his obligations in respect of instruments such as derivatives, receivables, deposits, and investments. Cultor handles this type of risk by only making derivative contracts with banks having very low levels of credit risk. Deposits and investments are made strictly in accordance with regulations approved by the Board of Directors.

Divisions are responsible for their own receivables and any associated counterparty risk. Credit losses associated with receivables have been very small.

Treasury, Jorma Niilola