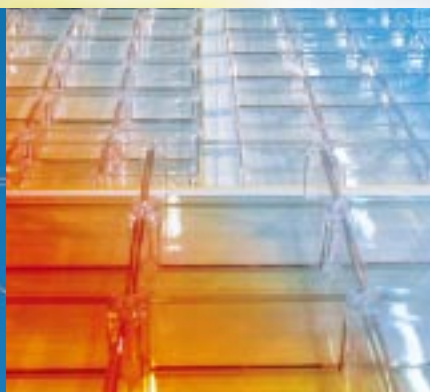


ENSTO



Annual report **1997**

Annual general meeting

The annual general meeting of Ensto Oy will be held in Porvoo on Thursday 2 April 1998.

Financial information

Ensto will publish two interim reports in both Finnish and English during 1998.

The interim report for the first four months will be published on 15 June.

The interim report for the first eight months will be published on 13 October.

Ensto's annual and interim reports can be ordered from:

Ensto Oy, P.O.Box 77, 06101 Porvoo, Finland,
tel. +358 204 76 21, fax +358 204 76 2750,
ensto@ensto.com



Ensto will celebrate its 40th anniversary on 19 June 1998. Over its four decades, Ensto has become known particularly as a Nordic, reliable manufacturer of quality electrical supplies. We now concentrate on internationalization, with special emphasis on Europe. Today Ensto operates in twelve countries and has an annual turnover of more than one billion Finnish markkas.

Ensto Annual Report 1997



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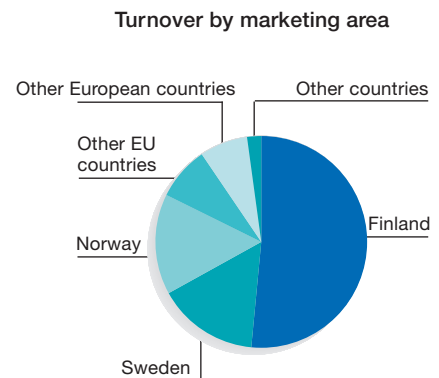
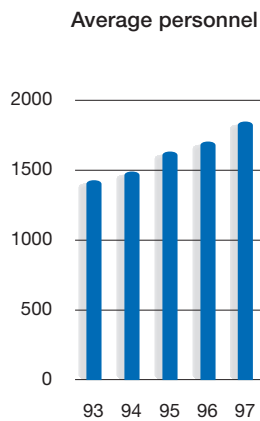
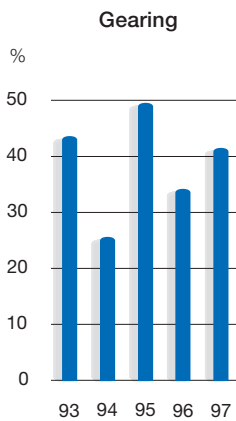
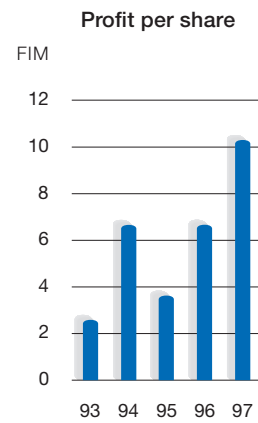
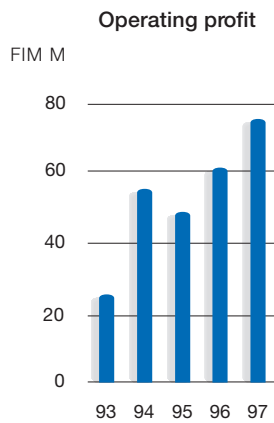
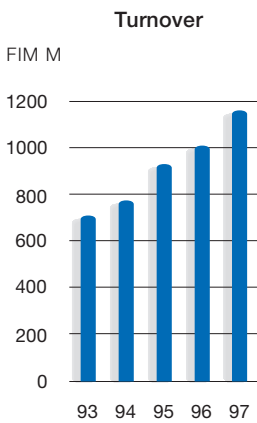
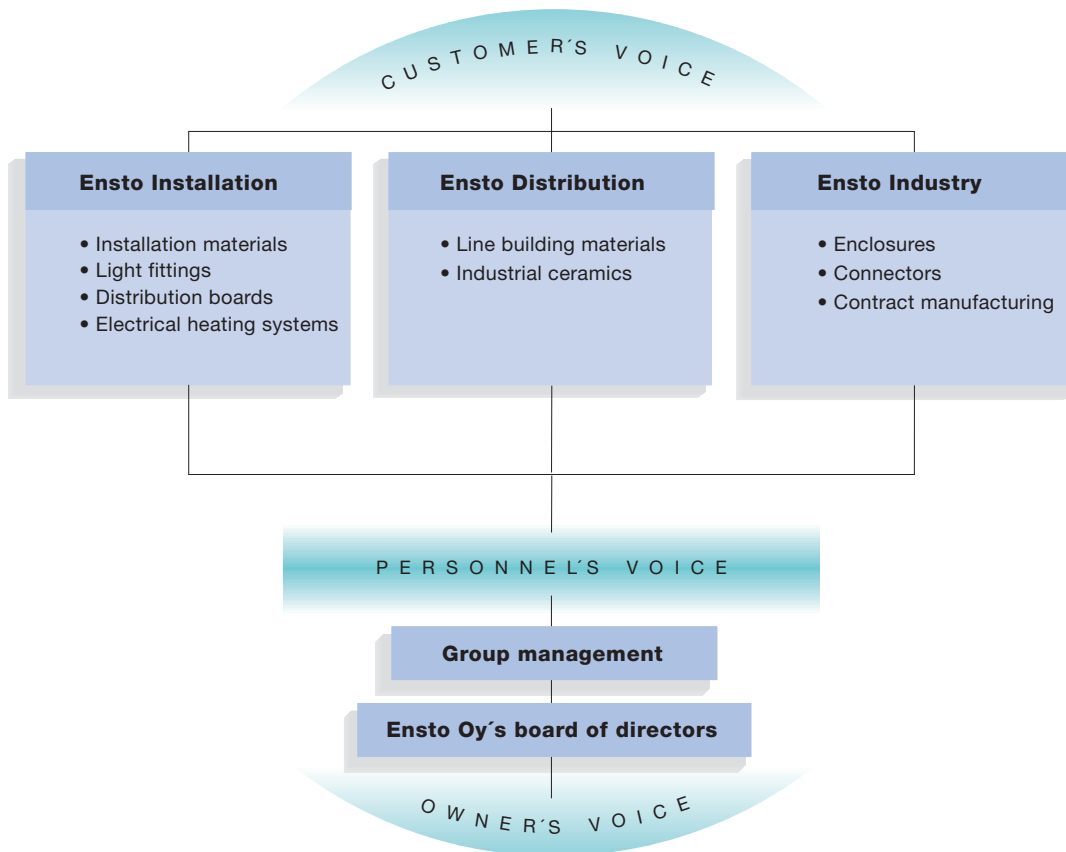
Key indicators

		1997	1996	1995	1994	93/94	92/93
		12 Months	12 Months	12 Months	12 Months	18 Months	12 Months
TURNOVER	FIM M	1,159.3	1,005.9	927.4	765.1	1,154.2	701.6
Change compared to last period	%	15.3	8.5	21.2	9.1	64.5	1.7
SALES OUTSIDE FINLAND	FIM M	562.3	514.6	459.3	433.8	655.0	429.4
Of turnover	%	48.5	51.2	49.5	56.7	56.7	61.2
Change compared to last period	%	9.3	12.0	5.9	1.0	52.5	7.6
SALES IN FINLAND	FIM M	597.0	491.3	468.1	331.3	499.2	272.2
Change compared to last period	%	21.5	5.0	41.3	21.7	83.4	-0.7
EXPORTS FROM FINLAND	FIM M	188.4	158.2	121.6	118.2	171.0	99.3
Change compared to last period	%	19.1	30.1	2.9	19.1	72.2	19.5
PROFIT BEFORE DEPRECIATION	FIM M	134.2	116.8	105.3	99.9	161.3	71.0
Of turnover	%	11.6	11.6	11.4	13.1	14.0	10.1
DEPRECIATION	FIM M	59.4	55.9	56.9	44.7	68.0	46.1
Of turnover	%	5.1	5.6	6.1	5.8	5.9	6.6
OPERATING PROFIT	FIM M	74.8	60.9	48.4	55.1	93.2	24.9
Of turnover	%	6.5	6.1	5.2	7.2	8.1	3.5
FINANCIAL ITEMS	FIM M	-8.0	-7.4	-7.5	-6.2	-13.2	-4.2
Of turnover	%	-0.7	-0.7	-0.8	-0.8	-1.1	-0.6
PROFIT BEFORE EXTRAORDINARY ITEMS	FIM M	66.8	53.5	40.9	48.9	80.0	20.8
Of turnover	%	5.8	5.3	4.4	6.4	6.9	3.0
PROFIT BEFORE INCOME TAXES	FIM M	52.9	53.5	35.3	47.6	83.0	16.2
Of turnover	%	4.6	5.3	3.8	4.1	7.2	2.3
NET PROFIT	FIM M	36.2	32.3	12.1	31.1	54.3	8.0
Of turnover	%	3.1	3.2	1.3	4.1	4.7	1.1
INVESTMENT IN FIXED ASSETS	FIM M	115.0	53.9	151.1	53.0	72.8	93.4
Of turnover	%	9.9	5.4	16.3	6.9	6.3	13.3
RETURN ON INVESTMENT (ROI)	%	14.1	12.3	11.4	12.7	14.5	9.0
RETURN ON EQUITY (ROE)	%	15.1	11.5	9.1	11.1	12.8	4.9
SOLVENCY	%	45.7	44.0	43.2	45.9	45.9	42.0
GEARING	%	41.7	34.3	49.9	25.9	25.9	43.9
CURRENT RATIO		1.5	1.6	1.6	1.9	1.9	2.1
NET LIABILITIES	FIM M	150.6	121.1	160.9	79.4	79.4	124.8
Of turnover	%	13.0	12.0	17.3	10.4	6.9	17.8
TOTAL ASSETS	FIM M	794.1	805.8	749.3	670.1	670.1	680.2
RESEARCH AND DEVELOPMENT COSTS	FIM M	32.9	32.0	29.2	23.3	34.9	N/A
Of turnover	%	2.8	3.2	3.1	3.0	3.0	
UNDELIVERED ORDERS	FIM M	163.6	177.8	158.6	133.3	133.3	102.2
PROFIT / SHARE (EPS)	FIM	10.36	6.68	3.65	6.70	10.62	2.61
EQUITY / SHARE	FIM	69.91	63.49	57.90	58.60	58.60	55.51
	FIM	4.00	1.90	1.20	1.81	1.81	0.65
	%	38.6	28.4	32.9	27.0	17.0	24.7
TURNOVER / EMPLOYEE	FIM 1,000	637.0	599.8	573.5	512.1	521.3	493.4
AVERAGE PERSONNEL		1,820	1,677	1,617	1,494	1,476	1,422
PERSONNEL AT THE END OF PERIOD		1,838	1,761	1,653	1,501	1,501	1,455

Proforma 12 months 1994

The comparative figures for the previous years income statements and balance sheets have been converted to this year's procedures for the purpose of comparison. The line investments includes the items of fixed assets in acquired subsidiaries

Company structure



Review by the Managing Director



Profits improved

Ensto's business showed a favourable trend in the 1997 financial year. Turnover was FIM 1,159 million, up by 15% on the previous year. Operating profit was FIM 74.8 million (FIM 60.9 million in 1996) and earnings per share FIM 10.36 (FIM 6.68 in 1996). Return on investment rose to 14.1% and the gearing was 41.7%.

The market situation in Finland and in Central Europe, especially in the construction industry, was good and the utilization rate for manufacturing under contract was high. At the same time, the market in Sweden was uneven. Investments in the enclosures business reached the finalization stage and, after certain market distortions were cleared up, this business launch has been totally positive for Ensto.

During the financial year progress was made in new fields in accordance with the internationalization strategy. During the year sales companies were set up in Germany and the Netherlands, and a majority shareholding was acquired in a specialist wholesaler in the United Kingdom. New business premises were completed in Hungary. In several countries, new co-operation agreements were signed in an effort to expand the export markets. Production was moved to Estonia and the construction of Ensto's own business premises there was started. The growth in turnover outside the Nordic countries was 22%.

Group structure streamlined

During the year numerous mergers of subsidiaries were carried out to optimize the size of companies and also to streamline the Group structure in functional terms. As part of the restructuring, the Group relinquished Høvik Lys AS, a Norwegian company manufacturing mostly light fittings for interior design, and its Swedish sales company. During the



year the remainder (48%) of the issued stock of Saloplast Oy, a company engaged in manufacturing under contract, was acquired, Ensto's holding in Sormat Oy, a company manufacturing mounting accessories, was increased from 20% to 95%, and a 51% interest in electrical accessory importer Briticent International Ltd was procured. Towards the end of the year a factory project was launched in Hungary as part of a scheme to expand manufacturing under contract, with the participation of the main customers. In Porvoo, Finland, a new factory was built to consolidate the operations of Ensto Busch-Jaeger in a single location. Several of the Group companies were involved in broad-spectrum logistical projects to safeguard our international service capability and competitiveness against forthcoming challenges in the marketplace.

In order to boost the Group's internal efficiency, the organization was simplified and delayered, and coordination and cooperation between units in different countries were augmented.

The Group structure is being further enhanced through dividing Ensto Oy by separating actual industrial operations from real estate business. This measure clarifies the image of Ensto as an investment and improves the prospects for reports and analyses of its operations.

The profile of the Ensto name was raised in all our divisions and throughout the regions in which we operate by the standardization of the Group's visual image.

Prospects for growth

During the closing months of the year, events in Asia began to cast a shadow over developments in the USA and Europe. It now looks as if at least the metal industry and to some extent the communications industry will encounter difficulties in the export markets of Southeast Asia, and this will be reflected in other areas through subcontracting and other aspects. However, the impact on Ensto's business appears to be slight. Construction activity in the Nordic countries is forecast to be on a par with the previous year or even slightly better. The Group's goal is further to improve its position both by modernizing its product range and by enhancing its marketing efforts and its customer service

In continental Europe, especially in Eastern Europe, the trend in the market has been favourable to Ensto for a long time and we believe growth will continue.

In Western Europe, we believe new marketing companies will gain us a larger market share.

For the Ensto Group, 1997 marked expansion in business operations, internal modernization and efficient profit-making. I would like to express my thanks to the company's customers for their contribution to a stronger Ensto. My particular thanks are due to the employees, who have made possible our strong development with the best of their expertise and their personal efforts.

Porvoo, March 1998

Petteri Walldén
Managing Director

Ensto has developed the Jussi Leak Guard for use in kitchens and other premises with plumbing in the home and other locations. In the same places you can use the modular installation system. The Jussi Leak Guard won the Sampo Insurance Company Safety Prize in Finland for 1997.



ENSTO INSTALLATION MANUFACTURES AND MARKETS PRODUCTS FOR NEW CONSTRUCTION AND RENOVATIONS, INCLUDING INSTALLATION MATERIALS, LIGHT FITTINGS, DISTRIBUTION BOARDS AND A VARIETY OF HEATING SYSTEMS.



Seppo Martikainen

Profitable growth

Demand for the division's products was at a favourable level in the main market areas except Sweden. The division's total turnover was FIM 443 million and the comparable turnover was up by 17% on the previous year. For these figures, two light fitting companies sold at the end of September - Høvik Lys AS and Ensto Høvik AB - have been eliminated from the turnover along with Sormat Oy, which came into Ensto's possession at the beginning of November.

Operating profit after depreciation, at FIM 38 million, was on a par with the previous year's level because the result of the above mentioned Norwegian company decimated the profitability. Within the division, particularly the installation materials unit was profitable. Its contribution to the division's turnover was 46%.

Success for new companies

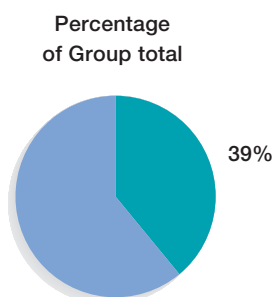
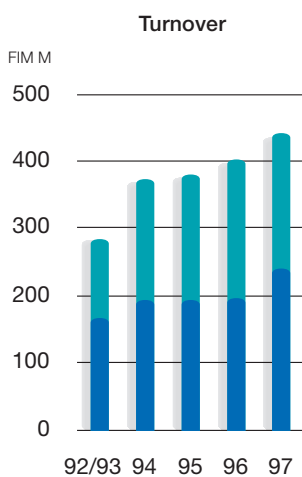
Formed in a merger at the beginning of 1997, Ensto Electric Oy got off to a good start in its business operations. The company's turnover was FIM 168 million. Product groups related to construction, such as light fittings, distribution boards and heating systems, increased in volume and in earnings. There was clear growth in demand for electrical heating systems for industry. The biggest of the projects carried out was the rapid completion of a renovation of the heat tracing in a phenol cumene plant for Borealis Polymers Oy. Sormat Oy, which started as an Ens-

to Group company in November, is a significant manufacturer and marketer of mounting and electrical accessories. Its annual turnover is approximately FIM 65 million and it has 100 employees on an annual level. The company also has a strong position in Russia, the Baltic states and several countries in continental Europe. Its exports have grown dynamically as a share of turnover in the 1990s, reaching 35% in 1997. The company enjoys good profitability.

The installation materials business made good progress in Finland and Sweden, but the trend in Norway was weaker than forecast. In Finland Ensto Busch-Jaeger Oy initiated two significant business development projects: the construction of new premises and the streamlining of working methods. Both projects will strengthen the company's ability to serve customers in both the Nordic region and other nearby markets. The revamp will be introduced on the practical level during spring 1998. The company's operations expanded in line with growth in the market and the net profit remained good. In spite of contraction in the Swedish building industry, Ensto Idealplast AB was able to expand the volume of its business and to improve its net profit.

Eastern market strong

The marketing companies in Russia and the Baltic states made progress, as did sales in Poland. The assembly of products was launched in Estonia. The con-



struction of Ensto House was begun in Tallinn, Estonia, and this will permit the marketing of all Ensto products from a single location when it is completed.

In addition to the two major construction projects, considerable capital equipment projects were implemented at the Mikkeli plant of Ensto Electric Oy. The investments will modernize thin-sheet processing at the plant as well as automating the production of metal equipment enclosures.

In the production of light fittings, a decision was made to concentrate on Ensto's core business of installation lights, as a result of which a considerable proportion of light fitting companies in Norway and Sweden, which had also dealt with interior design and project lighting, were sold off. The division retains manufacturing of light fittings in narrow product niches in Sweden and Ireland as well as in Finland.

Favourable prospects for growth

Expectations for 1998 are favourable. Construction in Finland, especially of housing, is likely to remain strong and construction is forecast to pick up in Sweden as well. In other market areas, with the exception of Estonia, our volume of business is still relatively small compared with the size of the market.

Installation materials:

- Ensto Busch-Jaeger Oy, Finland (ISO 9001)
- Ensto Idealplast AB, Sweden (ISO 9001)
- Sormat Oy, Finland (ISO 9001)

Light fittings:

- Ensto Electric Oy, Finland (ISO 9001)
- Ensto El-Be AB, Sweden
- Ensto Teoranta, Ireland

Distribution boards and electrical heating systems:

- Ensto Electric Oy, Finland

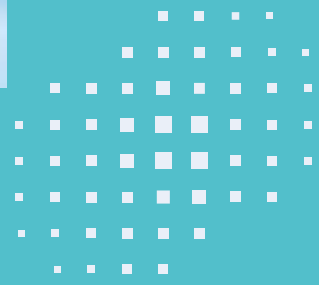
Marketing companies:

- Ensto Busch-Jaeger AS, Norway
- AS Ensto Elekter, Estonia
- SIA Ensto Latvija, Latvia
- ZAO Ensto Elektro, Russia
- ZAO Elektro Sys, Russia



Division summary

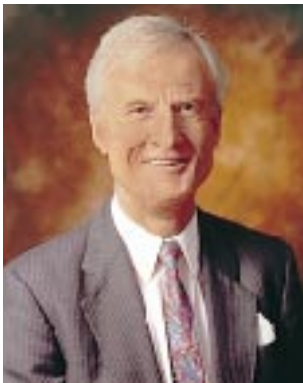
	1997	1996	1995	1994	92/93
	12 months	12 months	12 months	12 months	12 months
Turnover	442,885	403,478	382,783	376,014	287,493
outside Finland	202,796	207,643	188,437	183,252	119,845
Investments	37,818	16,895	16,058	20,462	9,846
Average personnel	657	607	655	685	558



Studio Nurmesniemi designed so-called landscape poles for the shoreline of Hirvensalo in Turku. Ensto was in the project as supplier of grid construction supplies for the poles.



ON A GLOBAL BASIS, ENSTO DISTRIBUTION MANUFACTURES AND MARKETS
LINE BUILDING MATERIALS AND CERAMIC PRODUCTS.



B.-Jørgen Høiness

Growth exceeded forecasts

In 1997 Ensto Distribution's turnover was FIM 343 million, up by 13% on the previous year. Growth in turnover was well in excess of the forecast. Sales outside Finland accounted for 81% of the division's total turnover. Exports outside the Nordic region will continue to expand in 1998 and our organization will continue to commit significant efforts to exporting and to utilize the strengths and abilities of all our Nordic companies.

The division's operating profit after depreciation was FIM 19.2 million, a considerable improvement on the previous year's figure. After cost-cutting action and measures to boost efficiency Ensto NTP AS, based in Fredrikstad, Norway, improved its operations and the company did well on a difficult market in 1997.

Continental Europe in the forefront for growth

During 1997 the evolution of power and distribution companies in Europe continued in a process of takeovers and mergers with the aim of adapting to the deregulation of electricity supplies. During the 1997 financial year the division continually refined its operations in line with the changing environment, investing in new products, manufacturing plant and its people. There were signs of a small upturn for our products among the traditional electricity utility customers in the Nordic region, but the main source of

growth was continental Europe. In 1998 investments in overhead lines (0.4 – 45 kV) were small in the Nordic countries, but demand for transmission cable accessories (132 – 400 kV) is expected to grow in the next few years. Line building materials accounts for 66% of the division's turnover.

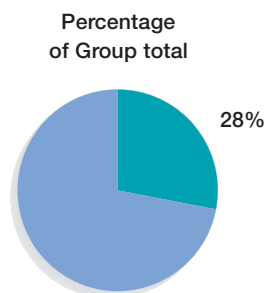
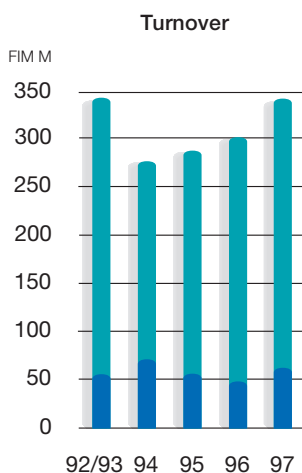
New premises

Among the major events of 1997 were the opening of new business premises for the Hungarian subsidiary Ensto Elsto Kft (formerly Elsto Fittings Ltd) in Budapest. This enabled us to secure growth on the Hungarian market. Ensto Elektriska AB's Swedish operations moved into new premises closer to Stockholm. The same location houses other companies of the Ensto Group.

Growth from new products

The launch of new products on the market will stimulate further growth in 1998. A noteworthy addition to our range of cable accessory products, in addition to distribution pillars, were datacoms and cable TV cabinets. Our range of optical-fibre products, such as OPGW optical-fibre cable accessories, terminal and connection supplies, will continue to expand in 1998.

In the course of 1998 Ensto Distribution aims to underpin its environmentally friendly profile and expertise and to concentrate on the improvement of products' life cycles. At present



pole structures are being tested in an effort to reduce electrical and magnetic fields in the vicinity of overhead lines. Also the introduction of a silicon injection system to extend the life of PEX-insulated high-tension cables has lengthened the cables' service life by 10-20 years. A plan to determine the environmental impact of our products and to have them certified is also going to be launched in 1998.

In general, industry has grasped the benefits of ceramic products as an environmentally friendly material for the manufacture of filters, wear-resistant components, coatings and other products. The companies in the division that manufacture industrial ceramics are augmenting their skills and they are targeting their investments on new market areas.

In 1998 Ensto Distribution will continue to concentrate on Eastern Central Europe. It accounts for 16% of the division's turnover. As the market

is recovering slowly in the Nordic countries, Eastern Europe will be increasingly important to the turnover and net profit for 1998.

Line building materials:

Ensto Sekko Oy, Finland (ISO 9001)
 Ensto Egotech AS, Norway
 AS Ensek, Estonia

Industrial ceramics:

Ensto Ceramics Oy, Finland
 Ensto Ifö AB, Sweden (ISO 9001)
 Ensto NTP AS, Norway (ISO 9001)

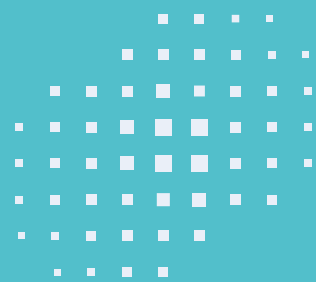
Marketing companies:

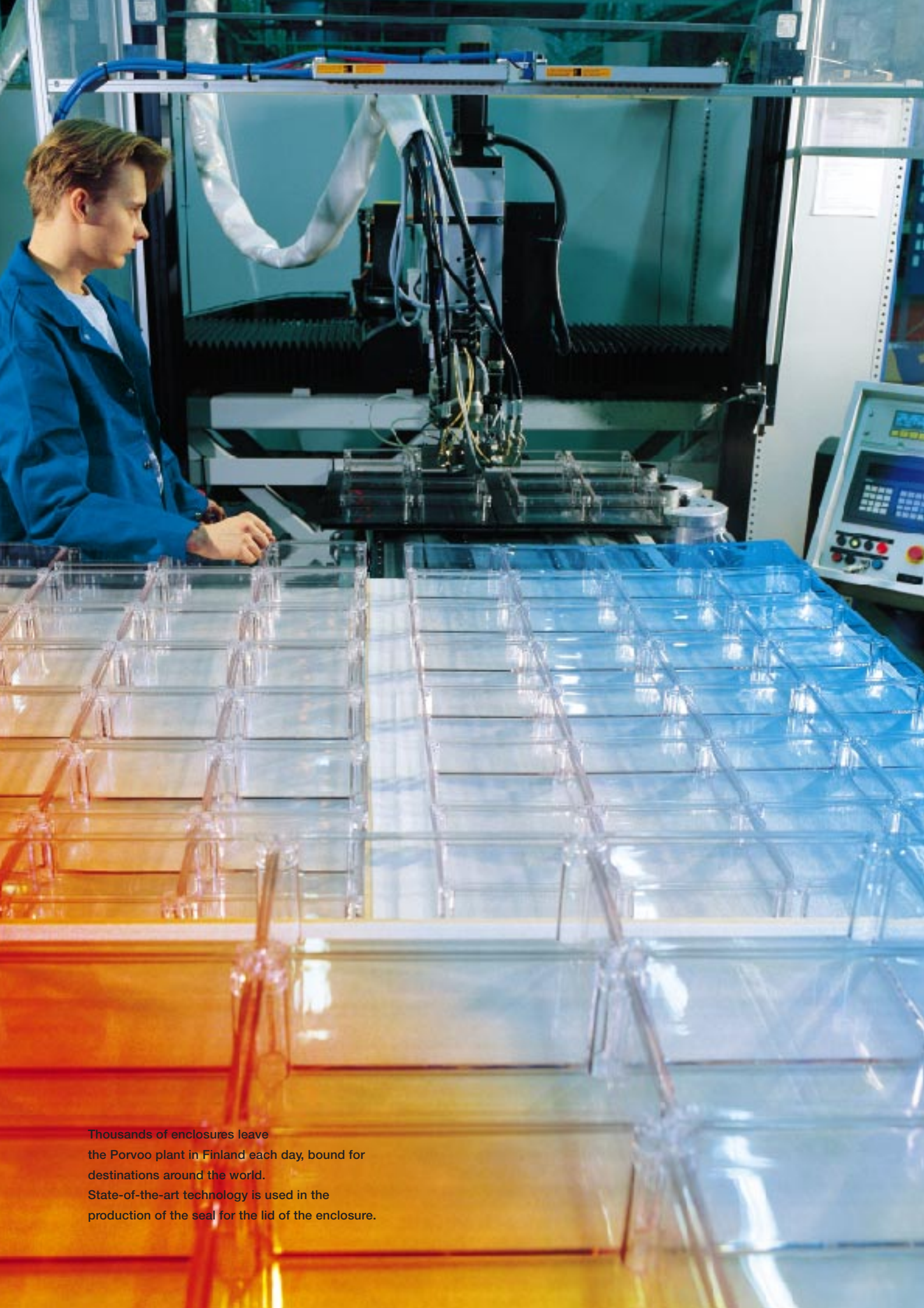
Ensto Elektriska AB, Sweden
 Ensto Høiness AS, Norway
 Ensto Elsto Kft., Hungary
 Ensto Pol Sp. z o.o., Poland



Division summary

	1997	1996	1995	1994	92/93
	12 months	12 months	12 months	12 months	12 months
Turnover	342,991	303,207	288,745	276,603	343,520
outside Finland	279,482	255,128	232,382	204,257	287,713
Investments	19,714	17,816	18,107	21,422	15,676
Average personnel	534	515	486	509	569





Thousands of enclosures leave the Porvoo plant in Finland each day, bound for destinations around the world. State-of-the-art technology is used in the production of the seal for the lid of the enclosure.

ENSTO INDUSTRY MANUFACTURES AND MARKETS ENCLOSURES AND CONNECTORS TO MEET THE NEEDS OF THE MANUFACTURING INDUSTRY AND IT ACTS AS A CONTRACT MANUFACTURER FOR THE METAL INDUSTRY, ELECTRICAL AND ELECTRONICS INDUSTRY, AND OTHERS.



Jussi Viitala

Steady growth

The division's overall growth in its main product areas was good. In comparable terms, turnover was up from FIM 310 million to FIM 375 million. The biggest growth was in the enclosures product group, which accounted for FIM 50 million of turnover. Growth was also good for screwless terminal blocks, at 80%. Exports to non-Nordic countries and particularly to continental Europe grew favourably.

Ensto Industry's profitability developed well during the year. Operating profit after depreciation was FIM 28 million, which is 55% up on the comparable figure for the previous year. The improvement in profitability was primarily due to dynamic growth in demand by the plastics industry for contractual manufacturing.

Diversifying structure

Early in the year, in May, the manufacturing company Detaljteknik AB, a company based in Sweden making feeder equipment for automated machinery, was sold off. In October Ensto acquired 51% of the shares in Briticent Ltd (formerly Briticent International Ltd), an importer and specialist wholesaler with approximately FIM 45 million in annual turnover and 32 staff. This transaction was part of the Ensto internationalization strategy and offers an excellent marketing channel for Ensto's product range in the United Kingdom.

Three new companies were estab-

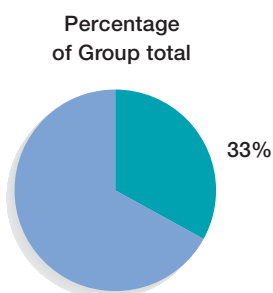
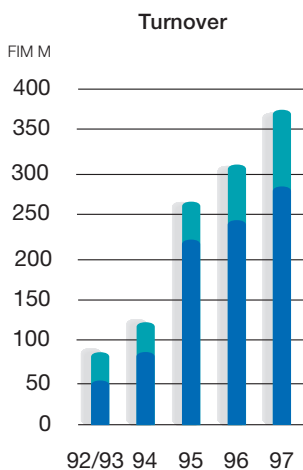
lished in the division. Ensto GmbH Germany is a marketing company in Germany, and Ensto Benelux B.V. is a marketing company in the Netherlands. Ensto Plastic Kft. is to serve as a contractual manufacturer of plastic products in the city of Pécs, Hungary, serving local industrial companies. The construction of a new plant is being started in early 1998 in connection with Ensto's plans for expanding manufacturing under contract of plastic products.

In the course of the year the remaining issued stock of subsidiary Saloplast Oy (48%) was acquired by Ensto. Ensto Saloplast Oy is a significant contractual manufacturer of plastic products for the electrical and electronics industry. Its turnover in 1997 was FIM 172 million and it had an average of 200 employees.

Commitment to products and production

During the accounting period, in the enclosure product group, new products were launched on the market and manufacturing capacity was added both in Porvoo and in Mikkeli. In Finland and Sweden the enclosures marketing organization was reinforced, marketing companies were established in Germany and the Netherlands, and an importing company was acquired in the UK.

During the 1997 financial year an extensive project was started to develop a flexible method of installing



multiple plugs. At the same time the export organization for connectors was greatly beefed up.

Capital spending during the financial year largely concerned normal replacements. The biggest new investment decision was the start-up of the project to build a factory in Hungary. The investment connected with this project will take place in 1998 and 1999. The capital spending on the new plant in 1998 will be approximately FIM 40 million. The plant will be in operation at the end of 1998.

Focus on marketing

1998 is expected to be the breakthrough year for enclosures business in its main marketing areas, the EU and the USA. The focus is now plainly shifting from product development to marketing. In manufacturing under contract, it is essential to follow your customers into new fields. At present we are closely studying new manufacturing technologies which will be the objects of investment by the division in the future.

Enclosures:

Ensto Control Oy, Finland (ISO 9001)

Connectors:

Ensto Connector Oy, Finland (ISO 9001)

Contract manufacturing:

Ensto Saloplast Oy, Finland (ISO 9002)

Ensto Parts Oy, Finland

Ensto Automation Oy, Finland

Ensto Tools Oy, Finland

Sales companies:

Ensto Component AB, Sweden

Ensto Component AS, Norway

Ensto Jelo AB, Sweden

Ensto Briticent Ltd, Great Britain

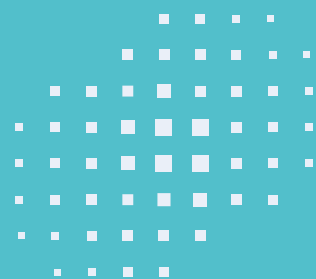
Ensto Benelux B.V., The Netherlands

Ensto GmbH Germany, Germany



Division summary

	1997	1996	1995	1994	92/93
	12 months	12 months	12 months	12 months	12 months
Turnover	374,880	309,894	265,513	123,444	86,919
outside Finland	91,561	66,935	45,167	36,491	32,544
Investments	17,185	16,203	21,733	2,347	35,207
Average personnel	565	499	396	174	176



Annual report of the board

for 1 January - 31 December 1997

General

The Ensto Group is operationally divided into three divisions. Ensto Installation develops, manufactures and markets electrical installation materials intended for new construction and renovation. Ensto Installation's turnover in 1997 was FIM 443 million, which corresponded to 39% of the Group's turnover and the profit was FIM 38 million. Ensto Distribution develops, manufactures and markets line building materials and industrial ceramics. Its turnover in 1997 was FIM 325 million (28%) and the profit was FIM 19 million. Ensto Industry is specialized in fulfilling the needs of the manufacturing industry, with products including enclosures and connectors. It also operates as a supplier under contract to the electrical and electronics industries. The division's share of Group turnover was 33%, or FIM 375 million and the profit FIM 28 million.

Business environment

A recovery by the construction industry in Finland, which started the previous autumn, continued throughout the financial year. There were 30,000 dwellings newly built in 1997, compared with 21,000 the previous year. On the other hand, construction output in Sweden was at a very low level and demand was weaker than in the previous year. Demand from energy and electricity distribution companies in the Nordic countries firmed up to some extent during the financial year. There was strong demand for manufacturing under contract to the electronics industry throughout the financial year. The Group's market areas in 1997 were largely the same as previously. Of turnover 82% still came from Scandinavia. In Finland turnover was up by no less than 21%, making it 51% of the entire Group's turnover. Turnover in Sweden and Norway was on a par with the previous year's figure. Growth continued in continental Europe and it is continuing to gain strength through such means as a corporate acquisition.

During the financial year Ensto won a

case in the Market Court, a result that was positive in every respect for the Group and which enables unfettered marketing of equipment enclosures.

Changes in Group structure

The Group structure was streamlined during the financial year by means of corporate acquisitions, sales and mergers, by which means larger and more efficient corporate units have been formed.

The remaining 48% of the issued stock of Saloplast Oy, a subsidiary engaging in plastics manufacturing under contract for the electrical and electronics industry, was acquired on 2 April 1997.

During the financial year, the subsidiary Ensto Benelux B.V. was started in the Netherlands and Ensto GmbH Germany was established with the paramount aim of marketing Ensto Industry's product in the Benelux countries and Germany.

Briticent International Ltd, an electrical accessory specialist wholesaler in the United Kingdom, joined the Ensto Group on 1 September 1997. Briticent's annual turnover is approximately FIM 45 million and it mainly markets Ensto Industry's products such as equipment enclosures on the British market.

The Norwegian company Høvik Lys AS, which manufactured project and interior design light fittings, was sold along with its Swedish marketing company Ensto Høvik AB on 30 September 1997. The annual turnover of the sold companies was roughly FIM 80 million. The Norwegian plant's profitability was unimpressive, so the deal is likely to have a healthy impact on Ensto Installation's profitability in the future. The transaction yielded FIM 10.9 million in return on sales, which is shown in the profit and loss account under extraordinary income.

In Sweden Detaljteknik i Jönköping AB, a company specializing in industrial automation, was sold off. This will have no substantial effect on the Group's turnover or net profit.

At the end of October the Group's

holdings in Sormat Oy, a company manufacturing mounting accessories and which has an annual turnover of roughly FIM 70 million, was increased to 95%. The company joined the Ensto Group as of 1 November and its good profitability is likely to boost the consolidated net profit in the future. The deal generated FIM 9.7 million in goodwill, which will be depreciated over a ten-year period.

In the course of the financial year, the following internal corporate arrangements were effected within the Group:

Oy Ensto Høvik Ab was merged into Oy Eltekno Ab as of the beginning of 1997. Oy Sähkövaruste Ab's distribution board and piping product units were also transferred to this company as of 1 January 1997. Eltekno's name was changed to Oy Ensto Electric Ab and the manufacturing and marketing of the heating systems, installation lights, and the distribution board and piping product units were consolidated in its hands. Oy Sähkövaruste Ab continued as of 1 January 1997 as a real estate holding company under the name Kiinteistö Oy Mikkelin Insinöörinkatu 1.

Ensto Oy's wholly owned company Oy Ensto Installation Ab, which had no business operations as such during the 1997 financial year, was merged with its parent company during the financial year and Oy Ensto Kiinteistöhuolto Oy was merged with Ensto Kiinteistöt Oy, which provides centralized real estate maintenance and supervision services. Oy Ensto Busch-Jaeger Ab merged with its parent company Oy Durelek Ab on 30 November, after which the company was known as Ensto Busch-Jaeger Oy.

Oy Envo Ab was merged with Oy Sekko Ab on 1 December 1997, which in turn was merged with its parent company Oy Ensto Distribution Ab on 31 December 1997. Ensto Distribution was renamed Ensto Sekko Oy.

In addition to these actions, a merger has been initiated by which Porvoon Teollisuustalo Oy will be merged with Ensto Kiinteistö Oy during 1998. The reason for the merger is the aim of consolidating real estate. It has been decided to merge Omasus Oy and Pedesis Oy, inactive companies that joined the Group in connection with the Saloplast Oy

share transaction, into Ensto Industry Oy. It has been decided to merge Sormeta Oy, which joined the Group along with the Sormat Oy share transaction, into Ensto Oy.

In intra-Group business transactions in 1997, a lathe shop and finishing department were transferred from the Ensto Control company to a company providing manufacturing under contract, whose name Enstoplast Oy was changed as of the beginning of 1998 to Ensto Parts Oy. Electronics business was transferred from Ensto Control to Ensto Electric.

Ensto's board meeting has decided to propose to the Extraordinary General Meeting that Group's parent company Ensto Oy be separated entirely, in accordance with chapter 14 a of the Companies Act and section 52 c of the Companies Taxation Act, so that all its assets and liabilities are transferred to companies to be established, Ensto Oy and Mattio Oy. As a result of the division the new Ensto Oy will receive property related to industrial business and Mattio Oy will receive assets unrelated to these operations, such as real estate, shares in housing associations and other securities. In consequence of the division the new Ensto Group's equity ratio will be approximately 35%.

The division of the parent company will be preceded by the division of Ensto Kiinteistöt Oy, the property of which will be shared out in accordance with the principles described above. The new Ensto Group will retain the real estate that serves the electrical accessories business.

The development of the Group

The Ensto Group's turnover in the 1997 financial year was FIM 1,159 million, up by 15% on the previous year. 51% of the turnover was earned in Finland, 15% in Norway, 15% in Sweden, 17% in other European countries, and 2% in other countries and 5% was generated from trading in securities. Exports from Finland amounted to FIM 188.4 million, which is approximately 16% of the consolidated turnover. The increase in exports compared to the same time in the previous year was 19%.

The growth from the divisions was Ensto Installation 10%, Ensto Distribution 7%, and Ensto Industry 21%.

Ensto Installation's growth rate was affected by the sale in 1997 of the Norwegian

light fitting plant and its Swedish marketing company, which reduced the rate by 5%, whereas the acquisition of mounting accessory manufacturer Sormat Oy increased the division's turnover by roughly 2%.

The increase in Ensto Distribution's turnover came from internal growth. Improvements came from, for example, the ceramics division and demand in Norway for accessories for electricity utilities gathered strength. Turnover also grew considerably in Eastern Central Europe.

1997 was a strong year for demand for manufacturing under contract in Finland, for which reason the entire division enjoyed substantial growth in turnover. Detaljteknik i Jönköping, an outfit specializing in industrial automation, was sold off from Ensto Industry at the beginning of the financial year, with very little effect in the division's turnover and net profit. The acquisition of Briticent International Ltd at the beginning of September boosted the division's growth in turnover by some 3%.

Profitability

The Group's profitability improved during the financial year in the distribution and industry divisions. Ensto Installation's profitability was on a par with the good level of the previous year.

The consolidated profit before extraordinary items was FIM 66,8 million or 5.8% of turnover, compared with the previous year's figure of FIM 53.5 million or 5.3% of turnover. The profit before extraordinary items, appropriations and taxes is improved by FIM 5.5 million in capital gains on sales of fixed assets booked under other income from business operations. An entry of roughly FIM 10 million for bonus payments exerts a drag on the Group's net profit. The improvement of profitability at Ensto Installation was made possible by continuing strong demand for installation materials in Finland. Ensto Industry's profitability was made possible by an increase in the volume of manufacturing under contract. Ensto Distribution's profitability was reinforced by internal reorganization and by a slight increase in demand in the sector. The earnings from business operations of the Norwegian ceramics plant also went into the black in 1997. Profitability in Sweden declined markedly in 1997 due to low

levels of new construction among others.

The net profit for the accounting period is improved by FIM 10.9 million in gains on the sale of the Høvik companies, entered in extraordinary items, and the net profit is adversely affected by a non-recurring expense entry for the merger loss of Saloplast Oy, being FIM 24.8 million.

The return on investment rate improved from 12.3 to 14.1% and the return on equity improved from 11.5% to 15.9%. The result per share was up from FIM 6.68 to FIM 10.36.

Financing

Net financing expenses were 0.7% of turnover. The Group's liquidity was good throughout the financial year, even though the Group continued to apply a policy aiming at low liquidity and favouring financial reserves such as financing limits and promised credits. The amount of the mortgages given was higher than in the previous year because mortgaged bearer bonds were supplied as collateral for credit limit arrangements.

The Group's financial and foreign currency management uses forward rates, options and interest rate swap agreements as hedging instruments.

The Group is poised to change over to the euro as currency immediately on 1 January 1999.

The Group's equity ratio was 45.9% at year-end (44% on 31 December 1996). The gearing was 41.4% (34.3%).

Investments and depreciation

The financial year's capital expenditure corresponded to cash flow financing once the divestiture of the previously mentioned Norwegian light fitting company is figured in.

The investments during the accounting period were FIM 115 million (FIM 53.9 million). The biggest single investment item was the acquisition of the 48% minority holding in Saloplast Oy on 2 April 1997. Since the transaction the company has been wholly owned by the Group. The Group goodwill generated by the acquisition of Saloplast, FIM 10.4 million, will be depreciated in the course of ten years. The company's net profit was reduced during the financial year by a residual value of FIM 24.7 from a merger loss in 1989, which was depreciated in its entirety in 1997.

Among the other investments in corporate acquisitions were Briticent International Ltd

and Sormat Oy. These deals affected depreciation of Group goodwill in 1997 to the tune of FIM 1.1 million.

Among the other significant investments were an industrial building in Porvoo at FIM 14.9 million, and business premises for the Hungarian electricity utility accessories marketing company in Budapest at FIM 3.9 million. A project to build business premises in Tallinn, Estonia, was also launched during the financial year. There were also investments to increase production capacity and replacement investments.

In the second half of the financial year, a subsidiary called Ensto Plastic Kft was started in Hungary to engage in plastics manufacturing under contract. In 1998 it will build a manufacturing plant in Pécs, Hungary. This investment will be, in all, about FIM 40 million, including the buildings and production machinery.

The divestitures of the financial year were the sale of Høvik Lys AS and Ensto Høvik AB as well as the sale of Detaljteknik I Jönköping AB. The deals' effect on income, FIM 10.9 million, is given under extraordinary income.

Research and development

Further efforts were deployed in the Group's R&D during the financial year for the development of products required by the equipment enclosure division. As construction stages a recovery in Scandinavia, efforts on product development for building engineering have also been stepped up. At the same time, products have been developed to meet the demands of the export market, including for the manufacturing industry. R&D operations devoted attention to the environmentally acceptable qualities of products.

The Group's investment in R&D was FIM 32.9 million, or 2.8% of turnover. Including R&D costs, the purchasing of moulds is booked as an annual expense.

Information on the members of the Board of Directors and auditors

The Board of Directors elected by the annual general meeting comprises Timo Miettinen, Chairman, Eero Laakso, Ensio Miettinen, Esa Saarinen and Matti Suutarinen. Petteri Walldén served as the company's

Information on shareholders as at 31 December 1997

Shareholders	number	percentage of shares	percentage of votes
Opa Oy	2.706.300 E	56,00	27,67
Sponsto Oy	86.800 K		
	1.556.200 E	34,00	33,66
Pajatorppa Oy	173.600 K	3,59	35,50
Miettinen Timo	155.000 E	3,21	1,58
Raitavuo Marjo	77.500 E	1,60	0,79
Miettinen-Valsta Anu	38.750 E	0,80	0,40
Miettinen Taru	38.750 E	0,80	0,40
Totals	4.832.900 E	100,00	100,00

Distribution of shareholdings

Number of Shares held	Shareholders		Shares		Votes	
	number	%	number	%	number	%
1 - 100.000	3	42,9	155.000	3,2	155.000	1,6
100.001 - 200.000	2	28,6	328.600	6,8	3.627.000	37,1
200.001 -	2	28,6	4.349.300	90,0	5.998.500	61,3
Total	7	100,0	4.832.900	100,0	9.780.500	100,0

Managing Director.

The auditors were the firm of Authorized Public Accountants Tilintarkastajien Oy - Ernst & Young, with Licentiate of Economics and Business Administration Risto Järvinen, APA as the auditor in charge, and Pekka Nikula, M.Sc.Econ., APA.

Personnel

The Group's personnel averaged 1,820 in number, as against 1,677 in the previous year. The increase in personnel was affected by the increase in volume of manufacturing under contract, rising demand occasioned by the increase in residential construction in Finland, and corporate acquisitions. At the end of 1997, the Ensto Group had a total of 1,838 employees.

Future prospects

The Ensto Group had orders in hand at year-end totalling FIM 164 million, compared with FIM 178 million in the previous year. The decline in the order books is largely due to a downturn in orders for manufacturing under contract, more efficient logistics, and the sale of the Norwegian light fitting plant.

In Finland, demand for electrical accessories from residential construction is ex-

pected to be on a par with 1997, whereas demand for manufacturing under contract in Ensto is expected to deteriorate temporarily. In Sweden, demand for construction is at a relatively low level, but it may pick up to some extent as early as 1998. The sale of the Norwegian light fitting plant means turnover will decline in Norway in 1998, but profitability will be boosted. Growth is expected to continue in Eastern Central Europe and profitability is expected to remain good.

Ensto Installation's profitability is forecast to strengthen somewhat during the 1998 financial year. An improvement in profitability is made possible by the corporate acquisitions and divestitures effected in 1997 and by internal action to improve efficiency.

Ensto Distribution's profitability is forecast to improve both through higher demand and through internal improvements in efficiency.

Ensto Industry's contractual manufacturing unit's profitability will deteriorate temporarily, as deliveries to the electricity and electronics industry are forecast to turn down in Finland during 1998. The start-up of manufacturing under contract in Hungary will demand resources in 1998 and it will only be fully on stream in 1999. By contrast, the equipment enclosure unit's volume is expected to rise in 1998.

Consolidated Income Statement

(FIM 1,000)

	1.1.-31.12.1997		1.1.-31.12.1996	
		%		%
TURNOVER		100		100
	1,159,295		1,005,853	
Increase(+)/decrease in finished goods inventories	11,556		3,822	
Other operating income	7,916		3,790	
Costs and expenses				
Materials, supplies and products				
Purchases during the financial year	526,275		438,015	
Increase(-)/decrease in inventories	-8,987		-8,207	
Personnel expenses	335,207		290,324	
Rents	7,394		6,590	
Other costs and expenses	184,690	-1,044,579	169,894	-896,616
PROFIT FROM OPERATIONS BEFORE DEPRECIATION		11.57		11.62
	134,188		116,849	
Depreciation on fixed assets and other capitalized expenditure	52,126		50,252	
Depreciation on goodwill	7,961	-60,087	6,367	-56,619
Decrease in consolidated reserve		674		674
OPERATING PROFIT		6.45		6.05
	74,775		60,904	
Financial income and expenses				
Dividend income	498		597	
Interest income from non-current investments	235		693	
Other financial income	4,848		7,150	
Interest expenses	-11,296		-14,071	
Other financial expenses	-2,301		-1,881	
Share of profit in associated companies	56	-7,960	127	-7,385
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES		5.76		5.32
	66,815		53,519	
Extraordinary income and expenses				
Extraordinary income	10,900		0	
Extraordinary expenses	-24,767	-13,867	0	0
PROFIT BEFORE TAXES		4.57		5.32
	52,948		53,519	
Direct taxes				
Current year	-28,683		-16,818	
Previous years	-1,323		498	
Deferred liability on taxes	17,252	-12,754	1,608	-14,712
Minority interest		-3,982		-6,521
NET PROFIT FOR THE FINANCIAL YEAR		3.12		3.21
	36,212		32,286	

Consolidated Balance Sheet

(FIM 1,000)

	31.12.1997		%	31.12.1996		%
ASSETS						
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENT						
INTANGIBLE ASSETS						
Intangible assets	4,861			3,655		
Goodwill	2,398			34,417		
Consolidated goodwill	36,272			22,179		
Other capitalized expenditure	4,996			5,011		
Advance payments	7,702	56,229	7.08	10,007	75,269	9.34
TANGIBLE ASSETS						
Land	31,124			29,001		
Buildings	172,255			154,323		
Machinery and equipment	111,732			99,938		
Other tangible assets	2,274			1,049		
Advance payments and construction in progress	6,007	323,392	40.72	2,377	286,688	35.58
FINANCIAL ASSETS						
Shares in associated companies	16,582			16,959		
Other bonds and shares	21,162			22,812		
Loan receivables	0	37,744	4.75	6,869	46,640	5.79
CURRENT ASSETS						
Raw material and consumables	76,251			67,495		
Work in progress	21,712			22,349		
Finished products/goods	61,431			49,966		
Other stock	7,533	166,927	21.02	11,182	150,992	18.74
RECEIVABLES						
Trade receivables	131,575			104,480		
Loan receivables	3,010			6,314		
Adjusting entries for assets	18,103			21,917		
Other receivables	5,675	158,363	19.94	9,177	141,888	17.61
INVESTMENT						
Bonds and shares		0	0.00		1,381	0.17
CASH IN HAND AND AT BANKS		51,459	6.48		102,907	12.77
		794,114	100		805,765	100

(FIM 1,000)

	1.1.-31.12.1997			1.1.-31.12.1996		
			%			%
LIABILITIES						
CAPITAL						
Restricted equity						
Subscribed capital	19,332			19,332		
Reserve fund	13,683			9,402		
Revaluation fund	11,113			11,113		
	44,128			39,847		
Unrestricted equity						
From voluntary provisions and accelerated depreciation to unrestricted equity	61,032			72,292		
Retained earnings	195,125			160,341		
Net profit for the financial year	36,212			32,286		
	292,369	336,497	42.37	264,919	304,766	37.82
MINORITY INTEREST		23,092	2.91		46,505	5.77
RESERVES						
Consolidated reserve		1,388	0.17		2,062	0.26
CREDITORS						
Non-current						
Loans from credit institutions	126,061			109,537		
Pension loans	27,096			52,914		
Deferred liability on taxes	19,170			30,723		
Other non-current liabilities	12,361	184,688	23.26	14,501	207,675	25.77
Current						
Loans from credit institutions	23,600			28,807		
Pension loans	2,906			4,091		
Advances received	3,490			2,791		
Trade payables	75,388			73,902		
Adjusting entries for liabilities	133,047			119,645		
Other current liabilities	10,018	248,449	31.29	15,521	244,757	30.38
		794,114	100		805,765	100

Statement of Source and Application of Funds

(FIM 1,000)	Group		Parent company	
	1.1.-31.12.1997	1.1.-31.12.1996	1.1.-31.12.1997	1.1.-31.12.1996
SOURCES OF FUNDS	12 months	12 months	12 months	12 months
Cash flow				
Net profit	36,212	32,286	113,465	8,433
Depreciation	59,413	55,945	2,521	1,711
Merger loss	24,767			
Change in provisions			-468	-1,203
Cash flow total	120,392	88,231	115,518	8 941
Decrease in fixed assets	14,532	16 124	741	12,566
Change in non-current loans			69,262	9,288
Change in deferred liability on taxes	-11,553	-3,453		
Change in valuation items		-1,156		-477
Increase in minority interest	-23,413	3,713		
Source of funds total	99,958	103,459	185,521	30,318
APPLICATION OF FUNDS				
Non current financial assets	-6,869	5,948	2,680	
Increase in fixed assets	115,023	53,920	120,836	5,870
Repayment of non-current loans	11,434	7,735	24,688	
Decrease in consolidated reserve		113		
Dividends paid	9,231	5,799	9,183	5,799
Change in net provisions				
Net change in working capital	-4,750	4,155		
	124,069	77,670	157,387	11,669
Net change in working capital	-24,111	25,789	28,134	18,649
Application of funds total	99,958	103,459	185,521	30,318
NET CHANGE IN WORKING CAPITAL				
Cash in hand and at banks	-51,448	36,044	-41,275	27,775
Current financial assets	15,094	14,075	27,719	-5,398
Current assets	15,935	12,641	-1,610	5,877
Current liabilities	-3,692	-36,971	43,300	-9,605
Net change in working capital	-24,111	25,789	28,134	18,649
Working capital 1.1.	152,411	126,622	-39,965	-58,614
Working capital 31.12.	128,300	152,411	-11,831	-39,965
Net change in working capital	-24,111	25,789	28,134	18,649

Parent company Income Statement

(1000 FIM)

	1.1.-31.12.1997		1.1.-31.12.1996	
TURNOVER		83,548		17,974
Other operating income		625		93
COSTS AND EXPENSES				
Purchases of bonds and shares	61,977		5,906	
Increase(-)/decrease in inventories	1,610		-5,877	
Personnel expenses	13,101		9,312	
Rents	1,147		1,320	
Other costs and expenses	11,964	-89,799	13,869	-24,530
PROFIT FROM OPERATIONS BEFORE DEPRECIATION		-5,626		-6,463
Depreciation on fixed assets and other capitalized expenditure		-2,521	0,00 %	-1,711
OPERATING LOSS		-8,147		-8,175
Financial income and expenses				
Dividend income	28,995		425	
Other financial income	12,224		5,400	
Interes expenses	-5,628		-6,619	
Other financial expenses	-1,061	34,530	-699	-1 494
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES		26,383		-9 668
Extraordinary income and expenses				
Merging profit	62,989			
Group contributions received	41,700		33,600	
Group contributions paid	-1,210	103,479	-13,300	20,300
PROFIT BEFORE TAXES		129,862		10,632
Increase(-)/decrease(+) in accelerated depreciation		-181		203
Decrease in other reserves		649		1,000
Direct taxes				
Current year	16,839		3,401	
Previous years	26	-16,865	0	-3,401
NET PROFIT FOR THE FINANCIAL YEAR		113,465		8,433

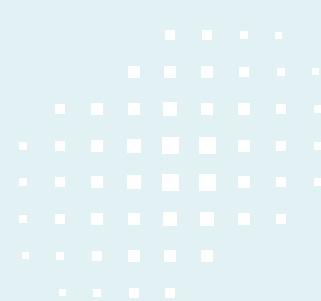
Parent company Balance Sheet

(FIM 1,000)

	31.12.1997		31.12.1996	
ASSETS				
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS				
Intangible assets				
Intangible assets	399		337	
Other capitalized expenditure	413	812	563	900
Tangible assets				
Land	681			
Buildings	2,836		1,756	
Machinery and equipment	4,375		3,868	
Other tangible assets	146	8,038	66	5,691
FINANCIAL ASSETS				
Bonds and shares				
In subsidiaries	229,896		113,736	
Other bonds and shares	22,234		23,504	
Loan receivables	5,600	257,729	2,920	140,160
Current assets				
Bonds and shares		4,267		5,877
Receivables				
Trade receivables	1,073		319	
Loan receivables	77,108		53,716	
Adjusting entries for assets	4,964	83,145	1,391	55,426
Cash in hand and at banks		11,635		52,910
		365,626		260,964

	31.12.1997		31.12.1996	
LIABILITES				
CAPITAL				
Restricted equity				
Subscribed capital	19,332		19,332	
Reserve fund	402		402	
	19,733		19,733	
Unrestricted equity				
Retained earnings	63,240		63,989	
Net profit for the financial year	113,465		8,433	
	176,705	196,438	72,423	92,156
RESERVES				
Accumulated depreciation difference	567		811	
Voluntary provisions				
Other reserves	0	567	649	1,460
CREDITORS				
Non-current				
Loans from credit institutions	51,999		10,000	
Pension loans	5,745	57 744	3 170	13,170
Current				
Loans from credit institutions	9,426		10,468	
Pension loans	485		239	
Trade payables	2,263		7,416	
Adjusting entries for liabilities	11,095		4,743	
Other current liabilities	87,608	110,878	131,312	154,178
		365,626		260,964

Accounting principles



Accounting principles

The financial statements are drawn up in Finnish marks and the accounts are based on the historical acquisition cost, with the exception of certain value revaluations for buildings which are included in the restricted shareholders' equity.

The consolidated financial statements

The consolidated financial statements include all the companies in which Ensto Oy has a direct shareholding of over 50 %. All operating associated companies in which Ensto Oy has a shareholding of 20-50 %, are included in the consolidated financial statements in accordance with the equity method of accounting. The acquisition cost of an affiliated company is adjusted with the profit or the loss incurred after the acquisition.

In the consolidated income statement is shown the Group's share of the change incurred in the affiliated company's shareholders' equity, and it is shown in the financial income and costs.

The acquisition cost method is used for the elimination of the mutual shareholdings by Group companies. Group goodwill or Group reserve is generated when the acquisition price of shares exceeds or is below the shareholders' equity of the acquired subsidiary at the date of the acquisition.

Mutual receivables and liabilities of the consolidated companies, internal income and expense, and internal profits on inventories have been eliminated. Minority interest is calculated on the subsidiaries' profits and shareholders' equity after the internal profits have been eliminated. Minority interest is also separated from the probable voluntary reserves and differences in depreciation in the balance sheet, and from their changes in the income statement.

The international companies' financial statements are largely converted to correspond to Finnish accounting practice.

Items denominated in foreign currencies

Foreign currency-denominated receivables and liabilities are translated to Finnish marks at the Bank of Finland's rate on the date of the closing of the accounts.

The international companies' profit and loss accounts and balance sheets are translated to Finnish marks at the rate in force at the closing of the accounts.

The translation adjustment that arises from the elimination of acquisition costs by international companies is posted in the shareholders' equity under that heading with prudence.

Accounts receivable

The receivables are booked according to their probable value. The portion that will probably remain unreceived is booked as a credit loss, even if the loss was not yet deemed inevitable.

Current assets - stocks

In the Finnish companies, inventories are valued in accordance with the FIFO principle at the acquisition cost or, if lower, at the probable selling price.

The value of the international companies' inventories include indirect costs in accordance with local accounting practice. The reserve for slow moving products concerning the stock in the Group companies is individually assessed.

If the slow moving current assets start moving, the deduction item will be withdrawn.

Fixed assets and depreciation

Fixed asset items are given according to their original acquisition cost less scheduled depreciation, with the exception of

certain value adjustments for buildings. The scheduled straight-line depreciations are based on the economic life of the acquisition expense and are following:

Buildings	20-30 years
Machinery	5-15 years
Equipment	5 years
Computer hardware and software	4 years
Other tangible fixed assets	10 years
Group goodwill	5-10 years
Group goodwill before 1993	10 years
Group reserve before 1993	10 years

No depreciations is applied to value adjustments and land areas.

The shares and holdings are entered in the books as equivalent to the acquisition cost. In case the going rate of the shares decreases significantly, a depreciation of the value of the shares will be carried out.

Turnover

Turnover comprises sales revenue, adjusted according to annual and cash discounts granted and according to exchange rate differences for trade receivables denominated in foreign currencies. Sales freightage, sales commissions and credit losses are given under other expenses.

Pension arrangements

Pension cover for the employees of the Group companies in Finland has been taken care of entirely through pension insurance companies.

Pension cover has also been arranged by the international subsidiaries through pension insurance. A small portion of the pension cover was arranged on the Group companies' own liability and shown in the accounts as long terms debts.

Research and development

The research and product development expenses accrued during the accounting period are booked as annual expenses.

statement give significant items of income and expense which do not form part of the Group's normal business.

Taxes

Taxes in the consolidated income statement consist of direct taxes for the parent company and its subsidiaries ac-

ording to the accrual basis.

The deferred tax liability on the voluntary reserves is presented separately in long-term debt in the consolidated balance sheet, and the change of the deferred tax liability is recorded to taxes in the consolidated income statement.

Extraordinary items

Extraordinary items in the income

Principles for calculating key figures

Invested capital	=	balance sheet total - non-interest debts	
Return on investment (ROI)	=	$\frac{\text{The profit before interest expense and other financial expense}}{\text{mean capital invested (= balance sheet total less non-interest debts)}}$	x 100
Return on equity (ROE)	=	$\frac{\text{The profit after financial items - the taxes for the accounting period}}{\text{mean own assets (= capital + minority interest + reserves + valuation items)}}$	x 100
Solvency	=	$\frac{\text{mean own assets (= capital + minority interest + reserves + valuation items)}}{\text{balance sheet total - advances received at the end of the financial period}}$	x 100
Net liabilities	=	Non-current and current liabilities - non-interest debts, - cash in hand and at banks and - shares	
Gearing	=	$\frac{\text{Net liabilities}}{\text{capital + minority interest + reserves}}$	x 100
Current ratio	=	$\frac{\text{Financial assets+ current assets}}{\text{short-term liabilities}}$	
Profit / share	=	$\frac{\text{The profit after financial items - minority interest and taxes for the accounting period share}}{\text{issue adjusted mean number of shares}}$	
Equity / share	=	$\frac{\text{capital + minority interest + reserves + valuation items}}{\text{share issue adjusted number of shares at the end of the financial period}}$	
Dividend / share	=	$\frac{\text{The dividend}}{\text{share issue adjusted number of shares at the end of the financial period}}$	
Dividend / profit	=	$\frac{\text{The dividend}}{\text{profit / share}}$	x 100

Notes to the financial statement

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
1. SALES PER MARKET REGION				
Finland	597,021	491,271	80,219	14,763
Sweden	178,662	177,458	1,478	1,403
Norway	177,800	168,545	1,710	1,669
Other EU countries	95,459	75,282	59	66
Other European countries	85,215	75,380	82	73
Other countries	25,138	17,917		
	1,159,295	1,005,853	83,548	17
2. PERSONNEL				
Number of personnel				
The Group had an average of 1,820 employees during the period under reviewed (1996: 1,677) and the parent company had 47 employees (1996: 42). At year-end, the Group had 1,838 (1996: 1,761) and the parent company 48 (1996: 40) employees.				
Personnel expenses and perquisites				
Board of Directors and management				
Salaries	11,656	13,738	1,062	785
Bonuses	632	370		
Perquisites	771		122	116
Pension expenses	4,501	2,441	581	176
Other personnel				
Wages and salaries	244,072	213,796	8,605	6,804
Perquisites	7,105	2,578	439	315
Pension expenses	31,040	20,968	840	1,066
Other indirect employee costs	35,430	36,433	2,012	879
	335,207	290,324	13,661	10,141
3. DEPRECIATION				
Depreciation according to plan				
Intangible rights	1,640	1,826	51	41
Other capitalized expenditure	9,781	9,910	406	346
Buildings	9,100	9,054	138	100
Machinery and equipment	31,564	29,360	1,444	1,215
Other tangible assets	41	102	14	9
	52,126	50,252	2,053	1,711
Additional depreciation on shares			468	
			2,521	1,711
Consolidated goodwill	7,961	6,367		
Decrease in consolidated reserve	674	674		
	59,413	55,945		
4. GROUP INTERNAL FINANCIAL INCOME AND EXPENCES				
Group internal financial income				
Dividend income			28,995	365
Financial income from current receivables			2,029	1,707
Group internal financial expences				
Interest expences			3 535	5 557
5. EXTRAORDINARY INCOME AND EXPENCES				

The Group's extraordinary income includes a gain on sales arising from the sale of Ensto Hövik AB and Hövik Lys AS totalling FIM 10.9 million. The Group's extraordinary expences includes a nonrecurring depreciation on the merger loss from Ensto Sa-loplast Oy amounting to FIM 24.662 million.

(FIM1,000)	Group		Parent company	
	1997	1996	1997	1996
6. INTANGIBLE AND TANGIBLE ASSETS				
Intangible rights				
Accumulated acquisition costs 1.1.	8,789	7,918	456	359
Increase	2,152	871	114	97
Decrease				
Accumulated acquisition costs 31.12.	10,941	8,789	570	456
Accumulated depreciation according to plan 31.12.	-4,440	-5,134	-119	-78
Planned depreciation for year	-1,640		-51	-41
Book value 31.12.	9,660	3,655	553	337
Other capitalized expenditure				
Accumulated acquisition costs 1.1.	90,338	83,108	1,993	1,913
Transferred in merger 31.8.			3,001	
Increase	2,549	7,230	170	80
Decrease	-24,673			
Accumulated acquisition costs 31.12.	68,214	90,338	5,164	1,993
Accumulated depreciation according to plan 31.12.	-51,039	-50,910	-1,430	-1,084
Transferred in merger 31.8.			-2,914	
Planned depreciation for year	-9,781		-407	
Book value 31.12.	7,394	39,428	413	563
Land and water				
Accumulated acquisition costs 1.1.	29,001	29,233		
Transferred in merger 31.8.			681	
Increase	5,959			
Decrease	-3,836	-232		
Accumulated acquisition costs 31.12.	31,124	29,001		
Book value 31.12.	31,124	29,001	681	
Buildings				
Accumulated acquisition costs 1.1.	223,256	222,582	1,992	1,992
Transferred in merger 31.8.			2,286	
Increase	39,097	648		
Decrease	-15,401	26		
Accumulated acquisition costs 31.12.	246,952	223,256	4,278	1,992
Accumulated depreciation according to plan 31.12.	-65,597	-68,933	-235	-135
Transferred in merger 31.8.			-1,069	
Planned depreciation for year	-9,100		-138	-100
Book value 31.12.	172,255	154,323	2,836	1,757
Machinery and Equipment				
Accumulated acquisition costs 1.1.	418,620	371,336	9,979	9,525
Transferred in merger 31.8.			337	
Increase	59,585	41,550	1,911	980
Decrease	-17,975	5,734	-741	-526
Accumulated acquisition costs 31.12.	460,230	418,620	11,486	9,979
Accumulated depreciation according to plan 31.12.	-316,934	-318,682	-6,111	-5,070
Accumulated planned depreciation of deductions			446	175
Planned depreciation for year	-31,564		-1,445	-1,215
Book value 31.12.	111,732	99,838	4,376	3,869

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
Other tangible assets				
Accumulated acquisition costs 1.1.	2,014	1,700	90	90
Transferred in merger 31.8.			273	
Increase	5,077	314		
Decrease	-4,634			
Accumulated acquisition costs 31.12.	2,457	2,014	363	90
Accumulated depreciation according to plan 31.12.	-141	-965	-24	-15
Transferred in merger 31.8.			-179	
Planned depreciation for year	-42		-14	-9
Book value 31.12.	2,274	1,049	146	66
Goodwill				
Accumulated acquisition costs 1.1.	63,083	56,666		
Increase		22,433		8,458
Decrease	-379	-2,041		
Accumulated acquisition costs 31.12.	85,137	63,083		
Accumulated depreciation according to plan 31.12.	-40,904	-34,537		
Planned depreciation for year	-7,961	-6,367		
Book value 31.12.	36,272	22,179		
Group reserve				
Acquisition costs 1.1.	12,345	11,630		
Increase		715		
Acquisition costs 31.12.	12,345	12,345		
Accumulated income recognition 31.12.	-10,282	-9,608		
Income recognition for year	-675	-674		
Book value 31.12.	1,388	2,063		
7. BONDS AND SHARES (See on page 35–36)				
Subsidiaries	-	-	229,896	113,736
Associated companies	16,582	16,959	16,580	16,580
Other companies	21,162	22,812	5,654	6,924
	37,744	39,771	252,130	137,240
8. TAXATION VALUES				
Land areas	10,362	11,618	168	-
Buildings	101,612	111,583	1,256	269
Bonds and shares				
Subsidiaries			200,828	147,407
Associated companies	15,098	15,309	15,098	15,098
Other companies	14,358	3,604	2,569	1,878
	141,430	142,114	219,919	164,652
9. GROUP ASSETS AND LIABILITIES				
Group assets				
Trade receivables			802	318
Loan receivables			80,700	52,021
Adjusting entries for assets			4,457	906
			85,959	53,245
Group liabilities				
Trade payables			44	51
Adjusting entries for liabilities			263	714
Other current liabilities			86,606	129,965
			86,913	130,730

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
10. EQUITY				
Restricted equity				
Subscribed equity 1.1.				
1680 ordinary shares, (nominal value FIM 20)	34	34	34	34
29500 preferred shares (nominal value FIM 20)	590	590	590	590
Fund issue 28.8.1995 ordinary shares 50400 and preferred shares 885000.				
Split 1:5 of the nominal value (to FIM 4)	18,708	18,708	18,708	18,708
Subscribed equity 31.12.	19,332	19,332	19,332	19,332
260400 ordinary shares (nominal value FIM 4)	1,042	1,042	1,042	1,042
4572500 preferred shares (nominal value FIM 4)	18,290	18,290	18,290	18,290
Subscribed equity 31.12.	19,332	19,332	19,332	19,332
ordinary shares (20 votes per share)				
preferred shares (1 vote per share)				
Reserve fund 1.1.	9,402	10,790	402	402
Increase	4,281			
Decrease		-1,388		
Reserve fund 31.12.	13,683	9,402	402	402
Revaluation fund 1.1.	11,113	11,095		
Increase		18		
Revaluation fund 31.12.	11,113	11,095		
Restricted equity 31.12.	44,128	39,829	19,773	19,773
Unrestricted equity				
Retained earnings 1.1.	264,919	235,418	72,423	69,789
Dividends paid	-9,231	-5,799	-9,183	-5,799
Valuation difference from foreign subsidiaries	1,178	-1,249		
Difference in rates from foreign subsidiaries	638	-363		
Other changes	-1,347	4,626		
Retained earnings 31.12.	256,157	232,633	63,240	63,990
Net profit for the financial period	36,212	32,286	113,465	8,433
Unrestricted equity 31.12.	292,369	264,919	176,705	72,42
11. CREDITORS				
Loans falling due after 5 years or thereafter				
Loans from credit institutions	50,073	34,649	25,602	
Pension loans	18,936	38,650	4,069	2,372
	69,009	73,299	29,671	2,372
12. LOANS TO MANAGEMENT AND SHAREHOLDERS				
Loans to management and shareholders	803	1,007	803	1,007
The interest rate is the Bank of Finland base rate +1%. The loan can be recalled without notice and are secured by pledge.				
13. CONTINGENT LIABILITIES				
Contingent liabilities, assets pledged and collaterals				
Company liability				
Mortgages on land and buildings	152,715	180,361		
Company mortgages	54,707	32,896		
Mortgages on leasehold	2,000			
Mortgages on movable property	14,788			
Guarantees	1,227			
Collaterals	3,300	2,000		
Liability on leasing or rent	2,559			
Other contingent liabilities	145	3,884		
	231,441	219,141		

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
On behalf of the Ensto Group				
Mortgages on land and buildings			45,790	75,056
Guarantees			600	
			46,390	75,056
On behalf of others				
Guarantees	400	2,158		
Other contingent liabilities	150			
	550	2,158		
Total				
Mortgages	224,210	213,257		
Guarantees	1,627	2,158	45,790	75,056
Collaterals	3,300	2,000		
Liability on leasing or rent	2,559			
Other contingent liabilities	295	3,884	600	
	231,991	221,299	46,390	75,056
Collaterals for derivative instruments				
Interest rate derivatives	1,178			
- Interest rate swaps		2,106		
Currency derivatives				
- Forward contracts		190		

14. ITEMS IN THE FINANCIAL STATEMENTS DENOMINATED IN FOREIGN CURRENCY

Receivables and debts denominated in foreign currency have been translated into Finnish markkas at the Bank of Finland average rate at year-end. The balance sheets of foreign Group companies have been translated into Finnish markkas at the Bank of Finland average rate at year-end and their profit and loss accounts have been translated at the average rate for the year. The translation difference arising from the elimination of the acquisition cost of foreign companies has been posted to the non-restricted equity.

15. PREVIOUS PERIOD'S COMPARATIVE FIGURES

The comparative figures from the previous period's income statement and balance sheet have been converted to this year's procedures for the purposes of comparison.

16. INFORMATION ON THE DIVISIONS

Turnover				
Installation	442,884	403,478		
Distribution	324,991	303,207		
Industry	374,879	309,894		
Others	65,184	52,212		
Group eliminations	-48,643	-62,938		
	1,159,295	1,005,853		
Operating profit				
Installation	38,469	40,877		
Distribution	19,159	11,491		
Industry	27,743	17,882		
Others	-4,017	-7,314		
Group eliminations	-6,581	-2,032		
	74,773	60,904		
Average personnel				
Installation	657	607		
Distribution	534	515		
Industry	565	499		
Others	64	56		
	1,820	1,677		

	Domicile	Owner ship %	Number of shares		Nominal value of shares	Book value of shares	Share of the company's Capital statements	Net profit according to the last financial
SHARES IN SUBSIDIARIES								
Direct ownership by parent company								
Oy Beldem Ab	Finland	80.50	50,025	FIM	5,003	5,003	5,950	625
Ensto Ceramics Oy	Finland	100.00	2,000	FIM	2,000	2,000	2,136	118
Ensto Sekko Oy	Finland	100.00	123	FIM	246	20,472	23,355	16,997
Ensto Kiinteistöt Oy	Finland	100.00	211,000	FIM	11,605	5,859	39,394	107
Ensto Automation Oy	Finland	100.00	1,500	FIM	1,500	2,951	2,978	66
Ensto Busch-Jaeger Oy	Finland	79.00	1,366	FIM	10,928	19,475	42,212	15,749
KOy Ens-Asunto	Finland	90.00	900	FIM	9	9	617	74
KOy Ensto-Module	Finland	100.00	200	FIM	100		353	17
Ensto Connector Oy	Finland	100.00	17,200	FIM	17,200	6,000	15 517	147
Ensto Electric Oy	Finland	86.90	5,389	FIM	5,389	7,370	9,430	3,239
Ensto Industry Oy	Finland	55.00	110	FIM	110	17,705	22,272	28,853
Ensto Parts Oy	Finland	100.00	3,894	FIM	3,894	3,894	4,403	194
Oy Ensto Security Ab	Finland	100.00	15	FIM	15	15	12	0
Ensto Tools Oy	Finland	100.00	2,000	FIM	1,000	1,000	2,123	38
Oy Ensva Ab	Finland	100.00	30	FIM	15	2,844	761	276
Oy Kevätkukka Ab	Finland	100.00	150	FIM	15	15	12	0
Omasus Oy	Finland	100.00	735	FIM	74	12,061	813	739
Pedesis Oy	Finland	100.00	735	FIM	74	13,246	998	925
Sormat Oy	Finland	82.50	7,425	FIM	74	23,118	13,363	798
Sormeta Oy	Finland	100.00	5,600	FIM	560	3,314	2,976	539
As Oy Porvoon Metsäkukka	Finland	68.00	2,668	FIM	5,678	8,403	5,618	-33
KOy Ruukinkatu 2-4	Finland	91.00	20,020	FIM	20,020	20,157	19,998	0
Porvoon Teollisuustalo Oy	Finland	100.00	120	FIM	120	512	326	55
Ensto Holding AB	Sweden	100.00	66,700	SEK	6,670	23,615	49,577	35,047
Ensto Holding AS	Norway	100.00	35,000	NOK	35,000	25,365	42,711	19,114
Ensto Briticent Ltd.	England	51.00	331,500	GBP	332	2,421	87	-857
Ensto Teoranta	Ireland	99.90	99,999	IEP	99	1	105	-29
Ensto Benelux B.V.	The Netherlands	80.00	1,200	NLG	120	320	-71	-487
Ensto GmbH Germany	Germany	90.00		DEM	300	816	700	-129
AS Ensto Elekter	Estonia	100.00	6,350	EEK	635	276	3,880	925
AS Ensek	Estonia	55.00	2,475	EEK	2,475	1,032	1,537	1,006
SIA Ensto Latvija	Latvia	100.00	100	LVL	30	252	92	71
ZAO Ensto Elektro	Russia	100.00	260	RUR	260,000	375	-20	79
					229,896			
Indirect ownership by parent company								
Ensto Electric Oy	Finland	13.10	812	FIM	812	812	1,422	3,239
Sormat Oy	Finland	12.50	1,125	FIM	11	3,008	2,025	798
Ensto Industry Oy	Finland	45.00	90	FIM	90	90	18,222	28,853
Ensto Control Oy	Finland	100.00	3,704	FIM	3,704	3,704	4,011	273
Ensto Saloplast Oy	Finland	100.00	500	FIM	5,000	5,000	5,340	-25,564
KOy Aunelanmutka	Finland	100.00	1,170	FIM	293	3,338	2,778	94
KOy Porvoon Linnankoskenkatu 8	Finland	100.00	970	FIM	970	1,300	2,166	-4
KOy Mikkelin Insinöörinkatu	Finland	100.00	25,000	FIM	25,000	25,000	27,392	2
Ensto Idealplast AB	Sweden	100.00	2,000	SEK	2,000	23,060	10,230	2,604
Ensto Ifö AB	Sweden	100.00	130,000	SEK	13,000	13,950	10,818	14
Ensto EI-Be AB	Sweden	100.00	1,000	SEK	100	3,508	2,064	66
Ensto Elektriska AB	Sweden	100.00	24,000	SEK	2,400	3,432	2,019	3
Ensto Jelo AB	Sweden	100.00	1,500	SEK	150	137	566	74
Ensto Component AB	Sweden	100.00	1,000	SEK	100	1,304	732	32
Ensto NTP AS	Norway	100.00	15,750	NOK	7,875	19,245	15,138	2,528
Ensto Component AS	Norway	100.00	600	NOK	600	444	594	126
Ensto Høiness AS	Norway	100.00	14,000	NOK	7,000	22,182	23,469	1,290
Ensto Egotech AS	Norway	100.00	1,500	NOK	1,500	1,081	1,704	700
Ensto Busch-Jaeger AS	Norway	100.00	1,000	NOK	1,000	676	-2,615	-1,829
Ensto Elsto Kft.	Hungary	75.93	205	HUF	20,500	1,893	5,474	2,189
Ensto Pol Sp.z o.o.	Poland	80.00	800	PLN	80	266	2,775	1,743
Ensto Plastic Kft	Hungary	100.00		HUF		1,202	1,188	-9
					134 631			

	Domicile	Owner ship %	Number of shares		Nominal value of shares	Book value of shares	Share of the company's Capital statements	Net profit according to the last financial
ASSOCIATED COMPANIES								
Direct ownership by parent company								
Oy Lundinkatu 12 Ab	Finland	50.00	4,050	FIM	4,050	10,505	113	
Tikkurilan Tornio Oy	Finland	50.00	10,575	FIM	10,575	6,075	7,568	2
						16,580		
Group eliminations						2		
						16,582		
OTHER SHARES AND BONDS								
Direct ownership by parent company								
Baltic Investment Fund	Jersey					844		
AS Oy Elosuisto	Finland					685		
As Oy Loviisankatu	Finland					391		
As Oy Linnankoskenkatu 40	Finland					1,338		
As Oy Porvoon Aleksanterinkatu 15	Finland					580		
Koy Pälkäneentie 18	Finland					1,554		
Porvoon A-Asunnot Oy	Finland					136		
Suomen Arvopaperikeskus Oy	Finland					70		
Other shares and bonds	Finland					56		
						5,654		
Indirect ownership by parent company								
Oy Hedengren Ab	Finland	9.62	1,534	FIM	307	7,697		
Betonmast AS	Norway	5.93	356	NOK	178	921		
As Oy Linnankoskenkatu 40	Finland					1,043		
As Oy Puistotalo	Finland					592		
As Oy Liisankatu 25	Finland					1,511		
As Oy Granfeltintie 2	Finland					876		
As Oy Porvoon Joenranta	Finland					340		
As Oy Porvoon Lundinkatu 16	Finland					579		
KOy Nordenskiöldinkatu 7	Finland					424		
As Oy Porvoon Hopearinne	Finland					257		
As Oy Salon Ketolankatu	Finland					185		
As Oy Salon Miilunpohja	Finland					185		
As Oy Rukantyyky	Finland					618		
Other shares and bonds	Finland					280		
						15,508		

Figures include Group subventions given/received, so they do not show the company's real income before extraordinary items.

	Domicile	Turnover 1.1.-31.12.1997 FIM M	Personnel 31.12.1997
ENSTO COMPANIES			
IN FINLAND:			
Ensto Saloplast Oy	Salo	172.6	206
Oy Ensto Busch-Jaeger Ab ⁵⁾	Porvoo	100.6	0
Ensto Sekko Oy ²⁾	Porvoo	4.4	171
Ensto Control Oy	Porvoo	75.5	78
Oy Ensto Kiinteistönhuolto Ab ⁶⁾	Porvoo	1.8	0
Ensto Electric Oy	Porvoo	168.1	260
Ensto Connector Oy	Porvoo	51.9	50
Ensto Parts Oy	Porvoo	52.3	104
Ensto Tools Oy	Porvoo	20.4	60
Ensto Oy	Porvoo	83.5	48
Ensto Ceramics Oy	Turku	17.0	44
Ensto Automation Oy	Porvoo	16.5	31
Oy Sekko Ab ⁸⁾	Porvoo	93.2	0
Oy Envo Ab ⁷⁾	Helsinki	15.4	0
Ensto Kiinteistöt Oy	Porvoo	6.3	15
Oy Ensto Installation Ab ⁹⁾	Porvoo	0.2	0
Ensto Industry Oy	Porvoo	2.4	5
Sormat Oy ³⁾	Rusko	51.4	103
Sormeta Oy ⁴⁾	Rusko	2.1	0
Ensto Busch-Jaeger Oy ¹⁾	Porvoo	10.9	107
IN NORWAY:			
Ensto Høiness AS	Oslo	82.6	42
Høvik Lys AS ¹²⁾	Halden	42.1	0
Ensto NTP AS	Fredrikstad	73.0	120
Ensto Component AS	Oslo	9.8	5
Egotech AS	Holmestrand	5.5	4
Ensto Busch-Jaeger AS	Oslo	6.7	4
IN SWEDEN:			
Ensto Idealplast AB	Borås	88.5	114
Ensto Ifö AB	Bromölla	37.9	76
Ensto Hövik AB ¹⁰⁾	Nacka	20.3	0
Ensto Elektriska AB	Norsborg	25.4	11
Ensto-Jelo AB	Fristad	9.6	3
Ensto Ei-Be AB	Nykvarn	5.8	4
Ensto Component AB	Norsborg	10.2	3
Detaljteknik AB ¹¹⁾	Jönköping	0.5	0
IN IRELAND:			
Ensto Teoranta	Galway	8.6	18
IN ESTONIA:			
AS Ensto Elekter	Tallinn	14.6	38
AS Ensek	Keila	0.9	29
IN LATVIA:			
SIA Ensto Latvija	Riga	2.7	4
IN RUSSIA:			
ZAO Ensto Elektro	St. Petersburg	3.5	9
ZAO Elektro Sys	Moscow	1.9	5
IN POLAND:			
Ensto Pol Sp.z o.o.	Gdansk	27.5	21
IN HUNGARY:			
Ensto Elsto KFT.	Budapest	15.7	11
IN THE GREAT BRITAIN:			
Ensto Briticent LTD ¹³⁾	Hampshire	40.7	32
IN THE NETHERLANDS:			
Ensto Benelux B.V.	Doetinchem	0.0	1
IN GERMANY:			
Ensto GMBH Germany	Niederdorfelden	0.0	1

1) Formerly Oy Durelek Ab

2) Formerly Oy Ensto Distribution Ab

3) 1.11.-31.12.1997

4) 1.11.-31.12.1997

5) 1.1.-30.11.1997

6) 1.1.-31.8.1997

7) 1.1.-30.11.1997

8) 1.1.-30.11.1997

9) 1.1.-31.8.1997

10) 1.1.-30.9.1997

11) 1.1.-9.4.1997

12) 1.1.-30.9.1997

13) 1.9.-31.12.1997

Proposal by the Board of Directors for the application of profits

According to the consolidated balance sheet, the Group's non-restricted equity is FIM 233,332,000 when the share of voluntary reserves and of the depreciation difference, less tax liability, has been deducted. The parent company's non-restricted equity is FIM 177,087,537. The Board of Directors proposes that the disposable profits be

used in such a way that shareholders are paid FIM 4 per share in dividend, i.e., FIM 19,331,600 in all, and that FIM 157,755,937 be posted to the retained earnings account.

Porvoo, 26 February 1998

Board of Directors

Auditors' report

To the shareholders of Ensto Oy (before Oy Ensto Ab)

We have audited the accounting, the financial statements and the corporate governance of Oy Ensto Ab for the period 1.1.1997 - 31.12.1997. The financial statements, which include the report of the Board of Directors and the consolidated and parent company income statements, balance sheets and notes to the financial statements have been prepared by the Board of Directors and the Managing Director. Tilintarkastajien Oy - Ernst & Young has conducted the routine auditing during the financial period. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted our 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 ac-

counting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion, the financial statements of the parent company, 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 the consolidated and parent company's results of operations and financial position. The financial statements and consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by use. The proposal by the Board of Directors regarding the result is in compliance with the Companies Act.

Porvoo, 3 March 1998

Tilintarkastajien Oy - Ernst&Young
Firm of Authorized Public Accountants

Risto Järvinen
Authorized Public Accountant

Pekka Nikula
Authorized Public Accountant

Board of Directors

Timo Miettinen, 42
M.Sc. (Eng.)
Chairman of the Board
since 1997

Ensio Miettinen, 68
M.Sc. (Eng.)
Founder of Ensto Group

Esa Saarinen, 44
Ph. D.
Member of the Board
since 1990

Eero Laakso, 70
B.Sc. (Eng.)
Member of the Board
since 1996

Matti Suutarinen, 43
M.Sc. (Econ.)
Managing Director of
Sponsor Capital Oy
Member of the Board
since 1993

Management Group

Petteri Walldén, 49
M.Sc. (Eng.)
President and CEO of Ensto Oy
since 1996

Jussi Viitala, 56
B. Sc. (Eng.)
President, Ensto Industry
with Ensto since 1979

Seppo Martikainen, 49
M.Sc. (Eng.)
President, Ensto Installation
with Ensto since 1987

Baard-Jørgen Høiness, 59
President, Ensto Distribution
with Ensto since 1991

Karita Mikkola, 45
M.Sc. (Econ.), APA
CFO in Ensto since 1990

Marjo Raitavuo, 40
BA
Communications Manager for
Ensto since 1988

Seppo Ojaluoma, 50
B. Sc. (Eng.)
Director of Business Development
with Ensto since 1997

Board of Directors



Timo Miettinen

Eero Laakso

Matti Suutarinen

Esa Saarinen

Ensio Miettinen

Management Group



Baard-Jørgen Høiness

Seppo Martikainen

Jussi Viitala

Karita Mikkola

Seppo Ojaluoma

Marjo Raitavuo

Petteri Walldén

Ensto 40 years old on 19 June 1998



**From a Finnish engineering office
to an international industrial
corporate group**

1958

Start-up

Insinööritoimisto Ensio Miettinen was started on 19 June 1958 in Porvoo and manufacturing began with lathing small metal components. Already by the next year the company's turnover reached more than FIM 1 million.

1960s

Into Sweden

Great effort was devoted to product development. Production diversified into plastic components, assembly and tools. Exports to Sweden were started in the early 1960s.

1970s

Strong growth

This was a decade of expansion. The company name was changed to Oy Ensio Miettinen Ab. In 1972 Oy Sähkövaruste Ab, a company manufacturing switchgear components and distribution boards, was acquired and its production was moved to Mikkeli. The first subsidiary outside Finland, Ensto Elektriska AB, was started in Sweden in 1973 and exports expanded to include Norway. The product range was augmented with light fittings and other products. A recession in the second half of the decade halved turnover in one year, but Ensto stayed in good shape by taking action in time.

1980s

Becoming a Nordic company

This was the decade in which Ensto went Nordic. Operations were also expanded in Finland, and at the same time a policy of spinning off was launched with the start of the present-day parent company, Ensto Oy.

Ensto Busch-Jaeger Oy was founded by Ensto and Busch-Jaeger Elektro GmbH of Germany. It manufactures



Ensio Miettinen decided at the age of 28 to establish a company of his own. The company got off to a strong start and it began making a heavy commitment to product development by the 1960s.

and markets installation materials and fittings in the Nordic countries, Russia and the Baltic states. The manufacture of light fittings in Ireland was begun. The range of installation products was rounded out with heating systems. The range of industrial products was augmented with bayonet connectors, switching timers, various enclosures and other products. A company was founded to develop, manufacture and market overhead line supplies, and companies manufacturing industrial ceramics were acquired in both Finland and Norway.

1990s

Internationalization

A carefully considered venture into the international market was launched with acquisitions and start-ups of companies in Hungary, Poland, Russia and the Baltic states. Divisions were formed: Ensto Installation, Ensto Industry and Ensto Distribution.

The recession of the early 1990s affected Ensto, but in spite of everything

it achieved a profit year after year. Ifö Electric AB, a manufacturer of fuses and ceramics in Sweden, was acquired. Also in Sweden, the installation material manufacturer Idealplast AB with extensive plastics manufacturing, was acquired. Ensto's expertise with plastic was further augmented with the acquisition of Saloplast Oy.

A corporate acquisition in autumn 1997 and the establishment of new marketing companies have clearly expanded Ensto's sales organization for equipment enclosures. The acquisition of Sormat Oy with its range of mounting accessories rounds out Ensto's extensive product range and opens up new opportunities in Russia and the Baltic region.

Ensto 2000

A structurally strong expert in the field of electrical accessories that adds value for its shareholders and has international reach.

Major events in 1997

1997

27 February 1997

The turnover of the Ensto Group increased in 1996 being FIM 1,006 million. The profit before extraordinary items was FIM 53.5 million compared with FIM 40.9 million in 1995.

13 March 1997

The financial statements were confirmed by the annual general meeting on the 12th of March 1997 and in accordance with the board of directors' proposal a dividend of FIM 1.90 per share was paid.

2 April 1997

The remaining 48% of the issued stock of Saloplast Oy, a subsidiary engaging in plastics manufacturing under contract for the electrical and electronics industry, was acquired.

20 May 1997

The Turku Court of Appeal dismissed Fibox Oy's requests for Ensto Control Oy's plastic enclosure line to be confiscated and the court withdrew the interim ban on the sale and disposal of moulds.

21 May 1997

The Market Court dismissed the Fibox requests for Ensto to give up manufacturing of one of the Ensto Cubo enclosure series and condemned Fibox to compensate all costs regarding legal proceedings, amounting to FIM 1.4 million.

12 June 1997

The turnover in the period of 1 January to 30 April 1997 was FIM 356 million corresponding an increase of 13%. The profit before extraordinary costs was FIM 9.9 million meaning a striking improvement.

7 August 1997

The Norwegian Høvik Lys AS along with its Swedish marketing company Ensto Høvik AB was sold to the Norwegian interior design light fittings group FDI. The sold companies had an annual turnover of FIM 80 million and a staff of 120.

21 August 1997

Ensto's market position in Great Britain was strengthened as 51% of the issued stock of Briticent International Ltd. was acquired. Briticent is an electrical accessory specialist wholesaler having a turnover of FIM 50 Million and a staff of 35.

3 October 1997

Ensto's market position was further strengthened by the acquisition of the shares of Sormat Oy. The ownership in the company was increased to 95%. Sormat is a significant Nordic manufacturer of mounting accessories with a turnover of approx. FIM 65 million and a staff of 90.

10 October 1997

Turnover in the period of 1 January to 31 August 1997 was FIM 708 million corresponding to an increase of 12%. The profit before extraordinary items nearly doubled to FIM 34.7 million.

17 November 1997

It was decided to build a plastic products factory in Pécs, Hungary. The factory will be engaged in plastics products manufacturing under contract for the Hungarian industry. Construction in the factory building is expected to be completed by the end of 1998.

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