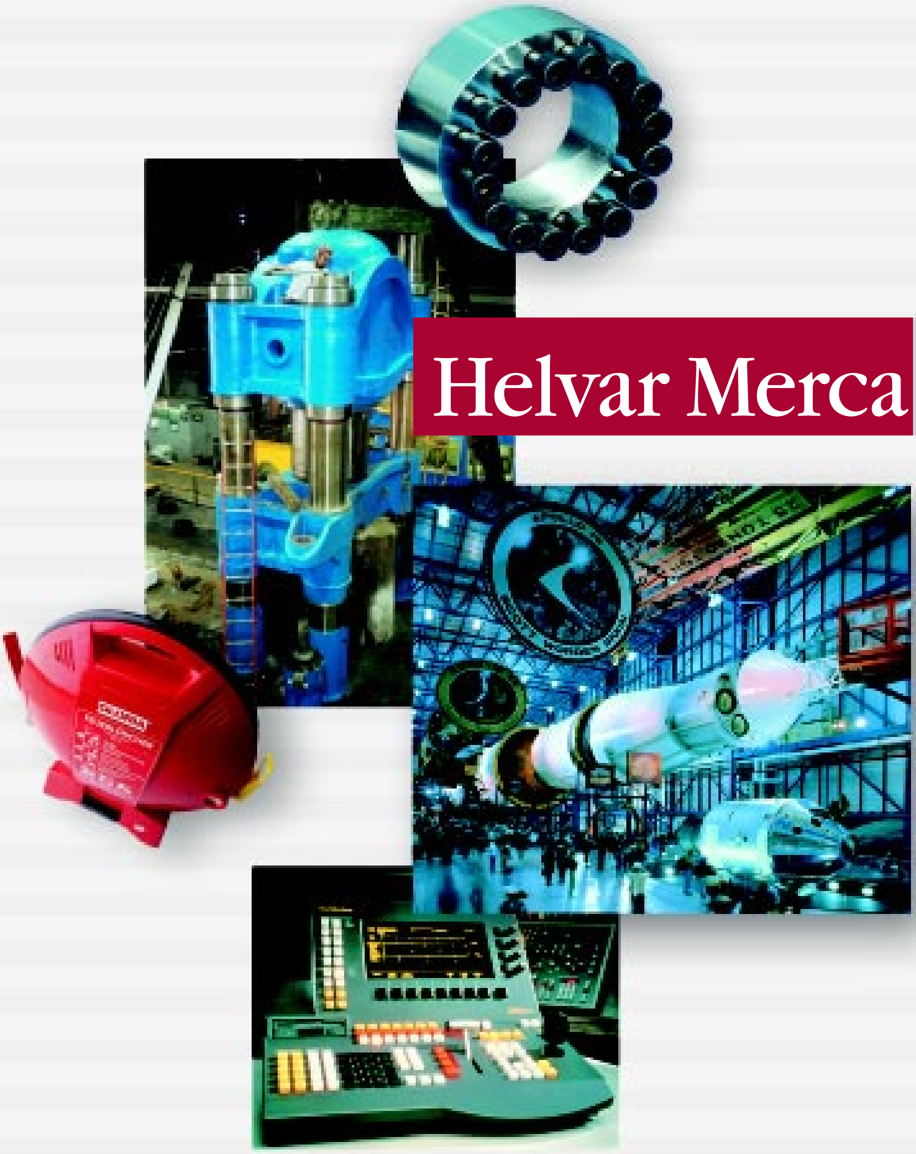
Helvar Merca Group



Annual Report 1997

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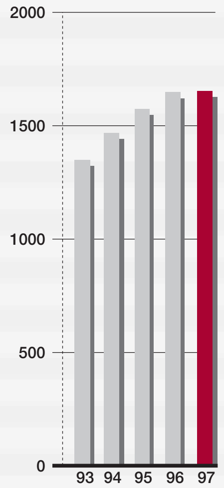
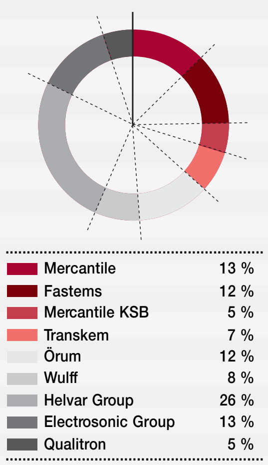
Key Figures

Helvar Merca Group	1993	1994	1995	1996	1997
Turnover, FIM million	1 334	1 484	1 571	1 626	1 642
Change over previous year, %	0.2	11.3	6.0	3.5	1.0
Operating result, FIM million	57	106	102	69	81
Profit after financing items, FIM million	11	78	81	53	73
Shareholders' equity and reserves, FIM million	395	438	491	508	536
Balance sheet total, FIM million	1 076	1 174	1 198	1 110	1 159
Capital employed, FIM million	807	870	884	819	842
Return on investment, %	7.8	13.2	12.4	8.7	10.7
Solidity, %	37	37	41	46	46
Gearing, %	106	78	62	39	36
Quick ratio	0.9	1.1	1.0	1.2	1.3
Gross investment, FIM million	51	134	69	65	62
Staff on 31 December	1 254	1 254	1 466	1 432	1 488

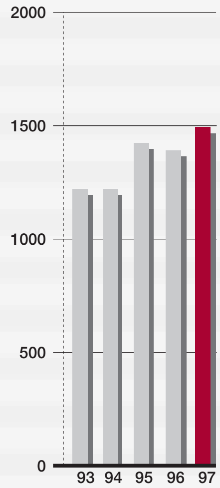
Turnover
1993 - 97, FIM million



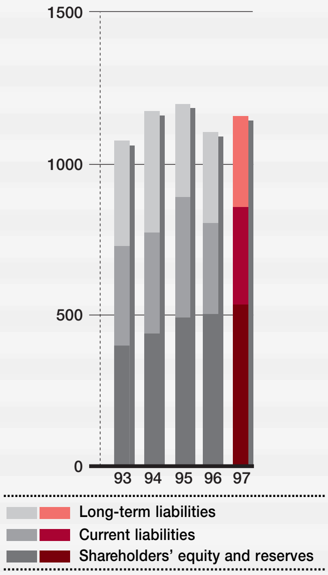
Turnover
1997, %



Staff
On 31 Dec. 1993 - 97



Financial structure
1993 - 97, FIM million



Managing Director's Review

Review of 1997

The turnover of the Helvar Merca Group remained at the previous year's level, totalling FIM 1,642 million. However, the increase of the comparable turnover was 14%. Commerce and services represented 49% of Group turnover and industrial operations 51%. Profit before extraordinary items, appropriations and tax was FIM 72.5 million, an increase of FIM 9.4 million over 1996.

The cash position of the Group liquidity remained good. The equity ratio at year end was 46%. The number of employees in the Group at year end was 1,488 (1,432 in 1996).

The performance of all the business units engaged in trade, Oy Mercantile Ab, Oy Mercantile KSB Ab, Oy Örum Ab, Oy Wulff Ab and Oy Qualitron Ab, was in line with the objectives set and the result was satisfactory. The turnover of Oy Transkem Ab, which specialises in transit services, increased by 22% bringing it almost back to 1995 levels, but the result was unsatisfactory. The turnover of the Helvar Group, which manufactures ballasts and lighting electronics for the lighting industry, was up by 6% and the result was satisfactory. The Electrosonic Group, which specialises in image control electronics, experienced a 6% growth in turnover but the result was unsatisfactory.

In May, construction work was completed on a new production facility and offices in Lahdesjärvi in Tampere. Most of Fastems' operations, together with the Tampere area sales units for Mercantile KSB and the Fastening Equipment Department, were transferred to the new premises, which cover an area of 6,500 m^2. In the autumn, a new production line for electronic ballasts was started up at Helvar's Pitäjänmäki factory. A decision was taken to transform the Hongkong office of Electrosonic and Helvar from a sales liaison office into a company in its own right. The new subsidiary in Latvia, Helvar Merca SIA, began operations at the beginning of 1998. In December, Örum discontinued the operations of its Garage Equipment Department, when it failed to meet performance targets.

Organisational restructuring

In June, a decision was taken to flatten the structure of the organisation of the Helvar Merca Group.

The changes will be realised during 1997 and 1998. After this all the business units in Finland will be directly accountable to the Group's Managing Director. The business units affected will be: Oy Mercantile Ab, Fastems, which in legal terms forms part of Mercantile, Oy Mercantile KSB Ab, Oy Transkem Ab, Oy Örum Ab, Oy Wulff Ab, the Helvar Group and Oy Qualitron Ab. In Britain, the Group's legal structure was revised following the separation of Helvar and Electrosonic. The Electrosonic Group reports to the Managing Director of Oy Helvar.

Prospects for 1998

Group turnover is forecast to rise and those companies whose main market is Finland are expected to improve their position. Fastems, which supplies factory automation, is looking primarily to the Nordic countries to expand its operations, but also targeting other European markets. Helvar is aiming to enhance its already strong position in western Europe. The current upturn in the demand for image control products, solutions and service is presenting Electrosonic with an opportunity to substantially improve its result.

The Performance Excellence project, which applies Finnish quality standards to business evaluation and development, was launched in 1997 and will be taken up by all Group companies during the course of 1998.

The efforts of each individual are crucial in preparing the Helvar Merca Group for the new millennium. May I take this opportunity to thank everyone in the Group for their good performance throughout 1997.

Christian Westerlund, Managing Director

Oy Mercantile Ab

The growth of 9,3% in Finland's technical trade sector was mainly attributable to increased demand in the metal and chemical industries. Many industrial companies continued to pursue their strategy of favouring large suppliers, which bolstered the success of Mercantile Technical Trade. Turnover was FIM 206 million which was comparable to the growth of 2% in the previous year. The result was satisfactory.

Kari Raski

In June, a decision was taken to separate the operations of Oy Mercantile Ab Fastems and Oy Mercantile KSB Ab from those of Mercantile Technical Trade. The changes will be realised during 1998. As a result of the restructuring, Technical Trade is now divided into three departments: Fastening Equipment, Industrial Machinery and Supplies and Chemicals.

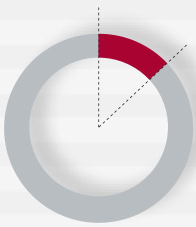
The turnover of Mercantile Eesti AS during its first year of business was encouraging.

The Fastening Equipment Department, Mercantile Pultti, is Finland's largest supplier of fastening equipment. Its customised services were further upgraded and now more than half of its deliveries to industrial accounts are taken direct to the customers' production facilities as part of the so-called shelf-stocking service. Price levels within this sector remained stable until the autumn, when the increase in the price of steel caused manufacturers to raise their prices towards the end of the year. At the beginning of September, the extra duties levied by the EU on stainless steel screws imported from the Far East forced up prices within Europe.

The chemicals market in Finland grew by about 17% fuelled mainly by the increased utilisation of capacity within the paper industry. Mercantile's Chemical Department complies with the trade's Responsible Distribution practice as part of its ISO 9001 quality system. The department's efficient logistics combined with its warehousing of liquids and piece goods enables it to provide a comprehensive service to both customers and suppliers.

The Industrial Machinery and Supplies Department consists of three business units: Machinery and Supplies for the Graphic Industry, Safety Products and Pneumatics and Hydraulics.

Share of Helvar Merca Group turnover 13%



	1997	1996	%
Turnover, FIM million	206	199	+2
Staff, 31 December	143	139	+3

Deliveries from the Machinery and Supplies for the Graphic Industry Unit included Ryobi 520-type one- and two-colour offset presses for Mariehamns Tryckeri Ab, Lohjan Painotuote Oy and Paino-Kaarina Oy. The Tallinn-based operations of Multiprint Kauppakaari Oy took delivery of the first new-generation, environmentally-friendly Mitsubishi CP ECO 414V platemaker for offset plates. Equipment for processing BASF flexo-printing plates and AV Flexologic Mount-O-Matic mounting machines for flexo-printing plates were supplied to a number of companies in the trade.

The solid performance of the Safety Products Unit was repeated in 1997. The Gloria range of fire extinguishers maintained its clear market leadership. The provision of training and the development of quality assurance procedures helped to strengthen cooperation with the Gloria service outlets.

The Pneumatics and Hydraulics Unit succeeded in improving the market position of the products it represents in Finland. New products include the IMI Watson Smith Limited I/P converters and Knecht Filterwerke GmbH industrial filters. The new Legris S.A. Transair® compressed air pipe system also went on sale during the year.

Prospects for 1998

The outlook for Finnish industry is bright. Mercantile expects to see increases in both turnover and profits in 1998. The sales forecast for the Baltic region is also encouraging.

Superbolt® is a new fastening solution for applications involving high preloads.

Service equipment and special cylinders from the Pneumatics and Hydraulics Unit are assembled to customer specifications at the Hakkila facilities.

Cimcorp Oy delivered a loading gripper for a pick-up system to Oy Hartwall Ab's factory in Lahti. The gripper's air processing units and rodless cylinders were supplied by IMI Norgren Ltd.

The Gloria F 2000 6-X powder extinguisher represents the latest in hand-held fire extinguisher design.

BHS flexo printing machine with 9 printing units prints milk cartons and other products at Pakenso Oy's Lahti plants.

Biotechnology products for waste water purification by Gamlen Industries s.a. are used to reduce environmental pollution.

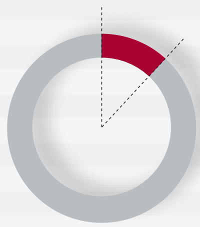
Fastems

(Oy Mercantile Ab Fastems)

Production and capital expenditure within the metal industry continued to rise and Fastems consolidated its position as the leading Nordic supplier of factory automation. Fastems' turnover increased by 23% to FIM 197 million. The result was satisfactory.

Jarmo Hyvönen

Share of Helvar Merca Group turnover 12%



	1997	1996	%
Turnover, FIM million	197	155	+23
Staff, 31 December	189	176	+7

Fastems manufactures factory automation systems, special machine tools and scanners for paper machine quality control systems and imports machine tools, industrial robots and their peripherals. These operations are supported by a strong service organisation.

The value of Fastems' exports rose to FIM 70 million which accounts for over 30% of turnover. The key export markets are Sweden, Switzerland and the United Kingdom. A branch operation was set up at Kungälv, near Gothenburg in Sweden, to handle the sales and servicing of industrial robots, factory automation systems and special machine tools. The western European sales office and service centre has been based in Göppingen, Germany since 1991. A Flexible Manufacturing System (FMS) was built for training purposes at the new Lahdesjärvi premises, in collaboration with the City of Tampere and the district's technical colleges. A new production planning and project management system was introduced and the quality assurance system's ISO 9001 certification was renewed following the expiry of the three-year validity period.

The most notable deliveries of FMS systems were to British Aerospace Defence Ltd. in the UK, Pilatus Flugzeugwerke AG in Switzerland as well as to a number of Finnish customers.

At the EMO '97 trade fair in Hannover in September Fastems demonstrated the new FPM concept (Flexible Pallet Handling System).

Deliveries to Sweden from the Special Machine Tools Unit included a flexible robotised machining system for Scania AB's Luleå production facility and a special machine tool for the manufacture of automotive parts for Volvo AB's Köping plant.

The Machine Tools Department supplied robotised machining cells to the Hämeenlinna plants of the Konecranes Group, to Oy Mapromec Ab and to the Jyskä factory of Valmet Hydraulics Oy. The department also completed sizeable orders for chip processing systems for the Valmet Corporation Printing Paper Machines as well as for the Vaasa and Turku factories of Wärtsilä NSD Finland Oy. More than 40 industrial robots were supplied for materials handling and welding applications. Sunds Valkeakoski Works Ltd. purchased a Fanuc robot system for welding process machinery components. Palletizing robots were also sold to Oy Helvar's Karkkila factory and to the Aura factory of Huhtamäki Oy Leaf. The Södertälje and Luleå factories of Scania CV AB as well as Vadstena Industriplast AB took delivery of the first robots to be exported to Sweden by the department.

At the start of 1998, the Industrial Robotics Unit became a department in its own right. Its product range was extended with the addition of the Fanuc Roboshot injection moulding machines for the plastics industry.

Fastems has long been working with Valmet Automation Inc. on the development and production of mechanical components for quality control systems for paper machines. During the year, 70 scanners were built and delivered to paper mills around the world. The Service Unit was involved in sizeable projects to move and re-install machine tools for the factories of Valmet Hydraulics Oy in Jyskä and Valmet Corporation Tampere.

Prospects for 1998

Fastems will continue to develop its export activities. Turnover is forecast to increase by around 10% and a good result is also expected.

Installation and maintenance services are an increasingly important part of customer care.

The inauguration of the new premises provided an opportunity to show people around the FMS Training Centre which offers training to customers and to students from Tampere's technical colleges.

The Scania AB factory in Luleå, Sweden uses equipment supplied by Fastems for machining the rear axles of its trucks.

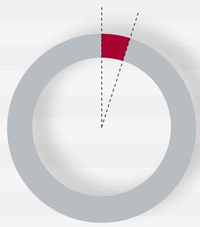
A range of auxiliary products for Fastems' machine tools and factory automation systems.

Oy Mercantile KSB Ab

The scope of the cooperation agreement between Oy Helvar Merca Group Ab and KSB Aktiengesellschaft was extended during 1997. Mercantile KSB's turnover fell by 7% and was FIM 77 million. The result remained satisfactory.

Jarmo Piippo

Share of Helvar Merca Group turnover 5%



	1997	1996	%
Turnover, FIM million	77	83	-7
Staff, 31 December	35	29	+21

Total sales of pumps and valves to the Finnish market decreased. This was offset by the success of the exports of the metal industry and Mercantile KSB received orders of over FIM 100 million. A large number of the deliveries were carried over to 1998.

In the autumn of 1997, Mercantile KSB began the assembly of KSB energy and oil pump units for the Finnish, Baltic and Russian markets. Assembly facilities at Hakkila were refurbished to accommodate units of up to 20 tonnes. The units comprise control and operating equipment such as hydraulic couplings, electric motors and turbines which are installed on the same base plates as the pumps. Documentation relating to the new dimensioning and assembly equipment is now also stored on CDROM which enables customers to access and utilise the data more easily.

A project to increase the capacity of the condensate pumps at the nuclear power plant of Teollisuuden Voima Oy was carried out by Mercantile KSB's own service personnel in collaboration with external partners. The completed project met all the critical requirements for pumps destined for the nuclear power industry.

Business got off to a satisfactory start for Mercantile Eesti AS, the Estonian arm of Mercantile KSB. In Latvia, the largest project was the replacement of the pumping station for the Jelgava district heating network. The pumps, controls and electrical installations were supplied on a turnkey basis. The first deliveries direct from the warehouse of the Group's new Latvian subsidiary, Helvar Merca SIA, are scheduled for the beginning of 1998. The Group's representative office in St Petersburg also began selling Mercantile KSB products.

The product range was extended by the addition of Canadian ASME-approved Velan valves. The first project was secured in the autumn of 1997.

Prospects for 1998

With the exception of the paper sector, Finnish industry will be increasing capital expenditure during 1998. The order book is already at a record high and the sales of Mercantile KSB are expected to rise. The company will continue with the Performance Excellence project that it initiated at the end of 1997 as part of the continuous development strategy being applied to all aspects of its operations.

KSB globe valves are used for hot liquids in the industry.

Mercantile KSB supplied Nokian Lämpövoima Oy with high- and low-pressure valves as well as high-pressure feed water pumps.

The operation instructions are today available also on CDROM.

Corrosion-resistant KSB Etachrom pumps are suited to various industrial and municipal applications.

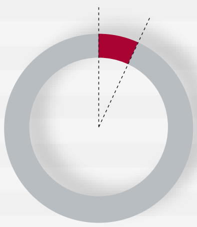
Bopp & Reuther safety valves complete with a control system were delivered to Nokian Lämpövoima Oy's combined-cycle power plant.

Oy Transkem Ab

In spite of the continuing surplus and low price levels prevailing on the global chemical market, exports of Russian chemicals through Finland showed a slight increase. Transkem, specialists in bulk chemical transit services, experienced a rise in the volumes it handled, compared with the previous year. Turnover was up by 22% totalling FIM 115 million. The result was unsatisfactory.

Heikki Auvinen

Share of Helvar Merca Group turnover 7%



	1997	1996	%
Turnover, FIM million	115	95	+22
Staff, 31 December	58	62	-6

Transkem's performance was in line with objectives. Overall, the markets were sluggish. The Russian political and economic climate remained uncertain. The stabilisation of prices, exchange rates and interest rates was encouraging, and at year end, there was also an upturn in industrial production. A change for the better now seems possible in Russia although, in terms of economic growth, it is disappointing that the industry is still suffering from under-investment.

Three years of surpluses together with low prices on the international chemical markets, have restricted Russian chemical exports which remained at the same level as the previous year. However, exports via Finland grew by 10% at the expense of transit through the Baltic countries. Nevertheless, the volume of chemicals handled by Transkem grew by 25%, thus increasing the company's share of the transit market for Russian chemical exports. Transkem is now the clear market leader throughout the Baltic Sea area.

Transkem improved the efficiency of its operations and increased its handling capacity for products that require heating. Systematic efforts to improve quality and safety also produced results and the company became the first Finnish chemical transit company to receive ISO 9002 certification.

Prospects for 1998

The uncertainty on the international markets for chemicals seems likely to continue into 1998. In Europe, the situation may well be further complicated by the increased production capacity of chemical companies in the Far East combined with the impact of the currency crisis in that region. The volume of chemicals transported via Finland is predicted to remain at 1997 levels or to fall slightly.

The company will continue to work towards improving the quality, efficiency and safety of chemical handling.

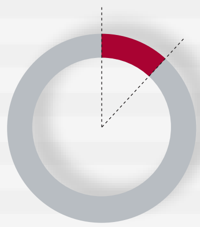
By utilising the latest technology Transkem can handle liquid chemicals safely in all circumstances.

Oy Örum Ab

The average age of passenger cars in Finland remained at over ten years and the market for automotive spare parts was the largest yet. Exports to St Petersburg region and the Baltic countries also remained healthy, although there were signs of a slow-down towards the end of the year. Turnover for the Örum Group rose to FIM 205 million, a 20% increase over the previous year. The Group's result was good.

Heimo Arovaara

Share of Helvar Merca Group turnover 12%



	1997	1996	%
Turnover, FIM million	205	171	+20
Staff, 31 December	134	124	+8

A total of 104,500 new cars were sold during 1997, representing an increase of approximately 9% over the previous year. The total number of passenger cars at year end was 1,935,000. Of these, about 60% fell into the 7 - 15 year old bracket which is an important source of income for the independent automotive spare parts trade.

Örum's sales of spare parts were encouraging, with nearly all product lines selling well. Consumers have once again begun to appreciate product quality, although price still remains the decisive factor in the purchasing decision.

From a Nordic perspective, Finland boasts a sizeable trailer and semi-trailer manufacturing industry and, except for the beginning of the year, capacity utilisation was high. Örum, which imports Wabco air brake systems, succeeded in retaining its position as the leading supplier of brake systems for trailers.

The key export markets for Finland's independent automotive spare parts trade are the St Petersburg region and the Baltic countries. Growth in exports to these areas began to level out during the last months of the year. This was mainly due to increased activity among local wholesalers and the resulting new direct links with European spare part manufacturers. Exports represent around 10% of the turnover of the Örum Group.

Since the Garage Equipment Department did not achieve adequate sales volumes or profitability, the decision was taken to discontinue operations at the end of the financial year. The Tallinn-based subsidiary, AS MG-Autopartner, consolidated its position as one of Estonia's leading importers in this sector. The company's turnover in 1997 was EEK 39 million and the result was good.

Prospects for 1998

Sales forecasts estimate that a total of 110,000 new passenger cars will be sold in Finland during 1998. At the same time, the number of 7 - 15 year old cars on the roads is expected to decrease.

The contraction of the automotive spare parts market in Finland and the intensifying competition on the export market will weaken profitability and competitiveness within the sector during the next few years.

Örum is one of the leading companies in its field. In order to safeguard its position, the company will continue to invest heavily in training for all its employees. Its customer-focused business approach is also reflected in the ongoing effort to improve quality and competitiveness through the application of the ISO 9002 quality system.

The Brembo brake disc is one of the products imported by Örum. More than 15 million are manufactured each year.

Fitters of Wabco air brakes receive continuous training.

Hella spot and fog lights contribute significantly to improved road safety.

Q8 lubricants are used in both automotive and industrial applications.

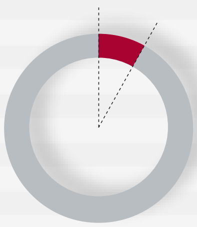
High-quality Sachs® shock absorbers come in a wide range of types and sizes.

Oy Wulff Ab

Sales of office supplies in Finland are valued at approximately FIM 1 billion annually. The total market grew during 1997 by 7% mainly due to increased sales of computer supplies. The turnover of the Wulff Group rose by 9% to FIM 137 million and the Group retained its market leadership. The result was satisfactory.

Aarne Hallama

Share of Helvar Merca Group turnover 8%



	1997	1996	%
Turnover, FIM million	137	127	+9
Staff, 31 December	101	104	-3

For a number of years, Wulff has been systematically developing its customer services. The company offers a range of different options designed to ensure trouble-free delivery of office supplies on competitive terms. This strategy is geared towards establishing long-term relationships with customers and suppliers.

In the year under review, there was a threefold increase in the number of accounts that use the APAJA customer service system for major users. The system has been well received and it is now being further developed to increase its versatility.

In April, the new Wulff Store 'cash and carry' was opened in Helsinki targeting small to medium-sized corporate customers. A new customer-loyalty system offers significant benefits to regular customers. Warehouse sales are continuing to rise and the outlook for the future is bright.

In the autumn, a new customer service centre was opened at the head office in Vantaa. The centre handles all customer queries on products and deliveries.

IT systems play a key role in the efficiency of the company's internal operations as well as in customer service. The number of electronically lodged orders increased, accounting for 35% of Wulff's turnover. In December, the company's mainframe computers were replaced, making it possible to utilise the latest applications for electronic trading.

In collaboration with six European wholesalers, Wulff established a joint venture called Inter Action A/S which uses "Connect" as a brand name.

In December, Wulff was awarded ISO 9002 quality certification which will serve as the basis for future quality development.

The performance of the subsidiary Torkkelin Paperi Oy in Lahti was in line with expectations and the result was good.

The turnover of the Tallinn-based subsidiary, AS Mammut, was up by a full 27% and the result was satisfactory. In the future, the company will be developed along the lines of the parent company. Its name will be changed at the beginning of 1998 to AS Wulff.

Prospects for 1998

The office supplies market in Finland continues to be fragmented and dominated by small companies. As a result of excess supply, there is unhealthy price competition and this is expected to lead to a structural shake-out in coming years. Wulff will work towards increasing its market share through continuous proactive marketing and high standards of customer service.

Computer supplies are an essential part of the Wulff product range.

Office supplies are delivered right to the customer's shelf with the help of the postal services of Finland Post Ltd.

The Wulff Store 'cash and carry' in Helsinki meets the needs of small and medium-sized businesses.

Customers place about one third of all orders electronically.

The customer service centre is located in newly modernised premises in Vantaa.

Helvar Group

Demand for ballasts and lighting electronics rose in all of the Group's key markets during 1997. The turnover of the Helvar Group increased by 6% from FIM 399 million to FIM 422 million. The result, which was satisfactory, was a significant improvement over the previous year.

Philip Aminoff

Helvar specialises in ballasts and lighting electronics used by luminaire manufacturers and other customers involved in professional lighting. Ballasts are manufactured in Finland: magnetic ballasts in Karkkila and electronic ballasts in Helsinki. Other lighting electronics, such as sensors, dimmers and controls are manufactured in Maidstone in the United Kingdom.

Sales of magnetic ballasts developed well as a result of improving levels of activity in the luminaire industry within the European Union and growing interest in energy efficient magnetic ballasts in other markets. In the autumn of 1997, Helvar decided to invest in a new production line for magnetic ballasts for high intensity discharge (HID) lamps.

Sales of electronic ballasts grew rapidly. Of particular note was Helvar's strong position as a supplier of new electronic ballasts for the T5 fluorescent tube. Price erosion continued in the market, but increases in volume combined with reductions in manufacturing cost enabled Helvar to improve the profitability of the product line. Towards the end of the year, Helvar completed its product offering by introducing a range of electronic ballasts for compact fluorescent lamps.

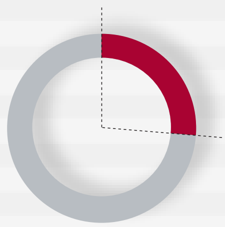
While demand for lighting control products developed favourably in all main markets, the profitability of UK manufactured products was adversely affected by the rapid and significant appreciation of the pound sterling against most other currencies. In the autumn of 1997, Helvar's Energy Management and Architectural Lighting Division (EMAL) and the Celco Division of Electrosonic were combined in a new Division, Helvar Lighting Control.

During the year, an important addition to Helvar's services to its customers was made when a new lighting electronics laboratory was established in Helsinki. The laboratory enables Helvar and its customers to test lamps, load interfaces and luminaires in a controlled environment to ensure compliance with all industry-relevant legislation and norms.

Prospects for 1998

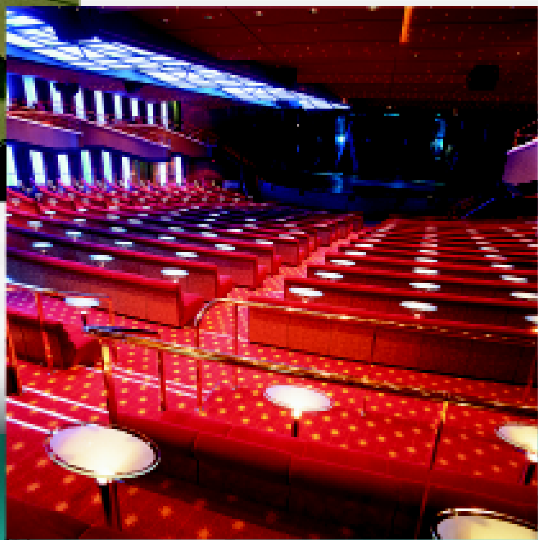
In 1998, the market for magnetic ballasts is expected to remain stable in the European Union countries but to expand in most other regions. The market for electronic ballasts will continue to grow in the European Union countries. The market for lighting control products will also grow in volume, but the price level will decrease.

Share of Helvar Merca Group turnover 26%



	1997	1996	%
Turnover, FIM million	422	399	+6
Staff, 31 December	527	513	+3

Helvar Electrosonic supplied the IMAGINE™ system which controls the lighting in all the public areas of the M/S Mercury, the luxury cruiser built by the German Meier yard. The system uses SCENEVIEW™ software.



Lamps, electronic ballasts, dimmers and luminaires are all tested at Helvar's laboratory for lighting electronics in Helsinki.

Electrosonic Group

The market for videowalls and other large audio-visual installations that require electronic image control continued to grow but the price level fell considerably. In the first half of the year Electrosonic lost market share but gradually regained ground in the autumn. Turnover grew 6% and was FIM 210 million. The result was unsatisfactory.

Kyle Carpenter

The separation of Helvar (Lighting) and Electrosonic (Image Control) continued in the summer of 1997 with the appointment of Kyle Carpenter, until then Chief Executive Officer of Electrosonic Systems, Inc., as head of Electrosonic Group worldwide. In the autumn, Electrosonic's Celco Division, which specialises in consoles and dimmers for live entertainment lighting was transferred to the Helvar Group.

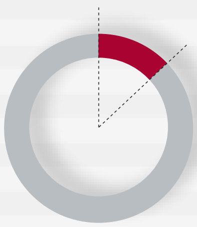
Electrosonic's expertise in Image Control permeates the three main businesses in the Group: Products, Solutions and Service.

Electrosonic Products offers image processors and control products, user interface software and video display devices that are not readily available in the display device market. Since 1995 Electrosonic has been developing new technologies that will lift flexibility and image quality to new levels. First installations using new image control technology from Electrosonic were completed during 1997. The most notable project was the Newseum museum of news in Washington D.C. in the United States.

Electrosonic Solutions in Dartford in the United Kingdom and in Minneapolis and Burbank in the United States specialise in the technical interpretation of individual customers' image control needs and deliver solutions based on innovative technologies and engineering expertise.

In summer 1997, a decision was taken to develop Electrosonic Service by targeting customers who use big image displays in large venues and offering them maintenance services tailored to their individual needs. Electrosonic has a global service network with its own outlets, distributors and partners. This gives the company a clear advantage when negotiating for worldwide service contracts.

Share of Helvar Merca Group turnover 13%



	1997	1996	%
Turnover, FIM million	210	198	+6
Staff, 31 December	259	262	-1

Prospects for 1998

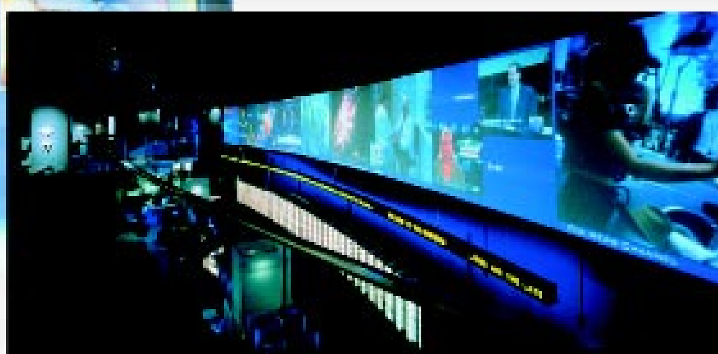
1998 promises to be a better year than 1997. The EXPO '98 exhibition in Lisbon and the preparations for the millennium celebrations in several countries have led to a major surge in demand for large-scale audio-visual projects. During 1998, Electrosonic will be launching a number of new products onto the market. Previews of the products, which use the company's own image control technology, were already attracting strong interest at the end of 1997.

Race Rock is an international chain of restaurants. Their new flagship venue in Orlando features an Electrosonic six-screen 2xView™ videowall suspended impressively from the ceiling.

Electrosonic delivered an audio, video and show control system to the NASA Apollo/Saturn V space center in the U.S.

At the 1997 London Motor Show several leading manufacturers used Electrosonic PICBLOC 3™ controlled videowalls.

The Newseum in Washington D.C. is the world's only interactive museum of news. Electrosonic supplied the complete Media Wall and all-show audio visual equipment fitted with the newly developed WORKSURFACE™ processors.



Oy Qualitron Ab

The upswing in the Finnish economy continued to fuel the steady growth in the domestic market. Qualitron's exports, particularly to CIS countries, increased dramatically. The company nearly doubled the turnover to FIM 76 million and the result was good.

Tapani Karjalainen

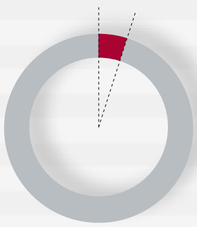
In 1997, international projects accounted for an increased share of Qualitron's business. TV stations and production companies in the CIS countries invested heavily in the new digital technology. The largest international project was for the Russian Ministry of Agriculture and comprised a digital TV studio, audio and video post-production systems, and a state-of-the-art Discreet Logic FIRE video editing system.

The most notable projects in Finland were the replacement of the video and audio systems for the television studio of Helsinki Television Ltd. and the building of program logistics units for the new Channel 4 Finland, which was launched in 1997. Work began on the planning and implementation of the studio for the Institute for Further Education. The project comprises a multi-camera TV studio and video and audio post-production equipment for the training of TV professionals.

During the year, a number of new dealership contracts were signed. Qualitron's range of video production equipment was extended with the addition of Japanese IDX and Australian Miller products. The IDX Company Ltd. manufactures rechargeable video-camera batteries and battery chargers based on the latest Lithium-Ion technology. Miller Fluid Heads Pty. manufactures TV camera tripods and fluid heads.

New dealerships were agreed with Intergraph and Softimage. The American company, Intergraph Inc., manufactures NT workstations for a wide range of graphical and audio-visual applications. The workstations are equipped with the latest Pentium technology. The Canadian company, Softimage Inc., which is owned by Microsoft, is the leading software company in the industry and manufactures software for graphics, video editing and special effects.

Share of Helvar Merca Group turnover 5%



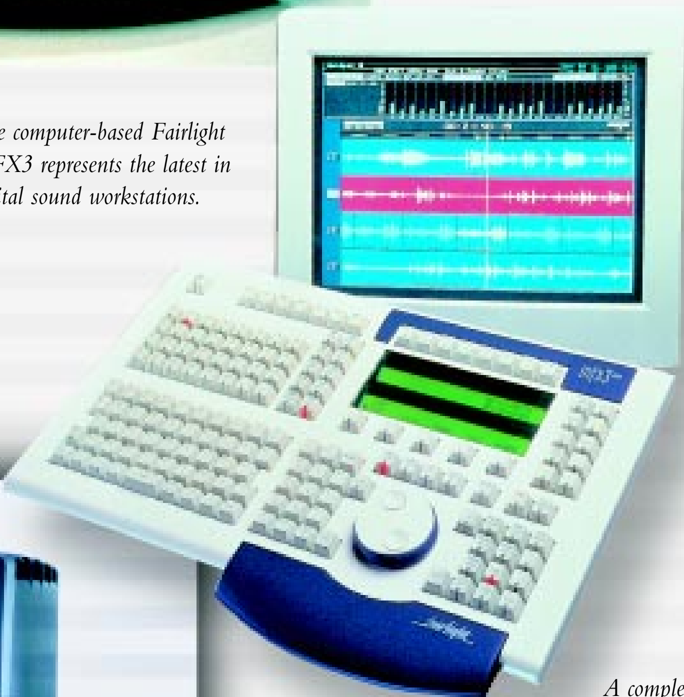
	1997	1996	%
Turnover, FIM million	76	38	+97
Staff, 31 December	32	23	+39

Prospects for 1998

The signs are that 1998 will be a good year for international projects. Little change is expected in the competitive situation in Finland and market trends are predicted to remain stable. Work will continue on developing and expanding the retail network in CIS countries. The new Moscow-based subsidiary, ZAO Qualitron Service, is expected to boost sales of maintenance services in Russia. Qualitron's plans for the immediate future involve upgrading logistics and investing in training as part of its quality improvement strategy.

Grass Valley Krystal 4300 digital special effects units are used to strengthen the impact of TV and video programmes.

Qualitron markets TV studio lighting and lighting control systems manufactured by Sachtler GmbH.



The computer-based Fairlight MFX3 represents the latest in digital sound workstations.

Silicon Graphics workstations supply the vast processing power required to run Discreet Logic editing systems.

A complete and fully integrated digital TV studio system comprising products from several different manufacturers.

Board of Directors' Report

New Group structure from the beginning of 1997

Oy Helvar Merca Group Ab began operating as a holding company at the beginning of 1997. Its responsibilities include the development and financing of Helvar Merca Group's business activities. At the same time, Mercantile Technical Trade was transferred to a new subsidiary which was named Oy Mercantile Ab after the name formely used by the parent company.

Performance

The turnover of the Helvar Merca Group totalled FIM 1,642 million, which represents an increase over the previous year of 1%. However, if the revenue from the Group's steel operations, which were sold in 1996, is deducted from the turnover for that year, the increase is 14%. Group profit before voluntary provisions and tax rose 15% to FIM 72.5 million.

Investments

The new production facility and offices built in Tampere mainly for use by Mercantile Fastems were inaugurated in August 1997. As expected, the new premises have already significantly boosted Fastems' business.

During the year, Helvar invested heavily in the rationalisation of its manufacturing operations as well as in the building of additional capacity for electronic ballast production.

New subsidiaries and a subsidiary merger

Two new subsidiary companies were established in the Baltic area: a real estate company, Helvar Merca Kinnisvara AS in Estonia and a sales company in Latvia, Helvar Merca SIA.

The subsidiary Wittler Service Oy, which has not been active for several years, was merged with the parent company.

Management and personnel

During the year under review, the members of the Board were Dieter Aminoff, Chairman, Edward Andersson, Christian Westerlund, Stig Gustavson and Philip Aminoff as well as deputy member Thomas Aminoff.

During 1997, Oy Helvar Merca Group Ab employed an average of 10 people. The previous year, when the parent company of the Group was still engaged in trading activities under the name Oy Mercantile Ab, the number of employees totalled 343. The average number of employees in the Group was 1,482 compared with 1,472 in 1996.

A total of FIM 1.4 million was paid out in salaries and bonuses to the parent company's Board of Directors and Managing Director and FIM 5.2 million to other employees. The Group's Boards of Directors and Managing Directors received a total of FIM 18.1 million in salaries and bonuses and FIM 244.4 million was paid to other employees.

Contributions totalling FIM 18.7 million were transferred during the year by the Helvar Merca Group to its pension fund. The fund's liabilities for voluntary retirement pensions are fully provided for.

Future prospects

The Helvar Merca Group includes both industrial companies that operate worldwide and companies that specialise in trade in Finland and its near neighbours. The boom which Finland is currently experiencing is set to continue and the companies engaged in trade in Finland are expected to again show a good result. In 1998, profit levels will be depressed by the substantial investments being channelled both into the industrial companies and the companies that trade with Finland's near neighbours. Overall, the result for the year is forecast to remain at the 1997 level.

Proposal for allocation of profit

The net profit of the parent company Oy Helvar Merca Group Ab for the financial year totals FIM 9,852,924.01. The Board of Directors proposes that FIM 9,622,800 or a dividend of FIM 1,200 be paid on external shares and that the remaining profit be carried forward to the profit and loss account.

The Board of Directors of Oy Helvar Merca Group Ab. From left to right: Philip Aminoff, Thomas Aminoff, Edward Andersson, Christian Westerlund, Stig Gustavson and Dieter Aminoff.

Consolidated Profit and Loss Account

(FIM 1 000)		1.1. – 31.12.1997	1.1. – 31.12.1996
Net turnover	(1)	1 642 036	1 625 524
Other operating income		7 340	13 519
Costs	(2)	-1 499 599	-1 506 575
Depreciation	(2)	-68 833	-63 237
Operating profit		80 944	69 231
Financial income and expenses	(2)	-8 417	-16 584
Profit before extraordinary items, voluntary provisions and income taxes		72 527	52 647
Extraordinary income and charges	(5)	-	10 494
Profit before voluntary provisions and income taxes		72 527	63 141
Change in accelerated depreciation	(2)	3 269	-13 523
Change in voluntary provisions		24 278	28 486
Income taxes	(2)	-31 560	-23 581
Profit before minority interest		68 514	54 523
Minority interests		-1 298	-752
Profit for the period		67 216	53 771

Consolidated Balance Sheet

(FIM 1 000)		31.12.1997		31.12.1996	
Assets					
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					
Intangible assets					
Intangible rights		2 220		1 757	
Goodwill		-		424	
Other capitalised expenditure		13 978	16 198	11 559	13 740
Tangible assets	(7)				
Land and water		50 729		50 939	
Buildings		276 608		277 620	
Machinery and equipment		110 878		100 638	
Other tangible assets		4 352		4 899	
Advance payments and construction in progress		1 878	444 445	19 730	453 826
Financial assets	(6)				
Bonds and shares		67 982		67 629	
Loan receivables		723	68 705	1 485	69 114
			529 348		536 680
CURRENT ASSETS					
Stocks					
Raw materials and consumables		38 187		27 972	
Work in progress		18 379		22 453	
Finished products/goods		171 125		158 765	
Advance payments		3 742	231 433	6 671	215 861
Receivables	(8)				
Trade receivables		230 056		201 537	
Loan receivables		9 980		11 853	
Prepaid expenses and accrued income		20 922		18 141	
Other receivables		13 117	274 075	11 573	243 104
Cash in hand and at bank			124 015		114 702
			1 158 871		1 110 347
Liabilities					
CAPITAL AND RESERVES	(10)				
Restricted equity					
Subscribed capital		110 000		110 000	
Reserve fund		1 568		1 567	
Revaluation fund		3 566	115 134	3 566	115 133
Non-restricted equity					
Translation adjustment		-4 342		1 266	
Retained earnings		197 648		148 224	
Profit for the period		67 216	260 522	53 771	203 261
MINORITY HOLDING			7 128		5 830
PROVISIONS					
Accelerated depreciation	(11)		148 140		151 409
Voluntary provisions					
Other provisions			494		24 412
Obligatory provisions			4 610		7 725
CREDITORS	(12)				
Non-current					
Loans from credit institutions		614		2 770	
Pension loans		304 666		301 329	
Other non-current liabilities		2 767	308 047	2 261	306 360
Current					
Loans from credit institutions		10 507		5 331	
Trade payables		33 213		60 698	
Notes payable		120 371		109 495	
Accrued liabilities and deferred income		103 494		79 610	
Other current liabilities		47 211	314 796	41 083	296 217
			1 158 871		1 110 347

Consolidated Funds Statement

(FIM 1 000)	1997	1996
SOURCE OF FUNDS		
Internal financing		
Net result in the Profit and Loss Account	67 217	53 771
Depreciation	68 834	63 237
Changes in untaxed reserves	-30 302	-10 550
Total internal financing	105 749	106 458
Reduction in fixed assets	1 055	11 936
Increase in long-term financing	1 687	–
	108 491	118 394
APPLICATION OF FUNDS		
Investments in fixed assets	62 557	65 343
Decrease in long-term financing	–	3 026
Translation adjustment in shareholders' equity	4 342	-1 266
Change in minority holding	-1 298	-238
Dividends distributed	5 613	28 066
	71 214	94 931
Change in working capital	37 277	23 463
	108 491	118 394
CHANGE IN WORKING CAPITAL		
Cash and bank accounts	9 313	24 207
Receivables	30 971	-52 617
Inventories	15 572	-49 850
Current liabilities	-18 579	101 723
	37 277	23 463
Working capital on 1 January	277 450	253 987
Working capital on 31 December	314 727	277 450

Parent Company's Profit and Loss Account

(FIM 1 000)		1.1. – 31.12.1997	1.1. – 31.12.1996
Net turnover	(1)	8 602	524 371
Other operating income		5 296	20 763
Costs	(2)	-16 614	-511 424
Depreciation	(2)	-2 686	-10 421
Operating profit		-5 402	23 289
Financial income and expenses	(2)	14 568	-2 601
Profit before extraordinary items, voluntary provisions and income taxes		9 166	20 688
Extraordinary income and charges	(5)	-	4 493
Profit before voluntary provisions and income taxes		9 166	25 181
Change in accelerated depreciation	(2)	649	-17 733
Change in voluntary provisions		245	19 635
Income taxes	(2)	-207	-6 602
Profit for the period		9 853	20 481

Parent Company's Funds Statement

(FIM 1 000)	1997	1996
SOURCE OF FUNDS		
Internal financing		
Net result in the Profit and Loss Account	9 853	20 481
Depreciation	2 686	10 420
Changes in untaxed reserves	-59 220	1 342
Total internal financing	-46 681	32 243
Reduction in fixed assets	94 366	7 563
Increase in long-term financing	2 143	9 263
	49 828	49 069
APPLICATION OF FUNDS		
Investments in fixed assets	38 327	25 186
Dividends distributed	5 613	28 066
	43 940	53 252
Change in working capital	5 888	-4 183
	49 828	49 069
CHANGE IN WORKING CAPITAL		
Cash and bank accounts	19 109	19 819
Receivables	-33 723	19 203
Inventories	-64 705	-62 521
Current liabilities	85 207	19 316
	5 888	-4 183
Working capital on 1 January	166 985	171 168
Working capital on 31 December	172 873	166 985

Parent Company's Balance Sheet

(FIM 1 000)		31.12.1997		31.12.1996	
Assets					
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					
Intangible assets					
Other capitalised expenditure			3 849		7 011
Tangible assets	(7)				
Land and water		7 569		13 873	
Buildings		34 420		83 148	
Machinery and equipment		1 368		6 561	
Other tangible assets		-	43 357	19 674	123 256
Financial assets	(6)				
Shares in subsidiaries		187 750		153 126	
Bonds and shares		51 730		62 019	
Loan receivables		50 145	289 625	-	215 145
			336 831		345 412
CURRENT ASSETS					
Stocks					
Raw materials and consumables		-		4 102	
Work in progress		-		11 513	
Finished products/goods		-		47 662	
Advance payments		-	-	1 428	64 705
Receivables	(8)				
Trade receivables		377		38 101	
Loan receivables		97 767		142 948	
Prepaid expenses and accrued income		7 165	105 309	8 127	189 176
Cash in hand and at bank			104 055		84 945
			546 195		684 238
Liabilities					
CAPITAL AND RESERVES	(10)				
Restricted equity					
Subscribed capital		110 000		110 000	
Reserve fund		1 500	111 500	1 500	111 500
Non-restricted equity					
Retained earnings		117 065		102 197	
Profit for the period		9 853	126 918	20 481	122 678
PROVISIONS					
Accelerated depreciation	(11)		19 497		68 099
Voluntary provisions					
Other provisions			-		7 374
Obligatory provisions			-		3 244
CREDITORS	(12)				
Non-current					
Loans from credit institutions		606		1 463	
Pension loans		201 039	201 645	198 039	199 502
Current					
Loans from credit institutions		857		857	
Trade payables		-		21 497	
Notes payable		486		30 316	
Accrued liabilities		7 375		36 076	
Other current liabilities		77 917	86 635	83 095	171 841
			546 195		684 238

Notes to the Financial Statements

Accounting principles for the consolidated accounts

The consolidated accounts have been prepared in accordance with the acquisition cost method. The consolidated financial statements include the Parent Company, Oy Helvar Merca Group Ab, and those companies in which Oy Helvar Merca Group Ab directly or indirectly holds more than 50% of the voting rights of all the shares. The real estate company, Kiinteistö Oy Toivikkeenrinne, serving staff housing needs, is not included in the consolidated financial statements. The financial statements of Group companies operating outside Finland have been converted and grouped according to the Finnish Accounting Act. The translation of the Balance Sheet into Finnmarks has been effected according to the Bank of Finland's average rates on the date of the closing of the accounts and the financial statements according to the average rates for the year.

Foreign currency-denominated items

Receivables and liabilities in the Balance Sheet on the date of the closing of the accounts have been translated into Finnmarks at the rates prevailing on the date of the closing of the accounts. The hedging instruments of the open foreign currency-denominated items have been valued at their current value taking into account the interest rate factors.

Inventories

Inventories in the consolidated accounts are valued at their acquisition cost, which includes in addition to the direct costs part of the indirect costs of acquisition and production.

Depreciation principles

Fixed assets are entered in the Balance Sheet as depreciation according to plan reduced to the direct acquisition cost. Depreciation according to plan has been calculated according to the economic life of fixed assets as straight-line depreciation on the original acquisition price.
Depreciation periods according to plan are:

Other long-term expenses	5 - 10 years
Buildings and constructions	20 - 40 years
Machinery and equipment	3 - 10 years
Goodwill	5 years

Compulsory reserves

Items are entered in the Balance Sheet as compulsory reserves which have been pledged by agreement or otherwise but which have not yet been realised. Changes in them have been included in the financial statements.

	Group		Parent company	
(FIM 1 000)	1997	1996	1997	1996
1 SALES BY BUSINESS AREA				
Trading	701 762	801 888	-	421 933
Service	114 975	93 596	8 602	-
Production	825 299	730 040	-	102 437
	1 642 036	1 625 524	8 602	524 370
SALES BY MARKET AREA				
Finland	871 807	1 037 035	8 602	524 370
Other Europe	544 740	425 741	-	-
Other countries	225 489	162 748	-	-
	1 642 036	1 625 524	8 602	524 370
2 SPECIFICATION OF PROFIT AND LOSS ACCOUNT				
Expenses				
Materials and supplies	979 892	951 048	-	311 303
Change in inventories	-15 626	46 903	-	51 654
Personnel costs	322 970	306 549	8 097	87 935
Rental costs	19 214	22 297	1 978	8 945
Expenses	193 149	179 777	6 540	51 587
	1 499 599	1 506 574	16 615	511 424
Depreciation according to plan				
Intangible rights	648	571	-	-
Other capitalised expenditure	4 351	3 077	801	1 686
Buildings	31 683	25 281	1 553	5 327
Machinery and equipment	31 225	31 383	332	3 408
Other tangible assets	502	978	-	-
Goodwill	424	1 946	-	-
	68 833	63 236	2 686	10 421
Financial income and expenses				
Dividends received	159	73	2 437	50
Interest income from long-term financial assets	2 628	426	2 434	-
Interest income from short-term financial assets	757	3 088	8 521	7 937
Other financial income	1 710	543	658	408
Exchange gains and losses	3 323	439	12 680	2 291
Interest expenses	-15 847	-19 749	-11 886	-12 857
Other financial expenses	-1 146	-1 404	-276	-430
	-8 416	-16 584	14 568	-2 601
Extraordinary income and expenses				
Extraordinary income	-	10 494	-	10 494
Extraordinary expenses	-	-	-	-6 000
	-	10 494	-	4 494

(FIM 1 000)	Group 1997	Group 1996	Parent company 1997	Parent company 1996
Depreciation difference				
Construction in progress	–	-18 813	–	-18 813
Intangible rights	-119	175	–	–
Other capitalised expenditure	361	-792	339	-848
Buildings	699	5 943	599	2 961
Machinery and equipment	2 246	-315	-289	-1 032
Other tangible assets	82	280	–	–
	3 269	-13 522	649	-17 732
Direct taxes				
For the financial year	-33 200	-22 080	-722	-5 450
For previous years	1 640	-1 501	515	-1 153
	-31 560	-23 581	-207	-6 603
3 PERSONNEL EXPENSES				
Wages and salaries	265 196	250 924	6 646	70 743
Fringe benefits	1 839	3 063	382	1 199
Pension costs	28 903	27 263	601	8 518
Other personnel costs	28 871	28 363	850	8 674
	324 809	309 613	8 479	89 134
4 FINANCIAL INCOME AND EXPENSES WITHIN THE GROUP				
Dividends received			2 437	–
Interest income			7 694	4 167
Interest expenses			2 090	1 324
5 EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income				
Gains on sales of fixed assets	–	494	–	494
Other income	–	10 000	–	10 000
	–	10 494	–	10 494
Extraordinary expenses				
Group contributions paid	–	–	–	6 000
	–	–	–	6 000

6 BREAKDOWN OF PORTFOLIO

Group companies Company	Share % Parent company	Share % Group	Ownership of equity	Number of shares	Nominal value of shares	Book value of shares
Oy Helvar	100	100	157 625	400 000	40 000	29 558
Oy Transkem Ab	100	100	76 128	138 750	62 437	62 437
Oy Wulff Ab	100	100	23 075	500	5 000	6 931
Oy Örum Ab	100	100	61 362	1 800 000	18 000	46 640
Kiinteistö Oy Keskuojankatu 12	100	100	495	100	500	500
Kiinteistö Oy Ahertajankatu 6	100	100	336	100	60	2 032
Oy Mercantile KSB Ab	80	80	8 692	4 800	4 800	4 800
Oy Qualitron Ab	6	55	4 760	60	60	183
Oy Mercantile Ab	100	100	37 982	20 000	20 000	20 000
Oy Merca Trading Ab	100	100	15	15	15	15
Mercantile Eesti AS	100	100	333	3	0	149
Helvar Merca SIA	100	100	22	100	18	18
Helvar Merca Kinnisvara AS	100	100	946	2 500	946	935
Electrosonic Systems Inc.	89	99	12 190	2 500 000	13 552	13 552
						187 750
Indirectly owned subsidiaries						
Oy Helvar						
Helvar GmbH		100	3 784	1 200	3 633	4 371
Helvar AB		100	2 844	5 000	343	2 998
Svenska AB Mercantile		100	618	7 500	515	618
Helvar S.r.l.		100	2 025	5 000	1 540	1 587
Dartford Invest B.V.		100	42 124	115	309	37 637
Kiinteistö Oy Toivikkeenrinne		99	9	99	10	9
Oy Qualitron Ab		49	4 241	490	490	548
Helvar Electrosonic Ltd.		100	17 984	2 000 000	17 984	55 344
Helvar Ltd.		100	3 017	250	2 248	2 248
Helvar Lighting Control Ltd.		100	5 612	1 000 000	8 992	8 992
Electrosonic Holdings Ltd.		96	15 892	10 237 798	92 058	15 736
Electrosonic Ltd.		100	5 130	8 949 500	80 474	16 625
Multivision Electrosonic Ltd.		100	-938	302 491	1 025	0
Electrocue Ltd.		100	1 968	7 200	65	1 963
Electrosonic NSW Pty Ltd.		100	-383	850 000	3 017	0
Electrosonic Systems Inc.		11	1 414	310 000	1 515	1 375
Oy Wulff Ab						
Torkkelin Paperi Oy		100	3 204	42 600	426	1 455
AS Mammut		100	275	49	186	1 220
Oy Örum Ab						
AS MG-Autopartner		100	1 622	808	306	3 125

(FIM 1 000)

Other shares Company	Number of shares	Book value of shares
Kiinteistö Oy Luna	484	46 838
As. Oy Nordgolf Houses	1	852
Nordgolf Oy	4	114
Helsingin Puhelin Oyj	3 520	301
Vakuutus Oy Garantia	120	500
As. Oy Pohjoisranta 10	49	3 114
Other shares		11
		51 730

	Group		Parent company	
(FIM 1 000)	1997	1996	1997	1996
7 TAXATION VALUES OF FIXED ASSETS				
Land and water	25 991	26 427	9 319	12 367
Buildings	150 480	158 863	25 470	57 771
Subsidiaries	–	–	299 193	221 603
Other shares	57 957	57 116	38 817	49 515
	234 428	242 406	372 799	341 256
Book value is used, if there is no taxation value available.				
8 RECEIVABLES				
From group companies				
Accounts receivable			–	1 351
Loan receivables			143 741	132 506
Prepaid expenses and deferred income			5 846	4 031
			149 587	137 888
9 LOANS TO MANAGEMENT AND SHAREHOLDERS				
Loans granted to management and shareholders	2 308	3 388	–	3 253
Interest on the loans exceeds the base rate of Bank of Finland				
10 SHAREHOLDERS' EQUITY				
Share capital				
Redemption of own 1 981 shares	21 791	21 791	21 791	21 791
Outstanding 8 019 shares	88 209	88 209	88 209	88 209
Share capital	110 000	110 000	110 000	110 000
Restricted equity				
Share capital 1 Jan. and 31 Dec.	110 000	110 000	110 000	110 000
Reserve fund 1 Jan.	1 567	1 567	1 500	1 500
Translation adjustment in shareholders' equity	1	–	–	–
Reserve fund 31 Dec.	1 568	1 567	1 500	1 500
Revaluation fund 1 Jan. and 31 Dec.	3 566	3 566	–	–
Restricted equity	115 134	115 133	111 500	111 500
Non-restricted equity				
Retained earnings	203 262	176 291	122 679	130 264
Dividends distributed	-5 614	-28 066	-5 614	-28 066
Translation adjustment in shareholders' equity	-4 342	1 266	–	–
Profit for the year	67 216	53 771	9 853	20 481
Non-restricted equity 31 Dec.	260 522	203 262	126 918	122 679

(FIM 1 000)	Group 1997	Group 1996	Parent company 1997	Parent company 1996
11 DEPRECIATION ACCORDING TO PLAN				
Construction in progress	–	18 813	–	18 813
Intangible rights	35	-90	–	–
Other capitalised expenditure	4 889	3 859	2 023	2 855
Buildings	82 737	65 916	16 964	40 074
Machinery and equipment	60 257	62 505	510	6 356
Other tangible assets	222	400	–	–
	148 140	151 403	19 497	68 098
12 LIABILITIES				
Liabilities to mature after five years or later				
Loans from banks	–	176	–	–
Pension loans	302 679	299 679	201 039	198 039
	302 679	299 855	201 039	198 039
Loans from Group companies				
Accounts payable			41	790
Accrued expenses and deferred income			726	6 552
Other current liabilities			77 430	61 831
			78 197	69 173
13 CONTINGENT LIABILITIES				
Collateral for own loans				
Pledges	64 152	56 043	55 495	55 495
Mortgage on real estate	67 390	65 065	20 550	20 550
Collateral for other own group commitments				
Guarantees	–	–	103 438	80 504
Collateral for other own commitments				
Guarantees	623	850	–	–
Other collaterals				
Leasing liability	9 497	7 874	–	6 853
Repurchase liability	1 001	2 622	–	2 303
Pension liability	8 420	10 361	7 640	8 072
Other liability	9 272	2 489	–	1 777
Total				
Pledges	64 152	56 043	55 495	55 495
Mortgage on real estate	67 390	65 065	20 550	20 550
Guarantees	623	850	103 438	80 504
Pension liability	8 420	10 361	7 640	8 072
Other liability	19 770	12 985	–	10 933
	160 355	145 304	187 123	175 554

Helsinki, 27 February 1998

Dieter Aminoff　　Edward Andersson　　Christian Westerlund

Stig Gustavson　　Philip Aminoff

Auditors' Report

To the shareholders of Oy Helvar Merca Group Ab

We have audited the accounting records, the financial statements and the administration of Oy Helvar Merca Group Ab for the financial year 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 Managing Director. Based on our audit we express an opinion on these financial statements and on the administration.

We have conducted the audit in accordance with generally accepted 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. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration 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 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 prescribed 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 including the 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 financial year audited by us. The appropriation of profits proposal by the Board of Directors is in compliance with the Companies Act.

Helsinki, 16 March 1998

Joe Sundholm
Authorised Public Accountant

Kim Karhu
Authorised Public Accountant

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