



Only genuine added value makes a difference

The goal of Machinery Ltd is to be the leading company in its field in Finland and, in step with international technological development, to promote the competitiveness of its chosen customers by creating value added.

In the constantly changing European markets, each link of the sales chain will have to adopt an increasingly critical attitude when assessing whether or not its operations create real added value. In terms of trade in the technology sector, added value is perceived as measures that sharpen the customer's competitive edge. We want to guarantee customer satisfaction in this area, too, and pay close attention to our customers' wishes and needs. These will form the foundation for our development project. The ISO 9002 quality certificate we received in 1994 provides a guideline for the project, in Finland and abroad. Fast, reliable deliveries are something we consider merely a starting point in our operations, not a competitive asset.

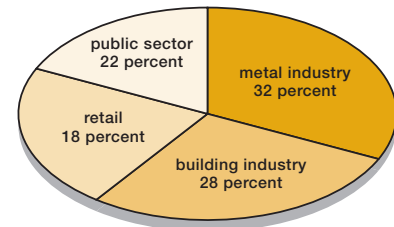
Machinery Ltd's future strategy is to make a determined effort to reshape our operations

and our image from a traditional distributor to an expert organisation specialised in trade in the technology sector. As the leading company in our line of business, we aim to provide an unbeatable alternative for decision-makers involved in industrial production and public administration. We believe in management by quality, networking, and the JOT ideology, coupled in such a way as to make everyone feel they are a part of the learning organisation. Underlying these concepts is operational efficiency, which will help us excel in the next millennium.

We are grateful for your confidence.

Heikki Timonen
Managing Director

The parent company's customer base



Management Group:
Janne Timonen, Harry Rautiainen,
Risto Loisamo, Pirjo Venhola and
Heikki Timonen





Risto Loisamo
Marketing Director

Machine tools **We deliver full service**

By delivering carefully designed, complete systems, we can meet our customers' needs and help them improve their production efficiency. Systems that replace individual devices facilitate increased automation and, at the same time, the customer's entire production process from planning to execution will become more flexible.

Since we want to make sure that our customers get the proper benefit from their investment, we provide them with a full package, complete with installation service, introduction of the equipment, and user training. Reliable servicing and spare parts delivery are an important part of the full service package we offer.

Our offices in Vantaa, Turku and Tampere offer diverse, high-quality customer service.

The machine tools department offers the following product range

- *Standard machines*
- *Special purpose machines*
- *Sheet metal working machines*
- *Machining and turning centres*
- *Accessories for machines*

Our customers are

- *Machine and equipment manufacturers*
- *Subcontractors in the metal industry*
- *The public sector, institutes of technology*
- *Maintenance works*





Wood-working machinery

Individual machinery helps create unique products

In today's wood-working industry, machines must be able to switch flexibly from serial production to the manufacture of unique items. This requires a high degree of automation. Machinery Ltd has kept up with the progress, and has acquired a dealership for automatic fitting lines, varnishing lines, and numerical routers; all excellent tools for processing wood.

The wood-working department's product portfolio includes

- *Saw-doctoring machines*
- *Standard and special machines*
- *Surface finishing machines*

Our customer base covers

- *The sawmill industry*
- *The plywood and panel industry*
- *The carpentry industry*
- *The processing industry*





Jarmo Alppivuori
Department Manager

Contractors' machines **Versatility and flexibility from Liebherr**

For contracting purposes, we offer the world's finest, cutting-edge equipment from Liebherr. The equipment is highly versatile, and well-suited for contracting as for materials handling. Machinery's selection include the NPK product family, which is particularly well-known for its high-power hammers and compactors.

To guarantee continuous operational reliability for the equipment, our servicing and spare parts services are always readily available. To complement the service station in Vantaa, we have established a network of contract servicing points that covers the whole country.

The contractors' machines product range covers

- *Mobile and crawler excavators (also for industrial use)*
- *Wheel loaders*
- *Dozer tractors*
- *Hydraulic hammers*
- *Compactors*
- *Demolition and scrap shears*
- *Concrete crushers*
- *Sheet pilers*

Our customer base spans

- *Building companies*
- *Industrial plants*
- *Contractors*
- *Municipalities and cities*





Environmental machines

Environmental machines guarantee a clean future

Absolute reliability and flexibility are essential features of environmental machines. In addition, they need to be suited for several purposes, and proportioned to be in harmony with their environment. Machinery Ltd prides itself in offering new, more efficient machines and equipment that will help ensure a clean environment for the future generations as well.

The proper use of special machinery always requires detailed consultation, instructions and guidance. At Machinery, each sales person specialised in environmental machines is familiar with not only the technical features of the equipment, but also with the practical working methods.

Catering to the needs of our customers is a key priority for us, therefore we have focused on spare parts service. To guarantee full operational reliability of the machinery, we offer maintenance and service assistance everywhere in Finland.

The environmental machines department offers the following product selection

- *Municipal machines*
- *Compact sweepers*
- *Mini excavators*
- *Loaders*
- *Spreaders and road sprayers*
- *Bucket brushes*

Our customers include

- *Public administration*
- *Environmental and service companies*
- *Parishes*





Seppo Reijonen
Department Manager

Road construction machines **A strong partner can pave the way**

Expanding and improving our product range is constantly a key objective in our business operations. We have acquired a dealership for new products, including a British asphalt paver, road-marking equipment, and traffic-counting equipment.

High demand in the near markets

Our services cover Finland and all the Baltic countries, and we have agents in St. Petersburg, Moscow and Kiev.

The road construction department's product range comprises

- Asphalt plants and pavers
- Rollers, vibrating plates
- Asphalt saws
- Mastic asphalt mixers
- Concrete pavers
- Road-marking equipment
- Speed display and traffic-counting equipment
- Bitumen sprayers and road patching equipment

Our customers are

- Asphalt makers
- The Finnish National Road Administration
- Cities and municipalities



Raimo Laaksonen
Export Manager





Construction machines

An open mind is a key to functional solutions

Besides finding new alternatives for use in construction machinery and equipment, we also aim to provide solutions for a variety of restoration projects, and to tackle the servicing problems of industry, shipyards and power plants. Customers in the domestic market as well as in western Russia and the Baltic countries rely on this service.

The construction department's products include

- *Submersible pumps*
- *Concrete machines and equipment*
- *Hoists, aerial platforms and goods/passenger hoists*
- *Vibrating plates*
- *Scaffolding*
- *Goods lifts*
- *Main distribution boards*
- *Rubbish chutes*
- *Construction saws*
- *Reinforcement steel benders and cutters*

Our customer base comprises

- *Building companies*
- *Construction machinery rentals*
- *Industrial maintenance units*
- *Shipyards*
- *Power plants*





Jouko Gullstén
Director

Aviation and defence equipment **State-of-the-art technology for national defence**

Our business principles are uncompromising: we rely solely on internationally-acknowledged top names. Our principals include Rolls-Royce, British Aerospace and GEC-Marconi. As these companies are leaders in their selected business areas, our product portfolio keeps growing all the time.

Our aviation product line comprises

- Aircraft
- Helicopters
- Gas turbines
- Radar
- Flight simulators and training systems
- Navigation and landing systems
- Light accessories and rescue equipment

The defence technology line includes

- Weapons and missiles
- Ammunition
- Image intensifiers
- Thermal cameras
- Laser equipment
- Location equipment
- Bearing devices
- Receivers and transmitters
- Vehicles and accessories

Our clientele comprises

- The Finnish Army, Navy and Airforce
- The Finnish Frontier Guard
- The Finnish Civil Aviation Administration
- Public administration
- Aviation companies



Kari Höglund
Department Manager





Electronics and security equipment **Hi tech security solutions**

Demand for security devices will increase steadily in the future. Our objective is to work on improving existing systems, so that we will be able respond to our customers' security needs in rapidly changing circumstances. We are already preparing ourselves for the challenges of the 21st century.

The electronics product range covers

- *Jet engine monitoring systems*
- *Aviation ground control devices, power supplies and parameters*
- *Haulage and handling equipment*
- *Information systems*

The selection of security equipment includes

- *Outdoor surveillance systems*
- *Display and control systems*
- *Fence disturbance sensors*
- *Infra-red illuminators*
- *Security screening systems*
- *Walk-through metal detectors*
- *Video links and coding devices*
- *Movable surveillance systems*

Our clientele comprises

- *The National Board of Customs*
- *Parliament*
- *Prisons*
- *The Finnish Civil Aviation Administration*
- *Industry*





Reima Särkijärvi
Department Manager

Norton abrasives Pioneering solutions

An increasingly large number of companies turn to Machinery Ltd for versatile abrasives. To provide the growing number of customers with better services, we have expanded our product selection to include Norton's polishing products and Avos' fibre discs.

We work in close co-operation with ton, a company in the world-wide Saint-Gobain Group. This benefits our customers in a number of ways: they get state-of-the-art products, and the latest solutions created as a result of on-going product development.

Our selection of abrasives comprises Norton's

- Bonded abrasives
- Coated abrasives
- Super abrasives
- Thin wheels and
- Bear-tex surface finishing products

Our customers include

- Several industries





Servicing and maintenance **The final touch**

Machinery Ltd's dealership includes repairing and servicing the machines and equipment it sells. Our repair shop has a team of skilled mechanics who are ready to help with any problem at hand. Furthermore, we have trained special staff who are responsible for servicing the diesel engines and the wood and metal-working equipment. Our regional offices have their own, highly efficient service units. Our service network also includes vans to provide assistance even under the toughest, most demanding circumstances. In addition, we buy services from several dealership service companies.

Materials handling

Cost-effectiveness is the essential element

Machinery Ltd is located in Vantaa, which in itself is an asset: the major harbours and the Helsinki-Vantaa airport are just a short drive away from the adjacent Ring Road III. Moreover, Ring Road III offers access to all of Finland's arterial roads. Our yard is well-suited for large trailer lorries and vans, and the spacious and ingeniously designed warehouse uses the latest warehousing technology.

Automated solutions and our personnel's high level of expertise ensure smooth materials traffic and cost-effective operations.

The reliability factor for our deliveries in 1997 was as high as 99.89%.

Our warehousing facilities consist of

- A warehousing area of 4,500 m², with a cubic content of 66,650 m³
- A warehouse shelving system of 5,400 pallet slots
- 8,245 metres of small-tool shelving capacity
- The latest warehousing technology: paternoster shelving units, and induction-guided combi trucks and high-level order-picking trucks.

Raimo Valtari
Department Manager





Arto Rautiainen
Department Manager

Cummins diesel engines When operational reliability counts

Generators secure the reliability of operations in a variety of institutions, from hospitals to electricity plants. In such institutions, generators must be able to perform flawlessly regardless of the situation, making reliability the key criteria for the equipment. This is why Machinery Ltd offers nothing but carefully tested Cummins equipment, from engines to heavy-duty filters. Our extensive product range includes all the machinery and equipment any group of users may need: for fishermen, we provide engines for their boats; for shipyards, we supply ships' engines, and for production plants, we furnish generators to secure their energy supply.

In addition to a wide variety of Cummins products that meet the strictest quality criteria, we also offer an extensive service network and fast spare part delivery.

The diesel engine product portfolio includes Cummins

- Diesel engines
- Generating sets
- Gas engines and
- Fleetguard filters

Our customers include

- Hospitals
- Power plants
- Industry
- Shipyards
- Boaters
- Fishermen





Marine and industrial equipment Precision tuning

In an increasingly technological society, controlling devices and cables are constantly faced with new challenges. We appreciate the extreme demands of our customers, and satisfy them with Morse control systems and cables that represent the highest international standards. Our sonar and GPS have also undergone vigorous testing. After all, we feel that actions speak louder than words when it comes to delivering quality and maintaining customer satisfaction.

The marine and industrial equipment department offers a product range covering

- Marine controls and steering systems
- Industrial remote control systems and cables
- Sonar and GPS

Our customers are

- Retailers
- Boatyards
- Manufacturers of moving equipment
- Industry
- Professional fishermen
- Boaters





Ansatie 5 • P. O. Box 560 • FIN-01741 Vantaa, Finland
tel. +358 9 89 551 • fax +358 9 890 230 • www.machinery.fi • e-mail: firstname.surname@machinery.fi

Vajossuonkatu 8 • P. O. Box 734
FIN-20361 Turku, Finland
tel. +358 2 276 4444
fax +358 2 238 8963

Etu-Hankkion katu 18 • P. O. Box 14
FIN-33701 Tampere, Finland
tel. +358 3 363 3000
fax +358 3 363 3656

Rautionkatu 2
FIN-90400 Oulu, Finland
tel. +358 8 312 1482
fax +358 8 312 1483

Sammonkatu 7
FIN-70500 Kuopio, Finland
tel. +358 17 261 8300
fax +358 17 261 9332

Subsidiaries

Lelumyynti Oy
Valimotie 4 • FIN-00380 Helsinki, Finland
tel. +358 9 560 7260 • fax +358 9 558 281

Oy Scan-Marine Ab
Apollonkatu 3 C 17
P. O. Box 591 • FIN-00101 Helsinki, Finland
tel. +358 9 454 2500 • fax +358 9 4542 5025

Tampereen Konepalvelu Oy
FIN-37550 Moisio, Finland
tel. +358 3 342 4100 • fax +358 3 342 4111
www.tampereenkonepalvelu.fi

Associated company

AS Tallmac
Mustamäe tee 44/46 • EE-0006 Tallinn, Estonia
tel.+372 656 2999 • fax +372 656 2855

**REPORT ON THE OPERATIONS
OF MACHINERY LTD
IN 1997**



THE EXTERNAL BUSINESS ENVIRONMENT

Finland's economy was able to meet all the EMU criteria in 1997. The fiscal deficit decreased to FIM 5.9 billion, and the government deficit to FIM 25.1 billion. The total output in Finland increased by 5.9% last year. The building and service sectors experienced steady growth throughout the year. During the last quarter, exports and industrial production in particular increased sharply. Economic growth was distributed evenly between net exports, private consumption and private investments. Investments in the manufacturing industry began to decline in 1997, after three years of sustained growth. One of the principal reasons for this was the sharp reduction in large-scale investments in the paper industry. The current account surplus was as high as FIM 34 million, which was an indication of the low level of investments.

According to economic surveys, business prospects are good, as far as Machinery Ltd is concerned. The building industry is estimated to grow by 16.8 percent, and the mechanical engineering and metal industry by 13.0 percent. Interests are expected to remain fairly stable, which provides companies with a good opportunity to carry out investments required for growth.

THE BUSINESS OPERATIONS OF MACHINERY LTD

The parent company's turnover totalled FIM 193.5 million (1996: 247.6), and the consolidated turnover FIM 290.2 million (331.3). Consolidated profits increased to FIM 13.9 million (12.6), and FIM 30.3 million worth of repayments on interest-bearing liabilities were made during the year. The decrease in the parent company's turnover and profit margin could be largely attributed to two major factors: firstly, we had to relinquish the marketing of compressed-air equipment after the client established its own marketing company, and secondly, we continued our dedicated efforts to become an expert organisation instead of a distributor, which involved selling part of the Tools business unit's operations.

Machinery's organisation was re-arranged into eleven profit centres, with the objective to gain deeper understanding and expertise in selected product ranges, and to get closer to customers. We began our expansion into new areas by purchasing the generator sales business from Scan Auto, and by acquiring new clients, particularly manufacturers in the security product and the laser and water-jet cutting technology sectors.

Invoicing by customers' line of business can be divided into seven segments, with industry accounting for 35% of invoicing, public administration 13%, building and real estate services 18%, trade and commerce 12%, retail 6%, research and education 4%, and other lines of business 12%.

Development work in accordance with the European Quality Award criteria continued, and the required self-assessment round was carried out for the second time. The personnel were actively involved in perfecting the new operational model, in which one organisational level was removed, and the roles of key processes were specified in more detail. A decision concerning the modernisation of the data processing system was made to introduce all areas of the new systems by the end of 1998.

Other Group companies engaged in business activities are:

| | Turnover, FIM million | |
|---------------------------------|-----------------------|------|
| | 1997 | 1996 |
| Lelumyynti Oy J. Otonkoski | 49.0 | 40.3 |
| Tampereen Konepalvelu Oy | 45.3 | 38.8 |
| Tampereen Työstökonevuokraus Oy | 0.3 | 0.4 |
| Oy Scan-Marine Ab | 2.5 | 4.6 |
| A/S Tallmac (50%) | 35.7 | 37.4 |

All subsidiaries turned a profit.

The Group also comprises 7 real estate companies.

PERSONNEL AND SALARIES

The parent company, Machinery Ltd, employed an average of 114 (1996:142) people during the financial year, while the entire Group employed 155 (1996:185) people.

Wages and salaries within the Group were paid as follows:

| | GROUP | | PARENT COMPANY | |
|---|-------------------|------------|-------------------|------------|
| | 1997 | 1996 | 1997 | 1996 |
| Managing Directors and members of the Board | 2,332,484 | 2,538,180 | 706,815 | 686,816 |
| Bonuses | 302,524 | 84,600 | | - |
| Other wages, salaries and remunerations | 26,949,270 | 32,430,573 | 19,988,966 | 25,886,896 |

OUTLOOK

The balanced growth of the Finnish economy provides trade in the technology sector with good potential for growth. In our new organisation, each unit has drawn up an action plan in accordance with the European Quality Award criteria. In consultation with customers, the business units have made plans on how to ensure growth of our market share in the rapidly changing markets. Key priority areas in 1998 include marketing training, introduction of the modernised data system and preparations for introducing the new currency, the Euro. We anticipate an almost 20% growth in the parent company, and plan to repay FIM 16 million worth of interest-bearing liabilities.

BOARD OF DIRECTORS

At the Annual General Meeting of Machinery Ltd, Mr. Janne Timonen, M.Sc. (Econ.), and Mr. Juha Timonen, Diploma In BA, were elected new members of the Board of Directors. They will replace Mr. Heikki Timonen and Mr. Pyry Timonen, respectively.

The following continued as members of the Board of Directors:

| | | |
|------------------|-----------------|---------------|
| Juhani Otonkoski | M.Sc. (Pol.Sc.) | Chairman |
| Pekka Linnainmaa | M.Sc. (Econ.) | Vice Chairman |
| Juhani Suomela | M.Sc. (Econ.) | |

Mr. Heikki Timonen, M.Sc. (Econ.) continued as Managing Director.

AUDITORS

SVH Coopers & Lybrand Oy Authorised Public Accountants

PROPOSAL ON THE DISTRIBUTION OF PROFIT

The Board of Directors proposes that the financial year's profit, FIM 9,105,438.18 be transferred on a profit and loss account, and that no dividend be paid.

PROFIT AND LOSS ACCOUNT FIM thousands

| | Group | | Parent Company | |
|---|----------------|---------|----------------|---------|
| | 1997 | 1996 | 1997 | 1996 |
| Turnover | 290,169 | 331,280 | 193,509 | 247,650 |
| Other operating income | 9,069 | 7,736 | 8,709 | 7,547 |
| Variable costs | | | | |
| Materials, supplies and goods | | | | |
| Purchases during the financial period | 201,778 | 228,685 | 141,777 | 168,211 |
| Increase (-)/decrease (+) in stocks | 7,121 | 4,913 | 1,113 | 9,019 |
| External services | 1,663 | 1,450 | 1,663 | 1,450 |
| | 210,562 | 235,049 | 144,553 | 178,681 |
| Gross margin | 88,676 | 103,967 | 57,664 | 76,516 |
| Fixed costs | | | | |
| Personnel costs | 36,307 | 43,170 | 25,852 | 32,940 |
| Rents | 8,375 | 8,718 | 7,391 | 8,261 |
| Other fixed costs | 24,417 | 23,754 | 15,026 | 16,124 |
| | 69,099 | 75,642 | 48,269 | 57,325 |
| Operating profit before depreciation | 19,577 | 28,326 | 9,395 | 19,191 |
| Depreciation on fixed assets and other long-term expenditure | 4,649 | 4,917 | 2,381 | 2,644 |
| Operating profit | 14,928 | 23,409 | 7,014 | 16,547 |
| Financial income and expenses | | | | |
| Dividend income | 17 | 67 | 15 | 256 |
| Interest income from long-term investments | 1,033 | 802 | 827 | 815 |
| Other financial income | 1,354 | 1,806 | 1,151 | 1,363 |
| Exchange rate gains and losses | 1,047 | -2,822 | 1,047 | -2,822 |
| Share of associated companies' profits | 536 | 495 | | |
| Interest expenses | -9,031 | -11,386 | -8,949 | -11,221 |
| Other financial expenses | -524 | -767 | -488 | -713 |
| | -5,567 | -11,804 | -6,397 | -12,322 |
| Profit/loss before extraordinary items, provisions and taxes | 9,361 | 11,605 | 617 | 4,225 |
| Extraordinary income and expenses | | | | |
| Extraordinary income | 1,015 | 1,678 | | 1,698 |
| Group contribution | | | 11,528 | 8,670 |
| Extraordinary expenses | -3,240 | -843 | -3,240 | -33 |
| | -2,225 | 834 | 8,288 | 10,334 |
| Profit/loss before provisions and taxes | 7,136 | 12,440 | 8,905 | 14,559 |
| Increase (-)/decrease (+) in depreciation difference | -384 | -220 | 238 | 127 |
| Increase (-)/decrease (+) in voluntary provisions | 9,611 | 500 | | |
| Direct taxes | | | | |
| For the financial period | -2,513 | -144 | -96 | -52 |
| For previous financial periods | 59 | 92 | 59 | 113 |
| | -2,455 | -52 | -37 | 61 |
| Profit/loss for the financial period before minority interest | | | | |
| Minority interest of the profit/loss for the financial period | 13,908 | 12,668 | | |
| | -15 | -30 | | |
| Profit/loss for the financial period | 13,893 | 12,638 | 9,105 | 14,747 |

BALANCE SHEET in FIM thousands

| ASSETS | 31.12.1997 | Group 31.12.1996 | 31,12,1997 | Parent Company 31,12,1996 |
|---|-------------------|---------------------|-------------------|------------------------------|
| FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS | | | | |
| Intangible assets | | | | |
| Intangible rights | 443 | 470 | 60 | 60 |
| Goodwill | 6 | 12 | | |
| Consolidated goodwill | 1,957 | 3,379 | | |
| | 2,406 | 3,861 | | |
| Tangible assets | | | | |
| Land and water | 7,798 | 7,890 | 133 | 133 |
| Buildings and constructions | 78,350 | 78,672 | | |
| Machinery and equipment | 8,551 | 9,559 | 6,065 | 7,352 |
| Other tangible assets | 1,045 | 824 | 462 | 267 |
| Advance payments | 758 | | 758 | |
| | 96,503 | 96,944 | 7,418 | 7,752 |
| Fixed asset securities and other long-term investments | | | | |
| Shares in associated companies | 3,439 | 2,903 | 875 | 875 |
| Shares in subsidiaries | | | 59,893 | 59,893 |
| Shares and interests | 6,720 | 6,703 | 5,311 | 5,309 |
| | 10,158 | 9,606 | 66,078 | 66,076 |
| CURRENT ASSETS | | | | |
| Inventories | | | | |
| Goods | 38,708 | 45,829 | 24,650 | 25,763 |
| Other inventories | | 100 | | 100 |
| Advance payments | 913 | 678 | 565 | 464 |
| | 39,621 | 46,607 | 25,216 | 26,328 |
| Receivables | | | | |
| Accounts receivable | 42,637 | 51,621 | 23,498 | 38,619 |
| Loans receivable | 12,076 | 14,392 | 105,023 | 107,092 |
| Accrued income and prepaid expenses | 3,577 | 5,328 | 3,438 | 3,527 |
| Other receivables | 64 | 3,703 | | |
| | 58,354 | 75,043 | 131,959 | 149,238 |
| Cash in hand and at banks | 19,410 | 14,780 | 1,051 | 1,059 |
| | 226,453 | 246,841 | 231,783 | 250,513 |

BALANCE SHEET FIM thousands

| | Group | | Parent Company | |
|---|----------------|------------|----------------|------------|
| LIABILITIES | 31.12.1997 | 31.12.1996 | 31.12.1997 | 31.12.1996 |
| SHAREHOLDERS' EQUITY | | | | |
| Restricted equity | | | | |
| Share capital | 9,000 | 9,000 | 9,000 | 9,000 |
| Capital loan | 27,000 | | 27,000 | |
| Non-restricted equity | | | | |
| Contingency fund | 19 | 19 | 19 | 19 |
| Profit/loss from the previous financial periods | -12,516 | -25,154 | 12,669 | -2,078 |
| Profit for the financial period | 13,893 | 12,638 | 9,105 | 14,747 |
| | 1,396 | -12,496 | 21,794 | 12,688 |
| MINORITY INTEREST | 74 | 59 | | |
| PROVISIONS | | | | |
| Accumulated depreciation difference | 3,238 | 2,853 | 1,615 | 1,854 |
| Voluntary provisions | | | | |
| Investment provision | | 5,731 | | |
| Other provisions | | 3,880 | | |
| | | 9,611 | | |
| LIABILITIES | | | | |
| Long-term liabilities | | | | |
| Loans from financial institutions | 67,899 | 103,327 | 67,899 | 103,239 |
| Pension loans | 34,517 | 5,180 | 33,527 | 4,115 |
| Capital loan | | 27,000 | | 27,000 |
| | 102,416 | 135,507 | 101,426 | 134,355 |
| Current | | | | |
| Loans from financial institutions | 31,592 | 59,047 | 31,456 | 58,872 |
| Pension loans | 3,614 | 390 | 3,588 | 310 |
| Advances received | 4,159 | 2,382 | 3,334 | 1,530 |
| Accounts payable | 25,210 | 25,487 | 19,345 | 20,462 |
| Accrued liabilities and prepaid income | 18,272 | 14,255 | 13,106 | 11,332 |
| Other current liabilities | 481 | 746 | 118 | 111 |
| | 83,329 | 102,306 | 70,948 | 92,616 |
| | 226,453 | 246,841 | 231,783 | 250,513 |

CONSOLIDATED FUNDS FLOW STATEMENT

1.1.-31.12.1997

1.1.-31.12.1996

SOURCE OF FUNDS

From operations

| | | |
|---------------------------------------|---------------|--------|
| Net profit | 13,893 | 12,638 |
| Depreciation | 4,649 | 4,917 |
| Change in provisions | -9,227 | -280 |
| Total funds from operations | 9,314 | 17,275 |
| Revenue from the sale of fixed assets | 1,176 | 2,329 |
| Change in shareholders' equity | 0,00 | -29 |
| | 10,491 | 19,575 |

APPLICATION OF FUNDS

| | | |
|-----------------------------------|---------------|--------|
| Decrease in long-term liabilities | 6,090 | -2,982 |
| Investments | 4,483 | 4,428 |
| Change in minority interest | -15 | 90 |
| | 10,558 | 1,536 |

CHANGE IN NET WORKING CAPITAL

| | | |
|--|---------------|--------|
| | -67 | 18,039 |
| | 10,491 | 19,575 |

Change in net working capital

| | | |
|----------------------------|----------------|---------|
| Cash in hand and at banks | 4,630 | -15,361 |
| Current financial assets | -16,689 | -10,218 |
| Inventories | -6,985 | -5,584 |
| Current liabilities | 18,977 | 49,203 |
| | -67 | 18,039 |
| Net working capital 1.1. | 34,124 | 16,085 |
| Net working capital 31.12. | 34,057 | 34,124 |

FUNDS FLOW STATEMENT FOR THE PARENT COMPANY

1.1.-31.12.1997

1.1.-31.12.1996

SOURCE OF FUNDS

| | | |
|---------------------------------------|---------------|--------|
| From operations | | |
| Net profit | 9,105 | 14,747 |
| Depreciation | 2,381 | 2,644 |
| Change in provisions | -238 | -127 |
| Total funds from operations | 11,248 | 17,264 |
| Revenue from the sale of fixed assets | 709 | 1,509 |
| Increase in long-term liabilities | -5,928 | 3,237 |
| | 6,029 | 22,011 |

APPLICATION OF FUNDS

| | | |
|-------------------------------|--------------|--------|
| Investments | 2,758 | 8,021 |
| Change in net working capital | 3,271 | 13,990 |
| | 6,029 | 22,011 |

CHANGE IN NET WORKING CAPITAL

| | | |
|---------------------------|----------------|---------|
| Cash in hand and at banks | -8 | -15,693 |
| Current financial assets | -17,278 | -4,740 |
| Inventories | -1,112 | -10,427 |
| Current liabilities | 21,669 | 44,850 |
| | 3,271 | 13,990 |

| | | |
|----------------------------|---------------|--------|
| Net working capital 1.1. | 84,008 | 70,018 |
| Net working capital 31.12. | 87,279 | 84,008 |

ACCOUNTING POLICY APPLIED IN THE CONSOLIDATED ACCOUNTS

Scope of the consolidated accounts

The consolidated accounts cover all the Group companies and the associated company.

Accounting principles applied in the consolidated accounts

The consolidated accounts have been prepared using the acquisition cost method. The price paid for subsidiaries' shares that exceeds the shareholders' equity has been entered partly under fixed assets and partly under consolidated goodwill. In the accounts, FIM 1,603,197 worth of purchase price entered under consolidated goodwill and fixed asset items has been written off.

Internal transactions

The Group's internal transactions, internal receivables and liabilities as well as distribution of profits within the Group have been eliminated.

Minority interests

Minority interests have been separated from the consolidated shareholders' equity and presented as an independent item.

Associated company

The associated company has been consolidated using the equity method. The Group's share of the associated company's profit for the financial period is shown under financial income, under "share of associated companies' profits".

Extraordinary income and expenses

Extraordinary expenses include exchange rate liabilities involved in the repayment of the capital loan in 1996 and 1997.

Inventories

Inventories have been valued at the direct acquisition cost calculated in accordance with the average price principle.

Receivables and liabilities denominated in foreign currency

Receivables and liabilities denominated in foreign currency have been valued at the average rate quoted by the Bank of Finland on the closing day. Unrealised foreign exchange gains have not been booked as income.

Capital loans

The principal financier has granted Machinery a capital loan of FIM 27 million, which is a convertible loan against shareholders' equity. Unlike in the previous years, the loan capital has been entered in the balance sheet as a separate item under shareholders' equity, as required by the new Companies' Act.

Extraordinary expenses

Extraordinary expenses include exchange rate liabilities involved in the repayment of the capital loan in 1996 and 1997, a total of FIM 3,240,000.00.

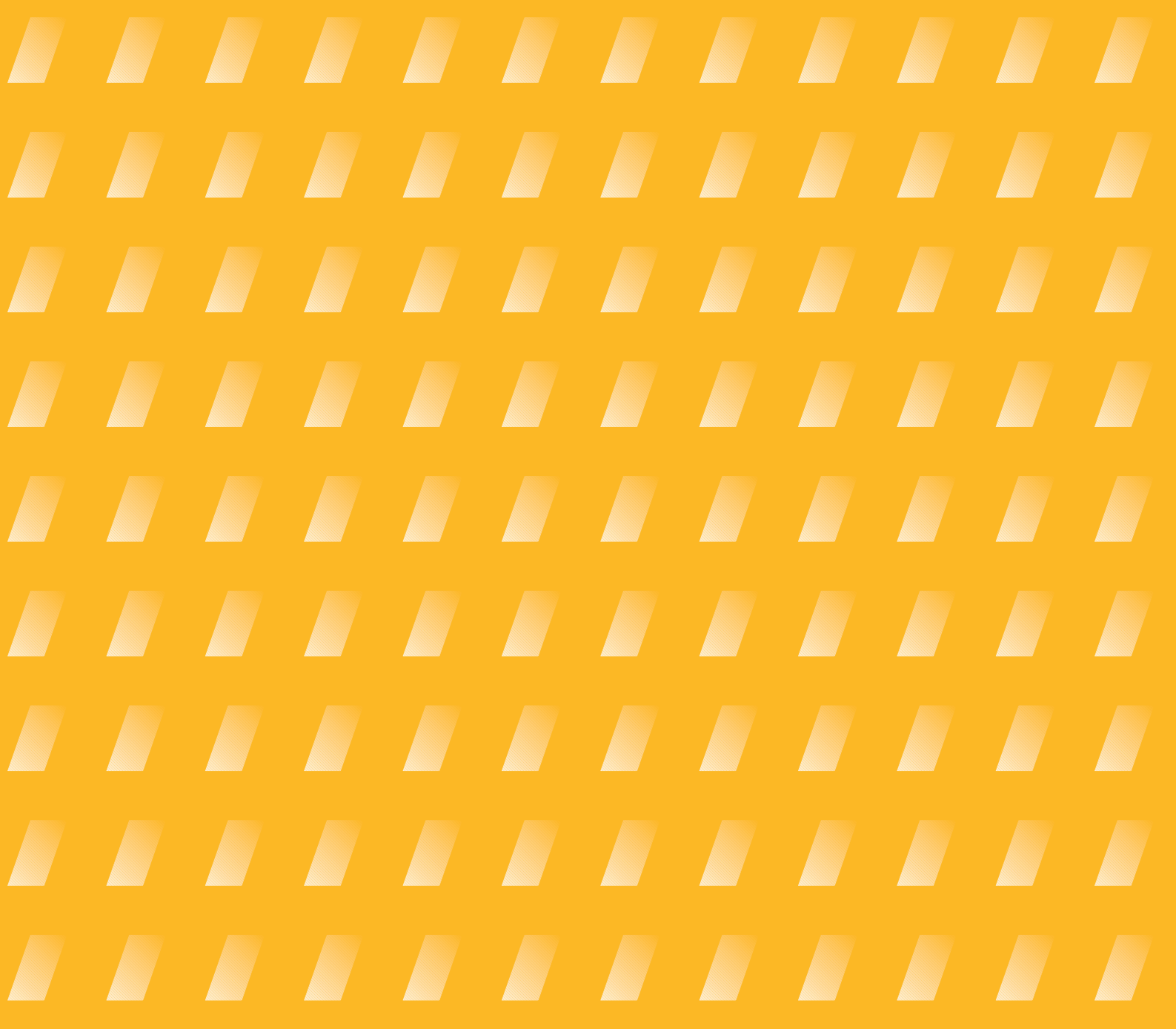
Helsinki, 25 March 1998

Board of Directors

| | |
|------------------|--------------------------------------|
| Juhani Otonkoski | Pekka Linnainmaa |
| Juha Timonen | Juhani Suomela |
| Janne Timonen | Heikki Timonen, Managing Director |

Auditors

SVH Coopers & Lybrand Oy



MACHINERY LTD

Ansatie 5, P. O. Box 560, FIN-01741 Vantaa, Finland, tel +358 9 89 551, fax +358 9 890 230, www.machinery.fi