ANNUAL REPORT **1997**

METRA

METRA CORPORATION

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INFORMATION FOR SHAREHOLDERS

Annual General Meeting

The Annual General Meeting of Metra Corporation will take place in the Congress Wing of the Helsinki Fair Centre on Monday 23 March 1998, beginning at 4 p.m.

Shareholders who have registered themselves no later than 18 March 1998 in the Company's shareholder register maintained by the Finnish Central Securities Depository Ltd. may attend the AGM. Shareholders whose shares have not been transferred to the book-entry securities system may also attend the AGM on condition that such shareholders were registered in the Company's shareholder register before 26 February 1993. In such a case, shareholders must present at the AGM their share certificates or other evidence that their shareholding rights have not been transferred to the book-entry securities system.

Shareholders wishing to attend the AGM must notify the Company by 19 March 1998 4 p.m. either by letter addressed to Metra Corporation, Share Register, P.O.Box 230, FIN-00101 Helsinki, Finland, or by telephone, +358-9-7095 338/Mrs Aila Aho.

Letters authorizing a proxy to exercise a shareholder's voting right at the AGM should be sent to the Company before the notification period expires.

Payment of Dividend

The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 2.75 per share be paid on the 1997 financial period. The record date for dividend payment is 26 March 1998, and the dividend payment date is 31 March 1998, should the Board's proposal be approved.

Shareholders cannot be paid a dividend until they have transferred their shares to the book-entry securities system.

Annual Report 1997

This Annual Report is also available in Finnish and Swedish. The Annual Reports of Metra´s divisions Wärtsilä NSD, Sanitec and Imatra Steel are available in English.

Interim Reports 1998

Metra Corporation will publish a four-month Interim Report on 10 June and an eight-month Interim Report on 8 October.

DEAR SHAREHOLDERS

The Metra Group's net sales rose 31% to FIM 15.3 billion. Acquisitions contributed 10% and organic growth 21% to this increase. The profit after net financial items decreased from FIM 894 million to FIM 394 million. Bearing in mind that the 1996 result included non-recurring gains totalling FIM 278 million, whereas the 1997 result was burdened by non-recurring costs of FIM 82 million, our result of operations in fact decreased by FIM 140 million. Return on equity was 6.7%, which was well below our target of 15%. The deterioration in profits is due entirely to Wärtsilä NSD. Sanitec, Imatra Steel and our associated company Assa Abloy all performed well.

Wärtsilä NSD's negative performance has three reasons. First, the merger of the business operations and organizations of Wärtsilä Diesel and New Sulzer Diesel to form Wärtsilä NSD gave rise to costs totalling FIM 182 million. However, we regard these costs as investments with a short payback period.

Second, the renewal of our engine portfolio and manufacturing capabilities created some unpredicted problems. Although the new engines have been warmly welcomed by the market, we were not successful in staying within our budgeted costs and schedules. Nonetheless, it has been essential to modernize the engine portfolio and factories, despite the high cost of these investments, and we have created a solid basis for future competitiveness.

The third reason for our weaker result relates to changes in the power plant markets. In Asia difficulties with the financing of several large power plant projects meant that we sold a large number of smaller plants. Our cost efficiency was weak in these projects, however, which reduced our margins. For this reason we are working at reducing project engineering costs through standardization and modular design.

The major internal changes, coupled with the establishment of Wärtsilä NSD, placed a heavy strain on the organization with the result that we were not able to handle all matters in the ideal manner. Nevertheless, I am convinced that our new strategic position and the changes we have made provide a solid basis for a clear improvement in profitability.

Sanitec continues to perform well. Our strategy of local sales and marketing, integrated production, manufacturing in focused factories and low production costs, has proved justified. Our heavy investments in Poland have been successful. The efficiency and quality levels of our new Polish factories, which were built to very tight timetables, bear comparison with any in the Sanitec division. Our jointly owned Lecico and Johnson Suisse companies open the doors for us to expand in new and rapidly growing markets. Imatra Steel with its strategy of specialization and continuous improvement has demonstrated that a small steel company can be profitable as well. Our associated company Assa Abloy has shown impressive growth and has been a forerunner in restructuring of the locking markets. The value of our investment increased during the year by more than one billion Finnish marks.

Despite the setbacks we experienced last year Metra's position is strong and the Group is a leader in its businesses. The focus of our attention is now on raising Wärtsilä NSD's profits and cash flow. We will offset the uncertainty in Asia by increasing our resources to countries which are outside the crisis areas. Our target for Sanitec is to enhance its strategic position while maintaining its increased profitability.

To our shareholders and customers I extend my sincere gratitude for their continued confidence in our company. Our aim is to keep the Metra share an attractive investment. To do this, we must offer our customers products and services which create added value. Let me close by also thanking our committed employees, who work for the Group in 50 countries around the globe.

March 1998

Georg Ehrnrooth, President and CEO

METRA'S GOAL – GREATER VALUE FOR INVESTMENT

Metra's sub-groups now operate more independently than before. Wärtsilä NSD has a minority shareowner with a 12.2% holding. Sanitec is taking concerted action to build its own corporate identity and has two significant new joint ventures of its own: Lecico and Johnson Suisse. Metra's associated company Assa Abloy, with its rapid growth and sound financial performance, has significantly increased the Group´s value.

Metra takes an active role in the strategic management and goal-setting of its sub-groups. High quality products and services produce added value for their customers, and thereby further strengthen the Group's value to its shareholders and personnel.

Wärtsilä NSD's outlook after a heavy year

Wärtsilä NSD has improved its global strategic position, based on internal renewal and the formation of the new corporation from the merger of Wärtsilä Diesel and New Sulzer Diesel.

The creation of Wärtsilä NSD has increased resources and opportunities for further development. Sulzer´s strong name and its 100 years of experience have also opened new doors. The extension of cooperation between Wärtsilä NSD and Cummins strengthens our strategic position and improves our capabilities in the high-speed engine sector. We have achieved a strong position but the investment programmes, our efforts to gain benefit from the new synergies and, in particular, the introduction of the new engine types have taken more time than we expected and caused substantial costs. For this reason Wärtsilä NSD recorded a loss, which weakened the Group's consolidated result. However, we are keenly aware of the problems and are taking determined measures to eliminate them.

Wärtsilä NSD is now the world leader in its field. It offers a complete engine portfolio, the most modern products and factories in the market, a worldwide sales and service network, skilled personnel, and the strong Wärtsilä and Sulzer brand names. The focused manufacturing concept of the factories, coupled with the renewed engine line-up, are raising production efficiency and the competitiveness of the products.

We will now focus on gaining benefit from the strategic position we have achieved, improving our cost efficiency, and thereby our result and cash flow.

Sanitec's identity strengthened – targets for the future

Sanitec is a European leader in its sector in terms of both its profitability and strategic position. During the year Sanitec expanded beyond Europe and now ranks among the world's largest bathroom ceramics manufacturers. Sanitec, however, does not yet operate globally. This means that there is still plenty of potential for further development.

International expansion for Sanitec will require it to have a strong corporate image in addition to the strong brand names specific to certain countries. Sanitec's independent corporate image and organization are being further developed. We believe that bathroom companies will become more global and Sanitec intends to be part of this trend, without of course forgetting the importance of its existing markets. Eastern Europe offers especially high potential for expansion.

Imatra Steel – how will this company be developed within Metra?

Imatra Steel is a well established supplier of steels and steel components for the truck market in northern Europe. As a profitable company, its challenges are continuous improvement in its production processes and business operations, together with optimum utilization of its existing capacity. We have defined Imatra Steel's strategy to be concentration on a narrow product range in a limited market area.

Robert G. Ehrnrooth, Chairman, and Georg Ehrnrooth, CEO, discuss the Group's development.

The future of the Assa Abloy holding

Assa Abloy's value has risen rapidly and Metra has supported this growth by participating in the share issues necessary for the expansion of its business. In our view the company has further strong potential for growth and we regard Assa Abloy as an outstanding industrial investment.

Executive development

International corporations need talented executives able to operate globally as well. This is critical to Wärtsilä NSD's operation, and the need for such people will also increase in Sanitec as the company grows internationally. At the same time Sanitec also needs senior managers with special expertise in individual markets since its product brands are specific to different countries.

An important element of executive development is the Group's ability to offer attractive remuneration packages which at the same time support its strategic goals and commitment to raising corporate value. This is an important priority for Metra, and we will continue the work we have already started in this area.

Dividend policy

Metra's dividend policy is unchanged. We apply an active and stable dividend policy which reflects the Group's performance. In keeping with this principle, we paid an additional dividend last year based on an exceptional tax rebate. This year the Board of Directors will propose payment of the basic dividend without change. This decision is well founded, despite the weaker result, because profits were mainly affected by non-recurring items which create a basis for further positive performance.

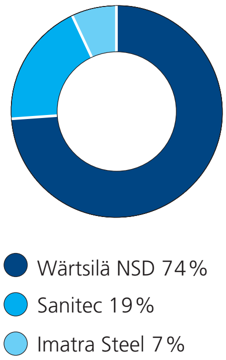
Asia – what impact will stock market and currency turbulence have?

The volatility in Asian currencies and stock markets which began in 1997 has cast uncertainty over Wärtsilä NSD's prospects among investors. The sharp devaluation of certain currencies in South East Asia will probably slow down imports to these countries but on the other hand will raise the competitiveness of production in these countries. Additional production, however, will depend on infrastructure investments, for example in power generation. Power needs in Asian countries are in any case large and the trend is towards small power stations, an area in which Wärtsilä NSD is making strong investments.

Nevertheless, it appears clear that the slowdown at the beginning of the year in the power markets of certain Asian countries with problems will continue. For this reason we have made investments in other regions to secure stable growth. We are confident, nonetheless, that in the long run Asia will remain a strongly growing market area.

METRA AT A GLANCE

NET SALES BY DIVISION 1997



Metra is a Finnish based industrial group. Its objective is to increase the value of its investments in globally leading businesses.

Wärtsilä NSD, Sanitec and the associated company Assa Abloy are among the global leaders in their markets. Imatra Steel holds a strong position in Scandinavia.

Net sales MFIM 15,297
Personnel 13,384
Subsidiaries in 50 countries

Highlights of 1997

- Metra´s result deteriorated. This was caused by restructuring in Wärtsilä NSD, larger than expected costs connected with the launch of new engines, and changes in the power plant markets.
- Foundation created for Wärtsilä NSD´s future competitiveness and performance.
- Sanitec raised profits and expanded outside Europe
- Imatra Steel´s profit improved.

Wärtsilä NSD – Power for Land and Sea

Wärtsilä NSD is a global engineering group offering its customers complete solutions for power generation and marine propulsion. The core activities are design, manufacturing, licensing, sales and service of Wärtsilä and Sulzer engines with output per unit ranging from 500 to 66,000 kW.

Net sales MFIM 11,288
Personnel 7,294
Products: Wärtsilä and Sulzer diesel and gas engines and power plants, propulsion packages for ships based on these engines.

Sanitec – The Bathroom at its Best

Sanitec is the leading bathroom ceramics company in Europe with a growing presence in the Middle East and South East Asia. Its local brands in ceramics and in other bathroom products are well established in their markets. The Evac group is a world leader in water-saving vacuum toilet systems.

Net sales MFIM 2,951
Personnel 4,824
Brand names: Allia, Ido, Ifö, Keramag, Kolo Porsgrund, Pozzi-Ginori, Scandispa, Evac.

Imatra Steel – Engineering Steel for Demanding Customers

Imatra Steel produces special engineering steels and steel products for the European automotive and mechanical engineering industries.

Net sales MFIM 1,039
Personnel 1,176
Products: Round, square and flat bars, crankshafts, front axle beams, leaf springs and tubular stabilizer bars.

FIVE YEARS IN FIGURES

		1997	1996	1995	1994	1993 10mths
Net sales	MFIM	15,297	11,660	10,617	10,108	9,433
of which outside Finland	%	95	96	94	94	93
Exports from Finland		5,292	4,747	4,068	3,605	2,767
Personnel on average		13,704	11,986	11,714	11,676	15,668
of which in Finland		3,701	3,603	3,679	3,377	4,300
From the income statement						
Operating profit before depreciation		1,343	1,561	1,437	1,272	984
as a percentage of net sales	%	8.8	13.4	13.5	12.6	10.4
Depreciation		566	457	452	429	436
Operating profit		777	1,104	985	843	548
as a percentage of net sales	%	5.1	9.5	9.3	8.3	5.8
Share of profits/losses in associated companies		–81	–22	+15	+27	+8
Net financial items		–302	–188	–205	–221	–278
as a percentage of net sales	%	–2.0	–1.6	–1.9	–2.2	–2.9
Profit/loss after net financial items		394	894	795	649	278
as a percentage of net sales	%	2.6	7.7	7.5	6.4	2.9
Profit/loss after extraordinary items		393	927	741	623	212
as a percentage of net sales	%	2.6	8.0	7.0	6.2	2.2
Profit for the financial year		244	724	479	385	61
From the balance sheet						
Fixed assets		6,210	5,141	4,815	4,858	5,618
Inventories		3,500	2,739	2,601	2,240	2,830
Receivables		4,871	3,820	3,653	3,112	3,607
Cash and bank balances		728	516	449	714	920
Shareholders' equity		4,590	4,342	3,836	3,515	2,561
Minority interests		523	190	181	287	343
Preferred capital notes		-	464	436	474	578
Provisions		576	479	475	396	433
Interest-bearing liabilities		4,734	2,921	2,735	2,927	5,387
Non interest-bearing liabilities		4,886	3,820	3,854	3,325	3,673
Balance sheet total		15,309	12,216	11,517	10,924	12,975
Funds generated from operations		875	1,141	931	845	529
Gross capital expenditure		1,680	1,331	1,113	829	776
as a percentage of net sales	%	11.0	11.4	10.5	8.2	8.2
Research and development expenses		556	341	310	272	259
as a percentage of net sales	%	3.6	2.9	2.9	2.7	2.7
Dividends paid for the financial year		148[1]	229	148	108	75
Financial ratios						
Earnings per share (EPS)	FIM	5.46[2]	11.32	9.89	7.22	2.55
Dividend per share	FIM	2.75[1]	4.25	2.75	2.00	1.40
Dividend per earnings	%	50.4[1]	37.5	27.8	27.7	25.4
Interest coverage		2.9	4.2	3.9	3.1	2.4
Return on investment (ROI)	%	10.0	17.4	16.9	14.5	10.3
Return on equity (ROE)	%	6.7	17.6	17.0	14.0	7.0
Solvency ratio	%	35.0	38.0	36.4	35.7	23.2
Net gearing		0.78	0.63	0.70	0.70	1.73
Equity per share	FIM	72	68	58	52	47

[1]*Proposal of the Board of Directors.*

[2]*Fully diluted EPS for 1997 is FIM 5.39.*

Metra adopted the calendar year as its financial year from the beginning of 1994. The figures for 1993 presented here are for the official financial period March-December.

The rules for calculating financial ratios are given on page 36.

Historical key figures have been adjusted for the 1997 bonus issue.

Key share figures are presented in more detail on page 10.

SHARES AND SHAREHOLDERS

SHARE INFORMATION

	Series A	Series B
Share lot	100	100
Taxation[1]	88 FIM	87 FIM

[1] *Value per share in 1997*

Metra Corporation's shares are listed on the Helsinki Stock Exchange. Metra's shares are also traded in the SEAQ (Stock Exchange Automatic Quotation) system on the London Stock Exchange.

The share capital of Metra Corporation is minimum FIM 500 million and maximum FIM 2,000 million. The share capital may be raised or lowered within these limits without amending the Articles of Association. The company's paid-up and registered share capital is FIM 1,078 million after the 1997 bonus issue and subscriptions of bonds with warrants and debentures.

The nominal value of each share is FIM 20. Series A shares carry 10 votes and Series B shares 1 vote at shareholders' meetings. All shares are entitled to the same dividend.

Authorization to use subordinated loan instruments

The AGM of 24 March 1997 authorized the Board to place preferred capital notes to a maximum value of FIM 1,000 million. These notes may not be exchanged for shares. The authorization, which is in force until the spring 1998 AGM, has not been exercised.

NUMBER OF SHARES	SERIES A		SERIES B		TOTAL
	No.	%	No.	%	
Number of shares 31Dec. 1996	13,926,668	51.7	13,007,095	48.3	26,933,763
Bonus issue 7 Apr. 1997	-		26,933,763		26,933,763
Conv. cap. notes 30 Dec. 1997	6,882		8,658		15,540
Bonds with warrants 30 Dec. 1997	-		18,270		18,270
Number of shares 31 Dec. 1997	13,933,550	25.9	39,967,786	74.1	53,901,336

NUMBER OF VOTES	SERIES A		SERIES B		TOTAL
	No.	%	No.	%	
Number of votes 31 Dec. 1996	139,266,680	91.5	13,007,095	8.5	152,273,775
Bonus issue 7 Apr. 1997	-		26,933,763		26,933,763
Conv. cap. notes 30 Dec. 1997	68,820		8,658		77,478
Bonds with warrants 30 Dec. 1997	-		18,270		18,270
Number of votes 31 Dec. 1997	139,335,500	77.7	39,967,786	22.3	179,303,286

EFFECTS OF THE BONDS WITH WARRANTS (1994)	
No. of shares	+296,730
No. of shares,%	+0.55
No. of votes, %	+0.16
Shareholders' eq., MFIM	+5.93

EFFECTS OF THE CONVERTIBLE CAPITAL NOTES	
No. of shares	+5,164,460
No. of shares, %	+9.58
No. of votes, %	+9.35
Shareholders' eq., MFIM	+103.29

EFFECTS OF THE BONDS WITH WARRANTS (1996)	
No. of shares	+216,000
No. of shares, %	+0.40
No. of votes, %	+0.12
Shareholders' eq., MFIM	+4.32

NO. OF SHARES FULLY DILUTED	
No. of shares 30 Dec. 1997	53,901,336
Conv. cap. notes	+5,164,460
Bonds with warrants	+512,730
No. of shares fully diluted[1]	59,578,526

[1] *if all conversion or subscription rights exercised.*

Bonus issue and amendment to the articles of association

The AGM on 24 March 1997 decided that the company´s share capital be raised by a FIM 538,675,260 bonus issue by giving shareholders without charge one new Series B share with a nominal value of FIM 20 for each Series A share and one new Series B share with a nominal value of FIM 20 for each old Series B share, making a total of 26,933,763 new Series B shares with a nominal value of FIM 20 per share.

At the same time it was decided that the Articles of Association would be amended accordingly. Furthermore the voting restriction in the second sentence of §11 of the Articles of Association was removed. The record date of the bonus issue was 10 April 1997. The new shares were recorded in the book-entry accounts of shareholders on 11 April 1997.

In view of the amendments to the Companies Act as of 1 September 1997, the Board will propose to the AGM on 23 March 1998 that the company be renamed a 'public limited company' and that its Articles of Association be amended in accordance with the stipulations of the Companies Act.

Convertible capital notes and bonds with warrants for management

In March 1994 the Board floated two convertible capital notes issues, each of the same amount and together totalling FIM 700 million; after the bonus issue one is convertible to Series A and B and the other to Series B shares. By 31 December 1997 altogether 6,882 Series A shares and 8,658 Series B shares, representing a loan capital totalling FIM 2.2 million, had been converted. Moreover, based on the decision of the 1994 AGM the company issued bonds with warrants totalling FIM 2.5 million to company executives. By 31 December 1997 altogether 18,270 Series B shares had been subscribed for against 145 warrants surrended to the company.

Upon the authorization by the 1996 AGM the company issued bonds with warrants to company executives. The bond issue has a nominal value of FIM 180,000. No company shares have been subscribed for under the 1996 bonds with warrants.

Management holdings

The members of the Board of Directors, the CEO and Executive Vice President, together with the corporations under their control, own altogether 1,007,694 Metra Corporation shares, which represent 1.87% of the sharestock and 3.14% of the voting rights. The members of the Board, the CEO and Executive Vice President, together with the corporations under their control, own convertible subordinated debentures totalling FIM 20,390,000, ie. 2.92%. If the conversion rights were exercised in full, this would increase their holding by 150,886 shares, representing 0.28% of the current sharestock and 0.38% of the voting rights. Furthermore, the CEO and Executive Vice President own altogether 41 warrants, based on the bonds with warrants issues in 1994 and 1996 which, if exchanged for shares, would increase their shareholding by at most 49,200 shares, ie. by 0.09% of the company's current sharestock and 0.03% of the voting rights.

Management holdings are described in full on page 54.

The historical data has been adjusted for the bonus issue. Rules for calculating the financial ratios are given on page 36.

SHARES IN FIGURES

		1997	1996	1995	1994	1993[1]
Earnings per share	FIM	5.46[2]	11.32	9.89	7.22	5.50
Equity per share	FIM	72	68	58	52	47
Dividend per share	FIM	2.75[3]	4.25	2.75	2.00	1.40
Dividend/earnings	%	50.4[3]	37.5	27.8	27.7	25.4
Effective dividend yield	%					
Series A		2.12[3]	3.30	3.07	2.88	1.49
Series B		2.16[3]	3.31	3.07	2.88	1.47
Price/earnings (P/E)						
Series A		23.8	11.4	9.1	9.6	17.0
Series B		23.3	11.4	9.1	9.6	17.2
Adjusted number of shares	1,000					
at the end of the financial year		53,901	53,868	53,868	53,868	53,868
on average		53,868	53,868	53,868	53,868	53,782

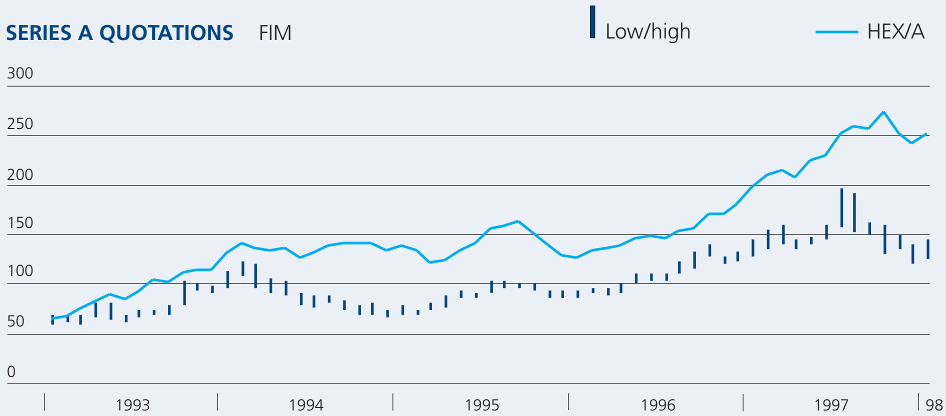
[1] Proforma1993
[2] Fully diluted EPS for 1997 is FIM 5.39
[3] Proposal by the Board of Directors

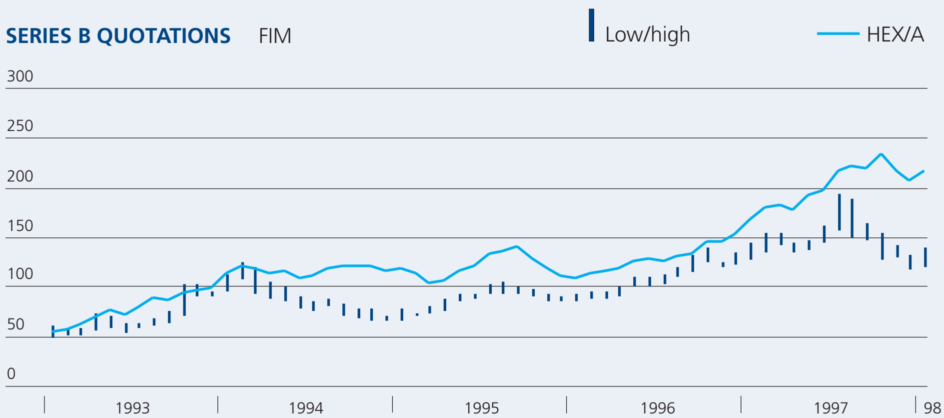
Metra's company code on the Helsinki Stock Exchange is MET. Metra's A shares are referred to as METAS and B shares as METBS.

Approximately 26.3 million Metra shares were traded on the SEAQ system in London during 1997.

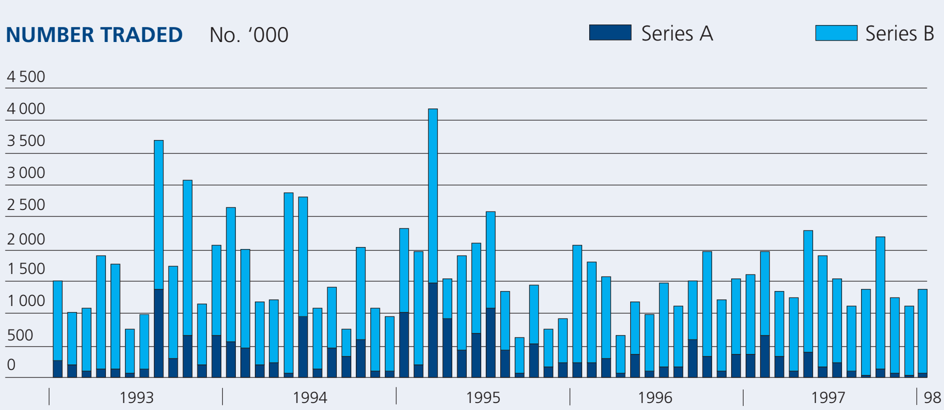
METRA SHARES ON THE HELSINKI STOCK EXCHANGE

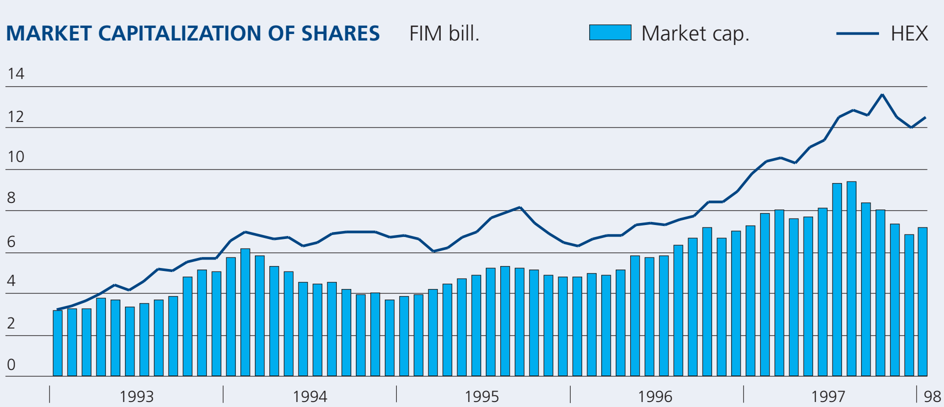
			1997	1996	1995	1994	1993
Trading		MFIM					
Series A			387	335	622	379	325
Series B			2,399	1,525	1,234	1,448	1,184
Number traded		1,000					
Series A			2,611	2,976	7,294	4,170	4,174
Series B			16,255	13,980	14,318	15,836	16,512
Stock turnover		%					
Series A			18.8	10.7	26.2	15.0	15.0
Series B			40.6	53.7	55.0	60.9	63.5
Average share price		FIM					
Series A			148.30	112.50	85.50	91.00	78.00
Series B			147.80	109.00	86.00	91.50	71.50
Trading low/high		FIM					
Series A	low		120.00	86,00	69.00	66.00	57.50
	high		196.00	139.50	103.50	123.50	102.50
Series B	low		118.20	85.00	67.50	65.50	48.50
	high		195.00	139.50	105.00	125.00	103.00
Share price at the year end		FIM					
Series A			129.00	129.50	89.50	69.50	94.00
Series B			128.00	129.00	89.50	69.50	95.00
Year-end market capitalization		MFIM	6,913	6,934	4,821	3,744	5,090





The adjacent diagrams show the base value of the Helsinki Stock Exchange's HEX general index and the average prices for the Series A and B shares at 4 January 1993.
The graphs have been adjusted for the 1997 bonus issue.





The adjacent diagram shows the base value of the Helsinki Stock Exchange's HEX general index and the market capitalization of Metra's shares at 4 January 1993. The market capitalization has been calculated based on the closing prices.

Metra Corporation was entered in the Trade Register on 16 January 1991.

Metra has 17,736 registered shareholders.

MAJOR SHAREHOLDERS

	NO. OF SHARES 1,000				% of	% of
	SERIES A		SERIES B		votes	shares
1. Fiskars Oy Ab		3,575		4,553	22.5	15.1
2. Sampo Insurance Company	250		30			
Industrial Insurance Company	570		1,000			
Insurance Company Sampo Pension	243		243			
Sampo Life Insurance Company	116		6			
Sampo Enterprise Insurance Company	40		100			
Insurance Company of Finland	56		85			
Kaleva Mutual Insurance Company	124	1,399	326	1,790	8.8	5.9
3. Pohjola Insurance Company Ltd	88		287			
Pension Insurance Company Ilmarinen Ltd	222		812			
Pohjola Life Assurance Company	90		314			
Suomi Mutual Life Assurance Company	60	460	180	1,593	3.5	3.8
4. Pension Varma Mutual Insurance Company	329		1,157			
Nova Life Insurance Company	116	445	266	1,423	3.3	3.5
5. Merita Bank Ltd.		540		0	3.0	1.0
6. Agrofin Oy Ab		416		418	2.6	1.5
7. The Local Government Pensions Institution		201		1,030	1.7	2.3
8. Brita Maria Renlund Foundation		228		345	1.5	1.1
9. Tapiola General Mutual Insurance Company	150		332			
Tapiola Mutual Pension Insurance Company	69	219	209	541	1.4	1.4
10. Association of Finnish Metal Industries		202		202	1.2	0.7
11. Pension Fund Polaris		158		554	1.2	1.3
12. The Social Insurance Institution		165		377	1.1	1.0
13. Signe and Ane Gyllenberg Foundation		184		184	1.1	0.7
14. Sigrid Juselius Foundation		180		180	1.1	0.7
15. Samfundet Folkhälsan i Svenska Finland		116		354	0,8	0,9
15 largest, total		8,488		13,544	54.8	40.9

Metra shares were transferred to the book-entry securities system in February 1993. The adjacent tables are based on the book-entry system as of 30 January 1998.

DIVISION OF SHARES

	SERIES A				SERIES B			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
1 -100	6,859	59.6	273,546	2.0	5,578	32.3	275,780	0.7
101-1,000	3,960	34.4	1,243,711	8.9	9,319	53.9	3,256,075	8.1
1,001-10,000	610	5.3	1,471,342	10.6	2,152	12.4	5,693,398	14.2
10,001-100,000	62	0.5	1,822,241	13.0	208	1.2	5,725,996	14.5
100,001-1,000,000	23	0.2	5,522,017	39.6	34	0.2	8,398,563	21.0
1,000,001-	1	0	3,574,924	25.7	5	0	16,561,621	41.4
Not transferred	-	-	25,769	0.2	-	-	56,353	0.1
	11,515	100	13,933,550	100	17,296	100	39,967,786	100

Altogether 9,927,509 shares, ie. 18.4% of the shares and 9.1% of the votes, were owned by non-Finnish nationals and registered nominee accounts in the book-entry system.

OWNERSHIP STRUCTURE

	SERIES A		SERIES B	
%	of shareholders	of shares	of shareholders	of shares
Private corporations	2.0	8.4	3.0	13.0
Public corporations	-	-	-	-
Banks and insurance companies	0.3	4.9	0.5	9.2
Public sector entities	0.3	2.1	0.3	8.4
Non-profit organizations	3.7	4.0	3.8	10.1
Households	93.0	5.1	91.8	16.3
Outside Finland and nominee reg.	0.7	1.3	0.6	17.0
Not transferred	-	0.1	-	0.1
	100	25.9	100	74.1

REVIEW BY THE BOARD OF DIRECTORS 1997

Metra Group's net sales rose 31% in 1997 to FIM 15.3 billion (1996: FIM 11.7 billion). The consolidated profit after net financial items was FIM 394 (894) million. When comparing these profit figures it should be noted that the 1997 result was burdened by FIM 82 million in non-recurring costs, whereas the 1996 result included non-recurring income of FIM 278 million.

The year was marked by profound structural change for the Group. The agreement concluded by Metra and the Italian company Fincantieri Cantieri Navali Italiani S.p.A. to merge their diesel engine operations took effect on 3 April 1997. Metra owns 87.8% of the new company, Wärtsilä NSD Corporation, and Fincantieri 12.2%. The new companies New Sulzer Diesel and Diesel Ricerche were consolidated from 1January 1997. The comparative figures for 1996 given in this review include only Wärtsilä Diesel. Grandi Motori Trieste, in which the Group holds 40%, is treated as an associated company.

Sanitec expanded outside Europe by acquiring a 50% holding in two sanitaryware manufacturing companies. Lecico is the market leader in Lebanon and Egypt, and Johnson Suisse in Malaysia and Singapore.

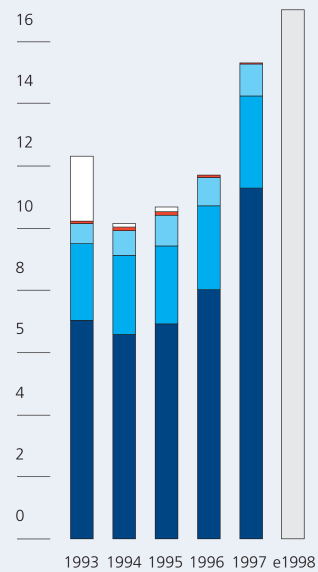
Sanitec and Imatra Steel continued to perform well. However, Metra's largest division, Wärtsilä NSD, posted an operating loss of FIM 100 million. In addition to the non-recurring restructuring costs, the result was weakened by delays and larger than expected costs connected with the launch of new engine types. The development of the division's new high-speed engines and their introduction on the market proved distinctly more costly than expected and had a negative impact on the result of both the subsidiary Wärtsilä France and the associated company Cummins Wartsila Engine Company. To enhance its performance, Wärtsilä NSD extended its cooperation with Cummins Engine Co. Inc. in this field at the end of 1997. Wärtsilä NSD's result was also weakened by structural changes in the power plant market, and at the very end of the year the postponement of financial closing of certain large projects and exchange rate losses resulting from the devaluation of South East Asian currencies.

The Group received new orders during the year worth altogether FIM 17.6 (11.5) billion. Wärtsilä NSD's year-end orderbook reached a record level and stood at FIM 7.0 (4.7) billion, which creates a strong basis for 1998. Marine orders cover 80% and power plant orders 50% of the current year's sales target.

Net sales and result

Consolidated net sales rose 31% to FIM 15.3 billion. Wärtsilä NSD's net sales increased 41%, twenty-five percentage points of which was contributed by the new companies. Sanitec's net sales grew 10% and Imatra Steel's 12%. The operating

DEVELOPMENT OF NET SALES
FIM bill.



NET SALES, FIM

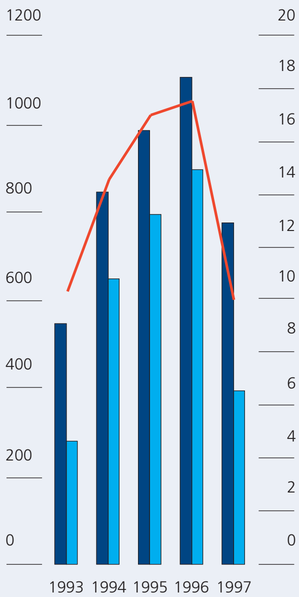
MFIM	1997	1996	Change
Wärtsilä NSD	11,288	8,016	41%
Sanitec	2,951	2,687	10%
Imatra Steel	1,039	925	12%
Other operations	66	82	–20%
Internal sales	–47	–50	
Group	15,297	11,660	31%

NET SALES, ECU

MECU	1997	1996	Change
Wärtsilä NSD	1,925	1,394	38%
Sanitec	504	467	8%
Imatra Steel	177	161	10%
Other operations	11	14	–21%
Internal sales	–8	–9	
Group	2,609	2,027	29%
ECU / FIM average rate	*5.864*	*5.751*	

RESULT

MFIM



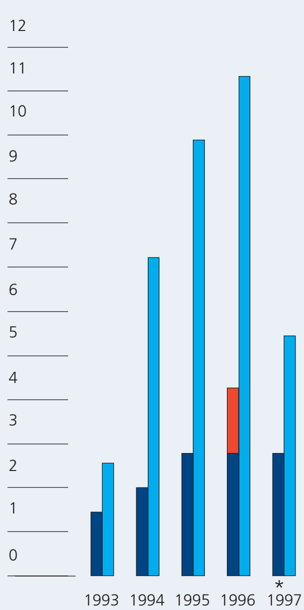
Operating profit

Profit after net financial items

ROI %

EARNINGS PER SHARE, DIVIDEND PER SHARE

FIM



Dividend per share

Supplementary dividend

Earnings per share

*Board of Director's proposal

profit, including results of associated companies, reached FIM 696 (1,082) million. Wärtsilä NSD's result was burdened by restructuring costs of FIM 182 million, which was partially covered by a FIM 100 million provision in Metra's consolidated accounts for 1996.

Associated companies contributed FIM –81 (-22) million. This included a FIM 69 million profit from Assa Abloy, a FIM 89 million loss from Cummins Wartsila Engine Company and a FIM 59 million loss from Grandi Motori Trieste.

The consolidated profit after net financial items was FIM 394 million, which was FIM 500 million lower than one year before. Eliminating the effect of the non-recurring items, the result after financial items decreased by FIM 140 million. Direct taxes for the review year came to FIM 152 (249) million.

The Metra Group posted a net profit for the year of FIM 244 (724) million. Earnings per share were FIM 5.46; the corresponding figure for 1996 adjusted for the share issue was FIM 11.32. Return on investment was 10.0% (17.4%) and return on shareholders' equity was 6.7% (17.6%).

OPERATING PROFIT[1]			ROI %	
MFIM	1997	1996	1997	1996
Wärtsilä NSD	–100	320	–1%	11%
Sanitec	409	352	27%	25%
Imatra Steel	119	102	18%	17%
Other operations	268	308	-	-
Group	696	1,082	10%	17%

[1]*Including shares of results in associated companies.*

INTEREST-BEARING LOAN CAPITAL		
MFIM	1997	1996
Long-term liabilities	2,775	1,759
Short-term liabilities	1,959	1,162
Preferred capital notes	-	464
Convertible capital notes	698	700
Loan receivables	–879	–980
Cash and bank	–728	–516
Net	3,825	2,589

NET SALES BY COUNTRY	1997		1996	
	MFIM	%	MFIM	%
Germany	1,311	8.6	1,183	10.1
France	1,089	7.1	1,101	9.4
Sweden	882	5.8	663	5.7
Norway	809	5.3	569	4.9
Finland	769	5.0	492	4.2
Italy	581	3.8	443	3.8
Great Britain	504	3.3	322	2.8
Holland	459	3.0	266	2.3
Spain	425	2.8	404	3.5
Denmark	394	2.6	361	3.1
Poland	260	1.7	156	1.3
Rest of Europe	774	5.1	550	4.7
Europe	8,257	54.0	6,510	55.8
Indonesia	787	5.1	342	2.9
China, Hong Kong	658	4.3	431	3.7
India	592	3.9	537	4.6
Korea	397	2.6	6	0.1
Philippines	389	2.5	57	0.5
Japan	287	1.9	190	1.6
Middle East	593	3.9	184	1.6
Rest of Asia	657	4.3	1,898	16.3
Asia	4,360	28.5	3,645	31.3
South America	706	4.6	498	4.3
USA and Canada	694	4.5	351	3.0
Central America	319	2.1	304	2.6
America	1,719	11.2	1,153	9.9
African countries	722	4.7	113	1.0
Rest of the world	239	1.6	239	2.0
Total	15,297	100	11,660	100

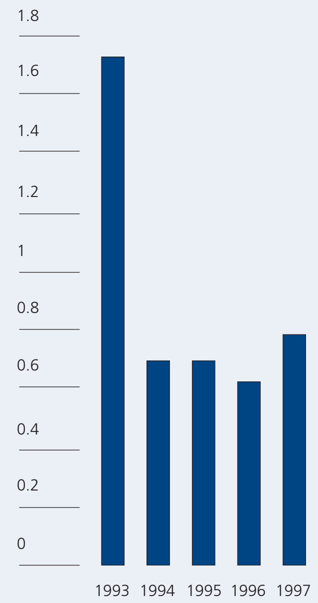
Financing

The Group's liquidity was burdened by acquisitions and an increase in working capital. Wärtsilä NSD's cash flow fluctuated strongly and considerable funds were tied up in working capital during the year. The Group´s cash flow from operations was FIM 179 million.The large acquisitions reduced the Group's cash flow before financing to FIM –1,038 (-311) million. Consequently net financial expenses increased to FIM 302 (188) million, which was 2% of net sales.

The Group's cash reserves were FIM 728 (516) million at the end of the year. In October Metra repaid the US$100 million loan, raised in the form of preferred capital notes, since the loan's interest margin was appreciably higher than that of market-based loans. The company has FIM 2 billion in fixed credit lines and a further FIM 2.4 billion in Commercial Paper Programs at its disposal to secure liquidity. FIM 1.6 billion of this amount was in use at the year end.

The balance sheet total increased to FIM 15.3 (12.2) billion. Net interest-bearing loan capital rose to FIM 3.8 (2.6) billion. The solvency ratio decreased to 35% (38%) and net gearing rose to 0.78 (0.63).

NET GEARING



Capital expenditure and R&D

The Group's gross capital expenditure totalled FIM 1,680 (1,331) million and net investments were FIM 1,217 (930) million.

Wärtsilä NSD was established through a share issue and cash consideration of FIM 451 million to Fincantieri. An amount totalling FIM 507 (414) million was invested in shares. Sanitec paid FIM 179 million for its holding in the Lecico group and FIM 57 million for its shares in Johnson Suisse. Metra also allocated FIM 125 million to raising the share capital of its associated company Assa Abloy AB.

Most of Wärtsilä NSD's FIM 448 million industrial investments was used to raise manufacturing efficiency and productivity. The modernized Zwolle factory in the Netherlands was brought into operation. This investment has an overall cost of FIM 350 million, FIM 55 million of which fell due during 1997. A new factory for the Wärtsilä 20 engine was completed in Vaasa and manufacturing was started in March.

Sanitec devoted FIM 199 million to raising production capacity and efficiency. The new bathroom ceramics factory in Wloclawek, Poland, costing FIM 110 million came on stream in August.

Imatra Steel's capital expenditure of FIM 47 million was employed in raising production efficiency.

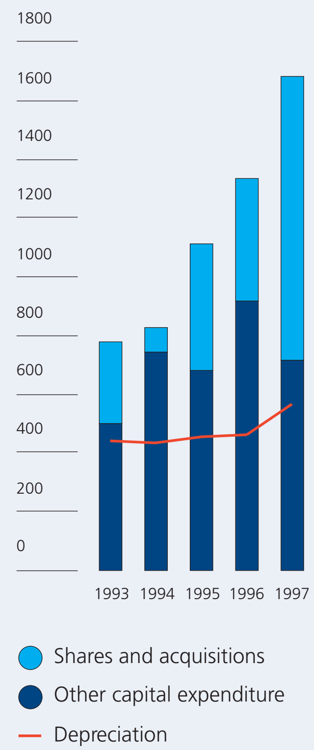
Wärtsilä NSD continued its strong focus on technology development. R&D costs amounted to FIM 491 (284) million, corresponding to 4.3% (3.5%) of the division's net sales. Metra Group spent altogether FIM 556 (341) million on product development.

GROSS CAPITAL EXPENDITURE

MFIM	1997	1996
Acquisitions	460	-
Shares	507	414
Wärtsilä NSD	448	624
Sanitec	199	134
Imatra Steel	47	145
Other operations	19	14
Group	1,680	1,331

GROSS CAPITAL EXPENDITURE AND DEPRECIATION

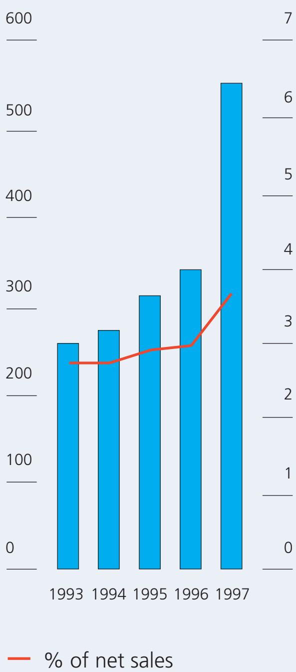
MFIM



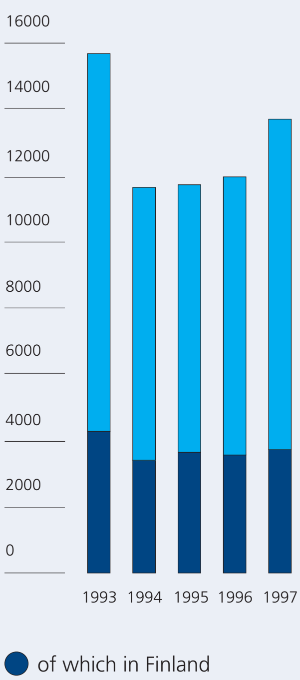
Group structural development

The Metra and Fincantieri agreement to merge their respective diesel engine operations came into effect on 3 April 1997. Metra holds 87.8% of the new company and Fincantieri 12.2%. The new company comprises Wärtsilä Diesel, Fincantieri's previously owned New Sulzer Diesel and Diesel Ricerche companies, and a 40% holding in Fincantieri's newly formed diesel engine group, Grandi Motori Trieste.

R&D EXPENSES
MFIM %



PERSONNEL ON AVERAGE



This latter holding will gradually increase, as will Fincantieri's interest in Wärtsilä NSD, though to at most 15.4%.

It was decided to cease production of new engines at New Sulzer Diesel France's factory in Mantes. This will reduce personnel from 440 to 210 employees. Personnel at Grandi Motori Trieste and Diesel Ricerche will also be reduced.

At the end of the year Wärtsilä NSD extended its cooperation with Cummins Engine Co. Inc. by adding Wärtsilä France's high-speed engine operations to the 50/50 owned joint-venture company.

Wärtsilä NSD and the Japanese company Hitachi Zosen Corporation established a 50/50 joint venture in Japan which began operation in September. In addition to assembling the Wärtsilä 20,26 and 32 engines the new company sells Wärtsilä NSD's other marine propulsion and power plant packages in the Japanese market. It also took over the operations of Nippon Wärtsilä Diesel.

Sanitec expanded beyond Europe by acquiring a 50% holding in two joint venture ceramics production companies. Lecico operates in the Middle East and Johnson Suisse in South East Asia. Lecico is the market leader in Lebanon and Egypt, and Johnson Suisse in Singapore and Malaysia.

A FIM 100 million provision recorded in the 1996 consolidated accounts was reversed in the review year's accounts to offset the FIM 182 million one-time costs arising from restructuring in Wärtsilä NSD.

Personnel and development of human resources

The Group had 13,704 (11,986) employees on average during the year. Personnel numbered 12,076 at the beginning of the period and 13,384 at the end. The Group's Finnish companies employed 3,755 (3,589) people on 31 December 1997, which included 78 (80) in the parent company.

The Group continued its heavy emphasis on personnel development and training. Management development focused on leadership skills and special training related to the Wärtsilä NSD integration.

PERSONNEL	31 Dec.97	31 Dec.96	Change
Wärtsilä NSD	7,294	6,454	840
Sanitec	4,824	4,416	408
Imatra Steel	1,176	1,113	63
Other operations	90	93	-3
Group	13,384	12,076	1,308

Board of Directors and auditors

The Annual General Meeting was held on 24 March 1997. Mr Robert G. Ehrnrooth, Mr Carl-Olaf Homén and Minister Jaakko Iloniemi were re-elected for the period from 1997 to 2000. Mr Robert G. Ehrnrooth continued as Chairman of the Board and Mr Vesa Vainio as Deputy Chairman. Authorized public accountants KPMG Wideri Oy Ab were appointed as the Company's auditors.

Bonus issue, amendments to articles of association and authorization

The Annual General Meeting on 24 March 1997 voted to double the Company's share capital with a bonus issue in which one new Series B share was given free for each Series A and Series B share. The record date for this issue was 10 April 1997. As a consequence of the bonus issue the clauses concerning the minimum and maximum share capital in the Articles of Association were amended. Also the restriction to the relative number of Series B shares and the restriction to voting at general meetings were removed.

The AGM re-authorized the Board of Directors for one year from the meeting to place preferred capital notes to a value of at most FIM 1 billion. This authorization has not been exercised.

Bonds with warrants and debentures

Altogether 145 warrants have been exercised to subscribe for 18,270 fully paid up Series B shares based on the 1994 bond with warrants to Company executives. No shares have been subscribed based on the 1996 bond with warrants.

Altogether 6,882 Series A shares and 8,658 Series B shares have been subscribed based on the conversion rights attaching to the two 1994 convertible subordinated debentures, the shares representing altogether FIM 2,190,000 of the principal.

These conversions and subscriptions raised Metra Group's share capital by FIM 676,200 to FIM 1,078,026,720. There are 53,901,336 shares, consisting of 13,933,550 Series A shares and 39,967,786 Series B shares. This share capital increase was recorded in the trade register on 30 December 1997. The new shares were admitted for trading together with the existing shares from the same date.

Proposals to the Annual General Meeting

The Board of Directors will propose to the Annual General Meeting on 23 March 1998 that appropriate amendments be made to the Articles of Association in line with the amendments in the Finnish Companies Act, which came into force on 1 September 1997. Among other things, the new legislation requires that public limited companies shall indicate this status in their names. The Board proposes, there-fore, that the new name of the company be Metra Oyj Abp in Finnish and in Swedish , and Metra Corporation in English.

Prospects for 1998

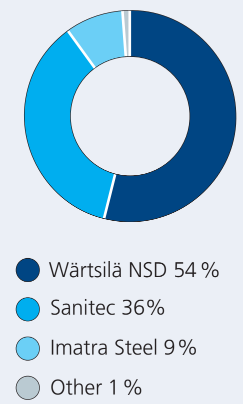
Wärtsilä NSD Corporations´s restructuring and major investments have been essential to strengthening its strategic position and securing its competitiveness. The top priorities in the coming year will be to draw full benefit from the synergies provided by the Wärtsilä Diesel and New Sulzer Diesel merger, and to raise profitability. Demand for small power plants and for gas power plants is expected to remain good. Shipyards report record-high orderbooks. Wärtsilä NSD's net sales are expected to reach FIM 12 billion. Based on the extensive structural changes put into effect during 1997 the division's result is expected to improve substantially. How-ever, the economic situation in South East and East Asia casts uncertainty over the forecasts.

The outlook in Sanitec's markets is expected to develop positively. The Polish and Russian markets will continue to grow strongly. Further growth is also forecast in Norway, Denmark and especially in Finland, while some recovery is expected in Germany, France and Italy. The situation in Sweden is still uncertain. Sanitec's net sales in 1998 are expected to reach FIM 3.4 billion and the result to show further positive development.

Imatra Steel's net sales are forecast to increase in 1998 and its result to improve somewhat on 1997.

Metra's consolidated net sales are forecast to reach FIM 17 billion in 1998. A substantial improvement is expected in the profit after net financial items.

PERSONNEL BY DIVISION
31 Dec. 1997



FINANCIAL STATEMENTS

INCOME STATEMENT

MFIM	Note	Group 1997	%	Group 1996	%	Parent Company 1997	Parent Company 1996
Net sales		15,297.0	100	11,660.4	100	62.0	76.9
Change in inventories of finished goods		–265.9		–35.2		-	-
Production for own use		26.9		10.3		-	-
Other operating income	1	313.9		513.2		144.7	443.2
		74.9		488.3		144.7	443.2
Operating expenses							
Materials and consumables							
Purchases during the financial year		–7,137.8		–5,511.7		-	-
Change in inventories		271.2		179.7		-	-
External services		–2,107.8		–1,181.2		-	-
Personnel costs	2	–3,198.1		–2,601.5		–38.1	–37.5
Rental costs		–183.5		–143.0		–12.1	–26.5
Other operating expenses		–1,672.8		–1,329.5		–43.4	–62.4
		–14,028.8		–10,587.2		–93.6	–126.4
Depreciation	3	–566.2		–457.1		–19.5	–23.9
Operating profit		776.9	5.1	1,104.4	9.5	93.6	369.8
Share of losses in associated companies	7	–80.9		-22.2		-	-
Financial income and expenses	4						
Dividend income		8.0		6.4		20.1	17.3
Interest income from long-term financial assets		10.1		21.3		9.0	19.7
Other interest income		148.2		176.6		73.6	82.5
Other financial income		25.3		29.5		-	-
Exchange gains and losses		–3.6		13.5		–61.4	–31.7
Interest expenses		–434.5		–358.5		–194.0	–176.4
Other financial expenses		–55.2		–76.8		–11.9	–31.0
		–301.7	–2.0	–188.0	–1.6	–164.6	–119.6
Profit after net financial items		394.3	2.6	894.2	7.7	–71.0	250.2
Extraordinary income and expenses	5						
Extraordinary income		9.9		81.3		135.9	108.3
Extraordinary expenses		–10.6		–48.1		–10.6	–143.6
Group contributions		-		-		130.0	135.8
		–0.7		33.2		255.3	100.5
Profit after extraordinary items		393.6	2.6	927.4	8.0	184.3	350.7
Depreciation difference		-		-		2.1	16.1
Change in appropriations		-		-		4.0	0.3
Direct taxes							
For the financial year	6	–152.1		–248.9		–22.6	–90.4
For previous years		–13.8		64.0		–26.2	72.0
		–165.9		–184.9		–48.8	-18.4
Minority interests		16.7		–18.1		-	-
Profit for the financial year		244.4	1.6	724.4	6.2	141.6	348.7

FINANCIAL ANALYSIS

MFIM	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
Funds generated from operations				
Operating profit	776.9	1,104.4	93.6	369.8
Depreciation	566.2	457.1	19.5	23.9
Financial income and expenses	–301.7	–188.0	–164.6	–119.6
Extraordinary items	–0.7	–48.1	125.3	–35.3
Taxes	–165.9	–184.9	–48.8	–18.4
	874.7	1,140.5	25.1	220.4
Change in working capital				
Inventories, increase (-), decrease (+)	–250.4	–142.0	-	-
Receivables, increase (-), decrease (+)	–968.5	–339.3	–65.0	335.2
Non-interest bearing liabilities, increase (+), decrease (-)	523.4	–40.7	–58.0	–136.4
	–695.5	–522.0	–123.0	198.8
Cash flow from operations	179.2	618.5	–97.9	419.2
Cash flow from investing activities				
Acquisitions	–460.0	-	-	-
Investment in shares	–506.5	–414.2	–601.8	–204.7
Purchase of property, plant and equipment	–713.4	–917.1	–16.8	–14.0
Proceeds from sale of operations	293.0	128.1	-	-
Proceeds from sale of shares	114.7	120.3	179.0	234.2
Proceeds from sale of equipment	54.8	153.1	18.1	124.1
	–1,217.4	–929.8	–421.5	139.6
Cash flow before financing	–1,038.2	–311.3	–519.4	558.8
Financing				
Loan receivables, increase (-), decrease (+)	104.7	422.7	82.4	255.9
Long-term loans, increase (+), decrease (-)	1,010.0	2.2	925.4	–220.1
Short-term loans, increase (+), decrease (-)	789.2	124.7	–59.4	126.5
Repayment of preferred capital notes	–464.4	-	–464.4	-
Dividends	–236.7	–148.1	–228.9	–148.1
Group contributions	-	-	130.0	135.8
Other changes	36.1	–56.0	2.3	1.9
	1,238.9	345.5	387.4	151.9
Change in liquid funds, increase (+), decrease (-)	200.7	34.2	–132.0	710.7

The impact of changes in exchange rates on consolidation has been eliminated.

BALANCE SHEET, ASSETS

MFIM	Note	Group 31 Dec.1997	%	Group 31 Dec.1996	%	Parent Company 31 Dec.1997	Parent Company 31 Dec.1996
Fixed assets and other long-term financial assets	8						
Intangible assets							
Intangible rights		27.8		20.0		0.1	0.2
Goodwill on consolidation		681.1		449.5		-	-
Other long-term expenditure		111.5		80.5		60.6	70.2
		820.4	5	550.0	5	60.7	70.4
Tangible assets							
Land and water		513.1		581.5		217.6	236.9
Buildings		1,177.6		856.8		105.4	109.7
Machinery and equipment		1,642.4		1,407.3		8.6	7.1
Other tangible assets		49.9		37.6		4.7	4.1
Advance payments and construction in progress		253.2		391.7		18.2	26.1
		3,636.2	24	3,274.9	27	354.5	383.9
Long-term financial assets							
Shares and securities		1,528.3		1,097.8		3,658.7	3,235.8
Loan receivables		225.6		218.5		198.8	200.0
		1,753.9	11	1,316.3	11	3,857.5	3,435.8
Fixed assets and other long-term financial assets		6,210.5	40	5,141.2	43	4,272.7	3,890.1
Inventories and current assets							
Inventories							
Materials and consumables		1,561.1		1,176.8		-	-
Work in progress		1,456.2		1,103.6		-	-
Finished goods		376.7		333.4		-	-
Advance payments		105.6		124.7		-	-
		3,499.6	23	2,738.5	22	-	-
Receivables	9						
Trade receivables		3,246.9		2,423.3		12.5	16.0
Loan receivables		812.2		841.7		421.1	433.9
Prepaid expenses and accrued income		677.8		459.9		35.6	35.5
Other receivables		134.2		95.1		0.1	0.1
		4,871.1	32	3,820.0	31	469.3	485.5
Cash and bank balances		728.2	5	515.8	4	1,145.0	1,277.1
Inventories and current assets		9,098.9	60	7,074.3	57	1,614.3	1,762.6
Assets		15,309.4	100	12,215.5	100	5,887.0	5,652.7

BALANCE SHEET, SHAREHOLDERS' EQUITY AND LIABILITIES

		Group				Parent Company	
MFIM	Note	31 Dec.1997	%	31 Dec.1996	%	31 Dec.1997	31 Dec.1996
Shareholders' equity							
Restricted equity	10						
Share capital		1,078.0		538.7		1,078.0	538.7
Other restricted equity		716.3		936.9		284.0	818.9
		1,794.3	12	1,475.6	12	1,362.0	1,357.6
Convertible subordinated debentures	11	697.8	4	700.0	6	697.8	700.0
Non-restricted equity	12						
Free funds		1,853.8		1,441.8		1,425.7	1,324.1
Profit for the financial year		244.4		724.4		141.6	348.7
		2,098.2	14	2,166.2	18	1,567.3	1,672.8
Shareholders' equity		4,590.3	30	4,341.8	36	3,627.1	3,730.4
Minority interests		522.9	3	189.5	1	-	-
Appropriations							
Accumulated depreciation difference		-		-		53.6	55.7
Other voluntary provisions		-		-		0.9	4.8
		-		-		54.5	60.5
Preferred capital notes	13	-		464.4	4	-	464.4
Provisions	14	576.1	4	478.8	4	54.4	55.4
Liabilities	9, 15						
Long-term							
Bonds		475.0		475.0		475.0	475.0
Loans from credit institutions		1,858.2		812.3		1,309.4	175.1
Pension loans		387.3		416.6		139.5	150.2
Advances received		0.9		-		-	-
Other long-term liabilities		70.6		70.8		0.2	22.8
Deferred tax liability		226.2		217.0		-	-
		3,018.2	20	1,991.7	16	1,924.1	823.1
Current							
Loans from credit institutions		1,372.0		797.9		43.2	188.6
Pension loans		29.2		31.5		10.5	11.3
Advances received		719.9		281.1		0.3	0.2
Trade payables		1,991.1		1,707.9		5.7	6.2
Accrued expenses and deferred income		1,832.5		1,506.0		72.0	132.3
Other current liabilities		657.2		424.9		95.2	180.3
		6,601.9	43	4,749.3	39	226.9	518.9
Liabilities		9,620.1	63	6,741.0	55	2,151.0	1,342.0
Shareholders' equity and liabilities		15,309.4	100	12,215.5	100	5,887.0	5,652.7

ACCOUNTING PRINCIPLES

The consolidated financial statements of Metra Corporation have been prepared in accordance with Finnish accounting rules and regulations. In all essential respects these comply with accounting standards issued by the International Accounting Standards Committee (IASC).

The financial statements are presented in Finnish markka. The preparation of the financial statements in conformity with applicable regulations and generally accepted accounting principles requires management to make estimates and assumptions that affect the valuation and allocation of the reported figures. Actual results may differ from such estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the parent company and the accounts of its directly and indirectly owned subsidiaries (over 50 % of the voting rights) and associated companies. Certain real estate and housing companies and the Group's reinsurance company are not consolidated since they have a negligible effect on the Group's result and distributable equity.

All intra-group transactions are eliminated in the consolidation. Minority interests are presented in the income statement as a separate item after taxes. The share of minority interests in shareholders' equity is also shown separately in the consolidated balance sheet.

Mutual shareholdings are eliminated using the purchase method. The goodwill in the subsidiaries is calculated on the basis of their acquisition cost by eliminating the Group's share of the equity of the acquired subsidiaries, including untaxed reserves, less deferred tax liability. Of the difference between the acquisition cost and the equity of the subsidiaries at the date of acquisition, the amount by which the value of fixed assets can be considered to exceed the subsidiary's balance sheet value has been entered under fixed assets. The remainder of the difference is recorded as goodwill. Goodwill is amortized over the useful life of the asset, nevertheless over a period not exceeding twenty years.

Investments in associated companies (voting rights between 20 % and 50 %) are included in the consolidated accounts using the equity method. The consolidated income statement includes the Group's share of results in associated companies taking into account goodwill write-offs and dividends received. The Group's share of the post-acquisition increase of the net assets of these companies is added to the acquisition cost and to shareholders' equity. The book values of the shares of associated companies are listed in the notes to the financial statements as recorded by the shareholding subsidiaries.

Foreign subsidiaries

In the consolidated accounts all items in the income statements of foreign subsidiaries are translated into Finnish markka at the average exchange rates for the financial year. The balance sheet items of subsidiaries are translated into Finnish markka at the rates of exchange ruling at the end of the financial year. Translation differences arising from the application of the purchase method are treated as an adjustment affecting consolidated shareholders' equity; the translation difference applying to restricted equity at the time of acquisition is treated as part of restricted equity, and translation differences related to other acquired equity are shown under non-restricted equity. Those differences, which arise from the translation of income statement items and balance sheet items at different rates, are recorded as part of the consolidated non-restricted equity.

The Group applies the equity hedging method to hedge most of the shareholders' equities of foreign subsidiaries using currency loans or forward contracts, to reduce the effects of exchange rate fluctuations on the Group's shareholders' equity. Exchange gains and losses resulting from the hedging transactions are netted against the translation differences recorded in the shareholders' equity of the consolidated balance sheet.

Transactions denominated in foreign currencies

Business transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Receivables and payables on the balance sheet date are valued at the exchange rates prevailing on that date. Open hedging instruments of foreign currency based items, including interest components, are valued at the balance sheet date. Exchange gains and losses related to business operations are treated as adjustments to net sales and operating expenses. Exchange gains and losses related to financing operations are entered at their net values under financial income and expenses.

Revenue recognition

Net sales is calculated by deducting items including indirect sales taxes and discounts from gross sales revenues. Revenue is recognized at the date of delivery except for large, long-term projects, which are recognized using the percentage-of-completion method.

Research and development

Research and development costs are expensed in the financial period in which they occurred, with the exception of investments in buildings, machinery and equipment, which are capitalized and depreciated. In the Netherlands, where R&D is supported by conditional state development credits, R&D costs are charged to earnings after deducting the amount of these credits. Repayment obligations, if any, in respect of these credits are recorded as expenses in the income statement when realized. The principal of such development credits on the balance sheet date is shown under contingent liabilities in the notes to the financial statements.

Pension arrangements

Statutory and supplementary pension obligations in Finland are covered through payments to pension insurance institutions and recorded as determined by periodical actuarial calculations prepared by those institutions. In the Group companies outside Finland, the pension obligations are arranged and pension liabilities recorded in accordance with local regulations and practice. Changes in uncovered pension obligations are entered in the income statement and the pension liability is included in provisions in the balance sheet.

Warranty costs

The estimated warranty costs of goods delivered to customers are included under current liabilities in the balance sheet. Actual warranty costs, including changes in warranty liability, are charged against earnings for the period.

Valuation of inventories

Inventories are valued at their direct acquisition cost, which includes direct manufacturing costs and an appropriate proportion of indirect production overheads and acquisition costs. The upper value used in the valuation of inventories is their net realizable value.

Fixed assets and depreciation

Fixed assets are valued in the balance sheet at their direct acquisition cost less accumulated depreciation. Certain land and buildings also include revaluations; these are stated in the notes to the financial statements.

The following indicative useful lives are used:

Buildings	10-40 years
Machinery and equipment	5-20 years.

Land and water areas and revaluations are not depreciated. Gains or losses on the disposal of fixed assets are included in operating income and expenses, whereas reversed revaluations are booked directly against shareholders' equity in the balance sheet.

Leasing

Operating leasing payments are treated as rentals. Significant financial leasing items are capitalized as fixed assets.

Extraordinary income and expenses

Extraordinary income and expenses include items arising from divestments of operations.

Appropriations

Appropriations comprise voluntary provisions and the depreciation difference. In the consolidated accounts the accumulated appropriations are divided into tax liability and non-restricted equity and are entered in the balance sheet accordingly. The change in appropriations, net of tax liability, is included in the result for the year. The amount of appropriations entered under non-restricted equity is not regarded as distributable funds.

Provisions

Provisions in the balance sheet comprise those items which the Company is committed to covering either through agreements or otherwise, but which are not yet realized. These include uncovered pension liabilities and forecast losses on projects in progress. Changes to provisions are included in the income statement.

Direct taxes

The consolidated financial statements include direct taxes, which are based on the taxable income of the Group companies according to local tax rules.

Provision is made for the deferred tax liability on the untaxed reserves at the end of the financial year. The change in the deferred tax liability is included in taxes for the period in the income statement.

Convertible capital notes

Metra Corporation has made two convertible capital notes issues, whose terms permit the notes to be treated as equivalent to shareholders' equity. The terms are described in the notes to the financial statements.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the Annual General Meeting.

	Group		Parent Company	
MFIM	1997	1996	1997	1996
1. Other operating income				
Rental income	21.3	18.1	11.7	14.0
Gains on sale of fixed assets	182.8	431.0	130.2	426.6
Other operating income	109.8	64.1	2.8	2.6
Total	313.9	513.2	144.7	443.2
2. Personnel costs				
Wages, salaries and fringe benefits	2,434.8	1,985.4	25.2	26.5
Pension costs	101.5	112.9	6.4	5.1
Other personnel costs	684.3	527.1	7.2	6.7
Total	3,220.6	2,625.4	38.8	38.3

Pension costs contain only pension costs for Finnish companies. Pension costs for foreign companies are included in Other personnel costs.
In the Group salaries and emoluments paid to presidents and members of the Boards of Directors totalled 95.0 MFIM (4.8 MFIM in the Parent Company).
The CEO and the presidents of some Group Companies have the right to retire at the age of 60 years.
The Company's Board of Directors resolves on the remunerations of the President and his immediate subordinates.

	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
3. Depreciation				
Depreciation according to plan				
Intagible assets	7.1	4.7	0.1	-
Consolidation goodwill	80.3	72.3	-	-
Other long-term expenditure	31.4	25.3	9.9	10.7
Land and water	0.2	0.3	-	-
Buildings	72.4	61.9	6.6	9.6
Machinery and equipment	348.8	282.4	2.6	3.3
Other tangible assets	26.0	10.2	0.3	0.3
Total depreciation according to plan	566.2	457.1	19.5	23.9
Total book depreciation			15.1	12.8
Depreciation difference			4.4	11.1
Correction of depreciation difference on sold fixed assets			–2.3	5.0
Depreciation difference at the beginning of the financial year			55.7	71.8
Change in depreciation difference			–2.1	–16.1
Depreciation difference at the end of the financial year			53.6	55.7
4. Financial income and expenses within the Group				
Dividend income			0.2	0.7
Interest income from long-term financial assets			0.3	0.4
Other interest income			56.5	34.1
Interest expenses			1.3	0.1
5. Extraordinary income and expenses				
Discontinued operations	9.9	81.3	9.9	94.0
Write-off of shares	–10.6	-	–10.6	–95.5
Other income	-	-	126.0	14.3
Other expenses	-	–48.1	-	–48.1
Group contributions received	-	-	130.0	135.8
Total	–0.7	33.2	255.3	100.5

MFIM	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
6. Direct taxes				
Taxes for the financial period	–154.6	–240.0	–22.6	–90.4
Change in deferred tax liability	2.5	–8.9	-	-
Taxes for the financial year	–152.1	–248.9	–22.6	–90.4
7. Associated companies				
Share of profits/losses	–80.9	–22.2		
Share of equity	1.029.8	472.0		
Dividends received	16.6	15.3		

8. Fixed assets and other long-term expenditure

	Acquisition cost, beginning of year	Increases	Decreases	Accum. depreciation, beginning of year	Accum. depr. of decreases	Deprec. for the period	Residual value, end of year
Group							
Intangible assets							
Intangible rights	43.5	20.4	–0.8	–28.2	-	–7.1	27.8
Consolidation goodwill	995.6	5.8	-	–240.0	-	–80.3	681.1
Other long-term expenditure	249.9	54.0	–3.7	–160.5	3.2	–31.4	111.5
Group 1 Jan.-31 Dec. 1997	1,289.0	80.2	–4.5	–428.7	3.2	–118.8	820.4
Group 1 Jan.-31 Dec. 1996	894.2	44.8	–15.5	–284.0	12.7	–102.3	549.9
Tangible assets							
Land and water	538.5	9.8	–34.4	–1.5	0.9	–0.2	513.1
Buildings	1,676.5	342.3	–23.0	–745.8	-	–72.4	1,177.6
Machinery and equipment	3,881.2	393.0	–73.9	–2,223.5	14.3	–348.7	1,642.4
Other tangible assets	141.8	23.8	–12.2	–84.4	6.9	–26.0	49.9
Work in progress	368.8	-	–115.6	-	-	-	253.2
Group 1 Jan.-31 Dec. 1997	6,606.8	768.9	–259.1	–3,055.2	22.1	–447.3	3,636.2
Group 1 Jan.-31 Dec. 1996	5,654.6	861.5	–381.3	–2,661.9	156.8	–354.8	3,274.9
Parent Company							
Intangible assets							
Intangible rights	2.0	-	-	–1.8	-	–0.1	0.1
Other long-term expenditure	110.7	0.8	–0.9	–40.5	0.4	–9.9	60.6
Parent Co. 1 Jan.-31 Dec.1997	112.7	0.8	–0.9	–42.3	0.4	–10.0	60.7
Parent Co. 1 Jan.-31 Dec. 1996	112.3	0.6	–0.1	–31.7	-	–10.7	70.4
Tangible assets							
Land and water	236.9	-	–19.3	-	-	-	217.6
Buildings	209.5	3.2	–7.1	–99.9	6.3	–6.6	105.4
Machinery and equipment	40.7	4.6	–2.0	–33.6	1.5	–2.6	8.6
Work in progress	26.1	6.8	–14.7	-	-	-	18.2
Other tangible assets	8.9	1.4	–0.5	–4.8	-	–0.3	4.7
Parent Co. 1 Jan.-31 Dec.1997	522.1	16.0	–43.6	–138.3	7.8	–9.5	354.5
Parent Co. 1 Jan.-31 Dec.1996	757.5	13.4	–248.7	–192.6	67.5	–13.2	383.9

	Group		Parent Company	
MFIM	1997	1996	1997	1996
Shares and securities in fixed assets				
Shares and securities				
Group companies	-	-	3,025.9	2,618.5
Associated companies	1,116.8	594.6	353.5	222.9
Other companies	411.4	503.2	279.3	394.4
Total	1,528.2	1,097.8	3,658.7	3,235.8
Long-term financial assets				
Group companies	-	-	1.6	2.8
Associated companies	6.7	5.8	2.2	2.2
Other companies	218.9	212.7	195.0	195.0
Total	225.6	218.5	198.8	200.0
Revaluations				
Land	169.8	188.1	164.1	182.4
Buildings	88.4	88.4	20.0	20.0
Taxation values				
Land and water	423.2	473.2	228.7	206.8
Buildings	536.3	519.4	169.7	134.1
Shares in Finnish companies				
Subsidiaries	-	-	3,162.3	2,821.1
Other companies	241.1	294.8	264.6	300.5
Total	1,200.6	1,287.4	3,825.3	3,462.5

Taxation values exclude property outside Finland. The book value is used in Finnish shares if there is no taxation value available.

9. Receivables and payables

	Group		Parent Company	
Receivables from Group Companies				
Long-term financial assets			1.6	2.8
Trade receivables			3.2	2.7
Loan receivables			328.4	330.1
Prepaid expenses and accrued income			3.1	1.6
Cash and bank balances			1,093.9	1,219.6
Payables to Group Companies				
Trade payables			0.6	0.8
Other current liabilities			1.2	1.4
Receivables from associated companies				
Long-term financial assets	6.7	5.8	2.2	2.2
Advances paid	3.2	-	-	-
Trade receivables	54.8	22.7	-	-
Loan receivables	4.6	5.1	4.6	5.0
Prepaid expenses and acrued income	2.8	-	-	-
Payables to associated companies				
Advances received	80.8	-	-	-
Trade payables	70.1	4.6	-	-
Accrued expenses and deferred income	0.2	0.1	-	-
Other current liabilities	0.1	1.2	-	-

Loan receivables from the management and the Board of Directors totalled 0.1 MFIM.

MFIM	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
Receivables with maturity over 12 months				
Trade receivables	24.7	3.6	-	0.1
Loan and other receivables	20.1	59.8	160.9	242.1
Total	44.8	63.4	160.9	242.2

Shareholders' equity

10. Restricted equity

MFIM	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
Share capital at the beginning of the financial year				
Series A	278.5	278.5	278.5	278.5
Series B	260.2	260.2	260.2	260.2
Total	538.7	538.7	538.7	538.7
Bonus issue	538.7	-	538.7	-
Exchange of warrants for shares	0.3	-	0.3	-
Conversion of debentures	0.3	-	0.3	-
Share capital at the end of the financial year				
Series A	278.7	278.5	278.7	278.5
Series B	799.3	260.2	799.3	260.2
Total	1.078.0	538.7	1.078.0	538.7
Other restricted equity				
at the beginning of the financial year	936.9	931.7	818.9	818.9
Bonus issue	–538.7	-	–538.7	-
Issue premium	3.8	-	3.8	-
Capital surplus from merger	209.5	-	-	-
Transfers from non-restricted equity	15.1	8.3	-	-
Translation differences and other changes	89.6	–3.1	-	-
At the end of the financial year	716.2	936.9	284.0	818.9
11. Convertible subordinated debentures	697.8	700.0	697.8	700.0

Main terms:

* Two issues of convertible subordinated debentures, each carrying principal of 350 MFIM at the date of issue.
* Should Metra Corporation be put into liquidation or become bankrupt, the principal of the loan shall rank junior to Metra Corporations' other obligations (and equal to the Company's other equal loans raised to strengthen shareholders' equity).
* The loans are dated on 24 March 1994. The notes are not collaterilized and are perpetual.
* Metra Corporation is entitled to pay back the principal with interest at any time from 2 May 2004 assuming that the Company and the Group still have distributable equity after making the payment. Furthermore, Metra Corporation is entitled to to pay back the principal on the same terms if the share price exceeds the conversion price by at least 40 percent, in which case note holders are entitled to convert their notes to Company shares before payback.
* The notes shall pay fixed interest of 7.8% until 2 May 2004, and thereafter a rate of interest to be fixed annually which shall exceed the 12-month Helsinki Interbank Offered rate by five percentage points.
* Interest may be paid annually only to the extent that the payments do not exceed the distributable equity shown in the most recent approved financial accounts. Any interest left unpaid shall remain the liability of the Company. Interest is paid before dividend.
* Each bond of nominal value FIM 10,000 convertible into Series A shares may be exchanged for 37 Series A shares and 37 Series B shares. The aggregate conversion price of one Series A share and one Series B share is FIM 270.27.
* Each bond of nominal value FIM 10,000 convertible into Series B shares may be exchanged for 74 Series B shares. The aggregate conversion price of two Series B shares is FIM 270.27.

* The conversion right commenced on 1 June 1994 and the annual period of conversion shall extend from January 2 to November 30 inclusive. The conversion right will end 14 days prior to the maturity of the notes.

* By 31 December 1997 altogether 6,882 Series A shares and 8,658 Series B shares had been converted. This represents a loan capital of FIM 2,190,000 and by this amount the principal has decreased.

	Group		Parent Company	
MFIM	1997	1996	1997	1996
12. Non-restricted equity				
At the beginning of the financial year	2,166.2	1,665.5	1,672.8	1,528.9
Dividends paid	–228.9	–148.1	–228.9	–148.1
Cancellation of revaluations	–18.3	–58.5	–18.3	–58.5
Transfers to restricted equity	–15.1	–8.3	-	-
Net translation differences	–59.5	–4.7	-	-
Other	9.4	–4.1	0.1	1.8
Profit for the financial year	244.4	724.4	141.6	348.7
At the end of the financial year	2,098.2	2,166.2	1,567.3	1,672.8
Appropriations	–386.5	–395.5	-	-
Deferred tax liability	106.5	109.0	-	-
Distributable equity	1,818.2	1,879.7	1,567.3	1,672.8
13. Preferred capital notes	-	464.4	-	464.4
The loan was repaid on 10 October 1997.				
14. Provisions				
Pension liabilities	247.3	265.9	23.8	21.1
Other	328.8	212.9	30.6	34.3
Total	576.1	478.8	54.4	55.4
Change in provisions	97.3	3.8	–1.0	–97.7
15. Liabilities				
Long-term				
Non interest-bearing	242.6	232.6	-	-
Interest-bearing	2,775.6	1,759.1	1,924.1	823.1
Total	3,018.2	1,991.7	1,924.1	823.1
Current				
Non interest-bearing	4,643.1	3,587.7	81.7	138.9
Interest-bearing	1,958.8	1,161.6	145.2	380.0
Total	6,601.9	4,749.3	226.9	518.9
Bonds				
1993-2002, 6 month Helibor based	150.0	150.0	150.0	150.0
1994-2001, 6 month Helibor based	300.0	300.0	300.0	300.0
1994-2002, 6 month Helibor based	25.0	25.0	25.0	25.0
Total	475.0	475.0	475.0	475.0

MFIM	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
Bonds with warrants 1994	2.5	2.5	2.5	2.5

Main terms:

* Principal MFIM 2.5.
* Each FIM 1,000 bond carries a warrant to subscribe for 126 Series B shares, nominal value FIM 20 for a subscription price of FIM 122.80 per share.
* The loan is dated on 2 May 1994. The conversion period commenced on 2 January 1995 and will end on 2 May 1998, on which date the principal will also be repaid.
* By 31 December 1997 altogether 18,270 Series B shares had been subscribed for against 145 warrants surrended to the Company.
* Annual interest on bonds is equivalent to the 12-month Helibor minus 1 percentage point.
* 43 executives have subscribed for the loan.

MFIM	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
Bonds with warrants 1996	0.2	0.2	0.2	0.2

Main terms:

* Principal FIM 180,000.
* Each FIM 1,000 bond carries a warrant to subscribe for 1,200 Series B shares, nominal value FIM 20, for a subscription price of FIM 101.20 per share.
* The loan is dated on 2 May 1996. The conversion period commenced on 1 September 1996 and will end on 2 May 2003, on which date the principal will also be repaid. No warrants have so far been exchanged for shares.
* Annual interest on bonds is equivalent to the Bank of Finland's base rate minus 1 percentage point.
* 34 executives have subscribed for the loan.

Long-term debt with maturity profile

	Bonds	Bank-loans	Pension-loans	Other loans	Total
1998	-	203.8	29.2	33.9	266.9
1999	-	1,232.7	27.1	10.7	1,270.5
2000	-	34.4	25.2	6.2	65.8
2001	300.0	111.7	23.5	5.9	441.1
2002	175.0	154.5	21.8	4.2	355.5
2003 -	-	325.0	289.7	28.1	642.8
Total 31 Dec.1997	475.0	2,062.1	416.5	89.0	3,042.6
Total 31 Dec.1996	475.0	1,090.0	448.1	119.8	2,132.9

Division of long-term loans by currency

	31 Dec.1997	31 Dec.1996
FIM	39 %	62 %
USD	37 %	14 %
NLG	7 %	9 %
FRF	5 %	8 %
SEK	3 %	5 %
Other currencies	9 %	2 %

MFIM	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996

16. Projects for which percentage-of-completion method is applied

	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
Uncompleted projects				
Recognized accumulated income	5,018.1	2,852.1		
Unrecognized part of income	1,369.5	848.1		
Recognized accumulated contribution	553.4	355.6		

17. Contingent liabilities

	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
Mortgages				
Collateral for own loans	577.9	767.5	63.0	121.5
Collateral for Group Companies' loans	-	-	35.0	46.5
Collateral for other own commitments	27.0	41.9	20.0	20.0
Total	604.9	809.4	118.0	188.0
Chattel mortgages	29.7	19.8	-	-
Guarantees and contingencies				
For the Company	2,794.8	2,240.3	2.9	2.9
For Group companies	-	-	1,357.0	1,227.6
For associated companies	94.6	25.0	94.6	25.0
For others	39.3	46.2	0.2	0.3
Total	2,928.7	2,311.5	1,454.7	1,255.8

All pension liabilities are included in the balance sheet. There are no guarantees or contingencies given for the management of the Company or for the shareholders.

18. Nominal values of derivative instruments on 31 December 1997

	Total amount	of which closed contracts
Interest rate FRA's and futures	13,300.1	12,206.1
Interest rate options; purchased	551.2	
Interest rate options; written	831.4	
Interest rate swaps	1,656.3	
Forward foreign exchange contracts	10,921.6	3,015.1
Currency options; purchased	121.5	
Currency options; written	175.5	

If all the above instruments were reversed (sold) at market prices at the year end, the net effect would be MFIM –116.9.

19. Exchange rates

	Closing rates					Average rates	
	31 Dec.97	31 Dec.96	31 Dec.95	31 Dec.94	31 Dec.93	1997	1996
USD	5.4207	4.6439	4.3586	4.7432	5.7845	5.1944	4.5905
GBP	8.9920	7.8690	6.7410	7.4090	8.5540	8.5060	7.1640
SEK	0.6863	0.6748	0.6546	0.6358	0.6945	0.6799	0.6847
NOK	0.7394	0.7209	0.6899	0.7014	0.7701	0.7339	0.7111
DEM	3.0275	2.9880	3.0435	3.0615	3.3350	2.9939	3.0530
NLG	2.6861	2.6624	2.7185	2.7337	2.9812	2.6603	2.7247
FRF	0.9046	0.8862	0.8906	0.8873	0.9817	0.8894	0.8978
CHF	3.7258	3.4392	3.7884	3.6180	3.9083	3.5785	3.7211
ITL*	3.0800	3.0400	2.7500	2.9200	3.3800	3.0500	2.9800
ECU	5.9890	5.7700	5.5970	5.8150	6.4590	5.8640	5.7510

* 1,000 units

20. Shares and securities

		Number of shares	Share %	Curr.	Nominal value `000	Book value '000 Curr.	Metra Corp. direct ownership	Indirect ownership through subsidiary	FIM'000 Result for the year
SUBSIDIARIES									
Wärtsilä NSD Oy Ab	Finland	14,544,704	87.8	FIM	1,454,470	FIM	2,068,271		–272,683
Wärtsilä NSD Finland Oy	Finland	4,800,000	100.0	FIM	480,000	FIM		599,996	
Wärtsilä NSD Nederland B.V.	Holland	63,825	60.0	NLG	63,825	FIM		95,115	
Wärtsilä NSD Sweden AB	Sweden	40,000	100.0	SEK	40,000	FIM		53,615	
Wärtsilä NSD Norway A/S	Norway	20,000	100.0	NOK	60,000	FIM		59,928	
Wärtsilä NSD Iberica S.A.	Spain	15,000	100.0	ESP	150,000	FIM		23,039	
Wärtsilä NSD Canarias S.L.	Spain		100.0	ESP	500	ESP		500	
Wärtsilä NSD Motores (Portugal) Lda.	Portugal		100.0	PTE	40,000	FIM		1,322	
Wärtsilä NSD Danmark A/S	Denmark	18	100.0	DKK	1,800	FIM		9,697	
Wärtsilä NSD Deutschland GmbH	Germany		100.0	DEM	1,000	FIM		3,016	
Wärtsilä NSD UK Ltd.	Great Britain	1,050,000	100.0	GBP	1,050	FIM		17,098	
Wärtsilä NSD Ireland Ltd.	Ireland	10,000	100.0	IEP	10	IEP		10	
Wärtsilä Diesel Polska Sp.z.o.o.	Poland	1,120	100.0	PLN	112	FIM		191	
Wärtsilä Diesel Hellas S.A.	Greece	700	70.0	GRD	14,000	FIM		357	
Wärtsilä NSD Cyprus Ltd.	Cyprus	1,000	100.0	CYP		GRD		5,069	
Power Partners S.r.l.	Italy		100.0	th.ITL	180,000	FIM		13,791	
Wärtsilä NSD North America, Inc.	USA	50,000	100.0	USD	20,000	FIM		215,914	
Wartsila Operations, Inc.	USA	100	100.0	USD	10	USD		10	
Wärtsilä NSD Canada Inc.	Canada	420	100.0	CAD	1,300	USD		1,172	
Wärtsilä NSD de Mexico	Mexico	100	100.0	MXP	50,000	USD		2,150	
Wärtsilä NSD Latin America Ltd.	Bermuda	900	100.0	USD	900	FIM		4,185	
Wärtsilä NSD Chile Ltda.	Chile		100.0	CLP	500	USD		894	
Wärtsilä NSD del Ecuador S.A.	Ecuador	70,000	100.0	ESC	70,000	USD		491	
Wärtsilä NSD do Brasil Ltda.	Brazil	144,300	100.0	BRL	144	USD		306	
Wärtsilä NSD de Colombia S.A.	Columbia	9,469	100.0	COP	10,000	USD		34	
Wärtsilä NSD del Peru S.A.	Peru	1,960	100.0	PEN	20	USD		107	
Wärtsilä NSD del Argentina S.A.	Argentina	12,500	100.0	USD	0				
Wärtsilä NSD Caribbean, Inc.	Puerto Rico	250,000	100.0	USD	250	FIM		1,179	
Wärtsilä NSD Venezuela, C.A.	Venezuela	8,500	100.0	VEB	1,700	USD		10	
Wärtsilä NSD Power Dev. Co. Inc.	USA	125	100.0	USD	4,001	FIM		48,524	
Wärtsilä NSD Power Dev. Ltd.	Cayman	3,000	100.0	USD	1,000	USD		3	
Wärtsilä NSD Power Dev. Asia Ltd.	Cayman	5,000	100.0	HKD	38	USD		5	
Wärtsilä NSD Singapore Pte Ltd.	Singapore	13,000,000	100.0	SGD	13,000	FIM		18,734	
Wärtsilä NSD China Ltd.	Hong Kong	200,000	100.0	HKD	20,000	FIM		11,310	
Wärtsilä Diesel Japan Co. Ltd.	Japan		50.0	JPY	100,000	FIM		4,591	
Wärtsilä NSD Korea Ltd.	South Korea	15,000	100.0	WON	695,000	FIM		5,313	
Wärtsilä NSD Taiwan Ltd.	Taiwan	1,450	96.7	TWD	14,500	FIM		2,384	
Wärtsilä NSD Philippines Inc.	Philippines	126,976	100.0	PHP	12,698	FIM		3,836	
PT. Wärtsilä NSD Indonesia	Indonesia	1,600	80.0	IDR	5,787,800	IDR		11,871	
Wärtsilä NSD Australia Pty Ltd.	Australia	999,998	100.0	AUD	1,000	FIM		3,239	
Wärtsilä NSD India Ltd.	India	6,137,300	51.0	INR	61,373	FIM		71,064	
Wärtsilä NSD Pakistan (Pvt.) Ltd.	Pakistan	7,775,000	100.0	PKR	77,750	FIM		10,247	
Wärtsilä Diesel Saudi Arabia Ltd.	Saudi Arabia	3,660	60.0	SAR	3,660	FIM		7,108	
Wärtsilä NSD Gulf FZE	Unit.Arabemir.	1	100.0	AED	1,000	FIM		1,265	
Wärtsilä NSD South Africa (Pty) Ltd.	South Africa	1,500,000	100.0	ZAR	1,500	FIM		1,881	
Wärtsilä NSD Mediterranean Ltd.	Cyprus	1,000	100.0	CYP	10	FIM		101	
Wärtsilä Compression Systems GmbH	Germany		67.0	DEM	1,675	FIM		5,035	
Wärtsilä NSD Eastern Africa Ltd	Kenya		100.0	USD	1	FIM		4	
Wärtsilä NSD Switzerland Ltd.	Switzerland	50,000	100.0	CHF	50,000	FIM		559,078	
NSD Japan Ltd.	Japan	400	100.0	JPY	20,000	JPY		20,000	
Wärtsilä NSD Corporation AG	Switzerland		100.0	CHF	250	FIM		857	
Diesel Ricerche S.p.A.	Italy		100.0	th.ITL	10,466	FIM		34,955	
Wärtsilä NSD France S.A.	France		100.0	FRF	174,908	FIM		249,187	

Shares and securities

		Number of shares	Share %	Curr.	Nominal value `000	Curr.	Book value '000 Metra Corp. direct ownership	Indirect ownership through subsidiary	FIM'000 Result for the year
Sanitec Ltd Oy	Finland	3,360,000	100.0	FIM	336,000	FIM	419,996		223,965
Ido Kylpyhuone Oy	Finland	300,000	100.0	FIM	30,000	FIM		30,000	
Ido Badrum AB	Sweden	20,000	100.0	SEK	2,000	FIM		10,673	
Porsgrund Oy	Finland	600	100.0	FIM	600	FIM		600	
Porsgrund Bad AS	Norway	10,000	100.0	NOK	10,000	FIM		6,057	
Ifö Sanitär AB	Sweden	20,000	100.0	SEK	20,000	FIM		35,000	
Fastighets AB Pressarna	Sweden	100,000	100.0	SEK	10,000	SEK		20,882	
Ifö Sanitär A/S	Norway	20	100.0	NOK	200	SEK		185	
Scandi-aqualine A/S	Denmark	70,000	100.0	DKK	7,000	SEK		15,115	
Scandiaqua Sp. z o.o.	Poland	4,995	100.0	PLN	500	SEK		1,882	
Allia International S.A.	France	1,775,000	100.0	FRF	177,500	FIM		630,010	
Allia S.A.	France	1,099,994	100.0	FRF	109,999	FRF		109,999	
Polyroc S.A.	France	67,995	99.9	FRF	680	FRF		8,504	
Fabrication d'Appareils Sanitaires	France	4,299	99.9	FRF	4,299	FRF		19,419	
Keramag Keramische Werke AG	Germany	445,471	92.8	DEM	22,274	FRF		153,472	
Hutschenreuther-Keramag GmbH	Germany		50.0	DEM	1,500	DEM		2,630	
Keramag Haldensleben GmbH	Germany		100.0	DEM	5,254	DEM		5,263	
Keramag Vertriebs Holding GmbH	Germany		100.0	DEM	1,000	DEM		1,004	
Varicor S,A.	France	59,670	51.0	FRF	5,967	DEM		3,155	
Spectra Vertriebsgesellschaft GmbH	Germany	15,000	100.0	DEM	1,500	FRF		5,342	
Eurocer Industria de Sanitarios S.A.	Portugal	540,000	100.0	PTE	540,000	FRF		23,748	
Laminex Sp. z o.o.	Poland		99.0	PLN	2,500	FRF		5,359	
Evac International Oy	Finland	500	100.0	FIM	5,000	FIM		10,139	
Evac AB	Sweden	70,000	100.0	SEK	7,000	FIM		4,508	
Evac Oy	Finland	70,000	100.0	FIM	7,000	FIM		6,182	
Evac S.r.l.	Italy		100.0	th.ITL	150,000	FIM		4,260	
Evac S.A.R.L.	France	500	100.0	FRF	50	FIM		684	
Evac (U.K.) Limited	Great Britain	2	100.0	GBP	0	FIM		0	
Envirovac Inc.	USA	1,010	100.0	USD	1,246	FIM		5,487	
Envirovac Inc.	Canada	100	100.0	CAD	100	USD		73	
Evac GmbH	Germany	300	100.0	USD	215	USD		215	
Zaklady Wyrobow Sanitarnych KOLO	Poland	37,900	76.8	PLN	12,800	FIM		50,679	
Sanitec Kolo Sp. z o.o.	Poland	10,000	100.0	PLN	100	FIM		1,782	
Sugarlop B.V.	Holland	249	100.0	NLG	240	FIM		179,104	
Sanitec International GmbH	Germany	1	100.0	DEM	201,000	FIM		597	
Sanitari Pozzi S.p.A.	Italy	6,045,970	100.0	th.ITL	21,161	FIM		24,640	
Imatra Steel Oy Ab	Finland	104,000	100.0	FIM	104,000	FIM	277,140		15,338
Imatra Kilsta AB	Sweden	200,000	100.0	SEK	20,000	FIM		57,092	
Imatra Tooling AB	Sweden	1,000	100.0	SEK		SEK		4,900	
Imatra Stahl GmbH	Germany		100.0	DEM	100	FIM		270	
Imatra Steel Ltd.	Great Britain		100.0	GBP	50	FIM		389	
Imatra Steel S.A.R.L.	France		100.0	FRF	200	FIM		202	
Metra Finance Oy Ab	Finland	382,000	100.0	FIM	191,000	FIM	191,005		6,824
Vulcan Insurance Ltd.	Great Britain	2,000,000	100.0	GBP	2,000	FIM	2,000		711
Metra Corporation housing corporations (15)						FIM	63,253		
Metra Corporation others (5)						FIM	4,231		
Total							3,025,896		

Shares and securities

				Nominal value			Book value '000		FIM'000	
		Number of shares	Share %	Curr.	'000	Curr.	Metra Corp. direct ownership	Indirect ownership through subsidiary	Result for the year	Share-holders equity
ASSOCIATED COMPANIES										
Assa Abloy AB	Sweden	20,609,960	29.0	SEK	20,610	FIM	322,699		241,715	1,590,226
Cervuctum Oy	Finland	254,653	31.3	FIM	25,465	FIM	25,000		–20,829	136,828
Cummins Wärtsilä S.A.	France	3,767,784	50.0	FRF	376,778	FIM		342,034	–141,781	407,207
Finnish Barents Group Oy	Finland	100	50.0	FIM	100	FIM		100	170	483
Vaasa Pilot Power Plant Oy	Finland	9,980	49.9	FIM	9,980	FIM		9,980		20,000
Wartsila Navim Diesel S.r.l.	Italy		40.0	FIM	24,000	FIM		76	190	5,608
Grandi Motori Trieste	Italy		40.0	th.ITL	159,900	FIM		192,955	–147,587	343,728
Ina/Ifö Co Ltd.	Japan	60,000	50.0	JPY	30,000	SEK		14,142	242	19,184
Domino S.p.A.	Italy	667,000	25.0	th.ITL	667,000	FIM		56,364	-924	127,412
Raftery Holding B.V.	Holland	10	50.0	NLG	10	USD		35	2,078	322,314
Johnson Industrial Holding AG	Switzerland	10,072,728	50.0	MYR	10,073	FIM		57,095	3,282	28,678
Metra Corpoation others (8)						FIM	5,764			
Total							353,463			
OTHER COMPANIES										
Cummins Engine Company, Inc.	USA	110,497		FIM	5,000	FIM		21,220		
Keskus Sato Oy	Finland	89,591		FIM	896	FIM	10,206	805		
Kiint. Oy Nordic Hotellikiinteistöt	Finland	80,000	19.0	FIM		FIM	76,000			
Polar-Yhtymä Oy	Finland	8,348,889	6.9	FIM	83,489	FIM	86,897			
Sampo Insurance Company	Finland	380,200	0.6	FIM	1,901	FIM	22,582			
St. Laurence Golf Oy	Finland	336	43.6	FIM	3,360	FIM	11,652			
Tamro-Yhtymä Oy	Finland	605,100	0,7	FIM	6,051	FIM	28,130			
Metra Corporation housing corporations (44)						FIM	21,615			
Metra Corporation others (36)						FIM	22,243			
Total							279,325			
Metra Corporation total shares and securities							3,658,684			

A complete list of shares and securities is included in the official financial statements.

PROPOSAL OF THE BOARD

The consolidated non-restricted equity on 31 December 1997 amounted to FIM 2,098,197,000 and included distributable funds totalling FIM 1,818,181,000.

The Parent Company's net profit for the financial year amounted to FIM 141,599,408.71 and the retained earnings to FIM 1,425,697,495.96.

The number of share entitled to a dividend is 53,901,336.

The Board of Directors proposes that a dividend of FIM 2.75 per share be paid, i.e. FIM 148,228,674.00 and that the retained earnings of FIM 1,419,068,230.67 be carried forward in the Parent Company.

The proposal complies with the conditions of the convertible subordinated debentures.

Helsinki, 12 February 1998

Robert G. Ehrnrooth   Vesa Vainio

Göran J. Ehrnrooth   Carl-Olaf Homén   Jaakko Iloniemi

Paavo Pitkänen   Christoffer Taxell

Georg Ehrnrooth
President

AUDITORS' REPORT

To the shareholders of Metra Corporation

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the President of Metra Corporation for the year ended 31 December 1997. The annual accounts prepared by the Board of Directors and the President include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements and the company's administration.

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

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the retained earnings of the parent company is in compliance with the Finnish Companies Act.

We have reviewed the interim reports made public by the company during the year. It is our understanding that the interim reports have been prepared in accordance with the rules and regulations governing the preparation of such reports in Finland.

Helsinki, 24 February 1998

KPMG WIDERI OY AB
Eric Haglund
Authorized Public Accountant

CALCULATION OF FINANCIAL RATIOS

Return on investment (ROI)

$$\frac{\text{Profit after net financial items + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities - provisions, average over the year}} \times 100$$

Return on equity (ROE)

$$\frac{\text{Profit after net financial items - taxes for the financial year}}{\text{Shareholders' equity + minority interests, average over the year}} \times 100$$

Interest coverage

$$\frac{\text{Profit after net financial items + depreciation + interest and other financial expenses}}{\text{Interest and other financial expenses}}$$

Solvency ratio

$$\frac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total - advances received}} \times 100$$

Net Gearing

$$\frac{\text{Interest bearing liabilities - cash and bank balances}}{\text{Shareholders' equity + minority interests}}$$

Earnings per share (EPS)

$$\frac{\text{Profit after net financial items - taxes for the financial year - minority interests}}{\text{Adjusted number of shares over the financial year}}$$

Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial year}}$$

Dividend per share

$$\frac{\text{Dividends paid for the financial year}}{\text{Adjusted number of shares at the end of the financial year}}$$

Dividend/earnings

$$\frac{\text{Dividends paid for the financial year}}{\text{Profit after net financial items - taxes for the financial year - minority interests}} \times 100$$

Effective dividend yield

$$\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial year}} \times 100$$

Price/earnings

$$\frac{\text{Adjusted share price at the end of the financial year}}{\text{Earnings per share (EPS)}}$$

GROUP DEVELOPMENT IN ECU

INCOME STATEMENT

MECU	1997	1996
Net sales	2,608.6	2,027.4
Operating profit	132.5	192.0
Share of results in associated companies	–13.8	–3.8
Net financial items	51.5	–32.7
Profit after net financial items	67.2	155.5
Extraordinary items	–0.1	5.8
Taxes	28.2	–32.2
Minority interests	2.8	–3.1
Profit for the financial year	41.7	126.0

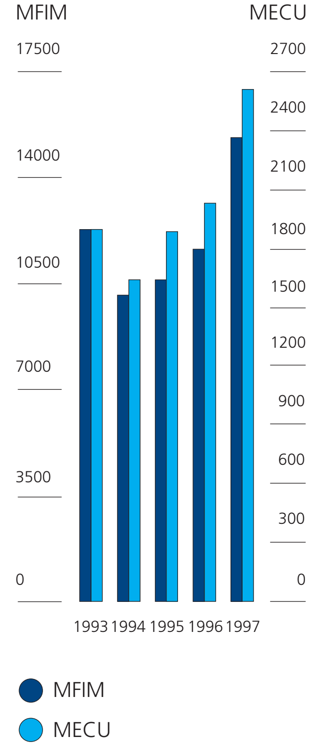
BALANCE SHEET

MECU	31 Dec.1997	31 Dec.1996
Fixed assets	1,037.0	891.0
Inventories	584.4	474.6
Financial assets	934.9	751.5
Shareholders' equity	766.5	752.5
Minority interests	87.3	32.8
Preferred capital notes	-	80.5
Provisions	96.2	83.7
Interest-bearing liabilities	790.5	505.5
Non interest-bearing liabilities	815.8	662.1
Balance sheet total	2,556.3	2,117.1

FINANCIAL RATIOS

MECU	1997	1996	1995	1994	1993
Net sales	2,609	2,027	1,881	1,637	1,900
Change -%	29	8	15	–14	25
Balance sheet total	2,556	2,117	2,058	1,879	2,009
Shareholders' equity	767	753	685	605	397
EPS, ECU	0.93	1.97	1.75	1.17	0.85
Equity per share, ECU	12.02	11.79	10.36	8.94	7.28
ECU / FIM closing rate	5.989	5.770	5.597	5.815	6.459
ECU / FIM average rate	5.864	5.751	5.644	6.175	

NET SALES



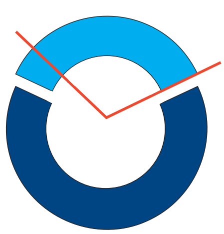
Metra is preparing for the possible introduction of the common European currency, the euro. Several working groups have been set up to assess the impact of its adoption in Metra's divisions and countries of operation.

CURRENCY DISTRIBUTION 1997

	Invoiced sales	Operating costs
FIM	10.5%	25.5%
USD	32.7%	7.9%
SEK	6.1%	7.4%
NOK	6.9%	4.9%
DEM	8.4%	12.3%
NLG	3.9%	12.4%
FRF	12.8%	15.2%
Other EU	10.2%	5.6%
Other	8.5%	8.8%
	100%	100%

The distribution of the Group´s sales and operating costs by currency provide a view of the Group´s long-term currency sensitivity.

METRA'S INTEREST BEARING LOAN CAPITAL BY INTEREST TYPE 31 Dec. 1997



Fixed rate loans and swaps

Floating instruments

Metra's guidelines for minimum fixed rate part

Metra´s policy is to minimize the impact of foreign exchange, interest rate, credit and liquidity risks on the Group´s cash reserves, profits and shareholders´ equity. The risk policy set by the Board of Directors outlines the responsibilities in financing and risk management and covers the use of financial instruments for handling the risks.

Foreign exchange risk

Metra is an international group with 95% of its sales and 55% of its production outside Finland. As the Group companies operate in many base currencies, Metra's Board and its subsidiary boards have set the maximum risk limits on a per company basis.

Within the commercial transaction exposure all the fixed purchase and sales contracts are hedged. Budgeted items are covered up to such time periods that the prices and/or costs can be adjusted to the new exchange rates. These periods vary among Group companies from three to twelve months.

The derivatives used for these purposes and their nominal values are listed in the notes to the financial statements on page 30. At the end of 1997 the net asset value of Metra´s foreign subsidiaries totalled FIM 2.1 billion, of which FIM 1.3 billion was hedged. The translation difference arising from consolidation of the foreign subsidiaries amounted to FIM 111 million in 1997and the corresponding exchange rate difference from hedging amounted to FIM 61 million, which has been taken direct to shareholders´ equity, bypassing the income statement.

Interest rate risk

The interest rate risk represents the effect on earnings of changes in market interest rates. According to Metra's policy the share of floating rate loans as a proportion of the total debt can vary between 30-70%. At the end of 1997 the ratio was 64% after adjustment of interest rate swaps and other hedging instruments.

At the end of 1997 the average interest rate and the refixing period of interest-bearing loan capital were 5.9% and 13 months respectively. The short-term portion of total interest-bearing loan capital was 36%. The maturity profile, division by currency and other information on debt is provided on pages 28-29. The effect of a 1 percentage point parallel change of the yield curve on the value of the net debt portfolio, excluding the perpetual convertible of 698 million, would be FIM 18.4 million.

Liquidity risk

At the year end cash and bank amounted to FIM 728 million and committed (3.5-7 years) non-utilized lines to FIM 0.9 billion. Furthermore, Metra has Finnish, Polish and European commercial paper (ecp) programmes to meet short-term financing needs. At the end of 1997 the average life of the interest-bearing loan capital, excluding the perpetual convertible subordinated debentures of FIM 698 million, was 26 months.

Credit risk

The management of the credit risks associated with ordinary commercial activities is the responsibility of Group companies. There were no significant credit losses in 1997. Credit risks related to the placement of liquid funds and to trading in derivative instruments are minimized by setting explicit lines for all the counterparties and by making agreements only with the most reputable domestic and international banks and financial institutions.

Metra's divisions are defining their environmental strategies and targets, based on the Group's Environmental Concept. The Group is also preparing an environmental reporting system to facilitate systematic communication.

The ISO 14001 environment certificate awarded to Keramag.

Wärtsilä NSD

Environmental aspects play an essential role in the design, research and development, and manufacture of the generating sets and propulsion packages based on Wärtsilä NSD's diesel and gas engines. The division invests a substantial proportion of its R&D resources to ensuring that its products comply with the most stringent regulations of today and the foreseeable future. Minimum emissions and high efficiency are key focus areas in the division's product development.

Wärtsilä NSD is working towards gaining ISO 14001 certification for its environmental management system. With this aim in mind it has already conducted initial environmental audits at the largest factories.

During 1998 the division will give special attention to the development of its environmental management system, as well as to training and communication on environmental issues.

Sanitec

Water saving is an important feature of Sanitec's products. In production, the division's environmental measures are focused on energy and water consumption and waste treatment.

Most of the energy consumed in the manufacture of ceramic products is required to heat the kilns. Efficient recovery of waste heat saves both costs and the environment.

At Ido's Ekenäs factory, efforts are being made to reducing energy consumption, based on a lifecycle analysis and energy survey of its products. Measures are being taken to avoid excessive use of air conditioning equipment, and waste heat is recovered for reuse in other stages of production. In Sweden Ifö has invested in reducing and recycling waste. Its aim is to achieve 100% recycling of glazing waste. Environmental projects are also in progress in Italy and Poland. Keramag's Haldensleben and Wesel factories and its headquarters in Ratingen, Germany, have all received ISO 14001 certification. Ido in Finland has BS 7750 certification. Ifö and Allia's Digoin factory aim to gain certification during 1998.

The dual-flush WCs introduced in most European countries and Singapore offer water savings of between 40% and 60%. Evac's vacuum toilet systems are the ideal solution for applications, such as aircraft and trains, where conventional WCs are out of the question. This technology is also creating increasing interest in water saving and waste reduction techniques in the building industry. The City of Venice, for example, has decided to adopt vacuum sewage technology.

Imatra Steel

In 1997 Imatra Steel conducted a survey among people living in the vicinity of its steelworks in Imatra to determine their opinions about the company's environmental management. Investments and modernization projects in 1996 have substantially reduced dust emissions and noise. The steelworks is now regarded as an increasingly good neighbour. Noise abatement measures continue. The company is also preparing an environmental management system, which is expected to be certified during 1998.

President Pentti-Juhani Hintikka:
"With a year of major structural change and investment behind us, our overriding priority is to draw full benefit from the synergies provided by the merger and to raise profitability."

The formation of Wärtsilä NSD Corporation from the merger of Wärtsilä Diesel and New Sulzer Diesel made the new company the global market leader in its field but at the same time weakened its financial performance more than expected last year. Wärtsilä NSD's net sales increased to FIM 11.3 billion, up 4% on the previous year. The delivery volume measured in terms of engine output reached 4,090 MW, an increase of 30%, and its license manufacturers supplied another 3,400 MW of Sulzer engines.

Wärtsilä NSD's result after net financial items was a loss of FIM -247 (+210) million. The reasons were the non-recurring costs arising from the Wärtsilä Diesel and New Sulzer Diesel merger; delays and larger than expected costs connected with the launch of new engine types; and at the end of the year the postponement of financial closing of certain large projects and exchange rate losses resulting from the devaluation of South East Asian currencies.

An extensive programme of merger-related and other measures was undertaken during the year to improve financial performance. The sales and service networks of Wärtsilä Diesel and New Sulzer Diesel in nine countries were integrated. The tasks of the research and development units were redefined, which will lead to clear cost reductions. The completion of investments in Finland and the Netherlands raise production efficiency and cost-competitiveness in these countries. The extension of the Cummins-Wärtsilä cooperation covering sales and service of high-speed engines further strengthens the growth potential of this business. The new extended Cummins Wärtsilä S.A. joint venture started operation on 1 January 1998. A provision was made in the 1997 accounts to cover the costs of closing down the new engine production at New Sulzer Diesel's factory in Mantes, France.

The division's orderbook at the end of 1997 stood at a high level and was FIM 6,998 (4,707) million.

Power plant markets

The power plant markets were turbulent during the year. Compared to 1996 the total market volume of diesel and gas engines above 1 MW in output grew only 2% to 9,500 MW. Wärtsilä NSD's share of this market was 22% (19%). Variations in demand within this segment were large. The market for power plants running on heavy fuel oil decreased slightly and several projects were postponed, whereas demand for power plants powered by small gas engines grew rapidly. Wärtsilä NSD was unable to respond fully to the fast changes in the marketplace although the

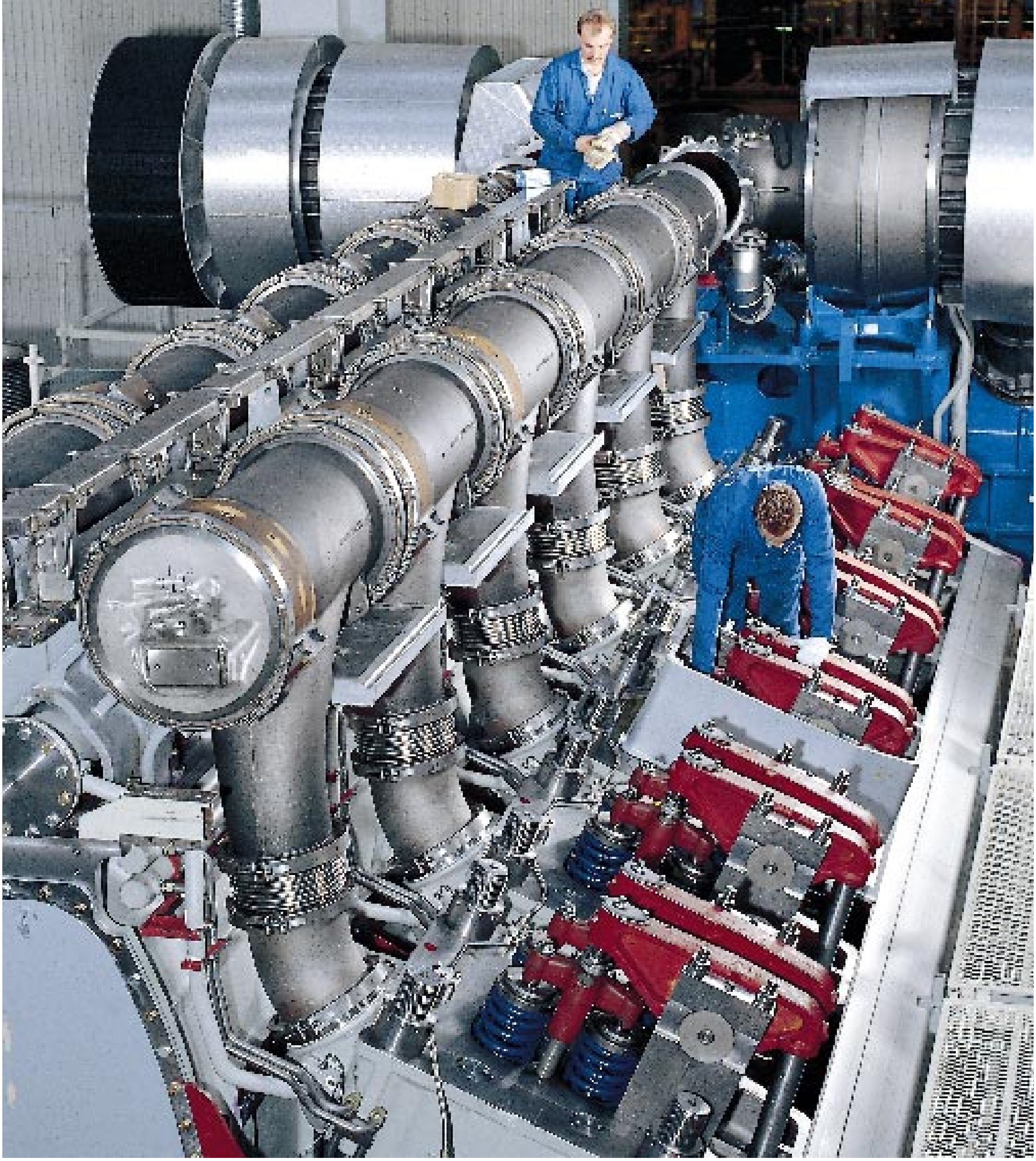
INCOME STATEMENT, WÄRTSILÄ NSD

MFIM	1997	1996
Net sales	11,288	8,016
Operating profit	48	390
Associated companies	–148	–70
Net financial items	–147	–110
Profit after net financial items	–247	210
Taxes	–20	–46
Minority interests	–6	–13
Result for the financial year[1]	–273	151

[1] *Before group contribution.*

BALANCE SHEET, WÄRTSILÄ NSD

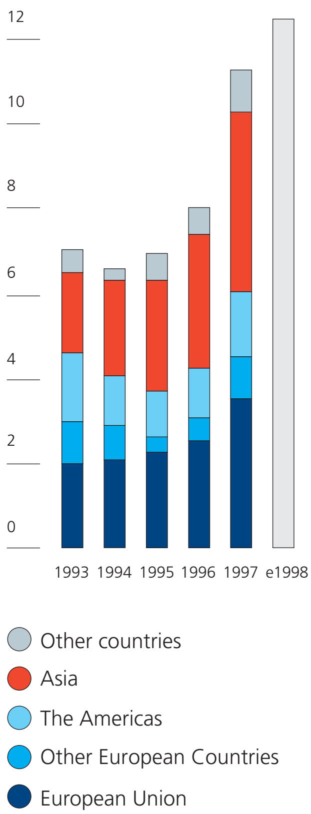
MFIM	31 Dec.1997	31 Dec.1996
Fixed assets	2,698	1,919
Inventories	2,830	2,146
Financial assets	3,944	2,634
Shareholders' equity	2,519	1,716
Minority interests	162	191
Interest-bearing liabilities	2,639	1,799
Non interest-bearing liabilities	4,153	2,993
Balance sheet total	9,473	6,699



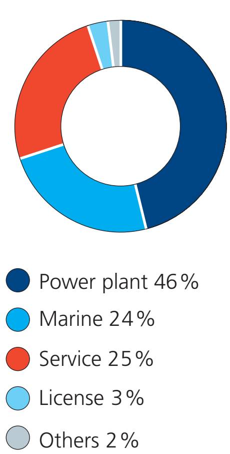
The Wärtsilä 64 engine for power plants and marine applications is the largest medium-speed engine in the world. Shown here is the exhaust manifold being assembled.

This Sulzer low-speed engine developed in Switzerland started up in Japan in October. With a cylinder diameter of almost one metre, it is the world's most powerful diesel engine.

NET SALES BY MARKET AREA
FIM bill.



NET SALES BY BUSINESS AREA 1997



investments of recent years to create a comprehensive portfolio of gas and light fuel oil engines started to yield harvest. The power plant orderbook at the end of 1997 totalled FIM 3.1 (2.2) billion.

Wärtsilä NSD delivered a record volume of power plants during the year - 2,095 MW (1,775 MW). Although the volume was high, margins weakened. The shift in demand towards smaller power plants raised project and engineering costs. The high exchange rate of the US dollar did not yet contribute to the 1997 result.

The importance of gas power plants was accentuated with a doubling of the order intake, and gas power plants are expected to represent one-third of total power plant sales in 1998.

The market situation in East and South East Asia affected certain deliveries and the order intake was slower in this region. In the next few years the focus in these countries will be on expansion of existing plants. In the long term demand would appear to lean towards smaller power plants, which the division believes will give it a favourable competitive advantage.

The marine market

The situation in the marine market was good. Shipyard orderbooks rose to an all-time high of about 50 million gross registered tonnes during autumn 1997. This means that the orderbooks of many yards will be full until the end of 1999.

In 1997 Wärtsilä NSD delivered medium-speed and high-speed marine engines totalling 1,995 MW (1,375). The associated company Grandi Motori Trieste delivered an additional 226 MW.

The total market volume of low-speed engines in 1997 was 12 million break horse power (bhp), or 9,000 MW. This was one million bhp (750 MW) more than in the year before and principally reflects the strong increase in tanker orders. Sulzer low-speed engines accounted for 3.2 million bhp (2,400 MW), i.e. 27%, of the total market volume.

Wärtsilä NSD's orderbook for marine engines was a record high FIM 3.1 (1.9) billion at the year end.

Investment activity was high in the offshore oil and gas industry during the year. Many orders requiring gas diesel installations were placed for new rigs and floating production and storage ships (FPSOs). Interest in the offshore business has increased considerably. In this field Wärtsilä NSD stands to benefit substantially from its many years of systematic product development of oil and gas industry applications. Demand for medium-speed engines was further boosted by a surge in the construction of cruise liners.

The integrated propulsion system developed by Wärtsilä NSD also gained interest around the world, and over 100 such units are scheduled for delivery in 1998.

Service

The buoyant marine market was also reflected in the Service business. Customers ordered a large number of extensive engine overhauls and reconditionings. Wärtsilä NSD was able to respond better to growing demand through a steady increase in service personnel close to the customers and through systematic training.

The merging of the sales and service network was completed during the year, including the integration of Wärtsilä Diesel and New Sulzer Diesel parallel organizsations in nine countries. A special new training programme was started to spread knowledge of the Sulzer low-speed engines to all service engineers in the Group. This will enable the Wärtsilä NSD service network to offer global support to operators of Sulzer engines. The need for training was further emphasized by a rapid increase in the volume of electronically controlled gas engines.

Development of the service logistics made it possible to improve spare parts shipments, which further improved customer service.

Manufacturing

During 1997 Wärtsilä NSD built up its manufacturing capacity for the new Wärtsilä 20, 26, 38, 28SG and 34SG engine types. Responsibility for manufacture of the new Wärtsilä 64 engine was transferred to Grandi Motori Trieste. The manufacturing volume of the division's factories increased noticeably to 3,850 MW (3,015). Further progress was made on streamlining the operations in Grandi Motori Trieste, New Sulzer Diesel and Wärtsilä Diesel factories. The new corporation's uniform mode of operation made a good start with product responsibilities and productivity objectives defined for each factory.

In Finland investments at the Vaasa and Turku factories support the corporation's focused factory principle. The new Wärtsilä 20 factory was brought into operation in March and an expansion to the Turku factory was completed during 1997.

In the Netherlands the new factory in Zwolle started operations and the Amsterdam plant was closed. The Zwolle factory has entirely new facilities and equipment for component machining, assembly and testing. Assembly has been divided into two lines: one for the Wärtsilä 26 and one for the Wärtsilä 38.

In Sweden a new block machining centre was brought on stream at the Trollhättan factory and its testing facilities are being modernized to meet increased volume for gas engines.

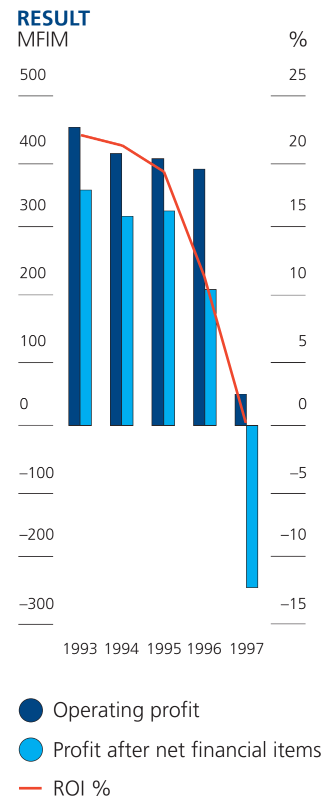
Volume was high at the Rubbestadneset factory in Norway and the main investment was a turning centre for gear box parts.

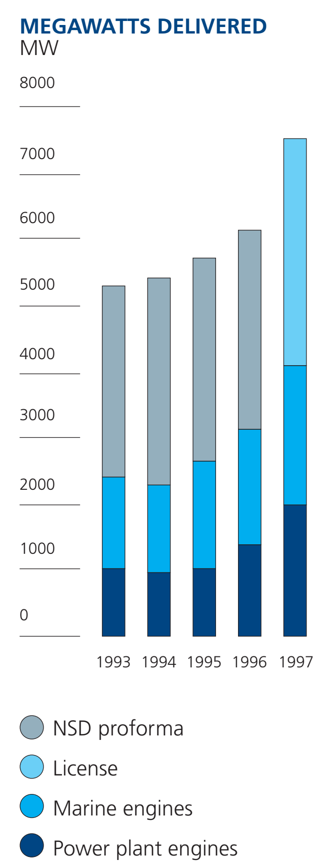
In Italy the integration of the Grandi Motori Trieste (GMT) manufacturing unit within the Wärtsilä NSD Group was started and its role was defined. GMT concentrates on production of the Wärtsilä 64, Sulzer ZA40 and ZA50 engines and it is also a licensee for the Sulzer low-speed engines. Measures have been taken to improve the company's competitiveness.

In Mantes, France, a restructuring plan led to major changes in the company's role. The decision was made to cease production of new engines and to shift Wärtsilä NSD France's focus to sales and project management in France and the francophone areas. The company will retain limited assembly, testing and block machining capacity.

Research and development

With the merger and cooperation between the Group companies Wärtsilä NSD Corporation became a technology leader in heavy reciprocating engines with access to vast field experience. R&D investments reached 4.3% of net sales and today more than 600 people work on engine development within the company.





Many new engines were released on the market during the year. In the high-speed range, the new CW170 passed its test runs and was introduced to the marine market in October. The first CW220 gas engine for the power market was delivered to its customer.

The medium-speed range saw the release of the Wärtsilä 64 and the new Wärtsilä 32. The first Wärtsilä 32 dual-fuel engines and the first Wärtsilä 28SG gas engines were also delivered to customers.

Development of the Sulzer low-speed engine range focused on containership and tanker applications. The first Sulzer RTA48T engine went into operation with good results and the first Sulzer RTA58T was delivered. The world's most powerful diesel engine, the 12-cylinder Sulzer RTA96C generating about 66 MW, was introduced to the market. The first delivery is scheduled for early 1998.

The construction of the Wasa Pilot Power Plant proceeded according to schedule. The plant, which will be brought into operation in the first half of 1998, will be used to demonstrate the company's new high-efficiency Diesel Combined Cycle concept.

WÄRTSILÄ NSD	NET SALES		PERSONNEL	
	1997, MFIM	Change[1]	31 Dec.1997	Change
Wärtsilä NSD Finland Oy	4,667	15%	2,219	103
Wärtsilä NSD Nederland B.V.	1,979	46%	910	–11
Wärtsilä NSD Switzerland Ltd.	1,143	-	507	507
Wartsila France S.A.[2]	1,021	-3%	-	–670
Wärtsilä NSD, Norway A/S	659	24%	435	21
Wärtsilä NSD Sweden AB	591	71%	370	69
Wartsila NSD Inc.	772	39%	181	42
Wartsila NSD Ibérica S.A.	368	11%	105	11
Wartsila NSD India Ltd.	217	–41%	531	41
Wärtsilä NSD France S.A.[3]	1,154	-	476	476
Sales, service and other companies	1,506	–11%	1,529	247
Group organization	56	-	31	4
Internal sales	–2,845	-	0	-
	11,288	41%	7,294	840

[1] *The subsidiaries' figures have been compared in local currencies.*

[2] *Former Wartsila SACM Diesel.*

[3] *Former New Sulzer Diesel France.*

Prospects

Wärtsilä NSD Corporation's restructuring and major investments have been essential to strengthening its strategic position and securing its competitiveness. The top priorities in 1998 will be to draw full benefit from the synergies provided by the Wärtsilä Diesel and New Sulzer Diesel merger, and to raise profitability. Demand for small power plants and for gas power plants is estimated to remain good. Shipyards report record-high orderbooks. Wärtsilä NSD's net sales are expected to reach FIM 12 billion in 1998. Based on the extensive structural changes put into effect during 1997 the division's result is expected to improve substantially. However, the economic situation in South East and East Asia casts some uncertainty over these forecasts.

FIVE YEARS IN FIGURES, WÄRTSILÄ NSD

MFIM	1997	1996	1995	1994	1993
Orderbook, end of period	6,998	4,707	4,900	4,130	3,550
Net sales	11,288	8,016	6,920	6,566	7,041
of which outside Finland	94%	98%	97%	97%	97%
Operating profit	48	390	406	409	450
Profit after net financial items	–247	210	327	314	360
ROI	–1%	11%	19%	21%	22%
Personnel, end of period	7,294	6,454	6,062	5,828	5,727
of which outside Finland	4,856	4,113	3,828	3,762	3,796

President Henrik Eklund:
"Through its joint ventures Sanitec now has the opportunity to enter new and growing markets with partners who possess strong local expertise."

For Sanitec 1997 was another successful year with a 10% increase in net sales to FIM 3.0 billion. The operating profit increased 16% to FIM 411 million. Growth was especially strong in the Nordic markets, France, Poland and Russia.

First steps outside Europe

The year heralded a new era for Sanitec as production was started outside Europe through the joint-venture companies Lecico and Johnson Suisse. Lecico is the market leader in the Middle East and it also has a strong position in the African markets and the UK. Egypt has proved to be a very competitive location for sanitaryware production with low costs and good product quality.

Johnson Suisse, the market leader in Malaysia and Singapore, offers the opportunity to closely follow developments in the Asian markets. Recent events in Asia could cause a decline in European exports to the region. On the other hand, they make local production more competitive. Sanitec's short-term target, therefore, will be to develop the product range in the Kuala Lumpur factory.

The joint ventures give Sanitec an entry into new and growing markets together with partners with a strong local knowledge.

Market conditions

Despite a slight decline in the total sanitaryware market in Germany, Keramag managed to strengthen its market position and increase its net sales and profit. Keramag´s exports also increased due to the expansion of the Sanitec sales network.

In France the traditional wholesaler market was static in 1997 whereas other disrtibution channels increased their share of sales. Allia increased sales substantially and maintained its leading position in the French market.

In Italy the market stabilized during 1997 following a sharp drop in demand for sanitaryware in 1996. Pozzi managed to increase sales mainly as a result of lively business in the medium and economic product ranges.

Ido's sales rose in Finland and Norway in pace with market growth. In Russia and the Baltic countries sales were brisk despite fierce competition. The Danish market developed positively as well, whereas the building sector in Sweden showed no sign of improving. Nevertheless, Ifö's broadened range resulted in a higher sales volume.

In Poland the total sanitaryware market grew 10%. Sanitec Kolo´s market share grew significantly in all product segments.

INCOME STATEMENT, SANITEC

MFIM	1997	1996
Net sales	2,951	2,687
Operating profit	411	353
Associated companies	–2	–1
Net financial items	–40	–35
Profit after net financial items	369	317
Taxes	–83	–105
Minority interests	–11	–5
Profit for the financial year[1]	275	207

[1] *Before group contribution.*

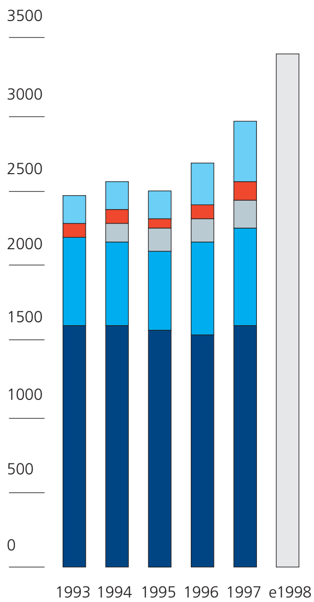
BALANCE SHEET, SANITEC

MFIM	31 Dec.1997	31 Dec.1996
Fixed assets	1,479	1,172
Inventories	471	397
Financial assets	897	804
Shareholders' equity	1,089	888
Minority interests	54	42
Interest-bearing liabilities	747	514
Non interest-bearing liabilities	957	929
Balance sheet total	2,847	2,373

The new ceramics factory in Wloclawek, Poland, was brought into operation in August 1997, making Poland Sanitec's largest country of production.

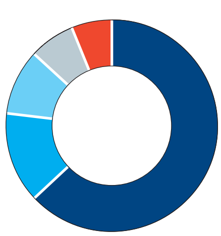
The Cavelle series introduced by Keramag during the year.

NET SALES BY MARKET AREA
MFIM



- Other countries
- The Americas
- Norway
- Scand. EU countries
- European Union

NET SALES BY PRODUCT SEGMENT 1997



- Bathroom ceramics 63 %
- Bathtubs and shower enclosures 14 %
- EVAC 10 %
- Other bathroom products 7 %
- Other 6 %

Evac on track

The sales of the Evac Group increased 20% on the previous year and this positive trend is expected to continue during 1998.

The marine business developed very favourably during the year due to increased building of cruise vessels. Demand for aviation systems was high likewise and Evac concluded long-term supply agreements with several major airlines. In the train sector, Evac achieved a breakthrough in Germany after receiving an order from Deutsche Bahn to refurbish 2,000 train coaches with vacuum toilet systems. Demand for vacuum systems in the building market showed favourable development especially in the USA.

Investments and R&D

Sanitec's industrial investments amounted to FIM 199 million. The largest investment, FIM 110 million, was ZWS Kolo's new factory in Wloclawek, Poland, which raised annual production capacity by one million pieces. The new factory also makes Poland Sanitec's largest country of production. Further investments in Poland included a distribution centre at Kolo and a shower enclosure factory in Minsk Mazowiecki. Investments in Sanitec's other subsidiaries mainly involved productivity improvements and new technology. Development costs of new products amounted to FIM 54 million.

New products

Demand for Atol shower enclosures exceeded expectations in Poland. Ido's and Ifö's dual-flush WC continued to enjoy success on the Scandinavian market. In Germany Keramag launched a new luxury ceramics series called Cavelle and a series specially designed for children. Keramag's Revita showers were also well received. Allia introduced two new ceramics series: Désirade and the Eden luxury series. Pozzi presented its new Concerto ceramics line and Abele ceramics products for people with restricted moving capability.

Sanitec's strengths

Sanitec continues to strengthen the factors which have contributed to its position today. The foundation for its success are strong local companies and brands with a leading position in their markets. Sanitec is the market leader in the Nordic coun-

SANITEC	NET SALES		PERSONNEL	
	1997, MFIM	Change[1]	31 Dec.1997	Change
Keramag	905	4%	889	–2
Allia	552	9%	933	–3
Ifö	574	12%	816	47
Ido	412	18%	454	20
Pozzi	267	6%	502	–36
Evac	302	20%	215	22
Sanitec Poland	206	56%	709	337
Others	68	–3%	297	19
Group organization	-	-	9	4
Internal sales	–335	-	-	-
	2,951	10%	4,824	408

[1] *The subsidiaries' figures have been compared in local currencies.*

tries, Germany, France and Poland, and through its joint-venture companies also in Egypt, Lebanon, Malaysia and Singapore.

Production coordination and focused factories are the means by which Sanitec will improve cost competitiveness. Sanitec has built new capacity in Wloclawek, Poland, and Lecico is currently building a new factory in Borg-el-Arab in Egypt to meet the growing market need for economic-range products.

Sanitec's EVAC vacuum technology is used for preserving the environment.

The sales companies are being strengthened in several European markets including Austria, the Baltic states, Belgium, the Czech Republic,Hungary, the Netherlands, Romania, Russia and Slovenia

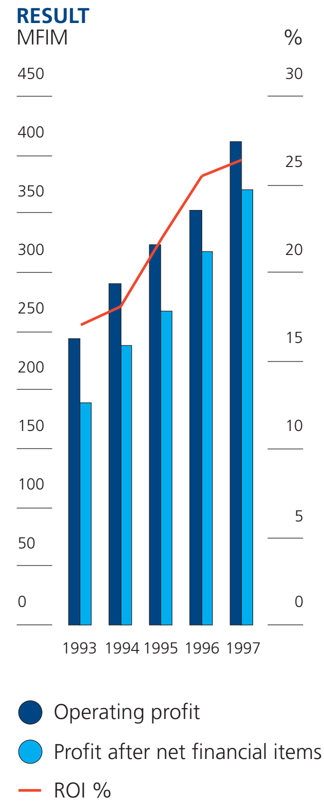
Sanitec will keep its decentralized organization, but is developing certain common functions such as information technology and logistics.

The shower and bathtub business will contribute a larger share of net sales in the future.

Prospects

The outlook in Sanitec's markets is expected to remain bright. The Polish and Russian markets will continue to grow strongly. Further growth is also forecast in Norway, Denmark and especially in Finland, while some recovery is expected in Germany, France and Italy. The situation in Sweden is still uncertain.

Sanitec's net sales in 1998 are expected to reach FIM 3.4 billion and the result to show further positive development.

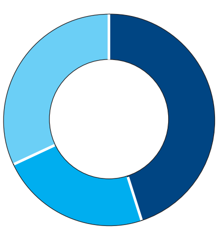


FIVE YEARS IN FIGURES, SANITEC

MFIM	1997	1996	1995	1994	1993
Net sales	2,951	2,687	2,496	2,564	2,468
of which outside Finland	95%	95%	95%	96%	95%
Operating profit	411	353	324	291	244
Profit after net financial items	369	317	267	237	188
ROI	27%	25%	22%	18%	17%
Personnel, end of period	4,824	4,416	4,456	4,425	4,629
of which outside Finland	4,447	4,059	4,109	4,130	4,301

President Kari Tähtinen:
" The objective of our Continuous Improvement programme is to secure our competitiveness into the next century".

NET SALES BY BUSINESS SECTOR 1997



- Trucks 45 %
- Cars 23 %
- Engineering industries 32 %

The European market for special engineering steels grew favourably, especially during the second half of 1997. Production of trucks rose 3 % and production of cars 4 % on the previous year. Demand among engineering companies and wholesalers increased as well, and there were no signs of significant increases in stocks. Steel prices began to rise but this was offset by a substantial increase in scrap prices during the year.

Imatra Steel had consolidated net sales of FIM 1,039 million, an increase of 12 % on the previous year. The profit after net financial items, FIM 101 million, was an improvement on the year before.

Imatra Steel made further progress in its strategy of continuous improvement. The "Steelworks 2000" scheme, launched at the Steel Works in Imatra, places heavy priority on personnel development in addition to investment and development projects. The aim is to offer each employee the opportunity to learn new skills in an effort to secure the unit's competitive efficiency well into the next century. The same Continuous Learning principle is also being introduced in the other units.

The modernized 2,500-ton press at the Kilsta Forge in Sweden was brought into operation, along with a machining line for processing steering components. At the Billnäs Spring Factory a new eye rolling machine was installed for bending the large eyes used in parabolic leaf springs. Modernization of the bar finishing line was started at the Imatra Steel Works.

All units continued development of their environmental management systems. The target is to conduct the environmental audits during 1998. A questionnaire was sent to all local residents around the Steel Works during the summer to gauge opinion on its environmental performance. The results were very encouraging and will be adopted in the work's development plans.

All the Imatra Steel units started 1998 with strong orderbooks. Developments in Asia, however, are creating uncertainty that the disturbances there may spread to the European steel and component industry.

Imatra Steel is expected to record higher net sales and a somewhat improved result in 1998.

INCOME STATEMENT, IMATRA STEEL

MFIM	1997	1996
Net sales	1,039	925
Operating profit	119	102
Net financial items	–18	–17
Profit after net financial items	101	85
Taxes	–6	–11
Profit for the financial year[1]	95	74
Personnel, end of period	1,176	1,113
of which outside Finland	325	313

[1] *Before group contribution.*

BALANCE SHEET, IMATRA STEEL

MFIM	31 Dec.1997	31 Dec.1996
Fixed assets	540	555
Inventories	198	195
Financial assets	233	175
Shareholders' equity	284	267
Interest-bearing liabilities	367	403
Non-interest-bearing liabilities	320	255
Balance sheet	971	925
ROI	18%	17%

Imatra Steel's Kilsta forge substantially raised its delivery volumes to truck manufacturers.

The bar trimming station brought into operation at the Imatra Steel Works during the year is part of Imatra Steel's programme of continuous improvement.

The Dimensio project in Helsinki was sold to the Local Government Pensions Institution.

Metra Real Estate

The property market continued to develop positively during 1997. Higher rents and low interest rates fuelled demand for real estate and almost all the main property dealers returned to the market. Consumers were also more active in buying for personal use as well. Investors were cautious in their choice of investment sites, though. Prices of office and residential premises rose steadily, a trend which spread to the rest of the country from the Helsinki metropolitan area.

A large number of new office building projects were started in the Helsinki area. Starts of privately financed residential projects made cautious progress, which was instrumental in pushing up price levels of older residential units.

Metra Real Estate is responsible for managing, developing and selling Metra's property assets not related to production. Metra Real Estate's portfolio contains 150,000 m^2 of office premises and 400 residential units.

Rental income totalled FIM 53 (76) million. The occupancy rate of leasable properties was on last year's level, i.e. 85% and return on book value 7.1% (7.7%).

The largest property development project was the Dimensio project in Helsinki, which was sold to The Local Government Pensions Institution. Metra sold land from the Design Centre Arabia Helsinki for a future expansion of the LUME centre.

Metra Real Estate's sales of real estate and shares in housing companies totalled FIM 128 (255) million in 1997, which yielded a profit of FIM 51 (127) million. FIM 18 (59) million in revaluations of sold properties were reversed. The book value of the properties at the end of the year excluding the properties in own business use totalled FIM 473 (572) million.

Metra´s most important associated company is Assa Abloy AB

Assa Abloy AB

Metra's most important associated company is Assa Abloy AB, in which it holds 29 % of the shares and 38 % of the voting power. The company is listed on the Stockholm Stock Exchange.

Assa Abloy is a world leader in locks and locking technology. It is the clear market leader in its domestic market, the Nordic countries, as well as in Germany, France, Belgium, the Czech Republic and the USA. It also has a significant presence in Great Britain. Its VingCard company, which specializes in hotel locks, is the world leader in its field. Assa Abloy's net sales in 1997 were SEK 7 (5) billion. Its profit after net financial items improved 55 % on the previous year to SEK 537 (345) million. The Assa Abloy share was quoted at SEK 200 on 30 January 1998. Metra owns 20.6 million shares in the company. Metra recorded FIM 69 million as its share of Assa Abloy's profit in 1997. The book value of the Assa Abloy holding in Metra's balance sheet is FIM 458 million.

Assa Abloy made several aquisitions, continuing its strategy of growth and further strengthening its position. The most important were the Vachette group in France and Belgium, and FAB a.s. in the Czech Republic, each of which is the local market leader. VingCard acquired the shares of Elsafe a.s., the world's leading supplier of digital hotel safes. These acquisitions were partly financed through a share issue, in which Metra's contribution was FIM 125 million. The company's prospects remain bright. As the demand for top-quality locks and security systems increases, Assa Abloy will seek further growth organically and through acquisitions. Its current investment programme and internal restructuring work are creating a sound foundation for continued good profit development.

Employment

Metra Group had 12,076 employees at the beginning of the period and 13,384 at the end. The number of employees increased by 840 in Wärtsilä NSD. This was principally due to the merger of Wärtsilä Diesel, New Sulzer Diesel and Diesel Ricerche, which increased the number of personnel by 1,101 and to the expansion of the Cummins Wärtsilä joint venture, which decreased the number by 670. Sanitec's personnel increased by 408 employees, mainly as a result of expansion in Poland. The number of employees in Imatra Steel increased by 63.

There were 3,589 employees in Finland at the beginning of the year and 3,755 at the end. Most of the increase took place in Wärtsilä NSD's Finnish company.

Restructuring in Wärtsilä NSD will lead to personnel reductions, the most significant being at the Mantes factory in France and in the associated company Grandi Motori Trieste in Italy.

Development and training of human resources

Development and training received high priority throughout the Group. Management training schemes open to all the divisions included Metra Leadership for senior executives of the Group, ManTra management training modules for divisional managers, and Metra Introduction for newcomers to the company. Emerge training programmes were arranged to support the formation and integration of Wärtsilä NSD. That training will still continue in 1998.

Several development programmes were given greater depth with the addition of a Management Competency Assessment. Designed specifically for Metra's needs, this assessment seeks to develop the leadership skills of individuals and give the company an overall perspective on its management resources.

International job rotation is seen to have great importance in the development of both key individuals and the businesses. In Wärtsilä NSD, this is integral to the company's global operation. During 1997 some 200 of Wärtsilä NSD's employees worked outside their home country.

Company Councils

European-wide cooperation with personnel was continued in Wärtsilä NSD, Sanitec and Imatra Steel in accordance with the agreements made by each division in 1996. Each division arranged its own Company Council, which extensively reviewed the division's business operations and prospects and those of the Metra Group as a whole. The company and its personnel have both gained positive experience from this cooperation. The agreements are in force until the end of 1998 and Metra´s objective is to renew them.

In Finland the Corporate Cooperation Committee convened twice during the year under the chairmanship of Metra's CEO. This committee comprises management and personnel representatives of the various Finnish units. On its initiative the Group started a Work Ability for Tomorrow project in the Finnish units aimed at enhancing fitness at work and improving the working environment and work community.

Continuous learning programme has been launched at the Imatra Steel Works.

PERSONNEL BY COUNTRY

31. Dec.	1997	1996
Finland	3,755	3,589
Sweden	1,534	1,472
France	1,476	1,704
Holland	910	921
Germany	905	882
Poland	732	374
Italy	624	553
Switzerland	538	-
Norway	518	493
Portugal	322	291
Denmark	181	156
Great Britain	138	107
Spain	105	94
Other Europe	45	42
Europe	11,783	10,678
India	539	490
China, Hong Kong	152	135
Singapore	133	112
Other Asia	308	281
Asia	1,132	1,018
USA	315	262
Other Americas	85	88
Americas	400	350
Other countries	69	30
Total	13,384	12,076

CORPORATE MANAGEMENT

BOARD OF DIRECTORS

Robert G. Ehrnrooth, LicSc (Econ.), Chairman, born 1939. Chairman of the Board of Directors of Lohja Corporation 1986-90. Director of Oy Wärtsilä Ab 1990-91. Chairman of the Board of Directors of Metra Corporation since 1990. Term expires in 2000. Member of the Boards of Finnair Oyj and Fiskars Corporation. Owns 30,412 shares in Metra.

Vesa Vainio, LLM, Deputy Chairman, born 1942. Chairman of MeritaNordbanken Oyj. President and CEO of Merita Oyj. Member of the Board of Directors of Metra Corporation since 1993. Term expires in 1999. Member of the Board of Nokia Corporation and Deputy Chairman of UPM-Kymmene Corporation. Owns no shares in Metra.

Göran J. Ehrnrooth, MSc (Econ.), born 1934. Chairman of the Board of Directors of Fiskars Corporation. Member of the Board of Directors of Metra Corporation since 1992. Term expires in 1999. Member of the Supervisory Board of Rautaruukki Corporation. Owns 26,528 shares in Metra.

Carl-Olaf Homén, LLM, born 1936. Deputy member of the Board of Directors of Oy Wärtsilä Ab 1987-90, member of the Board 1990-91. Member of the Board of Lohja Corporation 1989-90 and Metra Corporation since 1990. Term expires in 2000. Chairman of the Supervisory Board of Aktia Savings Bank plc, member of the Supervisory Boards of Enso Oyj and Tamro Corporation, member of the Boards of Directors of Oy Hackman Ab and Kyro Corporation. Owns 1,202 shares in Metra.

Jaakko Iloniemi, MSc (Pol. Sc.), born 1932. Managing Director of the Centre for Finnish Business and Policy Studies EVA. Member of the Board of Directors of Metra Corporation since 1994. Term expires in 2000. Owns no shares in Metra.

Paavo Pitkänen, MA, born 1942. Managing Director of Pension Varma Mutual Insurance Company. Member of the Board of Directors of Metra Corporation since 1995. Term expires in 1998. Member of the Boards of Directors of Enso Oyj and Partek Corporation, member of the Supervisory Board of Instrumentarium Corporation. Owns no shares in Metra.

Christoffer Taxell, LLM, born 1948. President and CEO and member of the Board of Directors of Partek Corporation. Member of the Board of Directors of Metra Corporation since 1996. Term expires in 1999. Member of the Boards of Directors of KCI Konecranes International Oyj Abp, Oy Stockmann Ab and Insurance Company Sampo Ltd. Owns 400 shares in Metra.

BOARD OF MANAGEMENT

Georg Ehrnrooth, MSc (Eng.), born 1940. President and CEO. Joined the company in 1965. Chairman of the Board of Directors of Assa Abloy AB, member of the Boards of Directors of Insurance Company Sampo Ltd and Sandvik AB, member of the Supervisory Board of Rautaruukki Corporation. Owns 22,940 shares in Metra.

Ole Johansson, MSc (Econ.) born 1951. Executive Vice President, Treasury, Financial Control and Internal Auditing. Worked for the company 1975-79 and rejoined in 1981. Member of the Board of Directors of Assa Abloy AB. Owns 7,400 shares in Metra.

Heikki Allonen, MSc (Eng.), born 1954. Senior Vice President, Corporate Planning. Joined the company in 1979. Owns 1,026 shares in Metra.

Henrik Eklund, MSc (Eng.), born 1939. President of Sanitec Ltd Oy. Joined the company in 1968. Owns 226 shares in Metra.

Pentti-Juhani Hintikka, MSc (Eng.), born 1940. President of Wärtsilä NSD Corporation. Joined the company in 1988. Owns 1,500 shares in Metra.

Pekka Virtanen, LLM, born 1941. Senior Vice President, Administration, Company Secretary. Joined the company in 1970. Owns 978 shares in Metra.

Only duties in listed companies are included in this information

Paavo Pitkänen, Carl-Olaf Homén, Göran J. Ehrnrooth, Jaakko Iloniemi, Christoffer Taxell, Robert G. Ehrnrooth and Vesa Vainio.

INFORMATION ON THE BOARD'S ACTIVITIES

The principles applied by the Board of Directors in its work are specified in the rules of procedure approved by the Board. These rules also define the main tasks and operating principles to be adopted by the committees appointed by the Board. The committees do not have the authority to make decisions; their purpose is to prepare matters for consideration by the Board of Directors at its meetings.

The Board of Directors convened nine times during 1997. The Chairman was Robert G. Ehrnrooth and the Deputy Chairman was Vesa Vainio. The Board appointed three committees, as in previous years: a Planning Committee for strategic planning, a Supervision Committee to supervise the annual accounts and financial control, and a Personnel Administration Committee to oversee salaries, pensions and other matters related to the company's human resources.

The Supervision Committee comprised Robert G. Ehrnrooth (chairman), Göran J. Ehrnrooth, Paavo Pitkänen and Georg Ehrnrooth, and the presenting officer was Ole Johansson.

METRA´S MAIN RELEASES 1997 IN BRIEF

This Wärtsilä 64 diesel engine, manufactured at the Turku factory, was transferred to Vaasa for installation in a state-of-the-art pilot power plant.

Wärtsilä NSD and the Japanese company Hitachi Zosen signed an agreement to set up a joint venture in July for local production and marketing of diesel engines.

8 January 1997
METRA AND FINCANTIERI SIGN AGREEMENT TO ESTABLISH WÄRTSILÄ NSD CORPORATION
Metra Corporation and Fincantieri Cantieri Navali Italiani S.p.A have signed the agreement to merge their diesel activities. Metra will initially have a 87.8 % and Fincantieri a 12.2 % holding in the merged company to be named Wärtsilä NSD Corporation. As a part of the transaction Metra will pay a cash consideration of FIM 445 million to Fincantieri.

14 February 1997
SVEN BERTLIN WÄRTSILÄ DIESEL´S EXECUTIVE VICE PRESIDENT
Mr Sven Bertlin MSc (Bus. Admin.), 52, has been appointed Executive Vice President of Wärtsilä Diesel International Ltd and Deputy President of Wärtsilä Diesel Group with effect from 1 March 1997.

Mr Matti J. Mikkonen, MSc (Eng.), 48, Managing Director of the Turku factory, has been appointed President of Wärtsilä Diesel Oy. Mr Mikkonen will take up his new position as from 1 March 1997.

19 February 1997
METRA´S PROFITS RISE TO MFIM 894, BOARD PROPOSES FIM 8.50 DIVIDEND
Metra´s profit after net financial items in 1996 rose to MFIM 894 (795), up 13 %. EPS was FIM 22.64 (19.78). The improvement was due especially to one-time gains. Group net sales totalled MFIM 11,660 (10,617), up 10 %. The Board will propose to the AGM a dividend of FIM 5.50 + FIM 3.00, totalling FIM 8.50, and a bonus issue.

7 March 1997
SANITEC ENTERS MIDDLE EAST, UK AND AFRICAN MARKETS THROUGH LECICO HOLDING
Sanitec and members of the Lebanese Gargour family will jointly acquire control of Lecico, a leading manufacturer of sanitaryware and ceramic tiles in the Middle East. A 50/50 joint-venture will be registered in the Netherlands. The joint venture will acquire 75% of the shares of Lecico Egypt s.a.e. and 93% of the shares of Lecico Lebanon s.a.l. Sanitec´s equity investment will be MUSD 35 (MFIM 175) in the joint venture. Lecico Group´s total net sales are MUSD 81 and number of employees 3,080.

13 March 1997
WÄRTSILÄ DIESEL RECEIVES POWER PLANT ORDERS FROM FINLAND - NEW ENGINE FACTORY INAUGURATED IN VAASA
Wärtsilä Diesel has received power plant orders from Finland and inaugurated a new factory in Vaasa. The new factory will start to manufacture Wärtsilä 20 engines and makes it possible to increase the production capacity considerably. The power plants have been sold to Ikaalinen and Säkylä.

24 March 1997
METRA'S ANNUAL GENERAL MEETING 24 MARCH 1997
Metra's Annual General Meeting on 24 March 1997 approved the financial statements and discharged the members of the Board of Directors and the President and CEO from liability for 1996. The dividend was raised to FIM 8.50 (5.50) per share. The meeting decided to double the share capital through a bonus issue and to amend the Articles of Association.

27 March 1997
WÄRTSILÄ DIESEL TO BUILD A FACTORY IN INDONESIA
Wärtsilä Diesel will build a factory for gen set packaging and engine assembly in Indonesia, close to the capital Jakarta. The investment will have a total value of over MUSD 10, spread over the next few years. The factory is in accordance with Wärtsilä Diesel's strategy to strengthen its local presence in the growing Asian markets.

27 March 1997
WÄRTSILÄ DIESEL TO DELIVER THE MAIN ENGINES FOR THE BIGGEST CRUISE SHIP IN THE WORLD
Wärsilä Diesel has signed an agreement with Kvaerner Masa-Yards to deliver the main engines for the biggest cruise ship in the world ordered by the Norwegian-American company Royal Caribbean Cruise Line (RCCL). The ship is the first in the Eagle series of cruise ship and it will be built at the Masa-Yards Turku shipyard. The order consists of six Wärtsilä 46 engines with total output of 75,600 kW.

4 April 1997
WÄRTSILÄ DIESEL AND NEW SULZER DIESEL MERGER COMPLETED
Metra and Fincantieri completed the merger of Wärtsilä Diesel and New Sulzer Diesel on 3 April 1997. The relevant approvals by the competition authorities have been received. The new group, Wärtsilä NSD Corporation, will now start its operations. Metra holds 87.8% and Fincantieri 12.2% in the company. Fincantieri has received a cash payment of MFIM 450 as a part of the transaction.

16 April 1997
SANITEC EXPANDS INTO SOUTH EAST ASIA
Sanitec will form a 50/50 joint venture together with Johnson Suisse Singapore Pte Ltd. The company has a sanitaryware factory in Kuala Lumpur and subsidaries in Singapore and Australia. Johnson Suisse has net sales of MFIM 100 and it is a profitable company. The number of employees is approx. 350. Sanitec´s investment in the joint venture is MFIM 55.

11 June 1997
METRA INTERIM REPORT JANUARY - APRIL 1997
Metra gained new orders worth FIM 5.4 billion between January and April 1997 (FIM 4.1 billion in January - April 1996). Consolidated net sales totalled FIM 4.0 (3.2) billion. The profit after net financial items was MFIM 38 (50).

9 July 1997
114 MILLION US$ POWER PLANT ORDER FOR WÄRTSILÄ NSD
The Wärtsilä NSD Corporation has received an order to build a 100 MW Power Plant in the area of Dar es Salaam Tanzania´s capital. The order is worth MUSD 114 (MFIM 580).

30 July 1997
WÄRTSILÄ NSD SETS UP JOINT VENTURE PRODUCTION COMPANY IN JAPAN
Wärtsilä NSD Corporation and Hitachi Zosen Corporation in Japan have agreed to set up a 50/50 joint venture company. The company will manu-

facture Wärtsilä 20 and 32 diesel engines and, in addition, sell other Wärtsilä engines and propulsion packages in the Japanese market. Nippon Wartsila Diesel, the subsidiary of Wärtsilä NSD, will be merged with the joint venture company.Wärtsilä NSD´s investment in the share capital is MFIM 4.6 (JPY 100 million).

22 August 1997
SANITEC'S NEWEST FACTORY STARTS UP IN POLAND
ZWS Kolo's new bathroom ceramics factory in Wloclawek, Poland, started operation on 22 August 1997. ZWS Kolo is a subsidiary of Sanitec. The factory incorporates the most modern technology, and the same used by its other ceramics factory in the town of Kolo. The Wloclawek factory will have an annual production capacity of over 1million pieces, which is slightly higher than at Kolo.

2 September 1997
METRA TO REPAY MUSD 100 PREFERRED CAPITAL NOTES
The company has given notice to redeem the MUSD 100 loan raised during 1993 in the form of preferred capital notes on the international money markets. The loan will be paid back on 10 October 1997.

2 September 1997
METRA SELLS RUOHOLAHTI SITE IN HELSINKI TO THE LOCAL GOVERNMENT PENSIONS INSTITUTION
Metra will sell a new office block site in Ruoholahti to The Local Government Pensions Institution. The Local Government Pensions Institution, together with Metra, is building an office block on the site.

4 September 1997
WÄRTSILÄ NSD AND CUMMINS EXTEND CO-OPERATION IN THE HIGH-SPEED ENGINE BUSINESS
Wärtsilä NSD Corporation and Cummins Engine Co. Inc. have signed a letter of intent to extend their cooperation in the heavy-duty high-speed engine business to include engineering, marketing and service of power generation, marine and industrial applications based on these engines.

22 September 1997
WÄRTSILÄ NSD RESTRUCTURES PRODUCTION IN FRANCE – METRA'S PROFIT IN 1997 LOWER THAN ESTIMATED
The production capacity of New Sulzer Diesel France will be reduced in Mantes to adapt to the changing demand in the power plant markets. The restructuring will be implemented according to a special social plan by which the number of personnel will be reduced from 440 to 210.

The non-recurring costs now identified and associated with the merger and the restructuring measures under way are in the order of MFIM 200, for which a provision of MFIM 100 was made in the Metra Group's accounts in 1996. The balance will be charged to the 1997 accounts.

9 October 1997
METRA INTERIM REPORT JANUARY - AUGUST 1997
Metra's net sales totalled FIM 9.2 billion during the review period (FIM 6.6 billion Jan-Aug 1996). The Group gained new orders worth FIM 10.6 (7.3) billion. The profit after net financial items was MFIM 127 (395). Non-recurring costs totalling MFIM 100 had a negative impact on the result for the period, whereas the comparable period included non-recurring income of MFIM +292.

15 October 1997
START UP OF THE WORLD'S MOST POWERFUL DIESEL ENGINE
The world's most powerful diesel engine is being tested in Japan. It was demonstrated today to an audience of shipowners, shipbuilders and enginebuilders.

The Sulzer RTA96C engine has been designed and developed by Wärtsilä NSD's low-speed diesel engine centre in Switzerland as the driving force for the new generation of larger, faster container ships.

18 November 1997
APPROVAL FOR THE EXTENDED JOINT VENTURE BETWEEN WÄRTSILÄ NSD CORPORATION AND CUMMINS ENGINE CO
The Commission of the European Union has approved the extended joint venture between Wärtsilä NSD Corporation and Cummins Engine Co. in the high-speed engine business.

10 December 1997
APPOINTMENTS IN METRA CORPORATION
Helena Biström BSc (Econ.) has been appointed Imatra Steel's Corporate Controller, and a member of the Board of Management from 1 March 1998. Ms Biström is currently Corporate Controller of Metra Corporation.

Mr Timo Lehto LLM, BSc (Econ.), General Counsel of Metra Corporation, has been appointed Senior Vice President, Corporate Control, of Metra Corporation from 1 March 1998. Mr Lehto will be responsible for Group financial control, taxation and information technology for corporate management.

Responsibility for the Group´s legal affairs will be transferred on the same date to Mr Pekka Virtanen, Senior Vice President LLM, in addition to his current administrative responsibilities.

30 December 1997
CHANGE IN METRA'S SHARE CAPITAL AND NUMBER OF SHARES AS A RESULT OF SHARE SUBSCRIPTIONS BASED ON CONVERTIBLE DEBENTURES AND BOND WITH WARRANTS
By 30 December 1997 altogether 6,882 Series A shares and 8,658 Series B shares, representing loan capital totalling FIM 2,190,000, had been converted based on the rights attaching to Metra's convertible subordinated debentures floated in 1994.

By 30 December 1997 altogether 18,270 Series B shares had been subscribed for and fully paid up against 145 warrants surrendered to the company, based on the 1994 bond with warrants.

These conversions and subscriptions have raised Metra's share capital by altogether FIM 676,200 and the share capital now totals FIM 1,078,026,720. There are altogether 53,901,336 shares divided into 13,933,550 Series A shares and 39,967,786 Series B shares. This share capital increase was registered in the Trade Register today. The new shares carry full shareholder rights and may be traded on the Helsinki Stock Exchange along with Metra's existing shares with effect from the same date.

The modern bathroom ceramics factory built by Sanitec's Polish subsidiary Kolo was brought into operation in August.

Wärtsilä NSD supplied six W46 medium-speed engines for the Eagle-series cruise ship Elation, now under construction by Kvaerner Masa-Yards. Elation is the largest cruise liner in the world.

INVESTMENT ANALYSTS

To our knowledge at least the following analysts have prepared reports on Metra during 1997-1998 on their own initiative. Metra takes no responsibility for the opinions expressed therein.

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Metra's Annual Report is published in Finnish, Swedish and English.
The Annual Report in English is also available in full on the Internet.
To order, please contact Metra on the Internet or by phone, +358-9-70951 or by telefax, +358-9-762 278.

Metra's interim reports, stock exchange bulletins, press releases and related presentation material are available immediately after release at Metra's website address on the Internet. Metra's home page also contains links to its divisions.

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