



Competence and Nordic limestone are the cornerstones on which Partek has grown to become today's global engineering company. Partek celebrates its centenary year focusing on increasing the company's value.

PARTEK

The changes implemented during the year have strengthened Partek's structure and strategic position considerably.

Each of the three businesses now has the strength to grow and the capacity to produce results.

Partek 1997

L O A D H A N D L I N G



Container handling

Partek is the world's leading supplier of logistical solutions for ports and freight terminals.

Partek is particularly strong in the market for terminal tractors, straddle carriers, reachstackers and heavy lift trucks. Other products include mobile gantry cranes and timber-handling equipment.

Ottawa, Kalmar and Sisu are globally renowned brands. Customers are primarily stevedoring companies, ports, railways, distribution terminals and industry.



Cargo handling

Partek is the world's leading manufacturer of cargo handling equipment for vehicles.

Hiab general cargo cranes are market leaders globally while Loglift and Jonsered timber cranes and Multilift demountable equipment lead in Europe and Norba refuse vehicles in Scandinavia. The customer base consists of private truck owners, transport companies, forest machine manufacturers and entrepreneurs, suppliers of construction materials, waste-handling companies, the public sector and defence forces in several countries.

A G R I F O R E S T



Forest machines

Partek is the world's second largest manufacturer of forest machines for cut-to-length method. The environmentally preferred cut-to-length method involves harvesters, as they are called, which fell, trim, cut and sort the timber, which is then transported out of the forest by forwarders. This method, used throughout Scandinavia, is widespread in Europe and becoming increasingly popular in North and South America and Asia.

The machines are sold under Valmet brand. The main customers are forest machine entrepreneurs and forestry companies.



Tractors

Partek is the leading manufacturer of tractors in Scandinavia and second largest in South America. The focus is on the rapidly expanding high-powered tractors segment of 60-190 hp. Tractor production is built up on rapid and efficient market-driven manufacture to meet customer requirements.

Valtra Valmet is the brand name for these products. Partek's diesel engines are used not only in the company's own tractors, forest machines and cargo handling equipment but also by external customers.

M I N E R A L



Lime

Partek leads the field in limestone-based products in the Baltic Sea region. The company extracts the raw material from its own quarries and refines it into products used in the processing industry. The products are used for soil improvement, soil stabilisation, cleaning of flue gases, and for purifying drinking water and cleaning waste water.

The products are sold under the Nordkalk brand. Customers include the steel, pulp and paper, glass, construction, metal, chemical and ceramic industries. Lime is also used in agriculture and environmental care.



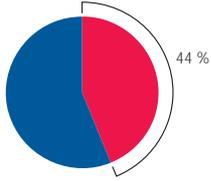
Insulation

Partek is the leading manufacturer of rockwool-based insulation in Finland, Sweden and the Baltic region.

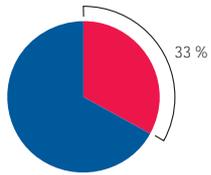
The product range includes building insulation, technical insulation and building panels which are used for thermal, sound and fire insulation.

Brand names are Paroc, and in Sweden, Rockwool.

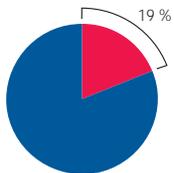
Customers include building contractors, entrepreneurs and installation firms, the construction and shipbuilding industries, private home builders, and wholesalers and hardware businesses.



Load handling
Share of Group's net sales



Agriforest
Share of Group's net sales



Mineral
Share of Group's net sales

Partek is an engineering company that is a world leader in load handling with strong mineral-based business in the Baltic Sea region. The company's strength is its leading position in all of its businesses. In 1997 Partek acquired Sisu, Inc., a Finnish engineering group, and a majority shareholding in Kalmar Industries AB, a Swedish container handling company.

Partek's roots are in Finland. The company was established in 1898 in Pargas, on the southwest coast. Today Partek has operations in some 30 countries. With the current structure, net sales amount to over FIM 12 billion (USD 2.5 billion) 76% of which is generated outside Finland. The Group employs nearly 12,000 people, 5000 of them in Finland.

Partek's shares have been quoted on the Helsinki Stock Exchange since 1915. The number of shareholders at year end was about 11,000. Foreign ownership accounted for 11% of the shares and voting rights.

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From the President



Christoffer Taxell

By the end of 1997 Partek had grown to twice what it was at the beginning of the year, showing a profit which was consequently better than ever before and with a structure built on the biggest ever change in the company's history. Partek is now listed as an engineering company while at the same time our lime operations, Partek's original activity, have grown stronger than ever.

The Partek that this year celebrates its centenary anniversary represents both change and continuity.

During the year sales doubled to FIM 12 billion on a yearly basis. Of this only FIM 4.5 billion comes from operations that formed part of the company at the beginning of the year. The total volume for those activities that were acquired or sold during the year amounted to about FIM 10 billion.

In our efforts to expand in load handling Partek merged with the Finnish engineering company Sisu in the spring. Some months later we took the following step when the newly acquired Sisu Terminal Systems merged with its principal rival, the Swedish quoted company Kalmar Industries. The two companies, each of which had claimed to be largest in container handling, became one, one that is without doubt the world leader. In this, Partek is the majority owner.

The strategic transition to becoming an engineering company with mineral-based operations centred around the Baltic Sea allowed Partek's precast concrete activities to become independent. Addtek, of which Partek now owns 40 percent, came into existence in the late autumn. The core of the new company is made up of Partek's precast concrete activities. It has merged with the Swedish company Strängbetong and its ownership has broadened. I foresee good prospects for the new precast concrete company, the leading company in its field in Europe.

The merger between Kalmar and STS, like the solution arrived at with precast concrete, is an example of Partek's two leading strategic principles - to be leading where present and to create industrially strong structures. The strategy can vary from wholly owned subsidiaries to strategic alliances to divesting some operations altogether. The aim in both the long and short term is to increase the company's worth and thus create value for Partek's shareholders.

If we look back at the changes that have taken place in the last few years it would hardly be wrong to say that those operations that we have divested like those that we have acquired have almost without exception played a major role in new structures. Already now I dare to claim that the merger of Partek and Sisu is proving a success.

The Group now operates in three businesses. Load Handling and Agriforest are linked by the Partek Group's know-how in the field of materials handling and transport systems. Insulation and Lime, which together form Mineral, both have stone as their raw material, are processing industries and have a common main market, the Baltic Sea region.

During the year we grew in all three. We see good prospects for further growth, both organically and by new acquisitions, especially in those fields where we are not yet leading. Capital that did not serve our core activities was released to a considerable extent. Consequently, our good partner in Singapore for so many years, NatSteel, took over our holding in the precast concrete company Eastern Partek. There exists further potential to released capital. It will be used to serve our target of growing.

It is obvious that we must grow profitably. In that respect 1997 was a step in the right direction, even if we did not yet achieve our target of a 15 percent return on capital employed. Even after our new acquisitions our financial base is sound.

There exists both a clear need and room to further improve our result in the different business areas and thus Group profitability. The acquisitions made during the year are reflected in considerable good will. With time, however, the synergy benefits should outweigh this. It is justified to realise that more new acquisitions will mean more good will.

When Pargas Kalkbergs Aktiebolag was founded one hundred years ago, it did so in the form of a consolidation of local activities. Very quickly the need for cooperation and expansion was realised, not least in order to find customers for the company's products. With Emil Sarlin, who took over the running of the company some years after it was established and who was to continue in that position for an incredible fifty years, the company gained a dynamic and visionary power. Evidence of this is provided by the decision to build a cement factory even before the first world war, and in Pargas, far from the beaten track in the archipelago of southwest Finland and at that time with no road connections to the mainland!

Emil Sarlin represented change. He also represented a strong belief in know-how, both the technical and that which was to be found in the company's own people. In both respects we at Partek share that view. That is why I am so fond of saying that Partek represents both change and continuity.

The uncertainty surrounding events in Asia dominates forecasts for how the global economy is likely to develop this

year. With that proviso prospects seem, nonetheless, to be quite favourable in most areas.

Our activities in Asia are not insignificant. They affect almost exclusively Load Handling. Last year they accounted for some eight percent of the Partek Group's sales. Only part of these sales were in countries that have been hit hardest - and where the cost level is falling sharply. Partek sees very few, at least international, competitors with production in Asia. — Insofar as the crisis may mean fewer orders, we have good chances of compensating in other markets for such a downturn

Partek's ownership structure during the 90's has undergone large, to some extent even dramatic, changes. It should not be overlooked, however, that Partek has for many years had a stable corps of owners who have played an important role in developing the company. Today's stock markets and the demand for liquidity of shares also requires that there are active owners. It is gratifying to note that their number has increased in Partek.

Over half of our current personnel were not working within the Partek Group a year ago. Growth and structural changes have meant that we have gained many new colleagues. I hope that you, as well as those who have longer experience of Partek, will see that we have a strong foundation on which we can build together.

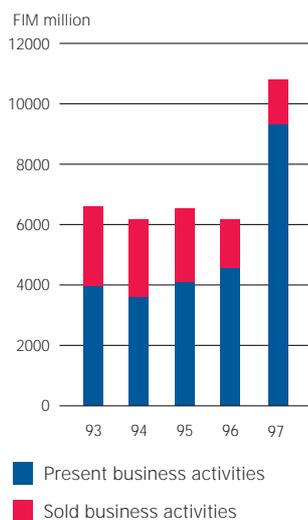
With the changes we have also acquired many new customers, some in countries entirely new to Partek. We are working hard to meet the demands that you, our customers require of us. It is my hope that you will notice that Partek keeps its promises.

Partek will be one hundred years old this year. We would never have progressed this far had we not had loyal and skilled people, customers who have trusted us and owners who had considered it worthwhile to invest in Partek. I can promise you all that we shall do everything in our power to fulfil your expectations as Partek now begins the journey to its next centenary.

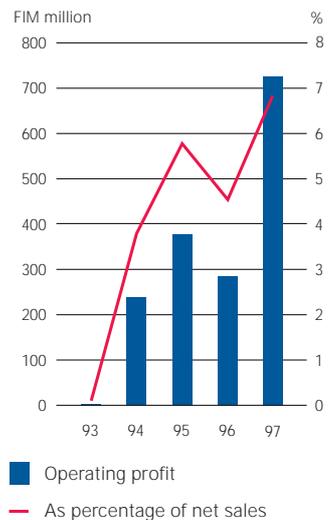
Christoffer Taxell

Partek in figures

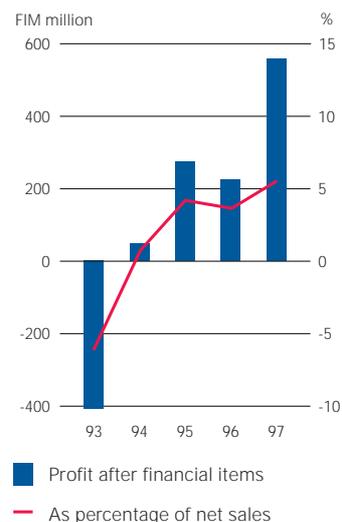
Net sales



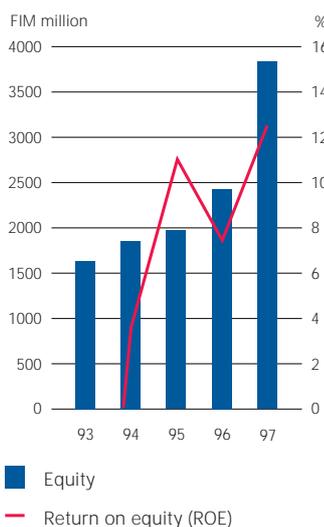
Operating profit



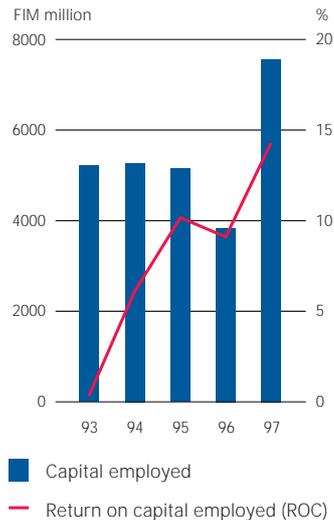
Profit after financial items



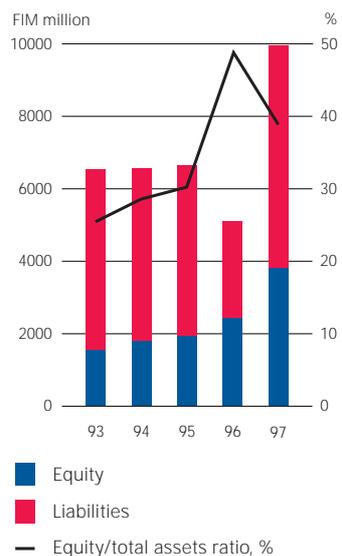
Equity and ROE



Capital employed and ROC



Capital structure and equity/total assets ratio



Growth within the engineering industry and improved result

World leading in load handling

Large structural changes took place in Partek in 1997. Through the acquisition first of the Sisu Group and then of a majority holding in Kalmar Industries Partek has become an engineering company. The changes are expected to result in major synergy gains.

Partek's operations are divided into three areas: Load handling, Agriforest and Minerals.

Continuing expansion around the Baltic

Partek Nordkalk has taken over the lime burning operations at SSAB at Luleå, Sweden. Capacity for the production of paper pigment at Lappeenranta is being further extended.

Partek Insulation has increased its interest in the rock wool plant in Lithuania by 22 percent, bringing it up to a 70 percent holding. It has also concluded a preliminary agreement to start production of rock wool in Poland.

Improved profit

Operating profit improved markedly compared with the previous year, reaching FIM 726 (284) million. Profit after financial items was FIM 570 (226) million.

The improved figures for profit come both from the acquired units and from operations previously included in the Partek Group. The cargo handling and tractors business areas recorded the greatest improvement.

FIM 194 million dividend proposed

The publicized aim is to distribute a dividend of at least a quarter of the profit calculated as the result before extraordinary items reduced by the minority interest and computational tax. Calculated in this way, the dividend is at least one third of the profit, which would be FIM 2.70 per share for

1997. The Board, however, proposes that in this the centenary year a dividend of FIM 4.00 (1.50 + 2.50) per share, be distributed.

Capital released

Partek has been able to free capital by divesting units outside its core business activities. Precast concrete operations have been merged with the Swedish company Strångbetong. This deal released FIM 600 million in capital. Partek's share of the new company, Addtek, is 40 percent. The sale of other operations and real estate has further released FIM 400 million in cash.

Economic targets

Return on capital employed improved and reached 14.2 percent. However, it still lies below the long-term goal of 15 percent. The ratio of equity to total assets is 38.8 percent, which is somewhat less than the target of 40 percent.

Changes in ownership structure

The acquisition of Sisu meant changes in Partek's ownership. Aker RGI sold its shares to the Finnish state, which became Partek's largest single owner. Other major shareholders are now Valmet, the Foundation for Åbo Akademi, the Sampo Group and the Pension-Varma Mutual Insurance Company.

Improved share liquidity

The liquidity of Partek's shares, which are quoted on the Helsinki Stock Exchange, improved during the year. Daily trading in Partek shares increased by about 60 percent and amounted on average to 67,000 shares. The quoted price at year-end was FIM 84.99 per share and the highest price during 1997 was FIM 113.

| Results | 1997 | 1996 | Change% |
|---|---------------|-------|---------|
| Net sales, FIM million | 10 744 | 6 160 | 74 |
| Profit after financial items, FIM million | 570 | 226 | 152 |
| Profit after extraordinary items, FIM million | 554 | 588 | - 6 |
| Net profit for the period, FIM million | 351 | 515 | - 32 |
| Earnings/share, FIM | 8.08 | 3.99 | 103 |

Profitability

| | | | |
|---|-------------|-----|--|
| Return on equity after taxation, % | 12.4 | 7.4 | |
| Return on capital employed before taxation, % | 14.2 | 9.2 | |

Solidity

| | | | |
|---|--------------|-------|----|
| Equity/total assets incl. conv.sub.bonds, % | 38.5 | 48.4 | |
| Equity/share, FIM | 66.06 | 57.71 | 14 |

Resources

| | | | |
|--|---------------|-------|----|
| Investments, FIM million | 2 260 | 415 | |
| Final balance sheet total, FIM million | 9 959 | 5 119 | 95 |
| Capital employed, Dec. 31, FIM million | 7 562 | 3 826 | 98 |
| Average number of staff | 10 464 | 7 741 | |

Key ratio definitions p. 54

Shares and shareholders

Shares and share capital

Partek's shares are quoted on the Helsinki Stock Exchange. The company has only one series of shares, all with identical voting and dividend rights. The share's nominal value is FIM 10.

The company's share capital amounts to FIM 485 million and the number of shares to 48.5 million. Share capital was raised during the year from FIM 385 million by FIM 100 million by means of a directed issue in conjunction with the acquisition of Sisu. The number of shares was correspondingly increased from 38.5 million to 48.5 million. The company's minimum share capital is FIM 175 million and maximum FIM 700 million, within the limits of which the company's share capital may be changed without any alterations to the Articles of Association.

Market capitalisation

The price of Partek's shares rose during the year by 19 percent from FIM 71.57 to 84.99. The Helsinki Stock Exchange general index, HEX, rose by 32 percent, while the metal and engineering index by 5 percent. The highest price quoted for Partek's shares was FIM 113 and the lowest FIM 70. The taxable value per share for 1997 is FIM 57.

Partek's market capitalisation increased during the year by 46 percent compared with the previous year and was FIM 4.1 billion at year-end, which is one percent of the Helsinki Stock Exchange total, which amounts to FIM 389 billion.

Sales of Partek's shares grew by 59 percent, with 16.7 million shares being traded during the year. The relative turnover (velocity) of Partek shares was 37 percent. The value of shares traded amounted to FIM 1.5 billion, which was 0.8 percent of the total of FIM 181 billion traded on the Helsinki Exchange.

Convertible subordinated bonds

In 1994 Partek issued a convertible subordinated bond loan with a nominal value of FIM 167,820,000. This was directed to the general public. The loan is in the nature of a capital loan. The bonds constituting the loan have no maturity date and are not backed up by any guarantee or other security. These bonds are subordinate to the company's other obligations. Interest payments on the loan can only be made from distributable funds before payment of a dividend. The nominal interest on the loan is 9.02 percent. The company may pay a dividend only if there exist funds for distribution after total interest on the loan has been paid.

Each bond can be converted to Partek shares. The conversion price of the bonds, after adjustment for issues, is FIM 79.75 per share. The bonds can be converted to shares each year between January 2 and November 30. Conversion of the entire stock of bonds would mean an increase in the company's share capital of FIM 21,043,260 and the number of shares would increase by a maximum of 2,104,326, which is 4.3 percent of Partek's total share capital and voting rights. The convertible bonds are quoted on the Helsinki Stock Exchange.

During 1997 FIM 10,000 of the loan was converted to 125 shares. This increased share capital by FIM 1,250 to FIM 485,001,250 and the number of shares from 485,000,000 to 485,500,125.

Bonds with warrants and options

In 1994 Partek issued bonds with warrants intended as an incentive for management. The nominal value of the bonds is FIM 1 500 000. Twenty-two people among Partek's senior management together with the company's president subscribed to the bonds. The bonds, which pay a variable interest of one percentage point less than the 12-month Helibor rate, mature on 20 June 1998.

The options linked to the bonds give the right to subscribe to Partek's shares at a price, adjusted for share issues, of FIM 77.07 per share. If all the bonds are converted to shares, the company's share capital will be increased by FIM 3,156,520 and the number of shares by 315,652, amounting to 0.65 percent of the company's total share capital and voting rights. Up to 31 December 1997 no bonds had been converted to shares.

In 1997 an issue of 1.26 million bonds with warrants was made to Partek's senior management. The intention of this measure is to further motivate management to work on a continuous and long-term basis to improve Partek's development and its worth. So that the bonds can be transferred to other persons who fall within the framework of the incentive programme at a later date, one of the companies in the Partek Group has been given authority by the Board to subscribe to the bonds.

Rights to the bonds could be taken up during the period 2-31 October 1997. Each bond gives the right to subscribe to one share. In consequence of this, Partek's share capital can be raised by a maximum of FIM 12.6 million.

Of the bonds 630,000 were designated A bonds and 630,000 B bonds. The subscription period for A bonds commences on 2 October 2000 and for B bonds on 2 October 2002 and closes on 2 October 2003. The bonds can be converted to shares each year between 2 January and 30 November. In the case of A bonds the price of each share on conversion is FIM 120 and for B bonds the share price is FIM 140. The share price exceeds the average volume-weighted price of Partek shares as quoted on the Helsinki Stock Exchange during the period 1-12 September 1997 by approximately 20 percent for A bonds and 40 percent for B bonds. The subscription price of each share will be reduced by the dividend paid after 1 January 1998. The subscription price will be adjusted each year on the day on which the dividend is determined.

Of the persons entitled to subscribe to these bonds the company president is the principal beneficiary according to the Share Act. His share of the company's share capital and voting rights now amounts to 0.09 percent. By virtue of share rights taken up on the basis of earlier issues of bonds with warrants and the rights subscribed during 1997, this can rise to a maximum of 0.2 percent. Senior management

including the president now own 0.02 percent of Partek's share capital and voting rights. Senior management's share on the basis of earlier issues of bonds with warrants and options now issued can rise to 0.9 percent.

Board's authority to raise company's share capital

Partek's Board has no authority to raise the company's share capital. In accordance with a decision made at the Annual General Meeting on 10 April 1997 Partek acquired 19.9 million shares in Oy Sisu Ab and directed an issue of 10 million Partek's shares to the Finnish state, Valmet Oy and Oy Sisu Ab's pension fund. The number of Partek's shares thus increased from 38.5 million to 48.5 million and share capital rose by FIM 100 million. The subscription price was FIM 78.50.

Shareholders

At year-end 1997 Partek's shareholders numbered 10,743. Four out of five shareholders hold fewer than 1000 shares. The ten largest shareholders own 62 percent of Partek's share capital. Just under a fifth of shares are held by private persons. The proportion of shares held by foreign investors is approximately 11 percent. Nominee-registered holdings of shares entitle foreign holders only to financial rights, i.e. the right to dividend and to new share issues. Shareholders who do not register their holdings in their own name have no right to vote at the Annual General Meeting.

As a consequence of the Sisu acquisition the Finnish State now has the largest holding in Partek with 30.4 percent of the shares. Valmet and the Foundation for Åbo Akademi have 8.5 percent each. The Sampo Group holds 7.3 percent and the Pension-Varma Mutual Insurance Co. 3.4 percent.

Shareholders' agreement

In May 1994 an agreement was concluded by Aker RGI, the Foundation for Åbo Akademi, the Sampo Group and Pension-Varma. To this a further clause was appended later.

In conjunction with the Sisu deal Aker RGI withdrew from Partek and the agreement has consequently ceased to be in force.

Management's shareholding

At the end of 1997 the Board and Group management of Partek together held 14,207 shares, i.e. 0.03 percent of the company's entire share capital and voting rights. In addition to this, of the bonds with warrants and options program issued by the company, senior management held rights entitling them to subscribe to altogether 445,827 shares, in other words 0.9 percent of Partek's share capital and voting rights.

Investor relations

The aim of Investor Relations is that Partek's market capitalisation should reflect as closely as possible the company's value and ability to generate a profit. Partek wants to offer both domestic and foreign investors an attractive share that can easily be converted into cash.

Partek's intent is that its shareholders should receive an attractive return on their investment. By return is meant in this context both an increase in share value and a satisfactory dividend. Partek's aim is to provide active, reliable, sufficient and regular information to investors and the capital markets and so increase interest in Partek's shares. The group magazine Partek Today was sent three times this year to all shareholders. During the year Partek organised Investor Relations meetings for investors, analysts and brokers.

In the early summer two Capital Market days were held; these provided an opportunity for both domestic and foreign investors to become acquainted with Partek's production plants and discuss Partek with management. Management also took part in presentations in London, New York, Boston and Stockholm. The number of analysts that regularly follow Partek's progress increased during the year.

In addition, Partek was also introduced to private investors at evening meetings organised by the Finnish Foundation for Share Promotion in different towns in Finland. Press conferences and other press meetings were held for business journalists.

Helsinki Stock Exchange dealing code: PAR1S
Reuters: PTKH.HE

Share issues since 1992

| Type of issue | Subscription period | Subscription ratio | Price/share, FIM | Number of new shares | New share capital, FIM |
|----------------------------|------------------------|-----------------------|------------------|----------------------|------------------------|
| Share issue Convertible | Nov. 30–Dec. 30, 1994 | 6:1 | 46.00 | 5 500 000 | 385 000 000 |
| subordinated bonds | May 6–May 13, 1994 | Public issue | 83.91 | max. 2 000 000 | |
| Change from Nov. 30, 1994 | | | 79.75 | 2 104 326 | |
| Bonds with warrants | June 20–July 1, 1994 | Issue to management | 81.09 | max. 300 000 | |
| Change from Nov. 30, 1994 | | | 77.07 | 315 652 | |
| Share issue | April 10–Apr. 22, 1997 | Directed issue | 78.50 | 10 000 000 | 485 000 000 |
| Warrants | Oct. 2–Nov. 30, 1997 | Issue to management A | 120.00 | 630 000 | |
| | | Issue to management B | 140.00 | 630 000 | |
| Conversion of sub. bonds | Nov. 30, 1997 | Conversion | 79.75 | 125 | 485 001 250 |

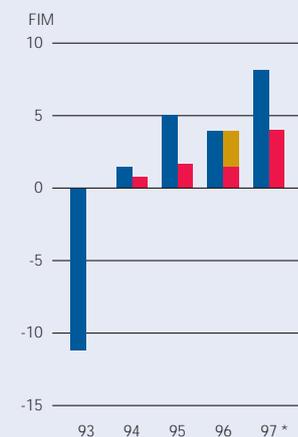
Shares and shareholders

| | 1997 | 1996 | 1995 | 1994 | 1993 |
|--|---------------------|-------------|------------|------------|------------|
| Share capital and shares | | | | | |
| Share capital, FIM million | 485.0 | 385.0 | 385.0 | 385.0 | 330.0 |
| Market value, FIM million | 4 122.0 | 2 755.4 | 1 921.2 | 2 310.0 | 1 653.3 |
| No. of shares, adjusted | | | | | |
| Total at the end of the year | 48 500 125 | 38 500 000 | 38 500 000 | 38 500 000 | 34 699 566 |
| after conversion and subscription | 52 179 978 | 40 919 978 | 40 919 978 | 40 919 978 | – |
| Average number of shares | 45 431 517 | 38 500 000 | 38 500 000 | 34 709 978 | 34 699 566 |
| after conversion and subscription | 48 062 070 | 40 919 978 | 40 919 978 | 36 262 281 | – |
| Earnings per share, adjusted, FIM | | | | | |
| After financial items, taxation and the change in deferred taxes | 8.08 | 3.99 | 5.04 | 1.43 | – 11.09 |
| After conversion and subscription | 7.87 | 4.13 | 5.12 | 1.65 | – |
| After financial items, standard tax rates and minority interest | 8.61 | 3.96 | 4.84 | 0.46 | – 8.86 |
| P/E ratio | 10.5 | 17.9 | 9.9 | 42.0 | neg. |
| Dividend | | | | | |
| Total, FIM million | 194.0 ¹⁾ | 154.0 | 57.8 | 21.3 | – |
| Dividend per share, adjusted, FIM | 4.00 ¹⁾ | 1.50 + 2.50 | 1.50 | 0.60 | – |
| Yield incl. extra dividend, % | 4.7 | 5.6 | 3.0 | 1.0 | – |
| Dividend excl. extra dividend/profit, % | 49.5 | 37.6 | 29.7 | 42.8 | – |
| Share value (FIM per share) at year-end | | | | | |
| Nominal value | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Value adjusted for issues | | | | | |
| Equity excluding convertible subordinated bonds | 66.06 | 57.71 | 45.39 | 42.15 | 46.12 |
| Equity after conversion and subscription | 68.26 | 59.85 | 47.40 | 45.16 | – |
| Market price, Helsinki Stock Exchange | | | | | |
| as an average at the end of the period | 84.99 | 71.57 | 49.89 | 60.14 | 47.53 |
| as an average during the period | 92.01 | 66.60 | 61.10 | 65.80 | 39.01 |
| highest | 113.00 | 74.00 | 69.00 | 81.79 | 48.50 |
| lowest | 70.00 | 46.10 | 45.00 | 47.55 | 23.87 |
| Shares traded | | | | | |
| Total, FIM million | 1 538.4 | 692.5 | 460.6 | 414.8 | 236.6 |
| No. of shares, adjusted for issues, 1000's | 16 720 | 10 499 | 7 539 | 6 304 | 6 066 |
| Shares traded as % of total number of shares | 36.8 | 27.3 | 19.6 | 18.2 | 17.5 |
| Number of shareholders | 10 743 | 10 993 | 11 589 | 12 060 | 11 958 |

¹⁾ Board's proposal

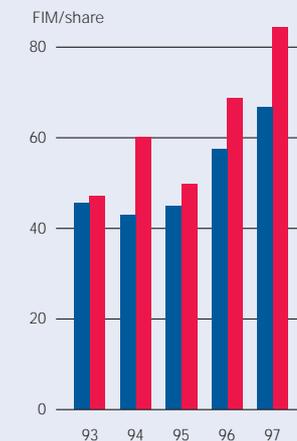
Key ratio definitions p. 54

Earnings per share



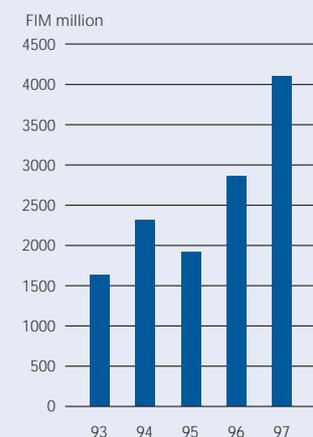
■ Earnings per share
 ■ Dividend per share
 ■ Extra dividend per share
 * Board's proposal

Equity and share price



■ Equity
 ■ Share price

Market capitalization



Largest shareholders, December 31, 1997

| | No. | % ¹⁾ |
|---|-------------------|-----------------|
| The State of Finland | 14 721 835 | 30.4 |
| Valmet Corporation | 4 126 039 | 8.5 |
| Foundation of Åbo Akademi | 4 112 256 | 8.5 |
| Sampo-Group | | |
| Industrial Insurance Company Ltd | 2 550 640 | |
| Sampo Pension Group | 451 913 | |
| Sampo Insurance Company Ltd | 270 100 | |
| Otso Loss of Profits Insurance Co. Ltd | 118 363 | |
| Kaleva Mutual Insurance Company | 94 442 | |
| Insurance Company of Finland Ltd | 70 000 | 3 555 458 |
| Pension-Varma | | |
| Pension-Varma Mutual Insurance Company | 1 298 031 | |
| Nova Life Insurance Company Ltd | 340 326 | 1 638 357 |
| Polaris Pension Fund | | 466 667 |
| Partita Oy | | 440 000 |
| The Public Association Folkhälsan | | 396 987 |
| The Local Government Pension Institution | | 350 000 |
| Federation of Finnish Metal Engineering & Electrotechnical Industries | | 278 850 |
| Total | 30 086 449 | 62.0 |

¹⁾ Percentage of total number of shares and voting rights.

Distribution of shares

By size of holding, December 31, 1997

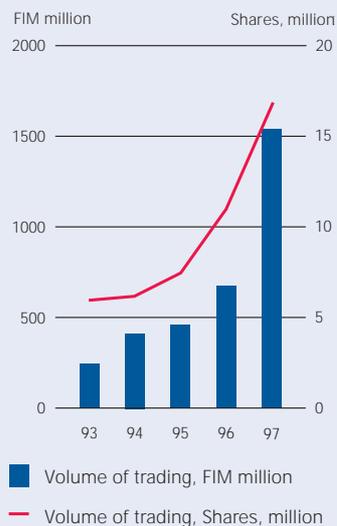
| Shares/ holder | Shareholders | | Shares | |
|-----------------------------|---------------|--------------|-------------------|-----------------|
| | No. | % | No. | % ¹⁾ |
| 1 - 1000 | 8 664 | 80.6 | 2 512 540 | 5.2 |
| 1001 - 5000 | 1 695 | 15.8 | 3 487 038 | 7.2 |
| 5001 - 10 000 | 202 | 1.9 | 1 416 746 | 2.9 |
| 10 001 - 50 000 | 136 | 1.3 | 2 797 446 | 5.8 |
| 50 001 - | 46 | 0.4 | 33 055 627 | 68.2 |
| Foreign ownership and other | | | 5 230 728 | 10.8 |
| Total | 10 743 | 100.0 | 48 500 125 | 100.0 |

¹⁾ Percentage of total number of shares and voting rights.

By shareholding, %

| | Dec. 31, 1997 | Dec. 31, 1996 |
|--|------------------|------------------|
| Private individuals | 14.1 | 18.9 |
| Associations and trusts | 15.6 | 20.5 |
| Companies | 11.1 | 32.7 |
| Insurance companies and pension funds | 15.3 | 20.0 |
| Investment funds | 2.2 | 2.0 |
| Banks, financial institutions | 0.2 | 0.1 |
| State, local authorities and religious communities | 30.8 | 0.3 |
| Others | 10.7 | 5.5 |
| Total | 100.0 | 100.0 |

Volume of trading



Price development of the Partek share



Container handling



Medcenter Container Terminal, Gioia Tauro, Italy

E.D.O. Woessink
Sales Manager, Europe
Sisu Terminal Systems Oy

"Medcenter Container Terminal is today the biggest straddle carrier operated terminal in Italy. The initial order of 24 straddle carriers in 1994 is still the largest single order of its kind for Sisu Terminal Systems. Since then, the container throughput at Gioia Tauro has grown steadily. Our equipment has proven to meet expectations and there have been several repeat orders. This is for sure one of the most exciting projects I've been involved with during the 10 years I've been selling straddle carriers."

Ir. A. Francavilla
Technical Director
Medcenter Container Terminal spa

"Once we selected a straddle carrier system to handle containers at the Gioia Tauro terminal, which was opened for traffic in 1995, Sisu was immediately our first choice for supplying the needed equipment. Today we use 51 Sisu straddle carriers, 24 hours a day, for handling one million containers. Their reliable performance allows us to provide the good service level we want to give our customers and is also highly appreciated by our drivers and mechanics."

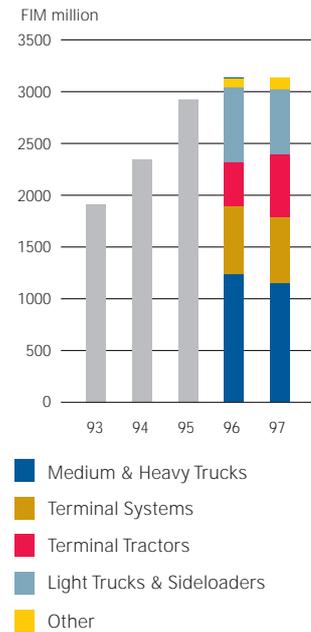
In 1997, Kalmar Industries AB and Sisu Terminal Systems Oy were merged to create the world's leading supplier of container handling machines and logistical solutions for the port, inland terminal, container and trailer handling industries. The new company forms Partek's container handling business area and is known as a leading innovator in the area of lift truck and terminal system technology, customer-specific design and effective and safe handling solutions.

The product range encompasses straddle carriers, rubber-tired gantry cranes (RTGs), reachstackers, terminal tractors, and a variety of lift trucks including log handling machines and sideloaders. Kalmar reachstackers, Sisu straddle carriers and Ottawa terminal tractors are all global market leaders. The products are supported by a worldwide sales and after-sales network.

The customer base comprises stevedoring companies, ports, railways, distribution terminals and industry. Log handling machines are used by saw-, pulp-, and paper-mills.

Products are manufactured at eight different sites, i.e. Ljungby, Lidhult and Härnösand in Sweden, Tampere and Kurikka in Finland, Maardu in Estonia, and Ottawa, Kansas, and Longview, Texas in the USA.

Net sales

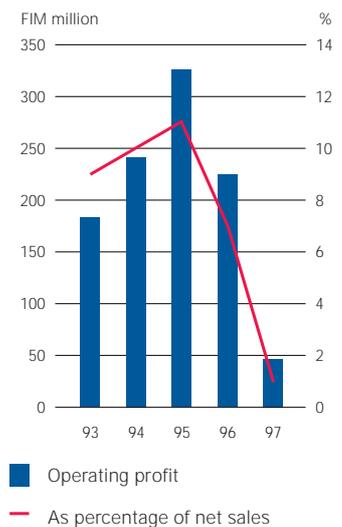


| Key figures, proforma | 1997 | 1996 | Change % |
|--|-------|-------|----------|
| Net sales, FIM million | 3 126 | 3 127 | |
| Operating profit before items affecting comparability, FIM million | 161 | 225 | - 28 |
| Operating profit, FIM million | 46 | 225 | - 80 |
| - % of net sales | 1 | 7 | |
| Capital employed avg., FIM million | 1 300 | 1 245 | 4 |
| - ROC, % | 4 | 19 | |
| Investment, FIM million | 132 | 177 | - 25 |
| Depreciation, FIM million | 99 | 88 | 13 |
| Personnel Dec. 31 | 3 272 | 3 296 | - 1 |
| R&D expenses, FIM million | 24 | 23 | 4 |

| Product lines | Net sales, FIM million | |
|----------------------------|------------------------|-------|
| | 1997 | 1996 |
| Medium & Heavy Trucks | 1 151 | 1 228 |
| Terminal Systems | 646 | 665 |
| Terminal Tractors | 589 | 427 |
| Light Trucks & Sideloaders | 630 | 715 |
| Other | 110 | 92 |
| Total | 3 126 | 3 127 |

| Net sales by market, FIM million | 1997 | % |
|----------------------------------|-------|-----|
| Finland | 190 | 6 |
| Other Scandinavia | 461 | 15 |
| Other EU | 729 | 23 |
| Other European countries | 157 | 5 |
| North America | 831 | 27 |
| South America | 136 | 4 |
| Asia | 428 | 14 |
| Other | 194 | 6 |
| Total | 3 126 | 100 |

Operating profit



These are proforma figures containing consolidated figures for Kalmar and STS and are not included as such in the Partek Group's accounts.

Container handling



Jonas Svantesson, b. 1951
President and CEO of
Kalmar Industries AB.
Employed at Kalmar since 1994.
Partek shares: –
Options: –

- The new Kalmar is a world leader. Merger will bring synergy benefits
- Increased order volume in the face of increased price pressure and competition
- Numerous new products introduced

Net sales and results

Consolidated net sales for the new Kalmar (comprising Kalmar Industries AB and Sisu Terminal Systems Oy) were FIM 3,126 (1996: 3,127) million. The operating result was FIM 46 (225) million and includes transaction costs related to the merger of FIM 33 million and a reserve of FIM 82 million for structural changes. Before the above items affecting comparability the result was FIM 161, a decrease of 28% compared to 1996. The lower result can be attributed to lower price levels and costs connected to production disturbances. The return on capital employed was 4 percent after and 13 (19) percent before the items affecting comparability. Total orders received rose by 24 percent from the previous year and was FIM 3,531 (2,870) million. Order stock at year end was FIM 1,060 (632) million. Investments in the business area amounted to FIM 132 (177) million. (Note: only STS figures are included in Partek's income statement for 1997.)

In 1997, the container handling industry was characterised by increased price pressure and competition. Container trade volumes increased by approx. 8 percent. The overall pace of demand growth in the container port sector developed in line with expectations. However, lower order intake during the last months of 1996 affected production and delivery volumes during the first half of 1997.

Terminal tractor sales in North America were up 27% from the previous year and the backlog of orders at the beginning of 1998 is good. The total straddle carrier market was down 40% following an all time peak in 1996, however the level in 1997 was similar to what it has been for the last 10 years. The



upward trend for the Medium & Heavy products was broken during the last months of the year due to the Asian economic situation, however, there was growth in the USA. European markets remained at the 1996 levels. There was an increase in order intake for Light Trucks & Sideloader products.

Prospects

Container ports, the most significant customer segment for Kalmar products, continues to represent a highly dynamic sector. The trend in the world market container traffic is developing towards bigger ships, but maintaining the same handling time in the terminal as with smaller ships.

The markets in Asia Pacific have so far represented the greatest growth opportunities in the world port market. In spite of the recent macro-economic uncertainty in the region, the longer term market outlook should be less affected. In 1998, the lower demand in parts of Asia is expected to be compensated for on other markets.

Potential growth areas in 1998 are North and South America and Scandinavia with increased demand anticipated from container ports and terminals as well as inland terminals in the USA.

New organization

In December 1997, Kalmar became a Partek subsidiary. The operations of the new Kalmar are based on five product lines: Customer Support, Medium & Heavy Trucks, Terminal Systems, Terminal Tractors, Light Trucks & Sideloaders. The organisation combines the global networks, expertise, production, and product programs of both STS and Kalmar. The synergy will make it possible to expand market presence, improve global customer support, achieve more efficient production, further improve quality and shorten delivery times.

Customer Support

The Customer Support product line is responsible for providing service and spare parts for a large fleet including Kalmar, Sisu, Ottawa and Magnum among others, that are used daily

Kalmar reachstackers, which are used for stacking containers in ports and terminals, are the global market leader. At work in the port of Gothenburg, Sweden is this "combi-machine" reachstacker featuring a special support jack which allows it to operate in terminals utilizing different transport systems ie. trucks, railways and river traffic.



This is one of 80 Ottawa brand terminal tractors operated by Federal Express, pictured here at their Indianapolis, Indiana Hub facility. The main customers for terminal tractors include inland terminals, distribution centres and ports who use the vehicles for short distance haulage of trailers and containers.

all over the world. The sales for the Customer support product line are divided across the other product lines.

A key project for Customer Support is the development of "modernization products", the target of which is to bring modern technology to customer's existing machines making them easier to operate and more cost effective. Maintenance contracts and major overhaul concepts will also be further developed.

Medium & Heavy Trucks

Net sales for the Medium & Heavy product line was FIM 1,151 (1,228) million.

This product line comprises medium and heavy lift trucks including reachstackers under the Kalmar and Sisu brand names. The products are global market leaders with the main markets being Europe and Asia Pacific. The largest customer groups include container ports and terminals, and intermodal terminals as well as wood, pulp, paper and heavy industries.

In 1997 a newly developed reachstacker was launched. Applications for different lifting attachments were developed so that reachstackers can also be marketed outside the container sector.

Terminal Systems

Net sales for the Terminal Systems product line was FIM 646 (665) million. This product line includes straddle carriers, rubber-tired gantry cranes (RTGs), terminal tractors for the European market, lift trucks for military applications and log handling machines all of which are sold under the Sisu brand name.

Sisu straddle carriers are the dominant market leader in container ports and terminals around the world as well as a pioneer in technological advances. An important project (part

of the Brite-Euram project) has been development of the Control-C automation feature for straddle carriers of the future. As the trend is clearly toward greater automation in terminals, Control-C is aimed at developing a new, more highly automated container terminal system.

RTGs are a common container-handling system at the world's biggest transit harbours. Following long-term development work, Sisu RTGs have become a strong challenger on this market and its new AC-electrical drives are well respected in the industry.

Terminal Tractors

Net sales for the Terminal Tractors product line was FIM 589 (427) million. This product line comprises the Ottawa and Magnum brand terminal tractors, the market leaders worldwide. The main customers include inland terminals, distribution centres and ports. The tractors are used for short distance haulage of trailers and containers on and off ships (ro-ro tractors), and in inland terminals. A new facility for customer support services was opened at the Ottawa factory to further improve spare parts availability and delivery speed.

Light Trucks & Sideloaders

Net sales for the Light Trucks & Sideloaders product line was FIM 630 (715) million. This product line includes electric, diesel and LPG driven fork lift trucks, sideloaders and four-way lift trucks, all marketed under the Kalmar brand name. The main customers include industry and the transport sector and the main market is Europe, where Kalmar is the market leader in the above 5 tonne capacity segment.

There were two important development projects during 1997: introduction of the new ergonomic "Spirit Delta" driver environment and the "intelligent" hydrostatic fork lift truck which features a computer controlled hydraulic system in place of the conventional mechanical/electrical system.



Customer support plays an important role in the container handling business and is a growing segment. Kalmar service vehicles are dispatched to supply after-sales service and spare parts for a large fleet of container handling machines that are in daily use around the world.

Cargo handling



Brandenburger Tor, Berlin, Germany

Frank Sparmann
Sales Manager
Hiab-Multilift GmbH

"Already in the 60's we, together with our dealer, Lösch & Reinberger, were the leading lorry loader-systems seller in the divided city of Berlin. The construction boom that followed German reunification, however, led to an explosion in this market. We were quick to respond by forming a new sales and service network in and around Berlin and have been rewarded as a result."

Dr. Stefan Engelmann
Marketing Manager
Wall Verkehrsanlagen GmbH

"We have a very high opinion of Hiab products. The cranes are essential to our business of installing street furniture like bus shelters, newsstands, public toilets, litter bins, advertising billboards and so on. They're also an integral part of our mobile presentation service, in which we offer a free demonstration of these products to municipalities who can then show them in their actual environment."

Ralf Mühle
Managing Director
Lösch & Reinberger GmbH

"More and more customers ask for cranes with greater lifting capacity and longer outreach. They have become substitutes for the big mobile cranes that are more expensive and more difficult to operate in narrow city streets like you find here in Berlin. Hiab cranes work fast and efficiently and enable us to provide our customers with the best lifting solutions."

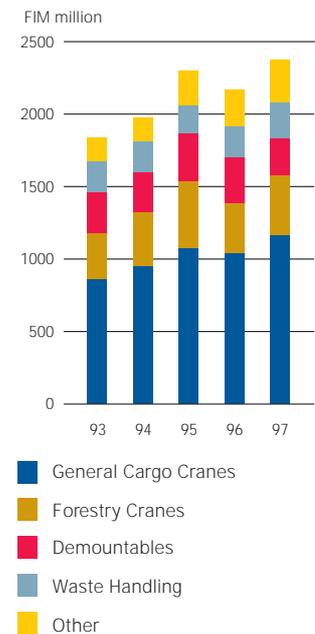
Partek Cargotec is the world's principal producer of cargo handling equipment for vehicles. The products are hydraulic-based, chassis-mounted and used for loading and unloading goods. Partek Cargotec operates globally.

HIAB is the number one cargo crane brand worldwide. Loglift and Jonsered timber cranes have a leading position in the European market. Multilift and LeeBur demountable load-handling systems are the market leaders in Europe. Other recognized products are Norba refuse-collection vehicles, Nummi tipping hydraulics and Focolift tail-lift equipment.

The customer base consists of private truck owners, transportation companies, rental fleets, forest machine producers and contractors, building material suppliers, waste-handling companies, utility firms, municipalities, authorities and the defense ministries in several countries.

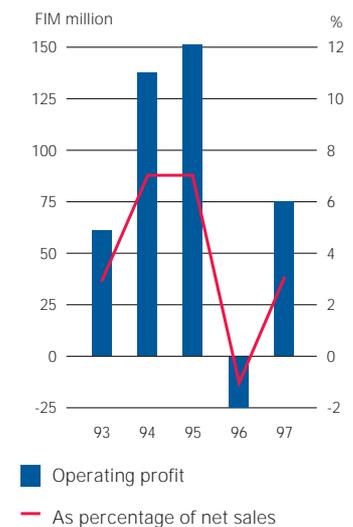
Production units for cargo cranes are located in Sweden, Denmark, the Netherlands and Spain. Timber cranes are produced in Finland and Sweden, demountable equipment in the Netherlands and refuse collection vehicles in Sweden. Component production units are in Finland. Partek Cargotec has its own sales companies in all its major markets: Belgium, Chile, Denmark, Finland, France, Germany, the Netherlands, Italy, Japan, Korea, Malaysia, Norway, Poland, Singapore, Spain, Sweden, UK and USA. There is an associated company in Mexico. Partek Cargotec's own distribution network is supported by a worldwide network of independent importers and retailers.

Net sales



| Key figures | 1997 | 1996 | Change % |
|------------------------------------|--------------|-------|----------|
| Net sales, FIM million | 2 386 | 2 169 | 10 |
| Operating profit, FIM million | 75 | - 25 | |
| - % of net sales | 3 | - 1 | |
| Capital employed avg., FIM million | 909 | 1 004 | - 9 |
| - ROC, % | 9 | neg. | |
| Investment, FIM million | 43 | 46 | - 7 |
| Depreciation, FIM million | 51 | 51 | |
| Personnel Dec. 31 | 2 406 | 2 614 | - 8 |
| R&D expenses, FIM million | 59 | 66 | - 10 |
| R&D personnel | 130 | 117 | 11 |

Operating profit



| Product lines | Net sales, FIM million | | Staff, average | |
|-----------------|------------------------|-------|----------------|-------|
| | 1997 | 1996 | 1997 | 1996 |
| Cargo Cranes | 1 169 | 1 050 | 825 | 920 |
| Forestry Cranes | 416 | 338 | 296 | 303 |
| Demountables | 250 | 315 | 244 | 260 |
| Waste Handling | 243 | 218 | 128 | 123 |
| Other | 307 | 247 | 333 | 338 |
| Sales companies | | | 765 | 815 |
| Total | 2 386 | 2 169 | 2 591 | 2 759 |

| Net sales by market, FIM million | 1997 | % |
|----------------------------------|--------------|------------|
| Finland | 197 | 8 |
| Other Scandinavia | 404 | 17 |
| Other EU | 1 096 | 46 |
| Other Europe | 58 | 2 |
| North America | 287 | 12 |
| Asia | 297 | 12 |
| Other | 47 | 3 |
| Total | 2 386 | 100 |

Cargo handling



Christer Granskog, b. 1947
Partek Senior Executive Vice
President, President of Partek
Cargotec Oy Ab, M.Sc. (Eng.)
Employed at Oy Sisu Ab
since 1994.
Partek shares: –
Options: 30,000

Net sales and results

Net sales for the cargo handling business area were FIM 2,386 (1996: 2,169) million, an increase of 10 percent from the previous year. The operating result was FIM 75 (-25) million. Return on capital employed for the business area reached 9 (negative) percent. Orders received rose by 17% to FIM 2,461 (2,102) million. The backlog at the end of the year was at a good level, FIM 445 (363) million. Total investments amounted to FIM 43 (46) million.

The operating profit improved by FIM 100 million and was attributable to the increased net sales and the cost savings implemented. A reserve of FIM 24 million for structural changes was included in the result. Conversely, a capital gain was made on the sale of Toijala Works.

Heavy truck registration in Europe was on the same level in 1997 as the previous year. In North America, heavy truck registrations increased by 5%. The market development for Partek Cargotec's products in Europe and North America was positive. The demand in Asia slowed down during the latter part of the year.

The orders received for timber cranes increased strongly compared to last year, especially in Scandinavia. The order intake for general cargo cranes increased in Europe and North America but decreased in Asia. The order intake for demountables remained at the previous year's level. The orders received for refuse collection vehicles increased on the main markets. Fierce price competition continued to characterise Partek Cargotec's markets despite the increased demand.

Prospects

Market volumes were good in 1997 and no significant improvements are expected for 1998.

Developments in Asia are expected to impact volumes slightly. However, no dramatic decrease is expected in Japan,



- Market positions strengthened
- Operating profit improved by FIM 100 million
- Further measures to increase profitability initiated

Partek Cargotec's most important market in the region. The anticipated improvements in profitability are based on internal measures: new products, lower cost and quality costs.

In general, the cargo handling segment will continue to grow, particularly in eastern Europe but also Asia in the long-term. Demand for the bigger capacity class of crane is on the rise and will be met through further developments in the business area's heavy crane product range.

Price pressures will remain on the market but the total lifetime cost of the product will be an important factor when choosing a supplier. There is a continued trend towards larger customers thus making exceptional after-sales and service provision both a necessity and a competitive advantage. The emphasis will also be on customer-order based manufacturing, with standardization of product modules.

The Partek Cargotec concept

Partek Cargotec develops, manufactures and markets cargo handling equipment and machinery for vehicles. The products' have the following features in common: hydraulic-based, chassis-mounted, used for loading and unloading goods and have an after-sales market. The majority of the Partek Cargotec brand family can be easily recognized by the world-renowned Hiab elephant symbol.

The matrix organization introduced at the end of 1996 was further developed towards a product-line/consolidated profitability based structure. Merging of the product-specific sales companies into national Partek Cargotec multi-product sales companies continued and will be completed during 1998. Growth opportunities in sales, after-sales service as well as more cost effective sales processes are anticipated results of these measures.

Cargo Cranes

Net sales amounted to FIM 1,169 (1,050) million. The Cargo Cranes product line comprises Hiab cranes which are general cargo cranes mounted on vehicles and used for handling heavy goods. Hiab is the market leader in its segment throughout the world. The main customer segments are the building, construction, transportation and infrastructure-related industries. The dominant market for the products is Europe, whereas Asia and America are the long-term growth areas.

The global demand for cargo cranes increased in 1997 as

Norba is the leading brand of refuse collection vehicles in Scandinavia. The vehicles are used for collection of both domestic and commercial waste and are designed to meet the increased demands of efficient waste handling. The Norba range is also automated to a high degree for a safe working environment.

the favourable economic development also contributed to greater activities in Hiab's customer segments. The market position was strengthened with the recently established sales company in Italy and the new distributors in Australia and South Africa also contributing to the increased volumes. The trend towards higher capacity classes is clearly recognized and the segment for heavy cranes is growing. Hiab's customer service in Europe continues to be at an outstanding level with the success of its centralized spare-parts centre in Metz, France.

The measures taken in 1996 to reduce personnel and costs have been carried through as planned and have contributed to improve the results. Stronger focus on the core activities and increased flexibility were achieved by outsourcing the machining workshop at the main factory during the year.

Forestry Cranes

Net sales were FIM 416 (338) million. The Forestry Crane product line includes Loglift and Jonsered brand cranes. Truck mounted forestry (timber) cranes account for the majority of the sales. Cranes for forest machines, scrap handling and recycling operations are other important segments. The brands are market leaders in Europe with growth areas being Asia and North America.

To further improve quality and customer service, the assembly shop at Loglift Oy Ab in Salo, Finland was completely renovated and a new paintshop taken into use. In 1997 the strategic cooperation between Loglift Oy Ab and The Timberjack Group was ended. Loglift will continue to supply cranes for Timberjack's forest machines until the end of 1998.

Demountables

Net sales totalled FIM 250 (315) million. The Demountables product line produces demountable load-handling systems under the brand names Multilift and LeeBur. The products and systems are particularly well suited to the recycling and transportation of waste and to the transportation needs of armed services. The customers are principally waste-treatment companies, truck owners and national defense ministries. Europe is Partek Cargotec's main market for demountables, where it is also the clear market leader.

Manufacturing operations of the two production locations in Finland and the Netherlands was streamlined. Assembly is now concentrated to the Dutch factory and components to Finland. The first models of the new, competitive demountable product generation were launched in the spring and have been favourably received on the market. Sales of demountable equipment used in the military applications declined during the year but market share was not affected.

Partek Cargotec is Europe's leading producer of demountable load-handling systems. Partek Cargotec's Government Business Operations markets these systems to defence and UN peacekeeping forces worldwide. This container handling unit, which has been installed on a heavy engineered support vehicle, is employed by the Canadian Department of National Defence to efficiently transport, load and unload 20 foot ISO containers and shelters.



Loglift and Jonsered are Europe's leading forestry crane brands but are also used in a wide variety of other applications, i.e. handling scrap, waste and recycling. The cranes' power and performance make them suitable for both mobile installations or stationary mountings at sawmills, recycling depots, docks etc.

Waste Handling

Net sales were FIM 243 (218) million. The Waste Handling product line produces refuse collection vehicles under the Norba brand name. The key customers include waste-treatment companies and municipalities and authorities. In 1997, Norba further strengthened its position in Scandinavia where it is clearly the market leader and also improved its position in France and the UK.

Waste handling will continue to be a growth sector with the increase of environmental awareness and recycling programs within the European Union. Norba's target is to actively penetrate these markets. In 1998, Norba will be the first Partek company to receive both ISO 14001 certification and EMAS (Environmental Management and Audit System) registration, which EU municipalities will require of their suppliers.

Components

Net sales totalled FIM 307 (247) million. The Components product line comprises Nummi, Focolift, Raisio Works and, as of January 1, 1998, Sisu Axles. The key customer groups include truck body builders and manufacturers, distribution service companies i.e., postal services, breweries, etc. and other Partek cargo and container handling companies. The main market for the products is Scandinavia. The operations of Toijala Works, which has net sales of FIM 87 million, were sold to its management. The Nummi cylinder factory at Porvoo, Finland was closed and production transferred to Perniö.



Forest machines



Priest River, Idaho, USA

René van der Merwe
Sales Manager
Totem Equipment Company,
a longtime Valmet dealer

"We attribute our success entirely to the total commitment to uptime and support of our customers. This is only possible through the same commitment we receive from the Sisu Logging Group in the USA and Sweden."

Mike Reynolds
Owner
Mike Reynolds Logging

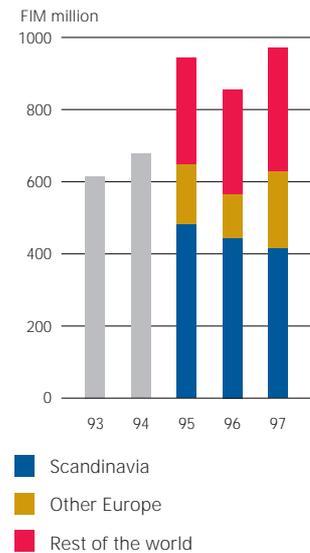
"The cut-to-length logging system is the only way a logging contractor can meet all the silvicultural, biological, environmental and log quality specifications required of us today. I consider Valmet forest machines to be number one in the industry and thanks to my dealer, the switch to the cut-to-length system has been a success."

Partek's Forest Machines business area, in which the parent company is Sisu Logging AB, produces and markets forest machines used in the Scandinavian cut-to-length method. The products marketed under the Valmet trademark are harvesters i.e., felling machines, forwarders and harvesting heads. The business area also includes Cranab AB, which produces cranes for forest machines and timber trucks. The production plants in the business area are located at Umeå and Vindeln in Sweden, Gladstone in Michigan in the United States and Curitiba in Brazil. The Forest Machine business area focuses exclusively on the cut-to-length method, in which it is possible to do both thinnings and final fellings and at the same time operate with consideration for the environment. The cut-to-length method has increased throughout the world during the 1990s mainly because of the combined effect of the machines' efficiency and the positive attributes in relation to the environment compared with other methods. In the cut-to-length method the trunks are felled and trimmed for a pre-determined purpose. They are carried between the bunks of the forwarder so that the timber remains in good condition.

This development has come to the fore particularly in North America, where the market share of forest machines in the whole-tree method has earlier been above 95 percent. Valmet forest machines have 30 percent market share worldwide.

The customers consist of independent forest machine operators and forestry companies. The customer split varies greatly from country to country.

Net sales

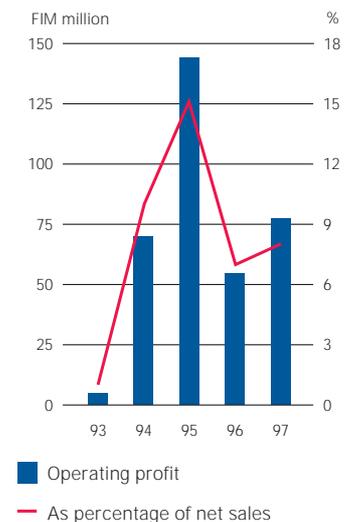


| Key figures | 1997 | 1996 | Change % |
|------------------------------------|------|------|----------|
| Net sales, FIM million | 969 | 844 | 15 |
| Operating profit, FIM million | 78 | 55 | 42 |
| - % of net sales | 8 | 7 | |
| Capital employed avg., FIM million | 429 | 461 | - 7 |
| - ROC, % | 19 | 12 | |
| Investment, FIM million | 9 | 21 | - 57 |
| Depreciation, FIM million | 19 | 20 | |
| Personnel Dec. 31 | 710 | 641 | 11 |
| R&D expenses, FIM million | 21 | 14 | |
| R&D personnel | 30 | 24 | |

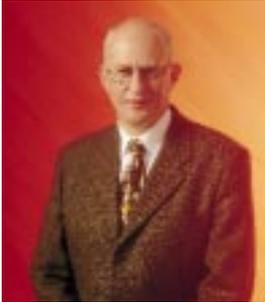
| | Net sales, FIM million | | Staff, average | |
|-------------------|------------------------|------|----------------|------|
| | 1997 | 1996 | 1997 | 1996 |
| Scandinavia | 413 | 445 | 421 | 424 |
| Other Europe | 213 | 120 | 32 | 23 |
| Rest of the world | 343 | 279 | 211 | 229 |
| Total | 969 | 844 | 664 | 676 |

| Net sales by market, FIM million | 1997 | % |
|----------------------------------|------|-----|
| Finland | 178 | 18 |
| Other Scandinavia | 235 | 24 |
| Other EU | 163 | 17 |
| Other European countries | 50 | 5 |
| North America | 142 | 15 |
| South America | 73 | 8 |
| Asia | 9 | 1 |
| Other | 119 | 12 |
| Total | 969 | 100 |

Operating profit



Forest machines



Hans Eliasson, b. 1945
President, Sisu Logging AB.
Employed at Sisu Logging AB
since 1991.
Partek shares: 2,000
Options: 20,000

- Demand revived on most markets
- Increasing sales in North and South America
- Positive market reception for new products

Net sales and result

The net sales of the Forest Machines business area in 1997 were FIM 969 (1996: 844) million, which is an increase of some 15 percent over the previous year. The operating result was FIM 78 (55) million. The return on capital employed was 19 (12) percent. Investment totalled FIM 9 (21) million. Orders received came to FIM 1,032 (728) million. Orders in hand at the end of the year amounted to FIM 164 (98) million.

The demand for forest machines was livelier in 1997 than in the previous year mainly as a result of the positive expectations in the sector. In particular the expectations of an improvement in the price of pulp and the general positive investment atmosphere together with low interest rates increased the demand for forest machines. Besides the posi-

tive market expectations, the increase in the degree of mechanization in forest-management in Brazil, for example, raised demand.

Demand went up relatively evenly in the different market areas, although there were differences between the countries. Valmet forest machines retained their strong market position in all the market areas.

The product range of the Forest Machines business area was supplemented during 1997 by the world's biggest and most efficient single-grip harvester, the Valmet 921, the 840 S2 forwarder and the Maxi system, which controls the functions of a harvester or forwarder.

Cranab introduced two harvester crane models, a new grapple line and three new vehicle crane models.

The significance of information technology (IT) in forest machines is increasing continuously, mainly because in the cut-to-length method each felled trunk is handled so that it can be utilized as efficiently as possible. Measuring the felled trunks, recording and transmitting the data and as well as suggestions for cutting meant to help the driver require sophisticated IT. The production of forest machines at Umeå has been planned so that it is as flexible as possible and the proportion of subcontractors is high so that it can react quickly to fluctuations in the economic cycle. At the same time R&D, the manufacture of key components such as harvesting heads, cranes and control systems, as well as as-

The demands of the environment and the forest-machine driver are taken into account in the design stage. Thanks to the wide rubber tires the machines cause minimal damage to the terrain, and it is pleasant to work in the sound-proofed, air-conditioned cabin.





sembly have been kept in the company's own hands.

The distribution channel for Valmet forest machines is either a Valmet sales company or an outside dealer, depending on the market area.

Prospects

Prospects for the market areas vary. In Scandinavia demand is expected to fall somewhat. In other European countries and North America a strengthening in demand is forecast. In South America it is expected to remain at last year's level. Because of the economic crisis in Asia it is likely that the mechanization of forestry will be delayed in some parts of the region.

The demand for forest machines is highly sensitive from year to year with the fluctuation in economic trends and, in particular, raw wood.

It is possible to try to predict the demand for forest machines by following the price of pulp. Stocks of pulp during the final quarter of last year went up, which is causing uncertainty in estimates.

The Scandinavian cut-to-length method is growing worldwide, chiefly because the machines are efficient but also because they are considerate to the immediate surroundings and provide a pleasant working environment. Several of the big construction machine producers have shown interest in expanding their operations to this market. Currently there are a considerable number of local firms in the sector, but few major companies that operate simultaneously on several markets.

Scandinavia

In the Scandinavian market area Forest Machines' net sales fell slightly and totalled FIM 413 (445) million. Of the Scandinavian countries, sales in Finland were brisker than in the previous year, whereas in Norway and Sweden it was at a lower level. In both Sweden and Finland competition is hard, because these countries are the domestic market for sever-

Partek is the world's second-biggest producer of forest machines used in the Scandinavian cut-to-length method. Valmet forest machines are known for their top-grade technology around the world.

The cut-to-length method is accounting for a greater share of forest management in North America. The timber, which is cut-to-length with great precision, is transported on a forwarder so that it isn't damaged.

al producers. As a result the pressure on prices in Scandinavia is heavy. No fundamental changes took place in the competitive situation during the period under review.

Rest of Europe

Net sales in other European countries increased to FIM 213 (120) million. In western Europe and particularly in Germany there is a general need to raise the degree of mechanization. The high level of unemployment has, however, slowed down the development of mechanization. In Great Britain and Ireland the cut-to-length method is already dominant, but because forwarders have previously been based mainly on excavators, a move is being increasingly made towards machines that conform with Scandinavian standards. The market in France is at present split evenly between the whole-tree method and cut-to-length method. The whole-tree method accounts for such a large proportion in relative terms because of the high proportion of deciduous trees and the location of the forests, which to a great extent are on steep terrain.

North and South America and other markets

The combined net sales of the market area increased to FIM 343 (279) million. The uncertainty in the economic situation in parts of Asia was reflected negatively in sales of Valmet forest machines, chiefly in Indonesia and New Zealand. Sales rose in all the other countries in the market area, particularly in South America. The Brazilian market is expected to show clear positive developments in the near future.



Tractors



Carlos Sainz's farm, Avila, Spain

Pilar Villarreal
Managing Director

Company: Valtra Tractores, S.A.

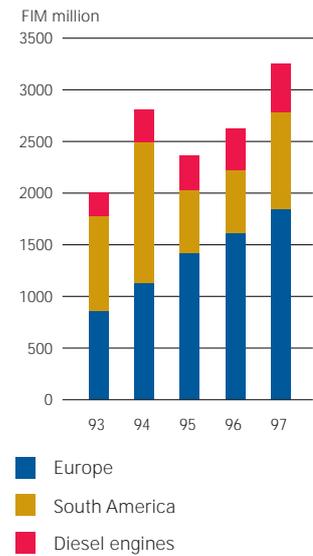
"Spain is a big tractor market and we are a relatively new player here. For Valtra, having the endorsement of an expert rally driver like Carlos means that our quality and performance are 'up to speed'. And it's a good signal to our potential customers. Even Carlos became a customer through word of mouth - he heard about Valtra Valmet tractors from his racing colleague, Juha Kankkunen who also has one!"

Carlos Sainz
Farmer, world rally driving
champion

"When you step into this tractor, your idea of the machine changes completely. It's much more comfortable, fully equipped and technologically advanced than any of the top class cars I've driven. Of course, it doesn't hurt that Valtra Valmet tractors are the European champions in tractor pulling either!"

Partek's Tractors business area, in which the parent company is Valtra Inc., is the sixth-biggest tractor producer in the western world. Valtra Valmet is the leading tractor brand in Scandinavia, the second-most popular in South America and the fastest-growing in Europe. The production of Valtra Valmet tractors is based on a quick and efficient customer-order system, which is unique in the field. Tractors are assembled from modules in accordance with the customer's wishes. Valtra's range of models focuses on high-horsepower, technically-advanced tractors whose key components the company develops and produces itself. The customers are mainly farmers, machine-operators and municipalities. The tractors are marketed either through the company's own sales network or outside dealers, depending on the country. The plant producing Valmet diesel engines, which is part of the business area, concentrates on off-highway motors. A considerable part of their production is delivered to other agricultural and construction machine manufacturers around the world. The business area's production plants are situated at Suolahti and Nokia in Finland, and Mogi des Cruzes in Brazil.

Net sales

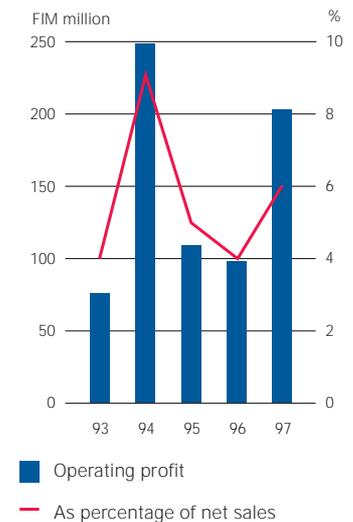


| Key figures | 1997 | 1996 | Change % |
|------------------------------------|--------------|-------|----------|
| Net sales, FIM million | 3 245 | 2 614 | 24 |
| Operating profit, FIM million | 203 | 98 | 107 |
| - % of net sales | 6 | 4 | |
| Capital employed avg., FIM million | 1 269 | 1 181 | 8 |
| - ROC, % | 18 | 10 | |
| Investment, FIM million | 58 | 54 | 7 |
| Depreciation, FIM million | 54 | 49 | 10 |
| Personnel Dec. 31 | 2 357 | 2 159 | |
| R&D expenses, FIM million | 36 | 36 | |
| R&D personnel | 91 | 78 | |

| | Net sales, FIM million | | Staff, average | |
|-------------------|------------------------|-------|----------------|-------|
| | 1997 | 1996 | 1997 | 1996 |
| Europe | 2 041 | 1 776 | 861 | 848 |
| South America | 1 025 | 669 | 853 | 872 |
| Diesel engines | 515 | 428 | 545 | 483 |
| - interdivisional | - 336 | - 259 | | |
| Total | 3 245 | 2 614 | 2 259 | 2 203 |

| Net sales by market, FIM million | 1997 | % |
|----------------------------------|--------------|------------|
| Finland | 914 | 28 |
| Other Scandinavia | 553 | 17 |
| Other EU | 682 | 21 |
| Other European countries | 69 | 2 |
| North America | 42 | 1 |
| South America | 960 | 30 |
| Asia | 13 | 0 |
| Other | 12 | 0 |
| Total | 3 245 | 100 |

Operating profit



Tractors



Jouko Tukiainen, b. 1936
President, Valtra Oy Ab, M.Sc. (Eng.)
Employed at Valtra since 1991.
Partek shares: –
Options: 20,000

- Record year for Partek's European tractor operations
- Unprecedented number of diesel engines
- Demand in Brazil revived

Net sales and result

The net sales of the Tractors business area for 1997 showed a marked increase over the previous year and amounted to FIM 3,245 (1996: 2,614) million. The business area's operating profit was FIM 203 (98) million. The return on capital employed was 18 (10) percent. Orders received increased to FIM 3,347 (2,670) million. Orders in hand at the end of the year were FIM 341 (239) million. Investment during 1997 totalled FIM 58 (54) million.

The increase in net sales reflected the revival in the Brazilian market and the strengthening of positions held by the tractors and diesel motors on the European market. The improvement in profitability resulted principally from the increased volume. The total production was 14,002 tractors, 7,990 of which were produced at the Suolahti tractor plant, an all-time record. Investment was targeted mainly at eliminating bottlenecks created in the production process as a consequence of the dramatic increase in production.

Numerous changes took place in the competitive situation in various parts of the world during the year. In Brazil Valtra started cooperation in marketing with the German company Claas, the leading combine harvester producer in Europe. American tractor producers, whose range covers the whole selection of agricultural machinery (full-liners), tightened their grip on the dealer networks in Europe, which caused changes at the retail level and in cooperation structures. New operators also came onto the market.

Valtra made an agreement with the Indian company Eicher for the production under licence of the Valmet 365 tractor and Valmet 320D engine in India. The first tractors will be produced at the end of 1998, when production is planned at some 1,000 tractors per year in the initial stages. In the future the aim is to increase the production volume to some 5,000 tractors a year depending on the market situation.



Valtra Valmet is the leading tractor brand in Scandinavia. Its market share rose to a record level in 1997.



Valtra Valmet 3000 series tractors are small but efficient and easily manoeuvrable special models for vineyards and orchards. They are produced at the Agritalia plant in Italy.

During the period under review Valtra introduced numerous new models, such as the M100 series, as well as the vineyard and orchard tractors of the 3000 series, produced for Valtra by the Italian company Agritalia. In Brazil medium and high-horsepower models equipped with a cabin were introduced. The Sigma Power sum-up-power tractor developed by Valtra received a gold medal for technical innovation at the Agritechnika exhibition in Germany. Also introduced during the year was the electro-hydraulic HiShift clutch, which replaces the traditional clutch used with the foot. The HiShift is used with a push button placed in the gear lever, thus reducing the use of the traditional rubber pedal to a minimum.

Prospects

It is difficult to forecast over the long term the effects of the liberalization of world trade and the changes in the European agricultural policy on the demand for agricultural machines. The current trend is leading to an increase in the average farm size and growth in the demand for more efficient tractors. Valtra's range of models emphasizes high-horsepower models, which is expected to make the adaptation to the change easier.

The demand for tractors fluctuates according to the market area. In Finland it is expected to fall after two years of strong growth and in other European countries a slight drop is forecast. The trend in demand in South America depends on the strengthening of Mercosul and on economic developments in Brazil. In North America the market situation is expected to remain stable.

Valtra Valmet is the second-biggest tractor brand in South America with a firm foothold in the region thanks to the factory in Brazil.

When the development of demand is considered by product, the tractor demand is expected to decrease somewhat. In spite of this decrease, the sales of both Valtra Valmet tractors and diesel engines are expected to develop positively in 1998.

European tractor operations

Net sales by the European tractor operations increased by some 15 percent over 1996 and amounted to FIM 2,041 (1,776) million. Valtra Valmet strengthened its position further as the leading tractor brand in Scandinavia. Its market share in Scandinavia went up from 24 to 26 percent. Net sales in Finland in particular increased substantially, and the market share rose to 43 percent. Overall demand on the European tractor market went down compared with 1996 by about eight percent to 165,000 tractors. The market share of Valtra Valmet tractors in Europe was seven percent in the over 70 horsepower tractor class.

South American tractor operations

The market situation in South America recovered further to some extent last year, as was clearly seen in the growth in net sales, which rose by 53 percent to FIM 1,025 (669) million. Demand for tractors in Brazil has been very susceptible to economic fluctuations, and in 1996 it was at the lowest level for 25 years. Valtra do Brasil's production grew by 38 percent and was 6,012 tractors in 1997. The production volume was still much lower than during the normal market situation.

Diesel engine operations

Net sales of the diesel engine operations grew by 20 percent and amounted to FIM 515 (428) million. During its 50th anniversary year the diesel engine plant at Nokia delivered a record 17,100 engines, which is a rise of 32 percent over the previous year, and about 500,000 cogwheels.

Besides the Valtra Suolahti and Mogi des Cruzes production plants, the plant delivers engines to other Partek units for use in i.e., forest machines and straddle carriers as well as to several outside agricultural and construction machine producers. In October 1997 the customer base was supplemented by a leading international tractor producer and a European manufacturer of combine harvesters.



Lime



Rautaruukki Steel, Raahе, Finland

Juha Pajari
Production Director, Quick Lime
Partek Nordkalk

"The raw material for producing the quick lime used by Rautaruukki Steel is our top quality limestone from the island of Gotland in Sweden. Partek Nordkalk's lime kilns at Raahе annually produce 250,000 tons of quick lime products for use in the iron and steel making process. In total Rautaruukki Steel requires 400,000 tons of limestone and quick lime products per year and has come to value the high quality and secure deliveries we provide them with."

Erkki Pisilä
General manager, Primary production
Rautaruukki Steel

"In order to produce high quality steel, we need high quality raw materials. Quick lime is a very important chemical raw material required to make metallurgically pure iron and steel. It's also important that we can work well together with our suppliers to continuously improve the steel-making process. We consider Partek Nordkalk to be a very reliable partner. One good example of our teamwork was developing a product for the desulphurizing process. We supplied the metallurgical know-how and Partek Nordkalk created the product."

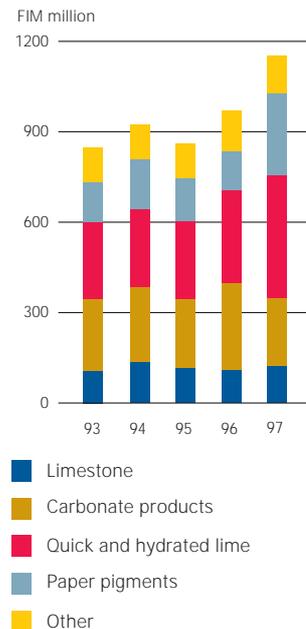
Partek Nordkalk is the Baltic region's principal manufacturer of limestone-based products - crushed and ground limestone and quick and hydrated lime - for industrial, environmental and agricultural use. The products are marketed under the brand name Nordkalk. The raw material is quarried mainly from Partek's own deposits, which guarantees continuity of operations. The most important customers are the steel industry, the pulp and paper industry and the construction materials industry. In environmental care limestone products are used primarily in purification processes, in the treatment and supply of water and in agriculture mainly for soil improvement.

Together with the Swiss company, Plüss-Stauffer AG, Partek Nordkalk owns Suomen Karbonaatti Oy, which produces ground calcium carbonate for use as a paper pigment (GCC). The products are supplied mainly to the Finnish paper industry. SP Minerals Oy Ab is responsible for the production of quartz, feldspar and moulding sand; this company was set up in 1997 and is owned by Partek Nordkalk together with the Belgian firm, S.C.R.-Sibelco. The principal customers are the glass and ceramic industries and foundries.

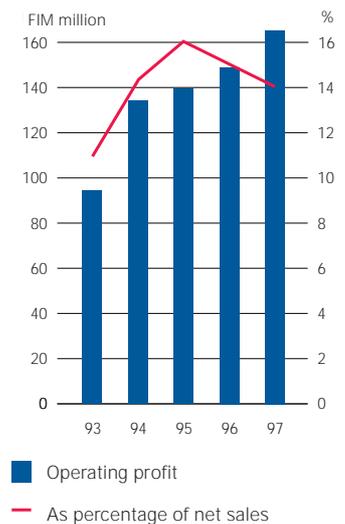
Careful control of the raw material, geological know-how, customer-oriented product and application development together with continuous improvement of the company's own production processes constitute the cornerstones of Partek Nordkalk's operations. At the same time as the company is striving to consolidate further its position in its domestic markets, Finland and Sweden, moves are being taken to expand into new markets such as the Baltic countries and Poland.

Partek Nordkalk has quarries and production plants at 10 locations in Finland, 9 in Sweden and two in Estonia. The principal deposits in Finland are situated in Pargas and Lappeenranta and in Sweden on the island of Gotland. In Estonia both calcite and high-quality dolomite are produced. Partek Nordkalk is also a minority shareholder in both the Norwegian company, Verdalskalk AS with deposits and production plants in Verdal, Norway, and in the Estonian quick lime producer, Rakke Lubjatehase AS.

Net sales



Operating profit



| Key figures | 1997 | 1996 | Change % |
|------------------------------------|-------|------|----------|
| Net sales, FIM million | 1 150 | 976 | 18 |
| Operating profit, FIM million | 165 | 147 | 12 |
| - % of net sales | 14 | 15 | |
| Capital employed avg., FIM million | 898 | 832 | 8 |
| - ROC, % | 19 | 18 | |
| Investment, FIM million | 142 | 76 | 86 |
| Depreciation, FIM million | 84 | 79 | 6 |
| Personnel Dec. 31 | 1 010 | 982 | 3 |
| R&D expenses, FIM million | 18 | 14 | |
| R&D personnel | 43 | 44 | - 2 |

| Product lines | Net sales, FIM million | | Staff, average | |
|----------------------------|------------------------|-------|----------------|-------|
| | 1997 | 1996 | 1997 | 1996 |
| Limestone & paper pigments | 812 | 689 | | |
| Quick and hydrated lime | 395 | 318 | | |
| Other minerals | 74 | 76 | | |
| - interdivisional | - 131 | - 107 | | |
| Total | 1 150 | 976 | 1 062 | 1 032 |

| Net sales by market, FIM million | 1997 | % |
|----------------------------------|-------|-----|
| Finland | 794 | 69 |
| Other Scandinavia | 291 | 25 |
| Other EU | 28 | 2 |
| Other | 37 | 3 |
| Total | 1 150 | 100 |

Lime



Christer Sundström, b. 1943
President, Partek Nordkalk Oy Ab,
M.Sc. (Chem.)
Employed since 1974
Partek shares: 1,629
Options: 30,521

- Limestone activities stronger than ever
- Continuing growth through increased capacity and acquisitions
- Sales expected to continue at a high level

Net Sales and Profit

Partek Nordkalk's net sales in 1997 amounted to FIM 1 150 (1996: 976) million, increasing by approximately 18 percent. Operating profit increased to FIM 165 (147) million. Return on capital employed was 19 (18) percent. Investment amounted to FIM 142 (76) million and covered both new production capacity and the acquisition of new operations. Environmental investment rose to FIM 12 (10) million.

Production capacity, particularly in the steel industry and the paper industry in Finland and Sweden, expanded and was also exploited more efficiently than ever before. In addition to these main market segments, demand for limestone products also increased in the construction materials industry as a result of an upturn in building in Finland and marked growth in exports to Russia. For agriculture 1997 was a normal year.

In Finland a start was made on building a new lime kiln at Tytyri, Lohja. The kiln will come on stream at the end of 1998. Furthermore, it was decided to build a grinding plant at Kokkola in conjunction with Kemira Oy's phosphate feed factory.

Production capacity for both paper pigment and its raw material, enriched calcite, was raised considerably at Lappeenranta. A decision has been made on further investment to boost production of paper pigment in 1998.

In Sweden ownership of the producer of ground limestone All-Kalk AB passed into Partek Nordkalk's hands in January. Modernization of the plant at Ignaberga in southern Sweden was completed in May. SSAB Tunnpåt AB's production of quick lime in Luleå, Sweden was purchased at the end of the year. In Estonia Partek Nordkalk acquired 30 percent of the country's largest manufacturer of quick lime during the year, Rakke Lubjatehase AS. In Poland the subsidiary company,



Partek Nordkalk Polska, opened its sales office. Cooperation was also started with a local company for the grinding of limestone from Gotland under licence.

A new brand was introduced in 1997. All limestone-based products except ground calcium carbonate are now marketed under the same brand name, Nordkalk.

Partek Nordkalk's quartz and feldspar operations were transferred in their entirety in November to the newly founded company, SP Minerals Oy Ab, of which Partek Nordkalk owns 50.1 percent.

Prospects

Demand is expected to increase in 1998, mainly because of a continued high level of production in the key market segments, namely steel, paper and construction materials. Both in Finland and in Sweden the use of soil improvement materials by agriculture is expected to continue at the same level. In Poland environmental care and building activity are rapidly growing segments of the market. Demand by Russian industry for high-quality limestone-based products is expected to expand. Partek Nordkalk's expanding operations in Poland and the Baltic countries will be strengthened in terms of both administration and production.

Crushed and ground limestone

Partek Nordkalk is the leading manufacturer of crushed, ground and sifted limestone in Finland, Sweden and Estonia.

The limestone and dolomite quarried in the company's deposits in the Baltic region are mainly refined at the company's own plants. Some is supplied as raw material or for further refinement to the chemicals industry, to sugar refiners and the cement industry. External demand for limestone increased in 1997 partly as a result of the good sugar beet crop in the Scandinavian and Baltic countries, Poland and Germany. Finland also experienced an upswing in demand by the cement industry.

The most important customers for ground limestone products are agriculture, environmental care and the construction

The Fostop lime filter drain developed by Partek Nordkalk prevents dissolved phosphorus from being washed out into waterways. It also binds acids and harmful metals in the run-off from acid sulphate soils. A specially developed machine mixes hydrated lime with soil and fills the drain.



materials industry. In agriculture Partek's products are used mainly for soil improvement and in environmental care for cleaning flue gases, for the alkalisation and pH regulation of household water and for neutralising acid waterways and forests. The building materials industry uses ground limestone as a raw material in grout, mortar and bricks. Ground limestone is also used as filler in asphalt. Demand for ground limestone products in 1997 remained at the same overall level as the preceding year. In agriculture demand declined somewhat compared with the previous year in both Finland and Sweden, primarily because of weather conditions towards year-end. Deliveries to the feed industry remained at the same level as earlier. In Finland deliveries to the building materials industry increased markedly.

The company's plants in Finland and Sweden began to import dolomite from its own quarry at Kurevere in Estonia, primarily for agricultural purposes.

Paper pigment

The paper pigment ground calcium carbonate (GCC) is produced by Suomen Karbonaatti Oy at Lappeenranta in Finland. The company is owned jointly by Partek Nordkalk and the Swiss Plüss-Stauffer, which is the world leader in the production of ground calcium carbonate. GCC is used principally as a coating pigment but it is also used as a filler in paper. Suomen Karbonaatti's output is supplied mainly to the Finnish paper industry. During the year minor quantities of GCC were also exported to Russia. The raw material for GCC is enriched calcite, supplied by Partek Nordkalk.

Demand for ground calcium carbonate grew in 1997 over the previous year. The steep upward trend, which began worldwide in August 1996, continued throughout 1997 and is expected to continue. An extensive investment programme to increase production capacity both at Suomen Karbonaatti and for enriched calcite was carried out during the year. It has also been decided to invest further in order to increase output of GCC.

Together with the Swiss company Plüss-Stauffer AG Partek Nordkalk owns Suomen Karbonaatti Oy, which makes paper pigment for the Finnish paper industry. A major investment programme to increase production capacity for paper pigment has been carried out at the plant in Lappeenranta.

Today lime plays a key role in more industries than ever before. Partek Nordkalk is the leading manufacturer of limestone-based products in northern Europe.

Quick and hydrated lime

Partek Nordkalk leads the field in the Baltic region in the manufacture of quick and hydrated lime and is also one of the fourth largest lime producers in Europe.

Quick and hydrated lime are used mainly in the processing industry and for environmental care. The principal groups of customers are the steel industry and the paper and pulp industries, for whom quick lime constitutes the raw material for manufacturing the paper pigment PCC. Environmental uses include the cleaning of flue gases and the treatment of local authority and industrial household and waste water. Hydrated lime is used for stabilising soil.

Demand for quick and hydrated lime increased over 1996 in most market segments.

The acquisition of a share of the Estonian company, Rakke Lubjatehase AS consolidated Partek Nordkalk's position on the Baltic and Russian markets for quick lime products. Nordkalk intends to take an active part in modernizing Rakke's production and making it more efficient.

Quartz and feldspar

The production of other minerals was transferred entirely in November to the newly founded SP Minerals Oy Ab, which Partek Nordkalk owns together with the Belgian company, S.C.R.-Sibelco, the world leader in the manufacture of quartz products. SP Minerals processes and markets quartz and feldspar products, moulding sand and bentonite. The main customers are the glass, ceramic and construction materials industries together with foundries in Finland and northern Europe. Quartz and feldspar are used as raw materials in making glass and glass fibre, for example, and for glazing tiles and porcelain products.

Altogether demand for other minerals remained at about the same level as 1996. There was an increase in the Finnish household glass industry and in the mortar industry in step with their growing exports to Russia. Deliveries to Poland also grew somewhat.

During the year the production plant for feldspar at Haaluoma in Finland was closed. In Russia SP Minerals was granted extraction rights for a quartz deposit in the vicinity of Novgorod.



Insulation



Diduva UAB, Vilnius, Lithuania

Julius Meškauskas
Marketing Director
Partek Paroc UAB

"When production came on stream this year at our new rock wool insulation factory, Partek Paroc UAB, it provided this country with an opportunity to invest in long-term energy savings. As energy prices continue to rise, this kind of investment is increasingly important. And we are certainly optimistic when we have customers like Diduva, who help us aggressively promote this concept."

Gintautas Vėžauskas
Managing Director
Diduva UAB

"When Partek Insulation established a marketing company here in 1993, we saw an opportunity to take part in promoting a new generation of energy saving materials on the Lithuanian market. As our business concept is to provide our customers with high quality construction materials, we definitely wanted Paroc rock wool insulation in our product range. Today, we are their biggest client!"

Partek Insulation is the leading manufacturer in the Baltic Sea region of rock wool-based insulation materials. Its strong position is built on customer-orientation, its own manufacturing technology and insulation know-how.

Partek Insulation manufactures rock wool building insulation, technical insulation purposes and building elements (panels). The products are used for heat, cold, sound and fire insulation. The Paroc brand name is used in all markets with the exception of Sweden, where the name Rockwool is used.

Growth comes primarily from new markets in the Baltic countries and from technical insulation and Paroc building panels.

The market for building insulation materials is primarily the Baltic Sea region while technical insulation products and Paroc panels are also exported to other parts of Europe. Insulation technology is sold throughout the world. The main customers are building materials companies, building contractors, installation companies, private house builders together with the shipbuilding industry.

Partek Insulation's largest subsidiaries are Partek Paroc in Finland and Partek Rockwool in Sweden. It has production plants at three locations in Sweden, three in Finland and in Vilnius in Lithuania. There are sales companies in Norway, Denmark, Belgium, Germany, Latvia, Estonia and Russia. A new wholly owned sales company was set up in 1997 in Poland. Since 1997 Partek Insulation has also been represented in Belarus and the Ukraine. In addition, Partek Insulation owns the associated companies Rockwool Ecoprim AB in Sweden, the sales company Paroc Panel System (UK) Ltd in Britain and Steinullarverksmidjan, which produces and sells rock wool in Iceland.

| Key figures | 1997 | 1996 | Change % |
|------------------------------------|--------------|-------|----------|
| Net sales, FIM million | 1 283 | 1 341 | - 4 |
| Operating profit, FIM million | 108 | 101 | 7 |
| - % of net sales | 8 | 8 | |
| Capital employed avg., FIM million | 541 | 461 | 17 |
| - ROC, % | 22 | 24 | |
| Investment, FIM million | 78 | 56 | 39 |
| Depreciation, FIM million | 47 | 40 | 18 |
| Personnel Dec. 31 | 1 517 | 1 519 | |
| R&D expenses, FIM million | 43 | 46 | - 7 |
| R&D personnel | 89 | 99 | - 10 |

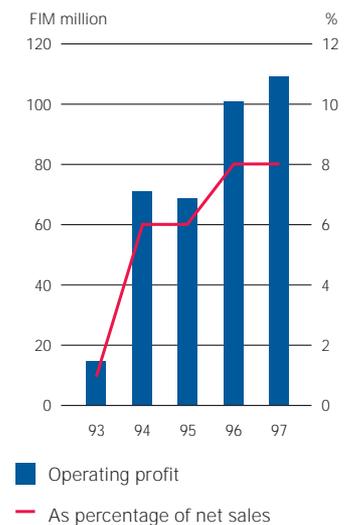
| Product lines | Net sales, FIM million | | Staff, average | |
|------------------------|------------------------|-------|----------------|-------|
| | 1997 | 1996 | 1997 | 1996 |
| Building insulation | 736 | 765 | 911 | 858 |
| Technical insulation | 330 | 310 | 395 | 404 |
| Paroc Fireproof Panels | 180 | 159 | 117 | 109 |
| Other | 37 | 107 | 227 | 247 |
| Total | 1 283 | 1 341 | 1 650 | 1 618 |

| Net sales by market, FIM million | 1997 | % |
|----------------------------------|--------------|------------|
| Finland | 448 | 34 |
| Other Scandinavia | 462 | 36 |
| Other EU | 213 | 17 |
| Other European countries | 149 | 12 |
| Other | 11 | 1 |
| Total | 1 283 | 100 |

Net sales



Operating profit



Insulation



Peder Biese, b. 1950
President, Partek Insulation AB
M.Sc. (Econ)
Employed since 1973
Partek shares: –
Options: 24,208

Net sales and result

Net sales by Partek Insulation during the year amounted to FIM 1 283 (1996: 1 341) million. Operating profit rose by 7 per cent and amounted to FIM 108 (101) million. Operating profit includes non-recurring items with a net value of FIM 14 million. Return on capital employed was 22 (24) percent.

The drop in sales was attributable to the continuing negative trend in the construction industry in Sweden and to the divestment of activities lying outside Partek Insulation's core businesses.

Price competition was in general keen in all markets. Partek Insulation nevertheless maintained its leading position in its principal markets.

The task of reducing costs for the purchase of goods and services was given high priority. Above all, attention was devoted to overall costs throughout the production and delivery chain, to reducing the number of suppliers and establishing development cooperation with the main suppliers.

Work on introducing the international environmental standard ISO 14 000 has begun in both Finland and Sweden. During the year the entire personnel in Sweden participated in environmental training.



- Operations streamlines. Acoustic insulation and growing media sold
- Strong Finnish construction market; Swedish market remains weak
- Continued expansion in Baltic region

In 1996 so-called production teams were set up with each having responsibility for planning, manufacture and final outcome. This activity was expanded considerably in 1997, above all in the Finnish plants. In production a system for continuing benchmarking has been developed during the last few years. During the year under review this was extended to include logistics.

Investment and structural changes

Partek Insulation's strategy is to strengthen its position in the Baltic Sea region. In the autumn Partek Insulation acquired the 22 percent shareholding held by its partner Silikatas in the jointly owned UAB Paroc Silikatas in Lithuania. This meant that Partek's interest increased to 70 percent, and the company's name was changed to UAB Partek Paroc. Altogether FIM 100 million has now been invested in the new plant and the number of employees is approximately 130.

During the year two new wholly owned subsidiaries were established in Poland, the sales company Partek Paroc Polska and the production company Partek Trzemeszno. At the end of the year a preliminary agreement was reached on the acquisition of assets for rockwool production at Trzemeszno in Poland, where there are today 3 production lines. As a result Partek Insulation's units in Poland will have a total of approx. 250 employees.

Altogether FIM 78 (56) million was invested during the year. Environmental investment projects accounted for FIM 13 (15) million, some 12 million in Finland and 1 million in Sweden.

Modernisation of the factory in Lappeenranta continued. In spring 1998 a new production line will come on stream. This investment program will considerably reduce the burden on the environment and also increase efficiency.

During 1997 Partek Rockwool together with the companies Skanska and Salen Coal invested FIM 17 million in a plant for the manufacture of briquettes from rockwool waste. These will be used as a raw material by the rockwool plant at Hällekis. The result will be more efficient use of raw materials and the possibility of recycling waste. To the investment made in

Rock wool insulation is made of the igneous rock diabase and dolomite. The stone raw material is melted at a temperature of 1500°C and refined into insulation products which can withstand temperatures from below zero up to 750°C. Partek Insulation has a strong market position in Finland and Sweden. Building insulation is exported mainly to the Baltic countries, Russia and Germany.



The world's longest district heating tunnel was inaugurated in Helsinki in September 1997. Partek supplied approx. 5,000 metres of Paroc pipe insulation to the pumping station at Metsälä.

the environment should be added the money spent on the new plant in Lithuania, which will also have an environmental impact.

In order to concentrate more fully on insulation the assets and operations of Rockwool Akustik & Interiör were transferred to the newly established Armstrong Parafon AB. Partek Insulation owns 40 percent of this company while the American Armstrong Enterprises, one of the world's leading manufacturers of ceilings holds 60 percent. The British subsidiary Ecomax Acoustics was sold during the year to Hodgson & Hodgson Ltd. Production of Pargro growing media was sold to the Danish company, Rockwool International A/S.

Prospects

The outlook for the construction industry in Finland continues to be relatively favourable whereas building in Sweden, Denmark, Norway and the EU is expected to remain at the same level as in 1997. Demand for building and technical insulation is expected to grow slightly. In the Baltic countries and Poland, too, demand is expected to increase.

Building Insulation

Net sales of building insulation products amounted to FIM 736 (765) million.

Partek Insulation has a strong position on the Finnish and Swedish markets. The customers comprise wholesalers, building contractors and builders of small private houses. Building insulation is sold mainly to the Baltic countries, Russia and Germany.

In Finland construction grew by some 12 percent compared with the previous year. The building of new homes rose by about 40 percent, 32,000 homes being completed during

Paroc Fireproof Panels form a complete wall, which provides thermal insulation, a tight vapour barrier, and finished wall surfaces both inside and outside. The panels are available in a large range of colours with decorative moldings to express individual facade design. The facade of the domestic terminal at Helsinki-Vantaa airport was built with Paroc Fireproof Panels.

the year compared with 24,000 in 1996. Investment by industry in construction was at about the same level as the preceding year.

In Sweden construction activity fell by approximately 10 percent compared with 1996. During the year some 9,500 homes were built, which means a decline of almost 40 percent compared with 1996. Construction in industry reported a fall of about 13 percent.

Technical Insulation

Net sales of technical insulation products amounted to FIM 330 (310) million.

The product range in technical insulation covers both industrial and HPV (heating, plumbing and ventilation) insulation. The products are used in the processing industry, for HPV insulation and in house building, for fire insulation by the ship-building industry and in different types of equipment. The products are sold in Scandinavia and in Central Europe.

Industrial investment in Finland was at a good level in 1997. In other markets and especially in Sweden demand was weak.

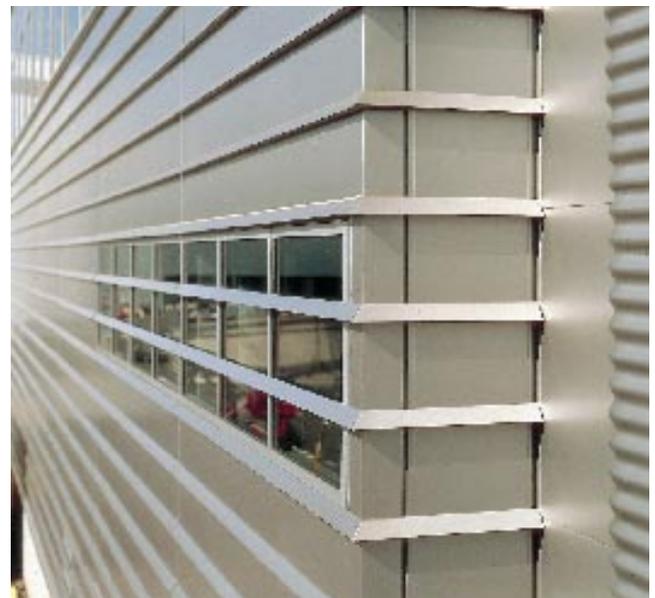
Paroc Fireproof Panels

Sales of Paroc Fireproof Panels amounted to FIM 180 (159) million.

Paroc panels are lightweight fireproof panels for outer and partitioning walls and for ceilings. The principal customers are the foodstuffs and wood-processing industries and other industrial enterprises. Paroc panels are also used increasingly in large commercial complexes and public buildings. They are also used in warehouses and sports arenas.

The main markets are Scandinavia, Germany, the U.K., the Benelux countries, the Baltic countries and Russia.

Demand was weak in Sweden and Germany, which resulted in sales being at the same level as the previous year.



Other Business Activities

The Other Business Activities grouping consists of those activities that in operational or geographical terms lie outside Partek's strategic direction. Net sales totalled FIM 2,038 (2,222) million and the operating result was FIM 223 (115) million. The result includes capital gains of over FIM 200 million. The grouping also includes operations that were transferred to Partek with the acquisition of Sisu.

Precast Concrete Operations

Partek's precast concrete operations were merged with the Swedish company Strängbetong in October, forming a new company called Addtek International Oy Ab. The proforma net sales of the companies in the Addtek Group are FIM 2.7 billion and the personnel number some 3,200. Partek's shareholding in Addtek is about 40 percent, the other owners being Addum, Industri Kapital and Addtek's operative management.

Partek's precast concrete operations have developed and internationalized vigorously since the 1980s. They have achieved the leading market position in all the European countries where they are located. In addition, PCE Engineering Oy Ab is one of the world's foremost precast concrete technology companies.

The precast concrete operations are now strong and profitable enough to be independent.

The new Addtek is the world's leading producer of industrially-produced, pre-stressed precast concrete. The main product is the hollow-core slab, a pre-stressed floor slab in which there are materials-saving hollow canals running through it. Other important products include pillars, beams and facade elements, bridges and tunnel elements for infrastructure as well as railway sleepers. The most important customers are building contractors, developers and industrial companies.

Partek's precast concrete operations were consolidated as a subsidiary until the end of November, after which the new company, Addtek, is treated as an associated company. The

net sales for 11 months were FIM 1,421 (whole year 1996: 1,654) million and the operating profit was FIM 91 (109) million. The return on capital employed was 16 (14) percent.

A profit of FIM 90 million arose out of the sale of the precast concrete operations to Addtek.

In July the 45 percent holding in Eastern Partek Pte. Ltd. was sold to the majority shareholder, Eastern Industries, a fully-owned subsidiary of NatSteel, which is quoted on the Singapore Stock Exchange. Eastern Partek produces precast concrete, plasters and mortars and it operates in Singapore and Malaysia. Eastern Partek's net sales in 1996 were FIM 316 million. The selling price was FIM 190 million, which realized a profit of FIM 100 million.

Trucks

Oy Sisu Auto Ab designs and produces trucks that are over 16 tons. They are marketed to customers via dealers. The most important product groups are timber and gravel trucks. In January 1997 an agreement was signed with Renault V.I., the fourth-biggest truck producer in the world. The sale and servicing of Sisu and Renault trucks in Finland, the Baltic Region and Russia were transferred to a company called RS Hansa Auto Oy, which is jointly owned by both parties. Sales in other countries are the responsibility of Renault's international dealer organization. The cooperation also includes the manufacture of certain components. For example, Renault produces cabins. The new model series has met with a favourable reception on the market.

During the year 373 trucks were produced, 161 being the new model. Sales fell at the beginning of the year because of the switch in model, but they picked up again in the autumn. The net sales were FIM 346 (472) million. The operating loss was FIM 31 million, but non-recurring items were included therein.

The reception of the new model series on the domestic market as well as increased export opportunities will create the preconditions for the future.

Real Estate

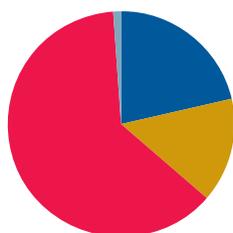
Cellit Oy Ab sells off, leases and manages real estate that is not part of Partek's industrial activities.

Attempts are being made to improve the yield from the real estate by development, sales and leasing. The aim is to release capital for the needs of the core business activities. At the end of 1996 the value of the real estate outside Partek's main activities was FIM 503 million. Real estate that came in conjunction with acquisitions during the year totalled FIM 46 million. The value of real estate sold during the year was FIM 277 million.

Two big office buildings at Sörnäinen in Helsinki were sold for FIM 221 million. One of them, in which Partek is a long-term tenant, is the company's Helsinki office.

The value of office properties that are not used in the core business activities was FIM 68 million at the end of the year. The industrial properties are mainly those in Finland that were released from their original use by the restructuring of the Finnish precast concrete industry. Their value is FIM 47 million. Other real estate properties managed by Cellit Oy Ab include office properties, dwellings, land areas and sites in Belgium and Finland.

**Partek's real estate
by usage**



Other activities

In February the majority shareholding in the French company Morin Système Architectonique (MSA) S.A. was sold to the operative management and a French investor. MSA produces facade elements, stair elements and other special products. The company's net sales totalled FIM 86 million and the activity was loss making.

The Dutch precast concrete company Schokbeton was sold to a local firm in the same sector in the autumn. The company has been included under discontinued operations since the accounts for 1996.

In November Partek sold to the other owners its 23.6 percent holding in A-Rakennusmies, which is the leading company in Finland for leasing building machines and equipment. A-Rakennusmies's net sales in 1996 amounted to FIM 145 million. The sale resulted in a capital gain.

Partek's direct shareholding in the property and building company the Polar Group is 5.3 percent. The increase was the result of the sale of a property at Sörnäinen in Helsinki to Polar. Part of the transaction is being paid for with Polar shares. Partek's shareholding in the Finnish development and investment company Cervuctum Oy is 19 percent. Cervuctum, for its part, owns 34 percent of Polar.

Partek owns 50 percent of Parma Metals, which includes ships' cabins among its products. The company's net sales are FIM 109 million and the operations are running at a slight loss.

Partek and the environment

Commitment to the environment

Partek is committed to achieving the sustainable development mentioned in the charter of the International Chamber of Commerce. The handling of environmental matters at the Partek Group is guided by an environmental policy that has been approved by the company's board of directors. The task of that policy is to set guidelines and aims for the consistent handling of environmental matters. The merger between Partek and Sisu led to changes in the Group's policies, which comes into force in 1998. The environmental policy now pays greater attention to openness with the various interest groups and emphasizes the uniformity of the environmental objectives of Partek and its partners and subcontractors.

In line with its environmental policy, Partek is open and active in dealing with environmental matters. Partek follows the development of environmental regulations and observes the legislation in all the countries where it has operations. The aim is to act without causing harm to human beings and the environment by developing products, production processes and operating methods so that the effects on the environment during the entire life cycle of products are taken into account.

Partek's management defines the principles and objectives to be observed in environmental matters. The responsibility for handling them in the Partek Group lies firmly with the line organization. The business areas and subsidiaries are responsible for achieving Partek's own aims and meeting the requirements set by legislation. Every unit has a person who is responsible for environmental matters. Environmental questions at the Group level are part of the risk management organization, which operates in close cooperation with the business areas and corporate communications.

The structure of the Partek Group underwent a profound change during 1997. Partek became an engineering company that is a world leader in cargo-handling equipment with strong mineral-based businesses. This will also have a fundamental effect on the focus of the environmental work, such as developing environmental management systems. In the mineral-based industry, i.e. the lime and rock wool operations, the development of the systems will continue in accordance with previous plans. In both business areas internal environmental reports have been produced. In the engineering industry the increase in the number and extent of the operations means that it will be necessary to define the overall plans more precisely in order to develop the systems. The risk management policy has also been supplemented with the inclusion of the principles that control the handling of property, loss of profits, personal and liability risks.

Environmental management

After Sisu became part of Partek, due-diligence reports relating to the environment were made in all Sisu's production plants in the spring of 1997. The same was done at the production plants of the Addtek precast concrete company, which was formed in the autumn. These reports brought out



no significant matters as far as environmental protection was concerned.

In the summer of 1997 a general survey relating to the whole of the engineering business operations was carried out with the assistance of an outside advisor. It looked into the present handling of environmental matters and the pre-conditions for making progress in developing and introducing environmental management systems in the various companies. The survey will be used to draw up plans on how to make progress in environmental matters on a company-by-company basis.

Partek is developing a Group reporting system as part of the annual plan so that various important key figures for the environment will be reported. Examples of these key figures are environmental investment and costs.

Of the business areas Lime and Insulation have developed their environmental management systems during 1997. The aim is to obtain ISO 14001 certification for the systems once adequate experience with them has been acquired.

Risk management process

Partek's objective is to develop and introduce a risk management process that applies to the whole Group and covers the previously mentioned risk areas. The aim of the process is on-going, preventive work and programmes for identifying, reducing and eliminating risks. The procedure will be subject to continuous development, and the practice will extend to all the major production plants. The risk management includes worldwide insurance cover on a Group basis for the main kinds of risks.

Personal injury

As far as personal risks are concerned, the monitoring and reporting of bodily injuries occurring in Finland will be standardized. This will make it possible to use consistent key indicators to monitor personal safety, e.g. monitoring accidents from company to company, as well as all the operations combined in Finland.

Working conditions

A start has also been made on developing the monitoring and reporting of occupational hygiene matters relating to working conditions, such as information on dust, noise and chemicals. The aim is to make the monitoring and reporting consistent and systematic in order to facilitate the management and control of these matters and the obtaining of comprehensive information. Lime and Insulation are the first business areas where this is taking place.

Follow-up measures for closed mines

Partek has started drawing up a comprehensive, uniform register for mining operations. It includes the most important information about mines and mining activities for both closed and operational mines. The state of the mines and matters relating to their safety will be monitored regularly. Possible deficiencies will be remedied and measures recorded in the register.

Review of the business areas

Partek's productional operations are divided into two quite distinct parts in terms of their effects on the environment. Typical stages in a production process in the engineering industry include welding, machining, surface treatment and assembly. A distinct feature of Partek's engineering industry is that in many of the products its own production plants concentrate only on the key stages of a production process such as R&D, assembly and other stages requiring special know-how. An examination of the effects on the environment during the entire life cycle of a product shows that the most significant environmental effects are created elsewhere than during the actual production. It is then that the role of R&D becomes decisive. For example, in the production of diesel engines emission limits are a crucial criterion in developing new models.

In the mineral-based industry the effects on the environment are much greater than in the engineering industry. The Lime business area quarries limestone, which is then processed into quick and hydrated lime. Other products include ground-micronized paper pigment. The greatest environmental impact is created from quarrying the raw material, burning the limestone, transportation and the floatation process of the minerals. Pure limestone includes about 56 percent lime and the other 44 percent is carbonic acid, which evaporates into carbon dioxide when burned. Partek Nordkalk has 21 production plants altogether in Sweden and Finland, 16 of which are constructing an environmental management system at present. The aim is for all the plants to have the ISO 14001 environmental management system by the end of 1998. Certification for the first system has started. The environmental permits for waste have been renewed. All the permits are in order because an old permit is valid until a new application has been handled.

The Insulation business area produces rock wool for heating and acoustic insulation and for fire protection. The environmental effects of the rock wool production process

come mainly from the melting of the mineral aggregate and processing the rock wool into slabs, mats and pipe insulation. The Insulation business area has a total of seven plants in Finland, Sweden and Lithuania. All the production lines and plants in Finland and Sweden are constructing environmental management systems. The environmental licences of the plants are in order. The normal renewing of licences is under way because of changes in the law in Finland and because in Sweden decisions are made for a fixed period.

Emission data

The Lime and Insulation business areas have determined waste and emission data and their systematic monitoring has been started. In the engineering operations the monitoring of emission data has not been standardized; each working locality gives the officials the information in line with local practice.



Partek and the environment

Health classification of insulation wools

The effects on health of insulation wool fibres have been examined widely and systematically for more than 20 years. Research results have been assessed in international meetings of experts belonging to health and labour organizations operating under the UN. In 1987 the International Agency for Research on Cancer (IARC), which comes under the aegis of the World Health Organization, classified insulation wool fibres under class 2B i.e. as "possibly carcinogenic substances". At the end of 1997 the EU's Environmental Directorate XI made a decision concerning the classification of insulation wool fibres on the basis of their possible effects on health. The EU Commission has given a directive based on this decision. December 16, 1998 is the last date for each member country to enforce the laws, statute and administrative regulations that are required in order to obey the directive. The directive gives a basis for a common European system and eliminates the uncertainties that have existed in various European countries.

The EU's three-grade classification

Class 3 = possibly carcinogenic

Class 2 = probably carcinogenic

Class 1 = carcinogenic to a human-being

In addition, the expression N.C. (non-classified) is used to denote the substances that have not been researched or in relation to which it can justifiably be stated that there is no cause for a classification.

Glass and rock wool fibres have been classified under EU category 3 as "possibly carcinogenic" i.e. there has been no change in this respect. According to the classification there are doubts about these materials but research institutes have not been able to confirm them. The EU's decision includes the possibility of being exempted from the classification if it can be proved that the fibres included in a product are removed from the

human system with adequate speed. Four testing methods have been determined for the purpose. Partek will be looking into the possibilities of becoming exempt from the classification by testing its products and making the possible required changes to its products.

All the insulation wools were also classified as "irritating to the skin". This directive does not correspond to "the directive's definition of irritation" applied so far, which has meant chemical irritation. The mechanical irritation caused by insulation wools is, however, a well-known fact. For several years a series of pictures and handling instructions have been printed on the packing of Paroc rock wool, the aim being to guide the user into working habits that will avoid skin irritation.

Partek has followed the progress of the EU's classification work and will continue cooperation with occupational safety and health officials, the trade union and other users' representatives. Partek is continuously monitoring research into the question of health in order to be able to respond in the best possible way to the demands placed on a product.



Health classification of quartz

The IARC modified the classification for quartz in the autumn of 1996. The new classification was published in 1997, and the new limits defined in it are being applied to national legislation and work hygiene regulations. According to the classification, the quartz breathed at an occupational source comes under category 1 i.e. carcinogenic substances. The HTP limit for powdered fine quartz dust will possibly be made stricter in Finland and brought to the level of other European countries. The new health classification or tightening of the limits will not create major measures; the present technical and administrative measures which prevent possible harmful effects will be improved. The use of personal protective gear by people working in the production plants will be given greater emphasis, and the production techniques will be developed so that the dust from the quartz is reduced.

Paakkila quarry, Finland

During 1997 the authorities carried out research and surveys in the area of the Paakkila asbestos mine in central Finland. Partek quarried asbestos in Paakkila from 1959 to 1975. The rich asbestos deposits have been exploited in industrial form from the beginning of the century.

Partek shut down the Paakkila mine in 1975 and a statutory inspection headed by a mining inspector was carried out there as a result of the closure. In 1986 a waterfront plan forming 22 building sites was made for the Paakkilanniemi area. Between 1986 and 1993 Partek sold all the land areas it owned there. Restrictions exist on the use of the land because of the asbestos content, and it is likely that restorative measures will be carried out in the area on the basis of reports by the authorities. Partek has not been presented with official demands to take part in the costs of the restoration work, nor in Partek's opinion would there be any legal justification in doing so.

Environmental communications

Partek communicates about environmental matters in the Partek Today Group magazine. In addition to this is the yearly review in the annual report. Moreover, Partek's subsidiaries deal with environmental matters and provide information about them in their own company or workplace newsletters.

Annual Report of the Board of Directors

General

Group net sales amounted to FIM 10.7 billion, an increase of 74 percent over the preceding year. This was largely due to acquisitions. Profit after financial items was FIM 570 million, growing by FIM 344 million.

At the beginning of the year Partek acquired the Finnish engineering company Sisu, which was incorporated into the Group at the end of April. At the end of the year Partek also acquired the majority of the shares in the Swedish quoted company Kalmar Industries AB, whose Balance Sheet was incorporated into Partek's Consolidated Accounts at the end of the year.

Lime and Insulation continued to consolidate their position in the Baltic Sea region by means of acquisitions and new investment.

At the end of 1997 Partek's precast concrete operations were merged with the Swedish company Strängbetong AB. A new company, Addtek International Oy Ab, was set up, of which Partek owns 40 percent. Precast concrete was consolidated as a subsidiary until the end of November and thereafter as an associated company.

Partek's equity to assets ratio was 39 percent compared with 48 percent in 1996.

The economy in Partek's principal markets continued to grow rather well during the year under review. Sales and orders increased for the Group's engineering products and order stocks at the end of the year were good. Demand for lime products exceeded that of the previous year. Construction activity, with the exception of Sweden, was more buoyant than the year before.

Sales increased in all of Partek's Business Areas with the exception of Insulation. Operating profit also improved in all Business Areas with the exception of container handling (Sisu Terminal Systems).

Net sales and result

The Group's net sales amounted to FIM 10,744 (1996: 6,160) million, an increase of 74 percent over 1996. This was largely attributable to the acquisition of new operations, especially the engineering company Sisu.

Operating profit for 1997 was FIM 726 (284) million. This includes capital gains and losses together with other ex-

Net sales January 1 – December 31, 1997

| | 1997 | | 1996 | | Change |
|------------------------------|---------------|------------|--------------|------------|-----------|
| | FIM million | % | FIM million | % | % |
| By business area | | | | | |
| Container handling | 1 146 | 10 | – | – | – |
| Cargo handling | 2 386 | 22 | 2 169 | 35 | 10 |
| Forest machines | 692 | 6 | – | – | – |
| Tractors | 2 305 | 21 | – | – | – |
| Lime | 1 150 | 10 | 976 | 16 | 18 |
| Insulation | 1 283 | 12 | 1 341 | 22 | – 4 |
| Other business activities | 2 038 | 19 | 1 689 | 27 | 21 |
| Other units and eliminations | – 256 | | – 15 | | |
| Total | 10 744 | 100 | 6 160 | 100 | 74 |
| By market | | | | | |
| Finland | 2 636 | 25 | 1 224 | 20 | 115 |
| Other Scandinavia | 2 257 | 21 | 1 707 | 28 | 32 |
| Other EU countries | 2 937 | 27 | 2 269 | 37 | 29 |
| Other European countries | 461 | 4 | 273 | 4 | 69 |
| North America | 829 | 8 | 213 | 3 | 289 |
| South America | 865 | 8 | 7 | 0 | .. |
| Asia | 551 | 5 | 410 | 7 | 34 |
| Other | 207 | 2 | 59 | 1 | 251 |
| Total | 10 744 | 100 | 6 160 | 100 | 74 |
| of which: | | | | | |
| Finland | 2 636 | 25 | 1 224 | 20 | 115 |
| Export from Finland | 2 172 | | 735 | | 196 |
| Invoicing outside Finland | 8 108 | 75 | 4 936 | 80 | 64 |

Annual Report of the Board of Directors

penses of a non-recurring nature, constituting a net total of approx. FIM 120 million. In addition, the operating profit also includes a reserve of FIM 24 million for upcoming structural changes in Partek Cargotec. Profit after financial items was FIM 570 (226) million, in other words 5.3 (3.7) percent of sales.

The acquisition of Sisu and Kalmar resulted in goodwill of FIM 960 million. The depreciation period for this has been fixed at 20 years in view of its large strategic importance for Partek. Since the parent company was the acquiring company, the goodwill is therefore recorded at Group level and not divided between the Business Areas.

A purchase tax rebate of FIM 53 million has been entered as extraordinary income whereas it previously constituted an extraordinary expense.

The value of real property in other countries outside Partek's core operations and of shares in Polar-Yhtymä Oy has been written off. This depreciation, together with expenses for divestment operations and the net result for operations that have been or are to be divested is included as an extraordinary expense and amounts to a total of FIM 71 million.

One result of the major changes in the form of acquisitions and divestments is that the Group's accounts cannot, to a large extent, be consolidated for tax purposes for 1997.

Some capital gains will be taxed for 1997 but will be included in Group accounts only at a later date. This will mean a heavy tax burden in 1997 but may well have a favourable impact in the future. There still remain a number of unused losses in the Group.

Net profit after extraordinary items, taxation and minority interests amounted to FIM 351 (515) million.

Return on capital employed was 14.2 (9.2) percent. Return on equity after tax and the change in deferred tax liability was 12.4 (7.4) percent. Earnings per share after tax and the change in deferred tax liability was FIM 8.08 (3.99). The P/E ratio was 10.5 (18).

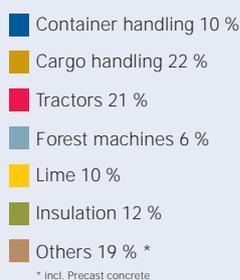
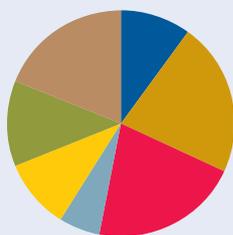
Most of the Group's Business Areas improved their return on capital employed. For the Group as a whole, however, the return failed to come up to the target of 15 percent.

Exchange-rate fluctuations give higher sales figures than would have otherwise been the case and have a favourable effect on profit for the year. The influence on the Balance Sheet is negligible.

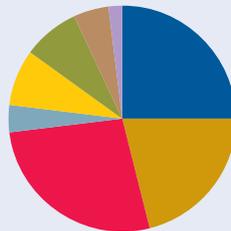
Businesses

Load handling: This includes the business areas Container Handling (Kalmar Industries) and Cargo Handling (Cargotec). The new Kalmar comprises Kalmar Industries AB and Sisu Terminal Systems (STS) Oy. Sisu Terminal Systems has been

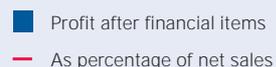
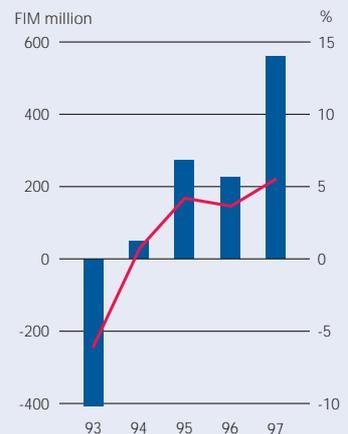
Net sales by business area



Net sales by market



Profit after financial items



Annual Report of the Board of Directors

part of the Partek Group for eight months. In the case of Kalmar Industries, however, only the Balance Sheet as from December 31, 1997 has been included in the Group's consolidated accounts.

Orders increased during the year and order stock at year-end were considerably larger than a year earlier. The new Kalmar's proforma net sales remained at the same level as the year before and amounted to FIM 3,126 million, of which 1,146 million is included in Partek's sales. Cargotec's sales were FIM 2,386 million, an increase of 10 percent.

Operating profit for the whole of Load handling for the year weakened. The new Kalmar's proforma operating profit after allowing for structural and other reserves totalling approx. FIM 115 million was FIM 46 million. Partek Group's operating profit includes STS operating profit for eight months; this amounted to FIM 76 million. Cargotec's operating profit was FIM 75 million, an improvement of some 100 million.

Agriforest comprises the business areas Forest Machines and Tractors. These business areas have been included in the Partek Group for eight months.

Orders during the year improved and at year-end order stocks were markedly greater than the year before. The segment's combined sales for the year also increased. Sales by Forest Machines grew by 15 percent and totalled FIM 969 million. Of this FIM 692 million is included in consolidated net

sales. Sales by Tractors increased by 24 percent, amounting to FIM 3,245 million, of which FIM 2,305 million are consolidated into Partek's net sales.

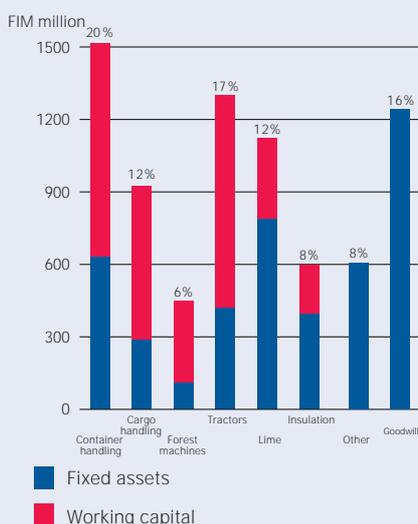
Agriforest's combined operating profit for the year improved markedly. In the case of Forest Machines operating profit for the whole year was FIM 78 million, of which FIM 63 million is included in Partek's Income Statement. For Tractors operating profit was FIM 203 million, FIM 147 million of which is included in Partek's consolidated profit.

Mineral consists of the business areas Lime and Insulation.

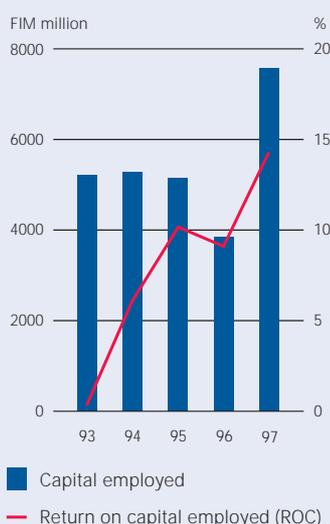
Sales in 1997 exceeded the previous year's figures by 5 percent. Lime's net sales amounted to FIM 1,150 (976) million. The increase was due, above all, to larger sales of lime to the steel and paper industries and of limestone-based products to the construction materials industry and to greatly expanding exports. Insulation's net sales amounted to FIM 1,283 (1,341) million. The decline was a result of the divestment of acoustic and interior operations in the early part of the year and of poor demand for building insulation on the Swedish market.

Mineral's profit and return on investment improved somewhat compared with the previous year. Operating profit for Lime amounted to FIM 165 (147) million. Operating profit for Insulation was FIM 108 (101) million. The improvement

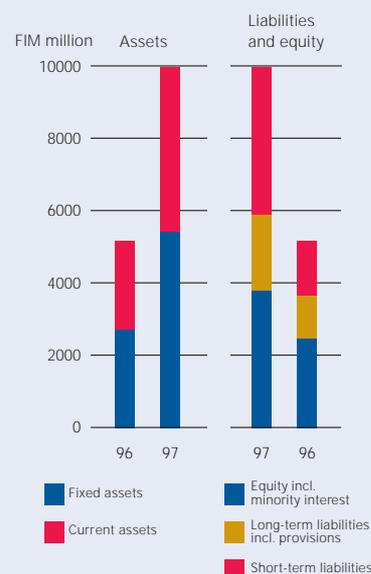
Capital structure by business area



Capital employed and ROC



Balance sheet structure



Annual Report of the Board of Directors

in Lime resulted from increased sales and better utilisation of capacity. Insulation's operating profit includes capital gains and other non-recurring items with a net value of FIM 14 million.

Other Business Activities comprises precast concrete, Sisu Auto and real estate unrelated to Partek's core operations. The value of property in Brussels has been written down.

At the end of the year Partek's precast concrete operations and the Swedish company Strängbetong AB, were merged. A new company, Addtek International Oy Ab, was established with Partek owning about 40 percent. Precast concrete is included in the consolidated accounts as a subsidiary up to the end of November and then as an associated company. It is recorded here as a part of Other Business Activities.

Partek's shareholding in the associated company, A-Rakennusmies Oy, was sold during the year to the other shareholders. The holding in Polar-Yhtymä Oy has been depreciated by FIM 10 million. The office premises at Sörnäinen in Helsinki have been sold.

The Grouping's combined sales amounted to FIM 2,038 million compared with FIM 2,222 million in 1996. Operating profit was FIM 223, which includes just over FIM 200 million in capital gains.

Liquidity, equity/assets ratio and financial risk management

Liquidity was good throughout the year. The Group disposed of a number of assets lying outside its core operations in the course of the year.

Active efforts are being made to identify and minimise the effects of different financial risks such as exchange-rate risks, loan and interest risks, and credit and liquidity risks. A significant part of the exposure that still remains consists of stakes in the equity of foreign subsidiaries.

Normally these are protected by taking up loans in the corresponding currency and by forward contracts. At the turn of the year there were open positions of considerable size in Swedish crowns and Brazilian reals. A more detailed description of how financial risks are handled is given on pg. 66.

Net interest-bearing debts excluding the convertible subordinated bonds increased as a result of acquisitions by FIM 1,912 million and at year-end amounted to FIM 2,8587 million. Long-term liabilities including last year's debt repayments amounted to FIM 2,302 (1,213) million by the end of the year. During the year a syndicated credit facility amounting to USD 210 million with a life of five years was negotiated. The amounts borrowed under this facility are recorded as short-term interest-bearing liabilities.

Interest bearing net debts



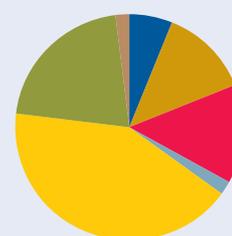
Cash flow



■ Cash flow*
■ Cash flow after investments

* = oper.profit+depr.-increase in working capital-net fin. costs.-taxes
When cash flow is calculated for 1997, the change in working capital and investments is shown excluding the effect of acquisitions and divestments.

Investment ¹⁾



■ Container handling 6 %
■ Cargo handling 13 %
■ Forest machines 2 %
■ Tractors 14 %
■ Lime 42 %
■ Insulation 21 %
■ Others 2 % *

* Incl. Precast concrete

¹⁾excl. investment in shares of FIM 1,931 million

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Of the Group's long-term debts FIM 192 (1996: 818) million are loans in local currencies and FIM 389 (395) loans in different currencies taken primarily to minimise translation risks and to finance the Group's Brazilian operations.

Net financial items including interests in associated companies amounted to FIM 156 (58) million. Net interest payments totalled 1.5 (1.3) percent of sales.

Partek's long-term target for equity/assets ratio is 40 percent. Because of new acquisitions, however, the ratio taking into consideration the convertible subordinated bonds fell during the year and at year-end was 38.5 (48.4) percent.

Share capital

When Oy Sisu Ab was acquired part of the purchase price was paid in the form of a new issue of 10 million shares directed to the Finnish state, Valmet Oyj and the Sisu personnel pension fund. Share capital increased by FIM 100 million to FIM 485 million and the number of shares to 48.5 million. During the year FIM 10,000 of the convertible subordinated bonds were converted to shares so that at year-end Partek's shares had risen to a total of 48,500,125.

Shares and shareholders

Trading on the Helsinki Stock Exchange during the year was lively with prices rising considerably. The HEX index jumped

by 32 percent and the index for the metal and engineering branch rose by 5 percent.

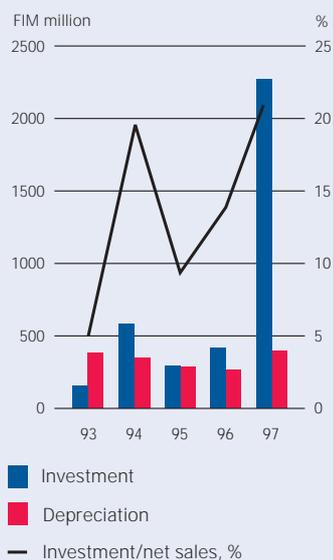
The price trend for Partek's shares was better than the metal and engineering index but did not come up to the same level as the general index. The average price paid for Partek's shares on the last day of trading rose from FIM 71.57 in 1996 to FIM 84.99 in 1997, in other words 19 percent. Partek's shares reached their peak price during the year in October, when they were traded at FIM 113, and their lowest quotation in January, when they were FIM 70.00.

The company's shares were traded on the Helsinki Stock Exchange for a total of FIM 1,538 (692) million in 1997. The number of shares traded totalled 16.7 (10.5) million, i.e. 37 (27) percent of the average number of shares during the year.

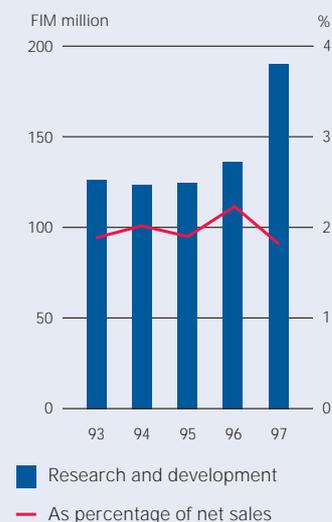
At the end of 1996 the Norwegian company Aker RGI ASA held 10 million Partek shares. These were transferred to the Finnish State in 1997 and Aker received in exchange 46.2 percent of the shares in Oy Sisu Ab. Later during the year these shares were acquired by Partek.

The number of shareholders at the end of year was 10,743 (10,993). The proportion of Partek's shares registered as being in the hands of foreign investors at the end of the year was 11 (32) percent.

Investment and depreciation



Research and development



Annual Report of the Board of Directors

Dividend

In making the proposal for a dividend the Board of Directors takes into account trends in the Group's profit, the financial structure and growth expectations. The publicized aim is to distribute a dividend of at least a quarter of the profit calculated as the result before extraordinary items less minority interest and allowing for tax.

This target is now being raised to at least one third of the profit, which would be FIM 2.70 per share for 1997. The Board, however, proposes that in this the centenary year the dividend for 1997 should be raised to FIM 4.00 per share. The total proposed dividend amounts to FIM 194 million.

Board of Directors and Group Management

At the Annual general Meeting on April 10, 1997 Carl Olof Tallgren resigned from the post of chairman of the Board after reaching the age of 70. He had sat on Partek's Board since 1979 and acted as chairman since 1987.

During the year Bjørn Rune Gjelsten and Morten Persen also left the Board.

The number of Board members was increased during the year to nine. At the Annual General Meeting Juhani Riutta, Markku Tapio and Risto Virrankoski were elected as members while Caj-Gunnar Lindström was elected at an extraordinary general meeting.

At the end of the financial period the members of the Board were: Björn Mattsson, chairman, Paavo Pitkänen, vice-chairman, Jan Ekberg, Caj-Gunnar Lindström, Juhani Riutta, Markku Tapio, Juha Toivola, Risto Virrankoski and Christoffer Taxell.

At the coming Annual General Meeting it will be the turn of Jan Ekberg, Caj-Gunnar Lindström and Paavo Pitkänen to stand down.

During the year Christer Granskog was appointed senior executive vice president. Senior executive vice president Patrick Enckell retired and senior executive vice president Raimo Taivalkoski has resigned to become president of The Finnish Association of Construction Product Industries.

Structural changes

During the year Partek acquired the entire shareholding of Oy Sisu Ab. In April 53.8 percent of Sisu was acquired by means of an issue of 10 million shares directed to the Finnish State, Valmet Oyj and Sisu's pension fund. In addition, a price of FIM 130 million to be paid at a later date was agreed on. In August a further 46.2 percent of Sisu was purchased for a price of FIM 785 million plus interest.

In the autumn agreement was reached on merging

Partek's subsidiary Sisu Terminal Systems (STS) with the quoted Swedish company, Kalmar Industries AB. The merger was made in such a way that Kalmar acquired STS by means of an issue directed to Partek. Partek now owns 51 percent of the shares and voting rights in Kalmar Industries AB.

The merger between Sisu and Partek is expected to provide synergy benefits of FIM 50-100 million per year over the next two years. As far as Kalmar and STS are concerned the annual synergy gains are estimated at SEK 100-150 million while the non-recurring costs in order to achieve these are expected to about the same. Kalmar's annual accounts for 1997 therefore contain a reserve of SEK 120 million to cover this cost.

In both cases some of the synergy gains will be seen in 1998. They will achieve their full effect in 1999. Moreover, there will be dynamic and structural synergy benefits as a result of larger volume and greater market presence. The Kalmar deal is an example of this.

At the end of the year Partek's precast concrete operations were merged with the Swedish company Strängbetong AB and a new company, Addtek International Oy Ab, set up, of which Partek owns about 40 percent. Other parties include the Swedish company Addum AB and Industri Kapital, who own 40 and 17 percent respectively. The transaction released capital amounting to approx. FIM 600 million and gave a capital gain of just over FIM 100 million.

During the year Partek's holding in Eastern Partek Pte Ltd., Singapore was sold. This provided a capital gain of about FIM 100 million.

Partek's involvement in other business activities was reduced during the year. The majority holding in the French precast concrete company MSA was sold in February 1997. The subsidiary Schokkbeton in the Netherlands was also divested during the year. Partek's holding in the associated company A-Rakennusmies Oy was sold to other shareholders during the autumn.

The changes implemented during the year have considerably strengthened the Group's structure and strategic position. Each of the three businesses now has the strength to grow and the capacity to produce results.

Annual Report of the Board of Directors

Investment

Investment during the year amounted to FIM 2,260 million compared with FIM 415 million the previous year. Investment was divided between different assets as follows:

| (FIM million) | 1997 | 1996 |
|-----------------------------|-------|------|
| Buildings and constructions | 53 | 56 |
| Machinery and equipment | 229 | 145 |
| Shares and participation | 1 931 | 60 |
| Other | 47 | 154 |
| Total | 2 260 | 415 |

Of the investment made during the year most was directed to purchasing shares and to replacement and environmental projects. The acquisition of shares in Oy Sisu Ab constitutes the largest item. Other major investment projects include:

- A new production line for the manufacture of container spreaders came on stream at the Sisu Terminal Systems plant in Tampere in August. The manufacture of these in the new Kalmar will be concentrated to this line.
- Rebuilding and modernisation of the assembly plant and a new paint shop at Loglift's factory in Salo was completed during the year.
- Capacity for manufacturing cylinder and engine blocks at Sisu Diesel's plant in Nokia, Finland was expanded by investment in new machinery for two new production lines.
- Work has begun on a new lime kiln at the lime works at Tytyri factory in Lohja, Finland. It is expected to come on stream at the turn of the year 1998/99.
- Nordkalk has taken over SSAB's lime-burning operations in Luleå, Sweden, and reached agreement on building new grinding equipment for limestone for Kemira Chemicals at Kokkola, Finland.
- Extension of the paper pigment and calcite processes was completed during the year. In addition, it has also been agreed to further raise manufacturing capacity for paper pigment at Suomen Karbonaatti Oy in Lappeenranta, Finland in 1998.
- Rebuilding and modernisation of rock wool production is in progress in Lappeenranta. The program, which covers several years, will also reduce the burden on the environment.

Personnel

During the year the number of Partek's employees averaged 10,464 (1996: 7,741). The total at year-end was 11,749 compared with 7,256 at the beginning of the year. The increase in personnel is due primarily to the acquisitions made during the year.

Prospects

In most markets the economic trend looks likely to continue at a favourable level even though the situation in parts of Asia makes predictions difficult.

Orders received continued to develop strongly at the end of the year. It proved possible to compensate for the decline in orders from Asia in other markets. Order stocks at the end of the year were considerably better than a year earlier.

Within most of Partek's operations the preconditions exist for continued buoyant demand, both for the engineering businesses and for the mineral-based units.

With demand continuing at last year's level and the synergy benefits achieved during the year Partek can look forward to positive profit development.

The seasonal variations that continue to characterise Partek's activities mean that only a comparatively small proportion of the Group's profit will be generated during the first four months of 1998.

Annual Report of the Board of Directors

Proposal to the Annual General Meeting

The Group's distributable non-restricted equity according to the Balance Sheet amounted to FIM 1,162.6 million on 31 December 1997. Of this net profit for the year is FIM 350.8 million. During 1998 FIM 0.8 million should be transferred from non-restricted equity to restricted reserves.

The Parent Company's non-restricted equity according to the Balance Sheet was FIM 1 296 412 288.39 on 31 December 1997. Of this

| | |
|--|-------------------------|
| – undistributed profit from previous years | 930 147 538.15 |
| – net profit for the financial period | 218 609 764.56 |
| | <u>1 148 757 302.71</u> |

The Board proposes that the above amount be distributed as follows:

| | |
|--|-------------------------|
| – a dividend of FIM 4.00 per share be paid for 1997 | 194 000 500.00 |
| – undistributed profit carried forward | 954 756 802.71 |
| | <u>1 148 757 302.71</u> |

Further details of the Partek Group's and the Parent Company's result and financial position are to be found in the Income Statements and Balance Sheets, Source and Application of Funds and Notes to the Accounts on pages 47-66.

Pargas February 24, 1998

Björn Mattsson
Chairman

Jan Ekberg

Juhani Riutta

Juha Toivola

Paavo Pitkänen
Vice-chairman

Caj-Gunnar Lindström

Markku Tapio

Risto Virrankoski

Christoffer Taxell
President and CEO

Consolidated Income Statement

January 1 – December 31, 1997

| | | 1997 | | 1996 | |
|---|-------|-----------------|--------------|-------------|--------|
| | Note | FIM million | % | FIM million | % |
| Net sales | | 10 743.5 | 100.0 | 6 159.9 | 100.0 |
| Cost of goods sold | | - 8 463.6 | - 78.8 | - 4 698.1 | - 76.3 |
| Gross profit | | 2 279.9 | 21.2 | 1 461.9 | 23.7 |
| Selling and marketing costs | | - 871.0 | | - 606.1 | |
| Research and development costs | | - 190.2 | | - 136.2 | |
| Administration expenses | | - 592.6 | | - 438.1 | |
| Other operating expenses | | - 178.2 | | - 44.4 | |
| Other operating income | | 277.7 | | 47.2 | |
| | | - 1 554.3 | - 14.5 | - 1 177.8 | - 19.1 |
| Operating profit | 1,2,3 | 725.6 | 6.8 | 284.1 | 4.6 |
| Financial items | | | | | |
| Share in associated companies | 4 | 12.2 | | 15.9 | |
| Dividend income | | 3.5 | | 0.4 | |
| Interest income on long-term investments | | 18.1 | | 6.6 | |
| Other interest income | | 26.0 | | 96.2 | |
| Interest expenses | | - 193.1 | | - 183.5 | |
| Other financial expenses | 5 | - 22.3 | | - 0.6 | |
| Value adjustment of investments | | - 0.3 | | 7.0 | |
| | | - 155.8 | - 1.5 | - 58.0 | - 0.9 |
| Profit after financial items | | 569.8 | 5.3 | 226.1 | 3.7 |
| Extraordinary items | | | | | |
| Income | 6 | 54.8 | | 501.7 | |
| Discontinuing operations | | - 40.8 | | - 91.6 | |
| Expenses | 6 | - 30.3 | | - 48.7 | |
| | | - 16.3 | - 0.2 | 361.4 | 5.9 |
| Profit before taxation and minority interest | | 553.5 | 5.2 | 587.5 | 9.5 |
| Direct taxes for the year | | - 212.4 | | - 77.3 | |
| Change in deferred tax | | 29.0 | | 15.1 | |
| Minority interest | | - 19.3 | | - 10.2 | |
| Net profit for the period | | 350.8 | 3.3 | 515.0 | 8.4 |

Consolidated Balance Sheet December 31, 1997

| Assets | Note | Dec. 31, 1997 | | Dec. 31, 1996 | |
|---|------|----------------|--------------|---------------|-------|
| | | FIM million | % | FIM million | % |
| Fixed assets | | | | | |
| Intangible assets | 7 | | | | |
| Goodwill | | 1 238.5 | | 83.9 | |
| Other capitalised expenditure | | 75.5 | | 58.1 | |
| | | 1 314.0 | 13.2 | 142.0 | 2.8 |
| Tangible assets | 7 | | | | |
| Mineral deposits and land | | 525.0 | | 622.2 | |
| Buildings and constructions | | 960.2 | | 679.7 | |
| Machinery and equipment | | 1 205.1 | | 734.6 | |
| Other tangible assets | | 28.8 | | 50.2 | |
| Advance payments and construction in progress | | 85.3 | | 47.4 | |
| | | 2 804.5 | 28.2 | 2 134.1 | 41.7 |
| Investments | 8 | | | | |
| Shares in associated companies | 9 | 79.4 | | 232.5 | |
| Other shares and participations | | 125.1 | | 95.2 | |
| Long-term receivables | 10 | 245.7 | | 53.2 | |
| Other investments | | 29.9 | | 52.1 | |
| | | 480.1 | 4.8 | 433.0 | 8.5 |
| Fixed assets, total | | 4 598.6 | 46,2 | 2 709.1 | 52.9 |
| Current assets | | | | | |
| Inventories | | | | | |
| Materials and supplies | | 951.4 | | 324.9 | |
| Finished and semi-finished products | | 1 294.6 | | 482.9 | |
| Advance payments | | 6.0 | | 2.7 | |
| | | 2 252.1 | 22.6 | 810.5 | 15.8 |
| Receivables | 10 | | | | |
| Accounts receivable | | 2 154.1 | | 916.4 | |
| Loans receivable | | 50.0 | | 162.0 | |
| Prepayment and accrued income | | 137.1 | | 122.3 | |
| Other receivables | | 261.4 | | 41.2 | |
| | | 2 602.7 | 26.1 | 1 241.9 | 24.3 |
| Liquid assets | | | | | |
| Shares, participations and other investments | | 108.6 | | 113.7 | |
| Cash on hand and in banks | | 397.2 | | 243.5 | |
| | | 505.8 | 5.1 | 357.2 | 7.0 |
| Current assets, total | | 5 360.6 | 53.8 | 2 409.6 | 47.1 |
| Assets, total | | 9 959.2 | 100.0 | 5 118.6 | 100.0 |
| Pledged assets | | 435.2 | | 673.3 | |

| Equity and liabilities | Note | Dec. 31, 1997 | | Dec. 31, 1996 | |
|---------------------------------------|-------|----------------|--------------|---------------|-------|
| | | FIM million | % | FIM million | % |
| Shareholders' equity | 11 | | | | |
| Restricted equity | | | | | |
| Ordinary share capital | | 485.0 | | 385.0 | |
| Share premium account | | 1 215.8 | | 530.8 | |
| Revaluation reserve | | 36.7 | | 36.7 | |
| Other restricted equity | | 120.7 | | 54.9 | |
| | | 1 858.1 | 18.7 | 1 007.4 | 19.7 |
| Convertible subordinated bonds | | 167.8 | 1.7 | 167.8 | 3.3 |
| Non-restricted equity | | | | | |
| Equity share of untaxed reserves | 12 | 185.4 | | 199.7 | |
| Other non-restricted equity | | 811.8 | | 499.6 | |
| Net profit for the financial year | | 350.8 | | 515.0 | |
| | | 1 348.0 | 13.8 | 1 214.3 | 23.7 |
| Shareholders' equity, total | | 3 373.9 | 33.9 | 2 389.5 | 46.7 |
| Minority interest | | | | | |
| Total | | 438.8 | 4.4 | 53.4 | 1.0 |
| Provisions | 13 | | | | |
| Provisions | | 243.9 | 2.4 | 124.1 | 2.4 |
| Liabilities | | | | | |
| Long-term | 14 | | | | |
| Debentures and bonds with warrants | 15 | – | | 101.5 | |
| Loans from financial institutions | | 1 245.2 | | 449.6 | |
| Pension fund loans | | 356.7 | | 297.5 | |
| Other interest bearing debts | | 80.2 | | 72.8 | |
| Deferred tax liabilities | | 128.9 | | 91.9 | |
| Other interest-free debts | | 8.9 | | 31.9 | |
| | | 1 819.9 | 18.3 | 1 045.2 | 20.4 |
| Short-term | 16,17 | | | | |
| Debentures and bonds with warrants | | 101.5 | | 0 | |
| Loans from financial institutions | | 329.3 | | 154.4 | |
| Pension fund loans | | 13.7 | | 13.7 | |
| Other interest bearing debts | | 1 241.2 | | 45.8 | |
| Advances received | | 64.4 | | 76.1 | |
| Accounts payable | | 936.2 | | 442.6 | |
| Accrued expenses and prepaid income | | 988.2 | | 458.6 | |
| Other interest-free debts | | 408.2 | | 315.2 | |
| | | 4 082.7 | 41.0 | 1 506.4 | 29.4 |
| Liabilities, total | | 5 902.6 | 59.3 | 2 551.6 | 49.8 |
| Equity and liabilities, total | | 9 959.2 | 100.0 | 5 118.6 | 100.0 |
| Contingent liabilities | | 463.6 | | 263.5 | |

Group Source and Application of Funds January 1 – December 31, 1997

| (FIM million) | 1997 | 1996 |
|--|------------|-----------|
| Funds generated from operations | | |
| Net sales | 10 743.5 | 6 159.9 |
| Operating expenses | - 10 017.9 | - 5 875.8 |
| Operating profit before depreciation | 725.6 | 284.1 |
| Depreciations | 430.5 | 359.6 |
| Financial items | - 155.8 | - 58.0 |
| Extraordinary items | - 16.3 | 361.4 |
| Less profit/loss on sale of assets | - 172.7 | - 511.3 |
| Undistributed profit in associated co's | - 12.3 | - 18.4 |
| Direct taxes for the year | - 212.4 | - 77.3 |
| Dividends | - 154.0 | - 57.8 |
| Total | 432.6 | 282.4 |
| Change in working capital | | |
| Inventories (- = increase) | - 130.0 | 138.2 |
| Short-term receivables (- = increase) | 13.1 | 147.1 |
| Short-term payables (+ = increase) | 129.8 | - 225.6 |
| Total | 12.9 | 59.7 |
| Net funds generated from operations | 445.5 | 342.1 |
| Net investment | | |
| Investment | - 2 260.0 | - 415.4 |
| Sale of fixed assets | 965.4 | 1 682.9 |
| Total | - 1 294.6 | 1 267.5 |
| Financial surplus/deficit | - 849.1 | 1 609.6 |
| External financing | | |
| Equity: | | |
| Share issue | 785.0 | - |
| Minority interest | - 6.7 | - 16.6 |
| Translation differences and other changes | - 6.9 | 14.9 |
| Short- and long-term loans: | | |
| New loans | 491.4 | 35.7 |
| Repayment on loans | - 328.0 | - 1 674.2 |
| Other changes | - 48.1 | - 6.6 |
| Other financing: | | |
| Long-term receivables (+ = increase) | - 134.3 | 3.6 |
| Total | 752.4 | - 1 643.2 |
| Change in liquid assets | - 96.7 | - 33.6 |
| Liquid assets according to the adjusted opening balance sheet | 602.5 | 390.8 |
| Liquid assets December 31 | 505.8 | 357.2 |

Additions and deductions have been made in the opening balance sheet for 1997 for the companies acquired and divested during the year. As a result, the changes cannot be calculated without additional information.

**Income Statement,
Parent Company Jan. 1 – Dec. 31, 1997**

| (FIM million) | Note | 1997 | 1996 |
|---|-------|----------------|---------|
| Net sales | | 47.0 | 77.9 |
| Cost of goods sold | | - 7.1 | - 22.3 |
| Gross profit | | 39.9 | 55.6 |
| Selling and marketing costs | | - 10.9 | - 8.4 |
| Research and development costs | | 0 | - 2.0 |
| Administration expenses | | - 99.3 | - 101.1 |
| Other operating expenses | | - 117.6 | - 39.6 |
| Other operating income | | 361.8 | 29.1 |
| | | - 134.0 | - 122.0 |
| Operating loss | 1,2,3 | 173.9 | - 66.4 |
| Financial items | 18 | | |
| Dividend income | | 37.9 | 149.8 |
| Interest income on long-term investments | | 21.6 | 20.2 |
| Other interest income | | 38.7 | 36.6 |
| Interest expenses | | - 98.7 | - 128.3 |
| Other financial expenses | 5 | - 13.6 | 9.2 |
| Value adjustment of investments | | - 0.1 | 7.0 |
| | | - 14.3 | 94.4 |
| Profit/loss after financial items | | 159.6 | 28.1 |
| Extraordinary items | | | |
| Income | 6 | 54.8 | 680.9 |
| Expenses | 6 | - 41.8 | - 80.3 |
| Received Group contribution | 4 | 97.6 | - |
| | | 110.6 | 600.7 |
| Profit/loss before appropriations and taxation | | 270.2 | 628.7 |
| Appropriations | | | |
| Depreciation less than plan | | 39.7 | 78.3 |
| Direct taxes | | - 91.3 | - 38.3 |
| Net profit/loss for the period | | 218.6 | 668.7 |

**Group Source and Application of Funds,
Parent Company Jan. 1 – Dec. 31, 1997**

| (FIM million) | 1997 | 1996 |
|---|------------------|-----------|
| Funds generated from operations | | |
| Net sales | 47.0 | 77.9 |
| Operating expenses | - 126.9 | - 144.3 |
| Operating profit/loss | 173.9 | - 66.4 |
| Depreciation and value adjustments | 25.4 | 74.9 |
| Financial income and expenses | - 14.3 | 94.4 |
| Extraordinary income and expenses | 110.6 | 600.7 |
| Taxes | - 91.3 | - 38.3 |
| Profit on sale of fixed assets | - 275.6 | - 629.1 |
| Profit on merger | 2.9 | - 50.0 |
| Dividends to shareholders | - 154.0 | - 57.8 |
| | - 222.4 | - 71.5 |
| Change in working capital | | |
| Inventories (+ = decrease) | 0 | 4.4 |
| Short-term receivables (+ = decrease) | - 249.0 | - 125.2 |
| Short-term interest-free debts (- = decrease) | 49.7 | - 5.0 |
| | - 199.2 | - 125.8 |
| Net funds generated from operations | - 421.7 | - 197.3 |
| Net investment | | |
| Investment in shares | - 1 991.7 | - 127.8 |
| Investment in other fixed assets | - 5.4 | - 5.5 |
| Sale of shares | 786.3 | 1 519.7 |
| Sale of other fixed assets | 251.5 | 77.1 |
| Merger of subsidiaries | - 28.1 | 58.8 |
| Financial deficit/surplus | - 1 409.1 | 1 325.2 |
| External financing | | |
| Equity: | | |
| Share issue | 785.0 | - |
| Short- and long-term liabilities: | | |
| New loans | 1 681.7 | 9.1 |
| Repayment on loans | - 40.3 | - 1 341.3 |
| Other financing: | | |
| Long-term receivables | - 854.4 | - 3.3 |
| | 1 572.1 | - 1 335.5 |
| Change in liquid assets | 163.0 | - 10.3 |

Balance Sheet, Parent Company December 31, 1997

| Assets | Note | 1997 | | 1996 | | Equity and liabilities | Note | 1997 | | 1996 | |
|---------------------------------|------|----------------|--------------|---------|-------|--|------|----------------|-------------|---------|------|
| | | FIMm | % | FIMm | % | | | FIMm | % | FIMm | % |
| Fixed assets | | | | | | Shareholders' equity 11 | | | | | |
| Intangible assets | 7 | | | | | Restricted equity | | | | | |
| Other capitalized expenditure | | 17.2 | | 17.3 | | Ordinary share capital | | 485.0 | | 385.0 | |
| | | 17.2 | 0.3 | 17.3 | 0.5 | Share premium account | | 1 215.8 | | 530.8 | |
| | | | | | | Revaluation reserve | | 36.3 | | 36.3 | |
| | | | | | | | | 1 737.1 | 29.1 | 952.1 | 27.5 |
| Tangible assets | 7 | | | | | Convertible subordinated bonds | | 167.8 | 2.8 | 167.8 | 4.8 |
| Mineral deposits and land | | 140.2 | | 248.7 | | Non-restricted equity | | | | | |
| Buildings and constructions | | 10.5 | | 159.9 | | Contingency reserve | | 147.7 | | 147.7 | |
| Machinery and equipment | | 5.8 | | 9.2 | | Other non-restricted equity | | 930.1 | | 415.4 | |
| Other tangible assets | | 0.6 | | 1.7 | | Net result for the financial year | | 218.6 | | 668.7 | |
| Ongoing investment | | 0.2 | | 0.0 | | | | 1 296.4 | 21.7 | 1 231.8 | 35.6 |
| | | 157.4 | 2.6 | 419.4 | 12.1 | | | | | | |
| Shares and participations | | | | | | Shareholders' equity, total 3 201.3 53.7 2 351.7 67.9 | | | | | |
| Shares and participations | 8 | | | | | Untaxed reserves and provisions | | | | | |
| Subsidiaries | | 3 211.7 | | 1 712.0 | | Accumulated excess | | | | | |
| Associated companies | 9 | 63.9 | | 81.0 | | depreciation | 12 | 15.8 | | 55.5 | |
| Other shares and participations | | 96.7 | | 82.3 | | Provisions | 13 | 16.5 | | 9.5 | |
| Long-term receivables | 10 | 1 143.6 | | 269.2 | | | | 32.3 | 0.5 | 65.0 | 1.9 |
| Other investments | | 20.9 | | 40.9 | | | | | | | |
| | | 4 536.8 | 76.1 | 2 185.5 | 63.1 | Liabilities | | | | | |
| Fixed assets, total | | 4 711.4 | 79.0 | 2 622.2 | 75.7 | Long-term | 14 | | | | |
| Current assets | | | | | | Debentures and bonds | | | | | |
| Inventories | 10 | | | | | with warrants | 15 | 0 | | 101.5 | |
| Accounts receivable | | 40.9 | | 16.6 | | Loans from financial | | | | | |
| Loans receivable | | 841.1 | | 696.6 | | institutions | | 100.1 | | 292.8 | |
| Prepayments and accrued income | | 47.9 | | 65.4 | | Pension fund loans | | 168.5 | | 181.3 | |
| Other receivables | | 113.5 | | 16.0 | | Other interest-bearing debts | | 0.3 | | 0.5 | |
| | | 1 043.5 | 17.5 | 794.5 | 22.9 | Interest-free debts | | 1.8 | | 2.0 | |
| | | | | | | | | 270.7 | 4.5 | 578.1 | 16.7 |
| Liquid assets | | | | | | Short-term 16,17 | | | | | |
| Cash on hand and in banks | | 209.9 | | 46.9 | | Debentures and bonds | | | | | |
| | | 209.9 | 3.5 | 46.9 | 1.4 | with warrants | | 101.5 | | 0 | |
| Current assets, total | | 1 253.4 | 21.0 | 841.4 | 24.3 | Loans from financial | | | | | |
| | | | | | | institutions | | 855.0 | | 27.6 | |
| | | | | | | Pension fund loans | | 12.8 | | 13.7 | |
| | | | | | | Other interest-bearing debts | | 1 311.1 | | 290.1 | |
| | | | | | | Accounts payable | | 14.6 | | 9.8 | |
| | | | | | | Accrued expenses and prepaid income | | 126.3 | | 75.6 | |
| | | | | | | Other interest-free debts | | 39.2 | | 52.0 | |
| | | | | | | | | 2 460.5 | 41.2 | 468.9 | 13.5 |
| | | | | | | Liabilities, total 2 731.1 45.8 1 047.0 30.2 | | | | | |
| Assets, total | | 5 964.8 | 100.0 | 3 463.7 | 100.0 | Equity and liabilities, total 5 964.8 100.0 3 463.7 100.0 | | | | | |
| Pledged assets | 19 | - | | 2.7 | | Contingent liabilities 19 1 556.8 1 007.1 | | | | | |

Accounting Principles

The financial period is January-December.

(a) Basis of accounts

The Consolidated Financial Statements, the Parent Company's accounts and the accounts of Finnish subsidiaries have been drawn up in accordance with legislation and current regulations in Finland. Foreign subsidiaries' accounts have been adjusted to conform to accounting practice in Finland.

(b) Consolidation principles

The Consolidated Financial Statements cover the parent company Oy Partek Ab and all companies in Finland and abroad in which the parent company controlled, directly or indirectly, more than fifty percent of the shares or participations at the end of the financial year. The Consolidated Balance Sheet has been drawn up in accordance with the direct acquisition method.

Companies acquired during the year have been included in the Group Income Statement from the date of their acquisition. Companies sold during the year are included in the Consolidated Income Statement up to the date of their sale.

During the year the Dutch company Schokkabeton BV was sold. The French company MSA S.A. will also be divested according to plan. These have been consolidated for 1997 according to consolidation principles of discontinuing operations.

Associated companies have been consolidated in accordance with the equity method.

In drawing up the Consolidated Financial Statements internal transactions have been eliminated.

(c) Goodwill

Goodwill, i.e. the difference between the acquisition value of shares and the current value of net assets in the acquired company, is entered as a fixed asset in the Consolidated Balance Sheet and is written off systematically on the basis of its economic life. This varies from five to twenty years depending on the type of asset and its strategic purpose.

Possible untaxed reserves in the acquired company at the time of acquisition are divided in accordance with earlier practice between an equity share and deferred taxes according to current tax rates.

(d) Investments

Valuation

Investments classified as fixed assets have been entered at their acquisition value less possible depreciation to take into account the actual decrease in worth.

Investments in securities classified as current assets are valued at the lowest of either their acquisition or market value.

Sales

When an investment has been sold, the difference between the net sales price and the book value is entered in the Income Statement.

Subsidiaries

Investments in subsidiary companies are recorded in the Parent Company's accounts in accordance with the above policy for the valuation of long-term assets. For Consolidated Financial Statements the principles of consolidation in paragraph 1b are applied.

A list of the most important subsidiary companies is included in Note 8.

Associated companies

Investments in associated companies are shown in the Parent Company's Balance Sheet in accordance with the above principles for long-term fixed assets. In the Consolidated Financial Statements associated companies are recorded in accordance with the equity method.

A list of the most important associated companies are shown in Note 8.

(e) Foreign currencies Transactions

Transactions in foreign currencies are translated in the currency used in the Financial Statements on the basis of the exchange rate applying on the day of the transaction. Liquid assets and debts in foreign currencies have been translated into the currency used in the Financial Statements according to the central bank's exchange rate on the last day of the financial period. Financial risk management is discussed on page 66.

Translation of foreign subsidiaries' income statements and balance sheets

Foreign subsidiaries are considered to operate independently and do not therefore constitute an integrated part of the Parent Company's operations. As a direct result of this foreign subsidiaries' assets and liabilities are translated at the central bank's exchange rates on the last day of the financial period while income and expenditure are translated at an average exchange rate for the whole of the period under review. Differences arising from this translation are entered under equity.

Equity hedging

In order to minimise the effects of translation in the Consolidated Financial Statements loans are either taken in the same currency as the foreign subsidiaries' equity or the investments are hedged through foreign exchange futures. Exchange-rate differences resulting from the above are offset against translation differences resulting from translating the foreign subsidiaries' balance sheets.

(f) Taxes

Tax liabilities are calculated on the profit before tax and permanent differences between taxable and recorded profit are taken into account. Tax on differences, because items have been recorded and taxed in different periods, are included in the Balance Sheet as deferred taxes. Tax claims that may be offset against possible future approved losses are not taken into account until realised.

Deferred taxes are calculated on the basis of tax rates for the following year or, in cases where these are not known, for the the financial period.

(g) Inventory

Inventory has been valued at either the direct acquisition value or net realisable value, whichever is lowest. The first-in first-out principle has been used in valuing inventory. When calculating the value of semi-finished and finished goods account has also been taken not only of the direct acquisition cost but also a reasonable portion of indirect costs and depreciation associated with production.

(h) Tangible fixed assets

Land, mineral deposits, factories, machinery and other equipment are entered according to their historic acquisition cost with the exception of certain land in Finland, the value of which has been appreciated in certain Group companies, especially the Parent Company. An economic life has been estimated for assets and on the basis of this linear depreciation according to plan has been carried out. In the case of mineral deposits, however, net worth depreciation has been applied.

The amount of depreciation is based on the following economic life of assets:

| | |
|---------------------------------|---------------|
| – Goodwill | 5 - 20 years |
| – Other capitalised expenditure | 3 - 17 years |
| – Buildings and constructions | 15 - 40 years |
| – Machinery and equipment | 3 - 25 years |
| – Other tangible assets | 5 - 10 years |

Leasing

Fixed assets - especially transport vehicles - are to a limited extent leased. In accordance with accounting practice in Finland these fall outside the scope of the Balance Sheet while leasing fees are charged against the Income Statement (operating profit). Leasing charges on the basis of existing leasing agreements are shown in Note 19.

Financial leasing, which was relatively small in the past, grew significantly in 1996. According to the Finnish legislation the International Accounting Principles may not be used in 1996. In Note 21 the differences between the Finnish and the International Accounting Principles are demonstrated.

(i) Income recognition

Net sales include invoiced sums after allowing for indirect taxes and discounts given. Income from long-term project deliveries is recognised on the basis of the degree of completion while for other projects it is recorded on final delivery.

(j) Research and development

The costs of research and development are entered during the year in which they are incurred.

(k) Contributions and support

Contributions and support are recorded only when there is great possibility of their being received. They are entered so that they match the costs they are designed to compensate.

(l) Pension arrangements

Pension costs are recorded as pensions are earned. In the Parent Company and Finnish subsidiaries responsibility for pensions is covered by means of insurance.

(m) Minority interests

Minority shares in profits are entered as their share of the profit after tax. In the Balance Sheet minority interests are recorded together with any possible capital portion of untaxed reserves.

(n) Profitability of Business Areas

The business area reviews report the results of operations in the form of operating profit after depreciation and profitability in the form of return on capital employed. These are based on the business areas' individual results and the capital they have employed. Consequently, they differ somewhat from the results and key ratios that could have been achieved by a complete distribution and debiting of common costs and common capital.

Definitions

Unless indicated otherwise, the definitions below have been used to calculate profitability and other key ratios. Some minor justifications of the key ratios have been made in these Annual Accounts. The figures for previous years have been adjusted accordingly to fulfil the requirements of precise definitions.

Capital employed: Balance Sheet total less interest-free short-term liabilities.

Adjusted equity: Shareholders' equity as shown in the Balance Sheet and minority interests in subsidiaries' equity.

Interest-bearing net debt: Total interest-bearing long- and short-term debt less the total sum of interest-bearing loans and other receivables.

Return on capital employed: Profit after financial items plus financial expenses and net exchange-rate losses as a percentage of average capital employed.

Return on total capital before taxes: Profit after financial items plus financial expenses and net exchange-rate losses as a percentage of average total capital.

Return on equity after taxes: Profit after financial items and taxes plus the change in deferred taxes as a percentage of average total equity.

Interest cover: Operating profit plus financial income divided by interest expenses.

Quick ratio: Liquid assets less advances paid divided by short-term liabilities less advances received.

Current ratio: Total current assets divided by short-term liabilities.

Equity to total assets ratio: Adjusted equity as a percentage of total assets reduced by received advances.

Internal financing ratio: Funds from operations as shown in the Source and Application of Funds as a percentage of net investment.

Earnings per share: Profit after financial items less minority interests and taxes divided by the average number of shares.

Equity capital/share: Recorded equity capital divided by the number of shares at year end.

Dividend pay-out ratio: Proposed dividend per share as a percentage of the earnings per share.

Yield: Proposed dividend per share as a percentage of the average market price during the last trading day of the year.

P/E ratio: The average market price per share during the last trading day divided by earnings per share.

Market capitalization: Number of shares at the end of the financial year multiplied by the average share price of the last trading day of the financial year.

Exchange rates

| Country | Currency | Year end rates | | Average rates | |
|---------------|----------|----------------|---------------|---------------|--------|
| | | Dec. 31, 1997 | Dec. 31, 1996 | 1997 | 1996 |
| Belgium | BEF | 0.1468 | 0.1449 | 0.1451 | 0.1484 |
| Canada | CAD | 3.7820 | 3.3900 | 3.7504 | 3.3689 |
| Denmark | DKK | 0.7948 | 0.7809 | 0.7860 | 0.7922 |
| France | FRF | 0.9046 | 0.8862 | 0.8890 | 0.8980 |
| Germany | DEM | 3.0275 | 2.9880 | 2.9943 | 3.0533 |
| Great Britain | GBP | 8.9920 | 7.8690 | 8.5005 | 7.1733 |
| Italy | ITL | 0.0030 | 0.0030 | 0.0030 | 0.0030 |
| Japan | JPY | 0.0417 | 0.0400 | 0.0430 | 0.0422 |
| Netherlands | NLG | 2.6861 | 2.6624 | 2.6607 | 2.7250 |
| Norway | NOK | 0.7394 | 0.7209 | 0.7341 | 0.7114 |
| Spain | ESP | 0.0358 | 0.0354 | 0.0355 | 0.0363 |
| Sweden | SEK | 0.6863 | 0.6748 | 0.6796 | 0.6849 |
| USA | USD | 5.4207 | 4.6439 | 5.1911 | 4.5935 |

Notes for Income Statements and Balance Sheets

| | | | | | |
|---|----|--|----|--|----|
| 1. Wages and salaries | 55 | 8. Shares and participations | 58 | 16. Short-term interest-bearing liabilities | 62 |
| 2. Depreciation | 55 | 9. Share of equity in associated companies ... | 59 | 17. Short-term interest-free liabilities | 62 |
| 3. Other operating items | 56 | 10. Long- and short-term receivables | 60 | 18. Internal dividends, interest income and expenses | 62 |
| 4. Share in profit/loss of associated companies | 56 | 11. Change in shareholders' equity | 60 | 19. Contingent liabilities | 62 |
| 5. Other financial items | 56 | 12. Untaxed reserves | 61 | 20. Segment data | 63 |
| 6. Extraordinary items | 56 | 13. Provisions | 61 | 21. Adjustment for financial leasing | 64 |
| 7. Fixed assets | 57 | 14. Long-term liabilities | 61 | | |
| | | 15. Debentures and bonds with warrants | 62 | | |

1. Wages and salaries

| (FIM million) | Group | | Parent Company | |
|---|----------------|---------|----------------|------|
| | 1997 | 1996 | 1997 | 1996 |
| Wages | | | | |
| Salaries, wages and fringe benefits | | | | |
| Salaries and payments to Board Members and Managing Directors | 44.8 | 32.7 | 2.3 | 1.9 |
| To others | 1 727.6 | 1 237.8 | 19.0 | 33.1 |
| Bonus to Board Members and Managing Directors | 2.5 | 2.3 | 0.2 | 0.2 |
| Total | 1 774.9 | 1 272.9 | 21.5 | 35.3 |
| Other payroll costs | | | | |
| Pensions and pension premiums | 221.5 | 144.5 | 10.2 | 8.4 |
| Other payroll costs | 271.2 | 201.9 | 1.6 | 3.1 |
| Total | 492.7 | 346.5 | 11.8 | 11.5 |
| Total | 2 267.6 | 1 619.4 | 33.3 | 46.8 |
| Personnel | | | | |
| As an average during the year | 10 464 | 7 741 | 72 | 160 |
| At end of period | 11 749 | 7 256 | 61 | 153 |

Salaries and fees of the board of directors and CEO

The fees of the board of directors will be confirmed by the annual general meeting, and the board of directors will confirm the salary and other benefits of the CEO. The CEO of the parent company, who is at the same time the president, has received a salary with fringe benefits totalling FIM 1,375,090 and bonuses of FIM 192,284. The members of the boards of directors of the Group companies who are Partek employees are not paid separate fees.

Pension terms and conditions

The retirement age for the Group president and CEO and the executive board is 60. The full old-age pension is 60 percent of the salary on which the pension is determined. Pension liabilities are covered in full by the pension insurances that are taken out with pension insurance companies.

Dismissal

The dismissal time is both for the company and the CEO six months. If the company dismisses the CEO, he will be paid compensation for dismissal, which will correspond to 24 months of the fixed monetary salary in addition to the salary for the dismissal period.

Salary committee

The salary committee is a body chosen from among the board of directors that handles and decides on matters relating to the management's salary, incentive payments and contract of service and major policy decisions relating to the personnel administration.

2. Depreciations

| (FIM million) | Group | | Parent Company | |
|--|--------------|--------|----------------|--------|
| | 1997 | 1996 | 1997 | 1996 |
| Depreciation by function | | | | |
| Production | 288.5 | 195.1 | 4.9 | 10.5 |
| Distribution and marketing | 20.3 | 18.1 | 0.4 | 0.4 |
| Research and development | 8.1 | 4.8 | | – |
| Administration | 28.8 | 25.5 | 6.2 | 11.1 |
| Other operating expenses | | | | |
| Goodwill | 60.9 | 24.2 | | – |
| Depreciation according to plan | 406.6 | 267.7 | 11.4 | 22.0 |
| Extra depreciation | 23.9 | 8.0 | 14.0 | 52.9 |
| Total | 430.5 | 275.7 | 25.4 | 74.9 |
| Depreciation according to plan | | | | |
| Goodwill | 60.9 | 24.2 | | – |
| Other long-term expenditure | 16.3 | 12.2 | 2.8 | 3.2 |
| Land and mineral deposits | 8.8 | 8.3 | | – |
| Building and construction | 73.5 | 52.1 | 5.3 | 14.0 |
| Machinery and equipment | 230.6 | 153.7 | 2.9 | 3.9 |
| Other tangible assets | 16.5 | 17.3 | 0.4 | 0.9 |
| Total | 406.6 | 267.7 | 11.4 | 22.0 |
| Book depreciation | | | | |
| (incl. reduction in investment and acquisition reserves) | | | | |
| Goodwill | 60.9 | 24.2 | | – |
| Other long-term expenditure | 20.5 | 10.3 | 1.1 | 1.4 |
| Land and mineral deposits | 8.8 | 10.1 | | 1.4 |
| Building and construction | 46.7 | – 16.1 | – 25.4 | – 54.5 |
| Machinery and equipment | 246.3 | 171.0 | – 0.7 | – 0.3 |
| Other tangible assets | 16.0 | 17.6 | 0.4 | 0.9 |
| Securities and investments | 11.3 | 2.3 | 10.2 | 47.7 |
| Total | 410.5 | 219.3 | – 14.3 | – 3.4 |
| Depreciation more/less than plan | 20.0 | 56.5 | 39.7 | 78.3 |

Notes for Income Statements and Balance Sheets

3. Other operating items

| (FIM million) | Group | | Parent Company | |
|--------------------------------|--------------|-------------|----------------|-------------|
| | 1997 | 1996 | 1997 | 1996 |
| Income | | | | |
| Rents | 10.8 | 6.0 | 0.4 | 3.8 |
| Profit on sale of fixed assets | 205.1 | 18.8 | 357.5 | 10.8 |
| Other income | 61.8 | 22.4 | 3.9 | 14.5 |
| Total | 277.7 | 47.2 | 361.8 | 29.1 |
| Expenses | | | | |
| Taxes on real estate | 4.0 | 3.9 | 1.4 | 1.7 |
| Depreciation on goodwill | 60.9 | 24.2 | - | - |
| Depreciation of shares | 13.5 | 8.0 | 3.7 | 7.3 |
| Depreciation on receivables | 9.1 | 2.8 | 1.7 | 0.0 |
| Loss on sale of fixed assets | 32.4 | 1.0 | 85.6 | 13.5 |
| Redundancy pay | 2.9 | 6.9 | - | - |
| Other restructuring costs | 6.7 | 0.0 | 4.1 | 6.0 |
| Other expenses | 48.7 | -2.4 | 21.0 | 11.1 |
| Total | 178.2 | 44.4 | 117.6 | 39.6 |

4. Share in profit/loss of associated companies

| | Share of equity, % | Profit after tax, FIMm | Share 1997 FIMm | Share 1996 FIMm |
|---|--------------------|------------------------|-----------------|-----------------|
| A-Rakennusmies Oy ¹ - Oct. 31, 1997 | 23.6 | 25.4 | 7.1 | 2.9 |
| Addtek International Oy Ab | 39.8 | -8.4 | -3.4 | - |
| Parma Metals Oy ¹ | 50.0 | -8.0 | -4.0 | - |
| Parma Oy, Forssa ¹ | - | - | - | 6.1 |
| Partek Betonila Oy Ab | - | - | - | -9.4 |
| RS-Hansa-Auto Oy | 50.0 | -16.0 | -8.0 | - |
| Parma Betonila ¹ -Nov. 31, 1997 | 50.0 | 24.0 | 12.0 | - |
| Other associated companies in Finland | | - | 0.1 | 0.1 |
| Eastern Partek Pte Ltd, Singapore - June 30, 1997 | 45.0 | 20.9 | 9.4 | 17.7 |
| UAB Partek Paroc, Lithuania | | - | - | -1.3 |
| Armstrong Parafon AB, Sweden | 40.0 | -4.0 | -1.6 | - |
| Controladora Accionaria y Administrativa S.A. de C.V., Mexico | 46.0 | 3.1 | 1.4 | 1.0 |
| Rockwool Ecoprim AB, Sweden | 50.0 | 0.8 | 0.4 | 0.7 |
| Steinullarverksmidjan H/F, Iceland | 27.7 | 6.0 | 1.7 | 1.3 |
| Other associated companies | | | -1.9 | 0.3 |
| Provisions and eliminations of inter-company profit | | | -1.0 | -3.6 |
| Total | | | 12.2 | 15.9 |

¹ Owned by the Parent Company

5. Other financial items

| (FIM million) | Group | | Parent Company | |
|--|--------------|-------------|----------------|------------|
| | 1997 | 1996 | 1997 | 1996 |
| Exchange rate differences | | | | |
| Exchange rate gains | 113.4 | 301.7 | 70.8 | 245.8 |
| Exchange rate losses | -105.0 | -299.9 | -82.0 | -236.6 |
| Total | 8.4 | 1.8 | -11.2 | 9.2 |
| Other financial income and expenses | | | | |
| Other financial income | 13.0 | 0.0 | - | - |
| Other financial expenses | -43.7 | -2.4 | -2.4 | - |
| Total | -22.3 | -0.6 | -13.6 | 9.2 |

6. Extraordinary items

| (FIM million) | Group | | Parent Company | |
|--|-------------|--------------|----------------|--------------|
| | 1997 | 1996 | 1997 | 1996 |
| Income | | | | |
| VAT rebate | 54.8 | | 54.8 | |
| Profit on sale of shares | | 501.3 | | 644.4 |
| Group contribution | | | 97.6 | |
| Other | | 0.5 | | 36.5 |
| Total | 54.8 | 501.7 | 152.4 | 680.9 |
| Expenses | | | | |
| Discontinuing operations | 40.8 | 91.6 | 31.6 | |
| Other expenses | | | | |
| Depreciation of shares in subsidiaries | | | | 45.6 |
| Depreciation of other shares | 10.2 | - | 10.2 | - |
| Loss on sale of shares | | - | | 10.4 |
| Change in accounting principles | 20.1 | - | | |
| Depreciation on receivables | | | | 19.4 |
| Provision for restructuring costs and depreciation on fixed assets | | 43.8 | | - |
| Provision for tax dispute | | 4.9 | | 4.9 |
| Total | 71.1 | 140.3 | 41.8 | 80.3 |

Notes for Income Statements and Balance Sheets

7. Fixed assets

| (FIM million) | Group | | Parent Company | |
|----------------------------|------------|------------|----------------|------------|
| | 31.12.1997 | 31.12.1996 | 31.12.1997 | 31.12.1996 |
| Goodwill | | | | |
| Acquisition value Jan. 1 | 280.5 | 275.5 | | |
| + Increase during the year | 1 336.5 | 5.2 | | |
| - Decrease during the year | - 232.0 | - 0.2 | | |
| Acquisition value Dec. 31 | 1 385.0 | 280.5 | | |
| - Accumulated depreciation | - 146.5 | - 196.6 | | |
| Residual value Dec. 31 | 1 238.5 | 83.9 | | |

Other capitalized expenditure

| | | | | |
|--|---------|--------|--------|--------|
| Acquisition value Jan. 1 | 139.0 | 120.8 | 36.2 | 38.8 |
| + Investment | 19.1 | 30.3 | 2.0 | 3.3 |
| + Other increase | 53.1 | 0.6 | 1.2 | - |
| - Decrease | - 27.1 | - 12.8 | - 2.6 | - 5.9 |
| Acquisition value Dec. 31 | 184.1 | 139.0 | 36.8 | 36.2 |
| - Accumulated depreciation according to plan | - 108.6 | - 80.9 | - 20.8 | - 18.9 |
| Residual value Dec. 31 | 75.5 | 58.1 | 15.9 | 17.3 |
| Accumulated depreciation in excess of plan | | | | |
| - Partek's interest | - 11.1 | | | |
| - Minority interest | - 1.6 | - 8.9 | - 7.0 | - 8.8 |
| - Eliminated on company acquisition | - 0.6 | | | |
| Net book value Dec. 31 | 62.3 | 49.3 | 8.9 | 8.6 |

Land and mineral deposits

| | | | | |
|--|---------|--------|--------|-------|
| Acquisition value Jan. 1 | 449.3 | 407.0 | 24.4 | 31.0 |
| + Investment | 1.6 | 66.6 | | 0.6 |
| + Other increase | 95.7 | 4.6 | | 0.0 |
| - Decrease | - 139.2 | - 28.9 | - 16.2 | - 7.2 |
| Acquisition value Dec. 31 | 407.4 | 449.3 | 8.3 | 24.4 |
| + Appreciation | 157.9 | 225.4 | 132.8 | 225.1 |
| - Accumulated depreciation according to plan | - 40.3 | - 52.6 | - 0.8 | - 0.8 |
| Residual value Dec. 31 | 525.0 | 622.2 | 140.2 | 248.7 |
| In Finland: | | | | |
| Taxable value | 98.5 | 111.8 | 14.7 | 59.7 |
| Residual value | 156.4 | 284.9 | 140.2 | 248.7 |

Buildings and constructions

| | | | | |
|--|---------|---------|---------|--------|
| Acquisition value Jan. 1 | 1 261.4 | 1 470.9 | 256.7 | 355.9 |
| + Investment | 53.3 | 55.5 | | - |
| + Other increase | 655.7 | 11.8 | | - |
| - Decrease | - 451.0 | - 276.7 | - 224.8 | - 99.2 |
| Acquisition value Dec. 31 | 1 519.4 | 1 261.4 | 31.8 | 256.7 |
| + Appreciation | 95.1 | - | | - |
| - Accumulated depreciation according to plan | - 654.3 | - 581.7 | - 21.3 | - 96.8 |
| Residual value Dec. 31 | 960.2 | 679.7 | 10.5 | 159.9 |
| Accumulated depreciation in excess of plan | | | | |
| - Partek's interest | - 24.6 | - 61.9 | - 3.2 | - 44.2 |
| - Minority interest | - 14.2 | - 4.3 | | |
| - Eliminated on company acquisition | - 36.9 | - 4.1 | | |
| Net book value Dec. 31 | 884.6 | 609.4 | 7.3 | 115.7 |
| In Finland: | | | | |
| Taxable value | 376.5 | 380.6 | 40.8 | 187.9 |
| Residual value | 182.8 | 331.2 | 10.5 | 159.9 |

Machinery and equipment

| | | | | |
|--|-----------|-----------|-------|--------|
| Acquisition value Jan. 1 | 2 321.0 | 2 685.8 | 22.1 | 23.7 |
| + Investment | 229.3 | 145.4 | 0.7 | 1.6 |
| + Other increase | 1 629.6 | 29.5 | | 0.0 |
| - Decrease | - 583.3 | - 539.7 | - 9.1 | - 3.1 |
| Acquisition value Dec. 31 | 3 596.6 | 2 321.0 | 13.8 | 22.1 |
| - Accumulated depreciation according to plan | - 2 391.5 | - 1 586.4 | - 8.0 | - 12.9 |
| Residual value Dec. 31 | 1 205.1 | 734.6 | 5.8 | 9.2 |
| Accumulated depreciation in excess of plan | | | | |
| - Partek's interest | - 219.7 | - 192.5 | - 5.6 | - 2.6 |
| - Minority interest | - 48.5 | - 5.8 | | |
| - Eliminated on company acquisition | - 65.7 | - 4.3 | | |
| Net book value Dec. 31 | 871.2 | 532.1 | 0.2 | 6.6 |

Other tangible assets

| | | | | |
|--|---------|---------|-------|--------|
| Acquisition value Jan. 1 | 173.7 | 215.7 | 13.6 | 15.8 |
| + Investment | 7.0 | 8.0 | | 0.0 |
| + Other increase | 8.8 | 0.4 | | - |
| - Decrease | - 112.6 | - 50.5 | - 9.9 | - 2.3 |
| Acquisition value Dec. 31 | 76.9 | 173.7 | 3.7 | 13.6 |
| - Accumulated depreciation according to plan | - 48.1 | - 123.5 | - 3.0 | - 11.9 |
| Residual value Dec. 31 | 28.8 | 50.2 | 0.6 | 1.7 |
| Accumulated depreciation in excess of plan | | | | |
| - Partek's interest | | - 0.3 | 0.0 | 0.0 |
| Net book value Dec. 31 | 28.8 | 49.9 | 0.6 | 1.7 |

Construction in progress

| | | | | |
|--------------------------|--------|--------|-----|-----|
| Acquisition value Jan. 1 | 32.7 | 22.8 | 0.0 | 0.0 |
| + Investment | 19.6 | 29.8 | 0.2 | 0.0 |
| + Other increase | 19.7 | 0.5 | - | - |
| - Decrease | - 15.8 | - 20.4 | 0.0 | 0.0 |
| Value Dec. 31 | 56.2 | 32.7 | 0.2 | 0.0 |

Shares and participations, subsidiaries

| | | | | |
|--|--|--|-----------|---------|
| Acquisition value Jan. 1 | | | 2 346.3 | 3 208.6 |
| + Investment | | | 1 820.7 | 8.6 |
| + Other increase | | | 544.9 | 17.9 |
| - Decrease | | | - 1 015.9 | - 888.8 |
| Acquisition value Dec. 31 | | | 3 696.0 | 2 346.3 |
| - Accumulated extraordinary depreciation | | | - 484.3 | - 634.3 |
| Net book value Dec. 31 | | | 3 211.7 | 1 712.0 |
| In Finland: | | | | |
| Taxable value | | | 2 381.9 | 1 756.8 |
| Residual value | | | 3 211.7 | 1 712.0 |

Shares and participations, associated companies

| | | | | |
|--|---------|---------|--------|---------|
| Acquisition value Jan. 1 | 233.7 | 1 157.6 | 86.3 | 75.5 |
| + Investment | 52.6 | 60.5 | 49.9 | 11.7 |
| + Other increase | 16.4 | 3.7 | 26.0 | 853.2 |
| - Decrease | - 191.7 | - 988.2 | - 96.7 | - 854.2 |
| Acquisition value Dec. 31 | 110.9 | 233.7 | 65.5 | 86.3 |
| - Depreciations and adjusted share of equity | - 31.5 | - 1.1 | - 1.6 | - 5.2 |
| Net book value Dec. 31 | 79.4 | 232.5 | 63.9 | 81.0 |
| In Finland: | | | | |
| Taxable value | 77.3 | 55.5 | 61.8 | 55.5 |
| Residual value | 63.9 | 81.4 | 63.9 | 81.0 |

Shares and participations, others

| | | | | |
|--|--------|--------|--------|--------|
| Acquisition value Jan. 1 | 183.0 | 179.9 | 170.0 | 166.1 |
| + Investment | 37.2 | 17.5 | 25.4 | 15.0 |
| + Other increase | 15.8 | 0.2 | | 4.9 |
| - Decrease | - 12.8 | - 14.5 | - 0.8 | - 16.0 |
| Acquisition value Dec. 31 | 223.3 | 183.0 | 194.6 | 170.0 |
| - Accumulated extraordinary depreciation | - 98.2 | - 87.9 | - 97.9 | - 87.6 |
| Net book value Dec. 31 | 125.1 | 95.2 | 96.7 | 82.3 |
| In Finland: | | | | |
| Taxable value | 105.2 | 47.1 | 81.9 | 46.8 |
| Residual value | 98.2 | 88.5 | 96.7 | 82.3 |

Notes for Income Statements and Balance Sheets

8. Shares and participations as per December 31, 1997

| | Group holdings | | Currency | Nominal value | Book value | |
|--|----------------|-------|----------|---------------|-------------|----------------------|
| | No. of shares | % | | 1 000 | Group 1 000 | Parent Company 1 000 |
| Associated Companies: | | | | | | |
| In Finland | | | | | | |
| Addtek International Oy Ab | 499 350 | 39.8 | FIM | 49 935 | 49 935 | 49 935 |
| Parma Metals Oy | 3 625 | 50.0 | FIM | 3 625 | 11 694 | 11 694 |
| RS Hansa-Auto Oy | 12 500 | 50.0 | FIM | 12 500 | 12 500 | |
| Other associated companies (5) | | | | | 8 190 | 2 260 |
| In other countries | | | | | | |
| Armstrong Parafon AB, Sweden | 100 000 | 40.0 | SEK | 4 000 | 11 923 | |
| Controladora Accionaria Y Administrativa S.A De C.V., Mexico | 460 | 46.0 | MXP | 4 483 | 1 703 | |
| Rakke Lubjatehase AS, Estonia | 3 600 | 30.0 | EEK | 3 600 | 2 614 | |
| Rockwool Ecoprim AB, Sweden | 25 000 | 50.0 | SEK | 2 500 | 3 431 | |
| Steinullarverksmidjan H/F, Iceland | 587 522 | 27.7 | ISK | 58 752 | 3 061 | |
| Other associated companies (8) | | | | | 2 882 | |
| Adjusted share of equity | | | | | -28 520 | |
| Associated companies, total | | | | | 79 413 | 63 890 |
| Other companies: | | | | | | |
| In Finland | | | | | | |
| Cervuctum Oy | 150 000 | 18.8 | FIM | 15 000 | 15 000 | 15 000 |
| Polar-Yhtymä Oy | 6 359 227 | 5.3 | FIM | 63 592 | 59 615 | 49 995 |
| Specialty Minerals Nordic Oy Ab | 7 250 | 15.8 | FIM | 7 250 | 4 363 | |
| Unsa Oy | 282 000 | n/a | FIM | 28 200 | 25 400 | 25 400 |
| Viljavuuspalvelu Oy | 6 490 | 13.0 | FIM | 649 | 605 | |
| Telephone share and participations (30) | | | | | 2 198 | 1 175 |
| Other domestic companies (71) | | | | | 6 278 | 5 131 |
| In other countries | | | | | | |
| Lana Di Roccia S.P.A. Isolroc, Italy | 255 872 | 19.9 | ITL | 2 558 720 | 6 415 | |
| Verdalskalk A/S, Norway | 30 | 10.0 | NOK | 5 400 | 2 717 | |
| Other foreign companies (19) | | | | | 2 549 | |
| Other companies, total | | | | | 125 140 | 96 701 |
| Holdings in subsidiaries: | | | | | | |
| In the Container handling business area | | | | | | |
| Kalmar Industries AB, Sweden | 11 986 000 | 51.1 | SEK | 293 750 | 359 226 | |
| AB Kalmar Industries Finans, Sweden | 500 | 51.1 | SEK | 50 000 | 25 269 | |
| AS Finmec, Estonia | 625 | 51.1 | EEK | 6 250 | 2 538 | |
| Kalmar LMV AB, Sweden | 500 000 | 51.1 | SEK | 50 000 | 124 863 | |
| Kalmar LMV Sverige AB, Sweden | 20 000 | 51.1 | SEK | 20 000 | 43 638 | |
| Sisu North America Inc., USA | 400 000 | 51.1 | USD | 403 | 69 201 | |
| Sisu Terminal Systems Oy, Finland | 27 500 | 51.1 | FIM | 137 500 | 175 191 | |
| Velsa Oy, Finland | 5 575 | 51.1 | FIM | 5 575 | 19 477 | |
| Other subsidiaries in Container handling (21) | | | | | 134 726 | |
| In the Cargo handling business area | | | | | | |
| Partek Cargotec AB, Sweden | 1 000 000 | 100.0 | SEK | 100 000 | 250 073 | |
| Cargotec Inc, USA | 1 000 | 100.0 | USD | 7 697 | 27 987 | |
| Hiab AB, Sweden | 2 140 000 | 100.0 | SEK | 107 000 | 132 772 | |
| Hiab Accessories B.V., the Netherlands | 100 | 100.0 | NLG | 100 | 14 991 | |
| Hiab B.V., the Netherlands | 100 | 100.0 | NLG | 100 | 22 077 | |
| Hiab Danmark A/S, Denmark | 70 | 100.0 | DKK | 4 300 | 16 035 | |
| Hiab-Foco S.A., France | 83 700 | 100.0 | FRF | 8 370 | 8 882 | |
| Hiab-Multilift GmbH, Germany | n/a | 100.0 | DEM | 6 100 | 14 587 | |
| Jonsered Cranes AB, Sweden | 100 000 | 100.0 | SEK | 10 000 | 11 922 | |
| LeeBur-Multilift B.V., the Netherlands | 175 000 | 100.0 | NLG | 175 | 1310 | |
| Loglift Oy Ab, Finland | 1 900 000 | 100.0 | FIM | 19 000 | 38 444 | |
| Multilift Oy, Finland | 1 080 | 100.0 | FIM | 10 800 | 28 550 | |
| Norba AB, Sweden | 104 000 | 100.0 | SEK | 13 000 | 9 142 | |
| Partek Cargotec (Holdings) Ltd, Great Britain | 3 860 000 | 100.0 | GBP | 3 860 | 52 318 | |
| Partek Cargotec Co Ltd, South Korea | 885 100 | 95.1 | KRW | 8 851 000 | 16 383 | |
| Partek Cargotec K.K., Japan | 1 781 | 100.0 | JPY | 445 250 | 30 532 | |
| Partek Cargotec S.A., Spain | 106 513 | 100.0 | ESP | 532 565 | 41 007 | |
| Other subsidiaries in Cargotec (33) | | | | | 146 556 | |
| In the Forest machines business area | | | | | | |
| Sisu Logging AB, Sweden | 1 570 000 | 100.0 | SEK | 157 000 | 134 264 | |
| Cranab AB, Sweden | 630 000 | 100.0 | SEK | 6 300 | 43 031 | |
| Logging Norge A/S, Norway | 6 000 | 60.0 | NOK | 6 000 | 5 171 | |
| Sisu Logging Australia Pty. Ltd, Australia | 1 500 000 | 100.0 | AUD | 1 500 | 4 993 | |
| Sisu Logging Equipamentos Ltda, Brazil | 850 000 | 85.0 | BRL | 850 | 15 394 | |
| Sisu Logging GmbH, Germany | | 100.0 | DEM | 2 000 | 6 246 | |
| Sisu Logging Oy, Finland | 1 800 000 | 100.0 | FIM | 18 000 | 19 559 | |
| Other subsidiaries in Forest machines (2) | | | | | 2 666 | |

Notes for Income Statements and Balance Sheets

In the Tractors business area

| | | | | | |
|--|-------------|-------|-----|---------|---------|
| Valtra Oy, Finland | 2 948 | 100.0 | FIM | 159 192 | 236 390 |
| Artam do Brasil Comercio E Importacao Ltda, Brazil | 15 993 059 | 100.0 | BRL | 15 993 | 19 897 |
| Sisu Diesel Oy, Finland | 35 000 | 100.0 | FIM | 35 000 | 55 000 |
| Tracfin Holding Oy, Finland | 74 263 | 100.0 | FIM | 74 263 | 148 511 |
| Valding Comercio E Empreendimentos Ltda, Brazil | 35 188 544 | 100.0 | BRL | 35 188 | 96 398 |
| Valtra do Brasil S.A., Brazil | 283 732 036 | 99.96 | BRL | 110 454 | 325 355 |
| Valtra Guarapuava Maq. Agricolas Ltda, Brazil | 964 998 | 99.98 | BRL | 965 | 5 621 |
| Valtra Tracteurs France S.A., France | 839 996 | 100.0 | FRF | 21 000 | 18 750 |
| Valtra Tractores Argentina S.A., Argentina | 500 000 | 100.0 | ARS | 500 | 2 710 |
| Valtra Traktor AB, Sweden | 98 000 | 100.0 | SEK | 9 800 | 7 200 |
| Other subsidiaries in Tractors (12) | | | | | 53 463 |

In the Lime business area

| | | | | | | |
|-------------------------------------|---------|-------|-----|---------|---------|---------|
| Partek Nordkalk Oy Ab, Finland | 168 000 | 100.0 | FIM | 168 000 | 168 000 | 168 000 |
| AB Ignaberga Kalksten, Sweden | 7 500 | 100.0 | SEK | 750 | 5 605 | |
| Partek Nordkalk AB, Sweden | 120 000 | 100.0 | SEK | 12 000 | 91 397 | |
| Partek Nordkalk Sturugns AB, Sweden | 250 000 | 100.0 | SEK | 25 000 | 112 175 | |
| SP Minerals Oy Ab, Finland | 501 | 50.1 | FIM | 10 020 | 25 037 | |
| Suomen Karbonaatti Oy, Finland | 12 495 | 51.0 | FIM | 12 495 | 21 278 | |
| Uddagårdskalk AB, Sweden | 2 000 | 100.0 | SEK | 250 | 3 431 | |
| Other subsidiaries in Lime (9) | | | | | 12 806 | |

In the Insulation business area

| | | | | | |
|---------------------------------------|---------|-------|-----|---------|---------|
| Partek Insulation AB, Sweden | 599 500 | 100.0 | SEK | 59 950 | 330 917 |
| Partek Jungers AB, Sweden | 28 000 | 100.0 | SEK | 14 000 | 6 863 |
| Partek Paroc Oy Ab, Finland | 100 000 | 100.0 | FIM | 100 000 | 94 709 |
| Partek Rockwool AB, Sweden | 500 000 | 100.0 | SEK | 50 000 | 92 650 |
| UAB Partek Paroc, Lithuania | 19 800 | 69.2 | LTL | 19 800 | 26 766 |
| Other subsidiaries in Insulation (19) | | | | | 12 338 |

Finance, service and other subsidiaries

| | | | | | | |
|--|------------|-------|-----|-----------|-----------|-----------|
| Green Arrow Insurance Ltd, Great Britain | 500 000 | 100.0 | USD | 500 | 15 365 | 15 365 |
| Oy Green Arrow Securities Ltd, Finland | 1 020 000 | 100.0 | FIM | 51 000 | 5 5617 | 55 617 |
| Oy Sisu Ab, Finland | 36 929 666 | 100.0 | FIM | 369 296 | 1 791 560 | 1 791 560 |
| Oy Sisu Auto Ab, Finland | 35 000 | 100.0 | FIM | 35 000 | 70 000 | |
| Parcomp Oy Ab, Finland | 10 | 100.0 | FIM | 1 000 | 1 008 | 1 008 |
| Partek Betonila Oy Ab, Finland | 200 000 | 100.0 | FIM | 200 000 | 77 725 | 77 725 |
| Partek Finance N.V., Belgium | 240 252 | 100.0 | BEF | 2 402 520 | 474 226 | 474 216 |
| Partek Sverige AB, Sweden | 2 380 000 | 100.0 | SEK | 238 000 | 557 249 | 557 249 |
| Sisu Akselit Oy, Finland | 10 000 | 100.0 | FIM | 10 000 | 20 000 | |
| Real estate companies (39) | | | | | 256 853 | 14 364 |
| Other subsidiaries (21) | | | | | 220 629 | 56 614 |

Parent Company's total holdings in subsidiaries

3 211 718

Full details of shares in subsidiaries and other companies are included in the Annual Accounts.

9. Share of equity in associated companies

| (Group) | Share of equity | 1997, FIMm | 1996, FIMm |
|---------------------------------------|-----------------|---------------|---------------|
| A-Rakennusmies Oy ¹⁾ | – | – | 8.6 |
| Addtek International Oy Ab | 39.8 | 46.6 | – |
| Parma Metals Oy, Forssa | 50.0 | 6.1 | 10.1 |
| Parma Betonila Oy Ab ¹⁾ | – | – | – |
| RS-Hansa-Auto Oy | 50.0 | 4.5 | – |
| Parma Oy, Forssa ¹⁾ | – | – | 63.3 |
| Partek Betonila Oy Ab ¹⁾ | – | – | 68.4 |
| Other associated companies in Finland | – | 3.3 | 5.5 |
| Eastern Partek Pte Ltd, Singapore | – | – | 73.3 |
| UAB Partek Paroc, Lithuania | – | – | 15.4 |
| Armstrong Parafon AB, Sweden | 40.0 | 10.3 | – |
| Controladora Accionaria y | – | – | – |
| Administrativa S.A. de C.V., Mexico | 46.0 | 5.4 | 3.8 |
| Rockwool Ecoprim AB, Sweden | 50.0 | 6.4 | 6.0 |
| Steinullarverksmidjan H/F, Iceland | 27.7 | 7.0 | 5.1 |
| Other associated companies | – | 7.8 | 0.8 |

¹⁾ Owned by the Parent Company

Notes for Income Statements and Balance Sheets

10. Long- and short-term receivables

| (FIM million) | Group | | Parent Company | |
|---|------------------|------------------|------------------|------------------|
| | Dec. 31, 1997 | Dec. 31, 1996 | Dec. 31, 1997 | Dec. 31, 1996 |
| Board of Directors and Executive Board | | | | |
| Long-term loans | 0.5 | 0.5 | 0.5 | 0.5 |
| Short-term loans | 0.0 | 0.2 | 0.0 | 0.2 |
| Total | 0.5 | 0.6 | 0.5 | 0.6 |
| Other personnel | | | | |
| Long-term loans | 2.4 | 4.6 | 2.2 | 4.1 |
| Short-term loans | 1.9 | 2.3 | 1.7 | 2.1 |
| Total | 4.3 | 6.9 | 3.9 | 6.2 |
| Subsidiaries | | | | |
| Long-term loans | | | 914.9 | 230.1 |
| Short-term loans | | | 835.0 | 662.1 |
| Accounts receivable | | | 15.0 | 12.5 |
| Prepayments and accrued income | | | 35.8 | 13.2 |
| Other short-term receivables | | | 101.7 | 9.3 |
| Total | | | 1 902.3 | 927.2 |
| Associated companies | | | | |
| Long-term loans | 116.7 | 46.3 | 161.0 | 34.3 |
| Short-term loans | 0.1 | 0.0 | 0.0 | 0.0 |
| Accounts receivable | 41.7 | 18.1 | 22.2 | 0.5 |
| Prepayments and accrued income | 1.6 | 1.8 | 1.6 | 0.9 |
| Other short-term receivables | 0.3 | 0.6 | 0.3 | 0.6 |
| Total | 160.4 | 66.9 | 185.1 | 36.3 |

Others

| | | | | |
|--------------------------------|----------------|----------------|-------------|-------------|
| Long-term loans | 126.1 | 1.9 | 65.0 | 0.2 |
| Short-term loans | 48.0 | 159.5 | 4.4 | 32.2 |
| Accounts receivable | 2 112.4 | 848.0 | 3.8 | 3.6 |
| Prepayments and accrued income | 135.5 | 120.5 | 10.6 | 51.4 |
| Other short-term receivables | 261.1 | 40.6 | 11.5 | 6.1 |
| Total | 2 683.2 | 1 170.5 | 95.3 | 93.4 |

Long-term receivables

| | | | | |
|--|--------------|-------------|----------------|--------------|
| Board of Directors and Executive Board | 0.5 | 0.5 | 0.5 | 0.5 |
| Other personnel | 2.4 | 4.6 | 2.2 | 4.1 |
| Subsidiaries | 0.0 | | 914.9 | 230.1 |
| Associated companies | 116.7 | 46.3 | 161.0 | 34.3 |
| Others | 126.1 | 1.9 | 65.0 | 0.2 |
| Total | 245.7 | 53.2 | 1 143.6 | 269.2 |

Short-term receivables

| | | | | |
|--|----------------|----------------|----------------|--------------|
| Board of Directors and Executive Board | 0.0 | 0.2 | 0.0 | 0.2 |
| Other personnel | 1.9 | 2.3 | 1.7 | 2.1 |
| Subsidiaries | | | 987.4 | 697.1 |
| Associated companies | 43.7 | 20.6 | 24.1 | 3.0 |
| Others | 2 557.1 | 1 168.6 | 30.3 | 93.2 |
| Total | 2 602.7 | 1 191.6 | 1 043.5 | 794.5 |

11. Change in shareholder's equity

| (FIM million) | Total | Restricted equity | | | | Non-restricted equity | |
|--|----------------|-------------------|-----------------------|---------------------|------------------|----------------------------|-----------------------------|
| | | Share capital | Share premium account | Revaluation reserve | Other restricted | Equity in untaxed reserves | Other non-restricted equity |
| Group | | | | | | | |
| January 1, 1997 | 2 389.5 | 385.0 | 530.8 | 36.7 | 222.8 | 199.7 | 1 014.6 |
| Directed issue | 785.0 | 100.0 | 685.0 | | | | |
| Translation differences | - 6.2 | | | | 64.5 | - 0.1 | - 70.6 |
| Conversion of convertible sub. bonds | 0.0 | | | | | | |
| Transfer to restricted equity | 0.0 | | | | 34.6 | | - 34.6 |
| Transfer of undistributed profit in the associated companies' profit | 0.0 | | | | | | |
| Cancellation of the transfer of undistributed profit in the associated companies due to sale | 0.0 | | | | - 34.0 | | 34.0 |
| Transfer of change in equity share of change in untaxed reserves | 0.0 | | | | | - 14.2 | 14.2 |
| Dividends paid | - 154.0 | | | | | | - 154.0 |
| Other changes | 8.8 | | | | 0.6 | | 8.2 |
| Net result for the financial year | 350.8 | | | | | | 350.8 |
| December 31, 1997 | 3 373.9 | 485.0 | 1 215.8 | 36.7 | 288.4 | 185.4 | 1 162.6 |

N.B. In accordance with current legislation for certain foreign subsidiaries FIM 0.8 million should be transferred from non-restricted equity to restricted equity.

Parent Company

| | | | | | | | |
|--------------------------------------|----------------|--------------|----------------|-------------|--------------|--|----------------|
| January 1, 1997 | 2 351.7 | 385.0 | 530.8 | 36.3 | 167.8 | | 1 231.8 |
| Share issue | 785.0 | 100.0 | 685.0 | | | | |
| Conversion of convertible sub. bonds | 0.0 | 0.0 | 0.0 | | 0.0 | | |
| Dividends paid | - 154.0 | | | | | | - 154.0 |
| Net result for the financial year | 218.6 | | | | | | 218.6 |
| December 31, 1997 | 3 201.3 | 485.0 | 1 215.8 | 36.3 | 167.8 | | 1 296.4 |

Notes for Income Statements and Balance Sheets

12. Untaxed reserves

| (FIM million) | Dec. 31, | | Dec. 31, | |
|---|--------------|-------------|---------------|--------------|
| | 1997 | Increase | Decrease | 1996 |
| Group, Partek's share | | | | |
| Accumulated depreciation in excess of plan | 255.4 | 42.6 | - 50.7 | 263.5 |
| Operating reserve | 0.0 | | - 6.7 | 6.7 |
| Other reserves | 1.2 | 4.0 | - 11.0 | 8.1 |
| Total | 256.6 | 46.6 | - 68.4 | 278.4 |
| of which | | | | |
| Equity share | 185.4 | 29.5 | - 43.8 | 199.7 |
| Deferred taxes | 71.2 | 17.1 | - 24.6 | 78.7 |
| In the deferred taxes are also included: | | | | |
| Deferred taxes in respect of minority interest in untaxed reserves | 17.3 | 19.7 | - 5.7 | 3.3 |
| Deferred taxes on untaxed reserves where the equity share has been eliminated | 40.4 | 44.2 | - 13.8 | 10.0 |
| Deferred taxes total | 128.9 | 81.0 | - 44.1 | 91.9 |
| Parent Company | | | | |
| Accumulated depreciation in excess of plan | 15.8 | - | - 39.7 | 55.5 |
| Total | 15.8 | - | - 39.7 | 55.5 |

14. Long-term liabilities

| (FIM million) | Group | |
|--|----------------|----------------|
| | Dec. 31, 1997 | Dec. 31, 1996 |
| Local currencies | 1 912.4 | 818.2 |
| of which in FIM 1 184.4 (414.3) million. | | |
| Other currencies | | |
| Belgium BEF | 182.6 | 187.0 |
| Germany DEM | 47.2 | 32.9 |
| Japan JPY | 4.0 | |
| Netherlands NLG | 26.9 | 74.7 |
| Sweden SEK | 87.2 | 100.6 |
| USA USD | 41.3 | - |
| Total | 2 301.5 | 1 213.3 |
| Loan repayments | - 481.7 | - 168.1 |
| Long-term liabilities, total | 1 819.9 | 1 045.2 |

13. Provisions

| (FIM million) | Group | | Parent Company | |
|-----------------------------------|--------------|--------------|----------------|------------|
| | 1997 | 1996 | 1997 | 1996 |
| For project deliveries and claims | 67.2 | 7.7 | 6.8 | 2.4 |
| For restructuring | 99.2 | 87.9 | 8.3 | 1.7 |
| Others | 77.5 | 28.5 | 1.5 | 5.4 |
| Total | 243.9 | 124.1 | 16.5 | 9.5 |

Long-term liabilities are loans taken by individual Group companies in the corresponding country's currency and loans taken in some other currency. Most of the loans in other currencies have been taken to minimise the effects of exchange rate fluctuations on foreign subsidiaries' equity. The principal currencies in question are shown at left.

Long-term liabilities to be repaid according to the following schedule:

| | 1998 | 1999 | 2000 | 2001 | 2002 or later | Total |
|------------------------------------|--------------|--------------|--------------|--------------|----------------|----------------|
| Group: | | | | | | |
| Debentures and bonds with warrants | 101.5 | - | - | - | | 101.5 |
| Loans from financial institutions | 343.4 | 172.5 | 211.5 | 130.3 | 730.9 | 1 588.6 |
| Pension loans | 13.8 | 12.9 | 12.1 | 11.3 | 320.5 | 370.5 |
| Other interest-bearing loans | 23.0 | 10.6 | 17.1 | 10.0 | 42.4 | 103.2 |
| Deferred taxes | - | - | - | - | 128.9 | 128.9 |
| Interest-free loans | - | 0.7 | - | - | 8.2 | 8.9 |
| Total | 481.7 | 196.7 | 240.7 | 151.7 | 1 230.9 | 2 301.5 |
| Parent Company: | | | | | | |
| Debentures and bonds with warrants | 101.5 | - | - | - | - | 101.5 |
| Loans from financial institutions | 196.7 | 28.1 | 28.1 | 23.2 | 20.7 | 296.7 |
| Pension loans | 12.8 | 11.9 | 11.2 | 10.4 | 135.0 | 181.3 |
| Other interest-bearing loans | 0.2 | 0.2 | 0.2 | - | 0.0 | 0.5 |
| Interest-free loans | - | - | - | - | 1.8 | 1.8 |
| Total | 311.1 | 40.2 | 39.4 | 33.6 | 157.5 | 581.8 |

Notes for Income Statements and Balance Sheets

15. Debentures and bonds with warrants

| Company/ Issue | Interest rate % | Term | Long-term liabilities, FIM m |
|--|--------------------|-----------|------------------------------------|
| Partek Corporation | | | |
| Bonds, 100 FIM million, fixed rate | 11.0 | 1993/1998 | 100.0 |
| Bonds with warrants, 1.5 FIM million, floating rate | 2.47 | 1994/1998 | 1.5 |
| Total Dec. 31, 1997 | | | 101.5 |

16. Short-term interest-bearing liabilities

| (FIM million) | Group | | Parent Company | |
|------------------------------|------------------|------------------|------------------|------------------|
| | Dec. 31, 1997 | Dec. 31, 1996 | Dec. 31, 1997 | Dec. 31, 1996 |
| Repayment on long-term loans | 481.7 | 168.1 | 311.1 | 41.5 |
| Subsidiaries | | | 1 180.3 | 288.8 |
| Associated companies | 2.0 | 1.3 | | |
| Other short-term debts | 1 202.0 | 44.5 | 789.0 | 1.2 |
| Total | 1 685.7 | 213.9 | 2 280.4 | 331.5 |

17. Short-term interest-free liabilities

| (FIM million) | Group | | Parent Company | |
|-------------------------------------|------------------|------------------|------------------|------------------|
| | Dec. 31, 1997 | Dec. 31, 1996 | Dec. 31, 1997 | Dec. 31, 1996 |
| Subsidiaries | | | | |
| Accounts payable | | | 6.4 | 2.3 |
| Accrued expenses and prepaid income | | | 29.1 | 0.8 |
| Other interest-free debts | | | 0.2 | 0.3 |
| Total | | | 35.7 | 3.4 |
| Associated companies | | | | |
| Accounts payable | 4.5 | 1.3 | 0.0 | 0.1 |
| Advances received | | 0.2 | | |
| Accrued expenses and prepaid income | 8.3 | 0.2 | 0.1 | 0.1 |
| Other interest-free debts | | 0.3 | | 0.3 |
| Total | 12.7 | 2.0 | 0.1 | 0.4 |
| Others | | | | |
| Accounts payable | 931.8 | 441.3 | 8.1 | 7.5 |
| Advances received | 64.4 | 75.9 | | |
| Accrued expenses and prepaid income | 979.9 | 458.4 | 97.1 | 74.7 |
| Other interest-free debts | 408.2 | 314.9 | 39.1 | 51.4 |
| Total | 2 384.3 | 1 290.5 | 144.3 | 133.6 |

18. Internal dividends, interest income and expenses

| (FIM million) | Parent Company | |
|--------------------------------------|----------------|-------|
| | 1997 | 1996 |
| Dividends from Group companies | 34.1 | 145.7 |
| Dividends from others | 3.8 | 4.0 |
| Interest income from Group companies | 52.6 | 38.6 |
| Interest income from others | 7.7 | 18.2 |
| Interest expenses to Group companies | 17.7 | 16.8 |
| Interest expenses to others | 81.0 | 111.5 |

19. Contingent liabilities

| (FIM million) | Group | | Parent Company | |
|----------------------------|------------------|------------------|------------------|------------------|
| | Dec. 31, 1997 | Dec. 31, 1996 | Dec. 31, 1997 | Dec. 31, 1996 |
| Pledged assets | | | | |
| Security for own debts | | | | |
| Real estate mortgages | 181.4 | 413.3 | - | 2.7 |
| Other mortgages | 156.8 | 220.8 | - | |
| Other pledges | 91.8 | 39.1 | - | |
| Security for others' debts | 5.2 | | | |
| Total | 435.2 | 673.3 | - | 2.7 |

Contingent liabilities

| (FIM million) | Group | | Parent Company | |
|------------------------------|------------------|------------------|------------------|------------------|
| | Dec. 31, 1997 | Dec. 31, 1996 | Dec. 31, 1997 | Dec. 31, 1996 |
| Security for others' debts | | | | |
| Guarantees | | | | |
| for subsidiaries | - | - | 1 469.2 | 820.5 |
| for associated companies | 76.5 | 154.7 | 62.2 | 149.2 |
| for management | - | - | - | - |
| for others | 64.5 | 33.9 | 21.9 | 33.8 |
| Discounted bills | 47.8 | 38.1 | - | - |
| Other contingent liabilities | 274.8 | 36.8 | 3.5 | 3.5 |
| Total | 463.6 | 263.5 | 1 556.8 | 1 007.1 |

Leasing agreements

In accordance with current leasing agreements leasing charges during the coming five years will amount to:

| | | |
|---------------|-------|-----|
| 1998 | 43.7 | 0.4 |
| 1999 | 44.5 | 0.2 |
| 2000 | 37.2 | 0.1 |
| 2001 | 34.5 | 0.0 |
| 2002 or later | 230.0 | 0.0 |
| Total | 389.9 | 0.6 |

Nominal values of derivative instruments on Dec. 31, 1997

| | Closed | | Open | Market |
|------------------------------------|---------|-----------|---------|--------|
| | Total | contracts | | |
| Foreign exchange forward contracts | 3 840.6 | 1 215.6 | 2 625.0 | - 27.5 |
| Foreign exchange swaps | 108.4 | 0 | 108.4 | - 9.7 |
| Foreign exchange options | 27.1 | 0 | 27.1 | 0 |
| Interest rate swaps | 1 970.1 | 1 820.1 | 150.0 | 19.2 |
| Interest rate forward contracts | 7 243.0 | 7 243.0 | 0 | 0.9 |

Notes for Income Statements and Balance Sheets

20. Segment data

| (FIM million) | Net sales | | Operating profit | |
|---------------------------|-----------------|----------------|------------------|--------------|
| | 1997 | 1996 | 1997 | 1996 |
| By business area | | | | |
| Container handling | 1 145.6 | – | 76.4 | – |
| Cargo handling | 2 385.9 | 2 169.0 | 75.4 | – 24.9 |
| Forest machines | 691.6 | – | 62.7 | – |
| Tractors | 2 304.7 | – | 147.2 | – |
| Lime | 1 150.2 | 976.1 | 165.0 | 147.4 |
| Insulation | 1 283.0 | 1 340.9 | 108.3 | 101.2 |
| Other Business Activities | 2 038.1 | 1 688.9 | 222.7 | 114.5 |
| Others and eliminations | – 255.6 | – 15.0 | – 132.1 | – 54.0 |
| Inter-Group sales | | | | |
| Total | 10 743.5 | 6 159.9 | 725.6 | 284.1 |

By geographical area

| | | | | |
|--------------------------|-----------------|----------------|--------------|--------------|
| Finland | 2 636.2 | 1 223.6 | 501.9 | 162.3 |
| Other Scandinavia | 2 257.3 | 1 706.5 | 116.0 | 76.4 |
| Other EU countries | 2 936.6 | 2 269.1 | – 10.5 | 29.5 |
| Other European countries | 461.2 | 272.5 | 4.7 | – 4.1 |
| North America | 828.6 | 213.0 | 46.1 | 7.5 |
| South America | 865.4 | 7.0 | 53.0 | 0.0 |
| Asia | 551.0 | 409.7 | 15.9 | 11.9 |
| Other countries | 207.2 | 59.0 | – 1.5 | 0.6 |
| Total | 10 743.5 | 6 159.9 | 725.6 | 284.1 |

| | Average personnel | | Payroll costs (FIM million) | |
|---------------------------|-------------------|--------------|-----------------------------|----------------|
| By business area | | | | |
| Container handling | 1 228 | – | 228.4 | |
| Cargo handling | 2 591 | 2 759 | 575.2 | 565.8 |
| Forest machines | 443 | – | 105.5 | |
| Tractors | 1 506 | – | 276.2 | |
| Lime | 1 062 | 1 032 | 221.5 | 185.0 |
| Insulation | 1 650 | 1 618 | 344.0 | 341.5 |
| Other Business Activities | 1 853 | 2 130 | 449.5 | 468.1 |
| Others and eliminations | 131 | 202 | 67.3 | 58.8 |
| Inter-Group sales | | | | |
| Total | 10 464 | 7 741 | 2 267.6 | 1 619.4 |

By geographical area

| | | | | |
|--------------------------|---------------|--------------|----------------|----------------|
| Finland | 4 490 | 2 627 | 964.6 | 507.8 |
| Other Scandinavia | 2 548 | 2 431 | 609.6 | 553.2 |
| Other EU countries | 2 061 | 2 391 | 491.8 | 514.4 |
| Other European countries | 270 | 116 | 11.0 | 11.2 |
| North America | 378 | 57 | 82.2 | 14.4 |
| South America | 634 | 4 | 75.9 | 0.4 |
| Asia | 66 | 104 | 27.4 | 17.0 |
| Other countries | 17 | 11 | 5.1 | 1.1 |
| Total | 10 464 | 7 741 | 2 267.6 | 1 619.4 |

| (FIM million) | Investments | |
|---------------------------|----------------|--------------|
| By business area | | |
| Container handling | 20.6 | – |
| Cargo handling | 42.8 | 45.8 |
| Forest machines | 7.4 | – |
| Tractors | 45.8 | – |
| Lime | 141.7 | 76.2 |
| Insulation | 78.1 | 55.9 |
| Other Business Activities | 13.5 | 191.2 |
| Others and eliminations | 1 910.5 | 46.3 |
| Total | 2 260.4 | 415.4 |

By geographical area

| | | |
|--------------------------|----------------|--------------|
| Finland | 2 123.6 | 203.6 |
| Other Scandinavia | 100.5 | 59.3 |
| Other EU countries | 4.7 | 144.9 |
| Other European countries | 2.5 | 5.5 |
| North America | 12.4 | 0.9 |
| South America | 14.1 | 0.0 |
| Asia | 1.9 | 1.0 |
| Other countries | 0.7 | 0.2 |
| Total | 2 260.4 | 415.4 |

Notes for Income Statements and Balance Sheets

21. Adjustment for financial leasing

According to legislation in Finland financial leasing cannot be shown in accordance with international practice. The effects of applying IAS 17 are as follows

| | Operating profit/loss | Financial items | Profit/loss after financial items |
|--|-----------------------|-----------------|-----------------------------------|
| Income statement | | | |
| As shown in the Income Statement | 725.6 | - 155.8 | 569.8 |
| Adjustment for interest expenses included in leasing charges | 10.3 | - 10.3 | - |
| Adjusted Income Statement | 735.9 | - 166.1 | 569.8 |

| | Fixed assets | Liabilities | Balance Sheet total |
|---------------------------------|--------------|-------------|---------------------|
| Balance sheet | | | |
| Balance Sheet value as shown | 4 598.6 | 5 902.6 | 9 959.2 |
| Residual value of leased assets | 253.4 | 253.4 | 253.4 |
| Adjusted Balance Sheet | 4 852.0 | 6 156.0 | 10 212.6 |

| | Return on capital employed | Return on total capital | Equity to total assets ratio |
|--|----------------------------|-------------------------|------------------------------|
| Key figures | | | |
| According to FAS | 14.2 | 10.8 | 38.5 |
| After adjustments in the Income Statement and in the Balance Sheet | 13.8 | 10.6 | 37.6 |

Five-year review

| | | 1997 | 1996 | 1995 | 1994 | 1993 |
|--|-------------|------------------|-----------|---------|---------|---------|
| From income statement | | | | | | |
| Net sales | FIM million | 10 743.5 | 6 159.9 | 6 556.4 | 6 166.3 | 6 609.8 |
| change | % | 74.4 | - 6.0 | 6.5 | - 6.7 | - 0.3 |
| foreign sales | % | 75.0 | 80.1 | 81.9 | 81.5 | 74.5 |
| Operating profit | FIM million | 725.6 | 284.1 | 379.5 | 231.5 | 4.1 |
| % of net sales | % | 6.8 | 4.6 | 5.8 | 3.8 | 0.1 |
| Profit after financial items | FIM million | 569.8 | 226.1 | 270.1 | 41.1 | - 407.3 |
| % of net sales | % | 5.3 | 3.7 | 4.1 | 0.7 | - 6.2 |
| Profit before tax and minority interest | FIM million | 553.5 | 587.5 | 225.4 | - 202.6 | - 433.9 |
| Net profit for the financial year | FIM million | 350.8 | 515.0 | 149.4 | - 193.9 | - 392.5 |
| From balance sheet | | | | | | |
| Fixed assets | FIM million | 4 598.6 | 2 709.1 | 3 921.8 | 4 018.1 | 3 998.7 |
| Inventories | FIM million | 2 252.1 | 810.5 | 948.7 | 795.4 | 915.6 |
| Financial assets | FIM million | 3 108.5 | 1 599.1 | 1 779.8 | 1 776.6 | 1 626.6 |
| Restricted equity | | | | | | |
| incl. conv. sub. bonds | FIM million | 2 025.9 | 1 175.2 | 1 248.8 | 1 125.0 | 837.7 |
| Non-restricted equity | FIM million | 1 348.0 | 1 214.3 | 666.4 | 665.7 | 762.9 |
| Minority interest | FIM million | 438.8 | 53.4 | 59.8 | 54.0 | 35.4 |
| Provisions and untaxed reserves | FIM million | 243.9 | 124.1 | 253.0 | 273.7 | 144.2 |
| Long-term liabilities | FIM million | 1 819.9 | 1 045.2 | 1 571.6 | 1 745.6 | 2 383.0 |
| Short-term liabilities | FIM million | 4 082.7 | 1 506.4 | 2 850.7 | 2 726.0 | 2 377.8 |
| Balance sheet total | FIM million | 9 959.2 | 5 118.6 | 6 650.3 | 6 590.1 | 6 540.9 |
| Capital employed | FIM million | 7 562.2 | 3 826.2 | 5 132.3 | 5 221.6 | 5 186.4 |
| From statement of source and applications of funds | | | | | | |
| Funds generated from operations | FIM million | 432.6 | 282.4 | 358.4 | 207.7 | - 102.7 |
| Change in working capital | FIM million | 12.9 | 59.7 | - 75.6 | 58.3 | - 14.6 |
| Net investment | FIM million | - 1 294.6 | 1 267.5 | - 262.6 | - 286.4 | 667.2 |
| Loans less repayments | FIM million | 115.3 | - 1 645.1 | - 198.9 | - 303.5 | - 772.0 |
| Change in liquid assets | FIM million | - 96.7 | - 33.6 | - 68.4 | 76.6 | - 89.1 |
| Profitability | | | | | | |
| Return on capital employed | % | 14.2 | 9.2 | 10.1 | 6.1 | 0.2 |
| Return on total capital | % | 10.8 | 7.0 | 7.9 | 4.3 | 0.2 |
| Return on equity after taxes paid and change in deferred taxes | % | 12.4 | 7.4 | 11.0 | 3.7 | - 19.8 |
| Other ratios | | | | | | |
| Interest cover | times | 4.1 | 2.2 | 2.2 | 1.2 | 0.2 |
| Quick ratio | times | 0.77 | 1.12 | 0.65 | 0.68 | 0.71 |
| Current ratio | times | 1.31 | 1.60 | 0.96 | 0.94 | 1.07 |
| Equity to total assets | % | 38.5 | 48.4 | 30.1 | 28.5 | 25.4 |
| Per employee | | | | | | |
| Net sales | FIM 1 000 | 1 027 | 796 | 759 | 759 | 701 |
| Value added | FIM 1 000 | 325 | 282 | 274 | 267 | 253 |
| Wages and salaries | FIM 1 000 | 217 | 209 | 197 | 198 | 194 |
| Profit after financial items | FIM 1 000 | 55 | 29 | 31 | 5 | - 43 |
| Dividend | FIM 1 000 | 19 | 20 | 7 | 3 | - |
| Average number of staff | | | | | | |
| Finland | | 4 490 | 2 627 | 2 630 | 2 510 | 3 389 |
| Outside Finland | | 5 974 | 5 114 | 6 008 | 5 618 | 6 039 |
| Total | | 10 464 | 7 741 | 8 638 | 8 128 | 9 428 |

Financial risk management

Partek's business activities are exposed to financial risks such as currency risks, interest-rate risks, funding and liquidity risks, and counterparty risks. Partek's treasury function handles the control of the Group's financial risks centrally in line with the confirmed finance policy. The finance policy as well as detailed directions on the definition of financial risks, limits and the use of different financial instruments have been approved by the Group's Board of Directors.

The process of adaption to the finance policy is underway regarding those companies, which as a result of the big structural changes are now part of the Group.

The value of derivative contracts that were open at year end appears in note 19. Since the note doesn't include the underlying exposure hedged by the contracts, it doesn't as such represent the real risk exposure of Partek.

Currency risks

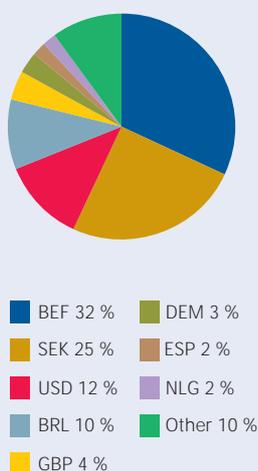
Foreign subsidiaries comprise the major part of Partek's business operations. Most of the exporting is done from Finland and Sweden. These activities cause currency risks i.e. translation and transaction exposure.

The Group's annual net currency flow (transaction risk) is about FIM 2 600 million per year. The biggest single currency for Partek is the US dollar, which account for about 27 percent. Other significant currencies are the British pound (GBP), the French franc (FRF), the German mark (DEM) and the Norwegian crown (NOK) which all together correspond to about 45 percent of the net currency flow. About 50 percent of the exposure is against the Swedish crown (SEK) and about 40 percent against the Finnish mark (FIM). The Group's net currency flow is hedged, as a rule, for the following twelve months, so that the effect of exchange rate fluctuations on the result is seen, on average, with a time lag of roughly 7 to 9 months.

The translation exposure that arises out of net assets abroad, i.e. the foreign subsidiaries' net equity, is hedged by loans or standardized derivatives in corresponding currencies. At the balance sheet date the net equity of the foreign subsidiaries amounted to FIM 2,000 million, 60 percent of which was hedged. Of the rest, FIM 345 million referred to Swedish crowns (SEK) and FIM 195 million to the Brazilian real (BRL).

Net equity in foreign subsidiaries

In different currencies, Dec. 31, 1997



Interest-rate risks

Changes in interest rates on interest-bearing receivables and debts in different currencies cause interest-rate risks. These risks are managed regularly with the help of duration analysis of the net interest-bearing debts. Various interest-rate derivatives such as swap agreements and forward rate agreements are used to manage the interest-rate risk.

At the end of 1997 the open swap agreements amounted to FIM 150 million.

Funding and liquidity risks

In minimizing the funding and liquidity risks the Group ensures that the proportion of short-term debts in relation to all the interest-bearing debts does not exceed a defined level and that the liquid assets and existing credit facilities cover estimated financing needs.

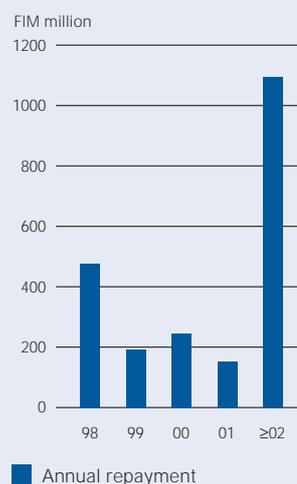
The interest-bearing debts amounted to FIM 3,368 million at year end. The percentage of short-term interest-bearing debts including repayments on loans within one year was 50 percent. It should be noted, however, that during the year the Group has signed a five year syndicated multicurrency revolving credit facility amounting to USD 210 million. To that extent the facility is used, the corresponding amount is shown as short-term interest-bearing debt. Long-term interest-bearing debts on a currency-by-currency basis and repayments for future years are shown in note 14. In addition to liquid assets of FIM 506 million, the unused credit facilities at the balance sheet date totalled FIM 2,100 million.

Interest-bearing net debts excluding convertible subordinated bonds were increased during the year by FIM 1,912 million and came to FIM 2,587 million at the end of the year.

Counterparty risks

The credit exposure related to investment of liquid assets is reduced by accepting only those counterparties having high creditworthiness. Derivative contracts are made only with leading banks and credit institutions. No credit losses related to counterparty risks were recorded.

Long-term interest bearing debts



Auditors' report

To the shareholders of Partek Corporation

(Translation)

We have audited the accounts, the accounting records and the administration by the Board of Directors and the Managing Director of Partek Corporation for the year ended 31 December 1997. The accounts prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the accounts. Based on our audit we express our opinion on these accounts 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 accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts, 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 Managing Director have complied with the rules of the Finnish Companies' Act.

In our opinion, the accounts have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of accounts in Finland. The accounts 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 Managing Director 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 is in compliance with the Finnish Companies' Act.

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

Helsinki, March 3, 1998

Eric Haglund
Authorized Public Accountant

Thor Nyroos
Authorized Public Accountant

Stock exchange release summary 1997

January 22, 1997

Partek and Sisu merge. The new Partek's net sales will rise to FIM 12 billion and its core business activities are cargo-handling machines and equipment, forest machines, tractors and mineral-based businesses. The merger will take place in stages during this year Partek will acquire 53.8% of Sisu, through a FIM 130 million cash payment and a targeted share issue of 10 million shares to the State of Finland, Valmet Corporation and Oy Sisu Ab's Personnel Pension Fund. The total calculated value of Sisu will be FIM 1.7 billion. In addition, Sisu will transfer to Partek interest bearing net debt amounting to FIM 1.4 billion.

February 2, 1997 Financial result

The Group's net sales totalled FIM 6,160 (1995: 6,556) million. The operating profit fell to FIM 284 (380) million. The profit after financial items was FIM 226 (270) million. The earnings per share was FIM 3.99 (5.04). The return on capital employed was 9.0 (10.1) percent and the equity was 7.4 (11.0) percent. The Board proposes that the dividend for 1996 be FIM 1.50 (1.50). It also proposes the payment of a further dividend of FIM 2.50 per share. The equity/total assets ratio was 48.0 (29.7) percent. Sisu will be consolidated into the company at the beginning of May.

April 10, 1997

Partek's Board of Directors elected Björn Mattsson, Honorary Councillor, as Chairman of the Board and Paavo Pitkänen, Managing Director, as Vice Chairman during its assembly meeting. The Board further decided that following the merger, Partek's management will comprise Christoffer Taxell, Christer Granskog, Carl-Gustaf Bergström and Kari Heinistö.

April 10, 1997 Partek's Annual General Meeting

Partek's AGM decided that a total dividend of FIM 4.00 per share will be paid for 1996. Juha Toivola, who retired by rote, was re-elected to the Board of Directors. New members elected were Risto Virrankoski, Juhani Riutta and Markku Tapio. The AGM also confirmed the accounts of the parent company and Group for 1996. The Board of Directors and President were granted a discharge from liability. In accordance with a proposal by the Board of Directors, the AGM decided to increase the company's share capital by FIM 100 million. The AGM decided at the first hearing to amend the Company's name to Partek Oyj Abp, in English Partek Corporation. The AGM decided at the first hearing to add a new redemption method.

April 11, 1997

Partek Nordkalk will be investing FIM 70 million in a new lime kiln, which will be built at the Tytyri lime plant at Lohja, Finland. The investment will increase Partek Nordkalk's production capacity of quick lime by 140,000 tonnes a year, raising the entire capacity thereof to just over a million tons a year.

May 23, 1997

Partek Corporation, the Swedish Addum AB and Industri Kapital have reached a preliminary negotiated outcome concerning the establishment of a new company. The company

will be comprised of Partek's precast concrete operations and Strängbetong AB, a subsidiary of Addum. The net sales of the merging companies amounts to FIM 2.7 billion. Partek will own 40 percent of the new company, Addum 40 percent and the Industri Kapital 1994 Fund 20 percent. The operative management will be offered the option to become shareholders in the company, and the intention is to later widen the company's ownership base.

June 13, 1997 Interim Report January-April 1997

The consolidated net sales amounted to FIM 1,949 (1996: 2,007) million, i.e. 3 percent lower than in January to April 1996. The consolidated operating profit was FIM 75 (42) million. The profit after financial items rose to FIM 51 (9) million. The earnings/share was FIM 0.78 (0.13). The consolidated balance sheet figure increased by FIM 4 billion from the end of 1996 and was FIM 9,373 (April 30, 1996: 6,739; December 31, 1996: 5,119) million. The increase is mainly the result of the acquisition of the majority shareholding in Sisu Corporation. Orders received within the engineering businesses grew by 12 percent.

June 16, 1997

Sisu Tractors, which is a part of the Partek Group, has today made an agreement with the Indian Eicher Tractors Ltd for the manufacture of tractors under licence. Eicher Tractors will purchase the manufacturing licence for the Valmet 365 tractor and start producing it in India.

June 16, 1997

Partek has signed a USD 210 million syndicated credit facility, the maturity of which is 5 years.

June 26, 1997

The Supreme Administrative Court has decided a turnover tax dispute in favour of Partek. According to the Court the transfer prices used in association with the incorporation of Partek's operations in 1991 had been justified and correct for the items in the transfer in terms of the amount and allocation. Partek has during the last years made provisions for FIM 53.2 million, so the cancellation of the tax will improve the company's result for the year by an equivalent amount.

July 8, 1997

Partek sells its 45% stakeholding in Eastern Partek Pte Ltd. Eastern Partek has net sales of FIM 316 million and operates in Singapore and Malaysia producing precast concrete, plasters and mortars. The proceeds of the transaction will amount to FIM 190 million on which Partek will realize a profit of FIM 104 million.

August 8, 1997

Partek Insulation AB has increased its shareholding in the joint venture company UAB Paroc Silikatas, which is situated in Vilnius in Lithuania, from 48 percent to 70 percent. UAB Paroc Silikatas produces rock wool-based building insulation. Partek Insulation AB has sold Pargro, its rock-wool-based greenhouse growing media business operations in Finland, to the Danish company Grodania A/S.

Stock exchange release summary 1997

August 18, 1997

Partek Oy Ab has today redeemed the Oy Sisu Ab shares owned by Aker RGI ASA. After having paid the redemption price of FIM 785 million plus the interest accumulated at the redemption date, Partek received Aker RGI's 17.1 million Sisu shares. This number corresponds to 46.2 percent of Sisu's share capital. Partek previously owned 53.8 percent of Sisu.

August 19, 1997

Kalmar Industries AB and Partek Corporation have signed a letter of intent in which Kalmar and Partek's subsidiary Sisu Terminal Systems will merge. The company's net sales will be FIM 3.1 billion and personnel will number some 3,200. The merger is expected to create significant synergy benefits. As a result of the merger Partek will become an owner of Kalmar with a 51 percent shareholding, and Kalmar a Partek subsidiary. The merger will take place during the autumn.

September 8, 1997

Partek Nordkalk Oy Ab and the Belgian minerals company S.C.R.-Sibelco have signed a letter of intent regarding the establishment of a jointly owned company for quartz and feldspar operations in Finland, Russia and the Baltic countries.

September 18, 1997

The Partek Board of Directors will propose to an extraordinary meeting of shareholders the issuing of a maximum of 1,260,000 option rights, disapplying the shareholders' pre-emptive right to subscription. About 100 management staff of Partek and its subsidiaries will be allowed to subscribe for the option rights gratuitously. Half of the shares can be subscribed at a price of FIM 120 in the year 2000, and the other half for FIM 140 in the year 2003.

October 2, 1997

A Partek extraordinary meeting of shareholders, which was held on October 1, 1997, decided in the second and final hearing to change the company's name to Partek Oyj (in English Partek Corporation) and to include a redemption clause in Partek's articles of association. Morten Persen, a member of Partek's board of directors, had requested to resign as a member of the board. Caj-Gunnar Lindström, managing director of the Åbo Akademi foundation was elected. In addition, the meeting decided on the board's proposal to issue a maximum of 1,260,000 option rights, disapplying the shareholders' pre-emptive right to subscription. The company's share capital could, as a result of subscriptions, increase by a maximum of FIM 12.6 million.

October 13, 1997 Interim report January-August 1997

Net sales amounted to FIM 5,958 (1996: 4,014) million. The units resulting from the acquisition of Sisu have been included in the consolidated accounts since 30 April 1997. Operating profit amounted to FIM 358 (137) million. Included in operating profit are nonrecurring items with a net value of approx. FIM 100 million. Profit after financial items amounted to FIM 284 (81) million. The Balance Sheet total was FIM 9,592 (31.12.1996: 5,119) million. The amount of interest-bearing net debt was FIM 2,844 (906) million. At the end of

August the total number of people in Partek's employ was 12,413.

October 24, 1997

As a part of the merger between Kalmar Industries AB and Sisu Terminal Systems (STS), Kalmar Industries AB's extraordinary general meeting has decided upon a new issue of shares directed to Partek and a proposal to offer the shareholders in Kalmar to redeem shares in the Company.

October 30, 1997

Partek's subsidiary, Partek Nordkalk expands its quick lime production in Sweden. The lime-burning plant that operates in association with SSAB Tunnpå AB's iron and steel mill at Luleå, Sweden will transfer to Partek Nordkalk by the end of the year.

November 3, 1997

The negotiated outcome announced at the end of May concerning the merger between Partek's precast concrete operations and the Swedish Strängbetong has been confirmed. In the arrangement Partek will release approx. FIM 600 million of capital, and a profit of about FIM 90 million will accrue on the disposal. The name of the new company will be Addtek.

November 14, 1997

Partek Corporation, Toijala Works Oy and a new company, Jukat Oy, have achieved a negotiated outcome that will transfer the activities in Toijala Works Oy to Jukat Oy.

November 20, 1997

Partek will sell its shareholding in A-Rakennusmies to the other present shareholders.

November 25, 1997

Kalmar Industries' Board of Directors has decided to direct a share issue to Partek Corporation. Kalmar's Extraordinary General Meeting of Shareholders decided to lower the company's share capital. After the arrangement, Partek will hold 51 percent of Kalmar Industries' shares. Kalmar will be Partek's subsidiary from 1 December 1997 onwards. The Meeting elected the following persons as new members of the Board: Christoffer Taxell, Christer Granskog and Dag Wersén.

December 17, 1997

Partek Nordkalk Oy Ab and Omya Oy, a subsidiary of Plüss-Stauber AG from Switzerland will invest FIM 55 million during 1998 in increased production of paper pigments in Lappeenranta, Finland. The investment includes new production facilities and a new mill.

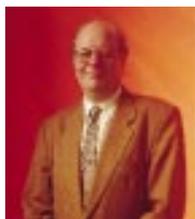
December 18, 1997

Partek's subsidiary, Partek Insulation AB has concluded a preliminary agreement to start the manufacture of rock wool in Poland. The final agreement is to be signed during the spring of 1998.

Board of Directors



Björn Mattsson



Paavo Pitkänen



Jan Ekberg



Caj-Gunnar Lindström



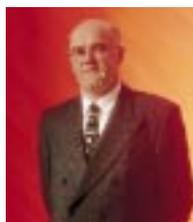
Juhani Riutta



Markku Tapio



Juha Toivola



Risto Virrankoski



Christoffer Taxell

Björn Mattsson

Born 1941, Lic. Phil., Honorary Counsellor
Chairman
Managing Director, Cultor Corporation.
Chairman of the Board, Aamulehti-
yhtymä Oy. Elected to Partek's board
1993. Elected for the period ending 1999.
Shareholding: 1 160

Paavo Pitkänen

Born 1942, M.Sc. (Phil.)
Vice chairman
Managing Director, Pensions-Varma
mutual insurance company. Member of
the Boards of Enso Oyj and Metra
Corporation among others. Elected to
Partek's board 1994. Elected for the
period ending 1998.
Shareholding: –

Jan Ekberg

Born 1936, Dr. (Med.) h.c.
Director
Member of the Boards of Pharmacia &
Upjohn Inc, Volvo Aero AB, Volvo
Personvagnar AB, Nobel Biocare AB and
Bong Ljungdahl AB among others. Elected
to Partek's board 1994. Elected for the
period ending 1998.
Shareholding: 1

Caj-Gunnar Lindström

Born 1942, Dr.Sc. (Econ.)
Managing Director of the Foundation of
Åbo Akademi. Elected to Partek's board
1997. Elected for the period ending 1998.
Shareholding: –

Juhani Riutta

Born 1944, M.Sc. (Econ.)
President, Valmet Automotive Inc.
Elected to Partek's board 1997.
Elected for the period ending 2000.
Shareholding: –

Markku Tapio

Born 1948, M.Sc. (Pol.)
Industrial Counsellor, Ministry of Trade
and Industry. Member of the Supervisory
Board of Alko-Yhtiöt Oy. Elected to
Partek's board 1997. Elected for the
period ending 1999.
Shareholding: –

Juha Toivola

Born 1947, M.Sc. (Phil.)
President, Industrial Insurance Company
Ltd. Senior Executive Vice President,
Sampo Group. Member of the Boards of
Elcoteq Network Corporation, Fiskars
Corporation and Tamro Corporation
among others. Elected to Partek's board
1996. Elected for the period ending 2000.
Shareholding: 1 000

Risto Virrankoski

Born 1946, M.Sc. (Econ.)
Executive Vice President, Outokumpu Oyj.
Elected to Partek's board 1997. Elected
for the period ending 2000.
Shareholding: –

Christoffer Taxell

Born 1948, LL.M.
President and C.E.O., Partek. Member of
the Boards of KCI Konecranes
International Plc., Metra Corporation,
Stockmann Oy Ab and Sampo Insurance
company among others. Elected to
Partek's board 1984. Elected for the
period ending 1999.
Shareholding: 4 555

According to the articles of association, the Board of Directors consists of 6-9 members who are elected by the Annual General Meeting. Each member is elected for a period starting from the AGM when he/she is elected, and ending at the AGM three years hence. A person who is 70 years old is not eligible for election. A change in the number of members may only be accomplished through an AGM or an Extraordinary General Meeting. The Board chooses the chairman and vice-chairman from amongst its members. In practice, the Board's day-to-day tasks are determined by the principles stipulated in the standing order.

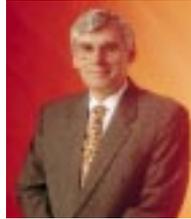
Group Management



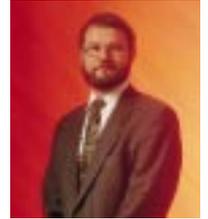
Christoffer Taxell
Born 1948
President and C.E.O.
LL.M.
Employed since 1990
Shareholding: 4 555
Options: 81 565¹⁾



Christer Granskog
Born 1947
Senior Executive Vice President
M.Sc. (Eng.)
Employed since 1997
Shareholding: –
Options: 30 000¹⁾



Carl-Gustaf Bergström
Born 1945
Senior Executive Vice President
M.Sc. (Econ.)
Employed since 1970
Shareholding: 2 710
Options: 58 829¹⁾



Kari Heinistö
Born 1958
Chief Financial Officer
M.Sc. (Econ.)
Employed since 1983
Shareholding: 385
Options: 58 619¹⁾

Group Administration



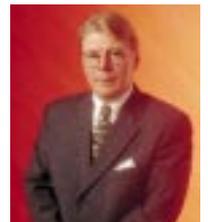
Timo Vuorio
Born 1949
Senior Vice President
Administration
M.Sc. (Econ.)
Employed since 1984
Shareholding: 233
Options: 30 521¹⁾



Olav Uppgård
Born 1955
Senior Vice President
Treasury
M.Sc. (Econ.)
Employed since 1984
Shareholding: 234
Options: 30 521¹⁾



Kaisa Vikkula
Born 1960
Senior Vice President
Communications & IR
Dr.Sc. (Econ.)
Employed since 1995
Shareholding: 300
Options: 30 521¹⁾



Veli-Matti Tarvainen
Born 1954
Senior Vice President
General Counsel
LL.M.
Employed since 1995
Shareholding: –
Options: 30 521¹⁾

The Group Management, Business Area Presidents and Group Administration make up Partek's Management Team.

Auditors

Auditors

Eric Haglund, M. Sc. (Econ.), A.P.A.
Thor Nyroos, M. Sc. (Econ.), A.P.A.

Deputy auditors

KPMG Wideri Oy Ab,
Firm of Authorized Public Accountants

¹⁾Options refer to the 1994 bonds with warrants program and the 1997 options program. Each option gives the right to subscribe to 1 Partek share.

For more information about Partek

The following brokers can provide you with more information about Partek as an investment:

AG Private Bankers Ltd, Helsinki
Tel +358 9 131 551
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Alfred Berg Securities, Helsinki
Tel +358 9 228 321
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Alfred Berg UK Ltd, London
Tel +44 171 256 4900
Fax +44 171 920 9126

Arctos Securities Ltd, Helsinki
Tel +358 9 5499 30
Fax +358 9 5499 3354

Aros Securities Ltd, Helsinki
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Fax +358 9 622 1511

BZW, London
Tel +44 171 773 4252
Fax +44 171 773 4954

Carnegie Securities Finland Ltd, Helsinki
Tel +358 9 668 91 328
Fax +358 9 663 756

Carnegie, UK Branch, London
Tel +44 171 216 4000
Fax +44 171 417 9424

Cazenove & Co., London
Tel +44 171 588 2828
Fax +44 171 606 9205

Evli Securities Ltd, Helsinki
Tel +358 9 476 690
Fax +358 9 634 382

Handelsbanken Markets, Helsinki
Tel +358 9 166 77 408
Fax +358 9 166 77 578

HSBC Investment Bank plc, London
Tel +44 171 336 4218
Fax +44 171 236 3347

Kleinwort Benson Securities Ltd, London
Tel +44 171 623 8000
Fax +44 171 929 7941

Merita Securities Ltd, Helsinki
Tel +358 9 123 41
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Merita Bank Ltd, London Branch
Tel +44 171 265 3333
Fax +44 171 709 7003

Merrill Lynch, London
Tel +44 171 772 1521
Fax +44 171 773 4954

Opstock Securities, Helsinki
Tel +358 9 404 65
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Postipankki Ltd, Helsinki
Tel +358 9 1641
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Protos Stockbrokers Ltd, Helsinki
Tel +358 9 173 391
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Contact information

THE PARTEK GROUP

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Internet: www.partek.fi
e-mail: info@info.partek.fi

Executive board

Christoffer Taxell, President & CEO
Christer Granskog,
Senior Executive Vice President
Carl-Gustaf Bergström,
Senior Executive Vice President
Kari Heinistö, Chief Financial Officer

Group Administration

Timo Vuorio, Human resources & admin.
Olav Uppgård, Treasury
Ilkka Pitkänen, Corporate Control
Kaisa Vikkula, Communication and
Investor Relations
Veli-Matti Tarvainen, Legal Affairs
Antti Koivupalo, Risk Management

LOAD HANDLING

Container handling

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Jonas Svantesson, President
SE-341 81 Ljungby, Sweden
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telefax +46 372 263 90

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telefax +46 8 10 01 45

General Cargo Cranes
Leif Wallin, President
Hiab AB
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telefax +46 650 121 74

Forestry Cranes
Olof Elenius, President
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telefax +358 (0) 204 55 2406

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Frej Granholm, President
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Postbus 141/Hallenstraat 6
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telefax +31 497 386 392

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Nils-Åke Astermo, President
Norba AB
Box 7, SE-384 21 Blomstermåla, Sweden
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telefax +46 499 211 25

AGRIFOREST

Forest Machines

Sisu Logging AB
Hans Eliasson, President
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telefax +46 90 19 16 52

Sisu Logging USA, Inc.
Kimmo Lännenpää, President
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Gladstone, MI 49837-0401, USA
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telefax +1 906 428 3922

Sisu Logging Oy
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telefax +358 3 265 8324

Tractors

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Jouko Tukiainen, President
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telefax +358 14 549 1283
or: PO Box 200
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tel +358 14 5491 11
telefax +358 14 613 900

Valtra do Brasil S.A.
Nils Hagman, President
R. Cap. Francisco de Almeida,
695/PO Box 2552
08740-300 Mogi das Cruzes, SP, Brazil
tel +55 11 470 2000
telefax +55 11 461 2038

Sisu Diesel Oy
Jouko Tommila, President
FIN-37240 Linnavuori, Finland
tel +358 3 341 7111
telefax +358 3 341 7330

MINERAL

Lime

Partek Nordkalk Oy Ab*
Christer Sundström, President
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Partek Nordkalk AB
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telefax +46 8 10 01 45

Partek Nordkalk AB
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telefax +46 40 43 69 35

Insulation

Partek Insulation AB
*Peder Biese, President**
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telefax +46 500 46 92 97

Partek Paroc Oy Ab
Sörnäisten rantatie 23
FIN-00501 Helsinki, Finland
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telefax +358 (0)204 55 4222

Partek Rockwool AB
Skaravägen
SE-541 86 Skövde, Sweden
tel +46 500 46 90 00
telefax +46 500 46 92 97

* also Sörnäisten rantatie 23
FIN-00500 Helsinki, Finland
tel +358 (0) 204 55 4999
telefax +358 (0) 204 55 4222

A separate, more detailed address directory is available in English, Swedish or Finnish from Partek Corporate Communications at tel.+358 204 55 4261

Annual General Meeting

The annual general meeting of Partek Corporation will be held on Tuesday April 7, 1998 at 5:00 p.m. at the company's Development Centre in Pargas, Finland. Shareholders whose names are registered on Thursday, April 2, 1998 at the latest with the Partek register kept by the Finnish Central Securities Depository Ltd. are entitled to take part in the annual general meeting.

All shareholders wishing to attend must notify the head office in Pargas by 4:00 p.m. on Friday, April 3, 1998 at the latest, either by telephone at +358-204 55 6056 or in writing at the address Partek Corporation, Share register, FIN-21600 Pargas. Possible proxies must be notified at the same time.

Dividend

The Board of Directors proposes that a dividend be distributed for 1997 in the amount of FIM 4.00 per share i.e. a total of FIM 194 million. Shareholders whose names are registered on April 14, 1998 with the Partek register kept by the Finnish Central Securities Depository Ltd. are entitled to a dividend.

The dividend can be drawn from shareholders' bank accounts on Friday, April 17. If a shareholder has not registered information about his bankers to the book-entries securities register, the dividend will be paid to the shareholder in the form of a postal order. Dividends paid as postal orders will be in the Post Office on the day the dividend is paid in order that they may be delivered to the payee. Shareholders who have not transferred their shares to the book-entry securities system by the record date will be paid the dividend after the shares have been transferred to the system.

The dividend for 1997 falls within the sphere of the corporation tax avoifiscal system. Withholding tax will be deducted from dividends paid overseas.

Financial information

Partek will publish the following financial reports in 1998

| | |
|-------------|---------------------------------|
| February 25 | Financial results released 1997 |
| March 30 | Annual report 1997 |
| June 16 | Interim report January - April |
| October 12 | Interim report January - August |

Partek's annual report and interim reports are published in Finnish, Swedish and English. The above reports can be ordered from:

Partek Corporation

Annual Reports

P.O. Box 61, FIN-00501 Helsinki, Finland

telephone +358-(0)204 55 11, telefax +358-(0)204-55 4844

internet: www.partek.fi, e-mail: info@info.partek.fi



Partek's roots lie deep in Finnish bedrock and rock solid competence



Limestone quarrying and crushing at the Limberg quarry in Pargas around 1910.



Quick lime was slaked initially by hand using sea water. Pargas c. 1910.



Limestone sacks, which weighed over 50 kg were carried from the ship to rail freight cars. Turku harbour 1912.



The first ship, named "Kalk", was acquired from Germany in 1904.



Crushed limestone was transported in rail carts. Limberg quarry, Pargas c. 1910.



Finland's first cement rotary kiln manufactured in Pargas in 1914.

Partek 100 years

Time span

Lime

Cement

Expansion of activities in Finnish building products industry (Vertical integration)

Major investment in new capacity

Reduction in dependence on domestic building starts, expansion in engineering industry, beginning of internationalization

Internationalization

Focus on core activities

Global growth as an engineering company, Sisu and the majority of Kalmar Industries acquired

Significant events

First circular kiln built at Pargas and Helsingfors
 Kalkugnsaktiebolag (Helsinki Lime Burning Ltd) taken over
 Operations start at Lappeenranta
 First cement kiln at Pargas starts operations

Abo Kakel tile factory acquired

Brick works at Sandfall taken over

Rock wool production starts at Lappeenranta

Suomen Mineraali Oy acquired

Elementtituote Oy, a precast concrete company, acquired

Partek starts Group employer/employee cooperation organization

Multilift Oy, an engineering company, acquired

Presence in lime operations in Gotland

Holmes Insulation in North America acquired

Swedish Hiab AB acquired

Swedish Rockwool AB acquired

Presence in precast concrete operations in western Europe and Singapore

Euroc AB's lime operations taken over

Restructuring of the tile activities

Partek's and Lohja Oy's building materials combined. All the lime operations to Partek

Restructuring of Scandinavian cement industry continues

Rock wool production starts in Lithuania

Insulation operations in North America sold

Precast concrete operations becomes an independent company

**Precast concrete
1970-1997**

**Other building
products
1949-1994**

**Tiles
1942-1995**

**Cement
1913-1994**

