Steveco Group
Annual Report 1997

Steveco's business idea is to secure the exports and imports of Finnish trade and industry in a manner which promotes their competitiveness, as well as to handle transit traffic.

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Managing Director's Review

Overall optimisation of the transport chain for improved customer service was prioritised in customer co-operation and technical developments.
The internal launch of a new operational model in marketing commenced at the end of the year.
New approaches were also applied in more open customer co-operation based on the partnership concept.

The volume of goods handled by the Steveco Group and its financial results reached all time high figures. Our success factors in 1997 were good external conditions, the expertise and flexibility of our personnel, and the confidence and loyalty shown by our customers. I wish to extend my thanks to the entire personnel of the Steveco Group, our customers, and other partners for a busy year 1997.

The Group's stevedoring achievement grew to 11.4 million tons, which is 14.8 per cent more than in 1996. This growth exceeded expectations. The volumes of paper handled by the Group increased by as much as 17.5 per cent on 1996, to over 5 million tons. Transit traffic showed a growth rate of 8.5 per cent, with transit cargoes handled totalling almost 2.1 million tons. Further growth in transit tonnage was slowed down by a reduction in the handling of fertilisers.

In 1997, the number of containers handled was 182,440, i.e. 30.9 per cent more than the previous year. The number of transit containers grew by some 40 per cent.

The Steveco Group maintained its market share in relation to 1996 both in terms of export and transit cargo handling, although there were some changes with certain individual items. In transit traffic, the Group clearly increased its market share.

Good financial results

Net sales of the Steveco Group in 1997, FIM 758.5 million, were higher than in 1996 (FIM 694.2 million), and the consolidated financial results were good. Operating profit before depreciation stood at FIM 173.0 million, and the Group profit for the financial period was FIM 96.3 million.

A total of FIM 80.8 million was used on net investments in 1997. The bulk of this was directed towards new machinery and information systems. Warehouse terminals were completed in Hanko and Mustola in Lappeenranta.

A year of extensive development

For the Steveco Group, 1997 was also marked with extensive internal development. Certain new strategic approaches were adopted, the organisational structure was revised, self-critical analyses were carried out, and competing transport routes were analysed and consequent conclusions were made.

The parent company launched a comprehensive personnel training programme, aiming to support the revision of Steveco's operating procedures. Efforts were also directed towards an inclusive control and information system for the purposes of operational services. The drawing up of Steveco's environmental system progressed as planned, and overall performance efficiency improved. The trend in damage to goods during handling was decreasing in accordance with the objectives set. Employee sick leaves also decreased.

Towards the end of the year, Steveco took the first steps in adopting the teamwork concept in the various functions within the profit units and in amending the roles of superiors. During 1997, Steveco, together with the local vocational institute and employment authorities, launched two apprenticeship contract courses aiming to give a vocational qualification in cargo handling for a total of 62 persons. In the autumn, the forwarding course was completed by 12 persons, almost all of whom were recruited by Steveco.

Overall optimisation of the transport chain for improved customer service was prioritised in customer co-operation and technical developments. The internal launch of a new operational model in marketing commenced at the end of the year. New approaches were also applied in more open customer co-operation based on the partnership concept.

The foremost technical achievement in 1997 was the overall renewal of the container handling system carried out in Hietanen in Kotka. Straddle carriers which actually handle the containers are the most visible part of this modernisation, but the core of the new system lies in the control system for container storage and handling. The related satellite positioning system developed in co-operation with our partners represents state-of-the-art technology in the field of container handling.

Year 1997 by units

Hamina

During 1997, the Hamina Unit mainly handled liner traffic destined for ports in the North Sea. Container traffic in Hamina continued to grow by some 74 per cent from 1996. This achievement was possible due to investments made by the City of Hamina, Steveco, and certain private enterprises. In terms of the organisation, container terminal operations and sto-ro and ro-ro services were separated into their own lines. At the end of 1997, the Hamina Unit shifted to non-stop work in the handling of container ships. These measures distinctly improved the lifting efficiency for containers.

Damage to goods during handling was lower than in 1996. The total amount of cargo handled reached a record figure of 3.6 million tons. Net sales and operational profit were also higher than budgeted.

Hietanen

The total traffic volume at Hietanen grew by 17 per cent compared to 1996. Two important milestones were reached during 1997: the volume of goods handled exceeded 3 million tons (3,096,508 tons), and a total of 107,479 containers were handled. Container traffic increased by 15 per cent from 1996. The operational profit was higher than budgeted.

The operations in Hietanen were characterised by large traffic volumes in both export and transit cargoes and by consequent temporary congestion, especially in truck traffic. An analysis of the problems revealed shortcomings in the operations of Steveco, forwarding companies, and customs clearance. Steveco's service times will be considerably shortened thanks to a new container handling system commissioned in January 1998.

In operational enhancement, a teamwork project concerning the entire unit commenced. As a result of this project, the organisation at Hietanen was broken into ro-ro terminal operations, container terminal operations, and joint operations. Teams now make up the basic components in the unit's organisation.

Central Port

The Central Port Unit handled 1.8 million tons of goods, which was slightly below the budgeted level, as was the operational profit. Great variations in traffic volumes impeded the operations of this unit. As the Saimaa Canal was closed during the winter period, traffic at Central Port became busier.

The machine shop at Central Port obtained new facilities from the former length sorting and packaging plant. The former machine shop was in turn converted into a heated warehouse, which enhanced the operation of the unit. A new stern door berth was completed in Central Port at the end of 1997. Success was achieved in reducing damage to goods.

Mussalo

During 1997, the Mussalo Unit mainly concentrated on bulk handling. The City of Kotka pursued the extension work at Mussalo by expanding the storage areas. At the end of the year, Steveco also started to store for instance empty containers in Mussalo. 1.5 million tons of goods were carried through Mussalo, mainly comprising fertilisers, China clay, and scrap metals. This volume was slightly less than that budgeted, like the operational profit.

Hietanen

Shipowner Services

Steveco's Shipowner Services Unit covers ship clearance services and sales of fuels. The unit cleared 2,276 ships in 1997, which was more than the year before. Sales of fuels did not reach the budgeted figures. The Documentation Department which was a part of the Shipowner Services Unit was decentralised into the profit units as parts of their service teams.

Net sales of the Shipowner Services Unit exceeded FIM 50 million. Both net sales and profit exceeded the budgeted objective.

The entire Group cleared a total of 3,122 ships, representing an increase of 22.1 per cent on 1996.

Oy Hangö Stevedoring Ab

The year under review was the 86th year of operations for Oy Hangö Stevedoring Ab. Increased exports by the Finnish wood-processing industry and a particularly rapid growth in liner traffic raised the company's net sales and amount of goods stevedored. Imports of cars into Finland through Hanko grew by 20 per cent, with a total of 88,600 cars imported in 1997. A favourable trend in Railship traffic also boosted the performance figures achieved.

The company handled 2.2 million tons of goods in Hanko, representing over 53 per cent more than in 1996. During the financial period, the company invested a total of FIM 11.6 million mainly on the handling of exported paper and on a new paper terminal of 10,000 square metres, completed in the autumn.

Net sales of Oy Hangö Stevedoring Ab were FIM 59.4 million, and operating profit before depreciation FIM 11.2 million. This means an improvement of approx. FIM 9.1 million from the previous year. The company's operating profit before depreciation was boosted by the release of a mandatory provision, which accounted for FIM 0.5 million of the total. The company's profit for the financial period amounted to FIM 2.1 million.

Hangö Stevedoring has been intensifying its operations. The main emphasis here has been on more efficient handling of palletised goods plus on improving information technology.

The transfer of Railship traffic from Hanko to Turku will decrease the volume of goods handled and the profit for the rest of 1998.

Oy Saimaa Terminals Ab

The operations of Oy Saimaa Terminals Ab are highly associated with exports by industries in the southern Lake Saimaa area on one hand and with the length of the open water period in the Lake Saimaa area on the other hand. In 1997, both of these factors developed favourably from the company's perspective.

Exports of paper and steel from the Vuoksi Terminal increased considerably, as did imports carried via the Mustola Terminal. The services provided by the Mustola Terminal were diversified by adding round-the-year warehousing services and containerisation services. A new warehouse featuring an area of 2,500 square metres was completed at Mustola, increasing the company's total warehousing capacity there to approx. 10,000 square metres.

The proportion of Saimaa Terminals of ship clearance in the Lake Saimaa area grew by almost one third. The company's net sales rose to approx. FIM 25 million, i.e. 23 per cent more than in 1996. Profitability also improved compared to the year before.

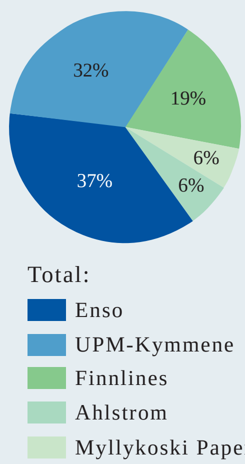
Saimaa Terminals adopted an even more pronounced role in the telematics development projects for inland waterway ports within the European Union.

Savosteve Oy

Exports of sawn goods from Kuopio were discontinued and shifted to Varkaus. The new handling system for sawn goods developed by Savosteve was introduced during 1997, increasing the loading efficiency significantly. The new system also brought considerable savings in handling costs. Total exports of sawn goods grew by some 5 per cent in 1997.

Net sales of Savosteve Oy were FIM 5.3 million; 1.1 per cent more than the preceding year. Profit for the financial period stood at FIM 0.7 million. Operating profit before depreciation was FIM 1.6 million, which is 19.7 per cent higher than during 1996.

Shareholders



1998 - A Year of Opportunities

The Steveco Group moves into the year 1998 on a firm basis. Its distinct strengths include a professional personnel, good technical equipment and machinery, extensive and systematic development work, and good financial standing.

During 1998, the Steveco Group will focus on development of the following areas: personnel and working community, managerial expertise, customer satisfaction, and networking within the transport chain.

In the ever tougher competition between transport routes and within the transport business, success is only derived through extensive internal development of the company and through joint efforts of new kinds. In Steveco's approach, this pattern of joint efforts is being implemented together with the other parties involved in the transport chain. Competitive edges within transport logistics are best improved in clusters of enterprises closely associated with each other in terms of their operations. Instead of partial optimisation, these enterprises seek total benefits in a process chain composed of private enterprises and the public sector. In this development work, the Steveco Group is a responsible and active partner.

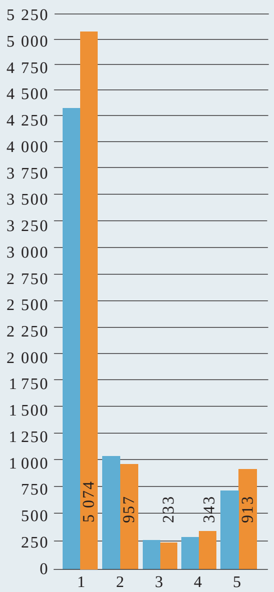
Juha Silvanto
Managing Director

Mustola

Hamina

Exports / Group

(1 000 t)



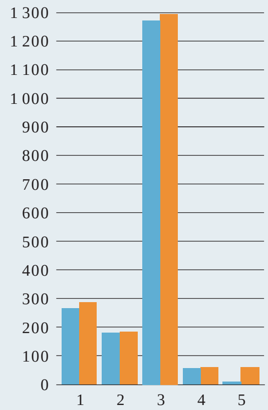
1. Paper products
2. Wood goods
3. Pulp
4. Boards
5. Others

Total:

96	6 608
97	7 520

Personnel / Group

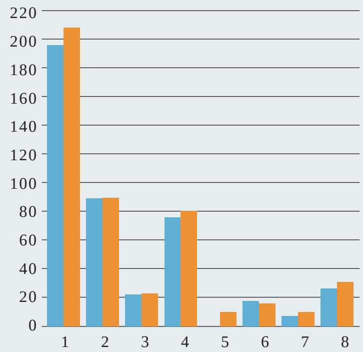
(Person)



	96	97
1. Salaried Staff	268	285
2. Foremen	182	184
3. Stevedoring workers	1 272	1 293
4. Repair shop workers	58	61
5. Apprentices	12	62
Total	1 792	1 885

Machinery / Group

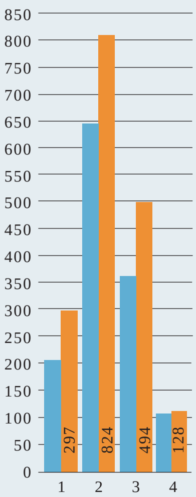
(qty)



	96	97
1. Forklift trucks <10 t	196	208
2. Forklift trucks 10-20 t	89	90
3. Forklift trucks >20 t	22	23
4. Terminal tractors	76	80
5. Straddle carriers	0	9
6. Wheel loaders	18	17
7. Cranes	7	9
8. Others	27	31
Total	435	467

Imports / Group

(1 000 t)



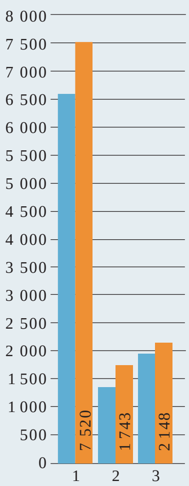
1. Coal
2. Raw material and fillers for industry
3. General cargo
4. Others

Total:

96	1 350
97	1 743

Stevedoring tonnage / Group

(1 000 t)



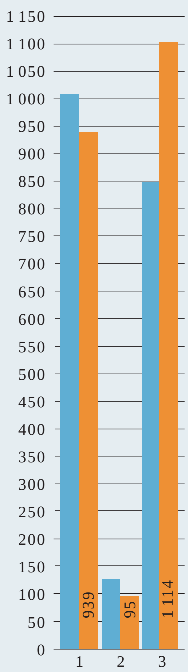
1. Exports
2. Imports
3. Transit

Total:

96	9 938
97	11 411

Transit / Group

(1 000 t)



1. Bulk
2. Others
3. Containers

Total:

96	1 980
97	2 148

Group Organisation

Steveco Oy

Oy Hangö Stevedoring Ab (90 %)

Oy Saimaa Terminals Ab

Savosteve Oy (62.5%)

Real Estate Companies (5 Co's)

Associated Companies

Joensuun Laivaus Oy	50,0 %
North Euroway Oy	50,0 %
Credotrans Finland Oy	49,0 %
Kotkan Vapaavarasto Oy	39,3 %
Kotkan Työterveys Oy	29,5 %
Oy Finnsovtrans Ltd	15,0 %
Kotkan-Haminan Seudun Portti Oy	2,0 %

Board of Directions

Chairman
Kullervo Lehtonen
1st Vice Chairman
Antti Vehviläinen
2nd Vice Chairman
Asser Ahleskog
Samppa Ahtiainen
Sverre Norrgård
Veli-Jussi Potka
Hannu Schildt
Olof Weckström

Managing Director
Juha Silvanto

Group Management

Juha Silvanto
Jouni Ahrela
Jari Nylund
Birgitta Olsson
Ari-Pekka Saari

General Managers of Units

Heikki Jääskeläinen
Jari Nylund
Risto Näppi
Jorma Pikkarainen
Hartmut Zimmermann

Auditors

Tilintarkastajien Oy
- Ernst & Young, Authorised Public Accountants

Managing Directors of Subsidiaries

Oy Hangö Stevedoring Ab
Anders Ahlvik
Oy Saimaa Terminals Ab
Auvo Muraja
Savosteve Oy
Heikki Mononen

OPERATIONS AND RESULT

The year under review was Steveco Oy's tenth year of operation. Steveco Oy is the parent company of the Steveco Group. Net sales of both the Group and of the parent company grew during the financial period. In Steveco Oy, the increase in the exports of the Finnish wood-processing industry (17.6 %) exceeded the average growth in the exports of paper in Finland, which was 17 %. In transit traffic carried into Finland, a huge increase of 40 % was experienced in the number of containers. The Group's net sales increased by 9.2 %. The volume of goods handled by the Group increased by 14.8 %, totalling 11.4 million tons (9.9 million tons in 1996). The corresponding figure for Steveco Oy was 10 million tons.

Net sales were broken down as follows:

	FIM million
Steveco Oy	671,3
Oy Hangö Stevedoring Ab	59.4
Oy Saimaa Terminals Ab	24.6
Savosteve Oy	5.3
Real estate companies	3.2
Internal eliminations	- 5.3
	758.5

The operating profit before depreciation for the Steveco Group was FIM 173.0 million. This means an improvement of FIM 45.8 million on 1996, and it represents 22.8 % (18.3 % in 1996) of net sales. The operating profit before depreciation for the parent company was FIM 154.6 million (i.e. FIM 35 million more than in 1996), representing 23.0 % (19.0 %) of net sales. The Group's profit before appropriations and taxes was FIM 130.3 million (FIM 84.9 million in 1996). The Group's investments totalled FIM 81.8 million, FIM 28.4 million of which was used for the purchase of new container handling machinery. During the financial year Kotka Shipping Service Oy was merged with the parent company.

RESEARCH AND DEVELOPMENT

Steveco Oy's Hietanen Unit introduced a new container handling system. Nine straddle carriers were delivered to the Hietanen Unit, and a new handling and storing system for containers was launched. A system utilising differential DGPS technology was developed to support container control at the terminal. The system contains exact data on the location of each container at the container storage area, and this data is transmitted automatically to the storage system.

The project for the renewal of the operative information system was pursued. The system will be introduced in import and transit forwarding in the spring of 1998. As a part of this renewal, a new system related to the control of operational services will also be developed, enabling easier allocation of human and machinery resources, as an example.

Other important development projects included co-operation projects carried out together with our wood-processing customers and other parties involved in the transport chain to optimise the operation of the various components in the transport chain. One example here is the Mill-Port Project implemented in co-operation with Enso and VR Cargo. The purpose of this project was to eliminate superfluous operations and to increase fluency in the transport of products made by Enso's Kaukopää Mills in Imatra, carried to Hietanen by rail.

In 1997, Steveco also participated in development projects maintained by the Technology Development Centre of Finland (TEKES). These projects concerned mechanised loading and unloading of rail wagons, autonomous forklift truck and clamp, acceleration measurements of paper rolls during transport, wireless data transfer, and bar code recognition. Other parties involved in these projects were organisations such as the Enso Group, Metsä-Serla Oy, UPM-Kymmene Corporation, Technical Research Centre of Finland (VTT), plus several equipment manufacturers.

PROSPECTS FOR 1998

Economic growth is expected to continue in 1998. The outlook for the Finnish wood-processing industry is cautiously optimistic, while demand is expected to slacken towards the middle part of the year. It is estimated that growth will not continue at an equally high level as in 1997. Further growth is anticipated in transit traffic to Russia.

The outlook for Steveco Oy is also perceived to be positive. Prudent growth is expected in the exports of the Finnish wood-processing industry. In transit traffic, the number of containers is likely to continue to increase considerably from the level achieved in 1997.

PERSONNEL

The Group had an average of 1,885 employees during 1997 (1,792 in 1996). The corresponding figure for the parent company was 1,617 employees (1,543 in 1996).

WAGES, SALARIES AND EMOLUMENTS (FIM 1000)

	Group		**Parent company**	
	1997	**1996**	**1997**	**1996**
Managing Directors and Members of the Board	**2 031**	2 049	**880**	901
Others	**267 394**	254 763	**229 326**	224 914

Group income statement

FIM 1000	**1.1.-31.12.97**	**1.1.-31.12.96**
NET SALES (2)	**758 520**	**694 179**
Other income from operations (3)	**2 242**	**9 569**
Expenses		
Materials and supplies		
Purchases during the period	43 504	54 459
Increase (-)/decrease (+) in inventories	-24	289
External services	107 600	112 280
Personnel expenses (4)	351 192	333 603
Rents	12 740	11 166
Other expenses	72 749	64 768
	587 761	**576 565**
OPERATING PROFIT BEFORE DEPRECIATION	**173 001**	**127 183**
Depreciation on fixed assets and other long-term assets (5)	**43 326**	**40 937**
OPERATING PROFIT	**129 675**	**86 246**
Financial income and expenses (6,9)	**609**	**-1 370**
PROFIT BEFORE EXTRAORDINARY ITEMS APPROPRIATIONS AND TAXES	**130 284**	**84 876**
Extraordinary items		
Extraordinary expenses (7)		**-1 041**
PROFIT BEFORE APPROPRIATIONS AND TAXES	**130 284**	**83 835**
Increase (-)/decrease (+) in depreciation difference (5)	**-25 511**	**-5 630**
Increase (-)/decrease (+) in optional reserves	**29 694**	**7 335**
Direct taxes (8)	**-37 702**	**-24 221**
Minority interests	**-476**	**-329**
PROFIT FOR THE FINANCIAL PERIOD	**96 289**	**60 990**

Group balance sheet

ASSETS

FIM 1000	**31.12.1997**	**31.12.1996**
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS		
Intangible assets		
Intangible rights (11)	931	910
Other long-term assets (11)	7 130	3 462
	8 061	**4 372**
Tangible assets		
Land	3 181	3 181
Buildings and structures (11)	212 902	209 468
Machinery and equipment (11)	147 121	118 124
Other tangible assets (11)	7 891	7 685
Work in progress	1 142	1 741
	372 237	**340 199**
Intangible fixed assets		
Other shares (10)	**10 282**	**8 609**
INVENTORIES AND FINANCIAL ASSETS		
Inventories		
Materials and supplies	**1 251**	**1 226**
Receivables		
Accounts receivable	83 060	63 636
Loans receivable	34	49
Advances receivable	294	468
Adjusting entries for assets	20 712	24 173
Other receivables	24 200	28 148
	128 300	**116 474**
Cash and bank receivables	**19 615**	**9 963**
	539 746	**480 843**

Group balance sheet
LIABILITIES AND SHAREHOLDERS' EQUITY

FIM 1000	**31.12.1997**	**31.12.1996**
SHAREHOLDERS' EQUITY		
Restricted equity		
Share capital (15)	**30 000**	**30 000**
Restricted reserves	**1 074**	**1 074**
Non-restricted equity		
Retained earnings from previous years	25 316	24 326
Profit for the financial period	96 289	60 990
	121 605	**85 316**
MINORITY INTEREST	**10 783**	**10 419**
APPROPRIATIONS AND PROVISIONS		
Accumulated depreciation difference (11)	**181 612**	**156 101**
Optional reserves	**366**	**30 060**
Mandatory provisions (16		**470**
LIABILITIES		
Long-term liabilities		
Loans from financial institutions	**46 647**	**41 682**
Short-term liabilities		
Accounts payable	49 636	32 231
Adjusting entries for liabilities	74 368	72 007
Advances received	228	268
Annual amortisation of loans	15 034	13 080
Other short-term liabilities	8 393	8 135
	147 659	**125 721**
	539 746	**480 843**

GROUP FINANCING REPORT

FIM 1000	**1997**	**1996**
Funds arising from operations	**133 684**	**97 794**
Change in working capital		
Increase (-)/decrease (+) in inventories	-25	289
Increase (-)/decrease (+) in short-term receivables	-11 826	9 873
Increase (-)/decrease (+) in interest-free short-term liabilities	19 984	5 134
	8 134	**15 296**
Cash flow from operations	**141 817**	**113 089**
Investments		
Investments in fixed assets	-80 039	-54 982
Sales of fixed assets	1 065	4 996
	-78 973	**-49 986**
Cash flow before financial items	**62 844**	**63 103**
Financing		
Increase (+) in long-term loans	20 000	37 000
Decrease (-) in long-term loans	-13 080	-65 445
Dividends	-60 113	-50 175
	-53 193	**-78 620**
Calculated increase (+)/decrease (-) liquid assets	**9 651**	**-15 517**
LIQUID ASSETS 31.12.	**19 615**	**9 964**
LIQUID ASSETS 1.1.	**9 964**	**25 481**
	9 651	**-15 517**

Parent company income statement

FIM 1000	**1.1.-31.12.1997**	**1.1.-31.12.1996**
NET SALES (2)	**671 322**	**628 224**
Other income from operations (3)	**783**	**7 566**
Expenses		
Materials and supplies		
Purchases during the period	42 693	53 631
Increase (-) / decrease (+) in inventories)	45	240
External services	100 228	104 858
Personnel expenses (4)	300 959	291 311
Rents	10 525	8 896
Other expenses	63 019	57 284
	517 469	**516 220**
OPERATING PROFIT BEFORE DEPRECIATION	**154 636**	**119 570**
Depreciation on fixed assets and other long-term assets (5)	**40 164**	**38 191**
OPERATING PROFIT	**114 472**	**81 379**
Financial income and expenses (6,9)	**2 509**	**589**
PROFIT BEFORE EXTRAORDINARY ITEMS, APPROPRIATIONS AND TAXES	**116 981**	**81 968**
Extraordinary items		
Merger profit	5	
Extraordinary expenses		-1 041
Group contribution received	6 970	1 500
	6 975	**459**
PROFIT BEFORE APPROPRIATIONS AND TAXES	**123 956**	**82 427**
Increase (-) / decrease (+) in depreciation difference (5)	**-25 694**	**-5 112**
Increase (-) / decrease (+) in optional reserves	**29 756**	**5 676**
Direct taxes (8)	**-36 015**	**-23 637**
PROFIT FOR THE FINANCIAL PERIOD	**92 003**	**59 354**

Parent company balance sheet

ASSETS

FIM 1000	**31.12.1997**	**31.12.1996**
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS		
Intangible assets		
Intangible rights (11)	655	634
Other long-term assets (11)	7 092	3 272
	7 747	**3 906**
Tangible assets		
Land	1 688	1 688
Buildings and structures (11)	157 433	164 192
Machinery and equipment (11)	143 115	115 324
Other tangible assets (11)	7 327	7 372
Work in progress	1 115	1 729
	310 678	**290 305**
Intangible fixed assets and other long-term investments		
Shares in Group companies (10)	22 718	22 740
Other shares (10)	5 382	4 692
Group receivables (14)	20 523	9 000
	48 623	**36 432**
INVENTORIES AND FINANCIAL ASSETS		
Inventories		
Materials and supplies	**1 080**	**1 124**
Receivables		
Accounts receivable (14)	72 076	54 804
Loans receivable	34	49
Advances receivable	279	460
Adjusting entries for assets	19 558	22 336
Group receivables (14)	4 975	9 565
Other receivables	24 200	28 148
	121 122	**115 362**
Cash and bank receivables	**17 489**	**7 428**
	506 739	**454 557**

Parent company balance sheet

LIABILITIES AND SHAREHOLDERS' EQUITY

FIM 1000	**31.12.1997**	**31.12.1996**
SHAREHOLDERS' EQUITY		
Restricted equity		
Share capital (15)	**30 000**	**30 000**
Non-restricted equity		
Retained earnings from previous years	25 254	25 899
Profit for the financial period	92 003	59 354
	117 257	**85 253**
APPROPRIATIONS AND PROVISIONS		
Accumulated depreciation difference (11)	**179 088**	**153 394**
Optional reserves		
Transition reserve		**29 757**
LIABILITIES		
Long-term liabilities		
Loans from financial institutions	**45 700**	**40 473**
Short-term liabilities		
Accounts payable (14)	45 714	28 991
Adjusting entries for liabilities	66 884	65 523
Group liabilities (14)	293	1 130
Advances received	224	263
Annual amortisation of loans	14 773	12 773
Other short-term liabilities	6 806	7 000
	134 694	**115 680**
	506 739	**454 557**

Parent company financing report

FIM 1000	**1997**	**1996**
Funds arising from operations	**120 347**	**94 225**
Change in working capital		
Increase (-)/decrease (+) in inventories	45	240
Increase (-)/decrease (+) in short-term receivables	-5 761	10 236
Increase (+)decrease (-) in interest-free short-term liabilities	17 015	3 080
	11 298	**13 557**
Cash flow from operations	**131 645**	**107 782**
Investments		
Investments in fixed assets	-65 205	-48 499
Merger with subsidiary	27	
Sales of fixed assets	919	4 835
	-64 259	**-43 664**
Cash flow before financial items	**67 386**	**64 118**
Financing		
Increase (+) in long-term receivables	-13 523	-9 000
Decrease (-) in long-term receivables	2 000	
Increase in long-term loans (+)	20 000	37 000
Decrease in long-term loans (-)	-12 773	-60 663
Dividends	-60 000	-50 100
Group subsidy	6 970	1 500
	-57 326	**-81 263**
Calculated increase (+)/decrease (-) in liquid assets	**10 060**	**-17 145**
LIQUID ASSETS 31.12.	**17 489**	**7 429**
LIQUID ASSETS 1.1.	**7 429**	**24 574**
	10 060	**-17 145**

1.1 ACCOUNTING PRINCIPLES

1.1.1 Preparation of the consolidated financial statements

The consolidated financial statements include all subsidiary and associated companies. The financial statements of subsidiary companies have been consolidated in the Group accounts according to the acquisition cost method. All intra-Group transactions, internal receivables and liabilities, and margins have been eliminated. Associated companies have been consolidated according to the equity accounting method. The Group share of the profits of associated companies according to the Group's shareholding has been entered under other income from operations. Minority shareholdings have been separated from the shareholders' equity and profits. The figures have been given in FIM 1000 unless otherwise indicated.

1.1.2 Valuation of fixed assets

Fixed assets have been capitalised at acquisition cost. Planned depreciation has been calculated on a straight-line basis according to the estimated economic lives of the assets. With buildings, and machinery and equipment, the present figures are shown. With other items, only those assets with undepreciated balance sheet value are shown.

1.1.3 Planned economic lives are as follows:

	years
Intangible assets	10
Other long-term assets	5 to 10
Buildings and structures	10 to 40
Machinery and equipment	5 to 10
Other tangible assets	10 to 40

1.1.4 Valuation of inventories

Inventories have been valued at variable costs on a first-in-first-out basis.

1.1.5 Foreign currency items

Balances denominated in foreign currencies have been translated into Finnish marks at the average rate quoted by the Bank of Finland on the balance sheet date. Exchange rate differences related to the acquisition of fixed assets have been shown as adjustments to the acquisition costs of fixed assets.

1.1.6 Pension arrangements

The Group pensions are arranged through the statutory Employees' Pensions Act (TEL) and the Temporary Employees' Pensions Act (LEL).

	Group		Parent Company	
	1997	**1996**	**1997**	**1996**
2. Net sales by line of business				
Operations	718 782	642 923	631 584	576 437
Fuel sale	39 738	51 256	39 738	51 787
	758 520	**694 179**	**671 322**	**628 224**
3. Other income from operations				
Profit from sales of fixed assets				
Machinery and equipment	789	2 380	783	2 297
Shares		6		
Contract profit/other income		5 270		5 270
Share of associated companies' earnings	1 453	1 914		
	2 242	**9 570**	**783**	**7 567**
4. Personnel expenses and fringe benefits				
Wages and salaries	267 869	253 866	228 854	222 180
Pension costs	45 564	47 295	38 745	40 509
Statutory indirect personnel costs	31 094	25 906	27 322	22 864
Voluntary indirect personnel costs	6 665	6 536	6 038	5 758
	351 192	**333 603**	**300 959**	**291 311**
Fringe benefits	618	486	534	445
	351 810	**334 089**	**301 493**	**291 756**
5. Depreciation				
Depreciation according to plan				
Intangible assets	9	9	9	9
Other long-term assets	2 568	1 595	2 530	1 530
Buildings and structures	10 307	11 041	8 415	9 294
Machinery and equipment	29 100	27 037	27 936	26 136
Other tangible assets	1 343	1 255	1 274	1 221
Total	**43 327**	**40 937**	**40 164**	**38 190**
Change in depreciation difference:				
Buildings and structures	2 722	-2 220	2 651	-1 316
Machinery and equipment	-28 232	-3 410	-28 345	-3 796
Total	**-25 510**	**-5 630**	**-25 694**	**-5 112**

The Group spent FIM 29,767 thousand and the mother company FIM 29,756 thousand from the transition reserve to cover building investments.

	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
6. Intra-group financial income and expenses				
Financial income from Group companies				
Dividend income			960	1 105
Interest income on short-term investments			962	711
			1 922	**1 816**
Financial expenses to Group companies				
Interest expenses			**241**	**283**
7. Extraordinary expenses				
Sales loss from sale of fixed assets shares		**1 041**		**1 041**
8. Direct taxes				
Taxes for previous years	-11	-204		-201
Taxes for the financial period	-37 692	-24 017	-36 015	-23 436
Taxes for the financial period in the Income Statement	**-37 703**	**-24 221**	**-36 015**	**-23 637**
9. Financial income and expenses				
Dividend income	571	406	1 766	1 661
Interest income on short-term investments	980	2 104	1 931	2 803
Interest income on overdue payments	142	170	134	162
Other financial income	921	1 036	809	945
Interest expenses	1 948	4 377	2 086	4 328
Other financial expenses	56	708	45	654
Financial income and expenses, total	**610**	**-1 369**	**2 509**	**589**

10. Shares owned by the Group and the Parent Company

	Group's holding Shares	Group's holding %	Group's share of equity FIM	Parent company's holding Shares	Parent company's holding %	Parent company's Nominal value FIM	holding Book value FIM	Profit/loss acc. to latest financial statements	Date of financial statements	Lenght of financial period
Group Companies										
Oy Satamakulma	205	100,0	290	205	100,0	205	345	1		
Oy Rinnepolku 4	50	100,0	37	50	100,0	50	216	0		
Kiinteistö Oy Kotkan Kirkkokatu 2	2400	100,0	400	2400	100,0	240	341	0		
Oy Saimaa Terminals Ab	30000	100,0	2300	30000	100,0	300	311	1 954		
Kiinteistö Oy Laivausrinne	340	100,0	482	340	100,0	340	386	10		
Savosteve Oy	10	62,5	1173	8	50,0	8	447	723		
Kiinteistö Oy Kotkan Kipparinkulma	2319	66,3	19084	2319	66,3	12	18 843	-12		
Oy Hangö Stevedoring Ab	135	90,0	3109	135	90,0	675	1 829	2 052		
Oy Beafun Ab	120	100,0	15							
Oy Polisan Ab	120	100,0	15							
Total							**22 718**			
Associated companies										
Joensuun Laivaus Oy	330	50,0	3869	150	22,7	5	2 032	2 210	31.03.97	12 months
Kotkan Työterveys Oy	295	29,5	117	295	29,5	118	118	0	31.12.97	12 months
Kotkan Vapaavarasto Oy	59	39,3	1724	59	39,3	59	59	809	31.12.97	12 months
North Euroway Oy	30	50,0	1120	30	50,0	300	790	466	31.12.97	12 months
Credotrans Finland Oy	98	49,0	102					122	31.10.97	12 months
Total							**2 999**			
Other shares										
Aspo Oy / inc. value 1988	20300			20300			953			
Kotkan Golf Oy	20			20		10	50			
Kotkan-Haminan seudun Portti Oy	25	2,0		25	2,0	250	250			
Kymen Puhelin Oy	99			95			108			
Vakuutusosakeyhtiö Sampo	209160			209160			641			
Kotkan Tennishalli Oy	12	1,2		12	1,2	6	6			
Kiinteistö Oy Kotkan Klubi	150	3,9		150	3,9	150	150			
Oy Finnsovtrans Ltd	9	15,0		9	15,0	225	225			
Suomen Asiakastieto Oy	6			6			0			
Golfimatra Oy	1						**2 383**			
Kuopion Puhelinyhdistys	4									
Kuopion sataman hallintorakennus	114	2,7								
Kiinteistö Oy Mustolan Huoltorak.	340									
Lappeenrannan Kerho	1									
Kanavaportti ry										
Hankoniemen kehitysyhtiö	560	7,0								
Grand total							**28 100**			

	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
11. Immaterial and material goods				
Intangible rights				
Acquisition cost 1.1.	2 032	3 471	1 756	3 263
Increases 1.1.-31.12.	30	68	30	
Decreases 1.1.-31.12.		-7		-7
Acquisition cost for assets written off in full but in use		-1 500		-1 500
Acquisition cost 31.12.	**2 062**	**2 032**	**1 786**	**1 756**
Accumulated depreciation acc. to plan 31.12.	1 131	1 122	1 131	1 122
Book value 31.12.	**931**	**910**	**655**	**634**
Other long-term assets				
Acquisition cost 1.1.	9 314	11 676	9 124	11 225
Increases 1.1.-31.12.	6 360	1 566	6 350	1 566
Acquistion cost for assets written off in full but in use	-1 760	-3 928	-1 761	-3 667
Acquisition cost 31.12.	**13 914**	**9 314**	**13 713**	**9 124**
Accumulated depreciation according to plan 31.12.	6 784	5 979	6 621	5 852
Book value 31.12.	**7 130**	**3 335**	**7 092**	**3 272**
Buildings and structures				
Acquisition cost 1.1.	325 628	316 971	264 204	260 544
Increases 1.1.-31.12.	13 744	10 673	1 657	5 676
Decreases 1.1.-31.12.	0	2 016	0	2 016
Acquisition cost 31.12.	**339 372**	**325 628**	**265 861**	**264 204**
Accumulated depreciation according to plan 31.12.	126 470	116 162	108 428	100 013
Book value 31.12.	**212 902**	**209 466**	**157 433**	**164 191**
Accumulated depreciation difference 31.12.	**102 398**	**105 119**	**99 900**	**102 551**
Machinery and equipment				
Acquisition cost 1.1.	334 824	313 223	326 346	305 561
Increses 1.1.-31.12.	58 371	39 539	55 862	38 533
Decreases 1.1.-31.12.	4 152	17 937	4 011	17 748
Acquisition cost 31.12.	**389 043**	**334 825**	**378 197**	**326 346**
Accumulated depreciation according to plan 31.12	241 923	216 700	235 082	211 022
Book value 31.12.	**147 120**	**118 125**	**143 115**	**115 324**
Accumulated depreciation difference 31.12.	**79 214**	**50 982**	**79 188**	**50 843**

Acquisition cost for assets written off in full, parent company 1997, FIM 146,834 thousand (1996, 138,444).

	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
Other tangible assets				
Acqusition cost 1.1.	15 845	14 513	15 029	14 035
Acqusition cost for assets written off in full	-1 724		-1 723	
Increases 1.1.-31.12.	1 426	1 332	1 230	994
Acquisition cost 31.12.	**15 547**	**15 845**	**14 536**	**15 029**
Accumulated depreciation according to plan 31.12.	7 656	8 035	7 209	7 657
Book value 31.12.	**7 891**	**7 810**	**7 327**	**7 372**

	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
12. Tax values of fixed assets				
Land	6 142	6 142	3 206	3 206
Buildings and structures	231 837	230 311	173 924	185 614
Shares	39 959	23 585	70 895	54 367
13. Fire-ensurance values of fixed assets				
Buildings and structures	887 612	872 205	656 778	698 492
Machinery and equipment	423 859	418 138	417 203	411 908
Others	5 216	4 536	4 921	4 536
14. Receivables from/ liabilities to Group Companies				
Receivables from subsidiaries				
Long-term Group receivables			22 718	9 000
Short-term Group receivables			4 974	9 564
			27 692	**18 564**
Liabilities to Subsidiaries				
Group liabilities			**293**	**1129**
Receivables from associated companies				
Accounts receivable			**86**	**1**
Liabilities to associated companies				
Accounts payable			25	255
Other short-term liabilities				125
			25	**380**
15. Shareholders' equity				
Share capital 1.1.	30 000	30 000	30 000	30 000
Share capital 31.12.	**30 000**	**30 000**	**30 000**	**30 000**
Other restricted equity 1.1.	1 074	1 074		
Other restricted equity 31.12.	**1 074**	**1 074**		
Non-restricted equity 1.1.	85 316	74 432	85 253	75 999
Distribution of dividend	-60 000	-50 100	-60 000	-50 100
Other change		-6		
Net profit for the year	96 289	60 990	92 003	59 354
Non-restricted equity 31.12.	**121 605**	**85 316**	**117 256**	**85 253**
16. Reserves				
Mandatory provisions				
Cost for rental flat				
1.1.-31.12.1997	0	320		
Customs duties and taxes				
paid in connection with imports	0	150		
	0	**470**		

Mandatory provisions have been released as
they proved unnecessary.
The provision has been released by adjusting
the original group of costs rents and outside services

	Group 1997	Group 1996	Parent Company 1997	Parent Company 1996
17. Liabilities				
Debts due in five years or more				
Financial loans	**10 536**	**586**	**10 000**	**0**
18. Contingent liabilities				
Pledges and other commitments				
Pledges on own debts				
Mortgages on buildings and land areas	91 469	94 801	86 150	89 482
Mortgages on leases	4 960	4 960	4 960	4 960
Pledges on Group Companies' debts				
Mortgages on buildings and land areas			750	3 818
On others' behalf				
Guarantees, housing loans	4 332	4 973	3 766	4 330
Other own liabilities				
Leasing liabilities	589	535	173	237
Rent liabilities	8 642	11 737	8 568	11 144
Others		2 790		
Pension liabilities	1 043	1 315	1 043	1 315
Total	**111 035**	**121 111**	**105 410**	**115 286**

Proposal by the Board of Directors for the Distribution of Profits

Group figures from the consolidated balance sheet at 31 December 1997 are as follows:

Retained earnings from previous years	FIM 25,316,275.34
Profit for the financial period	FIM 96,289,008.03
Distributable non-restricted equity	**FIM 121,605,283.37**

The parent company's non-restricted equity is	**FIM 117,256,503.32**

The Board of Directors proposes that the above profits be appropriated as follows:

that a dividend of FIM 3,000 per share be paid to the shareholders	FIM 90,000,000.00
that the remainder be left in the retained earnings account	FIM 27,256,503.32
	FIM 117,256,503.32

Helsinki, 17 March 1998

Kullervo Lehtonen

Antti Vehviläinen

Asser Ahleskog

Samppa Ahtiainen

Sverre Norrgård

Veli-Jussi Potka

Hannu Schildt

Olof Weckström

Juha Silvanto
Managing Director

AUDITORS' REPORT

To the shareholders of Steveco Oy
We have audited the accounting records and financial statements as well as the administration of Steveco Oy for the period of 1 January to 31 December 1997. The financial statements prepared by the Board of Directors and the Managing Director include the report on operations, consolidated and parent company income statements, balance sheets, and notes to the financial statements. Based on our audit, we express an opinion on these financial statements and on the corporate administration.

We have conducted our audit in accordance with the Finnish Generally Accepted Auditing Standards. The accounting records, accounting principles, and the content and disclosures of the financial statements have been audited in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 financial statements, which show a profit of FIM 96,289,000 in the consolidated income statement, have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements, including the consolidated accounts, can be adopted and the members of the Board of Directors and the Managing Director can be discharged from personal liability for the financial year audited by us. The proposal of the Board of Directors concerning the disposition of non-restricted shareholders' equity according to the balance sheet is in compliance with the Companies Act.

Kotka, 25 March 1998

TILINTARKASTAJIEN OY - ERNST & YOUNG
Authorised Public Accountants

Tomi Englund
Authorised Public Accountant

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