



JAAKKO PÖYRY GROUP ANNUAL REPORT

1998

JAAKKO PÖYRY



1958

1972

1998

ANNUAL GENERAL MEETING

The shareholders of Jaakko Pöyry Group Oyj are hereby invited to attend the Annual General Meeting, which will be held on Thursday, March 18, 1999 at 4.00 p.m. at the Pöyry House, Jaakonkatu 3, 01620 Vantaa, Finland.

FINANCIAL INFORMATION

In 1999 Jaakko Pöyry Group Oyj will publish its interim report for January - March on May 6, for January - June on August 4 and for January - September on November 4. Jaakko Pöyry Group Oyj will publish its annual report in March.

The annual report and the interim reports are available at Jaakko Pöyry Group Oyj in Finnish, Swedish and English, telephone +358 9 8947 3022, telefax +358 9 878 5855.

DIVIDEND

The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 2.00 per share, be paid for the fiscal year that ended December 31, 1998.

The Board of Directors proposes that the record date shall be March 23, 1999 and that the dividend shall be payable on March 30, 1999.

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P R E S I D E N T ' S R E V I E W



Erkki Pehu-Lehtonen

The Jaakko Pöyry Group's business developed favourably in 1998, and in good agreement with budgeted targets.

Financially, 1998 was a good year, the best in the history of the Jaakko Pöyry Group. Consolidated net sales increased to FIM 1 544.1 million (FIM 1 303.9 million in 1997) and earnings after financial items amounted to FIM 122.4 million (FIM 100.7 million).

We have refined our business strategies and objectives during the final months of 1998. In future, we shall focus even more strongly on the three main business areas: forest industry, energy, and infrastructure and environment. The first significant step in this direction is the entry of Electrowatt Engineering Ltd into the Group as of the beginning of 1999. This will further diversify the Jaakko Pöyry Group's business and decisively strengthen our position in the growing energy, infrastructure and environment sectors. This year, the forest industry will account for 35-40 per cent of consolidated net sales, the energy sector for 25-30 per cent and the infrastructure and environment sector for 20-25 per cent.

As a part of the strategy process we also defined our financial objectives in more

detail. Our Return on Investment target has been revised upwards to 20 per cent and the target for the average growth of earnings per share is now 15 per cent per annum.

In the forest industry, the division of our work has changed remarkably. In the late 1980s, most of the work commissioned by forest industry clients was concerned with new pulp and paper mill projects. Today, this type of work accounts for about 25 per cent of the Group's forest industry work load, equalling about 10 per cent of consolidated net sales. Growth areas are consulting, operations improvement, rebuilds and maintenance engineering. Information technology is also accounting for a growing share of our work input.

In the forest products industry, Jaakko Pöyry is well known all over the world and market leader in its field. Our objective is to achieve a similar position in selected subareas of the energy and infrastructure and environment business sectors. We believe that the Group's traditional Nordic know-how in combination with Electrowatt Engineering Ltd's strong Central European expertise and market position will create a firm foundation

for achieving these objectives.

The Group's objective is to grow in all of its main business sectors. Widening and supplementing our product range and strengthening and expanding our local office network will be essential in developing our operations. The globalisation of our clients' business operations and the trend towards outsourcing will also boost the demand for our Group's services.

Global economic prospects are variable at the moment. It is difficult to foresee how business conditions will change in the second half of the year. However, our order stock at the beginning of the year is bigger than at this point last year. This creates a good starting point for achieving our new and more ambitious earnings goals.

I would like to thank all of the Jaakko Pöyry Group's clients, employees, shareholders and other cooperation partners for their good cooperation during the past year. As I am now taking over as President and CEO, I would like to thank my predecessor Niilo Pellonmaa for leaving in my hands a company that is in good shape. This gives us every reason to look forward with confidence.

Having retired from the post of President and CEO as of December 31, 1998, I am pleased to note that the past three years have been a period of massive change in the history of the Jaakko Pöyry Group. The Group is now more diversified than ever and it is well equipped to continue its growth. Its financial status has also improved significantly during this period. Against this background, I can retire from everyday operations with a feeling of satisfaction and hand over the Group's management to Erkki Pehu-Lehtonen. I am confident that Erkki Pehu-Lehtonen and his team have every possibility of continuing the Group's internationalisation.

I would like to thank you all for the past years of fruitful cooperation, which have also been very memorable for me personally.

Vantaa, February 17, 1999

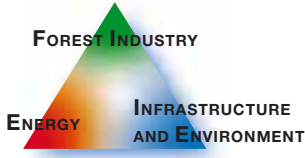


Erkki Pehu-Lehtonen



Niilo Pellonmaa

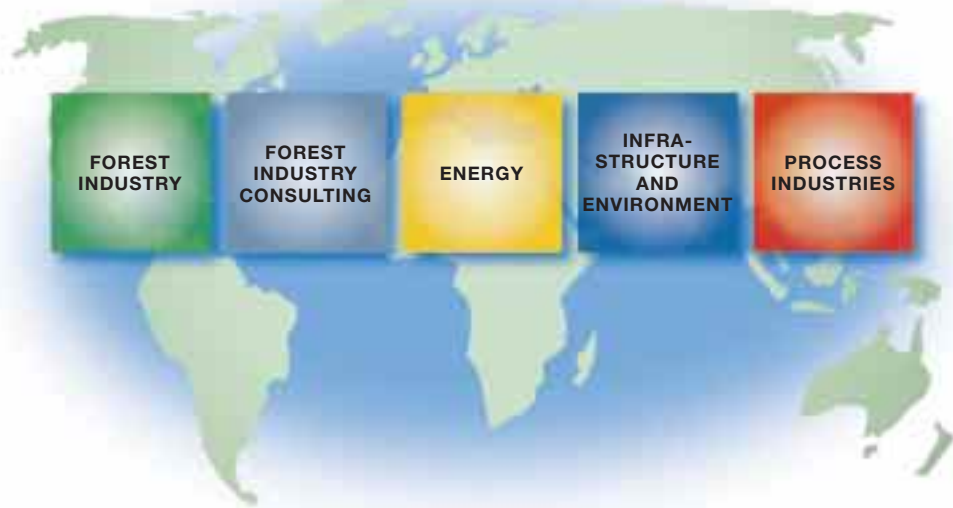
J A A K K O P Ö Y R Y G R O U P



The Jaakko Pöyry Group is a customer and technology oriented, globally operating consulting and engineering firm. It has three core areas of expertise: forest industry, energy, and infrastructure and environment. The Jaakko Pöyry

Group offers services related to consulting, project development and implementation, and operations improvement and maintenance planning in all of its business sectors.

J A A K K O P Ö Y R Y G R O U P



ORGANISATION

The Jaakko Pöyry Group's organisation consists of five business group, which are globally responsible for their operations.

Including consolidated and associated companies, the Jaakko Pöyry Group is one of the world's biggest technology consulting and engineering firms. With offices in more than 30 countries, the Jaakko Pöyry Group offers clients local services, combining knowledge of local conditions with global resources.

GLOBAL SYNERGISTIC BENEFITS

Internal synergistic benefits are achieved in the Group through joint projects, complementary areas of expertise, internal exchange of information, use of common engineering systems, tools and methods, and a common office network.

The Group's parent company coordinates and develops corporate services, including financing, legal matters, investor relations, human resource development and information technology.

GROUP STRATEGY

MISSION

The Jaakko Pöyry Group's mission is to anticipate and fulfil clients' requirements to improve their competitiveness.

This objective is pursued by providing clients a full range of leading-edge solutions and services within consulting, project development and implementation, operations improvement and maintenance engineering.

The Jaakko Pöyry Group aims at attracting people with drive and ability, to work towards the company's objectives.

We offer our employees a challenging international working environment in an expert organisation emphasising quality and continuous development.

The Jaakko Pöyry Group aims at securing a competitive long-term return for its shareholders by actively managing and integrating the Group's resources, know-how and operations, and by safeguarding its leading position in selected business areas.

The target is to reach 8 per cent operating profit on the average and to invest in continuous growth of core business areas.

BUSINESS CONCEPT

The Jaakko Pöyry Group's business concept is based on early involvement in its clients' business development.

The Group offers innovative and value-added solutions and a full range of consulting and engineering services.

The core areas of operations are forest industry, energy, and infrastructure and environment.

The Group's own resources in the key areas of consulting, technology, engineering and project management are complemented through partnerships and alliances.

MARKET POSITION

Leading companies in the core business areas regard the Jaakko Pöyry Group as their preferred supplier. The Group's position within the core areas is the following:

Forest Industry

The Jaakko Pöyry Group is global market leader in providing EPCM (Engineering, Procurement, Construction Management) services for the forest products industry's new projects and rebuilds.

The local office network covers all major pulp and paper producing areas in the world.

The Jaakko Pöyry Group is the premiere global management consulting network, serving the forestry and forest industry cluster.

Energy

The Jaakko Pöyry Group is a leading international energy consulting and engineering group, specialising in combined heat and power generation (CHP), hydropower, waste to energy and biofuels.

The local office network covers Europe, Asia and South America.

Infrastructure and Environment

The Jaakko Pöyry Group is market leader in Finland and Switzerland and it has a strong position in the Baltic region and in Central and Eastern Europe.

The Group operates globally in selected business areas.

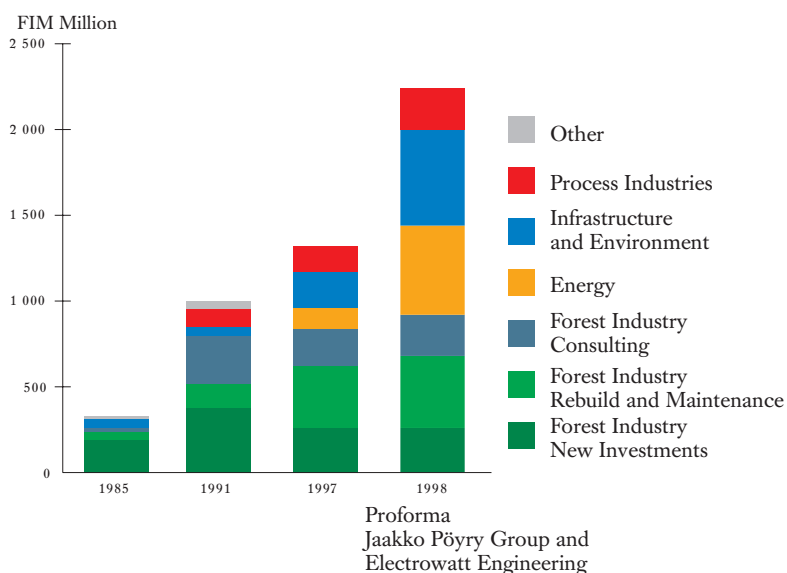
GROWTH PROSPECTS

GROWTH

The Group's net sales have grown from about FIM 300 million in 1985 to more than FIM 2 200 million in 1998 (proforma Jaakko Pöyry Group and Electrowatt Engineering). This equals an annual growth of about 15 per cent.

The Forest Industry business group's net sales have trebled since 1985, though the number of new investment projects has not grown markedly. During the same period, the Forest Industry's relative share of consolidated net sales has declined from about 80 per cent to about 40 per cent.

JAAKKO PÖYRY GROUP'S NET SALES



KEY DATA	FIM Million		EUR Million	
	1997	1998	1997	1998
Net sales	1 303.9	1 544.1	219.3	259.7
Profit after financial items	100.7	122.4	16.9	20.6
Earnings/share, FIM/EUR	4.72	5.32	0.79	0.89
Order stock	836.9	993.6	140.8	167.1
Personnel in Group companies	2 775	2 977		
Personnel in associated companies	3 024	2 577		

Forest Industry

The trend towards outsourcing of engineering services and the growing number of rebuilds will increase demand for the Jaakko Pöyry Group's local offices' services, especially in Central Europe and North America.

The globalisation and consolidation of the forest products industry result in increased demand for consulting services in this sector. Jaakko Pöyry Consulting Oy's unique position and service network promote the Group's participation in this global development, improving clients' competitiveness.

Energy

Demand for energy keeps growing faster than the gross national product. Growth prospects for products in the Jaakko Pöyry Group's areas of expertise are good.

Renewable energy resources, such as hydropower and biofuels, are gaining more ground, reflecting for example the effects of the Kyoto Protocol. Waste to energy also contributes to reduced environmental loads. Combined heat and power generation (CHP) is the preferred type of energy in many countries, including the EU, because of its good efficiency.

Infrastructure and Environment

The quality and supply of raw water in the world are turning into a growing problem. About 70-80 per cent of all waste waters are discharged without treatment. Using its specialised know-how, the Jaakko Pöyry Group can participate in solving these problems. Increasingly difficult traffic jams and the resulting pollution, especially in rapidly developing growth areas, are creating demand for development of alternative modes of transport, such as underground railways, city trains and bullet trains.



SOURCES OF GROWTH

The Jaakko Pöyry Group's growth originates from three sources:

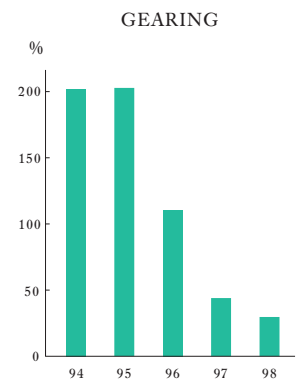
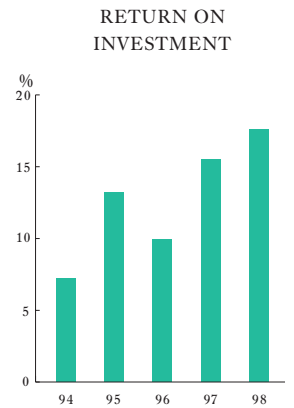
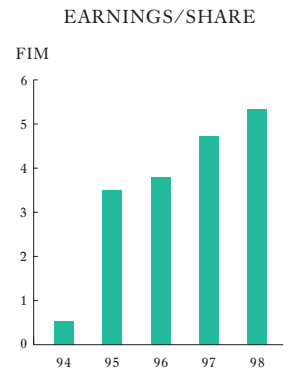
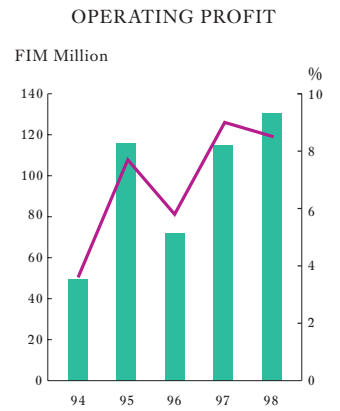
- Organic growth
- Expansion of local office network. In recent years, the Jaakko Pöyry Group has expanded its global network with several offices each year to serve its clients better at local level. The expansion relies primarily on acquisi-

tions, so that the acquired company's range of services is supplemented with the Group's know-how and resources.

- Acquisitions to strengthen the Group's know-how based and office network. The most recent acquisition of this type was Electrowatt Engineering Ltd, which increased Group net sales by about 50 per cent.

FINANCIAL TARGETS

Average operating profit	≥ 8 %
Average annual growth of earnings per share	≥ 15 %
Return on Investment (ROI %)	> 20 %
Net debt/equity ratio (gearing)	< 30 %
Dividend/earnings ratio	≥ 40 %



SHAREHOLDERS AND SHARES

MAJOR SHAREHOLDERS

Per cent of shares and voting rights		
Finvest Oyj	41.6	The members of the Board of Directors, the President and CEO and the Deputy Chief Executive own 26 510 shares, representing 0.2 per cent of the shares. The warrants which they own entitle them to subscribe 215 000 shares, representing 1.4 per cent of the shares after subscription.
Varma-Sampo Mutual Pension Insurance Company	2.1	
Tapiola Mutual Pension Insurance Company	1.9	
Tapiola General Mutual Insurance Company	1.5	
Sampo Life Insurance Company Ltd	1.3	
Pohjola Life Assurance Company Ltd	1.1	
Tapiola Mutual Life Assurance Company	1.1	
Merita Life Assurance Ltd	0.8	
Gyllenberg Small Firm Fund	0.7	
Unit Trust Merita	0.7	
ABB Pension Foundation	0.6	
Tapiola Corporate Life Insurance Company	0.6	
Others	46.0	
Total	100.0	

OWNERSHIP STRUCTURE BY TYPE OF SHAREHOLDER

	Owners, pcs	Per cent of owners	Per cent of shares and voting rights
Companies	87	9.0	48.5
Financial and insurance institutions	21	2.2	10.5
Households	834	86.2	2.9
Outside Finland and nominee registered	9	0.9	32.5
General government and non-profit associations	17	1.7	5.6
Total	968	100.0	100.0

OWNERSHIP STRUCTURE BY NUMBER OF SHARES OWNED

Number of shares, pcs	Owners, pcs	Per cent of owners	Per cent of shares and voting rights
1 – 100	266	27.5	0.2
101 – 200	226	23.4	0.3
201 – 300	101	10.4	0.2
301 – 500	128	13.1	0.4
501 – 1 000	113	11.7	0.7
1 001 – 2 000	46	4.8	0.6
2 001 – 5 000	35	3.6	0.8
5 001 –	53	5.5	96.8
Total	968	100.0	100.0

The information is based on Finnish Central Securities Depository Ltd's register December 31, 1998.

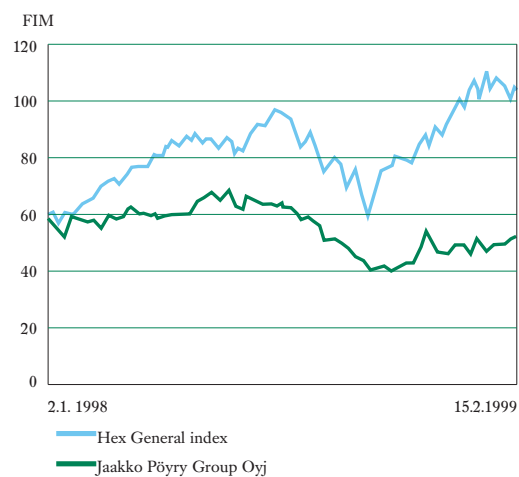
The Management's share ownership is based on the situation January 31, 1999.

In Sweden the shareholders were 94 and they owned totally 394 000 shares, representing 2.9 per cent of the shares.

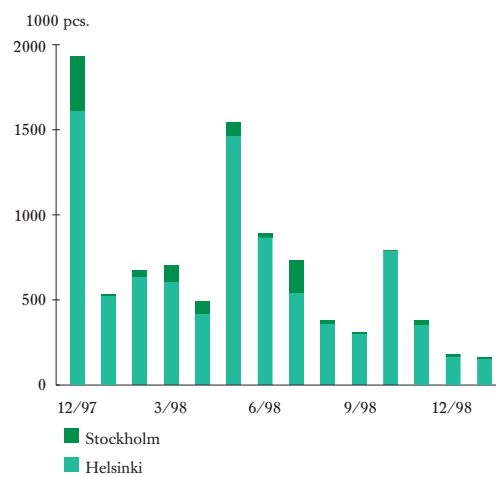
DEVELOPMENT OF SHARES AND SHARE CAPITAL

Date of share issues	Share capital FIM 1000	Share premium reserve FIM 1000	Legal reserve FIM 1000	Shares 1000 pcs	Nominal value FIM/share
December 23, 1994	15		0	15	1.00
March 7, 1995	50 000		0	50 000	1.00
December 21, 1995	51 000		10 000	51 000	1.00
December 31, 1996	51 000		10 000	51 000	1.00
May 12, 1997	61 000		120 000	61 000	1.00
September 29, 1997	61 000		120 000	12 200	5.00
December 2, 1997	68 500	89 531	120 000	13 700	5.00
Euro 1000	11 521	15 058	20 183		

DEVELOPMENT OF THE SHARE PRICE ON HELSINKI STOCK EXCHANGE



AMOUNT OF SHARES EXCHANGED



KEY FIGURES

KEY FIGURES FOR THE GROUP

FIM Million	1994	1995	1996	1997	1998
STATEMENT OF INCOME					
Net sales	1 328.8	1 529.6	1 248.1	1 303.9	1 544.1
Operating profit	48.2	117.7	72.7	116.9	131.1
Proportion of net sales, %	3.6	7.7	5.8	9.0	8.5
Financial income and expenses	- 29.9	- 50.8	- 21.8	- 16.2	- 8.7
Proportion of net sales, %	2.3	3.3	1.7	1.2	0.6
Profit after financial items	18.3	66.9	50.9	100.7	122.4
Proportion of net sales, %	1.4	4.4	4.1	7.7	7.9
Extraordinary items	- 18.3	- 18.2	- 37.7	- 0.6	- 0.0
Profit before appropriations, taxes and minority interest	0.0	48.7	13.2	100.1	122.4
Proportion of net sales, %	0.0	3.2	1.1	7.7	7.9
Appropriations	10.9	- 8.7	14.2	14.6	0.0
Income taxes	- 15.5	- 22.2	- 11.3	- 38.9	- 47.6
Minority interest	- 0.4	- 6.5	- 4.9	- 7.9	- 3.1
NET PROFIT FOR THE PERIOD	- 5.0	11.3	11.2	67.9	71.7

BALANCE SHEET					
Intangible assets	13.0	13.9	9.8	16.3	16.1
Consolidation goodwill	23.9	274.5	215.0	206.8	193.7
Tangible assets	507.7	341.3	152.2	158.8	147.7
Non-current investments	149.1	142.7	131.0	170.3	173.1
Inventories	24.8	1.5	0.0	0.0	0.0
Receivables	462.5	496.0	421.4	488.2	493.6
Own shares	0.0	0.0	0.0	0.0	33.0
Current investments, cash in hand and at banks	219.8	188.6	204.4	292.5	174.5
ASSETS TOTAL	1 400.8	1 458.5	1 133.8	1 332.9	1 231.7
Shareholders' equity	22.8	138.9	100.7	375.7	424.6
Preferred capital notes	120.0	120.0	120.0	0.0	0.0
Minority interest	88.9	24.4	27.9	34.3	31.6
Interest bearing liabilities	687.7	763.1	479.3	472.7	296.2
Non-interest bearing liabilities	481.4	412.1	405.9	450.2	479.3
LIABILITIES TOTAL	1 400.8	1 458.5	1 133.8	1 332.9	1 231.7

EUR Million	1994	1995	1996	1997	1998
STATEMENT OF INCOME					
Net sales	223.5	257.3	209.9	219.3	259.7
Operating profit	8.1	19.8	12.2	19.7	22.0
Proportion of net sales, %	3.6	7.7	5.8	9.0	8.5
Financial income and expenses	- 5.0	- 8.5	- 3.7	- 2.7	- 1.5
Proportion of net sales, %	2.3	3.3	1.7	1.2	0.6
Profit after financial items	3.1	11.3	8.6	16.9	20.6
Proportion of net sales, %	1.4	4.4	4.1	7.7	7.9
Extraordinary items	- 3.1	- 3.1	- 6.3	- 0.1	- 0.0
Profit before appropriations, taxes and minority interest	0.0	8.2	2.2	16.8	20.6
Proportion of net sales, %	0.0	3.2	1.1	7.7	7.9
Appropriations	1.8	- 1.5	2.4	2.5	0.0
Income taxes	- 2.6	- 3.7	- 1.9	- 6.5	- 8.0
Minority interest	- 0.1	- 1.1	- 0.8	- 1.3	- 0.5
NET PROFIT FOR THE PERIOD	- 0.8	1.9	1.9	11.4	12.1

BALANCE SHEET					
Intangible assets	2.2	2.3	1.6	2.7	2.7
Consolidation goodwill	4.0	46.2	36.2	34.8	32.6
Tangible assets	85.4	57.4	25.6	26.7	24.8
Non-current investments	25.1	24.0	22.0	28.6	29.1
Inventories	4.2	0.3	0.0	0.0	0.0
Receivables	77.8	83.4	70.9	82.1	83.0
Own shares	0.0	0.0	0.0	0.0	5.6
Current investments, cash in hand and at banks	37.0	31.7	34.4	49.2	29.3
ASSETS TOTAL	235.6	245.3	190.7	224.2	207.2
Shareholders' equity	3.8	23.4	16.9	63.2	71.4
Preferred capital notes	20.2	20.2	20.2	0.0	0.0
Minority interest	15.0	4.1	4.7	5.8	5.3
Interest bearing liabilities	115.7	128.3	80.6	79.5	49.8
Non-interest bearing liabilities	81.0	69.3	68.3	75.7	80.6
LIABILITIES TOTAL	235.6	245.3	190.7	224.2	207.2

PROFITABILITY AND OTHER KEY FIGURES

	EUR						
	1994	1995	1996	1997	1998	1997	1998
Return on investment, %	7.0	13.5	9.9	15.5	17.6		
Return on equity, %	1.3	17.4	14.9	18.8	18.0		
Equity ratio, %	17.6	20.4	23.8	33.8	39.5		
Equity/Assets ratio, %	16.5	19.4	21.9	30.8	35.3		
Net debt/Equity ratio (gearing), %	202.0	202.8	110.6	44.0	28.8		
Current ratio	1.5	1.6	1.4	1.8	1.4		
Order stock, FIM Million/EUR Million	867.6	710.1	680.2	836.9	993.6	140.8	167.1
Capital expenditure, FIM Million/EUR Million	48.4	31.7	29.5	95.4	41.9	16.0	7.0
Proportion of net sales	3.6	2.1	2.4	7.3	2.7		
Personnel in group companies in average	2 548	2 705	2 772	2 690	2 919		
Personnel in associated companies in average	1 820	1 965	2 056	2 250	2 710		
Personnel in group companies at year-end	2 548	2 740	2 646	2 775	2 977		
Personnel in associated companies at year-end	1 820	2 110	2 001	3 024	2 577		

KEY FIGURES FOR THE SHARES

	EUR						
	1994	1995	1996	1997	1998	1997	1998
Earnings/share, FIM/EUR	0.53	3.51	3.79	4.72	5.32	0.79	0.89
Shareholders' equity/share, FIM/EUR	14.00	25.39	21.65	27.43	29.88	4.61	5.03
Dividend, FIM Million/EUR Million	0.0	0.0	0.0	17.8	26.2 ¹⁾	3.0	4.4 ¹⁾
Dividend/share, FIM/EUR				1.30	2.00 ¹⁾	0.22	0.34 ¹⁾
Dividend/earnings, %				32.4	37.6		
Effective return on dividend, %				2.2	4.1		
Price/earnings multiple				12.3	9.2		
Issue-adjusted trading prices, FIM/EUR							
Average trading price				59.29	57.73	9.97	9.71
Highest trading price				65.00	69.00	10.93	11.60
Lowest trading price				54.00	39.00	9.08	6.56
Closing price at year-end				58.00	48.90	9.75	8.22
Total market value of shares, outstanding shares, FIM Million/EUR Million				794.6	640.7	133.6	107.8
Total market value of shares, own shares, FIM Million/EUR Million					29.2		4.9
Trading volume of shares							
Shares, 1 000 pcs				1 610	6 996		
Proportion of the total volume, %				13.8	51.1		
Issue-adjusted number of outstanding shares, 1 000 pcs ²⁾							
In average	10 200	10 200	10 200	11 658	13 480		
At year-end	10 200	10 200	10 200	13 700	13 103		

1) Board of Directors' proposal

2) Total number of shares, see page 9.

CALCULATION OF KEY FIGURES

RETURN ON INVESTMENT, ROI (%)	100 x	$\frac{\text{profit after financial items + interest and other financial expenses}}{\text{balance sheet total - non-interest bearing liabilities (average)}}$
RETURN ON EQUITY, ROE (%)	100 x	$\frac{\text{profit after financial items - taxes}}{\text{shareholders' equity + minority interest + preferred capital notes (average)}}$
EQUITY RATIO (%)	100 x	$\frac{\text{shareholders' equity + minority interest + preferred capital notes}}{\text{balance sheet total - advance payments received}}$
EQUITY/ASSETS RATIO (%)	100 x	$\frac{\text{shareholders' equity + minority interest + preferred capital notes}}{\text{balance sheet total}}$
NET DEBT/EQUITY RATIO, GEARING (%)	100 x	$\frac{\text{interest-bearing liabilities - current investments - cash in hand and at banks}}{\text{shareholders' equity + minority interest + preferred capital notes}}$
CURRENT RATIO		$\frac{\text{current assets}}{\text{current liabilities}}$
EARNINGS/SHARE, EPS		$\frac{\text{profit after financial items - taxes including taxes from appropriations - minority interest}}{\text{issue-adjusted average number of shares for the fiscal year}}$
SHAREHOLDERS' EQUITY/ SHARE		$\frac{\text{shareholders' equity + preferred capital notes}}{\text{issue-adjusted number of shares at the end of the fiscal year}}$
DIVIDEND/SHARE		$\frac{\text{dividend}}{\text{issue-adjusted number of shares at the end of the fiscal year}}$
DIVIDEND/EARNINGS (%)	100 x	$\frac{\text{dividend for the fiscal year}}{\text{profit after financial items - taxes including taxes from appropriations - minority interest}}$
EFFECTIVE RETURN ON DIVIDEND (%)	100 x	$\frac{\text{dividend/share}}{\text{issue-adjusted trading price at the end of the fiscal year}}$
PRICE/EARNINGS MULTIPLE, P/E		$\frac{\text{quoted share price at the end of the fiscal year}}{\text{earnings per share}}$
MARKET VALUE OF SHARE CAPITAL		$\text{number of shares at the end of the fiscal year} \times \text{last trading price at the end of the fiscal year}$
EXCHANGE OF SHARES (%)		$\frac{\text{number of shares exchanged during the fiscal year}}{\text{average number of shares for the fiscal year}}$

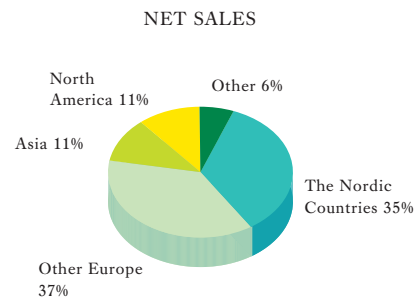
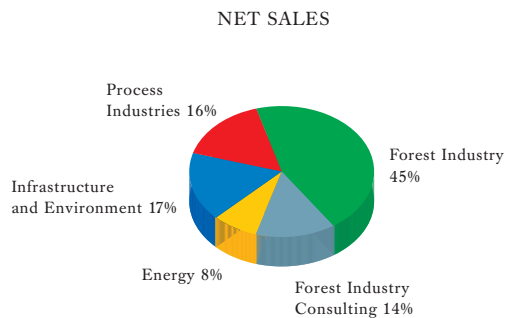
The key figures presented for the year ended December 31, 1994 are extracted from the consolidated financial statements of JP-Finance Oy, Jaakko Pöyry Group Oyj's predecessor corporation. The key figures presented for the year ended December 1995 have been obtained by adding together the consolidated income statement of JP-Finance Oy for the three months ended March 31, 1995 and the consolidated income statement of Jaakko Pöyry Group Oyj for the immediately succeeding nine months ended December 31, 1995.

Changes in the figures representing shareholders' equity in 1994 and 1995 are due to the change in the group structure in 1995.

For purposes of calculating key figures, own shares have been eliminated from shareholders' equity and the number of shares.

KEY FIGURES FOR THE BUSINESS GROUPS

FIM Million	1-3/97	4-6/97	7-9/97	10-12/97	1-3/98	4-6/98	7-9/98	10-12/98	1-12/97	1-12/98
NET SALES										
Forest Industry	149.6	141.7	150.9	179.8	184.8	175.1	150.4	196.9	622.0	707.2
Forest Industry Consulting	49.9	54.1	51.6	60.7	56.1	55.0	46.8	59.6	216.3	217.5
Energy	21.2	24.7	24.2	31.8	22.9	34.7	30.1	32.6	101.9	120.3
Infrastructure and Environment	53.4	54.2	51.2	65.2	59.6	67.6	59.2	74.5	224.0	260.9
Process Industries	28.7	32.2	37.5	44.8	43.7	50.6	50.5	101.6	143.2	246.4
Other	2.0	1.1	3.4	- 10.0	0.0	- 4.3	0.1	- 4.0	- 3.5	- 8.2
Total	304.8	308.0	318.8	372.3	367.1	378.7	337.1	461.2	1 303.9	1 544.1
NET SALES BY DIVISION										
Engineering									905.4	1 010.2
Consulting									306.6	317.2
Contracting									75.5	174.9
Other									16.4	41.8
Total									1 303.9	1 544.1
NET SALES BY AREA										
The Nordic countries									531.8	542.3
Other Europe									333.7	568.1
Asia									206.1	176.3
North America									114.6	163.0
Other									117.7	94.4
Total									1 303.9	1 544.1
OPERATING PROFIT										
Forest Industry	22.3	10.8	34.3	26.3	20.4	23.4	26.5	27.1	93.7	97.4
Forest Industry Consulting	2.3	4.8	3.8	5.3	0.4	2.0	1.4	1.8	16.2	5.6
Energy	0.4	0.5	1.8	5.1	0.1	3.2	1.7	4.7	7.8	9.7
Infrastructure and Environment	4.2	2.6	9.1	10.0	4.2	7.7	5.0	5.6	25.9	22.5
Process Industries	- 5.7	- 3.3	0.0	4.2	0.5	- 0.4	1.4	5.2	- 4.8	6.7
Associated companies	- 0.3	0.6	0.5	1.0	3.7	2.2	- 1.0	2.1	1.8	7.0
Other	- 2.9	- 7.1	- 4.2	- 9.5	- 4.8	- 9.4	- 2.3	- 1.3	- 23.7	- 17.8
Total	20.3	8.9	45.3	42.4	24.5	28.7	32.7	45.2	116.9	131.1

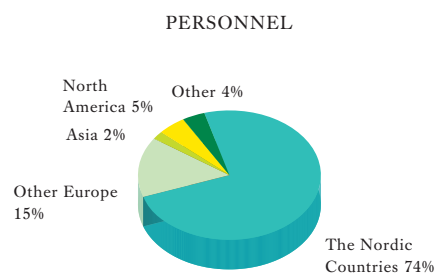
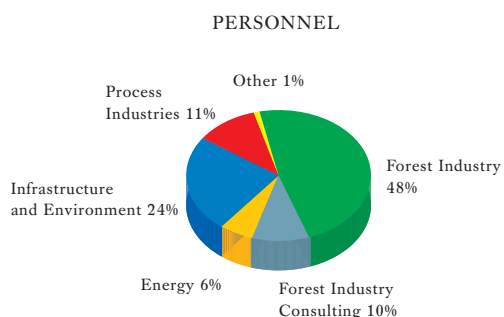


FIM Million	3/97	6/97	9/97	12/97	3/98	6/98	9/98	12/98	12/97	12/98
ORDER STOCK										
Forest Industry	264.5	341.9	282.2	270.8	371.9	371.8	309.4	245.3	270.8	245.3
Forest Industry Consulting	126.9	122.0	121.3	125.9	128.5	130.6	161.9	153.6	125.9	153.6
Energy	32.7	30.0	27.8	65.5	62.0	57.3	39.6	47.1	65.5	47.1
Infrastructure and Environment	73.0	77.1	135.7	110.2	122.1	147.2	153.2	156.5	110.2	156.5
Process Industries	158.7	169.4	155.0	264.5	261.8	229.7	423.4	391.1	264.5	391.1
Total	655.8	740.4	722.0	836.9	946.3	936.6	1 087.5	993.6	836.9	993.6
PERSONNEL										
Forest Industry									1 383	1 440
Forest Industry Consulting									268	291
Energy									191	181
Infrastructure and Environment									633	716
Process Industries									283	331
Other									17	18
Total									2 775	2 977

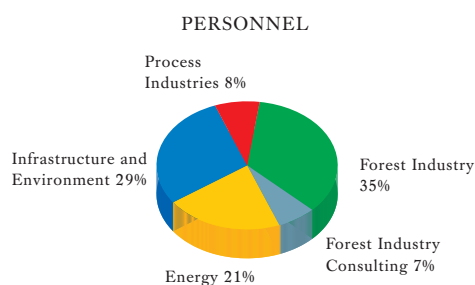
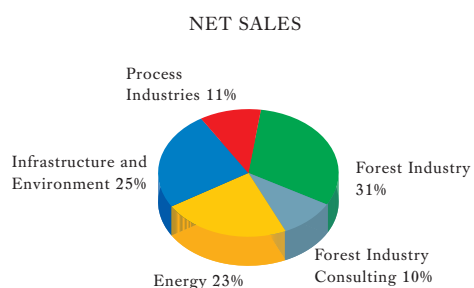
ELECTROWATT ENGINEERING

FIM Million	1-3/97	4-6/97	7-9/97	10-12/97	1-3/98	4-6/98	7-9/98	10-12/98	1-12/97	1-12/98
Net sales	171.0	190.7	228.5	191.6	163.9	159.8	203.1	180.9	781.8	707.7
Operating profit	0.5	- 11.8	5.8	4.3	9.1	3.7	0.2	9.3	- 1.2	22.3
Order stock	752.2	635.6	727.3	769.4	764.7	810.5	824.3	703.7	769.4	703.7
Personnel									1 417	1 191

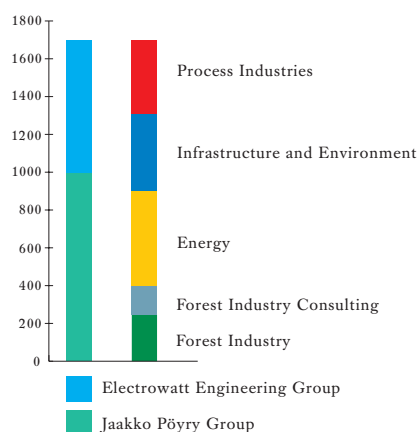
Electrowatt Engineering is not included in graphs.



JAAKKO PÖYRY GROUP AND ELECTROWATT ENGINEERING GROUP
PROFORMA 1998



ORDER STOCK



KEY DATA

Earnings/share, FIM	5.83
Equity ratio %	33.4
Net debt/equity ratio %	18.6
Return on investment %	18.9

	FIM Million	EUR Million
STATEMENT OF INCOME		
Net sales	2 251.8	378.7
Operating profit	146.6	24.7
Proportion of net sales, %	6.5	6.5
Financial income and expenses	- 8.3	- 1.4
Proportion of net sales, %	0.4	0.4
Profit after financial items	138.3	23.3
Proportion of net sales, %	6.1	6.1
Extraordinary items	0.0	0.0
Profit before appropriations, taxes and minority interest	138.3	23.3
Proportion of net sales, %	6.1	6.1
Income taxes	- 50.6	- 8.5
Minority interest	- 9.1	- 1.5
NET PROFIT FOR THE PERIOD	78.6	13.2

BALANCE SHEET

Intangible assets	18.7	3.1
Consolidation goodwill	226.7	38.1
Tangible assets	173.6	29.2
Non-current investments	134.6	22.6
Receivables	879.0	147.8
Own shares	33.0	5.6
Current investments, cash in hand and at banks	214.6	36.1
ASSETS TOTAL	1 680.2	282.6
Shareholders' equity	424.6	71.4
Minority interest	53.3	9.0
Interest bearing liabilities	297.3	50.0
Non-interest bearing liabilities	905.0	152.2
LIABILITIES TOTAL	1 680.2	282.6

BOARD OF DIRECTORS' REPORT

January 1 - December 31, 1998



BOARD OF DIRECTORS from left:

*Henrik Ehrnrooth, 1954,
Vice Chairman of the Board
of Directors*

*Niilo Pellonmaa, 1941,
member*

*Olle Alsholm, 1937,
member, President of the
Swedish Pulp and Paper
Research Institute*

*Jaakko Pöyry, 1924,
member, Chairman of the
Board of Directors of
Jaakko Pöyry Consulting Oy*

*Matti Lehti, 1947,
member, President and CEO
of Tieto Corporation*

*Heikki Lehtonen, 1959,
Chairman of the Board of
Directors; President and
CEO of Santasalo-JOT
Corporation*

CONSOLIDATED EARNINGS AND BALANCE SHEET

The operations and earnings of the Jaakko Pöyry Group developed favourably and according to plans and budgeted targets during the year under review. Consolidated net sales increased by 18.4 per cent and were FIM 1 544.1 (the previous year's figure 1 303.9) million. Operating profit amounted to FIM 131.1 (116.9) million, which equals 8.5 (9.0) per cent of net sales. Profit after financial items was FIM 122.4 (100.7) million. The Group's profit for the year was FIM 71.7 (67.9) million and earnings per share FIM 5.32 (4.72).

The consolidated balance sheet total was FIM 1 231.7 (1 332.9) million. Shareholders' equity was FIM 424.6 (375.7) million. The equity ratio was 39.5 (33.8) per cent. The Group's liquidity remained good. At the end of the year, the Group's cash in hand and at banks amounted to FIM 174.5 (292.5) million, with net interest-bearing debts totalling FIM 121.7 (180.2) million.

The net debt/equity ratio (gearing) was 28.8 (44.0) per cent.

Jaakko Pöyry Group's and Electrowatt Engineering Group's proforma consolidated statement of income and balance sheet for 1998, including the share ownership of 70 per cent in Electrowatt Engineering Group, are presented on page 16. The proforma net sales of Jaakko Pöyry Group and Electrowatt Engineering Group amounted to FIM 2 251.8 million and the operating profit to FIM 138.3 million. Net debt/equity ratio was 18.6 per cent.

GROUP STRUCTURE

The Jaakko Pöyry Group's parent company is Jaakko Pöyry Group Oyj.

Following a reorganisation effective January 1, 1999, the Group's operations are conducted through five business groups: Forest Industry, Forest Industry Consulting, Energy, Infrastructure and Environment, and Process Industries. Nearly all of the Group's subsidiaries

are wholly owned with the exception of Jaakko Pöyry Consulting Oy which is 57.0 per cent owned by the Group. In addition, the Group has a number of associated companies, the most important ones in 1998 being the international company Electrowatt Engineering Ltd (49.0 per cent), which operationally is part of the Energy and the Infrastructure and Environment business groups, and Jaakko Pöyry Engenharia Ltda (40.0 per cent) in Brazil, which is a part of the Forest Industry business group.

On October 2, 1998, Jaakko Pöyry Group Oyj's Board of Directors decided to exercise its option to increase its 49.0 per cent shareholding in the Electrowatt Engineering Group's parent company Electrowatt Engineering Ltd to 70.0 per cent. The deal was finalised at the beginning of 1999, after which Electrowatt Engineering Group will be consolidated into the Jaakko Pöyry Group. The price for the additional 21.0 per cent shareholding was CHF 6.3 million, FIM 23.0 million. Discussions are in progress with the other shareholders of Electrowatt Engineering Ltd concerning the possibility of swapping their shareholdings for shares in Jaakko Pöyry Group Oyj.

Changes in the Group structure during the year are explained in the section dealing with accounting principles.

BUSINESS GROUPS

Forest Industry

Net sales for the financial year were FIM 707.2 (622.0) million, and operating profit FIM 97.4 (93.7) million, which equals 13.8 (15.1) per cent of net sales. The profitability was good. The order stock at the end of the year was FIM 245.3 (270.8) million.

Forest Industry Consulting

Net sales for the financial year were FIM 217.5 (216.3) million, and the operating profit FIM 5.6 (16.2) million, which equals 2.6 (7.5) per cent of net sales. The profitability was unsatisfactory because of loss-making operations in Sweden and the USA. The order stock at the end of the year was FIM 153.6 (125.9) million.

Energy

Net sales for the financial year were FIM 120.3 (101.9) million, and operating profit FIM 9.7 (7.8) million, which equals 8.1 (7.7) per cent of net sales. The profitability was good, although below budgeted targets. The order stock at the end of the year was FIM 47.1 (65.5) million.

Infrastructure and Environment

Net sales for the financial year were FIM 260.9 (224.0) million, and the operating profit FIM 22.5 (25.9) million, which equals 8.6 (11.6) per cent of net sales. The profitability was good, though the result was burdened by non-recurrent removal costs of FIM 3.0 million. The order stock at the end of the year was FIM 156.5 (110.2) million.

Process Industries

Net sales for the financial year were FIM 246.4 (143.2) million, and the operating profit FIM 6.7 (-4.8) million, which equals 2.7 (-3.4) per cent of net sales. The profitability was unsatisfactory, though the result changed from loss to profit. The order stock at the end of the year was FIM 391.1 (264.5) million.

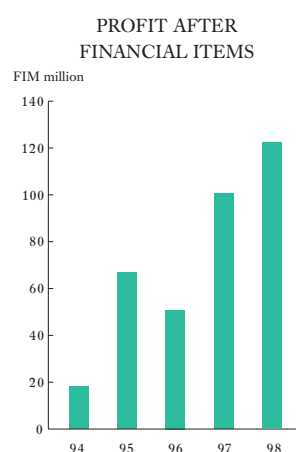
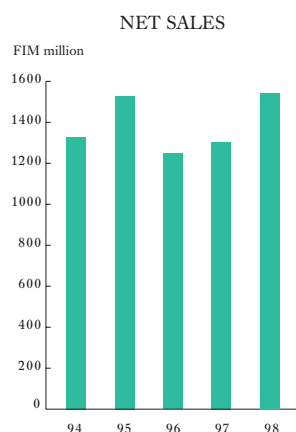
The results of the business groups include general and administrative parent company expenses in proportion to personnel expenses in the business groups.

Electrowatt Engineering, EWE

Electrowatt Engineering Group has been consolidated into the Jaakko Pöyry Group in 1998 as an associated company in accordance with the equity method. EWE's net sales were FIM 707.7 (781.8) million and earnings FIM 19.9 (-1.2) million. The profit includes non-recurrent items of about FIM + 8 million. Interest income of FIM one million and taxes of FIM 3 million are included in the profit. EWE's effect on Group earnings after depreciation on consolidation goodwill, amounted to FIM 7.0 (1.5) million. EWE's order stock at the end of the year was FIM 703.7 (769.4) million with the energy division accounting for FIM 453.1 million and the infrastructure and environment division for FIM 250.6 million.

EWE's strategy has been refined. The aim is to focus EWE's operations on the energy and infrastructure and environmental businesses. EWE's energy, infrastructure and environmental divisions complement the Jaakko Pöyry Group's corresponding functions and they have been integrated into the business groups in question.

Because of changes in EWE's organisational structure and in accounting practices, EWE's result for 1998 between the various business groups are partly on appraisal basis. EWE's energy division's net sales were FIM 391 million and the loss was about FIM 3 million in 1998, in particular because of rationalisation of the business in Germany and a number of loss-making projects. The losses due to projects



have been covered from reserves and by income due to changes in the procedure for booking of project income. The rationalisation of the business in Germany has been largely completed during 1998, and the expenses related to these measures have been booked in the accounts for 1998. EWE's infrastructure and environmental business' net sales amounted to FIM 317 million and the profit to about FIM 17 million in 1998.

Measures to improve EWE's profitability were continued during the year. The building engineering business in the Philippines, which was not a part of the company's core business, was sold in January 1998. This business employed a total of about 250 people with annual net sales amounting to FIM 26 million. The building engineering business which used to be a part of EWE's Swiss operations has also been sold. The deal was concluded in January 1999. As a result of this deal, the number of employees in the Group decreased by about 45.

Jaakko Pöyry Engenharia

The associated company Jaakko Pöyry Engenharia Ltda has not been consolidated into the Jaakko Pöyry Group. Jaakko Pöyry Engenharia Ltda's earnings for 1998 amounted to FIM 2.3 million. A FIM 10.0 million write-off was made on the company's shares after which value of the shares and other balance sheet items in the Jaakko Pöyry Group amounting to FIM 15.1 million at the year end. Jaakko Pöyry Group Oyj has negotiated with the other shareholders in Jaakko Pöyry Engenharia Ltda regarding the possibility of transforming the forest industry business into a separate company, in which Jaakko Pöyry Group Oyj would hold a majority of the shares. So far, agreement has not been reached. Brazil's economic problems have affected the operations of Jaakko Pöyry Engenharia Ltda. The strong depreciation of the Brazilian currency at the beginning of 1999 will further depress investment activity in the country.

ORDER STOCK

The order stock has increased during the financial year, amounting to FIM 993.6 (836.9) million at the end of the financial year. Of this total, engineering projects and consulting services accounted for FIM 644.8 (567.8) million and process contracting deliveries for FIM 348.8 (269.1) million. The above-mentioned order stock does not include associated companies' order stocks.

RESEARCH AND DEVELOPMENT

The Group's research and development is

intended to improve the quality of projects and to promote more efficient implementation. The expenses related to research and development have been booked as an annual expense.

CAPITAL EXPENDITURE

The Group's capital expenditure totalled FIM 41.9 (95.4) million. The capital expenditure consisted mostly of computer software, systems and hardware. Of the total capital expenditure FIM 13.0 million were related to acquisitions. In 1997, investments in associated companies' shares accounted for FIM 51.7 million of the capital expenditure.

FINANCING

The Group's liquidity remained good during the financial year. At the end of the year, the Group's cash in hand and at banks totalled FIM 174.5 (292.5) million and interest-bearing liabilities FIM 296.2 (472.7) million, so interest-bearing net debts amounted to FIM 121.7 (180.2) million. The net debt/equity ratio (gearing) at the end of the year was 28.8 (44.0) per cent.

Jaakko Pöyry Group Oyj has repaid the DEM 100.0 million loan arranged by Chase Manhattan International Limited by DEM 55.0 million during the financial year. At the year-end, the loan stood at DEM 45.0 million (FIM 136.8 million). In addition to this loan, the Group has pension loans of FIM 134.1 million from pension insurance companies and the Jaakko Pöyry Group's pension foundation, and other loans totalling FIM 25.3 million.

During the financial year Jaakko Pöyry Group Oyj and Unibank A/S signed an agreement for a credit facility of EUR 5.0 million (FIM 29.7 million). The credit facility remained unutilised at the year-end. After the year-end, Jaakko Pöyry Group Oyj signed an agreement with Leonia Corporate Bank plc for a credit facility of EUR 16.8 million (FIM 100.0 million).

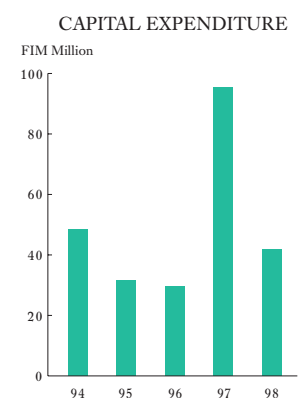
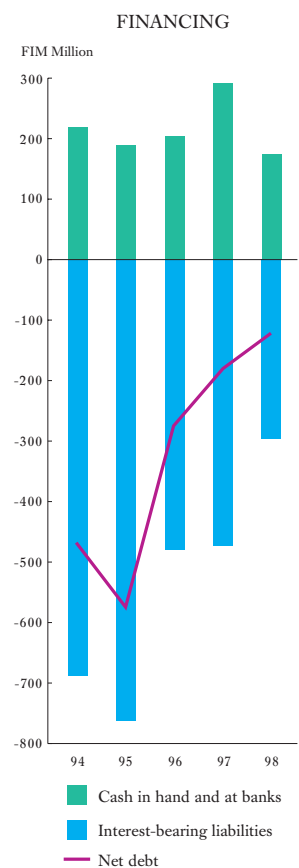
EURO

The Board of Directors of Jaakko Pöyry Group Oyj decided in its meeting on August 13, 1998 that the Group's parent company Jaakko Pöyry Group Oyj will change over to the euro as of the beginning of 1999. Other Group companies will change over to the euro by the year 2000, at the latest.

YEAR 2000

General

The problems related to the year 2000 within the Jaakko Pöyry Group are primarily concerned with computer functions. Other parts of the



business will not be affected by year 2000 problems to any significant degree.

The key software related to the Jaakko Pöyry Group's business operations does not involve processing of dates. Administrative software is virtually without exception commercial, and its year 2000 -conformity will be mostly fulfilled in the summer of 1999.

The year 2000 -conformity of the Group's computer infrastructure will be secured. The infrastructure includes servers, networks, work stations and basic software. There are no central computers, and the software and hardware are quite new. The fact that the group's operations depend on the functionality of the computer network is a risk, however. Computer networks are the most critical component with a view to the year 2000.

Actions

A year 2000 -inventory has been made. Upgrading and improvement projects covering administrative software are in progress. Network and workstation upgrades are in progress as well. Disregarding some minor faults which do not constitute a risk to the company's business, basic programs are in good year 2000 -conformity. They will be fully renewed or updated into year 2000 -compatible versions.

There is no need to check subsuppliers' year 2000 -conformity to any major extent, because their importance for the business is minimal. Subsupplier contracts include a clause concerning the year 2000 -conformity of their engineering tools.

Each Group company is individually responsible for its year 2000 -conformity. The year 2000 -work is being coordinated at Group level, including progress follow-up and issuing of instructions for systems updates.

The year 2000 -conformity in the Jaakko Pöyry Group has been defined on the basis of the British Standards Institutions DISC PD2000-1 A Definition of Year 2000 Conformity Requirements.

SHARE CAPITAL AND SHARES

Jaakko Pöyry Group Oyj's share capital has not changed during 1998. The share capital is FIM 68 500 000.00, the number of shares is 13 700 000 and the nominal value of the shares is FIM 5.00. The company has one series of shares.

The shares of Jaakko Pöyry Group Oyj have been quoted on the Helsinki and Stockholm stock exchanges since December 1997.

THE COMPANY'S OWN SHARES

The Annual General Meeting of Jaakko Pöyry Group Oyj on March 30, 1998 authorised the Board of Directors to acquire or sell the company's own shares. The authorisation covers a maximum of 685 000 shares equalling 5.0 per cent of the total number of shares. The shares can be acquired with capital available for profit distribution. The shares are acquired in order to strengthen the Company's capital structure and also to be used as compensation in business acquisitions or the acquisition of assets related to the company's business.

During the period from July 3 to October 8, 1998 the Company has acquired 597 200 shares, with a total nominal value of 2 986 000 FIM, through the Helsinki Stock Exchange. The average acquisition price was 55.20 FIM per share totalling FIM 33.0 million. The highest acquisition price was FIM 63.00 and the lowest FIM 40.00. The number of acquired shares equals 4.4 per cent of the total number of shares and voting rights, with no major effect on the structure of the share ownership nor on voting rights. In force until March 30, 1999, the authorisation still allows acquisition of 87 800 shares.

AUTHORISATION TO ISSUE SHARES

The Board of Directors of Jaakko Pöyry Group Oyj has no authorisation in force to increase the company's share capital through share issues.

BOND LOAN WITH WARRANTS

The Annual General Meeting of Jaakko Pöyry Group Oyj on March 30, 1998 decided to issue a bond loan with warrants to be subscribed by the Jaakko Pöyry Group's personnel excluding, with a few exceptions, personnel resident in the USA, and by the members of the parent company's board of directors, and by the Group company JP-Sijoitus Oy. The bond loan with warrants is intended to be a part of the group's employee incentive scheme. The amount of the loan is 13 000 000 FIM, the loan is dated May 15, 1998 and repaid on May 15, 2001 and the interest rate is 3.0 per cent p.a. The bond loan is fully subscribed. The 1 300 000 warrants connected to the loan allow subscription of 1 300 000 new shares in the company, with the nominal value of 5.00 FIM. After the subscriptions, the new shares equal 8.7 per cent of the total number of shares. The share capital can increase by a maximum of 6 500 000 FIM. The subscription period for 390 000 warrants starts on April 1, 2000 and for 390 000 warrants on April 1, 2001 and for 520 000 warrants on April 1, 2002. The subscription period for all warrants ends on

April 30, 2005. The subscription price per one new share is FIM 69.00. The subscription price shall be reduced by the amount of dividends to be paid after March 30, 1998 and before the share subscription on the relevant record date of each dividend distribution.

DIVIDEND POLICY

The company's aim is to pay dividends regularly every year. The dividends to be paid, their size and the time of payment are dependent on the Group's earnings, financial position, capital needs and other factors. The company intends to pursue a stable dividend policy reflecting the development of Group earnings. In the offering circular describing the stock exchange listing, dated November 12, 1997, it is stated that the dividend should be at least 30.0 per cent of the earnings per share for the financial year in question. The target is that the dividend should be at least 40.0 per cent of the earnings per share.

BOARD OF DIRECTORS' PROPOSAL

The Board of Directors of Jaakko Pöyry Group Oyj proposes to the Annual General Meeting to be held on March 18, 1999 that a dividend of FIM 2,00 per share be paid, totalling FIM 26.2 million. The proposed dividend corresponds to 37.6 per cent of the earnings per share for the financial year.

BOARD OF DIRECTORS, AUDITORS AND PRESIDENT

Members of the Board of Directors of Jaakko Pöyry Group Oyj elected in the annual general meeting on March 30, 1998 are Mr Heikki Lehtonen (Chairman), Mr Henrik Ehrnrooth, (Vice Chairman), Mr Olle Alsholm, Mr Matti Lehti, Mr Niilo Pellonmaa, and Mr Jaakko Pöyry.

Mr Niilo Pellonmaa, M.Sc. (Econ.), held the post of President and CEO of Jaakko Pöyry Group Oyj during the period under review. Since January 1, 1999 the post of President and CEO of Jaakko Pöyry Group Oyj is held by Mr Erkki Pehu-Lehtonen, M.Sc.(Eng). Mr Teuvo Salminen, M.Sc. (Econ.), is Executive Vice President and Deputy of the President and CEO.

Auditors were SVH Pricewaterhouse Coopers Oy (formerly SVH Coopers & Lybrand Oy), Authorised Public Accountants, with Ms. Ulla Holmström, Authorised Public Accountant, as responsible auditor.

FINANCIAL TARGETS

The Board of Directors of Jaakko Pöyry Group Oyj has redefined the Group's financial targets as follows:

- average operating profit 8.0 per cent of net sales
- average annual growth of earnings per share 15.0 per cent
- return on investment, 20.0 per cent or more
- net debt/equity ratio (gearing) below 30 per cent
- dividend/earnings ratio 40.0 per cent or more

PROSPECTS

World economic prospects are variable. Economic activity is expected to remain good in Europe. On the other hand, problems in the developing areas of Asia, South America and Russia will affect economic activity in these regions, which is bound to be reflected in increased uncertainty elsewhere.

The order stock of the Forest Industry business group is still good. Declining prices for pulp and weakening growth of demand for paper products will depress new investments, which may affect the business group's earnings.

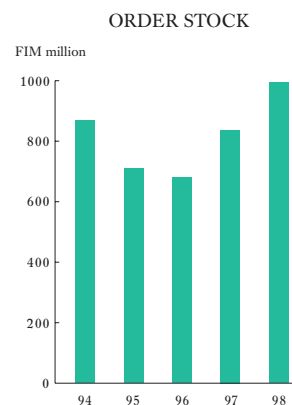
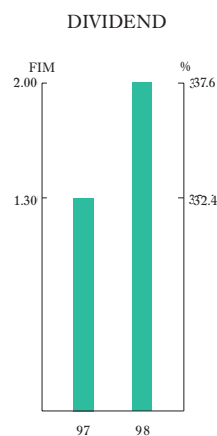
International mergers and acquisitions in the pulp and paper industry will continue and new alliances will be created worldwide. This will result in increased demand for consulting services. In the Forest Industry Consulting business group, rationalisation measures which have affected the group's earnings have been completed. The business group's earnings are expected to improve compared with the previous year.

Investment activity is expected to pick up in the power sector in 1999 in Finland and elsewhere in Europe. The emphasis will increasingly shift to combined heat and power generation, biofuels and hydropower, which are among the Energy group's strongest areas of know-how. Against this background, prospects are better than in the previous year.

The order stock and market position of the Infrastructure and Environment business group will remain stable. Long-term projects and established customer relationships in tunnel construction, water construction projects and in the construction sector in general create the basis for favourable earnings development in 1999.

The Process Industries business group's net sales and earnings are expected to grow in 1999. The growth will mainly originate from fuel alcohol, tall oil, technology transfer and gas pipeline projects, and from long-term contracts with clients in the chemical industry.

The Jaakko Pöyry Group's order stock is bigger than at the beginning of 1998. The Group's competitive position has improved as a result of the acquisition of Electrowatt Engineering Ltd. The Group's objective is to improve its earnings compared with last year.



STATEMENT OF INCOME

FIM Million	Group		Parent Company	
	1998	1997	1998	1997
1 NET SALES	1 544.1	1 303.9	5.5	
4 Other operating income	12.1	13.8	24.4	21.3
Share of associated companies' results	+ 8.9	+ 1.8		
5 Materials and supplies	- 321.8	- 185.2		
6 Personnel expenses	- 743.1	- 704.1	- 6.8	- 4.1
7 Depreciation and value decrease	- 57.3	- 62.7	- 1.5	- 1.4
Other operating expenses	- 311.8	- 250.6	- 30.3	- 32.9
OPERATING PROFIT	131.1	116.9	- 8.7	- 17.1
8 Financial income and expenses	- 8.7	- 16.2	+ 11.3	- 4.2
PROFIT AFTER FINANCIAL ITEMS	122.4	100.7	2.6	- 21.3
9 Extraordinary items	- 0.0	- 0.6	+ 113.4	+ 129.3
PROFIT BEFORE APPROPRIATIONS, TAXES AND MINORITY INTEREST	122.4	100.1	116.0	108.0
Appropriations	0.0	14.6	0.8	1.4
10 Income taxes	- 47.6	- 38.9	- 37.0	- 28.6
Minority interest	- 3.1	- 7.9		
NET PROFIT FOR THE PERIOD	71.7	67.9	79,8	80.8

B A L A N C E S H E E T

ASSETS

FIM Million	Group		Parent Company	
	1998	1997	1998	1997
FIXED ASSETS				
1 Intangible assets	16.1	16.3	3.0	5.3
2 Consolidation goodwill	193.7	206.8		
3 Tangible assets	147.7	158.8	23.8	22.9
5 Non-current investments	173.1	170.3	598.2	578.4
	530.6	552.2	625.0	606.6
CURRENT ASSETS				
7 Non-current receivables	10.9	16.4		
8-9 Current receivables	482.7	471.8	133.8	168.4
Own shares	33.0	0.0	33.0	0.0
Investments	104.4	212.6	87.2	191.7
Cash in hand and at banks	70.1	79.9	6.4	11.7
	701.1	780.7	260.4	371.8
	1 231.7	1 332.9	885.4	978.4

SHAREHOLDERS' EQUITY AND LIABILITIES

FIM Million	Group		Parent Company	
	1998	1997	1998	1997
10 SHAREHOLDERS' EQUITY				
Share capital	68.5	68.5	68.5	68.5
Share premium reserve	89.5	89.5	89.5	89.5
Own shares' reserve	33.0	0.0	33.0	0.0
Legal reserve	121.9	120.0	120.0	120.0
Retained earnings	40.0	29.8	32.8	2.8
Net profit for the period	71.7	67.9	79.8	80.8
	424.6	375.7	423.6	361.6
MINORITY INTEREST				
	31.6	34.3		
11 ACCUMULATED APPROPRIATIONS				
	0.0	0.0	0.0	0.8
LIABILITIES				
13-17 Non-current liabilities	284.8	495.0	231.0	413.9
18-19 Current liabilities	490.7	427.9	230.8	202.1
	775.5	922.9	461.8	616.0
	1 231.7	1 332.9	885.4	978.4

STATEMENT OF CHANGES IN FINANCIAL POSITION

FIM Million	Group		Parent Company	
	1998	1997	1998	1997
FROM OPERATIONS				
Operating profit	131.1	116.9	- 8.7	- 17.1
Depreciation and value decrease	+ 57.3	+ 62.7	+ 1.5	+ 1.4
Gain on sale of fixed assets	- 4.4	- 3.0	- 2.5	- 0.0
Share of associated companies' results	- 8.9	- 1.8		
Change in net working capital	+ 19.8	- 51.1	- 16.8	+ 27.6
Financial income and expenses	- 8.7	- 16.2	+ 11.3	- 4.2
Extraordinary items	- 0.0	- 0.6	+ 113.5	+ 129.3
Taxes	- 47.6	- 38.9	- 37.0	- 28.6
TOTAL FROM OPERATIONS	+ 138.6	+ 68.0	+ 61.3	+ 108.4
CAPITAL EXPENDITURE				
Investments in shares in subsidiaries			117.7	149.3
Investments in shares in associated companies	3.9	51.7	3.9	51.5
Investments in other shares	1.7	0.1	0.1	0.2
Investments in fixed assets	36.3	43.7	1.6	4.6
Sales of shares in subsidiaries			3.3	111.4
Sales of shares in associated companies	0.0	0.0	0.0	0.0
Sales of other shares	0.3	2.6	0.3	1.5
Sales of fixed assets	17.8	0.0	2.7	160.4
CAPITAL EXPENDITURE TOTAL	- 23.8	- 92.9	- 117.0	+ 67.7
CASH FLOW BEFORE FINANCING	+ 114.8	- 24.9	- 55.7	+ 176.1
FINANCING				
New loans	+ 9.8	+ 395.8	+ 13.0	+ 414.9
Repayments of loans	- 185.4	- 525.1	- 166.5	- 499.8
Change in current financing	- 0.9	+ 2.8	+ 51.9	- 0.0
Change in non-current investments	- 0.7	+ 15.0	+ 98.3	- 129.4
Dividends	- 17.8	- 0.0	- 17.8	- 0.0
Share issue	+ 0.0	+ 217.0	+ 0.0	+ 217.0
Change in own shares	- 33.0	- 0.0	- 33.0	- 0.0
Other	- 4.8	+ 7.5		
FINANCING TOTAL	- 232.8	+ 113.0	- 54.1	+ 2.7
Change in liquid assets	- 118.0	+ 88.1	- 109.8	+ 178.8
Liquid assets January 1	292.5	204.4	203.4	24.6
LIQUID ASSETS DECEMBER 31	174.5	292.5	93.6	203.4

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

GROUP FINANCIAL STATEMENTS

The consolidated financial statements include the parent company and the subsidiaries in which the Group owns more than fifty per cent of the voting rights at the end of the fiscal year. The companies in which the Group owns between twenty and fifty per cent have been accounted for as associated companies. Companies acquired during the fiscal year are included in the consolidated financial statements from the date of acquisition. Closed or sold companies have been included until the closing or sales date.

CONSOLIDATION PRINCIPLES

Group companies are consolidated and the inter-company share ownership is eliminated in accordance with the acquisition method.

The internal transactions between Group companies are eliminated.

Minorities are presented as separate items in the consolidated statement of income and the consolidated balance sheet.

The difference between the acquisition cost and the shareholders' equity on the acquisition date, the consolidated goodwill, is depreciated over 10 or 20 years. The consolidation goodwill related to the acquisition of the Jaakko Pöyry Group companies in 1995 is depreciated over 20 years, because the acquisition is a long-term investment. As at December 31, 1998 the value of the goodwill was FIM 167.6 million. The remainder of the consolidated goodwill, FIM 25.9 million, is depreciated in 10 years. The total amount of depreciation of consolidated goodwill in 1998 was FIM 17.1 million.

Associated companies are consolidated into the consolidated statement of income and the consolidated balance sheet in accordance with the equity method. The difference between the acquisition cost and the shareholders' equity on the acquisition date, the consolidated goodwill, is depreciated over 10 years. The amount of the depreciation in 1998 was FIM 2.8 million and it is deducted from the share of associated companies' results. As at December 31, 1998 the value of the goodwill was FIM 24.3 million.

As of 1996, the Jaakko Pöyry Group's

companies in Brazil have no longer been consolidated into the Group in accordance with the equity method. In the Jaakko Pöyry Group and Electrowatt Engineering Group proforma Statement of Income and Balance Sheet in 1998 the Electrowatt Engineering Group is consolidated in accordance with the acquisition method. The share ownership is 70.0 per cent. The consolidated goodwill, FIM 8.7 million, related to the acquisition in the beginning of 1999 is depreciated from the beginning of 1999.

GROUP STRUCTURE

Jaakko Pöyry Group Oyj is the parent company of the Jaakko Pöyry Group.

Soil and Water Ltd acquired the entire share capital of Suunnittelukolmio Oy in 1998. Jaakko Pöyry Southern Africa Pty Ltd is established in Southern Africa. The Group's ownership is 100.0 per cent. Jaakko Pöyry Consulting GmbH is established in Germany. The Group's ownership is 57.0 per cent. The Dutch companies Jaakko Pöyry Southern Africa B.V. and Arvest New Zealand B.V. are closed off. The real estate companies Kiinteistö Oy Kalevankuja 10 and Vesitalo Oy have been sold. JP-Innoventia Oy has been merged with JP-Sijoitus Oy.

FOREIGN GROUP COMPANIES

The statement of income figures of non-Finnish subsidiaries are translated into Finnish marks at the Bank of Finland average rates during the fiscal year as of 1998, before that at middle rates on the balance sheet date. The balance sheet figures of non-Finnish subsidiaries are translated into Finnish marks at the Bank of Finland middle rates prevailing at the balance sheet date. The difference between the translation of statement of income and balance sheet figures at different exchange rates, as well as the translation adjustment on the non-Finnish subsidiaries' equity between the balance sheet date and the date of acquisition, are included as a separate item in the shareholders' equity.

FOREIGN CURRENCY TRANSLATION

Receivables and liabilities in foreign currencies are valued at the exchange rates prevailing at

the balance sheet date. Balance sheet items in foreign currency which have been protected by binding agreements are valued at agreed exchange rates. The result for the forward exchange transactions has been booked on the basis of realization. Open forward contracts are translated at the exchange rates prevailing at the balance sheet date, except for forward contracts related to order stock. The parent company values all open forward contracts.

Exchange gains and losses from realization and from valuation are taken into account in the statement of income. The interest rate differential of the forward contracts is included in the exchange gain or losses. Exchange gains and losses related to business operations are included in net sales or operating expenses. Exchange gains and losses related to financing operations are included in financial income and expenses.

INCOME FROM LONG-TERM PROJECTS

The Jaakko Pöyry Group's long-term projects are recognized as income in proportion to the degree of completion of each project. The degree of completion is calculated based on the ratio between the project cost and the total estimated cost of the project. In the beginning of a project special prudence is followed. Foreign currency cash flows in long-term projects have been mainly hedged for changes in exchange rates.

DEPRECIATION PRINCIPLES

A predetermined schedule has been used in depreciation according to plan on depreciable fixed assets. Depreciation according to plan has been calculated on a straight-line basis.

Goodwill will be depreciated over five years. The difference between the acquisition cost and the shareholders' equity on the acquisition date, the consolidated goodwill, is depreciated over 10 or 20 years. Capitalized expenditure are depreciated over three to five years. For buildings the depreciation period is 20 to 40 years. Machinery and equipment are depreciated over four to eight years. Land areas are not depreciated.

PROPERTY VALUES

The properties, land areas, buildings and equipment, are valued at original acquisition cost less

accumulated depreciation.

Gains on sales of fixed assets are included in other operating income. Losses on sales of fixed assets are included in other operating expenses.

CAPITALIZED EXPENDITURE

Capitalized expenditure includes mainly purchases of computer software. Research and development expenses are booked as they arise.

DEFERRED TAX LIABILITIES

The accumulated depreciation in excess of plan are presented as appropriations in the financial statements of separate group companies. On group level the appropriations are divided into shareholders' equity and deferred tax liability. Additionally the deferred tax liability includes the net value of tax liability and receivable due to booked items on group level. The deferred tax liability was in the end of the year FIM 6.7 (8.5) million and included in non-current liabilities.

PENSION ARRANGEMENTS

For Finnish companies, the statutory pension liabilities are generally satisfied through contracts with insurance companies. Voluntary pensions are organized through pension insurances and the companies' own pension funds. Employees who are members of the Jaakko Pöyry Group pension fund have the right to retire at the age of 62 or 63. Employees who are members of Soil and Water Ltd's pension fund have the right to retire at the age of 62.

The unfunded pension liabilities in the Jaakko Pöyry Group and Soil and Water Ltd at the end of the period were FIM 22.7 (19.2) million. On Group level, unfunded pension liabilities of FIM 2.7 million have been recognized as expenses in 1998 and FIM 9.1 million before that. Unfunded liabilities, FIM 10.9 (10.1) million have been presented in the assets in the non-current receivables and in the liabilities as a non-current liability. The pension funds have been closed.

Subsidiaries outside Finland organize their pension arrangements in accordance with the practice of each country.

NOTES TO THE STATEMENT OF INCOME

FIM Million	Group		Parent company	
	1998	1997	1998	1997
1. NET SALES	1 544.1	1 303.9	5.5	0.0
Net sales by business group, by division and by area are on the page 14.				
2. PERCENTAGE-OF-COMPLETION PROJECTS				
Amount recognized as income from percentage-of-completion projects	1 544.1	813.8		
Amount recognized as net sales during the fiscal year or earlier from uncompleted percentage-of-completion projects	1 493.1	1 286.9		
Net sales from percentage-of-completion projects included in accrued income	60.6	49.9		
Advance payments received from percentage-of-completion projects	126.5	96.7		
Expenses from percentage-of-completion projects included in accrued expenses	8.9	5.8		
3. ORDER STOCK				
Order stock of uncompleted percentage-of-completion projects	993.6	658.9		
Order stock of projects, which are recognized as income when delivered		178.0		
Total	993.6	836.9		
4. OTHER OPERATING INCOME				
Rent income	6.9	10.8	20.9	20.9
Gain on fixed assets	4.4	3.0	2.5	0.1
Other	0.8	0.0	1.0	0.3
Total	12.1	13.8	24.4	21.3
5. MATERIALS AND SUPPLIES				
Materials and supplies	167.9	34.8		
External charges, subcontracting	153.9	150.4		
Total	321.8	185.2		

FIM Million	Group		Parent company	
	1998	1997	1998	1997
6. PERSONNEL EXPENSES				
Wages and salaries	587.1	541.0	5.6	3.4
Remunerations	11.8	10.5	0.1	0.0
Pension expenses	67.0	62.1	0.7	0.1
Other personnel expenses	77.2	90.5	0.4	0.6
Total	743.1	704.1	6.8	4.1

Other personnel expenses include expenses directly based on wages and salaries.
In 1997 other personnel expenses included FIM 20.5 million expenses which were not directly based on wages and salaries.

To members of Board of Directors and Presidents

Wages and salaries	23.3	22.6	0.9	0.3
Remunerations	2.3	2.0	0.0	0.0
Pension expenses	3.3	2.2	0.7	
Other personnel expenses	3.4	6.1	0.1	
Total	32.3	32.9	1.7	0.3

Salaries paid to the President of the parent company were FIM 0.9 million in 1998.

The President of the parent company has the right to retire at the age of 60.

7. DEPRECIATION AND VALUE DECREASE

Depreciation according to plan				
Depreciation	47.3	53.3	1.5	1,4
Decrease in consolidation reserve	- 0.0	- 0.6		
	47.3	52.7	1.5	1,4
Value decrease *)	10.0	10.0		
Total	57.3	62.7		

*) Value decrease of shares in Jaakko Pöyry Engenharia Ltda.

Specification of depreciation is included in the notes to fixed assets.

FIM Million	Group		Parent company	
	1998	1997	1998	1997
8. FINANCIAL INCOME AND EXPENSES				
Dividend income				
From group companies			16.4	5.0
From associated companies				
From other	0.0	0.2		
	0.0	0.2	16.4	5.0
Interest income from non-current investments				
From group companies			6.4	2.3
From associated companies	1.2		1.1	0.0
From other	1.2	1.5	0.5	1.0
	2.4	1.5	8.0	3.3
Other interest and financial income				
From group companies			0.2	0.1
From associated companies				
From other	8.0	7.3	4.8	1.3
	8.0	7.3	5.0	1.4
Interest expenses and other financial expenses				
To group companies			- 5.1	- 0.8
To associated companies				
To other	- 20.6	- 28.0	- 15.6	- 16.5
	- 20.6	- 28.0	- 20.7	- 17.3
Differences in exchange rates				
Exchange rate gains	17.3	18.9	13.7	12.6
Exchange rate losses	- 15.8	- 16.1	- 11.1	- 9.2
	1.5	2.8	2.6	3.4
Total	- 8.7	- 16.2	+ 11.3	- 4.2
9. EXTRAORDINARY ITEMS				
Extraordinary income				
Group contribution			113.4	137.5
Other extraordinary income		1.2		0.6
	0.0	1.2	113.4	138.1
Extraordinary expenses				
Group contribution				- 7.5
Value decrease				- 1.3
Other extraordinary expenses		- 1.8		0.0
	0.0	- 1.8	0.0	- 8.8
Total	0.0	- 0.6	113.4	129.3
10. TAXES				
Taxes for the fiscal year	42.2	37.8	33.5	28.4
Taxes for previous years	6.5	- 1.4	3.5	0.2
Change in deferred tax liabilities	- 1.1	2.5		
Total	47.6	38.9	37.0	28.6

NOTES TO THE BALANCE SHEET

FIM Million	Group		Parent company	
	1998	1997	1998	1997
1. INTANGIBLE ASSETS				
Intangible rights				
Acquisition value Jan. 1	0.1	0.5		
Increase	+ 0.0	+ 0.1		
Decrease	- 0.0	- 0.5		
Acquisition value Dec. 31	0.1	0.1		
Accumulated depreciation Jan. 1	0.0	0.3		
Accumulated depreciation of decrease	- 0.0	- 0.3		
Depreciation for the period	0.0	0.0		
Accumulated depreciation Dec. 31	0.0	0.0		
Book value Dec. 31	0.1	0.1		
Goodwill				
Acquisition value Jan. 1	3.3	10.7	3.5	163.7
Increase	+ 1.2	+ 0.0	+ 0.0	+ 0.0
Decrease	- 0.2	- 7.4	- 0.0	- 160.2
Acquisition value Dec. 31	4.3	3.3	3.5	3.5
Accumulated depreciation Jan. 1	1.7	7.9	2.6	16.9
Accumulated depreciation of decrease	- 0.2	- 6.6	- 0.0	- 15.2
Depreciation for the period	0.6	0.4	0.9	0.9
Accumulated depreciation Dec. 31	2.1	1.7	3.5	2.6
Book value Dec. 31	2.2	1.6	0.0	0.9
Other capitalized expenditure				
Acquisition value Jan. 1	24.2	13.3	6.6	4.8
Increase	+ 4.7	+ 11.3	+ 0.2	+ 4.3
Decrease	- 1.8	- 0.4	- 1.4	- 2.5
Acquisition value Dec. 31	27.1	24.2	5.4	6.6
Accumulated depreciation Jan. 1	9.6	6.5	2.2	3.1
Accumulated depreciation of decrease	- 0.2	- 0.0	- 0.0	- 1.1
Depreciation for the period	3.9	3.1	0.2	0.2
Accumulated depreciation Dec. 31	13.3	9.6	2.4	2.2
Book value Dec. 31	13.8	14.6	3.0	4.4
Intangible assets, total				
Acquisition value Jan. 1	27.6	24.5	10.1	168.5
Increase	+ 5.9	+ 11.4	+ 0.2	+ 4.3
Decrease	- 2.0	- 8.3	- 1.4	- 162.7
Acquisition value Dec. 31	31.5	27.6	8.9	10.1
Accumulated depreciation Jan. 1	11.3	14.7	4.8	20.0
Accumulated depreciation of decrease	- 0.4	- 6.9	- 0.0	- 16.3
Depreciation during the period	4.5	3.5	1.1	1.1
Accumulated depreciation Dec. 31	15.4	11.3	5.9	4.8
Book value Dec. 31	16.1	16.3	3.0	5.3

FIM Million	Group		Parent company	
	1998	1997	1998	1997
2. CONSOLIDATION GOODWILL				
Acquisition value Jan. 1	256.4	248.1		
Increase	+ 4.0	+ 17.1		
Decrease	- 0.0	- 8.8		
Acquisition value Dec. 31	260.4	256.4		
Accumulated depreciation Jan. 1	49.6	33.1		
Depreciation for the period	17.1	16.5		
Accumulated depreciation Dec. 31	66.7	49.6		
Book value Dec. 31	193.7	206.8		
3. TANGIBLE ASSETS				
Land areas				
Acquisition value Jan. 1	28.6	27.8	22.1	22.2
Increase	+ 0.0	+ 0.8	+ 0.0	+ 0.0
Decrease	- 0.8	- 0.0	- 0.0	- 0.1
Acquisition value Dec. 31	27.8	28.6	22.1	22.1
Book value Dec. 31	27.8	28.6	22.1	22.1
Buildings and structures				
Acquisition value Jan. 1	77.5	67.1		
Increase	+ 0.0	+ 10.5		
Decrease	- 8.9	- 0.0		
Acquisition value Dec. 31	68.6	77.6		
Accumulated depreciation Jan. 1	5.5	3.5		
Accumulated depreciation of decrease	- 0.6	+ 0.2		
Depreciation for the period	1.7	1.8		
Accumulated depreciation Dec. 31	6.6	5.5		
Book value Dec. 31	62.0	72.1		
Machinery and equipment				
Acquisition value Jan. 1	138.2	114.6	1.2	29.9
Increase	+ 25.9	+ 31.1	+ 1.0	+ 0.4
Decrease	- 9.4	- 7.5	- 0.1	- 29.1
Acquisition value Dec. 31	154.7	138.2	2.1	1.2
Accumulated depreciation Jan. 1	81.1	54.2	0.7	15.2
Accumulated depreciation of decrease	- 6.9	- 4.5	- 0.0	- 14.8
Depreciation for the period	23.8	31.4	0.4	0.3
Accumulated depreciation Dec. 31	98.0	81.1	1.1	0.7
Book value Dec. 31	56.7	57.1	1.0	0.5

FIM Million	Group		Parent company	
	1998	1997	1998	1997
Other tangible assets				
Acquisition value Jan. 1	1.3	0.5	0.4	0.0
Increase	+ 0.5	+ 0.7	+ 0.4	+ 0.4
Decrease	- 0.2	- 0.0	- 0.0	- 0.0
Acquisition value Dec. 31	1.6	1.2	0.8	0.4
Accumulated depreciation Jan. 1	0.2	0.1	0.1	0.0
Accumulated depreciation of decrease	- 0.0	- 0.0	- 0.0	- 0.1
Depreciation for the period	0.2	0.1	0.0	0.0
Accumulated depreciation Dec. 31	0.4	0.2	0.1	0.1
Book value Dec. 31	1.2	1.0	0.7	0.3
Tangible assets, total				
Acquisition value Jan. 1	245.6	210.1	23.8	52.2
Increase	+ 26.4	+ 43.1	+ 1.4	+ 0.8
Decrease	- 19.3	- 7.5	- 0.1	- 29.2
Acquisition value Dec. 31	252.7	245.7	25.1	23.8
Accumulated depreciation Jan. 1	86.9	57.9	0.8	15.2
Accumulated depreciation of decrease	- 7.6	- 4.3	- 0.0	- 14.7
Depreciation for the period	25.7	33.3	0.4	0.3
Accumulated depreciation Dec. 31	105.0	86.9	1.2	0.8
Book value Dec. 31	147.7	158.8	23.8	22.9

4. LAND AND BUILDINGS

Company	Country	Book-value	Rent income	Tenant
Jaakko Pöyry Group Oyj (Land area)	Finland	22.1	1.2	Kiinteistö Oy Vantaan Jaakonkatu 3
JP Fastighets AB	Sweden	13.3	1.8	JP Projektteknik AB
Dølasletta Eiendom A.S.	Norway	12.0	0.6	External
SCI J.P.R.	France	5.5	0.8	Retma S.A.
JP Representacoes e Participacoes Ltd	Brazil	30.9	3.2	Jaakko Pöyry Engenharia Ltda
Arvest Properties (N.Z.) Ltd	New Zealand	4.8	0.5	Groome Pöyry Ltd
Other		1.2		
Total		89.8		

FIM Million	Group		Parent company	
	1998	1997	1998	1997
5. NON-CURRENT INVESTMENTS				
Shares in group companies Jan. 1			251.2	213.3
Increase			+ 117.7	+ 149.3
Decrease			- 3.3	- 111.4
Shares in group companies Dec. 31			365.6	251.2
Receivables from group companies Jan. 1			216.3	115.1
Increase			+ 32.1	+ 101.2
Decrease			- 130.0	- 0.0
Receivables from group companies Dec. 31			118.4	216.3
Shares in associated companies				
Acquisition value Jan. 1	127.1	89.6	67.7	16.2
Increase	+ 3.9	+ 51.7	+ 3.9	+ 51.5
Decrease	- 1.9	- 14.2	- 0.0	- 0.0
Acquisition value Dec. 31	129.1	127.1	71.6	67.7
Accumulated influence on the earnings Jan. 1	- 12.5	+ 2.6		
Share of the profit for the period	+ 12.7	+ 3.7		
Share of the loss for the period	- 1.1	- 1.9		
Decrease in consolidation goodwill	- 2.7	- 0.6		
Value decrease	- 10.0	- 16.3		
Accumulated influence on the earnings Dec. 31	- 13.6	- 12.5		
Shares in associated companies Dec. 31	115.5	114.6	71.6	67.7
Receivables from associated companies Jan. 1	24.6	2.3	22.9	1.5
Increase	+ 1.3	+ 22.3	+ 0.0	+ 21.4
Decrease	- 0.4	- 0.0	- 0.4	- 0.0
Receivables from associated companies Dec. 31	25.5	24.6	22.5	22.9
Other shares Jan. 1	27.4	29.9	19.3	20.6
Increase	+ 1.8	+ 0.1	+ 0.0	+ 0.2
Decrease	- 0.6	- 2.6	- 0.2	- 1.5
Other shares Dec. 31	28.6	27.4	19.1	19.3
Other receivables Jan. 1	3.7	13.5	1.0	0.0
Increase	+ 0.0	+ 1.0	+ 0.0	+ 1.0
Decrease	- 0.2	- 10.8	- 0.0	- 0.0
Other receivables Dec. 31	3.5	3.7	1.0	1.0
Non-current investments Jan. 1, total	170.3	137.9	578.4	366.7
Increase	+ 19.7	+ 78.8	+ 153.9	+ 324.6
Decrease	- 16.9	- 46.4	- 134.1	- 112.9
Non-current investments Dec. 31, total	173.1	170.3	598.2	578.4

	Group ownership of voting rights, %	Parent company ownership of voting rights, %	Book value		Net sales	Personnel
			Parent company FIM Million	Other Group company FIM Million	FIM Million	
6. SHARE OWNERSHIP						
Group companies:						
Forest Industry						
Jaakko Pöyry Oy, Vantaa, Finland	100.0	100.0	242.2		330.5	430
JP-Suunnittelu Oy, Vantaa, Finland	100.0			21.6	187.0	539
Papes Oy, Tampere, Finland	100.0			1.1	6.0	13
JP-Kakko Oy, Vantaa, Finland	100.0	100.0	7.2		35.4	96
Jaakko Pöyry AB, Sweden	100.0			43.0		
JP Projektteknik AB, Sweden	100.0			1.0	72.7	150
JP Engineering A/S, Norway	55.0			1.5	26.3	57
Jaakko Pöyry Deutschland GmbH, Germany	100.0			0.9	30.5	55
JP Engineering S.N.C., France	100.0			1.8	10.5	19
Jaakko Pöyry Southern Africa Pty Ltd, Southern Africa	100.0			2.7	15.5	49
Marathon Engineers/Architects/Planners LLC, USA	94.2			28.3	109.2	113
P.T. Jaakko Pöyry, Indonesia	80.0			0.0	3.1	8
Jaakko Pöyry (Thailand) Co., Ltd, Thailand	100.0			1.0	5.1	7
Forest Industry Consulting						
Jaakko Pöyry Consulting Oy, Vantaa Finland	57.0	57.0	18.7		112.3	132
Jaakko Pöyry Consulting AB, Sweden	57.0			2.6	17.5	23
Interforest AB, Sweden	57.0			0.0		
Jaakko Pöyry Consulting (UK) Ltd, United Kingdom	57.0			0.6	31.8	29
Jaakko Pöyry Consulting GmbH, Germany	57.0			0.2	4.9	5
Jaakko Pöyry Consulting Inc., USA	57.0			0.0	27.8	35
Jaakko Pöyry Consulting (Asia-Pacific) Pte Ltd, Singapore	57.0			1.5	20.0	18
Margules Pöyry Pty Ltd, Australia	37.2			0.7	9.6	21
Groome Pöyry Ltd, New Zealand	36.6			1.4	23.9	24
Anzdec Ltd, New Zealand	36.6			0.3		
Agrico Ltd, New Zealand	36.6			0.0		
JP Operations Management Ltd Oy, Vantaa, Finland	58.1			0.8	9.0	4
Energy						
Ekono Energy Ltd, Espoo, Finland	100.0	100.0	14.1		86.1	158
Procedo Oy, Espoo, Finland	100.0			0.0	30.8	4
Ekono Startekno AB, Sweden	100.0			0.1	8.7	13
Ekono Energy (UK) Ltd, United Kingdom	100.0			0.6	1.9	
Ekono Energy (Asia) Pte Ltd, Singapore	100.0			0.5	6.0	6
Infrastructure and Environment						
Soil and Water Ltd, Helsinki, Finland	100.0	100.0	2.1		113.9	270
PSV-Soil and Water Ltd, Oulu, Finland	100.0			2.6	15.8	50
SK-Consulting Oy, Oulu, Finland	100.0			3.5	12.4	49
Geokeskus Oy, Helsinki, Finland	100.0			0.6	7.8	18
Soil and Water International Oy, Helsinki, Finland	100.0			0.1		
Soil & Water Portugal -Consultores Lda, Portugal	100.0			0.0		

	Group ownership of voting rights, %	Parent company ownership of voting rights, %	Book value		Net sales FIM Million	Personnel
			Parent company FIM Million	Other Group company FIM Million		
JP Building Engineering Ltd, Espoo, Finland	100.0			6.4	51.2	156
JP-Projektipalvelu Oy, Espoo, Finland	100.0	100.0	0.0		2.4	5
JP-Terasto Oy, Vantaa, Finland	100.0	100.0	4.7		34.9	60
Jaakko Pöyry Group Projects Ltd Oy, Vantaa, Finland	100.0			0.0	3.8	
East Engineering Ltd Oy, Vantaa, Finland	100.0			0.1	5.5	
JP-Terasto Eesti Oü, Estonia	80.0			0.0	1.0	4
SIA JP-Terasto, Latvia	100.0			0.0	0.0	
ZAO JP-Terasto, Russia	100.0			0.1	1.9	8
Process Industries						
JPI Process Contracting Oy, Helsinki, Finland	100.0	100.0	22.9		36.9	38
JPI Process Contracting S.N.C., France	100.0			2.7	102.2	19
Heymo Ingenieria S.A., Spain	60.8	60.8	7.6		66.0	185
Retma S.A., France	100.0			4.0	43.7	55
SEEI S.A., France	100.0			9.3	15.5	34
Jaakko Pöyry BCEL Engineering Ltd, China	51.0			1.4	0.4	
Other						
Jaakko Pöyry S.A., France	100.0	100.0	24.2		1.2	
JP-Sijoitus Oy, Helsinki, Finland	100.0	100.0	3.3			
Jaakko Pöyry Holding AB, Sweden	100.0	100.0	14.8			
JP Fastighets AB, Sweden	100.0			18.1		
Dølasletta Eiendom A.S., Norway	100.0	100.0	0.0			
SCI J.P.R., France	100.0			0.1		
JP-Finanz AG, Switzerland	70.0	70.0	2.9			
Jaakko Pöyry Espanola S.A., Spain	100.0	100.0	0.4			
Jaakko Pöyry (USA) Inc., USA	100.0			45.5		
JP-Marathon Inc., USA	100.0			47.5		
Jaakko Pöyry Inc., USA	100.0			65.0		
Jaakko Pöyry Canada Ltd, Canada	100.0			0.0		
Jaakko Pöyry Tecnologia s.c. Ltda, Brazil	100.0			30.0		
JP Representações e Participações Ltda, Brazil	70.0			28.8		
Arvest Properties (N.Z.) Ltd, New Zealand	100.0	100.0	0.6			
Jaakko Pöyry Pty Ltd, Australia	100.0			0.0		
JP New Zealand Ltd, New Zealand	100.0			0.0		
Proratio Engineering GmbH, Austria	100.0	100.0	0.0			
JP Projectos Industriais Lda, Portugal	100.0	100.0	0.0			
Jaakko Pöyry spol S.R.O., Czech Republic	100.0	100.0	0.0			
Konsofin Consulting Engineers, Russia	70.0	70.0	0.0			
Alcora Trading S.A., Uruguay	100.0	100.0	0.0			

	Group ownership of voting rights, %	Parent company ownership of voting rights, %	Parent company FIM Million	Book value	Other Group company FIM Million
Associated companies:					
Forest Industry					
Jaakko Pöyry Engenharia Ltda, Brazil	40.0				31.2
Jaakko Pöyry Commercial Exp. e Imp. Ltda, Brazil	40.0				0.0
Diedro Viagens Ltda, Brazil	38.0				
Jaakko Pöyry Construction (South America) S.A., Uruguay	50.0	50.0	0.5		
Jaakko Pöyry Engineering (South America) S.A., Uruguay	50.0	50.0	0.3		
Jaakko Pöyry Consulting (South America) S.A., Uruguay	50.0	50.0	0.0		
Consulting Forest Industry					
International Resources Group Ltd, USA	19.6				2.4
Oy FEG-Forest and Environment Group Ltd, Joensuu, Finland	17.1				0.2
Energy					
Electrowatt Engineering Ltd, Switzerland	49.0	49.0	51.5		
Polartest Oy, Vantaa, Finland	20.0				0.5
Korea District Heating Engineering Company Ltd, Korea	50.0				1.1
Advance Ekono Co. Ltd, Thailand	49.0				0.2
Infrastructure and Environment					
Entec A/S, Estonia	42.0				0.1
Soil and Water Mesar Inc., Canada	50.0				0.1
Associated companies, real estate					
Martinparkki Oy, Vantaa, Finland	50.0	50.0	17.3		
Kiinteistö Oy Manuntori, Joutseno, Finland	34.2	34.2	1.6		
SCI Le Pecq, France	50.0				20.4
Pembroke S.A., Uruguay	50.0	50.0	0.3		
Accumulated influence on the earnings and the balance sheet					- 12.3
Total associated companies			71.6		43.9
Other share ownership:					
Devecon Oy	19.0				0.2
Peak Pacific Investment Company Pte Ltd					1.2
Helsingin Puhelin Oyj			0.2		
Helsingin Puhelinyhdistys					0.7
Industry Council for Development Services B.V.			0.2		
Shares in condominiums and in real estate companies			16.7		5.9
Other shares			2.0		1.5
Total other shares			19.1		9.5

FIM Million	Group		Parent company	
	1998	1997	1998	1997
7. NON-CURRENT RECEIVABLES				
Accounts receivable	0.0	0.1		
Other receivables	10.9	11.2		
Prepaid expenses and accrued income	0.0	5.1		
Total	10.9	16.4		
8. CURRENT RECEIVABLES				
Accounts receivable	347.0	324.8	1.3	3.4
Accounts receivable			2.0	1.3
Loans receivable			1.8	0.0
Other receivables			113.5	139.1
Prepaid expenses and accrued income			1.4	7.8
Total from group companies			118.7	148.2
Accounts receivable	3.0	2.8		
Loans receivable				
Other receivables	2.6	1.9	2.6	1.8
Prepaid expenses and accrued income	0.8	0.5	0.3	0.0
Total from associated companies	6.4	5.2	2.9	1.8
Loans receivable	0.3	6.4	0.0	5.8
Other receivables	27.7	20.0	1.6	6.6
Prepaid expenses and accrued income	101.3	115.4	9.3	2.6
Total	482.7	471.8	133.8	168.4
9. PREPAID EXPENSES AND ACCRUED INCOME				
Income from percentage-of-completion method	60.6	60.7		
Interest income	1.2	1.3	2.2	2.9
Social expenses	6.0	12.4	0.1	1.0
Rents	1.3	2.0	0.0	0.0
Taxes	4.5	1.0	0.0	1.7
Other	28.5	43.6	8.7	4.8
Total	102.1	121.0	11.0	10.4

FIM Million	Group		Parent company	
	1998	1997	1998	1997
10. SHAREHOLDERS' EQUITY				
Share capital Jan. 1	68.5	51.0	68.5	51.0
Share issue	0.0	17.5	0.0	17.5
Share capital Dec. 31	68.5	68.5	68.5	68.5
Share premium reserve Jan. 1	89.5	0.0	89.5	0.0
Share issue	0.0	89.5	0.0	89.5
Share premium reserve Dec. 31	89.5	89.5	89.5	89.5
Own shares' reserve Jan. 1	0.0		0.0	
Transfer of retained earnings	33.0		33.0	
Own shares' reserve Dec. 31	33.0		33.0	
Legal reserve Jan. 1	120.0	10.0	120.0	10.0
Share issue	0.0	110.0	0.0	110.0
Transfer of retained earnings	1.9			
Legal reserve Dec. 31	121.9	120.0	120.0	120.0
Retained earnings Jan. 1	97.7	28.9	83.6	2.8
Payment of dividend	- 17.8	0.0	- 17.8	0.0
Transfer to own shares' reserve	- 33.0	0.0	- 33.0	0.0
Transfer to legal reserve	- 1.9			
Translation adjustments	- 5.0	+ 0.9		
Net profit for the period	+ 71.7	+ 67.9	+ 79.8	+ 80.8
Retained earnings Dec. 31	111.7	97.7	112.6	83.6
Shareholders' equity Dec. 31	424.6	375.7	423.6	361.6
Distributable earnings				
Retained earnings	111.7	97.7		
From accumulated depreciation in excess of plan	- 5.1	- 5.9		
Distributable earnings Dec. 31	106.6	91.8		
11. ACCUMULATED APPROPRIATIONS				
Accumulated depreciation in excess of plan Jan. 1		13.6	0.8	1.0
Change		- 13.6	- 0.8	- 0.2
Accumulated depreciation in excess of plan Dec.31		0.0	0.0	0.8
Other voluntary provisions Jan. 1		1.0	0.0	13.0
Change		- 1.0	- 0.0	- 13.0
Other voluntary provisions Dec. 31		0.0	0.0	0.0

FIM Million	Group		Parent company	
	1998	1997	1998	1997
12. OBLIGATORY PROVISIONS				
Obligatory provisions Jan. 1	0.0	0.6	0.0	0.6
Decrease	- 0.0	- 0.6	- 0.0	- 0.6
Obligatory provisions Dec. 31	0.0	0.0	0.0	0.0
13. NON-CURRENT LIABILITIES				
Bonds with warrants	9.8	0.0	13.0	0.0
Loans from credit institutions	138.9	313.5	136.8	302.8
Pension loans	103.7	151.1	61.0	92.0
Liabilities to group companies	0.0	0.0	19.5	19.1
Liabilities to associated companies	1.3	1.4	0.0	0.0
Other	31.1	29.0	0.7	0.0
Total	284.8	495.0	231.0	413.9
14. BOND LOAN WITH WARRANTS				
Bond loan with warrants	9.8		13,0	
<p>The amount of the loan is 13 000 000 FIM. The loan is dated May 15, 1998 and the loan is repaid on May 15, 2001. The interest rate is 3.0 per cent p.a. The loan includes 1 300 000 warrants with which a total of 1 300 000 new shares of Jaakko Pöyry Group Oyj, with nominal value of 5.00 FIM, can be subscribed. The share capital can increase by a maximum of 6 500 000 FIM. The subscription period of 390 000 warrants starts on April 1, 2000 and of 390 000 warrants on April 1, 2001 and of 520 000 warrants on April 1, 2002. The subscription period for all warrants ends on April 30, 2005. The subscription price per share is 69.00 FIM. The subscription price shall be reduced by the dividend distributed after March 30, 1998 but before the date of the subscription. The bond loan with warrants is issued to the personnel and a subsidiary of the Jaakko Pöyry Group. The personnel has subscribed FIM 9.8 million and the subsidiary FIM 3.2 million.</p>				
15. LOANS WITH DUE DATE AFTER FIVE YEARS OR LATER				
Loans from credit institutions		0.2		
Pension loans	42.7	49.1		2.0
Other non-current loans	1.4	3.4	19.5	19.2
Total	44.1	52.7	19.5	21.2
16. LOANS ACCORDING TO MATURITY				
Year 1998		5.8		
Year 1999	41.6	41.2	34.9	30.0
Year 2000	77.2	134.6	76.0	130.9
Year 2001	86.9	134.6	89.0	130.9
Year 2002	46.4	103.8	45.8	100.9
Year 2003	0.0	0.0	0.0	0.0
Later	44.1	52.7	19.5	21.2
Total	296.2	472.7	265.2	413.9

FIM Million	Group		Parent company	
	1998	1997	1998	1997
17. LOANS ACCORDING TO CURRENCIES, %				
FIM	50	33	39	23
DEM	46	64	52	73
SEK	2	2	6	4
Other currencies	2	1	3	0
Total	100 %	100 %	100 %	100 %
18. CURRENT LIABILITIES				
Loans from credit institutions	11.2	4.7		
Pension loans	30.4	0.0	30.4	
Advances received	126.6	120.7		
Accounts payable	119.0	78.2	0.5	1.4
Loans			4.5	0.0
Accounts payable			0.2	0.8
Other current liabilities			175.7	160.8
Accrued expenses and deferred income			0.6	4.1
Total to group companies			181.0	165.7
Accounts payable	0.1	0.3		
Other current liabilities				
Total to associated companies	0.1	0.3		
Other current liabilities	46.7	40.2	0.7	1.7
Accrued expenses and deferred income	156.7	183.8	18.2	33.3
Total	490.7	427.9	230.8	202.1
19. ACCRUED EXPENSES AND DEFERRED INCOME				
Expenses from percentage-of-completion projects	8.9	11.4		
Salaries and vacation accruals	88.4	87.2	0.9	0.7
Social expenses	18.9	18.1	1.1	0.2
Interest expenses	3.0	4.2	3.3	4.6
Rents	4.6	0.3	2.2	0.0
Taxes	13.9	29.5	11.1	27.0
Other	19.0	33.1	0.2	4.9
Total	156.7	183.8	18.8	37.4

O T H E R N O T E S

FIM Million	Group		Parent company	
	1998	1997	1998	1997
1. CONTINGENT LIABILITIES				
For own debt				
Pledged assets and corresponding loans				
Loans from credit institutions	0.1	0.2		
Pledged assets	0.1	0.2		
Pension loans	25.1	25.1	57.7	57.7
Pledged assets	13.9	13.9	8.9	22.3
Mortgages and corresponding loans				
Loans from credit institutions	6.3	6.9		
Mortgages, real estate	6.3	6.9		
Pension loans	64.9	66.2	32.3	32.3
Mortgages, real estate	0.0	1.2	0.0	0.0
Mortgages on company assets	36.0	36.0	5.0	5.0
Pledged assets and corresponding loans total	96.3	98.3	90.0	90.0
Pledged assets and mortgages for own debts				
Pledged assets	13.9	14.1	8.9	22.4
Mortgages, real estate	6.3	8.1	0.0	0.0
Mortgages on company assets	36.0	36.0	5.0	5.0
Total	56.2	58.2	13.9	27.4
Other obligations				
Pledged assets	22.5	22.4	22.0	8.6
Mortgages, real estate	11.9	14.8		
Rent and leasing obligations	234.5	220.6	180.9	146.6
Pension obligations	2.4	2.3	2.4	2.3
Other obligations	84.9	63.7		
Total	356.2	323.8	205.3	157.5
For group companies				
Mortgages, real estate			0.0	1.2
Other obligations			148.2	74.9
Total			148.2	76.1
For associated companies				
Total	0.0	0.0	0.0	0.0
For others				
Pledged assets	20.0	15.0	20.0	15.0
Mortgages, real estate	22.1	22.2	22.1	22.2
Total	42.1	37.2	42.1	37.2
Total				
Pledged assets	56.4	51.5	50.9	46.0
Mortgages, real estate	40.3	45.1	22.1	23.4
Mortgages on company assets	36.0	36.0	5.0	5.0
Rent and leasing obligations	234.5	220.6	180.9	146.6
Pension obligations	2.4	2.3	2.4	2.3
Other obligations	84.9	63.7	148.2	74.9

FIM Million	Group		Parent company	
	1998	1997	1998	1997
2. RENT AND LEASING OBLIGATIONS				
Leasing contracts with due date after one year or later will be due according to the following:				
Year 1998		38.8		13.5
Year 1999	44.5	82.7	18.0	46.6
Year 2000 - 2003	86.3	49.0	62.6	46.0
Later	103.7	50.1	100.3	40.5
Total	234.5	220.6	180.9	146.6

3. DERIVATIVE INSTRUMENTS

Foreign exchange forward contracts, notional values	1 329.6	151.8	1 329.0	147.1
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The notional amounts outstanding include positions, FIM 1 232.2 million, 1998 which have been closed off. The notional amounts are not a measure of the foreign rate risk of the exposure outstanding.

4. MANAGEMENT OF FINANCIAL RISKS

The financial risks of the Group are foreign exchanges, interests, counterparts and liquidity risks. Treasury operations and principles of financial risk management are defined by the financial policy approved by the Board of Jaakko Pöyry Group Oyj. Group financing is centrally managed by the Group's parent company. The aim is to hedge the Group and its separate companies against adverse fluctuations in the financial markets and minimise the effects caused to the Group's liquidity, profit and shareholders' equity. The business groups are responsible for the risks related to business operations, such as credit risks and counterpart risks.

Foreign exchange risk

The foreign exchange risk is managed per currency and per country. Operational Group companies hedge their currency positions completely. Foreign exchange risk relating to Group financing is managed by the Group's parent company, the objective being to minimise foreign exchange risks. The decisions to hedge against the equity changes caused by movements in foreign exchange rates are made separately.

Interest rate risk

The Group's interest rate risk arises through interest bearing liabilities and money market investments. Interest bearing net debts amounted

to FIM 191.8 million on December 31, 1998.

Thus an interest rate change of one percentage point equals a change of FIM 1.9 million per year. The Group has rental agreements, according to which the rents are dependent on short-term interest rates. An interest rate change of one percentage point equals a change of FIM 0.1 million in rents per year.

Counterpart risk

According to the Group financial policy, investments and derivative instruments are allowed only with financial institutions with good credit standing and within the limit of each counterpart defined by the Group financial policy.

Liquidity risk

The Group's liquidity is good, though the Group has cut its cash funds substantially. To remain flexible in funding, the Group has arranged credit lines totalling FIM 129.7 million in January 1999. The refinancing risk relating to external loans is balanced by the sufficiently long maturity. See note 16 to the balance sheet.

5. CORPORATE GOVERNANCE

Jaakko Pöyry Group Oyj's organisation structure

The Group's business operations are conducted through five business groups: Forest Industry, Forest Industry Consulting, Energy, Infrastructure and Environment, and Process Industries. The business groups consist of their respective parent companies, including subsidiaries, subordinated to Jaakko Pöyry Group Oyj.

Jaakko Pöyry Group Oyj's governing bodies are ultimately responsible for all matters related to corporate governance. The company's governing bodies are the general meeting of shareholders, the Board of Directors, the President and CEO, and the Executive Vice President. The Group's Executive Committee assists the President and CEO and the Executive Vice President. Each business group has its own executive committee, chaired by the director of the business group in question. The Group's parent company Jaakko Pöyry Group Oyj is responsible for the Group's administration, strategic planning, economic matters, financing and investor relations. It also provides the business groups with services related to common Group functions.

Tasks of the general meeting of shareholders

Pursuant to the provisions of the Companies Act, the general meeting of shareholders shall be ultimately responsible for decision-making. In accordance with the Companies Act, the general meeting of shareholders shall approve any amendments to the Articles of Association, decide on the distribution of profits and appoint members of the Board of Directors and the Auditors of the company.

Tasks and responsibilities of the Board of Directors

The Board of Directors shall have general decision-making authority in all matters of corporate governance, with the exception of specific matters to be decided or implemented by other governing bodies pursuant to the Companies Act or the Articles of Association. The Board of Directors shall be generally responsible for corporate governance and for making appropriate arrangements related thereto. The Board of Directors has set as its objective to govern the company in a way that maximises the return on capital invested.

Appointment of members of the Board

The general meeting of shareholders shall appoint the members of the Board of Directors for the period of office extending until the next annual general meeting. The Board of Directors shall appoint among its members a Chairman and a Deputy Chairman. Any member of the Board can be removed from office following a majority decision by the meeting of shareholders. Should the Board of Directors, prior to the meeting of shareholders, be notified of any proposals for Board members which are to be pre-

sented for consideration by the general meeting, the proposal shall be published if at least 20 per cent of all the votes in the company are in favour of the proposal and if the person in question has given his or her consent.

Current composition of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors shall be composed of a minimum of four and a maximum of ten members. The Board of Directors has now six members. The company's President and CEO was a member of the Board until the end of 1998.

Tasks and responsibilities of the President and CEO and the Executive Vice President

The tasks of the President and CEO include managing and supervising the company's business in accordance with the Board of Directors' guidelines and instructions. The President and CEO is assisted by an Executive Vice President as of the beginning of 1999.

Appointment of President and CEO, Executive Vice President and Group Executive Committee

The Board of Directors shall appoint the President and CEO and the Executive Vice President. The members of the Group Executive Committee shall be appointed by the President and CEO and approved by the Board of Directors. In each appointment, the superior shall approve the appointments made by his or her own subordinates.

Members of the Group Executive Committee and meetings

The Group Executive Committee at present has eight members. Each member of the Group's Executive Committee shall be responsible for a specific business within the Group. The Group's Executive Committee is generally convened once or twice a month.

Supervisory systems

The Group employs effective economic reporting systems for supervising the business and for supervising and safeguarding the Group's financial administration.

The Board of Directors carries ultimate responsibility for supervising the Group's accounts and financial administration. The task of arranging accounting and supervision in practice is the responsibility of the President and CEO.

The Group has an operative reporting system for the needs of economic planning and supervision.

Jaakko Pöyry Group Oyj's auditors, Authorised Public Accountants, SVH Pricewaterhouse Coopers Oy, with Ulla Holmström, Authorised Public Accountant, as chief responsible auditor, are responsible for issuing auditing guidelines and for coordinating auditing functions at Group level.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFIT

The consolidated Balance Sheet as at December 31, 1998 shows
the distributable earnings to stand at FIM 106 556 000.00

The parent company's distributable earnings are

Retained earnings	FIM 32 807 519.28
Net profit for the period	FIM 79 830 673.24
	<hr/>
	FIM 112 638 192.52

The Board of Directors proposes that a dividend of
FIM 2.00 per share be paid on the outstanding shares as
at the record date. On the proposal date the amount of the
outstanding shares was 13 102 800. Accordingly
FIM 2.00 per outstanding share would be FIM 26 205 600.00
The remainder will be transferred to retained earnings, thus FIM 86 432 592.52

FIM 112 638 192.52

Vantaa, February 17, 1999

JAAKKO PÖYRY GROUP OYJ
Board of Directors



Heikki Lehtonen



Henrik Ehrnrooth



Olle Alsholm



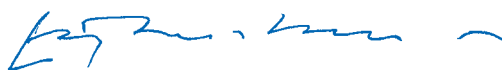
Matti Lehti



Niilo Pellonmaa



Jaakko Pöyry



Erkki Pehu-Lehtonen

A U D I T O R S ' R E P O R T

TO THE SHAREHOLDERS OF JAAKKO PÖYRY GROUP OYJ

We have audited the accounting, the financial statements and the administration of Jaakko Pöyry Group Oyj for the period January 1 - December 31, 1998. The financial statements, which have been prepared by the Board of Directors and the President and CEO, include the report of the Board of Directors, consolidated and parent company income statements and balance sheets and notes to the financial statements. Based on our audit we express our opinion on these financial statements and on the administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. In this respect, we have on a test basis examined evidence supporting the amounts and disclosures in the financial statements, assessed the accounting principles used and significant estimates made by the management as well as evaluated the overall financial statement presentation to obtain reasonable assurance about whether the financial statements, are to a substantial extent, correctly prepared. The purpose of our audit of the administration is to examine whether the Board of Directors and the President and CEO have legally complied with the rules of the Companies Act.

In our opinion the financial statements showing a profit of FIM 79 830 673.24 for the parent company and a profit of FIM 71 687 000.00 for the Group have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as the financial position. The financial statements together with the consolidated financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal of the Board of Directors regarding the disposal of retained earnings is in compliance with the Companies Act.

We have reviewed the interim reports published during the financial year. The interim reports have been prepared in accordance with applicable regulations.

Vantaa February 17, 1999

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants



Ulla Holmström
Authorised Public Accountant

PERMANENT CHANGE

Everyone of us has sometimes found that proven and well-working solutions are no longer good enough and fail to produce desired results. In this kind of situation, established practices need to be questioned, attitudes and assumptions readjusted and new, creative solutions sought.

Our capacity for renewal has become one of the most important factors for maintaining our company's competitiveness. Every employee can support the company's future by his or her own actions, because no company can change unless the individuals in its organisation are ready for this.

Continuous change is not a threat to those who are capable of and above all prepared to recognise the personal opportunities that this will offer. It is not just our obligation but also our privilege to renew our thinking and attitudes and to test our limits.

The company's human resources development should support these efforts. To this end, we must systematically develop and introduce tools and methods which will support our employees' aspirations. The prerequisites for this exist if the individual's and organisation's objectives coincide.



Ritva Minkkinen
Personnel Manager
Jaakko Pöyry Group Oyj

Change always involves uncertainty. It requires us to reassess current practices and values, and it inevitably also means we must give up something. However, there is no way of stopping change or even slowing it down. The question is only on whose terms we want go on living in this rapidly changing world: someone else's or our own?

To master this process in a controlled manner, the corporate culture must support continuous adaptation and a readiness to change.

Modern technology and innovative applications are the core of our know-how.





PERSONNEL DEVELOPMENT AS PART OF STRATEGIC PLANNING

Personnel development has been more closely interlinked with the Jaakko Pöyry Group's strategic planning. Corporate visions, business strategies and future competence requirements serve as a basis for formulating a personnel strategy for our expert organisation. It is intended to guide human resource management so that the company will always have the right resources with the right skills at its disposal to achieve its objectives.

COMPETENCE MANAGEMENT

For a company to succeed in the competition, it is not enough to develop its own competitiveness. First and foremost, the aim should be to improve clients' competitiveness.

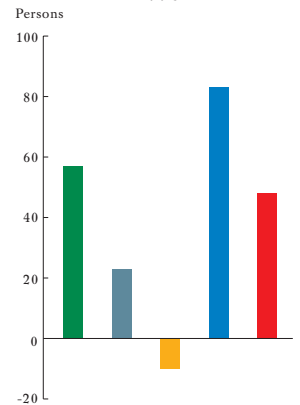
For this reason, the competence requirements derived from the company's business strategy provide the basis for human resource development. All development efforts should be aimed at supporting these strategic objectives. We must be able to determine the current competence level and scope of our organisation, identify employees' growth potential and direct development inputs into areas where the needs are most pressing.

To this end, we have been developing a tool which will make it possible to review the organisation's current status. This tool relies strongly on the individual's own assessment of his or her competences in different areas. Managers, in cooperation with their subordinates, are responsible for identifying the competences that offer the best potential for development both for the employees and the company.

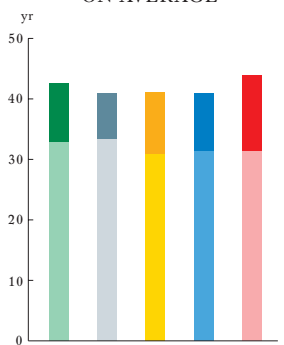
Development efforts are designed to promote the competences needed to conduct our business but also to offer employees opportunities for personal and professional growth.

The Jaakko Pöyry Group's objective is to adopt a model for continuous development, in which the company's and employees' needs and aspirations are in agreement. To ensure successful cooperation in this area, the organisation must be able to offer opportunities for meaningful and systematic development. On the other hand, employees must be actively and genuinely interested in their professional development, committing themselves strongly to common objectives.

PERSONNEL GROWTH 1998



AGE AND YEARS OF SERVICE ON AVERAGE

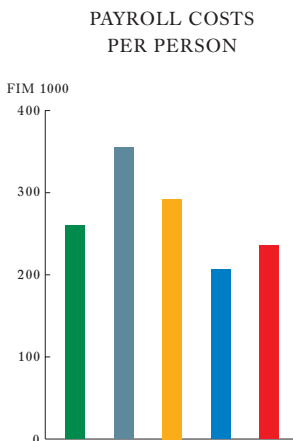
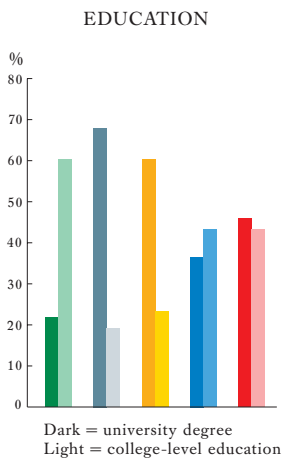


Dark = years of service with Jaakko Pöyry Group

Forest Industry Consulting Energy Infrastructure and Environment Process Industries



- Leadership
- Business
- Professional skills
- Cooperation and interaction
- Working internationally
- Tools



JAAKKO PÖYRY GROUP BUSINESS ACADEMY

The Jaakko Pöyry Group Business Academy is designed to offer a comprehensive range of training adapted to the needs of our business environment. Planned to meet our company's specific needs, the training programs are accurately targeted to achieve the best possible results.

At present, highly topical subjects are leadership and expertise. They are becoming increasingly important as the business and competitive environment keeps changing. Leadership must today be seen in a wider context than usual. Leadership is no longer reserved for managers; it has become ever more important in a large number of positions. One must be able to lead others, but also oneself and one's own actions. On the other hand, leadership is also a general attitude, which is of great importance for the company's business as well as employees' well-being.

The company's expertise relies strongly on the experience and know-how that has been accumulated over many years, in projects carried out around world, in different cultures and conditions.

For many knowledge companies, this involves a typical paradox: a need for continuous renewal, while not forgetting the important role of experience. For this reason, we must find the means to combine the most recent knowledge and technology with our unique experience and know-how in an innovative manner.

JBA'S LEADERSHIP PROGRAMME

To develop the kind of leadership needed in an expert organisation, the Jaakko Pöyry Group has launched a one-year Leadership Programme covering the entire Group. It is based on the requirements of a specialised leadership degree, and it is totally designed to meet the Group's own needs.

The Programme gives strong emphasis to on-the-job learning. This means that participants immediately and systematically put theory into practice in their own daily work.

Covering the entire Group, the Programme is intended to streamline Group companies working practices and to give employees a deeper insight into our areas or expertise.

In 1999, about 70 people will complete

the Leadership Programme. Initially, the programme will be implemented in the Jaakko Pöyry Group's domestic companies. In the future, it will be extended to cover also foreign Group companies.

The intention is to develop the Leadership Programme into a world-class highly appreciated exam, which participants will proudly include in their cv's.



A VALUED EMPLOYER

In a poll conducted by the Tekniikka & Talous (Technology & Economics) newspaper, fourth-year students at the Helsinki University of Technology, the Helsinki School of Economics and the Espoo-Vantaa Institute of Technology in October 1998 were asked to rank major Finnish companies in order of preference as potential employers. The Jaakko Pöyry Group rose in the ranking from 14th place in 1997 to 10th place in 1998, and was best among consulting engineering firms.

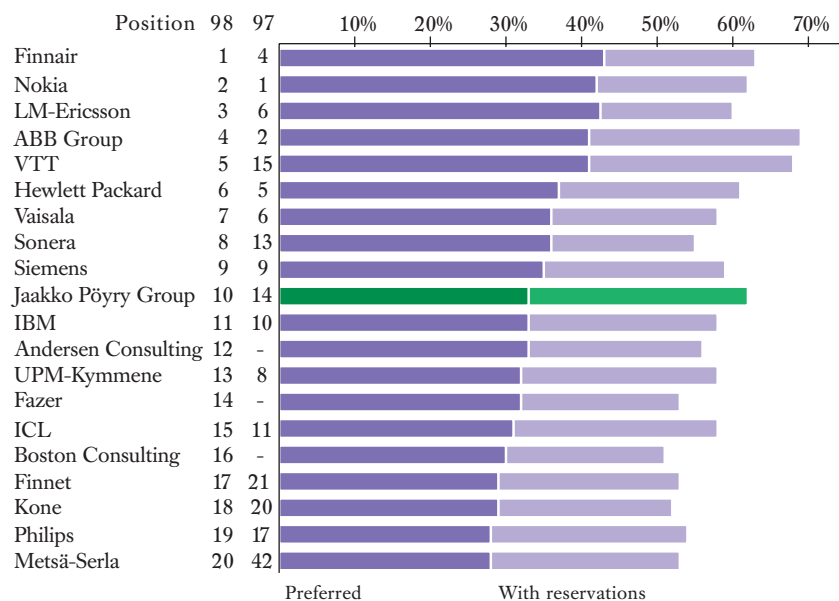
The poll also reviewed students' expectations concerning their future working life and education. In the choice of employers, the atmosphere in the working place was quoted as the most important criterion (by 75 per cent of respondents), followed by the company's social responsibility, education and business ethics.

PERSONNEL BY COUNTRY

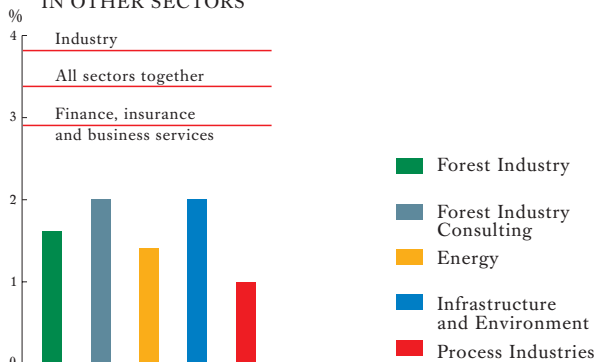


Includes the personnel of Electrowatt Engineering

FINLAND'S 20 MOST POPULAR EMPLOYERS



SICK LEAVE AND AVERAGES IN OTHER SECTORS



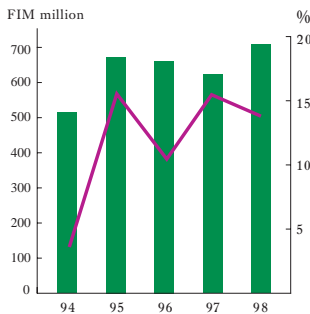


Engineering and implementation services for forest industry investment projects are provided by Jaakko Pöyry Oy and its subsidiaries in 11 countries.

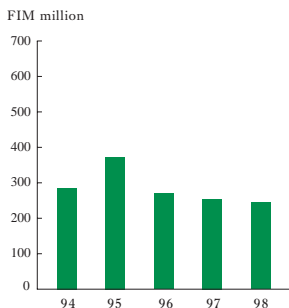
OFFICES

- Brazil
- Finland
- France
- Germany
- Indonesia
- Norway
- Singapore
- South Africa
- Sweden
- Thailand
- United States

NET SALES AND OPERATING PROFIT %



ORDER STOCK



FOREST INDUSTRY



The Forest Industry business group is the biggest of the Jaakko Pöyry Group's business groups and the established core of the company's operations.

The Forest Industry business group has three main practice areas: new projects, rebuilds and maintenance engineering. New projects and large entities are primarily carried out by Jaakko Pöyry Oy, which is also responsible for providing special process engineering expertise and for methods development. Rebuilds and maintenance engineering services are basically handled by the business group's local offices. Rebuilds and maintenance engineering services account for about 60 per cent of the business group's net sales.

MARKET POSITION

The Forest Industry business group is the world's leading provider of EPCM (Engineering, Procurement, Construction Management) services for new projects and rebuilds in the forest products industry. The business group's office network covers all major pulp and paper-producing regions in the world.

SERVICES AND CLIENTS

The business group provides project development and implementation services, addressing all aspects of industrial projects, including

- process engineering
- procurement services
- civil and structural engineering
- detail engineering
- project management
- construction management
- construction management and erection supervision
- operator training
- start-up assistance

The business group's clients include all leading forest products companies in the Nordic countries and several major forest products companies in

Western and Southern Europe, Asia and South and North America. Machine and chemical suppliers to the forest products industry are important clients of the local offices.

OPERATIONS AND EARNINGS

Net sales for 1998 amounted to FIM 707.2 million and profitability remained good, with operating profit totalling FIM 97.4 million. The share of client work was very good in the first half of the year, but in the second half of the year it declined slightly, as expected. At the very end of the year, the order stock was strengthened significantly by an engineering project commissioned by a Portuguese client.

Internal development work during the year under review was concentrated on improving 3D design and project document management methods, including electronic data interchange and project management procedures for international projects. The DOC 2000 document management concept was sold successfully to Finnish clients.

PROSPECTS FOR 1999

The order stock of the Forest Industry business group is still at a good level. The declining price of chemical pulp in combination with slower growth of demand for paper products may affect investment activity in the industry and thus also the earnings of this business group. Nevertheless, prospects for 1999 are characterised by moderate optimism.

KEY DATA	FIM Million					EUR Million				
	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998
Net sales	514.0	672.8	661.1	622.0	707.2	86.4	113.2	111.2	104.6	118.9
Operating profit	15.6	108.1	70.2	93.7	97.4	2.6	18.2	11.8	15.8	16.4
Order stock	286.1	382.4	280.9	270.8	245.3	48.1	64.3	47.2	45.5	41.3
Personnel	1 281	1 407	1 354	1 383	1 440					



Norske Skog Golbey, France



Metsä-Botnia, Joutseno, Finland

MAJOR PROJECTS

- Stora Port Hawkesbury, new SC paper mill in Canada, 350 000 t/a, main engineering consultant
- Metsä-Botnia, Joutseno, expansion of chemical pulp mill, 565 000 t/a, main engineering consultant
- UPM-Kymmene, Rauma PM4, new LWC paper machine, 400 000 t/a, main engineering consultant
- Norske Skog Golbey, PM2, new newsprint machine in France, 340 000 t/a, main engineering consultant
- APRIL, Changshu, process engineering for new fine paper machine in China, 300 000 t/a,
- Zellstoff- und Papierfabrik Rosenthal, rebuild of chemical pulp mill in Germany, 280 000 t/a, main engineering consultant
- UPM-Kymmene, Tervasaari, engineering services for rebuild of PM6
- Enso Oy, Imatra, engineering services for rebuild of board machine No. 1.
- Celhart PLC, Bulgaria, engineering services for rebuild of sack paper machine
- Gebrüder Lang, PM5, new SC paper machine in Germany, 250 000 t/a, main engineering consultant
- UPM-Kymmene, Chappelle Darblay, new deinking plant in France, 210 000 t/a, main engineering consultant
- Mondi Limited, Richards Bay, PM2, rebuild of board machine in Republic of South Africa, 230 000 t/a, main engineering consultant
- MoDo Paper, Husum, PM7, process engineering for rebuild of fine paper machine in Sweden, 250 000 t/a
- Soporcel PM2, new fine paper machine in Portugal, 400 000 t/a, main engineering consultant



UPM-Kymmene, Rauma, Finland



FOREST INDUSTRY CONSULTING

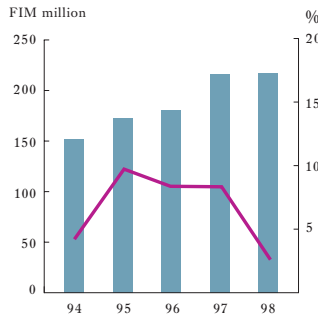


The Forest Industry Consulting business is conducted by Jaakko Pöyry Consulting Oy and its subsidiaries.

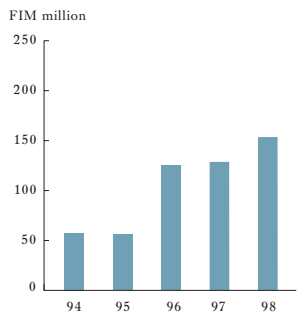
OFFICES

- Argentina
- Australia
- Canada
- Finland
- Germany
- India
- Indonesia
- Mexico
- New Zealand
- Philippines
- Singapore
- Sweden
- United Kingdom
- United States

NET SALES AND OPERATING PROFIT %



ORDER STOCK



The business group offers its clients in the forest products industry world-class consulting services with the aim of improving client companies' profitability.

MARKET POSITION

Jaakko Pöyry Consulting is world market leader for forest industry consulting services and a forerunner in developing new solutions. The business group's competitive strengths include a complete understanding of the production chain from raw material to end product, a comprehensive system of databanks, solid technological expertise and a global network of offices and expert advisors.

SERVICES AND CLIENTS

The business group has special expertise related to mergers and acquisitions, business and marketing strategies and analyses related to these, and raw material supply questions. Aiming for sustainable forestry, Jaakko Pöyry Consulting is engaged in developing the forest sector at global and regional level. Jaakko Pöyry Consulting also offers operations improvement services, which can be utilised in realigning the client's product mix, in preparing quality programmes, in solving logistics problems, in optimising the production chain and in preparing benchmarking analyses.

The business group's clients include forest products companies, financial institutions, and forest industry equipment and chemical suppliers. The group's operations are structured into three regional entities: Europe, America and Asia Pacific. North American operations were strengthened by establishing offices in Atlanta and Montreal.



OPERATIONS AND EARNINGS

The business group has relied on organic growth together with its main clients. Net sales for 1998 amounted to FIM 217.5

million and the operating profit was FIM 5.6 million. The profitability was weaker than budgeted, primarily because of the poor performance of units in Sweden and the United States.

To further strengthen its role in strategic mergers and acquisitions in the forest products industries and in corporate finance, Jaakko Pöyry Consulting established in January this year a Corporate Finance advisory group, JP Capital International Ltd, to assist forest products and packaging companies in the implementation of acquisitions, divestitures and restructuring activities. Based in London, JP Capital International is an integral part of Jaakko Pöyry Consulting, working independently towards its customers.

North American operations were reinforced through the establishment of new offices in Atlanta and Montreal.

PROSPECTS FOR 1999

Economic growth will continue in Europe in 1999, but in North America a slowdown is expected. The economic turmoil in Southeast Asia and South America will continue, but economic growth is expected to resume gradually. The consolidation of the forest products industry will continue in North America, Europe and Asia Pacific.

International mergers and acquisitions will continue, resulting in new global alliances. This will result in increased demand for consulting services.

KEY DATA	FIM Million					EUR Million				
	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998
Net sales	151.8	173.0	180.3	216.3	217.5	25.5	29.1	30.3	36.4	36.6
Operating profit	6.2	17.0	13.7	16.2	5.6	1.0	2.9	2.3	2.7	0.9
Order stock	55.1	52.1	124.3	125.9	153.6	9.3	8.8	20.9	21.2	25.8
Personnel	257	259	266	268	291					





Kalimantan Forestry Project, Indonesia



The rationalisation of operations in the United States and Sweden, which depressed earnings for 1998, has now been completed. As a result, the business group's earnings will improve compared with the previous year.

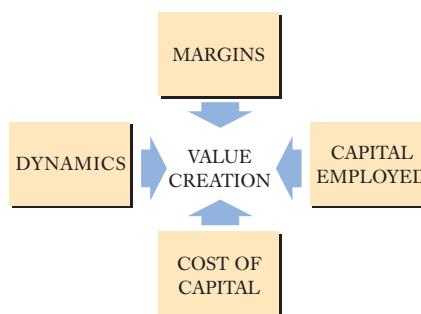
MAJOR PROJECTS

Jaakko Pöyry Consulting participated as a strategic advisor in several major mergers, divestitures and restructurings in Europe, North and South America and Southeast Asia during the year under review.

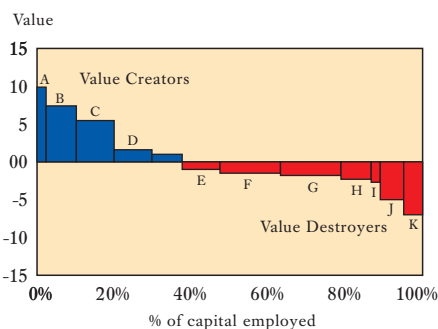
Examples of other major assignments completed during 1998 include shareholder value analyses, capital utilisation analyses, numerous strategic growth analyses and analyses concerned with the effects of the Kyoto Protocol.

The most important EU-financed project is the South-Central Kalimantan Forestry Project, which was launched at the end of the year.

VALUE CREATION IN FOREST INDUSTRY



VALUE CREATION BY PAPER MACHINE



A company's paper machines (A-K) can be presented by their value creation and share of capital employed.

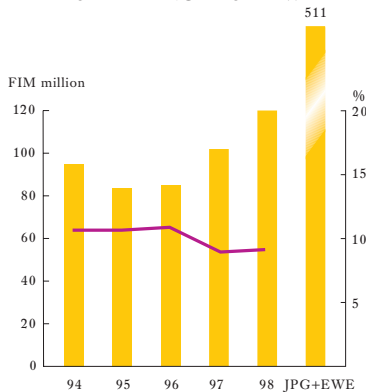


Electrowatt-Ekono is a specialist in energy projects, combining technical, economic and environmental know-how.

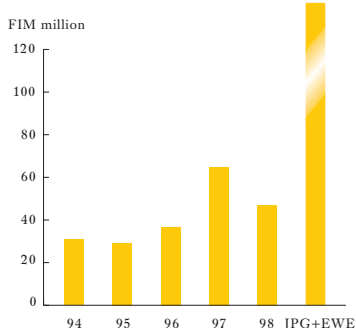
OFFICES

- Argentina
- Chile
- Finland
- Germany
- Indonesia
- Korea
- Peru
- Philippines
- Saudi Arabia
- Singapore
- Sultanate of Oman
- Sweden
- Switzerland
- Thailand
- United Arab Emirates
- United Kingdom

NET SALES AND OPERATING PROFIT %



ORDER STOCK



E N E R G Y



The Jaakko Pöyry Group's and Electrowatt Engineering's energy businesses were combined within the Energy business group as of the beginning of 1999, operating under the trademark Electrowatt-Ekono. Its proforma combined net sales for 1998 amounted to FIM 511.2 million, and it had 893 employees in 16 countries.

MARKET POSITION

The business group's units are international leaders in developing, planning and implementing energy projects. Through its global office network the business group is capable of combining its international experience with local service in projects all over Europe, the Middle East, Asia and South America.

SERVICES AND CLIENTS

- thermal power, especially combined heat and power generation
- waste to energy
- biofuels
- district heating
- hydroelectric power
- nuclear technology and nuclear safety systems
- environmental protection
- energy savings
- energy consulting

Services cover all phases of an engineering project, from strategic planning and project development to engineering services and project implementation.

The liberalisation and privatisation of the energy sector in different countries is imposing new business economic requirements for the production and use of energy. The business group offers clients new commercial, economic and technical solutions to meet these needs. Our experience of the utilisation of renewable energy resources provides a

good background for corporate-level solutions to meet the requirements of the Kyoto Protocol. Solutions to achieve more effective operation and maintenance and to save energy

will be playing a key role in the economies in transition.

Clients include private and publicly owned power utilities, industrial clients, machine suppliers, financial institutions and international development banks. Assignments vary in size from minor studies to major implementation projects.

OPERATIONS AND EARNINGS

(excluding Electrowatt Engineering's operations)

The business group's net sales for 1998 amount to about FIM 120 million. The operating profit was FIM 9.7 which was below budgeted targets. Oversupply of electricity in some countries in combination with the uncertainty caused by the Asian economic turmoil caused a reduction in energy investments during 1998. The restructuring of operations in the United Kingdom during the year resulted in non-recurrent expenses.

The net sales of EWE's energy business for 1998 amounted to FIM 390.9 million and its earnings showed a loss of about FIM 3 million. Losses were primarily due to rationalisation costs and some loss-making projects in German subsidiaries.

PROSPECTS FOR 1999

Power plants' investment activity is likely to pick up in 1999 in Finland and elsewhere in Europe. The emphasis is shifting towards combined heat and power generation, biofuels and hydroelectric power, all of which represent Electrowatt-Ekono's special expertise. Against this background, prospects for 1999 are more favourable than for the previous year.

KEY DATA	FIM Million					EUR Million				
	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998
Net sales	95.0	83.7	84.8	101.9	120.3	16.0	14.1	14.3	17.1	20.2
Operating profit	11.6	10.2	10.8	7.8	9.7	2.0	1.7	1.8	1.3	1.6
Order stock	30.0	27.2	37.0	65.5	47.1	5.0	4.6	6.2	11.0	7.9
Personnel	15.0	157	172	191	181					



Thermal power plant, in Nokia, Finland



Bishkek district heating power plant, Kirgisia

MAJOR PROJECTS

- Walliser Elektrizitätsgesellschaft, Switzerland, restructuring of power utility.
- Anjalankoski, industrial combi power plant, 96 MW_e/110 MW_{th}, Finland, engineering
- Košice 2x28 MW_{th} waste to energy plant, Slovakia, engineering
- Bishkek, modernisation of district heating plant, Kirgisia, engineering
- Rügenberger Damm, 75 MW_{th} and 7.7 MW_e waste to energy plant, Germany
- Erfurt 2 x 23 MW combi power plant, Germany, engineering
- Naistenlahti, rebuild of district heating plant, 127 MW_e/140 MW_{th}, Finland, engineering
- Uumaja 55 MW_{th} and 15 MW_e waste to energy plant, Sweden, engineering
- Sarajevo district heating project, Bosnia, project management services
- Thai National Power 110 MW CCPP, Thailand, turn-key delivery
- National Power Supply 2x150 MW CHP, Thailand, project management and engineering
- Beijing district heating plant, China, turn-key delivery
- Peak Pacific Zhending 30 MW CHP, China, engineering
- Dhauliganga hydroelectric power plant 280 MW, India, engineering
- San Gaban hydroelectric power plant 2x55 MW, Peru, engineering



Tha Toom coal-fired power plant, Thailand



INFRASTRUCTURE AND ENVIRONMENT

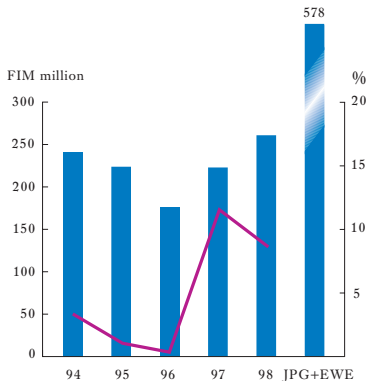


Globally responsible for the Infrastructure and Environment business are Soil and Water Ltd and the Swiss Electrowatt Engineering Ltd, including subsidiaries.

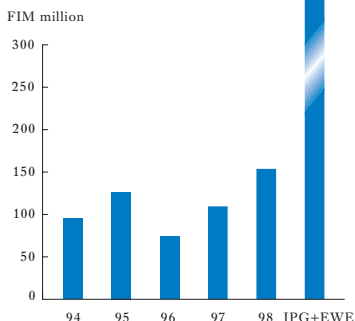
OFFICES

- Argentina
- Canada
- Chile
- Estonia
- Finland
- Germany
- Peru
- Philippines
- Poland
- Taiwan
- Thailand
- Russia
- Switzerland
- Venezuela

NET SALES AND OPERATING PROFIT %



ORDER STOCK



Following the restructuring of the Jaakko Pöyry Group and the acquisition of Electrowatt Engineering (EWE) at the beginning of 1999, a new business group called Infrastructure and Environment was established within the Group. The proforma net sales of this business group for 1998 were FIM 577.7 million and it had 1195 employees in 14 countries.

MARKET POSITION

The companies in the business group are market leaders in Finland and Switzerland. The group has a strong market position in the Baltic countries as well as Central and Eastern Europe. In addition, the companies in the business group are operating globally, implementing water, environmental, traffic system, tunnel and construction projects.

SERVICES AND CUSTOMERS

The business group offers its clients a full range of solutions and services, representing the most modern technology and know-how, in the following areas:

- traffic systems, roads and railways
- water supply
- environment
- municipal planning
- geographic information systems (GIS)
- tunnels
- construction projects

Services consist of various consulting and development tasks, engineering and project management services, construction management and operating and maintenance services.

The most important client groups are governmental and municipal organisations, the EU, international development banks, transport companies, financiers, industrial and other companies. Assignments vary from

minor consulting tasks to major projects spanning several years. The business group carries out thousands of assignments each year.

Clients are increasingly concentrating on their core businesses, while outsourcing other operations. The business group is closely involved in this process and cooperation and partnership agreements have been signed with a number of clients. The most recent assignment of this type was carried out in cooperation with the Pohjola Insurance Company, which outsourced its construction management services.

OPERATIONS AND EARNINGS

(excluding the business of Electrowatt Engineering)

The business group's net sales for 1998 were FIM 260.9 million. Profitability also remained good, with operating profit amounting to FIM 22.5 million.

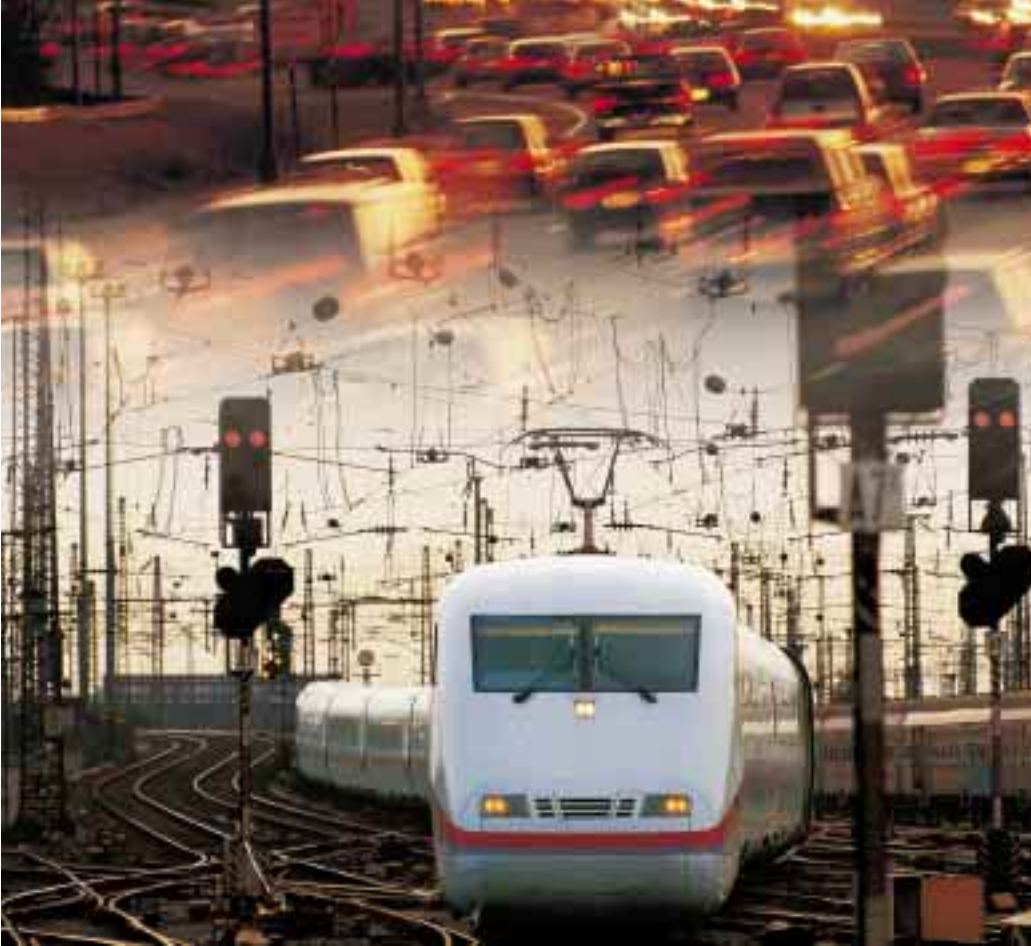
Soil and Water Ltd acquired in April the entire share capital of Suunnittelukolmio Oy, thereby strengthening its position as the leading infrastructure engineering firm in Finland. Suunnittelukolmio Oy's net sales for 1998 amounted to FIM 15 million and its profitability was good.

The net sales of EWE's infrastructure and environmental business amounted to FIM 316.8 million in 1998, and its operating profit was about FIM 17 million.

PROSPECTS FOR 1999

The business group's order stock and market position will remain stable. Long-term projects and established customer relationships in tunnel construction, traffic systems, water construction projects and the construction sector in general create a basis for favourable earnings development in 1999.

KEY DATA	FIM Million					EUR Million				
	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998
Net sales	240.0	224.9	176.1	224.0	260.9	40.4	37.8	29.6	37.7	43.9
Operating profit	8.2	2.5	0.6	25.9	22.5	1.4	0.4	0.1	4.4	3.8
Order stock	92.3	125.5	72.3	110.2	156.5	15.5	21.1	12.2	18.5	26.3
Personnel	558	616	573	633	716					



Nokia Research Center, Ruoholahti, Finland



Xylose production plant, Austria

MAJOR PROJECTS

- DISAE, a project for harmonisation of the EU's environmental administration and legislation, covering the Baltic states, the Czech Republic, Slovakia, Bulgaria and Slovenia.
- Haiphong water supply and waste handling project, third phase, Vietnam.
- Expansion and modernisation for nitrogen removal of Suomenoja effluent treatment plant, Espoo, Finland. The project was elected Project of the Year in 1998 by the Association of Civil Engineers in Finland.
- Cologne-Frankfurt bullet train for Deutsche Bahn, Germany. Complete engineering and construction supervision.
- Bangkok city railway system, technical supervision, Thailand.
- Birmensdorf bypass, including five tunnels with a combined length of 5.4 km. Engineering and construction supervision, Switzerland.
- Real estate evaluation of the Kesko Group's building stock, commissioned by Kestra Kiinteistöpalvelut Oy, covering more than 100 buildings (about 600 000 m² gross).
- Extension of Parliament building in Helsinki, Finland. Construction management services, including completion of architectural competition and project planning.
- St. Petersburg Historical City Centre Rehabilitation project, including formulation of a development strategy and preparations for continuation project. Financed by the World Bank, the project is carried out in cooperation with Parsons International and KS-Invest.



Suomenoja effluent treatment plant, Finland



Water supply and waste handling, Vietnam

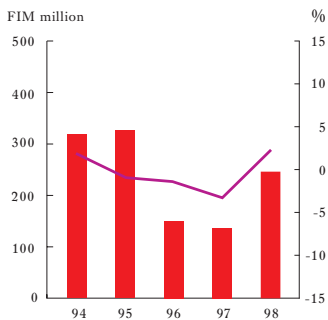


The business group offers engineering and contracting services and its own technologies to the process industries.

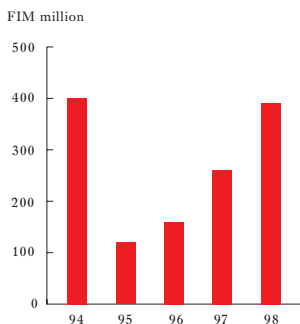
OFFICES

- Finland
- France
- Spain
- China

NET SALES AND OPERATING PROFIT %



ORDER STOCK



PROCESS INDUSTRIES



The Process Industries business group, consisting of JPI Process Contracting Oy, JPI Process Contracting SNC, Heymo Ingenieria S.A., Retma S.A. and SEEI S.A., supplies engineering and contracting services to the alcohol, chemical, pharmaceutical and forest products industries and to gas suppliers. Proprietary technologies in alcohol and tall oil production are a cornerstone of this business.

MARKET POSITION

The markets in Asia did not recover from the previous year's economic turmoil. However, this was compensated by deliveries within the European Union, with net sales increasing by more than 60 per cent as a result of deliveries to Scandinavia, France and Spain.

The Process Industries business group is a leading supplier of alcohol technology in Europe. Alcohol technology is provided by JPI Process Contracting Oy and JPI Process Contracting SNC, which have been cooperating in southern European alcohol projects. In the past four years, the business group has received orders for four fuel alcohol plants. Retma S.A. specialises in engineering services for the chemical and pharmaceutical industries. Heymo Ingenieria S.A. has specialised know-how related to gas pipeline and storage systems. JPI Process Contracting Oy is responsible for the implementation and development of tall oil plant deliveries.

OPERATIONS AND EARNINGS

The business group's net sales for 1998 were FIM 246.4 million and its operating profit was FIM 6.7 million. The earnings

have not been fully in line with budgeted targets.

All companies in the Process Industries business group showed a profit, which was primarily derived from alcohol and gas pipeline projects, and from investment projects in the chemical and pharmaceutical industries.

PROSPECTS FOR 1999

Increased sales and better operating profits are forecast for 1999. The improvement will come from fuel alcohol, tall oil, technology transfer and gas pipeline projects and from frame agreements with clients in the chemical industry.



Fuel alcohol plant, France

KEY DATA	FIM Million					EUR Million				
	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998
Net sales	320.1	349.8	151.9	143.2	246.4	53.8	58.8	25.5	24.1	41.4
Operating profit	8.3	-2.2	-1.8	-4.8	6.7	1.4	-0.4	-0.3	-0.8	1.1
Order stock	403.5	122.9	165.7	264.5	391.1	67.9	20.7	27.9	44.5	65.8
Personnel	239	281	257	283	331					



Abengoa fuel alcohol plant, Spain



Maghreb-Europe gas pipeline, Spanish section



CMC-plant, Metsa Specialty Chemicals, Finland

MAJOR PROJECTS

- Abengoa S.A., Spain, complete delivery of 300 000 l/d fuel alcohol plant.
- Agroetanol AB, Sweden, complete delivery of 150 000 l/d fuel alcohol plant.
- Metsa Specialty Chemicals Oy, delivery of CMC plant based on client's proprietary technology
- Dupont de Nemours, France, delivery of polyethylene plant. Transfer of technology from the USA to France.
- Huber Group, Sweden, EPCM delivery of silicate pigment plant. Transfer of technology from Finland to Sweden.
- Husum and Mönsterås Pulp Mills, Sweden, deliveries of tall oil plants.
- Mönsterås Pulp Mill, Sweden, delivery of bisulphite pre-acidulation plant as a continuation of the tall oil project.
- Assi Domän, Piteå, Sweden, complete delivery of tall oil plant.
- Elf/Sanofi, France, engineering services for two pharmaceutical plants.
- Enagas, Spain, engineering services for gas pipelines and storages.
- Deliveries of gas-combi power plants to two Spanish clients.
- Complete engineering of an insecticide plant for a French client.



Nanning pulp mill, China



Lifting the reactor, Husum tall oil plant, Sweden

GROUP MANAGEMENT



From left: Stefan Antell, Teuvo Salminen, Erkki Pehu-Lehtonen, Yves Garrigues, Jaakko Pöyry, Jukka Nyrölä, Juha Waris (standing, representing Rainer Häggblom), Harri Piehl.

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