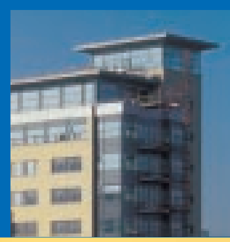
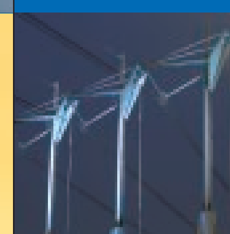
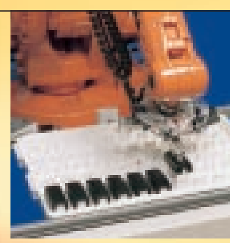
ENSTO







Annual report **1998**

Annual general meeting

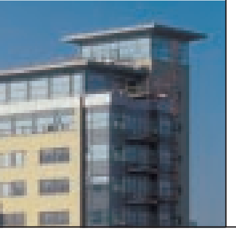
The annual general meeting of Ensto Oy will be held in Porvoo on Monday 12 April 1999.

Financial information

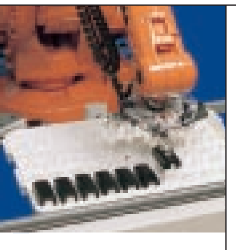
Ensto will publish two interim reports in both Finnish and English during 1999.
The interim report for the first four months will be published on 14 June.
The interim report for the first eight months will be published on 11 October.

Ensto's annual and interim reports can be ordered from:
Ensto Oy, P.O.Box 77, 06101 Porvoo, Finland,
tel. +358 204 76 21, fax +358 204 76 2750,
ensto@ensto.com

Ensto is a corporate group concentrating on manufacturing electrical accessories and on contract manufacturing for the electronics industry. Ensto operates in twelve countries and has a turnover of more than FIM 1 billion (approximately EUR 200 million).



Ensto Annual Report 1998



Contents

Key indicators

Proforma 12 months		1998	1998	1997	1996	1995	1994
		MEUR	MFIM	MFIM	MFIM	MFIM	MFIM
Turnover		189.5	1126.7	1094.4	950.5	894.5	731.8
Change compared to last period	%	3.0	3.0	15.1	6.3	22.2	9.1
Sales outside Finland		100.9	600.1	562.3	514.6	459.3	433.8
Of turnover	%	53.3	53.3	51.4	54.1	51.3	59.3
Change compared to last period	%	6.7	6.7	9.3	12.0	5.9	1.0
Sales in Finland		88.6	526.6	532.1	435.9	435.2	298.0
Change compared to last period	%	-1.0	-1.0	22.1	0.1	46.1	21.7
Exports from Finland		40.0	238.0	188.4	158.2	121.6	118.2
Change compared to last period	%	26.3	26.3	19.1	30.1	2.9	19.1
Profit before depreciation		19.9	118.0	133.5	114.5	105.3	99.7
Of turnover	%	10.5	10.5	12.2	12.0	11.8	13.6
Depreciation		10.2	60.9	59.4	55.9	56.9	44.7
Of turnover	%	5.4	5.4	5.4	5.9	6.4	6.1
Operating profit		9.8	58.5	74.7	59.1	49.0	55.4
Of turnover	%	5.2	5.2	6.8	6.2	5.5	7.6
Financial items		-2.3	-13.7	-9.3	-9.0	-9.0	-7.6
Of turnover	%	-1.2	-1.2	-0.9	-0.9	-1.0	-1.0
Profit before extraordinary items		7.5	44.8	65.3	50.1	40.0	47.8
Of turnover	%	4.0	4.0	6.0	5.3	4.5	6.5
Profit before income taxes		6.8	40.3	51.5	50.1	34.4	46.4
Of turnover	%	3.6	3.6	4.7	5.3	3.8	4.1
Net profit		3.5	21.0	35.2	29.8	11.2	30.1
Of turnover	%	1.9	1.9	3.2	3.1	1.3	4.1
Investment in fixed assets		20.7	123.0	115.0	53.9	151.1	53.0
Of turnover	%	10.9	10.9	10.5	5.7	16.9	7.2
Return on investment (ROI)	%	12.7	12.7	17.1	14.6	14.1	16.0
Return on equity (ROE)	%	12.6	12.6	21.2	15.7	13.0	16.3
Solvency	%	34.1	34.1	37.4	35.5	34.0	37.1
Gearing	%	99.9	99.9	63.9	53.5	78.9	41.7
Current ratio		1.4	1.4	1.4	1.5	1.4	1.6
Net liabilities		42.9	254.9	162.9	131.5	170.4	88.0
Of turnover	%	22.6	22.6	14.9	13.8	19.0	12.0
Total assets		126.6	753.0	685.2	594.0	638.6	570.7
Research and Development costs		4.9	29.3	32.9	32.0	29.2	23.3
Of turnover	%	2.6	2.6	3.0	3.4	3.3	3.2
Undelivered orders		16.7	99.0	163.6	177.8	158.6	133.3
Profit / share (EPS)	EUR/FIM	0.30	1.76	3.38	2.06	1.16	2.17
Equity / share	EUR/FIM	2.66	15.84	16.42	14.14	12.36	13.43
Dividend / share	EUR/FIM	0.08	0.50	1.33	0.63	0.40	0.60
Dividend / profit	%	28.4	28.4	39.4	30.8	34.6	27.7
Turnover / employee	TEUR/TFIM	98.5	585.9	601.3	566.8	553.2	489.8
Average personnel		1923	1923	1820	1 677	1 617	1 494
Personnel at the end of period		1942	1942	1838	1 761	1 653	1 501

Group **structure**

MARKETS

- **Installation materials**
  Ilpo Hätönen
- **Light fittings, distribution boards, heating systems**
  Sami Tulus
- **Fastening materials**
  Christian Österberg

Ensto Installation
Seppo Martikainen

- **Utility networks**
  Seppo Martikainen
- **Technical ceramics**
  Seppo Martikainen

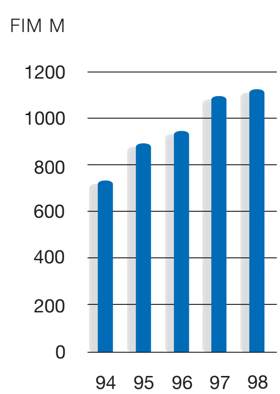
Ensto Distribution
Seppo Martikainen

- **Contract manufacturing**
  Jussi Viitala
- **Enclosures and components**
  Kai Qvist
- **Connectors**
  Jarmo Virtanen

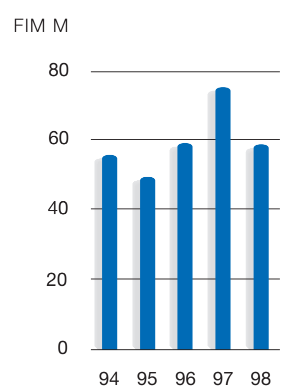
Ensto Industry
Jussi Viitala

ENSTO

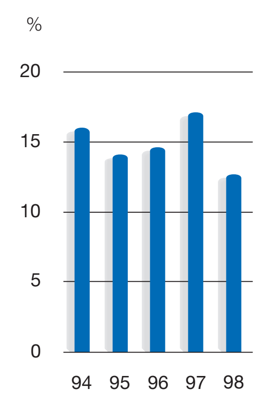
Turnover



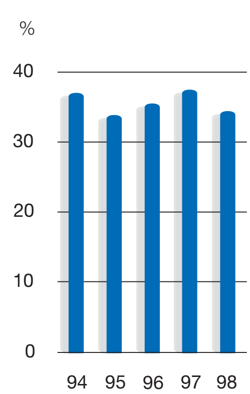
Operating profit



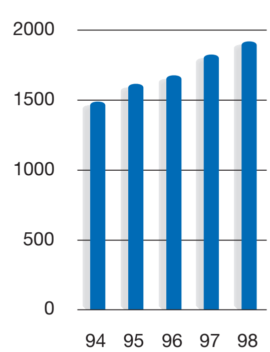
Return on investment



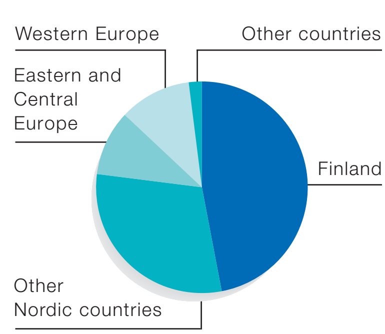
Solvency



Average personnel



Turnover by marketing area



Review by the Managing Director

ENSTO'S 40TH YEAR OF BUSINESS was a year of systematic changes. Industrial activities were spun off from property management and a purely industrial organization - Ensto Oy – went into business in its new format on 1 September 1998. With its three divisions and eight strategic business units, Ensto Oy, which concentrates on the electrical accessories industry, is structured to meet the operational and structural changes that have taken place in the main customer segments. Although the new Ensto Oy's official financial year 1998 was only four months long, the Ensto Group is reviewed in this annual report on an annualized basis, using comparable, pro forma figures.

Markets declined towards the end of the year

The market situation in Ensto's main customer segments was good in the early months of the year. In the second half of the year demand was muted, and in the later part of the year the market deteriorated. The situation continued unchanged into the new year. Turnover grew, reaching FIM 1,126.7 million (1997: FIM 1,094.4 million) and operating profit reached FIM 58.5 million (FIM 74.8 million). Return on investment was 12.7% (17.1%) and return on equity was 12.6% (21.2%). Along with the market trend, another factor adversely affecting the key indicators was certain non-recurring items, the biggest of which were manufacturing problems at the Norwegian ceramics plant, the impact of a transfer of production from Finland to Hungary, and exchange rate losses incurred in trading with Russia. Nevertheless, on the whole Ensto's business areas maintained their strong positions on the main markets. Action for improvement taken within the organization created a good basis for profitable operations in the future.

Enhanced performance capability

Ensto's structural changes, making operations even more customer-driven and reorganizing in line with structural changes in the market, will have a beneficial effect on the strategic business units' performance capability. The paramount aim of the regrouping has been to streamline internal collaboration and to harness the entire organization to act as a single unit in the Finnish and international arenas. We have made good progress in this work.

The efforts devoted to process and information systems during the year were considerable and the main aim behind them was to achieve a marked improvement in delivery accuracy and in the flexibility of materials management. The delivery accuracy readings show a clear improvement and the effects of this showed up in enhanced competitiveness and an improved cost structure. By seeking out new techniques, channels, partnerships and optimally streamlined working methods, we prepared for the constantly growing tendency towards electronic trading among the customer segments.

In an internationally operating Group, the strengthening of the high-quality Ensto brand has been seen as a significant source of competitive advantage. The confrontation of the foremost player in the Nordic region and a major European player with international competition makes it essential to gather the organization's resources together under a single banner. Ensto made a great deal of progress in this field as well during 1998.

Investing in the personnel

New stearing systems and customer-driven strategic business units need competent people in order to operate in the best possible way. Resources for personnel development were augmented and the main thrust in training was on the application of new technologies and working methods. Training and various techniques for upgrading working capacity aimed at senior management and supervisors are among the key fields of building up capabilities. In the future, multiple skills among the staff will be fostered by means of increased job rotation.

Customers in the middle of changes

Good results have been attained in the development of Ensto's structure. The retention and improvement of profit-making capability in a tough business climate has been a characteristic of Ensto throughout its history. The same trend will continue as competition intensifies and as customers' operating methods evolve. The direction of change is dictated in the final analysis by the trends and viewpoints of the main customer segments. The Ensto Group is strongly placed as a Nordic supplier for the electrical wholesale trade and it is constantly adapting itself flexibly to the trend of consolidation that prevails today in the distribution network of electrical accessories in Europe.

Flexibility as a tool in competition

Ensto's strategic business units operate in very different competitive climates. Their prospects for growth, capital requirements and the types of end customer differ, although this on the other hand improves the Group's potential for expanding its profits and boosting its cash flow at a constant rate. The units serving the building industry are regional by nature, and they seek through a comprehensive presence to secure their positions on the local market and especially on the growing single market of the EU. Units specializing in supplying plastic components on contract manufacturing are expected to be highly flexible in their operations and to collaborate closely with their customer industries, both geographically and in terms of materials management. Some of Ensto's strategic business units operate in sectors with global potential, featuring increasingly compatible technology and application skills in all markets. Among these are functions that serve network construction in particular.

The Ensto organization came through its year of changes very well. For this I would like to thank all those who took part in our operations and the partners who contributed to them, and especially our own personnel. Although the conditions in the marketplace were not as favourable as they could have been, we underpinned the foundations of the Ensto Group so that it will be able to meet the challenges of the future.

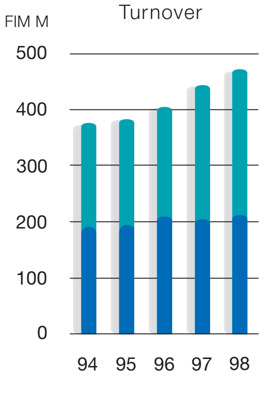
Porvoo, March 1999

Petteri Walldén
Managing Director

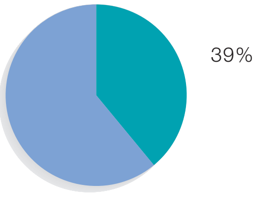
EIB bus technology is used to control the heating and blinds as well as to control and regulate lighting in IMP Bra Böcker building in Malmö, Sweden.

Ensto Installation develops, manufactures and markets installation materials and accessories, light fittings, distribution boards and fastening materials for construction and renovation of buildings and homes

Seppo Martikainen



Percentage of Group total



Operations and the market

Ensto Installation develops, manufactures and markets installation materials and accessories, light fittings, distribution boards and fastening materials for construction and renovation of buildings and homes. The products of the division's three strategic business units are featured in more detail on pages 8-9. Among the most important distribution channel customers are the Nordic wholesales of electrical accessories and fastening materials. Among the most important end customers are electrical contractors, the electrical engineering industry and end users of fastening materials.

Downturn in demand towards the end of the year

Highly promising growth in demand for electrical accessories in Finland during the early months of the year ran out of steam towards the end of the year. The growth rates in the market for the main product groups varied on an annual basis by tens of percentage points up and down in comparison with the previous year. In the final quarter of the year, growth slowed. The Swedish and Norwegian markets failed to grow at all and Russia suffered an unequivocal collapse in demand in the wake of the economic crisis during the autumn season. In the Baltic states, the trend on the market was very undistinguished compared with several previous years.

Clear improvement in earnings

The competitive setup for Ensto Installation did not change during the year and the division retained its strong market position. Turnover was FIM 472 million (FIM 443 million), up by 7 % on the previous year. The restructuring action in the division boosted the trend in profits and the operating profit was FIM 49 million (FIM 38 million), being 10 % of turnover as against 9 % in the previous year. Ensto Installation's share of the Ensto Group's turnover was 39 % and 64 % of operating profit.

Radical actions on improvements

The divisional structure was strengthened with a good many structural actions. In November 1997 Sormat Oy, a manufacturer of fastening materials, was acquired for the Ensto Group and in 1998 it was included in the division's figures for the first full year. A majority shareholding in the Ireland-based light fitting company Ensto Teoranta was sold to a party outside the Ensto Group in December. The buyer was Electrofast Ltd, an Irish company.

Throughout Ensto, divisional control went over to a system of strategic business units, of which Ensto Installation has three.

In the installation materials strategic business unit, Ensto Busch-Jaeger AB in Sweden went into business at the beginning of May, concentrating on the marketing of these products.

Marketing had previously been handled as a part of Ensto Idealplast AB's operations.

In the light fittings, distribution boards and heating products strategic business unit, customer tailored panel boards were no longer taken in after the end of the year and resources were focused on manufacturing standard panel boards and industrial switch gears.

In the fastening material strategic business unit, no restructuring was carried out during the year.

The manufacture of electronic products in Estonia was expanded considerably.

It has been decided within the Ensto Group to transfer the production of metal enclosures, switch gears and prefabricated ducts as well as the contract manufacturing of metal sheet components to Ensto Industry as of the start of 1999. Ensto Idealplast AB and its business interests were also reassigned to Ensto Industry.

To boost exports to Russia, Ukraine and other CIS states and also to Latvia and Lithuania, a company with the name of Ensto Trade Ltd was founded. Ensto Trade Ltd is to be the hub of marketing and sales control for Ensto products in the market region. The company will go into business in spring 1999. In February 1999 the manufacturing and marketing of Ensto El-Be Ab's porcelain light fittings was transferred to Ensto Ifö Ab.

Customer-oriented product development

Effort into enhancing business operation control and logistics continued in all companies. The feedback received from customers has been positive and activities have been collaboration-driven. Of the latest products, new-generation passive infrared lights – the new JONO Plus series – and updated Waltteri panels have received a warm welcome in the marketplace. Bus technology and low-voltage product ranges were further developed on the basis of feedback from the market. A new range of through bolts was also brought to the final stages and new, state-of-the-art technology for manufacturing it was brought on line at the end of 1998.

A good basis

The installation product market in 1999 is expected to take a favourable trend in Sweden. In Finland, Norway and the Baltic states the market is forecast to continue as it was last year. There is still great uncertainty over the progress of the Russian market. In certain product sectors there are, however, signs of a stronger than average market trend both in the areas around Finland and in continental Europe. The outlook for Ensto Installation is favourable now that corporate acquisitions and a streamlined structure are reinforcing the division's competitiveness.

The main products of Ensto Installation's business units

Installation materials and accessories:

- Flush and surface-mounted socket outlets with accessories, outlet covers and earthing accessories for electrification in buildings.
- Switches, power sockets, dimmers, movement detectors, and various alarm and signalling appliances for electrification in buildings.
- Bus technologies for monitoring and controlling technical equipment and systems in buildings (including lighting, air conditioning, heating, locking doors).

Light fittings, distribution boards, heating systems:

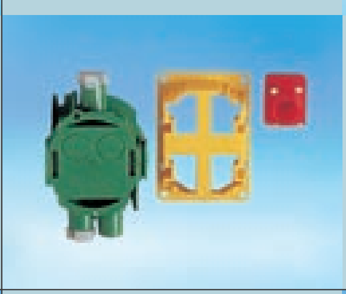
- Building installation light fittings, such as light fittings in entrance hallways, workstation lights, and corridor and external wall lights.
- Standard distribution panel boards used for the electrification of buildings, such as metering units, main units and consumer units.
- Building heating systems include electrical elements, ceiling and underfloor heating systems and control systems for these.

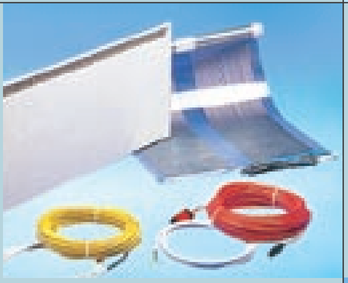
Fastening material:

- Fasteners used in construction, including metal and chemical anchors and nylon plugs and the installation accessories required for cable installation, such as cable glands, cable ties and cable clips as well as hardmetal drill bits.

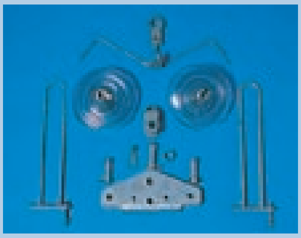
Division summary

	1998	1997	1996	1995	1994
	12 months	12 months	12 months	12 months	12 months
Turnover	472 136	442 885	403 478	382 783	376 014
outside Finland	209 213	202 796	207 643	188 437	183 252
Investments	38 052	37 818	16 895	16 058	20 462
Average personnel	686	657	607	655	685



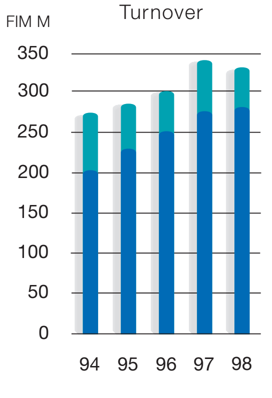


The environment and power transmission – Ensto’s power line accessories on an eco-pylon belonging to Suomen Kantaverkko Oyj, the national network operator.

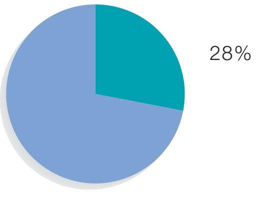


Ensto Distribution develops, manufactures and markets accessories for electricity distribution and transmission lines as well as ceramic products for industrial and other applications.

Seppo Martikainen



Percentage of Group total



Operations and the market

Ensto Distribution develops, manufactures and markets accessories for electricity distribution and transmission lines as well as ceramic products for industrial and other applications. The products of Ensto Distribution's two strategic business units are featured in greater detail on pages 12-13. Accessories for overhead and underground cable networks and for transmission lines are marketed primarily to distribution and energy companies but also to communication and railway operators. Technical ceramic products are marketed direct to the end users.

Strong position on the market

Investment in network construction by electricity transmission companies in the Nordic region was still fairly restrained in 1998. The construction of new overhead lines in the voltage range 0.4-24 kV was on a par with the previous year. The construction of new 66-420 kV transmission lines is being planned for various parts of the Nordic countries and Ensto Distribution has a good position on the market for these projects. The division has a significant market share in the Nordic region and the future growth will closely follow the overall increase in demand. With its standard products Ensto Distribution has excellent prospects for gaining a share of the growing demand in Central and Eastern Europe. Certain products, such as insulators and network construction supplies, also have excellent prospects for the market outside Europe.

Downturn in the financial result

Ensto Distribution's turnover, at FIM 334 million, was slightly down on the previous year's figure (FIM 343 million). Competition was tough in the Nordic market for distribution accessories and the division's companies which manufacture technical ceramics were hit particularly hard. Exports beyond the Nordic region, especially to Central and Eastern Europe, again showed promising growth. The division's operating profit declined to FIM 9 million (FIM 19.2 million). The division's profitability was affected by the severely reduced profits of the ceramic factories in all the Nordic countries and particularly by the manufacturing problems at the Norwegian ceramic plant. Ensto Distribution's share of the Ensto Group's turnover was 28 % and 12 % of the operating profit.

Organization streamlined

Several changes were made in the operational organization at Ensto Distribution in the course of 1998. In accordance with the Group's strategic policies, strategic business units were formed within the division. Ensto Distribution has two strategic business units: utility networks and technical ceramics. All activities connected with electricity network customers are part of the utility networks strategic business unit, and advanced, versatile ceramic products belong to the technical ceramics business unit. The production of composite insulators was transferred from Ensto EgoTech AS in Norway to Ensto NTP AS to reinforce insulator know-how there. The marketing of Ensto Sekko Oy's products was transferred from Ensto NTP AS to Ensto Høiness AS, which is to be Ensto's prime sales unit for these products to the Norwegian electricity utility sector. The utility networks strategic business unit's marketing was strengthened in Central and Eastern Europe. Ensto's strong presence in these markets helps to promote the technical approval process of solutions developed in the Nordic region.

Efforts deployed in logistics

The Nordic market demands highly sophisticated logistics and delivery capability. Operational partnerships have been formed with the main customer group – electrical wholesale dealers – with the aim of streamlining materials management and optimizing direct deliveries from the manufacturing units. Great precision is required of the factories' delivery readiness and Ensto Distribution has injected a great deal of effort into enhancing operational control.

Energetic product development

Ensto Distribution's Laitila plant in Finland and its Keila plant in Estonia have fine-tuned their delivery capabilities and risen to become strong suppliers of galvanized steel parts for the network construction industry. The plants making technical ceramics in Norway, Sweden and Finland develop and adapt their products to the extremely stringent demands of the industry for price and quality. The division has invested particularly strongly in the development of ceramic products for the pulp, paper and mining industries. The goal of customer-centred development work is to achieve the maximum feasible level of value added to underpin competitive edge and margins.

Growth in sight

Demand for Ensto Distribution is expected to be on a par with the past year in the Nordic countries and no very substantial improvement is expected in the state of the market in the division's main market areas. On the other hand, demand is expected to continue growing in Central and Eastern Europe. The problems that beset the factories making technical ceramics in 1998, thus eroding the division's profitability, were of a non-recurring nature and no repetition is expected. A strong position on the market for network construction supplies and the good prospects for technical ceramic products in new markets create a good basis for growth in the division's turnover and for improvement in profitability in 1999.

The main products of Ensto Distribution's strategic business units:

Utility networks:

• Overhead line accessories: products and product packages developed for low- and medium-voltage range (0.4-45 kV) overhead distribution. The products include cross-arms, insulators, suspension fittings as well as connectors, tools and measuring instruments.

• Underground cable accessories: Products for low- and medium-voltage range (0.4-45 kV) underground distribution, such as distribution pillars, busbars, cable joints and terminations, and lamppost fixtures.

• Power line accessories: products developed for high-voltage (66-420 kV) electricity transmission grids, such as insulators, insulator fittings, stay and foundation accessories , and high voltage connectors.

• Other utility network supplies: products developed for railway electrification, such as cantilever supports, insulators, contact wire steady arms, mast brackets, various connectors and foundation accessories, and optical-fibre installation accessories for the energy and telecommunications industries, including suspension fittings.

Technical ceramics:

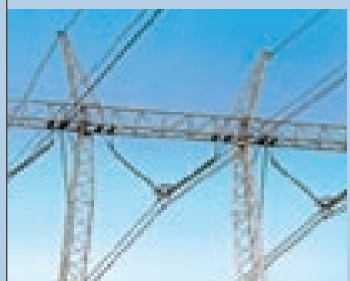
• Ceramic products for industrial applications, including large DC insulators, welding ceramics, fuse cartridges and supporting insulators.

• Products made of composite materials for the process industry, including filters for treating various types of sludge and for particle separation.

• Electricity transmission and electrical accessory ceramics: glass and porcelain insulators for the distribution and transmission of electricity in all voltage ranges, and fuses.

Division summary

	1998	1997	1996	1995	1994
	12 months	12 months	12 months	12 months	12 months
Turnover	334 312	342 991	303 207	288 745	276 603
outside Finland	284 057	279 482	255 128	232 382	204 257
Investments	17 586	19 714	17 816	18 107	21 422
Average personnel	527	534	515	486	509



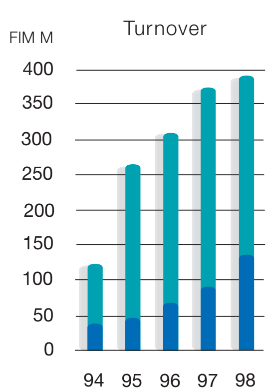




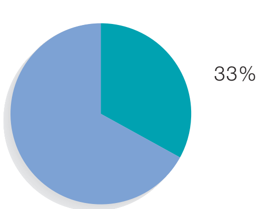
In the course of 1998, the production of small, moulded plastic parts was started up at Ensto Saloplast. Efficient, quality production was made possible by moulds produced by Ensto Tools and totally automatic palletizing cells from Ensto Automation.

Ensto Industry operates as a manufacturer of customers' products under contract manufacturing and it develops, manufactures and markets enclosures and components as well as wiring accessories to meet the needs of the manufacturing industry.

Jussi Viitala



Percentage of Group total



Operations and the market

Ensto Industry operates as a manufacturer of customers' products under contract manufacturing and it develops, manufactures and markets enclosures and components as well as wiring accessories to meet the needs of the manufacturing industry. The products of the division's three strategic business units are featured in more detail on pages 14-15. The main thrust in contract manufacturing is on the electrical and electronic industry, but plastic products are also made to meet the needs of telecommunications and consumer electronics. Enclosures and the terminals, switches and fuse bases mounted in them are manufactured mainly for the mechanical engineering, air conditioning and process industries. Ensto Industry supplies its products direct to the industries using them.

End of the year was muted

Demand was good for Ensto Industry's products in the early months of 1998. A downturn in the demand that started in August continued in the autumn and accelerated towards the end of 1998. The situation continued to be poor into the new year. Deliveries of products manufactured on contract manufacturing are traditionally clustered in the last few months of the year, but the expected upturn at the end of 1998 failed to materialize. Growth was more consistent in enclosures and components business. The competitive situation demanded major deployments in marketing to place the products on an oversupplied market. Most of the division's customers operate in Finland, but as much as 80% of the division's output is indirectly exported in the form of the final products of major international customers and Finnish exporting companies. In this way, the international economic cycle has a direct impact on the volume of Ensto Industry's deliveries.

Turnover grew

Ensto Industry's turnover grew to FIM 391 million (FIM 375 million). Turnover was reduced by restructuring carried out by certain of the contractual manufacturing business sector's international customers, which has a significant local impact. Part of Ensto Saloplast's operations were moved to a plant in Pécs, Hungary, and replacement production is being started up in Salo. Turnover was boosted by takeovers, especially the Audel and TL-Coating companies. Ensto Industry's operating profit deteriorated to some extent in 1998 and was FIM 19 million (FIM 28 million). The division contributed 33 % of the Ensto Group's turnover and 24 % of operating profit.

Growth base strengthened

There were a number of changes in Ensto Industry's structure in the course of the year. When the strategies were set in spring 1998, the division was divided into three strategic business units.

The new companies in the division, Ensto Audel, which makes film key interfaces and special electronic applications in Oulunsalo and Puolanka, and Salo-based TL-Coating, which specializes in painting and coating high-quality plastic parts, affected the turnover for only part of 1998. The Swedish unit Ensto Idealplast, which was transferred from Ensto Installation to Ensto Industry and which mostly concentrates on manufacturing under contract, will bring the division growth. The combined effect of these new companies on turnover rises to more than FIM 100 million. The restructuring action also includes the consolidation of tool contract manufacturing in Askola, where production facilities built in a collaborative effort with the local authority was moved into in March 1999. Most of the production unit in Mikkeli making enclosures and components was amalgamated with Ensto Industry. The reason behind the changes is to consolidate Ensto's operations connected with industrial parts manufacture in the hands of Ensto Industry, which is specialized in high-specification customer service.

A flying start in Pécs

Operations at the contract manufacturing unit constructed in Pécs, Hungary, started up according to plan in November 1998 with the production of plastic monitor enclosures. The factory is entirely new and the total investment in it is approximately FIM 42 million. Some of the manufacturing machinery in the plant was moved to Hungary from Ensto Saloplast in Salo, where new replacement production is to be started up with new hardware. The labour force at the Pécs plant is about 60 strong in its initial stages and it will rapidly achieve its targeted volume of output for 1999. There have been no problems in labour availability and the transfer of Finnish know-how to the plant has gone well.

Effort deployed in products and marketing

In contract manufacturing, products are manufactured according to the customers' specifications. Ensto Industry's own products, such as components, connectors and enclosures, are based on long-term, independent product development. When necessary, the products are modified for a specific customer. In connectors, Ensto has devoted effort to the development of a new, detachable installation connector and this new product will be launched on the market in 1999. Sets of enclosures have been constantly augmented and systematic efforts have been devoted to marketing them. Ensto Audel Oy, which specializes in high-speed, tailored applications, continued to provide its customers with flexible applications of technology. As a highly networked unit, Ensto Audel Oy operates flexibly in the middle ground of small and long serial production runs.

Growth in sight

For Ensto Industry, 1999 will be a year of growth. Expansion is being stimulated by the new companies in the division, the start-up of new manufacturing units, and the internal growth of the business sectors. In the connectors strategic business unit, the growth prospects are a consequence of excellent new products' success in the marketplace. In enclosures business, new markets are being penetrated and in spite of heavy competition it is expected that growth in this line of business will expand thanks to the enlarged product range. In contract manufacturing, the market is suffering from turbulence. Growth is supported by factors such as the newly started up production in Pécs and the amalgamation of Ensto Idealplast with the Industry division. On the other hand, the biggest strategic business unit, contract manufacturing, is dependent on the future arrangements of the main business partners, and these are difficult to forecast. However, the majority of the strategic business unit's customers are in the fast-growing electrical and electronics industry, so on the whole growth is expected for Ensto Industry in 1999.

The main products of Ensto Industry's strategic business units:

Contract manufacturing:

• Enclosures for monitors, PCs and TVs
• Plastic parts, components and finishes for consumer electronics
• Plastic parts for furniture and for motor vehicles

Enclosures and components:

• Protective enclosures for instruments for mechanical engineering, air conditioning and process industries as well as for the protection and installation of automation equipment
• Terminals, switches and fuse bases mounted in enclosures as components.

Connectors:

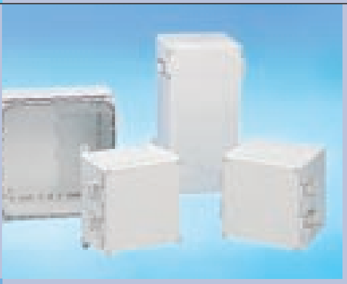
• Connectors for installation where adaptability is important, such as fair and exhibition facilities, shopping centres and offices
• Screwless terminal blocks and screwless couplings for the light fitting and heating apparatus industry.

Division summary

	1998	1997	1996	1995	1994
	12 months	12 months	12 months	12 months	12 months
Turnover	391 394	374 880	309 894	265 513	123 444
outside Finland	135 273	91 561	66 935	45 167	36 491
Investments	64 047	17 185	16 203	21 733	2 347
Average personnel	636	565	499	396	174








Report by the Board of Directors

Pro forma 1 january – 31 December 1998

General

The new Ensto Group was formed on 31 August 1998 when the parent company was partitioned to form two new companies: Ensto Oy, which took on the business operations related to the electrical accessory industry, and Mattio Oy, which received the real estate and investment business. The Ensto Group's official financial year therefore comprises the period 1 September – 31 December 1998. In addition to the official financial statements, a twelve-month pro forma profit and loss account conforming to the new Group structure has been drawn up, together with comparison figures. In the official financial statements, the pro forma section is given in the notes to the financial statements.

The pro forma twelve-month report by the Board of Directors covering the Group's electrical accessory industry describes the business trend and the continuity of industrial operations on the annual level, together with comparable figures. The closing accounts of the old Ensto Oy were adopted by a meeting of shareholders held on 12 October 1998.

Structure

A number of changes were made in the Group structure with a view to streamlining it. Sormeta Oy was amalgamated on 31 July 1998 into Ensto Oy and Porvoon Teollisuustalo Oy was amalgamated into Ensto-Kiinteistöt Oy on 30 June 1998.

As a result of the partition carried out on 31 August 1998 the following subsidiaries left the Ensto Group: Asunto Oy Aunelanmutka, Aparto Oy, Oy Ensva Ab, Kiinteistö Oy Ens-Asunto, Kiinteistö Oy Porvoon Linnankoskenkatu 8, Kiinteistö Oy Ruukinkatu 2-4, Asunto Oy Metsäkukka, Oy Beldem Ab, and affiliated companies Oy Lundinkatu 12 Ab and Tikkurilan Torni Oy. These companies have therefore not been included in the pro forma financial statements or the comparison figures for them.

The parent company of the new Ensto Group is Pajatorppa Oy, which is owned by Ensio Miettinen. The corporate group relationship was formed when Pajatorppa Oy, which concentrates on holding shares in Ensto Oy, signed a contract on the exercise of voting rights with Opa Oy, which is owned by the heirs of Ensio Miettinen.

On 14 May 1998 Ensto acquired a majority holding (52 %) in the issued stock of high-tech company Audel Oy. Audel mostly manufactures interfaces for the electrical and electronics industry and it joined the Ensto Group on 1 May 1998. Ensto also has an option to buy the remaining shares in Audel Oy (now called Ensto Audel Oy) before 31 May 2002. Ensto Audel Oy's turnover is approximately FIM 30 million .

Ensto acquired a 52 % holding in the issued stock of Salo-based TL-Coating Oy on 14 August 1998, pledging itself at the same time to purchase the remaining shares in the company within three years. TL-Coating specializes in the surface finish of plastic components for the electronics industry. TL-Coating Oy's annual turnover is approximately FIM 30 million.

Ensto Oy increased its holdings in Ensto Ensek AS, an Estonian company manufacturing accessories for electricity utilities, from 55 % to 80 % by means of a share transaction on 29 December 1998. Ensto Ensek's turnover is approximately FIM 7 million.

In December 1998 Ensto sold its subsidiary Ensto Teoranta, a company making safety lights in Ireland. The other contractual party was an Irish importer and wholesaler of electrical accessories, the Electrofast Group Ltd. Ensto remained a minority shareholder in its former subsidiary with a 15 % interest. Ensto Teo's annual turnover is approximately FIM 8.5 million.

Markets

Ensto had its 40th year in business in 1998. The market situation was still good in the first half of the year but demand went into a downturn towards the end of the year. The picture of the market was similar for all of the Group's divisions, and unlike previous years there was no growth in demand in the final four-month period of the year. However, Ensto's divisions retained their strong position in their main markets.

Turnover

The Ensto Group's turnover, at FIM 1,126.7 million, was up by 3 % on the previous year (1997: FIM 1,094.4 million). Of turnover, 46.7 % was generated in Finland. Direct exports contributed FIM 232.9 million, which corresponds to 20.7 % of turnover. The combined share of turnover of the other Nordic countries was 29.8 %.

The competitive setup for Ensto Installation did not change during the year under review and the division retained its strong market position. The division's turnover was FIM 472.1 million, up by 6.6 % on the previous year. A very promising upswing in demand in Finland during the early months of the year lost momentum towards the end of the year. The Swedish and Norwegian markets did not grow at all and demand collapsed in Russian as a result of the economic crisis there.

Ensto Distribution's turnover was FIM 334.3 million, down by 2.5 % on the previous year. Investment by Nordic electricity distribution companies during the year was again marked by a degree of caution. Competition on the Nordic market for electricity distribution accessories was extremely intense and the units manufacturing technical ceramics suffered particularly heavily from this. Exports beyond the Nordic region, especially to Central and Eastern Europe, once again showed promising growth.

Demand was good for the products of Ensto Industry in the early part of 1998. A deterioration in demand that began in Au-

Turnover and operating profit per division:

	Turnover			Operating profit		
FIM million	1998	1997	Change,%	1998	1997	Change,%
Installation	472,1	442,9	6,6	49,2	38,5	27,8
Distribution	334,3	343,0	-2,5	9,0	19,2	-53,1
Industry	391,4	374,9	4,4	18,5	27,7	-33,2
	1 197,8	1 160,8	3,2	76,7	85,4	-10,2
less eliminations	71,1	67,4	18,2	10,6		
Total	1 126,7	1 094,4	3,0	58,5	74,8	-21,8

gust continued in the autumn and demand declined markedly towards the end of the year. Deliveries on contract manufacturing have typically been higher later in the year, but the expected increase did not materialize in 1998. Ensto Industry's turnover was FIM 391.4 million, up by 4.4 % on the previous year. Turnover was decreased by a transfer of production from Salo in Finland to the Pécs plant in Hungary and it was increased by corporate acquisitions, particularly the acquisition of Audel Oy and TL-Coating Oy.

Profitability

The Group's operating profit, FIM 58.5 million, was substantially down from the previous year's figure (1997: FIM 74.7 million). The consolidated results were worsened by the costs of moving contract manufacturing, combined with non-recurring exchange-rate losses and the Norwegian ceramic plant's manufacturing difficulties. A considerable improvement in the net profit of the Ensto Installation division was due to the acquisition of fastening material business and by the sale during the comparison year of Høvik Lys AS, a company that had poor profits performance. The profitability of Ensto Distribution was adversely affected by deteriorating demand for the ceramics companies and by the manufacturing difficulties referred to above. The downturn in the net profit of the Ensto Industry division was largely due to a downturn in demand for contract manufacturing from Saloplast and to the transfer to production to Pécs in Hungary. The start-up costs of the Hungarian plant were booked as an annual expense. In enclosures business, further efforts were deployed in building marketing channels and this exerted a drag on profits.

Profit before extraordinary items (profit after financial items) was FIM 44.8 million (4.0 % of turnover), compared with FIM 65.3 million (6.0 % of turnover) in the previous year.

The Group's return on investment was 12.7 %, as against 17.1 % for the previous twelve-month accounting period. Return on equity was 12.6 % (1997: 21.2 %).

Financing and equity ratio

Net financing expenses in 1998 totalled FIM 13.7 million (1.2 % of turnover), as against FIM 9.3 million (0.9 % of turnover) in the previous accounting period. Increase in financing expenses was a combination of large investments during the financial year and an exchange-rate loss. The financing expenses for the whole year were increased by a non-recurring loss of FIM 1.2 million due to the depreciation of the rouble.

The Group's equity ratio at the end of 1998 was 34.1 %, compared with 37.4 % one year previously. Net gearing in 1998 was 99.9 %, as against 63.9 % for the previous year.

The company continued its policy of low cash liquidity, and in the closing months of the year it started cash pool connections denominated in Swedish and Norwegian currency in order to boost the efficiency of liquidity management. The combined total of the Group's financing reserves are approximately FIM 430 million, of which some FIM 230 million is on credit contracts confirmed by banks.

During the accounting period, Ensto signed a FIM 150 million multi-currency contingency credit, with an overall maturity of five years. The Group's net interest-bearing debt was FIM 255 million.

During the accounting period Ensto converted most of its Finnish markka-denominated loans into new, longer-term loans. At the same time, the Group changed its policy on collateral from the previous practice of favouring real securities to business and financing covenants.

The euro

The Ensto Group went over to using the euro as its internal unit of accounting as of the beginning of 1999. This means that the Group's share capitals, accounting, reporting and financing operations became euro-denominated. It is intended to change cash flows, particularly in the euro zone, and pricing into euros. Non-euro zone currencies will be used to the extent required by business operations while still emphasizing the importance of the euro as the Group's internal unit of accounting. The main other currencies are the Swedish and Norwegian crowns, and – to an increasing extent – the Hungarian forint and the Polish zloty. In the printed annual report, certain crucial figures are given in euros side-by-side with markka-denominated financial statement figures.

Investments

The Group's capital expenditure totalled FIM 123 million. There were investments both in expanding production capacity and in replacements. FIM 8,5 million was invested in information systems to improve operational efficiency and flexibility.

The biggest investments, other than the corporate acquisitions referred to above, were made by Ensto Industry. A plant was completed at Pécs in Hungary to manufacture plastic products, mainly for the electricity and electronics industry. The total investment in this project was roughly FIM 42 million. It was decided to concentrate the Ensto Industry division's production of tools in Askola, Finland where the construction of new manufacturing facilities was started together with the local authority.

Also included in major items of capital spending were the Group's investments in processing and information systems. These were aimed at stepping up operational reliability and enhancing the flexibility of materials management.

R&D

In all strategic business units of Ensto, dynamic efforts were devoted to developing new products and methods in 1998. Ensto Installation continued its efforts in business management and logistics. Among the new products, a new generation of passive infrared lights was launched. R&D into bus technology and low-voltage products continued. The development of a through bolt product range was brought to its final stages and manufacturing equipment based on new technology was brought on line. Ensto Distribution focused particularly on developing ceramic products for the pulp and paper industry as well as for mining. At Ensto Industry, the development the division's own products – components, connectors and enclosures – continued. In connectors, Ensto has devoted efforts to the development of a new, detachable installation connector, and as a result of this successful R&D a new product will be launched on the market in 1999. The ranges of enclosures have been augmented and systematic efforts have been applied to marketing.

Shareholders

When the company was partitioned, the Group structure was changed as required by the arrangements. The ownership of Ensto at the end of the year is described in greater detail in the official report by the Board of Directors for the accounting period 1 September – 31 December 1998 on page 26.

Listing

Ensto and its main owners announced in a stock exchange release on 3 November 1998 that they were postponing preparations for a public listing of Ensto Oy. Any resumption of preparations will be decided on later on the basis of the state of the market.

Meetings of shareholders

The annual general meeting on 2 April 1998 confirmed the proposal by the Board of Directors for the disposal of profits, according to which FIM 4 per share, or a total of FIM 19.3 million, was paid in dividend. Those re-elected to Ensto Oy's Board of Directors were Timo Miettinen (Chairman), Ensio Miettinen, Matti Suutarinen and Esa Saarinen. After Eero Laakso left the Board of Directors, Heikki Mairinoja was elected in his place on 10 September 1998.

An extraordinary meeting of the company held on 5 October 1998 passed a resolution to change the par value of the share from FIM 3 to FIM 1, in such a way that each share with a par value of FIM 3 is equivalent to three shares with a par value of FIM 1.

Petteri Walldén served as the company's Managing Director throughout the accounting period.

Corporate governance

Ensto Oy is a limited liability company registered in accordance with the Finnish Companies Act. The Ensto Oy Group is governed, in accordance with the articles of association, by a Board of Directors consisting of no more than nine members, elected by a meeting of shareholders. No special supervisory duties have been agreed on between the members of the Board of Directors, and the company has no oversight committee. The working of the Board of Directors is led by its Chairman. The company's Managing Director is not a member of the Board of Directors.

Auditors

The auditors were the firm of Authorized Public Accountants Tilintarkastajien Oy - Ernst & Young, with Licentiate of Economics and Business Administration Risto Järvinen, APA as the auditor in charge, and Pekka Nikula, M.Sc.Econ., APA.

Personnel

At the end of 1998 the Group had 1,942 employees (1997: 1,838). The average number of employees in the Ensto Oy Group during the year was 1,923 (1997: 1,820). The main factor in the increase in personnel was corporate acquisitions.

The resources for personnel development were upgraded during the year and the main thrust in training was on applications of new technologies and working methods. Training for the management and foremen were key areas of emphasis, along with various measures to increase working capacity.

Orders in hand

The Ensto Group's orders in hand at the end of 1998 totalled FIM 99 million, compared with FIM 163.6 million at the end of the previous year. The downturn in orders was due to weaker demand in contract manufacturing, changes in the structure of business, and was partly also due to shorter throughput times for orders as a result of streamlined operations.

The year 2000

A Y2K project has been started up in the Ensto Group companies with the aim of supporting the controlled adjustment of the information systems of Ensto and its customers to the year 2000. The project focuses on products and systems manufactured and delivered by Ensto, manufacturing safety, suppliers, business premises, information technology and other systems, and smoothly running communications.

Most of the devices and systems manufactured by Ensto are such that they include no date commands at all or they are in a form that will not be affected by the year 2000. Ensto is carrying out an inventory of production and building systems with the aim of ensuring that all the main and critical systems have been inventoried and made ready by the end of June 1999. Ensto is constantly in contact with various partners through computer systems and any disruption to these systems from the 'millennium bug' could affect business adversely.

For Ensto, Y2K-readiness means the device or system is capable, when properly used or programmed, to cope with dates at the turn of the millennium, i.e., 31 December 1999 – 1 January 2000, and to note that 2000 is a leap year. The true impact of Y2K questions cannot be forecast with certainty, but we are seeking to mitigate them substantially through careful preparations.

Expenses arising from investments and partial replacements for the information systems are included in the Group's annual expenses and in ordinary investments in information systems required for business operations.

Outlook

The outlook for the Group in 1999 is cautiously optimistic. The restructuring carried out, the way the business divisions have been configured to be more customer-driven in their operations, and the corporate acquisitions effected will boost the Group's competitive position.

In 1999 the market for installation products is forecast to take a favourable trend in Sweden. In Finland, Norway and the Baltic states, the market is expected to continue to be similar to that of 1998. In electricity distribution, demand in the Nordic region is expected to be on a par with that of the previous year. On the other hand, demand is forecast to continue to grow in Eastern and Central Europe. Ensto Industry's turnover is forecast to grow and its profitability to improve. Growth will be strengthened by the new companies in the division, combined with the start-up of new manufacturing units and internal growth in all the divisions. The bulk of the contract manufacturing customers operate in the fast-growing electricity and electronics industry.

As a whole, the Group's turnover is forecast to grow to some extent and the net profit is expected to be a slight improvement in 1999.

Consolidated Income Statement

(1000 FIM)		Proforma
	1.1. - 31.12.1998	1.1. - 31.12.1997
Net turnover	1 126 690	1 094 394
Other operating income	4 805	7 916
Operating expenses	-1 013 449	-968 766
Depreciation and reduction in value	-59 570	-58 861
Operating profit	58 476	74 683
Financial income and expenses	-13 721	-9 337
Profit before extraordinary items	44 755	65 346
Extraordinary items	-4 477	-13 867
Profit before reserves and taxes	40 278	51 479
Direct taxes	-12 715	-12 376
Minority interest	-6 548	-3 897
Net profit for the financial year	21 015	35 206

(1000 EUR)		Proforma
	1.1. - 31.12.1998	1.1. - 31.12.1997
Net turnover	189 496	184 064
Other operating income	808	1 331
Operating expenses	-170 450	-162 935
Depreciation and reduction in value	-10 019	-9 900
Operating profit	9 835	12 560
Financial income and expenses	-2 308	-1 570
Profit before extraordinary items	7 527	10 990
Extraordinary items	-753	-2 332
Profit before reserves and taxes	6 774	8 658
Direct taxes	-2 139	-2 081
Minority interest	-1 101	-655
Net profit for the financial year	3 534	5 922

Consolidated Balance Sheet

(1 000 FIM) **Proforma**

	31.12.1998	31.12.1997
Assets		
Non-current assets		
Intangible assets	20 861	19 957
Consolidated goodwill	36 052	36 223
Tangible assets	333 000	278 254
Investments	3 518	3 274
Current assets		
Inventories	168 919	162 660
Receivables	151 165	148 614
Cash in hand and at banks	39 460	36 202
Total assets	752 975	685 184

(1 000 EUR) **Proforma**

	31.12.1998	31.12.1997
Assets		
Non-current assets		
Intangible assets	3 509	3 357
Consolidated goodwill	6 064	6 092
Tangible assets	56 007	46 799
Investments	592	551
Current assets		
Inventories	28 410	27 357
Receivables	25 424	24 995
Cash in hand and at banks	6 637	6 089
Total assets	126 643	115 240

(1 000 FIM)		Proforma
	31.12.1998	31.12.1997
Liabilities		
Capital		
Subscribed capital	14 499	14 499
Revaluation fund	10 000	10 213
Other funds	22 957	13 683
Accumulated tax reserves	50 572	61 033
Retained earnings	109 917	102 043
Net profit for the financial year	21 015	35 206
	228 960	236 677
Minority interest	25 421	16 960
Consolidated reserve	713	1 388
Creditors	497 881	430 159
Total liabilities	752 975	685 184

(1 000 EUR)		Proforma
	31.12.1998	31.12.1997
Liabilities		
Capital		
Subscribed capital	2 439	2 439
Revaluation fund	1 682	1 718
Other funds	3 861	2 301
Accumulated tax reserves	8 506	10 265
Retained earnings	18 487	17 162
Net profit for the financial year	3 534	5 922
	38 509	39 807
Minority interest	4 276	2 852
Consolidated reserve	120	233
Creditors	83 738	72 348
Total liabilities	126 643	115 240

Statement of Source and Application of Funds

(1000 FIM)		Proforma
	1.1.-31.12.1998	1.1.-31.12.1997
	12 months	12 months
Sources of funds		
Cash flow		
Net profit	21 015	35 206
Depreciation	59 570	58 861
Merger loss		24 767
Cash flow total	80 585	118 834
Decrease in fixed assets	0	14 532
Change in non-current loans	57 314	0
Change in deferred liability on taxes	-972	-11 553
Change in minority interest	8 461	-23 533
Source of funds total	145 388	98 280
Application of funds		
Non-current financial assets	621	-6 869
Increase in fixed assets	115 968	115 739
Repayment of non-current loans	0	10 150
Dividends paid	20 689	9 231
Net change in working capital	8 043	-5 940
	145 321	122 311
Net change in working capital	67	-24 031
Applications of funds total	145 388	98 280
Net change in working capital		
Cash in hand and at banks	3 258	-52 480
Current financial assets	1 930	15 436
Current assets	6 259	17 545
Current liabilities	-11 380	-4 532
Net change in working capital	67	-24 031
Working capital 1.1.	95 806	124 411
Working capital 31.12.	95 873	100 380
Net change in working capital	67	-24 031

Specification to the Income Statement

(1000 FIM)	1998	Proforma 1997
1. Turnover by marketing area and divisions		
By marketing area		
Finland	526 592	532 120
Sweden, Norway	335 879	356 461
Other EU countries	119 637	95 459
Other European countries	115 666	85 215
Other countries	28 916	25 138
Total	1 126 690	1 094 394
By divisions		
Installation	472 136	442 884
Distribution	334 312	342 991
Industry	391 394	374 879
Group eliminations	-71 152	-66 360
Total	1 126 690	1 094 394
2. Operating profit by divisions		
Installation	49 163	38 469
Distribution	8 979	19 159
Industry	18 539	27 743
Others	-11 946	-4 015
Group eliminations	-6 259	-6 673
Total	58 476	74 683

Report by the Board of Directors

for the period 1 September – 31 December 1998

General

The official financial statements for 1998 of the new Ensto Oy Group which started after the partition on 1 September 1998 comprise the income statements for the period 1 September – 31 December 1998 and balance sheet as at 31 December 1998 plus other financial statement documents, for the Group and for the parent company. The final report on the partition of the company was approved at a shareholders' meeting on 12 October 1998. The annual report by the Board of Directors forming part of the financial statements is accordingly made for the period 1 September – 31 December 1998.

A 12-month pro forma report of the Board and consolidated income statement appended to the official financial statements and on pages 18-21 of the printed annual report describe the annualized business of Ensto's electrical accessory industry, using comparable figures.

Turnover and operating profit

The Ensto Group's turnover for the accounting period 1 September – 31 December 1998 was FIM 399.0 million. Operating profit was FIM 15.6 million. Turnover and operating profit were split between the divisions as follows (Table 1):

The breakdown of turnover by market area and according to the divisions' performance is given in greater detail in the 12-month report by the Board of Directors beginning on page 18.

Profit

Profit before extraordinary items was FIM 10.8 million (2.7% of turnover) and profit before taxes was FIM 6.2 million (1.6% of turnover). The net profit in the financial statements was FIM 4.8 million.

Key indicators

The key financial indicators for the Ensto Oy Group and its indicators for shares are given in the table on page 45. The principles for calculating the key indicators are given on page 34.

Balance sheet and financing

The consolidated balance sheet total at the end of the accounting period was FIM 753 million. Interest-bearing debt at year-end totalled FIM 294 million and net gearing was 99.9%. The solvency ratio at the end of the period was FIM 34.1%.

Investments and development

Gross capital expenditure during the accounting period totalled FIM 61.2 million. This included capital sending both on expanding production capacity and on replacements. FIM 3 million was invested in information systems to improve operational efficiency and flexibility.

Shares and shareholdings

Ensto Oy's share capital is FIM 14,498,700 and it is comprised of K-shares (20 votes)

Table 1

Turnover and operation profit per division:

	Turnover			Operating profit		
FIM million	1998	1997	Change %	1998	1997	Change %
Installation	176,0	176,6	-0,3	19,7	21,1	-6,6
Distribution	109,3	127,8	-14,5	-3,3	6,9	-147,8
Industry	138,7	145,8	-4,9	6,7	12,7	-47,2
Less intra-Group invoicing	25,0	21,0		-7,5	-6,1	
Total	399,0	430,1	-7,2	15,6	34,6	-54,9

and E-shares (1 vote). The ISIN codes, used in international securities trading, for the new Ensto Oy's shares are FI0009007280 for K-shares and FI0009007298 for E-shares.

At year-end, the ownership of Ensto Oy was distributed as in the following tables: (Table 2)

Board of Directors and auditors

The Board of Directors elected by the meeting of shareholders comprised Timo Miettinen (Chairman), Eero Laakso, Ensio Miettinen, Esa Saarinen, and Matti Suutarinen. After Eero Laakso left the Board, Heikki Mairinoja was elected in his place on 10 September 1998.

Petteri Walldén served as the company's Managing Director.

The auditors were the firm of Authorized Public Accountants Tilintarkastajien Oy - Ernst & Young, with Licentiate of Economics and Business Administration Risto Järvinen, APA as the auditor in charge, and Pekka Nikula, M.Sc.Econ., APA.

Orders in hand

The Ensto Group's orders in hand at the end of 1998 totalled FIM 99 million, compared with FIM 163.6 million at the end of the previous year. The downturn in orders was due to weaker demand in the autumn, changes in the structure of business, and was partly also due to shorter throughput times for orders as a result of streamlined operations.

The year 2000

A Y2K project has been started up in the Ensto Group companies with the aim of supporting the controlled adjustment of the information systems of Ensto and its customers to the year 2000. Most of the devices and systems manufactured by Ensto are such that they include no date commands at all or they are in a form that will not be affected by the year 2000. Although the real impact of questions related to the year 2000 cannot be forecast with certainty, the Board of Directors believes that careful preparation has ensured undisrupted operations as far as this is possible.

Expenses arising from investments and partial replacements for the information systems are included in the Group's annual expenses and in ordinary investments in information systems required for business operations.

Outlook

The outlook for the Group in 1999 is cautiously optimistic. The restructuring carried out, the way the business divisions have been configured to be more customer-driven in their operations, and the corporate acquisitions effected will boost the Group's competitive position.

As a whole, the Group's turnover is forecast to grow to some extent and the net profit is expected to be a slight improvement in 1999.

Table 2

Information on shareholders as at 31 December 1998

Shareholders	number	percentages of shares	percentages of votes
Opa Oy	8.118.900 E	56,00	27,67
Sponsto Oy	260.400 K		
	4.668.600 E	34,00	33,66
Pajatorppa Oy	520.800 K	3,59	35,50
Miettinen Timo	465.000 E	3,21	1,58
Raitavuo Marjo	232.500 E	1,60	0,79
Miettinen-Valsta Anu	116.250 E	0,80	0,40
Miettinen Taru	116.250 E	0,80	0,40
Total	14.498.700 E	100,00	100,00

Distribution of shareholdings

Number of	Shareholders		Shares		Votes	
Shares held	number	%	number	%	number	%
1 - 100.000	3	42,9	465.000	3,2	465.000	1,6
100.001 - 200.000	2	28,6	985.800	6,8	10.881.000	37,1
200.001 -	2	28,6	13.047.900	90,0	17.995.500	61,3
Total	7	100,0	14.498.700	100,0	9.341.500	100,0

Consolidated Income Statement

(1000 FIM)

	1.9. - 31.12.1998
Net turnover	399 034
Other operating income	2 857
Operating expenses	-365 748
Depreciation and reduction in value	-20 557
Operating profit	15 586
Financial income and expenses	-4 834
Profit before extraordinary items	10 752
Extraordinary items	-4 477
Profit before reserves and taxes	6 275
Direct taxes	272
Minority interest	-1 736
Net profit for the financial year	4 811

Consolidated Balance Sheet

(1000 FIM)

	31.12.1998
Assets	
Non-current assets	
Intangible assets	20 861
Consolidated goodwill	36 052
Tangible assets	333 000
Investments	3 518
Current assets	
Inventories	168 919
Receivables	151 165
Cash in hand and at banks	39 460
Total assets	752 975

(1000 FIM)

	31.12.1998
Liabilities	
Capital	
Subscribed capital	14 499
Revaluation fund	10 000
Other funds	22 957
Accumulated tax reserves	50 572
Retained earnings	126 121
Net profit for the financial year	4 811
	228 960
Minority interest	25 421
Consolidated reserve	713
Creditors	497 881
Total liabilities	752 975

Statement of Source and Application of Funds

(1000 FIM)	Group	Parent company
	1.9.-31.12.1998	1.9.-31.12.1998
	4 months	4 months
Sources of funds		
Cash flow		
Net profit	4 811	20 342
Depreciation	20 557	3 041
Change in provisions		-165
Cash flow total	25 368	23 218
Change in non-current loans	48 254	78 894
Change in deferred liability on taxes	822	0
Change in minority interest	777	0
Source of funds total	75 221	102 112
Application of funds		
Non-current financial assets	0	-2 281
Increase in fixed assets	29 565	1 048
Net change in working capital	12 862	0
	42 427	-1 233
Net change in working capital	32 794	103 345
Applications of funds total	75 221	102 112
Net change in working capital		
Cash in hand and at banks	10 480	10 496
Current financial assets	-17 600	44 112
Current assets	-14 704	0
Current liabilities	54 618	48 737
Net change in working capital	32 794	103 345
Working capital 1.9.	52 431	-42 585
Working capital 31.12.	85 225	60 760
Net change in working capital	32 794	103 345

Parent Company Income Statement

(1000 FIM)

	1.9. - 31.12.1998
Net turnover	5 340
Other operating income	83
Operating expenses	-10 432
Depreciation and reduction in value	-3 041
Operating profit	-8 050
Financial income and expenses	38 614
Profit before extraordinary items	30 564
Extraordinary items	-2 402
Profit before reserves and taxes	28 161
Direct taxes	165
Minority interest	-7 984
Net profit for the financial year	20 342

Parent Company Balance Sheet

(1000 FIM)

		31.12.1998
Assets		
Non-current assets		
Intangible assets		882
Tangible assets		6 488
Investments		
Holdings in group undertakings	206 321	
Other investments	2 104	208 425
Current assets		
Receivables		183 307
Cash in hand and at banks		20 239
Total assets		419 341

(1000 FIM)

		31.12.1998
Liabilities		
Capital		
Subscribed capital	14 499	
Other funds	402	
Retained earnings	112 397	
Net profit for the financial year	20 342	147 640
Creditors		271 701
Total liabilities		419 341

The financial statements of Ensto Oy and the consolidated financial statements are drawn up in Finnish marks and the accounts are based on the historical acquisition costs, with the exception of certain revaluations allocated to buildings which are included in the restricted equity.

The financial statements for 1998 have been drawn up in compliance with the Accounts Act which entered into force on 31 December 1997. The changes caused in the income statement and balance sheet by the new Accounts Act have been taken into account in the comparative figures.

Ensto Oy was partitioned on 31 August 1998 into two new companies: Ensto Oy and Mattio Oy. In the partition, Ensto Oy received property connected with industrial business and Mattio Oy received real estate and investment assets unrelated to industrial operations.

Ensto Oy's financial statements for the period 1 September – 31 December 1998 cover the first accounting period for the Ensto which continues industrial business.

Ensto Oy has drawn up 12-month pro forma financial statements which are shown, together with comparative figures, in the notes to the financial statements in accordance with an announcement by the Accounting Board.

Consolidated financial statements

The consolidated financial statements include all the companies in which Ensto Oy has a direct or indirect shareholding of over 50%.

Acquisition accounting has been applied to the elimination of cross-ownership within the Group. Group goodwill or Group reserve has arisen in cases where the acquisition price of the shares exceeds or is less than the shareholders' equity of the acquired subsidiary at the time of the acquisition.

The accumulation of appropriations is divided in the balance sheet between the deferred tax liability and shareholders' equity.

Mutual receivables and debts of the consolidated companies, internal income and expenses, and internal profits on inventories have been eliminated. Minority interest is calculated on the subsidiaries' profits and their shareholders' equity.

Minority interest has also been separated from the accumulated appropriations.

The financial statements of international subsidiaries have been translated so as largely to correspond to Finnish accounting practices.

Items denominated in foreign currency

Receivables and debts denominated in foreign currency have been translated into Finnish marks at the Bank of Finland's average rate on the closing of the books. Exchange rate differences arising from the adoption of the euro have not been figured into the 1998 financial statements under income owing to the insignificance of the differences.

The balance sheets of the international Group companies have been translated into Finnish marks at the Bank of Finland's average rate at year-end and the income statements were translated at the average rate for the accounting period.

The translation adjustment arising from the elimination of acquisition costs by international companies has been posted to shareholders' equity.

Receivables

Receivables are booked according to their probable value. The portion that will probably remain unreceived is booked as a credit loss.

Inventories

In the Finnish Group companies, inventories are valued in accordance with the FIFO principle at the acquisition cost or, if lower, at the probable selling price.

The value of the international companies' inventories includes indirect costs in accordance with local accounting practice.

An individually calculated nonmarketability deduction for stocks has been applied in Group companies. If nonmarketable inventories have become marketable, the nonmarketability entry has been restored.

Fixed assets and depreciation

Fixed assets are shown at the historical acquisition price, with the exception of revaluations of certain buildings, less planned depreciation. The planned straight-line depreciation is based on the acquisition cost and the economic life of the item as follows:

Buildings	20 - 30 years
Machinery	5 - 15 years
Equipment	5 years
Computer hardware and software	4 years
Other tangible fixed assets	10 years
Group goodwill	5 - 10 years
Group goodwill before 1993	10 years
Group reserve income-recognition	5 years
Group reserve (before 1993) income-recognition	10 years

No depreciation is applied to value adjustments and land areas.

Shares and holdings are booked at the acquisition cost with the exception of cases in which a write-down has been applied as a result of a substantial decrease in the value of the shares.

Turnover

Turnover comprises sales revenue, adjusted according to annual and cash discounts granted, and according to exchange rate differences for trade receivables denominated in foreign currency. Sales freightage, credit losses and sales commissions are given under other expenses.

Pension arrangements

Pension cover for the employees of the Group companies in Finland has been taken care of entirely through pension insurance companies.

Pension cover has also been arranged by the international subsidiaries through pension insurance. A small portion of the pension cover was arranged on Group companies' own liability, in which case the pension liability is booked as a long-term debt.

Research and development

R&D costs accrued during the accounting period are booked as annual expenses.

Extraordinary income and expenses

The extraordinary income and expenses shown in the income statement give significant items of income and expense which do not form part of the company's normal business.

Taxes

The Group's taxes consist of the taxes booked on an accruals basis for the profits of the parent company and subsidiaries.

The deferred tax liability for voluntary reserves on the Group level is given in the long-term debts and the change in tax liability on disbursed reserves is given in the income statement as an item reducing taxes.

Principles for calculating key figures

Invested capital = balance sheet total - non-interest debts

Return on investment (ROI) = $\dfrac{\text{The profit before interest expense and other financial expense}}{\text{mean capital invested (= balance sheet total less non-interest debts)}}$ x 100

Return on equity (ROE) = $\dfrac{\text{The profit after financial items - the taxes for the accounting period}}{\text{mean own assets (= capital + minority interest + reserves + valuation items)}}$ x 100

Solvency = $\dfrac{\text{mean own assets (= capital + minority interest + reserves + valuation items)}}{\text{balance sheet total - advances received at the end of the financial period}}$ x 100

Net liabilities = Non-current and current liabilities - non-interest debts - cash in hand and at banks and - shares

Gearing = $\dfrac{\text{Net liabilities}}{\text{capital + minority interest + reserves}}$ x 100

Current ratio = $\dfrac{\text{Financial assets + current assets}}{\text{short-term liabilities}}$

Profit / share = $\dfrac{\text{The profit after financial items - minority interest and taxes for the accounting period share}}{\text{issue adjusted mean number of shares}}$

Equity / share = $\dfrac{\text{capital + minority interest + reserves + valuation items}}{\text{share issue adjusted number of shares at the end of the financial period}}$

Dividend / share = $\dfrac{\text{The dividend}}{\text{share issue adjusted number of shares at the end of the financial period}}$

Dividend / profit = $\dfrac{\text{The dividend}}{\text{profit / share}}$ x 100

Notes to the financial statements

(1000 FIM)	Group	Parent company
	1.9.-31.12.1998	1.9.-31.12.1998
1. Turnover by marketing area and divisions		
By marketing area		
Finland	187 183	4 103
Other Nordic countries	124 868	1 152
Western Europe	32 808	
Eastern and Central Europe	37 126	85
Other countries	17 049	
Total	399 034	5 340
By division		
Installation	176 034	
Distribution	109 289	
Industry	138 706	
Group eliminations	-24 995	
Total	399 034	
2. Other income from business operations		
Rental income	56	9
Proceeds of sales of fixed assets	941	74
Other income from business operations	1 860	
Total	2 857	83
3. Materials and services		
Materials and supplies (goods)		
Purchases during the financial year	158 545	
Change in inventories	5 934	
Total	164 479	
External services	1 443	
4. Notes on personnel and corporate governance		
Personnel expenses		
Salaries and emoluments	103 771	2 852
Pension expenses	18 100	698
Other employee expenses	18 464	504
Total	140 335	4 054
Salaries and emoluments for Boards of Directors and Managing Directors	9 039	1 420
Average number of personnel in the financial year		
Salaried	634	32
Wage-earning	1 289	
Total	1 923	32
5. Depreciation and write-downs		
Immaterial goods		
Intangible rights	1 228	2 516
Goodwill	200	
Group goodwill	2 357	
Group reserve booked as revenue	-225	
	3 560	2 516

(1000 FIM)	Group	Parent company
	1.9.-31.12.1998	1.9.-31.12.1998
Tangible assets		
Buildings and constructions	2 737	56
Machinery and equipment	12 827	455
Other tangible assets	1 433	14
Depreciation and write-downs, total	16 997	525

6. Other expenses from business operations

Other variable expenses	19 967	
Rents	2 978	575
Other fixed expenses	37 346	5 804
Change in finished goods inventory	-800	
Total	59 491	6 379

7. Operating profit by divisions

Installation	19 662	
Distribution	-3 250	
Industry	6 716	
Others	-7 410	
Group eliminations	-132	
Total	15 586	

8. Financing income and expenses

Dividend income		
From same Group companies		28 530
Total		28 530
Other interest and financing income		
From same Group companies		2 092
From others	2 676	12 420
Total	2 676	14 512
Interest expense and other financing expenses		
To same Group companies		-645
To others	-7 509	-3 784
Total	-7 509	-4 429
Financing income and expenses, total	-4 833	38 613
The item for financing income and expenses includes exchange rate differences (net)	-1 479	-7

9. Extraordinary items

Extraordinary expenses		
Loss on sale of subsidiary	1 507	1 507
Write-down on shares	1 301	
Others	1 669	896
	4 477	2 403

10. Appropriations

Difference between planned and booked depreciation in taxation		165

(1000 FIM)	Group	Parent company
	1.9.-31.12.1998	1.9.-31.12.1998
11. Direct taxes		
Income taxes on extraordinary items	-1 254	-673
Income taxes on actual business	2 162	8 611
Change in deferred tax liability	814	46
Change in deferred tax receivable	-1 450	
	272	7 984
12. Immaterial goods		
Intangible rights		
Acquisition cost 1.9.	18 778	2 585
Increase	199	23
Decrease	-81	
Acquisition cost 31.12.	18 896	2 608
Accumulated depreciation according to plan 31.12.	-10 227	-1 716
Book value 31.12.	8 669	892
Goodwill		
Acquisition cost 1.9.	4 800	
Acquisition cost 31.12.	4 800	
Accumulated depreciation according to plan 31.12.	-3 002	
Book value 31.12.	1 798	
Other capitalized expenditure		
Acquisition cost 1.9.	13 701	1 198
Increase	1 388	
Decrease	-14	
Acquisition cost 31.12.	15 075	1 198
Accumulated depreciation according to plan 31.12.	-9 997	-1 208
Book value 31.12.	5 078	-10
Advance payments		
Acquisition cost 1.9.	6 878	
Increase	62	
Decrease	-1 624	
Acquisition cost 31.12.	5 316	
Group goodwill		
Acquisition cost 1.9.	94 578	
Increase	391	
Acquisition cost 31.12.	94 969	
Accumulated depreciation according to plan 31.12.	-58 917	
Book value 31.12.	36 052	
Tangible assets		
Land and water areas		
Acquisition cost 1.9.	21 993	904
Increase	1 130	4
Group adjustment	-1 960	
Acquisition cost 31.12.	21 163	908
Book value 31.12.	21 163	908

(1000 FIM)	Group	Parent company
	1.9.-31.12.1998	1.9.-31.12.1998
Buildings and constructions		
Acquisition cost 1.9.	207 504	3 326
Increase	8 594	
Decrease	-2 704	
Group adjustment	-11 603	
Acquisition cost 31.12.	201 791	3 326
Accumulated depreciation according to plan 31.12.	-40 672	-1 142
Book value 31.12.	161 119	2 184
Tangible assets		
Machinery and equipment		
Acquisition cost 1.9.	338 335	11 063
Increase	42 607	890
Decrease	-15 887	-5 291
Group adjustment	-15 304	
Acquisition cost 31.12.	349 751	6 662
Accumulated depreciation according to plan 31.12.	-207 701	-4 574
Book value 31.12.	142 050	2 088
Other tangible assets		
Acquisition cost 1.1.	7 779	1 528
Increase	1 893	
Decrease	-848	
Acquisition cost 31.12.	8 824	1 528
Accumulated depreciation according to plan 31.12.	-4 845	-220
Book value 31.12.	3 979	1 308
Advance payments and Construction in progress		
Acquisition cost 1.9.	30 829	
Increase	966	
Decrease	-27 106	
Acquisition cost 31.12.	4 689	
Group reserve		
Acquisition cost 1.9.	938	
Acquisition cost 31.12.	938	
Accumulated income-recognition 31.12.	-225	
Book value 31.12.	713	
The above acquisition costs include revaluation as follows:		
Land and water areas	1 000	
Buildings	19 000	
13. Investments		
Group company shares		
Balance sheet value 1.9.		207 589
Increase		1 153
Write-downs		-2 421
Balance sheet value 31.12.		206 321

(1000 FIM)	Group	Parent company
	1.9.-31.12.1998	1.9.-31.12.1998
Other shares		
Balance sheet value 1.9.	4 376	1 711
Increase	457	393
Decrease	-47	
Write-downs	-1 266	
Balance sheet value 31.12.	3 520	2 104
14. Inventories		
Materials and supplies	77 922	
Products in progress	22 992	
Completed products/goods	65 273	
Other inventories	2 732	
Total	168 919	
15. Long-term receivables		
From Group companies		
Loan receivables		3 256
Other long-term receivables		
Loan receivables	621	50
Long-term receivables, total	621	3 306
16. Current receivables		
From Group companies		
Trade debtors		2 457
Loan receivables		162 923
Prepayments and accrued income		5 068
		170 448
Other current receivables		
Trade debtors	103 682	303
Loan receivables	13 241	1 766
Other receivables	7 019	
Prepayments and accrued income	26 601	7 483
	150 543	9 552
Current receivables, total	150 543	180 000

Accrued assets comprise insurance premiums, taxes and other, similar items paid in advance.

17. Shareholders´ equity			
Share capital 1.9.		14 499	14 499
Share capital 31.12.		14 499	14 499
K -shares, 781,200 (par value FIM 1)	781 200		
E-shares, 13,717,500 (par value FIM 1)	13 717 500		
K-series (20 votes/share)			
E-series (1 vote/share)			
Revaluation fund 1.9.		10 065	
Decrease		-65	
Revaluation fund 31.12.		10 000	

(1000 FIM)	Group	Parent company
	1.9.-31.12.1998	1.9.-31.12.1998
Reserve fund 1.9.	22 734	402
Increase	223	
Reserve fund 31.12.	22 957	402
Profit from previous years 1.9.	189 713	112 397
Change in accumulated appropriations	-5 726	
Adjustment of depreciation on loss from merger	-1 450	
Foreign subsidiaries' translation difference, change	-1 433	
Foreign subsidiaries' exchange-rate difference, change	-4 374	
Change in other equity	-37	
Retained earnings 31.12.	176 693	112 397
Net profit for financial year	4 811	20 342
Shareholders' equity, total 31.12.	228 960	147 640
Portion of accumulated appropriations posted to shareholders' equity	50 572	

18. Accumulation of appropriations and deferred tax liability

Accumulation of appropriations	73 565	
Minority interest	-2 395	
Matching difference	-2 400	
Deferred tax liability	-18 198	
Share of accumulation of appropriations in shareholders' equity	50 572	
Deferred tax liability	18 198	

19. Long-term liabilities

Loans from financial institutions	184 463	127 000
Pension loans	23 416	5 221
Other long-term debts	16 304	
Total	224 183	132 221
Debts maturing in more than five years		
Loans from financial institutions	82 881	69 000
Pension loans	11 930	2 733
Total	94 811	71 733

20. Deferred tax liability for appropriations 18 198

21. Deferred tax receivable

Deferred tax receivable for the immediate write-off booked on a merger loss in 1997, FIM 25 million	3 850	

22. Current liabilities

Loans from financial institutions	34 748	20 411
Pension loans	2 871	622
	37 619	21 033
To Group companies		
Trade creditors		55
Other debts		74 828
Accruals and deferred income		1 001
		75 884

(1000 FIM)	Group	Parent company
	1.9.-31.12.1998	1.9.-31.12.1998
Other debts		
Advances received	3 923	
Trade creditors	86 039	2 055
Other debts	32 587	37 000
Accruals and deferred income	95 332	3 509
	217 881	42 564

Deferred liabilities consist mainly of matching of costs of employee benefits, annual discount, interest, taxes and others.

23. Securites provided, contingent liabilities and other commitments

	Group	Parent company
For own obligations		
Mortgages on land areas and buildings	48 747	
Mortgages on company assets	5 883	
Mortgages on chattels	23 457	
Guarantees	3 952	
Leasing and rent liabilities	12 301	1 862
Pension liabilities	118	
Other contingent liabilities	756	
	95 214	1 862
For Group companies		
Guarantees		72 796
Other contingent liabilities		600
		73 396
Total		
Mortgages	78 087	
Guarantees	3 952	72 796
Leasing and rent liabilities	12 301	1 862
Pension liabilities	118	
Other contingent liabilities	756	600
	95 214	75 258
Derivative contracts		
Interest rate swaps, par value	10 150	4 200
Interest rate futures, par value		6 000
Debts secured by mortgages on real estate		
Pension loans	26 287	
Mortgages given	16 000	
Loans from financial institutions	31 358	
Mortgages given	32 747	
Mortgages given as security, total	48 747	
Sums to be paid on leasing agreements		
Due in 1999	4 521	692
Due later	7 780	1 170
Total	12 301	1 862

Shares in subsidiaries	Domicile	Owner-ship %	Number of shares		Nominal value of shares	Book value (TFIM)
Direct ownership by parent company						
Ensto Ceramics Oy	Turku	100,00	2 000	FIM	2 000	2 000
Ensto Sekko Oy	Porvoo	100,00	123	FIM	246	20 472
Ensto Kiinteistöt Oy	Porvoo	100,00	11 560	FIM	11 560	5 097
Ensto Automation Oy	Porvoo	100,00	1 500	FIM	1 500	2 951
Ensto Busch-Jaeger Oy	Porvoo	79,00	1 366	FIM	10 928	19 477
Ensto Audel Oy	Oulunsalo	52,00	88	FIM	44	3 048
Ensto Connector Oy	Porvoo	100,00	17 200	FIM	17 200	6 000
Ensto Electric Oy	Porvoo	86,90	5 389	FIM	5 389	7 370
Ensto Industry Oy	Porvoo	100,00	200	FIM	200	43 012
Ensto Parts Oy	Porvoo	100,00	3 894	FIM	3 894	3 894
Ensto Tools Oy	Porvoo	100,00	2 000	FIM	1 000	1 000
Ensto Trade Oy	Porvoo	100,00	50	FIM	50	50
TL-Coating Oy	Salo	52,00	73	FIM	73	12 656
Kevätkukka Oy	Porvoo	100,00	150	FIM	15	15
Sormat Oy	Rusko	95,00	8 550	FIM	86	26 126
Ensto Holding AB	Hägersten	100,00	66 700	SEK	6 670	23 615
Ensto Holding AS	Oslo	100,00	35 000	NOK	35 000	25 365
Ensto Briticent Ltd.	Hampshire	51,00	331 500	GBP	332	0
Ensto Benelux B.V.	Doetinchem	80,00	1 200	NLG	120	320
Ensto GmbH Germany	Niederdorfelden	90,00		DEM	300	816
AS Ensto Elekter	Tallin	100,00	6 350	EEK	635	276
AS Ensto Ensek	Keila	80,00	3 600	EEK	3 600	2 135
AS Ensto Latvija	Riga	100,00	100	LVL	30	252
ZAO Ensto Elektro	St. Petersburg	100,00	260	RUR	260 000	375
						206 322
Indirect ownership by parent company						
Ensto Electric Oy	Porvoo	13,10	812	FIM	812	812
Ensto Control Oy	Porvoo	100,00	3 704	FIM	3 704	3 704
Ensto Saloplast Oy	Porvoo	100,00	500	FIM	5 000	30 000
KOy Mikkelin Insinöörinkatu 1	Porvoo	100,00	25 000	FIM	25 000	25 000
Ensto Idealplast AB	Borås	100,00	2 000	SEK	2 000	21 057
Ensto Ifö AB	Bromölla	100,00	130 000	SEK	13 000	12 956
Ensto El-Be AB	Nykvarn	100,00	1 000	SEK	100	3 203
Ensto Elektriska AB	Hägersten	100,00	24 000	SEK	2 400	3 134
Ensto Jelo AB	Fristad	100,00	1 500	SEK	150	125
Ensto Component AB	Hägersten	100,00	1 000	SEK	100	1 191
Ensto NTP AS	Fredrikstad	100,00	15 750	NOK	7 875	17 444
Ensto Component AS	Oslo	100,00	600	NOK	600	402
Ensto Høiness AS	Oslo	100,00	14 000	NOK	7 000	20 106
Ensto Egotech AS	Holmestrand	100,00	1 500	NOK	1 500	1 005
Ensto Busch-Jaeger AB	Borås	100,00	20 000	SEK	2 000	1 394
Ensto Busch-Jaeger AS	Oslo	100,00	1 100	NOK	1 100	748
Ensto Elsto Kft.	Budapest	75,93	205	HUF	20 500	1 893
Ensto Pol Sp.zo.o	Gdansk	80,00	800	PLN	80	266
Ensto Plastic Kft	Pécs	100,00		HUF		5 030
						149 470

Other shares and bonds	Domicile	Owner-ship %	Number of shares	Nominal value of shares	Book value (TFIM)
Direct ownership by parent company					
Baltic Investment Fund	Jersey				1 850
Porvoon A-Asunnot Oy	Porvoo		127		136
Positron Oy	Porvoo		25		50
Suomen Arvopaperikeskus Oy	Helsinki				20
Other shares and bonds					48
					2 104
Indirect ownership by parent company					
As Oy Salon Ketolankatu 12	Salo		46		185
As Oy Salon Miilunpohja	Salo		46		185
As Oy Rukantykky	Kuusamo		120		618
Other shares and bonds					378
					1 366

Ensto Companies	Domicile	Turnover 1.1.-31.12.1998 MFIM	Personnel 31.12.1998
In Finland:			
Ensto Saloplast Oy	Salo	122,3	167
Ensto Sekko Oy	Porvoo	107,9	157
Ensto Control Oy	Porvoo	56,7	77
Ensto Electric Oy	Porvoo	162,2	260
Ensto Connector Oy	Porvoo	57,8	53
Ensto Parts Oy	Porvoo	75,0	107
Ensto Tools Oy	Porvoo	20,4	62
Ensto Oy	Porvoo	27,3	32
Ensto Ceramics Oy	Turku	10,5	44
Ensto Automation Oy	Porvoo	17,7	30
Ensto Kiinteistöt Oy	Porvoo	6,2	38
Ensto Industry Oy	Porvoo	0,0	0
Sormat Oy	Rusko	72,1	96
Ensto Busch-Jaeger Oy	Porvoo	110,8	108
Ensto Audel Oy [1)]	Oulunsalo	14,9	34
TL-Coating Oy [2)]	Salo	22,4	70
In Norway:			
Ensto Høiness AS	Oslo	80,1	39
Ensto NTP AS	Fredrikstad	64,2	115
Ensto Component AS	Oslo	10,8	5
Ensto Egotech AS	Holmestrand	2,8	0
Ensto Busch-Jaeger AS	Oslo	7,2	5
In Sweden:			
Ensto Idealplast AB	Borås	73,7	110
Ensto Ifö AB	Bromölla	36,2	76
Ensto Elektriska AB	Hägersten	28,0	10
Ensto Jelo AB	Fristad	10,3	3
Ensto El-Be AB	Nykvarn	5,9	4
Ensto Component AB	Hägersten	11,2	5
Ensto Busch-Jaeger AB [3)]	Borås	32,3	13
In Ireland:			
Ensto Teoranta [4)]	Galway	8,0	0
In Estonia:			
AS Ensto Elekter	Tallinn	25,3	57
AS Ensto Ensek	Keila	6,2	37
In Latvia:			
SIA Ensto Latvija	Riga	6,1	4
In Russia:			
ZAO Ensto Elektro	St. Petersburg	3,7	10
ZAO Ensto Moskva [5)]	Moscow	0,6	0
In Poland:			
Ensto Pol Sp. z o.o.	Gdansk	26,7	22
In Hungary:			
Ensto Elsto KFT.	Budapest	20,8	11
Ensto Plastic KFT.	Pécs	1,5	44
In The Great Britain:			
Ensto Briticent LTD	Hampshire	41,5	33
In The Netherlands:			
Ensto Benelux B.V.	Doetinchem	0,6	1
In Germany:			
Ensto GmbH Germany	Niederdorfelden	0,4	2

1) 1.5.-31.12.1998
2) 1.6.-31.12.1998
3) 1.5.-31.12.1998
4) 1.1.-30.11.1998
5) 1.1.-31.7.1998

1.9. - 31.12.1998		4 months
Turnover	MFIM	399,0
Sales outside Finland	MFIM	211,9
Of turnover	%	53,1
Sales in Finland	MFIM	187,2
Exports from Finland	MFIM	81,8
Profit before depreciation	MFIM	136,4
Of turnover	%	34,2
Depreciation	MFIM	20,6
Of turnover	%	5,2
Operating profit	MFIM	15,6
Of turnover	%	3,9
Financial items	MFIM	-4,8
Of turnover	%	-1,2
Profit before extraordinary items	MFIM	10,8
Of turnover	%	2,7
Profit before income taxes	MFIM	6,3
Of turnover	%	1,6
Net profit	MFIM	4,8
Of turnover	%	1,2
Investment in fixed assets	MFIM	61,2
Of turnover	%	15,3
Return on investment (ROI)	%	9,8
Return on equity (ROE)	%	12,1
Solvency	%	34,1
Gearing	%	99,9
Current ratio		1,3
Net liabilities	MFIM	254,9
Of turnover	%	63,9
Total assets	MFIM	753,0
Research and Development costs	MFIM	8,1
Of turnover	%	2,0
Undelivered orders	MFIM	99,0
Profit / share (EPS)	FIM	0,60
Equity / share	FIM	15,84
Dividend / share	FIM	0,50
Dividend / profit	%	82,9
Turnover / employee	TFIM	207,5
Average personnel		1923
Personnel at the end of period		1942

Proposal by the Board of Directors for the application of profits

According to the consolidated balance sheet the Group's non-restricted equity is FIM 181,504,000, of which FIM 130,932,000 is distributable. The parent company's non-restricted equity is FIM 132,739,392.

The Board of Directors proposes that the disposable profits be used in such a way that shareholders are paid FIM 0.50 per share in dividend, i.e., FIM 7,249,350 in all, and that FIM 125,490,042 be posted to the retained earnings account.

Porvoo, March 1999

Timo Miettinen
Chairman

Heikki Mairinoja   Ensio Miettinen

Esa Saarinen   Matti Suutarinen

Auditors' report

to the shareholders of Ensto Oy

We have audited the accounting, the financial statements and the corporate governance of Ensto Oy for the period 1.9.1998 - 31.12.1998. The financial statements, which include the report of the Board of Directors and the consolidated and parent company income statements, balance sheets and notes to the financial statements have been prepared by the Board of Directors and the Managing Director. Tilintarkastajien Oy - Ernst & Young has conducted the routine auditing during the financial period. Based on our audit we express an opinion on these financial statements and on corporate governance.

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

In our opinion, the financial statements, which show a consolidated profit of TFIM 4.811, 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 the consolidated and parent company's results of operations and financial position. The financial statements and consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the result is in compliance with the Companies Act.

We have reviewed the interim reports published during the year 1998. The interim reports have been prepared in accordance with applicable regulations.

Porvoo, March 2, 1999

Tilintarkastajien Oy - Ernst & Young
Authorized Public Accounting Firm

Pekka Nikula
Authorized Public Accountant

Risto Järvinen
Authorized Public Accountant

Board of Directors

Timo Miettinen, 43
M.Sc. (Eng.)
Chairman of the Board
since 1997

Ensio Miettinen, 69
M.Sc. (Eng.)
Founder of Ensto
Group

Esa Saarinen, 45
Ph. D.
Member of the Board
since 1990

Matti Suutarinen, 44
M.Sc. (Econ.)
Managing Director of
Sponsor Capital Oy
Member of the Board
since 1993

Heikki Mairinoja, 52
M.Sc. (Eng.)
Managing Director of
Uponor Oy
Member of the Board
since 1998

Management Group

Petteri Walldén, 50
M.Sc. (Eng.)
President and CEO of Ensto Oy
since 1996

Jussi Viitala, 57
B. Sc. (Eng.)
President, Ensto Industry
with Ensto since 1979

Seppo Martikainen, 50
M.Sc (Eng.)
President, Ensto Installation
and Ensto Distribution
with Ensto since 1987

Baard-Jørgen Høiness, 60
Director
with Ensto since 1991

Karita Mikkola, 46
M.Sc. (Econ.), APA
CFO in Ensto since 1990

Marjo Raitavuo, 41
BA
Director, HRD and
Communications
with Ensto since 1988

Seppo Ojaluoma, 51
B. Sc. (Eng.)
Director of Business Development
with Ensto since 1997

Board of Directors

Timo Miettinen Matti Suutarinen Ensio Miettinen Esa Saarinen Heikki Mairinoja

Management Group

Marjo Raitavuo Petteri Walldén Seppo Ojaluoma Karita Mikkola Jussi Viitala B.-Jørgen Høiness Seppo Martikainen

Main events **of 1998**

1998

27 February 1998
Ensto's pro forma turnover for the financial year 1997 was FIM 1.094,4 million, compared with FIM 950.5 million the previous year. Profit before extraordinary items was FIM 65.3 million (FIM 50.1 million).

27 February 1998
Ensto Oy's Board of Directors decides at its meeting on 26 February 1998 to propose the complete partition of Ensto Oy, the Group's parent company, to an extraordinary meeting of the shareholders.

24 March 1998
Ensto agrees to buy 52% of Audel Oy. The company makes interfaces and the deal permits the Group to deliver more inclusive units to its contract manufacturing customers in the electrical and electronics industries.

9 June 1998
Ensto's turnover in the interim period 1 January – 30 April 1998 was FIM 380.4 million, up by 7%. Profit before extraordinary items was FIM 16.4 million.

12 June 1998
Ensto acquires a 52% holding in TL-Coating Oy. The company specializes in painting plastic components for the electronics industry and in making special coatings. The deal strengthens the Group's plastics expertise.

31 August 1998
Ensto Oy was partitioned into Ensto Oy and Mattio Oy. Ensto Oy continues the industrial business of the former Ensto and Mattio Oy received operations other than the main business, such as real estate and securities.

13 October 1998
Ensto's turnover in the interim period 1 January – 31 August 1998 was FIM 728 million, up by 9.6%. Profit before extraordinary items was FIM 34.0 million. When Eero Laakso left Ensto's Board of Directors, he was replaced with Heikki Mairinoja on 10 September 1998.

3 November 1998
Ensto announces preparations for its stock exchange listing.

18 November 1998
Seppo Martikainen is appointed in charge of Ensto Distribution. He also continues as the head of Ensto Installation.

22 December 1998
Ensto sells off a subsidiary in Ireland, Ensto Teoranta. Ensto remains a minority shareholder with a 15% interest.

30 December 1998
Ensto makes a placement in Estonia and increases its holdings in the Estonian company Ensto Ensek AS from 55 to 80%. The company makes accessories for electrical utilities.

Financial risk management

The basic idea of Ensto's finance is to recognize the financial risks associated with doing business as well as changes in them. The analysis and management of financial risks is concentrated in the hands of the Group's parent company. Hedging within the Group is done with subsidiaries. The use of all derivatives is on a commercial basis. Hedging instruments include forward agreements, options (only purchased) and interest rate swaps.

Availability of financing

Efforts are made to ensure the availability of financing by using a variety of sources and instruments on as broad a basis as possible. The final content of the loan portfolio and the amount of the financial reserves largely depend, however, on the Group's cash flows, on its upcoming capital spending requirements, and on the general economic trend. As the euro comes into use, the company aims to switch the emphasis in its financing more towards the capital market.

Liquidity management

The company has continued its policy of low cash liquidity. According to the present policy, the Group must at all time have liquid assets equivalent to half a month's turnover.

To ensure its liquidity, Ensto Oy has contracted with its backers on financial reserves of various kinds, such as over-draft facilities, commercial paper programmes, credit limits and revolving credit facilities.

The counterpart risk of short-term investments is minimized by investing only in financially sound companies in accordance with a decision on principle by Ensto's Board of Directors. Ensto does not invest liquid assets for periods exceeding 12 months.

Currency risks

Transaction risk:

The currency risks of the entire Group are hedged on the basis of net positions in various currencies. This is done by currency options and forward agreements.

Country-specific currency flows are hedged by balancing purchases and sales denominated in foreign currency, however with unit-centredness as the future direction. Larger investments denominated in foreign currency are hedged by means of forward agreements. Orders denominated in foreign currency are not hedged owing to their rapid turnaround time.

Currency clauses are aimed at in sales, purchases and annual contracts which are denominated in foreign currency.

The Ensto Group went over to the euro as of the beginning of 1999.

The main invoicing currencies used in business operations, in addition to the euro, are the Swedish and Norwegian crowns as well as, increasingly, the pound sterling. From Ensto's viewpoint, the greatest currency risk arises from the Swedish crown and its fluctuations against the euro (Finnish mark).

Nowadays the FX-rate for the Hungarian and Polish currencies also have an effect on how the Group's currency risks are assessed.

Translation risk:

The shareholders' equity of the Group's foreign subsidiaries is not hedged. Shareholders' equity denominated in foreign currency is seen as long-term investments, so the effects of fluctuations in FX-rates in the longer term are less radical.

Most raw materials are purchased in Finnish marks. Also, the raw material which is the most sensitive to economic cycles and the biggest in cash terms from the Group's viewpoint, plastic, is purchased in Finnish marks. Other major raw materials for Ensto are aluminium, copper, zinc and steel.

Ensto has not used derivatives to hedge against changes in raw material prices. The reason for this is that no derivatives are available for the special plastics used by Ensto.

Interest rate risk

For Ensto, interest rate risk applies mainly to long-term debts. In the management of interest rate risks, the main tool is interest rate swaps.

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