annual report

98

HARTWALL


LAPIN KULTA

Oyj Hartwall Abp's **Annual General Meeting** *will be held at 17.00 on Tuesday, 27 April 1999 in Hartwall Areena. The address is Veturitie 13, Länsi-Pasila, Helsinki.*

More information on the Annual General Meeting on page 43.

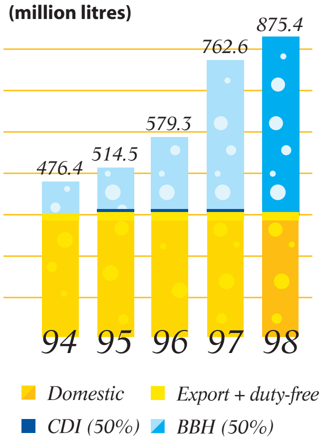
Hartwall's financial bulletins in 1999

Advance information on the company's financial statements	*12 February 1999*
Annual General Meeting	*27 April 1999*
Interim Report (Januari-April)	*4 June 1999*
Interim Report (Januari-August)	*1 October 1999*

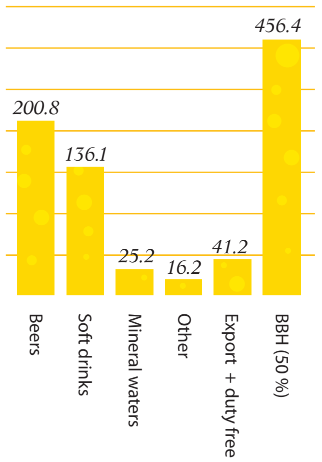
All reports are published in Finnish, Swedish and English. They are also available on www.hartwall.fi or can be ordered from Hartwall, Corporate Communications, fax +358 540 2528.

Hartwall in a nutshell

Trend in the aggregate sales volumes of the Hartwall Group (million litres)



Breakdown of the Hartwall Group's sales volumes 1998* (million litres)



*The first four columns represent Hartwall's domestic sales, totalling 378.2 million litres.

Hartwall in brief

- Established in 1836
- Finland's leading manufacturer of beers, soft drinks and mineral waters
- Three factories in Finland: Helsinki, Lahti and Tornio
- The company's main brands in Finland are Lapin Kulta, Karjala and Hartwall beers, Hartwall Jaffa and Hartwall Vichy mineral waters
- At the beginning of 1999, the company expanded its soft drinks selection with Pepsi, PepsiMax and 7Up
- Exports to Scandinavia, Europe as well as the Baltic countries and Russia
- The associated company Baltic Beverages Holding (BBH) was set up in 1991
- Four breweries in the Baltic countries, five in Russia and two in Ukraine
- BBH is the market leader in the Baltic countries and Russia and holds the second place in Ukraine
- Hartwall was listed on HEX Helsinki Exchanges in 1994

Financial performance

- Net sales grew to FIM 2,893.5 million (+9.3%)
- Operating profit was FIM 560.8 million (FIM 567.6 million)
- Profit after financial items was FIM 479.7 million (FIM 562.1 million)
- Earnings per share was FIM 4.30 (FIM 5.33)
- Return on investment was 28.4% (40.6%)
- The equity ratio was 49.2% (54.1%)
- The gearing ratio rose to 39.4% (11.1%)
- The Board of Directors proposes that a dividend of FIM 0.90 (FIM 0.80) be paid on the series A share and a dividend of FIM 0.88 (FIM 0.78) be paid on the series K share

Operations

- The Hartwall Group's aggregate sales grew by 14.8% from 762.6 million litres to 875.4 million litres
- Hartwall is the largest supplier of beverages in Finland, holding a 49.3% market share and the market leader in all product groups, with the exception of ciders
- The aggregate domestic sales volume was 378.2 million litres
- Hartwall's co-operation with the Coca-Cola Company ended; a partnership with PepsiCo began at the turn of the year 1998-1999
- BBH continued to grow buoyantly and reached all the operational targets set
- The devaluation of the Russian rouble and Ukrainian hrivna effected the Hartwall Group's consolidated financial result
- Hartwa-Trade, previously an alcohol beverages trading company functions now as an importer and a marketing, sales and distribution company of wines and strong alcoholic beverages
- The par value of Hartwall's shares was lowered from FIM 5.00 to FIM 1.00
- The highest share price was FIM 209.30 and the lowest FIM 45.60

Key Figures 1997-1998

FIM million	**1998**	1997	change
Net sales	**2,893.5**	2,647.6	+9.3%
Operating profit	**560.8**	567.6	-1.2%
% of net sales	**19.4**	21.4	-2%-pts.
Profit before extraordinary items	**479.7**	562.1	-14.6%
% of net sales	**16.6**	21.2	-4.6%-pts.
Earnings/share, FIM	**4.30**	5.33	-19.3%
Total assets	**2,893.4**	2,352.8	+23%
Return on investment, %	**28.4**	40.6	-30%
Return on equity (ROE)	**24.4**	36.8	-33.7%
Capital expenditures	**611.3**	408.7	+49.6%
Personnel, average (including BBH 100%)	**6,969**	5,450	+27.9%
Aggregate sales volume, million litres	**875.4**	762.6	+14.8%

Hartwall's vision and mission

Our objective

Our objective is to be Finland's best beer and soft drinks company as well as the leading brewery in the Baltic countries, Russia, Ukraine and other selected market areas in Eastern Europe through our associated company Baltic Beverages Holding. Our operations aim to produce financial value added for our stakeholders and to increase the value of our company.

Strategy

Domestic:	International:
competitiveness, innovations	growth

Our operational concept:

Our operational concept is to manufacture and market high-quality beers, soft drinks, mineral waters and other beverages for various enjoyment situations.

Our values

Consumer orientation: We are proactive in meeting consumer needs thanks to our innovative product and packaging development. Our production makes sure of the high quality of our beverage brands. Our sales and distribution see to it that our products are conveniently available to consumers to the full extent of our product range.

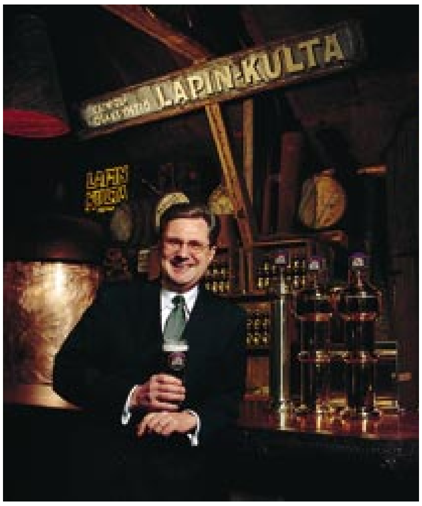
Customer focus: We develop ways of working and forms of co-operation that increase our customers' own sales.

Good profitability: Ensuring profitability is the responsibility of each and every Hartwall employee and it underpins all our business operations. It is the task of our sales and marketing to realise the yield targets we have defined. Our production and distribution must strive for optimal cost-effectiveness.

Belief in the individual: We believe in the ability and desire of each member of the Hartwall team to achieve their own and the company's objectives. Each Hartwall employee has a job description that is tailored to the individual or group. Achievement of the goals is evaluated in regular feedback and development discussions.

Responsibility: In all our dealings, we observe good business practices and ethics, and as a company we bear our own social responsibility and honour our commitment to environmental protection.

An eventful year. *Year 1998 was an event-packed year for our company. The year began well, ushering in greater growth for our Group; however, this was followed by an exceptionally cold and rainy summer, which taxed our most important sales season. The end of the year was marked particularly by the economic and political uncertainty in Russia, which had an impact on the operations of Baltic Beverages Holding (BBH), an associated company owned by Hartwall and Pripps Ringnes on a 50-50 basis; this uncertainty was also reflected in Ukraine and the Baltic countries.*



Hartwall beer tastes good at the Lapin Kulta restaurant at Hartwall Areena in Helsinki.

The growth of BBH's sales volumes remained buoyant throughout the year, and the company's profitability, as measured in local currencies, remained almost at the previous year's level. Although the Hartwall Group deployed an investment programme of record size, it remained financially solid and had a good financial result. The devaluation of the Russian rouble and Ukranian hrivna during the third tertial of the year weakened the Hartwall Group's overall profitability.

Our company's objective and strategy

Four years ago, we set ourselves an objective: to be Finland's best beer and soft drinks company, and the leading brewery in the Baltic countries, Russia and Ukraine through our associated company BBH. In accordance with our business strategy, we concentrate on strengthening competitiveness and cost-effectiveness in Finland. We are seeking strong growth in international markets through BBH and growing exports of Lapin Kulta beer. Our target is that, in future, over half of our sales volume, as well as a considerable part of our net sales and earnings, will be generated by international operations.

We use key figures to track our financial targets. Our operating profit objective for the Group level is no less than 15% of net sales, breaking down as 10% of net sales in Finland and 20% in BBH's business area. Return on investment should be at least 20% and the equity ratio should be 50% at the Group level.

Challenges and opportunities in Finland

Today, our company is the market leader in all product groups, with the exception of ciders. In

Finland, we continue to focus our marketing efforts on our main brands: Lapin Kulta, Karjala and Hartwall beers, and the Hartwall Jaffa and Hartwall Vichy product families.

At the beginning of 1999, we partnered up with PepsiCo, following the end of our 42-year bottling agreement with Coca-Cola. With the advent of this new partnership, Hartwall will make aggressive outlays on postmix and vending operationsnen, new soft drinks packaging and technologies, and the marketing and visibility of the entire product group. All in all, our company invests about FIM 200 million in the development of this product group over the years 1998 and 1999.

The extensive programme for the development of business functions that started up in 1996 has remained on schedule. In addition to upgrading operations and achieving cost savings, the programme aims to bring about a flatter organisation, improve the internal flow of communication and increase job satisfaction. The first proposed improvements were implemented in 1998; of these, the most significant was changing our sales organisation from a regional organisation to one which operates on a customer/channel-specific basis. During the report year, we also invested in the modernisation of our information systems and the development of our operations control systems. In order to ensure Hartwall's domestic competitiveness and market position, we continued to strengthen our production and distribution structure.

Gold from Lapland

Hartwall's leading brand of beer, Lapin Kulta (Lapland's Gold), is the most popular beer in Finland, boasting a 35,3 per cent market share. The beer is brewed by the Tornio brewery, which celebrated its 125th anniversary last autumn. We have the greatest confidence that sales of Lapin Kulta will keep on growing in Finland, and that the beer, whose crisp taste is redolent of Northern mountain brooks, will win over new friends in export countries such as Sweden and Norway. Lapin Kulta is a major export item in BBH's business area, too, and in other selected market areas in Europe.

Baltic Beverages Holding

Today, BBH has a total of eleven breweries, of which four are located in the Baltic countries, five in Russia and two in Ukraine. In a market area with two hundred million consumers, there will still be potential for growth many years down the road. Seven years ago, BBH's annual production volume comprised the annual production of its first and only brewery, Saku of Estonia: 14 million litres. In 1998, BBH's aggregate volume rose to the considerable sum of 913 million litres, which is more than twice as much beer as is manufactured in Finland. Baltika, BBH's most important brand, has a 14% aggregate market share in Russia.

We seek growth abroad primarily by acquiring majority stakes in breweries that are regional market leaders at the time of acquisition. The keys to BBH's success are well-known regional brands, the commitment of the local management and personnel to the set objectives, and working as an integral part of the local community.

The developing countries of Eastern Europe offer BBH good opportunities for expansion. Within the whole of BBH's area of operations, beer consumption is at a rather low level compared with consumption in Western Europe, but even now we can observe that consumers are gradually shifting over from strong alcoholic drinks to beer.

The excise tax of beer must be lowered

Finland has the highest alcohol tax in Europe. As Finland's leading brewery, we demand that the excise tax of beer be lowered to the same level as in the other EU countries, and that this be done well before the year 2004, when the last import restrictions within the EU will be discontinued. If the excise tax is not lowered systematically and gradually, private imports of cheaper beer from other EU countries will increase significantly and at the expense of the Finnish brewing industry. For this reason, it is essential that our excise taxation, now the highest in the EU, be lowered substantially and soon; only by doing so can we safeguard the operations of the domestic alcoholrelated businesses and the employment provided by them.

Outlook for 1999

It is the Hartwall Group's objective to be the best brewing and soft drinks company in Finland. This field of business is seeing heavier competition; the key areas in staying competitive are functional and effective production and logistics. What is more, it takes innovative and active R&D to give oneself a competitive advantage in this arena. With our high-quality and well-known name brands, we will succeed in Finland and abroad.

In Finland, we expect that the aggregate market will grow, especially in the soft drink and mineral water product groups, where the Finnish average consumption is low compared with other Nordic countries. We expect a lot from our new partnership with PepsiCo, too. Hartwa-Trade's operations as importer of alcoholic beverages will get going at full steam during 1999; its interesting business operations will impart considerable value added to Hartwall's business in Finland.

BBH's operational growth will continue as a result of the investments which have been made in the augmentation of capacity. The trend in the exchange rates of the Russian rouble and Ukranian hrivna plays a key role in the Group's earnings level. We assume that BBH's result for 1999 will, in spite of our measures to improve its profitability, be significantly lower than in the previous year.

Here I would like to thank our shareholders and partners for their confidence in our company and products in 1998, and for their co-operation with us. I would also like to extend my sincere thanks to all Hartwall employees and the personnel of our associated company BBH for their excellent efforts on the job and their commitment to building a strong Hartwall.

Jussi Länsiö
Managing Director

A rainy and quiet year for the indistry. *Northern Europe went through an exceptionally cold and rainy summer, and consequently aggregate sales by the brewing and soft drinks industry remained at the previous year's level.*

The rainiest summer of the century brought the growth of the brewing industry to a halt, decreasing sales of beer by 2.1 per cent, from 417.1 litres in 1997 to 408.4 million litres. The aggregate consumption of soft drinks also declined, by 2.2%, to 256.8 million litres (262.5 million litres).

The mineral waters product group continued to grow buoyantly. Aggregate sales of mineral waters rose by 12.2 per cent, from 45.5 million litres to 51 million litres.

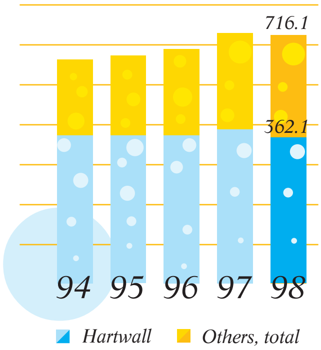
30 years of unrestricted medium-strength beer
Three decades ago, on New Year's Day 1969, the Medium-Strength Beer Act entered into force in Finland, allowing daily consumer goods stores and cafes to sell, subject to licensing, beer with less than 4.7% alcohol by volume. The age limit for beer purchases was lowered to 18.

The changes that came on the heels of this new Act had a major impact on the brewing industry; the drinking habits of Finns were thoroughly transformed. Beer quickly became the most popular drink in Finland.

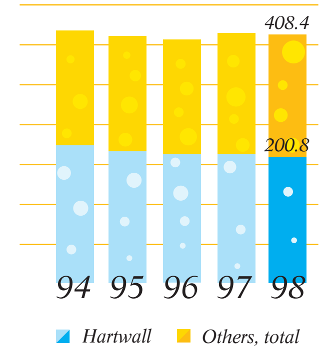
Beer consumption per capita has been continuously rising during the past thirty years. Before the Act came into force, the average consumption of beer was 30.4 litres; in 1998, it was 79.1 litres. The most popular category of beers, by a long shot, is medium-strength beer with a maximum of 4.7% alcohol by volume.

In 1998, a total of 364 million litres of medium-strength beer were sold in Finland; of this amount, 256.6 million litres were sold at retail outlets. The other sales channels are Alko Oy's stores, petrol stations, kiosks and the licensed restaurant/bar sector.

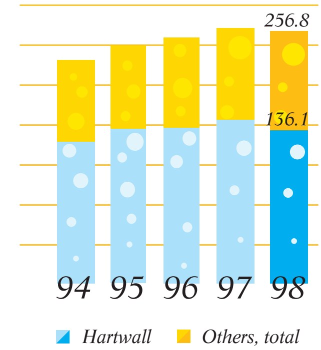
Aggregate sales volume in Finland (million litres)
(beers, soft drinks and mineral waters)



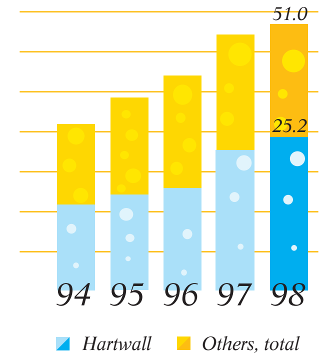
Trend in beer sales in Finland (million litres)



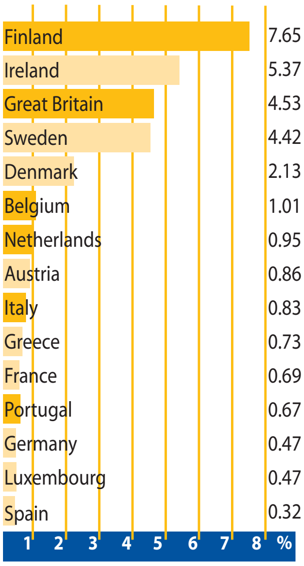
Trend in soft drink sales in Finland (million litres)



Trend in mineral water sales in Finland (million litres)

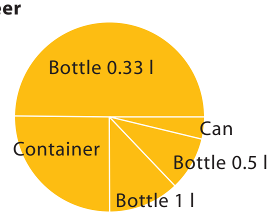


Beer taxes and VAT in the EU countries 1998



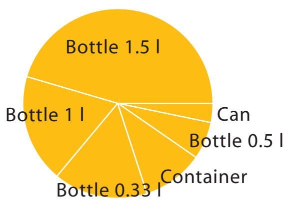
Sales in Finland by container type, 1998

Beer



Total 408,398,000 litres

Soft drinks and mineral waters



Total 307,745,000 litres

Source:The Finnish Federation of the Brewing and Soft Drinks Industry

Consumer-friendly beer packaging solutions

Six-packs of 0.33 litre bottles, a multipackaging solution introduced in 1998, became significantly more popular. The 0.5 litre bottle held on to its popularity, but the popularity of the 1.0 litre bottle was reduced by consumers' infatuation with the handy multipackaging solutions. Beer cans also became more popular, thanks to the recyclability of the containers.

Sales of beer declined in all distribution channels

Beer consumption that falls outside the range of statistics — beer brought into the country by tourists and brewing at home — remained considerable. This is the upshot of Finland's unreasonable excise tax, the highest in the EU countries by a clear margin. The "invisible" consumption of beer is estimated to be about 10-12% of the beer consumption indicated in statistics.

Larger containers for soft drinks and mineral waters

The consumption of soft drinks declined from 51.1 to 49.8 litres per capita, while that of mineral waters rose from 9.0 to 10.0 litres per capita.

In the soft drinks arena, the popularity of cola beverages continued to rise. A total of 116.8 million litres of cola drinks were manufactured and sold, as compared with 108.6 million litres in the previous year. Orange soft drinks were the second-ranking group of soft drinks, with sales amounting to 71.4 million litres.

The larger 1.5 litre bottle became more popular in the soft drinks and mineral waters group as well. At the beginning of 1999, a new 0.5 litre refillable plastic bottle with a cap was launched, and it is expected that this will increase the size of the total market.

Hartwall maintained its position as Finland's leading supplier of beverages

Hartwall's aggregate sales in Finland amounted to 378.2 million litres in 1998 (412.3), including long drinks and ciders. The sales volume was 8.2% lower than last year, which is primarily the result of the sale of Coca-Cola Cold Drink's business operations to Coca-Cola Juomat. In spite of the decline in total sales, Hartwall held on to its position as the market leader with its 49.2 per cent aggregate market share (53.8). The company increased its comparable share of the soft drinks product group, and was the market leader in all product groups with the exception of ciders. In 1998, aggregate sales by the brewing industry remained at the previous year's level.

The company renounced its regional sales organisation and began to operate as a customer /channel based organisation.

Beers

Hartwall's aggregate sales of beer amounted to 200.8 million litres, or 6.3% less than in the previous year. The company fell short of its targets in this product group. Hartwall's market share was burdened by the fact that the company's launch of multipackaging solutions was delayed by technical problems. Hartwall maintained its position as Finland's leading brewer with its 49.2 per cent market share (51.4%). During the report period, the aggregate market for beer declined by 2.1% due to the exceptionally poor summer weather.

The new multipackaging solution, a six-pack of 0.33 litre bottles, increased its popularity during the year, reducing the demand for one litre and 0.5 litre bottles.

In Finland, sales of Lapin Kulta beer, the company's main product, amounted to 144.1 million litres (150.2). Its market share in the daily consumer goods trade was 34.1% (source: A.C. Nielsen). The Lapin Kulta brewery celebrated its 125th anniversary in the autumn, and held customer events in 10 locations in Finland. The product family was supplemented with a new seasonal product, Lapin Kulta Talvi winter beer.

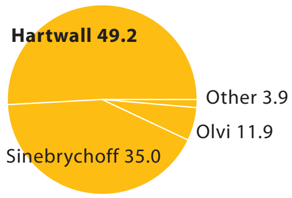
42.4 million litres of Karjala beer were sold (44.8). With its market share of slightly less than 11% in the daily consumer goods trade, Karjala maintained its position as the fourth most popular beer in Finland. The marketing partnership of Karjala and the Finnish Ice Hockey Association continued in 1998. The packaging renewal that was initiated in 1997 was seen to completion; the product family boasted a new look in March.

The market share of Hartwall 1836 Classic beer suffered a slight setback, falling to 2.1 per cent. The product ranks eighth in popularity in the daily consumer goods trade. A total of 5.9 million litres (7.6) of Hartwall 1836 Classic were sold.

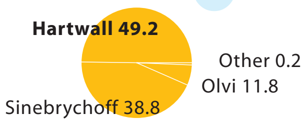
Hartwall launched numerous seasonal beers over the year. In addition to Lapin Kulta Talvi winter beer, the company brought to market the Hartwall Oktoberfest full malt beer and Hartwall Jouluolut, a darker and richer Christmas beer that, during its second season, claimed a share of over 30% in its niche market.

Foreign beers account for under 2% of the Finnish beer market. Pilsner Urquell, Guinness and Kilkenny, all of which are represented by Hartwall, reaped success in the imported beers segment. Pilsner Urquell ranked third on the Imported Beers Top 10 list (bottled beer sales) with its 10.6% market share, while Kilkenny came eighth with a 3.4% market share. Guinness was eleventh, having a 2.6% market share.

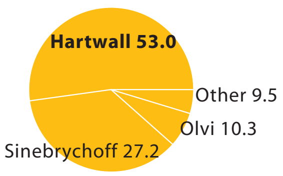
Total market positions in Finland in 1998



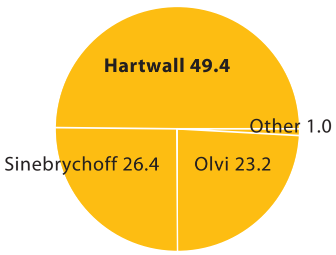
Beer market positions in Finland in 1998



Soft drink market positions in Finland in 1998



Mineral water market positions in Finland in 1998



Soft drinks

A structural change occurred in the Finnish soft drink market; after a few years of preparatory work, the manufacturers of the global soft drinks Pepsi and Coca-Cola changed on 1 January 1999. At the end of 1997, Hartwall sold its 75% holding in Coca-Cola Cold Drink Oy (CCCD) to the Coca-Cola Company. During 1998, Hartwall continued to manufacture, store and distribute the products sold by CCCD.

Sales of Coca-Cola products manufactured and sold by Hartwall, under license from Coca-Cola, grew by 8% in 1998. Hartwall's 42-year long partnership with the Coca-Cola Company ended at the turn of the year, and Hartwall began its partnership with PepsiCo. As of the beginning of 1999, Hartwall's product range includes Pepsi, Pepsi Max and 7Up.

Hartwall was the market leader in the soft drinks product group by a wide margin, having a market share of 53%. CCCD products were no longer included in this figure in 1998, and consequently the market share declined in comparison with the previous year.

The popularity of cola drinks increased in 1998, even as the aggregate soft drinks market contracted slightly, down 2.2%. The market share of Hartwall Jaffa, the most popular of the company's own soft drinks, rose from 12.8 per cent to 14.6 per cent. Almost 257 million litres (262) of soft drinks were consumed in Finland, 2.2% less than last year. Hartwall manufactured and sold 136.1 million litres of soft drinks.

Sales of the Hartwall Jaffa product group grew to 35 million litres. In the Top Ten list of the daily consumer goods trade, Hartwall Jaffa ranked second with its 14.2% market share. In addition to yellow Hartwall Jaffa, the product family includes red Hartwall Italia, yellow Hartwall Jaffa Light, Hartwall Grape, Hartwall Ananas Light and the new, lemon-flavoured Hartwall Jaffa Palma, which was launched in the autumn.

As of the beginning of 1999, Hartwall Jaffa has been included in the post-mix product selection offered to restaurants and bars. This new sales channel is expected to pump up sales of the product, especially in the case of the original yellow Hartwall Jaffa.

At the beginning of 1998, the brewing industry brought to market a new 0.5 litre plastic bottle as the industry standard for soft drinks and mineral waters, and a new 24-bottle crate. A deposit must be paid for bottles and crates, and they are to be returned to the brewing industry for refilling. They are made of plastic.

The Pommac brand was boosted by launching the product in a 1.5 litre refillable, industry standard plastic bottle (ref. PET) at the beginning of 1999. At the same time, Hartwall also began to bottle the perennial favourite Hartwall Omenalimonadi in 1.5 litre ref. PET bottles.

Mineral waters

Hartwall maintained its market leadership in the mineral waters segment with its 49.4% market share (49.2%) as the entire segment grew by 12%. Hartwall's sales of mineral waters rose from 22.3 million litres to 25.2 million litres.

The popularity of Hartwall Vichy Novelle continued to rise. It is the company's main product in the mineral waters segment. The popularity of flavoured mineral waters is growing as well. At the beginning of the year, the company launched

Hartwall Vichy Grape, which has the fresh taste of grapefruit, to stand beside Hartwall Vichy Citronelle. Hartwall Vichy Grape was followed by the blackcurrant-flavoured Hartwall Vichy Cassis in the autumn.

Ciders, long drinks and energy drinks

The Finnish cider market is still growing buoyantly. The aggregate market totalled 35 million litres, and Hartwall's market share was 16% (21%). Woodpecker Perry, a new flavour launched in the autumn, and additional investments made by the company, increased Hartwall's market share during the last tertial of the year. At the beginning of 1999, the Woodpecker product family saw a new member: the peach-flavoured Woodpecker Persikka.

The market for long drinks in Finland went down, with the segment contracting by 9.5%. The aggregate sales volume in the product group was 21.4 million litres. Hartwall maintained its market leadership with its 60 per cent market share. The long drink products are sold by Hartwall and marketed by CDI.

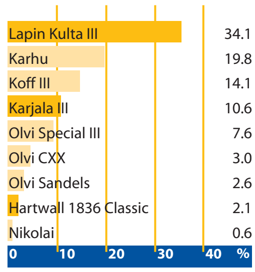
Energy drinks are rising in popularity, and in this segment Hartwall introduced Red Bull, the best-known energy drink in Europe. The product came on sale at stores, kiosks, service stations and licensed premises in September. Red Bull is Europe's leading energy drink, boasting a 45 per cent market share, while the second-ranking product has only attained a 5 per cent share. Red Bull had claimed a 20% market share in Finland by year's end. Red Bull is imported, marketed and sold by Hartwall.

Hartwa-Trade

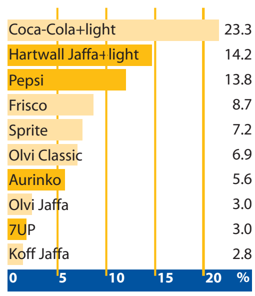
The business operations of Hartwa-Trade, a subsidiary that is 100% owned by Hartwall, were changed at the beginning of October. For 25 years, it had acted as an alcoholic beverages trading company; now it functions as an importer and wholesaler of alcoholic beverages. Hartwa-Trade's ordering and distribution routines rely on Hartwall's existing functions.

Hartwa-Trade's goods suppliers include about 15 foreign principals, many of which represent the largest spirit houses in the world. The products represented by Hartwa-Trade are very well-known all over the world, and stand for high quality. Hartwa-Trade's product range includes about 150 products in all. Hartwa-Trade's business operations will go ahead at full steam in 1999.

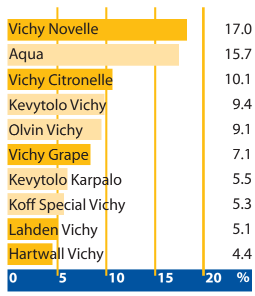
Finnish Beers
Top Ten 1998



Finnish Soft Drinks
Top Ten 1998



Finnish Mineral Waters
Top Ten 1998



The shares of daily convenience goods store in all Finland.
Source: A. C. Nielsen

Sales of the brewing and soft drinks industry in Finland 1998

	Beverage group million litres	Change	Hartwall million litres	Change	Hartwall's market share	Change percentage point
Beers	408.4	-2.1	200.8	-6.4	49.2%	-2.2
Soft drinks	256.8	-2.2	136.1	-13.8*	53.0%	-7.1*
Mineral waters	51.0	+12.2	25.2	+12.9	49.4%	+0.3
Total	716.1	-1.2	362.1	-8.2	50.6%	-3.9
Other drinks			16.2			
Total			378.2			

*Coca-Cola Cold Drink -beverages have earlier been included in the sales volumes of Hartwall.

Exports and duty-free sales. *Oyj Hartwall Abp's international operations mainly consist of the export of Lapin Kulta beer to Scandinavia and the chosen European markets as well as duty-free sales onboard passenger ships in the Baltic area.*

Exports

Hartwall's exports in 1998 amounted to FIM 77.8 million, down slightly from FIM 82 million in the previous year. This decline is mainly attributable to the impact of poor summer weather conditions on beer consumption at the near-by market areas and the economic crisis in Russia, which brought a halt to exports to Russia after September. The aggregate volume of exports in 1998 was 19.4 million litres (20.8 million litres).

The main market areas for Lapin Kulta beer are still Sweden, Russia and Estonia. In addition, smaller volumes are exported to Norway, Germany and other European countries. Sweden is the number one country for Lapin Kulta exports, and the beer improved its market position considerably, although the aggregate volume dropped from 13.9 million to 12.8 million litres. However, exports to Estonia grew from last year's 1.0 million litres to 1.3 million litres. Other market areas are being looked into now, with the aim of targeting exports at continental Europe.

The Lapin Kulta export bottle has been transformed into a long-neck bottle. This bottle, with its international size, has been given an excellent reception in all of Hartwall's export markets, and it has nudged Lapin Kulta's image into the desired direction.

Lapin Kulta has an important role to play in Hartwall's international operations. Efforts to give this beer an international push have enabled the company to set itself up successfully in nearby areas.

The outlook for exports in 1999 is good; new export markets are being identified and marketing measures are being taken to maintain the current growth vector. New multipackaging solutions are being developed to ensure that Lapin Kulta can hold on to its strong market position. It is expected that, as in previous years, growth will take place in the major markets: Sweden, Estonia and Russia.

Duty-free sales

In 1998, Hartwall's duty-free sales declined from the previous year's FIM 83.7 million to FIM 80.4 million. The aggregate duty-free sales volume amounted to 21.8 million litres, which is 0.6 million litres less than in 1997.

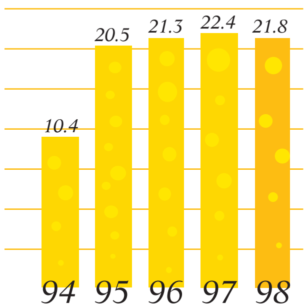
Duty-free sales include tax-free sales as well as sales on aeroplanes and in the restaurants and bars of passenger ships. Lapin Kulta is the largest brand in Hartwall's duty-free sales with its 79 per cent share. The other branded products include Karjala beer, Woodpecker cider and long drinks.

The decline in duty-free litres

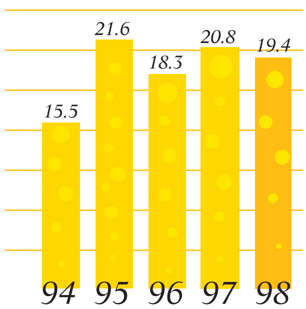
sold was mainly the result of the changing customs and import regulations affecting passenger ship traffic. Sales on board passenger ships accounted for about 80% of Hartwall's duty-free sales in 1998.

For the time being, the abolition of tax-free sales within the EU will have only a minimal effect on Hartwall's duty-free sales, as passenger ship operators have announced that they will adopt routes on which tax-free sales are permitted, e.g. sailing via Maarianhamina and Tallinn.

The trend in Hartwall's duty free sales (million litres)



The trend in Hartwall's exports (million litres)



BBH's year of growth

Hartwall owns 50% of Baltic Beverages Holding, which is a majority shareholder in eleven breweries in Russia, the Baltic countries and Ukraine. The other half is owned by the Swedish–Norwegian company Pripps Ringnes AB.

Hartwall includes 50% of all figures in BBH's Balance Sheet and Profit and Loss Account in its own Balance Sheet and Profit and Loss Account.

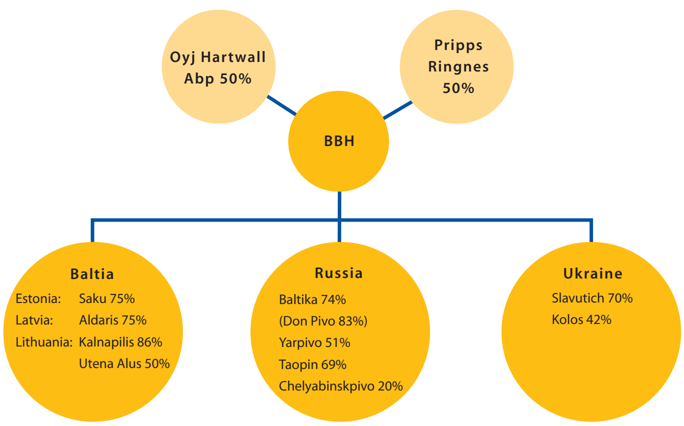
BBH is registered in Sweden, but its management is spread out across its key cities: Helsinki, Stockholm, Oslo and Tallinn. BBH's Managing Director is Christian Ramm-Schmidt.

BBH's strategy

BBH's strategy is to reach a market leader position in Russia, Baltic countries and Ukraine by acquiring breweries, investing techology and know-how in them, and strengthening their sales, marketing and distribution systems. Special attention is paid to the quality of the beer, which today is on a Western level. BBH's beers are well-known market leaders at the national and regional level alike.

BBH's objective is to acquire a majority stake in breweries, but to maintain the management of the breweries in the hands of local managers. The breweries operate independently in their own market areas and, after the initial capital expenditures have been made, they mainly handle their own investments from their cash flow.

Ownership structure 1.2.1999



The bulk of the breweries' earnings go towards their further development. BBH strives to ensure that shareholders receive a reasonable dividend from the breweries.

BBH in 1998

BBH continued to enjoy buoyant growth in 1998 in spite of the cold summer and the economic and political restlessness prevailing in the company's main market areas. The sales volume grew by 48%. BBH's market share increased in Russia, Ukraine, Lithuania and Estonia.

The defining event of the year was the financial crisis in Russia, which began in August and had, by the end of the year, caused the value of the rouble to weaken by 71% in relation to the US dollar. The crisis spread to Ukraine, where the hrivna was devalued by 45%. The after-effects of the Russian crisis extended, in a weaker form, to the Baltic countries as well.

Beer consumption increased in all of BBH's markets, with the greatest growth being seen in Russia. Contrary to expectations, consumption grew at an even faster rate once the crisis began. In Ukraine, however, the crisis reduced consumption at year's end.

BBH acquired a 24% stake in the Kolos brewery in Ukraine. This deal affords BBH good opportunities to further consolidate its market position in Ukraine.

In Ukraine, BBH increased its holding in the Slavutich brewery from 50.7% to 70%, and its holding in the Russian Taopin brewery from 50% to 69%. The technical modernisation of the Don Pivo brewery was seen to completion, and a beer whose quality matches that of Western brands was brought to market.

BBH acquired the largest malt house in Ukraine to ensure the availability of local malt. In addition, construction got under way on the new malt house that will be erected as an adjunct to the Baltika brewery. The malt house is due to be completed after summer 1999. The objective is to reduce the brewery's dependence on imported products and raw materials.

In 1998, BBH introduced a new-look glass bottle and beer crate in three Baltic countries. The new bottle is returnable.

BBH is still adhering to its long-term expansion strategy. As beer consumption is growing fast in

Map of business area

BBH in a nutshell

Brewery	Country	BBH's holding, %	Acquired	Sales volume in 1998, million litres	Consolidated sales volume, million litres	Growth %	Market share at the end of 1998 (estimate), %	Personnel 31 Dec. 1998
Saku	Estonia	75	1991	41	41	31	48	231
Aldaris	Latvia	75	1992	49	49	6	50	316
Baltika	Russia	74	1993	497	497	64	14	2 634
Kalnapilis	Lithuania	86	1994	46	46	24	29	373
Yarpivo	Russia	51	1996	131	131	65	4	662
Slavutich	Ukraine	70	1996	78	78	20	13	628
Taopin	Russia	69	1997	83	83	50	3	930
Don Pivo[1)]	Russia		1997	-		-	-	-
Utenos Alus[2)]	Lithuania	50	1997	23		-	15	593
Kolos[3)]	Ukraine	42	1998	17		-	3	500
Chelyabinskpivo[4)]	Russia	20	1999	47		-	2	700
Internal sales					-12			
Total					913			

1) Baltika's subsidiary, holding: 83%. Its sales figures and personnel are included in Baltika's figures.
2) Holding as of 29 Jan.1999: 50%. Not consolidated as part of the Group.
3) Holding as of 1 Feb.1999: 42%. Not consolidated as part of the Group.
4) Acquired 29 Jan.1999. BBH's holding after a targeted share issue: 75%.

BBH's malt houses

		Owner:	Capasity, tonnes/year
Lithuania	Litmalt	Lahden Polttimo/BBH 50/50	10,000
	Utena	owned by the brewery	15,000
Russia	Yarpivo	owned by the brewery	15,000
	Taopin	owned by the brewery	15,000
Ukraine	Slavuta	BBH 66%	90,000
	Kolos	owned by the brewery	6,000
Russia	Baltika (will be completed in 1999)	Soufflet/BBH 70/30	105,000
	Chelyabinskpivo	owned by the brewery	12,000

Russia, BBH made an agreement, at the end of January 1999, to acquire a 20% stake in the Chelyabinskpivo brewery, which is located in the town of Chelyabinsk in the Urals. At the same time, a targeted share issue, which will raise BBH's holding to 75%, was agreed upon. Twenty million people live in the Chelyabinsk economic area, making it the second largest population centre in Russia. Chelyabinskpivo is the leading brewery in the area. It has an annual capacity of up to 60 million litres and employs about 700 people. The modernisation of the brewery is beginning immediately, with the aim of considerably expanding the brewery's capacity and upgrading the quality of the beer to meet Western standards.

The aggregate sales volume of BBH's breweries was 913 million litres (616 million litres). In addition, the annual output of the Kolos brewery, which was acquired this year, is 17 million litres. The sales volume of the Utenos Alus brewery is 23 million litres.

The consolidated net sales of BBH's breweries amounted to SEK 3,605 million (SEK 2,732 million in 1997), with an operating profit of SEK 1,093 million (SEK 935 million). Hartwall's share of these figures for 1998 was half, or FIM 1,232.5 million (949.6 million) and FIM 358.1 million (317.3 million).

The annual investments in production and distribution facilities exceed to 1,561 million crowns.

Russia

The Russian economy developed favourably at the beginning of the year; the inflation was low and the GNP did not decline further. In August, extreme devaluation and the banking crisis sparked off a crisis in the country's economy.

External factors also had an impact on the Russian economy. These factors included the rapid downswing in the Asian economy and the low price of energy on the world market, which led to the contraction of revenues from exports of oil and gas. The country was swept into economic uncertainty. The reasons underlying this were the country's political instability, the State's massive expenditures, its failed attempts to collect taxes, and the faltering confidence, both in Russia and abroad, in the government's ability to take care of its responsibilities.

By the end of the year, the value of the rouble had shrunk by 71%. Annual inflation was 84%. Industrial output declined by 6% during the year.

The consumption of beer grew considerably for the second year in a row, continuing after the crisis as well. Beer consumption was up 23% in all, and consumption per capita increased from 19 litres to 23 litres. The sales volume of BBH's four breweries rose by 61%. The growth of sales volume speeded up towards the end of the year. From September to the end of the year, the sales volume was 72% higher than in the corresponding period of the previous year. BBH's market share in Russia rose to 21%. The share of imported beers contracted to about 1% after the crisis; before the crisis, this figure was appx. 10%.

In order to alleviate the impact of devaluation, immediate measures were implemented to minimise brewery costs which are susceptible to currency risks; this was done by reducing the share of expenditures accounted for by imported raw materials and accessories. Domestic outsourcers for the most important goods have been found gradually and without compromising quality requirements. Only Baltika still uses imported malts; its own malt house will be completed after the summer of 1999.

BBH's successful pricing policy has played a key role in the development of profitability. No large price increases have been implemented at any one time; rather, prices have been repeatedly raised by small amounts. During the period from September to December, BBH's breweries in Russia raised their prices by 30 to 55 per cent. In addition, other savings measures have been carried out.

Numerous amendments were made to alcohol legislation, with a view to improving the supervision of tax collection. The brewing industry was successful in its attempt to amend the proposed Act to the effect that beer is not classified as an alcoholic product. The new Alcohol Act was prepared in the autumn, and it was approved by all of the country's decision-making bodies. The Act corresponds with the objectives of the brewing industry.

The excise tax on beer was raised by 20% at year's end, and now it amounts to 0.72 roubles/litre. This increase can be considered to be reasonable, when one takes into account the fact that beer prices rose considerably during the autumn.

BBH continued to expand in Russia in line with its long-term strategy. Because BBH's four breweries cover the western part of Russia quite well, it was decided that operations would be expanded to also cover the second largest population centre in the Ural economic area. For this reason, in January 1999 BBH acquired a 20% stake in the Chelyabinskpivo brewery, which is located in the town of Chelyabinsk. At the same time, a targeted share issue for BBH was agreed.

Baltika

The brewery went ahead with its large-scale expansion works. Baltika's market share of the total market in Russia grew to 14%. The brewery has an especially strong position in the St. Petersburg (57% market share) and Moscow (30% market share) areas.

In 1998, an extensive investment programme, worth SEK 942 million, was finished, and as a result Baltika's current production capacity in 1999 amounts to 600 million litres. Baltika's profitability remained good in spite of the economic crisis.

The first stage of the rebuilding works for Don Pivo, Baltika's subsidiary in Southern Russia, was seen to completion in the summer 1998. The annual capacity is 100 million litres. Don Pivo brews both Baltika beer and the local brand Don Pivo. Both brands have secured their position in the region.

Baltika is building a new malt house as an adjunct to its brewery, in association with the French company Soufflet. The objective is to replace imported malt with high-quality local malt. Baltika has a 30% stake in the malt house, which will have a production capacity of over 100,000 tonnes. It is scheduled to be completed after summer 1999. For the most part, imported malt will then be supplanted by local malt.

Yarpivo

The Yarpivo brewery is located in Jaroslav, just over 200 km to the north-east of Moscow. The first stage of the brewery's investment programme was seen to completion in January 1998. Yarpivo was the fastest growing brewery in Russia during the report year (+65%), and is now the fourth largest in the country. The trend in the brewery's profitability has been favourable, and the Yarpivo brand is now well-known in Jaroslav, Moscow, and in the region north of Moscow.

Taopin

The Taopin brewery is located in Tula, 160 km south of Moscow. The thorough modernisation of the brewery continued in 1998. Its new production capacity will be put into operation in the spring of 1999, when a new quality beer will also be launched. In spite of the ongoing construction work, sales have developed favourably and the brewery is now in a good position to upgrade its operations next year.

Ukraine

The Russian crisis also destabilised the positive development of the Ukrainian economy. The hrivna was devalued by 45%.

Beer consumption in Ukraine grew by about 10%. Consumers' purchasing power declined significantly towards the end of the year, and this was evident in beer consumption. Consumers shifted over to cheaper brands of beer. During the economic crisis, the excise tax on beer was raised dramatically, complicating the situation further. At the turn of the year, however, the excise tax was lowered back to a reasonable level: 0.02 euros/litre. Beer consumption remains low at 12 litres per capita.

Slavutich

The technical modernisation of the brewery was seen to completion in May 1998. The Slavutich brand name rapidly consolidated its position as the mark of quality beers in Ukraine. During the year, a distribution network covering the entire country was set up, using the brewery's own distribution centres. Its market share grew slightly, from 11% to 13%.

Kolos

In order to safeguard its market share in Ukraine, a country with 52 million inhabitants, BBH bought a 24% stake in the Kolos brewery, which is located in Lvov in the western part of Ukraine. In January 1999, BBH's holding grew to 42%.

Slavuta Malt House

The devaluation of the hrivna had a substantial impact on the costs of malt, which was, at that time, imported from the West. For this reason, BBH expedited the opening of the Slavuta

Beer consumption per capita (litres)

	1990	1994	1997	1998	Market growth 1998
Estonia	47	33	40	47	+16%
Latvia	31	24	29	31	+5%
Lithuania	55	31	41	44	+8%
Russia	23	16	19	23	+23%
Ukraine	28	17	11	12	+10%

malt house, which was acquired before the crisis began. BBH's holding in the malt house is 66%. Slavuta is the largest malt house in Ukraine, producing about 100,000 tonnes of malt annually.

Estonia

The Estonian economy developed favourably, even though the effects of the Russian crisis were evident. Inflation was 6.5% and GNP rose by 4%. Consumption continued to grow vigorously (+15%), approaching the Western level being 47 litres per capita. At the same time, competition became considerably tighter.

1998 was a successful year for the Saku brewery. Its market share grew to 48%. In the quality beer sector of the market, Saku had a market share of 51%, and volyme grew by 31%.

An extensive packaging reform was carried out during the report year. Bottles and beer crates were replaced with new models. The new type of bottle supplants the existing Eastern European bottle, and will now become the industry standard. The reform was kicked off in all the Baltic countries at the beginning of the report year, and is scheduled to be completed by the beginning of 1999.

Under the earlier discriminatory Beer Tax Act, Saku was the only brewery to be placed in a higher tax bracket. The Act was repealed, and new taxation practices, similar to those in Western Europe, will be introduced in the spring of 1999.

Saku will invest in a new bottling line. At the end of the year, it was decided that the Saku Linnas malt house, owned on a 50-50 basis by Saku and Lahden Polttimo, will be terminated. The reason behind this is that operations are unprofitable due to the price level of malt in Europe.

Latvia

The effects of the Russian crisis were evident in the Latvian unemployment rate and consumers' reduced purchasing power. Consumption grew slightly, but remained slightly lower than in the other Baltic countries, at only 31 litres per capita (29 litres per capita in 1997). The focus of consumption is moving slowly from vodka to beer. The price difference between these drinks is quite small.

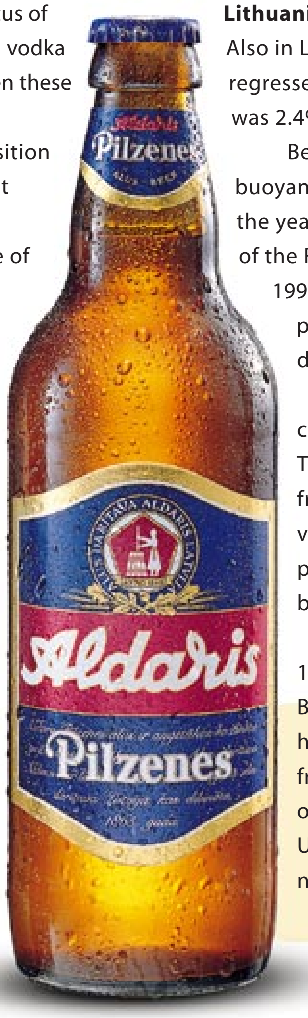
Aldaris occupies a strong position in the quality beers market segment (68% market share). This segment contracted, while the sales volume of cheap, low-quality beer rose. The Aldaris brewery does not have brands in this product group, and consequently its aggregate market share declined. Market share was 50%.

Aldaris was one of the first companies in Latvia to be granted ISO 9001 certification, and the first of BBH's breweries to receive it. The brewery's beers have come out on top in numerous beer quality competitions.

A new beer bottle and crate for the Baltic market were introduced at the end of the year.

The Aldaris brewery delivered Vichy mineral water to the whole of the Baltic area. Its production volume was 12 million litres.

Market shares has increased in all of the Baltic countries but profitability does not correspond the objectives at the moment.



Lithuania

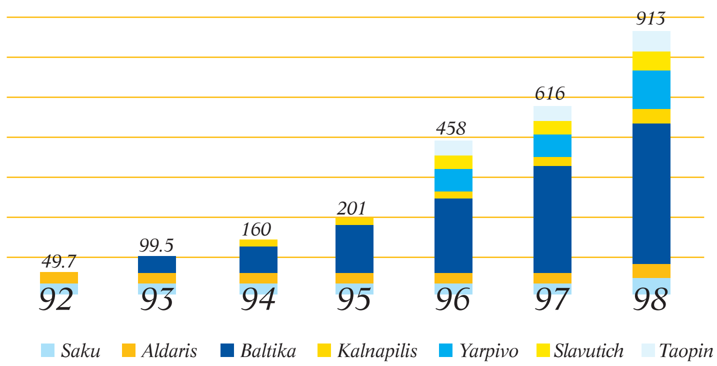
Also in Lithuania the economic growth regressed because of Russian crisis. Inflation was 2.4% and GNB grew 4.2%.

Beer consumption increased buoyantly, especially at the beginning of the year, but then slowed down as a result of the Russian crisis and the cold summer. In 1998, consumption amounted to 44 litres per capita, whereas it was 41 litres during the previous year.

Kalnapilis, the market leader, continued to strengthen its position. The brewery's market share grew from 27% to 29%. The market share vas 35% among bottled beers. Kalnapilis do not brew so-called low-quality beer. The volume growth was 24%.

At the turn of the year 1998/1999, the Lithuanian authorities gave BBH permission to increase its holding in the Utenos Alus brewery from 19.5% to 50%. After the deal, the operations of the Kalnapilis and Utenos Alus breweries will be co-ordinated to achieve synergy benefits.

BBH's brewery acquisitions and trend in aggregate sales (million litres)



Macroeconomic situation by country

	Estonia %	Latvia %	Lithuania %	Russia %	Ukraine %
Inflation: December 1997 – December 1998, %	6.5	2.8	2.4	84.6	20.7
GNP, %	4.2	4.0	4.4	-4.6	-1.7

Source: The Economist Intelligence Unit Ltd

Beer tax/litre in local currencies

Estonia	As of 1 April 1999	EEK 0.55/percentage of alcohol and litre
	Until 31 March 1999: (applies to breweries whose annual production exceeds 20 million litres)	
	<4.7%	EEK 3.00/litre
	>4.7%	EEK 3.50/litre
Latvia	<5.5%	0
	5.5-7.0%	Ls 0.04/litre
	>7.0%	Ls 0.041/percentage of alcohol and litre
Lithuania		LTL 0.4/litre
Russia		RBL 0.72/litre
Ukraine		0.02 euros/litre

Outlook

In future, BBH will continue to adhere to its long-term strategy, in spite of the economic crisis in Russia and Ukraine. BBH aims to further strengthen its market leadership in Russia, achieve market leadership in Ukraine, and maintain its current market position in the Baltic countries. BBH has attained its position due to its strong, high-quality brand names, well-functioning production units, efficient distribution system and its companies' peerless expertise in their own markets. Thanks to these factors, BBH is able to keep ahead of the competition.

The main thrust of operations is toward developing the company's current units further. Corporate acquisitions are also a possibility, and decisions concerning them will be based on the careful assessment of the operating condition.

We expect that the rouble will continue to weaken in the future, and the hrivna might weaken as well. As a result, breweries will have to be able to raise prices and cut costs to alleviate the effects of this trend.

The consumption of beer is expected to grow even more, though at a slower pace than before. Purchasing power will continue its decline. At the same time, we can discern a clear trend, in which the focus of consumption, especially among younger people, is shifting from strong alcoholic drinks to beverages such as beer.

Year 1998. *Changes took place in the Hartwall Group's business environment during the report year. Some of these changes will continue to affect the company's operations even in the distant future.*

Baltic Beverages Holding (BBH) reached and even surpassed the targets that had been set for its volume, market share and profitability (as calculated in local currencies). The devaluation of the Russian rouble and, on its heels, the devaluation of the Ukrainian hrivna, however, significantly reduce the value of BBH's earnings as measured in western currencies. This also means a lowering in the degree of self-financing of investments, as most investments are paid in western currencies. The Board of Directors' view of the future prospects of BBH has not changed, and insofar as this is concerned the strategy remains the same.

The most important change in Finland was that the company acquired a new partner in cola and lemon-lime products: PepsiCo Inc. This will enable Hartwall to implement a new soft drinks strategy, including restarting vending and post-mix business operations with a competitive product selection. Earnings during the financial year were weakened by the structural changes in domestic sales, outlays on the development of business processes as well as the cold and rainy weather that prevailed during the entire summer. A decision was taken during the year to expand Hartwa-Trade's business operations; previously an alcohol beverages trading company, it will now function as an importer and a marketing, sales and distribution company.

Earnings per share amounted to FIM 4.30 (FIM 5.33). The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 0.90 (0.80) be distributed on the Series A Share and a dividend of FIM 0.88 (0.78) on the Series K Share.

Operating environment Finland

The Finnish national economy continued to grow buoyantly. As a result of the favourable trend in real earnings and the unemployment rate, the disposable income and purchasing power of consumers grew noticeably. This, combined with the fact that consumers have retained their confidence in future economic development, sparked a 4% growth in private consumption. In spite of the favourable business environment created by the national economy, aggregate sales by the brewing and soft drinks industry remained at the same level as in 1997 due to the poor weather conditions that prevailed during the entire season. The sales volumes of beers, soft drinks and long drinks declined; on the other hand, the volumes of mineral waters and ciders sold continued to grow.

BBH's business area

The major event within the business territory of Baltic Beverage Holdings (BBH) was the economic crisis in Russia which began in August and led to a 71% devaluation of the rouble during the period from August to December. Inflation in Russia was 84% in 1998 and the country's industrial output declined by 6%. Russia's financial uncertainty spread to Ukraine, where the hrivna was devalued by 45%. Sales of beer in Ukraine were complicated by an exponential increase of beer taxation to 0.11 euros per litre. The effects of the Russian financial crisis were also reflected in the Baltic countries, where, in spite of the crisis, consumption grew by an average of 8%. The highest growth, 15%, was seen in Estonia, and the lowest, 5%, in Latvia.

Market position and trends in sales
Finland

The domestic competition tightened following a structural change. The aggregate sales volume was 378.2 million litres (412.3), or 8.3% less than in the previous year. The company lost some of its market share in beers, ciders and soft drinks; the reason behind the company losing ground in soft drinks is that Coca-Cola Cold Drink was sold to Coca-Cola Juomat Oy on 31 December 1997. Aggregate sales by the industry remained at the previous year's level.

With its 49.3% aggregate market share, Hartwall held on to its position as Finland's leading brewery. The company was the market leader in all product groups, with the exception of ciders.

Total beer sales shrunk by 2.1% and Hartwall's market share in beers was 49.2%. The decline in Hartwall's market share was mainly influenced by the fact that the company's launch of multi-packaging solutions was delayed by technical problems. The soft drinks market also declined, down 2.2 per cent from 262.5 million litres to 256.8 million litres. Hartwall's market share was 53%, representing 7.1 percentage points less than in the previous year, the reason being that control of the sales and marketing of CCCD's products was transferred to Coca-Cola Juomat. The market share of soft drinks marketed by Hartwall grew by 2.1 percentage points. The mineral waters product group continued to grow, with aggregate sales by the industry up 12.2%; Hartwall's market share was 49.4% (49.1%).

BBH

BBH continued its buoyant growth in its business territory — the Baltic countries, Russia and Ukraine — in spite of strong economic and political uncertainty. BBH's aggregate sales climbed from 616 million litres to 913 million litres.

Beer consumption grew in the whole of BBH's business area. The devaluation of the Russian rouble in August did not slash beer consumption; rather, it has been calculated that consumption grew by 23% during the past year, coming in at 23 litres per capita. BBH's sales volume in Russia grew by 61 per cent, from 437 million litres to 704 million litres. In the September-December period, BBH's sales volume in Russia grew by as much as 72% compared to the corresponding figures from the previous year.

BBH's sales volume in Ukraine was 78 million litres (65 million litres). In the Baltic countries, BBH sold a total of 131 million litres, up 15% on the previous year. BBH was the market leader in beers in the Baltic countries and Russia, ranking a close second in Ukraine.

Group structure

During the financial year under review, BBH subscribed a share issue targeted at it by the Taopin brewery of Russia, as a result of which BBH's holding in Taopin will rise from 50% to 69% during spring 1999. In addition, BBH has acquired a 24% stake in the Kolos brewery and a 66% holding in the Slavuta malt house, which are both located in Ukraine.

Net sales

The Group's net sales grew by 9.3% to FIM 2,893.5 million (FIM 2,647.6 million).

Hartwall's domestic net sales, including duty-free sales, were FIM 1,607.9 million (FIM 1,641.0 million), 2% less than in the previous year. This decrease is attributable not only to the rainy and cold summer, which led to a contraction in the total market for the company's main product groups, but also to the lower price level of the outsourced products manufactured for Coca-Cola Juomat Oy.

Net sales in BBH's area of operations grew by 30 per cent, climbing to FIM 1,232.5 million (FIM 949.6 million) while the sales volume grew by 48%. All of this growth was organic, engendered by increased brewery capacity. During the last third of the year, FIM-denominated growth was slowed down by the weakening of the rouble and hrivna, which began in August. Consequently, BBH's net sales for September-December fell 23.5% short of net sales a year earlier, even though sales in litres grew by 47.8%.

Net sales in other countries, primarily resulting from the export of Lapin Kulta beer to Sweden and Norway, declined by 6.8% to FIM 53.1 million (FIM 57.1 million). This was the result of the contraction in the Swedish beer market, which was caused by the dramatic growth in tourist imports of beer from countries with lower alcohol taxes.

Net sales by market area, FIM million

	1998	1997	Change, %
Finland (incl. duty-free -sales)	**1,607.9**	1,641.0	-2.0
Baltia countries, Russia and Ukraine	**1,232.5**	949,.6	+29.8
Other countries	**53.1**	57.1	-6.8
Total	**2,893.5**	2,647.6	+9.3

Financial result

The Group's operating profit rose almost to last year's level, reaching FIM 560.8 million (FIM 567.6 million), or 19.4% (21.4%) of net sales.

Hartwall's operating profit (without BBH) was FIM 202.7 million (FIM 250.3 million), representing 12.1% (14.5%) of net sales. The reasons behind the unfavourable trend in operating profit were the low sales volumes of the summer period, the costs of developing business processes, and the fact that the products manufactured for Coca-Cola Juomat Oy were less profitable than in the previous year. Of the compensation received from the Coca-Cola agreement, FIM 76 million (FIM 67 million) has been booked; its effect on cash-flow during the review year was FIM 50 million. As a result of the replacement of Coca-Cola products with Pepsi products, and the updating of soft drinks packaging solutions, related expenses and cost provision totalled FIM 35 million.

BBH's operating profit grew by 12.9% to FIM 358.1 million (FIM 317.3 million), and was 29.6% (34.2%) of net sales. The company's earnings trend weakened considerably during the last third of the year following the dramatic devaluation of the rouble and hrivna, with the company's operating profit coming in at FIM 34.9 million (FIM 98.2 million), or 14.3% (30.8%) of net sales. By means of price raises, ranging from 30% to 55% depending on the brewery in question, it has been possible to return the operating profit margin for the last third of the year to the same level it was at during the corresponding period of the previous year, or 30.8%, before the translation differences arising from consolidation. Operating profit for the entire year was burdened by a FIM 85 million translation difference caused by the weakening of the rouble and hrivna; of this amount, FIM 40 million arose during the last third.

Breakdown of operating profit, FIM million

	1998	1997	Change, %
Hartwall	**202.7**	250.3	-19.0
BBH (50%)	**358.1**	317.3	+12.9
Total	**560.8**	567.6	-1.2

The Group's net financial expenses rose to FIM 81.0 million (FIM 5.5 million), and were 2.8% of net sales (0.2%). Hartwall's net financial expenses were lower than in the previous year, while BBH's grew considerably as a result of capital expenditure programme, the exchange rate losses arising from these debts, and translation differences in financial items. Profit before extraordinary items amounted to FIM 479.7 million (FIM 562.1 million), representing 16.6% (21.2%) of net sales.

The taxes for the financial year, calculated according to the tax rates in force, were FIM 159.0 million (FIM 163.0 million), and, in the financial performance of BBH breweries, minority interests were FIM 64.7 million, amounting to about the same as last year (FIM 68.1 million).

Net profit for the year amounted to 9.4% (11.8%) of net sales, or 271.7 million (313.2), which is 13.3% less than a year earlier. Correspondingly, earnings per share were FIM 4.30 (FIM 5.33), or 19.3% less than in 1997.

Return on investment was 28.4% (40.6%) and return on equity was 24.4% (36.8%). The equity ratio was 49.2%, whereas it was 54.1% the previous year.

The impact of weakening currencies on BBH's earnings

BBH's subsidiaries are consolidated using the monetary non-monetary method, in which the acquisition value of fixed assets, denominated in the Group's home currency (SEK), remains unchanged and the foreign exchange risk is allocated to the value of net working capital and net debt. When using this method, depreciation is calculated from fixed asset values and the translation differences in net working capital are recorded in the profit and loss account before operating profit.

In the financial statements for 1998, the following USD exchange rates have been used for the Russian rouble and the Ukrainian hrivna:

Average exhange rates	1998	1997	Change
RUB	**10.476**	5.803	-44.6%
UAH	**2.581**	1.856	-28.1%

Exhange rates in financial statements		31.12.1997	Change
RUB	**22.58**	5.939	-73.7%
UAH	**3.88**	1.885	-51.4%

The average exchange rates that are used when translating foreign currency-denominated items in the profit and loss account are calculated on the basis of the official exchange rate quotations for the period under review. In the valuation of monetary items in the balance sheet, the weakening of currencies which has happened after the balance sheet date has been taken into account.

The retained earnings reported by the subsidiaries of the BBH Group have been converted using the financial statement exchange rate quoted above. As a result of this method, the BBH Group's distributable retained earnings are about FIM 167.4 million lower in the financial statements than when converted using the exchange rates in force when the retained earnings were generated.

Profit before extraordinary items is burdened by FIM 150 million in translation differences arising from the weakening of these currencies and exchange rate losses following the discharge of the currency reserve; of this amount, FIM 85 million is charged to operating profit and FIM 65 million to financial items.

Capital expenditures

The Group's total capital expenditures amounted to FIM 611.3 million (FIM 408.7 million). BBH's share was FIM 513.3 million (FIM 345.5 million), of which FIM 90.1 million was spent on corporate acquisitions and increasing shareholdings, and FIM 423.2 million on production. The major investments in production were the augmentation of Baltika's capacity, the modernisation of Don Pivo's capacity and the completion of the Taopin breweries' modernisation programmes.

Hartwall's capital expenditures totalled FIM 98.0 million (FIM 63.2 million). The major investment sites were a bottling line for soft drinks and mineral waters in 0.5 litre plastic bottles as well as expenditures on the equipment required for restarting vending and post-mix operations.

Financial position

As a result of a strong investment programme, the Group's net debt rose to FIM 560.0 million (FIM 139.0 million). Nonetheless, its liquidity remained good. On the other hand, the self-financing of the investments made during the last third had to be supplemented with borrowed capital due to the weakening of BBH's main currencies. With the growth of net debt, the gearing ratio rose from 11% to 39%.

In order to ensure the availability of financing, the company has increased the amount of its credit limit reserve by FIM 300 million, which remained unused at the turn of the year.

Shares

The par value of the company's shares was reduced from FIM 5 to FIM 1 in accordance with a decision taken by the Annual General Meeting of 27 April 1998. Accordingly, the number of shares in each series was increased fivefold. The new number of Series A Shares was 52,900,000 and that of Series K Shares was 7,400,000.

In accordance with the subscription terms, a total of 125,000 Series A Shares were subscribed with warrants from the issue of bonds with warrants that was floated in 1994. The subscription raised the company's share capital to FIM 60,425,000 as the number of Series A Shares rose to 53,025,000.

Turnover of the company's Series A Shares amounted to FIM 1,887.1 million in 1998, representing 32.7% of the total amount of Series A Shares. The share turnover amounts and prices during the periods from 1 January to 25 April and from 27 April to 31 December 1998 were as follows:

Before stock split 1 Jan.-25 Apr. 1998

Share turnover	shares	462,19
Lowest share price	FIM	430.00
Highest share price	FIM	775.00
Avarage share price	FIM	565.10

After stock split 27 Apr.-31 Dec. 1998

Share turnover	shares	15,020,824
Lowest share price	FIM	45.60
Highes share price	FIM	209.30
Avarage share price	FIM	108.24
Final share price on 31 Dec. 1998	FIM	82.50

The number of shareholders rose to 8,521 (2,610) during the report year, with foreign ownership being 32.4% at year's end.

Personnel

With the authorisation of the Annual General Meeting, Oyj Hartwall Abp's profit-sharing fund was registered on 18 December 1998. It went into operation at the beginning of 1999, and the criteria for determining the annual profit bonuses in 1999 have been approved.

The Hartwall Group employed an average of 4,165 people (3,422) during the review period. The figure includes 50% of BBH's personnel. Hartwall's share of this figure, without BBH, was 1,361 people (1,393). An average of 5,608 people (4,057) were employed by BBH (100%).

Breakdown in the number of personnel

	31 Dec. 1998	31 Dec.1997	Change
Hartwall	**1,315**	1,301	+14
BBH (100%)	**5,842**	4,516	+1,326

Board of directors, managing director and auditors

At the Annual General Meeting held on 2 April 1998, all the members of the Board of Directors were re-elected: Gustav v. Hertzen (Chairman), Erik Hartwall (Vice Chairman), Paul Bergqvist, L.J. Jouhki, Henrik Therman and personnel representatives Pertti Hernesniemi and Erkki Kilpinen. The managing director for the entire financial period has been Jussi Länsiö.

The elected auditors were Sixten Nyman, Authorised Public Accountant, and the firm of public accountants KPMG Wideri Oy Ab.

Events after the date of closing

The Alcohol Act that was drafted in Russia during the last autumn, and which concerns the manufacture and sale of alcoholic beverages, was approved by all the decision-making bodies. In the new legislation, beer was left out of the scope of the Alcohol Act. This is compatible with the brewing industry's objectives.

At the end of 1998, the Russian beer tax rose by 20 per cent to 0.72 roubles per litre. The proportionate share of the retail sale price of beer accounted for by taxes has dropped following price raises. In addition, the beer tax in Ukraine was lowered from 0.11 euros to 0.02 per litre.

Towards the end of January, BBH acquired a 20% stake in the Chelyabinskpivo brewery, which is located in the town of Chelyabinsk in the Urals. At the same time, a targeted share issue which will raise BBH's holding to 75% was agreed upon. Twenty million people live in the Chelyabinsk economic area, making it the second largest population centre in Russia. Chelyabinskpivo is the leading brewery in the area. It has an annual capacity of up to 60 million litres and employs about 700 people. The modernisation of the brewery is being started up immediately with the aim of expanding the brewery's capacity and upgrading the quality of the beer to meet Western standards.

BBH's stake in the Ukrainian brewery Kolos has risen to 42% and its holding in the Lithuanian brewery Utenos Alus to 50%.

The year 2000 and the euro

Most of the risks of the changeover to the Year 2000 are faced by information systems, the control logic employed in production and logistics, and by goods suppliers, who must ensure that they are capable of coping with their Y2K risks.

The information system risk will be eliminated by implementing a new operations control system in the September of this year; this system will cover most of the current applications, while the remainder will be made Y2K compliant by the autumn of this year. In production and logistics, assessment and updating work is being carried out in association with equipment suppliers. The Y2K compliance of goods suppliers will be ensured during this spring. There are no major Y2K expenses apart from the costs of system alterations.

When the operations control system is implemented, Hartwall will be fully prepared for the euro. Changing the home currency to the euro will take place on a customer-oriented basis, as most of our customers deal with physical money. The date of the changeover is currently estimated to be 1 January 2002.

Outlook

In the light of current forecasts about the national economy, the aggregate market in Finland is expected to grow, although some product groups will be favoured over others, reflecting changing consumption habits. The competitive situation has also changed: a new player specialising in soft drinks and mineral waters has come on the scene, while Hartwall's main competitor is focusing to a greater extent on beers and other low alcoholic beverages. As a result, Hartwall is the only major brewing and beverage company that can offer its customers a comprehensive and high-quality selection of branded products.

Hartwall has now turned to PepsiCo for its cola and lemon-lime products, resulting in reduced sales volumes, which will have an unfavourable effect on profitability. On the other hand, the relative profitability of these products will increase. In addition, it is expected that the new 0.5 litre plastic bottle for soft drinks and mineral waters will increase profitability.

In order to ensure domestic competitiveness, Hartwall will upgrade its distribution operations by centralising its distribution centres in Helsinki and Lahti at the beginning of the year 2000. In addition, the company will identify other opportunities for improving its production and distribution functions.

The company is expanding the operations of Hartwa-Trade, whereby Hartwall seeks to both generate growth and improve its comprehensive customer service in the licensed alcohol sales sector. Hartwa-Trade's objective is to attain a major position in the Finnish alcohol trade.

Taking into account the non-recurring income recorded in 1998, it is expected that Hartwall's operating profit will fall short of the previous year.

It is difficult to gauge the development of the market as a whole in BBH's business area, and in Russia and Ukraine in particular. This development is affected by both the political situation and exchange rate changes caused by the trend in the disposable income and purchasing power of consumers. The investment programmes that are underway, and those which have been decided on, will be implemented according to plan. Profitability will be improved by means of price increases, but in such a way that the company's market position will be strengthened. Dependence on exports will be reduced by the utilisation of the Slavuta malt house in Ukraine, the introduction of a new joint malt house in St Petersburg, and turning to domestic sources when making acquisitions.

The earnings level in 1999 will be affected by the earnings trend in Finland and changes in exchange rates. In spite of the measures planned to improve BBH's profitability, the Hartwall Group's earnings in 1999 will be significantly lower than in the previous year.

Accounting policy

The Hartwall Group's annual accounts have been prepared in accordance with the new Finnish accounting regulations that came into force of 31 December 1997. The information concerning the previous financial year has been arranged to correspond to the new accounting practice. Extraordinary items show those changes in the accounting policy which are the result of amendments to the legislation and have an effect on earnings in the opening balance sheet. The most significant changes to the accounting policy which have an effect on net profit are related to dealing with imputed tax liabilities and receivables. Financial leasing items have been included in the consolidated balance sheet at their value on 31 December 1998. The annual accounts have been drawn up in Finnish markka.

Consolidation policy

The consolidated accounts comprise the parent company together with the subsidiaries of Oyj Hartwall Abp (voting rights > 50%) as well as all the associated companies of Oyj Hartwall Abp (voting rights 20-50%). The acquired subsidiaries and associated companies are included in the consolidated annual accounts as from the date of acquisition. Kolos, an associated company that was acquired at the end of the year, has been included in the consolidated annual accounts at its acquisition price. The consolidated annual accounts have been prepared in accordance with the acquisition cost method. In eliminating intra-Group share ownership, the shareholders' equity of subsidiaries is considered to be the shareholders' equity and untaxed provisions on the acquisition date less imputed deferred taxes. The difference arising on elimination is allocated to fixed assets to the extent that the going value of a subsidiary's fixed assets exceeds the book value on the acquisition date. In the consolidated balance sheet the remainder of the acquisition cost of the shares is allocated to the goodwill of the subsidiaries. The portion allocated to fixed assets has been amortised according to the depreciation plan for the underlying asset. For companies in Finland, the consolidated goodwill values have been amortised in their entirety. On the goodwill arising from the acquisition of subsidiaries owned by Baltic Beverages Holding AB, straight-line amortisation has been entered in the consolidated accounts and is periodised over the probable period of economic effect, but nevertheless for a maximum of ten years.

Internal transactions, margins and internal distributions of profits have been eliminated.

Minority interests have been separated from the Group's shareholders' equity and net profit, and are stated as a separate item.

Of the associated companies, BBH and Cool Drinks International Ltd, which are half-owned, have been consolidated using the proportionate method, whereby the consolidation has involved the inclusion of 50% of BBH on all the lines of the profit and loss account and the balance sheet of the companies in question. The portion of intra-Group transactions corresponding to the shareholding has been eliminated.

The other associated companies have been consolidated according to the equity method, whereby the share represented by the associated company has been calculated from the owned company's net profit and net assets as an amount corresponding to the holding, also taking into account the margins on internal transactions.

The profit and loss account of the associated company BBH has been translated into Finnish markka amounts using the average exchange rate during the financial period, whereas the balance sheet items, with the exception of the net profit, have been translated using the exchange rate on the closing day of the financial period. Changes due to exchange rate fluctuations have been booked directly to shareholders' equity.

The associated company BBH has used the so-called monetary non-monetary method in consolidating all its subsidiaries because they operate in countries where high inflation prevails and where the financial markets are in an early state of development. According to this method, the stocks, current assets and creditors in the balance sheet are translated at the exchange rate on the day when the financial period ends, or at a lower exchange rate on the date of closing, while the other items in the balance sheet are translated at the exchange rate on the transaction date of these items. Items in the profit and loss account are translated at the average exchange rate during the financial period, except for depreciation and the change in stocks, which are translated at the exchange rate on the transaction date of the specific acquisition costs. Translation differences are booked as a credit or charge to earnings for the financial period. In addition, retained earnings reported by BBH's subsidiaries have been translated using the exchange rates in the aforementioned annual accounts, and the difference has been transferred from retained earnings to nondistributable funds.

Net sales

Indirect taxes, discounts granted and exchange rate differences have been subtracted from sales revenues when calculating net sales.

Receivables and liabilities denominated in foreign currency.

Receivables and liabilities denominated in foreign currency are valued in the balance sheet at the exchange rate on the closing day of the financial period. Exchange rate differences are credited or charged to the net profit for the period.

R&D expenditure

R&D expenditure has been expensed in the financial year when the outlay has occurred.

Stocks

Stocks have been valued at the acquisition cost or the probable market value, whichever is lower. The acquisition cost of manufactured stocks includes not only direct costs but also a portion of the indirect costs of acquisition and production.

Fixed assets

Fixed assets are valued in the balance sheet at the direct acquisition cost less depreciation according to plan. In addition, the balance sheet value includes revaluations - which are itemised in the Notes to the annual accounts - on certain land areas and buildings. Revaluations that are written off are subtracted directly from shareholders' equity in the balance sheet. Revaluations are based on the values prevailing at the time of revaluation.

Fixed assets are depreciated according to plan using straight-line depreciation on their estimated economic life. The Group's guideline values for the economic life of fixed assets, as used in depreciation, are:

Group goodwill	5-10 years
Other capitalised expenditure	2-20 years
Buildings	20-40 years
Structures	5-20 years
Machinery and equipment	3-15 years

Leasing

Goods rented under financial leasing agreements have been transferred to fixed assets in the consolidated annual accounts, and contractual obligations to interestbearing creditors. The previous year's figures have not been corrected in this manner. Rental liabilities on realestate are presented in the notes to the annual accounts, and the rents are presented in rent costs.

Periodisation of pension expenses

The retirement plans of employees of the parent company and subsidiaries are handled through outside pension insurance companies. The pension insurance payments are periodised to correspond to the wage and salary accruals in the annual accounts.

Extraordinary income and expenses

The impact of the changes in accounting policy on previous financial years has been recorded in extraordinary income and expenses. The tax liability calculated from revaluations carried out in previous years has been recorded directly as a decrease in retained earnings.

Appropriations

Appropriations include changes in voluntary provisions and changes in the difference between financial and fiscal depreciation. In the consolidated balance sheet, the amount of accrued appropriations has been divided between shareholders' equity and the imputed tax liability. The changes in appropriations over the financial period have, correspondingly, been divided between the net profit for the year and the change in the imputed tax liability in the profit and loss account.

Obligatory provisions

Obligatory provisions are balance sheet items representing contractual or other commitments that have not yet been realised. Changes in obligatory provisions are included on the relevant lines of the profit and loss account.

Direct taxes

In the profit and loss account, recorded as income taxes are those taxes which have been calculated, on the basis of local tax legislation, from the results of the Group companies during the financial year, corrections of taxes from earlier financial periods and imputed taxes.

The imputed tax liability or asset is calculated for the periodisation differences between taxation and the annual accounts, using the tax base confirmed for the following years at the date of closing. The balance sheet includes the imputed tax liability in its entirety, and the imputed tax asset is included as an estimate of the probable tax benefit.

Dividends

The annual accounts do not record the dividend proposed to the Annual General Meeting by the Board of Directors. Rather, the dividends will be taken into account only on the basis of a decision taken by the Annual General Meeting.

Profit and loss account

FIM million	Group 1.1.–31.12.1998	Group 1.1.–31.12.1997	Parent company 1.1.–31.12.1998	Parent company 1.1.–31.12.1997
1) NET SALES	**2,893.5**	2,647.6	**1,681.4**	1,678.8
Change in stock of finished goods and work in progress +/-	**7.1**	6.8	**7.2**	-0.4
2) Other operating income	**92.9**	88.5	**96.9**	83.8
3) Materials and services	**-1,180.3**	-1,061.4	**-839.4**	-813.5
4) Staff costs	**-408.8**	-380.3	**-283.9**	-278.4
7) Depreciations and write-downs	**-165.4**	-153.5	**-112.7**	-111.7
Other operating costs	**-678.3**	-580.0	**-354.5**	-340.3
	-2,432.7	-2,175.2	**-1,590.4**	-1,543.8
OPERATING PROFIT	**560.8**	567.6	**195.1**	218.4
	19.4%	21.4%	**11.6%**	13.0%
8) Financial income and expences	**-81.0**	-5.5	**9.1**	-6.4
PROFIT AFTER FINANCIAL ITEMS	**479.7**	562.1	**204.2**	212.0
	16.6%	21.2%	**12.1%**	12.6%
9) Extraordinary items +/-	**10.1**	-10.7	**9.6**	3.6
PROFIT BEFORE CLOSING ENTRIES AND TAXES	**489.9**	551.4	**213.8**	215.6
	16.9%	20.8%	**12.7%**	12.8%
10) Closing entries	**-**	-	**24.4**	16.3
11) Direct taxes	**-153.4**	-170.0	**-59.4**	-81.6
Minority interests	**-64.7**	-68.1	**-**	-
NET PROFIT FOR THE YEAR	**271.7**	313.3	**178.8**	150.3
	9.4%	11.8%	**10.6%**	9.0%

Balance sheet

		Group				Parent company			
	ASSETS FIM million	**1.1.–31.12.1998**		1.1.–31.12.1997		**1.1.–31.12.1998**		1.1.–31.12.1997	
	FIXED ASSETS								
12)	Intangible assets	**69.8**		72.7		**61.0**		80.1	
13)	Tangible assets	**1,717.1**		1,268.3		**701.8**		713.5	
14.3)	Investments	**29.1**		14.4		**10.6**		8.5	
14.1)	Shares in subsidiaries	**-**		-		**10.1**		3.2	
14.2)	Shares in associated companies	**15.4**		10.1		**344.0**		225.7	
		1,831.5	**63.3%**	1,365.6	58.0%	**1,127.6**	**58.4%**	1,031.0	61.4%
	CURRENT ASSETS								
18)	Stocks	**407.8**		392.1		**291.3**		279.0	
19)	Non-current receivables	**12.4**		5.3		**5.1**		4.3	
20, 21)	Current receivables	**561.9**		454.5		**467.5**		312.4	
22)	Deferred tax	**21.7**		-		**18.0**		-	
	Current deposits	**0.2**		58.4		**-**		25.0	
	Cash in hand and at the banks	**57.9**		76.9		**20.6**		26.5	
		1,061.9	**36.7%**	987.2	42.0%	**802.6**	**41.6%**	647.1	38.6%
		2,893.4	**100%**	2,352.8	100%	**1,930.2**	**100%**	1,678.1	100%

	LIABILITIES FIM million								
23, 24)	CAPITAL AND RESERVES								
	Share capital	**60.4**		60.3		**60.4**		60.3	
	Above par value fund	**359.3**		357.3		**359.3**		357.3	
	Other funds	**167.4**		-		**-**		-	
	Net profit for previous periods	**310.8**		290.1		**101.3**		17.5	
	Net profit for the year	**271.7**		313.3		**178.8**		150.3	
	CAPITAL AND RESERVES TOTAL	**1,169.6**	**40.4%**	1,021.0	43.4%	**699.9**	**36.3%**	585.4	34.9%
	MINORITY INTERESTS	**251.2**	**8.7%**	235.1	10.0%	**-**		-	
25)	ACCELERATED CLOSING ENTRIES	**-**		-		**258.7**	**13.4 %**	283.3	16.9%
26)	OBLIGATORY PROVISIONS	**62.5**	**2.2%**	45.8	1.9%	**62.5**	**3.2%**	45.8	2.7%
	CREDITORS								
27)	Deferred tax	**94.1**		82.4		**18.2**		-	
28, 29, 30)	Non-current creditors	**184.8**		170.1		**120.8**		160.8	
31, 32)	Current creditors	**1,131.0**		798.3		**770.0**		602.9	
		1,410.0	**48.7%**	1,050.8	44.7%	**909.0**	**47.1%**	763.7	45.5%
		2,893.4	**100%**	2,352.8	100%	**1,930.2**	**100%**	1,678.1	100%

Statement of changes in financial position

	Group		Parent company	
FIM million	**1.1.–31.12.1998**	1.1.–31.12.1997	**1.1.–31.12.1998**	1.1.–31.12.1997
BUSINESS OPERATIONS				
Funds generated from operations				
Operating profit	**560.8**	567.6	**195.1**	218.4
Depreciations	**165.4**	153.5	**112.7**	111.7
Financial income and expenses	**-81.1**	-5.8	**9.1**	-6.4
Extraordinary items	**10.1**	-10.7	**13.4**	-
Taxes	**-153.4**	-170.0	**-59.4**	-81.6
	501.8	534.6	**270.9**	242.0
CHANGE IN WORKING CAPITAL				
Stocks increase/decrease	**-15.7**	-7.7	**-12.4**	24.7
Current trade receivables, increase/decrease	**-129.1**	-95.2	**-173.2**	16.3
Non-interest-bearing current liabilities, increase/decrease	**13.8**	208.3	**-20.0**	111.4
	-131.0	105.4	**-205.6**	152.5
OPERATING CASH FLOW	**370.8**	640.0	**65.3**	394.5
CAPITAL EXPENDITURE				
Capital expenditure on fixed assets	**-611.1**	-408.7	**-218.2**	-146.5
Capital gains on fixed assets	**66.8**	34.1	**8.8**	53.2
	-544.5	-374.6	**-209.4**	-93.4
CASH FLOW BEFORE FINANCING	**-173.8**	265.3	**-144.1**	301.2
FINANCING				
Increase in long-term loans		145.0	**-**	135.2
Repayment on loans	**-36.2**	-180.6	**-34.4**	-173.1
Increase/decrease in long-term loans	**-7.0**	-4.3	**-0.8**	-3.3
Increase/decrease in short-term loans	**293.3**	-154.7	**198.2**	-195.3
Dividends payed	**-48.1**	-24.0	**-48.1**	-24.0
Received and payed group subsidy	**-**	-	**-3.8**	3.6
Share issue	**2.1**	-	**2.1**	-
Minority interest	**-48.6**	16.5	-	-
Other financial items	**-58.8**	6.9	**-0.1**	-0.2
TOTAL FINANCING	**96.6**	-195.1	**113.2**	-257.1
Increase/decrease in liquid assets	**-77.2**	70.2	**-30.9**	44.1
Liquid assets 1 January	**135.3**	65.1	**51.5**	7.4
Liquid assets 31 December	**58.1**	135.3	**20.6**	51.5

Financing risks and their management

Objective

The Group has a financing policy that is approved by the Board of Directors and defines the accountability and authorisations in financing tasks as well as the principles to be observed in managing financial risks. In addition, the subgroup formed by BBH has a foreign exchange policy that is approved by its Board of Directors and takes into account the special features of the operating environment. The goal of financing policy is to hedge financing risks in such a way that the Group' s liquidity, net profit and solvency are not jeopardised. Central objectives in this respect are:

- safeguarding the Group's liquidity
- maintaining the agreed balance sheet structure/ solvency
- managing interest cover
- managing foreign exchange and interest rate risk
- maintaining a good corporate image in the financial markets

The following principles are observed in managing the most important financing risks.

Spreading risk

The principle underlying the sharing of operational responsibility for financing is the planning of operations so that the capital tied up in fixed assets and working capital is optimal from the standpoint of costs and the flexibility of operations, and the definition of the short-term financing requirement for operations or the financing surplus they generate. The task of finance is to satisfy the financing requirement of business operations via an optimal risk/cost ratio or to invest the surplus in liquid and secure instruments.

Interest rate risk

The interest rate risk position is defined on the basis of the average maturity of net debt. On this basis, risk limits are also set for the net risk positions of individual maturities. In analysing interest rate risk, financial leasing and interest rate-linked lease agreements are also considered as interest rate risks. The sought-for interval of the maturity has been set at 6 to 12 months. Liabilities according to the above definition as at 31 December 1998 amounted to FIM 712 million (31.12.1997: FIM 364 million) and the average interest rate maturity made use of the present short-term rates.

Foreign exchange risk

Foreign exchange risk is examined as both a transaction risk and a translation risk. Because the business is centred in domestic markets, the significance of translation risks is fairly minor. The main currencies used in business dealings are the Swedish krona (SEK), the Great Britain pound (GBP), euro (EUR) and the Deutsche mark (DEM). On the other hand, the translation risk, which is managed with the aim of hedging the Group's shareholders' equity and reserves, is more significant, since BBH operates mainly in national economies where the trend in inflation is strong and the financial markets are in their infancy. In these conditions, the use of financial risk management instruments is limited or expensive. Accordingly, BBH's translation risk is managed by applying the so-called monetary non-monetary method in the consolidated annual accounts and by employing operational means to bring financial assets and liabilities into balance. An allocation was made in BBH's previous annual accounts as a provision against weakening currencies in national economies in which the rates of inflation deviate significantly from those in Western economies, and whose currencies are subject to political regulation. This allocation was discharged as a result of the devaluation of the Russian rouble and Ukrainian hrivna.

Liquidity risk

To ensure liquidity in exceptional circumstances, the Group must have a sufficient liquidity reserve, consisting of cash funds, revolving credit facilities and loan commitments, to cover any liquidity requirements, including those in unexpected situations.

Credit risk

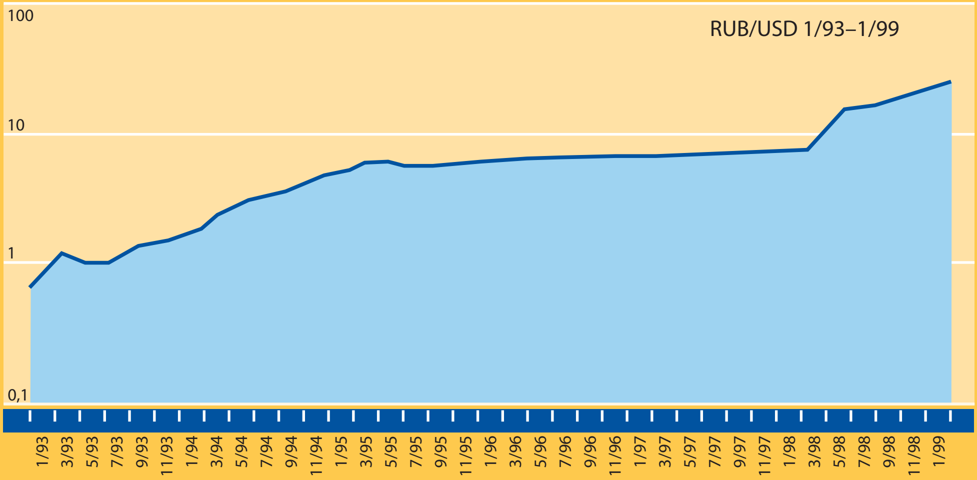
A special feature of the brewing industry is the large proportion of excise taxes in the taxable invoicing. Unlike value-added tax (VAT), the excise tax included in any credit loss must be borne by the brewery. The principle observed in sales on credit is to define customer-specific credit risks and to require security for the receivable.

Counterparty risk

Investments and derivative contracts can be made only with separately defined counterparties, within separately agreed limits.

Foreign currency rates

The trend of the exchange rate of the Russian rouble, BBH's most important foreign currency, against the US dollar, has been the following during 1993–1998:



In preparing the consolidated annual accounts, the following FIM exchange rates have been used in consolidating BBH and its subsidiaries:

Official exchange rates

Foreign currency	**Avarage exchange rate**			**Rate on balance sheet d ate**		
	1998	1997	change (%)	**31.12.98**	31.12.97	change (%)
EEK/FIM	**0.380**	0.375	1.3	**0.380**	0.378	0.5
LTL/FIM	**1.336**	1.303	2.5	**1.274**	1.357	-6.1
LVL/FIM	**9.089**	8.974	1.3	**9.074**	9.203	1.4
FIM/RUB	**0.708**	0.897	-21.1	**0.226**	0.906	-75.0
SEK/FIM	**0.672**	0.679	-1.0	**0.627**	0.687	-8.8
FIM/UAH	**2.063**	2.761	-25.0	**1.487**	2.840	-47.6

Notes to the annual accounts (FIM million)

1. Net sales by market area

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Finland	**1,607.9**	1,641.0	**1,603.5**	1,596.9
Sweden	**50.1**	53.3	**50.1**	53.3
Russia, the Baltic countries, Ukraine	**1,232.5**	949.6	**24.8**	25.0
Other	**3.0**	3.6	**3.0**	3.6
Total	**2,893.5**	2,647.5	**1,681.4**	1,678.8

2. Other income from operations

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Capital gains from sales of fixed assets	**3.5**	2.8	**3.8**	2.8
Coca-Cola contractual compensation	**76.0**	67.0	**76.0**	66.0
Other	**13.4**	18.7	**17.1**	15.0
Total	**92.9**	88.5	**96.9**	83.8

3. Materials and services

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Materials and supplies				
Purchases during the financial period	**869.0**	763.8	**570.4**	518.3
Change in stocks	**-8.6**	-0.9	**-5.2**	24.4
	860.4	762.9	**565.2**	542.7
External services purchased	**319.9**	298.5	**274.2**	270.8
Total	**1,180.3**	1,061.4	**839.4**	813.5

4. Personnel costs

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Wages, salaries and bonuses	**305.3**	282.8	**214.4**	209.8
Pension expenses	**38.8**	40.6	**37.7**	37.4
Other salary-related expenses	**64.7**	56.9	**31.8**	31.2
Total	**408.8**	380.3	**283.9**	278.4

5. Wages and salaries paid

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Managing Director and members of the Board	**5.1**	4.2	**1.9**	2.0
Others	**303.6**	287.9	**216.0**	216.7
Total	**308.7**	292.1	**217.9**	218.7

The retirement age of managing directors of companies belonging to the Group has been set at 60-65 years.
The retirement age of the managing director of the parent company is 60 years.
There were no loan receivables from members of the Board of Directors or the managing directors.

6. Average personnel

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Salaried employees	**541**	551	**525**	511
Employees	**820**	842	**820**	834
Finland, total	**1,361**	1,393	**1,345**	1,345
BBH (100%)	**5,608**	4,057		

7. Depreciation and write-downs

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Goodwill	**2.1**	5.2		
Other capitalised expenditure	**11.8**	10.9	**30.9**	29.7
Land	**10.5**	10.5		
Buildings and structures	**35.9**	29.8	**20.6**	16.8
Machinery and equipment	**105.0**	97.1	**61.2**	65.2
Total	**165.4**	153.5	**112.7**	111.7

8. Financial income and expenses

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Income from long-term investments				
Share of the results of associated companies	**0.1**	0.3		
Dividend income				
From the same Group's companies				5.1
From associated companies			**20.0**	2.4
From others	**0.3**	0.1	**0.3**	0.1
Total	**0.3**	0.4	**20.2**	7.6
Other interest and financial income				
From the same Group's companies			**0.1**	-
From others	**12.7**	13.4	**2.5**	1.7
Total	**12.7**	13.4	**2.6**	1.7
Write-downs on investments				
Write-downs on liquid securities	**-4.5**			
Interest expenses and other financial expenses				
Incurred for the same Group's companies				-0.6
Incurred for others	**-89.6**	-19.3	**-13.8**	-15.2
Total	**-89.6**	-19.3	**-13.8**	-15.8
Financial income and expenses, total	**-81.0**	-5.5	**9.1**	-6.4
Financial income and expenses include exchange rate differences, net	**-67.0**	3.6		0.3

9. Extraordinary items

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Group contributions received				3.6
Group contributions granted			**-3.8**	
Provision against exchange rate losses 1996		-10.7		
Imputed tax assets from previous years	**13.4**		**13.4**	
Imputed deferred taxes from previous years	**-3.2**			
Total	**10.1**	-10.7	**9.6**	3.6

10. Appropriations

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Difference between depreciation according to plan and depreciation in taxation			**24.4**	-19.5
Transitional reserves booked				35.8
Total			**24.4**	16.3

11. Direct taxes

	Group		Parent company	
	1998	1997	**1998**	1997
Income taxes on extraordinary items			**1.1**	-1.0
Income taxes on actual operations	**-171.5**	-175.8	**-65.1**	-80.6
Change in imputed deferred taxes	**18.0**	5.8	**4.7**	
Total	**-153.4**	-170.0	**-59.4**	-81.6

Change in fixed assets

12. Intangible assets

		Group		Parent company	
		1998	1997	**1998**	1997
12.1	OTHER CAPITALISED EXPENDITURE				
	Opening balance, 1 Jan.	**189.5**	166.9	**246.2**	224.0
	Translation difference	**-0.3**	-		
	Increases	**12.9**	23.7	**11.9**	22.3
	Decreases	**0.0**	-1.1		
	Appropriations between items				
	Closing balance, 31 Dec.	**202.1**	189.5	**258.1**	246.2
	Accumulated depreciation, 1 Jan.	**-127.7**	-116.8	**-166.2**	-136.5
	Translation difference	**0.1**	-		
	Accumulated depreciation on decreases and appropriations				
	Depreciation during financial period	**-11.8**	-10.9	**-30.9**	-29.7
	Write-downs				
	Accumulated depreciation, 31 Dec.	**-139.3**	-127.7	**-197.1**	-166.2
	Revaluations				
	Book value, 31 Dec.	**62.8**	61.8	**61.0**	80.1
12.2	GROUP GOODWILL				
	Opening balance, 1 Jan.	**36.2**	34.5		
	Translation difference	**-3.3**	0.5		
	Increases	**-**	1.3		
	Decreases	**-1.0**	-		
	Appropriations between items				
	Closing balance, 31 Dec.	**31.9**	36.2		
	Accumulated depreciation, 1 Jan.	**-25.3**	-19.6		
	Translation difference	**2.5**	-0.3		
	Accumulated depreciation on decreases and appropriations		-0.2		
	Depreciation during financial period	**-2.1**	-5.2		
	Write-downs				
	Accumulated depreciation, 31 Dec.	**-24.9**	-25.3		
	Revaluations				
	Book value, 31 Dec.	**7.0**	10.9		
12.3	INTANGIBLE ASSETS, TOTAL				
	Opening balance, 1 Jan.	**225.7**	201.4	**246.2**	224.0
	Translation difference	**-3.6**	0.5	**-**	-
	Increases	**12.9**	25.0	**11.9**	22.3
	Decreases	**-1.0**	-1.1	**-**	-
	Appropriations between items				
	Closing balance, 31 Dec.	**234.0**	225.7	**258.1**	246.2
	Accumulated depreciation, 1 Jan.	**-153.0**	-136.4	**-166.2**	-136.5
	Translation difference	**2.7**	-0.3	**-**	-
	Accumulated depreciation on decreases and appropriations	**-**	-0.2	**-**	-
	Depreciation during financial period	**-13.9**	-16.1	**-30.9**	-29.7
	Write-downs	**-**	-	**-**	-
	Accumulated depreciation, 31 Dec.	**-164.2**	-153.0	**-197.1**	-166.2
	Revaluations				
	Book value, 31 Dec.	**69.8**	72.7	**61.0**	80.1

13. Tangible assets

		Group		Parent company	
		1998	1997	**1998**	1997
13.1	LAND AND WATER				
	Opening balance, 1 Jan.	**134.6**	133.0	**91.2**	89.5
	Translation difference	**-**	-		
	Increases	**5.8**	2.3	**2.4**	2.3
	Decreases	**-0.5**	-0.6	**-0.5**	-0.6
	Appropriations between items	**-**	-		
	Closing balance, 31 Dec.	**140.0**	134.6	**93.1**	91.2
	Accumulated depreciation, 1 Jan.	**-31.1**	-20.6		
	Translation difference	**-**	-		
	Accumulated depreciation on decreases and appropriations	**-**	-		
	Depreciation during financial period	**-10.5**	-10.5		
	Write-downs				
	Accumulated depreciation, 31 Dec	**-41.7**	-31.1	**-**	-
	Revaluations	**20.5**	20.5	**20.5**	20.5
	Book value, 31 Dec.	**118.8**	124.0	**113.6**	111.7
13.2	BUILDINGS AND STRUCTURES				
	Opening balance, 1 Jan.	**663.4**	588.8	**485.0**	479.0
	Translation difference	**5.8**	1.2		
	Increases	**92.4**	74.4	**14.0**	4.4
	Decreases	**-9.5**	-10.5	**-8.7**	-7.8
	Appropriations between items	**3.1**	9.4		9.4
	Closing balance, 31 Dec.	**755.2**	663.4	**490.3**	485.0
	Accumulated depreciation, 1 Jan.	**-262.7**	-236.9	**-219.7**	-205.7
	Translation difference	**-16.6**	-		
	Accumulated depreciation on decreases and appropriations	**5.4**	4.0	**5.2**	2.8
	Depreciation during financial period	**-35.9**	-29.8	**-20.6**	-16.8
	Write-downs				
	Accumulated depreciation, 31 Dec.	**-309.8**	-262.7	**-235.1**	-219.7
	Revaluations	**44.5**	44.5	**44.5**	44.5
	Book value, 31 Dec.	**489.8**	445.2	**299.7**	309.8
13.3	MACHINERY AND EQUIPMENT				
	Opening balance, 1 Jan.	**1,382.9**	1,274.9	**1,047.4**	1,033.4
	Finance leasing agreements	**86.7**			
	Translation difference	**-13.0**	2.9		
	Increases	**348.4**	151.6	**35.3**	30.3
	Decreases	**-43.4**	-52.9	**-21.1**	-22.7
	Appropriations between items	**3.6**	6.4	**3.6**	6.4
	Closing balance, 31 Dec.	**1,765.1**	1,382.9	**1,065.1**	1,047.4
	Accumulated depreciation, 1 Jan.	**-869.9**	-793.2	**-759.7**	-714.5
	Translation difference	**-4.0**	0.1		
	Accumulated depreciation on decreases and appropriations	**29.2**	20.3	**16.3**	20.0
	Depreciation during financial period	**-105.1**	-97.1	**-61.2**	-65.2
	Write-downs				
	Accumulated depreciation, 31 Dec.	**-949.7**	-869.9	**-804.6**	-759.7
	Revaluations				
	Book value, 31 Dec.	**815.4**	513.0	**260.5**	287.7
13.4	ADVANCE PAYMENTS AND INCOMPLETE ACQUISITIONS				
	Opening balance, 1 Jan.	**186.2**	65.9	**4.3**	23.4
	Translation difference	**-15.9**	0.7		
	Increases	**126.3**	143.1	**27.2**	3.8
	Decreases	**-**	-7.8		-7.1
	Appropriations between items	**-3.6**	-15.8	**-3.6**	-15.8
	Closing balance, 31 Dec.	**293.0**	186.2	**28.0**	4.3
13.5	TANGIBLE ASSETS, TOTAL				
	Opening balance, 1 Jan.	**2,367.1**	2,062.7	**1,627.8**	1,625.2
	Finance leasing agreements	**86.7**			
	Translation difference	**-23.2**	4.8		
	Increases	**573.0**	371.3	**79.0**	40.8
	Decreases	**-53.4**	-71.8	**-30.3**	-38.2
	Appropriations between items	**3.1**			
	Closing balance, 31 Dec.	**2,953.3**	2,367.0	**1,676.5**	1,627.8

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Accumulated depreciation, 1 Jan.	**-1,163.7**	-1,050.7	**-979.3**	-920.2
Translation difference	**-20.6**	0.1		
Accumulated depreciation on decreases and appropriations	**34.6**	24.3	**21.5**	22.8
Depreciation during financial period	**-151.5**	-137.3	**-81.8**	-82.0
Write-downs				
Accumulated depreciation, 31 Dec.	**-1,301.2**	-1,163.7	**-1 039.6**	-979.3
Revaluations	**65.0**	65.0	**65.0**	65.0
Book value, 31 Dec.	**1,717.1**	1,268.3	**701.8**	713.5

14. Investments

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
14.1 SHARES IN SUBSIDIARIES				
Opening balance, 1 Jan.			**3.2**	41.0
Increases			**3.8**	
Decreases				-37.8
Appropriations between items			**3.1**	
Book value, 31 Dec.			**10.1**	3.2
14.2 SHARES IN ASSOCIATED COMPANIES				
Opening balance, 1 Jan.	**10.1**	3.1	**225.7**	142.3
Translation difference	**-0.6**	-		
Increases	**9.0**	7.0	**121.4**	83.4
Decreases	**-**			
Appropriations between items	**-3.1**		**-3.1**	
Book value, 31 Dec.	**15.4**	10.1	**344.0**	225.7
14.3 OTHER SHARES				
Opening balance, 1 Jan.	**14.4**	8.8	**8.5**	8.5
Translation difference	**-0.5**	-		
Increases	**16.5**	5.5	**2.0**	
Decreases	**-1.3**			
Appropriations between items				
Book value, 31 Dec.	**29.0**	14.4	**10.5**	8.5
14.4 INVESTMENTS, TOTAL				
Opening balance, 1 Jan.	**24.5**	11.9	**237.4**	191.8
Translation difference	**-1.1**	-		
Increases	**25.5**	12.5	**127.3**	83.4
Decreases	**-1.3**			-37.8
Appropriations between items	**-3.1**			
Total book value, 31 Dec.	**44.5**	24.5	**364.7**	237.4

15. Carrying value of production machinery and equipment

Group 1998	Group 1997	Parent company 1998	Parent company 1997
694.2	477.2	**228.6**	252.1

16. Revaluations

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Land and water, 1 Jan.	**20.5**	20.5	**20.5**	20.5
Buildings and structures, 1 Jan.	**44.5**	44.5	**44.5**	44.5
Land and water, 31 Dec.	**20.5**	20.5	**20.5**	20.5
Buildings and structures, 31 Dec.	**44.5**	44.5	**44.5**	44.5

17. Shares and participations

	Number of shares	Holding, % Parent company	Holding, % Group	Par value of shares	Book value of shares
GROUP COMPANIES OWNED DIRECTLY COMPANY BY THE PARENT COMPANY				(1,000)	FIM 1,000
Hartwa-Trade Oy Ab, Helsinki	23,807	100	100	1,190	3,019
Lapin Kulta Oy	100	100	100	100	100
Helepark Oy	402	100	100	40	42
Kehitys Oy Piispantorni	220	100	100	22	22
Kiinteistö Oy Ristipellontie 13	1,908	100	100	10	1,020
Asunto Oy Ankkurisaarentie 22	1,500	100	100	15	5,949
					10,152
ASSOCIATED COMPANIES					
Baltic Beverages Holding AB	2,000,000	50	50	200,000 SEK	343,029
Cool Drinks International Oy Ab	10,000	50	50	1,000	1,000
Total					344,029

BALTIC BEVERAGES HOLDING AB'S SUBSIDIARIES

	Holding, % BBH	Holding, % Group	BBH's book value
			SEK 1,000
Saku, Estonia	75	38	82,060
Aldaris, Latvia	75	38	108,271
Baltika, Russia	74	37	180,236
Kalnapilis, Lithuania	86	43	76,155
Yarpivo, Russia	51	25	88,711
Slavutich, Ukraine	70	35	167,319
Taopin, Russia	69	34	198,206
Slavuta, Ukraine	66	33	17,262
BBE, Estonia	100	50	252
Total			918,472

BALTIC BEVERAGES HOLDING AB'S ASSOCIATED COMPANIES

	Holding, % BBH	Holding, % Group	BBH's book value	Group's book value
			SEK 1,000	FIM 1,000
Kolos, Ukraine	24	12	28,564	8,951
Litmalt, Lihuania	50	25	19,600	6,142
Saku Linnas, Estonia	50	25	1,049	329
Total			49,213	15,421

OTHER SHARES AND PARTICIPATIONS

	Number of shares	Holding, % Parent company	Holding, % Group	Par value of shares	Book value Parent company's direct ownership	Book value Indirect ownership of BBH
				(1,000)	FIM 1,000	
Helsinki-Halli Oy, series A	24			240	2,400	
Jokerit HC Oy	101,100			1,010	2,000	
Asunto Oy Moikoisten Tammilinna	160			4	1,920	
Oy Navarino Ab	19,256			1,926	1,445	
Asunto Oy Joutiainen	180			455	455	
Hex Oy, Helsinki Exchanges	24,400			244	200	
Suomen Palautuspakkaus Oy	200			200	201	
Utenos Alus-Liettua			9,75			13,527
Utenos Gerimai-Liettua			4,9			4,027
Other shares and participations					1,926	1,000
Total					10,547	18,553

18. Stocks

	Group		Parent company	
	1998	1997	**1998**	1997
Raw materials and consumables	**329.1**	320.5	**234.4**	229.2
Products in progress	**16.4**	22.9	**8.1**	8.0
Finished goods	**62.4**	48.7	**48.8**	41.7
	407.8	392.1	**291.3**	279.0

19. Non-current receivables

	Group		Parent company	
	1998	1997	**1998**	1997
Loan receivables	**12.4**	5.3	**5.1**	4.3

20. Current receivables

	Group		Parent company	
	1998	1997	**1998**	1997
Trade receivables	**355.6**	297.7	**312.5**	260.6
Receivables from the same Group's companies				
Trade receivables			**0.1**	0.1
Other receivables			**0.7**	5.1
Prepaid expenses and accrued income			**0.2**	1.2
			1.0	6.4
Receivables from associated companies				
Trade receivables	**6.0**	9.7	**12.1**	19.4
Loan receivables	**57.1**	-	**114.2**	
Other receivables	**0.6**	0.1	**1.1**	0.1
Prepaid expenses and accrued income	**1.5**	0.2	**2.9**	0.2
	65.2	10.0	**130.3**	19.7
Other receivables	**70.5**	81.2	**12.1**	7.1
Prepaid expenses and accrued income	**70.6**	65.7	**11.5**	18.6
	141.2	146.9	**23.6**	25.7
Current receivables, total	**561.9**	454.5	**467.5**	312.4

21. Prepaid expenses and accrued income

	Group		Parent company	
	1998	1997	**1998**	1997
Advance payments to suppliers	**14.5**	30.7		
VAT and customs receivables	**16.0**	0.6		
Tax assets	**9.3**	8.1		
Other prepaid expenses and accrued income	**32.3**	26.5	**14.7**	20.0
Total at the end of the period	**72.1**	65.8	**14.7**	20.0

22. Imputed tax assets

	Group		Parent company	
	1998	1997	**1998**	1997
Tax asset due to timing differences	**21.7**		**18.0**	

23. Shareholders' equity

	Group		Parent company	
	1998	1997	**1998**	1997
Share capital, 1 Jan.	**60.3**	60.3	**60.3**	60.3
Rights issue	**0.1**		**0.1**	
Share capital, 31 Dec.	**60.4**	60.3	**60.4**	60.3
Premium on share issue fund, 1 Jan.	**357.3**	357.3	**357.3**	357.3
Issue premium	**1.9**		**1.9**	
Premium on share issue fund, 31 Dec.	**359.3**	357.3	**359.3**	357.3
Other funds, 1 Jan.				
Transferred from profits	**167.4**			
Other funds, 31 Dec.	**167.4**			
Retained earnings, 1 Jan.	**603.4**	307.2	**167.7**	41.6
Dividend paid	**-48.1**	-24.0	**-48.1**	-24.0
Donations	**-0.1**	-0.2	**-0.1**	-0.2
Tax liabilities on revaluations	**-18.2**		**-18.2**	
Translation difference	**-58.7**	7.1		
Transfers to other funds	**-167.4**			
Retained earnings, 31 Dec.	**310.8**	290.1	**101.3**	17.5
Net profit for the financial period	**271.7**	313.3	**178.8**	150.3

24. Distributable funds, 31 Dec.

	Group		Parent company	
	1998	1997	**1998**	1997
Retained earnings	**310.8**	290.1	**101.3**	17.5
Net profit for the financial period	**271.7**	313.3	**178.8**	150.3
Share of accumulated depreciation difference recorded in shareholders' equity	**-186.7**	-203.9		
Distributable funds, 31 Dec.	**395.9**	399.5	**280.2**	167.7

25. Accumulated appropriations

	Group		Parent company	
	1998	1997	**1998**	1997
Accumulated depreciation difference, 1 Jan.			**283.2**	263.7
Change in depreciation difference 1998			**-24.4**	19.5
Accumulated depreciation difference, 31 Dec.			**258.8**	283.2
Transitional reserve, 1 Jan.				35.8
Discharge of transitional reserve				-35.8
Transitional reserve, 31 Dec.				0.0

26. Obligatory provisions

	Group		Parent company	
	1998	1997	**1998**	1997
Product, can and bottle costs	**52.4**	27.4	**52.4**	27.4
Rents and real-estate costs	**4.9**	18.5	**4.9**	18.5
Personnel expenses	**1.1**		**1.1**	
Other	**4.1**		**4.1**	
Total	**62.5**	45.8	**62.5**	45.8

27. Imputed deferred taxes

	Group		Parent company	
	1998	1997	**1998**	1997
Deferred taxes on depreciation differences and voluntary reserves	**72.6**	79.3		
Deferred taxes on revaluations	**18.2**		**18.2**	
Deferred taxes from timing differences	**3.1**	3.1		
Deferred taxes on consolidation procedures	**0.3**			
Total	**94.1**	82.4	**18.2**	

28. Non-current creditors

	Group		Parent company	
	1998	1997	**1998**	1997
Convertible bonds	**-**	-	**-**	-
Loans from financial institutions	**91.3**	122.2	**91.3**	122.2
Pension loans	**-**	0.1		0.1
Other non-current loans	**37.1**	47.8	**29.5**	38.5
Leasing loans	**56.4**	-		
Total	**184.8**	170.1	**120.8**	160.8

29. Liabilities falling due after five years

	Group		Parent company	
	1998	1997	**1998**	1997
Loans from financial institutions	**9.2**	12.2	**9.2**	12.2
Other non-current loans	**0.7**	1.5	**0.7**	1.5
Total	**9.9**	13.7	**9.9**	13.7

30. Issue of bonds with warrants

FIM 37,500 remains to be paid on the 1994 issue of bonds with warrants.
The subscription periods of the warrants are as follows.

Litt.B 4* 31 250 Series A shares	1 Sept. 1999-31 Jan. 2000
Litt.C 4* 31 250 Series A shares	1 Sept. 2000-31 Jan. 2001
Litt.D 4* 31 250 Series A shares	1 Sept. 2001-31 Jan. 2002

The subscription price is FIM 16.40 per share.

31. Current creditors

	Group		Parent company	
	1998	1997	**1998**	1997
Convertible bonds	**-**	-	**-**	-
Loans from financial institutions	**28.0**	22.4	**28.0**	22.4
Advances received	**3.9**	32.9		25.9
Trade payables	**221.0**	130.7	**112.8**	73.9
Next year's leasing payments	**30.2**	-		
DEBTS TO THE SAME GROUP'S COMPANIES				
Trade payables				0.4
Other liabilities			**3.9**	0.1
Accrued liabilities and prepaid income			**-**	0.4
DEBTS TO ASSOCIATED COMPANIES				
Trade payables	**0.1**	-		6.2
Other liabilities	**0.3**	0.9	**0.7**	0.9
Accrued liabilities and prepaid income		0.4		0.2
DEBTS TO OTHERS				
Other liabilities	**403.0**	151.1	**226.1**	30.5
Accrued liabilities and prepaid income	**444.5**	459.9	**398.6**	441.9
Current creditors, total	**1,131.0**	798.3	**770.0**	602.9

32. Accrued liabilities and prepaid income

	Group		Parent company	
	1998	1997	**1998**	1997
VAT liabilities	**82.5**	78.0	**80.2**	78.0
Excise tax liabilities	**166.6**	158.4	**156.8**	158.4
Tax liabilities	**5.2**	56.1	**2.1**	55.8
Wages, salaries and social expenses	**65.1**	56.6	**64.0**	56.6
Other periodisations	**125.0**	111.3	**95.5**	93.7
Total	**444.5**	460.4	**398.6**	442.5

33. Contingent liabilities

	Group		Parent company	
	1998	1997	**1998**	1997
MORTGAGES AS COLLATERAL FOR OWN COMMITMENTS				
Mortgages on real-estate	**232.6**	242.7	**232.6**	242.7
Rental rights	**14.1**	14.1	**14.1**	14.1
Machinery	**25.7**	-		
Stocks	**0.3**	9.0		
Corporate mortgage	**120.0**	120.0	**120.0**	120.0
	392.6	385.8	**366.6**	376.8
GUARANTEES AS COLLATERAL FOR OTHER COMMITMENTS				
Guarantees				
on behalf of management		0.1		0.1
on behalf of shareholders	**0.3**	0.4	**0.3**	0.4
associated companies	**12.6**			
other	**13.3**	21.8	**13.3**	21.8
Repurchase commitments	**15.3**	19.2	**15.3**	19.2
Total	**41.4**	41.4	**28.8**	41.4
LEASING COMMITMENTS				
Real-estate leasing commitments				
leasing rents to be paid in the 1999 financial year	**9.8**	9.9	**9.8**	9.9
leasing rents to be paid later	**38.3**	47.7	**38.3**	47.7
Other leasing commitments				
leasing rents to be paid in the 1999 financial year*)		33.7	**32.6**	33.6
leasing rents to be paid later*)		67.3	**59.3**	67.2
Repurchase commitments*)		8.3	**7.5**	8.3
	48.1	166.9	**147.6**	166.7
Total	**482.1**	594.2	**543.1**	584.9

*) Finance leasing agreements have been included in the 1998 consolidated balance sheet.

FORWARD RATE AGREEMENTS, 31 DEC.1998
The nominal value of the forward rate agreements is FIM 200 million. The forward rate agreements have been valued at their market value on the date of closing.

34. Loans with guarantees

	Group		Parent company	
	1998	1997	**1998**	1997
Loans with mortgages as collateral				
Loans from financial institutions	**126.9**	144.6	**119.3**	144.6
Other current loans	**18.3**	9.0		
Credit limits,	**225.0**	225.0	**225.0**	225.0
of which used, 31 Dec.	**121.9**	-	**114.9**	-
Loans, total	**267.0**	153.6	**234.2**	144.6
Mortgages as collateral, total	**392.6**	385.8	**366.6**	376.8
Loans with guarantees as collateral				
Trade payables	**12.6**	-		
Guarantees on behalf of associated companies, total	**12.6**	-		

Key indicators for the group

		1994	1995	1996	1997	**1998**
Profit and loss account						
Net sales	FIM million	1,744.4	1,723.1	2,000.2	2,647.6	**2,893.5**
Change, %	%	5.4	-1.2	16.1	32.4	**9.3**
Operating profit	FIM million	83.3	85.2	238.0	567.6	**560.8**
percentage of net sales	%	4.8	4.9	11.9	21.4	**19.4**
Profit/loss after financial items	FIM million	39.5	45.7	207.5	562.1	**479.7**
percantage of net sales	%	2.3	2.7	10.4	21.2	**16.6**
Profit before taxes	FIM million	39.5	45.7	207.5	551.4	**489.9**
percentage of net sales	%	2.3	2.7	10.4	20.8	**16.9**
Net profit for the year	FIM million	18.0	4.8	95.2	313.3	**271.7**
percentage of net sales	%	1.0	0.3	4.8	11.8	**9.4**
Balance sheet						
Fixed assets	FIM million	1,007.9	1,003.7	1,144.1	1,365.6	**1,831.5**
Stocks	FIM million	321.5	296.4	384.4	392.1	**407.8**
Receivables	FIM million	303.2	285.9	360.3	459.8	**596.0**
Current deposits	FIM million				58.4	**0.2**
Cash in hand and at the banks	FIM million	23.8	15.2	65.1	76.9	**57.9**
Shareholders' equity	FIM million	350.9	461.0	724.8	1,021.0	**1,169.7**
Minority interest	FIM million	59.9	57.3	150.4	235.1	**251.2**
Obligatory provisions	FIM million	24.6	41.3	25.4	45.8	**62.5**
Deferred tax	FIM million	87.5	84.8	88.2	82.4	**94.1**
Non-current creditors	FIM million	355.5	271.8	184.9	170.2	**184.8**
Current creditors	FIM million	778.0	685.0	780.2	798.3	**1,131.0**
Total assets	FIM million	1,656.4	1,601.2	1,953.9	2,352.8	**2,893.4**
Interest-bearing borrowed capital	FIM million	596.7	528.1	458.8	274.4	**618.1**
Non-interest-bearing borrowed capital	FIM million	624.3	513.5	594.5	776.5	**791.8**
Key ratios						
Return on equity (ROE)	%	7.2	4.1	18.5	36.8	**24.4**
Return on investment (ROI)	%	8.8	8.7	20.6	40.6	**28.4**
Interest cover		4.1	5.4	9.9	38.0	**24.8**
Equity ratio	%	24.8	32.4	44.9	54.1	**49.2**
Gearing ratio	%	139.5	99.0	45.0	11.1	**39.4**
Gross capital expenditures on fixed assets	FIM million	157.8	184.4	289.0	408.7	**611.3**
percentage of net sales	%	9.0	10.7	14.4	15.4	**21.1**
R&D expenditure	FIM million	5.9	6.1	6.4	8.2	**8.3**
percentage of net sales	%	0.3	0.4	0.3	0.3	**0.3**
Personnel, average		2,503	2,484	2,570	3,422	**4,165**
Hartwall		1,897	1,675	1,469	1,393	**1,361**
BBH (100%)		1,211	1,619	2,202	4,057	**5,608**

Formulas for the indicators

Return on equity, ROE

$$\frac{\text{profit/loss after financial items less taxes}}{\text{shareholders' equity + minority interest, average for the accounting period}}$$

Return on investment, ROI

$$\frac{\text{profit/loss after financial items + interest and other financing expenses}}{\text{Balance sheet total less non-interest-bearing liabilities less obligatory provisions, average for accounting period}}$$

Interest cover

$$\frac{\text{profit/loss after financial items + depreciation + interest and other financial expenses}}{\text{interest and other financial expenses}}$$

Equity ratio

$$\frac{\text{shareholders' equity + minority interest}}{\text{balance sheet total less prepayments}}$$

Gearing

$$\frac{\text{interest-bearing liabilities – cash and bank}}{\text{shareholders' equity + minority interest}}$$

Personnel, average: The average end-of-month number of personnel

Share-issue adjusted indicators

		1994	1995	1996	1997	**1998**
Earnings per share (EPS)	FIM	0.40	0.10	1.68	5.33	**4.30**
Equity per share	FIM	7.72	8.90	11.92	16.79	**19.24**
Dividend per share						
Series A	FIM	0.28	0.30	0.40	0.80	**0.90*)**
Series K	FIM	0.18	0.22	0.38	0.78	**0.88*)**
Dividend payout ratio	%	64.3	305.3	25.2	14.8	**20.7**
Series A						
Effective dividend yield	%	2.1	1.9	1.0	0.9	**1.1**
P/E ratio		32.21	155.77	23.81	16.94	**19.48**
Adjusted share prices						
Average	FIM	16.04	14.24	25.84	62.22	**108.88**
Low	FIM	12.40	11.00	16.00	39.80	**45.60**
High	FIM	18.20	16.60	40.40	97.00	**209.30**
Year-end price	FIM	13.40	16.20	40.40	90.00	**82.50**
Average price Dec.30.	FIM			40.01	90.27	**83.76**
Trading volume	1,000 shares	3,115	3,400	17,650	13,805	**17,332**
Series A, total	%	8.9	7.7	35.9	26.1	**32.7**
Market capitalisation at year-end						
Series A	FIM million	469	711	2,116	4,775	**4,441**
Series K	FIM million	134	120	296	668	**620**
Total	FIM million	603	831	2,412	5,443	**5,061**
Adjusted average number of shares						
Series A	1,000 shares	35,125	37,405	49,220	53,400	**53,400**
Total	1,000 shares	45,125	46,760	56,620	60,800	**60,800**
Adjusted average number of shares at year-end						
Series A	1,000 shares	35,500	44,400	53,400	53,400	**53,400**
Total	1,000 shares	45,500	51,800	60,800	60,800	**60,800**

*) Proposal of the Board of Directors

Formulas for the indicators

Earnings per share (EPS) $= \dfrac{\text{profit/loss after financial items less taxes, less minority interest}}{\text{adjusted average number of shares for the year}}$

Equity per share $= \dfrac{\text{adjusted shareholders' equity}}{\text{adjusted number of shares at year-end}}$

Dividend per share $= \dfrac{\text{dividend paid}}{\text{adjusted number of shares at year-end}}$

Dividend payout ratio $= \dfrac{\text{dividend paid}}{\text{profit/loss after financial items less taxes, less minority interest}}$

Effective dividend yield $= \dfrac{\text{dividend per share}}{\text{adjusted share price at year-end}}$

P/E-ratio $= \dfrac{\text{adjusted share price at year-end}}{\text{EPS}}$

Market capitalisation: number of shares at year-end times the share price on the same date

Annual General Meeting

Notice of convocation

Oyj Hartwall Abp's shareholders are invited to attend the company's Annual General Meeting, which will be held at 17:00 on Tuesday, 27 April 1999 at the Hartwall Arena. The address is Veturitie 13, Länsi-Pasila, Helsinki. At the venue, the names of those who have registered for the Annual General Meeting will be recorded starting at 16:00, and ballots will be distributed.

The following matters will be dealt with at the meeting:

1. Such matters as are to be dealt with at the Annual General Meeting as indicated in Article 11 of the Articles of Association.
2. The proposal of the Board of Directors to redenominate the share capital to euros.
3. The proposal of the Board of Directors to raise the share capital from its current sum of FIM 60,425,000 — which is equivalent to 10,162,755 euros — to 12,085,000 euros by means of a bonus issue amounting to 1,922,245 euros. The bonus issue will be carried out in such a way that the aforementioned amount will be transferred from the share premium fund to the share capital account without floating new shares, leading to an accounting countervalue of 0.20 euros/share. In connection with this proposal, it will be proposed that subsection 1 of Article 3 of the Articles of Association be amended to the effect that the company's minimum share capital shall be 12,085,000 euros and its maximum share capital 48,340,000 euros, within which limits the share capital may be increased or decreased without amending the Articles of Association.
4. The proposal of the Board of Directors to discontinue the par value of shares. In connection with this proposal, it will be proposed that subsection 2 of Article 3 of the Articles of Association be excised.
5. When the par value of shares is discontinued, the Companies Act requires the minimum and maximum number of shares to be mentioned in the Articles of Association. Therefore it will be proposed that subsection 1 of Article 4 of the Articles of Association be amended to the effect that the total number of Series A and K shares shall be at least 60,425,000 and 241,700,000 at most, and that the maximum number of Series K shares shall be 29,600,000 and the maximum number of Series A shares shall be 241,700,000.

Annual accounts

The documents pertaining to the annual accounts and the proposals of the Board of Directors will be made available for inspection by shareholders at the company's main office one week before the Annual General Meeting.

Registration

Shareholders who have been registered by 22 April 1999 at the latest in the company's Shareholder Register, which is kept by Finnish Central Securities Depository Ltd, have the right to attend the Annual General Meeting.

Shareholders who wish to attend the Annual General Meeting must inform the company's office of this either in writing or by telephone. The mailing address is: Oyj Hartwall Abp, P.O.Box 31, 00391 Helsinki, Finland. Email: yk99@hartwall.fi. Telefax: +358 9 540 2528. Shareholders can also telephone:
+358 9 540 2533 / Anne Manner,
+358 9 540 2330 / Brita Granström, or
+358 9 540 2471 / Marianne Jokisalo.

The notification must be received by the company before 16:00 on 23 April 1999. The company requests that any proxies be submitted when registering in advance for the Annual General Meeting.

Dividend

The Board of Directors proposes that the dividend to be paid for 1998 be FIM 0.90 on the Series A share and FIM 0.88 on the Series K share. The dividend will be paid to shareholders who are registered, on the record date of 30 April 1999, in the Shareholder Register kept by Finnish Central Securities Depository Ltd. The dividend payout date is 7 May 1999.

Helsinki,
11 February 1999

The Board of Directors

Invitation

After the Annual General Meeting, shareholders are welcome to attend the company's traditional and informal social, where they will have the opportunity to talk with representatives of Hartwall and to get acquainted with the company's products.

Jussi Länsiö
Managing Director

Proposal for the distribution of profit

On 31 December 1998, the Group's non-restricted equity according to the consolidated balance sheet amounts to FIM 582,543,985.44, of which distributable funds amount to FIM 395,857,321.17. The parent company's non-restricted equity according to the balance sheet as at 31 December is as follows:

retained earnings	FIM	101,345,033.31
profit/loss for the financial period	FIM	178,832,868.83
	FIM	280,177,902.14

The number of shares entitled to a dividend is 60,425,000.

The Board of Directors proposes that the distributable funds be disposed of in the following manner:

Payment to shareholders of a dividend for 1998 of:		
FIM 0.90 on the Series A share	FIM	47,722,500.00
FIM 0.88 on the Series K share	FIM	6,512,000.00
	FIM	54,234,500.00
to be set aside for benevolent purposes at the discretion of the Board of Directors	FIM	200,000.00
remainder transferred to retained earnings	FIM	225,743,402.14

Helsinki, 11 February 1999

Gustav von Hertzen
Erik Hartwall

Paul Bergqvist
Pertti Hernesniemi

L. J. Jouhki
Erkki Kilpinen

Henrik Therman
Jussi Länsiö
Managing Director

Auditor's Report

to the shareholders of Oyj Hartwall Abp

We have audited the accounting, the financial statements and the administration of Oyj Hartwall Abp for the year ended 31 December 1998. The financial statement, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on administration.

We have conducted the 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 the management, as well as evaluating the overall financial statement presentation. The purpose of the audit of administration is to examine that the Board of Directors and the Managing Director have complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statement give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations, as well as of the financial position. The financial statements with the 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 made by the Board of Directors on how to deal with the profit for the period is in compliance with the Companies Act.

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

Helsinki, 4 March 1999

KPMG WIDERI OY AB

Sixten Nyman
Authorized Public Accountant

Lasse Holopainen
Authorized Public Accountant

Information on Oyj Hartwall Abp's shares

Share capital

Oyj Hartwall Abp's share capital was FIM 60,425,000 at the end of 1998. In accordance with the subscription terms, 125,000 Series A shares were subscribed on the basis of warrants from the issue of bonds with warrants that was floated in 1994. The par value of the company's shares was lowered from five Finnish markkaa to one Finnish markka on 27 April 1998 in accordance with the decision taken by the Annual General Meeting, and consequently the number of shares in both series increased fivefold. Hartwall's shares outstanding at the end of the year number 60,425,000 in all, of which 7,400,000 are Series K shares and 53,025,000 are Series A shares. The latter have been quoted on HEX Helsinki Exchanges as of 1 July 1994.

Each Series A share confers to the holder the right to one vote at a meeting of shareholders and each Series K shares confers 20 votes. Series A shares entitle the holder to a dividend of no less than two percentage points higher than Series K shares.

Share turnover 1998

The turnover of Hartwall's Series A shares amounted to FIM 1,887.1 million in 1998, representing 32.7% of the total amount of Series A shares. The turnover and prices of Series A shares were as follows in the periods from 1 January to 25 April and from 27 April to 31 December 1998:

		Before the stock split 1 Jan.-25 Apr.98	After the stock split 27 Apr.-31 Dec.98
Turnover	no.	462.191	15,020.824
Lowest price	FIM	430.00	45.60
Highest price	FIM	775.00	209.30
Average price	FIM	565.10	108.24
Closing quotation on 31 Dec.1998			82.50

There were 8,521 shareholders at the end of the year. Of the shares, 32.4% were in foreign ownership.

Structure of the share capital, 31 Dec. 1998

	Number of shares	Percentage holding	Votes	Percentage of voting rights
Series K shares	7,400,000	12.2%	148,000,000	73.6%
Series A shares	53,025,000	87.8%	53,025 000	26.4%
	60,425,000	100.0%	201,025,000	100.0%

Ownership structure, 31 Dec. 1998

	Number of owners	Number of shares	Voting rights
Households and private individuals	7,704	28,488,493	28,488,493
Companies	627	8,730,664	120,830,664
Financial institutions and insurance companies	45	1,109,533	1,109,533
Public sector entities	22	2,279,340	2,279,340
Non-profit bodies	70	224,825	224,825
	8,468	40,832,855	152,932,855
Foreigners, total *)	53	19,565,455	48,065,455
	8,521	60,398,310	200,998,310
*) of which nominee-registered shares	10	7,157,400	7,157,400

Breakdown of ownership, 31 Dec. 1998

Number of shares/shareholder	Shareholders	Percentage	Number of shares	Percentage of holding
1 - 99	1,265	14.9	50,603	0.1
100 - 999	5,948	69.8	1,744,446	2.9
1,000 - 9,999	1,179	13.8	2,293,528	3.8
10,000 - 99,999	82	1.0	2,394,623	4.0
100,000 - 999,999	35	0.4	11,920,890	19.7
over 1,000,000	12	0.1	41,994,220	69.5
	8,521	100%	60,398,310	100%

Management´s shareholding, 31 Dec. 1998

Percentage of shares	4.2%
Percentage of warrants	100%
Percentage of voting rights	1.3%
Voting rights which management can obtain on the basis of warrants	0.2%

20 largest shareholders, 31 Dec. 1998

	Number of shares	% of holding	% of voting rights
Hartwall Yhtiöt Oy			
Series K shares	5,900,000	9.8	58.7
Series A shares	361,600	0.6	0.2
	6,261,600	10.4	58.9
Pripps Ringnes AB			
Series K shares	1,500,000	2.5	14.9
Series A shares	10,842,500	17.9	5.4
	12,342,500	20.4	20.3
Hartwall P-G estate	5,306,000	8.8	2.6
K Hartwall Oy Ab	1,767,075	2.9	0.9
Hartwall Gösta estate	1,677,600	2.8	0.8
Therman Robert	1,500,140	2.5	0.7
Local Government Pensions Institution	1,403,165	2.3	0.7
Therman Mattias	1,325,000	2.2	0.7
Hartwall Erik	1,313,050	2.2	0.7
Hartwall John	1,249,800	2.1	0.6
Therman Henrik	1,028,090	1.7	0.5
Tallqvist Gustav	898,635	1.5	0.4
Therman Anna	719,400	1.2	0.4
Hartwall Helmi estate	651,600	1.1	0.3
Hartwall Peter	634,150	1.0	0.3
Roos Katarina	561,900	0.9	0.3
Tallqvist Niklas	559,750	0.9	0.3
Hartwall Victor	521,500	0.9	0.3
Hartwall Kaj-Erik	518,000	0.9	0.3
Hartwall Per	474,000	0.8	0.2
20 largest, total	40,712,955	67.4	90.2

Environmentally friendly supplier of beverages. *In 1998, the Finnish Federation of the Brewing and Soft Drinks Industry committed itself to the principle of sustainable development. This commitment was also approved by Hartwall, which is a member of the Federation. The principles can be found in a brochure in Finnish published by the Federation.*

Finland is in the lead of the recycling game

Finland has employed a system for recycling bottles since the beginning of the century. The brewing and soft drinks industry has provided consumers with an extensive and well-working system for returning bottles. There are over 20,000 return locations within this deposit-based return system, making it easy and rewarding for consumers to return their bottles. There are presently some 200 million bottles circulating in this system.

Ninety per cent of Hartwall's package selection is based on refillable bottles. A returnable glass bottle can be reused over 30 times and a returnable plastic bottle about 15 times. As much as 98% of the bottles and 100% of the crates are returned.

Glass bottles that are removed from use are recycled into secondary raw materials for making glass wool and glass. Plastic bottle caps returned by consumers as well as plastic bottles and crates that have been removed from use are also recycled into many kinds of recycled plastic products, or they are incinerated.

A system for deposits on cans was introduced in spring 1996. In 1998, the percentage of bottles returned was 98%. Stores return the cans for recycling.

The environmental impacts of beverage transport are caused by fuel consumption and emissions. Changing over to plastic bottles, which are lighter than glass bottles, reduces emissions.

Short-term objectives

At the end of 1998, an environmental project was started up by Hartwall, with the aim of setting up an environmental system in accordance with the ISO 14001 standard. Hartwall's environmental policy is fashioned from the environmental policy adopted by the brewing and soft drinks industry as a whole and from the company's own values, which include environmental responsibility. The company's objective is for environmental measures to be made a part of everyday operations at all levels of its organisation.

The company's regional environmental systems come complete with guidelines; via the quality system, these guidelines will inform the entire company's operations. Environmental policy and significant environmental considerations will even be taken into account in the process descriptions and guidelines of those functions that do not have a quality system. The environmental supervisors appointed for each region will be responsible for drafting regional environmental guidelines. A working group charged with proposing aims and targets for the company and the environment will also be responsible for co-ordinating the drafting of guidelines.

In the case of the Tornio brewery, the company aims to implement guidelines for the brewery by the end of 1999, and initiate certification at the beginning of the year 2000. When this certification is confirmed, the company will have the capability to publish regional environmental reports. When all the regions and functions are covered by the system, an environmental report dealing with the corporate level can be published.

50 years as the number one orange soft drink. *The one and only Hartwall Jaffa, which turns 50 this year, is Finland's second-most popular soft drink. The secret of Hartwall Jaffa's success is its inimitable taste — a pleasure that's been discovered by generation after generation.*

In April 1949, a totally new kind of soft drink came into stores, a drink that tasted of oranges — a sunkissed fruit that was still rare in Finland in those days — and was sweetened with real sugar instead of the usual saccharine. It was luxuriant, sweet and loaded with the taste of real fruit.

The colour of youth is yellow

The immediate success of the original yellow Hartwall Jaffa led the company to expand this product family with new flavours. Over the years, the product family grew and shrank as it kept abreast of consumers' tastes and embraced new flavours that had become popular abroad.

During the past fifty years, new generations have made Hartwall Jaffa their favourite beverage. Today, this product family includes not only the yellow Hartwall Jaffa, but also yellow Jaffa Light and Jaffa Ananas Light, as well as red Jaffa Italia, Jaffa Grape and lemon Jaffa Palma. Of these, the original yellow Hartwall Jaffa is still the most popular by far.

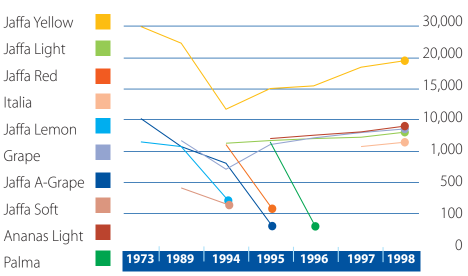
Hartwall Jaffa has been the unbeatable champion of orange soft drinks since the day it was first made. Even today, in this age where people's tastes run to globally-available soft drinks, the company manufactures and sells a total of 35 million litres of soft drinks in the Hartwall Jaffa product family each year. The most popular bottle size is 1.5 litres.

The one and only Hartwall Jaffa

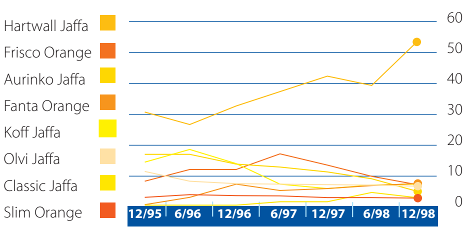
There is no question that the Hartwall Jaffa product family ranks second in the Finnish soft drinks market. These beverages offer consumers a great alternative to cola drinks. Hartwall Jaffa is the jewel in the crown of Finnish soft drinks — it pleases consumers by combining high quality with the taste of fresh fruit. The secret of the soft drink's popularity lies not only in its real taste, but also in its well-targeted slogans and product placement as well as active marketing that keeps up with the times. Consumer-oriented R&D and innovative packaging development have been just the thing to impart value added to the whole of the Hartwall Jaffa product family.

Hartwall Jaffa is primarily targeted at young people. The product broadcasts relaxed trendiness, recreation and conviviality; and the product's advertising is often humorous, too.

Five decades of Hartwall soft drink sales volumes



Share of the sales value of yellow orange soft drinks



Oyj Hartwall Abp's administration and organisation

Board of Directors

Gustav von Hertzen, 68
Chairman of the Board since 1982

Erik Hartwall, 57
Managing Director, Hartwall-Yhtiöt Oy
Deputy Chairman of the Board since 1989

Paul Bergqvist, 53
Chief Executive, Pripps Ringnes Ab
Board member since 1993

L.J. Jouhki, 55
Chairman of Thominvest Oy
Board member since 1997

Henrik Therman, 61
M. Sc. (Eng.)
Board member since 1997

Pertti Hernesniemi, 42
Hartwall's employee representative
Board member since 1995

Erkki Kilpinen, 50
Hartwall's employee representative
Board member since 1995

Pertti Hernesniemi (from left), Erkki Kilpinen, Henrik Therman, Erik Hartwall, Jussi Länsiö (managing director, not a member of the Board), Gustav von Hertzen, L.J. Jouhki and Paul Bergqvist.

Auditors
Sixten Nyman, Authorised Public Accountant
KPMG Wideri Oy Ab

Executive Committee of Oyj Hartwall Abp

Jussi Länsiö, 47
Managing Director
with the company since 1994

Ralf Hollmén, 50
Sales and Logistics Director,
Deputy Managing Director
with the company since 1985

Markku Sirén, 51
Financial Director
with the company since 1994

Rolf Therman, 55
Technical Director
with the company since 1992

Esa Rautalinko, 36
Marketing Director
with the company since 1996

Ralf Hollmén (from left), Rolf Therman, Esa Rautalinko, Jussi Länsiö and Markku Sirén.

Parent company, subsidiaries and associated companies and their management

Hartwall-Yhtiöt Oy is a holding company that was established in 1988 and is the parent company of Oyj Hartwall Abp. The owners of Hartwall-Yhtiöt Oy are all direct descendants of the founder, Victor Hartwall.
Managing Director: **Erik Hartwall,** 57

Baltic Beverages Holding AB (BBH) was established in 1991. It is an associated company that is owned half by Hartwall and half by the Swedish-Norwegian company Pripps Ringnes AB. BBH is engaged in brewing operations in the Baltic countries, Russia and Ukraine.
Managing Director: **Christian Ramm-Schmidt**, 52

Hartwa-Trade Oy Ab is an importer and distributor of wines and alcoholic beverages in Finland.
Managing Director: **Markku Tolonen**, 55

Cool Drinks International Oy is a company owned by Hartwall and Primalco Ltd on a fifty-fifty basis, which manufactures, markets and sells low-alcohol ready-to-drink beverages.
Jussi Länsiö is the acting Managing Director.

Erik Hartwall (from left), Markku Tolonen and Christian Ramm-Schmidt.

Oyj Hartwall Abp

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Group management		
	Ristipellontie 4	PO Box 31, 00391 Helsinki
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		+358 9 540 2528
		(Communications)
Production plants		
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	+358 9 54021	+358 9 540 2453
Karijoki	Marttusentie 8	64350 Karijoki
	+358 6 268 0088	+358 6 268 0078
Lahti	Kolkankatu 17	PO Box 44, 15101 Lahti
	+358 3 86211	+358 3 752 1552
Tornio	Lapinkullankatu 1	PO Box 33, 95401 Tornio
	+358 16 43366	+358 16 433 601
Sales		
Nationwide orders centre		
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Retail Channel		
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Restaurant Channel		
	Ristipellontie 4	PO Box 31, 00391 Helsinki
	+358 9 54021	+358 9 540 2271
Service Channel		
	Ristipellontie 4	PO Box 31, 00391 Helsinki
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Hartwa-Trade Oy Ab		
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HARTWALL online

www.hartwall.fi

Baltic Beverages Holding AB

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	S-16102 Bromma	+46 (8) 291 303
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	Estonia	+372 6 508 401
Aldaris Brewery		
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	LV - 1005 Riga, Latvia	+371 7023 224
Kalnapilis Brewery		
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	LT - 5319 Panevezys,	+370 54 64667
	Lithuania	
Utenos Alus Brewery		
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	LT - 4910 Utena,	+370 39 69047
	Lithuania	
Baltika Brewery		
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	Promzona, "Parnas-4"	+7 812 3299 148
	194292, St. Petersburg,	
	Russia	
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	150030 Yaroslavl, Russia	+7 0852 441 568
Taopin Brewery		
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	Tula, 300036 Russia	+7 0872 397 384
Slavutich Brewery		
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	330076 Zaporozhy,	+380 612 425 744
	Ukraine	
Donpivo Brewery		
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	344000 Russia	
Kolos Brewery		
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	Lvov, 29 0007 Ukraine	+380 322 333 461
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	454087 Chelyabinsk,	+7 3512 62 51 12
	Russia	

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