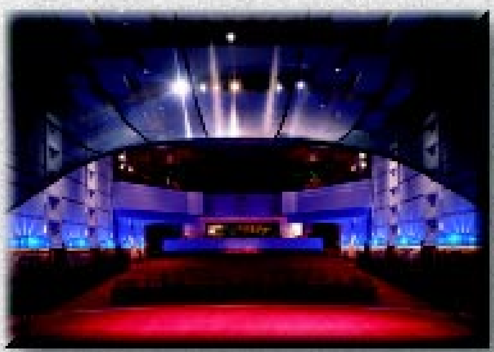
Helvar Merca Group



Annual Report 1998

Contents

Functional Organisation 1.4.1999

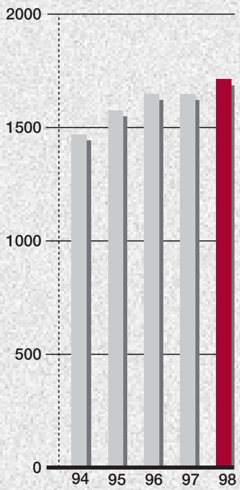
Helvar Merca Group

Helvar	Ballasts and lighting electronics
Electrosonic	Image control products • Image control solutions • Service
Fastems	Factory automation • Special machine tools • Machine tools • Industrial robots • Scanners • Peripherals • Service
Mercantile	Industrial supplies • Safety products • Chemicals • Machinery and supplies for the graphic industry
Örum	Automotive spare parts and accessories
Wulff	Office supplies • Computer supplies
Transkem	Storage and handling of bulk liquid chemicals
Mercantile KSB	Pumps • Valves • Service • Installation
Qualitron	Production technology for television studios • Video and audio production equipment and systems

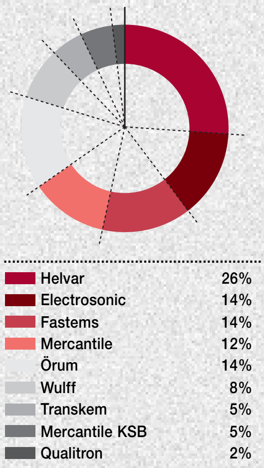
Key Figures

Helvar Merca Group	1994	1995	1996	1997	1998
Turnover, FIM million	1 484	1 571	1 626	1 642	1 722
Change over previous year, %	11.2	5.9	3.5	1.0	4.9
Operating result, FIM million	106	102	69	81	75
Profit after financing items, FIM million	78	81	53	73	63
Shareholders' equity and reserves, FIM million	438	491	508	536	556
Balance sheet total, FIM million	1 174	1 198	1 110	1 159	1 125
Capital employed, FIM million	870	884	819	855	824
Return on investment, %	13.2	12.4	8.7	10.7	9.5
Solidity, %	37	41	46	46	49
Gearing, %	78	62	39	36	33
Quick ratio	1.1	1.0	1.2	1.3	1.1
Gross investment, FIM million	134	69	65	62	49
Staff on 31 December	1 254	1 424	1 432	1 488	1 535

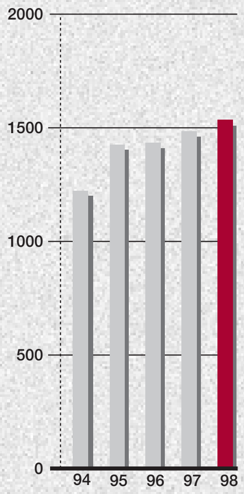
Turnover
1994 - 98, FIM million



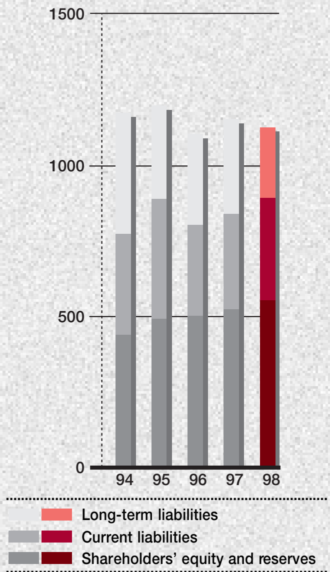
Turnover
1998, %



Staff
On 31 Dec. 1994 - 98



Financial structure
1994 - 98, FIM million




Fastems


Castrol

Chief Executive Officer's Report

Review of 1998

The Helvar Merca Group increased its turnover by 5% to FIM 1,722 million. Growth was slowed by the collapse of the Russian economy in August. Transkem and Qualitron that depend for a large share of their business on trade with Russia and other CIS countries were hit the hardest. Profit before extraordinary items, appropriations and tax was FIM 62.7 million. The number of employees in the Group at year-end was 1,535.

The Group's traditional role as importer and deliverer of industrial supplies, chemicals and components to industrial companies in Finland has changed over recent years. In 1998, industrial operations accounted for 47% of Group turnover while commerce and services represented a 53% share. The Group's geographical focus has also shifted with exports and foreign subsidiaries already accounting for 50% of turnover.

Group liquidity remained good. At year-end, the equity ratio was 49%. On the financing front, there were two significant changes: the use of bank loans to replace part of the debt to the Mercantile Pension Fund and the transfer of the mandatory pension insurance activities to Varma-Sampo Mutual Pension Insurance Company at the end of the year. The most notable investments were an extension to Örum's warehouse in Espoo and new production equipment for Helvar's factories in Helsinki and Karkkila.

Changes in the legal structure of the organisation

In 1998, the Group's organisational structure with nine business areas was finalised. At the beginning of 1999, the following changes were made to the Group's legal structure: Oy Mercantile Ab was divided into two companies, Mercantile Oy Ab (technical trade) and Fastems Oy Ab (factory automation), both of which are owned by the parent company in the Group. The new name for the parent company is Helvar Merca Oy Ab.

In order to improve administrative efficiency and create economies of scale in the Group's businesses outside Finland, a decision was taken to concentrate operations in a single legal entity in each country. In Sweden, Helvarmerca AB in Kungälv now incorporates three business units: Helvar, Fastems and Mercantile. Similarly, the Tallinn-based business units of Mercantile, Mercantile KSB, Wulff and Örum became part of Helvar Merca AS, which started operations in Tallinn at the beginning of 1999. In North America, Electrosonic Systems, Inc. purchased the business operations of Multivision Electrosonic Ltd., a Group subsidiary in Canada. Multivision Electrosonic Ltd. will be liquidated during 1999.

Outlook for 1999

In spite of the unstable situation of the world economy the Group turnover and result are expected to stay on the same level as in 1998. The growth sectors are Helvar, whose key customer group is luminaire manufacturers and Fastems, which is experiencing a dramatic rise in international demand for its Flexible Manufacturing Systems (FMS).

The rapid changes in the market situation and the ever accelerating pace of change in the competitive environment present a constant challenge to both the company and its employees. 1999 will bring further challenges including the upgrading of computer systems, the preparations for the year 2000 and the adoption of the Euro. Change calls for a readiness to adapt continuously and for ability to formulate new business models.

The employees of the Helvar Merca Group have proved how adaptable they are in the face of the numerous changes that have occurred in recent years. I would like to thank everyone for the good work during 1998 and I look forward to a successful new year.

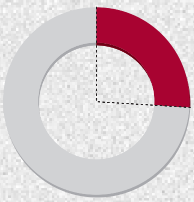
Christian Westerlund
CEO

Helvar

The market for ballasts and lighting electronics remained strong in Europe. Sales of electronic ballasts in particular grew rapidly. However, demand in emerging markets such as Russia and Asia Pacific weakened. Helvar's turnover increased by 7% to FIM 450 million. The result was satisfactory.

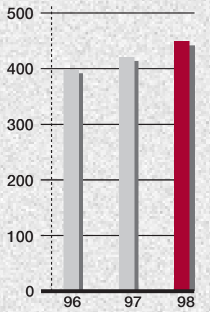
Philip Aminoff
President

Share of Helvar Merca Group turnover 26%



	1998
Turnover, FIM million	450
Staff, 31 December	578

Turnover 1996-98, FIM million



FIM million	399	422	450

Helvar specialises in ballasts and lighting electronics used by luminaire manufacturers and other customers involved in professional lighting. Magnetic and electronic ballasts are manufactured at the Karkkila and Helsinki factories in Finland, while lighting electronics such as sensors, dimmers and controls are manufactured in Maidstone, England.

Demand for magnetic ballasts was very strong during the first half of the year. It slowed in the autumn due to the uncertainty caused by turmoil in the financial markets. A decision was taken to invest in new production technology that will further increase the capacity and flexibility of the Karkkila factory.

Sales of electronic ballasts continued to grow rapidly. An increasing number of customers has chosen Helvar for the breadth and quality of the product range, the product development support available through Helvar's lighting laboratory in Helsinki and the knowledgeable local technical support through Helvar's regional sales offices.

During the year under review, the lighting electronics sales mix changed considerably as a growing proportion of all contracts now has a clear link to fluorescent lighting. Sales of Helvar's range of the open digital network-based LonWorks™ products[1] grew rapidly and there was growing interest in Helvar's new products for easy and cost-efficient daylight control. Sales to the marine industry also developed favourably, supported by a new dedicated marine dimmer and further improvements to the dedicated user interface software. The profitability suffered from heavy investments into new technologies and new distribution channels, but is expected to improve in 1999.

Following the separation of Helvar and Electrosonic's business operations, Electrosonic will now specialise in image control while Helvar will concentrate on lighting. As a result, the Helvar brand will gradually replace the Helvar Electrosonic brand for lighting electronics while the Electrosonic brand will be used exclusively for image control. The Celco brand, which is well established in the live entertainment market, was sold to Lightstorm Trading Limited, a UK company, in December 1998.

Outlook for 1999

The lighting industry is changing rapidly. Of particular note is the growing role of luminaire manufacturers as suppliers of lighting environments rather than of individual luminaires only and also the rapid convergence of the previously separate markets for load interfaces and lighting electronics. Helvar is well prepared for these changes and will launch several exciting new products in 1999.

1 LonWorks™ is a trademark registered to Echelon Corporation (USA).

Helvar's SOLO dimmers and electronic ballasts were installed in the head quarters of Albacom, a telecommunication company in Milan, Italy.

In co-operation with Equation Lighting Design Helvar engineered a complete lighting solution to BBC Concert Hall in London.

(Picture Chris Gascoigne.)

Nottingham Castle in England. A lighting control system with a daylight feel was installed to the exhibition hall.

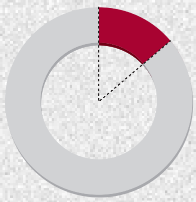
Customer training is an essential part of Helvar's product offering.

Electrosonic

1998 was a year of significant financial improvement and growth for Electrosonic. The company refined its business strategy and global organisation structure and launched a number of exciting products to the market. Turnover increased by 16% to FIM 243 million. The result was satisfactory.

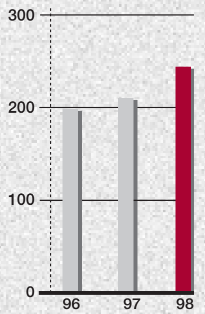
Kyle Carpenter
President

Share of Helvar Merca Group turnover 14%



	1998
Turnover, FIM million	243
Staff, 31 December	219

Turnover 1996–98, FIM million



FIM million	198	210	243

Electrosonic specialises in image control. The company's main expertise is based on its ability to process, control, manipulate and distribute electronic images to achieve the desired effect. The company's operations are organised into three separate businesses: Products, Solutions and Service.

Electrosonic Products develops and offers image processors, associated show control products and user interface software. The products are mainly sold through a worldwide channel of dealers and distributors. 1998 saw the launching of VECTOR™, the next generation of processing technology. VECTOR™'s new technology allows the simultaneous display of high-resolution graphics and full-motion video in real-time from multiple sources. The first VECTOR™ image processors were delivered in the fourth quarter of 1998.

Electrosonic Solutions offers customised image control systems. It specialises in finding the best available products for its customers in line with their precise specifications. The major added value of the Solutions business is application knowledge and skilled resources to get jobs installed to meet project requirements anywhere in the world. Notable projects in 1998 include:

- World Golf Hall of Fame Museum, St. Augustine, Florida
- Reuters Technical Centre, London
- Best Buy electronics stores in the United States
- Toyota Showroom "Le Rendez-Vous", Paris
- Foot Locker stores around the world.

Electrosonic Service offers maintenance and support for Electrosonic installations to protect the customers' investment and to assure optimum performance of the installations. Electrosonic has built a global service network that provides a clear advantage over competition.

Outlook for 1999

The image control market is expected to grow at an annual rate of 15% and 1999 promises to be a very strong year for Electrosonic. Major contracts have been secured by the company to provide Products, Solutions and Service in support of millennium-linked exhibitions around the world. In addition, the new products will contribute to strong growth, positioning the company for continued success in the beginning of the new millennium.

Electrosonic engineered two dome projection systems for Star Trek: The Experience attraction in Las Vegas.
(Picture courtesy Landmark Entertainment Group.)

Best Buy Inc., one of the largest consumer electronics retailers in North America, is using Electrosonic videowalls to promote new products.

Electrosonic engineered the overview wall display at Reuters Technical Centre in London.

A massive installation consisting of 16 Electrosonic videowalls of different sizes can be seen in the West and Central Railway Stations in Beijing.

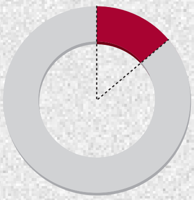
Electrosonic was responsible for the design and supply of the video display and audio system to Le Rendez-Vous Toyota, a car showroom on the Champs Elysées in Paris. The installation includes one of the first VECTOR™ image processors of Electrosonic. The showroom's lighting is controlled by Helvar's IMAGINE ™ system.

Fastems

Fastems' export sales grew rapidly. The company strengthened its position as the leading supplier of factory automation in the Nordic countries. In Finland, Fastems' main target market is the metal industry, where output, capital investment and exports continued to rise. Turnover increased by 20% to FIM 237 million. The result was satisfactory.

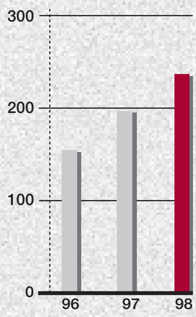
Jarmo Hyvönen
President

Share of Helvar Merca Group turnover 14%



	1998
Turnover, FIM million	237
Staff, 31 December	192

Turnover 1996-98, FIM million



FIM million 155 197 237

Fastems manufactures automation systems (FMS, Flexible Manufacturing Systems) for factories and other industries with serial production. Fastems also manufactures special machine tools, scanners for paper machine quality control systems and distributes machine tools, industrial robots and their peripherals. Fastems' operations are supported by a strong service organisation. In 1998, exports accounted for approximately 40 % of sales and this figure is expected to rise further. The most important export markets are Germany, Switzerland and Scandinavia.

The FMS department specialises in complete solutions for material handling. The solutions are custom-built and usually consist of multi-level storage and related machine tools and assembly stations. They allow for a high degree of automation in the production process and make it possible to operate machinery around the clock. A total of 140 systems have already been delivered to leading industrial customers throughout Europe. Fastems is the European market leader in Flexible Manufacturing Systems and exports to 15 countries.

During the year, several major special machine tool installations were completed for customers in the Nordic countries. The largest single assignment, however, was a turnkey project for a pump component manufacturer in Switzerland. There was a sharp rise in the level of imports to Finland of machine tools and their peripherals and in terms of sales volume of these products, Fastems had the best year in its history.

Over 70 industrial robots were delivered to customers for material handling and welding applications. During 1998, the full-electric Fanuc Roboshot injection moulding machines established themselves on the market. In close cooperation with its customers, Fastems has been engaged in groundbreaking work at developing the production of high-precision plastic parts.

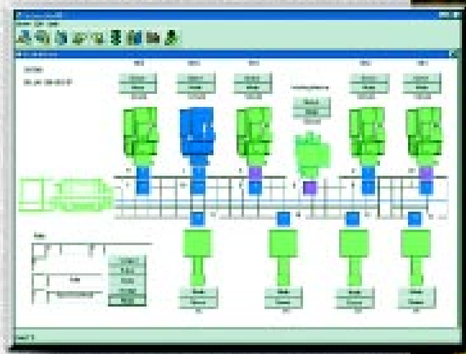
The long-term collaboration with Valmet Automation Inc. in the development and manufacture of mechanical components for paper machine quality control systems continued. In 1998, a new scanner which is particularly suited to paper machine modernisation projects was developed.

Sales of support services increased. Cooperation with customers was stepped up and several new service contracts were secured. In addition, a number of sizeable machine tool refurbishment and modernisation projects were completed.

Outlook for 1999

Fastems will continue its efforts to boost exports. The prospects for 1999 are encouraging. The outstanding order book is strong with exports accounting for around 50% of orders. In particular, exports of the Fastems' Flexible Manufacturing Systems are expected to rise steeply.

Windows based control systems of FMS-deliveries are customised to each customer.



Fastems supplies custom-engineered robots for handling heavy metal parts.

A flexible gear box machining system for fully automated production processes at KCI Konecranes International's factory in Hyvinkää.

Special machine tool deliveries also include precise fastening solutions.

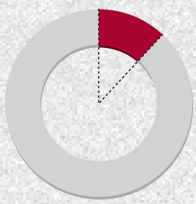
After machining, the surface finishing is increasingly done by industrial robots.

Mercantile

The growth in industrial output in Finland slowed down after five good years. In a move to sustain its competitiveness in a tightening market, Mercantile has shifted the focus of its operations from product sales to sales of complete service solutions and expertise. Turnover remained at the previous year's level totalling to FIM 207 million. The result was satisfactory.

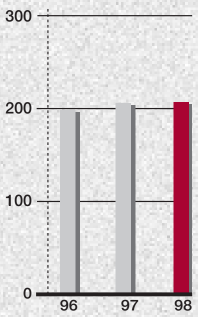
Jyrki Sairo
President

Share of Helvar Merca Group turnover 12%



	1998
Turnover, FIM million	207
Staff, 31 December	155

Turnover 1996–98, FIM million



FIM million	199	206	207

Mercantile imports and sells industrial supplies, chemicals and components. Its operations span the entire logistics and service chain, from the supplier to the end-customer. It sells to industrial and commercial customers in Finland, Estonia, Latvia and the St. Petersburg area, and its suppliers are leading companies in their field throughout the world.

Demand for fastening equipment remained stable. Mercantile continued its efforts to develop its distribution and shelf-stocking service. Already 60% of the total sales of fastening equipment are being delivered directly to the customer's production facilities. Mercantile upgraded the service it provides to customers in the Helsinki area by expanding its own transport capacity. Mercantile Eesti AS increased sales in Estonia by 57% and at the beginning of the year, a sales operation was established in Latvia through Helvar Merca SIA.

Sales of pneumatic and hydraulic components improved and turnover increased as expected. The strongest growth was in sales of Hunger DFE GmbH seals to Finnish manufacturers of hydraulic cylinders.

Although demand for chemicals grew in Finland, excess supply pushed prices down and sales revenue remained unchanged. The economic situation in Russia disturbed exports. In the autumn, sales of the chemicals supplied by Mercantile was down on the corresponding figure for 1997.

On the Safety Products side, above all the success of the Gloria Safety Center service chain ensured that the Gloria range of fire extinguishers were able to retain their clear market leadership in the face of increasing competition in the extinguisher market. The sale of Gloria products started in Estonia in the spring. Negotiations concerning the acquisition of Gloria Brand Svenska AB's operations were concluded at the end of the year and business in Sweden will start in spring 1999.

Sales by the Graphic Industry Department were in line with expectations. The BASF flexo-printing plates and the Mitsubishi Silver Master printing plates retained their market leadership. Mounting concern for the environment increased demand for distillation units and industrial washing machines.

Outlook for 1999

The growth rate in industrial output is forecast to slow down further, resulting in increased competition for market share. Mercantile aims to expand its market share by intensifying marketing efforts and by refining its business concept. At the beginning of 1999, the structure of the organisation was changed with the formation of the Industrial Supplies Department, which includes Fastening Equipment and Pneumatics and Hydraulics. In line with the company's strategic aims, the new structure is designed to develop customer service overall and to increase competitive advantage.

Hunger DFE GmbH offers a large selection of seals.

Gloria fire extinguishers retained their market leadership.

Mercantile upgraded the service it provides to customers in the Helsinki area by expanding its own transport capacity.

Mercantile delivers the fastening equipment directly to ABB's factories with automatic shelf-stocking service.

Fixing of bearing pedestal of a water power generator at ABB Industry Oy Machines Group's factory in Helsinki.

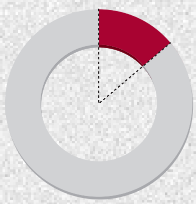
Assembly of a frequency converter at ABB Industry Oy Drives Group's factory in Helsinki.

Örum

The size of the Finnish market for automotive spare parts remained unchanged. Exports to the Baltic states and the St. Petersburg area continued to rise although the rate of growth at the end of the year was lower than expected due to the state of the Russian economy. Örum increased its market share and turnover rose by 13% to FIM 232 million. The result was good.

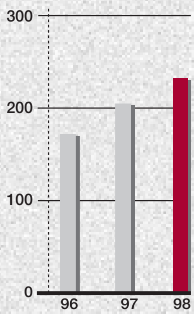
Heimo Arovaara
President

Share of Helvar Merca Group turnover 14%



	1998
Turnover, FIM million	232
Staff, 31 December	149

Turnover 1996-98, FIM million



FIM million	171	205	232

Örum specialises in the wholesale of automotive spare parts and accessories and markets its products primarily through the independent spare parts trade. Another key customer group is Finland's trailer and semi-trailer manufacturing industry. At the end of the year a 4,000 m² extension to the central warehouse in Espoo was opened. The newly extended warehouse facilities cover an area of 12,000 m² and deliveries are despatched to customers throughout Finland on a 24-hour basis. Örum's most important suppliers are large, well-known manufacturers of automotive spare parts and components.

In 1998, sales of new passenger cars rose in Finland by over 20%. At year end, the total number of passenger cars stood at over 2 million. Of these, around 60% were in the 7-15 year old category, which is an important source of income for the independent automotive spare parts trade. According to industry statistics, sales in the independent spare parts trade grew by 8%. Product quality is becoming more important for customers but price continues to be the key factor in the purchasing decision.

Capacity utilisation in the trailer and semi-trailer manufacturing industry was high throughout the year. However, the economic crisis in Russia had a major impact on the open order book. Wabco air brakes retained their position as the leading brake system for trailers.

Estonia and the St. Petersburg area continued to be the main export markets, mainly through "cash and carry" exports. The crisis in the Russian economy depressed sales by around one third in comparison to autumn 1997. Exports accounted for around 30% of Örum's turnover. Örum's subsidiary in Tallinn, MG-Autopartner AS, had a successful year. The company's turnover totalled EEK 50 million and the result was good.

Outlook for 1999

The market is predicted to contract in 1999 as new passenger cars replace the old models. Competition in the declining domestic market and the fall in exports will depress the profits and erode the competitiveness of companies in the industry in the future. Örum is one of the leading companies in its field in Finland. In order to safeguard its position in the market, the company will continue to pursue its customer-oriented approach and further develop the skills of its employees. It will also collaborate with other companies in the industry in the area of environmental protection.

The new Comet spot and fog light series by Hella is a sales success.

Örum is the sole distributor in Finland of exhaust pipes manufactured by the Belgian Bosal.

The Sachs clutches and shock absorbers represent the latest technology in the field.

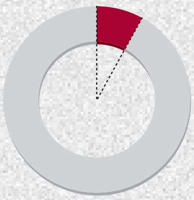
The extension of Örum's warehouse enables more flexible product handling.

In 1998 Örum celebrated its 75th anniversary. In the picture Örum's sales exhibition in 1930s in the company's premises in Helsinki.

In 1998, the total market for office supplies in Finland grew by around 8% while demand for computer supplies increased by over 20%. Wulff is the market leader in Finland for direct sales of office and computer supplies. The company's turnover increased by 4% to FIM 144 million. The result was satisfactory.

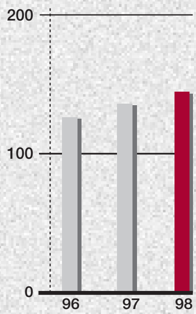
Paavo Feirikki
President

Share of Helvar Merca Group turnover 8%



	1998
Turnover, FIM million	144
Staff, 31 December	117

Turnover 1996-98, FIM million



FIM million	127	137	144

Wulff imports and sells office and computer supplies. The company offers customised APAJA customer service systems to large and medium-sized businesses. The systems are designed to make the purchasing and internal distribution of office supplies trouble-free and cost-effective. The Wulff Store chain comprises local cash and carry outlets. Wulff aims at establishing long-term customer and supplier relationships.

The total number of users of the APAJA system continued to rise. In the autumn, a customer survey showed that APAJA users were satisfied with the standard of service provided. Work on developing the system is continuing, taking into account the results of the customer survey as well as direct feedback from customers.

Information systems are an integral part of the Wulff business concept. The value of electronically lodged orders rose during the year from 35% to over 50% of the total order value. In order to ensure high standards of service and keep up with the fast development and changes in the market, the company has channelled the majority of its investment into the development of computerised systems and new computer equipment.

In May, Wulff strengthened its position in the Turku area by acquiring a local wholesaler, Pakes Oy and in November, it opened a new cash and carry Wulff Store in the company's premises. Deliveries to APAJA-customers in the area are despatched directly from the Vantaa central warehouse.

The Helsinki Wulff Store has firmly established its position as a cash and carry outlet for small and medium-sized corporate customers in the local area. The Wulff Stores in Helsinki and Turku offer a range of benefits to their regular customers. The value of these benefits varies according to the total amount purchased.

Torkkelin Paperi Oy, a subsidiary in Lahti, strengthened its position as market leader in its field. The company, which specialises in in-store and direct sales, performed in line with expectations and showed a good result.

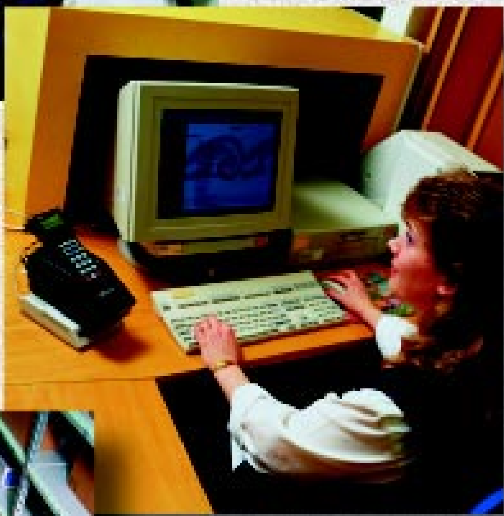
The organisation and business concept of Mammut AS, the Tallinn-based subsidiary, were revised. With effect from the beginning of 1999, the company will operate as a business unit within Helvar Merca AS.

In November, Paavo Feirikki, M.Sc. (Econ.) was appointed the new Managing Director of Wulff.

Outlook for 1999

The total market is forecast to expand in 1999 by 4-6%, again reflecting the growth in demand for computer supplies. Wulff will continue to develop its business and improve customer service with a range of measures, including the upgrading of the APAJA customer service system.

The new Wulff Store in Turku serves small and medium-sized corporate customers in the area.



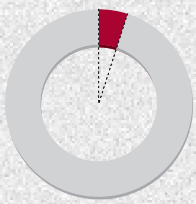
Wulff offers customised APAJA service to large and medium-sized businesses for trouble-free and cost-effective purchasing and internal distribution of office supplies. The APAJA service seamlessly covers the whole chain from the customer's electronically lodged order up to the receipt of the product.

Transkem

Excess supply and low price levels currently dominate the global chemicals market while the economic and political crisis in Russia has also taken its toll. As a result, Russian chemical exports via Finland had again a downward trend. The volume of liquid chemicals handled by Transkem was down on 1997 levels. Turnover fell by 27% and was FIM 83 million. The result was unsatisfactory.

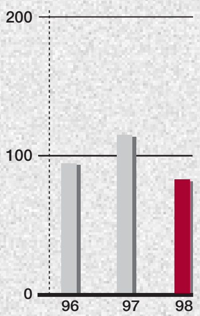
Heikki Auvinen
President

Share of Helvar Merca Group turnover 5%



	1998
Turnover, FIM million	77
Staff, 31 December	35

Turnover 1996-98, FIM million



FIM million	95	115	83

Transkem specialises in transit services for bulk liquid chemicals. During the year under review, the company channelled further investment into reducing environmental risk and improving efficiency. In Kotka, in Mussalo Deep Harbour, a new chemical pumping line was constructed that enables discharging of chemicals directly from railway tank cars to vessel.

The market situation in 1998 proved to be more challenging than originally anticipated. Conditions on the international market, where excess supply and low prices had caused problems during the last four years, deteriorated still further. The economic crisis in south-east Asia only served to exacerbate the market distortions.

The long-awaited economic upturn in Russia did not materialise and the uncertainty that had characterised the market turned into a full-blown economic and political crisis. Production levels for Russian oil products and petrochemicals increased in 1997 only to fall again sharply in 1998. Owing to the scarcity of raw materials, many factories were at a stand-still for several months at a time. Consequently, the volume of chemicals handled by Transkem fell by just under a third.

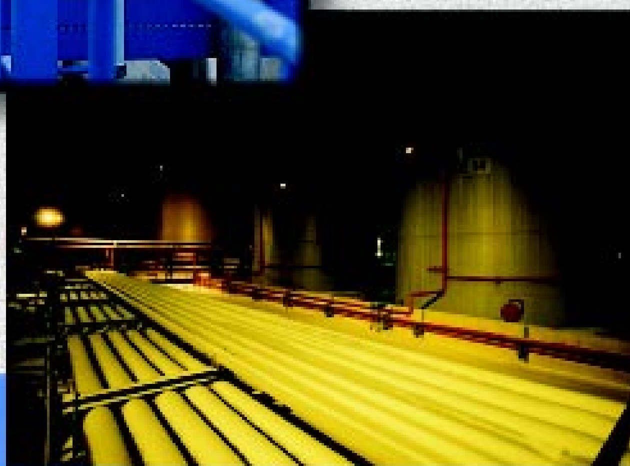
In spite of the difficulties facing Transkem, the company continued to invest in developing its business and improving safety in the area of chemical handling. Transkem retained its hold over a major share of the market thereby maintaining its position as the clear market leader in chemical transit services in the Baltic Sea area.

Outlook for 1999

No significant changes are expected to take place in Transkem's core markets. The uncertainty prevailing on the international chemicals market is set to continue into 1999 and the indications are that a rapid improvement in the Russian situation is unlikely. The devaluation of the rouble may give a temporary boost to chemical exports. The volume of chemicals transported via Finland is, however, forecast to remain at the levels of 1998.

Transkem will continue to work towards raising safety standards in chemical handling and minimising the impact on the environment as well as improving the quality and efficiency of its operations.



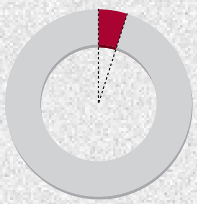




Mercantile KSB

1998 saw a slow-down in investment growth in Finland's industrial sector. Finnish companies in the energy sector account for around one half of Mercantile KSB's sales. The expertise they are able to offer is the key to their success, although demand has declined due to the situation in Asia Pacific and Russia. The company's turnover rose 21% to FIM 93 million. The result was satisfactory.

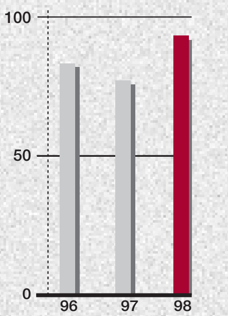
Jarmo Piippo
President

Share of Helvar Merca Group turnover 5%



	1998
Turnover, FIM million	93
Staff, 31 December	31

Turnover 1996–98, FIM million



FIM million	83	77	93

Mercantile KSB specialises in complete solutions for liquid transfer which include pumps, valves, controls and related services. The company is committed to a customer-oriented approach throughout its business operations.

During 1998, the company adopted a team-based organisational format in a move to increase efficiency and improve customer care. The energy, industry and water technology teams handle sales of new products. The maintenance team is responsible for installation and start-up as well as providing customers with cost-effective maintenance solutions.

The assembly and project planning of KSB energy and oil pump units at the Hakkila assembly centre continued with good results as planned. The largest order for an energy pump unit designed to Mercantile KSB's own specifications comprised feed water pumps for a soda recovery boiler. The order was in connection with Oy Metsä-Botnia Ab's Pulp 98 project. The pump units and controls were assembled in Hakkila and the order was completed with the addition of a similar size delivery of valves.

KSB Aktiengesellschaft has secured an agreement with a Russian company, Permskaja Gres, concerning a feed water pump installation. The agreement covers supervision of the installation work and inspection of the pumps. Mercantile KSB will replace all the internal components of the ageing pumps with new units. These pumps have a capacity equivalent to the feed water pumps used by the largest power plants in the Nordic countries. The project should vastly improve the reliability of the equipment, which has to function under extremely difficult conditions.

Increased demand for heat and clean water in the Baltic countries generated new business. Sales to the industrial sector also picked up. In Estonia and Latvia, business is conducted through the Helvar Merca companies. In Lithuania sales operations were established through an agent.

The company will continue to develop the skills of its employees enabling them to contribute more actively to projects for corporate customers. Another company objective is to increase the number of turnkey projects. Therefore, developing the electronic database systems is very important. In summer 1998, the company launched its own website, which it continuously updates and develops in an effort to simplify the planning and measuring process for its customers.

Outlook for 1999

Predictions for Finnish industry are cautious but Mercantile KSB's order book bodes well for 1999. The company will continue to develop its business with a view to expanding its market share and improving performance.

Etaseco leakage free pumps are used in cold technology applications, e.g. in fluid circuits of transformers.

Amri Aquisoria butterfly valve is a new product for water supply.

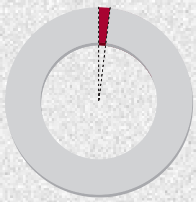
The feed water pumps for Foster Wheeler Oy were finished at the Hakkila assembly centre.

Qualitron

Television companies in Finland continued to invest in digital technology in spite of a fall-off in the rapid rate of growth experienced in the Finnish market. The confused economic situation in Russia and other CIS countries had a negative impact on business. Qualitron's turnover fell by 51% to FIM 37 million. The result was unsatisfactory.

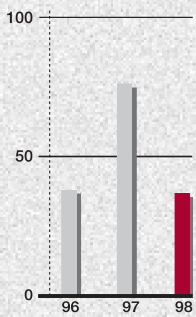
Tapani Karjalainen
President

Share of Helvar Merca Group turnover 2%



	1998
Turnover, FIM million	37
Staff, 31 December	29

Turnover 1996–98, FIM million



FIM million	38	76	37

Qualitron specialises in production technology for TV-studios as well as in video and audio production equipment and systems. The company's main markets are Finland and Russia with the other CIS countries. In 1998, business was evenly divided between Finland and the CIS countries.

The most notable projects in Finland were the digitalisation of the production technology used by Studio C at Yleisradio (Finnish Broadcasting Corporation) TV 2 in Tampere and the completion of the Alexis studio for training television professionals at Adulta Oy's Institute for Further Education in Järvenpää.

The largest export orders were for editing systems for Studio Gorgi and an extension for REN-TV's studio system in Moscow. In addition, a NewStar newsroom system was delivered to the Ukrainian company UNTK-TV in Kiev. Qualitron extended its markets to include Tatarstan and Kazakhstan and delivered a Tektronix Inc. Pro*file*-based compact production system for television studios to television companies in both countries.

1998 has seen the focus of demand shift clearly to computerised and automated systems and products. This creates new challenges for Qualitron's employees in terms of their product knowledge, skills and expertise in the new technology. In response to this, Qualitron has invested substantially in staff training.

In 1998, the product offering was strengthened with the addition of products manufactured by the British company, PixelPower Ltd, which specialises in a diverse range of Collage subtitling, graphics and editing systems designed for the production of television and video programmes. The range of workstations was also extended with the inclusion of a state-of-the-art hard disc filing system developed by the American company, Ciprico Inc. The system is suitable for workstations and computerised graphics applications used in video production.

The company continued to develop its business operations. It replaced its computer-based financial administration and material management systems and invested in its ongoing employee training programme. Steps were taken to increase the efficiency of the Moscow-based subsidiary, ZAO Qualitron Service.

Prospects for 1999

The forecast for international project sales is cautious owing to the situation in Russia. Efforts will be made to further boost sales to other CIS countries. The growth predicted for the domestic market will be accompanied by intensified competition. In order to safeguard its strong position in the market, Qualitron plans to channel further investment into extending its product range and training its staff.

The Tektronix LVS 100 used with the Profile disc storage system is ideal for slow-motion play-back in sports programmes.

With the Tektronix NewStar/ EditStar system the reporters are able to work out complete TV news broadcast on their own workstation.

Tektronix Profile PLS 200 data storage robot.

Tektronix Profile PDR 300 represents the latest disc recording technology of video material.

PixelPower Collage is a graphics and character generation system for television companies.

Board of Directors' Report

Results

The turnover of Helvar Merca Group totalled FIM 1,722 million in 1998. The increase over the previous year was 5 %. The profitability of the companies within the Group developed unevenly since the economic crisis in Russia had a negative effect on the profitability of some units and the result of others was influenced by the slow-down of the economic situation in Finland. Some of the units, however, improved their result remarkably in spite of their operational environment. Group profit before voluntary provisions and tax decreased slightly from FIM 72.5 million to FIM 62.7 million.

Changes in the Group structure and change of name of the parent company

The changes in the Group structure were continued. The subsidiary Oy Mercantile Ab was divided into two companies, Mercantile Oy Ab and Fastems Oy Ab. The Group now has nine business areas, all of which operate as individual companies with their own business strategy. Each of the subsidiaries Helvar, Electrosonic, Fastems, Mercantile, Örum, Wulff, Transkem, Mercantile KSB and Qualitron focuses on its own clearly defined business area.

At the end of the year the name of the parent company was changed from Oy Helvar Merca Group Ab to Helvar Merca Oy Ab.

Investments

The largest investment within the Group was the FIM 20 million extension of Örum's warehouse. Extended warehouse facilities were necessary due to the expansion in Örum's product range and the demands on fast and reliable deliveries. Group investments totalled FIM 48.5 million.

A decision was made to build a new facility in Estonia. This facility will house all Group activities in Estonia.

Personnel

In the beginning of 1998 the Group employed 1,488 persons and at the end of the year 1,535. The increase in personnel was 3%. Of the total number of employees 449 persons worked outside Finland.

The part of the Group's Pension Fund that concerns mandatory pensions was transferred to an insurance company in the end of 1998. The Pension Fund still handles the voluntary pension system that is in force in four of the Group companies. The voluntary pension system was closed at the end of 1992. Persons employed after this date do not belong to the pension fund but the pension benefits of employees engaged earlier remain unaltered. The Group transferred contributions totalling FIM 1.3 million to its pension fund to fully cover the liabilities related to voluntary retirement pensions. Following the transfer of the mandatory pensions to the insurance company, the Group's loan from the pension fund decreased from FIM 305 million to FIM 148 million during 1998.

Prospects

The outlook in the world economy especially, but also in the economic situation in Finland, is more uncertain than it has been for a long time. However, the Group's result for 1999 is forecast to remain approximately at the level achieved in 1998.

Proposal for allocation of profit

The net profit of the Group for the financial year totals FIM 52,660,889.33. The non-restricted equity of the parent company Helvar Merca Oy Ab consists of retained earnings from previous years of FIM 121,295,159.18 and profit of the current year of FIM 5,669,106.36. The Board of Directors proposes that FIM 19,245,600 i.e. FIM 2,400 per share be paid as dividend.

Consolidated Profit and Loss Account

(FIM 1 000)		1.1. – 31.12.1998	1.1. – 31.12.1997
Net turnover	(1)	1 721 883	1 642 036
Other operating income		8 737	7 340
Costs	(2)	-1 590 241	-1 499 599
Depreciation	(2)	-64 925	-68 833
Operating profit		75 454	80 944
Financial income and expenses	(2)	-12 768	-8 417
Profit before extraordinary items, voluntary provisions and income taxes		62 686	72 527
Change in accelerated depreciation	(2)	17 410	3 269
Change in voluntary provisions		–	24 278
Income taxes	(2)	-28 288	-31 560
Profit before minority interests		51 808	68 514
Minority interests		853	-1 298
Profit for the period		52 661	67 216

Consolidated Balance Sheet

(FIM 1 000)		31.12.1998		31.12.1997	
Assets					
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					
Intangible assets					
Intangible rights		3 736		2 220	
Other capitalised expenditure		16 487	20 223	13 978	16 198
Tangible assets	(7)				
Land and water		49 079		50 729	
Buildings		268 363		276 608	
Machinery and equipment		100 624		110 878	
Other tangible assets		4 099		4 352	
Advance payments and construction in progress		2 708	424 873	1 878	444 445
Financial assets	(6)				
Bonds and shares		65 007		67 982	
Loan receivables		723	65 730	723	68 705
			510 826		529 348
CURRENT ASSETS					
Stocks					
Raw materials and consumables		32 742		38 187	
Work in progress		22 489		18 379	
Finished products/goods		189 464		171 125	
Advance payments		6 086	250 781	3 742	231 433
Receivables	(8)				
Trade receivables		248 475		230 056	
Loan receivables		3 633		9 980	
Prepaid expenses and accrued income		19 171		20 922	
Other receivables		9 822	281 101	13 117	274 075
Cash in hand and at banks			82 775		124 015
			1 125 483		1 158 871
Liabilities					
CAPITAL AND RESERVES					
Restricted equity	(10)				
Subscribed capital		110 000		110 000	
Reserve fund		1 500		1 568	
Revaluation fund		-	111 500	3 566	115 134
Non-restricted equity					
Translation adjustment		524		-4 342	
Retained earnings		250 533		197 648	
Profit for the period		52 661	303 718	67 216	260 522
MINORITY HOLDING			5 355		7 128
PROVISIONS					
Accelerated depreciation	(11)		130 730		148 140
Voluntary provisions					
Other provisions			–		494
Obligatory provisions			4 899		4 610
CREDITORS					
Non-current	(12)				
Loans from credit institutions		91 941		614	
Pension loans		147 948		304 666	
Other non-current liabilities		3 112	243 001	2 767	308 047
Current					
Loans from credit institutions		24 188		10 507	
Advances received		29 185		33 213	
Trade payables		139 786		120 371	
Accrued liabilities and deferred income		88 743		103 494	
Other current liabilities		44 378	326 280	47 211	314 796
			1 125 483		1 158 871

Consolidated Funds Statement

(FIM 1 000)	1998	1997
SOURCE OF FUNDS		
Internal financing		
Net result in the Profit and Loss Account	52 661	67 217
Depreciation	64 925	68 834
Changes in untaxed reserves	-17 615	-30 302
Total internal financing	99 971	105 749
Reduction in fixed assets	5 403	1 055
Increase in long-term financing	-	1 687
	105 374	108 491
APPLICATION OF FUNDS		
Investments in fixed assets	55 806	62 557
Decrease in long-term financing	65 046	-
Translation adjustment in shareholders' equity	-523	4 342
Change in minority holding	1 773	-1 298
Dividends distributed	9 623	5 613
	131 725	71 214
Change in working capital	-26 351	37 277
	105 374	108 491
CHANGE IN WORKING CAPITAL		
Cash and bank accounts	-41 240	9 313
Receivables	7 026	30 971
Inventories	19 347	15 572
Current liabilities	-11 484	-18 579
	-26 351	37 277
Working capital on 1 January	314 727	277 450
Working capital on 31 December	288 376	314 727

Parent Company's Profit and Loss Account

(FIM 1 000)		1.1. – 31.12.1998	1.1. – 31.12.1997
Net turnover	(1)	9 900	8 602
Other operating income		6 345	5 296
Costs	(2)	-15 311	-16 614
Depreciation	(2)	-2 881	-2 686
Operating profit		-1 947	-5 402
Financial income and expenses	(2)	-1 776	14 568
Profit before extraordinary items, voluntary provisions and income taxes		-3 723	9 166
Extraordinary income and charges	(5)	8 400	-
Profit before voluntary provisions and income taxes		4 677	9 166
Change in accelerated depreciation	(2)	994	649
Change in voluntary provisions		-	245
Income taxes	(2)	-2	-207
Profit for the period		5 669	9 853

Parent Company's Funds Statement

(FIM 1 000)	1998	1997
SOURCE OF FUNDS		
Internal financing		
Net result in the Profit and Loss Account	5 669	9 853
Depreciation	2 881	2 686
Changes in untaxed reserves	-994	-59 220
Total internal financing	7 556	-46 681
Reduction in fixed assets	774	94 366
Increase in long-term financing	-	2 143
	8 330	49 828
APPLICATION OF FUNDS		
Long-term loans receivable	30 000	50 145
Investments in fixed assets	1 947	38 327
Decrease in long-term financing	14 060	-
Dividends distributed	9 622	5 613
	55 629	94 085
Change in working capital	-47 299	-44 257
	8 330	49 828
CHANGE IN WORKING CAPITAL		
Cash and bank accounts	-29 459	19 109
Receivables	54 785	-83 868
Inventories	-	-64 705
Current liabilities	-72 625	85 207
	-47 299	-44 257
Working capital on 1 January	122 728	166 985
Working capital on 31 December	75 429	122 728

Parent Company's Balance Sheet

(FIM 1 000)		31.12.1998		31.12.1997	
Assets					
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					
Intangible assets					
Other capitalised expenditure			4 585		3 849
Tangible assets	(7)				
Land and water		7 569		7 569	
Buildings		32 867		34 420	
Machinery and equipment		778	41 214	1 368	43 357
Financial assets	(6)				
Shares in subsidiaries		191 750		187 750	
Bonds and shares		51 429		51 730	
Loan receivables		80 145	323 324	50 145	289 625
			369 123		336 831
CURRENT ASSETS					
Receivables	(8)				
Trade receivables		225		377	
Loan receivables		142 767		97 767	
Prepaid expenses and accrued income		17 101	160 093	7 165	105 309
Cash in hand and at banks			74 596		104 055
			603 812		546 195
Liabilities					
CAPITAL AND RESERVES	(10)				
Restricted equity					
Subscribed capital		110 000		110 000	
Reserve fund		1 500	111 500	1 500	111 500
Non-restricted equity					
Retained earnings		121 295		117 065	
Profit for the period		5 669	126 964	9 853	126 918
PROVISIONS					
Accelerated depreciation	(11)		18 503		19 497
CREDITORS	(12)				
Non-current					
Loans from credit institutions		91 941		606	
Pension loans		95 644	187 585	201 039	201 645
Current					
Loans from credit institutions		23 592		857	
Trade payables		1 105		486	
Accrued liabilities and deferred income		12 435		7 375	
Other current liabilities		122 128	159 260	77 917	86 635
			603 812		546 195

Notes to the Financial Statements

Accounting principles for the consolidated accounts

The consolidated accounts have been prepared in accordance with the acquisition cost method. The consolidated financial statements include the Parent Company, Helvar Merca Oy Ab, and those companies in which Helvar Merca Oy Ab directly or indirectly holds more than 50 % of the voting rights of all the shares. The real estate company, Kiinteistö Oy Toivikkeenrinne, serving staff housing needs, is not included in the consolidated financial statements. The financial statements of Group companies operating outside Finland have been converted and grouped according to the Finnish Accounting Act. The translation of the Balance Sheet into Finnmarks has been effected according to the Bank of Finland´s average rates on the date of the closing of the accounts and the financial statements according to the average rates for the year.

Foreign currency-denominated items

Receivables and liabilities in the Balance sheet on the date of the closing of the accounts have been translated into Finnmarks at the rates prevailing on the date of the closing of the accounts. The hedging instruments of the open foreign currency-denominated items have been valued at their current value taking into account the interest rate factors.

Inventories

Inventories in the consolidated accounts are valued at their acquisition cost, which includes in addition to the direct costs part of the indirect costs of acquisition and production.

Depreciation principles

Fixed assets are entered in the Balance Sheet as depreciation according to plan reduced to the direct acquisition cost. Depreciation according to plan has been calculated according to the econimic life of fixed asset as straight-line depreciation on the original acquisition price.

Depreciation periods according to plan are:

Other capitalised expenditure .... 5 - 10 years
Buildings and constructions ....20 - 40 years
Machinery and equipment .... 3 - 10 years
Goodwill .... 5 years

Compulsory reserves

Items are entered in the Balance Sheet as compulsory reserves which have been pledged by agreement or otherwise but which have not yet been realised. Changes in them have been included in the financial statements.

		Group		Parent company	
(FIM 1 000)		1998	1997	1998	1997
1	SALES BY BUSINESS AREA				
	Production	810 214	825 299	-	-
	Trading	798 100	701 762	-	-
	Service	113 569	114 975	9 900	8 602
		1 721 883	1 642 036	9 900	8 602
	SALES BY MARKET AREA				
	Finland	868 944	871 807	9 900	8 602
	Other European countries	600 745	544 740	-	-
	Other countries	252 194	225 489	-	-
		1 721 883	1 642 036	9 900	8 602
2	SPECIFICATION OF PROFIT AND LOSS ACCOUNT				
	Expenses				
	Materials and supplies	1 055 782	979 892	-	-
	Change in inventories	-19 347	-15 626	-	-
	Personnel costs	336 914	322 970	6 878	8 097
	Rental costs	20 522	19 214	1 851	1 978
	Expenses	196 370	193 149	6 582	6 540
		1 590 241	1 499 599	15 311	16 615
	Depreciation according to plan				
	Intangible rights	524	648	-	-
	Other capitalised expenditure	4 885	4 351	956	801
	Buildings	25 392	31 683	1 553	1 553
	Machinery and equipment	33 696	31 225	372	332
	Other tangible assets	427	502	-	-
	Goodwill	-	424	-	-
		64 924	68 833	2 881	2 686
	Financial income and expenses				
	Dividends received	383	159	1 593	2 437
	Interest income from long-term financial assets	44	2 628	4 292	2 434
	Interest income from short-term financial assets	3 469	757	5 398	8 521
	Other financial income	146	1 710	708	658
	Exchange gains and losses	106	3 323	1 211	12 680
	Interest expenses	-16 169	-15 847	-14 662	-11 886
	Other financial expenses	-747	-1 146	-316	-276
		-12 768	-8 416	-1 776	14 568
	Extraordinary income and expenses				
	Extraordinary income	-	-	8 400	-

(FIM 1 000)	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Depreciation difference				
Intangible rights	67	-119	-	-
Other capitalised expenditure	116	361	181	339
Buildings	-8 193	699	654	599
Machinery and equipment	-9 448	2 246	159	-289
Other tangible assets	48	82	-	-
	-17 410	3 269	994	649
Direct taxes				
For the financial year	-28 367	-33 200	-9	-722
For previous years	79	1 640	7	515
	-28 288	-31 560	-2	-207
3 PERSONNEL EXPENSES				
Wages and salaries	279 817	265 196	4 424	6 646
Fringe benefits	3 068	1 839	355	382
Pension costs	27 770	28 903	2 185	601
Other personnel costs	29 327	28 871	269	850
	339 982	324 809	7 233	8 479
Salaries paid to the Boards of Directors and Presidents	15 822	18 052	2 128	1 405
Average amount of employees	1 523	1 482	9	10
4 FINANCIAL INCOME AND EXPENSES WITHIN THE GROUP				
Dividends received			1 587	2 437
Interest income			6 887	7 694
Interest expenses			2 857	2 090
5 EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income				
Group contributions received	-	-	8 400	-

6 BREAKDOWN OF PORTFOLIO

Group companies Company	Share % Parent company	Share % Group	Ownership of equity	Number of shares	Nominal value of shares	Book value of shares
Oy Helvar	100	100	176 288	400 000	40 000	33 558
Oy Transkem Ab	100	100	76 709	138 750	62 437	62 437
Oy Wulff Ab	100	100	23 270	500	5 000	6 931
Oy Örum Ab	100	100	74 350	1 800 000	18 000	46 640
Kiinteistö Oy Keskuojankatu 12	100	100	496	100	500	500
Kiinteistö Oy Ahertajankatu 6	100	100	376	100	60	2 032
Oy Mercantile KSB Ab	80	80	8 059	4 800	4 800	4 800
Oy Qualitron Ab	6	55	234	60	60	183
Oy Mercantile Ab	100	100	58 890	20 000	20 000	20 000
Oy Merca Trading Ab	100	100	15	15	15	15
Mercantile Eesti AS	100	100	727	4 000	0	149
Helvar Merca SIA	100	100	65	100	18	18
Helvar Merca Kinnisvara AS	100	100	961	2 500	946	935
Electrosonic Systems, Inc.	89	99	-340	2 500 000	13 552	13 552
						191 750
Indirectly owned subsidiaries						
Oy Helvar						
Helvar GmbH		100	4 722	1 200	3 648	4 371
Helvarmerca AB		100	1 543	5 000	313	2 998
Helvar S.r.l.		100	2 419	5 000	1 535	1 587
Dartford Invest B.V.		100	46 928	115	310	37 637
Kiinteistö Oy Toivikkeenrinne		100	10	100	10	35
Helvar Electrosonic Ltd.		100	16 856	2 000 000	16 856	55 344
Helvar Ltd.		100	3 014	250	2 107	2 107
Helvar Lighting Control Ltd.		100	-13 916	1 000 000	8 428	8 428
Electrosonic Holdings Ltd.		96	14 895	10 237 798	86 284	14 749
Electrosonic Ltd.		100	20 002	8 949 500	75 426	15 583
Multivision Electrosonic Ltd.		100	574	302 491	996	0
Electrocue Ltd.		100	61	7 200	61	1 840
Electrosonic NSW Pty Ltd.		100	-338	850 000	2 661	0
Oy Wulff Ab						
Torkkelin Paperi Oy		100	4 073	42 600	426	1 455
AS Mammut		100	-641	49	186	0
Oy Örum Ab						
AS MG-Autopartner		100	1 617	808	380	3 125

(FIM 1 000)

Parent Company's other shares Company	Number of shares	Book value of shares
Kiinteistö Oy Luna	484	46 838
As. Oy Nordgolf Houses	1	852
Nordgolf Oy	4	114
Vakuutus Oy Garantia	120	500
As. Oy Pohjoisranta 10	49	3 114
Other shares		11
		51 429

(FIM 1 000)	Group 1998	Group 1997	Parent company 1998	Parent company 1997
7 TAXATION VALUES OF FIXED ASSETS				
Land and water	36 870	35 664	9 319	9 319
Buildings	159 864	166 427	24 979	25 470
Subsidiaries	-	-	372 469	299 193
Other shares	60 169	57 957	41 084	38 817
	256 903	260 048	447 851	372 799
Book value is used, if there is no taxation value available.				
8 RECEIVABLES				
From Group companies				
Loan receivables			220 058	143 741
Prepaid expenses and accrued income			14 225	5 846
			234 283	149 587
9 LOANS TO MANAGEMENT AND SHAREHOLDERS				
Loans granted to management and shareholders	1 274	2 308	879	-
Interest on the loans exceeds the base rate of the Bank of Finland				
10 SHAREHOLDERS' EQUITY				
Subscribed capital				
Redemption of own 1 981 shares	21 791	21 791	21 791	21 791
Outstanding 8 019 shares	88 209	88 209	88 209	88 209
Subscribed capital	110 000	110 000	110 000	110 00
Restricted equity				
Subscribed capital 1 Jan. and 31 Dec.	110 000	110 000	110 000	110 000
Reserve fund 1 Jan.	1 568	1 567	1 500	1 500
Transfer to retained earnings*)	-68	-	-	-
Translation adjustment in shareholders' equity	-	1	-	-
Reserve fund 31 Dec.	1 500	1 568	1 500	1 500
Revaluation fund 1 Jan.	3 566	3 566	-	-
Transfer to retained earnings*)	-3 566	-	-	-
Revaluation fund 31 Dec.	-	3 566	-	-
Restricted equity 31 Dec.	111 500	115 134	111 500	111 500
Non-restricted equity				
Retained earnings 1 Jan.	260 522	203 262	126 917	122 679
Dividends distributed	-9 622	-5 614	-9 622	-5 614
Corrections*)	-366	-	4 000	-
Translation adjustment in shareholders' equity	523	-4 342	-	-
Profit for the year	52 661	67 216	5 669	9 853
Non-restricted equity 31 Dec.	303 718	260 522	126 964	126 918
*) Correction to the acquisition value of subsidiary	-	-	4 000	-
Correction of reserve fund	68	-	-	-
Reverse of revaluation fund	3 566	-	-	-
Reverse of revaluation	-4 000	-	-	-
	-366	-	4 000	-

(FIM 1 000)	Group 1998	Group 1997	Parent company 1998	Parent company 1997
11 DEPRECIATION ACCORDING TO PLAN				
Intangible rights	102	35	-	-
Other capitalised expenditure	5 236	4 889	1 864	2 023
Buildings	74 541	82 737	16 311	16 964
Machinery and equipment	50 790	60 257	329	510
Other tangible assets	62	222	-	-
	130 731	148 140	18 504	19 497
12 LIABILITIES				
Liabilities to mature after five years or later				
Pension loans	145 776	302 679	96 644	201 039
	145 776	302 679	96 644	201 039
Loans from Group companies				
Trade payables			138	41
Accrued liabilities and deferred income			2 966	726
Other current liabilities			115 071	77 430
			118 175	78 197
13 CONTINGENT LIABILITIES				
Collateral for own loans				
Pledges	55 495	64 152	46 838	55 495
Mortgage on real estate	65 390	67 390	20 550	20 550
Collateral for other own Group commitments				
Guarantees	-	-	88 838	103 438
Collateral for other own commitments				
Guarantees	623	623	-	-
Other collaterals				
Leasing liability	12 091	9 497	97	-
Repurchase liability	566	1 001	-	-
Pension liability	7 187	8 420	6 110	7 640
Other liability	12 392	9 272	-	-
Contingent liabilities total				
Pledges	55 495	64 152	46 838	55 495
Mortgage on real estate	65 390	67 390	20 550	20 550
Guarantees	623	623	88 838	103 438
Pension liability	7 187	8 420	6 110	7 640
Other liability	25 049	19 770	97	-
	153 744	160 355	162 433	187 123

Helsinki, 19 February 1999

Dieter Aminoff   Edward Andersson   Christian Westerlund

Stig Gustavson   Philip Aminoff

Auditors' Report

To the shareholders of Helvar Merca Oy Ab

We have audited the accounting records, the financial statements and the administration of Helvar Merca Oy Ab for the financial year 1998. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on the administration.

We have conducted the audit in accordance with generally accepted 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. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as prescribed 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 including the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company be discharged from liability for the financial year audited by us. The appropriation of profits proposal by the Board of Directors is in compliance with the Companies Act.

Helsinki, 23 March 1999

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Jan Holmberg
Authorised Public
Accountant

Kim Karhu
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Fastems, Tampere, Finland

Mercantile, Helsinki, Finland

Mercantile, Hakkila, Vantaa, Finland

Örum, Espoo, Finland

Wulff, Vantaa, Finland

Qualitron, Espoo, Finland