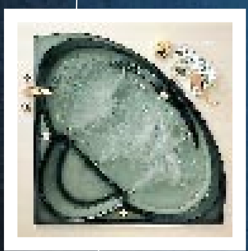
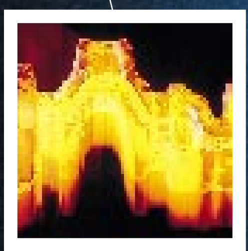
METRA

ANNUAL REPORT ´98





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INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting of Metra Corporation will take place in the Congress Wing of the Helsinki Fair Centre on Thursday 25 March 1999, beginning at 4 p.m.

Shareholders who have registered themselves no later than 20 March 1999 in the Company's shareholder register maintained by the Finnish Central Securities Depository Ltd. may attend the AGM. Shareholders whose shares have not been transferred to the book-entry securities system may also attend the AGM on condition that such shareholders were registered in the Company's shareholder register before 26 February 1993. In such a case, shareholders must present at the AGM their share certificates or other evidence that their shareholding rights have not been transferred to the book-entry securities system.

Shareholders wishing to attend the AGM must notify the Company by 22 March 1999 4 p.m. either by letter addressed to Metra Corporation, Share Register, P.O. Box 230, FIN-00101 Helsinki, Finland, or by telephone, +358-9-7095 338/ Mrs Aila Aho.

Letters authorizing a proxy to exercise a shareholder's voting right at the AGM should be sent to the Company before the notification period expires.

PAYMENT OF DIVIDEND

The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 2.20 per share be paid on the 1998 financial period. The record date for dividend payment is 30 March 1999, and the dividend payment date is 7 April 1999, should the Board's proposal be approved.

Shareholders cannot be paid a dividend until they have transferred their shares to the book-entry securities system.

ANNUAL REPORT 1998

This Annual Report is also available in Finnish and Swedish. The Annual Reports of Metra's divisions Wärtsilä NSD, Sanitec and Imatra Steel are available in English, Imatra Steel's Report also in Finnish.

INTERIM REPORTS 1999

Metra Corporation will publish the January-April Interim Report on 16 June and the January-August Interim Report on 14 October.

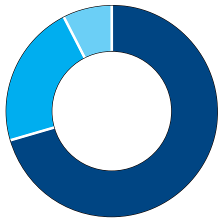
METRA AT A GLANCE

Metra is a Finnish based industrial group. Its objective is to increase the value of its investments in globally leading businesses.

Wärtsilä NSD, Sanitec and the associated company Assa Abloy are among the global leaders in their markets. Imatra Steel holds a strong position in Scandinavia.

Net sales FIM 15,475 million (EUR 2,603 million)
Personnel 14,422
Subsidiaries in more than 50 countries

NET SALES BY DIVISION 1998



Highlights of 1998

Wärtsilä NSD posted a heavy loss
Main reasons for losses were Asian crisis and problems in power plant business
Marine and Service developed well
Sanitec posted a good result
Sanitec strengthened its position in the shower and bathtub markets
Imatra Steel´s result improved
Metra´s demerger was postponed

Wärtsilä NSD - power for land and sea

Wärtsilä NSD is a Finnish mechanical engineering group with global operations. It offers its customers complete, high-efficiency, fuel-flexible and environmentally compatible power solutions for power plants and marine propulsion. The core activities are design, manufacturing, licensing, sales and service of Wärtsilä and Sulzer engines and their applications with unit outputs ranging from 500 to 66,000 kW.

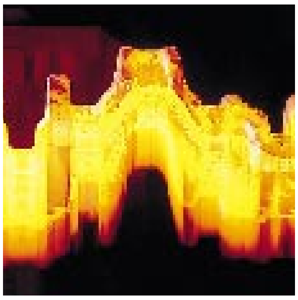
Net sales FIM 10,908 million (EUR 1,835 million)
Personnel 7,512
Products: High-speed, medium-speed and low-speed engines which can be run on heavy fuel oil, light fuel oil or gas.

Sanitec - the bathroom at its best

Sanitec is one of the leading bathroom ceramics company in Europe. It also has activities in the Middle East and South East Asia. Its local brands in ceramics and in other bathroom products are well established in their markets. The Evac group is a world leader in water-saving vacuum toilet systems.

Net sales FIM 3,394 million (EUR 571 million)
Personnel 5,557
Brand names: Albatros, Allia, Ido, Ifö, Keramag, Kolo, Porsgrund, Pozzi-Ginori, Revita, Scandispa and Evac.

Imatra Steel - Engineering steel for demanding customers



Imatra Steel produces special engineering steels and steel products for the European automotive and mechanical engineering industries.

Net sales FIM 1,160 million (EUR 195 million)
Personnel 1,270
Products: Round, square and flat bars, crankshafts, front axle beams, leaf springs and tubular stabilizer bars.

DEAR SHAREHOLDERS

Metra's development in 1998 was unsatisfactory with the consolidated profit before extraordinary items falling from FIM 394 million to FIM 267 million. Looking closer, however, we can see two sides to this trend. Sanitec, Imatra Steel and our associated company Assa Abloy (25%) all once again developed well. Wärtsilä NSD, by contrast, recorded a heavy loss for the second year running; its result before extraordinary items was FIM –769 million. This figure includes the division's share of the results of its associated company Cummins Wärtsilä, FIM 220 millions and writedowns of receivables and stock, as well as exchange losses, provisions for credit losses and for final settlements of various projects, all totalling FIM 260 million. More than half of the last item was attributable to the situation in Indonesia. Further, a provision of FIM 312 million for the restructuring was recorded in the 1998 accounts.

One year ago I predicted that Wärtsilä NSD's result would show a clear improvement during 1998. That did not happen, however, owing to serious problems in our power plant business and with the joint venture Cummins Wärtsilä. In all other respects, though, Wärtsilä NSD developed well.

The power plant problems were in large part caused by the Asian crisis, but also internal problems were a contributing factor to the loss. The South East Asian markets, traditionally so important to Wärtsilä NSD, were practically speaking at a complete standstill. Major problems were experienced in deliveries of projects ordered before the crisis because customers did not require new power plant capacity in the prevailing conditions. This led to delays as well as unscheduled costs and credit losses. To offset our losses in Asia we have branched out into both new geographical areas and new fields of application. In certain cases this change resulted in cost overruns and delivery problems, which hampered performance in 1998.

In view of the Asian crisis and the economic problems in Latin America we expect the power plant markets to remain strained for some years to come. Even the marine business, which was lively during 1998, is expected to weaken in the short term. It is for these reasons that we have decided to take further steps, in addition to those implemented in 1998, to adjust capacity and cut costs to match the forecast market situation. Wärtsilä NSD, therefore, has decided to close certain factories and lay off 1,000 employees. This will generate costs totalling FIM 312 million. This cost has been recorded in the 1998 accounts. We expect to achieve roughly equivalent savings during 1999.

To improve efficiency and reduce costs Wärtsilä NSD has also renewed its organization. Mr Ole Johansson was appointed the new President and CEO on the 1st of June, 1998. In the autumn Wärtsilä NSD´s three business areas – Marine Engines, Power Plants and Service – were given responsibility for their operations worldwide. This organization will give better service to our customers, offering them the same high level of support regardless of the factory which supplies their products. The new organization and the cost savings together create a springboard for Wärtsilä NSD's improved performance in 1999. We can expect the Asian economies to recover in a few years' time, when demand for marine engines and also power plants will probably increase. Our up-to-date product portfolio and improved cost efficiency will then enable profitable growth.

Despite a decline in certain markets, Sanitec performed well in 1998, raising its result of operations by 13%. Our operating model, based on local sales and marketing through strong local brands, coupled with highly integrated production and logistics, has proved eminently workable. Sanitec succeeded in strengthening its position in its main markets and retaining a good level of profitability. Sanitec´s goal is continued growth both organically and through acquisitions. It is important for us, nonetheless, that any acquisitions we make also increase this division's value - not only business volume.

Imatra Steel posted a good result despite the weakening of conditions at the end of the year and its position as a supplier of steel and steel components to the automotive industry strengthened. Although Imatra Steel is a small company in the steel market its profitability in recent years has ranked among the highest in the business.

The associated company Assa Abloy again had a splendid year, strengthening its global leadership in the locking business. During the year Metra sold Assa Abloy shares for FIM 610 million, and recorded a one-time profit of FIM 522 million on this deal. After the sale our holding is 25% (35.5% of the votes). Despite this disposal, the value of our holding increased from FIM 2,970 million to FIM 3,440 million during 1998.

In May 1998 we announced our intention to demerge Metra into three separate companies: Wärtsilä NSD, Sanitec and Metra Invest. This decision was founded on the perception that our major divisions, Wärtsilä NSD and Sanitec, had reached a position where their future development would be best assured if they were independently listed companies. The demerger would also add shareholder value.

However, due to Wärtsilä NSD's negative performance and increasing uncertainty in the markets we decided in the autumn to postpone the demerger. At the same time we restated our objective to turn Wärtsilä NSD and Sanitec into independent listed companies.

In spite of the setbacks I have just described, we will resolutely continue to take the measures necessary to solve our problems, in order to develop our strengths further in all our businesses.

In closing, I should like to thank all our shareholders for the year behind us and extend my gratitude to all the Group's employees.

February 17, 1999

Georg Ehrnrooth
President and CEO

FIVE YEARS IN FIGURES (EURO)

Metra has adopted the euro in its budgeting and internal reporting from the beginning of 1999. This year Metra´s interim financial statements will be prepared in euro.

The Exchange rate of one euro is FIM 5.94573

EUR million		1998	1997	1996	1995	1994
Net sales		2,603	2,573	1,961	1,786	1,700
of which outside Finland	%	95	95	96	94	94
Exports from Finland		972	890	798	684	606
Personnel on average		13,766	13,704	11,986	11,714	11,676
of which in Finland		3,867	3,701	3,603	3,679	3,377
Orderbook, Wärtsilä NSD		1,210	1,177	792	824	695
From the income statement						
Depreciation and writedowns		111	95	77	76	72
Share of profits/losses in associated companies		–41	–14	–4	3	5
Operating profit		88	117	182	168	146
as a percentage of net sales	%	3.4	4.6	9.3	9.4	8.6
Net financial items		–43	–51	–32	–34	–37
as a percentage of net sales	%	–1.7	–2.0	–1.6	–1.9	–2.2
Profit before extraordinary items		45	66	150	134	109
as a percentage of net sales	%	1.7	2.6	7.7	7.5	6.4
Profit before taxes		41	66	156	125	105
as a percentage of net sales	%	1.6	2.6	8.0	7.0	6.2
Profit for the financial year		22	41	122	81	65
From the balance sheet						
Fixed assets		965	1,045	865	810	817
Current assets						
Inventories		680	589	461	437	377
Receivables		853	819	642	614	523
Cash and bank balances		84	122	87	76	120
Shareholders' equity		743	772	730	645	591
Minority interests		58	88	32	31	48
Preferred capital notes		-	-	78	73	80
Provisions		103	97	81	80	67
Interest-bearing liabilities		687	796	491	460	492
Non interest-bearing liabilities		991	822	642	648	559
Balance sheet total		2,582	2,575	2,054	1,937	1,837
Funds generated from operations		148	147	192	157	142
Gross capital expenditure		164	283	224	187	139
as a percentage of net sales	%	6.3	11.0	11.4	10.5	8.2
Research and development expenses		87	94	57	52	46
as a percentage of net sales	%	3.3	3.6	2.9	2.9	2.7
Dividends paid for the financial year		20[1]	25	39	25	18
Financial ratios						
Earnings per share (EPS)	euro	0.42	0.92	1.90	1.66	1.21
Dividend per share	euro	0.37[1]	0.46	0.71	0.46	0.34
Payout ratio	%	89.4[1]	50.4	37.5	27.8	27.7
Interest coverage		2.9	2.9	4.2	3.9	3.1
Return on investment (ROI)	%	8.0	10.0	17.4	16.9	14.5
Return on equity (ROE)	%	–0.4	6.7	17.6	17.0	14.0
Solvency ratio	%	33.2	35.0	38.0	36.4	35.7
Net gearing		0.75	0.78	0.63	0.70	0.70
Equity per share	euro	11.60	12.11	11.44	9.75	8.75

[1]*Proposal of the Board of Directors.*

FIVE YEARS IN FIGURES (FINNISH MARKKA)

FIM million		1998	1997	1996	1995	1994
Net sales		15,475	15,297	11,660	10,617	10,108
of which outside Finland	%	95	95	96	94	94
Exports from Finland		5,781	5,292	4,747	4,068	3,605
Personnel on average		13,766	13,704	11,986	11,714	11,676
of which in Finland		3,867	3,701	3,603	3,679	3,377
Orderbook , Wärtsilä NSD		7,196	6,998	4,707	4,900	4,130
From the income statement						
Depreciation and writedowns		657	566	457	452	429
Share of profits/losses in associated companies		–241	–81	–22	15	27
Operating profit		521	696	1,082	1.000	870
as a percentage of net sales	%	3.4	4.6	9.3	9.4	8.6
Net financial items		–254	–302	–188	–205	–221
as a percentage of net sales	%	–1.7	–2.0	–1.6	–1.9	–2.2
Profit before extraordinary items		267	394	894	795	649
as a percentage of net sales	%	1.7	2.6	7.7	7.5	6.4
Profit before taxes		246	393	927	741	623
as a percentage of net sales	%	1.6	2.6	8.0	7.0	6.2
Profit for the financial year		129	244	724	479	385
From the balance sheet						
Fixed assets		5,735	6,210	5,141	4,815	4,858
Current assets						
Inventories		4,042	3,500	2,739	2,601	2,240
Receivables		5,073	4,871	3,820	3,653	3,112
Cash and bank balances		499	728	516	449	714
Shareholders' equity		4,416	4,590	4,342	3,836	3,515
Minority interests		344	523	190	181	287
Preferred capital notes		-	-	464	436	474
Provisions		611	576	479	475	396
Interest-bearing liabilities		4,084	4,734	2,921	2,735	2,927
Non interest-bearing liabilities		5,894	4,886	3,820	3,854	3,325
Balance sheet total		15,349	15,309	12,216	11,517	10,924
Funds generated from operations		878	875	1,141	931	845
Gross capital expenditure		973	1,680	1,331	1,113	829
as a percentage of net sales	%	6.3	11.0	11.4	10.5	8.2
Research and development expenses		515	556	341	310	272
as a percentage of net sales	%	3.3	3.6	2.9	2.9	2.7
Dividends paid for the financial year		119[1]	148	229	148	108
Financial ratios						
Earnings per share (EPS)	FIM	2.47	5.46	11.32	9.89	7.22
Dividend per share	FIM	2.20[1]	2.75	4.25	2.75	2.00
Payout ratio	%	89.4[1]	50.4	37.5	27.8	27.7
Interest coverage		2.9	2.9	4.2	3.9	3.1
Return on investment (ROI)	%	8.0	10.0	17.4	16.9	14.5
Return on equity (ROE)	%	–0.4	6.7	17.6	17.0	14.0
Solvency ratio	%	33.2	35.0	38.0	36.4	35.7
Net gearing		0.75	0.78	0.63	0.70	0.70
Equity per share	FIM	69	72	68	58	52

[1] *Proposal of the Board of Directors.*

The rules for calculating financial ratios are given on page 42.

Historical key figures have been adjusted for the 1997 bonus issue.

Key share figures are presented in more detail on page 9.

SHARES AND SHAREHOLDERS

SHARE INFORMATION

	Series A	Series B
Share lot	100	100
Taxation[1]	61 FIM	60 FIM

[1] Value per share in 1998.

Metra Corporation was entered in the Trade Register on 16 January 1991.

Metra Corporation's shares are listed on the main list of HEX, Helsinki Exchanges and on the SEAQ International (Stock Exchange Automatic Quotation) system on the London Stock Exchange.

The share capital of Metra Corporation is minimum FIM 500 million and maximum FIM 2,000 million. Within these limits the share capital may be raised or lowered without amending the Articles of Association. The Company's paid-up and registered share capital is FIM 1,084 million. The Board of Directors will propose to the Annual General Meeting on 25 March 1999 that the share capital be restated in euro.

The nominal value of each share is FIM 20. Series A shares carry 10 votes and Series B shares 1 vote at general shareholders' meetings. All shares carry equal dividend rights.

Convertible capital notes and bonds with warrants for management

In March 1994 the Board floated two convertible capital notes issues, each of the same amount and together totalling FIM 700 million. After the bonus issue in 1997 one was convertible into Series A and Series B shares and the other into Series B shares. Altogether 8,029 Series A shares and 11,877 Series B shares had been converted by 31 December 1998, representing FIM 2.8 million of the loan principal.

Based on the decision of the 1994 AGM the Company issued bonds with warrants totalling FIM 2.5 million to Company executives. The bond and share subscription periods ended on 2 May 1998. Altogether 2,400 warrants were exercised to subscribe for 302,400 B series shares (0.6% of the shares and 0.2% of the voting rights).

The Company also issued bonds with warrants for a nominal value of FIM 180,000 to Company executives based on the authorization of the 1996 AGM. Altogether 9,600 Series B shares have been subscribed, based on this issue (0.02% of the shares and 0.005% of the voting rights).

These conversions and subscriptions raised Metra's share capital during 1998 by FIM 5,961,920. A total of 1,147 new A shares and 296,949 B shares were issued.

Management holdings are described in full on page 58.

Management holdings

The members of the Board of Directors, the CEO and the corporations under their control own altogether 1,107,654 Metra Corporation shares, which represent 2.04% of the stock and 3.17% of the voting rights. Furthermore, the members of the Board of Directors, the CEO and the corporations under their control own altogether convertible subordinated debentures totalling FIM 20,390,000, i.e. 2.92% of the principal. If the conversion rights were exercised in full, this would increase their holding by 150,886 shares, representing 0.28% of the current stock and 0.38% of the voting rights. The CEO also owns 41 warrants, based on the 1996 bond with warrants, which, if exchanged for shares, would increase his shareholding by at most 49,200 shares, i.e. by 0.09% of the Company's current stock and 0.03% of the voting rights.

Proposals to the Annual General Meeting

The Board of Directors will propose to the Annual General Meeting on 25 March 1999 that the Company's share capital be stated in euro, and that the nominal value of the shares be EUR 3.50 per share. This would be done by raising the share capital through a bonus issue totalling EUR 7,384,210.33 and by amending the Articles of Association accordingly.

METRA SHARES ON HEX, HELSINKI EXCHANGES

		1998	1997	1996	1995	1994
Trading	EUR mill.					
Series A		44.8	65.2	56.3	104.6	63.7
Series B		474.1	403.4	256.5	207.5	243.5
Number traded	1,000					
Series A		2,018	2,611	2,976	7,294	4,170
Series B		20,748	16,255	13,980	14,318	15,836
Stock turnover	%					
Series A		14.5	18.8	10.7	26.2	15.0
Series B		51.7	40.6	53.7	55.0	60.9
Average share price	EUR					
Series A		22.2	24.9	18.9	14.4	15.3
Series B		22.9	24.9	18.3	14.5	15.4
Trading low/high	EUR					
Series A	low	12.6	20.2	14.5	11.6	11.1
	high	33.0	33.0	23.5	17.4	20.8
Series B	low	12.8	19.9	14.3	11.4	11.0
	high	33.3	32.8	23.5	17.7	21.0
Share price at the year end, EUR						
Series A		15.1	21.7	21.8	15.1	11.7
Series B		14.8	21.5	21.7	15.1	11.7
Year-end market capitalization, EUR mill.		806	1,163	1,166	811	630

Since 4 January 1999 Metra's shares have only been listed in euro on the HEX, Helsinki Exchanges.

Metra´s company code on the HEX, Helsinki Exchanges is MET. Metra´s A shares are referred to as METAS and B shares as METBS.

Approximately 17.5 million Metra shares were traded on the SEAQ system in London during 1998.

METRA SHARES IN FIGURES

		1998	1997	1996	1995	1994
Earnings per share	EUR	0.42	0.92	1.90	1.66	1.21
Equity per share	EUR	11.60	12.11	11.44	9.75	8.75
Dividend per share	EUR	0.37[1]	0.46	0.71	0.46	0.34
Dividend/earnings	%	89.4[1]	50.4	37.5	27.8	27.7
Effective dividend yield	%					
Series A		2.45[1]	2.12	3.30	3.07	2.88
Series B		2.50[1]	2.16	3.31	3.07	2.88
Price/earnings (P/E)						
Series A		36.4	23.8	11.4	9.1	9.6
Series B		35.7	23.3	11.4	9.1	9.6
Adjusted number of shares	1,000					
at the end of the financial year		54,199	53,901	53,868	53,868	53,868
on average		54,050	53,868	53,868	53,868	53,868

[1] *Proposal by the Board of Directors.*

The corresponding key figures in FIM are given on page 10.

Rules for calculating the financial ratios are given on page 42.

Rules for calculating the financial ratios are given on page 42.

THE METRA SHARE AND SHARE FIGURES IN FINNISH MARKKA

		1998	1997	1996	1995	1994
Earnings per share	FIM	2.47	5.46	11.32	9.89	7.22
Equity per share	FIM	69	72	68	58	52
Dividend per share	FIM	2.20[1]	2.75	4.25	2.75	2.00
Stock turnover	FIM mill.					
Series A		266	387	335	622	379
Series B		2,819	2,399	1,525	1,234	1,448
Average share price	FIM					
Series A		131.9	148.3	112.5	85.5	91.0
Series B		135.9	147.8	109.0	86.0	91.5
Trading low/high	FIM					
Series A	low	750	120.0	86.0	69.0	66.0
	high	196.0	196.0	139.5	103.5	123.5
Series B	low	76.0	118.2	85.0	67.5	65.5
	high	198.0	195.0	139.5	105.0	125.0
Share price at year end	FIM					
Series A		89.7	129.0	129.5	89.5	69.5
Series B		88.0	128.0	129.0	89.5	69.5
Year-end market capitalization, FIM mill.		4,793	6,913	6,934	4,821	3,744

[1] *Proposal by the Board of Directors.*

NUMBER OF SHARES

	SERIES A No.	%	SERIES B No.	%	TOTAL
Number of shares 31 Dec. 1997	13,933,550	25.9	39,967,786	74.1	53,901,336
converted capital notes	1,147		3,219		4,366
converted bonds with warrants	–		293,730		293,730
Number of shares 31 Dec. 1998	13,934,697	25.7	40,264,735	74.3	54,199,432

NUMBER OF VOTES

	SERIES A No.	%	SERIES B No.	%	TOTAL
Number of votes 31 Dec. 1997	139,335,500	77.7	39,967,786	22.3	179,303,286
converted capital notes	11,470		3,219		14,689
converted bonds with warrants	–		293,730		293,730
Number of votes 31 Dec. 1998	139,346,970	77.6	40,264,735	22.4	179,611,705

EFFECTS OF THE CONVERTIBLE CAPITAL NOTES

No. of shares	+5,160,094
No. of shares, %	+9.52
No. of votes, %	+9.32
Shareholders' equity, MFIM	+103.20

EFFECTS OF THE BONDS WITH WARRANTS 1996

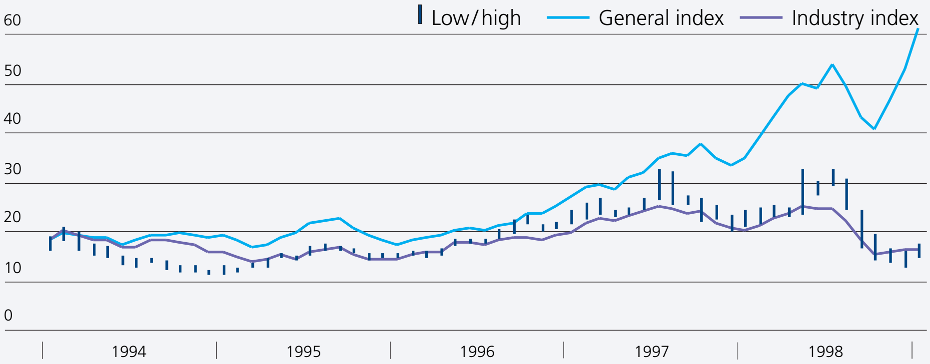
No. of shares	+206,400
No. of shares, %	+0.38
No. of votes, %	+0.11
Shareholders' equity, MFIM	+4.13

NO. OF SHARES FULLY DILUTED

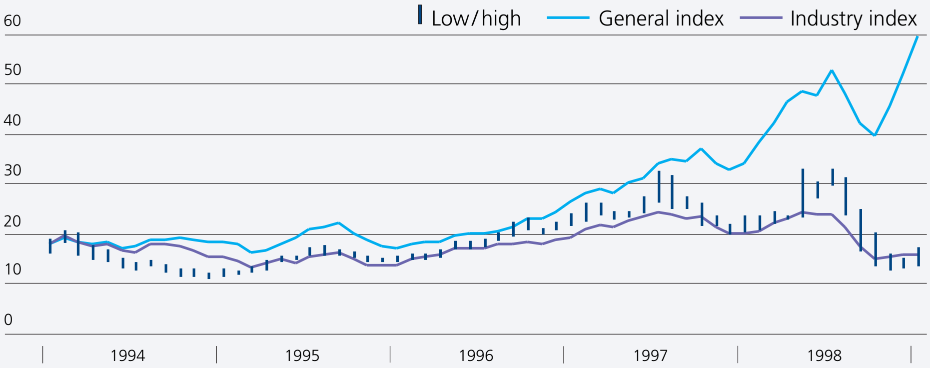
No. of shares 31 Dec. 1998	54,199,432
Convertible capital notes	+5,160,094
Bonds with warrants	+206,400
No. of shares fully diluted[1]	59,565,926

[1] *if all conversion or subscription rights executed*

SERIES A QUOTATIONS euro

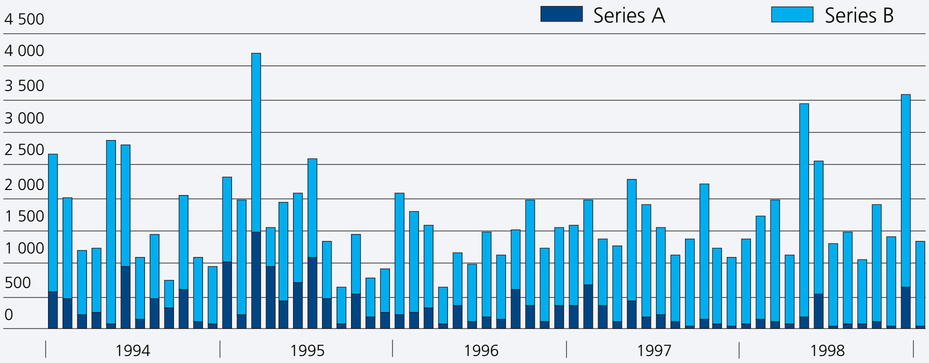


SERIES B QUOTATIONS euro

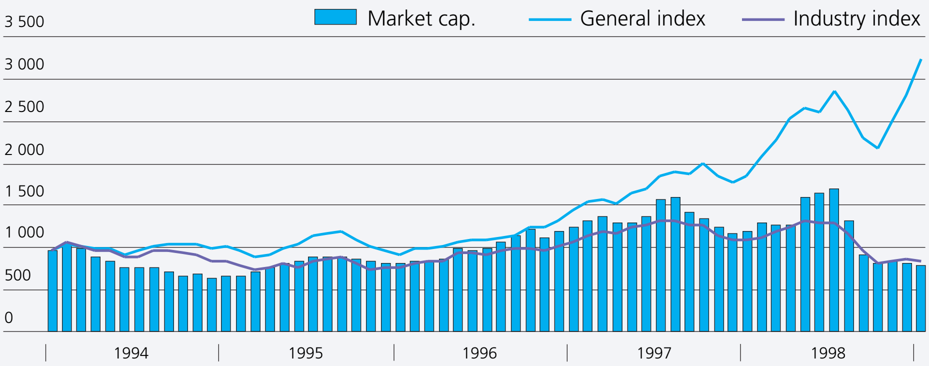


In the adjacent diagrams the base value of the Helsinki Exchanges' HEX general index and industry index (metal industry) are the same as average prices for the Series A and B shares at 3 January 1994.

NUMBER TRADED No. '000



MARKET CAPITALIZATION Meuro



In the adjacent diagram the base value of the Helsinki Exchanges' HEX general index and industry index (metal industry) are the same as the market capitalization of Metra´s shares in January 1994. The market capitalization is the monthly average value.

Metra has 17,105 registered shareholders.

MAJOR SHAREHOLDERS	NO. OF SHARES 1,000 SERIES A		SERIES B		% of votes	% of votes
1. Fiskars Corporation		3,633		4,884	22.9	15.7
2. Industrial Insurance Company Ltd	570		1,000			
Sampo Life Insurance Company Limited	240		613			
Sampo Insurance Company plc	250		30			
Insurance Company of Finland Limited	56		85			
Sampo Enterprise Insurance Company Ltd	40		100			
Otso Loss of Profits Insurance Company Ltd	32	1,188	32	1,860	7.6	5.6
3. Varma-Sampo Mutual Pension Insurance Company		675		747	4.2	2.6
4. Merita Bank Plc		540		0	3.0	1.0
5. Agrofin Oy Ab		416		418	2.6	1.5
6. Tapiola General Mutual Insurance Company	185		338			
Tapiola Mutual Pension Insurance Company	80		305			
Tapiola Mutual Life Assurance Company	20		133			
Tapiola Corporate Life Insurance Company	6	291	58	834	2.1	2.1
7. Ilmarinen Mutual Pension Insurance Company		234		1,122	1.9	2.5
8. The Local Government Pensions Institution		201		1,050	1.7	2.3
9. Brita Maria Renlund Foundation		228		330	1.5	1.0
10. Svenska Litteratursällskapet		236		21	1.3	0.5
11. Pohjola Life Assurance Company Ltd.	90		301			
Pohjola Non-Life Insurance Company Limited	88	178	287	588	1.3	1.4
12. Association of Finnish Metal Industries		202		202	1.2	0.7
13. The Social Insurance Institution		165		377	1.1	1.0
14. Signe and Ane Gyllenberg Foundation		184		184	1.1	0.7
15. Sigrid Juselius Foundation		181		181	1.1	0.7
15 largest, total		8,552		12,798	54.6	39.3

Metra shares were transferred to the book-entry securities system in February 1993. The adjacent tables are based on the book-entry system as of 29 January 1999.

DIVISION OF SHARES	SERIES A				SERIES B			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
1 -100	6,463	59.1	258,980	1.8	5,280	32.0	262,433	0.7
101-1.000	3,811	34.9	1,196,102	8.6	8,920	54.0	3,120,211	7.7
1.001-10.000	584	5.3	1,430,664	10.3	2,062	12.5	5,397,486	13.4
10.001-100.000	56	0.5	1,687,223	12.1	220	1.3	5,995,938	14.9
100.001-1.000.000	22	0.2	5,705,118	40.9	30	0.2	7,892,904	19.6
1.000.001-	1	0	3,632,724	26.1	5	0	17,543,414	43.6
Not transferred	–	–	23,886	0.2	–	–	52,349	0.1
	10,937	100	13,934,697	100	16,517	100	40,264,735	100

Altogether 10,413,164 shares, ie. 19.2% of the shares and 8.4% of the votes, were owned by non-Finnish nationals and registered nominee accounts in the book-entry system.

OWNERSHIP STRUCTURE	SERIES A		SERIES B	
%	of shareholders	of shares	of shareholders	of shares
Private corporations	2.0	8.4	2.9	13.1
Public corporations	–	–	–	–
Banks and insurance companies	0.3	4.4	0.5	8.3
Public sector entities	0.2	2.8	0.4	9.5
Non-profit organizations	3.8	4.2	3.8	9.3
Households	92.9	4.9	91.6	15.8
Outside Finland and nominee register	0.8	0.9	0.8	18.2
Not transferred	–	0.1	–	0.1
	100	25.7	100	74.3

REVIEW BY THE BOARD OF DIRECTORS 1998

Metra Group's net sales in 1998 remained on previous year´s level, totalling FIM 15.5 (15.3) billion. The consolidated profit before extraordinary items decreased to FIM 267 (394) million. The 1998 result included substantial one-time items. The largest of these items were a FIM 522 million profit on the sale of Assa Abloy shares and a FIM –312 million restructuring provision in Wärtsilä NSD. In addition a substantial amount of other provisions, writedowns and writeoffs were booked. The result also included FIM –241 million as the Group's share of its associated companies' results. This figure also covers Cummins Wärtsilä's share (FIM –101 million) of the restructuring provision referred to above.

Sanitec's and Imatra Steel's net sales developed well and results were good in 1998. Sanitec was successful in its strong and established markets. The acquisition of the stock of the Italian company Domino S.p.A. also strengthened Sanitec's position in the European shower, bathtub and whirlpool markets. Imatra Steel, likewise, showed that it ranks among the highest-performing companies in the steel industry.

Metra´s 1998 result was, however, overcast by the heavy loss of Wärtsilä NSD, the Group´s largest division. The loss was attributable to Wärtsilä NSD's power plant business, which in turn was hit by the direct and indirect repercussions of the Asian economic crisis. The power plant business was also hampered by severe problems and cost overruns in certain projects related to new markets and involving new engine or plant technology. The associated company Cummins Wärtsilä once again recorded a heavy loss resulting both from a halt in demand in South East Asia and from the company's launch costs associated with new engine types. In 1999 Wärtsilä NSD will carry out a wide-ranging programme of restructuring measures in order to raise efficiency, reduce costs and realign its manufacturing capacity and operations to the current market conditions. These steps include discontinuing engine manufacture at the Trollhättan factory in Sweden; closure of the Cummins Wärtsilä sites in Ramsgate, England, and Surgères, France; and reducing the organizations in the Netherlands, Switzerland and certain sales companies. These streamlining measures will result in about 1,000 redundancies. A FIM 312 million provision, mentioned above, has been entered in the Group accounts to cover the costs of the measures.

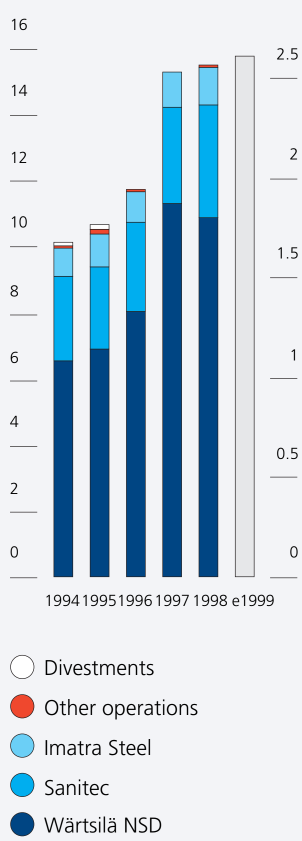
During 1998 Wärtsilä NSD gained new orders totalling FIM 11.1 (12.3) billion. Wärtsilä NSD´s orderbook at the year end was FIM 7.2 billion, approximately the same as one year earlier (FIM 7.0 billion). Marine engine orders cover 70% and power plant orders 55% of the sales targets for 1999.

Net sales and result

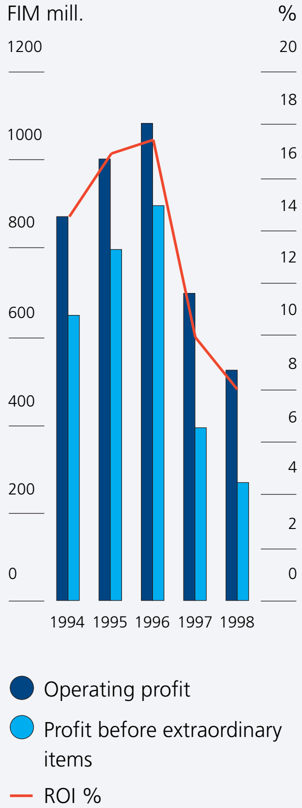
Consolidated net sales rose 1% to FIM 15.5 billion. Wärtsilä NSD's net sales decreased 3% to FIM 10.9 (11.3) billion. Conversely, Sanitec's net sales increased 15% and Imatra Steel's 12%. The operating profit decreased to FIM 521 (696) million.

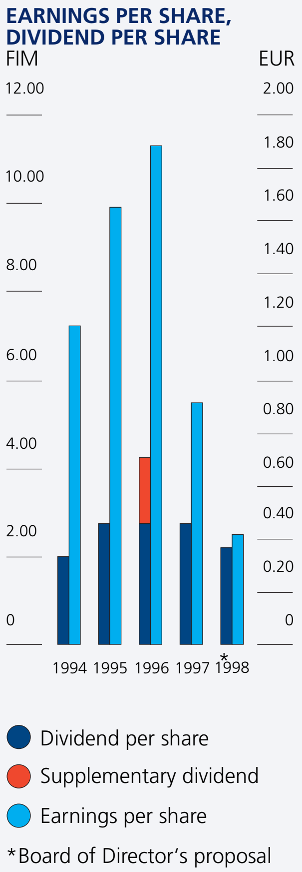
NET SALES		FIM mill.	Change		EUR mill.	Change
	1998	1997	%	1998	1997	%
Wärtsilä NSD	10,908	11,288	–3%	1,835	1,899	–3%
Sanitec	3,394	2,951	15%	571	496	15%
Imatra Steel	1,160	1,039	12%	195	175	12%
Other operations	64	66	-	11	11	-
Internal sales	–51	–47		–9	–8	
Group	15,475	15,297	1%	2,603	2,573	1%

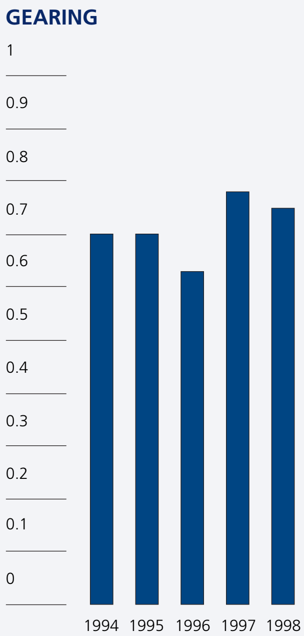
DEVELOPMENT OF NET SALES



RESULT







The Group's share of its associated companies' results was FIM –241 (-81) million. This included a profit from Assa Abloy of FIM 92 million, a loss of FIM –321 million from Cummins Wärtsilä. This loss includes Cummins Wärtsilä´s share, FIM 101 million, of Wärtsilä NSD´s restructuring provision.

The consolidated profit before extraordinary items was FIM 267 million, which was FIM 127 million less than in 1997.

Taxes totalled FIM 266 (166) million and taxes for the year amounted to FIM 336 (155) million and change in deferred tax liability was FIM +45 million. The high tax rate is the result of the uneven distribution of taxable income within the Group.

Metra Group posted a net profit for the year of FIM 129 (244) million. Earnings per share were FIM 2.47 (5.46), return on investment(ROI) was 8.0% (10.0%) and return on equity (ROE) was –0.4% (6.7%).

Financing

Wärtsilä NSD's liquidity fluctuated strongly due to the nature of its operations and considerable funds were tied up in working capital during the year. Nevertheless, total working capital at the end of 1998 remained unchanged from the previous year. Cash flow from operations was clearly positive in the divisions during the year. The Group's cash flow from operations increased to FIM 1.1 billion (FIM 179 million). Net financial expenses decreased to FIM 254 (302) million.

The Group's cash reserves were FIM 499 (728) million at the end of the year. Net interest-bearing loan capital fell to FIM 3.5 (3.8) billion. The solvency ratio declined to 33% (35%). The balance sheet total remained at FIM 15.3 (15.3) billion. Gearing improved slightly to 0.75 (0.78). The company has FIM 1.8 billion in fixed credit lines and a further FIM 2.4 billion in Commercial Paper Programs at its disposal to secure liquidity. FIM 1.6 billion of this amount was in use at the year end.

The Group's main treasury functions relating to its business operations were transferred at the beginning of 1999 to separate treasury departments in the Group's two largest divisions, Wärtsilä NSD and Sanitec. The euro was adopted as the common European currency on 1 January 1999. In business operations Metra will move over to the euro in stages. However, the euro was already taken into widespread use in the Group's financial management and reporting at the start of 1999.

INTEREST-BEARING LOAN CAPITAL

	FIM mill.		EUR mill.	
	1998	1997	1998	1997
Long-term liabilities	2,455	2,775	413	467
Short-term liabilities	1,629	1,959	274	329
Preferred capital notes	697	698	117	117
Loan receivables	–747	–879	–125	–148
Cash and bankbalances	–499	–728	–84	–122
Net	3,535	3,825	595	643

OPERATING PROFIT / LOSS

	FIM mill.		EUR mill.		ROI %	
	1998	1997	1998	1997	1998	1997
Wärtsilä NSD	–644	–100	–108	–17	–12%	–1%
Sanitec	461	409	78	69	25%	27%
Imatra Steel	123	119	21	20	20%	18%
Other operations	581	268	97	45	-	-
Group	521	696	88	117	8%	10%

Capital expenditure and R&D

The Group's gross capital expenditure totalled FIM 973 (1,680) million and net investments were FIM 796 (1,217) million. FIM 246 (967) million of this figure covered acquisitions and investments in securities.

The completion of the new factory in Zwolle, the Netherlands, concluded Wärtsilä NSD's factory modernization programme, which had lasted several years. The new Wasa Pilot Power Plant, based on combined cycle technology, was completed in September and entered operation in early 1999. This investment totalled FIM 160 million, of which Wärtsilä NSD's contribution was FIM 45 million. Wärtsilä NSD's overall industrial investments were FIM 440 (448) million. The division's investments in acquisitions and securities amounted to FIM 46 (576) million.

Sanitec's investments focused on raising production capacity and efficiency. The new bathroom ceramics factory in Wloclawek, Poland, was completed, as was the new Borg-el-Arab factory in Egypt belonging to the joint venture company Lecico. Sanitec's total investments in 1998 totalled FIM 392 (435) million, of which FIM 154 million include shareholdings in Domino S.p.A., Varicor S.A. and Johnson Industrial Holding AG. Sanitec also devoted approximately FIM 32 million to raising its holding in Keramag AG from 92.8% to 95.3%.

Imatra Steel's capital expenditure, FIM 72 (47) million, was employed in raising production efficiency.

Wärtsilä NSD´s R&D costs amounted to FIM 438 (491) million, corresponding to 4.0% (4.3%) of the division's net sales. Sanitec spent FIM 66 (54) million on development of new products. Metra Group's total expenditure on product development totalled FIM 515 (556) million.

GROSS CAPITAL EXPENDITURE

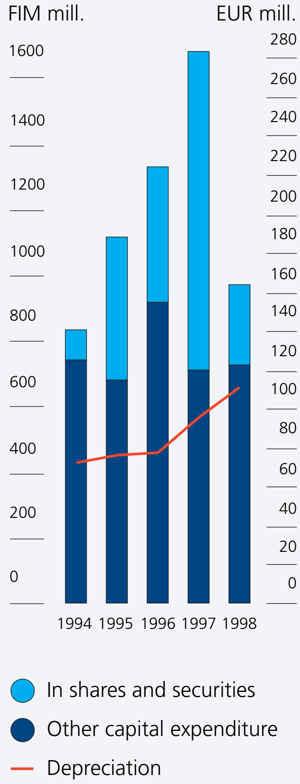
	FIM mill.		EUR mill.	
	1998	1997	1998	1997
Acquistions	158	460	27	78
Shares	88	507	15	85
Other investments:				
Wärtsilä NSD	440	448	74	75
Sanitec	202	199	34	34
Imatra Steel	72	47	12	8
Other operations	13	19	2	3
Group	973	1,680	164	283

Group structural development

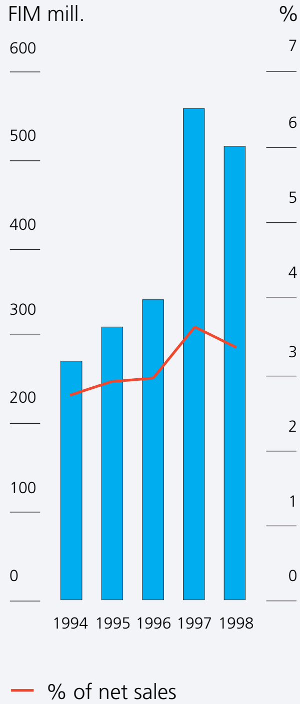
In September 1998 Wärtsilä NSD began implementation of an extensive restructuring programme to adjust production capacity to market situation, and to restore the profitability of its operations. These measures focus principally on the division's production plants in Sweden and the Netherlands, along with the production plants of its joint venture company Cummins Wärtsilä, although other parts of the division's organization will also be affected. The programme will make about 1,000 people in Wärtsilä NSD and its associated companies redundant during 1999. The estimated costs of these measures, FIM –312 million, were entered a in the 1998 accounts.

Wärtsilä NSD's streamlining measures will result in the discontinuation of engine manufacturing at Trollhättan in Sweden; manufacture of the Wärtsilä 28SG gas engine and the Pure Energy power plant business will be transferred to the new Zwolle factory. The operations of the Cummins Wärtsilä joint venture will be concentrated at Mulhouse in France and at Daventry in England. The company's other units will be terminated. Organizational restructuring in 1998 included transferring global responsibility for marine engines, power plants and service to the respective business areas. At the same time manufacturing and technology were strengthened by giving them a global role in the division's operations.

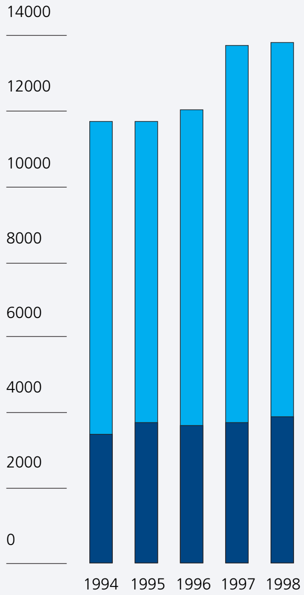
GROSS CAPITAL EXPENDITURE AND DEPRECIATION



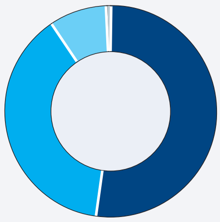
R & D EXPENSES



PERSONNEL ON AVERAGE



PERSONNEL BY DIVISION
31 Dec. 1998



Sanitec consolidated its position with the acquisition of the outstanding stock of Domino S.p.A. in Italy and Varicor S.A. in France. Domino manufactures shower cabinets, bathtubs and whirlpools for the European market, while Varicor specializes in solid surface mineral material used for bathrooms and kitchens. At the end of the year Sanitec strengthened its holding in Johnson Industrial Holding AG to 60%, which resulted in the consolidation of Johnson Sanitec operations in December. Sanitec's Evac business unit strengthened its presence in the expanding railway sector when it acquired the stock of the Germany company Sanivac GmbH in January 1999.

On 14 May 1998 Metra sold 2.9 million B shares of Assa Abloy AB (plc) on the Stockholm stock exchange, which reduced Metra's holding from 29.1% to 25% of the shares and from 38.1% to 35.5% of the voting rights. Metra retains its position as clearly biggest shareholder of Assa Abloy. The sales price was FIM 610 million and Metra recorded a profit of FIM 522 million on this deal under other operating income.

On 11 May 1998 Metra´s Board of Directors decided to begin preparations for the demerger of the Metra Group into three separate listed groups. Due to the uncertain economic situation and Wärtsilä NSD´s weak result Metra decided in the autumn to postpone the demerger.

Personnel and management

The Group had 13,766 (13,704) employees on average during the year. Personnel numbered 13,384 at the beginning of the period and 14,422 at the end. The increase of the number of personnel was mainly due to the acquisitions made by Sanitec. The Group's Finnish companies employed 3,881 (3,755) people on 31 December 1998, which included 71 (78) in the parent company. The Group's personnel development and training schemes continued to run as before. Management development focused on leadership skills and on training related to the Wärtsilä NSD integration.

Mr Ole Johansson, MSc(econ.) was appointed Wärtsilä NSD´s President and CEO on June 1, 1998.

Board of Directors and auditors

The Annual General Meeting was held on 23 March 1998. Mr Paavo Pitkänen was re-elected for the period from 1998 to 2001. Mr Robert G. Ehrnrooth continued as Chairman of the Board and Mr Vesa Vainio as Deputy Chairman. Authorized public accountants KPMG Wideri Oy Ab were appointed as the Company's auditors.

Amendments to the Articles of Association

The Annual General Meeting on 23 March 1998 decided to amend the Articles of Association as required by the new Companies Act. The name of the Company was changed to Metra Oyj Abp (Metra Corporation in English) to reflect its status as a public limited company.

Bonds with warrants and debentures

By the end of the loan and share subscription period, 2 May 1998, of the 1994 bond with warrants to company executives, a 2,400 warrants had been exercised to subscribe for 302,400 Series B shares based on this bond. These shares corresponded to 0.6% of the Company's stock and 0.2% of the voting rights. Eight warrants have been exercised to subscribe for altogether 9,600 Series B shares based on the 1996 bond with warrants, corresponding to 0.02% of the stock and 0.005% of the voting rights.

Altogether 8,029 A shares and 11,877 B shares have been subscribed based on the conversion rights attached to the two 1994 convertible subordinated debentures; these shares represented FIM 2.8 million of the principal.

These conversions and subscriptions raised Metra Group's share capital in 1998 by FIM 5,961,920 to FIM 1,083,988,640. On 31 December 1998 there were 54,199,432 shares in all: 13,934,697 A shares and 40,264,735 B shares.

Proposals to the Annual General Meeting

The Board of Directors will propose to the Annual General Meeting on 25 March 1999 that the Company's share capital be stated in euro, and that the nominal value of the shares be EUR 3.50 per share. This would be done by raising the share capital through a bonus issue totalling EUR 7,384,210.33 and by amending the Articles of Association accordingly.

Prospects for 1999

Wärtsilä NSD holds a strong position in its markets, coupled with new products and an efficient manufacturing operation. The restructuring measures currently in progress are intended to create a springboard for positive business development and improved financial performance. The division's main goal this year is to restore profitability. The orderbook for marine engines provides a solid foundation for the whole year, while the increased base of installed machinery sets the division's Service business on course for profitable growth. Conditions in the power market will remain tight owing to the economic problems in Asia and South America. With factory modernizations and the renewal of the engine porfolio now completed, large investments are no longer necessary. Wärtsilä NSD's net sales in 1999 are expected to roughly equal the previous year's level. The division's result of operations is expected to improve but to remain unsatisfactory.

Sanitec's main markets are forecast to remain at current levels of activity, considering the effect of renovation. Sanitec is expected to continue its profitable growth supported by its European operating model. Sanitec's net sales in 1999 are forecast to increase, as in previous years, and its result to remain at a good level.

The outlook for Imatra Steel in 1999 is uncertain. Demand began to decline at the end of 1998 and the orderbook is lower. Imatra Steel is expected to record a decrease in net sales in 1999 and a weaker result, compared to its good result in 1998.

Metra's consolidated net sales in 1999 are expected to increase slightly and its result before extraordinary items to improve.

GROUP FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

	Note	FIM mill. 1998	%	FIM mill. 1997	%	EUR mill. 1998	EUR mill. 1997
Net sales	1	15,474.6	100.0	15,297.0	100.0	2,602.6	2,572.8
Change in inventories of finished goods and work in progress		702.1		–265.9		118.1	–44.7
Production for own use		17.3		26.9		2.9	4.5
Other operating income	2	704.2		313.9		118.4	52.8
Materials and services							
Materials and consumables							
Purchases during the financial year		–7,444.9		–7,137.8		–1,252.1	–1,200.5
Change in inventories		–262.6		271.2		–44.2	45.6
External services		–2,303.6		–2,107.8		–387.4	–354.5
		–10,011.1		–8,974.4		–1,683.7	–1,509.4
Personnel expenses	3	–3,208.4		–3,083.2		–539.6	–518.6
Depreciation and writedowns	4	–657.3		–566.2		–110.5	–95.2
Other operating expenses		–2,259.8		–1,971.2		–380.1	–331.5
Share of profits/losses in associated companies		–240.7		–80.9		–40.5	–13.6
Operating profit		521.0	3.4	696.1	4.6	87.6	117.1
Financial income and expenses	5						
Income from financial assets		18.0		18.1		3.0	3.0
Other interest income and financial income		360.0		173.5		60.6	29.2
Exchange gains and losses		12.4		–3.6		2.1	–0.6
Interest expenses and other financial expenses		–644.6		–489.7		–108.4	–82.4
		–254.1	–1.7	–301.7	–2.0	–42.7	–50.7
Profit before extraordinary items		266.9	1.7	394.3	2.6	44.9	66.3
Extraordinary items	6						
Extraordinary income		59.7		9.9		10.0	1.7
Extraordinary expenses		–80.6		–10.6		–13.5	–1.8
		–20.9		–0.7		-3.5	–0.1
Profit before taxes		246.0	1.6	393.6	2.6	41.4	66.2
Income taxes	7	–266.1		–165.9		–44.8	–27.9
Minority interests		149.1		16.7		25.1	2.8
Profit for the financial year		129.1	0.8	244.4	1.6	21.7	41.1

GROUP FINANCIAL ANALYSIS

	FIM mill. 1998	FIM mill. 1997	EUR mill. 1998	EUR mill. 1997
Funds generated from operations				
Operating profit excluded associated companies	761.7	776.9	128.1	130.7
Depreciation	657.3	566.2	110.5	95.2
Financial income and expenses	–254.1	–301.7	–42.7	–50.8
Extraordinary items	–20.9	–0.7	–3.5	–0.1
Taxes	–266.1	–165.9	–44.8	–27.9
	877.9	874.7	147.6	147.1
Change in working capital				
Inventories, increase (-), decrease (+)	–592.5	–250.4	–99.7	–42.1
Receivables, increase (-), decrease (+)	–220.4	–968.5	–37.1	–162.9
Non-interest bearing liabilities, increase (+), decrease (-)	1,075.9	523.4	181.0	88.0
	263.0	–695.5	44.2	–117.0
Cash flow from operations	1,140.9	179.2	191.8	30.1
Cash flow from investing activities				
Acquisitions	–158.2	–460.0	–26.6	–77.4
Investments in shares	-88.1	–506.5	–14.8	–85.2
Purchase of property, plant and equipment	–635.1	–713.4	–106.8	–120.0
Proceeds from sale of operations	0.0	293.0	0.0	49.3
Proceeds from sale of shares	67.8	114.7	11.4	19.3
Proceeds from sale of equipment	117.1	54.8	19.7	9.2
	–696.5	–1,217.4	–117.1	–204.8
Cash flow before financing	444.4	–1,038.2	74.7	–174.7
Financing				
Loans receivables, increase (-), decrease (+)	131.7	104.7	22.1	17.6
Long-term loans, increase (+), decrease (-)	–321.3	1,010.0	–54.1	169.9
Short-term loans, increase (+), decrease (-)	–364.5	789.2	–61.3	132.7
Repayment of preferred capital notes	0.0	–464.4	0.0	–78.1
Dividends	–155.4	–236.7	–26.1	–39.8
Raising of share capital	5.8	0.3	1.0	0.1
Issue premium	30.2	2.0	5.1	0.3
Other changes	24.8	33.8	4.2	5.7
	–648.7	1,238.9	–109.1	208.4
Change in liquid funds, increase (+), decrease (-)	–204.3	200.7	–34.4	33.7

The impact of changes in exchange rates on consolidation has been eliminated.

GROUP BALANCE SHEET

Assets	Note	FIM mill. 31 Dec.1998	%	FIM mill 31 Dec.1997	%	EUR mill. 31 Dec.1998	EUR mill. 31 Dec.1997
Fixed assets	8						
Intangible assets							
Intangible rights		27.1		27.8		4.6	4.7
Goodwill on consolidation		761.9		681.1		128.1	114.5
Other long-term expenditure		105.7		111.5		17.8	18.8
		894.7	6	820.4	5	150.5	138.0
Tangible assets							
Land and water		464.2		513.1		78.1	86.3
Buildings and structures		1,183.3		1,177.6		199.0	198.1
Machinery and equipment		1,711.0		1,642.4		287.8	276.2
Other tangible assets		67.8		49.9		11.4	8.4
Advance payments and construction in progress		140.8		253.2		23.7	42.6
		3,567.1	23	3,636.2	24	599.9	611.6
Financial assets							
Shares in associated companies		632.3		1,116.8		106.3	187.8
Receivables from associated companies		3.7		6.7		0.6	1.1
Other shares and securities		446.0		411.4		75.0	69.2
Other receivables		191.6		219.0		32.2	36.8
		1,273.5	8	1,753.9	11	214.2	295.0
Total fixed assets		5,735.3	37	6,210.5	40	964.6	1,044.6
Current assets							
Inventories							
Materials and consumables		1,399.0		1,561.1		235.3	262.6
Work in progress		1,872.0		1,456.2		314.8	244.9
Finished products/goods		473.8		376.7		79.7	63.4
Advance payments		297.4		105.6		50.0	17.8
		4,042.2	27	3,499.6	23	679.8	588.6
Long-term receivables							
Trade receivables		31.1		24.7		5.2	4.1
Receivables from associated companies	10	36.8		3.2		6.2	0.5
Loan receivables		18.9		21.4		3.2	3.6
Deferred tax assets	16	303.9		57.9		51.1	9.7
Other receivables		19.4		6.0		3.3	1.0
Prepaid expenses and accrued income	9	7.5		4.2		1.3	0.7
		417.6	3	117.4	1	70.2	19.7
Short-term receivables							
Trade receivables		3,277.8		3,167.4		551.3	532.7
Receivables from associated companies	11	139.6		159.1		23.5	26.8
Loan receivables		484.5		686.2		81.5	115.4
Other receivables		84.9		70.3		14.3	11.8
Prepaid expenses and accrued income	9	668.6		670.7		112.5	112.8
		4,655.4	30	4,753.7	31	783.0	799.5
Cash and bank balances		498.6	3	728.2	5	83.9	122.5
Total current assets		9,613.8	63	9,098.9	60	1,616.9	1,530.3
Assets		15,349.1	100	15,309.4	100	2,581.5	2,574.9

GROUP BALANCE SHEET

Shareholders' equity and liabilities	Note	FIM mill. 31 Dec.1998	%	FIM mill. 31 Dec.1997	%	EUR mill. 31 Dec.1998	EUR mill. 31 Dec.1997
Shareholders' equity	12						
Share capital		1,084.0		1,078.0		182.3	181.3
Share premium reserve		314.5		284.0		52.9	47.8
Other reserves		381.7		432.3		64.2	72.7
Retained earnings		1,809.3		1,853.8		304.3	311.8
Profit for the financial year		129.1		244.4		21.7	41.1
		3,718.6	24	3,892.5	26	625.4	654.7
Convertible subordinated debentures	13	697.2	5	697.8	4	117.2	117.4
Total shareholders' equity		4,415.8	29	4,590.3	30	742.6	772.1
Minority interest		343.8	2	522.9	3	57.8	87.9
Provisions	14						
Provisions for pensions		258.7		247.3		43.5	41.6
Provisions for taxation		53.9		16.1		9.1	2.7
Other provisions		298.4		312.7		50.2	52.6
		611.0	4	576.1	4	102.8	96.9
Liabilities	15						
Long-term							
Bonds		475.0		475.0		79.9	79.9
Loans from credit institutions		1,571.9		1,858.2		264.4	312.5
Pension loans		361.2		387.3		60.7	65.1
Advances received		0.0		0.9		0.0	0.2
Liabilities to associated companies		0.0		5.6		0.0	0.9
Deferred tax liability	16	411.2		226.2		69.2	38.1
Other long-term liabilities		61.2		65.0		10.3	10.9
		2,880.5	19	3,018.2	20	484.5	507.6
Current							
Loans from credit institutions		857.9		1,372.1		144.3	230.8
Pension loans		25.9		29.2		4.3	4.9
Advances received		1,003.7		639.1		168.8	107.5
Trade payables		2,231.9		1,921.0		375.4	323.1
Liabilities to associated companies	18	109.9		151.2		18.5	25.4
Other current liabilities		829.8		657.1		139.6	110.5
Accrued expenses and deferred income	17	2,038.9		1,832.2		342.9	308.2
		7,098.0	46	6,601.9	43	1,193.8	1,110.4
Total liabilities		9,978.5	65	9,620.1	63	1,678.3	1,618.0
Shareholders' equity and liabilities		15,349.1	100	15,309.4	100	2,581.5	2,574.9

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

	Note	FIM mill. 1998	FIM mill. 1997	EUR mill. 1998	EUR mill. 1997
Net sales		58.7	62.0	9.9	10.4
Other operating income	2	599.8	144.7	100.9	24.3
Personnel expenses	3	–32.0	–33.6	–5.4	–5.7
Depreciation and writedowns	4	–18.3	–19.5	–3.1	–3.3
Other operating expenses		–64.4	–60.0	–10.8	–10.1
Operating profit		543.8	93.6	91.5	15.6
Financial income and expenses	5				
Income from financial assets		38.7	29.1	6.5	4.9
Other interest income and financial income		83.3	73.6	14.0	12.4
Exchange gains and losses		85.3	–61.4	14.3	–10.3
Interest expenses and other financial expenses		–182.7	–205.9	–30.7	–34.6
		24.6	–164.6	4.1	–27.6
Profit before extraordinary items		568.4	–71.0	95.6	–12.0
Extraordinary items	6				
Extraordinary income		7.2	135.9	1.2	22.9
Extraordinary expenses		–80.6	–10.6	–13.6	–1.8
Group contribution		75.4	130.0	12.7	21.9
		2.0	255.3	0.3	43.0
Profit before appropriations		570.4	184.3	95.9	31.0
Appropriations					
Change in depreciation difference		6.6	2.1	1.2	0.3
Change in appropriations		0.2	4.0	0.0	0.7
Profit before taxes		577.2	190.4	97.1	32.0
Income taxes	7	–123.1	–48.8	–20.7	–8.2
Profit for the financial year		454.1	141.6	76.4	23.8

PARENT COMPANY, FINANCIAL ANALYSIS

	FIM mill. 1998	FIM mill. 1997	EUR mill. 1998	EUR mill. 1997
Funds generated from operations				
Operating profit	543.8	93.6	91.5	15.7
Depreciation	18.3	19.5	3.1	3.3
Financial income and expenses	24.6	–164.6	4.1	–27.7
Extraordinary items	–73.4	125.3	–12.3	21.1
Taxes	–123.1	–48.8	–20.7	–8.2
	390.2	25.1	65.6	4.2
Change in working capital				
Receivables, increase (-), decrease (+)	144.4	–65.0	24.3	–10.9
Non-interest bearing liabilities, increase (+), decrease (-)	119.6	–58.0	20.1	-9.8
	264.0	–123.0	44.4	–20.7
Cash flow from operations	654.2	–97.9	110.0	–16.5
Cash flow from investing activities				
Investments in shares	–10.8	–601.8	–1.8	–101.2
Purchase of property, plant and equipment	–12.5	–16.8	–2.1	–2.8
Proceeds from sale of shares	67.8	179.0	11.4	30.1
Proceeds from sale of equipment	21.8	18.1	3.7	3.0
	66.3	–421.5	11.2	–70.9
Cash flow before financing	720.5	–519.4	121.2	–87.4
Financing				
Loan receivables, increase (-), decrease (+)	30.9	82.4	5.2	13.9
Long-term loans, increase (+), decrease (-)	–298.7	925.4	–50.2	155.6
Short-term loans, increase (+), decrease (-)	112.8	–59.4	19.0	–10.0
Repayment of preferred capital notes	0.0	–464.4	0.0	–78.1
Dividends	–148.2	–228.9	–24.9	–38.5
Group contributions	75.4	130.0	12.7	21.9
Raising of share capital	5.8	0.3	1.0	0.1
Issue premium	30.2	2.0	5.1	0.3
	–191.8	387.4	–32.3	65.2
Change in liquid funds, increase (+), decrease (-)	528.7	–132.0	88.9	–22.2

PARENT COMPANY, BALANCE SHEET

Assets	Note	FIM mill. 31 Dec.1998	%	FIM mill. 31 Dec.1997	%	EUR mill. 31 Dec.1998	EUR mill. 31 Dec.1997
Fixed assets	8						
Intangible assets							
Intangible rights		0.0		0.1		0.0	0.0
Other long-term expenditure		52.1		60.6		8.8	10.2
		52.1	1	60.7	1	8.8	10.2
Tangible assets							
Land and water		166.4		217.6		28.0	36.6
Buildings and structures		78.2		105.4		13.2	17.7
Machinery and equipment		4.0		8.6		0.7	1.4
Other tangible assets		3.6		4.7		0.6	0.8
Advance payments and construction in progress		16.1		18.2		2.7	3.1
		268.3	4	354.5	6	45.2	59.6
Financial assets							
Shares in Group companies		3,013.6		3,025.9		506.8	508.9
Receivables from Group companies		0.8		1.6		0.1	0.3
Shares in associated companies		307.6		353.5		51.7	59.4
Receivables from associated companies		3.7		2.2		0.6	0.4
Other shares and securities		280.5		279.3		47.2	47.0
Other receivables		175.0		195.0		29.4	32.8
		3,781.2	62	3,857.5	66	635.8	648.8
Total fixed assets		4,101.6	67	4,272.7	73	689.8	718.6
Current assets							
Long-term receivables	10						
Receivables from group companies		133.3		139.2		22.4	23.4
Receivables from associated companies		4.2		3.2		0.7	0.5
Loan receivables		12.0		18.5		2.0	3.1
		149.5	3	160.9	3	25.1	27.0
Short-term receivables	11						
Trade receivables		1.3		9.3		0.2	1.6
Receivables from Group companies		135.0		195.5		22.7	32.9
Receivebles from associated companies		0.6		1.4		0.1	0.2
Loan receivables		2.4		69.6		0.4	11.7
Other receivables		0.0		0.1		0.0	0.0
Prepaid expenses and accrued income	9	24.6		32.5		4.2	5.5
		163.9	3	308.4	5	27.6	51.9
Cash and bank balances		1,673.7	27	1,145.0	19	281.5	192.6
Total current assets		1,987.1	33	1,614.3	27	334.2	271.5
Assets		6,088.7	100	5,887.0	100	1,024.0	990.1

PARENT COMPANY, BALANCE SHEET

Shareholders' equity and liabilities	Note	FIM mill. 31 Dec.1998	%	FIM mill. 31 Dec.1997	%	EUR mill. 31 Dec.1998	EUR mill. 31 Dec.1997
Shareholders' equity	12						
Share capital		1,084.0		1,078.0		182.3	181.3
Share premium reserve		314.5		284.0		52.9	47.8
Retained earnings		1,352.1		1,425.7		227.4	239.8
Profit for the financial year		454.1		141.6		76.4	23.8
		3,204.7	53	2,929.3	50	539.0	492.7
Convertible subordinated debentures	13	697.2	11	697.8	12	117.3	117.4
Total shareholders' equity		3,901.9	64	3,627.1	62	656.3	610.1
Accumulated appropriations							
Depreciation difference		47.0		53.6		7.9	9.0
Voluntary provisions		0.7		0.9		0.1	0.1
		47.7	1	54.5	1	8.0	9.1
Provisions	14						
Provisions for pensions		21.8		23.8		3.7	4.0
Provisions for taxation		8.6		16.1		1.4	2.7
Other provisions		15.1		14.5		2.5	2.4
		45.5	1	54.4	1	7.6	9.1
Liabilities	15						
Long-term							
Bonds		475.0		475.0		79.9	79.9
Loans from credit institutions		990.9		1,309.4		166.7	220.2
Pension loans		131.2		139.5		22.1	23.5
Other long-term liabilities		0.2		0.2		0.0	0.0
		1,597.3	26	1,924.1	33	268.7	323.6
Current							
Loans from credit institutions		96.0		43.2		16.1	7.3
Pension loans		8.3		10.5		1.4	1.8
Advances received		0.0		0.3		0.0	0.0
Trade payables		3.1		5.1		0.5	0.9
Liabilities to Group companies	18	2.3		1.8		0.4	0.3
Other current liabilities		180.6		94.0		30.4	15.8
Accrued expenses and deferred income	17	206.0		72.0		34.6	12.1
		496.3	8	226.9	4	83.4	38.2
Total liabilities		2,093.6	34	2,151.0	37	352.1	361.8
Shareholders' equity and liabilities		6,088.7	100	5,887.0	100	1,024.0	990.1

ACCOUNTING PRINCIPLES

The consolidated financial statements of Metra Corporation have been prepared in accordance with the new Finnish accounting regulations which came into force on 31 December 1997. In all essential respects these comply with the accounting standards issued by the International Accounting Standards Committee (IASC). The comparative data for the previous year have been restated to conform to the new principles. The changes to the income statement caused by the impact of the new accounting principles on the opening balance are recorded under extraordinary items. The most important of these changes concern the treatment of deferred tax liabilities and deferred tax assets.

The financial statements are presented in Finnish markka.

The preparation of the financial statements in conformity with applicable regulations and generally accepted accounting principles requires management to make estimates and assumptions that affect the valuation and allocation of the reported figures. Actual results may differ from such estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the parent company and the accounts of its directly or indirectly owned subsidiaries (over 50 % of the voting rights) and associated companies. Acquired or established subsidiaries and associated companies are consolidated from the date of acquisition or establishment until the end of the period of ownership. Certain real estate and housing companies and the Group's reinsurance company are not consolidated since they have a negligible effect on the Group's result and distributable equity.

All intra-group transactions as well as distribution of profit, receivables and liabilities, and unrealized margins on intragroup transactions are eliminated in the consolidation. Minority interests are presented in the income statement as a separate item after taxes. The share of minority interests in shareholders' equity is also shown separately in the consolidated balance sheet.

Mutual shareholdings are eliminated using the purchase method. The goodwill in the subsdiaries is calculated on the basis of their acquisition cost by eliminating the Group's share of the equity of the acquired subsidiaries, including untaxed reserves, less deferred tax liability. Of the difference between the cost of the acquisition and the equity of the subsidiaries at the date of acquisition, that amount by which the value of fixed assets can be considered to exceed the subsidiary's balance sheet value has been entered under fixed assets. The remainder of the difference is recorded as goodwill. Goodwill is amortized over the useful life of the asset, nevertheless over a period not exceeding twenty years.

Investments in associated companies (voting rights between 20 % and 50 %) are included in the consolidated accounts using the equity method. The consolidated income statement includes the Group's share of results in associated companies taking into account goodwill write-offs and dividends received. The Group's share of post-acquisition increase of the net assets of these companies is added to the acquisition cost and to shareholders' equity. The book values of the shares of associated companies are listed in the notes to the financial statements as recorded by the shareholding subsidiaries. Investments in other companies are listed in the balance sheet at acquisition cost and the book values of these shares are written down, if required, to correspond with their market value.

Foreign subsidiaries

In the consolidated accounts all items in the income statements of foreign subsidiaries are translated into Finnish markka at the average exchange rates for the financial year. The balance sheet items of subsidiaries are translated into Finnish markka at the rates of exchange ruling on the balance sheet date. Translation differences arising from the application of the purchase method are treated as an adjustment affecting consolidated shareholders' equity; the translation difference applying to shareholders' equity at the time of acquisition is allocated to distributable and non-distributable equity. Those differences which arise from the translation of income statement items and balance sheet items at different rates, are recorded as part of the consolidated distributable equity.

The Group applies the equity hedging method to hedge most of the shareholders' equities of foreign subsidiaries using currency loans or forward contracts, to reduce the effects of exchange rate fluctuations on the Group's shareholders' equity. Exchange gains and losses resulting from the hedging transactions are netted against the translation differences recorded in the shareholders' equity of the consolidated balance sheet.

Transactions denominated in foreign currencies

Business transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Receivables and payables on the balance sheet date are valued at the exchange rates prevailing on that date. Open hedging instruments of foreign currency based items, including interest components, are valued at the balance sheet date. Exchange gains and losses related to business operations are treated as adjustments to net sales and operating expenses. Exchange gains and losses related to financing operations are entered at their net values under financial income and expenses.

Revenue recognition

Net sales is calculated by deducting items including indirect sales taxes and discounts from gross sales revenues. Revenue is recognized at the date of delivery except for large, long-term projects, which are recognized using the percentage-of-completion method.

Research and development
Research and development costs are expensed in the financial period in which they occurred, with the exception of investments in buildings, machinery and equipment, which are capitalized and depreciated. In the Netherlands, where R&D is supported by conditional state development credits, R&D costs are charged to earnings after deducting the amount of these credits. Repayment obligations, if any, in respect of these credits are recorded as expenses in the income statement when realized. The principal of such development credits on the balance sheet date is shown under contingent liabilities in the notes to the financial statements. In this respect the treatment of R&D costs differs from IAS principles.

Pension arrangements
Statutory and supplementary pension obligations in Finland are covered through payments to pension insurance institutions and recorded as determined by periodical actuarial calculations prepared by those institutions. In the Group companies outside Finland, the pension obligations are arranged and pension liabilities recorded in accordance with local regulations and practice. Changes in uncovered pension obligations are entered in the income statement and the pension liability is included in provisions in the balance sheet. This treatment of pension costs, which differs from IAS principles, is not estimated to have a material effect on the financial statements.

Warranty costs
The estimated warranty costs of goods delivered to customers are included under current liabilities in the balance sheet. Actual warranty costs, including changes in warranty liability, are charged against earnings for the period.

Valuation of inventories
Inventories are valued at their direct acquisition cost, which includes direct manufacturing costs and an appropriate proportion of indirect production overheads and acquisition costs. The upper value used in the valuation of inventories is their net realizable value.

Fixed assets and depreciation
Fixed assets are valued in the balance sheet at their direct acquisition cost less accumulated depreciation. Certain land and buildings also include revaluations; these are stated in the notes to the financial statements.

The following indicative useful lives are used:

Other long-term expenditure	3-10 years
Buildings	10-40 years
Machinery and equipment	5-20 years.

Leasing
Operating leasing payments are treated as rentals. Significant financial leasing items are capitalized as fixed assets.

Extraordinary income and expenses
Extraordinary income and expenses include items which fall outside the ordinary activities of the company, such as items arising from divestments of operations.The impact on the opening balance caused by the changes in the accounting principles is entered in extraordinary items.

Appropriations
Appropriations comprise voluntary provisions and the depreciation difference. In the consolidated accounts accumulated appropriations are divided into tax liability and shareholders' equity. The change in appropriations, net of tax liability, is included in the result for the year. Since appropriations were recorded in this manner in previous years, they have not been affected by the changes in accounting principles concerning deferred tax liabilities. The amount of appropriations entered under shareholders' equity is not regarded as distributable funds.

Provisions
Provisions in the balance sheet comprise those items which the Company is committed to covering either through agreements or otherwise, but which are not yet realized. These include uncovered pension liabilities, forecast losses on projects in progress and restructuring expenses. Changes to provisions are included in the income statement.

Income taxes
Income taxes in the income statement include taxes of subsidiaries for the financial period, calculated in accordance with local regulations, as well as adjustments to prior year taxes and deferred taxes. Taxes allocated to extraordinary items are presented in the notes to the financial statements.

Deferred tax liabilities or assets are calculated as the temporary differences between the tax and financial periods using the tax rate for subsequent years confirmed on the balance sheet date. The balance sheet includes deferred tax liabilities in their entirety and the probable realizable amount of deferred tax assets.

Convertible capital notes
Metra Corporation has made two convertible capital notes issues, which are treated as equivalent to shareholders' equity. The terms are described in the notes to the financial statements.

Dividends
Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

1. Net sales

	1998 FIM mill.	1998 %	1997 FIM mill.	1997 %
Net sales by country				
Germany	1,406	9.1	1,311	8.6
Norway	951	6.2	809	5.3
France	872	5.6	1,089	7.1
Italy	861	5.6	581	3.8
Sweden	794	5.1	882	5.8
Finland	690	4.5	769	5.0
Spain	657	4.3	425	2.8
Great Britain	620	4.0	504	3.3
The Netherlands	557	3.6	459	3.0
Denmark	407	2.6	394	2.6
Poland	317	2.0	260	1.7
Other European countries	657	4.2	774	5.1
Europe	8,789	56.8	8,257	54.0
India	680	4.4	592	3.9
China and Hong Kong	400	2.6	658	4.3
Philippines	371	2.4	389	2.5
Korea	307	2.0	397	2.6
Japan	254	1.6	287	1.9
Indonesia	203	1.3	787	5.1
Middle East	302	2.0	593	3.9
Other Asian countries	1,123	7.2	657	4.3
Asia	3,640	23.5	4,360	28.5
USA and Canada	1,032	6.7	694	4.5
South America	745	4.8	706	4.6
Central America	617	4.0	319	2.1
The Americas	2,394	15.5	1,719	11.2
African countries	395	2.5	722	4.7
Other countries	257	1.7	239	1.6
Total	15,475	100	15,297	100

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Projects for which percentage-of-completion method is applied				
Uncompleted projects				
Recognized accumulate income	4,902.8	5,018.1		
Unrecognized part of income	1,169.1	1,369.5		
Recognized accumulated contribution	337.3	553.4		

2. Other operating income

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Rental income	17.8	21.3	8.2	11.7
Profits on sale of fixed assets	597.9	182.8	573.1	130.2
Other operating income	88.5	109.8	18.5	2.8
Total	704.2	313.9	599.8	144.7

3. Personnel expenses

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Wages and salaries	2,493.9	2,412.3	22.3	24.5
Pension costs	106.8	101.5	7.4	6.4
Other compulsory personnel costs	607.7	569.4	2.3	2.7
Total	3,208.4	3,083.2	32.0	33.6

Pension costs contain only pension costs for Finnish companies.
Pension costs for foreign companies are included in Other compulsory personnel costs.

	Group			Parent Company	
	1998	1997		1998	1997
Salaries and emoluments to senior management					
Presidents and members of the Boards of Directors	73.1	95.0		3.1	4.8

The CEO and the presidents of some Group Companies have the right to retire at the age of 60 years.
The Company's Board of Directors decides the remunerations of the President and his immediate subordinates.

Personnel on average	1998	1997	Change	1998	1997
Wärtsilä NSD	7,396	7,816	–420		
Sanitec	5,034	4,640	394		
Imatra Steel	1,252	1,155	97		
Other operations	84	93	–9	71	80
Total	13,766	13,704	62		

4. Depreciation and writedowns

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Depreciation according to plan				
Intangible assets	17.1	7.1	0.2	0.1
Goodwill on consolidation	82.6	80.3	-	-
Other long-term expenditure	30.0	31.4	8.6	9.9
Land and water	-	0.2	-	-
Buildings and structures	96.3	72.4	6.5	6.6
Machinery and equipment	405.8	348.8	2.7	2.6
Other tangible assets	23.0	24.5	0.3	0.3
Work in progress	2.5	1.5	-	-
Total depreciation according to plan	657.3	566.2	18.3	19.5
Total book depreciation			11.2	15.1
Depreciation difference			7.1	4.4
Adjustment of depreciation difference on sold fixed assets			–0.5	–2.3
Depreciation difference on 1 January			53.6	55.7
Change in depreciation difference			–6.6	–2.1
Depreciation difference on 31 December			47.0	53.6

5. Financial income and expenses

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Income from financial assets				
Dividend income				
From Group companies	-	-	0.0	0.2
From associated companies	-	-	25.2	15.9
From other companies	9.4	8.0	5.3	4.0
Total	9.4	8.0	30.5	20.1
Interest income from financial assets				
From Group companies	-	-	0.1	0.3
From other companies	8.6	10.1	8.1	8.7
Total	8.6	10.1	8.2	9.0
Income from financial assets, total	18.0	18.1	38.7	29.1
Other interest income and financial income				
From Group companies	-	-	67.0	56.5
From other companies	360.0	173.5	16.3	17.1
Total	360.0	173.5	83.3	73.6
Exchange gains and losses	12.4	-3.6	85.3	–61.4

	Group		Parent Company	
	1998	1997	1998	1997
Writedowns of financial assets	0.0	-2.8	0.0	0.0
Interest expenses and other financial expenses				
To Group companies	-	-	–2.3	–1.3
To other companies	644.6	–486.9	–180.4	–204.6
Total	–644.6	–486.9	–182.7	–205.9
Financial income and expenses, total	–254.2	–301.7	24.6	–164.6

A change of the accounting principles regarding a part of foreign exchange forward contracts in the Groups' finance company in 1998 caused an increase in the interest income amounting to FIM 156.2 mill. and an increase in the interest expenses amounting to FIM 154.9 mill. The change has no impact on the comparability of the net financial items.

6. Extraordinary income and expenses

Discontinued operations	6.3	9.9	7.2	9.9
Share writedowns	–9.1	–10.6	–9.1	–10.6
Deferred tax, change in accounting principles	52.5	-	-	-
Other income	0.9	-	-	126.0
Allowances for damages	–21.5	-	–21.5	-
Single payment for pension and life annuity	–50.0	-	–50.0	-
Group contributions received	-	-	75.4	130.0
Total	–20.9	–0.7	2.0	255.3

7. Direct taxes

Direct taxes on operations				
- for the financial year	–335.9	–154.6	–150.7	–22.6
- for prior years	25.0	–43.1	27.6	–26.2
Change in deferred tax	44.8	31.8	-	-
Total	–266.1	–165.9	–123.1	–48.8
Direct taxes on extraordinary items	16.6	0.2	–4.5	–71.5

8. Fixed assets

Revaluations				
Land	117.0	164.1	117.0	164.1
Buildings	-	20.0	-	20.0
Amount of goodwill on consolidation of associated companies which has not yet been amortized	193.2	229.2	-	-

Fixed assets and other long-term investments

	Acquisition cost on 1 Jan.	Increases	Decreases	Accum. depreciation and writedowns on 1 Jan.	Accum. depreciation in decreases	Depreciation during year	Write-downs and their reversals	Residual value on 31 Dec.
Group								
Intangible assets								
Intangible rights	65.6	15.9	–1.7	–37.7	2.1	–17.1	-	27.1
Goodwill on consolidation	994.9	158.8	0.0	–309.2	0.0	–82.6	-	761.9
Other long-term expenditure	299.4	27.7	–1.4	–190.3	0.3	–30.0	-	105.7
Group 1998	1,359.9	202.4	–3.1	–537.2	2.4	–129.7	-	894.7
Group 1997	1,289.0	80.2	–4.5	–428.7	3.2	–118.8	-	820.4
Tangible assets								
Land and water	531.0	14.7	–78.7	–2.8	0.0	0.0	-	464.2
Buildings and structures	2,062.1	119.8	–180.4	–856.8	134.9	–96.3	-	1,183.3
Machinery and equipment	3,998.2	508.5	–237.8	–2,362.1	210.0	–405.8	-	1,711.0
Other tangible assets	155.2	34.9	–18.8	–93.7	13.2	–23.0	-	67.8
Advance payments and work in progress	230.8	2.0	–83.5	-6.1	0.0	–2.4	-	140.8
Group 1998	6,977.3	679.9	–599.2	–3,321.5	358.1	–527.5	-	3,567.1
Group 1997	6,606.8	768.9	–259.1	–3,055.2	22.1	–447.3	-	3,636.2
Financial assets								
Shares in associated companies	1,116.8	0.0	–484.5	0.0	-	-	-	632.3
Receivables from associated companies	6.7	0.0	–3.0	0.0	-	-	-	3.7
Shares in other companies	411.4	96.7	–62.1	0.0	-	-	–9.1	446.0
Receivables from other companies	218.9	0.0	–27.3	0.0	-	-	-	191.6
Group 1998	1,753.8	96.7	–576.9	0.0	-	-	–9.1	1,273.6
Group1997	1,316.3	866.7	–429.2	0.0	-	-	0.0	1,753.8
Parent Company								
Intangible assets								
Intangible rights	2.0	0.1	0.0	–1.9	0.0	–0.2	-	0.0
Other long-term expenditure	110.7	0.1	0.0	–50.1	0.0	–8.6	-	52.1
Parent company 1998	112.7	0.2	0.0	–52.0	0.0	–8.8	-	52.1
Parent company 1997	112.7	0.8	–0.9	–42.3	0.4	–10.0	-	60.7
Tangible assets								
Land and water	217.6	0.0	–51.2	-	-	-	-	166.4
Buildings and structures	205.6	1.3	–22.0	–100.2	0.0	–6.5	-	78.2
Machinery and equiment	43.4	1.4	–4.9	–34.8	1.6	–2.7	-	4.0
Other tangible assets	9.7	0.0	–0.8	–5.0	0.0	–0.3	-	3.6
Work in progress	18.2	9.6	–11.7	-	-	-	-	16.1
Parent company 1998	494.5	12.3	–90.6	–140.0	1.6	–9.5	-	268.3
Parent company 1997	522.1	16.0	–43.6	–138.3	7.8	–9.5	-	354.5
Financial assets								
Shares in Group companies	3,025.9	0.0	–12.3	0.0	-	-	-	3,013.6
Receivables from Group companies	1.6	0.0	–0.8	0.0	-	-	-	0.8
Shares in associated companies	353.5	0.0	–45.9	0.0	-	-	-	307.6
Receivables from associated companies	2.2	3.1	–1.6	0.0	-	-	-	3.7
Shares in other companies	279.3	10.8	–0.5	0.0	-	-	–9.1	280.5
Receivables from other companies	195.0	0.4	–20.4	0.0	-	-	-	175.0
Parent company 1998	3,857.5	14.3	–81.5	0.0	-	-	–9.1	3,781.2
Parent company 1997	3,435.9	614.6	–193.0	0.0	-	-	0.0	3,857.5

	Group		Parent Company	
	1998	1997	1998	1997
9. Main items in prepaid expenses and accrued income				
Interest	17.5	26.5	3.0	13.6
Other financial items	13.1	8.8	7.2	1.3
Value added tax	175.0	160.8	0.7	0.4
Income and other taxes	101.2	85.4	0.0	4.1
Other	369.3	396.3	13.7	13.1
Total	676.1	677.8	24.6	32.5
10. Specification of long-term receivables				
Receivables from Group companies				
Loan receivables	-	-	133.3	139.2
Receivables from associated companies				
Loan receivables	36.8	3.2	4.2	3.2
11. Specification of short-term receivables				
Receivables from Group companies				
Trade receivables	-	-	0.4	3.2
Loan receivables	-	-	130.8	189.2
Prepaid expenses and accrued income	-	-	3.8	3.1
Total	-	-	135.0	195.5
Receivables from associated companies				
Trade receivables	64.9	54.8	0.0	0.0
Loand receivables	67.8	4.6	0.6	1.4
Prepaid expenses and accrued income	6.9	2.8	0.0	0.0
Total	139.6	62.2	0.6	1.4
12. Shareholders' equity				
Share capital				
Share capital on 1 January				
Series A	278.7	278.5	278.7	278.5
Series B	799.3	260.2	799.3	260.2
Total	1,078.0	538.7	1,078.0	538.7
Bonus issue	0.0	538.7	0.0	538.7
Exchange of warrants for shares	5.8	0.3	5.8	0.3
Conversion of debentures	0.2	0.3	0.2	0.3
Share capital on 31 December				
Series A	278.7	278.7	278.7	278.7
Series B	805.3	799.3	805.3	799.3
Total	1,084.0	1,078.0	1 084.0	1,078.0
Share premium reserve				
Share premium reserve on 1 January	284.0	818.9	284.0	818.9
Bonus issue	0.0	–538.7	0.0	–538.7
Issue premium	30.5	3.8	30.5	3.8
Share premium reserve on 31 December	314.5	284.0	314.5	284.0
Other reserves				
Other reserves on 1 January	432.2	118.0	0.0	0.0
Capital surplus from merger	0.0	209.5	0.0	0.0
Transfers from retained earnings	15.2	15.1	0.0	0.0
Translation differences and other changes	–65.8	89.6	0.0	0.0
Other reserves on 31 December	381.6	432.2	0.0	0.0

	Group		Parent Company	
	1998	1997	1998	1997
Retained earnings				
Retained earnings on 1 January	2,098.2	2,166.2	1,567.3	1,672.8
Dividend distribution	–148.2	–228.9	–148.2	–228.9
Reverse of revaluation	–67.1	–18.3	–67.1	–18.3
Transfers to other reserves	–15.2	–15.1	0.0	0.0
Net change in deferred tax liability of revaluations	–32.8	-	-	-
Net change in translation difference	–25.8	–59.5	-	-
Other	0.2	9.4	0.1	0.1
Profit for the year	129.1	244.4	454.1	141.6
Retained earnings on 31 December	1,938.4	2,098.2	1,806.2	1,567.3
Distributable equity				
Voluntary provisions and depreciation difference	–400.7	–386.5	-	-
Deferred tax liability	117.6	106.5	-	-
Distributable equity	1,655.3	1,818.2	1,806.2	1,567.3
13. Convertible subordinated debentures	697.2	697.8	697.2	697.8

Main terms:

* Two issues of convertible subordinated debentures, each carrying principal of FIM 350 million at the date of issue.
* Should Metra Corporation be put into liquidation or become bankrupt, the principal of the loan shall rank junior to Metra Corporations' other obligations (and equal to the Company's other equal loans raised to strengthen shareholders' equity).
* The loans are dated on 24 March 1994. The notes are not collaterilized and are perpetual.
* Metra Corporation is entitled to pay back the principal with interest at any time from 2 May 2004 assuming that the Company and the Group still have distributable equity after making the payment. Furthermore, Metra Corporation is entitled to pay back the principal on the same terms if the share price exceeds the conversion price by at least 40 percent, in which case note holders are entitled to convert their notes to Company shares before payback.
* The notes shall pay fixed interest of 7.8 percent until 2 May 2004, and thereafter a rate of interest to be fixed annually which shall exceed the 12-month Helsinki Interbank Offered rate by five percentage points.
* Interest may be paid annually only to the extent that the payments do not exceed the distributable equity shown in the most recent approved financial accounts. Any interest left unpaid shall remain the liability of the Company. Interest is paid before dividend.
* Each bond of nominal value FIM 10,000 convertible into Series A shares may be exchanged for 37 Series A shares and 37 Series B shares. The aggregate conversion price of one Series A share and one Series B share is FIM 270.27.
* Each bond of nominal value FIM 10,000 convertible into Series B shares may be exchanged for 74 Series B shares. The aggregate conversion price of two Series B shares is FIM 270.27.
* The conversion right commenced on 1 June 1994 and the annual period of conversion shall extend from January 2 to November 30 inclusive. The conversion right will end 14 days prior to the maturity of the notes.
* During the financial year altogether 1,147 Series A shares and 3,219 Series B shares had been converted. This represents a loan capital of FIM 590,000 and by this amount the principal has decreased.

14. Provisions

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Pension liabilities	258.7	247.3	21.8	23.8
Tax liabilities	53.9	16.1	8.6	16.1
Other liabilities:				
Internal restructuring	79.8	117.2	-	0.9
Warranty [1]	0.0	83.0	0.1	0.2
Licensing support	0.0	25.2	-	-
Foreseeable losses and cost reservations	144.6	22.1	-	-
Litigation	47.5	20.4	-	-
Other	26.5	44.8	15.0	13.4
Other provisions, total	298.4	312.7	15.1	14.5
Provisions, total	611.0	576.1	45.5	54.4
Change in provisions	34.9	97.3	–8.9	–1.0

[1] Some Group companies treated warranty as provisions in closing 1997.

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
15. Liabilities				
Long-term				
Non interest-bearing	425.9	242.6	0.0	0.0
Interest-bearing	2,454.6	2,775.6	1,597.3	1,924.1
Total	2,880.5	3,018.2	1,597.3	1,924.1
Current				
Non interest-bearing	5,468.9	4,643.1	210.4	81.9
Interest-bearing	1,629.1	1,958.8	285.9	145.0
Total	7,098.0	6,601.9	496.3	226.9
Bonds				
1993-2002, 6-month Helibor	150.0	150.0	150.0	150.0
1994-2001, 6-month Helibor	300.0	300.0	300.0	300.0
1994-2002, 6-month Helibor	25.0	25.0	25.0	25.0
Total	475.0	475.0	475.0	475.0
Bond with warrants 1994	0.0	2.5	0.0	2.5

The loan was dated on 2 May 1994. The conversion period ended on 2 May 1998, on which date the principal was repaid.

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Bond with warrants 1996	0.2	0.2	0.2	0.2

Main terms:

* Principal FIM 180,000.
* Each FIM 1,000 bond carries a warrant to subscribe for 1,200 Series B shares, nominal value FIM 20, for a subscription price of FIM 101,20 per share.
* The loan is dated on 2 May 1996. The conversion period commenced on 1 September 1996 and will end on 2 May 2003, on which date the principal will also be rapaid.
* By 31 December 1998 altogether 9,600 Series B shares had been subscribed for against 8 warrants surrended to the Company.
* Annual interest on bonds is equivalent to the Bank of Finland's base rate minus 1 percentage point.
* 34 executives have subscribed for the loan.

Long-term debt with maturity profile

	Bonds	Bank loans	Pension loans	Other loans	Total
1999	0.0	126.2	25.9	9.7	161.8
2000	0.0	1,061.4[1]	30.1	6.1	1,097.6
2001	300.0	31.1	28.9	5.6	365.6
2002	175.0	183.8	27.6	4.7	391.1
2003	0.0	15.9	26.5	4.0	46.4
2004 -	0.0	279.8	248.0	26.0	553.8
Total 31 Dec.1998	475.0	1,698.2	387.0	56.1	2,616.3
Total 31 Dec.1997	475.0	2,062.1	416.5	89.0	3,042.6

[1] inclusive Revolving Credit loans amounting to FIM 861 million, which can be repaid and drawn again .
Revolving loans will mature in years 2000-2004.

Division of long-term loans by currency

	31 Dec.1998	31 Dec.1997
FIM	45 %	39 %
USD	28 %	37 %
NLG	10 %	7 %
FRF	5 %	5 %
SEK	5 %	3 %
Other currencies	7 %	9 %

	Group		Parent Company	
	1998	1997	1998	1997
16. Specification of deferred tax assets and liabilities				
Deferred tax assets				
Based on consolidation	143.2	-	-	-
Based on balance sheets of Group companies	160.7	57.9	-	-
Total	303.9	57.9	-	-
Deferred tax liabilities				
Based on appropriations	149.7	141.4	-	-
Based on consolidation	99.0	55.8	-	-
Based on balance sheets of Group companies	162.5	29.0	-	-
Total	411.2	226.2	-	-

Revaluations are included in the calculation of deferred tax liabilities.
The figures for 1998 were affected by a change in accountig principles.
Parent company's deferred tax has been included in the Group.

17. Main items in accrued expenses and deferred income

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Warranty costs	333.7	235.1	-	-
Project costs	372.8	175.1	1.6	0.0
VAT, income and other taxes	359.0	221.3	136.8	0.7
Personnel expenses	409.8	389.2	3.2	2.6
Interest and other financial items	142.8	135.3	60.2	64.6
Other	420.8	676.3	4.2	4.1
Total	2,038.9	1,832.3	206.0	72.0

18. Specification of current liabilities

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Liabilities to Group companies				
Trade payables	-	-	0.6	0.6
Other current liabilities	-	-	1.0	1.2
Accrued expenses and deferred income	-	-	0.7	0.0
Total	-	-	2.3	1.8
Liabilities to associated companies				
Advances received	1.1	80.8	0.0	0.0
Trade payables	88.1	70.1	0.0	0.0
Other liabilities	2.0	0.2	0.0	0.0
Accrued expenses and deferred income	18.7	0.1	0.0	0.0
Total	109.9	151.2	0.0	0.0

19. Collateral, contingent liabilites and other commitments

	1998 Balance sheet debt	1998 Security	1997 Balance sheet debt	1997 Security
Group				
Mortgages given as collateral for for liabilities and commitments				
Loans from credit institutions	116.1	140.0	128.3	137.8
Pension loans	207.8	246.7	228.9	246.7
Off balance sheet commitments	-	149.2	-	153.2
Total	323.9	535.9	357.2	537.7
Chattel mortgages given as collateral for liabilities				
Loans from credit institutions	0.3	21.9	0.0	0.0
Off balance sheet commitments	-	10.0	-	10.9
Total	0.3	31.9	0.0	10.9
Other pledges given as collateral for liabilities				
Loans from credit institutions	19.7	32.2	52.7	48.0
Other liabilities	0.5	6.6	0.0	0.0
Off balance sheet commitments	-	27.7	-	0.0
Total	20.2	66.5	52.7	48.0
Parent Company				
Mortgages given as collateral for liabilities and commitments				
Loans from credit institutions	3.8	3.0	5.1	3.1
Off balance sheet commitments	-	80.0	-	80.0
Total	3.8	83.0	5.1	83.1

	Group 1998	Group 1997	Parent Company 1998	Parent Company 1997
Collateral on behalf of Group companies				
Mortgages	-	-	35.0	35.0
Guarantees and contingent liabilites				
on behalf of Group companies	2,991.5	2,794.8	1,466.5	1,359.9
on behalf of associated companies	580.4	94.6	364.0	94.6
on behalf of others	13.8	39.3	1.4	0.2
Other commitments				
All pension liabilities are included in the balance sheet.				
Nominal amount of rents accordig to leasing contracts				
Payable within one year	44.4	29.6	0.0	0.0
Payable after one year	210.9	164.5	0.0	0.0
Total	255.3	194.1	0.0	0.0

20. Inner circle loans and commitments

Loan receivables from senior management and the members of the Board of Directors totalled FIM 0.1 million.
No pledges or other commitments were given on behalf of senior management or shareholders.

21. Nominal values of derivative instruments on 31 December 1998

	Total amount	of which closed contract
Interest rate FRA's and futures	626.7	0.0
Interest rate options; purchased	705.1	273.0
Interes rate options; written	883.4	273.0
Interest rate swaps	1,572.8	126.9
Foreign exchange forward contracts	9,378.1	2,045.3
Currency options; purchased	693.2	0.0
Currency options; written	291.8	0.0
Total	14,151.1	2,718.2

If all the above instruments were reversed (sold) at market prices at the year end, the net effect would be FIM -55.0 million.

22. Exchange rates

	Closing rates					Average rates	
	31 Dec.1998	31 Dec.1997	31 Dec.1996	31 Dec.1995	31 Dec.1994	1998	1997
USD	5.0960	5.4207	4.6439	4.3586	4.7432	5.3415	5.1944
GBP	8.4280	8.9920	7.8690	6.7410	7.4090	8.8470	8.5060
SEK	0.6267	0.6863	0.6748	0.6546	0.6358	0.6721	0.6799
NOK	0.6702	0.7394	0.7209	0.6899	0.7014	0.7078	0.7339
DEM	3.0400	3.0275	2.9880	3.0435	3.0615	3.0381	2.9939
NLG	2.6981	2.6861	2.6624	2.7185	2.7337	2.6953	2.6603
FRF	0.9064	0.9046	0.8862	0.8906	0.8873	0.9062	0.8894
CHF	3.6981	3.7258	3.4392	3.7884	3.6180	3.6880	3.5785
ITL*	3.0707	3.0800	3.0400	2.7500	2.9200	3.0800	3.0500
EUR/ECU	5.94573	5.9890	5.7700	5.5970	5.8150	5.9940	5.8640

* 1,000 units

23. Share and securities

		Number of shares	Share %	Curr.	Nominal value '000	Curr.	Book value '000 Metra Corp. direct ownership	Indirect ownership through subsidiary
SUBSIDIARIES								
Wärtsilä NSD Oy Ab	Finland	14,544,704	87.8	FIM	1,454,470	FIM	2,068,271	
Wärtsilä NSD Finland Oy	Finland	4,800,000	100.0	FIM	480,000	FIM		599,996
Wärtsilä NSD Nederland B.V.	Holland	63,825	60.0	NLG	63,825	FIM		95,115
Wärtsilä NSD Sweden AB	Sweden	40,000	100.0	SEK	40,000	FIM		147,561
Wärtsilä NSD Norway A/S	Norway	20,000	100.0	NOK	60,000	FIM		59,928
Wärtsilä NSD Iberica S.A.	Spain	15,000	100.0	ESP	150,000	FIM		23,039
Wärtsilä NSD Canarias S.L.	Spain		100.0	ESP	500	ESP		6,541
Wärtsilä NSD Motores (Portugal) Lda.	Portugal		95.0	PTE	38,000	FIM		1,264
Wärtsilä NSD Danmark A/S	Denmark	18	100.0	DKK	1,800	FIM		9,697
Wärtsilä NSD Deutschland GmbH	Germany		100.0	DEM	1,000	FIM		3,016
Wärtsilä NSD UK Ltd.	Great Britain	1,050,000	100.0	GBP	1,050	FIM		17,098
Wärtsilä NSD Ireland Ltd.	Ireland	10,000	100.0	IEP	10	IEP		10
Wärtsilä Diesel Polska Sp.z.o.o.	Poland	5,120	100.0	PLN	512	FIM		818
Wärtsilä Diesel Hellas S.A.	Greece	700	70.0	GRD	14,000	FIM		357
Wärtsilä NSD Cyprus Ltd.	Cyprus	1,000	100.0	GRD	5,069	GRD		704
Wärtsilä NSD North America, Inc.	USA	50,000	100.0	USD	20,000	FIM		209,420
Wartsila Operations, Inc.	USA	100	100.0	USD	10	USD		10
Wärtsilä NSD Canada Inc.	Canada	420	100.0	CAD	1,300	USD		1,172
Wärtsilä NSD de Mexico, SA	Mexico	100	100.0	MXP	50,000	USD		3,236
Wärtsilä NSD Latin America Ltd.	Bermuda	900	100.0	USD	900	FIM		4,185
Wärtsilä NSD Chile Ltda.	Chile		100.0	CLP	500	FIM		4,081
Wärtsilä NSD del Ecuador S.A.	Ecuador	70,000	100.0	ESC	70,000	USD		491
Wärtsilä NSD do Brasil Ltda.	Brazil	144,300	100.0	BRL	144	USD		306
Wärtsilä NSD de Colombia S.A.	Columbia	9,469	100.0	COP	10,000	USD		34
Wärtsilä NSD del Peru S.A.	Peru	1,960	100.0	PEN	20	USD		107
Wärtsilä NSD del Argentina S.A.	Argentina	12,500	100.0	USD	0	USD		0
Wärtsilä NSD Venezuela, C.A.	Venezuela	8,500	100.0	VEB	1,700	USD		10
Wärtsilä NSD Caribbean, Inc.	Puerto Rico	250,000	100.0	USD	250	FIM		1,179
Wärtsilä NSD Power Development Co. Inc.	USA	100	75.0	USD	3,000	FIM		13,588
Wärtsilä NSD Power Development Ltd.	Cayman	3,000	100.0	USD	1,000	USD		3
Wärtsilä NSD Singapore Pte Ltd.	Singapore	13,000,000	100.0	SGD	13,000	FIM		18,734
Wärtsilä NSD China Ltd.	Hong Kong	300,000	100.0	HKD	30,000	FIM		18,403
Nippon Wärtsilä Diesel Co. Ltd.	Japan	400	100.0	JPY	20,000	FIM		4,167
Wärtsilä NSD Korea Ltd.	South Korea	15,000	100.0	WON	695,000	FIM		5,313
Wärtsilä NSD Taiwan Ltd.	Taiwan	1,450	96.7	TWD	14,500	FIM		2,384
Wärtsilä NSD Philippines Inc.	Philippines	126,976	100.0	PHP	12,698	FIM		3,836
PT. Wärtsilä NSD Indonesia	Indonesia	45,484	100.0	IDR	53,535,845	FIM		61,176
Wärtsilä NSD Australia Pty Ltd.	Australia	999,998	100.0	AUD	1,000	FIM		3,239
Wärtsilä NSD India Ltd.	India	6,137,300	51.0	INR	61,373	FIM		71,064
Wärtsilä NSD Pakistan (Pvt.) Ltd.	Pakistan	7,775,000	100.0	PKR	166,447	FIM		22,075
Wärtsilä Diesel Saudi Arabia Ltd.	Saudi Arabia	3,660	60.0	SAR	3,660	FIM		7,108
Wärtsilä NSD Gulf FZE	Unit. Arabemir.	1	100.0	AED	1,000	FIM		1,265
Wärtsilä NSD Middle East S.a.r.l.	Lebanon		100.0	LBP	100,000	FIM		305
Wärtsilä NSD South Africa (Pty) Ltd.	South Africa	1,500,000	100.0	ZAR	1,500	FIM		1,881
Wärtsilä NSD Mediterranean Ltd.	Cyprus	1,000	100.0	CYP	10	FIM		101
Wärtsilä Compression Systems GmbH	Germany		100.0	DEM	1,675	FIM		5,035
Wärtsilä NSD Eastern Africa Ltd.	Kenya		100.0	USD	1,000	FIM		92
Wärtsilä NSD Switzerland Ltd.	Switzerland	50,000	100.0	CHF	50,075	FIM		340,528
NSD Japan Ltd.	Japan	400	100.0	JPY	20,000	JPY		20,000
Wärtsilä NSD Corporation AG	Switzerland		100.0	CHF	250	FIM		857
Diesel Ricerche S.p.A.	Italy		100.0	ITL	10,465,785	FIM		34,956
PT. Stowindo Power	Indonesia		100.0	IDR	125,000	FIM		27,278
Wärtsilä Diesel Japan Company Ltd.	Japan		50.0	JPY		FIM		4,591
Wärtsilä NSD France S.A.	France		100.0	FRF	174,908	FIM		327,285

Shares and securities

		Number of shares	Share %	Curr.	Nominal value '000	Curr.	Book value '000 Metra Corp. direct ownership	Book value '000 Indirect ownership through subsidiary
Sanitec Ltd Oy	Finland	3,360,000	100.0	FIM	336,000	FIM	419,996	
Ido Kylpyhuone Oy	Finland	300,000	100.0	FIM	30,000	FIM		30,000
Ido Badrum AB	Sweden	20,000	100.0	SEK	2,000	FIM		10,673
Porsgrund Oy	Finland	600	100.0	FIM	600	FIM		600
Porsgrund Bad AS	Norway	10,000	100.0	NOK	10,000	FIM		6,057
Ifö Sanitär AB	Sweden	20,000	100.0	SEK	20,000	FIM		35,000
Fastighets AB Pressarna	Sweden	100,000	100.0	SEK	10,000	SEK		20,882
Ifö Sanitär A/S	Norway	20	100.0	NOK	200	SEK		185
Scandi-aqualine A/S	Denmark	70,000	100.0	DKK	7,000	SEK		15,115
Scandiaqua Sp.zo.o.	Poland	4,995	100.0	PLN	500	SEK		1,882
Allia International S.A.	France	1,775,000	100.0	FRF	177,500	FIM		630,010
Allia S.A.	France	1,099,994	100.0	FRF	109,999	FRF		109,999
Polyroc S.A.	France	67,995	99.9	FRF	680	FRF		8,504
Fabrication d'Appareils Sanitaires	France	4,299	99.9	FRF	4,299	FRF		19,419
Keramag Keramische Werke AG	Germany	452,385	95.3	DEM	22,619	FRF		218,051
Hutschenreuther-Keramag GmbH	Germany		50.0	DEM	1,500	DEM		2,630
Keramag Haldensleben GmbH	Germany		100.0	DEM	5,254	DEM		5,263
Keramag Vertriebs Holding GmbH	Germany		100.0	DEM	1,000	DEM		1,000
Varicor S.A.	France	6,358	100.0	FRF	6,358	DEM		5,062
Spectra Vertriebsgesellschaft GmbH	Germany	15,000	100.0	DEM	1,500	FRF		5,342
Eurocer Industria de Sanitarios S.A.	Portugal	540,000	100.0	PTE	540,000	FRF		23,748
Laminex Sp. z o.o.	Poland	10,040	99.0	PLN	2,510	FRF		10,336
Finanziaria Keramag-Allia S.p.A.	Italy	2,000	100.0	ITL	200,000,000	FIM		616
Evac International Oy	Finland	500	100.0	FIM	5,000	FIM		10,139
Evac AB	Sweden	70,000	100.0	SEK	7,000	FIM		4,508
Evac Oy	Finland	70,000	100.0	FIM	7,000	FIM		6,182
Evac S.r.l.	Italy		100.0	ITL	150,000,000	FIM		4,260
Evac S.A.R.L.	France	500	100.0	FRF	50	FIM		683
Evac (U.K.) Limited	Great Britain	2	100.0	GBP	0	FIM		0
Envirovac Inc.	USA	1,000	100.0	USD	1,200	FIM		5,252
Envirovac Inc.	Canada	1	100.0	CAD	1	USD		1
Evac GmbH	Germany		100.0	USD	300	USD		215
Sanitec Kolo Sp. z o.o.	Poland	333,333	80.3	PLN	16,667	FIM		52,461
Sugarlop B.V.	Holland	249	100.0	NLG	240	FIM		179,104
Sanitec International GmbH	Germany	1	100.0	DEM	250,000	FIM		597
Sanitec Leasing AB	Sweden	1,000	100.0	SEK	100	FIM		15,000
Sanitari Pozzi S.p.A.	Italy	4,956,597	100.0	ITL	17,348,090,000	FIM		24,740
Domino S.p.A.	Italy	1,360,168	100.0	ITL	1,360,168,000	FIM		191,174
Sanitec Servizi Logistici S.r.l.	Italy	8,000,000	100.0	ITL	8,000,000,000	FIM		24,688
Johnson Industrial Holding AG	Switzerland	240	60.0	CHF	60,000	FIM		59,094
Imatra Steel Oy Ab	Finland	104,000	100.0	FIM	104,000	FIM	277,140	
Imatra Kilsta AB	Sweden	200,000	100.0	SEK	20,000	FIM		57,092
Imatra Tooling AB	Sweden	1,000	100.0	SEK		SEK		4,900
Imatra Stahl GmbH	Germany		100.0	DEM	100	FIM		270
Imatra Steel Ltd.	Great Britain		100.0	GBP	50	FIM		389
Imatra Steel S.A.R.L.	France		100.0	FRF	200	FIM		202
Metra Finance Oy Ab	Finland	382,000	100.0	FIM	191,000	FIM	191,005	
Vulcan Insurance Ltd.[1]	Great Britain	2,000,000	100.0	GBP	2,000	FIM	2,000	
Metra Corporation housing corporations (12)						FIM	50,970	
Metra Corporation others (5)						FIM	4,231	
Total							3,013,613	

[1] Non consolidated; profit FIM 612, shareholders' equity FIM 4,269.

Shares and securities

		Number of shares	Share %	Curr.	Nominal value '000	Curr.	Book value '000 Metra Corp. direct ownership	Book value '000 Indirect ownership through subsidiary
ASSOCIATED COMPANIES								
Assa Abloy AB (publ.)	Sweden	17,709,960	25.0	SEK	17,710	FIM	277,293	
Cervuctum Oy [1]	Finland	250,000	31.3	FIM	25,000	FIM	25,000	
Cummins Wärtsilä S.A.	France	3,767,784	50.0	FRF	376,778	FIM		175,034
Wasa Pilot Power Plant Oy	Finland	9,980	49.9	FIM	9,980	FIM		9,980
Wartsila Navim Diesel S.r.l.	Italy		40.0	FIM	24,000	FIM		76
Grandi Motori Trieste	Italy		40.0	ITL	159,900,000	FIM		192,955
Ina/Ifö Co Ltd.	Japan	60,000	50.0	JPY	30,000	SEK		947
Raftery Holding B.V.	Holland	10	50.0	NLG	10,000	USD		14
Metra Corporation others (3)						FIM	5,363	
Total							307,656	

[1] Non consolidated; loss FIM -1,867, shareholders' equity FIM 134,961

		Number of shares	Share %	Curr.	Nominal value '000	Curr.	Book value '000 Metra Corp. direct ownership	Book value '000 Indirect ownership through subsidiary
OTHER COMPANIES								
Cummins Engine Company, Inc.	USA	110,497		FIM	5,000	FIM		21,220
Sato-Yhtymä Oyj	Finland	104,383		FIM	1,044	FIM	11,020	805
Kiint. Oy Nordic Hotellikiinteistöt	Finland	80,000	19.0	FIM		FIM	76,000	
Polar-Yhtymä Oyj	Finland	14,463,438	8.0	FIM	41,744	FIM	99,446	
Rautaruukki Oyj	Finland	72,916	0.1	FIM	729	FIM	865	
Sampo Insurance Company	Finland	380,200	0.6	FIM	1,901	FIM	22,582	
St. Laurence Golf Oy	Finland	191	22.7	FIM	1,910	FIM	7,427	
Tamro Oyj	Finland	605,100	1.3	FIM	6,051	FIM	28,130	
Power Partners Oy	Finland	487,500		FIM	4,875	FIM		4,875
Metra Corporation housing corporations (21)						FIM	14,126	
Metra Corporation others (30)						FIM	20,861	
Total							280,457	
Metra Corporation; total shares and securities							3,601,726	

A complete list of shares and securities in accordance with the Finnish Companies Act is included in the official financial statements.

PROPOSAL OF THE BOARD

The consolidated retained earnings on 31 December 1998 amounted to FIM 1,938,438,000 and included distributable funds totalling FIM 1,655,249,000.

The Parent Company's net profit for the financial year amounted to FIM 454,058,750.59 and the retained earnings to FIM 1,352,128,871.45. The distributable funds on 31 December 1998 amounted to FIM 1,806,187,622.04.

The number of shares entitled to a dividend is 54,199,432.

The Board of Directors proposes that a dividend of FIM 2.20 per share be paid, i.e. FIM 119,238,750.40 and that the retained earnings of FIM 1,686,948,871.64 be carried forward in the Parent Company.

The proposal complies with the conditions of the convertible subordinated debentures.

Helsinki, 17 February 1999

Robert G. Ehrnrooth Vesa Vainio

Göran J. Ehrnrooth Carl-Olaf Homén Jaakko Iloniemi

Paavo Pitkänen Christoffer Taxell

Georg Ehrnrooth

President

AUDITORS' REPORT

To the shareholders of Metra Corporation

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the President of Metra Corporation for the year ended 31 December 1998. The annual accounts prepared by the Board of Directors and the President 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. Based on our audit we express an opinion on these financial statements and the parent company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order 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 our audit of the administration has been to examine that the Board of Directors and the President have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the President 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 retained earnings is in compliance with the Finnish 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, 19 February 1999

KPMG WIDERI OY AB

Eric Haglund , Authorized Public Accountant

CALCULATION OF FINANCIAL RATIOS

Return on investment (ROI) [1]

$$\frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities - provisions, average over the year}} \times 100$$

Return on equity (ROE)

$$\frac{\text{Profit before extraordinary items - taxes for the financial year}}{\text{Shareholders' equity}^{2} \text{ + minority interests, average over the year}} \times 100$$

Interest coverage [1]

$$\frac{\text{Profit before extraordinary items + depreciation + interest and other financial expenses}}{\text{Interest and other financial expenses}}$$

Solvency ratio

$$\frac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total - advances received}} \times 100$$

Net Gearing

$$\frac{\text{Interest bearing liabilities - cash and bank balances}}{\text{Shareholders' equity + minority interests}}$$

Earnings per share (EPS)

$$\frac{\text{Profit before extraordinary items - direct taxes - minority interests}}{\text{Adjusted number of shares over the financial year}}$$

Equity per share

$$\frac{\text{Shareholders' equity}^{2}}{\text{Adjusted number of shares at the end of the financial year}}$$

Dividend per share

$$\frac{\text{Dividends paid for the financial year}}{\text{Adjusted number of shares at the end of the financial year}}$$

Payout ratio

$$\frac{\text{Dividends paid for the financial year}}{\text{Profit before extraordinary items - taxes for the financial year - minority interests}} \times 100$$

Effective dividend yield

$$\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial year}} \times 100$$

Price/earnings

$$\frac{\text{Adjusted share price at the end of the financial year}}{\text{Earnings per share (EPS)}}$$

[1] *The Group's finance company changed the accounting principles regarding a part of foreign exchange forward contracts in 1998 (see Note 5, pages 29 and 30). The impact of the change has been eliminated in calculation of Interest coverage and ROI ratios.*

[2] *Excludes convertible subordinated debentures .*

FINANCIAL RISKS

Metra's policy is to minimize the impact of foreign exchange, interest rate, credit and liquidity risks on the Group's cash reserves, profits and shareholders' equity. The risk policy set by the Board of Directors outlines the responsibilities in financing and risk management and covers the use of financial instruments for handling the risks.

Foreign exchange risk

Metra is an international group with 95% of its sales and 56% of its production outside Finland. The adjacent table giving the currency distribution in 1998 shows that 36% of invoiced sales and 56% of operating costs took place in euro. This will alleviate the management of foreign exchange risks and reduce hedging costs. On the other hand, the Group companies also operate in many base currencies, and therefore Metra's Board of Directors and its subsidiary boards have set the maximum risk limits on a per company basis.

Within the commercial transaction exposure all the fixed purchase and sales contracts are hedged. Budgeted items are covered up to such time periods that both the prices and costs can be adjusted to the new exchange rates. These periods vary among Group companies from three to twelve months.

The derivatives used for these purposes and their nominal values are listed in the notes to the financial statements on page 37. At the end of 1998 the net asset value of Metra's foreign subsidiaries totalled FIM 2.7 billion, of which FIM 2.2 billion was hedged.The translation difference arising from consolidation of the foreign subsidiaries amounted to FIM 143 million in 1998 and the corresponding exchange rate difference from hedging amounted to FIM 49 million, which has been taken direct to shareholders' equity, bypassing the income statement.

Interest rate risk

The interest rate risk represents the effect on earnings of changes in market interest rates. According to Metra's policy the share of floating rate loans as a proportion of the total debt can vary between 30-70%. At the end of 1998 the ratio was 62% after adjustment of interest rate swaps and other hedging instruments.

At the end of 1998 the average interest rate and the refixing period of interestbearing loan capital were 5.2% and 14 months respectively. The short-term portion of total interest-bearing loan capital was 34%. The maturity profile, division by currency and other information on debt is provided on page 34. The effect of a 1 percentage point parallel change of the yield curve on the value of the net debt portfolio, excluding the perpetual convertible of FIM 697 million, would be FIM 19.4 million.

Liquidity risk

At the year end cash and bank amounted to FIM 499 million and committed (1.5-6 years) non-utilized lines to FIM 0.9 billion. Furthermore, Metra has Finnish, Polish and European commercial paper (ecp) programmes to meet short-term financing needs. At the end of 1998 the average life of the interest-bearing loan capital, excluding the perpetual convertible subordinated debentures of FIM 697 million, was 24 months.

Credit risk

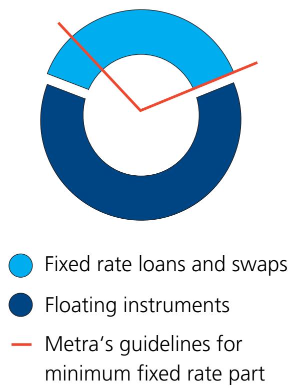
The management of the credit risks associated with ordinary commercial activities is the responsibility of Group companies. In 1998 provisions for credit losses and credit losses altogether slightly over FIM 100 million were booked. Credit risks related to the placement of liquid funds and to trading in derivative instruments are minimized by setting explicit lines for all the counterparties and by making agreements only with the most reputable domestic and international banks and financial institutions.

CURRENCY DISTRIBUTION 1998

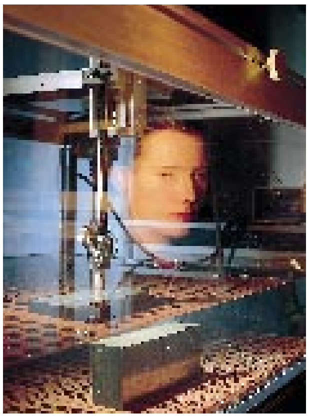
	Invoiced sales	Operating costs
FIM	5.9%	23.7%
USD	32.1%	15.1%
SEK	6.5%	6.1%
NOK	7.1%	4.3%
DEM	8.9%	10.9%
NLG	6.0%	7.4%
FRF	6.3%	8.0%
Other EU	13.5%	9.2%
Other	13.7%	15.2%
	100%	100%

The distribution of the Group´s sales and operating costs by currency provide a view of the Group´s long-term currency sensitivity.

METRA'S INTEREST BEARING LOAN CAPITAL BY INTEREST TYPE 31 Dec. 1998



YEAR 2000 COMPLIANCE



In the Metra Group responsibility for analyzing and meeting the requirements for Y2K compliance rests with its divisions and subsidiaries. Metra has set targets to ensure that this work is performed systematically, and for this purpose has assigned evaluation responsibilities and allocated the requisite financial and human resources. The divisions are required to report regularly to Metra, which monitors and supervises progress based on summary reports. Metra companies are required to examine the following matters, among others, to ensure Y2K compliance:

* Reporting and information systems
* Production processes
* Telephone systems and telecommunications
* Office equipment and systems
* Products, deliveries and contractual matters
* Suppliers and subcontractors.

All the divisions have made progress towards Y2K compliance in line with these main requirements. At the end of the 1998 financial year there were still differences in the degree of readiness existing in the divisions' subsidiaries.

The costs and investments of Y2K evaluation and action are estimated to be FIM 50-80 million in the Metra Group, spread over two to three years. The timetables for Y2K evaluation and action have been prepared so that sufficient readiness could be reached well in advance of the change of millennium in all significant areas.

Wärtsilä NSD

Wärtsilä NSD's main products, engines, are for the most part Y2K compliant. Evaluation of the compliance of its information systems, production processes and real estate etc. is proceeding according to plan. Further action is still needed for the ancillary control and display systems which make up the division's total delivery packages. Certain equipment, most of which is already in operation, could require upgrading to achieve Y2K compliance of their embedded systems. Wärtsilä NSD companies continue to specify the installations which need to be examined and will give customers recommendations on the action needed to achieve sufficient Y2K compliance.

Sanitec

At the end of 1999 Sanitec's products and production processes are not expected to run into any essential Y2K problems. Certain details of the production processes are currently being examined, however, and any necessary action will be performed. This work is focusing particularly on information systems. The renewal, and upgrading and testing of the information systems will continue and this work will be completed according to schedule, which means that sufficient readiness will be reached well in advance of the change of millenium.

Imatra Steel

Imatra Steel is proceeding according to schedule with work to evaluate and upgrade its systems in all units to Y2K requirements. Most of this work involves production automation, control systems and its machinery and equipment. The renewal of certain systems and equipment is being brought forward to ensure Y2K compliance. System testing to ensure the operability of Imatra Steel's entire production process will be arranged to suit scheduled production stoppages.

THE ENVIRONMENT

Wärtsilä NSD

Wärtsilä NSD adopted an Operative Excellence System, which aims to ensure high standards of quality in all the division's operations. The system covers management of quality, environmental, health and safety issues.

Development continued to focus on reducing emissions of engine operation and test runs. All Wärtsilä NSD engines meet the stipulations of the IMO (International Maritime Organization) with respect to new engines. These requirements will come into force at the beginning of the year 2000. Wärtsilä NSD has supplied a new combined cycle power plant to Vaasa. Incorporating the most advanced technology, the Wasa Pilot Power Plant achieves higher efficiencies, which in turn significantly reduce emissions.

The company's environmental management system (EMS), part of its Operative Excellence System, was further developed and environmental training programme was started. EMS development will continue in all the group's companies during 1999. At the same time knowledge of environmental issues will be improved by training. Wärtsilä NSD aims is to ensure that all its major subsidiaries fulfil the ISO 14001 requirements by the end of 2001.

The technology applied in the Wasa Pilot Power Plant achieves very high efficiency, which substantially reduces emissions.

Sanitec

The raw materials used for making ceramic products do not impose a significant load on the environment as they mainly consist of natural products: clay, kaolin, feldspar and quartz. The largest impact imposed by ceramic products on the environment is water consumption. For this reason Sanitec companies focus on water-saving products and these have been successfully launched in a number of countries, most recently in Germany.

In production the main emphasis is on reducing energy consumption since ceramic products are dried in kilns and fired at high temperatures. A new casting method, now in operation at Ifö's factory in Sweden, increases productivity and reduces the energy needed for drying.

Raw materials and production waste are recycled. At the Limoges plant in France recycling of ceramic and gypsum waste has been substantially increased. The acrylic bathtub factories have likewise succeeded in reducing acrylic waste and the plants in Poland and Italy have made investments to minimize styrene emissions into the atmosphere.

The Ido factory in Finland and the Ifö factories in Bromölla and Mörrum, Sweden, were granted ISO 14001 environmental certification during 1998. The ISO 14001 certificates of Keramag's two factories and head office were renewed for a further three years. Ido Bathroom Ltd won the first award to be granted in Finland for an environmental management system in recognition of its long-standing efforts to integrate environmental management in its business operations and total quality management system. A new lifecycle analysis of Ido's products in 1998 showed that environmental load had fallen by 5% throughout their lifecycle.

Evac introduced a new system for controlling wastewater and vacuum sewage systems in marine vessels, a product which exceeds the IMO's regulations.

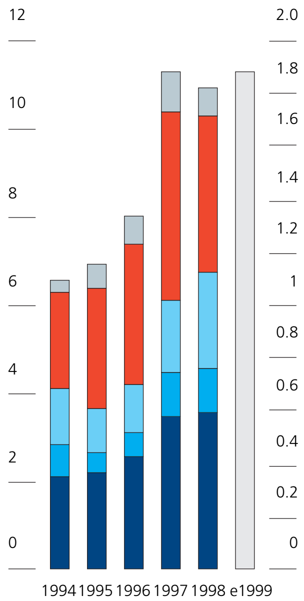
Imatra Steel

Both of Imatra Steel's plants in Finland are currently preparing for certification of their environmental systems. Imatra Steelworks has made an energy conservation agreement with the Ministry of Trade and Industry aimed at achieving further increases in energy efficiency and economy. Imatra Steelworks has distributed a brochure to its neighbours, personnel and customers describing its environmental performance and environmental protection measures.

WÄRTSILÄ NSD

President
Ole Johansson
"Our restructuring, cost cutting and reorganization measures are aimed at increasing efficiency and responsiveness in order to restore our profitability in a volatile market environment".

NET SALES BY MARKET AREA



For the Wärtsilä NSD division 1998 was a difficult year. Its result was a heavy loss, caused mainly by the difficult market situation in South East Asia and by problems in its power plant business. Net sales declined slightly to FIM 10,908 (11,288) million. A record number of marine engines were sold and the service business also developed well. The division's orderbook at the end of the year stood at FIM 7.2 (7.0) billion. Wärtsilä NSD delivered marine and power plant engines totalling 4,182 MW (4,090). Its license manufacturers shipped Sulzer engines with an aggregate output of 2,748 MW.

Wärtsilä NSD´s result before extraordinary items was a loss of FIM –769 (-247) million. A FIM 312 million restructuring provision, writedowns of inventories and receivables and other risk provisions recorded in the accounts at the end of the year are included in the loss. The divisions's share of associated company results, without the share of the above mentioned restructuring provision, was altogether FIM –214 million. This included losses posted by Cummins Wärtsilä of FIM –220 million.

The economic crisis in Asia halted sales in Wärtsilä NSD's hitherto most important power plant market. Moreover, problems in startups of new engine types and new power plant technology in certain new markets caused cost overruns which had not been anticipated. This led the division to tighten the valuation principles it applied to power plants, which further weakened the result.

Mr Ole Johansson was appointed President and CEO of Wärtsilä NSD Corporation. He started in his new position at the beginning of June and Mr Pentti-Juhani Hintikka moved to the Metra corporate management.

Wärtsilä NSD has started a strong restructuring programme aimed at adjusting capacity to market demand and raising performance. The most significant measures for which the provision was recorded in the 1998 accounts are the discontinuation of engine manufacture in Trollhätten, Sweden; the closure of Cummins Wärtsilä's sites in Surgères, France, and Ramsgate, England; and personnel reductions in the Netherlands, Switzerland and various sales companies. These reductions apply to approximately 1,000 employees in Wärtsilä NSD's subsidiaries and Cummins Wärtsilä. The measures were started in autumn 1998 and will be completed by the end of 1999.

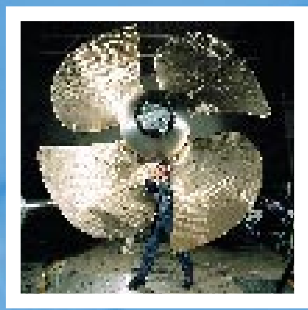
Wärtsilä NSD has also assigned its Marine, Power and Service business areas global responsibility for their own operations in order to enhance operational efficiency and reduce costs. This reorganization will enhance customer service levels as the business areas handle their customer contacts and the factories concentrate on manufacturing. The division has also started a systematic group-wide programme for improving operational quality to ensure that all the subsidiaries conform to the same policies and quality requirements.

One of Wärtsilä NSD's priority areas is raising the volume of stable and profitable service business. The aim is to offer its customers operation and maintenance services throughout the lifecycle of the power plant or marine installation.

A difficult year for power plants

The net sales of Wärtilä NSD's Power business decreased to FIM 4.3 (5.1) billion. The year-end orderbook totalled FIM 3.0 (3.1) billion. Sales in South East Asia decreased by 74%. The volume of power plant deliveries dropped 19% to 1,670 (2,095) MW.

The overall market for diesel and gas engines above 1 MW in output increased 1.4% to 9,644 (9,500) MW. This growth was most pronounced in small 1-2 MW power plants. Demand for gas power plants increased as well. Wärtsilä NSD's market share of power plant market based on reciprocating engines fell from 22% to 17%. This was caused by a shift in the market from Asia to Europe and America, and also



The 25 MW Pure Energy gas power plant supplied by Wärtsilä NSD to Cementos Diamante in Ibague, Colombia.

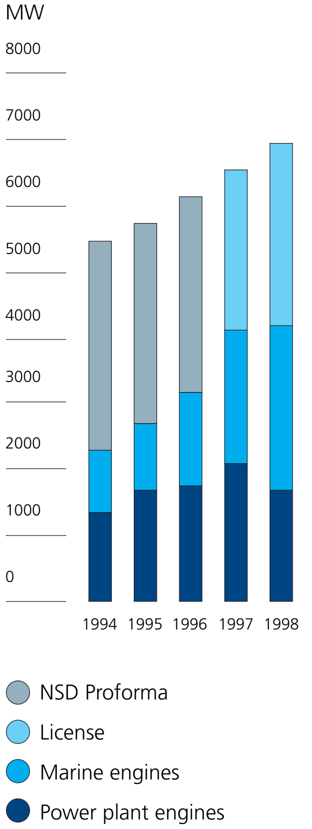
INCOME STATEMENT	FIM mill.		EUR mill.	
WÄRTSILÄ NSD	1998	1997	1998	1997
Net sales	10,908	11,288	1,835	1,899
Associated companies	–315	–148	–53	–25
Operating loss	–644	–100	–108	–17
Net financial items	–125	–147	–21	–25
Loss before extraord. items	–769	–247	–129	–42
Extraordinary items	82	-	13	-
Taxes	33	–20	6	–3
Minority interests	89	-6	15	–1
Loss for the financial year	–565	–273	–95	–46

BALANCE SHEET	FIM mill.		EUR mill.	
WÄRTSILÄ NSD	31.12.98	31.12.97	31.12.98	31.12.97
Fixed assets	2,308	2,698	388	454
Current assets				
Inventories	3,293	2,831	554	476
Other current assets	3,906	3,944	657	663
Shareholders´ equity	1,879	2,519	316	424
Minority interests	58	162	10	27
Interest-bearing liabilities	2,655	2,639	446	444
Non interest-b.liabilities	4,915	4,153	827	698
Balance sheet total	9,507	9,473	1,599	1,593

NET SALES BY BUSINESS AREA

	FIM bill.	%
Power	4.3	39
Marine	3.7	34
Service	2.8	26
Other	0.1	1
Total	10.9	100

MEGAWATTS DELIVERED



a preference for smaller power plants, a market segment in which Wärtsilä NSD does not yet have a sufficiently strong position. In Asia new orders were obtained mainly in India and Taiwan. The share of gas power plant deliveries increased to one-third of total deliveries. The larger gas engines also have dual-fuel compatibility.

Southern Europe, and especially Spain, were buoyant markets, with most customers coming from industry. Customers in North America showed increasing interest in smaller gas power plants. Wärtsilä NSD's traditional business, diesel engines running on heavy fuel oil, was clearly hit by the recession in South East Asia and China. On the other hand, records for deliveries and order intake were set in India and Taiwan. Deliveries to Independent Power Producer (IPP) customers focused on Bangladesh, Central America and Brazil. Sales of power plant operation services continued to expand and approximately 600 MW were covered by operations contracts in 1998. These are generally long-term plant management contracts which include maintenance and spare parts.

A buoyant year for Marine

Wärtsilä NSD sold more marine engines and related systems during 1998 than at any time in its history. Net sales rose 19.4% to FIM 3.7(3.1) billion. Medium-speed and high-speed marine engine shipments totalled 2,512 MW (1,995 MW). Medium-speed engines delivered by the associated company Grandi Motori Trieste amounted to an additional 303 (226) MW. Growth came principally from the passenger and cruise ship, container vessel and offshore sectors. License manufacturers supplied low-speed Sulzer engines totalling 2,748 MW (2,400). Interest in Wärtsilä NSD's propulsion systems continued to be high and 115 such systems were supplied during the year. Complete propulsion systems comprise the engine, reduction gear, propeller, rudder and control system. Wärtsilä NSD's market share of low-speed engines ordered during the year rose to 31% and its share of medium-speed engines to 28%*. The new Sulzer RTA96C engine gained a strong foothold in large container vessels, while the Wärtsilä 64, the world's largest medium-speed engine, was ordered for 11 vessels to be built in Asia and Europe.

Asia is the centre of the world's shipbuilding industry. Korea, Japan and China dominate with 72% of the market, counted in deliveries by ship size (grt). In terms of number of ships delivered, these countries hold 39% of the worldwide market. Orders for roro and cruise vessels helped European yards to strengthen their position. The Asian crisis has reduced sea borne trade. This together with the present fleet expansion gives a growing uncertainty about future demand. Orders for cargo carrying vessels are expected to decline but in segments important to Wärtsilä NSD positive development is likely to continue for special vessels, fast containerships and cruise vessels. Although shipyards are seeing a decline in order intake, Wärtsilä NSD's orderbook stands at a healthy FIM 3.1 (3.1) billion.

WÄRTSILÄ NSD	NET SALES 1998			PERSONNEL	
	FIM mill.	EUR mill.	Change[1]	31 Dec.1998	Change
Wärtsilä NSD Finland Oy	5,128	862	10%	2,289	70
Wärtsilä NSD Nederland B.V.	1,779	299	–10%	909	–1
Wärtsilä NSD Switzerland Ltd.	1,026	173	–10%	480	–27
Wärtsilä NSD France S.A.	1,046	176	-9%	319	–157
Wärtsilä NSD Norway A/S	814	137	24%	452	17
Wärtsilä NSD Sweden AB	700	118	18%	373	3
Wärtsilä NSD North America Inc.	1,223	206	58%	201	20
Wärtsilä NSD Ibérica S.A.	513	86	39%	111	6
Wärtsilä NSD India Ltd.	269	45	24%	590	59
Other subsidiaries	2,019	340	-20%	1,756	227
Group organization	89	15		32	4
Internal sales	–3,698	–622		-	-
Total[2]	10,908	1,835	-3%	7,512	218
Associated companies[3]	2,198	370	139%	2,450	–346

[1] The subsidiaries' figures have been compared in local currencies.
[2] The comparable figure includes Wärtsilä France's sales 1997.
[3] Includes Wärtsilä France's sales 1998.

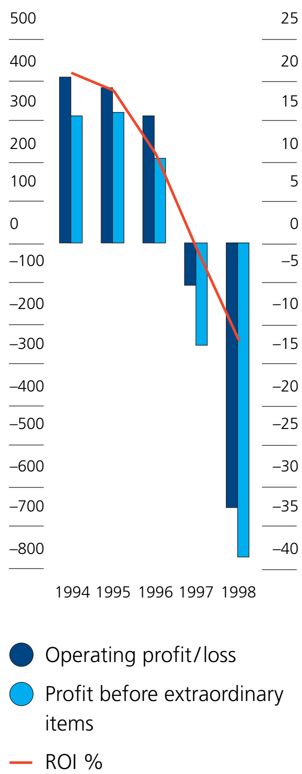
Service

Service sales grew to FIM 2.8 billion despite the economic turmoil in Asia and the lower capacity utilization of power plants

*Diesel & Gas Turbine Worldwide

delivered earlier to certain important markets such as Indonesia and China. The comparable sales grew by approx. 12%, the previous year´s sales FIM 2.8 billion included service sales of high-speed engines which was transferred to Cummins Wärtsilä. Long-term contracts and solid customer relationships helped to limit the impact of the Asian crisis. Wärtsilä NSD introduced several engine modernization packages such as the Low-NOx system, which was well received. The group concluded several major maintenance contracts for power plants and various types of marine vessels. During 1998 Sulzer's service operations were integrated into Wärtsilä NSD's large service network, which will create opportunities to increase the service volume of these engines.

RESULT
FIM mill.



R&D focused on efficiency and environmental issues

The focus of R&D was on raising engine efficiency and reducing environmental impacts. R&D investments totalled 4,0% (4.3%) of net sales. Several new-generation products were brought to market based on experience from pilot installations. All Wärtsilä NSD engines comply with the nitrogen oxide emissions regulations of the IMO (International Maritime Organization). Direct water injection into the cylinder, which can further reduce NOx emissions, is available on most engines. The Wasa Pilot Power Plant, which is used to test high-efficiency diesel combined cycle technology, was successfully introduced. Environmental issues will continue to have high priority in Wärtsilä NSD's R&D activities. CO_2 emissions will be further reduced by raising combustion efficiency. The new-generation diesel and gas engines have been designed to take account of these market challenges.

Manufacturing adjusted to market demand

Manufacturing volume reached 3,904 MW (3,850), supplemented by a further 2,748 MW of Sulzer engines produced under license. Production in Mantes, France has been ceased. The decision was taken in 1998 to discontinue manufacturing in Trollhättan, Sweden, and in two Cummins Wärtsilä sites. The division's new operating model places responsibility for global manufacturing with the business area. This will increase flexibility, thereby allowing manufacturing capacity to be optimized to demand. Manufacturing operations will be further streamlined to improve productivity and profitability.

Prospects

Wärtsilä NSD holds a strong position in its markets, coupled with new products and an efficient manufacturing operation. The restructuring measures currently in progress are intended to create a springboard for positive business development and improved financial performance. The division's main goal this year is to restore profitability. The orderbook for marine engines provides a solid foundation for the whole year, while the increased base of installed machinery sets the division's Service business on course for profitable growth. Conditions in the power market will remain tight owing to the economic problems in Asia and South America. With factory modernizations and the renewal of the engine portfolio now completed large investments are no longer necessary. Wärtsilä NSD's net sales in 1999 are expected to equal the previous year´s level. The division is forecast to post an improved result of operations, although this will remain unsatisfactory.

FIVE YEARS IN FIGURES, WÄRTSILÄ NSD

FIM mill.	1998	1997	1996	1995	1994
Orderbook, end of period	7,196	6,998	4,707	4,900	4,130
Net sales	10,908	11,288	8,016	6,920	6,566
of which outside Finland	92%	94%	98%	97%	97%
Operating profit/loss	-644	-100	320	385	410
Profit before extraordinary items	-769	–247	210	327	314
ROI	-12%	–1%	11%	19%	21%
Personnel end of period	7,512	7,294	6,454	6,062	5,828
of which outside Finland	4,982	4,856	4,113	3,828	3,762
EUR mill.	**1998**	**1997**	**1996**	**1995**	**1994**
Orderbook, end of period	1,210	1,177	792	824	695
Net sales	1,835	1,899	1,348	1,164	1,104
Operating profit/loss	-108	-17	54	65	69
Profit before extraordinary items	-129	-42	35	55	53

SANITEC

President Henrik Eklund:
"Sanitec will continue its good development through its strong local brands and integrated European-wide production operations, regardless of market fluctuations."

Sanitec continued its successful growth in sales and profits in 1998. Net sales reached FIM 3.4 (3.0) billion, up 15% on the previous year. The operating profit reached FIM 461 million (409) or 14% of the net sales. Sales growth was especially strong in Italy due to the acquisition of Domino S.p.A., and in Poland as a result of increased production capacity. Sales also increased notably in the Nordic countries and France. In Russia, Sanitec increased its sales despite the economic slowdown in the country. The turbulent economic conditions in Asia had no significant impact on Sanitec's activities in this region.

Growth strategy

Intensive product development and new marketing concepts create plenty of potential for further growth in Sanitec's subsidiaries. Combined with strong cashflow, these give Sanitec possibilities to continue its successful growth of the past three years.

Strong restructuring is taking place in the European bathroom business. Sanitec has capabilities to participate in this process, and to become the leading bathroom products company in Europe. In the new markets Sanitec´s strategy is to to acquire companies with a strong market position. In the present markets, Sanitec's goal is to acquire companies which supplement its current product ranges and further strengthen its market position.

Acquisitions

The acquisition of Domino S.p.A. in 1998 considerably reinforces Sanitec's position in the shower, whirlpool and bathtub business. In spring 1998 Sanitec acquired the outstanding 49% of the shares of Varicor S.A. in France. Varicor produces solid surface materials mainly for bathrooms. At the end of the year 1998 Sanitec increased its stake in the Swiss holding company Johnson Industial Holding A.G to 60%, which meant that Johnson Sanitec was consolidated from the beginning of December 1998. Sanitec's subsidiary Evac acquired the entire stock of Sanivac GmbH in January 1999, which improves Sanitec's position in the rapidly growing market for vacuum toilet systems in trains.

Market conditions in 1998

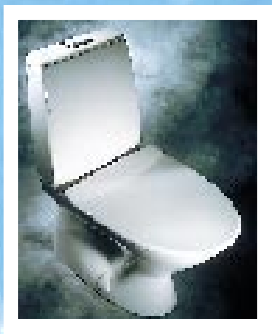
Building volumes in Germany declined 0.5% on the previous year and a similar trend was evident in the German sanitary ceramics market. However, Keramag slightly increased its market share especially in the upper-range segment. It also raised net sales through increased exports via the marketing companies and the introduction of innovative new products.

INCOME STATEMENT	FIM mill.		EUR mill.	
SANITEC	1998	1997	1998	1997
Net sales	3,394	2,951	571	496
Associated companies	–18	–2	–3	0
Operating profit	461	409	78	69
Net financial items	–70	–40	–12	-7
Profit before extraord. items	391	369	66	62
Extraordinary items	–4	-	-1	-
Taxes	–157	–83	–26	–14
Minority interests	–9	–11	–2	–2
Profit for the financial year[1]	221	275	37	46

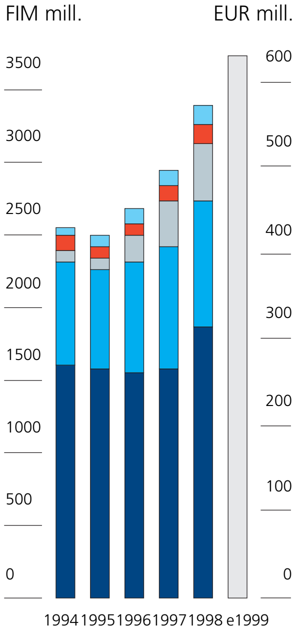
[1] *Before group contribution*

BALANCE SHEET	FIM mill.		EUR mill.	
SANITEC	31.12.98	31.12.97	31.12.98	31.12.97
Fixed assets	1,549	1,479	261	249
Current assets				
Inventories	529	471	89	79
Other current assets	911	897	153	151
Shareholders´ equity	1,249	1,089	210	183
Minority interests	57	54	10	9
Interest bearing liabilities	721	747	121	126
Non-interest b. liabilities	962	957	162	161
Balance sheet total	2,989	2,847	503	479

Ido´s new Mosaik series offers consumers a complete range of compatible fixtures for the bathroom that is not just hygienic but also pleasant and attractive styled.



NET SALES BY MARKET AREA



In France tax incentives helped to accelerate new housing construction, which grew 5% after two stagnant years. The renovation sector improved significantly, likewise. Allia increased its market share in bathroom ceramics.

The strong sales growth in Italy was largely based on successful operations of the Italian whirlpool, bathtub and shower systems company Domino S.p.A. The Italian whirlpool market is the largest and fastest growing in Europe. Domino's main market is Italy but exports are growing rapidly. The Italian ceramics market, on the other hand, showed growth of only one percent, which was mainly attributable to state support for home renovation. Sanitari Pozzi slightly increased its market share.

Growth in the Nordic countries was driven by Finland, Denmark and Norway. The weakening of Norwegian economy towards the end of the year did not affect the sales in the country. Sales grew also in Finland, and in Denmark but the forecast recovery of the Swedish market did not materialize. Russia's economic difficulties slowed down the pace of growth of the Sanitec companies.

GDP in Poland continued to grow strongly but the pace of growth slowed in the building sector. Nevertheless, demand for new housing is enormous and consequently the volume of new construction is expected to increase. Sanitec had another successful year in Poland with strong growth in sales. Sanitec Kolo is the market leader in Poland in ceramics and acrylic bathtubs and it has a strong position in all price segments of the ceramic products.

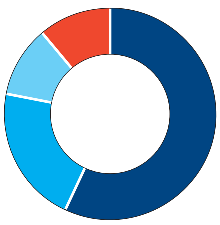
The joint venture Lecico in Egypt increased sales in its domestic market and also in exports.

The sanitaryware markets in Asia contracted considerably due to the economic downturn in the region. Sales by the Johnson Suisse companies declined as well although the Malaysian company increased its domestic market share.

Evac

The Evac group continued to grow strongly in all business areas, increasing sales by 19% on the year before. In 1998 Evac penetrated a new market sector with the development of condense water collection systems delivered to supermarket chains in the USA and Europe. Evac consolidated its position in train applications, especially in the Nordic countries and Great Britain. The acquisition of Sanivac GmbH at the beginning of 1999 further strengthens Evac's position in the rapidly

NET SALES BY PRODUCT SEGMENT 1998



SANITEC	NET SALES 1998			PERSONNEL	
	FIM mill.	EUR mill.	Change[1]	31 Dec.1998	Change
Keramag	943	158	3%	949	60
Allia	587	99	4%	927	-6
Ifö	589	99	4%	825	9
Ido	446	75	8%	457	3
Pozzi	271	46	1%	452	–50
Evac Group	360	61	19%	249	34
Sanitec Kolo	291	49	46%	732	23
Domino	191	32	-	221	221
Johnson Sanitec[2]	(58)	(10)	-	421	421
Others	100	17	-	311	14
Group organization				13	4
Internal sales	–384	–65	-	-	-
Total	3,394	571	15%	5,557	733
Lecico, associated company	415	70	–3%	3,064	34

[1]The subsidiaries' figures have been compared in local currencies.

[2] Johnson Sanitec was consolidated at the end of 1998, the figures are not included in the Group sales

growing market for closed vacuum systems for trains. Moreover, Evac has developed new vacuum technology applications for the train and building markets and has launched a new system offering complete control of the ship´s entire sewage system. These new products will enable the Evac group to grow rapidly in the coming years.

Investments and R&D

Capital expenditure by the Sanitec division totalled FIM 392 (435) million, which included FIM 154 million invested in the shares of Domino S.p.A., Varicor S.A. and Johnson Industrial Holding A.G. Sanitec also increased its holding in Keramag A.G. from 92.8% to 95.3%. The investments in Sanitec Kolo's new Wloclawek factory in Poland were concluded at the beginning of 1998. Sanitec is now operating two million pieces of competitive capacity in Poland for use in the domestic and export markets. In the associated company Lecico, the kiln at the Borg-el-Arab factory was fired in January 1999. This new factory will increase Lecico's ceramic capacity by one million pieces. Sanitec devoted FIM 66 (54) million in 1998 to R&D.

New products

Keramag's success in the difficult domestic market was based largely on the introduction of innovative new products including the two ceramic series Joly and Renovar Nr. 1 Plus, in which the water consumption has been reduced to only 4.5 litres water per flush. The new Revita and Primera ranges also added to Keramag's bathtub business. Ifö introduced new products in its shower, bathtub and whirlpool ranges. Sanitec Kolo boosted its extremely successful Atol shower products in Poland and also introduced new ceramic items under the Kolo brand. Sanitari Pozzi introduced an elegant high-range ceramics series called Trylogya in the Italian market. Keramag's Joly series was also well received in Italy. Lecico launched two bathroom sets, Atlas and Laguna.

Industrial strategy

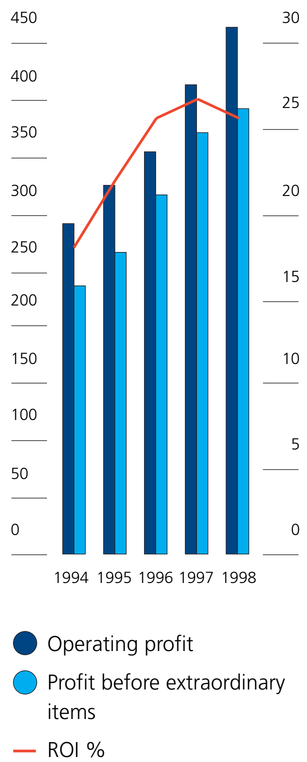
Ever tougher competition, especially in lower-end products, will mean that production capacity will be increased in countries where production costs are more competitive. A good example of this trend is the Wloclawek factory in Poland. Sanitec gained more competitive capacity at the beginning of 1999 when the Borg-el-Arab factory in Egypt commenced production.

On the other hand, it is important for Sanitec to ensure that its factories in countries with higher production costs stay competitive. Here Sanitec has both the required technological knowhow and the financial resources to implement the necessary development. An excellent example is the Swedish company Ifö, which recently successfully introduced an automatic production line for manufacturing washbasins.

Prospects for 1999

Despite the volatility in the world market Sanitec is expected to continue its profitable growth supported by its European operating model. Sanitec's main markets are forecast to remain at current levels of activity, considering the effect of renovation. The biggest question mark is the Russian market, which weakened considerably in the autumn 1998. Sanitec's net sales are expected to increase, as in previous years, and result to remain at a good level.

RESULT
FIM mill.



FIVE YEARS IN FIGURES, SANITEC

FIM mill.	1998	1997	1996	1995	1994
Net sales	3,394	2,951	2,687	2,496	2,564
of which outside Finland	95%	95%	95%	95%	96%
Operating profit	461	409	352	325	291
Profit before extraordinary items	391	369	317	267	237
ROI	25%	27%	25%	22%	18%
Personnel, end of period	5,557	4,824	4,416	4,456	4,425
of which outside Finland	5,175	4,447	4,059	4,109	4,130
EUR mill.	1998	1997	1996	1995	1994
Net sales	571	496	452	420	431
Operating profit	78	69	59	55	49
Profit before extraordinary items	66	62	53	45	40

IMATRA STEEL

President Kari Tähtinen: *"Continuous improvement and partnership are the focus of Imatra Steel´s operations."*

The overall situation in the European market for special engineering steels during 1998 was divided. The long period of buoyant demand among engineering companies and wholesalers moved into decline during the final quarter of the year. The reason for this was the increased difficulties being experienced by European steel exporters, coupled with a strong increase in imports and stocks which were burgeoning to excess levels.

Demand in the automotive industry remained healthy throughout the year and production volumes rose to record levels. Production of heavy trucks was up 12% while car production increased 5% on the previous year.

Imatra Steel had consolidated net sales of FIM 1,160 million, an increase of 12% on the previous year. Deliveries by the Kilsta Forge showed particularly clear growth. The profit before extraordinary items, FIM 110 million, was good and it was an improvement on the year before.

The thrust of Imatra Steel's development during the year was on continuous improvement, working in partnership and continuous learning. A significant partnership agreement was concluded with Kuusakoski Oy on the supply of scrap metal to Imatra. The continuous learning schemes are aimed at developing personnel competences, raising quality in workmanship and products, and maintaining job delight. These training schemes were implemented in all units.

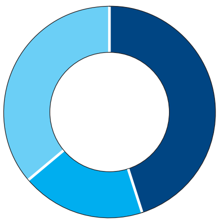
Investments focused on customer-driven development projects and on removing production bottlenecks. At the Imatra Steelworks the new bar finishing line was completed and construction of a new controlled bar cooling line was nearing completion. A finishing line for heavy crankshafts was brought into operation at the Kilsta Forge. A shot-peening unit for TAPERTEC spring leaves was built at the Billnäs Spring Factory.

All units made further progress in the development of their quality and environmental management systems. The Kilsta Forge obtained QS9000 certification in December 1998 and a similar audit, as well as auditing for ISO 14001 certification, are in progress in Imatra.

The outlook for 1999 is uncertain. Orders for steel deliveries have declined and measures to adjust to the situation have already been taken. Demand for automotive products, which is still good, is expected to deteriorate during the spring.

Imatra Steel is expected to record a decrease in net sales in 1999 and a weaker result compared to its good result in 1998.

NET SALES BY MARKET SEGMENT 1998



Trucks 45 %
Cars 19 %
Engineering industries 36 %

INCOME STATEMENT IMATRA STEEL	FIM mill. 1998	1997	EUR mill. 1998	1997
Net sales	1,160	1,039	195	175
Operating profit	123	119	21	20
Net financial items	–13	–18	–2	–3
Profit before extraord. items	110	101	19	17
Extraordinary items	–14	0	–3	0
Taxes	–12	–6	–2	–1
Profit for the financial year [1]	84	95	14	16
Personnel, end of period	1,270	1,176		
of which outside Finland	386	325		

[1]*Before group contribution.*

BALANCE SHEET IMATRA STEEL	FIM mill. 31 Dec. 98	31 Dec. 97	EUR mill. 31Dec. 98	31 Dec. 97
Fixed assets	532	540	89	91
Current assets				
Inventories	219	198	37	33
Other current assets	201	233	34	39
Shareholders´equity	290	284	49	48
Interest bearing liabilities	332	367	56	62
Non-interest b. liabilities	330	320	55	53
Balance sheet total	952	971	160	163
ROI	20%	18%		

The recyclability of steel is an important component of the added value offered by Imatra Steel products.

OTHER OPERATIONS

The Dimensio site in Ruoholahti, Helsinki was Metra Real Estate´s largest property development project in 1998.

Metra Real Estate

The property market remained buoyant throughout 1998, marked by a number of exceptionally large restructuring deals and incorporations. The volume of property investments rose substantially. Foreign investors also entered the market. More new office and residential projects were started than on previous year. Property prices and rents increased throughout the year.

Metra Real Estate is responsible for developing, managing and selling Metra's non-operational property assets. Metra Real Estate's portfolio contains 125,000 m2 of office premises and 275 residential units.

Rental income totalled FIM 49 (53) million. Rental margins remained good and the occupancy rate rose at the end of the year to 88% (85). The yield on book value of FIM 396 million (FIM 191 million in the Group´s own use) from leasable properties improved to 8.5% (7.1).

Metra Real Estate acted as developer for the Dimensio office building in Ruoholahti, Helsinki, owned by the Local Government Pensions Institution. This property was handed over, fully occupied and on schedule, in October.

A new city plan for the Arabianranta site in Helsinki was legally ratified at the end of the year. Metra owns more than 120,000 floor-m2 of residential and office building rights on this site, which will be the company's largest development and sales project over the next few years.

Metra Real Estate sold properties and shares in housing companies worth altogether FIM 60 (128) million in 1998, which yielded a profit of FIM 20 (51) million. FIM 62 (18) million in revaluations of sold properties were reversed. The book value of the properties at the end of the year, excluding the properties in own business use, totalled FIM 403 (473) million.

Assa Abloy strengthens its position as the leading lock and locking technology group through its several strong brands.

The associated company Assa Abloy AB (plc)

Metra's most important associated company is Assa Abloy AB (plc), which is listed on the Stockholm Stock Exchange. In May Metra reduced its holding in Assa Abloy from 29.1% to 25% of the stock and from 38.1% to 35.5% of the voting rights. Metra recorded a profit on this disposal of FIM 522 million in other operating income. After this disposal Metra still remains by far the largest shareholder in Assa Abloy with 17.7 million shares. This holding had a value of FIM 421 (458) million in Metra's consolidated balance sheet. Metra's share of Assa Abloy's profit for the year was FIM 92 (69) million.

Assa Abloy, with a large number of strong brand names, is the world's leading locks and locking group. It holds 6-7% of the extremely fragmented global market. Its main markets are in the Nordic countries, where it is the market leader. Assa Abloy is also the top-ranking player in Belgium, France, the Czech Republic, Romania, Germany and the USA, and a significant force in the UK market. Through its VingCard, the company is the world leader in the electronic hotel locking sector. Assa Abloy's strategy is to grow organically in new markets and through acquisitions in mature markets. Its main acquisitions during the review year were Medeco and Securitron in the USA, Scoville in Mexico and Urbis in Romania. In February 1999 Assa Abloy acquired 50% of the stock of Lockwood, the market leader in Australia and New Zealand.

Assa Abloy's net sales in 1998 reached 8.6 (7) billion Swedish krona. Its profit after net financial items improved 39% on the previous year to 748 (537) million Swedish krona. The share's stock market price on 29 January 1999 was 315 Swedish krona.

Assa Abloy continues to enjoy substantial scope for further development. Its strong market position, the increasing need for security systems, opportunities to gain further operational efficiency, and structural changes throughout the locking and security sector all lay a solid foundation for the company's continued strong performance.

HUMAN RESOURCES

Metra Group had 13,384 employees at the beginning of the period and 14,422 at the end. The number of employees increased by 218 in Wärtsilä NSD. The number of personnel increased in the Service business.The largest change was caused by personnel reductions at Wärtsilä NSD France S.A.'s factory in Mantes (decrease 157 employees). The associated company Grandi Motori Trieste in Italy reduced 317 employees.

Following the deterioration in its markets Wärtsilä NSD decided on streamlining measures which substantially affected personnel. Manufacturing will be discontinued in Sweden and the joint venture company Cummins Wärtsilä's sites in Surgères, France and Ramsgate, England will be closed. Personnel will also be decreased in the Netherlands, Switzerland and in certain sales companies. Approximately 1,000 employees will be made redundant in Wärtsilä NSD's subsidiaries and in Cummins Wärtsilä during 1999.

The number of employees in Sanitec increased during the year by 733. The associated company Domino in Italy became a subsidiary (increase 221 employees). Consolidation of Johnson Sanitec increased the number of employees by 421. The number of employees in Imatra Steel increased by 94.

Development and training

The second Metra Leadership programme for senior executives was held during 1998, as well as three ManTra management training modules for divisional managers, and Metra Introduction for newcomers to the company. Key managers from all the divisions and corporate management participated in these training programmes. The wide-ranging Emerge training programme, which supported the integration of Wärtsilä NSD's merged operations, was brought to completion. Several programmes also included a Management Competency Assessment for developing leadership and teamwork competencies.

In 1999 full responsibility for management development and training activities will be transferred to the Group companies. This change is part of the process of creating greater independence for the divisions. After the transition period corporate management will no longer arrange human resources development and training schemes. However, the experiences gained from these schemes will be used in the management development programmes arranged by the divisions. Wärtsilä NSD has already a new Reach programme.

Company Councils

European-wide co-operation with personnel was continued in accordance with the agreements made by Metra's divisions in 1996. Wärtsilä NSD, Sanitec and Imatra Steel each arranged its own Company Council meeting, which reviewed the division's and Metra´s business operations and prospects. In connection with the Council meetings it was decided to extend the agreements, which were due to expire at the end of 1998, for a further two years, after which they will continue to operate indefinitely unless the agreements are terminated. No changes were made in the content of this cooperation or in the way of working; only minor revisions were made to the terms of the agreements, mainly due to structural changes.

In Finland this cooperation mainly took the form of a Corporate Cooperation Committee comprising management and personnel representatives of the various units and chaired by Metra's CEO. This Committee convened three times. The Work Ability for Tomorrow project, started on the Committee's initiative in the Finnish units, was completed during the year. The measures proposed by the project to enhance fitness at work, the working environment and the work community will be incorporated in the units' action plans and day-to-day operations. However, the project will continue to be supported by the Corporate Cooperation Committee.

Key people from every division and from corporate management participated in Metra´s training programmes.

PERSONNEL BY COUNTRY

31. Dec.	1998	1997
Finland	3,881	3,755
Sweden	1,607	1,534
France	1,314	1,476
Germany	955	905
Holland	918	910
Poland	769	732
Italy	764	624
Norway	538	518
Switzerland	513	538
Portugal	340	322
Denmark	211	181
Great Britain	149	138
Spain	111	105
Other Europe	110	45
Europe	12,180	11,783
India	608	539
Malaysia	421	0
Singapore	131	133
China, Hong Kong	126	152
Other Asia	415	308
Asia	1,701	1,132
USA	354	315
Other Americas	107	85
Americas	461	400
Other countries	80	69
Total	14,422	13,384

BOARD OF DIRECTORS
BOARD OF MANAGEMENT


Robert G. Ehrnrooth


Vesa Vainio


Göran J. Ehrnrooth


Carl-Olaf Homén


Jaakko Iloniemi


Paavo Pitkänen


Christoffer Taxell

Only duties in listed companies are included in this information.

BOARD OF DIRECTORS

Robert G. Ehrnrooth, LicSc (Econ.), Chairman, born 1939. Chairman of the Board of Lohja Corporation 1986 - 90. Director of Oy Wärtsilä Ab 1990 - 91. Chairman of the Board of Metra Corporation since 1990. Term expires in 2000. Member of the Boards of Finnair Oyj and Fiskars Corporation. Owns 30,412 shares in Metra.

Vesa Vainio, LLM, Deputy Chairman, born 1942. Chairman of MeritaNordbanken Oyj., President and CEO of Merita Oyj. Member of the Board of Metra Corporation since 1993. Term expires in 1999. Member of the Board of Nokia Corporation and UPM-Kymmene Corporation. Owns no shares in Metra.

Göran J. Ehrnrooth, MSc (Econ.), born 1934. Chairman of the Board of Fiskars Corporation. Member of the Board of Metra Corporation since 1992. Term expires in 1999. Member of the Supervisory Board of Rautaruukki Corporation. Owns 26,528 shares in Metra.

Carl-Olaf Homén, LLM, born 1936. Deputy member of the Board of Oy Wärtsilä Ab 1987 - 90, member of the Board 1990 - 91. Member of the Board of Lohja Corporation 1989 - 90 and Metra Corporation since 1990. Term expires in 2000. Chairman of the Supervisory Board of Aktia Savings Bank plc, member of the Supervisory Board of Tamro Corporation, member of the Boards of Hackman Oyj Abp and Kyro Corporation. Owns 1,202 Metra shares.

Jaakko Iloniemi, MSc (Pol. Sc.), born 1932. Managing Director of the Centre for Finnish Business and Policy Studies EVA. Member of the Board of Metra Corporation since 1994. Term expires in 2000. Member of the Supervisory Board of Mandatum Bank plc. Owns no shares in Metra.

Paavo Pitkänen, MA, born 1942. Managing Director of Varma-Sampo Mutual Pension Insurance Company. Member of the Board of Directors of Metra Corporation since 1995. Term expires in 2001. Member of the Boards of Stora Enso Oyj, Sampo Insurance Company plc and Partek Corporation, member of the Supervisory Boards of Alma Media Corporation and Instrumentarium Oyj. Owns no shares in Metra.

Christoffer Taxell, LLM, born 1948. President and CEO and member of the Board of Partek Corporation. Member of the Board of Metra Corporation since 1996. Term expires in 1999. Chairman of the Board of Kalmar Industries AB. Member of the Boards of KCI Konecranes International Oyj Abp, Stockmann plc and Sampo Insurance Company plc. Owns 700 shares in Metra.

BOARD OF MANAGEMENT

Georg Ehrnrooth, MSc (Eng.), born 1940. President and CEO. Joined the company in 1965. Chairman of the Board of Assa Abloy AB, member of the Boards of Sampo Insurance Company plc and Sandvik AB, member of the Supervisory Board of Rautaruukki Corporation. Owns 22,940 shares in Metra.

Heikki Allonen, MSc (Eng.), born 1954. Senior Vice President, Corporate Planning. Joined the company in 1979. Member of the Board of Polar Corporation. Owns 8.886 shares in Metra.

Henrik Eklund, MSc (eng.), born 1939. President of Sanitec Ltd Oy. Joined the company in 1968. Member of the Boards of Nordic Aluminium Plc and Saunatec Plc. Owns 226 shares in Metra.

Pentti-Juhani Hintikka, MSc (Eng.), born 1940. Senior Vice President, member of the Board of Wärtsilä NSD Corporation. Joined the company in 1988. Owns 12,100 shares in Metra.

Ole Johansson, MSc (Econ.), born 1951. President of Wärtsilä NSD Corporation. Worked for the company 1975 - 79 and rejoined in 1981. Member of the Board of Assa Abloy AB. Owns 9,500 shares in Metra.

Pekka Virtanen, LLM, born 1941. Senior Vice President, Administration, Company Secretary. Joined the company in 1970. Owns 4,758 shares in Metra.

INFORMATION ON THE BOARD'S ACTIVITIES

The principles applied by the Board of Directors in its work are specified in the rules of procedure approved by the Board. These rules also define the main tasks and operating principles to be adopted by the committees appointed by the Board. The committees do not have the authority to make decisions; their purpose is to prepare matters for consideration by the Board at its meetings.

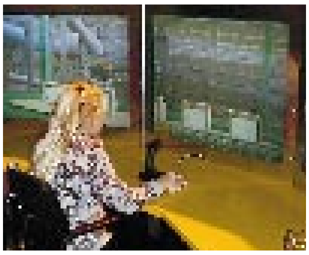
The Board of Directors convened thirteen times during 1998. The Chairman was Robert G. Ehrnrooth and the Deputy Chairman was Vesa Vainio. The Board appointed three committees, as in previous years: a Planning Committee for strategic planning, a Supervision Committee to supervise the annual accounts and financial control, and a Personnel Administration Committee to oversee salaries, pensions and other matters related to the company's human resources.

The Supervision Committee comprised Robert G. Ehrnrooth (chairman), Göran J. Ehrnrooth and Paavo Pitkänen and the presenting officer was Georg Ehrnrooth.

METRA´S MAIN RELEASES 1998 IN BRIEF

Evac supplied vacuum toilet systems for M/V Ikarus and M/V Passiphae, owned by Minoan Lines.

Ido Bathroom received the first environmental management system award to be granted in Finland.



Imatra Steel is one of the exhibitors in the Technology exhibition at the Heureka Science Centre in Vantaa.

30 January 1998

METRA´S 1997 RESULT WEAKENED BY WÄRTSILÄ NSD, SANITEC AND IMATRA STEEL RAISED PROFITS

Preliminary information indicates that the Wärtsilä NSD Group´s result for 1997 was a marked deterioration on the year before. On the other hand Sanitec and Imatra Steel both recorded clear profit increases. Nevertheless, Metra´s profit before non-recurring items will not reach the level in 1996 and earnings per share will clearly weaken. This means that the result will remain weaker than forecast in the interim report for January-August 1997.

13 February 1998

METRA´S RESULT FIM 394 MILLION, WÄRTSILÄ NSD POSTED A LOSS, SANITEC AND IMATRA STEEL IMPROVED THEIR PROFITS

Metra Group´s net sales rose 31% in 1997 to FIM 15.3 billion (FIM 11.7 billion). The consolidated profit after net financial items was FIM 394 (894) million. A substantial improvement is expected in the profit for 1998. The Board will propose to the AGM a dividend of FIM 2.75 per share (1996: bonus issue adjusted dividend FIM 2.75 + supplementary dividend FIM 1.50).

The 1997 result was burdened by FIM 82 million in non-recurring costs, whereas the 1996 result included non-recurring gains of FIM 278 million. Eliminating the effect of the non-recurring items, the result after financial items decreased by FIM 140 million.

Sanitec and Imatra Steel improved their results. However, Metra´s largest division, Wärtsilä NSD, posted an operating loss of FIM -100 million.

23 March 1998

METRA'S ANNUAL GENERAL MEETING 23 MARCH 1998

Metra's Annual General Meeting on 23 March 1998 approved the financial statements and discharged the members of the Board of Directors and the President and CEO from liability for 1997. It was decided to pay a dividend of FIM 2.75 per share (1996: FIM 2.75 + 1.50).

The AGM decided to make amendments to the Articles of Association in line with the amendments in the Finnish Companies Act and decided that the new name of the company would be Metra Oyj Abp in Finnish and in Swedish and Metra Corporation in English.

27 April 1998

METRA´S NAME AND AMENDMENTS TO ARTICLES OF ASSOCIATION BECAME OFFICIAL

The decisions taken by Metra´s Annual General Meeting on 23 March 1998 to amend the company´s name and the articles of association were recorded in the Trade Register, which makes these changes official.

11 May 1998

METRA PLANS DEMERGER INTO THREE LISTED COMPANIES

The Board of Directors of Metra Corporation has decided to begin preparations aimed at dividing the Metra Group into three separate groups, whose Finnish parent companies will be quoted on the Helsinki Stock Exchange. The purpose of this demerger is to achieve operational and shareholder benefits.

The demerger of the multi-sector Metra Group into three separate groups, each specializing in its core business, will raise their efficiency and performance, and improve the conditions for their further growth. It will also offer shareholders and investors a better opportunity to evaluate the individual performance of these groups and to invest directly in their preferred business sectors.

11 May 1998

OLE JOHANSSON APPOINTED PRESIDENT OF WÄRTSILÄ NSD, PENTTI-JUHANI HINTIKKA MOVES TO METRA

Mr Ole Johansson MSc (Econ.), 46, has been appointed President of the Wärtsilä NSD Corporation from 1 June 1998. Mr Johansson has been Executive Vice President of Metra Corporation since 1996.

13 May 1998

GEORG EHRNROOTH APPOINTED PRESIDENT OF METRA INVEST

Representatives of Metra´s largest shareholders provisionally plan to appoint Mr Georg Ehrnrooth, currently President and CEO of Metra Corporation, as President of Metra Invest, on the eventual demerger of the Metra Group, stated Metra´s chairman Mr Robert G. Ehrnrooth in an interview with Kauppalehti on 13 May 1998. It is planned to appoint Mr Heikki Allonen Excecutive Vice President of Metra Invest.

It is also envisaged that Georg Ehrnrooth will continue as chairman of the Boards of Directors of Wärtsilä NSD, Sanitec and Assa Abloy.

13 May 1998

SANITEC TO OWN 51 % IN ITALIAN WHIRLPOOL COMPANY DOMINO

Sanitec, a subgroup of the Finnish Metra Corporation, increased its holding in the Italian company Domino S.p.A. a manufacturer of whirlpool baths, bathtubs and shower systems to 51%. The main trademark of the company is Albatros.

Domino´s net sales will reach FIM 240 million in 1998 with 200 employees.

14 May 1998

METRA SOLD ASSA ABLOY SHARES FOR SEK 870 MILLION

On May 14 Metra Corporation sold 2,900,000 Assa Abloy AB B shares on the Stockholm Stock Exchange for SEK 870 million (approx. FIM 610 million). This is 4% of Assa Abloy´s share capital. The sale gave Metra a one-time gain of approx. FIM 550 million.

As a result of this transaction Metra´s holding in Assa Abloy has decreased from 29.1% to 25.0% of the shares and from 38.1% to 35.5% of the voting power. Metra now owns 2.3 million A shares and 15.4 million B shares in Assa Abloy.

10 June 1998

METRA INTERIM REPORT JANUARY - APRIL 1998

Metra´s orderbook increased during the first four months of 1998 to FIM 9.3 (9.1, April 30, 1997) billion with new orders totalling FIM 5.8 (5.4) billion. The Group´s net sales rose to FIM 4.3 (4.0) billion. Wärtsilä NSD´s slow accrual of profits at the beginning of the year meant that Metra´s result after net financial items was a loss of FIM -86 (+38) million.

17 June 1998

PUBLICATION OF METRA´S INTERIM REPORT FOR JANUARY - AUGUST 1998 ON 16 OCTOBER 1998

Metra´s Interim Report on the first eight months of the year 1998 will be published on 16 October 1998, and not on 8 October 1998 as announced earlier, owing to preparations for the demerger of Metra Corporation.

11 September 1998

SANITEC TO BUY THE OUTSTANDING 49% OF DOMINO S.P.A.

Sanitec Ltd Oy, a subgroup of the Finnish Metra Corporation, purchases the outstanding 49% of the shares in the Italian company Domino S.p.A. a manufacturer of whirlpool baths, bathtubs and shower systems. The vendors are Dominos founders and 21 Investimenti S.p.A. belonging to the Benetton group. In May 1998 Sanitec increased its shareholding in Domino from 25% to 51%.

29 September 1998

WÄRTSILÄ NSD´S RESULT WEAKER THAN FORECAST

The full-year result for Wärtsilä NSD, Metra´s largest division, will be weaker than forecast. Conversely, Sanitec´s and Imatra Steel´s results are showing expected progress and Metra´s overall result will be a clear improvement on 1997 as a result of the capital gain on the sale of Assa Abloy shares.

The reasons for the deterioration of Wärtsilä NSD´s performance are the difficult market situation in Asia, cost overruns on certain power plant projects, and the weaker performance of its associated companies.

16 October 1998

METRA TO POSTPONE DECISION ON DEMERGER

Metra will postpone the decision on its demerger owing to the deteriorating international economic situation and Wärtsilä NSD´s weak performance. Uncertainty has increased in the capital and financial markets, and demand in certain of Wärtsilä NSD´s primary markets in Asia and Latin America has weakened further in recent months. In the light of these developments there are not sufficient grounds for deciding on the demerger.

16 October 1998

METRA CORPORATION INTERIM REPORT JANUARY-AUGUST 1998

Metra Group´s orderbook increased to FIM 8.7 billion between January and August (FIM 8.2 billion on 31 August 1997) with new orders totalling FIM 10.9 (10.6) billion. The Metra Group´s net sales rose to FIM 9.9 (9.2) billion. Although Wärtsilä NSD reported a heavy loss in the review period, the Group´s profit after net financial items increased to FIM 415 (127) million.

The main reasons for this were positive growth in Sanitec´s and Imatra Steel´s business volumes and profits, as well as the profit on the sale of Assa Abloy shares in May.

6 November 1998

RESTRUCTURING MEASURES IN CUMMINS WÄRTSILÄ JOINT VENTURE

A thorough review of Cummins Wärtsilä´s production capacity has resulted in a communication to its employees informing them that the company is to commence a detailed study to consider closing its plant in Surgères, France and withdraw the Cummins Wärtsilä operations from the plant it shares with Cummins in Ramsgate, UK.

13 November 1998

CHANGES IN WÄRTSILÄ NSD´S TOP MANAGEMENT

The following appointments have been made in the top management of the Wärtsilä NSD Group:

Mr Tage Blomberg, presently Group Vice President and Head of Business Area Marine has been appointed Group Vice President, Head of Business Area Service. The present Group Vice President and Head of Business Area Service, Max Wieringa, has resigned.

Mr Stefan Fant, presently Vice President, Service in Wärtsilä NSD Finland has been appointed Group Vice President, Head of Business Area Power Plants.

Mr Mikael Mäkinen, presently Managing Director of Wärtsilä NSD Singapore, has been appointed Group Vice President, Head of Business Area Marine.

Mr Clas-Eirik Strand, presently Group Vice President and Head of Business Area Power Plants has been appointed Group Vice President, Key Accounts and Business Development.

These appointments will take effect as of 1 January 1999.

Mr Raimo Lind has been appointed Group Vice President and CFO as of 1 December 1998. Mr Lind worked within the Wärtsilä Diesel Group in various positions during 1976-1989. He joins Wärtsilä NSD from the Tamrock Group.

All Group Vice Presidents report to Mr Ole Johansson, President and CEO and are members of the Board of Management.

Its other members are:

Mr Sven Bertlin, Executive Vice President, Head of Business Area Manufacturing and deputy to the President and CEO:

Mr Christian Andersson, Group Vice President, External Relations and Administration.

Mr Michel Kohler, Group Vice President, Head of Low-Speed Engines and Licensing and President of Wärtsilä NSD Switzerland.

Mr Daniel Paro, Group Vice President, Head of Business Area Technology.

The head office functions of Wärtsilä NSD Group, presently in Zürich, will be concentrated in Helsinki by mid-1999.

Sanitec´s acquisition of Domino S.p.A. in Italy further strengthened its position in the European bathtub, whirlpool and shower markets. Domino´s brands are Albatros and Revita.

Business was brisk for Wärtsilä NSD´s Marine business in 1998.

INVESTMENTS ANALYSTS

To our knowledge at least the following analysts have prepared reports on Metra during 1998-1999 on their own initiative. Metra takes no responsibility for the opinions expressed therein.

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METRA ON THE INTERNET

http://www.metra.fi

This annual report and the annual reports for 1995, 1996 and 1997 are also available on Metra's Internet home pages in English.

Metra's divisions publish their own annual reports and Metra's pages also contain links to these.

FINANCIAL PUBLICATIONS IN 1999

Metra will publish two interim reports in 1999. The interim report for January - April will be released on Wednesday 16 June and the interim report for January - August on Thursday 14 October.

Financial information on the company is published simultaneously in Finnish, Swedish and English.

All Metra's stock exchange bulletins are also available on the Internet in English immediately after their release.

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