Annual Report 1998

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PARTEK

Financial information from Partek in 1999

Partek will issue the following financial information in 1999:

February 2, 1999	Financial result for 1998
March 29, 1999	Annual report
April 7, 1999	Annual General Meeting
June 16, 1999	Interim result for January-April, in euros
October 11, 1999	Interim result for January-August, in euros

In year 2000 quarterly interim results will be published.

Partek's annual report, result releases and Group magazine Partek Today are published in Finnish, Swedish and English. Partek's subsidiary Partek Nordkalk publishes its own annual report in Finnish, Swedish and English.

The publications can be copied from Partek's Internet pages, where bourse releases and updated share quotations and trade data can also be found. The publications can be also be ordered from the following address:

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Annual report orders
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Internet: www.partekcorp.com
E-mail: info@partekcorp.com

Cover: Partek's engineering businesses have nine common components that are used in most products: Microprocessor-controlled hydraulic steering system, castings, tires, cabins, diesel engines, container spreaders, axles, grapples and hydraulic cylinders.

Partek's strategy is based on two principles: a leading market position and industrially strong structures. Each business area must be the leading company in its field. The benefits of economies of scale provide competitive power and growth potential. A company that has an industrially strong structure can not only adjust to changes taking place in the environment but also create change itself, and steer the development of the sector and its structure.

The starting point for Partek's strategy is to increase the company's value in the long term and to produce added value for its owners. Partek endeavours to be a tempting investment among the world's leading engineering companies. The long-term target for return on capital employed is 15 percent. The target for the equity to total assets ratio is at least 40 percent, and for gearing it is 50 percent. Partek distributes at least a third of its profit to its shareholders in the form of dividend.

Partek's shares have been quoted on the Helsinki Stock Exchange since 1915. The company has 12,000 shareholders.

Container handling

Partek is the world's leading supplier of container handling machines and logistical solutions for ports and freight terminals.

Kalmar reachstackers, Sisu straddle carriers and Ottawa terminal tractors are all global market leaders. The product range also includes various trucks for industrial use. The products are supported by a worldwide sales and service network.

Customers are stevedoring companies, ports, railways, distribution terminals and industry.

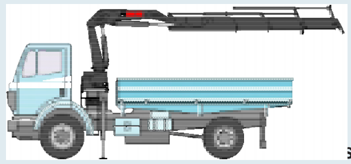
Net sales, FIM million	**3 550**
Personnel	**3 278**

Load handling

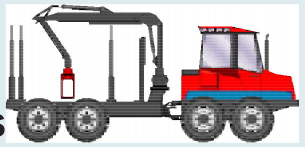
Partek Cargotec is the world's principal producer of chassis-mounted load-handling equipment. The products are all hydraulic-based, chassis-mounted and used for loading and unloading goods.

Hiab cargo cranes, Multilift demountable load-handling systems and Norba refuse-collection equipment are leading market brands.

The customer base consists of private truck owners, rental fleets, building-materials suppliers, waste-handling companies, local government authorities, and defence industries in several countries.



sales, FIM million	**2 510**
sonnel	**2 314**



Forest machines

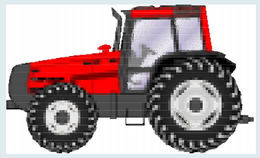
Partek Forest is one of the world's foremost producers of forest machines and timber cranes used in the Scandinavian cut-to-length method.

This efficient and environment-friendly timber harvesting method predominates in Scandinavia and is spreading in North America.

Valmet is one of the leading forest machine brands in the world. Loglift and Jonsered timber cranes hold the leading position in Europe. They have been a part of the Forest Machine business area since January 1999.

The customers are independent forest machine operators, forestry companies, timber-truck entrepreneurs and other forest-machine producers.

Net sales, FIM million	**1 104**
Personnel	**736**



Tractors

Partek focuses on the rapidly expanding category of high-horsepower tractors. The product brand Valtra Valmet is the market leader in Scandinavia and the second-most popular in Latin America.

Production is based on a quick, efficient and unique customer-order system, which makes it possible to assemble tractors from modules in accordance with the customer's wishes.

Valtra's customer base consists of farmers, machine operators and local government authorities.

Net sales, FIM million	**3 541**
Personnel	**2 405**

Partek owns Partek Nordkalk, the Baltic region's leading producer of limestone-based products for industry, agriculture and environmental management. Operations are based on the company's own raw-material resources.

Products are marketed under the Nordkalk product brand. The most important customers are the steel, pulp, paper and building materials industries.

Partek is the world's leading supplier of logistical solutions for ports and freight terminals, and of chassis-mounted load handling equipment. Partek is also a significant producer of forest machines and tractors.

Our machines and equipment are a permanent part of the customer's business and production process where know-how is needed for demanding load-handling and transportation systems, and for modern-day forestry and agriculture.

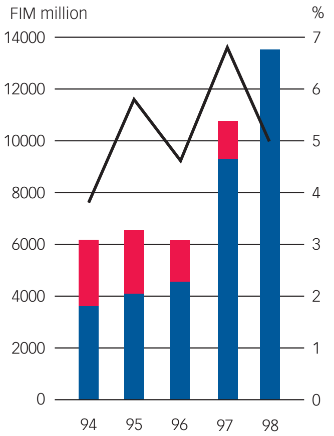
Our success is based on know-how, customer-responsive solutions, innovative product development, strong product brands and a leading market position.

Partek's roots are in Finland. The company started as a local lime company in Pargas in 1898. Today, Partek has operations in over 30 countries and 12,000 employees. Partek still owns the leading lime company in the Baltic region.

Partek's values guide the company's operations worldwide. The internalisation of the company's values is reflected in our corporate image. Expertise and know-how are the basis for Partek's reputation for being the leading expert in its field. Our commitment makes us a reliable partner, and our flexibility makes it possible for us to implement visions and take the initiative in industrial restructuring.

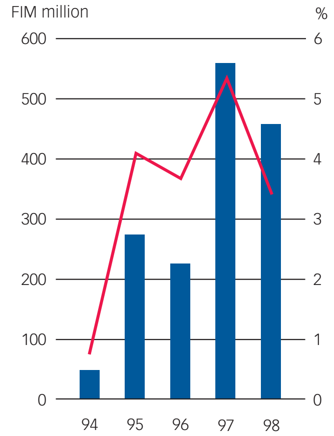
Partek in figures

Net sales and operating profit %



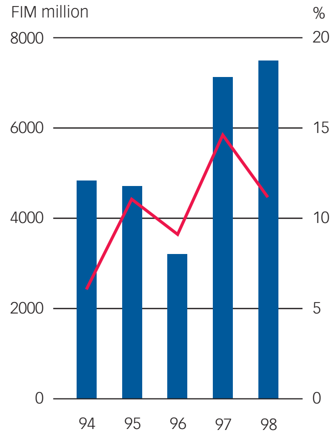
- Present business activities
- Sold business activities
- Operating profit as percentage of net sales

Profit after financial items



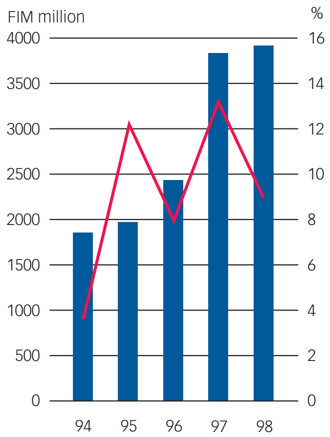
- Profit after financial items
- As percentage of net sales

Capital employed and ROC



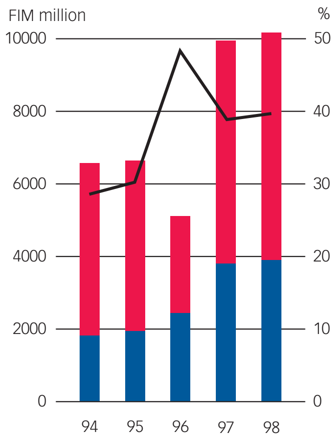
- Capital employed
- Return on capital employed (ROC)

Equity and ROE



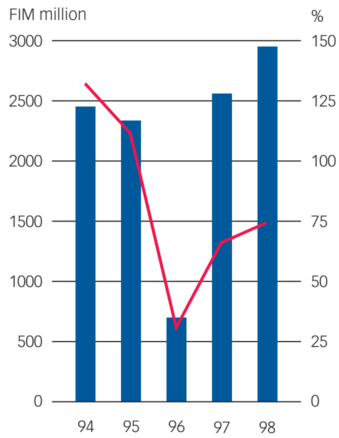
- Equity
- Return on equity (ROE)

Capital structure and equity/total assets ratio



- Equity
- Liabilities
- Equity/total assets ratio, %

Interest-bearing net debt and gearing %



- Interest-bearing net debt
- Gearing %

1998 in brief: Growth through the engineering businesses, strengthening the capital structure

Focusing on engineering

- redemption bid for the remaining 39 percent of Kalmar shares
- increasing competitiveness and the ability to generate profits by integrating the engineering units, developing their operations and initiating joint projects

Insulation to become independent

- negotiations to sell the majority to the Industri Kapital 1997 fund
- frees capital, the invested capital is FIM 500 million
- growth in the Baltic region and Poland, potential in central and eastern Europe

Strengthening the capital structure

- in January 1999 a FIM 322 million convertible capital loan was issued and it was oversubscribed by 84 percent
- authorisation for a rights issue of up to 4.9 million shares

Profit development

- all business areas except Tractors increased profits compared to the previous year
- the economic trend reversed in autumn. The operating result weakened in the last third of the year compared to the year-ago period. Tractor sales fell and operating profit dropped clearly due to the economic turmoil in Brazil
- the result after financial items was FIM 465 (570) million, including a FIM 50 million provision
- orders received in the engineering operations remained at last year's level but the order book decreased by 16 percent

Synergy gains are realised

- the estimated synergy gains of FIM 50-100 million in the merger of Partek and Sisu were realised in 1998 as planned
- the estimated synergy gains of FIM 67-100 million in the Kalmar and STS merger will be realised by the end of 1999 as planned

Dividend

- the Board proposes that a dividend of FIM 3.00(4.00) per share, i.e. 57 percent of the result, be paid for 1998.
- according to the proposal a total of FIM 146 million would be used for dividends

Partek Group	**FIM million**		**Meuro**	
	1998	1997	**1998**	1997
Net sales	**13 537**	10 744	**2 277**	1 807
Change %	**26**	74	**26**	74
Operating profit	**678**	726	**114**	122
as percentage of net sales	**5.0**	6.8	**5.0**	6.8
Profit after financial items	**465**	570	**78**	96
Net profit for the period	**439**	351	**74**	59
Balance sheet, total	**10 065**	9 959	**1 693**	1 675
Capital employed	**7 513**	7 180	**1 264**	1 208
Gross investment	**857**	2 260	**144**	380
Profit/share, FIM/euro	**5.26**	8.08	**0.88**	1.36
Equity/share, FIM/euro	**69.56**	66.11	**11.70**	11.12
Average Pesonnel	**12 062**	10 464		
			Target	
Return on capital employed, %	11.1	14.8	**15**	
Return on equity, %	8.7	13.1	**15**	
Equity/total assets ratio, %	39.3	38.5	**>40**	
Gearing, %	74.9	67.8	**50**	

From the President

During its one-hundredth year Partek continued its transition into an engineering group. A common foundation was laid for its different engineering units. This and other structural measures are aimed at strengthening the Group's efficiency and competitiveness.

All business areas, with the exception of tractors, improved their profits despite uncertain overall economic trends in most markets.

The negative economic development in Asia continued. The problems in Russia deepened and in South America pressure on the Brazilian real increased, with high interest rates as a consequence. Partek was affected by these events, especially in the latter half of the year. Above all the tractor business was hit as Brazil accounts for about a fourth of its sales.

Comparable net sales increased clearly. The order book at year-end was, however, lower than a year ago. We were assailed by strong pressures on prices. The profit for the year declined compared with the preceding year. This was due primarily to the fact that profits in 1997 included several one-off items and to the provision made for the dramatic weakening of the real at the beginning of 1999.

On the other hand, the synergy effects that we had estimated as a result of the merger of Partek and Sisu were realised. The synergy benefits between Sisu Terminal Systems and Kalmar Industries are expected to be fully utilised by the end of this year.

The restructuring of the Group continued during the year.

In December we announced that we were negotiating the sale of the majority of the Group's insulation operations. In recent years Partek Insulation has developed a strong position around the Baltic, for example through the acquisition of a production plant in Poland, which started up during 1998. Insulation is now sufficiently strong to stand on its own feet.

At the same time Partek decided to make an unconditional bid for the outstanding shares in Kalmar, 39 percent altogether.

The bid shows that container handling is a central part of the Group. So far, however, Kalmar's second largest shareholder after Partek has not accepted the bid. In our view the bid is well founded, and the bid price holds. If Kalmar does not become a wholly-owned subsidiary of Partek, we will develop it in co-operation with the other owners. But our intention remains unchanged.

Partek is the owner of Partek Nordkalk. This strong and profitable company deserves the visibility that will make it possible to value the company correctly. Consequently, Nordkalk will among other things, publish its own annual report.

The measures involving Partek Insulation and Kalmar are to be perceived as important strategic steps designed to develop Partek into a company providing equipment and machines for container and load handling, and for agriculture and forestry. Already last year, these operations accounted for four fifths of the Group's net sales.

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The four engineering business areas - container handling, load handling, tractors and forest machines - are closely related in operational terms. They are characterised by a similar production structure and hydraulics and electronics play an important role in their products. The customer base for container and load handling on the one hand and for forest machines and tractors on the other, is relatively similar.

The profit development is unsatisfactory. Therefore, the challenge facing Partek and its expressed aim is to increase co-operation, co-ordination and integration of its engineering businesses. The intention is that the joint result of the operations will exceed what they separately can deliver. This concerns not least purchasing, product development and the standardisation of components. Choosing between own production or outsourcing is the object of on-going assessment.

This annual report shows that most Partek products are the result of its own product development in recent years. This strengthens our competitiveness and also serves the goal of markedly reducing product costs.

The challenge facing Partek and its expressed aim is to increase co-operation, co-ordination and integration of its engineering businesses. The intention is that the joint result of the operations will exceed what they separately can deliver.

The Group has the intention to grow. We expect organic growth principally in operations where we currently are regional market leaders, above all in tractors but also in forest machines. We, however, also see opportunities to expand in container and load handling, a field in which our global market share is already considerable.

The after-sales share of net sales continues to increase and further growth is one of Partek's goals. Here, too, co-ordination of the different operations offers opportunities both in service and in the distribution and inventory management of spare parts.

There is no doubt that the engineering industry faces further structural changes, both in Europe and globally. Partek intends to contribute to these changes.

A strong capital base is an essential component in Partek's strategy.

In order to finance the bid for Kalmar Industries and increase equity an extraordinary general meeting of Partek's shareholders held during the final days of the year decided to issue a capital loan and authorise the Board to make a rights issue. The loan, amounting to FIM 322 million, was clearly oversubscribed. These measures brought Partek's goal of a gearing of approximately 50 percent much closer.

It is easy to understand that the sharp fall in Partek's share price during the second half of the year was a disappointment to our shareholders. The measures we are taking to improve efficiency, further focus our operations and strengthen our capital base are designed to increase confidence and interest in Partek's shares. This intention is also reinforced by the Board's proposal for a dividend of FIM 3,00 per share. This would be the third year in succession when the dividend clearly exceeds Partek's announced aim to distribute at least a third of its profits to shareholders.

The long-term trend in the share price is interesting. A person who invested FIM 100 in 1898 in what is today a Partek share would over one hundred years have seen his investment grow to FIM 1.26 million, without including dividends. This represents an annual return of 10 percent.

This would be the third year in succession when the dividend clearly exceeds Partek's announced aim to distribute at least a third of its profits to shareholders.

During Partek's anniversary year, I often had cause to stress that shareholders who have believed in the company, customers who have relied on us and our products, and our personnel with their know-how and willingness to bring about change are the foundations on which the Group has built its development over its one hundred years of existence. This is a judgement that also applies to the past year and the year that has just begun, a year overshadowed by a slowdown in the world economy.

February 19, 1999

Christoffer Taxell

Information on Partek as an investment

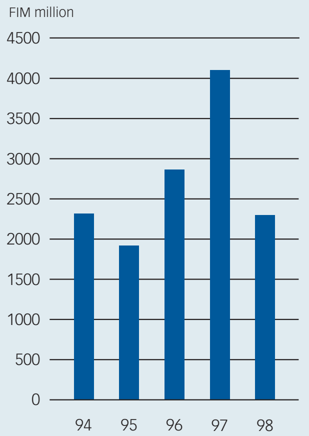
Partek shares are quoted on the main list of the Helsinki Securities and Derivatives Exchange (HEX). The company has one series of shares and all shares have identical voting and dividend rights. The nominal value of a share is FIM 10.

The company's share capital amounts to FIM 488,166,110 and the number of shares is 48,816,611. The Company's minimum share capital is FIM 175,000,000 and the maximum FIM 700,000,000. The share capital can be increased or reduced within these limits without amending the Articles of Association.

Partek has issued a convertible subordinated bond, an option programme and a convertible capital loan. Through these arrangements it will be possible to increase the company's share capital by a maximum of FIM 79,633,240 and the number of shares by a maximum of 7,963,324 shares.

The share capital was increased during 1998 by FIM 3,164,860. The number of shares rose by 316,486. Of the increase FIM 3,156,090 and 315,609 shares arose from senior management exercising their bonds with warrants issued in 1994 as an incentive programme. The bonds with warrants matured in 1998. Conversions of the convertible subordinated bonds into shares stood for the remaining increase in share capital and shares.

Market capitalisation



Market capitalisation

Partek's share price fell 45 percent during 1998 from FIM 84.99 to FIM 46.81. At the same time the HEX general index rose by 69 percent and the HEX portfolio index by 15 percent, while the metal and engineering industry index fell by 19 percent. The highest quotation for Partek shares during the year was FIM 102 and the lowest FIM 38.80. The taxable value per share for 1998 was FIM 33.

Partek's market capitalisation at the end of 1998 was FIM 2.3 billion.

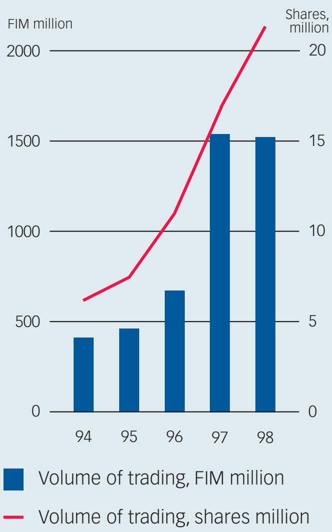
In 1998 trading in Partek shares rose by 30 percent on 1997 to 21.7 million shares. The average daily turnover rose from 67,000 shares to 87,000. The velocity of the Partek share i.e. the number of shares traded relative to the total number of shares outstanding was 45 percent. The value of shares traded was FIM 1.5 billion. The lot size on the exchange is 200 Partek shares.

Convertible subordinated bond

In 1994 the company issued a convertible subordinated bond with a nominal value of FIM 167,820,000. This was directed to the general public. The bond is in the nature of a capital loan. The bonds have no maturity date and are not backed up by any guarantee or other security. These bonds are subordinate to the company's other obligations. Interest payments on the bond can only be made from distributable funds before the payment of a dividend. The nominal interest on the bond is 9.02 percent. If the preconditions for an early repayment are fulfilled the company has the right to pay back the loan at its nominal value starting June 1, 2004.

Each bond can be converted into Partek shares. The conversion price of the bonds, after adjustment for issues, is FIM 79.75 per share. The bonds can be converted into shares each year between January 2 and November 30. By December 31, 1998 a total of FIM 80,000 of the loan had been converted into 1,020 shares. The share capital increased by a total of FIM 10,200. The convertible bonds are quoted on the Helsinki Exchange.

Volume of trading



Options

In 1997 an issue of 1.26 million option rights was made to Partek's senior management. Option rights were subscribed to between October 2 and October 31, 1997. Each option right gives the right to subscribe to one share.

The aim of the option programme is to further motivate the management to work on a continuous and long-term basis in order to develop Partek and its value. In order to be able to give option rights to other persons falling within the incentive programme at a later date, one company belonging to the Group has been given the authority by the Board to subscribe to the option rights.

Increase in share capital since 1994

Type of issue	Subscription period	Subscription ratio	Price/share, FIM	Number of new shares	New share capital, FIM
Share issue	Nov. 30–Dec. 30,1994	6:1	46.00	5 500 000	385 000 000
Share issue	April 10–Apr. 22,1997	Directed issue	78.50	10 000 000	485 000 000
Conversion of sub. bonds	November 30, 1997	Conversion	79.75	125	485 001 250
Subscription with option rights	April 17, 1998	Subscription	77.07	18 375	485 185 000
Subscription with option rights	May 11, 1998	Subscription	77.07	31 763	485 502 630
Subscription with option rights	June 2, 1998	Subscription	77.07	147 995	486 982 580
Subscription with option rights	June 29, 1998	Subscription	77.07	117 476	488 157 340
Conversion of sub. bonds	December 17, 1998	Conversion	79.75	877	488 166 110

The effect of equity related instruments on equity capital

	FIM	Share capital, FIM	Change %	No.	Shares	Change %	Equity/ share, FIM
Situation Dec. 31, 1998		488 166 110			48 816 611		69,56
Convertible subordinated bonds	21 033 240		4,3	2 103 324		4,3	79,75
Option rights	12 600 000		2,6	1 260 000		2,6	126,00
Convertible capital loan	46 000 000		9,4	4 600 000		9,4	70,00
Possible total increase		79 633 240	16,3		7 963 324	16,3	
Situation after increases		567 799 350			56 779 935		71,23

Of the option rights 630,000 were designated series A option rights and 630,000 series B option rights. A total of 1,260,000 shares can be subscribed to with the option rights, which would increase the Company's share capital by FIM 12.6 million. The subscription period for the series A option rights commences on October 2, 2000 and for the series B option rights on October 2, 2002. The subscription period ends on October 2, 2003 for all the option rights. The option rights can be converted into shares each year between January 2 and November 30. The subscription price for the series A option rights is FIM 120 per share and for the series B option rights FIM 140. The subscription price for series A option rights exceeded the average volume-weighted price of Partek shares on the HEX between September 1 and 12, 1997 by about 20 percent and the series B option rights by some 40 percent. The subscription price of a share was reduced after January 1, 1998 by the amount of dividend per share distributed. The subscription price will be adjusted each year on the day when the dividend is determined, and after the dividend for 1997 the new subscription prices are FIM 116 for A option rights and FIM 136 for B option rights.

Convertible capital loan

In January 1999 Partek issued a FIM 322 million convertible capital loan to shareholders, the general public and institutional investors, disapplying the shareholders' pre-emptive right to subscription. All shareholders had the right to subscribe to bonds in proportion to their shareholding, the minimum subscription being FIM 10,000. The shareholders' pre-emptive right to subscription was disapplied for important financial reasons. With the capital loan Partek strengthened its capital structure and created the preconditions for implementing corporate acquisitions and other industrial measures. The subscription period was January 18 to 22, 1999. Annual interest of 5.0 percent will be paid on the loan during the loan period, which is from January 26, 1999 to May 31, 2004. The loan will be repaid in one instalment on May 31, 2004 provided that the repayment conditions according to the loan terms have been met. The issue price was 100 percent, and it was determined on the basis of the offer procedure arranged for institutional investors between January 11 and 15, 1999.

The loan can be converted into Partek shares, which would increase the number of shares by a maximum of 4.6 million. The computational conversion price for one share obtained in conversion is FIM 70. The conversion period starts on June 1, 1999 and ends on May 5, 2004.

Trading codes

Partek share

HEX Ltd, Helsinki Securities and Derivatives Exchange, Clearing House:	PAR1S
Reuters:	PAR1S.HE
Bloomberg:	PTKH.FH
Convertible subordinated loan:	PARVAIH041
Convertible capital loan:	PARV050004

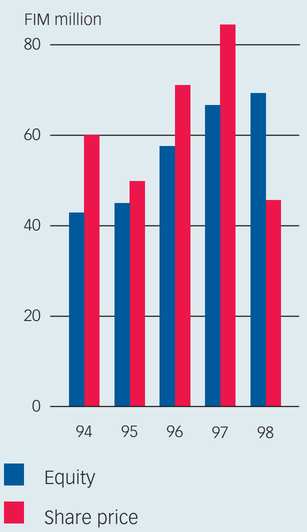
Information on Partek as an investment

		1998		1997	1996	1995	1994
Share key ratios							
Earnings per share (EPS)	FIM	**5.26**	1)	8.08	3.99	5.04	1.43
Equity per share	FIM	**69.56**		66.11	57.71	45.39	42.15
Dividend per share	FIM	**3.00**	3)	4.00	4.00	1.50	0.60
Total dividend	FIM million	**146.4**	3)	194.0	154.0	57.8	21.3
Dividend/Earnings	%	**57.1**		49.5	37.6	29.7	42.8
Effective dividend yield	%	**6.4**		4.7	5.6	3.0	1.0
Price/earnings (P/E)		**8.9**		10.5	17.9	9.9	42.0
Number of shares							
at the end of the year	1000's	**48 817**		48 500	38 500	38 500	38 500
average	1000's	**48 679**		45 432	38 500	38 500	38 500
Partek shares on the Helsinki Stock Exchange							
Nominal value	FIM	**10.00**		10.00	10.00	10.00	10.00
Adjusted share price at the end of the year	FIM	**46.81**		84.99	71.57	49.89	60.14
Average share price during the year	FIM	**69.84**		92.01	66.60	61.10	65.80
highest	FIM	**102.00**		113.00	74.00	69.00	81.79
lowest	FIM	**38.80**		70.00	46.10	45.00	47.55
Turnover	FIM million	**1 515.1**		1 538.4	692.5	460.6	414.8
Trading volume	1000's	**21 693**		16 720	10 499	7 539	6 304
Velocity	%	**44.6**		36.8	27.3	19.6	18.2
Market capitalisation at year-end	FIM million	**2 285**		4 122	2 755	1 921	2 310
Number of shareholders		**11 925**		10 743	10 993	11 589	12 060

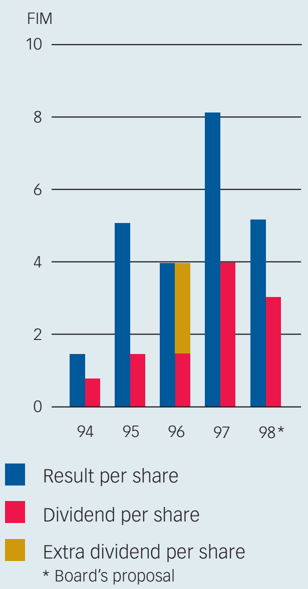
		1998		1997	1996	1995	1994
Key ratios in euros							
Earnings per share (EPS)	euro	**0.88**	2)	1.36	0.67	0.85	0.24
Equity/share	euro	**11.70**		11.12	9.71	7.63	7.09
Dividend per share	euro	**0.50**	3)	0.67	0.67	0.25	0.10
Total dividend	Meuro	**24.6**	3)	32.6	25.9	9.7	3.6
Nominal value	euro	**1.68**		1.68	1.68	1.68	1.68
Adjusted share price at the end of the year	euro	**7.87**		14.29	12.04	8.39	10.11
Average share price during the year	euro	**11.75**		15.47	11.20	10.28	11.07
highest	euro	**17.16**		19.01	12.45	11.60	13.76
lowest	euro	**6.53**		11.77	7.75	7.57	8.00
Turnover	Meuro	**254.8**		258.7	116.5	77.5	69.8
Market capitalisation at year-end	Meuro	**384.3**		693.3	463.4	323.1	388.5

1) Fully diluted EPS for 1998 is FIM 5.13
2) Fully diluted EPS for 1998 is EUR 0.86
3) Proposal by the Board of Directors

Equity and share price



Result and dividend



Largest shareholders, December 31, 1998

		No.	%[1]
The State of Finland		14 721 835	30.2
Foundation of Åbo Akademi			
Foundation of Åbo Akademi	4 115 961		
Foundation of Martha och Albin Löfgrens Kulturfond	137 433		
Foundation of Martha och Albin Löfgrens Understödsfond	63 242	4 316 636	8.8
Valmet Corporation			
Valfin Oy		4 126 039	8.5
Sampo-Group			
Industrial Insurance Company Ltd	2 550 640		
Sampo Insurance Company Ltd	270 100		
Otso Loss of Profits Insurance Co. Ltd	118 363		
Insurance Company of Finland Ltd	70 000		
Henki-Sampo Insurance Company Ltd.	46 000	3 055 103	6.3
Varma-Sampo Mutual Pension Insurance Company		1 147 189	2.3
Tapiola Mutual Pension Insurance Company		678 700	1.4
The Local Government Pension Institution		563 000	1.2
The Public Association Folkhälsan		396 987	0.8
Ilmarinen Mutual Pension Insurance Company		366 200	0.8
Polaris Pension Fund		366 667	0.8
Total		**29 768 356**	**61.0**

[1] Percentage of total number of shares and voting rights.

Distribution of shares

By size of holding, December 31, 1998

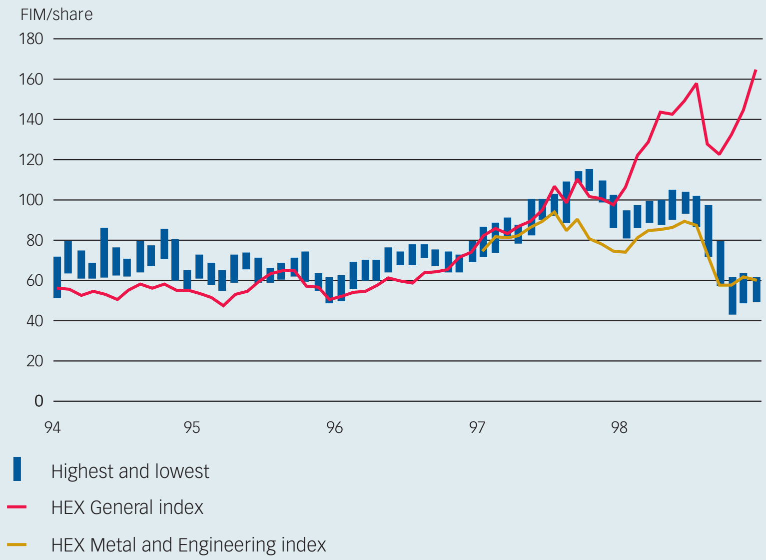
Shares/ holder	Shareholders No.	Shareholders %	Shares No.	Shares %[1]
1 - 1 000	9 537	80.0	3 004 086	6.2
1 001 - 5 000	1 945	16.3	4 092 677	8.4
5 001 - 10 000	231	1.9	1 604 410	3.3
10 001 - 50 000	156	1.3	3 368 130	6.9
50 001 -	56	0.5	34 799 438	71.3
Foreign ownership and other			1 947 870	4.0
Total	11 925	100.0	48 816 611	100.0

By shareholding, %

	Dec. 31, 1998	Dec. 31, 1997
Private individuals	**16.1**	14.1
Associations and trusts	**16.5**	15.6
Companies	**11.3**	11.1
Insurance companies and pension funds	**18.8**	15.3
Investment funds	**2.6**	2.2
Banks, financial institutions	**0.1**	0.2
State, local authorities and religious communities	**30.6**	30.8
Foreign ownership and other	**4.0**	10.7
Total	**100.0**	100.0

[1] Percentage of total number of shares and voting rights.

Share price development



The following stock brokers and banks provide more information about Partek as an investemt

ABG Securities
Tel +44 171 9055 630
Fax +44 171 905 601

AG Private Bankers Ltd
Tel +358 9 7514 5332
Fax +358 9 7514 5303

Aktia Securities
Tel +358 9 10 247 5000
Fax +358 9 10 247 6376

Alfred Berg Securities
Tel +358 9 2283 2710
Fax +358 9 2283 2283

Aros Securities Ltd
Tel +358 9 173 371
Fax +358 9 622 1511

Cheuvreux Nordic Ab
Tel +468 723 5100
Fax +468 723 5101

Conventum Securities Ltd
Tel +358 9 5499 300
Fax +358 9 5493354

D. Carnegie AB, Finland Branch
Tel +358 9 6187 1230
Fax +358 6187 1239

Dresdner Kleinwort Benson, London
Tel +44 171 623 8000
Fax +44 171 475 2675

Enskilda Securities AB
Helsinki Branch
Tel +358 9 6162 8000
Fax +358 9 171 056

Evli Securities Plc
Tel +358 9 476 690
Fax +358 9 4766 9350

Handelsbanken Markets, Helsinki
Tel +358 9 010 444 2409
Fax +358 9 10 4 2578

HSBC Investment bank Plc, London
Tel +44 171 336 4218
Fax +44 171 929 0584

Leonia Bank
Tel +358 9 0204 2511
Fax +358 9 0204 253649

Mandatum Stockbrokers Ltd
Tel +358 9 1667 2712
Fax +358 9 651 093

The Board's authority to raise the share capital

Partek's objective is to strengthen its balance sheet by raising the equity to asset ratio above 40 percent and reducing gearing to 50 percent. At the end of 1998 the company's equity to assets ratio was 39.3 percent and gearing was 75 percent. An extraordinary meeting of shareholders on December 30, 1998 authorised the Board to decide on increasing the share capital in one or several instalments. The increase would be made through a rights issue based on the shareholders' pre-emptive right to subscription. The board will set the price so that the share capital can be increased by a maximum of FIM 49 million and a maximum of 4.9 million shares. The authorisation is valid until May 31, 1999.

Ownership and authorisation to acquire own shares

Partek does not hold its own shares nor does the company's Board have the authorisation to acquire Partek shares.

Dividend

In making the proposal for a dividend the Board of Directors takes into account trends in the Group's profit, its financial structure and growth expectations. The aim is to distribute at least one third of the profit, calculated as the result before extraordinary items, less minority interest and allowing for tax.

Shareholders

At year-end 1998 Partek's shareholders numbered 11,925. Four out of five shareholders hold fewer than 1,000 shares. The ten largest shareholder groupings own 61 percent of shares. Private individuals own 16 percent of shares. Foreign investors hold some 4 percent of shares, and these are almost entirely nominee-registered holdings. Nominee-registered holdings entitle only to shareholder's financial rights, such as to the right to a dividend and the right to participate in share issues. Shareholders who do not register their shares in their own name cannot participate with the votes produced by the shares or use their voting rights at general meetings of shareholders.

Agreements relating to the ownership of Company shares and use of voting rights

There are no valid agreements relating to the ownership of company shares or to the use of voting rights known to the company's Board.

Management's shareholding

On January 25, 1998 the members of Partek's Board of Directors, and Management Team (Group Management, Group Administration Executives, and the business area Presidents) together held 23,220 Partek shares, which is 0.05 percent of the company's entire share capital and voting rights. In addition to this, members of the Management Team owned convertible subordinated bonds and option rights issued by the Company entitling them to subscribe to a total of 320,000 shares. This is the equivalent of 0.7 percent of the Company's share capital and voting rights.

Investor relations

The aim of investor relations is that Partek's market capitalisation should reflect as closely as possible the value of the company's assets and its ability to generate profits. Partek wants to offer both domestic and foreign investors an interesting and liquid investment.

It is Partek's intention for shareholders to receive an attractive return on their capital invested. The return includes an increase in share value and dividend payments. Partek's investor relations function aims to regularly produce transparent, reliable and sufficient information about the company to shareholders and capital markets. Another goal is to increase the shares' liquidity and expand the company's ownership base.

Shareholders are sent all editions of the group magazine Partek Today. During the year Partek arranged company presentation for investors, analysts and brokers in Helsinki, Stockholm, London and New York. The Forest Machine business area was the focus of a Capital Market Day in June. At this seminar investors and analysts had the opportunity to hold discussions with Partek's operative management. Partek also took part in investor seminars in Helsinki and Edinburgh as well as in the investment fair, Sijoitus-Invest, in Helsinki.

More foreign investment banks started covering Partek's development and today some twenty domestic and international banks and brokerages analyse and publish investment recommendations on Partek.

Partek's share price and trade data (updated every 30 minutes) can be followed on the Internet at Partek's web site www.partekcorp.com.

Merita Securities Ltd
Tel +358 9 1234 0312
Fax +358 9 1234 0400

Merrill Lynch, London
Tel +44 171 772 1521
Fax +44 171 772 2917

Opstock Securities
Tel +358 9 404 65
Fax +358 9 404 2703

Salomon Smith Barney
Tel +44 171 721 6800
Fax +44 171 721 6370

Corporate Governance

Partek's Board of Directors in 1988 confirmed the new working order that follows the Corporate Governance instructions of the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

Throughout its 100-year history Partek has had one share series that comprises equal voting and dividend rights. Each share has one vote at company shareholder meetings. Partek has always had owners clearly committed to the long-term development of the company. Ownership has, however, not been so concentrated that a single shareholder has attained a dominating position. The holdings of the ten biggest shareholders have varied between 32 percent and 62 percent of Partek shares. Key owners have held stakes in Partek for decades and have borne the responsibility for developing the company over the long-term. Private individuals have played an important role as owners of Partek. Only after 1970 the majority among the biggest shareholders were companies and institutions.

To amend the Articles of Association a decision by two consecutive shareholder meetings is needed. Two thirds of the votes and of the shares represented at the meetings must support the decision. The articles include a redemption clause. A shareholder whose ownership reaches or exceeds 33 1/3 percent or 50 percent of Partek shares or votes is, upon demand of other shareholders, obliged to redeem their shares and securities to which the shares entitle. The redemption price is the average volume-weighted share price on the HEX in a period preceding the redemption. If, however, the redeemer has paid a higher price for shares than the average price preceding the redemption this price is the redemption price. If the redemption clause takes force the redeemer is to give a written notification to the company's Board of Directors within seven days. An amendment to the redemption clause requires three-fourths of the votes and of the shares represented at a shareholder meeting, a stronger requirement than for the amendment of other Articles of Association.

Election of the Board of Directors

The annual general meeting (AGM) is held by the end of May following the preparation of the year-end accounts and it elects 6 to 9 members for the Board of Directors. In accordance with established practice one-third of the members stand down each year. Members are elected for three years, starting from the AGM when elected and ending at the AGM three years later. A person who has turned 70 years old is not eligible for election. A vacancy on the Board is filled at an AGM or an extraordinary shareholder meeting. Partek has always had an external board of directors consisting of representatives of the major shareholders. Board members have also included other external experts with a wide range of international industrial experience. Information about the board members is shown on page 70.

The Board's work

The Board chooses a chairman and vice-chairman among its members. The Board takes care of Partek's administration and organises its operations appropriately. In addition to the duties separately specified by law and the Articles of Association, the Board confirms, in accordance to its working order, the company's long-term objectives and strategy and approves the budget and funding plan. It decides on the investment framework and on major individual investments, on strategically important mergers and acquisitions and real estate transactions, R&D projects, expanding business operations and equity-related investments. The Board also confirms the policy for the group's financial risk-management and its environmental policy. Also the Board appoints employees who report to the President and the CEO, and approves the conditions of their employment. It selects outside members for the Boards of Directors of the business areas and decides on charitable donations. The Board assembles regularly 6 or 7 times a year and when necessary.

The Board receives a monthly report for monitoring the Group's operations and financial development and review by the President and CEO at every board meeting. The Board appoints the person-in-charge of internal audit.

Selection and duties of the President and CEO

The Board of Directors appoints the company's President and CEO and decides on his terms of employment. The President and CEO deals with the operative administration in accordance with the instructions and authority given by the Board. Christoffer Taxell was elected to the Board in 1984 and appointed President and CEO in 1990.

Organisation and responsibilities of business operations

Partek's business areas form legal subgroups, whose parent company has its own Boards of Directors. The business area boards decide on business directions and on strategies within the framework approved by Partek's Board of Directors.

Besides representatives of the Group Management, the boards include external experts, representatives of the business area's personnel and, in order to increase co-operation between business areas, presidents of other operationally similar business areas.

Management incentive scheme

The fees of the Board of Directors are confirmed by the AGM, and the Board of Directors confirms the salary and fringe benefits of the President and CEO. Salaries and fees to the CEOs and fees to board members for the 1998 accounting year including fringe benefits amounted to FIM 61.4 million for the Group and FIM 3.1 million for the parent company. During the year, the parent company CEO, who is also the Group president, received FIM 1,943,440 in salary including fringe benefits, and bonuses of FIM 313,808. Partek employees on the Boards of Directors of the Group subsidiaries are not paid separate fees.

The company has not granted loans to members of the Board or to the Management Team nor has it given guarantees on their behalf.

The aim of Partek's management incentive scheme is to further motivate the management to work on a long-term basis in order to develop the company's value. The incentive system comprises an active salary policy, an incentive salary in the form of bonuses, and an option programme. A salary committee selected within the Board of Directors decides on the management's salary and contractual matters, on its salary systems and it draws up the principles and policies on staff administration

A bonus amounts to 2 to 4 months' base salary. To achieve the maximum bonus, targets must normally be exceeded by at least 15 percent. Two thirds of a bonus is usually determined by how financial targets are met and one third on the basis of quantifiable personal development. As indicators for financial targets the return on capital employed and/or the operating profit margin are used. Partek's share price can also be used as a basis for determining a bonus. The entire consolidated result is taken into account in the bonuses for members of the Management Team.

Auditing

The auditors' report is on page 69.

Primary auditors:

Eric Haglund, APA

Thor Nyroos, APA

Deputy auditor

KPMG Wideri Oy Ab,

Authorised Public Accountants

Efficiency and results from integrating engineering units

Strong product brands and a leading market position are the basis of Partek's strategy. Kalmar reachstackers, Sisu straddle carriers and Ottawa terminal tractors as well as Hiab general cargo cranes are the leading product brands in their field worldwide. Valmet is one of the leading brands of forest machines in mechanical timber harvesting using the cut-to-length method. Loglift and Jonsered forest cranes and Multilift demountable loading systems hold prime positions in Europe. Valtra is the leading tractor brand in Scandinavia and the second-most popular in Latin America.

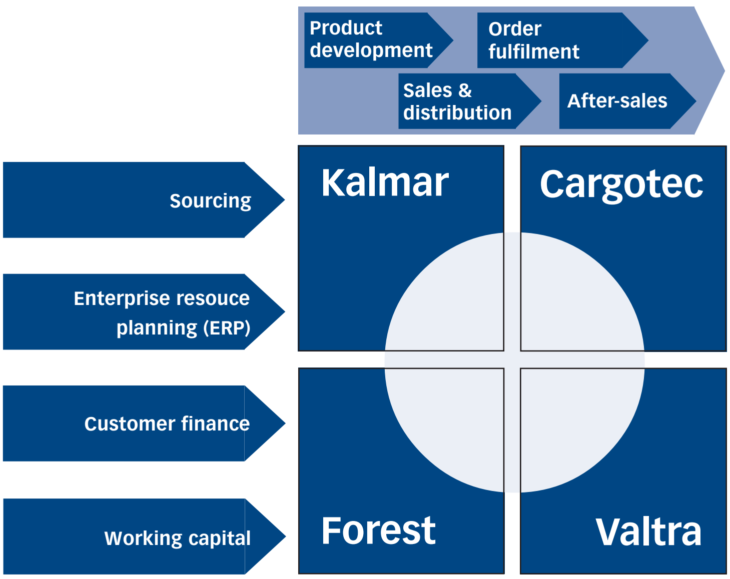
Partek's engineering operations have been built through acquisitions. The engineering units are closely related in operational terms, although they have a different customer base. Their product technology and production processes are very similar, and the number of common components and suppliers is significant.

In the next three years, the aim is to utilise the synergies between the business areas and combine the engineering units into a strong entirety. For this reason, Partek has initiated a programme 'Excellence in Operations' to raise overall quality. The programme is based on co-operation, co-ordination and integration among the engineering business operations. The central aim of the programme is to streamline and increase the efficiency of the main processes in the business areas, namely product development, sales and distribution, order fulfilment and after-sales. Process development is supported by four projects at the Group level: global sourcing, enterprise resource planning (ERP), customer finance and reducing working capital.

The business operations' ability to compete, grow and produce results will be improved by trimming overlapping operations, duplicating know-how from one business area to the next and by exploiting the synergy benefits and cost savings from economies of scale in areas such as purchasing. Partek is, for example, one of the biggest buyers of hydraulics in Europe. All our products have hydraulic components such as cylinders, valves, pumps, motors, rotators, hoses and fittings. Other major common purchases include electronics, power transmissions, cabin components, castings, transportation and energy.

The aim is to cut costs for raw materials and components by three percent per year over the three-year period. Purchasing will be moving onto a global basis i.e. acquisitions of components used by more than one business area will be focused on a few selected subcontractors. Products will be designed so that their main components will be made uniform, which will extend the production series of one component and reduce production costs.

Each process and project has had its own pilot company in the Group. In 1999 the working process will be expanded to the entire engineering business operations and the charting and analysis stages will move into action. The first results will be seen gradually.



The net sales of Partek's engineering operations total FIM 10.7 billion, of which after-sales account for about 15 percent. The Group has 25 production, component and assembly units situated in 10 countries in Europe, the Americas and Asia. The most important countries are Finland and Sweden. The company has its own sales and service companies in 30 countries. Our products and services are available in more than 100 countries through local representatives and dealers.

Tom Gilchrist
Sales Manager
Kalmar Industries

The prime mover in any port of call.

"We want our customers to regard us as a key source of container handling solutions, not just an equipment manufacturer. We base our recommendations on solid industry experience, and support the customer throughout the product's life span. Our commitment doesn't end with the sale of a machine – often new technology developed by us is applied to equipment supplied earlier, to extend service life and to keep reliability and operational economy at an optimal level."

Partek's container handling business area, Kalmar Industries AB*, designs and produces logistical solutions for ports, land terminals and industry. The terminal systems shorten the loading and unloading times of containers and trailers; thus speeding up transportation.

Kalmar is the world's leading developer of technology for terminal systems, customised planning, and efficient and safe load-handling systems.

The operations are divided into five product lines: Medium & Heavy Trucks, Light Trucks & Sideloaders, Terminal Systems, Terminal Tractors and Customer Support.

The product range encompasses straddle carriers, rubber-tyred gantry cranes (RTGs), reachstackers, terminal tractors and a variety of lift trucks. Kalmar reachstackers, Sisu straddle carriers and Ottawa terminal tractors are all global market leaders. A worldwide sales and after-sales network supports the products.

The customer base comprises stevedoring companies, ports, railways, distribution terminals and industry. The demand for products is affected by the growth in world trade and the need for industry and terminals to invest in more efficient load-handling systems.

The products are manufactured at Tampere in Finland, Ljungby and Lidhult in Sweden and at Ottawa, Kansas and Longview, Texas in the U.S. Components are produced at Kurikka in Finland and Maardu in Estonia. The company has 14 sales companies of its own.

Christer Granskog, b. 1947
M.Sc. (Eng.)
President, Kalmar Industries AB
Employed at Partek since 1997
Shareholding: -
Options: 30 000

Key figures	**1998**	1997*)	Change %
Net sales, FIM million	**3 550**	3 126	14
Operating profit, FIM million	**173**	161	7
- as percentage of net sales	**5**	5	
Capital employed, average, FIM million	**1 385**	1 376	1
- ROC, %	**13**	13	
Investment, FIM million	**130**	132	-2
Depreciation, FIM million	**103**	99	4
Personnel, December 31	**3 278**	3 272	0
R&D expenses, FIM million	**23**	24	-4
R&D personnel	**49**	59	-17

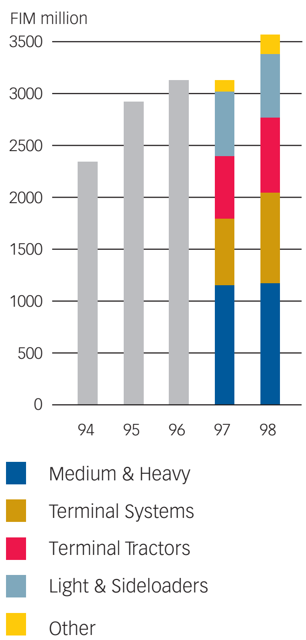
*) proforma

	Net sales, FIM million		**Staff, average**	
Product lines	**1998**	1997	**1998**	1997
Medium & Heavy	**1 175**	1 132		
Terminal Systems	**850**	657		
Terminal Tractors	**726**	596		
Light & Sideloaders	**656**	691		
Others	**143**	50		
Total	**3 550**	3 126	**3 369**	3 298

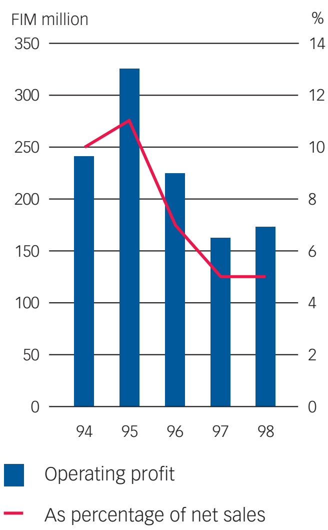
Net sales by market, FIM million	**1998**	**%**
Finland	**164**	**5**
Sweden	**366**	**10**
Other EU	**1 082**	**30**
Other Europe	**278**	**8**
North America	**963**	**27**
South America	**217**	**6**
Asia	**323**	**9**
Other	**157**	**4**
Total	**3 550**	**100**

* On February 19, Partek owned 66,4 percent of Kalmar.

Net sales



Operating profit



- Growth through increased terminal tractor and straddle carrier sales
- Focus on developing new product features
- Demand for container handling equipment is not seen increasing until the end of 1999.

Profit Development

The 1998 operating result for Kalmar Industries was FIM 187 (1997: 161) million excluding one-off items of FIM – 14 million. Despite tough price competition, the result grew by 16 percent compared with previous year. Consolidated net sales increased by 14 percent and were FIM 3,550 (3,126) million. Growth was mainly generated from sales of terminal tractors and straddle carriers. Sales in North America, Germany, UK and the rest of Europe developed positively, while sales in Asia Pacific declined by one third. Orders received decreased by 6 percent and were FIM 3,322 (3,531) million. The order stock at year-end contracted by 29 percent and was FIM 756 (December 31, 1997 :1,060) million.

In 1998, the global shipping industry witnessed mergers and restructuring. Global stevedoring companies also grew rapidly. Container traffic continued to increase, however, due to the Asian crisis, investment in new container handling machinery was low in the area. Certain product prices have decreased due to over-capacity.

Investments amounted to FIM 130 (132) million of which FIM 58 million was targeted at trucks for leasing. Further investments were made to develop new product features. In 1998, Kalmar launched among other, the global positioning system (GPS) for RTG cranes and the third generation of reachstackers with new solutions for automation. Also the hydrostatic operation mode available for all Light lift trucks, a four-wheel-drive terminal tractor for the North American market and a specially developed twin-spreader for straddle carriers were introduced.

Return on capital employed was 13 (13) percent. In order to improve profitability, Kalmar has started projects aimed at consolidating production and increasing efficiency in purchasing, sales and distribution, and components manufacturing. Customer support enjoyed good development and benefited from the synergies from the merger of Kalmar and Sisu Terminal Systems Oy in 1997. The synergy gains will be realised in full by the end of 1999.

Kalmar's organisation has been changed into a clearly product-line based organsiation. The product lines now are: Light & Medium, Terminal Tractors, Heavy, Terminal Systems and Customer Support.

The production of sideloaders and four-way trucks will end in 1999.

Medium&Heavy Trucks

This product line includes lift trucks with 9-90 tonnes lifting capacity, lift trucks for empty container handling and reachstackers for laden and empty containers. Empty container lift trucks and reachstackers for laden containers are marketed under both Sisu and Kalmar brand names. The heavy lift trucks and empty container reachstackers are marketed under the Kalmar brand name. Customer groups include container ports and terminals, shipping lines, railroad companies and other transport companies, as wells as heavy industries like steel mills, concrete plants etc.

The global market for container handling equipment decreased slightly during 1998 due to the Asian crisis. Net sales of the product line were FIM 1,175 (1,132) million.

Kalmar's extensive experience in industrial material handling provides opportunities to modify the basic concept into several applications.

Terminal Systems

Terminal Systems includes straddle carriers, terminal tractors for the European market, rubber-tyred gantry cranes (RTG cranes), lift trucks for defence applications and log handling machines, all of which are sold under the Sisu brand name. Sisu straddle carriers are the dominant market leader with a market share of more than 50 percent. Straddle carriers are used especially in container ports and terminals around the world. Europe is the main market, but they are also used in North America and Asia Pacific. The RTG cranes are a common container handling system at the world's largest transit ports. The largest market is in Asia.

Net sales of the product line were FIM 850 (657) million. More than 120 straddle carriers were delivered, which was a new record. Major deliveries were made to France, Belgium and Taiwan.

Following long-term development work, in 1998 the Sisu RTGs have become a strong challenger in the market. Major orders were received from United Kingdom, Poland, Belgium and the U.S.

Terminal Tractors

This product line comprises the Ottawa and Magnum brand terminal tractors for the North American market, and also for export mainly to Asia and Latin America. In the North American inland terminals, Ottawa and Magnum tractors hold more than half of the market. The tractors are used for short distance haulage of trailers and containers in ports and inland terminals. The main customers include railroad companies, transport companies, inland terminals, distribution centres and ports. Net sales of the product line were FIM 726 (696) million. Demand for terminal tractors continued strong in the U.S. and both brands' market share increased. Ottawa secured three major orders for delivery of over 200 terminal tractors in total to different container and intermodal operations in the U.S.

Light Trucks & Sideloaders

This product line includes diesel, LPG or battery driven lift trucks with a capacity of 4-9 tonnes, sideloading diesel lift trucks and electric four-way lift trucks, all marketed under the Kalmar brand name. Kalmar sideloaders hold approximately 20 percent of the European market, and Kalmar light machines (4-9 tonnes) have a 25 to 30 percent market share in the Scandinavia. The main customer segments include the steel, wood, pulp, paper and concrete industries, and ports and terminals.

Net sales of the product line were FIM 656 (691) million. The product line's main markets are Scandinavia, Germany, France, UK and Austria. Kalmar aims to improve its competitiveness in this product line through concentrating manufacturing and the product portfolio. Kalmar decided to close down its production of electric lift trucks with lifting capacities of 1 to 3 tonnes in Härnösand, Sweden, which means a reduction of some 100 employees.

Customer Support

The Customer Support product line is responsible for providing service and spare parts for a large fleet including Kalmar, Sisu, Ottawa and Magnum brand names. The three product groups of Customer Support are Spare Parts, Know-How Service and Field Service. The sales of spare parts increased. Service sales have the potential to grow because Kalmar also provides services to other brands. Customer Support has through internal benchmarking and improved processes been able to improve the productivity of its spare part logistics.

Prospects for 1999

Container traffic will continue to grow somewhat in Europe and the Americas, and demand for container handling equipment is expected to remain at a good level. New markets such as Africa and India show interesting growth potential despite short-term economic instability. Demand for container handling machinery is not expected to improve until the latter half of 1999. Consolidation in customer industries will continue and will lead to increasingly centralised machine purchasing. This will strengthen the position of global suppliers. The pressures on prices and demand for standard products will increase.

Growth is sought through increased market share in RTGs and after sales.

Sisu is the world's leading straddle carrier brand, and has the only application that can stack containers four-high.

Kalmar's personnel's competence and know-how is key in developing products with cutting-edge performance, which enable lower operating costs and faster working cycles for the customers.

José Sanchez Nunez
Area Sales Manager
Partek Cargotec S.A.

Hiab, a customer's most preferred solution.

"Our customer, the Cerámica La Oliva, S.A. Group, is a leading Spanish manufacturer of bricks and roof tiles for the building industry, and has no less than nineteen Hiab truck-mounted cranes in customer deliveries. The company's products must be delivered with extreme punctuality, and not always at easily accessible building sites. It is therefore vital that the cranes should combine a geometry allowing access to areas difficult to reach with parts having the maximum safety in performing very tight manoeuvres."

Partek's Load handling business area, Partek Cargotec, manufactures products that speed up the transportation and handling of heavy cargo and waste. The products are all hydraulic-based, chassis-mounted and used for loading and unloading goods.

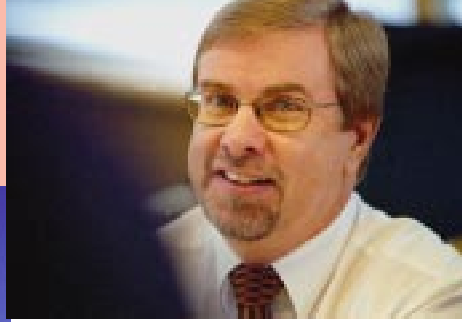
The operations are divided into four product lines: loader cranes, demountable load-handling systems, waste handling and component production*.

Partek Cargotec is the world's principal producer of chassis-mounted load-handling equipment. Hiab is the number one cargo crane brand worldwide. Multilift and Leebur demountable load-handling systems are the market leaders in Europe. Other recognised products are Norba refuse-collection equipment for vehicles, Nummi tipping hydraulics and Focolift tail-lift equipment.

The customer base consists of private truck owners, large transportation companies, rental fleets, building-materials suppliers, waste-handling companies, local government authorities, and defence ministries in several countries.

The demand for load-handling equipment is affected by sales of heavy trucks as well as by building production and investment in infrastructure.

Cargo cranes are produced in Sweden, Denmark, the Netherlands and Spain. Demountable equipment is produced in the Netherlands and refuse-collection equipment for vehicles in Sweden. The production units for components are in Finland. Partek Cargotec has some twenty sales companies situated in all its main markets in Europe, North and South America and Asia. A worldwide network of independent importers and dealers supports Partek Cargotec's own distribution network.



Olof Elenius, b. 1951
M.Sc. (Econ.)
President, Partek Cargotec Oy Ab
Employed at Partek since 1983
Shareholding: 1 145
Options: 20 000

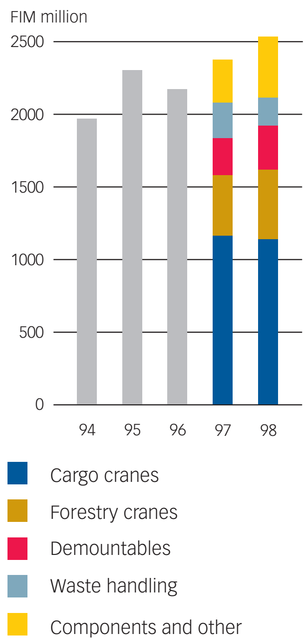
Key figures	1998	1997	Change %
Net sales, FIM million	**2 510**	2 386	5
Operating profit, FIM million	**98**	75	31
- as percentage of net sales	**4**	3	
Capital employed, average, FIM million	**937**	893	5
- ROC, %	**11**	9	
Investment, FIM million	**44**	43	2
Depreciation, FIM million	**50**	51	-2
Personnel, December 31	**2 314**	2 406	-4
R&D expenses, FIM million	**74**	59	25
R&D personnel	**114**	130	-12

	Net sales, FIM million		Staff, average	
Product lines	**1998**	1997	**1998**	1997
Cargo cranes	**1 161**	1 169	**786**	825
Forest cranes*	**437**	416	**288**	296
Demountables	**293**	250	**233**	244
Waste handling	**215**	243	**139**	128
Components and other	**405**	307	**321**	333
Sales companies			**660**	765
Total	**2 510**	2 386	**2 427**	2 591

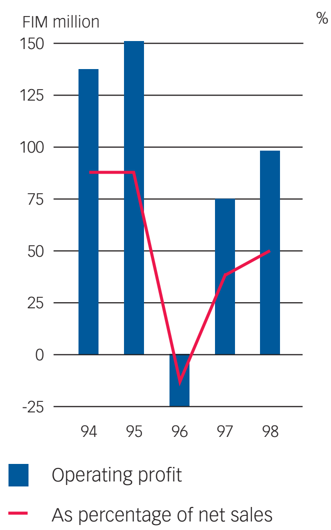
Net sales by market, FIM million	1998	%
Finland	**268**	**11**
Sweden	**210**	**8**
Other EU	**1 342**	**53**
Other Europe	**126**	**5**
North America	**365**	**15**
South America	**20**	**1**
Asia	**150**	**6**
Other	**29**	**1**
Total	**2 510**	**100**

* Forest cranes became part of the Forest Machines business area on January 1, 1999. Information about them can be found in the Forest Machines section on page 25 even though they are included in the 1998 figures of Load handling.

Net sales



Operating profit



- Growth in sales of demountables and Moffett forklifts.
- Hiab introduced 11 base loader models.
- Internal efficiency is being increased to compensate for weakening demand.

Profit Development

The operating result for the Load handling business area was FIM 98 (1997: 75) million. The result in 1997 included one-off items of FIM –15 million. Net sales grew by 5 percent and were FIM 2,510 (2,386) million. Products introduced over the last three years represented one third of net sales. Orders received were FIM 2,514 (2,461) million and the order stock at the end of 1998 was FIM 508 (31.12.1997: 445) million.

Truck industry sales developed favourably during 1998. Heavy truck (>16tns) registration in Europe was at a record level and increased by 15 percent on 1997. In North America registrations increased 18 percent, but in Japan they decreased by a third.

Total investment amounted to FIM 44 (43) million. The basic philosophy behind product development in Partek Cargotec is to provide customers with the best product performance throughout the entire product life cycle – reliability, safety, weight, ergonomics, environmental impact and durability being the driving forces.

Return on capital employed was 11 (9) percent. Measures to improve sales and distribution processes started in 1998 and will continue in 1999 for all four product lines. Ambitious cost cutting targets were realised when designing the new LHD Multilift demountable model to cost.

Loader Cranes

The Loader Cranes product line comprises Hiab truck-mounted loader cranes. Hiab is the leading brand in the cargo crane market with more than a quarter of the world market. The total number of loader cranes produced in 1998 is estimated at 35,000. Hiab loader cranes cover capacity classes of 0.7 ton meters to 90 ton meters and are sold in 80 countries worldwide. The main markets are Europe, the U.S and Japan. Key customer segments are transportation and infrastructure-related industries.

Net sales of the product line were FIM 1,161 (1,169) million. Sales increased in Europe by 12 percent but fell by almost half in Asia. The U.S. subsidiary, Partek Cargotec Inc increased its sales by 29 percent, mainly attributable to Hiab cranes and the representation of Moffett truck-mounted forklifts. Hiab introduced 11 base loader models in 1998. Operations at the Hiab manufacturing plant in Sweden were completely reorganised to improve delivery accuracy and shorten the time for order fulfilment.

The design of the new LHD Multilift demountable combines innovative product features with savings that result in cost-to-design.

Demountables

The demountable load-handling systems produce hook lifts, cable lifts and skiploaders. The products are sold under the brand names Multilift and LeeBur in some 30 countries – Scandinavia, Germany, Great Britain, the Netherlands, Belgium, France and Spain being the main markets. The LeeBur brand has a leading position in the Netrherlands and Belgium, whereas Multilift is the market leader in Scandinavia and Great Britain. Globally, these brands represent the widest product range in the field. The customers are principally waste-treatment companies, private truck owners and national defence ministries.

A special unit, Government Business Operations (GBO), designs, develops and supplies hydraulic lifting equipment for military combat support and logistic vehicles. It is a clear leader in its field. Today GBO has a total of 7,000 units working daily worldwide in some 20 countries. United Nations operations are increasingly utilising Partek Cargotec equipment.

Net sales of the product line were FIM 293 (250) million. Multilift's new LHD series, which was launched in 1997, was well received by the market and the range will be completed in 1999.

Hiab's modern technology cranes are created from innovations that are designed to provide operators with efficient, reliable and safe working environment.

Waste handling

The Waste handling product line produces Norba brand name equipment for collection of waste and recycling material. Norba truck-mounted refuse collection equipment is sold in Europe where it has a 12 percent market share. It has a dominant position in Scandinavia and an improving position in Great Britain. Key customers include waste-treatment companies, municipalities and authorities.

Net sales of the product line were FIM 215 (243) million. Norba launched a completely new rear loader product programme at the end of 1998. It also was the first Partek company to attain the ISO 14001 environmental management certificate and EMAS registration. Norba is focusing on improving its order fulfilment process between the customer, sales company and the production plant.

Components and other

The component product line includes Nummi tipping gears and cylinders, Focolift tail-lifts, Sisu Axles and the representation of truck-mountable Moffett forklifts. Approximately half of the sales are to other Partek units. The other half is sold outside the group to truck body builders and manufacturers as well as to the truck industry. The products have a strong market position in Scandinavia and are also has sold in other European countries.

Net sales of the product line in 1998 were FIM 405 (307) million. Nummi and Focolift received the ISO 14001 environmental management certificates. The units are focusing on improving their order to delivery processes.

Prospects 1999

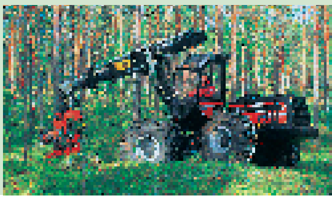
Demand is expected to remain at the 1998 level. Although European economic growth is expected to slow slightly in 1999, the registrations of new trucks are expected to remain at almost 1998 levels. In the U.S., expectations are cautious as the market has had several years of growth. No significant changes in Asia are expected in 1999. Load handling will continue focusing on R&D and on improving internal efficiency.

The development and design of core components, such as control systems play an important role in maintaining Hiab's leading position worldwide.

Cutting-edge technology for far-sighted forest management.

Kenny Paterson
Sales Engineer
Partek Forest Ltd.

"The woodland behind me is owned by the U.K. Forestry Commission, a major customer for us. The client has strong environmental demands, and our Valmet forest machines fit perfectly in that approach. The Valmet machines are also at home in Scotland's hilly and steep terrain, putting less load on both the environment and the forest machine operator."



Partek's Forest Machines business area, Partek Forest, designs and produces efficient, environment-friendly and ergonomic harvesting machines and equipment. The products are used for thinnings and fellings according to the efficient Scandinavian cut-to-length method, which takes the environment into consideration. The felling machine, i.e. harvester, fells, delimbs and cuts trunks to size for a pre-determined purpose. The assorted trunks are transported by forwarders from the forest to the side of the road. Damage to the undergrowth and standing crop is kept to a minimum, and the quality of the timber remains good. The cut-to-length method accounts for a quarter of the world's mechanical fellings. In North America the figure is just below 10 percent.

The product lines are: harvesters, forwarders, harvesting heads and forest cranes*.

Valmet is one of the leading harvester, harvesting equipment and forwarder brands in the world. Loglift and Jonsered are the leading crane brands, and are used in forest machines and timber vehicles. The main customers for the forest machines are independent operators, and forest companies in some countries.

Demand for the products is affected by the price expectations for pulp and sawn goods, paper consumption and the expansion of the cut-to-length method in North America.

The forest machines are produced in Sweden, the U.S. and Brazil. The forest cranes are manufactured in Finland and Sweden. Partek Forest has sales companies in Finland, Norway, Great Britain, Germany, Australia and Brazil. In other countries the company is represented by dealers.

Hans Eliasson, b. 1945
President, Partek Forest AB
Employed at Partek Forest AB since 1991
Shareholding: 2 000
Options: 20 000

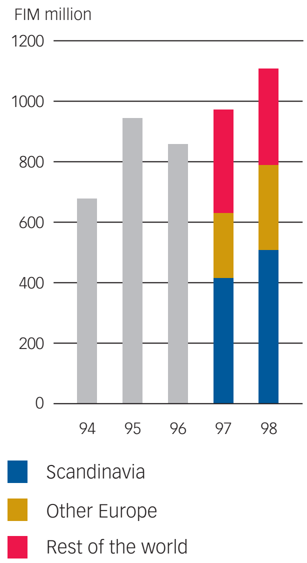
Key figures	**1998**	1997	Change %
Net sales, FIM million	**1 104**	969	14
Operating profit, FIM million	**79**	78	1
- as percentage of net sales	**7**	8	
Capital employed, average, FIM million	**417**	416	0
- ROC, %	**20**	20	
Investment, FIM million	**12**	9	33
Depreciation, FIM million	**19**	19	2
Personnel, December 31	**736**	710	4
R&D expenses, FIM million	**23**	21	10
R&D personnel	**41**	30	37

	Staff, average	
	1998	1997
Scandinavia	**473**	421
Other EU	**34**	32
Rest of the world	**235**	211
Total	**742**	664

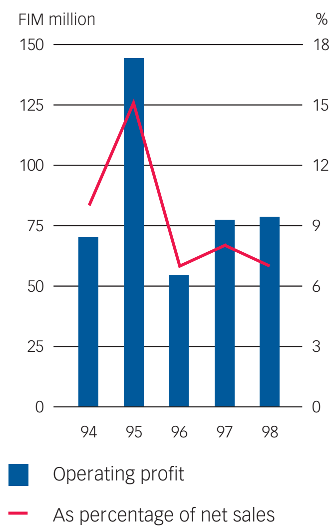
Net sales by market, FIM million	**1998**	**%**
Finland	**202**	**18**
Sweden	**249**	**23**
Other EU	**198**	**18**
Other Europe	**142**	**13**
North America	**136**	**12**
South America	**63**	**6**
Asia	**3**	**0**
Other	**111**	**10**
Total	**1 104**	**100**

* Forest cranes became part of the Forest Machines business area on January 1, 1999. Information about them can be found in the Forest Machines section even though they are included in Cargo handling's 1998 figures on page 19.

Net sales



Operating profit



- Sales growth through the new Valmet 921 harvester.
- Many new timber cranes were introduced.
- There are several uncertainty factors concerning the development of demand for forest machines.

Profit Development

Forest Machines' operating result for 1998 was FIM 79[1)] (1997: 78) million. Tougher competition cuts margins, even though demand increased. Net sales rose 14 percent, totalling FIM 1,104 (969) million. Products introduced within the past three years accounted for about 85 percent of sales. Orders received were FIM 1,036 (1,032) million. The order stock decreased at the end of the year and was FIM 88 (31.12.1997: 164) million.

Mechanical harvesting by means of the Scandinavian cut-to-length method became more widespread throughout the world, and the overall market grew. Although economic trends within the forest industry deteriorated during the year and the price of pulp was at a low level, fellings continued and demand for forest machines used in the cut-to-length method continued to be strong.

The worldwide market for forest machines grew clearly in 1998. Partek Forest retained its market share on the world market for cut-to-length forest machines. The market share of harvesters showed a slight increase while that of forwarders eased.

1998 saw the start of sales of the Valmet 921, the world's biggest and most powerful harvester, which was introduced during 1997. The model has been extremely well-received on the market. It dominates the growing segment for powerful harvesters with a market share in excess of 60 percent.

Partek Forest's strong after-sales organisation is a crucial growth factor. The forest machines sector is expected to continue consolidating and demands on after-sales and spare-parts distribution to grow.

Investment in 1998 amounted to FIM 12 (9) million and was targeted principally at improving productivity. Return on capital employed was 20 (20) percent.

Scandinavia

Partek Forest's net sales in Scandinavia totalled FIM 529 (413) million, a growth of 28 percent. Sales increased in Finland and, thanks to the new harvester model Valmet 921, showed a clear upswing also in Sweden and Norway. Scandinavia is the domestic market for forest machine manufacturers, which makes competition particularly tough. No major changes in market shares occurred during the year.

The biggest forest machine exhibition in Finland, Metko, was held in September. More than 10,000 people attended. In a competition between the forest machine manufacturers during the course of the exhibition drivers using the Valmet 901 and 911 harvesters took all the prizes.

[1] Figures do not include forest cranes

Some 60 percent of the operator's time is spent using the crane.

Rest of Europe

Sales also rose in other European countries and totalled FIM 262 (213) million. Sales developed especially well in the Baltic countries. Partek Forest's main markets in central Europe are Germany, Great Britain and France.

North America, Latin America and other markets

Net sales outside Europe fell slightly to FIM 313 (343) million. Economic problems in Asia and Brazil led to general uncertainty and postponement of investment in forest machines. The cut-to-length method accounted for a greater share of the fellings in North America. Price competition remained tough. Efforts to strengthen the sales network continued in the region.

In order to improve competitiveness on the North American market during 1999 the Gladstone plant in the United States will start assembling the new generation of forwarder. The new range is based entirely on the forwarder programme developed by Partek Forest in Sweden.

The unique design of Valmet forest machine guarantees the driver an unobstructed view and an ideal working position.

Forest Cranes

Loglift and Jonsered brand forest cranes are timber truck mounted hydraulic loader cranes. They are also used in forest machines and for handling scrap metal and recycled materials. Loglift's and Jonsered's joint market share in the main markets of Europe is about 60 percent. Growth areas are in North and Latin America.

In 1998 net sales amounted to FIM 437 (416) million. Demand for forestry cranes in Europe grew, which compensated for the decline in Asia. Recycling is developing rapidly and has become a growing market for forest cranes. Three crane models for timber trucks and four models for forest machines were introduced in 1998. Products introduced within the past three years accounted for 70 percent of sales. The product line intends to further improve delivery accuracy and customer satisfaction. A new computerised system for enterprise resource planning was taken into use in 1998.

The 1997 and 1998 figures for Forest Cranes are presented as part of the Cargo Handling business area. Forest Cranes became part of the Forest Machines business area from January 1, 1999.

Prospects for 1999

The price of pulp is expected to reach its lowest level most probably during the first half of the year. There are several uncertainty factors concerning the development of demand for forest machines. The general pessimism and uncertainty caused by the economic crises in Asia and Latin America make it very difficult to predict developments and overall demand in these growth markets.

The Scandinavian cut-to-length method is based on the use of the crane in different phases of the process, which ensures high timber quality.

Toshiharu Arai
Engine Plant Chief
Valtra do Brasil

Competence in satisfying the most demanding requirements.

"Valtra do Brasil S.A., the second biggest tractor manufacturer in South America, is focused on the rapidly expanding high-powered tractors segment, as well as on the manufacturing system based on customers requirements. The technology-driven Valtra Valmet tractors are renowned for their reliability, and the demand for tractors equipped with Sisu Diesel engines has increased very fast in recent years due to their exceptional performance."

Partek's Tractors business area, Valtra, helps farmers and other customers improve productivity and occupational safety by developing and producing high-horsepower, technically advanced tractors mainly for agricultural use. The production of Valtra Valmet tractors is based on a quick, efficient and unique customer-order system, which makes it possible to assemble tractors from modules in accordance with the customer's wishes. The tractors' key components are developed and produced by the company itself.

The operations are divided into three product lines: European tractor production, Latin American tractor production and diesel engines.

Valtra is the sixth-biggest producer on the European market. Valtra Valmet is the leading tractor brand in Scandinavia, the second-most popular in Latin America and the fastest-growing in Europe.

Valtra's customer base consists mainly of farmers, machine operators and local government authorities. Demand for tractors is affected by the world market prices for agricultural products, the development of farmers' total income and the need to raise the efficiency of agricultural production.

The business area produces off-highway diesel engines. Most engines are sold within Partek for tractors, forest machines and container-handling machines, but a growing share goes to other tractor and construction machine manufacturers.

The tractor plants are situated at Suolahti in Finland and Mogi des Cruzes in Brazil, and the diesel engine plant is at Nokia. The tractors are marketed to 70 countries either via the company's own sales network or the 1,300 external dealers. The company has its own sales companies in ten European countries, in Argentina and in Mexico.

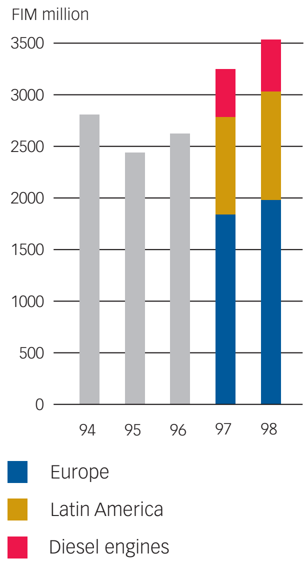
Jouko Tukiainen, b. 1936
M.Sc. (Eng.)
President, Valtra Inc.
Employed at Valtra Inc. since 1991
Shareholding: 450
Options: 20 000

Key figures	**1998**	1997	Change %
Net sales, FIM million	**3 541**	3 245	9
Operating profit, FIM million	**167**	203	-18
- as percentage of net sales	**5**	6	
Capital employed, average, FIM million	**1 349**	1 190	13
- ROC, %	**16**	20	
Investment, FIM million	**89**	58	53
Depreciation, FIM million	**56**	54	4
Personnel, December 31	**2 405**	2 357	2
R&D expenses, FIM million	**48**	36	33
R&D personnel	**102**	91	12

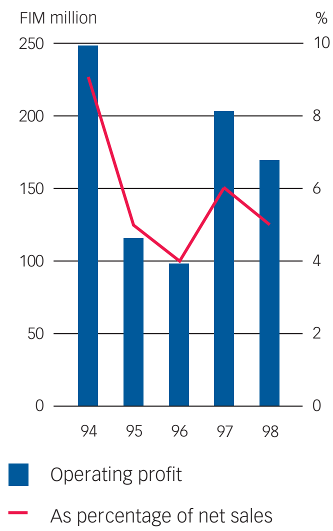
	Net sales, FIM million		**Staff, average**	
	1998	1997	**1998**	1997
Europe	**2 202**	2 041	**930**	861
Latin America	**1 146**	1 025	**929**	853
Diesel engines	**558**	515	**594**	545
- interdivisional	**-365**	-336		
Total	**3 541**	3 245	**2 453**	2 259

Net sales by market, FIM million	**1998**	%
Finland	**932**	**26**
Sweden	**275**	**8**
Other EU	**928**	**26**
Other Europe	**224**	**6**
North America	**65**	**2**
South America	**1 092**	**31**
Asia	**13**	**0**
Other countries	**12**	**0**
Total	**3 541**	**100**

Net sales



Operating profit



- Production rose10 percent to 15,400 tractors. Market share in Scandinavia was 29 percent and in Brazil 28 percent.
- Significant R&D investment in the new HiTech models.
- Demand for tractors is expected to weaken in Europe, but Valmet believes it can continue increasing its market share.

Profit Development

Tractors' operating result for 1998 fell by 18 percent from the previous year to FIM 167 million (1997: 203) million. The decrease was mainly the result of the drop in demand caused by uncertainty in the Brazilian economy and the lower price level at the end of the year. Net sales rose 9 percent, totalling FIM 3,541 (3,245) million. Models launched in the market during the past three years accounted for more than 50 percent of net sales. Orders received rose by 6 percent to FIM 3,551 (3,347) million. The order stock at year-end was at the same level as a year earlier, amounting to FIM 337 (31.12.1997: 341) million.

The world market for tractors shrank by 5 percent from last year. The Brazilian market grew until September, but contracted at the end of the year. However, the Brazilian market still expanded over the previous year by 15 percent to more than 18,000 tractors. The most important reason for the global decrease in demand was the collapse of exports of agricultural products from the United States caused by the Asian crisis and the subsequent drop in farmers' income. The world's four biggest agricultural-machine manufacturers reduced their tractor production by 10 percent between September and December. Despite lower production tractor stocks grew, and tractors were sold at reduced prices also in Europe.

Valtra strengthened its market position in Scandinavia and Latin America in 1998. Production rose by 10 percent over the previous year, but the economic downward trend was seen in shortened delivery times in November and December. Altogether Valtra manufactured 15,413 (14,002) tractors. Valtra had no tractors in stock as it manufactures tractors mainly on a customer-order basis in Europe. A total of 18,200 diesel engines were produced, which was 6 percent more than in 1997.

Investment increased over the previous year and was FIM 89 (58) million. Most of it was targeted at measures to improve productivity. At the diesel engine plant investment in new machinery will reduce bottlenecks that have appeared in the production of cylinder heads and engine blocks.

Return on capital employed fell to 16 (20) percent. The project to reduce the working capital at Valtra's sales companies continued during 1998. The possibility of purchasing inexpensive components in India was examined with Eicher Tractors, which produces Valtra tractors under licence in India. At the moment, the Suolahti plant produces about 35 percent of its own components, and the use of components produced by subcontractors is on the increase.

The sales and distribution organisation was expanded with strong dealers in Germany and Great Britain, when Valtra started marketing co-operation at the dealer level with the German company Claas KgaA, which is the leading manufacturer of combine harvesters in Europe. Valtra's new corporate profile and brand name were introduced in the sales companies.

Considerable research and development investment was focused on developing the new

Valtra focuses on high horsepower tractors. Most of the technical features are Valtra's own innovations.

HiTech range of models launched in October. HiTech tractors are meant for professional farmers who are investing in order to achieve better competitiveness. These tractors have an advanced, computer-controlled forward/reverse shuttle and transmission. Valtra also invested in designing a big 260 horsepower model. Valtra and the German company Zahnradfabrik Passau GmbH (ZF) made an agreement about the development and delivery of power transmissions for tractors exceeding 200 horsepower.

The computer-controlled HiTech forward/ reverse shuttle is an example of Valtra's customer-responsive product development. The driver selects the direction with the joystick.

Europe

Net sales of Valtra's European tractor operations were FIM 2,202 (2,041) million. 8,423 (7,990) tractors were manufactured in Finland i.e. 5 percent more than in the previous year. Valtra strengthened its position in the Scandinavian and central European markets. Even though tractor sales in Scandinavia contracted by 12 percent, Valtra's sales rose and its market share increased from 26 to 29 percent. The market in Finland shrank by 7 percent, but Valtra retained its market share at 42 percent. Of the biggest European markets France, Germany and Spain developed well. Valtra has an 8 percent market share in Europe of tractors with over 70 horsepower. Valtra started exporting tractors from Finland to the United States.

The Finnish sales network was awarded the ISO 9002 quality system certificate.

Latin America

Net sales totalled FIM 1,146 (1,025) million and the operating result was positive. Production rose by more than 16 percent to 6,990 (6,012) tractors. Valtra's market share on the main market in Brazil increased by one percentage point to 28 percent. A quarter of the production was exported to other Latin American countries. In Brazil improved models in the 85 to 170 horsepower class and the global M100 range, which is produced both in Finland and Brazil, were introduced. The latter will be used as the basis for the next generation of tractors under 85 horsepower in Brazil.

Pressures to devalue the Brazilian currency, the real, grew at the end of the year, and in January 1999 it was devalued by more than 30 percent. The high interest rates during the entire autumn reduced tractor sales drastically. In order to adjust production to the lower demand, the number of personnel at the Brazilian plant was reduced by more than one hundred around the turn of the year. A total of FIM 26 million was invested in increasing production efficiency.

Diesel engines

Net sales by the diesel engine operations were FIM 558 (515) million. Production grew by 6 percent to 18,200 units. The plant delivers diesel engines not only for tractors produced by Valtra in Finland and Brazil, but also for other Partek units, such as forest machines and straddle carriers, and for many external manufacturers of tractors and construction machines. The number of external customers increased, but the deterioration in the tractor market at the end of the year reduced deliveries.

Valtra develops the core components, for example, the transmission.

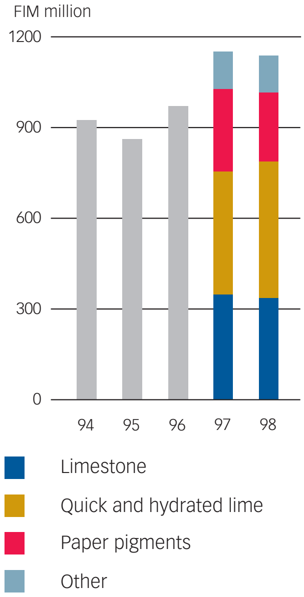
Prospects

Overall demand for tractors is expected to fall in Europe in 1999, but Valtra believes it will be able to continue increasing its market share in the segment of powerful tractors, thanks to the new models and its dealer network, which is becoming stronger.

In Latin America uncertainty about economic developments in Brazil may lead to a contraction in demand over the whole region. Lower interest rates and improving export opportunities for agricultural products are expected to have a positive effect on the demand for tractors in Brazil in the long term.

Lime

Net sales



Partek's Lime business area, Partek Nordkalk, produces limestone-based products for industry, agriculture and environmental management. Partek Nordkalk's growth is based on its own raw material deposits, geological know-how, the customer-responsive development of products and applications, and the constant improvement of its own production processes. The industrial uses for lime are increasing continuously.

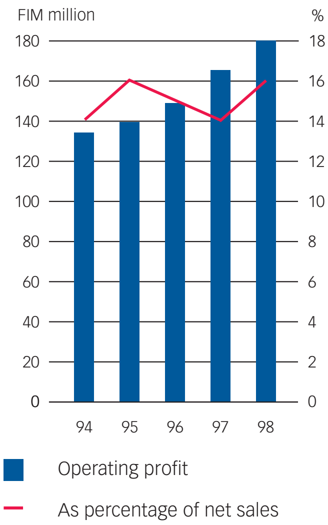
The operations are divided into three product groups: crushed and ground lime, quick and hydrated lime, and paper pigments.

Partek Nordkalk is the leading producer of limestone-based products in northern Europe. The products are marketed under the Nordkalk brand name. The domestic market is Finland and Sweden, while growth is being sought in the Baltic countries and Poland.

The most important customers are the steel, pulp and paper, and building-materials industries. Lime is used by the steel industry to remove slag. The paper industry uses it as a filling and coating agent. Suomen Karbonaatti Oy, which Partek Nordkalk owns jointly with the Swiss company Plüss-Staufer AG, produces paper pigment for the Finnish paper industry. In agriculture limestone products are used mainly as a soil improvement agent and in environmental care for purification processes and the treatment and supply of water. The diversity of the customer base evens out cyclical fluctuations. The demand for products reacts to customer's production volumes and running times.

Partek Nordkalk has quarries and production plants in 10 localities in Finland, one in Sweden, three in Estonia and two in Poland. The biggest deposits in Finland are at Pargas and Lappeenranta and in Sweden on the island of Gotland. In addition, Partek Nordkalk's associated companies are the quartz and feldspar company SP Minerals Oy Ab and the Norwegian Verdalskalk AS.

Operating profit



Key figures	1998	1997	Change %
Net sales, FIM million	**1 137**	1 150	-1
Operating profit, FIM million	**180**	165	9
- as percentage of net sales	**16**	14	
Capital employed, average, FIM million	**945**	841	12
- ROC, %	**19**	20	
Investment, FIM million	**237**	142	67
Depreciation, FIM million	**84**	84	0
Personnel, December 31	**1 082**	1 010	7
R&D expenses, FIM million	**18**	18	0
R&D personnel	**44**	43	2

	Net sales, FIM million		Staff, average	
Product groups	**1998**	1997	**1998**	1997
Limestone	**770**	812		
Quick and hydrated lime	**436**	395		
Other minerals	**75**	74		
- interdivisional	**-144**	-131		
Total	**1 137**	1 150	**1 075**	1 062

Net sales by market, FIM million	1998	%
Finland	**760**	**67**
Sweden	**290**	**26**
Other EU	**45**	**4**
Other Europe	**38**	**3**
Asia	**2**	**0**
Other countries	**2**	**0**
Total	**1 137**	**100**

Profit Development

The 1998 operating result for Partek Nordkalk was FIM 180 (1997: 165) million. This includes one-off items amounting to FIM + 16 million. Net sales for the business area was FIM 1 137 (1 150) million.

Sales of limestone-based products remained at the same level as in the preceding year, but the market fluctuated. Sales to the largest customer groups - paper, pulp and steel - developed favourably in the early part of the year. However, the decline in production in paper and steel industries, the poor summer in agriculture and the economic crisis in Russia led to a drop in demand later during the year. Competition sharpened during the course of the year in a number of markets.

Investment amounted to FIM 237 (142) million. The largest item, FIM 70 million, was in Tytyri, Finland, where construction of the new lime kiln was completed. Other investment included raising production capacity in Lappeenranta, Finland, and in Luleå, Sweden, and new grinding plants at Kokkola and Pargas, Finland, and Sczeczin in Poland.

Partek Nordkalk's holding of SP Minerals shares, which manufactures industrial minerals, was reduced to 50 percent. The company is now consolidated as an associated company. The deal released a capital gain, which is included in the operative result.

Return on capital employed was 19 (20) percent. Economies of scale were obtained, among others, through comprehensive purchasing contracts concerning energy and transports, and through internal measures to make production processes and exploitation of raw materials more efficient.

The works in Lappeenranta received ISO 14001 certificates. The development of quality and environmental systems in the business area continues.

During the year Partek Nordkalk further strengthened its position in the Baltic countries and Poland. In Estonia, the remaining shares in Rakke Lubjatehase A/S were acquired. Partek has held a minority holding in the company since 1997. In Poland, a long-term agreement was concluded on the supply of ground products for flue-gas cleaning at a coal-fired power plant close to Szczecin. Partek Nordkalk also decided to invest in a grinding plant in Szczecin. Sales offices were opened in Tallinn and Warsaw.

Christer Sundström, b. 1943
M.Sc. (Chem.)
President, Partek Nordkalk Oy Ab,
Employed at Partek since 1974
Shareholding: 1 750
Options: 20 000

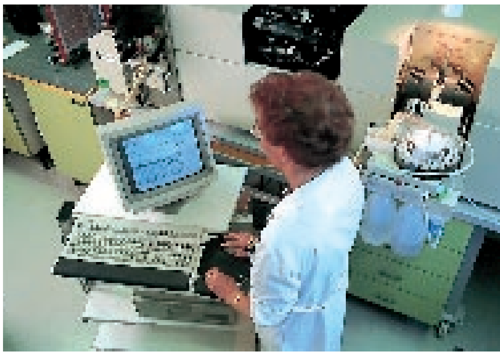
- Partek Nordkalk strengthened its position in the Baltics and in Poland.
- A new lime kiln was completed in Tytyri, Finland.
- Sales are expected to grow somewhat in 1999.

Customer segments

Industry. The largest customers are the paper, pulp and steel industries. Other key customers are the construction, chemical and metallurgical industries. Sales to industry accounted for 78 percent of total net sales in 1998. The decline in the steel, paper and pulp industries as well as the decreased export of building materials to Russia, led to falling demand towards year-end.

Agriculture. In agriculture, ground products are used primarily for soil-improvement. Sales to agriculture accounted for 12 percent of total sales in 1998. Demand for agricultural lime fell in the latter half and the third quarter of the year; the wet autumn weather meant that autumn liming operations had to be abandoned almost completely.

Environment. In environmental conservation crushed and ground lime products are used for flue-gas cleaning, for treatment of both drinking and waste water, and for environmental liming. Sales for environmental conservation accounted for 10 percent of total sales in 1998.



Customers have increasingly higher quality requirements on limestone based products. Partek Nordkalk develops its products continuously and produces new applications in co-operation with customers.

Prospects

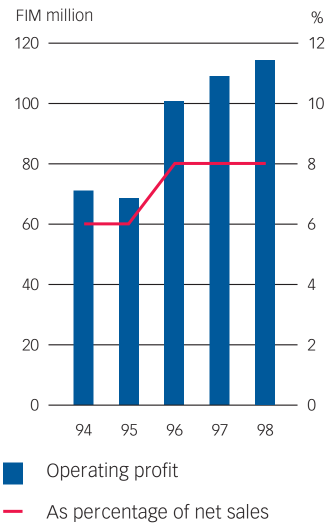
Sales are expected to rise somewhat during 1999. At the same time competition in northern Europe will sharpen. Trends in the steel, paper and pulp industries are expected to have a negative impact on the demand for lime. Lime-based paper pigment will strengthen its overall position in the paper industry. Market trends in the construction industry are expected to remain favourable. There exists an accumulated need for agricultural lime in 1999.

Other Business Activities

Peder Biese, b. 1950
M.Sc. (Econ.)
President, Partek Insulation AB
Employed at Partek since 1973
Shareholding: –
Options: 20 000

- Partek is negotiating the sale of its majority holding in Insulation.
- Operating profits rose despite start-up costs of the Polish plant weighing on the result.
- Construction activity and the sale of insulation are expected to grow.

Operating profit



The Group has activities, which operationally or geographically are outside Partek's strategic focus. Partek intends to free capital from these operations in order to develop the core businesses.

Insulation

Partek's Insulation business area, Partek Insulation, produces rockwool-based insulation products for heat, cold, acoustic and fire insulation for buildings and industrial plants and processes. The operations are based on customer-responsiveness, internationally competitive production technology and know-how in insulation techniques.

Partek Insulation is the leading producer of rockwool-based insulation in northern Europe. The company produces rockwool building insulation, technical insulation and Paroc building panels. The brand name is Paroc, except in Sweden, where the name Rockwool is used.

The market for building-insulation materials is principally in the Baltic region. Technical insulation and building panels are exported to other parts of Europe. Insulation technology is sold throughout the world.

The customers are mainly building-materials companies, building contractors, private house builders and installation companies and the shipbuilding industry. The demand for insulation follows building construction volumes and investment by industry in production plants.

Partek Insulation has production plants at three localities in Sweden, three in Finland, one in Lithuania and one in Poland. There are sales companies in Norway, Denmark, Germany, Estonia, Latvia, Poland and Russia. The company has representations in Belgium, Belarus and the Ukraine. Partek Insulation also has a minority share in Rockwool Ecoprim AB in Sweden, Paroc Panel System (UK) Ltd in Great Britain and in Steinullarverksmidjan, which produces and sells rockwool in Iceland.

Key figures, Insulation	1998	1997	Change %
Net sales, FIM million	1 400	1 283	9
Operating profit, FIM million	114	108	6
- as percentage of net sales	8	8	
Capital employed average, FIM million	550	524	5
- ROC, %	20	22	
Investment, FIM million	101	78	29
Depreciation, FIM million	57	47	21
Personnel, December 31	1 640	1 517	8
R&D expenses, FIM million	50	43	16
R&D Personnel	107	89	20

	Net sales, FIM million		Staff, average	
Product lines	1998	1997	1998	1997
Building insulation	829	736	987	911
Technical insulation	328	330	397	395
Panel System	237	180	133	117
Others	6	37	103	227
Total	1 400	1 283	1 620	1 650

Net sales by market, FIM million	1998	%
Finland	491	35
Sweden	380	27
Other EU	260	19
Other Europe	263	19
Asia	5	0
Other	1	0
Total	1 400	100

Profit Development

The operating result was FIM 114 (1997: 108) million. The figures for 1997 include one-off items amounting to FIM + 15 million. At the beginning of 1998 profits suffered from start-up costs in Poland. Net sales by the business area amounted to FIM 1 400 (1 283) million, an increase of 8 percent.

Construction volumes increased in Finland in 1998 by 15 percent and in Sweden by 5 percent. Industrial investment in Finland was at the same level as in the preceding year but declined somewhat in Sweden. In the Baltic countries and Poland construction activity continued to increase. In Russia, on the other hand, it fell sharply towards year-end.

Sales increased in Finland, the Baltic countries and Poland. Sales in Sweden also rose somewhat. In Russia sales fell during the second half of the year.

Investment during the year amounted to FIM 101 (78) million and included acquisitions of new technology at Hällekis and Skövde, Sweden. The modernised production line in Lappeenranta, Finland, was taken into use in the spring.

In March 1998 Partek Insulation reached an agreement on the acquisition of rockwool production facilities at Trzemeszno, Poland. Production started in April. During the year, the financial basis of the activities was broadened. Partek Insulation owns 48 percent of the operations while Finnfund, Nefco and IFC act as partners with a combined shareholding of 52 percent.

Return on capital employed was 20 (22) percent. During the year considerable savings were achieved, among other in the areas of energy, raw materials and transport purchasing .

During the year all factories in Finland and Sweden have taken a new fibre into use, see Partek's policies, page 39.

Preparations for certification in accordance with the international standard ISO 14001 are in progress.

At the end of 1998 Partek announced that it was holding negotiations with the Swedish company Industri Kapital on the sale of Partek's majority shareholding in the insulation operations to the Industri Kapital 1997 fund and to the management of Partek Insulation. This move would leave Partek with a holding amounting to 40-45 percent.

Development according to product group

Building Insulation. Building Insulation manufactures insulation products for all types of buildings. The principal customers are wholesalers, building contractors and manufacturers of small houses primarily in Sweden, Finland, the Baltic countries and Poland. Sales by Building Insulation amounted to FIM 829 (736) million.

Technical Insulation. Technical Insulation manufactures insulation products for lighting, heating and air-conditioning systems, different industrial processes, machinery and ships. The principal customers are the process industry, the construction industry and shipyards in Scandinavia and Central Europe. Sales by Technical Insulation amounted to FIM 328 (330) million.

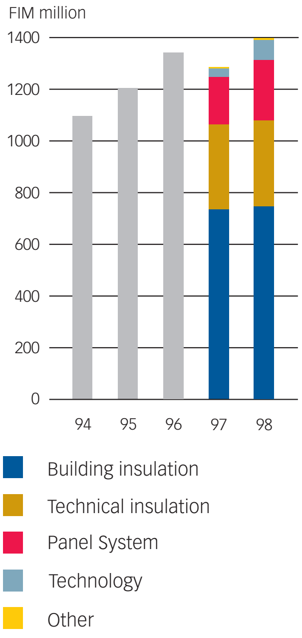
Panel Systems. Panel Systems manufacture lightweight, fireproof panels for non-residential buildings. The food processing industry in Europe is the largest single customer. Sales by Panel Systems increased by 37 percent to FIM 237 (180) million.

Prospects

The construction industry in Europe is expected to expand somewhat in 1999 but price competition remains keen. Sales are expected to increase for Building Insulation in all markets, for Technical insulation in export markets and for Panel Systems in western Europe.

Partek Insulation intends to further improve its internal efficiency by improved process thinking and continuing development of purchasing, organisation and competence.

Net sales



Paroc Panels are strong, fire-proof and lightweight building elements for non-residential buildings. The product gives architectural freedom while meeting high technical and safety standards.

Trucks

Oy Sisu Auto Ab designs and produces trucks that are over 16 tons. RS Hansa Auto Oy, which Renault V.I. and Partek own jointly, is responsible for sales and servicing of Sisu and Renault trucks in Finland, the Baltic countries and Russia.

During 1998 Sisu Auto sold 462 (371) Sisu trucks. Net sales amounted to FIM 353 (346) million. Net sales increased less than the sales volume because Hansa Auto was operating throughout the entire accounting period for the first time. The operating result was FIM -9 (31) million. RS Hansa Oy was operating at a slight loss.

Real estate

Cellit Oy Ab is a Partek subsidiary that owns real estate, which is located in Finland and not part of Partek's business operations. The company manages this real estate and improves its yield by selling and leasing it. Cellit's net sales were FIM 51 (35) million and the operating result FIM 29 (6) million. The balance sheet value of the property owned by the Cellit Group at the end of the year was FIM 122 (137) million.

Cellit also manages property that Partek owns and is not part of the actual business operations. Its balance sheet value at the end of the year was FIM 145 million. The holdings include real estate in Belgium.

Associated companies

Addtek International Oy Ab is a European group that manufactures and markets precast concrete. Partek owns 39.8 percent of it. The company has subsidiaries in Sweden, the Netherlands, Norway, Germany and Estonia. In Finland Addtek owns half of Parma Betonila Oy, 50 percent of whose result and balance sheet has been consolidated in Addtek's year-end accounts. Addtek's sales totalled FIM 2,628 (2,360) million, the operating result was FIM 218 (149 proforma) million and the net profit FIM 112 (72 proforma) million. The value of the holding in Addtek in the Group balance sheet is FIM 252 million.

Partek owns 50 percent of Parma Metals, which produces ships' cabins, bathroom elements and fire-doors. The company's net sales were FIM 139 (109) million and the operations just showed a profit.

Minority interests

Partek owns 6.1 percent of the property investment company the Polar Group directly and 5.1 percent indirectly through Cervuctum Oy, in total 11.2 percent.

Continuous improvement in competence gives Partek a core competitive advantage.

Partek's operating principles

Partek's operations are guided by policies that cover areas such as personnel, risk management, the environment and communications. These principles are the attitude and expression of how Partek operates in relation to its environment. The policies are united by the endeavour to operate responsibly and observe a high ethical level, regardless of whether the subject matter is the environment, human beings or products.

Personnel

The task of personnel administration is to be active in supporting Partek's business strategy through its measures. The values associated with the personnel create a common base for the operations. These require each Partek employee to have a high level of professionalism, the readiness to change and flexibility as well as commitment to the company and to satisfying customers' needs.

The principles of the achievement programme followed at Partek include knowing one's own targets, feedback on work performance and personal rewards in addition to developing knowledge and skills.

Working preconditions

At the end of 1998 Partek initiated a survey covering the entire personnel with the intention of identifying the personnel's views and suggestions for developing their own work, the workplace and the entire organisation. The results of the survey will be utilised for the logical and long-term development of operations and working conditions.

In addition to occupational health and work safety, full attention has been paid to activities that sustain the ability to work and to the personnel's work stamina. Occupational health care, personnel administration and the entire organisation have to co-operate closely in order to cover every aspect of sustaining the ability to work.

Co-operation and commitment

Partek uses a participation system that has been developed and negotiated with the personnel. Also new personnel who have joined Partek by way of restructuring and corporate acquisitions have been active in influencing the system.

The system covers co-operation and participation by the personnel inside the business areas, and Group co-operation separately in Finland, Sweden and at the European level. The new system continues Partek's long tradition of co-operation, which has provided good results.

In order to promote commitment and the achievement of set result targets Partek constantly develops the salary and incentive schemes both at the Group level and within the business areas, as well as at the individual level. In 1998 the development of an incentive system for the entire personnel was started.

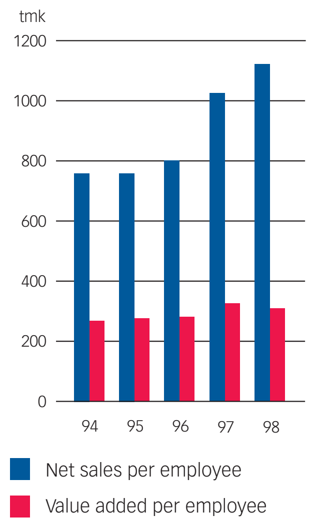
The average wage for a Partek employee in 1998 was FIM 216,000 (1997: 217,000). The value added per person was FIM 310,000 (325,000).

Developing know-how

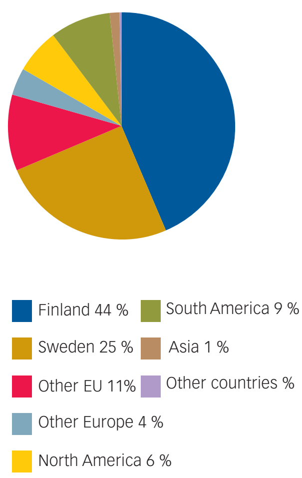
Partek invests in developing professionalism and know-how and also in constantly improving operations. The basic principle is that the business areas are responsible for the development and training of their own personnel. The Group is responsible for the centralised development of management resources and the young talents of the future.

The defining and analysing of core processes and areas of know-how are the basis for constructing the strategies to develop know-how. The main tools at the Group level for monitoring and developing the key know-how of personnel resources are the Management Review and Partek Assessment Center. The business areas and Group Administration use the Management Review annually to chart their key personnel and the young talents of the future and their development needs. At the Group level special attention is paid to job rotation, which can improve learning and enhance experience and influence the readiness to change, flexibility and age structure. Partek Assessment Center maps out the growth potential and special know-how to be found inside Partek and determines the participants' personal areas for development. In 1998 36 people took part in the Partek Assessment Center.

Net sales and value added per employee



Personnel by market



Middle management, younger staff in positions of authority and specialists are the focus of the Partek Competence programme. It offers the participants possibilities to develop their international management and specialist skills and is aimed at developing their leadership skills. In 1998 170 Partek employees from all the business areas took part in the programme's seminars.

The purpose of the Partek Leadership programme for senior management is to concentrate on sharpening up the management skills needed in a continuously changing international operating environment and on developing the management culture.

The main learning and discussion forum for management is the annual Management Meeting. The meeting was held in Stockholm in October. Its theme was Excellence in Operations, and it laid particular stress on managing IT and processes and on increasing co-operation and integration between the business areas. In total 130 managers from various Group units all over the world took part in the Management Meeting.

Global sourcing is a Group project aimed at improving the profitability of Partek's business operations. A training programme for the purchasing staff was implemented in 1998 in order to develop purchasing know-how. Training was focused on developing basic knowledge and skills associated with purchasing and negotiation skills in English as part of the purchasing project. Thirty purchasing managers and buyers from different units took part in the training.

Health and safety

Work safety, occupational health and measures sustaining the ability to work form one unit that is designed to look after the personnel's safety, health and work capacity. For each sub-area the business units draw up an annual operating plan according to a general guiding principle at the Group level. The reporting and monitoring of information about occupational accidents has been unified for operations in Finland. All companies are given similar reports that include summaries of accident causes and the type of injury as well as the general key data. This makes it easier to target preventive measures in work safety.

The lime operations monitor, in particular, impurities caused by dust and the engineering industry monitors impurities caused by solvents, dust and vapours. In order to draw up programmes assessing and preventing the dangers caused by factors that have a negative effect on work hygiene some units have tested specially developed computer-based models. The engineering industry has charted the usage of di-isocyanides, the welding of a painted surface and the usage and monitoring of cutting fluids. The charting has been used to make plans for steps to assess the detrimental effects more precisely and prevent them more effectively.

The lime operations are at present developing a computer-based register for mineral exposure substances. Its usage has been tested at the Pargas plant. The register records information about the substances and work-hygiene monitoring for assessing risks.

Risk management

In environmental matters Partek is committed to the International Chamber of Commerce's charter in order to achieve sustainable development. The principles and issues relating to the handling of environmental matters are guided by the Group's environmental policy, which lays down the guidelines and aims for handling environmental matters consistently.

Partek's risk management forms an entirety that includes environmental as well as health and safety matters. Financial risk management is disucussed on page 67.

The starting point is systematic, continuous and preventive activities in order to identify and control risks that threaten the business activities. These risks can be injuries to human beings, operational losses, liability losses and damage to the environment that threaten units or outside parties and which can be the result of units' products or operations.

The aim of risk management is to minimize losses and costs caused by risks. In addition the objective is to create a management method that handles the matters included in risk management in a safety-conscious and comprehensive manner so that risk management is part of the company's everyday management.

The general principles concerning risk management have been defined in the revised environmental and risk management policies, which are approved by the Board that came into effect on January 1, 1998. The policies are supplemented by general instructions for the operations in Finland. These apply to work safety, occupational health care and activities that sustain the ability to work. During 1998 a safety handbook was drawn up for use by those in managerial and supervisory positions in the units, its purpose being to act as a general model and tool in

In honour of its centenary on November 26,1998 Partek undertook the liming of the acidified Alisenjärvi lake system in Nokia, central Finland for one hundred years. The water system is known, among other, as a nesting area for loons. The project's steering group consists of representatives for Partek, Partek Nordkalk, the City of Nokia and the Pirkanmaa environment centre.

work-safety matters in the units and so ensure the implementation of Partek's work-protection principles.

In order to ensure continuity and development the Group uses a risk-management process that includes risk assessments, measures to control risks and solutions for financing risks in the form of programmes that cover the entire Group for the main types of risk. An important part of the process includes inspections performed by external parties. These inspections go through different risk areas on a plant-by-plant basis using a standardized method. The present position of a plant is evaluated on the basis of the inspection, and recommendations are made to improve loss prevention. The plants prepare their own measures. New forms of inspection were started during 1998. In all, inspections were carried out at 13 plants during the year. An important part of the inspections is a report mapping out the consequential-loss risks and dependency arising from internal and external subcontractors as well as the risks to the technical systems with the onset of the year 2000.

Commitment to the environment

In environmental matters Partek is committed to the International Chamber of Commerce's charter in order to achieve sustainable development. The principles and issues relating to the handling of environmental matters are guided by the Group's environmental policy, which lays down the guidelines and aims for handling environmental matters consistently. Some subsidiaries have set their own policies, which are based on Partek's environmental policy but are more detailed.

To celebrate Partek's one-hundredth anniversary, Partek Nordkalk and the City of Nokia made a one-hundred year agreement to improve the state of the environment. Under the agreement Partek committed itself to neutralising the acidification of the Alisenjärvi lake system at Nokia by using lime and to keep the quality of water at an agreed level until the end of the project i.e the year 2098. Partek will be responsible for the liming measures, material, transportation of lime and the costs of taking water samples throughout the lifetime of the agreement.

Environmental policy and responsibilities

In addition to general principles, Partek's environmental policy deals with values and aims, the constant improvement of environmental efficiency, responsibilities as well as communications concerning environmental matters and cooperation with interest groups. Partek is open and active in handling environmental matters. The company follows the development of environmental rules and regulations and observes the legislation in all the countries where it has activities. The aim is to develop products, production processes and operating methods so that the environmental effects during products' entire life-span are taken into consideration and minimal harm is caused to human beings and the environment.

Partek is open and active in handling environmental matters. The company follows the development of environmental rules and regulations and observes the legislation in all the countries where it has activities.

Responsibility for handling environmental matters in the Partek Group lies with the line organisation. The business areas and subsidiaries are responsible for achieving the targets set by

Partek and the requirements set by legislation. A person responsible for environmental matters has been appointed in every production unit. At the Group level environmental questions are part of the risk management organisation, which operates in close co-operation with the business areas and communications.

The state of environmental matters at Partek

In order to reduce effects on the environment each Partek unit sets its own targets, draws up its programme and determines the relevant key figures for monitoring. At the Group level a study has been made that is the basis for deciding the key data to be used in reporting and monitoring.

Environmental effects of the mineral-based industry are clearly more significant than that of the engineering industry. The greatest environmental effects stem from quarrying, burning and transporting limestone. The Lime and Insulation business areas already conduct monitoring, and they will continue the activities started last year in order to develop environmental systems. Some plants have already received certification for their systems.

In the engineering operations work will continue on determining the key environmental data. The first engineering companies have had their environmental systems certified and at other units development work is continuing.

Number of certified environmental and development projects

	Engineering industry	Lime and Insulation	Total
Certified system	2	1	3
Decision about developing a system	11	21	32
No decision	12	11	23

Engineering industry units. The typical stages in a production process in the engineering industry are welding, machining, surface treatment and assembly. A distinct feature of Partek's engineering industry is that the production plants concentrate on the key stages of a production process such as R&D, assembly and other stages requiring special know-how. The most significant of the environmental effects during a product's entire life-cycle are created at other stages than in their production. For that reason the study of environmental effects at Partek focuses on R&D.

All Partek's engineering products use hydraulics, which is a major potential environmental risk when the machines are in use. In accidents where hydraulic oil pours onto the ground, recovery can be difficult. The aim is to favour biodegradable oils, but their technical qualities are not always adequate. A solution to the problem requires cooperation between the producers of the machines and the oils.

The Container handling business area continued environmental work by drawing up a policy of its own base on Partek's environmental policy. It will be discussed during the spring of 1999.

The construction of environmental management systems will be started at the Lidhult and Tampere plants. Initial surveys will be carried out at the plants during the spring of 1999. Decisions concerning other plants will be taken based on experiences at the Lidhult and Tampere plants.

Kalmar has started up a three-year project the purpose of which is to find procedural methods that will make it possible to take environmental matters into account in development work. People responsible for environmental matters have been appointed from Kalmar's executive team, and their areas of responsibility have been defined. A training programme has been drawn up for environmental matters. Employees will be trained at the plants when an environmental management system is being built. Assessments of the risk at workplaces have shown that the biggest risks for those working in production jobs are linked with noise and welding gases.

In the Load handling business area Norba, which produces technology for refuse-collection vehicles, was the first Partek company to have an environmental system certified. This was in the spring of 1998. The development of existing and new products takes into consideration ergonomics, noise, energy consumption and offensive odours. The development work uses a life-span procedure that assesses the environmental effects of a product from the raw-material stage to recycling. A life-cycle analyses of all new products will be conducted. Greater attention than ever is also being paid to quality and environmental matters at subcontractors. Norba draws up an environmental report every year in line with the EC's EMAS (Eco Management and Audit Scheme) regulation.

Nummi and Focolift, which produce tipping hydraulics and tail-lift equipment, obtained their own certificates immediately after Norba, and they are continuing to implement their environmental programmes. The most important environmental objectives include a reduction in landfill waste and a decrease in amounts of problem waste at the chrome-coating plant together with stricter control over it.

The aim of Multilift, which produces demountable load-handling systems, is to start constructing an environmental system during 1999, and the aim of the Dutch company Leebur is to construct an environmental system in 1999.

Sisu Axles has carried out an environmental survey, and making environmental matters part of the quality system is being looked into.

The Forest machines business area has done an extensive environmental survey of the operations at the Uumaja plant. The purpose of the report is to create a basis for the systematic handling of environmental matters. During 1999 the Gladstone plant in the United States will start assembling a new generation of forwarder that will transfer to mainly using engines manufactured by Sisu Diesel, which comply with the strict emission norms in the U.S.

Cranab, which manufactures timber cranes, has drawn up environmental reports and thorough plans for the construction of an ISO 14001 and EMAS environmental system during 1999.

The Tractors business area has organized the handling of and responsibilities for environmental matters and started the construction of environmental management systems. The development of new engine models in the diesel engine production is guided to a great extent by emission norms in the U.S. (1996) and the EU (1998). As a result of the emission norms, for example, nitrogen emissions (No_x) have been reduced by 20 to 30 percent. The term "the green engine" has become an established concept. It means an engine model that will meet the next emission limits. All the engines in the HiTech range, which was introduced in October 1998, are "green". The commercial significance of the emission norms varies greatly from market to market, and markets that stress strict norms, such as Germany and the USA, are giving a clear lead.

Lime. Partek Nordkalk has created its own environmental policy, which defines the business area's main environmental principles. The policy is used by each unit to draw up individualised environmental objectives. Nordkalk has introduced a monitoring system that covers all the units in Finland and most units in Sweden. The system monitors Nordkalk's main environmental variables, such as raw materials, energy and emissions. In 1998 Nordkalk published its own environmental report. The development of environmental matters was also started at Nordkalk's Estonian and Polish units in 1998.

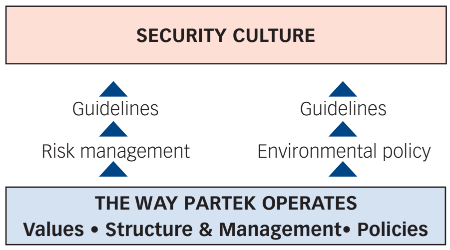
Insulation. At the end of 1997 the EU decided on the classification of synthetic fibres according to their possible health risks. Fibres that have been tested and which quickly enough leave the body were exempt from classification. During 1998 Partek Insulation modified the fibre composition of rockwool. The modified fibre is according to EU directives exempt from classification. During 1998 all plants in Finland and Sweden have started using a new fibre composition.

Following rules and regulations

Internal reporting is used to follow that rules and regulations are being adhered to. Significant discrepancies and exceeding permitted limits are matters that are notified to the authorities. During 1998 no major discrepancies came to light.

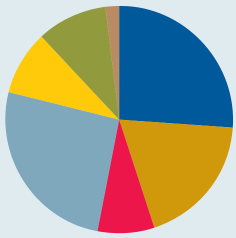
During 1998 a register covering all Partek's mines (about 60) was drawn up. It includes essential information about the mines and mining activities for both closed and operational mines and the persons responsible for them. The purpose of the register is to act as a monitoring tool in overseeing precautionary measures relating to safety such as the state of protective fences and warning signs. In addition, closed mines have been scrutinized in great detail and their present position examined thoroughly. The condition and risks for some mines have been charted in order to identify the risk factors for mining areas, and the means of reducing or eliminating them has been looked into. The surveys that have been carried out have led to an improvement in safety measures and small-scale maintenance at some mines.

The North Savo Environment Centre has continued planning restorative measures for the Paakkila asbestos mine, which was closed down in 1975. Partek has co-operated with the authorities by providing expert help and giving information about the history and geological characteristics of the area it owned. A restoration plan has been made for the area under the leadership of the North Savo Environment Centre, but no steps have yet been taken to implement it.



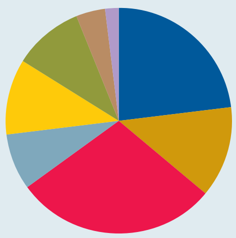
Annual Report of the Board of Directors

Net sales by business area



- Container handling 26 %
- Load handling 19 %
- Forest machines 8 %
- Tractors 26 %
- Lime 9 %
- Insulation 10 %
- Other 2 %

Net sales by market



- Finland 23 %
- Sweden 13 %
- Other EU 29 %
- Other Europe 8 %
- North America 11 %
- South America 10 %
- Asia 4 %
- Other 2 %

The year under review, 1998, saw the centenary of Partek's operations, and many functions and celebrations were held during the year. In honour of the centenary Partek committed itself to taking responsibility for liming the Alisenjärvi lake system in Nokia, which has become acidified, for the next 100 years.

The focal point of the Group's activities in the period under review was the concentration on the engineering industry business areas and improving their profitability. The need to make operations more efficient was increased by the worldwide deterioration in the demand for capital goods that started in the autumn.

The European single currency was introduced at the beginning of 1999. The key figures in this financial statement are given in both FIM and euros. In 1999 the interim reports and end-of-year accounts will be drawn up and published in euros.

Restructuring and financing arrangements to strengthen the Group

The Group is focusing on the engineering industry in line with its strategy. At the same time an independent and stronger profile for the lime operations, Partek Nordkalk, will be created. It was decided in December to make Partek's insulation operations independent. Partek is negotiating the sale of its majority interest in the insulation operations to the Industri Kapital 1997 fund and the company's executive management. Partek will continue to be a shareholder in the company with a 40-45 percent interest. The intention is to sign the final agreement during the first half of 1999.

The Group has other holdings with a book value of FIM 600 million that it will develop with the intention to release capital.

In December Partek made an unconditional bid to the minority shareholders of Kalmar Industries AB, who together own 39 percent of the company's shares and voting rights, to buy their shares at SEK 85 per share. The original bid period, which terminated on February 18, 1999, was extended to March 16, 1999. The initial bid was accepted by 470 shareholders, and their shareholding corresponded to 5.4 percent of Kalmar shares, so Partek's holding in Kalmar rose to 66.4 percent. The total price for the shares was FIM 73 million.

In order to strengthen the capital structure and create the prerequisites for acquisitions and other industrial measures, an extraordinary meeting of Partek shareholders decided on December 30, 1998 to issue a convertible capital loan to the value of FIM 322 million. Demand for the loan was good and it was oversubscribed by 84 percent.

At the same time the extraordinary meeting authorised the Board of Directors to raise the share capital by a rights issue, based on the shareholders' pre-emptive right to subscription, by a maximum of 4.9 million shares i.e. FIM 49 million of share capital.

Net sales and result

Consolidated net sales increased 26 percent to FIM 13.5 (1997: 10.7) billion. Compared with the comparable net sales of 1997 growth was 8 percent.

Consolidated operating profit fell to FIM 678 (726) million, which is 5.0 (6.8) percent of net sales. The profit in the final third of the year was lower than in the year-ago period, reflecting the reversal in the economic trend and, above all, arising from the tractor operations in Brazil. Apart from the tractor operations, all other business areas improved their operating profit over the previous year. The operating result includes FIM +21 (+120) million of non-recurring items.

The operating profit margin of the engineering units was 4.8 (5.3) percent. The consolidated operating profit was encumbered by goodwill write-offs of FIM 75 (44) million arising from the acquisitions of Sisu and Kalmar. The synergy benefits estimated for 1998 from the merger between Sisu and Partek were realised as planned.

Partek's share of the net result of associated companies accounted for FIM 43 (12) million. Of this FIM +44 million came from the 40 percent share of the profit of the precast concrete company Addtek International.

Net sales							
	FIMm		FIMm			Meuro	
	1998	**%**	1997	%	Change %	**1998**	1997
Container handling	**3 550**	**26**	3 126	25	14	**597**	526
Load handling	**2 510**	**19**	2 386	19	5	**422**	401
Forest machines	**1 104**	**8**	969	8	14	**186**	163
Tractors	**3 541**	**26**	3 245	26	9	**596**	546
Engineering units	**10 705**	**79**	9 726 [1]	78	10	**1 801**	1 636
Lime	**1 137**	**9**	1 150	9	-1	**191**	193
Insulation	**1 400**	**10**	1 283	10	9	**235**	216
Other units and eliminations	**295**	**2**	361	3	-18	**50**	61
Acquisitions	**0**		-3 197			**0**	-538
Divestments	**0**		1 421			**0**	239
Partek Group	**13 537**	**100**	10 744	100	26	**2 277**	1 807

[1] proforma 12 months

Of the engineering industry units, Forest Machines, Tractors and Sisu Terminal Systems Oy Ab (now Kalmar Industries Oy Ab), which is part of the Container handling business area, were consolidated into the official figures of the 1997 Income Statement for eight months, whereas Kalmar Industries AB was consolidated from December 31, 1997.

Net financial expenses were FIM 256 (168) million, i.e. 1.9 (1.6) percent of net sales. Exchange rate losses include a provision of FIM 50 million made because of the devaluation of the Brazilian real in January and February 1999. The equity structure of the Brazilian tractor operations was strengthened in September. The balance sheets of the Brazilian subsidiaries have been consolidated in the year-end accounts at the exchange rates on December 31, 1998. The devaluation of the real, therefore, does not appear in the form of a reduction in the equity in the year-end consolidated balance sheet. It has been estimated that the equity will be reduced by about FIM 145 million.

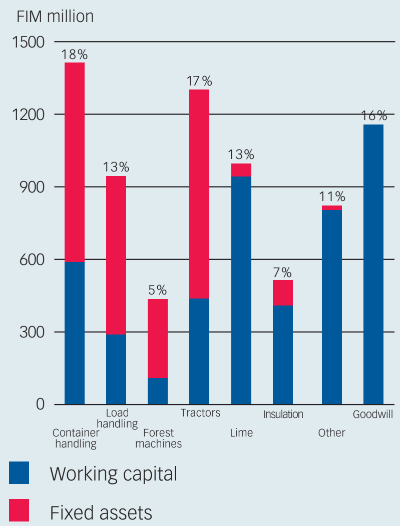
Interest-bearing net debt increased to FIM 2,948 (2,587) million. Consolidated working capital remained almost at the previous year's level, although sales increased, and was FIM 2,534 (2,381) million at year-end. The aim is to further reduce the working capital. Gearing had fallen to 75 (68) percent by the end of the year from 82 percent at end-August, but it has not yet met the target of 50 percent set for it. The equity to total assets ratio was 39.3 (38.5) percent. The Group's target is of a ratio above 40 percent.

Deferred tax liability at the Group level has previously been calculated mainly on untaxed provisions and depreciation differences. Now, the calculation has been redefined to cover also other items that cause temporary differences between book values and taxation. Deferred tax assets and liabilities for previous periods, a net figure of FIM +183 million, are presented as extraordinary income.

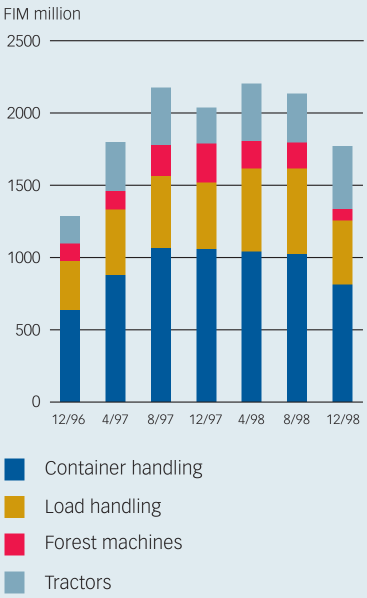
Operating profit and profit after financial items						
	FIMm	**as % of**	FIMm	as % of	Meuro	
	1998	**net sales**	1997	net sales	**1998**	1997
Container handling	**173**	**4.9**	161	5.2	**29**	27
Load handling	**98**	**3.9**	75	3.2	**17**	13
Forest machines	**79**	**7.2**	78	8.0	**13**	13
Tractors	**167**	**4.7**	203	6.3	**28**	34
Engineering units	**517**	**4.8**	517 [2]	5.3	**87**	87 [2]
Lime	**180**	**15.8**	165	14.3	**30**	28
Insulation	**114**	**8.1**	108	8.4	**19**	18
Other units and eliminations	**-58**		45		**-10**	7
Goodwill depreciation on Group level	**-75**		-44		**-12**	-7
Acquisitions	**0**		-156		**0**	-26
Divestments	**0**		91		**0**	15
Partek Group	**678**	**5.0**	726	6.8	**114**	122
Share in associated companies	**43**		12		**7**	2
Net financial costs	**-256** [1]	**-1.9**	-168	-1.6	**-43**	-28
Profit after financial items	**465**	**3.4**	570	5.3	**78**	96

[1] includes a provision of FIM 50 million due to the devaluation of the Brazilian real
[2] proforma 12 months

Capital structure, Dec. 31, 1998



Engineering units, order stock



Earnings per share were FIM 5.26 (8.08) and return on capital employed was 11.1 (14.8) percent. Return on equity was 8.7 (13.1) percent.

Euro

During 1998 a Group project to chart what effects the introduction of the single European currency, the euro, will have on Partek was completed and the necessary adjustment measures were taken. 45 percent of Partek's net sales are generated in the euro area and 52 percent of the personnel is employed there.

The effect of price comparability in the euro area on the Group's sales has so far been limited. The impact is largest in units with sales of spare parts and component, which compete with local producers and importers. Price transparency presents opportunities in purchasing. These opportunities are being taken into account within the framework of the global purchasing project that is under way. The impact of the euro on the Group's financial risks is discussed on page 68.

BUSINESS AREAS

Engineering industry. The engineering industry includes the business areas of Container handling (Kalmar), Load handling (Partek Cargotec), Forest Machines (Partek Forest) and Tractors (Valtra). The engineering industry's net sales increased to FIM 10,705 million, which is the equivalent of 10 percent growth, compared with the comparable proforma net sales for 1997.

Operating profit of the engineering industry's business areas was at the previous year's level. Profitability did not reach the operating profit margin target of 8 percent set for the Group's engineering units. The economic crisis in Asia reduced the demand for container handling machines and made price competition tougher, which adversely effected the Container handling operations' profitability. The result was also encumbered by an increase of FIM 14 million in the provision made in 1997 for restructuring. Price competition in the forest machine sector also became tougher. On the other hand, Cargotec's profitability improved thanks to internal measures to improve efficiency and sales growth in Europe and in the United States. Tractors' profitability weakened principally due to reduced demand caused by uncertainties in the Brazilian economy and a fall in prices at the end of the year.

The value of orders received during the year by the engineering operations was FIM 10,423 (10,371) million. The order stock fell at the year-end and was slightly lower than in the previous year, reflecting the general uncertainty in the economic situation mainly in Asia and Latin America.

In order to improve the result of the engineering business operations, co-ordination between the business areas is being increased. Resources will be focused on improving efficiency and profitability. This will mean changes in the way of operating.

Central in this process of change will be the development of process thinking and the joint Group projects to increase efficiency. The projects concentrate on more effective purchasing, releasing funds tied up in the working capital, developing financing arrangements for sales and developing computerised production control and other IT systems.

Engineering units, order stock, December 31

	FIM million			Meuro	
	1998	1997	Change %	**1998**	1997
Container handling	**756**	1 060	-29	**127**	178
Load handling	**508**	445	14	**85**	75
Forest machines	**88**	164	-46	**15**	28
Tractors	**337**	341	-1	**57**	57
Total	**1 689**	2 010	-16	**284**	338

The forest cranes operations, i.e. the production and sale of Loglift, Jonsered and Cranab forest cranes will be incorporated into the Forest Cranes unit, and will be part of the Forest Machines business area.

Lime. With the contraction in production by the paper, pulp and steel industries the demand for limestone products dropped in the final third of the year. Net sales decreased, but the operating result was improved by a FIM 16 million non-recurring profit on disposal. The focal point of the operations was the expansion of activities in Poland and Estonia and investment in increasing capacity at several plants.

Insulation. Net sales rose 9 percent compared with the previous year. Sales growth of Paroc building panels was particularly strong. Profitability remained at the previous year's level. The final agreement for the sale of the majority in the insulation operations to Industri Kapital and the executive management could be concluded during the first half of 1999. Insulation will then be converted into an associated company of the Group and the consolidated net sales and result will decrease correspondingly.

Year 2000

The Group started Partek's Year 2000 project by mapping the possible effects on the functioning of production processes, the company's own products and data systems. Studies have looked into the risks from breakdowns, faults and delays in the delivery chain. A survey on the preparedness of the main co-partners and subcontractors is under way and alternatives are being examined. The business areas and units are responsible for implementing the necessary measures.

The aim is to achieve the required state of readiness by June 1999. In the meantime the projects have proceeded mainly as planned. The Group's and business areas' boards of directors are monitoring the progress of the projects through ongoing reporting. Information about possible deviations in the schedules will be given when necessary. The preparations are not expected to have a noticeable effect on the Group's financial situation, and many of the measures carried out will help increase productivity.

Investment

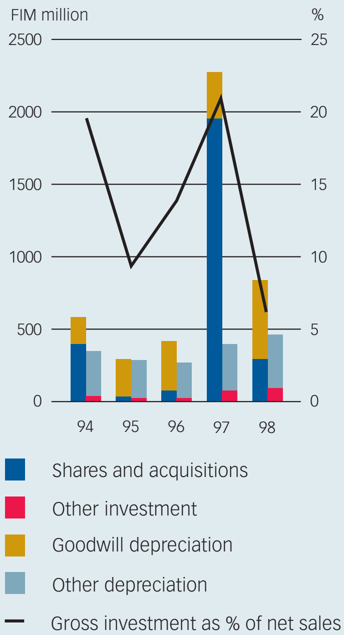
Gross investment by the Group was FIM 857 (2,260) million. In the previous year the acquisition of Sisu Corporation accounted for a major part of investments. The biggest single investment in 1998 was the acquisition in June of a further 10 percent shareholding in Kalmar Industries AB for FIM 211 million. Partek's holding increased from 51 percent to 61 percent. The diesel engine plant invested

Gross investment and ROC %

	FIM million		Meuro		ROC %	
	1998	1997	**1998**	1997	**1998**	1997
Container handling	**129**	132	**22**	22	**13**	13
Load handling	**44**	43	**7**	7	**11**	9
Forest machines	**12**	9	**2**	2	**20**	20
Tractors	**89**	58	**15**	10	**16**	20
Engineering units	**274**	242 [1]	**46**	41		
Lime	**219**	138	**37**	23	**19**	20
Insulation	**74**	68	**12**	11	**20**	22
Others	**25**	7	**4**	1		
Acquisitions	**0**	-126	**0**	-21		
Total	**592**	329	**99**	55		
Shares and acquisitions	**265**	1 931	**45**	325		
Partek Group	**857**	2 260	**144**	380	**11**	15

[1] proforma 12 months

Gross investment and depreciations



in eliminating bottlenecks in production, and Container handling invested FIM 58 million in the rental truck fleet.

The lime operations increased their production capacity. Partek Nordkalk built a new lime kiln for the Tytyri plant in Lohja, Finland to a cost of FIM 70 million. The kiln was started up in December. Other investment included an increase in the capacity of ground products at Lappeenranta, Finland, an increase in the capacity of the lime kiln in Luleå, Sweden and new grinding plants in Kokkola and Pargas, Finland and also in Szczecin, Poland. Other Group investments were targeted mainly on improving productivity and developing data systems.

Consolidated costs for research and development were FIM 235 (190) million, i.e. 1.7 percent (1.8) of net sales.

Personnel

	Dec. 31, 1998	Dec. 31, 1997	Change
Container handling	**3 278**	3 272	6
Load handling	**2 314**	2 524	-210
Forest machines	**736**	710	26
Tractors	**2 405**	2 357	48
Engineering units	**8 733**	8 863	-130
Lime	**1 082**	1 010	72
Insulation	**1 640**	1 517	123
Other	**372**	359	13
Partek Group	**11 827**	11 749	78

Personnel

During the period under review the Group employed an average of 12,062 (10,464) people. The number of employees at the beginning of 1998 was 11,749 and at year-end 11,827. The engineering business operations reduced personnel but Lime and Insulation increased their personnel with the expansion of operations in the Baltic region and Poland. Cargotec decreased its personnel in UK and Sweden according to plan. The number of employees at the Brazilian tractor plant has been reduced by over one hundred since August. The reductions will continue in 1999. It has been decided to terminate operations at Kalmar's truck plant in Härnösand, Sweden, which means a reduction of approximately 100 people.

At year-end the Group employed 5,165 (4,992) people in Finland, of which 72 (61) in the parent company.

Board of Directors, auditors and management

The number of the members of the Board of Directors was confirmed at nine at the annual general meeting on April 7, 1998. Jan Ekberg, Caj-Gunnar Lindström and Paavo Pitkänen, members who retired by rote, were re-elected. Björn Mattsson has been acting as Chairman of the Board and Risto Virrankoski as Vice Chairman. At an extraordinary meeting of shareholders on December 30, 1998 Markku Tapio resigned from the Board, and Arto Honkaniemi took his place for the term of office remaining. At the next AGM, the term for Björn Mattsson, Arto Honkaniemi and Christoffer Taxell ends.

Eric Haglund, APA, and Thor Nyroos, APA, were re-elected auditors, and the firm of authorised public accountants KPMG Wideri Oy Ab was re-elected deputy auditors.

Christer Granskog was appointed President of Kalmar Industries AB, starting December 4, 1998. At the same time he gave up the duties of Senior Executive Vice President and President of Partek Cargotec. Olof Elenius was appointed President of Partek Cargotec.

Shares and shareholders

The share capital increased by FIM 3,164,860 during 1998. The number of shares rose by 316,486. Of the increase FIM 3,156,090 and 315,609 shares arose from management exercising bonds with warrants issued in 1994 as an incentive programme. The bonds with warrants matured in 1998. The subscription price was FIM 77.07 per share. The rest of the increase in share capital and number of shares arose from the conversion of convertible subordinated bonds into shares. At the end of the accounting period the share capital was FIM 488,166,110 and the number of shares 48,816,611. There were 11,925 (10,743) shareholders at the year end.

Convertible capital loan

In January 1999 Partek issued a convertible capital loan of FIM 322 million. The issue price was 100 percent. The loan can be converted into Partek shares, in which case the number of Partek shares will rise by a maximum of 4.6 million shares. The computational conversion price for one share obtained in conversion is FIM 70. The time for converting the loan begins on June 1, 1999 and ends on May 31, 2004. The conversion period lasts from January 2 to November 30 each year.

The Board of Director's authorisation to increase share capital

On December 30, 1998 an extraordinary meeting of company shareholders authorised the Board of Directors to decide on increasing the share capital in one or several instalments through a rights issue based on the shareholders' pre-emptive right to subscription so that the share capital can be increased altogether by a maximum of FIM 49 million and a maximum of 4.9 million shares. The authorisation is valid until May 31, 1999. There are no other authorisations for increasing the share capital.

Dividend

In making the proposal for a dividend the Board of Directors takes into account trends in the Group's result, its financial structure and growth expectations. The aim is to distribute at least a third of the annual result, calculated as the result before extraordinary items less minority interests and allowing for tax.

The Board of Directors proposes to the annual general meeting that a dividend of FIM 3.00 (4.00) per share be paid for 1998, i.e. 57 percent of the result. The proposal means that a total of FIM 146 million is used for dividends.

Prospects for 1999

The economic downturn in the end of 1998 is expected to continue at least during the first half of the year. Prospects are weakened by uncertainty in the economic situation both in Asia and Latin America and their effects on the world economy and Europe. The demand for capital goods is expected to weaken. The introduction of the euro is, however, expected to increase economic stability in the euro area. Effects of internal efficiency measures in the engineering units are expected to be realised during the year.

Proposal to the Annual General Meeting

The distributable equity of the parent company is FIM 1,475,603,637.91. The distributable equity of the Group is FIM 1,375.1 million. The number of shares entitled to dividend is 48,816,611. The Board of Directors proposes that a dividend of FIM 3.00 per share, in total FIM 146,449,833, be distributed.

Pargas February 18, 1999

Björn Mattsson
Chairman

Risto Virrankoski
Vice Chairman

Jan Ekberg

Arto Honkaniemi

Caj-Gunnar Lindström

Paavo Pitkänen

Juhani Riutta

Juha Toivola

Christoffer Taxell
President and CEO

Consolidated Income Statement

	Note	**1998 FIM million**	**%**	1997 FIM million	%	**1998 Meuro**	1997 Meuro
Net sales		**13 537**	**100**	10 744	100	**2 276.7**	1 806.9
Cost of goods sold		**-10 721**	**-79**	-8 464	-79	**-1 803.2**	-1 423.5
Gross profit		**2 816**	**21**	2 280	21	**473.5**	383.4
Selling and marketing expenses		**-1 103**		-871		**-185.4**	-146.5
Research and development expenses		**-235**		-190		**-39.4**	-32.0
Administration expenses		**-771**		-593		**-129.7**	-99.7
Other operating income		**109**		278		**18.4**	46.7
Other operating expenses		**-138**		-178		**-23.3**	-29.9
		-2 138	**-16**	-1 554	-14	**-359.4**	-261.4
Operating profit	2,3,4	**678**	**5**	726	7	**114.1**	122.0
Share of results of associated companies	5	**43**		12		**7.3**	2.1
Financial income and expenses							
Dividend income		**1**		3		**0.2**	0.6
Interest income from long-term investments		**26**		18		**4.4**	3.0
Other interest income		**61**		26		**10.2**	4.4
Interest expenses		**-252**		-193		**-42.4**	-32.5
Other financial items	6	**-92**		-22		**-15.5**	-3.8
		-256	**-2**	-168	-2	**-43.1**	-28.3
Profit after financial items		**465**	**3**	570	5	**78.3**	95.8
Extraordinary items	8						
Income		**183**		55		**30.7**	9.2
Discontinued operations		**0**		-41		**0.0**	-6.8
Expenses		**0**		-30		**0.0**	-5.1
		183	**1**	-16	0	**30.7**	-2.7
Profit before taxes and minority interest		**648**	**5**	554	5	**109.0**	93.1
Direct taxes	9	**-142**		-184		**-23.9**	-30.8
Minority interests		**-67**		-19		**-11.3**	-3.3
Net profit for the period		**439**	**3**	351	3	**73.8**	59.0

Consolidated Balance Sheet

Assets	Note	Dec. 31, 1998 FIM million	%	Dec. 31, 1997 FIM million	%	Dec. 31, 1998 Meuro	Dec. 31, 1997 Meuro
Fixed assets and other long-term investments	10						
Intangible assests							
Goodwill		**1 317**		1 238		**221.6**	208.3
Other capitalised expenditure		**79**		76		**13.2**	12.7
		1 396	**14**	1 314	13	**234.8**	221.0
Tangible assets							
Mineral deposits and land		**516**		525		**86.8**	88.3
Buildings and constructions		**945**		960		**158.9**	161.5
Machinery and equipment		**1 303**		1 205		**219.1**	202.7
Other tangible assets		**26**		29		**4.4**	4.8
Advance payments and construction in progress		**81**		86		**13.5**	14.4
		2 871	**28**	2 805	28	**482.7**	471.7
Investments							
Shares in associated companies	11	**153**		79		**25.7**	13.4
Other shares and participations	11	**115**		125		**19.3**	21.0
Long-term loan receivables	12	**217**		246		**36.6**	41.3
Other investments		**13**		30		**2.2**	5.0
		498	**5**	480	5	**83.8**	80.7
Total fixed assets and long-term investments		**4 765**	**47**	4 599	46	**801.3**	773.4
Current assets							
Inventories							
Materials and supplies		**862**		951		**145.0**	160.0
Work in progress		**239**		278		**40.3**	46.8
Finished goods		**1 084**		1 017		**182.3**	171.0
Advance payments		**0**		6		**0.0**	1.0
		2 185	**22**	2 252	23	**367.6**	378.8
Receivables	12						
Accounts receivable		**2 233**		2 154		**375.6**	362.3
Loans receivable		**112**		50		**18.8**	12.5
Other receivables		**222**		261		**37.3**	39.9
Deferred tax asset		**94**		0		**15.9**	0.0
Prepaid expenses and accrued income		**127**		137		**21.4**	23.0
		2 788	**28**	2 602	26	**469.0**	437.7
Cash and bank balances		**327**	**3**	506	5	**55.0**	85.1
Total current assets		**5 300**	**53**	5 360	54	**891.6**	901.6
Total assets		**10 065**	**100**	9 959	100	**1 692.9**	1 675.0

Shareholders' equity and liabilities	Note	Dec. 31, 1998 FIM million	%	Dec. 31, 1997 FIM million	%	Dec. 31, 1998 Meuro	Dec. 31, 1997 Meuro
Shareholders' equity	13						
Share capital		**488**		485		**82.1**	81.6
Share premium account		**1 237**		1 216		**208.0**	204.5
Revaluation reserve		**36**		37		**6.2**	6.2
Other reserves		**53**		57		**8.9**	9.6
Retained earnings		**1 142**		1 060		**192.1**	178.4
Net profit for the period		**439**		351		**73.8**	59.0
Convertible subordinated bonds		**168**		168		**28.2**	28.2
Total shareholders' equity		**3 563**	**35**	3 374	34	**599.3**	567.5
Minority interests		**373**	**4**	439	4	**62.8**	73.8
Provisions	14	**258**	**3**	244	3	**43.4**	41.0
Liabilities							
Long-term	15						
Loans from financial institutions		**1 600**		1 245		**269.1**	209.4
Pension fund loans		**336**		357		**56.6**	60.0
Other interest-bearing liabilities		**59**		80		**9.9**	13.5
Deferred tax liability		**49**		129		**8.3**	21.7
Other non interest-bearing liabilities		**11**		9		**1.8**	1.5
		2 055	**20**	1 820	18	**345.7**	306.1
Current	16,17						
Debentures and bonds		**-**		102		**-**	17.1
Loans from financial institutions		**159**		329		**26.8**	55.4
Pension fund loans		**13**		14		**2.2**	2.3
Other interest-bearing liabilities		**1 410**		1 241		**237.1**	208.7
Advances received		**54**		64		**9.1**	10.8
Accounts payable		**950**		936		**159.7**	157.5
Other non interest-bearing liabilities		**337**		408		**56.7**	68.6
Accrued expenses and deferred income	18	**893**		988		**150.1**	166.2
		3 816	**38**	4 082	41	**641.7**	686.6
Total liabilities		**5 871**	**58**	5 902	59	**987.4**	992.7
Total shareholders' equity and liabilities		**10 065**	**100**	9 959	100	**1 692.9**	1 675.0

Consolidated Financial Analysis

	1998 FIM million	1997 FIM million	1998 Meuro	1997 Meuro
Operating activities				
Operating profit	**678**	726	**114.1**	122.0
Depreciation and value adjustments	**459**	430	**77.2**	72.4
Financial income and expenses	**-257**	-168	**-43.2**	-28.3
Extraordinary income and expenses	**183**	-16	**30.7**	-2.7
Gains and losses from sale of fixed assets	**-32**	-173	**-5.4**	-29.0
Taxes	**-142**	-212	**-23.9**	-35.7
Dividends paid	**-194**	-154	**-32.6**	-25.9
	695	433	**116.9**	72.8
Change in working capital				
Inventories (- = increase)	**67**	-130	**11.2**	-21.9
Current receivables (- = increase)	**-186**	13	**-31.2**	2.2
Non interest-bearing liabilities (+ = increase)	**-227**	130	**-38.2**	21.8
	-346	13	**-58.2**	2.1
Net funds from operating activities	**349**	446	**58.7**	74.9
Net investments				
Gross capital expenditure	**-857**	-2 260	**-144.1**	-380.1
Sale of fixed assets	**219**	965	**36.8**	162.4
	-638	-1 295	**-107.3**	-217.7
Financial deficit	**-289**	-849	**-48.6**	-142.8
External financing				
Share issue	**24**	785	**4.1**	132.0
Change in interest-bearing debt	**209**	115	**35.2**	19.4
Long-term receivables (+ = increase)	**-45**	-134	**-7.6**	-22.6
Translation differences and other changes	**-78**	-14	**-13.2**	-2.3
	110	752	**18.5**	126.5
Change in liquid funds	**-179**	-97	**-30.1**	-16.3
Liquid funds, January 1	**506**	603	**85.1**	101.4
Liquid funds, December 31	**327**	506	**55.0**	85.1

Income Statement, Parent Company

FIM million	Note	1998	1997
Net sales		**36.9**	47.0
Cost of goods sold		**-3.1**	-7.1
Gross profit		**33.8**	39.9
Selling and marketing expenses		**-11.0**	-10.0
Administration expenses		**-139.9**	-99.3
Other operating income		**31.5**	361.8
Other operating expenses		**-61.5**	-117.6
		-180.9	134.0
Operating profit	2,3,4	**-147.1**	173.9
Financial items			
Dividends		**231.3**	37.9
Interest income on long-term investments		**70.2**	21.6
Other interest income		**30.7**	38.6
Interest expenses		**-119.7**	-98.7
Other financial items	6	**37.9**	-13.6
Value adjustment of investments		**0.0**	-0.1
		250.4	-14.3
Profit after financial items		**103.3**	159.6
Extraordinary items	8		
Income		**0.0**	54.8
Expenses		**0.0**	-41.8
Group contributions received		**389.5**	97.6
Group contributions given		**-58.0**	0.0
		331.5	110.6
Profit/loss before appropriations and taxes		**434.8**	270.2
Change in depreciation difference		**4.5**	39.7
Direct taxes	9	**-66.1**	-91.3
Net profit for the period		**373.2**	218.6

Financial Analysis, Parent Company

FIM million	1998	1997
Operating profit	**-147.1**	173.9
Depreciation	**7.2**	25.4
Financial income and expenses	**250.4**	-14.3
Extraordinary items	**331.5**	110.6
Taxes	**-66.1**	-91.3
Profit/loss on sale of fixed assets	**-25.6**	-272.7
Dividends paid	**-194.0**	-154.0
	156.3	-222.4
Change in working capital		
Current receivables (- = increase)	**-159.3**	-249.0
Non interest-bearing liabilities (+ = increase)	**-25.0**	49.8
	-184.3	-199.2
Net funds from operating activities	**-28.0**	-421.6
Investments		
Investment in shares	**-369.3**	-1 991.7
Investment in other fixed assets	**-9.3**	-5.4
Sale of shares	**51.1**	786.3
Sale of other fixed assets	**1.7**	251.5
Merger of subsidiaries	**16.2**	-28.1
	-309.6	-987.4
Financial deficit	**-337.6**	-1 409.0
External financing		
Share issue	**24.3**	785.0
New loans	**615.9**	1 681.7
Repayments	**-677.8**	-40.3
Long-term receivables (+ = decrease)	**241.9**	-854.4
	204.3	1 572.0
Change in liquid funds	**-133.3**	163.0

Balance Sheet, Parent Company

FIM million	Note	Dec. 31, 1998	Dec. 31,1997
Assets			
Fixed assets	10		
Intangible assests			
Other capitalised expenditure		**16.9**	17.2
Tangible assets			
Mineral deposits and land		**141.5**	140.2
Buildings and constructions		**10.9**	10.5
Machinery and equipment		**5.0**	5.8
Other tangible assets		**1.0**	0.7
Construction in progress		**0.0**	0.2
		158.4	157.4
Investments			
Shares in subsidiaries	11	**3 542.1**	3 211.7
Shares in associated companies	11	**63.9**	63.9
Other shares and participations	11	**93.6**	96.7
Long-term receivables	12	**922.6**	1 143.6
Other investments		**0.0**	20.9
		4 622.2	4 536.8
Total fixed assets		**4 797.5**	4 711.4
Current assets			
Receivables	12		
Accounts receivable		**8.2**	40.9
Loans receivable		**755.1**	841.1
Other receivables		**405.9**	113.6
Prepayments and accrued income		**33.6**	47.9
		1 202.8	1 043.5
Cash and bank balances		**76.6**	209.9
Total current assets		**1 279.4**	1 253.4
Total assets		**6 076.9**	5 964.8

FIM million	Note	Dec. 31, 1998	Dec. 31,1997
Shareholders' equity and liabilities			
Shareholders' equity	13		
Ordinary share capital		**488.2**	485.0
Share premium account		**1 237.0**	1 215.8
Revaluation reserve		**36.3**	36.3
Net profit/loss for previous years		**1 102.4**	1 077.8
Net profit/loss for the financial year		**373.2**	218.6
Convertible subordinated bonds		**167.7**	167.8
Shareholders' equity, total		**3 404.8**	3 201.3
Accumulated depreciation difference		**11.3**	15.8
Provisions	14	**18.8**	16.5
Liabilities			
Long-term	15		
Loans from financial institutions		**437.8**	100.1
Pension fund loans		**156.6**	168.5
Other interest-bearing liabilities		**0.2**	0.3
Non interest-bearing liabilities		**1.5**	1.8
		596.1	270.7
Current	16,17		
Debentures and bonds		**0.0**	101.5
Loans from financial institutions		**888.8**	855.0
Pension fund loans		**11.9**	12.8
Other interest-bearing liabilities		**992.3**	1 311.1
Accounts payable		**18.1**	14.6
Other non interest-bearing liabilities		**84.9**	39.2
Accrued expenses and deferred income	18	**49.9**	126.3
		2 045.9	2 460.5
Total liabilities		**2 642.0**	2 731.2
Total liabilities and equity		**6 076.9**	5 964.8

Accounting principles

The Consolidated Financial Statements of Partek Corporation have been drawn up in accordance with current regulations in Finland. *Major deviations affecting the result of the year compared with international accounting standards issued by the International Accounting Standards Committee (IASC) are specified below.*

The year reviewed covers the months January-December and the financial statements are presented in Finnish markka. For comparison purposes the most important financial information is also presented in euros. The interim closings as well the Annual Report for 1999 will be prepared in euros.

Consolidation principles

The Consolidated Financial Statements cover the parent company Partek Oyj Abp and all companies in which the parent company controlled, directly or indirectly, more than fifty percent of the voting rights at the end of the financial year. The Consolidated Balance Sheet has been drawn up in accordance with the purchase method.

Companies acquired during the year have been included in the Group Income Statement from the date of the acquisition and divested companies up to the date of disposal.

Associated companies have been consolidated using the equity method.

Minorities' shares of results and equity are presented as separate items both in the income statement and in the balance sheet.

In drawing up the Consolidated Financial Statements internal transactions and margins have been eliminated.

Goodwill, i.e. the difference between the acquisition cost of shares and the current value of the net assets in the acquired company, is entered as a separate item in the consolidated balance sheet and amortised over the useful life of the asset. This varies from five to twenty years depending on the type of asset and its strategic signifigance. Goodwill related to acquisitions of Sisu and Kalmar is depreciated over 20 years because of its large strategic importance for Partek.

Possible untaxed reserves in the acquired company at the time of acquisition are divided into an equity share and a deferred tax liability.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at rates of exchange prevailing on the day of the transaction. Receivables and debts in foreign currencies have been translated into the reporting currency at the exchange rates at the end of the financial period. Financial risk management is defined on page 67.

Foreign subsidiaries' income statements and balance sheets

In the preparation of the Consolidated Financial Statements foreign subsidiaries' income statements are translated into Finnish markka by using the average exchange rates for the financial period and balance sheets by using the exchange rates at the end of the financial period. Differences arising from this translation are entered in the consolidated equity.

The equities of foreign subsidiaries have mainly been hedged using the equity hedging method through forward contracts or by taking loans in the corresponding currencies. Exchange rate differences resulting from the hedging transactions are in the Consolidated Financial Statements netted against the translation differences resulting from the translation of the foreign subsidiaries' balance sheets.

Inventories

Inventories have been valued at cost or net realisable value, whichever is lowest. The first-in first-out principle has been used in the inventory valuation. An appropriate proportion of overhead costs from indirect purchases and production has been included in the value of semi-finished and finished goods.

Tangible assets

Land, mineral deposits, buildings, machinery and other equipment are entered in the balance sheet according to their historic acquisition cost less depreciation. The value of certain land and buildings in Finland include revaluations.

The amount of depreciation is based on the following economic lives of the assets:

- Goodwill	5 - 20 years
- Other capitalised expenditure	3 - 17 years
- Buildings and constructions	15 - 40 years
- Machinery and equipment	3 - 25 years
- Other tangible assets	5 - 10 years

Land and revaluations are not depreciated. In the case of mineral deposits net worth depreciation has been applied.

Investments

Investments classified as fixed assets have been entered at their acquisition value less possible depreciation to take into account the actual decrease in worth.

When an investment has been sold, the difference between the net sales price and the book value is entered in the Income Statement either as other operating income and expenses or as extraordinary items depending on the nature of the transaction.

Leasing

Fixed assets - especially transport vehicles - are to a limited extent leased. Both operating and financial leasing fees are charged to income as rental expenses. Yearly leasing charges on the basis of existing leasing agreements are shown in the notes.

For financial leasing the differences between Finnish and international accounting standards are demonstrated in the notes.

Income recognition

Net sales include invoiced amounts after deduction of indirect taxes and discounts given. Income from sales of products and services is recognised on delivery.

Research and development

The costs of research and development are expensed in the financial period in which they are incurred, which differs from the recommendation of the IASC. The difference in accounting practise does not have any significant impact on the result. The research and development costs and their proportion of net sales is presented in the Five-year review.

Subsidies and support

Subsidies and support are recorded only when it is likely that they will be received. They are entered so that they match the costs they are intended to cover.

Pension liabilities

The Group companies' pension obligations are arranged according to local regulations and practice. In the Parent Company and in Finnish subsidiaries pension liabilities are covered by insurance. Costs of pensions are recorded as they are earned. Changes in uncovered pension liabilities are entered in the Income Statement and the pension liability is included in the Balance Sheet. *Pension liability according to IAS has not been calculated.*

Taxes

The Consolidated Financial Statements include direct taxes, which are based on the taxable income of the Group companies according to local tax regulations, and the change in deferred tax liability, based earlier mainly on the companies' untaxed reserves. In 1998 the calculation of deferred taxes has been further specified to cover also other temporary differences than untaxed reserves. Loss carry forwards that may be offset against future taxable income are taken into account to the extent it is estimated that they will be utilised in the near future.

Deferred taxes related to previous years, FIM 183 million, have been entered as extraordinary income in 1998 due to the change in accounting principles. Current year changes in deferred tax liabilities and receivables are recorded as taxes in the Income Statement.

Financial ratios

The calculation of some financial ratios has been re-defined and previous years' ratios have been recalculated. Calculation rules for financial ratios are presented on page 55.

In the business area reviews the results of operations are reported as operating profit, and profitability as return on capital employed. These are based on the business areas' individual results and the capital they have employed. Consequently, they differ from the results and key ratios that could have been attained by a complete distribution of common costs and capital.

Exchange rates

		Year-end rates		Average rates	
Country	Currency	**Dec. 31, 1998**	Dec. 31, 1997	**1998**	1997
Belgium	BEF	**0.14739**	0.14680	**0.14726**	0.14512
Brazil	BRL	**4.22990**	4.85552	**4.63576**	4.66075
Denmark	DKK	**0.79820**	0.79480	**0.79770**	0.78598
France	FRF	**0.90642**	0.90460	**0.90621**	0.88899
Germany	DEM	**3.04000**	3.02750	**3.03798**	2.99428
Great Britain	GBP	**8.42800**	8.99200	**8.84921**	8.50050
Netherlands	NLG	**2.69806**	2.68610	**2.69522**	2.66068
Spain	ESP	**0.03574**	0.03580	**0.03577**	0.03546
Sweden	SEK	**0.62670**	0.68630	**0.67251**	0.67963
USA	USD	**5.09600**	5.42070	**5.34406**	5.19114
	EUR	**5.94573**	5.94573	**5.94573**	5.94573

Calculation of financial ratios

Return on capital employed (ROC), %

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

Return on equity (ROE), %

$$\frac{\text{Profit after financial items - taxes in the income statement}}{\text{Shareholders' equity *) + minority interest, average over the year}} \times 100$$

Interest coverage

$$\frac{\text{Operating profit + financial income}}{\text{Interest expenses}}$$

Value added

$$\frac{\text{Operating profit + personnel costs + depreciation}}{\text{Personnel on average}}$$

Gearing, %

$$\frac{\text{Interest bearing liabilities - cash and bank balances - other interest-bearing receivables}}{\text{Shareholders' equity + minority interest}} \times 100$$

Solvency ratio, %

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

Earnings per share (EPS), FIM

$$\frac{\text{Profit after financial items - taxes in the income statement - minority interest}}{\text{Number of shares over the financial year}}$$

Equity per share, FIM

$$\frac{\text{Shareholders' equity *)}}{\text{Number of shares at the end of the financial year}}$$

Dividend/earnings, FIM

$$\frac{\text{Proposed dividend paid for the financial year}}{\text{Profit after financial items - taxes in the income statement - minority interest}}$$

Effective dividend yield, %

$$\frac{\text{Proposed dividend per share}}{\text{Share price at the end of the financial year}} \times 100$$

Price/earnings (P/E)

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

Market capitalisation

Number of shares at the end of the financial year x share price at the end of the financial year

*) Equity excluding convertible subordinated bonds

Notes to the Financial Statements

1 - Segment data

FIM million	Net sales 1998	Net sales 1997	Operating profit 1998	Operating profit 1997
By business area				
Container handling	**3 549.8**	1 145.6	**173.3**	76.4
Load handling	**2 510.4**	2 385.9	**98.5**	75.4
Forest machines	**1 104.4**	691.6	**78.6**	62.7
Tractors	**3 540.9**	2 304.7	**166.6**	147.2
Lime	**1 137.1**	1 150.2	**179.9**	165.0
Insulation	**1 399.8**	1 283.0	**114.0**	108.3
Others and eliminations	**294.2**	1 782.5	**-132.5**	90.6
Total	**13 536.6**	10 743.5	**678.4**	725.6
By market				
Finland	**3 147.5**	2 636.2		
Sweden	**1 701.6**	1 275.2		
Other EU	**3 864.0**	3 211.3		
Other Europe	**1 106.9**	1 168.6		
North America	**1 516.5**	828.6		
South America	**1 392.2**	865.4		
Asia	**495.9**	551.0		
Other countries	**312.0**	207.2		
Total	**13 536.6**	10 743.5		

	Average personnel 1998	Average personnel 1997	Personnel expenses, FIMm 1998	Personnel expenses, FIMm 1997
By business area				
Container handling	**3 369**	1 228	**774.4**	228.4
Load handling	**2 427**	2 591	**547.9**	575.2
Forest machines	**742**	443	**171.7**	105.5
Tractors	**2 453**	1 506	**433.6**	276.2
Lime	**1 075**	1 062	**206.6**	221.5
Insulation	**1 620**	1 650	**356.6**	344.0
Others and eliminations	**376**	1 984	**121.2**	516.8
Total	**12 062**	10 464	**2 612.0**	2 267.6
By market				
Finland	**5 288**	4 490	**1127.4**	964.7
Sweden	**3 081**	1 902	**754.1**	446.9
Other EU	**1 322**	2 156	**348.6**	516.2
Other Europe	**406**	821	**38.6**	149.2
North America	**710**	378	**177.8**	82.2
South America	**1 048**	634	**122.3**	75.9
Asia	**172**	66	**35.0**	27.4
Other countries	**35**	17	**8.2**	5.1
Total	**12 062**	10 464	**2 612.0**	2 267.6

2 - Personnel expenses

FIM million	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Wages and salaries				
Wages, salaries and fringe benefits				
Salaries and payments to Board Members and Managing Directors	**61.4**	44.8	**2.5**	2.3
To others	**1 927.7**	1 727.6	**26.7**	19.0
Bonus to Board Members and Managing Directors	**4.6**	2.5	**0.3**	0.2
Total	**1 993.7**	1 774.9	**29.5**	21.5
Other personnel expenses				
Pensions and pension premiums	**225.7**	221.5	**6.9**	10.2
Other personnel expenses	**392.6**	271.2	**2.3**	1.6
Total	**618.3**	492.7	**9.2**	11.8
Total	**2 612.0**	2 267.6	**38.7**	33.3
Personnel				
On average	**12 062**	10 464	**76**	72
At year-end	**11 827**	11 749	**72**	61

Salaries and fees to the Board of Directors and CEO

The fees to the Board of Directors are confirmed by the Annual General Meeting and the salary and other benefits of the Chief Executive Officer by the Board of Directors. The Chief Executive Officer of the Parent Company, who is at the same time the President, has received during the year a salary with fringe benefits totalling FIM 1 943 440 and a bonus of FIM 313 808. To the members of Boards of Directors of the Group companies, who are Partek employees, are not paid separate board fees.

Pension terms and conditions

The retirement age of the Group President and CEO and the members of the Group Management is 60 years. The full retirement pension is 60 percent of the salary on which the pension is determined. Pension liabilities are covered in full by pension insurances that are taken out with pension insurance companies.

Dismissal

The dismissal time is six months both for the company and the CEO. If the company dismisses the CEO, he will be paid in addition to the salary for the dismissal period a compensation for dismissal, corresponding to 24 months fixed monetary salary.

Salary committee

The salary committee is a body chosen from among the Board of Directors that handles and decides on matters relating to the management´s salary, incentive payments and contract of service, as well as major policy decisions relating to the personnel administration.

3 - Depreciation

FIM million	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Depreciation by function				
Production	**288.0**	288.5	**3.0**	4.9
Selling and marketing	**25.4**	20.3	**0.5**	0.4
Research and development	**8.7**	8.1		
Administration	**42.4**	28.8	**3.7**	6.1
Goodwill	**94.5**	60.9		
Depreciation according to plan	**459.0**	406.6	**7.2**	11.4
Extra depreciation	**2.1**	23.9	**0.0**	14.0
Total	**461.1**	430.5	**7.2**	25.4
Depreciation according to plan				
Goodwill	**94.5**	60.9		
Other capitalised expenditure	**20.9**	16.3	**3.2**	2.8
Mineral deposits and land	**6.1**	8.8		
Buildings and constructions	**64.9**	73.5	**0.8**	5.3
Machinery and equipment	**266.8**	230.6	**2.8**	2.9
Other tangible assets	**5.8**	16.5	**0.4**	0.4
Total	**459.0**	406.6	**7.2**	11.4

4 - Other operating income and expenses

FIM million	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Income				
Rents	**7.6**	10.8	**0.1**	0.4
Profit on sale of fixed assets	**54.6**	205.1	**25.5**	357.5
Other income	**47.0**	61.8	**5.9**	3.9
Total	**109.2**	277.7	**31.5**	361.8
Expenses				
Taxes on real estate	**3.1**	4.0	**0.9**	1.4
Depreciation on goodwill	**94.5**	60.9		
Extra depreciation on fixed assets	**0.0**	13.5	**0.0**	3.8
Depreciation on receivables	**0.0**	9.1	**7.0**	1.7
Loss on sale of fixed assets	**6.1**	32.4	**0.4**	85.6
Wages for term of notice in connection with restructuring	**1.1**	2.9		
Other restructuring costs	**15.0**	6.7	**38.6**	4.1
Other expenses	**18.5**	48.7	**14.6**	21.0
Total	**138.3**	178.2	**61.5**	117.6

5 - Associated companies

Group	Country	Holding	Share of result		Share of equity	
		%	**1998**	1997	**Dec. 31,1998**	Dec. 31, 1997
FIM million						
Addtek International Oy Ab *)	Finland	39.8	**44.6**	-3.4	**90.7**	46.6
A-Rakennusmies Oy *) - Oct. 31, 1997	Finland	-	**-**	7.1	**-**	-
Parma Betonila Oy *) - Nov. 30, 1997	Finland	-	**-**	12.0	**-**	-
Parma Metals Oy *)	Finland	50.0	**3.2**	-4.0	**9.7**	6.1
RS Hansa Auto Oy	Finland	50.0	**-4.7**	-5.2	**2.7**	7.3
SP Minerals Oy	Finland	50.0	**-**	-	**9.5**	-
Other associated companies in Finland			**0.0**	0.1	**3.6**	3.3
Armstrong Parafon AB	Sweden	40.0	**-6.5**	-1.6	**-3.1**	10.3
Rockwool Ecoprim AB	Sweden	50.0	**0.3**	0.4	**6.2**	6.4
Partek Paroc Polska Sp. Zo.o.	Poland	48.0	**-9.8**	-	**17.3**	-
Steinullarverksmidjan H/F	Iceland	27.7	**2.0**	1.7	**8.6**	7.0
Controladora Accionaria y Administrativa S.A. de C.V.	Mexico	46.0	**0.7**	1.4	**4.3**	5.4
Eastern Partek Pte Ltd - June 30, 1997	Singapore	-	**-**	9.4	**-**	-
Other foreign associated companies			**1.9**	-1.9	**5.5**	0.7
Eliminations			**11.8**	-3.8	**-2.3**	-13.7
Total			**43.5**	12.2	**152.7**	79.4

*) Owned by the Parent Company

6 - Other financial items

FIM million	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Exchange rate differences	**9.9**	8.4	**38.6**	-11.2
Provision due to devaluation of Brazilian real	**-50.1**			
Other financial income	**5.2**	13.0	**-**	-
Other financial expenses	**-57.0**	-43.7	**-0.6**	-2.4
Total	**-92.0**	-22.3	**38.0**	-13.6

7 - Internal dividends, interest income and expenses

FIM million	Parent company 1998	Parent company 1997
Dividends from Group companies	**207.3**	34.1
Dividends from others	**23.9**	3.8
Interest income from Group companies	**83.9**	52.6
Interest income from others	**17.0**	7.7
Interest expenses to Group companies	**39.0**	17.7
Interest expenses to others	**80.8**	81.0

8 - Extraordinary items

FIM million	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Income				
VAT rebate	-	54.8	**-**	54.8
Change in accounting principles	**182.8**	-	-	-
Group contributions received	-	-	**389.5**	97.6
Total	**182.8**	54.8	**389.5**	152.4
Expenses				
Discontinuing operations	-	40.8	**-**	31.6
Depreciation on shares of other companies	-	10.2	-	10.2
Change in accounting principles	-	20.1	-	-
Group contributions paid	-	-	**58.0**	
Total	**0.0**	71.1	**58.0**	41.8

9 - Direct taxes

FIM million	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Taxes in income statement				
Taxes for extraordinary items	**-**	31.0	**92.8**	31.0
Direct taxes for the year	**161.4**	-162.3	**-17.8**	52.7
Direct taxes from previous years	**-6.3**	7.9	**-8.9**	7.6
Change in deferred tax asset / liability	**-12.9**	-29.0		
	142.2	-183.4	**66.1**	91.3

FIM million	**Dec. 31, 1998**	Dec. 31, 1997
Deferred tax asset and liability		
Deferred tax asset		
from consolidation entries	**144.6**	31.9
from valuation and matching differences	**119.5**	-
balanced against liabilities	**-169.7**	-31.9
Total	**94.4**	0.0
Deferred tax liability		
from untaxed reserves	**161.5**	160.8
from consolidation entries	**48.0**	0.0
from valuation and matching differences	**9.6**	-
balanced against receivables	**-169.7**	-31.9
Total	**49.4**	128.9

10 - Fixed assets
FIM million

Group	Goodwill	Other capitalised expenditure	Mineral deposits and land	Buildings and constructions	Machinery and equipment	Other tangible assets	Construction in progress
Acquisition cost Jan. 1, 1998	1 385.0	184.1	407.4	1 519.4	3 596.6	76.9	56.2
+/- Exchange rate differences	-11.7	-2.9	-17.7	-38.9	-148.0	-0.2	-0.7
+ Investments		20.7	11.5	91.6	419.3	5.8	39.8
+ Other increases	160.3	2.8	29.0	0.0	4.2	0.0	0.5
- Decreases	-0.4	-6.3	-10.4	-63.5	-121.7	-8.1	-0.2
+/- Transfers between items		-0.6	0.3	10.7	23.5	0.8	-35.0
Acquisition cost Dec. 31, 1998	1 533.2	197.8	420.1	1 519.3	3 773.9	75.2	60.6
Accumulated depreciation Jan. 1, 1998	-146.5	-108.6	-40.3	-654.3	-2 391.5	-48.1	0.0
+/- Exchange rate differences	3.8	1.0	3.3	18.2	97.8	-0.1	0.0
- Depreciation during the year	-93.3	-20.3	-5.7	-63.3	-257.4	-5.8	0.0
- Accumulated depreciation for decreases and transfers	20.0	8.7	0.2	43.0	80.1	5.1	-0.3
Accumulated depreciation Dec. 31, 1998	-216.0	-119.2	-42.5	-656.4	-2 471.0	-48.9	-0.3
+ Revaluations			138.5	81.8			
Net book value Dec. 31, 1998	1 317.2	78.6	516.1	944.7	1 302.9	26.3	60.3
In Finland:							
Taxation value			73.9	368.8			

Parent company	Goodwill	Other capitalised expenditure	Mineral deposits and land	Buildings and constructions	Machinery and equipment	Other tangible assets	Construction in progress
Acquisition cost Jan. 11998	-	38.1	8.3	31.8	13.8	3.7	0.2
+ Investments		2.5	1.3	1.2	2.2	0.5	0.0
+ Other increases		0.4	-	-	1.2	-	-
- Decreases		-3.5	-	-0.1	-6.7	-0.8	-
+/- Transfers between items						0.2	-0.2
Acquisition cost Dec. 31, 1998	-	37.5	9.6	32.9	10.5	3.6	0.0
Accumulated depreciation Jan. 1, 1998	-	-20.8	-0.8	-21.3	-8.0	-3.0	0.0
- Depreciation during the year		-3.2	-	-0.8	-2.8	-0.4	-
- Accumulated depreciation for decreases and transfers		3.4	-	0.1	5.3	0.8	-
Accumulated depreciation Dec. 31, 1998	-	-20.6	-0.8	-22.0	-5.5	-2.6	0.0
+ Revaluations			132.6				
Net book value Dec. 31, 1998	-	16.9	141.4	10.9	5.0	1.0	0.0
In Finland:							
Taxation value			14.8	41.3			

	Group			**Parent company**	
	Shares and participations associated companies	Shares and participations, others	Shares and participations subsidiaries	Shares and participations assoc. companies	Shares and participations, others
Shares and participations					
Acquisition cost Jan. 1, 1998	110.9	223.3	3 696.0	65.5	194.5
+/- Exchange rate differences	-1.5	-0.7			
+ Investments	27.1	6.8	0.1	-	5.9
+ Other increases		25.9	346.2	-	17.0
- Decreases	-12.9	-35.5	-129.4	-	-26.0
+/- Transfers between items	22.3	-6.5	-	-	-
Acquisition cost Dec. 31. 1998	145.9	213.3	3 912.9	65.5	191.4
Accumulated depreciation Jan. 1, 1998	-31.5	-98.2	-484.3	-1.6	-97.8
+/- Exchange rate differences	-0.6	0.0			
- Depreciation during the year	0.0	0.0	-	-	0.0
- Accumulated depreciation for decreases and transfers	38.9	0.0	113.5	-	-
Accumulated depreciation Dec. 31, 1998	6.8	-98.2	-370.8	-1.6	-97.8
+ Revaluations					
Net book value Dec. 31, 1998	152.7	115.1	3 542.1	63.9	93.6
In Finland:					
Taxation value	205.1	65.0	2 341.6	167.2	50.2

11 - Shares and participations, Dec. 31, 1998

	Group holding Number of shares	%	Nominal value Currency	1 000	Book value Group FIM 1 000	Parent company FIM 1 000
Associated companies:						
Domestic						
Addtek International Oy Ab	499 350	39.8	FIM	49 935	49 935	49 935
Parma Metals Oy	3 625	50.0	FIM	3 625	11 694	11 694
RS Hansa Auto Oy	12 500	50.0	FIM	12 500	12 500	
SP Minerals Oy Ab	500	50.0	FIM	10 000	24 987	
Other domestic associated companies (6)					2 567	2 261
Foreign						
Armstrong Parafon AB, Sweden	100 000	40.0	SEK	4 000	4 393	
Controladora Accionaria Y Administrativa S.A De C.V., Mexico	460	46.0	MXP	4 483	1 555	
Partek Paroc Polska Sp. Zo.o., Poland	n/a	48.1	PLN	99	26 637	
Rockwool Ecoprim AB, Sweden	25 000	50.0	SEK	2 500	3 134	
Steinullarverksmidjan H/F, Iceland	587 522	27.7	ISK	58 752	2 796	
Other foreign associated companies (12)					3 396	
Adjusted share of equity					9 143	
Associated companies, total					152 737	63 890
Other companies:						
Domestic						
Cervuctum Oy	150 000	18.8	FIM	15 000	15 000	15 000
Polar-Yhtymä Oy	10 904 801	6.1	FIM	54 524	72 258	72 258
Specialty Minerals Nordic Oy Ab	9 830	15.8	FIM	9 830	6 943	
Viljavuuspalvelu Oy	6 490	13.0	FIM	649	605	
Telephone shares and participations (26)					1 640	968
Other domestic companies (62)					6 606	5 366
Foreign						
Lana Di Roccia S.P.A. Isolroc, Italy	255 872	19.9	ITL	2 558 720	5 859	
Verdalskalk A/S, Norway	30	10.0	NOK	4 500	2 717	
Other foreign companies (18)					3 464	
Other companies, total					115 092	93 592
Subsidiaries						
In the Container handling business area						
Kalmar Industries AB, Sweden	14 340 912	61.0	SEK	293 750	570 428	
AB Kalmar Industries Finans, Sweden	500	61.0	SEK	50 000	23 075	
AS Finmec, Estonia	625	61.0	EEK	6 250	2 538	
Kalmar Industries Oy Ab, Finland	27 500	61.0	FIM	137 500	159 977	
Kalmar Industries Sweden AB, Sweden	500 000	61.0	SEK	50 000	114 020	
Kalmar Industries USA Inc., USA	400 000	61.0	USD	403	69 201	
Kalmar LMV Sverige AB, Sweden	20 000	61.0	SEK	20 000	39 849	
Velsa Oy, Finland	5 575	61.0	FIM	5 575	19 477	
Other subsidiaries in Container handling (22)					119 422	
In the Load handling business area						
Partek Cargotec Oy, Finland	100 000	100.0	FIM	100 000	345 756	345 756
Cargotec Inc, USA	1 000	100.0	USD	7 697	25 557	
Hiab AB, Sweden	2 140 000	100.0	SEK	107 000	121 241	
Hiab Accessories B.V., Netherlands	100	100.0	NLG	100	15 058	
Hiab B.V., Netherlands	100	100.0	NLG	100	19 240	
Hiab Danmark A/S, Denmark	70	100.0	DKK	4 300	14 643	
Jonsered Cranes AB, Sweden	100 000	100.0	SEK	10 000	10 887	
LeeBur-Multilift B.V., Netherlands	175 000	100.0	NLG	175	70 149	
Loglift Oy Ab, Finland	1 900 000	100.0	FIM	19 000	38 444	
Multilift Oy, Finland	1 080	100.0	FIM	10 800	28 550	
Norba AB, Sweden	104 000	100.0	SEK	13 000	8 348	
Partek Cargotec (Holdings) Ltd, Great Britain	3 860 000	100.0	GBP	3 860	52 318	
Partek Cargotec AB, Sweden	1 000 000	100.0	SEK	100 000	228 357	
Partek Cargotec Co Ltd, South Korea	985 000	100.0	KRW	9 850 000	9 458	
Partek Cargotec France S.A., France	83 700	100.0	FRF	8 370	8 111	
Partek Cargotec GmbH, Germany	n/a	100.0	DEM	6100	13 321	
Partek Cargotec K.K., Japan	1 781	100.0	JPY	445 250	27 881	
Partek Cargotec S.A., Spain	106 513	100.0	ESP	532 565	37 447	
Other subsidiaries in Load handling (34)					371 389	

	Group holding		Nominal value		Book value	
	Number of shares	%	Currency	1 000	Group FIM 1 000	Parent company FIM 1 000
In the Forest machines business area						
Partek Forest AB, Sweden	1 570 000	100.0	SEK	157 000	134 264	
Cranab AB, Sweden	630 000	100.0	SEK	6 300	39 294	
Partek Forest A/S, Norway	6 000	60.0	NOK	3 000	3 155	
Partek Forest Australia Pty. Ltd, Australia	1 500 000	100.0	AUD	1 500	4 559	
Partek Forest GmbH, Germany	n/a	100.0	DEM	4 200	12 415	
Partek Forest Inc., USA	6 000 000	100.0	USD	6 000	30 346	
Partek Forest Ltd, Great Britain	600 000	100.0	GBP	600	4 670	
Partek Forest Ltda, Brazil	850 000	85.0	BRL	850	9 065	
Partek Forest Oy Ab, Finland	1 800 000	100.0	FIM	18 000	17 861	
Other subsidiaries in Forest machines (1)					313	
In the Tractors business area						
Valtra Oy, Finland	2948	100.0	FIM	159 192	236 390	
Sisu Diesel Oy, Finland	35 000	100.0	FIM	35 000	55 000	
Tracfin Holding Oy, Finland	74 263	100.0	FIM	74 263	148 511	
Valtra do Brasil S.A., Brazil	764 857 404	100.0	BRL	204 411	592 515	
Valtra Tracteurs France S.A., France	209 997	100.0	FRF	21 000	18 750	
Valtra Tractores Argentina S.A., Argentina	500 000	100.0	USD	500	5 692	
Valtra Tractors (UK) Ltd, Great Britain	1 150 000	100.0	GBP	1 150	7 870	
Valtra Traktor AB, Sweden	98 000	100.0	SEK	9 800	7 200	
Other subsidiaries in Tractors (12)					38 656	
In the Lime business area						
Partek Nordkalk Oy Ab, Finland	168 000	100.0	FIM	168 000	168 000	168 000
Partek Nordkalk AB, Sweden	120 000	100.0	SEK	12 000	91 397	
Partek Nordkalk Eesti AS, Estonia	15 000	100.0	EEK	15 000	5 706	
Partek Nordkalk Polska Sp. Zo.o., Poland	40 000	100.0	PLN	4 000	6 411	
Partek Nordkalk Storugns AB, Sweden	250 000	100.0	SEK	25 000	112 175	
Rakke Lubjatehase AS, Estonia	14 000	100.0	EEK	14 000	20 750	
Suomen Karbonaatti Oy, Finland	12 495	51.0	FIM	12 495	21 278	
Other subsidiaries in Lime (7)					14 203	
In the Insulation business area						
Partek Insulation AB, Sweden	599 500	100.0	SEK	59 950	302 179	
Partek Jungers AB, Sweden	28 000	100.0	SEK	14 000	6 267	
Partek Paroc Oy Ab, Finland	100 000	100.0	FIM	100 000	63 400	
Partek Rockwool AB, Sweden	500 000	100.0	SEK	50 000	84 604	
UAB Partek Paroc, Lithuania	19 800	69.2	LTL	19 800	24 346	
Other subsidiaries in Insulation (11)					8 761	
Finance, service an other subsidiaries						
Green Arrow Insurance Ltd, Great Britain	500 000	100.0	USD	500	15 365	15 365
Oy Green Arrow Securities Ltd, Finland	1 020 000	100.0	FIM	51 000	55 617	55 617
Oy Sisu Ab, Finland	36 930 535	100.0	FIM	369 305	1 791 685	1 791 685
Oy Sisu Auto Ab, Finland	35 000	100.0	FIM	35 000	70 000	
Parcomp Oy Ab, Finland	10	100.0	FIM	1 000	1 008	1 008
Partek Betonila Oy Ab, Finland	200 000	100.0	FIM	200 000	77 725	77 725
Partek Finance N.V., Belgium	240 251	100.0	BEF	2 402 510	474 216	474 216
Partek Sverige AB, Sweden	2 380 000	100.0	SEK	238 000	557 249	557 249
Real estate companies (38)					213 991	19 398
Other subsidiaries (31)					111 237	36 113
Parent company's total holdings in subsidiaries						3 542 132

Full details of shares in subsidiaries and other companies are included in the Statutory Accounts.

12 - Long- and short-term receivables

FIM million	Long-term Group Dec. 31, '98	Long-term Group Dec. 31, '97	Long-term Parent company Dec. 31, '98	Long-term Parent company Dec. 31, '97	Short-term Group Dec. 31, '98	Short-term Group Dec. 31, '97	Short-term Parent company Dec. 31, '98	Short-term Parent company Dec. 31, '97
Board of Directors and top management								
Loans reveivable	**0.0**	0.5	**0.0**	0.5	**0.0**	0.0	**0.0**	0.0
Other personnel								
Loans receivable	**1.5**	2.4	**1.2**	2.2	**1.5**	1.9	**1.1**	1.7
Subsidiaries								
Loans receivable			**719.3**	914.9			**747.2**	835.0
Accounts receivable							**6.8**	14.9
Other receivables							**393.1**	101.7
Prepaid expenses and accrued income							**17.0**	35.8
Total	**0.0**	0.0	**719.3**	914.9	**0.0**	0.0	**1 164.1**	987.4
Associated companies								
Loans receivable	**142.5**	116.7	**173.7**	161.0	**16.2**	0.1	**3.9**	0.0
Accounts receivable					**106.2**	110.7	**1.0**	22.2
Other receivables					**4.1**	1.6	**0.0**	1.6
Prepaid expenses and accrued income					**10.9**	0.3	**10.5**	0.3
Total	**142.5**	116.7	**173.7**	161.0	**137.4**	112.7	**15.4**	24.1
Others								
Loans receivable	**73.5**	126.1	**28.4**	65.0	**46.0**	48.0	**2.8**	4.4
Accounts receivable					**2 126.8**	2 043.4	**0.5**	3.8
Other receivables					**269.0**	135.5	**12.8**	11.5
Deferred tax asset					**91.2**			
Prepaid expenses and accrued income					**116.5**	261.1	**6.1**	10.6
Total	**73.5**	126.1	**28.4**	65.0	**2 649.5**	2 488.0	**22.2**	30.3
Total receivables	**217.5**	245.7	**922.6**	1 143.6	**2 788.4**	2 602.7	**1 202.8**	1 043.5

13 - Shareholders' equity

FIM million **Group**	Total	Share capital	Share premium account	Revaluation reserve	Other reserves	Retained earnings	Convertible subordinated bonds
Jan. 1, 1998	3 373.9	485.0	1 215.8	36.7	57.4	1 411.2	167.8
Share issue	24.3	3.2	21.2				
Translation differences	-74.7				-3.5	-71.2	
Conversion of convertible subordinated bonds	0.0	0.0	0.0				0.0
Transfer from retained earnings to other reserves	0.0				2.1	-2.1	
Dividends paid	-194.0					-194.0	
Other changes	-4.7				-3.0	-1.7	
Net result for the period	438.6					438.6	
Dec. 31, 1998	3 563.4	488.2	1 237.0	36.7	53.0	1 580.8	167.8
Parent company							
Jan. 1, 1998	3 201.3	485.0	1 215.8	36.3	-	1 296.4	167.8
Share issue	24.3	3.2	21.2				
Conversion of convertible subordinated bonds	0.0	0.0	0.0				0.0
Dividends paid	-194.0					-194.0	
Net result for the period	373.2					373.2	
Dec. 31, 1998	3 404.9	488.2	1 237.0	36.3	-	1 475.6	167.8

FIM million	Group Dec. 31, '98	Group Dec. 31, '97	Parent company Dec. 31, '98	Parent company Dec. 31, '97
Distributable equity				
Other reserves	**53.0**	57.4	**-**	-
Retained earnings	**1 142.3**	1 060.5	**1 102.4**	1 077.8
Net result for the period	**438.6**	350.8	**373.2**	218.6
Non-distributable equity	**-61.0**	-120.6	**-**	-
Equity share of untaxed reserves	**-197.7**	-185.4	**-**	-
Distributable equity, total	**1 375.1**	1 162.6	**1 475.6**	1 296.4

14 - Provisions

	Group		Parent company	
FIM million	**Dec. 31, 1998**	Dec. 31, 1997	**Dec. 31, 1998**	Dec. 31, 1997
Pensions	**19.1**	21.9	**-**	-
Project deliveries and claims	**77.1**	67.2	**6.4**	6.7
Credit losses	**14.5**	20.7	**-**	-
Restructuring	**57.2**	99.2	**7.8**	8.3
Provision due to devaluation of the Brazilian real	**50.1**	**-**	**-**	-
Other	**39.9**	34.9	**4.6**	1.5
Total	**257.9**	243.9	**18.8**	16.5

15 - Long-term liabilities

Long-term liabilities are loans taken by individual Group companies in local or other currencies. Most of the loans in other currencies have been taken to minimise the effects of exchange rate fluctuations on foreign subsidiaries´ equities. The main currencies are as follows:

Group

		Dec. 31, 1998	Dec. 31, 1997
Local currencies		**1 900.4**	1 912.4
of which in FIM 1 183.9 (1 184.8) million.			
Other currencies			
Belgium	BEF	**34.2**	182.6
Japan	JPY	**0.0**	4.0
Netherlands	NLG	**0.0**	26.9
Sweden	SEK	**280.8**	87.2
Germany	DEM	**34.6**	47.2
USA	USD	**13.9**	41.3
Total		**2 263.9**	2 301.5
Loan repayments		**-208.5**	-481.7
Long-term liabilities, total		**2 055.4**	1 819.9

Repayments of long-term liabilities

FIM million	1999	2000	2001	2002	2003	2004 or later	Total
Group							
Loans from financial institutions	159.2	296.2	249.1	301.8	199.9	553.1	1 759.2
Pension fund loans	12.9	12.1	11.3	10.5	9.8	292.6	349.1
Other interest-bearing liabilities	36.4	14.3	7.3	4.8	12.9	19.7	95.4
Deferred tax liability	0.0	0.7	0.9	1.4	0.8	45.5	49.4
Other non interest-bearing liabilities	0.0	1.0	0.0	0.0	0.0	9.6	10.6
Total	208.5	324.3	268.5	318.5	223.4	920.5	2 263.8

16 - Short-term interest-bearing liabilities

	Group		Parent company	
FIM million	**Dec. 31, 1998**	Dec. 31, 1997	**Dec. 31, 1998**	Dec. 31, 1997
Repayments of long-term liabilities	**208.5**	481.7	**38.4**	311.1
Subsidiaries			**952.0**	1 180.3
Associated companies	**-**	2.0	**-**	-
Other short-term liabilities	**1 373.0**	1 202.0	**902.6**	789.0
Total	**1 581.5**	1 685.7	**1 893.0**	2 280.4

17 - Short-term non interest-bearing liabilities

FIM million	Group Dec. 31, 1998	Group Dec. 31, 1997	Parent company Dec. 31, 1998	Parent company Dec. 31, 1997
Subsidiaries				
Accounts payable			**3.7**	6.4
Other non interest-bearing liabilities			**58.6**	0.2
Accrued expenses and deferred income			**8.5**	29.1
Total			**70.8**	35.7
Associated companies				
Accounts payable	**2.8**	4.5	**0.0**	0.0
Accrued expenses and deferred income	**8.9**	8.3	**1.1**	0.1
Total	**11.7**	12.7	**1.1**	0.1
Others				
Accounts payable	**946.9**	931.8	**14.3**	8.1
Advances received	**54.3**	64.4	**-**	
Other non interest-bearing liabilities	**337.2**	408.2	**26.3**	39.1
Accrued expenses and deferred income	**883.8**	979.9	**40.2**	97.1
Total	**2 222.2**	2 384.3	**80.8**	144.3

18 - Accrued expenses and deferred income

FIM million	Group Dec. 31, 1998	Group Dec. 31, 1997	Parent company Dec. 31, 1998	Parent company Dec. 31, 1997
Related to				
Purchases	**132.7**	132.5	**1.5**	1.2
Personnel costs	**327.7**	336.6	**4.7**	5.2
Warranties	**79.2**	70.6	**2.4**	1.1
Financial items	**83.5**	111.9	**26.8**	38.1
Taxes	**63.1**	91.3	**14.5**	52.6
Other	**206.5**	245.3	**-**	28.1
Total	**892.7**	988.2	**49.9**	126.3

19 - Adjustment for financial leasing

Both operating and financial leasing fees have been treated as rental expenses in the annual accounts.
A matching between Finnish and international accounting practice in financial leases is presented below.

FIM million	Operating profit	Financial items	Profit after financial items
Income Statement:			
As shown in the Income Statement	678.4	-213.1	465.3
Adjustment for interest expenses included in leasing fees	9.1	-9.1	0.0
Adjusted Income Statement	687.5	-222.2	465.3

	Fixed assets	Liabilities	Balance sheet, total
Balance Sheet:			
As shown in the Balance Sheet	4 764.6	5 870.9	10 065.2
Net book value of leased assets	235.3	235.3	235.3
Adjusted Balance Sheet	4 999.9	6 106.2	10 300.5

	Return on capital employed	Solvency
Key figures		
According to Annual Accounts	11.1 %	39.3 %
After adjustments in the Income Statement and in the Balance Sheet	10.9 %	38.4 %

20 - Pledged assets and contingent liabilities

FIM million	Group Dec. 31, 1998	Group Dec. 31, 1997	Parent company Dec. 31, 1998	Parent company Dec. 31, 1997
Pledged assets				
Pledged assets as security for own debts				
Real estate mortgages	**97.2**	106.9		
Other mortgages	**10.8**	93.7		
Other pledges	**49.7**	55.7		
Total	**157.7**	256.3		
Debt for which mortgages or pledges are given as security	**102.3**	139.7		
Pledged assets for other own liabilities than debts				
Real estate mortgages	**5.9**	105.8		
Other mortgages		63.1		
Other pledges	**27.2**	4.8		
Total	**33.1**	173.7		
Pledged assets for others' debts		5.2		
Total pledged assets	**190.8**	435.2		
Contingent liabilities				
Guarantees				
for subsidiaries			**1 732.5**	1 469.2
for associated companies	**29.3**	76.5	**25.3**	62.2
for others	**280.4** [1]	64.5	**20.3**	21.9
Discounted bills	**46.0**	47.8		
Pension fund liability	**11.0**	1.4		
Other contingent liabilities	**243.2** [1]	273.4	**3.5**	3.5
Total contingent liabilities	**609.9**	463.6	**1 781.6**	1 556.8

[1] Guarantees for others include FIM 237 million customer finance arrangements where the sold machines form security and other contingent liabilities include repurchase commitments for sold products to a value of FIM 233 million.

Leasing contracts

In accordance with current leasing contracts leasing fees during the next years will amount to:

FIM million	Group	Parent company
1999	**86.9**	**0.6**
2000	**70.5**	**0.4**
2001	**54.1**	**0.3**
2002	**46.2**	**0.0**
2003 or later	**204.9**	**0.0**
Total	**462.6**	**1.3**

21 - Nominal values of derivative instruments, December 31, 1998

FIM million	Total	Closed contracts	Open contracts	Market value
Foreign exchange forward contracts	3 001,7	794.7	2 207.0	-2.7
Interest rate swaps	650.7	650.7	0.0	0.0
Interest rate forward contracts	1 664.2	1 664.2	0.0	0.3

The principles observed in calculating market value

Foreign exchange forward contracts are valued at mark-to-market values at the end of the financial period.
The market value of interest rate swaps is estimated on basis of the net present value of future cash flows.
Interest rate forward contracts are valued at mark-to-market values at the end of the financial period.

Financial Risk Management

Partek's business activities are exposed to financial risks such as currency risks, interest-rate risks, funding and liquidity risks, and counterparty risks. The intention is to reduce the financial risks generated from the business activities. Partek's treasury function manages the Group's financial risks centrally, which is in line with the finance policy confirmed by the Group's Board of Directors. The Board has also approved detailed guidelines on the definition of financial risks, limits and the use of different financial instruments.

The value of open derivative contracts at year-end appears in note 21. As the note does not include the underlying exposure hedged by the contracts, it does not give the full picture of Partek's complete risk exposure.

Currency risks

Foreign subsidiaries comprise the majority of Partek's business operations. Partek exports products from several countries, however, mostly from Finland and Sweden. These activities cause currency risks i.e. translation and transaction exposure.

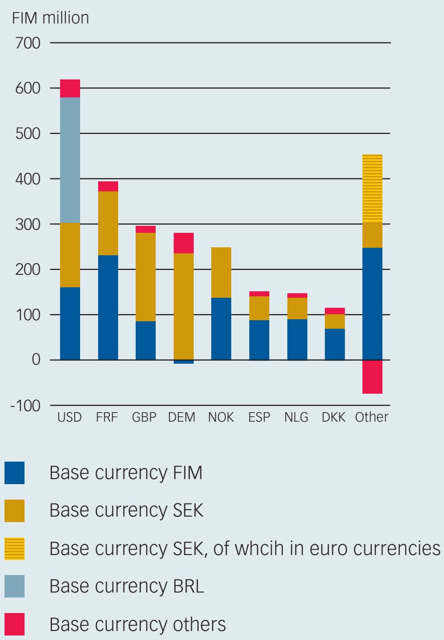
The Group's annual net currency flow (transaction risk) is estimated at about FIM 2,600 million during 1999. Of the transaction risk about 44 percent is against the Finnish mark (FIM) as base-currency, about 45 percent against the Swedish crown (SEK), about 9 percent against the Brazilian real (BRL) and about 2 percent against other currencies. This means that the Group's result is also affected by changes in the value of currency combinations, which do not include the FIM.

As a rule the Group's net currency flow is hedged for the following twelve months, so that exchange rate fluctuations affect the result, on average, with a lag of roughly 7 to 9 months. At year-end some 62 percent of the estimated net currency flow for the following year was hedged.

Among other financial items, a provision of FIM 50 million was made to cover calculated losses related to the devaluation of the Brazilian real in the beginning of 1999. The calculated provision is based on the currency rates on February 5, 1999, at which time the BRL had lost 51.4 percent of its value against the US dollar since year-end 1998. The size of the open currency position, which the provision refers to, covers approximately 6 months of exports from Brazil to the rest of Latin America, mainly to Argentina.

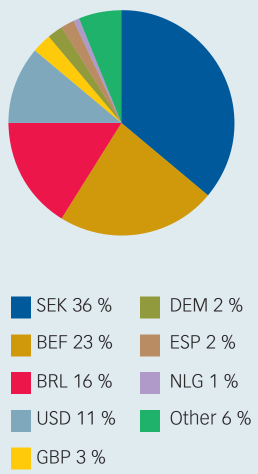
The translation exposure that arises from net assets abroad, i.e. the foreign subsidiaries' net equity, is hedged through loans or standardised derivatives in corresponding currencies. Exceptions to this rule may occur when the costs, because of nonfunctioning markets and/or too large interest-rate differences, are deemed to be too high. At the closing of the books, the net equity of the foreign subsidiaries amounted to FIM 2,900 (2,000) million of which approximately 58 (60) percent was hedged. Of the rest, FIM 460 (195) million referred to the Brazilian real and FIM 455 (345) million to Swedish crowns. Adopting the currency rates as of February 5, 1999 means that the devaluation of the real would have a negative translation difference against shareholder's equity of about FIM 145 million, which would lower the Group's equity to total assets ratio by about 0,9 percentage points.

Estimated net flow, FIM 2.6 billion of foreign currencies during 1999



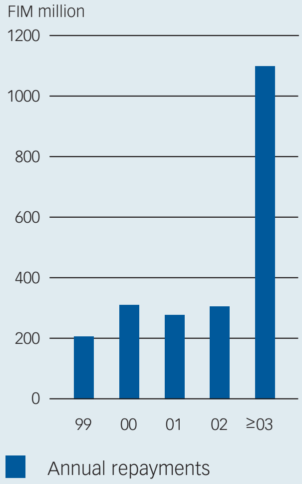
Net equity in foreign subsidiaries, FIM 2.9 billion

Currency distribution, Dec. 31, 1998



Long-term interest-bearing debt

Maturity distribution



Interest-rate risks

Changes in interest rates on interest-bearing receivables and debts in different currencies cause interest-rate risks. These risks are managed regularly with the help of duration analysis of net interest-bearing debt. Various interest-rate derivatives such as swap agreements and forward rate agreements are used to manage interest-rate risk.

No swap or forward rate agreements were open at the end of 1998.

Funding and liquidity risks

In minimising funding and liquidity risks the Group ensures that the proportion of short-term debt in relation to all interest-bearing debt does not exceed a defined level, and that liquid assets and existing credit facilities cover estimated financing needs.

Interest-bearing debt amounted to FIM 3,577 (3,368) million at year-end. Of this 44 (50) percent was short-term interest-bearing debt including repayments on loans within one year. During 1997 the Group signed a five-year syndicated multi-currency revolving credit facility amounting to USD 210 million. To the extent the facility is used, the corresponding amount is booked as short-term interest-bearing debt. Long-term interest-bearing debt on a currency-by-currency basis and repayments for coming years are shown in note 15. In addition to liquid assets of FIM 327 (506) million, the unused credit facilities totalled FIM 1,750 (2,100) million at the closing of the books.

Interest-bearing net debt excluding convertible subordinated bonds was increased during the year by FIM 361 million and was FIM 2,948 (2,587) million at the end of the year.

Counterparty risks

Only counterparties with high credit-worthiness are accepted when investing liquid assets. Derivative contracts are made only with leading banks and credit institutions. No credit losses related to counterparty risks were recorded.

The impact of the euro on financial risk management

With Partek's current group structure the implementation of the Single European currency, the euro, will significantly decrease the financial risks generated from the Group's business activities.

As far as transaction risks are concerned, the decrease will only be about 18 percent or about FIM 480 million. If Sweden, Denmark and the United Kingdom were to join EMU at a later stage, the net currency flow would further decrease by about 43 percent or some FIM 1,130 million.

The implementation of the euro will mean a significant decrease in the proportion of shareholder's equity in foreign currencies, seen from the parent company's point of view.

Also managing interest-rate risks will become easier and the possibilities regarding the pooling of liquidity will be further enhanced. The euro has already been implemented as the base-currency in the Group's netting system.

Other issues

Business activities in emerging markets, where both currency volatility and interest rates are substantially higher than in EU-countries, have increased, relatively speaking, during the last few years.

Auditors' Report

To the shareholders of Partek Corporation

We have audited the accounts, the accounting records and the administration by the Board of Directors and the Managing Director of Partek Corporation for the year ended 31 December 1998. The accounts prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the accounts. Based on our audit we express our opinion on these accounts and the 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 accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts, 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 Managing Director have complied with the rules of the Finnish Companies' Act.

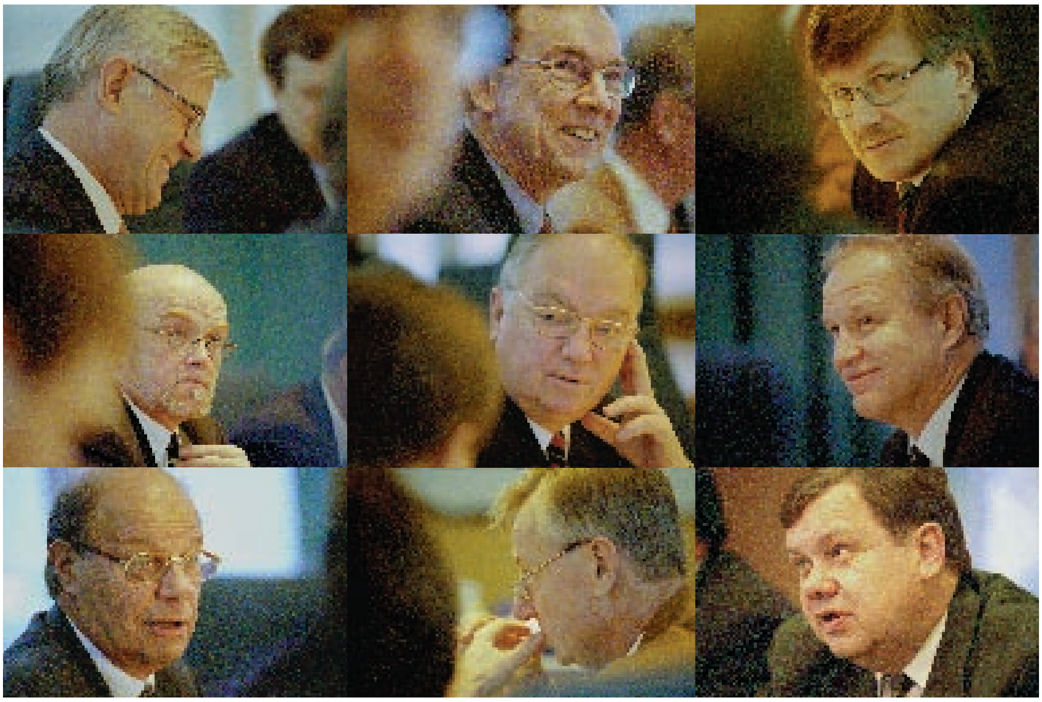
In our opinion, the accounts have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of accounts in Finland. The accounts give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result 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 Managing Director can be discharged from liability for the period audited by us. The proposal made by the Board of Directors regarding the distribution of retained earnings is in compliance with the Finnish Companies' Act.

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

Helsinki, March 1, 1999

Eric Haglund	Thor Nyroos
Authorised Public Accountant	*Authorised Public Accountant*

Board of Directors



From left to right:

Björn Mattsson
Caj-Gunnar Lindström
Markku Tapio

Risto Virrankoski
Jan Ekberg
Juha Toivola

Paavo Pitkänen
Juhani Riutta
Christoffer Taxell

Björn Mattsson, b. 1941
Chairman
Lic. Phil., Honorary Counsellor
Managing Director, Cultor Corporation
Chairman of the Board, Alma Media Corporation, member of the supervisory board of Varma-Sampo Mutual Pension Insurance Company and Merita Bank plc. among others
Elected to Partek's board 1993
Elected for the period 1996 - 1999
Shareholding: 1,160

Risto Virrankoski, b. 1946
Vice chairman
M.Sc. (Econ.)
Executive Vice President, Outokumpu Oyj
Elected to Partek's board 1997
Elected for the period 1997 - 2000
Shareholding: -

Paavo Pitkänen, b.1942
M.Sc. (Phil.)
Managing Director, Varma-Sampo Mutual Pension Insurance Company
Member of the Boards of Stora Enso Oyj, Metra Corporation and Sampo Insurance company among others
Elected to Partek's board 1994
Elected for the period 1998 - 2001
Shareholding: -

Caj-Gunnar Lindström, b. 1942
Dr.Sc. (Econ.)
Managing Director of the Foundation of Åbo Akademi
Chariman of the Board, Pension Insurance company Verdandi, member of the Boards of Sparbanken Aktia Abp and Life Insurance company Verdandi among others
Elected to Partek's board 1997
Elected for the period 1998 - 2001
Shareholding: -

Jan Ekberg, b. 1936
Dr. (Med.) h.c.
Director
Chairman of the Board, Bongs Fabriker AB and Christianova AB, vice chairman of the Board, Nobel Biocare AB, member of the Boards of Volvo Aero AB, Handelsbanken Region Södra Sverige, Malmberg Water AB, Focus Imaging F.A. among others
Elected to Partek's board 1994
Elected for the period 1998 - 2001
Shareholding: 1

Juhani Riutta, b. 1944
M.Sc. (Econ.)
President, Valmet Automotive Inc.
Member of the Boards of Sako Ltd, Patria Finnavitec Oy and Oy Saab-Auto Ab among others
Elected to Partek's board 1997
Elected for the period 1997 - 2000
Shareholding: -

Markku Tapio, b. 1948 *
M.Sc. (Pol.)
Industrial Counsellor, Ministry of Trade and Industry
Member of the Boards of Alko-Yhtiöt Oy and Finnish Powergrid Plc among others
Elected to Partek's board 1997
Elected for the period 1997 - 1999
Shareholding: -

Juha Toivola, b. 1947
M.Sc. (Phil.)
President, Industrial Insurance Company Ltd.
Senior Executive Vice President, Sampo Group.
Member of the Boards of Elcoteq Network Corporation, Fiskars Corporation, Tamro Corporation and Neptun Maritime Oyj among others
Elected to Partek's board 1996
Elected for the period 1997 - 2000
Shareholding: 1,000

Christoffer Taxell, b. 1948
LL.M.
President and C.E.O., Partek Corporation
Chairman of the Board, Kalmar Industries AB, member of the Boards of KCI Konecranes International Plc, Metra Corporation, Stockmann Plc and Sampo Insurance company among others
Elected to Partek's board 1984
Elected for the period 1996 - 1999
Shareholding: 6,720

* At an extraordinary meeting of shareholders on December 30, 1998 Markku Tapio was granted resignation from the Board. Industrial Counsellor at the Ministry of Trade and Industry Arto Honkaniemi, LL.M., M.Sc. (Econ.), born 1946, was elected to take his place for the term of office remaining. Honkaniemi's term ends in 1999. Honkaniemi does not own any Partek shares.

Group Management

Christoffer Taxell, b. 1948
LL.M.
President and CEO
Employed by Partek since 1990
Shareholding: 6,720
Options: 50,000

Carl-Gustaf Bergström, b. 1945
M.Sc. (Econ.)
Senior Executive Vice President
Employed by Partek since 1970
Shareholding: 4,939
Options: 30,000

Kari Heinistö, b. 1958
M.Sc. (Econ.)
Chief Financial Officer
Employed by Partek since 1983
Shareholding: 1,004
Options: 30,000

Group Administration

Timo Vuorio, b. 1949
M.Sc. (Econ.)
Senior Vice President,
Administration
Employed by Partek since 1984
Shareholding: 954
Options: 20,000

Olav Uppgård, b. 1955
M.Sc. (Econ.)
Senior Vice President,
Treasury
Employed by Partek since 1984
Shareholding: 955
Options: 20,000

Kaisa Vikkula, b. 1960
Dr.Sc. (Econ.)
Senior Vice President,
Communications & IR
Employed by Partek since 1995
Shareholding: 1,021
Options: 20,000

Veli-Matti Tarvainen, b. 1954
LL.M.
Senior Vice President,
General Counsel
Employed by Partek since 1995
Shareholding: 121
Options: 20,000

The Group Management, Business Area Presidents and Group Administration make up Partek's Management Team.

Stock exchange release summary 1998

January 16
Kalmar Industries' subsidiary Ottawa Truck, Kansas, USA, has secured three major orders for delivery of 201 terminal tractors in the U.S. The total value of the orders is approx. USD 9.1 million (FIM 50 million).

January 20
During 1997 Partek's tractor operations produced 14,002 tractors. The Suolahti plant produced 7,990 tractors, which is an all-time record. Valtra do Brasil produced 6,012 tractors. The production of diesel engines in Nokia, Finland rose by 32 percent and was 17,100 engines, which is an all-time record. Valtra's market share in Scandinavia rose from 24.3 percent to 26.4 percent.

February 10: Kalmar, preliminary results for 1998
Operating profit: SEK 68 million after allocation of SEK 120 million as a provision for structural changes and transaction costs of SEK 49 million for the merger. Operating result before items affecting comparability: SEK 237 million (329). Profit after financial items: SEK 30 (289) million. Net sales: SEK 1,545 (936) million. Orders received: 5,196 (4,200). Order stock at the end of the year: SEK 1,545 million (936). Return on capital employed was 4% after and 13% (19) before items affecting comparability. Return on shareholders' equity after tax: 0% (21). Earnings per share before items affecting comparability amounted to SEK 6,20 (8,00). Total assets: SEK 3,011 million (2,815). Equity/assets ratio: 33% (32). The data for 1996 are proforma. The Board has resolved to propose a dividend of SEK 2.00 (4.00) per share to the Annual General Meeting.

February 24
Valtra and Agritalia of Italy have signed an agreement under which Agritalia will produce special tractors for wine and fruit orchards in southern Europe. The tractors will be marketed under the Valtra Valmet brand name.

February 25: Partek, Financial result for 1997
Operating result: FIM 726 (284) million. Result after financial items: FIM 570 (226) million. Net sales: FIM 10,744 (6,160) million. The volume of orders received went up 24 percent. Order stock: FIM 2,010 (1,332) million. Earnings per share after computational taxes and the change in deferred tax: FIM 8.08 (3.99). Return on capital employed: 14.2 (9.2) percent. Return on equity after taxation: 12.4 (7.4) percent. Equity/total assets: 39 (48) percent. Considerable restructuring: Sisu and a majority shareholding in Kalmar Industries were acquired, the majority of the precast concrete operations were sold. The Board proposes that in this the centenary year a dividend of FIM 4.00 (4.00) per share, be distributed for 1997.

March 6
Kalmar Industries has signed contracts with three customers for delivery of straddle carriers worth approx. SEK 150 million.

March 13
Partek has concluded an agreement to acquire the rockwool production facilities at a factory in Trzemeszno, Poland. The agreement follows a preliminary agreement signed in December 1997. Upgrading of the facilities, together with the purchase price, will result in an investment of over FIM 50 million.

April 1
Valtra and HTZ, the leading tractor manufacturer in the Ukraine, have signed a letter of intent on the basis of which the parties will look into the possibilities for cooperation in tractor production and marketing in the Ukraine.

April 3
Partek shareholders representing over half of the company's voting rights, have informed the company that they will propose to the upcoming Annual General Meeting, that the number of members of the Board of Directors be confirmed at nine and that Jan Ekberg, Caj-Gunnar Lindström and Paavo Pitkänen, who are retiring by rote, be re-elected with their consent for the period from the end of this AGM to the end of the AGM three years hence.

April 7: Partek, Annual General Meeting
A dividend of FIM 4.00/share will be paid for 1997. The accounts of the parent company and Group for 1997 were confirmed. The Board of Director and President were granted a discharge from liability. The number of members of the Board of Directors was confirmed at nine. Jan Ekberg, Caj-Gunnar Lindström and Paavo Pitkänen were re-elected to the Board of Directors. The other members are Björn Mattsson, Juhani Riutta, Markku Tapio, Juha Toivola, Risto Virrankoski and Christoffer Taxell. The Board elected Björn Mattsson as Chairman and Risto Virrankoski as Vice Chairman at its statutory meeting.

April 8
Partek Nordkalk Oy Ab will invest FIM 31 million to increase its capacity for the production of ground limestone at the Parfill plant in Pargas, Finland. The new investment will double Parfill's production capacity, at present 130,000 tonnes per year.

April 17: Kalmar, Preliminary Interim Report January-March
Operating profit: SEK 47 (25) million. Profit after net financial items: SEK 34 (18) million. Net sales: SEK 1,219 (876) million, an increase by 39 percent. Orders received: SEK 1,304 million, an increase by 7 percent. Order stock: SEK 1,632 (1,285) million, an increase by 27 percent.

April 17: Kalmar, Annual General Meeting
The AGM confirmed the Board's proposal to pay a dividend of SEK 2.00 (4.00). The AGM elected the following members to the Board: Gösta Bystedt, Christer Granskog, Bengt Kvarnbäck, Tomas Oldér, Jonas Svantesson, Christoffer Taxell and Dag Wersén. At a Board Meeting following the AGM, Christoffer Taxell was appointed Chairman and Gösta Bystedt, Vice Chairman.

April 17
Bonds with warrants issued by Partek in 1994 to its management, have to date in 1998 been converted into 18,375 shares. Partek's share capital rises to FIM 485,185,000 and the amount of shares to 48,518,500.

April 28: Kalmar, Interim Report January-March

Operating profit: SEK 47 (25) million. Profit after net financial items: SEK 34 (18) million. Net sales: SEK 1,219 (876) million, an increase by 39 percent. Earnings per share: SEK 1.00 (0.40). Balance sheet/ Total assets at the end of the period: MSEK 2,959 (2,741). Orders received: SEK 1,304 million, an increase by 7 percent. Order stock: SEK 1,632 million (1,285), an increase by 27 percent.

May 5

Kalmar has secured one of its largest orders to date in Hong Kong, with a contract valued at SEK 52 million for a total of 12 reachstackers and six fork lift trucks.

May 11

Of the bonds with warrants issued by Partek in 1994 to its management, 31,763 have been converted into shares. Partek's share capital rises to FIM 485,502,630 and the amount of shares to 48,550,263.

June 2

Of the bonds with warrants issued by Partek in 1994 to its management, 147,995 have been converted into shares in May 1998. Partek's share capital rises to 486,982,580 and the amount of shares to 48,698,258.

June 16: Partek, Interim Report January-April

Operating profit: FIM 207 (75) million. The operating profit includes net gains consisting of capital gains and losses and other non-recurring items with a net value of FIM 24 (20) million. Profit after financial items: FIM 132 (51) million. Net sales: FIM 4,370 (1,949) million, which is 124 percent more than in the first tertial of last year. Balance sheet total: FIM 10,180 (31.12.97: 9,959) million. Earnings per share: FIM 1.49 (0.78). Orders received increased by 10 percent. Order stock: FIM 2,171 (1,792) million. The Group structure is considerably different from last year. During the first four months of last year the Container handling, Forest machines and Tractors business areas were not yet part of the Group.

June 18

Partek has increased its stake in Kalmar Industries AB by 2,343,697 shares. After the transaction Partek's holding in the shares and voting rights of Kalmar Industries increases from 51 to 61 percent.

June 30

Of the bonds with warrants issued by Partek in 1994 to its management, 117,476 have been converted into shares in June 1998. Partek's share capital rises to 488,157,340 and the amount of shares to 48,815,734.

August 14

Partek's subsidiary, Partek Nordkalk, has acquired Rakke Lubjatehase AS, which is Estonia's leading producer of quick lime. In 1997, Partek Nordkalk acquired 40 percent of the company and started up an investment program for modernising the plant and developing the quality. The investments have increased the plant's capacity and productivity as well as improved the product quality. Net sales are EEK 35 million (FIM 13 million).

August 21: Kalmar Industries, Interim Report January-June

Operating profit: MSEK 133 (56). Profit after net financial items: MSEK 108 (42). Net sales: MSEK 2,519 (2,054). Earnings per share: SEK 3.20 (1.10). Total assets: MSEK 2,940 (MSEK 2,962 at the beginning of the year). Orders received: 2,538, an increase of 3 percent. Order stock: MSEK 1,531 (1,357). Restructuring costs for the merger between Kalmar and STS equalled MSEK 10 for the period and were booked against provisions made in the annual accounts for 1997.

September 9

Kalmar Industries is reducing the number of blue collar personnel at its plant in Ljungby, Sweden by 64, 25 of whom are not directly employed in production. The reduction is the consequence of restructuring plans that were drawn up after the merger between Kalmar and STS and follow negotiations with the local branch of the Metal Union.

September 16

Valtra and Zahnradfabrik Passau GmbH of Germany have made an agreement concerning the development and deliveries of high horsepower tractor transmissions for Valtra tractors in the range over 200 hp.

October 12: Partek, Interim Report January-August

Operating profit: FIM 432 (1997:358) million. The operating profit includes non-recurring items amounting to FIM 24 (approx. 100) million. Result after financial items: FIM 300 (284) million. Net sales: FIM 8,692 (5,958) million. Earnings per share: FIM 3.36 (4.40). Balance sheet: FIM 9,931 (31.12.1997: 9,959) million. Orders received: FIM 7,043 (6,690) million. Order stock: FIM 2,119 (2,162) million.

October 22

Partek Nordkalk has signed a long term agreement on the delivery of ground limestone used in flue gas cleaning at the coal-fired power plant Dolna Odra, located close to the city of Szeczin, Poland. The total value of the order is FIM 100 million. In connection with this agreement, Partek Nordkalk also decided to invest approximately FIM 32 million in a limestone grinding plant that will provide the power plant with ground lime stone.

November 2: Kalmar, Interim report January-September

Operating profit: SEK 206 (113) million. Profit after net financial items: SEK 165 (90) million. Restructuring costs for the merger between Kalmar and STS equalled SEK 26 million for the period and were booked against provisions made in the annual accounts for 1997. Net sales: SEK 3,801 (3,147) million. Earnings per share: SEK 4.70 (2.60). Total assets: SEK 3,074 million (SEK 2,962 million at the beginning of the year). Orders received: SEK 3,669 (3,679) million. Order stock: SEK 1,404 (1,470) million.

December 4

Christer Granskog, 51, M.Sc. (Engineering), Senior Executive Vice President of Partek, has been appointed President and CEO of Kalmar Industries AB with effect from December 4, 1998. Olof Elenius, 47 years, M.Sc. (Economics), has been appointed Managing Director of Partek Cargotec Oy Ab effective from December 4, 1998.

December 17
During 1998, FIM 70,000 worth (877 bonds) of Partek Corporation's convertible subordinated bonds (FIM 167,820,000) issued in 1994 were converted into shares. Partek's share capital rises from to FIM 488,166,110 and the amount of shares to 48,816,611.

December 17
Partek will be making an unconditional bid to the minority shareholders of Kalmar Industries AB, which is quoted on the Stockholm Stock Exchange. The bid price will be SEK 85/share. In order to finance the unconditional bid, the Board of Directors of Partek proposes that the company issues a convertible capital loan to a maximum value of FIM 368 million. It will be possible to convert the loan into Partek shares, in which case the number of Partek shares will rise by a maximum of 4.6 million. Partek's Board of Directors proposes that the extraordinary meeting of shareholders to be called will authorise the Board to decide upon an increase in the share capital through a rights issue so that the share capital can be increased by a maximum of FIM 49 million and by a maximum of 4.9 million shares.

Partek will continue focusing its business operations on the engineering industry and releasing capital by making the insulation operations independent. Partek is discussing with Industri Kapital about selling Partek's majority holding in the insulation operations to the Industri Kapital 1997 Fund and the executive management of its insulation business. Partek will continue to be a shareholder in the company with a 40 to 45 percent interest. The final agreement, which will require the due-diligence process and the approval of the competent authorities, could be made during the first half of 1999.

December 21
Partek Nordkalk has brought into operation a new lime kiln at its plant in Tytyri, Finland. The kiln will raise the overall production capacity of quick lime at Tytyri from 75,000 to 215,000 tonnes a year. The total investment has cost FIM 70 million.

December 22
The Board of Directors in Kalmar has decided to use a financial adviser to assist the Board in taking a stand on Partek's unconditional bid.

December 30
Partek's Extraordinary Meeting of Shareholders, which was held on December 30, 1998, decided, as proposed by the Board of Directors, to issue a convertible subordinated bond with a maximum value of FIM 368 million. The Meeting also decided to authorise the Board of Directors to increase the share capital by means of a rights issue based on the shareholders' pre-emptive right to subscription. Arto Honkaniemi was elected Member of the Board for Markku Tapio's remaining period.

December 30: Partek's financial information 1999
The timetable is as follows: Financial Result 1998 will be published on February 19. The Annual Report 1998 will be published in the last week of March. Annual General Meeting: April 7. Interim Report January-April: June 16, 1999, Interim Report January- August: October 11.

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Carl-Gustaf Bergström,
Senior Executive Vice President
Kari Heinistö, Chief Financial Officer

Group Administration
Timo Vuorio, Human resources & admin.
Olav Uppgård, Treasury
Helena Biström, Corporate Control
Kaisa Vikkula, Communications and
Investor Relations
Veli-Matti Tarvainen, Legal Affairs
Antti Koivupalo, Risk Management
Kim Karvinen, Information technology

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Annual General Meeting

The annual general meeting of Partek Corporation will be held on Wenesday April 7, 1999 at 5:00 p.m. at the company's Development Centre in Pargas, Finland. Shareholders whose names are registered on Thursday, April 1, 1999 at the latest with the Partek register kept by the Finnish Central Securities Depository Ltd. are entitled to take part in the annual general meeting.

All shareholders wishing to attend must notify the head office in Pargas by 4:00 p.m. on Tuesday, April 6, 1999 at the latest, either by telephone at +358 204 55 6056 or in writing at the address Partek Corporation, Share register, FIN-21600 Pargas, Finland. Possible proxies must be notified at the same time.

Dividend

The Board of Directors proposes that a dividend be distributed for 1998 in the amount of FIM 3.00 per share i.e. a total of FIM 146 million. Shareholders whose names are registered on April 12, 1999 with the Partek register kept by the Finnish Central Securities Depository Ltd. are entitled to a dividend.

The dividend can be drawn from shareholders' bank accounts on Friday, April 19. If a shareholder has not registered information about his bankers to the book-entries securities register, the dividend will be paid to the shareholder in the form of a postal order. Dividends paid as postal orders will be in the Post Office on the day the dividend is paid in order that they may be delivered to the payee. Shareholders who have not transferred their shares to the book-entry securities system by the record date will be paid the dividend after the shares have been transferred to the system.

The dividend for 1998 falls within the sphere of the corporation tax avoir fiscal system. Withholding tax will be deducted from dividends paid overseas.

Five-year review

Group five-year review in FIM

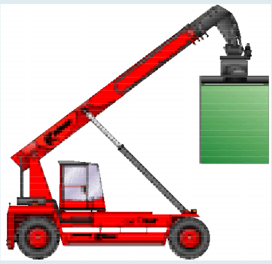
		1998	1997	1996	1995	1994
From Income Statement						
Net sales	FIM million	**13 537**	10 744	6 160	6 556	6 166
change	%	**26.0**	74.4	-6.0	6.5	-6.7
foreign sales	%	**77.0**	75.0	80.1	81.9	81.5
Operating profit	FIM million	**678**	726	284	380	232
% of net sales	%	**5.0**	6.8	4.6	5.8	3.8
Profit after financial items	FIM million	**465**	570	226	270	41
% of net sales	%	**3.4**	5.3	3.7	4.1	0.7
Profit before taxes and minority	FIM million	**648**	554	588	225	-203
% of net sales	%	**4.8**	5.2	9.5	3.4	-3.3
Net profit/loss for the period	FIM million	**439**	351	515	149	-194
From Balance Sheet	FIM million					
Fixed assets		**4 765**	4 599	2 709	3 922	4 018
Inventories		**2 185**	2 252	811	949	795
Other current assets		**3 115**	3 109	1 599	1 780	1 777
Equity		**3 563**	3 374	2 390	1 915	1 791
Minority interest		**373**	439	53	60	54
Provisions		**258**	244	124	253	274
Interest-bearing liabilities		**3 577**	3 368	1 135	2 774	3 000
Non interest-bearing liabilities		**2 294**	2 535	1 416	1 648	1 472
Balance sheet total		**10 065**	9 959	5 119	6 650	6 590
Financial ratios						
Gross capital expenditure	FIM million	**857**	2 260	415	292	581
% of net sales	%	**6.3**	21.0	6.7	4.5	9.4
Depreciation	FIM million	**459**	407	268	281	329
Research and development costs		**235**	190	136	124	123
% of net sales	%	**1.7**	1.8	2.2	1.9	2.0
Capital employed	FIM million	**7 513**	7 180	3 578	4 749	4 845
Net interest-bearing debt		**2 948**	2 587	675	2 301	2 443
Return on capital employed	%	**11.1**	14.8	9.9	11.0	6.6
Return on equity	%	**8.7**	13.1	8.0	12.1	3.9
Gearing	%	**74.9**	67.8	27.6	116.5	132.4
Interest coverage	times	**3.2**	4.1	2.2	2.2	1.2
Solvency	%	**39.3**	38.5	48.4	30.1	28.5
Per employee	1000 FIM					
Net sales		**1 122**	1 027	796	759	759
Value added		**310**	325	282	274	266
Wages and salaries		**216**	217	209	197	198
Profit after financial items		**39**	54	29	31	5
Personnel on average						
Finland		**5 287**	4 490	2 627	2 630	2 510
Abroad		**6 775**	5 974	5 114	6 008	5 618
Total		**12 062**	10 464	7 741	8 638	8 128

Calculation rules for financial ratios on page 55.

Group five-year review in Euro

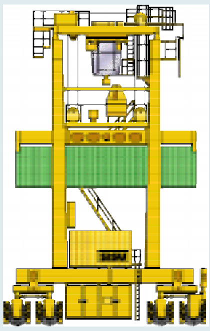
		1998	1997	1996	1995	1994
From Income Statement						
Net sales	MEUR	**2 277**	1 807	1 036	1 103	1 037
change	%	**26.0**	74.4	-6.0	6.5	-6.7
foreign sales	%	**77.0**	75.0	80.1	81.9	81.5
Operating profit	MEUR	**114**	122	48	64	39
% of net sales	%	**5.0**	6.8	4.6	5.8	3.8
Profit after financial items	MEUR	**78**	96	38	45	7
% of net sales	%	**3.4**	5.3	3.7	4.1	0.7
Profit before taxes and minority	MEUR	**109**	93	99	38	-34
% of net sales	%	**4.8**	5.2	9.5	3.4	-3.3
Net profit/loss for the period	MEUR	**74**	59	87	25	-33
From Balance Sheet	MEUR					
Fixed assets		**801**	773	456	660	676
Inventories		**368**	379	136	160	133
Other current assets		**524**	523	269	299	299
Equity		**599**	567	402	322	301
Minority interest		**63**	74	9	10	9
Provisions		**43**	41	21	43	46
Interest-bearing liabilities		**602**	566	191	467	505
Non interest-bearing liabilities		**386**	426	238	277	248
Balance sheet total		**1 693**	1 675	861	1 119	1 108
Financial ratios						
Gross capital expenditure	MEUR	**144**	380	70	49	98
% of net sales	%	**6.3**	21.0	6.7	4.5	9.4
Depreciation	MEUR	**77**	68	45	47	55
Research and development costs		**40**	32	23	21	21
% of net sales	%	**1.7**	1.8	2.2	1.9	2.0
Capital employed	MEUR	**1 264**	1 208	602	799	815
Net interest-bearing debt		**496**	435	114	387	411
Return on capital employed	%	**11.1**	14.8	9.9	11.0	6.6
Return on equity	%	**8.7**	13.1	8.0	12.1	3.9
Gearing	%	**74.9**	67.8	27.6	116.5	132.4
Interest coverage	times	**3.2**	4.1	2.2	2.2	1.2
Solvency	%	**39.3**	38.5	48.4	30.1	28.5
Per employee	1000 EUR					
Net sales		**189**	173	134	128	128
Value added		**52**	55	47	46	45
Wages and salaries		**36**	36	35	33	33
Profit after financial items		**6**	9	5	5	1
Personnel on average						
Finland		**5 287**	4 490	2 627	2 630	2 510
Abroad		**6 775**	5 974	5 114	6 008	5 618
Total		**12 062**	10 464	7 741	8 638	8 128

Container handling



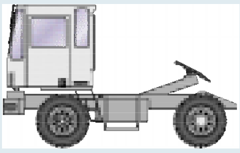
Reachstacker

A reachstacker transports and stacks empty and laden containers. Reachstackers are used for container handling mainly in small and medium sized ports, but increasingly also in railway terminals.



Straddle carrier

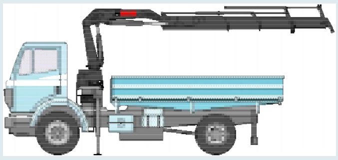
A straddle carrier transports and stacks empty and laden containers. Straddle carriers are a popular solution for container handling in medium to large sized export/import ports.



Terminal tractors

Terminal tractors are used for short distance transport of containers and trailers in ports and inland terminals.

Load handling



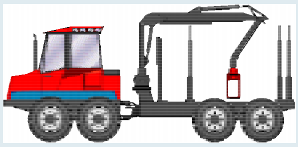
Loader cranes

Loader cranes have a hydraulic telescope boom and are used for handling a variety of cargo. The crane is usually mounted on a truck. During transportation the crane can easily be folded behind the cab of the truck

Forest machines

Harvester

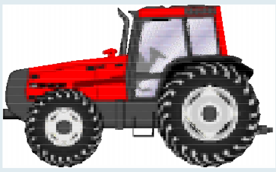
A harvester is the first link in the felling and transporting chain in the Scandinavian cut-to-length method. The harvester is equipped with a crane and a harvesting head. In the cut-to-length method, the harvester fells, delimbs and cuts trunks to size for a pre-determined purpose.



Forwarder

A forwarder is a specially designed transport tractor, and is equipped with a crane and a grapple. In the cut-to-length method the forwarder loads the timber, felled by the harvester, onto its back wagon and transports it from the forest to the roadside. A timber truck transports the timber from there on.

Tractors



Tractor

A modern tractor is an efficient and versatile working machine. Through a variety of extra equipment and computerised control systems for the engine, transmission and gear shift its use can be made easier and more efficient.

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