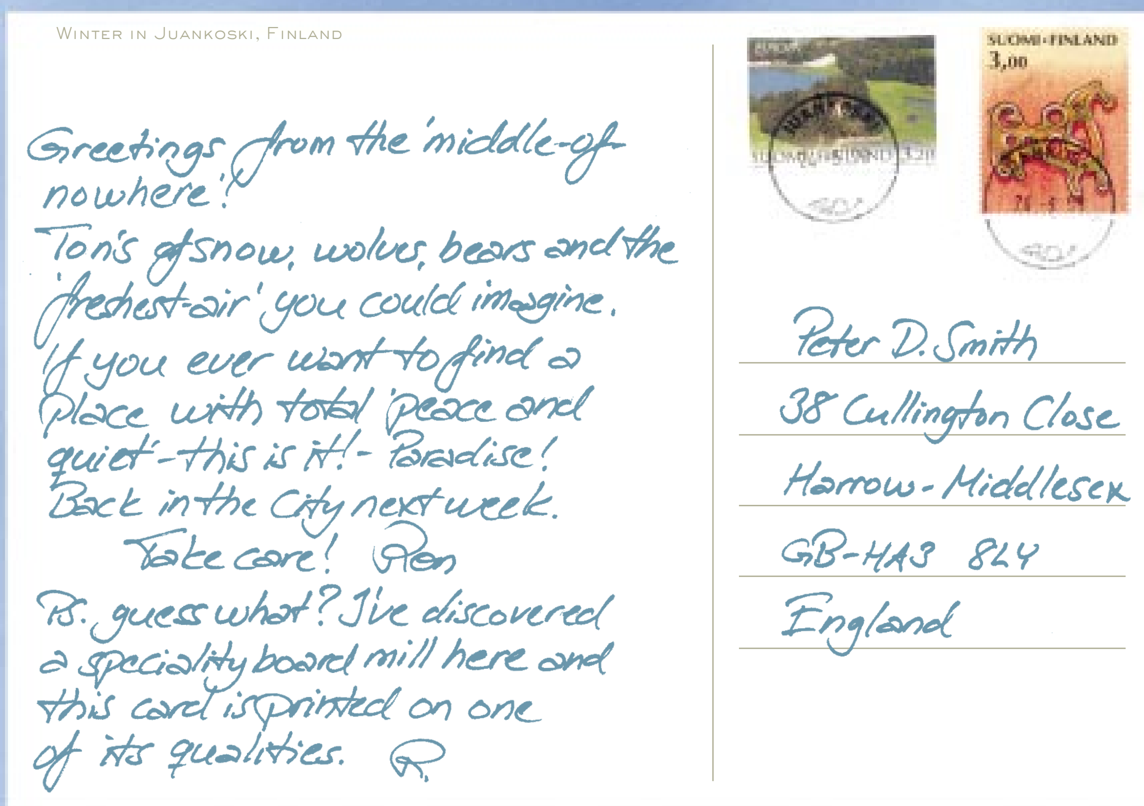
Annual Report 1998

Stromsdal

Stromsdal is a company which focuses on the manufacture of premium quality, highly processed coated boards. The key objective of the company is to provide the 'best quality' for customers in the, extremely demanding, graphical board markets.



WINTER IN JUANKOSKI, FINLAND

Greetings from the 'middle-of-nowhere'!
Ton's of snow, wolves, bears and the 'freshest-air' you could imagine.
If you ever want to find a place with total 'peace and quiet' - this is it! - Paradise!
Back in the City next week.
Take care! Ron
P.S. guess what? I've discovered a speciality board mill here and this card is printed on one of its qualities. R.

SUOMI·FINLAND 3,00

Peter D. Smith
38 Cullington Close
Harrow-Middlesex
GB-HA3 8LY
England

Stromsdal invests in continuous product development and acknowledges its responsibility for the environment.

Contents

Managing Director's Review

In 1998, Stromsdal launched a multiphase development project aimed at improving the company's competitive edge in key market areas. Although technically successful, the project caused short-term losses that contributed to the company's overall negative result.

The group's losses for the past financial year were primarily caused by events in the last quarter. A declining graphical board market meant capacity utilisation problems as well as a reduced average sales price. In combination with the investment shut-down in November, these factors crucially hampered our performance.

As the entire board industry saw order volumes plummeting, the partial rebuild of our board machine's wet end took longer than anticipated. Further valuable production time was lost during the start-up phase. During the first half of the year, when the market situation was still good, a string of technical problems reduced productivity. This had a negative effect on financial performance as well.

We spent a total of FIM 25.3 million on investments during 1998, the bulk of which was used to upgrade the board manufacturing process.

The modifications done to the board machine have given us much improved production technology and enhanced efficiency. The entire process is now easier to manage and control.

The investments also resulted in a marked improvement in baseboard quality, allowing us to boost production capacity and to develop new, high-quality board grades. These measures also open the way for concentrating all board coating to our off-machine coater. The separation of baseboard production and coating facilitates on-going quality development, increases mill capacity and opens the way for higher value-added products. All this is in line with our objective of making Stromsdal a truly unique speciality board mill.

Our marketing project focusing on recyclable, pro-environmental Barrier Pack packaging board suffered a major setback when the separate marketing company went into liquidation in the autumn. However, we decided to continue the project relying on our own resources and to this end undertook a thorough re-evaluation of the product itself. As a next step, we will invest in additional R&D in order to achieve a value-added level attractive to the food packaging industry and to improve the profit potential for Stromsdal.

A large mill maintenance development project launched in the autumn of 1995, and involving external expert assistance, was completed in 1998. It gives us the ability to improve preventive maintenance by fully exploiting the potential of the maintenance data management system acquired.

During the year under review, we recruited senior managers to strengthen the company's marketing and production functions. We now have in place the human resources needed to implement our planned investment projects as well as the graphical board R&D programme initiated in1998.

In terms of production and quality, 1999 started out much better than the previous year.

Björn Forss
Managing Director

Review of Operations

Stromsdal Oyj is a company which focuses on the manufacture of premium quality, highly processed coated boards. Stromsdal has been in the business for eleven years in its current form. The company headquarters and production facilities are located in Juankoski, in central Finland, and the company also has a wholly owned sales company in Britain. Stromsdal Oyj's series B shares are quoted on the Helsinki Exchanges.

Market situation declined towards the year-end

The year's production output totalled 39,320 tons. Production volumes did not reach the budgeted level owing to a capacity utilisation rate that was lower than targeted. Particularly in the second half of the year, the mill experienced order shortages, which resulted in unscheduled shutdowns for five days. In addition, in November and December the mill had to operate with just a few days' order book.

The decrease in capacity utilisation could be partly attributed to production shutdowns – more than 10 days in all – required for the investment measures. In the first half of the year, production volumes almost reached the budgeted level, but fell below in the second half.

We were able to raise the capacity utilisation rate of the coating machine from the previous year's level with the objective to shift all coating operations to our separate coating machine. We purchased about 1,500 tons of board from other suppliers for coating. The operations involved both subcontracting services and partly Stromsdal's Barrier Pack board.

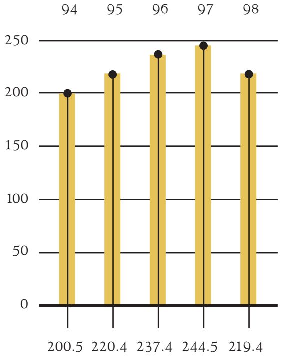
The total output of coated board was 39,174 tons; the board machine accounted for 16,730 tons and the coating machine 22,590 tons. The previous year's corresponding figures were 23,118 tons and 18,163 tons.

Degree of automation raised at the board machine

During the year, significant investments were carried out to raise the degree of automation of the board machine and to increase pulp production capacity. Gross investments totalled FIM 25.4 million. In January, the board machine was fitted with a new roll for the surface wire, and the board machine's process computer and measuring system were replaced. In addition, the condenser water tanks of the dryer were replaced in September. In November, a new, adjustable top former was installed on the middle layer wire, which has clearly improved the uniformity of the board's middle layer. The ability of the wire to run also improved: particularly with lighter grades, we have been able to raise the running speed of the board machine to the maximum. The number of web breaks in the wire section has dropped to less than half of previous figures.

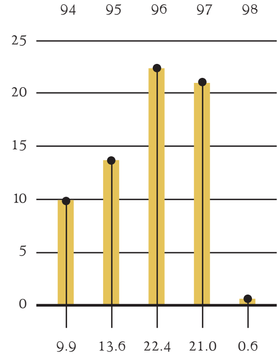
Net sales

FIM million



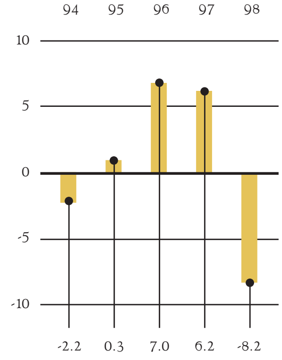
Operating Profit

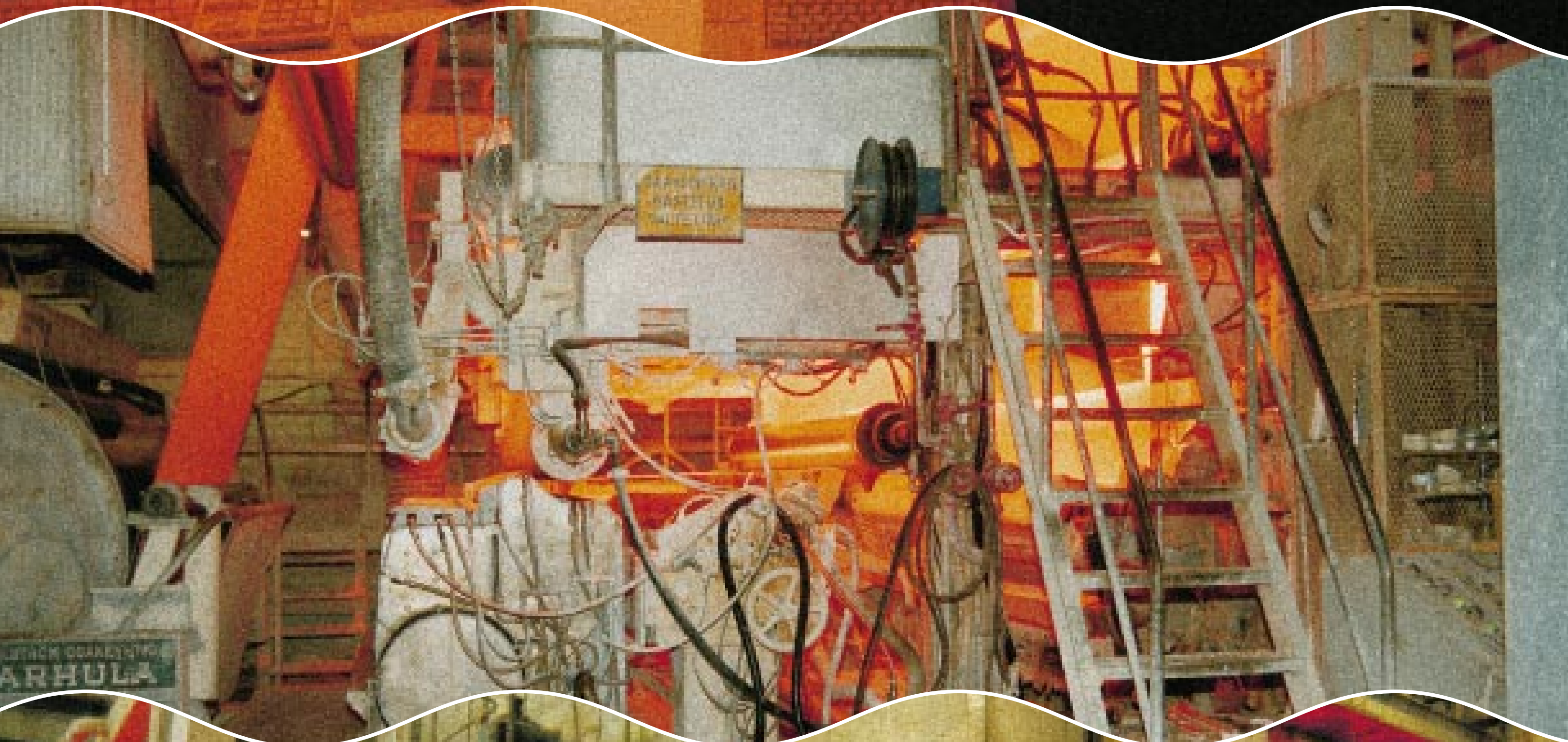
FIM million



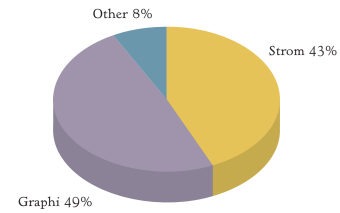
Profit before extraordinary items, provisions and taxes

FIM million




ARHULA

Sales by grade in 1998



Investments in the groundwood mill comprised the replacement of groundwood pulp sorting equipment and the automation of grinding control. The entire pulp treatment process and the board machine can now be controlled automatically. Besides contributing to more uniform quality and better runnability, the investments have helped boost the performance and efficiency of the board machine dramatically.

These investments represent the first stage of the company's strategic investment plan geared at renewing the entire board machine. We will resume the measures presented in the plan within the next few years, once we have been able to fully explore different financing possibilities.

R&D focused on special boards for the graphic industry

In accordance with the R&D programme, we will shift all coating operations gradually to a separate coating machine, while the board machine will produce uncoated baseboard. This way we can optimise operational efficiency and flexibility.

R&D efforts will focus sharply on developing special boards for the graphic industry, and the development programmes are closely linked to the strategic investment implementation schedule. Key development priorities include improving the printing qualities of the board, that is, the smoothness, gloss and brilliance of the surface.

The investments made to introduce new sorting equipment at the pulp mill helped improve the purity and fibre composition of the board.

Another major development priority is to improve the printing strength of board. With the investments focusing on the wire, the surface strength of the board and the strength between layers have become easier to control; an improvement that has produced positive feedback from customers as well.

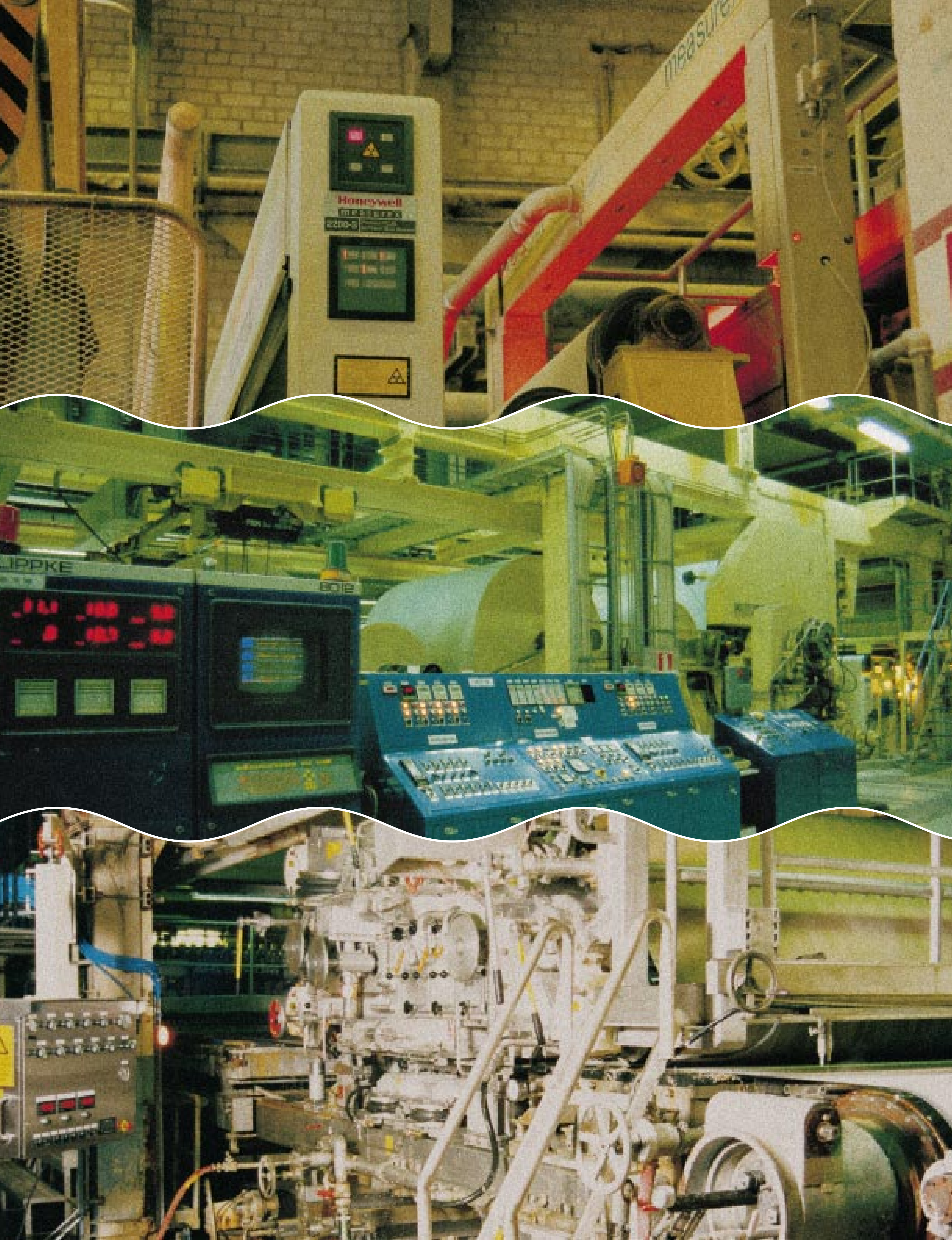
In order to increase the brightness of the board, efforts will be made to boost the efficiency of raw water purification and to optimise the coating raw materials. The mill laboratory was equipped with an Autoelrepho colour and brightness automate that allows us to test the real brightness and whiteness of the baseboard and to define the factors in various raw materials affecting the visual quality of the final product as accurately as possible.

We conducted a large number of pilot coating runs over the year, and the results obtained will be utilised in the development work at the mill's coating machine. A graphic board R&D programme will be introduced next year to enhance the product development activities. The objective is to have the board machine manufacture multi-layer baseboard, and the coating machine produce an extensive range of products for the most demanding end-use purposes in the graphic and packaging industry.

Joint wastewater treatment plant fulfilled expectations

Year 1998 marked the third full year of operations for the joint wastewater treatment plant. During the year under review, Koillis-Savon Ympäristöhuolto Oy was awarded a permit to discharge wastewater. New licence requirements came into force on 1 July 1998. The environmental licence of the plant and the observation plan for the Karjalankoski decomposition refuse tip were approved on 10 November 1998 by the North Savo Environmental Centre.

The wastewater of Stromsdal Oyj, the town of Juankoski and the municipality of Kaavi are treated at a joint treatment plant operated by Koillis-Savon Ympäristöhuolto Oy. The plant achieved improved operational stability and treatment results were good throughout the year.


Honeywell
measurex
LIPPKE

The plant was able to meet the new, stricter licence requirements that came into force on 1 July 1998 regarding BOD (Biological Oxygen Demand) and purification rate, as well as CODcr discharge (Chemical Oxygen Demand). The discharge levels of phosphor (P) were also well below the maximum, although in terms of phosphor reduction, the level required in the licence was not attained; it remained at 77 per cent. The attained average six-month values are shown below, compared with the licence requirements:

	6-month average 1.7.1998	6-month average 1.1.-30.6.1998	6-month average 1.7.-31.12.1998	annual average 1998
	Licence requirement	**discharge**	**discharge**	**discharge**
BOD	< 15 mg/l	16 mg/l	8,5 mg/l	12 mg/l
BOD purification rate %	> 90%	92%	95%	94%
CODcr	< 100 mg/l	100 mg/l	81 mg/l	91mg/l
P mg/l	< 1 mg/l	1,3 mg/l	0,8 mg/l	1,1 mg/l
P -recovery rate %	> 85%	69%	77%	73%

Development of discharges

Besides keeping track of compliance with licence requirements, we have also monitored annual discharges and compared them with each other. Annual discharge quantities have been compared with those of the previous, separate treatment plants. The amounts of waste discharged between 1990 and 1994 from the separate treatment plants were summed up, and the average discharge figures have been compared to the figures and the average values of the joint wastewater treatment plant from 1996 to 1998. A graphic presentation of the development of discharge by type is shown below. The tables indicate the concentration of effluent; the mill's specific discharges per (net) ton of produced board have been weighted in relation to the concentration of effluent.

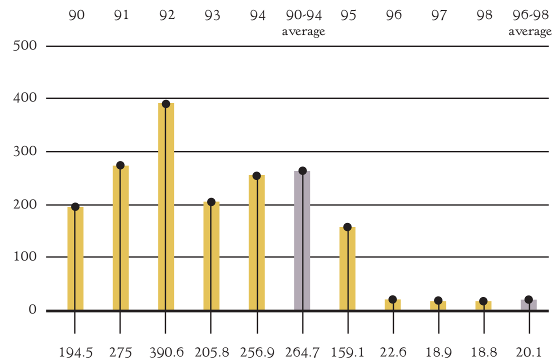
Hazardous waste such as oils, solvents, accumulators, batteries and fluorescent strip lights are collected into separate containers and delivered to a hazardous waste treatment plant. Surplus chemicals are returned to the supplier (contractual). Since October 1998, refuse has been delivered to the municipal refuse tip of Outokumpu. Compacting containers were acquired by the mill for the transportation of waste. The compressed bark from the waste treatment plant is composted. An amount equalling approximately 8,000 cubic metres of the roughly 18,000 cubic-metre waste consisting of debarking waste and sawdust is composted. All waste metal is recycled. In case of an emergency, waste fibre and process sludge can be filtered through a fibre bed at Karjalankoski until the year 2001. However, it appears that the sedimentation capacity of the wastewater treatment plant is sufficient, and we need not resort to the Karjalankoski infiltration facility.

Data systems upgraded in preparation for the year 2000

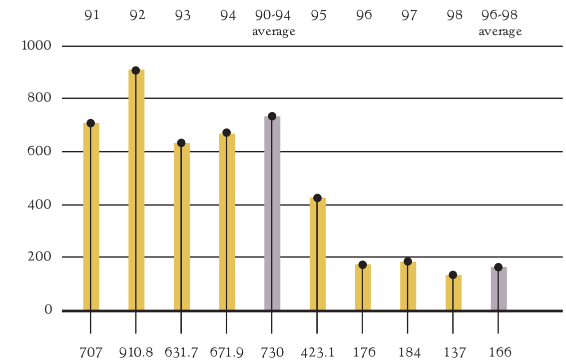
To secure the data systems for any problems involved at the turn of the millennium, we have upgraded the financial management, purchasing and maintenance systems to meet the challenges presented by the year 2000. Furthermore, the majority of production process automation systems have been rendered year 2000 compliant. Upgrading of sales and production planning systems will be completed in September this year. After this, the performance capacity of all operational key systems has been raised to a level required in the new millennium.

Stromsdal's major raw material suppliers are large Finnish enterprises that have appropriately prepared for the Y2K challenge.

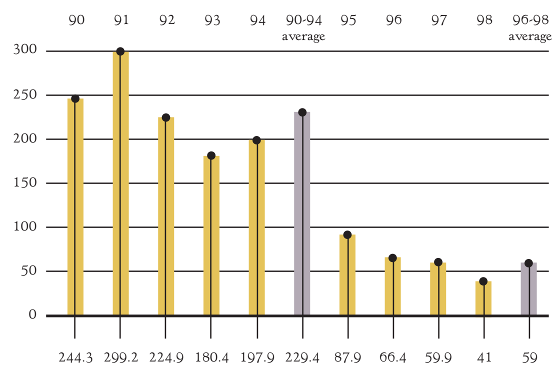
Development of BOD discharge, t/a



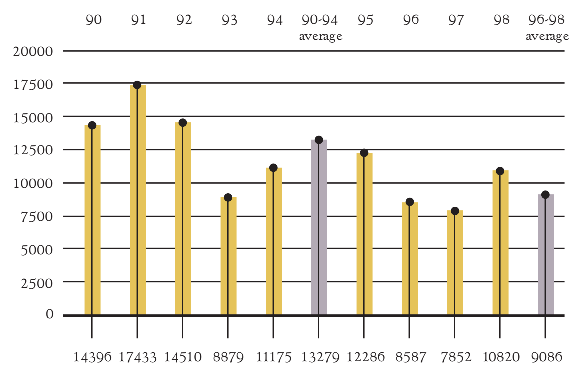
Development of CODcr discharge, t/a



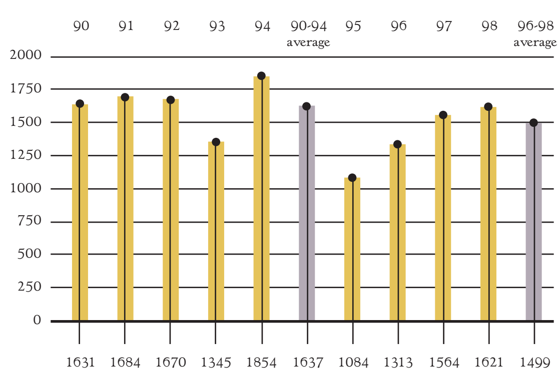
Development of solids discharge, t/a



Development of nitrogen discharge, kg/a

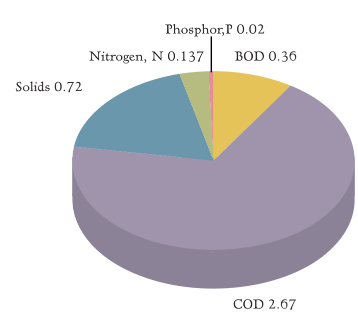


Development phosphor discharge, kg/a



The plant's nitrogen (49.9%) and phospore (49%) discharges contain the biologically required extra nutrients

Specific discharges expressed in kilograms per net ton of board



Board of Directors' Report on Operations

FINANCIAL PERFORMANCE

1998 marked the eleventh year of operations for Stromsdal Oyj. Consolidated net sales totalled FIM 219.4 million in 1998; a decrease of 10.2% over the previous year.

Operating profit for the financial year was down to FIM 0.7 million from FIM 21.3 million a year earlier. Loss before extraordinary items, provisions and taxes was FIM 8.6 million, while in 1997 the company posted a profit of FIM 6.2 million. Earnings per share were FIM -5.7 (FIM 3.8 in 1997). The Board proposes that no dividend be paid for the financial year 1998.

The parent company's net sales for the financial year amounted to FIM 214.7 million, with exports accounting for 94.5%. Net sales in 1997 totalled FIM 234.2 million (exports 95.8%). The income statement showed a loss of FIM 9.4 million before extraordinary items, provisions and taxes, while in 1997 it showed a profit of FIM 5.0 million.

INVESTMENTS

The parent company's gross investments amounted to FIM 25.2 million during the financial year (FIM 11.1 million in 1997). An investment plan was finalised regarding the gradual rebuild of the board machine; the completion of this plan depends on how and when the financing will be secured. The first stage of the plan, which involved the installation of the new top former in the board machine and the replacement of main electrical and automation appliances, was carried out in October and November. In addition, the pulp screening equipment, short circulation and middle layer tanks were replaced. Through these investments, we were able to improve the quality of board significantly and to reduce the number of production failures, mainly web breaks, occurring at the board machine. The total investment cost of the first stage was FIM 15.3 million.

Other major investments included a quality measuring and management system, an electrical power center for the pulp department and the replacement of the condensate water tanks.

At the beginning of the year, a new computer system for financial management was introduced. During the year, the payroll accounting system was also modernised and an e-mail system was introduced.

FINANCING

In Europe, demand for graphic board began to decline in the second half of the year. This together with recession troubling the Asian countries, as well as financial turmoil in Russia, had a negative impact on financial performance, particularly in the second half. Weak performance could be partly attributed to production problems and the investment shutdown in November. The majority of investments and instalments in the financial year were paid with funds received from operations. All these factors contributed to a decline of the company's financial situation at the end of the year.

MARKETS AND PRODUCTION

The year 1998 began with a strong demand that lasted until August, but turned to a sharp decline at the end of the year as far as coated board grades were concerned. The market slow-down touched both graphic and packaging boards.

The economic crisis in Asia had a double impact: first, it taxed the European mills' sales opportunities in Asia Pacific, and second, it forced the Asian board mills to focus their exports into Europe. The latter raised the volume of supply in Europe and put downward pressure on prices. At the same time, the financial crisis in Russia aggravated the situation as our sales to this important market area came to a halt for several months.

Our sales picked up in Italy, the Benelux countries, Germany and Spain, but sales in the UK fell short of the 1997 level, as well as the targets set for 1998. This was partly because the strong sterling weakened the competitiveness of British board manufacturers at the export market. As a result, sales efforts had to be geared at the domestic market.

Graphi grades represented 54.4% of the total sales volume (44.8% in 1997). The average order backlog during the year was 12 days and peaked at 14 days from January to August. Even though the slump in September reduced the order backlog to just a few days, the company did not need to lay personnel off and was able to maintain uninterrupted production. The only interruption was the investment shutdown in November.

The mill's net output was 39,174 tonnes (41,305 in 1997). In addition, coating for external clients represented some 1,400 tonnes, and barrier coating some 500 tonnes. The output volume dropped as a result of production problems at the board machine that occurred throughout the year. The volume of quality rejects from the board manufacturing process was somewhat higher than a year before. The board machine's utilisation rate was 83.7% and the coating machine's 65.3%.

Delivery volumes of the Barrier Pack food packaging board remained at the 1997 level. The realised sales volume did not have a significant effect on financial performance. Besides Finland, the Barrier grade was mostly sold to the UK and Germany. Stromsdal took full charge of all marketing and sales operations as the former sales company Barrier Pack Oy Ltd went into liquidation.

SHARE CAPITAL AND MAJOR SHAREHOLDERS

No changes took place in Stromsdal Oyj's share capital during the financial year. At the end of the year, the share capital totalled FIM 30,390,000. Company shares are divided into series A and series B.

In 1998, the share capital was distributed as follows:

	Shares	% of shares	Votes	% of the votes
Series A	120,200	7.91%	2,404,000	63.21%
Series B	1,399,300	92.09%	1,399,300	36.79%

According to the book-entry securities system's share register, the company had 1,273 shareholders at the end of the financial year. The number of shares in joint accounts was 24,661 at the end of the year, 23,361 of which were series B shares. The shares in joint accounts represent 1.6% of the entire share capital. On 31 December 1998, administrative registration covered 10,400 series B shares.

Stromsdal Oyj's shares have been quoted on the Helsinki Exchanges since 14 August 1989. During the period under review, shares were traded as follows:

No. of shares traded		Price		Price 30 Dec. 1998		Taxable value
FIM million	No. of shares	highest FIM	lowest FIM	purchase	selling	
20.6	1,046,299	26.70	10.50	11.00	11.20	8.30

Distribution of Stromsdal Oyj's shares by sector as per 31 December 1998:

	Ownership	%	No. of shares	%	No. votes	%
Private companies	127	9.99	358,733	23.61	2,617,833	68.33
Financial and insurance institutions	4	0.31	21,965	1.45	21,965	0.58
Public corporations	1	0.08	1,600	0.11	1,600	0.04
Non-profit organisations	6	0.47	20,100	1.32	20,100	0.53
Households	1,126	88.59	1,080,290	71.10	1,080,290	28.40
Foreign holding and administrative registration	9	0.56	12,151	0.79	12,151	0.82
Total	1,273	100.00	1,494,839	98.38	3,753,939	98.70
On joint accounts			24,661	1.62	49,361	1.30
No. of shares issued			1,519,500	100.00	3,803,300	100.00

Distribution of ownership by number of shares owned as per 31 December 1998:

No. of shares	No. of shareholders	%	No. of shares	%	No. of votes	%
1-100	390	30.64	9,857	0.65	9,857	0.26
101-200	66	5.18	11,445	0.75	11,445	0.30
201-500	227	17.83	98,549	6.49	98,549	2.59
501-1,000	274	21.52	255,775	16.83	255,775	6.73
1,001 -	316	24.83	1,119,213	73.66	3,378,313	88.82
Total	1,273	100.00	1,494,839	98.38	3,753,939	98.70
On joint accounts			24,661	1.62	49,361	1.30
No. of shares issued			1,519,500	100.00	3,803,300	100.00

The ownership and voting rights of Stromsdal Oyj's ten biggest shareholders on the balance sheet date:

	No. of series A	No. of series B	%	Votes	%
Juankosken Kehitysmasuuni Oy	53,000	120	3.50	1,060,120	27.87
Savon Voima Oy	47,200	4,000	3.37	948,000	24.93
Forcera Oy	20,000	4,700	1.63	404,700	10.64
Jylhä Tapio Ilmari		40,000	2.63	40,000	1.05
KJR-Invest Oy		12,000	0.79	12,000	0.32
Ástola Lauri Valter		11,000	0.72	11,000	0.29
Kuusakoski Torsti Kalevi		11,000	0.72	11,000	0.29
Perttula Esko		10,500	0.69	10,500	0.28
Vaskinen Pauli		10,380	0.68	10,380	0.27
Kari Paukkonen Oy		10,000	0.66	10,000	0.26

Some members of the Board of Directors own an insignificant number of company shares, with the exception of Managing Director Björn Forss, who is not a direct shareholder of the company, but is a shareholder of the investment company Forcera Oy.

ADMINISTRATION AND PERSONNEL

The Annual General Meeting of Stromsdal Oyj was held in Juankoski on 13 May 1998. At the meeting, the following were elected members of the Board of Directors: Björn Forss, Osmo Jääskeläinen, Petri Kangasperko, Janne Simelius and Eero Sinkko.

Janne Simelius was elected chairman of the Board of Directors. During the financial year, the Board of Directors convened 13 times.

Arthur Andersen Oy Authorised Public Accountants were elected Stromsdal Oyj's auditor and Eero Lumme, Authorised Public Accountant, was elected deputy auditor.

During the year under review, the parent company employed an average of 221 people (214). The Group's personnel averaged at 227 (220).

Wages and salaries paid during the year were as follows (in FIM thousands):

	1998		1997	
	Parent co.	Group	Parent co.	Group
Board of Directors and Managing Director	715	1,232	827	1,352
Other personnel	37,401	38,405	34,628	35,623
Total	38,116	39,637	35,455	36,975

OUTLOOK FOR 1999

Development of the market situation in 1999 for graphic boards is somewhat unpredictable. Judging from the development in the beginning of the year, it appears that a marked improvement can be expected compared with the disappointing demand at the end of 1998.

Machinery replacements and the restructuring of the board industry in Europe have provided added capacity for the graphic industry. Stromsdal's response to this competition is to accelerate the on-going marketing and product development efforts, which are aimed at offering special products for the graphic industry and for the packaging industry which manufactures high-quality carton.

The turn of the millennium will give a short-term boost for the demand of graphic papers and boards, but to what extent, remains unclear. We believe that the effects will begin to show over the spring and summer, since the millennium-related products will be placed on retail well before the end of 1999.

The carton and graphic board sector reflects the general economic outlook and consumer confidence. The improvements made to our basic grades in early 1999 will provide us with increased market potential and help us to attain full capacity utilisation rate, which is extremely important for the mill.

Profit and Loss Account of the Parent Company and the Group

	Group		Parent Company		
	1.1.-31.12.1998	1.1.-31.12.1997	1.1.-31.12.1998	1.1.-31.12.1997	Note
NET SALES	219,435,014.63	244,459,040.73	214,688,827.05	234,223,929.40	1.1
Increase (+)/decrease (-) in the stock of finished products	1,974,931.89	-2,051,163.50	945,015.60	-1,835,853.27	
Other income from business operations	988,499.75	1,405,581.19	950,460.99	1,419,068.66	1.2
Materials and services	-137,723,652.10	-141,673,045.05	-136,086,159.80	-138,997,265.79	1.3
Personnel costs	-49,788,863.89	-46,408,377.73	-47,830,002.85	-44,424,292.93	1.4
Depreciation and value adjustment	-13,200,284.12	-12,450,490.42	-13,012,483.00	-12,240,761.00	1.5
Other expenses from business operations	-20,998,258.17	-21,983,249.21	-20,031,935.13	-18,025,855.95	1.6
OPERATING PROFIT (LOSS)	687,387.99	21,298,296.01	-376,277.14	20,118,969.12	
Share of associated companies' profits	15,727.49	-261,204.45			
Financial income and expenses	-9,329,720.56	-14,855,044.89	-9,155,342.56	-15,114,218.64	1.7
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS	-8,626,605.08	6,182,046.67	-9,531,619.70	5,004,750.48	
Extraordinary items	0.00	0.00	85,000.00	25,000.00	1.8
PROFIT (LOSS) BEFORE PROVISIONS AND TAXES	-8,626,605.08	6,182,046.67	-9,446,619.70	5,029,750.48	
Direct taxes	-64,753.41	-342,460.95	0.00	0.00	
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-8,691,358.49	5,839,585.72	-9,446,619.70	5,029,750.48	

Balance Sheet of the Parent Company and the Group

	Group		Parent Company		
	31.12.1998	31.12.1997	31.12.1998	31.12.1997	Note
ASSETS					
FIXED ASSETS					
Intangible assets	1,903,689.13	1,450,520.97	1,903,689.13	1,450,520.97	2.1.1
Tangible assets	86,519,623.65	74,831,653.84	84,230,221.61	72,480,826.48	2.1.1
Participating interests	3,023,138.93	3,007,411.44	6,679,011.00	6,679,011.00	2.1.2
Other investments	122,810.00	122,810.00	122,810.00	122,810.00	
TOTAL FIXED ASSETS	91,569,261.71	79,412,396.25	92,935,731.74	80,733,168.45	
CURRENT ASSETS					
Inventories	27,235,786.81	28,535,542.83	20,755,475.64	21,008,400.59	2.1.4
Long-term receivables	9,611,133.00	11,609,269.60	10,169,133.00	12,167,269.60	2.1.5
Current receivables	48,585,407.88	60,031,194.46	53,640,049.63	67,378,119.51	2.1.6
Cash at bank and in hand	7,581,440.19	11,620,799.55	4,773,940.89	7,422,293.61	
TOTAL CURRENT ASSETS	93,013,767.88	111,796,806.44	89,338,599.16	107,976,083.31	
TOTAL ASSETS	184,583,029.59	191,209,202.69	182,274,330.90	188,709,251.76	
LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital	30,390,000.00	30,390,000.00	30,390,000.00	30,390,000.00	2.2.1
Reserve fund	3,501,548.59	3,501,548.59	3,501,548.59	3,501,548.59	2.2.2
Currency translation difference	114,069.00	100,566.79			
Profit/loss from previous financial years	10,730,895.94	4,891,310.22	11,985,518.02	6,955,767.54	2.2.3
Profit (loss) for the financial year	-8,691,358.49	5,839,585.72	-9,446,619.70	5,029,750.48	
TOTAL SHAREHOLDERS' EQUITY	36,045,155.04	44,723,011.32	36,430,446.91	45,877,066.61	
PROVISIONS FOR LIABILITIES AND CHARGES	400,000.00	0.00	400,000.00	0.00	2.2.4
CREDITORS					
Long-term	72,269,401.64	71,297,833.22	72,269,401.64	71,297,833.22	2.2.5
Short-term	75,868,472.91	75,188,358.15	73,174,482.35	71,534,351.93	2.2.6
TOTAL CREDITORS	148,137,874.55	146,486,191.37	145,443,883.99	142,832,185.15	
TOTAL LIABILITIES	184,583,029.59	191,209,202.69	182,274,330.90	188,709,251.76	

Consolidated Funds Statement of the Parent Company and the Group

	Group		Parent Company	
	1.1.-31.12.1998	1.1.-31.12.1997	1.1.-31.12.1998	1.1.-31.12.1997
BUSINESS OPERATIONS				
Operating profit/loss	687,387.99	21,298,296.01	-376,277.14	20,118,969.12
Adjustment to operating profit/loss	13,168,722.96	12,450,490.42	12,761,118.96	12,240,761.00
Change in net working capital	13,425,657.36	-12,492,599.20	15,631,125.25	-11,179,070.22
Interest	-7,831,632.22	-7,385,688.65	-7,400,273.88	-7,409,811.65
Dividends received	14,881.50	40,108.00	99,881.50	65,108.00
Other financial items	-957,102.72	-7,509,464.24	-818,586.14	-7,744,514.99
Taxes	-64,753.41	-342,460.95	0.00	0.00
NET CASH FLOW FROM BUSINESS	18,443,161.46	6,058,681.39	19,896,988.55	6,091,441.26
INVESTMENTS				
Purchases of other fixed assets	-25,381,861.09	-11,418,687.63	-25,215,046.29	-11,115,780.61
Selling of other fixed assets	72,000.00	0.00	0.00	0.00
Increase in other long-term investments	0.00	-464,204.45	0.00	-203,000.00
Decrease in other long-term investments	15,727.49	0.00	0.00	0.00
TOTAL CASH FLOW FROM INVESTMENTS	-25,294,133.60	-11,882,892.08	-25,215,046.29	-11,318,780.61
CASH FLOW BEFORE FINANCING	-6,850,972.14	-5,824,210.69	-5,318,057.74	-5,227,339.35
FINANCING				
Drawdown of long-term loans	3,680,000.00	0.00	3,680,000.00	0.00
Instalments of long-term loans	-2,708,431.58	-5,156,209.00	-2,708,431.58	-5,156,209.49
Increase/decrease in long-term receivables	1,698,136.60	57,958.20	1,698,136.60	57,958.20
Dividends paid	0.00	-699,650.00	0.00	-699,650.00
Others	141,907.76	445,379.73	0.00	0.00
TOTAL FINANCING	2,811,612.78	-5,352,521.07	2,669,705.02	-5,797,901.29
Increase/decrease of liquid funds	-4,039,359.36	-11,176,731.76	-2,648,352.72	-11,025,240,64
Liquid funds on 1 January	11,620,799.55	22,797,531.31	7,422,293.61	18,447,534.25
LIQUID FUNDS ON 31 DECEMBER	7,581,440.19	11,620,799.55	4,773,940.89	7,422,293.61

Notes to the Accounts

Accountiing Principles 1998

Scope of the consolidated financial statements

Stromsdal Oyj is the parent company of a Group that comprises the following subsidiaries: Juantehtaan Ympäristö Oy, Stromsdal UK Ltd.

The Juankoski-based Juantehtaan Ympäristö Oy owns and leases industrial estates and land areas.

Stromsdal UK Ltd., based in Chorley, is a sales company that is in charge of selling the parent company's products in the UK and Ireland.

The Group also includes an associated company, Koillis-Savon Ympäristöhuolto Oy, which was founded in 1993 by Stromsdal Oy and the municipalities of Juankoski and Kaavi. The company is engaged in wastewater treatment and nvironmental care. The company is based in Juankoski.

Accounting principles for the consolidated financial statements

Financial statement

Financial statements have been prepared in accordance with the new Bookkeeping Act which entered into force on 31 December 1997. Relevant changes have been made to the data for the comparison year as well.

Internal shareholding, internal business transactions and margins, and translation difference

The acquisition cost method has been applied to eliminate companies' internal shareholding. Inter-company receivables and payables, income and expenditure, and internal margins have been eliminated. Figures of the foreign subsidiary have been converted into Finnish marks using the exchange rate quoted by the Bank of Finland on the closing day. The translation difference has been entered under non-restricted shareholders' equity.

Associated companies

The figures of the associated company have been consolidated into Stromsdal Group's financial statements using the equity method.

Fixed assets and depreciation

Fixed assets have been valued at their direct acquisition cost, less planned depreciation. Planned depreciation is straight-line depreciation based on the useful economic life of fixed assets.

Depreciation periods are as follows:

Buildings and groundwood mill	20 years	Other machinery and equipment	5-10 years
Board machines	12 years	Computer hardware and software	5 years
Coating machines	12 years	Other long-term expenditure	3 years

Inventories

In accordance with the fifo principle, inventories have been valued at the acquisition cost, or at a lower replacement price, or the probable selling price.

In the valuation of stocks, direct costs, as well as the indirect costs involved in purchasing and manufacture have been capitalised.

R&D expenses and long-term expenditure

Research and development expenses have been booked as annual expenses for the year in which are they incurred. Expenses accruing income during a period of three years or more have been capitalised as long-term expenditure and will be written off within three years.

Foreign currency denominated items

All receivables and debts denominated in foreign currencies have been valued at the exchange rate of the closing day. Realised and unrealised translation differences have been entered into the income statement, with the exception of long-term currency loans. Exchange rate losses arising from long-term currency loans have been entered under valuation items in the balance sheet, along with exchange rate losses accumulated from previous years. Exchange rate losses are booked as expenditure over the loans' credit period.

Notes to the Profit and Loss Account

1.1 Net sales by market area (in FIM thousands):	Group		Parent company	
	1998	1997	1998	1997
Finland	10,588	9,660	10,588	9,660
EU	141,306	167,462	141,613	158,227
EFTA	3,992	3,046	3,992	3,046
Rest of Europe	41,507	31,195	41,507	31,195
USA and Canada	145	121	145	121
Asia	3,435	16,427	3,435	16,427
Other countries	18,462	16,548	13,409	15,548
	219,435	244,459	214,689	234,224

Net sales have been handled in accordance with article 28 of the 4th EU Directive on company law and consists mainly of invoicing in foreign currencies.

1.2 Other income from business operations

Other income from business operations was primarily generated from the sale of refuse bark unsuitable for use in the production process for energy production purposes and from maintenance and servicing provided to the Group's associated companies.

1.3 Materials and services (in FIM thousands)	Group		Parent company	
	1998	1997	1998	1997
Materials and supplies				
Acquisitions during the financial year	112,529	113,869	108,303	111,194
Change in stocks	869	-1,659	869	-1,659
	113,398	112,210	109,172	109,535
Services purchased from external service providers	29,532	29,463	26,914	29,462
	142,930	141,673	136,086	138,997

1.4 Personnel costs and fringe benefits (in FIM thousands)	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Wages of the production personnel	22,974	22,156	22,974	22,156
Other wages and salaries	15,798	14,130	14,277	12,570
Fringe benefits	145	117	145	117
Pension costs	6,890	6,017	6,590	5,738
Other personnel costs	4,127	4,106	3,989	3,961
	49,934	46,526	47,975	44,542

Management salaries and remunerations	Group		Parent company	
	1998	1997	1998	1997
Managing Directors	981	1,028	464	503
Members of the Board of Directors	251	324	251	324
	1,232	1,352	715	827

The average number of personnel employed by the Group and parent company during the financial year	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Office personnel	49	46	42	40
Operative staff	178	174	178	174
	227	220	220	214

1.5 Depreciation and value adjustment (in FIM thousands)	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Buildings and constructions	1,464	1,413	1,464	1,413
Machinery and equipment	10,758	10,087	10,570	9,878
Intangible rights	287	20	287	20
Other long-term expenditure	501	740	501	740
Factory redemption right	190	190	190	190
	13,200	12,450	13,012	12,241

Planned depreciations within the Group are calculated in keeping with consistent principles, by making straight-line depreciations on the original acquisition price, based on the useful life of fixed assets.

1.6 Other operating expenses

Other operating expenses consist mainly of fixed costs incurred from maintenance, marketing, insurances and purchased services.

1.7 Financial income and expenses (in FIM thousands)	Group		Parent company	
	1998	1997	1998	1997
Dividend yield				
From others	15	40	15	40
Interest receivable from long-term investments				
From Group companies	0	0	50	50
From associated companies	490	534	490	534
Revenue from long-term investments, total	505	574	555	624
Other interest receivable and financial income				
From Group companies	0	0	81	0
From others	279	252	90	227
Interest receivable from long-term investments, other interest receivable and financial income, total	784	826	726	851
Interest payable and other financial expenses	9,322	9,023	9,322	9,115
Depreciation of valuation items and currency translation losses	792	6,708	559	6,850
	10,114	15,731	9,881	15,965
Total financial income and expenses	-9,330	-14,905	-9,155	-15,114

1.8 Extraordinary income and expenses (FIM thousands)	Parent company	
	1998	1997
Extraordinary income	85	25
Extraordinary expenses	0	0
	85	25

The parent company's extraordinary income consists of Group contribution decided on by the subsidiary.

Notes to the Balance Sheet

2.1.1 Intangible and tangible assets	Group		Parent company	
(in FIM thousands)	1998	1997	1998	1997
Intangible rights				
Acquisition cost on 1 January	2,913	2,204	2,913	2,204
Increases 1 Jan. - 31 Dec.	865	709	865	709
Decreases 1 Jan. - 31 Dec.	0	0	0	0
Acquisition cost on 31 December	3,778	2,913	3,778	2,913
Accumulated planned depreciation 31 Dec.	-2,472	-2,185	-2,472	-2,185
Book value 31 Dec.	1,306	728	1,306	728
Other long-term expenditure				
Acquisition cost on 1 January	3,649	3,324	3,649	3,324
Increases 1 Jan. - 31 Dec.	377	325	377	325
Decreases 1 Jan. - 31 Dec.	0	0	0	0
Acquisition cost on 31 December	4,026	3,649	4,026	3,649
Accumulated planned depreciation 31 Dec.	-3,428	-2,926	-3,428	-2,926
Book value 31 Dec.	598	723	598	723
Total intangible assets	1,904	1,451	1,904	1,451
Land				
Acquisition cost on 1 January	1,579	1,579	0	0
Increases 1 Jan. - 31 Dec.	0	0	0	0
Decreases 1 Jan. - 31 Dec.	-40	0	0	0
Acquisition cost on 31 December	1,539	1,579	0	0

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Buildings and constructions				
Acquisition cost on 1 January	29,034	26,837	29,034	26,837
Increases 1 Jan. - 31 Dec.	1,396	2,197	1,396	2,197
Decreases 1 Jan. - 31 Dec.	0	0	0	0
Acquisition cost on 31 December	30,430	29,034	30,430	29,034
Accumulated planned depreciation 31 Dec.	-12,702	-11,238	-12,702	-11,238
Book value 31 Dec.	17,728	17,796	17,728	17,796
Redemption right for an industrial hall				
Acquisition cost on 1 January	3,794	3,794	3,794	3,794
Increases 1 Jan. - 31 Dec.	0	0	0	0
Decreases 1 Jan. - 31 Dec.	0	0	0	0
Acquisition cost on 31 December	3,794	3,794	3,794	3,794
Accumulated planned depreciation 31 Dec.	-2,089	-1,899	-2,089	-1,899
Book value 31 Dec.	1,705	1,895	1,705	1,895
Machinery and equipment				
Acquisition cost on 1 January	125,590	119,347	124,397	118,586
Increases 1 Jan. - 31 Dec.	21,511	6,322	21,420	5,811
Decreases 1 Jan. - 31 Dec.	0	-132	0	0
Acquisition cost on 31 December	147,101	125,537	145,817	124,397
Accumulated planned depreciation 31 Dec.	-85,965	-75,230	-85,432	-74,862
Book value 31 Dec.	61,136	50,307	60,385	49,535
Investments in progress				
Acquisition cost on 1 January	3,255	1,256	3,255	1,256
Change during the year	1,157	1,999	1,157	1,999
Investments in progress on 31 Dec.	4,412	3,255	4,412	3,255
Total tangible assets	86,520	74,832	84,230	72,481

2.1.2 Participating interests and other investments (in FIM thousands)

Group

	Associated companies	Others
Acquisition cost on 1 January	3,007	123
Increases	16	0
Decreases	0	0
Value adjustments	0	0
Acquisition cost on 31 December	3,023	123

Parent company	Shares Group companies	Shares Associated companies	Share of the companies contribution fund joint assoc. comp.	Shares others
Acquisition cost on 1 January	1,813	1,800	3,066	123
Increases	0	0	0	0
Decreases	0	0	0	0
Value adjustments	0	0	0	0
Acquisition cost on 31 December	1,813	1,800	3,066	123

Group companies and associated companies	Group ownership %	Group's voting rights %	Group's share of shareholders' equity (in FIM thousands)	Parent company ownership %
Subsidiaries				
Juantehtaan Ympäristö Oy	100	100	1,054	100
Stromsdal UK Ltd	100	100	2,366	100
Associated company				
Koillis-Savon Ympäristöhuolto Oy	45	45	2,646	45

Shares owned by the parent company	No. of shares	Nominal value/share	Book value (1,000 FIM)	Bottom line (1,000 FIM)
Subsidiaries				
Juantehtaan Ympäristö Oy	1,000	FIM 1,000	1,000	15
Stromsdal UK Ltd	110,000	GBP 1	813	193
Associated company				
Koillis-Savon Ympäristöhuolto Oy	45	FIM 40,000	1,800	
Joint contribution fund			3,066	175

2.1.3 Taxable value of fixed assets (in FIM thousands)	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Land	1,225	1,225	0	0
Buildings	13,321	13,321	13,321	13,321
Shares and interests	3,145	3,130	6,802	6,802
	17,691	17,676	20,123	20,123

If the taxable value was not available, the book value is given.

2.1.4 Inventories (in FIM thousands)	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Materials and supplies	8,923	10,121	8,923	10,121
Work in progress	969	751	969	751
Finished goods	17,344	17,664	10,863	10,136
	27,236	28,536	20,755	21,008

2.1.4 Long-term receivables (in FIM thousands)	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Receivables from Group companies				
Loan receivables	0	0	558	558
Receivables from associated companies				
Loan receivables	9,161	10,909	9,161	10,909
Other receivables	400	700	400	700
Receivables from others				
Loan receivables	50	0	50	0
	9,611	11,609	10,169	12,167

Item: Receivables from associated companies/other receivables contains receivables shown on the balance sheet from the bankrupt Barrier Pack Oy, a total of FIM 400,000. The write-off of these receivables has been accounted for by virtue of provisions for liabilities and charges.

2.1.5 Current receivables (in FIM thousands)	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Accounts receivable	41,032	49,741	25,029	25,920
Receivables from Group companies				
Accounts receivable	0	0	20,961	31,174
Deferred income	0	0	5	0
Receivables from associated companies				
Accounts receivable	97	0	97	0
Loan receivables	960	0	960	0
Deferred income	183	173	183	173
Receivables from others				
Deferred income	4,345	5,635	4,437	5,629
Valuation items	1,968	4,482	1,968	4,482
	48,585	60,031	53,640	67,378

Deferred income includes 3,627 thousand worth of returned value added tax from December 1998.
The foreign exchange gains and losses involved in currency loans resulting from changes in the value of the Finnish mark in the period 1992-1998 have been entered in aggregate under valuation items in the balance sheet. They will be booked as expenditure over the loan periods. Previous foreign exchange gains or losses have been entered into the income statement. The item does not include foreign exchange gains or losses on short-term currency loans, which have been booked as income.

2.2.1 Share capital

The parent company and the Group's share capital comprises the following shares:

Series	No. of shares 1998	No. of shares 1997	Nominal value, FIM	Share capital (FIM thousands) 1998	1997
A	120,200	120,200	20	2,404	2,404
B	1,399,300	1,399,300	20	27,986	27,986
	1,519,500	1,519,500		30,390	30,390

Changes in shareholders' equity	Group 1998	1997	Parent company 1998	1997
Share capital 1 Jan.	30,390	30,390	30,390	30,390
Changes	0	0	0	0
Share capital 31 Dec.	30,390	30,390	30,390	30,390

2.2.2 Reserve fund (in FIM thousands)	Group 1998	1997	Parent company 1998	1997
Reserve fund 1 Jan.	3,501	3,501	3,501	3,501
Changes	0	0	0	0
Reserve fund 31 Dec.	3,501	3,501	3,501	3,501

2.2.3 Profit (loss) from previous financial years (in FIM thousands)

	Group 1998	1997	Parent company 1998	1997
Profit from previous financial years 1 Jan.	10,831	5,613	11,986	7,655
Dividends	0	-699	0	-699
Translation difference	14	77	0	0
Profit for the financial year	-8,691	5,840	-9,447	5,030
Profit from previous financial years 31 Dec.	2,154	10,831	2,539	11,986
Total shareholders' equity on 31 December 1998	36,045	44,722	36,430	45,877

2.2.4 Provisions for liabilities and charges (in FIM thousands)	Group 1998	1997	Parent company 1998	1997
Provisions for liabilities and charges	400	0	400	0

This item includes the Group's share of the capital of Barrier Pack Oy, an associated company that went bankrupt in 1998, as well as certain other receivables outstanding.This item will be removed in 1999 once the bankruptcy proceedings are over.

2.2.5 Long-term creditors (in FIM thousands)	Group 1998	1997	Parent company 1998	1997
Loans from financial institutions	64,640	64,348	64,640	64,348
Pension loans	4,025	4,026	4,025	4,026
Other long-term debt	3,604	2,924	3,604	2,924
Total long-term creditors	72,269	71,298	72,269	71,298

Debts maturing after five years or later (in FIM thousands)	Group 1998	1997	Parent company 1998	1997
Loans from financial institutions	12,962	12,380	12,962	12,380
Pension loans	3,011	3,011	3,011	3,011
	15,973	15,391	15,973	15,391

2.2.6 Short-term creditors (in FIM thousands)	Group 1998	1997	Parent company 1998	1997
Loans from financial institutions	39,995	42,755	39,995	42,699
Accounts payable	21,769	16,218	20,838	15,871
Accrued liabilities	14,418	16,215	12,341	12,022
Total short-term creditors	76,182	75,188	73,174	70,592

Accrued liabilities include personnel's holiday pay expenses and such in the amount of FIM 6,685 thousand; withholding tax, social security contributions and other indirect personnel expenses in the amount of FIM 2,236 thousand, and deferred interests in the amount of FIM 1,379 thousand.

Other Notes

3.1 Contingent liabilities and pledges given (in FIM thousands)

	Parent company and the Goup	
For own debt	1998	1997
mortgages on buildings and leases	35,765	35,765
mortgage on company assets	49,000	49,000
pledges given	43,207	54,783
shares given as pledge	1,800	1,800
guarantees on Group company's debt	0	0
	129,772	141,348

The mortgages and pledged shares are collateral for loans worth FIM 78.9 million in total, and the other pledges given are collateral for loans totalling FIM 34.3 million. Stromsdal Oy guarantees the operations of Stromsdal UK Ltd. for the coming 12 months.

3.2 Leasing liabilities payable (in FIM thousands)

	Parent company and the Goup	
	1998	1997
Liabilities to be paid in the 1999 financial year	194	210
Liabilities to be paid later	358	316
Total leasing liabilities on 31 Dec.	552	526

3.3 Liabilities resulting from derivative contracts (in FIM thousands)

	Parent company and the Goup	
	1998	1997
Forward exchange agreements		
Current value	7,578	0
Value of the underlying security	7,627	0

The imputed translation losses of the forward exchange agreements have been accounted for in the financial result.

3.4 Pension scheme and pension liabilities

All the Group's employees in Finland are covered by the Employee's Pension Act (TEL), and the pension schemes of those working abroad are arranged as required by the legislation of the country in question. Future unemployment pension liabilities will amount to FIM 400,000 at most, of which FIM 120,000 will be allocated in 1999.

Calculation of Key Indicators

1) Return on equity (ROE)

$$\frac{\text{(profit before extraordinary items - taxes for the financial year)}}{\text{shareholders' equity + minority interest + provisions (on average during the year)}} \times 100$$

2) Return on investment (ROI)

$$\frac{\text{(profit before extraordinary items + interest cost and other financial expenses)}}{\text{balance sheet total - interest -free liabilities (on average during the year)}} \times 100$$

3) Equity ratio

$$\frac{\text{(shareholders' equity + minority interest + provisions)}}{\text{balance sheet total - payments received in advance}} \times 100$$

4) Current ratio

$$\frac{\text{financial assets + inventories}}{\text{current liabilities}}$$

5) Earnings per share (EPS)

$$\frac{\text{profit before extraordinary items - taxes - minority interest}}{\text{share issue adjusted average number of shares}}$$

6) Total earnings per share

$$\frac{\text{profit before appropriations - taxes for the financial year}}{\text{share issue adjusted average number of shares}}$$

7) Dividend ratio

$$\frac{\text{share issue adjusted dividend per share}}{\text{earnings per share}} \times 100$$

8) Effective dividend yield

$$\frac{\text{share issue adjusted dividend per share}}{\text{share issue adjusted quoted price on the closing day}} \times 100$$

9) Shareholders' equity per share

$$\frac{\text{restricted and non-restricted equity + provisions}}{\text{share issue adjusted average number of shares}}$$

10) Price per earnings (P/E) ratio

$$\frac{\text{share issue adjusted quoted price on the closing day}}{\text{profit per share}}$$

11) Share issue adjusted average price

$$\frac{\text{total turnover of shares in FIM}}{\text{share issue adjusted number of shares traded during the financial year}}$$

12) Market capitalisation

number of shares x quoted price at the end of the financial year

Board of Directors' Proposal for the Distribution of Profits

The Board proposes that no dividend be paid on the series A and B shares of Stromsdal Oyj for 1998 and that the losses be transferred to the profit and loss account.

Juankoski, 23 March 1999

Janne Simelius

Eero Sinkko

Petri Kangasperko

Osmo Jääskeläinen

Björn Forss

Auditors' Report

To the shareholders of Stromsdal Oyj

We have audited the accounts, the accounting records and the administration of Stromsdal Oyj for the financial year from 1 January to 31 December 1998. The financial statements prepared by the Board of Directors and the Managing Director include a report on operations, an income statement and balance sheet for the Group and the parent company, and notes to the accounts. Based on our audit, we give our opinion on the financial statements and administration.

We have conducted our audit in accordance with the Finnish Generally Accepted Auditing Standards. Those standards require that we examine the accounting records and the preparation principles, the contents and presentation of the financial statements to a sufficient extent to obtain reasonable assurance on whether the financial statements are free of material misstatement or deficiencies. The purpose of our audit of company administration has been to ensure that the Board of Directors and Managing Director have complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Bookkeeping Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Bookkeeping Act, of the Group's and the parent company's result of operations, as well as of their financial position. The financial statements, including the consolidated financial statement, can be approved, and the members of the parent company's Board of Directors and the Managing Director can be discharged from liability for the period audited by us. The proposal by the Board of Directors on the distribution of the non-restricted shareholders' equity shown on the balance sheet is in compliance with the Companies Act.

We have reviewed the interim reports published during the financial year (13 June 1998 and 6 October 1998). In our opinion, the interim reports have been prepared in accordance with the relevant regulations.

Helsinki, 30 March 1999

Arthur Andersen Oy
Authorised Public Accountants

Hannu Vänskä
Authorised Public Accountant

Board of Directors, Management Group and Auditors

STROMSDAL OYJ'S BOARD OF DIRECTORS

Chairman: Mr. Janne Simelius, 54, M.Sc. (Eng.), director, member of the board since 1996.
Mr. Björn Forss 50, M. Sc. (Eng.), Managing Director, member of the board 1987-1994, 1996-.
Mr. Osmo Jääskeläinen 56, M. Sc. (For.), member of the board since 1996.
Mr. Petri Kangasperko 45, M. Sc. (social sciences), municipal manager, member of the board since 1996.
Mr. Eero Sinkko 50, M. Sc. (Eng.), deputy managing director, member of the board since 1996.

STROMSDAL OYJ'S MANAGEMENT GROUP

Mr. Björn Forss, 50, Managing Director
Mr. Martin Doktar, 44, M.Sc. (Political Science), marketing director
Mr. Erkki Karjalainen, 56, engineer, production director
Mr. Ari Ketola, 47, M. Sc. (Econ.) B.A., financial director
Mr. Jukka Suhonen, 42, deputy operator of the board machine, staff representative

AUDITORS

Regular auditor: Arthur Andersen Oy, Authorised Public Accountants
Deputy auditor: Eero Lumme, Authorised Public Accountant

Financial Indicators

	1998	1997	1996	1995	1994
Output, tons	39,174	41,305	41,934	40,460	39,529
Net sales, FIM million	219.4	244.5	237.4	220.4	200.5
Research and development expenditure, FIM million	0.9	2.6	1.8	0.4	0.5
% of net sales	0.4	1.1	0.8	0.2	0.2
Investments in fixed assets, FIM million	25.3	11.4	6.3	3.0	11.6
% of net sales	11.5	4.7	2.7	1.4	5.8
Personnel, on average	227	220	219	227	241
Operating profit, FIM million	0.7	21.0	22.4	13.6	9.9
% of net sales	0.3	8.6	9.4	6.2	4.9
Profit before extraordinary items, FIM million	-8.6	6.2	7.0	0.3	-2.2
% of net sales	-3.9	2.5	2.9	0.1	-1.1
Profit before provisions and taxes, FIM million	-8.6	6.2	7.3	0.7	-2.1
% of net sales	-3.9	2.5	3.1	0.3	-1.0
Return on equity (ROE), % [1]	-21.5	13.9	18.0	1.0	-8.7
Return of capital invested (ROI), % [2] [*]	0.5	13.2	14.3	8.9	6.4
Current ratio [4]	1.1	1.3	1.3	1.2	1.0
Equity ratio % [3]	19.5	23.4	21.1	17.5	17.1
Interest-bearing liabilities, FIM million	112.3	114.0	120.0	119.9	119.4

*) Exchange rate gains and losses involved in long-term currency loans have been capitalised.

1-4) Calculation of key indicators is presented on page 23.

Per-Share Ratios

(Calculated in accordance with the rules of the Helsinki Exchanges)

	1998	1997	1996	1995	1994
Earnings per share (EPS) 5)	-5.7	3.8	4.3	0.2	-1.4
Total earnings per share 6)	-5.7	3.8	4.3	0.5	-1.4
Shareholders' equity and provisions: FIM/share 9)	23.7	29.4	26.0	21.5	20.9
Dividend, FIM/series B share *)	-	-	0.50	-	-
Dividend on profit, %/series B share *)	-	-	9.9	-	-
Share issue adjusted dividend/series B share *)	-	-	0.50	-	-
Dividend ratio, %/series B share 7) *)	-	-	11.7	-	-
Effective dividend yield, %/series B share 8) *)	-	-	3.5	-	-
Price/earnings (P/E ratio), series B share 10)	-2.0	5.7	3.4	44.5	-17.3
Quoted price on 31 Dec.: FIM/series B share	11.20	21.90	14.40	9.00	24.50
Lowest price, series B share	10.50	14.80	9.00	9.00	16.60
Highest price, series B share	26.70	32.00	20.00	31.80	69.00
Share issue adjusted average price, seris B share 11)	19.65	24.66	16.06	20.75	40.14
Market capitalisation, series B share 12) FIM million	15.7	30.6	20.1	11.9	32.3
Number of shares traded, series B shares					
in thousands	1,046	2,095	1,195	561	1,976
stock exchange turnover, %	74.8	149.7	85.4	42.5	149.7
Share issue adjusted number of shares, series B shares, in thousands					
weighted average during the financial year	1,399.30	1,399.30	1,353.40	1,319.50	1,319.50
at the end of the financial year	1,399.30	1,399.30	1,399.30	1,319.50	1,319.50

*) Board of Directors' proposal to the Annual General Meeting

5-12) Calculation of key indicators is presented on page 23.

Shereholder Information

ANNUAL GENERAL MEETING

The Annual General Meeting of Stromsdal Oyj will be held in Juankoski, in Stromsdal's conference facilities, on 6 May 1999 at 11 a.m. All shareholders who are registered as shareholders in the company shareholder register maintained by the Finnish Central Securities Depository Ltd. by 30 April 1999 are entitled to attend the meeting. Furthermore, shareholders whose shares have not been transferred into the book-entry securities system are also entitled to attend the meeting, provided that they can present their share certificates at the meeting, or other proof of the fact that the shares have not been transferred to a book-entry securities account.

Shareholders who wish to attend the Annual General Meeting must register with the company by noon on 5 May 1999, either by letter addressed to Stromsdal Oyj, Share Register, P.O. Box 33, FIN-73501 Juankoski, or by phone to +358 17 688 641 (Ms. Anu Laitinen). Letters should arrive before the end of the registration period. Any proxies should be submitted in connection with the advance registration.

FINANCIAL INFORMATION

In addition to the financial statement bulletin and annual report for 1999, Stromsdal will publish two interim reports, which will be issued as follows:

- interim report for January-April 1999 on 4 June 1999
- interim report for January-August 1999 on 4 October 1999

The annual report and interim reports will be published in Finnish and in English. Copies are available from Stromsdal Oyj, P.O. Box 33, FIN-73501 Juankoski, tel. +358 17 688 641, fax +358 17 612 008.

This annual report is printed on 190 g/m² GraphiArt Heritage, a new graphical board from Stromsdal. Heritage addresses the market for soft toned, uncoated and natural-looking printing materials - currently very popular for greeting cards, covers and cosmetics packaging.

GraphiArt Heritage is available in a full range of grammages from 160 to 360 g/m² and calipers from 230 to 590 microns. Unique amongst uncoated folding boxboards, Heritage offers symmetrical printing surfaces on both sides. It is also available in linen, eggshell and diamond embossed finish.

Stromsdal

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