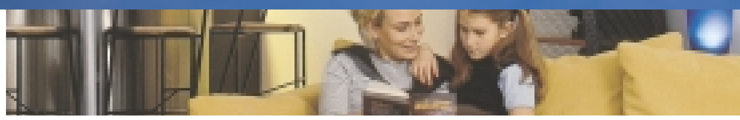
ANNUAL REPORT 1999



ENSTO

ANNUAL GENERAL MEETING

The annual general meeting of Ensto Oy will be held in Porvoo on Thursday, 30 March 2000.

FINANCIAL INFORMATION

Ensto will publish three interim reports in both Finnish and English during 2000.

The interim report for the first three months will be published on 3 May, the interim report for the first six months on 21 August and the interim report for the first nine months on 30 October.

Ensto's annual report can be ordered from the following address: Ensto Oy, P.O.Box 77, 06101 Porvoo, Finland, tel. +358 204 76 21, fax +358 204 76 2750, ensto@ensto.com. The interim reports will not be published in print. They will be published in the form of stock exchange releases and can also be found on Ensto's homepage, www.ensto.com. If you wish to have a copy of the interim reports, they can be ordered from the address above.

Contents

Key figures	1999	1998
Turnover, EUR M	**191.7**	189.5
Operating profit, EUR M	**9.5**	9.8
- % of turnover	**4.9**	5.2
Profit / share (EPS), EUR	**0.29**	0.30
Equity / share, EUR	**2.77**	2.66
Return on investment, ROI, %	**11.3**	12.7
Return on equity, ROE, %	**12.0**	12.6
Dividend / share, EUR	**0.07**	0.08
- Dividend %	**23.8**	28.4

Main events

- The last trimester of 1999 was clearly Ensto's strongest.
- Investments in the improvement of the efficiency of material flows and the availability of products proved successful.
- Production arrangements and new operational premises improved both the operating environment and the Group's competitive position.
- Rationalisation of production was reflected in the refocusing of contract manufacturing.
- The Group's restructuring involved Ensto's decision to give up technical ceramics business.
- Intensive investment in research and development focused especially on renovation of product ranges and international activities.
- The world market of the electrotechnical industry continued to change; this was reflected in new ownership arrangements and new alliances being created.

GROUP STRUCTURE

Ensto Installation

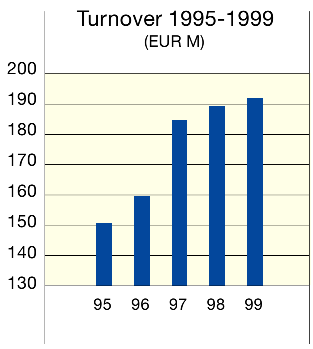
- Installation materials
- Electrical accessories
- Fastening materials

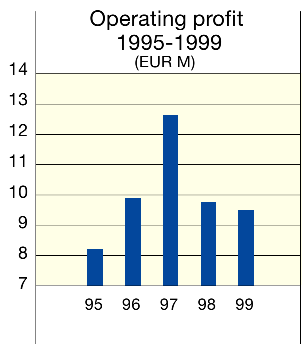
Ensto Industry

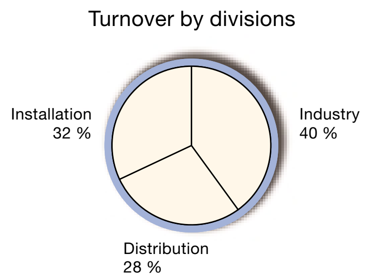
- Connectors
- Enclosures and components
- Contract manufacturing

Ensto Distribution

- Utility networks







Restructuring continued

Ensto's 41st year of business was characterised by continued restructuring. The new organisational structure and business units set up in 1998 were operationally implemented, which is clearly reflected in the structure of this annual report.

Significant improvements in results were seen in those business units in which the operational and logistic reform had progressed the farthest. The reform process, including the extensive personnel training programme, is expected to bring about changes in all key Group units in 2000.

As part of the restructuring process, the Group decided to give up its technical ceramics business. The companies within this business unit had renewed their technology and product range but they were no longer seen as a part of Ensto's core businesses.

Globalisation and new technologies

A relatively small Finnish company, such as Ensto, cannot ignore global trends. If a company wants to understand and keep up with future developments, it must follow the trends. Ensto is making efforts to simplify the Group's organisational structure, to internationalise its business operations and to seek new e-applications for products and operations in order to secure a strong market position and future growth.

The Group's house technology units are already utilising the latest applications of bus technology in order to meet customers' increasing needs for intelligent, versatile and quick installations.

Consolidation is a prevailing trend among European electricity distribution companies; the construction and renewal of utility networks and special features such as reliability and customer management are central elements in the reform process. Ensto has a firm position among the developers of future trends.

The management and supply of larger sub-entities as well as cost efficiency through mass serial production accompanied by private label manufacturing are increasingly emphasised in OEM businesses.

Technological development and the need for globalisation, characteristic to contract manufacturing, require investments, the ability to react instantly, and continuous development of new technologies. The volatility of the contract manufacture business is reflected in Ensto's business operations; but this high "clock speed" is an essential and unavoidable element of the business.

Ensto in 2000

Global change and restructuring within the Ensto Group are expected to continue along the same lines as before. I firmly believe that Ensto and its people will be able to create added value for our customers and partners by continuously pursuing our planned development projects.
To conclude, I wish to extend my warmest thanks for the past year to all our customers, partners and employees.

Petteri Walldén

Ensto is an international Group that specialises in the manufacture of electrical accessories and contract manufacturing for the electrical and electronics industry. The company operates in twelve countries. The Group's turnover is EUR 191.7 million (FIM 1139.8 million) of which 56,8% is generated outside Finland.

Ensto's brand businesses focus on house-building technology and construction of community infrastructures. Ensto's products are used in the transmission and utilisation of electrical energy, in the electrical installations, light fittings, various high-tech control and monitoring systems in homes as well as in public and business premises. The Ensto Group invests intensively in the further development of its products and systems with the aim of becoming the leading supplier of special products in its target market areas.

Ensto's contract manufacturing produces special technology products and services of exclusive quality which meet the needs of the global electronics technology.

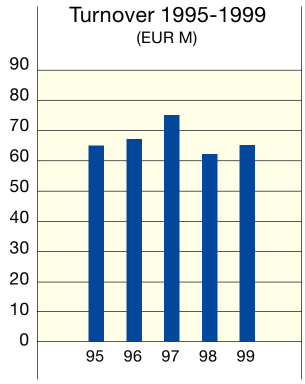
Ensto's business operations have been divided into strategic business units which operate close to their clients and supply products directly and flexibly to end users. Intensive operations, direct information links and guaranteed availability of products are the key elements of Ensto's customer services. The Group's financial information is reported by the three divisions: Ensto Installation, Ensto Industry and Ensto Distribution.

Ensto Installation

Ensto Installation develops, manufactures and markets installation materials, light fittings, distribution boards and electrical heating systems as well as multifunctional signal, alarm and guidance systems and fastening materials for building construction. The main distribution channels for the division's products are wholesale businesses. The end users include, among others, electric contractors, installation businesses and the electrotechnical industry.

The result of the Installation division improved significantly compared to the previous year. The market situation improved towards the end of the year, and the utilisation rate of the division's capacity was excellent over the last few months of the year under review. Security of supply and good availability of products helped strengthen Ensto's competitive position.

Key indicators	1999	1998	Change, %
Turnover	65 404	62 061	+ 5.4
- of which outside Finland	20 351	20 417	- 0.3
Operating profit	9 689	7 150	+ 35.5
Investments	1 996	4 842	- 58.8
Personnel, on average	390	421	-7.4



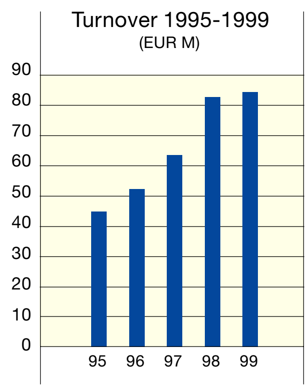
Ensto – Between You and Electricity

Ensto Industry

Ensto Industry is a contract manufacturer of customised products. The division also develops, manufactures and markets enclosures, components and connectors for the manufacturing industry. The main focus of contract manufacturing lies on the electrical and electronics industry, but the division also manufactures products for the telecommunications and consumer electronics industries.

Dramatic changes in demand gave rise to certain adaptation measures in Finland, particularly in the field of large plastic parts. The focus of the Salo production plant was redirected through investments in the production of small precision parts. The capacity of the Hungarian plant was increased, and during the year 2000 the production of the plant will also be refocused to meet the increasing demand for small parts.

Key indicators	1999	1998	Change, %
Turnover	83 987	82 845	+ 1.4
- of which outside Finland	41 286	32 898	+ 25.5
Operating profit	864	3 715	- 76.7
Investments	7 040	11 368	- 38.1
Personnel, on average	896	839	+ 6.8

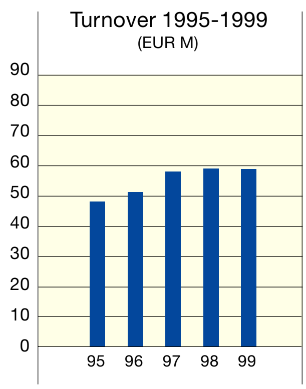


Ensto Distribution

Ensto Distribution develops, manufactures and markets network and line building materials for power transmission and distribution. The products and systems are primarily manufactured for electricity distribution and power companies, but also for information technology.

Market demand in the power distribution branch increased considerably over the last four months, when all companies within the division were operating at full capacity. Ensto strengthened its presence in the network and line building market through the launch of new products and systems applications.

Key indicators	1999	1998	Change, %
Turnover	59 129	59 176	0
- of which outside Finland	49 406	51 769	- 4.6
Operating profit	3 010	1 897	+ 58.7
Investments	1 077	3 887	- 72.3
Personnel, on average	543	575	- 5.6

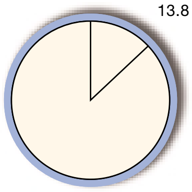


Intelligent building construction

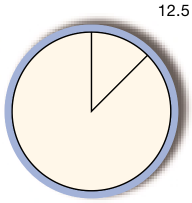
INSTALLATION MATERIALS

ELECTRICAL ACCESSORIES

INSTALLATION MATERIALS
Share of the Group's
turnover in 1999



ELECTRICAL ACCESSORIES
Share of the Group's
turnover in 1999



Improved customer services


Ilpo Hätönen

The Installation Materials business unit develops, manufactures and markets various switches, sockets and wiring accessories for use in the construction industry. The unit's product range also comprises EIB bus technology systems. The unit has a production company in Finland and sales organisations in Sweden and Norway. The German Busch-Jaeger Elektro GmbH owns a minority interest in the unit.

The intensive investments in the development of the unit's product range and operational methods launched in 1997 were completed in 1999. The development project focused on the improvement of business practices and the efficiency of material flows, and helped gear both supply readiness and security to an excellent level. The success of the project was reflected in a significant increase in customer satisfaction.

Improved competitive position

The 1999 financial period marked the first year of the Finland-based production company operations in its new production plant. The start-up of the new plant and the accompanying personnel training programme as well as the new operational practices and the development of production technologies were reflected in the improvement of productivity.

By networking and forming alliances with other major construction material manufacturers, Ensto succeeded in significantly increasing the use of the leak guard in both new construction projects and renovation projects. The leak guard is an intelligent electronic device that can be used to detect possible water leakages in buildings, thus preventing the occurrence of large-scale humidity damage.

Increase in exports expected

The increase in construction activities has a direct impact on the demand for electric installation accessories. Products are supplied for both new construction projects and renovation projects. In 2000, new construction projects and activities are expected to remain on the current, good level in Finland and in Sweden. In Norway demand is expected to grow.

Renewed product range


Sami Tulus

The business unit develops, manufactures and markets all-round light fittings, heating systems and standard distribution boards for both indoor and outdoor use. The unit's production plants are all located in Finland. The Swedish marketing functions were transferred to the unit's own branch office as of November 1999.

The unit has during the recent years focused on the internationalisation of the product range. New product generations are from the very beginning designed specially for the international markets. The research and development activities aim to renew and expand the unit's product range significantly.

Efficient use of existing capacity

The financial year 1999 marked a period of active R&D work and was also a year when special emphasis was put on improving the efficiency of material flows and production. With regard to production in the Porvoo plant in Finland, this means the centralisation of all production operations to one production building in late summer 2000. The utilisation rate of production capacity remained excellent throughout the year. This was primarily due to the development of the production control systems and the new, even more exacting warehouse service levels mutually agreed with the customers.

Intelligent products

R&D efforts focused on the reform of the traditional product range, new intelligent house-building solutions and the development of bus technology. Ensto's first products based on LON technology were introduced during 1999. Sensors connected to a room monitoring unit monitor all activities taking place in the room, thus enabling the monitoring system to switch on lights or to optimise the temperature and ventilation according to situation.

Continuation of growth expected

The markets for all the products of the business unit were growing over 1999, and the growth is expected to continue in 2000. The highest growth is expected to generate from the heating systems sector, where the demand for electrical heating and comfort heating (e.g. floor heating) is increasing continuously. Improving the efficiency of production and new products along with increasing market demand provide a solid basis for continuing increase in terms of both productivity and turnover.

Flexible construction

Strong market leadership

Christian Österberg

The business unit comprises the Ensto Group company Sormat Oy. Sormat Oy is the largest manufacturer of fastening materials in the Nordic countries, and boasts an extensive range of products suitable for both indoor and outdoor use.

The company supplies fastening materials to various industries and to the construction business. Through active marketing efforts, Sormat Oy has reached the number-one position in the Scandinavian market, and it is one of three major international companies operating in Russia and the Baltic countries. New markets have opened up in France and the Benelux countries.

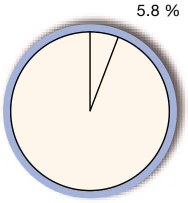
Seasonal swings under control

The demand for fastening materials in Finland declined by more than 10% in 1999. As a whole, the financial period was somewhat weaker compared to the previous period. However, active marketing efforts in Russia led to an excellent result, and the period under review proved to be the unit's best in this market area to date. The overall development experienced in exports was also promising, with exports accounting for 45% of the unit's total turnover.

Several development projects underway

As a result of intensive R&D efforts, the unit introduced a new type of through bolt anchor during the latter half of 1999. The new anchor is in compliance with the relevant EU directives. Due to the positive response to the new product, development work continued with the aim of getting an ETA approval for the entire product range. The special areas of emphasis included a new production rationalisation and development programme as well as the development of new assembly technology. Production reforms, particularly the introduction of cold forging technology, emphasised the need for more intensive personnel training.

The greatest expectations for the year 2000 focus on the Swedish, Russian and Central European markets. New products and production methods have improved the competitive position of the business unit, and intensive investments in sales and marketing have strengthened its market position in both traditional and new market areas.



FASTENING MATERIALS
Share of the Group's
turnover in 1999

Jarmo Virtanen

Connectors for the world market

This business unit develops, manufactures and markets fixed and detachable connectors and connection terminals for the installation of light fittings and heating systems. The connectors are used to connect the internal wiring of the accessories to the main electricity network. The use of connectors in electric installation enables electric networks to be constructed in advance, thus making the actual installation less time-consuming and possible alterations easier to carry out. Connectors are primarily supplied as OEM products to the light fittings and heating industries, but the unit also supplies entire pre-constructed systems for the electric installation of office premises and modular units. The unit's product range also comprises connectors and transformers for the lighting systems used on runways and taxiways in airports.

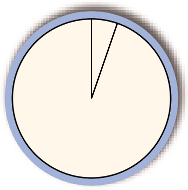
Major projects and customers in 1999

The European market for light fittings declined in 1999. Despite the general decline in demand, the business unit was able to maintain customer relations based on business partnerships. The period's main investments focused on the development of the unit's key businesses. The recently introduced EnstoNet series was very well received by the unit's clientele. Ensto supplied connectors for the electric installations of luxury cruisers, the headquarters of several leading European companies and organisations and for Europe's largest shopping mall, Blue Water Park, in Great Britain. One of the business unit's main projects in Finland was the new passenger terminal at the Helsinki-Vantaa international airport.

Growth is expected

Prospects for 2000 are strongly positive. New products, such as the new connector plug series, and the expanded retail sales network in the unit's main market areas (Europe, North America and the Far East) support growth prospects, while simultaneously presenting an increased need for a new international approach in terms of personnel and business operations.

with new
connector solutions



CONNECTORS
Share of the Group's
turnover in1999

An electric link to partnership

New business unit structure improves efficiency

Kai Qvist

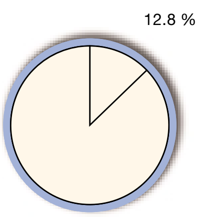
The Enclosures and Components business unit develops, manufactures and markets protective enclosures and components in Porvoo in Finland. The unit is also engaged in the contract manufacture of sheet steel products and automation panels in Mikkeli in Finland. The Mikkeli production plant was amalgamated with the business unit as of the beginning of 1999, thus the period under review is the first for the present business unit structure.

In addition to Finland, the unit has its own sales organisations in Sweden, Great Britain, Germany and Norway. The business unit's entire sales and marketing organisation was restructured during the period under review, and the Finnish OEM sales sector, in particular, was strengthened.

New growth from the exports market

The demand and supply volume of enclosures and components grew in 1999 and improved the business unit's result. Major investments in R&D and marketing continued. The core areas for future growth include the Nordic countries, Western and Central Europe and the United States. The contract manufacture of sheet steel products as well as the unit's automation panel business experienced an upward trend throughout the financial period.

The demand for the business unit's core products is expected to grow in 2000. The unit seeks additional growth in exports, and in metal and plastic enclosures. Both the efficiency and the profitability of the unit's operations in Great Britain are expected to improve significantly compared to the previous year.



ENCLOSURES AND COMPONENTS
Share of Group's turnover in1999

Structural reform in manufacturing

Jussi Viitala

The main business functions of the Contract Manufacturing business unit are the contract manufacture of customised plastic and metal parts, manufacture and painting of components for the telecommunications industry and the production of injection moulding tools and stamping tools as well as automation systems for palleting equipment and piece production. As regards the contract manufacture of plastic parts, Ensto has undergone a radical structural reform over the past few years by converting from the production of large plastic parts to the manufacture of small plastic precision parts.

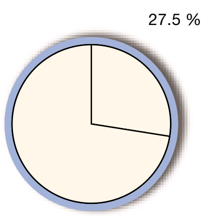
Revision of plans

Dramatic change in demand gave rise to certain adaptation measures particularly in Finland. The extensive investments in Ensto's painting expertise implemented in 1999 lay a solid basis for significant operational growth in the year 2000. The Hungarian production plant now operating for its second full financial period is still experiencing continuous rapid growth. The plant's clientele comprises companies engaged in local manufacture in Hungary. During the year 2000 the aim in the Hungarian plant is to convert the emphasis of production more towards the manufacture of small parts.

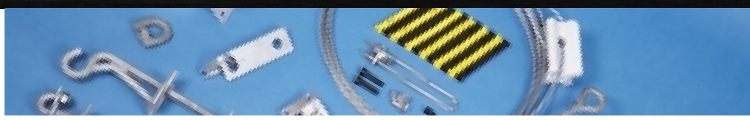
Year 1999 marked the completion of new production premises for the company manufacturing injection moulding tools in Askola in Finland. The operational emphasis of the Swedish contract manufacturing company will be redefined in order to improve its developmental position.

Following the markets

Ensto continues the adaptation of its contract manufacturing business to the prevailing market situation. The background for the adaptation process is the decline in the manufacture of large plastic parts and the growing demand for small parts. Efforts have been made to improve the operational position of the business unit's companies through investments, new production premises and organisational changes.



CONTRACT MANUFACTURING
Share of Group's turnover in1999



Safe and

uninterrupted electricity

distribution

Strong network expertise

Seppo Martikainen

Utility Networks unit develops, manufactures and markets network construction materials for the transmission and distribution of electricity. It supplies overhead and underground cable network and power line accessories to utility and power companies, and to telecommunications companies. The business unit's production plants are located in Finland and Estonia, and the unit has assembly operations in Poland and Hungary. In 1999, Ensto established a sales company in Prague, Czech Republic with the aim of better being able to serve the growing Central European markets.

Utility network accessories and Ensto's ability to supply its customers with complete customised systems and product packages have proved to be a valuable competition tool in those European countries, where the conditions for the construction of utility networks are similar to those in Scandinavia, namely where distances are long the networks run through large forest areas. In Western Europe Ensto operates in co-operation with sales representatives, whereas in Central Europe Ensto has its own, local organisations with local staff to guarantee the best possible knowledge of local conditions and practices.

Increase in demand

The utility network market did not reach the level of the previous year, but the situation improved towards the end of the year. By the end of 1999, the unit's capacity was utilised in full and the demand was strong. Extensive reorganisation continued in the international market; changes took place in the ownership of certain Nordic and Central European electricity distribution companies. In other countries, such as Poland and Hungary, the privatisation of utility companies continued.

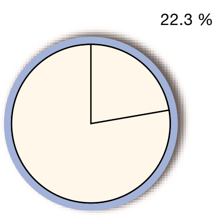
Ensto strengthened its presence in the utility network accessories market through the introduction of new products and systems applications. In regions where the Nordic network construction model prevails, Ensto has a very strong market position.

Business development efforts emphasised the development of both products and systems as well as the streamlining of logistics. As regards the construction and maintenance of electricity networks, partnerships have become more and more vital for success. The markets in Central Europe and in the Baltic countries are growing, and the construction and improvement of infrastructures, such as electricity distribution networks, are considered extremely important, particularly from the viewpoint of the evolving industries.

Growth by new actions

In the utility networks business, growth can be achieved through growing market shares, gaining a foothold in new markets, expanding product range and also through forming alliances or acquiring new business operations. Ensto is prepared to introduce new systems and aims to expand its product range to meet the challenge presented by the structural change in its clientele. Emerging of new buyer groups is likely to have an ever-increasing impact on the competition in the market place.

UTILITY NETWORKS
Share of Group's
turnover in 1999



for the period 1 January - 31 December 1999

The year in brief

The market situation in the construction business and the house-building sector developed favourably particularly towards the year-end. Demand for products offered by Ensto's business divisions that provide services to these two sectors picked up, and capacity utilisation rose to a good level in the final third of the year. Structural reorganisation of the contract manufacturing business continued. In early 2000, Ensto announced its intention to relinquish its technical ceramics production facilities.

The 1999 fiscal year was the first full operating year of the new Ensto Oy that resulted from the split on 31 August 1998. For this reason, the 12-month data for the electrotechnical operations presented as comparison data for 1998 are pro forma.

Ensto adopted the euro as its accounting and reporting currency at the begining of 1999. All the figures in this Annual Report are given in euros.

Structure

The Ensto Group continued to streamline its corporate structure in 1999 for the purpose of rationalising its internal structure and increasing its operational efficiency.

Sweden-based Ensto companies underwent extensive reorganisation during 1999. In the spring of 1999, Ensto Component AB sold its business operations and assets to Ensto Control Oy, which continues the company's business operations in a branch office in Sweden. Correspondingly, the operations of Ensto Elektriska AB will be continued in a branch office of Ensto Sekko Oy. Ensto Electric Oy established a Swedish branch office for marketing installation light fittings.

In May, Ensto bought the last 10% of Ensto Germany GmbH's shares as well as the remainder, 49%, of Ensto Briticent Ltd's shares.

The daughter company Ensto Czech s.r.o. in the Czech Republic started business operations on 1 July 1999. According to the contract signed 30 June 1999, Ensto bought the business of the electricity distribution and transmission lines material from the company San-Eko, a sales and marketing company of utility network products.

In the autumn, Ensto sold the entire capital stock of the Swedish Ensto El-Be AB in an MBO action. Hereafter, the light-fitting business activities will concentrate on installation light fittings.

After the close of the fiscal year, on 14 January 2000, Ensto sold Ensto Ceramics Oy, a specialist in technical ceramics, to the operating management of the company in an MBO action. According to a letter of intent, concluded 23 December 1999, Ensto NTP AS in Norway will be sold to its operating management during the current fiscal year. The company manufactures mainly ceramic insulators. A new ownership structure is also sought for Ensto Ifö AB, a manufacturer of fuses and ceramic light fittings in Sweden.

The market

The process of change in the international market for electrotechnical equipment continued throughout 1999. The leading companies kept looking for new forms of co-operation by forming alliances and revamping their ownership. This development applied e.g. to the European electrical utility operators and the electrical equipment industry.

The market for Ensto's installation supplies improved towards the year-end and capacity utilisation rate during the last months of the year was good. Development programmes geared at ensuring reliable deliveries and better product availability were completed and they strengthened Ensto's competitive position.

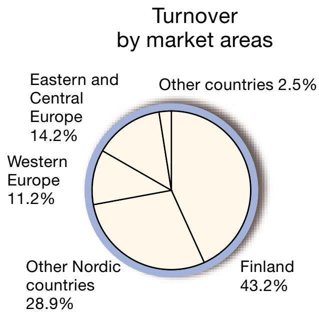
The dramatic structural change in the demand for contract manufacturing forced Ensto to take adjustment measures particularly in the Finnish Salo-based company. Production priority shifted from large plastic parts to small parts whose manufacture requires extreme precision. Investments in new machinery were made to boost the capacity of the Hungarian plant.

Demand for Ensto's electricity distribution and transmission line construction supplies picked up considerably in the final third of the year. At the end of the year, all production facilities in this sector reached full capacity utilisation rate.

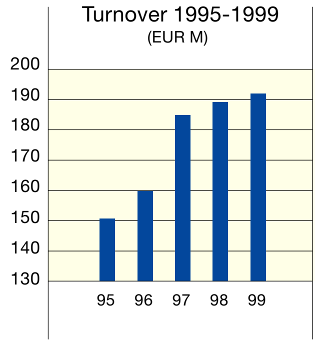
Turnover and profits

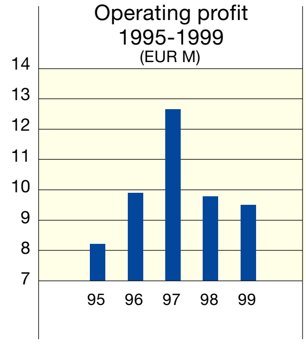
The Group

In 1999, Ensto was able to strengthen its competitive edge considerably in the changing business environment. Key measures that enabled this success included improving materials management, improving product availability, boosting the efficiency of production and sharply refocusing the industrial operations on the Group's key competence areas. However, in light of the key figures, no major

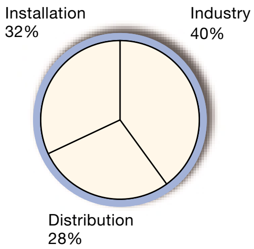


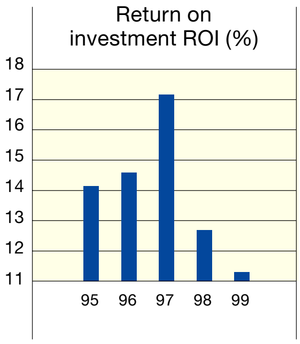
Finland: EUR 82.9 million
Other Nordic countries: EUR 55.4 million
Western Europe: EUR 21.5 million
Eastern and Central Europe: EUR 27.1 million
Other countries: EUR 4.8 million

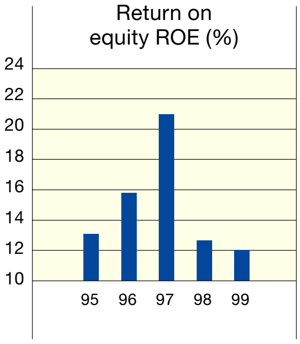




Turnover
by divisions







progress was achieved in this respect in 1999.

Consolidated turnover in the 1999 fiscal year totalled EUR 191.7 million (EUR 189.5 million). The share of international operations came to 56.8% of turnover and direct exports from Finland were EUR 45.2 million.

The operating profit, EUR 9.5 million, fell slightly short of the previous year's (EUR 9.8 million). The operating profit constituted 5% of turnover, which was on the level of the previous year. The net financial result was better than in 1998, and profit before extraordinary items came to EUR 7.7 million (EUR 7.5 million).

The Group entered a non-recurring item of EUR 3.8 million in its financial statements for 1999 in preparation for the restructuring to be undertaken in technical ceramics. As a result, net profit was weaker than in 1998.

Business Areas

The turnover of Ensto Installation for 1999 totalled EUR 65.4 million (EUR 62.1 million). Part of the Mikkeli plant in Finland was transferred to Ensto Industry at the beginning of the year and the corresponding figures for 1998 have been adjusted for comparison. Net profit improved, reaching EUR 9.7 million (EUR 7.2 million), and amounted to 14.8% of turnover (11.6%).

Ensto Industry's turnover grew, but operating profit clearly weakened. Turnover totalled EUR 84.0 million (EUR 82.8 million) and operating profit EUR 0.9 million (EUR 3.7 million). Operating profit amounted to 1.1% of turnover (4.5%). The strong change in demand for contract manufacturing made adjustments necessary, particularly as regards the production of large plastic parts in Finland. The emphasis of production was shifted in Salo by investing in the production capacity of small precision components. The production capacity of the Hungarian plant was expanded, and the emphasis here will also be changed to correspond to the increasing demand of small components in 2000.

Turnover of Ensto Distribution was EUR 59.1 million (EUR 59.2 million). Operating profit improved compared to the previous year, rising to EUR 3.0 million (EUR 1.9 million). Operating profit constituted 5.0% of turnover (3.2%).

Ensto Group's consolidated turnover and operating profit by business area were as follows:

Turnover and operating profit by divisions:

	Turnover			Operating profit		
EUR M	1999	1998	Change %	1999	1998	Change %
Installation	65.4	62.1	5.3	9.7	7.2	34.7
Industry	84.0	82.8	1.4	0.9	3.7	-75.7
Distribution	59.1	59.2	0.0	3.0	1.9	57.9
Total ./. other business units and eliminations	-16.8	-14.9		-4.1	-3.0	
	191.7	189.2	1.3	9.5	9.8	-3.1

Order book

Ensto's order book at the end of 1999 totalled EUR 19.1 million. This compares with EUR 16.4 million of a year ago. The order book has grown steadily stronger in all business areas. The order book continues to be influenced by the facts that delivery times have become shorter and new inventory levels have been agreed upon with customers. A more efficient materials flow has improved delivery capacity and competitiveness.

Profitability

Seasonal cycles are strong in the Ensto Group business. The first four months of the year are usually the weakest, and the last four the strongest. This is well illustrated by the development of operating profit during the year. The first four months resulted in a loss, there was a return to profit in the second four months, and in the final four months the profitability trend became stronger.

Operating profit by four month periods was as follows:

	EUR M	%
1. January – April	-0.7	-
2. May – August	4.1	42.3
3. September – December	5.4	57.7
Total	9.5	100.0

The 1999 profit figures were negatively influenced in particular by the structural changes in contract manufacturing and the difficulties encountered in technical ceramics. Contract manufacturing has been adapted to demand, and a decision has been made to divest the technical ceramics operations.

Profit before extraordinary items, EUR 7.7 million, was on the level of the previous year, and was 4.0% of turnover (4.0%). An extraordinary expense of EUR 3.8 million has been entered for the restructuring of the technical ceramics operations. Because of this entry, profit after extraordinary items, EUR 4.3 million, is clearly weaker than a year ago.

Return on equity (ROE) in 1999 was 12.0% (12.6%) and return on investment (ROI) 11.3% (12.7%). Earnings per share (EPS) were EUR 0.29 (EUR 0.30) and equity per share came to EUR 2.77 (EUR 2.66).

Financing and balance sheet

The net financial expenses in 1999 totalled EUR 1.8 million, which equals 1.0% of turnover. In the previous fiscal year, the corresponding figures, which include a loss of EUR 0.3 million on foreign exchange, were EUR 2.3 million and 1.2%. The Group's equity ratio at the end of 1999 was 33.2%, compared to 34.1% at the end of the previous year. Net gearing was 107.9%, compared with 99.9% the year before. At the end of the fiscal year, interest-bearing debt was EUR 49.2 million (EUR 42.9 million) which corresponds to 25.7% of turnover (22.6%).

The Group's balance sheet total at the end of 1999 was EUR 137.9 million (EUR 126.6 million). The 8.9% growth is mainly due to the increase in current receivables.

Investments

Gross investments in 1999 totalled EUR 10.5 million. In 1998, the corresponding amount was EUR 20.7 million. The 1999 investments mainly consisted of improving production machinery, information systems and logistics functions. The significant investments in processing and information systems initiated in 1998 were completed during the 1999 fiscal year.

The biggest single investment items were the industrial investments required by the restructuring of contract manufacturing and the new investments in machinery and equipment needed for the new generations of installation products.

Development

The dedicated investments in new products and systems within Ensto's business units continued in 1999. Product development focused particularly on upgrading and internationalising the product range, intelligent building technology systems and network technology.

Ensto's units make use of European as well as American network technologies in different application sectors. Ensto also participated proactively in the development of new international standards for the electrotechnical industry.

Total research and development expenses in 1999 were EUR 5.8 million, which constitutes 3.0% of turnover. The corresponding amount in the previous year was EUR 4.9 million, i.e. 2.6% of turnover. The development expenditures were expenses for the fiscal year.

General Meetings

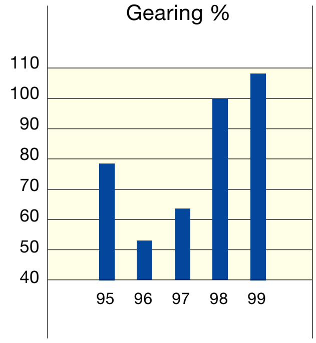
The Extraordinary General Meeting on 12 October 1998 decided the share capital to be converted into euros. The new euro-denominated share capital, equal to the previous markka-nominated capital of FIM 14,498,700.00, amounted to EUR 2,438,506.29, and it was registered as of 1 January 1999.

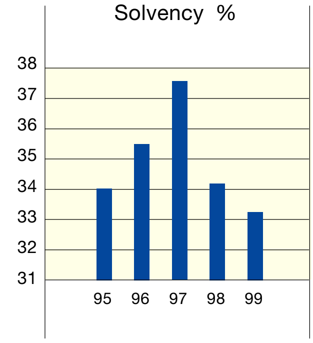
The Annual General Meeting on 12 April 1999 made a decision on raising the nominal value of the shares to EUR 0.17, and on providing a capitalisation issue for a total of EUR 26,272.71. Consequently, the share capital increased to a total of EUR 2,464,779.00. The increase was registered on 10 May 1999. The arrangement did not cause changes in the number of shares.

The Annual General Meeting approved the financial statements and decided that a dividend of FIM 0.50 per share, i.e. a total of FIM 7.2 million to be paid. The dividend payment date was 22 April 1999. The Annual General Meeting re-elected the following Members of the Board: Mr Timo Miettinen, Chairman of the Board; Mr Ensio Miettinen; Mr Matti Suutarinen; Mr Heikki Mairinoja and Mr Esa Saarinen. Ms Marjo Raitavuo started as a new Member of the Board.

Information as at 31 Dec. 1999

Shareholders	number	% of shares	% of votes
Opa Oy	8,118,900 E	56.0	27.7
Sponsto Oy	260,400 K		
	4,668,600 E	34.0	33.7
Pajatorppa Oy	520,800 K	3.6	35.5
Miettinen, Timo	465,000 E	3.2	1.6
Raitavuo, Marjo	232,500 E	1.6	0.8
Miettinen-Valsta, Anu	116,250 E	0.8	0.4
Miettinen, Taru	116,250 E	0.8	0.4
Series E shares total	13,717,500 E		
Series K shares total	781,200 K		
Total	14,498,700	100.0	100.0





Shareholding specifications

	Shareholders		Shares		Votes	
Number of shares	number	%	number	%	number	%
1-100 000	3	42.9	465,000	3.2	465,000	1.6
100 001-200 000	2	28.6	985,800	6.8	10,881,000	37.1
200 001-	2	28.6	13,047,900	90.0	17,995,500	61.3
Total	7	100.0	14,498,700	100.0	29,341,500	100.0

Shares and ownership

Ensto Oy's share capital consists of 781,200 Series K shares (20 votes) and 13,717,500 Series E shares (one vote). The international ISIN codes used in securities clearing are FI0009007280 for Series K shares, and FI0009007298 for Series E shares. Both share series have the same dividend rights.

In the fiscal year, 30% of the shares held by Pajatorppa Oy, Ensto Oy's parent company, were transferred from Ensio Miettinen to Timo Miettinen and a further 30% similarly to Marjo Raitavuo. There were no other major changes in the ownership of the company during the fiscal year.

Listing

In a stock exchange bulletin dated 3 November 1998, Ensto and its major shareholders announced that the preparations for Ensto Oy's listing were suspended. No decisions as to the new time of listing have been made.

Authorisations

The Board of Directors of Ensto Oy does not have an effective authorisation to increase the company's share capital through a rights issue, to take out a convertible bond loan or to issue options.

Ensto Oy has not issued any convertible bonds or bonds with warrants.

Personnel

At the end of 1999, the total personnel of the Ensto Group was 1,897. The corresponding number a year ago was 1,942. On average, personnel numbered 1,917 (1,923). The distribution of personnel by business groups is as follows:

Personnel by divisions on 31 Dec. 1999

	1999	1998	Change
	number	number	number
Installation	390	421	-31
Industry	896	839	57
Distribution	543	575	-32
Others	88	88	0
Total	1917	1923	-6

Prospects

Ensto enters 2000 with a significantly strengthened order book and good capacity utilisation in the business units. The development projects carried out in production and logistics have resulted in major improvements in lead-times and the promptness of deliveries.

The market prospects for the companies serving construction and building technology are favourable, and the market positions achieved strengthen the outlook. The restructuring of contract manufacturing, which resulted in moving the focus to smaller plastic components, is going to somewhat hamper the profit development of this business. Divesting technical ceramics, on the other hand, strengthens the Group's profit potential as early as in the current fiscal year.

Structural and ownership changes in the international market for electrotechnical equipment continue. New purchase conglomerates are born among customers, which will have increasing influence on competitive positions. In this situation, Ensto strives to reinforce its positions in the selected markets and focus its industrial activity on sectors where its success factors are the strongest. This means that the relative share of the business units relying on electrotechnical competence will be strengthened within the Group.

The internal development measures continued in 1999, and they make the corporate structure stronger. On the basis of these advancements, it is predicted that the comparable turnover and profits increase slightly in the current fiscal year.

KEY INDICATORS

12 months		**1999**	1998	1997	1996	1995
Turnover		191.7	189.5	184.1	159.9	150.5
Change compared to last period	%	1.2	3.0	15.1	6.3	22.2
Sales outside Finland		108.8	100.9	94.6	86.5	77.2
Of turnover	%	56.8	53.3	51.4	54.1	51.3
Change compared to last period	%	7.8	6.7	9.3	12.0	5.9
Sales in Finland		82.9	88.6	89.5	73.3	73.2
Change compared to last period	%	-6.5	-1.0	22.1	0.1	46.1
Exports from Finland		45.2	40.0	31.7	26.6	20.5
Change compared to last period	%	12.9	26.3	19.1	30.1	2.9
Profit before depreciation		21.0	19.8	22.5	19.3	17.7
Of turnover	%	11.0	10.5	12.2	12.0	11.8
Depreciation		11.7	10.2	10.0	9.4	9.6
Of turnover	%	6.1	5.4	5.4	5.9	6.4
Operating profit		9.5	9.8	12.6	9.9	8.2
Of turnover	%	4.9	5.2	6.8	6.2	5.5
Financial items		-1.8	-2.3	-1.6	-1.5	-1.5
Of turnover	%	-1.0	-1.2	-0.9	-0.9	-1.0
Profit before extraordinary items		7.7	7.5	11.0	8.4	6.7
Of turnover	%	4.0	4.0	6.0	5.3	4.5
Profit before income taxes		4.3	6.8	8.7	8.4	5.8
Of turnover	%	2.2	3.6	4.7	5.3	3.8
Net profit		1.9	3.5	5.9	5.0	1.9
Of turnover	%	1.0	1.9	3.2	3.1	1.3
Investment in fixed assets		10.5	20.7	19.3	9.1	25.4
Of turnover	%	5.5	10.9	10.5	5.7	16.9
Return on investment (ROI)	%	11.3	12.7	17.1	14.6	14.1
Return on equity (ROE)	%	12.0	12.6	21.2	15.7	13.0
Solvency	%	33.2	34.1	37.4	35.5	34.0
Gearing	%	107.9	99.9	63.9	53.5	78.9
Current ratio		1.5	1.4	1.4	1.5	1.4
Net liabilities		49.2	42.9	27.4	22.1	28.7
Of turnover	%	25.7	22.6	14.9	13.8	19.1
Total assets		137.9	126.6	115.2	99.9	107.4
Research and Development costs		5.8	4.9	5.5	5.4	4.9
Of turnover	%	3.0	2.6	3.0	3.4	3.3
Undelivered orders		19.1	16.4	26.7	29.0	25.9
Profit / share (EPS)	EUR	0.29	0.30	0.57	0.35	0.20
Equity / share	EUR	2.77	2.66	2.76	2.38	2.08
Dividend / share	EUR	0.07	0.08	0.22	0.11	0.07
Dividend / profit	%	23.8	28.4	39.4	30.8	34.6
Turnover / employee	EUR T	100.0	98.5	101.1	95.3	93.0
Average personnel		1,917	1,923	1,820	1,677	1,617
Personnel at the end of period		1,897	1,942	1,838	1,761	1,653
Number of shares		14,498,700	14,498,700	14,498,700	14,498,700	14,498,700
Average number of shares		14,498,700	14,498,700	14,498,700	14,498,700	14,498,700

The comparative data for 1995-1998 are presented Pro Forma

CONSOLIDATED INCOME STATEMENT

	1.1. - 31.12.1999	1.1.-31.12.1998
(EUR 1000)		Pro Forma
NET TURNOVER	191 696	189 496
Other operating income	1 070	808
Operating expenses	-171 605	-170 450
Depreciation and reduction in value	-11 660	-10 019
OPERATING PROFIT	9 501	9 835
Financial income and expenses	-1 845	-2 308
PROFIT BEFORE EXTRAORDINARY ITEMS	7 656	7 527
Extraordinary items	-3 379	-753
PROFIT BEFORE RESERVES AND TAXES	4 277	6 774
Direct taxes	-1 331	-2 139
Minority interest	-1 055	-1 101
NET PROFIT FOR THE FINANCIAL YEAR	1 891	3 534

CONSOLIDATED BALANCE SHEET

	31.12.1999	31.12.1998
(EUR 1000)		
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	3 915	3 509
Consolidated goodwill	4 790	6 064
Tangible assets	56 388	56 007
Investments	708	592
CURRENT ASSETS		
Inventories	29 383	28 410
Receivables		
Long-term	2 448	3 408
Short-term	33 647	22 016
Cash in hand and at bank	6 585	6 637
TOTAL ASSETS	137 864	126 643
LIABILITIES		
CAPITAL		
Subscribed capital	2 465	2 439
Revaluation fund	1 682	1 682
Other funds	3 985	3 861
Accumulated tax reserves	7 485	8 506
Retained earnings	22 679	18 487
Net profit for the financial year	1 891	3 534
	40 187	38 509
MINORITY INTEREST	5 408	4 276
CONSOLIDATED RESERVE	0	120
PROVISIONS	2 875	0
CREDITORS		
Long-term	42 105	39 496
Short-term	47 289	44 242
TOTAL LIABILITIES	137 864	126 643

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(EUR 1000)	Group 1.1.-31.12.1999	Group 1.1.-31.12.1998	Parent company 1.1.-31.12.1999	Parent company 1.9.-31.12.1998
Operating profit / loss	9 501	9 835	-3 898	-1 354
Depreciation	11 660	10 019	222	511
Financial items	-1 845	-2 308	7 105	6 494
Extraordinary items	-504	-753	4 289	-404
Taxes	-1 331	-2 139	-1 786	-1 343
Funds generated from operations	17 481	14 654	5 933	3 904
Change in stocks	-973	-1 053	-7 149	2 319
Change in current operating receivables	-11 631	-325	3 389	-1 944
Change in current interest free liabilities	1 735	-4 468		
Change in working capital	-10 869	-5 846	-3 761	375
NET CASH INFLOW FROM OPERATING ACTIVITIES	6 612	8 808	2 172	4 280
Investments	-10 507	-20 681	-102	-176
Other increase / decrease	-902	1 177		
CASH FLOW BEFORE FINANCING ACTIVITIES	-4 797	-10 696	2 070	4 104
Change in long-term receivables	960	-104	-1 196	-384
Change in current interest bearing receivables			-9 342	-9 329
Change in long-term liabilities	2 609	9 640	6 292	13 269
Change in short-term loans	1 312	5 621	3 002	-5 895
Dividends paid	-1 446	-3 480	-1 219	0
Change in shareholders' equity	177	-1 856		
Change in minority interest	1 133	1 423		
Net cash inflow from financing	4 745	11 244	-2 464	-2 339
NET CASH INFLOW AFTER FINANCING	-52	548	-394	1 765
Liquid assets at the beginning of period	6 637	6 089	3 404	1 639
Liquid assets at the end of period	6 585	6 637	3 010	3 404

Income Statement	1.1. - 31.12.1999	1.9. - 31.12.1998
(EUR 1000)		
NET TURNOVER	3 491	898
Other operating income	20	14
Operating expenses	-4 911	-1 755
Depreciation and reduction in value	-2 498	-511
OPERATING LOSS	-3 898	-1 354
Financial income and expenses	7 105	6 494
PROFIT BEFORE EXTRAORDINARY ITEMS	3 207	5 140
Extraordinary items	4 289	-404
PROFIT BEFORE RESERVES AND TAXES	7 496	4 736
Appropriations		28
Direct taxes	-1 786	-1 343
NET PROFIT FOR THE FINANCIAL YEAR	5 710	3 421

Balance Sheet	31.12.1999	31.12.1998
(EUR 1000)		
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	183	148
Tangible assets	925	1 091
Investments		
Holdings in group undertakings	34 596	34 701
Other investments	469	354
	36 173	36 294
CURRENT ASSETS		
Receivables		
Long-term	1 315	556
Short-term	47 203	30 274
Cash in hand and at banks	3 010	3 404
TOTAL ASSETS	87 701	70 528
LIABILITIES		
CAPITAL		
Subscribed capital	2 465	2 438
Other funds	41	68
Retained earnings	21 106	18 904
Net profit for the financial year	5 710	3 421
	29 322	24 831
CREDITORS		
Long-term	27 593	22 238
Short-term	30 786	23 459
TOTAL LIABILITIES	87 701	70 528

ACCOUNTING PRINCIPLES

Ensto Oy adopted the euro as its company currency as of the beginning of 1999. Consequently, the financial statements of Ensto Oy and the consolidated financial statements are drawn up in euros. The accounts are based on historical acquisition costs, with the exception of certain revaluations allocated to buildings that have been included in the restricted equity.

On 31 August 1998, Ensto Oy was split into two new companies: Ensto Oy and Mattio Oy. In conjunction with the split, Ensto Oy received all property connected with the industrial business and Mattio Oy received real estate and investment assets unrelated to the industrial business. The financial statements for 1999 cover the second financial period for Ensto, which continues the industrial business. Ensto drew up 12-month, pro forma financial statements for 1998, which were presented in the notes to the financial statements in compliance with a statement issued by the Accounting Board. For 1999, the pro forma financial statements are presented as comparative figures for the profit and loss account.

Consolidated financial statements

The consolidated financial statements include all the companies in which Ensto Oy has a direct or indirect shareholding of more than 50%.

Acquisition accounting has been applied to the elimination of cross-ownership within the Group. Consolidation difference or group reserve has arisen in cases where the acquisition price of shares exceeds or is less than the shareholders' equity of the acquired subsidiary at the time of acquisition.

The result of a subsidiary sold during the financial period is included in the consolidated financial statements up to the moment the company was sold.

The accumulation of appropriations is divided in the consolidated balance sheet between deferred tax liability and shareholders' equity.

Mutual receivables and debts of the Group companies, internal income and expenses and internal profits on inventories have been eliminated. Minority interest has been calculated on the subsidiaries' profits and the shareholders' equity.

Minority interest has also been separated from the accumulated appropriations.

The financial statements of international subsidiaries have been translated so as to correspond to Finnish accounting principles.

Items denominated in foreign currency

Receivables and debts denominated in foreign currency have been converted into euros at the Bank of Finland's average rate on the date of the closing of the books.

The balance sheets of the international group companies have been converted into euros at the Bank of Finland's average rate at year-end, and the profit and loss accounts were converted at the average rate for the financial period.

The conversion adjustment arising from the elimination of acquisition costs of the international group companies has been posted to shareholders' equity.

Receivables

Receivables are booked according to their probable value. The portion that is likely to remain outstanding is booked as a credit loss.

Inventories

In Group companies, inventories are, in accordance with the FIFO principle, valued at the acquisition cost or, if lower, at the probable selling price

An individually calculated, non-marketability deduction for stocks has been applied in the Group companies. If non-marketable inventories have become marketable, the non-marketability entry has been restored.

Fixed assets and depreciation

Fixed assets are shown at the historical acquisition cost, with the exception of certain revaluations of buildings less planned depreciation. The planned straight-line depreciation is based on the acquisition cost and the economic life cycle of the item as follows:

Buildings	20-30 yrs
Machines	5-15 yrs
Equipment	5 yrs
Computer hardware and software	4 yrs
Other tangible fixed assets	10 yrs
Consolidation difference	5-10 yrs
Consolidation difference before 1993	10 yrs
Group-reserve (before 1993) income recognition	10 yrs

No depreciation is applied to value adjustments and land areas.

Shares and holdings are booked at acquisition cost in compliance with the write-down principle.

Turnover

Turnover comprises sales revenue adjusted with annual discounts and cash discounts granted, and with exchange rate differences arising from sales receivables denominated in foreign currency. Sales freightage, credit losses and sales commissions are entered under other expenses.

Pension arrangements

Pension coverage for the employees of Group companies has been arranged through pension insurance.

Research and development costs

R&D costs accrued during the financial period are booked as annual expenses.

Extraordinary income and expenses

The extraordinary income and expenses in the profit and loss account include any significant one-time items of income or expense that are not directly linked to the company's regular business.

Taxes

The Group's taxes comprise the taxes based on the profits of the parent company and its subsidiaries and is booked on an accrual basis.

On a Group level, the deferred tax liability is calculated on the basis of items arising from accrual difference as well as optional and obligatory reserves. The change in deferred tax liability is presented under taxes in the profit and loss account and under long-term debt in the balance sheet.

Principles for calculating key figures

Invested capital = Balance sheet total - non-interest-bearing debts

Return on investment (ROI) =
$$\frac{\text{Profit before extraordinary items + interest expense and other financial expense}}{\text{Invested capital (average for the period)}} \times 100$$

Return on equity (ROE) =
$$\frac{\text{Profit before extraordinary items and taxes - taxes}}{\text{Shareholders' equity + minority interest + group reserve (average for the period)}} \times 100$$

Solvency =
$$\frac{\text{Shareholders' equity + minority interest + group reserve}}{\text{Balance sheet total - advances received at the end of the financial period}} \times 100$$

Net liabilities = Non-current and current liabilities - non-interest bearing debts - cash in hand and at banks - shares

Gearing =
$$\frac{\text{Interest-bearing net liabilities}}{\text{Shareholders' equity + minority interest + group reserve}} \times 100$$

Current ratio =
$$\frac{\text{Financial assets + current assets}}{\text{Short-term liabilities}}$$

Earnings / share (EPS) =
$$\frac{\text{Profit before extraordinary items and taxes - minority interest - taxes}}{\text{Issue adjusted average number of shares}}$$

Equity / share =
$$\frac{\text{Shareholders' equity + group reserve}}{\text{Issue adjusted number of shares at the end of the period}}$$

Dividend / share =
$$\frac{\text{Dividend distributed for the fiscal year}}{\text{Issue adjusted number of shares at the end of the period}}$$

Dividend / profit =
$$\frac{\text{Dividend / share}}{\text{Earnings / share}} \times 100$$

(EUR 1000)	Group 1.1.-31.12.99	Group 1.9.-31.12.98	Group 1.1.-31.12.98 Pro Forma	Parent company 1.1.-31.12.99	Parent company 1.9.-31.12.98
1. TURNOVER BY MARKETING AREA AND DIVISIONS					
By marketing area					
Finland	82 853	31 483	88 566	2 574	690
Other Nordic countries	55 437	21 001	56 491	745	194
Western Europe	21 477	5 518	20 122		
Eastern and Central Europe	27 145	6 244	19 454	172	14
Other countries	4 784	2 867	4 863		
Total	191 696	67 113	189 496	3 491	898
By division					
Installation	65 404	29 607	62 061		
Industry	83 987	23 329	82 845		
Distribution	59 129	18 381	59 176		
Group eliminations	-16 824	-4 204	-14 586		
Total	191 696	67 113	189 496		
2. OTHER INCOME FROM BUSINESS OPERATIONS					
Rental income	38	9		5	2
Proceeds of sales of fixed assets	329	158		15	12
Other income from business operations	703	313			
Total	1 070	480		20	14
3. MATERIALS AND SERVICES					
Materials and supplies (goods)					
Purchases during the financial year	74 817	26 665			
Change in inventories	40	998			
Total	74 857	27 663			
External services	1 021	243			
4. NOTES ON PERSONNEL AND CORPORATE GOVERNANCE					
Personnel expenses					
Salaries and emoluments	43 569	17 453		1 634	480
Pension expenses	7 017	3 044		240	117
Other employee expenses	5 779	3 105		202	85
Total	56 365	23 602		2 076	682
Salaries and emoluments for the Board of Directors and Managing Directors	2 146	717		202	239
Average number of personnel in the financial year					
Salaried	653	634		32	32
Wage-earning	1 264	1 289			
Total	1 917	1 923		32	32

	Group		Group	Parent company	
(EUR 1000)	1.1.-31.12.99	1.9.-31.12.98	1.1.-31.12.98	1.1.-31.12.99	1.9.-31.12.98
			Pro Forma		
5. DEPRECIATION AND WRITE-DOWNS					
Immaterial goods					
Intangible rights	541	207		2 330	423
Goodwill	17	34			
Group goodwill	2 134	396			
Group reverse booked as revenue	-120	-38			
	2 572	599		2 330	423
Tangible assets					
Buildings and constructions	1 634	460		28	9
Machinery and equipment	6 868	2 157		133	77
Other tangible assets	465	241		7	2
Depreciation and write-downs, total	11 539	3 457		2 498	88
6. OTHER EXPENSES FROM OPERATIONS					
Other variable expenses	11 403	3 358			
Rents	2 826	501		319	97
Other fixed expenses	25 119	6 281		2 515	976
Change in finished goods inventory	134	-135			
Total	39 482	10 005		2 834	1 073
7. OPERATING PROFIT BY DIVISIONS					
Installation	9 689	3 307	7 150		
Industry	864	1 130	3 715		
Distribution	3 010	-547	1 897		
Other	-4 298	-1 246	-2 416		
Group eliminations	236	-22	-511		
Total	9 501	2 622	9 835		
8. FINANCIAL INCOME AND EXPENSES					
Dividend income					
From Group companies				5 721	4 798
Total				5 721	4 798
Other interest and financial income					
From Group companies				907	352
From others	1 708	450		2 491	2 089
Total	1 708	450		3 398	2 441
Interest and other financial expenses					
To Group companies				-219	-108
To others	-3 553	-1 263		-1 793	-636
Total	-3 553	-1 263		-2 012	-744
Financial income and expenses, total	-1 845	-813		7 107	6 495
The item for financial income and expenses includes exchange rate differences (net)	1	-249		-55	-1
9. EXTRAORDINARY ITEMS					
Extraordinary income					
Group contribution income				7 980	
Others	692				

	Group		Parent company	
(EUR 1000)	1.1.-31.12.99	1.9.-31.12.98	1.1.-31.12.99	1.9.-31.12.98
Extraordinary expenses				
Group contribution			-3 490	
Loss on sale of subsidiary	-3 834	-253	-63	-253
Write-down on shares		-219		
Others	-238	-281	-138	-151
	-3 380	-753	4 289	-404
10. APPROPRIATIONS				
Difference between planned and booked depreciation in taxation				28
11. DIRECT TAXES				
Income taxes on extraordinary items	1 003	-211	-1 201	113
Income taxes on actual business	-3 647	364	-585	-1 448
Change in deferred tax liability	1 313	137		-8
Change in deferred tax receivable		-244		
	-1 331	46	-1 786	-1 343
12. INTANGIBLE AND TANGIBLE ASSETS				
Intangible assets				
Intangible rights				
Acquisition cost 1 Jan.	3 177	3 158	439	435
Increase	955	33	88	4
Decrease	-317	-14		
Acquisition cost 31 Dec.	3 815	3 177	527	439
Accumulated depreciation according to plan 31 Dec.	-2 156	-1 720	-344	-289
Book value 31 Dec.	1 659	1 457	183	150
Goodwill				
Acquisition cost 1 Jan.	807	807		
Acquisition cost 31 Dec.	807	807		
Accumulated depreciation according to plan 31 Dec.	-606	-505		
Book value 31 Dec.	201	302		
Other capitalized expenditure				
Acquisition cost 1 Jan.	2 535	2 304	202	201
Increase	560	233		
Decrease	-511	-2		
Acquisition cost 31 Dec.	2 584	2 535	202	201
Accumulated depreciation according to plan 31 Dec.	-1 431	-1 681	-202	-203
Book value 31 Dec.	1 153	854	0	-2
Advance payments				
Acquisition cost 1 Jan.	894	1 157		
Increase	80	10		
Decrease	-75	-273		
Acquisition cost 31 Dec.	899	894		
Consolidated goodwill				
Acquisition cost 1 Jan.	15 973	15 907		
Increase	78	66		
Acquisition cost 31 Dec.	16 051	15 973		
Accumulated depreciation according to plan 31 Dec.	-11 261	-9 909		
Book value 31 Dec.	4 790	6 064		

(EUR 1000)	Group 1.1.-31.12.99	Group 1.9.-31.12.98	Parent company 1.1.-31.12.99	Parent company 1.9.-31.12.98
Tangible assets				
Land and water areas				
Acquisition cost 1 Jan.	3 559	3 699	153	152
Increase	3	190		1
Decrease	-24			
Group adjustment	88	-330		
Acquisition cost 31 Dec.	3 626	3 559	153	153
Book value 31 Dec.	3 626	3 559	153	153
Buildings and constructions				
Acquisition cost 1 Jan.	33 939	34 900	559	559
Increase	312	1 445		
Decrease	-1 537	-455		
Group adjustment	1 783	-1 951		
Acquisition cost 31 Dec.	34 497	33 939	559	559
Accumulated depreciation according to plan 31 Dec.	-7 505	-6 841	-220	-192
Book value 31 Dec.	26 992	27 098	339	367
Machinery and equipment				
Acquisition cost 1 Jan.	58 824	56 904	1 121	1 861
Increase	10 728	7 166	25	150
Decrease	-8 320	-2 672	-70	-890
Group adjustment	214	-2 574		
Acquisition cost 31 Dec.	61 446	58 824	1 076	1 121
Accumulated depreciation according to plan 31 Dec.	-37 027	-34 933	-861	-769
Book value 31 Dec.	24 419	23 891	215	352
Other tangible assets				
Acquisition cost 1 Jan.	1 483	1 308	257	257
Increase	120	318	6	
Decrease	-87	-143		
Acquisition cost 31 Dec.	1 516	1 483	263	257
Accumulated depreciation according to plan 31 Dec.	-1 006	-815	-45	-37
Book value 31 Dec.	510	668	218	220
Advance payments and construction in progress				
Acquisition cost 1 Jan.	788	5 185		
Increase	2 728	162		
Decrease	-2 676	-4 559		
Acquisition cost 31 Dec.	840	788		
Group reserve				
Acquisition cost 1 Jan.	158	158		
Acquisition cost 31 Dec.	158	158		
Accumulated income-recognition 31 Dec.	-158	-38		
Book value 31 Dec.	0	120		
The acquisition costs include revaluation as follows:				
Land and water areas	168	168		
Buildings	3 196	3 196		

(EUR 1000)	Group 1.1.-31.12.99	Group 1.9.-31.12.98	Parent company 1.1.-31.12.99	Parent company 1.9.-31.12.98
13. INVESTMENTS				
Group company shares				
Balance sheet value 1 Jan.			34 701	34 914
Increase			2 235	194
Decrease			-63	
Write-downs			-2 277	-407
Balance sheet value 31 Dec.			34 596	34 701
Other shares				
Balance sheet value 1 Jan.	592	736	354	288
Increase	116	77	115	66
Decrease		-8		
Write-downs		-213		
Balance sheet value 31 Dec.	708	592	469	354
14. INVENTORIES				
Materials and supplies	14 912	13 106		
Products in progress	3 566	3 867		
Finished products / goods	10 504	10 978		
Other inventories	401	459		
Total	29 383	28 410		
15. LONG-TERM RECEIVABLES				
From Group companies				
Loan receivables			1 307	548
Other long-term receivables				
Loan receivables	2 448	104	8	8
Long-term receivables, total	2 448	104	1 315	556
16. SHORT-TERM RECEIVABLES				
From Group companies				
Trade debtors			1 004	413
Loan receivables			37 210	27 402
Prepayments and accrued income			7 998	852
			46 212	28 667
Other current receivables				
Trade debtors	27 374	17 438	38	51
Loan receivables	322	2 227	268	297
Other receivables	883	1 181		
Prepayments and accrued income	5 067	4 474	684	1 259
	33 646	25 320	990	1 607
Short-term receivables, total	33 646	25 320	47 202	30 274

Accrued income comprise insurance premiums, taxes and other similar items paid in advance.

(EUR 1000)	Group 1.1.-31.12.99	Group 1.9.-31.12.98	Parent company 1.1.-31.12.99	Parent company 1.9.-31.12.98
17. SHAREHOLDERS' EQUITY				
Subscribed capital 1 Jan.	2 438	2 438	2 438	2 438
Conversion into EUR	27		27	
Subscribed capital 31 Dec.	2 465	2 438	2 465	2 438

	Group		Parent company	
(EUR 1000)	1.1.-31.12.99	1.9.-31.12.98	1.1.-31.12.99	1.9.-31.12.98
K shares, 781 200 (par value 0.17 EUR)				
E shares, 13 717 500 (par value 0.17 EUR)				
K series (20 votes / share)				
E series (1 vote / share)				
Revaluation fund 1 Jan.	1 682	1 693		
Decrease		-11		
Revaluation fund 31 Dec.	1 682	1 682		
Other funds 1 Jan.	3 862	3 824	68	68
Increase	150			
Decrease	-27	38	-27	
Other funds 31 Dec.	3 985	3 862	41	68
Profit from previous years 1 Jan.	30 526	31 907	22 325	18 904
Adjustment of depreciation on loss from merger		-244		
Foreign subsidiaries' translation difference, change	795	-241		
Foreign subsidiaries' exchange-rate difference, change	372	-736		
Carried forward to reserve fund	-150			
Distribution of dividend	-1 446		-1 219	
Change in other equity	67	-969		
Retained earnings 31 Dec.	30 164	29 717	21 106	18 904
Net profit for financial year	1 891	809	5 710	3 421
Shareholders' equity, total	40 187	38 508	29 322	24 831
Portion of accumulated appropriations posted to Shareholders' equity	7 485	8 506		
18. ACCUMULATION OF APPROPRIATIONS AND DEFERRED TAX LIABILITY				
Accumulation of appropriations	11 177	12 373		
Minority interest	-451	-403		
Matching difference		-404		
Deferred tax liability	-3 241	-3 060		
Portion of accumulated appropriations posted to Shareholders' equity	7 485	8 506		
19. LONG-TERM LIABILITIES				
Loans from financial insitutions	33 257	29 749	26 819	21 359
Pension loans	5 262	4 620	773	878
Other long-term debts	345	2 067		
Total	38 864	36 436	27 592	22 237
Debts maturing in more than five years				
Loans from financial institutions	13 217	13 940	11 784	11 605
Pension loans	1 568	2 006	355	460
Total	14 785	15 946	12 139	12 065

(EUR 1000)	Group 1.1.-31.12.99	Group 1.9.-31.12.98	Parent company 1.1.-31.12.99	Parent company 1.9.-31.12.98
20. PROVISIONS				
Other provisions	2 875			
21. DEFERRED TAX LIABILITY AND RECEIVABLES				
Deferred tax receivables				
From consolidation	704			
Matching difference	924		114	
	1 628			
Deferred tax liability				
Deferred tax liability for appropriations	3 241	3 060		
22. SHORT-TERM LIABILITIES				
Loans from financial institutions	5 309	6 040	3 493	3 433
Pension loans	415	458	105	105
	5 724	6 498	3 598	3 538
To Group companies				
Trade creditors			13	9
Other debts			14 390	12 585
Accruals and deferred income			3 037	168
			17 440	12 762
Other debts				
Advances received	391	660		
Trade creditors	14 687	14 471	228	346
Other debts	11 538	6 580	8 296	6 223
Accruals and deferred income	14 949	16 033	1 224	590
	41 565	37 744	9 748	7 159

Deferred liabilities consists mainly of matching of costs of employee benefits, annual discount, interests, taxes and others.

(EUR 1000)	Group 1.1.-31.12.99	Group 1.9.-31.12.98	Parent company 1.1.-31.12.99	Parent company 1.9.-31.12.98
23. SECURITIES PROVIDED, CONTINGENT LIABILITIES AND OTHER COMMITMENTS				
For own obligations				
Mortgages on land areas and buildings	8 119	8 199		
Mortgages on company assets	980	989		
Mortgages on chattels	1 857	3 945		
Guarantees	1 642	685		
Leasing and rent liabilities	3 683	2 069	553	313
Other contingent liabilities	126	127		
	16 407	16 014	553	313
For Group companies				
Guarantees			7 128	12 243
Other contingent liabilities			101	101
			7 229	12 344
Total				
Mortgages	10 956	13 133		
Guarantees	1 642	685	7 128	12 243
Leasing and rent liabilities	3 683	2 069	553	313
Other contingent liabilities	126	127	101	101
	16 407	16 014	7 782	12 657

	Group		Parent company	
(EUR 1000)	1.1.-31.12.99	1.9.-31.12.98	1.1.-31.12.99	1.9.-31.12.98
Derivative contracts				
Interest rate swaps, par value	1 329	1 707	471	706
Interest rate futures, par value				1 009
Debts secured by mortgages on real estate				
Pension loans	3 938	4 421		
Mortgages given	2 691	2 691		
Loans from financial institutions	5 046	5 274		
Mortgages given	5 428	5 508		
Mortgages given as security, total	8 119	8 199		
Sums to be paid on leasing agreements				
Due in 2000	909	760	164	116
Due later	1 837	1 309	348	197
Total	2 746	2 069	512	313

A Group company, Ensto Tools Oy, has entered into a long-term rental agreement with the municipality of Askola concerning its Askola production plant. The lease period is fixed for the first seven years and after this valid with a further notice of six months. Ensto Tools Oy has the right to acquire the production plant during the rental period to a price that corresponds to net costs of the building project financed by the municipality. The annual rental cost of the production plant is EUR 151,430.

SHARES IN SUBSIDIARIES

	Domicile	Ownership %	Number of shares	Nominal value of shares		Book value (EUR 1000)	Group share of shareholders equity
Direct ownership by parent company							
Ensto Audel Oy	Oulunsalo	52.00	88	FIM	44	849	72
Ensto Automation Oy	Porvoo	100.00	1 500	FIM	1 500	496	451
Ensto Benelux B.V.	Doetinchem	100.00	1 200	NLG	120	0	-222
Ensto Briticent Ltd.	Dorset	100.00	331 500	GBP	332	0	196
Ensto Busch-Jaeger Oy	Porvoo	79.00	1 366	FIM	10 928	3 276	10 987
Ensto Connector Oy	Porvoo	100.00	17 200	FIM	17 200	1 009	2 955
Ensto Czech s.r.o.	Prague	100.00				138	155
Ensto Electric Oy	Porvoo	86.90	5 389	FIM	5 389	1 239	1 338
Ensto Elekter AS	Tallinn	100.00	6 350	EEK	635	46	1 183
Ensto Ensek AS	Keila	80.00	3 600	EEK	3 600	359	657
Ensto Germany GmbH	Niederdorfelden	100.00		DEM	300	0	-109
Ensto Holding AB	Hägersten	100.00	66 700	SEK	6 670	3 972	5 475
Ensto Holding AS	Oslo	100.00	35 000	NOK	35 000	4 266	3 561
Ensto Industry Oy	Porvoo	100.00	200	FIM	200	7 234	3 207
Ensto Latvija SIA	Riga	100.00	100	LVL	30	42	170
Ensto Parts Oy	Porvoo	100.00	3 894	FIM	3 894	655	811
Ensto Sekko Oy	Porvoo	100.00	123	FIM	246	3 443	2 030
Ensto Services Oy	Porvoo	100.00	11 560	FIM	11 560	857	3 247
Ensto Tools Oy	Monninkylä	100.00	2 000	FIM	1 000	168	329
Ensto Trade Oy	Porvoo	100.00	50	FIM	50	8	5
Kevätkukka Oy	Porvoo	100.00	150	FIM	15	3	1
Sormat Oy	Rusko	95.00	8 550	FIM	86	4 406	2 738
TL-Coating Oy	Salo	52.00	73	FIM	73	2 129	1 534
						34 595	
Indirect ownership by parent company							
Ensto Busch-Jaeger AB	Borås	100.00	20 000	SEK	2 000	235	128
Ensto Busch-Jaeger AS	Oslo	100.00	1 100	NOK	1 100	126	-727
Ensto Component AB	Hägersten	100.00	1 000	SEK	100	222	251
Ensto Component AS	Oslo	100.00	600	NOK	600	74	106
Ensto Control Oy	Porvoo	100.00	3 704	FIM	3 704	623	646
Ensto Electric Oy	Porvoo	13.10	812	FIM	812	137	202
Ensto Elektriska AB	Hägersten	100.00	24 000	SEK	2 400	584	549
Ensto Elektro ZAO	St. Petersburg	100.00	260	RUR	260 000	0	-217
Ensto Elsto Kft.	Budapest	75.93	205	HUF	20 500	45	1 702
Ensto Høiness AS	Oslo	100.00	14 000	NOK	7 000	3 714	4 067
Ensto Idealplast AB	Borås	100.00	2 000	SEK	2 000	3 924	1 415
Ensto Ifö AB	Bromölla	100.00	130 000	SEK	13 000	2 414	1 856
Ensto Jelo AB	Fristad	100.00	1 500	SEK	150	23	127
Ensto NTP AS	Fredrikstad	100.00	15 750	NOK	7 875	100	2 169
Ensto Plastic Kft.	Pécs	100.00		HUF		846	1 145
Ensto Pol Sp.z o.o	Gdansk	80.00	800	PLN	80	318	777
Ensto Saloplast Oy	Salo	100.00	500	FIM	5 000	5 046	2 829
KOy Mikkelin Insinöörink. 1	Porvoo	100.00	25 000	FIM	25 000	4 205	4 238
						22 636	

	Domicile	Ownership %	Number of shares	Nominal value	Book value (EUR 1000)
Other shares and bonds					
Direct ownership by parent company					
Baltic Investment Fund	Jersey				425
Porvoon A-Asunnot Oy	Porvoo		132		24
Posintra Oy	Porvoo		25		8
Suomen Arvopaperikeskus Oy	Helsinki				3
Other shares and bonds					9
					469
Other shares and bonds					
Indirect ownership by parent company					
As Oy Rukantykky	Kuusamo		120		104
As Oy Salon Ketolankatu 12	Salo		46		31
As Oy Salon Miilunpohja	Salo		46		31
Other shares and bonds					73
					239

ENSTO COMPANIES

	Domicile	Turnover 1.1. - 31.12. 1999 EUR M	Personnel 31.12. 1999
In Finland:			
Ensto Saloplast Oy	Salo	15.5	121
Ensto Sekko Oy	Porvoo	18.5	145
Ensto Control Oy	Porvoo	16.6	175
Ensto Electric Oy	Porvoo	24.7	171
Ensto Connector Oy	Porvoo	9.8	52
Ensto Parts Oy	Porvoo	12.2	129
Ensto Tools Oy	Porvoo	2.8	61
Ensto Oy	Porvoo	0.0	32
Ensto Ceramics Oy	Turku	1.3	32
Ensto Automation Oy	Porvoo	3.4	31
Sormat Oy	Rusko	11.6	95
Ensto Busch-Jaeger Oy	Porvoo	20.1	107
Ensto Audel Oy	Oulunsalo	3.2	43
TL-Coating Oy	Salo	3.1	56
Ensto Trade Oy	Porvoo	1.6	3
Ensto Services Oy	Porvoo	0.0	34
In Norway:			
Ensto Høiness AS	Oslo	14.5	33
Ensto NTP AS	Fredrikstad	8.2	92
Ensto Component AS	Oslo	2.3	6
Ensto Busch-Jaeger AS	Oslo	1.6	5
Ensto Egotech AS 1)	Holmestrand	0.0	0
In Sweden:			
Ensto Idealplast AB	Borås	10.1	111
Ensto Ifö AB	Bromölla	6.9	80
Ensto Elektriska AB	Hägersten	3.0	0
Ensto Jelo AB	Fristad	1.9	4
Ensto El-Be AB 2)	Nykvarn	0.2	0
Ensto Component AB	Hägersten	0.6	0
Ensto Busch-Jaeger AB	Borås	7.3	12

	Domicile	Turnover 1.1. - 31.12. 1999 EUR M	Personnel 31.12. 1999
In Estonia:			
Ensto Elekter AS	Tallinn	5.4	72
Ensto Ensek AS	Keila	1.2	35
In Latvia:			
Ensto Latvija SIA	Riga	1.2	4
In Russia:			
Ensto Elektro ZAO	St. Petersburg	0.6	7
In Poland:			
Ensto Pol Sp.z o.o.	Gdansk	5.0	25
In Hungary:			
Ensto Elsto Kft.	Budapest	4.4	14
Ensto Plastic Kft.	Pécs	6.1	86
In Great Britain:			
Ensto Briticent Ltd.	Dorset	7.1	23
In Netherlands:			
Ensto Benelux B.V.	Doetinchem	0.1	0
In Germany:			
Ensto Germany GmbH	Niederdorfelden	0.1	2
In the Czech Republic:			
Ensto Czech s.r.o. 3)	Prague	0.5	2

1) 1 Jan. – 30 Sept. 1999
2) 1 Jan. – 31 Aug. 1999
3) 1 July – 31 Dec. 1999

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFIT

According to the consolidated balance sheet, the Group's distributable retained profits on 31 December 1999 are EUR 24,575 thousand.

The parent company's profits for the period under review total EUR 5,710,484 of which EUR 26,816,394 is distributable.

The Board of Directors propose that a dividend of EUR 0.07 per share be paid as dividend, totalling EUR 1,014,909, and that the remaining EUR 4,695,575 be posted to the non-restricted assets in the form of retained earnings.

Porvoo, 17 February 2000

Timo Miettinen
Chairman

Heikki Mairinoja
Ensio Miettinen
Marjo Raitavuo
Matti Suutarinen
Esa Saarinen

AUDITORS' REPORT

to the shareholders of Ensto Oy

We have audited the accounting, the financial statements and the corporate governance of Ensto Oy for the period 1.1.1999 - 31.12.1999. The financial statements, which include the report of the Board of Directors and the consolidated and parent company income statements, balance sheets and notes to the financial statements have been prepared by the Board of Directors and the Managing Director. Tilintarkastajien Oy - Ernst & Young has conducted the routine auditing during the financial period. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require, that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President have legally complied with the rules of the Companies Act.

In our opinion, the financial statements, which show a consolidated profit of EUR 1,891 thousand, have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the consolidated and parent company's results of operations and financial position. The financial statements and consolidated financial statements can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the result is in compliance with the Companies Act.

We have reviewed the interim reports published during the year 1999. The interim reports have been prepared in accordance with applicable regulations.

Porvoo, 18 February 2000

Tilintarkastajien Oy – Ernst & Young
Authorised Public Accounting Firm

Pekka Nikula
Authorised Public Accountant

Risto Järvinen
Authorised Public Accountant

BOARD OF DIRECTORS

Heikki Mairinoja, 53
M.Sc. (Eng.)
Executive Vice President,
Deputy C.E.O. of Uponor Oyj
Member of the Board since 1998

Ensio Miettinen, 70
M.Sc. (Eng.)
Founder of Ensto

Marjo Raitavuo, 42
B.A.
Member of the Board since 1999

Esa Saarinen, 46
Ph.D.
Member of the Board since 1990

Timo Miettinen, 44
M.Sc. (Eng.)
Chairman of the Board since 1997

Matti Suutarinen, 45
M.Sc. (Econ.)
Managing Director of Sponsor Capital Oy
Member of the Board since 1993

MANAGEMENT GROUP

Marjo Raitavuo, 42
B.A.
Director, HRD and Communications
with Ensto since 1988

Jussi Viitala, 58
B. Sc. (Eng.)
President, Ensto Industry
with Ensto since 1979

Karita Mikkola, 47
M.Sc. (Econ.), APA
C.F.O. of Ensto since 1990

Seppo Ojaluoma, 52
B.Sc. (Eng.)
Director of Business Development
with Ensto since 1997

Petteri Walldén, 51
M.Sc. (Eng.)
President and C.E.O. of Ensto Oy since 1996

Seppo Martikainen, 51
M.Sc. (Eng.)
President, Ensto Installation and Ensto Distribution
with Ensto since 1987

BOARD OF DIRECTORS

From left: Heikki Mairinoja, Ensio Miettinen, Marjo Raitavuo, Esa Saarinen, Timo Miettinen, Matti Suutarinen

MANAGEMENT GROUP

From left: Marjo Raitavuo, Jussi Viitala, Karita Mikkola, Seppo Ojaluoma, Petteri Walldén, Seppo Martikainen

MAIN EVENTS IN 1999

1 MARCH 1999
Ensto Group's 12 month Pro Forma turnover increased by 3%, totalling FIM 1,126.7 million (FIM 1,094.4 million). The Group's net operating profit, FIM 58.5 million, decreased considerably compared to the previous year (FIM 74.7 million). Results before extraordinary items totalled FIM 44.8 million (4.0% of turnover), compared to FIM 65.3 million in the previous year (6.0% of turnover).

12 APRIL 1999
The following persons will continue as members of the Board of Directors of Ensto Oy: Timo Miettinen, Chairman of the Board, Ensio Miettinen, Matti Suutarinen, Heikki Mairinoja and Esa Saarinen. Marjo Raitavuo will join the Board as a new member.

30% of the shares of Pajatorppa Oy, the parent company of Ensto Oy, were transferred from Ensio Miettinen to both Timo Miettinen and Marjo Raitavuo.

24 MAY 1999
On 21 May 1999, Ensto acquired the remaining 49% of the share capital of Ensto Briticent Ltd. from the company's acting management. Ensto Briticent Ltd. specialises in the import, wholesale and retail of electrical equipment. The company is based in Great Britain.

14 JUNE 1999
The market demand for Ensto's products declined in the second half of 1998. Despite positive signals, demand was not revived during the first quarter of the financial period under review. The group's consolidated turnover totalled EUR 56,291 thousand (-8.7%), and the company's result, EUR -68.7 thousand, was negative. The turnover is expected to increase by the end of the financial period, and the Group's result is expected to improve compared to 1998.

1 JULY 1999
1 July 1999 will mark the launching of the business operations of Ensto's affiliate company Ensto Czech s.r.o. based in Prague, in the Czech Republic.

6 OCTOBER 1999
On 6 October 1999, Ensto sold the entire share capital of the Swedish Ensto El-Be AB through an MBO transaction. Ensto El-Be AB operates in the field of outdoor light fittings. In the future, Ensto will focus on installation light fittings.

11 OCTOBER 1999
Ensto's turnover and result for the first two trimesters of 1999 did not reach the level of the corresponding figures in 1998. The gap was primarily created during the first trimester, whereas the figures for the second trimester were comparable to the corresponding figures in the previous year. Operations related to house-building technology developed as expected, but demand in the Finnish contract manufacturing market continued to decline. The Group's consolidated turnover totalled EUR 117.1 million (EUR 122.4 million) and net operating profit EUR 3.4 million (EUR 7.2 million). The Group's turnover for the 1999 financial period is estimated to reach the level of 1998, and net operating profit is expected to remain somewhat lower than that of 1998.

3 JANUARY 2000
Ensto has concluded preliminary agreements regarding the sales of the Norwegian Ensto NTP AS and the Finnish Ensto Ceramics Oy to the companies' respective acting managements in January 2000. Both companies specialise in technical ceramics. A similar decision is anticipated with regard to the Swedish Ensto Ifö AB in 2000.

FINANCIAL RISKS

The basic idea behind Ensto's finances is to recognise the financial risks associated with doing business as well as the changes in financial risks. The analysis and management of financial risks is centralised in the Group's parent company. Hedging within the group is done together with subsidiaries. The use of all derivatives is done on a commercial basis. Hedging instruments include forward agreements, options and interest rate swaps.

AVAILABILITY OF FINANCING

The availability of financing is ensured by using a variety of different financing sources and instruments on as broad a basis as possible. However, the contents of the loan portfolio and the amount of financial reserves largely depend on the Group's cash flows and on general economic trends. With the introduction of the euro, the Group aims to shift its financial emphasis more towards the capital market.

LIQUIDITY MANAGEMENT

The company continues its policy of low cash liquidity. In accordance with the present policy, the Group must, at all times, have liquid assets corresponding to half a month's turnover. To ensure its liquidity, Ensto Oy has agreed with its backers on financial reserves of various kinds, such as overdraft facilities, commercial paper programmes and stand-by credits. The counterpart risk of short-term investments is minimised by complying with the guidelines issued by the Board of Directors. Further, in accordance with a decision of the Board, Ensto does not invest liquid assets for periods exceeding 12 months.

CURRENCY RISKS

Transaction risk

The currency risk of the entire Group is hedged on the basis of net positions in various currencies. This is done through currency options and forwarding agreements. Country-specific currency flows are hedged by balancing purchases and sales denominated in foreign currencies. Larger investments in foreign currency are when needed hedged by means of forward agreements. Orders denominated in foreign currency are not hedged owing to their rapid turnaround time. Currency clauses are used in sales, purchases and annual contracts denominated in foreign currency.

As of the beginning of 1999, Ensto Group adopted the euro as its accounting and reporting currency. The main invoicing currencies used in business operations besides the euro include the Swedish and Norwegian crowns and, increasingly, the pound sterling. From Ensto's viewpoint, the greatest currency risk arises from the Swedish crown and its fluctuations against the euro. The fluctuations of the Hungarian and Polish currencies also have an effect on the assessment of the Group's currency risk.

Conversion risk

The shareholders' equity of Ensto's foreign subsidiaries is not hedged. Shareholders' equity denominated in foreign currency is seen as a long-term investment, in which case the fluctuations in FX-rates and their impact on the balance sheet are less dramatic.

RAW MATERIAL RISK

Most of Ensto's raw materials are purchased in the currencies of the euro area. The bulk of raw material in terms of cash as well as the most sensitive to economic trends, namely plastic, is purchased in euros. Other key raw materials for the Group are aluminium, copper, zinc and steel. Ensto has not used derivatives for hedging against changes in the price of raw materials, mainly due to the fact that no derivatives are available for the special plastics used by Ensto.

INTEREST RATE RISK

For Ensto, the interest rate risk mainly applies to long-term debts. The main tool used in the company's interest rate risk management is interest rate swaps.

CREDIT LOSS RISK

Ensto's business units independently assess the counterpart risks of their business partners in accordance with general business practices. The Group's clientele primarily comprise large electric wholesale businesses, construction companies and electrical installation businesses. Other significant customers include the end users of Ensto's products, such as various industries and power distribution companies. Compared to the Group's turnover, Ensto's credit losses have been minor.

INSURANCE RISKS

In co-operation with an external partner, Ensto surveyed its risk environment in 1998. On the basis of this process, the Group's damage risks were re-evaluated. The survey covered all threats inherent in the operating environment of the Group's subsidiaries, such as personnel risks, operational and product liabilities, environmental issues as well as matters related to the Group companies' property and continuing operations. On the basis of the survey, Ensto renewed its risk transfer policy and insurance coverage. At the same time, the Group reassessed its risk-bearing ability and adopted new excesses regarding the transfer of risks to third parties.

The process aimed at ensuring uninterrupted business operations and planned risk management continued throughout the year under review in accordance with approved principles. The Ensto Group continues to develop risk management as part of its management strategy.

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