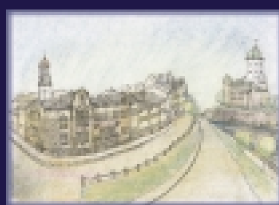
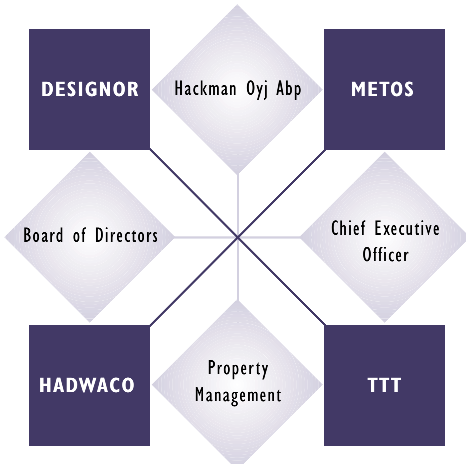


**1790-2000**

# Content




HackmanGroup has evolved from a trading house founded 210 years ago in Vyborg, which belongs to Russia now. Today, Hackman Oyj Abp serves as a holding company for all HackmanGroup business functions, which have their distinctive success factors, which in turn both govern how those business functions operate and determine how they are structured. One basic element of our operations is our shared way of operating, which is based on these fundamental factors: a strong business ethic, a customer orientation, openness and participation as well as a willingness to change.

**HackmanGroup** consists of four divisions:

- In the field of Scandinavian design, **Designor** is the leading manufacturer of brand name kitchen utensils and tableware.
- **Metos** specializes in superior equipment and systems for the food and beverage production needs of professional kitchens.
- **Hadwaco** specializes in evaporation-based water treatment systems, and in tanks, equipment and piping for the processing industry.
- **TTT** is known as one of the world's leading suppliers of wood-cutting blades for the pulp, panel and sawmill industries.

Since 1997, we have taken vigorous steps to clarify the Group's structure. Our objective is to be a leading supplier in selected business and market areas. We also wish to be a customer-oriented enterprise with strong product brands. We have chosen Designor and Metos as our main divisions.

HackmanGroup operates in a number of countries. In 1999 Group net sales were EUR 306.6 million, and the Group employed ca. 2 990 persons, ca. 1320 of them outside of Finland.

**REVIEW OF STOCK EXCHANGE ANNOUNCEMENTS**

**17.2.** HackmanGroup's Annual Report Bulletin
January 1 - December 31, 1998. HackmanGroup's net sales increased by 0.4 % to FIM 1 918.4 million (1997: FIM 1 909.9 million). The Operating result after depreciation totaled FIM 64.0 million (FIM 24.9 million) and the result after financial items totaled FIM 27.2 million (FIM -0.7 million). The Dividend proposal of the Board of Directors for the year 1998 is FIM 2.50 per share (FIM 2.50/share).

**17.2.** Hackman Oyj Abp issues private placement bonds.

**11.3.** Hackman Oyj Abp's private Placement Bond issue for a total value of Euro 20 million is totally subscribed by the institutional investors. The demand of the bond exceeded the issued amount.

**13.4.** Hackman Oyj Abp's Annual General Meeting
The Annual General Meeting confirmed the proposal of dividend of FIM 2.50 per share. The Meeting confirmed the number of members of the Board of Directors to five (5) persons. The Board member, Mr Björn Gavelstad, whose term expires has been re-elected. Hackman Oyj Abp's Board of Directors is as follows: Björn Gavelstad, Stig Gustavson, Carl-Olaf Homén, Jan Hörhammer and Lars Renström. The chairman will be elected by the Board of Directors.

**7.5.** Notification
We have been informed that the Funds under the control of ODIN Förvaltning AS own now together 291.247 A-shares in Hackman Oyj Abp, which represents 6.6 percent of share capital and 1.5 percent of the votes.

**14.5.** Advance notice of the HackmanGroup's operations during the first tertial of 1999
Since several months there has been a weak demand for process industry and milk cooling equipment. Because of that the Group's result for the first part of the year will not reach the planned level and the optimistic estimates of the analysts. Our biggest divisions, Designor and Metos, have developed as planned.

**4.6.** HackmanGroup's Interim Report January 1 - April 30, 1999
- Net Sales EUR 90.6 million (1998: EUR 108.0 million).
- Operating result after depreciation EUR -1.1 million (EUR 0.4 million).
- Result before extraordinary items EUR -2.6 million (EUR -1.7 million).
- Interest bearing liabilities EUR 93.7 million (EUR 102.8 million).
- Equity ratio 39.5% (36.5%)

**1.9.** Hackman is selling The Peerless Saw Company in USA
Hackman is selling The Peerless Saw Company in Columbus, Ohio, USA to the management of the company. Hackman TTT gives up the company because it does not support the core business of the company.

**30.9.** Notification
We have been informed that Fidelity International Limited and its direct and indirect subsidiaries now own 8.41 per cent of the paid up share capital of Hackman Oyj Abp.

**5.10.** HackmanGroup's Interim Report January 1 – August 31, 1999
- Net Sales EUR 183.3 million (1998: EUR 214.4 million).
- Operating result after depreciation EUR 0.2 million (EUR 1.7 million).
- Result before extraordinary items EUR -3.0 million (EUR -2.2. million).
- Interest bearing liabilities EUR 96.1 million (EUR 104.8 million).
- Equity ratio 38.9% (36.1%).
- Designor and Metos have become the main divisions and their total share of net sales was 78% (64%).
- The net sales of the Eurotanks, Hadwaco and TTT divisions were 33% below the previous year's figure.

**1.11.** Metos acquires the Olis Group in Italy
Hackman Metos Oy Ab has signed an agreement to acquire all the shares of the Olis Group companies, Olis Italia S.p.A. and Polaris S.p.A. We expect the deal will be completed in March 2000. Olis produces and markets cooking and frying products and Polaris commercial refrigeration for restaurants and other professional kitchens. Both companies have a strong position on the European market. The Olis Group is today one of the largest manufactures of professional kitchen products in Italy. The Group's annual net sales are approximately 180 million Finnish marks (EUR 30 million), and it employs over 240 people in Belluno in Northern Italy. The final price for the shares will be in the range of 100 million Finnish marks (EUR 17 million).

**12.11.** Changes in Designor's organization
Mr. Jori Keckman, President of Designor Division will join an other company on 15th January, 2000. Following arrangements will be effective 1st December, 1999 onwards. Mr. Tapio Hintikka, CEO of HackmanGroup will act until further notice as President of Designor Division. Mr. Henry Löfstedt, CFO of Designor Division will be nominated Deputy to Division's President and Executive Vice President for Hackman Designor Oy Ab.

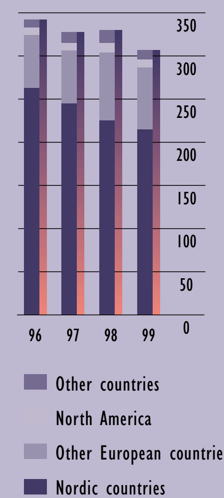
**16.11.** Notification
We have been informed that Fidelity International Limited and its direct and indirect subsidiaries no longer hold more than 5 per cent of the paid up share capital of Hackman Oyj Abp.

**17.12.** The Financial Information of the HackmanGroup in 2000
In 2000 the HackmanGroup will publish the following reports in Finnish, Swedish and English:

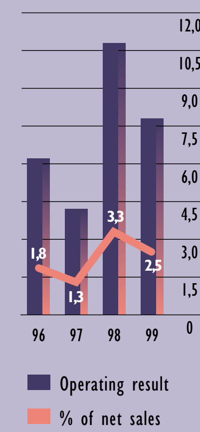
| | |
|---|---|
| The Annual Report Bulletin 1999 | Thu. 17 February, 2000 (Press Conference) |
| Annual Report 1999 | week 12 |
| Interim Report for January – April | Wed. 31 May, 2000 |
| Interim Report for January – August | Wed. 4 October, 2000 |

The Annual Shareholders' Meeting of Hackman Oyj Abp will be held on Wednesday, 12 April, 2000 at 3 p.m.

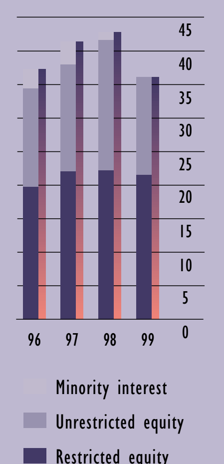
NET SALES, EUR MILLION



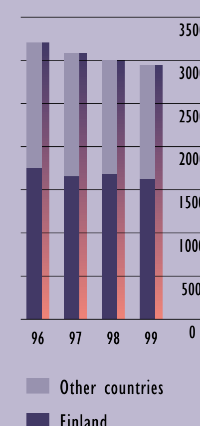

OPERATING RESULT AFTER DEPRECIATION, EUR MILLION




EQUITY RATIO, %




PERSONNEL, DECEMBER 31




| **1999 IN BRIEF** | | **1999** | 1998 | **Change** | **%** |
|---|---|---|---|---|---|
| Net sales | EUR million | **307** | 330 | **-23** | **-7.0** |
| Outside Finland | EUR million | **186** | 211 | **-25** | **-11.8** |
| Operating result after depreciation | EUR million | **8** | 11 | **-3** | **-27.3** |
| Share of net sales | % | **3** | 3 | **-1** | |
| Result before extraordinary items | EUR million | **3** | 5 | **-2** | |
| Share of net sales | % | **1** | 2 | **-1** | |
| Gross investments | EUR million | **15** | 32 | **-17** | **-53.1** |
| Balance sheet total | EUR million | **252** | 251 | **1** | **0.4** |
| Earnings per share (EPS) | EUR | **0.16** | 1.14 | **-0.98** | |
| Dividend/earnings | % | **259** | 37 | **-** | |
| Return on investment (RNA) | % | **4** | 6 | **-2** | |
| Return on equity (ROE) | % | **1** | 5 | **-4** | |
| Equity ratio | | **36** | 43 | **-7** | |
| Number of personnel, December 31 | | **2 943** | 3 003 | **-60** | **-2.0** |
| Outside Finland | | **1 316** | 1 319 | **-3** | **-0.2** |

For a complete list of key figures see pages 33 and 39.

## CEO's Review



All things considered, 1999 was an eventful, busy year. Some things went according to plan, but there were disappointments, too. It was also a year in which we launched internal improvements in operating efficiency. The divisions continued their own development programs, and the Group carried out an internal corporate image study. In the development of the Group's structure and business functions, the outlines are clear, but we also remain ready for the challenges that constant change brings with it.

#### MAIN DIVISIONS CHOSEN, STRUCTURE CLARIFIED

We have chosen Metos, which specializes in professional kitchen equipment and systems, and Designor, which manufactures brand name design goods, as our main divisions. Europe's social trends and rising standard of living are creating good conditions for growth in these sectors.

In the other divisions, in accordance with our strategy, we are proceeding with arrangements aimed at finding the best possible partner to improve each division's efficiency of operations. We are trying to withdraw from Eurotanks altogether, since we do not have the potential to generate profitable growth in that division. In view of the excess capacity that prevails in Hadwaco's process-technology equipment sector, we are adapting our operations to meet the demand. We are seeking partners in different application areas for Hadwaco's water purification equipment. TTT will find its future potential by allying itself with service-concept developers or technology leaders in the field.

A start was made in 1998 to boost the divisions' resources for both product development and marketing. That effort continued in 1999. For the most part we have already had favorable experiences with those investments.

In the future, by concentrating on only two divisions, we will be able to invest more intensively in their development work. Now that our objectives for the Group's structure are clear, we can devote our energies fully to the improvement of internal operating efficiency, too.

#### INTERNAL CORPORATE IMAGE STUDY AN AID IN DEVELOPMENT

At the beginning of the year under review, we launched an internal corporate image study at our Finnish units. The results were ready in early December. We began publicizing those results in the divisions before the end of the year. Each division is drafting a program to review the results in the division's different subareas. In the working-group phase, now under way, the main improvement programs and their timetables will be agreed upon.

Each organizational level has chosen its own working groups, whose task will be to draft proposals for measures aimed at establishing better ways of operating, on the principle of sustainable development. In accordance with our values, we encourage employees to express their opinions openly and constructively. Management must learn to utilize the messages it gets from the organization, since only an open exchange between employees and management can help HackmanGroup find the best operating models. We have just set out on the road towards adopting the values and ways of operating we have established. We have nevertheless committed ourselves to following the road we have chosen - toward better internal efficiency and work motivation.

#### HUMAN RESOURCE NETWORK IMPROVING PERSONNEL MATTERS

At the beginning of the year we established the Human Resource Network, whose task is to improve the management of HackmanGroup personnel issues. The division personnel managers make up the group, whose mission is to create and maintain the HackmanGroup's shared way of operating, to prepare the divisions for independent operations, and to take part in the work of developing the entire Group's personnel administration.

During the year, the working group, among its other tasks, organized the aforementioned internal corporate image study, introduced a new personnel administration reporting system, and harmonized various areas of personnel administration. In addition, the group has planned and carried out personnel

training programs. During 1999 we implemented Optimus, the first development program for supervisory personnel and experts. The program emphasized the strengthening of interactive skills, financial thinking and strategies, and marketing skills. The theme of the entire development program was benchmarking - the learning of the best practices. On the basis of the good feedback received from participants, we are improving the program and continuing it in both Finnish and English.

**MILLENNIUMS CHANGE SMOOTHLY**

From the standpoint of the IT challenges, the change of millenniums is now happily behind us, without having caused problems within HackmanGroup. While we were preparing for the new millennium, we also concentrated on simplifying the fragmented pre-existing data-administration systems. On the whole we can conclude that our year 2000 project went extremely well in all respects. Total investments came to about EUR 580 per employee, which we can consider reasonable. In the future, in order to realize a full return on such investments, we will concentrate on raising the know-how level of people who use IT.

**ENVIRONMENTAL PROGRAMS DRAFTED**

At HackmanGroup, the primary responsibility for improving and observing environmental protection standards rests with each division. We established an environmental working group for the environmental program launched in 1998. The working group consists of representatives of the divisions and Group Functions. The group's members have performed ground-breaking work in clarifying environmental issues in their respective divisions. At the end of the year under review, the group completed environmental balance sheets for HackmanGroup and its divisions and profit centers. The balance sheets clarify, among other things, the amounts of energy, water, raw material and packaging consumed by our manufacturing processes. The balance sheets also indicate what sort of products are being manufactured, and how much of various types of non-reusable wastes each production process generates.

At all our places of business, we are giving substantially more attention to environmental matters than previously. We are studying our raw-material choices more carefully than before, in the first stage of product development. In addition we have improved both the sorting of waste and opportunities for recycling. We have also launched a study of the environmental impacts of our products over their entire lifecycles. By the end of 1999, each of our places of business had drafted its own environmental program, based on the environmental balance sheet. The programs include clear yearly improvement plans as well as long-term objectives.

**THANK THE OLD, RING IN THE NEW!**

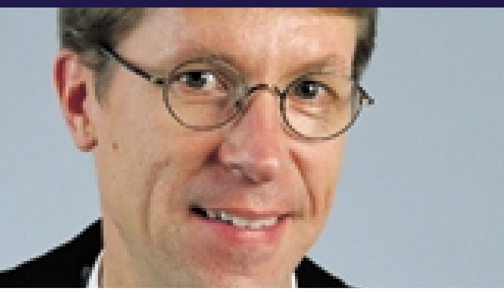
At HackmanGroup we are heading into the new millennium with a new visual identity. At the same time, each division has sharpened its own look. We will thus send a clear message as to the divisions' independence and HackmanGroup's role as owner. The changes will also clarify the tasks of our various areas of communication.

All of HackmanGroup's personnel deserve special thanks for this busy last year of the millennium. We HackmanGroup people will continue our sustainable development work in the new millennium, too!

I also thank all our customers, stockholders, and financial backers, as well as our board of directors, for meeting the challenges of an eventful year. With the support of our owners and partners, we will continue to improve our performance.

*- Tapio Hintikka -*

# Designor



JORI KECKMAN, President, Designor • Managing Director, Designor Oy Ab

**In the field of Scandinavian design, Designor is the leading manufacturer of brand name kitchen utensils and tableware.**

#### A YEAR OF STEADY GROWTH

For Designor, 1999 began amid great expectations. The preceding year had been fairly good in terms of both sales growth and improvement of result. Building on this foundation, our operations progressed in many respects, in accordance with the quantitative and qualitative growth objectives established. We nevertheless are not entirely satisfied with our progress, although we did achieve our result objectives.

Looking at things country by country, we can note that the favorable trend in Sweden was reinforced. Our Danish sales company continued its operations on a firm footing, according to plan. In Norway the situation has not been satisfactory, and we have launched a reorganization of both sales and production. Our central European unit's new regional organization has begun to implement our ambitious growth objectives, particularly in Holland and Germany. The trend in our sales in the United States and traditional exports has been favorable, and customers have been able to utilize the new additions to our product range advantageously. We have decided to continue our investments in the expansion of these market areas in accordance with our long-term objectives.

Our biggest sales unit - Finland - has been undergoing major changes, and did not meet all the objectives we had set. We believe, however, that the solutions we are implementing as regards structure and personnel resources will strengthen our position in the Finnish market in 2000.

#### CENTRALIZING PRODUCTION

At the end of 1999, Designor commenced negotiations with workers in its cookware plants to clarify changes stemming from the centralization of operations and the possible closing of the Designor plant in Klepp, Norway. By centralizing the manufacture of technically similar products in one focus factory, and by investing in product development and production, we will attempt to ensure the competitiveness of production in the Nordic countries.

#### INTRODUCING NEW PRODUCTS

Designor's different business areas launched several new products and product families. These include the Illusia tableware introduced in connection with Arabia's 125th anniversary, the Hackman Tools water kettle, the iittala relations™ glassware, and Rörstand's Swedish Grace tableware. All the new arrivals have gotten a good foothold in the market both in Finland and abroad.

In the future, we will continue to make major investments in developing our product lines in all our business areas. In our design we will emphasize the timeless Scandinavian style, whose popularity is once again clearly on the rise. We want to raise the prestige of the sector and offer consumers superior, timeless design products.

#### A NEW IDENTITY

The outlines of our corporate identity are in place. In the past, our outward corporate image has been fragmented. In the future, we will continue to communicate with the consumer with only our four strategic brands - Arabia, Hackman, iittala, and Rörstrand - but as a business enterprise and HackmanGroup division we will be Designor. As of the beginning of 2000, the Hackman name will appear in its traditional form only as our cookware and cutlery trademark.



ARABIA FINLAND HACKMAN® iittala FINLAND Rörstrand SWEDEN

#### OUR OWN RETAIL CONCEPT

A couple of years ago we began to design our retail-outlet concept, which highlights both a production-plant milieu and the distinctive world of the home. Some of the outlets are being created on the shop-in-shop principle, as functional retail spaces within department stores, for example.

The goal is to present a representative but comprehensive range of Designor's Arabia, Hackman, iittala and Rörstrand products. The core selection of porcelain, glass, tableware, cutlery and cookware products will thus always be available from one retail outlet, which will be commensurate with the image and quality of the goods, or from a part of that outlet.

The first Designor shop opened in Stockholm in the spring of 1999. In the autumn we completed three projects in Holland and six shop-in-shop projects in Sweden. In Finland we remodeled the Hackman shop on the Esplanade in downtown Helsinki, renaming it Designor in accordance with our concept. We also opened two shop-in-shop departments in Helsinki's Stockmann and Kodin Anttila department stores.

#### EMPLOYEES INVOLVED IN DEVELOPMENT OF OPERATIONS

The Designor organization was strengthened by hiring new employees for sales and marketing in particular. In Finland we launched a "road show" approach, by which we will attempt to keep our personnel updated on the situation and developments at the company. We have informed our personnel of the results of the corporate image study performed in Finland, and have begun to plan personnel-development measures and steps aimed at the improvement of the working atmosphere.

#### ENVIRONMENTAL PLANNING - PART OF OUR OPERATION

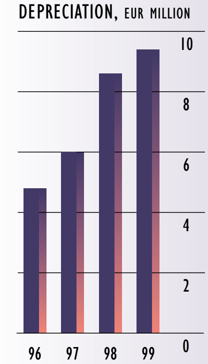
We completed our environmental balance sheet on the basis of data collected in 1997 and 1998, and defined our environmental policy. Our operations are founded on sustainable values, in which respect for nature and the environment enjoy a central position. We try for example to use recyclable materials for packaging. In order to minimize emissions and surpluses, we often perform initial recycling right in the plant, as a part of the manufacturing process. In cooperation with material suppliers and distributors, we are developing functions in which each phase generates added value for the operation.

#### DISTRIBUTION CHANNELS AND NET SALES BEING MONITORED

Designor has been investing in the development of its distribution channels for several years. With the aid of IT, we are able to handle the distribution of our products from two central warehouses. The importance of the Internet in commerce is growing, and we will be directing our resources toward the realization of that potential. Initially, we are concentrating on the development of an extranet as an important means of communication. We are also monitoring trends in international consumer sales on the Internet, and are preparing ourselves for rapid changes as distribution channels evolve. The goal is to improve our capabilities as a leading-edge developer of consumer services.

| DESIGNOR, EUR MILLION | **1999** | 1998 |
|---|---|---|
| Net Sales | **131.2** | 129.3 |
| Outside Finland | **68.8** | 67.4 |
| Operating result after depreciation | **9.4** | 8.6 |
| % of net sales | **7.2** | 6.6 |
| Investments | **11.9** | 6.3 |
| RNA % | **14.5** | 10.2 |
| Personnel, average | **1 494** | 1 538 |
| Outside Finland | **532** | 532 |

OPERATING PROFIT AFTER DEPRECIATION, EUR MILLION



# Metos


MICHAEL RAMM-SCHMIDT, President, Metos • Managing Director, Hackman Metos Oy Ab

**Metos specializes in superior equipment and systems for the food and beverage production needs of professional kitchens. Our business areas are Food Distribution Systems, Cooking Equipment, Dishwashing Machines and Systems, and the Full-Service End User Concept.**

#### A YEAR OF MAJOR STRUCTURAL CHANGES

The year 1999 was devoted largely to the takeover of eight companies and business operations acquired during 1998. By merging and centralizing operations, we also implemented internal structural changes consistent with our strategy.

As a result of Y2K projects and structural changes brought about by the takeover of the companies and business operations acquired, our financial result fell short of both the objectives established and the 1998 result. We have taken one step back in order to move three steps forward, so to speak.

At the end of the year we strengthened our position in Europe by buying the capital stock of Olis S.p.A. and Polaris S.p.A. The deals will be concluded in March, 2000. Olis is one of Italy's largest manufacturers of kitchen equipment, while Polaris is one of the country's largest manufacturers of refrigerated food-distribution equipment. Both enjoy strong positions in the European market. These corporate acquisitions, together with the dishwasher business operations of Dihr S.r.l., acquired in 1998, will stabilize and strengthen our position in the central and southern European markets especially, and will improve our production structure.

Through all these measures, we are aiming at growth, a higher level of expertise, and improved exploitation of our competitive advantages. The harmonization and utilization of IT systems play a central role in our operations. One of our main goals is to copy the best ways of operating and the best product design and production processes within our units.

#### BUSINESS AREAS AND THEIR MARKET AREAS

Through its Full-Service End User Concept operations, Metos takes comprehensive responsibility for kitchen design, delivery and start-up - and for ongoing maintenance and service, too. The services are provided under the Metos brand. Thus far we have been applying this operating model in the northern European, Baltic and Russian markets, and in our deliveries of crew kitchens to both freighters and passenger ships.

Within their respective product sectors, our other business areas are concentrating on development, production, and international marketing through distributors and importers. Our objective is to be among the top suppliers in our product sector globally, or at least in Europe. Metos's Full-Service End User Concept Business Area constitutes a substantial distribution channel for our other business areas.

In 1999, 75 percent of our sales consisted of kitchens delivered to northern Europe, the Baltic countries, Russia and international freighters and passenger ships. In 2000, our sales emphasis will shift so that about 40 percent of our volume will be in the central and southern European markets and consist primarily of exports from the Olis, Polaris, Dihr, Wexiödisk and Kerava plants to distributors.

#### CONSTANT IMPROVEMENTS

In Dishwashing Machines and Systems, the most important product-development projects completed were the launchings of the granule potwasher and the ICS control system. We obtained patents for these dishwashing technologies in 1998. In dishwashers, Dihr has also invested actively in design as part of its product development. In 1999, Dihr refurbished its entire product line and introduced both an improved potwasher and a new hood-type dishwasher.

In Cooking Equipment, we made a significant investment in bringing a completely new generation of the Proveno

combi kettle onto the market, where it has taken its place alongside the Culino kettles. In Food Distribution Systems, we continued to develop Proff modular systems of furnishings and serving equipment.

#### PERSONNEL KNOW-HOW IMPROVED

In personnel matters, our most important investments were in developing know-how capital to support the company's operations, and in strengthening personnel qualifications to improve in-house expertise. We launched our own operational development project, Omat nurkat kuntoon 2000 ("Productivity 2000"), through which we have been attempting to improve our organizational efficiency and operating processes.

#### ENVIRONMENTAL POLICY DEFINED

In the design and manufacture of its professional kitchen equipment and systems, Metos considers the principles of care for, and ongoing improvement of, the environment. Operations emphasize the development of kitchen systems that will consume fewer natural resources and have a minimal environmental impact throughout their service lives. During the year under review, we defined Metos's environmental policy and prepared an environmental balance sheet. We introduced, among other things, the new ICS control system for dishwashers, which reduces energy and water consumption, as well as so-called kitchen diagnoses aimed at improving our customers' equipment base.

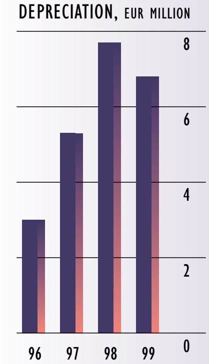
#### THE FUTURE WILL DEMAND FLEXIBILITY

We expect that the structural changes in our fragmented sector will continue, and that the competition will intensify further. Through its corporate acquisitions, Metos has been part of the change in the sector. In both the technical sense and in terms of product quality and features, cultural differences will continue to call for a comprehensive product line, if we are to be a supplier that takes a broad responsibility. We are answering this challenge by networking with well-known name-brand manufacturers, so as not to scatter our resources too thinly. The significant differences among the distribution channels in different countries will not change much. We will not succeed with a single, one-size-fits-all concept. The market conditions and the customer's needs have to be identified, and the services offered must correspond to the customer's expectations and needs.

We will also be streamlining our electronic customer services. We are developing new, interactive services for our web pages, the objective being to make our customer communications faster and more effective. Our web pages already allow one to get acquainted with such things as our product catalogue, to collect interesting products in a shopping basket, and to register for our courses.

| METOS, EUR MILLION | 1999 | 1998 |
|---|---|---|
| Net Sales | **112.0** | 97.2 |
| Outside Finland | **68.1** | 57.6 |
| Operating result after depreciation | **6.8** | 7.7 |
| % of net sales | **6.1** | 7.9 |
| Investments | **4.8** | 20.1 |
| RNA % | **15.5** | 21.4 |
| Personnel, average | **808** | 682 |
| Outside Finland | **440** | 337 |

OPERATING PROFIT AFTER DEPRECIATION, EUR MILLION



# Hadwaco

MARKUS NYMARK, President, Hadwaco • Managing Director, Hadwaco Ltd. Oy

**Hadwaco designs, manufactures and markets evaporation-based water treatment systems for the purification of industrial waste water and landfill leachates as well as tanks, equipment and piping for the process industry.**

Hadwaco's objectives for 1999 were not achieved in the Water Treatment Systems or Process Equipment business areas. Results in the processing industry were weakened by major structural changes undergone by its main body of customers - the forest industry - so that investments were shifted. With our water treatment systems we remain a fairly unknown supplier of new technology in the field. Moreover, at numerous sites, pure water is still available at a reasonable price and emissions limits on waste water have not been tightened as expected. For this reason investments in water treatment systems remain limited.

### WATER TREATMENT SYSTEMS FACING SUBSTANTIAL CHALLENGES

At Water Treatment Systems, 1999's most important delivery was an evaporation unit for the treatment of polluted ground water in Arizona. The customer was the U.S. Department of Energy (DOE). Hadwaco was chosen as the supplier on the basis of careful investigations and test runs. DOE has a number of comparable sites in the United States. We are conducting further negotiations with DOE respecting those sites.

Hadwaco has reference plants in Finland, Italy and Spain specially designed for the treatment of leachate from landfills. Deliveries from the Italian and Spanish plants were delayed, partially for reasons beyond our control. The difficulties stemmed in part from the fact that the quality of the leachate diverged from what had been agreed upon. We have however been able to resolve the problems.

By virtue of European Union regulations, the treatment of leachate has become a statutory matter. Particularly in northern and southern Europe, substantial investments will need to be made in leachate treatment in the years immediately ahead.

We concluded a service agreement with Länsi-Uudenmaan Jätehuolto Oy (West Uusimaa Waste Management) for the treatment of leachate at a waste-management facility in Lohja, in southwestern Finland. Hadwaco owns, operates and maintains the installation and bills the customer on the basis of the number of cubic meters of leachate purified.

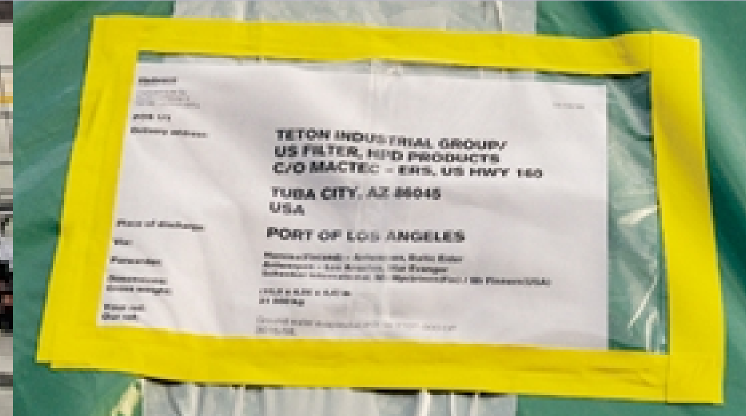
### PROCESS EQUIPMENT: DEMAND DECREASES, COMPETITION INCREASES

For the Process Equipment Business Area, the year under review was disappointing. Investments in both the forest and chemical industries were limited, although demand did begin to pick up at the end of the year. Our production consists entirely of products custom-made to meet the customer's needs: products cannot be made to be warehoused.

Competition in the field is extremely tough. There are a great number of firms smaller than ours who specialize in retrofit investments. There have been very few projects, and the competition for them has been intense. We are being forced to make structural changes in our own production in order to cope with the tough competition.

### EMPLOYEES HELPING TO CUT COSTS

In addition to lay-offs in Process Equipment production, Water Treatment Systems employees have been involved in cost-cutting measures. Hadwaco participated as a division in





# Hadwaco

the internal corporate image study conducted throughout the Group. We also took part in the Optimus training program organized for experts and supervisory personnel.

### PRODUCT DEVELOPMENT TAKING ENVIRONMENTAL QUESTIONS INTO ACCOUNT

Hadwaco's main product is an evaporation-based water treatment system. In cooperation with our customers, we design and create processes for closed water loops. Through ongoing research and product development, we continue to improve our product so that manufacturing and operation of them will use less natural resources - such as energy and material - than before.

We are reducing the environmental impact of depleted products and spare parts by selecting recyclable materials and by putting emphasis on their recovery and recycling. Hadwaco's environmental balance sheet has been completed, and on that basis we continue to develop our environmental policy.

### LOOKING FOR PARTNERS

In 2000 we will concentrate more on supplying key components and single pieces of equipment, as instead of whole systems. This concept will require cooperation with partners working in different application areas. We are actively looking for partners, with whom we can build cooperative relationships in the development, marketing and sales of systems.

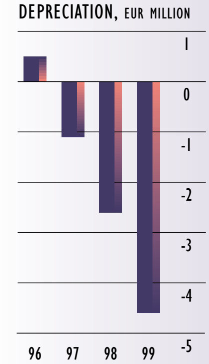
In applications for the forest industry, we continue to work with Andritz AG, an Austrian manufacturer of equipment and machines for that market. We expect that the results of the cooperation will be visible in the year 2000's operations.

We will continue the marketing survey already begun in the German chemical industry. Singapore's electronics industry has expressed interest in our products. Authorities there have tightened their environmental policies, and prices for the treatment of raw water and municipal waste water, for example, are rising swiftly.

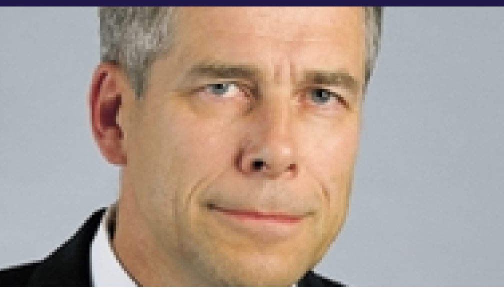
At Process Equipment we are attempting to join forces with the sector's leading companies, and thus to create the best possible foundation for our entire operation. The first months of the year will be quiet, but we expect demand to increase in the latter part of the year.

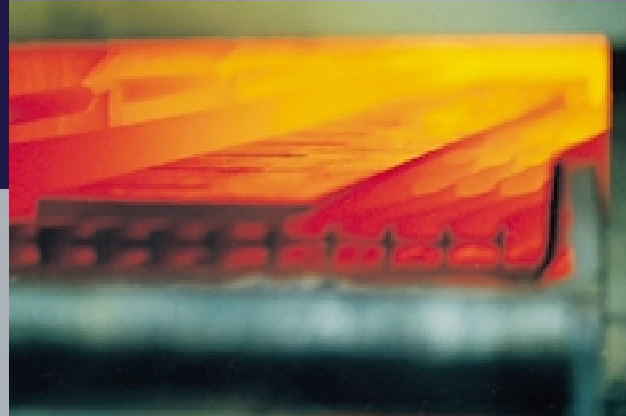
| HADWACO, EUR MILLION | **1999** | 1998 |
|---|---|---|
| Net Sales | **9.2** | 12.2 |
| Outside Finland | **4.0** | 6.0 |
| Operating result after depreciation | **-4.6** | -2.6 |
| % of net sales | **-49.6** | -21.5 |
| Investments | **0.5** | 2.0 |
| RNA % | **-29.5** | -17.1 |
| Personnel, average | **125** | 127 |
| Outside Finland | **0** | 0 |

OPERATING PROFIT AFTER DEPRECIATION, EUR MILLION



# T T T





HENRIK IMMONEN, President, TTT • Managing Director, Hackman TTT Oy Ab

**TTT is known as one of the world's leading suppliers of wood-cutting blades for the pulp, wood-panels and sawmill industries.**

In spite of a weak start to the year, TTT's 1999 result turned out positive. The turnaround took place in August, when demand began to pick up clearly. In the latter part of the year we met our monthly objectives rather well.

At the beginning of September we sold our U.S. subsidiary, the Peerless Saw Company, of Columbus, Ohio, to its working management. Peerless' production differed fundamentally from our core business operations, so that we considered it best to let go of the company. This is naturally reflected in the figures in our financial statements.

Substantial IT investments and the software and machinery upgrades carried out because of the change of millennium constituted a burden on 1999's result. At the Toijala plant we invested in production machinery and equipment by obtaining, among other things, a new grinder and through-hardening furnace for the Long Knives Unit.

We strengthened our organization by increasing our sales and marketing resources substantially. We now have five main market areas, each of them with its own sales organization. Our products are sold primarily under the TTT brand, and in the Nordic countries the Stridsbergs brand is also used.

### MARKET SITUATION UNEVEN

Our production facilities are located in Toijala and Outokumpu, Finland. Our business area consists of four production units: Chipper Knives, Long Knives, Circular Saw Blades and Special Components. Of these four, Circular Saw Blades surpassed its budgeted result goal, and the Specialcomponents also produced a good result in Finnish sales.

In the export market, the economic slump in the Far East was still apparent in our sales during the early part of the year. In the latter part of the year sales picked up, however, since we streamlined our sales operation and the economy took a turn for the better. We mostly supply chipper and veneer knives to the Far East, along with some circular saw blades. In the European and American markets, our trend during the year under review was flat.

### NEW BLADE CONCEPT INTRODUCED

The world got its first look at the *CUTTTER* blade when its prototype was unveiled at the Ligna Fair in Hannover, Germany, in May. It is expected that the blade will come to represent a revolutionary step forward in the world of traditional circular saw blades. The product development, which has been going on a number of years, is carried out in cooperation with Sandvik AB, the Swedish manufacturer of specialty steel and tool products. The blade concept is protected by numerous international patents, of which those for the so-called insert are held by Sandvik. The patents for the saw body and the hand tool are held by Hackman TTT.

In comparison to normal blades, the advantage of the new blade concept is the ease and speed with which the insert can


be affixed. The insert can be changed in 10 to 15 seconds with a simple hand tool without detaching the blade from the machine. A traditional blade has to be detached entirely and taken to a service shop, where the hard metal tooth is taken off and a new one brazed into place.

**WORKING WITH PERSONNEL TO IMPROVE PERFORMANCE**

Our personnel training has stressed improving our performance at all levels of the organization. In the training, we have focused on streamlining the use of IT-systems and making our development work coherent. We have established development-work groups for our production units and office. The task of the groups is to map out the main targets for improvement and plan possible changes in working conditions.

**ENVIRONMENTAL PROGRAM EMPHASIZES REUSE AND SORTING**

We manufacture our products by precision-controlled processes in which we are able to reuse steel. There is thus almost no need to use nonrenewable natural resources as raw materials.

During the year under review, we concluded an energy survey in accordance with an electricity conservation agreement. At the end of the year we also finished a broader environmental risk survey, on the basis of which we are drafting TTT's environmental program for the upcoming years.

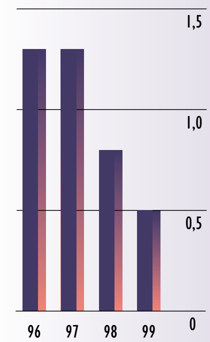
Biological wastes have been added to the waste-sorting effort at the Toijala plant. In the future we will attempt to reduce the amount of mixed wastes by sorting energy wastes. In 1999 we also began delivering the grinding wastes generated in our production for reprocessing by a company that processes scrap metal.

**NEW COMMERCIAL OPPORTUNITIES DEVELOPED**

TTT has begun the shift to electronic commerce. While updating our website, we are also creating an extranet service, to which we will connect our largest customers as well as our agents and sales representatives. This will facilitate and speed up our service, handling of orders and technical support.

| TTT, EUR MILLION | 1999 | 1998 |
|---|---|---|
| Net Sales | **18.2** | 21.2 |
| Outside Finland | **11.3** | 14.1 |
| Operating result after depreciation | **0.5** | 0.8 |
| % of net sales | **2.9** | 3.8 |
| Investments | **0.8** | 1.6 |
| RNA % | **4.8** | 7.2 |
| Personnel, average | **216** | 257 |
| Outside Finland | **34** | 57 |

OPERATING PROFIT AFTER DEPRECIATION, EUR MILLION



### DIVISIONAL ARRANGEMENTS

At the beginning of 1998 we reorganized our milk-cooling technology business as the independent Eurotanks Division. Given the weak market situation, and regardless of measures taken within the division, we were unable in 1999 to generate the volume required for profitability. Our strategic position and the fact that there is no prospect of fundamental improvement in the market situation have left us in a financially intolerable situation. For these reasons we have decided to get out of this sector.

During 1999 we investigated the alternatives for divesting ourselves of our Eurotanks operation. In our 1999 income statement, we included reserves for expenses stemming from the divestiture as a one-time expense.

### PROPERTY MANAGEMENT

HackmanGroup's balance sheet includes a substantial number of real-property items that are not connected to actual business functions. A low but steady yield on capital is typical of property items of this sort, of which forests and land furnish are examples. This circumstance naturally also affects the yield-on-capital objectives established for the whole HackmanGroup, and the achievement of those objectives. At the same time, we wish to keep income from this capital separate from the HackmanGroup's administrative expenses. This facilitates and clarifies the monitoring of both income and expenses.

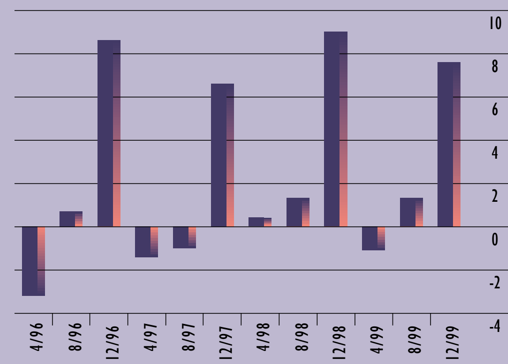
Over the long term, significant possibilities for an increase in value are associated in certain respects with real-property items. By actively improving these balance sheet items we can increase the value of our real property.

# Report by the Board of Directors

The HackmanGroup is concentrating on the core divisions, Designor and Metos. For our other divisions, we are seeking industrial partners or owners. Provisions have been made for the Group's restructuring and reorganization expenses.

HackmanGroup's net sales fell by 7.0% to EUR 306.6 million (1998: EUR 329.9 million). The Group's operating result was EUR 7.8 million (EUR 10.8 million), and the result after financial items was EUR 2.8 million (EUR 4.6 million). The Board of Directors proposes that a dividend of EUR 0.42/share be paid for 1999 (EUR 0.42/share).

OPERATING RESULT AFTER DEPRECIATION, EUR MILLION




### CHANGES IN THE GROUP STRUCTURE

The Peerless Saw Company, TTT's United States subsidiary, was sold in August. In May, Wexiödisk Förvaltnings AB became a wholly owned subsidiary of Metos when the latter acquired the remaining 15% of the company's shares. In November, Metos signed an agreement to purchase the entire capital stock of Olis Italia S.p.A. and Polaris S.p.A., members of the Olis Group. It is expected that the deal will be completed in March, 2000. A number of small Group companies were merged or sold in 1999, and the legal structure was simplified.

### NET SALES

Net sales in our core divisions, Metos and Designor, increased by 7.4%, while net sales in our other divisions fell by 38.7%. This decline stemmed primarily from a weakening in the Eurotanks Division's sales, and from the sale of the Peerless Saw Company.

The Group's net sales fell by 7.0% in the period under review. The Group's net sales were EUR 2.4 million or 0.8% higher than in 1998, if one omits from the calculation the plastic and candle business operations sold in 1998 as well as process-tank business operations sold in Sweden in 1998. Exports and foreign operations represented 60.6% of net sales (63.9%). The volume of orders in hand was EUR 27.0 million, which is EUR 2.0 million more than in the turn of the year 1998/1999.

The net sales has been calculated in accordance with The Finnish new Bookkeeping Act. Credit losses and delivery expenses of sold products are now entered as fixed expenses. The figures for earlier periods have been adjusted accordingly.

### RESULT

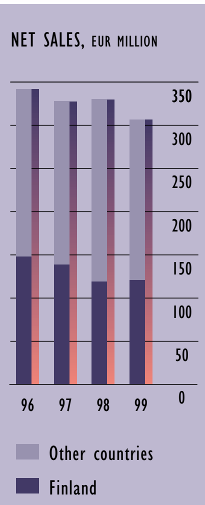
The Group's gross margin was 29.1% of net sales (28.0%), and the operating result was EUR 7.8 million (EUR 10.8 million). The result after financial items decreased by EUR 1.8 million to EUR 2.8 million (EUR 4.6 million). The decline stemmed primarily from a drop in sales of the Eurotanks Division.

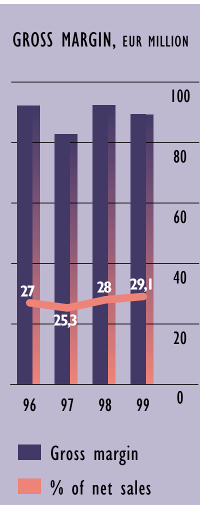
Other operating income, EUR 4.1 million (EUR 3.4 million), included, among other things, EUR 0.8 million (EUR 0.6 million) in compensation for damages, EUR 0.7 million in gain from the sale of the Peerless Saw Company, rental income of EUR 0.7 million (EUR 0.7 million), and EUR 0.9 million (EUR 0.8 million) in gains from sales of fixed assets. Other operating expenses, totaling EUR 12.3 million (EUR 11.8 million), included, among other things, EUR 8.7 million (EUR 9.7 million) in research and development expenses. Depreciation according to plan, which is recorded under each business function's expenses, totaled EUR 15.0 million (EUR 16.2 million). Of this total, depreciation of goodwill accounted for EUR 3.2 million (EUR 3.4 million).

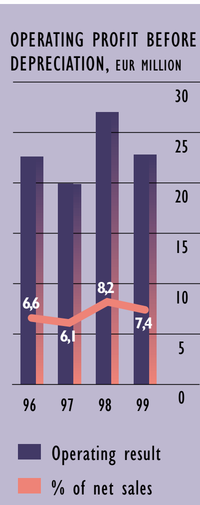
Income and expenses arising from major restructuring and sales of business functions external to actual business operations are presented as extraordinary items, which totaled EUR -17.3 million (EUR 6.0 million). The restructuring and reorganization expenses of EUR 16.7 million (EUR 1.3 million) connected with Hadwaco and Eurotanks are recorded as extraordinary expenses, as are the EUR 0.7 million (EUR 0.8 million) for pension arrangements formerly noted outside the balance sheet. There was no extraordinary income during the period under review - in contrast to 1998, when among other things EUR 8.1 million in gains from sales of forest and land and EUR 0.9 million in gains from sales of business operations were recorded as extraordinary income.

The result before appropriations and taxes was EUR -14.5 million (EUR 10.6 million), or EUR 25.1 million less than in 1998.

Taxes for the period were a net income of EUR 2.5 million





(EUR -1.4 million). The Group's deferred tax liability decreased by EUR 0.8 million (EUR 4.9 million). The deferred tax refund in Finland, EUR 2.4 million, has been entered in its probable amount. The result after financial items, taxes and minority interest was EUR -12.2 million (EUR 8.6 million).

**REVIEW OF DIVISIONS**

Designor's net sales totaled EUR 131.2 million (EUR 129.3 million), of which 52.4% or EUR 68.8 million came from outside of Finland (52.1%; EUR 67.4 million). Designor's operating result, EUR 9.4 million, exceeded the 1998 result (EUR 8.6 million) by EUR 0.8 million. The division has decided to centralize production of stainless steel cookware at the plant in Sorsakoski, Finland, and the production of aluminum cookware at the plant in Moss, Norway. Designor has made EUR 1.7 million provisions for these expenses in its 1999 financial statement, under other operating expenses.

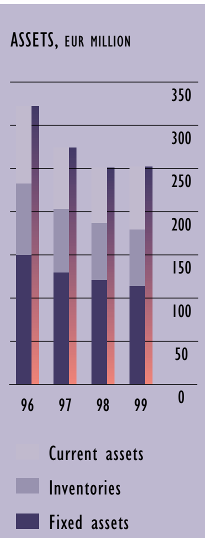
Metos's net sales totaled EUR 112.0 million (EUR 97.2 million), of which 60.8% or EUR 68.1 million originated outside of Finland (59.3%, EUR 57.6 million). Metos's operating result of EUR 6.8 million fell EUR 0.9 million short of the 1998 result of EUR 7.7 million. In May Wexiödisk Förvaltnings AB became a fully owned subsidiary of Metos when the latter acquired the remaining 15% of the company's shares. In November Metos signed an agreement to purchase the entire capital stock of the Italian Olis Group. It is expected that the deal will be concluded in March, 2000.

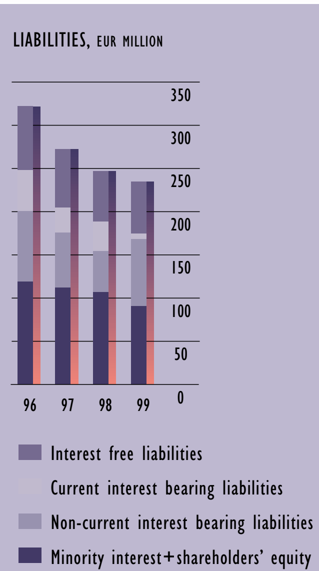
Eurotanks' net sales totaled EUR 33.5 million (EUR 50.9 million), 100% of which came from operations outside of Finland (100%, EUR 50.9 million). The operating result was EUR -0.9 million, a decrease of EUR 2.9 million from the 1998 figure of EUR 2.0 million. The division is in the midst of restructuring, and its sale is being planned.

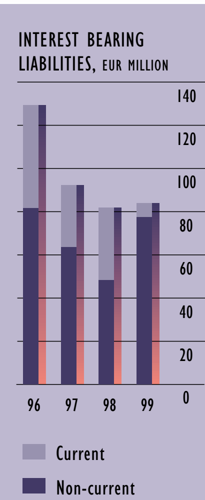
Hadwaco's net sales came to EUR 9.2 million (EUR 12.2 million), of which 43.5% or EUR 4.0 million originated outside of Finland (49.2%, EUR 6.0 million). The operating result was EUR -4.6 million, or EUR 2.0 million less than in 1998 (EUR -2.6 million). The division is in the midst of restructuring, and negotiations aimed at cooperative partnership are in progress.

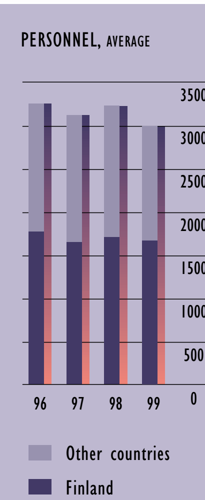
Hackman TTT's net sales totaled EUR 18.2 million (EUR 21.2 million), of which 62.1% or EUR 11.3 million came from outside of Finland (66.5%, EUR 14.1 million). TTT's operating result, EUR 0.5 million, was EUR 0.3 million less than the 1998 result (EUR 0.8 million). In August, TTT sold its subsidiary the Peerless Saw Company, which was not part of TTT's core business, to Peerless' working management. TTT's restructuring was completed in 1999. Work aimed at finding a new, appropriate partner is in progress.

Group functions include the Group's property management and the sale of wood from the forests, as well as sales from operations which are not part of the Group's core business. Net sales from these functions totaled EUR 2.6 million (EUR 21.5 million). The decrease in net sales can be traced to the sale of the Group's household plastics operation at the end of August, 1998. Sales of timber from Hackman Oyj Abp's forests increased by EUR 1.7 million, reaching EUR 2.5 million (EUR 0.8 million). The operating result for Group functions was EUR -2.1 million (EUR -4.2 million).




## INVESTMENT AND FINANCING

The Group's gross investments totaled EUR 14.7 million (EUR 32.1 million), of which EUR 1.3 million represented goodwill (EUR 14.1 million). Metos acquired the last 15% of the shares of Wexiödisk Förvaltnings AB. The 1998 investments included the purchase of 40% share in Hackman Metos Oy Ab from Instrumentarium Oyj, as well as Metos's purchases of Dihr International S.r.l. and Kromo S.r.l.

The Group's net working capital at year's end was EUR 70.2 million, or 22.9% of net sales (EUR 64.5 million, 19.6%). The Group's cash position was good throughout the year. Liabilities subject to interest totaled EUR 83.9 million at the turn of the year (EUR 81.9 million). Hackman Oyj Abp issued a EUR 20.0 million bond issue to institutional investors in February, 1999.

At the turn of the year, the Group owned 16,913 hectares of forest, 121 hectares of waterfront property, 74 hectares of industrial property and 35 hectares of residential property. The total balance sheet value of this property was EUR 36.8 million (EUR 36.8 million).

## SOLVENCY

The Group's shareholders' equity at the end of 1999 totaled EUR 90.7 million (EUR 104.0 million), corresponding to EUR 20.60 per share (EUR 23.64 per share). Voluntary reserves have been allocated to shareholders' equity and tax liability. In calculating the tax liability, each country's tax rate for next year (28 - 41%) has been applied. There is a deferred tax receivable in Finland. The Group's equity ratio was 36.1% (42.7%).

## SHARES AND SHAREHOLDERS

According to the book-entry system, Hackman had 2,371 shareholders as of December 31, 1999. During 1999, a total of 1,261,750 A shares, with a total value of EUR 21.1 million, changed hands (1,028,608 shares; EUR 37.3 million). The shares reached their lowest price of EUR 13.00 in December, having reached their highest price of EUR 30.00 in January.

The company's share capital of FIM 88,000,000.00 was redenominated as EUR 14,800,537.53. Simultaneously, share capital was increased by a fund issue of EUR 159,462.47. The face value of the company's shares was raised from EUR 3.36 to EUR 3.40.

## OUTLOOK

The 1999 trend in the Group's core divisions, Designor and Metos, was favorable. Both Metos and Designor are operating in growing markets and enjoy good market positions in their respective sectors. With the constant improvement in economic well-being, social trends are guiding these two divisions' growth. The Group is trying to find other partners or owners for functions outside the core divisions. Provisions have been made for the expenses that these restructuring and reorganization measures may generate. The Board of Directors takes the view that the Group will now have good prospects for future growth and results.

# Income Statements

| EUR MILLION | Note | Group 1999 | % | 1998 | % | Hackman Oyj Abp 1999 | % | 1998 | % |
|---|---|---|---|---|---|---|---|---|---|
| **Net sales** | 1 | **306.6** | **100.0** | 329.9 | 100.0 | **2.5** | **100.0** | 0.8 | 100.0 |
| Cost of goods sold | 2,3,4 | **-217.3** | | -237.5 | | **-0.4** | | -0.3 | |
| **Gross margin** | | **89.3** | **29.1** | 92.4 | 28.0 | **2.1** | **83.6** | 0.5 | 61.4 |
| Sales and marketing expenses | 3,4 | **-50.8** | | -49.0 | | **-** | | - | |
| Administrative expenses | 3,4,10 | **-19.3** | | -20.8 | | **-4.9** | | -4.6 | |
| Other operating income | 5 | **4.1** | | 3.4 | | **1.3** | | 1.1 | |
| Other operating expenses | 4,6,10 | **-12.3** | | -11.8 | | **-0.3** | | -0.0 | |
| Depreciation of group goodwill | | **-3.2** | | -3.4 | | **-** | | - | |
| | | **-81.5** | | -81.6 | | **-3.9** | | -3.5 | |
| **Operating result** | 7 | **7.8** | **2.5** | 10.8 | 3.3 | **-1.8** | | -3.0 | |
| Financial income and expenses | 8 | **-5.0** | **-1.6** | -6.2 | -1.9 | **-3.4** | | 7.1 | |
| **Result before extraordinary items** | | **2.8** | **0.9** | 4.6 | 1.4 | **-5.2** | | 4.1 | |
| Extraordinary items | 9,10 | **-17.3** | | 6.0 | | **-18.3** | | 3.0 | |
| **Result before appropriations and taxes** | | **-14.5** | **-4.7** | 10.6 | 3.2 | **-23.5** | | 7.1 | |
| Appropriations | 11 | **-** | | - | | **0.1** | | 0.0 | |
| Direct taxes | 12 | **2.5** | | -1.4 | | **1.2** | | -4.5 | |
| **Result before minority interests** | | **-12.0** | **-3.9** | 9.2 | 2.8 | **-22.2** | | 2.6 | |
| Minority interests | | **-0.2** | | -0.6 | | | | | |
| **Result for the financial year** | | **-12.2** | | 8.6 | | | | | |

# Balance Sheets

| EUR MILLION | Note | Group 1999 | Group 1998 | Hackman Oyj Abp 1999 | Hackman Oyj Abp 1998 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Fixed and other long-lived assets** | | | | | |
| Intangible assets | 13 | **4.4** | 8.9 | **0.2** | 0.2 |
| Group goodwill | 13 | **14.7** | 16.9 | **-** | - |
| Goodwill | 13 | **1.6** | 2.0 | **-** | - |
| Tangible assets | 13 | **89.5** | 87.4 | **38.9** | 39.0 |
| Investments | 14,34 | **2.6** | 3.6 | **2.0** | 1.9 |
| Shares in associated companies | 14,33 | **0.3** | 0.2 | **-** | - |
| Shares in Group companies | 14,32 | **-** | - | **51.3** | 63.9 |
| Other investments | 14 | **0.8** | 1.5 | **-** | - |
| | | **113.9** | 120.5 | **92.4** | 105.0 |
| **Inventories and financial assets** | | | | | |
| Inventories | 15 | **65.1** | 66.3 | **-** | - |
| Non-current receivables | 16,17 | **0.3** | - | **0.4** | 3.5 |
| Deferred tax receivables | 23 | **2.6** | 0.2 | **-** | - |
| Current receivables | 16,17 | **60.5** | 53.7 | **81.4** | 81.8 |
| Current financial assets | 18 | **0.5** | 2.5 | **0.5** | 0.0 |
| Cash and bank deposits | | **9.1** | 7.9 | **2.5** | 1.1 |
| | | **138.1** | 130.6 | **84.8** | 86.4 |
| | | **252.0** | 251.1 | **177.2** | 191.4 |
| **Liabilities and shareholders' equity** | | | | | |
| **Shareholders' equity** | | | | | |
| Share capital | 19 | **15.0** | 14.8 | **15.0** | 14.8 |
| Contingency fund | 19 | **26.0** | 27.6 | **22.1** | 22.3 |
| Revaluation fund | 19 | **13.0** | 13.0 | **12.9** | 12.9 |
| Other funds | 19 | **-** | - | **19.9** | 19.9 |
| Retained earnings | 19 | **48.9** | 40.0 | **44.2** | 43.5 |
| Net result for the financial year | 19 | **-12.2** | 8.6 | **-22.2** | 2.6 |
| | 19,20 | **90.7** | 104.0 | **91.9** | 116.0 |
| **Minority interests** | | **0.0** | 2.7 | **-** | - |
| **Appropriations** | 21 | **-** | - | **0.8** | 0.8 |
| **Provisions** | 22 | **17.5** | 4.3 | **0.7** | 0.4 |
| **Liabilities** | | | | | |
| Deferred tax liability | 23 | **1.7** | 2.5 | **-** | - |
| Non-current liabilities | 24,25,31 | **77.9** | 48.7 | **48.6** | 21.8 |
| Current liabilities | 26,27,31 | **64.2** | 88.9 | **35.2** | 52.4 |
| | | **143.8** | 140.1 | **83.8** | 74.2 |
| | | **252.0** | 251.1 | **177.2** | 191.4 |

# Cash Flow Statements

| | Group | | Hackman Oyj Abp | |
|---|---|---|---|---|
| EUR MILLION | **1999** | 1998 | **1999** | 1998 |
| Income from operations | | | | |
| Operating result after depreciation | **7.8** | 10.8 | **-1.8** | -3.0 |
| Depreciation | **15.0** | 16.2 | **0.3** | 0.4 |
| Financial income and expenses | **-5.0** | -6.2 | **-3.4** | 7.1 |
| Extraordinary items | **-13.5** | 6.0 | **8.8** | 16.2 |
| Taxes | **2.5** | -1.4 | **1.2** | -4.5 |
| **Income from operations** | **6.8** | 25.4 | **5.1** | 16.2 |
| Increase (-) / decrease (+) in inventories | **1.2** | 6.8 | **-** | - |
| Increase (-) / decrease (+) in current receivables | **-9.5** | 4.4 | **-6.4** | -11.0 |
| Increase (+) / decrease (-) in short-term non-interest bearing liabilities | **2.3** | -5.0 | **1.9** | 0.2 |
| Change in net working capital | **-6.0** | 6.2 | **-4.5** | -10.8 |
| Increase (+) / decrease (-) in provisions | **13.3** | 2.1 | **0.3** | 0.3 |
| **Cash flow from operations** | **14.1** | 33.7 | **0.9** | 5.7 |
| Investments in fixed assets | **-14.7** | -32.1 | **-1.0** | -20.8 |
| Income from sale of fixed assets | **1.8** | 17.8 | **0.1** | 1.1 |
| | **-12.9** | -14.3 | **-0.9** | -19.7 |
| **Cash flow before financing** | **1.2** | 19.4 | **0.0** | -14.0 |
| Increase (-) / decrease (+) in non-current receivables | **0.7** | 1.0 | **-4.0** | 4.9 |
| Increase (+) / decrease (-) in non-current debt | **28.4** | -20.1 | **26.8** | -6.5 |
| Increase (+) / decrease (-) in current debt | **-27.1** | 5.0 | **-19.1** | 16.8 |
| Dividend payments | **-1.8** | -1.8 | **-1.8** | -1.8 |
| Increase (+) / decrease (-) in minority interest | **-2.8** | -7.1 | **-** | - |
| **Cash flow from financing** | **-2.6** | -23.0 | **1.9** | 13.4 |
| Cash flow after financing | **-1.4** | -3.6 | **1.9** | -0.6 |
| Adjustments | **0.7** | 0.6 | **-** | - |
| **Increase (+) / decrease (-) in liquid assets** | **-0.7** | -3.0 | **1.9** | -0.6 |

# Accounting Principles

HackmanGroup's consolidated financial statements for 1999 have been prepared according to Finland's new official accounting standards, which came into effect in 1997. Data from the proceeding accounting period have been grouped in conformity with the new practice.

The statements have been prepared in euros.

#### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements cover the parent company and all those companies in which the Group, directly or indirectly, has a over half of the voting rights. The accounts of new Group companies are incorporated into the Group's reporting from the acquisition date. The accounts of divested companies are included in the Group's financial statements up to the day of divestiture.

Intra-Group transactions are eliminated from the reporting. Elimination of Group share ownership is carried out by the acquisition cost method. The value of the shares of subsidiaries has accordingly been balanced against subsidiary equity at the date of acquisition. In eliminating the shareholders' equity of subsidiaries, also the share of untaxed reserves at the date of acquisition excluding the deferred tax liability is considered as shareholders' equity. The difference between the acquisition price of the shares and the total value of the subsidiary is recorded under fixed assets or Group goodwill. Goodwill is depreciated straight-line over five or ten years. In the case of depreciation for goodwill that involves augmentation of a product line, the depreciation is taken over ten years, in view of their long-term strategic significance.

Associated companies are consolidated using the equity method. The percentage of the associated companies' financial result that conforms to the Group's holding are recorded in the Group's income statement as a financial item.

#### FOREIGN SUBSIDIARIES

The income statements of subsidiaries outside Finland are translated into euro using the average exchange rates. The balance sheets are translated using the exchange rates quoted on the date of the financial statements. The resulting translation differences have been entered under shareholders' equity. The conversion discrepancy related to subsidiary equity and arising from the difference between the year-end exchange rate and the exchange rate at the date of acquisition, has been eliminated by carrying the difference directly under the Group's equity.

The Group protects the equity of subsidiaries outside Finland by the so-called equity-hedging method. The rate-of-exchange discrepancies applicable to the hedging in the Group's consolidated financial statements are entered under equity against the conversion discrepancy related to subsidiary equity.

#### FOREIGN-CURRENCY ITEMS

Receivables and liabilities denominated in foreign currencies have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences arising from the valuation of receivables and liabilities are entered in the income statement under financial exchange rate differences. Unhedged transactions denominated in foreign currency are recorded at the rates prevailing on the transaction dates and hedged transactions are recorded at the hedged rate.

The Group hedges its exposure in foreign currencies with derivatives. The interest element applicable to the derivatives is accrued as interest income or expense over the period to maturity, and the exchange rate differences are recorded under financial exchange rate differences. Open hedging instruments are valued according to the exchange rate quoted on the balance sheet date and are recorded in the income statement, with the exception of foreign-exchange gains or losses on instruments that hedge the Group's future cash flow; these are entered in the income statement once the underlying income or expense occurs.

#### NET SALES

Net sales is calculated as gross sales revenue minus, among other things, indirect sales taxes and discounts.

#### RESEARCH AND DEVELOPMENT EXPENSES

All research and development expenses have been charged against the year they occurred.

#### PENSION ARRANGEMENTS

In Finland, statutory pension insurance is handled through pension insurance companies. Non-current pension liabilities predating the current pension legislation were entered in 1998 under extraordinary expenses in the income statement and under mandatory reserves in the balance sheet. In non-Finnish subsidiaries, insurance has been provided in accordance with the legislation and practices prevailing in each country. Pension liabilities which have not been accounted for as extraordinary expenses in the income statement or as mandatory reserves in the balance sheet have been presented as other liabilities external to the balance sheet. The Group does not have its own pension fund.

#### WARRANTY EXPENSES

The estimated future warranty expenses of delivered products have been entered as current liabilities. Actual warranty expenses, reckoned as the change in warranty liability, have been charged against the net result for the year.

#### INVENTORY VALUATION

Inventories are valued according to their acquisition price, resale price or probable selling price, whichever is lowest, using the FIFO principle. The value of the inventories of the Group companies includes the indirect costs of acquisition and manufacturing, as well as the direct cost of acquisition.

#### VALUATION AND DEPRECIATION OF FIXED ASSETS

Fixed assets are capitalized using their original acquisition price minus planned depreciation. The balance sheet values of land and buildings include revaluations. The Group companies have not capitalized interest expenses under fixed assets. Planned depreciation has been calculated straight-line on the basis of the original acquisition cost and the asset's economic lifetime, as follows:

- Buildings 20 - 30 years
- Machinery and equipment 5 - 10 years
- Other 3 - 5 years
- Roads 40 years

Land and water areas are not depreciated.

#### LEASING

Leasing costs are carried as rental expenses. The lease agreement's remaining contractual term and possible remaining value are presented as a lease liability. Property under financial lease is reported as lease liabilities and the important financial-lease properties are presented in the notes to the financial statements.

#### REVALUATION

Pre-1974 revaluations of land areas are included in the book value for those land areas, while revaluations made since 1974 are presented as a separate item in the balance sheets, under tangible assets. The counter item is the revaluation fund. At the date of sale the revaluations of the land areas are eliminated and recognized in the income statement as profit from sales.

#### EXTRAORDINARY INCOME AND EXPENSES

Income and expenses originating in significant structural changes and divestitures external to actual operations as well as changes to accounting principles are presented as extraordinary income and expenses.

#### APPROPRIATIONS

The appropriations consist of voluntary reserves and accumulated depreciation. In the Group income statement, the change in the Group companies' appropriations are allocated to the result for the period and to the change in deferred tax liability. In the Group balance sheet, the Group companies' appropriations are allocated to the shareholders' equity and the deferred tax liability. The portion of the appropriations entered under shareholders' equity is not included in the Group's distributable assets.

#### MANDATORY RESERVES

Items which constitute contractual or otherwise binding obligations, but which have not yet been liquidated, are presented in the balance sheet as mandatory reserves. These may include such things as the Group's uncovered pension liability and expenses of restructuring. Changes in mandatory reserves are incorporated into the income statement.

#### INCOME TAXES

In the income statement, taxes on Group companies income for the period on the basis of local tax regulations, adjustments in taxes for prior periods and deferred taxes, are entered as income taxes. Taxes falling under extraordinary items are described in the notes to the financial statements.

A deferred tax liability or refund is calculated for temporary discrepancies between the tax assessment and the financial statement, utilizing the tax rate approved for upcoming years as of the balance sheet date. The balance sheet includes the deferred tax liability in its entirety, while the deferred tax refund is calculated according to the estimated probable size of the refund.

# Notes to the Financial Statements

| Income statement | EUR MILLION | Group 1999 | Group 1998 | Hackman Oyj Abp 1999 | Hackman Oyj Abp 1998 |
|---|---|---|---|---|---|
| **1. Net sales** | **Net sales by division** | | | | |
| | Designor | **131.2** | 129.3 | **-** | - |
| | Metos | **112.0** | 97.2 | **-** | - |
| | Eurotanks | **33.5** | 50.9 | **-** | - |
| | Hadwaco | **9.2** | 12.2 | **-** | - |
| | TTT | **18.2** | 21.2 | **-** | - |
| | Group functions and others | **2.6** | 21.5 | **2.5** | 0.8 |
| | Internal eliminations | **-0.1** | -2.4 | **-** | - |
| | Total | **306.6** | 329.9 | **2.5** | 0.8 |
| | **Net sales by country** | | | | |
| | Finland | **166.7** | 166.2 | **2.5** | 0.8 |
| | Sweden | **75.2** | 87.7 | **-** | - |
| | Norway | **32.7** | 32.1 | **-** | - |
| | Denmark | **8.4** | 10.4 | **-** | - |
| | The Netherlands | **6.8** | 5.7 | **-** | - |
| | France | **28.6** | 41.6 | **-** | - |
| | Germany | **1.8** | 4.4 | **-** | - |
| | Austria | **-** | 0.2 | **-** | - |
| | Italy | **18.8** | 12.5 | **-** | - |
| | Estonia | **2.2** | 3.2 | **-** | - |
| | Poland | **0.9** | 2.6 | **-** | - |
| | Hungary | **1.7** | 1.9 | **-** | - |
| | Latvia | **0.3** | 0.2 | **-** | - |
| | Lithuania | **0.2** | - | **-** | - |
| | Russia | **0.8** | - | **-** | - |
| | USA | **7.4** | 9.4 | **-** | - |
| | Internal eliminations | **-45.9** | -48.2 | **-** | - |
| | Total | **306.6** | 329.9 | **2.5** | 0.8 |
| | **Net sales by market area** | | | | |
| | Nordic Countries | **215.0** | 224.9 | **2.5** | 0.8 |
| | Other Europe | **71.8** | 78.8 | **-** | - |
| | Norh America | **8.9** | 11.3 | **-** | - |
| | Other | **10.9** | 14.9 | **-** | - |
| | Total | **306.6** | 329.9 | **2.5** | 0.8 |
| **2. Materials and services** | Raw materials and supplies | | | | |
| | Purchases | **95.6** | 106.6 | **0.0** | 0.0 |
| | Changes in inventories | **2.1** | -1.3 | **-** | - |
| | | **97.7** | 105.3 | **0.0** | 0.0 |
| | External services | **11.6** | 11.5 | **0.2** | 0.1 |
| | | **11.6** | 11.5 | **0.2** | 0.1 |
| **3. Personnel expenses** | Wages and Salaries | **72.5** | 81.4 | **1.5** | 1.4 |
| | Pension expenses | **13.4** | 12.1 | **0.5** | 0.5 |
| | Other personnel expenses | **18.3** | 16.0 | **0.5** | 0.4 |
| | Total | **104.2** | 109.5 | **2.5** | 2.3 |
| **Compensation to the board and CEO** | Chief Executive officer and Members of the Board | **2.1** | 1.9 | **0.4** | 0.4 |
| **Amount of personnel** | **In average** | | | | |
| | Designor | **1 494** | 1 538 | **-** | - |
| | Metos | **808** | 682 | **-** | - |
| | Eurotanks | **322** | 384 | **-** | - |
| | Hadwaco | **125** | 127 | **-** | - |
| | TTT | **216** | 257 | **-** | - |
| | Group functions and others | **26** | 237 | **24** | 22 |
| | Total | **2 991** | 3 225 | **24** | 22 |

| | | Group 1999 | Group 1998 | Hackman Oyj Abp 1999 | Hackman Oyj Abp 1998 |
|---|---|---|---|---|---|
| | **Dec. 31, 1999** | | | | |
| | Designor | **1 500** | 1 497 | **-** | - |
| | Metos | **819** | 756 | **-** | - |
| | Eurotanks | **323** | 327 | **-** | - |
| | Hadwaco | **98** | 127 | **-** | - |
| | TTT | **178** | 259 | **-** | - |
| | Group functions and others | **25** | 37 | **24** | 23 |
| | Total | **2 943** | 3 003 | **24** | 23 |
| | **Amount of personnel by country** | | | | |
| | Finland | **1 627** | 1 683 | **24** | 23 |
| | Sweden | **525** | 496 | **-** | - |
| | Norway | **212** | 197 | **-** | - |
| | Denmark | **20** | 20 | **-** | - |
| | The Netherlands | **25** | 12 | **-** | - |
| | France | **289** | 296 | **-** | - |
| | Italy | **117** | 101 | **-** | - |
| | Germany | **3** | 7 | **-** | - |
| | Estonia | **31** | 24 | **-** | - |
| | Latvia | **4** | 5 | **-** | - |
| | Lithuania | **3** | - | **-** | - |
| | Poland | **2** | 2 | **-** | - |
| | Hungary | **76** | 99 | **-** | - |
| | Russia | **2** | - | **-** | - |
| | USA | **7** | 61 | **-** | - |
| | Total | **2 943** | 3 003 | **24** | 23 |
| **4. Depreciation according to plan** | **Depreciation by function** | | | | |
| | Cost of goods sold | **7.6** | 8.9 | **0.0** | 0.0 |
| | Sales and marketing | **1.1** | 0.9 | **-** | - |
| | Administration | **1.9** | 1.9 | **0.3** | 0.4 |
| | Other operating expenses | **1.2** | 1.1 | **0.0** | - |
| | Total | **11.8** | 12.8 | **0.3** | 0.4 |
| **5. Other operating income** | Rental income | **0.7** | 0.7 | **0.6** | 0.5 |
| | Gains on sale of fixed assets | **0.9** | 0.8 | **0.3** | 0.5 |
| | Compensation for damages | **0.8** | 0.6 | **0.0** | 0.0 |
| | Others | **1.7** | 1.3 | **0.4** | 0.1 |
| | Total | **4.1** | 3.4 | **1.3** | 1.1 |
| **6. Other operating expenses** | Research and development | **8.7** | 9.7 | **-** | - |
| | Others | **3.6** | 1.8 | **0.3** | 0.0 |
| | Total | **12.3** | 11.5 | **0.3** | 0.0 |
| **7. Operating result by division** | Designor | **9.4** | 8.6 | **-** | - |
| | Metos | **6.8** | 7.7 | **-** | - |
| | Eurotanks | **-0.9** | 2.0 | **-** | - |
| | Hadwaco | **-4.6** | -2.6 | **-** | - |
| | TTT | **0.5** | 0.8 | **-** | - |
| | Group functions and others | **-2.1** | -4.2 | **-1.8** | -3.0 |
| | Internal eliminations | **-1.3** | -1.5 | **-** | - |
| | Total | **7.8** | 10.8 | **-1.8** | -3.0 |

| | | Group | | Hackman Oyj Abp | |
|---|---|---|---|---|---|
| | | **1999** | 1998 | **1999** | 1998 |
| **8. Financial income and expenses** | **Dividend income** | | | | |
| | From Group companies | **-** | - | **0.3** | 4.2 |
| | From others | **0.0** | 0.1 | **0.0** | 0.1 |
| | Total | **0.0** | 0.1 | **0.3** | 4.3 |
| | **Interest income from long-term investments** | | | | |
| | From others | **0.0** | 0.1 | **0.0** | 0.0 |
| | Total | **0.0** | 0.1 | **0.0** | 0.0 |
| | **Total income from long-term investments** | **0.0** | 0.2 | **0.3** | 4.3 |
| | **Other interest- and financial income** | | | | |
| | From Group companies | **-** | - | **2.8** | 3.5 |
| | From others | **0.6** | 1.0 | **0.2** | 3.4 |
| | Total | **0.6** | 1.0 | **3.0** | 6.9 |
| | **Total interest income from long-term investments and other interest- and financial income** | **0.6** | 1.2 | **3.3** | 11.2 |
| | **Interest expenses and other financial expenses** | | | | |
| | To Group companies | **-** | - | **-0.4** | -0.6 |
| | To others | **-5.6** | -7.4 | **-6.3** | -3.5 |
| | Total | **-5.6** | -7.4 | **-6.7** | -4.1 |
| | **Total financial income and expenses** | **-5.0** | -6.2 | **-3.4** | 7.1 |
| | Interest expenses and other financial expenses includes exchange rate difference (net) | **-0.3** | -0.8 | **-2.8** | 2.0 |
| **9. Extraordinary items** | **Extraordinary income** | | | | |
| | Gains on sale fixed assets | **-** | 0.9 | **-** | - |
| | Gains on sale of forest and land | **-** | 8.1 | **-** | 8.1 |
| | Group contribution | **-** | - | **9.1** | 8.8 |
| | Other | **-** | - | **0.0** | 0.0 |
| | Total | **0.0** | 9.0 | **9.1** | 16.9 |
| | **Extraordinary expenses** | | | | |
| | Restructuring expenses | **16.6** | 1.3 | **27.1** | 13.5 |
| | Pension liabilities | **0.7** | 0.8 | **-** | 0.4 |
| | Others | **-** | 0.9 | **0.3** | - |
| | Total | **17.3** | 3.0 | **27.4** | 13.9 |
| | **Total extraordinary items** | **-17.3** | 6.0 | **-18.3** | 3.0 |
| | Gains on the sale of forest and land include released revaluations | | | | |
| **10. Change in provisions** | Administrative expenses | **0.1** | -0.3 | **0.1** | - |
| | Other operating expenses | **-1.0** | - | **-0.3** | - |
| | Extraordinary expenses | **-12.4** | -1.9 | **-** | -0.4 |
| | Total | **-13.3** | -2.2 | **-0.2** | -0.4 |
| **11. Appropriations** | Change in accumulated depreciation in excess of plan | **-** | - | **0.1** | 0.0 |
| | Total | **-** | - | **0.1** | 0.0 |
| **12. Direct taxes** | On ordinary activities, financial year | **-2.5** | -3.5 | **-0.8** | -2.1 |
| | On extraordinary items, financial year | **0.0** | -2.5 | **-** | -2.4 |
| | Change in deferred tax | **3.4** | 4.9 | **-** | - |
| | From earlier periods | **1.6** | -0.3 | **2.0** | - |
| | Total | **2.5** | -1.4 | **1.2** | -4.5 |

## Notes to the balance sheet

### 13. Fixed assets
Intangible assets

**Group**

| | Research and development | Intangible rights | Other long-lived assets | Prepayments | Group Goodwill | Goodwill | Total |
|---|---|---|---|---|---|---|---|
| Acquisition value Jan. 1,1999 | 4.6 | 3.6 | 11.0 | 0.0 | 34.2 | 2.7 | **56.1** |
| Conversion discrepancy | 0.0 | 0.0 | 0.0 | - | 0.6 | 0.2 | **0.8** |
| Investments | - | 0.9 | 0.7 | 0.0 | 0.6 | 0.0 | **2.2** |
| Disposals | - | 0.0 | -0.2 | - | - | - | **-0.2** |
| Completely depreciated | -0.1 | 0.0 | - | - | -3.4 | -0.1 | **-3.6** |
| Other 1) | -2.4 | -0.7 | -0.4 | - | - | 0.0 | **-3.5** |
| Category transfer | - | 0.1 | 1.2 | 0.0 | - | -0.9 | **0.4** |
| **Acquisition value** | | | | | | | |
| **31.12.1999** | **2.1** | **3.9** | **12.3** | **0.0** | **32.0** | **1.9** | **52.2** |
| 31.12.1998 | 4.6 | 3.6 | 11.0 | 0.0 | 34.2 | 2.7 | 56.1 |
| Accumulated depreciation and reductions in value | | | | | | | |
| Jan.1,1999 | -1.3 | -2.1 | -7.0 | - | -17.3 | -0.8 | **-28.5** |
| Conversion discrepancy | 0.0 | 0.0 | 0.0 | - | -0.2 | 0.0 | **-0.2** |
| Accumulated depreciation in disposals and transfers | - | 0.0 | 0.0 | - | - | - | **0.0** |
| Depreciation during the year | -0.9 | -0.4 | -1.2 | - | -3.2 | -0.2 | **-5.9** |
| Completely depreciated | 0.1 | 0.0 | - | - | 3.4 | 0.1 | **3.6** |
| Other | - | -0.1 | -1.0 | - | - | 0.6 | **-0.5** |
| **Accumulated depreciation** | | | | | | | |
| **31.12.1999** | **-2.1** | **-2.6** | **-9.2** | **0.0** | **-17.3** | **-0.3** | **-31.5** |
| 31.12.1998 | -1.3 | -2.1 | -7.0 | 0.0 | -17.3 | -0.8 | -28.5 |
| **Book value** | | | | | | | |
| **31.12.1999** | **0.0** | **1.3** | **3.1** | **0.0** | **14.7** | **1.6** | **20.7** |
| 31.12.1998 | 3.3 | 1.5 | 4.1 | 0.0 | 16.9 | 2.0 | 27.8 |

1) Hadwaco's restructuring in extraordinary items

**Tangible assets**
**Group**

| | Forest, land & water | Buildings | Machinery and equipment | Other tangible assets | Prepayments | Total |
|---|---|---|---|---|---|---|
| Acquisition value Jan. 1,1999 | 15.1 | 26.5 | 102.7 | 2.1 | 2.6 | **149.0** |
| Conversion discrepancy | 0.0 | 1.0 | 3.2 | 0.0 | 0.1 | **4.3** |
| Investments | 0.2 | 3.4 | 8.6 | 0.4 | -0.4 | **12.2** |
| Disposals | -0.2 | -1.1 | -5.6 | -0.5 | 0.0 | **-7.4** |
| Completely depreciated | - | -0.3 | -5.6 | -0.3 | -0.2 | **-6.4** |
| Other 1) | - | - | - | - | -0.2 | **-0.2** |
| Category transfer | - | 1.3 | 1.4 | 0.3 | -0.4 | **2.6** |
| **Acquisition value** | | | | | | |
| **31.12.1999** | **15.1** | **30.8** | **104.7** | **2.0** | **1.5** | **154.1** |
| 31.12.1998 | 15.1 | 26.5 | 102.7 | 2.1 | 2.6 | 149.0 |
| Accumulated depreciation and reductions in value | | | | | | |
| Jan.1,1999 | 0.0 | -8.1 | -73.8 | -1.4 | 0.0 | **-83.3** |
| Conversion discrepancy | 0.0 | -0.3 | -2.2 | 0.0 | 0.0 | **-2.5** |
| Accumulated depreciation in disposals and transfers | - | 0.7 | 3.9 | 0.2 | - | **4.8** |
| Depreciation during the year | - | -1.2 | -7.8 | -0.1 | - | **-9.1** |
| Completely depreciated | - | 0.3 | 5.7 | 0.3 | 0.2 | **6.5** |
| Other | - | -1.3 | -0.9 | -0.3 | -0.2 | **-2.7** |
| **Accumulated depreciation** | | | | | | |
| **31.12.1999** | **0.0** | **-9.9** | **-75.1** | **-1.3** | **0.0** | **-86.3** |
| 31.12.1998 | 0.0 | -8.1 | -73.8 | -1.4 | 0.0 | -83.3 |
| Revaluation | 21.7 | 0.0 | - | - | - | **21.7** |
| **Book value** | | | | | | |
| **31.12.1999** | **36.8** | **20.9** | **29.6** | **0.7** | **1.5** | **89.5** |
| 31.12.1998 | 36.8 | 18.4 | 28.9 | 0.7 | 2.6 | 87.4 |

1) Hadwaco's restructuring in extraordinary items

| | Machinery and equipment used in production |
|---|---|
| **31.12.1999** | **22.5** |
| 31.12.1998 | 22.9 |

**Fixed assets**
**Intangible and Tangible assets**

**Hackman Oyj Abp**

| | Other long-lived assets | **Total intangible** | Forest, land & water | Buildings | Machinery and equipment | Other tangible assets | **Total tangible** |
|---|---|---|---|---|---|---|---|
| Acquisition value | 0.6 | **0.6** | 14.4 | 3.8 | 0.7 | 0.3 | **19.2** |
| Investments | 0.0 | **0.0** | 0.1 | - | 0.0 | 0.0 | **0.1** |
| Disposals | - | **-** | 0.0 | - | 0.0 | - | **0.0** |
| **Acquisition value** | | | | | | | |
| **31.12.1999** | 0.6 | **0.6** | **14.5** | **3.8** | **0.7** | **0.3** | **19.3** |
| 31.12.1998 | 0.6 | 0.6 | 14.4 | 3.8 | 0.7 | 0.3 | 19.2 |
| Accumulated depreciation Jan 1,1999 | -0.4 | **-0.4** | 0.0 | -1.4 | -0.4 | 0.0 | **-1.8** |
| Depreciation during the year | 0.0 | **0.0** | - | -0.1 | -0.1 | 0.0 | **-0.3** |
| **Accumulated depreciation** | | | | | | | |
| **31.12.1999** | -0.4 | **-0.4** | **0.0** | **-1.5** | **-0.5** | **0.0** | **-2.0** |
| 31.12.1998 | -0.4 | -0.4 | 0.0 | -1.4 | -0.4 | 0.0 | -1.8 |
| Revaluation after year 1974 | 0.0 | 0.0 | 21.6 | 0.0 | 0.0 | 0.0 | 21.6 |
| **Book value** | | | | | | | |
| **31.12.1999** | 0.2 | **0.2** | **36.1** | **2.3** | **0.3** | **0.3** | **38.9** |
| 31.12.1998 | 0.2 | 0.2 | 36.0 | 2.4 | 0.3 | 0.3 | 39.0 |

**14. Investments**
**Group**

| | Shares in associated companies | Other shares | Other receivables | Other investments | Total |
|---|---|---|---|---|---|
| Acquisition value Jan.1,1999 | 0.2 | 3.6 | 1.3 | 0.2 | **5.3** |
| Conversion discrepancy | - | 0.0 | - | - | **0.0** |
| Increase | 0.1 | 0.2 | 0.0 | 0.0 | **0.3** |
| Decrease | - | -1.2 | -0.7 | 0.0 | **-1.9** |
| **Acquisition value/Book value** | | | | | |
| **31.12.1999** | **0.3** | **2.6** | **0.6** | **0.2** | **3.7** |
| 31.12.1998 | 0.2 | 3.6 | 1.3 | 0.2 | 5.3 |

**Hackman Oyj Abp**

| | Shares in Group companies | Other shares | Total |
|---|---|---|---|
| Acquisition value Jan.1,1999 | 63.9 | 1.9 | **65.8** |
| Increase | 0.6 | 0.1 | **0.7** |
| Decrease | -13.2 | 0.0 | **-13.2** |
| **Acquisition value/Book value** | | | |
| **31.12.1999** | **51.3** | **2.0** | **53.3** |
| 31.12.1998 | 63.9 | 1.9 | 65.8 |

| | | Group | | Hackman Oyj Abp | |
|---|---|---|---|---|---|
| | | **1999** | 1998 | **1999** | 1998 |
| **15. Inventories** | Raw materials and supplies | **19.3** | 17.7 | **-** | - |
| | Work in progress | **11.6** | 12.3 | **-** | - |
| | Finished goods | **30.5** | 33.1 | **-** | - |
| | Prepayments | **0.0** | 0.0 | **-** | - |
| | Other inventories | **3.7** | 3.2 | **-** | - |
| | Total | **65.1** | 66.3 | **0.0** | 0.0 |
| **16. Receivables** | | | | | |
| **Non-current** | **Accounts receivables Group** | | | | |
| | Loan receivables | **-** | - | **0.1** | 3.1 |
| | | **-** | - | **0.1** | 3.1 |
| | **Other** | | | | |
| | Loan receivables | **-** | - | **0.0** | 0.4 |
| | Prepayments and accrued income | **0.2** | - | **-** | - |
| | Other receivables | **0.1** | - | **0.3** | - |
| | | **0.3** | 0.0 | **0.3** | 0.4 |
| | **Total** | **0.3** | 0.0 | **0.4** | 3.5 |
| **Current** | **Receivables from Group** | | | | |
| | Accounts receivables | **-** | - | **0.3** | 0.3 |
| | Loan receivables | **-** | - | **46.4** | 41.0 |
| | Prepayments and accrued income | **-** | - | **4.8** | 4.5 |
| | Other receivables | **-** | - | **28.2** | 34.9 |
| | | **-** | - | **79.7** | 80.7 |
| | **Other** | | | | |
| | Accounts receivables | **51.4** | 44.9 | **1.6** | 0.2 |
| | Loan receivables | **0.6** | 0.5 | **-** | 0.0 |
| | Prepayments and accrued income | **6.9** | 5.8 | **0.1** | 0.1 |
| | Other receivables | **1.6** | 2.5 | **0.0** | 0.8 |
| | | **60.5** | 53.7 | **1.7** | 1.1 |
| | **Total** | **60.5** | 53.7 | **81.4** | 81.8 |
| **17. Material items in prepayments and accrued income** | Dividend | **-** | - | **4.2** | 4.2 |
| | Prepaid expenses | **2.0** | 1.9 | **-** | 0.0 |
| | Income tax receivables | **0.5** | 2.2 | **-** | - |
| | Other | **4.6** | 1.7 | **0.6** | 0.3 |
| | Total | **7.1** | 5.8 | **4.8** | 4.5 |
| **18. Market value of current financial assets** | Market value | **0.5** | 2.5 | **0.5** | - |
| | Corresponding book value | **0.5** | 2.5 | **0.5** | - |
| | Difference | **0.0** | 0.0 | **0.0** | - |
| **19. Shareholders' equity** | **Share capital Jan. 1** | **14.8** | 14.9 | **14.8** | 14.9 |
| | Bond issue | **0.2** | - | **0.2** | - |
| | Reduction in share capital | **-** | -0.1 | **-** | -0.1 |
| | **Share capital Dec. 31** | **15.0** | 14.8 | **15.0** | 14.8 |
| | **Contingency fund Jan. 1** | **27.6** | 27.4 | **22.3** | 22.2 |
| | Transfers from/ to unrestricted equity | **-1.6** | 0.1 | **-** | - |
| | Bond issue | **0.0** | - | **-** | - |
| | Reduction in share capital | **-** | 0.1 | **-0.2** | 0.1 |
| | **Contingency fund Dec.31** | **26.0** | 27.6 | **22.1** | 22.3 |
| | **Revaluation fund Jan. 1** | **13.0** | 17.3 | **12.9** | 17.2 |
| | Reduction in connection with the sales of fixed assets | **0.0** | -4.3 | **0.0** | -4.3 |
| | **Revaluation fund Dec. 31** | **13.0** | 13.0 | **12.9** | 12.9 |

| | | Group 1999 | Group 1998 | Hackman Oyj Abp 1999 | Hackman Oyj Abp 1998 |
|---|---|---|---|---|---|
| | **Parent company operating fund Jan.1** | **-** | - | **19.9** | 21.9 |
| | Released revaluations | **-** | - | **-** | -2.0 |
| | **Parent company operating fund Dec. 1** | **0.0** | 0.0 | **19.9** | 19.9 |
| | **Retained earnings Jan.1** | **48.6** | 43.1 | **46.1** | 45.4 |
| | Dividend payment | **-1.8** | -1.8 | **-1.8** | -1.8 |
| | Transfers from/ to unrestricted equity | **1.4** | -0.1 | **-** | - |
| | Conversion discrepancy | **0.7** | 0.7 | **-** | - |
| | Released revaluations | **-** | -1.9 | **-** | - |
| | **Retained earnings Dec.31** | **48.9** | 40.0 | **44.2** | 43.5 |
| | **Result for the year** | **-12.2** | 8.6 | **-22.2** | 2.6 |
| | **Total** | **90.7** | 104.0 | **91.9** | 116.0 |
| **20. Distributable equity** | Parent company operating fund | **-** | - | **19.9** | 19.9 |
| | Retained earnings | **48.9** | 40.0 | **44.2** | 43.5 |
| | Result for the year | **-12.2** | 8.6 | **-22.2** | 2.6 |
| | Activated R & D expenses | **-** | -3.3 | **-** | - |
| | From voluntary reserves and accelerated depreciation to shareholders' equity allocated part | **-11.3** | -15.9 | **-** | - |
| | Total | **25.4** | 29.4 | **41.9** | 66.0 |
| **21. Accumulated appropriations** | **Accumulated depreciation in excess of plan** | | | | |
| | In buildings | **-** | - | **0.7** | 0.7 |
| | In machinery and equipment | **-** | - | **0.1** | 0.1 |
| | Total | **-** | - | **0.8** | 0.8 |
| **22. Provisions** | Restructuring | **13.6** | 1.4 | **-** | - |
| | Pension liabilities | **1.3** | 0.8 | **0.3** | 0.4 |
| | Other | **2.6** | 2.1 | **0.4** | - |
| | Total | **17.5** | 4.3 | **0.7** | 0.4 |
| **23. Deferred tax receivables and liabilities** | **Deferred tax receivables** | | | | |
| | From timing differencies | **2.6** | 0.2 | **-** | - |
| | Total | **2.6** | 0.2 | **0.0** | 0.0 |
| | **Deferred tax liabilities** | | | | |
| | From appropriations | **0.4** | 1.3 | **-** | - |
| | From consolidation | **1.2** | 0.9 | **-** | - |
| | From timing differencies | **0.1** | 0.3 | **-** | - |
| | Total | **1.7** | 2.5 | **0.0** | 0.0 |
| **24. Non-current liabilities** | Liabilities to financial institutions | **26.8** | 17.7 | **20.4** | 12.6 |
| | Pension loans | **30.3** | 30.3 | **8.2** | 9.2 |
| | Advance payments | **-** | 0.5 | **-** | - |
| | Other liabilities 1) | **20.8** | 0.2 | **20.0** | - |
| | Total | **77.9** | 48.7 | **48.6** | 21.8 |
| | 1) Bond 1999.03 / 2004.03 4.55% | | | | |
| **25. Liabilities maturing after five years** | Liabilities to financial institutions | **4.4** | 2.3 | **0.8** | - |
| | Pension loans | **10.3** | 23.8 | **4.4** | 6.1 |
| | Deferred tax liabilities | **1.6** | 2.2 | **-** | - |
| | Other liabilities | **0.3** | 0.4 | **-** | - |
| | Total | **16.6** | 28.7 | **5.2** | 6.1 |

| | | Group | | Hackman Oyj Abp | |
|---|---|---|---|---|---|
| | | **1999** | 1998 | **1999** | 1998 |
| **26. Current liabilities** | **Other** | | | | |
| | Liabilities to financial institutions | **2.9** | 30.8 | **1.7** | 22.5 |
| | Pension loans | **3.2** | 2.2 | **1.0** | 0.9 |
| | Accounts payable | **1.0** | 1.0 | **-** | - |
| | Advance payments | **22.0** | 21.1 | **0.2** | 0.3 |
| | Accruals and deferred expenses | **24.5** | 23.5 | **2.2** | 1.1 |
| | Other liabilities | **10.6** | 10.3 | **0.7** | 0.4 |
| | | **64.2** | 88.9 | **5.8** | 25.2 |
| | **Liabilities Group** | | | | |
| | Advance payments | **-** | - | **0.1** | 0.2 |
| | Accruals and deferred expenses | **-** | - | **0.2** | 0.1 |
| | Other liabilities | **-** | - | **29.1** | 26.9 |
| | | **-** | - | **29.4** | 27.2 |
| | Total | **64.2** | 88.9 | **35.2** | 52.4 |
| **27. Material items in accruals and deferred expenses** | Accrued wages, salaries and social expenses | **14.1** | 13.5 | **0.3** | 0.2 |
| | Tax liabilities | **0.8** | 2.9 | **0.3** | 0.4 |
| | Rent liabilities | **1.4** | 1.1 | **1.1** | 0.5 |
| | Other | **8.3** | 6.0 | **0.5** | - |
| | Total | **24.5** | 23.5 | **2.2** | 1.1 |
| **28. Given securities and contingent liabilities** | **Liabilities, real estate mortgage as security** | | | | |
| | Non-current and current loans from credit institutions | **8.0** | 14.4 | **5.1** | 11.7 |
| | Real estate mortgaged as security for the above | **13.3** | 15.4 | **10.1** | 13.9 |
| | Pension loans | **13.0** | 14.5 | **5.0** | 5.1 |
| | Real estate mortgaged as security for the above | **19.1** | 18.9 | **17.6** | 17.6 |
| | Total real estate mortgaged as security for loans | **28.7** | 30.6 | **23.9** | 27.8 |
| | Real estate mortgage has been given as security for both loans from credit institutions and pension loans. | | | | |
| | **Liabilities, chattel mortgage as security** | | | | |
| | Non-current and current loans from credit institutions | **2.2** | 5.6 | **-** | - |
| | Chattel mortgaged as security for the above | **5.1** | 9.9 | **-** | - |
| | Chattel mortgage has been given as security for both loans from credit institutions and other commitments. | | | | |
| | **Liabilities, other pledged assets as security** | | | | |
| | Non-current and current loans from credit institutions | **-** | 3.2 | **-** | - |
| | Book value of collaterals pledged for the above | **-** | 2.2 | **-** | - |
| | **Other collaterals for own commitments** | | | | |
| | Mortgages on real estate | **3.2** | 2.9 | **-** | - |
| | Mortgages on chattels | **5.2** | 4.7 | **-** | - |
| | Pledges, book value | **0.1** | - | **-** | - |
| | Total collaterals for own commitments | **8.5** | 7.6 | **-** | - |
| | Chattel mortgage has been given as security for both loans from credit institutions and other commitments. | | | | |
| | **Collaterals on behalf of Group companies** | | | | |
| | Mortgages on real estate | **-** | - | **13.8** | 13.8 |
| | Guarantees | **-** | - | **22.4** | 23.8 |
| | Total on behalf of Group companies | **-** | - | **36.2** | 37.6 |
| | Real estate mortgage has been given as security on behalf of both own loans from credit institutions and pension loans. | | | | |

| | | Group 1999 | Group 1998 | Hackman Oyj Abp 1999 | Hackman Oyj Abp 1998 |
|---|---|---|---|---|---|
| | **Collaterals on behalf of third parties** | | | | |
| | Guarantees | **0.5** | 0.5 | **0.5** | 0.5 |
| | **Total collaterals and guarantees** | | | | |
| | Total mortgages on real estate | **31.9** | 33.5 | **23.9** | 27.8 |
| | Total mortgages on chattels | **5.2** | 10.0 | **-** | - |
| | Total pledges | **0.1** | 2.2 | **-** | - |
| | Total guarantees | **0.5** | 0.5 | **22.9** | 24.4 |
| | **Other liabilities** | **2.9** | 2.8 | **-** | - |
| **29. Financial derivative contracts** | Forward foreign exchange contracts, nominal value | **58.7** | 53.7 | **106.8** | 81.5 |
| **30. Leasing liability** | **Amount paid regarding leasing agreements** | | | | |
| | Paid during financial year | **1.7** | 1.7 | **-** | - |
| | Falling due after Dec. 31 | **7.7** | 7.3 | **-** | - |
| | Total | **9.4** | 9.0 | **-** | - |
| | Leasing liability includes two financial leasing agreements regarding buildings | | | | |
| | Leasing liability | **4.6** | 4.8 | **-** | - |
| | The leasing period is untill year 2007/2010 | | | | |
| | At the end of the leasing period the ownership is transferred to Hackman companies in question. | | | | |
| **31. Pension liability and loans to the executives and shareholders** | The retirement age for Group company managing directors is 60-67 years | | | | |
| | The retirement age for chief executive officer of the parent company is 60 years | | | | |
| | Loans granted to the chief executive officer and board members | **0.1** | 0.3 | **0.1** | 0.3 |
| | Repayment periods vary from 0-12 years and are usually of the bullet type. | | | | |
| | The interest rate is set at the Bank of Finland's prime rate +1% | | | | |

### 32. Group Companies Dec. 31, 1999

| | | Group Shareholding % * | Hackman Oyj Abp's Shareholding % |
|---|---|---|---|
| **DESIGNOR** | Hackman Designor Oy Ab, Helsinki, Finland | 100 | 100 |
| | Hackman Rörstrand AB, Lidköping, Sweden | 100 | |
| | Hackman Designor A/S, Moss, Norway | 100 | |
| | Hackman A/S, Köpenhamn, Denmark | 100 | |
| | Hackman Designor B.V. , Breda, The Netherlands | 100 | |
| | Nilsjohan AB, Lidköping, Sweden | 100 | |
| | Hackman Cutlery Factory and Commercial LLC, Fehérgyarmat, Hungary | 100 | |
| | Fetefém KFT, Fehérgyarmat, Hungary | 100 | |
| | Hackman LLC, Budapest, Hungary | 100 | |
| | Hackman Tabletop Inc., Mahopac, USA | 100 | |
| | Hackman Eesti AS, Tallinn, Estonia | 100 | |
| | Hackman Polska Z.o.o., Warsaw, Poland | 100 | |
| **METOS** | Hackman Metos Oy Ab, Kerava, Finland | 100 | 100 |
| | Hackman Metos AB, Klässbol, Sweden | 100 | |
| | Hackman Metos A/S, Moss, Norway | 100 | |
| | Hackman Metos Eesti AS, Tallin, Estonia | 100 | |
| | Hackman Latvia SIA, Riga, Latvia | 100 | |
| | Hackman Metos UAB, Vilnius, Lithuania | 100 | |
| | Hackman Metos OOO, Moscow, Russia | 100 | |
| | Wexiödisk Förvaltnings AB, Växjö, Sweden | 100 | |
| | Wexiödisk AB, Växjö, Sweden | 100 | |
| | Hackman Metos SARL, Paris, France | 100 | |
| | Dihr S.r.l., Castelfranco, Italy | 100 | |
| | Kromo S.r.l., Loria, Italy | 100 | |
| | Metos Italy S.p.A, Belluno, Italy | 100 | |
| | PW System AB, Malmö, Sweden | 100 | |
| | Pakkaskone Oy, Helsinki, Finland | 100 | |

| | | Group Share holding % * | Hackman Oyj Abp's Share holding % |
|---|---|---|---|
| **EUROTANKS** | Prominox S.A., Nevers, France | 100 | 1 |
| | Prominox Industrie S.A., Nevers, France | 100 | |
| | Hackman Wedholms AB, Nyköping, Sweden | 100 | |
| | Eurotanks Sp.z.o.o., Warsaw, Poland | 100 | |
| | Wedholms S.A., Nevers, France | 100 | 1 |
| | Kylmäkärki Oy, Helsinki, Finland | 100 | |
| **HADWACO** | Hackman Prosessi Oy Ab, Leppävirta, Finland | 100 | 100 |
| | Hadwaco Ltd Oy, Helsinki, Finland | 100 | 100 |
| | Hadwaco Inc., Atlanta, USA | 100 | |
| **TTT** | Hackman TTT Oy Ab, Toijala, Finland | 100 | |
| | Hackman TTT GmbH, Wipperfürth, Germany | 100 | |
| **CORPORATE SERVICE** | Hackman Invest Oy Ab, Helsinki, Finland | 100 | 100 |
| | Kiint. Oy Sorsakosken Teollisuustalot, Leppävirta, Finland | 100 | 86 |
| | Hackman Fürst AG, Baar, Switzerland | 100 | 100 |
| | Hackman-MKT Oy, Helsinki, Finland | 100 | 100 |
| | Rondex Oy Ltd., Helsinki, Finland | 100 | 100 |
| | Hackman MKT Inc., Groveport, USA | 100 | |
| | Hackman Norge A/S, Moss, Norge | 100 | |
| | Hackman Europe B.V., Leeuwarden, Netherlands | 100 | 100 |
| | Hackman USA Corporation, Groveport, USA | 100 | |

* Share holding equals voting rights

## 33. Associated Companies Dec. 31, 1999

| | Group Shareholding % | Group No. of Shares | Hackman Oyj Abp's Shareholding % | Shareholders' equity MEUR | Result for the period MEUR |
|---|---|---|---|---|---|
| Rörstrands Kulturforum AB<br>Lidköping, Sweden | 36.0 | 55000 | | 0.6 | -0.1 |

## 34. Shares and Holdings Dec. 31, 1999

| | Group Shareholding % | Group No. of Shares | Hackman Oyj Abp's Shareholding % |
|---|---|---|---|
| Art and Design City Helsinki Oy Ab | | 1000 | |
| Helsinki Halli Oy | | 13 | |
| Oy Kvartett Invest Ab, Helsinki | 15.0 | 15000 | 15.0 |
| OKR-liikkeeseenlaskijat osuuskunta | | 2 | |
| * Plastumgruppen Ab | 20.0 | 33333 | 20.0 |
| Sampo Vakuutusosakeyhtiö, Helsinki | | 102 | |
| * Kiint. Oy Annukka, Joutseno | 50.0 | 38 | 50.0 |
| * As. Oy Sorsakosken Pajaharju | 27.4 | 13598 | 27.4 |
| * Leppävirran matkailukeskus Oy | 33.3 | 150 | 33.3 |
| * As. Oy Pankkikallio Sorsakoski | 43.9 | 3507 | 43.9 |
| As. Oy Elvalanranta | | 1519 | |
| Helsingin Puhelin Oyj | | 1 | |
| * International Steel Co SpA, Italy | | | |
| Others | | | |

* Excluded from Group financial statements due to minor impact

# Group Key Ratios and Figures

| | | | 1995 | 1996 | 1997 | 1998 | **1999** |
|---|---|---|---|---|---|---|---|
| **Net sales** | | EUR million | 353.7 | 341.9 | 327.6 | 329.9 | **306.6** |
| Change | | % | 10.0 | -3.3 | -4.2 | 0.7 | **-7.0** |
| Exports and foreign sales | | EUR million | 198.7 | 194.3 | 188.8 | 211.1 | **185.7** |
| Share of net sales | | % | 56.2 | 56.8 | 57.6 | 64.0 | **60.6** |
| Salaries and benefits | | EUR million | 99.6 | 103.0 | 105.7 | 107.2 | **101.0** |
| Share of net sales | | % | 28.2 | 30.1 | 32.3 | 32.5 | **33.0** |
| Gross margin | | EUR million | 98.5 | 92.3 | 82.8 | 92.4 | **89.3** |
| Share of net sales | | % | 27.9 | 27.0 | 25.3 | 28.0 | **29.1** |
| Research and development expenses | | EUR million | 6.6 | 7.3 | 8.0 | 9.7 | **8.7** |
| Share of net sales | | % | 1.9 | 2.1 | 2.5 | 2.9 | **2.8** |
| Operating result before depreciation | | EUR million | 29.0 | 22.6 | 19.9 | 27.0 | **22.8** |
| Share of net sales | | % | 8.2 | 6.6 | 6.1 | 8.2 | **7.4** |
| Depreciation according to plan | | EUR million | 14.9 | 16.4 | 15.7 | 16.2 | **15.0** |
| Decrease in Group badwill | | EUR million | 0.3 | 0.0 | 0.0 | 0.0 | **0.0** |
| **Operating result** | | EUR million | 14.4 | 6.2 | 4.2 | 10.8 | **7.8** |
| Share of net sales | | % | 4.1 | 1.8 | 1.3 | 3.3 | **2.5** |
| Net financial expenses | | EUR million | 9.1 | 7.4 | 4.3 | 6.2 | **5.0** |
| Share of net sales | | % | 2.6 | 2.2 | 1.3 | 1.9 | **1.6** |
| **Result before extraordinary items** | | EUR million | 5.3 | -1.2 | -0.1 | 4.6 | **2.8** |
| Share of net sales | | % | 1.5 | -0.4 | 0.0 | 1.4 | **0.9** |
| **Result before appropriations and taxes** | | EUR million | 31.0 | 4.6 | 6.2 | 10.6 | **-14.5** |
| Share of net sales | | % | 8.8 | 1.3 | 1.9 | 3.2 | **-4.7** |
| Direct taxes, operations | | EUR million | 2.2 | 1.9 | 2.7 | -1.0 | **2.0** |
| Direct taxes, extraordinary items | | EUR million | 6.6 | 1.8 | 1.0 | 2.5 | **-4.4** |
| Minority interests | | EUR million | 1.8 | 1.1 | 1.9 | 0.6 | **0.2** |
| Value added | | EUR million | 137.5 | 134.2 | 133.3 | 141.1 | **130.6** |
| Financial result | | EUR million | 43.4 | 19.1 | 19.2 | 27.8 | **-1.4** |
| Share of net sales | | % | 12.3 | 5.6 | 5.8 | 8.4 | **-0.5** |
| **Gross investments** | | EUR million | 24.0 | 17.1 | 13.3 | 32.1 | **14.7** |
| Share of net sales | | % | 6.8 | 5.0 | 4.1 | 9.7 | **4.8** |
| Dividends paid | 1) | EUR million | 2.2 | 1.8 | 1.8 | 1.8 | **1.8** |
| Interest bearing financial assets | | EUR million | 14.4 | 19.8 | 14.8 | 10.9 | **10.3** |
| Interest free financial assets | | EUR million | 80.7 | 70.3 | 56.8 | 53.4 | **62.7** |
| Inventories | | EUR million | 85.5 | 82.7 | 73.1 | 66.3 | **65.1** |
| Fixed assets | | EUR million | 155.6 | 149.5 | 129.6 | 120.5 | **113.9** |
| Interest free liabilities | 2) | EUR million | 80.9 | 73.7 | 67.9 | 58.2 | **59.9** |
| Interest bearing liabilities | | EUR million | 136.7 | 129.4 | 92.2 | 81.9 | **83.9** |
| Share of net sales | | % | 38.7 | 37.8 | 28.2 | 24.8 | **27.4** |
| Net working capital | | EUR million | 93.3 | 88.1 | 69.7 | 64.5 | **70.2** |
| Share of net sales | | % | 26.4 | 25.8 | 21.3 | 19.6 | **22.9** |
| Minority interests | | EUR million | 4.0 | 9.3 | 9.2 | 2.7 | **0.0** |
| Shareholders' equity | 2) | EUR million | 114.5 | 109.5 | 102.8 | 104.0 | **90.7** |
| Balance sheet total | | EUR million | 336.2 | 322.3 | 274.3 | 251.1 | **252.0** |
| **Return on investment** | 2) | % | 6.5 | 3.2 | 2.9 | 5.6 | **4.4** |
| **Return on equity** | 2) | % | 2.5 | -2.6 | -2.4 | 5.1 | **0.9** |
| **Gearing** | 2) | % | 104.4 | 92.7 | 70.5 | 67.0 | **82.0** |
| **Equity ratio** | 2) | % | 35.7 | 37.2 | 41.3 | 42.7 | **36.1** |
| Quick ratio | | | 0.8 | 0.8 | 0.8 | 0.7 | **1.2** |
| Current ratio | | | 1.4 | 1.5 | 1.6 | 1.5 | **2.2** |
| **Average number of personnel** | | | 3 221 | 3 248 | 3 117 | 3 225 | **2 991** |
| Abroad | | | 1 402 | 1 480 | 1 471 | 1 521 | **1 328** |
| Total personnel Dec. 31 | | | 3 187 | 3 204 | 3 084 | 3 003 | **2 943** |
| Abroad | | | 1 418 | 1 449 | 1 430 | 1 319 | **1 316** |
| Net Sales / person | | EUR million | 0.11 | 0.11 | 0.11 | 0.10 | **0.10** |
| Value added / person | | EUR million | 0.04 | 0.04 | 0.04 | 0.04 | **0.04** |

1) Proposal of the Board for 1999.

2) General untaxed reserves have been divided into retained earnings (59-72%) and deferred tax liability (28-41%).

# Calculation of Key Ratios

| | |
|---|---|
| Value added | Operating result before depreciation + salaries and benefits + rental costs |
| Financial result | Result before appropriations and taxes + planned depreciation - decrease in Group reserves - direct taxes from operations |
| Net working capital | Non-interest bearing current assets + inventories - current non-interest bearing liabilities |
| Return on net assets (RNA) | Result after financial items + interest and other financial expenses × 100 / Average(Balance sheet total - non-interest bearing liabilities) |
| Return on equity (ROE) | Result before extraordinary items - taxes from operations × 100 / Average (shareholders' equity + minority interest) |
| Equity ratio | Shareholders' equity + minority interest × 100 / Total assets - advances received |
| Gearing | Interest bearing liabilities - cash and bank and other investments × 100 / Shareholder's equity + minority interest |
| Quick ratio | Current assets / Current liabilities - advances received |
| Current ratio | Current assets + inventories / Current liabilities |
| Earnings per share (EPS) | Result before extraordinary items - minority interest - taxes from operations / Average number of shares |
| Cash flow per share | Result after financial items + depreciation - taxes from operations / Average number of shares |
| Shareholders' equity / share | Shareholders' equity / Number of shares at year end |
| Dividend / share | Dividend / Number of shares at year end |
| Dividend as a percentage of earnings | Dividend/share × 100 / Earnings per share |
| Effective dividend yield | Dividend/share × 100 / Year end share price |
| Price earnings ratio (P/E) | Year end share price / Earnings per share |

# Financial risk management

At Hackman, financial risk management is based on a Board-approved risk policy which establishes a framework for hedging operations and enables Hackman to take exchange rate and interest rate positions within specified risk limits.

### INTEREST RATE RISK MANAGEMENT

Hackman's long-term objective for managing the Group's exposure to interest rate risks is to minimize financing expenses within specified risk limits. Hackman's interest rate exposure arises primarily from the Group's debt and investments, and from cash flows from business operations. The currencies that currently are the most significant in this respect are the euro and the Swedish krona.

In hedging its interest rate exposure, Hackman strives to keep the risk as close as possible to the position deemed neutral. A position is considered neutral when it can be expected that a change in the Group's interest expenses resulting from movements in the general level of interest rates will be compensated for by a simultaneous change, in the opposite direction, in the Group's business performance. Interest rate risk is managed using GAP analysis. The average term of the debts has to be at least 12 months.

### EXCHANGE RATE RISK MANAGEMENT

The purpose of exchange rate risk management is to limit the impact of exchange rate movements on the Group's cash flow and shareholders' equity. Hackman's exchange rate exposure arises from the Group's cash flows, receivables, or debts denominated in, or otherwise affected by, foreign currencies. Finished products in Hackman's core business areas are for the most part priced and invoiced in the local currencies. Movements in the Swedish krona against the euro constitute the most material risk to Hackman's business. Other significant currencies are the Norwegian krone, Danish krone and U.S. dollar.

The shareholders' equity of foreign subsidiaries also poses a material exchange rate risk to the Group. The principal exposure in this respect is in the Swedish krona.

The Group's exposure to exchange rate risks is monitored respective to each Group company, against several base currencies, on the basis of the net foreign exchange exposure, which includes the aforementioned risk factors. The risk is hedged primarily by netting currency flows. The Group companies hedge their net exposures through the Group Treasury. The risk involved in any open position is hedged with forward foreign exchange agreements and currency options. The maturities of the contracts used to hedge cash flows from business operations do not exceed 12 months.

Extensive hedging against movements in exchange rates is not possible or even practical in countries whose currencies lack the advanced money markets in which sophisticated hedging operations are available. Such countries include Russia, Hungary and Poland. This circumstance does not however expose the Group to material exchange rate risks.

### CREDIT RISK

Credit risk in financing arises from cash investments and the credit risk involved in derivative contracts. The credit risk arises from the potential failure of the counterparty to meet its contractual obligations. The amount of risk thus depends on the counterparty's creditworthiness. Hackman seeks to minimize credit risk by entering into derivative contracts with financial institutions and brokers within the approved credit limits.

### LIQUIDITY RISK

The Group strives to maintain adequate liquidity with credit facilities and a commercial paper program. Cash funds are invested according to the finance policy, in instruments with low credit risks.

### REFINANCING RISK

Refinancing risks are minimized by ensuring that the loan portfolio's proportion of long-term loans is adequate and that the maturities of those loans are sufficiently long.

# Share Capital, Shares and Shareholders

### CAPITAL STOCK

The paid-in and registered capital stock of Hackman Oyj Abp totals EUR 14,960,000.00. During 1999 the company's capital stock of FIM 88,000,000 was redenominated as EUR 14,800,537.53. At the same time, the capital stock was increased through a fund issue of EUR 159,462.47. According to the company's articles of incorporation, Hackman's minimum capital is EUR 11,245,500.00, and its maximum capital is EUR 33,583,500.00. Within these limits, capital stock may be adjusted without amending the articles of incorporation.

### BOARD'S AUTHORITY FOR STOCK AND CONVERTIBLES

During 1999, the Board of Directors of Hackman Oyj Abp did not have authority to increase the capital stock, or to issue any options or convertibles; nor did the company have any options or convertibles on the market during the year.

### OPTION PROGRAM FOR KEY GROUP PERSONNEL

The regular annual meeting of shareholders decided on April 16, 1998, to issue options in an amount not to exceed EUR 0.5 million (FIM 3.0 million) to key company personnel. The Board of Directors was authorized to attend to the distribution of the option rights. A maximum of 150,000 options could be issued, entitling the holders to subscribe to a total of no more than 150,000 A shares of Hackman Oyj Abp. Hackman Oyj Abp has had the possibility to issue specified persons a maximum of 150,000 option rights, of which 75,000 will be marked with the letter A and 75,000 with the letter B.

At its meeting of August, 1998, the Board of Directors decided to grant 50 key persons the right to subscribe to options. The subscription period will begin in stages, on May 1, 2001, and May 1, 2003, assuming that HackmanGroup's result after financial items exceeds EUR 12.6 million (FIM 75.0 million) in the last financial statements approved before the subscription period. The subscription period for all option certificates will end May 31, 2005. The subscription price will be EUR 42.21 (FIM 251.00) per share. The amount of cash dividends distributed after May 1, 1998, but before the subscription, will be deducted from the subscription price per share. The subscription price per share will not be less than the share's face value, however.

### SHARES AND VOTING RIGHTS

Hackman Oyj Abp's shares have a face value of EUR 3.40 and are divided into two types: A shares and K shares. There are 3,582,500 A shares, representing 81.4% of the total shares outstanding. Each A share entitles its holder to one vote at the annual meeting of shareholders. There are 817,500 K shares, representing 18.6% of all outstanding shares. Each K share entitles its holder to 20 votes at the annual meeting of shareholders. The articles of incorporation include a repurchasing clause, according to which the company and the other K share holders enjoy the right of first refusal if K shares would otherwise come into the possession of a party other than a descendant of Commercial Counsellor Wilhelm Hackman or Consul Carl Edvin Julius Ekström.

According to the articles of incorporation, no shareholder may exercise more than 10% of the voting rights represented at the annual meeting of shareholders.

The articles of incorporation also provide that, in the event of a stock issue, K shareholders may purchase new K or A shares, while A shareholders may only purchase new A shares. K and A shares entitle their holders to the same dividend rights.

### DIVIDEND DISTRIBUTION POLICY

The company has no approved dividend distribution policy. In making its recommendation to the annual meeting of shareholders, the Board of Directors considers both the long-term result trend and the company's financial situation. In conformity with the prevailing practice, the annual meeting of shareholders decides each year on the dividend to be distributed.

**Changes in capital stock 1995 - 1999**

| Date and method | New Share Volume | Increase/decrease in Share Capital, EUR | Share Capital After Changes, EUR |
|---|---|---|---|
| Reduction 1998 | -22 500 | - 75 684.57 | 14 800 537.53 |
| Fund Issue 1999 | | 159 462.47 | 14 960 000.00 |

No changes in capital stock 1995 - 1997

| **Capital stock and shares, 1995 - 1999** | 1995 | 1996 | 1997 | 1998 | **1999** |
|---|---|---|---|---|---|
| Capital stock, EUR million | 14.9 | 14.9 | 14.9 | 14.8 | **15.0** |
| Share volume, 1 000 | | | | | |
| A-shares | 3 582.5 | 3 582.5 | 3 582.5 | 3 582.5 | **3 582.5** |
| K-shares | 817.5 | 817.5 | 817.5 | 817.5 | **817.5** |
| Total number of shares outstanding (1 000) | 4 400.0 | 4 400.0 | 4 400.0 | 4 400.0 | **4 400.0** |
| K shares redeemed (1 000) | 22.5 | 22.5 | 22.5 | 22.5 | **22.5** |
| Number of shares at year end (1 000) | 4 400.0 | 4 400.0 | 4 400.0 | 4 400.0 | **4 400.0** |
| Average number of shares (1 000) | 4 400.0 | 4 400.0 | 4 400.0 | 4 400.0 | **4 400.0** |

There were no adjustments in stock issues during the five-year period.

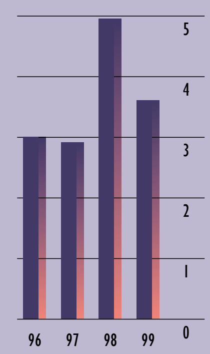
| **Share Price and Turnover** | | 1995 | 1996 | 1997 | 1998 | **1999** |
|---|---|---|---|---|---|---|
| Face value | EUR | 3.36 | 3.36 | 3.36 | 3.36 | **3.40** |
| Finnish Tax value | EUR | 10.43 | 14.46 | 20.18 | 16.48 | **11.66** |
| Price of A share | EUR | | | | | |
| average[1)] | | 15.48 | 20.58 | 27.26 | 36.28 | **16.69** |
| low | | 12.45 | 15.31 | 18.84 | 22.71 | **13.00** |
| high | | 21.02 | 25.56 | 33.64 | 40.37 | **30.00** |
| year end | | 15.64 | 20.86 | 30.27 | 25.23 | **16.75** |
| Year end total market value [2)] | EUR million | 68.82 | 91.76 | 133.20 | 111.00 | **73.70** |
| Turnover of A shares | EUR million | 9.44 | 26.22 | 40.83 | 37.30 | **21.10** |
| volume | (1000 ) | 609.4 | 1 274.1 | 1 498.0 | 1 028.6 | **1 261.7** |
| proportion of A shares outstanding | % | 17.0 | 35.6 | 41.8 | 28.7 | **35.2** |
| Total number of shareholders, December 31 | | 2 893 | 2 758 | 2 190 | 1 992 | **2 371** |

[1)] Turnover divided by volume of euro-denominated A shares

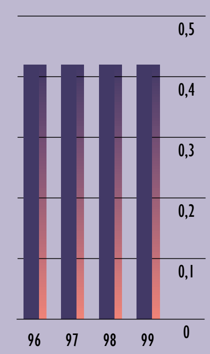
[2)] Number of shares outstanding at year end, multiplied by year end A share price.

EARNINGS/SHARE, EUR

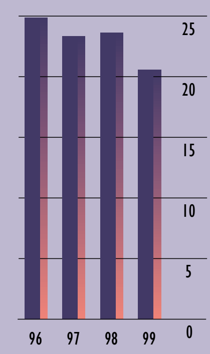

CASH FLOW/SHARE, EUR




DIVIDEND/SHARE, EUR




EQUITY/SHARE, EUR




**Largest Shareholders**

| | | K shares | | A shares | | Total | | Voting rights |
|---|---|---|---|---|---|---|---|---|
| According to book-entry system, Dec. 31, 1999 | | Number | % | Number | % | Number | % | % |
| 1. | Susanne Hohenthal | 35 765 | 4.4 | 51 169 | 1.4 | 86 934 | 2.0 | 3.8 |
| 2. | Robin Ekström | 35 550 | 4.3 | 50 950 | 1.4 | 86 500 | 2.0 | 3.8 |
| 3. | Karsina Oy | 34 450 | 4.2 | | | 34 450 | 0.8 | 3.5 |
| 4. | Helene Franzén | 27 380 | 3.3 | 61 438 | 1.7 | 88 818 | 2.0 | 3.1 |
| 5. | Christina Diehl | 27 572 | 3.4 | 47 547 | 1.3 | 75 119 | 1.7 | 3.0 |
| 6. | Ebba Valentini | 25 400 | 3.1 | 77 320 | 2.2 | 102 720 | 2.3 | 2.9 |
| 7. | Jan Hörhammer | 25 000 | 3.1 | 85 000 | 2.4 | 110 000 | 2.5 | 2.9 |
| 8. | Birgitta Reims | 27 623 | 3.4 | 30 916 | 0.9 | 58 539 | 1.3 | 2.9 |
| 9. | Johan Gripenberg | 27 623 | 3.4 | 30 000 | 0.8 | 57 623 | 1.3 | 2.9 |
| 10. | Robin Hackman | 25 953 | 3.2 | 61 661 | 1.7 | 87 614 | 2.0 | 2.9 |
| Total, 10 largest shareholders | | 292 316 | 35.8 | 496 001 | 13.8 | 788 317 | 17.9 | 31.7 |
| Board members and CEO | | 25 000 | 3.1 | 86 510 | 2.4 | 111 510 | 2.5 | 2.9 |
| Executive Board members | | | | 2 807 | 0.1 | 2 807 | 0.0 | 0.0 |

**Distribution of shares**

| | Number of | | Shares | | Votes | |
|---|---|---|---|---|---|---|
| According to book-entry system, Dec. 31, 1999 | Shareholders | % | (1 000 ) | % | (1 000 ) | % |
| 1 - 99 | 1 284 | 54.1 | 62 | 1.4 | 66 | 0.3 |
| 100 - 999 | 868 | 36.6 | 216 | 4.9 | 338 | 1.7 |
| 1 000 - 9 999 | 151 | 6.4 | 439 | 10.0 | 2 315 | 11.6 |
| 10 000 - 99 999 | 61 | 2.6 | 2 283 | 51.9 | 14 855 | 74.6 |
| 100 000 - 999 999 | 7 | 0.3 | 1 393 | 31.6 | 2 351 | 11.8 |
| Not transferred to book-entry system | | | 7 | 0.1 | 7 | 0.0 |
| Total | 2 371 | 100.0 | 4 400 | 100.0 | 19 932 | 100.0 |

**Ownership Structure**

| | Shareholders | | Shares | | Votes | |
|---|---|---|---|---|---|---|
| According to book-entry system, Dec. 31, 1999 | Number | % | (1 000 ) | % | (1 000 ) | % |
| Private individuals | 2 155 | 90.9 | 2 539 | 57.7 | 16 396 | 82.3 |
| Financial institutions | 14 | 0.6 | 155 | 3.5 | 155 | 0.8 |
| Companies | 154 | 6.5 | 133 | 3.0 | 789 | 4.0 |
| Nonprofit institutions | 8 | 0.3 | 519 | 11.8 | 519 | 2.6 |
| Nonprofit organizations | 8 | 0.3 | 26 | 0.6 | 26 | 0.1 |
| Foreign and nominee-registered | 32 | 1.4 | 1 021 | 23.2 | 2 041 | 10.2 |
| Not transferred to book-entry system | | | 7 | 0.2 | 7 | 0.0 |
| Total | 2 371 | 100.0 | 4 400 | 100.0 | 19 932 | 100.0 |

**STOCK LISTING**

Hackman Oyj Abp's stock was first listed on the Helsinki Stock Exchange on June 1, 1994. Public quotation of Hackman stock began on July 19, 1988, on the Helsinki OTC Exchange, which is overseen by the Finnish Security Brokerage Association.

In 1999 a total of 1,261,750 A shares (1998: 1,028,608), representing 35.2% of all A shares outstanding, changed hands. The turnover had a total value of EUR 21.1 million (EUR 37.3 million).

The price of Hackman A shares reached its 1999 low of EUR 13.00 in December and its 1999 high of EUR 30.00 in January. At the end of 1999 the share price was EUR 16.75. The total market value of all shares was EUR 73.7 million. The average share price for the year was EUR 16.69.

**SHAREHOLDERS AND MANAGEMENT HOLDINGS**

According to the book-entry system, Hackman Oyj Abp had 2,371 shareholders as of December 31, 1999. Nominee-registered and foreign-owned shares totaled 1,021,035, representing 23.2% of all shares and 10.2% of the voting rights.

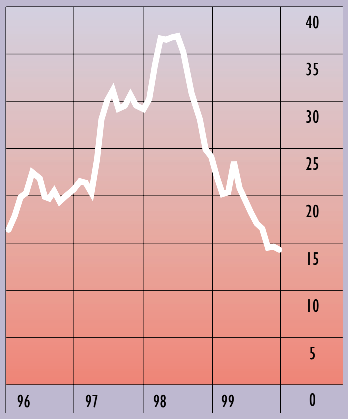
The members of the Board of Directors owned a total of 25,000 K shares and 86,510 A shares. This represented 2.9% of the company's total voting rights. Members of the Group Executive Board held 2,807 A shares, carrying less than 0.1% of the company's voting rights.

**SHAREHOLDER AGREEMENTS AND OTHER COMMITMENTS**

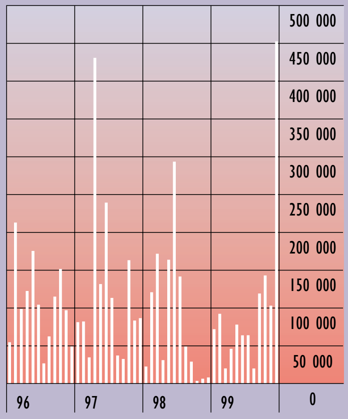
The company has not concluded, nor is it aware of, any shareholder agreements respecting shares, or any other commitments respecting the ownership of the company or the exercise of voting rights.

HackmanGroup adapts in its activities to the Insider Guidelines of the Helsinki Exchanges.

A-SHARE PRICES
1996-1999, EUR




A-SHARE TRADING VOLUMES
1996-1999




**Group share-related key figures**

| | | | 1995 | 1996 | 1997 | 1998 | **1999** |
|---|---|---|---|---|---|---|---|
| Earnings / share | | EUR | 0.29 | -0.96 | -1.07 | 1.14 | **0.16** |
| Cash flow / share | | EUR | 4.02 | 3.01 | 2.92 | 4.96 | **3.61** |
| Equity / share | 1) | EUR | 26.01 | 24.89 | 23.35 | 23.64 | **20.60** |
| Dividend / share | 2) | EUR | 0.50 | 0.42 | 0.42 | 0.42 | **0.42** |
| Dividend / earnings | | % | 176.3 | neg. | neg. | 36.9 | **259.0** |
| Effective dividend yield | | % | 3.2 | 2.0 | 1.4 | 1.7 | **2.5** |
| Price / earnings ratio (P/E) | | | 54.6 | neg. | neg. | 22.1 | **103.3** |

There were no adjustments in stock issues during the five-year period.

1) Of reserves and accumulated depreciation in excess of plan, 59 - 72 % has been carried as equity, and 28 - 41 % as deferred tax liability.

2) Proposal of the Board of Directors for 1999.

# Proposal of the Board of Directors

| | | |
|---|---|---|
| According to the Group balance sheet the unrestricted equity as of December 31, 1999 amounted to | EUR | 36 735 000 |
| of which the distributable unrestricted equity amounted to | EUR | 25 406 000 |

The Parent Company's unrestricted equity breaks down as follows:

| | | |
|---|---|---|
| Operational fund, 31 December, 1999 | EUR | 19 928 860 |
| Retained earnings, 31 December, 1999 | EUR | 44 186 818 |
| Profit for the year | EUR | -22 164 087 |
| | EUR | 41 951 591 |

The Board of Directors recommends that:

| | | |
|---|---|---|
| - a dividend on 1999 of EUR 0.42 per share be distributed on the 817 500 K-shares outstanding and on the 3 582 500 A-shares outstanding, the sum totalling | EUR | 1 848 000 |
| - a sum is to be retained in the Group's operational fund amounting to | EUR | 19 928 860 |
| - the remaining sum is to be held in retained earnings | EUR | 20 174 731 |
| | EUR | 41 951 591 |

Helsinki, 17 February, 2000

*Stig Gustavson*

*Björn Gavelstad*

*Carl-Olaf Homén*

*Jan Hörhammer*

*Lars Renström*

*Tapio Hintikka*
*President and CEO*

# Auditors' Report

**To the shareholders of Hackman Oyj Abp**

We have audited the accounting, the financial statements, the consolidated financial statements and the administration of Hackman Oyj Abp for the accounting period 1 January - 31 December, 1999. The financial statements, which include the report of the Board of Directors, the income statements and the balance sheets and notes to the financial statements of the consolidated closing and of the closing of the parent company, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on the administration.

We have conducted 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. Our audit included 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 the administration is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion, the financial statements for the financial period showing a loss for the parent company of EUR 22.164.087, 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 can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the period examined by us. The proposal by the Board of Directors regarding the handling of the result is in compliance with the Companies Act.

Helsinki, 1 March, 2000

| | |
|---|---|
| *Kristian Hallbäck* | *Anders Borgström* |
| *Authorized Public Accountants* | *Authorized Public Accountants* |

# Board of Directors, Auditors

*Board of Directors from left to right:*

*STIG GUSTAVSON,*

*LARS RENSTRÖM,*

*JAN HÖRHAMMER,*

*BJÖRN GAVELSTAD,*

*CARL-OLAF HOMÉN.*

**BOARD**

STIG GUSTAVSON
*1945. Chairman. President and CEO of KCI Konecranes International Plc.
Board Member since 1997. Term expires 2000. Series A shares 1,000.

BJÖRN GAVELSTAD
*1939. Director of Orkla Foods International.
Board Member since 1996. Term expires 2002.

CARL-OLAF HOMÉN
*1936. Board Member since 1980. Term expires 2001.
Series A shares 510.

JAN HÖRHAMMER
*1945. Division Director of Vaisala Oy. Board Member since 1992.
Term expires 2001. Series A shares 85,000 and Series K shares 25,000.

LARS RENSTRÖM
*1951. Managing Director of Seco Tools AB. Board Member since 1997.
Term expires 2000.

**AUDITORS**

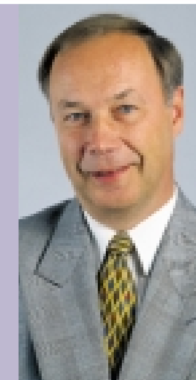
Authorized Public Accountants Kristian Hallbäck and Anders Borgström

DEPUTY AUDITORS

Authorized Accounting Firm, Tilintarkastajien Oy - Ernst & Young
and Authorized Public Accountant Roger Rejström

# Executive Board



*TAPIO HINTIKKA* *LARS MALMQVIST* *TOUKO LAINE* *JUHANI KUJALA*

*MICHAEL RAMM-SCHMIDT* *MARKUS NYMARK* *HENRIK IMMONEN* *TERO VÄHÄKYLÄ*




**EXECUTIVE BOARD**

TAPIO HINTIKKA
*1942. President and CEO. Employed since 1997.

HENRIK IMMONEN
*1946. President, TTT and Managing Director of Hackman TTT Oy Ab.
Employed since 1989.

JORI KECKMAN
*1961. President, Designor and Managing Director of Designor Oy Ab.
Employed 1986 – 1991 and 1994 – 2000. Series A shares 400.

JUHANI KUJALA
*1944. Vice President, Group Strategic Planning and Development.
Employed since 1994. Series A shares 50.

TOUKO LAINE
*1943. Vice President, Administration.
Employed since 1990. Series A shares 10.

LARS MALMQVIST
*1946. Vice President, CFO
Employed since 1990. Series A shares 214.

MARKUS NYMARK
*1946. President, Hadwaco and Managing Director of Hadwaco Ltd Oy.
Employed 1981 – 1989 and since 1992. Series A shares 121.

MICHAEL RAMM-SCHMIDT
*1952. President of Metos and Managing Director of Hackman Metos Oy Ab.
Employed since 1989. Series A shares 2,012.

TERO VÄHÄKYLÄ
*1958. President, Designor and Managing Director of Designor Oy Ab.
Employed since 1.3.2000.

# Key Personnel of HackmanGroup and Divisions

**HACKMANGROUP**

JUSSI JÄNTTI, Finance Manager

KAISA KOKKONEN, Business Controller

TERHI SÄILÄ, Communication Officer

**DESIGNOR**

TERO VÄHÄKYLÄ
President, Designor • Managing Director, Designor Oy Ab

**Business Areas:**

PETRI PITKÄRANTA, Director, Business Area Arabia

THOMAS ENCKELL, Director, Business Area Hackman

JUHANI VESTERINEN, Director, Business Area iittala

HANS BIÉTH, Director, Business Area Rörstrand

HENRY LÖFSTEDT, Business Controller, Executive Vice President

**METOS**

MICHAEL RAMM-SCHMIDT
President, Metos • Managing Director, Hackman Metos Oy Ab

YRJÖ SULAVUORI, Director, Finland, Marketing

LENNART SANDIN, Director, Sweden

ARNE DALSENG, Director, Norway

JARMO SALMINEN, Director, Baltic Countries, Project Export

LEENA KOSKELAINEN, Director, Russia

JARMO SEPPÄLÄ, Director, Marine

PEKKA MÖNKKÖNEN, Director, Cooking Equipment,
Stainless Steel Fabrication

JARKKO AHLSTÉN, Director, Dishwashing Systems and
Product Sourcing

TORSTEN NYBERG, Managing Director, Wexiödisk AB

OTTORINO CASONATO, Managing Director, Dihr S.r.l.

PAOLO CANDIAGO, Managing Director, Olis S.p.A. and Polaris S.p.A.

GÖRAN FRÖLANDER-ULF, Director, Finance

PENTTI KIVINEN, Director, Logistics

PETER WAENERBERG, Director, IT

HACKMANGROUP

DESIGNOR

ARABIA FINLAND HACKMAN iittala FINLAND Rörstrand SWEDEN

**HADWACO**

MARKUS NYMARK
President, Hadwaco • Managing Director, Hadwaco Ltd. Oy

VEIKKO PITKÄNEN, Director, Process Equipment

PETER KOISTINEN, Director, Marketing and Sales

LEIF RAMM-SCHMIDT, Product Development Director

ERKKI KASANEN, Technical Director, Water Treatment Systems

VESA SOININEN, Export Manager, Process Equipment

**TTT**

HENRIK IMMONEN
President, TTT • Managing Director, Hackman TTT Oy Ab

SEPPO KAUPPINEN, Vice President, Sales and Marketing

REIJO LEIWO, Production Director

MARKKU VUORINEN, Technical Director

HELINÄ KNUUTILA, Finance and Administration Manager

ANTTI TUOMOLA, Sales Director, Finland and Nearby Countries

TIMO TIKKA, General Manager, Regional Office, Asia-Pacific

HELMUT W. KRÄMER, Sales Director, Hackman TTT GmbH, Germany

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# Notice to the Shareholders

**ANNUAL SHAREHOLDERS' MEETING**

Wednesday 12 April 2000, 3.00 p.m. Hotel Strand Inter-Continental, John Stenbergin ranta 4, Helsinki.

All shareholders who have been registered no later than 7 April, 2000 in the official company shareholder register kept by Suomen Arvopaperi-keskus Oy may participate in the Annual Shareholders' Meeting.

Notification of attendance no later than 10 April, 2000, 2.00 p.m. to:
Hackman Oyj Abp, Share register, P.O.Box 955, 00561 HELSINKI
or by phone + 358 204 39 5717 (in Finland 0204 39 5717)
or e-mail: yvonne.kaleij@hackmangroup.com

If your address changes, please inform your book-entry account keeper of the new address.

**PAYMENT OF DIVIDENDS**

The Board of Directors has proposed a dividend of EUR 0.42 per share for 1999 on both Series A and K shares. The dividend clearing day is to be 17 April, 2000 and the date of payment, 26 April, 2000, if the proposal of the Board is approved. Shareholders who have not changed over to the Book-Entry Securities System by the clearing day will receive their dividend payment once their shares have been changed over to the system.

**FINANCIAL INFORMATION**

HackmanGroup will publish the following reports in Finnish, Swedish and English:

| | |
|---|---|
| Annual Report 1999 | Week 12 |
| Interim Report for January – April 2000 | Wed. 31 May, 2000 |
| Interim Report for January – August 2000 | Wed. 4 October, 2000. |

**The publications can be ordered by writing to**
Hackman Oyj Abp, Group Communications,
P.O.Box 955, FIN-00561 HELSINKI
or by phone + 358 204 39 5733 (in Finland 0204 39 5733)
or by fax + 358 204 39 5708 (in Finland 0204 39 5708).

All financial information will also be published on HackmanGroup's web pages:
**www.hackmangroup.com**

# Annual Report Jan. 1 – Dec. 31, 1999

- **The HackmanGroup is concentrating on the core divisions, Designor and Metos.**
- **For our other divisions, we are seeking industrial partners or owners.**
- **Provisions have been made for the Group's restructuring and reorganization expenses.**

HackmanGroup's net sales fell by 7.0% to FIM 1 823.1 million (1998: FIM 1 961.2 million). The Group's operating result was FIM 46.4 million (FIM 64.0 million), and the result after financial items was FIM 16.9 million (FIM 27.3 million). The Board of Directors proposes that a dividend of FIM 2.50/share be paid for 1999 (FIM 2.50/share).

### NET SALES

Net sales in our core divisions, Metos and Designor, increased by 7.4%, while net sales in our other divisions fell by 38.7%. This decline stemmed primarily from a weakening in the Eurotanks Division's sales, and from the sale of the Peerless Saw Company.

The Group's net sales fell by 7.0% in the period under review. The Group's net sales were FIM 14.5 million (or 0.8%) higher than in 1998, if one omits from the calculation the plastic and candle business operations sold in 1998 as well as process-tank business operations sold in Sweden in 1998. Exports and foreign operations represented 60.6% of net sales (63.9%). The volume of orders in hand was FIM 160.7 million, which is FIM 11.8 million more than in the turn of the year 1998/1999.

The net sales has been calculated in accordance with The Finnish new Bookkeeping Act. Credit losses and delivery expenses of sold products are now entered as fixed expenses. The figures for earlier periods have been adjusted accordingly.

**Net sales by division1 January - 31 December**

| FIM million | 1999 | 1998 | Change % |
|---|---|---|---|
| Designor | **779.9** | 768.6 | 1.5 |
| Metos | **665.9** | 578.1 | 15.2 |
| Eurotanks | **199.5** | 302.6 | -34.1 |
| Hadwaco | **54.8** | 72.4 | -24.3 |
| TTT | **108.3** | 125.8 | -13.9 |
| Group functions and other | **15.5** | 128.0 | -87.9 |
| Internal eliminations | **-0.8** | -14.3 | -94.0 |
| TOTAL | **1 823.1** | 1 961.2 | -7.0 |

**Net sales by market area**

| FIM million | | | |
|---|---|---|---|
| Finland | **719.2** | 706.0 | 1.9 |
| Other Nordic Countries | **558.9** | 631.5 | -11.5 |
| Other European Countries | **426.6** | 468.7 | -9.0 |
| North America | **52.9** | 67.3 | -21.4 |
| Other | **65.5** | 87.8 | -26.3 |
| TOTAL | **1 823.1** | 1 961.2 | -7.0 |

### RESULT

The Group's gross margin was 29.1% of net sales (28.0%), and the operating result was FIM 46.4 million (FIM 64.0 million). The result after financial items decreased by FIM 10.4 million to FIM 16.9 million (FIM 27.3 million). The decline stemmed primarily from a drop in sales of the Eurotanks Division.

Other operating income, FIM 24.5 million (FIM 20.0 million), included, among other things, FIM 4.7 million (FIM 3.4 million) in compensation for damages, FIM 4.1 million in gain from the sale of the Peerless Saw Company, rental income of FIM 4.3 million (FIM 4.1 million), and FIM 5.4 million (FIM 4.9 million) in gains from sales of fixed assets. Other operating expenses, totaling FIM 73.4 million (FIM 69.8 million), included, among other things, FIM 51.5 million (FIM 57.6 million) in research and development expenses. Depreciation according to plan, which is recorded under each business function's expenses, totaled FIM 89.3 million (FIM 96.3 million). Of this total, depreciation of goodwill accounted for FIM 19.0 million (FIM 20.4 million).

Income and expenses arising from major restructuring and sales of business functions external to actual business operations are presented as extraordinary items, which totaled FIM –102.9 million (FIM 35.8 million). The restructuring and reorganization expenses of FIM 99.0 million (FIM 8.0 million) connected with Hadwaco and Eurotanks are recorded as extraordinary expenses, as are the FIM 3.9 million (FIM 4.8 million) for pension arrangements formerly noted outside the balance sheet. There was no extraordinary income during the period under review - in contrast to 1998, when FIM 48.2 million in gains from sales of forest and land, FIM 5.5 million in gains from sales of business operations and among other things, were recorded as extraordinary income.

The result before appropriations and taxes was FIM –86.0 million (FIM 63,1 million), or FIM 149.1 million less than in 1998.

Taxes for the period were a net income of FIM 14.3 million (FIM –8.5 million). The Group's deferred tax liability decreased by FIM 4.7 million (FIM 29.3 million). The deferred tax refund in Finland, FIM 15.8 million, has been entered in its probable amount. The result after financial items, taxes and minority interest was FIM –72.6 million (FIM 51.0 million).

**Operating result by division1 January - 31 December**

| FIM million | 1999 | 1998 |
|---|---|---|
| Designor | **56.0** | 51.0 |
| Metos | **40.7** | 45.9 |
| Eurotanks | **-5.5** | 11.6 |
| Hadwaco | **-27.2** | -15.6 |
| TTT | **3.1** | 4.8 |
| Group functions and other | **-12.5** | -25.0 |
| Internal eliminations | **-8.2** | -8.7 |
| TOTAL | **46.4** | 64.0 |

### REVIEW OF DIVISIONS

Designor's net sales totaled FIM 779.9 million (FIM 768.6 million), of which 52.4% or FIM 409.1 million came from outside of Finland (52.1%; FIM 400.6 million). Designor's operating result, FIM 56.0 million, exceeded the 1998 result (FIM 51.0 million) by FIM 5.0 million. The division has decided to centralize production of stainless steel cookware at the plant in Sorsakoski, Finland, and the production of aluminum cookware at the plant in Moss, Norway. Designor has made FIM 10.0 million provisions for these expenses in its 1999 financial statement, under other operating expenses.

Metos's net sales totaled FIM 665.9 million (FIM 578.1 million), of which 60.8% or FIM 404.7 million originated outside of Finland (59.3%, FIM 342.7 million). Metos's operating result of FIM 40.7 million fell FIM 5.2 million short of the 1998 result of FIM 45.9 million. In May Wexiödisk Förvaltnings AB became a fully owned subsidiary of Metos when the latter acquired the remaining 15% of the company's shares. In November Metos signed an agreement to purchase the entire capital stock of the Italian Olis Group. It is expected that the deal will be concluded in March, 2000.

Eurotanks' net sales totaled FIM 199.5 million (FIM 302.6 million), 100% of which came from operations outside of Finland (100%, FIM 302.6 million). The operating result was FIM –5.5 million, a decrease of FIM 17.1 million from the 1998 figure of FIM 11.6 million. The division is in the midst of restructuring, and its sale is being planned.

Hadwaco's net sales came to FIM 54.8 million (FIM 72.4 million), of which 43.5% or FIM 23.9 million originated outside of Finland (49.2%, FIM 35.4 million). The operating result was FIM –27.2 million, or FIM 11.6 million less than in 1998 (FIM –15.6 million). The division is in the midst of restructuring, and negotiations aimed at cooperative partnership are in progress.

Hackman TTT's net sales totaled FIM 108.3 million (FIM 125.8 million), of which 62.1% or FIM 67.0 million came from outside of Finland (66.5%, FIM 83.9 million). TTT's operating result, FIM 3.1 million, was FIM 1.7 million less than the 1998 result (FIM 4.8 million). In August, TTT sold its subsidiary the Peerless Saw Company, which was not part of TTT's core business, to Peerless' working management. TTT's restructuring was completed in 1999. Work aimed at finding a new, appropriate partner is in progress.

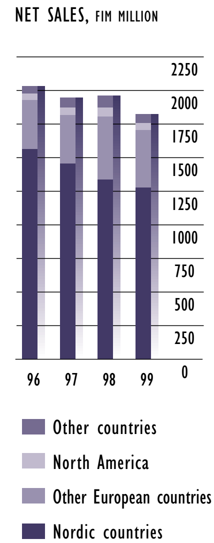
Group functions include the Group's property management and the sale of wood from the forests, as well as sales from operations which are not part of the Group's core business. Net sales from these functions totaled FIM 15.5 million (FIM 128.0 million). The decrease in net sales can be traced to the sale of the Group's household plastics operation at the end of August, 1998. Sales of timber from Hackman's forests increased by FIM 10.2 million, reaching FIM 15.1 million (FIM 4.9 million). The operating result for Group functions was FIM –12.5 million (FIM –25.0 million).

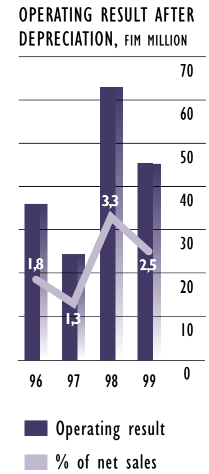
## INVESTMENT AND FINANCING

The Group's gross investments totaled FIM 87.3 million (FIM 190.8 million), of which FIM 7.7 million represented goodwill (FIM 84.0 million). Metos acquired the last 15% of the shares of Wexiödisk Förvaltnings AB. The 1998 investments included the purchase of 40% share in Hackman Metos Oy Ab from Instrumentarium Oyj, as well as Metos's purchases of Dihr International S.r.l. and Kromo S.r.l.

The Group's net working capital at year's end was FIM 417.4 million, or 22.9% of net sales (FIM 383.4 million, 19.6%). The Group's cash position was good throughout the year. Liabilities subject to interest totaled FIM 499.1 million at the turn of the year (FIM 486.8 million). Hackman Oyj Abp issued a EUR 20.0 million bond issue to institutional investors in February, 1999.

At the turn of the year, the Group owned 16,913 hectares of forest, 121 hectares of waterfront property, 74 hectares of industrial property and 35 hectares of residential property. The total balance sheet value of this property was FIM 218.7 million (FIM 218.8 million).




## SOLVENCY

The Group's shareholders' equity at the end of 1999 totaled FIM 539.0 million (FIM 618.4 million), corresponding to FIM 122.50 per share (FIM 140.55 per share). Voluntary reserves have been allocated to shareholders' equity and tax liability. In calculating the tax liability, each country's tax rate for next year (28 - 41%) has been applied. There is a deferred tax receivable in Finland. The Group's equity ratio was 36.1% (42.7%).

**Group income statement**

| FIM million | 1999 | % | 1998 | % |
|---|---|---|---|---|
| Net sales | **1 823.1** | **100.0** | 1 961.2 | 100.0 |
| Cost of goods sold | **-1 291.9** | | -1 411.9 | |
| Gross margin | **531.2** | **29.1** | 549.3 | 28.0 |
| Sales and marketing expenses | **-301.9** | | -291.3 | |
| Administrative expenses | **-115.0** | | -123.8 | |
| Other operating income | **24.5** | | 20.0 | |
| Other operating expenses | **-73.4** | | -69.8 | |
| Depreciation of Group goodwill | **-19.0** | | -20.4 | |
| Operating result | **46.4** | **2.5** | 64.0 | 3.3 |
| Financial income and expenses | **-29.5** | **-1.6** | -36.7 | -1.9 |
| Result before extraordinary items | **16.9** | **0.9** | 27.3 | 1.4 |
| Extraordinary income and expenses | **-102.9** | | 35.8 | |
| Result before appropriations and taxes | **-86.0** | **-4.7** | 63.1 | 3.2 |
| Direct taxes | **14.3** | | -8.5 | |
| Minority interest | **-0.9** | | -3.6 | |
| Result for the period | **-72.6** | **-4.0** | 51.0 | 2.6 |

### Group Balance Sheet

| FIM million | Dec. 31, 1999 | Dec. 31, 1998 |
|---|---|---|
| Fixed and other long-lived assets | **677.4** | 716.6 |
| Inventories | **387.1** | 394.2 |
| Financial assets | **433.9** | 382.1 |
| Total assets | **1 498.4** | 1 492.9 |
| Shareholders' equity | **539.0** | 618.4 |
| Minority interests | **0.0** | 15.9 |
| Provisions | **104.3** | 25.5 |
| Non-current liabilities | **473.7** | 304.4 |
| Current liabilities | **381.4** | 528.7 |
| Total liabilities and shareholders' equity | **1 498.4** | 1 492.9 |

### Group given collateral securities and contingent liabilities, FIM million

| | | |
|---|---|---|
| Collateral for own liabilities | | |
| Mortgages on real estate | **189.4** | 198.9 |
| Mortgages on chattels | **31.0** | 59.4 |
| Other pledges given | **0.3** | 13.0 |
| Collateral securities on behalf of third parties | | |
| Guarantees | **3.1** | 3.0 |
| Other own liabilities | **17.0** | 16.6 |
| Lease liabilities | **45.7** | 43.4 |

### Financial derivate contracts

| | | |
|---|---|---|
| Forward foreign exchange contracts, nominal value | **349.2** | 319.5 |

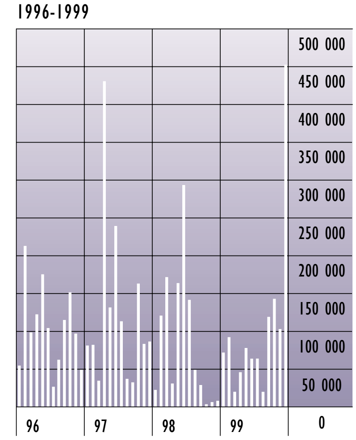
| Key Figures | | 1999 | 1998 |
|---|---|---|---|
| Return on Investment | % | **4.4** | 5.6 |
| Return on Equity | % | **0.9** | 5.1 |
| Equity Ratio | % | **36.1** | 42.7 |
| Earnings per share | FIM | **0.96** | 6.78 |
| Cash flow per share | FIM | **21.48** | 29.48 |
| Shareholders' Equity per share | FIM | **122.50** | 140.55 |
| Price-to-earnings ratio (P/E) | | **103.3** | 22.1 |
| Dividend per share 1) | FIM | **2.50** | 2.50 |
| Dividend as a percentage of earnings | % | **259.0** | 36.9 |
| Effective dividend yield | % | **2.5** | 1.7 |

1) Proposal of the Board for 1999

| Personnel | Jan. 1 – Dec. 31, 1999 | Jan. 1 – Dec. 31, 1998 |
|---|---|---|
| Average | **2 991** | 3 225 |
| Abroad | **1 328** | 1 521 |
| Total as of December 31 | **2 943** | 3 003 |
| Abroad | **1 316** | 1 319 |

A-SHARE PRICES
1996-1999, FIM


A-SHARE TRADING VOLUMES
1996-1999




## SHARES AND SHAREHOLDERS

According to the book-entry system, Hackman had 2,371 shareholders as of December 31, 1999. During 1999, a total of 1,261,750 A shares, with a total value of EUR 21.1 million, changed hands (1,028,608 shares; EUR 37.3 million). The shares reached their lowest price of EUR 13.00 in December, having reached their highest price of EUR 30.00 in January.

The company's share capital of FIM 88,000,000.00 was redenominated as EUR 14,800,537.53. Simultaneously, share capital was increased by a fund issue of EUR 159,462.47 to EUR 14,960,000.00. The face value of the company's shares was raised from EUR 3.36 to EUR 3.40.

## OUTLOOK

The 1999 trend in the Group's core divisions, Designor and Metos, was favorable. Both Metos and Designor are operating in growing markets and enjoy good market positions in their respective sectors. With the constant improvement in economic well-being, social trends are guiding these two divisions' growth. The Group is trying to find other partners or owners for functions outside the core divisions. Provisions have been made for the expenses that these restructuring and reorganization measures may generate. The Board of Directors takes the view that the Group will now have good prospects for future growth and results.

## DIVIDEND RECOMMENDATION

The Board of Directors of Hackman Oyj Abp has decided to recommend to the annual meeting of shareholders that the company distribute a dividend of FIM 2.50 per share (FIM 2.50 per share), or a total of FIM 11.0 million (FIM 11.0 million).

**Hackman Oyj Abp**
Board of Directors