

Annual Report 1999

Contents

Functional Organisation	4
Key Figures	5
Chief Executive Officer's Report	7

Business Operations

Helvar	8
Electrosonic	10
Fastems	12
Mercantile	14
Örum	16
Wulff	18
Transkem	20
Mercantile KSB	22
Qualitron	24

Financial Statements

Board of Directors' Report	26
Consolidated Profit and Loss Account	27
Consolidated Balance Sheet	28
Consolidated Funds Statement	29
Parent Company Profit and Loss Account	30
Parent Company Balance Sheet	31
Parent Company Funds Statement	32
Notes to the Financial Statements	33
Auditors' Report	36
Addresses	37
Group Locations Worldwide	38

Functional Organisation 1 April 2000

- Ballasts and lighting electronics
- Image control products
- Image control solutions
- Service
- Factory automation • Special machine tools
- Machine tools • Industrial robots • Scanners
- Peripherals • Service
- Industrial supplies
- Safety products
- Machinery and supplies for the packaging industry
- Automotive spare parts and accessories
- Office supplies
- Computer supplies
- Storage and handling of bulk liquid chemicals
- Pumps
- Valves
- Service • Installation
- Production technology for television studios
- Video and audio production equipment and systems

Key Figures

Helvar Merca Group	1995	1996	1997	1998	1999
Turnover, € million	264	273	276	290	305
Change over previous year, %	5.9	3.5	1.0	4.9	5.4
Operating result, € million	17	12	14	13	10
Profit after financing items, € million	14	9	12	11	8
Shareholders' equity and reserves, € million	83	85	90	87	90
Balance sheet total, € million	201	187	195	189	184
Capital employed, € million	149	138	144	139	127
Return on investment, %	12.4	8.7	10.7	9.5	8.0
Return on equity, %	18.3	10.9	14.2	11.6	9.4
Solidity, %	41	46	46	46	49
Gearing	62	39	36	33	25
Quick ratio	1.0	1.2	1.3	1.1	1.0
Gross investment, € million	12	11	10	8	8
Staff at 31 December	1,424	1,432	1,488	1,535	1,513

Turnover
1995 - 99, € million

Turnover
1999, %

Staff
At 31 Dec. 1995 - 99

Financial structure
1995 - 99, € million

Helvar	25%
Electrosonic	16%
Fastems	14%
Mercantile	11%
Örum	12%
Wulff	9%
Transkem	6%
Mercantile KSB	4%
Qualitron	3%

Long-term liabilities
Current liabilities
Shareholders' equity and reserves

Chief Executive Officer's Report

Review of 1999

The Helvar Merca Group increased its turnover by 5% to EUR 305 million. Exports and foreign subsidiaries account for more than half of turnover. Growth slowed down due to a fall-off in demand in the spring. The instability in the global economy was caused by the slow recovery of the Russian economy, the impact of the economic crisis in southeast Asia and the war in Kosovo. The Group companies worst affected were Helvar, Qualitron and Örum. However, since August, demand in the business areas served by these companies has improved considerably. The situation of Transkem also improved as the devaluation of the rouble and the rise in the price of crude oil significantly boosted the competitiveness of Russia's chemical industry. Group profit before income taxes was EUR 8.2 million. The result includes one-off pension costs of approximately EUR 3 million. At year end, the number of employees in the Group was 1,513.

Substantial investment was channelled into product development. In the spring of 1999, Helvar launched DIGIDIM™, a product family based on a new industry standard for digital lighting control. In 1999, Electrosonic's VECTOR™ image processor, which had been introduced onto the market in 1998, established itself as one of the world's leading processors for video systems. Deliveries of Fastems' Flexible Manufacturing Systems (FMS) rose sharply. Mercantile, Wulff and Örum invested heavily in the development of logistics and e-commerce.

Group liquidity remained good. At year end, the equity to assets ratio was 49%. Major investments included new production facilities and an Enterprise Resource Planning system for Helvar, the refurbishment of the premises owned by the Group in the centre of Helsinki, the construction of a new operations centre in Tallinn, the extension to Transkem's storage facility in Mussalo Deep Harbour and new premises for Electrosonic in Orlando, Florida.

Operational changes in the Group

The companies within the Group have continued to concentrate on their core competence and businesses. In May, Mercantile sold its Graphic Industry Unit to MAN Roland Finland Oy. This was followed in September by the sale of its Chemicals Department to Algol Oy. Transkem plans to centre its operations on Hamina and Mussalo Deep Harbour, Kotka, where the company will extend its premises. At the end of 1999, Electrosonic sold its video system rental business in Toronto, Canada.

Outlook for 2000

The global economy has recovered and the prospects in particular for the European markets are good. Group turnover is expected to increase at a faster rate than in 1999 and profits are also forecast to rise. Growth areas are Fastems, which has continued to experience strong growth, especially in Europe, and Electrosonic, which is expanding its operations and opening a new office on the east coast of the United States. Helvar's new products are a valuable addition to the existing range. However, growth will be limited due to the destruction caused by the fire at the Helvar Karkkila factory on New Year's Eve.

1999 has brought new challenges for the companies in the Group and their employees. The market situation and the competitive environment are in a constant state of flux. The replacement of several IT and communication systems during 1999 imposed extra demands on Group employees who had to adapt to what was a constantly changing situation. The employees have shown themselves to be extremely receptive to the numerous changes. I would like to thank all our staff for their efforts during 1999 - we are now well-equipped to face the challenges of the new millennium.

Christian Westerlund
Chief Executive Officer

Christian Westerlund
Chief Executive Officer

Demand for ballasts and lighting electronics was weak during early 1999 but picked up noticeably in June. The price of electronic ballasts continued to fall. Despite substantial price erosion, Helvar's turnover was unchanged totalling EUR 76 million. The result was unsatisfactory.

**Share of
Helvar Merca Group
turnover 25%**

	1999
Turnover, € million	76
Staff, 31 December	583

**Turnover
1997-99, € million**

€ million	71	76	76
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Helvar specialises in ballasts and lighting electronics used by luminaire manufacturers and other customers involved in lighting. Magnetic and electronic ballasts are manufactured in Finland and lighting control electronics such as sensors, dimmers and controls are produced in Maidstone in England.

Demand for magnetic and electronic ballasts was weak during the first half of the year but recovered well towards the end of the year. Helvar further strengthened its position as a supplier of linear electronic ballasts for the new T5 fluorescent tube. The company also strengthened its position on the market as a supplier of ballasts for HID lamps and introduced a new range of ballasts and ignitors in this field.

In April 1999, Helvar and other leading manufacturers of ballasts and lighting electronics introduced DALI (Digital Addressable Lighting Interface), a new standard for digitally controlled ballasts. Helvar contributed to the rapid acceptance of DALI by launching DIGIDIM™, a comprehensive range of digital ballasts and lighting control electronics. The DIGIDIM™ range comprises load interfaces, sensors, various controls as well as gateways to building automation systems. It brings real flexibility to lighting control. The products were available on the market in early 2000.

*Philip
Aminoff
President*

Sales of complex lighting control systems to cruise liners, hotels and other public venues developed favourably. The sites of our most notable installations during 1999 were:

- the world's largest cruise liner, "Voyager of the Seas", owned by Royal Caribbean
- the Pheonicia Hotel in Beirut
- the Raffles Town Club in Singapore
- the Tate Gallery in London
- the National Portrait Gallery in London
- the Reichstag building in Berlin
- Hotel Kämp in Helsinki
- Sanoma House, the new premises of the Helsinki-based newspaper publisher
- the new Scandinavian embassy building complex in Berlin
- Malmö University.

Prospects for 2000

On New Year's Eve the Karkkila factory was badly damaged by a fire caused by fireworks. The production of magnetic ballasts for fluorescent lamps was restarted in February 2000 and for HID-lamps in March. The structural work on the factory building will be completed in June. The factory is expected to reach full production capacity in the beginning of 2001.

Towards the end of 1999, demand for electronic ballasts grew rapidly and the open order book for 2000 is strong. Helvar is investing in additional capacity for its Helsinki factory.

Luminaire manufacturers are now offering customers complete lighting solutions instead of luminaires only. This has led to rapid growth in demand for modular, flexible and user-friendly lighting control solutions. Helvar's DIGIDIM™ range has been designed to serve this need.

*Hotel Kämp
in Helsinki.*

Sanoma House, the new premises of the Helsinki-based newspaper publisher.

The Reichstag building in Berlin, Germany.

Street lighting in Helsinki.

Electrosonic continued to experience strong growth in 1999. Many exciting projects were completed, and the VECTOR™ image processor became well-established in the market. Turnover rose by 18% to EUR 48 million. The result was good.

*Kyle
Carpenter
President*

**Share of
Helvar Merca Group
turnover 16%**

	1999
Turnover, € million	48
Staff, 31 December	210

**Turnover
1997-99, € million**

€ million	35	41	48
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Electrosonic's core competence is image control. As recognised experts in the field, the company is relied upon by end-users and integrators around the world to design and deliver the right electronic images in the right place at the right time. Often these image control applications require seamless integration with audio systems, lighting and special effects as well as control of the overall presentation. The company's operations are organised into three separate businesses: Products, Solutions and Service.

Electrosonic Products designs and sells image processors, show controllers and user-interface software. Its products are mostly sold through a worldwide network of dealers and distributors. Electrosonic's range of image processors is perceived as extremely comprehensive and the company has an established reputation for user-friendly products. The company's C-THROUGH™ graphical interface and programming software has become the de facto standard within the industry. The VECTOR™ processor, launched in 1998, has gained acceptance throughout the market and sales have surpassed expectations. It is ideally suited for use in trade shows, corporate presentation centres as well as command and control rooms. The VECTOR™ technology was invented by Electrosonic and has a patent pending.

Electrosonic Solutions offers custom-engineered image control systems and project management services. The success of Electrosonic Solutions worldwide is based on the ability to listen and to interpret its customers' needs. Although Electrosonic will frequently use its own

products at the core of the solution, it also scans the wider market-place to find the products that are best suited to the customer's specifications. Notable projects completed in 1999 include:

- 3D projection systems for the Spider-Man™ ride at Universal Studios of Adventure, Orlando
- audio-visual systems for the "Our Dynamic Earth" exhibition, Edinburgh
- automatic corporate presentation system at Island East, Hong Kong
- networked interactive and display systems for seven Nike Town®, and Nike stores in Australia, Europe and USA.

Electrosonic Service offers maintenance and technical support for Electrosonic products and installations. An international maintenance network provides support for Electrosonic's own installations as well as those of its competitors, thereby giving the company a distinct competitive advantage at national and international level.

Outlook for 2000

Growth prospects remain strong for Electrosonic's markets in 2000, with demand forecast to rise by between 12% and 15%. A healthy order book in the U.K., repeat business with major retail chains and government agencies in the USA combined with the explosive growth in new television technology will support steady worldwide growth. This will place Electrosonic in a strong market position and present the company with an opportunity to increase its market share.

*The reception area at the
London Stock Exchange
features a ProDigital™
display showing the
latest market information.*

*The Las Vegas water treatment plant
controls operations on
a ProDigital™ display.*

*Electrosonic supplied
an audio-visual system
for the Island East
visitor centre
in Hong Kong.*

*Electrosonic designed and built the
control and image display systems for
the “Our Dynamic Earth” exhibition
in Edinburgh in Scotland.*

*The Electrosonic videowall at
Ford’s science and technology centre
in Michigan.*

Fastems continued to undergo rapid international expansion. Exports accounted for 35% of invoicing. In recent years, automation levels in the engineering industry have been rising rapidly and Fastems' sales have increased by 50% over a three-year period. In 1999, Fastems' turnover was EUR 43 million. The result was good.

Jarmo
Hyvönen
President

Share of
Helvar Merca Group
turnover 14%

	1999
Turnover, € million	43
Staff, 31 December	224

Turnover
1997-99, € million

€ million	33	40	43
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Fastems is a leading supplier of factory automation systems. Its customer base includes small and medium-sized as well as large industrial companies. Fastems supplies metal machine tools and peripherals, industrial robots, production cells and its own highly automated Flexible Manufacturing System (FMS). The company's main markets are western Europe and the United States. Fastems' head office and factory is in Tampere, Finland and the company also has sales outlets and service centres in Sweden, Germany, France and Britain, an agent in Switzerland and a distributor in the United States.

The FMS Department supplies multi-level storage and material handling solutions based on the latest information technology. In many cases these are linked directly to the customer's Enterprise Resource Planning system. Fastems is the market leader in this segment and has already delivered a total of 180 systems to customers in 16 different countries. The first two FMS installations ordered by customers in the United States were delivered in 1999 while the largest Flexible Manufacturing System supplied to date was sold to a customer in Norway.

Fastems supplies machine tools and peripherals offering a product range to its customers that incorporates both Fastems' own products and those of other manufacturers. The company's own products include special machine tools which are always custom-designed and delivered ready-to-use. Fastems' Twin-Mill machining centre, an innovation that represents a whole new way of thinking for the engineering industry, has been well received. The centre will enable customers to run production 8,760 hours of the year.

As a result of strong growth in the electricity and electronics industries, sales of industrial robots and electric injection moulding machines have continued to rise. At the end of 1999, approximately 500 Fanuc robots and injection moulding machines delivered by Fastems were in operation in Finland.

Fastems is also a specialist in scanners for paper machine quality control systems. The scanners are manufactured in collaboration with Neles Paper Automation Oy and designed for the paper industry for use under difficult operating conditions.

Fastems continued to strengthen its support services and in 1999 launched a 24-hour telephone hotline. The number of support service staff has been increased in Fastems' organisations outside Finland.

Outlook for 2000

The prospects for the company as it moves into the new millennium are extremely encouraging. Fastems will continue to pursue its strategy of international expansion with the aim of strengthening its companies outside Finland and increasing the number of deliveries to North America. The order book is currently stronger than it has ever been. The steep rise in exports is forecast to continue during 2000 and turnover is expected to increase by more than 20%.

At British Aerospace's Samlesbury plant, a flexible manufacturing system (FMS) is used for the machining of light-weight metal components.

The Fastems Twin-Mill machining centre - combining productivity with flexibility.

A Fanuc robot in action on the windscreen production line at Pilkington Lamino Oy's factory in Ylöjärvi.

Fastems delivers mechanical components for the Paper IQ systems for Neles Paper Automation Inc.

Fastems has increased the number of maintenance staff outside Finland.

Output in Finland's engineering and metal industrial sector fell by 3% compared to 1998. As a result, growth in technical trading slowed. In order to strengthen its position, the company initiated a number of projects during the year aimed at developing customer-focused operations and upgrading key processes. Turnover was EUR 34 million. The result was satisfactory.

*Jyrki
Sairo
President*

**Share of
Helvar Merca Group
turnover 11%**

	1999
Turnover, € million	34
Staff, 31 December	127

**Turnover
1997-99, € million**

€ million	35	35	34
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Mercantile imports and sells industrial supplies and components. Its activities span the entire logistics and service chain from the supplier through to the end-user. Customers include companies in the engineering, metal products, electronics, packaging and electro-mechanical industries and the dealers in these business segments in Finland. Mercantile's suppliers are among the leading companies in their field. In recent years, the company has shifted the focus of its activities away from selling individual products towards the provision of fully integrated service packages and expertise.

The fall-off in output in the engineering and metal industries had an adverse impact on demand for industrial supplies with the result that the Industrial Supplies Department's turnover was below target. The Industrial Supplies Department, which sells to manufacturing companies, offers a range of fastening equipment, pneumatic and hydraulic components, vacuum technology and adhesives. It also supplies products for customers' special needs. The department has a comprehensive product range and is able to offer its customers a fully integrated service concept which includes distribution as well as technical and commercial consulting services. The importance attached to service has increased year on year and in 1999 approximately 60% of the total sales of industrial supplies were delivered to the customer's production facilities by the direct distribution service. In order to develop a more customer- and service-focused operation, the department set up four sales teams and assigned each of them to a specific sector.

Demand for Safety Products remained strong. Sales were up by 10% and the Gloria range of fire extinguishers retained its clear market leadership. The ISO 9002 quality system planned for the Gloria Safety Center chain of service outlets was introduced during 1999 and staff at nearly 40 of the chain's outlets were trained in its use.

The BASF flexo printing plates used in the packaging industry retained their substantial share of the market and sales were in line with expectations.

Mercantile continued to concentrate on its core businesses and during the year sold its graphics industry and chemicals businesses. The company's information systems are an essential tool in its business development and customer care activities. In the summer of 1999, a new purchasing and material administration system was set up in a move to improve the handling of the financial administration relating to customer purchases. The system's introduction required extensive training for all staff.

Outlook for 2000

Towards the end of 1999 demand from Finnish industry grew as a result of the recovery in world trade, the acceleration in economic growth within the EU and Asia's emergence from the crisis besetting its economy. Mercantile's turnover is forecast to rise and the result is expected to improve in 2000. The company will continue to focus on the development of its business concept and customer service.

*Wärtsilä NSD Finland Oy's
Turku plant manufactures
engines, which are mainly used
on ships and in power plants.
Mercantile distributes industrial
supplies directly to the
customer's production facility.*

*Mercantile delivers industrial
supplies to Nordberg-Lokomo Oy's
stone-crusher manufacturing plant
in Tampere.*

*Tamrex Oy's store
in Tampere has
a wide range of
Gloria fire extinguishers.*

*The Gloria Safety Center has nearly 60 service outlets
in Finland.*

*Mercantile's staff
undergo continuous
training to upgrade
their skills.*

The market for automotive spare parts declined in 1999. This was mainly due to the decrease in the average age of passenger cars in Finland together with the reduced purchasing power of customers in the St. Petersburg area. Örum successfully defended its market share but turnover fell by 4% to EUR 38 million. The result was good.

*Heimo
Arovaara
President*

**Share of
Helvar Merca Group
turnover 12%**

	1999
Turnover, € million	38
Staff, 31 December	151

**Turnover
1997-99, € million**

€ million	35	39	38
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Örum specialises in the wholesale of automotive spare parts and accessories and markets its products primarily through the independent spare parts trade. Another key target sector is Finland's trailer and semi-trailer manufacturing industry. The company has a central warehouse in Espoo near Helsinki covering an area of over 12,000 m² from where it can despatch deliveries to customers throughout Finland within 24 hours. Örum's main suppliers are major manufacturers of automotive spare parts and components.

In 1999, a total of 136,300 new passenger cars were registered in Finland. This figure offsets the number of old cars removed from service. At year end, the total number of passenger cars stood at around 2.1 million. As the number of cars in the 4 - 15 year age bracket fell slightly, the sales volumes within the independent spare parts trade decreased.

Capacity utilisation in Finland's trailer and semi-trailer manufacturing industry was lower than in 1998. The poor market outlook put pressure on component suppliers to reduce prices. Wabco air brakes, a high-quality braking system sold through Örum, lost some of the market share due to price level but continued to retain its position as the leading brake system for trailers.

Finland's geographic location and efficient infrastructure enable companies in the spare parts business to trade in St. Petersburg and the Baltic area. Although sales to Russia declined sharply due to the country's economic situation, Örum's export operations, most of which are cash and carry exports, remained profitable accounting for 12% of the company's total turnover in 1999.

Örum is continuously working on improving its product range. At the beginning of 1999, the company entered into a long-term sole distribution contract with the Belgian company, Bosal Benelux NV, one of the leading exhaust manufacturers. A number of new products have been added to the range of Hella spot and fog lights. In the spring of 1999, Örum started up a distribution operation with Aspokem Ltd. supplying chemicals for the automotive trade to spare part dealers.

At the beginning of 1999, as part of its strategy to achieve a higher degree of concentration in its international operations, the Helvar Merca Group consolidated all its activities in Estonia into one company, Helvar Merca AS. Andres Palk, formerly Managing Director at MG-Autopartner AS, was appointed Managing Director.

Outlook for 2000

The independent spare parts trade is predicting a downturn in the market in 2000 as new passenger cars replace older models. The number of cars in the 4 - 15 year age bracket, one of the key target groups in the business, is falling continuously. New cars are being fitted with an increasing number of electronic components with the result that dealers and garage owners need to learn totally new skills. Örum is investing in training with the emphasis on a customer-focused business approach. By pursuing this strategy, the company aims to safeguard its competitive position and retain its place as one of the leading companies in its field in Finland.

*Hella's durable
LED vehicle lights.*

*Hella's product range includes spot and fog lights
for different makes of car.*

*Sachs clutches and shock absorbers represent
the best in German innovation and quality.*

*Range of components has been extended
with electrical products from Siemens.
The picture is shows a motor for
a car heater fan.*

During 1999, the total market for office supplies expanded only slightly due to weak growth in the Finnish market at the beginning of the year. Demand for computer supplies continued to rise by more than 20%. Company turnover increased by 13% to EUR 27 million, which was well above the average rate of growth in the business. The result was satisfactory.

*Paavo
Feirikki
President*

**Share of
Helvar Merca Group
turnover 9%**

	1999
Turnover, € million	27
Staff, 31 December	88

**Turnover
1997-99, € million**

€ million	23	24	27
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Wulff imports and sells office and computer supplies and offers a customised APAJA service for large and medium-sized businesses. The service is designed to make the purchasing and internal distribution of office supplies trouble-free and cost-effective. The Wulff Stores in Helsinki and Turku are wholesale cash and carry outlets serving the needs of small and medium-sized companies. Wulff places a high priority on long-term customer and supplier relationships.

The total number of users of the APAJA system continued to rise and APAJA also became more established among medium-sized customers. The system is being continuously developed in line with feedback from customers. Information systems are an essential part of APAJA and as such are constantly upgraded. The value of orders placed electronically rose from 50% to 60% of the total order value.

The efficiency of warehousing and distribution is a key success factor in the office supplies business. At the end of 1998, Wulff launched a system designed to support the continuous development of its warehouse operations. As a result, the 1999 performance targets for reliability and speed of delivery were achieved right at the beginning of the year. Significant improvements in the efficiency of the delivery service were achieved during 1999.

In its first year of operation, the Wulff Store in Turku exceeded the targets set while sales at the Helsinki store remained on a par with the previous year's figures.

Torkkelin Paperi Oy, a subsidiary based in Lahti, specialises in in-store and direct sales. Sales growth was well above the growth rate for the market as a whole. In September, a separate department dedicated exclusively to computer supplies was opened in the Lahti store. The department's sales growth during the latter part of the year was encouraging. The subsidiary increased its turnover from EUR 2.4 million to EUR 2.7 million. The result was good.

In 1999 Wulff carried out a survey to assess the impact of its activities on the environment and in collaboration with its partners, the company identified a method of recycling the different waste materials. At the end of the year, the APAJA services were extended to include the environmentally friendly recycling of office and computer supplies with the aim of making the process as trouble-free as possible for the customer.

At the beginning of 1999, Wulff's subsidiary in Estonia, Mammut AS, became part of Helvar Merca AS, the company responsible for the Group's Estonian operations.

Outlook for 2000

The market growth experienced as a result of the upturn towards the end of the year is expected to continue at around 5% during 2000. In line with recent years, most of the growth will be in computer supplies. Wulff will continue to develop its business operations in cooperation with its customers. At the same time, the company will invest in improving its product range and strengthening co-operation with suppliers.

*UPM-Kymmene Corporation's
head office uses WulffNet to order
computer and office supplies.*

*APAJA customer storage includes
basic computer and office supplies.*

*Copy paper for
Fazer Chocolates Ltd.'s
Vantaa office is delivered
straight to the photocopying area.
Finland Post handles distribution
and shelf-stocking for
Wulff's APAJA customers.*

*The APAJA service also includes the sorting and
collection of recyclable products and hazardous
office waste.*

The rise in the price of crude oil and the devaluation of the rouble in 1998 led to a significant improvement in the profitability of Russian chemical exports. The volume of liquid chemicals handled by Transkem was up on the previous year. Company turnover increased by 28% to EUR 18 million. The result was unsatisfactory.

*Heikki
Auvinen
President*

**Share of
Helvar Merca Group
turnover 6%**

	1999
Turnover, € million	18
Staff, 31 December	54

**Turnover
1997-99, € million**

€ million	19	14	18
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Transkem specialises in transit services for bulk liquid chemicals. In 1999, the company's investments were primarily aimed at reducing environmental risks. It diversified the range of services offered to its customers by building a tank truck and container loading facility in Mussalo Deep Harbour in Kotka. A pumping line installed by the company in 1998 has made it possible to transfer the chemicals direct from the railway wagons onto the ships. As one of the leading companies in the chemicals handling industry, Transkem is continuously working towards raising safety standards.

At the beginning of 1999, market conditions were still extremely difficult. The level of Russian chemical exports was low. As a result of the increase in the price of crude oil in the spring of 1999, prices on the world chemical market rose steeply. This price increase and the devaluation of the rouble in 1998 led to significant growth in Russian chemical exports. Total exports of Russian chemicals via Finland were 22% higher than in 1998.

In spite of the changed market conditions, Transkem performed well against the competition. The company further increased its substantial market share and strengthened its position as the clear market leader in chemical transit services in the Baltic Sea area.

During the year, the company sold its chemical storage facility in Rauma while the Kotka Oil Harbour is scheduled for closure in 2000. Transkem will then concentrate its activities in Hamina and in Mussalo Deep Harbour in Kotka, where investments are being channelled into additional storage capacity of over 30,000 m³ as well as unloading facilities. The extension, which is due to be completed in June 2000, will ensure that Transkem's customers continue to enjoy an efficient, safe and flexible service.

Outlook for 2000

No major changes are expected in Transkem's core markets. The current over-supply on the international chemical market is set to continue into 2000 as is the prevailing uncertainty. The devaluation of the rouble, which took place in 1998, may help to promote Russian chemical exports at least at the beginning of the year, although they are still under threat from rises in rail freight charges in Russia. The volume of chemicals carried via Finland is forecast to remain on a par with 1999.

Transkem will continue to work towards raising safety standards in chemical handling, minimising environmental impact and improving customer service.

During the first half of 1999, the level of investment in Finland's industrial sector remained low. Demand was also weak due to the slow economic recovery in both Asia and Russia, but started to improve after the summer. Mercantile KSB's turnover fell by 10% to EUR 14 million. The result was satisfactory.

*Jarmo
Piippo
President*

**Share of
Helvar Merca Group
turnover 4%**

	1999
Turnover, € million	14
Staff, 31 December	36

**Turnover
1997-99, € million**

€ million	13	16	14
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Mercantile KSB specialises in complete solutions for liquid transfer comprising pumps, valves, controls and related services. All installations are designed according to customer specifications. The company's activities are organised into four separate areas of expertise. The energy, industry and water technology teams supply products and integrated solutions for use under difficult operating conditions. The maintenance team provides installation, maintenance and measuring services and supplies spare parts. They also assist with staff training. The team's overall objective is to ensure that customers receive the maximum return on their investment. The company's core markets are Finland and the Baltic countries.

One of the company's main strengths is its experience as a supplier of complex pump installations for the energy industry. Mercantile KSB's industrial pumps and valves are frequently the preferred choice on both domestic and export projects. In 1999, the company strengthened its position in the Baltic area and established a strong reputation, particularly as a supplier of integrated solutions. Mercantile KSB aims to capture a significant share of the market in the Baltic countries.

During 1999, the new ANSI (American National Standardisation Institute) valve programme was introduced by KSB Aktiengesellschaft, which owns a 20% share in Mercantile KSB. This programme complements the existing range of valves, which comply with the traditional European DIN (Deutsche Industrienormen) standard. The initial figures for the project-based sale of new products are encouraging.

During 1999, Mercantile KSB completed a number of sizeable projects involving the delivery of fully integrated solutions. These included an order from Foster Wheeler Energia Oy for a Bopp & Reuther steam conditioning station to Västerås in Sweden. The station, with its integrated hydraulic safety valves, was part of a larger installation. Among the most notable projects in Finland is the power plant being built in Pietarsaari by Oy Alholmens Kraft Ab. Mercantile KSB is to supply a number of components for the plant including pumps for the condensate system and boiler valves.

Mercantile KSB is continuously improving its business operations. The maintenance team is better equipped than ever to take over responsibility from the customer for all aspects of valve maintenance. A number of large maintenance projects were completed during 1999, such as the maintenance of the main pump at Fortum Service Oy's Meri-Pori power plant and the installation of the new main pump at the Permskaja Gres power plant in Russia.

Outlook for 2000

The prospects for industrial investment in Finland are extremely encouraging and the outlook for the international markets is also promising. Growing demand in the Baltic countries will create a firm foundation for success in 2000. The company's databases and web pages will be further upgraded to assist customers with planning and measuring. Customer-focused staff training will continue to be an important part of the company's activities.

Mercantile KSB has an extensive product range for industrial applications.

The WKT condensate pump.

The pump unit ordered by Foster Wheeler Energia Oy and assembled at the Hakkila assembly centre.

The SISTO valve.

The ANSI valve.

The diesel-powered water pump used in the event of a fire at Fortum Corporation's Porvoo facility in Finland.

In Finland, investment in television technology is geared heavily towards the new digital channels. Due to the economic crisis in Russia, the economies of the CIS countries have been slow to recover. Finland accounts for two thirds of the company's turnover and the CIS countries for the remainder. Qualitron's turnover increased by 33% to EUR 8 million. The result was satisfactory.

Tapani
Karjalainen
President

Share of
Helvar Merca Group
turnover 3%

	1999
Turnover, € million	8
Staff, 31 December	29

Turnover
1997-99, € million

€ million	13	6	8
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Qualitron manufactures, imports and sells video and audio production equipment and systems for TV studios. The company's product range spans the entire production chain from image and sound recording through to distribution. Its core markets are Finland and Russia together with the other CIS countries.

In 1999, Finland was the focus of the company's project-based operations. Finnish television companies were investing in new studios and outside broadcast technology. Work began on the construction of a digital distribution network. As a supplier of equipment and systems, Qualitron was involved in all of these fields of television technology. The most notable international project comprised a four-camera television studio and post-production unit for Kazan, the capital of Tatarstan. In addition, several compact TV studio production systems were delivered to Kazakhstan.

The key projects in Finland comprised a delivery of audio mixing consoles manufactured by Lawo GmbH for Yleisradio's (Finnish Broadcasting Company) Tampere studio and a Drake talk-back system and lighting equipment for the new news studio, Studio 24 in Helsinki. Another project involved the replacement of the Finnish parliament's television broadcasting system, which had been installed by Qualitron ten years previously. Qualitron's largest single contract was for Yleisradio. Under the contract, which was secured in July, Qualitron supplied Yleisradio with Finland's largest fully digital outside broadcast van, U-1. At the end of the year 1999, Qualitron negotiated an extension to the contract, which provides for the delivery of a second identical unit, to be known as U-2, at the end of 2000.

The Moscow-based subsidiary, ZAO Qualitron Service, expanded its business operations. Via ZAO Qualitron supplied an editing system to Yleisradio in Moscow and also secured several service and maintenance contracts.

The focus of Qualitron's business is shifting rapidly towards digital technology. This new technology presents a major challenge to Qualitron's employees. Product knowledge, professional skills and expertise in all aspects of the systems sold by Qualitron are becoming increasingly important key success factors. Consequently, the company has invested substantially in staff training. In response to customer demand, Qualitron extended its product range during the year by concluding several new distribution agreements.

Outlook for 2000

Qualitron will continue to invest substantially in the improvement of its product range and in the new television technology. The indications are that a customer-focused product range combined with investment by television companies in digital technology will boost growth and strengthen the company's market position in Finland. The situation in the CIS countries remains unstable and extremely unpredictable, increasing the likelihood that major investments will not be realised until the latter part of 2000, after the Russian presidential elections.

*The Grass Valley Group's
Kalypso video production
system.*

*An on-air Seelect mixer manufactured by
the TeleCast Group of Norway.*

*The remote-controlled
four-camera TV system used
in the Finnish parliament
in Helsinki.*

*In March 2000 outside
broadcast van U-1 was taken
into production use by Yleisradio.*

Board of Directors' Report

Results

The turnover of the Helvar Merca Group totalled EUR 305.2 million in 1999, showing an increase of 5% over the previous year. Group net profit was EUR 5.1 million compared to EUR 6.7 million in 1998. The result was influenced by one-off pension costs and provisions amounting to approximately EUR 3.3 million, which are detailed below.

Rationalisation of the legal structure of foreign subsidiaries

All Group activities in Estonia have been combined into one company, Helvar Merca AS. Previously, the Group had three different subsidiaries in Estonia owned respectively by Mercantile, Wulff and Örum. The product range of Helvar Merca AS includes automotive spare parts, tools, office supplies and industrial supplies. In 1999 the company's turnover was approximately 100 million Estonian crowns.

The Group's legal structure in England has also been simplified with three Helvar subsidiaries merging into one, Helvar Merca Ltd. The overall aim of the Group is to concentrate the sales activities outside Finland into one legal entity in each country.

Investments

A new line producing electronic ballasts for fluorescent lamps

*Helvar Merca Oy Ab's premises in Helsinki, increasing the production capacity of this range by approximately 50%.
left to right: Edward Andersson, Dieter Aminoff and Stig Gustavson. Back row from left to right: Olli Riikkala, Thomas Aminoff, Philip Aminoff and Christian Westerlund.*

Transkem is expanding its storage capacity in Mussalo Deep Harbour in Kotka. Eight new tanks will be taken into use in June 2000. The new tanks will partly replace the capacity that Transkem has in Kotka Oil Harbour where the lease is expiring.

New premises covering 4,400 m² were built for the Group subsidiary Helvar Merca AS just outside Tallinn in Estonia. As mentioned above, all Group activities in Estonia have now been combined into this subsidiary.

The premises owned by the Group in the centre of Helsinki were refurbished, and long-term lease contracts were concluded.

Destructive fire at Helvar's Karkkila factory

On New Year's Eve a fire caused by fireworks partially destroyed Helvar's Karkkila works. Half of the factory was completely destroyed and the other half suffered serious damage. It is anticipated that production in the less affected area will be restored by spring 2000. The factory is expected to return to full production capacity in the beginning of 2001. Products manufactured by the Karkkila factory account for approximately half of Helvar's

total turnover. The factory was insured to its full value, and was also insured for loss of profits.

Personnel

The number of Group personnel has slightly decreased from 1,535 staff at the beginning of 1999 to 1,513 by the end of the year.

Pensions

The Finnish Ministry for Social and Health Affairs has decided to reduce the calculation interest of the voluntary pension funds gradually from 4.25% to 3.5% over a period of fifteen years. Pension funds can apply to use the lower interest without a transition period and the Mercantile Pension Fund has taken this option. Therefore, the pension liability has increased by approximately EUR 2.7 million. In addition to this one-off cost the Group transferred contributions totalling EUR 4.4 million to its pension fund to fully cover the liabilities.

According to the Finnish Accounting Act the provisions for future pensions shall be made in the Closing of Accounts. In the Group Closing of Accounts for 1999 provisions have been made for pension benefits previously granted, totalling approximately EUR 0.6 million.

Prospects

The outlook in the world economy and the economic situation in Finland are fairly good. It is anticipated that the activities of the Group will continue as previously, with the reservation that at this stage it is still too early to estimate the final effects of the fire at Helvar's factory.

Proposal for allocation of profit

The net profit of Helvar Merca Oy Ab for the year is EUR 2,763,696.53. The Board of Directors proposes that no dividend shall be declared and that the profit shall be transferred to the Company's retained earnings account.

Consolidated Profit and Loss Account

(1 000 €)		1 Jan. - 31 Dec. 1999	1 Jan. - 31 Dec. 1998
NET TURNOVER	(1)	305 212	289 600
Variation in stocks of finished goods and in work in progress		4 088	837
Other operating income	(2)	3 666	1 470
Raw materials and services	(3)	-185 367	-175 153
Staff expenses	(4)	-63 626	-56 665
Depreciation and reduction in value		-11 867	-10 920
Other operating charges		<u>-42 067</u>	<u>-36 479</u>
OPERATING PROFIT		10 038	12 690
Financial income and expenses	(6)	<u>-1 818</u>	<u>-2 147</u>
PROFIT BEFORE INCOME TAXES		8 221	10 543
Income taxes	(8)	-2 676	-3 651
Minority interests		<u>-430</u>	<u>-143</u>
PROFIT FOR THE FINANCIAL YEAR		<u>5 115</u>	<u>6 749</u>

Consolidated Balance Sheet

(1 000 €)	31 Dec. 1999		31 Dec. 1998	
Assets				
NON-CURRENT ASSETS				
Intangible assets				
Intangible rights	484		628	
Other capitalised long-term expenses	2 439	2 923	2 773	3 401
Tangible assets				
Land and waters	8 184		8 255	
Buildings	38 769		45 135	
Machinery and equipment	16 219		16 924	
Other tangible assets	967		689	
Advance payments and construction in progress	5 798	69 938	455	71 459
Investments (9)				
Bonds and shares		10 786		10 933
NON-CURRENT ASSETS TOTAL		83 647		85 793
CURRENT ASSETS				
Stocks				
Raw materials and consumables	6 826		5 507	
Work in progress	5 566		3 782	
Finished products/Goods	29 304		31 865	
Advance payments	1 450	43 146	1 024	42 178
Long-term receivables				
Loan receivables		106		122
Short-term receivables				
Trade receivables	41 261		41 791	
Loan receivables	109		611	
Other receivables	1 956		1 652	
Prepayments and accrued income	4 041	47 366	3 224	47 278
Receivables total		47 472		47 399
Cash in hand and at banks		9 766		13 922
CURRENT ASSETS TOTAL		100 385		103 499
ASSETS TOTAL		184 032		189 293
Liabilities				
CAPITAL AND RESERVES (11)				
Subscribed capital		20 000		18 501
Other reserves		-		252
Retained earnings	62 035		60 164	
Profit for the financial year	5 115	67 150	6 749	66 913
CAPITAL AND RESERVES TOTAL		87 150		85 666
MINORITY HOLDING		1 218		901
PROVISIONS (12)		1 515		824
CREDITORS				
Deferred taxes		5 395		6 472
Non-current (13)				
Loans from credit institutions	2 525		15 463	
Pension loans	28 999		24 883	
Other non-current liabilities	330	31 854	208	40 554
Current				
Loans from credit institutions	89		4 068	
Advances received	6 853		4 909	
Trade payables	20 190		23 510	
Other current liabilities	12 237		7 464	
Accruals and deferred income	17 530	56 899	14 925	54 876
CREDITORS TOTAL		94 149		101 902
LIABILITIES TOTAL		184 032		189 293

Consolidated Funds Statement

(1 000 €)	1999	1998
SOURCE OF FUNDS		
Internal financing		
Profit for the financial year	5 115	6 749
Depreciation and reduction in value	11 867	10 920
Changes in provisions	691	-35
Total internal financing	17 673	17 634
Changes in non-current assets	-1 569	909
	<u>16 104</u>	<u>18 543</u>
APPLICATION OF FUNDS		
Changes in long-term receivables	-15	-
Investments in fixed assets	8 152	9 386
Decrease in deferred taxes	1 077	820
Decrease in long-term liabilities	8 700	10 940
Translation adjustment in shareholders' equity	393	-88
Change in minority holding	-318	298
Dividends distributed	3 237	1 619
	21 226	22 975
Change in working capital	-5 122	-4 432
	<u>16 104</u>	<u>18 543</u>
CHANGE IN WORKING CAPITAL		
Cash in hand and at banks	-4 155	-6 936
Current receivables	88	1 181
Inventories	968	3 254
Current liabilities	-2 023	-1 931
	<u>-5 122</u>	<u>-4 432</u>
Working capital at 1 January	48 501	52 933
Working capital at 31 December	43 379	48 501

Parent Company Profit and Loss Account

(1 000 €)		1 Jan. - 31 Dec. 1999	1 Jan. - 31 Dec. 1998
NET TURNOVER	(1)	1 800	1 665
Other operating income	(2)	955	1 067
Staff expenses	(3)	-1 654	-863
Depreciation and reduction in value		-509	-484
Other operating charges		<u>-1 989</u>	<u>-1 712</u>
OPERATING PROFIT		-1 397	-327
Financial income and expenses	(6)	<u>3 019</u>	<u>-299</u>
PROFIT BEFORE EXTRAORDINARY ITEMS		1 622	-626
Extraordinary items	(7)	<u>875</u>	<u>1 413</u>
PROFIT BEFORE APPROPRIATIONS AND TAXES		2 497	787
Appropriations		267	167
Income taxes	(8)	<u>-</u>	<u>0</u>
PROFIT FOR THE FINANCIAL YEAR		<u>2 764</u>	<u>954</u>

Parent Company Balance Sheet

(1 000 €)	31 Dec. 1999		31 Dec. 1998	
Assets				
NON-CURRENT ASSETS				
Intangible assets				
Other capitalised long-term expenses		470		771
Tangible assets				
Land and waters	1 202		1 273	
Buildings	5 116		5 528	
Machinery and equipment	205		131	
Advance payments and construction in progress	2 004	8 527	-	6 932
Investments (9)				
Holdings in group undertakings	32 323		32 250	
Bonds and shares	9 021	41 344	8 650	40 900
NON-CURRENT ASSETS TOTAL		50 342		48 603
CURRENT ASSETS				
Long-term receivables				
Loan receivables owned by group undertakings		15 008		13 479
Short-term receivables				
Trade receivables	64		38	
Amounts owed by group undertakings (10)	27 470		25 924	
Loan receivables	105		480	
Prepayments and accrued income	47	27 686	484	26 926
Receivables total		42 694		40 405
Cash in hand and at banks		5 681		12 546
CURRENT ASSETS TOTAL		48 375		52 951
ASSETS TOTAL		98 717		101 554
Liabilities				
CAPITAL AND RESERVES (11)				
Subscribed capital		20 000		18 501
Other reserves		-		252
Retained earnings	16 870		20 401	
Profit for the financial year	2 764	19 634	953	21 354
CAPITAL AND RESERVES TOTAL		39 634		40 107
APPROPRIATIONS				
Depreciation reserve		2 845		3 112
PROVISIONS (12)				
Provisions for pensions		468		-
CREDITORS				
Non-current (13)				
Loans from credit institutions	-		15 463	
Pension loans	20 148	20 148	16 086	31 549
Current				
Loans from credit institutions	-		3 968	
Trade payables	380		163	
Amounts owed to group undertakings (14)	28 435		19 876	
Other current liabilities	6 314		1 187	
Accruals and deferred income	493	35 622	1 593	26 786
CREDITORS TOTAL		55 770		58 335
LIABILITIES TOTAL		98 717		101 554

Parent Company Funds Statement

(1 000 €)	1999	1998
SOURCE OF FUNDS		
Internal financing		
Profit for the financial year	2 764	953
Depreciation and reduction in value	509	485
Change in depreciation reserve	-267	-167
Change in obligatory provisions	468	-
Total internal financing	3 474	1 271
Changes in non-current assets	308	130
	<u>3 782</u>	<u>1 401</u>
APPLICATION OF FUNDS		
Long-term loans receivable	1 528	5 046
Investments in fixed assets	2 556	327
Decrease in long-term financing	11 402	2 365
Dividends distributed	3 237	1 618
	<u>18 723</u>	<u>9 356</u>
Change in working capital	-14 941	-7 955
	<u>3 782</u>	<u>1 401</u>
CHANGE IN WORKING CAPITAL		
Cash in hand and at banks	-6 865	-4 955
Current receivables	760	9 214
Current liabilities	-8 837	-12 215
	<u>-14 941</u>	<u>-7 955</u>
Working capital at 1 January	12 686	20 641
Working capital at 31 December	-2 255	12 686

Notes to the Financial Statements

Accounting principles for the consolidated accounts

The consolidated accounts have been prepared in accordance with the acquisition cost method. The consolidated financial statements include the Parent Company, Helvar Merca Oy Ab, and those companies in which Helvar Merca Oy Ab directly or indirectly holds more than 50% of the voting rights of all the shares. The real estate company, As. Oy Karkkilaan Toivikkeenrinne, serving staff housing needs, is not included in the consolidated financial statements. The financial statements of Group companies operating outside Finland have been converted and grouped according to the Finnish Accounting Act. The translation of the Balance Sheet into euros has been effected according to the Bank of Finland's average rates on the date of the closing of the accounts and the financial statements according to the average rates for the year.

Foreign currency-denominated items

Receivables and liabilities in the Balance sheet on the date of the closing of the accounts have been translated into euros at the rates prevailing on the date of the closing of the accounts. The hedging instruments of the open foreign currency-denominated items have been valued at their current value taking into account the interest rate factors.

Inventories

Inventories in the consolidated accounts are valued at their acquisition cost, which includes in addition to the direct costs part of the indirect costs of acquisition and production.

Depreciation principles

Fixed assets are entered in the Balance Sheet as depreciation according to plan reduced to the direct acquisition cost. Depreciation according to plan has been calculated according to the economic life of fixed asset as straight-line depreciation on the original acquisition price.

Depreciation periods according to plan are:

Intangible rights	10 years
Other capitalised expenditure	5 - 10 years
Buildings and constructions	20 - 40 years
Machinery and equipment	3 - 10 years
Other tangible assets	5 years

Compulsory reserves

Items are entered in the Balance Sheet as compulsory reserves which have been pledged by agreement or otherwise but which have not yet been realised. Changes in them have been included in the financial statements.

(1 000 €)	Group		Parent company	
	1999	1998	1999	1998
NOTES TO PROFIT AND LOSS ACCOUNT				
1 SALES BY BUSINESS AND MARKET AREA				
BUSINESS AREA				
Trading	130 308	134 231	-	-
Service	37 591	19 101	1 800	1 665
Production	137 313	136 268	-	-
Total	305 212	289 600	1 800	1 665
MARKET AREA				
Finland	143 177	146 146	1 800	1 665
Other EU-countries	107 100	101 038	-	-
Other countries	54 935	42 416	-	-
Total	305 212	289 600	1 800	1 665
2 OTHER OPERATING INCOME				
Rental income	864	916	929	919
Sales revenue from fixed assets	1 535	332	-	-
Other income	1 267	222	25	149
Total	3 666	1 470	955	1 067
3 RAW MATERIALS AND SERVICES				
Purchases during the financial year	168 186	176 381	-	-
Variation in stock	5 660	-2 417	-	-
External services	11 521	1 188	-	-
Total	185 367	175 153	-	-
4 STAFF EXPENCES				
Wages and salaries	48 170	47 062	659	744
Pension expenses	10 468	4 671	961	83
Other social security and staff expenses	4 988	4 932	34	37
Total	63 626	56 665	1 654	863
5 STAFF AND MANAGEMENT				
Amount of staff in average	1 514	1 523	9	9
Finland	1 046	1 094	9	9
EU-countries	286	276	-	-
Other countries	182	153	-	-
Total	1 514	1 523	9	9
Salaries paid to the Presidents and Boards of Directors	2 995	2 661	375	358
6 FINANCIAL INCOME AND EXPENCES				
Dividend income	5	64	2 883	268
Interest income from long-term investments				
From group undertakings	-	-	177	691
From others	33	7	17	31
Other interest and financial income				
From group undertakings	-	-	1 141	468
From others	412	608	209	559
Exchange differences	103	18	865	204
Interest and other financial expenses				
To group undertakings	-	-	-553	-481
To others	-2 371	-2 845	-1 722	-2 039
Total	-1 818	-2 147	3 019	-299

(1 000 €)	Group		Parent company	
	1999	1998	1999	1998
7 EXTRAORDINARY ITEMS				
Extraordinary income	-	-	875	1 413
8 INCOME TAXES				
Income tax for actual operation	3 753	4 358	-	0
Change in calculational tax debt	-1 077	-707	-	-
Total	2 676	3 651	-	0

9 BREAKDOWN OF PORTFOLIO

Group companies

Subsidiaries	Share %	Share %	Book value of shares 1 000 €	Ownership of equity 1 000 €	Profit/loss in
	Parent Company				Group
FI Helvar Oy Ab	100	100	5 644	29 726	76
FI Transkem Oy Ab	100	100	10 501	10 821	253
FI Wulff Oy Ab	100	100	1 166	4 767	853
FI Örum Oy Ab	100	100	7 844	13 825	1 320
FI Kiinteistö Oy Keskuojankatu 12	100	100	84	84	0
FI Kiinteistö Oy Ahertajankatu 6	100	100	342	74	11
FI Mercantile KSB Oy Ab	80	80	807	969	201
FI Qualitron Oy Ab	6	55	31	663	549
FI Mercantile Oy Ab	100	100	2 186	7 607	1 060
FI Fastems Oy Ab	100	100	1 177	5 574	2 217
FI Oy Merca Trading Ab	100	100	3	3	-
EE Helvar Merca AS	100	100	83	288	108
LT Helvar Merca SIA	100	100	3	1	-12
EE Helvar Merca Kinnisvara AS	100	100	157	162	-
US Electrosonic Systems, Inc.	89	99	2 279	-679	-576
RU Helvar Merca OOO	100	100	16	15	-
			32 323		

Indirectly owned subsidiaries

FI Helvar Oy Ab					
DE Helvar GmbH		100	735	963	168
SE Helvarmerca AB		100	504	333	36
IT Helvar S.r.l.		100	267	508	101
NL Dartford Invest B.V.		100	6 330	8 625	732
FI As. Oy Karkkila Toivikkeenrinne		100	27	23	0
GB Helvar Merca Ltd.		100	14 070	8 042	-
GB Helvar Ltd.		100	402	625	47
GB Helvar Lighting Control Ltd.		100	1 608	-4 273	-1 525
GB Electrosonic Holdings Ltd.		96	2 815	2 852	-
GB Electrosonic Ltd.		100	2 974	7 082	3 079
CA Multivision Electrosonic Ltd.		100	-	263	242
GB Electrocue Ltd.		100	351	0	-11
FI Wulff Oy Ab					
FI Torkkelin Paperi Oy		100	245	872	187

Parent Company's other shares

FI Kiinteistö Oy Luna			8 246		
FI As. Oy Nordgolf Houses			143		
FI Nordgolf Oy			22		
FI Vakuutus Oy Garantia			84		
FI As. Oy Pohjoisranta 10			524		
FI Other shares			2		
			9 021		

NOTES TO THE BALANCE SHEET

10 SPECIFICATION OF SHORT-TERM RECEIVABLES AMOUNTS OWNED BY GROUP UNDERTAKINGS

Loan receivables			14 244	23 532
Other receivables			8 135	-
Prepayments and accrued income			5 091	2 392
Total			27 470	25 924

11 CAPITAL AND RESERVES

Subscribed capital at 1 January	18 501	18 501	18 501	18 501
Transfer to revaluation fund	-3 665	-	-3 665	-
Transfer from revaluation fund	3 665	-	3 665	-
Transfer from other funds	252	-	252	-
Transfer from retained earnings	1 247	-	1 247	-
Subscribed capital at 31 December	20 000	18 501	20 000	18 501
Redemption of own 1 981 shares	-	3 665	-	3 665
Outstanding 8 019 shares	-	14 836	-	14 836
	-	18 501	-	18 501

(1 000 €)	Group		Parent company	
	1999	1998	1999	1998
Revaluation fund at 1 January	-	-	-	-
Transfer from subscribed capital	3 665	-	3 665	-
Transfer to subscribed capital	-3 665	-	-3 665	-
Share premium account at 31 December	-	-	-	-
Other funds at 1 January	252	252	252	252
Transfer to subscribed capital	-252	-	-252	-
Other funds at 31 December	-	252	-	252
Retained earnings at 1 January	66 912	61 756	21 354	21 346
Dividens distributed	-3 237	-1 618	-3 237	-1 618
Transfer to subscribed capital	-1 247	-	-1 247	-
Corrections	-	-62	-	673
Translation adjustment in shareholders' equity	-393	88	-	-
Retained earnings at 31 December	62 035	60 163	16 870	20 400
Profit for the financial year	5 115	6 749	2 764	953
Capital and reserves total	87 150	85 413	39 634	40 107
Retained earnings at 31 December	62 035	60 163	16 870	20 400
Profit for the period	5 115	6 749	2 764	953
Transferred from depreciation difference reserve	-12 579	-17 939	-	-
Distributable reserves at 31 December	54 571	48 973	19 634	21 354
12 PROVISIONS				
Provisions for pensions	622	-	468	-
Provisions for guarantees	893	824	-	-
Total	1 515	824	468	-
13 NON-CURRENT CREDITORS, OVER 5 YEARS				
Pension loans	28 580	24 518	20 148	16 086
14 CREDITORS, CURRENT AMOUNTS OWNED BY GROUP UNDERTAKINGS				
Trade payables			5	23
Other current liabilities			146	499
Accruals and deferred income			28 284	19 354
Total			28 435	19 876
15 CONTINGENT LIABILITIES				
Loans with real estate mortgage				
Pension loans	19 246	15 184	10 814	6 752
Mortgages	10 821	10 998	3 280	3 456
Loans with share pledges				
Pension loans	9 334	9 334	9 334	9 334
Book value of pledged shares	9 702	9 334	8 246	7 878
Other collaterals				
Given mortgages	841	841	841	841
Book value of pledged shares	92	92	-	-
Non-accounted pension liability				
Other pension liability	-	1 209	-	1 028
Leasing liability				
For the year 2000	103	-	6	-
To be paid later	1 369	1 552	3	16
Total	1 472	1 552	9	16
Collaterals given on behalf of others				
Given collateral			13 930	14 175
Other contingent liabilities				
Guarantees on behalf of own liabilities	1 917	1 981	-	-
Guarantees on behalf of other liabilities	220	105	116	-

Helsinki, 18 February 2000

Dieter Aminoff

Edward Andersson

Christian Westerlund

Stig Gustavson

Philip Aminoff

Olli Riikkala

Auditors' Report

To the shareholders of Helvar Merca Oy Ab

We have audited the accounting, the financial statements and the corporate governance of Helvar Merca Oy Ab for the period 1.1. - 31.12.1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates

made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements 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 both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, 17 March 2000

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Jan Holmberg
Authorised Public
Accountant

Kim Karhu
Authorised Public
Accountant

Addresses

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