

Annual Report 1999

Innovation. People. Solutions.



PARTEK

Financial information on Partek

Partek will issue the following financial information in year 2000:

| | |
|-------------------|--------------------------------------|
| February 18, 2000 | Financial result for 1999 |
| Week starting | |
| March 20, 2000 | Partek Annual report 1999 |
| March 30, 2000 | Partek Annual General Meeting |
| May 12, 2000 | Interim result for January-March |
| August 10, 2000 | Interim result for January-June |
| November 13, 2000 | Interim result for January-September |

Partek's annual report, interim reports and the Group magazine Partek Today are published in Finnish, Swedish and English. Partek's subsidiary Partek Nordkalk publishes its interim reports and annual reports in Finnish, Swedish and English in accordance with Partek's timetable. Partek's subsidiary Kalmar Industries publishes its financial information in Swedish and English.

The publications can be downloaded from Partek's Internet pages, where stock exchange releases, updated share data, and other financial information can also be found. With the Alert Service on the Internet pages orders can be made for Partek's press releases via e-mail.

The printed publications can be ordered via the Internet pages or from the following address:

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Shareholder information

Share register

Shareholders are kindly requested to inform the book-entry register holding their book entry account of any changes of name, address or share ownership.

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Partek in Year 2000

Partek produces mobile logistical solutions for customers in the transportation sector, industry and primary production.

Our products combine steel structures, hydraulics and diesel engines with electronics and information technology into customer-tailored solutions.

Our success is based on know-how, customer-responsive solutions, innovative product development, strong product brands and a leading market position. Each business area is leading in its field. A main emphasis in our strategy is to significantly increase the after-sales business relative to total sales. We supply the services that are required during the entire life-cycle of the product.

Partek's values guide the company's operations worldwide. Our values are an inseparable part of our corporate profile. Expertise and know-how are the basis for Partek's reputation as the leading expert in its field. Our commitment makes us a reliable partner, and the flexibility of our personnel makes it possible for us to implement visions and take the initiative in industrial restructuring.

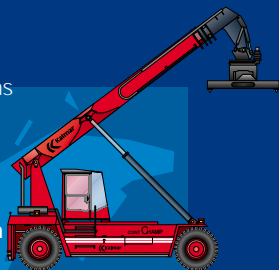
The starting point of Partek's strategy is to increase the company's value in the long term and to produce added value for its owners. Partek endeavours to be an attractive investment among the world's leading engineering companies. The long-term target for return on capital employed is 15 percent. The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

Partek's roots are in Finland. The company started as a local lime operation in Pargas in 1898 and transformed itself into an international engineering business in 1997. Partek's shares have been quoted on the Helsinki Stock Exchange since 1915. Today, Partek has operations in 30 countries and 10,000 employees, of which 60 percent work outside of Finland. The company has 12,000 shareholders. Partek owns Partek Nordkalk, the leading lime company in the Baltic region.

Container handling

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

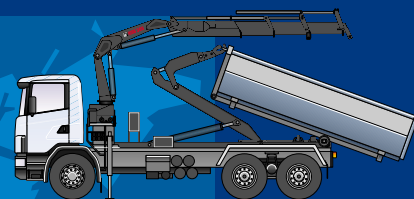
- World-leading brands Kalmar, Sisu, Ottawa
- Net sales EUR 537 million
- Personnel 2,944



Load handling

Partek is the world's leading producer of load-handling equipment for vehicles.

- World-leading brands Hiab loader cranes and Multilift demountable systems
- Net sales EUR 419 million
- Personnel 2,016



Customer-order system

An increasing part of Partek's products are manufactured according to customer-defined preferences in regards to product characteristics and accessories. Partek's aim is to be close to the customer everywhere and today Partek's own salespeople serve customers in the main markets. Thanks to close customer contacts, feedback can quickly be conveyed to product development and utilised in steering the production processes.



Technology and components

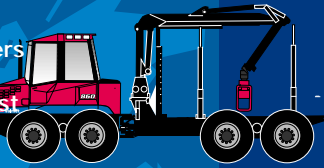
Partek's products are forerunners in their field due to their advanced technology and innovative product development. The flexible production process is based on components and modules. The purchasing of components has been globally centralised to chosen suppliers in order to ensure high quality and low costs. Partek takes care of the products, key components such as diesel engines, hydraulics, transmission, cabins and electronics.



Forest machines

Partek is one of the world's foremost producers of forest machines.

- Valmet brand forest machines are world leaders in their field. Loglift and Jonsered are leading forest crane brands in Europe.
- Net sales EUR 244 million
- Personnel 1,030



Tractors

Partek focuses on the rapidly expanding category of high-horsepower tractors.

- The Valtra Valmet brand is the market leader in Scandinavia and the second-most popular in Latin America
- Net sales EUR 593 million
- Personnel 2,375



Partek's common denominators



User-friendly

Partek's products are reliable, ergonomic and user-friendly. The advanced hydraulics, electronics and information technology enable smooth manoeuvrability and precision even in the most demanding tasks.

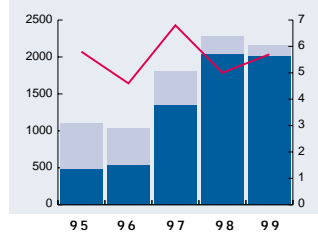
Strong brands and widespread presence

Partek's brands are market leaders in their fields. To the customer the brands signify reliability, efficiency and user-friendly advanced technology. Partek has its own sales and service companies in 30 countries. In total Partek products and services are available in 100 countries through local representatives and dealers.



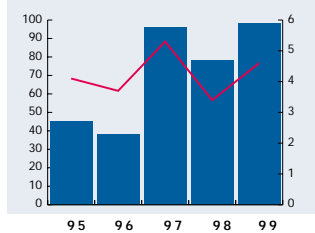
Partek in figures

NET SALES AND OPERATING PROFIT



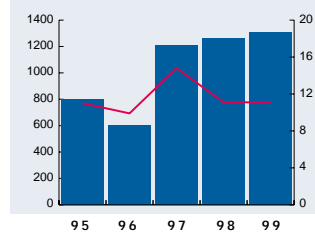
- Present business activities, Meuro
- Sold business activities, Meuro
- Operating profit as percentage of net sales, %

PROFIT AFTER FINANCIAL ITEMS



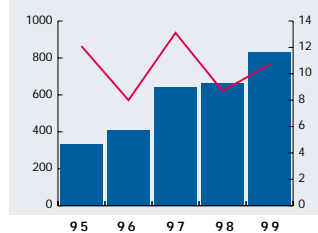
- Profit after financial items, Meuro
- As percentage of net sales, %

CAPITAL EMPLOYED AND ROC



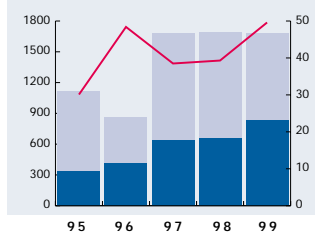
- Capital employed, Meuro
- Return on capital employed (ROC), %

EQUITY AND ROE



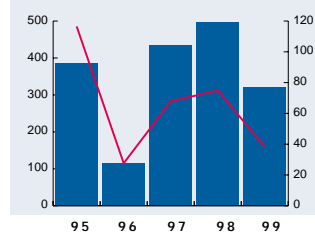
- Equity, Meuro
- Return on equity (ROE), %

CAPITAL STRUCTURE AND EQUITY/TOTAL ASSETS RATIO



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

INTEREST-BEARING NET DEBT AND GEARING



- Interest-bearing net debt, Meuro
- Gearing, %

1999: Strong profit improvement, capital for growth

The transformation from construction materials to engineering was realised

- Engineering represents 90 percent of net sales
- The majority holding in the insulation operations was sold
- Nordkalk will be publicly listed

Improving profitability and overall quality

- The result of internal improvement measures is evident in the profit development
- Purchasing costs to decrease by 2.8 percent on a yearly level
- Working capital decreased by EUR 24 million
- The European operations of Valtra received the Finnish quality award

Strong profit improvement

- Earnings per share EUR 1.24 (1998:0.88), proposal to raise the dividend to EUR 0.55 (0.50) per share
- The third tertial operating profit margin of the engineering business rose to 6.2 (4.2) percent, and full-year to 5.3 (4.8) percent

Growth through successful R&D and services

- Competitiveness through new products: half of 1999 sales derived from products launched in the last three years
- Utilising IT is of key importance: GPS-positioning, steering and measurement systems
- The aim is to clearly increase the share of services relative to net sales
- E-business for customer services and a marketplace for pre-owned equipment have been launched

Stronger balance sheet

- The targets for the equity/total assets ratio and gearing were reached
- Capital will be freed from non-core activities
- A base for growth has been established

| Partek Group | | | |
|-------------------------------------|--------|--------|---------------|
| | 1999 | 1998 | |
| Net sales, Meuro | 2,153 | 2,277 | |
| Change % | -5 | 26 | |
| Operating profit, Meuro | 123 | 114 | |
| as percentage of net sales | 5.7 | 5.0 | |
| Profit after financial items, Meuro | 98 | 78 | |
| Net profit for the period, Meuro | 60 | 74 | |
| Balance sheet, total, Meuro | 1,685 | 1,693 | |
| Capital employed, Meuro | 1,304 | 1,264 | |
| Gross capital expenditure, Meuro | 159 | 144 | |
| Earnings/share, euro | 1.24 | 0.88 | |
| Equity/share, euro | 12.18 | 11.70 | |
| Personnel on average | 11,168 | 12,062 | |
| | | | Target |
| Return on capital employed % | 11.1 | 11.1 | 15 |
| Return on equity % | 10.7 | 8.7 | 15 |
| Equity/total assets ratio % | 49.6 | 39.3 | >40 |
| Gearing % | 38.4 | 74.9 | 50 |

Dear Shareholder,

Partek entered the new century with a new Group structure. Last year the process of transforming Partek from a European building materials company into a global engineering group, which offers mobile logistical solutions for customers in the transportation sector, industry and primary production was completed. Partek Nordkalk took the first step towards becoming a publicly listed company.

An assessment of Partek and the year 1999 consequently deals primarily with engineering operations.

Partek's profit after financial items for the year 1999 was the best ever. However, operating profit margin still did not come up to the target set for the different business areas, which aims at 8 percent by the end of the year 2001. But we are on the right track. The effects of a large number of measures we have taken to improve profitability began to show towards the end of the year.

Partek continues the active dividend policy pursued in recent years.

The Board of Directors proposes that more than 40 percent of net profit for the year be paid out as dividends.

All the measures taken within the Group have the clear aim of satisfying the shareholders' expectations of a good return on their investment and a long-term increase in the company's value.

Divestments of certain operations led to a decline in Group net sales.

The sale of Insulation was the most important step in this respect. Further divestments can be expected. Holdings and real estate that are not part of the Group's core businesses will be concentrated to a single unit, which represents considerable value. Capital will be freed-up from this unit. The foundation for growth will be created.

Partek today comprises an entity made up of four closely-related businesses. The challenge that faces us is to utilise this common strength and increase coordination between the areas so that the Group's and the individual businesses' competitiveness will improve. The organisation worked hard at this throughout the year under review.

Although achieving this aim will not by any means be an easy task, I would nonetheless like to present an optimistic view. The economies of scale are unquestionable, particularly in purchasing and finance but it should also be possible to exploit similar economies in production and distribution. There exists considerable potential for the transfer of best practices within the Group.

All of Partek's operations are capable of organic growth. Container handling and forest machines are obvious growth sectors. Last year showed that we also have the strength and ability to expand in our tractor and load handling businesses.

Growth will be created by broadening our base. Partek has excellent possibilities of "going downstream" in the value chain. Customer demands are changing. The trend is away from simply selling products to selling systems and capacity, and from spare parts and maintenance to overall responsibility for service and perhaps even operating the machines.

With a global presence we have to be able to provide our customers with service, wherever they are and regardless of whether they belong to the growing number of global actors or are individual entrepreneurs. –Here we see opportunities for growth.

The Internet offers an effective way to be globally present. Partek has taken a number of steps in this direction. Valtra launched a range of internet services for Finnish farmers

Partek's profit after financial items for the year 1999 was the best ever. However, operating profit margin still did not come up to the target set for the different business areas, which aims at 8 percent by the end of the year 2001. But we are on the right track.

at the beginning of year 2000. So far, these include spare parts and accessories, financial solutions and a marketplace for pre-owned tractors.

Using this pilot example, Partek intends to develop its e-business further. It also opens up possibilities in those areas to which Partek otherwise gives priority, e.g. purchasing and spare-parts handling. Our customer-order-based approach has a good strategic fit with the opportunities afforded by e-business. And vice versa, e-business can be applied very effectively when operations are customer-order based.

Structural change has continued during the past year in those sectors of the engineering industry where Partek is represented, in tractors and forest machines, among others. Partek's confidence in strong structures was a key reason for the acquisition of a considerable interest in Zeteco. The company is a world leader in the field of tailgate lifts and container spreaders, segments that lie close to Partek's operations.

Changes in the market generally mean new competition and new opportunities. One structural change triggers others. I think that the forest machine sector will see further mergers, that the dealership structure for tractors will change, that the trend towards industrial players in load-handling will continue and that we shall see further consolidation in container-handling.

That the actors are becoming larger and stronger is a development for which Partek is prepared and in which we intend to take part. A growing Partek is also good for our customers and dealers. It gives us increased resources, thereby enabling us to be represented in different markets and to develop our service concepts.

In light of the figures it can be said that Nordkalk last year experienced something of a moderate year, but it was by no means uneventful. The Baltic Sea strategy on which the plans to launch Nordkalk on the Stock Exchange are based has been strengthened. The company has established a foothold in Poland. –By actively subscribing to Nordkalk's Going Public Bond, Partek's shareholders have indicated their confidence in the company's future.

I thank all Partek team members around the world for their important contribution during the year. I invite you all to take part in building a future that will increasingly depend on our ability to offer solutions that take into account the rapid changes in our customers' demands.

18.2.2000

Christoffer Taxell

We seek growth through expansion to services. Partek has excellent possibilities of "going downstream" in the value chain. A growing Partek is also good for our customers and dealers.



The Internet offers an effective way to be globally present. Partek has taken a number of steps in this direction. Our customer-order-based approach has a good strategic fit with the opportunities afforded by e-business.

Information on Partek as an investment

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

In 1999 Partek's share capital and its minimum and maximum amounts were changed to euros. The nominal value of a share was raised from FIM 10 to EUR 1.80. The company's share capital was raised through a bonus issue of EUR 5,766,253.99 to EUR 87,869,899.80. At the end of the year the number of shares was 48,816,611. The Company's minimum share capital is EUR 31,500,000 and the maximum EUR 126,000,000. The share capital can be increased or reduced within these limits without amending the Articles of Association.

Partek has issued a convertible subordinated bond, an option programme and a convertible capital loan. These instruments have so far not been changed to euros. Through these instruments the company's share capital can further rise by a maximum of EUR 14,333,983 and the number of shares by, at most, 7,963,324 shares. No conversions of the convertible subordinated bonds or the convertible capital loan into shares were made during the year.

Market capitalisation

Partek's share price rose 68 percent in 1999 from EUR 7.87 to EUR 13.25. In the same period the HEX general index rose by 162 percent, the HEX portfolio index by 66 percent and the metal and engineering industry index by 26 percent. The highest price for Partek shares during the year was EUR 13.50 and the lowest was EUR 7.00. The taxable value per share for 1999 is EUR 9.10 (1998: EUR 5.55).

Partek's market capitalisation at the end of 1999 was EUR 659 million.

In 1999 trading in Partek shares decreased by 60 percent on 1998 to 8.7 million shares. The average daily turnover fell from 87,000 shares to 35,000. The velocity of the Partek share i.e. the number of shares traded relative to the number of shares outstanding was 18 percent. The value of shares traded was EUR 90.7 million. The lot size on the HEX is 200 Partek shares.

Convertible subordinated bond

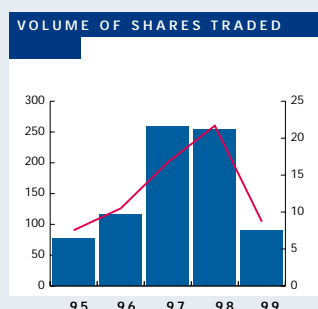
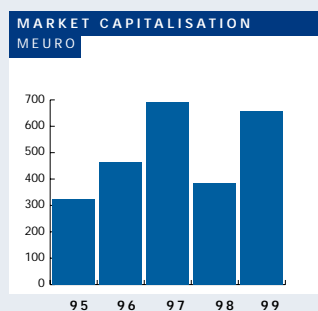
In 1994 the company issued a convertible subordinated bond with a nominal value of EUR 28.2 million (FIM 167,820,000), which was directed to the general public. The bond is in the nature of a capital loan. The loan has no maturity date and is not backed up by any guarantee or other security. The bonds are subordinate to the company's other obligations. Interest payments on the bond can only be made from distributable funds before the payment of a dividend. The nominal interest on the bond is 9.02 percent. If the preconditions for an early repayment are fulfilled the company has the right to pay back the loan at its nominal value starting June 1, 2004.

The bonds can be converted into Partek shares. The issue-adjusted conversion price of the bonds is EUR 13.41 (FIM 79.75) per share. The bonds can be converted into shares each year between January 2 and November 30. By December 31, 1999 a total of EUR 13,443 (FIM 80,000) of the loan had been converted into 1,002 shares, which raised the share capital by EUR 1,683 (FIM 10,020). The convertible bonds are quoted on the Helsinki Exchange. The last price for the loan in 1999 was 112 %.

Management options

In 1997 an issue of 1.26 million option rights was made to about 70 people in Partek's management. Each option right gives the right to subscribe to one share and the amount of Partek shares can increase by up to 1,260,000 through subscriptions.

The aim of the option programme is to further motivate the management to work on a continuous and long-term basis in order to develop Partek and its value. In order to be



■ Volume of trading, Meuro
— Volume of trading, shares million



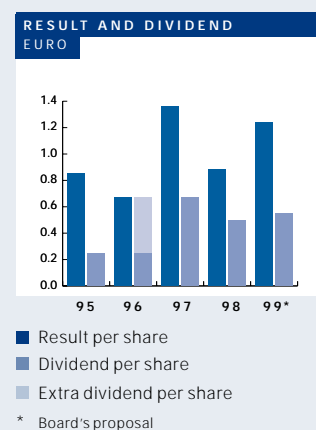
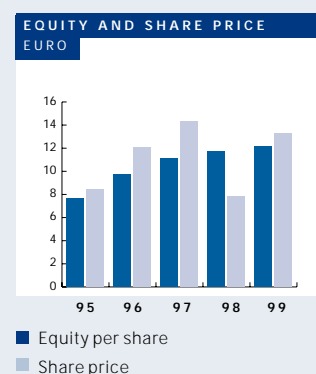
able to give option rights to other persons falling within the incentive programme at a later date, one company belonging to the Group was given the authority by the Board to subscribe to the option rights.

A total of 630,000 series A option rights and 630,000 series B option rights have been issued. The subscription period for the series A option rights commences on October 2, 2000 and for the series B option rights on October 2, 2002. The subscription period for all the option rights ends on October 2, 2003. The option rights can be converted into shares each year between January 2 and November 30. The original subscription price of EUR 20.18 (FIM 120) per share for the series A option rights and EUR 23.55 (FIM 140) for the series B option rights exceeded the average volume-weighted price of Partek shares between September 1 and 12, 1997 by about 20 and 40 percent respectively. The subscription price per share is reduced by the dividend per share distributed after January 1, 1998. The subscription price is adjusted annually on the matching day of the dividend, and before the dividend for 1999 the subscription price is EUR 19.00 (FIM 113) for A option rights and EUR 22.37 (FIM 133) for B option rights.

Convertible capital loan

In January 1999 Partek issued a EUR 54 million (FIM 322 million) convertible capital loan to shareholders, the general public and institutional investors, disapplying the shareholders' pre-emptive right to subscription. All shareholders had the right to subscribe to bonds in proportion to their shareholding, the minimum subscription being EUR 1,682 (FIM 10,000). The shareholders' pre-emptive right to subscription was disappplied for important financial reasons. With the capital loan Partek strengthened its capital structure and created the preconditions for implementing corporate acquisitions and other industrial measures. Annual interest of 5.0 percent will be paid on the loan during the loan period, which is from January 26, 1999 to May 31, 2004. The loan will be repaid in one instalment on May 31, 2004 provided that the repayment conditions according to the loan terms have been met. The issue price was 100 percent, and it was determined on the basis of the offer procedure arranged for institutional investors.

The loan can be converted into Partek shares to the price of EUR 11.77 (FIM 70) per share, and this can increase the number of shares by a maximum of 4.6 million. The loan can be converted into shares each year between January 2 and November 30, during the conversion period, which is June 1, 1999 to May 5, 2004. The loan was traded at 110 % at the end of 1999.



| Increase in share capital since 1995 | Subscription period | Subscription ratio | Price/share euro | Number of new shares | New share capital, euro |
|--------------------------------------|---------------------|-------------------------------------|------------------|----------------------|-------------------------|
| Share issue | April 10-22, 1997 | Directed issue | 13.20 | 10,000,000 | 81,571,144.33 |
| Conversion of sub. bonds | November 30, 1997 | Conversion | 13.41 | 125 | 81,571,354.57 |
| Subscription with option rights | April 17, 1998 | Subscription | 12.96 | 18,375 | 81,602,259.10 |
| Subscription with option rights | May 11, 1998 | Subscription | 12.96 | 31,763 | 81,655,680.63 |
| Subscription with option rights | June 2, 1998 | Subscription | 12.96 | 147,995 | 81,904,590.35 |
| Subscription with option rights | June 29, 1998 | Subscription | 12.96 | 117,476 | 82,102,170.80 |
| Conversion of sub. bonds | December 17, 1998 | Conversion | 13.41 | 877 | 82,103,645.81 |
| Bonus issue | May 12, 1999 | Change of nominal value to 1.8 euro | | | 87,869,899.80 |

| The effect of equity related instruments on equity capital | Share capital, euro | Change % | No. | Shares | Change % | Equity/share euro |
|--|---------------------|----------|-----------|------------|----------|-------------------|
| Situation Dec. 31, 1999 | 87,869,899.80 | | | 48,816,611 | | 12.18 |
| Convertible subordinated bonds | 3,785,983.20 | 4.3 | 2,103,324 | | 4.3 | 13.41 |
| Option rights | 2,226,000.00 | 2.6 | 1,260,000 | | 2.6 | 21.87 |
| Convertible capital loan | 8,280,000.00 | 9.4 | 4,600,000 | | 9.4 | 11.77 |
| Possible total increase | 14,333,983.20 | 16.3 | | 7,963,324 | 16.3 | |
| Situation after increases | 102,203,883.00 | | | 56,779,935 | | 12.38 |

The following brokerages and banks provide information about Partek as an investment

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The Board's authority to raise the share capital

Partek's aim is to achieve an equity to assets ratio above 40 percent and a gearing of 50 percent. At end-1999 the company's equity to assets ratio was 49.6 percent and its gearing was 38.4 percent.

On May 12, 1999 an extraordinary meeting of shareholders extended the authorisation given to the Board on December 30, 1998 to decide on increasing the share capital through a rights issue based on the shareholders' pre-emptive right to subscription and without changing the Articles of Association. According to the authorisation, which was valid until December 30, 1999, the share capital could be raised by a maximum of 4.9 million shares and by a maximum of EUR 8,820,000. The authorisation was not used.

Authorisation to acquire and surrender own shares

The Board of Partek has authorisation to, using distributable funds, purchase and surrender a maximum of 2,440,830 Partek shares, i.e. not more than 5 percent of the total amount of the company's shares. The authorisation deviates from the distribution of shareholders' shareownership. The shares will be purchased or surrendered primarily to finance possible future acquisitions of companies or other assets relating to Partek's operations. The authorisation is valid until April 7, 2000 and by February 18, 2000 it had not been used.

Dividend Policy

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

Shareholders

At year-end 1998 Partek's shareholders numbered 11,561. Four out of five shareholders hold fewer than 1,000 shares. The ten largest shareholder groupings own 63.2 percent of the shares. Private individuals own 16 percent of the shares. Foreign investors hold some 4 percent of the shares. Nominee-registered holdings entitle foreign owners to only have shareholder's financial rights, such as to the right to a dividend and the right to participate in share issues. Shareholders who do not register their shares in their own name cannot participate with the votes produced by the shares or use their voting rights at general meetings of shareholders.

The State of Finland owns 30.2 percent of the shares in Partek, which it acquired as payment when Partek purchased Sisu in 1997. There are no restrictions to the sale of the State's holding.

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

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

Management's shareholding

On December 31, 1999 the members of Partek's Board of Directors, and Management Group (Group Management, Group Administration Executives, and the Business Area Presidents) together held 25,466 (January 25, 1999: 23,220) Partek shares, which is 0.05 percent of the company's entire share capital and voting rights. In addition to this, members of the Management Team owned convertible subordinated bonds and option rights issued by the Company entitling them to subscribe to a total of 300,000 shares. This is the equivalent of 0.6 percent of the Company's share capital and voting rights.

| Share key ratios | | 1999 | 1998 | 1997 | 1996 | 1995 |
|--|--------|---------|--------|--------|--------|--------|
| Earnings per share (EPS) | euro | 1.24 1) | 0.88 | 1.36 | 0.67 | 0.85 |
| Equity per share | euro | 12.18 | 11.70 | 11.12 | 9.71 | 7.63 |
| Dividend per share | euro | 0.55 2) | 0.50 | 0.67 | 0.67 | 0.25 |
| Total dividend | Meuro | 26.8 2) | 24.6 | 32.6 | 25.9 | 9.7 |
| Dividend/Earnings | % | 44.4 | 57.1 | 49.5 | 37.6 | 29.7 |
| Effective dividend yield | % | 4.2 | 6.4 | 4.7 | 5.6 | 3.0 |
| Price/Earnings (P/E) | | 10.7 | 8.9 | 10.5 | 17.9 | 9.9 |
| Number of shares | | | | | | |
| at the end of the year | 1000's | 48,817 | 48,817 | 48,500 | 38,500 | 38,500 |
| average | 1000's | 48,817 | 48,679 | 45,432 | 38,500 | 38,500 |
| Partek shares on the Helsinki Stock Exchange | | | | | | |
| Nominal value | euro | 1.80 | 1.68 | 1.68 | 1.68 | 1.68 |
| Adjusted share price at the end of the year | euro | 13.25 | 7.87 | 14.29 | 12.04 | 8.39 |
| Average share price during the year | euro | 10.43 | 11.75 | 15.47 | 11.20 | 10.28 |
| highest | euro | 13.50 | 17.16 | 19.01 | 12.45 | 11.60 |
| lowest | euro | 7.00 | 6.53 | 11.77 | 7.75 | 7.57 |
| Turnover | Meuro | 90.7 | 254.8 | 258.7 | 116.5 | 77.5 |
| Trading volume | 1000's | 8,700 | 21,693 | 16,720 | 10,499 | 7,539 |
| Velocity | % | 17.8 | 44.6 | 36.8 | 27.3 | 19.6 |
| Market capitalisation at the end of the year | Meuro | 659.0 | 384.3 | 693.3 | 463.4 | 323.1 |
| 1) Fully diluted EPS for 1999 is EUR 1.15 | | | | | | |
| 2) Proposal by the Board of Directors | | | | | | |

Insiders

Partek follows the Helsinki Exchanges' insider directives of 1999. The statutory insiders are Members of the Board, the President & CEO and auditors. Insiders by definition are the Senior Executive Vice President, Chief Financial Officer, Business Area Presidents, the Senior Vice Presidents of Administration, Treasury, Communications & Investor Relations, General Council, Corporate Controller and Director of Corporate Development. The holding of Partek shares of the secretary to the CEO and of other secretaries to insiders employed by Partek, are monitored internally. Insider lists are upheld covering people involved in project relating to acquisitions or other measures that can have an impact on the share price. The Company's General Council is responsible for monitoring that the insider directives and the notification obligations are followed.

According to the Principles of Partek insiders' investments in Partek shares are to be of a long-term nature. No trading in Partek shares is allowed within 14 days of the release of Interim Reports and annual accounts. All trading should be done when the capital market's information on factors effecting Partek's share price are as complete as possible, for example directly following the publication of results or acquisitions. Insiders are always to consult the Company's General Council before conducting trade in Partek shares.

Investor relations

Partek wants to offer both domestic and foreign investors an interesting and liquid investment. It is Partek's intention for shareholders to receive an attractive return on their capital invested. Increase in share value and dividend payments are included in the return.

The function of investor relations is to communicate actively, transparently and regularly with the capital markets in order to supply sufficient information for Partek's market capitalisation to reflect as closely as possible the value of the company's assets and its ability to generate profits. The intention is to increase the shares' liquidity and to decrease the shareholders' risk and the volatility of the share.

In 1999 investor focus turned to telecommunication and Internet companies while the engineering industry received less attention.

TRADING CODES

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

www.partekcorp.com

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

| Largest shareholders, December 31, 1999 | | | |
|---|-----------|------------|------|
| | No. | No. total | %1) |
| The State of Finland | | 14,721,835 | 30.2 |
| Foundation of Åbo Akademi | | | |
| Foundation of Åbo Akademi | 4,115,961 | | |
| Foundation of Martha och Albin Lofgrens Kulturfond | 137,433 | | |
| Foundation of Martha och Albin Lofgrens Understodsfond | 63,242 | 4,316,636 | 8.8 |
| Metso Corporation | | | |
| Valfin Oy | | 4,126,039 | 8.5 |
| Sampo-Group | | | |
| Industrial Insurance Company Ltd | 2,550,640 | | |
| Henki-Sampo Insurance Company Ltd. | 395,451 | | |
| Sampo Insurance Company Ltd | 270,100 | | |
| Otso Loss of Profits Insurance Co. Ltd | 118,363 | | |
| Insurance Company of Finland Ltd | 70,000 | 3 404 554 | 7.0 |
| Varma-Sampo Mutual Pension Insurance Company | | 1,147,189 | 2.3 |
| Svenska litteratursallskapet i Finland | | 836,600 | 1.7 |
| Ilmarinen Mutual Pension Insurance Company | | 808,722 | 1.7 |
| Odin Norden mutual fund | | 696,500 | 1.4 |
| Federation of Finnish Metal, Engineering and Electrotechnical Industries. MET | | 450,850 | 0.9 |
| Tapiola Mutual Pension Insurance Company | | 332,900 | 0.7 |
| Total | | 30,841,825 | 63.2 |

1) Percentage of total number of shares and voting rights.

| Distribution of shares | | | | | Distribution of shares | | |
|---------------------------------------|--------|----------------|------------|------------|--|---------------|---------------|
| By size of holding, December 31, 1999 | | | | | Dec. 31, 1999 | | |
| Shares/holder | No. | Shareholders % | No. | Shares %1) | Dec. 31, 1998 | Dec. 31, 1998 | Dec. 31, 1998 |
| 1 - 1,000 | 9,159 | 79.2 | 2,882,273 | 5.9 | Companies | 12.6 | 13.4 |
| 1,001 - 5,000 | 1,968 | 17.0 | 4,168,675 | 8.5 | Financial and insurance institutions | 12.0 | 11.2 |
| 5,001 - 10,000 | 219 | 1.9 | 1,561,845 | 3.2 | Public sector entities | 38.2 | 39.6 |
| 10,001 - 50,000 | 155 | 1.3 | 3,269,388 | 6.7 | Non-profit organisations | 17.6 | 15.9 |
| 50,001 - | 60 | 0.5 | 36,231,094 | 74.2 | Households/private individuals | 15.9 | 15.9 |
| Nominee registered and other | | | 703,336 | 1.5 | Foreign ownership and nominee register | 3.7 | 4.0 |
| Total | 11,561 | 100 | 48,816,611 | 100 | Total | 100 | 100 |

1) Percentage of total number of shares and voting rights.

Investor Relations communicated with the markets through many channels. The services for investors on Partek's web site www.partekcorp.com were improved during the year and a CD-rom company presentation was published. All editions of the group magazine Partek Today were mailed to shareholders. During the year Partek arranged company presentation for investor and analysts at different locations in Finland and in the United States, Stockholm and London. Partek also took part in international engineering seminars arranged for investors by investment banks and brokerages, as well as in the investment fair, Sijoitus-Invest, in Helsinki. Over 400 investors took part in the road show of Partek Nordkalk's capital loan, which was organised in 5 cities. In connection with the annual results and the interim reports, press and analyst conferences were organised.

The Capital Market Day, which was held at the Hiab plant in Hudiksvall, Sweden, focused on the load handling business and on the progress of the Excellence in Operations programme- aimed at raising overall quality and profitability. Here Finnish and international analysts and investors had the opportunity to discuss with Partek's operative management and the people responsible for the Group projects.

The number of analysts at brokerages and investment banks that regularly follow Partek and issue investment recommendations was 17 at the end of the year.

Corporate Governance

The working order of Partek's Board of Directors follows the Corporate Governance recommendations of the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

Nearly throughout its 100-year history Partek has had one share series that comprises equal voting and dividend rights. Each share has one vote at company shareholder meetings.

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

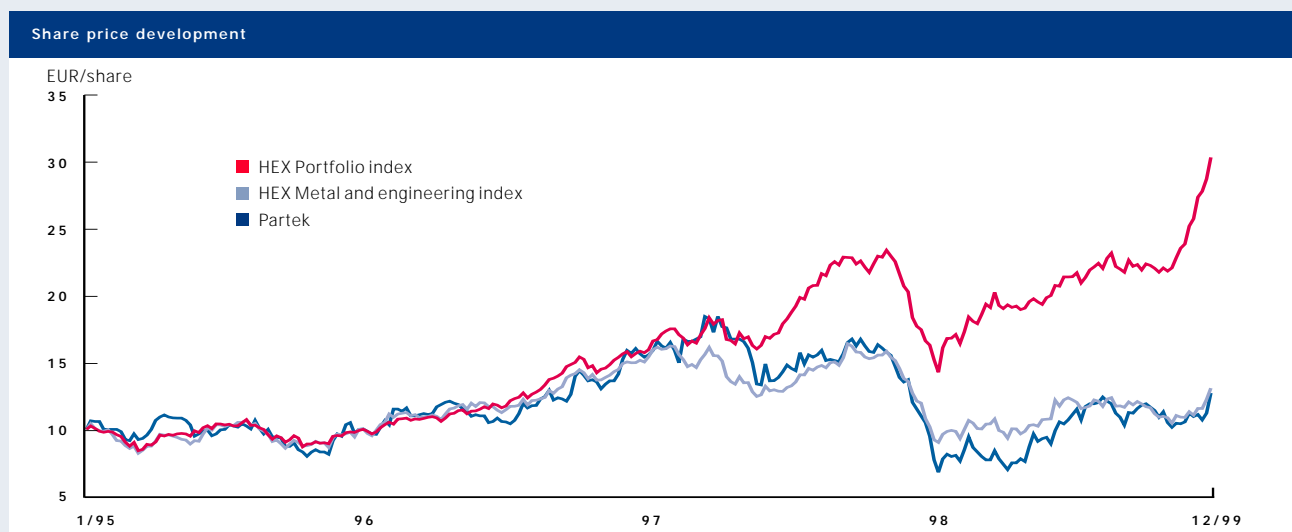
Election of the Board of Directors

Partek has an external Board, which comprises representatives of major shareholders and external experts with a wide range of international industrial experience. Information about the Board members is shown on page 70 and is also available on Partek's web page www.partekcorp.com.

The annual general meeting (AGM) is held by the end of May following the closing of the year-end accounts and it elects 6 to 9 members to the Board. Members are elected for three years, starting from the AGM when elected and ending at the AGM three years later. One-third of the members stand down each year. A person who has turned 70 years old is not eligible for election. A vacancy on the Board is filled at an AGM or an extraordinary shareholder meeting.

The Board's work

The Board chooses a chairman and vice-chairman among its members. The Board takes care of Partek's administration and organises its operations appropriately. In addition to the duties separately specified by law and the Articles of Association, the Board confirms, in accordance to its working order, the company's long-term objectives and strategy and approves the budget and funding plan. It decides on the investment framework and on major individual investments, on strategically important mergers and acquisitions and real estate transactions, R&D projects, expanding business operations and



equity-related investments. The Board also confirms the policy for the group's financial risk-management and its environmental policy.

The Board also appoints employees who report to the President and the CEO, and approves the conditions of their employment. It selects outside members for the Boards of Directors of the business areas and decides on charitable donations. The Board assembles regularly 6 or 7 times a year and when necessary.

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

Selection and duties of the President and CEO

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

Organisation and responsibilities of business operations

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

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

Management incentive scheme

The fees of the Board of Directors are confirmed by the AGM, and the Board of Directors confirms the salary and fringe benefits of the President and CEO (note 2). Salaries and fees to the Presidents and fees to board members for the 1999 accounting year including fringe benefits amounted to EUR 8.9 million for the Group and EUR 4 million for the parent company. During the year, the parent company CEO, who is also the Group president, received EUR 257,906 in salary, and bonuses of EUR 18,501. Partek employees on the Boards of Directors of the Group subsidiaries are not paid separate fees.

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

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

The maximum annual bonus amounts to 2 to 4 months' base salary. To achieve this, targets must normally be exceeded by at least 15 percent. In the line organisation 70 percent of the bonus is determined by how the goals regarding operating profit margin, capital turnover rate and net sales growth, set in the Excellence in Operations-programme, are met. The remaining 30 percent of the bonus is determined on the basis of quantifiable personal development, which includes meeting targets for process quality, measured with key performance indicators, and developing the personnel.

Partek's share price can also be used as a basis for determining a bonus. The Management Group members' bonuses are dependent on the Group result. The Business Areas' Management Team members' bonuses are dependent on the Business Area result.

Auditing

The auditors' report is on page 69.

Primary auditors:

Eric Haglund, APA
Thor Nyroos, APA

Deputy auditor

KPMG Wideri Oy Ab,
Authorised Public Accountants

Comprehensive services to cover product's entire life-span

Partek delivers mobile logistical solutions for customers in the transportation sector, industry and primary production.

Partek's brand names hold a strong position. For the driver a truck crane is generically known as a "hiab" and for operators a terminal tractor is an "ottawa". Valtra Valmet has rapidly become the most popular tractor brand in its size category on its main markets. For many forest machine entrepreneurs, Valmet stands for efficiency and leadership in technology.

For our customers Partek's product brands mean reliability, efficiency and user-friendly high-tech. By using the GPS navigation technology, Partek's machines find the right container at ports to an accuracy of 20 centimetres. Fertilizer is spread taking into account the differences in the fertility of various parts of a field. A tractor's computer gives information on the display of the owner's mobile phone about the next servicing that is needed. The harvester fells, delimits and cuts trunks to size for a pre-determined purpose in less than one minute. The cranes have a remote control system that increases safety.

Partek will grow and improve its profitability by making services account for a bigger share of the net sales. At the same time the business operations' sensitivity to cyclical trends is evened out. The aim is to develop a customer-oriented service organization that supports the customer in the attempt to minimize the overall costs associated with product ownership and usage.

Thanks to its own worldwide sales network Partek knows its final customers and their needs. Most of the production is based on the customer's order. The customer tailors the product that suits him best. Modules make it possible to assemble quickly, flexibly and efficiently. As an extension of the customer-order system, Partek is developing electronic trading, which together with the worldwide sales organization will strengthen Partek's competitive position.

In 1999 Partek started up the Excellence in Operations programme to improve overall quality and profitability. The aim is to integrate the engineering group, which was created through rapid structural change and corporate acquisitions, into a strong entity.

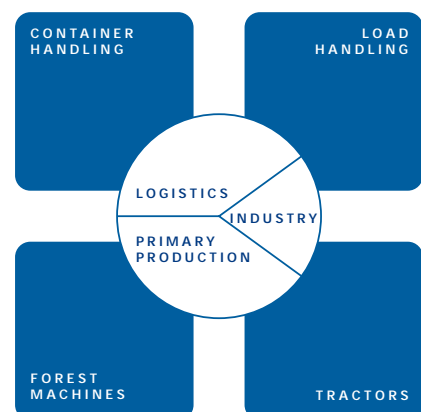
Partek's competitiveness, growth and profitability will be improved by exploiting the synergy benefits and cost savings obtained from scale economies, by duplicating know-how from one business area to the next and by trimming overlapping operations. The tools for this are common support functions and improving and streamlining the main processes i.e. product development, sales and distribution, production and after-sales. Targets are set for these processes and their progress is followed with common measuring tools.

An annual target of a reduction of three percent has been set for product costs for a three-year period. Purchased components represent about 60 percent of the value of a finished product. Through global sourcing, high-volume components such as hydraulics and electronics are being concentrated to a few selected subcontractors. The products' main components are being standardised, so that production will be simplified and production costs reduced.

The target for reducing the working capital is EUR 80 million from the level at the beginning of 1998 by the end of 2000. The working capital tied-up in the order fulfilment process is being reduced by rolling-out the project to all Partek's production and sales units individually.

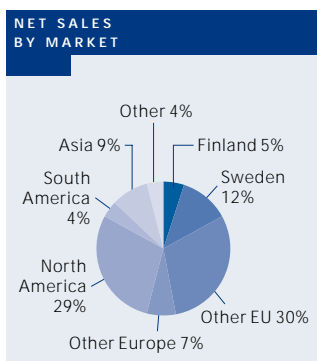
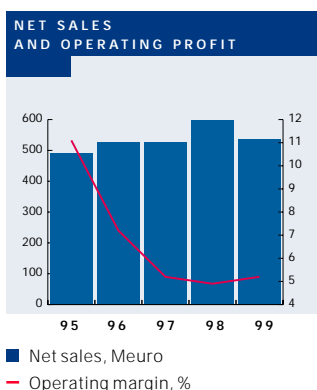
The financial objectives to achieve by the end of 2001 are an 8 percent operating profit margin and an average annual growth of 10 percent. The capital turnover rate must go up to three times.

The net sales of Partek's engineering operations are EUR 1.8 billion, of which after-sales account for 15 percent. The Group has 25 production, component and assembly units, which are situated in ten countries in Europe, the Americas and Asia. The company has its own sales and service companies in 30 countries. Products and services are available in over 100 countries through local representatives and dealers.



Container handling

- Restructuring was completed.
- The aim is to significantly increase services' share of net sales.
- Markets are expected to develop favourably and the result to improve.



Partek's Container Handling business area, Kalmar Industries, provides logistical solutions for ports, terminals and demanding industrial customers.

Kalmar's aim is to develop quality solutions that improve customer productivity, operational reliability and cost effectiveness. Kalmar's industry experience, know-how and capability, combined with its global and local presence are key assets in assuring that these customer requirements are met.

Kalmar's organisation is based on customer segments: Container Handling, Industrial Systems and Trailer Logistics, supported by Kalmar Solutions. Customer groups include container ports and terminals, shipping lines, railroad companies and other transport companies, inland terminals, distribution centres and selected industry sectors.

Kalmar's product range encompasses straddle carriers, rubber-tired gantry cranes (RTGs), reachstackers, terminal and RoRo tractors, empty container lift trucks, forklift trucks, and log handlers. Kalmar reachstackers, Sisu straddle carriers and Ottawa terminal tractors are all global market leaders.

Product demand is affected by the development of world trade and container traffic.

Kalmar's products and components are manufactured in Finland, Sweden Estonia and the U.S. Kalmar has 10 sales companies of its own and about 50 agents. Kalmar has a fleet of 65,000 machines in daily operation in 140 countries.



| Key figures | 1999 | 1998 | Change % | Business Segments | Net sales, Meuro | |
|------------------------------|-------|-------|----------|--------------------|------------------|-------|
| | | | | | 1999 | 1998 |
| Net sales, Meuro | 537.3 | 597.0 | -10 | Container Handling | 179.3 | 235.2 |
| Operating profit, Meuro | 27.8 | 29.1 | -4 | Industrial Systems | 73.5 | 74.4 |
| as percentage of net sales | 5.2 | 4.9 | | Trailer Logistics | 117.7 | 110.3 |
| Orders received, Meuro | 521.8 | 558.7 | -7 | Kalmar Solutions | 126.7 | 123.7 |
| Order book, Meuro | 118.5 | 127.1 | -7 | Others | 40.1 | 53.4 |
| Capital employed, avg, Meuro | 239.5 | 233.3 | 3 | Total | 537.3 | 597.0 |
| ROC % | 12 | 13 | | | | |
| Capital turnover rate | 2.2 | 2.6 | | | | |
| Investments, Meuro | 23.6 | 21.7 | -9 | | | |
| Depreciation, Meuro | 17.0 | 17.4 | -2 | | | |
| Personnel, December 31. | 2,944 | 3,278 | -10 | | | |
| R&D expenses, Meuro | 4.5 | 3.9 | 15 | | | |

Market development

The Asian crisis decreased demand for container handling products in the beginning of 1999. Optimism of faster economic growth in Europe, stable development in North America and of the recovery in the Asian economy increased during the year. Container traffic in ports is estimated to have increased by 8 percent in 1999. Industrial output was stable in the main markets and industries.

Kalmar's net sales for 1999 decreased from a high level in 1998 due to lower order intake and the closing of non-profitable operations. Following the industry trend Kalmar's order intake increased slightly towards the end of the year.

Sales in North America continued to be strong. After a weak start Europe showed continuous improvement during the year and especially in the last four months. Sales in Asia Pacific increased from a low level. Growth in terminal tractor and RTG sales continued, but straddle carrier and reachstacker sales decreased from the exceptionally high level in 1998.

Restructuring projects relating directly to the merger between Kalmar and Sisu Terminal Systems were completed during September. The impact on profits of these projects during the year is estimated to total EUR 11 million

Kalmar continued to focus on its core activities. The withdrawal from the small lift



Peter Reynolds, Director of Operating Services

Sea-Land Terminal Company, USA

"Sea-Land is a leading terminal operating company. We use Kalmar's equipment in many locations around the world. Kalmar is the only manufacturer that could offer us a total terminal service package and they also bring along the knowledge and experience that they gain from actually producing and operating these machines in various environments around the world."



Sales of RTG-cranes increased considerably during 1999, and Kalmar is currently one of the leading manufacturers in the market. The RTG at the Jacksonville Port Authority, USA, can lift two containers simultaneously, and stack 7+1 containers wide and 1 over 4 containers high.

The Ottawa terminal tractor, which is a market leader in North America, is mainly used for container and trailer handling in inland terminals, distribution centers, ports and railway terminals. These terminal tractors are manufactured by Ottawa Truck in Kansas, USA.



truck and sideloader businesses was completed. The cylinder operations were sold to Nummi Oy, which is part of the Partek Group, and the majority shareholding in Kalmar AC Inc. was sold to Komatsu Forklift.

Kalmar's organisation has been changed into a customer segment based organisation. With this structure Kalmar can better focus on its customers' specific needs and offer the optimal solutions.

In order to increase profitability Kalmar is improving productivity in the plants and R&D operations. Purchasing costs are being cut and the Partek Group Working Capital project has started, with the aim to improve the capital turnover rate.

Trucks for leasing accounted for the main part of investments. The share of total investments in information technology is increasing.

New container handling products are at the final development stages and will be launched in the beginning of 2000. Kalmar's satellite based system for RTG cranes, Smartrail, was further developed.

Kalmar delivered the world's two first prototypes of Rough Terrain Container Handlers in a single source contact with TACOM (Tank Automotive and Armaments Command), responsible for procuring materials handling machinery for the US Army.

Container handling

Kalmar is the world's leading producer of container handling machines such as reach-stackers, heavy lift trucks, straddle carriers, rubber-tyred gantry cranes (RTGs), terminal tractors and log stackers. Customer groups include container ports and terminals, shipping lines, railroad companies and other transport companies. Over half of Kalmar's sales of new products derives from ports.

The straddle carrier and reachstacker market decreased. Kalmar remained the market leader, but lost some market share. Kalmar became one of the largest producers in the fragmented RTG market by increasing its sales by 30 percent. Sales of RoRo tractors in Europe grew substantially.

A new straddle carrier with improved performance, energy savings and an environment-friendly power train was introduced.

Industrial Systems

Kalmar produces 4-18 tonne-capacity forklift trucks, which are diesel, liquefied petroleum gas or battery-driven. The main customer segments include the steel, sawmill, pulp, paper and concrete industries. Industrial clients account for one third of Kalmar's sales of new products.

Industrial Systems' market share and sales developed favourably, order intake, however, decreased in the second half of the year due to discontinued sales of non-profitable products.

An advanced light lift truck range was launched and was well received. This opens possibilities to strengthen Kalmar's present position as a supplier to industry.

Profitability has been improved by reducing the production cost level.

Trailer Logistics

Trailer Logistics comprises the Ottawa and Magnum brand terminal tractors, as well as fifth-wheel products and other lifting equipment sold under the Bartlett brand.

Terminal tractors are used for short distance haulage of trailers and containers. The main customers include inland terminals, distribution centres, ports, railroad companies and transport firms. They account for a fifth of Kalmar's new product sales.

The main markets are in North America, although the European and Asian markets are becoming increasingly important. The focus is to maintain technological leadership and to increase exports.

Demand for terminal tractors continued to be strong in 1999. Ottawa and Magnum had a record year and held their share of more than half of the market. In 1999 the first four-wheel-drive Magnum was delivered.

Kalmar Solutions

The market demand for value-added services is increasing. Kalmar Solutions comprises all Kalmar's service products. The aim is to supply customers with the services their operations require to ensure maximum productivity from their handling equipment and ultimately to offer operative services such as maintenance and fleet management.

Services amounted to 20 percent of Kalmar's net sales in 1999. The target is to significantly increase this proportion. Kalmar's widespread network of sales companies and dealers can provide the traditional customer support, i.e. spare parts, maintenance, field service, modernising and upgrades. Kalmar offers a wide variety of value-added services to its global customers, such as financial solutions like rental and leasing, trade-in machines, service packages and comprehensive maintenance contracts.

In 1999 Kalmar increased its activities in maintenance contracts, which will further strengthen customer relations. Examples of such contracts are the five-year contract to supply and maintain container-handling equipment for Hamina Multimodal Terminals in Finland and the comprehensive seven-year rental agreement signed with Stena Line in Gothenburg, Sweden, which covers 33 machines.

Prospects

The market conditions are expected to develop positively during the current year, with a continuing good demand on the North American market, an improvement in Europe and growth in Asia but from a low level. In light of these prerequisites the result is expected to improve.



Kalmar's business segment Kalmar Solutions offers both

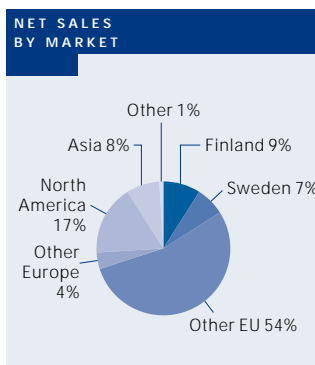
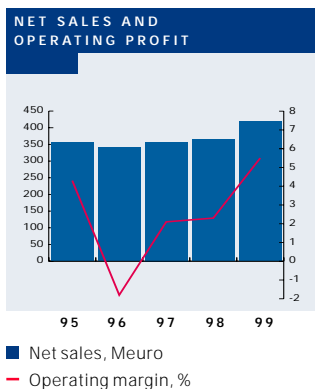
traditional customer support and value-added services such as maintenance packages, leasing and rental, trade-ins and tailor-made financial packages.



Kalmar has received a contract from the US Army Tank-Automotive and Armaments Command (TACOM), to deliver and test a new type of Rough Terrain Container Handler (RTCH).

Load handling

- Sales increased and profitability improved clearly.
- Production started in Korea, as did production of the leading German brand of demountable equipment.
- Demand is expected to remain stable in Europe and North America, and to strengthen slightly in Asia. The aim is to increase market share.



The products of Partek's Load Handling business, Partek Cargotec, are chassis-mounted lifting equipment that makes the moving and handling of goods more efficient. The products and solutions are tailored to meet the customer's needs. Partek Cargotec's strengths are the products' reliability, safety, performance, ergonomics, cost-efficiency during the entire life-span, the markets' most comprehensive maintenance and spare-parts service and the resale value.

Partek Cargotec is the world's leading supplier in its field. The main products are the Hiab loader cranes and the Multilift and LeeBur demountable load-handling systems. The company also markets chassis-mounted forklift trucks and Partek's timber cranes for handling scrap and material for recycling. Partek Cargotec's products also include Nummi tipping gears and Focolift tail-lifts, which are sold in Scandinavia and the Baltic countries, and Norba waste handling equipment.

The customers consist of private truck owners and transportation firms, rental fleets as well as public sector institutions and the armed services in many countries.

The main factor influencing demand is the sale of trucks, which for its part is influenced by economic growth and the volume of goods transportation, construction and infrastructure investment. With the specialization of goods transportation and greater efficiency in the distribution sector, more trucks are being equipped with lifting equipment.

Partek Cargotec operates in 85 countries. The company has its own sales company on all the main markets. These 20 companies are supplemented by 65 independent importers, who with their co-partners form a network of more than 1,500 sales and maintenance points. More than two-thirds of the sales are channelled through the company's own sales network.



| Key figures | | | | Business Segments | | |
|------------------------------|-------|-------|----------|-------------------|------------------|-------|
| | 1999 | 1998 | Change % | | Net sales, Meuro | |
| | | | | | 1999 | 1998 |
| Net sales, Meuro | 419.2 | 365.6 | 15 | Loader Cranes | 225.5 | 195.4 |
| Operating profit, Meuro | 23.0 | 8.4 | 174 | Demountables | 56.0 | 49.2 |
| as percentage of net sales | 5.5 | 2.3 | | Other | 137.7 | 121.0 |
| Orders received, Meuro | 432.5 | 371.7 | 16 | Total | 419.2 | 365.6 |
| Order book, Meuro | 93.7 | 80.9 | 16 | | | |
| Capital employed, avg, Meuro | 150.1 | 139.5 | 8 | | | |
| ROC % | 16 | 7 | | | | |
| Capital turnover rate | 2.8 | 2.6 | | | | |
| Investments, Meuro | 11.3 | 6.3 | 79 | | | |
| Depreciation, Meuro | 7.5 | 7.1 | 6 | | | |
| Personnel, December 31 | 2,016 | 2,030 | -1 | | | |
| R&D expenses, Meuro | 10.2 | 10.4 | -2 | | | |

Market Development

Good economic progress and an increase in goods traffic raised truck registrations in Europe and North America to record figures. In Europe the growth in the registration of heavy (> 16tn) trucks was 14 percent and in North America 20 percent.

The market for chassis-mounted lifting equipment grew in Europe and North America correspondingly. There was also a small increase in demand in Asia, although in Japan the truck market fell further by 3 percent from 1998. Partek Cargotec's net sales went up by 15 percent over 1998, and the company strengthened its positions as a global market leader.

The demand for lifting equipment will be directed at greater lifting capacities and more specialized applications. On the other hand, the restrictions on heavy traffic in densely-populated areas and the development of occupational safety standards for cranes will increase the demand for small-scale lifting equipment. Special equipment and the growing role of electronics and information technology in control systems will make well-run maintenance and spare-parts services a crucial competitive factor.

Partek Cargotec expanded its operations in Asia by acquiring Partek Corporation's first production plant representing the engineering business in the region. The Korean company, Hiab Hana, in which Partek Cargotec has a 70 percent interest, produces loader cranes and ladder systems that are adjusted to local conditions and cost competitive. The company's net sales are about EUR 15 million.



Ken Blankenberg, Fleet Manager

Bradco Supply Corp, USA

"Our primary business is roofing and siding distribution. With Cargotec, which has the most comprehensive sales and service, we receive the most outstanding service anyone could ever ask for. Our Hiab cranes have run flawlessly. Their versatility and the ease of the radio remote have made our operation one of the most efficient in the industry."



The 8 km Öresund Bridge is one of the longest in Europe. Hiab loader cranes, which have been used extensively throughout the bridge's entire construction, perform demanding lifting of site cabins, steel components, machinery and waste containers.

With the concentration of the truck industry, equipment manufacturers are also combining forces. In Europe Partek Cargotec made an agreement concerning the production of Atlas, the leading demountable load-handling system brand on the German market. The agreement will mean an increase in net sales of some EUR 10 million. Production was transferred to Cargotec at the beginning of 2000. Partek acquired a considerable holding in the Swedish Zeteco, which is the world's foremost producer of tail-lift equipment.

Partek Cargotec's worldwide network of its own sales companies makes it possible to transfer know-how efficiently from one market to another and relay customer feedback quickly from markets to product development. The network was made more efficient during the year. A Norwegian subsidiary was sold to Zeteco, which will continue as Partek Cargotec's representative in the country. Partek Cargotec took over the import of Zeteco's Zepro tail lift equipment in Japan and Singapore. A joint sales company was formed for loader cranes and demountable load-handling systems in the Netherlands. Import of forklift trucks was started in France. The presence on Latin American markets was strengthened when the company established a subsidiary in Brazil and acquired a majority holding in its import and sales company in Mexico. The development of Partek Cargotec multi-product sales companies will continue in the new year. The aim is to strengthen the product brands and develop service packages that will produce value for the customer on all markets.

The business activities of Sisu Axles Oy were sold to an investor group and the management at the end of 1999.

The operations' profitability improved as a result of the growth in demand and the internal efficiency measures that were started in previous years. Productivity has been raised by harmonizing production, improving the distribution network and utilizing the savings brought about by the joint purchasing operations within the Partek Group.

The most significant investment was the acquisition of the production plant in Korea and the operational control systems.

New models launched between 1997 and 1999 accounted for 35 percent of net sales. Investment in product development and special equipment applications will continue.

Loader cranes

Hiab is a market leader in loader cranes with about a quarter of the world market. The product range includes loader cranes with a lifting capacity of between 0.7 and 90 tonne metres. Demand for cargo cranes increased on all the main markets. Sales of Hiab cranes went up by 14 percent. New models brought onto the market in 1998 met with a favourable response.

The transfer to modular products continued in product development and production. Most of the cranes are now manufactured to customer order, which has led to a decrease in inventories in the distribution chain. The change has improved customer service, shortened order fulfilment time and reduced the amount of capital tied up in operations.

A simple mounting system enables the Moffett Mounty to be secured safely to trucks or trailers without any loss of load space.



Investment in developing the cranes' control systems continued. The computer-guided SPACE control system is the most sophisticated on the market and its sales success continued. Hiab's products are the first cranes on the market which meet almost all the demands of the EU's new EN 12999 safety standards.

Demountables

Multilift and LeeBur are the leading brands in demountable load-handling systems in Europe. The product family includes demountable systems with a lifting capacity of between 3 and 32 tonne metres, skiploaders and material-handling equipment for defence services.

Demand for demountable load-handling systems increased on the main markets in Europe. Partek Cargotec's sales went up by 10 percent over 1998.

The adaptation of the product range to correspond to the changing needs of the different markets continued. The production structure was modernized in order to start producing the Atlas demountable systems. A new generation of skiploader models was brought onto the market at the end of the year. The new modular product generation of LeeBur demountables targeted to the Dutch and Belgian markets was launched at the RAI exhibition at the beginning of February 2000.

Development work on low-built demountable systems for defence services in various countries was concluded in 1999. The new range has interested customers, and the first orders have been obtained from the armed services in Belgium, Denmark and Sweden.

Forklift trucks

Chassis-mounted forklift trucks are used by building-materials retailers and wholesalers and in the food processing industry. The main market for the forklift trucks is North America, where demand for them increased. Sales of Moffett forklift trucks marketed by Partek Cargotec went up by 19 percent over the previous year. In August the company received a major USD 18 million order from Home Depot, the biggest building materials chain in North America.

Nummi and Norba

The new range of Norba waste handling equipment was launched in Scandinavia in September 1998 and the UK in June 1999 and was well received in the marketplace.

The production of Kalmar Industries' hydraulic cylinders was transferred to Nummi Oy Ab at the beginning of March 2000.

After-sales

Partek Cargotec's aim is to concentrate the spare-parts service for all products to one centre. The development of joint spare-parts logistics and an order system continued in 1999. Maintenance and spare parts accounted for about 12 percent of Partek Cargotec's net sales.

Partek Cargotec introduced comprehensive three and five-year warranty programmes in the UK. Sales of the programmes started well, and the concept will continue to be developed this year on mainland Europe.

Prospects

The registration of new trucks in 2000 is estimated to remain stable in Europe and North America and strengthen slightly in Asia. Partek Cargotec's aim is to increase its market share.



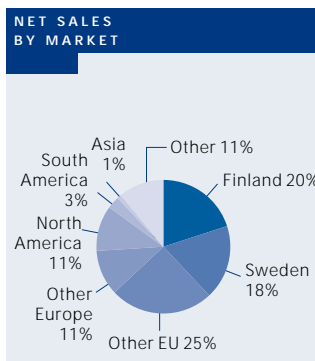
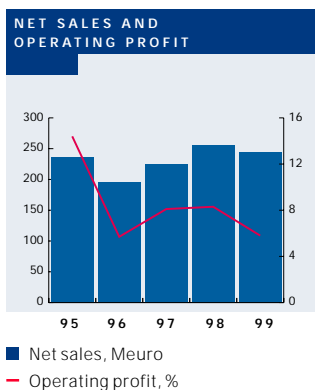
A fully automated production line for hexagonal crane components is one of the latest developments in the Hiab factory in Sweden.

Partek Cargotec Government Business Operations secured an important order for 77 Multilift HLZ Demountables. These units will be used by the Swiss Army for handling both ISO Containers and NATO Standard Flatracks.



Forest machines

- Strong development in the third tertial.
- Products introduced in the last three years represented 80 percent of sales.
- Investment in forest machines is expected to rise and sales to increase.



Partek's Forest machines business area, Partek Forest, designs and manufactures efficient, environment-friendly and ergonomic forest machines and cranes as well as other equipment in the forestry chain such as harvesting heads, grapples and grapple saws. These machines are used for thinning, felling and transporting timber in accordance with the cut-to-length method, an efficient process that respects the environment. The felling machine - harvester - fells, delimbs, measures and cuts the timber. The transport machine - forwarder - then transports the sorted timber from the felling area to the nearest road. Damage to vegetation and the tree trunks is kept to a minimum and the timber is delivered quickly and without damage. The cut-to-length method is dominant in Europe and accounts for about 25% of mechanically felled timber in the world. In North America the figure is so far only about 10%.

Operations are divided into four product lines: harvesters, forwarders, cranes and attachments.

Valmet is a world leading brand in the forest machine industry. Loglift and Jonsered are leading brands for forest cranes used on trucks, as free-standing units and on forest machines.

The customers are primarily forest machine entrepreneurs, in some countries forest companies, and private haulage contractors and hauliers.

Demand for forest machines reflects the overall economic situation in the forest industry. Growth in this market is primarily affected by how the cut-to-length method progresses in North America and in growth markets such as Latin America and Indonesia.

Partek Forest has production in Finland, Sweden, USA and Brazil and its own sales companies for forest machines are located in Finland, Norway, Britain, Germany, Australia and Brazil. Cranes are sold through own sales companies in Finland, Sweden and Germany. In other markets sales are handled by Partek Cargotec's sales companies or by dealers.



| Key figures | | | | Business Segments | | |
|------------------------------|-------|-------|----------|-------------------|------------------|-------|
| | 1999 | 1998 | Change % | | Net sales, Meuro | |
| | | | | | 1999 | 1998 |
| Net sales, Meuro | 243.8 | 256.2 | -5 | Forest machines | 187.9 | 185.8 |
| Operating profit, Meuro | 14.2 | 21.4 | -34 | Forest cranes | 56.3 | 70.8 |
| as percentage of net sales | 5.8 | 8.3 | | Internal sales | -0.4 | -0.4 |
| Orders received, Meuro | 244.7 | 238.4 | 3 | Total | 243.8 | 256.2 |
| Order book, Meuro | 22.1 | 20.1 | 10 | | | |
| Capital employed, avg, Meuro | 88.5 | 89.5 | -1 | | | |
| ROC % | 17 | 25 | | | | |
| Capital turnover rate | 2.8 | 2.9 | | | | |
| Investments, Meuro | 7.0 | 3.2 | 119 | | | |
| Depreciation, Meuro | 4.5 | 4.4 | 2 | | | |
| Personnel, December 31 | 1,030 | 1,020 | 1 | | | |
| R&D expenses, Meuro | 5.8 | 5.9 | -2 | | | |

Market development

After a weak start to the year the forest industry's economy revived strongly. Production and felling in Nordic forestry were at a high level. Demand for forest machines and cranes, however, declined somewhat, compared with the preceding year. Storms in central Europe around the end of the year felled many trees and created an acute need for forest machines. Existing machine resources are being re-allocated to the areas affected by the storms and machine sales are expected to rise temporarily.

Partek Forest's market position in both forest machines and cranes strengthened somewhat. Considerable restructuring took place within the forest machine industry towards year-end.

During 1999 several measures to improve operating efficiency were implemented. The plant in Umeå, Sweden was expanded and modernised. This will reduce the product throughput time by a half, which also means a considerable increase in assembly capacity. It further improves the capability to produce machines according to customer requirements and to deliver them directly to the end-user. The investment will be completed in the spring of 2000.

The forest machine product-programme is being integrated into a global programme with R&D activities located in Umeå. Consequently, the operations at the plant in Gladstone, USA, were reorganised.



Erkki Varajärvi, Private entrepreneur

Tervola, Finland

"Thanks to the hydrostatic transmission and Maxi-control system the maneuverability is effortless and fuel isn't wasted. The AutoLev-system always levels the cabin, regardless of the position of the harvester. The Valmet 921 harvester is productive, economical and beautiful! It's the best solution for these tough conditions, 30 km. south of the Arctic Circle."



Valmet 921 is the giant in Partek Forest's Harvester program. Since 1999 it can be equipped not only with a telescopic crane, but also with a parallel crane.

The forest cranes business was transferred to Partek Forest from Load Handling at the beginning of the year. The production of truck-mounted forest cranes was concentrated from three brands to two, Loglift and Jonsered.

Working capital reduction projects were started in several units. By end-2000 all the units will have completed the programme. The purchasing operations were improved and integrated with the Group purchasing project. Costs for materials were reduced. Scala, a sales reporting and bookkeeping system, was adopted in

about half of the sales companies.

Investment increased markedly compared with 1998. The expansion of the Umeå plant constituted the most important project.

The forwarder programme was renewed and the Valmet 860 was launched both in Europe and USA. During the spring of year 2000 two more forwarders and two harvesters will be introduced. Products introduced in the years 1997-99 accounted for 80 percent of sales in 1999. For forest machines the figure was 90 percent and for cranes 42 percent.

With a competitive range of products Partek Forest aims to further improve its market position. The restructuring of the forest machine industry is also predicted to create new possibilities.

Forest machines

The Nordic countries comprise the home market for the manufacturers of cut-to-length forest machines and competition in the region is therefore keen.

Demand in the different geographical markets varied. In the Nordic region the total market shrank somewhat; nonetheless, Valmet was able to strengthen its market shares. In the USA Partek Forest successfully increased not only sales but also market share. Sales also grew in Britain and Australia. Despite somewhat lower sales in Brazil the market position was strengthened. An efficient service and spare-parts system contributed strongly to the improved result in the Brazilian unit.

Forest cranes

Loglift and Jonsered are Europe's leading truck-mounted hydraulic forest cranes. Jonsered cranes are also used for handling scrap and recycled materials. Partek Forest manufactures its own forest machine cranes. Loglift cranes are also delivered to other forest machine producers. Europe is the main market. Growth markets are in North and Latin America.



The Maxi system is a control system that provides high flexibility

with full control of the machine.

The feature also allows each driver to indicate to the loader and the transmission his unique settings and attributes simply by pressing a few buttons.

Demand for cranes continued to be buoyant. Loglift and Jonsered maintained their share of about 60 percent of the market for truck cranes in Europe. Loglift's sales of forest machines fell because Timberjack, one of Loglift's many forest crane customers, decided to go into manufacturing for itself.

After-sales

Partek Forest enjoys a clear competitive advantage by reason of its strong position in spare-parts and services. Total after-sales accounted for 16 percent of sales. Valmet's after-sales product ProAct, which is based on extensive guarantees for components and new machines coupled with regular check-ups, was very favourably received on the Swedish market, where it was first launched.

Prospects

The strong cycle in the forest industry is expected to increase investments in forest machines from 1999. Partek Forest has good prospects to benefit from the growth in demand.



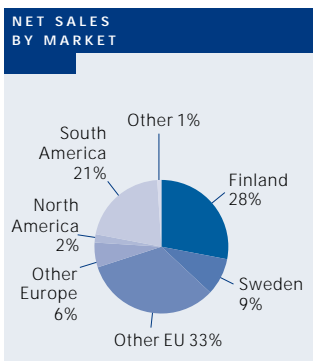
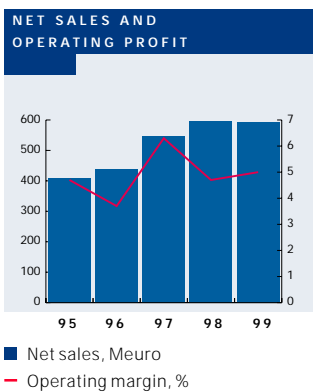
The production plant in Gladstone, USA, is assembling tailor-made forest machines for North America.

The Valmet 860 forwarder, which was launched June 1999, was well-received because of its flexibility. The new portal bogie has improved the ground clearance dramatically.



Tractors

- Sales in Europe increased by 15 percent despite stable total demand.
- The year-old HiTech models represented over 30 percent of sales.
- Demand is expected to contract slightly, but Valtra is confident it will increase market share further thanks to its expanding dealer network.



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

Valtra consists of three organizations: tractor operations in Europe and Latin America, and diesel engines.

Valtra is the world's fifth-biggest tractor producer. Valtra Valmet is the leading tractor brand in Scandinavia, the second-most popular in Latin America and the fastest-growing in Europe.

Valtra's customer base consists mainly of farmers, machine operators and municipalities. Demand for products is influenced by the prices for agricultural products on the world market, the trend in farmers' total income and the need to raise the efficiency of production.

The business area produces heavy-duty diesel engines. Most of the production is sold inside the Group for tractors, forest machines and container-handling machines, but an increasing part goes to other tractor and construction-machine manufacturers.

The tractor plants are situated at Suolahti in Finland and Mogi das Cruzes in Brazil, and the diesel engine plant is at Nokia in Finland. The tractors are marketed in over 70 countries either via the company's own network or its 1,400 external dealers. Valtra has its own sales company in ten countries in Europe; in Latin America the sales companies are in Argentina and Mexico.



| Key figures | 1999 | 1998 | Change % | Business Segments | Net sales, Meuro | |
|------------------------------|-------|-------|----------|--------------------------|------------------|-------|
| | | | | | 1999 | 1998 |
| Net sales, Meuro | 592.5 | 595.5 | -1 | Tractors / Europe | 425.7 | 370.4 |
| Operating profit, Meuro | 29.7 | 28.0 | 6 | Tractors / Latin America | 129.5 | 192.8 |
| as percentage of net sales | 5.0 | 4.7 | | Diesel engines | 96.9 | 93.8 |
| Orders received, Meuro | 591.6 | 597.2 | -1 | Internal sales | -59.6 | -61.5 |
| Order book, Meuro | 55.2 | 56.7 | -3 | Total | 592.5 | 595.5 |
| Capital employed, avg, Meuro | 202.3 | 226.9 | -11 | | | |
| ROC % | 16 | 16 | | | | |
| Capital turnover rate | 2.9 | 2.6 | | | | |
| Investments, Meuro | 14.0 | 15.0 | -6 | | | |
| Depreciation, Meuro | 9.6 | 9.5 | 1 | | | |
| Personnel, December 31 | 2,375 | 2,405 | -1 | | | |
| R&D expenses, Meuro | 10.9 | 8.0 | 36 | | | |

Market development

The contraction in the world tractor market, which began in the autumn of 1998 with the export difficulties of American agricultural products continued to alleviate in 1999. In Europe demand remained at almost the level for 1998. The fall in demand in Finland, Valtra's domestic market, was 14 percent. In South America the fall was 12 percent and North America 15 percent. Two major competitors, Case in the USA and the Italian-American New Holland, merged.

Sales of Valtra Valmet tractors and market share increased in Europe over the previous year. Because of the contraction of the South American market, tractor output fell from 15,400 units to about 15,000 units, but net sales remained at last year's level. Valtra is now the world's fifth-biggest western tractor manufacturer. Models launched between 1997 and 1999 accounted for 55 percent of sales. The HiTech range of models introduced in the autumn of 1998 accounted for more than 30 percent of sales.

Valtra focuses on organic growth. The aim is to increase market share in the big agricultural countries. The company will launch the high-horsepower (260hp) S series range in a year's time. The prototype, which was introduced at the Agritechnica fair in Hannover in November, met with a favourable reception. An investment of EUR 5 million will be made in expanding the Suolahti plant in order to start production of the series.



Giuseppe Musu and Francesco Musu

Farmers from Pisa, Italy

"Our main business is in sugar beets. To produce quality product, it's very important to avoid harmful soil compaction. Last December, we got our third Valtra Valmet tractor, 8550 HiTech with air suspended front axle and we are looking forward to test the new S series. A good weight distribution and reliability are the reasons behind our choice of Valtra Valmet tractors."



Valtra do Brazil maintained its 28 percent market share on the Brazilian market. The M100 model series is Valtra's global tractor: the basic model for this series is the same in Valtra's factories in Finland and Brazil.



The importance of IT in agriculture increases greatly. With precision farming, which is based on GPS positioning, it is possible to cut down the usage of fertilizers and agricultural lime without losing crops.

At the end of the year Valtra brought a low-revolution tractor onto the market. The engine achieves great power and torque with low RPM's. The noise level is considerably reduced as is the fuel consumption, so emissions are reduced as well. At the same time the interval between oil-changes for the engine double, which reduces the burden on the environment.

Production under licence for Valtra's smallest tractor model started in India.

The result was affected not only by the growth of sales in Europe but also by the rise in the average power of the tractors sold, which rose from 99 to 105 horsepower in Europe and from 90 to 92 horsepower in Latin America. Cost efficiency has been improved by internal action. The Group's joint project to reduce the working capital was taken through at the Brazilian operations and at eight sales companies in Europe. Scala, the reporting and bookkeeping system for sales, was introduced at almost all the sales companies.

Valtra's European operations received Finland's quality award (the Malcolm Baldrige quality award) for 1999. The quality development covers all the operations including sales and administration as well as the company's subcontractors and authorized service providers. Valtra is involved in developing quality systems for its component suppliers. Last year 14 were awarded the ISO 9001/9002 quality certificate and the next 28 are being prepared at present. The sales network has the ISO 9002 certificate in Finland, Denmark and the UK. Already in 1993 the Suolahti plant was the first tractor manufacturer to receive the ISO 9001 certificate.

In January 2000 Valtra opened the Meidän Valtramme (Our Valtra) service for Finnish customers on the Internet. The service was started in Finland because the number of Internet connections in the country is the world's highest in relative terms. Furthermore, 37 percent of Finnish farmers use the Internet, which is the highest utilization rate in Europe. Electronic trading will become an important competitive edge for Valtra, because it will be possible to make effective use of the customer-order system, which has been in operation for a long time, and the company's own direct sales organization. The aim is to develop the customer relationship and offer new forms of service. More than 1,000 customers were registered as users of the service during the first two weeks.

R&D investment was targeted at the series production of the HiTech range of models, developing the S series, the CAN Bus technology and wireless data connections outside the tractor.

European tractor operations

Valtra's European net sales went up by 15 percent over the previous year thanks to the HiTech range of models and the strengthened dealer network. Valtra's market share in Europe is 8 percent in tractors over 70 horsepower. In Finland 9,125 (8,400) tractors were produced. In Scandinavia Valtra Valmet is the leading tractor brand with 28 percent market share. In Finland the drop in demand was 14 percent, but Valtra increased its market share by two percentage points to 44 percent. The markets in Sweden and Norway grew, and Valtra's market share remained at the previous year's level.

Sales on Europe's big tractor markets made good progress. The cooperation at dealer level with Claas, Europe's largest combine harvester producer, was seen in the growth in sales in the UK and Germany. The trend on the French market was also good.

Latin American tractor operations

Demand for tractors in South America fell by 12 percent from 1998. Demand in Brazil, however, grew by three percent. Valtra Valmet is the second-most popular tractor brand

in Latin America. Valtra's market share in Brazil remained at 28 percent and 18 percent in the whole of Latin America. Valtra's Brazilian plant sold 5,863 (6,990) tractors. Because of the devaluation of the Brazilian real the net sales denominated in euros fell by a third. The operating result was a slight loss.

The reduction in unit costs at the Brazilian plant will be continued through local subcontracting and improving the use of working capital.

Diesel engines

The diesel engine plant, which is located in Finland, supplies engines not only for Valtra Valmet tractors but also other Partek products such as forest machines and straddle carriers. The diesel engine customers outside the Group are other tractor and combine harvester manufacturers. They account for a third of the net sales. Engine output increased by 9 percent and was 19,887 (18,227) units in 1999.

After-sales

Developing after-sales operations is Valtra's growth area. The strong growth in the sale of Valtra tractors in Europe in the 1990s is reflected in the sale of spare parts with a time lag of a few years. After-sales accounted for 11 (10) percent of net sales last year. The "Our Valtra" internet service is expected to diversify and speed up the customer's after-sales services.

Prospects

Total demand for tractors is expected to contract slightly in Europe. The South American market is not expected to revive. Valtra is confident it will strengthen its market share further as a result of its expanding dealer network.

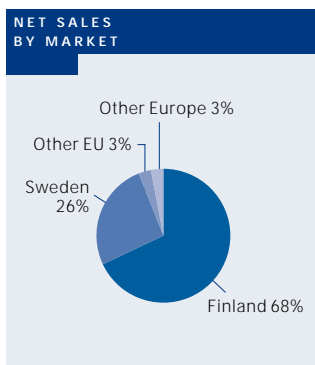
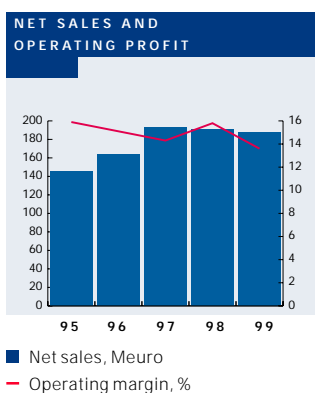


The HiTech model series increased its share in the total production output at the tractor plant in Suolahti, Finland. The HiTech series, launched one year ago, accounted for 30 percent of Valtra's sales in Europe.



At the Agritechnica fair in Hannover, Germany, Valtra introduced a prototype of the high-powered S model series. It was received with great interest. Production of the S-series will start during 2001.

- The market position in Poland strengthened.
- The aim is a public listing, a EUR 100 million convertible capital loan was issued.
- Both the demand for limestone-based products and net sales are expected to increase slightly.



Partek Nordkalk, which is a wholly owned subsidiary of Partek Corporation, is northern Europe's leading manufacturer of limestone-based products.

Partek Nordkalk's operations are based on its own sources of raw materials, strong know-how in the fields of geology and in mineral and process technology, on customer-oriented product development, efficient logistics, a broad customer base and a strong position in the Baltic region.

Production is divided into three groups: crushed and ground limestone, and quick and hydrated lime are marketed under the brand Nordkalk. The third group comprises paper pigments.

Partek Nordkalk's operations serve three customer segments: industry, agriculture and the environment. The most important industrial customers consist of the steel, paper, pulp and building materials industries. Lime is used in the manufacture of steel to enhance slag formation. The paper industry uses limestone-based products as filling and coating agents. In agriculture limestone products are used primarily for soil improvement and in environmental management for cleaning processes and water treatment.

The broad customer base reduces the company's vulnerability to cyclical changes. Demand for limestone products is influenced primarily by the production volume of industrial customers.

Partek Nordkalk has operations at more than thirty locations in Finland, Sweden, Estonia, Poland, Russia and Lithuania. In all, the company has 19 quarries. Production is divided between 24 locations, of which 11 are in Finland, 8 in Sweden, 3 in Estonia and 2 in Poland.

Market development

Demand for limestone-based products in the paper and pulp industries remained at the same level as the previous year, while it decreased slightly in the steel industry. Building activity in Finland was at a good level during the year, which led to increased demand. In agriculture the good liming conditions in the spring were followed by a wet autumn, which led in turn to a decline in demand. In environmental management the trend remained steady.

In April 1999 Partek Nordkalk sold its 50-percent shareholding in SPMinerals to the company's other owner, Sibelco Scandinavia AB. SPMinerals' sales amounted to some EUR 13 million. The deal gave Partek Nordkalk a capital gain of EUR 3 million.

Sales to industry during 1999 amounted to 75 percent of Partek Nordkalk's total net sales. Sales to industry were relatively evenly divided across the largest customer groups, i.e. the paper, steel and building materials industries. Sales to agriculture constituted 13 percent of net sales, and to environmental management 12 percent.

Sales to the steel industry were somewhat lower than the previous year. Deliveries to the paper and pulp sectors together reached the same level as the year before. Sales of raw materials for PCC, a synthetic paper pigment based on calcium carbonate, continued

to rise. Increasing competition in the market for the paper pigment GCC, which is made from finely ground calcium carbonate, resulted in falling sales. The decrease in demand for GCC, which is expected to be temporary, provided Partek Nordkalk with an opportunity to expand its capacity for new product qualities. Sales to the building materials industry improved, as did deliveries of ground-stabilizing products.

Partek Nordkalk continued to strengthen its position in Poland by acquiring an asphalt filler and agricultural lime business in Slawno, south of Warsaw. In Szczecin, Poland, a new grinding plant was completed and will supply ground lime for flue-gas cleaning in power plants. The plant came on stream at the beginning of the year 2000.

Capacity for supplying ground lime to Finnish customers in the building materials industry and the chemical industry was expanded.

Partek Nordkalk's key customers place higher and higher demands on product quality and their suitability in manufacturing processes. The R&D unit conducts continuous research in order to develop tailor-made products to meet customer requirement.

Partek Nordkalk Hold Oy Ab and Partek Nordkalk Oy Ab were merged during the year. This transaction strengthened Partek Nordkalk's equity, its solvency, financial position and balance sheet.

Partek transferred its mining operations including mines and mining rights to Partek Nordkalk as an internal transaction. In return Partek received shares in Partek Nordkalk. Partek's and Partek Nordkalk's functions are now clearly distinct and the latter now owns all Partek's assets and resources related to the mining business.

Going Public Bond

In the course of the autumn Partek Nordkalk issued a Going Public Bond of EUR 100 million. The term of the loan is five years. The aim is to list Partek Nordkalk on the Stock Exchange before the loan matures. When Nordkalk is listed the bond can be converted into Nordkalk shares. A fixed annual interest of 6.71 percent is payable on the loan. A total of approximately 900 investors subscribed to the issue. Partek's shareholders accounted for more than half of these, and subscribed for more than 60 percent of the loan.

The loan strengthens Partek Nordkalk's solvency and creates a possibility for the company to grow and develop its activities in accordance with its Baltic strategy, and consequently increase the company's value.

In conjunction with the issue of the bond Partek Nordkalk was changed to a public company. The loan is quoted on the Helsinki Stock Exchange's I-list.

Prospects

Total demand in the steel, pulp and paper industries is expected to increase somewhat. Market trends in the building industry, agriculture and environmental management are forecast to continue favourably. Despite sharpening competition in the Baltic region sales are expected to increase somewhat.

| Financial ratios | | | |
|--|-------|-------|-------|
| | | 1999 | 1998 |
| Capital employed | Meuro | 221.5 | 151.8 |
| Return on capital employed | % | 14.0 | 19.1 |
| Equity/total assets ratio | | 73.6 | 27.2 |
| Gross capital expenditure | Meuro | 31.6 | 39.8 |
| Depreciation | Meuro | 16.9 | 14.2 |
| Personnel, end of period | | 1,029 | 1,082 |
| Income Statement | | | |
| Net sales | Meuro | 187.4 | 191.2 |
| Change % | % | -2 | -1 |
| Operating profit | Meuro | 25.5 | 30.3 |
| as percentage of net sales | % | 13.6 | 15.8 |
| Profit after financial items | Meuro | 19.0 | 26.2 |
| Group contributions | Meuro | 8.1 | -17.1 |
| Taxes | Meuro | -7.7 | -2.7 |
| Minority interests | Meuro | -1.3 | -2.6 |
| Net profit for the period | Meuro | 18.2 | 3.7 |
| Balance Sheet | | | |
| | Meuro | | |
| Fixed assets and other L-T investments | | 178.4 | 157.1 |
| Inventories | | 24.4 | 24.2 |
| Receivables | | 33.8 | 25.7 |
| Cash and bank balances | | 40.9 | 5.5 |
| Convertible capital loan | | 100.0 | - |
| Other shareholders' equity | | 96.8 | 50.7 |
| Minority interests | | 7.4 | 7.1 |
| Interest-bearing liabilities | | 17.3 | 93.9 |
| Non interest-bearing liabilities | | 56.0 | 60.8 |
| Balance sheet total | | 277.5 | 212.5 |

Partek Nordkalk Corporation will publish its own Annual Report.

Further details available from:
www.nordkalk.com



Zeteco's Z-lyften, Zepro and Waltco brand tail-lift equipment have a strong international market position. Tail-lift equipment are used in distribution trucks for loading and unloading goods. Hydraulics are used in all models.

Zeteco AB

Zeteco develops, manufactures and markets top-grade technical products used in the transportation sector. The product range consists of hydraulic tail-lift equipment, fully automatic spreaders for handling standard containers, alignment systems for light and heavy vehicles and vehicle bodies for trucks.

Through share purchases on March 3, 2000, Zeteco became a subsidiary of Partek. Partek's holding rose from 40.7 percent of the votes and 23.4 percent of the shares at the end of the accounting period to 51.1 percent of the votes and 36.9 percent of the shares. Partek paid EUR 26 million for these shares. The total acquisition cost pertaining to 1999 was about EUR 34 million.

Partek's share in Zeteco's result during the period of ownership is EUR 0.9 million. This result is burdened by a write-off of the goodwill on the acquisition price. The company's net sales in 1999 totalled EUR 210 million, the operating profit was EUR 17 million and the net result EUR 12 million. The company employed 1,394 people.

Zeteco is quoted on the Stockholm Stock Exchange's OTC list.

Zeteco's operations are closely linked with Partek's load handling and container handling operations. Partek's strategy is to strengthen positions on these markets.

Zeteco's tail-lift equipment holds a strong international position. It is marketed in Europe under the Zepro brand name. In the USA the brand name is Waltco. Sales co-operation between Zeteco and Partek Cargotec's load handling equipment has started in Norway, Singapore and Japan. Zeteco's Bromma, the brand name for the container spreaders, holds a strong position in its own narrow segment.

Other Business Activities

Other Business Activities are holdings that are not core business activities. The aim is to sell these investments and release the capital to develop the core business activities. Capital tied-up in other business activities amounts to about EUR 197 million.

Partek subsidiary **Oy Sisu Auto Ab** designs and manufactures heavy trucks (over 16 ton class). RS Hansa Auto Oy, which Renault V.I. and Sisu Auto own jointly, is responsible for the sale and servicing of Sisu and Renault trucks in Finland, the Baltic countries and Russia.

During 1999 Sisu Auto received orders for 516 (463) trucks. Major customers include the Finnish National Road Administration and the Finnish defence forces. SisuAuto's net sales totalled EUR 57 (59) million, and order book at the end of the year amounted to 146 (93) trucks. The operating profit was EUR 1.7 (-1.6) million. RS Hansa Auto was running at a loss.

At the end of December Partek sold the business operations of **Sisu Axles Oy** to an investor group and the operative management. Partek remained an owner in the new Sisu Axles Oy with a 35 percent holding. The aim is to develop the company as an independent supplier of heavy and special axles. The net sales of Axles' business operations in 1999 were EUR 26 (21) million and the operating result EUR 0.8 (0.6) million.

The capital tied-up in the truck and axles operations in the Group balance sheet amounts to about EUR 29 million.

Addtek International Oy Ab is the leading European company producing and marketing precast concrete elements. Partek has a 39.8 percent holding in it. Addtek's net sales were EUR 489 (442) million, the operating result was EUR 41 (37) million and the net result EUR 23 (19) million. The aim is to list the company on the stock exchange.

Addtek is valued at EUR 52 million on the Partek balance sheet.

Paroc Group Oy Ab is the leading producer of rockwool-based insulation in the Baltic region. Paroc's proforma net sales for 1999 amounted to EUR 232 (235) million, and the proforma operating result was 13 (19) million. In 1999 considerable investment was carried out in developing the business operations in Poland.

Partek sold its majority holding in this insulation business to a capital fund and the operative management in August 1999. Paroc's debt-free value in the transaction was EUR 141 million. Partek released EUR 95 million in capital. Partek owns 40 percent of Paroc. The intention is to later widen the company's ownership base.

Partek's net sales include Paroc's net sales of EUR 144 million from January to August, and the consolidated operating result includes Paroc's operating profit of EUR 9 million for the same period.

Paroc is valued at EUR 49 million on Partek's consolidated balance sheet.

Partek owns 50 percent of **Parma Metals Oy**, which produces ships' cabins, bathroom elements and fire-doors. The company's net sales amounted to EUR 28 (23) million and the net result was EUR 2.0 (1.1) million. The balance sheet value is EUR 3 million.

Cellit Oy Ab is a Partek subsidiary that engages in real estate activities. The company improves the yield of its holdings by buying, selling, developing and leasing real estate. Cellit's net sales were EUR 4.2 (8.6) million and the operating result EUR 2.2 (4.9) million.

Other real estate owned by Partek at the end of the fiscal period that is not part of the core business activities includes properties in Belgium.

Partek owns 6.1 percent directly in Polar Kiinteistöt Oy and 5.1 percent through Cervuctum Oy, i.e. a total of 11.2 percent.

Capital tied-up in real estate activities totalled EUR 64 million on Partek's balance sheet.

A Sisu Truck shows its strong sides in demanding conditions, for example in timber transports. Excavation material transports, road maintenance and All Terrain Vehicles are some of Sisu Autos other areas of specialization.



Partek's policies guide the company's operations in relation to its environment. The aim is responsible operations that observe a high ethical level, regardless of whether the subject matter is the environment, human beings or products.

In 1999 Partek started a New Talent Program, the main objective is to increase Partek's employer attractiveness especially among students and to develop Partek's cooperation with universities, colleges and other learning institutions.



Human Resources

Mode of Operation

The task of Human Resources administration is to actively support Partek's business strategy. Partek values create a basis for shared activities. They require each Partek employee to have a high level of professionalism, readiness to change and flexibility, as well as commitment to their work and satisfying customers' needs.

Partek's HR strategy focuses on supporting the personnel's performance, managing and developing competencies and increasing Partek's employer attractiveness. As part of the integration of the Group's engineering business operations, the Group's joint key HR areas were determined during the year.

In the business areas the HR organisations were strengthened and the role of HR as a support function for the business operations was clarified. Each business area now has its own HR organisation, which together with the Group's HR function, forms an active co-operation network.

Investment in personnel welfare

Partek implemented a wide-scale personnel survey that covered all employees. Its results gave up-to-date and useful information about the personnel's views on the organisation of work, communication, management and working atmosphere. Altogether 9,500 employees gave their opinions i.e. almost 82 percent of the employees at that point in time.

The functioning of internal communications, compensation, superior-subordinate relations, work motivation and the external corporate image received the most positive feedback. The personnel also expressed their opinions about matters where they would like to see improvements, such as the organisation of work, efficiency of the operations and employer image. Each unit went through its own results during 1999, and the planned measures are being implemented. The company intends repeating the survey in 2001.

Partek's principles for activities that sustain the ability to work have, concerning Finland,

been collected into a common policy. The aim is to promote the personnel's ability to work and working stamina, as well as the functioning of the entire workplace. The programme will be implemented on a local basis.

Commitment guarantees success

Co-operation and employee participation were actively continued within the framework of Group co-operation. At the European level the Partek Personnel Meeting assembled once during 1999, and its working committee held five meetings. A Group co-operation meeting was held in

Sweden. The Group co-operation committee in Finland also met once, and its working committee held eight meetings. The Partek Excellence in Operations Program was a central topic at all the previously mentioned meetings.

The development of the incentive system for all employees was continued in the Group co-operation procedure and by the task force separately set up for the purpose. The aim is to introduce it in 2000. The result-based compensation system is already in operation in about half the units.

Development discussions as a part of the Management by Objectives procedure are an important tool for developing competencies. The discussions guarantee that each individual understands his/her targets, as well as the company's targets and that there is an agreement about the performance measurement and possible personal development needs. Personal feedback is also important for both subordinates and superiors.

The management's bonus system was linked to achieving the whole Group's targets in the "Excellence in Operations" Program.

Continuous competence development

The Key Resources Management Process has been developed as a tool for the management and development of key persons in Partek. It covers development discussions, which are held at least once a year and are an essential part of the Management by Objectives system, various development programs and competitive compensation. In the Management Review the units and business areas map out their key persons and young talents and create plans for these persons' future development.

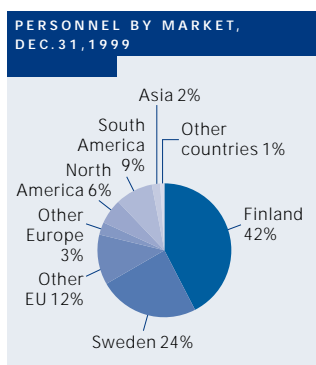
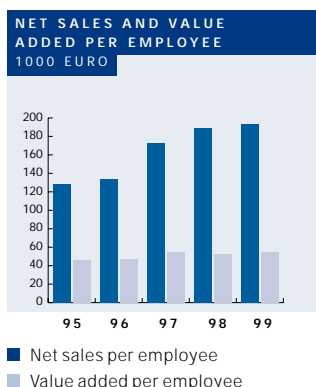
The Group has defined its core competencies and the related personal competencies, development and recruitment needs. The strategic recruitment needs are also affected by the growth in business operations and ageing of the personnel.

Partek has started a New Talent Program, the main objective is to increase Partek's attractiveness especially among students. We want to recruit young people who are proud of their skills and knowledge and appreciate constant development. Joint measures by the Group and business areas will establish contacts with universities, colleges, schools and student organisations. Already today the Internet is a very important channel in recruitment and its utilisation will be developed further. Familiarising new recruits with the work and the working environment is also given special attention.

The international operating environment provides an opportunity for self-development in a diverse number of ways. We support our employees' self-development not only through training but also through job rotation and participation in the various Group projects. During the year hundreds of people from all levels of the organisation took part in development programmes arranged by the Group. These include the Partek Development Centre, which determines the personal development areas; the Partek Competence Program, which aims at developing knowledge in international business and managerial skills; the Partek Leadership Program, which promotes leadership skills; and the Partek Management Meeting, a joint learning and discussion forum for senior management. The Management Meeting for 1999, which concentrated on the development of value-added services to customers, was held in Brussels.



Competence is the only permanent competitive factor, and has to be developed constantly. Partek Competence Program aims at developing knowledge in international business and managerial skills of Partek's experts and managers.



Environment, health and safety

The Group reporting on matters concerning the environment, health and safety¹⁾ covers 26 production units in eight countries. It does not include Partek Nordkalk or the associated company Paroc Group, who now independently take care of their environmental and safety matters.

Partek Nordkalk is drawing up its own annual report and environmental report about the lime operations. Nordkalk is in a good position to independently manage environmental matters.

A survey covering closed quarries was completed in 1999. A large part of the areas and their follow-up responsibility were transferred to Partek Nordkalk. Only a few areas remain in Partek's ownership and the responsibility for monitoring and possible maintenance is with the Group real estate department. Minor restorative work was done at some sites. In the beginning of 2000, the quarry Parainen received ISO 14001-certification. The development of quality and environmental systems in Partek Nordkalk continues.

A restoration plan for the Paakkila asbestos mine, which was closed in 1975 and which is not in Partek's ownership any more, has been drawn up by the North Savo Environment Centre and it is leading the implementation of the plan.

The Board approves policies and the line organisation implements them

The Group's environmental and risk management policies, which are approved by the Partek board, set the guidelines and aims for handling environmental, health and safety matters in the Group. Some subsidiary companies have drawn up and strengthened their own detailed environmental and safety policies, which are based on the Group's policies. The policies are supplemented by general instructions, handbooks and guides that apply to operations in Finland and concern work safety, occupational health and operations that sustain the ability to work.

In environmental matters Partek is committed to the International Chamber of Commerce's charter in order to achieve sustainable development. Partek is open and active in handling environmental matters. The company follows the development of environmental rules and regulations and observes the legislation in all the countries where it has activities. The aim is to develop products, production processes and operating methods so that the environmental effects during products' entire life-span are taken into consideration and minimal harm is caused to human beings and the environment.

The responsibility for handling environmental matters in the Partek Group lies with the line organisation. The business areas and subsidiaries are responsible for achieving the common targets set by Partek and the requirements imposed by legislation. People responsible for environmental, health and safety matters have been appointed at every production unit. Correspondingly, at the Group level the risk management function co-ordinates all the issues as a whole in co-operation with the business areas, units and other Group functions.

Work safety, occupational health and measures sustaining the ability to work form one unit that is designed to look after the entire personnel's safety, health and work capacity. As far as Finland is concerned, there exists for each of the above-mentioned sub-areas a unified general guideline at the Group level, which the units use as the basis for drawing up their annual plans of action.

¹⁾ Financial risk management is discussed on page 66.

Part of everyday operational development

Partek's aim is for environmental, health and safety matters to be managed comprehensively and as part of the everyday operations and management. Consequently we proceed, in the longer term, towards the aims of sustainable development. The starting point is the purposful and continuous activities of the operations, as well as preventive measures.

The handling of environmental, health and safety matters and its inclusion in everyday management has advanced step by step. The first stage focuses on the control of environmental matters during production. The construction of environmental systems (ISO 14001) and certification are the practical measures. The second stage, which the most advanced companies have started in 1999, is the construction of a health and safety system (BS 8800). Several companies have included the above-mentioned matters as part of their certified quality system. Commonly accepted standards are supplemented with the companies' own instructions and management systems. The companies have their own internal auditing procedures in addition to external auditing.

A system for collecting and reporting environmental, health and safety information was developed and tested during the year. In order to obtain comparable key indicators at the unit and Group level, the system is being developed further.

Twenty-two of Partek's subsidiaries had by end-1999 certified their quality system and four had certified their environmental system. The goal of several subsidiaries is to implement or launch the ISO 14001 system in year 2000. Other goals are: including environmental matters into quality systems, reducing solvent effluents, assessing the degree of recycling, reducing waste, cutting energy consumption in buildings, and assessing the environmental impact of transports.

A start has been made on systematic co-operation with suppliers and customers over environmental, health and safety matters. Nowadays these matters are increasingly being taken into consideration already at the product development stage.

In autumn 1999 Partek was included in the first sustainability stock index. The Dow Jones index comprises over 200 companies from 22 countries and representing 68 industries. Among the selection criteria were: innovative technology, corporate governance, investor relations, industrial leadership in sustainability and encouraging lasting social well being. Research has shown that the share price development of companies promoting sustainable development has clearly exceeded the average return.

Examination of the environmental effects over the entire product life-span

Partek's production plants are concentrating to an ever-increasing extent on the key areas of the production process, such as research and development, assembly and other work stages requiring special know-how. The role of subcontractors in the production process is considerable. Plants in the engineering industry have efficiently eliminated emissions into the air, water and soil. Usual stages in production processes are welding, machining, surface treatment and assembly. The use of cutting fluids, oils, paints and chemicals as well as the impurities, solvents, dust and vapours that they cause are a part of these work stages.

Special attention has been paid to reducing emissions and the recovery, storage and recycling of harmful substances, and processes has been developed so that harmful substances including oily rags, machining waste and impregnation agents can be

| | Quality | Environ- ment | Health and safety |
|-------------------------------|---------|------------------|----------------------|
| Certified system | 22 | 4 | - |
| Decision to develop system | - | 11 | 3 |
| No decision | 3 | 11 | 23 |
| EMAS | - | 2 | - |

The challenge is to design and produce efficient and durable products that are lightweight.

Achievements in 1999

- Partek selected for Dow Jones Sustainability share index
- Valtra awarded Finnish quality prize (Malcolm Baldrige quality system)
- 2 new environmental certificates
- 2 EMAS registrations
- Introduction of the Valtra 8450i, which is powered by a much more environment-friendly low-revolution engine

The long term aim is to support the environmental objectives of the customer through analysis of product life-cycles, increasing recycling and reducing the use of environmentally problematic substances.

controlled so well that they do not have detrimental effects on human beings or the environment. Production units have written emergency and safety instructions, and security plans.

The most noticeable of the environmental effects during a product's entire life-span are created at other stages than in Partek's production. For this reason the study of environmental effects will be widened at Partek from production to the product-development, sales and distribution, after-sales and to environmental impact during the use of the products. The aim is an examination of environmental effects during a product's entire life-span.

The safety and reliability of products is a central environmental issue. Among risk factors are handling large machines and heavy loads, the tightness and durability of hydraulic systems, compressing the ground and the effect of forest machines on the remaining trees and vegetation. The challenge is to design and produce efficient and durable products that are light.

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

The long term aim is to support the environmental objectives of the customer through analysis of product life-cycles, increasing recycling and reducing the use of environmentally problematic substances.

Fewer occupational accidents than the industry average

During the year safety matters were comprehensively charted in the Finnish companies. The aim was to find new challenges and goals in order to develop occupational safety and to promote the utilisation of internal learning in the Group. The method for assessing safety was developed at the Technical University of Tampere. An occupational safety and environmental guide for use by the companies in Finland was also drawn up as a result of the work.

A consistent procedure for assessing risks at the workplace was drawn up as part of the safety handbook. The procedure's practicability was also tested, and decisions about introducing it on a wider scale will be taken in 2000. There were fewer accidents in the Partek units than on average in the Finnish engineering industry.

The main emphasis in the risk management review was still on identifying risks adherent to the operations of internal and external parties and on developing preventive measures. In addition, attention was focused on product safety matters, such as usage and safety instructions, and on risks in technological systems concerning Year 2000.

Environmental investments and operation costs

Assessments of environmental impact are included in all Group investment plans. For the Partek Group environmental, health and safety costs and investments are minor. Waste-handling incurs the largest part of environmental costs.

Regular audits

An external party regularly audits the status of Partek's environmental, health and safety management. The purpose is to co-ordinate the situation and to ensure that operations

develop and continue in accordance with the Group's policies and other principles. The inspection includes risk assessments, measures to reduce and control risks, and transferring risks in accordance with the Group's insurance principles. The audit also includes other risks associated with the units' operations such as product liability, corporate security and risks inherent to the operations of internal and external parties. Using the observations and recommendations made in the inspections, the plants prepare their own measures to prevent losses. During 1999 inspections were carried out at eight units (1998:11).

The risks of soil pollution that are associated with the earlier and current operations at working places were charted through a questionnaire sent to the workplaces in 1999. In some workplaces further studies will be made. At the old industrial site at Kalmar's plant in Härnösand, Sweden, which was closed in the spring of 1999, a case of soil contamination was detected. Traces of heavy metals and oil were found in the preliminary soil studies. Further studies, however, revealed that the contamination was minor and that no significant costs will arise restoring the area.

Due diligence reports are systematically drawn up for companies acquired and divested. Nothing has been revealed in the reports that would essentially change the Group's risk position. Partek has assessed the environmental liabilities of its previous operations and has made necessary provisions, according to the accounting principles, for the restoration costs of the environmental damages. The management has no knowledge of cases that would have a significant effect on the Group result.

Valtra's European operations was awarded the Finnish quality prize.



Annual Report of the Board of Directors 1999

The restructuring of Partek from a European construction materials company to a global engineering group was completed during 1999. The aim of the structural change is to achieve a strong competitive position in the chosen segments and to increase the value of Partek.

Partek's operations now comprise four closely related business areas, which are all leaders in their fields: Container handling, Load handling, Forest machines and Tractors. Each business area is being developed according to its special characteristics and conditions, while simultaneously utilising the opportunities inherent in co-operation, co-ordination and integration of the business areas.

A strong and independent profile is being created for Partek's subsidiary Partek Nordkalk, which is the leading producer of limestone-based products in northern Europe. The aim is to publicly list Nordkalk.

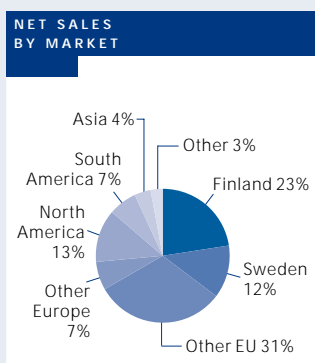
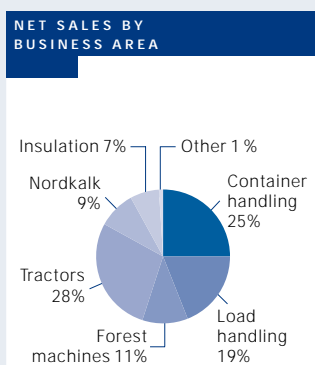
Assets freed from other business activities will be used to develop the core business. The majority holding in the insulation operations was sold in August.

Order book and net sales

The Group net sales were EUR 2,153 (1998: 2,277) million. Divested operations lowered 1999 comparable net sales by EUR 104 million. The insulation business is included in the Partek Group figures up to the date of the sale, August 31, 1999, and in the result for associated companies thereafter.

The order book for the engineering business was EUR 287 (281) million at end-December and orders received in 1999 amounted to EUR 1,758 (1,730) million. Net sales of the engineering business remained at last year's level, but development for the business areas varied. Net sales in Container handling fell, which was mainly attributable to the withdrawal from production and marketing of unprofitable products. Net sales in Load handling increased considerably as the sales of the truck industry continued strong in Europe and North America, and as operations in Asia expanded. The loss of a large forest crane customer decreased the net sales of Forest machines. European sales for Tractors increased markedly, but the business area's total net sales remained at last year's level due to the devaluation of the Brazilian real.

Nordkalk increased its net sales slightly when the share of the sold industrial minerals operations is eliminated from the comparison year 1998.



| Net sales | Meuro | | Meuro | |
|------------------------------|----------------|------------|----------------|------------|
| | 1999 | % | 1998 | % |
| Container handling | 537.3 | 25 | 597.0 | 26 |
| Load handling | 419.2 | 19 | 365.6 | 16 |
| Forest machines | 243.8 | 11 | 256.2 | 11 |
| Tractors | 592.5 | 28 | 595.5 | 26 |
| Total | 1,792.8 | 83 | 1,814.3 | 79 |
| Nordkalk | 187.4 | 9 | 191.2 | 9 |
| Insulation | 144.1 | 7 | 235.4 | 10 |
| Other units and eliminations | 28.6 | 1 | 35.8 | 2 |
| Group | 2,152.9 | 100 | 2,276.7 | 100 |

| Operating profit and profit after financial items | Meuro | | as % of | |
|---|-------|-----------|---------|-----------|
| | 1999 | net sales | 1998 | net sales |
| Container handling | 27.8 | 5.2 | 29.1 | 4.9 |
| Load handling | 23.0 | 5.5 | 8.4 | 2.3 |
| Forest machines | 14.2 | 5.8 | 21.4 | 8.3 |
| Tractors | 29.7 | 5.0 | 28.0 | 4.7 |
| Total | 94.7 | 5.3 | 86.9 | 4.8 |
| Nordkalk | 25.5 | 13.6 | 30.3 | 15.8 |
| Insulation | 8.9 | 6.2 | 19.2 | 8.2 |
| Other units and eliminations | 6.7 | | -9.8 | |
| Goodwill depreciation on Group level | -13.2 | | -12.5 | |
| Operating profit, Group | 122.6 | 5.7 | 114.1 | 5.0 |
| Share of results of associated companies | 9.3 | | 7.3 | |
| Net financial costs | -33.8 | -1.6 | -43.1 | |
| Profit after financial items | 98.1 | 4.6 | 78.3 | 3.4 |

Profitability and financing

Consolidated operating profit increased to EUR 123 (114) million, which is 5.7 (5.0) percent of net sales.

Operating profit in the third tertial for the engineering business increased by 59 percent year-on-year to EUR 43 (27) million. Due to sales growth and internal efficiency measures the operating profit margin rose to 5.3 percent from 4.8 percent. In the third tertial the operating profit margin was 6.2 (4.2) percent. The target for the business areas is 8 percent by end-2001.

Consolidated operating profit includes net non-recurring items amounting to EUR +22 (+4) million, of which the EUR 28 million capital gain from the sale of the insulation business is the most significant. The effect of non-recurring income and asset depreciation on other business activities was EUR -6 million.

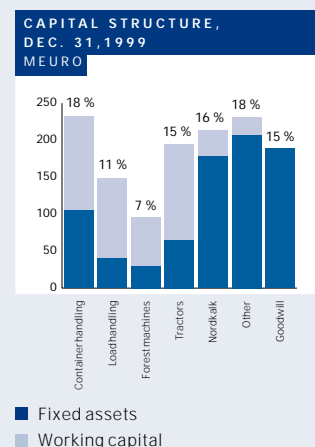
Consolidated operating profit was encumbered by consolidated goodwill depreciation of EUR 13 (13) million arising from the acquisitions of Sisu and Kalmar. Total depreciation according to plan amounted to EUR 76 (77) million. The net share of the profit of associated companies was EUR +9 (+7) million. The largest single item, EUR +9 million, is the 40 percent share of the profit of the precast concrete company Addtek International.

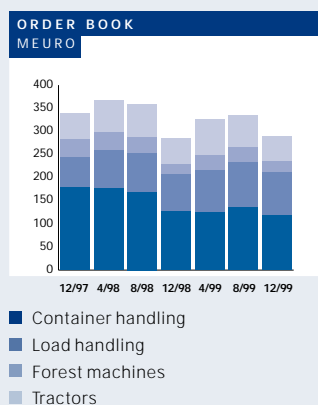
The result after financial items amounted to EUR 98 (78) million, which is 4.6 (3.4) percent of the net sales.

Net financial expenses were EUR 34 (43) million, i.e. 1.6 (1.9) percent of net sales. Interest-bearing net debt excluding capital loans decreased to EUR 320 (496) million.

In January, 1999 Partek issued a EUR 54 million (FIM 322 million) convertible capital loan in order to strengthen its capital structure and create prerequisites to implement acquisitions and other industrial measures. A fixed annual interest of 5 percent is payable on the loan and it can be converted to, at most, 4.6 million shares. The loan was oversubscribed by about 84 percent.

In October Partek Nordkalk Corporation issued a EUR 100 million convertible capital loan, Going Public Bond, which matures in 2004. Interest in the loan was great and it was approximately 2.5 times oversubscribed. Partek shareholders subscribed for about 60 percent of the loan. A 6.71 percent fixed annual interest is payable on the loan. The issue price was 100 percent.





The Group has set a target of above 40 percent for equity to total assets and 50 percent for gearing as capital loans are calculated as shareholders equity. According to this method of calculation, the equity to total assets ratio increased to 50 percent from 39 percent and gearing fell to 38 percent from 75 percent.

Earnings per share were EUR 1.24 (0.88) and the return on capital employed was 11.1 (11.1) percent. Return on equity was 10.7 (8.7) percent.

Restructuring to strengthen the Group

Partek is now an engineering company. Resources are focused on growing and developing this business. During the year several acquisitions and structural arrangements were made to achieve this aim.

The holding in Kalmar Industries AB increased during the year to 68 percent from 61 percent. Kalmar continued to further focus on its core business. The plant in Härnösand, Sweden was closed and the production of small forklift trucks of 1-3 tonne-capacity ceased. The sideloader operations were sold to the German company Baumann. In December it was decided that the production of hydraulic cylinders is to be transferred to Nummi Oy Ab, which is part of Partek Cargotec. The U.S. sales company Kalmar AC Inc. was sold to Komatsu Forklift.

Partek acquired 23.4 percent of Zeteco AB, a Swedish producer of tailgate lifts for trucks and container spreaders, among other things. The holding represents 40.7 percent of the votes in Zeteco.

Partek Cargotec formed the new company Hiab Hana Ltd. in Korea together with Hana Special Vehicle Ltd. Cargotec owns 70 percent of the company. It is Partek's first production plant in Asia which represents engineering operations and it manufactures and markets truck-mounted loader cranes and lifting equipment for the local market.

In September Partek Cargotec entered a co-operation agreement, according to which it will begin manufacturing demountable equipment for the German F. Weyhausen (Atlas) GmbH & Co KG from the beginning of 2000. Atlas is the leading brand of truck-mounted demountable equipment in Germany. Cargotec is also expanding on the North and Latin American markets.

The sale of the majority holding in the insulation operations to the capital fund Industri Kapital 1997 and the operative management was completed in August. A EUR 28 million capital gain was made in the transaction and it released EUR 95 million in capital. Partek remains with a 40 percent holding in Paroc Group, which allows Partek's shareholders to take part in the increase potential in the company's value.

| Meuro | Order book | | | Orders received | | |
|--------------------|---------------|---------------|------------|-----------------|----------------|------------|
| | Dec. 31, 1999 | Dec. 31, 1998 | Change % | 1999 | 1998 | Change % |
| Container handling | 118.5 | 127.1 | -6.8 | 521.8 | 558.7 | -6.6 |
| Load handling | 93.7 | 80.9 | 15.8 | 432.5 | 371.7 | 16.4 |
| Forest machines | 22.1 | 20.1 | 9.7 | 244.7 | 238.4 | 2.6 |
| Tractors | 55.2 | 56.7 | -2.6 | 591.6 | 597.2 | -0.9 |
| Eliminations | -2.7 | -3.9 | | -32.6 | -36.1 | |
| Total | 286.8 | 280.9 | 2.1 | 1,758.0 | 1,729.9 | 1.6 |

In line with its strategy Partek focuses on production of end-products and key components. In December Partek sold the operations of Sisu Axles Oy to a group of investors brought together by Helmet Business Mentors Oy and to the operative management. Partek has a 35 percent holding in the new company Sisu Axles Oy, which will continue the operations. The transaction had a positive, but insignificant, effect on Partek's result.

In accordance with its strategy Partek will release capital for developing its core activities. At year-end EUR 197 million was tied-up in Other Business Activities.

Efficiency through developing and integrating the engineering operations

Partek is now concentrating on integrating operations, improving profitability and expanding. Growth and profitability is sought through creating value-added services for the customers. The spare-parts and maintenance services are being developed and their share of net sales is being increased. In 1999 this share amounted to 15 percent. Customer order-based production has been expanded. Forest machines invested in adopting the customer order-based method of operation, improving the operations efficiency and on shortening the production and assembly chain. The European operations of Valtra received the quality award for 1999 in Finland.

Profitability improvement is progressing systematically with the support of the programme to raise overall quality-Excellence in Operations. Targets have been set for the key processes: product development, sales and distribution, order fulfillment and after-sales. Joint key performance indicators (KPIs) have been defined to monitor the progress. These include delivery accuracy, production lead times, developing new products and customer satisfaction. The KPIs enable active monitoring and comparison of practices across business areas and the transfer of knowledge.

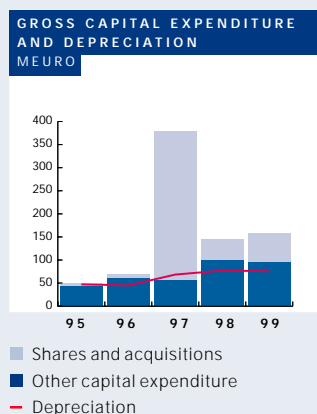
The total quality of operations and knowledge management is being improved through joint process development and the use of supporting functions. The Baan ERP system has been taken into use in most plants and the Scala reporting and bookkeeping system for sales in almost all sales units.

Savings from the global purchasing function are evident in high-volume components such as hydraulics and electronics. Savings are achieved through centralised purchasing agreements as well as standardising components and furthering co-operation with the chosen suppliers. These measures resulted in purchasing agreements with annual savings of 2.8 percent.

During the year working capital decreased by EUR 24 million. The working capital reduction project has been carried out in 18 units and the aim is to complete the project in about 30 units during 2000. Considerable improvement has been achieved in, among other things, the turnover rate of receivables and in customer finance. The Group's target for reducing working capital is EUR 80 million from the 1998 level.

The Business Area target level for the capital turnover rate is 3 times by the end of 2000. In 1999, all Business Areas with the exception of Container handling almost achieved this target.

The importance of financing arrangements as a competitive factor is increasing. This summer Partek established a long-term strategic co-operation agreement with Trans-america Distribution Finance. The programme covers North America and provides customised financing and leasing services as well as inventory financing for dealers of Partek products.



Investment, research and product development

Gross investment by the Group was EUR 159 (144) million, of which EUR 64 (45) million was in shares. The holding in Kalmar Industries AB rose to 68 percent from 61 percent. The investment amounted to EUR 15 million. A 23.4 percent holding in Zeteco AB was acquired for EUR 34.2 million.

The most significant operative investments were in ERP-systems, developing IT-systems, expanding and modernising the forest machine plant in Umeå, Sweden and acquiring the loader crane plant in Korea. Also EUR 13 (10) million was invested in Kalmar rental trucks.

Consolidated costs for research and development were EUR 39 (39) million. The engineering business' share of this was EUR 31 (28) million, which is 1.7 (1.6) percent of net sales. Electronic steering, positioning and measuring systems represent an increasing part of research activities.

Partek is a technological leader in its field. Product development focuses on offering innovative and efficiency enhancing services for customers. Key components such as diesel engines, hydraulics, transmission, cabins, and electronics are designed and partly produced internally. New products introduced in the last three years represent more than 50 percent of net sales.

| Gross capital expenditure, ROC % and capital turnover rate (CTR) | Gross capital expenditure | | ROC % | | CTR | |
|--|---------------------------|--------------|-------------|-------------|-------------|-------------|
| | Meuro | | 1999 | 1998 | 1999 | 1998 |
| Operational investments | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 |
| Container handling ¹⁾ | 23.0 | 21.7 | 12 | 13 | 2.2 | 2.6 |
| Load handling ¹⁾ | 6.3 | 6.3 | 16 | 7 | 2.8 | 2.6 |
| Forest machines ¹⁾ | 7.0 | 3.2 | 17 | 25 | 2.8 | 2.9 |
| Tractors ¹⁾ | 14.0 | 15.0 | 16 | 16 | 2.9 | 2.6 |
| Total | 50.3 | 46.2 | | | | |
| Nordkalk | 31.3 | 36.8 | 14 | 19 | 1.0 | 1.2 |
| Insulation | 10.1 | 12.4 | | | | |
| Other units | 3.2 | 4.1 | | | | |
| Total | 94.9 | 99.5 | | | | |
| Shares and acquisitions | 64.0 | 44.6 | | | | |
| Group | 158.9 | 144.1 | | | | |

1) ROC % and CTR rolling 12 months

Partek Nordkalk

In a step towards becoming independent Partek Nordkalk was transformed to a public company and it issued a EUR 100 million convertible capital loan, Going Public Bond. The loan improves Nordkalk's solvency and creates prerequisites for the company to expand its operations in accordance with its Baltic Sea-strategy, and consequently increase the value of the company. The term of the loan is five years and the aim is to list Nordkalk on the stock exchange before the capital loan matures.

In order to stream-line its operations Partek transferred its mining rights and all assets related to the mining operations as an internal transaction to Partek Nordkalk.

Nordkalk's operating profit declined compared to 1999. Partek Nordkalk sold its remaining 50 percent holding in SP Minerals, a supplier of industrial minerals, to the

Nordic subsidiary of the company's other owner, Belgian Sibelco. The sale of SPMinerals has had a positive effect of approx. EUR 3 million in the 1998 and 1999 results of Nordkalk.

Partek Nordkalk strengthened its position in Poland by acquiring the operations of an asphalt filler and agricultural lime business in Slawno. In Szczecin a new grinding plant was completed and it will supply ground lime for flue-gas cleaning in power plants. In Finland the capacity for grinding limestone was raised. Partek Nordkalk continuously studies and acquires limestone deposits in order to secure its operations in the long-term. In 1999 investments included deposits in Poland and Sweden.

Year 2000

The preparations for year 2000 progressed as planned and no problems relating to the turn of the millennium have appeared in either the IT systems or day-to-day operations.

Personnel

During the period under review the Group employed 11,168 (12,062) people on average. The number of employees at the beginning of the period was 11,827 and at year-end 9,751. The sale of the insulation operations led to a decrease of 1,640 employees. Closing Kalmar's plant in Härnösand, Sweden and the sale of Kalmar AC Inc. reduced the number of employees by 242.

At year-end the Group employed 4,085 (5,165) people in Finland, of which 79 (72) in the parent company.

| Personnel | Dec. 31, 1999 | Dec. 31, 1998 | Change |
|--------------------|---------------|---------------|---------------|
| Container handling | 2,944 | 3,278 | -334 |
| Load handling | 2,016 | 2,030 | -14 |
| Forest machines | 1,030 | 1,020 | 10 |
| Tractors | 2,375 | 2,405 | -30 |
| Total | 8,365 | 8,733 | -368 |
| Nordkalk | 1,029 | 1,082 | -53 |
| Insulation | 0 | 1,640 | -1,640 |
| Other | 357 | 372 | -15 |
| Group | 9,751 | 11,827 | -2,076 |

Shareholder meetings

The number of members on the Board of Directors was confirmed at nine at the Annual General Meeting on April 8, 1999. Arto Honkaniemi, Björn Mattsson and Christoffer Taxell, who retired by rote were re-elected. Björn Mattsson has been acting as Chairman and Risto Virrankoski as Vice Chairman. Eric Haglund, authorised public accountant (APA) and Thor Nyroos (APA) were re-elected auditors. The APA auditing firm KPMG Wideri Oy Ab was re-elected deputy auditor.

The AGM authorised the Board to purchase and surrender a maximum of five percent of the shares of the corporation. An extraordinary shareholder meeting on May 12, 1999 approved in the second and final consideration the proposal to change the Articles of Association. The share capital was raised with EUR 5.7 million by means of a bonus issue and the nominal value per share was changed to EUR 1.80. After this the company's share capital is EUR 87,869,899.80 and the number of shares is 48,816,611.

The authorisation of the Board to raise the company's share capital by means of a rights issue based on the shareholders' pre-emptive right to subscription and without changing the Articles of Association was extended to December 31, 1999. Neither authorisation was used.

Convertible capital loans

No conversions to shares of the convertible subordinated bonds issued in 1994 have been made during the year.

The conversion period for the EUR 54 million convertible capital loan issued in 1999 is from June 1, 1999 to May 31, 2004. The loan can be converted to Partek shares and through conversions the amount of Partek shares can increase by a maximum 4.6 million shares. The conversion price is EUR 11.77 per share. During the year no conversions to shares were made.

Dividend

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

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.55 (0.50) per share shall be paid for 1999, i.e. 44 percent of the result after tax. The proposal signifies that a total of EUR 27 million is used for dividends.

Prospects

As the favourable economic development continues and thanks to internal efficiency measures Partek's comparable result for 2000 is anticipated to improve from the previous year.

Proposal to the Annual General Meeting

The distributable equity of the parent company is EUR 226.3 million. The distributable equity of the Group is EUR 260.0 million. The number of shares entitled to dividend is 48,816,611.

The Board of Directors proposes that a dividend of EUR 0.55 per share, in total EUR 26,849,136.05 be distributed.

Pargas February 17, 2000

The Board of Directors

Björn Mattsson
Chairman

Risto Virrankoski
Vice Chairman

Jan Ekberg

Arto Honkaniemi

Caj-Gunnar Lindström

Paavo Pitkänen

Juhani Riutta

Juha Toivola

Christoffer Taxell
President and CEO

Income Statement

| | Note | Group | | | | Parent Company | |
|--|---------|-----------------|------------|---------------|-----|----------------|---------------|
| | | 1999 Meuro | % | 1998 Meuro | % | 1999 Meuro | 1998 Meuro |
| Net sales | 1 | 2,152.9 | 100 | 2,276.7 | 100 | 6.6 | 6.2 |
| Cost of goods sold | | -1,706.4 | -79 | -1,803.2 | -79 | -0.3 | -0.5 |
| Gross profit | | 446.5 | 21 | 473.5 | 21 | 6.3 | 5.7 |
| Selling and marketing expenses | | -177.1 | | -185.4 | | -2.4 | -1.9 |
| Research and development expenses | | -39.2 | | -39.4 | | - | - |
| Administration expenses | | -122.8 | | -129.7 | | -24.2 | -23.5 |
| Other operating income | | 48.2 | | 18.4 | | 1.4 | 5.3 |
| Other operating expenses | | -33.0 | | -23.3 | | -31.8 | -10.3 |
| | | -323.9 | -15 | -359.4 | -16 | -57.0 | -30.4 |
| Operating profit/loss | 1,2,3,4 | 122.6 | 6 | 114.1 | 5 | -50.7 | -24.7 |
| Share of results of associated companies | 5 | 9.3 | | 7.3 | | - | - |
| Financial income and expenses | 7 | | | | | | |
| Dividend income | | 0.2 | | 0.2 | | 74.6 | 38.9 |
| Interest income from long-term investments | | 3.4 | | 4.4 | | 7.5 | 11.8 |
| Other interest income | | 6.0 | | 10.2 | | 6.1 | 5.1 |
| Interest expenses | | -40.4 | | -42.4 | | -21.5 | -20.1 |
| Other financial items | 6 | -3.0 | | -15.5 | | -7.8 | 6.4 |
| | | -33.8 | -2 | -43.1 | -2 | 58.9 | 42.1 |
| Profit/loss after financial items | | 98.1 | 5 | 78.3 | 3 | 8.2 | 17.4 |
| Extraordinary items | 8 | | | | | | |
| Income | | - | | 30.7 | | - | - |
| Expenses | | - | | - | | - | - |
| Group contributions, received | | - | | - | | 0.8 | 65.5 |
| Group contributions, paid | | - | | - | | - | -9.8 |
| | | - | 0 | 30.7 | 1 | 0.8 | 55.7 |
| Profit/loss before appropriations and taxes | | 98.1 | 5 | 109.0 | 5 | 9.0 | 73.1 |
| Change in depreciation difference | | - | | - | | 1.6 | 0.8 |
| Direct taxes | 9 | -29.3 | | -23.9 | | -7.8 | -11.1 |
| Minority interests | | -8.4 | | -11.3 | | - | - |
| Net profit/loss for the period | | 60.4 | 3 | 73.8 | 3 | 2.8 | 62.8 |

Balance Sheet

| | Note | Group | | | Parent Company | | |
|---|------|------------------------|------------------------|---------|------------------------|------------------------|---------|
| | | Dec. 31, 1999 Meuro | Dec. 31, 1998 Meuro | % | Dec. 31, 1999 Meuro | Dec. 31, 1998 Meuro | |
| Assets | | | | | | | |
| Fixed assets and other long-term investments | 10 | | | | | | |
| Intangible assets | | | | | | | |
| Goodwill | | 214.1 | 221.6 | | - | - | |
| Other capitalised expenditure | | 13.4 | 13.2 | | 2.2 | 2.8 | |
| | | 227.5 | 13 | 234.8 | 14 | 2.2 | 2.8 |
| Tangible assets | | | | | | | |
| Mineral deposits and land | | 79.4 | 86.8 | | 5.5 | 23.8 | |
| Buildings and constructions | | 144.4 | 158.9 | | 0.9 | 1.8 | |
| Machinery and equipment | | 189.4 | 219.1 | | 0.5 | 0.9 | |
| Other tangible assets | | 4.3 | 4.4 | | 0.1 | 0.2 | |
| Advance payments and construction in progress | | 16.8 | 13.5 | | 0.1 | 0.0 | |
| | | 434.3 | 26 | 482.7 | 28 | 7.1 | 26.7 |
| Investments | | | | | | | |
| Shares in group companies | 11 | - | - | | 540.0 | 595.7 | |
| Shares in associated companies | 11 | 75.5 | 25.7 | | 53.2 | 10.8 | |
| Other shares and participations | 11 | 18.8 | 19.3 | | 13.7 | 15.7 | |
| Long-term loan receivables | 12 | 57.0 | 36.6 | | 124.5 | 155.2 | |
| Other investments | | 0.6 | 2.2 | | 0.0 | 0.0 | |
| | | 151.9 | 9 | 83.8 | 5 | 731.4 | 777.4 |
| Total fixed assets and long-term investments | | 813.7 | 48 | 801.3 | 47 | 740.7 | 806.9 |
| Current assets | | | | | | | |
| Inventories | | | | | | | |
| Materials and supplies | | 125.0 | 145.0 | | - | - | |
| Work in progress | | 43.1 | 40.3 | | - | - | |
| Finished goods | | 181.2 | 182.3 | | - | - | |
| | | 349.3 | 21 | 367.6 | 22 | - | - |
| Receivables | | | | | | | |
| Accounts receivable | 12 | 355.7 | 375.6 | | 1.4 | 1.4 | |
| Loan receivables | | 5.3 | 18.8 | | 82.7 | 127.0 | |
| Other receivables | | 29.0 | 37.3 | | 27.9 | 68.3 | |
| Deferred tax asset | | 8.2 | 15.9 | | - | - | |
| Prepaid expenses and accrued income | | 35.7 | 21.4 | | 21.9 | 5.6 | |
| | | 433.9 | 26 | 469.0 | 28 | 133.9 | 202.3 |
| Cash and bank balances | | 88.5 | 55.0 | 5 | 56.2 | 12.9 | |
| Total current assets | | 871.7 | 52 | 891.6 | 53 | 190.1 | 215.2 |
| Total assets | | 1,685.4 | 100 | 1,692.9 | 100 | 930.8 | 1,022.1 |

| | Group | | | | | Parent Company | |
|---|-------|------------------------|------------|------------------------|-----|------------------------|------------------------|
| | Note | Dec. 31, 1999 Meuro | % | Dec. 31, 1998 Meuro | % | Dec. 31, 1999 Meuro | Dec. 31, 1998 Meuro |
| Shareholders' equity and liabilities | | | | | | | |
| Shareholders' equity | 13 | | | | | | |
| Share capital | | 87.9 | | 82.1 | | 87.9 | 82.1 |
| Share premium account | | 202.3 | | 208.0 | | 202.3 | 208.1 |
| Revaluation reserve | | 6.1 | | 6.2 | | 6.1 | 6.1 |
| Other reserves | | 4.3 | | 8.9 | | - | - |
| Retained earnings | | 233.7 | | 192.1 | | 223.5 | 185.4 |
| Net profit/loss for the period | | 60.4 | | 73.8 | | 2.8 | 62.8 |
| Capital loans | 14 | 182.4 | | 28.2 | | 82.4 | 28.2 |
| Total shareholders' equity | | 777.1 | 46 | 599.3 | 35 | 605.0 | 572.7 |
| Minority interests | | 56.0 | 3 | 62.8 | 4 | - | - |
| Accumulated depreciation difference | | - | | - | | 0.2 | 1.9 |
| Provisions | 15 | 18.5 | 1 | 34.9 | 2 | 3.2 | 3.2 |
| Liabilities | | | | | | | |
| Long-term | 16 | | | | | | |
| Loans from financial institutions | | 244.8 | | 269.1 | | 94.0 | 73.6 |
| Pension fund loans | | 44.8 | | 56.6 | | 24.4 | 26.3 |
| Other interest-bearing liabilities | | 8.6 | | 9.9 | | 0.0 | 0.0 |
| Deferred tax liability | | 7.6 | | 8.3 | | - | - |
| Other non interest-bearing liabilities | | 2.3 | | 1.8 | | 0.0 | 0.3 |
| | | 308.1 | 18 | 345.7 | 20 | 118.4 | 100.2 |
| Current | 17,18 | | | | | | |
| Loans from financial institutions | | 49.8 | | 26.8 | | 59.3 | 149.5 |
| Pension fund loans | | 1.9 | | 2.2 | | 1.9 | 2.0 |
| Other interest-bearing liabilities | | 121.1 | | 237.1 | | 123.5 | 166.9 |
| Advances received | | 7.4 | | 9.1 | | - | - |
| Accounts payable | | 164.0 | | 176.2 | | 2.1 | 3.0 |
| Other non interest-bearing liabilities | | 49.9 | | 56.7 | | 1.6 | 14.3 |
| Accrued expenses and deferred income | 19 | 131.6 | | 142.1 | | 15.6 | 8.4 |
| | | 525.7 | 31 | 650.2 | 38 | 204.0 | 344.1 |
| Total liabilities | | 833.8 | 49 | 995.9 | 59 | 322.4 | 444.3 |
| Total shareholders' equity and liabilities | | 1,685.4 | 100 | 1,692.9 | 100 | 930.8 | 1,022.1 |

Financial Analysis

| | Group | | Parent Company | |
|---|--------|---------------|----------------|---------------|
| | 1999 | Meuro 1998 | 1999 | Meuro 1998 |
| Operating activities | | | | |
| Operating profit | 122.6 | 114.1 | -50.7 | -24.7 |
| Depreciation and value adjustments | 77.3 | 77.2 | 8.5 | 1.2 |
| Gains and losses from sale of fixed assets | -35.5 | -5.4 | 20.9 | -4.3 |
| Other adjustments | 9.0 | 0.0 | 0.1 | 0.0 |
| Cash flow before change in working capital | 173.4 | 185.9 | -21.1 | -27.8 |
| Change in working capital | | | | |
| Inventories (+ = decrease) | 18.3 | 11.2 | - | - |
| Current receivables (+ = decrease) | 14.8 | -15.9 | 67.1 | -26.8 |
| Non interest-bearing liabilities (- = decrease) | -43.8 | -24.8 | -6.4 | -4.2 |
| | -10.7 | -29.5 | 60.7 | -31.0 |
| Financial items, taxes and extraordinary items | | | | |
| Financial income and expenses | -33.8 | -43.2 | 58.9 | 42.1 |
| Taxes | -22.3 | -21.9 | -7.8 | -11.1 |
| Extraordinary items | 0.0 | 0.0 | 0.8 | 55.8 |
| | -56.1 | -65.0 | 51.9 | 86.8 |
| Cash flow from operating activities | 106.6 | 91.4 | 91.6 | 27.9 |
| Cash flow from investment activities | | | | |
| Insulation arrangement | 94.7 | - | - | - |
| Gross capital expenditure | -158.9 | -144.1 | -65.3 | -63.7 |
| Sale of fixed assets | 20.1 | 36.8 | 72.4 | 11.6 |
| | -44.1 | -107.3 | 7.1 | -52.1 |
| Cash flow before financing | 62.5 | -15.9 | 98.7 | -24.2 |
| Financing | | | | |
| Share issue | - | 4.1 | - | 4.1 |
| Capital loans | 154.2 | 0.0 | 54.2 | 0.0 |
| Change in interest-bearing debt (- = decrease) | -130.6 | 35.2 | -115.6 | -10.4 |
| Long-term receivables (- = increase) | -11.6 | -7.6 | 30.7 | 40.7 |
| Dividends paid | -27.1 | -32.6 | -24.6 | -32.6 |
| Translation differences and other changes | -13.9 | -13.2 | - | - |
| | -29.0 | -14.2 | -55.4 | 1.7 |
| Change in liquid funds | 33.5 | -30.1 | 43.3 | -22.4 |
| Liquid funds, January 1 | 55.0 | 85.1 | 12.9 | 35.3 |
| Liquid funds, December 31 | 88.5 | 55.0 | 56.2 | 12.9 |

Five-year review

| | | 1999 | 1998 | 1997 | 1996 | 1995 |
|--|------------|---------------|--------|--------|-------|-------|
| From Income Statement | | | | | | |
| Net sales | Meuro | 2,153 | 2,277 | 1,807 | 1,036 | 1,103 |
| change | % | -5.4 | 26.0 | 74.4 | -6.0 | 6.5 |
| foreign sales | % | 76.9 | 76.7 | 75.0 | 80.1 | 81.9 |
| Operating profit | Meuro | 123 | 114 | 122 | 48 | 64 |
| as percentage of net sales | % | 5.7 | 5.0 | 6.8 | 4.6 | 5.8 |
| Profit after financial items | Meuro | 98 | 78 | 96 | 38 | 45 |
| as percentage of net sales | % | 4.6 | 3.4 | 5.3 | 3.7 | 4.1 |
| Profit before taxes | Meuro | 98 | 109 | 93 | 99 | 38 |
| as percentage of net sales | % | 4.6 | 4.8 | 5.2 | 9.5 | 3.4 |
| Net profit/loss for the period | Meuro | 60 | 74 | 59 | 87 | 25 |
| From Balance Sheet | | | | | | |
| | Meuro | | | | | |
| Fixed assets and other L-T investments | | 814 | 801 | 773 | 456 | 660 |
| Inventories | | 349 | 367 | 379 | 136 | 160 |
| Other current assets | | 522 | 524 | 523 | 269 | 299 |
| Shareholders' equity | | 777 | 599 | 567 | 402 | 322 |
| Minority interests | | 56 | 63 | 74 | 9 | 10 |
| Provisions | | 18 | 35 | 41 | 21 | 43 |
| Interest-bearing liabilities | | 471 | 602 | 566 | 191 | 467 |
| Non-interest-bearing liabilities | | 363 | 394 | 426 | 238 | 277 |
| Balance sheet total | | 1,685 | 1,693 | 1,675 | 861 | 1,119 |
| Financial ratios | | | | | | |
| Gross capital expenditure | Meuro | 159 | 144 | 380 | 70 | 49 |
| % of net sales | % | 7.4 | 6.3 | 21.0 | 6.7 | 4.5 |
| Depreciation | Meuro | 76 | 77 | 68 | 45 | 47 |
| Research and development costs | Meuro | 39 | 39 | 32 | 23 | 21 |
| % of net sales | % | 1.8 | 1.7 | 1.8 | 2.2 | 1.9 |
| Capital employed | Meuro | 1,304 | 1,264 | 1,208 | 602 | 799 |
| Interest-bearing net debt | Meuro | 320 | 496 | 435 | 114 | 387 |
| Return on capital employed | % | 11.1 | 11.1 | 14.8 | 9.9 | 11.0 |
| Return on equity | % | 10.7 | 8.7 | 13.1 | 8.0 | 12.1 |
| Gearing | % | 38.4 | 74.9 | 67.8 | 27.6 | 116.5 |
| Equity/total assets ratio | % | 49.6 | 39.3 | 38.5 | 48.4 | 30.1 |
| Equity/total assets ratio 2 | % | 38.8 | 37.6 | 36.8 | 45.1 | 27.6 |
| Per employee | | | | | | |
| | 1,000 euro | | | | | |
| Net sales | | 193 | 189 | 173 | 134 | 128 |
| Value added | | 55 | 52 | 55 | 47 | 46 |
| Wages and salaries | | 36 | 36 | 36 | 35 | 33 |
| Profit after financial items | | 9 | 6 | 9 | 5 | 5 |
| Personnel on average | | | | | | |
| Finland | | 4,896 | 5,288 | 4,490 | 2,627 | 2,630 |
| Abroad | | 6,272 | 6,774 | 5,974 | 5,114 | 6,008 |
| Total | | 11,168 | 12,062 | 10,464 | 7,741 | 8,638 |

Calculation of financial ratios p. 68

Accounting principles

The Consolidated Financial Statements of Partek Group have been drawn up in accordance with current regulations in Finland. Major deviations affecting the result of the year compared with international accounting standards issued by the International Accounting Standards Committee (IASC) are specified below. The year reviewed covers the months January-December and the financial statements are presented in euros.

The preparation of the financial statements in conformity with applicable regulations and generally accepted accounting principles requires management to make estimates and assumptions that affect the valuation and allocation of the reported figures. Actual results may differ from such estimates.

Consolidation principles

The Consolidated Financial Statements cover the parent company Partek Corporation and all companies in which the parent company controlled, directly or indirectly, more than fifty percent of the voting rights at the end of the financial year. Companies acquired during the year have been included in the Group Income Statement from the date of the acquisition and divested companies up to the date of disposal.

In drawing up the Consolidated Financial Statements internal transactions and margins have been eliminated. The Consolidated Balance Sheet has been drawn up in accordance with the purchase method according to which the shareholders' equity of the subsidiary is deducted from the purchase price of that subsidiary's shares, including untaxed reserves net of tax.

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

Associated companies have been consolidated using the equity method.

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

Transactions in foreign currencies

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

Foreign subsidiaries' income statements and balance sheets

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

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

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first in first out (FIFO) basis.

Tangible assets

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

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

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

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

Investments

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

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

Leasing

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

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

Income recognition

Income from sales of products and services is recognized on delivery, net of sales taxes and discounts.

Research and development

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

Warranty costs

The estimated warranty costs of goods delivered to customers are included under accrued expenses in the balance sheet. Actual warranty costs, including changes in warranty liability, are charged against earnings for the period.

Pension liabilities

The Group companies' pension obligations are arranged according to local regulations and practice. In the Parent Company and in Finnish subsidiaries pension liabilities are covered by insur-

ance. Costs of pensions are recorded as they are earned. Changes in uncovered pension liabilities are entered in the Income Statement and the pension liability is included in the Balance Sheet. Pension liability according to IAS has not been calculated.

Taxes

Income taxes in the income statement include taxes of the group companies for the financial period, calculated in accordance with local regulations, as well as adjustments to prior year taxes and deferred taxes. Deferred tax liabilities or assets are calculated on temporary differences between the tax and financial periods using the tax rate for subsequent years confirmed on the balance sheet date. The balance sheet includes all deferred tax liabilities and the probable realizable amount of deferred tax assets. No deferred tax liability has been recognized for undistributed earnings of subsidiaries and revaluations.

Financial ratios

Partek Nordkalk Corporation has one convertible capital loan and Partek Corporation has two. They have been treated as equity when calculating the equity/total assets and gearing ratios as defined by the Group targets for these ratios.

In the business area reviews the results of operations are reported as operating profit, and profitability as return on capital employed and capital turnover rate. These are based on the business areas' individual results and 12 months average capital employed. Consequently, they differ from the results and key ratios that could have been attained by a complete distribution of common costs and capital.

| Exchange rates | | Closing rates | | | Average rates | |
|----------------|----------|---------------|---------------|-----------|---------------|--|
| Country | Currency | Dec. 31, 1999 | Dec. 31, 1998 | 1999 | 1998 | |
| Belgium | BEF | 40.3399 | 40.3399 | 40.3399 | 40.3757 | |
| Brazil | BRL | 1.79970 | 1.40564 | 1.92186 | 1.28258 | |
| Canada | CAD | 1.46080 | 1.80611 | 1.58243 | 1.64626 | |
| Denmark | DKK | 7.44330 | 7.44892 | 7.43588 | 7.45359 | |
| Finland | FIM | 5.94573 | 5.94573 | 5.94573 | 5.94573 | |
| France | FRF | 6.55957 | 6.55957 | 6.55957 | 6.56110 | |
| Germany | DEM | 1.95583 | 1.95583 | 1.95583 | 1.95713 | |
| Great Britain | GBP | 0.62170 | 0.70547 | 0.65863 | 0.67189 | |
| Italy | ITL | 1936.27 | 1936.27 | 1936.27 | 1930.43 | |
| Japan | JPY | 102.73045 | 132.80612 | 120.65199 | 145.08858 | |
| Netherlands | NLG | 2.20371 | 2.20371 | 2.20371 | 2.20603 | |
| Norway | NOK | 8.07650 | 8.87158 | 8.30978 | 8.39484 | |
| Spain | ESP | 166.386 | 166.386 | 166.386 | 166.221 | |
| Sweden | SEK | 8.56250 | 9.48736 | 8.80718 | 8.84110 | |
| USA | USD | 1.00460 | 1.16674 | 1.06541 | 1.11259 | |
| | EUR | 1.00000 | 1.00000 | 1.00000 | 1.00000 | |

Notes for Income Statements and Balance Sheets

| Note 1 - Segment data | | | | |
|------------------------------|----------------|----------------|-----------------------|--------------|
| Meuro | Net sales | | Operating profit/loss | |
| | 1999 | 1998 | 1999 | 1998 |
| By business area | | | | |
| Container handling | 537.3 | 597.0 | 27.8 | 29.1 |
| Load handling | 419.2 | 365.6 | 23.0 | 8.4 |
| Forest machines | 243.8 | 256.2 | 14.2 | 21.4 |
| Tractors | 592.5 | 595.5 | 29.7 | 28.0 |
| Nordkalk | 187.4 | 191.2 | 25.5 | 30.3 |
| Insulation | 144.1 | 235.4 | 8.9 | 19.2 |
| Others and eliminations | 28.6 | 35.8 | -6.5 | -22.3 |
| Total | 2,152.9 | 2,276.7 | 122.6 | 114.1 |
| By market | | | | |
| Finland | 497.5 | 529.4 | | |
| Sweden | 269.6 | 286.2 | | |
| Other EU | 678.5 | 649.9 | | |
| Other Europe | 143.8 | 186.2 | | |
| North America | 271.8 | 255.0 | | |
| South America | 150.3 | 234.1 | | |
| Asia | 85.9 | 83.4 | | |
| Other countries | 55.5 | 52.5 | | |
| Total | 2,152.9 | 2,276.7 | | |

| | Average personnel | | Personnel expenses (Meuro) | |
|-------------------------|-------------------|---------------|----------------------------|--------------|
| | 1999 | 1998 | 1999 | 1998 |
| By business area | | | | |
| Container handling | 3,141 | 3,369 | 125.8 | 130.3 |
| Load handling | 2,100 | 2,139 | 87.5 | 81.5 |
| Forest machines | 1,010 | 1,030 | 39.9 | 39.5 |
| Tractors | 2,375 | 2,453 | 70.4 | 72.9 |
| Nordkalk | 1,060 | 1,075 | 34.7 | 34.7 |
| Insulation | 1,124 | 1,620 | 38.6 | 60.0 |
| Others and eliminations | 358 | 376 | 15.9 | 20.4 |
| Total | 11,168 | 12,062 | 412.8 | 439.3 |
| By market | | | | |
| Finland | 4,896 | 5,288 | 172.5 | 189.6 |
| Sweden | 2,751 | 3,081 | 120.3 | 126.8 |
| Other EU | 1,232 | 1,322 | 58.4 | 58.6 |
| Other Europe | 418 | 406 | 6.7 | 6.5 |
| North America | 707 | 710 | 33.7 | 29.9 |
| South America | 904 | 1,048 | 13.0 | 20.6 |
| Asia | 214 | 172 | 6.1 | 5.9 |
| Other countries | 46 | 35 | 2.1 | 1.4 |
| Total | 11,168 | 12,062 | 412.8 | 439.3 |

| Note 2 - Personnel expenses | | | | |
|---|--------------|--------------|----------------|------------|
| Meuro | Group | | Parent Company | |
| | 1999 | 1998 | 1999 | 1998 |
| Wages and salaries | | | | |
| Wages and salaries | | | | |
| Salaries and payments to Board Members and Managing Directors | 8.9 | 10.3 | 0.4 | 0.4 |
| To others | 311.7 | 324.2 | 4.1 | 4.5 |
| Bonus to Board Members and Managing Directors | 0.5 | 0.8 | 0.0 | 0.1 |
| Total | 321.1 | 335.3 | 4.5 | 5.0 |
| Other personnel expenses | | | | |
| Pensions and pension premiums | 34.5 | 38.0 | 0.9 | 1.1 |
| Other personnel expenses | 57.2 | 66.0 | 0.3 | 0.4 |
| Total | 91.7 | 104.0 | 1.2 | 1.5 |
| Total | 412.8 | 439.3 | 5.7 | 6.5 |
| Personnel | | | | |
| As an average during the year | 11,168 | 12,062 | 79 | 76 |
| At year end | 9,751 | 11,827 | 79 | 72 |

Salaries and fees to the Board of Directors and CEO

The fees to the Board of Directors are confirmed by the Annual General Meeting and the salary and other benefits of the Chief Executive Officer by the Board of Directors. The Chief Executive Officer of the Parent Company, who is at the same time the President, has received during the year a salary totalling EUR 257,906 and a bonus of EUR 18,501. To the members of Boards of Directors of the Group companies, who are Partek employees, are not paid separate board fees.

Pension terms and conditions

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

Dismissal

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

Salary committee

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

| Note 3 - Depreciation | | | | |
|---------------------------------------|-------------|-------------|----------------|------------|
| Meuro | Group | | Parent Company | |
| | 1999 | 1998 | 1999 | 1998 |
| Depreciation by function | | | | |
| Production | 46.6 | 48.4 | 0.4 | 0.5 |
| Selling and marketing | 4.5 | 4.3 | 0.1 | 0.1 |
| Research and development | 1.2 | 1.5 | | |
| Administration | 6.2 | 7.1 | 0.5 | 0.6 |
| Goodwill | 17.3 | 15.9 | | |
| Depreciation according to plan | 75.8 | 77.2 | 1.0 | 1.2 |
| Extra depreciation | 1.5 | 0.4 | 1.4 | 0.0 |
| Total | 77.3 | 77.6 | 2.4 | 1.2 |
| Depreciation according to plan | | | | |
| Goodwill | 17.3 | 15.9 | | - |
| Other capitalised expenditure | 3.1 | 3.5 | 0.5 | 0.5 |
| Mineral deposits and land | 0.8 | 1.0 | | - |
| Buildings and constructions | 10.4 | 10.9 | 0.1 | 0.1 |
| Machinery and equipment | 43.2 | 44.9 | 0.3 | 0.5 |
| Other tangible assets | 1.0 | 1.0 | 0.1 | 0.1 |
| Total | 75.8 | 77.2 | 1.0 | 1.2 |

| Note 4 - Other operating income and expenses | | | | |
|---|-------------|-------------|----------------|-------------|
| Meuro | Group | | Parent Company | |
| | 1999 | 1998 | 1999 | 1998 |
| Income | | | | |
| Rents | 2.1 | 1.3 | 0.0 | 0.0 |
| Profit on sale of Insulation business | 28.0 | | | |
| Profit on sale of fixed assets | 8.1 | 9.2 | 0.7 | 4.3 |
| Other income | 10.0 | 7.9 | 0.7 | 1.0 |
| Total | 48.2 | 18.4 | 1.4 | 5.3 |
| Expenses | | | | |
| Taxes on real estate | 0.4 | 0.5 | 0.1 | 0.1 |
| Depreciation on goodwill | 17.3 | 15.9 | 0.0 | 0.0 |
| Extra depreciation on fixed assets | 1.5 | 0.0 | 1.5 | 0.0 |
| Depreciation on receivables | 5.4 | 0.0 | 6.1 | 1.1 |
| Loss on sale of fixed assets | 0.8 | 1.1 | 21.6 | 0.1 |
| Wages for term of notice in connection with restructuring | 1.2 | 0.2 | 0.0 | 0.0 |
| Other restructuring costs | 1.5 | 2.5 | 0.0 | 6.5 |
| Other expenses | 4.9 | 3.1 | 2.5 | 2.5 |
| Total | 33.0 | 23.3 | 31.8 | 10.3 |

| Note 5 - Shares in associated companies | | | | | | | | | |
|--|---------|--------------|-----------------|------------|-----------------|---------------|---------------|---------------|---|
| Group Meuro | Country | Holding % | Share of result | | Share of equity | | Goodwill | | |
| | | | 1999 | 1998 | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 1998 | |
| Addtek International Oy Ab *) | Finland | 39.8 | 9.2 | 7.5 | 24.9 | 15.3 | | | |
| Paroc Group Oy Ab *) 1.9.1999 - | Finland | 40.0 | -0.1 | - | 8.8 | - | | | |
| Parma Metals Oy *) | Finland | 50.0 | 1.0 | 0.5 | 2.6 | 1.6 | | | |
| RS Hansa Auto Oy | Finland | 50.0 | -1.4 | -0.8 | -1.0 | 0.5 | | | |
| Sisu Akselit Oy *) 31.12.1999 | Finland | 35.0 | - | - | 0.8 | - | | | |
| SP Minerals Oy -30.4.1999 | Finland | - | 0.0 | - | - | 4.6 | | | |
| Other associated companies in Finland | | | 0.0 | 0.0 | 3.1 | 0.6 | | | |
| Zeteco AB *) 1.7.1999 - | Sweden | 23.4 | 1.6 | - | 15.6 | - | | | |
| Controladora Accionaria y Administrativa S.A. de C.V. -31.12.1999 | Mexico | 46.0 | 0.4 | 0.1 | - | 0.7 | | | |
| Associated companies, Insulation - 31.8.1999 | | | -0.9 | -2.4 | - | 4.9 | | | |
| Other associated companies abroad | | | -0.4 | 0.3 | 0.8 | 0.9 | | | |
| Eliminations | | | -0.1 | 2.1 | | | 20.1 | | - |
| Total | | | 9.3 | 7.3 | | | | | |

*) owned by the Parent Company

| Note 6 - Other financial items | | | | |
|--|-------------|--------------|----------------|------------|
| Meuro | Group | | Parent Company | |
| | 1999 | 1998 | 1999 | 1998 |
| Exchange rate differences | 1.7 | 1.7 | -6.8 | 6.5 |
| Provision due to devaluation of Brazilian real | - | -8.4 | - | - |
| Other financial income | 0.7 | 0.9 | - | - |
| Other financial expenses | -5.4 | -9.7 | -1.0 | -0.1 |
| Total | -3.0 | -15.5 | -7.8 | 6.4 |

Note 7 - Internal dividends, interest income and expenses

| Meuro | Parent Company | |
|--------------------------------------|----------------|------|
| | 1999 | 1998 |
| Dividends from Group companies | 74.6 | 34.9 |
| Dividends from others | 0.0 | 4.0 |
| Interest income from Group companies | 9.8 | 14.1 |
| Interest income from others | 3.8 | 2.9 |
| Interest expenses to Group companies | 4.7 | 6.5 |
| Interest expenses to others | 16.8 | 13.6 |

Note 8 - Extraordinary items

| Meuro | Group | | Parent Company | |
|---------------------------------|-------|------|----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Income | | | | |
| Change in accounting principles | - | 30.7 | - | - |
| Group contributions received | - | - | 0.8 | 65.5 |
| Total | - | 30.7 | 0.8 | 65.5 |
| Expenses | | | | |
| Group contributions paid | - | - | - | 9.8 |
| Total | - | - | - | 9.8 |

Note 9 - Direct taxes

| Meuro | Group | | Parent Company | |
|--|-------------|------|----------------|------|
| | 1999 | 1998 | 1999 | 1998 |
| Taxes in income statement | | | | |
| Taxes for extraordinary items | - | - | 0.2 | 15.6 |
| Direct taxes for the year | 23.1 | 27.1 | 10.2 | -3.0 |
| Direct taxes from previous years | -1.9 | -1.0 | -2.6 | -1.5 |
| Change in deferred tax asset / liability | 8.1 | -2.2 | - | - |
| | 29.3 | 23.9 | 7.8 | 11.1 |

Meuro

Dec. 31, 1999

Dec. 31, 1998

Deferred tax asset and liability

| | | |
|---|--------------|-------|
| Deferred tax asset | | |
| from consolidation entries | 20.2 | 24.3 |
| from valuation and matching differences | 17.3 | 20.1 |
| balanced against liabilities | -29.3 | -28.5 |
| Total | 8.2 | 15.9 |
| Deferred tax liability | | |
| from untaxed reserves | 26.1 | 27.2 |
| from consolidation entries | 8.0 | 8.0 |
| from valuation and matching differences | 2.8 | 1.6 |
| balanced against receivables | -29.3 | -28.5 |
| Total | 7.6 | 8.3 |

| Note 10 - Fixed assets | | | | | | | |
|--|----------|-------------------------------|---------------------------|-----------------------------|-------------------------|-----------------------|--------------------------|
| Group | | Other capitalised expenditure | Mineral deposits and land | Buildings and constructions | Machinery and equipment | Other tangible assets | Construction in progress |
| Meuro | Goodwill | | | | | | |
| Acquisition cost Jan. 1, 1999 | 257.9 | 33.2 | 70.6 | 255.5 | 634.7 | 12.6 | 10.2 |
| +/- Exchange rate differences | 4.9 | 0.2 | 2.5 | 4.0 | 6.9 | 0.1 | 0.2 |
| + Investments | | 5.9 | 1.8 | 12.5 | 50.6 | 1.7 | 22.1 |
| + Other increases | 7.3 | 0.2 | 16.3 | 1.2 | 0.1 | 0.1 | 0.0 |
| - Decreases | -3.8 | -11.5 | -4.6 | -43.6 | -147.2 | -2.2 | -6.6 |
| +/- Transfers between items | | 0.3 | 0.2 | 1.7 | 7.5 | 0.1 | -9.8 |
| Acquisition cost Dec. 31, 1999 | 266.3 | 28.3 | 86.8 | 231.3 | 552.6 | 12.4 | 16.1 |
| Accumulated depreciation Jan. 1, 1999 | -36.3 | -20.0 | -7.1 | -110.4 | -415.6 | -8.2 | -0.1 |
| +/- Exchange rate differences | -1.9 | 0.0 | -0.6 | 1.5 | -0.7 | -0.1 | |
| - Depreciation during the year | -17.4 | -3.1 | -0.8 | -10.5 | -43.9 | -1.0 | |
| - Accumulated depreciation for decreases and transfers | 3.4 | 8.2 | -4.4 | 21.8 | 97.0 | 1.2 | |
| Accumulated depreciation Dec. 31, 1999 | -52.2 | -14.9 | -12.9 | -97.6 | -363.2 | -8.1 | -0.1 |
| + Revaluations | | | 5.5 | 10.7 | | | |
| Net book value Dec. 31, 1999 | 214.1 | 13.4 | 79.4 | 144.4 | 189.4 | 4.3 | 16.0 |
| In Finland: Taxation value | | | 10.0 | 55.0 | | | |

| Parent Company | | Other capitalised expenditure | Mineral deposits and land | Buildings and constructions | Machinery and equipment | Other tangible assets | Construction in progress |
|--|----------|-------------------------------|---------------------------|-----------------------------|-------------------------|-----------------------|--------------------------|
| Meuro | Goodwill | | | | | | |
| Acquisition cost Jan. 1, 1999 | - | 6.3 | 1.6 | 5.5 | 1.8 | 0.6 | 0.0 |
| + Investments | | 0.5 | 0.0 | 0.2 | 0.2 | 0.1 | 0.1 |
| + Other increases | | | | | | | |
| - Decreases | | -3.6 | -0.8 | -2.6 | -0.7 | -0.5 | 0.0 |
| +/- Transfers between items | | | | | | | |
| Acquisition cost Dec. 31, 1999 | - | 3.3 | 0.8 | 3.1 | 1.4 | 0.2 | 0.1 |
| Accumulated depreciation Jan. 1, 1999 | - | -3.5 | -0.1 | -3.7 | -0.9 | -0.4 | 0.0 |
| - Depreciation during the year | | -0.2 | | -0.1 | | 0.0 | |
| - Accumulated depreciation for decreases and transfers | | 2.6 | | 1.5 | | 0.3 | |
| Accumulated depreciation Dec. 31, 1999 | - | -1.1 | -0.1 | -2.2 | -0.9 | -0.1 | 0.0 |
| + Revaluations | | | 4.8 | | | | |
| Net book value Dec. 31, 1999 | - | 2.2 | 5.5 | 0.9 | 0.5 | 0.1 | 0.1 |
| In Finland: Taxation value | | | 1.2 | 3.4 | | | |

| | Group | | | Parent Company | | |
|--|---|-----------------------------------|---|---|-----------------------------------|--|
| Shares and participations | Shares and participations, associated companies | Shares and participations, others | Shares and participations, subsidiaries | Shares and participations, associated companies | Shares and participations, others | |
| Meuro | | | | | | |
| Acquisition cost Jan. 1, 1999 | 24.5 | 35.8 | 658.1 | 11.0 | 32.2 | |
| +/- Exchange rate differences | 0.1 | -0.1 | | | | |
| + Investments | 41.6 | 0.3 | 22.4 | 41.7 | 0.0 | |
| + Other increases | 14.8 | 0.8 | | | | |
| - Decreases | -9.3 | -0.5 | -94.3 | -0.4 | -0.6 | |
| +/- Transfers between items | -0.3 | 0.5 | -1.1 | 1.2 | | |
| Acquisition cost Dec. 31, 1999 | 71.4 | 36.8 | 585.1 | 53.5 | 31.6 | |
| Accumulated depreciation Jan. 1, 1999 | 1.2 | -16.5 | -62.4 | -0.3 | -16.4 | |
| +/- Exchange rate differences | 0.1 | 0.0 | | | | |
| - Depreciation during the year | -0.8 | 0.0 | | | -1.5 | |
| - Accumulated depreciation for decreases and transfers | 3.6 | -1.5 | | | | |
| Accumulated depreciation Dec. 31, 1999 | 4.1 | -18.0 | -62.4 | -0.3 | -17.9 | |
| + Revaluations | | | 17.3 | | | |
| Net book value Dec. 31, 1999 | 75.5 | 18.8 | 540.0 | 53.2 | 13.7 | |
| In Finland: Taxation value | 53.9 | 16.3 | 344.3 | 51.8 | 5.3 | |

Note 11 - Shares and participations, Dec. 31, 1999

| | | Group holding | | Nominal value | | Book value (1000 euro) | |
|---|---------------|------------------|-------|---------------|-----------|------------------------|---------------|
| | | Number of shares | % | Currency | 1000 | Group | ParentCompany |
| Associated companies: | | | | | | | |
| Addtek International Oy Ab | Finland | 499,350 | 39.8 | FIM | 49,935 | 8,398 | 8,398 |
| Parma Metals Oy | Finland | 3,625 | 50.0 | FIM | 3,625 | 1,967 | 1,967 |
| Paroc Group Oy Ab | Finland | 38,250 | 40.0 | FIM | 38,250 | 6,433 | 6,433 |
| RS Hansa Auto Oy | Finland | 12,500 | 50.0 | FIM | 12,500 | 1,261 | |
| Sisu Akselit Oy | Finland | 3,500 | 35.0 | FIM | 350 | 951 | 951 |
| Other associated companies in Finland (8) | | | | | | 2,606 | 1,275 |
| Zeteco AB | Finland | 1,904,424 | 23.4 | SEK | 19,044 | 34,199 | 34,199 |
| Other foreign associated companies (8) | | | | | | 487 | 0 |
| Total | | | | | | | 53,224 |
| Other companies: | | | | | | | |
| Cervuctum Oy | Finland | 150,000 | 18.8 | FIM | 15,000 | 2,523 | 2,523 |
| KOY Tikkurilan Kauppakeskus | Finland | 445,418 | 15.0 | FIM | 4,454 | 2,383 | |
| Polar-Yhtymä Oyj | Finland | 10,904,801 | 6.1 | FIM | 54,524 | 10,678 | 10,678 |
| Specialty Minerals Nordic Oy Ab | Finland | 9,830 | 15.8 | FIM | 9,830 | 1,479 | |
| Telephone shares and participations in Finland (25) | | | | | | 157 | 60 |
| Other companies in Finland (61) | | | | | | 732 | 477 |
| Other foreign companies (19) | | | | | | 799 | 0 |
| Total | | | | | | 18,752 | 13,738 |
| Subsidiaries: | | | | | | | |
| Container handling business area | | | | | | | |
| Kalmar Industries AB | Sweden | 15,964,582 | 67.9 | SEK | 199,557 | 111,434 | 14,313 |
| AB Kalmar Industries Finans | Sweden | 1,000 | 67.9 | SEK | 100 | 4,300 | |
| AS Finmec | Estonia | 625 | 67.9 | EEK | 6,250 | 427 | |
| Kalmar Industries Oy Ab | Sweden | 27,500 | 67.9 | FIM | 137,500 | 29,812 | |
| Kalmar Industries Sverige AB | Sweden | 500,000 | 67.9 | SEK | 50,000 | 21,248 | |
| Kalmar Industries USA Inc. | USA | 432,685 | 67.9 | USD | 43 | 12,739 | |
| Kalmar LMV Sverige AB | Sweden | 200,000 | 67.9 | SEK | 20,000 | 7,426 | |
| Velsa Oy | Finland | 5,575 | 67.9 | FIM | 5,575 | 3,276 | |
| Other subsidiaries in Container handling (20) | | | | | | 18,855 | |
| Load handling business area | | | | | | | |
| Partek Cargotec Oy | Finland | 100,000 | 100.0 | FIM | 100,000 | 58,152 | 58,152 |
| Cargotec, Inc. | USA | 1,000 | 100.0 | USD | 7,697 | 4,763 | |
| Hiab AB | Sweden | 2,140,000 | 100.0 | SEK | 107,000 | 22,594 | |
| Hiab Accessories B.V. | Netherlands | 100 | 100.0 | NLG | 100 | 4,638 | |
| Hiab Denmark A/S | Denmark | 70 | 100.0 | DKK | 4,300 | 2,729 | |
| Hiab Hana Co Ltd. | Korea | 836,808 | 71.4 | KRW | 1,172,000 | 4,546 | |
| Hiab LeeBur B.V. | Netherlands | 100 | 100.0 | NLG | 100 | 3,608 | |
| LeeBur Multilift B.V. | Netherlands | 175,000 | 100.0 | NLG | 175 | 1,222 | |
| Multilift Oy | Finland | 1,080 | 100.0 | FIM | 10,800 | 4,802 | |
| Norba AB | Sweden | 104,000 | 100.0 | SEK | 13,000 | 1,556 | |
| Partek Cargotec AB | Sweden | 1,000,000 | 100.0 | SEK | 100,000 | 42,555 | |
| Partek Cargotec France S.A. | France | 83,700 | 100.0 | FRF | 8,370 | 1,511 | |
| Partek Cargotec GmbH | Germany | | 100.0 | DEM | 6,100 | 2,482 | |
| Partek Cargotec K.K. | Japan | 1,781 | 100.0 | JPY | 445,250 | 5,196 | |
| Partek Cargotec Ltd. | Great Britain | 3,860,000 | 100.0 | GBP | 3,860 | 8,799 | |
| Partek Cargotec S.A. | Spain | 106,513 | 100.0 | ESP | 532,565 | 6,978 | |
| Other subsidiaries in Load handling (29) | | | | | | 67,522 | |

| | | Group holding | | Currency | Nominal value | Book value (1000 euro) | |
|--|---------------|------------------|-------|----------|---------------|------------------------|----------------|
| | | Number of shares | % | | 1000 | Group | Parent Company |
| Forest machines business area | | | | | | | |
| Partek Forest AB | Sweden | 1,570,000 | 100.0 | SEK | 157,000 | 22,582 | |
| Cranab AB | Sweden | 630,000 | 100.0 | SEK | 6,300 | 7,323 | |
| Jonsered Cranes AB | Sweden | 100,000 | 100.0 | SEK | 10,000 | 2,029 | |
| K-Produkter AB | Sweden | 1,000 | 100.0 | SEK | 100 | 1,128 | |
| Loglift Oy Ab | Finland | 3,900,000 | 100.0 | FIM | 39,000 | 12,352 | |
| Partek Forest Ltda | Brazil | 850,000 | 85.0 | BRL | 850 | 450 | |
| Partek Forest Oy Ab | Finland | 1,800,000 | 100.0 | FIM | 18,000 | 3,328 | |
| Partek Forest Pty Ltd | Australia | 1,500,000 | 100.0 | AUD | 1,500 | 850 | |
| Partek Forest USA Inc. | USA | 7,000 | 100.0 | USD | 7,000 | 6,968 | |
| Other subsidiaries in Forest machines (9) | | | | | | | 10,122 |
| Tractors business area | | | | | | | |
| Valtra Oy | Finland | 4,800 | 100.0 | FIM | 259,200 | 107,033 | |
| Sisu Diesel Oy | Finland | 35,000 | 100.0 | FIM | 35,000 | 9,250 | |
| Tracfin Holding Oy | Finland | 74,263 | 100.0 | FIM | 74,263 | 24,978 | |
| Valtra Argentina Tractores S.A. | Argentina | 3,000,000 | 100.0 | USD | 3,000 | 3,134 | |
| Valtra do Brasil S.A. | Brazil | 764,985,107 | 100.0 | BRL | 204,452 | 102,144 | |
| Valtra Norge AS | Norway | 6,656 | 100.0 | NOK | 6,656 | 1,818 | |
| Valtra Tracteurs France S.A. | France | 209,997 | 100.0 | FRF | 21,000 | 3,154 | |
| Valtra Tractores S.A. | Spain | 160,000 | 100.0 | ESP | 160,000 | 1,741 | |
| Valtra Tractors (UK) Ltd | Great Britain | 1,650,000 | 100.0 | GBP | 1,650 | 2,119 | |
| Other subsidiaries in Tractors (11) | | | | | | | 7,172 |
| Nordkalk business area | | | | | | | |
| Partek Nordkalk Corporation | Finland | 32,838,097 | 100.0 | EUR | 65,676 | 62,471 | 62,471 |
| Partek Nordkalk AB | Sweden | 120,000 | 100.0 | SEK | 12,000 | 15,372 | |
| Partek Nordkalk Eesti AS | Estonia | 15,000 | 100.0 | EEK | 15,000 | 1,471 | |
| Partek Nordkalk Polska Sp.z o.o. | Poland | 40,000 | 100.0 | PLN | 4,000 | 2,281 | |
| Partek Nordkalk Storugns AB | Sweden | 250,000 | 100.0 | SEK | 25,000 | 18,866 | |
| Rakke Lubjatehase AS | Estonia | 14,000 | 100.0 | EEK | 14,000 | 3,379 | |
| Suomen Karbonaatti Oy | Finland | 12,495 | 51.0 | FIM | 12,495 | 3,579 | |
| Other subsidiaries in Nordkalk (6) | | | | | | | 4,298 |
| Finance, service and other subsidiaries | | | | | | | |
| Cellit Oy Ab | Finland | 9,200 | 92.0 | FIM | 9,200 | 1,547 | 1,547 |
| Green Arrow Insurance Ltd | Great Britain | 500,000 | 100.0 | USD | 500 | 2,584 | 2,584 |
| Oy Green Arrow Securities Ltd | Finland | 1,020,000 | 100.0 | FIM | 51,000 | 9,354 | 9,354 |
| Parcomp Oy Ab | Finland | 10 | 100.0 | FIM | 1,000 | 170 | 170 |
| Partek Finance N.V. | Belgium | 240,252 | 100.0 | BEF | 2,402,520 | 79,759 | 79,757 |
| Oy Sisu Ab | Finland | 36,930,597 | 100.0 | FIM | 369,306 | 301,340 | 301,340 |
| Oy Sisu Auto Ab | Finland | 35,000 | 100.0 | FIM | 35,000 | 11,773 | |
| Real estate companies (34) | | | | | | 29,687 | 483 |
| Other subsidiaries (31) | | | | | | 12,305 | 9,798 |
| Parent company's total holdings in subsidiaries | | | | | | 539,969 | |

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

| Note 12 - Long- and short-term receivables | | | | | | | | |
|--|-------------|-------------|----------------|--------------|--------------|--------------|----------------|--------------|
| Meuro | Long-term | | | | Short-term | | | |
| | Group | | Parent Company | | Group | | Parent Company | |
| | Dec.31,1999 | Dec.31,1998 | Dec.31,1999 | Dec.31,1998 | Dec.31,1999 | Dec.31,1998 | Dec.31,1999 | Dec.31,1998 |
| Board of Directors and top management | | | | | | | | |
| Loan receivables | - | 0.0 | - | 0.0 | | 0.0 | - | 0.0 |
| Other personnel | | | | | | | | |
| Loan receivables | 0.1 | 0.2 | 0.1 | 0.2 | | 0.2 | 0.1 | 0.2 |
| Subsidiaries | | | | | | | | |
| Accounts receivable | | | | | | | 0.4 | 1.1 |
| Loan receivables | | | 56.9 | 121.0 | | | 76.1 | 125.7 |
| Other receivables | | | | | | | 23.9 | 66.1 |
| Prepaid expenses and accrued income | | | | | | | 5.2 | 2.9 |
| Total | | | 56.9 | 121.0 | | | 105.6 | 195.8 |
| Associated companies | | | | | | | | |
| Accounts receivable | | | | | 20.2 | 17.9 | 0.9 | 0.2 |
| Loan receivables | 49.8 | 24.0 | 64.9 | 29.2 | | 2.7 | 6.5 | 0.6 |
| Other receivables | | | | | | 0.7 | 0.0 | 0.0 |
| Prepaid expenses and accrued income | | | | | 3.7 | 1.8 | 3.5 | 1.8 |
| Total | 49.8 | 24.0 | 64.9 | 29.2 | 23.9 | 23.1 | 10.9 | 2.6 |
| Other companies | | | | | | | | |
| Accounts receivable | | | | | 335.5 | 357.7 | 0.1 | 0.1 |
| Loan receivables | 7.1 | 12.4 | 2.6 | 4.8 | 5.3 | 15.9 | | 0.5 |
| Other receivables | | | | | 29.0 | 36.6 | 4.0 | 2.1 |
| Deferred tax asset | | | | | 8.2 | 15.9 | | |
| Prepaid expenses and accrued income | | | | | 32.0 | 19.6 | 13.2 | 1.0 |
| Total | 7.1 | 12.4 | 2.6 | 4.8 | 410.0 | 445.7 | 17.3 | 3.7 |
| Total receivables | 57.0 | 36.6 | 124.5 | 155.2 | 433.9 | 469.0 | 133.9 | 202.3 |

| Note 13 - Shareholders' equity | | | | | | | |
|---|--------------|---------------|-----------------------|---------------------|----------------|-------------------|---------------|
| Group | Total | Share capital | Share premium account | Revaluation reserve | Other reserves | Retained earnings | Capital loans |
| | | | | | | | |
| Jan.1,1999 | 599.3 | 82.1 | 208.0 | 6.2 | 8.9 | 265.9 | 28.2 |
| Bonus issue | 0.0 | 5.8 | -5.8 | | | | |
| Translation differences | -13.1 | | | | 0.6 | -13.7 | |
| New capital loan | 154.2 | | | | | | 154.2 |
| Transfer from retained earnings to other reserves | 0.0 | | | | 0.1 | -0.1 | |
| Dividends paid | -24.6 | | | | | -24.6 | |
| Other changes | 0.9 | | | -0.1 | -5.3 | 6.3 | |
| Net result for the period | 60.4 | | | | | 60.4 | |
| Dec.31,1999 | 777.1 | 87.9 | 202.3 | 6.1 | 4.3 | 294.2 | 182.4 |
| Parent Company | | | | | | | |
| Jan.1,1999 | 572.7 | 82.1 | 208.1 | 6.1 | - | 248.2 | 28.2 |
| Bonus issue | 0.0 | 5.8 | -5.8 | | | | |
| New capital loan | 54.2 | | | | | | 54.2 |
| Dividends paid | -24.6 | | | | | -24.6 | |
| Net result for the period | 2.8 | | | | | 2.8 | |
| Dec.31,1999 | 605.0 | 87.9 | 202.3 | 6.1 | - | 226.3 | 82.4 |

| Meuro | Group | | Parent Company | |
|----------------------------------|---------------|---------------|----------------|---------------|
| | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 1998 |
| Distributable equity | | | | |
| Other reserves | 4.3 | 8.9 | - | - |
| Retained earnings | 233.8 | 192.1 | 223.5 | 185.4 |
| Net result for the period | 60.4 | 73.8 | 2.8 | 62.8 |
| Non-distributable equity | -10.0 | -10.3 | - | - |
| Equity share of untaxed reserves | -28.5 | -33.2 | - | - |
| Total | 260.0 | 231.3 | 226.3 | 248.2 |

Note 14 - Capital loans

| Meuro | Group | | Parent Company | |
|---|---------------|---------------|----------------|---------------|
| | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 1998 |
| Convertible subordinated bond, Partek Oyj Abp | 28.2 | 28.2 | 28.2 | 28.2 |
| Convertible capital loan, Partek Oyj Abp | 54.2 | - | 54.2 | - |
| Convertible capital loan, Partek Nordkalk Oyj Abp | 100.0 | - | - | - |
| Total | 182.4 | 28.2 | 82.4 | 28.2 |

Note 15 - Provisions

| Meuro | Group | | Parent Company | |
|--|---------------|---------------|----------------|---------------|
| | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 1998 |
| Pensions | 1.8 | 3.2 | - | - |
| Project deliveries and claims | 1.0 | 4.5 | 1.0 | 1.1 |
| Credit losses | 1.9 | 2.5 | - | - |
| Restructuring | 9.7 | 9.6 | 1.5 | 1.3 |
| Provision due to devaluation of the Brazilian real | - | 8.4 | - | - |
| Other | 4.1 | 6.7 | 0.7 | 0.8 |
| Total | 18.5 | 34.9 | 3.2 | 3.2 |

Note 16 - Long-term liabilities

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

| Group | | Dec. 31, 1999 | Dec. 31, 1998 |
|-------------------------------------|-------------------------------|---------------|---------------|
| Meuro | | | |
| Local currencies | | 262.6 | 331.2 |
| | of which Meuro 237.3 (236.0). | | |
| Other currencies | | | |
| Sweden | SEK | 44.4 | 47.3 |
| USA | USD | 1.1 | 2.3 |
| Total | | 308.1 | 380.8 |
| Loan repayments | | -56.4 | -35.1 |
| Long-term liabilities, total | | 251.7 | 345.7 |

Repayments of long-term liabilities

| Group | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 or later | Total |
|--|-------------|-------------|-------------|-------------|-------------|---------------|--------------|
| Meuro | | | | | | | |
| Loans from financial institutions | 49.8 | 46.9 | 56.7 | 37.8 | 29.2 | 74.2 | 294.6 |
| Pension fund loans | 1.9 | 1.8 | 1.7 | 1.5 | 1.4 | 38.4 | 46.7 |
| Other interest-bearing liabilities | 4.7 | 1.2 | 0.7 | 2.1 | 0.3 | 4.3 | 13.3 |
| Deferred tax liability | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 7.5 | 7.6 |
| Other non interest-bearing liabilities | 0.0 | 0.1 | 0.3 | 0.0 | 0.0 | 1.9 | 2.3 |
| Total | 56.4 | 50.0 | 59.4 | 41.5 | 30.9 | 126.3 | 364.5 |

Note 17 - Short-term interest-bearing liabilities

| Meuro | Group | | Parent Company | |
|-------------------------------------|---------------|---------------|----------------|---------------|
| | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 1998 |
| Repayments of long-term liabilities | 56.4 | 35.1 | 6.7 | 6.5 |
| Subsidiaries | - | - | 123.5 | 160.1 |
| Associated companies | - | - | - | - |
| Other short-term liabilities | 116.4 | 231.0 | 54.5 | 151.8 |
| Total | 172.8 | 266.1 | 184.7 | 318.4 |

Note 18 - Short-term non interest-bearing liabilities

| Meuro | Group | | Parent Company | |
|--|---------------|---------------|----------------|---------------|
| | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 1998 |
| Subsidiaries | | | | |
| Accounts payable | - | - | 0.4 | 0.6 |
| Other non interest-bearing liabilities | - | - | 0.1 | 9.9 |
| Accrued expenses and deferred income | - | - | 1.5 | 1.4 |
| Total | - | - | 2.0 | 11.9 |
| Associated companies | | | | |
| Accounts payable | 0.3 | 0.5 | 0.0 | 0.0 |
| Accrued expenses and deferred income | 0.8 | 1.5 | 0.0 | 0.2 |
| Total | 1.1 | 2.0 | 0.0 | 0.2 |
| Other companies | | | | |
| Advances received | 163.7 | 175.7 | 1.6 | 2.4 |
| Accounts payable | 7.4 | 9.1 | - | - |
| Other non interest-bearing liabilities | 49.9 | 56.7 | 1.6 | 4.4 |
| Accrued expenses and deferred income | 130.8 | 140.6 | 14.1 | 6.8 |
| Total | 351.8 | 382.1 | 17.3 | 13.6 |

Note 19 - Accrued expenses and deferred income

| Meuro | Group | | Parent Company | |
|-------------------|---------------|---------------|----------------|---------------|
| | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 1998 |
| Related to | | | | |
| Purchases | 2.4 | 5.8 | 0.4 | 0.3 |
| Personnel costs | 46.6 | 55.1 | 0.9 | 0.8 |
| Warranties | 24.9 | 21.8 | 0.0 | 0.4 |
| Financial items | 17.6 | 14.1 | 13.4 | 4.5 |
| Taxes | 11.6 | 10.6 | 0.9 | 2.4 |
| Other | 28.5 | 34.7 | 0.0 | - |
| Total | 131.6 | 142.1 | 15.6 | 8.4 |

Note 20 - Adjustment for financial leasing

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

| Meuro | Operating profit | Financial items | Profit after financial items |
|---|------------------|-----------------|------------------------------|
| Income Statement | | | |
| As shown in the Income Statement | 122.6 | -24.5 | 98.1 |
| Adjustment for interest expenses included in leasing fees | 1.2 | -1.2 | 0.0 |
| Adjusted Income Statement | 123.8 | -25.7 | 98.1 |

| | Fixed assets | Liabilities | Balance sheet total |
|---------------------------------|--------------|-------------|---------------------|
| Balance Sheet | | | |
| As shown in the Balance Sheet | 813.7 | 833.8 | 1,685.4 |
| Net book value of leased assets | 36.9 | 36.9 | 36.9 |
| Adjusted Balance Sheet | 850.6 | 870.7 | 1,722.3 |

| | Return on capital employed | Equity/total assets ratio |
|--|----------------------------|---------------------------|
| Key figures | | |
| According to Annual Accounts | 11.1 % | 49.6 % |
| After adjustments in the Income Statement and in the Balance Sheet | 10.9 % | 48.6 % |

Note 21 - Pledged assets and contingent liabilities

| Meuro | Group | | Parent Company | |
|---|---------------|---------------|----------------|---------------|
| | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 1998 |
| Pledged assets | | | | |
| Pledged assets as security for own debts | | | | |
| Real estate mortgages | 12.9 | 16.3 | | |
| Other mortgages | 1.9 | 1.8 | | |
| Other pledges | 0.9 | 8.4 | | |
| Total | 15.7 | 26.5 | | |
| Debt for which mortgages or pledges are given as security | 8.0 | 17.2 | | |
| Pledged assets for other own liabilities than debts | | | | |
| Real estate mortgages | 1.0 | 1.0 | | |
| Other mortgages | 0.0 | 0.0 | | |
| Other pledges | 5.0 | 4.6 | | |
| Total | 6.0 | 5.6 | | |
| Pledged assets for others' debts | 0.0 | 0.0 | | |
| Total pledged assets | 21.7 | 32.1 | | |
| Contingent liabilities | | | | |
| Guarantees | | | | |
| for subsidiaries | - | - | 270.2 | 291.4 |
| for associated companies | 3.4 | 4.9 | 3.4 | 4.2 |
| for others 1) | 50.1 | 47.2 | 0.5 | 3.4 |
| Discounted bills | 7.3 | 7.7 | - | - |
| Pension fund liability | 0.3 | 1.9 | - | - |
| Other contingent liabilities 1) | 41.5 | 40.9 | 2.3 | 0.6 |
| Total contingent liabilities | 102.6 | 102.6 | 276.4 | 299.6 |

1) Guarantees for others include EUR 48.1 (39.8) million customer finance arrangements where the sold machines form security and other contingent liabilities include repurchase commitments for sold products to a value of EUR 38.0 (39.2) million.

Leasing contracts

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

| Meuro | Group | | Parent Company | |
|---------------|-------------|------------|----------------|------|
| | 2000 | 2001 | 2002 | 2003 |
| 2000 | 12.2 | 0.1 | | |
| 2001 | 9.8 | 0.1 | | |
| 2002 | 7.8 | 0.1 | | |
| 2003 | 6.4 | - | | |
| 2004 or later | 28.9 | - | | |
| Total | 65.1 | 0.3 | | |

Note 22 - Nominal values of derivative instruments

| Meuro | Total | | Closed contracts | | Open contracts | | Market value | |
|------------------------------------|---------------|---------------|------------------|---------------|----------------|---------------|---------------|---------------|
| | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 1998 |
| Foreign exchange forward contracts | 578.7 | 504.8 | 160.8 | 133.6 | 417.9 | 371.2 | -8.3 | -0.5 |
| Interest rate swaps | 0.0 | 109.4 | 0.0 | 109.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest rate forward contracts | 23.4 | 279.9 | 0.0 | 279.9 | 23.4 | 0.0 | 0.0 | 0.1 |

Derivative instruments are used to reduce currency and interest-rate risk of the Group.

The principles followed in calculating market value

Foreign exchange forward contracts are valued at mark-to-market values on the balance sheet date.

The market value of interest rate swaps is estimated on basis of the net present value of future cash flows.

Interest rate forward contracts are valued at mark-to-market values on the balance sheet date.

Financial Risk Management

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

The value of open derivative contracts at year-end appears in note 22. As the note does not include the underlying exposure hedged by the contracts, it does not give the full picture of Partek's complete risk exposure.

Currency risk

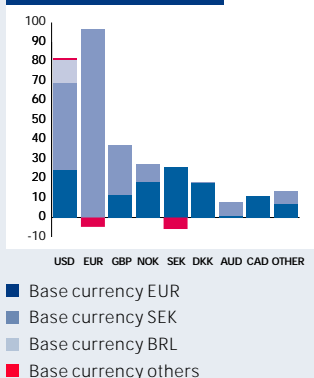
Foreign subsidiaries comprise the majority of Partek's business operations. Partek exports products from several countries, however, mostly from Finland and Sweden. These activities cause currency risks i.e. translation and transaction exposure.

The Group's annual net currency flow (transaction risk) is estimated at about EUR 310 million during 2000. This is a decrease of more than 25 percent compared to the situation before the euro was taken into use. The transaction risk is divided in such a way, that from an exposure point of view, the Swedish crown (SEK) is the Group's largest base-currency with 60%, followed by the euro at 37% and other currencies at 3%. The biggest single exposure, which is generated from the currency combination EUR against SEK, counts for 31% of the transaction risk. The US dollar (USD) is the second largest export currency with 26% of the net currency flow, but is divided against SEK, EUR, and Brazilian real (BRL).

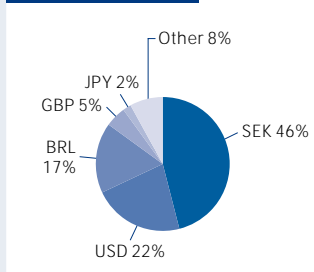
As a rule the Group's net currency flow is hedged for the following twelve months, so that exchange rate fluctuations affect the result, on average, with a lag of roughly 7 to 9 months. At year-end approx. 65% percent of the estimated net currency flow for the following year was hedged.

The translation exposure that arises from net assets abroad, i.e. the foreign subsidiaries' net equity, is hedged through loans in corresponding currencies or standardised derivatives. Exceptions to this rule may occur when the costs, because of poorly-functioning (illiquid) markets and/or too large interest-rate differences, are deemed to be too high. At the closing of the books, the net equity of the foreign subsidiaries outside the euro-zone (European Monetary Union) amounted to EUR 295 (490) million. The sharp decline is connected to the introduction of the euro. About 73% (58%) of the total net equity abroad was hedged as per 31.12.99. The BRL accounted for the majority of the unhedged net equity to the value of EUR 50 (77) million. Due to the devaluation of the Brazilian currency during 1999, the translation difference related thereto amounted to EUR 16.9 million, which can be compared to the preliminary estimate of EUR 24.4 million indicated in the 1998 financial accounts.

ESTIMATED NET FLOW, 310 MEURO OF FOREIGN CURRENCIES DURING 2000



NET EQUITY IN FOREIGN SUBSIDIARIES, 295 MEURO CURRENCY DISTRIBUTION, DEC. 31, 1999



Interest rate risk

Changes in interest rates on interest-bearing receivables and debts in different currencies cause interest rate risks. These risks are managed regularly with the help of duration analysis of net interest-bearing debt. In order to achieve the targeted duration, adjustments are made via different combinations of fixed vs. floating interest rate exposure and via interest-rate derivatives such as swap agreements and forward rate agreements. Open derivative contracts at end-1999 appear in note 22.

Funding and liquidity risk

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

Interest-bearing debt, excluding convertible capital loans accounted for as equity, amounted to EUR 471 (602) million at year-end. The percentage of short-term interest-bearing debt including repayments on loans within one year was 37% (44%). Long-term interest-bearing debt on a currency-by-currency basis and repayments for coming years are shown in note 16.

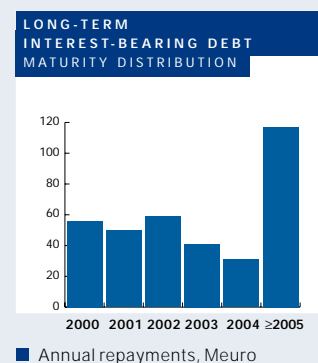
Partek's target is to reach a gearing ratio of 50% and a equity/total assets ratio of at least 40%. In order to strengthen the balance sheet and raise funds for growth, the Group issued new convertible capital loans during the year, with a maturity of 5 years amounting to about EUR 154 million. The parent company issued a EUR 54 (FIM 322) million loan with a fixed annual interest of 5% and a conversion price of about EUR 11.77 (FIM 70) per share. Partek Nordkalk issued a so-called Going Public Bond amounting to EUR 100 million with a fixed annual interest of 6.71 percent and a conversion rate based on the offer price in connection with a future public listing of Partek Nordkalk.

In addition to liquid assets of EUR 88 (55) million, the unused credit facilities at the balance sheet date totalled EUR 440 (295) million at the closing of the books. Partek also has a domestic commercial paper programme in Finland amounting to EUR 80 million.

Interest-bearing net debt excluding convertible capital loans decreased during the year by EUR 176 million and was EUR 320 (496) million at year-end. The total amount of the Group's outstanding capital loans was EUR 182 million at the end of the year.

Counterparty risk

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



Calculation of financial ratios

Return on capital employed (ROC), %

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

Return on equity (ROE), %

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

Interest coverage

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

Value added

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

Capital turnover rate (CTR)

$$\frac{\text{Net sales}}{\text{Balance sheet total - non-interest-bearing liabilities, average over the year}}$$

Gearing, %

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

Equity/total assets ratio, %

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

Equity/total assets ratio 2, %

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

Earnings per share (EPS), EUR

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

Equity per share, EUR

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

Dividend/earnings, EUR

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

Effective dividend yield, %

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

Price/earnings (P/E)

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

Market capitalisation

$$\text{Number of shares at the end of the financial year} \times \text{share price at the end of the financial year}$$

*) Shareholders' equity excluding capital loans

Auditors' report

To the shareholders of Partek Corporation

We have audited the accounts, the accounting records and the administration by the Board of Directors and the Managing Director of Partek Corporation for the year ended 31 December 1999. The accounts prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the accounts. Based on our audit we express our opinion on these accounts and the company's administration.

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

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

Helsinki, 28 February, 2000

Eric Haglund
Authorized Public Accountant

Thor Nyroos
Authorized Public Accountant

Board of Directors and Partek's Management Team

Board of Directors



From the left to right:
Björn Mattsson, Arto Honkaniemi,
Paavo Pitkänen,
Risto Virrankoski, Jan Ekberg,
Juhani Riutta,
Caj-Gunnar Lindström, Juha Toivola,
Christoffer Taxell.

Björn Mattsson, b. 1941

Chairman
Lic. Phil., Honorary Counsellor
CEO, Danisco Finland Oy
Chairman of the Board,
Alma Media Corporation
Member of the Board,
Industrial Insurance Company Ltd.
Member of the supervisory board of
Varma-Sampo Mutual Pension Insurance
Company, Merita Bank Plc among others
Elected to Partek's board 1993
Elected for the period 1999 - 2002
Shareholding: 1,160

Risto Virrankoski, b. 1946

Vice chairman
M.Sc. (Econ.)
Executive Vice President, Outokumpu Oyj
Member of the Board, VRLtd
Elected to Partek's board 1997
Elected for the period 1997 - 2000
Shareholding: -

Caj-Gunnar Lindström, b. 1942

Dr. Sc. (Econ.)
Managing Director,
the Foundation of ÅboAkademi
Chairman of the Board,
Pension Insurance Company Verdandi
Member of the Boards of
Aktia Sparbank Abp, Life Insurance
Company Verdandi among others
Elected to Partek's board 1997
Elected for the period 1998 - 2001
Shareholding: -

Arto Honkaniemi, b. 1946

LL.M., M.Sc. (Econ.)
Industrial Counsellor,
the Ministry of Trade and industry
Member of the Board, Outokumpu Oyj
Elected to Partek's board 1998
Elected for the period 1999 - 2002
Shareholding: -

Jan Ekberg, b. 1936

Dr. (Med.) h.c.
Director
Chairman of the Board, Bong Ljungdahl
AB, Dynal AS and Christianova AB
Member of the Boards of Nobel Biocare AB,
Volvo Aero AB,
Handelsbanken Region Södra Sverige,
Malmberg Water AB among others
Elected to Partek's board 1994
Elected for the period 1998 - 2001
Shareholding: 1

Juha Toivola, b. 1947

M.Sc. (Phil.)
President, Industrial Insurance Company Ltd.
Senior Executive Vice President,
Sampo Insurance Company
Chairman of the supervisory board of
Radiolinja Oy Ab
Member of the Boards of Elcoteq Network
Corporation, Fiskars Corporation,
Tamro Corporation, Sanitec Corporation
among others
Elected to Partek's board 1996
Elected for the period 1997 - 2000
Shareholding: 1,000

Paavo Pitkänen, b. 1942

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

Juhani Riutta, b. 1944

M.Sc. (Econ.)
Managing Director,
Valmet Automotive Inc.
Member of the Board, Sako Ltd
Elected to Partek's board 1997
Elected for the period 1997 - 2000
Shareholding: -

Christoffer Taxell, b. 1948

LL.M.
President and CEO, Partek Corporation
Chairman of the Board,
Kalmar Industries AB
Member of the Boards of KCI Konecranes
International Plc, Metra Corporation,
Stockmann Plc, Sampo Insurance
Company plc among others
Elected to Partek's board 1984
Elected for the period 1999-2000
Shareholding: 7,320

Group Management



**Christoffer Taxell,
b. 1948**

LL.M.
President and CEO
Employed by Partek since 1990
Shareholding: 7,320
Options: 50,000

**Carl-Gustaf
Bergström, b. 1945**

M.Sc. (Econ.)
Senior Executive Vice President
Employed by Partek since 1970
Shareholding: 5,939
Options: 30,000

**Kari Heinistö,
b. 1958**

M.Sc. (Econ.)
Chief Financial Officer
Employed by Partek since 1983
Shareholding: 3,004
Options: 30,000

Group Administration



**Timo Vuorio,
b. 1949**

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

**Olav Uppgård,
b. 1955**

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

**Kaisa Vikkula,
b. 1960**

Dr.Sc. (Econ.)
Senior Vice President,
Corporate Communications & IR
Employed by Partek since 1995
Shareholding: 1,521
Options: 20,000

**Veli-Matti Tarvainen,
b. 1954**

LL.M.
Senior Vice President,
General Counsel
Employed by Partek since 1995
Shareholding: 121
Options: 20,000

Business Area Presidents



**Christer Granskog,
b. 1947**

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

**Olof Elenius,
b. 1951**

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

**Hans Eliasson,
b. 1945**

Engineer
President,
Partek Forest AB
Employed at Partek Forest
since 1991
Shareholding: 2,000
Options: 20,000

**Jouko Tukiainen,
b. 1936**

M.Sc. (Eng.)
President, Valtra Inc.
Employed at Valtra
since 1991
Shareholding: 596
Options: 20,000

**Christer
Sundström, b. 1943**

M.Sc. (Chem.)
President, Partek
Nordkalk Corporation
Employed at Partek
since 1974
Shareholding: 1,750
Options: 20,000

Partek Nordkalk

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

Stock Exchange Release Summary 1999

11.1

The Board of Directors of Partek has determined the rate of conversion of the convertible subordinated bonds so that the calculated conversion price is 33 percent above the weighted average trading price, however, not less than FIM 70. Therefore, the conversion price was set at FIM 70 (EUR 11.77).

15.1

The Corporation's Board of Directors has resolved that, based on the offers submitted during the offer procedure from January 11 through January 15, 1999, the issue price of convertible subordinated bonds is 100 percent.

18.1

Kalmar has decided to close down its production in Härnösand, Sweden. Kalmar manufactures electric lift trucks with lifting capacities from 1 to 9 tonne in Härnösand. The production of the smallest electric lift trucks with lifting capacities between 1 and 3 tonne will be discontinued. Approximately 100 employees have been given notice of dismissal.

18.1

Partek's Board of Directors decided on December 17, 1998 to make a public offer to the shareholders of Kalmar Industries AB in order to buy the remaining Kalmar shares. Those members of the Board of Directors in Kalmar that are unchallengeable in the matter have today published a statement. According to their opinion the offer price is too low. Therefore, they cannot recommend shareholders of Kalmar to accept the offer. Partek has made a note of the statement published today and wishes to state that it will carry out the offer in accordance to the terms earlier published.

21.1

The open foreign exchange position of Valtra do Brasil, which is a Brazilian subsidiary of Partek, was reduced markedly and it is now USD 28 million. The Brazilian subsidiary's equity capital was in terms of Finnish markka 500 million at the year-end. In accordance with the principals published earlier, the exchange rate risk, from the Group's point of view, has not been hedged. The devaluation of the Brazilian real against the Finnish markka has no effect on Partek's result, but it reduces the equity capital of the Partek Group correspondingly. To compensate for the weaker development, Valtra will adjust its capacity in Brazil. The labour force has been reduced by more than 10 percent over the last few weeks.

25.1

The final amount of Partek's convertible capital loan issue is FIM 322 million. The calculated conversion price is FIM 70 and the loan can be converted into not more than 4,600,000 shares. The general public subscribed for about 6 percent of the loan and institutional investors for about 94 percent. The final amount of the loan was oversubscribed by about 84 percent. In total, Partek shareholders will be allocated about FIM 163.5 million.

10.2

Kalmar Industries: Preliminary Year End Report for 1998

Operating profit after depreciation: SEK 259 (1997:68) million. Profit before items affecting comparability: SEK 279 (237) million. Items affecting comparability, which refer to a provision for continued restructuring, of SEK 20 (169) million have been charged against income. Profit after financial items: SEK 213 (30) million.

Net sales: SEK 5,278 (4,599) million. Orders received: SEK 4,939 (5,196) million. Orderbook: SEK 1,206 (Dec. 31, 1998: 1,545) million. Profit margin before items affecting comparability: 4.5 (4.3) percent. Operating margin: 5.3 (5.2) percent. Return on capital employed: 13.8 (4.0) percent. Return on equity after tax: 16.3 (0.2) percent. Earnings per share: SEK 7.00 (0.10). The balance sheet total: SEK 3,177 (2,962) million. Capital turnover rate: 2.7 (2.4) times. Equity/assets ratio: 37.1 (33.4) percent. The Board of Directors proposes that a dividend of SEK 2.20 (2.00) per share be paid. The restructuring project to realise the synergy gains from the merger of Kalmar Industries and Sisu Terminal Systems (STS) is continuing as planned. The income effects of this for 1998 are estimated at SEK 40 million and the full impact of SEK 100 million is not expected until the end of 1999. From the 1997 provision of SEK 120 million for structural expenses for the merger SEK 100 million has been utilised.

19.2 Partek:

Year End Report for 1998

Operating profit: FIM 678 (1997:726) million. The operating result includes FIM +21 (+ 120) million of non-recurring items. Profit after financial items: FIM 465 (570) million, including a FIM 50 million provision due to the devaluation of the Brazilian real. Net sales: FIM 13.5 (10.7) billion. Operating profit margin: 5.0 (6.8) percent. Order book in the engineering operations: FIM 1,689 (2,010) million. Orders received: FIM 10,423 (10,371) million. Earnings per share: FIM 5.26 (8.08). Return on capital employed: 11.1 (14.8) percent. Return on equity: 8.7 (13.1) percent. Equity to total assets: 39.3 (38.5) percent. The Board's dividend proposal is FIM 3.00 (4.00) per share. The synergy benefits estimated for 1998 from the merger between Sisu and Partek were realised as planned.

The Group is focusing on the engineering industry in line with its strategy. At the same time an independent and stronger profile for the lime operation, Partek Nordkalk, will be created. In December a decision was made to make the insulation business independent.

19.2

On December 17, 1998 the Board of Directors of Partek Corporation decided to make a public offer to the shareholders of Kalmar Industries AB to acquire all outstanding shares in Kalmar. At the end of the application period, the offer had been accepted by 470 shareholders, representing 5.3 percent of the shares. Partek's holding in Kalmar thus increased to 66.4 percent of the number of shares and votes. The total acquisition value of these shares totalled approximately FIM 72 million. Partek has decided to extend the offer until March 16, 1999. Partek may also acquire shares on the stock exchange.

12.3

Kalmar has decided to focus on development and production of counterbalanced lift trucks with lifting capacities from 4 tonne and above. The company has already announced that manufacturing of small lift trucks in Härnösand will cease. In addition, the company has the intention to wind up its loss-making sideloader business during 1999. In 1998, the sideloader business amounted to 2 percent of Kalmar's total net sales and currently employs approximately 70 persons in manufacturing and sales.

15.3

On March 12, 1999, Partek's holding in Kalmar had increased to 66.6 percent of the total number of shares and votes. Partek announces that the offer will be extended further to March 26, 1999.

18.3

Invitation to Partek's Annual General Meeting on April 7, 1999.

18.3

Due to the proposed amendments to Partek's Articles of Association the convertible subordinated bonds issued in 1994 by Partek cannot be converted into shares until the Annual General Meeting of shareholders and a later extraordinary shareholders' meeting have decided upon the proposed amendments.

22.3

Partek Cargotec Korea has together with Hana Special Vehicle Ltd, which is a producer of cranes and ladder systems, formed a company called Hiab Hana Ltd in Korea. Partek Cargotec's ownership is 70 percent, which is equivalent to an investment of approximately FIM 16 million. Hiab Hana Ltd. will produce and market truck-mounted loader cranes and ladder systems. Local manufacturing will now make possible more cost competitive products and applications tailored to meet market requirements.

29.3

Partek has through the public offer and purchases on the stock exchange, acquired 1,394,802 shares in Kalmar Industries. Partek now holds a total of 15,727,314 shares, representing 66.9 percent of shares and votes in Kalmar.

8.4

Partek's Annual General Meeting confirmed the accounts of the parent company and the Group. The dividend for 1998 totals FIM 3.00 per share. The number of members of the Board of Directors was confirmed at nine. Having retired by rote, Arto Honkaniemi, Björn Mattsson and Christoffer Taxell were re-elected to the Board of Directors. The AGM decided in its first handling to approve the Board of Directors proposal to change the Articles of Association, to increase the share capital by means of a bonus issue by a maximum value of EUR 5.7 million, and to change the nominal value of one share to euro currency and raise this value to EUR 1.8. The Board was granted an authorisation to purchase and surrender a maximum of 5 percent of the shares of the corporation.

8.4

Partek has acquired 9.1 percent of the shares and 15.9 percent of the votes in the Swedish engineering company Zeteco Ab from the Swedish investment company Atle. Partek has also received an option to increase its holding to 23.4 percent of the shares and 40.7 percent of the votes. Partek has to notify if it intends to exercise the option by May 3, 1999. The purchase amounts to 104,000 A-shares and 639,000 B-shares. The price for the listed B-shares was SEK 150 per share and the total purchase-price was about FIM 80 million.

26.4

Kalmar Industries: Annual General Meeting

26.4

Kalmar Industries:

Interim Report January-March 1999

26.4

Invitation to Partek's Extraordinary Meeting of Shareholders on May 12, 1999.

3.5

Partek's subsidiary Partek Nordkalk has sold its 50 percent holding in SP Minerals, a supplier of industrial minerals, to SP Minerals' other owner Sibelco Scandinavia AB, a subsidiary of Belgian Sibelco. The net sales of SP Minerals are some FIM 75 million. The transaction will have a slightly positive effect on Nordkalk's 1999 result.

3.5

Partek exercises its option to acquire the rest of investment company Atle's shares in the Swedish engineering company Zeteco AB. The transaction is subject to approval of the competition authorities.

12.5

An Extraordinary Meeting of Shareholders of Partek Corporation approved in the second and final consideration the proposition given by the board to change the Articles of Association. These propositions were on April 7, 1999 approved by the Annual General Meeting in the first consideration. Furthermore the Extraordinary Meeting decided to extend the authorisation, granted by the Extraordinary Meeting of Shareholders on December 30, 1998, to increase the share capital by means of a rights issue based on the shareholders' pre-emptive right to subscription and without changing the Articles of Association, to December 30, 1999. According to the authorisation it will be possible to increase the share capital by a maximum of EUR 8,820,000 and the number of shares by a maximum of 4.9 million shares.

16.6 Partek:

Interim Report January-April 1999

Operating profit: EUR 30.4 (1-4/98: 34.8) million. The operating profit includes capital gains and losses, and other non-recurring items amounting to EUR +6.3 (+4.0) million. Profit after financial items: EUR 24.6 (22.2) million. Return on capital employed: 8.6 (9.7) percent. Net sales: EUR 682 (735) million. Order book: EUR 322 (281) million. Orders received: EUR 577 (603) million. Equity/assets ratio: 40.5 (Dec 31, 1998: 39.3). Gearing: 77.7 (81.2) percent.

22.6

Partek has with Transamerica Distribution Finance (TDF), a subsidiary of Transamerica Corporation, established a long-term strategic agreement to provide customised financing and leasing programs as well as inventory financing for dealers of Partek products in North America.

29.6

Partek has signed an agreement to sell its majority holding in its insulation business to the Industri Kapital 1997 fund and to the management of Partek Insulation. The value of Partek Insulation in the transaction is over FIM 800 million. Partek releases about FIM 500 million in capital and books a capital gain. The about 40 percent ownership Partek is left with will give the Group a share of future increases in the value of the insulation business.

29.6

Partek has according to the earlier announced preliminary agreement acquired the rest of investment company Atle's shares in the Swedish engineering company Zeteco AB.

19.8 Kalmar Industries:

Interim Report January-June 1999

31.8

Partek has today finalised the sale of its majority holding in its insulation business to the Industri Kapital 1997 fund and to the management of Partek Insulation. The concerned competition authorities have approved the transaction. The sale of the insulation business is a consistent strategic step. Partek has withdrawn from the production of building materials and focused on the engineering business. The debt-free value of Partek Insulation in the transaction was FIM 841 million (EUR 141 million) and Partek releases FIM 563 million (EUR 65 million) in capital through the deal.

9.9

Partek Nordkalk Oy Ab, a 100%-owned subsidiary of Partek Corporation, has decided to issue a convertible capital loan that is contingent on Partek Nordkalk being listed on the stock exchange (Going Public Bond). The maximum amount of the loan is 100,000,000 euro. The bonds will be applied for listing on the I-list of HEX Ltd.

17.9

The Shareholders' General Meeting of Partek Nordkalk, on September 16, 1999, decided in accordance with the Board's proposal to issue a convertible capital loan that is contingent on Partek Nordkalk being listed on the stock exchange (Going Public Bond). The Meeting also resolved that Partek Nordkalk be changed to a public company. The aim is to list Nordkalk before the capital loan matures. The capital loan strengthens the solvency of Partek Nordkalk and creates the preconditions for the company to grow and develop according to its Baltic Sea strategy, ultimately increasing the value of the company. The bond issue shall be not more than EUR 100 million. The term of the bonds shall be from October 28, 1999 through October 28, 2004.

17.9

Partek Cargotec begins the manufacturing of truck-mounted demountable equipment for the German F. Weyhausen (Atlas) GmbH & Co KG. Atlas is a leading demountable brand name in Germany. Partek Cargotec will start supplying all Atlas demountables from the beginning of next year from its factories in Raisio, Finland, and Bladel, the Netherlands. The agreement increases Partek Cargotec's annual sales by nearly EUR 10 million.

23.9

In regard to the public discussion about the future of forest machine production Partek has the following comment: Forest machines are a central part of Partek's engineering strategy. Partek is the world's second largest producer in this field. "Partek's goal is to be a leading company in all fields in which we operate. Partek has actively striven to be an initiator of sector restructuring, and continues to strive for this. Our aim is to create strong industrial structures in the sectors. News of the aim to sell market-leading Timberjack is of interest to Partek. The change in ownership will create new interesting opportunities in the sector, says Partek Senior Executive Vice President Carl-Gustaf Bergström.

24.9

Partek Nordkalk: Interim Report January-August 1999

30.9

The prospectus for the convertible capital loan of Partek Nordkalk Corporation has today been published and delivered to the Helsinki Stock Exchange.

7.10

The issue price for the convertible capital loan of Partek Nordkalk is 100 percent. A fixed annual interest of 6.71 percent shall be paid on Partek Nordkalk's capital loan. The company has today submitted an application for listing of the convertible capital loan on the I-list of the Helsinki Stock Exchange.

11.10

Partek: Interim Report January-August 1999

Operating profit: EUR 82.7 (1-8/98: 72.6) million. The operating profit includes capital gains and losses, and other non-recurring items amounting to EUR +25.2 (+4.0) million. Profit after financial items: EUR 64.8 (50.5) million. Return on capital employed: 10.6 (8.5) percent. Net sales: EUR 1,390 (1,462) million. Order book: EUR 322 million. Orders received: EUR 1,136 (1,169) million. Equity/assets ratio: 44.9 (Dec 31, 1998: 39.3) percent. Gearing: 61.2 (81.2) percent. EUR 95 million in capital was released in the sale of the insulation operation.

26.10

The final amount of the Partek Nordkalk convertible capital loan issue is EUR 100 million. The loan was oversubscribed by approximately 2.5 times. The public (subscriptions below EUR 200,000) subscribed for about 6 percent and institutional investors (subscriptions of at least EUR 200,000) for about 94 percent of the loan. Partek shareholders were allocated EUR 21.8 million of the loan on the basis of their shareholding and in total EUR 63 million.

10.11

Kalmar Industries: Interim Report January-September 1999

16.12

Partek Corporation conveys as a group internal asset transfer its mining rights and mining activities to its fully owned subsidiary Partek Nordkalk. As a consideration for the transaction, Partek attains shares in Partek Nordkalk.

17.12

Nummi Oy Ab and Kalmar Industries AB of the Partek Group have agreed that Nummi is to purchase the hydraulic cylinder production of Kalmar Industries. The arrangement is estimated to materialise at the beginning of year 2000. After this merger, Nummi will be the largest independent manufacturer of hydraulic cylinders in the Nordic countries with estimated net sales of FIM 185 million.

22.12

Partek : financial information year 2000

Partek publishes quarterly financial information in year 2000. In year 2000, Partek Corporation and Partek Nordkalk Corporation will publish an annual report and three interim reports in Finnish, Swedish and English. Timetable: Financial Result 1999: February 18, 2000, Annual Report 1999 published in the week starting March 20, 2000, Annual General Meeting: March 30, 2000, Interim Report 1-3/00: May 12, 2000, Interim Report 1-6/00: August 10, 2000, Interim Report 1-9/00: November 13, 2000.

31.12

Partek has sold the business operations of Sisu Axles Oy to a group of domestic and international investors brought together by Helmet Business Mentors Oy (Helmet), and to the current management of the company. Partek will remain an owner of the new group with a 35 percent holding. The transaction has a positive, but not significant, effect on Partek's result.

Contact information

The Partek Group

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Helsinki office

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Group Management

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

Group Administration

Timo Vuorio, Human Resources &
Administration
Olav Uppgård, Treasury
Kaisa Vikkula,
Corporate Communications & IR
Veli-Matti Tarvainen, Legal Affairs
Antti Koivupalo, Risk Management
Helena Biström, Corporate Control
Lauri Hakkala, Information Technology

Business areas

Container handling

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Load handling

Partek Cargotec Oy Ab
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Hiab AB

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Köpmanbergsvägen 5
SE-824 50 Hudiksvall, Sweden
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Fax +46 (0)650 121 74
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Multilift Oy

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LeeBur Multilift B.V.

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NL-5530 AC Bladel, The Netherlands
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Norba AB

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Forest machines

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Partek Forest Inc.

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Partek Forest Oy Ab

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Loglift Oy Ab

forestry cranes
Tehdaskatu 7, PO Box 54
FI-24101 Salo, Finland
Tel +358 (0)204 55 2599
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Internet: www.loglift.fi,
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Tractors

Valtra Inc.

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FI-44200 Suolahti, Finland
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Annual General Meeting and Dividend

Annual General Meeting

The annual general meeting of Partek Corporation will be held on Thursday March 30, 2000 at 5:00 p.m. at the company's Development Centre in Pargas, Finland. Shareholders whose names are registered by Friday, March 24, 2000, with the Partek register kept by the Finnish Central Securities Depository Ltd. are entitled to take part in the annual general meeting.

All shareholders wishing to attend must notify the head office in Pargas by 4:00 p.m. on Wednesday, March 29, 2000, either by telephone at +358-(0)204 55 6056 or in writing at the address: Partek Corporation, Share register, FIN-21600 Parainen. Possible proxies must be notified at the same time.

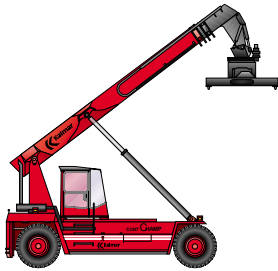
Dividend

The Board of Directors proposes that a dividend be distributed for 1999 in the amount of EUR 0.55 per share i.e. a total of EUR 27 million. Shareholders whose names are registered on April 4, 2000 with the Partek register kept by the Finnish Central Securities Depository Ltd. are entitled to a dividend.

The dividend can be drawn from shareholders' bank accounts on Tuesday, April 11, 2000. If a shareholder has not registered information about his bankers to the book-entries securities register, the dividend will be paid to the shareholder in the form of a postal order. Dividends paid as postal orders will be in the Post Office on the day the dividend is paid in order that they may be delivered to the payee. Shareholders who have not transferred their shares to the book-entry securities system by the record date will be paid the dividend after the shares have been transferred to the system.

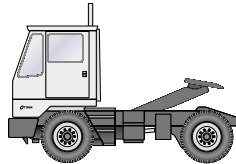
The dividend for 1999 falls within the sphere of the corporation tax avoid fiscal system. Withholding tax will be deducted from dividends paid overseas.

Container handling



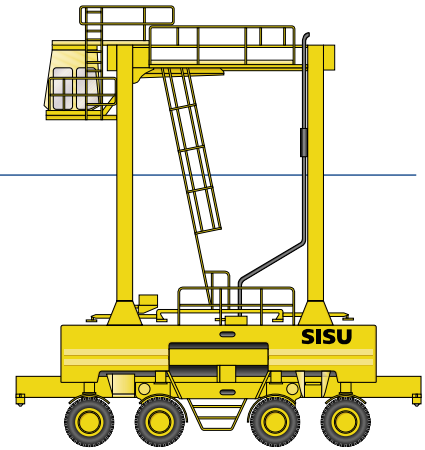
Reachstacker

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



Terminal tractor

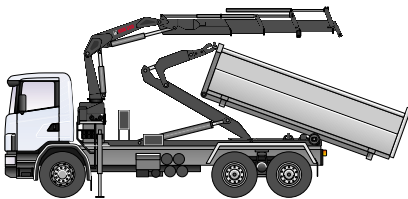
Terminal tractors are used for short distance transport of containers and trailers in ports and inland terminals.



Straddle carrier

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

Load handling



Loader cranes and demountable systems

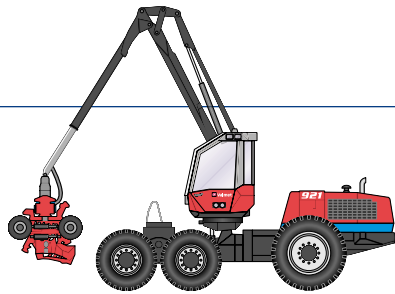
Loader cranes are typically truck-mounted, have a hydraulic knuckleboom and are used for handling a variety of cargo. Demountable systems are used for loading and unloading platform bodies eg. containers, and may also be used in combination with a loader crane to form a multi-purpose vehicle.

Forest machines



Forwarder

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



Harvester

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

Tractors



Tractor

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

