1995

LASSILA & TIKANOJA

ANNUAL REPORT

Contents

Annual general meeting

The Annual General Meeting of the shareholders of Lassila & Tikanoja Ltd will be held on Thursday, April 11, 1996, at 4 p.m. in the Savoy Restaurant, Eteläesplanadi 14, Helsinki.

Shareholders have the right to attend if they have been entered by April 1, 1996 in the company shareholders' register, which is maintained by the Central Share Register of Finland Co-operative.

Shareholders whose shares have not been transferred to the book-entry securities system, but who were entered in the company shareholders' register before November 1, 1993, are also entitled to attend. In such cases presentation to the AGM of share certificates or other documentation demonstrating that right of ownership to the shares has not been transferred to the book-entry securities account is required.

Notice of attendance at the Annual General Meeting is requested by 4 p.m. on April 9, 1996 by telephone at +358-0-228 762 03/Saxbäck, or in writing to the address: Lassila & Tikanoja Ltd P.O.Box 33, 00101 Helsinki, Finland. Where applicable, powers of attorney should be delivered by the time mentioned to the same address.

The invitation to the Annual General Meeting will be published in the newspaper Helsingin Sanomat on March 26, 1996.

The goals of the Group have been defined as follows: Lassila & Tikanoja shall be

- a profitable and competitive investment for its owners
- a challenging and secure workplace for its employees
- a reliable partner for its customers

These are demanding goals. In the review below, I shall attempt to describe how we have operated in the light of these goals in recent years, and especially in 1995. I will examine each goal separately.

A PROFITABLE AND COMPETITIVE INVESTMENT

For owners, the return on investment, the risk involved and the prospects for converting their investment into cash are key factors. At least over the long-term, the return on an investment in shares depends on the profitability of the company. The profitability of the Lassila & Tikanoja Group has improved substantially since 1992 and was good for the last two years. The return on invested capital was 17.3 per cent in 1995 and 15.8 per cent in 1994. The return on equity was 20.8 per cent in 1995 and 21.8 per cent in 1994. However, from the owners' point of view good profitability alone is not a sufficient measure of the worth of their investment. Profitability must also be reflected in share prices and dividends. The following dividends per share have been paid over the last five years (marks): 1991 / 1.00, 1992 / 2.50, 1993 / 2.50, 1994 / 4.50 and the Board of Directors' proposal for 1995 is 6.50. The average annual yield on a Lassila & Tikanoja share (appreciation + dividend yield) according to the investment analysis index of Merita Securities Ltd has been the following (%):

1988-95	1989-95	1990-95	1991-95
13.05	6.61	7.09	21.98

1992-95	1993-95	1994-95	1995
31.52	16.81	-1.34	23.19

The price of a Lassila & Tikanoja share was rising at the beginning of 1996.

Investment in shares always entails risks. With respect to the risk involved, a Lassila & Tikanoja share does not differ from any other. However, considering the current state of the economy, the low sensitivity of the share to cyclical fluctuations can be considered an advantage. Moreover, solvency also tends to reduce risk, and the Group's equity ratio is 36.6 per cent.

Lassila & Tikanoja is a rather small listed company. As a result, its shares are less liquid than those of large companies. The relative turnover in Lassila & Tikanoja shares has been close to the average for listed companies.

A CHALLENGING AND SECURE WORKPLACE

The Group's mode of operation, which is based on trust at all levels of the organization, certainly tends to increase the challenge posed by the work. Financial performance in recent years indicates that Group employees have accepted the challenge. Co-operation, development of incentive schemes and genuine sharing of responsibility throughout the organization obviously contribute to job satisfaction and thereby increase the challenge involved. At present, jobs in the Group may be regarded as secure. During 1995 the Group employed an average of 3,019 persons. The number of employees increased by more than one hundred on the previous year, when there was also growth in personnel.

A RELIABLE PARTNER

The reliability of the Group as a partner is perhaps indicated by the fact that demand for its products and services has increased in recent years. Net sales increased by 11.7 per cent in 1995 and by 15.2 per cent in 1994. Market shares have expanded and are continuing to rise. The above depicts the number and extent of our customer relationships, but not necessarily the depth. We seek partners. We strive to be a part of our customers' business processes and to measure our success by the added value we create for them. There are signs that we are headed in the right direction.

Helsinki, February 1996

Juhani Maijala
Managing Director

KEY FIGURES FOR 1995

	1995	1994	Change %
Net sales, FIM mill.	**1 374.0**	1 229.9	+ 11.7
Gross margin, FIM mill.	**262.4**	248.7	+ 5.5
Operating profit, FIM mill.	**142.8**	122.1	+ 17.0
Profit before extraordinary items, FIM mill.	**109.0**	90.2	+ 20.8
Return on invested capital, % (ROI)	**17.3**	15.8	-
Earnings/share FIM (EPS)	**22.56**	20.11	+ 12.2
Gross investment, FIM mill.	**229.9**	163.4	+ 40.7
Average personnel employed	**3 019**	2 910	+ 3.7

BUSINESS UNIT OPERATIONS

FLEXIBLE PACKAGING MANUFACTURE

The Amerplast Group manufactures flexible plastic packaging for industry and the retail trade. The main product lines are packaging for bakery goods, tissue paper, hygiene products and frozen vegetables, carrier bags and deep freeze bags, mailing and tamper-proof envelopes. Amerplast's net sales amounted to FIM 343.0 million compared with FIM 313.6 million in 1994.

NARROW FABRIC MANUFACTURE

Inka is the largest producer of narrow fabrics and heavy webbings in the Nordic countries and the market leader in Finland in all its product lines. It also has a strong market position in the Nordic countries. The Inka Group generated net sales of FIM 114.1 million compared with FIM 122.6 million in 1994.

NONWOVEN INDUSTRY

J.W. Suominen Oy (JWS) is a leading European manufacturer of rolls of nonwoven fabric. The company's customers are manufacturers of disposable hygiene, medical and wiping products. JWS' net sales for 1995 came to FIM 459.3 million compared with FIM 396.9 million in 1994.

SERVICE INDUSTRY

Säkkiväline Group's fields of operation comprise community and industrial waste management, professional cleaning and property supervision and maintenance. It also supplies waste management products. Säkkiväline is a nationwide service company in environmental management and the most important company in its sector. Säkkiväline's net sales totalled FIM 454.6 million compared with FIM 392.3

LASSILA & TIKANOJA LTD BOARD OF DIRECTORS

Jaakko Lassila, 67
D.Sc. (Econ.),
Chairman of the Board since 1970

Yrjö Niskanen, 63
M.Sc. (Econ.),
Chairman of the Boards of
the Pohjola Group,
Vice Chairman of the Board since 1990

Heikki Hakala, 54
M.Sc. (Econ.),
Executive Vice President
of the Repola Corporation,
Member of the Board since 1988

Juhani Maijala, 56
B.Sc. (Econ.), LL.B.,
Managing Director of the Lassila &
Tikanoja Group, Lassila & Tikanoja Ltd,
and the Säkkiväline Group,
Member of the Board since 1983

Jukka Viinanen, 47
M.Sc. (Eng.),
Chief Operating Officer and
Vice Chairman of the Board of Neste Oy,
Member of the Board since 1993

LASSILA & TIKANOJA LTD AUDITORS

SVH Coopers & Lybrand Oy
(formerly Salmi, Virkkunen & Helenius Oy)
Authorised Public Accountants
Ilkka Haarlaa, Authorised Public Accountant
Partner in charge

Antti Lassila, Authorised Accountant

Deputies
Tauno Haataja, Aurhorised Public Accountant

Maj-Lis Lindén, B.Sc. (Econ.)

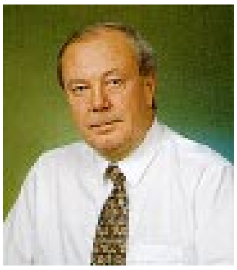
MANAGEMENT OF LASSILA & TIKANOJA LTD AND LASSILA & TIKANOJA GROUP

Juhani Maijala, 56
B.Sc. (Econ.), LL.B.,
Managing Director of
the Lassila & Tikanoja Group
since 1983 and
of the Säkkiväline Group since 1993

Sirkka Tuomola, 48
M.Sc. (Econ.),
Financial Director
of the Lassila & Tikanoja Group
since 1992

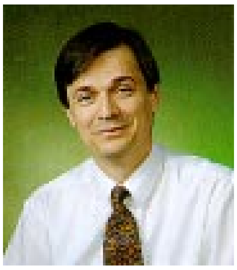
Heikki Bergholm, 39
M.Sc. (Eng.),
Managing Director of
J.W. Suominen Oy since 1986 and
of the Amerplast Group since 1990

Pentti Kulmala, 47
B.Sc. (Eng.),
Managing Director
of the Inka Group since 1992

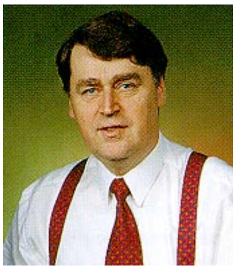


Juhani Maijala

Sirkka Tuomola



Heikki Bergholm



Pentti Kulmala

AMERPLAST

Amerplast was founded in 1952.
The consumer packaging needed by
modern industry and the retail trade.
Especially for food products and bakery goods.
For freezing, keeping products fresh
and to facilitate handling.
Factories in Tampere, Nastola, Ikaalinen and
Kauhava, Finland and in Norrköping, Sweden.
Exports to 15 countries.

25,0

The Amerplast Group manufactures flexible packaging for industry and the retail trade. In its operations Amerplast stresses quality, rapid delivery, customer service and cost effectiveness.

The main product lines are packaging for bakery goods, tissue paper, hygiene products and frozen vegetables, carrier bags, fruit and vegetable bags, deep freeze bags and also mailing and tamper-proof envelopes. Amerplast is one of the leading companies in the Nordic countries in its sector.

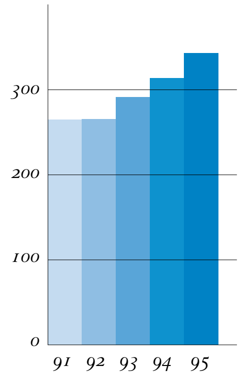
Demand for products remained stable throughout 1995. From early in the year, operations were hampered by the strength of the Finnish mark in relation to the Swedish crown and high prices for plastic raw material. Significant relief came at the end of the year with respect to both factors.

The profitability of operations improved slightly on the previous year. Financial costs declined. Financial results were very satisfactory and came close to the targets set. To improve the controllability and cost effectiveness of operations, Amerplast converted at the beginning of 1996 from a business unit organization to a functional one.

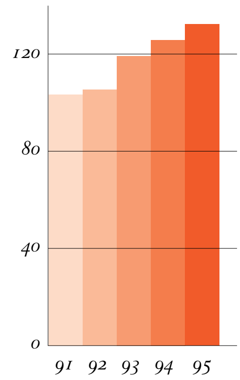
Investment in 1995 totalled FIM 20.5 million and concentrated on modernization and other improvements to the bag-welding process. Capital outlays planned for 1996 will continue to focus on increasing production efficiency and quality through further modernization of bag-welding capacity. The control system for Amerplast's production will also be modernized during 1996.

Amerplast's goal is to increase sales of the main product lines in the Baltic area by raising market shares. Improved quality and price competitiveness will permit an increased volume of sales and improved profitability in 1996.

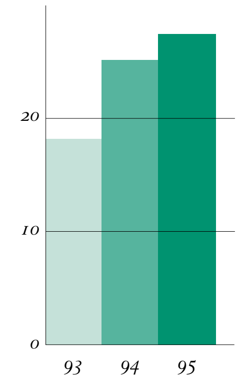
Net sales in 1995 were FIM 343.0 million or 9.4 per cent more than in the previous year. The sales volume in tonnes declined by 5.0 per cent. Net sales from exports and international operations totalled FIM 132.3 million; growth was 5.1 per cent. Exports and international operations accounted for 38.6 per cent of net sales. The Amerplast Group employed an average of 571 persons in 1995.



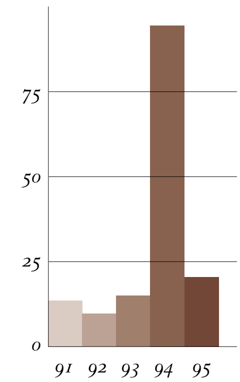
Net sales FIM million



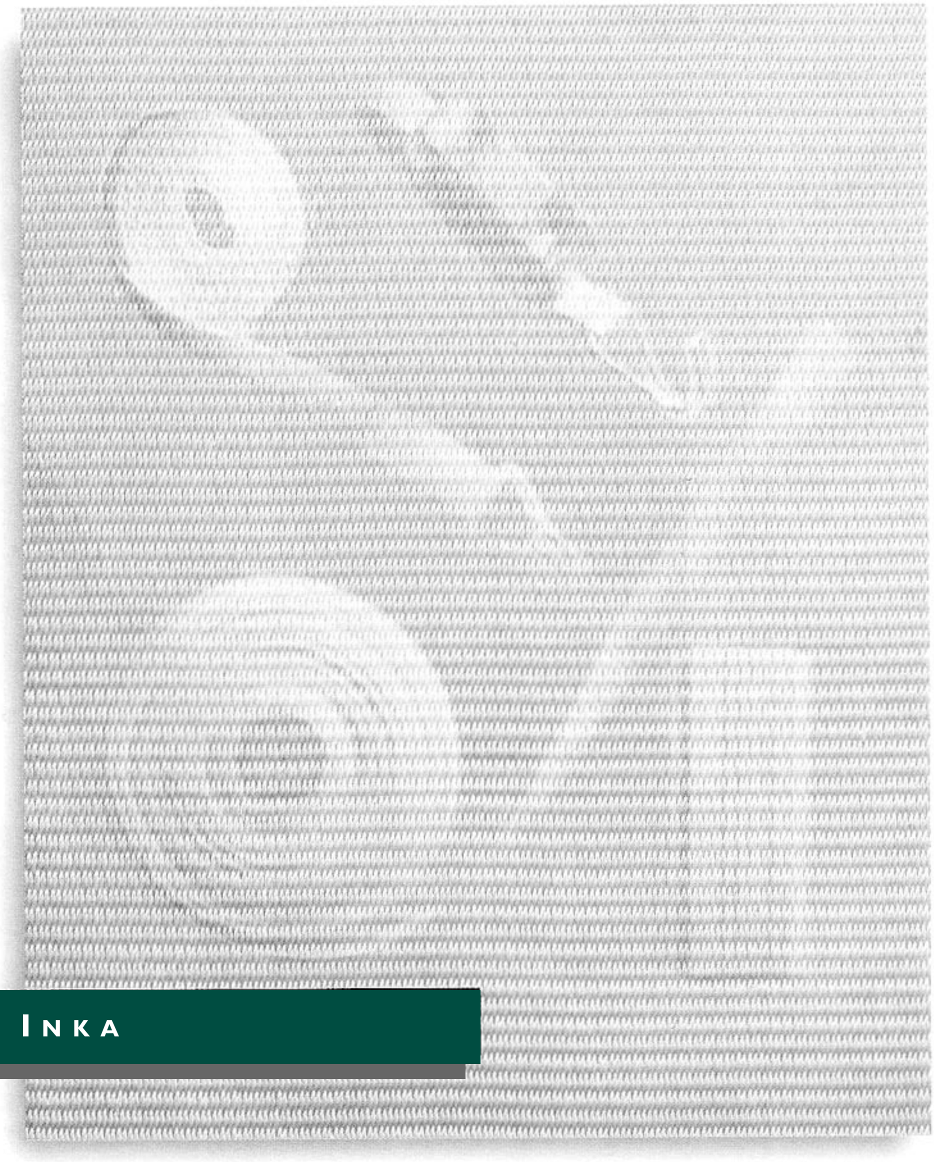
Exports FIM million



Operating profit FIM million

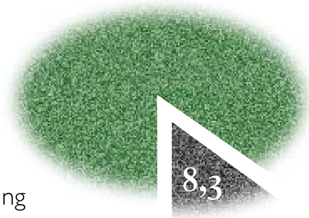


Investment FIM million



INKA

Inka was founded in 1898.
Narrow fabrics and heavy webbings
for industry and trade.
Lifting slings, roundslings, lashing
equipment and even braces.
Factories in Turku and Killinkoski, Finland
and in Gothenburg, Sweden.
Exports to more than 30 countries.

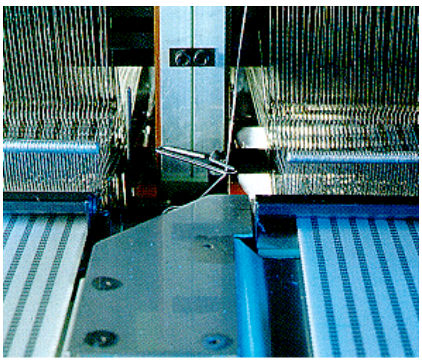


The Inka Group is the leading manufacturer of narrow fabrics and heavy webbings in the Nordic countries.

Group operations are divided into two sectors: narrow fabrics (Inka) and heavy webbings, lifting slings and lashing equipment (Inka Sling).

In Finland Inka manufacturers narrow fabrics and woven labels for the industry and retail trade. The company's main market is the Nordic countries.

Inka Sling primarily manufactures heavy webbings, lifting slings, roundslings and lashing equipment for material handling. The production units are in Finland and Sweden and the products are sold through subsidiaries and importers in over 30 countries, with Scandinavia and continental Europe being the principal markets.



Net sales by the Inka Group in 1995 amounted to FIM 114.1 million, which is 6.9 per cent less than in the previous year. The Inka Group continued to increase its market share in the Nordic countries despite the decline in net sales. The decline was the result of divestment of the operations of a small weaving mill located in Holland. Reduced demand for narrow fabrics in Finland during the autumn also affected net sales towards the end of the year.

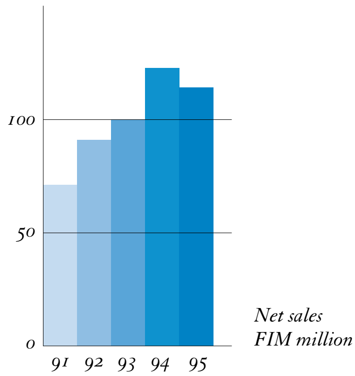
Group exports together with international operations amounted to FIM 68.6 million, or 60.1 per cent of net sales. Exports declined by 7.4 on the previous year. The Group's domestic net sales decreased by 6.1 per cent. Sales in Finland of heavy webbings and ready made products rose.

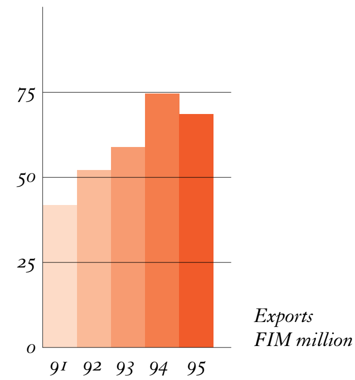
Gross investment totalled FIM 6.6 million. Most of this amount was incurred from the fibre extrusion line, which will commence operation in March 1996. Inka will begin manufacture of high-tech yarn for technical purposes with this new line, which employs the latest technology in the sector. It has an annual capacity of approximately 700 tonnes.

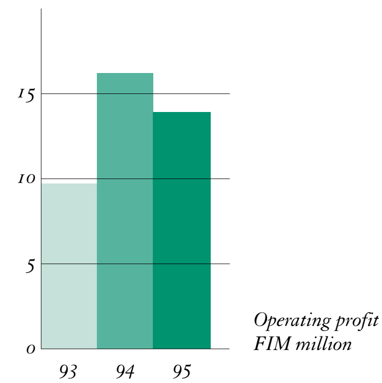
Reorganization of the corporate structure of the Inka Group continued during 1995. The product range was also reduced and manufacturing methods were improved. Weaving was concentrated at the Turku and Killinkoski factories.

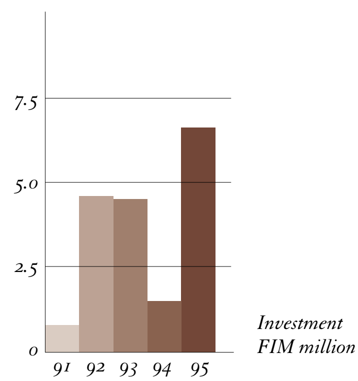
The Group employed an average of 247 persons during the financial year.

The financial results recorded by the Inka Group were good despite the decline in net sales. The new fibre extrusion line will improve Inka's competitiveness.



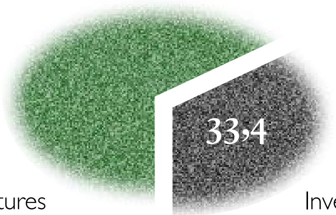






JWS

JWS was founded in 1898.
Nonwoven roll goods for hygiene, health care and wiping products.
Factory in Nakkila, Finland.
Exports to 60 countries.



J.W.Suominen Oy manufactures nonwoven roll goods for producers of disposable hygiene and medical products and for manufacturers of wiping products.

JWS nonwovens are used as coverstock for products such as baby diapers, sanitary napkins and hospital underpads, for wound care and other medical applications and for moist wipes, wiping products for clean areas and solvent wipes. JWS has a strong European market position in all its product lines.

The markets for JWS products are expanding and demand was good throughout the year in all market areas. However, weakening of the US dollar in relation to the Finnish mark reduced sales to the United States, Asia and the Middle East during the second half of the year. At the beginning of the year high prices for raw materials and a temporary shortage of some grades hampered operations. During the summer raw materials were again available as normal, and prices began to fall. Profitability was good, as in previous years.

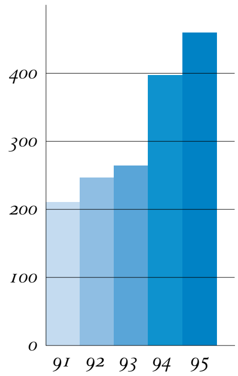
JWS' fibre and nonwoven capacity was increased by approximately 25 per cent. The increase in fibre and spunlace capacity and modernization of the warehouse as well as of the opening and blending department were completed on schedule within the cost estimate. The entire extensive project took 12 months and became operational in December 1995.

Investments in 1996 will mainly involve increases in productivity through automation of material handling. Development of operations at JWS will concentrate on safety, total quality management (TQM) and production

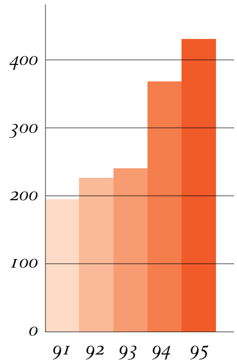
control systems. The competitiveness of the product range and production will be ensured through extensive research and development.

Prospects for 1996 are stable. Despite a general decrease, demand for JWS products in Europe is expected to increase. The conditions necessary for increasing sales volumes and improving profitability exist.

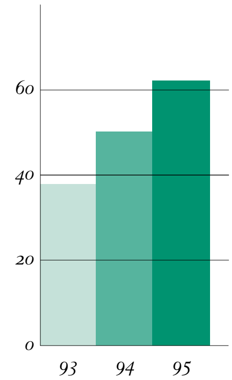
Net sales in 1995 were FIM 459.3 million or 15.7 per cent more than in the previous year. The operating profit amounted to FIM 62.3 million or 13.6 per cent of net sales. Exports rose 16.9 per cent and totalled FIM 431.0 million. Exports accounted for 93.8 per cent of net sales. Gross investments were FIM 123.4 million. JWS employed an average of 324 persons during 1995.



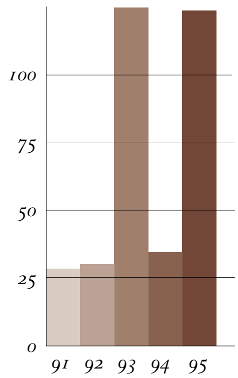
Net sales FIM million



Exports FIM million



Operating profit FIM million



Investment FIM million

SÄKKIVÄLINE

Säkkiväline was founded in 1967.
Efficient services for companies, industry and the public sector. Community and industrial waste management, recycling services, sewer maintenance, professional cleaning, property supervision and maintenance and products for waste management. A nationwide company providing local services to tens of thousands of customers.

Säkkiväline is Finland's largest environmental management company. Its core areas are waste management and maintenance, professional cleaning, property supervision and maintenance and the supply of products for waste management. Waste management comprises community and industrial waste management, industrial cleaning and maintenance, recycling services, sewer maintenance and fire clean-up.

The overall markets in Säkkiväline's sectors are growing. Waste sorting and reuse is increasing. Cleaning and property maintenance are increasingly turned over to specialist companies. Increased waste sorting will also boost the need for supplies of products and equipment in the sector. There is also another trend, the rising demands of the business. The emphasis in waste management is shifting from traditional waste haulage to recycling and reuse; capital outlays are growing and operations are becoming more and more industrial. Nationwide coverage in professional cleaning and in property supervision and maintenance is becoming increasingly important. Competition between the major companies in the sector is intensifying and concentration will continue. Efforts by the municipal sector to expand into the sphere of private companies in waste management is giving cause for uncertainty.

Säkkiväline's share of the environmental management sector increased in 1995. The goal is to increase the company's market share. Net sales rose by 15.9 per cent. Growth was primarily due to volume. Net sales in waste management and maintenance rose 7.3 per cent and now amount to FIM 178.2 million. Net sales in professional cleaning rose by 10.1 per cent and in property supervision and maintenance by 48.7 per cent. Net sales in cleaning totalled FIM 146.3 million and in property supervision and maintenance FIM 83.7 million. Net sales from supplying products amounted to FIM 46.3 million and increased by 30.4 per cent.

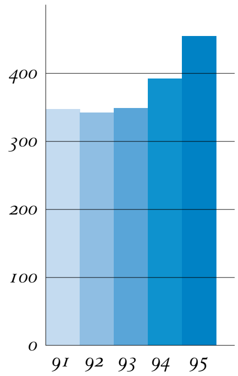
Säkkiväline's profitability increased substantially. The financial results, which

were already considered very satisfactory in the previous year, can now be described as good. All sectors improved their financial results. A year earlier the most significant improvement in financial results was achieved by waste management. This time product supplies, property supervision and maintenance and professional cleaning were at the top. Despite a positive trend overall, some of the profit centres did not reach their goals.

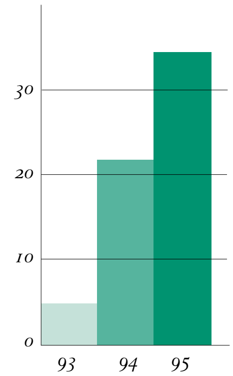
During the year personnel at Säkkiväline increased by nearly one hundred. Personnel averaged 1873 in 1995.

Group gross investment amounted to FIM 36.3 million, as opposed to FIM 26.3 million for the previous year. Utilization of equipment capacity improved and the amount of capital tied up in operations in proportion to net sales was on a substantially better level than in the previous year.

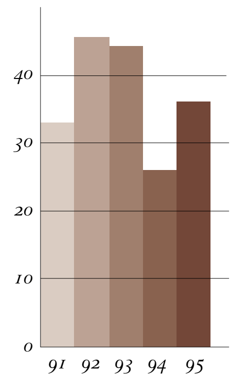
Säkkiväline is also expected to increase its net sales and improve its financial results during the current year. At the beginning of 1996, two important service contracts were signed, one in professional cleaning and the other in waste management. The other parties to these agreements are the Finnish airline, Finnair Oy, and the tyre recycling organization, Suomen Rengaskierrätys Oy.



Net sales FIM million



Operating profit FIM million



Investment FIM million

1. MAIN TRENDS

Group financial results were good. 1995 was the best year in the 90-year history of the Company. Most of the targets set were reached and the conditions exist for successful future operations. All units in the Group, with the exception of Inka, improved their financial results. Inka's financial results, however, remained good. As in the previous year, the good financial results were based on growth, which was achieved at relatively declining fixed costs. The sales margin ratios were below those of last year and are an indication of both tougher competition and a stronger Finnish mark. Exceptionally large capital outlays were made during the financial year. JWS' nonwoven capacity increased by approximately 25 per cent and the Group has now bought up virtually all of Säkkiväline's shares. Investments were financed almost completely by cash flow from business operations. The cash flow for the current year will be strongly positive. Prices for plastic raw material varied widely during the financial year. Constant price fluctuations have purely negative effect on long-term business operations. When raw material prices rise, the increases are not passed on immediately to sales prices and when they decline the raw material stocks acquired at a higher price cause problems.

2. FINANCIAL RESULTS

The consolidated operating profit was FIM 142.8 million and the increase on the previous year was 17.0 per cent. The operating profit was 10.4 per cent of net sales, as opposed to 9.9 per cent the previous year. Invested capital was only FIM 29 million more than in the previous year, despite the large volume of capital expenditure. The return on invested capital was 17.3 per cent, as opposed to 15.8 per cent the previous year. The return on equity was 20.8 per cent.

Net financial expenses fell in relation to net sales due to declining interest rates. In absolute terms they were slightly higher than those of the previous year. The extraordinary expenses were incurred from the Avardo Oy bankruptcy.

Measured in return on invested capital, the most successful units were Säkkiväline and Inka. JWS' financial results can also be considered good, although performance during the final four months of the year was not up to that of the previous eight months. In their start-up phase, major investments tend to disrupt day-to-day operations to some extent, which was the case during the last months of the financial year. However, the actual process of making investments operational has proceeded smoothly.

Amerplast's financial results were very satisfactory and improved considerably towards the end of the year.

Inka's financial results were good. The clothing industry in Inka's marketing area has contracted steadily, which constitutes a risk. However, the share of the clothing industry in Inka's sales is declining.

Säkkiväline had a good year and the financial results improved significantly. Net sales have risen monthly, and this provides a good foundation for the current year.

Operating profit by business unit:

	1995 FIM mill.	**% of net sales**	1994 FIM mill.	% of net sales
Amerplast	**27.5**	**8.0**	25.2	8.0
Inka	**13.9**	**12.2**	16.2	13.2
JWS	**62.3**	**13.6**	50.3	12.7
Säkkiväline	**34.4**	**7.6**	21.8	5.6
Lassila & Tikanoja	**5.6**	**41.1**	8.4	56.6
Eliminations	**-0.9**		0.2	
	142.8	**10.4**	122.1	9.9

JWS' research and product development costs were FIM 7.9 million in 1995.

3. GROUP STRUCTURE

On December 27, 1994, Lassila & Tikanoja made a public bid to acquire all the shares in Säkkiväline Oy outside the Group. The purchase price was FIM 97 per share. At the time the offer expired, Lassila & Tikanoja owned 99.07 per cent of the shares. Lassila & Tikanoja has continued to acquire Säkkiväline Oy shares through voluntary trading and at present holds 99.9 per cent of Säkkiväline Oy. When it was apparent that Lassila & Tikanoja Oy could not obtain 100 per cent ownership through voluntary trading, the matter was submitted to a court of arbitration. The Helsinki District Court has appointed an arbitrator, and a decision may be forthcoming this spring.

Holdamer Oy was merged with Amerplast Oy.

During the financial year, Säkkiväline Oy acquired the business operations of Kourulan Talonhoito Oy, Pohjolan Kiinteistöpalvelu Oy, Päijät-Huolto Oy, Martta Haapanen Oy, Osmo Jalonen Ky and Tampereen Kiinteistömiehet Oy which operate in the property maintenance sector, the business operations of Esko Valtee Oy, Hämeen Keräyspaperi Ay and Ecora Oy Tara Finland Ltd, which operate in the waste management sector, and the shares of Ympäristöautot Oy.

4. NET SALES

Net sales by unit:

FIM million	**1995 Jan.1-Dec.31**	1994 Jan.1-Dec.31	Change %
Amerplast	**343.0**	313.6	9.4
Inka	**114.1**	122.6	-6.9
JWS	**459.3**	396.9	15.7
Säkkiväline	**454.5**	392.3	15.9
Lassila & Tikanoja	**13.6**	14.9	-8.7
Total	**1 384.5**	1 240.3	
Internal net sales	**- 10.5**	- 10.4	
Group net sales	**1 374.0**	1 229.9	11.7

5. GROSS INVESTMENT

FIM million	**1995**	1994
Real estate	**36.0**	74.1
Machinery and equipment	**137.4**	77.8
Securities and consolidated goodwill	**51.3**	10.6
Intangible rights and other capitalized expenditure	**5.2**	0.9
Total	**229.9**	163.4

Investment was divided by unit as follows: Amerplast 20.5, Inka 6.6, JWS 123.4 and Säkkiväline FIM 36.3 million. Investment by Lassila & Tikanoja Oy totalled FIM 48.0 million. Acquisition of minority holdings in Säkkiväline Oy accounted for FIM 43.1 million and the increase in the share capital of Inka Sling Oy for the remainder.

6. INVESTED CAPITAL

The Group's invested capital calculated from the balance sheet is as follows:

FIM million	**Dec. 31, 1995**	Dec. 31, 1994
Fixed assets and other non-current investment	**823.8**	744.7
Inventories	**117.2**	112.9
Receivables and liquid assets	**201.8**	242.1
Deferred tax liability	**- 86.7**	- 75.7
Trade payables	**- 56.4**	- 69.8
Accrued liabilities	**- 128.8**	- 93.3
Other current, non-interest bearing liabilities	**- 2.2**	- 21.0
Invested capital	**868.7**	839.9

Capital invested during the year increased by FIM 28.8 million. The amount of investment in fixed assets and other non-current assets increased by FIM 79.1 million. The amounts for the other items declined.

7. FINANCE

The Group equity ratio at the end of the year was 36.6, compared with 36.2 at the beginning of the year. Solvency increased only slightly, despite the good financial results. This was due to the large volume of investment and to growth in the deferred tax liability caused by a higher tax rate. Solvency was good. Net financial expenses were 2.5 per cent of net sales, compared with 2.6 per cent a year earlier. No net gains on foreign exchange were entered during 1995, while they amounted to FIM 2.7 million the previous year. Liquidity was good throughout the year.

8. PERSONNEL

The average number of full-time staff employed by the Group, converted to full-time employees, increased by 109. Most of the growth occurred in Säkkiväline.

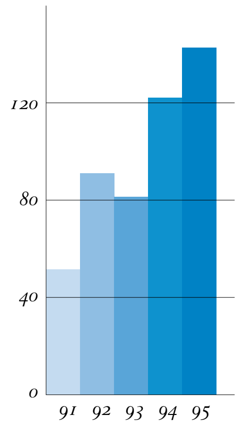
	1991	1992	1993	1994	1995
Amerplast	575	536	533	560	571
Inka	244	278	243	269	247
JWS	265	269	297	301	324
Säkkiväline *	1 605	1 517	1 561	1 776	1 873
Lassila & Tikanoja	6	5	5	4	4
Sold units	336				
Total	3 031	2 605	2 639	2 910	3 019

* Converted to full-time employees.

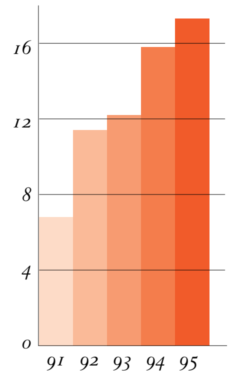
9. 1996

Good financial results are budgeted for the Group and they are expected to be good for 1996. JWS' nonwoven capacity is 25 per cent larger than a year ago. Amerplast's volume of orders in hand is good. The new extrusion fibre line of Inka will increase competitiveness and two important service contracts (Finnair Oy and Suomen Rengaskierrätys Oy) concluded by Säkkiväline this year also point to future success.

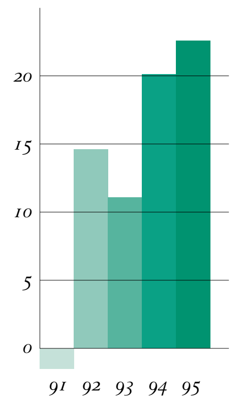
Planned investment is considerably smaller than last year, and a strongly positive cash flow is therefore expected.



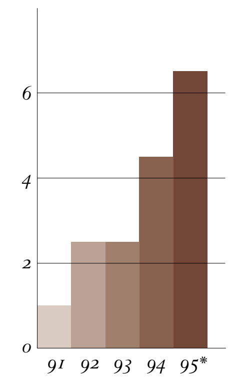
Operating profit FIM million



Return on invested capital, %



Earnings/ share FIM



Dividend/ share FIM

** Proposal by the Board of Directors.*

CONSOLIDATED STATEMENT OF INCOME

Jan.1 - Dec. 31 (FIM 1 000)	1995	%	1994	%	Additional information
Net sales	1 373 999	100	1 229 900	100	1
Cost of goods sold	-1 111 649		-981 155		
Gross margin	262 350	19.1	248 745	20.2	
Sales and marketing expenses	-46 377		-51 238		
Administrative expenses	-73 516		-74 368		
Other operating expenses	-2 664		-5 864		4
Other operating income	3 954		5 155		
Depreciation on consolidated goodwill	-931		-344		
Operating profit	142 816	10.4	122 086	9.9	2,3
Financial income and expenses	-33 772	-2.5	-31 884	-2.6	5
Profit before extraordinary items	109 044	8.0	90 202	7.4	
Extraordinary income and expenses	-5 110		-1 161		6
Profit before income taxes	103 934	7.6	89 041	7.2	
Income taxes					
For the financial year	-22 140		-12 184		
For previous financial years	-860		-1 462		
Change in deferred tax liability	-1 696		1 457		
Effect of rise in tax rate on tax liability	-9 214				
	-33 910	-2.5	-12 189	-1.0	
Profit before minority interest	70 024	5.1	76 852	6.2	
Minority interest	-31		-4 206		
Profit for the financial year	69 993	5.1	72 646	5.9	

CONSOLIDATED BALANCE SHEET

Dec. 31 (FIM million)	1995		%	1994		%	Additional information
ASSETS							
Fixed assets and other non-current investments							
Intangible assets							7
Intangible rights	595			322			
Goodwill	25 946			27 549			
Consolidated goodwill	10 649						
Other capitalized expenditure	7 616	44 806	3.9	5 880	33 751	3.1	
Tangible assets							8
Land and water	26 171			26 057			
Buildings	231 128			208 269			
Machinery and equipment	401 741			339 763			
Other tangible assets	3 138			2 592			
Advance payments and construction in progress	12 630	674 808	58.8	20 267	596 948	54.0	
Financial assets							
Bonds and shares	89 402			92 265			10
Loan receivables	14 752	104 154	9.1	21 768	114 033	10.3	
		823 768	71.8		744 732	67.4	
Valuation items		4 078	0.4		3 878	0.4	12
Current assets							
Inventories							
Raw materials and consumables	56 102			52 577			
Work in progress	16 213			15 908			
Finished products	44 868	117 183	10.2	44 404	112 889	10.2	
Receivables							
Trade receivables	143 832			146 821			13
Loan receivables	1 934			985			
Prepaid expenses and accrued income	17 000			27 149			
Other receivables	3 179	165 945	14.5	7 699	182 654	16.6	
Cash in hand and at banks		35 821	3.1		59 416	5.4	
		1 146 795	100.0		1 103 569	100.0	

Dec. 31 (FIM million)	1995		%	1994		%	Additional information
LIABILITIES							
Shareholders' equity							14,16
Restricted equity							
Share capital							
Externally held	44 193			44 193			
Redeemed	19 530			19 530			
	63 723			63 723			
Share premium	92 997			92 997			
Revaluation fund	18 598	175 318	15.3	18 598	175 318	15.9	
Unrestricted equity							17
Retained earnings	173 937			117 995			
Profit for the financial year	69 993	243 930	21.3	72 646	190 641	17.3	
		419 248	36.6		365 959	33.2	
Minority interest		189	0.0		33 884	3.1	
Obligatory reserves					310	0.0	
Creditors							18
Non-current							
Loans from credit institutions	154 824			126 225			
Pension loans	255 870			219 819			
Pension liabilities	4 399			4 220			
Deferred tax liability	86 652			75 742			
Other non-current liabilities	1 360	503 105	43.9	923	426 929	38.7	
Current							
Loans from credit institutions	16 447			75 394			
Pension loans	20 143			16 810			
Advances received				522			
Trade payables	56 432			69 780			
Accrued liabilities and deferred income	128 799			93 317			
Other current liabilities	2 432	224 253	19.5	20 664	276 487	25.0	
		1 146 795	100.0		1 103 569	100.0	

STATEMENT OF INCOME

Jan. 1 - Dec. 31 (FIM 1 000)	1995	1994	Additional information
Net sales	13 550	14 913	
Cost of goods sold	-3 370	3 209	
Gross margin	10 180	11 704	
Administrative expenses	-4 411	-4 302	
Other operating expenses	-222	-222	4
Other operating income	22	1259	
Operating profit	5 569	8 439	2,3
Financial income and expenses	-13 651	-5 825	5
Profit before extraordinary items, reserves and income taxes	-8 082	2 614	
Extraordinary income and expenses	43 165	19 591	6
Profit before reserves and income taxes	35 083	22 205	
Decrease in accelerated depreciation	649	1 567	
Income taxes			
For the financial year	-8 944	-5 949	
For previous financial years	-3	-1 334	
	-8 947	-7 283	
Profit for the financial year	26 785	16 489	

BALANCE SHEET

Dec. 31 (FIM 1 000)		1995	%		1994	%	Additional information
ASSETS							
Fixed assets and other non-current investments							
Tangible assets							8
Land and water	18 945			18 948			
Buildings	39 922			41 977			
Machinery and equipment	59			120			
Other tangible assets	78	59 004	7.2	90	61 135	8.3	
Financial assets							11
Shares in subsidiaries	468 950			420 964			9
Bonds and shares	63 551			62 742			10
Loan receivables	129 260	661 761	80.6	113 223	596 929	81.5	
		720 765	87.8		658 064	89.8	
Valuation items		4 078	0.5		3 841	0.5	12
Current assets							
Inventories							
Finished products					56	0.0	
Receivables							13
Loan receivables	79 996			26 552			
Prepaid expenses and accrued income	154			1 472			
Other receivables	103	80 253	9.8	3	28 027	3.8	
Cash in hand and at banks		15 899	1.9		43 162	5.9	
		820 995	100.0		733 150	100.0	

LIABILITIES							
Shareholders' equity							15,16
Restricted equity							
Share capital							
Externally held	44 193			44 193			
Redeemed	19 530			19 530			
	63 723			63 723			
Share premium	92 986	156 709	19.1	92 986	156 709	21.4	
Unrestricted equity							
Own shares	-40 475			-40 475			
Operating fund	174 796			174 796			
Retained earnings	84 526			85 830			
Profit for the financial year	26 785	245 632	29.9	16 489	236 640	32.3	
		402 341	49.0		393 349	53.7	
Untaxed reserves							
Accelerated depreciation		12 654	1.5		13 303	1.8	
Voluntary reserves		613	0.1		613	0.1	
Creditors							18
Non-current							
Loans from credit institutions	74 131			86 268			
Pension loans	109 805			89 595			
Pension liabilities	4 078			3 842			
Other non-current liabilities	396	188 410	23.0	408	180 113	24.5	
Current							
Loans from credit institutions	12 247			12 290			
Pension loans	8 265			6 744			
Trade payables	123			68			
Accrued liabilities and deferred income	11 387			10 284			
Other current liabilities	184 955	216 977	26.4	116 386	145 772	19.9	
		820 995	100.0		733 150	100.0	

Statement of changes in financial position

FIM million	Group 1995	Group 1994	Parent Company 1995	Parent Company 1994
Operations				
Funds from operations				
Operating profit	142.8	122.1	5.6	8.4
Depreciation	101.6	100.3	2.1	2.2
Financial income and expenses	-33.8	-31.9	-13.7	-5.8
Extraordinary items		-1.2	52.5	40.2
Income taxes	-23.0	-13.6	-8.9	-7.3
	187.6	175.7	37.6	37.7
Change in working capital				
Change in inventories	-4.3	-17.4	0.1	
Change in current receivables	16.7	-47.2	-52.2	-13.2
Change in current, non-interest-bearing liabilities	3.0	37.5	1.3	-2.1
	15.4	-27.1	-50.8	-15.3
Cash flow from operations	203.0	148.6	-13.2	22.4
Net capital expenditure	-224.4	-152.8	-47.8	-6.8
Cash flow before financing	-21.4	-4.2	-61.0	15.6
Financing				
Change in loan receivables	0.5	6.8	-26.4	-12.6
Change in non-current loans	69.7	-13.4	8.0	-47.0
Change in current loans	-55.5	-29.2	69.9	6.8
Dividends	-16.9	-9.7	-17.8	-9.9
	-2.2	-45.5	33.7	-62.7
Change in liquid assets according to the balance sheet	-23.6	-49.7	-27.3	-47.1

ACCOUNTING PRINCIPLES

THE GROUP

The consolidated financial statements include those companies in which Lassila & Tikanoja Ltd held, either directly or indirectly, over 50 per cent of the shares' voting rights. The subsidiaries not included in the consolidated financial statements (dormant companies and real-estate companies with state-subsidized mortgages) have only a minor effect on the Group's shareholders' equity. Companies are included in the consolidated financial statements from the date of acquisition or establishment to the last date of the holding.

The financial statements of foreign subsidiaries have been adjusted to comply with Finnish accounting standards.

There were no associated companies engaged in business operations when the books were closed.

For more details on Group companies, see page 25 in the notes to the financial statements.

MUTUAL SHARE OWNERSHIP

Mutual share ownership was eliminated by applying the acquisition cost method. The acquisition cost of the shares of Säkkiväline comprises both the sum paid and the nominal value of the directed share issue. The shareholders' equity of a subsidiary was deducted from the purchase price of that subsidiary's shares, including untaxed reserves net of tax. The resulting consolidated goodwill will be written-off in five or ten years.

INTRA-GROUP TRANSACTIONS

All intra-Group transactions, balances and unrealized profits were eliminated.

MERGER OF SUBSIDIARIES

The principles of previous consolidated financial statements were observed in entering the mergers. In consequence, mergers of subsi-diaries have not had an impact on consolidated unrestricted equity.

ITEMS DENOMINATED IN FOREIGN CURRENCIES

The financial statements of foreign Group companies were translated into Finnish marks at the average rate of the Bank of Finland on the day the books were closed. Translation differences produced in conversion of equity were treated as an adjustment item in the consolidated unrestricted equity.

Transactions of Finnish Group companies denominated in foreign currencies were entered at the rates current on the date of the transaction. Receivables and debts denominated in foreign currencies were translated into Finnish marks at the Bank of Finland's average rate on the day the books were closed. Forward deals made to hedge against exchange rate fluctuations were valued at the forward rate; their interest component was accrued as interest income or expense. Exchange rate differences arising from conversion were entered in the statement of income.

NET SALES

The concept of net sales was changed as of the beginning of 1995. Indirect sales taxes, discounts granted and foreign exchange differ-ences on sales were deducted from sales revenues. Sales freights and other costs incurred in sales and deliveries were treated according to their nature, as either costs of goods sold or sales expenses. Bad debts were entered under other operating expenses. Net sales for 1994 were brought into line with the new accounting practice.

REAL ESTATE

Rent income from real estate was entered under net sales. The costs incurred therein were entered under costs of goods sold.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure, with the exception of outlays for equipment, was entered as an expense.

PENSIONS

Statutory pension coverage for employees in Finnish companies was provided by private pension insurance companies. Pension insurance premiums were matched with salary payments. A few pensions and supplementary pensions were on the companies' own account or arranged through pension funds. The unfunded pension liability deficit of closed pension funds is presented in the balance sheet under pension liabilities and valuation items. The notes to the financial statements also present the pension liability.

Foreign subsidiaries provide pension coverage in compliance with local practice.

VALUATION OF INVENTORIES

Inventories were valuated in the balance sheet at the variable costs of acquisition and production or the probable lower replacement or sale price. No indirect costs were capitalized.

FIXED ASSETS AND DEPRECIATION

Planned, straight-line depreciation on fixed assets was calculated from the acquisition cost on the basis of probable economic life.

The annual depreciation percentages are as follows:

1. Buildings	
Office and commercial premises	2.5%
Production and storage buildings	4.0-5.0%
Other structures	5.0-8.0%
2. Transport equipment	16.6-25.0%
3. Machinery and equipment	10.0-25.0%
4. Intangible rights and other capitalized expenditure	10.0-20.0%

Depreciation of fixed assets acquired during the financial year was calculated from the date on which they became operational.

No depreciation was made on land and revaluations. The values of land and buildings were last raised in 1987.

Other capitalized expenditures were first-run costs and expenses incurred in renovation of leased premises.

UNTAXED RESERVES

Appropriations (changes in voluntary reserves and the difference between booked depreciation and depreciation according to plan) were returned to the results for the financial year, with the exception of the change in the deferred tax liability.

The untaxed reserves were included in the consolidated unrestricted equity after deduction of the deferred tax liability and the reserves entered under equity at the acquisition of subsidiaries.

Deferred tax liability is a separate item in the balance sheet under non-current creditors.

MINORITY INTERESTS

The minority interest was entered as a separate item in the statement of income and balance sheet. The minority interest in the statement of income is calculated from the profit for the financial year before appropriations but after taxes, adjusted with the change in deferred tax liability. The minority interest in the balance sheet is calculated from the sum of shareholders' equity and accumulated untaxed reserves less deferred tax liability.

TAXATION

In addition to the income taxes to be paid on the basis of local tax legislation, the consolidated financial statements include the changes in the deferred tax liability determined from the untaxed reserves. The change in deferred tax liability for the 1995 financial statements includes the effect of the rise in the tax rate (3 per cent).

The tax credit for intracorporate dividends was deducted from the taxes for the financial year in the consolidated statement of income.

1. NET SALES

FIM 1000	1995	%	1994	%
Net sales by business unit				
Nonwoven Industry	459 286	33.4	396 926	32.3
Service Companies	454 470	33.1	392 301	31.9
Flexible Packaging Manufacture	343 033	25.0	313 636	25.5
Narrow Fabric Manufacture	114 148	8.3	122 597	10.0
Other	13 550	1.0	14 913	1.2
Internal net sales	-10 488	-0.8	-10 473	-0.9
Total	1 373 999	100.0	1 229 900	100.0
Net sales by market				
Finland	741 207	53.9	659 533	53.6
Other Nordic countries	124 228	9.0	119 235	9.7
EU (excluding Denmark)	390 725	28.4	334 350	27.2
Other Europe	72 996	5.3	47 827	3.9
Other countries	44 843	3.3	68 955	5.6
Total	1 373 999	100.0	1 229 900	100.0

2. PERSONNEL EXPENSES

	Group		Parent Company	
FIM 1000	1995	1994	1995	1994
Personnel expenses for the financial year				
Salaries and fringe benefits	318 095	295 217	2 450	2 129
Pension expenses	47 413	37 270	202	487
Other salary-related expenses	46 848	47 925	235	269
Total	412 356	380 412	2 887	2 885
Salaries paid				
Members of the Boards and Managing Directors	5 097	3 666	1 445	1 271
Other personnel	313 019	289 739	832	790
Additional bonus to members of the Boards and Managing Directors	540	150	120	
Total	318 656	293 555	2 397	2 061

Members of the Boards of Directors do not have pension contracts with the company. The Managing Directors of the Parent Company and the subsidiaries have statutory pension insurance.

3. DEPRECIATION

	Group		Parent Company	
FIM 1000	1995	1994	1995	1994
Depreciation per function				
On acquisition and production	88 410	88 053	2 055	2 092
On sales and marketing	1 475	1 304		
On administration	10 741	10 582	73	109
On Group goodwill	931	344		
Total	101 557	100 283	2 128	2 201
Planned depreciation by balance sheet item				
Intangible assets	8 375	9 800		
Group goodwill	931	344		
Buildings	12 145	10 629	2 055	2 092
Machinery and equipment	79 103	79 288	61	97
Other tangible assets	1 003	222	12	12
Total	101 557	100 283	2 128	2 201
Increase (-)/decrease (+) in accelerated depreciation				
Intangible assets	-1 311	-246		
Buildings	-10 290	-9 370	596	1 479
Machinery and equipment	-6 537	-3 191	53	88
Other tangible assets	-161	-176		
	-18 299	-12 983	649	1 567
Accelerated depreciation on fixed assets sold	-1 457	-323		
Increase (-)/decrease (+) in accelerated depreciation for the financial year	-19 756	-13 306	649	1 567

4. OTHER OPERATING EXPENSES AND INCOME

FIM 1000	Group 1995	Group 1994	Parent Company 1995	Parent Company 1994
Other operating expenses				
Losses on disposal of fixed assets	1 067	973	222	222
Bad debts	1 367	2 714		
Expenses incurred from fire and other damage	89	368		
Turnover tax, social security contributions from previous years		1 385		
Other	141	424		
	2 664	5 864	222	222
Other operating income				
Gains on sales of fixed assets	2 765	1 417		
Gains on sales of shares		1 452		1 231
Research contributions and insurance indemnities	839	1 493		
Recovery of bad debts	125	134		
Other	225	659	22	28
	3 954	5 155	22	1 259

5. FINANCIAL INCOME AND EXPENSES

FIM 1000	Group 1995	Group 1994	Parent Company 1995	Parent Company 1994
Group companies				
Dividend income			720	6 235
Financial income			4 174	665
Interest expenses			-10 566	-7 249
External				
Dividend income	1 059	705	982	664
Interest income on non-current investments	807	2 723	706	2 588
Other financial income	3 500	3 566	1 634	2 074
Exchange rate gains	5 633	8 559	3 729	4 404
Exchange rate losses	-5 671	-5 838	-3 627	-3 013
Interest expenses	-35 844	-37 566	-10 403	-10 716
Other financial expenses	-3 256	-4 033	-1 000	-1 477
	-33 772	-31 884	-13 651	-5 825

Exchange rate differences apply to financing. Differences arising from sales and purchases are entered as valuation items for either sales or purchases.

6. EXTRAORDINARY INCOME AND EXPENSES

FIM 1000	Group 1995	Group 1994	Parent Company 1995	Parent Company 1994
Extraordinary income				
Group contribution			52 520	40 168
Divestment of business operations	385			
Return of winding up costs of units		108		103
Other		7		
	385	115	52 520	40 271
Extraordinary expenses				
Depreciation of land lease	363			
Avardo shares and capital loan	5 132		9 355	20 654
Winding up costs of units		791		26
Production overheads from previous years in the inventory value of a foreign subsidiary		478		
Other		7		
	5 495	1 276	9 355	20 680
Total extraordinary income and expenses	-5 110	-1 161	43 165	19 591

7. INTANGIBLE ASSETS

The figures include all the intangible assets whose acquisition costs have not yet been entered in their entirety as expenses under planned depreciation. However, all consolidated goodwill and reserves are shown. The Parent Company had no intangible assets.

FIM 1000	Group 1995	Group 1994
Research and development expenditure		
Acquisition cost Jan. 1	1 083	1 297
Fully depreciated	-1 083	-214
Acquisition cost Dec. 31	0	1 083
Accumulated depreciation		-1 083
Balance sheet value Dec. 31	0	0
Accelerated depreciation Jan. 1		71
Changes		-71
Accelerated depreciation Dec. 31		0
Intangible rights		
Acquisition cost Jan. 1	599	529
Fully depreciated	-52	25
Increase	338	4
Acquisition cost Dec. 31	885	599
Accumulated depreciation	-290	-277
Balance sheet value Dec. 31	595	322
Accelerated depreciation Jan. 1	35	32
Changes	11	3
Accelerated depreciation Dec. 31	46	35
Goodwill		
Acquisition cost Jan. 1	67 119	63 358
Fully depreciated	-466	
Increase	5 335	3 794
Decrease	-100	-33
Acquisition cost Dec. 31	71 888	67 119
Accumulated depreciation	-45 942	-39 570
Balance sheet value Dec. 31	25 946	27 549
Accelerated depreciation Jan. 1	168	
Changes	685	168
Accelerated depreciation Dec. 31	853	168
Consolidated goodwill		
Acquisition cost Jan. 1	211 938	211 626
Increase	11 581	324
Decrease	-40	-12
Acquisition cost Dec. 31	223 479	211 938
Accumulated depreciation	-212 830	-211 938
Balance sheet value Dec. 31	10 649	0
Consolidated reserve		
Acquisition cost Jan. 1	-5 388	-4 998
Increase		-422
Decrease	4 782	32
Acquisition cost Dec. 31	-606	-5 388
Accumulated entries in statement of income	606	5 388
Balance sheet value Dec. 31	0	0
Other capitalized expenditure		
Acquisition cost Jan. 1	9 653	9 186
Fully depreciated	-875	-229
Increase	3 207	739
Decrease		-43
Acquisition cost Dec. 31	11 985	9 653
Accumulated depreciation	-4 369	-3 773
Balance sheet value Dec. 31	7 616	5 880
Accelerated depreciation Jan. 1	569	478
Changes	615	91
Accelerated depreciation Dec. 31	1 184	569

8. TANGIBLE ASSETS

The figures include all the fixed assets whose acquisition costs have not yet been entered in their entirety as expenses under planned depreciation.

	Group		Parent Company	
FIM 1000	1995	1994	1995	1994
Land				
Acquisition cost Jan. 1	26 057	26 067	18 948	18 956
Increase	117			
Decrease	-3	-8	-3	-8
Exchange differences		-2		
Balance sheet value Dec. 31	26 171	26 057	18 945	18 948
Revaluations included in the balance sheet value	15 297	15 297	13 800	13 800
Buildings				
Acquisition cost Jan. 1	280 197	209 052	70 570	73 132
Fully depreciated	-5 709	-2 792	-1 529	-2 684
Increase	35 865	74 106		122
Decrease	-1 544	-150		
Exchange differences	-1	-19		
Acquisition cost Dec. 31	308 808	280 197	69 041	70 570
Accumulated depreciation	-77 680	-71 928	-29 119	-28 593
Balance sheet value Dec. 31	231 128	208 269	39 922	41 977
Accelerated depreciation Jan. 1	73 072	63 702	13 208	14 687
Changes	10 134	9 370	-596	-1 479
Accelerated depreciation Dec. 31	83 206	73 072	12 612	13 208
Revaluations included in the balance sheet value	40 555	40 555	20 974	20 974
Machinery and equipment				
Acquisition cost Jan. 1	729 564	694 563	578	783
Fully depreciated	-118 609	-18 166	-59	-222
Increase	145 033	66 650		23
Decrease	-13 980	-11 738		-6
Exchange differences	557	-1 745		
Acquisition cost Dec. 31	742 565	729 564	519	578
Accumulated depreciation	-340 824	-389 801	-460	-458
Balance sheet value Dec. 31	401 741	339 763	59	120
Accelerated depreciation Jan. 1	154 684	151 170	95	183
Changes	8 149	3 514	-53	-88
Accelerated depreciation Dec. 31	162 833	154 684	42	95
Net book value of machines and equipment, included in fixed assets, Dec. 31	377 979	283 959	0	0
Other tangible assets				
Acquisition cost Jan. 1	5 915	6 895	105	49
Fully depreciated	-818	-1 093		
Increase	1 543	113		56
Acquisition cost Dec. 31	6 640	5 915	105	105
Accumulated depreciation	-3 502	-3 323	-27	-15
Balance sheet value Dec. 31	3 138	2 592	78	90
Accelerated depreciation Jan. 1	220	-11		
Changes	162	231		
Accelerated depreciation Dec. 31	382	220		
Advance payments and construction in progress				
Acquisition cost Jan. 1	20 267	9 010		
Increase/Decrease	-7 637	11 257		
Acquisition cost Dec. 31	12 630	20 267		
Taxation values				
Land	8 779	7 854	6 173	5 189
Buildings	102 687	102 788	32 728	34 390
Bonds and shares				
Subsidiaries			239 830	177 307
Other	50 654	53 298	39 651	38 491

The book value was presented where taxation values were unavailable.

9. SUBSIDIARIES DEC. 31, 1995

	Number of shares	Percentage of total number of shares and of voting power	Share of equity	Book value of shares		Nominal value of shares	Profit/loss according to the latest financial statements
		%	FIM 1 000	FIM 1 000			FIM 1 000
Amerplast Oy	7 000	100.0	36 034	122 390	FIM	10 500 000	3 164
Fiktio Oy	10	100.0	882	1	FIM	1 000	853
Inka GmbH		100.0	-1 269	96	DEM	50 000	-103
Inka Oy	20	100.0	8 355	5 001	FIM	2 000 000	-23
Inka Sling Oy	20	100.0	10 000	10 007	FIM	2 000 000	0
M.Koster & Co. B.V.	235	100.0	-478	1 086	NLG	235 000	-149
J. W. Suominen Oy	70 000	100.0	85 016	92 563	FIM	63 000 000	0
Säkkiväline Oy	1 945 942	99.9	178 549	237 806	FIM	19 459 420	29 909
Total				**468 950**			
Owned through subsidiaries:							
A.Eskola Oy	108	93.9	941	943	FIM	108 000	21
Greenwill AB	500	100.0	39	33	FIM	32 595	4
Kanta-Hämeen Ympäristöyhtiö Oy	50	100.0	208	36	FIM	50 000	21
Kiinteistö Oy Tampereen Sarankulma	150	100.0	82		FIM	15 000	28
SV-Ammattipörssi Oy	100	100.0	223	204	FIM	15 000	9
Säkkiväline Etelä Oy	500	100.0	200	50	FIM	50 000	64
Säkkiväline Itä Oy	500	100.0	238	50	FIM	50 000	40
Säkkiväline Kiinteistöhuolto Oy	1 000	100.0	1 151	3 313	FIM	1 000 000	23
Säkkiväline Länsi Oy	500	100.0	191	50	FIM	50 000	46
Säkkiväline Palvelu Oy	60	100.0	207	246	FIM	30 000	65
Säkkiväline Pohjoinen Oy	500	100.0	154	50	FIM	50 000	38
Säkkiväline Puhtaanapito Oy	1 000	100.0	7 261	16 890	FIM	1 000 000	71
Säkkiväline Siivouspalvelut Oy	1 000	100.0	1 319	6 046	FIM	1 000 000	36
Ympäristöautot Oy	100	100.0	52	2 231	FIM	15 000	94
Amerplast AB	100 000	100.0	4 389	575	SEK	10 000 000	1 250
A/O Amerplast	20	100.0	6	13	SUR	4 500 000	-1
Svensk Lasthantering AB	5 000	100.0	5 376	2 820	SEK	500 000	1 814
Total				**502 500**			

10. OTHER COMPANIES DEC. 31, 1995

	Number of shares		Percentage of total shares %		Nominal value of shares FIM 1 000		Book value of shares FIM 1 000	
	Parent	Group	Parent	Group	Parent	Group	Parent	Group
Amer Oy, Series A	6 900	6 900	0.03	0.03	138 000	138 000	1 130	1 130
Enso-Gutzeit Oy, Series A	38 000	38 000	0.03	0.03	380 000	380 000	1 178	1 178
Instrumentarium Corporation, Series A	96 000	96 000	0.63	0.63	960 000	960 000	9 977	9 977
Instrumentarium Corporation, Series B	23 400	23 400	0.48	0.48	234 000	234 000	2 566	2 566
Kiinteistö Oy Inkanmäki *	99	99	99.00	99.00	247 500	247 500	247	247
Kiinteistö Oy Killinkivi *	14	14	58.30	58.30	70 000	70 000	70	70
Kiinteistö Oy Killinpolku *	1	1	25.00	25.00	50 000	50 000	50	50
Kiinteistö Oy Tikankulma *	3 092	3 092	45.47	45.47	1 314 100	1 314 100	24 478	24 478
Lammaisten Sähkö Oy, Series A		332		13.83		66 400		880
Lammaisten Sähkö Oy, Series B		664		13.83		132 800		49
Merita Bank Ltd, Series A	344 650	1 297 351	0.05	0.17	3 446 500	12 973 513	6 761	24 828
Orion Group, Series B	20 120	20 120	0.09	0.09	201 200	201 200	2 004	2 004
Pihlajamäen Ostoskeskus Oy	77	77	4.43	4.43	7 700	7 700	711	711
Polar Rakennusosakeyhtiö, Series K	8 000	8 000	0.02	0.02	80 000	80 000	1 015	1 015
Repola Corporation	108 858	108 858	0.07	0.07	1 088 580	1 088 580	8 951	8 951
Stockmann Oy , Series A	875	875	0.01	0.01	17 500	17 500	279	279
Central Share Register of Finland Co-operative	2	3	0.40	0.61	140 000	210 000	140	210
Tuko Oy	65 070	65 070	0.24	0.24	650 700	650 700	161	161
Ura Oy *	60	60	100.00	100.00	6 000	6 000	6	6
Pohjola Insurance Company, Series A	41 000	41 000	0.20	0.20	205 000	205 000	3 530	3 530
Connection fees							206	2 166
Telephone company shares							12	968
Other							79	3 948
Total							63 551	89 402

*** Not consolidated**

A complete list of shares held in the form of an appendix of documents pertaining to the financial statements is available at the Lassila & Tikanoja Group central administration.

A devaluation of FIM 45.5 million was made on December 31, 1994 in the Group for the shares held in Merita Bank Ltd. This devaluation was increased in the financial statements by FIM 4.6 million. In accordance with the financing agreement concluded in connection with the acquisition of these shares, the changes in valuation have no effect on the result. Otherwise, the shares were evaluated at the original acquisition cost. The book value of publicly quoted shares was FIM 12.4 million higher than their market value on the day the books were closed.

11. FINANCIAL ASSETS

FIM 1000	Group 1995	Group 1994	Parent Company 1995	Parent Company 1994
Group companies				
Shares			468 950	420 964
Loan receivables			114 601	88 120
Total			583 551	509 084
Loan receivables from members of the Boards of Group companies and the Managing Directors	1 050	0	1 050	0

The interest on the loan is 7 per cent and the maturity is six months.

12. VALUATION ITEMS

FIM 1000	Group 1995	Group 1994	Parent Company 1995	Parent Company 1994
Portion of pension liability not entered as an expense Jan. 1	3 878	4 360	3 841	4 259
Change during the financial year	200	-482	237	-418
Portion of pension liability not entered as an expense Dec. 31	4 078	3 878	4 078	3 841

The pension liability and liability deficit of the closed pension fund will decline by the year 2000 to the extent that matching is not necessary.

13. CURRENT ASSETS

FIM 1000	Group 1995	Group 1994	Parent Company 1995	Parent Company 1994
Trade receivables				
Denominated in FIM	67 512	63 861		
Denominated in foreign currencies	76 320	82 960		
Total	143 832	146 821		
Trade receivables as a percentage of net sales	10.5	11.9		
Receivables from Group companies				
Loan receivables			78 946	22 545

14. GROUP EQUITY CAPITAL

FIM 1000	Total	Restricted equity: Share capital	Restricted equity: Share premium	Revaluation fund	Unrestricted equity: Transferred from untaxed reserved	Unrestricted equity: Distributable equity capital
Equity capital Jan. 1,1995	365 959	63 723	92 997	18 598	146 889	43 752
Dividends	-16 949					-16 949
Translation differences	245					245
Change in untaxed reserves for the financial year	0				-4 334	4 334
Profit	69 993					69 993
Dec. 31, 1995	419 248	63 723	92 997	18 598	142 555	101 375
Distributable equity capital						101 375

15. PARENT COMPANY EQUITY

FIM 1000	Total	Restricted equity Share capital	Share premium	Operating fund	Unrestricted equity Retained earnings	Profit for financial year	Own shares
Equity capital Jan. 1, 1995	393 349	63 723	92 986	174 796	102 319		-40 475
Dividends	-17 793				-17 793		
Profit	26 785					26 785	
Dec. 31, 1995	402 341	63 723	92 986	174 796	84 526	26 785	-40 475

16. SHARES HELD BY THE COMPANY

The following procedure was employed for the shares held by the company:

	number
Total number of shares	6 372 252
Redeemed with distributable equity and cancelled	1 953 000
Shares in circulation	4 419 252
Shares held by the company and entered in the balance sheet without value	465 120
Shares held outside the company	3 954 132
Shares held by a subsidiary and entered in the balance sheet without value	187 555
Shares held outside the Group	3 766 577

17. GROUP VOLUNTARY RESERVES AND DEFERRED TAX LIABILITY

FIM 1000	Dec. 31, 1995	Change	Jan. 1, 1995
Accelerated depreciation	248 504	19 756	228 748
Investment reserves	5 461	-4 699	10 160
Operating reserves	599	-99	698
Transition reserves	54 912	-8 448	63 360
Total voluntary reserves	309 476	6 510	302 966
Deferred tax liability	-86 652	-10 910	-75 742
Subsidiaries' share of equity on acquisition	-80 224	-11 036	-69 188
Minority's share of voluntary reserves less tax liability	-45	11 102	-11 147
Share transferred to unrestricted equity	142 555	-4 334	146 889

18. CREDITORS

FIM 1 000	1996*	1997	1998	1999
Instalments of non-current creditors in near future				
Group				
Loans from credit institutions	9 516	41 312	28 536	23 011
Pension loans	20 143	18 524	17 362	16 290
Total	29 659	59 836	45 898	39 301
Parent Company				
Loans from credit institutions	4 638	5 631	4 887	1 102
Pension loans	8 265	7 686	7 148	6 648
Total	12 903	13 317	12 035	7 750

* Under current liabilities in the balance sheet

	Group		Parent Company	
	1995	1994	**1995**	1994
Liabilities which fall due in five years or a longer period				
Loans from credit institutions	**63 289**	41 074	**62 907**	64 008
Pension loans	**208 093**	179 039	**92 401**	75 908
Total	**271 382**	220 113	**155 308**	139 916
Liabilities to Group companies				
Other current liabilities			**184 620**	116 306

On December 31, 1995 the Group had FIM 412.1 million in non-current, interest-bearing liabilities and the Parent Company FIM 184.3 million. The share of Group liabilities denominated in marks was 85.3 per cent and that of the Parent Company 98.1 per cent.

Warrant bond

Other non-current liabilities include the remainder of the warrant bond issued by the company in 1993, i.e. FIM 396,000. An early amortization of FIM 12,000 was made on the bond in 1995. According to the terms, the bond will be repaid in a single instalment on July 1, 1998. The annual interest on the bond is 10 per cent. Between July 1, 1993 and December 31, 1998 198,000 shares can be subscribed with the warrants at a price of FIM 141. The share capital can therefore be increased by FIM 1,980,000. These shares represent 5 per cent of the shares held outside the Group. No subscription rights based on warrants have been exercised.

19. PLEDGES AND CONTINGENT LIABILITIES

	Group		Parent Company	
FIM 1 000	**1995**	1994	**1995**	1994
Security for own liabilities				
Pledges	**220 998**	220 020	**214 730**	214 730
Real estate mortgages	**188 740**	189 340	**67 300**	67 300
Company mortgages	**80 130**	69 430		
Security for Group company liabilities				
Guarantees			**83 195**	21 732
Liabilities				
Pension fund liabilities	**17 567**	18 662	**17 567**	18 621
Other pension liabilities	**91**	108	**33**	51
Leasing liabilities				
Falling due next year	**124**	198		
Falling due in subsequent years	**11**	76		
Other leasing liabilities	**200**	365		
Derivative contracts				
Forward contracts	**40 754**	44 593	**7 516**	
Interest rate swaps	**35 000**	93 473		
Currency swaps		42 473		

The Group has given no pledges, mortgages or guarantees on behalf of outsiders.

Proposal by the Board of Directors to the Annual General Meeting

On December 31, 1995, the consolidated balance sheet	
shows unrestricted equity	243 930 000.00
With distributable equity of	101 375 000.00
The Parent Company's result	26 785 336.21
Profit carried over from previous years	84 525 249.88
Total	111 310 586.09
The Board of Directors proposes that a dividend of FIM 6.50 be paid	
on each of the 3,954,132 shares held outside the Company	25 701 858.00
Leaving the remainder on the retained earnings account	85 608 728.09
Total	111 310 586.09

Helsinki, February 28, 1996

Jaakko Lassila — Yrjö Niskanen

Heikki Hakala — Jukka Viinanen

Juhani Maijala

Auditors' report

TO THE SHAREHOLDERS OF LASSILA & TIKANOJA LTD.

We have audited the accounting, the financial statements and the corporate governance of Lassila & Tikanoja Ltd for the period January 1 - December 31, 1995. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

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

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

Helsinki, March 4, 1996

SVH Coopers & Lybrand Oy
Authorised Public Accountants
Ilkka Haarlaa
Authorised Public Accountant

Antti Lassila
Authorised Accountant

SHAREHOLDERS BY CATEGORY

	Number of shareholders	Percentage of total shares	Total shares held in each category	Percentage of shares held outside the Group
Companies	55	8.4	920 494	24.4
Credit institutions and insurance companies	9	1.4	844 840	22.4
Organizations	5	0.8	368 842	9.8
Non-profit associations	18	2.7	161 017	4.3
Households	568	86.6	950 353	25.2
Foreign	1	0.2	600	0.0
	656	100.0	3 246 146	86.2
Shares registered in a nominee's name			513 909	13.6
Shares not transferred to the book-entry securities system and on the waiting list			6 522	0.2
Total			3 766 577	100.0

DISTRIBUTION OF SHARE OWNERSHIP

Number of shares	Number of shareholders	Percentage of total shares	Total shares held in each category	Percentage of shares held outside the Group
1- 1000	495	75.5	123 875	3.3
1001- 3000	87	13.3	145 057	3.9
3001- 10000	44	6.7	240 695	6.4
10001- 20000	13	2.0	181 101	4.8
20001- 50000	5	0.8	116 688	3.1
50001- 100000	3	0.5	199 686	5.3
yli 100000	9	1.4	2 239 044	59.4
	656	100.0	3 246 146	86.2
Shares registered in a nominee's name			513 909	13.6
Shares not transferred to the book-entry securities system and on the waiting list			6 522	0.2
Total			3 766 577	100.0

THE TEN LARGEST SHAREHOLDERS

Shareholders	Number of shares	Percentage of shares held outside the Group
1. Repola Corporation	504 000	13.4
2. Pohjola Group	375 700	10.0
3. Instrumentarium Corporation *	339 899	9.0
4. Evald ja Hilda Nissi Foundation	251 415	6.7
5. Merita Bank Ltd	250 000	6.6
6. Toivo Kangas estate	189 720	5.0
7. Juhani Maijala	123 610	3.3
8. Alfred Berg Finland Unit Trust	103 400	2.7
9. Municipal pension insurance	101 300	2.7
10. Heikki Bergholm	81 000	2.2
Total	2 320 044	61.6

* Includes shares owned by the pension fund.

Information on shares

Company share capital totalled FIM 63,722,520, comprising 6,372,252 shares, each with a nominal value of FIM 10. A total of 1,953,000 of these were redeemed by the company with distributable capital and the shares were cancelled. Thus the number of shares in circulation is 4,419,252, of which Lassila & Tikanoja holds 465,120. These shares were entered in the balance sheet without value and their cost of acquisition reduces unrestricted equity.

A total of 3,954,132 shares are held outside the company. Lassila & Tikanoja's subsidiary Fiktio Oy owns 187,555 Parent Company shares, which have been entered in the consolidated balance sheet without value. The number of shares held outside the Group totalled 3,766,577. This is the number of shares used in calculating the key figures.

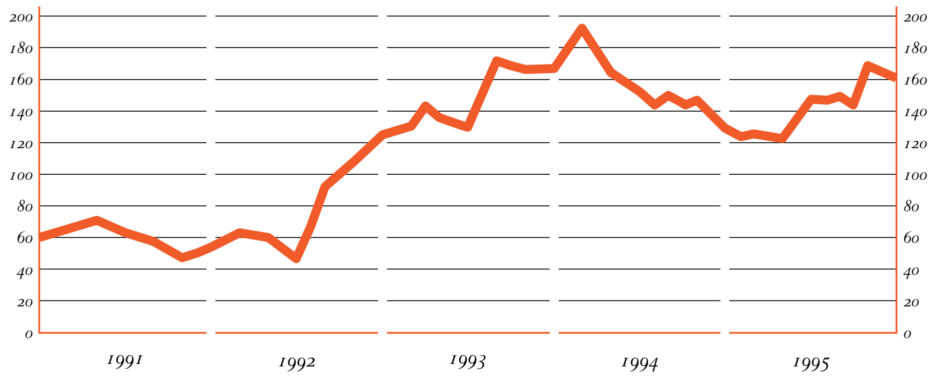
A maximum of 198,000 of the shares can be subscribed between July 1, 1993 and December 31, 1998 with the warrants associated with the 1993 bond and the share capital can thereby be increased by FIM 1,980,000. These shares represent 5 per cent of those held outside the Group. The warrant bond was available to the full-time management of the Lassila & Tikanoja Group.

The members of the Lassila & Tikanoja Board of Directors owned 123,960 company shares on February 15, 1996, which is 3.3 per cent of the share capital outside the Group. Members of the Board of Directors can subscribe the equivalent of 0.8 per cent of the share capital outside the Group with the 1993 warrant bond. The pension fund owned 22,548 company shares on the date in question, which is 0.6 per cent of the share capital outside the Group.

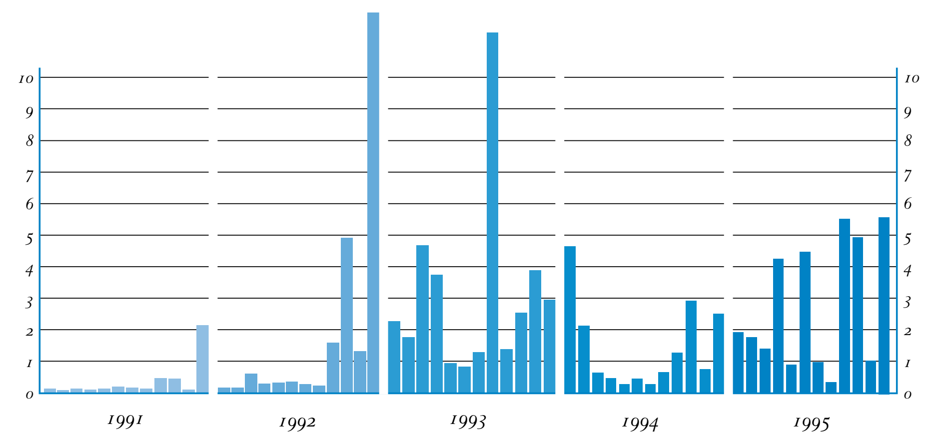
Company shares are quoted on the Helsinki Stock Exchange, where 1,234,324 were traded in 1995, which is 32.8 per cent of the shares held outside the Group.

The company has one share series. The shares are part of the bookentry securities system. The Board of Directors is not authorized to issue shares, convertible bonds or warrant bonds.

Average share prices adjusted for share issue, FIM



Relative trading in shares, %



SOME KEY FIGURES ON SHARES

	1991	1992	1993***	1994	**1995**
Earnings/share (EPS), FIM	-1.49	14.61	11.07	20.11	**22.56***
Equity/share, FIM	123.54	134.85	80.53	97.16	**111.31**
Dividend/share, FIM	0.87	2.16	2.50	4.50	**6.50****
Dividend/earnings, %	-379.1	13.2	21.6	19.6	**23.6****
Dividend yield, %	1.5	2.0	1.4	3.3	**4.0****
P/E ratio	neg.	7.3	15.9	6.8	**7.2**
Adjusted share price at the end of the financial year, FIM	57.99	107.33	176.00	137.00	**163.00**
Market capitalization on Dec. 31, FIM mill.	176.7	327.0	662.9	516.0	**614.0**
Adjusted number of shares held outside the Group					
Average during the year	3 046 429	3 046 429	3 446 950	3 766 577	**3 766 577**
At year end	3 046 429	3 046 429	3 766 577	3 766 577	**3 766 577**

* The effect of the rise in the tax rate on the deferred tax liability was not taken into account. With dilution of the warrant bond taken into account: FIM 21.70.

** Proposal by the Board of Directors.

*** The figures for 1993 have been adjusted to comply with present accounting principles.

KEY FIGURES ON FINANCIAL PERFORMANCE

	1991	1992	1993***	1994	**1995**
Net sales, FIM mill. **	991.1	955.0	1 013.2	1 229.9	**1 374.0**
Exports and international operations, FIM mill.	360.0	384.1	418.6	570.4	**633.5**
Operating profit, FIM mill.	51.1	91.0	81.4	122.1	**142.8**
as % of net sales	5.2	9.5	8.0	9.9	**10.4**
Profit before extraordinary items, FIM million	4.1	47.6	37.7	90.2	**109.0**
as % of net sales	0.4	5.0	3.7	7.4	**8.0**
Profit before reserves, income taxes and minority interest, FIM mill.	1.5	47.6	27.3	89.0	**103.9**
as % of net sales	0.2	5.0	2.7	7.2	**7.6**
Balance sheet total, FIM mill.	1 184.2	1 162.2	1 053.9	1 103.6	**1 146.8**
Return on equity, % (ROE)	-1.0	11.3	11.9	21.8	**20.8***
Return on invested capital, % (ROI)	6.8	11.4	12.2	15.8	**17.3**
Equity ratio, %	33.1	36.8	31.6	36.2	**36.6**
Gross investments, FIM mill.	98.7	102.6	202.0	163.4	**229.9**
as % of net sales	10.0	10.7	19.9	13.3	**16.7**
Average personnel employed	3 031	2 605	2 639	2 910	**3 019**

* The effect of the rise in the tax rate on the deferred tax liability was not taken into account.

** Net sales for 1994-1995 are presented in the manner explained in the accounting principles.

*** The figures for 1993 have been adjusted to comply with present accounting principles.

Calculation of the key figures

Return on equity, % (ROE) =

$$\frac{\text{Profit before extraordinary items} \pm \text{change in the liability deficit of pension funds} - \text{taxes for the financial year} \pm \text{change in deferred tax liability for the financial year} \times 100}{\text{Shareholders' equity} + \text{minority interests (average)}}$$

Return on invested capital, % (ROI) =

$$\frac{\text{Profit before extraordinary items} \pm \text{change in the liability deficit of pension funds} + \text{interest and other financial expenses} \times 100}{\text{Balance sheet total} - \text{interest-free liabilities (average)}}$$

Equity ratio, % =

$$\frac{\text{Equity capital} + \text{minority interests} \times 100}{\text{Balance sheet total}}$$

Profit per share =

$$\frac{\text{Profit before extraordinary items} \pm \text{change in the liability deficit of pension funds} \pm \text{minority interests from result} - \text{taxes for the financial year} \pm \text{change in deferred tax liability for the financial year}}{\text{Number of shares held outside the Group adjusted for share issue (average)}}$$

Equity/share =

$$\frac{\text{Shareholders' equity}}{\text{Number of shares held outside the Group adjusted for share issue at the close of the financial year}}$$

Dividend/share =

$$\frac{\text{Total dividend}}{\text{Number of shares held outside the company adjusted for share issue at the close of the financial year}}$$

Dividend/earnings, % =

$$\frac{\text{Dividends paid by Parent Company for the financial year} \times 100}{\text{Profit before extraordinary items} \pm \text{change in the liability deficit of pension funds}}$$

Dividend/yield, % =

$$\frac{\text{Dividend/share} \times 100}{\text{Share price adjusted for share issue at the close of the financial year}}$$

P/E ratio =

$$\frac{\text{Share price adjusted for share issue at the close of the financial year}}{\text{Profit/share}}$$

Market capitalization = Number of shares held outside the Group × share price at the close of the financial year

The deferred tax liability has been included since 1993.

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Financial information

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