ASKO GROUP ANNUAL REPORT

1996

NOTICE TO SHAREHOLDERS

Annual General Meeting

Asko Oy's Annual General meeting of Shareholders will be held at 16.00 hours on Tuesday the 25th of March 1997 at Asko Oy's meeting facilities in Lahti, Finland. The street address is Askonkatu 2.

Financial information

During 1997 Asko will publish two interim reports. The reports will be available in Finnish, Swedish and English as follows:

Interim Report for 1 Jan.–30 April 1997	On 5th of June 1997 (in week 23)
Interim Report for 1 Jan.–31 August 1997	On 9th of October 1997 (in week 41)

Copies of the annual and interim reports will be mailed to all registered shareholders.

Further copies may be ordered from:

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Tel. +358 (3) 815 11
Fax +358 (3) 815 2600
Internet: raili.nurminen@asko.fi

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Asko Core Values

In all activities, Asko embraces the following values:

Resilience

Asko began as a one-man operation. From the beginning we have been accustomed to strech even limited resources to achieve outstanding results.

When necessary, we are ready to implement rapid changes in strategy and operations. This has been evidenced by the Group's wide international development over the last ten years.

Capability

Asko got its start in craftsmanship. Today also, our craftsmen are distinguished by their proficiency.

Thanks to these higly motivated and skilled workers, decision-making in the organisation is based on individual initiative at all levels. In support of this philosophy, production is carried out on a "workshop" principle.

High-quality products

Asko products are characterised for their quality and durability. Frequently, they are tailored to customer specifications.

Fresh approaches

Asko understands materials, in particular the properties of various woods, metals and plastics. Our operations are typified by innovation and a willingness to experiment, resulting in the discovery of new solutions for old problems.

Environmental awareness

Concern for the environment is of paramount importance. At Asko, the production process is governed by the concept of maximum containment with considerable emphasis on the recovery of materials. To this effect, the technology for recycling products is being developed constantly.

The technology for recycling of products is being developed constantly.

Organization

ASKO GROUP JAN. 1, 1997

Head Office

JARMO RYTILAHTI
CEO

PER-OLOF SÖDERLUND
Finance

HARRI HUTTUNEN
Internal Audit

MARJA HANSKI
Legal Affairs

Divisions

HEIKKI MAIRINOJA
Managing Director
Uponor

JORMA WIITAKORPI
Managing Director
Asko Appliances

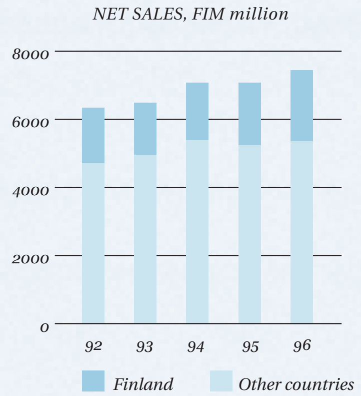
RAIMO KOTIRANTA
Managing Director
Asko Furniture

ESKO TEERIKORPI
Managing Director
Upofloor

KARI PARVIAINEN
Managing Director
Textiles

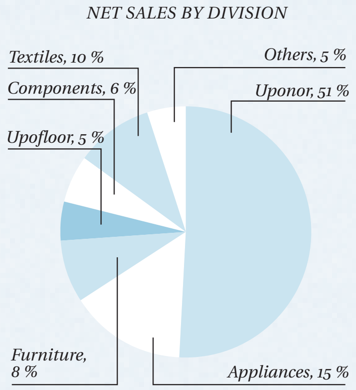
PETRI OLKINUORA
Managing Director
Real Estate

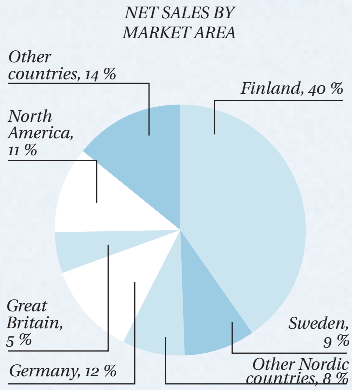
Asko's year 1996

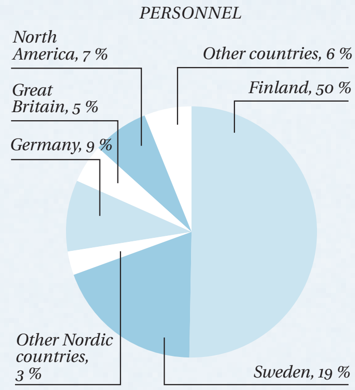


- Result before taxes and reserves FIM 355 million, largest ever recorded
- Due to major restructuring, the amount of balance sheet total decreased by FIM 348 million
- HEX-quoted Asko share price up by 128 % for the period under review

		1996	1995
Net sales	FIM million	7,429	7,066
Operating profit	FIM million	606	575
Profit before taxes and reserves	FIM million	355	277
Investments	FIM million	426	541
Return on investment	%	11.1	10.8
Equity ratio	%	32.9	28.0
Personnel		9,005	9,704







Review by the Chief Executive Officer

The Asko Group result for 1996 showed improvement over the previous year, as forecast in the final interim report. In the latter part of the year the result development was particularly good. For the year as a whole, result targets were achieved. An especially favourable aspect was that every operational division recorded a positive result.

The year 1996 was a time for major structural change within the Asko Group. Restructuring took place in all operational divisions with the consequence that the amount of balance sheet total decreased by FIM 348 million. These internal structural changes were pushed through quickly and efficiently thanks to the personnel as a whole who showed a remarkable capacity for resilience.

We have now arrived at a new phase in our strategy. The Group's basic profitability is satisfactory and the largest operational division's share of Group net sales is approaching 60 percent (i.e. Uponor). Asko began manufacturing plastic pipes more than 30 years ago. In the last 15 years, however, Uponor has grown to become a major company on world markets. The company's main products are high-quality plastic piping systems, which are sold under own brands.

After three years of relative calm, Uponor has adopted a clearly-defined growth strategy. This means greater investments than ever, aimed at developing new products and new production capacity in order to ensure organic growth.

Acquisitions have also been an essential part of this growth strategy.

Asko's strategic objective is to achieve a 40 % degree of solvency by the end of 1998. The Group solidity for 1996 increased by 4.9 percentage points and was 32.9 % at the turn of the year.

Uponor's growth strategy and solidity objectives mean that Asko will continue to work purposefully to realise fixed assets surplus to requirements. This does not exclude the possibility of relinquishing certain operations.

We are happy to report that Asko's positive development has not gone unnoticed by investors. The 1996 price development of Asko shares, 128 %, was one of the best on the Helsinki Stock Exchange, while at the same time the exchange of shares increased significantly. From the beginning of 1997, Asko has been quoted on the stock exchange list under the chemicals' industry, which also better indicates the significance of the plastics' industry for the Group.

As a consequence of the strong development in our result, the Board of Directors has decided on a share dividend policy, whereby about a quarter of the Group result after taxes is distributed as dividend so long as solidity is below 40%. This chosen policy is already reflected in the dividend distribution for 1996.

Targets are aimed such that the Group's 1997 result will be better than that for 1996. To achieve this, I believe that we will be assisted, together with our own great endeavours, by the optimistic economic forecasts, particularly for Europe.

I would like to express my gratitude to all Group personnel for the excellent work they have done. The year 1996 was an eventful one and demanded a great deal of resilience from all of us.

Many thanks also to our customers, financiers, and to our shareholders for their confidence in the Asko Group and its business operations.

Jarmo Rytilahti

Overview of Asko Group Operations

Uponor

Uponor is one of the world's leading manufacturers of high-quality plastic piping systems. Its main market areas are central Europe, the Nordic countries, the British Isles, and North America. The company comprises 33 factories in 12 European countries, the United States and Argentina.

Net sales of FIM 3,761 million.
Personnel 3,542.
Products: Piping systems for hot water, municipal engineering, gas- and water supply distribution.

Main events of the year 1996:
- **In North America, the Wirsbo Company commissioned two factory extensions to meet growing demand.**
- **Four sales companies for hot water systems were bought in Europe and in the United States.**
- **In July, Hewing of Germany commissioned a new radiation unit which resulted in a doubling of capacity.**
- **Investments were made for the production of Mondial pressure pipes in Portugal, England, and the United States.**
- **As a result of product development in electro fusion fitting product range, new products were introduced to the market.**
- **Uponor purchased the plastic pipe jointing technology operations and associated rights of the California-based Raychem Corporation.**

Asko Appliances

Asko Appliances is one the largest manufacturers of white goods domestic appliances in the Nordic countries and comprises factories in Finland and Sweden. The division's main market areas are the Baltic region, the USA, and Australia.

Net sales of FIM 1145 million.
Personnel 1,241.
Products: washing machines, tumble dryers, dishwashers, cookers, cooker hobs, and refrigerators and freezers.

Main events of the year 1996:
- **Major divisional restructuring as a result of the sale of Consort Equipment Products Ltd., Fincoil-teollisuus Oy, Futurum AB, and Pax Electro Products AB.**
- **Asko Appliances concentrated on its own production of washing- and heating line domestic appliances.**
- **New integrated dishwashers, gas-electric cookers, and cooker ventilators were introduced to the market.**
- **Internal operational-efficiency measures were adopted at the Lahti and Vara factories.**

Asko Furniture

The Home Furniture unit is the leading supplier of home interior products in Finland. The Contract Furniture unit is Finland's third largest supplier of furniture systems for companies and public organisations. The division has 28 interior-furnishings' department stores in Finland, one in Stockholm and one in Tallinn. All production facilities are located in Finland. The main markets areas are Scandinavia and eastern Europe.

Net sales of FIM 594 million.
Personnel 1,108.
Products: home furniture, mats, textiles, and other items for the home, contract furniture for offices, auditoria, libraries, banks, hotels, and specific applications.

Main events of the year 1996:
- **Major co-operative agreement signed with Idé Skeidar AS.**
- **Furnishing Nokia's new head office.**
- **Vilkon Oy transferred to Koskitukki Oy.**
- **Department store for Interior-furnishings renewed in Tampere and opened in Tallinn.**

Upofloor

Upofloor is the market leader in floor coverings in Finland and one of the leaders in the field in Scandinavia. Its production facilities are located in Finland and its main market areas are Scandinavia and central Europe.

Net sales of FIM 369 million.
Personnel 511.
Products: calendered and spread-coated vinyl floorings, parquet, special flooring, and tiles.

Main events of the year 1996:
- **Net sales growth of 6 %, export share of net sales increased to 52 %.**
- **Finnmark-denominated growth of 19 % in parquet exports.**
- **PVC-free, quartz composite ''Tellus'' tiles, electricity-conducting ''Elsafe'' plastic matting, and a ready-to-lay parquet treated with natural oils, resins and wax were introduced on the market.**

Asko Components

Asko Components is a noted manufacturer and supplier of components for the automotive and engineering industries. Production plants are located in Finland and in Sweden and the main market areas are Scandinavia and central Europe.

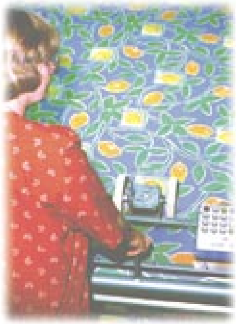
Net sales of FIM 465 million.
Personnel 845.
Products: cast and forged products, plumbing and municipal engineering products, wood-burning and sauna stoves.

Main events of the year 1996:
- **Early-year decreased demand experienced upturn towards year-end.**
- **Wirsbo Smide initiated investments in new component production line.**
- **Pietarsaari foundry investment in green sand plant initiated.**

Textiles

The Textiles division comprises five units. The consumer goods' units include Socks, Black Horse and Interior Textiles, and the industrial goods' units include Industrial Textiles and Yarns. The units manufacture and market well-known brand products for local retailers. Production facilities are located in Finland and the main market areas are the Nordic countries.

Net sales of FIM 776 million.
Personnel 1,637.
Products: socks, pantyhose,knitwear clothes, textiles for the home and public areas, industrial fabrics and yarns.



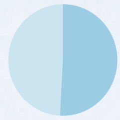
Main events of the year 1996:
- **The Textiles division formed from Suomen Trikoo and Finlayson.**
- **A clear growth in the sale of consumer goods through greater brand awareness and emphasising degree of domesticity.**
- **Cost-effectiveness improved through restructuring.**

Asko Real Estate

Asko Real Estate maintains and develops the Group's industrial, commercial and residential property holdings and acts as consultant on matters related to construction, energy, and management of said properties. The real estate is located in the Group's main production localities and in other parts of Finland.

Net sales of FIM 232 million.
Personnel 74.

Main events of the year 1996:
- **Finlayson's hydro-power plant in Tampere was sold to the City of Tampere.**



51% Share of Group net sales

Uponor

Market situation

In terms of construction industry demand, 1996 was rather exceptional. In Europe, the early part of the year was characterised by a long cold winter which resulted in a powerful decline in building activities. In central and northern Europe, construction activities returned to normal levels only towards the end of April. Thereafter, demand increased at a rapid rate to become reasonably good.

The revival of construction activity varied between regions. In the Nordic countries, there was a growth upturn in house building during the autumn. As forecast, the development in Germany turned weak. However, the materialised decline was only half the forecast. In Britain and in southern Europe, markets on the whole remained unchanged. The same situation prevailed in Hungary also, though in Poland and in the Czech Republic, there was a definite upsurge in demand. In North America, demand was strong at the beginning of the year. However, it fell off towards year-end. Overall, construction trends were rather positive for Uponor, especially in Germany where the development was better than expected.

Raw material prices

The prices of Uponor's main raw materials, polyethylene and polyvinyl chloride (PE and PVC), remained stable. After the collapse of raw material prices that occurred at the end of 1995, there were modest increases without major fluctuations. This led to improved operational conditions for Uponor. In addition, price levels remained such that the competitiveness of plastic piping systems was preserved, which contributed to an increase in market shares.

The prices of PVC in Europe and in the United States followed the usual annual development curve. The price of PE products increased more steeply in the United States than in Europe because the raw materials for PE became more expensive there. During the year, the price differences between PE and PVC plastic widened slightly. This led to an improved competitive position, e.g. for pressure-pipe products made from PVC. It is expected that this development will continue, which would further improve the position of PVC pipes.

A more global customer base

The internationalisation of Uponor's customer base continued throughout 1996. The consolidation of the HEPAC wholesale trade advanced in Europe with major local wholesalers forming, by various means, strong regional or Europe-wide organisations. Further, a few major water supply companies have over recent years sought to become more international through acquiring other enterprises in the field. This development is accelerating in many countries as a consequence of the privatisation of water distribution, and thereby, leading international water supply enterprises are becoming still more multinational. A corresponding development is taking place in the gas distribution sector.

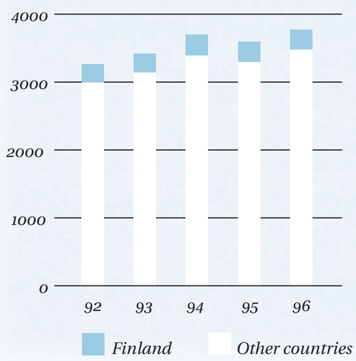
In the United States, the operational environment is somewhat different, though, there too, distribution networks in Uponor's product areas are undergoing change.

For Uponor, the internationalisation of its customer base is advantageous in that the division itself operates on a wide geographical basis.

With the establishment of local, rapid-service cash-and-carry wholesalers, the nature of wholesale trade operations is changing. Simultaneously, enterprises are seeking to minimize capital tied-up in stock. This necessitates flexible logistics and functional telecommunications solutions not only for the wholesalers themselves but also between wholesaler and supplier.

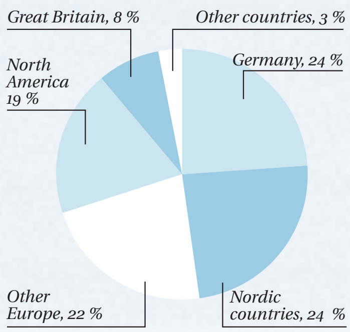
The competitive environment is composed of re-

NET SALES, FIM million

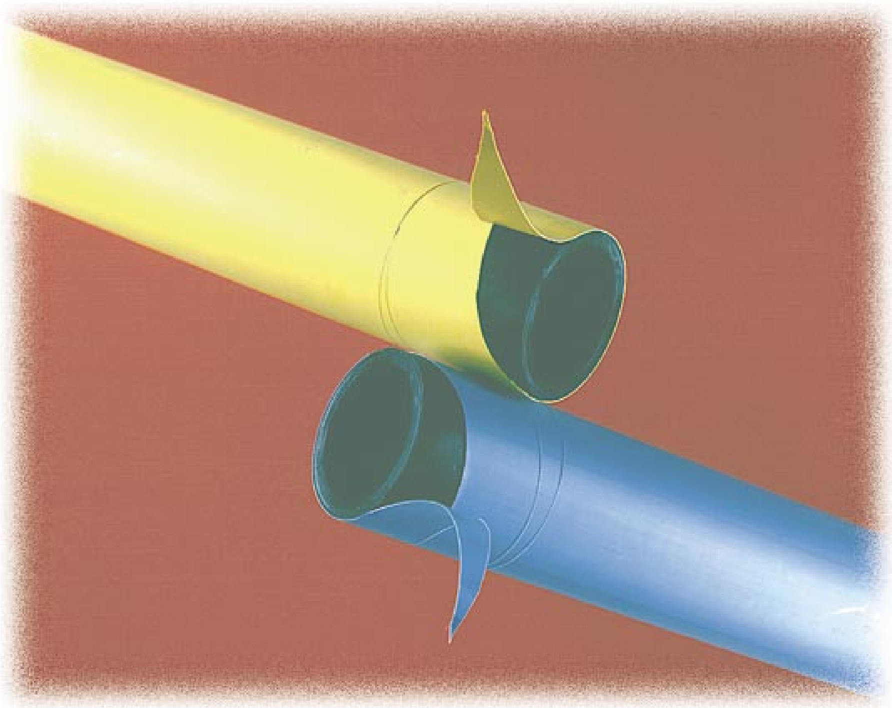


	Net sales FIM million	Personnel Dec. 31, 96
Germany	914	797
Great Britain	294	388
Nordic countries	893	1213
Other Europe	838	520
North America	708	585
Others	114	39
	3,761	3,542
Investments	245	

NET SALES BY MARKET



To better facilitate electro fusion of plastic pipes, Uponor Ltd. of England has developed Profuse, a double-layered polyethylene pipe. Its body comprises an accurately dimensioned PE-pipe, and the outer part a protective plastic cover which can be easily removed prior to fusion, to ensure a clean fusion surface that is vital for electro fusion jointing.



gional companies located either in Europe or North and South America, which operate on one or several of Uponor's business areas. The competitive situation is in a constant state of flux. For example, in 1996, as a consequence of acquisitions, major new enterprises which supply municipal engineering and gas distribution systems were established in continental-Europe. In the hot water systems also, new manufacturers are continually joining the competition.

The most significant change in North America was the withdrawal from the market of the competitive raw material polybutylene. As a consequence, markets were divided largely between the manufacturers of PEX piping systems and copper piping systems.

Net sales and result

Uponor's net sales amounted to FIM 3,761 million, which was 171 million (i.e. 4.8 %) greater than for the previous year (3,590). Exchange rate fluctuations accounted for some three percent of the growth in net sales.

Uponor's operating profit was FIM 296 million (FIM 265), i.e.7.9% (7.4%) of net sales. This was 11.7 % more than for the previous year. Both the result and the return on net capital employed improved over the previous year.

The main reasons for the good result were the moderate to good demand on all main markets and stable raw material prices. Another positive aspect was the fact that the construction decline in Uponor's most important market area (Germany) was far less severe than forecast.

In terms of Business Area operations, the result increased significantly in the Municipal Engineering Sec-

The UPONAL SAKO is a complete waste water treatment system for private homes and other smaller applications. The system meets the most exactly environmental regulations.

Uponor ETI Company in the USA commenced production of a 36-inch diameter PVC-pipe in January 1997. The pipe is aimed at the market for large dimensioned sewer and drain pipes, which is currently dominated by concrete pipes. Known as Ultra-Corr, the corrugated double-walled pipe was immediately well received on the market.

tor and slightly in the Building Products. The profitability of Hot Water Systems remained as before and that for Gas Systems fell slightly. The profitability for the Municipal Engineering and Gas System business operations was burdened especially by the price level of PE pressure pipes, which was very bad on several markets. An alleviation of the situation is not within sight.

Divisional structure and investments

During the period under review, there were no significant changes in Uponor's structure. A few smaller company acquisitions or operational deals were made during the year. In January, Wirsbo S.r.l. acquired an additional 24 % shareholding in Scantec S.p.A., a supplier of underfloor heating systems based in Italy. Uponor previously owned one quarter of the company's shares. In September, ownership was increased to 100 %.

In January, Uponor's subsidiary Hewing GmbH bought hot water systems' sales company Seppelfricke Systemtechnik GmbH based in Germany. In February, Uponor Deutschland GmbH bought a 49 % shareholding in Kanal-Braun GmbH, a German company specialised in the renovation of sewers and drains. In July, Wirsbo began a sales company operations for the retail of Wirsbo products in Denmark. In August, Uponor Aldyl Company in the United States bought the plastic pipe jointing business and associated rights of the Californian company Raychem Corporation.

In September, Uponor ETI Company purchased the chamber operations and associated rights of the Texas-based company AquaBlok. In November, Uponor sold its shareholding in Tooler Oy, which manufactures injection moulds, located in Nastola, to a holding company mainly owned by the management and an investment company.Uponor remained as a minority shareholder. In December, the floor heating systems operations of US company Radiant Technology Inc., were acquired.

During 1996, there were a few factory extensions. Hewing's new radiation unit entered service in Germany. In the United States, two factory and distribution depot extensions for the Wirsbo Company were initiated. One is already in operation. In addition, the British factories at Hilcote and Aycliffe also began extensions to their premises. In addition, a decision was made to build new factory premises in Poland and Hungary.

Production technology investments were concerned mainly with products that represented a new way of thinking. Investments in MO-PVC pressure pipe pro-

Wirsbo Company is fast conquering markets in North America with its Aquapex system, which is guaranteed for 25 years. The system can be directly installed in concrete foundations with no need for a separate layer of insulation, such as is required for copper pipes in water supply applications. Costs are thereby significantly reduced. The Aquapex pipe together with the ProPex connection with its PE-X temperature memory represent an unbeatable combination.

duction were made in Portugal, England, and in the United States. In Poland, investments were made for the manufacture of polypropylene pipes (PPr) in order to expand the potential for the supply of hot water systems. The range of electro fusion fitting product range with the introduction of a new type of pipe was expanded.

Uponor's investments in product development continued. For example, during 1997 significant new products in the main product areas will be introduced to the respective markets. It is intended that major product development efforts will continue with a strong commitment to consolidating Uponor's position as a technological leader in the field.

Uponor's total investments amounted FIM 245 (191) million. The net investments were FIM 203 (184) million and the amount of depreciations FIM 202 (196) million.

Organisation

During 1996, Uponor's workforce increased by 225. At year-end there were 3,542 persons in the employ of the division. The growth was generated from company acquisitions and personnel increases mainly in the United States, Britain, Poland, and Germany.

The Group's corporate management system was changed at the beginning of January 1997 from a partial geographical system to a business area based. The organisation based on business area operation has already been partially adopted since the beginning of 1994.

In September 1996, Uponor's personnel representatives from ten European countries signed an agreement with Group management concerning a European forum for information and communications. The object of the Upofor council is to develop a forum in which worker representatives from various countries have an opportunity to meet the Group management on a yearly basis.

Outlook

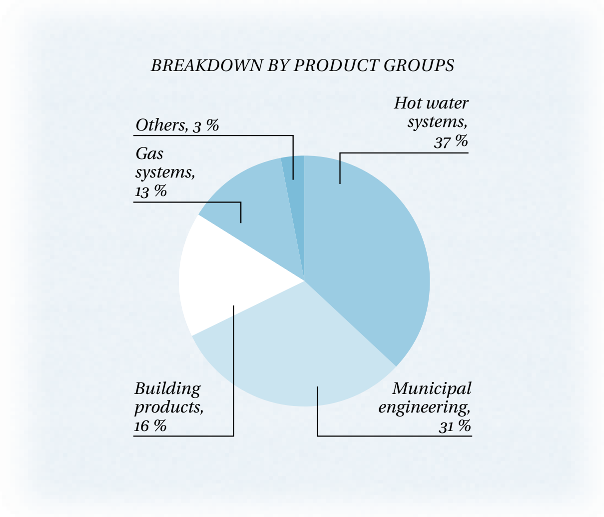
The prospects for business operations are good. In European countries, a strong to moderately variable business cycle is expected. This will be directly reflected in the demand on the construction market. In the largest market area, Germany, markets look as though they

The MetFit and SmartHeat pipe connection technology recently acquired by Raychem Corporation in the USA, are excellent additions to Uponor's product range. Here we see the SmartHeat system for electro fusion.

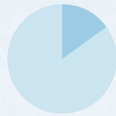
will continue to contract, though less steeply than was forecast a year earlier. In Britain, the upward trend is ahead of other major European markets. Construction activities there are expected to be brisker than elsewhere. Also, it is believed that the demand for gas distribution systems will strengthen in Britain since the country is undergoing basic renovation of the gas distribution network after a longish period of quiet.

In the Nordic countries, the demand for building will continue to revive. The stronger economies of eastern Europe will continue to be brisker than those in the rest of Europe. In the United States, economic growth will continue strong. It is forecast that home building will fall slightly but nevertheless remain at a satisfactory level. During the current year, the price development of raw materials is expected to remain in a state of relative calm.

Uponor's good economic standing will create opportunities for investments to essentially increase. Together, the relatively favourable overall market situation coupled with Uponor's strong position will provide the potential for Uponor's net sales to grow faster than last year and for the result to remain good.



Uponor Finland supplied some 25 kilometres of PELM-pipes for cooling the rink of Helsinki's new Hartwall Arena, venue for the 1997 World Ice-hockey Championships.



15 % Share of Group net sales

Asko Appliances

Market situation

In Sweden, the overall market decreased by 4 %. In the next largest market area, Denmark, markets shrank still more, i.e. by 6.5 % compared with the previous year. In Finland, on the other hand, demand increased by 7.1 %. In Norway also, the relatively stable growth trend of 2.6 % continued.

Of the Baltic countries, Estonia is rapidly developing as a marketing region with purchasing power and where demand is especially aimed at new domestic appliances rather than second hand, which was the case a few years ago. In Latvia also, the situation is improving.

Of other markets significant for the division, the development was favourable in the USA. In Australia, the overall economic situation was poor. This in turn weakened the demand for domestic appliances. The Russian market did not develop as expected, thereby not giving rise to conditions which were conducive to achieve the targeted growth rate.

In Europe, growth continued at an extremely low rate. As a consequence, the interest of several manufacturers was directed to the faster growing markets of the Far East. Many enterprises in the field reported that they did not reach their set targets on the European markets.

During 1996, the industry launched new, innovative products. The significance of energy and environmental aspects continued to grow. Mandatory energy rating were introduced in Europe for washing machines and tumble dryers. Initially, the reporting was inconsistent in terms of reliability. Energy and water consumption are primary product characteristics. However, when marketing, sometimes the washing machine's most important features are to a degree forgotten, i.e. a good wash result and high operational reliability.

In the USA and in Australia, the demand for European type dishwashers and washing machines continued to grow. This is indicative of changing attitudes and of the long-term concept of superiority associated with the European type of product.

Sales development

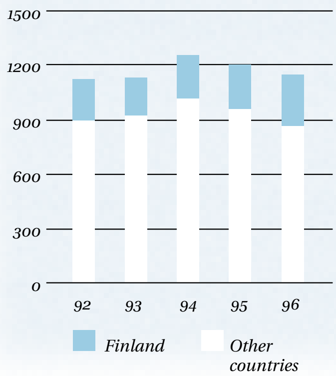
Asko Appliances' net sales amounted to FIM 1,145 million, i.e. 4.9 % lower than the previous year. Taking into consideration the influence of the divestments of Fincoil and Consort at the beginning of the year, comparative net sales for white goods increased by 8.1 %.

The volumes of the main production units remained about at the same level as for the previous year, and the sales growth occured mainly as a result of exchange rate fluctuations. The volume development of the most important sales companies was positive in general and very positive in the USA, where a volume growth by 20 % was achieved. The restructuring of the division's sales operations in Germany and in England had a negative effect on sales volumes.

The UPO brand name gained market share in Finland, the Baltic States and in Sweden. ASKO sales grew most strongly in the USA and in Norway while maintaining their market position in Australia and in Denmark. In Sweden, the distributor, ABB Asea Skandia strengthened its position.

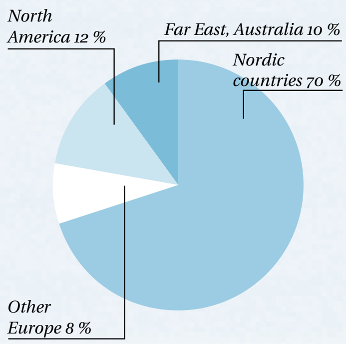
The Baltic countries developed in accordance with targets, and volumes doubled over the previous year. In Estonia, a distribution network with more than 20 outlets was set up and is fully operational. In Latvia also,

NET SALES, FIM million



	Net sales FIM million	Personnel Dec. 31, 96
Nordic countries	801	1,152
Other Europe	83	14
North America	141	21
Far East, Australia	120	54
	1,145	1,241
Investments	21	

NET SALES BY MARKET AREA



In accordance with tests to assess energy savings and wash results, Asko's top loading washing machines are at the absolute peak in their class.

preparations were made to expand distribution.

Sales in Russia developed satisfactorily. However, growth targets were not reached as the positive economic development came to a halt and in some cases even became negative.

In central and southern Europe, co-operation with the current partners continued. New possibilities on the European market are being developed together with new associate partners, the ATAG Kitchen Group, and General Electric Europe.

New markets have been opened in the Middle East and in South America.

Result

The possibilities to improve the result by increasing sales were limited already when the operational plan for 1996 was drawn up. For this reason, the division concentrated strongly on the development of internal result factors in Vara and Lahti to find solutions for the division's structure.

Resources were modified to match with the prevailing demand. In Lahti, the workforce was reduced already at the end of 1995. At the Vara factory the number of employees was reduced by almost one hundred, mainly effecting in the last quarter of the year.

Raw material and component prices fell. This, together with improved efficiency, increased profitability. Tight control of current assets improved the return on net capital employed which became significantly better than for the previous year.

The weak price development on many markets made it difficult for the sales companies to maintain their margins. Some of the achieved positive effects on cost and productivity was thus offset in the result for the division.

The net result was influenced by one-off costs associated with the closing down of the division's sales companies in Germany and Britain.

Financing expenses were reduced as a result of decreased interest rates and a better capital structure which resulted in favourable cash flow development. The division's operating profit was FIM 37 million, i.e. FIM 22 million better than for the previous year.

Changes in operational structure

The structure of the Asko Appliances' division was changed significantly during 1996 and at the beginning of 1997. In the future, the division will concentrate on its own production of washing and cooking products, i.e. dishwashers, washing machines, tumble dryers, and cookers.

In accordance with this strategy, Fincoil-teollisuus Oy and Consort Equipment Products Ltd., belonging to the component division, were sold in the spring. PAX Electro Products AB at Hälleforsnäs, Sweden, a company which manufactures and markets fans was sold in a management buy-out deal in December. At the beginning of 1997, Futurum AB, located at Byske in Sweden, was sold to Transforma Invest AB. Futurum manufactures cooker hoods.

It was decided to close the production of refrigeration products at ASKO Osby AB because production volumes were too low. Decisions were taken to restructure the system of distribution in Germany and Britain.

Investments were mainly concerned to maintenance projects. The division concentrated on increasing the efficiency of internal operations. The most significant R&D investment was directed towards the development of Futurum's new range of free hanging cooker hoods and associated production equipment, which was completed at the end of the year.

The total investments were FIM 21 million.

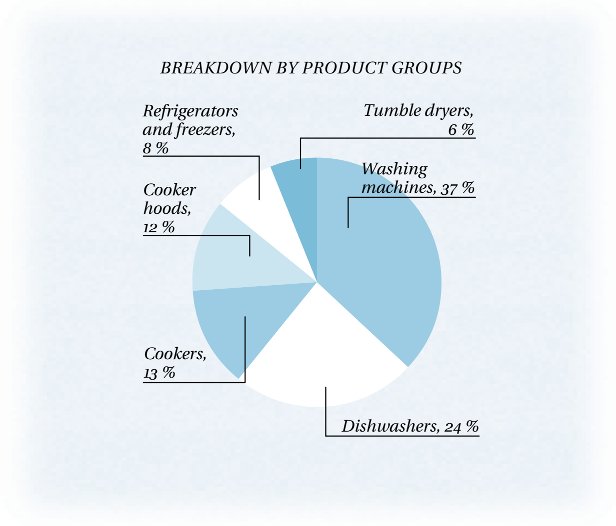
Product development

Futurum's new range of cooker hoods, based on a wholly new design and a new manufacturing technique, will provide the company with the possibility to maintain its position as the leading manufacturer of cooker hoods in the Nordic countries.

At the Vara factory, a top of the line, integrated dishwasher range was completed. These are aimed at entirely new customer category, such as kitchen furniture manufacturers.

Test marketing of the Lahti factory's combination cookers for both gas and electricity was initiated. Russia and the Baltic States, are considered high potential markets for these projects.

Other investments included preparations for significant new product development projects.



Outlook

The overall economic conditions are expected to improve in the Nordic countries. As a consequence, it is believed that an upturn in the sales volumes on the Swedish market will finally occur. As economic conditions in Finland and Norway continue to be favourable, it is believed that the total sales on the Nordic market will grow in 1997.

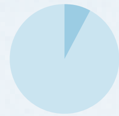
The competitive situation in the USA for European type appliances is becoming tougher. Competitors will start up local manufacturing. Thanks to Asko's strong imago and brand, which has been established over the years, the division will be able to benefit from the continuously growing demand for European type products.

During the spring of 1997, the top of the cooking products will be launched in Australia. Thus, better than ever conditions for raising sales volumes will be created and awareness of the Asko brand name consolidated.

The changes of the division's structure, with the exception of the closing of ASKO Osby AB, have on the whole been carried through. The division's internal work distribution has been changed such that the role of the ASKO and UPO brand names will be strengthened. At the same time, the factories will concentrate still more on increasing the efficiency of product development, manufacturing and logistics.

During 1997, substantial resources will be allocated to product development and marketing. The division's clear structure and the pruning of unprofitable operations offers possibilities for more expansive activities in the search for new market areas and co-operative partners. The expected modest cost development, encouraging market development, and greater internal efficiency provide good possibilities for improving the division's profitability.

The diswasher range now fulfils the needs of the upper segment of Asko's product line. The latest additions comprise designer models that integrate well with furnishings and which also feature exteriors manufactured of stainless steel.



8 % Share of Group net sales

Asko Furniture

Market situation

Development in the field continued positive during 1996, with furniture and interior furnishings recording a growth of about 5 percent. In the early part of the year, the growth figures were still somewhat modest. However, particularly in the latter part of the year and especially in December, there were promising signs of the long awaited revival in consumer demand.

Consumer barometers show that the interiors' sector has continuously been at the peak when consumers investment in the home. The positive development in the field is reflected in the growth in Asko Furniture's retail store sales, especially towards the end of the year. The stores which operate according to the new concept recorded the most increase in sales. The sales development in area Helsinki was characterised by much stiffer competition in the autumn, though all Asko's department stores recorded better sales than for the previous year.

The development of exports has come to a standstill after the growth of the last few years, and imports to Finland have once again increased noticeably. Asko Furniture's exports were 7 % greater than for the previous year. The rate of growth was particularly good in the Nordic countries.

Structural changes

For the Asko Furniture division, the year under review was characterised by major structural change. Three subsidiaries in the Group were sold. In Tallinn, on the other hand, the business operations of Sisustusluks AS were acquired in order to establish Asko department store in Estonia. At the early part of the year, a significant Nordic alliance was formed with the Norwegian Idé Skeidar whereby the Asko-owned Oslo department store was transferred to the control of Idé. At the same time, Idé Skeidar began to sell products manufactured by Asko in all its retail outlets in Norway. As a consequence of the alliance, exports to Norway increased significantly.

During the summer, Vilkon Oy, a birch timber yard based in Hirvensalmi, was sold to Koskitukki Oy of Kärkölä. At the end of 1996, the Rauma-based upholstery and foam-plastic mattress manufacturer Suomen Superlon Oy was sold to the Norwegian company Brekke Industrier AS.

The combined annual net sales of the divested units, amounted to FIM 172 million and the combined workforce was 232 persons.

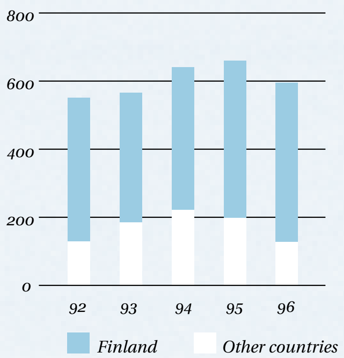
In all company deals, the personnel were transferred to serve with the new owners with their full employees' rights intact. The division's strategy for the Baltic was further advanced by the opening last autumn of a 3,000 m2 Asko store in Tallinn. In the same store, there is also a large exhibition of contract furniture.

In Russia, sales offices were opened in St. Petersburg and Moscow.

Marketing, product development and production

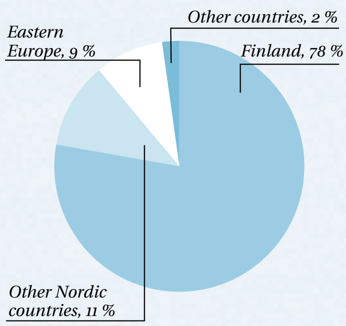
The Home Furniture unit continued to invest in its own retail network. The current objective is to update 10—12 of Asko's largest department stores in Finland to accord with the chosen concept. During the year, renovations of the department stores in Espoo and in Tampere were completed. In Helsinki, the Asko retail shop located on Annankatu was converted to an Indoor retail outlet and

NET SALES, FIM million



	Net sales FIM million	Personnel Dec. 31, 96
Furniture, Finland	571	1,031
Furniture, other countries	41	55
Others/internal net sales	-18	22
	594	1,108
Investments	15	

NET SALES BY MARKET AREA



Travel agency Spies' administrative premises high above the roofs of Helsinki. The office is wholly furnished with Asko's Ofi-series, the timeless beauty of which ideally blends with the city skyline.

the Asko Forum and Itäkeskus shops redecorated. Thanks to a well defined product profile, Indoor has attracted a solid customer base.

Last year, the Home Furniture unit exhibited at two international fairs, i.e. in Cologne and in Copenhagen. The German designer Annette Lang's curved Poco chair, manufactured from birch laminates and designed especially for Asko, attracted the attention of the international press. The chair was chosen as one of the ten best products at the Hannover fair and was awarded a prize in the design and ecology class. The chair also won the Grand Prix award in the Czech Republic. Asko product designer Tuula Falk was awarded the furniture prize of the year. The prize is granted by SIO, a prestigious organisation for interior architects.

Of the Contract Furniture unit's product line, the new Ofi-series of office furniture continues to expand. This modern, versatile, beautifully formed series of office furniture, designed by Markku Pakkanen, has been chosen for, among others, the offices of the Yrittäjäin Fennia insurance company, and the administrative headquarters of travel agent Spies in Helsinki.

In the summer, Asko won its largest ever order for office furniture, i.e. to furnish Oy Nokia Ab's new head office at Keilalahti. The deal was valued at over FIM 10 million. The furniture has been designed by interior architect Jouko Järvisalo. Known as Fino, this product family of office furniture will be completed as a series during 1997.

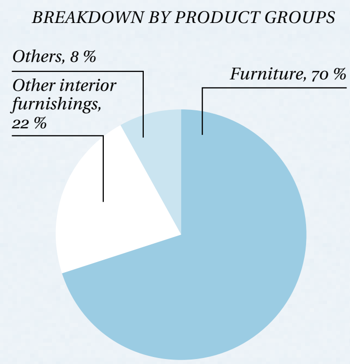
Other notable interior furnishing projects in Finland included deliveries to the National Board of Patents and Registration and the University of Turku. Of the projects abroad, the most significant were the Hotel Ahlbeck's interior in Germany, the Federation Savings Bank and Central Bank in Russia, and the Sasima Library in Japan. A FIM 20 million contract was signed with shipyard Kvaerner Masa Yards to furnish its luxury cruise liners M/S Sensation and Grandeur of the Seas.

During 1996, all Asko product factories increased production, i.e. the Upholstery Factory, Board Furniture Factory, Chair Factory, Special Product Factory, and Metal Furniture Factory. The most significant investment project is to update operational control systems by the end of 1998.

The popular Harlekiini range has expanded to include this stylish divan.

Asko made its largest ever deal to furnish Nokia House, Nokia's new head office situated in the pleasant seaside environment of Keilalahti bay in Espoo, Finland. Some 1,200 personnel will utilize Fino-workstations and office furniture especially designed for them.

Asko's reorganised department stores provide customers not only with complete solutions for their interiors but entirely new experiences.



Net sales and result

Due to restructuring within the Group, the Asko Furniture division's net sales of FIM 594 million were lower than for the previous year (FIM 660 m). However, the comparative net sales grew by 7 percent. In relative terms, most sales were generated by the Home Furniture unit's exports, which were 32 %, and the Stockholm department store,15 %. Also, the Home Furniture unit's retail trade, sales through dealers, and the Contract Furniture unit's domestic sales increased.

The foreign operation's share of net sales was 22 %. The division's exports, valued at FIM 96 million, were, in comparative terms, 7 percent higher than for the previous year. Of exports, 32 percent went to the Nordic countries, 55 % to eastern Europe, and 9 % to western Europe. The most significant export countries were Russia, Norway, Sweden, and Poland.

The Asko Furniture division's operating profit was FIM 30 million (5.1 %), i.e. FIM 10 million more than for the previous year. Total investments for the division amounted to FIM 15 million. The investments were mainly aimed at updating the network of Asko Home Furniture's retail outlets.

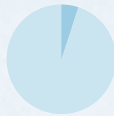
At year-end, the division employed 1,108 persons, 96 less than for the previous year, the comparative change being 24.

The Home Furniture unit's net sales and result development for 1996 was positive. The restructuring of export activities and the clear revival of the domestic market at the end of the year, combined with the successful expansion of the retail concept, has created a good basis for the future. This positive development is expected to continue. The Contract Furniture unit's net sales remained at the previous year's level, but the result was a bit better.

Outlook

The distinct revival in consumer demand that began at the end of 1996 is expected to continue during 1997. The investment in retail outlets, both in Finland and in the Baltic region, will improve Asko's marketing position in a situation of still tougher competition. After the last few years of decline, exports are now growing, particularly to the Nordic countries. The establishment of a large retail network for contract furniture in eastern Europe will strengthen the potential for continuing growth in the region.

Net sales are expected to grow by about 5 percent when compared with 1996. The favourable growth registered by the Stockholm department store is forecast to continue in 1997. The store in Tallinn is also expected to reach its targets. Asko Furniture has the potential to improve its result once again, though on main markets competition has stiffened significantly.



5 % Share of Group net sales

Upofloor

Market situation

During the year under review, construction activity in Finland continued quiet as a result of the decrease in new housing starts. The winter, in particular, was the quietest on record. Renovations and conversions on the other hand continued to grow. Due to improved demand during the autumn, the overall markets for floor coverings remained at the previous year's level. The real price of parquet flooring fell to a record low. In contrast, the decline in the real price of vinyl floor coverings came to a halt during the year. Upofloor deliveries, in terms of square meters, remained at the previous year's level and the company thereby maintained its strong market position as Finland's leading supplier of floor coverings.

In the main export markets of central Europe, the severe winter put a stop to building site activities for weeks. In western Europe, the overall market growth for floor coverings came to a halt. The market situation varies considerably depending on export country. In Germany, Upofloor's most important export country, the peak construction years are behind us. In the Nordic countries the situation is somewhat divisive. In Norway, the markets for floor coverings have grown slightly, whereas in Sweden markets went down by 10% from the previous year's level. Of floor coverings, the overall growth in demand for parquet flooring slowed, and the real price of parquet fell to some degree from the previous year's level. The slight strengthening of the Finnish markka did not help the division in its competition with main competitors in Sweden. The market volume and price development of vinyl floor coverings were stable on the division's main export markets.

Net sales and result

Upofloor's 1996 net sales increased by 6 % to FIM 369 million (348 m).

The export share of net sales rose to 52 % from the 48 % of the previous year. Parquet exports grew by 19%. The main growth occurred in all principal markets in central and southern Europe, the Nordic countries, and especially in Russia. The export of vinyl floor coverings remained at the previous year's level.

Domestic net sales remained at the previous year's level. After the quiet period at the beginning of the year, sales revived towards year-end due to the growth in building activities. The sales of vinyl flooring for public areas increased by 6 percent. However, parquet sales decreased. Due to stiff price competition, the real price of parquet flooring fell by 10 % as compared with the previous year.

Upofloor Oy's operating profit amounted to FIM 19 million, i.e. FIM 11 million better than for the previous year. The improved result, in addition to the growth in net sales, was brought about by measures adopted to raise operational efficiency within the division. Thanks to the ISO-9002 quality system, all factories were able to improve their productivity and quality levels significantly. Administrative rationalisation measures began to take effect only during the last third of the year under review. Furthermore, the price development of plastic raw materials has been favourable compared with the previous year.

Divisional structure

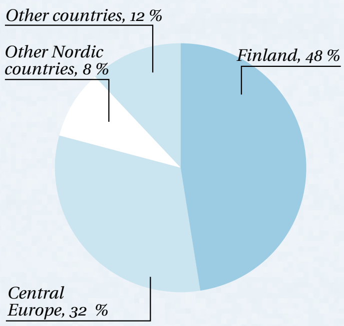
The division comprises the vinyl flooring and parquet flooring units. All production plants are located in Finland, i.e. at Nokia, Ikaalinen, Heinola, Nastola, and Lappeenranta.

During 1996, the division underwent structural change with the object of introducing more customer driven operating methods and focusing on generating sales growth in the main market areas at home and abroad. The profit-centre divide between plastics and

NET SALES, FIM million

	Net sales FIM million	Personnel Dec. 31, 96
Vinyl tiles	33	
Vinyl floorings	122	
Parquet floorings	186	
Others	27	
	369	511
Investments	8	

NET SALES BY MARKET AREA



parquet has been dismantled and replaced by an operational mode whereby sales and marketing is divided into three geographical regions, i.e. domestic sales, exports to the Nordic countries and eastern Europe and, thirdly, exports to central and southern Europe and the rest of the world.

Successful co-operation continued with Deutsche Linoleum Werke (DLW) in central Europe and in the Nordic countries. During the year under review, Upofloor signed a distribution agreement with the Portuguese Amorim Group which operates in eight European countries. Through co-operation with DLW and Amorim, Upofloor seeks to strengthen the position of its parquet flooring on the growing markets of central Europe. Another co-operative agreement was signed with the Australian company Bunnings Forest Products Pty. Ltd., to start up parquet exports to Australia.

At the beginning of the year, a new line for the production of Compact-parquet at the Lappeenranta parquet factory was completed. In addition to compensatory investments, other investments were aimed mainly at improving quality and productivity.

The hard wearing HOVI RAE tile, well suited for public areas such as the Karstadt department store in Mülheim, Germany.

The number of personnel employed at the end of 1996 was 511, compared with 523 for the previous year. There was an increase in the workforce at the Heinola factory. In contrast, the number of staff members employed by the company decreased.

Product development

In co-operation with the Polymer technology laboratory of the State Research Centre of Finland and the Technology Development Centre (TEKES), the development of halogen-free flooring continues. In accordance with the original timetable, the new product will be ready for test production during 1997.

A new generation of environment-friendly polyolefin plastic tiles have been launched on the market. The product represents the very latest of its kind in the world. An industrially produced ready-to-lay parquet flooring, surface treated with natural oils and wax, has also been introduced to the market. In addition, a new parquet, brand-named Compact and characterised by easy transportation, handling, and installation, was launched.

Ready to lay parquet, surface treated with natural oils and wax, represents a truly genuine wooden floor. Here we see an example of maple parquet.

During 1996, an electricity-conducting plastic matting was developed and is scheduled for introduction at the beginning of 1997. International patent applications are pending for both the semi-conductive resilient flooring and the polyolefin plastic tile.

Upofloor’s total investments amounted to FIM 8 million.

Outlook

During 1996, the trough on the domestic market for construction activities bottomed out. The revival of new building starts which began in the spring is expected to continue throughout 1997. Simultaneously, the market for conversions and renovations will continue to develop favourably. The markets for flooring are thereby

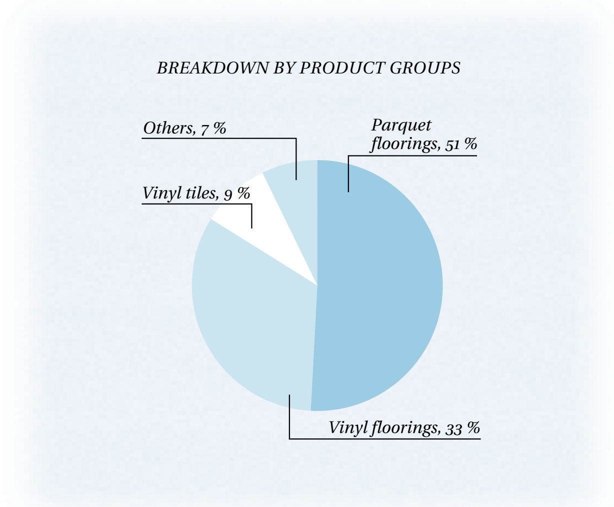
The hard wearing HOVI tile, well suited for public areas e.g. the Satakunta General Hospital in Finland.

forecast to experience an upturn after six years of decline. In 1996, the domestic market for floor coverings was a third less than the average level for the whole of the eighties.

Of the Nordic countries, construction in Sweden is expected to remain quiet with the markets for floor coverings remaining at the 1996 level. The favourable development in Norway will continue with markets growing to some degree. The operations of the Swedish sales company were reorganised in co-operation with DLW. The object is to improve profitability and operational conditions to accord with potential market growth.

The export organisation in Russia was put into good operational condition and exports progressed much better than planned. The prospects for growth remain good. However, at the same time, the political and economic risks give rise to factors of uncertainty, thereby making forecasting somewhat difficult. At the end of the year, a Baltic sales organisation was established to handle exports to Estonia, Lithuania and Latvia.

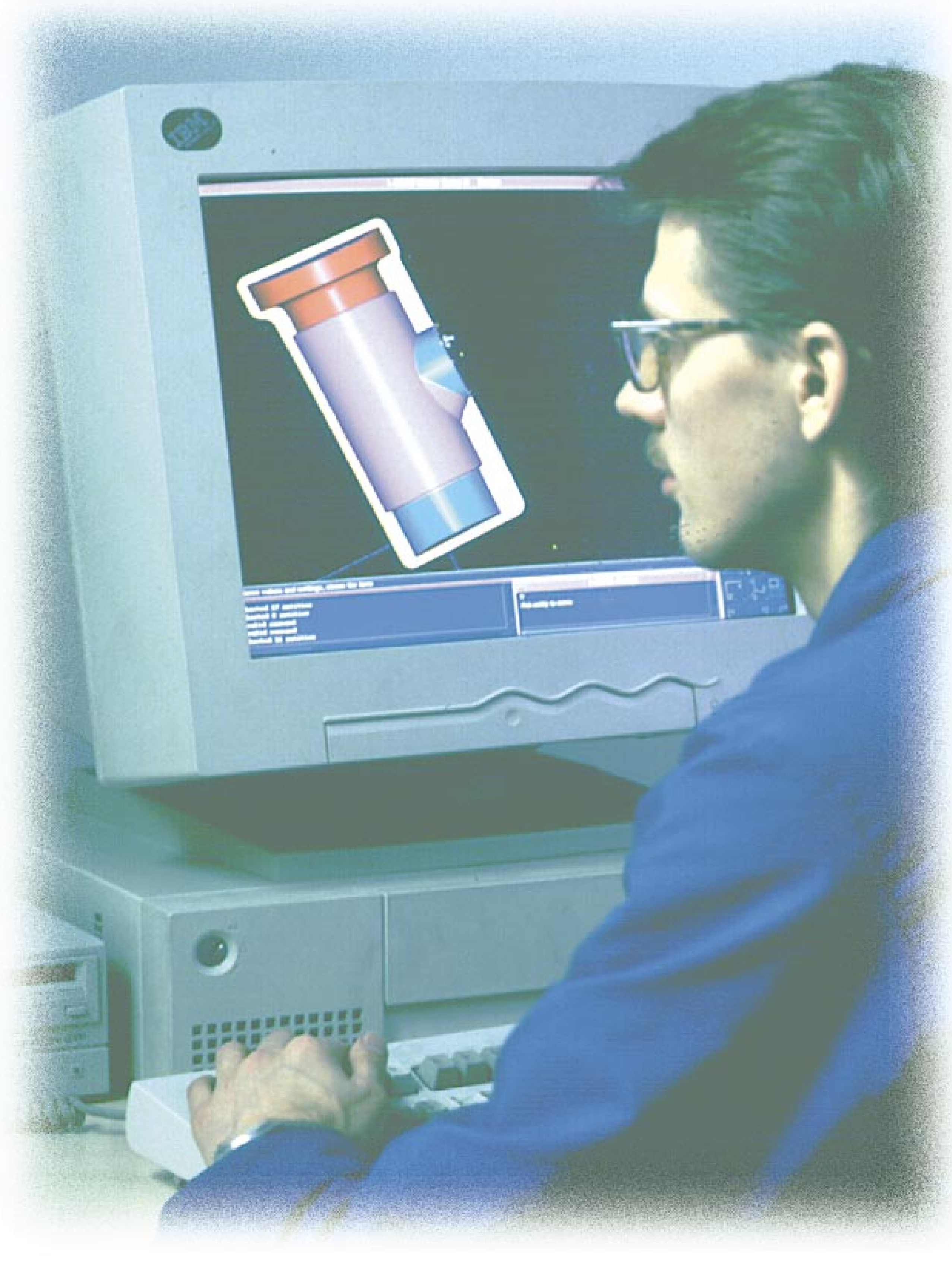
The co-operation with DLW and with the new parquet distribution channels is expected to lead to increased parquet exports to European and distant markets. With the new specialised products - i.e. polyolefin

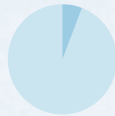


plastic tiles and semi-conductive resilient flooring - the division will seek niche markets through distribution channels worldwide.

The improvement of Upofloor's profitability essentially depends on the growth in sales. However, the strengthening of the Finnmark further hampers export competitiveness because of competition from Sweden. Improving internal efficiency in all business areas is expected to improve the division's profitability. Upofloor Oy's result is expected to improve in 1997.

Upofloor is Finland's only domestic manufacturer of floor matting for dwellings. Here we see the popular Upostep 20, one of the 20/40 product range.





6 % Share of Group net sales

Asko Components

Market situation

In the heavy vehicle industry, the division's most important market area, the powerful growth in demand stabilised in autumn 1995. In the early part of 1996, demand fell, though towards year-end it showed slight signs of revival. The division's most important customers, Volvo LV and Scania, retained their market shares. In the autumn, Mercedes-Benz introduced its new truck, the Actros, which won the ''Truck-of-the-Year'' award.

In 1995, European truck manufacturers were overproducing, thereby leading to production cut-backs during the year under review. This in turn resulted in a reduction in the deliveries of forged and cast components manufactured by Wirsbo Smide and Asko Valimo, but the close co-operation with their key customers made it possible for the units to increase their market share in deliveries to these customers. Both units also have an opportunity to continue to consolidate their position in their own special fields.

The passenger vehicle industry was stimulated to some degree in the latter half of the year and the rise in activity is expected to continue. In the engineering industry, demand remained at the previous year's level, though Upo Valimo recorded a slight growth in sales.

At the early part of the year, Upo LV-Tekniikka was troubled by weak demand in HEPAC markets and stiff price competition in Finland. Towards year-end the situation improved with a growth in demand and a slight increase in the price level The investment in production process gave a push to sewer pipe export deliveries to Germany in the latter half of the year.

After several years of relative inactivity, there was also an upturn in demand on the markets for Upo Puulämpö products.

Net sales and result

The division's net sales were FIM 465 million, on the same level as for the previous year. Operating profit amounted to FIM 26 million (FIM 38 million), i.e. 5.5 % (8.0 %) of net sales. The main reasons for the weakening of the operating profit was mainly the result of lower volumes at the Pietarsaari and Wirsbo units and higher than expected start-up costs for the sewer-pipe production line at the Upo Valimo.

At year end, Asko Components' workforce numbered 845 persons (867).

Investments

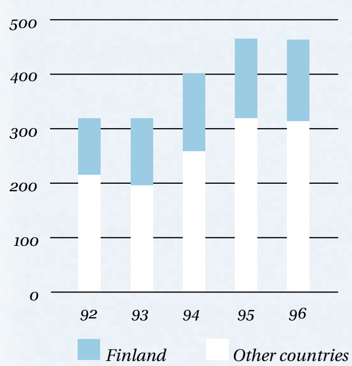
Asko Components' investments amounted to FIM 15 million. The largest investment at the Pietarsaari foundry was the start-up of a green sand plant. The plant is scheduled for commissioning at the beginning of 1998. The Upo Valimo's largest investments were directed to the purchase of new core shooting and shot-blasting machines. In addition, a decision was made to renew the operational control systems of the Finnish units. The main investments of the Swedish-based Wirsbo Smide were aimed at developing the operational reliability of the factory's largest production line and the further processing of products to improve their competitiveness.

Outlook

The demand for heavy vehicles in western Europe is forecast to remain at the 1996 level. For the main units in the division, the development of Volvo and Scania market shares as well as the success of the new Mercedes-Benz truck will be critical.

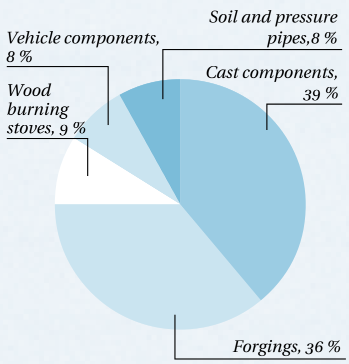
Due to the initiated adjustment measures, the 1997 result is expected to be better than that for the previous year.

NET SALES, FIM million



	Net sales FIM million	Personnel Dec. 31, 96
Cast components	222	495
Forgings	211	303
Upo Wood Heat	41	57
• internal net sales	–9	
	465	845
Investments	15	

BREAKDOWN BY PRODUCT GROUPS

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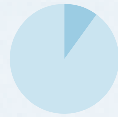


10 % Share of Group net sales

Textiles

Market situation

During the year under review, the trade in textiles and clothing was relatively slack. Demand was somewhat weak, particularly in the early part of the year, though in the autumn, sales improved on the approach of the cold weather and Christmas. The wholesale trade in textiles and clothing continued to decrease and retail trade grew by only 1—2 percent. In the textile division's most important export countries, i.e. Sweden and Germany, the growth in consumer demand was slow, at just 1—2 %. The development of the price level during the year has been moderate, with the index rising by less than one percent. The prices of raw materials (cotton and synthetic fabrics) have remained relatively stable. The value of clothing imports increased by 15 %, a partial reflection of customs' tariffs being lowered to the EU level.

The production of textiles and clothing within the European Union continued to fall. In the current decade, for example, European textile production has fallen by 8 % and clothing production by 14 %. In Finland, textile production grew slightly last year, whereas the production of clothing decreased by close to 10 %. On the other hand, the production of sewing industry in the neighbouring Baltic countries, Russia, and Poland has continued to grow.

In November 1996, the EU decided to impose a 20—30 % dumping duty on raw cotton fabric imported from the Far East and Turkey. This clearly increased raw material costs for those companies who further refine their products from imported raw textiles.

Net sales and result

Net sales for the Textiles division amounted to FIM 776 million, a comparative growth of 2 %. The direct export share was 32 %. Sales increased during the year in the consumer goods' units, and the best increase, close to 20 %, was achieved by the Socks' unit. On the other hand, net sales for the industrial goods' units fell mainly because of weak demand in the clothing industry.

Operating profit for the year under review amounted to FIM 37 million, which is FIM 1 million less than in the previous year. The result was burdened by one-off costs of about FIM 5 million which were associated with restructuring in the division. The result was positive.The number of personnel employed at the end of the year totalled 1,637 (1,760).

Divisional structure

On 1.5.1996, the Textiles division was formed from the units of Finlayson and Suomen Trikoo. The new units comprise Industrial textiles, Socks, Black Horse, Interior textiles, and Yarns.

During the year under review, the units underwent several structural adjustments. Weaving operations for industrial textiles were centred on Ikaalinen, the production of rag socks was transferred in Tampere to Rusko. The rest 30 % share of Finlayson Liput Oy's stock was sold to Ten Oy. The production of interior textiles was wholly concentrated in Forssa. The knitwear clothes producing company Triconor AB, based in Sweden, was sold to its management on 31.1.1996. The rest of the operations at the Finlayson area in Tampere were transferred to Pyynikki.

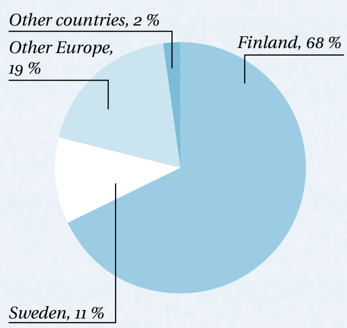
Suomen Trikoo Oy Ab was merged with Asko Oy at 11.12.1996

Total investments amounted to FIM 17 million and included compensatory investments in production machinery and in projects associated with restructuring. Divestments were valued at FIM 11 million.

NET SALES, FIM million

	Net sales FIM million	Personnel Dec. 31, 96
Industrial textiles	270	369
Interior textiles	119	146
Socks	207	528
Black Horse	164	369
Yarns	72	134
Others/internal net sales	–56	34
	776	1637
Investments	17	

NET SALES BY MARKET AREA



The spring collection of Finlayson's Interior Textiles is characterised by radiant colours.

Marketing and product development

The Textiles division is made up of the consumer goods' and industrial goods' units. The consumer goods' units market their firmly established brand products (e.g. Norlyn, Amar, Finnwear, Black Horse, Hyvon, Finlayson, and Barker Design) and rapid delivery concept to local retail outlets. Logistics and products are continually being developed in co-operation with customers. The "Made in Finland" marketing campaigns throughout the year have clearly led to a growth in the Textiles division's sales.

In the prevailing situation of high unemployment, consumers value Finnish products. In recent years, the demand for more expensive and better-quality products has grown. In sales to the public sector too, units in the division have gained a significant share. Interior-furnishing projects for ships are worthy of special mention. These will continue through 1997.

The ''environment friendly'' concept has been powerfully stressed in all business operations. Special attention has been paid to product safety, especially in the manufacturing process and in end-user consumption. Finlayson's Interior textiles, Black Horse, and Yarns units have been granted the European Eko-Tex Standard 100 certification for their products.

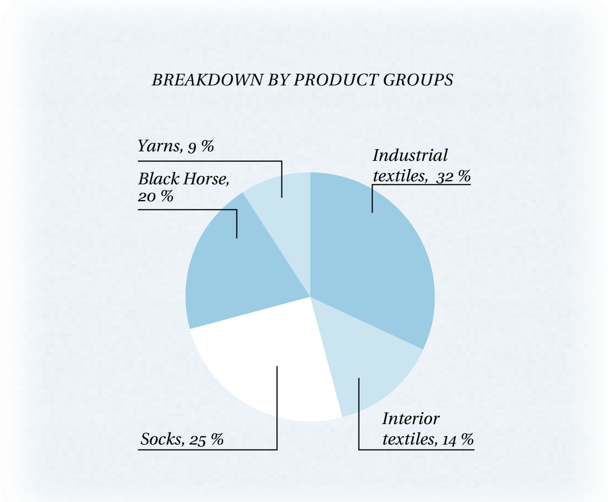
The operations of the industrial textiles unit are mainly concentrated on fabrics for professional and work garments and on technical textiles. Co-operation with the automobile industry has resulted in a growth in sales for Finlayson Forssa Oy and Tricol Oy. Both companies deliver upholstery materials of various types for vehicle interiors.

The soft flowing lines of the Kerniplus tablecloth is ideal for any table layout.

Black Horse is Finland's leading manufacturer of underwear, knitwear and nightwear. The strength of Black Horse clothes lies in their quality, good fit, and choise of materials.

Outlook

The demand for textiles and clothing is forecast to grow slightly in 1997 and the sale of home consumer goods to increase parallel with the revival in economic growth. On the other hand, the strong Finnmark will cause an increase in the pressure for imports. The duties on the dumping of raw materials have confused price development, and the consequent effects on manufactured products remain unclear. In the slight growth experienced in Russia, the Group will endeavour to achieve a controlled increase in exports with the aid of various projects.



The prospects for industrial textiles depend a great deal on development of the clothing industry in general. The domestic market situation has been weakening. However, sales in the neighbouring regions of Finland have shown clear growth. In particular, the stiff price competition associated with the acquisition of raw materials for yarns continues in the industry. The market situation for the yarns unit is expected to remain difficult.

Due to increased efficiency and a lighter cost structure, the result for the Textiles division is expected to be better than that for 1996.

Finnwear's new display racks for socks are characterised by efficient utilisation of space, customer friendliness, and effectiviness in highlighting the brand. The new labels describe products more clearly than ever.

3 % Share of Group net sales

Asko Real Estate

Market situation

In 1996, Finland's real estate market showed distinct signs of revival. More new dwellings were built than in the previous year and the number of vacant commercial and office premises clearly decreased, particularly in the large towns. Though there was an increase in both real estate trade and in the number of new building starts, the sum totals were nevertheless significantly less than for the latter half of the 1980s. The market prices of prime properties, rent levels, and occupancy rates improved.

Net sales and result

The division's net sales amounted to FIM 232 million, a growth of 1.1 percent over the previous year. The operating profit was FIM 71 million. The figures do not include real estate divestments.

Divisional structure

During the year, Asko Real Estate continued to sell redundant properties and shareholdings not necessary for the business activities of the Group as a whole. The division was also concerned with property rentals, zoning and development activities. The Finlayson hydropower plant, located in Tampere, was sold to the city of Tampere for a total of FIM 56.3 million. The operations, current assets, property holdings and other fixed assets of Forssan Saha Oy were sold to Vapo Timber Oy.

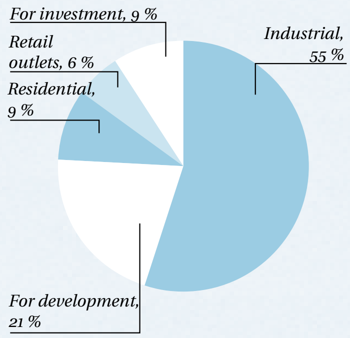
Tampereen Kiinteistö Invest Oy bought at the end of 1996 Suomen Trikoo's former factory premises, located at Pyynikki and Onkiniemi in Tampere (approx. 70,000 m2) from the Employee Pension Fund of Asko Oy. Tampereen Kiinteistö Invest Oy sold shares with 40 percent of voting rights to the Nova Personal Insurance Company (25 %), the Eläke-Sampo Insurance Company (10%), and the Eläke-Varma Mutual Insurance Company (5 %) in January 1997. The deal was valued at FIM 100 million. Thereafter, Asko Oy's share of the company's voting rights was 46.7 %.

The most significant real estate development projects involved the zoning of commercial premises in the new textile mill in Forssa and at the Kiviniemi residential estate in Ikaalinen. The division's total investments amounted to FIM 44 million. On the whole, the investments involved essential renovations. Divisional divestments were valued at FIM 106 million.

Outlook

The recovering real estate market offers good prospects for profitable real estate activities in 1997. The division will actively continue to sell real estate and concentrate on the ownership and management of property holdings important for other divisions in the Group. Due to the sale of properties, the division's net sales and operating profit are expected to decrease. However, the division's comparative profitability will improve due to higher rents and higher occupancy rates.

SQUARE METER FLOOR AREA BY REAL ESTATE TYPE



INDUSTRIAL REAL ESTATES IN OWN USE	Land area m²	% of whole area	Buildings m² of floor area	% of whole floor area
Lahti	323 706		233 675	
Nastola-Heinola	339 711		54 035	
Nokia	106 000		29 208	
Forssa	755 529		121 470	
Other Finland	683 907		96 364	
Outside Finland	1 730 185		239 954	
Ind. real estates in Group's own use	3 939 038	32	774 706	55
Retail outlets				
Finland	153 790		83 786	
Retail outlets in total	153 790	1	83 786	6
Investment real estate				
Finland	561 470		65 536	
Outside Finland	29 177		44 953	
Investment real estate in total	590 647	5	110 489	8
Real estate for development				
Pori	96 688		76 548	
Tampere	134 029		199 724	
Lahti	31 763		10 606	
Vantaa	11 034		13 659	
Real estate for development in total	273 514	2	300 537	21
Residential real estate				
Government-subsidised	466 033		98 858	
Market-financed	182 777		31 941	
Residential real estate in total	648 810	5	130 799	9
Land holdings and others in total	6 639 759	54	7 467	1
Total	12 245 558	100	1 407 784	100
Pension Fund	583 299	5	46 054	3

The Board of Directors

H A N N U   K O K K O N E N

M.Pol.Sc. (*1947)
Deputy Chief Executive Officer,
Sampo Group
Vice Chairman of the Board
Member since 1995

M A T T I   N I E M I

B.Sc. (Econ.) (*1947)
Deputy Managing Director,
Eläke Varma
Mutual Insurance Company
Member since 1994

N I I L O   P E L L O N M A A

M.Sc. (Econ.) (*1941)
Managing Director, Finvest Oy
Member since 1983

V E L I   K O R P I

B.Sc. (Econ.) (*1930)
Alternate Vice Chairman
of the Board
Member since 1994

J U K K A   V I I N A N E N

M.Sc. (Eng.) (*1948)
President and COO,
Neste Oy
Member since 1993

J A A K K O   I H A M U O T I L A

Dr. Tech.h.c. (*1939)
Chairman and CEO, Neste Oy
Chairman of the Board
Member since 1994

J A R M O   R Y T I L A H T I

B.Sc. (Econ.) (*1944)
CEO, Asko Group
Member since 1983

Review by the Board of Directors

In terms of demand, 1996 was rather an exceptional year for the Asko Group. Due to the record cold spell at the beginning of the year, demand was very weak, particularly for the products of operational divisions concerned with construction activities. In spring, however, demand strengthened in almost all units and continued comparatively brisk for the rest of the year.

In terms of market area, construction activities in the Nordic countries revived towards the end of the year, particularly in Sweden and Finland. A positive aspect of the downturn in Germany was the fact that the decline was much less steep than forecast. In other central and southern European countries, there was very little growth. In North America, economic activity continued brisk though there was also a downturn in building activities.

The share of building renovations and conversions compared with construction as a whole increased rather significantly on main markets. This favoured Uponor above all, as well as companies such as Upofloor whose product ranges are well suited to building renovations and conversions.

Net sales

The Group's net sales amounted to FIM 7,429 million, a growth of 5.1 % over the previous year. The Group's comparative sales increase was 5.7 %. The most favourable development in sales was recorded in the United States, 22 %, and in Finland, 8 %.

Of the operational divisions, Uponor's net sales increased by 4.8 %. Of that increase, about three percent can be accounted for by exchange rate fluctuations, though the net sales were also influenced by a fall in the price of raw materials which also led to a fall in product prices. Sales volume increased by about 5 %. The share of Uponor's international operations was 92 %.

Due to the sale of Asko Appliances' Fincoil component's unit, the division's net sales fell by 4.9 %. The comparative sales increase was 8.1 %. The best sales development occurred in the United States, 22 %, and in Finland, 8 %.

Asko Furniture's net sales decreased by 9.9 % as a consequence of company divestments. The comparative sales increase was 7 %. Of the profit centres, the best development was recorded by the Asko Home Furniture unit, which increased its sales by 8 %.

The net sales for Asko Components remained at the same level as for the previous year. This was mainly the result of production cutbacks in the heavy vehicle industry.

Upofloor's net sales grew by 6.2 %, due mainly to increased domestic demand and a growth in parquet exports.

On a geographical breakdown of the Group's net sales, the Nordic countries accounted for 57 %, Germany 12 %, Great Britain 5 %, North America 12 %, and other countries 14 %. Were the Nordic countries exports to Germany and the United States taken into account, the respective shares for these countries would be a few percentage points higher. The EU share of Group net sales was 79 %.

Result

The Asko Group's operating profit was FIM 606 million (8.2 %), an increase of 5.4 % over the previous year.

Of the operational divisions, the greatest improvement in operating profit was recorded by Uponor. In addition, Asko Appliances, Asko Furniture, and Upofloor clearly improved their respective operating profits. Asko Components' operating profit fell by FIM 12 million, as a consequence of the automotive industry's weak market situation.

The Group's net financing expenses amounted to FIM 204 million, i.e. 2.8 % of net sales. Net financing expenses were FIM 52 million less than for the previous year. The decrease in financing expenses was largely the result of the overall fall in the market rate of interest. In addition, interest bearing net debts were reduced by FIM 596 million over the previous year. Extraordinary expenses include a FIM 20 million booked depreciation of Lanor shares.

The Group's result before reserves and taxes was FIM 355 million, i.e. FIM 78 million better than for the previous year. The result includes a net amount of FIM 60 million, which represents non-operative profits. The profit for the period under review was FIM 242 million (FIM 211 m). Taxes include 1996 taxes of FIM 109 million.

The earnings per share was FIM 36.70 (FIM 33.70), the return on invested capital was 11.1 % (10.8 %) and the return on capital employed was 12.3 % (11.5 %).

A comparative appraisal has been made between the profitability in relation to the return on net capital employed for the various operational divisions in the Group. Refer to page 58 for RONA classifications. In accordance with the comparison, Uponor was classified as excellent, Asko Furniture as good, Textiles and Asko Components as satisfactory, and Asko Appliances, Upofloor and Real Estate as fair. All operational divisions recorded a positive result before adjusted items.

Changes in corporate structure

For the Asko Group, 1996 was a year for internal restructuring.

Uponor purchased Scantec S.p.A., a manufacturer of floor heating systems based in northern Italy, and established sales companies in Denmark, Poland, and in the Czech Republic. To consolidate its position on the German market, Uponor purchased a 49 % shareholding in Kanal-Braun GmbH, a company specialised in the renovation of sewers and drains, and Seppelfricke Systemtechnik GmbH, a sales company which supplies underfloor heating and water supply systems mainly to markets in Germany and Italy. From United States Uponor acquired the plastic pipe jointing business and associated rights of the Californian company Raychem Corporation. Further Uponor bought the Texas-based company AquaBlok's chamber operations and associated rights, and the US company Radiant Technology Inc., a manufacturer of floor heating systems.

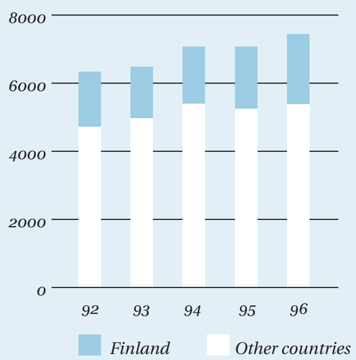
Uponor sold its shareholding in Tooler Oy, a mould engineering works based in Nastola, to a holding company owned mainly by its management, Start Fund of Kera Oy and Uponor as a minority shareholder.

In accordance with its chosen strategy, Asko Appliances continued to concentrate on its core businesses, i.e. the manufacture and marketing of white goods' domestic appliances, by selling its shares in Consort Equipment Products Ltd., an operational unit in the division, jointly to its management and to the 3i plc investment group. The company's products comprise hot air fans, heaters of various kind, and drying racks. The company recorded net sales of almost FIM 46 million and employed a workforce of 157.

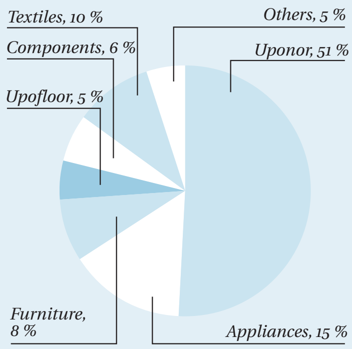
Asko Oy sold its shareholding in Fincoil-teollisuus Oy, which was part of the Asko Appliances division, to Carrier Oy, a company in the American United Technologies Group. Based in Vantaa and Mikkeli, the company, which manufactures heat exchangers, recorded net sales of FIM 102 million and employed 190 persons.

Pax Electro Products AB, a manufacturer specialised in producing fans for internal installations, was sold in a management buy-out deal. The company recorded net sales of some SEK 25 million and employed 23 persons.

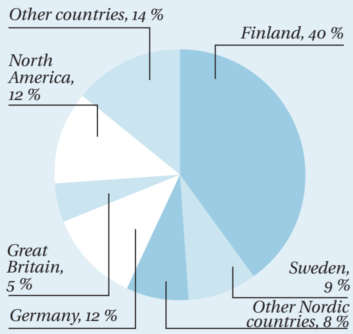
NET SALES, FIM million



NET SALES BY DIVISION



NET SALES BY MARKET AREAS



Asko Norge AS sold its shareholding in the Norwegian department store, Asko Möbel AS, to Norwegian retail chain Idé Skeidar. Asko Möbel AS recorded net sales of more than NOK 100 million and employed a workforce of 50. The deal involves a delivery agreement under which the export of Asko products to Norway will increase significantly.

Asko Oy sold its shareholding in Vilkon Oy, a Hirvensalmi-based producer of birch timber, birch veneer, and refined products, to Koskitukki Oy. Vilkon Oy was part of the Asko Furniture division. The company recorded net sales of FIM 43 million and employed 90 persons.

Asko Furniture continued to fulfil its strategy of liberating funds from the initial stages of the production chain in order to further develop its furniture operations and retail outlet concept. To this effect, Asko Furniture sold the operations, including fixed and current assets, of Suomen Superlon Oy, a manufacturer of foam plastic products and mattresses, to Suomen Brekke Oy. The Rauma-based Suomen Superlon Oy recorded net sales of FIM 49.2 million and employed 83 persons.

As a consequence of the Textiles division's process of restructuring, Suomen Trikoo Oy Ab sold its shareholding in Triconor AB through a management buy out deal. Located in Östersund, Sweden, Triconor, which manufactures woollen terry underwear, recorded net sales of FIM 46 million and employed 104 persons. At the end of the year, Suomen Trikoo Oy Ab was merged with Asko Oy.

As part of its strategy of consolidating core businesses, Asko Oy relinquished Karhu Sport Oy's business operations. The company's cross-country skiing and footwear operations were sold to Karinvest Oy and part of Karhu Sport Oy's management by establishing a company called Karhu Sporting Goods Oy. The net sales value of the divested operations was in the region of FIM 55 million and the workforce numbered some 30. The business operations for ball games were sold to Berner Osakeyhtiö. The operations generated net sales of about FIM 13 million and employed a workforce of 25 persons.

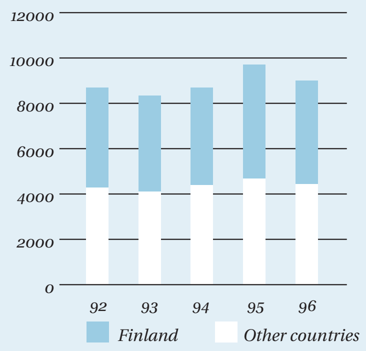
Asko Oy sold the operations, including fixed and current assets, of Forssan Saha Oy, a unit of the Asko Real Estate division, to the Jyväskylä-based company Vapo Timber Oy. Forssan Saha Oy recorded net sales of some FIM 42 million and employed 46 persons. In addition, Asko Oy sold its hydro power plant located in the centre of Tampere and its electricity distribution network in the so called Finlayson area to the City of Tampere.

The combined annual net sales of the divested units in 1996 totalled FIM 580 million. Altogether, the units employed 950 persons.

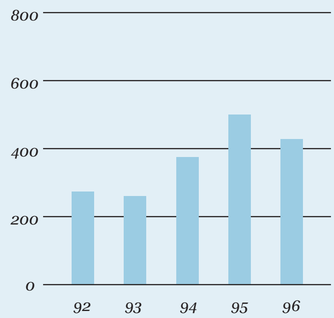
Financing

The Group's financing position remained good throughout the year. Net financing expenses, FIM 204 million, i.e. 2.8 % of net sales, decreased from the previous year by FIM 52 million. This was influenced by both a fall in the rate of interest and by a significant decrease in the net interest bearing debt. The net interest bearing debt totalled FIM 2,616 million, a fall of FIM 596 million.

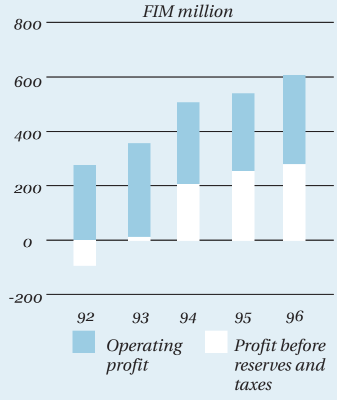
PERSONNEL



INVESTMENTS, FIM million



OPERATING PROFIT AND PROFIT BEFORE RESERVES AND TAXES, FIM million



Asko Group

Net sales, FIM million	1996	Share %	1995	Change %
Uponor	3,761.2	50.6	3,590.0	4.8
Appliances	1,144.9	15.4	1,204.3	–4.9
Furniture	594.2	8.0	659.6	–9.9
Upofloor	369.2	5.0	347.8	6.2
Components	464.9	6.3	465.6	–0.2
Textiles	776.2	10.4	549.3	41.3
Asko Real Estate	232.0	3.1	229.4	1.1
Others / internal net sales	86.3	1.2	19.5	
Total Group net sales	7,428,9	100.0	7,065,5	5.1

Operating profit, FIM million	1996	1995	Change
Uponor	295.6	264.6	31.0
Appliances	36.7	14.4	22.3
Furniture	30.2	20.7	9.5
Upofloor	18.8	7.7	11.1
Components	25.5	37.5	–12.0
Textiles	36.9	36.1	0.8
Asko Real Estate	70.8	83.2	–12.4
Others / elim.	91.2	110.3	–19.1
Asko Group	605.7	574.5	31.2

Personnel	1996	Share %	1995	Change %
Uponor	3,542	39.3	3,317	6.8
Asko Appliances	1,241	13.8	1,788	–30.6
Furniture	1,108	12.3	1,204	–8.0
Upofloor	511	5.7	523	–2.3
Components	845	9,4	867	–2.5
Textiles	1,637	18.2	1,760	–7.0
Asko Real Estate	74	0.8	120	–38.3
Others	47	0.5	125	–62.4
Total Group personnel	9,005	100.0	9,704	–7.2

Investments, FIM million	1996	1995
Uponor	245.0	190.5
Appliances	21.0	40.3
Furniture	15.0	16.4
Upofloor	7.5	11.3
Components	15.2	29.0
Textiles	17.4	9.0
Asko Real Estate	44.3	18.5
Others, internal	60.2	226.2
Total Group investments	425.6	541.2

Solidity increased to 32.9 %, which was 4.9 % better than in the previous year. Asko's objective is to achieve a 40 % degree of solvency by the end of 1998. The divestments totalled FIM 316 million and the amount of the balance sheet total decreased by FIM 348 million.

The balance sheet total was FIM 6,341 million (FIM 6,689 m).

Of the Asko Group's interest bearing debt, 46.9 %, i.e. FIM 1.3 billion, comprised currency denominated credits, of which the domestic companies' share was FIM 403 million. Of the Group's loan portfolio, 11.9 % was made up of short term financing.

During 1996, Asko Oy mainly covered its subsidiaries' currency denominated receivables through forward transactions and option deals. Options and forward transactions were utilised to some extent to cover Asko Oy's loans against the risks of exchange rate fluctuations.

In November, Asko Oy offered for subscription a debenture loan to the amount of FIM 150,000,000. The loan was fully subscribed for. The loan was arranged by Postipankki Oy.

Investments

The Asko Group's investments amounted to FIM 426 million (FIM 541 m). The Group's most significant investments concerned Uponor, i.e. FIM 245 million (FIM 191 m). Operational investments in all divisions were mainly utilised for the development of production and productivity. Group net investments were FIM 110 million (FIM 333 m).

Research and development

The Group's product development expenses amounted to FIM 98 million (FIM 90 m). Of the operational divisions, the most product development growth occurred in Uponor. As a result, innovative products will be introduced during 1997. Simultaneously, Uponor's position as a technological leader in the field will be consolidated. In all main factories of the Asko Group's operational divisions, ISO 9001 or equivalent quality systems have been adopted.

Personnel

At year-end, the Asko Group employed a workforce of 9,005. The average for the year under review was 9,115. The parent company employed a staff of 36. At the turn of the year, 4,549 persons were employed in Finland and 4,456 abroad.

In 1996, the Asko Group signed three agreements concerning international co-operation of personnel within the Group in accordance with the respective EU-directive. In all operational divisions, substantial personnel development projects have been initiated.

The Employee Pension fund of Asko Oy signed an agreement with the Nova Personal Insurance Company for the transfer of the fund's A-section insurance operations, pension liabilities, and their covering reserves to Nova on 31.12.1996. Approval of the agreement will be sought from the Ministry of Social Security and Health.

Shareholders' equity and shares

There were no changes in Asko Oy's share capital during the year under review.

At the Annual General Meeting held on 28.3.1996, the Board was authorised to issue convertible debenture loans and/or option loans and/or to raise the company's share capital by a maximum of FIM 50 million. The Board has not yet exercised this authority. The Board will put forward a similar proposal at the Annual General Meeting to be held on 25.3.1997. Were the company's previously issued option loan exchanged for shares, the share capital would increase by FIM 7.5 million and the shareholders' equity reinforced by a total of FIM 36.6 million.

During the year under review, 3,518,000 shares valued at FIM 821.3 million were traded on the Helsinki Stock Exchange. The share value at the turn of the year was FIM 317 (FIM 139). The rise in value accumulated during the year was FIM 1,255 million/128 %.

The most significant change in ownership was that the subsidiaries of the Bank of Finland relinquished their stockholdings in Asko. Neste Oy became the largest shareholder, currently owning stock of 26.6 %. The foreign ownership of Asko shares is now close to 10 %.

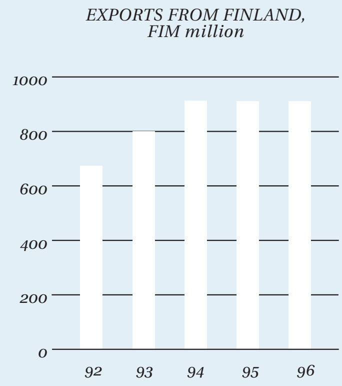
With regard to the ruling by the Court of Appeal at Kouvola on 2.2.1996 in the so called Lanor case, none of the parties concerned had appealed the decision nor sought leave to appeal to the High Court within the prescribed period which ended on 2.4.1996.

The environment

Environmental concern is an everyday matter for all operational divisions in the Asko Group. Production processes in the Group are largely close loop systems with highly efficient recovery systems.

In product design and in the utilisation of materials, recycling is of paramount importance. For example, components in the new dishwashers are annotated with the required symbols concerning recyclability. In addition, Uponor is ever more utilising recyclable plastic materials in its products.

The Asko Group presents no significant risks to the environment.



Outlook

Economic development throughout Europe looks rather positive. Of the Nordic countries, an acceleration of economic growth is forecast for Sweden and Finland. From the Group's perspective, the very important German markets did not suffer as great a downturn last year as was forecast. A slight growth is forecast for the current year, though the latest record unemployment figures may cause disappointment. The North American economy continues to be characterised by highly-favourable economic trends. Of the raw materials utilised by the Group, the price levels of plastic and steel are not expected to change significantly.

On many markets, the share of renovations and conversions is already more than half of overall construction activities. This is particularly favourable for Uponor, whose products are especially well suited for conversions and renovations. The growth in consumer demand on all main markets is of benefit to those operational divisions in the Asko Group who manufacture and market consumer durables.

The major restructuring that the Asko Group undertook during 1996 will continue through 1997.

Despite the influence of the sale of companies on the net sales and result, the Asko Group is expected to record a 1997 result before reserves and taxes at least on the same level as that for 1996.

Events that occurred subsequent to the review period.

On 13.1.1997 Asko Appliances relinquished its manufacture of cooker hoods as a consequence of Asko AB having sold its shareholding in Futurum AB to Transforma Invest AB. Futurum AB's net sales amounted to some SEK 130 million. The company employed a workforce of 160 persons.

On 15.1.1997, Asko sold shares representing 40 % of the voting rights in Tampere Kiinteistö Invest Oy to the Nova Personal Insurance Company (25 %), Eläke-Sampo Insurance Company (10 %), and Mutual Insurance Company Eläke-Varma (5 %). The deal was valued at FIM 100 million.

Upo Puulämpö Oy's shares were sold on 29.1.1997 to a company being established by its managing director, three controlled capital funds of CapMan Capital Management Oy, and by Asko Oy. Upo Puulämpö Oy, a manufacturer of wood burning products and sauna stoves is located in Lappi Tl, recorded 1996 net sales of over FIM 40 million. The company employees 51 persons.

On 28.2.1997, Asko Oy sold the Asko Components division's business operations to Santasalo-JOT Oy. Business operations comprise the Lahti and Pietarsaari foundries in Finland and the Wirsbo Smide forges and pipe component specialist Prometek in Sweden. The division's 1996 net sales were FIM 424 million. The Asko Components division mainly manufactures highly refined products for the heavy vehicle industry and employs a workforce of 749 persons. The total workforce, of whom 449 are employed in Finland, was transferred to the service of the new owner with full employee rights intact.

Income Statement

FIM million	Group				Parent company	
	1.1.-31.12.1996		1.1.-31.12.1995		1.1.-31.12.1996	1.1.-31.12.1995
		%		%		
Net sales	**7,428.9**	**100.0**	7,065.5	100.0	**203.0**	158.1
Change in finished goods (increase +)	**–16.4**		29.0		**–**	–
Manufacture for own use (+)	**2.2**		3.1		**0,1**	–
Other operating income	**150.4**		160.1		**74.7**	141.8
TOTAL INCOME	**7,565.1**		7,257.7		**277.8**	299.9
Purchases, materials and supplies	**3,323.2**		3,344.8		**1.6**	5.6
Change in inventories (increase -)	**50.8**		4.3		**44.1**	2.7
External services	**103.9**		82.4		**–**	–
Personnel expenses	**1,630.1**		1,520.5		**11.1**	9.8
Rents	**72.7**		74.6		**33.9**	37.4
Other operational expenses	**13.9**		16.9		**5.5**	5.4
Other expenses	**1,390.1**		1,271.3		**57.4**	57.3
Share of associate companies' profits	**+2.9**		+ 1.9			
TOTAL EXPENSES	**6,581.8**	**88.6**	6,312.9	89.3	**153.6**	118.2
OPERATING MARGIN					**124.2**	181.7
Depreciation on fixed assets and long-term expenditure	**340.3**		325.3		**14.0**	14.7
Depreciation on Group goodwill	**37.3**		45.0			
TOTAL DEPRECIATION	**377.6**	**5.1**	370.3	5.2	**14.0**	14.7
OPERATING PROFIT	**605.7**	**8.2**	574.5	8.1	**110.2**	167.0
Dividend income	**3.0**		5.6		**25.0**	23.5
Interest income	**28.6**		45.2		**51.2**	79.0
Other financial income	**1.1**		0.7		**5.0**	6.8
Interest expenses	**225.9**		294.6		**89.8**	129.6
Exchange rate gains / losses	**+3.4**		–5.0		**5.6**	–2.1
Other financial expenses	**5.9**		8.6		**2.1**	3.6
Share of associate companies' profits	**+0.9**		+ 0.4			
Depreciation on investments	**9.5**		–		**25,5**	10,0
TOTAL FINANCIAL INCOME AND EXPENSES	**–204.3**	**2.8**	–256.3	3.6	**–41.8**	–36.0
RESULT BEFORE EXTRAORDINARY ITEMS	**401.4**	**5.4**	318.2	4.5	**68,4**	131.0
Extraordinary income	**9.8**		3.1			
Extraordinary expenses	**–56.5**		–44.3		**–20.0**	–30.0
Group contribution					**20.1**	–16.2
	–46.7	**–0.6**	–41.2	–0.5	**0.1**	–46.2
RESULT BEFORE CHANGES IN RESERVES AND TAXES	**354.7**	**4.8**	277.0	3.9	**68.5**	84.8
Change in voluntary reserves (increase-)					**16,6**	0,1
Direct taxes	**–113,4**		–72.4		**–37.6**	–9.1
Change in deferred taxes	**1.6**		8.6			
Minority interest	**–1.3**		–2.7			
RESULT FOR THE YEAR	**241.6**	**3.3**	210.5	3.0	**47.5**	75.8

Balance Sheet

FIM million	Group				Parent company	
ASSETS	31.12.1996		31.12.1995		31.12.1996	31.12.1995
FIXED ASSETS AND OTHER						
LONG-TERM INVESTMENTS		%		%		
Intangible assets						
Research and development expenses	**7.4**		9.8			
Intangible rights	**35.4**		41.2		**7.9**	
Goodwill	**26.5**		32.7			
Group goodwill	**329.2**		363.4			
Other long-term expenses	**33.6**		17.6		**17.1**	8.6
Total intangible assets	**432.1**	**6.8**	464.7	6.9	**25.0**	8.6
Tangible assets						
Land and water areas	**412.9**		434.1		**263.0**	273.4
Buildings and structures	**1,569.4**		1,601.1		**337.1**	329.7
Machines and equipment	**969.4**		1,079.0		**19.8**	32.0
Other tangible assets	**55.3**		31.4		**5.4**	5.6
Advance payments and investments in progress	**62.6**		70.0		**1.7**	1.0
Total intangible assets	**3,069.6**	**48.4**	3,215.6	48.1	**627.0**	641.7
Securities and long-term investments						
Share in associate companies	**192.9**		165.5		**200,5**	166.0
Shares and holdings	**53.0**		48.5		**1,797.0**	1,969.3
Loans receivable					**502.5**	553.5
Total long-term investments	**245.9**	**3.9**	214,0	3.2	**2,500.0**	2,688.8
TOTAL FIXED ASSETS AND						
LONG-TERM INVESTMENTS	**3,747.6**	**59.1**	3,894.3	58.2	**3,152.0**	3,339.1
CURRENT AND LIQUID ASSETS						
Current assets						
Raw materials and consumables	**284.2**		314.9		**1.8**	2,3
Work in progress	**101.8**		121.1			
Finished products / goods	**866.3**		909.0			
Other inventories	**34.8**		84.4		**26.7**	70,2
Advance payments	**13.3**		11.0			
Total current assets	**1,300.4**	**20.5**	1,440.4	21.5	**28.5**	72.5
Receivables						
Accounts receivable	**791.3**		761.3		**18.7**	14.8
Loans receivable	**36.0**		45.2		**12.1**	18.7
Prepaid expenses and accrued income	**76.5**		83.8		**16.7**	22.1
Other receivables	**94.8**		73.7		**281.2**	230.4
Total receivables	**998.6**	**15.7**	964.0	14.4	**328.7**	286.0
Liquid assets in securities						
Other securities	**24.7**		48.0			20,0
Cash and bank balances	**269.8**	**4.7**	342.8	5.9	**31,4**	41,5
TOTAL CURRENT AND						
LIQUID ASSETS	**2,593.5**	**40.9**	2,795.2	41.8	**388.6**	420.0
ASSETS	**6,341.1**	**100.0**	6,689.5	100.0	**3,540.6**	3,759.1

FIM million	Group				Parent company	
LIABILITIES	31.12.1996		31.12.1995		31.12.1996	31.12.1995
SHAREHOLDERS' EQUITY						
Restricted equity		%		%		
Share capital	**352.5**		352.5		**352.5**	352.5
Other restricted equity	**823.3**		833.6		**879.8**	873.8
Total restricted equity	**1 ,175.8**	**18.6**	1,186.1	17.7	**1,232.3**	1,226.3
Non-restricted equity						
Non-restricted funds	**609.1**		421.8		**740.5**	583.7
Result for the year	**241.6**		210.5		**47.5**	75.8
Total non-restricted equity	**850.7**	**13.4**	632.3	9.5	**788.0**	659.5
TOTAL SHAREHOLDERS' EQUITY	**2,026.5**	**32.0**	1,818.4	27.2	**2,020.3**	1,885.8
MINORITY INTEREST	**53.5**	**0.8**	54..5	0.8		
RESERVES						
Accumulated depreciation differences					**58,4**	70,5
Compulsory reserves	**51.9**	**0.8**	56.3	0.8		
CURRENT LIABILITIES						
Long-term liabilities						
Convertible debenture loans	**150.0**		35.0		**150.0**	35.0
Loans from financial institutions	**1,241.7**		1,879.7		**513.3**	706.4
Loans from pension funds	**561.2**		640.1		**273.6**	209.0
Other long-term liabilities	**30.4**		105.4		**3.5**	5.6
Deferred tax liability	**114.9**		115.3			
Total long-term liabilities	**2,098.2**	**33.1**	2,775.5	41.5	**940.4**	956.0
Short-term liabilities						
Annual loan repayments	**576.3**		439.1		**403.6**	313.4
Advances received	**10.1**		9.4		**0.7**	0.5
Accounts payable	**502.4**		451.2		**10.8**	6.5
Bills of exchange	**359.5**		463.8		**23.9**	154.9
Accruals	**508.6**		453.6		**49.2**	33.7
Other short-term liabilities	**154.1**		167.7		**33.3**	337.8
Total short-term liabilities	**2 111.0**	**33.3**	1,984.8	29.7	**521.5**	846.8
CURRENT LIABILITIES	**4,209.2**	**66.4**	4,760.3	71.2	**1,461.9**	1,802.8
LIABILITIES	**6,341.1**	**100.0**	6,689.5	100.0	**3,540.6**	3,759.1

Cash Flow Statement

FIM million	Group		Parent company	
BUSINESS OPERATIONS	1996	1995	1996	1995
Income from operations				
Result for the period	**241.6**	210,5	**47.5**	75.8
Depreciations	**421.3**	402,6	**59.6**	54.7
Sale of fixed assets	**–99.0**	–127,8	**–57.0**	–129.0
Exchange rate differences	**–3.4**	5,0	**6.8**	2.1
Minority interests	**1.3**	2,7		
Calculated deferred taxes	**–1.6**	–8,6		
Associate companies	**–2.8**	–2,3		
Group contribution			**20.1**	16.2
Change in reserves			**–16.6**	–0.2
Total income from operations	**557.4**	482,1	**60.4**	19.6
Change in operating capital				
Receivables	**–55.3**	49,2	**40.6**	–55.7
Current assets	**110.3**	–12,9	**44.0**	2.7
Non-interest bearing debt	**47.2**	–109,1	**–52.4**	–0.8
	102.4	–72,8	**32.2**	–53.8
CASH FROM BUSINESS OPERATIONS	**659.8**	409,3	**92.6**	–34.2
INVESTMENTS				
Increase in fixed assets	**–425.6**	–541,2	**–66.8**	–223.9
Sale of fixed assets	**315.9**	208,9	**157.7**	150.3
	–109.7	–332,3	**90.9**	–73.6
CASH FLOW BEFORE FINANCING	**550.1**	77,0	**183.5**	–107.8
FINANCING				
Change in long-term receivables			**102.2**	298.5
Change in long-term debts	**–519.6**	–290,8	**–155.1**	–371.5
Change in short-term debts	**–90.7**	261,5	**–105.4**	161.2
Group contribution			**–20.1**	–16.2
Issue of shares				
Dividend distribution	**–35.2**	–35,2	**–35.2**	–35.2
Change in minority interests	**–0.9**	–52,4		
	–646.4	–116,9	**–213.6**	36.8
CHANGE IN LIQUID RESERVES	**–96.3**	–39,9	**–30.1**	–71.0
Liquid reserves 1.1.	**390.8**	430,7	**61.5**	132.5
Liquid reserves 31.12.	**294,5**	390,8	**31.4**	61.5
	–96.3	–39,9	**–30.1**	–71.0

Notes to the Financial Statements

1. ACCOUNTING PRINCIPLES

1.1. Principles of consolidation

The consolidated financial statements include primarily those companies in which Asko Oy, directly or indirectly, controls more than half of the voting rights. The statement of accounts do not include housing companies subject to state-subsidised loans or subsidiaries in the process of being divested and no longer operating. Securities and receivables of the companies in question have been depreciated the current value. The companies excluded have had no significant influence on the result for the financial period nor effect on shareholders' equity.

The results of subsidiaries are included in the consolidated financial statements for the period the subsidiary has been part of the Group.

The consolidated financial statement have been drawn up in accordance with the acquisition value method. Foreign subsidiaries have been consolidated using the official Bank of Finland currency rate prevailing on the date of the closing of accounts, while in the income statements the average rates for the year have been adopted. Calculated differences in consolidation have been treated in the income statement as a change in income and in the balance sheet as a change in equity.

The Group assets or reserves arising from the acquisition of shares in subsidiaries are shown as a net amount. Part of the Group assets of certain companies has been allocated to land and buildings. The Group´s internal receivables and debts have been eliminated. Likewise, intra-Group transactions have been eliminated from the net sales, as have internal interest payments, dividends, rents, and other expenses and income. In the income statement the minority share has been deducted from the result for the accounting period and in the balance sheet the minority share of the equity has been treated as a separate item. The Group´s internal operating margin included in the current assets has been eliminated. The subsidiaries' balance sheet figures are included in the Group accounts in accordance with the valuation principles of each country. A part of the reserves and accumulated depreciation difference, less deferred taxes, has been transferred to non-restricted shareholders' equity.

Associate companies, of which the Group´s ownership share is 20—50 %, have been incorporated in the result and balance sheet using the capital share method.

1.2. Principles of valuation

Foreign currency receivables have been valued at the highest official average rate on the date the balance was drawn up. Current assets have been valued primarily at acquisition cost or at a lower probable current value. Current assets also include a part of the indirect cost of production. Fixed assets are valued at acquisition value, from which is deducted planned depreciations. The residual value also includes increased goodwill.

Exchange-rate variations have been dealt with in the income statement. Foreign currency debts have been calculated at the rate prevailing on the day on which the accounts were closed.

1.3. Pension arrangements

Pension arrangements are managed by the insurance companies and the Group´s own pension fund. Pension funds dealing with voluntary pension arrangements are restricted. The deficit change of pension liability is covered.

2. NOTES TO THE INCOME STATEMENTS

2.1.1. Other income from operations

	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Profits from the sale of fixed assets	114,583	137,607	62,545	129,352
Income from services	15,550	1,876	12,045	12,012
Remunerations	1,466	4,013	21	384
Sale of by-products	12,227	7,582		
Royalties	1,465	1,186		
Real estate income	3,724	3,910		
Others	1,357	3,948	61	
	150,372	160,122	74,672	141,748

2.1.2. Other expenses from operations

	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Losses on sale of fixed assets	13,189	11,876	5,536	
Immediate depreciation	–	5,000		
Other costs	676			
	13,865	16,876	5,536	

2.2. Personnel costs

	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Salaries and fringe benefits	1,271,430	1,156,451	7,968	7,844
Pension expenses	107,712	115,548	735	2,883
Other personnel expenses	250,997	248,549	2,381	–881
Total	1,630,139	1,520,548	11,084	9,846
Taxation value of fringe benefits			353	329

The CEO and members of the Board have been paid salaries and fees amounting to FIM 1,315,000 and correspondingly FIM 41,609,000 in the Group.

2.3. Depreciation

The planned depreciation of fixed assets has been calculated on the basis of acquisition cost and in accordance with estimated lifetime. Estimated lifetimes for various fixed assets are as follows:

Buildings	25 – 50 year
Machinery and equipment	5 – 20 year
Office, shop furniture and fittings	5 – 10 year
Transport equipment	5 year
Long-term expenditures	5 – 10 year
Goodwill	5 – 10 year
Group goodwill	10 – 20 year

Planned depreciations	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Intangible rights	15,274	13,593		
Goodwill	13,387	11,036		
Group goodwill	37,289	44,960		
Other long-term expenditures	6,617	5,562	1,185	1,107
Buildings and structures	55,232	49,098	8,882	8,953
Machinery and equipment	240,415	235,675	3,009	3,690
Other tangible assets	9,427	10,398	932	978
Total	377,641	370,322	14,008	14,728

2.4. Financing income and expenses within the Group

	Parent company 1996	Parent company 1995
Dividend income	23,299	23,471
Interest income	43,791	67,384
Interest expenses	3,175	19,632
	63,915	71,223

2.5.1 Extraordinary income

	Group 1996	Group 1995
Profit on the sales of fixed assets	9,794	3,065

2.5.2 Extraordinary expenses	Group		Parent company	
	1996	1995	1996	1995
Immediate depreciation	34,000	32,300	20,000	30,000
Losses on the sale of fixed assets	12,152			
Divestment costs	8,600	5,545		
Others	1,741	6,420		
	56,493	44,265	20,000	30,000
2.6. Taxes				
For the financial period	108,626	80,428	29,507	11,750
From the previous financial period	4,829	+ 8,001	8,088	+2,621
Deferred tax liabilities	+ 1,631	+ 8,656		
	111,824	63,771	37,595	9,129
2.7. Associate companies				
Share from the profit / loss	4,096	2,230		
Share of non-restricted equity	–10,270	–3,971		
Dividends received	1,000	500		

3. NOTES TO THE BALANCE SHEET

3.1. Fixed assets

PARENT COMPANY	Acquisition cost	Additions	Deductions	Accumulated deductions	Revaluations	Balance sheet value 31.12.
Intangible rights		7,939		25		7,914
Other long-term expenses	12,284	9,760	38	4,894		17,112
Land and water areas	76,995	9,397	19,177		195,737	262,952
Buildings	344,509	40,813	25,288	78,418	55,466	337,082
Machinery and equipment	57,166	1,832	10,991	28,158		19,849
Other tangible assets	15,842	1,179	454	11,199		5,368
Investments in progress	985	749				1,734
Shares and holdings	2,221,000	122,842	223,463	122,900		1,997,479
	2,728,781	194,511	279,411	245,594	251,203	2,649,490

GROUP	Acquisition cost	Additions	Deductions	Accumulated deductions	Revaluations	Balance sheet value 31.12.
Research and development expenses	12,303	1,053	366	5,585		7,405
Intangible rights	111,524	6,654	736	82,053		35,389
Goodwill	99,662	5,851		78,967		26,546
Group goodwill	654,157	17,003		341,988		329,172
Other long-term expenses	53,272	14,744	552	33 ,867		33,597
TOTAL INTANGIBLE ASSETS	930,918	45,305	1,654	542,460		432,109
Land and water areas	247,471	1,854	19,752	12,399	195,737	412,911
Buildings	1,893,543	69,098	42,311	416,415	65,466	1,569,381
Machinery and equipment	2,549,024	246,433	57,626	1,768,411		969,420
Other tangible assets	116,097	9,264	546	69,477		55,338
Adv. payments and invest. in progress	72,518	–9,972				62,546
TOTAL TANGIBLE ASSETS	4,878,653	316,677	120,235	2,266,702	261,203	3,069,596
Associate companies' shares	275,338	59,617	46,066	96,000		192,889
Shares and holdings	98,804	4,008	48,900	907		53,005
TOTAL SECURITIES	374,142	63,625	94,966	96,907		245,894
TOTAL FIXED ASSETS	6,183,713	425,607	216,855	2,906,069	261 203	3,747,599
Production machinery and equipment						880,317

Conversion differences and changes in the Group structure have been treated as acquisition cost.

	Group		Parent company	
	1996	1995	1996	1995
3.2. Fixed asset shareholdings				
- Group companies			1,756,474	1,930,568
- associate companies	192,889	165,445	200,514	165,963
- other shares	53,005	48,524	40,491	38,768
	245,894	213,969	1,997,479	2,135,299
3.3. Long-term investments				
Loans receivable				
- Group companies			502,550	551,768
- associate companies	2,367	18,724	12,066	18,724
- others	9,699	2,725		
	12,066	21,449	514,616	570,492
3.4. Taxable value of fixed assets				
- land and water areas			165,584	156,800
- buildings			274,354	264,403
- securities			1,340,695	1,360,920
			1,780,633	1,782,123

Where the taxable values is not known, book value has been used.

	Group		Parent company	
3.5. Tradable shares				
Market value	35,859	78,001	26,700	70,339
Book value	34,786	77,522	26,700	70,196

	Group companies		Associate companies	
PARENT COMPANY	1996	1995	1996	1995
3.6. Receivables from the Group and associate companies				
Loans receivable	502,550	553,452	2,367	11,239
Accounts receivable	14,701	13,890	4,997	
Accrued receivables	4,308	–		
Other receivables	275,687	207,727	5,744	22,691
	797,246	775,069	13,108	33,930

	Group		Parent company	
	1996	1995	1996	1995
3.7. Long-term financial assets				
- Loans receivable	13,688	19,004	514,617	551,768
- Other receivables	1,051	2,445	–	–
	14,739	21,449	514,617	551,768
3.8. Loans to management and shareholders				
Management	691	435	–	–
3.9. Changes in shareholders' equity				
Restricted shareholders' equity				
Share capital 1 Jan.	352,470	352,470	352,470	352,470
Share capital 31 Dec.	352,470	352,470	352,470	352,470
Reserve fund 1.1.			723,862	723,862
Reserve fund 31.12.			723,862	723,862

Revaluation fund 1 Jan.			149,947	215,577
Increase			–	100,000
Increase in merger, Suomen Trikoo			21,140	–
Decrease			–15,164	–165,630
Revaluation fund 31 Dec.			155,923	149,947
Non-restricted shareholders' equity				
Operating fund 1 Jan.–31 Dec.			550,000	550,000
Retained earnings 1 Jan.			109,569	68,970
Dividend payments			–35,247	–35,247
Merger profit*)			116,194	–
Profit for the financial year			47,508	75,846
Retained earnings 31 Dec.			238,024	109,569
Non-restricted shareholders' equity 31 Dec.			788,024	659,569
Other restricted shareholders' equity 31 Dec.	833,663	908,791		
Exchange-rate differences	7,723	–3,498		
Change in revaluation fund	–14,785	–65,630		
Transferred from non-restricted equity	–1,541	–2,863		
Other changes	–1,723	–3,137		
Other restricted shareholders' equity 31 Dec.	823,337	833,663		
Non-restricted shareholders' equity 1 Jan.	632,295	470,763		
Dividend payments	–35,247	–35,247		
From rate differences	10,862	–17,697		
Exchange to restricted equity	1,541	2 ,863		
Other changes	–427	1,104		
Profit for the financial year	241,608	210,509		
Non-restricted shareholders' equity 31 Dec.	850,632	632,295		
of which not distributable as dividends	173,292	148,335		
3.10. Accrued depreciation differences				
- Intangible assets			179	179
- Buildings and structures			42,039	45,496
- Machinery and equipment			13,792	22,101
- Other tangible assets			2,405	2,721
			58,415	70,497
3.11. Long-term loans				
Loans that fall due after five years				
- Loans from financial institutions	98,493	242,225	44,032	27,127
- Loans from pension funds	422,264	465,266	205,793	155,532
- Others	3,867	9,777		
	524,624	717,268	249,825	182,659

*) The merger differences of Suomen Trikoo Oy Ab and Karhu-Titan Oy have been treated in the parent company as an increase in non-restricted shareholders' equity.

3.12.1. Option loan 1994

Amount: FIM 1.5 million at 5.0 % interest p.a.
Term: 10 June 1994 to 10 June 1999
Subscribtion term: 1 July 1996 to 1 July 1999
The loan was offered to the management of the Asko Group. The loan comprises 1,500 bonds, each with a nominal value of FIM 1,000. To each bond was attached 100 option certificates. Each certificate grants to the bearer the right to purchase one Asko share with a nominal value of FIM 50. On the basis of the loan, a total of 150,000 shares can be subscribed for.

3.12.2. Bond 1996

Amount: FIM 150 million.
Nominal interest 5.50 % p.a.
Term: 18 November 1996 to 18 November 2000.
The loan has not been guaranteed.
The loan will be paid back as a lump-sum payment on 18.11.2000.

3.13. Group and associate company liabilities

PARENT COMPANY	Group companies	
	1996	1995
Accounts payable	808	730
Other short-term debts	28,094	323,936
	28,902	324,666

3.14. Secured loans

	Group	
	1996	1995
Pledged assets	901,466	1,110,833
Mortgages	921,533	1,325,843
Combined	112,463	165,736

3.15. Control of currency and interest risks

The parent company Asko Oy covered its subsidiaries' currency denomineted receivables mainly through forward transactions and option deals. Option deals and forward transactions were to some extent utilised to cover the currency and interest risks associated with Asko Oy's loans.

Derivative agreements 31.12.1996 (FIM million)

1 Interest derivatives	
Purchased interest options	67,5
2 Currency derivatives	
Purchased agreements for forward transactions	89,0
Sales agreements for forward transactions	98,5
Currency options bought	22,5
Currency options sold	160,0
3 Currency exchange agreement	170,4

4.1. Contingent liabilities

	Group		Parent company	
	1996	1995	1996	1995
- Pension liabilities	5,494	4,909	5,494	3,729
- Pension fund liability deficit		1,020		4,743
- Pledges at book value				
- on own behalf	989,075	1,112,978	745,933	754,526
- on behalf of Group company				18,497
Mortgages				
- on own behalf	1,564,093	1,904,637	421,900	429,220
- on behalf of Group company			20,400	21,070
Guarantees				
- on behalf of Group company			685,426	880,251
- on behalf of associate company	1,900	2,570	1,400	1,690
- on behalf of others	5,176	5,876	6,140	
Other contingent liabilities	63,327	72,721		

In addition, the subsidiary groups have given Letter-of-comfort type commitments which are not included in the above mentioned figures.

4.2. Leasing liabilities

	1996	1995
Maturity date in the next year	24,029	11,266
Maturity date later	75,227	40,287

5 SHARES AND HOLDINGS AS OF DEC. 31, 1996

	Number	Share %	Nominal Holdings (1,000s)	Book value (1,000s)
5.1 Parent company				
Subsidiaries				
Asko AB, SE	920,000	100.0	TSEK 92,000	174,410
Asko Components Oy	32,000	100.0	32,000	32,000
Asko Development Oy	100	100.0	100	100
Asko Furniture Ltd	50,000	100.0	50,000	50,000
Asko Insurance Limited, GB (100,0)	3,999,993	80.0	4,000	4,000
Asko Appliances Ltd.	36,000	100.0	36,000	36,000
Askonor Oy	1,407	100.0	70	111
Asko Norge A/S, NO	27,000	84.4	TNOK 27,000	60,439
Asunto Oy Ahosato	1,000	100.0	83	972
Black Horse Oy	50,000	100.0	5,000	9,046
Oy Finlayson Ab	1,000,000	100.0	100,000	100,000
Finnwear Oy	1,000	100.0	5,000	7,492
Foranor Oy	2,000	100.0	2,000	4,978
Forssan Vuokratalo Oy	2,700	100.0	270	270
Karhu Sport Oy	5,000	100.0	5,000	10,000
Karhu Titan Espana S.A., ES	431,484	95.2	MESB 5,000	10,824
Kiinteistö Oy Amurinlinna	1,800	100.0	1,800	1,799
Kiinteistö Oy Keskuskatu 20	145	96.7	145	299
Kiinteistö Oy Lahden Teollisuuskeskus (100,0)	31,276	37.4	7,819	11,630
Kiinteistö Oy Linikkala	616	100.0	616	616
Kiinteistö Oy Länsi-Kaisla	20	100.0	50	8,638
Kiinteistö Oy Martinsillantie 2 a (80,0)	8,005	80.0	80	15,289
Kiinteistö Oy Männynvainio	3,000	100.0	300	32,3
Kiinteistö Oy Porin Asko-talot	7,911	79.1	19,778	19,778
Kiinteistö Oy Purjesato	1,400	100.0	140	140
Kiinteistö Oy Puuvillatehtaankatu 6	134	100.0	134	79
Kiinteistö Oy Trikootalot	240	100.0	240	240
Kiinteistö Oy Vantaan Ansatie 3	5,000	100.0	500	50,040
Lahden Kiinteistö Invest Oy	15,000	100.0	150,000	150,133
Niinirinteen Huolto Oy	100	52.9	10	10
Nygaard A/S, NO	300	100.0	NOK 300	9,594
Pohjoismaiden Sukkatehdas	2,780	100.0	2,780	7,500
Tampereen Kiinteistö Invest Oy	3,283,890	89.5	164,194	173,987
Tricol Oy	199,050	100.0	1,990	2,739
Triconor Försäljnings AB, SE	1,000	100.0	TSEK 100	66
Trior Oy	3,000	100.0	300	300
Upofloor Oy	50	100.0	50,000	50,000
Oy Uponor Ab	4,374,200	100.0	218,710	743,275
Upo Puulämpö Oy	2,500	100.0	5,000	5,000
Varastotalo Oy	100,000	100.0	1,000	3,986
Vogue A/S, DK	100	100.0	TDKK 380	236
Other subsidiaries				135
Subsidiaries total				1,756,474
Other shareholdings				
Expo-Kaluste Oy	38,500	50.0	385	1,300
Helsinki Stock Exchange	1			150
Kaiharin Kulma Kiinteistöosakeyhtiö	3,576	35.8	36	12,415

	Number	Share %		Nominal Holdings (1,000s)		Book value (1,000s)
Keskus-Sato Oy	228,865	18.2		2,289		18,710
Lanor Oy	145,844	47.1		145,844		175,581
Oy Liikkeenjohdon Koulutuskeskus	5			250		176
Merita Pankki Ltd.	34,786			346		355
Oy Nordcenter Development Ab	60	40.0		6,000		
Central Share Register of Finland	6			420		420
Other housing and real estate companies						29,539
Other shares						2,359
Other shareholdings total						241,005

5.2 Uponor Group

	Number	Share %		Nominal Holdings (1,000s)		Book value (1,000s)
Subsidiaries						
Oy Uponor Ab						
Uponor Aldyl S.A., AR	234,000	100.0	TUSD	2,340		34,556
Uponor Beteiligungs GmbH, DE	1	100.0	TDEM	28,500		85,446
Uponor Holding A/S, DK	200,000	100.0	TDKK	100,000		171,179
Uponor Eesti AS, EE		100.0	TEEK	400		156
Jita Oy	7,015	100.0		7,015		7,015
Pexep Oy	1,500	100.0		1,500		1,500
Suomen Muovitehdas Oy	15	100.0		15		15
Uponor Kiinteistöt Oy	750	100.0		750		750
Uponor S.A., FR	205,000	100.0	TFRF	20,500	TDKK	17,499
Uponor Ltd. UK, GB	15,387,000	100.0	TGBP	15,387		61,975
Uponor Ltd. Ireland, IE	4,650,002	100.0	TIEP	4,650	TDKK	26,114
Uponor Latvia SIA, LV	100	100.0	TLVL	20		216
Uponor BV, NL	8,400	100.0	TNLG	8,400		18,266
Wirsbo-Tubos da Suécia Lda, PT	1,755,000	100.0	TPTE	1,755,000		38,161
A/O Uponor Rus, RU		100.0	TRUB	100,000		71
Uponor Rör AB, SE	50,000	100.0	TSEK	50,000		70,235
Uponor US Inc, US	464	100.0	TUSD	21,582		97,174
Subsidiaries total						630,328
Other shareholdings						
Asko Insurance Ltd., GB (100,0)	1,000,000	20.0		1,000		1,000
Other shares						1,121
Main group shareholdings of subsidiaries						
Wirsbo Australia Pty Ltd., AU	2	100.0	TAUD	0	TSEK	0
Wirsbo of Canada Ltd., CA	1,000	100.0	TCAD	871	TUSD	1,444
Hewing AG, SC	500	100.0	TCHF	500	TDEM	400
Velta AG, SC	100	100.0	TCHF	100	TSEK	390
Wirsbo AG, SC	50	100.0	TCHF	50	TSEK	0
Uponor Czech s.r.o., CZ	1	100.0	TCZK	1,160	TDEM	65
Hewing GmbH, DE	2	100.0	TDEM	19,000	TDEM	19,000
Polytherm Vertriebs GmbH, DE	6	100.0	TDEM	3,050	TDEM	3,050
Seppelfricke GmbH, DE	1	100.0	TDEM	50	TDEM	50
Uponor Anger GmbH, DE	2	100.0	TDEM	17,000	TDEM	17,000

	Number	Share %		Nominal Holdings (1,000s)		Book value (1,000s)
Uponor (Deutschland) GmbH, DE	5	100.0	TDEM	32,000	TDEM	160,000
Uponor Europe GmbH, DE	1	100.0	TDEM	19,000	TDEM	19,000
Uponor Hausabflusstechnik GmbH, DE	50,000	51.0	TDEM	5,610	TDEM	5,616
Velta GmbH, DE	5,000	100.0	TDEM	7,000	TDEM	16,376
Wirsbo Rohrproduktions und Vertriebs GmbH, DE	2	100.0	TDEM	6,007	TDEM	6,008
Uponor A/S Denmark, DK	30,000	100.0	TDKK	30,000	TDKK	62,968
Wirsbo Danmark A/S, DK	30	100.0	TDKK	3,000	TSEK	3,631
Abril S.A., ES	400	100.0	MESP	2,000	TESP	2,000
Uponor Resiplast S.A., ES	7,500	100.0	TESP	75,000	TDEM	2,735
Wirsbo Espana S.A., ES	500	100.0	TESP	5,000	TDEM	6,781
Proplast Oy	500	100.0		500		2,000
Polytherm S.A.R.L., FR	13,400	100.0	TFRF	1,340	TDEM	390
Ryb S.A., FR	225,000	100.0	TFRF	22,500	TFRF	66,029
Uponor Aldyl Ltd., GB	6,250,000	100.0	TGBP	6,250	TGBP	6,250
Uponor UK Export Ltd., GB	100	100.0	TGBP	0	TGBP	0
Wirsbo UK Ltd., GB	200,000	100.0	TGBP	200	TGBP	129
Uponor Muanyag Csörendszer Kft, HU	40,126	100.0	THUF	701,260	TDEM	7,491
Polytherm Italy S.r.l., IT	100,000	100.0	TITL	100,000	TDEM	106
Scantec S.p.A., IT	200,000	100.0	TLIT	200,000	MITL	8,317
Wirsbo S.R.L, IT		100.0	TITL	99,000	TSEK	466
Ecoflex BV, NL	2,600	100.0	TNLG	2,600	TNLG	2,600
Uponor A/S Norway, NO	5,000	100.0	TNOK	5,000	TDKK	9,479
Wirsbo Norge A/S, NO	5,000	100.0	TNOK	500	TSEK	472
Uponor Bor Sp. z.o.o., PL	5,276	80.0	TPLN	5,276	TPLN	6,729
Uponor Hausabflusstechnic Polska, PL	23,561	100.0	TPLN	2,333	TDEM	2,097
Uponor Polska Sp. z.o.o., PL	6,922	100.0	TPLN	5,922	TDEM	3,438
Ecoplas SA, PT	550,000	100.0	MPTE	660,000	MPTE	995,978
Termoplas SA, PT	100,000	100.0	MPTE	100,000	MPTE	339,550
Uponor Portugal SGFS SA, PT	1,430,000	100.0	MPTE	1,430,000	MPTE	1,579,938
Uponor AB, SE	500,000	100.0	TSEK	50,000	TSEK	117,717
Uponor Energi AB, SE	100,000	100.0	TSEK	10,000	TSEK	10,069
Uponor Innovation AB, SE	20,540	100.0	TSEK	2,054	TSEK	2,465
Vårgårds Plast AB, SE	1,200	100.0	TSEK	120	TSEK	3,170
Wirsbo Bruks AB, SE	8,000,000	100.0	TSEK	40,000	TSEK	267,217
Hot Water Systems NA Inc, US	100	100.0	TUSD	7,980	TUSD	4,089
Radiant Technologies Inc, US	163	100.0	TUSD	1,254	TUSD	1,254
Uponor Aldyl Company Inc, US	100	100.0	TUSD	6,061	TUSD	6,061
Uponor ETI Company, US	2,000	100.0	TUSD	2,380	TUSD	9,150
Uponor Phoenix Inc, US	1,000	100.0	TUSD	100	TUSD	100
Wirsbo Company, US	1,000	100.0	TUSD	6,980	TUSD	5,000

Other shareholdings

	Number	Share %		Nominal Holdings (1,000s)		Book value (1,000s)
Braun Rohr- und Kanaltechnik GmbH, DE		49.0	TDEM	147	TDEM	198
TA-Wirsbo		35.0	THUF	3,430	TDEM	70
Other shares						465

	Number	Share %	Nominal Holdings (1,000s)	Book value (1,000s)
5.3 Asko Appliances Group				
Asko Keskushuolto Oy	15	100.0	15	15
Upo Kodumasinate Balti AS, EE	100	100.0	37	37
Kotimaiset Kotitalouskoneet Oy	2,050	50.0	2,050	3,500
Kiinteistö Oy Lahden Teollisuuskeskus (100,0)	11,995	14.3	2,999	4,438
Asko-Upo (Rus), RU	1,250	100.0	498	498
Asko-Upo (Spb), RU	1,000	100.0	100	100
Other shares				116
				8,704
5.4 Asko Furniture Group				
Subsidiaries				
Askopalvelu Oy	2,000	100.0	300	423
Asko Mööbli AS, EE	500	100.0	500	EEK 760
Raumafoam Oy (Suomen Superlon Oy)	400	100.0	2,000	3,335
				4,518
Other shareholdings				
Unilon Oy	50	33.3	500	833
Kiinteistö Oy Lahden Teollisuuskeskus (100.0)	40,462	48.3	10,116	14,971
Suomen Superlon Oy	1,000	16.7	1,000	2,000
Other shares				811
				18,615
5.5 Upofloor Group				
Suomen Parketti Oy	100	100.0	5,000	1,075
Lattiakiinteistö Oy	500	100.0	50	50
Upofloor-Palvelut Oy	100	100.0	1	2
DLW-Upofloor AB, SE	1,000	33.3	100	128
Other shareholdings				185
				1,440
5.6 Asko Components Group				
Pietarsaaren Malli- ja Huoltopalvelu Oy	100	100.0	100	100
Rannan Metalli Oy	455	100.0	500	523
				623
5.7 Upo Puulämpö Group				
Lappi-Myynti Oy	50	100.0	1,000	50
Other shareholdings				10
				60

	Number	Share %		Nominal Holdings (1,000s)		Book value (1,000s)
5.8 Finlayson Group						
Subsidiaries						
A ja H Friman Oy	100	100.0		50		3,833
Green Textiles Oy	1,000	100.0		1,500		2,000
Finlayson Coater Oy	6,600	100.0		6,600		19,800
Finlayson Forssa Oy	40,000	100.0		4,000		11,991
Finlayson Nonstoppers Oy	5,000	100.0		5,000		17,500
Finlayson Lanka Oy	2,000	100.0		2,000		7,000
Finlayson Palvelu Oy	50	100.0		50		50
Finlayson Sisustustekstiili Oy	30,100	100.0		3,010		9,000
Kainuun Tekstiili Oy	200	100.0		4,000		4,065
Trifi Oy	500	100.0		50		49
Foreign sales companies		100.0				557
Subsidiaries total						75,845
Other shareholdings						
Other shares						276

	Number	Share %		Nominal Holdings (1,000s)		Book value (1,000s)
5.9 Asko AB Group						
Asko Cylinda AB, SE	105,000	100.0	TSEK	10,500	TSEK	161,600
Asko Vølund Hvidevarer A/S, DK	8,000	100.0	TDKK	8,000	TSEK	4,361
Asko Elto AS, NO	15,150	100.0	TNOK	15,150	TSEK	12,945
Asko Inc, US	100	100.0	TUSD	1	TSEK	5
Asko Appliances (Aust) Pty. Ltd., AU	2,716,002	100.0	TAUD	2,716	TSEK	19,782
Asko Appliances Ltd., GB	575,000	100.0	TGBP	575	TSEK	
Junga Verkstäder AB, SE	500	100.0	TSEK	50	TSEK	60
Asko Hushåll AB, SE	70,000	100.0	TSEK	7,000	TSEK	7,100
Asko Möbler AB, SE	50,000	100.0	TSEK	5,000	TSEK	10,099
Asko Norge A/S, NO (100,0)	5,000	16.0	TNOK	5,000	TNOK	22,070
Futurum AB, SE	72,000	100.0	TSEK	7,200	TSEK	20,200
Oy Futurum Ab	15,000	100.0	TFIM	150	TSEK	251
Asko Osby AB, SE	50,000	100.0	TSEK	5,000	TSEK	27,132
Osby Pannan AB, SE	800	100.0	TSEK	80	TSEK	1,500
Prometek Utveckling AB, SE	28,000	100.0	TSEK	2,800	TSEK	7,432
Prometek AB, SE	10,600	100.0	TSEK	1,060	TSEK	12,980
Wirsbo Smide AB, SE	300,000	100.0	TSEK	30,000	TSEK	53,292
Kommanditbolaget Sekanten, SE	2	67.0	TSEK	2	TSEK	17,000
Other shares					TSEK	172

Definition of Key Financial Indicators

Return on equity ROE % $= \dfrac{\text{Result before extraordinary items – taxes}}{\text{Shareholders' equity + reserves + minority interest (average for period)}} \times 100$

Return on investment ROI% $= \dfrac{\text{Result before extraordinary items + interest and other financing expenses}}{\text{Balance sheet total – advances received}} \times 100$

Solidity % $= \dfrac{\text{Shareholders' equity + reserves} \pm \text{minority interest}}{\text{Balance sheet total – advances received}} \times 100$

Debt ratio $= \dfrac{\text{Interest-bearing net debt}}{\text{Shareholders' equity + minority interest}} \times 100$

Interest-bearing net debt = Interest-bearing debts – cash, bank receivables and liquid assets' securities

Earnings per share (EPS) $= \dfrac{\text{Result per extraordinary item} \pm \text{minority interest from the result – taxes}}{\text{The average number of shares adjusted to the share issue for the financial year}}$

Shareholders' equity per share $= \dfrac{\text{Shareholders' equity + reserves}}{\text{Share issue adjusted number of shares at year end}}$

Dividend / result $= \dfrac{\text{Dividend per share}}{\text{Result per share}}$

Effective dividend yield $= \dfrac{\text{Dividend per share x 100}}{\text{Share price at the end of accounting period}}$

Per earnings ratio P/E $= \dfrac{\text{Share price at the end of accounting period}}{\text{Result per share}}$

A comparison of divisional result measured as RONA percentages

RONA-%	
over 18	Excellent
14 – 18	Good
10 – 14	Satisfactory
6 – 10	Fair
under 6	Poor

Uponor	Excellent
Asko Appliances	Fair
Asko Furniture	Good
Upofloor	Fair
Asko Components	Satisfactory
Textiles	Satisfactory
Asko Real Estate	Fair

Historical Summary

GROUP RESULT (FIM million)	1996	1995	1994	1993	1992
Net sales	7,428.9	7,065.5	7,069.5	6,474.3	6,324.6
Other income from operations	150.4	160.1	25.4		
Operating expenses	6,596.0	6,280.8	6,134.0	5,698.3	5,615.9
Planned depreciations	377.6	370.3	425.5	394.3	415.7
Operating profit	605.7	574.5	535.4	381.7	293.0
Financing income and expenses	-204.3	–256.3	–282.9	–379.5	–470.7
Result after financial items	401.4	318.2	252.5	2.2	–177.7
Other income and expenses	-46.7	–41.2	–32.9	12.3	80.6
Result before changes in reserves and taxes	354.7	277.0	219.6	14.5	–97.1
Book result	241.6	210.5	110.1	2.1	–57.9

CONSOLIDATED BALANCE SHEET					
Fixed assets and long-term investments	3,418.4	3,530.8	3,619.8	3,962.1	4,157.7
Group goodwill	329.2	363.4	360.0	370.0	416.7
Valuation items				36.9	
Current assets	1,300.4	1,440.5	1,261.7	1,137.0	1,070.0
Cash and deposits	294.5	390.8	402.3	573.4	899.7
Other liquid assets	998.6	964.0	1,034.4	1,056.0	1,009.3
Restricted equity	1,175.8	1,186.1	1,261.2	1,162.1	1,158.5
Non-restricted equity [1)]	850.6	632.3	470.8	244.3	267.1
Minority interest	53.5	54.4	106.9	186.8	175.6
Obligatory reserves	51.9	56.3	47.1		
Accrued transactions [1)]				156.6	174.9
Long-term, interest-bearing debts	1,969.0	2,660.2	2,399.9	3,139.5	3,475.4
Short-term, interest-bearing debts	941.9	942.9	1,156.9	1,133.2	1,295.2
Non-interest bearing debts	1,298.4	1,157.3	1,235.4	1,112.9	1,006.7
Balance sheet total	6,341.1	6,689.5	6,678.2	7,135.4	7,553.4

FINANCIAL INDICATORS AND OTHER INFORMATION					
Operating income %	8.2	8.1	7.6	5.9	4.6
Return on shareholders' equity, ROE%	12.3	11.5	6.8	0.1	-8.2
Return on investment, ROI%	11.1	10.8	9.7	7.7	7.7
Solidity %	32,9	28.0	27.7	24.0	22.7
Dept ratio %	126	172	172	216	226
Interest-bearing net debts, FIM million	2,616.5	3,212.2	3,138.4	3,696.3	3,871.0
As a % of net sales	35.2	45.5	44.6	57.1	61.2
Change in net sales %	5.1	–0.1	9.2	2.4	–0.8
Export from Finland, FIM million	910.6	910.8	911.9	800.8	673.6
Net sales of foreign subsidiaries, FIM million	4,817.4	4,708.7	4,824.0	4,464.0	4,103.0
Total foreign operations, FIM million	5,359.0	5,239.0	5,383.0	4,959.0	4,707.0
Foreign operation's share, %	72.1	74.1	76.0	76.6	74.4
Personnel as at 31. Dec.	9,005	9,704	8,700	8,343	8,695
Personnel in average	9,115	8,969	8,521	8,442	9,238
Investments, FIM million	425.6	541.2	375.0	260.9	274.0

1) Voluntary reserves and accumulated depreciation differences, less deferred taxes, have been incorporated in the 1994–1996 non-restricted equity.

Information on Shares

SHARE CAPITAL, SHARES	1996	1995	1994	1993	1992
Share capital (FIM million)	352.5	352.5	352.5	302.7	302.7
Shares on 31 Dec. (1,000s)	7,049	7,049	7,049	6,054	6,054
Adjusted for share issue					
– at year-end	7,049	7,049	7,049	6,306	6,306
– average for the year	7,049	7,049	6,578	6,306	6,306
Nominal value of shares (FIM)	50	50	50	50	50
Adjusted shareholders' equity (FIM million)	2,080.0	1,872.9	1,838.8	1,710.6	1,713.1
Shares traded (FIM million)	821.3	264.7	511.7	109.7	14.2
Shares traded (1,000s)	3,518	1,365	2,229	1,013	272
– average (%)	49.9	19.4	33.9	16.1	4.3
Market value of shares (FIM million)					
A-series shares	2,235	980	1,466	760	369
B-series shares [1)]	–	–	–	110	45
Adjusted earnings per share (FIM) (option buffered)	36.70	33.70	22.50	-5.40	-32.60
Shareholders' equity per share (FIM)	287	258	246	242	244
Dividend (proposed) (FIM million)	(70.5)	35.2	35.2	–	–
Dividend per share (proposed) (FIM)	(10.0)	5.00	5.00	–	–
Effective dividend yield	(3.2)	3.6	2.4	–	–
Dividend per result, %	27.3	14.8	22.2	–	–
Price earnings ratio P/E	8.6	4.1	9.2	–	–
Issue-adjusted conversion rates (FIM)					
A-series shares, high	335,00	220,00	320,00	143,00	101,00
A-series shares, low	132,00	125,00	148,00	67,00	34,00
B-series shares, high[1)]	–	–	320,00	136,00	77,00
B-series shares, low	–	–	145,00	58,00	29,00
A-series shares, average	223	194	224	109	73
B-series shares, average	–	–	262	107	48

SHARE ISSUES					
New share subscriptions	–	–	30.3	–	–
Directed issues (FIM million)	–	–	19.5	–	–
– issue profit	–	–	19.5	–	–
Subscription price (FIM)					
A-series shares	–	–	150-218.50	–	–
B-series shares	–	–	150	–	–

A definition of financial indicators is shown on page 58.

1) A and B share series were unified in 1994.

Shareholders/Asko Oy

MAJOR SHAREHOLDERS AS AT 31.12.1996

	A-share	Share %
Neste Oy	1,840,403	26.1
Neste Corporation's pension fund	32,623	0.5
	1,873,026	26.6
Lanor Oy	1,622,517	23.0
Sampo Insurance Company	300,000	4.3
Eläke-Sampo Insurance Company	176,130	2.5
Kaleva Mutual Insurance Company	100,000	1.4
Yritys-Sampo Insurance Company	65,842	0.9
Otso Interruption Insurance Company	5,500	0.1
	647,472	9.2
Personal Insurance Company Nova	176,941	2.5
Eläke-Varma Mutual Insurance Company	161,068	2.3
	338,009	4.8
The Local Government Pensions Institution	245,000	3.5
Tapiola General Mutual Insurance Company	107,910	1.5
Tapiola Mutual Pension Insurance Company	26,000	0.4
	133,910	1.9
Alfred Berg Finland Mutual Fund	123,884	1.8
Partita Oy	80,000	1.1
Style-Invest Oy	62,827	0.9
Immonen Jukka Kalevi	59,300	0.8
All others	1,863,459	26.4
Total	7,049,404	100.0

REGISTERED SHARE BLOCK AS OF DEC. 31, 1996

	A-share	Percentage of shares
Merita Bank	604,656	8.6
Postipankki Oy	44,600	0.6
Helsingin Arvo-osuuskeskus Oy	1,500	0.1
Total	650,756	9.2

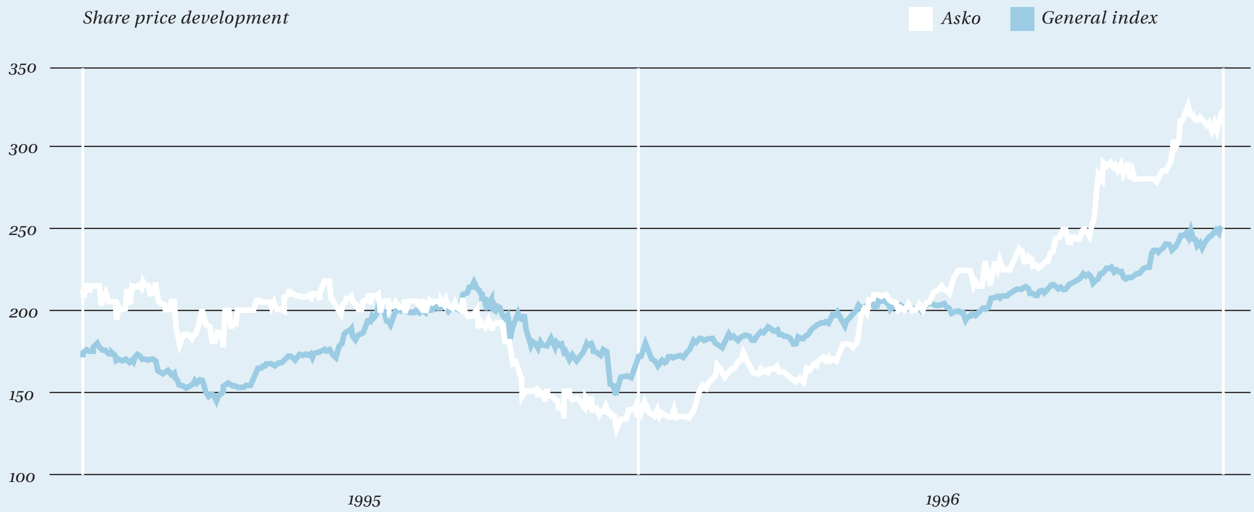
DISTRIBUTION OF OWNERSHIP AS AT 31.12.1996

Shares		%
Private companies	2,251,588	31,9
Public companies	1,842,666	26.1
Financial and Insurance Institutions	1,119,447	15.9
Community enterprises	745,599	10.6
Non-profit making bodies	140,968	2.0
Households	290,260	4.1
Other countries and registered share blocks	655,070	9.3
Others	3,806	0.1
Total	7,049,404	100.0

DISTRIBUTION OF SHARE QUANTITIES

Shares	Share-holders	%	Total shares	%
1-100	840	59.0	31,167	0.4
101-1.000	433	30.4	151,282	2.2
1.001-10.000	101	7.1	365,450	5.2
10.001-	49	3.5	6,501,505	92.2
	1,423	100.0	7,049,404	100.0

Voting rights per share	1
The number of shares underwritten by convertible debenture and option loans	150,000
Shares, including conversion rights for convertible debenture and option loans, held by members of the board and the CEO	32,836



Proposal by the Board of Directors

The Group's non-restricted equity was FIM 850,632,000.00 and Asko Oy's non-restricted equity was FIM 788,024,295.24 according to the balance sheet of Dec. 31, 1996.

Non-restricted equity from previous year	FIM 740,515,927.85
Profit for the year	FIM 47,508,367.39
Total	FIM 788,024,295.24

The Board of Directors proposes that a dividend of FIM 10 per share be paid for the 1996 financial year, a total of FIM 70,494,040.00.

Lahti, February 25, 1997

Jaakko Ihamuotila
Chairman of the Board

Hannu Kokkonen

Veli Korpi

Matti Niemi

Niilo Pellonmaa

Jukka Viinanen

Jarmo Rytilahti
CEO

Auditors' Report

To the Shareholders of Asko Oy

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and Chief Executive Officer of Asko Oy for the year ended 31 December 1996. The financial statements, which include the report by 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 Chief Executive Officer. Based on our audit we express an opinion on these financial statements and the company' 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 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 an significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of the audit of the administration has been to examine that the Board of Directors and the Chief Executive Officer have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements 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 Chief Executive Officer of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the retained earnings is in compliance with the Finnish Companies Act.

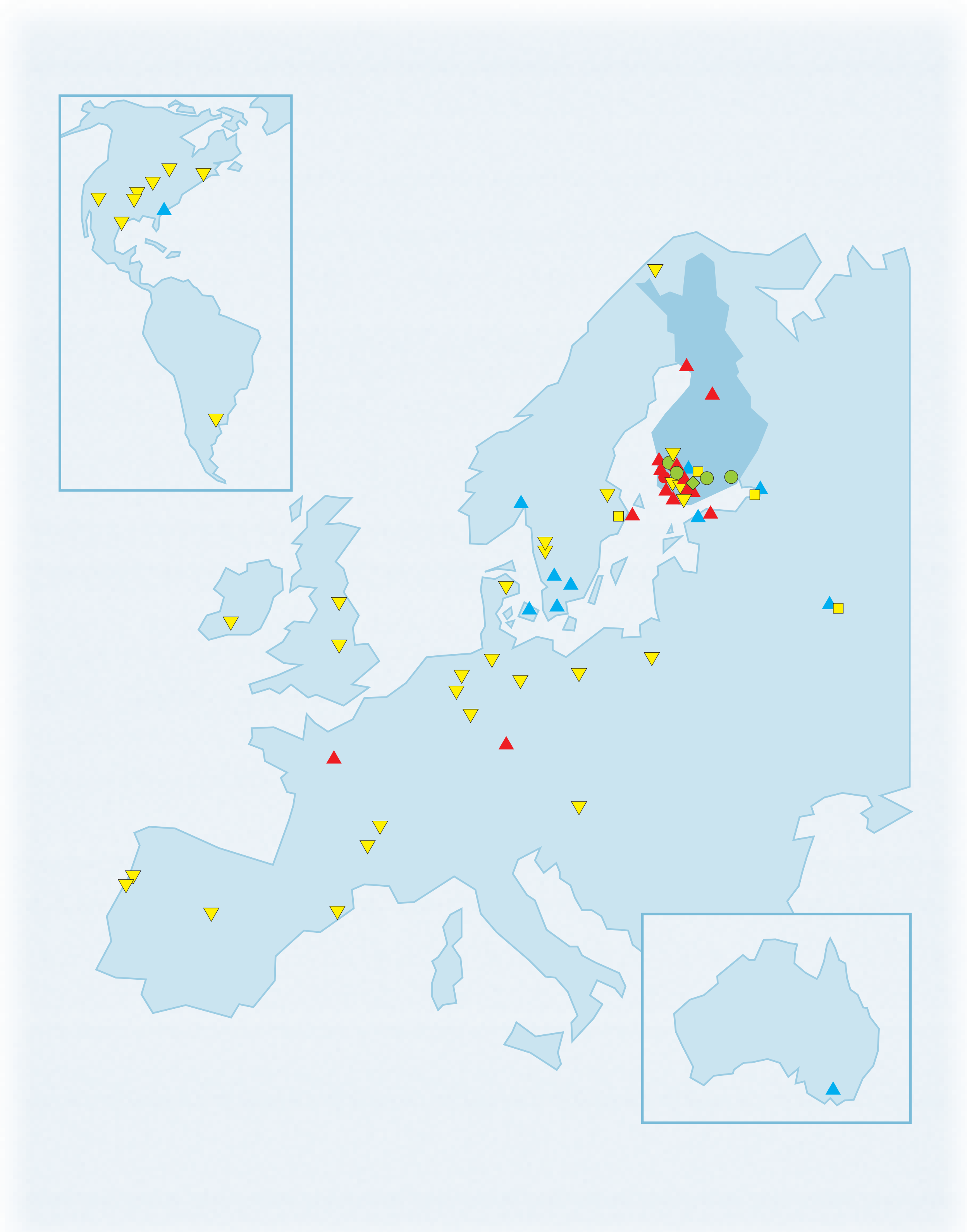
We have acquainted ourselves with the interim financial statements made public by the company during the year. It is our understanding that the interim financial statements have been prepared in accordance with the rules and regulations governing the preparation of such statements in Finland.

Lahti, March 5, 1997

KPMG Wideri Oy Ab

Pentti Savolainen
Authorized Public Accountant

Operations in Europe, North America and Australia



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