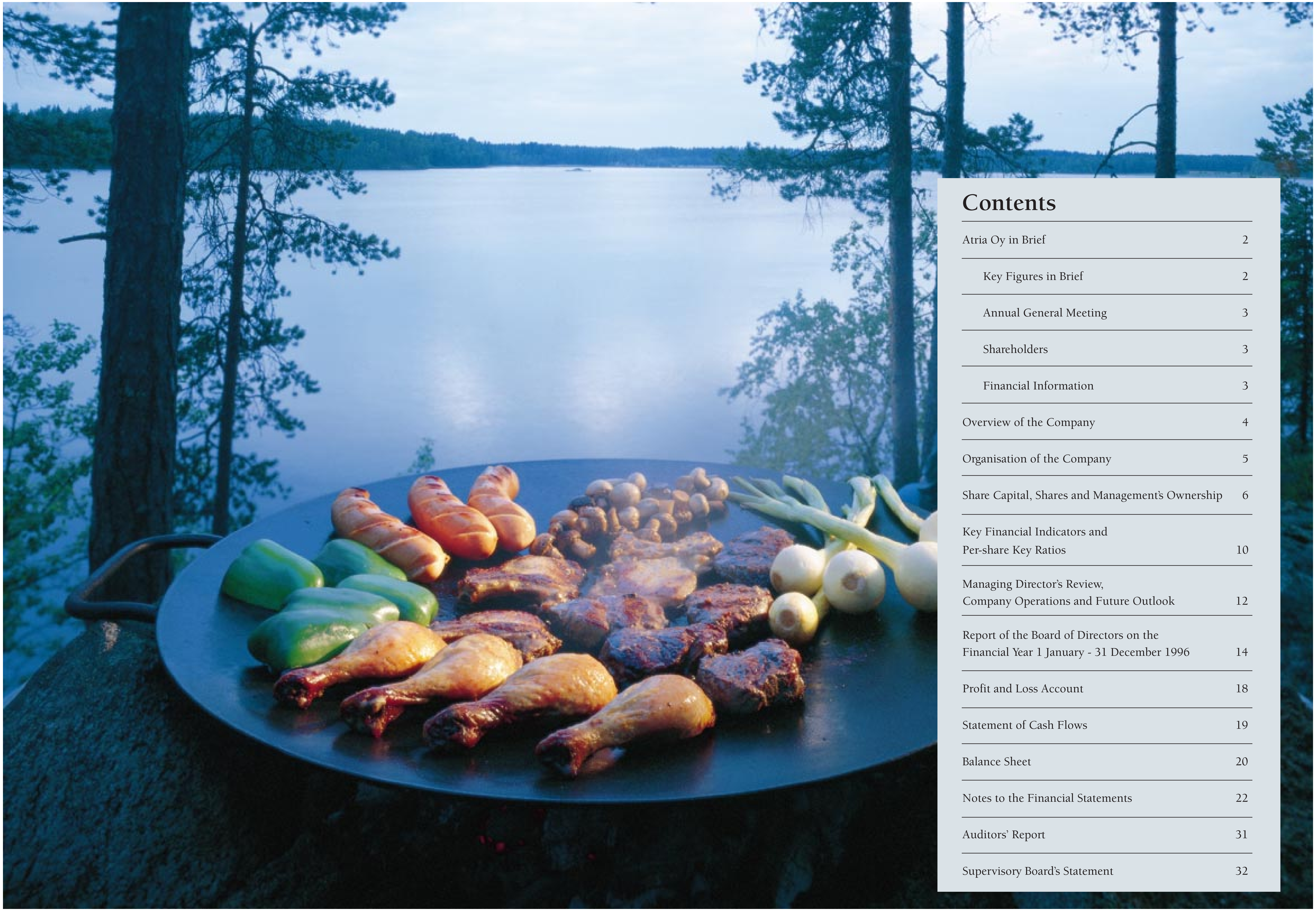
Atria Oy

ANNUAL REPORT 1996



Contents

Atria Oy in Brief

Atria Oy is a company engaged in the slaughtering and meat-cutting industry, in the manufacturing and marketing of processed meat products and convenience foods. The company was formed on 28 June 1991, when the merger of Itikka Lihabotnia Oy from Seinäjoki and Lihapolar Oy from Kuopio was entered into the trade register. After the merger, the company was named Itikka-Lihapolar Oy, and it was renamed Atria Oy on 28 December 1994.

The merger enabled an extensive improvement in the efficiency of operations and production centralisation. Significant investments were made in 1991 and 1992 in connection with these improvement measures.

Finland has been a member of the European Union for two years, and this membership has essentially changed the company's competitive position. Demand for various product groups has changed; demand for packed meat has increased while demand for sausages has decreased almost to the 1994 level. Furthermore, today we are dealing with EU-wide competition and pricing policy.

In 1996, measures were taken to improve the production efficiency of the processed meat products industry at the Nurmo food plant. In addition, most of the sausage production was moved from Kuopio to Nurmo, and a decision was made to close down the bovine slaughterhouse in Ylivieska.

	1996	1995	1994	1993	1992
Turnover, FIM mio	**2,254**	2,140	2,561	2,494	2,644
Operating profit, FIM mio	**103**	97	164	149	116
% of turnover	**4.6**	4.5	6.4	6.0	4.4
Profit before extraordinary items, FIM mio	**74**	67	119.0	46.0	3.0
% of turnover	**3.3**	3.1	4.7	1.9	0.1
Balance sheet total, FIM mio	**1,402**	1,436	1,517	1,596	1,724
Earnings per share, EPS, FIM	**5.24**	5.23	9.08	3.81	0.09
Dividend/profit %	**)**28.6**	20.6	14.6	24.9	-
Return on investment %, ROI	**8.7**	8.8	13.3	11.6	9.4
Return on equity %, ROE	**7.5**	7.7	14.0	6.1	0.1
Equity ratio %	**56.9**	56.1	50.3	46.1	31.7

****) The proposal of the Board of Directors. The figures for 1992-1993 are for the parent company. As of 1994, sales commissions, sales freights and credit losses are included in other expenses and not in turnover.**

Annual General Meeting

The Annual General Meeting of Atria Oy will be held on 21 April 1997 at 2 p.m. at the company's premises in Kuopio. The address is Likolahti, FIN-70460 Kuopio. In order to attend the Annual General Meeting, the shareholders must register with the company by 12 a.m. on 16 April 1997. Registration can also take place by mail to the company's head office, address P.O. Box 117, FIN-60101 Seinäjoki, or by calling +358 6 416 8111/Liisa Liukku; or by mail to the company's office in Kuopio, address P.O. Box 147, Likolahti, FIN-70101 Kuopio, or by calling +358 17 156 111/Anja Pitkänen. Registration must take place within the given registration period. Shareholders are requested to submit any powers of attorney to the place of registration within the period of registration.

The Board of Directors proposes the dividend to be 15% of the share's nominal value, that is FIM 1.50 per share. From 29 April 1997, the dividends proposed at the Annual General Meeting can be withdrawn by the shareholders registered in the shareholder register on 24 April 1997, from an account registered with the book-entry account. Payment of dividends to shareholders who have not transferred their shares to the book-entry system will be made after the transfer.

Shareholders

The shares of Atria Oy were transferred to the book-entry system on 10 June 1994. The Central Share Register of Finland Co-operative maintains the company's shareholder register.

Financial Information

Atria Oy's annual report will be published in April, and an interim report on 25 August 1997.

Convertible Bonds 1992-1999

Interest on the Bonds

Annual interest of 11.5 percent is paid on the principal of the bonds annually in arrears on 26 June.

The interest payment is made against the presentation of coupons attached to the bonds in Merita Bank Oy's branches offering securities services in Finland as well as at the offices of OKOBANK Osuuspankkien Keskuspankki Oy, and in the OKOBANK Group Member Banks' branches.

Terms of Conversion

Bonds can be converted into shares by converting a bond with a nominal value of FIM 1,000 into seventeen Series KI shares of Atria Oy, each with a nominal value of FIM 10.

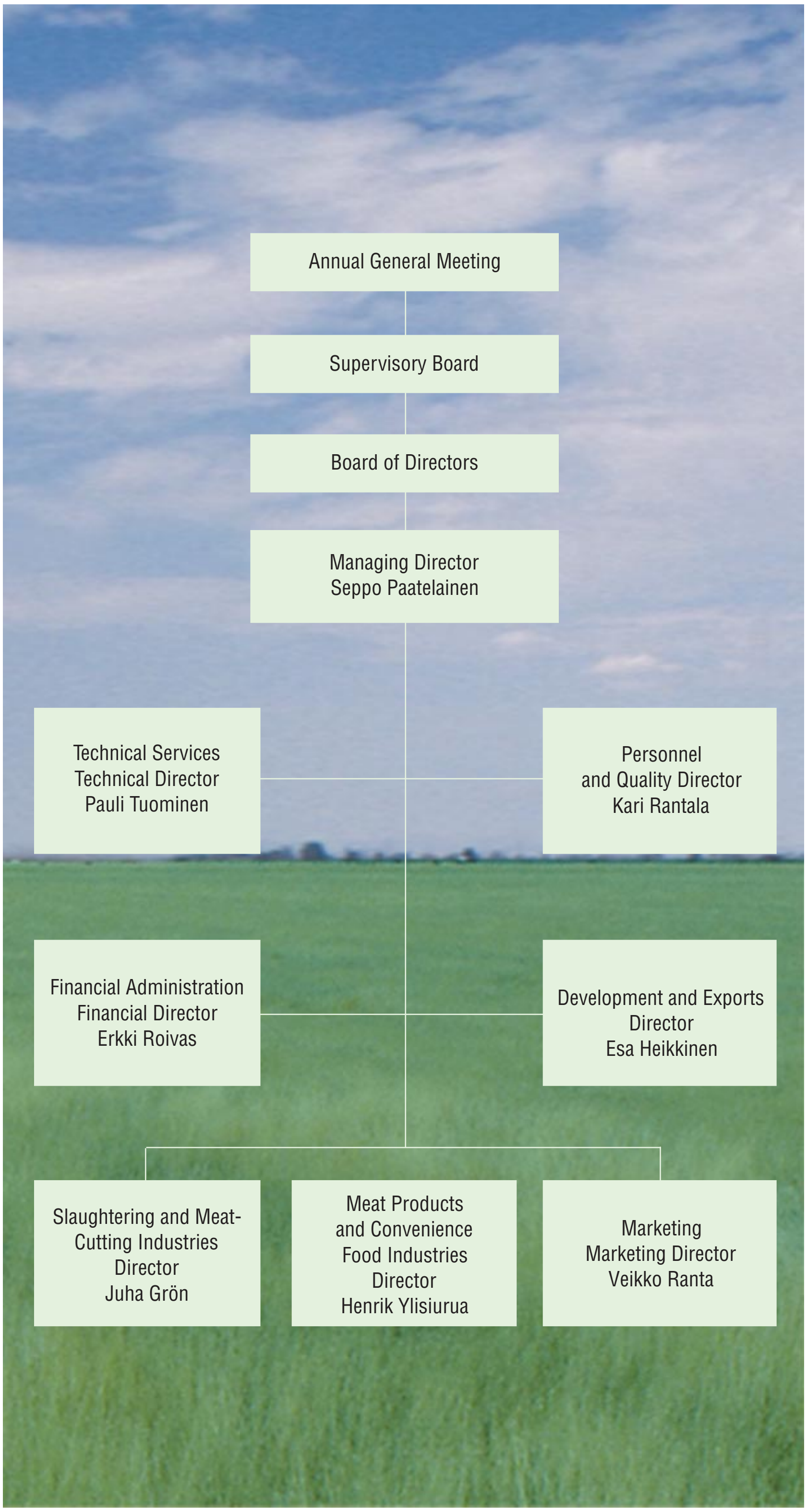
Consequently, the converted share price will be approximately FIM 58.85.

The bond conversion period commenced on 28 June 1993. The annual conversion period is from 2 January to 31 October, except in 1999, when the conversion period will be from 2 January to 26 June 1999. The right to convert expires on 26 June 1999.

Conversion of bonds into shares can be done by presenting the bonds and the coupons falling due after the time of conversion for registration into the book-entry system in a Merita Bank Oy's branch offering securities services in Finland, at the offices of OKOBANK Osuupankkien Keskuspankki Oy, or in the OKOBANK Group Member Banks' branches.

Overview of the Company

Organisation Structure - Senior Management



Operational Division of the Company

The company is active in the meat processing industry. The industrial operation comprises two processing areas:
- slaughtering and meat-cutting industry, and
- processed meat industry

The company aims at increasing the processed meat industry share of the turnover, simultaneously cutting down on the sale of cut products of the slaughtering and cutting industry as industrial raw material.

Organisation of the Company

ATRIA OY

Board of Directors

Reino Penttilä (56), Farmer,
Chairman of the Board of Directors, 1991-

Veikko Kullas (65), Farmer,
Deputy Chairman of the Board of Directors, 1991-1996

Timo Komulainen (43), Farmer,
Member of the Board of Directors, 1993-
Deputy Chairman of the Board of Directors, 1996-

Tapio Vaismaa (64), Farmer,
Member of the Board of Directors, 1991-

Hannu Helaakoski (48), B. Sc. (Agriculture),
Managing Director,
Member of the Board of Directors, 1994-

Tom Weckström (53), M. Sc. (Economics),
Managing Director,
Member of the Board of Directors, 1991-

Seppo Paatelainen (52), M. Sc. (Agriculture and Forestry),
Managing Director,
Member of the Board of Directors, 1991-

Tuomo Heikkilä (48), Farmer,
Deputy Member of the Board of Directors, 1991 - 1996,
Member of the Board of Directors, 1996-

Deputy Members of the Board of Directors

Antero Ristiluoma (54), Farmer, 1994-

Hannu Uusitalo (50), Farmer, 1991-

Erkki Roivas (51), Financial Director, 1991-

Jorma Lehto (53), Farmer, 1996-

Urpo Salopuro (62), Director, 1995-

Tauno Tapojärvi (61), Farmer, 1995-

Supervisory Board

Lauri Laitinen (55), Farmer,
Chairman of the Supervisory Board, 1993-

Juhani Mäki (54), Farmer,
Deputy Chairman of the Supervisory Board, 1991-

Risto Aula (62), Farmer,
Member of the Supervisory Board, 1991-

Martti Tolonen (49), Farmer,
Member of the Supervisory Board, 1991-

Kalle Pietikäinen (47), Farmer,
Member of the Supervisory Board, 1991-

Tarmo Joensuu (56), Farmer,
Member of the Supervisory Board, 1991-

Paavo Hylkilä (51), Farmer,
Member of the Supervisory Board, 1991-

Olavi Kangasniemi (60), Farmer,
Member of the Supervisory Board, 1991-

Martti Ylitalo (53), Farmer,
Member of the Supervisory Board, 1991-

Heikki Kuoppamäki (54), Farmer,
Member of the Supervisory Board, 1991-

Aimo Kivelä (53), Farmer,
Member of the Supervisory Board, 1991-

Reijo Kuusisto (62), Farmer,
Member of the Supervisory Board, 1991-

Runar Lillandt (52), Farmer,
Member of the Supervisory Board, 1992-

Ilkka Yliluoma (50), Farmer,
Member of the Supervisory Board, 1992-

Juha Koponen (51), Farmer,
Member of the Supervisory Board, 1993-

Kauko Kakko (39), Farmer,
Member of the Supervisory Board, 1993-

Ossi Pouta (50), Farmer,
Member of the Supervisory Board, 1993-

Leevi Koskela (55), Farmer,
Member of the Supervisory Board, 1995-

Martti Selin (50), Farmer,
Member of the Supervisory Board, 1995-

Managing Director

Seppo Paatelainen (52), M. Sc. (Agriculture and Forestry), 1991-

Executive Board

Seppo Paatelainen (52), M. Sc. (Agriculture and Forestry),
Managing Director, 1991-

Veikko Ranta (53),
Marketing Director, 1991-

Henrik Ylisiurua (48),
Product and Convenience Food Industries Director, 1992-

Esa Heikkinen (52), M. Sc. (Agriculture and Forestry),
Development and Exports Director, 1991-

Juha Gröhn (33), M. Sc. (Agriculture and Forestry),
Slaughtering and Meat-Cutting Industries Director, 1993-

Erkki Roivas (51), B. Sc. (Economics), M. Sc. (Administrative Sciences),
Financial Director, 1991-

Mauno Ylisiurua (51),
Deputy Personnel Representative, 1991-1996,

Personnel Representative, 1996-
Kerttu Mömmö (46),
Personnel Representative, 1991-1996,

Deputy Personnel Representative, 1996 -
Ahti Kivilä (47),
Personnel Representative, 1996-

Hannu Mäntylä (42),
Deputy Personnel Representative, 1996-

Tenho Talso (49),
Personnel Representative, 1993-1996

Jussi Granlund (45),
Deputy Personnel Representative, 1993-1996

Auditors

Eero Suomela,
Authorised Public Accountant
Seppo Sulkakoski,
Authorised Public Accountant

Deputy Auditors

KPMG Wideri Oy Ab
SVH Coopers &
Lybrand Oy

Supervisory Audit

KPMG Wideri Oy Ab,
Raimo Wiklund,
Authorised Public Accountant

Share Capital of the Company

Share Capital and Shares

Series KI shares have been listed on the Helsinki Stock Exchange since 26 June 1991. Series KII shares have a redemption and approval clause. Series KI has priority for a 10 percent dividend over dividend payments on Series KII shares.

The Series KI shares have a subscription right to the Series KII shares in a share issue. The Series KII shares have a subscription right to the Series KI shares only if the share issue applies exclusively to the Series KI shares.

The shareholders Lihakunta Co-operative and Itikka Co-operative have a mutual agreement stipulating that the parties shall be responsible for ensuring that both parties will be represented in the Supervisory Board in the same proportion as they own Atria Oy shares, and that in the event of the Chairman of the Supervisory Board being nominated by one of the parties, the other party shall nominate the Chairman of the Board of Directors.

In 1992, the company issued FIM 231 million Convertible Bonds by which the share capital can be increased by a maximum of FIM 13,588,235. The conversion terms of the Convertible Bonds are on page 3 under Financial Information.

Increases in Share Capital etc.

Lihapolar Oy began its operations on 1 July 1988. During the first accounting period, the share capital was increased from FIM 40,000,000 to FIM 50,000,000 by a public share issue between 22 August and 5 September 1988. 1,000,000 shares with a nominal value of FIM 10 were issued for a subscription price of FIM 66 per share. The shares were entitled to a full dividend for the accounting period closing on 30 June 1989.

Itikka Lihabotnia Oy began its operations on 5 April 1988. During the first accounting period, the share capital was increased from FIM 30,015,000 to FIM 37,518,800 by a public share issue between 12 and 30 September 1988, when 750,380 shares with a nominal value of FIM 10 were issued for a subscription price of FIM 82 per share. The shares were entitled to a full dividend for the accounting period closing on December 31, 1988. In another issue from 12 June to 14 July 1989, one new share with a nominal value of FIM 10 could be subscribed for with seven old shares for a subscription price of FIM 90. The shares were entitled to a full dividend for the accounting period closing on 31 December 1989. After this issue, the share capital totalled FIM 42,788,620.

After the merger of Lihapolar Oy and Itikka-Lihabotnia Oy on 28 June 1991, the conversion ratio for the shares of the new Itikka-Lihapolar Oy was as follows:

Conversion of shares for shareholders of Itikka Lihabotnia Oy:

- for each full ten (10) A shares twelve (12) KI shares of Itikka-Lihapolar Oy
- for 3,001,500 K shares 3,247,481 KII shares of Itikka-Lihapolar Oy

Conversion of shares for shareholders of Lihapolar Oy:

- for each full ten (10) KI shares eight (8) KI shares of Itikka-Lihapolar Oy
- for each full ten (10) KII shares eight (8) KII shares of Itikka-Lihapolar Oy
- for 200,000 B shares 80,000 KII shares of Itikka-Lihapolar Oy

1992 Convertible Bonds:

In 1993, a total of FIM 151 million was converted to 2,567,000 KII shares.

In 1996, a total of FIM 3,000 was converted to KI shares.

The share capital is divided into Series KI and KII as follows:

Series KI		
	2,343,632 shares	20.3%
Series KII		
	9,203,981 shares	79.7%
Total		
	11,547,613 shares	100.0%

Number of shares in accordance with the Articles of Association:

	minimum	maximum
Series KI	1,700,000 shares	25,700,000 shares
Series KII	6,300,000 shares	29,500,000 shares

Both series of shares have a nominal value of FIM 10.
Both series of shares have one vote per share.

Share Capital and Shares

Shareholders by number of shares owned

Number of shares	Number of Shareholders	%	Shares (thousands)	%
1-100	5,474	80.72	144	1.25
101-1,000	1,177	17.35	347	3.00
1,001-10,000	115	1.70	317	2.75
10,001-100,000	8	0.11	158	1.37
100,001-1,000,000	6	0.09	1,114	9.65
1,000,001-999,999,999,999	2	0.03	9,077	78.60
Unregistered or in certificate form			391	3.38
Total	6,782	100.00	11,548	100.00

Shareholders by sectors

Sector	Number of Shareholders	%	Shares (thousands)	%
Companies	255	3.76	9,547	82.68
Financial institutions	25	0.37	810	7.02
Public institutions	6	0.09	154	1.33
Households	6,447	95.06	583	5.05
Private associations	45	0.66	41	0.35
Foreign	4	0.06	22	0.19
Unregistered or in certificate form			391	3.38
Total	6,782	100.00	11,548	100.00

Major shareholders

	KII	KI	Total	%
Itikka Co-operative	4,530,981	462,444	4,993,425	43.24
Lihakunta	4,403,500		4,403,500	38.13
Pohjanmaan Liha Co-operative	269,500		269,500	2.33
Tapiola Mutual Insurance Company		135,572	135,572	1.17
Investment Fund Kansallis-Tuotto		123,000	123,000	1.06
Pension Insurance Company Ilmarinen		103,812	103,812	0.89
Oy Leimark Invest Ab		30,000	30,000	0.25
Placeringsfonden Gyllenberg Small Firm		29,800	29,800	0.25
Trevise Aktiefond Finland		21,600	21,600	0.18
Tapiola Mutual Pension Company		20,000	20,000	0.17
Nominee-registered shareholders		482,100	482,100	4.17

On 31 December 1996, the Managing Director, the Members and Deputy Members of the Supervisory Board and the Board of Directors held a total of 9,736 series KI shares, representing 0.08 % of the voting rights.

Key Financial Indicators and Per-share Key Ratios

Key financial indicators

FIM million	1996	1995	1994	1993	1992
Turnover	**2,254**	2,140	2,561	2,494	2,644
Operating margin	**199**	197	271	250	204
% of turnover	**8.8**	9.2	10.6	10.0	7.7
Operating profit	**103**	97	164	149	116
% of turnover	**4.6**	4.5	6.4	6.0	4.4
Financial income/expenses	**-30**	-30	-45	-103	-113
% of turnover	**1.3**	1.4	1.8	4.1	4.3
Profit before extraordinary items	**74**	67	119	46	3
% of turnover	**3.3**	3.1	4.7	1.9	0.1
Profit before provisions and taxes	**47**	67	56	46	3
% of turnover	**2.1**	3.1	2.2	1.9	0.1
Return on equity (ROE) %	**7.5**	7.7	14.0	6.1	0.1
Return on equity (ROE) %*	**8.1**	8.3	15	6.7	0.1
Return on investment (ROI) %	**8.7**	8.8	13.3	11.6	9.4
Equity ratio %	**56.9**	56.1	50.3	46.1	31.7
Equity ratio %*	**52.6**	52.0	47.0	42.8	27.7
Gross investments in fixed assets	**205.5**	54.6	44.7	34.8	531.2
% of turnover	**9.1**	2.6	1.8	1.4	20.1
Personnel	**2,266**	2,174	2,092	2,195	2,146
Research and development expenses	**17.1**	16.9			
% of turnover	**0.8**	0.8			
Volume of orders ***					

The figures for 1992-1993 are for the parent company. As of 1994, sales commissions, sales freights and credit losses are included in other expenditures and not in turnover.

* the effect of deferred tax liabilities on the figures has been taken into account

** booked in total as expenditure for the financial year

*** not a significant indicator, as the orders are generally delivered on the day following the order

Per-share key ratios

	1996	1995	1994	1993	1992
			12 months		
Earnings per share (EPS), FIM	**5.24**	5.23	9.08	3.81	0.09
Shareholders' equity per share, FIM	**69.18**	69.79	66.01	63.72	60.77
Shareholders' equity per share, FIM*	**63.96**	64.62	61.75	59.46	53.35
Dividend/share, FIM	**1.50	1.20	1.50	1.00	-
Dividend/profit, %	**28.60	20.64	14.59	24.90	-
Effective dividend yield	**2.7	2.9	2.7	2.0	-
Price per earnings (P/E)	**10.54**	8.03	6.06	13.20	-
Market capitalisation, FIM mio	**637.7**	485.0	635.1	582.0	323.3
Volume of shares traded/thousands	**1,239.8**	427.7	1,061.8	976.2	312.8
Volume of shares traded, %, Series KI	**52.8**	18.3	45.3	41.7	13.3
Number of shares, millions	**11.5**	11.5	11.5	11.5	9.0
Number of shares, Series KI	**2.3**	2.3	2.3	2.3	2.3
Share price trend					
Lowest of period	**43.00**	42.00	49.00	33.00	17.00
Highest of period	**56.00**	59.00	80.00	62.00	45.00
At the end of period	**55.10**	42.00	55.00	50.40	36.00
Average price of the financial period	**48.51**	50.57	64.20	46.26	31.31

* the effect of deferred tax liabilities on the figures has been taken into account

** proposal of the Board of Directors

Definitions of key figures

Return on equity (%) =

Profit or loss before extraordinary items, provisions and taxes
- taxes

Shareholders' equity + minority interest + voluntary provisions and depreciation difference (average)

Return on investments (%) =

Profit or loss before extraordinary items, provisions and taxes
+ interest and other financial expenses

Balance sheet total – interest-free liabilities (average)

Equity ratio (%) =

Shareholders' equity + minority interest + voluntary provisions and depreciation difference

Balance sheet total - advances received

Earnings per share =

Profit before extraordinary items, provisions and taxes
– taxes +/– minority interest

Average number of shares

Shareholders' equity per share =

Shareholders' equity + voluntary provisions and depreciation difference – minority interest

Number of shares on 31 December

Dividend per share =

Dividends for the accounting period

Number of shares on 31 December

Dividend per profit (%) =

Dividends for the accounting period

Profit before extraordinary items, provisions and taxes
– taxes +/– minority interest

Effective dividend yield (%) =

Dividend per share

Average share price on 31 December

P/E ratio =

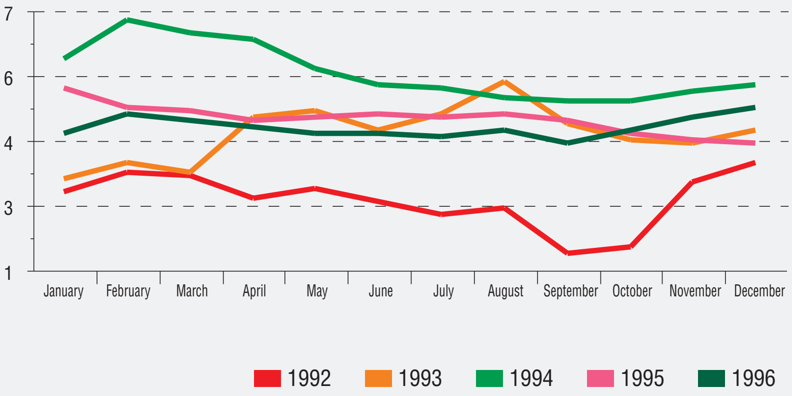
Average price on 31 December

Earnings per share

Market capitalisation=

Number of shares
x average price on 31 December

Atria Oy Series KI share price trend (average)



Atria Oy Series KI shares' monthly turnover

Month	Turnover, FIM	Turnover, no. of shares	Lowest of the month	Highest of the month
January	4,098,730.00	88,250	44.00	49.90
February	7,069,820.00	139,200	48.00	55.00
March	5,999,270.00	120,700	47.00	51.00
April	5,739,750.00	119,200	46.00	50.50
May	4,425,988.00	95,278	45.00	49.00
June	1,969,836.00	42,370	47.50	45.00
July	3,390,981.00	73,608	44.50	47.00
August	6,644,052.00	140,244	45.00	50.00
September	3,620,919.00	81,879	43.00	46.00
October	3,441,354.00	72,298	45.00	50.00
November	6,216,331.00	124,264	48.00	50.80
December	7,521,077.00	142,515	50.50	56.00
Total	60,138,108.00	1,239,806		

Managing Director's Review, Company Operations and Future Outlook

In 1995, during Finland's first year as a member of the European Union, the price of meat fell by more than 20%. The decrease in prices continued in 1996, but at a more moderate rate. The markets were particularly strongly affected by the occurrences of BSE, which reduced the consumption and price of beef in Central and Southern Europe. The trend in the consumption and price of pork was exactly the opposite. These price changes were also felt in Finland, although on a smaller scale. Over the past year, our line of business saw a clearly more stable market situation compared to the previous year. For Atria Oy, the past two years have involved learning how to operate in the European common market.

The turnover was up by 5.3%, or FIM 114 million from the previous year, indicating a positive trend. The increase in slaughtering by 5.3 million kilograms to 97.7 million kilograms contributed to the growth. Furthermore, retail sales increased by 3 million kilograms to 93.6 million kilograms. In general, the main objective in Atria Oy's operations was to ensure growth, and to develop the operations to match the new operational environment.

In terms of profitability, the first and second half of the year were essentially dissimilar. In the first half, the profit before extraordinary items, provisions and taxes was only FIM 15 million, while in the second half it amounted to FIM 59 million. Hence the profit before extraordinary items, provisions and taxes for the entire financial year totalled FIM 74 million, showing an increase of FIM 7 million from the previous year. The decrease in prices was perhaps most strongly felt in the beginning of the year, after which the company was able to adjust its operations and push selling prices in a more profitable direction. In this sense, 1997 looks more promising at the outset than the previous year. Atria Oy has been increasing its market share of its main product groups throughout the 1990's. This is important, because in the long run, raising the degree of processing is absolutely essential for a company that possesses almost a third of the entire slaughtering volume in Finland. There was a particularly favourable trend in the sales of poultry products and convenience foods. Sales of meat products were up in those product groups that experienced an increase in consumption. Growth was strong in the consumer-packed meat sector, and new products were also developed, whereas in certain product groups, such as inexpensive sausages and packed casseroles, the company cut its investments. In pricing these products a limit has been reached, which does not necessarily create potential for profitable business.

As a result of the EU membership, all export barriers were removed, and therefore focusing on increased exports became one of the development priorities for the company. The principal countries of export include our neighbouring countries. Exports to Sweden of processed food via Atria AB, and the export of meat via Atria Meat AB has developed favourably. In both sectors, persistent and determined work will help the company to achieve a market position that is valuable in view of its operations. The sale of the operations of Atria Oy St. Petersburg can be attributed to the fact that Atria Oy did not have a chance to create such flexible marketing methods that would

Seppo Paatelainen
Managing Director

have been required in the local circumstances. The Executive Management bought the business operations of Atria Oy St. Petersburg, and the exports via the company will continue on similar scale as before. Exports to Central Europe were also developed, and it appears that a suitable customer base exists in those countries. Exports to Japan and Korea increased, and we intend to diversify the structure of exports directed to that area. The transfer of all the shares of TLK Trading Ltd Oy to Atria Oy's ownership enables more flexible customer service in export operations.

In view of operations, 1996 introduced a number of changes. Almost FIM 200 million worth of investments were made in the Nurmo production facilities, involving several measures aimed to raise the degree of processing, to introduce new products and to rationalise the operations. Moving the production of cooked sausages from Kuopio to Nurmo allowed the meat product manufacturing to be completely reorganised and unit costs to be reduced significantly. The majority of the investments were of a strategic

Atria Oy

nature, and they support our objective to raise the degree of processing and cut the production costs.

Outlook for the Future

In the meat sector, tougher competition can be expected because of strong over-production in Europe. Increased pressures to move meat as raw material from one country to another is also to be anticipated. However, the consumers' pronounced interest in the origin of the meat, and their need to ensure the safety of their food can decelerate this development to some extent. Atria Oy uses only domestic meat, and accentuates this aspect in its brand advertising. The European Commission is faced with the complex issue of whether or not the origin of meat should be marked on products. At the moment, it seems likely that irrespective of the decisions taken by the European Union, Finland will introduce the system of indicating the origin of meat products. Certain interest groups have been hampering this process, as the sale of meat of foreign origin at the domestic market has been very profitable. The currently prevailing trend is, to a large extent, along the same lines with Atria Oy's strategic future philosophy.

Over the past two years, we have been building the Atria Laatuliha Quality System that will ensure the overall safety of meat production. We will capitalise on the Laatuliha Quality System in marketing Atria meat and meat products. We believe that a significant number of consumers appreciate these safety aspects.

The consumption of meat, particularly of poultry and pork, continues to grow. We will take our share of the growth in these product groups, thereby safeguarding our market share and ensuring growth in the future. Product development in the beef sector has resulted in the launching of new, easy-to-use products to the market. The Atria Takuumurea meat products are our answer to today's consumers' demands for easy cooking.

In 1997, Atria will divest the slaughtering operations in Ylivieska and instead centralise all operations in the slaughterhouses in Kauhajoki and Kuopio. This, together with the investments made during the past financial year, will create a base for positive development. At the same time, raising the degree of processing and investments in new product lines provides us with great opportunities to increase our sales. In this sense we believe that by firmly increasing our market share, raising the degree of processing, and striving towards cost efficiency, Atria can keep up the favourable trend in the company's profitability.

One of the major problems the meat industry will be faced with in the future is whether meat production can survive in Finland. Can farmers produce meat at prices the Finnish meat industry is able to pay? If we look at the first years in the EU, when compared with the other new EU members Sweden and Austria, Finland has probably come out best of the three. Especially in Austria, meat industry has drifted into a state of crisis, and in Sweden the structure of the industry is more vulnerable than in Finland. From several crucial perspectives, the Finnish meat industry is more competitive than Austrian or Swedish. In the accession talks, Finland was able to negotiate a deal allowing it to pay national subsidies to agriculture to support production. These subsidies, combined with a sufficiently competitive meat industry, will help the entire production chain to survive in the future.

Atria Oy has gained a solid market position both in the domestic market and in exports. Major structural investments have been carried out, we have state-of-the-art production machinery, and our equity ratio, nearly 57%, is the highest in the business. In short, we are in a good position to make the company an even more significant player in our line of business.

Seppo Paatelainen

Distribution of turnover by the degree of processing

	FIM million	%
Consumer-packed and other meat products and convenience foods	1,767.4	78.4
Slaughtering and meat-cutting products for industrial raw material	486.4	21.6

	1996	1995	1994	1993	1992
	12 months / %				
Products	**78.4**	82.2	68.3	68.3	63.6
Raw material for industry	**21.6**	17.8	31.7	31.7	36.4
Total	**100.0**	100.0	100.0	100.0	100.0

Report of the Board of Directors on the Financial Year 1 January - 31 December 1996

The Group
In addition to the parent company Atria Oy, the Group is comprised of the sales firms Atria AB and Atria Meat AB in Sweden, and Atria Oy St. Petersburg; TLK Trading Ltd Oy, the property firms Porokolmio Oy in Rovaniemi and Tievapolku 3 in Inari; Ab Botnia-Food Oy, Itikka-Lihapolar Oy, ILP-Siivous Oy and Poropalvelu Oy. Polar Fastfood Oy and Foodwest Oy are associated companies.

The business operations of Atria Oy St. Petersburg were sold to the company's Executive Management in December 1996. The entire share capital of TLK Trading Ltd Oy was transferred to the ownership of Atria Oy at the beginning of 1996.

Industry
Some major structural readjustments have been carried out in order to achieve a higher degree of processing on the one hand, and improved efficiency on the other.

In 1992, a significant set of investments worth over FIM 600 million was completed. These investments have proved to be excellent in terms of efficiency and improved operations.

The annual level of investments from 1993 to 1995 was around FIM 50 million, comprising mainly replacement investments.

In 1996, in addition to the FIM 50 million used for replacement investments, approximately FIM 150 million was used for investments to further improve the processed food industry. This involved divesting the sausage production in Kuopio and centralising all production in Nurmo, and reorganising the manufacture of different product groups in Nurmo to meet the new demands. These investments will allow for a significant further improvement in the degree of processing.

Marketing
In the first year following accession to the European Union, consumption of meat increased dramatically as prices slumped, whereas last year the increase in consumption decelerated and stabilised at 2.2%. Atria Oy's retail sales improved by 3%, and market shares of all the main product groups grew slightly. In retail sales, prices fell compared to the previous year, and Atria Oy amended the structure of its sales operations by investing strongly in product groups with better profit margins.

Imported meat products did not gain a significant foothold in the Finnish market, but the import of meat by some of our competitors continued at almost the same level as in the previous year. A considerable amount of imported meat is sold without indication of the country of origin, which is against official regulations and consumers' expectations. Atria Oy continued to invest heavily in marketing domestic meat produced through the Atria Laatuliha Quality System.

Placement of production lines as well as investments in production methods and production technology improve cost-efficiency.

In the meat export sector, Atria Oy was able to reach new clients in the export markets in the Far East, notably in Korea, in addition to Japan and Singapore. Our volume of meat sales continued to grow in Sweden, where Atria Oy has established a firm position in meat marketing. The export of beef was encumbered by the occurrences of BSE, which had an adverse impact on consumption, and caused considerable over-production throughout Europe. The transfer of the entire share capital of TLK Trading Ltd Oy to Atria Oy, as well as the establishment of an office in Denmark, contributed to increased potential in the export of meat.

Although Atria AB in Stockholm strengthened its position in the export of meat products, the market share is still relatively small. The company is currently undergoing a period of intensive development. The operations of our subsidiary in St. Petersburg were sold to the company's Executive Management, after which the exports returned to the former level.

Financing
Financial expenses remained at the 1995 level. Both the non-current and current liabilities decreased to some extent. Investments made during the financial year were financed mainly with the profit from business operations, but part of the financing can be attributed to the fact that the surplus liquid funds on bank accounts at the end of 1995 were dissolved during 1996. The Group's operating margin was FIM 199 million, financial expenses totalled FIM 30 million, and gross investments FIM 205 million.

ATRIA OY

Performace

The operating margin of the Group was FIM 199 million; a slight increase from 1995. After depreciations and financial expenses, the profit before extraordinary items amounted to FIM 75 million, increasing by 10% from 1995. As to depreciations, it should be noted that depreciations according to plan will decrease by time. Taking into account the anticipated future performance and probable investment needs, depreciations according to plan will most likely remain at the current level.

In this financial statement, the book values of the Seinäjoki real-estate holdings have been booked according to the values stated in a real-estate estimate, based on the fact that the premises are not fully utilised. The value, roughly FIM 27 million, has been booked under extraordinary items. A similar booking will have to be considered in 1997 for the bovine slaughterhouse in Ylivieska. At that time, the sum in question will be less than FIM 10 million.

Personnel

The Group's personnel during the financial year numbered 2,266 on average. At the end of the financial year, 2,239 were employed by the parent company, 420 of whom were office/administrative personnel. Personnel employed by the parent company during the financial year averaged at 2,225.

Prospects for 1997

The year 1997 will be our third year in EU Finland. We are convinced, and our success in 1996 supports our view, that over the past two years we have learned a great deal of the EU mechanisms, and that we have gained the required experience and knowledge of the EU to operate successfully under the new circumstances. However, the development of the European Union, as well as of the WTO, is an on-going process that continues to shape our operational environment.

Investments in 1997 will exceed the necessary FIM 50 million replacement investments to some degree. A small amount of investments will be passed on from 1996 to 1997. Financing expenses will decrease somewhat as liabilities decline.

When assessing the development of operating margin, the future development of the competitive conditions should be analysed. For competitive reasons, meat will be imported to and exported from Finland, depending on how prices develop in different countries. This development is affected by changes in consumer behaviour, which may sometimes be quite dramatic, and consequent surplus or shortage of supply. In Finland, the market is small, and the price level of imported goods has a powerful impact on the price development in the market. Because of the consumer behaviour in Finland, only small quantities of meat products have been imported; that is why we believe that the competition in the meat product and convenience food sector remains mainly between Finnish manufacturers. Some of the manufacturers aim to benefit from cheap imported raw material in their manufacturing processes.

The investments Atria Oy has made in product development, brand marketing and improved productivity will have a favourable impact on the profit performance. Furthermore, we have been able to increase the market share of product groups that are most advantageous from our perspective. These factors contribute to the strong improvement of Atria Oy's profit performance, which has been encumbered by the decline in profitability of slaughterhouse and meat-cutting industries. The decline can be attributed to meat prices, which depend heavily on the import prices. To minimise this effect, Atria Oy will continue to invest heavily in a seamless production chain that stretches from the farm through production to the consumer. This ideology is implemented in the Atria Laatuliha Quality System. Maintaining the customers' trust is one of the most crucial issues for Atria Oy and for the entire meat industry.

Profit and Loss Account

PROFIT AND LOSS ACCOUNT	GROUP		PARENT COMPANY	
(FIM thousands)	**1996**	1995	**1996**	1995
TURNOVER	**2,253,827**	2,140,142	**2,189,495**	2,134,856
Increase (+) or decrease(-) in inventory				
of finished goods	**3,780**	– 2,996	**3,920**	–1,850
Income from associated companies	**–55**	–485	**–**	–
Other income from business operations	**+6,021**	+20,770	**+5,453**	+20,201
EXPENSES				
Materials, supplies and stock				
Purchases during financial year	**1,272,118**	1,217,104	**1,231,079**	1,219,535
Increase (-) or decrease (+) in inventories	**–2,279**	–1,323	**–1,791**	–1,323
External services	**83,378**	68,590	**74,495**	68,590
Personnel expenses	**426,337**	404,645	**419,143**	401,380
Rents	**22,750**	23,565	**22,148**	23,424
Other expenses	**262,495**	247,832	**256,522**	244,880
OPERATING MARGIN	**198,773**	197,018	**197,274**	196,721
DEPRECIATIONS				
On fixed assets and other long-term expenses	**95,146**	100,339	**94,726**	99,438
On Group goodwill	**246**			
OPERATING PROFIT	**103,381**	96,679	**102,548**	97,283
FINANCIAL INCOME AND EXPENSES				
Dividend income	**65**	353	**181**	1,345
Interest income	**4,582**	13,505	**4,466**	13,377
Interest expenses	**–31,817**	–39,681	**–31,607**	–39,741
Foreign exchange gains/losses	**–487**	–661	**–312**	–661
Other financial expenses	**–2,047**	–3,051	**1,970**	–3,033
PROFIT BEFORE EXTRAORDINARY ITEMS,				
PROVISIONS AND TAXES	**73,678**	67,144	**73,306**	68,570
EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income	**4**	–	**–**	–
Extraordinary expenses	**–26,966**	–25	**–26,944**	–
PROFIT BEFORE PROVISIONS				
AND TAXES	**46,715**	67,119	**46,362**	68,570
Increase in depreciation difference	**–3,599**	–41,900	**–3,599**	–41,900
Increase (-) or decrease (+) in voluntary provisions	**-63**	-25	**–**	–
Direct taxes	**–13,175**	–6,728	**–13,062**	-6,670
Profit for the financial year before minority interest	**29,877**	18,466		20,000
Minority interest	**+9**	+13	**–**	–
PROFIT FOR THE FINANCIAL YEAR	**29,885**	18,479	**29,700**	20,000

Statement of Cash Flows

STATEMENT OF CASH FLOWS	GROUP		PARENT COMPANY	
(FIM thousands)	**1996**	1995	**1996**	1995
CASH FLOW FROM OPERATIONS				
Income				
Operating profit	**103,381**	96,679	**102,548**	97,283
Depreciations	**95,393**	100,339	**94,725**	99,438
Financial income/expenses	**–29,703**	–29,535	**–29,242**	–28,713
Extraordinary items	**–19**	–25	**–**	–
Taxes	**–13,176**	–6,728	**–13,062**	–6,670
	155,876	160,730	**154,969**	161,338
CHANGE IN WORKING CAPITAL				
Decrease (+) or increase (-) in inventories	**–10,348**	+1,398	**–7,672**	+526
Increase (-) in current receivables	**–39,863**	+132,613	**–35,949**	+129,462
Increase (+) in interest-free current liabilities	**–5,126**	–50,445	**–13,886**	–46,922
	–55,339	+83,566	**–57,507**	+83,066
CASH FLOW FROM OPERATIONS	**100,537**	244,296	**97,462**	244,404
INVESTMENTS				
Investments in fixed assets	**–205,478**	–54,571	**–205,103**	–55,000
Change in adjustment items	**–**	–1,620	**–**	–1,620
CASH FLOW BEFORE FINANCING	**–104,939**	188,105	**–107,641**	187,784
FINANCING				
Increase (+) or decrease (-) in non-current liabilities	**–13,149**	-164,694	**–13,149**	-163,282
Increase (+) or decrease (-) in current liabilities	**–8,360**	+90,622	**–8,324**	+89,068
Dividends	**–13,857**	-17,321	**–13,857**	–17,321
Other increase in shareholders' equity	**+3**	–	**+3**	–
Adjustments	**–91**	+575	**–**	–
CHANGE IN LIQUID FUNDS	**–140,393**	+97,287	**–142,968**	+96,249

Balance Sheet

ASSETS	GROUP		PARENT COMPANY	
(FIM thousands)	**31 Dec.1996**	31 Dec.1995	**31 Dec.1996**	31 Dec.1995
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS				
Intangible assets				
Intangible rights	**18,464**	21,557	**22,131**	25,724
Membership fees	**3,166**	3,163	**2,865**	2,862
Other long-term expenses	**4,798**	4,147	**4,781**	4,147
	26,428	28,867	**29,777**	32,733
Tangible assets				
Land and water	**11,873**	11,868	**11,653**	11,647
Buildings and constructions	**668,678**	647,678	**658,542**	636,900
Equipment and machinery	**240,001**	202,110	**238,721**	201,247
Other tangible assets	**4,374**	4,936	**4,297**	4,850
Advances paid and investments in progress	**18,685**	16,497	**18,685**	16,497
	943,611	883,089	**931,897**	871,141
Securities and other long-term investments				
Shares in subsidiaries	**–**	–	**5,787**	4,764
Shares in associated companies	**1,372**	1,429	**1,427**	1,922
Other shares and holdings	**3,566**	5,053	**3,556**	5,053
	4,938	6,482	**10,769**	11,739
VALUATION ITEMS				
Uncovered pension liabilities	**7,484**	7,484	**7,484**	7,484
CURRENT ASSETS				
Inventories				
Materials and supplies	**34,924**	29,946	**31,737**	29,946
Finished goods	**78,822**	75,414	**78,822**	74,902
Advances received	**1,961**	–	**1,961**	–
	115,707	105,360	**112,520**	104,848
Receivables				
Trade receivables	**245,902**	220,271	**246,490**	222,235
Loan receivables	**346**	399	**5,515**	5,562
Accrued income and prepaid expenses	**29,852**	15,566	**26,725**	14,984
	276,099	236,236	**278,729**	242,781
Cash in hand and at bank	**27,901**	168,294	**22,547**	165,515
TOTAL ASSETS	**1,402,170**	1,435,812	**1,393,725**	1,436,241

LIABILITIES	GROUP		PARENT COMPANY	
(FIM thousands)	**31 Dec.1996**	31 Dec.1995	**31 Dec.1996**	31 Dec.1995
SHAREHOLDERS' EQUITY				
Restricted equity				
Share capital	**115,477**	115,476	**115,477**	115,476
Reserve fund	**388,877**	388,863	**388,828**	388,826
Distributable equity				
Retained earnings	**49,325**	44,806	**53,842**	47,699
Profit for the financial year	**29,885**	18,479	**29,700**	20,000
	583,564	567,624	**587,847**	572,001
Minority interest	**30**	39	**–**	–
PROVISIONS				
Accumulated depreciation difference				
Accumulated depreciation difference from which deferred tax liabilities are deducted	**154,954**	158,710	**154,954**	158,710
Deferred tax liability for accumulated depreciation difference	**60,260**	52,903	**60,260**	52,903
Voluntary provisions				
Transition reserve	**–**	19,952	**–**	19,952
Other provisions	**64**	18	**–**	–
Tax liability included in provisions	**25**	6,657	**–**	6,651
	215,302	238,242	**215,213**	238,217
LIABILITIES				
Non-current liabilities				
Bonds	**17,500**	37,500	**17,500**	37,500
Convertible Bonds	**79,997**	80,000	**79,997**	80,000
Loans from financial institutions	**89,406**	68,969	**89,406**	68,969
Pension loans	**97,994**	111,577	**97,994**	111,577
Other non-current liabilities	**3,000**	3,000	**–**	–
	287,897	301,046	**284,897**	298,046
Current liabilities				
Trade payables	**60,584**	48,973	**53,972**	49,246
Accrued expenses and deferred income	**132,143**	148,880	**128,227**	146,839
Other current liabilities	**122,648**	131,008	**123,568**	131,892
	315,375	328,861	**305,766**	327,977
TOTAL LIABILITIES	**1,402,170**	1,435,812	**1,393,724**	1,436,241

Notes to the Financial Statements
1 January - 31 December 1996

Accounting principles:
The financial statements have been prepared in accordance with the Accounting Act and the Companies' Act currently in force. The financial statements of the Group include the parent company, all the subsidiaries, and the associated companies Foodwest Oy and Polar Fastfood Oy. Since Itikka-Lihapolar Oy has not prepared a sub-Group financial statement, its subsidiaries Atria Oy St. Petersburg and Atria AB have been grouped within Atria Oy.

The following changes have taken place in the Group structure: TLK Trading Oy, previously an associated company, became a subsidiary. The business operations of Atria Oy St. Petersburg were sold at the end of the year, and Foodwest Oy and Poropalvelu Oy were included in the Group's Financial Statements.

Inter-Group share ownership
Inter-Group share ownership has been eliminated according to the acquisition cost method, and the associated companies have been consolidated using the equity method.

Internal business transactions and profit margins
Internal profit margins have not been eliminated because of their insignificance. The Group's internal business transactions have been eliminated.

Minority interests
Minority interests have been separated from the Group's shareholders' equity and the net profit.

Translation differences
The figures in foreign companies' financial statements have been translated into Finnish markkas using the Bank of Finland's official exchange rate valid on the last day of the accounting period.

1. Method of depreciation
- Buildings, Nurmo industrial site 40 years
- Buildings, other industrial sites 25 years
- Equipment and machinery, Nurmo industrial site 10 years
- Other equipment and machinery 7 years
- Computer software 5 years
- Other long-term assets 10 years and 5 years

Straight line method of depreciation is followed, based on the useful life of the asset.

2. Wages and social security costs
Wages and social security costs have been booked on accrual basis during the accounting period. The statutory pension schemes have been taken care of by an insurance company. Additional pensions have been managed by the pension trust. The pension trust liabilities are included under the Valuation Items in the balance sheet. The pension trust is closed.

3. Inventories
Inventories are valued in the balance sheet as the variable costs incurred in procurement and production.

4. Fixed assets
Fixed assets are presented at original acquisition cost, from which planned depreciations have been deducted. In addition, the value of industrial properties in Seinäjoki has been adjusted by making depreciations in excess of plan worth FIM 26,943,741.

5. Receivables in foreign currencies
Items in foreign currencies have been valued at the Bank of Finland's average exchange rate on the last day of the accounting period. The parent company's foreign currency receivables totalled FIM 12,187,015 at the end of the accounting period. Foreign currency liabilities totalled FIM 58,454,041 at the beginning of the accounting period, and FIM 21,895,340 at the end. Foreign exchange gains and losses pertaining to liabilities have been entered under the Financial Income and Expenses.

Notes to the Profit and Loss Account and to the Balance Sheet
(FIM thousands)

	GROUP		PARENT COMPANY	
	1996	1995	**1996**	1995
1) Turnover				
= Turnover	**2,253,827**	2,140,142	**2,189,495**	2,134,856
Turnover by countries:				
Finland, FIM million	**2,090**	2,075	**2,083**	2,075
%	**92.7**	96.9	**95.3**	97.2
EU, FIM million	**122**	57	**95**	52
%	**5.4**	2.7	**4.4**	2.4
Other countries, FIM million	**42**	8	**12**	8
%	**1.9**	0.4	**0.3**	0.4

The majority of export, FIM 99.6 million, has been carried out via TLK Trading Ltd Oy, and is included in the parent company's sales figures for Finland.

	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
2) Wages and salaries				
Managing Director, Members of the Board of Directors and the Supervisory Board	**2,536**	2,309	**1,425**	1,842
Other wages and salaries	**324,466**	300,212	**320,307**	298,730
Fringe benefits	**1,831**	1,708	**1,602**	1,501
	328,833	304,229	**323,334**	302,073
3) Social security costs				
Pension costs	**52,326**	56,041	**51,736**	55,920
Other social security costs	**47,009**	46,083	**45,675**	44,888
	99,335	102,124	**97,411**	100,808
4) Depreciations				
Depreciations according to plan:				
Intangible rights	**3,099**	3,597	**3,599**	3,597
Other long-term expenses	**2,310**	1,941	**2,310**	1,941
Buildings and constructions	**27,475**	29,700	**26,871**	29,051
Machinery and equipment	**61,261**	64,140	**60,953**	63,899
Other tangible assets	**1,001**	960	**993**	950
Total	**95,146**	100,338	**94,726**	99,438
Depreciation difference				
Intangible rights	**3,599**	-5	**3,599**	-5
Other long-term expenses	**2,310**	-831	**2,310**	-831
Buildings and constructions	**–26,624**	-221	**–26,624**	-221
Machinery and equipment	**16,123**	-40,789	**16,123**	-40,789
Other tangible assets	**993**	-53	**993**	-53
Depreciation difference	**–3,599**	-41,900	**–3,599**	-41,900
5) Interest income/expenses				
Interest payments to companies in the Group	**–**	–	**38**	112
6) Extraordinary income and expenses				
Write-down on property	**26,944**		**26,944**	
Others	**19**		**–**	

	GROUP		PARENT COMPANY	
	1996	1995	**1996**	1995
7) Direct taxes				
Taxes in the profit and loss account are booked on accrual basis				
8) Fixed assets				
Intangible assets				
Intangible rights				
Acquisition cost 1 Jan.	**30,985**	30,957	**35,985**	35,957
Change +/–	**5**	27	**5**	27
Acquisition cost 31 Dec.	**30,990**	30,985	**35,990**	35,985
Accumulated planned depreciations	**–12,526**	–9,427	**–13,859**	–10,260
Book value 31 Dec.	**18,464**	21,557	**22,131**	25,724
Difference between total and planned depreciations 1 Jan.	**–73**	-79	**–73**	-79
Change +/–	**–3,599**	5	**–3,599**	+5
Difference between total and planned depreciations 31 Dec.	**–3,672**	-73	**–3,672**	-73
Membership fees				
Acquisition cost 1 Jan.	**3,163**	3,151	**2,862**	2,850
Change +/-	**4**	12	**4**	12
Acquisition cost/book value 31 Dec.	**3,166**	3,163	**2,865**	2,861
Other long-term expenses				
Acquisition cost 1 Jan.	**14,214**	12,788	**14,214**	12,788
Change +/-	**2,962**	1,426	**2,944**	1,426
Acquisition cost 31 Dec.	**17,176**	14,214	**17,158**	14,214
Accumulated planned depreciations	**–12,378**	–10,068	**–12,378**	–10,068
Book value 31 Dec.	**4,798**	4,147	**4,780**	4,147
Difference between total and planned depreciations 1 Jan.	**1,328**	467	**1,328**	497
Change +/-	**–2,310**	831	**–2,310**	831
Difference between total and planned depreciations 31 Dec.	**-982**	1,328	**-982**	1,328
Land and water				
Acquisition cost 1 Jan.	**11,867**	11,852	**11,647**	11,632
Change +/-	**5**	15	**5**	15
Acquisition cost/book value 31 Dec.	**11,873**	11,868	**11,652**	11,647
Buildings and constructions				
Acquisition cost 1 Jan.	**883,109**	874,289	**870,735**	862,045
Change +/-	**75,418**	8,819	**75,457**	8,689
Acquisition cost 31 Dec.	**958,527**	883,109	**946,192**	870,735
Accumulated planned depreciations *	**–262,905**	–235,430	**–260,706**	–233,835
Depreciations in excess of plan	**–26,944**		**–26,944**	
Book value 31 Dec.	**668,678**	647,678	**658,542**	636,900
Difference between total and planned depreciations 1 Jan.	**305,460**	305,239	**305,460**	305,239
Change +/-	**26,624**	221	**26,624**	221
Difference between total and planned depreciations 31 Dec.	**332,084**	305,460	**332,084**	305,460

	GROUP		PARENT COMPANY	
	1996	1995	**1996**	1995
Machinery and equipment				
Acquisition cost 1 Jan.	**571,188**	543,350	**569,485**	541,972
Change +/-	**99,152**	27,838	**98,427**	27,513
Acquisition cost 31 Dec.	**670,340**	571,188	**667,911**	569,485
Accumulated planned depreciations	**–430,339**	–369,078	**429,191**	–368,238
Book value 31 Dec.	**240,001**	202,110	**238,721**	201,247
Difference between total and planned depreciations 1 Jan.	**–95,400**	–136,219	**–95,400**	–136,219
Change +/-	**–16,123**	40,789	**–16,123**	40,789
Difference between total and planned depreciations 31 Dec.	**–111,523**	–95,400	**–111,523**	–95,400

* includes depreciations of FIM 56,184 in excess of plan, carried out in 1994

	GROUP		PARENT COMPANY	
	1996	1995	**1996**	1995
Other tangible assets				
Acquisition cost 1 Jan.	**9,750**	10,162	**9,632**	9,219
Change +/-	**439**	412	**439**	412
Acquisition cost 31 Dec.	**10,189**	9,750	**10,070**	9,631
Accumulated planned depreciations	**–5,816**	-4,814	**–5,774**	–4,781
Book value 31 Dec.	**4,374**	4,936	**4,296**	4,850
Difference between total and planned depreciations 1 Jan.	**299**	245	**299**	245
Change +/-	**–993**	53	**–993**	53
Difference between total and planned depreciations 31 Dec.	**–694**	299	**–694**	299
Advance payments and investments in progress				
Acquisition cost 1 Jan.	**16,497**	50	**16,497**	50
Increase	**2,188**	16,446	**2,188**	16,446
Acquisition cost 31 Dec.	**18,685**	16,497	**18,685**	16,497
The taxable value of properties in Finland	**194,329**	200,320	**188,601**	194,147
Taxable value of shares *	**14,390**	11,739	**14,379**	11,739
Fire insurance in Finland				
Buildings			**1,288,854**	1,163,737
Machinery and equipment			**642,259**	552,543

* Figures for 1995 are book values. Figures for 1996 are book values insofar as they have no taxable value.

9) Shareholdings

	Owned by the Group no. of shares	%	Proportion of shareholders' equity (FIM thousands)	Book values 1996	Nominal values 1995	
Subsidiaries						
Owned by the parent company:						
Ab Botnia-Food Oy	800	100.0	459	**404**	400	FIM
Itikka-Lihapolar Oy	1000	100.0	106	**15**	10	FIM
Kiinteistö Oy Tievapolku 3	280	100.0	1700	**2,196**	15	FIM
ILP-Siivous Oy	15	100.0	14	**15**	15	FIM
Atria Meat AB, Stockholm	500	100.0	215	**32**	50	SEK
TLK Trading Ltd Oy	1980	100.0	401	**998**	990	FIM
Poropalvelu Oy	15	100.0	69	**25**	15	FIM
Porokolmio Oy	356300	97.9	1419	**2,101**	728	FIM
Total shares in subsidiaries				**5,786**		
Owned by subsidiaries:						
Atria Oy, St. Petersburg	–	100.0	426	**39**	273	RUR
Atria AB, Stockholm	500	100.0	212	**43**	50	SEK
Associated companies:						
Polar Fastfood Oy	–	34.97	–	**1,000**	2,820	RUR
Foodwest Oy	427	27.2	–	**427**	427	FIM
Total shares in associated companies				**1,427**		
Other shares						
Merita Oy	52,083	–	–	**1,000**	521	
Honkajoki Oy	170	18.9	–	**1,295**	170	
Asunto Oy Tursola	39	–	–	**508**		
The Central Share Register of Finland Co-operative	3	–	–	**275**	–	
Helsingin Puhelin Oy	30	–	–	**154**	–	
Transbox Oy	10	8.0		**110**	100	
Other companies	–	–		**213**		
Total other shares				**3,555**		

10) Current assets

Receivables from and payables to companies in the Group/associated companies		
Trade receivables from companies in the Group	**24,887**	4,285
Loan receivables from companies in the Group	**5,169**	5,163
Trade receivables from associated companies	**–**	15,776
Trade payables to companies in the Group	**142**	576
Other payables to companies in the Group	**1,065**	945
Trade payables to part-owned companies	**–**	16

	GROUP		PARENT COMPANY		
	1996	1995	**1996**	1995	

11) Changes in shareholders' equity

	1996	1995	**1996**	1995	
Share capital:					
1 Jan.	**115,476**	115,476	**115,476**	115,476	
Increase	**510**	–	**510,00**		
31 Dec.	**115,477**	115,476	**115,477**	115,476	
Reserve fund:					
1 Jan.		388,863	**388,863**	388,826	388,826
Transfer from retained earnings	**12**				
Other increase	**2**		**2**		
31 Dec.	**388,877**	388,863	**388,828**	388,826	
Retained earnings:					
1 Jan.	**63,285**	61,552	**67,699**	65,021	
Distribution of dividends	**–13,857**	–17,321	**–13,857**	–17,321	
Transfer into reserve funds	**–12**				
Other change	**–912**	+575	**–**	–	
Profit for the financial period	**+29,885**	+18,479	**+29,700**	+20,000	
31 Dec.	**79,210**	63,285	**83,542**	67,699	
Total shareholders' equity	**583,564**	567,624	**587,847**	572,001	

The share capital of the parent company is divided into series as follows:

	1996 no. of shares	**1996** FIM	1995 no. of shares	1995 FIM
Series KI (1 vote/share)	**2,343,683**	**23,436,830**	2,343,632	23,436,320
Series KII (1 vote/share)	**9,203,981**	**92,039,810**	9,203,981	92,039,810
	11,547,664	**115,476,640**	11,547,613	115,476,130

12) Provisions

Tax liabilities corresponding to voluntary provisions and depreciation difference totalled FIM 60,284,609.95 for the Group and FIM 60,259,795.76 for the parent company.

Change in voluntary provisions	**1996**	1995
Increase/decrease in transition reserve	**–26,603**	–

13) Liabilities

Bonds

Loan: Bond Issue 1994
FIM 17.5 million
Due date: 20 May 1998
Status: Unsecured

Convertible Bonds

In 1992, the company issued Convertible Bonds, of which FIM 151.0 million was converted into shares in 1993.
FIM 79,997,000 stayed as a loan without conversion into shares.
A bond with a nominal value of FIM 1,000 can be exchanged into seventeen Atria Oy shares during conversion periods.
The annual conversion period is from 2 January to 31 October, except in 1999 when the conversion period will be from 2 January to 26 June. The maturity date of the Bonds is 26 June 1999.

14) Contingent liabilities (FIM thousands)

For pledges, the total commitment for which the pledges have been given, is indicated.

	1996	1995
For loans of the company		
Guarantees	**379**	408
Liabilities in mortgages and pledges	**156,546**	218,268
On behalf of Group companies		
Liabilities in guarantees	**20,000**	–
On behalf of associated companies		
Liabilities in guarantees	**–**	25,870
On behalf of others		
Liabilities in mortgages	**8,607**	12,452
Liabilities in guarantees	**–**	22,561
Leasing liabilities	**43,745**	57,156
Leasing rents 1997	**7,200**	–

15) Significant business operations between the company and shareholders

- Lihakunta, Itikka Co-operative and Pohjanmaan Liha Co-operative will continue to supply Atria Oy with the meat raw material on the basis of a commission agreement made in 1991, the price of meat being equal to the prime cost to the co-operatives.
- Atria Oy will lease properties, mainly industrial sites, from Lihakunta, Itikka Co-operative and Pohjanmaan Liha Co-operative, for a current price in each respective region for FIM 2,680,471.00.

Board of Directors' Proposal for the Distribution of Profit

The distributable provisions, including the year's profit, total FIM 83,542,153.79 for the parent company and FIM 79,210,355.11 for the Group. The Board of Directors proposes that a dividend of 15%, or FIM 1.50 per share, be paid on the share capital of FIM 115,476,640.00, totalling FIM 17,321,496.00.

Seinäjoki, 2 March 1997

Reino Penttilä
Chairman of the
Board of Directors

Timo Komulainen
Deputy Chairman of
the Board of Directors

Tapio Vaismaa

Urpo Salopuro

Tuomo Heikkilä

Seppo Paatelainen
Managing Director

Tom Weckström

Auditors’ Note

The above financial statements have been prepared in accordance with generally accepted accounting principles. An auditors’ report has been presented today on the completed audit.

Seinäjoki, 17 March 1997

Eero Suomela
Authorised Public Accountant

Seppo Sulkakoski
Authorised Public Accountant

Auditors' Report to the Shareholders of Atria Oy

ATRIA OY

We have audited the accounts and the administration of Atria Oy for the financial year 1 January - 31 December 1996. The financial statements presented by the Board of Directors and the Managing Director include, both for the Group and the parent company, the report of the Board of Directors, the profit and loss accounts, balance sheets and notes to the financial statements. Based on our audit, we express our opinion on these financial statements and on corporate governance.

We have concluded the audit in accordance with auditing standards generally accepted in Finland. An audit includes assessing the accounting principles used as well as evaluating the overall financial statement presentation, to obtain reasonable assurance about whether the financial statements are free of material misstatements. The purpose of the audit of corporate governance is to examine that the Members of the Supervisory Board and the Board of Directors, and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and with other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view of the financial position of the Group and the parent company, and the results of their operations, in conformity with generally accepted accounting principles. The financial statements of the parent company and the Group can be adopted, and the parent company's Members of the Supervisory Board and the Board of Directors, and the Managing Director can be discharged from liability for the financial year audited by us. The Board of Directors' proposal regarding the disposition of the profit of the year is in compliance with the Companies' Act.

We have also reviewed the company's interim report published during the financial year. In our opinion, the interim report has been prepared in accordance with applicable regulations.

Seinäjoki, 17 March 1997

Eero Suomela
Authorised Public Accountant

Seppo Sulkakoski
Authorised Public Accountant

Supervisory Board's Statement

Having examined the financial statements and the auditors' report for the financial year 1 January - 31 December 1996, the Supervisory Board proposes that the financial statements be approved and the profit be distributed as proposed by the Board of Directors.

Next to leave the Supervisory Board are Juha Koponen, Ossi Pouta, Aimo Kivelä, Reijo Kuusisto, Runar Lillandt, Ilkka Yliluoma ja Martti Tolonen. Juhani Mäki has turned in his resignation from the Supervisory Board.

Nurmo, 19 March 1997

Lauri Laitinen
Chairman of the
Supervisory Board

The new pizza line was introduced in autumn 1996.

Investment Programme Completed

In 1996, Atria Oy carried out an extensive investment programme at the Nurmo production plants. The investments helped to further improve the production capacity, the cost-efficiency of operations, and the quality of the products. Now that the investment programme has been completed, Atria Oy is even better equipped to meet new consumer demands, produce high-quality goods, and guarantee reliable deliveries to customers.

Cost-efficiency increases

Thanks to the investments, the poultry and minced-meat lines will be able to meet future consumer demands. In the poultry units, the cutting and packing systems were modernised, and the capacity to produce consumer packaged products was raised. The department of packaged fresh-meat consumer products moved to new, modern facilities with state-of-the-art equipment, while an entirely new pizza line was built at the convenience food plant, alongside the crepe lines. The new raw material optimisation and cutting system introduced at the meat product plant will improve raw material utilisation.

The sausage production of the Kuopio and Nurmo plants was combined, moving the cooked sausage production to modernised facilities in Nurmo. The structural readjustments carried out in Kuopio and Nurmo, the relocation of production lines in Nurmo, and investments in production methods and technology will make production more cost-efficient. The sausage plant, including extended frankfurter and slicing departments, became fully operational at the end of 1996.

Special emphasis on environmental aspects

Product quality was improved significantly by making the cold chain more efficient. The production lines and production facilities form an uninterrupted cold chain that stretches all the way to the dispatch department. Thanks to a new, separate building for maintenance and cleaning activities, hygiene in the production facilities has seen marked improvement. The cleaning and storage system of delivery boxes is unique; environmental aspects and energy issues were taken into consideration at every step when planning and implementing the investment programme. For example, the cleaning and disinfection of the boxes in the maintenance building is carried out regulating water consumption and also re-using water.

Investment programme was implemented according to schedule

The programme was carried out on a tight schedule, and the alterations were extremely demanding. Despite this, the programme was completed precisely within the set time frames. Including replacement investments, investments for 1996 totalled approximately FIM 200 million.

Atria Oy's Environmental Programme Received Certification

In 1996, Atria Oy made considerable progress in developing its environmental systems, as the operations of the company's plant in Nurmo were granted a certificate in recognition of compliance with the BS 7750 environmental standard. This certification made Atria a pioneer in environmental issues in its field: it is the first Finnish company in the food business to be granted an environmental certificate. The environmental certificate and the ISO 9001 quality certificate, granted in 1995 for the quality system, have given Atria Oy's development work credibility and a clear direction. At the same time, they support the ideology adopted by Atria Oy: to produce natural, domestic products from domestic raw materials in a clean environment. For Atria Oy, environmental issues are an integral part of the company's management system. Atria Oy has also committed to act according to the demands of the Business Charter to promote sustainable development.

An extensive personnel training programme

Atria Oy began to develop an environmental system in the beginning of 1995. The first stage of the project involved a preliminary environmental survey that was performed in each region. The survey dealt with such issues as conditions for permits, preparedness for emergency situations, and the present state of environmental protection and control procedures. Reports on the current situation provided information on the environmental effects of the company's all operations, from raw material and other supplies to the use of finished products.

Preparations for the certification began at the Nurmo plant. Internal environmental audits were carried out to make sure that operations complied with official and company regulations, and that the personnel was aware of the environmental issues related to their work. At the beginning of 1996, an extensive environmental training programme covering the entire personnel of the Nurmo plant was launched. The objective was to increase personnel awareness and knowledge of environmental issues. The training focused on understanding the company's environmental policy and objectives, as well as understanding the environmental effects of each person's own actions. It also made the environmental responsibilities related to each person's job and the appropriate courses of action more tangible.

Quality Meat farms launched environmental protection programmes

The environmental effects of Atria Oy's operations have been estimated at both production location and company levels. Meat production, transport, emissions into the atmosphere from energy production, effluents discharged into the sewer system, solid waste, and packages were estimated to create significant environmental effects. These areas now constitute the company's priorities for environmental action, and goals have been set in order to achieve improvements.

Efforts are made to minimise the environmental effects at every stage of the products' service life. Together with its owner co-operatives, Atria Oy has built the Atria Laatuliha (Quality Meat) Production Chain, which meets the established requirements for a quality chain. The Quality Meat farms follow strict regulations with regard to animal breeding conditions, animal health care, feeding, the quality of the feed, and environmental care. The environmental protection programmes have been drawn up for all Quality Meat farms and cover both the farm and cultivation. Thanks to the Laatuliha Production Chain, consumers can rest assured that the meat produced by these farms is Finnish, high-quality, and safely produced.

The developmental work involves taking action to protect the environment

Road transport is used when transporting food and animals. The harmful effects on the environment caused by the transport operations have been minimised by planning the routes and the distribution, and by co-operating in the field of distribution. The amount of emissions of solid matter into the atmosphere from the energy production, as well as the amount of effluents, has been reduced by improving the heat recovery system and the recovery of solid matter. Effluents from production have been reduced by making more effective use of raw material. Utilisation of organic solid waste is highly advanced at Atria Oy; for instance, liquid manure is composted to make garden compost. Furthermore, by means of process planning, the reduction of waste from production has been reduced significantly. The amount of waste taken to refuse tips has been reduced by introducing even more groups in the waste-sorting procedure. The groups include different types of paper, board, metal, plastic, compost waste, raw material for the feed industry, and various types of hazardous waste.

Efficient waste management and the reduction of effluents require seamless co-operation between Atria Oy personnel and the cleaning service providers. Package design has helped minimise the environmental effects of packages. Goods are delivered to customers in recyclable plastic boxes that were introduced as early as 1972. Atria Oy is also a partner in Transbox Oy, a box pool owned by trade and industry, whose operations are based on returnable plastic boxes. Packing materials have been made thinner without putting the quality of the products at risk. All the packing materials used by Atria Oy are re-usable and PVC-free. Plastic packages can be placed in recycling bins or disposed of by burning. New information has been added to the packages concerning the type of plastic and its re-use potential.

Working for a cleaner environment

Environmental issues will become increasingly important for all business operations. Atria Oy will continue to develop its environmental system; an application will be made at the beginning of 1997 for the certification of the Kuopio plant. In conjunction with this procedure, the ISO 14001 standard will replace the previous standard as a basis for the company's environmental system. In practice, further improvement of the system means that the regulations and practical operations will be fine-tuned, personnel will be trained, and internal environmental audits will be performed. Within the next few years, the environmental system will be extended, eventually covering all operations of Atria Oy.

ATRIA OY
Head Office
Vaasantie 1 • P.O.Box 117 • 60101 Seinäjoki • Finland
Tel: +358 6 416 8111
Fax: +358 6 416 8232