LASSILA & TIKANOJA

ANNUAL REPORT 1 9 9 6

CONTENTS

KEY FIGURES FOR 1996

	1996	1995	Change %
Net sales, FIM million	**1 497.8**	1 374.0	9.0
Gross margin, FIM million	**302.3**	262.4	15.2
Operating profit, FIM million	**180.1**	142.8	26.1
Profit before extraordinary items, FIM million	**153.7**	109.0	41.0
Return on invested capital, % (ROI)	**21.2**	17.3	
Earnings/share, FIM (EPS)	**29.33**	22.56	30.0
Gross investment, FIM million	**131.9**	229.9	-42.6
Average personnel employed	**3 241**	3 019	7.4

The Board of Directors of Lassila & Tikanoja Ltd has decided to propose to the Annual General Meeting that the dividend be doubled. The proposed dividend is FIM 13 and 44 per cent of the profit per share. The effective dividend yield at current share prices would be around 4 per cent. If the Annual General Meeting approves the Board's proposal, the dividend will have increased sixfold since 1992.

Group financial performance has been very satisfactory since 1992 and good since 1994. The increased dividend has been justified by the good trend in financial results. The doubling of the dividend now proposed cannot, however, be justified entirely on improvements in financial performance during the past year. There has also been a change in the company's thinking. Our policy of basing dividend payment on financial performance will be further emphasized; that portion of the profit not needed to secure the healthy development of the company will be paid out in dividends.

The table below shows the Group's profit per share, the dividend paid and the portion retained for corporate development.

	1992	1993	1994	1995	1996
Profit per share	14.61	11.07	20.11	22.56	29.33
Dividend	2.16	2.50	4.50	6.50	13.00
Retained for company development	12.45	8.57	15.61	16.06	16.33

In 1995 and 1996 approximately FIM 16 per share were retained for development of the company. This has been adequate for reasonable growth and has also allowed for improvement in the Group's equity ratio, which is now 43 per cent. The ratio of interest-bearing liabilities less cash assets to shareholders' equity (gearing %) improved from 98.5 to 61.6 in 1996.

If financial performance meets expectations, the proposed dividend, which now allows for retention of FIM 16 for corporate development, will jeopardize neither reasonable growth nor solvency during the current year.

The policy now proposed would be put to the test mainly in two situations. In the first situation financial performance would decline substantially and dividends would have to be reduced accordingly. The company would not accumulate the profits required for a steady dividend. The second situation, which we hope is the more likely in our case, is related to unusually rapid growth. Here the company would need financing, and this need could hardly be met through flexibility in dividend payment. The company would have to appeal to its shareholders for additional financing, because no financial reserves had been accumulated. This would test the shareholders' confidence in the company. If they agreed with the company management regarding the projected growth, there would be no problem. If they did not, it would be proper to ask whether their views on this strategic issue should not be taken into account.

There is a more concrete and down-to-earth explanation for the present dividend payment proposal. How owners realize the added value generated is important to them. They realize the added value generated by either receiving a dividend or selling their shares. Capital gains are taxed at 28 per cent. The situation regarding dividends may be different. A successful company generally pays taxes on the basis of its financial results. The taxes due are to a certain extent entirely independent of the amount of the dividend. Increasing the dividend does not change the amount of taxes paid by the company. The tax surplus merely decreases and the dividend is tax-free to the shareholder.

Juhani Maijala

ORGANIZATION AND MANAGEMENT

LASSILA & TIKANOJA LTD BOARD OF DIRECTORS

JAAKKO LASSILA, 68
D.Sc. (Econ.)
Chairman of the Board since 1970

YRJÖ NISKANEN, 64
M.Sc. (Econ.)
Vice Chairman of the Board since 1990

HEIKKI HAKALA, 55
M.Sc. (Econ.)
President and CEO of Rauma Corporation.
Member of the Board since 1988

JUHANI MAIJALA, 57
B.Sc. (Econ.), LL.B.
President and CEO
of the Lassila & Tikanoja Group and Lassila & Tikanoja Ltd.
Member of the Board since 1983

JUKKA VIINANEN, 48
M.Sc. (Eng.)
President and COO of Neste Oy.
Member of the Board since 1993

LASSILA & TIKANOJA LTD AUDITORS

SVH Coopers & Lybrand Oy
Authorized Public Accountants
ILKKA HAARLAA, Authorized Public Accountant
Partner in Charge

ANTTI LASSILA, Authorized Accountant

Deputies
TAUNO HAATAJA, Authorized Public Accountant
MARIANNE AAPRO, Authorized Public Accountant

LASSILA & TIKANOJA GROUP MANAGEMENT

JUHANI MAIJALA, 57
B.Sc. (Econ.), LL.B.
President and CEO of the Lassila & Tikanoja Group since 1983,
and Managing Director of the Säkkiväline Group up to December 31, 1996.

HEIKKI BERGHOLM, 40
M.Sc. (Eng.)
Executive Vice President of the Lassila & Tikanoja Group since January 1, 1997,
Managing Director of J.W. Suominen Oy since 1986 and of the Amerplast Group up to December 31, 1996.

SIRKKA TUOMOLA, 49
M.Sc. (Econ.)
Chief Financial Officer of the
Lassila & Tikanoja Group since 1992.

MARGARETA HULDÉN, 41
D.Sc. (Tech.)
Research and Development,
Industrial Units,
Director since January 1, 1997

PENTTI KULMALA, 48
B.Sc. (Eng.)
Managing Director of the
Inka Group since 1992

AARNO LINDSTRÖM, 62
Managing Director
of the Amerplast Group
since January 1, 1997

ESA PALTTALA, 53
B.Sc. (Eng.)
Procurement and Production Systems,
Industrial Units,
Director since January 1, 1997

JARI SARJO, 40
LL.B
Managing Director
of the Säkkiväline Group
since January 1, 1997

AMERPLAST

AARNO LINDSTRÖM, managing director
JUHA HENTTONEN, production director
ULLA PYYSALO, financial manager
HEIKKI UUSITALO, marketing director

INKA

PENTTI KULMALA, managing director
JOUNI AALTO, financial manager
MIKKO HAAPANIEMI, local manager
KIMMO JALO, production manager
ANTTI JOUPPI, marketing director

JWS

HEIKKI BERGHOLM, managing director
MARGARETA HULDÉN, research and development director
TIMO KOKKOLA, marketing director
KRISTIINA LILJA, financial director
ESA PALTTALA, production director
JOUKO PENTTILÄ, marketing director

SÄKKIVÄLINE

JARI SARJO, managing director
ANNA-MAIJA APAJALAHTI, director, marketing
SEPPO HARTIKAINEN, division director, product trade
JORMA MIKKONEN, administration and legal affairs
RAINE OKKER, director, finances
MIKKO TALOLA, development director, environmental services
REGIONAL DIRECTORS:
Pasi Hurme, Tapio Häyrinen, Kauko Kukkonen, Jaana Mulari, Anne Nordenswan, Juha Nurminen, Juha Simola, Ari Ylärakkola

AMERPLAST LTD BOARD OF DIRECTORS

Juhani Maijala, chairman
Heikki Bergholm, deputy chairman
Margareta Huldén
Aarno Lindström
Esa Palttala
Sirkka Tuomola

INKA LTD BOARD OF DIRECTORS

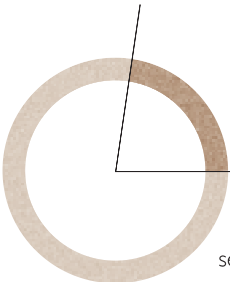
Juhani Majala, chairman
Heikki Bergholm, deputy chairman
Margareta Huldén
Pentti Kulmala
Esa Palttala
Sirkka Tuomola

J.W. SUOMINEN LTD BOARD OF DIRECTORS

Juhani Maijala, chairman
Heikki Bergholm, deputy chairman
Margareta Huldén
Esa Palttala
Sirkka Tuomola

SÄKKIVÄLINE LTD BOARD OF DIRECTORS

Juhani Maijala, chairman
Sirkka Tuomola, deputy chairman
Anna-Maija Apajalahti
Seppo Hartikainen
Raine Okker
Jari Sarjo



23.4 %

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

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

Demand for products remained good throughout 1996. Amerplast directed its sales towards the main product groups, where the overall trend was positive. For Amerplast, raw material prices and exchange rates were extremely stable compared with previous years.

Concentration of product ranges and growth in markets and market shares improved the profitability of operations considerably on the previous year. The financial results were good.

Gross investments in 1996 totalled FIM 34.6 million and focused on modernization and other improvements to the bag-welding process.
An extensive project to modernize film manufacturing capacity was started in 1997.

Net sales in 1996 totalled FIM 350.2 million and were 2.1 per cent above the 1995 level. The sales volume in tonnes increased by 3.3 per cent. Exports and international operations accounted for 38 per cent of net sales. Amerplast Group's personnel averaged 570 persons during 1996.

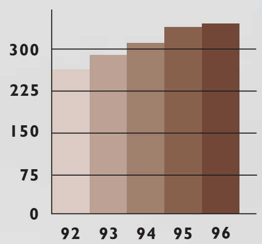
Amerplast will continue its efforts to increase sales of the main product groups in the Baltic region. This thrust stems from both an increase in demand on the previous year and on larger market shares. The St. Petersburg facility will expand during 1997 into a bag-welding unit. Marketing in Poland was boosted by setting up a sales office in Warsaw. Close co-operation with customers and a good competitive position in quality and price will permit growth in sales volume and keep profitability on the good level achieved.

HYGIENIC AND ECONOMICAL PLASTIC BAGS SERVE BOTH CONSUMERS AND THE RETAIL TRADE.

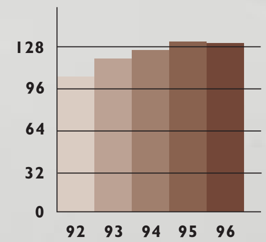
AMERPLAST HAS DEVELOPED A TAMPER-PROOF ENVELOPE FOR REGISTERED MAIL.

PLASTIC CARRIER BAGS PROVIDE PROTECTION AND CONVEY AN ADVERTISING MESSAGE.

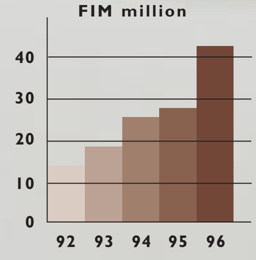
Net sales FIM million



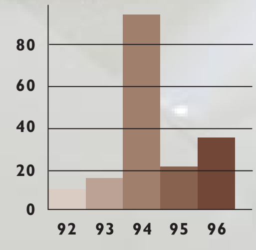
Exports FIM million



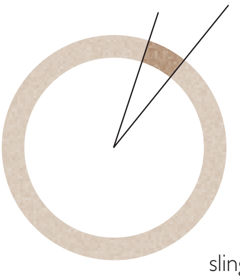
Operating profit FIM million



Investment FIM million



7.2 %



The Inka Group is the leading manufacturer of narrow fabrics and heavy webbings in the Nordic countries. Inka develops, manufactures and markets heavy webbings in metres and end products such as lifting slings and lashing equipment for materials handling. It also supplies narrow fabrics to the sewing industry, other industrial sectors and the retail trade. Inka's main markets are the Nordic countries, the countries around the Baltic Sea and Central Europe.

Heavy webbings for materials handling and ready-made lifting slings, lashing equipment and roundslings are manufactured in Turku and Gothenburg. They are sold in more than 30 countries.

Light-weight narrow fabrics for the industry and retail trade are manufactured at the Killinkoski factory. The Nordic and Baltic countries and Russia are the principal markets.

Inka's net sales in 1996 were FIM 107.2 million, which is 6.0 per cent less than in the previous year. Despite this decline Inka continued to expand its market share in light-weight and particularly heavy narrow fabrics in the Nordic countries. The decrease in net sales was primarily due to a reduced volume of metal component sales and to falling demand for narrow fabrics on the part of the sewing industry. The downturn continued until the summer of 1996.

Inka's exports together with international operations generated FIM 63.7 million in net sales or 59.5 per cent of the total. Exports declined 7.1 per cent on the previous year. Both exports and domestic sales of heavy webbings, lifting slings and lashing equipment increased.

Gross investments totalled FIM 5.5 million. The fibre extrusion line, which came on stream in the autumn and represents the latest technology, accounted for most of the capital expenditure.

STRONG, WEATHER-RESISTANT LASHING PRODUCTS INCREASE SAFETY DURING TRANSPORT.

INKA'S CORE COMPETENCE IS IN DEVELOPING AND MANUFACTURING WEBBINGS FOR LIFTING AND LASHING PRODUCTS.

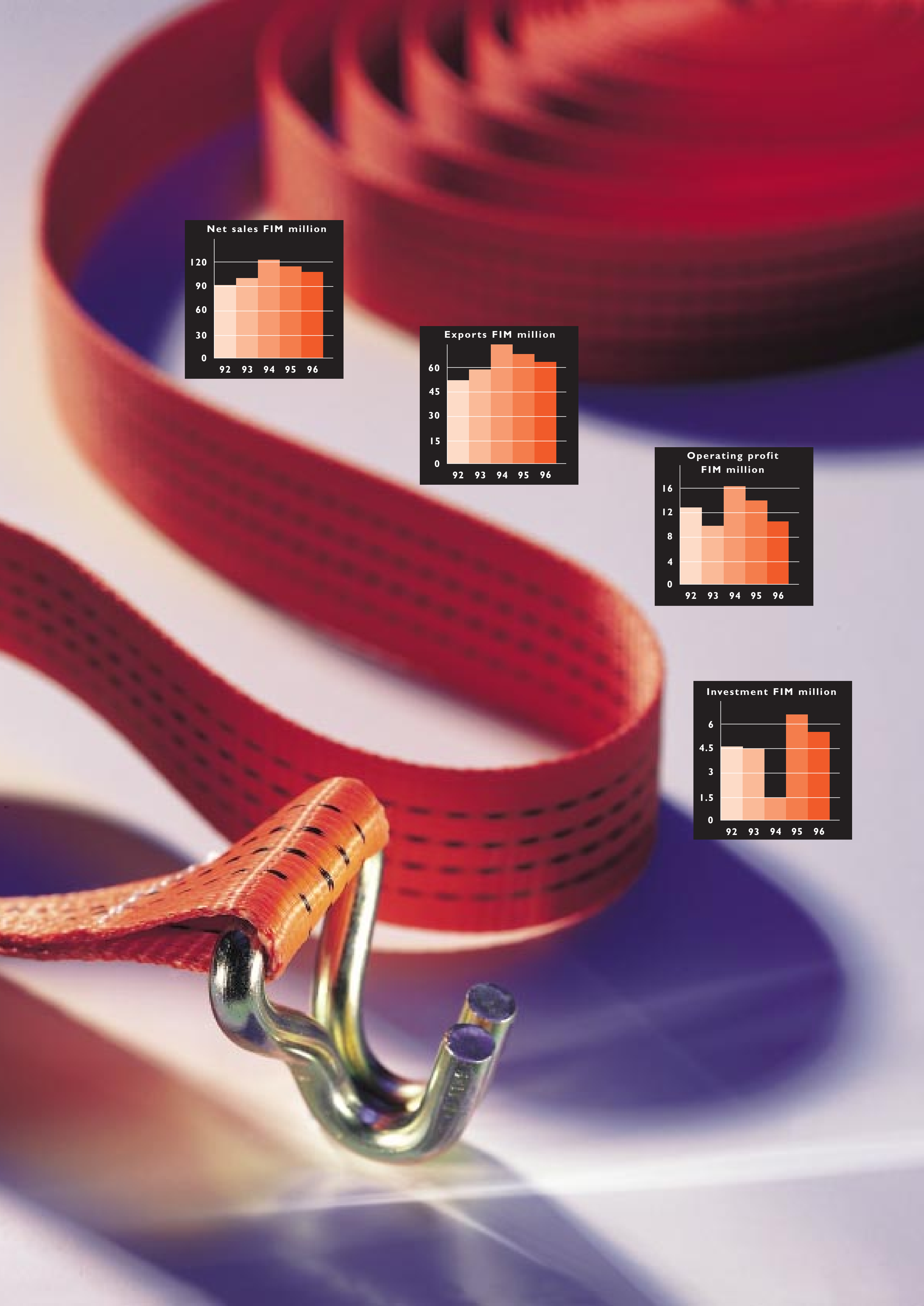
THANKS TO THEIR MATERIALS AND STRUCTURE THE SLINGS ARE EXCELLENT FOR HEAVY INDUSTRIAL USE.

At the end of December Inka Sling Oy was merged with Inka Oy.

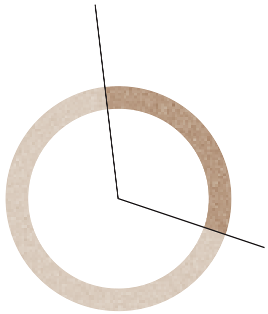
Weaving methods were improved to increase productivity. The manufacture of heavy webbings, lifting slings and lashing equipment will become more of a process.

Inka's personnel averaged 232 persons.

Inka's financial results were good despite the decline in net sales. The new fibre extrusion line will improve competitiveness especially in heavy webbings, lifting slings, roundslings and lashing equipment for materials handling and will allow increased exports volumes.


Net sales FIM million
120
90
60
30
0
92 93 94 95 96
Exports FIM million
60
45
30
15
0
92 93 94 95 96
Operating profit FIM million
16
12
8
4
0
92 93 94 95 96
Investment FIM million
6
4.5
3
1.5
0
92 93 94 95 96

JWS



34.2 %

NONWOVENS ARE A HYGIENIC MATERIAL FOR WOUND CARE PRODUCTS.

JWS NONWOVENS ARE ALSO USED IN THE MANUFACTURE OF DURABLE, LOW LINTING WIPES FOR INDUSTRIAL USE.

ONE OF THE MAJOR APPLICATIONS FOR NONWOVENS IS DIAPERS. THE MATERIAL PROVIDES AN EXCELLENT COVERSTOCK.

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

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

The markets for JWS products are expanding and demand was generally good in all markets. The trend in sales in Asia and eastern central Europe was particularly favourable. The most rapid increase was in sales of new hygiene product materials and wet wipe materials.

Prices for raw materials were stable throughout the year, although there was a slight increase for polypropylene plastic at the end of the year. On an annual level, raw material prices were below those of the previous year, which was also reflected in the sale prices of JWS products.

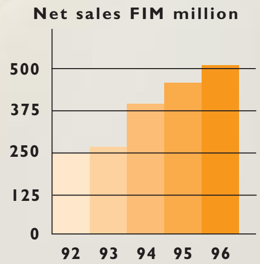
As a consequence of the growth in volume and productivity made possible by the new capacity, profitability improved on the previous year and was good.

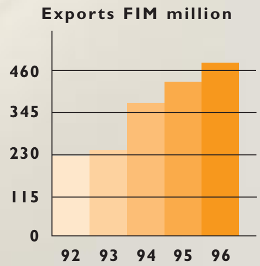
Investments by JWS in 1996 were mainly to improve productivity through automation of materials handling. Capital expenditure in 1997 will emphasize modernization of the hydroentanglement lines completed in 1985 and 1990 and pilot equipment. The modernizations in question will increase the hydroentanglement capacity by 15 per cent when they are completed towards the end of 1997.

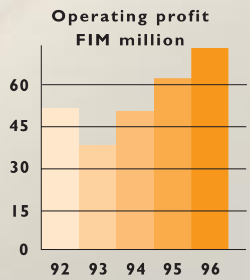
Safety, total quality management (TQM) and control systems for operations were the main areas of development at JWS. The competitiveness of the product range and production was ensured with an extensive programme of research and development.

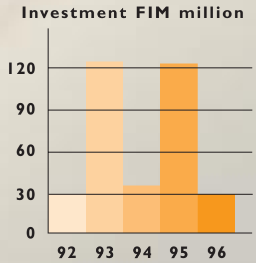
Net sales in 1996 were FIM 513.1 million or 11.7 per cent more than in the previous year. The operating profit was FIM 73.4 million or 14.3 per cent of net sales. Exports increased by 12.1 per cent and were FIM 483.1 million; they accounted for 94.2 per cent of net sales. Gross investment was FIM 30.0 million. JWS employed an average of 357 persons during 1996.

The outlook for 1997 is positive. A general resurgence of demand in Europe and a strong dollar are expected to increase sales of JWS products and improve profitability.

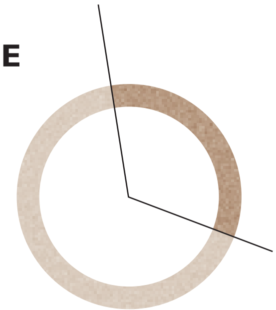

Net sales FIM million
500
375
250
125
0
92 93 94 95 96


Exports FIM million
460
345
230
115
0
92 93 94 95 96


Operating profit FIM million
60
45
30
15
0
92 93 94 95 96


Investment FIM million
120
90
60
30
0
92 93 94 95 96

SÄKKIVÄLINE



SÄKKIVÄLINE'S PRODUCTS AND EQUIPMENT FOR ENVIRONMENTAL MANAGEMENT ARE USED THROUGHOUT FINLAND.

Säkkiväline is Finland's leading producer and marketer of comprehensive environmental management services. Its core areas are environmental management, professional cleaning, property supervision and maintenance and supplying of products for environmental management. Environmental management comprises community and industrial waste management, recycling services, hazardous waste management, industrial cleaning and maintenance, sewer maintenance and fire clean-up.

The overall markets in all Säkkiväline's product lines are expanding. Professional cleaning, property supervision and maintenance, and industrial cleaning and maintenance are increasingly contracted out to specialists as companies concentrate on development of their core operations. Waste recycling and other recovery will increase rapidly during the next five years. This development will also boost the product supply business in the future. Demand for a diverse range of comprehensive services is increasing.

THE COMPANY IS A PIONEER IN THE DEVELOPMENT OF NEW CLEANING SERVICES.

Private companies are nowadays responsible for most recovery of waste. Unless legislation excludes these companies from the development of waste disposal, this sector will grow rapidly. In any event, increased application of the producer liability principle will create significant potential for recycling. An indication of this is the reuse and recycling of tyres, which has made an encouraging start.

Säkkiväline's net sales increased by 16.1 per cent and the market share also rose. Growth was mainly in volume. Net sales from environmental management increased by 19.4 per cent and amounted to FIM 212.8 million. Net sales from professional cleaning increased by 8.4 per cent and from property supervision and maintenance by 20.4 per cent. Net sales from cleaning amounted to FIM 158.6 million and from property supervision and maintenance to FIM 100.8 million. Net sales from the product supply business rose by 19.9 per cent and amounted to FIM 55.5 million.

Säkkiväline's profitability continued to improve. Financial performance was good in all product lines, although not all units reached their targets. The most significant increases were in property supervision and maintenance and environmental management. The improvements made were mainly the consequence of hard work and systematic development of operations.

Personnel increased in all product lines during 1996 totally by more than 200. Converted to full-time staff, the number of employees averaged 2078.

Säkkiväline's gross investment increased by 62.8 per cent and amounted to FIM 59.1 million. The principle investments were made in recycling and information management.

Despite these capital expenditures, the trend in financial results in relation to capital invested was good.

During 1996 several projects aimed at developing environmental and quality systems and information management were undertaken. These projects, in which a significant number of employees took part, will continue during 1997. Much effort during the current year will in fact go into implementation.

An increase is expected for Säkkiväline's net sales and financial results in 1997. This will be supported by the reform carried out at the beginning of this year, which effected a shift from a sector to a regional organization. The aim is to bring decision-making closer to customers, increase the equipment utilization rate and make marketing and sales more efficient.

RECOVERY AND RECYCLING OF WASTES ARE THE KEYS TO PRESENT-DAY ENVIRONMENTAL MANAGEMENT.


Net sales FIM million
500
375
250
125
0
92 93 94 95 96
Operating profit FIM million
40
30
20
10
0
92 93 94 95 96
Investment FIM million
60
45
30
15
0
92 93 94 95 96

1. MAIN TRENDS

The Group's financial results continued to improve and the overall targets were reached. Amerplast, JWS and Säkkiväline increased their profits. For several years, improvements in performance have been based on both growth and a relative decline in fixed costs. The Group's sales margin rose slightly, although Säkkiväline's margin decreased due to more intense competition.

Investments declined from the previous year and were financed with cash flow from operations. Good cash flow permitted a significant reduction in interest-bearing liabilities. As the price of money was also lower, the costs of financing decreased by more than 20 per cent.

There were no surprises in raw material prices during the year.

2. FINANCIAL RESULTS

The consolidated operating profit was FIM 180.1 million. Growth on the previous year was 26.1 per cent. The operating profit was 12.0 per cent of net sales compared with 10.4 per cent in 1995. Invested capital totalled FIM 871.1 million, which was roughly the figure for the previous year. The return on invested capital was 21.2 per cent compared with 17.3 per cent the previous year. The return on equity was 23.9 per cent.

With respect to return on invested capital, Säkkiväline was the most successful unit. The other units also recorded good results when measured by the same criterion. Amerplast improved its financial results most, in both relative and absolute terms. Amerplast owes its success to added value and to better price competitiveness due to increased efficiency.

Inka's results decreased, primarily because of the market situation. More efficient operations will also be necessary, and the requisite measures are already being taken.

JWS improved its results during the final four months of the year. This gives cause for belief in the future. Wastage on the new line is decreasing.

Säkkiväline recorded the fastest growth of the four units and its financial performance also improved. There are no reasons why this trend should not continue.

Operating profit by business unit:

	1996		1995	
	FIM million	**%**	FIM million	%
Amerplast	**42.4**	**12.1**	27.5	8.0
Inka	**10.4**	**9.7**	13.9	12.2
JWS	**73.4**	**14.3**	62.3	13.6
Säkkiväline	**47.8**	**9.1**	34.4	7.6
Lassila & Tikanoja	**7.1**	**53.7**	5.6	41.1
Consolidated items	**-1.0**		-0.9	
Total	**180.1**	**12.0**	142.8	10.4

3. GROUP STRUCTURE

In May 1996, the remaining shares in Säkkiväline were acquired by the Group. There are no longer any minority interests in the Group companies.

Inka Sling Oy was merged with Inka Oy. Ympäristöautot Oy was merged with Säkkiväline Puhtaanapito Oy. During the financial year Säkkiväline acquired the business operations of Tampereen Kisa-Huolto Ky, which operates in property supervision and maintenance. A. Eskola Oy has been wholly owned by Säkkiväline Oy since the beginning of 1997.

4. COMPANY SHARES AND SHAREHOLDINGS

In December the Board of Directors decided to cancel the shares held by the company, which totalled 465,120. The Board also decided to merge Fiktio Oy with Lassila & Tikanoja Ltd and after the merger has taken effect to cancel the Fiktio Oy shares in Lassila & Tikanoja, which total 187,555.

UPM-Kymmene Corporation's holding and voting rights in the company fell during the financial year below 10 per cent and those of Merita Bank Ltd rose above 10 per cent.

5. NET SALES

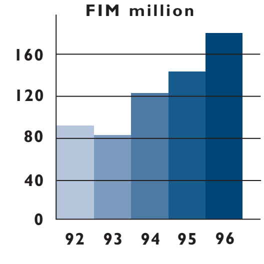
Net sales of the business units:

	1996	1995	Change
FIM million	**Jan.1–Dec. 31.**	Jan. 1–Dec. 31	%
Amerplast	**350.2**	343.0	2.1
Inka	**107.2**	114.1	-6.0
JWS	**513.1**	459.3	11.7
Säkkiväline	**527.7**	454.5	16.1
Lassila & Tikanoja	**13.5**	13.6	-0.7
Total	**1 511.7**	1 384.5	
Internal net sales	**- 13.9**	- 10.5	
Consolidated net sales	**1 497.8**	1 374.0	9.0

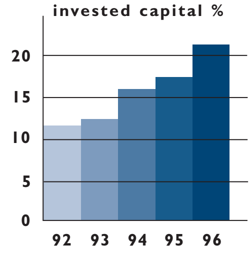
6. GROSS INVESTMENT

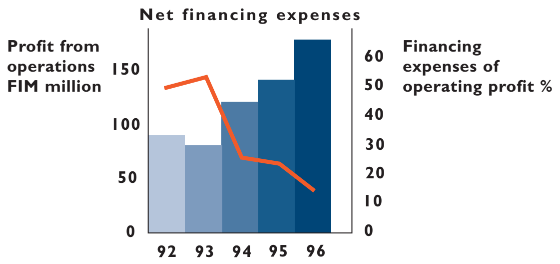
FIM million	**1996**	1995
Real estate	**15.7**	36.0
Machinery and equipment	**105.6**	137.4
Other tangible assets	**3.9**	1.6
Securities and consolidated goodwill	**0.9**	51.3
Intangible assets and other capitalized expenditure	**5.8**	3.6
Total	**131.9**	229.9

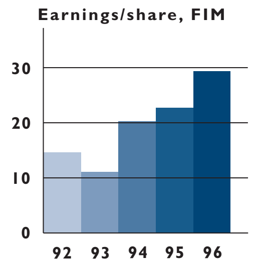
Operating profit FIM million

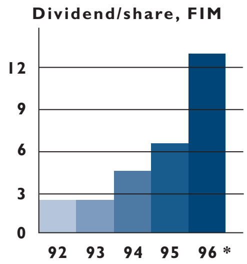


Return on invested capital %









* Proposal by the Board of Directors

Investments were substantially below the level of 1995. They were financed out of cash flow from operations.

As in 1995, outlays by Amerplast (FIM 34.6 million) concentrated on improvements in the bag-welding process. Substantial modernization of the film manufacturing capacity was also undertaken in 1996.

Most of Inka's capital outlays (FIM 5.5 million) were allocated to a new fibre extrusion line representing the latest technology. The new facility came on stream in the autumn.

JWS' investments (FIM 30.0 million) were used to increase productivity through automation of materials handling.

The major capital expenditure items at Säkkiväline (FIM 59.1 million) involved recycling and information management.

7. INVESTED CAPITAL

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

FIM million	**Dec. 31. 1996**	Dec. 31. 1995
Fixed assets and other non-current investments	**839.2**	823.8
Inventories	**108.5**	117.2
Receivables and liquid assets	**223.3**	201.8
Deferred tax liability	**-87.0**	- 86.7
Trade payables	**-65.1**	- 56.4
Accrued liabilities	**-146.0**	- 128.8
Other current, non-interest bearing liabilities	**-1.8**	- 2.2
Invested capital	**871.1**	868.7

Invested capital was roughly on the level of the previous year. Invested capital in relation to net sales has decreased throughout the 1990s. The rate of circulation for invested capital is now 1.7 compared with 0.95 in 1991 and 1.6 in 1995.

8. FINANCE

The Group equity ratio was 43.0 compared with 36.6 at the end of the previous year. The gearing rate was 61.6 compared with 98.5 a year earlier. Net financing expenses amounted to 1.7 per cent of net sales and 14.7 per cent of the operating profit. Cash flow before financing was FIM 130.2 million and was sufficient for a dividend of FIM 24.5 million and a net repayment of FIM 86 million in borrowed capital. Liquid assets also increased. Pension loans at the end of the year totalled FIM 178 million less than in the previous year. Interest-bearing liabilities totalled FIM 365 million and liquidity was good throughout the year.

9. ORGANIZATION AND PERSONNEL

The Group organization was changed as of January 1, 1997. Heikki Bergholm was appointed executive vice president. The Group's industrial units (Amerplast, Inka and JWS) report to Mr. Bergholm, who will continue as managing director of JWS. Deputy Managing Director Aarno Lindström was appointed managing director of Amerplast. Pentti Kulmala continues as managing director of Inka. Esa Palttala is responsible for the joint procurement and production systems of the industrial units and Margareta Huldén for joint research and development. Jari Sarjo has been the managing director of Säkkiväline since the beginning of 1997.

The average number of staff in the Group converted to full-time employees increased by 222.

(average)	**1996**	1995
Amerplast	**570**	571
Inka	**232**	247
JWS	**357**	324
Säkkiväline *	**2 078**	1 873
Lassila & Tikanoja	**4**	4
Total	**3 241**	3 019

* Converted to full-time employees.

10. 1997

Further improvement in Group financial performance is expected, with JWS and Säkkiväline showing the greatest improvement. The success of JWS depends greatly on whether the expected further reductions in wastage are achieved. Financial results are also sensitive to fluctuations in exchange rates. Säkkiväline's net sales are expected to continue their upward trend. If expenses are kept in line, good performance can be expected. Amerplast's financial results are expected to remain on the present good level provided that there are no surprises in raw material prices. Improvement in Inka's financial results is forecast.

CONSOLIDATED STATEMENT OF INCOME

Jan. 1 – Dec. 31 (FIM 1000)	1996	%	1995	%	Additional information
Net sales	1 497 842	100.0	1 373 999	100.0	1
Cost of goods sold	-1 195 571		-1 111 649		
Gross margin	302 271	20.2	262 350	19.1	
Sales and marketing expenses	-47 286		-46 377		
Administrative expenses	-79 289		-73 516		
Other operating expenses	-5 204		-2 664		4
Other operating income	10 840		3 954		
Depreciation on consolidated goodwill	-1 214		-931		
Operating profit	180 118	12.0	142 816	10.4	2,3
Financial income and expenses	-26 372	-1.7	-33 772	-2.5	5
Profit before extraordinary items	153 746	10.3	109 044	7.9	
Extraordinary income and expenses	-376		-5 110		6
Profit before income taxes	153 370	10.2	103 934	7.6	
Income taxes					
For the financial year	-43 325		-22 140		
For previous financial years	376		-860		
Change in deferred tax liability	-336		-1 696		
Effect of rise in tax rate on tax liability			-9 214		
	-43 285	-2.9	-33 910	-2.5	
Profit before minority interest	110 085	7.3	70 024	5.1	
Minority interest			-31		
Profit for the financial year	110 085	7.3	69 993	5.1	

CONSOLIDATED BALANCE SHEET

Dec. 31 (FIM 1000)	1996		%	1995		%	Additional information
ASSETS							
Fixed assets and other non-current investments							
Intangible assets							7
Intangible rights	615			595			
Goodwill	19 898			25 946			
Consolidated goodwill	9 693			10 649			
Other capitalized expenditure	10 773	40 979	3.5	7 616	44 806	3.9	
Tangible assets							8
Land and water	26 829			26 171			
Buildings	229 700			231 128			
Machinery and equipment	402 595			401 741			
Other tangible assets	4 356			3 138			
Advance payments and construction in progress	35 083	698 563	59.5	12 630	674 808	58.8	
Financial assets							
Bonds and shares	83 706			89 402			10
Loan receivables	15 940	99 646	8.5	14 752	104 154	9.1	
		839 188	71.5		823 768	71.8	
Valuation items		3 709	0.3		4 078	0.4	12
Current assets							
Inventories							
Raw materials and consumables	43 681			56 102			
Work in progress	14 520			16 213			
Finished products	50 282	108 483	9.2	44 868	117 183	10.2	
Receivables							
Trade receivables	156 078			143 832			13
Loan receivables	105			1 934			
Prepaid expenses and accrued income	12 493			17 000			
Other receivables	632	169 308	14.4	3 179	165 945	14.5	
Cash in hand and at banks		54 006	4.6		35 821	3.1	
		1 174 694	100.0		1 146 795	100.0	
LIABILITIES							
Shareholders' equity							14,16
Restricted equity							
Share capital							
Externally held	39 542			44 193			
Redeemed	24 181			19 530			
	63 723			63 723			
Share premium	92 997			92 997			
Revaluation fund	18 598	175 318	14.9	18 598	175 318	15.3	
Unrestricted equity							17
Retained earnings	220 030			173 937			
Profit for the financial year	110 085	330 115	28.1	69 993	243 930	21.3	
		505 433	43.0		419 248	36.6	
Minority interest					189	0.0	
Creditors							18
Non-current							
Loans from credit institutions	213 749			154 824			
Pension loans	90 737			255 870			
Pension liabilities	4 007			4 399			
Deferred tax liability	86 988			86 652			
Other non-current liabilities	924	396 405	33.7	1 360	503 105	43.9	
Current							
Loans from credit institutions	51 762			16 447			
Pension loans	7 489			20 143			
Trade payables	65 050			56 432			
Accrued liabilities and deferred income	146 035			128 799			
Other current liabilities	2 520	272 856	23.3	2 432	224 253	19.5	
		1 174 694	100.0		1 146 795	100.0	

STATEMENT OF INCOME

Jan. 1 - Dec. 31 (FIM 1000)	1996	1995	Additional information
Net sales	13 318	13 550	
Cost of goods sold	-3 798	-3 370	
Gross margin	9 520	10 180	
Administrative expenses	-4 830	-4 411	
Other operating expenses	-2 375	-222	4
Other operating income	4 833	22	
Operating profit	7 148	5 569	2,3
Financial income and expenses	-10 825	-13 651	5
Profit before extraordinary items, reserves and income taxes	-3 677	-8 082	
Extraordinary income and expenses	88 276	43 165	6
Profit before reserves and income taxes	84 599	35 083	
Decrease in accelerated depreciation	1 570	649	
Income taxes			
For the financial year	-24 243	-8 944	
For previous financial years	515	-3	
	-23 728	-8 947	
Profit for the financial year	62 441	26 785	

BALANCE SHEET

Dec. 31 (FIM 1000)		1996	%		1995	%	Additional information
ASSETS							
Fixed assets and other non-current investments							
Intangible assets							
Other capitalized expenditure		1 734	0.2				
Tangible assets							8
Land and water	18 945			18 945			
Buildings	37 891			39 922			
Machinery and equipment	64			59			
Other tangible assets	65	56 965	7.5	78	59 004	7.2	
Financial assets							11
Shares in subsidiaries	478 808			468 950			9
Bonds and shares	54 769			63 551			10
Loan receivables	82 779	616 356	80.9	129 260	661 761	80.6	
		675 055	88.6		720 765	87.8	
Valuation items		3 709	0.5		4 078	0.5	12
Current assets							
Receivables							13
Loan receivables	42 485			79 996			
Prepaid expenses and accrued income	213			154			
Other receivables	3	42 701	5.6	103	80 253	9.8	
Cash in hand and at banks		40 134	5.3		15 899	1.9	
		761 599	100.0		820 995	100.0	
LIABILITIES							
Shareholders' equity							15,16
Restricted equity							
Share capital							
Externally held	39 542			44 193			
Redeemed	24 181			19 530			
	63 723			63 723			
Share premium	92 986	156 709	20.6	92 986	156 709	19.1	
Unrestricted equity							
Own shares				-40 475			
Operating fund	134 321			174 796			
Retained earnings	85 609			84 526			
Profit for the financial year	62 441	282 371	37.0	26 785	245 632	29.9	
		439 080	57.6		402 341	49.0	
Untaxed reserves							
Accelerated depreciation		11 084	1.5		12 654	1.5	
Voluntary reserves		613	0.1		613	0.1	
Creditors							18
Non-current							
Loans from credit institutions	83 500			74 131			
Pension loans	37 625			109 805			
Pension liabilities	3 709			4 078			
Other non-current liabilities	388	125 222	16.4	396	188 410	22.9	
Current							
Loans from credit institutions	5 631			12 247			
Pension loans	3 177			8 265			
Trade payables	65			123			
Accrued liabilities and deferred income	20 770			11 387			
Other current liabilities	155 957	185 600	24.4	184 955	216 977	26.5	
		761 599	100.0		820 995	100.0	

STATEMENT OF CHANGES IN FINANCIAL POSITION

FIM million	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Operations				
Funds from operations				
Operating profit	**180.1**	142.8	**7.1**	5.6
Depreciation	**107.8**	101.6	**3.3**	2.1
Financial income and expenses	**-26.4**	-33.8	**-10.8**	-13.7
Extraordinary items	**-0.4**		**88.3**	52.5
Income taxes	**-42.9**	-23.0	**-23.7**	-8.9
	218.2	187.6	**64.2**	37.6
Change in working capital				
Change in inventories	**8.7**	-4.3	**0.1**	
Change in current receivables	**-3.4**	16.7	**37.6**	-52.2
Change in current, non-interest-bearing liabilities	**25.6**	3.0	**9.3**	1.3
	30.9	15.4	**46.9**	-50.8
Cash flow from operations	**249.1**	203.0	**111.1**	-13.2
Net capital expenditure	**-118.9**	-224.4	**-4.1**	-47.8
Cash flow before financing	**130.2**	-21.4	**107.0**	-61.0
Financing				
Change in loan receivables	**-1.2**	0.5	**46.4**	-26.4
Change in non-current loans	**-109.4**	69.7	**-62.8**	8.0
Change in current loans	**23.1**	-55.5	**-40.7**	69.9
Dividends	**-24.5**	-16.9	**-25.7**	-17.8
	-112.0	-2.2	**-82.8**	33.7
Change in liquid assets according to the balance sheet	**18.2**	-23.6	**24.2**	-27.3

THE GROUP

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

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

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

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

MUTUAL SHARE OWNERSHIP

Mutual share ownership was eliminated by applying the acquisition cost method. The acquisition cost of the shares of Säkkiväline comprises both the sum paid and the nominal value of the directed issue. The shareholders' equity of a subsidiary was deducted from the purchase price of that subsidiary's shares, including untaxed reserves net of tax. The resulting consolidated goodwill will be written-off in five or ten years. Some of the untaxed reserves were dissolved in 1996. They were booked against the portion of the acquisition price allocated to them.

INTRA-GROUP TRANSACTIONS

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

MERGER OF SUBSIDIARIES

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

ITEMS DENOMINATED IN FOREIGN CURRENCIES

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

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

NET SALES

Indirect sales taxes, discounts granted and foreign exchange differences on sales were deducted from sales revenues. Sales freights and other costs incurred in sales and deliveries were treated according to their nature, as either costs of goods sold or sales expenses. Bad debts were entered under other operating expenses.

REAL ESTATE

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

RESEARCH AND DEVELOPMENT EXPENDITURE

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

PENSIONS

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

VALUATION OF INVENTORIES

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

FIXED ASSETS AND DEPRECIATION

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

The annual depreciation percentages are as follows:

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

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

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

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

UNTAXED RESERVES

Appropriations (changes in voluntary reserves and the difference between booked depreciation and depreciation according to plan) were returned to the results for the financial year, with the exception of the change in the deferred tax liability. The untaxed reserves were included in the consolidated unrestricted equity after deduction of the deferred tax liability and the reserves entered under equity at the acquisition of subsidiaries. Deferred tax liability is a separate item in the balance sheet under non-current creditors.

MINORITY INTERESTS

There were no longer any minority interests in 1996.

TAXATION

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

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

1. NET SALES

FIM 1000	1996	%	1995	%
Net sales by business unit				
Service Companies	527 733	35.2	454 470	33.1
Nonwoven Industry	513 124	34.2	459 286	33.4
Flexible Packaging Manufacture	350 234	23.4	343 033	25.0
Narrow Fabric Manufacture	107 165	7.2	114 148	8.3
Other	13 534	0.9	13 550	1.0
Internal net sales	-13 948	-0.9	-10 488	-0.8
Total	1 497 842	100.0	1 373 999	100.0
Net sales by market				
Finland	807 807	53.9	741 207	53.9
Other Nordic countries	128 159	8.6	124 228	9.0
Other EU countries	428 044	28.6	390 725	28.5
Other Europe	79 871	5.3	72 996	5.3
Other countries	53 961	3.6	44 843	3.3
Total	1 497 842	100.0	1 373 999	100.0

2. PERSONNEL EXPENSES

	Group		Parent Company	
FIM 1000	1996	1995	1996	1995
Personnel expenses for the financial year				
Salaries	345 751	315 024	2 540	2 397
Pension expenses	50 533	47 413	175	202
Other salary-related expenses	46 711	46 848	252	236
	442 995	409 285	2 967	2 835
Fringe benefits	3 321	3 071	36	53
Total	446 316	412 356	3 003	2 888
Salaries paid				
Members of the Boards and Managing Directors	5 036	5 097	1 500	1 445
Other personnel	341 052	313 019	896	832
Additional bonus to members of the Boards and Managing Directors	733	540	150	120
Total	346 821	318 656	2 546	2 397

Members of the Lassila & Tikanoja Ltd Board of Directors do not have pension contracts with the company. The Managing Directors of the Parent Company and the subsidiaries have statutory pension insurance.

3. DEPRECIATION

	Group		Parent Company	
FIM 1000	1996	1995	1996	1995
Depreciation per function				
On acquisition and production	95 280	88 410	2 465	2 055
On sales and marketing	1 257	1 475		
On administration	10 040	10 741	47	73
On consolidated goodwill	1 214	931		
Total	107 791	101 557	2 512	2 128
Planned depreciation by balance sheet item				
Intangible assets	8 243	8 375	434	
Consolidated goodwill	1 214	931		
Buildings	13 070	12 145	2 031	2 055
Machinery and equipment	84 128	79 103	34	61
Other tangible assets	1 136	1 003	13	12
Total	107 791	101 557	2 512	2 128
Increase (-)/decrease (+) in accelerated depreciation				
Intangible assets	-75	-1 311		
Buildings	-2 756	-10 290	1 553	596
Machinery and equipment	-27 287	-6 537	17	53
Other tangible assets	-386	-161		
	-30 504	-18 299	1 570	649
Accelerated depreciation on fixed assets sold	-2 346	-1 457		
Increase (-)/decrease (+) in accelerated depreciation for the financial year	-32 850	-19 756	1 570	649

4. OTHER OPERATING EXPENSES AND INCOME

FIM 1000	Group 1996	Group 1995	Parent Company 1996	Parent Company 1995
Other operating expenses				
Losses on disposal of fixed assets	372	799		
Losses on sales of shares	2 375	268	2 375	222
Bad debts	1 430	1 367		
Expenses incurred from fire and other damage	763	89		
Other	264	141		
	5 204	2 664	2 375	222
Other operating income				
Gains on sales of fixed assets	2 780	2 765		
Gains on sales of shares	5 828		4 831	
Research contributions and insurance indemnities	1 048	839		
Recovery of bad debts	321	125		
Other	863	225	2	22
	10 840	3 954	4 833	22

5. FINANCIAL INCOME AND EXPENSES

FIM 1000	Group 1996	Group 1995	Parent Company 1996	Parent Company 1995
Group companies				
Dividend income			1 469	720
Financial income			2 380	4 174
Interest expenses			-10 876	-10 566
External				
Dividend income	1 539	1 059	1 146	982
Interest income on non-current investments	53	807	6	706
Other financial income	2 425	3 500	1 433	1 634
Exchange rate gains	9 057	5 633	6 981	3 729
Exchange rate losses	-9 623	-5 671	-6 649	-3 627
Interest expenses	-28 008	-35 844	-6 243	-10 403
Other financial expenses	-1 815	-3 256	-472	-1 000
	-26 372	-33 772	-10 825	-13 651

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

6. EXTRAORDINARY INCOME AND EXPENSES

FIM 1000	Group 1996	Group 1995	Parent Company 1996	Parent Company 1995
Extraordinary income				
Group contribution			88 644	52 520
Divestment of business operations		385		
Unredeemed dividends	19		19	
	19	385	88 663	52 520
Extraordinary expenses				
Redemption of warrants	387		387	
Depreciation of land lease		363		
Avardo shares and capital loan		5 132		9 355
Other	8			
	395	5 495	387	9 355
Total extraordinary income and expenses	-376	-5 110	88 276	43 165

7. INTANGIBLE ASSETS

The figures include all the intangible assets whose acquisition costs have not yet been entered in their entirety as expenses under planned depreciation. However, all consolidated goodwill and reserves are shown.

FIM 1000	Group 1996	Group 1995	Parent Company 1996	Parent Company 1995
Intangible rights				
Acquisition cost Jan. 1	885	599		
Fully depreciated	-11	-52		
Increase	109	338		
Acquisition cost Dec. 31	983	885		
Accumulated depreciation	-368	-290		
Balance sheet value Dec. 31	615	595		
Accelerated depreciation Jan. 1	46	35		
Changes	-1	11		
Accelerated depreciation Dec. 31	45	46		
Goodwill				
Acquisition cost Jan. 1	71 888	67 119		
Fully depreciated	-8 128	-466		
Increase	100	5 335		
Decrease	-544	-100		
Acquisition cost Dec. 31	63 316	71 888		
Accumulated depreciation	-43 418	-45 942		
Balance sheet value Dec. 31	19 898	25 946		
Accelerated depreciation Jan. 1	853	168		
Changes	-159	685		
Accelerated depreciation Dec. 31	694	853		
Consolidated goodwill				
Acquisition cost Jan. 1	223 856	212 315		
Increase	258	11 581		
Decrease		-40		
Acquisition cost Dec. 31	224 114	223 856		
Accumulated depreciation	-214 421	-213 207		
Balance sheet value Dec. 31	9 693	10 649		
Consolidated reserve				
Acquisition cost Jan. 1	-983	-5 765		
Increase				
Decrease		4 782		
Acquisition cost Dec. 31	-983	-983		
Accumulated entries in statement of income	983	983		
Balance sheet value Dec. 31	0	0		
Other capitalized expenditure				
Acquisition cost Jan. 1	11 985	9 653	0	
Fully depreciated	-313	-875		
Increase	5 706	3 207	2 168	
Acquisition cost Dec. 31	17 378	11 985	2 168	
Accumulated depreciation	-6 605	-4 369	-434	
Balance sheet value Dec. 31	10 773	7 616	1 734	
Accelerated depreciation Jan. 1	1 184	569		
Changes	235	615		
Accelerated depreciation Dec. 31	1 419	1 184		

8. TANGIBLE ASSETS

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

	Group		Parent Company	
FIM 1000	1996	1995	1996	1995
Land				
Acquisition cost Jan. 1	26 171	26 057	18 945	18 948
Increase	658	117		
Decrease		-3		-3
Balance sheet value Dec. 31	26 829	26 171	18 945	18 945
Revaluations included in the balance sheet value	15 297	15 297	13 800	13 800
Buildings				
Acquisition cost Jan. 1	308 808	280 197	69 041	70 570
Fully depreciated	46	-5 709	46	-1 529
Increase	11 644	35 865		
Decrease		-1 544		
Exchange differences	-3	-1		
Acquisition cost Dec. 31	320 495	308 808	69 087	69 041
Accumulated depreciation	-90 795	-77 680	-31 196	-29 119
Balance sheet value Dec. 31	229 700	231 128	37 891	39 922
Accelerated depreciation Jan. 1	83 206	73 072	12 612	13 208
Changes	2 757	10 134	-1 552	-596
Accelerated depreciation Dec. 31	85 963	83 206	11 060	12 612
Revaluations included in the balance sheet value	40 555	40 555	20 974	20 974
Machinery and equipment				
Acquisition cost Jan. 1	742 565	729 564	519	578
Fully depreciated	-54 807	-118 609	-279	-59
Increase	88 061	145 033	39	
Decrease	-8 946	-13 980		
Exchange differences	713	557		
Acquisition cost Dec. 31	767 586	742 565	279	519
Accumulated depreciation	-364 991	-340 824	-215	-460
Balance sheet value Dec. 31	402 595	401 741	64	59
Accelerated depreciation Jan. 1	162 833	154 684	42	95
Changes	29 624	8 149	-18	-53
Accelerated depreciation Dec. 31	192 457	162 833	24	42
Net book value of machines and equipment, included in fixed assets, Dec. 31	378 539	377 979	0	0
Other tangible assets				
Acquisition cost Jan. 1	6 640	5 915	105	105
Fully depreciated	-936	-818		
Increase	2 355	1 543		
Decrease	-22			
Acquisition cost Dec. 31	8 037	6 640	105	105
Accumulated depreciation	-3 681	-3 502	-40	-27
Balance sheet value Dec. 31	4 356	3 138	65	78
Accelerated depreciation Jan. 1	382	220		
Changes	394	162		
Accelerated depreciation Dec. 31	776	382		
Advance payments and construction in progress				
Acquisition cost Jan. 1	12 630	20 267		
Increase/Decrease	22 453	-7 637		
Acquisition cost Dec. 31	35 083	12 630		
Taxation values				
Land	9 897	8 779	7 060	6 173
Buildings	102 790	102 687	31 080	32 728
Bonds and shares				
Subsidiaries			275 063	239 830
Other	56 812	50 654	39 873	39 651

The book value was presented where taxation values were unavailable.

9. SUBSIDIARIES

	Percentage of total number of shares and of voting power	Share of equity	Number of shares		Nominal value of shares	Book value of shares	Profit/loss according to the latest financial statements
		FIM 1000				FIM 1000	FIM 1000
Amerplast Oy	100.0	47 198	8 000	FIM	12 000 000	131 890	1 442
Fiktio Oy	100.0	1 211	10	FIM	1 000	1	1 189
Inka Oy	100.0	23 576	20	FIM	2 000 000	15 008	1 994
M.Koster & Co.B.V.	100.0	-502	235	NLG	235 000	1 086	-33
J.W. Suominen Oy	100.0	85 016	70 000	FIM	63 000 000	92 563	0
Säkkiväline Oy	100.0	215 477	1 948 000	FIM	19 480 000	238 260	38 639
Total						478 808	
Owned through subsidiaries:							
Amerplast AB	100.0	5 968	100 000	SEK	10 000 000	575	1 443
A/O Amerplast	100.0	-1	20	RUR	4 500 000	13	-6
A.Eskola Oy	93.9	964	108	FIM	108 000	943	25
Greenwill AB	100.0	41	500	FIM	32 595	33	2
Inka GmbH	100.0	-1 315		DEM	50 000	98	-69
Kanta-Hämeen Ympäristöyhtiö Oy	100.0	227	50	FIM	50 000	36	19
Kiinteistö Oy Tampereen Sarankulma	100.0	112	150	FIM	15 000		30
SV-Ammattipörssi Oy	100.0	231	100	FIM	15 000	204	8
Svensk Lasthantering AB	100.0	6 325	5 000	SEK	500 000	2 820	783
Säkkiväline Etelä Oy	100.0	296	500	FIM	50 000	50	96
Säkkiväline Itä Oy	100.0	298	500	FIM	50 000	50	61
Säkkiväline Kiinteistöhuolto Oy	100.0	1 190	1 000	FIM	1 000 000	3 313	39
Säkkiväline Länsi Oy	100.0	221	500	FIM	50 000	50	31
Säkkiväline Palvelu Oy	100.0	273	60	FIM	30 000	246	65
Säkkiväline Pohjoinen Oy	100.0	203	500	FIM	50 000	50	48
Säkkiväline Puhtaanapito Oy	100.0	7 185	1 000	FIM	1 000 000	16 890	-76
Säkkiväline Siivouspalvelut Oy	100.0	1 296	1 000	FIM	1 000 000	6 046	-23
Total						510 225	

10. OTHER COMPANIES DEC. 31, 1996

	Percentage of total shares		Number of shares		Nominal value of shares FIM		Book value of shares FIM 1000	
	Group	Parent	Group	Parent	Group	Parent	Group	Parent
Enso Oy, Series A	0.02	0.02	38 000	38 000	380 000	380 000	1 178	1 178
Instrumentarium Corporation, Series A	0.63	0.63	96 000	96 000	960 000	960 000	9 977	9 977
Instrumentarium Corporation, Series B	0.48	0.48	23 400	23 400	234 000	234 000	2 566	2 566
Kiinteistö Oy Inkanmäki *	99.00	99.00	99	99	247 500	247 500	247	247
Kiinteistö Oy Killinkivi *	58.30	58.30	14	14	70 000	70 000	70	70
Kiinteistö Oy Killinpolku *	25.00	25.00	1	1	50 000	50 000	50	50
Kiinteistö Oy Tikankulma *	45.47	45.47	3 092	3 092	1 314 100	1 314 100	24 478	24 478
Lammaisten Sähkö Oy, Series A	14.00		336		67 200		977	
Lammaisten Sähkö Oy, Series B	14.08		676		135 200		49	
Merita Bank Ltd, Series A	0.15	0.02	1 117 351	164 650	11 173 510	1 646 500	24 027	3 230
Pihlajamäen Ostoskeskus Oy	4.43	4.43	77	77	7 700	7 700	711	711
UPM-Kymmene Corporation	0.04	0.04	98 858	98 858	988 580	988 580	8 129	8 129
Central Share Register of Finland Co-operative	0.61	0.40	3	2	210 000	140 000	210	140
Pohjola Insurance Company, Series A	0.20	0.20	41 000	41 000	205 000	205 000	3 530	3 530
Connection fees							3 021	206
Telephone company shares							973	12
Others							3 513	245
Total							83 706	54 769

* Not consolidated

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

A devaluation of FIM 50.1 million was made on December 31, 1995 in the Group for the shares held in Merita Bank Ltd. This devaluation was decreased in the financial statements by FIM 2.7 million. In accordance with the financing agreement concluded in connection with the acquisition of these shares, the changes in valuation have no effect on the result. Otherwise, the shares were evaluated at the original acquisition cost. The value of listed securities calculated at the prices on the day the books were closed was FIM 2 million higher than their book value in the Group and FIM 9.1 million higher in the Parent Company.

11. FINANCIAL ASSETS

	Group		Parent Company	
FIM 1000	1996	1995	1996	1995
Group companies				
Shares			478 808	468 950
Loan receivables			68 120	114 601
Total			546 928	583 551
Loan receivables from members of the Boards of Group companies and the Managing Directors		1 050		1 050

12. VALUATION ITEMS

	Group		Parent Company	
FIM 1000	1996	1995	1996	1995
Portion of pension liability not entered as an expense Jan. 1	4 078	3 878	4 078	3 841
Change during the financial year	-369	200	-369	237
Portion of pension liability not entered as an expense Dec. 31	3 709	4 078	3 709	4 078

There is no pension liability deficit calculated at current values.

13. CURRENT ASSETS

FIM 1000	Group 1996	Group 1995	Parent Company 1996	Parent Company 1995
Trade receivables				
Denominated in FIM	72 121	67 512		
Denominated in foreign currencies	83 957	76 320		
Total	156 078	143 832		
Trade receivables as a percentage of net sales	10.4	10.5		
Receivables from Group companies				
Loan receivables			42 481	78 946

14. GROUP EQUITY CAPITAL

FIM 1000	Total	Restricted equity: Share capital	Restricted equity: Share premium	Restricted equity: Revaluation fund	Unrestricted equity: Transferred from untaxed reserves	Unrestricted equity: Distributable equity capital
Equity capital Jan. 1, 1996	419 248	63 723	92 997	18 598	142 555	101 375
Dividends	-24 483					-24 483
Translation differences	583					583
Change in untaxed reserves on acquisition	0				9 695	-9 695
Change in untaxed reserves for the financial year	0				1 053	-1 053
Profit	110 085					110 085
Dec. 31, 1996	505 433	63 723	92 997	18 598	153 303	176 812
Distributable equity capital						176 812

15. PARENT COMPANY EQUITY

FIM 1000	Total	Restricted equity: Share capital	Restricted equity: Share premium	Unrestricted equity: Operating fund	Unrestricted equity: Retained earnings	Unrestricted equity: Profit for the financial year	Unrestricted equity: Own shares
Equity capital Jan. 1, 1996	402 341	63 723	92 986	174 796	111 311		-40 475
Dividends	-25 702				-25 702		
Cancellation of shares	0			-40 475			40 475
Profit	62 441					62 441	
Dec. 31, 1996	439 080	63 723	92 986	134 321	85 609	62 441	0

16. SHARES HELD BY THE COMPANY

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

	number
Total number of shares	6 372 252
Redeemed with distributable equity and cancelled	2 418 120
Shares in circulation	3 954 132
Shares held by a subsidiary and entered in the balance sheet without value	187 555
Shares held outside the Group	3 766 577

17. GROUP VOLUNTARY RESERVES AND DEFERRED TAX LIABILITY

FIM 1000	Dec. 31, 1996	Change	Jan. 1, 1996
Accelerated depreciation	281 354	32 850	248 504
Investment reserves	305	-5 156	5 461
Operating reserves	494	-105	599
Transition reserves	28 741	-26 171	54 912
Total voluntary reserves	310 894	1 418	309 476
Deferred tax liability	-86 988	-336	-86 652
Subsidiaries' share of equity on acquisition	-70 603	9 621	-80 224
Minority's share of voluntary reserves less tax liability	0	45	-45
Share transferred to unrestricted equity	153 303	10 748	142 555

18. CREDITORS

FIM 1000	1997*	1998	1999	2000
Instalments of non-current creditors in near future				
Group				
Loans from credit institutions	52 490	41 600	58 103	66 569
Pension loans	7 445	6 351	5 905	5 494
Total	59 935	47 951	64 008	72 063
Parent Company				
Loans from credit institutions	5 631	7 023	5 388	5 382
Pension loans	3 177	2 634	2 449	2 278
Total	8 808	9 657	7 837	7 660

* Under current liabilities in the balance sheet

	Group		Parent Company	
	1996	1995	1996	1995
Liabilities which fall due in five years or a longer period				
Loans from credit institutions	48 365	63 289	66 095	62 907
Pension loans	72 987	208 093	30 264	92 401
Total	121 352	271 382	96 359	155 308
Interest-free liabilities				
Non-current	90 697	90 730	3 709	4 078
Current	212 867	187 334	21 090	11 743
Total	303 564	278 064	24 799	15 821
Liabilities to Group companies				
Other current liabilities			155 693	184 620

On December 31, 1996 the Group had FIM 305.4 million in non-current, interest-bearing liabilities and the Parent Company FIM 121.5 million. The share of Group liabilities denominated in marks was 85.3 per cent and that of the Parent Company 100 per cent.

Warrant bond

Other non-current liabilities include the remainder of the warrant bond issued by the company in 1993, i.e. FIM 388,000. Early repayments of FIM 20,000 were made on the loan by the end of 1996. According to the terms, the bond will be repaid in a single instalment on July 1, 1998. The annual interest on the bond is 10 per cent.

Between July 1, 1993 and December 31, 1998 194,000 shares can be subscribed with the warrants at a price of FIM 141. The share capital can therefore be increased by FIM 1,940,000. These shares represent 4.9 per cent of the shares held outside the Group. No subscription rights based on warrants have been exercised.

19. PLEDGES AND CONTINGENT LIABILITIES

FIM 1000	Group 1996	Group 1995	Parent Company 1996	Parent Company 1995
Security for own liabilities				
Pledges *	215 181	220 998	214 730	214 730
Real estate mortgages	184 910	188 740	66 000	67 300
Company mortgages	78 330	80 130		
* Total commitments for which pledges have been given as security	196 267	260 012	190 675	244 078
Security for Group company liabilities				
Guarantees			102 746	83 195
Liabilities				
Pension fund liabilities	16 084	17 567	16 084	17 567
Other pension liabilities	59	91		33
Leasing liabilities				
Falling due next year	75	124		
Falling due in subsequent years	12	11		
Other leasing liabilities	85	200		

	Group 1996 Values	Group 1996 Difference between open contracts and market values
Derivative contracts		
Interest rate swaps		
Nominal values of interest rate swaps	35 000	-2 400
Currency swaps		
Counter values of forward contracts	36 323	-13

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

PROPOSAL BY THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

On December 31, 1996, the consolidated balance sheet shows unrestricted equity	330 115 000.00
With distributable equity of	176 812 000.00
The Parent Company's result	62 440 922.49
Profit carried over from previous years	85 608 728.09
Total	148 049 650.58
The Board of Directors proposes that a dividend of FIM 13.00 be paid on each of the 3,954,132 shares	51 403 716.00
Leaving the remainder on the retained earnings account	96 645 934.58
Total	148 049 650.58

Helsinki, February 25, 1997

Jaakko Lassila   Yrjö Niskanen

Heikki Hakala   Jukka Viinanen

Juhani Maijala

AUDITORS' REPORT

TO THE SHAREHOLDERS OF LASSILA & TIKANOJA LTD.

We have audited the accounting, the financial statements and the corporate governance of Lassila & Tikanoja Ltd for the period January 1 - December 31, 1996. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

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

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

Helsinki, March 3, 1997

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

Antti Lassila
Authorised Accountant

SHAREHOLDERS, FEBRUARY 14, 1997

SHAREHOLDERS BY CATEGORY

	Number of shareholders	Percentage of total shares	Total shares held in each category	Percentage of shares held outside the Group
Companies	73	10.8	505 261	13.4
Financial institutions and insurance companies	15	2.2	992 710	26.3
Public institutions	14	2.1	692 357	18.4
Non-profit organizations	24	3.5	394 933	10.5
Individuals	548	80.8	970 420	25.7
Foreign shareholders	4	0.6	6 320	0.2
	678	100.0	3 562 001	94.5
Shares registered in a nominee's name			198 918	5.3
Shares not transferred to the book-entry securities system			5 658	0.2
Total			3 766 577	100.0

DISTRIBUTION OF SHARE OWNERSHIP

	Number of shareholders	Percentage of total shares	Total shares held in each category	Percentage of shares held outside the Group
1-1000	495	73.0	128 533	3.4
1001-3000	98	14.4	168 656	4.5
3001-10000	44	6.5	241 358	6.4
10001-20000	19	2.8	272 809	7.2
20001-50000	10	1.5	290 774	7.7
50001-100000	2	0.3	139 140	3.7
over 100000	10	1.5	2 320 731	61.6
	678	100.0	3 562 001	94.5
Shares registered in a nominee's name			198 918	5.3
Shares not transferred to the book-entry securities system			5 658	0.2
Total			3 766 577	100.0

THE LARGEST SHAREHOLDERS

Shareholders	Number of shares	Percentage of shares held outside the Group
1. Pohjola Insurance Company	487 500	12.9
2. Merita Bank Ltd	400 000	10.6
3. Instrumentarium Corporation *	270 540	7.2
4. Evald and Hilda Nissi Foundation	251 415	6.7
5. Nova Life Insurance Company	180 039	4.8
6. Municipal Pension Insurance	176 900	4.7
7. Toivo Kangas estate	175 520	4.7
8. Juhani Maijala	142 610	3.8
9. Tapiola Insurance Group	122 760	3.3
10. Alfred Berg Finland Unit Trust	113 447	3.0
11. Heikki Bergholm	81 000	2.2
12. Mikko Maijala	58 140	1.5
13. Foundation for Economic Education	42 026	1.1
14. Optimal Unit Trust	40 900	1.1
15. Oy Norvestia Ab	38 000	1.0
16. Alfred Berg Portfolio Unit Trust	33 900	0.9
17. Onninen Sijoitus Oy	25 000	0.7
18. Merita Fennia Unit Trust	25 000	0.7
19. Foundation for Commercial and Technical Sciences	22 800	0.6
20. Eeva Maijala	21 800	0.6

* Includes shares owned by the pension funds.

INFORMATION ON SHARES

Company share capital totalled FIM 63,722,520, comprising 6,372,252 shares with a nominal value of FIM 10 each. A total of 2,418,120 of these were redeemed by the company with distributable equity and cancelled. Thus the number of shares in circulation is 3,954,132.

Lassila & Tikanoja's subsidiary Fiktio Oy owns 187,555 Parent Company shares, which were entered in the consolidated balance sheet without value. In December 1996, the Board of Directors of Lassila & Tikanoja Ltd decided to merge Fiktio Oy with Lassila & Tikanoja Ltd and to cancel the shares owned by Fiktio Oy after the merger has taken effect. The number of shares held outside the Group totalled 3,766,577, and this number was used to calculate the key figures on shares.

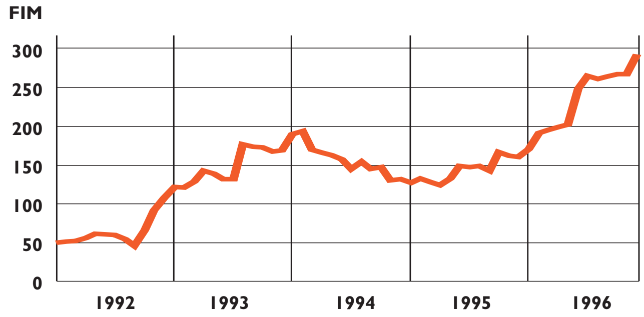
A maximum of 194,000 shares can be subscribed between July 1, 1993 and December 31, 1998 with the warrants associated with the 1993 bond. The share capital can thereby be increased by FIM 1,940,000. These shares represent 4.9 per cent of those held outside the Group. The warrant bond was available to the full-time management of the Lassila & Tikanoja Group.

The members of the Lassila & Tikanoja Board of Directors owned 142,960 shares on February 14, 1997, which is 3.8 per cent of the share capital outside the Group. Members of the Board of Directors can subscribe the equivalent of 0.8 per cent of the share capital outside the Group with the 1993 warrant bond. The pension fund owned 21,248 company shares on the date in question, which represent 0.6 per cent of the share capital held outside the Group.

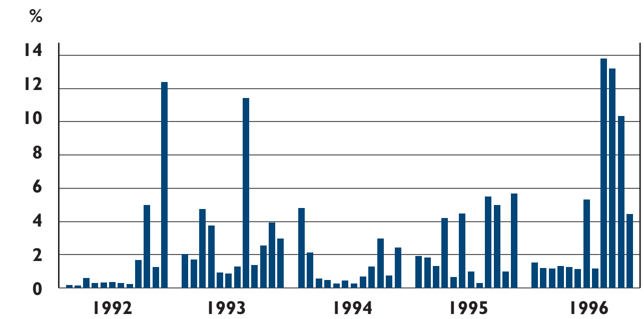
Company shares are quoted on the Helsinki Stock Exchange, where 2,100,804 or 55.8 per cent of the shares held outside the company, were traded in 1996.

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

Average share prices adjusted for share issue



Relative trading in shares



KEY FIGURES

KEY FIGURES ON SHARES

	1992 ***	1993	1994	1995	1996
Earnings/share (EPS), FIM	14.61	11.07	20.11	22.56	**29.33** *
Equity/share, FIM	134.85	80.53	97.16	111.31	**134.19**
Dividend/share, FIM	2.16	2.50	4.50	6.50	**13.00** **
Dividend/earnings, %	14.8	22.6	22.4	28.8	**44.3** **
Dividend yield, %	2.0	1.4	3.2	4.1	**4.5** **
P/E ratio	7.2	15.7	6.9	7.1	**9.9**
Adjusted share price					
low, FIM	43.28	107.33	128.00	115.00	**164.00**
high, FIM	110.79	195.00	202.00	176.00	**300.00**
average, FIM	88.20	158.12	163.97	146.40	**258.86**
at year end weighted with the number of trades per closing date, FIM	105.79	174.02	138.65	160.22	**290.86**
Market capitalization on Dec. 31, FIM million	322.3	655.5	522.2	603.5	**1 095.6**
Adjusted number of shares held outside the Group					
average during the year	3 046 429	3 446 950	3 766 577	3 766 577	**3 766 577**
at year end	3 046 429	3 766 577	3 766 577	3 766 577	**3 766 577**
Number of shares traded	595 296	1 312 680	636 735	1 234 324	**2 100 804**
as a percentage of the average during the year	22.6	38.1	16.9	32.8	**55.8**

KEY FIGURES ON FINANCIAL PERFORMANCE

	1992 ***	1993	1994	1995	1996
Net sales, FIM million	955.0	1 013.2	1 229.9	1 374.0	**1 497.8**
Exports and international operations, FIM million	384.1	418.6	570.4	633.5	**690.0**
Operating profit, FIM million	91.0	81.4	122.1	142.8	**180.1**
as % of net sales	9.5	8.0	9.9	10.4	**12.0**
Profit before extraordinary items, FIM million	47.6	37.7	90.2	109.0	**153.7**
as % of net sales	5.0	3.7	7,4	7.9	**10.3**
Profit before reserves, income taxes and minority interest, FIM million	47.6	27.3	89.0	103.9	**153.4**
as % of net sales	5.0	2.7	7.2	7.6	**10.2**
Balance sheet total, FIM million	1 162.2	1 053.9	1 103.6	1 146.8	**1 174.7**
Return on equity, % (ROE)	11.3	11.9	21.8	20.8	**23.9**
Return on invested capital, % (ROI)	11.4	12.2	15.8	17.3	**21.2**
Equity ratio, %	36.8	31.6	36.2	36.6	**43.0**
Gearing, %	199.0	114.8	95.0	98.5	**61.6**
Gross investments, FIM million	102.6	202.0	163.4	229.9	**131.9**
as % of net sales	10.7	19.9	13.3	16.7	**8.8**
Expenditure on R&D, FIM million	6.0	8.1	8.7	9.9	**11.3**
as % of net sales	0.6	0.8	0.7	0.7	**0.8**
Average personnel employed	2 605	2 639	2 910	3 019	**3 241**

* With dilution of the warrant bond taken into account: FIM 28.06.

** Proposal by the Board of Directors.

*** Due to changes in the accounting principles, not all the figures are comparable.

CALCULATION OF THE KEY FIGURES

RETURN ON EQUITY, % (ROE) =

Profit before extraordinary items, reserves and taxes - taxes including change in deferred tax liability x 100
―――
Shareholders' equity including untaxed reserves net of tax + minority interest (average)

RETURN ON INVESTED CAPITAL, % (ROI) =

Profit before extraordinary items, reserves and taxes + interest and other financial expenses x 100
―――
Balance sheet total + interest-free liabilities (average)

EQUITY RATIO, % =

Shareholders' equity including untaxed reserves net of tax + minority interest x 100
―――
Balance sheet total - advances received

GEARING, % =

Interest-bearing liabilities - cash and bank receivables x 100
―――
Shareholders' equity including untaxed reserves net of tax + minority interest

EARNINGS/SHARE =

Profit before extraordinary items, reserves and taxes - taxes including change in deferred tax liability - minority interest
―――
Adjusted number of shares held outside the Group (average)

EQUITY/SHARE =

Shareholders' equity including untaxed reserves net of tax
―――
Adjusted number of shares held outside the Group at year end

DIVIDEND/SHARE =

Dividend/share for the financial year
―――
Adjustment coefficient for share issues after the financial year

DIVIDEND/EARNINGS, % =

Dividend/share x 100
―――
Earnings/share

DIVIDEND YIELD, % =

Dividend/share x 100
―――
Adjusted share price at year end weighted with the number of trades per closing date

P/E RATIO =

Adjusted share price at year end weighted with the number of trades per closing date
―――
Profit/share

MARKET CAPITALIZATION =

Number of shares held outside the Group x adjusted share price at year end weighted with the number of trades per closing date

CONTACT INFORMATION

LASSILA & TIKANOJA GROUP
Aleksanterinkatu 15 B
P.O.Box 33
FIN-00101 Helsinki
Tel. +358-9-228 7660
Fax +358-9-6154 4560

AMERPLAST GROUP
Vestonkatu 24
P.O.Box 33
FIN-33731 Tampere
Tel. +358-3-388 8111
Fax +358-3-388 8241

INKA GROUP
Urusvuorenkatu 2
P.O.Box 670
FIN-20361 Turku
Tel. +358-2-526 2100
Fax +358-2-526 2250

J.W. SUOMINEN OY
Suomisentie
P.O.Box 25
FIN-29251 Nakkila
Tel. +358-2-537 5400
Fax +358-2-537 2510

SÄKKIVÄLINE GROUP
Aleksanterinkatu 15 B
P.O.Box 26
FIN-00101 Helsinki
Tel. +358-9-228 761
Fax +358-9-6154 4530

FINANCIAL INFORMATION

INTERIM REPORT, January 1 - April 30, issued May 29, 1997

INTERIM REPORT, January 1 - August 31, issued September 25, 1997

The Annual Report and the Interim Reports are also published in English-language translations.

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Lassila & Tikanoja Ltd will be held on Wednesday, April 2, 1997 at 4 p.m. in the Savoy Restaurant, Eteläesplanadi 14, Helsinki.

Shareholders wishing to attend must register for the meeting by March 26, 1997 at 4 p.m. either in writing to the address Lassila & Tikanoja Ltd P.O.Box 33, 00101 Helsinki, by fax at +358-9-6154 4560 or by telephone at +358-9-2287 6203.

LASSILA & TIKANOJA GROUP

P.O.BOX 33, FIN–00101 HELSINKI
TEL. +358-9-228 7660, FAX +358-9-6154 4560