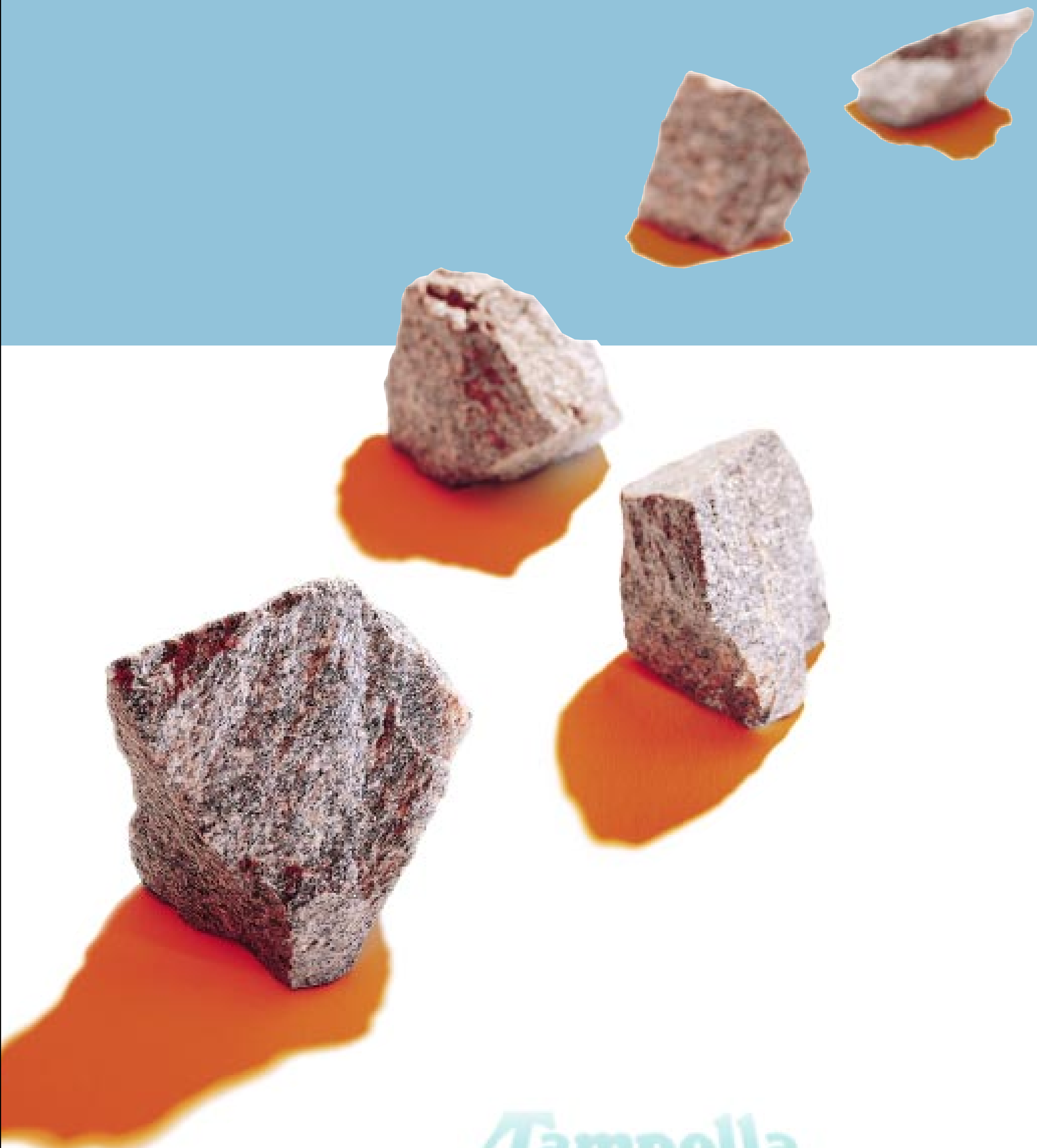
ANNUAL REPORT 1996



Tampella
TAMROCK

Contents

Annual General Meeting

The Annual General Meeting of Tamrock Corp. will take place at the corporate offices, address Kelloportinkatu 1, Tampere, Finland, on Wednesday, 9 April 1997 at 2.00 p.m.

Book-entry securities system

The company has transferred its shares to the book-entry securities system. The shareholder register is maintained by The Finnish Central Securities Depository Ltd, address Eteläesplanadi 20, FIN-00130 HELSINKI, Finland, tel. +358 9 686 200.

Marketplace

The Tamrock Corp. shares are listed on the Helsinki Stock Exchange.

Financial reviews

In addition to the annual report, Tamrock will publish three interim reports in 1997: January–March in the first week of May, January–June in the second week of August and January–September in the first week of November.

This annual report is a translation of the original Finnish document.

Tampella Corp. was renamed Tamrock Corp. on 28 February 1997. The company's operations continue under the internationally established Tamrock name.

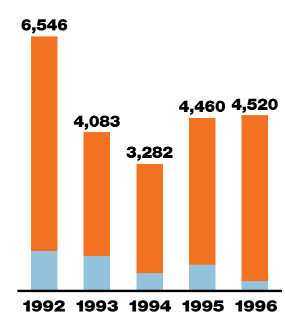
A Year of Change

Key financial indicators

	1996	*1995*
Net sales, MFIM	**4,520**	4,460
Operating profit/loss, MFIM	**199**	– 115
Profit before extraordinary items, provisions and taxes, MFIM	**141**	– 188
Net interest, MFIM	**– 52**	– 53
Interest-bearing net debt, MFIM	**1,328**	1,071
Balance sheet total, MFIM	**4,007**	4,001
Solvency ratio, %	**19.2**	16.0
Personnel on 31 Dec.	**5,224**	5,315

The most visible event in the company's operations during 1996 was the decision to change its name. Underlying this, however, were a number of far-reaching changes to the company's structure.

Net sales, *MFIM*



Sale of Tampella Power

The heavily loss-making Tampella Power was sold in March 1996 to the Norwegian Kvaerner Group for FIM 110 million. This divestment substantially strengthened Tampella's balance sheet and solvency as well as simplified its business structure.

Ownership changes

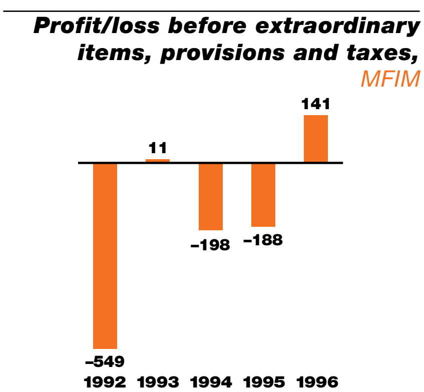
Large numbers of Tampella's shares were traded during April and May. The Swedish company Svedala made an offer for Tampella shares, but withdrew after it became apparent that another large Swedish company, Sandvik AB, had obtained a significant holding in Tampella. At the same time the Finnish Rauma Corporation acquired a 14 % stake in Tampella. Sandvik AB's holding eventually rose to approximately 49 %.

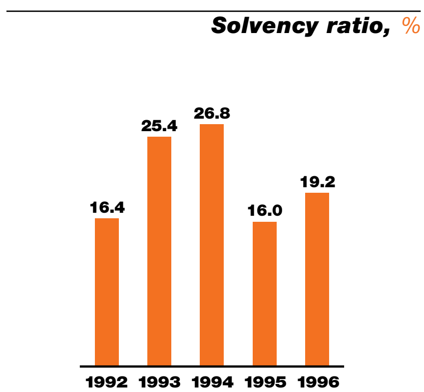
To simplify its ownership and corporate structure, Tampella acquired Sandvik's 25 % holding in Tamrock in June. In part payment Sandvik received FIM 322 million in convertible bonds issued by Tampella. Full conversion of these bonds would raise Sandvik's holding in the new Tamrock to approximately 58 %.

Internal organization

Changes in the company's ownership structure also led to internal reorganization. The divestment of Tampella Power put Tamrock's businesses in a dominant position. This prompted the decision in June to tighten up the corporate structure by merging Tampella's subsidiaries Tamrock Oy, Detec International Oy and Bretec Oy, as well as Tamrock's subsidiary Tamrock Loaders Oy and Detec's subsidiary Rammer Oy,

Tamrock and the Austrian company Voest-Alpine Bergtechnik make an excellent match, both in products and market coverage.





with Tampella. These mergers were carried out in early 1997.

It was also decided to combine the resources of Tampella's and the former Tamrock Group's corporate managements with effect from 1 September 1996.

VAB acquisition

In June the company reached agreement with the Austrian company Österreichische Industrieholding AG to acquire Voest-Alpine Bergtechnik GesmbH (VAB). VAB manufactures equipment for coal mining, tunnel excavation and bulk materials handling. Its integration with Tamrock strengthens the Group's competitive position substantially. The acquisition's greatest significance is for the company's coal mining machinery business. VAB was consolidated in the Group accounts for the period September to December 1996.

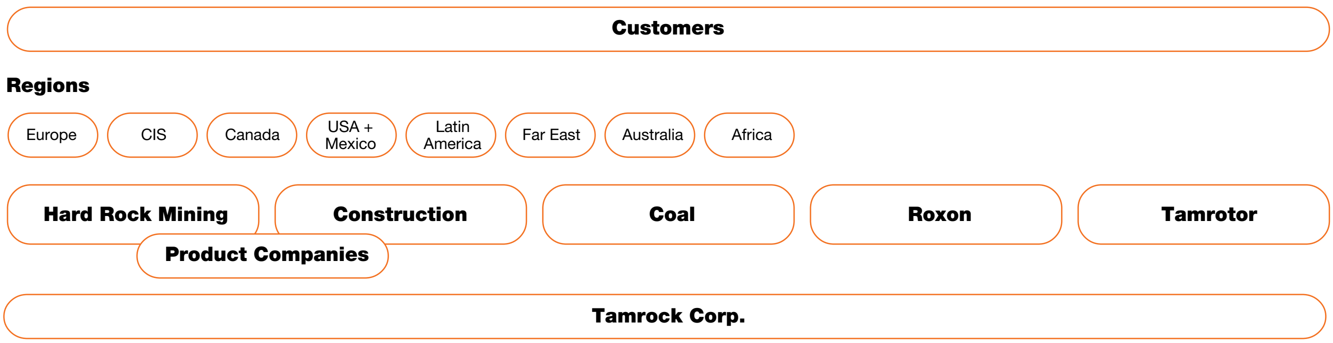
Change of name

Following these structural changes the next logical step was to rename the company. The Tamrock name was chosen since it reflects the Group's current structure and business operations. The change was confirmed by two extraordinary shareholders' meetings, on 9 December 1996 and on 17 January 1997, and it took effect on 28 February 1997.

Result

The company's result moved clearly into profit. The result before extraordinary items, provisions and taxes increased to a profit of FIM 141 million (1995: a loss of FIM 188 million). Net sales totaled FIM 4,520 million (4,460).

Operative structure



Legal Structure

Tamrock (formerly Tampella) is an international mechanical engineering corporation founded in 1856. Its global network includes 50 subsidiaries in 24 countries and a large number of local distributors. Tamrock Corp. has production plants in Australia, Austria, Canada, Finland, France, Germany, Great Britain, Indonesia, Poland, South Africa, Sweden and the USA. Tamrock's consolidated net sales totaled FIM 4,520 million and it had 5,224 employees at the end of 1996. The Tamrock share is listed on the Helsinki Stock Exchange.

Tamrock's brand names are Tamrock, Alpine Westfalia, Driltech, EIMCO, EJC, EM-Franceloader, Gurtec, KOPO, Prok, Rammer, Roxon, Rox´n Roll, Secoma, Tamrotor, Toro and Voest Alpine.

Tamrock derives approximately two thirds of its annual revenue from machinery and equipment for the mining industry. Drilling and excavation equipment and excavator attachments for civil engineering and construction purposes account for some 20 % of the net sales, and other products for about 15 %.

Tamrock's product portfolio and corresponding customer groups:

Equipment and services for hard rock excavation
(Base and precious metal mines and mine contractors)

Equipment and services for soft mineral excavation
(Coal, potash and salt mines and mine contractors)

Construction machinery, equipment and services
(International and local civil engineering and excavation contractors, demolition and recycling contractors, quarries, and machine rental companies)

Bulk materials handling equipment and conveyor components
(Mines and construction companies, quarries, power plants, ports and conveyor plant manufacturers)

Industrial compressors
(Industry, shipbuilding and compressor manufacturers)

Group Management

Tamrock Executive Board (from left): Matti Kotola, Seppo Kivimäki, Juha Seppälä, Ilkka Hakala, Jouko M Jaakkola, Veli Kronqvist, Jarmo Juntunen, Timo Koskinen, Kai Miesmäki, Raimo Lind, Pekka Heikkonen, Göran Andersson and Eero Immonen.

Board of Directors

Chairman
Clas Åke Hedström, 57
President and CEO
Sandvik AB

Deputy Chairman
Stig-Erik Bergström, 56
Deputy Managing Director
OY Stockmann AB

Heikki Hakala, 55
President and CEO
Rauma Corporation

Johan Horelli, 57
Managing Director
Aktia Savings Bank Ltd

Kari Kolu, 40
President and CEO
Sponda Oy

Executive Board

President and CEO
Jouko M Jaakkola, 52 *)

Executive Vice President and COO
Ilkka Hakala, 41 *)

Executive Vice President, Company Secretary
Kai Miesmäki, 49 *)

Senior Vice President, Technology
Göran Andersson, 52

President, Construction
Pekka Heikkonen, 49

Senior Vice President, Business Development
Eero Immonen, 52 *)

President, Roxon Oy
Jarmo Juntunen, 40 *)

President, Hard Rock Mining
Seppo Kivimäki, 43

Senior Vice President, Management Development
Timo Koskinen, 48

Senior Vice President, Product Companies
Matti Kotola, 46

Senior Vice President, Corporate Treasurer
Veli Kronqvist, 42

President, Coal
Raimo Lind, 43

Senior Vice President, Corporate Controller
Juha Seppälä, 40 *)

*) Members of the Board of Corporate Management, which also includes two personnel representatives,

Chief Shop Steward
Tarmo Silander, 41

Materials Technician
Kauko Kivelä, 58.

Auditors

KPMG Wideri Oy Ab
Authorized Public Accountants

Mauri Palvi
Authorized Public Accountant

Deputy auditors

Markku Sohlman
Authorized Public Accountant

Tapani Huopainen
Authorized Public Accountant

CEO's Message

With major restructuring now completed, Tamrock is an internationally competitive industrial group.

A new and unique corporation

During 1996 our company recorded more major events in the pages of its history than for a long time. Significantly, however, all the changes were of a positive nature.

When I joined the Tampella Group in February 1996, the first matter requiring a decision was the future of Tampella Power. We decided to sell it and the divestment took place in the spring. It had a dynamic impact on the entire Group's financial position. In practice the Tampella Group became a company with a single business focus, its core expertise comprising excavation equipment for mining and construction; almost all the Group's other operations relate to and support this business. The changes, actions and acquisitions we made during the financial year all support this strategy of focusing on one business, consolidating and developing it to serve our customers more effectively.

Another fundamental decision was to strengthen our coal mining machinery sector through the acquisition of the Austrian Voest-Alpine Bergtechnik Group (VAB), which made coal mining equipment an important business for the Group.

Once the strategic decisions were made, we modified the Group's internal structure to correspond with the new situation. We initiated the mergers of several subsidiaries in Finland with the parent company and reorganized the corporate management to conform with the Group's new structure. We also decided to change the company's name to Tamrock Corp. Although the Tampella name has a long history of tradition and is very well known in Finland, more important still for the Group's current operations is the fact that Tamrock is known worldwide as a leading manufacturer of excavation equipment.

The year's highlights also undoubtedly include the "fight" for Tampella on the stock market. The result, in which Sandvik AB and Rauma Corporation became major shareholders, strengthened the already close collaboration we enjoyed with Sandvik Rock Tools and Rauma Corporation's Nordberg division. Later on, the parent company acquired Sandvik's 25 % holding in Tamrock, which clarified our corporate structure and cleared the way for further development of Tamrock's operations.

Looking to the future, a significant potential lies with intensifying the cooperation with Sandvik Rock Tools and Nordberg. Sandvik Rock Tools' expertise in drilling and excavation tools and Nordberg's knowhow in rock crushing and processing offer considerable scope for synergic benefits with Tamrock's businesses.

A significant challenge involves completing the integration of VAB. When we acquired this Austrian company we knew it was loss-making; also its result for the last four months of 1996 was weaker than expected. The company's production facilities and technology, however, are in good shape and its products and marketing network mesh well with our own. Our goal is to mold VAB and Tamrock's Eimco units into a strong and competitive group in the coal mining machinery sector.

Despite the pressure from the year's structural changes, we still reached an acceptable result. Tampella Power, which was heavily loss-making, was no longer a burden on our performance. Furthermore, both Tamrock and Roxon posted their best results ever.

One year ago I stated my belief in Tampella's future, though fully aware of its difficult recent history. The 1996 figures demonstrate that my confidence was not unfounded. We have made it over the worst at a creditable pace and we are headed in the right direction.

The new Tamrock Group is not without its challenges, however. Its financial performance is still not sufficiently strong, and we must further increase the company's solvency. Thus, an additional challenge for the near future is to raise the Group's internal efficiency.

We are directing more efforts and resources than ever towards operations and services that benefit our customers. Essential to our operations is knowing and enhancing our customers' processes and helping them raise their profitability.

The new and unique Tamrock is internationally competitive in all its main business areas. With the large organizational issues now resolved, Tamrock can launch itself forward from an entirely new base. The market outlook for 1997 is still positive especially in Southeast Asia, Australia and South America, which are becoming increasingly important for us. We predict that our net result for 1997 will improve on last year's. The largest uncertainty factor that we are aware of is the possibility of punitive damages being levied against the Driltech subsidiary in a patent dispute.

Jouko M Jaakkola

Business Operations in 1996

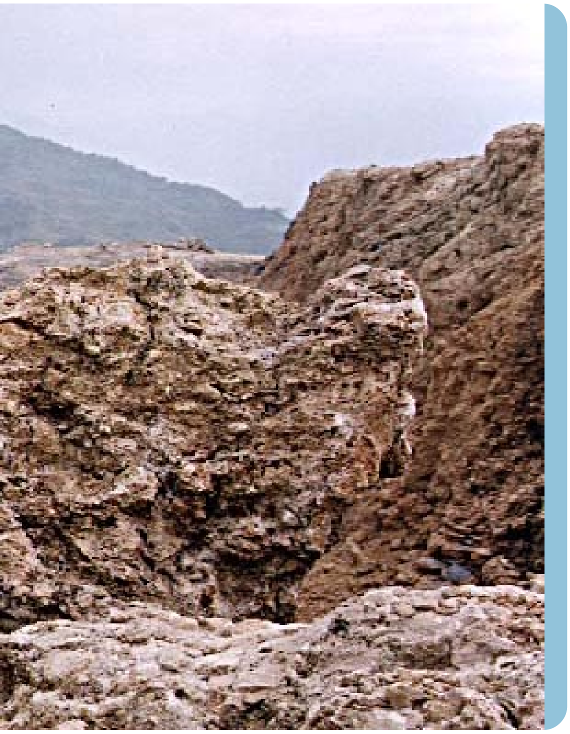
A good year in the hard rock mining sector

Level of construction demand satisfactory, but large variations in geographical regions and product groups

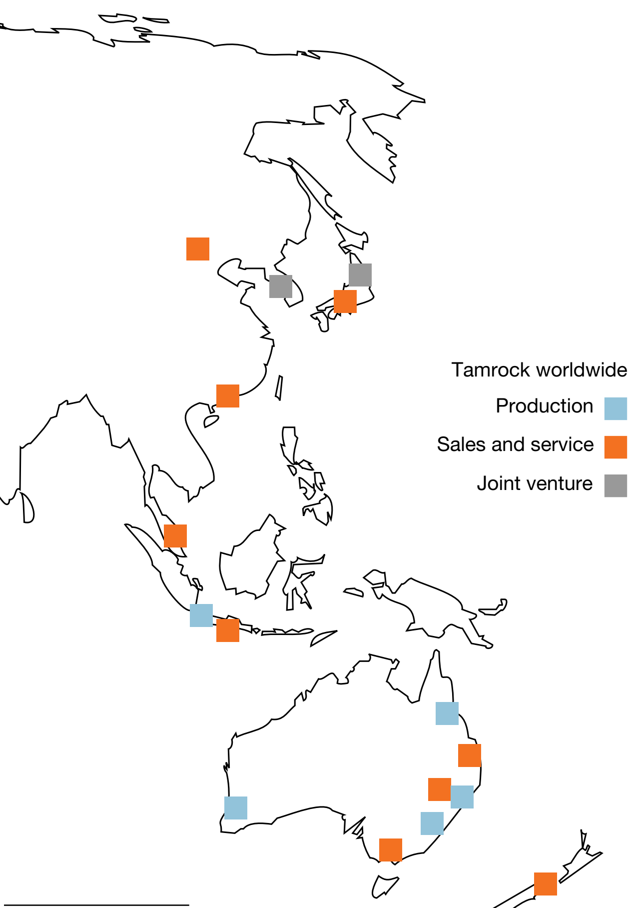
Consolidation of Voest-Alpine Bergtechnik Group (VAB) the biggest challenge for the coal mining machinery business

Roxon posted the largest relative increase in profits

Tamrotor performed well due to better internal efficiency



Tamrock's solid expertise covers different drilling and excavation solutions for construction and civil engineering contracts.

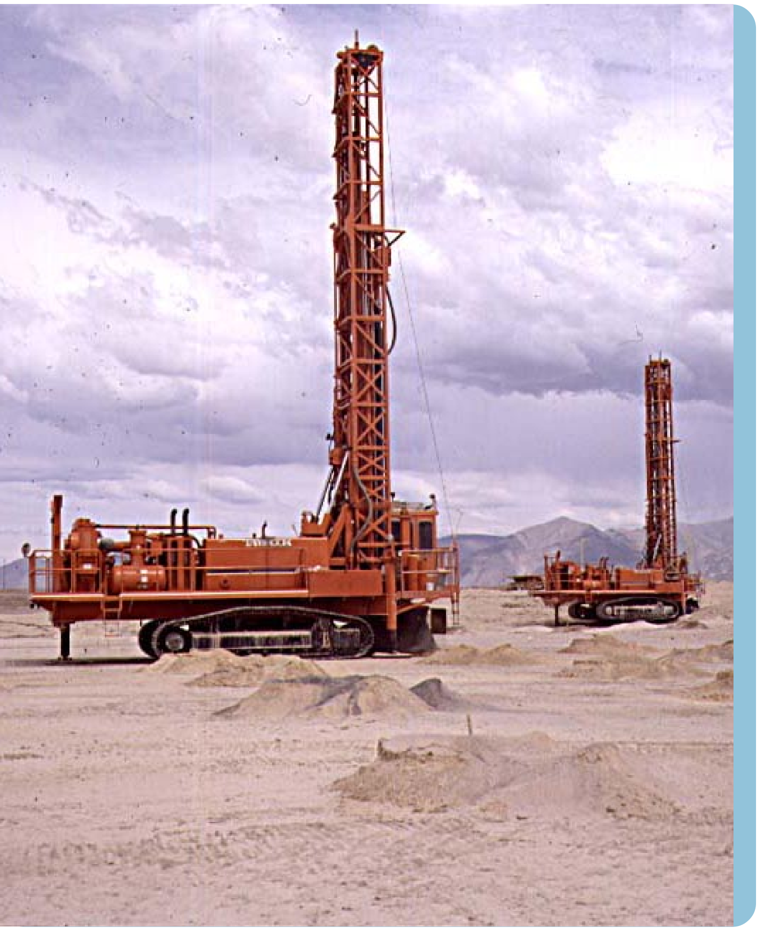


Business environment

Most of Tamrock's businesses are closely linked to large infrastructure projects, mining investments and the diverse construction sector. Economic activity in the major markets in these sectors is essential to the Group's success. Growth in energy demand is directly reflected, for example, in coal mining investments; increases in industrial production volumes have an immediate impact on demand for metals and on investments of metal mines.

Growth was slow in the European economy during 1996. Average growth in the EU countries remained below two per cent, mainly as a result of a downturn in the German economy. The economies in the Nordic countries showed more positive development, as was the case in some eastern European markets, notably Poland, the Czech Republic and Hungary. Several large infrastructure projects were started up in Italy during the year, and activity was also fairly lively in Spain and France.

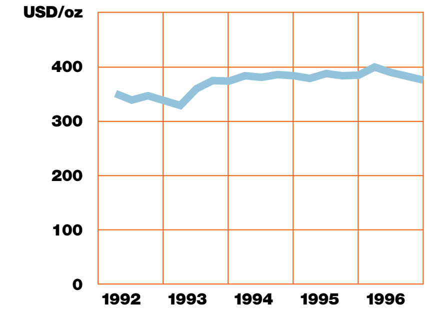
Vigorous economic growth in North America generated, among other things, decisions on several large highway upgrading projects. Latin America, except for a couple of countries, also remained on a strong growth track.



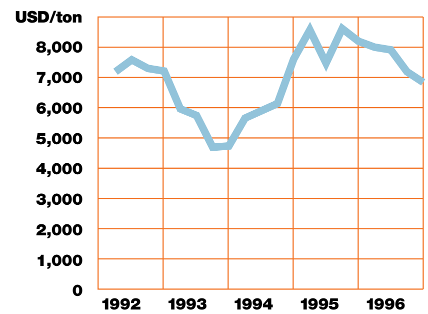
Driltech manufactures blasthole drills for open pit mines and quarries, and well drilling rigs.

Metal prices

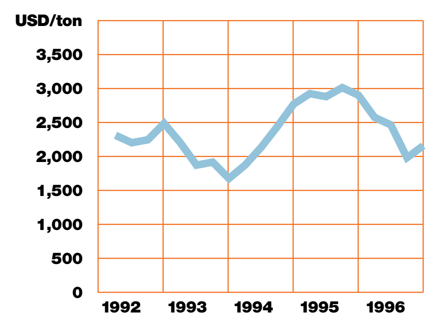
Gold



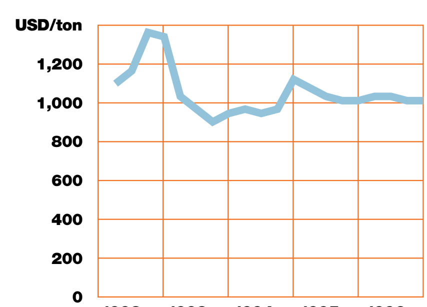
Nickel



Copper



Zinc



In South Africa the political situation has settled down and business is rapidly opening up to new opportunities. The country's economy is growing fast, which is having a positive effect on development throughout the southern part of the continent. South African mining companies are seeking to expand beyond the country's borders, and the major international mining companies are active in all of southern Africa. In Zimbabwe, for example, mine investment volumes increased many times over during the year.

The pace of growth in East Asia did not slow down, although considerable differences were visible between individual countries. China's new five-year plan began last year, but its implementation did not yet get up to speed. On the other hand, countries such as Vietnam and Laos are opening their doors to foreign investment.

Mining was particularly buoyant in Australia, which boosted the country's economy in general. The value of the Australian dollar also rose in relation to other major currencies.

Development of metal prices

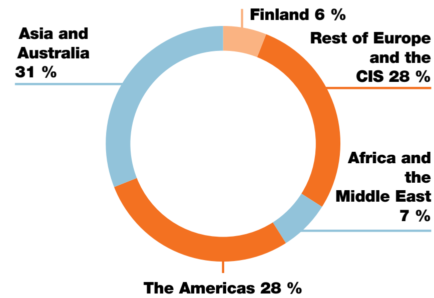
The Tamrock Group's largest business area is linked to hard rock mining, ie. production of base and precious metals. Mining investments depend on metal prices and the long-term expectations of mining companies.

Gold represents the most important metal for Tamrock. The gold price did not meet expectations since a short-lived rise early in the year turned into a downward trend, which strengthened towards the end of the year. During the first few weeks of 1997 the gold price dropped below 350 US dollars/oz, due mainly to uncertainty, which arose after sales of gold by several European central banks. Gold consumption is higher than current production levels, and most mining companies have secured a large part of their revenue for the year by selling their production in advance.

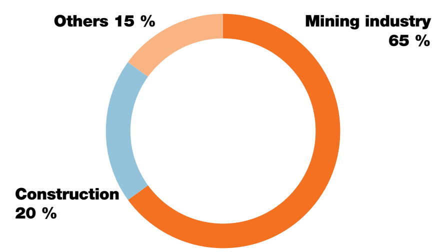
Most base metals reached their peak price levels for recent years already in 1995. Base metal prices at the end of 1996 were on average slightly

The new Ranger 700 track drill, launched in 1996, has rapidly gained in popularity.

Net sales by geographic region



Business by customer group



lower than one year earlier, but the development of individual metals varied considerably. The price of copper was the most volatile, having fallen from 2,800 dollars per ton at the start of the year to below 2,000 dollars per ton. It rallied to reach 2,200 – 2,400 dollars per ton at the year end. The price of copper is forecast to fall again during 1997.

Nickel fell during the year from 8,000 dollars per ton to below 7,000 dollars, which is, nevertheless, only 20 % lower than its peak value in recent years. Zinc rose slightly, while lead reached its highest level in recent years, but returned to its initial level by the end of the year. Nickel and lead prices are expected to remain unchanged in 1997, whereas zinc is forecast to rise.

Business areas

1996 was a favorable year for sales of Tamrock's drilling and excavation machinery for hard rock mining, which were driven by still reasonably strong metal prices and a generally high level of economic growth. Several large orders were gained especially at the end of the year.

Considerable regional and product variations were evident in sales of construction equipment. Economic growth was vigorous in East Asia, but delays in projects expected to start up in China reduced sales volumes substantially. Sales increased in the USA and, with the exception of Germany, in Europe as well.

The machinery and equipment for mechanized soft rock and minerals excavation became a substantial business area for the company with the VAB acquisition. Tamrock became one of the world's technology leaders in equipment for underground coal, potash and salt operations. Demand for coal mining equipment was strong throughout the year with activity particularly lively in the South African and Australian markets. VAB's long selling process hampered its business performance, which was also visible in its result and orderbook.

Roxon, the Tamrock Group's bulk materials handling and conveyor component business, improved in performance. Demand in Australia remained strong and the company entered new markets in East Asia. A new conveyor component factory was opened in Indonesia. Projects sales in Finland grew strongly after two quiet years. Demand was buoyant also in Sweden, but weaker elsewhere in Europe. The volume of this business will increase when the VAB bulk materials handling operation is fully integrated in the Roxon Group. Two large projects won by VAB in China will give Roxon a foothold in a significant new market. The operations of Mecakone, which produces

Roxon delivered a conveyor system for iron ore and pellet handling at Luleå port, Sweden. The equipment includes the most powerful belt conveyors in Scandinavia.

product lines for concrete mixing plants, was sold to the Finnish building materials company Partek.

Tamrotor's compressor production remained at the previous year's level. Improved productivity compensated for the effects of fierce competition on prices.

Products

Demand for large open pit blasthole drilling equipment was favorable during the review year. Driltech completed its program of production investments during the year, which eliminated bottlenecks in production and enabled an increase in delivery volumes of blasthole drilling rigs.

Demand for Secoma percussive drilling rigs to mines rose substantially on the previous year. Growth was also evident in sales of Tamrock drilling rigs for mines and civil engineering contractors. Sales of loading and hauling equipment increased strongly during the year and delivery volumes exceeded targets.

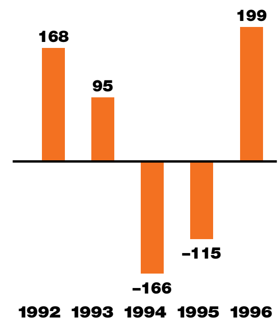
Sales of hydraulic breakers started the year well, but a decline in demand at the end of the year caused a marked reduction in delivery volumes. For the full year, the hydraulic breaker business reached the volume of the previous year.

Deliveries of coal mining equipment from the Bluefield plant in the USA increased substantially. The most significant single order comprised three large machines for a potash mine in Brazil. Sales of Tamrock's coal mining equipment virtually doubled in Australia. The most important VAB-branded coal and soft rock excavation equipment are the Alpine Miner (AM) roadheader and the Alpine Bolter Miner (ABM).

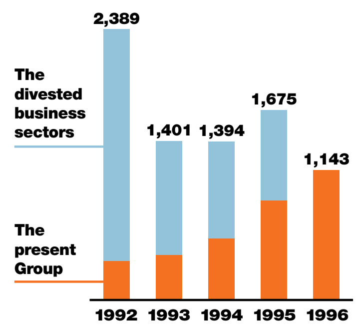
Net sales and result

Consolidated net sales totaled FIM 4,520 million, compared to FIM 4,460 million in the previous year. Eliminating the figures for Tampella Power, VAB and the other structural changes, the comparable growth in net sales was approximately 14 %. The Group's result after net financial items rose to a profit of FIM 141 million, compared to the previous year's loss of FIM 188 million. VAB was expected to return a small loss. The actual loss for the last four months of the year was larger than expected.

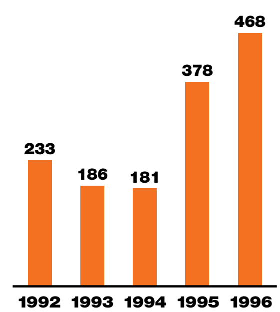
Operating profit/loss, *MFIM*



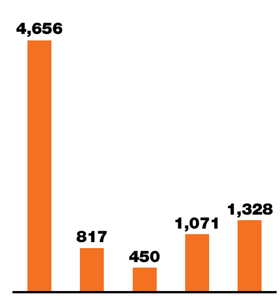
Orderbook 31 Dec., *MFIM*



Capital expenditure, *MFIM*



Interest-bearing net debt, *MFIM*



Rammer is the leading global brand in excavator attachments.

EIMCO continuous miners are at the top of their league in productivity.

Capital expenditure

Group capital expenditure amounted to FIM 468 million. The most significant investment was the acquisition of the Voest-Alpine Bergtechnik Group, but its largest investment was the acquisition of Sandvik AB's 25 % holding in Tamrock for FIM 325 million. The company also repurchased the manufacturing and distribution rights for Toro loading machines in South Africa from Bateman, a local licensed manufacturer.

The most important production investments were a new hammer housing and cutter-crusher factory in Lahti, Finland, to support the excavator attachments business; an expansion to Driltech's factory in Florida; and a new conveyor component factory in Indonesia for Roxon's Australian subsidiary Prok Group Ltd.

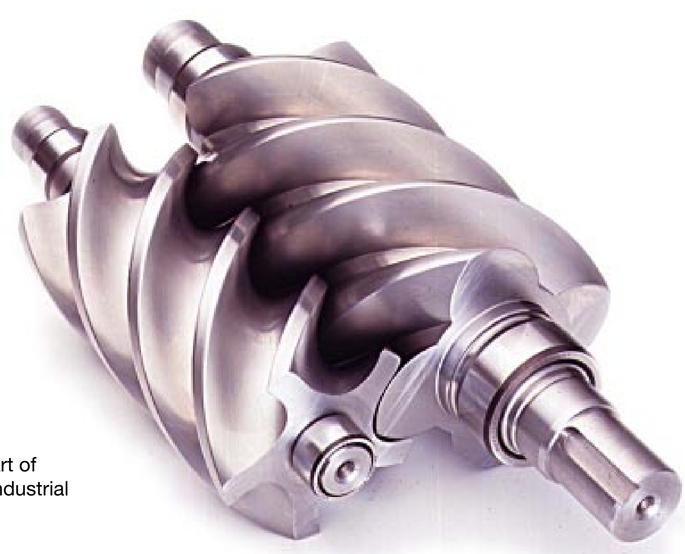
Altogether FIM 50 million will be invested in raising productivity at the Tampere drilling equipment factory during 1997 and 1998. The first phase of the investment will be completed in September 1997, and will help reduce lead times, remove production bottlenecks and increase flexibility.

Research and development

The Group's most important R&D opportunity is to deepen the collaboration with Sandvik Rock Tools and Rauma Corporation's Nordberg division.

VAB and Sandvik Rock Tools began cooperation over a year ago with certain customers to raise the productivity of mechanized rock excavation to a new level. The EU has granted research and development financing for this project.

One of the most important new products launched during the year was Driltech's electrically driven D1190E blasthole drill for open pits, and the first order for this type of rig was received from South Africa. Another introduction was the Ranger 700 track drill for surface hard rock operations, which rapidly gained in popularity. The Toro 2500, the world's largest underground loader, was further developed in cooperation with the Swedish mining company LKAB, which ordered more such units during the year. The first order in Australia for this unit was received as well. The year also saw the introduction of the new series of EIMCO continuous miners for soft mineral excavation. This series is equipped with a controlled water spray



The air end is the heart of Tamrotor's efficient industrial compressors.

In hard rock underground mining, Tamrock is the leading global supplier of equipment, services and fleet management.

Tamrock Secoma drilling and bolting equipment is designed for efficient mining in narrow underground openings.

The latest in Tamrock's loader range, the Toro 2500 is the largest of its type in the world.

system to suppress sparking and dust.

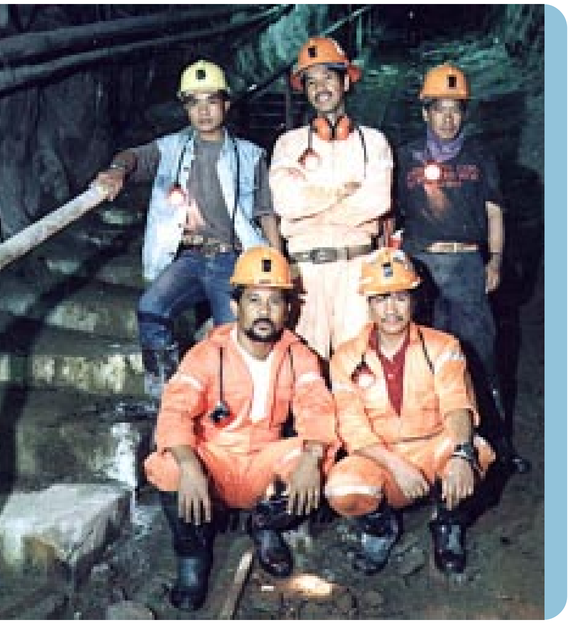
New products were developed for rock breaking and concrete demolition including a cutter-crusher series and the Rammer G80 City Pro hammer with adjustable impact energy. Tamrotor introduced its new integrated Tempest 12 industrial compressor. Closer co-operation with Nordberg in conveyor technology and in crushers and feeders will open considerable scope for new product development by Roxon.

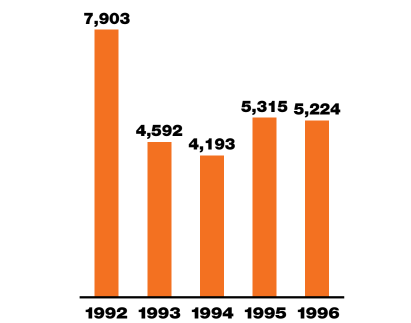
Orderbook

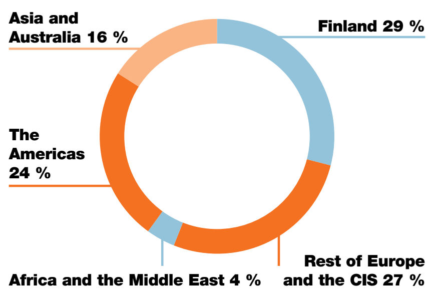
The year-end orderbook stood at FIM 1,143 million including about FIM 240 million in orders for VAB products, mainly bulk materials handling machinery. The orderbook at the end of the previous year, excluding Tampella Power, totaled FIM 877 million. The largest increase was in orders for hard rock excavation equipment.

All in all the Group's year-end orderbook was good. The order backlog for hard rock mining and construction equipment was strong, and for Roxon equipment normal. The orderbook for

Training and product support provided by Tamrock are key elements in raising customers' productivity.







coal mining equipment was only satisfactory, and VAB's share was still small. The backlog of orders for hydraulic hammers was also short. Tamrotor's orderbook has remained good.

Prospects for 1997

The situation at the start of 1997 is almost identical with the previous year. The Group's backlog of orders is high although rather unevenly distributed. Market expectations vary considerably.

Several large deals raised the hard rock mining sector's orderbook to record high level at the end of the year, which gives reason to be cautiously optimistic for the first half of 1997. Metal prices are clearly down, compared to one year ago, but a general decline is no longer forecast. Considerable variation is evident in the outlook for individual metals, however. The low gold price is a major uncertainty factor.

The construction sector looks likely to grow steadily. The EU economies are growing in strength, but economic growth in Germany would appear to remain weak. Growth should be good in the USA, and the rapid pace of development in East Asia, though slower than one year earlier, will continue.

Coal production will grow steadily at about 2 – 3 % per year and demand for equipment is stable. The outlook in South Africa and Australia is bright. Demand in the USA is forecast to remain at 1996 levels. India is embarking on an extremely large coal mining program, which aims to double the country's production capacity in five years. No firm decision has been made on this program's schedule. Another significant market is China, but the start-up times of major projects continue to be unclear.

Demand for bulk materials handling systems and conveyor components should remain at 1996 levels. The geographical center of gravity will shift increasingly to Asia and Australia, where the markets are growing steadily.

The industrial compressor market appears stable. Demand for large compressors is picking up. On the other hand, price levels have fallen and fierce competition will probably continue in 1997.

As a summary, market prospects for the Group in 1997 are cautiously hopeful, but uncertainty abounds. A great uncertainty relates to metal prices, which could have a decisive impact on mining companies' investment decisions. Disappointments in European growth prospects could postpone infrastructure projects.

Report by the Board of Directors

Changes to the Group's structure

On 20 March 1996 Tampella Corp. sold all the shares of Tampella Power Inc. to the Norwegian Kvaerner Group for approximately FIM 110 million. Tampella recorded a gain of about FIM 13 million on this disposal, but the sale had no other impact on the Group's 1996 result.

In June the Roxon subgroup's Finnish subsidiary Mecakone Oy agreed to sell its operations to Partek Concrete Engineering, part of the Partek Group. Tampella decided to divest this operation since it was not part of Tampella's core business and did not serve the Group's principal customer groups.

An extraordinary shareholders' meeting on 20 June 1996 approved the issue of a FIM 322 million convertible bond to Sandvik AB in part payment of Tampella's acquisition of Sandvik's 25 % holding in Tamrock Oy. The Tamrock shares were acquired for a total price of FIM 325 million on 25 June 1996, after which Tamrock Oy became a wholly owned Tampella subsidiary.

The acquisition of the Tamrock shares cleared the way for a decision, made in June, to merge Tampella Corp.'s subsidiaries Tamrock Oy, Detec International Oy and Bretec Oy, as well as Tamrock's subsidiary Tamrock Loaders Oy and Detec's subsidiary Rammer Oy, with Tampella. The Detec, Bretec and Rammer mergers were completed on 1 January 1997, and it is aimed to complete the merger of the Tamrock companies on 28 February 1997.

Extraordinary meetings of Tampella Corp. shareholders in December 1996 and January 1997 approved the proposal to rename the company to Tamrock Oy in Finnish and Tamrock Corp. in English. The new name will take effect when Tamrock Oy has been merged with Tampella Corp. The Tamrock name was chosen since Tamrock is globally well established in the company's core business areas.

Tampella Corp. and the Austrian Österreichische Industrieholding AG (ÖIAG) reached agreement at the end of July on the transfer of the Voest-Alpine Bergtechnik Group (VAB) to Tampella. The deal was confirmed in November after approval was received from the merger and competition authorities in the various countries, ÖIAG's Supervisory Board and the Board of Directors of Tampella Corp. Tampella acquired the share stock of the parent company Voest-Alpine Bergtechnik GesmbH for a nominal 1,000 Austrian shillings (FIM 430). At the same time, ATS 520 million (FIM 220 million) of VAB's interest-bearing liabilities and commitments became part of Tampella Group's consolidated liabilities. At the effective date the VAB Group's balance sheet total was ATS 1,481 million (FIM 630 million). No goodwill was capitalized in Tampella's balance sheet as a result of the transaction. VAB was consolidated in the annual accounts of Tampella Corp. for the period 1 September – 31 December 1996.

Market conditions

The Group's orderbook was high at the beginning of 1996, but the market outlook was becoming uncertain. Prices of several base metals had exceeded their previous record levels of 1995 and were expected to fall. In the construction sector, the EU was heading for a recession, but conditions were promising in the USA and East Asia.

Demand in the hard rock mining sector declined slightly at the beginning of the year, but rallied again for the remainder of the year even though prices of the major base metals fell, as expected, and the price of gold began to decline at the year end.

Almost all markets in the hard rock mining sector developed better than forecast. Strongest growth was evident in Australia. The only exception was East Asia, where volume failed to meet expectations.

Demand for construction equipment and excavator attachments developed on the whole as predicted, although it was not as lively as in the mining industry. Regional differences were pronounced as well.

In Western Europe the most positive market growth was evident in Finland, Norway, France and Spain. Demand was weak in Germany, nor did it come up to expectations in most of southern Europe. Economic growth was good in the USA, where the construction market was quite active.

In East Asia rapid economic growth continued to maintain a strong volume of construction. Projects in China's five-year plan made a slow start, and delays in securing foreign loans contributed to this.

Demand for drilling equipment remained fairly stable in the construction sector during the year, and the year-end orderbook was strong. Lively demand for hydraulic hammers and other excavator attachments weakened towards the end of the year. The German market was very sluggish and uncertainty entered the US market.

Demand for underground coal mining equipment was reasonably good and changed very little during the year. Positive exceptions were South Africa and Australia, where a large number of new projects started up.

Roxon was successful in its project sales in the Nordic countries, where activity in this sector continued to be high. Demand was also brisk for conveyor components in the Nordic countries, but clearly less so in Continental Europe. The boom in the Australian mining industry made itself felt also throughout the materials handling sector.

Demand for industrial compressors was stable in Tamrotor's main markets, the Nordic countries and the rest of Europe. Growth was minimal, though, and pressure on prices was hard.

Net sales and orderbook

The Tampella Group's consolidated net sales rose 1 % on the previous year to FIM 4,520 million (1995: 4,460). The 1996 figures include Tampella Power's net sales of FIM 234 million for January–March and VAB's net sales of FIM 219 million for September–December. Excluding the impact of Tampella Power, VAB and other structural changes, the increase in consolidated net sales would have been 14 %.

Consolidated net sales broke down geographically as follows: Finland 6 %, the rest of Europe and the CIS countries 28 %, Africa and the Middle East 7 %, the Americas 28 %, and Asia and Australia 31 %. Exports and international operations amounted to FIM 4,261 (3,770) million, ie. 94 % (85 %) of net sales. Exports from Finland were FIM 1,734 (1,757) million, which was 89 % (72 %) of the net sales of the Finnish units.

The Group's year-end orderbook stood at FIM 1,143 (1,675) million. Tampella Power's share of the 1995 year-end orderbook was FIM 798 million. Correspondingly, VAB's share of the 1996 year-end orderbook was FIM 274 million.

Result

The Tampella Group posted an operating profit of FIM 199 million (1995: loss FIM 115 million). The major factor contributing to this FIM 314 million improvement was Tampella Power's January–March result, which was FIM 242 million better than the result for the previous full year. Tampella Power was consolidated in the Group accounts for the period 1 January – 31 March 1996. VAB contributed a loss of FIM 11 million to the Group's operating profit. The other units improved their operating profits compared to the previous year by an aggregate FIM 83 million.

The Group's depreciation amounted to FIM 168 (203) million. The decrease was due to the Tampella Power divestment and to the fact that depreciation in 1995 included an extra FIM 19 million goodwill writedown by Roxon.

The total of financial income and expenses was FIM –57 (–73) million, the change on the previous year being caused mainly by more favorable exchange rate differences for financial items. Net interest remained more or less at the previous year's level and was FIM –52 (–53) million.

The Group showed a profit before extraordinary items, provisions and taxes of FIM 141 (–188) million. The parent company Tampella Corp. returned a profit before extraordinary items, provisions and taxes of FIM 13 (–54) million.

Extraordinary income and expenses were FIM 14 (–196) million and included a gain of FIM 13 million on the divestment of Tampella Power.

FIM 166 million of an earlier writeoff of Tamrock Oy shares was reversed in the parent company accounts. This reversal had no impact on the consolidated accounts.

The consolidated profit before provisions and taxes was FIM 155 (–383) million and the net profit for the period totaled FIM 65 (–434) million.

Capital expenditure

Group capital expenditure amounted to FIM 468 (378) million. The most important strategic investment was the VAB acquisition, although the largest item of capital expenditure was the acquisition of the Tamrock shares from Sandvik for FIM 325 million. This share acquisition added FIM 142 million to the Group's goodwill.

Other notable investments included the repurchase of the licensed manufacturing rights and distributorship for Toro products in South Africa, a new cutter-crusher and hammer body factory in Lahti, Finland, an expansion of Driltech's factory in Florida, and a new factory for Roxon components in Indonesia.

Research and development costs totaling FIM 105 (107) million were charged to the income statement.

Financing and capital adequacy

Liquidity remained good. Cash and bank deposits totaled FIM 454 (701) million at the year end.

The increase in Tamrock ownership from 75 % to 100 % reduced the computed solvency ratio by about five percentage points with the consequent removal of Sandvik's minority interest in Tamrock, which was previously treated as shareholders' equity. The solvency ratio was also weakened by the addition of the VAB Group's balance sheet to Tampella's consolidated balance sheet.

However, the Group's balance sheet structure was improved by the Tampella Power divestment and associated directed share issue. Capital adequacy was also boosted by the positive result.

The Tampella Group's shareholders' equity and voluntary provisions totaled FIM 746 (415) million at the year-end. The solvency ratio rose to 19 % (16 %).

Interest-bearing net debt was FIM 1,328 (1,071) million, which was 29 % (24 %) of consolidated net sales. The change in net debt was mainly attributable to the Tampella Power divestment, and the acquisition of the Tamrock shares and VAB Group.

Excess cash and bank deposits totaling approximately FIM 440 million were used to prepay long-term loans.

In December 1996 Solidium Oy transferred all Tampella shareholder loans and associated collateral granted by it to Tampella Corp. to Finnish Export Credit Ltd. On the transfer date the loan totaled about FIM 540 million.

Personnel

The Group had an average of 4,768 (5,284) employees during the year. The Tampella Power Group sold in March had at that time 1,025 employees and the VAB Group acquired in September had 915 employees at the end of the year. The parent company had 25 (31) employees on average. At the end of the year Group personnel totaled 5,224 (5,315) and parent company personnel 18 (30); 1,487 (2,332) employees worked in Finland and 3,737 (2,983) in other countries.

Share issues and share capital

As part of the sale of Tampella Power to the Kvaerner Group, an extraordinary shareholders' meeting on 20 March 1996 approved the issue of 35 million Tampella shares to Kvaerner for FIM 7.60 per share, ie. altogether FIM 266 million. The issue was fully subscribed and Tampella's share stock rose from about 98.3 million to about 133.3 million shares. The Kvaerner Group gained a 26.3 % holding in Tampella. In April of the same year the Kvaerner Group sold all its Tampella shares to the Sandvik Group.

Tampella Corp.'s Annual General Meeting on 15 April 1996 authorized the Board of Directors for one year from the meeting to raise the share capital by offering existing shareholders at most approximately 27 million ordinary new shares for a subscription price of FIM 7.60 and on other terms to be decided by the Board. Holders would be entitled to subscribe for one new share in exchange for five existing shares. The Board of Directors has not taken any decision to exercise this authorization.

An extraordinary shareholders' meeting on 20 June 1996 approved an amendment to Article 3, Clause 1 of the articles of association making the minimum share capital FIM 500 million and the maximum share capital FIM 2,000 million. The same meeting approved the FIM 322 million convertible bond issue to Sandvik AB in part payment for Tampella's acquisition of Sandvik's 25 % holding in Tamrock Oy. This subscription took place on 25 June 1996. The convertible bonds issued to Sandvik AB bear annual interest of 0.25 % and have a maturity of three years. During this time they may be converted into shares for FIM 11.50 per share. Shares received through conversion of bonds entitle the holder to a dividend for the financial year during which the conversion took place. On conversion of all the bonds, Sandvik would subscribe for 28 million Tampella Corp. shares with a nominal value of FIM 5.00 per share. This would increase Sandvik's ownership to 58 %.

Court actions and tax disputes

The claim for compensation brought by the Catelli family against Tampella's former board members in the Tampere district court in October 1992 was decided in the board's favor. The Turku county court upheld this decision and the Supreme Court did not grant leave to appeal the Turku court's decision. The Catellis had claimed compensation for damages from the members of

Tampella Corp.'s Board of Directors between 1988 and 1990 for alleged bad management of the company.

In October 1992 Messrs Dino, Mario and Fabio Catelli sued Tampella Corp. in a Swiss court of arbitration for compensation of approximately USD 20 million. This litigation was in connection with the sale by the Catellis to Tampella of their Italian packaging companies and the Tampella shares received in payment for them. The court of arbitration rejected all the claims made by the Catellis and ordered them to pay the court's costs.

In January 1997 a lower court in the USA ruled that Driltech Inc., a Tampella company, is liable to pay 10.2 million US dollars as compensation for patent infringements. Driltech intends to appeal the decision. The company management considers that the provisions made in the 1996 accounts are sufficient. It has not been considered necessary to make provisions to cover possible punitive damages and court costs.

The province of Uusimaa's district court rejected a demand made by the Häme county tax office concerning the treatment of sales tax following the incorporation of Tampella's business groups on 1 January 1991. The county tax office had ordered Tampella to pay tax in arrears totaling approximately FIM 36 million, including penalty costs. The district court's decision is final.

The Häme county tax office upheld Tampella Corp.'s right to use confirmed but so far non-deducted losses for the years 1991-1995 as deductions against taxable income in future years, despite the ownership changes which took place in 1996.

Board of Directors' proposal

Since distributable funds are negative no dividend can be paid.

Prospects

The situation at the beginning of 1997 was characterized by two features: the Group's orderbook was good, although rather unevenly distributed, but the market outlook is variable.

On the whole, global economic growth is expected to be positive, but the German economy is still weak.

Base metal prices are altogether slightly lower than one year ago. On average the trend is flat. The gold price has dropped noticeably in recent months and is now below 350 US dollars/oz.

In the hard rock mining sector, the most important one for Tamrock, activity is still brisk in Africa, Australia and Latin America, but the outlook in Canada and Europe has already begun to deteriorate.

In construction, prospects for excavation machinery appear promising, but large regional differences are expected.

Demand for coal mining machinery in general is not expected to grow, but Australia is showing good activity. The VAB orderbook was low at the beginning of the year.

Sales of Roxon's conveyor components and bulk materials handling systems will increase. Most of this is coming from the integration of VAB's bulk materials handling operation in Roxon.

All in all, the Group's sales volume is expected to be only slightly higher than in 1996, but the inclusion of VAB for the whole year will raise net sales. The 1997 result before extraordinary items, provisions and taxes is expected to stay at least on the 1996 level, but the net result is estimated to show an improvement on the previous year due to lower direct taxes and minority interest.

The first months of the year are clearly weaker than during the same period in 1996 due to VAB's low orderbook and integration costs. The largest uncertain factor on the horizon, apart from overall economic trends, is the possible levy of punitive damages against Driltech in the patent infringement dispute.

Consolidated Income Statement 1 January–31 December 1996

MFIM	*Ref.*		***1996***		*1995*
NET SALES	1, 2		**4,519.8**		4,459.9
Change in inventories of finished goods			**1.1**		78.4
Manufacture for own use			**4.9**		18.2
Share of associated companies' profit			**4.7**		4.6
Other income from business operations			**18.4**		43.8
Expenses					
Materials and supplies		**2,103.2**		2,338.2	
Change in inventories of materials and supplies		**–32.0**		–176.1	
External services		**474.4**		627.3	
Personnel costs	3	**1,101.4**		1,145.5	
Rents and leases		**65.4**		75.7	
Other expenses on business operations	3	**469.6**	**–4,182.0**	506.7	–4,517.3
Planned depreciation	4				
Depreciation on fixed assets and other long-term expenses		**137.4**		160.0	
Depreciation on goodwill		**30.9**	**–168.3**	42.8	–202.8
OPERATING PROFIT / LOSS			**198.6**		–115.2
Financial income and expenses					
Dividend income		**0.5**		0.5	
Interest income on long-term investments		**0.7**		0.9	
Interest income on short-term investments		**70.3**		77.3	
Other financial income		**4.1**		2.6	
Exchange rate differences		**6.1**		–6.4	
Interest expenses		**–123.3**		–131.0	
Other financial expenses		**–15.6**	**–57.2**	–16.5	–72.6
PROFIT / LOSS BEFORE EXTRAORDINARY ITEMS, PROVISIONS AND TAXES			**141.4**		–187.8
Extraordinary income and expenses					
Extraordinary income	7	**14.1**		26.8	
Extraordinary expenses	8	**–0.1**	**14.0**	–222.4	–195.6
PROFIT / LOSS BEFORE PROVISIONS AND TAXES			**155.4**		–383.4
Change in depreciation difference	10,11,13,16,17,18		**–1.1**		–2.4
Change in voluntary provisions	9		**0.4**		4.7
Direct taxes			**–72.3**		–24.2
PROFIT / LOSS BEFORE MINORITY INTEREST			**82.4**		–405.3
Minority interest			**–17.6**		–29.1
NET PROFIT / LOSS FOR THE YEAR			**64.8**		–434.4

Source and Application of Funds 1996
Tampella Group

MFIM	***1996***	*1995*
SOURCE OF FUNDS		
Income financing		
Profit/loss for the year	**+64.8**	–434.4
Depreciation	**+168.3**	+202.8
Change in provisions	**+0.7**	–2.3
Income financing, total	**233.8**	–233.9
Corrective items [1]	**–60.7**	+173.5
From long-term securities	**–**	32.0
Sales of fixed assets	**120.2**	15.7
From increase in long-term debt	**461.8**	396.2
Share issue	**266.0**	126.0
	1,021.1	509.5
APPLICATION OF FUNDS		
On long-term securities	**37.9**	–
On investments	**467.8**	377.8
On other long-term investments	**35.5**	–
On reducing long-term debt	**601.7**	219.7
Dividend distribution	**–**	0.8
	1,142.9	598.3
Change in net working capital	**–121.8**	–88.8
ANALYSIS OF CHANGE IN NET WORKING CAPITAL (assets, increase +/decrease –) (liabilities, increase –/decrease +)		
Cash and bank deposits	**–81.6**	–266.6
Current assets	**+31.9**	+126.6
Inventories	**–196.6**	–74.7
Current liabilities	**+124.5**	+125.9
	–121.8	–88.8

[1] Includes mainly exchange rate differences.

Consolidated Balance Sheet 31 December 1996

MFIM	*Ref.*		***1996***		*1995*
ASSETS					
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS					
Intangible assets					
Establishing and acquisition costs	10	**0.1**		0.2	
Intangible rights	10	**10.1**		9.8	
Goodwill	11	**42.5**		62.0	
Group goodwill	12	**207.7**		89.2	
Other long-term expenditure	13	**9.8**		14.4	
Advance payments	14	**2.6**	**272.8**	1.3	176.9
Tangible assets					
Land and water areas	15	**44.5**		45.9	
Buildings and structures	16	**185.1**		183.0	
Machinery and equipment	17	**417.3**		387.9	
Other tangible assets	18	**6.2**		16.9	
Advance payments and projects in progress	19	**8.9**	**662.0**	16.2	649.9
Securities in fixed assets and other long-term investments					
Shares in associates		**42.3**		36.3	
Other shares and holdings		**5.1**		9.3	
Loans receivable		**32.7**		–	
Other long-term investments		**25.6**	**105.7**	–	45.6
Fixed assets and other long-term investments, total			**1,040.5**		872.4
CURRENT ASSETS					
Inventories					
Materials and supplies		**359.5**		255.1	
Work in progress		**269.7**		240.3	
Finished goods		**623.8**		573.6	
Advance payments		**6.1**	**1,259.1**	4.0	1,073.0
Receivables					
Accounts receivable	22	**831.8**		767.4	
Loans receivable	22, 24	**222.4**		215.1	
Prepaid and deferred expenses	25	**138.8**		351.0	
Other receivables	22	**60.8**	**1,253.8**	21.3	1,354.8
Securities					
Shares		**0.3**		0.3	
Other securities		**1.0**	**1.3**	135.7	136.0
Cash and bank deposits			**452.7**		565.0
			4,007.4		4,001.2

MFIM	Ref.		1996		1995
SHAREHOLDERS' EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY	26				
Restricted equity					
Share capital		666.3		491.3	
Non-disposable funds		93.3	759.6	507.1	998.4
Non-restricted equity					
Disposable funds		–94.1		–177.6	
Net profit / loss for the year		64.8	–29.3	–434.4	–612.0
			730.3		386.4
MINORITY INTEREST			6.2		194.6
PROVISIONS	27				
Accumulated depreciation difference			14.7		23.3
Voluntary provisions					
Transfer provisions		0.3		3.8	
Other provisions		0.4	0.7	1.2	5.0
Obligatory provisions			346.4		356.3
LIABILITIES					
Long-term					
Convertible bonds	28	472.0		150.0	
Loans from financial institutions	30	912.7		1,103.7	
Pension loans	30	95.6		100.3	
Advances received		2.0		0.2	
Trade accounts payable		–		3.0	
Other long-term debt	29, 30	104.9	1,587.2	340.7	1,697.9
Current					
Loans from financial institutions		311.7		208.3	
Pension loans		4.8		5.0	
Advances received	32	80.1		189.3	
Trade accounts payable		331.7		400.7	
Notes payable		7.8		27.1	
Accrued liabilities		507.2		467.8	
Other current liabilities		78.6	1,321.9	39.5	1,337.7
			4,007.4		4,001.2

Parent Company Income Statement 1 January–31 December 1996

MFIM	Ref.		*1996*		*1995*
NET SALES	1		**36.1**		32.0
Other income from business operations			**12.0**		5.6
Expenses					
External services		**25.9**		12.2	
Personnel costs	3	**10.9**		11.6	
Rents and leases		**3.4**		4.4	
Other expenses on business operations	3	**21.5**	**–61.7**	59.8	–88.0
Planned depreciation	4		**–1.4**		–1.8
OPERATING LOSS			**–15.0**		–52.2
Financial income and expenses					
Dividend income	5	**1.2**		1.6	
Interest income on short-term investments	5	**74.9**		109.8	
Other financial income		**4.2**		2.1	
Exchange rate differences		**18.8**		–28.2	
Interest expenses	6	**–65.0**		–81.1	
Other financial expenses		**–5.7**	**28.4**	–5.8	–1.6
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS, PROVISIONS AND TAXES			**13.4**		–53.8
Extraordinary income and expenses					
Extraordinary income	7	**194.6**		–	
Extraordinary expenses	8	**–**	**194.6**	–450.0	–450.0
PROFIT/LOSS BEFORE PROVISIONS AND TAXES			**208.0**		–503.8
Direct taxes			**–0.2**		–0.6
NET PROFIT/LOSS FOR THE YEAR			**207.8**		–504.4

Source and Application of Funds 1996
Parent Company

MFIM	1996	1995
SOURCE OF FUNDS		
Income financing		
Profit/loss for the year	+207.8	–504.4
Depreciation	+1.4	+1.8
Corrective items [1]	–177.2	+449.2
Income financing, total	+32.0	–53.4
From long-term securities	7.3	210.2
Sales of fixed assets	110.9	2.8
From increase in long-term debt	435.5	4.4
Share issue	266.0	126.0
	851.7	290.0
APPLICATION OF FUNDS		
On investments	352.9	640.6
On other long-term investments	31.9	–
On reducing long-term debt	260.3	64.5
	645.1	705.1
Change in net working capital	+206.6	–415.1

ANALYSIS OF CHANGE IN NET WORKING CAPITAL (assets, increase +/decrease –) (liabilities, increase –/decrease +)		
Cash and bank deposits	–139.8	–269.7
Current assets	+16.6	+21.3
Current liabilities	+329.8	–166.7
	+206.6	–415.1

[1] Includes write–downs of subsidiary share values, reversal of writedown, and profits/losses arising from sales of fixed assets.

Parent Company Balance Sheet 31 December 1996

MFIM	*Ref.*		***1996***		*1995*
ASSETS					
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS					
Intangible assets					
Intangible rights	10	**0.3**		0.5	
Other long-term expenditure	13	**0.3**	**0.6**	0.4	0.9
Tangible assets					
Land and water areas	15, 20	**3.8**		3.8	
Buildings and structures	16,20,21	**6.2**		6.2	
Machinery and equipment	17, 21	**1.7**	**11.7**	2.3	12.3
Securities in fixed assets and other long-term investments					
Shares in subsidiaries	20	**1,255.7**		837.7	
Shares in associates	20	**17.5**		17.5	
Other shares and holdings	20	**3.7**		3.1	
Loans receivable		**31.9**	**1,308.8**	–	858.3
Fixed assets and other long-term investments, total			**1,321.1**		871.5
CURRENT ASSETS					
Receivables					
Accounts receivable	23	**4.0**		6.1	
Loans receivable	22, 23	**678.9**		557.9	
Prepaid and deferred expenses	23	**101.2**		82.9	
Other receivables		**6.4**	**790.5**	5.9	652.8
Securities					
Other securities			**1.0**		129.3
Cash and bank deposits			**281.1**		421.0
			2,393.7		2,074.6

MFIM	*Ref.*		***1996***		*1995*
SHAREHOLDERS' EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY	26				
Restricted equity					
Share capital		**666.3**		491.3	
General reserve		**93.3**	**759.6**	506.7	998.0
Non-restricted equity					
Net profit/loss for the year		**207.8**	**207.8**	–504.4	–504.4
			967.4		493.6
PROVISIONS	27				
Obligatory provisions			**134.6**		150.9
LIABILITIES					
Long-term					
Convertible bonds	28	**472.0**		150.0	
Loans from financial institutions	30	**634.5**		799.8	
Pension loans	30	**73.0**		59.6	
Other long-term debt	29, 31	**2.1**	**1,181.6**	0.8	1,010.2
Current					
Loans from financial institutions		**47.1**		41.0	
Pension loans		**–**		0.1	
Advances received	31	**7.1**		6.6	
Trade accounts payable	31	**7.1**		9.0	
Accrued liabilities	31	**24.2**		41.3	
Other current liabilities	31	**24.6**	**110.1**	321.9	419.9
			2,393.7		2,074.6

Accounting Principles

The Tampella Group's financial statements have been prepared in accordance with Finnish legislation and the guidelines issued by the Helsinki Stock Exchange on the preparation of financial statements by listed companies. The figures in the statements are in Finnish markka based on original acquisition costs.

Consolidation

The consolidated accounts comprise companies in which Tampella Corp. holds, directly or indirectly, more than 50 % of the share stock at the end of the financial period, and over which Tampella Corp. has the right of control. Companies acquired during the accounting period are consolidated from the effective date of acquisition. Terminated or divested companies are consolidated until the date of termination or divestment. The consolidated financial statements do not include certain real estate and housing companies as well as small subsidiaries which have only a minor effect on the Group's result and shareholders' equity.

The consolidated accounts have been prepared using the purchase method. The difference between the acquisition cost of shares in subsidiaries and the shareholders' equity in these subsidiaries at the time of acquisition has been allocated in part to corresponding fixed asset items and the remainder to goodwill in the balance sheet. Intragroup transactions, dividends, receivables, payables and the unrealized margins on intragroup deliveries have been eliminated.

Associated companies are consolidated using the equity method. Associated companies are those in which the parent company, directly or indirectly, holds 0–50 % of the votes carried by the shares and a direct or indirect holding of at least 20 % of the shares. The consolidated income statement includes the Tampella Group's share of associated companies' profits or losses. Dividends received from associated companies are not consolidated. The share of the associated company's shareholders' equity at the time of acquisition and corresponding to the Group's holding, adjusted for changes to shareholders' equity subsequent to the acquisition of the shares, is recorded under shares in the balance sheet.

A list of the subsidiaries appears at the end of the Notes to the Financial Statements.

Foreign currency items and derivative contracts

Transactions denominated in foreign currency are entered in the accounts at the rates prevailing on the transaction date. Accounts receivable and payable in foreign currency have been translated into Finnish markka at the Bank of Finland's average rate on the balance sheet date with the exception of accounts receivable and payable hedged by forward contracts, which are translated into Finnish markka at their contract rates. Exchange rate differences arising from sales and purchases have been treated as additions or subtractions respectively in the income statement. Realized and unrealized exchange rate differences related to loans and loan receivables have been taken to other financial income and expenses in the income statement.

Forward contracts made to cover foreign exchange risks are translated at the Bank of Finland's average rate on the balance sheet date. Premiums of purchased currency options are entered under advance payments in the balance sheet and premiums of sold currency options under advances received. The outcome of matured currency options, including premiums, are included in the exchange rates. Open currency option agreements are valued in the annual accounts at their market value.

All financial statements of foreign subsidiaries are translated into Finnish markka at the Bank of Finland's average rate on the balance sheet date. Translation differences arising from the elimination of share ownership are entered at their net value under non-restricted shareholders' equity in the balance sheet.

Long-term foreign currency loans are used to hedge the shareholders' equity of subsidiaries denominated in foreign currency. The exchange rate gains and losses from these loans are charged against the translation difference arising from the translation of subsidiary shareholders' equity in the consolidated financial statements.

Net sales

When computing net sales indirect taxes, discounts and exchange rate differences from receivables are deducted from revenue from goods sold.

Sales revenues are recorded as income at their hand-over date. However, revenues from projects supplied by the Prok Group Ltd are recorded according to their degree (%) of completion since these projects require significantly long manufacturing periods.

Fixed assets and depreciation

Fixed assets have been capitalized principally at direct acquisition cost less planned (straight-line) depreciation.

Planned depreciation has been calculated from the original acquisition cost based on the estimated economic life of the asset as follows:

Buildings	20–40 years
Heavy machinery	15–20 years
Light machinery and equipment	4–15 years
Other long-term expenses	3–10 years
Goodwill	5–10 years

This practice also applies to assets held by foreign subsidiaries.

Other long-term expenses

Development expenditure related to major product development projects has been entered as costs. No R&D costs have been capitalized in the balance sheet.

Inventories

In the Finnish and foreign subsidiaries of Tamrock, Detec, Voest-Alpine Bergtechnik and Roxon's component business group, the balance sheet value of inventories is the direct and indirect acquisition and manufacturing cost, or the market value if this is lower.

In the Roxon companies manufacturing bulk materials handling systems, the balance sheet value of inventories is the lower of direct acquisition and manufacturing cost or market value.

Obligatory provisions

Obligatory provisions are cost items which the Group companies are committed to covering and from which corresponding income will not accrue. Also, future losses which are expected to be realized are booked as a reduction in income under obligatory provisions.

Voluntary provisions

Finnish legislation permitted a reduction in taxable income by making various provisions in the annual accounts. According to new legislation introduced in Finland at the beginning of 1993, companies are not permitted to make new untaxed provisions, and existing provisions must be reversed or used to cover the acquisition cost of fixed assets by the end of 1997. These accumulated untaxed reserves are shown separately in the balance sheet, undivided into shareholders' equity and deferred tax liability.

Pension commitments

Statutory employee pension benefits (TEL) for employees in the parent company, Tamrock Oy, Roxon Oy and Bretec Oy are arranged through the Company's own pension fund. The TEL benefits for employees in the other Finnish companies are arranged through Mutual Insurance Company Eläke-Varma. Voluntary pension benefits applying to Business Group employees are covered by Personal Insurance Company Nova. The supplementary voluntary pension benefits of employees who retired before 1 January 1991 (Business Groups) and before 1 July 1991 (parent company) are the responsibility of the Company's pension fund.

The statutory pension commitments of the Parent Company are covered in full, with the exception of an obligatory TEL deficit; this deficit is due to a change in the Finnish Employees' Pension Act which temporarily reduced employers' insurance contributions in 1994. Commitments to discretionary benefits are partly covered. Discretionary benefits are available only to those salaried employees in the Parent Company who joined the Company before 1 January 1984 and whose employment with the Company continues uninterrupted until they retire. Discretionary pension benefits do not include so-called premium-free policy benefits. The unsecured liabilities related to discretionary benefits, the obligatory TEL deficit and the Company's liability arising from its pension commitments are shown in the Notes to the Balance Sheets; they are not shown as a separate item under long-term liabilities or in valuation items.

Voluntary pension benefits will gradually decrease as the number of individuals entitled to receive a pension falls.

Consolidated Financial Statements in Accordance with International Accounting Standards (IAS)

IAS is a set of instructions prepared and published by the International Accounting Standards Committee (IAS). Its purpose is to standardize international accounting principles to allow comparison between financial accounts prepared in different countries.

No financial statements were prepared in accordance with International Accounting Standards (IAS) for the Tampella Group since the accounting principles defined in the new Finnish Accounting Act correspond in all essential respects with IAS practice. The major differences in Tampella's consolidated financial statements apply to differences in the treatment of uncovered pension liabilities and voluntary provisions.

The table below presents the differences applying to the result for the year and shareholders' equity computed according to both official Finnish (FAS) and IAS accounting principles.

Comparison between Finnish (FAS) and IAS accounting

	1996	1995
Net profit/loss for the year, FAS	**64.8**	–434.4
Change in depreciation difference	**1.1**	2.4
Change in voluntary provisions	**–0.4**	–4.7
Change in pension and related contingent liabilities	**30.4**	6.2
Net result for the year, IAS	**95.9**	–430.5
Shareholders' equity, FAS	**730.3**	386.4
Uncovered pension liabilities	**–78.3**	–108.6
Voluntary provisions	**15.4**	28.3
Shareholders' equity, IAS	**677.4**	306.1

Notes to the Financial Statements

Notes to the income statements

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
1. NET SALES BY BUSINESS GROUP				
Tamrock Group	**3,690.8**	2,965.5	**–**	–
Tampella Power Group	**233.8**	1,043.4	**–**	–
Roxon Group	**564.2**	444.0	**–**	–
Tampella Corp./Other	**31.0**	7.0	**36.1**	32.0
Total	**4,519.8**	4,459.9	**36.1**	32.0

Tamrock Group includes net sales of Tamrock and Detec groups, and VAB for the period 1 Sept .- 31 Dec. 1996.

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
2. RECORDING OF REVENUE (TAMPELLA POWER GROUP)				
Revenue recorded under the percentage-of-completion method accounted for	**–**	749.6	**–**	–
of net sales				
The orderbook was MFIM 1.674,5 (1995)	**–**			
of which	**–**	561.3	**–**	–
will be recorded as revenue according to the percentage-of-completion method				

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
3. PERSONNEL COSTS AND FRINGE BENEFITS				
Wages and salaries	**830.0**	893.0	**7.8**	10.5
Fringe benefits	**4.2**	2.8	**0.3**	0.3
Pension costs	**80.9**	91.0	**–**	–
Other personnel costs	**190.5**	161.5	**3.1**	1.1
Total	**1,105.6**	1,148.3	**11.2**	11.9

Due to a reduction in statutory pension payments and income from pension fund investments, Tampella Corp. was not required to pay TEL contributions in 1995 and 1996.

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
Salaries to Board of Directors and Presidents (incl. fees)	**23.0**	25.6	**2.9**	2.8
Share of profits in above	**1.1**	0.4	**–**	–

Part of this figure is included under "Other Expenses on Business Operations". The Parent Company has no pension commitments with respect to the Directors of the Board. The President of the Parent Company is entitled to retire at the age of 62.

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
4. PLANNED DEPRECIATION				
Intangible rights	**3.2**	8.6	**0.2**	0.2
Goodwill	**30.9**	42.8	**–**	–
Other long-term expenses	**3.2**	5.0	**0.1**	0.1
Buildings and structures	**11.4**	15.0	**0.2**	0.2
Machinery and equipment	**117.4**	126.6	**0.9**	1.3
Other tangible assets	**2.2**	4.8	**–**	–
Total	**168.3**	202.8	**1.4**	1.8

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
5. OTHER FINANCIAL INCOME				
From subsidiaries				
Interest income from short-term investments	**–**	–	**15.8**	45.5
From associated companies				
Dividend income	**–**	–	**1.2**	1.6

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
6. FINANCIAL COSTS PAID				
To subsidiaries				
Interest expenses	**–**	–	**3.9**	4.9

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
7. EXTRAORDINARY INCOME				
Group contribution	**–**	–	**28.4**	–
Reversal of writedown of Tamrock Oy shares	**–**	–	**165.5**	–
Minority shareholder's share of Power group's restructuring costs	**–**	26.8	**–**	–
Profit on fixed assets disposal	**12.9**	–	**–**	
Other	**1.2**	–	**0.7**	–
Total	**14.1**	26.8	**194.6**	–

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
8. EXTRAORDINARY EXPENSES				
Writedowns of shares	**–**	–	**–**	450.0
Tampella Power Group's restructuring costs	**–**	213.9	**–**	–
Other	**–**	8.5	**–**	–
Total	**–**	222.4	**–**	450.0

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
9. CHANGE IN VOLUNTARY PROVISIONS				
Change in investment provisions	**–**	0.1	**–**	–
Change in other voluntary provisions	**–0.4**	–4.7	**–**	–
Total	**–0.4**	–4.6	**–**	–

Notes to the balance sheet

FIXED ASSETS

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
10. ESTABLISHMENT AND REORGANIZATION COSTS, RESEARCH AND DEVELOPMENT COSTS, AND INTANGIBLE RIGHTS				
Acquisition cost, 1 Jan.	**28.5**	105.5	**2.2**	2.2
Share of companies acquired during year, 1 Jan.	**–**	3.3	**–**	–
Share of companies sold during year	**–17.0**	–	**–**	–
Increases during year	**6.1**	5.5	**–**	–
Decreases during year	**–**	–83.1	**–**	–
Acquisition cost, 31 Dec.	**17.6**	31.2	**2.2**	2.2
Accumulated planned depreciation	**–7.4**	–21.2	**–1.9**	–1.7
Book value, 31 Dec.	**10.2**	10.0	**0.3**	0.5
Difference between total and planned depreciation, 1 Jan.	**0.1**	0.1	**–**	–
Share of companies acquired during year, 1 Jan.	**–**	–	**–**	–
Share of companies sold during year	**–**	–	**–**	–
Increase in depreciation difference	**–**	–	**–**	–
Difference between total and planned depreciation, 31 Dec.	**0.1**	0.1	**–**	–

11. GOODWILL

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
Acquisition cost, 1 Jan.	**92.3**	20.7	**–**	–
Share of companies acquired during year, 1 Jan.	**–**	20.9	**–**	–
Share of companies sold during year	**–7.4**	–		
Increases during year	**–**	51.1	**–**	–
Decreases during year	**–7.9**	–	**–**	–
Acquisition cost, 31 Dec.	**77.0**	92.7	**–**	–
Accumulated planned depreciation	**–34.5**	–30.7	**–**	–
Book value, 31 Dec.	**42.5**	62.0	**–**	–
Difference between total and planned depreciation, 1 Jan.	**0.5**	–	**–**	–
Share of companies acquired during year, 1 Jan.	**–**	0.3	**–**	–
Increase in depreciation difference	**–**	0.2	**–**	–
Decrease in depreciation difference	**–0.5**	–	**–**	–
Difference between total and planned depreciation, 31 Dec.	**0.0**	0.5	**–**	–

12. GROUP GOODWILL

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
Acquisition cost, 1 Jan.	**132.6**	26.9	**–**	–
Share of companies acquired during year, 1 Jan.	**–**	105.8	**–**	–
Share of companies sold during year	**–4.1**	–	**–**	–
Increases during year	**141.9**	–	**–**	–
Decreases during year	**–0.4**	–	**–**	–
Acquisition cost, 31 Dec.	**270.0**	132.7	**–**	–
Accumulated planned depreciation	**–62.3**	–43.5	**–**	–
Book value, 31 Dec.	**207.7**	89.2	**–**	–

13. OTHER LONG-TERM EXPENDITURE

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
Acquisition cost, 1 Jan.	**27.9**	17.8	**0.6**	0.3
Share of companies acquired during year, 1 Jan.	**–**	1.2	**–**	–
Share of companies sold during year	**–17.0**	–	**–**	–
Increases during year	**5.6**	9.7	**0.1**	0.3
Decreases during year	**–0.5**	–	**–**	–
Acquisition cost, 31 Dec.	**16.0**	28.7	**0.7**	0.6
Accumulated planned depreciation	**–6.2**	–14.3	**–0.4**	–0.2
Book value, 31 Dec.	**9.8**	14.4	**0.3**	0.4
Difference between total and planned depreciation, 1 Jan.	**–**	–	**–**	–
Increase in depreciation difference	**–**	–	**–**	–
Decrease in depreciation difference	**–**	–	**–**	–
Difference between total and planned depreciation, 31 Dec.	**–**	–	**–**	–

14. ADVANCE PAYMENTS

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
Acquisition cost, 1 Jan.	**1.4**	1.1	**–**	–
Increases during year	**1.2**	0.4	**–**	–
Decreases during year	**–**	–0.2	**–**	–
Book value, 31 Dec.	**2.6**	1.3	**–**	–

15. LAND AREAS

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
Acquisition cost, 1 Jan.	**47.0**	35.6	**3.8**	3.9
Share of companies acquired during year, 1 Jan.	**2.2**	9.8	**–**	–
Share of companies sold during year	**–4.2**	–	**–**	–
Increases during year	**0.2**	2.2	**–**	0.1
Decreases during year	**–0.7**	–1.7	**–**	–0.2
Book value, 31 Dec.	**44.5**	45.9	**3.8**	3.8

16. BUILDINGS AND STRUCTURES

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
Acquisition cost, 1 Jan.	**285.3**	235.2	**11.9**	11.9
Share of companies acquired during year, 1 Jan.	**107.1**	83.2	**–**	–
Share of companies sold during year	**–39.6**	–	**–**	–
Increases during year	**17.1**	9.8	**0.2**	–
Decreases during year	**–6.8**	–44.5	**–**	–
Acquisition cost, 31 Dec.	**363.1**	283.7	**12.1**	11.9
Accumulated planned depreciation	**–178.0**	–100.7	**–5.9**	–5.7
Book value, 31 Dec.	**185.1**	183.0	**6.2**	6.2
Difference between total and planned depreciation, 1 Jan.	**18.4**	17.4	**–**	–
Share of companies acquired during year, 1 Jan.	**–**	3.1	**–**	–
Share of companies sold during year	**–15.4**	–	**–**	–
Increase in depreciation difference	**0.1**	0.2	**–**	–
Decrease in depreciation difference	**–**	–2.3	**–**	–
Difference between total and planned depreciation, 31 Dec.	**3.1**	18.4	**–**	–

17. MACHINERY AND EQUIPMENT

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
Acquisition cost, 1 Jan.	**889.6**	687.7	**9.0**	8.8
Share of companies acquired during year, 1 Jan.	**226.2**	169.3	**–**	–
Share of companies sold during year	**–172.7**	–	**–**	–
Increases during year	**191.3**	205.5	**0.4**	0.9
Decreases during year	**–116.4**	–179.2	**–0.2**	–0.8
Acquisition cost, 31 Dec.	**1,018.0**	883.3	**9.2**	8.9
Accumulated planned depreciation	**–600.7**	–495.4	**–7.5**	–6.6
Book value, 31 Dec.	**417.3**	387.9	**1.7**	2.3
Difference between total and planned depreciation, 1 Jan.	**29.8**	18.9	**–**	–
Share of companies acquired during year, 1 Jan.	**–**	6.8	**–**	–
Share of companies sold during year	**–9.4**	–	**–**	–
Increase in depreciation difference	**3.4**	14.5	**–**	–
Decrease in depreciation difference	**–2.0**	–10.2	**–**	–
Difference between total and planned depreciation, 31 Dec.	**21.8**	30.0	**–**	–
Share of production machinery and equipment in book value, 31 Dec.	**177.5**	217.8	**–**	–

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
18. OTHER TANGIBLE ASSETS				
Acquisition cost, 1 Jan.	11.9	13.6	–	–
Share of companies acquired during year, 1 Jan.	–	15.2	–	–
Share of companies sold during year	–1.4	–	–	–
Increases during year	2.9	12.3	–	–
Decreases during year	–0.3	–19.4	–	–
Acquisition cost, 31 Dec.	13.1	21.7	–	–
Accumulated planned depreciation	–6.9	–4.8	–	–
Book value, 31 Dec.	6.2	16.9	–	–
Difference between total and planned depreciation, 1 Jan.	–	–	–	–
Share of companies acquired during year, 1 Jan.	–	0.2	–	–
Share of companies sold during year	–	–	–	–
Increase in depreciation difference	0.1	–	–	–
Decrease in depreciation difference	–	–0.2	–	–
Difference between total and planned depreciation, 31 Dec.	0.1	0.0	–	–
19. ADVANCE PAYMENTS AND PROJECTS IN PROGRESS				
Acquisition cost, 1 Jan.	16.8	7.7	–	–
Share of companies acquired during year, 1 Jan.	4.9	3.2	–	–
Increases during year	16.4	24.8	–	–
Decreases during year	–29.2	–19.5	–	–
Book value, 31 Dec.	8.9	16.2	–	–

Due to exchange rate differences and transfers between fixed assets groups, acquisition costs and accumulated depreciation differences on 31 Dec.1995 and 1 Jan. 1996 differ.

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
20. TAXATION VALUES IN MOST RECENT TAX RETURN				
– Land and water areas			7.2	7.2
– Buildings and structures			24.0	24.3
– Shares and holdings			575.5	408.3
21. FIRE INSURANCE VALUE OF FIXED ASSETS			68.6	65.9
22. CURRENT ASSETS				
Current assets include receivables due for payment after one year or longer				
Advance payments on inventories	0.2	–	–	–
Accounts receivable	8.3	24.7	–	–
Loans receivable	156.3	210.0	583.2	261.9
Other receivables	3,0	3.4	–	–
Total	167.8	238.1	583.2	261.9
23. RECEIVABLES FROM GROUP COMPANIES				
Accounts receivable	–	–	0.2	2.2
Loans receivable	–	–	470.6	351.4
Prepaid and deferred expenses	–	–	14.9	9.8
Total	–	–	485.7	363.4

MFIM	GROUP 1996	GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
24. LOANS RECEIVABLE				
Monetary loans to management of Group companies	0.5	0.4	–	–
25. NETTED ITEMS IN PREPAID AND DEFERRED EXPENSES RELATED TO INCOME RECEIVED ON LONG-TERM PROJECTS (TAMPELLA POWER GROUP)				
Accumulated total project receivables	–	655.5	–	–
Accumulated advances received, net	–	–486.5	–	–
Project receivables, net 31 Dec.	–	169.0	–	–
26. SHAREHOLDERS' EQUITY				
Share capital, 1 Jan.	491.3	456.3	491.3	456.3
Directed issue	175.0	35.0	175.0	35.0
Share capital. 31 Dec.	666.3	491.3	666.3	491.3
General reserve. 1 Jan.	506.7	686.9	506.7	686.9
Emission premium	91.0	91.0	91.0	91.0
Covering of losses from previous periods	–504.4	–271.2	–504.4	–271.2
General reserve. 31 Dec.	93.3	506.7	93.3	506.7
Other non-disposable funds, 1 Jan.	0.4	0.4	–	–
Structural changes	–0.4	–	–	–
Other non-disposable funds, 31 Dec.	0.0	0.4	–	–
Non-disposable funds, 31 Dec.	93.3	507.1	93.3	506.7
Total restricted equity, 31 Dec.	759.6	998.4	759.6	998.0
Non-restricted equity, 1 Jan.	–612.0	–438.2	–504.4	–271.2
Dividend payment	–	–0.8	–	–
Covered from general reserve	504.4	271.2	504.4	271.2
Translation changes	13.5	–9.8	–	–
Profit/loss for the year	64.8	–434.4	207.8	–504.4
Total non-restricted equity, 31 Dec.	–29.3	–612.0	207.8	–504.4
27. PROVISIONS				
Accumulated depreciation difference, 1 Jan.	49.1	36.4	–	–
Share of companies acquired during year, 1 Jan.	–	10.3	–	–
Share of companies sold during year	–25.1	–	–	–
Increase/decrease	1.0	2.4	–	–
Accumulated depreciation difference, 31 Dec.	25.0	49.1	–	–
Minority interest and elimination of intragroup ownership	–10.3	–25.8	–	–
In Group balance sheet, 31 Dec.	14.7	23.3	–	–
Investment provisions, 1 Jan.	–	–	–	–
Share of companies acquired during year, 1 Jan.	–	0.1	–	–
Increase/decrease	–	–0.1	–	–
Investment provisions, 31 Dec.	–	0.0	–	–

	GROUP		PARENT COMPANY	
MFIM	***1996***	*1995*	***1996***	*1995*
Other voluntary provisions, 1 Jan.	**26.9**	13.7	**–**	–
Share of companies acquired during year, 1 Jan.	**–**	17.9	**–**	–
Share of companies sold during year	**–9.7**	–	**–**	–
Increase/decrease	**–0.4**	–4.6	**–**	–
Other voluntary provisions,31 Dec.	**16.8**	27.0	**–**	–
Minority interest and elimination of intragroup ownership	**–16.1**	–22.0	**–**	–
In Group balance sheet, 31 Dec.	**0.7**	5.0	**–**	–
Deferred tax liabilities corresponding to Group voluntary provisions	**4.5**	8.1	**–**	–
Obligatory provisions				
Provisions for guarantee costs	**49.6**	102.7	**–**	–
The EU Commission's board cartel fine	**41.7**	41.7	**41.7**	41.7
The tax and other disputes	**119.7**	61.2	**61.1**	61.2
Other obligatory provisions	**135.4**	150.7	**31.8**	48.0
Total	**346.4**	356.3	**134.6**	150.9

28. CONVERTIBLE BONDS

	Interest %				
1988–98 Convertible bond	4,0	**150.0**	150.0	**150.0**	150.0
1996–99 Convertible bond, unsecured	0,25	**322.0**	–	**322.0**	–
Total		**472.0**	150.0	**472.0**	150.0

29. BOND WITH WARRANTS TO COMPANY EXECUTIVES

	Interest %				
1995-2000	5	**–**	0.3	**–**	0.3

30. LONG-TERM LIABILITIES INCLUDING LIABILITIES DUE TO MATURE IN FIVE OR MORE YEARS

Loans from financial institutions	**83.0**	49.3	**–**	–
Pension loans	**17.0**	32.4	**1.8**	1.4
Other long-term debt	**–**	256.5	**–**	–
Total	**100.0**	338.2	**1.8**	1.4

31. LOANS TO GROUP COMPANIES

Other long-term debt	**–**	–	**–**	0.6
Advances received, short-term	**–**	–	**–**	0.1
Trade account payable	**–**	–	**2.4**	2.4
Accrued liabilities	**–**	–	**–**	5.4
Other current liabilities	**–**	–	**21.9**	318.7
Total	**–**	–	**24.3**	327.2

32. NETTED ITEMS IN ADVANCES RECEIVED RELATED TO INCOME RECEIVED ON LONG-TERM PROJECTS (TAMPELLA POWER GROUP)

Total advances received	**–**	500.5	**–**	–
Accumulated prepaid and deferred expenses, net	**–**	–486.5	**–**	–
Advances received, net 31 Dec.	**–**	14.0	**–**	–

	GROUP		PARENT COMPANY	
MFIM	***1996***	*1995*	***1996***	*1995*
33. CONTINGENT LIABILITIES				
Pension commitments				
Liability from pension and other commitments	**30.7**	33.6	**30.7**	33.6
Unsecured liabilities from pension funds relating to discretionary benefit commitments	**45.0**	72.0	**45.0**	72.0
Obligatory unsecured liabilities from pension funds relating to statutory benefit commitments	**2.5**	3.0	**0.2**	0.2
Other contingent liabilities				
For own liabilities				
Pledges	**340.2**	710.8	**314.6**	708.0
Real estate mortgages	**273.5**	266.5	**7.1**	7.1
Business mortgages	**13.7**	70.6	**10.0**	10.0
For subsidiaries				
Guarantees	**32.2**	32.3	**182.4**	785.6
For associated companies				
Guarantees	**10.0**	10.6	**10.0**	10.6
For others				
Guarantees	**13.2**	17.6	**13.2**	17.6
Bill liabilities	**17.2**	14.6	**–**	–
Other own liabilities				
Guarantees	**176.9**	410.9	**–**	–
Leasing liabilities	**69.2**	55.0	**0.4**	–
Buy-back guarantees	**12.4**	–	**–**	–
Total	**958.5**	1,588.9	**537.7**	1,538.9

The presentation of the Group's other contingent liabilities was changed on 31 August 1996. Comparable figures for 31 Dec. 1995 have been adjusted appropriately.

Commitments of purchase	**19.0**	–	**–**	–

Derivatives in the Parent Company

	Dec. 31 1996 Value of the underlying currency	Market value	Dec. 31 1995 Value of the underlying currency	Market value
Currency derivatives				
Forward contracts	**247.4**	**256.1**	362.9	371.1
Options				
Bought	**52.7**	**2.9**	102.0	2.6
Sold	**139.3**	**5.4**	79.9	3.8
SWAP	**–**	**–**	–	–

The main objective of forex management is to secure the profitability of the underlying business by reducing the sensitivity against currency risk. Forex hedging activities relate to commercial exposure arising from the Group's business. Foreign exchange management is handled centrally by the Parent Company.

Acceptable hedging instruments are options and forward contracts. The main instrument for hedging the order backlog and receivables is the forward contract. Both options and forwards can be used for hedging estimated cash flows.

The market value of currency options is calculated by using the Black and Scholes model for forex options. The value of underlying currency is the delta value of the open option positions.

Shareholdings owned by Group Subsidiaries, 31 Dec. 1996

	Number of shares	Share-holding %	Nominal value 1,000 units		Book value 1,000 units	Subgroup result FIM 1,000
SUBSIDIARIES						
Tampella Corp.						
Tamrock Oy	3,690,000	100.00	369,000	FIM	1,000,000	89,332 *)
Bretec Oy	19,000	100.00	19,000	FIM	110,463	
Detec International Oy	1,500	100.00	1,500	FIM	1,308	
Roxon Companies Oy	20,000	100.00	20,000	FIM	75,620	7,162
PennPower Inc.	100	100.00		USD	41,726	–3,336
Tampella Services Inc.						
Mid-Atlantic Energy of PA, Inc.						
Bruin Power Corp.						
Bruin Power Partners Limited Partnership						
VOEST ALPINE Bergtechnik Gesellschaft mbH		100.00	50,000	ATS	21,340	
VAB Beteiligungsverwaltung GmbH						
VOEST-ALPINE Mining & Tunnelling (Australia) Pty Ltd						
VOEST-ALPINE Control System Pty Ltd						
VOEST-ALPINE Mining & Tunnelling Pty Ltd						
VOEST-ALPINE Mining & Tunnelling Corp.						
VOEST-ALPINE Technika Górnicza, Tunelova Spolka z.o.o.						
VOEST-ALPINE Tunneltechnik Gesellschaft mbH						
Alpine Westfalia Berg- und Tunneltechnik GmbH & Co						
Tamrock Oy						
Estron Oy	160	100.00	22	FIM	608	
Tamcorp Australia Holding Ltd.	6,053,002	100.00	32,500	AUD	111,529	
Tamrock Pty Ltd.						
Tamrock Coal Australia Pty Ltd.						
Tamcorp Inc.	100	100.00	0.1	USD	101,463	
Driltech Inc.						
Eimco Coal Machinery Inc.						
Eimco Coal do Brasil Limitada						
EJC U.S. Inc.						
Tamrock HRM Western Hemisphere, Inc.						
Tamrock USA, Inc.						
Tamcorp Japan K.K.	500	100.00	50,000	JPY	1	
Tamrock A/S	5,000	100.00	500	DKK	420	
Tamrock Austria GesmbH		100.00	10,000	ATS	0	
Tamrock Canada Ltd.	2,450,000	100.00	3,500	CAD	13,215	
Tamrock Deutschland GmbH		100.00	7,000	DEM	0	
Tamrock Espana S.A.	210,000	100.00	210,000	ESP	7,812	
Tamrock Europe GmbH		100.00	500	DEM	1,019	
Tamrock Far East Ltd.	1,499,999	100.00	15,000	HKD	10,549	
Tamrock (China) Ltd.						
Tamrock Great Britain Holdings Ltd.	1,000,000	100.00	1,000	GBP	6,964	
Eimco Great Britain Ltd.						
Tamrock Loaders Inc.	11,199,893	100.00	1,220	CAD	50,049	
Tamrock EJC Ltd Sucursal del Peru						
Citemin S.A.		60.00				
Tamrock Loaders Oy	600,000	100.00	60,000	FIM	60,000	
Tamrock Norge A/S	25,000	100.00	25,000	NOK	4,262	
Tamrock (Schweiz) AG	500	100.00	500	CHF	0	
Tamrock Secoma S.A.	540,294	100.00	81,044	FRF	92,780	
Tamrock Loaders S.A.						
Tamrock S.A.						
Tamrock Svenska AB	50	100.00	50	SEK	0	
Strömnes AB						
Tamrock AB						

*) This figure includes the results of the Tamrock and Detec groups for the whole year and the result of VAB group for 1 September–31 December 1996.

	Number of shares	Share-holding %	Nominal value 1,000 units		Book value 1,000 units
Tamrock World Corporation B.V.	6,000	100.00	6,000	NLG	11,305
EJC-Secoma Africa Ltd.					
Tamrock Africa (Pty.) Ltd.					
Tamrock Argentina S.A.					
Tamrock Chile S.A.					
Tamrock de Mexico S.A. de C.V.					
Tamrock Zimbabwe (Pvt) Ltd.					
Oy Tamrotor Ab	9,000	100.00	9,000	FIM	9,000
Bretec Oy					
Bretec Inc.	50	100.00	0.5	USD	217
Winkelkamp AG	297	99.00	147	CHF	516
Winkelkamp B. V.					
Detec International Oy					
Rammer Oy	1,500	100.00	1,500	FIM	8,000
Rammer Deutschland GmbH					
Rammer Inc.					
Rammer Norge A/S					
Rammer Svenska AB					
Roxon Companies Inc.					
Bet-Mec Oy	2,100	100.00	2,100	FIM	0
Kopo AB	1,626	90.33	1,626	SEK	6,968
Roxon AB	3,000	100.00	300	SEK	656
Roxon GmbH	50	100.00	50	DEM	30,000
Gurtec GmbH					
Joba Kunststofftechnik GmbH & Co Verwaltungs - KG					
Joba Kunststofftechnik GmbH					
Roxon Komponentit Oy	5,500	100.00	1,100	FIM	5,553
Roxon Oy	5,000	100.00	5,000	FIM	5,000
Roxon Pty Ltd.	2,890,019	100.00	2,890	AUD	18,163
Prok Group Ltd.					
Prok International (Canada) Inc.					
Prok International (USA) Inc.					
PT Prok Indonesia					

OTHER SUBSIDIARIES

	Number of shares	Share-holding %	Nominal value 1,000 units		Book value 1,000 units
Non-trading companies, 3 in all		100.00	37	FIM	136
Housing and real estate companies, 2 in all		100.00	334	FIM	5,107

ASSOCIATED AND OTHER COMPANIES

	Number of shares	Share-holding %	Nominal value 1,000 units		Book value 1,000 units
Oy Tampella Corp.					
The Finnish Central Securities Depository Ltd.	6		420	FIM	420
Svartså Vattenverk AB	7	20.00	70	FIM	275
TVW S.A.	81,963	24.62	82	BRC	0
Vammas Oy	17,500	22.30	17,500	FIM	17,500
Tampella Group's share of the shareholders' equity of Vammas Group is FIM 34,788,800					
Tamrock Oy					
Eimco Elecon (India) Ltd.		25.10	9,652	INR	1,834
Mitsui Zosen Eimco Inc.		50.00	50,000	JPY	233
Tamrock Service Korea Ltd		65.00	1	KRW	2,795
Bretec Oy					
Päijät-Häme Telephone Company	46			FIM	164
Housing and real estate companies, 7 in all					2,718

The Company owns 26 other lots of shares with a total nominal and book value of less than FIM 100,000

Proposal of the Board of Directors

Group non-restricted shareholders' equity on 31 December 1996	FIM	–29,374.669.56
Parent company non-restricted shareholders' equity on 31 December 1996	FIM	207,788.054.52
of which retained earnings	FIM	–
profit for the year	FIM	207,788 054.52
total	FIM	207,788 054.52

Since the Group's non-restricted shareholders' equity is negative, no dividend payment is possible.

The Board of Directors proposes that the parent company's profit for the year FIM 207,788,054.52 be carried forward to the retained earnings account and that no dividend be distributed.

Helsinki, 20 February 1997

Clas Åke Hedström Stig-Erik Bergström

Heikki Hakala Johan Horelli Kari Kolu

Jouko M Jaakkola
President and CEO

Auditors' Report

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and CEO of Tampella Corp. for the financial year ended 31 December 1996. The financial statements, which have been prepared by the Board of Directors and the Chief Executive Officer, contain the Board's report, and the consolidated and parent company income statements, balance sheets and notes to the financial statements.

Based on our audit, we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with generally accepted auditing standards in Finland. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The purpose of our audit of the administration is to examine that the Board of Directors and Chief Executive Officer have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations, and of its financial position. The financial statements, including the consolidated statements, may be adopted, and the members of the Board of Directors, the Chief Executive Officer and the Executive Vice Presidents may be discharged from liability for the financial period audited by us. The proposal of the Board of Directors on the disposal of the profit for the year and the non-restricted shareholders' equity in the balance sheet complies with the Finnish Companies Act.

We have acquainted ourselves with the interim reports on the Company published during the financial year. In our opinion they have been prepared in accordance with the relevant regulations.

Tampere, 26 February 1997

KPMG WIDERI OY AB
Eero Suomela,
Authorized Public Accountant

Mauri Palvi,
Authorized Public Accountant

Tampella Group in Figures

		1996	1995	1994	1993	1992
Key Data						
Consolidated net sales	MFIM	**4,520**	4,460	3,282	4,083	6,546
Change on previous year	%	**1.3**	35.9	–19.6	–37.6	–8.5
Share of exports and foreign subsidiaries	%	**94.3**	85.6	87.3	78.0	84.3
Orderbook 31. Dec.	MFIM	**1,143**	1,675	1,394	1,401	2,389
Gross capital expenditure	MFIM	**468**	378	181	186	233
% of net sales	%	**10.4**	8.6	5.6	4.6	3.6
Research and development	MFIM	**105**	107	86	105	80
% of net sales	%	**2.3**	2.5	2.7	2.6	1.2
Personnel 31 Dec.		**5,224**	5,315	4,193	4,592	7,903
Based outside Finland	%	**71.4**	56.1	53.7	59.2	47.6
Average personnel, Group		**4,768**	5,284	4,447	5,477	8,840
Average personnel, Parent Company		**25**	31	32	38	50
Information from Consolidated Income Statament						
Operating profit/loss	MFIM	**199**	–115	–166	95	168
% of net sales	%	**4.4**	–2.6	–5.1	2.3	2.6
Net financial income/expenses	MFIM	**–57**	–73	–32	–85	–717
% of net sales	%	**–1.3**	–1.7	–1.0	–2.1	–11.0
Profit/loss before extraordinary items, provisions and taxes	MFIM	**141**	–188	–198	11	–549
% of net sales	%	**3.1**	–4.3	–6.1	0.3	–8.4
Profit/loss before provisions and taxes	MFIM	**155**	–383	–357	–363	–1,137
% of net sales	%	**3.4**	–8.6	–10.9	–8.9	–17.4
Profit/loss for the year	MFIM	**65**	–434	–199	–337	–726
Information form Consolidated Balance Sheet						
Financial assets						
Interest-free	MFIM	**1,046**	1,149	889	1,259	1,476
Interest-bearing	MFIM	**660**	907	1,143	846	733
Inventories	MFIM	**1,259**	1,073	740	1,068	1,667
Fixed assets	MFIM	**1,042**	872	713	853	4,896
Liabilities						
Interest-free	MFIM	**921**	990	676	1,223	2,057
Interest-bearing	MFIM	**1,988**	1,978	1,593	1,631	5,388
Shareholders' equity + voluntary provisions	MFIM	**746**	415	727	698	1,111
Interest-bearing net liabilities	MFIM	**1,328**	1,071	450	817	4,656
Total assets	MFIM	**4,007**	4,001	3,485	4,026	8,772
Key Figures						
Return on equity (ROE) %		**10.1**	–28.1	–23.4	0.5	–36.4
Return on investment (ROI) %		**9.2**	–1.6	–3.0	6.1	3.4
Solvency ratio %		**19.2**	16.0	26.8	25.4	16.4
Adjusted earnings per share, FIM		**0.41**	–2.46	–2.28	0.18	–12.23
Adjusted dividend per share, FIM		**–**	–	–	–	–
Shareholders' equity per share, FIM		**5.60**	4.22	7.97	9.36	14.90
Price/earnings ratio (P/E), FIM						
Restricted shares						neg.
Free shares		**30.51**	neg.	neg.	123.56	neg.

Business Groups in Figures

		1996	1995	1994	1993	1992
Tamrock *)						
Net sales	MFIM	**3,691**	2,965	2,070	2,096	2,006
Change on previous year	%	**24.5**	43.2	–1.2	4.5	7.6
Share of consolidated net sales	%	**81.7**	66.5	64.2	51.3	31.0
Operating profit	MFIM	**254**	241	193	128	27
% of net sales	%	**6.9**	8.1	9.3	6.1	1.3
Personnel on 31 Dec.		**4,365**	3,311	2,592	2,472	2,574
Share of total personnel	%	**83.6**	62.3	61.8	53.8	32.6
Gross capital expenditure	MFIM	**124**	222	47	30	28
% of net sales	%	**3.4**	7.5	2.3	1.4	1.4
Orderbook on 31 Dec.	MFIM	**1,012**	690	538	395	340
Tampella Power **)						
Net sales	MFIM	**234**	1,043	1,156	1,908	1,193
Change on previous year	%	**–**	–9.8	–39.4	59.9	2.9
Share of consolidated net sales	%	**5.2**	23.4	35.8	46.7	18.0
Operating profit/loss	MFIM	**2**	–240	–376	–43	21
% of net sales	%	**0.7**	–23.0	–32.5	–2.2	1.8
Personnel on 31 Dec.		**–**	1,160	1,488	2,004	1,477
Share of total personnel	%	**–**	21.8	35.5	43.6	18.7
Gross capital expenditure	MFIM	**–**	28	23	40	79
% of net sales	%	**–**	2.7	2.0	2.1	6.6
Orderbook on 31 Dec.	MFIM	**–**	798	856	1,006	2,049
Roxon						
Net sales	MFIM	**564**	444			
Share of consolidated net sales	%	**12.5**	10.0			
Operating profit/loss	MFIM	**19**	–33			
% of net sales	%	**3.4**	–7.4			
Personnel on 31 Dec.		**808**	769			
Share of total personnel	%	**15.5**	14.5			
Gross capital expenditure	MFIM	**13**	20			
% of net sales	%	**2.2**	4.5			
Orderbook on 31 Dec.	MFIM	**131**	187			

*) Financial years 1995 and 1996 include the figures for the Tamrock and Detec groups as well as the VAB group figures for the period 1 September–31 December 1996. Oy Tamrotor Ab is consolidated in the Tamrock group accounts for all the years.

**) 1 January–31 March 1996.

Calculation of Key Indicators

Return on equity, (ROE) (%)

$$= \frac{\text{Profit/loss before extraordinary items, provisions and taxes – taxes for period}}{\text{Shareholders' equity + minority interests + voluntary provisions}^{*)}} \times 100$$

Return on investment (ROI) (%)

$$= \frac{\text{Profit/loss before extraordinary items, provisions and taxes + interest and other financial expenses}}{\text{Total assets – interest-free liabilities}^{*)}} \times 100$$

Solvency ratio (%)

$$= \frac{\text{Shareholders' equity + minority interest + voluntary provisions}}{\text{Total assets – advance payments received}} \times 100$$

Adjusted earnings per share (FIM)

$$= \frac{\text{Profit/loss before extraordinary items, provisions and taxes –/+ minority interests in profit/loss for period – taxes}}{\text{Average number of shares adjusted for share issues}}$$

Adjusted dividend per share (FIM)

$$= \frac{\text{Dividend per share for accounting period}}{\text{Adjustment factors of share issues during and subsequent to the period in question}}$$

Shareholders' equity per share (FIM)

$$= \frac{\text{Shareholders' equity + voluntary provisions}}{\text{Adjusted number of shares at year-end}}$$

Dividend per profit/loss (%)

$$= \frac{\text{Dividend for the period}}{\text{Profit/loss before extraordinary items, provisions and taxes}} \times 100$$

Adjusted share price (FIM)

$$= \frac{\text{Share price before issues}}{\text{Share issue adjustment factor}}$$

P/E ratio

$$= \frac{\text{Adjusted share price at year-end}}{\text{Adjusted earnings per share}}$$

Effective dividend yield (%)

$$= \frac{\text{Adjusted dividend per share}}{\text{Adjusted share price}} \times 100$$

Stock turnover (%)

$$= \frac{\text{Number of shares traded}}{\text{Average number of shares}} \times 100$$

Market capitalization of share stock = Number of shares x share price at year end for each type of share

*) Average during financial year.

Share Capital and Shareholders

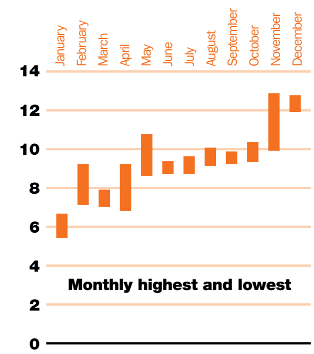
10 largest shareholders according to The Finnish Central Securities Depository Ltd as of 31 December 1996

Shareholder	Number of shares	Voting rights	Share, %
1. Sandvik Invest AB	65,212,301	65,212,301	48.94
2. Solidium Oy	19,619,057	19,619,057	14.72
3. Rauma Corporation	18,500,000	18,500,000	13.88
4. Merita Bank Ltd *	7,543,189	7,543,189	5.66
5. Industrial Insurance Company Ltd	2,000,000	2,000,000	1.50
6. L. & C. Steinmüller GmbH	1,766,649	1,766,649	1.33
7. Veikko Laine Oy	1,323,500	1,323,500	0.99
8. Eläke-Varma Mutual Insurance Company	1,220,000	1,220,000	0.92
9. Helsingin Arvo-osuuskeskus Oy *	352,333	352,333	0.26
10. Finnish Red Cross	330,000	330,000	0.25
Total	117,867,029	117,867,029	88.45

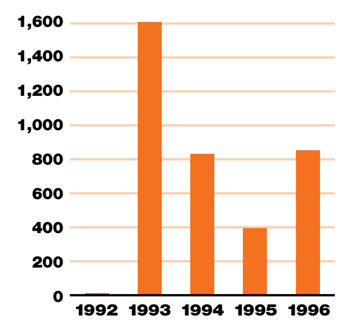
* Nominee registration

The register of nominee-registered shares has altogether 7,992,222 shares, representing 6.0 % of the number of shares and share capital.

Share prices 1996 FIM



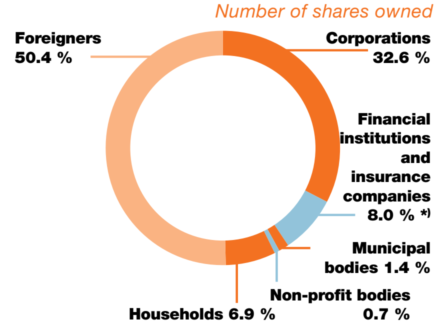
Share trading value 1992–96 MFIM



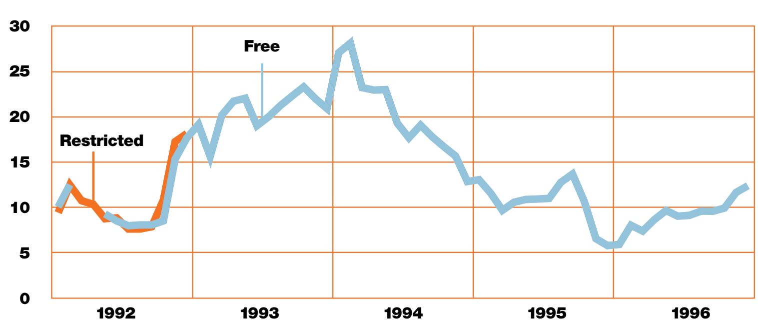
Distribution of shares according to The Finnish Central Securities Depository Ltd as of 31 December 1996

Number of shares	Number of share-holders	% of share-holders	Number of shares x 1,000	% of capital stock
1 – 100	1,383	22.1	64.7	0.05
101 – 1,000	2,863	45.7	1,364.9	1.02
1,001 – 10,000	1,775	28.3	6,112.1	4.59
10,001 – 100,000	218	3.5	5,529.5	4.15
100,001 – 1,000,000	16	0.3	2,934.1	2.20
1,000,001 – 100,000,000	8	0.1	117,184.7	87.94
	6,263	100.0	133,190.0	99.95
On a waiting list			1.5	0.00
In a joint book-entry account			66.3	0.05
Total			133,257.8	100.00

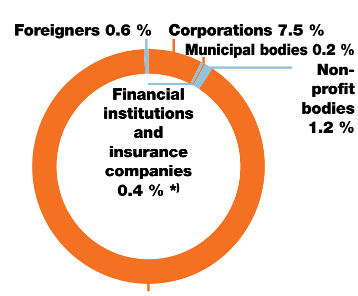
Ownership structure as of 31 December 1996
Number of shares owned



Share quotations, FIM

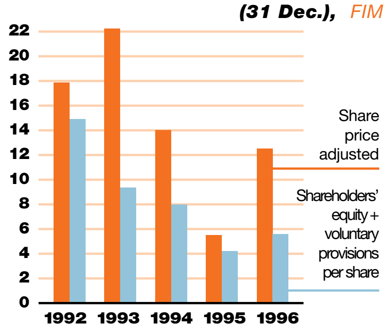


Distribution of shareholders

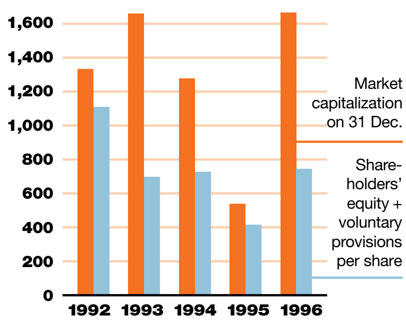


*) Includes the nominee registrations

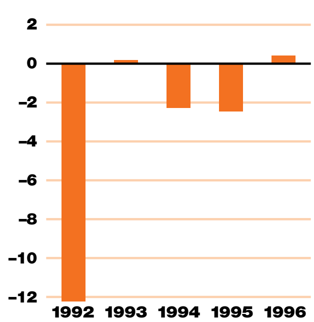
Share prices and shareholders' equity + voluntary provisions per share (31 Dec.), *FIM*



Tampella value, *MFIM*



Earnings per share, *FIM*



Share capital and shares

The company's issued and registered share capital was FIM 666,289,075 and there were 133,257,815 shares at the end of 1996. The shares have a nominal value of FIM 5.00 per share.

Increases in share capital

Shares were issued to the Kvaerner Group on 21 March 1996 as part payment for the sale of Tampella Power. The Kvaerner Group were offered 35 million Tampella Corp. shares with a nominal value of FIM 5.00, for a subscription price of FIM 7.60 per share.

Dividend

The Board of Directors will propose to the Annual General Meeting that no dividend be paid on the result for 1996.

Shareholder agreements

The company is not aware of any shareholder agreements or other arrangements which relate to ownership of shares in the company or the use of voting rights.

Board authorizations

The Annual General Meeting on 14 April 1996 authorized the Board of Directors for one year from the Meeting to decide on raising the share capital by issuing at most 27,251,563 new shares for a subscription price of FIM 7.60 per share and on other terms to be decided by the Board. Five existing shares would entitle holders to one new share. The Board has not decided to exercise this authorization.

Management holdings

The members of the Board of Directors, the President and CEO, and the Executive Vice Presidents owned altogether 10,000 shares in Tampella Corp. on 31 December 1996. These holdings represented 0.008 % of the total number of shares and voting rights.

The members of the Board of Directors, the President and CEO, and the Executive Vice Presidents do not own convertible bonds issued by the company.

Tampella Corp. redeemed the bonds with warrants to company executives floated on 2 May 1995 and annulled the warrants. These warrants would have entitled their holders to subscribe for at most three million Tampella shares.

Changes in company ownership

On 13 April 1996 the Swedish Sandvik Group acquired 35 million Tampella Corp. shares from Kvaerner. Since then Sandvik has increased its holding and on 31 December 1996 owned 65,212,301 shares, representing 48.9 % of the share stock.

On 2 May 1996 Rauma Corporation announced that it had acquired 18,500,000 Tampella Corp. shares, representing 13.9 % of the share stock.

Convertible bond loan

On 20 June 1996 an extraordinary meeting of Tampella Corp. shareholders approved the issue of convertible bonds totaling FIM 322 million to Sandvik AB in part payment for Sandvik's 25 % holding in Tamrock Oy (922,500 shares). The offer was fully subscribed on 25 June 1996. The bond loan to Sandvik AB carries annual interest of 0.25 % and has a maturity of three years. During this period the bonds may be converted into shares for FIM 11.50 per share and, if fully converted, would give Sandvik AB altogether 28 million Tampella Corp. shares of nominal value FIM 5.00.

DATA ON TAMPELLA SHARES	1996	1995	1994	1993	1992
Share Capital, Shares and Dividend					
Share capital at 31 Dec., MFIM	666.3	491.3	456.3	333.1	1,332.4
Market capitalization at 31 Dec., MFIM	1,665.7	540.4	1,277.6	1,658.8	1,332.4
Number of shares at 31 Dec., (x 1.000)	133,257.8	98,257.8	91,257.8	66,618.1	66,618.1
Adjusted number after issue, (x 1.000)					
– at 31 Dec.	133,257.8	98,257.8	91,257.8	74,612.3	74,612.3
– average	125,490.7	98,043.9	86,810.2	66,618.1	41,823.6
Nominal value of shares, FIM	5	5	5	5	20
Number of shareholders, at 31 Dec.	6,263 **	6,163	5,991	3,390	5,397
Dividend, MFIM	– *	–	–	–	–
Dividend per share, FIM	– *	–	–	–	–
Dividend per profit/loss, %	– *	–	–	–	–
Effective dividend yield at 31 Dec., %					
– restricted					–
– free	– *	–	–	–	–
Adjusted Stock Prices and Stock Exchange Turnover					
Average price/adjusted, FIM					
– restricted					12.98
– free	9.92	10.79	21.85	21.58	11.58
Highest price/adjusted, FIM					
– restricted					19.65
– free	12.80	15.10	31.70	26.79	17.86
Lowest price/adjusted, FIM					
– restricted					8.04
– free	5.50	5.15	11.70	13.40	8.04
Share price at 31 Dec./adjusted, FIM					
– restricted					17.86
– free	12.50	5.50	14.00	22.24	17.86
Share trading value, MFIM					
– restricted					1.2
– free	854.2	395.3	832.9	1 608.6	1.1
Total					2.3
Stock exchange turnover, (x 1,000)					
– restricted					83
– % of total					0.2
– free	86,086	36,643	38,116	66,250	88
– % of total	68.6	37.3	43.9	99.9	3.3
Total	86,086	36,643	38,116	66,250	171
Stock exchange turnover/total shares, %	68.6	37.3	43.9	99.9	0.4
Key Indicators					
(Calculation principles on page 39)					
Earnings per share (adjusted), FIM	0.41	–2.46	–2.28	0.18	–12.23
Dividend per share (adjusted), FIM	– *	–	–	–	–
Equity per share, FIM	5.60	4.22	7.97	9.36	14.90
P/E ratio					
– restricted					neg.
– free	30.51	neg.	neg.	123.56	neg.

* Proposal by the Board of Directors
** 0.05 % of sharestock not yet transferred to book-entry accounts.

SHARE CAPITAL INCREASES AND DECREASES 1988–1996

Share issue	Subscription period	Terms of subscription	Subscription price (FIM) and dividend right		Share capital increase/decrease Number	FIM	New share capital FIM
Rights issue	19.05.88–20.06.88	4/1	80.00	1/2 1988	2,153,125	43,062,500	215,312,500
Rights issue Issue to personnel	19.10.88–24.11.88 19.10.88–24.11.88	5/1 –	90.00 112.00	1/2 1988 1/2 1988	2,153,125 100,000	45,062,500	260,375,000
Issue to personnel	20.02.89–04.03.89	–	110.00	1/1 1989	150,000	3,000,000	263,375,000
Bonus issue	17.04.89–19.05.89	10/1	–	1/1 1989	1,316,875	26,337,500	289,712,500
Issue as part of acquisition	30.01.1990	–	118.00	1/1 1990	632,500	12,650,000	302,362,500
Issue to Solidium Oy Share capital increase paid by offsetting loans	30.12.1991	–	20.00	1/1 1992	26,500,000	530,000,000	832,362,500
Issue to Solidium Oy Share capital increase paid by offsetting loans	28.12.1992	–	20.00	1/1 1993	25,000,000	500,000,000	1,332,362,500
Decrease in share capital by reducing nominal share price from FIM 20 to FIM 5	11.08.1993	–	–	–	–	–999,271,875	333,090,625
Rights issue	28.02.94–28.03.94	3/1	16.00	1/1 1994	22,206,041	111,030,205	444,120,830
Issue to L. & C. Steinmüller GmbH	07.06.94–10.06.94	–	22.72	1/1 1994	2,433,649	12,168,245	456,289,075
Issue to Outokumpu Technology Oy	01.01.95–15.01.95	–	18.00	1/1 1995	7,000,000	35,000,000	491,289,075
Issue to Kvaerner a.s	21.03.1996	–	7.60	1/1 1996	35,000,000	175,000,000	666,289,075

CONVERTIBLE BONDS

Convertible bond loan	No. of bonds	No. of share/bonds	Share capital MFIM	Conversion price á FIM	Final conversion date
19.10.1988	150,000	1,228,400	6.14	122.11	18.10.1998
25.06.1996	50	28,000,000	140.00	11.50	25.06.1999

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