

NANSO



IN 1998



Marketing task force: Export Manager, Jorma Keurulainen (left); Marketing Manager (Sweden), Christina Kullander; Marketing Director, Margit Heikkinen; Domestic Marketing Manager, Liisa Laiho; and Managing Director, Hannu Jaakkola at the Helsinki International Fashion Fair in January of 1999.

Dear reader,

In ever increasing global competition and accelerated by the establishment of the common European currency, companies are required to constantly update their concepts for success. Improvement of products and collections, streamlining of manufacture, intensification of marketing, and close cooperation with the customer are the means with which to survive global competition.

Due to the similarity of technical characteristics between competing products, product image as an affecting factor in buying situations has become crucial. An increase in the recognition and content development of the product image, or brand, an invaluable marketing resource for the company, is certainly a worthwhile investment.

The Nanso brand already enjoys a strong position on the domestic market. In most studies performed in recent years, the Nanso women's wear product group has placed among the three top brands. The women's nightwear product group consistently places first in its class.

In our other "domestic" market, Sweden, our brand recognition has also achieved a strong average. We intend on further reinforcing our brand recognition in our primary markets, beyond current levels.

A handwritten signature in blue ink, appearing to read 'Hannu Jaakkola', with a long horizontal flourish extending to the right.

Hannu Jaakkola
Managing Director

Continuous development of MATERIALS

The focus of the Nanso daywear line has increasingly shifted to the "under the jacket" basic products, such as blouses, polo and turtlenecks, and tops. In the development of materials, the demands of our quality and fashion-conscious consumers are monitored throughout Europe. Product fashionability, quality, ease of care, and comfort are important buying criteria for our customers.

Our extensive range of materials primarily consists of natural fibers, such as cotton and cotton modal fibers, as well as various viscose blend structures. Top Cotton®, our new high-grade, long-fiber cotton, was developed especially for applications in printed products. We have also developed contemporary elastic blends with, for example, silky soft modal fibers. These materials are well-suited to women's blouses and tops. Our new finishing line has improved the feel of our material surfaces as well as made possible the technical management of demanding material compositions.

Our materials and products are manufactured as environmentally-friendly as possible. The yarns and dyes used in knitting, as well as the product accessories fulfil the most stringent environmental regulations. A majority of our basic products bear the Öko-Tex Standard 100 environmental seal of approval.





CAREFREE GARMENTS

for the woman

In the expansion of our market areas, we devoted even more attention than before to the lifestyles and clothing needs of our target consumers.

The *Nanso Soft Choice* nightwear, homewear, beachwear, and loungewear lines have an extensive consumer following in all of our market areas. Thanks to the original Scandinavian look, these products have attracted new consumers in recent years, especially in our export markets.

The typical *Nanso* daywear consumer is the mature woman, a woman who expects her clothes to be carefree, comfortable, classic, and of the highest quality. She also desires that her clothes are versatile and provide her with a feeling of joy and well-being. The *Nanso* lines fulfil the wishes of these consumers.

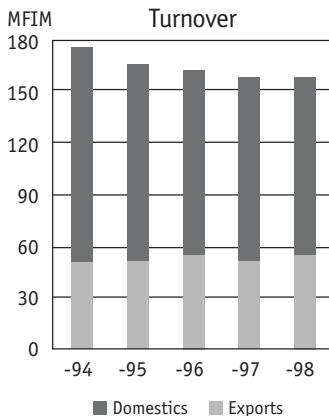
Another significant consumer group is comprised of active, modern women for whom the clothing's fashionability and style, as well as the feeling of well-being, are of the utmost importance. These consumers prefer to buy garments for specific occasions. The *Moment by Nanso* line is designed especially with this target group in mind, and will be available in specialty boutiques in the autumn of 1999.

TURNOVER

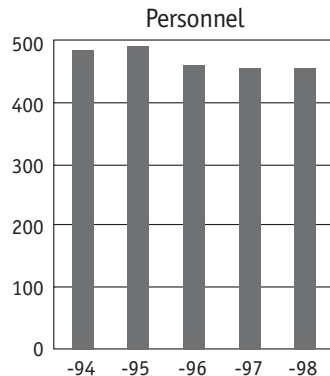
remains on a par with 1997's level

In 1998, the retail sales of clothing in Finland grew 5% to a value of FIM 12.5 billion. Finland's textiles and clothing industry production gross value was, for the same year, FIM 6.7 billion, for an increase of 1.2%. Textiles and clothing imports to Finland amounted to FIM 8.9 billion, 6.3% more than 1997. Clothing exports from Finland brought in FIM 1.4 billion, for a growth of 4%. The most important export countries for Finnish textiles and clothing are: Sweden, Germany, Norway, and Great Britain.

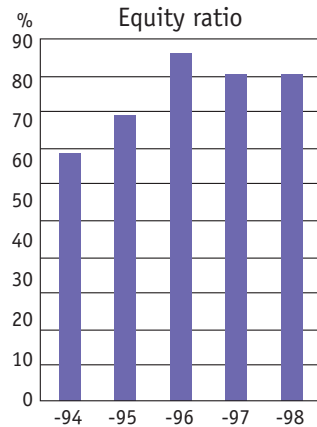
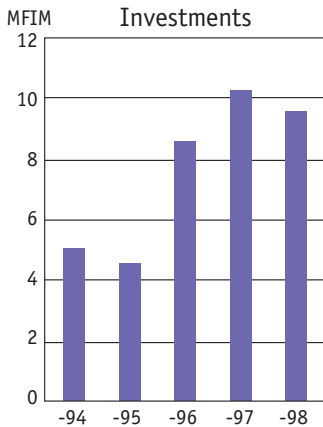
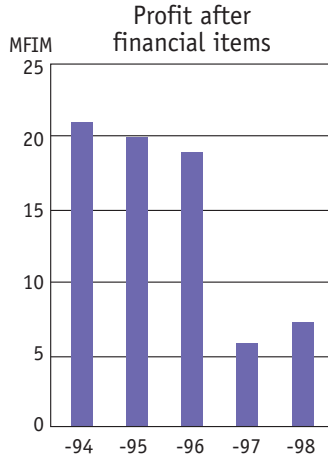
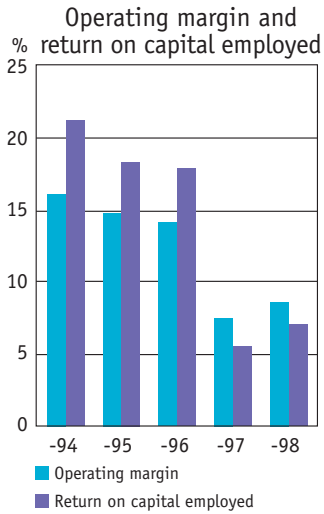
Nanso Oy's turnover for 1998 was FIM 157 million, remaining unchanged from the previous year. However, Nanso's exports increased by 8.8% (FIM 54 million), resulting in Nanso's all-time highest export value. The export share comprised 34% of the total turnover.



1 EUR = 5.94573 FIM







RESULTS

show a turn for the better

Nanso succeeded in increasing its clothing sales from the previous year, both in Finland and in exports. But, due to the decrease in sales of knitted fabrics, the overall turnover increased by just under 1%, remaining at FIM 157 million.

The Group's operating margin for 1998 was FIM 13.5 million, or 8.6% of the turnover, in comparison with 1997's which was FIM 11.6 million, or 7.4%. Significant investments in marketing in both domestic and foreign markets and the rearrangement of our foreign subsidiaries' sales organisations resulted in above average expenditures for the fiscal period.

In addition to human resources and marketing, substantial investments were also made in development of production technologies for a total investment of FIM 9.5 million. Of these, the largest were made in the Tampere plant and replacement of the placement print machine. The share of depreciations of turnover was 4.7%. The business profit improved from FIM 4.1 million (2.7%) in 1997 to FIM 6.1 million (3.9%) in 1998.

Financing revenues dropped from FIM 1.5 million to FIM 1.1 million. Profit after financial items improved from FIM 5.7 million (3.6%) in 1997 to FIM 7.2 million (4.6%) in 1998.

Liquidity remained strong and equity ratio held at an excellent 81%.

CUSTOMER COOPERATION in Finland

Nanso's strength in Finland is founded on its longstanding operation and good customer relations. Another significant factor is that Nanso dealers are quite often the leading local retailers of clothing in their respective locations.

Consumers value the extensive range as a prime service and also want to know which stores carry a good selection of Nanso products. In fact, a majority of the incoming consumer telephone calls made to the Nanso plant concern information on retail outlets: "Where might I find the item shown in your advertisement?".

In the Nanso Club letters, we continuously provide information on the extensive selection of our Nanso retailers. Correspondingly, they ensure that all loyal Nanso customers join the Club in order to advantage the available services, current information on products and trends, and customer benefits.

Active retailers also handle their own local advertising to maintain "possession" of their area. Local Nanso "theme days" and campaigns not only inspire the consumers, but the retailer's staff. The Nanso sales consultant visits our customers to assist with ideas for store displays, training the retail staff, and giving a boost to Nanso events.

Nanso's marketing communication provides support for the three partners: consumer -retailer - Nanso. It is our goal to develop even more interesting products which are available nationwide to the consumers, and to give them information through targeted activities at the right time.

A new channel of communication, Nanso's website, will provide retailer contact information beginning in April of 1999. In the spring of 1999, our maritime holiday line will be presented at www.nanso.com as well as names and locations of retailers carrying this line in Finland, Sweden, and Germany.



Retailers Mirja and Lauri Eronen of Picant in Vantaa, Finland were chosen as the 1998 Nanso Retailers of the Year. Characteristic of these active and creative retailers, their operation has shown a steady and long-term development as well as a warm spirit of partnership. In the picture, Mirja and Lauri Eronen with Managing Director Hannu Jaakkola (left).



Turnover by marketing areas 1998



EXPORT INVESTMENTS

produce profits

Last year, Nanso further internationalized its operations. This has not only meant an increase in the brand recognition of Nanso products in Finland, but also in Scandinavia and Central Europe.

The basic product concept, initiated on the German markets in 1997, has already demonstrated itself as being worthy of further development. Nanso's high-grade and fashionable basic products have met with great popularity among both retailers and consumers. Nanso has also exploited Central Europe's tough markets: we have received an abundance of feedback, which will be taken into consideration in the planning of our collections. Thus, Nanso and its product lines are increasing their international standing.

Nanso's night and loungewear have been on Central European markets for over 20 years. Competition is extremely tough and we at Nanso are quite satisfied with our continued growth in this sector under the current market conditions.

Great Britain is one of our primary market areas. We are naturally delighted at the strong commercial development experienced over the past seven years. We have also actively listened to our retailers in this area and, as a result, our product line is even better adapted to the English consumer than before.

On the Scandinavian market, the modest development of the clothing retail sales is also reflected in Nanso. In spite of this, a long-term and faithful retailer and customer base is our strength in this area. We will make an investment in customer cooperation, marketing, and line development in the future, which will, in turn, restore Nanso's growth in Scandinavia.

GREETINGS

from the consumer

The Nanso Club hostess receives thousands of correspondences from Club members every year. The following letter was randomly drawn from those received in December of 1998:

Hello Marja!

Let me wish you and all other Nanso employees a very Merry Christmas and continued success in the coming year.

I'm delighted to point out that Nanso quality and style still go hand in hand. I'm just off to do my Christmas shopping, thinking of - of course - those soft packages, as the tradition goes. My still lively and fashion-conscious mother (84 years), as well as my progeny and his significant other, are sticklers in that impractical gifts under no circumstances shall be given or gotten. It is simply marvellous that, with Nanso, satisfaction is guaranteed, and I don't even have the slightest doubt about them appreciating the idea, style, quality, etc., etc.

Thanks also for the excellent advertising. It was a pleasure to read the Club newsletter and the product descriptions were outstanding. This is just the kind of information that I appreciate - I think others who want to know more about the clothes than the price will too. Younger customers think that Nanso really does it, as a brand name product and advertiser; it has all the necessary ingredients, from fashionability to comfort, Finnish quality to environmental consciousness. That's the way to do it!

Sincerely,

*The middle member of a whole family of Nanso fans *)*



Raija Sahri

**) Four generations strong!*



NANSO

in a nutshell

Key figures 1998

Turnover FIM 157 million
Export share 34%
Operating costs 8.6%
Equity ratio 81%
Fabric production 900 tonnes/year
Clothing production 1.7 million units/year
Employees 450
Founded 1921

Brands

Nanso women's and men's wear
Moment by Nanso women's wear
Nanso Soft Choice women's and men's night and loungewear
Funtone knitted fabrics

Marketing areas

Finland, Scandinavia, Central Europe,
Great Britain, Canada

Sales offices and subsidiaries

Headquarters Nanso Oy, Nokia, Finland
Sales office Helsinki, Finland
Nanso AB Stockholm, Sweden
Nanso GmbH Hamburg, Germany
Nanso Ltd. Otley, Great Britain

Nanso shops

Nanso shop Stockholm, Sweden
Factory shops Nokia and Parkano, Finland

Production units

Main production facility,
Nokia Finland: knitting production,
clothing manufacture
Sewing units: Nanso Tampere,
Apparello Oy Parkano, Finland
AGN Oy Tallinn, Estonia (part ownership)
Knitted fabric unit: Funtone Salpa Tampere,
Finland

Board of Directors

Consul Olli Kivekäs, chairman
Managing Director Juha Berglund,
vice chairman
Professor Piippa Lappalainen
Professor Pentti Talonen
Managing Director Juha Voittis

Managing director
Hannu Jaakkola

Marketing director
Margit Heikkinen

Marketing manager
Domestic
Liisa Laiho

Export Manager
Jorma Keurulainen

Marketing development
manager
Markku Pietarinen

Product manager
Paula Salminen

Finance director
Päivi Mäkinen

Technical director
Deputy managing director
Pekka Salonen

Knitted fabrics production
Funtone operations
Pekka Salonen

Production manager
Clothing
Antti Kullaa

Personal manager
Tuija Sironen





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