

STARCKJOHANN

Vuosikertomus 1994

Information for Shareholders

SHAREHOLDERS' MEETING

The Annual General Shareholders' Meeting of Starckjohann Oy is to be held at 1 p.m. on Thursday 27th April 1995 at the company's Head Office in Lahti (Neljänkaivonkatu 28, Lahti, Finland). The Meeting will deal with the matters stated in the notice calling the Meeting, to be published in the press. The notice will also state the manner of registration for the Shareholders' Meeting.

LIST OF SHAREHOLDERS

A list of the company's shares and their holders is kept in the Central Share Register (Osakekeskusrekisteri).

KEY FIGURES FOR THE CORPORATION

| (FIM million) | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---------|---------|---------|---------|---------|
| TURNOVER | 2,981.2 | 3,457.2 | 3,581.0 | 3,301.5 | 4,140.2 |
| change % | -13.8 % | -3.5 % | 8.5 % | -20.3 % | 18.6 % |
| PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS | 62.0 | -452.9 | -220.1 | -89.3 | -6.3 |
| BALANCE SHEET | | | | | |
| TOTAL | 1,621.9 | 1,943.5 | 2,607.6 | 2,401.5 | 2,329.0 |
| PERSONNEL | | | | | |
| AVERAGE | 1,621 | 2,114 | 2,413 | 2,133 | 2,325 |
| INVESTMENTS | 10.0 | 21.0 | 48.9 | 93.3 | 173.4 |

The result for 1993 before extraordinary items has been adjusted to correspond with the new format for income statements and with figures published in this annual report.

VALUE PARTICIPATION SYSTEM

The shares of Starckjohann Oy were transferred to a value participation system during 5th - 30th September 1994.

FINANCIAL INFORMATION

In addition to the Annual Report, Starckjohann will publish two Interim Reviews in 1995. These will appear as follows:

Interim Review 1 Jan.-30 April 1995, on 20th June

Interim Review 1 Jan.-31 August, on 19th October

The publications can be ordered by post from the

address Starckjohann Oy, Communications,

P.O. Box 54, FIN-15101 LAHTI, Finland

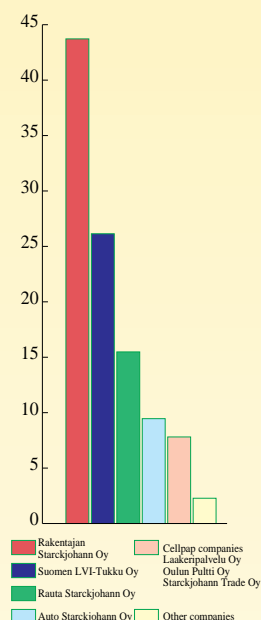
or by telephone no. +358 18-811911.

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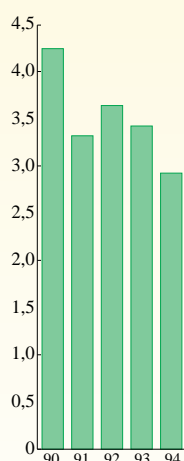
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The Diversified Trading Corporation

Distribution of turnover %



Development of turnover
Fim 1000 million



STARCKJOHANN CORPORATION

Starckjohann Oy

- * Founded in 1868
- * Stock-exchange listed from 1989
- * Operates in Lahti
- * Field of operation: diversified trading corporation
- * Turnover: FIM 2,981.2 million
- * Personnel: 1,566

MAIN DIVISIONS

Rakentajan Starckjohann Oy

- * Sector: Wholesaling and retailing of building materials (the Starkki chain) and sales of interior decoration supplies (the interior decoration group)
- * Turnover: FIM 1,303.3 million (incl. interior decoration group)
- * Share of corporation turnover: 43.72%

- * Personnel: 757
- * Operates in Hamina, Helsinki, Hyvinkää, Hämeenlinna, Imatra, Joensuu, Jyväskylä, Kajaani, Kotka, Lahti, Lappeenranta, Oulu, Pori, Rovaniemi, Seinäjoki, Tampere, Turku, Vantaa, St. Petersburg

- * Subsidiaries (firms specializing in the interior decoration field): Aninkaisten Tapetti ja Väri Oy, Mattoyhtymä Oy, Oulun Sisustajat Oy, Rova-Sisustus Oy, Kajaanin Sisustajat Oy and Tampereen Lattiatyö Oy, which make up the company's interior decoration group

Suomen LVI-Tukku Oy

- * Sector: Wholesaling and project export (Böge Larsen Projects) in the heating, plumbing and ventilation field
- * Turnover: FIM 779.2 million
- * Share of corporation turnover: 26.14%

- * Personnel: 288

- * Operates in Hämeenlinna, Iisalmi, Jyväskylä, Kuopio, Lahti,

- Lappeenranta, Oulu, Pori, Rovaniemi, Seinäjoki, Tampere, Turku, Vaasa, Vantaa; and the Böge Larsen Projects division in Helsinki, Moscow, St. Petersburg, Riga, Surgut

Rauta Starckjohann Oy

- * Sector: Trading in steels and metals, and steel pretreatment service
- * Turnover: FIM 461.4 million
- * Share of corporation turnover: 15.48%
- * Personnel: 180

- * Operates in Helsinki, Joensuu, Jyväskylä, Lahti, Lappeenranta, Oulu, Pori, Seinäjoki, Tampere, Turku

Auto Starckjohann Oy

- * Sector: District sales of motor vehicles, and after-sales service (Opel, Saab, Nissan (1.5.1995), Mercedes-Benz, Honda, BMW)
- * Turnover: FIM 282.1 million
- * Share of corporation turnover: 9.46%

- * Personnel: 120
- * Operates in Heinola, Hämeenlinna, Lahti, Tampere

OTHER CORPORATION COMPANIES

- * Total turnover: FIM 232.9 million
- * Share of corporation turnover: 7.81%
- * Total profits: FIM 8.6 million
- * Total personnel: 221

Laakeripalvelu Oy

- Sector: Sales of bearings and power transmission products
- * Operates in Helsinki, Lahti, Tampere

Oulun Pultti Oy

- Sector: Sales of fastening requisites (bolts etc.)
- * Operates in Kemi, Oulu, Rovaniemi

Starckjohann Trade Oy

- * Sector: Export and import trading
- * Operates in Helsinki, Bucharest, Moscow, Prague, Tallinn

President's Review

The Starckjohann Corporation entered the year 1994 from perhaps the most difficult starting position in its history. The Parent Company and four other companies of the Corporation had run into a profitability and financing crisis as a consequence of the long-lasting depression in the construction sector, considerable expansion of operations, and incurring of excess liabilities; in October 1993, an application for statutory corporate reorganization of those companies had been submitted.

The expressed wish of the financing sources, debtors and shareholders for the continued operation of the Starckjohann Corporation signified the existence of a faith that the business operations of this tradition-rich trading house had a sound core. However, in order for that core to be found, it was necessary to implement in-depth changes involving the corporate structure and operations, in compliance with the remedial programme drawn up.

The ownership structure of the Corporation changed in connection with the strengthening of equity that took place in Spring 1994 in accordance with the programme, so that the share of the financing sources in the Corporation ownership grew substantially. This definite strengthening of equity, along with the debt rearrangements implemented, will continue to provide a firm foundation for long-term development of the Corporation's business operations.

In connection with putting the balance-of-payments structure on a sound footing, unprofitable business operations were eliminated from the Corporation, costs were cut, and the corporate structure was simplified. At the same time, the new Executive Board reinforced the new strategic policy lines along which development measures have been begun in the four main business sectors of the Corporation: sales of building supplies and wood products, sales of steels and metals, wholesaling in the heating, plumbing and ventilation field, and sales of motor vehicles.

The operative result for 1994 shows that there exists in the Corporation companies a healthy core for business operations. The development in profits and losses has taken an immediate turn for the better, and the result of the operations has improved noticeably.

The prospects for the current year in the main business sectors of the Starckjohann Corporation are, at the very least, reasonable. The slight upswing in the demand on the domestic markets is likely to continue; and there will be further

growth in the trade in steels and metals (which has been revived especially by export) and in the sales of motor vehicles. The Corporation's capital structure and financing are in order, the basic policy lines for the business operations have been laid down, and development measures begun. The financial result has also taken an upward turn, and since the development in early 1995 is according to the goals set, there is a strong forward-looking spirit in the Corporation.

The implementation of the changes and the reversal of the trend have been made possible by the long-standing trust which all our partners in cooperation, customers, suppliers and financing sources, as well as former and present shareholders, have shown towards us. I should like to express my warmest thanks to our interest groups for building the foundation which will enable us to fulfil our obligations in accordance with the reorganization programme. In the future also, our principal goal as the stock-exchange listed Parent Company will be to develop our operations so that the market value of shares in the Company, and thereby the value of our shareholders' investment, will increase.

Special thanks are due to the entire personnel of the Starckjohann companies, who, in the turmoil of the changes, have been stretched even to unreasonable limits. The hard work is not over, but rather, after a good start, our task will be to demonstrate that this 126-year-old trading corporation, originating in Vyborg, is still in the future a service enterprise worthy of its name and reputation.


Taisto Riski
President, CEO

Executive Board and Auditors

Meeting of the Executive Board, 23rd March 1995. Front row, from the left: Leo Vatanen, Chairman of the Board; and Hannu Anttila, Board member. Back row, from the left: Pekka Jaatinen, overseer in accordance with the Statutory Corporate Reorganization Act; Sisko Kanervaara, Board member; Taisto Riski, President and CEO; and Matti Elovaara, Board member. Board member Kari Kolu is not in the picture.

EXECUTIVE BOARD

Chairman:

Leo Vatanen (economist, LLM)

Members:

Hannu Anttila (financial manager)

Matti Elovaara (managing director)

Sisko Kanervaara (LLM)

Kari Kolu (managing director)

PRESIDENT, CEO

Taisto Riski (economist, CPA)

AUDITORS

Regular Auditors

Mauri Palvi, CPA

Reino Tikkanen, CPA

Deputy Auditor

KPMG Wideri Oy Ab

GENERAL REVIEW

The Starckjohann Corporation had run into serious profitability and financing problems due to the long-lasting depression, considerable expansion of operations, and partially unsuccessful company acquisitions, as well as a delay in remedial measures. As a consequence of these factors, on 27 October 1993, the Parent Company, Starckjohann Oy, and four other companies of the Corporation were designated for statutory corporate reorganization.

During 1994, the Corporation has concentrated on putting its business operations on a sound footing, as well as on the implementation of other rearrangements in connection with the statutory corporate reorganization procedure. The business operations and statutory corporate reorganization of the Corporation have proceeded according to plan.

During the statutory reorganization procedure, when preparing the programme, the initial focus was on strengthening the Corporation's equity and financial structure. In connection with the ratification of the corporate reorganization programme, some liabilities of the Corporation were converted into equity, debts were partially reduced, the interest rate for debts was adjusted, and repayment periods were lengthened. Alongside these measures, considerable efforts were made to set the Corporation's functional business operations on a healthy foundation and to develop them. Unprofitable business operations were eliminated, the cost structure was eased, and the corporate structure and organization were revised.

The first aim in developing the business operations was to ensure the success of the corporate reorganization and the continuation and development of the operations in the short term, so that sufficient operational prerequisites and development opportunities could be created for the Corporation and its main business divisions in the long term also. During the period, strategic policy lines were laid down for the operations, and development measures along these lines were begun.

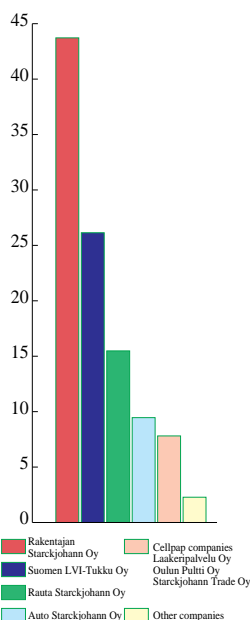
On 31 August 1994, the Helsinki District Court ratified the statutory corporate reorganization programmes for the Parent Company of the Corporation, Starckjohann Oy, for Rakentajan Starckjohann Oy and its subsidiary Lappeenrannan Rautakauppa Oy, and for Starckjohann Palvelut Oy and Vahva-Jussi Oy. The reorganization programmes for Starckjohann Oy, Lappeenrannan Rautakauppa Oy and Vahva-Jussi Oy will last until the year 2002, and those for Rakentajan Starckjohann Oy and Starckjohann Palvelut Oy until 1998.

A prohibition on dividend distribution, affecting the companies undergoing the corporate reorganization, will be in force for the duration of the reorganization programmes.

In the Starckjohann Corporation, in accordance with these programmes, there has been an emphasis on four main business sectors, which are the responsibility of the subsidiaries specializing in them. Some of these form their own subcorporations. The Corporation's principal business divisions are: sales of building supplies, hardware and wood products (Rakentajan Starckjohann Oy); sales of steels and metals (Rauta Starckjohann Oy); wholesaling of heating, plumbing and ventilation products (Suomen LVI-Tukku Oy); and sales of motor vehicles (Auto Starckjohann Oy). Some business operations outside of these main sectors have been eliminated from the Corporation. In addition to the principal divisions, the only operations to be retained in the Corporation will be those that bring additional value to those main sectors and function profitably. At present, the most important of the other sectors in the Corporation are represented by Laakeripalvelu Oy, Oulun Pultti Oy, Starckjohann Trade Oy - and Bøge Larsen Projects, operating as a division of Suomen LVI-Tukku Oy.

There was a definite improvement in the market situation during 1994, especially in sectors of the Corporation serving the export industry, such as the trade in steels and the wholesaling of technical goods. The demand for hardware and construction

Distribution of turnover %



supplies also grew a little, and sales of motor vehicles revived. The cautious growth in wholesaling in the heating, plumbing and ventilation sector continued also.

Thanks to the implemented reorganization measures and an improvement in the economic situation, the business operations have developed positively during the period, and the Corporation's operative result, after financial items, is positive.

The costs of the statutory corporate reorganization, the recording of a considerably lower value and additional depreciation for some Corporation assets, and the reductions made in reorganization liabilities, were included under extraordinary income and expenses, after which the Corporation's result before appropriations and taxes still constituted a loss.

The substantial improvement in the result of the business operations, as well as the measures taken during 1994 to strengthen the balance-of-payments structure and self-sufficiency of the Parent Company and the Corporation, make it possible for Starckjohann Oy to continue its operations as the stock-exchange listed Parent Company of the Corporation, and for the Corporation companies to be able to fulfil their obligations and to continue and develop their business operations on a profitable basis. The Corporation aims in the long term at controlled growth, along with further improvement in its cost-effectiveness, profitability, control of capital, self-sufficiency, and returns on invested capital.

TURNOVER

The turnover of the Starckjohann Corporation for the 1994 financial period was FIM 2,981.2 million (1993: FIM 3,457.2 million), constituting a fall of 13.8 per cent.

This fall in turnover was mainly due to sales and winding down of some of the Corporation's business operations, and to a deliberate reorientation of the sales structure away from volume-intensive commission business towards the more profitable warehouse trade.

The Corporation's turnover in 1994 was divided between the different business sectors as follows:

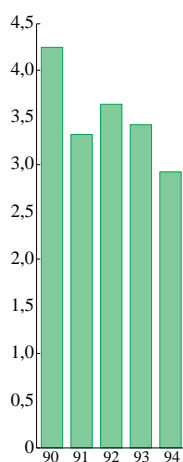
| | Turnover (FIM 1000) | % share | % change from 1993 |
|-------------------------------------|---------------------|---------|--------------------|
| <i>Main Divisions:</i> | | | |
| Rakentajan Starckjohann | 1,303,345 | 43.72 | -20.2 |
| Suomen LVI-Tukku | 779,232 | 26.14 | 0.6 |
| Rauta Starckjohann | 461,433 | 15.48 | 29.8 |
| Auto Starckjohann | 282,087 | 9.46 | 11.9 |
| <i>Other Corporation companies:</i> | | | |
| Cellpap companies | 232,876 | 7.81 | 8.9 |
| Laakeripalvelu | | | |
| Oulun Pultti | | | |
| Starckjohann Trade | | | |
| Other companies | 68,089 | 2.28 | -85.5 |
| Internal invoicing | -145,828 | -4.89 | |
| <hr/> | | | |
| Total Corporation turnover | 2,981,234 | 100.00 | -13.8 |

FINANCIAL RESULT

The Corporation's operative result improved significantly. The operating margin was FIM 157.2 million, being 5.3 per cent of turnover (1993: FIM -10.7 million, or -0.3%). The Corporation's profit amounted to FIM 75.2 million or 2.5 per cent of turnover (1993: FIM -162.7 million, -4.7%). Profits grew for all those companies that represent the main business sectors of the Corporation.

The profit of the Rakentajan Starckjohann subcorporation was FIM 19.4 million, being 1.5 per cent of turnover (1993: FIM -76.1 million, -4.7%). The profit grew significantly as a result of the rearrangements made during 1994. In order to improve the efficiency of the business operations, business groups were formed in the company - the wholesale group and the retail group - functioning as chains under centralized direction. The logistics of the company were improved by starting central warehouse operations. The trade focus was shifted to warehouse and retail trade, at the same time markedly reducing commission business, which was operating with only a small margin. Unprofitable sales outlets were closed down.

Development of turnover FIM 1000 million



The profit of Rauta Starckjohann Oy was FIM 22.1 million, or 4.8 per cent of turnover (1993: FIM 5.4 million, 1.5%). The profitability of the trade in steels and metals improved, owing to the favourable development in the economic situation and particularly to a positive development in exports from the metal industry. Also contributing positively towards the improved result was a growth in the demand for steel pretreatment services.

The profit of Suomen LVI-Tukku Oy also improved noticeably. The profit was FIM 47.3 million, being 6.1 per cent of turnover (1993: FIM 15.4 million, 1.9%). The profitability of wholesale trade in the heating, plumbing and ventilation field was improved by changes in the market situation in that sector, changes which the company was able to benefit from effectively thanks to its well-functioning concept of customer service. A significant addition to the result was provided by export projects (under Bøge Larsen Projects) that yielded a result during 1994.

The profit of Auto Starckjohann Oy was FIM 3.7 million, or 1.4 per cent of turnover (1993: FIM -2.4 million, -1.0%). The profitability of the motor vehicle trade increased, due to a growth in the demand for motor vehicles as the economic situation improved. However, the company's result was still burdened by credit losses arising from, for example, the terminated importation of snowmobiles.

The Corporation's depreciation was FIM 82.0 million (1993: FIM 151.9 million). The result, after financial items, was FIM 62.1 million (1993: FIM -452.8 million). The net effect of extraordinary income, extraordinary expenses, and additional depreciation (which was mostly made following ratification of the reorganization programmes) amounted to FIM -127.9 million. The Corporation's result before appropriations and taxes was FIM -65.9 million (1993: -485.1 million).

The consolidated financial statements show a loss of FIM 50,244,422.94 (1993: a loss of FIM 415,618,208.82).

In connection with the statutory corporate reorganization procedure, the Corporation practice in relation to bookkeeping entries had been tightened up already in the closing of accounts for 1993. This meant that interest items and value reductions, for example, that are partly based on a period of several years, were then recorded in the financial statements.

The effects of the reorganization procedure and programme are to be seen in several different items in the 1994 accounts - mainly, however, in the financial expenses and extraordinary items. Owing to these factors, the financial periods 1993 and 1994 are not comparable with each other.

FINANCING

During the statutory corporate reorganization procedure and programme, the financing of the Corporation has been taken care of by means of income financing, and according to the plans for repayment of debts in conformity with the reorganization programmes. For the companies involved in the reorganization, interest has been paid throughout the year on security liabilities and, since the ratification of the programme, also on Corporation commitment liabilities.

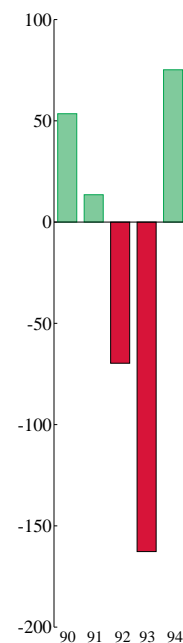
The liquidity of the Corporation has been good throughout the year.

During 1994, debts of FIM 133.5 million have been repaid in accordance with the reorganization programme, and debts totalling FIM 588.6 million have been converted into equity.

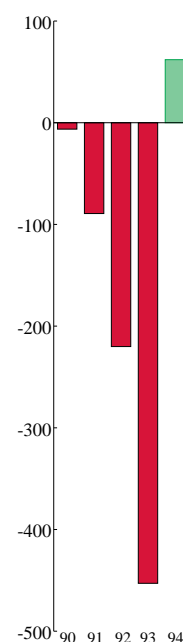
The Corporation's liabilities as of 31 December 1994 include debts totalling FIM 796.7 million confirmed in the reorganization programmes. These debts are divided as follows:

Reorganization accounts payable FIM 69.0 million, interest-free, repayment by 30 June 1995; reorganization liabilities FIM 203.3 million, interest-free, repayment period 4-8 years; security liabilities FIM 226.9 million, interest 6% from the start of the procedure, repayment period 4-8 years; Corporation commitment liabilities, i.e. debts of the Parent Company that are guaranteed by Corporation companies, FIM 257.3 million,

Development of operating profit
FIM million



Result after financial items
FIM million



interest 1% from confirmation in 1994, increasing by stages to 6%, repayment period 4-8 years; pension fund liabilities FIM 40.3 million, interest 8% in 1994, repayment period 4-8 years. Corporation shareholders' funds constituted 18.8% of its total assets (1993: neg.).

INVESTMENTS

The Corporation's investments were few, and were mainly directed towards developing the network of sales outlets for the trade in building supplies.

CORPORATE STRUCTURE

During the period, the following changes took place in the structure of the Corporation:

- The entire stock of TMT Malinen Oy (owned by Starckjohann Oy and Starckjohann Tekniikka Oy) and of the subcorporation formed by it, was sold on 1 January 1994 to the operative management of TMT Malinen Oy.

- Penope Oy, a subsidiary of Starckjohann Oy, was transferred out of the Corporation on 30 April 1994 when Starckjohann Oy sold shares in that company to the operative management. After this transaction, Starckjohann Oy owns 45.9 per cent of the company's shares and 49.1 per cent of the voting rights.

- During the period, the measures connected with the winding down of the business operations of Starckjohann Tekniikka Oy and Suomen Startools Oy were brought to a conclusion. A part of the operations of Suomen Startools Oy was transferred to Penope Oy.

- Lappeenrannan Rautakauppa Oy and Haminan Vanha Rautakauppa Oy were merged with Rakentajan Starckjohann Oy on 31 December 1994.

- The administrative functions for the Corporation were transferred from Starckjohann Palvelu Oy to the Parent Company.

- The operations of STJ Yritysllogistiikka Oy were decentralized to Rakentajan Starckjohann Oy, Rauta Starckjohann Oy and the Parent Company.

- Kymen Tekniikka Oy, Keskustan Laakeripiste Oy and Laakeriketju Oy were merged on 31 December 1994 with Laakeripalvelu Oy.

- The operations of Cellpap Oy and the subcorporation formed by it were sold on 30 December 1994 to the Swedish Bim-Kemi AB and to the operative management of the Cellpap companies.

SHAREHOLDING IN LISTED COMPANIES

At the end of the year, Starckjohann Oy owned shares in the OTC-listed company Penope Oy as follows: 188,254 A-series shares and 197,600 K-series shares, i.e. in total 45.9 per cent of the company's shares and 49.1 per cent of the voting rights.

Apart from Penope Oy, Starckjohann Oy did not have, during the 1992 financial period, a holding of more than 5 per cent of the shares or voting rights of any other company quoted on the stock exchange or publicly traded.

SHARES AND SHARE CAPITAL

In connection with the reorganization programme for the Parent Company of the Corporation, Starckjohann Oy, and in accordance with the decision of the Annual General Shareholders' Meeting of Starckjohann Oy on 17 May 1994 - the Company's share capital was first of all reduced to FIM 12.0 million by changing the nominal value of a share from FIM 5 to FIM 1. At the same time, the share series were combined, after which all the Company's shares give identical rights. These changes were noted in the trade register on 15 June 1994.

In the same connection, the Shareholders' Meeting decided to raise the Company's share capital again after the ratification of the statutory corporate reorganization, by means of new

subscription aimed towards the public, amounting to at least FIM 60.0 million and at most FIM 150.0 million. The period for the new subscription was 14 September - 12 October 1994, and the subscription price was FIM 5 per share. The total amount of the subscriptions was FIM 589.2 million. The debts of the Parent Company were converted into equity of FIM 588.6 million; and in addition, subscription payments of FIM 0.6 million were made to the Company in money form.

After the subscriptions, the Company's share capital grew by FIM 117.8 million, from FIM 12.0 million: as from the registration on 19 October 1994, it has been FIM 129.8 million. An issue profit of FIM 471.4 million was entered in the reserve fund.

The Starckjohann Oy shares were transferred to a value participation system from 5-30 September 1994, and the new shares were recorded directly as value participations. When the increase in share capital had been registered on 19 October 1994, the shares issued in the subscriptions were listed as old shares on the Helsinki Stock Exchange from 25 October 1994.

At the end of the year, the Company's Executive Board members and Chief Executive Officer owned, according to the share register, a total of 677,283 shares, representing 0.5 per cent of the share capital and 0.5 per cent of the voting rights.

During 1994, the price development and trading of Starckjohann Oy shares was as follows:

From 1 January - 15 June 1994, the lowest price for B shares was FIM 7.00 and the highest FIM 12.00, with the average price being FIM 9.80. The number of shares traded was 348,245, to a total value of FIM 3,413,000.20.

From 16 June - 31 December 1994, after the combining of the share series, the lowest price for shares was FIM 5.00 and the highest FIM 9.70, with the average price being FIM 8.78. The number of shares traded was 680,349, to a total value of FIM 5,975,523.53.

BIGGEST SHAREHOLDERS 31.12.1994

| <i>Name</i> | <i>Number of shares</i> | <i>Shareholding, % of shares and of votes</i> |
|-------------------------------|-------------------------|---|
| Union Bank of Finland Ltd | 68,713,417 | 52.9 |
| Skopbank | 27,000,568 | 20.8 |
| Metsä-Serla Oy | 6,000,000 | 4.6 |
| Kansallis-Osake-Pankki | 3,895,297 | 3.0 |
| Starckjohann Foundation | 3,156,128 | 2.4 |
| Pohjola Insurance Company Ltd | 2,486,437 | 1.9 |
| Starckjohann Solveig | 1,538,629 | 1.2 |
| Penope Oy | 1,404,802 | 1.1 |

The Union Bank of Finland Ltd is the Parent Company of Starckjohann Oy. The financial statements for the Union Bank of Finland Ltd and for Starckjohann Oy have not been combined.

EXECUTIVE BOARD

From 1 January - 17 May 1994, the Company's Executive Board comprised Bernt Starckjohann as Chairman, and Pertti Berg, Thelma Bruun, Liisa Kanervaara, Juhani Salminen (until 15 April 1994), Gerdt Starckjohann and Solveig Starckjohann as members; and from 17 May 1994, Leo Vatanen (economist, LLM) as Chairman, and Hannu Anttila (financial manager), Matti Elovaara (managing director), Sisko Kanervaara (LLM) and Kari Kolu (managing director) as members.

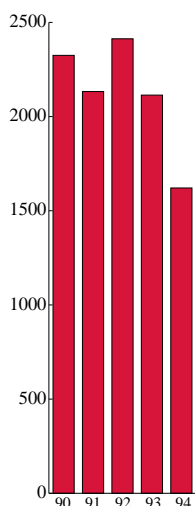
CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of the Company from 1 January - 30 April 1994 was Pertti Berg (economist, mining counsellor); and from 1st May 1994, Taisto Riski (economist, CPA).

AUDITORS

From 1 January - 17 May 1994, Reino Hyytiäinen CPA (CPA Audit Office Kihlman Oy) and Esa Hietala CPA (Tilintarkastus Oy Hietala, Paul & Tuominen, CPA) acted as the Corporation's Regular Auditors, and Kari Manner CPA (CPA Audit Office Kihlman Oy) and Kalervo Virtanen

Personnel, average



CPA (Helsinki School of Economics) as the Deputy Auditors. From 17 May 1994, the Regular Auditors were Mauri Palvi, CPA and Reino Tikkanen, CPA, and the Deputy Auditor was KPMG Wideri Oy Ab.

OVERSEER IN ACCORDANCE WITH THE STATUTORY CORPORATE REORGANIZATION ACT

On 31 August 1994, the Helsinki District Court assigned the lawyer Pekka Jaatinen as overseer for the monitoring of the statutory corporate reorganization programme.

PERSONNEL, WAGES AND SALARIES

The personnel of the Corporation averaged 1,621 employees (1993: 2,114 employees); and that of the Parent Company, 29 employees (1993: 33 employees). At the beginning of the period, the Corporation personnel numbered 1,914; and at the end of the period, 1,566.

The wages, salaries and fees paid in the Corporation totalled FIM 207,309,898.25 (1993: FIM 254,259,672.69), of which FIM 9,747,841.81 (1993: FIM 10,588,541.46) was paid in remuneration to the management of the Corporation. The wages, salaries and fees paid in the Parent Company totalled FIM 5,107,493.00 (1993: FIM 5,979,230.78), of which FIM 1,447,618.52 (1993: FIM 1,073,032.00) was paid in remuneration to the management of the Parent Company.

EVENTS AFTER THE FINANCIAL PERIOD

On 25 January 1995, the Court of Arbitration enjoined Suomen LVI-Tukku Oy and the Parent

Company, Starckjohann Oy (which had acted as its guarantor), under joint liability, to pay Aspo-yhtymä Oy FIM 9.0 million, plus interest and legal costs, from 24 February 1995 onwards as compensation in connection with a project for export to Russia agreed on in 1989.

The payments in compliance with the arbitration award, along with the interest and costs, were recorded in their entirety as costs for Suomen LVI-Tukku Oy for 1994.

The competition in wholesaling of heating, plumbing and ventilation products in Finland is becoming intensified this year with the advent of a new competitor. In Suomen LVI-Tukku, after the resignation of key personnel at the beginning of 1995, a new management has been appointed, the organization has been revised, and the operations have been consolidated in such a way that the company will be able to meet the growing competition in that sector with full force and on the same scale as before.

OUTLOOK FOR 1995

The streamlining of the corporate structure will be continued further. It is estimated that the liquidity of the Corporation will remain good, and that the debt repayments in accordance with the statutory corporate reorganization programme will be covered by income financing. The positive development is predicted to continue this year in the main business sectors of the Starckjohann Corporation. It is estimated that the Corporation's turnover will rise to about FIM 3200 million.

Consolidated Income Statement

| (FIM 1000) | 1.1.1994—31.12.1994 | | 1.1.1993—31.12.1993 | |
|---|---------------------|-----------|---------------------|-----------|
| TURNOVER | 2,981,234 | | 3,457,236 | |
| Share in profits of affiliate companies | 641 | | 0 | |
| Other income from business operations | 10,546 | | 5,950 | |
| Other expenses of business operations | -5,249 | | -3,760 | |
| EXPENSES | | | | |
| Materials, supplies and products: | | | | |
| Purchases during the financial period | 2,421,869 | | 2,703,813 | |
| Increase (-) or decrease (+) in inventories | -43,886 | | 284,637 | |
| External services | 65,164 | | 0 | |
| Personnel expenses | 266,662 | | 315,426 | |
| Rents | 23,293 | | 38,288 | |
| Other expenses | 96,837 | 2,829,939 | 128,010 | 3,470,174 |
| OPERATING MARGIN | 157,233 | | -10,748 | |
| DEPRECIATION ON FIXED ASSETS AND OTHER CAPITALIZED EXPENDITURE | | | | |
| Intangible assets | 19,358 | | 47,134 | |
| Buildings and structures | 15,780 | | 19,148 | |
| Machinery and equipment | 34,518 | | 43,033 | |
| Other tangible assets | 1,167 | | 0 | |
| Fixed asset securities and other long-term investments | 831 | | 1,881 | |
| Goodwill | 10,389 | 82,043 | 40,740 | 151,936 |
| OPERATING PROFIT/LOSS | 75,190 | | -162,684 | |
| FINANCIAL INCOME AND EXPENSES | | | | |
| Dividend income | 287 | | 67 | |
| Interest income from long-term investments | 1,129 | | 0 | |
| Interest income from short-term investments | 8,961 | | 16,179 | |
| Other financial income | 7,684 | | 0 | |
| Exchange rate profits | 8,060 | | 0 | |
| Interest expenses | -34,850 | | -142,767 | |
| Other financial expenses | -1,738 | | -163,639 | |
| Exchange rate losses | -2,672 | -13,139 | 0 | -290,160 |
| PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES | 62,051 | | -452,844 | |
| EXTRAORDINARY INCOME AND EXPENSES | | | | |
| Extraordinary income | 97,684 | | 9,889 | |
| Extraordinary expenses | -46,228 | | -42,184 | |
| Additional depreciation | -179,361 | -127,905 | 0 | -32,295 |
| PROFIT/LOSS BEFORE RESERVES AND TAXES | -65,854 | | -485,139 | |
| Increase/decrease in accelerated depreciation | 9,831 | | -3,013 | |
| Increase/decrease in voluntary reserves | 7,308 | | 48,151 | |
| Direct taxes: | | | | |
| Taxes for the year | 681 | | 2,827 | |
| Taxes from previous years | 222 | 903 | 19 | 2,846 |
| PROFIT/LOSS BEFORE MINORITY INTERESTS | -49,618 | | -442,847 | |
| Minority interests | 627 | | -27,228 | |
| PROFIT/LOSS FOR THE PERIOD | -50,245 | | -415,619 | |

Consolidated Balance Sheet

| (FIM 1000) | 31.12.1994 | | 31.12.1993 | |
|---|------------|------------------|------------|------------------|
| ASSETS | | | | |
| Fixed assets and other non-current investments | | | | |
| Intangible assets | | | | |
| Intangible rights | 1,581 | | 775 | |
| Commercial value | 1,350 | | 0 | |
| Goodwill | 38,245 | | 108,921 | |
| Other capitalized expenditure | 72,073 | 113,249 | 144,615 | 254,311 |
| Tangible assets | | | | |
| Land and water areas | 47,421 | | 63,511 | |
| Buildings and structures | 331,587 | | 504,584 | |
| Machinery and equipment | 87,002 | | 129,042 | |
| Other tangible assets | 3,249 | | 0 | |
| Advanced payments and construction in progress | 2,344 | 471,603 | 2,174 | 699,311 |
| Fixed asset securities and other non-current investments | | | | |
| Shares in affiliate companies | 11,801 | | 0 | |
| Other shares and participations | 32,189 | 43,990 | 40,986 | 40,986 |
| VALUATION ITEMS | | 22,659 | | 26,367 |
| CURRENT ASSETS | | | | |
| Stocks | | | | |
| Raw materials and consumables | 335,067 | | 328,554 | |
| Work in progress | 1,424 | | 0 | |
| Other stocks | 71,825 | | 56,458 | |
| Advance payments | 1,126 | 409,442 | 0 | 385,012 |
| Receivables | | | | |
| Trade receivables | 271,946 | | 332,248 | |
| Loan receivables | 22,154 | | 4,823 | |
| Prepaid expenses and accrued income | 75,149 | | 17,108 | |
| Other receivables | 55,329 | 424,578 | 137,883 | 492,062 |
| Cash and bank accounts | | 136,338 | | 43,440 |
| TOTAL ASSETS | | <u>1,621,859</u> | | <u>1,941,489</u> |

Consolidated Balance Sheet

(FIM 1000)

| | 31.12.1994 | | 31.12.1993 | |
|--|----------------|------------------|-----------------|------------------|
| LIABILITIES | | | | |
| SHAREHOLDERS' EQUITY | | | | |
| Restricted equity | | | | |
| Share capital | 129,842 | | 60,000 | |
| Reserve fund | 593,419 | | 74,091 | |
| Revaluation fund | <u>7,422</u> | 730,683 | <u>16,031</u> | 150,122 |
| Non-restricted equity | | | | |
| Profit/loss from previous periods | -467,347 | | -13,286 | |
| Profit/loss for the period | <u>-50,245</u> | -517,592 | <u>-415,619</u> | -428,905 |
| FUNDED DEBT | | 39,625 | | 1,911 |
| MINORITY INTERESTS | | 1,343 | | 42,104 |
| PROVISIONS | | | | |
| Accelerated depreciation | | 22,470 | | 61,703 |
| Voluntary provisions: | | | | |
| Intermediate reserve | 33,745 | | 44,461 | |
| Investment reserve | 1,471 | | 1,471 | |
| Credit loss reserve | <u>0</u> | 35,216 | <u>2,971</u> | 48,903 |
| Obligatory reserve | | 19,214 | | 0 |
| CREDITORS | | | | |
| Non-current liabilities | | | | |
| Loans from credit institutions | 29,489 | | 463,532 | |
| Pension loans | 45,018 | | 206,558 | |
| Other non-current liabilities | <u>674</u> | 75,181 | <u>86,869</u> | 756,959 |
| Current liabilities | | | | |
| Loans from credit institutions | 23,013 | | 648,353 | |
| Pension loans | 8,754 | | 0 | |
| Advances received | 73,657 | | 31,900 | |
| Trade payables | 217,868 | | 344,039 | |
| Prepaid income and accrued liabilities | 71,191 | | 101,177 | |
| Other current liabilities | <u>24,538</u> | 419,021 | <u>183,223</u> | 1,308,692 |
| Reorganization liabilities | | | | |
| Reorganization trade payables | 68,958 | | 0 | |
| Unsecured reorganization liabilities | 203,296 | | 0 | |
| Secured liabilities | 226,860 | | 0 | |
| Corporation commitment liabilities | 257,262 | | 0 | |
| Pension fund liabilities | <u>40,322</u> | 796,698 | <u>0</u> | 0 |
| TOTAL LIABILITIES | | <u>1,621,859</u> | | <u>1,941,489</u> |

Consolidated Statement of Source and Application of Funds

| (FIM 1000) | 31.12.1994 | 31.12.1993 |
|--|------------------|-----------------|
| SOURCE OF FUNDS | | |
| Operating income | | |
| Operating margin | 157,233 | -10,748 |
| Extraordinary incomes and expenses | -127,905 | -32,295 |
| Financial incomes and expenses | -13,139 | -290,160 |
| Taxes | -902 | -2,845 |
| Total income from operations | 15,287 | -336,048 |
| Share issue | 69,842 | 0 |
| Change in reserve fund | 519,328 | 0 |
| Increase in compulsory reserve | 19,214 | 0 |
| Non-current financial assets | 65,223 | 0 |
| Increase in reorganization liabilities | 796,698 | - |
| Change in valuation items | 3,708 | 108,363 |
| Decrease in fixed assets | 283,721 | 12,862 |
| | <u>1,773,021</u> | <u>-214,823</u> |
| APPLICATION OF FUNDS | | |
| Cancellation of revaluations | 47,013 | 0 |
| Change in accelerated depreciation | 39,233 | 0 |
| Decrease in non-current liabilities | 644,064 | 632,574 |
| Non-current liquid assets | 0 | 95,396 |
| Decrease in minority interests | 40,761 | 27,671 |
| Other changes | -2,789 | -4,450 |
| | 768,282 | 751,191 |
| Change in net working capital | <u>1,004,739</u> | <u>-966,014</u> |
| | <u>1,773,021</u> | <u>-214,823</u> |
| CHANGE IN NET WORKING CAPITAL | | |
| Cash and bank deposits | 92,898 | 1,477 |
| Current liquid assets | -2,260 | -190,908 |
| Inventories | 24,430 | -276,893 |
| Current liabilities | 889,671 | -499,690 |
| | <u>1,004,739</u> | <u>-966,014</u> |

Parent Company: Income Statement

| (FIM 1000) | 1.1.1994—31.12.1994 | | 1.1.1993—31.12.1993 | |
|---|---------------------|-----------------|---------------------|-----------------|
| TURNOVER | | 9,901 | | 10,065 |
| Other income from business operations | | 0 | | 5,616 |
| Other expenses of business operations | | -3,233 | | -184 |
| EXPENSES | | | | |
| Personnel expenses | 6,958 | | 7,514 | |
| Rents | 721 | | 762 | |
| Other expenses | 7,028 | 14,707 | 4,858 | 13,134 |
| OPERATING MARGIN | | -8,039 | | 2,363 |
| DEPRECIATION ON FIXED ASSETS AND OTHER CAPITALIZED EXPENDITURE | | | | |
| Buildings and structures | 2,331 | | 1,568 | |
| Machinery and equipment | 829 | | 1,371 | |
| Other tangible assets | 504 | | 11,210 | |
| Fixed asset securities and other long-term investments | 0 | 3,664 | 31,187 | 45,336 |
| OPERATING PROFIT/LOSS | | -11,703 | | -42,973 |
| FINANCIAL INCOME AND EXPENSES | | | | |
| Dividend income | 57 | | 33 | |
| Interest income from short-term investments | 14,491 | | 63,998 | |
| Exchange rate profits | 3,155 | | 0 | |
| Interest expenses | -17,288 | | -101,196 | |
| Other financial expenses | 0 | | -130,979 | |
| Exchange rate losses | -1 | 414 | 0 | -168,144 |
| PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES | | -11,289 | | -211,117 |
| EXTRAORDINARY INCOME AND EXPENSES | | | | |
| Extraordinary income | 106,786 | | 5,617 | |
| Extraordinary expenses | -290,765 | | -24,765 | |
| Additional depreciation | -108,584 | -292,563 | 0 | -19,148 |
| PROFIT/LOSS BEFORE RESERVES AND TAXES | | -303,852 | | -230,265 |
| Increase/decrease in accelerated depreciation | | 783 | | -1,019 |
| Increase/decrease in optional reserves | | 0 | | 0 |
| Direct taxes: | | | | |
| Taxes for the year | 0 | | 220 | |
| Taxes from previous years | 56 | 56 | 0 | 220 |
| PROFIT/LOSS FOR THE PERIOD | | <u>-303,125</u> | | <u>-231,504</u> |

Parent Company: Balance Sheet

(FIM 1000)

ASSETS

| | 31.12.1994 | | 31.12.1993 | |
|---|------------|----------------|------------|------------------|
| Fixed assets and other non-current investments | | | | |
| Intangible assets | | | | |
| Intangible rights | 57 | | 948 | |
| Other non-current expenditure | 759 | 816 | 926 | 1 874 |
| Tangible assets | | | | |
| Land and water areas | 21,584 | | 26,036 | |
| Buildings and structures | 67,125 | | 127,494 | |
| Machinery and equipment | 2,731 | | 6,355 | |
| Other tangible assets | 1,088 | 92,528 | 0 | 159,885 |
| Fixed asset securities and other non-current investments | | | | |
| Shares in subsidiaries | 162,140 | | 249,456 | |
| Shares in affiliate companies | 11,807 | | 0 | |
| Other shares and participations | 13,934 | 187,881 | 10,741 | 260,197 |
| VALUATION ITEMS | | 5,358 | | 5,358 |
| CURRENT ASSETS | | | | |
| Receivables | | | | |
| Trade receivables | 1,967 | | 5,602 | |
| Loan receivables | 78,480 | | 360,000 | |
| Prepaid expenses and accrued income | 2,010 | | 15,866 | |
| Other receivables | 401,849 | 484,306 | 225,656 | 607,124 |
| Cash and bank accounts | | 4,294 | | 599 |
| TOTAL ASSETS | | <u>775,183</u> | | <u>1,035,037</u> |

LIABILITIES

SHAREHOLDERS' EQUITY

| | | | | |
|--|----------|----------------|----------|------------------|
| Restricted equity | | | | |
| Share capital | 129,842 | | 60,000 | |
| Reserve fund | 593,367 | | 74,000 | |
| Revaluation fund | 6,800 | 730,009 | 15,031 | 149,031 |
| Non-restricted equity | | | | |
| Profit/loss from previous periods | -158,042 | | 111,866 | |
| Profit/loss for the period | -303,125 | -461,167 | -231,504 | -119,638 |
| PROVISIONS | | | | |
| Accelerated depreciation | | 0 | | 9,862 |
| Obligatory reserve | | 9,250 | | 0 |
| CREDITORS | | | | |
| Non-current liabilities | | | | |
| Loans from credit institutions | 3,230 | | 271,417 | |
| Pension loans | 5,358 | 8,588 | 115,587 | 387,004 |
| Current liabilities | | | | |
| Loans from credit institutions | 0 | | 553,794 | |
| Pension loans | 0 | | 6,967 | |
| Trade payables | 115 | | 1,689 | |
| Prepaid income and accrued liabilities | 3,892 | | 23,260 | |
| Other current liabilities | 74 | 4,081 | 23,068 | 608,778 |
| Reorganization liabilities | | | | |
| Unsecured reorganization liabilities | 35,327 | | 0 | |
| Secured liabilities | 153,952 | | 0 | |
| Corporation reorganization liabilities | 28 | | 0 | |
| Corporation commitment liabilities | 257,262 | | 0 | |
| Pension fund liabilities | 37,853 | 484,422 | 0 | 0 |
| TOTAL LIABILITIES | | <u>775,183</u> | | <u>1,035,037</u> |

Parent Company: Statement of Source and Application of Funds

(FIM 1000)

| SOURCE OF FUNDS | 31.12.1994 | 31.12.1993 |
|---|------------------|-----------------|
| Operating income | | |
| Operating margining | -8,040 | -3,069 |
| Extraordinary incomes and expenses | -292,563 | -13,715 |
| Financial incomes and expenses | 414 | -80,072 |
| Taxes | <u>-56</u> | <u>-220</u> |
| Total income from operations | -300,245 | -97,076 |
| Increase in compulsory reserve | 9,250 | - |
| Increase in reorganization liabilities | 484,422 | - |
| Non-current liquid assets | 105,327 | 263,257 |
| Share issue | 69,842 | - |
| Change in reserve fund | 519,367 | - |
| Sales of fixed assets | <u>137,068</u> | <u>-</u> |
| | <u>1,025,031</u> | <u>166,181</u> |
| APPLICATION OF FUNDS | | |
| Acquisition of fixed assets | 0 | 203 |
| Decrease in non-current liabilities | 378,417 | 549,157 |
| Value reduction of fixed assets through accumulated accelerated depreciation | 9,079 | - |
| Cancellation of revaluations | 46,635 | - |
| Non-current liquid assets | <u>-</u> | <u>-</u> |
| | 434,131 | 549,360 |
| Change in net working capital | <u>590,900</u> | <u>-383,179</u> |
| | <u>1,025,031</u> | <u>166,181</u> |
| CHANGE IN NET WORKING CAPITAL | | |
| Cash and bank deposits | 3,695 | -39 |
| Current liquid assets | -17,492 | -36,199 |
| Current liabilities | <u>604,697</u> | <u>-346,941</u> |
| | <u>590,900</u> | <u>-383,179</u> |

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED ACCOUNTS

The consolidated accounts include the companies in which the Corporation has a holding of over 50 %. Subsidiaries with no business activities and also the housing company Asunto-osakeyhtiö Lahdenkatu 14 have not been included in the consolidated accounts. Shares of VJ-Kiinteistöt Oy in subsidiaries - included in its inventories - have also been excluded from the consolidated calculations.

Of the affiliate companies, only Penope Oy and its subsidiary Kiinteistö Oy Tupalankatu 9, which together form the Penope group, have been included in the consolidated accounts. The other companies affiliated to the Starckjohann Corporation have been noted as having such a minor significance for the business operations of the Corporation and such a small degree of association with it, that they have not been taken into account when preparing the consolidated financial statements. The exclusion of these companies from the consolidated accounts is of no essential significance from the standpoint of the Corporation equity. The share of the affiliate companies in the result has been calculated by the capital participation method, and is recorded as a separate entry among the items relating to the business operations.

The results arising from the mergers effected in the Corporation at the end of the financial period have been treated as follows: the merger losses for companies merged with Laakeripalvelu Oy, totalling FIM 2.6 million, have been recorded in their entirety under the expenses of the receiving company as once-off depreciation. Out of the merger loss for Haminan Vanha Rautakauppa Oy, merged with Lappeenrannan Rautakauppa Oy (FIM 12.4 million altogether), FIM 9.5 million was recorded under expenses as once-off depreciation; and the rest, FIM 2.9 million, was allocated to properties transferred in the merger. The merger loss of FIM 40.2 million for Lappeenrannan Rautakauppa Oy was handled in the consolidated financial statements in accordance with the continuation of Corporation goodwill, and the remaining goodwill in the consolidated accounts is FIM 13.7 million.

Inter-company shareholdings have been eliminated on the basis of the purchase method. The greater part of the goodwill earlier allocated to fixed assets has been written off entirely by additional depreciation of the fixed asset categories concerned. Additional depreciation of unallocated goodwill, expressed directly as goodwill, has been made where necessary. The depreciation period for goodwill has been altered to correspond to the duration period of the reorganization programme for Starckjohann Oy - thus, the present goodwill will be wholly written off by the year 2002.

The subsidiaries' remaining goodwill is to be written off by straight-line depreciation over a 10-

year period, and other fixed assets by depreciation according to plan based on the economic life of the assets. The depreciation plan for fixed assets was adjusted at the end of the year, and the depreciation plans for the whole Starckjohann Corporation were standardized accordingly. The new depreciation periods are, in general, shorter compared with those previously in use. The new periods have applied from the beginning of 1994. The change in the depreciation plan did not signify any essential change in the Corporation's depreciation. The depreciation plan is presented in more detail in the section of the notes that deals with depreciation.

In consolidation, the accounts of foreign subsidiaries have been converted into Finnish currency at the average rate of the Bank of Finland on the Corporation's balance-sheet date. The exchange rate differences have been debited/credited against the distributable shareholders' equity. The Corporation's inter-company receivables, liabilities and business transactions have been eliminated in the consolidated financial statements. Minority interests have been separated from the Corporation equity and from the result, and have been entered on the balance sheet as a separate item under liabilities.

2. EXTRAORDINARY INCOME AND EXPENSES

The new depreciation plan for the Corporation has been taken into account from the beginning of the financial year, and the method of recording normal depreciation according to plan is similar to that in the previous accounts. Besides normal depreciation, however, additional depreciation totalling FIM 179.4 million has been made in the accounts at Corporation level. The additional depreciation has been divided between the following balance sheet items:

| | <i>FIM 1000</i> |
|---|-----------------------|
| - Buildings and structures | 31,997 |
| - Land areas | 4,452 |
| - Shares (that have not been eliminated in the consolidated accounts) | 2,277 |
| - Long-term expenditure | 56,006 |
| - Goodwill | 32,686 |
| - Allocated goodwill | 14,699 |
| - Advances, and acquisitions in progress | 1,972 |
| - Machinery and equipment | 7,470 |
| - Once-off depreciation of merger losses | 27,803 |
| | <u>179,361</u> |

The additional depreciation is based on value reductions and value adjustments made for Corporation properties, shares, long-term expenses, and machinery and equipment, as well as once-off depreciation recorded in connection with the

mergers effected at the turn of the year. Furthermore, value adjustments have been made for both normal and allocated goodwill; and, on the basis of these, the necessary additional depreciation has been made. Besides the additional depreciation presented in the table, value reductions totalling FIM 467.7 million for shares in subsidiaries have been made in different Corporation companies. The items in question do not appear in the consolidated accounts, since their effect becomes eliminated in connection with the compilation of the accounts.

The additional depreciation made is recorded as a separate entry under the category of extraordinary items. The depreciation according to plan is thus of the correct degree of magnitude in relation to the 12-month period, and the additional depreciation does not hinder the comparability of the income statement items with those in the previous accounts.

Under the category of extraordinary items for the Corporation, extraordinary income amounting to FIM 97.7 million has been recorded. This income mainly comprises the reduction in liabilities of the five Corporation companies undergoing statutory corporate reorganization, plus adjusting entries for 1993 interest income and interest expenses. Another important item under the category of extraordinary income are the sales profits of FIM 19.3 million resulting from sales of business operations.

The category of extraordinary expenses for the Corporation, totalling FIM 46.2 million, is made up mainly of the costs of statutory corporate reorganization, value reductions for financial assets, realization losses, and the compensation paid by Suomen LVI-Tukku Oy to Aspoyhtymä Oy.

The extraordinary income for the Parent Company, totalling FIM 106.8 million, consists mainly of Corporation contributions received, amounting to FIM 98.2 million. Of the extraordinary expenses for the Parent Company, totalling FIM 290.8 million, the most important items are the reductions - according to the programme - of FIM 201.1 million in financial assets payable by Corporation companies; instalments amounting to 49.0 million falling due on the basis of guarantees given for subsidiaries; and compounds totalling FIM 25.0 million granted to subsidiaries.

7. PERSONNEL EXPENSES AND PERQUISITIES

| | <i>Corporation</i> | | <i>Parent Company</i> | |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | <i>1994</i> <i>FIM 1000</i> | <i>1993</i> <i>FIM 1000</i> | <i>1994</i> <i>FIM 1000</i> | <i>1939</i> <i>FIM 1000</i> |
| Wages and salaries | 208,313 | 238,010 | 4,719 | 5,862 |
| Perquisites | 3,728 | 4,538 | 204 | 228 |
| Pension expenses | 11,130 | 8,734 | 161 | 117 |
| Other additional personnel expenses | 47,219 | 61,166 | 2,078 | 1,534 |
| Total | 270,390 | 312,448 | 7,162 | 7,741 |

The personnel expenses for 1993 are not fully deductible from the income statement, due to changes in categorization.

3. VALUATION OF FIXED ASSETS

Fixed assets are recorded on the balance sheet as the difference between acquisition value and accumulated depreciation. In the income statement, the depreciation relating to fixed assets is recorded as depreciation according to plan based on their economic life. For some properties, the acquisition value has been adjusted by cancelling revaluations. During 1994, revaluations of altogether FIM 47.0 million relating to fixed assets were cancelled.

4. VALUATION OF INVENTORIES

The inventories have been valued at their direct acquisition value, or at a probable transfer price lower than that.

5. CURRENCY ITEMS

During the period, the differences in exchange rate on accounts receivable and accounts payable were recorded in the profit and loss statement as adjusting entries for sales and purchases. The exchange rate differences on financial items appear in the income statement as separate entries under the category of financial income and financial expenses.

6. DISTRIBUTION OF TURNOVER

In the financial statements of 31 December 1994, the turnover was divided between the different business sectors as follows:

| <i>Main Divisions:</i> | <i>FIM 1000</i> | <i>% share</i> |
|-------------------------------------|------------------|-----------------|
| Rakentajan Starckkohann Oy | 1,303,345 | 43.72 % |
| Suomen LVI-Tukku Oy | 779,232 | 26.14 % |
| Rauta Starckjohann Oy | 461,433 | 15.48 % |
| Auto Starckjohann Oy | 282,087 | 9.46 % |
| <i>Other Corporation companies:</i> | | |
| Cellpap companies | 232,876 | 7.81 % |
| Laakeripalvelu Oy | | |
| Oulun Pultti Oy | | |
| Starckjohann Trade Oy | | |
| Other companies | 68,089 | 2.28 % |
| Internal invoicing | -145,828 | -4.89 % |
| <i>Corporation total</i> | 2,981,234 | 100.00 % |

8. DEPRECIATION

In the income statement, the depreciation is expressed as the depreciation according to plan and the change in excess depreciation, which shows the degree of magnitude of the book depreciation compared with the depreciation according to plan. The change in excess depreciation appears for some Corporation companies for the additional reason that, in connection with value reductions on buildings, any excess depreciation has been made smaller or the excess depreciation relating to that asset has been eliminated entirely. The depreciation periods to be used in the Starckjohann Corporation, based on the economic life of the asset and adjusted during 1994, are as follows:

| | |
|---------------------------------|---|
| – Buildings | Straight-line depreciation, 20-30 years depending on intended use of building |
| – Light structures | Straight-line depreciation, 5 years |
| – Machinery and equipment | Straight-line depreciation, 5-7 years |
| – Trucks and cranes | Straight-line depreciation, 12 years |
| – Production machinery | Straight-line depreciation, 12 years |
| – Building components | Straight-line depreciation, 10 years |
| – ADP programmes | Straight-line depreciation, 5 years |
| – Other capitalized expenditure | Straight-line depreciation, 5 years |
| – Goodwill | Straight-line depreciation, 5-10 years |

Breakdown of depreciation:

| | <i>Corporation</i> | | <i>Prent Company</i> | |
|---|--------------------|------------------|----------------------|------------------|
| | <i>1994</i> | <i>1993</i> | <i>1994</i> | <i>1993</i> |
| | <i>FIM 1 000</i> | <i>FIM 1 000</i> | <i>FIM 1 000</i> | <i>FIM 1 000</i> |
| <i>Depreciation according to plan</i> | | | | |
| Other capitalized expenditure | 19,358 | 47,134 | 504 | 11,210 |
| Buildings and structures | 15,780 | 19,148 | 2,331 | 1,568 |
| Machinery and equipment | 34,518 | 43,033 | 829 | 1,371 |
| Total | 69,656 | 109,315 | 3,664 | 14,149 |
| <i>Book depreciation</i> | | | | |
| Other capitalized expenditure | 19,358 | 47,134 | 504 | 11,210 |
| Buildings and structures | 11,433 | 21,148 | 2,331 | 1,568 |
| Machinery and equipment | 29,034 | 44,364 | 46 | 2,390 |
| Total | 59,825 | 112,646 | 2,881 | 15,168 |
| <i>Change in accelerated depreciation</i> | | | | |
| Buildings and structures | 4,347 | -1,682 | 0 | 0 |
| Machinery and equipment | 5,484 | -1,331 | 783 | -1,019 |
| Total | 9,831 | -3,013 | 783 | -1,019 |
| <i>Accumulated accelerated depreciation</i> | | | | |
| Buildings and structures | 12,893 | 54,557 | 0 | 9,079 |
| Machinery and equipment | 9,578 | 7,146 | 0 | 783 |
| Total | 22,471 | 61,703 | 0 | 9,862 |

Through value reductions on buildings, the accumulated depreciation in excess of plan decreased by FIM 19.8 million for the Corporation, and by FIM 9.1 million for Starckjohann Oy.

9. CORPORATION CONTRIBUTIONS

| <i>Provider of Corporation contributon:</i> | <i>Recipient of Corporation contributon:</i> | <i>1000 mk:</i> |
|---|--|-----------------|
| Ingman Oy Ab | Kiinteistö Oy Vihiojantie 1 | 915 |
| Jyväskylän Kaukorahti Oy | Kiinteistö Oy Vihiojantie 1 | 74 |
| Aninkaisten Tapetti ja Väri Oy | Starckjohann Oy | 2,490 |
| Oulun Pultti Oy | Starckjohann Oy | 1,220 |
| Rauta Starckjohann Oy | Starckjohann Oy | 20,270 |
| Auto Starckjohann Oy | Starckjohann Oy | 2,550 |
| Suomen LVI-Tukku Oy | Starckjohann Oy | 52,290 |
| Laakeripalvelu Oy | Starckjohann Oy | 390 |
| Cellkem-Tuotteet Oy | Starckjohann Oy | 2,932 |
| Cellkem-Service Oy | Starckjohann Oy | 16,056 |
| Cellkem-Service Oy | Starckjohann Tekniikka Oy | 3,000 |
| Total | | 102,187 |

The Parent Company, Starckjohann Oy, received Corporation contributions totalling FIM 98.2 million.

10. INTER-COMPANY FINANCIAL INCOME AND EXPENSES

| | Parent Company | |
|--|----------------|----------|
| | 1994 | 1993 |
| | FIM 1000 | FIM 1000 |
| Financial income received from Corporation companies | | |
| Interest income from non-current investments | 0 | 0 |
| Interest income from current investments | 14,077 | 54,343 |
| Financial expenses paid to Corporation companies | | |
| Interest expenses | 1 | 10,098 |
| Other financial expenses | 0 | 0 |

12. CORPORATION SHAREHOLDINGS

| CORPORATION COMPANIES | Corporation shareholding % of shares | Corporation shareholding % of votes | Corporation share of equity, FIM 1000 | Parent Company share, % of shares | Parent Company share, no. of shares | Corporation share, no. of shares | Nominal value FIM 1000 | Book value FIM 1000 | Profit/loss in last financial statements FIM 1000 |
|-------------------------------------|--------------------------------------|-------------------------------------|---------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|------------------------|---------------------|---|
| Oy Allstrap Ab | 100 | 100 | 11 | - | - | 200,000 | - | 0 | -1,990 |
| Aninkaisten Tapetti ja Väri Oy | 100 | 100 | 835 | - | - | 205 | 205 | 7,000 | 149 |
| * Asunto Oy Lahdenkatu 14 | 70 | 70 | 1,374 | 70 | 1,982 | 1,982 | 59 | 4,557 | -26 |
| Auto Starckjohann Oy | 100 | 100 | 18,360 | 100 | 1,700 | 1,700 | 17,000 | 20,513 | -1,824 |
| C & SG a.s. | 56 | 56 | 549 | 56 | 67 | 67 | - | 96 | 517 |
| Cellkem Converting Oy | 100 | 100 | -346 | - | - | 10 | 15 | 15 | -357 |
| Cellkem-Tuotteet Oy | 100 | 100 | 3,017 | - | - | 2,925 | 2,925 | 2,925 | -4 |
| Cellkem-Service Oy | 100 | 100 | 5,982 | - | - | 110 | 110 | 2,000 | -101 |
| Cellmaster Scandinavia Ab | 95 | 95 | -22 | - | - | 503 | 34 | 36 | -82 |
| Cellpap Oy | 100 | 100 | -2,749 | - | - | 200 | 20 | 4,000 | -5,080 |
| Entesrem Oy | 100 | 100 | 166 | - | - | 200 | 200 | 1,000 | -3 |
| Heinolan Auto Stj Oy | 70 | 70 | 221 | - | - | 350 | 350 | 350 | -146 |
| Ingman Oy Ab | 100 | 100 | 8,555 | - | - | 600 | 300 | 14,234 | 2 |
| * Jussi-Invest Oy | 100 | 100 | 9 | 100 | 50 | - | 100 | 150 | -151 |
| Jyväskylän Kaukorahti Oy | 100 | 100 | 59 | - | - | 240 | 60 | 1,934 | 1 |
| Kajaanin Sisustajat Oy | 85 | 85 | 291 | - | - | 170 | 170 | 185 | 58 |
| Kehä-Lattia Oy | 73.33 | 73.33 | -1 | - | - | 378 | 15 | 0 | 769 |
| Kiinteistö Oy Vihiojantie 1 | 100 | 100 | 5,635 | - | - | 15 | 15 | 4,295 | -5,858 |
| Kiinteistö Oy Linkokuja 4 | 100 | 100 | 998 | - | - | 150 | 15 | 1,000 | 1 |
| Kiinteistö Oy Linkokuja 6-8 | 100 | 100 | 896 | - | - | 838 | 838 | 1,000 | 11 |
| Kiinteistö Oy Saksalankatu 4 | 100 | 100 | -904 | - | - | 100 | 100 | 0 | -582 |
| Laakeripalvelu Oy | 100 | 100 | 1,524 | - | - | 2,960 | 1,500 | 6,400 | -893 |
| * A/O Lapra, St. Petersburg | 100 | 100 | - | - | - | - | - | 8 | - |
| * LVI-Starckjohann Oy | 100 | 100 | -71 | 100 | 300 | - | 30 | 0 | 0 |
| Mattohtymä Oy | 100 | 100 | -176 | - | - | 3,000 | 15 | 0 | -283 |
| Nummelan Omakoti Oy | 100 | 100 | -1,560 | - | - | 10 | 15 | 160 | 8,656 |
| Nummelan Rauta Oy | 100 | 100 | 20 | - | - | 100 | 15 | 0 | -33 |
| Oulun Laattakeskus Oy | 100 | 100 | 31 | - | - | 100 | 30 | 0 | -4 |
| Oulun Pultti Oy | 100 | 100 | 351 | - | - | 160 | 160 | 2,400 | -52 |
| Oulun Sisustajat Oy | 100 | 100 | 169 | - | - | 100 | 100 | 1,500 | 18 |
| Rakentajan Starckjohann Oy | 100 | 100 | 93,096 | 25 | 80,000 | 320,000 | 75,200 | 80,480 | -48,002 |
| Rauta Starckjohann Oy | 100 | 100 | 49,243 | - | - | - | 50,000 | 50,000 | -222 |
| Rova-Sisustus Oy | 78.48 | 78.48 | 873 | - | - | 259 | 259 | 264 | 420 |
| Starck-Irbis | 62 | 62 | -624 | 62 | 62 | 62 | - | 49 | -1,028 |
| Starckjohann Palvelu Oy | 100 | 100 | 82,475 | 100 | 9,000 | 9,000 | 60,003 | 75,000 | -5,222 |
| Starckjohann Tekniikka Oy | 100 | 100 | -12,386 | 100 | 2,000 | 2,000 | 100 | 0 | -27,885 |
| Starckjohann Trade Oy | 100 | 100 | -6,668 | 25 | 1,000 | 4,000 | 4,000 | 4,000 | -6,598 |
| Starckrom (Ltd) S.R.L. | 60 | 60 | 122 | - | - | - | - | 164 | 203 |
| Stavax Finland Oy & Co Ltd | 100 | 100 | -192 | - | - | - | 15 | 15 | -11 |
| * A. S. Starckjohann Balti | 100 | 100 | - | - | - | - | - | 4 | - |
| * Starckjohann & Co, St. Petersburg | 100 | 100 | - | - | - | - | - | 22 | - |
| * STJ-Trade (Pty) Ltd | 100 | 100 | - | - | - | 100 | 0.1 | 0 | - |
| STJ-Yritysllogistiikka Oy | 100 | 100 | -757 | 20 | 3 | 15 | 15 | 0 | -699 |
| Suomen Kiinteistöväkinkki Oy | 100 | 100 | -12 | - | - | 15 | 15 | 4 | -1 |
| Suomen LVI-Tukku Oy | 100 | 100 | -9,108 | 100 | 1,500 | 1,500 | 3,000 | 35,000 | -30,316 |
| Suomen Startools Oy | 90 | 90 | 2,906 | - | - | 7,994 | 2,000 | 0 | 574 |
| Tampereen Lattiatyö Oy | 100 | 100 | 51 | - | - | 450 | 45 | 300 | -47 |
| * Top-Levy Oy | 66 | 66 | -1,960 | 66 | - | - | 99 | 13 | 3,366 |
| Uudenmaan Tapetti ja Väri Oy | 100 | 100 | 55 | - | - | 25 | 100 | 2,857 | 104 |
| Vahva-Jussi Oy | 100 | 100 | -6,436 | 100 | 17,000 | 17,000 | 20,009 | 0 | -26,379 |
| VJ-Kiinteistöt Oy | 100 | 100 | 43,848 | - | - | 50,000 | 50,000 | 44,000 | -1,871 |
| Total | | | | | | | 367,938 | -150,909 | |

* Not included in the consolidated financial statements of 31 December 1994.

11. CHANGE IN OBLIGATORY RESERVES

As a Corporation expense for the financial period 1 January - 31 December 1994, an increase of FIM 19.2 million in compulsory reserves was recorded. The compulsory reserve is made up mainly of uncertain receivables likely to give rise to credit losses.

AFFILIATE COMPANIES

| | <i>Corporation shareh. % of shares</i> | <i>Corporation shareh. % of votes</i> | <i>Parent Company shareh. % of shares</i> | <i>Parent Company shareh. no. of shares</i> | <i>Corporation shareh. no. of shares</i> | <i>Nominal value FIM 1000</i> | <i>Book value FIM 1000</i> |
|---------------------------------------|--|---------------------------------------|---|---|--|-------------------------------|----------------------------|
| As. Oy Vasikkahaantie15 Lappeenrannan | 20 | 20 | 20 | 50 | 50 | 50 | 944 |
| Laakerikeskus Oy | 50 | 50 | - | - | 150 | 15 | 50 |
| Penope Oy | 45.9 | 49.1 | 45.9 | 385,854 | 385,854 | 1,929 | 11,074 |
| Rautakauppojen Hankinta Oy | 50 | 50 | 50 | 1,000 | 1,000 | - | 53 |
| RT-Kauppan Kehitys Oy | 42 | 42 | 42 | 60 | 60 | - | 21 |
| Oy Stalko Ab | 37.5 | 37.5 | 37.5 | 1,470 | 1,870 | 3,250 | 263 |
| Yhteisyritys Eastway | 25 | 25 | - | - | 4,994 | - | 29 |
| | | | | | | <i>Yhteensä</i> | <u>12,435</u> |

The result for the Penope group was FIM 1,586,300.11 and the share of equity was FIM 8,646,516.97.

The corresponding figures for the other affiliate companies are not known.

| COMPANIES IN WHICH SHAREHOLDING EXCEEDS FIM 100,000.00 | <i>Corporation shareholding % of shares</i> | <i>Parent company shareh. % of shares</i> | <i>Parent company shareh. no. of shares</i> | <i>Corporation shareholding no. of shares</i> | <i>Nominal value FIM 1000</i> | <i>Book value FIM 1000</i> |
|---|---|---|---|---|-------------------------------|----------------------------|
| A-rakennusmies Oy | - | - | - | 3,500 | 3 | 1,828 |
| Asunto Oy Alppilan Aho | - | - | - | 831 | 41 | 1,453 |
| Asunto Oy Haagan Pappilantie 1 | 9.5 | - | - | 8 | 0.08 | 677 |
| Asunto Oy Leivonhovi | 5.5 | - | - | 190 | 19 | 409 |
| Asunto Oy Lokkisaarentie 3 | - | - | - | 505 | 23 | 150 |
| Asunto Oy Pyynikintie 5 | 0.5 | - | - | 1,575 | 49 | 280 |
| Asunto Oy Aurorankatu 9 | 9.05 | 9.05 | 130 | 130 | 5 | 1,320 |
| Asunto Oy Itälähdenkatu 10 | 1.32 | 1.32 | 10,590 | 10,590 | 105 | 132 |
| Asunto Oy Lahden Citylinna | 11.28 | 11.28 | 267 | 267 | 267 | 372 |
| Asunto Oy Lahden Citytorni | 10.7 | 10.7 | 307 | 307 | 245 | 459 |
| Asunto Oy Mäkitorpantie 34-36 | - | - | 2 | 2 | 0.02 | 576 |
| Asunto Oy Puu-Tammelanraitti | - | - | - | 120 | - | 1,117 |
| Asunto Oy Rantapuisto | - | - | - | 363 | - | 236 |
| Asunto Oy Tempelikatu 6 | - | - | 3 | 3 | 0.03 | 3,098 |
| Asunto Oy Torivuodintie 13 | 1.39 | 1.39 | 51 | 51 | 7 | 361 |
| Byggnads AB Store Kyrkogatan 17 | 37 | - | - | 44 | 19 | 520 |
| DM-Tulosjärjestelmät Oy | 13 | 13 | 1,300 | 1,300 | 65 | 136 |
| Helsingin Puhelinyhdistys | - | - | 3 | 382 | 1,346 | 1,419 |
| Isko Oy | - | - | - | 59,500 | 595 | 102 |
| Kaunispään Kuntorinne | 9.2 | 9.2 | 92 | 92 | 2 | 715 |
| Keski-Suomen Puhelin Oy | - | - | - | 69 | 60 | 279 |
| Kiinteistö Oy Jyväskylän Aholaidan Kauppakeskus II | - | - | - | 1,639 | - | 2,868 |
| Kiinteistö Oy Kauppakartanonkatu 14 | - | - | - | 4 | - | 364 |
| Kiinteistö Oy Parolanhovi | - | - | - | 5 | - | 107 |
| Kiinteistö Oy Saimaan Ruori | - | - | - | 20,559 | 205 | 241 |
| Lahden Seurahuoneen Kiinteistö Oy | - | - | - | 3 | 150 | 150 |
| Liikepankki Unitas Oy | - | - | 30,688 | 31,628 | 316 | 307 |
| Lawfor Ky | - | - | - | 100 | - | 365 |
| Messilä Golf Oy | - | - | 2 | 2 | 0,02 | 104 |
| Oulun Puhelin Oy | - | - | - | 55 | 182 | 186 |
| Putkiyhtymä Oy | - | - | - | 129 | 19 | 109 |
| Päijät-Hämeen Puhelinyhdistys | - | - | 16 | 219 | 832 | 802 |
| Oy Servanc Ab | 10.1 | 10.1 | 525 | 525 | 527 | 527 |
| Suomen Osakekeskusrekisteri OK | - | - | 2 | 2 | 140 | 140 |
| Tampereen Puhelinosuuskunta | - | - | - | 107 | 374 | 423 |
| Teräs Taive Oy | 10.0 | - | - | 30 | 30 | 1,072 |
| Tieto-Tukku Oy | - | - | - | - | - | 100 |
| Tukkukauppojen Oy | - | - | 450 | 10,193 | 101 | 1,414 |
| Vaasan Läänin Puhelin Oy | - | - | - | 41 | - | 154 |
| Vakuutusosakeyhtiö Sampo | - | - | 12 | 865 | 17 | 177 |
| Väritukku Oy | 6.5 | - | - | 471 | 471 | 541 |
| | | | | | | 25,808 |

COMPANIES IN WHICH SHAREHOLDING IS LESS THAN FIM 100,000.00

PARENT COMPANY

OTHERS

624

1,141

TOTAL

27,573

13. INTANGIBLE AND TANGIBLE ASSETS

| | Corporation | | Parent Company | |
|---|------------------|------------------|------------------|------------------|
| | 1994 FIM 1000 | 1993 FIM 1000 | 1994 FIM 1000 | 1993 FIM 1000 |
| Intangible rights | | | | |
| Acquisition value 1.1. | 2,336 | 1,238 | 72 | 959 |
| Increases | 207 | 206 | 11 | 0 |
| Decreases | -295 | -462 | 0 | 0 |
| Acquisition value 31.12. | 2,248 | 982 | 83 | 959 |
| Accumulated depreciation according to plan 31.12. | -667 | -207 | -26 | -11 |
| Book value 31.12. | 1,581 | 775 | 57 | 948 |
| Goodwill | | | | |
| Acquisition value 1.1. | 179,063 | 173,053 | | |
| Increases | 5,703 | 6,026 | | |
| Decreases | -33,304 | -16 | | |
| Acquisition value 31.12. | 151,462 | 179,063 | | |
| Accumulated depreciation according to plan 31.12. | -80,531 | -70,142 | | |
| Additional depreciation | -32,686 | 0 | | |
| Book value 31.12. | 38,245 | 108,921 | | |
| Other capitalized expenditure | | | | |
| Acquisition value 1.1. | 241,955 | 233,166 | 29,913 | 26,903 |
| Increases | 26,888 | 13,995 | 522 | 2,123 |
| Decreases | -17,289 | -2,668 | 0 | 0 |
| Acquisition value 31.12. | 251,554 | 244,493 | 30,435 | 29,026 |
| Accumulated depreciation according to plan | -119,874 | -99,126 | -28,589 | -28,100 |
| Additional depreciation | -55,008 | -752 | 0 | 0 |
| Book value 31.12. | 76,672 | 144,615 | 1,846 | 926 |
| Buildings and structures | | | | |
| Acquisition value 1.1. | 500,650 | 574,177 | 143,526 | 180,350 |
| Increases | 22,474 | 34,521 | 34 | 0 |
| Decreases | -61,745 | -44,453 | -46,635 | -37,385 |
| Acquisition value 31.12. | 461,379 | 564,245 | 96,925 | 142,965 |
| Accumulated depreciation according to plan | -75,381 | -20,457 | -17,803 | -15,471 |
| Additional depreciation | -39,104 | -39,204 | -2,918 | 0 |
| Changes in accelerated depreciation | -18,749 | 0 | -9,079 | 0 |
| Allocations of merger loss | 1,560 | 0 | 0 | 0 |
| Allocations of goodwill | 1,882 | 0 | 0 | 0 |
| Book value 31.12. | 331,587 | 504,584 | 67,125 | 127,494 |
| Accumulated depreciation | | | | |
| in excess of plan 1.1. | 18,431 | 35,987 | 9,079 | 8,060 |
| Increase in accelerated depreciation 1.1.—31.12. | 0 | 1,384 | 0 | 1,019 |
| Decrease in accelerated depreciation 1.1.—31.12. | -7,531 | -3,373 | -9,079 | 0 |
| Accumulated depreciation in excess of plan 31.12 | 10,900 | 33,998 | 0 | 9,079 |
| Revaluations included in acquisition value for buildings | | | | |
| Revaluations 1.1. | 87,745 | 127,330 | 80,045 | 117,430 |
| Increase 1.1.-31.12. | 0 | 770 | 0 | 0 |
| Decrease 1.1.-31.12. | -55,792 | -39,585 | -46,635 | -37,385 |
| Revaluations 31.12. | 31,953 | 88,515 | 33,410 | 80,045 |
| Machinery and equipment | | | | |
| Acquisition value 1.1. | 245,233 | 239,630 | 10,102 | 7,979 |
| Increases | 8,434 | 55,105 | 30 | 2,262 |
| Decreases | -13,787 | -47,161 | -204 | -139 |
| Acquisition value 31.12. | 239,880 | 247,574 | 9,928 | 10,102 |
| Accumulated depreciation according to plan | -150,735 | -118,532 | -5,053 | -3,748 |
| Additional depreciation | -2,144 | 0 | -2,144 | 0 |
| Book value 31.12. | 87,001 | 129,042 | 2,731 | 6,354 |
| Accumulated depreciation | | | | |
| in excess of plan 1.1. | 13,870 | 28,729 | 783 | 783 |
| Increase in excess depreciation 1.1.-31.12. | 3,862 | 2,828 | 0 | 0 |
| Decrease in excess depreciation 1.1.-31.12. | -6,161 | -3,852 | -783 | 0 |
| Accumulated depreciation in excess of plan 31.12 | 11,571 | 27,705 | 0 | 783 |

14. TAXATION VALUES OF FIXED ASSETS

| | Corporation | | Parent company | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 1994 FIM 1000 | 1993 FIM 1000 | 1994 FIM 1000 | 1993 FIM 1000 |
| Taxation values | | | | |
| Land areas | 18,499 | 19,782 | 9,951 | 9,892 |
| Buildings | 202,312 | 219,400 | 57,753 | 60,752 |
| Shares and participation | 407,296 | 546,200 | 158,202 | 151,036 |

In cases where the taxation value has not been available, the book value has been stated

15. RECEIVABLES FROM AND LIABILITIES TO TO SUBSIDIARIES

| | Emoyhtiö | |
|--------------------------------------|------------------|------------------|
| | 1994 FIM 1000 | 1993 FIM 1000 |
| Receivables from subsidiaries | | |
| Trade receivables | 1,576 | 3,932 |
| Loan receivables | 78,400 | 360,000 |
| Prep. expens. and accr. income | 1,175 | 14,898 |
| Other receivables | <u>379,169</u> | <u>203,509</u> |
| Total receivables | <u>460,320</u> | <u>582,339</u> |
| Liabilities to subsidiaries | | |
| Non-current liabilities | 0 | 0 |
| Trade payables | 84 | 1,183 |
| Prep. income and accrued expenses | 10 | 2,222 |
| Other current liabilities | 11 | 21,985 |
| Corporate reorganization liabilities | 27 | 0 |
| Total liabilities | <u>132</u> | <u>25,390</u> |

19. SHAREHOLDERS' EQUITY

| | Corporation | | Parent Company | |
|---|------------------|------------------|------------------|------------------|
| | 1994 FIM 1000 | 1993 FIM 1000 | 1994 FIM 1000 | 1993 FIM 1000 |
| Share capital 1.1. | 60,000 | 60,000 | 60,000 | 60,000 |
| Transfer to reserve fund | -48,000 | 0 | -48,000 | 0 |
| New subscription | 117,842 | 0 | 117,842 | 0 |
| Share capital 31.12. | <u>129,842</u> | <u>60,000</u> | <u>129,842</u> | <u>60,000</u> |
| Reserve fund 1.1. | 74,091 | 74,104 | 74,000 | 74,000 |
| Transfer from share capital | 48,000 | 0 | 48,000 | 0 |
| Issue profit | 471,367 | 0 | 471,367 | 0 |
| Transfer of profits | 72 | 0 | 0 | 0 |
| Elimination of Stj. Oy shares owned by Vahva-Jussi Oy | -142 | 0 | 0 | 0 |
| Other Corporation eliminations | 31 | -13 | 0 | 0 |
| Reserve fund 31.12. | <u>593,419</u> | <u>74,091</u> | <u>593,367</u> | <u>74,000</u> |
| Revaluation fund 1.1. | 16,031 | 56,116 | 15,031 | 52,416 |
| Decreases | -400 | -40,085 | 0 | -37,385 |
| Decrease in connection with reduction of fixed assets | -8,231 | 0 | -8,231 | 0 |
| Increases | 22 | 0 | 0 | 0 |
| Revaluation fund 31.12. | <u>7,422</u> | <u>16,031</u> | <u>6,800</u> | <u>15,031</u> |
| Non-restricted equity 1.1. | -428,905 | -16,400 | -119,638 | 111,866 |
| Taxes from previous years | 0 | -118 | 0 | 0 |
| Cancellation of old revaluations | -38,404 | 0 | -38,404 | 0 |
| Dividend distribution | -237 | 0 | 0 | 0 |
| Change in conversion differences for subsidiaries' equity | -447 | 1,683 | 0 | 0 |
| Transfer of profits to reserve fund | -72 | 0 | 0 | 0 |
| Changes in corporate structure | 717 | 1,548 | 0 | 0 |
| Loss for the period | -50,244 | -415,618 | -303,125 | -231,504 |
| Non-restricted equity 31.12. | <u>-517,592</u> | <u>-428,905</u> | <u>-461,167</u> | <u>-119,638</u> |

17. PENSION COMMITMENTS OF MANAGEMENT, AND LOANS GRANTED TO MANAGEMENT OR SHAREHOLDERS

The pensionable age for the chief executive officer of the Parent Company and the managing directors of some companies belonging to the Corporation has been agreed on as 60 years. Loans to management and shareholders:

| | Company | | Parent Company | |
|-----------------|------------------|------------------|------------------|------------------|
| | 1994 FIM 1000 | 1993 FIM 1000 | 1994 FIM 1000 | 1993 FIM 1000 |
| To management | 150 | 1,004 | 150 | 150 |
| To shareholders | 599 | 696 | 0 | 0 |
| | <u>749</u> | <u>1,700</u> | <u>150</u> | <u>150</u> |

18. LIABILITIES FALLING DUE AFTER FIVE YEARS OR LONGER

| | Company | | Parent Company | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 1994 FIM 1000 | 1993 FIM 1000 | 1994 FIM 1000 | 1993 FIM 1000 |
| Loans from financ. instit. | 0 | *) | 0 | *) |
| Pension loans | 22,058 | | 22,058 | |
| Total | <u>22,058</u> | | <u>22,058</u> | |
| Reorganiz. liabilities | 40,367 | | 13,244 | |
| Security liabilities | 61,599 | | 57,732 | |
| Corporate reorganization liabilities | 11,981 | | 14 | |
| Corporation commitment liabilities | 128,631 | | 128,631 | |
| Pension fund liabilities | 14,124 | | 14,124 | |
| Total | <u>256,702</u> | | <u>213,745</u> | |

*) Due to the reorganization programme, there are no comparable figures for 1993.

16. PENSION ARRANGEMENTS AND DIVISION OF PENSION COSTS

Statutory pension security for personnel is arranged through pension insurance with outside pension insurance companies. In addition, some of the long-term employees in the service of the Corporation are also covered by the Starckjohann Oy registered pension fund and the Lappeenrannan Rautakauppa Oy registered pension fund.

The Starckjohann Oy registered pension fund is a joint one, to which Starckjohann Oy, Starckjohann Palvelut Oy, Rauta Starckjohann Oy and Auto Starckjohann Oy belong as employers. It takes the form of a closed, voluntary supplementary pension fund. The liability deficit of this pension fund on 31 December 1994 was FIM 22,751,946.97 (1993: FIM 22,751,946.97) and is recorded in the consolidated financial statements under valuation

items and pension loans. The Parent Company's share of the liability deficit was FIM 5,357,579.97 (1993: FIM 5,357,579.97) and is correspondingly recorded under valuation items. The Lappeenrannan Rautakauppa Oy registered pension fund takes the form of a closed, voluntary supplementary pension fund in which the employer company from 31 December 1994 is Rakentajan Starckjohann Oy. This pension fund had no liability deficit on 31 December 1994.

On 31 December 1994 the liability of Starckjohann Tekniikka Oy arising from voluntary supplementary pension commitments was FIM 2,908,594.00 (1993: FIM 3,414,103.00). The pension liabilities will be recorded as expenses by the year 2000.

20. PLEDGES AND COMMITMENTS 31.12.1994

| | Corporation | | Parent Company | |
|---------------------------------------|-------------|------------|-----------------------|-----------------------|
| | 31.12.1994 | 31.12.1993 | 31.12.1994 | 31.12.1993 |
| | FIM 1000 | FIM 1000 | FIM 1000 | FIM 1000 |
| For own liabilities | | | | |
| Pledges | 163,517 | 524,410 | 9,489 | 3,626 |
| Mortgages on land areas and buildings | 251,480 | 338,380 | 97,108 | 123,096 |
| Company mortgages | 637,550 | 652,850 | - | - |
| For subsidiaries' liabilities | | | | |
| Pledges | - | - | 3,099 | 87,189 |
| Mortgages on land areas and buildings | - | - | - | - |
| Company mortgages | - | - | 183,800 | 183,800 ^{*)} |
| Guarantees | - | - | 164,149 ^{*)} | 272,748 ^{*)} |
| For affiliate companies | | | | |
| Guarantees | 2,353 | 8,708 | 873 ^{*)} | 583 ^{*)} |
| For others | | | | |
| Guarantees | 218 | 16,440 | 207 ^{*)} | 16,376 |
| Other own commitments | | | | |
| Leasing commitments | 4,363 | - | - | - |
| Repurchase commitments | 10,586 | - | - | - |
| Instalment financing limit | 177 | - | - | - |
| Pension commitment | 68,873 | 67,657 | 46,671 | 44,186 |
| Other commitments | 30,710 | 284 | 19,456 | - |
| Total | | | | |
| Pledges | 163,517 | 524,410 | 12,588 | 90,815 |
| Mortgages on land areas and buildings | 251,480 | 338,380 | 97,108 | 123,096 ^{*)} |
| Company mortgages | 637,550 | 652,850 | 183,800 | 183,800 |
| Guarantees | 2,571 | 25,149 | 176,483 ^{*)} | 289,707 |
| Leasing commitments | 4,363 | - | - | - |
| Repurchase commitments | 10,586 | - | - | - |
| Instalment financing limit | 177 | - | - | - |
| Pension commitment | 68,873 | 67,657 | 46,671 | 44,816 |
| Other commitments | 30,710 | 284 | 19,456 | - |

^{*)} If the basis of the principal liability has come into being on 27 October 1993 or before and the guarantee liability thus becomes a reorganization liability, the creditors are paid 6% of the amount due, in accordance with Section 2.5.7 of the ratified reorganization programme for Starckjohann Oy.

Proposal to the Shareholders' Meeting

SHAREHOLDERS' EQUITY

| | <i>Parent Company</i> | <i>Corporation</i> |
|----------------------------|------------------------|------------------------|
| Restricted equity | | |
| Share capital | 129,841,733.00 | 129,841,733.00 |
| Reserve fund | 593,366,932.00 | 593,418,546.18 |
| Revaluation fund | 6,800,000.00 | 7,422,475.67 |
| | <u>730,008,665.00</u> | <u>730,682,754.85</u> |
| Non-restricted equity | | |
| Loss from previous periods | -158,042,163.32 | -467,347,830.71 |
| Loss for the period | -303,124,572.22 | -50,244,422.94 |
| | <u>-461,166,735.54</u> | <u>-517,592,253.65</u> |

RESULT FOR THE PERIOD AND PROCEDURE FOR HANDLING IT

The Corporation's accumulated losses as of 31st December 1994 were FIM -517,592,253.65. The Parent Company's accumulated losses as of 31st December 1994 were FIM -461,166,735.54.

The Executive Board proposes that no dividend be distributed; and that the Parent Company's negative non-restricted equity in its entirety, FIM -461,166,735.54, be covered by reducing the reserve fund. After this, the shareholders' equity will be as follows:

| | <i>Parent Company</i> |
|-----------------------|-----------------------|
| Restricted equity | |
| Share capital | 129,841,733.00 |
| Reserve fund | 132,200,196.46 |
| Revaluation fund | 6,800,000.00 |
| | <u>268,841,929.46</u> |
| Non-restricted equity | <u>0.00</u> |

Helsinki, 23rd March 1995

Leo Vatanen
Chairman of the Executive Board

Matti Elovaara

Hannu Anttila

Kari Kolu

Sisko Kanervaara

Taisto Riski
Chief Executive Officer

TO THE SHAREHOLDERS OF STARCKJOHANN OY

We have audited the accounting records and the financial statements, as well as the administration of Starckjohann Oy for the period 1994. The financial statements, which include the report of the Executive Board, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Executive Board and the Managing Director. 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 Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the Executive Board and the Managing Director have complied with the rules of the Finnish Companies Act.

The statutory corporate reorganization programme for the Company was ratified on 31 August 1994. The effect of the reorganization programme on the content of the accounts has been explained in the annual report of the Board and in the notes to the financial statements.

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

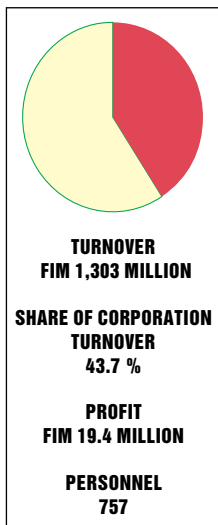
We have reviewed the interim reports made public by the company during the year. It is our understanding that the interim reports statements have been prepared in accordance with the rules and regulations governing the preparation of such reports in Finland.

Lahti, 29th March 1995

Mauri Palvi
CPA

Reino Tikkanen
CPA

Reviews of Divisions and Subsidiaries



RAKENTAJAN STARCKJOHANN

Rakentajan Starckjohann Oy engages in the sales of hardware and building materials as well as wood products and interior decorating supplies. Its main customer groups are the construction industry, the joinery industry, retailers, builders of private houses, redecorators and consumers. The company's national distribution network is made up of wholesale centres, the Starkki sales outlets and the interior decorating group. In Finland, it has 26 operating sites altogether in 18 different towns. In addition, the company engages in exportation of building supplies to Russia and the Baltic countries.

In 1994 the subcorporation formed by Rakentajan Starckjohann Oy included Lappeenrannan Rautakauppa Oy and Haminan Vanha Rautakauppa Oy, which were merged on 31 December 1994 with their parent company. Functionally, the Rakentajan Starckjohann subcorporation includes also firms specializing in the interior decorating field - Aninkaisten Tapetti ja Väri Oy, Oulun Sisustajat Oy, Kajaanin Sisustajat Oy, Rova-Sisustus Oy, Mattoyhtymä Oy, and Tampereen Lattiatyö Oy - which together form the company's interior decorating group.

The turnover of the Rakentajan Starckjohann subcorporation in 1994, including the interior decorating group, was FIM 1,303.3 million, that is 43.7% of the Starckjohann Corporation turnover (1993: FIM 1,633.8 million and 47.3%). The turnover fell by 20.2%; this was due to a continued decrease in 1994 in the overall demand for building supplies, to a reduction of the distribution network, and to a reorientation of sales away from direct commission business towards the more profitable warehouse and retail trade. The subcorporation's result was FIM 19.4 million or 1.5 % of its turnover (1993: FIM -76.1 million or -4.7%); and there were altogether 757 employees in its service at the end of 1994 (1993: 1,054). The number of personnel decreased due to closing of sales outlets and to other reorganization measures.

During 1994, the focus in the Rakentajan Starckjohann corporation was on getting the company's business operations onto a sound footing, and on measures connected with implementing the statutory corporate reorganization procedure and programme. On 31st August 1994, the Helsinki District Court ratified the corporate reorganization programmes

involving Rakentajan Starckjohann Oy and its subsidiary Lappeenrannan Rautakauppa Oy; these programmes will last until 1998.

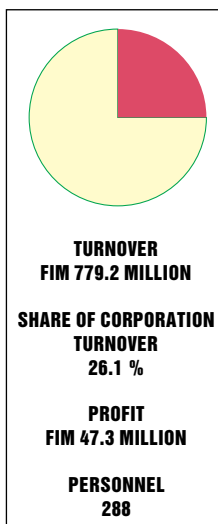
The business operations of the Rakentajan Starckjohann companies are dependent on demand from industry, and particularly from Finnish building operations. The total volume of building production decreased further during 1994. On the other hand, construction repairs and renovation of apartments continued at a reasonable level.

The companies' pattern of operation was changed by centralizing the marketing and purchasing functions, and changing over to chain-type operations in retailing and in wholesaling. As a consequence of these measures, unprofitable sales outlets were closed down, and the number of personnel was reduced. All the outlets of Rakentajan Starckjohann belong to the same subcorporation, which is a significant advantage from the standpoint of developing and directing the chain operations. The outlets are also competitive as regards their range of products: Rakentajan Starckjohann is the first building supplies concern operating nationwide whose product range includes - besides interior decorating, hardware and construction supplies - also all the relevant wood products.

The Helsinki and Kotka outlets were altered during 1994 to become pilot project stores conforming to the new pattern of operation. Also, in order to improve customer service, the development of new service units was continued. The commencement of centralized warehouse operations in Lahti also brought increased cost-effectiveness to the activities of the subcorporation: it has resulted in more effective use of capital by reducing warehouse capital and increasing the rate of circulation.

Thanks to the rearrangements and reorganization measures implemented during 1994, the profit of the Rakentajan Starckjohann companies improved noticeably compared with the previous year.

It is estimated that house building production as a whole in 1995 will remain at the level of last year. Apartment production may even decline. On the other hand, growth is to be expected in construction repairs and small-scale apartment renovation, which will also bring additional sales for the building and interior decorating trade. It is anticipated that the profit of the Rakentajan Starckjohann subcorporation will improve further in the current year.



SUOMEN LVI-TUKKU

Suomen LVI-Tukku Oy engages in wholesaling of heating, plumbing and ventilation products; and also project export activities relating to the construction of premises for ADP and other specialized purposes and the supply of technology for them. These project functions are the responsibility of a division of the company operating under the auxiliary business name of Böge Larsen Projects. In its wholesaling in the heating, plumbing and ventilation field, the company serves - in particular - installation firms in that field, process industry maintenance, and municipal heating systems, waterworks and district heating plants. The Böge Larsen Projects division is involved in project operations mainly in Russia and Latvia. In Finland, Suomen LVI-Tukku Oy has 14 operating sites in different parts of the country. In addition, the Böge Larsen Projects division has a representation in Moscow.

The turnover of Suomen LVI-Tukku Oy in 1994 was FIM 779.2 million, that is 26.1% of the Starckjohann Corporation turnover. The share of heating, plumbing and ventilation wholesaling in the company's turnover was FIM 682.0 million; and that of the project export trade (Böge Larsen Projects), FIM 97.1 million. The total turnover of the company grew by 0.6% (1993: FIM 774.5 million). The turnover in the heating, plumbing and ventilation wholesaling rose by about 12.6%; and in the project export trade, it fell by about 42.5%. The company increased its share of the heating, plumbing and ventilation wholesale market during 1994. The reason for the considerable drop in the project export turnover was that some big projects in Russia had yielded their result during the previous year. The profit of Suomen LVI-Tukku Oy improved significantly. The profit amounted to FIM 47.3 million or 6.1% of the company's turnover (1993: FIM 15.4 million and 1.9%). At the end of 1994, there were 288 employees in the service of the company (1993: 245), of whom 213 worked in the heating, plumbing and ventilation wholesaling, and 54 in the project export.

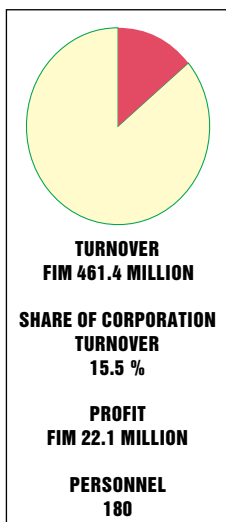
The business operations of Suomen LVI-Tukku Oy developed positively in 1994. During

the year, the long-continuing decline in demand for heating, plumbing and ventilation products ended. Also, new markets were opened up for the company through the disappearance of an important competitor from the markets. Suomen LVI-Tukku Oy strengthened its position further and increased its share of the Finnish heating, plumbing and ventilation markets, where it is the second largest wholesale firm in its sector.

In the heating, plumbing and ventilation field, Suomen LVI-Tukku Oy has concentrated only on wholesale trade and does not carry out installation functions at all. The company's activities are based on warehouse service - and particularly on cash-and-carry sale, the operations of which were further improved during 1994. An emphasis on warehouse trade and cash-and-carry sales service (which are more profitable than commission business), and on improvement of cost-effectiveness and more efficient use of capital, ensured the growth of profit in the heating, plumbing and ventilation wholesaling. The business operations of the Böge Larsen Projects division also produced a good result.

After the financial period, at the beginning of 1995, the managing director, finance manager and three district managers of Suomen LVI-Tukku Oy, and some of its other personnel, resigned from the service of the company. After that, a new management was appointed for the company, the organization was revised, the vacant jobs were filled, and the operations were consolidated in such a way that the company will be able to continue functioning at full strength and on the same scale as before.

It is estimated that the cautious growth in heating, plumbing and ventilation wholesaling will continue further during the current year. However, the competition on the Finnish markets in this sector is becoming intensified with the advent of a new competitor. By virtue of its good and well-functioning service concept and its cost-effectiveness, Suomen LVI-Tukku Oy has great possibilities of meeting the growing competition in the field. Also the orders placed with the Böge Larsen Projects division for 1995-1996 exceed the budgeted goals for the period.



RAUTA STARCKJOHANN

Rauta Starckjohann Oy engages in the sales of steels and metals, and in pretreatment operations for steels. The company serves the engineering industry in particular. Its operations are based on a wide warehouse range of steels, and the steel pretreatment service; and on effective utilization of these in the material chain between steel producer and end user. The company's distribution network covers the whole of Finland. The main steel warehouses and pretreatment centres are located in Lahti and Turku, with regional warehouses in Tampere and Oulu. Altogether, Rauta Starckjohann Oy has sales units in 10 towns in Finland. A guarantee of the quality of the company's service is its quality system in accordance with the ISO 9002 standard, certificated in 1992.

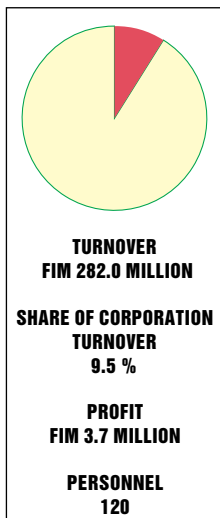
The turnover of Rauta Starckjohann Oy in 1994 was FIM 461.4 million, that is 15.5% of the Starckjohann Corporation turnover (1993: FIM 355.5 million and 10.3%). The turnover grew by 29.8%, due to an increased demand for steels and metals caused by a considerable growth in exports from the metal industry; and to the concomitant development in prices. Sales of pretreated steels rose by about 33.0%, and warehouse sales by about 20.0%. Commission business, on the other hand, decreased according to plan. The profit of Rauta Starckjohann Oy was FIM 22.1 million, or 4.8% of its turnover (1993: FIM 5.4 million, 1.5%). The profitability of the trade in steels and metals improved owing to a rise in the demand for metals in general - and in the pretreated steel sales and warehouse trade in particular, due to a high degree of utilization in the engineering industry. At the end of 1994, the company's pretreatment centres were operating at full capacity. Both in the pretreatment and in the warehouses, the number of working shifts was increased during the year, leading to a growth in the number of company personnel. At the end of 1994, there were 180 employees in the service of the company (1993: 149).

The investments made by Rauta Starckjohann Oy in pretreatment centres and automatic warehouses in previous years proved their

needfulness in 1994 especially. During that year, despite the marked growth in demand, there was no need to make any significant investments in warehouse premises or machinery and equipment - apart from the Lahti steel warehouse, which was extended at the end of the year. This extension will mainly improve the company's service to customers in the Eastern Finland District.

Also the investments in the quality system conforming to the ISO 9002 standard produced results during 1994. In spite of the noticeable growth in the number of deliveries, errors decreased in pretreatment production, in warehouse deliveries and in other functions, compared with the previous year. Fine adjustments were made in the quality system, and further efforts were made in quality assurance training and sales training for personnel. The prospects for Rauta Starckjohann Oy in 1995 are good. It is estimated that production in the engineering industry will grow by 10-12% this year, and that the degree of utilization will rise still higher than the present 85%. This will require of the steel wholesaling trade even better competitiveness and delivery reliability than before, in a situation where it is anticipated that the rise in prices will continue and the delivery periods of the steel factories will lengthen.

The demand for steels is being increased this year by industrial investments also; it is estimated that these will grow by around 30-40% in the forestry industry, for instance. The number of orders from shipyards, too, is good. Thanks to its pretreatment services, its warehouse premises, its quality system and its wide range of products, Rauta Starckjohann Oy is well prepared to respond to the rising demand in its sector, and to further develop its business operations this year in a profitable way.



AUTO STARCKJOHANN

Auto Starckjohann Oy engages in sales of automobiles and spare parts - as well as maintenance and repair functions - in Lahti, Tampere, Hämeenlinna, and also Heinola, where the company's 70%-owned subsidiary Heinolan Auto STJ Oy is responsible for the operations. Auto Starckjohann Oy is a so-called megadealer, representing several makes of car. The makes sold by the company are Opel, Saab, Mazda, Mercedes-Benz, Honda, BMW and GM-USA cars. The principal make is Opel, which the company represents in all the towns where it operates. In addition, in Lahti, Tampere and Hämeenlinna, Auto Starckjohann Oy also provides spare-part, maintenance and repair services for goods vehicles.

The turnover of Auto Starckjohann Oy in 1994 was FIM 282.0 million, that is 9.5% of the Starckjohann Corporation turnover (1993: FIM 251.9 million, 7.3%). The turnover rose by 11.9%, due mainly to a revival in the demand for private cars, and increased business in the spare parts trade and in the maintenance and repair operations. The company's profit was FIM 3.7 million or 1.4% of its turnover (1993: FIM -2.4 million, -1.0%). The growth in the motor vehicle trade improved the profitability of the company. This was, however, burdened by credit losses recorded for 1994 - from the snowmobile trade, which had been terminated earlier, and from the other terminated importation. The number of company personnel at the end of 1994 was 120 (1993: 129). The staff was reduced mainly because of the termination of those import activities.

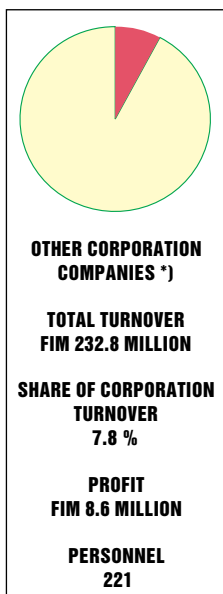
The year 1994 saw a clear turning-point for the motor vehicle trade in Finland. The long-continuing decline in sales came to a halt, and the trade in motor vehicles finally took an upward turn. During the year, a total of around 68,000 new private cars were registered in Finland, which was 20.4% more than in the previous year. The motor vehicle sales of Auto Starckjohann Oy, too, developed according to the nationwide trend as regards the number of items sold, and exceeded the national average in terms of sales income. During the year, the company sold altogether 1,154 new private cars and around 2,500 used

ones. The most important make was Opel, which climbed to the top of the national sales statistics for 1994.

Also the fall in the volume of spare part sales, and of maintenance and repair activities, came to a stop during 1994. In particular the agents of the various makes contributed to this with their own marketing measures. In addition, in Auto Starckjohann Oy, the profitability of the spare parts trade was improved by centralized storage of spare parts, which reduces the capital bound up in spare parts and increases the rate of circulation. The company manages its maintenance and repair functions almost entirely through cooperation agreements with independent repair-shop entrepreneurs operating in the company's premises, which improves the flexibility of the service and increases competitiveness.

During 1994, the company terminated the remainder of its importation activities and concentrated on the motor vehicle sales business. The work of basic repairs and additional construction in the premises of the Hämeenlinna car sales outlet was completed. Other investments were directed towards the development of ADP systems for the spare part sales; this development is still continuing in the current year.

As a megadealer, Auto Starckjohann Oy can - by virtue of its extensive and diversified range of makes - benefit effectively from the growing demand for private cars, which has continued further during the current year. It is estimated that in Finland this year, around 80,000 new private cars will be sold, constituting a growth of over 25% compared with last year. The market position of Auto Starckjohann Oy is strong, and with the Opel representation it leads the markets in all the towns where it operates. A significant addition to the company's motor vehicle sales will be brought by Nissan, for which it will commence as the new district dealer in the Lahti sales district from the beginning of May. This year, in addition, attention will be paid to developing the trade in used cars and improving its profitability. It is estimated that also the demand for spare part sales and for maintenance and repair services will continue to grow, in the case of private cars as well as commercial vehicles.



*) includes also the figures for the Cellpap companies, sold on 31.12.1994

LAAKERIPALVELU

Laakeripalvelu Oy engages in the importation and sales of bearings and power transmission products. Its main customers are engineering works and retailers serving, for example, the paper industry and other process industry. Its subsidiaries Keskustan Laakeripiste Oy, Laakeriketju Oy and Kymen Tekniikka Oy were merged with Laakeripalvelu Oy at the end of 1994. The company operates in Helsinki, and in addition it has outlets in Lahti and Tampere.

The turnover of the Laakeripalvelu companies in 1994 was FIM 54.7 million (1993: FIM 41.4 million). The turnover rose by 32.0%. This rise was due to a marked growth in the demand for bearings and power transmission products; owing to this, there was a clear increase in the company's profit compared with the previous year. At the end of 1994, there were 34 employees in the service of the Laakeripalvelu group (1993: 30). The prospects for the company in the current year are good.

OULUN PULTTI

Oulun Pultti Oy engages in the importation and sales of fastening requisites such as bolts etc. It supplies them to industry and to retailers. In addition to Oulu, the company has outlets in Kemi and Rovaniemi.

The turnover of Oulun Pultti Oy in 1994 was FIM 19.0 million (1993: FIM 17.0 million). The turnover grew by 11.9%. The profit also amounted to more than in the previous year. There were altogether 27 employees in the service of the company at the end of 1994 (1993: 24). It is estimated that the positive development in the business operations of the company will continue further during the current year.

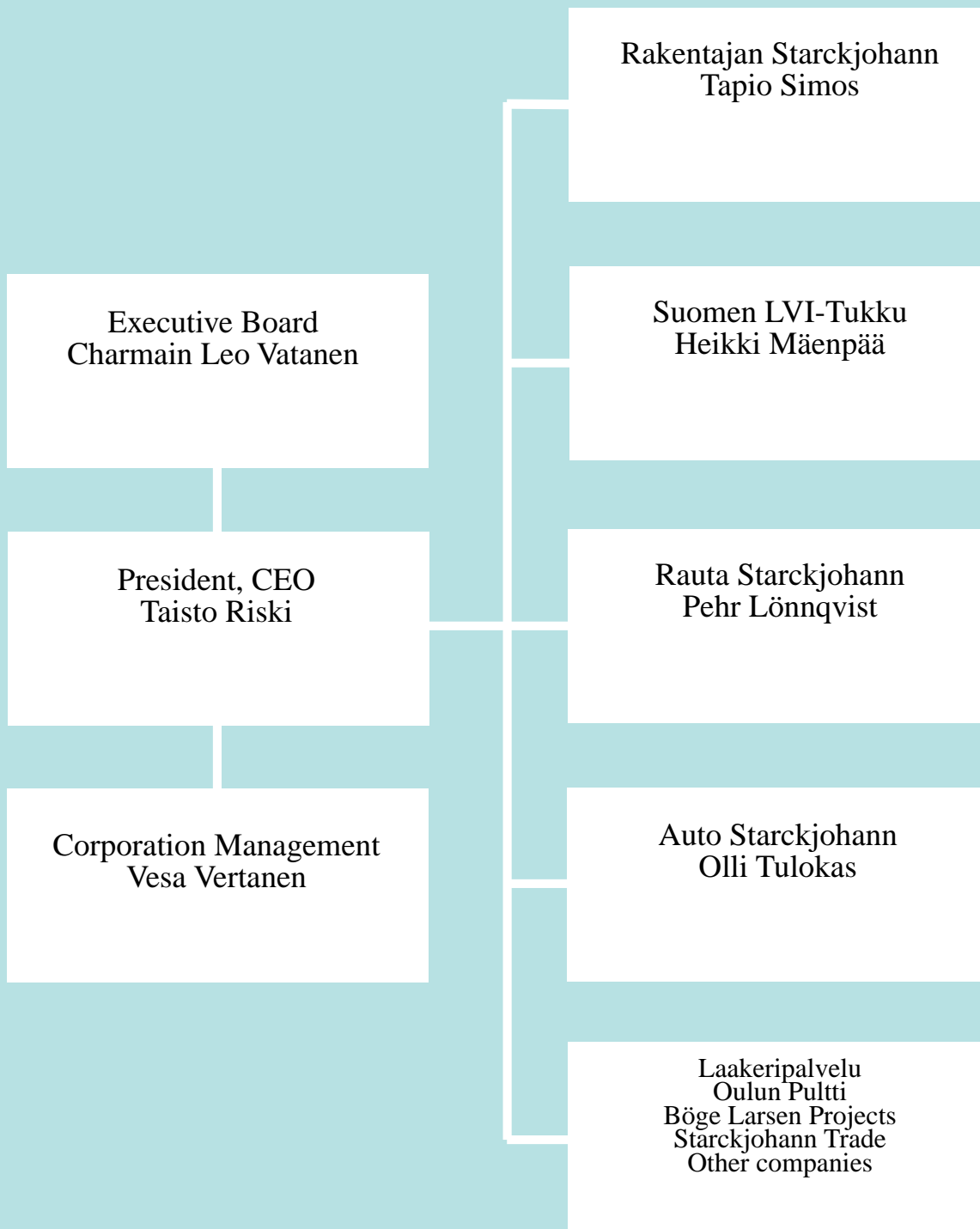
STARCKJOHANN TRADE

Starckjohann Trade Oy has specialized in West-East trading. The purpose of the company is to make use of supplier and customer relations in the main business sectors of the Starckjohann Corporation by opening up new distribution channels for these. The company's target countries are the Eastern European countries, Russia, the Baltic countries and the CIS countries. The subcorporation formed by the company comprised in 1994 C & SG a.s. (Prague), Starckrom (Ltd) S.R.L. (Bucharest) and Starck-Irbis Co (Ltd) (Moscow).

The turnover of the Starckjohann Trade subcorporation in 1994 was FIM 91.8 million (1993: 92.6 million). The turnover decreased by 0.9%. Business operations having become more difficult, and competition having intensified, the company's result remained negative.

There were 23 persons employed in the subcorporation at the end of 1994 (1993: 36). The number of personnel decreased due to the closing of sales departments of Starckjohann Trade Oy. Owing to the uncertainty in the company's main market areas, its prospects for the current year are weaker than those of last year.

Organization of the Corporation 1995



Information on Starckjohann Oy shares

Starckjohann shares, share capital, management shareholding, and price development in 1994 are dealt with in more detail in the annual report of the Executive Board.

SHARE CAPITAL

At the end of 1994, the number of Starckjohann Oy shares was 129,841,733, and the company's paid-up share capital entered in the Trade Register was FIM 129.8 million. In accordance with the company's articles of association, the minimum capital was FIM 72 million, and the maximum was FIM 288 million; within these limits the share capital can be increased or reduced without altering the articles of association. At the close of the financial period, the Executive Board did not have any currently valid powers of share issue.

SHARES AND VOTING RIGHT

As from the end of 1994, Starckjohann Oy has one series of shares, identical as regards nominal value and voting right. The nominal value of a share is FIM 1 (one). A share gives entitlement to 1 (one) vote at the Shareholders' Meeting.

SHARE LISTING

Shares in Starckjohann Oy are listed on the Helsinki Stock Exchange.

DIVIDEND DISTRIBUTION

During the period between the ratification of the statutory corporate reorganization programme and the termination of the programme, a prohibition on dividend payment is in force. The payment prohibition will be in force up to the end of the year 2002, the time until which the reorganization programme for Starckjohann Oy will last.

BIGGEST SHAREHOLDERS

| | <i>Numbers of shares and of votes</i> | <i>Shareholding % of shares</i> |
|--------------------------------------|---------------------------------------|---------------------------------|
| Suomen Yhdyspankki Oy | 68,713,417 | 52.9 |
| SKOP | 27,000,568 | 20.8 |
| Metsä-Serla Oy | 6,000,000 | 4.6 |
| Kansallis-Osake-Pankki | 3,895,297 | 3.0 |
| Starckjohann Foundation | 3,156,128 | 2.4 |
| Pohjola Insurance Comp. Ltd | 2,486,437 | 1.9 |
| Starckjohann Solveig | 1,538,629 | 1.2 |
| Penope Oy | 1,404,802 | 1.1 |
| STJ-Invest Oy Ab | 1,088,738 | 0.8 |
| Starckjohann-Bruun Thelma Foundation | 986,302 | 0.8 |

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF HOLDING

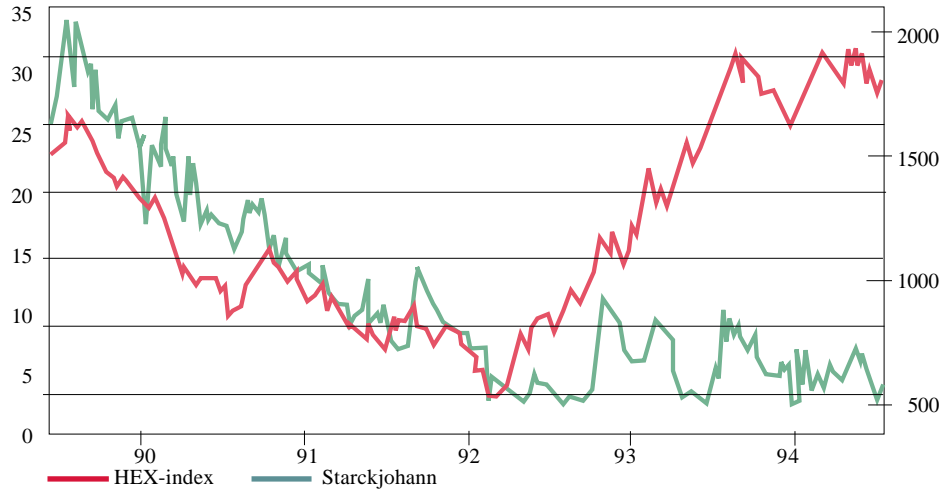
| <i>Number of shares</i> | <i>Numbers of shareh.</i> | <i>Total no. of shares</i> |
|-------------------------|---------------------------|----------------------------|
| 1-100 | 310 | 21,560 |
| 101-1,000 | 333 | 149,481 |
| 1,001-10,000 | 151 | 524,210 |
| 10,001-100,000 | 8 | 337,907 |
| 100,001-1,000,000 | 25 | 13,333,589 |
| 1,000,001-99,999,999 | 9 | 115,264,016 |

CLASSIFICATION OF SHAREHOLDERS

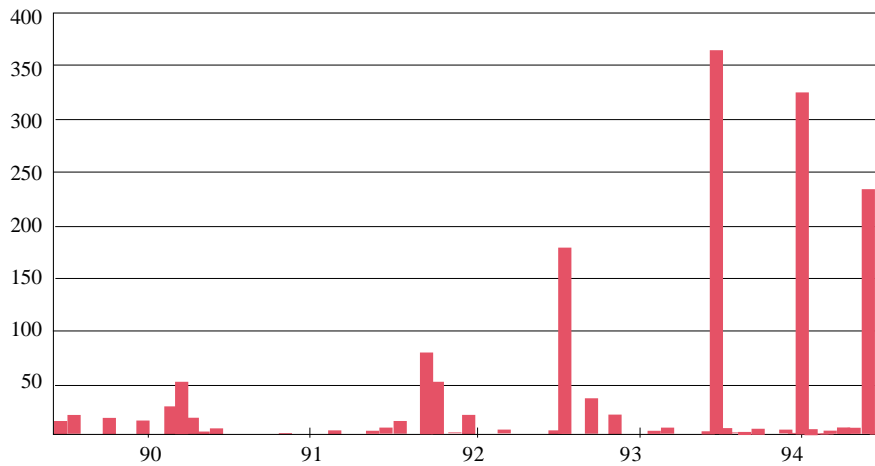
| | <i>Number of shareholders</i> | <i>Total no. of shares</i> | <i>Total % of shares</i> |
|------------------------|-------------------------------|----------------------------|--------------------------|
| Public corporations | 2 | 114,735 | 0.1 |
| Private individuals | 745 | 13,481,622 | 10.4 |
| Financial institutions | 19 | 102,721,885 | 79.2 |
| Foreign | 2 | 1,150 | - |
| Non profit-seeking | 3 | 4,666,241 | 3.6 |
| Companies | 65 | 8,645,130 | 6.7 |
| Total | 836 | 129,630,763 ^{*)} | 100.0 |

^{*)} Shareholders transferred to the value participation system

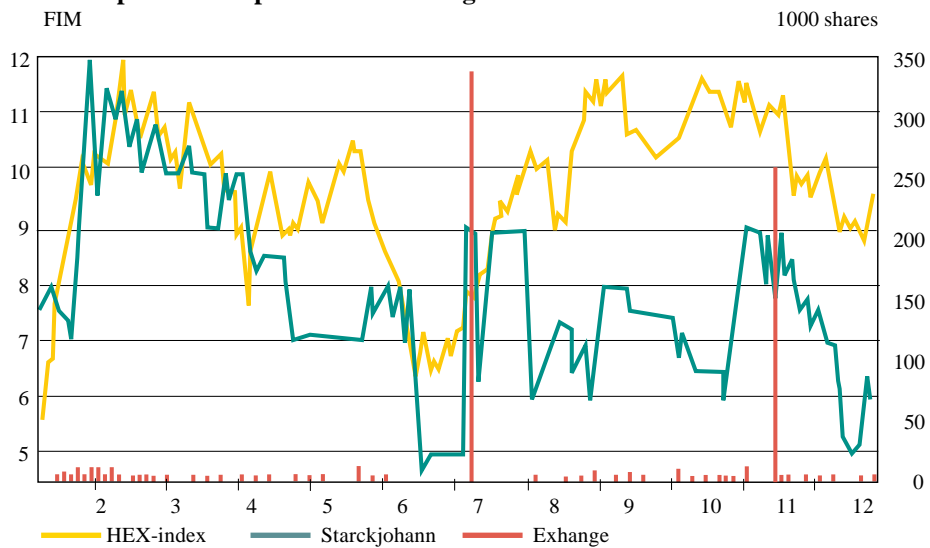
Share price development 1990–1994
FIM



Share exchange 1990–1994
1000 shares



Share price development and exchange 1994
FIM



PROFIT AND LOSS STATEMENT 1990–1994

| (FIM million) | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---------|--------|--------|---------|--------|
| TURNOVER | 2981.2 | 3457.2 | 3581.0 | 3301.5 | 4140.2 |
| Change % | -13.8 % | -3.5 % | 8.5 % | -20.3 % | 18.6 % |
| OPERATING MARGIN | 157.2 | -10.7 | 12.6 | 65.6 | 106.0 |
| Operating margin % | 5.3 % | -0.3 % | 0.4 % | 2.0 % | 2.6 % |
| Depreciation | | | | | |
| according to plan | -82.0 | -151.9 | -82.3 | -52.1 | -52.5 |
| OPERATING PROFIT/LOSS | 75.2 | -162.7 | -69.7 | 13.5 | 53.5 |
| Financial income | 26.1 | 16.2 | 27.5 | 28.3 | 38.8 |
| Financial expenses | -39.3 | -306.4 | -177.9 | -131.1 | -98.6 |
| PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES | 62.0 | -452.9 | -220.1 | -89.3 | -6.3 |
| Extraordinary incomes | 97.7 | 9.9 | 5.8 | 50.7 | 22.7 |
| Extraordinary expenses | -46.2 | -42.2 | -19.8 | -51.5 | -20.8 |
| Additional depreciation | -179.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| PROFIT/LOSS BEFORE TAXES | -65.9 | -485.2 | -234.1 | -90.1 | -4.4 |
| Taxes | -0.9 | -2.8 | 5.0 | -7.0 | -17.7 |
| Minority interests | 0.6 | -27.2 | -18.1 | -1.0 | 0.4 |
| PROFIT/LOSS BEFORE APPROPRIATIONS | -67.4 | -460.8 | -211.0 | -96.1 | -22.5 |

Figures from previous periods have, in their most essential elements, been adjusted to correspond with the new format for income statements.

PRINCIPLES FOR CALCULATING KEY RATIOS

| | |
|--|---|
| Profit/loss per share = | $\frac{\text{Profit/loss before extraordinary items +/- minority interests in profit for period} - \text{taxes for period}}{\text{Average number of shares, share-issue adjusted}}$ |
| Dividend per share = | $\frac{\text{Dividend distributed for period}}{\text{Number of shares at end of period, share-issue adjusted}}$ |
| Shareholders' equity per share = | $\frac{\text{Shareholders' equity} + \text{accumulated excess depreciation} + \text{optional reserves}}{\text{Numbers of shares at end of period, share-issue adjusted}}$ |
| Exchange price, share-issue adjusted = | $\frac{\text{Exchange price preceding share issue}}{\text{Share issue index}}$ |
| P/E index = | $\frac{\text{Exchange price on balance-sheet date}}{\text{Profit/loss per share}}$ |
| Market value of stock = | Number of shares x Exchange price 31.12. |
| Return equity % (ROE) = | $\frac{\text{Profit/loss before extraordinary items} - \text{taxes for period}}{\text{Shareholders' equity} + \text{minority interests} + \text{accumulated excess depreciation} + \text{optional reserves (average for period)}} \times 100$ |
| Return on investments % (ROI) = | $\frac{\text{Profit/loss before extraordinary items} + \text{interest expenses \& other financial expenses}}{\text{Balance sheet total} - \text{interest-free liabilities (average for period)}} \times 100$ |
| Shareholders' funds of total assets = | $\frac{\text{Shareholders' equity} + \text{minority interests} + \text{accumulated excess depreciation} + \text{optional reserves}}{\text{Balance sheet total} - \text{advance payments received}} \times 100$ |

BALANCE SHEET 1990-1994

| (FIM million) | 1994 | 1993 | 1992 | 1991 | 1990 |
|--|--------|--------|--------|--------|--------|
| ASSETS | | | | | |
| Fixed assets and other non-current investments | | | | | |
| Intangible assets | | | | | |
| Goodwill | 38.2 | 108.9 | 148.8 | 133.4 | 177.5 |
| Other capitalized expenditure | 72.1 | 144.6 | 179.4 | 107.6 | 24.1 |
| Other intangible assets | 3.0 | 0.8 | 0.8 | 1.5 | 0.3 |
| Tangible assets | | | | | |
| Land and water areas | 47.4 | 63.5 | 68.0 | 47.3 | 31.1 |
| Buildings and structures | 331.6 | 504.6 | 543.9 | 440.1 | 377.3 |
| Machinery and equipment | 87.0 | 129.0 | 190.6 | 167.3 | 160.5 |
| Tangible assets | 3.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Advances to suppliers, and acquisitions in progress | 2.3 | 2.2 | 8.2 | 4.0 | 11.3 |
| Fixed asset securities and other non-current investments | 44.0 | 41.0 | 41.7 | 120.9 | 73.4 |
| Valuation items | 22.7 | 26.4 | 134.7 | 27.9 | 11.7 |
| Current assets | | | | | |
| Inventories | 409.4 | 385.0 | 661.9 | 620.4 | 631.7 |
| Receivables | 424.6 | 492.0 | 587.6 | 684.8 | 764.6 |
| Cash and bank accounts | 136.4 | 43.5 | 42.0 | 46.3 | 65.5 |
| | 1621.9 | 1941.5 | 2607.6 | 2401.5 | 2329.0 |
| LIABILITIES | | | | | |
| Shareholders' equity | | | | | |
| Restricted equity | 730.7 | 150.1 | 190.2 | 214.9 | 213.7 |
| Non-restricted equity | -517.6 | -428.9 | -16.4 | 94.8 | 141.3 |
| Funded debt | 39.6 | 1.9 | 0.0 | 0.0 | 0.0 |
| Minority interests | 1.4 | 42.1 | 69.8 | 10.9 | 1.5 |
| Provisions | | | | | |
| Accumulated accelerated depreciation | 22.5 | 61.7 | 66.5 | 52.3 | 4.6 |
| Optional reserves | 35.2 | 48.9 | 97.1 | 163.3 | 217.5 |
| Obligatory reserves | 19.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liabilities | | | | | |
| Non-current liabilities | 75.2 | 757.0 | 1391.4 | 1073.0 | 817.6 |
| Current liabilities | 419.0 | 1308.7 | 809.0 | 792.3 | 932.8 |
| Reorganization liabilities | 796.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| | 1621.9 | 1941.5 | 2607.6 | 2401.5 | 2329.0 |

KEY RATIOS 1990—1994

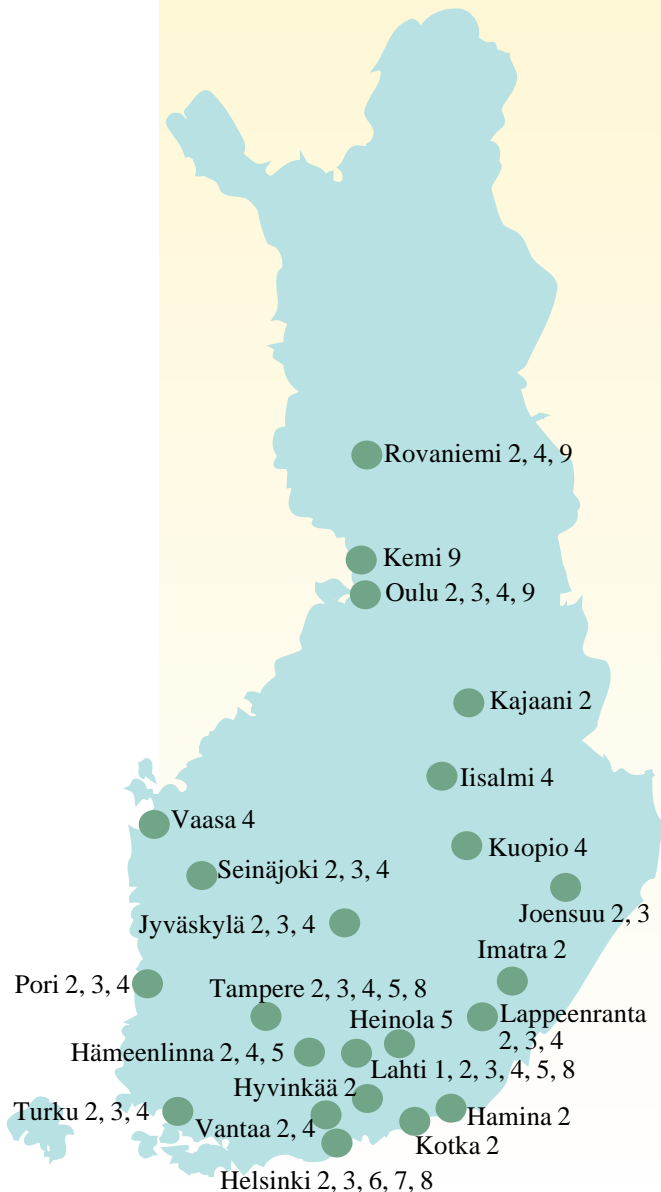
| | 1994 | 1993 | 1992 | 1991 | 1990 |
|--|---------|---------|---------|---------|---------|
| 1. Key ratios for shares | | | | | |
| Profit per share (FIM) *) | 1.44 | neg. | neg. | neg. | neg. |
| Nominal dividend per share (FIM) | – | – | – | – | 0.50 |
| Share-issue adjusted dividend per share (FIM) | – | – | – | – | 0.34 |
| Dividend ratio (%) | – | – | – | – | neg. |
| Effective dividend return (%) | – | – | – | – | 2.7 % |
| Shareholders' equity per share (FIM) *) | 2.09 | neg. | 23.40 | 30.81 | 33.25 |
| Share-issue adjusted exchange price (FIM) | 6.00 | 5.17 | 4.14 | 6.21 | 12.76 |
| P/E index | 4.17 | neg. | neg. | neg. | neg. |
| Market value of stock (unadjusted) on balance-sheet date (FIM million) | 779 | 90 | 72 | 108 | 222 |
| Dividend distribution (FIM 1000) | – | – | – | – | 6,000 |
| Share-issue adjusted number of shares on balance-sheet date (1000 shares) | 129,842 | 8,274 | 8,274 | 8,274 | 8,274 |
| Share-issue adjusted average number of shares (1000 shares) | 42,048 | 8,274 | 8,274 | 8,274 | 8,274 |
| Exchange prices (FIM) | | | | | |
| Lowest for period | 5.00 | 3.45 | 3.45 | 6.55 | 12.41 |
| Highest for period | 12.00 | 8.83 | 10.34 | 13.79 | 22.75 |
| Average price for period | 9.29 | 4.63 | 6.90 | 10.28 | 15.83 |
| 2. Key ratios reflecting financial development | | | | | |
| <i>Extent of operations</i> | | | | | |
| Turnover (FIM million) | 2,981.2 | 3,457.2 | 3,581.0 | 3,301.5 | 4,140.2 |
| Change (%) | –13.8 % | –3.5 % | 8.5 % | –20.3 % | 18.6 % |
| Investments (FIM million) | 10.0 | 21.0 | 48.9 | 93.3 | 173.4 |
| Personnel, average | 1,621 | 2,114 | 2,413 | 2,133 | 2,325 |
| Turnover/person (FIM 1000) | 1,839 | 1,635 | 1,484 | 1,548 | 1,781 |
| <i>Profitability</i> | | | | | |
| Operating margin (FIM million) | 157.2 | –10.7 | 12.4 | 28.0 | 101.5 |
| % of turnover | 5.3 % | –0.3 % | 0.3 % | 0.8 % | 2.5 % |
| Profit/loss (FIM million) | 75.2 | –162.7 | –70.0 | –24.1 | 49.0 |
| % of turnover | 2.5 % | –4.7 % | –2.0 % | –0.7 % | 1.2 % |
| Profit/loss before extraord. items (FIM mill.) | 62.1 | –452.8 | –220.1 | –89.3 | –6.1 |
| % of turnover | 2.1 % | –13.1 % | –6.1 % | –2.7 % | –0.1 % |
| Prof./loss bef. appropri. and tax. (FIM mill.) | –66.5 | –458.0 | –234.1 | –90.1 | –4.2 |
| % of turnover | –2.2 % | –13.2 % | –6.5 % | –2.7 % | –0.1 % |
| Share in profits of affiliate companies (FIM million) | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total profit/loss (FIM million) | –50.2 | –415.6 | –114.3 | –53.6 | –44.5 |
| % of turnover | –1.7 % | –12.0 % | –3.2 % | –1.6 % | –1.1 % |
| Return on equity (%) (ROE) | 22.5 % | neg. | neg. | neg. | neg. |
| Return on investments (%) (ROI) *) | 5.9 % | neg. | neg. | 2.1 % | 4.8 % |
| <i>Funding and financial position</i> | | | | | |
| Liquidity (current ratio) | 2.32 | 0.70 | 1.60 | 1.25 | 1.57 |
| Shareholders' funds of total assets (%) *) | 17.6 % | neg. | 20.2 % | 25.2 % | 28.1 % |
| Interest-bearing liabilities (FIM million) | 655.9 | 1,588.5 | 1,659.0 | 1,306.7 | 1,237.8 |

*) The key ratios have been calculated according to the instructions of the Helsinki Stock Exchange. The figures concerning information on shares are based on numbers adjusted according to the share issue. The profit/loss per share, calculated according to the number of shares at the closing of accounts, is FIM 0.47. Imputation of tax liabilities under reserves and extraordinary items has not been taken into account when calculating the key ratios.

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- 3 Rauta Starckjohann Oy
- 4 Suomen LVI-Tukku Oy
- 5 Auto Starckjohann Oy
- 6 Starckjohann Trade Oy
- 7 Bøge Larsen Projects
- 8 Laakeripalvelu Oy
- 9 Oulun Pultti Oy
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