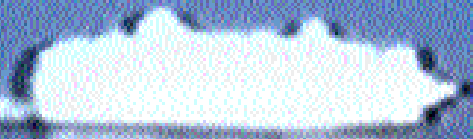


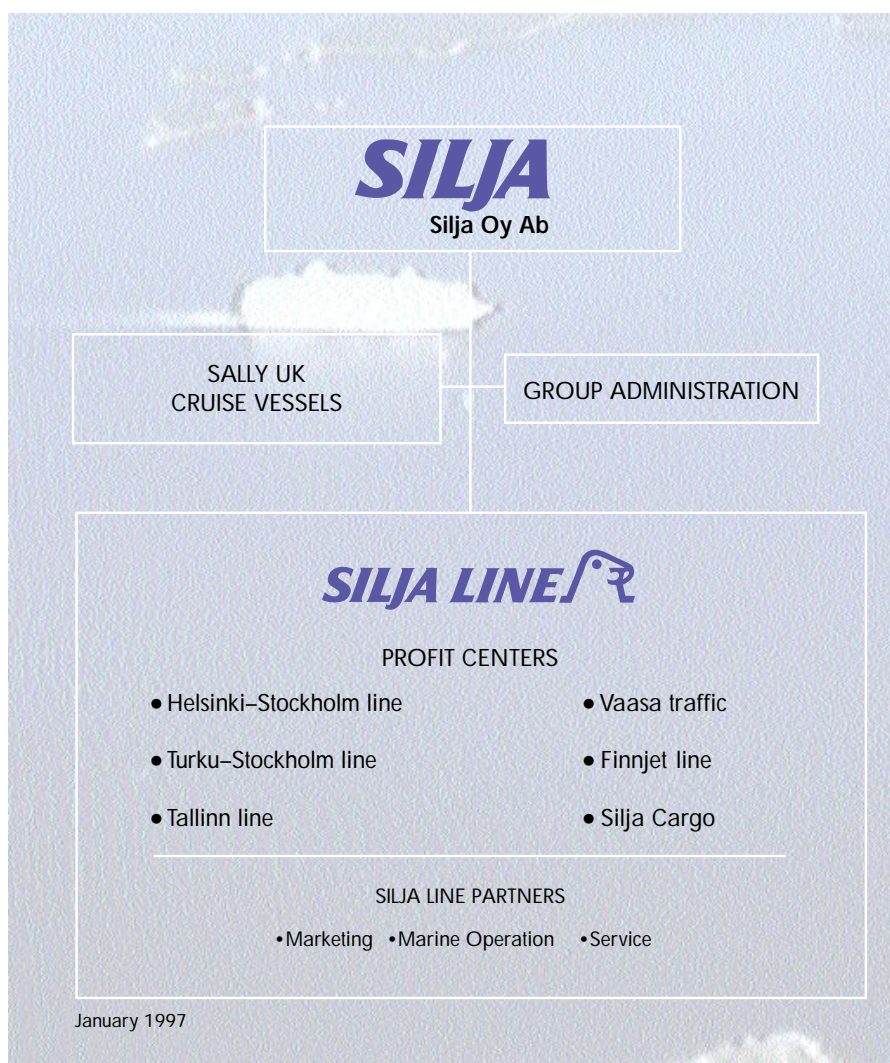
1996

STYLIA



english

The Silja Group



The Silja Group's Parent Company, Silja Oy Ab (formed in 1883), is listed on the Helsinki Stock Exchange.

The Group's core business is passenger ferry operations in the Baltic Sea, conducted through Silja Line, which accounts for more than 80 percent of the Group's invoicing.

Carrying nearly 6 million passengers and slightly more than 130,000 cargo units annually, Silja Line is the leading passenger ferry company in the Baltic Sea.

The Group's other activities include Sally UK's operations in the English Channel and three outchartered cruise vessels.

Information to Shareholders

Annual General Meeting

The Annual General Meeting will be held at 2 p.m. on Thursday, April 17, 1997, in the Conference Hall of the Hotel Palace, Eteläranta 10, Helsinki.

Shareholders entered in the records of the Company's shareholders maintained by the Finnish Central Security Depository Ltd no later than April 7, 1997 are entitled to participate in the Annual General Meeting.

Shareholders whose shares have not been transferred to the Finnish book-entry system may also participate in the Annual General Meeting, on condition that such shareholders were registered in the Company's Share Register no later than March 4, 1994. In such cases, the shareholders' share certificates, or other documentation showing that ownership has not been entered in the book-entry system, must be presented at the Annual General Meeting.

Shareholders wishing to participate in the Meeting must notify their intention to attend no later than Monday, April 14, 1997, either in writing to Silja Oy Ab, Ulla-Maj Lukkarinen, POB 659, FIN-00101 Helsinki, or by telephone: Int +358-9-180 45 16.

Share register

For the purpose of registering shares or name and address changes, shareholders are requested to contact the bank or security registration institute managing the book-entry account.

Financial information

- Silja's annual report is published in Finnish, Swedish and English.
- An interim report in the same languages will be published on August 15, 1997 for the six-month period ended June 30, 1997.
- In addition, results bulletins will be published on April 17 for the three-month period ending March 31 and on October 31 for the nine-month period ending September 30.
- The publications above may be obtained from Silja Oy Ab, POB 659, FIN-00101 Helsinki, or ordered by telephone: Int +358-9-180 45 10.
- Financial information can be obtained on the Internet: <http://www.silja.com>

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Significant Events during the Year

JANUARY

The Wasa Queen was transferred from the Vaasa line to the greatly expanded Helsinki–Tallinn line for the winter, spring and autumn seasons.

The Vaasa–Sundsvall line was closed down and Vaasa traffic concentrated on the Vaasa–Umeå line.

FEBRUARY

At the security conference in Stockholm, new stability regulations were established for vessels serving the Baltic Sea and northwestern Europe. Silja's vessels will comply with these regulations without any significant modifications.

MARCH

Silja acquired a 15-percent share in the company that owns the Silja Europa.

MAY

The so-called 20-hour rule for tax-free sales was introduced between Finland and Estonia.

The Group's two reefers were sold.

JULY

The cruise vessel Nautican was outchartered in accordance with a new three-year contract starting late autumn 1996.

Silja Line attained a new monthly record of 817,000 passengers, corresponding to an average of 26,350 passengers per day.

AUGUST

The decision was made to discontinue the Silja Scandinavia's charter agreement after March 1997.

SEPTEMBER

Sally UK, the Belgian state-owned shipping company RMT and the Australian shipping company Holyman signed a rationalization agreement. According to the agreement, English Channel traffic is to be managed by a new company, Holyman Sally, of which Sally owns one third.

OCTOBER

Silja Line received the Port of Helsinki's first environmental award for its efforts on behalf of the harbor's environment, and especially for its revolutionary, long-range work to improve air quality.



NOVEMBER

Silja Line's and Gotlandsbolaget's joint company, Gotlands-
trafiken AB, received the concession to serve the route between
Gotland and the Swedish mainland starting 1998.

DECEMBER

The capital structure of the Company was strengthened
through a repurchase of the Company's convertible subordinated
bonds and a new issue of shares.

Installation of new water-injection technology was completed
on one of the Silja Symphony's main engines to further halve
emissions of nitrogen oxides.

The decision was made to transfer the Wasa Express (formerly
Sally Star in the English Channel traffic) to the Vaasa-Umeå
line for the summer of 1997.

It was decided that the Wasa Queen will continue to also sail
the Tallinn line during the summer season.

1997

JANUARY

Silja Line's organization was restructured into line-based profit
centers and support functions.

The Group's holding in the ro-ro vessels Sally Eurolink and
Sally Euroroute was divested.

FEBRUARY

Sally's pool traffic in the English Channel with the Belgian
state-owned shipping company RMT was closed down.

MARCH

Tax-free sales were made possible between the Finnish main-
land and the Åland Islands.

Holyman Sally began operations in the English Channel.

APRIL

The Silja Festival was transferred to the Turku line and the Silja
Scandinavia was returned to her owner.

The Port of Stockholm's new wastewater reception station by
the Silja Line terminal makes it possible to discharge all waste-
water from ship to shore and thereafter to the municipal treat-
ment plant.

*May 20, 1997 is the 40th anniversary of Silja
Line's foundation. The company was formed at
a time when passenger cars and other wheel-borne
vehicles had changed society and family life.
Modern ferries were introduced in 1961.*



President's Review

- The Silja Group attained its objectives and achieved a considerable improvement in results in 1996.
- Silja Line was successful both commercially and financially and reported a favorable result.
- Debt reduction and consolidation of the balance sheet continue.
- The focal point continues to be the streamlining of the Group, but the emphasis is moving towards long-term development.
- Silja Line is the leading brand name in the industry and is favorably poised to meet future developments in the Baltic Sea.
- The earnings trend during the current year has progressed as planned.

1996 – a challenging year

In my review of the Silja Group last year I presented the guidelines for putting the company back on the right course. The future was then described in a situation that was much more uncertain than is currently the case. Plans had been established, the Group's restructuring commenced and the focus on Silja Line's qualitative strength was assigned highest priority. The challenge for 1996 was to prove that the plans were feasible.

The Silja Group succeeded in attaining its overall objectives in 1996. Losses from cruise traffic in the Caribbean were eliminated when these operations were discontinued. Traffic in the Baltic was successful and exceeded the cautiously formulated expectations, both commercially and financially, and its profitability was restored. However, Sally UK's operations in the English Channel did not meet expectations, although the preparations for the necessary restructuring had already commenced at the beginning of the year. Despite this, the reduction in the Group's indebtedness proceeded as scheduled and the balance sheet was strengthened through the sale of vessels, and the repurchase of convertible subordinated bonds, in parallel with a share issue.

The restoration of confidence and a sharp rise in the share price during the year confirmed that we had successfully met the initial challenge.

Streamlining at Silja continues

Operations and measures during the current year will not deviate from the charted course. The important restructuring of Sally UK is being implemented during spring 1997. Silja Line's ability to show

favorable results is being further strengthened through the termination of a high-cost vessel charter and the implementation of a new and more effective, line-based organization. Loans will continue to be amortized with the help of a positive cash flow from operations.

The Silja Group's earnings are expected to reach or exceed the break-even level in 1997.

Focusing on long-term development

In recent years, Silja's strategic objective has been to consolidate the Group's finances, a process that is still largely in progress. The perspective has been short-term, while long-range thinking has been forced to remain in the background. Now, however, plans are in progress within the Group and especially within Silja Line to meet the changes that the future will bring.

Silja Line can look to the future on the basis of its successful attainment of targets in 1996 and the expected continuing, gradual recovery in the Swedish market. Passenger and cargo markets in Finland are expected to remain at the currently high levels. No major changes are expected in the competitive situation in the market. The company's modern fleet meets high safety and environmental standards and is well equipped to satisfy the new, exceptionally stringent safety regulations.

As a result of the elimination of losses from cruise operations and the minimization of losses in the English Channel, the Silja Group's earnings can be expected to move in line with the trend in Baltic traffic. The burden imposed on the Group by having to finance losses in previous years will decline steadily as loans are amortized.



The important and major role of the Baltic...

...as a unifying sea in the region is becoming stronger. This offers continuing potential for an established passenger shipping company. The combination of passenger and cargo transport, supplemented by tourist and cruise operations, leads to a division of costs that offers competitive unit costs.

The importance of duty-free sales in the shops on board cannot be underestimated. At the beginning of the 1990s, the EU decided to abolish duty-free sales in internal EU traffic as of July 1999. However, priorities have been changed and new members have since joined the EU. With respect to its future development, the EU has emphasized the need to safeguard Europe's competitiveness, infrastructure and employment, and to satisfy the practical needs of the region and its inhabitants. These motives provide strong support for permitting a continuation of duty-free sales in internal EU traffic after 1999. Due to their proximity to Estonia and the Åland Islands, the

conditions for passenger ferry companies operating from Finland will be better than those for other EU countries, and from Silja's viewpoint this offers the potential for continued progress.

Silja Line – the market's strongest brand name

Silja's positive performance in 1996, which has continued during the current year, is the sum of many unidirectional forces. These include the exceptional interest of passengers and freight hauliers in the company's products, the efforts of personnel and their service capacity, plus the confidence of business partners and other interest groups. These factors have further strengthened our most important asset – the market's strongest brand name. I would like to thank all parties for their contributions to Silja's recovery and development.

Helsinki, March 5, 1997

Jukka Suominen
President

Board of Directors



*Standing from left: Jan Sjöqvist, Carl-Olaf Homén, Tommy Nilsson, Bernt Magnusson, Erik Stadigh and Jukka Härmälä.
Sitting from left: Tauno Matomäki, Rune E. Smedman, Jaakko Ihamuotila and Pirkko Alitalo.*

	Board Member since/ period of office until*		Board Member since/ period of office until*
Chairman			
Jaakko Ihamuotila, born 1939 Chairman of the Board, Neste Oy	1990/1997	Jukka Härmälä, born 1946 President, Enso Oy	1992/1998
Vice Chairman			
Rune E. Smedman, born 1931 Former President, Johnson Line AB	1990/1997	Tommy Nilsson, born 1944 President, NCC Invest	1994/1999
Carl-Olaf Homén, born 1936	1990/1997	Erik Stadigh, born 1928	1995/1999
Bernt Magnusson, born 1941 Chairman of the Board, NCC AB	1990/1997	Pirkko Alitalo, born 1949 Director, Pohjola Group	1995/1998
Tauno Matomäki, born 1937 Vice Chairman of the Board, UPM-Kymmene Oy	1990/1999	President	
Jan Sjöqvist, born 1948 President, NCC AB	1990/1998	Jukka Suominen, born 1947	
		Auditor	
		KPMG Wideri Oy Ab	

*The Board members are appointed for periods of three years, expiring at the Annual General Meeting during the year stated.

Executive Management

Jukka Suominen, born 1947
President and Group CEO

Henrik Österberg, born 1952
Executive Vice President, Finance,
Economy, Administration

Nils-Gustaf Palmgren, born 1936
President, Neptun Juridica Co Ltd

Lars Wendelin, born 1942
President, Silja Line Oy

Gunnar Östin, born 1941
President, Silja Line AB



From left: Lars Wendelin, Henrik Österberg, Jukka Suominen, Gunnar Östin and Nils-Gustaf Palmgren.

SILJA LINE'S ORGANIZATION AS OF JANUARY 1, 1997

Profit Centers

Helsinki-Stockholm line
Christian Grönvall

Turku-Stockholm line
Knut Forsbom

Tallinn line
Lars Wendelin

Vaasa traffic
Taito Rintala

Finnjet line
Peter Doll

Silja Cargo
Heikki P. Pesola

Silja Line Partners

Marketing, sales
Lars Wendelin

*Service (personnel, quality systems,
purchase)*
Martti Laosmaa

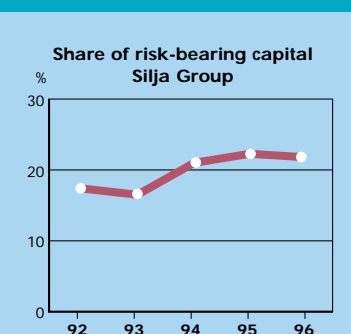
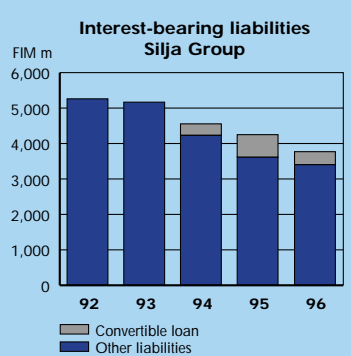
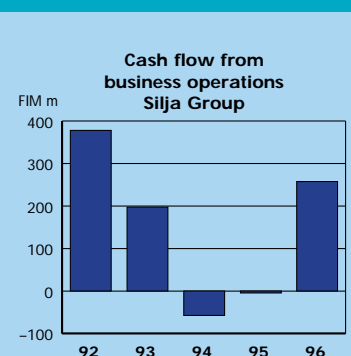
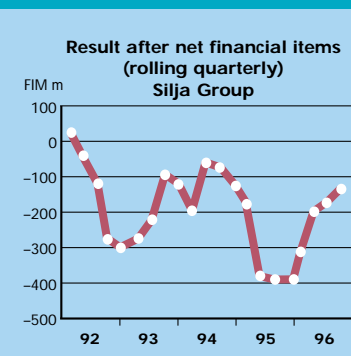
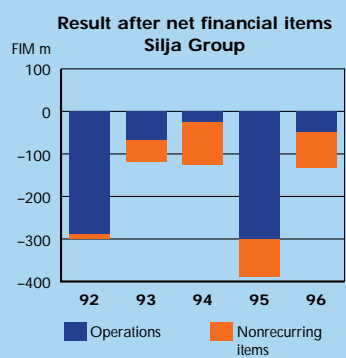
Marine Operation
Gunnar Östin

Economy, EDP
Ole Westerback

SALLY UK

William Moses, Chief Executive

Five-year Review



GROUP

INCOME STATEMENT, FIM m	1996	1995	1994	1993	1992
Gross revenues	3,978	3,777	4,403	4,713	3,735
Net revenues	3,782	3,536	4,137	4,514	3,586
Operating costs	-3,051	-3,039	-3,411	-3,880	-3,191
Operating margin	731	497	726	634	395
Bareboat hires	-259	-219	-261	-148	-120
Gains on sales of vessels	0	3	110	96	42
Nonrecurring items	-84	-89	-99	-54	-12
Operating contribution	388	192	476	528	305
Depreciation according to plan	-278	-280	-289	-326	-315
Operating result	110	-88	187	202	-10
Net financial items	-243	-301	-311	-322	-290
Result after net financial items	-133	-389	-124	-120	-300
Minority interests			0	0	-4
Taxes	-1	103	-9	-15	71
Net result for the year	-134	-286	-133	-135	-233

BALANCE SHEET, FIM m

Assets	1996	1995	1994	1993	1992
Vessels	3,892	4,104	4,753	5,381	5,526
Other long-term investments	839	809	778	946	975
Current assets	505	568	813	558	539
Cash and bank deposits	87	78	76	285	310
Total assets	5,323	5,559	6,420	7,170	7,350
<i>Shareholders' equity and liabilities</i>					
Shareholders' equity	826	605	913	1,082	1,192
Minority interests				1	1
Loans against convertible bonds	329	634	330		
Other long-term liabilities	3,116	3,223	3,911	4,672	4,727
Current liabilities	1,052	1,097	1,266	1,415	1,430
Total shareholders' equity and liabilities	5,323	5,559	6,420	7,170	7,350

KEY RATIOS

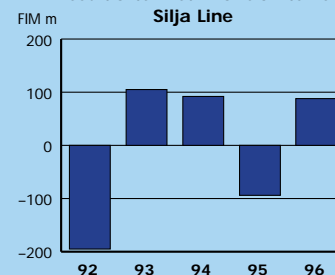
Operating margin of net revenues, %	19.3	14.0	17.5	14.0	11.0
Result after financial items of net revenues, %	neg	neg	neg	neg	neg
Total shareholders' equity, FIM m	826	605	913	1,083	1,193
Capital employed, FIM m	4,565	4,837	5,479	6,244	6,447
Return on total shareholders' equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	2.9	neg	3.8	3.8	0.8
Equity ratio, %	15.5	10.9	14.2	15.1	16.2
Adjusted equity ratio, %	18.6	12.5	18.0	23.1	24.5
Share of risk-bearing capital, %	21.7	22.3	21.0	16.5	17.4
Adjusted share of risk-bearing capital, %	24.5	23.7	24.5	24.4	25.5
Hidden reserve in fleet, FIM m	200	100	300	750	800
Operating cash flow, FIM m	169	343	141	126	-866
Investments, FIM m	163	155	398	274	1,326
Investments of net revenues, %	4.3	4.4	9.6	6.1	37.0
Average number of employees	5,249	6,104	7,565	6,610	7,911

Silja Line

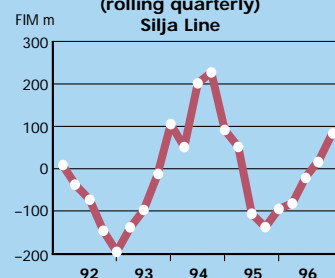
FIM m	1996	1995	1994	1993	1992
Ticket income	836	716	860	899	742
Sales income	1,923	1,829	1,722	1,769	1,454
Cargo traffic	416	371	349	258	211
Other income	179	145	192	193	153
Gross revenues	3,354	3,061	3,123	3,119	2,560
Net revenues	3,164	2,830	2,881	2,952	2,425
Personnel expenses	-881	-816	-761	-736	-680
Other operating costs	-1,707	-1,620	-1,611	-1,762	-1,497
Operating margin	576	394	509	454	248
Operating margin of net revenues, %	18.2	13.9	17.7	15.4	10.2
Bareboat hires	-180	-160	-165	-8	-7
Gains on sales of vessels and nonrecurring items			120	96	38
Operating contribution	396	234	464	542	279
Depreciation according to plan	-177	-175	-164	-196	-216
Operating result	219	59	300	346	63
Net financial items	-132	-153	-208	-241	-258
Result after net financial items	87	-94	92	105	-195
Capital employed, FIM m	2,569	2,802	3,394	3,997	4,632
Return on capital employed, %	8.2	1.9	8.1	8.0	1.4
Operating cash flow, FIM m	279	899 ¹⁾	447	167	-823

¹⁾ Includes the transfer of Sally Albatross to cruise operations, FIM 689 m.

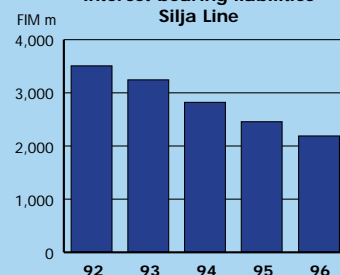
Result after net financial items
Silja Line



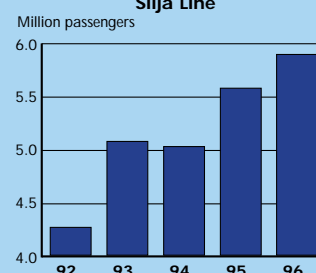
Result after net financial items
(rolling quarterly)
Silja Line



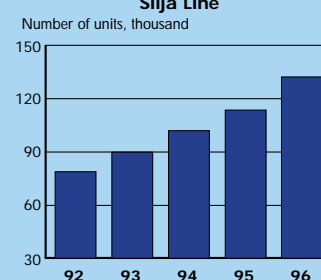
Interest-bearing liabilities
Silja Line



Passenger volumes
Silja Line



Freight volumes
Silja Line



Share Capital, Shareholders and Shares Held by Executive Management

Shares and share capital

Silja Oy Ab's fully paid in share capital entered in the Trade Register increased at December 23, 1996 from FIM 271,200,000 to FIM 436,332,920.

The minimum amount of the Company's share capital increased to FIM 435,884,020 and the maximum amount to FIM 1,743,536,080 within which limits the share capital may be increased or decreased without changing the Articles of Association.

The Company has 8,333,333 series K shares and 13,483,313 series A shares. Each share has a par value of FIM 20 and all shares carry entitlement to the same dividend. At General Meetings of Shareholders, each series K share entitles the owner to 20 votes and each series A share to one vote. The Company's shares are affiliated to Finland's book-entry system. Silja Oy Ab's shares are listed on the Helsinki Stock Exchange.

The Board of Directors has not been authorized to increase the share capital.

Share issue directed to the general public

Silja Oy Ab's Extraordinary General Meeting on December 4, 1996 voted to increase the Company's share capital through a new issue of shares directed to the public.

The shareholders' preemptive subscription rights were disapplied; the reason for this was to strengthen Silja's equity ratio and financial structure. The subscription price was FIM 39.50 for each series A share with a par value of FIM 20.

A total of 8,256,646 series A shares were subscribed for during the issue, whereby the share capital rose by FIM 165,132,920 and legal reserves by FIM 161,004,597.

The increased share capital was registered on December 23, 1996.

Public purchase offer to holders of Silja Oy Ab's convertible subordinated bonds

Silja Oy Ab's Extraordinary General Meeting also voted to effect a public purchase offer to holders of the convertible subordinated bonds issued in 1994 and 1995 in a total amount of FIM 683 m. The consideration offered was 92.155 per cent of the nominal value of the bonds plus accrued interest. The offer was conditional in that bondholders were required to pledge that they would use at least the consideration received to purchase series A shares from Silja Oy Ab's new issue to the general public, which was being arranged concurrently.

Silja Oy Ab's major owners had pledged that they would sell their bond holdings and participate in the simultaneously arranged new issue.

In total, bonds corresponding to a nominal value of FIM 353,789,000 were purchased.

Silja Oy Ab is not entitled to convert the repurchased bonds into shares. Any sale of the purchased bonds must first be approved by a General Meeting of Silja Oy Ab shareholders.

Options

In 1993, the Company issued an option loan directed to executive management. The loan was repaid

Contact between a shipping company's personnel and its passengers is of vital importance to the concept of a successful travel experience. This applies to all steps in the important service chain.



CHANGES IN SHARE CAPITAL

	Number of shares			Total share capital (FIM m)	Total number of voting rights
	Series K	Series A	Total		
December 31, 1990	8,333,333	5,226,667	13,560,000	271	171,893,327
1996 New issue		8,256,646	8,256,646	165	8,256,646
December 31, 1996	8,333,333	13,483,313	21,816,646	436	180,149,973
OPTION CERTIFICATES 1993					
Subscription no later than 1998		297,745	297,745	6	297,745
CONVERTIBLE SUBORDINATED BOND LOANS 1994-1995					
Nominal value of bonds issued 1994	330,000,000				
Purchased from the market 1996	-848,000				
	329,152,000				
Nominal value of bonds issued 1995	352,992,000				
Purchased from the market 1996	-352,941,000				
	51,000				
Nominal value of outstanding bonds	329,203,000				
Conversion no later than 2004		3,429,199	3,429,199	69	3,429,199

in full in 1994. If all of the options thus issued are exercised, a total of 297,745 series A shares will be issued at a price of FIM 37.75 each, thereby increasing the share capital by FIM 5,954,900, or 0.17 percent of total voting rights. The annual subscription period is between January 2 and November 30 and the latest date for subscription is May 1, 1998. No options had been used as of February 28, 1997.

Subordinated bonds

Of the subordinated bond loan issued in 1994 and 1995 totaling FIM 682,992,000, the Company has a total of FIM 329,203,000 outstanding. The bonds accrue a fixed annual interest of 7 percent and the bond loan period expires on February 18, 2004.

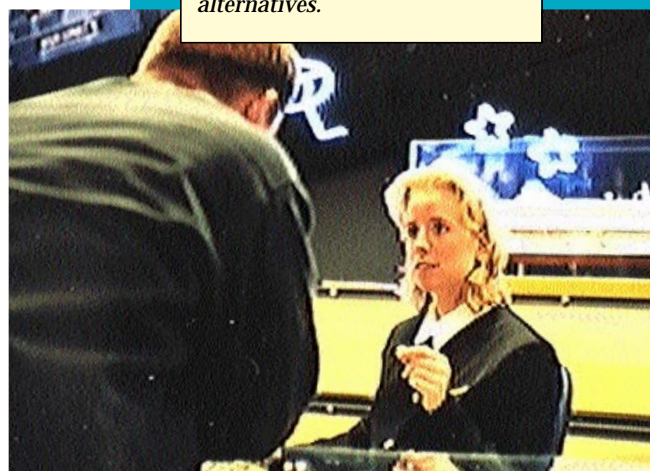
The bonds are listed on the Helsinki Stock Exchange. The total turnover during 1996 was FIM 63 m

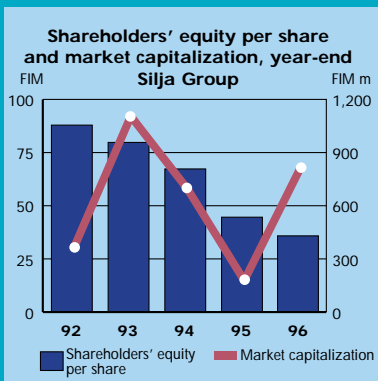
and the price on December 30, 1996 was 78 percent of the nominal value.

The conversion price for the bonds is FIM 96 for a series A share. In other words, each bond with a nominal value of FIM 1,000 may be converted into 10.41667 series A shares in Silja Oy Ab. The annual conversion period is January 2 to October 31. The conversion right ceases on February 10, 2004.

If all of the convertible subordinated bonds are converted to series A shares, the number of series A shares will rise by 3,429,199 or 1.87 percent of total voting rights. Accordingly, the share capital would increase by FIM 68,583,980. No bonds had been converted up to February 28, 1997.

The initial, often vital, customer contact occurs at the booking stage. Tina Hurtig, at the Stureplan booking center in Stockholm, discusses various travel alternatives.





Shares held by executive management

At February 28, 1997, the members of Silja Oy Ab's Board of Directors and the executive management owned a total of 1,120 series K shares and 3,485 series A shares in Silja Oy Ab. In total, these shares carry 25,885 voting rights, equal to 0.014 percent of the total voting rights.

Ownership agreements

Silja Oy Ab is not aware of any shareholder agreement regarding the ownership rights of shares and the exercise of voting rights that would significantly affect the value of the shares.

Dividend

The Board of Directors proposes that no dividend be paid for the 1996 fiscal year.

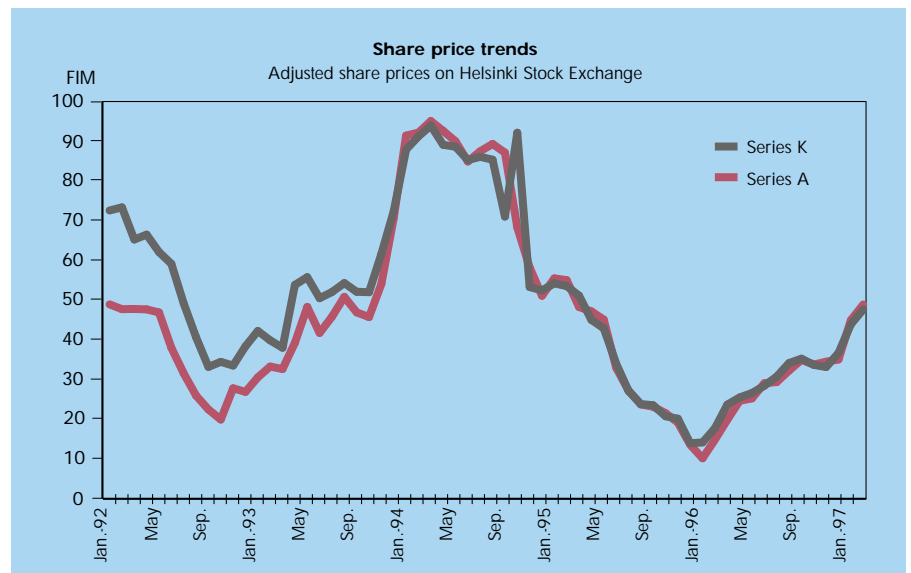
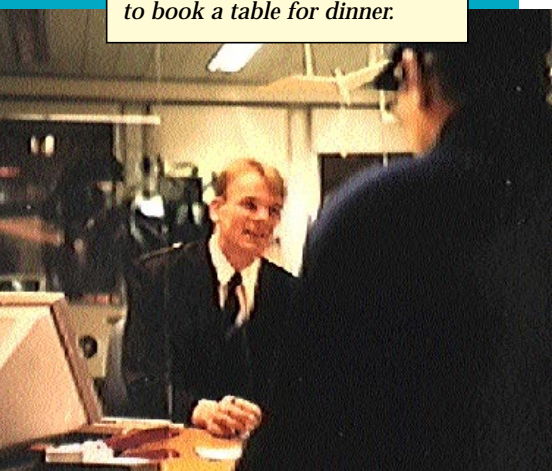
It is Silja's intention to distribute at least one-fifth of net income to the shareholders. The remaining net income shall be used to secure the Company's growth and financial solidity. The Company's goal is to attain an equity ratio of 30 percent.

Silja's share price trend

The trend in Silja's share price was positive during the year. The highest prices were FIM 39.50 for series K shares quoted in December and FIM 38.00 for series A shares quoted in September. The lowest prices paid were FIM 14.00 for series K shares and FIM 9.50 for series A shares, both quoted in January. At year-end, the prices for series K and series A shares were both FIM 37.00. The total market value of Silja's share capital was FIM 807 m at year-end. For fiscal year 1996, the taxable value in Finland of both series K and series A shares was FIM 25.00.

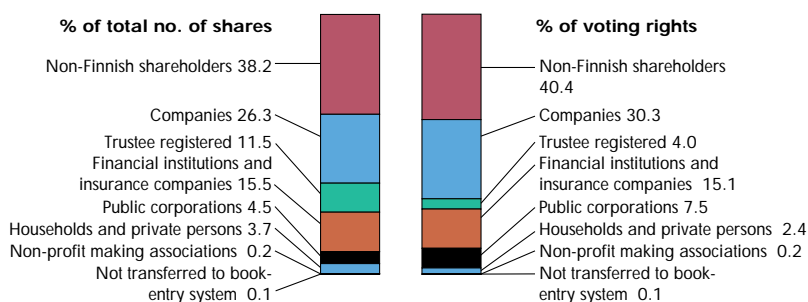
During 1996, 224,451 series K shares were traded, equal to 2.7 percent of the total series, as well as 5,207,069 series A shares, or 95.9 percent of the total series. Computed on the average number of shares during the year, the trading volume was 39.5 percent, compared with 5.8 percent in the preceding year.

Passengers invariably ask questions when checking in prior to departure. Anders Levin, at the Turku Terminal, explains how to book a table for dinner.



DISTRIBUTION OF SHARE CAPITAL, FEBRUARY 28, 1997

BY SHAREHOLDER CATEGORY



BY SIZE OF HOLDING

No. of shares	No. of holders	% of total no. of holders	% of total no. of shares	% of voting rights
1– 500	2,388	84.3	1.5	1.1
501– 5,000	412	14.5	2.4	1.7
5,001– 10,000	6	0.2	0.2	0.1
10,001– 50,000	10	0.4	0.8	0.7
50,001– 100,000	5	0.2	1.8	3.1
100,001–	11	0.4	93.2	93.2
Not transferred to book-entry system			0.1	0.1
	2,832	100.0	100.0	100.0

SHAREHOLDERS

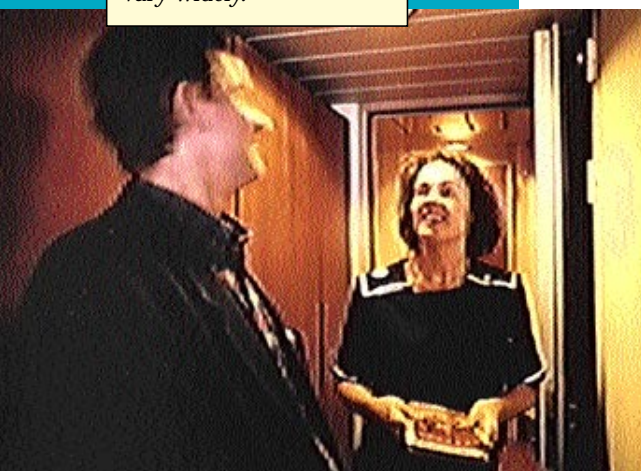
(Shareholding in % of)	Series K	Series A	Total no. of shares	Voting rights
NCC AB	40.6	36.3	38.0	40.3
UPM-Kymmene Oy	13.8	10.8	12.0	13.6
Enso Oy	9.0	7.2	7.9	8.9
The Pohjola Group	8.1	6.7	7.2	8.0
The Industrial Insurance Co. Ltd.	6.4	5.4	5.8	6.3
Neste Oy	6.6	4.9	5.5	6.4
Merita Bank incl. UBF pension foundation	6.8	3.8	4.9	6.6
Metra Oy Ab	0.8		0.3	0.8
A Berg Investment Fund	0.4	0.0	0.4	1.0
Trustee registered	3.0	16.8	11.5	4.0
Others	4.5	8.1	6.5	4.1
	100.0	100.0	100.0	100.0
Group Management's holdings, no. of shares held	1,120	3,485	4,605	
The Group's Mutual Insur. Co., no. of shares held	65,630		65,630	
The Group's pension foundation, no. of shares held		87,335	87,335	

Smooth and efficient service in connection with loading and unloading is a prerequisite for fast changeover times in port on the Turku line. Chief Mate Mikael Ström directs articulated trucks on the Silja Europa.

PER SHARE DATA

			1996	1995	1994	1993	1992
Earnings per share (EPS)	FIM		-9.74	-21.11	-9.82	-9.94	-17.18
Shareholders' equity per share	FIM		35.57	44.61	67.30	79.77	87.90
Dividend per share	FIM		0.00	0.00	0.00	0.00	0.00
Dividend/earnings	%		0.0	0.0	0.0	0.0	0.0
Dividend yield	K %		0.0	0.0	0.0	0.0	0.0
	A %		0.0	0.0	0.0	0.0	0.0
P/E-ratio (Price/Earnings)	K		n.a	n.a	n.a	n.a	n.a
	A		n.a	n.a	n.a	n.a	n.a
Share price trends							
highest closing price	K FIM		39.50	57.00	104.00	85.00	76.00
	A FIM		38.00	58.00	105.00	83.00	55.00
lowest closing price	K FIM		14.00	13.30	49.00	34.00	29.00
	A FIM		9.50	12.50	49.00	24.80	15.00
average price	K FIM		29.09	30.78	87.04	64.56	37.81
	A FIM		22.29	29.48	92.96	51.52	29.87
Stock exchange price, Dec. 31	K FIM		37.00	13.50	53.50	83.00	30.00
	A FIM		37.00	13.30	51.00	80.00	23.00
Market capitalization, Dec. 31	FIM m		807	182	712	1,110	370
Volume of share trading	no.		5,431,520	792,285	4,251,515	1,388,105	431,791
	K no.		224,451	225,271	1,284,001	456,234	163,970
	A no.		5,207,069	567,014	2,967,514	931,871	267,821
	%		39.5	5.8	31.4	10.2	3.2
	K %		2.7	2.7	15.4	5.5	2.0
	A %		95.9	10.8	56.8	17.8	5.1
	FIM m		123	24	388	77	14
	K FIM m		7	7	112	29	6
	A FIM m		116	17	276	48	8
Average no. of shares, adjusted for share issue	no.		13,763,032	13,560,000	13,560,000	13,560,000	13,560,000
	K no.		8,333,333	8,333,333	8,333,333	8,333,333	8,333,333
	A no.		5,429,699	5,226,667	5,226,667	5,226,667	5,226,667
Adjusted no. of shares Dec. 31	no.		21,816,646	13,560,000	13,560,000	13,560,000	13,560,000
	K no.		8,333,333	8,333,333	8,333,333	8,333,333	8,333,333
	A no.		13,483,313	5,226,667	5,226,667	5,226,667	5,226,667
Adjusted no. of shares after full conversion, Dec. 31	no.		25,245,845	20,674,500	16,997,500	13,560,000	13,560,000
	K no.		8,333,333	8,333,333	8,333,333	8,333,333	8,333,333
	A no.		16,912,512	12,341,167	8,664,167	5,226,667	5,226,667

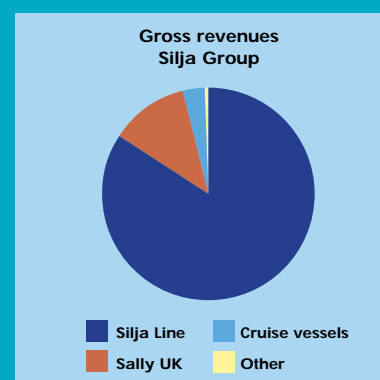
When passengers have found their accommodation, cabin hostess Katarina Kullberg is always on hand to provide help and answer questions. How does the wake-up service work? Can I phone home? The questions vary widely.



Business Operations

During recent years, the Group has mainly focused its business on Silja Line, its core operation in the Baltic Sea, which provides services between Finland and Sweden, Germany and Estonia. Ferry operations in the English Channel decreased in the spring of 1997, when the Sally UK

operations were transferred to a new company, Holyman Sally, in which Sally holds one-third of the shares. The three Group-owned cruise vessels are outchartered on long-term contracts up to autumn 1999.



VOLUMES AND MARKET SHARES

PASSENGERS

	VOLUMES			MARKET SHARES %		
	1996	1995	1994	1996	1995	1994
Silja Line						
Helsinki–Stockholm	1,331,781	1,357,543	1,447,446	55	57	56
Turku–Stockholm (incl. SeaWind)	2,050,223	2,070,616	2,005,281	60	58	61
Mariehamn–Stockholm/Turku	99,267	83,666	55,082	12	11	7
Vaasa traffic	865,204	968,036	933,012	100	100	100
Finland–Sweden, total¹⁾	4,346,475	4,479,861	4,440,821	57	58	57
Helsinki–Tallinn ²⁾	1,337,572	885,624	346,717	28	20	12
Helsinki–Travemünde	220,815	208,005	243,752	<90	>90	100
Silja Line, total	5,904,862	5,573,490	5,031,290			
Sally UK⁴⁾	2,792,449	3,405,714	3,587,780	9	13	15

CARGO UNITS

	VOLUMES			MARKET SHARES %		
	1996	1995	1994	1996	1995	1994
Silja Line						
Finland–Sweden ³⁾	104,068	103,927	99,638	47	47	46
Helsinki–Tallinn	26,111	7,317				
Helsinki–Travemünde	1,578	1,589	2,077	<5	<5	<5
Silja Line, total	131,757	112,833	101,715			
Sally UK⁴⁾	221,023	271,655	271,145	12	14	18

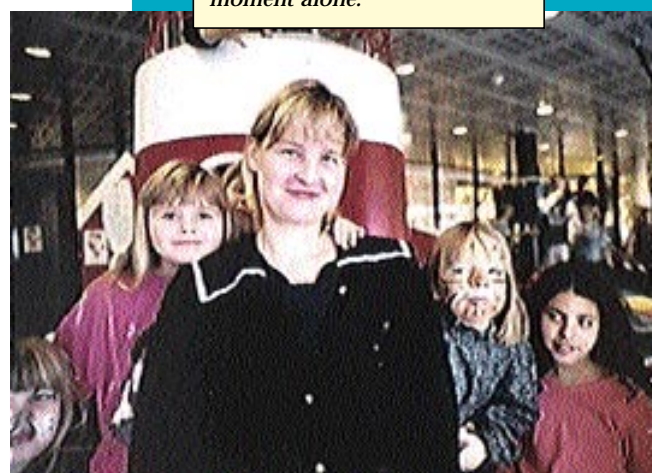
¹⁾ The market shares for Silja Line's passenger traffic are measured in relation to its main competitor in Finland-Sweden traffic.

²⁾ Silja Line's market share is measured in relation to the other operators.

³⁾ The market shares for cargo traffic are measured in relation to the two major competing operators.

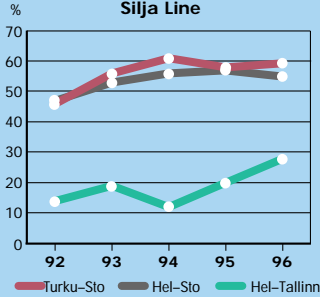
⁴⁾ Sally UK's volumes and market shares relate to total volumes within the framework of its cooperation with Belgian RMT. The market shares are measured for traffic to and from Ramsgate/Dover/Folkstone, as well as the Eurotunnel's volumes in the relevant transport segments.

In Siljaland, children invent their own fun. The "playmistress" Eva Laine on the Silja Europa knows how to entertain small children. And that their parents appreciate a moment alone.

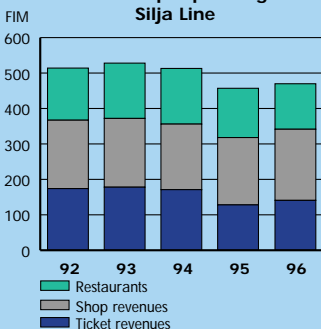


SILJA LINE

Market share, passengers
Silja Line



Revenues per passenger
Silja Line



Delicious food and friendly tableside service are essential aspects in keeping customers satisfied. The galley is in operation virtually 24-hours a day. Jan-Erik Berlin prepares the evening's cuisine.

Total market

Ferry traffic to and from Finland totaled 14.3 million passengers during 1996, a one-percent increase compared with the previous year. The growth was mainly attributable to traffic between Helsinki and Tallinn, while the traffic between Finland and Sweden remained at a relatively consistent level. Demand in the Finnish market remained strong and even the Swedish market continued its slow recovery in 1996.

Cargo traffic on ferries between Finland and Sweden increased by about two percent and volume on the Tallinn line rose by slightly more than 20 percent.

Silja Line's development

The improvement in Silja Line's operating income continued during the year. The recovery of ticket revenue, which began at the end of 1995, continued during 1996. Particularly the summer season, which has a determining effect on annual earnings, was successful both in terms of volume and revenue. The company reported a profit.

The company maintained its strong market position in both passenger and cargo traffic. The number of passengers increased by 6 percent to 5.9 (5.6) million. Seventy percent of the tickets were sold in Finland, 22 percent

in Sweden and 8 percent in other countries.

Efforts continued throughout the year to create a line-based product and service development strategy, which also led to a more customer-oriented organization. As of early 1997, the different traffic lines and Silja Cargo will operate as profit centers.

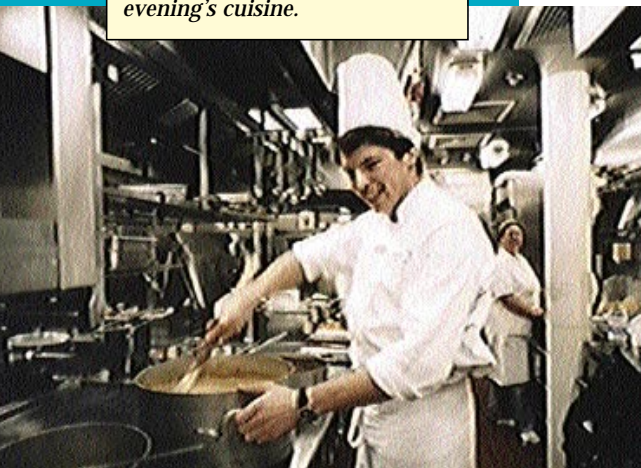
In parallel with work related to product and organizational development, a project group, in which both land and sea-based personnel are represented, worked actively during the year to formulate measures to improve the company's earnings potential and to reduce costs.

As part of the initiated capital rationalization program, the in-chartered Silja Scandinavia was returned to its owner in early April, 1997, in accordance with the decision made in August.

The Helsinki-Stockholm line

The line was served by the sister vessels Silja Serenade and Silja Symphony. Further strengthening of an already high-quality, customer-oriented product, improvements to the programs offered at the destinations and efforts to optimize passenger structure characterized the operations during the year.

Passenger volumes and market



share decreased by about two percent, while revenues per passenger rose. The vessels' load factor was 94 percent (94), or approximately 1,860 passengers per journey.

Turku–Mariehamn–Stockholm line

The line developed positively both as a means of transportation and a popular cruise product, especially among Finnish passengers.

The number of passengers on the Silja Europa and Silja Scandinavia, as well as on the cargo-passenger-train ferry, Sea Wind, remained unchanged, while the market share improved by approximately 2 percent. The load factor was 74 percent (76), or approximately 1,460 passengers per journey, including both day and night departures.

In early April, 1997, the Silja Festival was returned to the Turku line, the line for which she was originally built. The inchartered Silja Scandinavia was then returned to the owner.

Vaasa traffic

Ferry traffic in the Gulf of Bothnia concentrated throughout the year on the short line between Vaasa and Umeå. During the summer season, the Pietarsaari–Skellefteå line was also served, while the Sundsvall line was closed down in early January 1996. The capacity on this line, provided through the Fennia and, in the summertime,

also the Wasa Queen, proved to be properly dimensioned for the local market with its highly varying, seasonal needs.

The number of passengers on the short lines increased significantly while the total volume decreased by 11 percent due to the closure of the Sundsvall line.

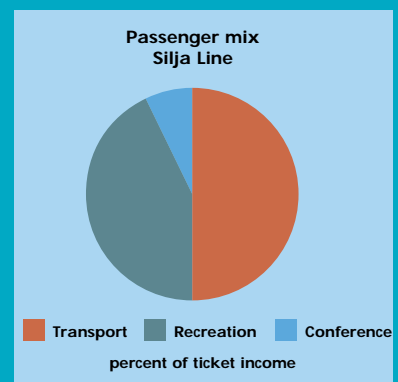
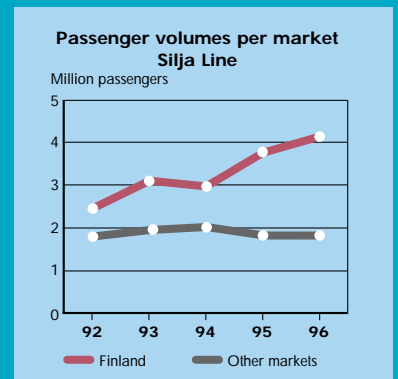
During the summer season of 1997, the inchartered passenger ferry Wasa Express (formerly Sally Star) will be put in service on the Vaasa–Umeå line. The vessel is designed for short day trips and shuttle traffic.

Tallinn line

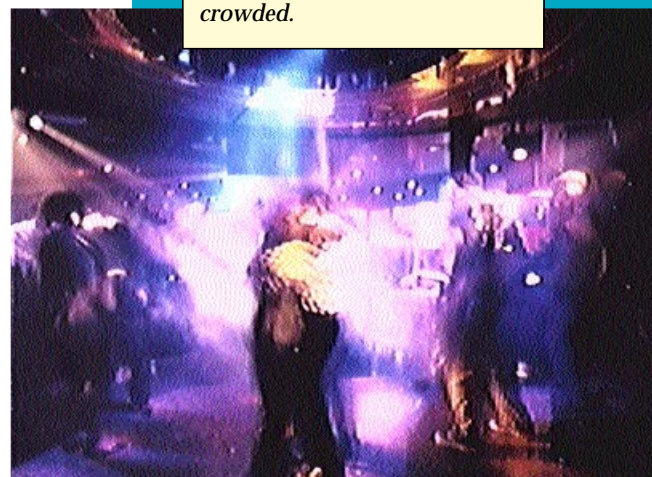
The Tallinn line has been the most expansive route within the Baltic Sea over the past few years and Silja Line has established itself well in this area. The Silja Festival served the line throughout the year and the Wasa Queen during the winter, spring and autumn seasons 1996.

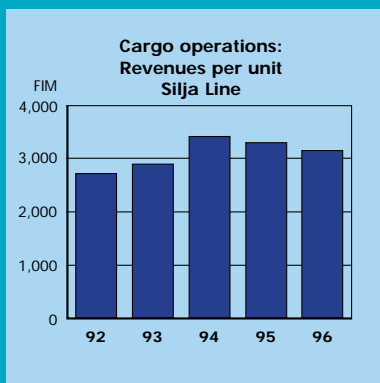
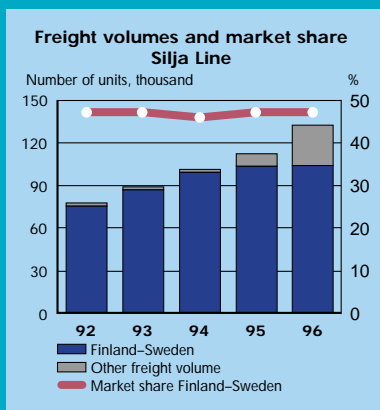
However, reinstatement of the so-called 20-hour rule for tax-free sales has undermined profitability in a competitive situation that is disadvantageous from a cost perspective for Finnish shipping companies.

After the Silja Festival returned to the Turku line in April 1997, the Wasa Queen started shuttle traffic providing two round trips per day.



With high-class entertainment and good dance music, the evening quickly turns into night. Occasionally, even the largest dance floor becomes crowded.





Conference guests are discerning passengers. Conference manager Harry Björklund ensures that all aspects of the popular conference department function smoothly.

Finnjet line

Trends on the GTS Finnjet's route between Helsinki and Travemünde were affected for the second consecutive year by a weaker German market. However, demand was strengthened in the Finnish market. Since the autumn, Finnjet has also offered high-speed southbound services outside the summer season, and can therefore offer the fastest year-round sea transport service to the continent.

The number of passengers rose by 6 percent. The load factor was 84 percent (84), or approximately 950 passengers per journey.

Cargo traffic, Silja Cargo

Silja Line also holds a strong position as a cargo carrier. Along with its integrated passenger ferry traffic, the company provides a total of 82 departures per week for cargo on car decks between Finland and Sweden, which is about half of the traffic capacity in this market. Silja Line currently has the only train-ferry connection between Finland and Sweden, namely the Sea Wind. In addition, 28 weekly departures are offered between Helsinki and Tallinn and 4-5 departures between Helsinki and Travemünde.

Cargo volumes in the traffic between Finland and Sweden remained at the preceding year's favorable levels. With a market

share of 47 percent (47), Silja Line is the largest cargo carrying company on the Finland-Sweden route. On the Tallinn line, three times as many cargo units were transported compared with 1995, due to more frequent departures, thereby increasing Silja's market share to 42 percent.

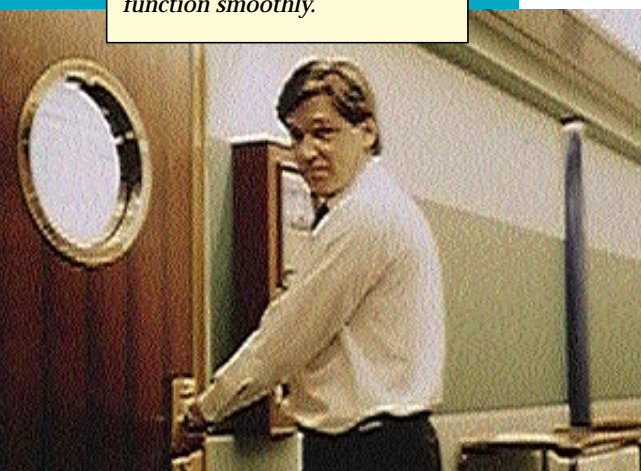
Ariadne Hotel

Silja Line also operates the 283-room Ariadne Hotel adjacent to the Silja Line terminal in Stockholm. The number of overnight guests was 105,529 (110,462). The high occupancy rate of 64 percent was sustained.

JBT

Since 1988, the wholly owned subsidiary, Johnson Baltic Traffic-management, has been responsible for the operational management of N&T Gotlandslinjen's concession-based traffic between Gotland and the Swedish mainland. Gotlandslinjen carried 1,102,000 (1,020,000) passengers during the year. N&T Gotlandslinjen's concession agreement expires at year-end 1997.

Starting in 1998, Gotlandstrafiken AB, a newly formed company in which Silja has a 40-percent share and Rederi AB Gotland a 60-percent share, will take over the concession. JBT's operations will be closed down at that time.



OTHER OPERATIONS

Sally UK

An overcapacity and major price reductions affected the entire English Channel market during the year, which led to a significant decrease in earnings for the ferry operators in the area. Although total passenger volumes (including Eurotunnel's car-borne passengers) increased by 15 percent and cargo volumes by 8 percent, ferry operators noted virtually no volume increase.

Sally's Channel traffic, conducted jointly by Sally and the Belgian state-owned shipping company Regie Voor Maritiem Transport (RMT) on the Ramsgate–Oostende and Ramsgate–Dunkerque lines, was restructured during the spring of 1997. RMT ceased operations and Sally's traffic was transferred to a new company, Holyman Sally, in which Sally holds one-third of the shares. Passenger traffic is handled by three high-speed cata-

marans owned by the Australian shipping company Holyman. In addition, ro-ro vessels are used for cargo transport.

Holyman Sally signed a five-year traffic agreement with Port Ramsgate, which is still owned by Sally UK.

Sally reported heavy losses for 1996 and was additionally burdened by restructuring costs reported as nonrecurring items. The new structure is expected to improve earnings considerably as of spring 1997.

Cruise vessels

Earnings for the three outchartered cruise vessels were satisfactory.

A new three-year charter agreement was signed in July for the Walrus (formerly Nautican) valid as of late autumn 1996. As a result, all three cruise vessels are out-chartered until the end of 1999.

Safety

New stability and safety requirements

Over the past two years, several Nordic and international studies have been performed to define higher safety requirements for passenger ferries. Silja Line has played an active role in this process. The new requirements, which will be implemented gradually before the year 2010, include increased damage stability, higher rescue equipment standards, better fire safety and more stringent personnel training and skill requirements.

The United Nations International Maritime Organization (IMO) established new regulations for passenger ferries in November, 1995. These regulations chiefly encompass higher stability requirements for passenger ferries with increased water tightness for the car deck and levels below, a system for rescuing people from the sea, as well as self-inflatable life-rafts. Seven countries have furthermore adopted the Stockholm Protocol, which stipulates even higher stability requirements for passenger ferries sailing in northern European waters. These vessels shall remain self-righting despite water on the car deck and even when in a damaged condition.

Since the majority of Silja Line's fleet capacity was built in the 1990s, only very minor changes and investments will be required to fulfill the new safety standards. The required modifications with regard to stability regulations are largely in place and Silja Line's fleet is ahead of schedule in this respect. The process was facilitated thanks to Silja Line's large, modern passenger ferries

and vessels with narrow car decks, bordered by cabins, which basically require little or no reconstruction to fulfill the new requirements.

Safety management certification

Silja Line's ship management organization, terminals and vessels were certified in 1995 by both Finnish and Swedish authorities according to the international safety code ISM, a quality standard equivalent to ISO 9002. All vessels as well as the shore-based operations were audited with respect to safety systems, documentation, work routines, etc. It became compulsory during the summer of 1996 for all passenger operators in EU waters to implement a safety management system for the maintenance and development of vessel safety. The continuous five-year certification process requires annual auditing.

Skills and training

The IMO convention Standard of Training, Certification and Watch-keeping (STCW-95), established more stringent regulations, which will come into effect this year. These regulations include new, specified competence requirements for the crew and rules for monitoring their skills. The requirements include language skills, obligatory safety training, an introduction to new duties, crisis management abilities plus training in cargo securing, dangerous goods and environmental protection.

Investments in safety

The required investments in safety development are a part of Silja's normal yearly investments in the fleet.

Regular in-house training and education are prerequisites for maintaining high safety standards. The new STCW convention increases the demands imposed on each crew member. The photo shows part of the Silja Europa's crew at a meeting.



Environment

Environmental policy

In 1995, Silja Line signed the International Chamber of Commerce's Business Charter for Sustainable Development, within the framework of which the company works actively to reduce the environmental impact of its operations. During the year, a full-time environmental manager was appointed.

The environmental policy is established by Silja Line's management and means that the implementation of the environmental program is carried out on board under the responsibility of the vessel's captain. The task of the land-based organization is to develop, control and support environmental protection work.

The company's obligations in accordance with environmental policy include:

- assigning priority to environmental work
- integrating and improving environmentally compatible guidelines and procedures
- training and motivating employees to work in an environmentally compatible manner
- assessing the environmental impact of changes in operations
- imposing demands on suppliers and subcontractors
- promoting environmental information within and outside the company
- ensuring sustainable development

Environmental management system

Silja Line has established a safety management and environmental

protection system in accordance with the ISM code (ISO 9002), according to which the land-based organization and vessels are certified. The ISM code also includes requirements regarding responsibility for environmental work and the prevention of environmentally hazardous spills and emissions. As part of a special environmental commitment, a decision was made during 1996 concerning the further development of the company's environmental management system, with certification according to ISO 14001 as the target.

Environmental impact

The company's operations affect the environment primarily in the form of exhaust fume emissions, as well as emissions of wash-water and treated wastewater. Solid waste generated by hotel, restaurant and other on-board operations is discharged ashore and represents an environmental impact to the extent that it is not recycled.

The emissions consist of nitrogen oxide, sulfur oxide, carbon oxide, hydrocarbons and particles which are significant with respect to over-fertilization, acidification and the greenhouse effect.

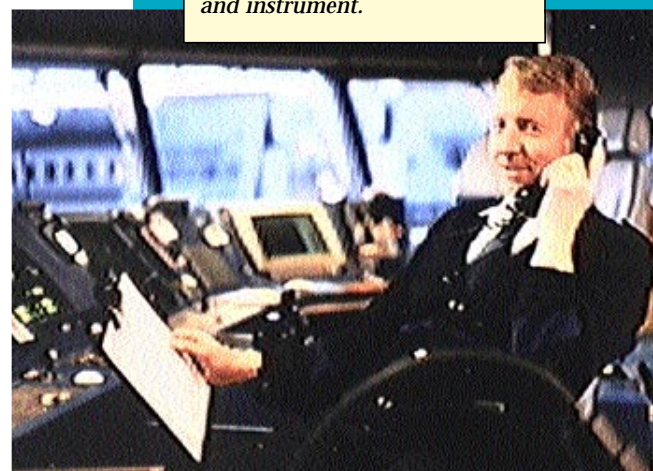
During 1996, the earlier programs for the reduction of environmental impact on air and water and a reduction in the amount of solid waste continued.

Measures to reduce environmental impact

Reduced emissions

Measures applied to the main engines of the Silja Serenade and Silja Symphony were

Safety Officer Pekka Jansen on the Silja Europa's control bridge preparing for departure. A comprehensive test and check is made of each function and instrument.





conducted to reduce the emission of nitrogen oxides by 25 percent. The measures did not lead to higher costs since they were implemented within the framework of normal maintenance service.

On the Silja Symphony, the installation of new water injection technology on a main engine, in cooperation with Wärtsilä Diesel, was completed at year-end. The objective is to gain an additional 50-percent reduction in nitrogen oxide emissions. The new equipment is being test operated at the beginning of the current year.

The catalytic converters installed on the Silja Serenade and Silja Symphony's auxiliary engines have proved effective and the reduction in nitrogen oxide during the stay in port amounts to 95 percent.

Silja Line's vessels are powered by low-sulfur heavy fuel oil or marine diesel oil.

Treatment of wastewater

The vessels are equipped with approved treatment plants for handling wastewater from toilets and galleys (black water). Untreated water and residual products from treatment plants are delivered to shore for further treatment in on-

shore treatment plants. Only treated water is pumped out at sea. The treatment process does not eliminate all phosphor or all nitrogen. However, the resulting effect on over-fertilization is small compared with the impact of sources on shore.

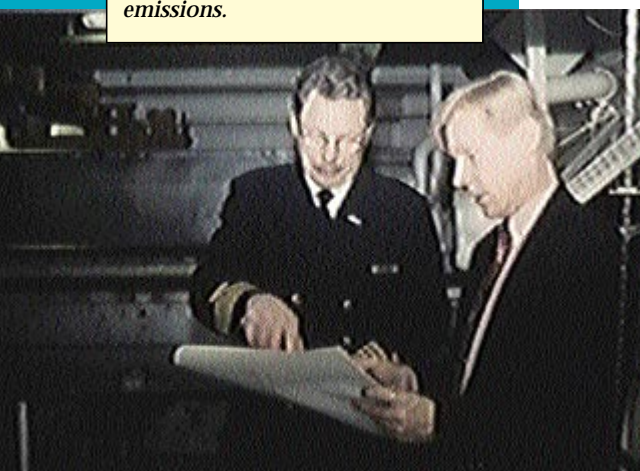
Oil discharges were eliminated many years ago by means of technical solutions and operative routines and do not constitute a strain on the environment. So-called oil-containing bilge water is delivered to on-shore facilities for further treatment as problem waste.

During the year, a reception station for wastewater was built in the port of Stockholm. It will be commissioned in spring 1997, whereby all wastewater (gray and black) from the vessels serving Stockholm will be pumped ashore. The extra costs arising from this, in the form of fees, are partly offset by a reduction in maintenance and operating costs for the particular vessels.

Solid waste

During the year, an environmental station was commissioned at the port of Stockholm for both source-sorted waste for recycling and for problem waste.

Efforts to reduce the environmental impact of Silja vessels include ongoing technical development. Silja Line's environmental manager Henrik Bachér and the Silja Symphony's chief engineer Björn Örnertig study the test results of new technology designed to reduce nitrogen oxide emissions.



The quays in Helsinki and Turku have been equipped with special containers for problem waste.

Future objectives of environmental program

Silja Line's environmental program assigns priority to efforts aimed at reducing nitrogen oxide emissions, reducing discharges and the treatment of gray water, sorting-at-source and recycling of solid waste and the replacement of cooling media in refrigerators and air-conditioning plants with more environmentally compatible alternatives.

In Sweden, environmentally related shipping and port fees are expected to be introduced in 1998. The measures undertaken by Silja, and which are included in the environmental program, will eventually strengthen the company's position in terms of the new fee structure.

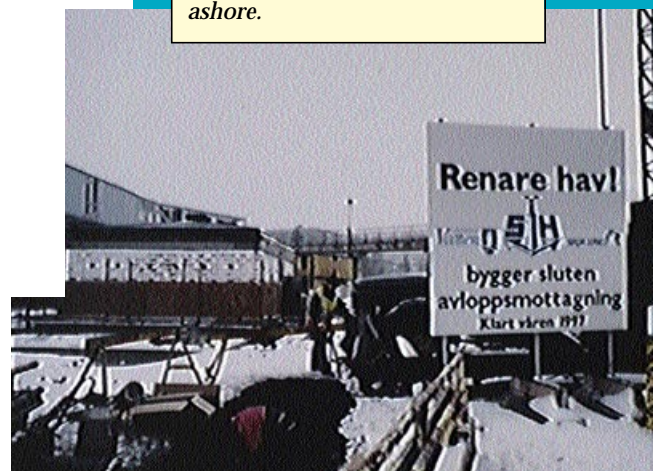
Environmental award

During the year, Silja Line was the first company to receive the Port of Helsinki Environmental Award in recognition of its efforts on behalf of the port environment and especially for its pioneering and long-term program to improve air quality.

In previous years, extensive measures were taken to reduce the environmental impact:

- utilization of low-sulfur fuel
- approved treatment plants for handling wastewater
- toilet system based on low-water consumption
- energy-saving measures, such as the recovery of heat
- catalytic converters on auxiliary engines
- utilization of underwater hull paints that are not environmentally hazardous
- minimization of solid waste
- sorting-at-source of solid waste and the recycling of aluminum tins, glass, paper, florescent lighting tubes, batteries and other materials
- delivery of problem waste to waste management plants
- use of environmentally labeled washing detergents
- requirements that suppliers' products be environmentally approved and for the recycling of packaging

The new wastewater reception station at Silja's terminal marks the final elimination of gray water emissions at sea from Silja Line's traffic services from Stockholm. As of spring 1997, all wastewater will be pumped ashore.



The Fleet



Silja Serenade



Silja Symphony



Silja Europa



Silja Festival



Fennia

At year-end, Silja's fleet consisted of 14 vessels, of which 11 are Group-owned and three are chartered. The combined capacity amounts to 17,600 berths and 10,300 lane meters of cargo capacity.

The value according to plan of the Group's fleet was FIM 3,892 m at the end of 1996 (Dec. 31, 1995:

4,104). At year-end, the hidden reserve in the fleet of vessels, which is based on the average of the valuations made by external shipping brokers, was FIM 200 m (100).

On December 31, 1995, the hull-interest insurance value of the Group's operating fleet was FIM 5,117 m (5,270).

THE FLEET, SPRING 1997

SILJA LINE

Helsinki-Stockholm line

Silja Serenade

Built 1990
Gross tonnage 58,380
Passengers 2,852
Owned by Silja Line
Flag Finnish

Silja Symphony

Built 1991
Gross tonnage 58,380
Passengers 2,852
Owned by Silja Line
Flag Swedish

Turku-Mariehamn-Stockholm line

Silja Europa

Built 1993
Gross tonnage 59,900
Passengers 3,123
Long-term charter with purchase option
Flag Finnish

Silja Festival

Built 1986/92
Gross tonnage 34,500
Passengers 1,916
Owned by Silja Line
Flag Swedish

Vaasa traffic

Fennia

Built 1966
Gross tonnage 10,500
Passengers 1,200
Owned by Silja Line
Flag Finnish

Wasa Express (ex Sally Star)

Built 1981
Gross tonnage 16,829
Passengers 1,760
Charter up to autumn 1997
Flag Finnish

Helsinki-Tallinn line

Wasa Queen

Built 1975/89/92
Gross tonnage 16,546
Passengers 1,599
Owned by Silja Line
Flag Finnish

Helsinki-Travemünde line

Finnjet

Built 1977
Gross tonnage 32,940
Passengers 1,686
Owned by Silja Line
Flag Finnish

SEAWIND LINE

Turku–Stockholm line

Sea Wind

Built 1971/89

Gross tonnage 15,900

Passengers 260

Owned by SeaWind Line

Flag Swedish

Sea Wind II

Built 1979

Gross tonnage 6,643

Passengers 52

Charter up to autumn 1997

Flag Swedish



Wasa Express



Wasa Queen

CRUISE VESSELS

Walrus (ex Nautican)

Built 1990, gross tonnage 15,270, passengers 616

Owned by Silja, flag Panama, outchartered until autumn 1999

Crown Dynasty

Built 1993, gross tonnage 19,089, passengers 916

Owned by Silja, flag Panama, outchartered until autumn 1999

Leeward

Built 1992/95, gross tonnage 25,611, passengers 1,200

Owned by Silja, flag Panama, outchartered until autumn 1999



Finnjet

HOLYMAN SALLY

Ramsgate–Ostend

Holyman Rapide (catamaran)

Built 1996, gross tonnage 4,112, passengers 674, cars 180, owned by Holyman, flag Luxembourg

Holyman Diamante (catamaran)

Built 1995, gross tonnage 4,112, passengers 674, cars 180, charter, flag Luxembourg

Euroway (roro-ferry)

Built 1976, gross tonnage 9,079, charter, flag Cyprus

Purbeck (roro-ferry)

Built 1978, gross tonnage 6,507, charter, flag Bahamas

Eurotraveller (ex Sally Sky)

Built 1976, gross tonnage 14,458, passengers 1,150, owned by Sally UK, flag Bahamas

Ramsgate–Dunkerque

Condor 10 (catamaran)

Built 1993, gross tonnage 3,241, passengers 574, cars 140, owned by Holyman, flag Singapore

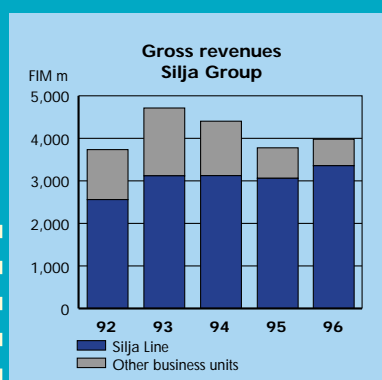


Sea Wind



Sea Wind II

Report of the Board of Directors



During 1996, Group operations largely followed the established plans and objectives. Although results improved substantially, the Group still reported a loss. The improved earnings were mainly attributable to the core operation, Silja Line, and the three outchartered cruise vessels. The losses were mainly due to Sally UK, which suffered from the overcapacity and sharply reduced prices that marked the entire English Channel market during the fiscal year.

The improvement within Silja Line continued throughout 1996. The number of passengers rose approximately 6 percent compared with 1995 to 5.9 million. Passengers carried in Tallinn operations rose by slightly more than 450,000. As a result of a gradual recovery in demand in the Swedish market and a continued strong market in Finland, together with more concentrated efforts to develop line-based products and a more distinctly differentiated profile in relation to competitors, it was possible to improve ticket revenues from Finland-Sweden traffic.

The closure of Vaasa-Sundsvall operations in December 1995, whereby traffic in the area was concentrated to Vaasa-Umeå, led to a decline in the number of passengers by slightly more than 100,000, but resulted in substantially improved earnings due to the correct dimensioning of capacity.

The Wasa Queen, which was released from Vaasa-Sundsvall operations, was instead placed in operation on the Helsinki-Tallinn line, resulting in a strong increase in passenger and cargo volumes, and a favorable effect on earnings.

Silja Line maintained its strong market position, with a market share of 57 percent (58) on the routes between Finland and Sweden. The company also maintained its position as the leading cargo carrier between Finland and Sweden. Measured in relation to its principal competitors, Silja Line's share of the market was 47 percent (47).

Traffic operations in the English Channel were marked by overcapacity and sharply reduced prices during the year, which resulted in a substantial decrease in earnings for

DISTRIBUTION OF RESULTS FIM m	Gross revenues			Operating margin		
	1996	1995	1994	1996	1995	1994
Silja Line, traffic contribution	3,354	3,061	3,123	576	394	509
Gain on sales of vessels						
Silja Line, total	3,354	3,061	3,123	576	394	509
Other operations	624	716	1,280	155	103	217
Gain on sales of vessels						
Nonrecurring items						
Other operations, total	624	716	1,280	155	103	217
Silja Group, total	3,978	3,777	4,403	731	497	726
Specification of Other operations						
Sally UK	474	557	630	27	70	80
Cruise operations	137	141	587	132	40	119
Other business units	13	18	63	-4	-7	18

Costs for Group administration have been distributed among the business areas. Compared with Silja Line's Statutory Accounts the distributed amounts are FIM +28 m 1996, (FIM +40 m 1995 and FIM -14 m 1994).

ferry operators in the area. During the autumn, Sally, the Australian shipping company Holyman and the Belgian state-owned shipping company RMT reached an agreement regarding a substantial rationalization and modernization of services between Belgium and the U.K. In the new traffic services, which became operational in March 1997, Sally participates solely through a 33 percent shareholding in the new company. The costs for the closure of Sally/RMT pool traffic and the restructuring of operations to the new traffic structure amounted to FIM 84 m, which is reported as nonrecurring costs.

The Group's three cruise vessels were chartered to external operators during the year. Following the renewal of the charter agreement relating to the Nautican, all of the three vessels are outchartered on satisfactory terms until autumn 1999.

Trend of results

The Group's revenues amounted to FIM 3,978 m (3,777), an increase of 5 percent. Silja Line's gross revenues rose by FIM 293 m to FIM 3,354 m, while revenues from other operations declined, mainly due to the weak English Channel market. A settlement from Wärtsilä Marine's

bankruptcy estate is included in Group sales and results in an amount of FIM 69 m (43), of which Silja Line's share is FIM 61 (38).

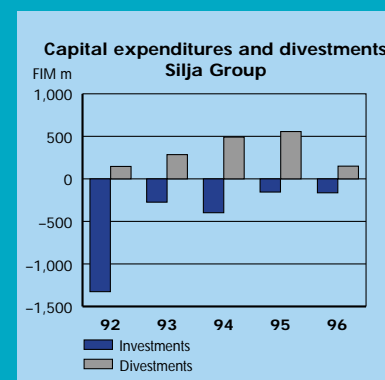
The operating contribution amounted to FIM 388 m (192), an increase of 102 percent compared with the preceding year. The operating contribution includes a zero result from sales of vessels (3). Nonrecurring costs of FIM 84 m (89) were charged against the operating contribution, relating entirely to the restructuring of English Channel operations. Results for 1995 were charged with a corresponding cost of FIM 89 m for the closure of the Group's own cruise operations.

The operating result after depreciation amounted to FIM 110 m (-88).

Net financial items improved from FIM -301 m in 1995 to FIM -243 m. Net financial items include exchange-rate gains of FIM 18 m (4).

The result after net financial items was FIM -133 m (-389), of which Silja Line's result was a profit of FIM 87 m (-94) and the result of other operations was FIM -220 m (-295).

The distribution of earnings among the various business units is shown in the table below.



Operating result			Result after net financial items		
1996	1995	1994	1996	1995	1994
219	59	180	87	-94	-28
	0	120		0	120
219	59	300	87	-94	92
-25	-61	-4	-136	-209	-107
0	3	-10	0	3	-10
-84	-89	-99	-84	-89	-99
-109	-147	-113	-220	-295	-216
110	-88	187	-133	-389	-124

-82	-38	-3
67	-4	28
-10	-19	-29

Investments and divestments

Group investments during the year amounted to FIM 163 m (155), of which FIM 76 m related to the conversion of the previously paid advance hire for the Silja Europa into a 15-percent shareholding in the company that owns the vessel, FIM 37 m to safety, environmental and other investments in Silja Line's fleet and terminals and FIM 30 m to the exercise of an option to acquire 50 percent of the shares in a company that owns the two English Channel ro-ro vessels, the Sally Eurolink and Sally Euroroute. The latter shares were subsequently sold in January 1997 and generated a capital gain of FIM 7 m.

During 1996, vessels and shares in a total amount of FIM 145 m (552) were divested, which mainly related to the sale of shares in the Semjom shipping management company and of two reefer vessels. The Group has placed guarantees for approximately FIM 60 m of the financing of the sold reefers.

Hidden reserve in vessels

In assessing the market value of the fleet, ongoing valuations are commissioned from independent shipping brokers. On the basis of the latest of these valuations, conducted in January 1997, the hidden value in the fleet on December 31, 1996 was assessed at approximately FIM 200 m. The similarly estimated hidden value at year-end 1995 was FIM 100 m.

The market value of modern ferry tonnage remained unchanged during the year, while a slight decline was noted in the value of other tonnage. As a result, the rate of depreciation of certain older vessels was accelerated, which has an annual effect of FIM -10 m on results, as of 1996.

New issue and repurchase of convertible subordinated bonds

Silja Oy Ab's Extraordinary Shareholders Meeting in December 1996 voted to increase the Company's share capital through a share issue directed to the general public and disapplying shareholders' preemptive subscription rights. The purpose was to strengthen the Company's equity ratio and financial structure. At the same time, the Meeting decided that a conditional public purchase offer was to be made to holders of the convertible subordinated bonds issued in 1994 and 1995.

In connection with the issue, 8,256,646 series A shares were subscribed, whereby the share capital was increased by FIM 165 m and legal reserves by FIM 161 m. In total, convertible subordinated bonds corresponding to a nominal value of FIM 354 m were purchased, which combined with the effects of the new issue, meant that the equity ratio was strengthened and will result in an annual reduction of approximately FIM 30 m in financial expenses.

Financing and liquidity

Of the Group's interest-bearing liabilities, FIM 482 m (994) was amortized during the year, while new loans amounting to FIM 183 m (465) were raised. The Group's interest-bearing liabilities amounted to approximately FIM 3,740 m (4,232), of which the remaining convertible subordinated bonds accounted for FIM 329 m, which is included in the Group's risk-bearing capital for the purpose of computing key ratios. The Group also raised a capital loan of FIM 50 m, which in accordance with Finland's newly amended version of the Companies Act (February 14, 1997) is reported among share-

holders' equity. The average interest rate on the Group's total loan portfolio during 1996, excluding the 7 percent interest rate on the convertible subordinated bonds, was 5.9 percent (6.7).

The share of risk-bearing capital in the Group was 22 percent (22). The adjusted share of risk-bearing capital, which also takes into account the hidden reserve in vessels, was 25 percent (24).

The Group's cash flow from business operations improved by FIM 234 m to FIM 232 m (-2). The operating cash flow, which takes investments and divestments into account, was FIM 169 m (343).

The Group's liquid funds, including unused credit facilities, amounted to FIM 351 m (515) at year-end.

Safety and the environment

During the year, the Group continued to develop safety management and environmental protection systems in accordance with the ISM code (ISO 9002).

At a safety and security conference held in Stockholm in February 1996, new stability standards were established for vessels operating in the Baltic Sea and northwestern Europe. Silja's vessels comply with these standards without any significant modifications.

As part of a special environmental effort, a decision was made in 1996 regarding the further development of the Group's environmental management system, with the aim of achieving certification in accordance with ISO 14001. A full-time environmental manager was appointed during the year.

Current legal disputes

The Group's claims on the bankruptcy estate of Wärtsilä Marine, relating to costs for delays etc., resulted in a payment of FIM 69 m

in 1996 (43). Only minor additional payments are expected.

The arbitration proceedings related to Baltic Shipping Company, St. Petersburg, which were mentioned in the Annual Report for 1995, were decided in the Group's favor during the year. As a result of security arrangements, satisfactory coverage has been received for the amounts outstanding.

Silja Line Oy, Viking Line Marketing Ab Oy and Stockholms Hamn AB are the joint respondents in a court case at Stockholm District Court's Property Court, where the plaintiff, Stiftelsen Skärgårdsmiljöfonden has petitioned, among other demands, that the respondents be forced to limit the size of their vessels and the scope of traffic in the port of Stockholm and the Stockholm archipelago. The proceedings, which commenced in 1991 and have to date focused primarily on certain formal matters relating to a Supreme Court verdict in December 1994, are now approaching the stage when the actual matter will be addressed. In view of the Supreme Court's verdict and other circumstances, such as the Group's safety and environmental efforts, it is considered unlikely that the plaintiff's petition will be approved.

Silja Finance Oy, the current holder of the rights to Rederiaktiebolaget Sally, which ordered the Viking Sally, subsequently renamed the Estonia, has been sued by Bureau Veritas as a co-respondent in a process in France being pursued by a group of relatives to the victims

of the Estonia accident. It is likely that the lawsuit is being pursued for purely formal reasons and in Silja's opinion it will not lead to any liability for the co-respondents.

In addition to these cases, the Group is involved in a number of minor proceedings. It is estimated that the combined financial outcome of these cases will have a relatively neutral total impact on the Company's earnings in the next few years.

Board of Directors and Auditors

The Board members – Tauno Matomäki, Tommy Nilsson and Erik Stadigh – due for re-election at Silja's Annual General Meeting on April 16, 1996, were re-elected.

The Annual General Meeting appointed KPMG Wideri Oy Ab as auditor of the company.

Group structure and organization

As a result of the concentration on core operations, the Group's structure has been simplified and now focuses on Silja Line. As of the beginning of 1997, the Parent Company Silja Oy Ab's and Silja Line's organizations were integrated in terms of functions, and areas of responsibility were specified.

Silja Line has operational responsibility for the core business, traffic operations in the Baltic Sea. The various lines and cargo services now operate as profit centers. In addition, there are support functions, Silja Line Partners, that are responsible for marketing and sales, as well as for ship management, personnel and administrative matters.

Group administrative duties and Group financing are managed by a small Group staff unit. The Group's other business functions, Sally UK and cruise vessels, are managed by the Group staff.

Personnel

The number of employees in the Silja Group at year-end 1996 was 4,899 (5,439), of whom 2,280 (2,844) were employed outside Finland. The decrease was attributable to the discontinuation of international cruise operations and cutbacks within Sally UK.

Outlook

Based on the forecast growth in consumer demand in the main markets and Silja Line's strong market position, Silja Line's earnings improvement is expected to continue. The results of Sally's operations are expected to improve significantly as of spring 1997, due to the restructuring measures initiated in autumn 1996.

On the whole, the Group's favorable trend is expected to continue and it is estimated that earnings for 1997 should be able to reach or exceed the break-even level. When assessing the Group's results trend, it should be borne in mind that payments from Wärtsilä Marine's bankruptcy estate had a positive effect on 1996 results.

The Group's operating cash flow will remain positive and strengthen.

AVERAGE NUMBER OF EMPLOYEES	Land-based			Sea-borne		
	1996	1995	1994	1996	1995	1994
Silja Line	943	971	961	3,268	3,281	3,389
Sally UK	544	745	737	463	571	640
Cruise operations	4	60	92	-	447	1,340
Other business units	-	-	368	-	-	5
Group staff	27	29	33	-	-	-
Total	1,518	1,805	2,191	3,731	4,299	5,374

Group Income Statement

FIM m	Note	1996	%	1995	%	1994	%
Gross revenues		3,978	105	3,777	107	4,403	106
Net revenues	1	3,782	100	3,536	100	4,137	100
Gains on sales of vessels		0		3		110	
Costs							
Materials and supplies	2	-780		-742		-766	
Personnel expenses	3	-1,034		-1,006		-1,016	
Hires	4	-495		-466		-455	
Nonrecurring items	5	-84		-89		-99	
Other costs		-1,001		-1,044		-1,435	
Total costs		-3,394		-3,347		-3,771	
Operating contribution		388		10	192	5	476
Depreciation on fixed assets and other capitalized expenditure							
Intangible assets	12	-26		-44		-23	
Tangible assets	13	-252		-236		-266	
Total depreciation on fixed assets and other capitalized expenditure		-278		-280		-289	
Operating result	6	110	3	-88	-2	187	5
Financial income and expenses							
Dividends		5		3		6	
Interest income		21		26		30	
Interest expenses		-274		-299		-302	
Exchange differences		18		4		2	
Other financial expenses		-14		-35		-49	
Share in income of associated companies	8	1		0		2	
Total net financial items		-243		-301		-311	
Result after net financial items	11	-133	-4	-389	-11	-124	-3
Minority interests						0	
Result after net financial items and minority interests		-133	-4	-389	-11	-124	-3
Taxes	10	-1		103		-9	
Net result for the financial year		-134	-4	-286	-8	-133	-3

Group Statement of Changes in Financial Position

FIM m	1996	1995	1994
Business operations			
Funds provided from business operations			
Operation contribution	388	192	476
Net financial items	-243	-302	-311
Taxes	-1	-1	-5
	<u>144</u>	<u>-111</u>	<u>160</u>
Change in funds tied up in operations			
Current assets	-1	10	5
Current receivables	55	214	-229
Non-interest-bearing liabilities	34	-115	10
	<u>88</u>	<u>109</u>	<u>-214</u>
Liquid assets provided from business operations	232	-2	-54
Investments			
Investments in vessels	-24	-85	-278
Investments in other assets	-139	-71	-120
Vessels divested	128	548	497
Other assets divested	23	18	21
Exchange-rate adjustments	-51	-65	75
	<u>-63</u>	<u>345</u>	<u>195</u>
Liquid assets provided from business operations after investments (operating cash flow)	169	343	141
Financing			
Change in long-term receivables	59	-133	-13
Long-term borrowing	183	465	341
Amortization of interest-bearing liabilities	-482	-994	-977
Loans against convertible bonds	-305	300	330
Capital loan	50		
Share issue	326		
Securities in financial assets	9	21	-31
	<u>-160</u>	<u>-341</u>	<u>-350</u>
Change in liquid assets	9	2	-209
Liquid assets, Jan. 1	78	76	285
Change in liquid assets	<u>9</u>	<u>2</u>	<u>-209</u>
Liquid assets, Dec. 31	87	78	76
Unused portion of credit limits	264	437	457

Group Balance Sheet

ASSETS, FIM m	Note	Dec. 31, 1996	%	Dec. 31, 1995	%	Dec. 31, 1994	%
Fixed assets and other long-term investments							
Intangible assets	12						
Goodwill		12				26	
Other capitalized expenditure		59		75		87	
		<u>71</u>		<u>75</u>		<u>113</u>	
Tangible assets	13						
Vessels		3,892		4,104		4,753	
Land sites		176		154		170	
Buildings and constructions		177		189		188	
Machinery and equipment		51		63		86	
		<u>4,296</u>		<u>4,510</u>		<u>5,197</u>	
Securities included in fixed assets and other long-term investments	14						
Shares and participations	16	135		40		66	
Loan receivables		229		288		155	
		<u>364</u>		<u>328</u>		<u>221</u>	
Total fixed assets and other long-term investments		4,731	89	4,913	88	5,531	86
Current assets							
Inventories							
Materials and supplies		59		58		68	
Receivables							
Accounts receivable		272		277		270	
Accrued income and prepaid expenses		99		129		158	
Other receivables		75		95		286	
		<u>446</u>		<u>501</u>		<u>714</u>	
Securities included in financial assets							
Shares and participations		0		9		31	
Cash and bank deposits		87		78		76	
Total current assets		592	11	646	12	889	14
Total assets		5,323	100	5,559	100	6,420	100
Assets pledged	27	3,433		3,984		4,434	

SHAREHOLDERS' EQUITY AND LIABILITIES, FIM m		Note	Dec. 31, 1996	%	Dec. 31, 1995	%	Dec. 31, 1994	%
Shareholders' equity		18						
Restricted shareholders' equity								
	Share capital	19	436		271		271	
	Restricted reserves		392		204		238	
Capital loan		21	50					
Unrestricted shareholders' equity								
	Unrestricted reserves		82		416		537	
	Net result for the financial year		-134		-286		-133	
Total shareholders' equity			826	16	605	11	913	14
Liabilities								
Long-term liabilities		22						
	Convertible bonds, total		683					
	acquired by the Company		-354					
	Loans against convertible bonds	23	329		634		330	
	Loans from financial institutions	24	3,411		3,581		4,199	
	Other long-term liabilities		23		39		154	
	Amounts falling due within following year		-318		-397		-442	
			3,445		3,857		4,241	
Current liabilities		25						
	Accounts payable		227		272		276	
	Accrued expenses and prepaid income		477		376		410	
	Other current liabilities		348		449		580	
			1,052		1,097		1,266	
Total liabilities			4,497	84	4,954	89	5,507	86
Total shareholders' equity and liabilities			5,323	100	5,559	100	6,420	100
Contingent liabilities		27	207		147		32	

Parent Company Income Statement

FIM m	Note	1996	1995	1994
Net revenues	1	13	6	6
Other operating income		45	27	
Costs				
Personnel expenses	3	-5	-7	-4
Hires	4	-1	-1	-1
Nonrecurring items	5			-88
Other costs		-14	-20	-21
Total costs		-20	-28	-114
Operating contribution		38	5	-108
Depreciation on fixed assets and other capitalized expenditure	15	0	0	0
Operating result		38	5	-108
Financial income and expenses	7			
Dividends		0	0	4
Interest income		40	48	23
Interest expenses		-51	-50	-26
Exchange differences		5	-7	-35
Other financial expenses		-6	-6	-4
Total net financial items		-12	-15	-38
Result after net financial items		26	-10	-146
Value adjustments of investments in subsidiaries	9	-451	-146	-200
Group contribution		200	41	56
Result before appropriations and taxes		-225	-115	-290
Depreciation in excess of/less than plan		0	0	0
Taxes				0
Net result for the financial year		-225	-115	-290

Parent Company

ASSETS, FIM m	Note	Dec. 31, 1996	Dec. 31, 1995	Dec. 31, 1994
Fixed assets and other long-term investments	15			
Intangible assets				
Other capitalized expenditure		5	8	7
Tangible assets				
Machinery and equipment		1	1	2
Securities included in fixed assets and other long-term investments	17			
Shares and participations	16	169	224	349
Subsidiaries		1	1	1
Other companies				
Loan receivables		765	962	602
		935	1,187	952
Total fixed assets and other long-term investments		941	1,196	961
Current assets				
Receivables	17			
Accounts receivable		38	8	3
Accrued income and prepaid expenses		9	38	74
Other receivables		225	42	23
		272	88	100
Cash and bank deposits		0	0	1
Total current assets		272	88	101
Total assets		1,213	1,284	1,062
Assets pledged	27	107	162	

Parent Company's Statement of Changes in Financial Position

FIM m		1996	1995	1994
Business operations	Funds provided from business operations			
	Operation contribution	38	5	-108
	Net financial items	-8	-10	-38
	Taxes	0		0
		<u>30</u>	<u>-5</u>	<u>-146</u>
	Change in funds tied up in operations			
	Current receivables	-184	12	146
	Current liabilities	-21	18	-1
		<u>-205</u>	<u>30</u>	<u>145</u>
Liquid assets provided from business operations		-175	25	-1
Investments	Investments	-252	-68	-320
	Divestments	0	133	100
		<u>-252</u>	<u>65</u>	<u>-220</u>
Liquid assets provided from business operations after investments		-427	90	-221
Financing	Change in long-term receivables	197	-360	-317
	Long-term borrowing	0	7	148
	Capital loan	50		
	Loans against convertible bonds	-305	300	330
	Amortization of long-term loans	-41	-79	-2
	Group contribution	200	41	56
	Share issue	326		
		<u>427</u>	<u>-91</u>	<u>215</u>
Change in liquid assets		0	-1	-6
Liquid assets, Jan. 1		0	1	7
Change in liquid assets		<u>0</u>	<u>-1</u>	<u>-6</u>
Liquid assets, Dec. 31		0	0	1

Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES		Note	Dec. 31, 1996	Dec. 31, 1995	Dec. 31, 1994
Shareholders' equity		18			
Restricted equity	Share capital	19	436	271	271
	Restricted reserves		255	94	94
Capital loan		21	50		
Unrestricted equity	Retained earnings		7	122	412
	Net result for the year		-225	-115	-290
Total shareholders' equity			523	372	487
Untaxed reserves			0	0	0
Obligatory reserves		9	232	87	
Liabilities		26			
Long-term liabilities		22			
	Convertible bonds, total		683		
	acquired by the Company		<u>-354</u>		
	Loans against convertible bonds	23	329	634	330
	Loans from financial institutions		0	50	50
	Other long-term liabilities		92	83	155
	Amounts falling due within following year		0	0	0
			<u>421</u>	<u>767</u>	<u>535</u>
Current liabilities		25			
	Accounts payable		0	2	5
	Accrued expenses and prepaid income		26	47	26
	Other current liabilities		11	9	9
			<u>37</u>	<u>58</u>	<u>40</u>
Total liabilities			458	825	575
Total shareholders' equity and liabilities			1,213	1,284	1,062
Contingent liabilities		27	3,454	3,610	4,045

Accounting Principles

The fundamental accounting principles applied by the Group remained unchanged compared with the preceding year.

The consolidated accounts are presented in Finnish marks and are based on historical costs.

Consolidation

The consolidated financial statements include Silja Oy Ab and those companies in which the Parent Company, directly or indirectly, owns more than 50 percent of the shares or voting rights. Subsidiaries acquired, established or divested during the year are included in the consolidated accounts only for the holding period.

In consolidating, all intra-Group transactions are eliminated. Minority interests in the subsidiaries' income and shareholders' equity are reported separately in the income statements and balance sheets.

In preparing the consolidated financial statements, the purchase method has been used, whereby the acquisition value of shares in subsidiaries is eliminated against the purchased portion of shareholders' equity, including the equity portion of untaxed reserves, at the date of acquisition. Elimination differences arising from this have been distributed among acquired assets and goodwill on the basis of individual analysis.

Goodwill is amortized according to plan during the estimated lifetime, although not more than ten years.

Group interests in associated companies (Note 8), which are companies in which the Group

holds 20 to 50 percent of the share capital or the voting rights, are reported in accordance with the equity accounting method. The method means that the income statement shows the Group's interests in the results of associated companies as a financial item and that, in the balance sheet, the book value of shares is adjusted each year on the basis of the share in results for the particular year.

Dividends from associated companies are eliminated.

For consolidation purposes, all income statements of foreign companies are translated on the basis of the average exchange rate during the year and their balance sheet items according to the average bid and offer rates on the balance sheet date. Differences arising from translation are added directly to Group shareholders' equity and do not affect income for the year.

Items in foreign currencies and derivative agreements

Transactions in foreign currencies are reported at the transaction date rate. Exchange differences arising from sales are included in revenues, while exchange differences arising from purchases are included in costs before operating contribution.

Receivables and liabilities in foreign currencies are valued at the rate applying on the balance sheet date. Exchange differences attributable to liquid assets and loans in foreign currencies are reported net in the income statement.

Exchange differences on loans between the Parent Company and foreign subsidiaries that relate to

the financing of shareholders' equity are eliminated against translation differences on the Group's shareholders' equity. Forward contracts or currency positions that are in effect on the balance sheet date have been valued individually at their fair value on the balance sheet date.

Pension arrangements

Pension cover for Group personnel is arranged on the basis of local practice in each country. The Group's pension liability in the Finnish units is insured partly by external insurance companies and partly by the Company's own pension foundations.

The capital value of pension obligations is reported as a liability in the balance sheet and the change in this item during the year is reported as an expense.

In calculating the share of liability not covered by foundations, assets have been stated at the current value on the balance sheet date.

Expenses for research and development

Expenses for research and development are charged against income as they are incurred.

Capital loan

The capital loan is classified as shareholders' equity and reported separately between restricted and unrestricted shareholders' equity. However, the capital loan is excluded when calculating the key ratios of Shareholders' equity per share and Return on total shareholders' equity.

Current assets

Current assets are categorized as the vessels' products for sale, supplies and provisions. Current assets are valued at acquisition cost.

Fixed assets

The acquisition value of fixed assets is depreciated according to plan based on the lifetime of the assets as estimated at the acquisition date for each item. With respect to vessels, the acquisition value is reduced by an estimated residual value at the end of the item's economic life. As a rule, the acquisition value of new vessels calculated in accordance with the above is amortized straight-line at a rate of 4 percent annually.

The depreciation periods applied by the Group are:

Vessels	10–25 years
Buildings and constructions	5–50 years
Machinery and equipment	3–10 years
Goodwill	10 years
Other expenditure with a long-term effect	2–25 years

Maintenance and repair costs designed to maintain the value of a vessel are reported as annual expenses. Major comprehensive repair measures that increase the value of a vessel are capitalized and depreciated according to plan for a period not exceeding the remaining life of the vessel. Refitting costs are capitalized and depreciated according to plan over at least the remaining, and possibly an extended, economic lifetime of the vessel.

Leasing fees have been treated as rental costs. Information on leasing costs is presented in Note 27. The Group has no significant financial leasing agreements.

Appropriations

According to Finnish legislation and that of certain other countries, it is permissible for accounting and taxation purposes to book depreciation in excess of plan and thereby postpone tax payments. The depreciation in excess of/below plan posted in the accounts of individual companies is reported in the consolidated accounts in the net result for the year after a deduction for deferred tax. In the consolidated accounts, the cumulative depreciation in excess of plan (untaxed reserves) is divided into a deferred tax liability and unrestricted shareholders' equity. Deferred tax is calculated on the basis of the anticipated tax rate for the following year. When calculating the extent of the tax liability, account is taken of whether or not the untaxed reserves can be reversed without tax consequences through the utilization of tax loss carryforwards. In the event of changed tax rates, the change in the tax liability is reported in tax costs for the year.

EXCHANGE RATES

	Year-end rate Dec. 31			Average rate Jan.–Dec.		
	1996	1995	1994	1996	1995	1994
USD	4.644	4.359	4.743	4.594	4.382	5.239
DEM	2.988	3.044	3.062	3.053	3.055	3.225
GBP	7.869	6.741	7.409	7.177	6.913	8.007
SEK	0.675	0.655	0.636	0.685	0.615	0.698
NLG	2.662	2.719	2.734	2.725	2.729	2.876

Notes

FIM m

NOTE 1

NET REVENUES	Group			Parent Company		
	1996	1995	1994	1996	1995	1994
Silja Line						
Ticket income	836	716	860			
Sales income	1,923	1,829	1,722			
Cargo traffic	416	371	349			
Other income	179	145	192			
	3,354	3,061	3,123			
Sally UK	474	557	630			
Cruise operations	137	141	587			
Other business units	13	18	63	13	6	6
Gross revenues	3,978	3,777	4,403	13	6	6
Item revisions	-196	-241	-266			
	3,782	3,536	4,137	13	6	6

NOTE 2

MATERIALS AND SUPPLIES	Group		
	1996	1995	1994
Goods and supplies	781	732	761
Change in inventories	-1	10	5
	780	742	766

NOTE 3

PERSONNEL EXPENSES	Group			Parent Company		
	1996	1995	1994	1996	1995	1994
Salaries paid						
Presidents and Boards of Directors	12	9	9	1	1	1
Sea-borne employees	614	581	622			
Others	197	227	231	2	2	2
	823	817	862	3	3	3
Pension costs	51	54	63	1	4	1
Other payroll costs	183	181	157	0	0	0
Item revisions	-23	-46	-66	1	0	0
	1,034	1,006	1,016	5	7	4
Average number of employees	5,249	6,104	7,565	9	8	8

The presidents of Group companies are entitled to retire at an age of 60 to 65, depending on period of service within the Group. The pension paid corresponds to 60 to 66 percent of annual salary. The liability is covered by means of insurance.

NOTE 4

HIRES	Group			Parent Company		
	1996	1995	1994	1996	1995	1994
Bareboat hires	259	219	261			
Other hires	236	247	194	1	1	1
	495	466	455	1	1	1

NOTE 5

NONRECURRING ITEMS	Group			Parent Company		
	1996	1995	1994	1996	1995	1994
Costs for restructuring and discontinuing	-84	-58	-81			-90
Other nonrecurring items		-31	-18			2
	-84	-89	-99			-88

NOTE 6

OPERATING RESULT AND CAPITAL EMPLOYED	Operating result			Capital employed		
	1996	1995	1994	1996	1995	1994
Group						
Silja Line	219	59	180	2,569	2,802	3,394
Sally UK	-82	-38	-3	330	355	433
Cruise operations	67	-4	28	1,499	1,441	1,330
Other business units	-10	-19	-29	167	239	321
Gains on sales of vessels	0	3	110			
Nonrecurring items	-84	-89	-99			
	110	-88	187	4,565	4,837	5,478

Costs for Group administration have been distributed among the business areas.

NOTE 7

INTRA-GROUP FINANCIAL INCOME AND EXPENSES	Parent Company		
	1996	1995	1994
Interest income	34	43	18
Interest expenses	0		0
Exchange differences	6	-7	-36

NOTE 8

SHARE IN ASSOCIATED COMPANIES	Group		
	1996	1995	1994
Associated companies are specified in Note 16			
Share in income	1	-1	2
Book value of shares	22	3	4
Accumulated earnings	7	13	13
	29	16	17

NOTE 9

EXTRAORDINARY ITEMS	Parent Company		
	1996	1995	1994
Value adjustments of shares in subsidiaries	219	59	200
A reservation made in the Parent Company for losses in foreign subsidiaries	232	87	
(The reserve is reported in the Parent Company balance sheet as an obligatory reserve.)	451	146	200

NOTE 10

TAXES	Group		
	1996	1995	1994
Direct taxes	0	0	-5
Share in taxes of associated companies	-1	-1	0
Change in deferred tax liability	0	104	-4
	-1	103	-9

The deferred tax liability has been calculated at a rate of 25 percent for the year 1994. For the year 1995 no deferred tax liability has been calculated because the accumulated losses and tax credits relating to avoir-fiscal system of the Group exceed the total amount of untaxed reserves. The Company's losses and tax credits relating to the avoir-fiscal system are deductible from its income during the ten tax years after the loss incurred. The losses and tax credits are not deductible if more than half of the Company's shares changed ownership during or after the tax year when the loss arose. In cases where an owner holds at least 20 percent of the Company's shares and more than half of such an owner's shares change ownership, all of the shares owned by that owner are considered to have changed owner.

NOTE 11

RESULT PER QUARTER

Group	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	1996	1995	1996	1995	1996	1995	1996	1995
Gross revenues	808	823	1,056	934	1,163	1,118	951	902
Net revenues	761	771	999	871	1,099	1,048	923	846
Operating costs	-712	-787	-792	-727	-795	-777	-752	-748
Operating margin	49	-16	207	144	304	271	171	98
Bareboat hires	-55	-36	-68	-56	-76	-69	-60	-58
Gains on sales of vessels			0	0		3		
Nonrecurring items				-60		-1	-84	-28
Operating contribution	-6	-52	139	28	228	204	27	12
Depreciation according to plan	-66	-70	-68	-59	-65	-66	-79	-85
Operating result	-72	-122	71	-31	163	138	-52	-73
Net financial items	-56	-81	-70	-84	-68	-70	-49	-66
Result after net financial items	-128	-203	1	-115	95	68	-101	-139
Silja Line								
Gross revenues	671	620	879	769	979	927	825	745
Net revenues	625	570	823	709	917	860	798	691
Operating costs	-596	-557	-668	-615	-675	-645	-648	-619
Operating margin	29	13	155	94	242	215	150	72
Bareboat hires	-34	-26	-46	-45	-51	-54	-49	-35
Operating contribution	-5	-13	109	49	191	161	101	37
Depreciation according to plan	-41	-41	-44	-42	-43	-48	-49	-44
Operating result	-46	-54	65	7	148	113	52	-7
Net financial items	-36	-41	-35	-40	-34	-39	-27	-33
Result after net financial items	-82	-95	30	-33	114	74	25	-40

NOTE 16

SHARES AND PARTICIPATIONS

Group	Domicile	Number of shares	% of share capital/ voting rights	Currency	Par value	Book value	Net result for the year ³⁾	Shareholders' equity
SUBSIDIARIES								
Silja Holding Oy Ab	Helsinki	1,000	100		1	1	-73	270 ¹⁾
Silja Line Oy	Turku	920	100		23			
Wasa Line Oy Ab	Vaasa	1,000	100		10			
Sally Ab	Mariehamn	1,000	100		10			
Other subsidiaries (2 units)								
Sally UK Holdings Plc	UK	45,999,999	100	GBP	46	107	-200	107 ¹⁾
Subsidiaries (13 units)								
EffJohn International B.V.	Netherlands	177,000	100	NLG	128	10	-16	-6 ¹⁾
Subsidiaries (5 units)								
EffJohn Sweden AB	Stockholm	1,000,000	100	SEK	10	16	0	4 ¹⁾
Subsidiaries (7 units)								
Silja Finance Oy	Helsinki	4,000	100		20	31	0	43
Eff-Shipping Limited	Cayman Islands	50,000	100	USD	0	0	-34	-240 ¹⁾
EJI Cruise Holdings Inc.	Cayman Islands	18,010,000	100					
EJI Cruise Vessels N.V.	Netherlands Ant.	320,000	100					
Other subsidiaries (3 units)								
Neptun Juridica Co. Ltd.	Helsinki	25,000	100		3	3	0	3
Other subsidiaries (6 units)						1	0	2
						169		
ASSOCIATED COMPANIES								
Balti Reaside Aktiaselts	Tallinn	50	50	EEK	0	0	1	2 ²⁾
Oy Backman & Trummer Ab	Vaasa	200	50		2	3	3	10 ²⁾
AB J A Henriksson & Co	Umeå	4,500	50	SEK	0	0	0	2 ²⁾
Rosal S A	Bahamas	3,673,000	50	USD	4	19	0	31
Other associated companies (4 units)					0	0		
						22		
Accumulated earnings						7		
OTHER COMPANIES								
Fährschiff Europa Kb	Mariehamn		15			76		
Oy Hotelli Marina Ab	Turku	280	20		1	1		
Oy Vaasan Matkailu	Vaasa	2,391	16		2	0		
Other companies (51 units)						29		
						106		
						135		

¹⁾ Consolidated financial statements.

²⁾ Financial Statements at Dec. 31, 1995.

³⁾ Result after appropriations and taxes.

The specification pertains only to significant shareholdings.

A complete specification of shareholdings and participations can be obtained from the Group controller's office.

NOTE 17

INTRA-GROUP ASSETS

	Parent Company		
	1996	1995	1994
Long-term investments			
Shares and participations	169	224	349
Loan receivables	715	912	552
Receivables			
Accounts receivable	38	8	3
Accrued income and prepaid expenses	6	29	64
Other receivables	225	41	19

NOTE 18

SHAREHOLDERS' EQUITY

	Group			Parent Company		
	1996	1995	1994	1996	1995	1994
Restricted shareholders' equity						
Share capital						
Series K shares	167	167	167	167	167	167
Series A shares	104	104	104	104	104	104
Share issue (Series A shares)	165			165		
	436	271	271	436	271	271
Restricted reserves, Jan. 1	204	238	317	94	94	94
Share premium	161			161		
Change in Group structure	-4	-2	-4			
Transferred to unrestricted shareholders' equity	-1	-7				
Transferred from unrestricted shareholders' equity	8					
Translation difference	24	-25	-75			
	392	204	238	255	94	94
Capital loan	50			50		
Unrestricted shareholders' equity						
Unappr. earnings, Jan. 1	130	404	494	7	122	412
Change in Group structure	3					
Transferred from restricted shareholders' equity	1	7				
Transferred to restricted shareholders' equity	-8					
Translation difference	-44	5	43			
Net result for the year	-134	-286	-133	-225	-115	-290
Unrestricted shareholders' equity, Dec. 31	-52	130	404	-218	7	122
	826	605	913	523	372	487
Funds available for distribution						
Unrestricted shareholders' equity, Dec. 31	-52	130	404	-218	7	122
Equity portion of untaxed reserves	-179	-287	-312			
	-231	-157	92	-218	7	122

Following full conversion of all the option certificates outstanding, a total of 297,745 series A shares would be issued at a price of FIM 37.75 each and the share capital would rise by FIM 6 m. Period of conversion ceases 1998. Following full conversion of the convertible subordinated bonds at a conversion price of FIM 96 each, 3,429,199 series A shares would be issued and the share capital would rise by FIM 69 m. The period of conversion ceases 2004.

NOTE 19

SHARE CAPITAL

In the share issue in 1996 a total number of 8,256,646 series A shares were subscribed for. The share price was FIM 39.50 per share which resulted in a share capital increase of FIM 165 m and a share premium of FIM 161 m. The increase was registered in the Trade Register on Dec. 23, 1996. The Company has 21,816,646 shares carrying a par value of FIM 20, divided into 8,333,333 series K shares and 13,483,313 series A shares. The series K share entitles the owner to 20 votes and the series A share to one vote.

NOTE 20

UNTAXED RESERVES

	Group		
	1996	1995	1994
Depreciation in excess of plan, Jan. 1	287	393	359
Change during the year	-110	-107	36
Other adjustments	1	1	-2
Depreciation in excess of plan, Dec. 31	178	287	393
Other untaxed reserves, Jan. 1	0	23	42
Change during the year		-21	-18
Other adjustments	1	-2	-1
Other untaxed reserves, Dec. 31	1	0	23
	179	287	416
Deferred tax in untaxed reserves	0	0	-104
Equity portion transferred to unrestricted shareholders' equity	-179	-287	-312
	0	0	0

NOTE 21

CAPITAL LOAN

The capital loan is regarded as equity, but it is excluded when computing the ratios "Shareholders' equity/share" and "Return on total shareholders' equity". The loan is unsecured and the loan ranks junior to the convertible subordinated bonds. The loan can be repaid in one installment on February 19, 2004 only if the restricted equity is fully covered after the repayment as provided by the Company's adopted balance sheet and consolidated balance sheet for the last accounting period. The interest rate is 2% per annum until December 31, 2000. As of January 1, 2001 until February 19, 2004 the interest rate shall be the aggregate of the applicable margin of 2% per annum and 6-month Heilbor. As from February 19, 2004 the margin shall be 5%. The interest shall be paid only to the extent that such amount of interest would be permitted to be used for the payment of dividend according to the Company's audited and adopted balance sheet and consolidated balance sheet for the last accounting period. The unpaid interest shall accumulate and is payable prior to dividends.

NOTE 22

LONG-TERM LIABILITIES

	Group			Parent Company		
	1996	1995	1994	1996	1995	1994
Interest-bearing liabilities						
Loans against convertible subordinated bonds	329	634	330	329	634	330
Loans from financial institutions	3,411	3,581	4,199	0	50	50
Amounts falling due within following year	-318	-397	-442	0	0	0
Other interest-bearing liabilities		17	18	92	0	
	3,422	3,835	4,105	421	684	380
Non-interest-bearing liabilities	23	22	32		83	155
Deferred tax liabilities	0	0	104			
	3,445	3,857	4,241	421	767	535

NOTE 23

LOANS AGAINST CONVERTIBLE SUBORDINATED BONDS

The bonds were issued in 1994 and 1995. The bonds mature on February 18, 2004. The annual interest is 7 percent. The bonds are not secured by collateral. The bonds rank junior to other undertakings of the Company, except the capital loan. Each bond with a nominal value of FIM 1,000 may be converted into 10.41667 series A shares of the common stock of Silja Oy Ab, the conversion price being FIM 96. The bonds shall be converted no later than February 10, 2004. Following full conversion of the convertible subordinated bonds 3,429,199 series A shares would be issued and the share capital would rise by FIM 69 m. At February 28, 1997 no bonds had been converted into shares. The bonds are listed on the Helsinki Stock Exchange.

In December 1996 Silja Oy Ab made an offer to acquire all the convertible subordinated bonds. The consideration amounted to 92.155 percent of the nominal value including accrued interest. For the offer to be completed the bondholder had to pledge that in connection with the new share issue directed to the public, he would subscribe for series A shares in an amount corresponding to at least the consideration received as a result of his simultaneous sale of bonds. Of the total nominal amount of bonds, FIM 683 m, FIM 354 m was acquired by the means of the offer. Silja Oy Ab shall not have the right to convert the subordinated bonds in its ownership into shares. Any sale of the subordinated bonds purchased by the Company is subject to the approval of a General Meeting of Shareholders.

NOTE 24

LOANS FROM FINANCIAL INSTITUTIONS

	Group		
	1996	1995	1994
Amount of loans falling due within			
1 year	318	397	442
1-2 years	548	426	463
2-3 years	517	586	482
3-4 years	611	515	684
4-5 years	295	624	606
After 5 years	1,122	1,033	1,522
	3,411	3,581	4,199
Distributed by currency			
FIM	57%	57%	68%
USD	36%	36%	24%
GBP	5%	5%	5%
DEM	1%	1%	2%
SEK	1%	1%	1%
Other	0%	0%	0%
Percentage of loans with floating rate	54%	46%	31%
Average floating rate	5.9%	7.1%	7.2%
Fixed average rate	6.0%	6.4%	6.6%

NOTE 25

CURRENT LIABILITIES

	Group			Parent Company		
	1996	1995	1994	1996	1995	1994
Interest-bearing liabilities						
Amounts falling due within following year	318	397	442	0	0	0
Other current liabilities		0	18	10	8	8
	318	397	460	10	8	8
Non-interest-bearing liabilities	734	700	806	27	50	32
	1,052	1,097	1,266	37	58	40

NOTE 26

INTRA-GROUP ASSETS AND LIABILITIES

	Parent Company		
	1996	1995	1994
Long-term liabilities	86	76	153
Current liabilities	8	1	

NOTE 27

ASSETS PLEDGED AND CONTINGENT LIABILITIES

	Group			Parent Company		
	1996	1995	1994	1996	1995	1994
Mortgages as collateral for Group liabilities						
vessels	3,123	3,671	4,064			
real estate	218	217	267			
other property	17	16	16			
	3,358	3,904	4,347			
Other pledges as collateral for Group liabilities						
securities	75	80	87	107	162	
	3,433	3,984	4,434	107	162	
Contingent liabilities on behalf of subsidiaries				3,454	3,562	4,045
other contingent securities	207 ¹⁾	99	32			
	207	99	32	3,454	3,562	4,045
¹⁾ incl. FIM 59 m for sold reefers						
Convertible subordinated bonds 1995 issue price difference		48			48	
	207	147	32	3,454	3,610	4,045
Liability due to derivative agreements						
The total amount of outstanding instruments at Dec. 31, was	607	606	458			
(see page 45).						
Leasing payments falling due within						
1 year	38	34	47			
later	85	100	58			

All obligations relating to pension commitments are included in the liabilities in the balance sheet.

No pledges or other commitments have been made for the Company's management or shareholders.

Financial Risk Management

The passenger ferry industry is capital intensive, with large-scale investments made in vessels and port facilities. Operations are conducted within and between several countries. As a result, the Group is exposed to various types of financial risks. The Silja Group endeavours to reduce these financial risks. Management of financial risks is concentrated in the Group's Finance function, which coordinates the Group's financial matters and is responsible for long-term financing and also acts as an internal bank within which currency, interest-rate, financing, liquidity and bunker price risks are managed.

Currency risk

In addition to the Finnish markka, the main currencies for the Group are the SEK, USD, GBP and DEM. The Group's policy is to minimize transaction exposure by balancing inflows and outflows in the same currency.

The other type of currency risk, translation exposure, arises from the Group's investments in foreign

subsidiaries. This risk is minimized primarily by financing operations in local currency.

Open net positions for both transaction exposure and translation exposure are minimized by using a number of different instruments, such as forward contracts and currency options.

Interest-rate risk

The Group's borrowing portfolio represents Silja's most substantial interest-rate risk. Subsidized ship-building credits received in connection with the building of new vessels account for approximately 40 percent of the Group's interest-bearing liabilities. This type of credit is normally received on so-called OECD terms, at fixed interest rates over 8–10 years. As these credits are amortized, financing is replaced partly by bank loans at floating interest rates.

Financing and liquidity risks

All external borrowing, both in Finland and other markets, is managed by the Finance function.

The Group places major emphasis on reducing its indebtedness and maintaining satisfactory liquidity. Disposable liquidity of at least FIM 150 m, secured through different credit facilities, is required for the Group's daily operations.

Bunker-price risk

In 1996, the Group's purchases of vessel fuels (bunker) accounted for approximately 20 percent of total costs for materials and supplies. Changes in bunker prices follow the trends for oil prices and the USD. Various instruments are used to hedge bunker-cost risks.

NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS ¹⁾

	1996	1995	1994
Foreign exchange forward contracts ^{2) 3)}	313	209	458
Currency options sold ^{2) 3)}	186	261	
Currency options purchased ^{2) 3)}	93	131	
Futures ²⁾	15	5	

1) The notional amounts of derivatives summarized here do not represent amounts exchanged by the parties and thus are not a measure of the Group's exposure.

2) Including positions that have been closed.

3) Including contracts used for hedging investments in foreign subsidiaries.

Definitions

<i>Gross revenues</i>	Total sales	
<i>Net revenues</i>	Total sales – items revisions (commission, discounts, credit losses)	
<i>Total shareholders' equity</i>	Reported shareholders' equity + minority interests	
<i>Capital employed</i>	Total assets – interest-free liabilities	
<i>Return on total shareholders' equity, %</i>	$\frac{\text{Result after net financial items + interest on capital loan – taxes}}{\text{Average total shareholders' equity – capital loan}} \times 100$	
<i>Return on capital employed, %</i>	$\frac{\text{Result after net financial items + interest expenses and other financial expenses}}{\text{Average capital employed}} \times 100$	
<i>Equity ratio, %</i>	$\frac{\text{Total shareholders' equity}}{\text{Total assets – advances received}} \times 100$	
<i>Adjusted equity ratio, %</i>	$\frac{\text{Total shareholders' equity + hidden reserve in fleet}}{\text{Total assets – advances received + hidden reserve in fleet}} \times 100$	
<i>Share of risk-bearing capital, %</i>	$\frac{\text{Total shareholders' equity + loans against convertible subordinated bonds + deferred tax liability}}{\text{Total assets}} \times 100$	
<i>Adjusted share of risk-bearing capital, %</i>	$\frac{\text{Total shareholders' equity + loans against convertible subordinated bonds + deferred tax liability + hidden reserve in fleet}}{\text{Total assets + hidden reserve in fleet}} \times 100$	
<i>Earnings/share (EPS)</i>	$\frac{\text{Result after net financial items and minority interests – taxes}}{\text{Average number of shares, adjusted for new share issues}}$	
<i>Shareholders' equity/share</i>	$\frac{\text{Reported shareholders' equity – capital loan}}{\text{Number of shares on December 31, adjusted for new share issues}}$	
<i>Shareholders' equity/share after full conversion</i>	$\frac{\text{Reported shareholders' equity – capital loan + loans against convertible subordinated bonds}}{\text{Number of shares after full conversion, adjusted for new share issues}}$	
<i>Adjusted shareholders' equity/share</i>	$\frac{\text{Reported shareholders' equity – capital loan + hidden reserve in fleet}}{\text{Number of shares on December 31, adjusted for new share issues}}$	
<i>Dividend/share</i>	$\frac{\text{Dividend}}{\text{Number of shares on December 31, adjusted for new share issues}}$	
<i>Dividend/earnings, %</i>	$\frac{\text{Dividend}}{\text{Result after net financial items and minority interests – taxes}} \times 100$	
<i>Dividend yield, %</i>	$\frac{\text{Dividend per share, adjusted for new share issues}}{\text{Stock exchange price on December 31, adjusted for new share issues}} \times 100$	
<i>P/E (Price/Earnings) ratio</i>	$\frac{\text{Stock exchange price on December 31, adjusted for new share issues}}{\text{Earnings per share, adjusted for new share issues}}$	
<i>Market capitalization</i>	Number of shares x stock exchange price on December 31	
<i>Share price trend</i>	Average share price per month, adjusted for new share issues	

Board of Directors' Proposal to the Annual General Meeting

Disposition of unappropriated earnings

In accordance with the Balance Sheet at December 31, 1996, the Group's accumulated losses amounted to FIM 52,502,000. The Group has no funds available for distribution as dividends.

In accordance with the Parent Company's Balance Sheet at December 31, 1996, the Parent Company had:

Unappropriated earnings from preceding fiscal years	FIM	6,598,197
Loss for fiscal year 1996	FIM	<u>224,754,277</u>
Total accumulated losses	FIM	218,156,080

The Board proposes that the accumulated losses be carried forward and that no dividend be paid for the 1996 fiscal year.

Helsinki, March 5, 1997

Jaakko Ihamuotila

Rune E. Smedman	Carl-Olaf Homén	Bernt Magnusson	Tauno Matomäki
Jan Sjöqvist	Jukka Härmälä	Tommy Nilsson	Erik Stadigh
Pirkko Alitalo			

Jukka Suominen
President

Auditors' Report to the shareholders of Silja Oy Ab

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the President of Silja Oy Ab for the year ended 31 December 1996. The financial statements prepared by the Board of Directors and the President include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with 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 Board of Directors and the President have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements, showing a loss of FIM 133,940 thousand in the consolidated income statement

and a loss of FIM 224,754,277.10 in the parent company income statement, 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 Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the loss for the period is in compliance with the Finnish Companies Act.

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

Helsinki 7 March 1997
KPMG WIDERI OY AB

Birger Haglund
Authorized Public Accountant in Finland

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