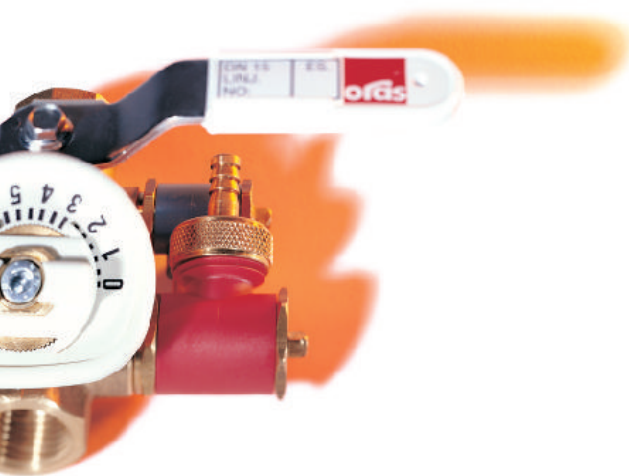




Annual Report 1996



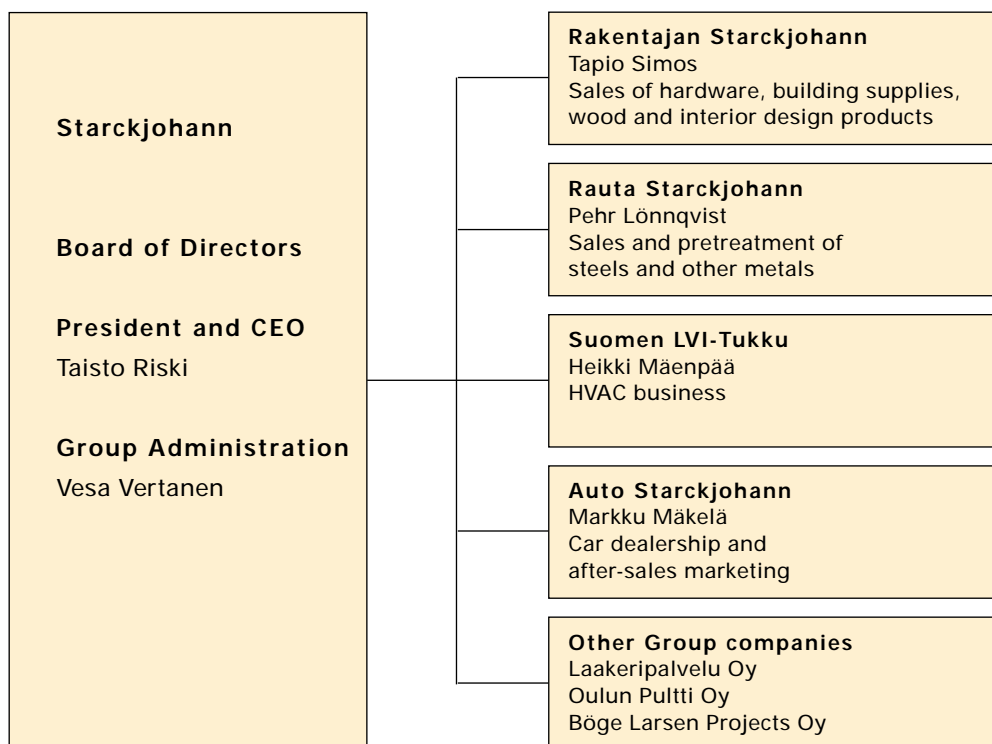
STARCKJOHANN



A Multibusiness Trading Corporation

The Starckjohann Group is a multibusiness trading firm, established in 1868. The parent company of the

Group is Starckjohann Oy, which has been quoted on the stock exchange since 1989.



1996 in Brief

Turnover	FIM 3,079.7 million	(change 1-12/95 +4.7%)
Operating profit	FIM 91.4 million	(change 1-12/95 +4.1%)
Profit after financing items	FIM 77.4 million	(change 1-12/95 +1.7%)
EPS	FIM 0.62	(31.12.95 FIM 0.58)
Equity ratio	26.8%	(31.12.95 21.0%)

Key Indicators for Group, 1992-1996

(FIM million)	1996	1995	1994	1993	1992
Turnover	3,079.7	2,941.6	2,981.2	3,457.2	3,581.0
change %	4.7	-2.9	-13.8	-3.5	8.5
Profit/loss before extraordinary items	77.4	78.7	62.0	-452.9	-220.1
Balance sheet total	1,382.5	1,428.2	1,621.9	1,943.5	2,607.6
Average personnel	1,457	1,565	1,621	2,114	2,413
Investments	59.8	43.3	10.0	21.0	48.9

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The Starckjohann Group

Mission statement

The Starckjohann Group is a multibusiness trading corporation operating in Finland and the neighbouring regions. The four strategic business units of the Group are:

- hardware, building supplies and wood product business
- steels and other metals
- sales of HVAC products
- car dealing

which generate more added value than their competitors to the customer.

The goal

The goal of the Group is to be cost-effective and profitable, both in terms of each SBU and collectively, so that the rising stock exchange price and future dividend yield of the parent company's shares will provide shareholders with a competitive profit.

Shared values

The values guiding the running of the Group:

1. Customer-orientation
2. Open interaction
3. Productivity
4. Modernization

The shared values ensure the fulfilment of the chosen aims and strategies. The values guide the Group's management, operations and partnerships.

In daily work, the shared values mean the internalization of the goals set and commitment to them, responsibility for the implementation and completion of plans and objectives, expertise in one's own work and performance to the best of one's ability, and rewards for good work.

The Starckjohann Group, 1996					
	Products	Turnover, FIM million	Percentage of Group turnover	Operating profit, FIM million	Personnel, 31 Dec. 1996
Rakentajan Starckjohann Division	hardware products, building and interior design supplies	1,385.3	45.0	41.7	700
Rauta Starckjohann Oy	steels and other metals and pretreatment	623.8	20.3	24.9	269
Suomen LVI-Tukku Oy	HVAC products	564.7	18.3	6.0	215
Auto Starckjohann Oy	Opel, Nissan, Saab, MB, BMW, Honda, GM-USA and spare parts	405.6	13.2	10.9	128
Other Group companies					
Laakeripalvelu Oy	bearings and power transmission products fastenings project exports	157.9	5.1	15.9	103
Oulun Pultti Oy					
Böge Larsen Projects Oy					
Other companies		39.3	1.3	0.4	71
Intra-Group items		-96.8	-3.1	-8.5	
Group total		3,079.7	100.0	91.4	1,486

President's Review

The Starckjohann Group's profit before extraordinary items, reserves and taxes in 1996 was on a par with that of the previous year in spite of the fact that the prospects for the Group's fields of business were somewhat poor. A distinct upturn in construction during the second half of the year boosted the profits accruing during the closing four months of 1996, from trading in building supplies and HVAC, so that the Group's profit after financing items rose to FIM 77.4 million.

Another gratifying development, in addition to the turnaround in economic conditions, is that all the Group's loan instalments and investments were paid from the strong cash flow. As no new loans were taken, the equity ratio rose as in each of the previous two years.

The improved level of income and the strengthening of the balance sheet have created a basis for the more energetic development of the Group. There are good grounds for investing in strengthening the companies of the Group's main business divisions at the same time as attending to the implementation of the Group's restructuring programme. The upbeat trend in business conditions for our main divisions and especially in the competitive arena for the building supplies, steel and metals trade, combined with the efforts we have already made, will also enhance our prospects for success.

The action initiated three years ago for the development of the Group's four main business divisions continues, with the level of investment by individual companies rising. Trading in hardware, building supplies and wood products is being expanded by further developing and disseminating the Starkki operating model whereby the customers are provided with new, all-embracing hardware store services. LVI-Tukku's modernized, customer-oriented operating model, which is based on centralized warehousing, is also being developed and spread. Rauta Starckjohann's competitiveness was improved during the current year by an acquisition of business operations; its product range, which now includes stainless steels, will improve its services for its customers. Auto Starckjohann's prospects for profitability are being improved



by means of investments in business premises in Tampere and with the company's customer service system, which is to undergo improvements.

The Group structure has been condensed by means of mergers as of the beginning of the current year. The result of this is that the companies of the main business divisions continue their operations in the former of strategic

business units (SBUs). In accordance with the SBUs' customer-oriented strategies, effort will increasingly be deployed in the front line and administrative work supporting business operations is being centralized. In order to back up the implementation of the strategies, the core processes of the SBUs and of the Group are being modernized and information systems will also be decentralized in accordance with the operating models of each SBU. Inter-SBU synergy, by which the overall services provided by the Group and cost-efficiency can be channelled with optimum efficiency to satisfying the customers' needs, will be harnessed to yield maximum benefits.

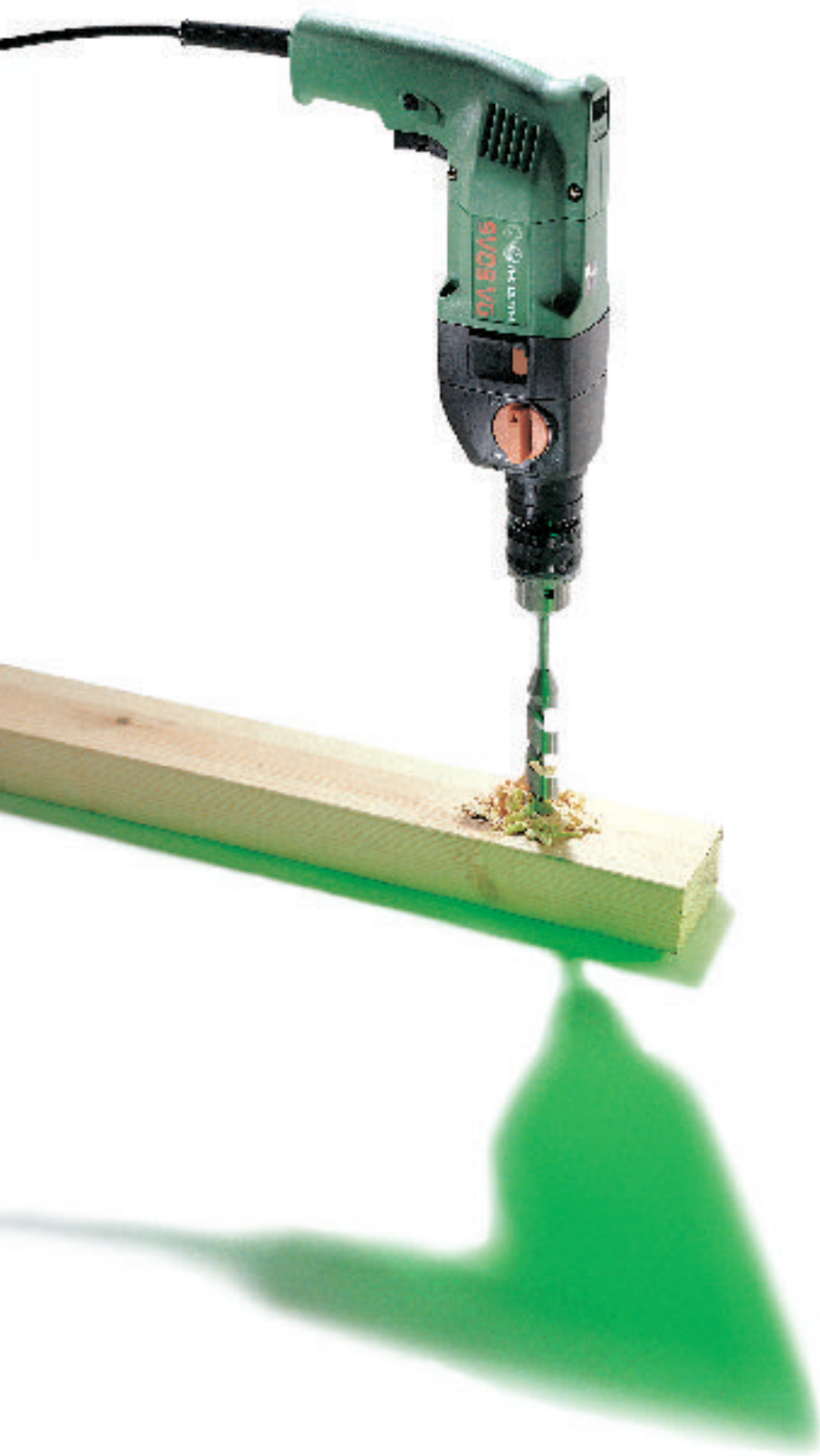
The cornerstones of the above-mentioned development process that is already in progress are the shared values of the Starckjohann Group, which guide our everyday actions. In all things, we start out with the customer's viewpoint and seek to achieve our goals with a new kind of leadership and teamwork in which our expertise is transformed into profits by means of reform. In the future, all our operations will also be covered by quality, for which we set the highest aims.

Thanks for the past year are due to the Starckjohann Group companies' customers, suppliers and personnel, as well as its financial backers and shareholders.

There have been changes in the field of wholesale and retail trading and this will continue in the future. We see changes as a fascinating challenge and as a source of opportunities, and we aim to be in on them.

Taisto Riski

Rakentajan Starckjohann



Managing Director
Tapio Simos

The competitive edge of Rakentajan Starckjohann and its Starkki chain of outlets is based on expertise in wholesale and retail trade, on combining volumes, and on a dense chain. Its competitive advantages are the combination of wood and hardware, a wide selection of products, and the skills of a timber specialist retailer. Rakentajan Starckjohann is a pioneer in its field for services and cost-effectiveness, upgrading its operations on a basis of customer-orientation.



Share of Group turnover 45.0%

Turnover FIM 1,385.3 million

Operating profit FIM 41.7 million

Personnel 700

Rakentajan Starckjohann comprises the customer-oriented, nationwide Starkki chain selling building supplies, wood products, interior design products and tools. It serves both private and corporate customers. Its prime customer groups are the building industry, the woodworking industry, retailers, house builders, and people renovating or redecorating homes. The company's distribution network is composed of Starkki units, each of which has corporate customer services and a retail outlet. Rakentajan Starckjohann has a total of 18 business location in 15 different towns in Finland. The company also exports building supplies to Russia and the Baltic states.

The Rakentajan Starckjohann Division also includes interior design specialist dealer Aninkaisten Tapetti ja Väri Oy in Turku. The other interior design specialist shops formerly belonging to the division - Oulun Sisustajat Oy, Kajaanin Sisustajat Oy, Rova-Sisustus Oy, Mattoyhtymä Oy and Tampereen Lattiatyö Oy - were sold off in the course of 1996. Interior design business is now being continued and developed within the Starkki units.

Turnover and operating profit

The Rakentajan Starckjohann Division's turnover was FIM 1,385.3 million in 1996, which is 45.0% of the Starckjohann Group's turnover (1995: FIM 1,288.9 million and 43.8% respectively). Turnover was up by 7.5%, partly due to an upswing in both new construction and renovation during the period under review. The company's market share grew as a result of changes in conditions of competition and through the modernization and expansion of the Starkki units.

The Rakentajan Starckjohann Division's operating profit was FIM 41.7 million, which was 3.0% of turnover (1995: FIM 30.4 million and 2.4%). Operating profit was boosted by higher volume and streamlined operations. Cost-effectiveness and productivity were increased by means of enhanced capital management, a tight rein on costs, and other measures.

The division had a total of 700 employees at the end of 1996 (1995: 776). The decline in the number of employees was mainly due to the sale of companies in the interior design group.

Operations

The business of Rakentajan Starckjohann is dependent on construction in Finland. Construction and renovation grew, especially during the second half of 1996, which fed demand for the company's products. Hardware and building supplies business followed the overall trend in construction. The price of building supplies rose somewhat during 1996. The price trend varied considerably between product groups.

The Starkki operating model was further enhanced during the year. A new operating model for corporate customer service was introduced at the beginning of 1997. During 1996 the units in Imatra, Pori and Seinäjoki were modernized. In addition to these, a new Starkki unit was built in a former steel warehouse in Oulu. This was completed in December. Towards the end of the year, action was initiated on merging units in Lappeenranta. The new operations centre scheduled for completion in December 1997 will house not only the Lappeenranta unit of Rakentajan Starckjohann but also those of Suomen LVI-Tukku and Rauta Starckjohann. Also in 1997, the Turku Starkki units are to be merged, and the units in Jyväskylä and Hämeenlinna will be refurbished. At the end of the year a new Starkki unit will be opened in Espoo in the Helsinki Metropolitan Area.

The Starckjohann Group's management and service training scheme related to the management system and personnel development process is being continued in 1997.

Outlook

The modest upturn in construction is forecast to continue in 1997 and Rakentajan Starckjohann is expected to increase its market share in both the corporate and private segments.

The renovation and expansion of the Starkki chain, combined with streamlined operations, will enhance Rakentajan Starckjohann's business prospects and competitiveness.

Areas of special emphasis in Rakentajan Starckjohann's operations are to increase sales and profits this year, the further development of the Starkki operating model and the implementation of related capital expenditure, personnel training and development, and improving the quality of customer service.

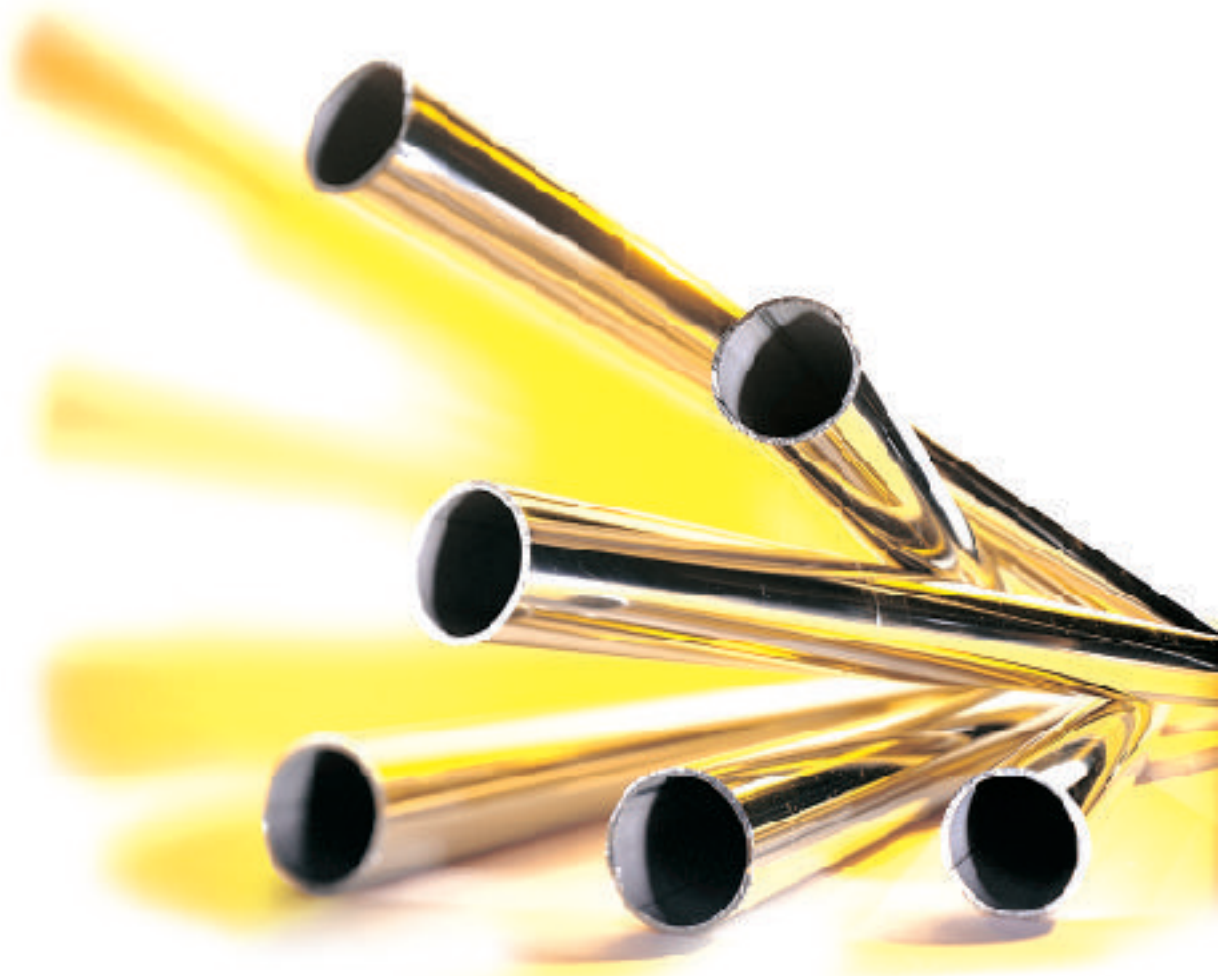
Rauta Starckjohann

Rauta Starckjohann's competitive edge is based on its nationwide sales and distribution network, on a wide product range, on expertise in the products of the business and in pretreatment, and on excellent customer service.

Rauta Starckjohann handles the material chain from the manufacturer of steel and other metals to the customer, in an all-embracing and cost-effective way.



Managing Director
Pehr Lönnqvist



Share of Group turnover 20.3%

Turnover FIM 623.8 million

Operating profit FIM 24.9 million

Personnel 269

Rauta Starckjohann Oy deals in steels and other metals and in steel pretreatment. It serves the metal industry, maintenance for the manufacturing technology of industry and the public sector, and the distribution of steels and other metals. The cornerstones of its operations are its extensive range of steels and other metals held in stock and its steel pretreatment services, and it applies these factors efficiently in the materials management chain between the steel manufacturer and the final user.

The company's distribution network covers the entire country and the Baltic states. It has steel service centres in Lahti, Turku, Tampere and Vantaa. The company has sales units in ten urban centres in Finland as well as a subsidiary in Tallinn serving the Baltic states. The quality of service is guaranteed by a quality system that was granted ISO 9002 standard accreditation in 1992.

Turnover and operating profit

Rauta Starckjohann Oy's turnover in 1996 was FIM 623.8 million or 20.3% of the Starckjohann Group's turnover (1995: FIM 645.8 million and 22.0%). An approximately 15-20% decline in the price of steels and other metals early in the year exerted a drag on the trend in the company's sales and earnings. However, turnover remained satisfactory in view of the competitive conditions. The metal industry's output expanded by roughly 7% during the year under review, but this was well short of the previous year's growth figure, which was about 20%.

Rauta Starckjohann Oy's operating profit was FIM 24.9 million, comprising 4.0% of turnover (1995: FIM 35.0 million and 5.4 %). Operating profit deteriorated due to declining prices and a worse trend in sales than in the previous year. The steel and metal business operations acquired from Oy Mercantile Ab in September boosted the company's product range and its pretreatment capacity. This did not yet, however, improve the company's operating profit in 1996 due to the additional costs occasioned by merging operations.

The company had 269 employees at the end of 1996 (1995: 201). The number of employees rose because of the expansion of operations.

Operations

The pretreatment centres were running at full capacity and on three shifts for most of the year. Extensions to the pretreatment centres in Lahti and Turku were completed during the financial year. The steel service centres in Tampere and Vantaa, acquired from Oy Mercantile Ab, greatly strengthened Rauta Starckjohann's position for dealing in stainless and acid-resistant steels and aluminium products and in steel pretreatment, which was augmented with additions such as plasma and laser cutting.

In accordance with the Starckjohann Group-wide management and personnel development process, Rauta Starckjohann's management system was revised and the basic values underlying operations were defined. As part of the Group's training drive, the 'Working Teams' development process was launched, based on quality work, the company's success model and its values. The training scheme aims to develop team spirit and collaborative working.

Outlook

The prospects are good for the metal industry in 1997. Output is forecast to increase somewhat more than in 1996 and prices are expected to rally in the second half of the year. Capital spending by industry is forecast to decline slightly. However, the recovery by construction will compensate for the fall in industrial investment.

Because of its expanded pretreatment and warehouse capacity, its extended and deepened product range and its quality work, Rauta Starckjohann has better scope than before for profitable and competitive operations in trading steels and other metals and as well as pretreatment.

Suomen LVI-Tukku



Managing Director Heikki Mäenpää



Suomen LVI-Tukku's competitiveness is based on a nationwide network of sales facilities and warehouses, on smoothly operating logistics, and on cost-effectiveness. Its competitive advantages are its expertise in the HVAC field and its excellent customer service.



Share of Group turnover 18.3%

Turnover FIM 564.7 million

Operating profit FIM 6.0 million

Personnel 215

Suomen LVI-Tukku Oy is a wholesaler of heating, plumbing and ventilation products in Finland and the neighbouring regions. It serves especially HVAC contractors, municipal and state utilities, maintenance for the engineering industry and other industries, and distributors of HVAC products. Suomen LVI-Tukku's nationwide sales and warehouse network has 15 business locations in various parts of Finland. Suomen LVI-Tukku concentrates exclusively on HVAC wholesaling and does no related installation work. The company's department specialized in project exports, Böge Larsen Projects, was transferred to Böge Larsen Projects Oy at the beginning of 1996.

Turnover and operating profit

Suomen LVI-Tukku Oy's turnover in 1996 was FIM 564.7 million or 18.3% of the Starckjohann Group's turnover. Turnover was on a par with the previous year's figure (1995: FIM 564.8 million).

The previous year's changes in the competitive situation in the operating environment for HVAC wholesaling were reflected in the company's operations throughout the year, characterized by continuing intense competition on price. This affected the profitability of the entire SBU. Demand was low in the first half of the year, but during the summer renovation picked up, which boosted demand for HVAC products, an improvement that brought demand to a higher level than in the previous year for the remainder of 1996. In spite of heavy competition, the company retained roughly 20% of the market in 1996.

Suomen LVI-Tukku Oy's operating profit deteriorated due to low demand in the early months of the year and particularly because of heavy price competition. The company's operating profit was FIM 6.0 million, representing 1.1% of turnover (1995: FIM 9.9 million and 1.7%). Operating profit improved towards the end of the year.

The company had 215 employees at year-end (1995: 209). The increase in personnel was due to the expansion of operations.

Operations

Suomen LVI-Tukku Oy continued to work on improving its warehouse trade and cash-and-carry business, and it increased its product range and sales for the air conditioning trade and for the municipal and industrial segment. In September a new sales unit was established in Lohja. At the end of the year action was initiated to move the Oulu sales unit to the facilities in Limingantulli vacated by Rakentajan Starckjohann.

A project was launched in 1996 to set up a central warehouse in the Pansio district of Turku, using warehouse facilities vacated by Rakentajan Starckjohann. The central warehouse is an important component in the improvement of Suomen LVI-Tukku's logistics. The previous use of regional warehousing is giving way to centralized facilities. The central warehouse will be operative in March 1997.

In addition to the central warehouse in Pansio, each of Suomen LVI-Tukku's sales units will continue to have its own local service warehouse. The Turku sales unit moved to premises in the Pansio central warehouse in January 1997.

During the period under review, the company's supervisors participated in training as part of the Starckjohann Group-wide management and personnel development process. This continues into 1997 and includes the Suomen LVI-Tukku in-house training scheme entitled 'the Best Team in the Locality'.

Outlook

Demand for HVAC products is forecast to continue growing this year, but competition continues to be intense in the sector. Suomen LVI-Tukku's competitiveness will improve this year as a result of its development action on customer service, logistics, its network of business locations and its personnel.

Auto Starckjohann

Auto Starckjohann's competitiveness is based on its expertise in its field, its customer-oriented operations, and its well-known marques with a reasonable market share, which it sells with service in excess of its customers' expectations.



Managing Director Markku Mäkelä



Share of Group turnover 13.2%

Turnover FIM 405.6 million

Operating profit FIM 10.9 million

Personnel 128

Auto Starckjohann Oy deals in cars and spare parts as well as servicing and repairs. It operates in Lahti, Tampere, Hämeenlinna and Heinola. Auto Starckjohann is a megadealer, representing several marques. The company sells Opel, Saab, Nissan, Mercedes-Benz, Honda, BMW and GM-USA vehicles. The leading marque is Opel, which the company deals in at all its business locations. In addition, Auto Starckjohann provides spare parts services, repairs and servicing for heavy goods vehicles in Lahti, Tampere and Hämeenlinna.

Turnover and operating profit

Auto Starckjohann Oy's turnover in 1996 was FIM 405.6 million, representing 13.2% of the entire Starckjohann Group's turnover (1995: FIM 322.1 million and 11.0%). Turnover was up by 25.9% due to continuing growth in the demand for cars.

The company's operating profit was FIM 10.9 million and 2.7% of turnover (1995: FIM 8.6 million and 2.7%). Growth in the motor trade tended towards sales of new vehicles. Operating profit was up in cash terms, but in percentage terms it was on a par with the previous year's figures.

The company had 128 employees at the end of 1996 (1995: 117). The increase in personnel was partly due to a second showroom established in Tampere during the period under review.

Operations

Growth in the motor trade continued in 1996. The number of new cars sold in Finland totalled 95,830, up by a fifth on the previous year. The price trend of new cars was moderate. Prices of used cars actually fell slightly as stocks of trade-ins grew and competition intensified. Demand for after-sales services grew as a result of rising sales of new vehicles.

Auto Starckjohann's sales grew faster than the overall growth in the market. The company handed over a total of 1,719 new and 3,144 used cars. The best-selling marque in Finland was Opel for the third consecutive year, with a 13.6% market share.

The main investment during the financial year was a new showroom opened in the Lielähti district of Tampere in September. The company continued to refine its car sales and after-sales service operations by investing in new information systems. A bar code system was taken on-line in Tampere, and the entire information system is to be upgraded in the course of 1997.

In the spare parts business, further improvements were made in the centralized warehousing of spare parts; this reduces the amount of capital tied up in spare parts and speeds up circulation. The company handles its servicing and repairs business through cooperation contracts with maintenance teams made up of independent, self-employed repair-shop operators working in the company's premises.

Outlook

Auto Starckjohann's wide and varied range of marques leaves it well positioned to efficiently utilize the growing demand for cars. It is estimated that about 110,000 new cars will be sold in Finland this year, which is an increase of roughly 15% over last year's figure. However, car sales in Finland are still well short of the boom years of the 1980s.

Auto Starckjohann Oy is strongly placed on the market in all the districts in which it operates. In 1997 it will further strengthen its position in Tampere when a new car showroom is completed in Hatanpää in December. This year Auto Starckjohann will devote further efforts to improving cost-effectiveness and enhancing its marketing. It is forecast that demand for spare parts, servicing and repairs will increase this year for both cars and commercial vehicles.

Other Group companies

Laakeripalvelu

Laakeripalvelu Oy supplies its customers with bearings, power transmission and other engineering products to meet their precise needs. Laakeripalvelu imports, stores and sells these products both direct and through its distributor network, with primary installation firms and maintenance companies as its target groups. The company operates in Helsinki, in addition to which it has business locations in Lahti and Tampere.

Laakeripalvelu Oy's turnover in 1996 was FIM 57.9 million (1995: FIM 61.3 million). The total market in this sector was virtually unchanged compared with the previous year. The company's turnover declined and, in spite of improvements in the trade structure, operating profit also fell short of the previous year's figure.

The company had 39 employees at the end of 1996 (1995: 39).

The company's outlook for 1997 is favourable.

Oulun Pultti

Oulun Pultti Oy is a specialist dealer in fastenings such as bolts, and it imports and deals in these products. It supplies industry and distributors with fastenings. It has business locations in Kemi and Rovaniemi in addition to Oulu.

Oulun Pultti Oy's turnover in 1996 was FIM 23.4 million (1995: FIM 21.2 million). Turnover was up by approximately 10%. Operating profit was also up on the previous year. The company had 28 employees at the end of 1996 (1995: 27).

The company is strongly placed as a supplier of fastenings to the building material industry. In spite of tougher competition, the upbeat trend is projected to continue in 1997.

Böge Larsen Projects

Böge Larsen Projects Oy is a company specializing in constructing and equipping computer rooms and other special premises, securing IT, and commissioning state-of-the-art technology. It supplies rostrums, and UPS and precision ventilation systems in Finland as well as computer rooms and other special premises for export, mainly to Russia. The company's customers include the real estate industry, banks, telecom and insurance companies and contractors. The company is based in Helsinki and it has accredited agents in Moscow and St Petersburg.

Böge Larsen Projects' business operations were transferred at the beginning of 1996 from Suomen LVI-Tukku Oy to Böge Larsen Projects Oy.

The company's turnover in 1996 was FIM 76.5 million (1995: FIM 78.7 million). Turnover was down by approximately 3% on the previous year's figure. Operating profit was also slightly down.

The company had 36 Finns in its employ at the end of 1996.

The domestic market picked up in the course of 1996, but the export market in Russia deteriorated. The state of the market is forecast to continue in 1997. On the export market, the company will focus mainly on Russian organizations upgrading their business premises with their foreign currency earnings and on foreign companies getting established in Russia.



Group administration

The task of the Starckjohann Group's finance and administration functions is to provide joint services which it is appropriate to handle on a centralized basis. The administrative services shared by all the SBUs include accounting, finance, payments, legal affairs, data management and real estate.

Main forces in the front line, light troops at the rear

During 1996 an administrative development process was launched for the administration of the Starckjohann Group. Its goal is to provide centralized administrative work that is repeated with little variation regardless of the SBU involved, and to supply the expert services required for operations. As a result of the process, the SBUs will be able in the future to concentrate fully on their customer-oriented service business while supporting administrative functions are handled on a central basis by the Group.

Updating data management

The Group embarked on development work based on a previously prepared data management strategy, in which a LAN-based data communications strategy is used in a gradual changeover to an open equipment environment. In the years ahead, both the commercial and the administrative systems will be upgraded.

Computer operation functions were sold to a non-Group service provider in September. This provider is an important partner in the work of upgrading data administration, a programme ending in the year 2000.



Director of Finance and Administration Vesa Vertanen

Real estate

The Group's real estate operations are consolidated in the hands of a subgroup comprising Vahva-Jussi Oy and VJ-Kiinteistöt Oy. The occupancy rate of the properties was close to 90% throughout the year and the net yield was almost 6%.

A liquidation plan has been drawn up for the properties included in inventories held by VJ-Kiinteistöt Oy, which are valued in the balance sheet at roughly FIM 40 million. According to the plan, efforts will be made to sell off the properties by the year 2002. In this way, instalments on Vahva-Jussi Oy's rescheduled debts, which are of the same amount, will be financed in the 1997-2002 period.

Group structure

The Group structure was simplified in 1996 and at the beginning of 1997. The Starckjohann Group, which at its greatest extent comprised more than 60 companies, was also streamlined legally into six companies engaged in business.

The updated Group structure helps to provide a solid foundation for the administrative development process. The simplified structure facilitates not only administrative synergy benefits but also improved customer service and quality by the centralized part as well as opportunities for optimizing financing and taxation.

Board of Directors and auditors



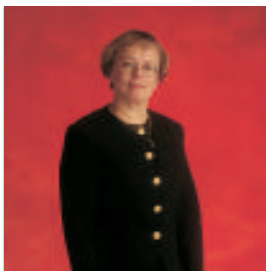
Risto Wartiovaara



Hannu Anttila



Matti Elovaara



Sisko Kanervaara



Kari Kolu



Taisto Riski

Board of Directors

Chairman

Risto Wartiovaara

Ordinary members

Hannu Anttila

Matti Elovaara

Sisko Kanervaara, LL.M.

Kari Kolu

President

Taisto Riski, M.Sc.(Econ.), APA

Auditors

Mauri Palvi, APA

Reino Tikkanen, APA

Report of the Board

General Review

The volume of business for the Starckjohann Group is dependent on the cyclical trend in the domestic construction industry. The industry's prospects were bleak throughout the first half of 1996. The volume index, which describes new construction, was negative for the first six months of the year, in spite of the fact that 1995 had previously been the worst year for new housing starts in more than 60 years.

There was a turnaround in the business cycle of construction in the summer, when the number of building permits granted rallied and demand for the products of the industry grew steadily from July through to the end of the year. However, the volume of residential construction was still left at a strikingly low level, although the number of starts exceeded 25,000 (1995: 18,300), which is merely half of the average level for the second half of the 1980s, for example.

Renovation, which now accounts for more than half of all construction, grew by eight per cent, a similar figure to the previous year's. Renovation was also given a boost by rising sales of housing.

Changing economic conditions boosted trade in building supplies and HVAC products, and the growth figures for the second half of the year were substantially higher than those of the first six months. In annual terms, wholesaling in hardware was up by approximately three per cent and retailing by almost five per cent. HVAC wholesaling achieved more than ten per cent growth during the year.

The expansion of the metal and engineering industry's output slowed relative to the previous year, but production was still up by some seven per cent. A decline in the price of steel and other metals, and particularly a temporary slump in demand in the first half of the year, exerted a drag on the sales and earnings of companies in this field.

The motor trade continued to grow in 1996, during which 95,830 new cars were sold in Finland, compared with 79,890 registered the previous year. In the record year of 1989, more than 170,000 new cars were sold in Finland.

In the Starckjohann Group, the main thrust during the period under review was on developing the

business operations of the four main divisions - i.e., Rakentajan Starckjohann Oy's sales of building supplies, hardware and wood products, Rauta Starckjohann Oy's sales of steels and other metals and its pre-treatment of steels, Suomen LVI-Tukku Oy's wholesaling of heating, plumbing and air conditioning products, and Auto Starckjohann Oy's sales of motor vehicles.

The trend in the Group's earnings was slower during the first four-month period of the year than during the same period of 1995. Growth in demand during the summer and autumn fuelled a positive trend in earnings towards the end of the year, and the closing four-month period was considerably better than the corresponding period in 1995.

The Group's liquidity was favourable throughout the financial year. All investments and loan instalments were paid out of cash flow.

Investments during the period under review were mostly allocated to the modernization of the Starkki chain of retail outlets and towards developing chain operations, as well as to extensions of steel service centres and the motor trade.

The Group companies subject to statutory restructuring (after filing for protection from creditors), i.e., the parent company Starckjohann Oy, Rakentajan Starckjohann Oy, Rauta Starckjohann Oy (formerly Starckjohann Palvelut Oy) and Vahva-Jussi Oy, managed all their payments of interest and loan instalments under the restructuring programme in accordance with the programme in 1996.

During 1996, the development process for the Group's management system and the personnel that was launched in late 1995 was continued. In connection with this development process, entitled the Ahjo programme, core values were determined for the Group and a joint management system was developed and adopted by all the companies forming the divisions of the Group. During the financial year, all managers underwent a four-day management training programme. This was extended into development programmes for all the employees of the Group's divisional companies. The Ahjo programme will continue throughout 1997 and into the years ahead.

Turnover

The Starckjohann Group's turnover for the 1996 accounting period was FIM 3,079.7 million (1995: FIM 2,941.6 million). Turnover was up by 4.7%. The increase in turnover was due to brisker trade in building supplies in the second half of the year and to steady growth in the motor trade throughout the year.

The Group's turnover was divided between the business sectors as follows:

	Turnover	Share, %	Change, %
FIM 1,000			1995
Divisional companies:			
Rakentajan			
Starckjohann Division	1,385,266	45.0	7.5
Rauta Starckjohann Oy	623,783	20.3	- 3.4
Suomen LVI-Tukku Oy	564,707	18.3	0.0
Auto Starckjohann Oy	405,571	13.2	25.9
Other Group companies:			
Laakeripalvelu Oy	157,867	5.1	- 2.1
Oulun Pultti Oy			
Böge Larsen Projects Oy			
Other companies	39,366	1.3	4.0
Internal invoicing	-96,813	-3.1	
Group total	3,079,747	100.0	4.7

Financial Result

In spite of the poor trend in earnings during the early months of the year, the Group's profit before extraordinary items, reserves and taxes was on a par with the previous year's figure.

The operating margin was FIM 151.8 million, representing 4.9% of turnover (1995: FIM 159.5 million and 5.4%). The Group's operating profit amounted to FIM 91.4 million, being 3.0% of turnover (1995: FIM 87.8 million and 3.0%).

The Rakentajan Starckjohann Division's operating profit was FIM 41.7 million, being 3.0% of turnover (1995: FIM 30.4 million and 2.4%). Growth in construction and renovation, particularly during the second half of the year, combined with changes in the competitive configuration, boosted demand for Rakentajan Starckjohann's products. The company concentrated on carrying through the Starkki operating model and on upgrading chain operations by refurbishing shops and establishing new business locations. The interior design group of companies were sold, with one exception, and in the future dealing in

interior design products will be developed within the Starkki shops. These actions and cost control enabled the company to improve its profitability.

The Rauta Starckjohann Division's operating profit was FIM 24.9 million, comprising 4.0% of turnover (1995: FIM 35.0 million and 5.4%). Declining prices for steels and other metals exerted a drag on the company's sales and earnings relative to the previous year's figures. The acquisition of Oy Mercantile Ab's steel and metal business in September greatly expanded the company's product range with stainless and acid-resistant steels and aluminium. This did not yet, however, improve the company's operating profit in 1996 due to the additional costs occasioned by merging operations.

Suomen LVI-Tukku Oy's operating profit was FIM 6.0 million, being 1.1% of turnover (1995: FIM 9.9 million and 1.7%). Demand for HVAC products was low in the first half of the year, but growth in renovation improved it towards the end of the year. Extremely heavy price competition throughout the accounting period affected the company's profitability. In spite of this, the company's operating profit developed favourably towards the end of the year.

Auto Starckjohann Oy's operating profit was FIM 10.9 million, being 2.7% of turnover (1995: FIM 8.6 million and 2.7%). The growth in the motor trade tended towards sales of new vehicles. Operating profit grew in cash terms, but in percentage terms it fell short of the previous year's level. Auto Starckjohann's sales of new and used cars grew faster than the national average. Opel, for which the company was dealer, was again the best-selling marque in Finland.

The combined operating profit of the Group's other divisional companies, Laakeripalvelu Oy, Oulun Pultti Oy and Böge Larsen Projects Oy, was FIM 16.0 million (1995: FIM 18.1 million).

The Group's depreciation totalled FIM 60.4 million (1995: FIM 71.7 million). The basis for depreciation was reduced by a non-recurring depreciation on a merger loss booked in the previous year.

The profit after financing items amounted to FIM 77.4 million (1995: FIM 78.7 million). The profit before reserves and taxes was also FIM 77.4 million (1995: FIM 25.9 million), as there were no extraordinary income and expenses during the accounting period.

The Group's taxes from previous periods includes a tax refund received during the financial year. The

Group's taxes for the accounting period were small, being FIM 0.1 million (1995: FIM 0.4 million), owing to the confirmed losses from previous periods.

The consolidated financial statements indicate a net profit of FIM 92,846,395.66 (1995: FIM 30,606,779.22).

Financing and financial position

The Group's financial position improved further in 1996. The equity ratio stood at 26.8% at year-end, which is 5.8 percentage points up on the previous year's figure.

Liquidity: FIM million	1996	1995
Interest-bearing liabilities		
Long-term rescheduled debt	330.2	441.4
Long-term loans	29.5	42.7
Current rescheduled debt	78.6	41.6
Short-term loans	11.5	15.6
Interest-bearing liabilities, total	449.8	541.3
Non-interest-bearing rescheduled debt		
Long-term	154.1	169.9
Current	15.8	15.8
	169.9	185.7
Interest-bearing liabilities + non-interest-bearing rescheduled debt, total	619.7	727.0
Cash and at bank	72.6	99.3
Moneys deposited for payment of rescheduled debt	34.6	32.1
Cash, total	107.2	131.4
Net debt	512.5	595.6
Net debt as % of turnover	16.6	20.6
Shareholders' equity	329.4	242.5
Debt-equity ratio (%)	155.6	244.7
Equity ratio (%)	26.8	21.0
Cash flow from business operations	119.4	123.5
Net financing expenses	14.0	9.1
Net financing expenses as % of	0.5	0.3

In the course of 1996, FIM 90.2 million was paid on debts subject to the statutory restructuring process, and FIM 27.1 million was paid on other debts. No new credits were taken on during the accounting period.

The Group's net financing expenses were FIM 14.0 million (1995: FIM 9.1 million). The increase in financing expenses was due to a rise in interest on rescheduled debt from two to six per cent as of the start of 1996.

Cash flow from business operations (profit before extraordinary items + depreciation ± change in inventories ± change in short-term receivables ± change in non-interest-bearing current liabilities) was FIM 119.6 million (1995: FIM 123.5 million).

The restructuring programmes of Rakentajan Starckjohann Oy and Rauta Starckjohann Oy will expire at the end of 1998. The programmes for Starckjohann Oy and Vahva-Jussi Oy will expire at the end of 2002.

In the course of 1996, as a result of the dissolution of the Starckjohann companies' pension funds, FIM 35.1 million of rescheduled debt to pension funds was paid early in disapplication of the restructuring programme by means of a decision from Helsinki District Court.

The composition of the debts rescheduled under the restructuring proceedings was as follows on 31 December 1996:

FIM m	1997	1998	1999	2000	2001	2002	Total
							31.12.96
Non-interest-bearing rescheduled debt	15.8	15.8	13.3	98.3*	13.3	13.4	169.9
Rescheduled debt, interest 6%	78.6	78.6	62.9	92.9	62.9	62.9	408.8
	94.4	94.4	76.2	161.2	76.2	76.3	578.7

*includes a FIM 85.0 million rescheduled debt to be converted on 31 December 1998 into a normal credit due for payment on 31 December 2000.

The Group's liquidity was favourable throughout the year. Liquid assets and investments totalled FIM 72.6 million at year-end (1995: FIM 99.3 million).

Investments

The Group's capital spending amounted to FIM 59.8 million. Investment was up on the previous year's figure of FIM 43.3 million.

The main investments were the acquisition of Oy Mercantile Ab's steel and metals business, extensions to the steel service centres in Lahti and Turku, the renovation of Rakentajan Starckjohann's Starkki unit in Oulu, and the renovation and conversion of Auto Starckjohann's new showroom in Tampere.

The main investments in progress at year-end were the establishment of Suomen LVI-Tukku's central warehouse in Turku and the renovation of new premises in Oulu. In addition to these, it was decided in 1997 to begin the construction of a new operations centre in Lappeenranta, where the local units of Suomen LVI-Tukku and Rauta Starckjohann will move into the same area as Rakentajan Starckjohann. Furthermore, Rakentajan Starckjohann's operations in Turku are to be amalgamated and a new Starkki unit will be started in Espoo. Smaller renovations and conversion investments will be made on Rakentajan Starckjohann's units in Jyväskylä and Hämeenlinna, where Suomen LVI-Tukku will move to the same area. A new car showroom is to be built in Tampere, to which the present business of the Lakalaiva showroom will be moved.

Group Structure

The Group structure was further streamlined in 1996. During the accounting period, Rauta Starckjohann Oy was merged with Starckjohann Palvelut Oy, the name of which was changed to Rauta Starckjohann Oy on the same occasion. In addition, Kiinteistö Oy Aholaidantie 1, Kiinteistö Oy Aholaidantie 2, Suomen Kiinteistövinkki Oy, Starckjohann Trade Oy and Stavax Finland Oy were liquidated as a result of mergers.

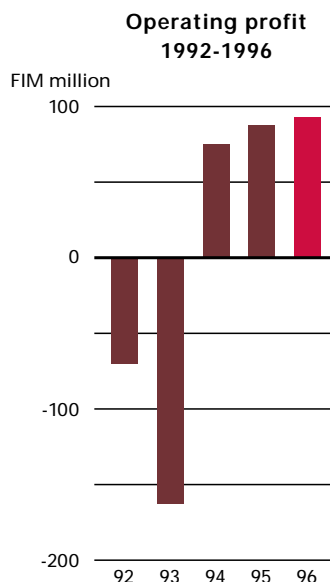
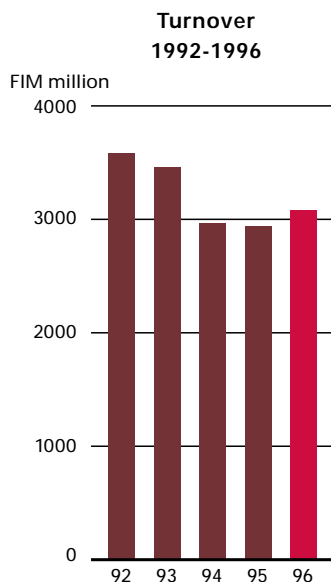
After the end of the accounting period under review, on 2 January 1997, the divisional companies Rakentajan Starckjohann Oy, Rauta Starckjohann Oy, Suomen LVI-Tukku Oy and Auto Starckjohann Oy were merged into the Group's parent company, Starckjohann Oy.

The interior design companies Tampereen Lattiatyö Oy, Mattoyhtymä Oy and Oulun Sisustajat Oy and its subsidiaries Rova-Sisustus Oy and Kajaanin Sisustajat Oy, formerly members of the Rakentajan Starckjohann Division, were sold off during the accounting period.

The business of Böge Larsen Projects was sold from Suomen LVI-Tukku Oy to Böge Larsen Projects Oy at the beginning of 1996.

Holdings in listed companies

At the end of 1996, Starckjohann Oy held the follow-



ing shares in the OTC-listed company Penope Oy: 188,254 A-series shares and 197,600 K-series shares, amounting to 45.9% of the company's shares and 49.1% of voting rights.

Apart from Penope Oy, Starckjohann Oy had no holdings during the accounting period in excess of 5% of issued stock or voting rights in companies quoted on the stock exchange or OTC list.

Shares and share capital

Starckjohann Oy's share capital stood at FIM 129.8 million at the end of 1996. The Board of Directors had no current authorizations for share issues at the end of the accounting period.

According to the share register, the members of the company's Board of Directors and the President owned a combined total of 677,283 shares at year-end, amounting to 0.5% of share capital and voting rights.

Starckjohann Oy's share price in 1996 had a low of FIM 4.80 and a high of FIM 7.60, and the mean price was FIM 6.33. A total of 8,943,623 shares changed hands for FIM 56,607,419.15 in all.

Merita Bank is Starckjohann Oy's parent company.

After the end of the accounting period, on 10 January 1997, Yrityspankki SKOP Oy announced it had sold a total of 21,000,000 of its shares in Starckjohann

The company's ten biggest shareholders as at 31 December 1996

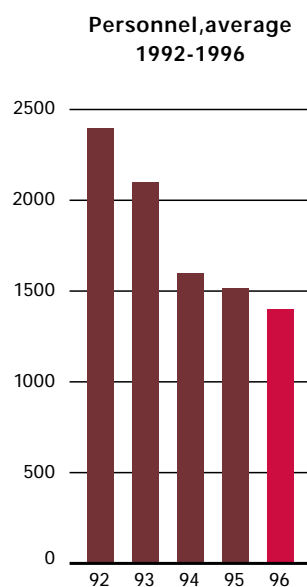
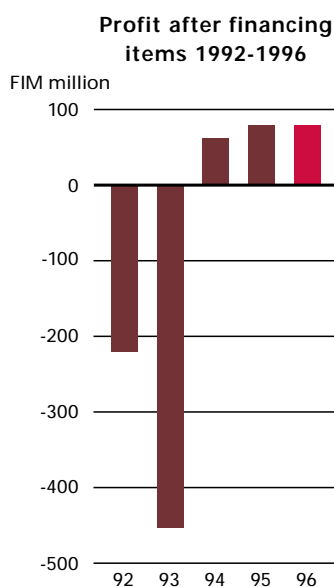
Name	Number	Percentage
Merita Bank Ltd	71,718,714	55.2
SKOPBANK	26,000,568	20.0
Metsä-Serla Oy	6,000,000	4.6
Starckjohann Foundation	3,156,128	2.4
Unsa Oy	2,661,000	2.0
Penope Oy	1,928,613	1.5
Pohjola Insurance Company Ltd	1,915,318	1.5
Starckjohann, Solveig	1,538,629	1.2
Starckjohann-Bruun		
Thelma Foundation	986,302	0.8
Lindholm, Lars	795,491	0.6

Oy. SKOP was left with 5,000,568 Starckjohann Oy shares. The transaction reduced SKOP's holding in Starckjohann Oy's issued stock and voting rights from 20.02% to 3.85%.

Penope Oy also announced it had sold all its shares in Starckjohann Oy on 5 February 1997.

Board of Directors

The company's Board of Directors in 1996 comprised Bank Director Risto Wartiovaara as Chairman, with ordinary members Financial Manager Hannu Anttila, Managing Director Matti Elovaara, Sisko Kanervaara, LLM, and Managing Director Kari Kolu.



President and Chief Executive Officer

Taisto Riski, M.Sc. Econ., Authorized Public Accountant, served as the company's President and Chief Executive Officer.

Supervisor under the Restructuring of Companies Act

Pekka Jaatinen, attorney-at-law, served as the supervisor appointed by Helsinki District Court for the statutory corporate restructuring programmes.

Personnel, wages and salaries

The number of people employed by the Group averaged 1,457 (1995: 1,565) and the parent company had 74 employees (1995: 82). At the beginning of the accounting period, the Group had 1,479 employees, 1,486 at year-end.

The wages and salaries paid by the Group amounted to FIM 201,638,097.00 (1995: FIM 203,833,754.02), including FIM 6,154,155.00 paid to Boards of Directors and Managing Directors (1995: FIM 6,160,780.20). The wages and salaries paid by the parent company amounted to FIM 12,910,115.00 (1995: FIM 13,308,805.00), including FIM 1,567,712.00 paid to the parent company's President and the members of the Board of Directors (1995: FIM 1,435,600.00).

The Group's two closed additional pension funds, Starckjohann Oy's Pension Fund and the Lappeenranta Rautakauppa Oy Pension Fund, were dissolved by resolutions of the Boards of Directors on 17 October 1996 and 23 October 1996 and they were placed in liquidation on 31 December 1996. The assets of the pension fund were used in accordance with the Pension Funds Act and the regulations of the fund to take additional pension cover with an outside life insurer.

Outlook for 1997

Economic conditions mean better prospects for all the SBUs of the Starckjohann Group than in 1996. The upbeat trend in sales of building supplies and HVAC goods in the second half of 1996 is expected to continue. Production and dealing in steels and other metals is forecast to grow and prices are expected to firm up slightly. Steady growth is also forecast in the motor trade.

The Group's turnover is expected to grow in 1997 due to the improvement in economic conditions. The investments previously made and in hand are boosting profitability, so the Group's net profit for the year is forecast to improve. The Group's liquidity is forecast to remain healthy.

Starckjohann Consolidated Income Statement

(FIM 1,000)	1.1.1996-31.12.1996		1.1.1995-31.12.1995		Note
TURNOVER	3,079,747		2,941,554		6
Share in profits of affiliated companies	301		1,748		
Other income from business operations	20,608		3,549		
Other expenses of business operations	-16,174		-1,564		
EXPENSES					
Materials, supplies and products:					
Purchases during the accounting period	2,539,455		2,369,646		
Change in inventory	-26,405		-12,028		
External services	39,618		45,014		
Personnel expenses	259,171		267,629		7
Rents	18,692		19,351		
Other expenses	102,165	2,932,696	96,206	2,785,818	
OPERATING MARGIN	151,786		159,469		
DEPRECIATION ON FIXED ASSETS AND OTHER CAPITALIZED EXPENDITURE					8
Intangible assets	10,324		17,376		
Buildings and structures	19,814		18,380		
Machinery and equipment	25,583		29,961		
Other tangible assets	914		908		
Securities included in fixed assets and other long-term investments	-		13		
Group goodwill	3,705	60,340	5,024	71,662	
OPERATING PROFIT	91,446		87,807		
FINANCING INCOME AND EXPENSES					11
Dividend income	171		130		
Interest income from long-term investments	3,383		2,584		
Interest income from short-term investments	8,665		4,474		
Other financing income	7,011		13,176		
Exchange rate gains	270		417		
Interest expenses	-33,096		-27,999		
Other financing expenses	-436		-1,454		
Exchange rate losses	-17	-14,049	-429	-9,101	
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	77,397		78,706		
EXTRAORDINARY INCOME AND EXPENSES					9
Extraordinary income	-		-		
Extraordinary expenses	-	-	-52,773	-52,773	
PROFIT BEFORE RESERVES AND TAXES	77,397		25,933		
Increase/decrease in depreciation difference	3,980		2,343		
Increase/decrease in voluntary reserves	8,411		6,052		
Direct taxes					
Taxes for the year	-119		-383		
Taxes for previous years	3,245	3,126	-3,007	-3,390	12
PROFIT BEFORE MINORITY INTEREST	92,914		30,938		
Minority interest	68		331		
NET PROFIT FOR THE ACCOUNTING PERIOD	92,846		30,607		

Starckjohann Consolidated Balance Sheet

(FIM 1,000)

ASSETS	31.12.1996		31.12.1995		Note
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					15
Intangible assets					
Intangible rights	2,100		1,862		
Goodwill	8,270		1,164		
Group goodwill	18,589		25,926		
Other capitalized expenditure	8,539		13,532		
Advance payments	-	37,498	222	42,706	
Tangible assets					
Land and water areas	45,884		47,837		16
Buildings and structures	319,222		330,599		16
Machinery and equipment	74,870		70,035		
Other tangible assets	3,224		2,775		
Advance payments and incomplete acquisitions	2,125	445,325	4,646	455,892	
Securities included in fixed assets and other non-current investments					14
Shares in affiliated companies	11,886		17,238		
Other stocks and shares	20,099	31,985	24,063	41,301	
VALUATION ITEMS		14,596		21,279	18
INVENTORIES AND FINANCIAL ASSETS					
Inventories					
Materials and supplies	396,630		340,210		
Work in progress	-		414		
Other inventories	39,013		79,238		
Advance payments	7	435,650	-	419,862	
Receivables					
Accounts receivable	227,666		229,448		
Notes receivable	5,430		6,820		
Accrued assets	66,172		58,771		
Other receivables	45,534	344,802	52,765	347,804	
Cash and at bank		72,618		99,327	
TOTAL ASSETS		1,382,474		1,428,171	

(FIM 1,000)

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.1996		31.12.1995		Note
SHAREHOLDERS' EQUITY					22
Restricted equity					
Share capital	129,842		129,842		
Reserve fund	118,074		132,145		
Revaluation fund	4,400	252,316	7,443	269,430	
Non-restricted equity					
Retained profits/losses from previous years	-15,728		-57,549		
Net profit/loss for the accounting period	92,846	77,118	30,607	-26,942	
SUBORDINATED LOANS		39,625		39,625	
MINORITY INTEREST		-		921	
RESERVES					
Accumulated difference in depreciation		12,012		15,993	8
Transition reserve		20,566		28,977	
Obligatory reserve		16,855		21,562	13
LIABILITIES					
Long-term					
Loans from financial institutions	11,371		21,316		
Pension loans	18,169		44,027		
Other long-term liabilities	20,205	49,745	699	66,042	
Current					
Loans from financial institutions	9,865		13,789		
Pension loans	1,639		1,802		18
Advances received	29,519		55,208		
Accounts payable	222,729		192,350		
Deferred liabilities	69,074		73,788		
Other current liabilities	2,732	335,558	6,885	343,822	
Rescheduled debt					
Unsecured rescheduled debt	169,918		185,728		
Secured debt	151,499		190,678		
Group liability debt	257,262		257,262		
Pension fund debt	-	578,679	35,073	668,741	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,382,474		1,428,171	

Starckjohann Consolidated Statement of Source and Application of Funds

(FIM 1,000)

SOURCE OF FUNDS	31.12.1996	31.12.1995
Cash flow financing		
Operating margin	151,786	159,469
Extraordinary income and expenses	-	-52,773
Financing income and expenses	-14,049	-9,102
Taxes	3,126	-3,391
Total cash flow financing	140,863	94,203
Change in obligatory reserve	-	2,348
Non-current financial assets	8,621	17,898
Change in valuation items	6,683	1,380
Decrease in fixed assets	-	10,804
	156,167	126,633
APPLICATION OF FUNDS		
Increase in fixed assets	42,272	0
Decrease in long-term liabilities	16,297	9,139
Decrease in rescheduled debt	90,061	127,957
Decrease in minority interest	921	422
Change in obligatory reserve	4,707	0
Other changes	-1,051	-618
	153,207	136,900
Change in net working capital	2,960	-10,267
	156,167	126,633
CHANGE IN NET WORKING CAPITAL		
Cash and at bank	-26,710	-37,010
Current financial assets	5,618	-58,876
Inventories	15,788	10,420
Current liabilities	8,264	75,199
	2,960	-10,267

Parent Company Income Statement

(FIM 1,000)	1.1.1996-31.12.1996		1.1.1995-31.12.1995		Note
TURNOVER		32,015		29,865	
Other income from business operations		8,842		432	
Other expenses of business operations		-2,370		-110	
EXPENSES					7
Personnel expenses		15,713		19,268	
Rents		1,899		2,957	
External services		59		-	
Other expenses		10,801		9,921	
OPERATING MARGIN		10,015		-1,959	
DEPRECIATION ON FIXED ASSETS AND OTHER CAPITALIZED EXPENDITURE					
Intangible assets		1,071		1,309	
Buildings and structures		2,948		2,698	
Machinery and equipment		1,866		3,116	
Other tangible assets		69		99	
OPERATING PROFIT/LOSS		4,061		-9,181	
FINANCING INCOME AND EXPENSES					11
Dividend income		616		395	
Interest income from short-term investments		17,241		15,209	
Exchange rate gains		-		1	
Interest expenses		-26,114		-17,728	
Other financing expenses		-		-84	
Exchange rate losses		-1		-	
LOSS BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES		-4,197		-11,388	
EXTRAORDINARY INCOME AND EXPENSES					9,10
Extraordinary income		6,000		17,744	
Extraordinary expenses		-		-20,352	
PROFIT/LOSS BEFORE RESERVES AND TAXES		1,803		-13,996	
Increase/decrease in depreciation difference		322		-	
Direct taxes					
Taxes for accounting period		-		-	
Taxes for previous years		3,924		-56	12
NET PROFIT/LOSS FOR THE ACCOUNTING PERIOD		6,049		-14,052	

Parent Company Balance Sheet

(FIM 1,000)

ASSETS	31.12.1996		31.12.1995		Note
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					15
Intangible assets					
Intangible rights	1,119		629		
Other capitalized expenditure	35		944		
Advance payments	-	1,154	221	1,794	
Tangible assets					
Land and water areas	24,709		23,383		16
Buildings and structures	75,618		66,197		16
Machinery and equipment	3,391		3,592		
Other tangible assets	1,153		833		
Advance payments and incomplete acquisitions	-	104,871	383	94,388	
Securities included in fixed assets and other non-current investments					14
Shares in subsidiaries	167,605		167,789		
Shares in affiliated companies	11,807		16,859		
Other stocks and shares	8,935	188,347	11,526	196,174	
VALUATION ITEMS		14,596		6,783	18
FINANCIAL ASSETS					
Receivables					17
Accounts receivable	3,647		4,042		
Notes receivable	51,850		52,545		
Accrued assets	3,872		6,082		
Other receivables	307,286	366,655	351,604	414,273	
Cash and at bank		30,497		28,887	
TOTAL ASSETS		706,120		742,299	

(FIM 1,000)

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.1996		31.12.1995		Note
SHAREHOLDERS' EQUITY					22
Restricted equity					
Share capital	129,842		129,842		
Reserve fund	118,148		132,200		
Revaluation fund	3,800	251,790	6,800	268,842	
Non-restricted equity					
Retained profits/losses from previous years	0		-		
Net profit/loss for the accounting period	6,049	6,049	-14,052	-14,052	
RESERVES					
Accumulated difference in depreciation		700		1,022	8
Obligatory reserves		10,321		10,154	13
LIABILITIES					17
Long-term					
Loans from financial institutions	3,230		3,230		
Pension loans	17		7,676		
Other long-term loans	19,530	22,777	-	10,906	18
Current					
Accounts payable	3,792		939		
Deferred liabilities	2,586		3,358		
Other current liabilities	11,864	18,242	5,006	9,303	
Rescheduled debt					
Unsecured rescheduled debt	26,491		30,909		
Secured debt	112,467		134,708		
Group rescheduled debt	21		24		
Group liability debt	257,262		257,262		
Pension fund debt	-	396,241	33,221	456,124	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		706,120		742,299	

Parent Company Statement of Source and Application of Funds

(FIM 1,000)	31.12.1996	31.12.1995
SOURCE OF FUNDS		
Cash flow financing		
Operating margin	10,016	-1,958
Extraordinary income and expenses	6,000	-2,609
Financing income and expenses	-8,258	-2,207
Taxes	3,924	-56
Total cash flow financing	11,682	-6,830
Increase in obligatory reserve	167	904
Increase in long-term liabilities	11,872	2,319
Non-current financial assets	45,013	76,180
	68,734	72,573
APPLICATION OF FUNDS		
Acquisition of fixed assets	7,969	17,333
Decrease in rescheduled debt	59,883	28,297
Change in valuation items	7,814	1,425
Cancellation of revaluations	3,000	-
	78,666	47,055
Change in net working capital	-9,932	25,518
	68,734	72,573
CHANGE IN NET WORKING CAPITAL		
Cash and at bank	1,610	24,593
Current financial assets	-2,604	6,148
Current liabilities	-8,938	-5,223
	-9,932	25,518

Notes to the Financial Statements as at 31 December 1996

1. Accounting conventions for the consolidated financial statements

The consolidation includes the companies in which the Starckjohann Group holds more than 50% voting rights. The subsidiaries which have no business activities and subsidiary shares included in the inventories of VJ-Kiinteistöt Oy have been excluded from the consolidation. New companies in the consolidation are Böge Larsen Projects Oy, formerly a department of Suomen LVI-Tukku Oy and subsequently a subsidiary of Suomen LVI-Tukku Oy following a transfer of business operations in the beginning of 1996, and Rauta Starckjohann Oy's Tallinn-based subsidiary Rauta Starckjohann Balti AS, which went into business in April 1996.

During the accounting period, the following companies were sold from the Group: in June Tampereen Lattiatyö Oy and at the end of October Mattoyhtymä Oy, Oulun Sisustajat Oy, Rova-Sisustus Oy and Kaajanin Sisustajat Oy. These companies, sold during the accounting period, have been included in the consolidated income statement up to the date of the sale.

Of the affiliated companies, Penope Oy and its subsidiary Kiinteistö Oy Tupalankatu 9, which together constitute the Penope Group, have been consolidated, in addition to Lappeenrannan Laakerikeskus Oy, which is 50% owned by Laakeripalvelu Oy. The other companies affiliated to the Starckjohann Group have such a small impact on the business of the Group and such a small degree of association with it that they have been excluded from the consolidated financial statements. The affiliates' share of the profit has been calculated by the equity method and it is given on a separate line in the items related to business operations. The above-mentioned subsidiaries and affiliated companies excluded from the consolidation have no significant effect on the Group's net profit or on its shareholders' equity.

At the start of the year, on 3 January 1996, Rauta Starckjohann Oy was amalgamated with its parent company, Starckjohann Palvelut Oy, and the name of the company thus formed was changed to Rauta Starckjohann Oy.

At the end of the accounting period, on 31 De-

cember 1996, the following mergers of subsidiaries were completed in the Group: Kiinteistö Oy Jyväskylän Aholaidan Kauppakeskus I and Kiinteistö Oy Jyväskylän Kauppakeskus II were amalgamated with Rakentajan Starckjohann Oy; Suomen Kiinteistöväkinki Oy was amalgamated with Vahva-Jussi Oy; Stavax Finland & Co Ltd was amalgamated with Starckjohann Trade Oy; and Starckjohann Trade was subsequently amalgamated with Starckjohann Oy.

Cross-ownership of shares within the Group has been eliminated by the acquisition accounting method.

The only foreign company included in the consolidation was Rauta Starckjohann Balti A/S. In consolidation, the accounts of this company have been translated into Finnish currency at the Bank of Finland's average rate on the date of closing the books. Exchange rate differences have been posted to the Group's non-restricted equity.

The Group's inter-company receivables, debts and business transactions have been eliminated in the consolidated financial statements. Minority interest derives from the companies sold off during the accounting period, so minority interest appears only in the consolidated income statement; it is not in the balance sheet owing to the exclusion of the sold companies' balance sheets.

2. Comparability of net profit

In order to retain to comparability of the income statements, the required alterations were made in the 1995 income statement.

3. Valuation of fixed assets

Fixed assets are recorded in the balance sheet as the difference between the cost price and the accumulated planned depreciation. The accounting depreciation on fixed assets is given as planned depreciation based on their economic lives and as a change in depreciation arising from depreciation permitted under the Companies' Taxation Act. The accumulated depreciation difference between CTA depreciation and planned depreciation is given on the liabilities side of the balance sheet.

4. Valuation of inventories

Inventories have been valued at direct cost price or at the probable selling price, whichever is the lower.

5. Currency-denominated items

During the accounting period, exchange rate differences on accounts receivable and accounts payable were entered in the income statement as adjusting

entries for sales and purchases. Exchange rate differences for financing items appear on separate lines in the income statement under the heading of financing income and expenses. Receivables and debts denominated in foreign currency have been valued at the Bank of Finland average rate in force on the balance sheet date.

6. Composition of turnover

The turnover was divided between the main business divisions as follows:

(FIM 1,000)	31.12.1996	percentage	31.12.1995	percentage
Main divisions:				
Rakentajan Starckjohann Division	1,385,266	45.0	1,288,943	43.8
Suomen LVI-Tukku Oy	564,707	18.3	564,893	19.2
Rauta Starckjohann Oy	623,783	20.3	645,762	22.0
Auto Starckjohann Oy	405,571	13.2	322,120	11.0
Other Group companies:				
Laakeripalvelu Oy	157,867	5.1	161,305	5.4
Oulun Pultti Oy				
Böge Larsen Projects Oy				
Other companies	39,366	1.2	37,849	1.3
Internal invoicing	-96,813	-3.1	-79,318	-2.7
Total for Group	3,079,747	100.0	2,941,554	100.0

The figures for Rakentajan Starckjohann include, in addition to the turnover for the legally official Rakentajan Starckjohann subgroup, the turnover of the so-called interior design group companies in the Rauta Starckjohann subgroup. The interior design group

comprised the following companies: Aninkaisten Tapetti ja Väri Oy, Mattoyhtymä Oy, Oulun Sisustajat Oy, Kajaanin Sisustajat Oy, Rova-Sisustus Oy, and Tampereen Lattiatyö Oy.

7. Personnel expenses and perquisites

(FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
Wages and salaries	207,336	206,964	12,315	13,419
Perquisites	4,102	3,740	490	496
Pension expenses	30,840	32,572	3,179	4,629
Other indirect personnel expenses	20,005	27,220	219	1,219
Total	262,283	270,496	16,203	19,763

8. Depreciation

In the income statement, depreciation is shown in the form of planned depreciation and the change in depreciation difference, which indicates the magnitude

of booked depreciation compared with planned depreciation. The depreciation periods used by the Starckjohann Group, based on the economic life of the asset, are as follows:

- Buildings	straight-line depreciation over 20-30 years
- Light structures	straight-line depreciation over 5 years
- Machinery and equipment	straight-line depreciation over 5-7 years
- Forklifts and cranes	straight-line depreciation over 12 years
- Production machinery	straight-line depreciation over 12 years
- Building components	straight-line depreciation over 10 years
- Computer software	straight-line depreciation over 5 years
- Other capitalized expenditure	straight-line depreciation over 5 years
- Goodwill	straight-line depreciation over 5-10 years

Depreciation itemized:

(FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
Planned depreciation				
Other capitalized expenditure	10,324	17,376	1,071	1,309
Buildings and structures	19,814	18,380	2,948	2,698
Machinery and equipment	25,583	29,960	1,866	3,116
Total	55,721	65,716	5,885	7,123

Booked depreciation

Other capitalized expenditure	10,324	17,376	1,071	1,309
Buildings and structures	18,975	18,784	2,982	2,698
Machinery and equipment	22,442	27,213	1,510	3,116
Total	51,741	63,373	5,563	7,123

Change in depreciation difference

Buildings and structures	839	-404	34	-
Machinery and equipment	3,141	2,747	-356	-
Total	3,980	2,343	-322	-

Accumulated difference in depreciation

Buildings and structures	8,627	9,110	1,056	1,022
Machinery and equipment	3,385	6,883	-356	-
Total	12,012	15,993	700	1,022

9. Extraordinary income and expenses

No extraordinary income or expenses were booked on the Group level during the accounting period.

Starckjohann Oy's extraordinary income consisted of FIM 6 million in Group contributions received from Böge Larsen Projects Oy.

10. Group contributions

Donor	Recipient	(FIM 1,000)
Nummelan Rauta Oy	VJ-Kiinteistöt Oy	120
Uudenmaan Tapetti ja Väri Oy	Rakentajan Starckjohann Oy	258
Ingman Oy Ab	Rakentajan Starckjohann Oy	1,184
Aninkaisten Tapetti ja Väri Oy	Rakentajan Starckjohann Oy	6,264
Oulun Pultti Oy	Rakentajan Starckjohann Oy	4,646
Auto Starckjohann Oy	Rakentajan Starckjohann Oy	11,325
Böge Larsen Projects Oy	Starckjohann Oy	6,000
Böge Larsen Projects Oy	Rakentajan Starckjohann Oy	3,860
Laakeripalvelu Oy	Rakentajan Starckjohann Oy	7,143
Total		40,800

The parent company Starckjohann Oy's receipts of Group contributions amounted to FIM 6.0 million.

11. Inter-company financing income and expenses

	Parent company	
	1996	1995
(FIM 1,000)		
Financing income received from Group companies		
Interest income from short-term investments	10,791	13,825

12. Taxes

The taxes in the income statement consist primarily of tax refunds from previous accounting periods. The Group has confirmed losses of FIM 890 million, mainly from the 1993 and 1994 accounting periods. Because of trading in the shares of the Group's parent company on the Helsinki Stock Exchange, share ownership may change more than 50% in the future, whereupon application will be made to the Provincial Tax Office for permission to deduct losses. Because of the confirmed losses, no tax for the accounting period has been matched to the net profit.

13. Obligatory reserves and changes in them

At year-end, the Group's obligatory reserves totalled FIM 12.0 million, of which Starckjohann Oy accounted for 10.3 million. The Group's obligatory reserves declined by FIM 3.9 million during the accounting period. The decline was mainly due to unrealized obligatory reserves of Suomen LVI-Tukku Oy, which for this reason were income-recognized during the accounting period.

Obligatory reserves consist primarily of uncertain receivables likely to lead to bad debts, the main items in which was a total of FIM 8.6 million in receivables of Starckjohann Oy. Another considerable item in obligatory reserves is payments realized in 1997 for three Group companies, totalling FIM 2.3 million, in respect of optional pension insurance. The parent company's share of this is FIM 1.8 million.

14. Shares held by the Group and parent company

(FIM 1,000)										
GROUP COMPANIES	Group holding, %	Group voting rights, %	Group share of equity	Parent company's holding, %	Parent company's no. of shares	Group's number of shares	Par value	Book value	Last Financial statement's profit/loss	
Aninkaisten Tapetti										
ja Väri Oy	100	100	947	-	-	205	205	7,000	49	
Auto Starckjohann Oy	100	100	18,779	100	1,700	1,700	17,000	20,514	-422	
Böge Larsen Projects Oy	100	100	2,846	-	-	300,000	-	2,985	-138	
*C & SG a.s.	56	56	720	56	67	67	-	97	506	
*Colza Aktiebolag	100	100	-	100	503	503	-	38	-64	
Ingman Oy Ab	100	100	8,513	-	-	600	300	14,234	17	
Kiinteistö Oy Vihiojantie 1	100	100	5,636	-	-	15	15	4,295	453	
Kiinteistö Oy Linkokuja 4	100	100	999	-	-	150	15	1,000	0	
Kiinteistö Oy Linkokuja 6-8	100	100	905	-	-	838	838	1,000	5	
Laakeripalvelu Oy	100	100	1,029	-	-	3,000	1,500	6,420	-145	
*ZAO Starck	100	100	-	-	-	-	-	9	-	
Nummelan Rauta Oy	100	100	-964	-	-	100	15	0	0	
Oulun Pultti Oy	100	100	182	-	-	160	160	2,400	-40	
Rakentajan										
Starckjohann Oy	100	100	237,865	25	80,000	320,000	75,200	80,480	72,951	
Rauta Starckjohann Oy	100	100	100,977	-	-	9,000	50,000	75,000	14,599	
Rauta Starckjohann										
BALTI A/S	100	100	62	-	-	40	-	157	-	
Suomen LVI-Tukku Oy	100	100	-44,662	100	1,500	1,500	3,000	35,000	-41,283	
Top-Slit Oy	75	75	-3,409	100	-	-	99	191	-583	
Uudenmaan Tapetti										
ja Väri Oy	100	100	33	-	-	25	100	2,857	-20	
Vahva-Jussi Oy	100	100	-4,806	100	17,000	17,000	20,009	0	504	
VJ-Kiinteistöt Oy	100	100	43,474	-	-	50,000	50,000	44,000	728	
Total								297,677	47,119	

* = not included in the financial statements as at 31 December 1996

AFFILIATED COMPANIES	Group holding, %	Group voting rights, %	Parent company holding, %	Parent company's shares, number	Group's shares, number	Par value	Book value
As Oy Vasikkahaantie 15	20	20	20	50	50	50	1,013
Lappeenrannan							
Laakerikeskus Oy	50	50	-	-	150	15	50
Penope Oy	45.9	49.1	45.9	385,854	385,854	1,929	11,074
Rautakauppojen							
Hankinta Oy	50	50	50	0	1,000	-	53
RT-Kauppan Kehitys Oy	42	42	42	0	60	-	21
Oy Stalko Ab	37.5	37.5	37.5	1,470	1,870	3,250	263
Yhteisyritys Eastway	25	25	-	-	4,994	-	29
Total							12,503

COMPANIES IN WHICH THE HOLDING EXCEEDS FIM 100,000.00	Group holding, %	Parent company holding, %	No. of shares held by parent company	No. of shares held by Group	Par value	Book value
A.Rakennusmies Oy	-	-	1,000	1,000	1,000	1,000
Asunto Oy Alppilan Aho	-	-	-	831	42	1,453
Asunto Oy Haagan Pappilantie 1	9.6	-	-	8	1	689
Asunto Oy Leivonhovi	5.5	-	-	190	19	409
Asunto Oy Lokkisaarentie 3	-	-	-	505	23	151
Asunto Oy Pyynikintie 5	0.5	-	-	1,575	50	284
Asunto Oy Aurorankatu 9	9.05	9.05	130	130	5	1,321
Asunto Oy Itälahdenkatu 10	1.32	1.35	10,590	10,590	106	133
Asunto Oy Lahden Citylinna	11.28	11.28	267	267	267	372
Asunto Oy Lahden Citytorni	10.7	10.7	307	307	246	460
Asunto Oy Mäkitorpantie 34-36	-	-	2	2	0	576
Asunto Oy Puu-Tammelanaaraitti	-	-	-	120	0	1,118
Asunto Oy Rintinpolku	-	-	-	54	0	284
Asunto Oy Tempelikatu 6	-	-	3	3	0	2,099
Asunto Oy Torivuodintie 13	1.39	1.39	51	51	8	361
Byggnads AB Store Kyrkogatan 17	37	-	-	44	19	520
Helsinki Telephone Company	-	-	103	384	1,343	1,413
Kaunispään Kuntorinne	9.2	9.2	92	92	3	716
Keski-Suomen Puhelin Oy	-	-	-	69	60	280
Kiinteistö Oy Kauppakartanonkatu 14	-	-	-	4	0	364
Kiinteistö Oy Parolanhovi	-	-	-	5	0	108
Kiint. Oy Riihimäen Yritystalo	-	-	-	45	0	260
Kiinteistö Oy Saimaan Ruori	-	-	-	20,559	206	242
Lahden Seurahuoneen Kiinteistö Oy	-	-	-	3	150	150
Merita Bank Ltd	-	-	37,798	38,997	390	350
Messilä Golf Oy	-	-	2	2	0	105
Oulun Puhelin Oy	-	-	-	46	183	155
Putkiyhtymä Oy	-	-	-	129	19	110
Päijät-Hämeen Puhelinyhdistys	-	-	11	205	779	762
Suomen Arvopaperikeskus Oy	-	-	2	2	140	140
Tampereen Puhelinosuuskunta	-	-	-	112	392	455
Tieto-Tukku Oy	-	-	-	100	100	100
Vaasan Läänin Puhelin Oy	-	-	-	41	3	155
Sampo Insurance Company Ltd	-	-	12	867	17	176
Väritukku Oy	6.5	-	-	565	0	682

COMPANIES IN WHICH THE HOLDING IS LESS

THAN FIM 100,000,00

Parent company	667
Others	792
Total	19,411

15. Intangible and tangible assets

	Group		Parent company	
	1996	1995	1996	1995
(FIM 1,000)				
Intangible rights				
Acquisition cost 1.1.	2,774	2,632	795	83
Increases	10,463	941	613	712
Decreases	-558	-799	-	-
Acquisition cost 31.12.	12,679	2,774	1,408	795
Accumulated planned depreciation 31.12.	-2,686	-913	-289	-167
Book value 31.12	9,993	1,861	1,119	628
Goodwill				
Acquisition cost 1.1.	71,186	73,985		
Increases	-	1,244		
Decreases	-24,117	-4,043		
Acquisition cost 31.12.	47,069	71,186		
Accumulated planned depreciation 31.12.	-28,480	-41,260		
Additional depreciation	-	-4,000		
Book value 31.12.	18,589	25,926		
Other capitalized expenditure				
Acquisition cost 1.1.	285,412	283,687	31,789	30,435
Increases	1,481	3,186	39	1,354
Decreases	-6,772	-1,461	-	-
Acquisition cost 31.12.	280,121	285,412	31,828	31,789
Accumulated planned depreciation	-271,204	-270,717	-31,793	-30,845
Book value 31.12.	8,917	14,695	35	944
Buildings and structures				
Acquisition cost 1.1.	476,593	475,877	98,696	96,925
Increases	37,467	7,484	12,368	1,796
Decreases	-34,798	-6,768	-	-25
Acquisition cost 31.12.	479,262	476,593	111,064	98,696
Accumulated planned depreciation	-160,039	-145,994	-35,447	-32,499
Book value 31.12.	319,223	330,599	75,617	66,197
Accumulated difference between overall and planned depreciation 1.1.				
	9,110	9,931	1,022	-
Increase in depreciation difference 1.1.-31.12.	1,132	14	34	1,022
Decrease in depreciation difference 1.1.-31.12.	-1,615	-835	-	-
Accumulated difference between overall and planned depreciation 31.12.				
	8,627	9,110	1,056	1,022

	Group		Parent company	
	1996	1995	1996	1995
(FIM 1,000)				
Revaluation included in the acquisition cost of buildings				
Revaluations 1.1.	33,410	34,868	33,410	33,410
Increase 1.1.-31.12.	-	-	-	-
Decrease 1.1.-31.12.	-	-1,458	-	-
Revaluations 31.12.	33,410	33,410	33,410	33,410
Machinery and equipment				
Acquisition cost 1.1.	255,214	244,084	13,905	9,928
Increases	37,179	20,077	2,060	4,142
Decreases	-45,603	-8,947	-394	-165
Acquisition cost 31.12.	246,790	255,214	15,571	13,905
Accumulated planned depreciation	-171,921	-185,180	-12,180	-10,313
Book value 31.12.	74,869	70,034	3,391	3,592
Accumulated difference between overall and planned depreciation 1.1.				
	6,883	9,630	-	-
Increase in depreciation difference 1.1.-31.12.				
	162	654	-	-
Decrease in depreciation difference 1.1.-31.12.				
	-3,659	-3,401	-356	-
Accumulated difference between overall and planned depreciation 31.12				
	3,386	6,883	-356	-

16. Taxation values of fixed assets

	Group		Parent company	
	1996	1995	1996	1995
(FIM 1,000)				
Taxation values				
Land areas	23,991	32,249	16,125	12,034
Buildings	166,536	199,251	30,670	63,320
Stocks and shares	528,384	524,970	301,950	232,417

In cases where no taxation value was available, the book value has been given.

17. Inter-company receivables and debts

	Parent company	
	1996	1995
(FIM 1,000)		
Receivables from Group companies		
Accounts receivable	3,093	3,576
Notes receivable	49,270	49,965
Accrued assets	2,782	2,530
Other receivables	264,550	304,276
Total receivables	319,695	360,347
Debts to Group companies		
Long-term liabilities	-	-
Accounts payable	445	98
Deferred liabilities	5	-
Other current liabilities	11,800	865
Group rescheduled debt	21	24
Total debt	12,271	987

18. Pension arrangements and the matching of pension expenses

Statutory staff pension cover has been arranged through pension insurance with non-Group pension insurers. It was decided by resolutions of the Boards of Directors on 17 October 1996 and 23 October 1996 to dissolve the Group's two closed pension funds, covering certain staff who had been employed by the Group for a longer time, and to place the funds in liquidation as of 1 December 1996. The assets of the pension funds were used, as prescribed by the Pension Funds Act section 88 and by the funds' regulations for dissolution, to take out supplementary pension cover with an external life insurance company.

In connection with the dissolution, Starckjohann Oy was left with pension liability for those employed persons and those with paid-up policies not covered by the assets of the pension fund. In this respect, optional supplementary pension cover was taken out for the employed persons, and the liability (FIM 16 million) for those with paid-up policies is shown in the parent company and consolidated financial statements under other non-current liabilities and the unbooked portion as an expense in the valuation items on the liabilities side. Of this unrealized liability, FIM 3.5 million was booked as an expense for the accounting period by the Group.

The liability arising from the voluntary supplementary pensions of a company merged with Starckjohann Oy in 1995, Starckjohann Tekniikka Oy, was FIM

2.6 million on 31 December 1996 (1995: FIM 2.3 million). The liability is entered on the assets side of the balance sheet as a valuation item and in the non-current liabilities on the liabilities side. This liability has not been matched as expenses at this time.

19. Management pension commitments and loans to management or shareholders

The pensionable age of the parent company's President and the Managing Directors of certain Group companies has been agreed on as 60 years.

	Group		Parent company	
	1996	1995	1996	1995
(FIM 1,000)				
Loans to management and shareholders:	185	247	185	247
	185	247	185	247

20. Liabilities with a maturity of five years or more

	Group		Parent company	
	1996	1995	1996	1995
(FIM 1,000)				
Pension loans	13,781	14,808	15	0
Total	13,781	14,808	15	0
Rescheduled debt	12,595	26,050	4,415	8,831
Secured debt	20,033	41,065	18,745	38,488
Group rescheduled debt	3,992	7,987	3	9
Group underwriting reserves	42,877	85,754	42,877	85,754
Pension fund liabilities	-	9,496	-	9,496
Total	79,497	170,352	66,040	142,578

21. Receivables with a maturity of over one year

	Group		Parent company	
	1996	1995	1996	1995
(FIM 1,000)				
Accounts receivable (Auto Starckjohann Oy's hire purchase receivables)	4,123	8,887	-	-
Notes receivable	-	-	-	44,655
Other receivables (deposits for the payment of rescheduled debts)	23,685	32,092	23,685	32,092
Total	27,808	40,979	23,685	76,747

22. Shareholders' equity

	Group		Parent company	
	1996	1995	1996	1995
(FIM 1,000)				
Share capital 1.1.	129,842	129,842	129,842	129,842
Share capital 31.12.	129,842	129,842	129,842	129,842
Reserve fund 1.1.	132,145	593,419	132,200	593,367
Transfer to retained earnings	-14,052	-461,167	-14,052	-461,167
Change in foreign subsidiary's				
Reserve fund (Starckrom)	-	-107	-	-
Sale of subsidiaries	-19	-	-	-
Reserve fund 31.12.	118,074	132,145	118,148	132,200
Revaluation fund 1.1.	7,443	7,422	6,800	6,800
Decreases	-3,043	-	-3,000	-
Increases	-	21	-	-
Revaluation fund 31.12.	4,400	7,443	3,800	6,800
Non-restricted equity 1.1.	-26,942	-517,592	-14,052	-461,167
Dividend payment	-	-59	-	-
Change in minority interest	609	-37	-	-
Change in translation adjustment	752	927	-	-
Transfer from reserve fund	14,052	461,167	14,052	461,167
Transfer of retained earnings to reserve fund	-	-200	-	-
Changes in Group structure	-4,199	-1,755	-	-
Net profit/loss for the accounting period	92,846	30,607	6,049	-14,052
Non-restricted equity 31.12	77,118	-26,942	6,049	-14,052

A prohibition on the payment of dividend will be in force throughout the period of the parent company's restructuring programme.

23. Pledges and contingent liabilities

	Group		Parent company	
	1996	1995	1996	1995
(FIM 1,000)				
For own liabilities				
Pledges	41,293	51,373	33,709	6,205
Mortgages on land areas and buildings	238,430	237,980	89,595	92,025
Mortgages on company assets	628,600	633,100	-	-
For Group companies' liabilities				
Pledges	-	-	3,099	3,099
Mortgages on company assets	-	-	237,300	183,800
Guarantees	-	-	104,760	123,614
For affiliated companies				
Guarantees	751	1,404	-	-
For others				
Guarantees	300	33	-	33
Other own commitments				
Leasing commitments	4,994	7,343	-	-
Buy-back commitments	37,488	17,675	-	-
Instalment financing limit	-	25	-	-
Total				
Pledges	41,293	51,373	36,808	9,304
Mortgages on land areas and buildings	238,430	237,980	89,595	92,025
Mortgages on company assets	628,600	633,100	237,300	183,800
Guarantees	1,051	1,437	104,760	123,647
Leasing commitments	4,994	7,343	-	-
Buy-back commitments	37,488	17,675	-	-
Instalment financing limit	-	25	-	-
Total	951,856	948,933	468,463	408,776

Key Indicators for Group Business, 1992-1996

	1996	1995	1994	1993	1992
1. Key indicators for shares					
Earnings/share, FIM	0.62	0.58	0.47	neg.	neg.
Nominal dividend/share, FIM	-	-	-	-	-
Issue-adjusted dividend/share, FIM	-	-	-	-	-
Dividend ratio, %	-	-	-	-	-
Effective dividend yield, %	-	-	-	-	-
Equity/share, FIM	2.79	2.21	2.09	neg.	23.40
Issue-adjusted share price, FIM	7.15	4.90	6.00	5.17	4.14
P/E ratio	11.52	8.48	12.77	neg.	neg.
Market capitalization (not adjusted) at year-end, FIM m	928	636	779	90	72
Dividend paid, FIM 1,000	-	-	-	-	-
Issue-adjusted no. of shares at year-end, 1,000	129,842	129,842	129,842	8,274	8,274
Average no. of shares, issue-adjusted, 1,000	129,842	129,842	42,048	8,274	8,274
Share price, FIM					
low	4.80	4.00	5.00	3.45	3.45
high	7.60	7.35	12.00	8.83	10.34
average	6.33	4.98	9.29	4.63	6.90
Share turnover (1,000)	8,944	2,264	1,029	684	476
Share turnover, %	6.9	1.7	2.5	5.7	4.0
2. Key indicators for financial trend					
Scope of operations					
Turnover, FIM m	3,079.7	2,941.6	2,981.2	3,457.2	3,581.0
Change, %	4.7	-2.9	-13.8	-3.5	8.5
Investments, FIM m	59.8	43.3	10.0	21.0	48.9
% of turnover	1.9	1.5	0.3	0.6	1.4
Number of personnel, average	1,457	1,565	1,621	2,114	2,413
Turnover/employee, FIM 1,000	2,114	1,880	1,839	1,635	1,484
Profitability					
Operating margin, FIM m	151.8	159.5	157.2	-10.7	12.4
% of turnover	4.9	5.4	5.3	-0.3	0.3
Operating profit/loss, FIM m	91.4	87.8	75.2	-162.7	-70.0
% of turnover	3.0	2.9	2.5	-4.7	-2.0
Profit before extraordinary items, FIM m	77.4	78.7	62.1	-452.8	-220.1
% of turnover	2.5	2.7	2.1	-13.1	-6.1
Profit before reserves and taxes, FIM m	77.4	25.6	-66.5	-458.0	-234.1
% of turnover	2.5	0.9	-2.2	-13.2	-6.5
Share of affiliated companies' profit, FIM m	0.3	1.7	0.6	0.0	0.0
Total profit, FIM m	92.8	30.6	-50.2	-415.6	-114.3
% of turnover	3.0	1.0	-1.7	-12.0	-3.2
Return on equity (ROE)	24.8	26.9	22.5	neg.	neg.
Return on investment (ROI)	9.6	8.6	5.9	neg.	neg.
Financing and financial position					
Liquidity (current ratio)	2.54	2.52	2.32	0.70	1.60
Equity ratio, %	26.8	21.0	17.6	neg.	20.2
Interest-bearing liabilities, FIM m	472.7	571.5	655.9	1,588.5	1,659.0

Calculation of key indicators

$$\text{Earnings/share (EPS)} = \frac{\text{Profit before extraordinary items +/- minority interest in net profit for accounting period - taxes for period}}{\text{Mean number of shares, issue-adjusted}}$$

$$\text{Dividend/share} = \frac{\text{Dividend paid during accounting period}}{\text{Mean number of shares at year-end, issue-adjusted}}$$

$$\text{Equity /share} = \frac{\text{Shareholders' equity + accumulated difference in depreciation + voluntary reserves}}{\text{Mean number of shares at year-end, issue-adjusted}}$$

$$\text{Issue-adjusted share price} = \frac{\text{Share price before issue}}{\text{Share issue index}}$$

$$\text{P/E ratio} = \frac{\text{Last quoted share price}}{\text{EPS}}$$

$$\text{Market capitalization} = \text{Number of shares} \times \text{quoted price at year-end}$$

$$\text{Return on equity, \% (ROE)} = \frac{\text{Profit before extraordinary items - taxes for period}}{\text{Shareholders' equity + minority interest + accumulated depreciation difference + voluntary reserves (average for year)}} \times 100$$

$$\text{Return on investment, \% (ROI)} = \frac{\text{Profit before extraordinary items + interest expense and other financing expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average for year)}} \times 100$$

$$\text{Equity ratio} = \frac{\text{Shareholders' equity + minority interest + accumulated depreciation difference + voluntary reserves}}{\text{Balance sheet total - advance payments received}} \times 100$$

Proposal by the Board of Directors

The parent company's and Group's shareholders' equity

	Parent company	Group
Restricted equity		
Share capital	129,841,733.00	129,841,733.00
Reserve fund	118,147,896.80	118,074,096.79
Revaluation fund	3,800,000.00	4,400,000.00
	<hr/>	<hr/>
	251,789,629.80	252,315,829.79
Non-restricted equity		
Retained profit/loss from previous years	0.00	-15,728,072.59
Net profit/loss for the accounting period	6,049,084.36	92,846,395.66
	<hr/>	<hr/>
	6,049,084.36	77,118,323.07

The Board's proposal for the disposal of profit

The Group's non-restricted equity according to the balance sheet as at 31 December 1996 is FIM 77,118,323.07.

The parent company shareholders' equity as at 31 December 1996 is FIM 6,049,084.36.

The Board proposes that the parent company's profit for the accounting period, being FIM 6,049,084.36, be posted to the retained earnings account.

Lahti, 12 March 1997

Risto Wartiovaara
Chairman of the Board of Directors

Matti Elovaara

Hannu Anttila

Sisko Kanervaara

Kari Kolu

Taisto Riski
President

The financial statements have been drawn up in accordance with generally accepted accounting practice. A report on the audit carried out has been delivered today.

Lahti, 25 March 1997

Mauri Palvi
Authorized Public Accountant

Reino Tikkanen
Authorized Public Accountant

Auditors' report

To the shareholders of Starckjohann Oy

We have audited the accounts, the accounting records and the administration by the Board of Directors and the President of Starckjohann Oy for the year ended 31 December 1996. The accounts prepared by the Board of Directors and the President include the report by the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the accounts. Based on our audit we express our opinion on these accounts 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 accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts, 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 administra-

tion 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 accounts have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of accounts in Finland. The accounts 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 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 retained earnings is in compliance with the Finnish Companies' Act.

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

Lahti, 25 March 1997

Mauri Palvi
Authorized Public Accountant

Reino Tikkanen
Authorized Public Accountant

Information on Starckjohann Oy Shares

Starckjohann Oy's shares, share capital, management shareholdings and the trend in prices in 1996 are dealt with in greater detail in the report of the Board.

Share capital

At the end of 1996 there were 129,841,733 Starckjohann Oy shares in existence and the company's paid-in share capital, as entered in the Trade Register, was FIM 129.8 million. According to the articles of association, the minimum authorized capital is FIM 72 million and the maximum authorized capital is FIM 288 million, within which limits the share capital may be raised or lowered without amending the articles of association. At the end of the accounting period there were no outstanding authorizations for the Board of Directors to issue shares.

Shares and voting rights

At the end of 1996, Starckjohann Oy had a single series of shares with an identical par value and equal voting rights. The par value of the shares is one marka (FIM 1). A share confers entitlement to one (1) vote at meetings of shareholders.

Share listing

Starckjohann Oy shares are quoted on the Helsinki Stock Exchange.

Payment of dividend

No dividend may be paid during the period from the confirmation of the restructuring programme to its

Distribution of shares by size of holding

Number of shares	No. of shareholders	No. of shares
1-100	304	21,340
101-1,000	370	192,521
1,001-10,000	333	1,299,446
10,001-100,000	33	1,003,257
100,001-1,000,000	26	12,359,359
1,000,001-999,999,999,999	8	14,918,970

Types of shareholder

	No. of shareholders	No. of shares	Percentage of all shares
Corporations	107	11,478,733	8.8
Financial institutions	9	100,013,638	77.0
Public corporations	2	465,464	0.3
Non-profit-making organizations	3	4,166,180	3.2
Households	949	13,643,878	10.5
Foreign	3	27,000	0.1

end. This restriction will be in force until the end of 2002, which is the duration of the restructuring programme for Starckjohann Oy.

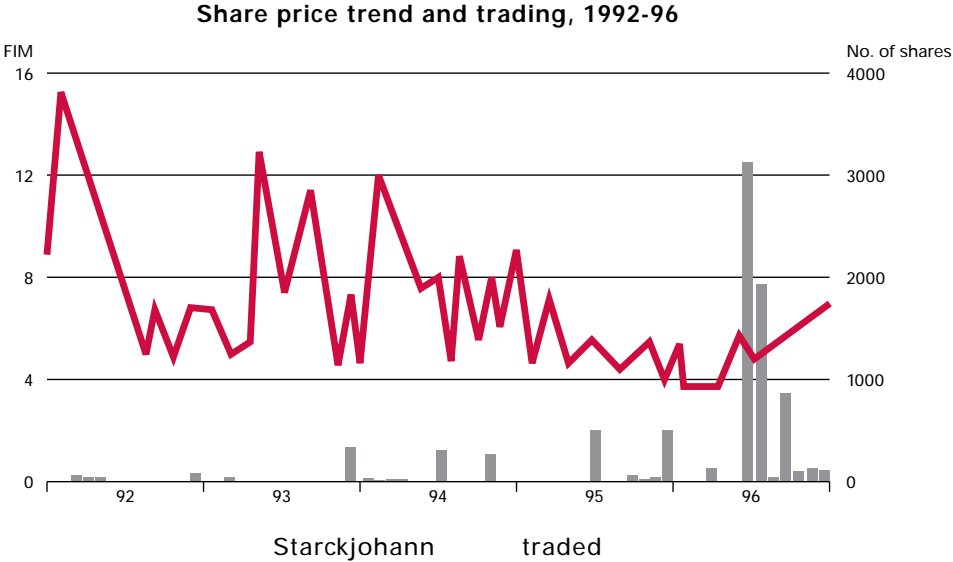
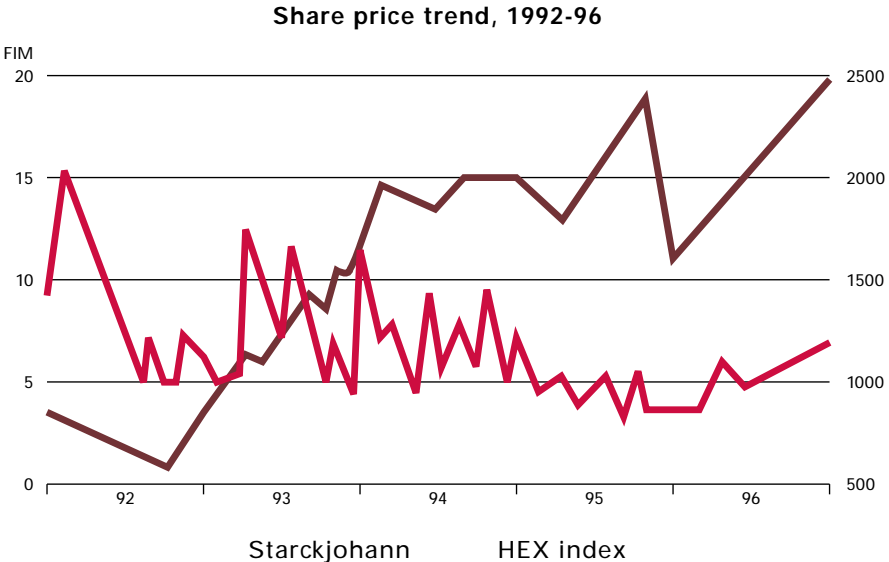
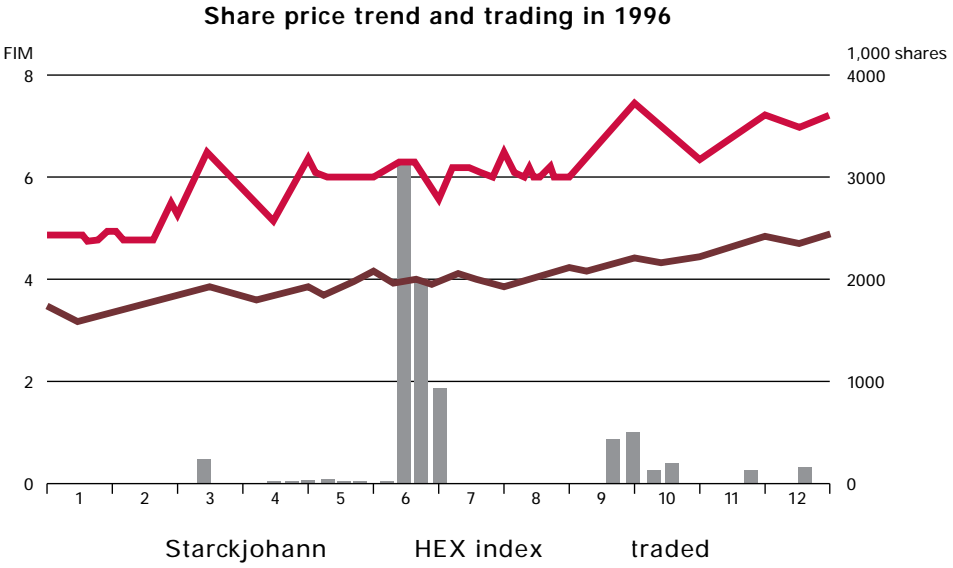
The ten biggest shareholders

	Shares number	Percentage of shares and voting rights
Merita Bank Ltd	71,718,714	55.2
SKOPBANK	26,000,568	20.0
Metsä-Serla Oy	6,000,000	4.6
Starckjohann Foundation	3,156,128	2.4
Unsa Oy	2,661,000	2.0
Penope Oy	1,928,613	1.5
Pohjola Insurance Company Ltd	1,915,318	1.5
Starckjohann, Solveig	1,538,629	1.2
Starckjohann-Bruun Foundation	986,302	0.8
Lindholm, Lars	795,491	0.6

After the end of the accounting period, on 10 January 1997, Yrityspankki SKOP Oy announced it had sold a total of 21,000,000 of its shares in Starckjohann Oy. SKOP was left with 5,000,568 Starckjohann Oy shares. The transaction reduced SKOP's holding in Starckjohann Oy's issued stock and voting rights from 20.02% to 3.85%.

Penope Oy also announced it had sold all its shares in Starckjohann Oy on 5 February 1997.

Trend in share price



Trend in Group Earnings, 1992-1996

(FIM million)	1996	1995	1994	1993	1992
TURNOVER	3,079.7	2,941.6	2,981.2	3,457.2	3,581.0
change, %	4.7	-1.3	-13.7	-3.4	8.5
OPERATING MARGIN	151.8	159.5	157.2	-10.7	12.6
Operating margin ratio	4.9	5.4	5.2	-0.3	0.3
Planned depreciation	-60.4	-71.7	-82.0	-151.9	-82.3
OPERATING PROFIT/LOSS	91.4	87.8	75.2	-162.7	-69.7
Financing income	19.5	20.8	26.1	16.2	27.5
Financing expenses	-33.5	-29.9	-39.3	-306.4	-177.9
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	77.4	78.7	62.0	-452.9	-220.1
Extraordinary income	-	-	97.7	9.9	5.8
Extraordinary expenses	-	-52.8	-46.2	-42.2	-19.8
Additional depreciation	-	-	-179.4	-	-
PROFIT BEFORE TAXES	77.4	25.9	-65.9	-485.2	-234.1
Taxes	3.1	-3.4	-0.9	-2.8	5.0
Minority interest	-	0.3	0.6	-27.2	-18.1
PROFIT BEFORE RESERVES	80.5	22.2	-67.4	-460.8	-211.0

The figures for previous accounting periods have been significantly amended to correspond to the new form for the income statement.

Trend in Consolidated Balance Sheet, 1992-1996

(FIM million)	1996	1995	1994	1993	1992
ASSETS					
Fixed assets and other non-current investments					
Intangible assets					
Goodwill	18.6	25.9	38.2	108.9	148.8
Other capitalized expenditure	8.5	13.5	72.1	144.6	179.4
Other intangible assets	10.4	3.3	3.0	0.8	0.8
Tangible assets					
Land and water areas	45.9	47.8	47.4	63.5	68.0
Buildings and structures	319.2	330.6	331.6	504.6	543.9
Machinery and equipment	74.9	70.0	87.0	129.0	190.6
Other tangible assets	3.2	2.8	3.2	-	-
Advance payments and incomplete acquisitions	2.1	4.6	2.3	2.2	8.2
Securities included in fixed assets and other non-current investments					
	32.0	41.3	44.0	41.0	41.7
Valuation items	14.6	21.3	22.7	26.4	134.7
Inventories and financial assets					
Inventories	435.7	419.9	409.4	385.0	661.9
Receivables	344.8	347.8	424.6	492.0	587.6
Cash and at bank	72.6	99.3	136.4	43.5	42.0
	1,382.5	1,428.1	1,621.9	1,941.5	2,607.6
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Restricted equity	252.3	269.4	730.7	150.1	190.2
Non-restricted equity	77.1	-26.9	-517.6	-428.9	-16.4
Subordinated loan	39.6	39.6	39.6	1.9	-
Minority interest	-	0.9	1.4	42.1	69.8
Reserves					
Accumulated difference in depreciation					
	12.0	16.0	22.5	61.7	66.5
Voluntary reserves	20.6	29.0	35.2	48.9	97.1
Obligatory reserves	16.9	21.6	19.2	-	-
Liabilities					
Long-term	49.7	66.0	75.2	757.0	1,391.4
Current	335.6	343.8	419.0	1,308.7	809.0
Rescheduled debt	578.7	668.7	796.7	-	-
	1,382.5	1,428.1	1,621.9	1,941.5	2,607.6

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Rauta Starckjohann

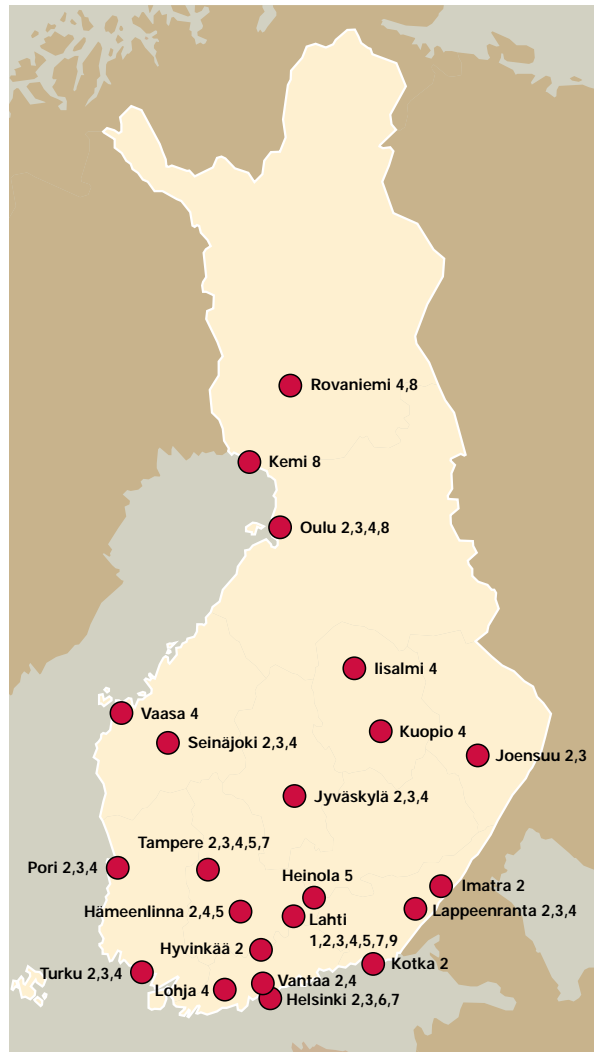
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Business locations in Finland

- 1 Starckjohann Oy
- 2 Rakentajan Starckjohann
- 3 Rauta Starckjohann
- 4 Suomen LVI-Tukku
- 5 Auto Starckjohann
- 6 Böge Larsen Projects Oy
- 7 Laakeripalvelu Oy
- 8 Oulun Pultti Oy
- 9 Vahva-Jussi Oy

Information for Shareholders

Annual general Meeting

The Annual General Meeting of Starckjohann Oy will be held on Wednesday 2 April 1997 at 9 A.M. at the company's head office in Lahti (address: Helsingintie 50, Lahti, Finland). The meeting will deal with the matters stated in the notice of meeting published in a newspaper. The newspaper announcement also gives information on registering for the AGM.

Share Register

A list of the company's shares and their holders is kept by the Central Share Register of Finland Cooperative. The shareholder must notify changes of address etc. to the book-entry securities register where his or her book-entry securities account is kept.

Financial information

In addition to the annual report, Starckjohann will publish two interim reports during 1997. Their publication dates are as follows:

- Interim report for 1 January- 30 April 1997, 19 June
- Interim report for 1 January- 31 August 1997, 17 October

These reports can be ordered by mail from the following address: Starckjohann Oy, Communications, PO Box 54, FIN-15101 Lahti, Finland, Tel. +358-3-811 911, fax +358-3-811 9555.

STARCKJOHANN

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