

ANNUAL REPORT 1996



Stromsdal

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# BUSINESS PHILOSOPHY

Stromsdal is a company that focuses on the manufacture of quality, highly processed board.

The company's objective is to be a leader on quality in the demanding graphic board market.

Stromsdal constantly invests in product development and is conscious of its responsibility for the environment.

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# INFORMATION FOR SHAREHOLDERS

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## ANNUAL GENERAL MEETING

Stromsdal Oy's annual general meeting of shareholders will be held in Juankoski on Wednesday 14 May 1997 at 11 a.m. in Stromsdal's conference facilities.

All shareholders who are registered as shareholders by 2 May 1997 in the company share register maintained by Suomen Arvopaperikeskus Oy are entitled to attend the annual general meeting. Any shareholder whose shares have not been transferred to the book-entry securities system also has the right to attend the annual general meeting providing that the shareholder has been registered in the company's share register before 7 April 1997 or has presented to the company proof of title. In this case the shareholder must present at the annual general meeting his share certificate or other proof that the ownership of the shares has not been transferred to a book-entry account.

Any shareholder who wishes to attend the annual general meeting must give notice of such by 12 noon on 12 May 1997, either in writing to Stromsdal Oy, Share Register, PO Box 33, FIN-73501 Juankoski or by phone to (+358 17) 688 641 (Anu Laitinen). The letter must arrive before the end of the registration period. Any powers of attorney should be supplied to the abovementioned address in connection with the notice of attendance.

## FINANCIAL INFORMATION

In addition to the financial statements and annual report, Stromsdal Oy will also publish two interim reports, which will be issued on the following dates:

- interim report for January-April 1997, 13 June 1997
- interim report for January-August 1997, 10 October 1997

The annual report and interim reports are published in Finnish and English. They can be ordered from Stromsdal Oy, PO Box 33, FIN-73500 Juankoski, telephone (+358 17) 688 641, fax (+358 17) 612 008.

## SHARES

The company has a total of 1,519,500 shares, of which 120,200 are A series and 1,399,300 are B series shares. The B series shares are quoted on the Helsinki Stock Exchange.

Stromsdal's transfer to the book-entry system took place between 10 March and 7 April 1997. The main organiser was Merita Bank. After 7 April, the registration day, shareholders can receive dividends and exercise their subscription rights only after the share certificates have been changed to book-entry securities.

## 1996 IN BRIEF

- Net sales were FIM 232.9 million
- The financial result after financial items improved by FIM 6.7 million to FIM 7 million.
- Stromsdal Oy decided to transfer to the book-entry securities system.
- The new Barrier Pack food packaging board was launched in May 1996.

## GROUP - KEY FIGURES

Key figures illustrate financial development

	1996	1995	1994	1993	1992
Production, tonnes	41,934	40,460	39,529	37,993	37,020
Net sales, FIM m	232.9	220.4	200.5	208.7	165.2
Research and development expenditure FIM m	1.8	0.4	0.5	0.5	0.4
% net sales	0.8	0.2	0.2	0.2	0.2
Investment in fixed assets, FIM m	6.3	3.0	11.6	7.4	4.3
% net sales	2.7	1.4	5.8	3.5	2.6
Staff, average	219	227	241	247	253
Operating profit, FIM m	22.4	13.6	9.9	28.0	14.3
% net sales	9.6	6.2	4.9	13.4	8.7
Result before extraordinary items, FIM m	7.0	0.3	-2.2	10.2	-3.4
% net sales	3.0	0.1	-1.1	4.9	-2.1
Result before adjustments and taxes FIM m	7.3	0.7	-2.1	11.1	-5.7
% net sales	3.1	0.3	-1.0	5.3	-3.5
Return on shareholders' equity % (ROE) <sup>1)</sup>	18.0	1.0	-8.7	82.9	neg
Return on capital invested % (ROI) <sup>2) *)</sup>	14.3	8.9	6.4	18.5	12.4
Current ratio <sup>4)</sup>	1.3	1.2	1.0	1.1	0.8
Equity ratio, % <sup>3)</sup>	21.1	17.5	17.1	10.5	3.2
Interest-bearing liabilities FIM m	120.0	119.9	119.4	135.8	130.6

\*) Exchange rate differences on foreign currency loans capitalised

# INFORMATION ON STROMSDAL SHARES

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No changes were made to Stromsdal Oy's share capital during the year under review. At the end of the year the share capital totalled FIM 30,390,000. The company's shares are divided into A and B series.

In a transaction completed on 9 May 1996, Stromsdal Oy's original A shareholders sold 50,100 of the company's A shares to Juankosken Kehitysmasuuni Oy, an investment and development company owned 100% by the municipality of Juankoski, and also 50,100 A shares to Savon Voima Oy. In connection with the sale, it was agreed to convert 79,800 A shares remaining under the control of the sellers into B shares. This was carried out in July 1996.

After the above transactions the division of share capital in 1994 was as follows:

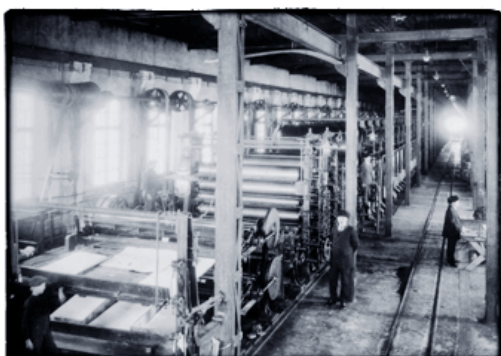
	Shares	% of shares	Votes	% of votes
A series	120,200 kpl	7.91	2,404,000	63.21
B series	1,399,300 kpl	92.09	1,399,300	36.79

At the end of the year under review the company had 1,350 shareholders according to the share register maintained by the company.

Stromsdal Oy's B series shares have been quoted on the Helsinki Stock Exchange since 14 August 1989.

Movements on the shares during 1996 were as follows:

TURNOVER		PRICE		TAXATION VALUE		
FIM m	No. (1,000)	highest FIM	lowest FIM	31 Dec 1996		FIM
				purchase	selling	
19.187	1.195	20.00	9.00	14.30	14.80	10.00



BOARD MACHINE IN 1917.

PROFIL  
SPECIAL

OFFICE  
SPECIALE  
indicator  
• brosse  
de voyage

Oral-B

Oral-B

indicator  
• brosse  
de voyage

Oral-B

La version la plus  
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The share ownership and voting rights of the ten biggest shareholders in Stromsdal Oy according to the share register are:

	A series No.	B series No.	Voting rights %	Share capital %
Juankosken Kehitysmasuuni Oy	50,100	120	26.35	3.31
Savon Voima Oy	50,100	-	26.35	3.30
Forcera Oy	20,000	13,700	10.88	2.21
Oy United Bankers pankkiiriliike - Fondkommission Ab		133,200	3.50	8.77
KOP:n eläkesäätiö		116,550	3.06	7.67
Oy Bond & Stock Ab		110,985	2.92	7.30
Kansallis-Osake-Pankki		109,890	2.89	7.23
Citynotariaatti Oy		100,840	2.65	6.64
Finnova Oy		92,800	2.44	6.11
STS Pankki Oy		46,160	1.21	3.04

The company has received reports that unregistered changes in relation to B shares have occurred in the share ownership of the aforementioned largest shareholders during the accounting period.

The members of the board of directors own insignificant numbers of shares in the company, with the exception of the company's managing director Björn Forss, who owns shares indirectly through the investment company Forcera Oy.

## SHARE-RELATED INDICATORS

	1996	1995	1994	1993	1992
Earnings/share (EPS) <sup>5)</sup>	4.3	0.2	-1.4	9.7	neg
Total earnings/share <sup>6)</sup>	4.3	0.5	-1.4	11.0	-3.5
Shareholders' equity and reserves: FIM/share <sup>9)</sup>	26.0	21.5	20.9	18.3	6.2
Dividend, FIM/B share <sup>*</sup> )	0.50	-	-	-	-
Dividend on result, %/share <sup>*</sup> )	9.9	-	-	-	-
Share issue adjusted dividend/B share <sup>*</sup> )	0.50	-	-	-	-
Dividend ratio %/B share <sup>7) *</sup> )	11.7	-	-	-	-
Effective dividend yield %/B share <sup>8) *</sup> )	3.5	-	-	-	-
Price/earnings (P/E) ratio, B share <sup>10)</sup>	3.8	44.5	-17.3	3.6	-
Share price 31.12, FIM/B share	14.40	9.00	24.50	36.00	9.00
Lowest price, B share	9.00	9.00	16.60	8.0	3.90
Highest price, B share	20.00	31.80	69.00	41.00	13.00
Share issue adjusted average price, B share <sup>11)</sup>	16.06	20.7	40.1	28.1	8.5
Market capitalisation, B shares <sup>12)</sup> FIM million	20.1	11.9	32.3	29.5	5.9
Number of B shares traded (x 1000)	1,195	561	1,976	1,150	272
Number of B shares traded, % of total	85.4	42.5	149.7	140.3	41.9
Share issue adjusted B shares, (x 1000)					
weighted average during the accounting period	1,353.40	1,319.50	1,319.50	788.90	665.70
at the end of the accounting period	1,399.30	1,319.50	1,319.50	820.00	665.70

<sup>\*</sup>) Board of directors' proposal to the annual general meeting



## FORMULAE FOR CALCULATING FINANCIAL INDICATORS

- 1) Return on shareholders' equity (ROE) = 
$$\frac{(\text{profit before extraordinary items} - \text{taxation for accounting year}) \times 100}{\text{shareholders' equity} + \text{minority interest} + \text{reserves} \text{ (average during year)}}$$
- 2) Return on investment (ROI) = 
$$\frac{(\text{profit before extraordinary items} + \text{interest and other financing expenses}) \times 100}{\text{balance sheet total} - \text{interest-free liabilities} \text{ (average during year)}}$$
- 3) Equity ratio = 
$$\frac{(\text{shareholders' equity} + \text{minority interest} + \text{reserves}) \times 100}{\text{balance sheet total} - \text{payments received in advance}}$$
- 4) Current ratio = 
$$\frac{\text{Financial assets} + \text{inventories}}{\text{Current liabilities}}$$
- 5) Earnings/share (EPS) = 
$$\frac{(\text{profit before extraordinary items} - \text{taxation for accounting year}) \times 100}{\text{shareholders' equity} + \text{minority interest} + \text{reserves} \text{ (average during year)}}$$
- 6) Total earnings/share = 
$$\frac{\text{Result before adjustments} - \text{taxes for the accounting period}}{\text{adjusted average number of shares}}$$
- 7) Dividend ratio = 
$$\frac{\text{Adjusted dividend per share} \times 100}{\text{earnings per share}}$$
- 8) Effective dividend yield = 
$$\frac{\text{Adjusted dividend per share} \times 100}{\text{adjusted market price on balance sheet date}}$$
- 9) Shareholders' equity/share = 
$$\frac{\text{restricted and unrestricted shareholders' equity} + \text{reserves}}{\text{adjusted average number of shares}}$$
- 10) Price/earnings (P/E ratio) = 
$$\frac{\text{Adjusted market price at end of accounting year}}{\text{Profit/share}}$$
- 11) Adjusted average share price = 
$$\frac{\text{Total value of shares traded}}{\text{Adjusted number of shares traded during period}}$$
- 12) Market capitalisation = Total number of shares x striking price at end of period

Message to you by



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# MANAGING DIRECTOR'S REVIEW

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Stromsdal has operated as an independent wood processing company for nine years. If cyclic fluctuations in the economy are excluded, profits have clearly improved during the last five years. Equity ratio has strengthened since 1992. I believe that this favourable trend will continue during the current year.

The group's financial result for 1996 was a modest profit of FIM 7.1 million. Returns on investment and shareholders' equity were satisfactory at 14.3% and 17.9% respectively.

Demand for board last year was weak until May after which an impending rise in pulp prices boosted demand for the summer. The market situation during the autumn can be described as normal. Despite the weak demand at the start of the year production continued flat out without any shutdowns for lack of orders. The company's own net production grew by 3.6% over 1995.

During the year under review we consciously invested in product development and marketing for our new environmentally friendly Barrier Pack food packaging board. As always with a new product it is difficult to predict precisely when the break-through in the market will occur. We believe, however, that this will happen within a year.

The company's development strategy for 1997 is clear. Specialisation, through product development and marketing investments, in board with a high degree of added value is the only possible way to succeed. I am convinced that there is room within the Finnish forest industry for specialised small and medium-sized forest industry companies alongside the giant corporations.

The dividend payable for B-shares from the profit for 1996 can be interpreted as a positive gesture to owners of stock market-quoted shares and also so that Stromsdal's new principal owners Savon Voima Oy and Juankosken Kehitysmasuuni Oy can have faith in Stromsdal's future as a stock market company.



Björn Forss  
Managing Director



**BELL'S**

# REVIEW OF OPERATIONS

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Stromsdal is a company that specialises in the production of quality, highly processed board. The company began operating in January 1988. The head office and production facilities are situated in Juankoski, around 70 km north-east of Kuopio in central Finland. Stromsdal also has its own sales company in the UK. Stromsdal Oy shares are quoted on the Helsinki Stock Exchange.

## 250 YEARS OF TRADITION

1996 was a notable landmark in the history of the Juankoski mill. Finland's first lake ore iron works was founded in Juankoski by Bailiff Brynolf Brunou in 1746. Board began to be manufactured in Juankoski early this century after Baron Anton von Alftan became the owner of the mill. The mill was owned by Kymi Osaakehtiö from 1915 until 1987. Stromsdal Oy is continuing the long traditions of the Juankoski mill, which has played a significant role in the history of the industry, economy, technology and transport links of Finland and the province Savo.

## POPULARITY OF GRAPHI GRADES CONTINUES

Stromsdal Oy is continuing the Juankoski mill's long tradition as a manufacturer of quality board. Stromsdal's Graphi grades are intended for demanding, high quality printing work. There are four grades of Graphi board: GraphiArt Duo, GraphiArt Lux, GraphiArt Card HB and StromCard HB.

GraphiArt Duo is the market's only both sides fully coated symmetrical folding boxboard. GraphiArt Lux and GraphiArt Card HB are three times single blade coated grades.

The raw materials for the board are virgin spruce, pulp and chemicals for coating the board. The spruce is obtained from local forests. The pulp and coating agents also come from Finland.

The board's backing and surface layers are made solely from chemical pulp and the central layer is made from bleached pressure groundwood pulp. The machine has coating units that allow surface coating by blade or by air brush, as well as backing coating with a metering bar. The Graphi grades are coated on a separate coating machine, and final gloss and smoothness are achieved using a modern soft calender.

Stromsdal boards are used all over the world for postcards, advertising material and for packaging well-known brands of cosmetics. The quality boards are also highly suitable as covers for books, brochures and annual reports. Stromsdal boards are characterised by their high brightness, gloss, smoothness and rigidity.



OFFICE STAFF IN 1916.

# BARRIER PACK ENVIRONMENTALLY FRIENDLY FOOD PACKAGING BOARD

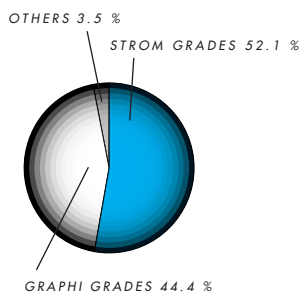
The main focus of research and development activity has been the development of Barrier Pack, an environmentally friendly food packaging board furnished with a recyclable barrier coating. The innovative new product was introduced for the first time at the Interpack Fair in Germany in May 1996. Numerous trial runs and orders were made in Germany, Switzerland, the Netherlands, the UK, Finland and Sweden during 1996, and the technical performance of the board was found to be good.

Commercial decisions will naturally be influenced by the price of the new product, the capacity of modern packaging technology to exploit the new material and the product's environmental friendliness. Trial consignments will be tested for periods lasting from several months to a year. The necessary food certificates were finally received in an acceptable form only at the end of 1996.

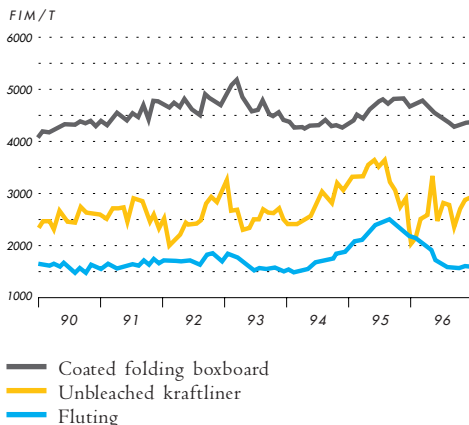
Barrier Pack board can be used in different types of food packaging for bakery products, fast food and frozen produce. The material is coated and withstands moisture, grease and heat.

Although the future of the new product is difficult to predict, we expect Barrier Pack board to be well received by the market. The marketing of the new product has had no significant impact on results for the year under review. A separate marketing company, Barrier Pack Oy will be responsible for the marketing of Barrier Pack. The main target for the marketing effort will be the European food industry.

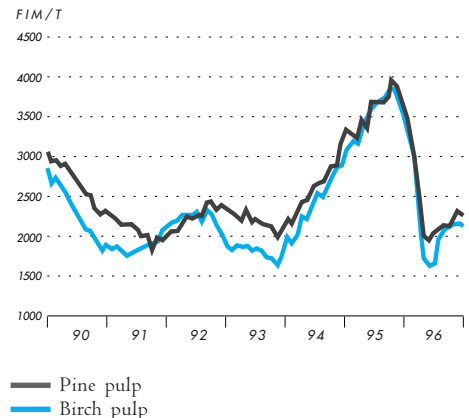
SALES BY GRADE 1996



BOARD EXPORT PRICES \*)



BLEACHED SULPHATE PULP EXPORT PRICE \*)



## CHANGES IN THE AGENT NETWORK

The sales development in 1996 was positive. Sales targets for Stromsdal products were exceeded in Russia, France and the UK. Sales in the Far East grew compared to the previous year. Exports accounted for 96% of production. The proportion of Graphi products in total sales grew 44% in the year under review, following a 43% increase the previous year.

The typical Stromsdal customer is a paper or board wholesaler which acts as a product distributor. Products are generally marketed to printing houses, publishers and other end users through an extensive agent network.

Changes occurred in the agent network responsible for international marketing. In the Far East an agreement was concluded with Price & Pierce, who will now represent Stromsdal products instead of Finnboard. This change resulted from Finnboard Direx Ltd becoming part of the Metsä-Serla marketing organisation.

## DEMAND FOR BOARD GREW LATE IN THE YEAR

Demand for board was weak in 1996 until the end of the spring. In the early summer an impending rise in the price of pulp stimulated demand for the summer. In autumn demand continued normally. The market situation remained relatively stable in the latter part of the year. The price of board has fallen since 1994, but the worst of the decline is over and prices were stable during autumn 1996.

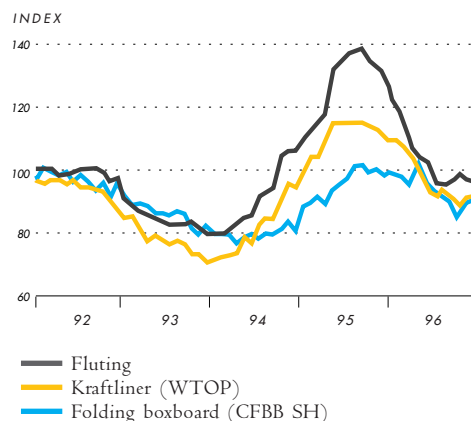
Although demand was weak at the start of the year, production operated flat out without any shutdowns through lack of orders. The mill's own net production rose 3.6% on the previous year.

The Finnish markka strengthened a little in the summer only to weaken again later in the autumn. The weakening of the markka and the low, stable prices for pulp, the raw material for board, had a positive influence on profits.

The price of pulp has fallen significantly since the start of 1996. The price was at its peak in the latter part of 1995. The price of pulp was raised in summer 1996, after which it has remained stable.

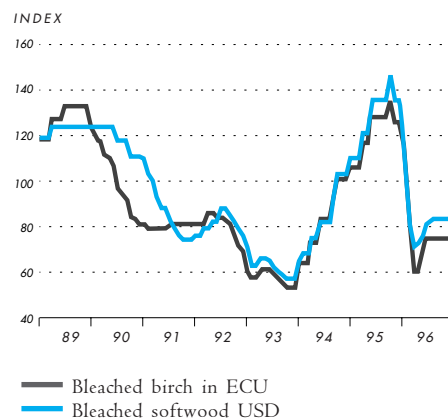
BOARD PRICES ON THE WESTERN EUROPEAN MARKET \*)

JANUARY 1991=100 (ECU)



PRICES OF MARKET PULP ON THE WESTERN EUROPEAN MARKET \*)

FIRST QUARTER 1988=100



\*) SOURCE: METSÄTÖLLIUS RY.

## WASTE WATER TREATMENT PLANT REDUCES EMISSIONS

Respect for an unspoilt environment and the principles of sustainable development is important to Stromsdal Oy. The company has built its own waste water treatment plant in cooperation with the municipalities of Juankoski and Kaavi. The treatment plant processes waste waters from both the mill and the industrial areas of these municipalities. Juankoski and Kaavi together own 55% of the joint waste water plant and Stromsdal 45%.

The overall impact of the waste water plant on emissions has been excellent. As far as oxygen-consuming materials are concerned, emission had average values of approximately 10% (BOD) and 25% (CODCr) of licence conditions, despite the fact that the treatment plant was still encountering start-up difficulties to some extent.

Environmental concerns are also taken into account in Stromsdal Oy's production. No chlorine is used in the bleaching of groundwood pulp produced by the company. Moreover, the bleaching of chemical pulp bought from outside the company is carried out without the use of chlorine gas.



# BOARD OF DIRECTORS, MANAGEMENT GROUP AND AUDITORS

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## STROMSDAL OY'S BOARD OF DIRECTORS

Chairman; Janne Simelius, 52, M.Sc.(Eng.), director, member of the board since 1996.

Björn Forss, 48, M.Sc.(Eng.), managing director, member of the board 1987-1994, 1996-.

Osmo Jääskeläinen, 54, forest manager, managing director, member of the board since 1996.

Petri Kangasperko, 43, M.Sc.(Soc.Sc.), municipal manager, member of the board since 1996.

Eero Sinkko, 48, M.Sc.(Eng.), deputy managing director, member of the board since 1996.

## STROMSDAL OY'S MANAGEMENT GROUP

Björn Forss, 48, M.Sc.(Eng.), managing director

Ari Ketola, 45, B.Sc.(Econ.), B.A., financial director

Erkki Karjalainen, 55, engineer, production director

Antti Airasmaa, 34, M.Sc.(Eng.), marketing manager

Kari Vekara, 43, M.Sc.(Eng.), mill service director

Erkki Nieminen, 43, engineer, production manager

Matti Vento, 48, instrument installer, staff representative

## AUDITORS

Auditor: Arthur Andersen Oy, Authorised Public Accountants

Deputy auditor: Anna-Maija Simola, Authorised Public Accountant

# REPORT OF THE BOARD OF DIRECTORS

## FINANCIAL RESULTS

1996 was Stromsdal Oy's ninth year of operation. Group net sales in 1996 were FIM 232.9 million (up 5.7% on 1995). Operating profit for the year was FIM 22.4 million (up 64.7%). The financial result before extraordinary items, reserves and taxes was a profit of FIM 7.0 million (FIM 0.3m). Earnings per share improved to FIM 4.3 (FIM 0.2m). The board proposes a dividend of FIM 0.50 per share.

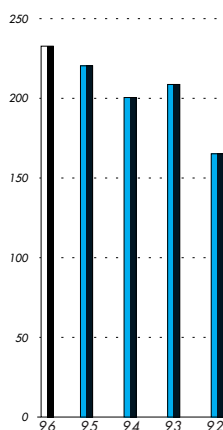
The parent company's net sales for the accounting period were FIM 220.6 million, of which exports accounted for 96.1%. The parent company's financial result before extraordinary items, reserves and taxes was an FIM 7.2 million profit. The corresponding figure for 1995 was an FIM 0.1 million loss. The parent company made a profit of FIM 7.5 million, compared with a profit of FIM 0.1 million the previous year.

The result has been handicapped by an additional FIM 2.5 million charge resulting from currency losses on foreign currency loans incurred during the year under review and in earlier years.

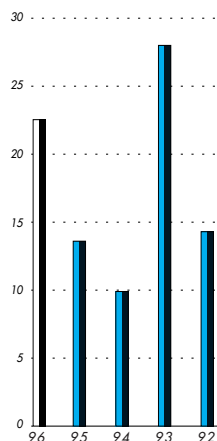
## INVESTMENTS

The parent company's gross investments for 1996 totalled FIM 6.3 million (FIM 3.0m). The largest investments were directed towards the board machine and the pulp plant as well as to developing a maintenance information system. During the year under review, an investment programme was initiated in the company with the aim of achieving better cost effectiveness and a higher production volume and quality level.

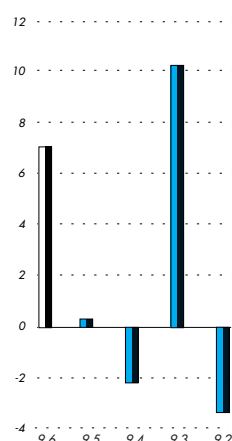
NET SALES, FIM M



OPERATING PROFIT, FIM M



RESULT AFTER FINANCIAL ITEMS, FIM M



## FINANCING

The improvement in liquidity that occurred in the latter half of 1996 continued to the end of the year. The company's liquidity is still good. The ration of interesting bearing capital over net sales is 51%. Equity ratio improved during 1996 to 21.1% (17.5%). The company did not raise new loans during the accounting period; investments and repayments were financed with internally generated funds.

## MARKETS AND PRODUCTION

The market situation in Western Europe clearly picked up for the summer, and by the autumn the market was almost normal. The focus of sales was in Europe, where the proportion of sales accounted for by Russia in particular grew significantly compared with the previous year.

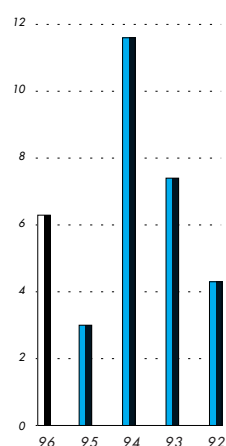
In addition to Russia, sales targets were exceeded in the United Kingdom and France. Moreover, sales to the Far East reach the targets set and grew in comparison with the previous year. Sales in Italy, the Netherlands and Germany were most notable in falling short of their targets.

A change was made in the agent network with respect to Germany and Hungary. A marketing agreement was also concluded for the Far East with Price & Pierce. Finnboard had earlier represented Stromsdal in the region.

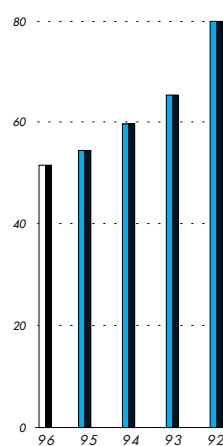
Sales of Graphi grades accounted for 44% of total sales, compared with 43% in 1995. The size of the order book during the year under review was on average equivalent to 10 days' production and this allowed production to continue without shutdowns.

The mill's net production during the year under review was 42 220 tonnes (40 740), of which the proportion sent to subcontractors was marginal. The food packaging board Barrier Pack, launched in April 1996, has played a part in raising the utilisation rate of the board machine. Production of our own board rose by 3.5% compared with 1995. The utilisation rate of the board machine was 94% and that of the coating machine 41%.

INVESTMENT IN FIXED ASSETS, FIM M



INTEREST-BEARING DEBT IN RELATION TO TURNOVER, %



## ADMINISTRATION AND PERSONNEL

Stromsdal's annual general meeting was held in Juankoski on 22 May 1996. The meeting elected the following to the company's board of directors: Björn Forss, Osmo Jääskeläinen, Petri Kangasperko, Janne Simelius and Eero Sinkko.

Janne Simelius was elected chairman of the board of directors.

Authorised public accountants Arthur Andersen Oy (APA) were elected as Stromsdal Oy's auditors, and Anna-Maija Simola (APA) was elected as deputy auditor.

During the year under review, the parent company employed an average of 213 people (221 in 1995). The workforce of the group as a whole averaged 219 employees (227 in 1995).

Wages and salaries were as follows (FIM 1,000):

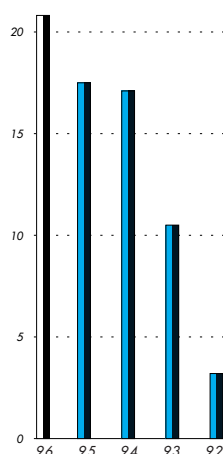
	1996		1995	
	Parent company	Group	Parent company	Group
Board of directors and managing director	657	1,094	531	893
Other staff	31,859	32,709	32,043	32,714
Total	32,516	33,803	32,574	33,607

## PROSPECTS FOR 1997

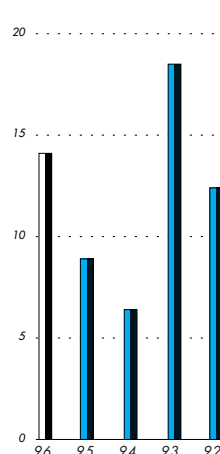
Conditions in the board market in the current year are virtually unchanged compared with the end of 1996, even if demand is a little weaker than normal. Stromsdal Oy's production, however, has been in constant operation.

If the price of pulp stays low, the Finnish markka is stable in relation to our main invoicing currencies, and the market situation remains normal, the conditions will exist for an improvement in Stromsdal's financial result compared with 1996. Any strong change for the worse occurring in the abovementioned conditions, however, may make a better result difficult to achieve.

EQUITY RATIO, %



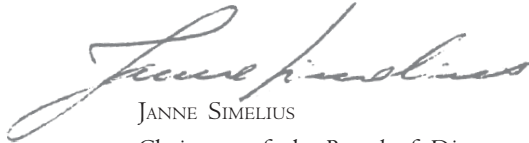
RETURN ON CAPITAL INVESTED, %



## BOARD OF DIRECTORS' PROPOSED DISTRIBUTION OF PROFITS

The board of directors proposes that a dividend for 1996 of FIM 0.50 per share be distributed for each Stromsdal Oy B share entitled to a dividend, the total sum being FIM 699,650, and that the rest of the profit be transferred to the profit and loss account.

Juankoski, 18 March 1997



JANNE SIMELIUS  
Chairman of the Board of Directors



EERO SINKKO



PETRI KANGASPERKO



OSMO JÄÄSKELÄINEN



BJÖRN FORSS  
Managing Director

# CONSOLIDATED AND PARENT COMPANY INCOME STATEMENTS

	CONSOLIDATED INCOME STATEMENT		PARENT COMPANY INCOME STATEMENT		NOTE
	I.I.-31.12.1996	I.I.-31.12.1995	I.I.-31.12.1996	I.I.-31.12.1995	
NET SALES	232,907,042.86	220,392,131.97	220,613,601.19	219,164,637.99	1
Change in stock of finished products	287,353.02	2,412,392.92	1,045,966.91	2,506,994.00	
Other business income	1,337,941.57	1,286,718.63	1,460,243.72	1,357,653.96	
Share of associated company profit/loss	-466,208.24	-701,332.08			
Expenses:					
Materials, accessories and supplies:					
Purchases during the fiscal period	-110,876,209.95	-114,130,821.85	-104,279,518.28	-117,656,996.08	
Change in inventories	1,164,904.50	95,130.39	1,164,904.50	95,130.39	
External services	-5,174,792.19	-3,631,397.03	-5,174,792.19	-3,631,397.03	
Wages and salaries	-44,566,346.61	-43,897,119.27	-42,970,828.19	-42,617,940.37	2
Rents	-749,663.55	-1,508,626.01	-825,341.11	-1,588,781.28	
Other expenses	-38,617,384.11	-34,764,873.49	-35,497,306.95	-32,524,602.55	
Total expenses	-198,819,491.91	-197,837,707.26	-187,582,882.22	-197,924,586.92	
Depreciation of fixed assets and other long-term expenditure	-12,893,620.78	-11,971,916.21	-12,811,193.00	-11,901,857.00	3
OPERATING PROFIT	22,353,016.52	13,580,287.97	22,725,736.60	13,202,842.03	
Financial income and expenses:					
Interest income from long-term investments	661,136.88	697,342.13	711,356.88	747,562.13	4
Interest income from short-term investments	459,108.98	176,061.40	357,978.35	109,394.45	
Currency gains	429,747.58	1,657,390.77	429,747.58	1,657,390.77	
Interest income	-9,218,844.69	-11,007,804.82	-9,218,844.69	-11,007,730.67	
Currency losses and depreciation of valuation items	-6,978,761.19	-3,800,845.07	-6,978,761.19	-3,800,845.07	
Other financial expenditure	-699,679.87	-975,405.47	-789,450.39	-998,968.46	
Total financial income and expenditure	-15,347,292.31	-13,253,261.06	-15,487,973.46	-13,293,196.85	
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	7,005,724.21	327,026.91	7,237,763.14	-90,354.82	
Extraordinary income and expenditure:					
Extraordinary income	325,744.00	481,707.00	325,744.00	271,026.59	5
Extraordinary expenditure	0.00	-65,933.00	0.00	-65,933.00	
Total extraordinary income and expenditure	325,744.00	415,774.00	325,744.00	205,093.59	
PROFIT BEFORE RESERVES AND TAXES	7,331,468.21	742,800.91	7,563,507.14	114,738.77	
Direct taxes:					
For the fiscal year	-527,686.86	-19,911.75	-272,086.00	0.00	
For previous years	249,180.33	0.00	-249,257.63	0.00	
PROFIT FOR THE YEAR	<u>7,052,961.68</u>	<u>722,889.16</u>	<u>7,540,678.77</u>	<u>114,738.77</u>	

# CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS

ASSETS	CONSOLIDATED BALANCE SHEET		PARENT COMPANY BALANCE SHEET		NOTE
	31.12.1996	31.12.1995	31.12.1996	31.12.1995	
<b>FINANCIAL ASSETS AND OTHER</b>					
<b>LONG-TERM INVESTMENTS</b>					
Intangible assets					8
Intangible rights	39,397.42	190,413.42	39,397.42	190,413.42	
Other long-term expenditure	<u>1,138,611.29</u>	<u>1,154,743.99</u>	<u>1,138,611.29</u>	<u>1,154,743.99</u>	
	1,178,008.71	1,345,157.41	1,178,008.71	1,345,157.41	
Fixed assets					8, 9
Land and water	1,578,594.40	1,578,594.40			
Buildings	17,011,794.95	18,267,397.95	17,011,794.95	18,267,394.95	
Factory redemption right	2,084,883.35	2,274,597.35	2,084,883.35	2,274,600.35	
Machinery and equipment	54,204,498.43	59,652,457.82	53,525,443.07	59,330,743.59	
Investment work in progress	<u>1,256,197.76</u>	<u>852,837.89</u>	<u>1,256,197.76</u>	<u>852,837.89</u>	
	76,135,968.89	82,625,885.41	73,878,319.13	80,725,576.78	
Fixed asset securities and other					
long-term investments					7, 10
Shares and holdings in associated company	3,268,615.89	3,734,824.13	1,800,000.00	1,800,000.00	
Shares in subsidiaries			1,813,011.00	1,813,011.00	
Other shares and holdings	325,810.00	303,760.00	3,391,810.00	3,369,760.00	
Loan receivables	<u>11,667,227.80</u>	<u>11,960,000.00</u>	<u>12,225,227.80</u>	<u>12,518,000.00</u>	
	15,261,653.69	15,998,584.13	19,230,048.80	19,500,771.00	
VALUATION ITEMS	5,140,885.52	7,206,462.56	5,140,885.52	7,206,462.56	11
<b>CURRENT ASSETS</b>					
Inventories					
Materials and supplies	7,489,157.96	6,324,253.46	7,489,157.96	6,324,253.46	
Work in progress	513,490.50	528,401.35	513,490.50	528,401.35	
Finished products	<u>16,275,057.11</u>	<u>15,769,966.99</u>	<u>12,209,876.28</u>	<u>11,148,998.52</u>	
	24,277,705.57	22,622,621.80	20,212,524.74	18,001,653.33	
Receivables					
Trade receivables	38,647,833.22	45,173,954.46	44,370,365.78	50,194,513.12	12
Prepaid expenses and accrued income	882,557.44	1,341,881.13	1,050,079.59	1,491,036.46	
Other receivables	<u>2,919,825.85</u>	<u>2,465,039.36</u>	<u>2,805,627.61</u>	<u>2,360,553.86</u>	
	42,450,216.51	48,980,874.95	48,226,072.98	54,046,103.44	
Cash and bank deposits	<u>22,797,531.31</u>	<u>6,213,079.44</u>	<u>18,447,534.25</u>	<u>3,434,496.26</u>	
	<u>187,241,970.20</u>	<u>184,992,665.70</u>	<u>186,313,394.13</u>	<u>184,260,220.78</u>	
<b>LIABILITIES</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Restricted:					13
Share capital	30,390,000.00	30,390,000.00	30,390,000.00	30,390,000.00	
Reserve fund	<u>3,501,548.59</u>	<u>3,501,548.59</u>	<u>3,501,548.59</u>	<u>3,501,548.59</u>	
	33,891,548.59	33,891,548.59	33,891,548.59	33,891,548.59	
Unrestricted:					14, 15
Difference on currency translation	22,391.02	-20,804.75			
Loss for previous accounting periods	-1,462,001.46	-2,184,890.62	114,738.77	0.00	
Profit/loss for the year	<u>7,052,961.68</u>	<u>722,889.16</u>	<u>7,540,678.77</u>	<u>114,738.77</u>	
	5,613,351.24	-1,482,806.21	7,655,417.54	114,738.77	
RESERVES					
Obligatory provisions	300,000.00	300,000.00	300,000.00	300,000.00	6
<b>LIABILITIES:</b>					
Long-term					16
Loans from financial institutions	69,220,813.79	77,688,647.55	69,220,813.79	77,688,647.55	
Pension loans	4,328,429.72	4,654,225.50	4,328,429.72	4,654,225.50	
Other long-term liabilities	<u>2,904,799.20</u>	<u>2,670,898.61</u>	<u>2,904,799.20</u>	<u>2,670,898.61</u>	
	76,454,042.71	85,013,771.66	76,454,042.71	85,013,771.66	
Current liabilities:					
Loans from financial institutions	43,472,157.00	34,891,073.63	43,472,157.00	34,891,073.63	
Advances received	0.00	0.00			
Trade payables	11,368,904.46	18,007,633.29	11,093,371.42	17,699,744.86	
Accrued liabilities and deferred income	12,129,138.08	13,300,435.07	12,290,383.47	11,387,187.27	
Other current liabilities	<u>4,012,828.12</u>	<u>1,071,009.67</u>	<u>1,156,473.40</u>	<u>962,156.00</u>	
	70,983,027.66	67,270,151.66	68,012,385.29	64,940,161.76	
	<u>187,241,970.20</u>	<u>184,992,665.70</u>	<u>186,313,394.13</u>	<u>184,260,220.78</u>	

# CONSOLIDATED AND PARENT COMPANY FUNDS STATEMENTS

	CONSOLIDATED FUNDS STATEMENT		PARENT COMPANY STATEMENT	
	I.I.-31.12.1996	I.I.-31.12.1995	I.I.-31.12.1996	I.I.-31.12.1995
<b>SOURCE OF FUNDS</b>				
From operations:				
Net income	7,052,961	722,889	7,540,679	114,739
Depreciation	12,893,621	11,971,917	12,811,193	11,901,857
Change in reserves	<u>0</u>	<u>300,000</u>	<u>0</u>	<u>300,000</u>
Total funds generated from operations	19,946,582	12,994,806	20,351,872	12,316,596
Income from sale of fixed assets	72,959	27,000	72,959	27,000
Change in long-term liabilities	-8,559,729	983,612	-8,559,729	983,612
Change in valuation items	2,065,577	3,766,644	2,065,577	3,766,644
Convertible loan stock converted to shares	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>13,525,389</u>	<u>17,772,062</u>	<u>13,930,679</u>	<u>17,093,852</u>
<b>APPLICATION OF FUNDS</b>				
Long-term financial assets	-736,930	4,317,480	-270,722	5,453,500
Effect of consolidations on shareholders' equity	6,309,513	3,005,653	5,869,746	2,928,984
Translation difference	-43,196	1,434		
Change in net working capital	<u>7,996,002</u>	<u>10,447,495</u>	<u>8,331,655</u>	<u>8,711,368</u>
APPLICATION OF FUNDS - TOTAL	<u>13,525,389</u>	<u>17,772,062</u>	<u>13,930,679</u>	<u>17,093,852</u>
<b>CHANGE IN NET WORKING CAPITAL</b>				
Cash and bank	16,584,452	2,178,183	15,013,038	-401,189
Short-term liabilities	-6,530,658	-999,588	-5,820,030	1,026,566
Inventories	1,655,084	5,463,435	2,210,871	2,602,124
Current liabilities	<u>-3,712,876</u>	<u>3,805,465</u>	<u>-3,072,224</u>	<u>5,483,867</u>
	<u>7,996,002</u>	<u>10,447,495</u>	<u>8,331,655</u>	<u>8,711,368</u>
Net working capital I.I.	10,546,425	98,930	10,542,091	1,830,723
Net working capital 31.12.	<u>18,542,427</u>	<u>10,546,425</u>	<u>18,873,746</u>	<u>10,542,091</u>



# NOTES TO THE ACCOUNTS

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## SCOPE OF THE CONSOLIDATED ACCOUNTS:

Stromsdal Oy is the parent company of a group that includes the following subsidiaries: Juantehtaan Ympäristö Oy and Stromsdal UK Ltd.

Juantehtaan Ympäristö Oy - based in Juankoski, Finland - owns and leases industrial properties and land.

Stromsdal UK Ltd - based in Preston, England - is a sales company responsible for selling parent company products in the UK and Ireland.

Koillis-Savon Ympäristöhuolto Oy, an associated company belonging to the group, was founded by Stromsdal and the municipalities of Juankoski and Kaavi in 1993. The company started operating in October 1995. The company's area of business is waste water treatment and environmental management. The company is based in Juankoski.

## ACCOUNTING PRINCIPLES FOR CONSOLIDATED ACCOUNTS:

Inter-company shareholdings have been eliminated using the historical cost method. Inter-company receivables and debts, income and expenditure, and internal margins have been eliminated. The final accounts of the foreign subsidiary have been converted into Finnish marks using the exchange rate quoted by the Bank of Finland at the balance sheet date. The arising difference on currency translation has been entered as unrestricted shareholders' equity.

## ASSOCIATED COMPANIES

Associated companies have been combined in Stromsdal's consolidated accounts using the capital share method.

## FIXED ASSETS AND DEPRECIATION

Fixed assets have been valued at their direct historical cost. Planned depreciation is based on an asset's original historical cost and its useful life.

## INVENTORIES

Inventories have been valued according to the first-in-first-out principle as the purchase cost, or the replacement price if lower, or the probable selling price. In the valuation of reserves, indirect purchase and production costs in addition to direct costs have been capitalised.

## FOREIGN RECEIVABLES AND DEBTS

All foreign receivables and debts have been valued at the exchange rate ruling at the balance sheet date. Realised and unrealised currency differences have been entered in the income statement except for long-term foreign loans. Currency losses on long-term loans have been entered under valuation items in the balance sheet in addition to currency losses accumulated from previous years. Currency losses are recorded as expenditure over the lifetime of the loans.

1) Turnover by market area is as follows (FIM 1,000):	Group		Parent company	
	1996	1995	1996	1995
Finland	9,364	7,369	9,364	7,369
EU	143,586	137,595	137,586	136,368
EFTA	3,185	3,682	3,185	3,682
Rest of Europe	43,985	36,080	43,985	36,080
USA and Canada	1,355	4,289	1,355	4,289
Asia	18,582	10,669	18,582	10,669
Other countries	<u>12,850</u>	<u>20,708</u>	<u>6,557</u>	<u>20,708</u>
	<u>232,907</u>	<u>220,392</u>	<u>220,614</u>	<u>219,165</u>

Net sales consist of invoicing (mostly in foreign currency) less indirect taxes, discounts, sales remuneration and compensation for complaints.

2) Staff wages and salaries, fringe benefits (FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
Average number of staff	219	227	213	221
Production staff	21,210	20,503	21,210	20,503
Others	13,600	13,005	12,313	11,973
Fringe benefits	117	154	117	154
Pension costs	6,118	5,994	5,931	5,847
Other staff costs	<u>3,521</u>	<u>4,395</u>	<u>3,517</u>	<u>4,295</u>
	<u>44,566</u>	<u>44,051</u>	<u>43,088</u>	<u>42,772</u>

3) Planned depreciations (FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
Buildings and structures	1,337	1,335	1,337	1,335
Machinery and equipment	9,644	9,465	9,561	9,395
Intangible rights	151	346	151	346
Other long-term expenditure	617	397	617	397
Valuation items	955	239	955	239
Factory redemption right	<u>190</u>	<u>190</u>	<u>190</u>	<u>190</u>
	<u>12,894</u>	<u>11,972</u>	<u>12,811</u>	<u>11,902</u>

Planned depreciations within the group have been made under the uniform principle of equal instalments from the original purchase price based on the useful life of capital goods.

Planned depreciations were as follows:

Buildings and groundwood mill	20 years
Board machinery	12 years
Coating machinery	12 years
Other machinery and equipment	5-10 years
Computer hardware and software	5 years
Other long-term expenditure	3 years

4) Consolidated internal financing income and expenditure (FIM 1,000)	Parent company	
	1996	1995
Financing income received from group companies		
Interest income from long-term investments	<u>50</u>	<u>50</u>
	<u>50</u>	<u>50</u>

5) Extraordinary income and expenditure (FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
Extraordinary income	326	482	326	271
Extraordinary expenditure	<u>0</u>	<u>-66</u>	<u>0</u>	<u>-66</u>
	<u>326</u>	<u>416</u>	<u>326</u>	<u>205</u>

Consolidated extraordinary income includes a heavy fuel oil buffer stock/emergency supply fee refund for the years 1993-1995 in respect of export products from the 1996 accounting period.

6) Obligatory provisions (FIM 1,000)	Parent company and Group	
	1996	1995
Provision for complaints	<u>300</u>	<u>300</u>

Probable compensation for complaints regarding a certain board delivery to the Far East has been recorded as Group expenditure and as an addition to obligatory provisions during the 1995 accounting period. A negotiated outcome to this matter was achieved during 1996, but some of the compensation deliveries had yet to be made at the end of the accounting period.

7) Shares and holdings owned by group and parent company	Owned by group %	Group % of votes	Share capital owned by group (FIM 1,000)	Owned by parent company %
Subsidiaries:				
Juantehtaan Ympäristö Oy	100	100	1,032	100
Stromsdal UK Ltd	100	100	1,179	100
Associated company:				
Koillis-Savon Ympäristöhuolto Oy	45	45	2,766	45
Shares owned by parent company	Shares	Nominal value	Book value (FIM 1,000)	Financial result (FIM 1,000)
Subsidiaries:				
Juantehtaan Ympäristö Oy	1,000	FIM 1,000	1,000	-38
Stromsdal UK Ltd	110,000	GBP 1	866	685
Associated company:				
Koillis-Savon Ympäristöhuolto Oy Joint contribution fund	45	FIM 40,000	1,800 3,066	-896
8) Intangible and tangible assets (FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
Intangible assets:				
Acquisition cost I.I.	2,204	2,141	2,204	2,141
Increases I.I.-31.12.	0	63	0	63
Decreases I.I.-31.12.	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Acquisition cost 31.12.	2,204	2,204	2,204	2,204
accum. planned depr. 31.12.	<u>-2,165</u>	<u>-2,014</u>	<u>-2,165</u>	<u>-2,014</u>
Book value 31.12.	<u>39</u>	<u>190</u>	<u>39</u>	<u>190</u>
Other long-term expenditure:				
Acquisition cost I.I.	2,723	1,953	2,723	1,953
Increases I.I.-31.12.	601	770	601	770
Decreases I.I.-31.12.	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Acquisition cost 31.12.	3,324	2,723	3,324	2,723
accum. planned depr. 31.12.	<u>-2,185</u>	<u>-1,568</u>	<u>-2,185</u>	<u>-1,568</u>
Book value 31.12.	<u>1,139</u>	<u>1,155</u>	<u>1,139</u>	<u>1,155</u>
Buildings and structures:				
Acquisition cost I.I.	26,755	26,865	26,755	26,865
Increases I.I.-31.12.	82	2	82	2
Decreases I.I.-31.12.	<u>0</u>	<u>-112</u>	<u>0</u>	<u>-112</u>
Acquisition cost 31.12.	26,837	26,755	26,837	26,755
accum. planned depr. 31.12.	<u>-9,825</u>	<u>-8,488</u>	<u>-9,825</u>	<u>-8,488</u>
Book value 31.12.	<u>17,012</u>	<u>18,267</u>	<u>17,012</u>	<u>18,267</u>
Factory redemption right:				
Acquisition cost I.I.	3,794	3,794	3,794	3,794
Increases I.I.-31.12.	0	0	0	0
Decreases I.I.-31.12.	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Acquisition cost 31.12.	3,794	3,794	3,794	3,794
accum. planned depr. 31.12.	<u>-1,709</u>	<u>-1,519</u>	<u>-1,709</u>	<u>-1,519</u>
Book value 31.12.	<u>2,085</u>	<u>2,275</u>	<u>2,085</u>	<u>2,275</u>
Machinery and equipment:				
Acquisition cost I.I.	115,634	112,569	114,962	111,982
Increases I.I.-31.12.	3,786	3,082	3,697	2,997
Decreases I.I.-31.12.	<u>-73</u>	<u>-17</u>	<u>-73</u>	<u>-17</u>
Acquisition cost 31.12.	119,347	115,634	118,586	114,962
accum. planned depr. 31.12.	<u>-65,143</u>	<u>-55,982</u>	<u>-65,061</u>	<u>-55,631</u>
Book value 31.12.	<u>54,204</u>	<u>59,652</u>	<u>53,525</u>	<u>59,331</u>

9) Taxation values of fixed assets (FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
Land	1,225	1,228	0	0
Buildings	13,321	17,898	13,321	17,898
Shares and holdings	<u>3,594</u>	<u>4,039</u>	<u>7,005</u>	<u>6,983</u>
	<u>18,140</u>	<u>23,165</u>	<u>20,326</u>	<u>24,881</u>

If the taxation value was not available, the book value has been given.

10) Long-term investments and loan receivables/group and associated companies	Parent company	
	1996	1995
Long-term investments consisting of shares and loan receivables (FIM 1,000)		
Group companies		
Shares	1,813	1,813
Loan receivables	<u>558</u>	<u>558</u>
	<u>2,371</u>	<u>2,371</u>
Associated companies		
Shares, and share of joint contribution fund	4,866	4,866
Loan receivables	<u>11,667</u>	<u>11,960</u>
	<u>16,533</u>	<u>16,826</u>

11) Valuation items (FIM 1,000)	Parent company and Group	
	1996	1995
Capitalised currency losses I.I.	6,251	9,779
Increase I.I.-31.12.	3,544	0
Decrease I.I.-31.12.	<u>-4,654</u>	<u>-3,528</u>
Capitalised currency losses 31.12.	<u>5,141</u>	<u>6,251</u>

The currency losses and gains on foreign currency loans caused by changes in the value of the Finnish mark in the period 1992-96 have all been entered in the balance sheet under valuation items. They will be written off over the lifetime of the loans. Previous currency differences have been entered in the income statement. The item does not include currency losses or gains on short-term foreign currency loans, which have been entered in the income statement.

	Parent company and Group	
	1996	1995
Interest and currency differences during construction I.I.	955	1,194
Decrease I.I.-31.12.	<u>-955</u>	<u>-239</u>
Interest and currency differences during construction 31.12.	<u>0</u>	<u>955</u>

Interest and currency differences during construction refer to the investment in the coating plant, which came into use in 1990. The interest will be written off during the useful life of the asset, while the currency differences will be written off, at the latest, when the loans are repaid. Interest remaining during 1996 was entered in the income statement in its entirety and the additional effect of this was to weaken the result by FIM 716,000.

12) Receivables and liabilities/group and associated companies (FIM 1,000)	Parent company	
	1996	1995
Group companies		
Trade receivables	23,160	20,970
Prapaid expenses and accrued income	176	154
Loan receivables	558	558
Accrued expenses	<u>-136</u>	<u>-136</u>
	<u>23,758</u>	<u>21,546</u>
Associated companies		
Trade receivables	112	81
Prapaid expenses and accrued income	173	277
Loan receivables	11,667	11,960
Trade payables	<u>0</u>	<u>-736</u>
	<u>11,952</u>	<u>11,582</u>

### 13) Share capital

The parent company's share capital consists of the following shares:

Series	Shares No. I.I.1996	Conversion of A shares	Shares No. 31.12.1996	Nominal FIM	Share FIM 1,000
A	200,000	-79,800	120,200	20	2,404
B	<u>1,319,500</u>	<u>79,800</u>	<u>1,399,300</u>	20	<u>27,986</u>
	1,519,500	0	1,519,500		30,390
Reserve fund I.I.1996 (FIM 1,000)					3,502
Total restricted shareholders' equity 31.12.1996					<u>33,892</u>

14) Parent company's unrestricted shareholders' equity (1,000)				
	Unrestricted shareholders' equity 1.1.1996		115	
	Profit of the year		<u>7,540</u>	
	Unrestricted shareholder's equity 31.12.1996		<u>7,655</u>	
15) Changes in group's shareholder's equity during the year (FIM 1,000):				
		Share capital	Reserve fund	Unrestricted equity capital
	Balance 1.1.1996	30,390	3,501	-1,483
	Change in translation differences			43
	Profit of the year			7,053
	Balance 31.12.1996	<u>30,390</u>	<u>3,501</u>	<u>5,613</u>
16) Debts maturing after five years or later (FIM 1,000)				
			Parent company and Group	
			1996	1995
	Financing loans		19,124	27,232
	Pension loans		<u>1,783</u>	<u>3,482</u>
			<u>20,907</u>	<u>30,714</u>
17) Contingent liabilities and pledges given (FIM 1,000)				
			Parent company and Group	
			1996	1995
	On own debts:			
	mortgages on buildings and leases		35,765	35,000
	mortgage on company assets		49,000	49,000
	pledges given		41,118	44,603
	guarantees on group debt		<u>0</u>	<u>0</u>
			<u>125,883</u>	<u>128,603</u>
	The abovementioned mortgages are surety for loans totalling FIM 83.3 million, and the pledges given are surety for loans totalling FIM 32.2 million.			
	Stromsdal Oy guarantees Stromsdal UK Ltd's operations for the coming 12 months.			
18) Total leasing liabilities (FIM 1,000):				
			Parent company and Group	
			1996	1995
	Leasing liabilities, total 31.12		389	177
19) Liabilities resulting from derivative contracts (FIM 1,000):				
	Forward foreign currency trades	Target benefit value		8,502
		Current value		-69
	Calculated exchange losses on forward foreign currency trades have been taken into account in the income statement.			
20) Pension schemes				
	All the group's employees in Finland come under the Employee's Pension Act (TEL), and the pension schemes of those working abroad have been handled in the way required by the legislation in the country concerned. Future unemployment pension liabilities are at most FIM 1,224,000, of which FIM 440,000 relates to 1997.			

# AUDITORS' REPORT

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## TO THE SHAREHOLDERS OF STROMSDAL OY

We have examined the accounts, the accounting records and the administration of Stromsdal Oy for the financial year 1 January to 31 December 1996. The accounts prepared by the board of directors and managing director include, both for the group and the parent company, a profit and loss account, a balance sheet and notes on the accounts. Our opinion on the accounts and administration is based on our audit.

The audit has been made in accordance with generally accepted auditing standards in Finland. The audit of the principles of presentation of the accounting records and the accounts, their content and presentation of information, has not revealed any essential errors or omissions. The audit of the administration has been undertaken on the basis that the actions of members of the board of directors and managing director have been in conformity with the regulations of the Company Act.

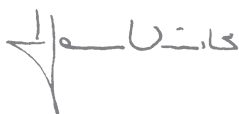
In our opinion the accounts have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations. The accounts give a true and fair view of the group's and parent company's results from operations and their financial position in accordance with such legislation and regulations. The accounts, including the group accounts, may be approved and the members of the board and the managing director of the parent company may be discharged from liability for the financial year examined by us. The proposal of the board of directors on the disposition of distributable retained earnings is in accordance with the Companies Act.

We have reviewed the interim reports published during the financial year (14.6.1996 and 11.10.1996). In our opinion the interim reports have been prepared in accordance with the relevant regulations.

Helsinki, 16 April 1997

ARTHUR ANDERSEN OY

Authorised Public Accounts



Hannu Vänskä

APA





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