

Annual Report 1997



STARCKJOHANN

1997 in brief

- Profit after financing items up by 23% to FIM 95.2 million
- Earnings per share up by 8% to FIM 0.67
- Group's turnover up by 16.9% to FIM 3,599.8 million
- Equity ratio up to 31.7%
- Divisional companies merged with the parent company.
- Sales of Starkki and Starckjohann Steel grew more than the average for the trade and operating profits improved.
- Sales of Suomen LVI-Tukku increased but operating profit fell short of the forecast. Starckjohann Auto's sales grew more slowly than the average for the trade and operating profit was down.
- All the Group's statutory restructuring programmes came to an end.
- Targeted issue of warrant bonds for the parent company's full-time staff.
- The Enter 2000 modernization programme for the Group's information systems got under way.
- Trelleborg Holding AB became the biggest owner with a 53.7% holding.
- The Board of Directors proposes a dividend of FIM 0.15/share.

Group key indicators, 1997

Turnover	FIM 3,599.8	million.	(change 1-12/96 +16.9 %)
Operating profit	FIM 110.2	million.	(change 1-12/96 +20.5 %)
Profit after financing items	FIM 95.2	million.	(change 1-12/96 +23.0 %)
EPS	FIM 0.67		(31.12.96 FIM 0.62)
Equity ratio	31.7	%	(31.12.96 26.8 %)
Return on investment	13.2	%	(31.12.96 12.2 %)

Group key indicators, 1993-1997

FIM million	1997	1996	1995	1994	1993
Turnover	3,599.8	3,079.7	2,941.6	2,981.2	3,457.2
change %	16.9	4.7	-2.9	-13.8	-3.5
Profit before extraordinary items	95.2	77.4	78.7	62.0	-452.9
Balance sheet total	1,488.5	1,382.5	1,428.2	1,621.9	1,943.5
Average personnel	1,569	1,457	1,565	1,621	2,114
Investments	97.5	59.8	43.3	10.0	21.0
Equity ratio %	31.7	26.8	21.0	17.6	neg.
Return on investment %	13.2	12.2	11.3	7.9	neg.

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COMMON VALUES

The way Starckjohann is managed is based on the following common values for assuring the attainment of the chosen goals and strategies. The values guide the management, operation and cooperation of the Group.

1. CUSTOMER-ORIENTATION

- The basis of what we do is the customer's needs and how to meet them.
- Our service performance must add value for the customer.
- Development also takes its cues from the customer's needs and changes in them.
- A customer may also be within the Starckjohann organization.

2. OPEN INTERACTION

- A transparent and honest flow of information in all directions.
- Readiness and willingness to act openly, both as a superior and as a subordinate, respecting individuality.
- The ability to switch over into collaboration and teamwork, both as a coach and as a player.

3. PRODUCTIVITY

- The productiveness of operations is important, measured both in cash profits and in the attainment of operational and quality goals.

4. MODERNIZATION

- Readiness and willingness to upgrade, learning new ways of working.
- Constant improvement is essential or success cannot be attained.

The Starckjohann Group

A 130-Year-Old Multibusiness Trading Firm

The Starckjohann Group is a 130-year-old multibusiness trading firm operating in Finland and neighbouring regions. It is a stock exchange company and the shares of its parent company, Starckjohann Oyj, have been listed on the Helsinki Stock Exchange since 1989. Starckjohann Oyj's four divisions are Starkki, Starckjohann Steel, Suomen LVI-Tukku and Starckjohann Auto. These divisions contributed almost 96% of the Group's FIM 3,599.8

million in turnover in 1997. The Group had 1,616 employees at the end of 1997. In addition to its divisions, Starckjohann Oyj has two subsidiaries in the technical wholesaling business, Laakeripalvelu Oy and Oulun Pultti Oy, project exporter Böge Larsen Projects Oy, and interior design specialist Aninkaisten Tapetti ja Väri Oy. The Group also includes a real estate holding company, Vahva-Jussi Oy.

Business operations are backed up by the Group's joint financial and administration functions, which attend to the joint administrative services for all the divisions which are best dealt with on a centralized basis. These include accounting, financing, payments, information management, legal affairs, real estate, personnel and communications.



Starkki

Starkki is a customer-centred, nationwide chain selling building supplies, timber and board products, hardware and interior design products and tools. It serves both private and corporate customers. Its prime customer groups are building firms, retailers and the woodworking industry as well as builders, renovators and interior designers. The chain consists of units, each of which has corporate customer services, a retail outlet and a loading bay. Starkki has combined its timber and hardware outlets and its customers get all the products they need in this sector at a single location. The chain has 16 units in various parts of Finland. Starkki also exports building supplies to Russia and the Baltic states, and it has a retail unit in St Petersburg.



Starckjohann Steel

Starckjohann Steel deals in steels and other metals and in steel pretreatment. It serves the metal and process industries, repairs and maintenance for the manufacturing technology of industry and public utilities, and distributors of steels and other metals. Starckjohann Steel has a wide product range covering black and bright, Finnish and foreign steels and other metals. In steel pretreatment it has become a significant part of the outsourcing network for the metal and process industries. This service has been awarded ISO 9002 standard quality approval. Starckjohann Steel has four steel service centres in addition to two regional warehouses. It has sales units in 10 urban centres in Finland as well as a subsidiary in Tallinn serving the Baltic states.



Suomen LVI-Tukku

Suomen LVI-Tukku is a wholesaler of heating, plumbing and ventilation products in Finland. Its product range covers all HVAC products. Suomen LVI-Tukku's customers are HVAC contractors, public utilities, industrial maintenance and HVAC distributors. Its nationwide sales and distribution network consists of a central warehouse and 16 cash-and-carry outlets in various parts of Finland.



Starckjohann Auto

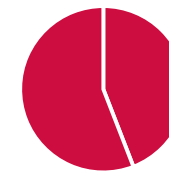
Starckjohann Auto is a chain of five car dealers trading in cars and spare parts as well as servicing and repairs, operating in Lahti, Tampere, Hämeenlinna and Heinola. Starckjohann Auto sells several marques. The main marque is Opel, which Starckjohann Auto deals in at all its business locations. The other marques are Nissan, GM-USA, Saab, Mercedes-Benz, Honda and BMW.

Board of Directors, President and Auditors



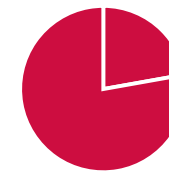
From left: Sisko Kanervaara, Åke Järnblad, Kjell Nilsson, Björn Ogard, Taisto Riski and Leo Vatanen.

Turnover: FIM 1,587.0 million



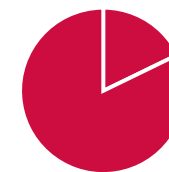
Share of Group turnover 44.1%

Turnover: FIM 797.4 million



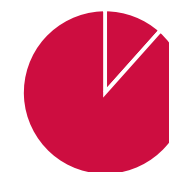
Share of Group turnover 22.2%

Turnover: FIM 640.0 million



Share of Group turnover 17.8%

Turnover: FIM 417.2 million



Share of Group turnover 11.6%

Board of Directors

Chairman

Leo Vatanen (56), LL.M., M.Sc.(Econ.)
Chairman since 1997

Ordinary members

Sisko Kanervaara (50), LL.M.,
Starckjohann Oyj
Member of the Board of Directors
since 1994

Kjell Nilsson (49), President and CEO,
Trelleborg AB
Member of the Board of Directors
as of the extraordinary general meeting
of 15 Dec. 1997

Björn Ogard (51), Executive Vice
President, Trelleborg AB
Member of the Board of Directors
as of the extraordinary general meeting
of 15 Dec. 1997

Åke Järnblad (52), Business Controller,
Trelleborg AB
Member of the Board of Directors
as of the extraordinary general meeting
of 15 Dec. 1997

President

Taisto Riski (50), M.Sc.(Econ.), APA
President and CEO since 1994

Auditors

Reino Tikkanen (44), M.Sc.(Econ.), APA
Auditor for the company since 1994

Mauri Palvi (46), M.Sc.(Econ.), APA
Auditor for the company since 1994



PRESIDENT AND CEO TAISTO RISKI

President's Review

" The market grew for all of the Starckjohann Group's divisions in 1997. The Group's turnover was up by 17% on the previous year and the financial performance improved. The profit after financing items was FIM 95.2 million, which was up by 23% on the previous year. "

Four years ago, the Starckjohann Group set out towards the future from one of the most difficult starting points in its history, when the parent company and four other Group companies were placed in statutory restructuring in October 1993. As I said then in our staff magazine, "We have been given a unique opportunity to show that our shared working community, a 126-year-old trading house from Viipuri, will be a service company worthy of its name and equal to its reputation in the future as it has been in the past."

In August last year the company's Board of Directors decided to end the restructuring programme for the parent company, which had originally been intended to last for eight years, by paying off the rescheduled debts and by replacing the financing with normal, market-based arrangements. The statutory restructuring programmes for all the other Group companies were ended in the same way. Today I see a 130-year-old, rehabilitated convalescent standing firmly on his own two feet once again.

The market grew for all of the Starckjohann Group's divisions in 1997. The Group's turnover was up by 17% on the previous year and the financial performance improved. The profit after financing items was FIM 95.2 million, which was up by 23% on the previous year.

The Group's cash flow from business operations also continued to grow, the debt/equity ratio declined and the equity ratio improved. At the same time, the level of investment was boosted from what it had been previously, in line with the Group's development plan for the divisions.

The constantly improving level of profits and the enhanced balance sheet position create a solid basis for further developing the Group's divisions with continuing capital expenditure. The normalization of financing that accompanied the termination of the statutory restructuring will also improve the Group's prospects for growth and development and it will ensure its capital management in the long term.

All four divisions of the Starckjohann Group aim for growth. This may take the form of growth either in the present marketplace or in new market areas. Corporate acquisitions to complement the core competences are also a possibility. Profitable growth is also a prerequisite to what was one of the key principles of the restructuring programme, i.e., to achieve a rising trend for the parent company's share price.

At the end of the restructuring programme Merita Bank Ltd, which held 53.7% of the Starckjohann Group's issued stock, announced it was putting its entire holding up for sale on the equity market. The transaction was completed in November when the bank sold its holdings to Trelleborg Holding AB of Sweden. The advent of a new, industrial main shareholder opened up new vistas for the development of the Starckjohann Group. Opening up vistas to action for improving the Group's competitiveness will be one of the challenges for the immediate future.

For the past year I express my thanks to our customers, suppliers, financial backers and other business partners. My special thanks have been earned by the entire staff of the Group, as their work has put the business of our divisions in an excellent position from which to advance.



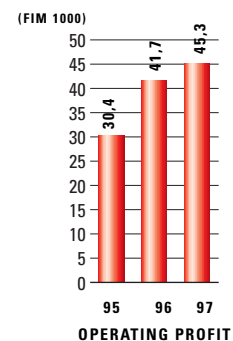
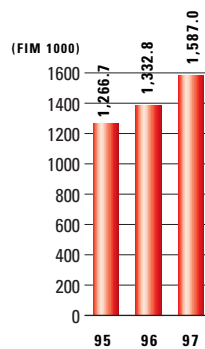
Taisto Riski



BUSINESS AREA DIRECTOR MARKKU WILLSTRÖM

Starkki

Starkki	1997	1996	1995
Share of Group turnover, %	44.1	43.3	43.8
Share of Group operating profit, %	41.1	45.6	34.6
Turnover, FIM million	1,587.0	1,332.8	1,266.7
Operating profit, FIM million	45.3	41.7	30.4
Operating profit, %	2.9	3.0	2.4
Return on investment, % *)	31.3	-	-
Staff at year-end	748	700	776



*) Formula for calculating divisions' operating profit on page 41.

Starkki is a customer-oriented, nationwide chain selling building supplies, timber and board products, hardware and interior design products, and tools. It serves both private and corporate customers. Its prime customer groups are building firms, retailers and the carpentry industry as well as builders and people renovating or redecorating homes. The chain is composed of units, each of which has corporate customer services, a retail outlet and a loading bay. Starkki has combined its timber and hardware outlets and its customers get all the products they need in this sector at a single location. The chain has 16 units in various parts of Finland. Starkki also exports building supplies to Russia and the Baltic states, and it has a retail unit in St Petersburg.

TURNOVER AND OPERATING PROFIT

The upswing in construction that began in autumn 1996 continued throughout 1997, although there were large regional variations. Construction focused on the Helsinki Metropolitan Area and other large population centres. The recovery in construction, and particularly housing construction, acted as the driving force for growth. Renovation also continued to grow, but at a slower rate than new construction. Overall construction output was up by 10%. New building construction grew by 17% and renovation by 8%.

The growth in construction boosted trade in hardware, building supplies and interior design products. Estimates of growth in the sector range from 7-10% depending on the product area. The growth in volume of construction output made little difference to the prices of building supplies, which followed a moderate trend.

Starkki's turnover in 1997 was FIM 1,587.0 million or 44.1% of the Starckjohann Group's turnover (1996: FIM 1,332.8 million and 43.3%). Turnover was up by 19.1%, which is well above the average for the sector. This resulted not only from growth in demand but also from the conceptual changes made in Starkki's units during the year, from new investments, and from efforts devoted to improving customer service. One of Starkki's strengths is its expertise as a specialist dealer in timber and board products. Of the product areas, there was more growth in sales of timber and board products and building supplies than of interior design products. Changes that took place in the competitive arena of the hardware and building supplies business during the year contributed to Starkki increasing its market share in the sector.

Starkki's operating profit in 1997 was FIM 45.3 million or 2.9% of turnover (1996: FIM 41.7 million and 3.0%). In addition to the growth in volume, a major factor contributing to the improvement in operating profit was the development of the chain-type operating model, which further improved the management of capital items, expenses and others as well as enhancing the internal logistics of the chain.

Starkki had a total of 748 employees at the end of 1997 (1996: 700). The number of employees was increased by growth in volume plus the modernization and expansion of the distribution network.

OPERATIONS

In Starkki's operations, efforts were deployed in 1997 in upgrading customer service and in ensuring delivery reliability on the growing market for building supplies. The division of work in chain operations was further improved and clarified. Collaboration with goods suppliers was intensified and the product range was revised to ensure availability and good delivery capability. The number of personnel in the units was also increased to guarantee standards of customer service. During the period under review, a broad-based customer quality project was carried out. This will enhance Starkki's chain operations and improve competitiveness. As the biggest of the divisions, Starkki has a key position in carrying out the Enter 2000 computer system project involving the entire Starckjohann Group.

The Starkki chain expanded at the end of 1997 when a new unit was opened in Espoo in November. In Lappeenranta, Starkki's hardware, building supplies and timber product operations were combined in the Starckjohann shopping centre, which was opened in December. Starkki's operations were also combined at the same site in Turku in December, and a new shop and loading bay were opened. Also during 1997, the Jyväskylä Starkki unit was modernized and extension work was started at the Hämeenlinna unit. The Hämeenlinna investment will be completed this spring. Construction work is also under way in Helsinki, where the latest Starkki unit will be completed in the autumn. Action was also started to establish a separate chain of distributors to be built up in parallel with the Starkki chain. The new chain will go into business this year.

OUTLOOK

Construction output is forecast to grow this year at a rate close to last year's. By further developing its chain concept and by expanding its operations, Starkki has good opportunities to take a slice of this growth and further boost its market share. The growth will also be supported by the new distributor chain which is going into business this year. Starkki will continue to devote efforts to serving its key customer groups by focusing on its core competences and by developing its operations on the basis of the customers' needs. The competitiveness of the chain will also be enhanced as a result of improvements in logistics, modernizations both completed and planned of business locations, and the expansion of the network.



Starkki is a one-stop shop for building supplies.



Timber and board products are one of Starkki's strengths.



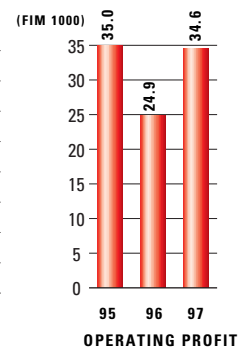
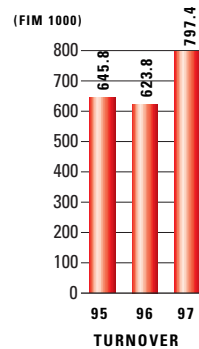
Starkki's outlets are easy to shop at. You can get rods from the customer service desk if necessary.



BUSINESS AREA DIRECTOR PEHR LÖNNQVIST

Starckjohann Steel

Starckjohann Steel	1997	1996	1995
Share of Group turnover, %	22.2	20.3	22.0
Share of Group operating profit, %	31.4	27.2	39.9
Turnover, FIM million	797.4	623.8	645.8
Operating profit, FIM million	34.6	24.9	35.0
Operating profit, %	4.3	4.0	5.4
Return on investment, %	20.2	-	-
Staff at year-end	284	269	201



Starckjohann Steel deals in steels and other metals and in steel pretreatment. It serves the metal and process industries, repairs and maintenance for the manufacturing technology of industry and public utilities, and distributors of steels and other metals. Starckjohann Steel has a wide product range of roughly 5,000 item headings, covering black and bright, Finnish and foreign steels and other metals. In steel pretreatment it has become a significant part of the outsourcing network for the metal and process industries. This service has been awarded ISO 9002 standard quality approval. Starckjohann Steel has steel service centres in Lahti, Turku, Tampere and Vantaa in addition to regional warehouses in Tampere and Oulu. It has sales units in 10 urban centres in Finland as well as a subsidiary in Tallinn serving the Baltic states.

TURNOVER AND OPERATING PROFIT

Starckjohann Steel's turnover in 1997 was FIM 797.4 million or 22.2% of the Starckjohann Group's turnover (1996: FIM 623.8 million and 20.3%). Turnover was up by 27.8%, which was due both to higher output in the metal and engineering industry and to the acquisition of Oy Mercantile Ab's steel business the year before last. The upbeat trend was also fuelled by extensions of the steel pretreatment service previously carried out, which could be fully exploited in conditions of growing demand. Sales of pretreated steels were up by roughly 28% and all cash-and-carry business, including pretreatment sales, grew by 33%, which is considerably above the sector average.

Starckjohann Steel's operating profit was FIM 34.6 million and 4.3% of turnover (1996: FIM 24.9 million and 4.0%). The operating profit was boosted by, among other things, a favourable trend in sales of pretreated products and clear steels. A downswing in the prices for stainless steels eroded the operating profit towards the end of the year.

Starckjohann Steel had 284 employees at the end of 1997 (1996: 269). The increase in personnel was due to expanded operations and higher volume.

OPERATIONS

Starckjohann Steel traditionally has a strong position as a supplier and pretreater of commercial steel. In operations in 1997, particular effort was devoted to sales of the stainless steel product range, which had been expanded the previous year, and to the development of pretreatment services. In stainless steels, Starckjohann Steel's market share has grown. With its own import range, it forms a strong alternative to its main competitors, the ownership of which is highly concentrated.

During the review period, further investments were made at Starckjohann Steel in pretreatment output and, for example, in capacity for flame-cutting commercial steels and for crossing-cutting steels and aluminium products. At all the steel service centres, personnel strength was increased in line with the stronger demand. The pretreatment centres operated at full capacity throughout the financial year, mostly on three shifts.

The efficiency of internal operations was further enhanced through such means as staff training, and special attention was paid to quality work and to improving customer service. The Lappeenranta sales unit moved into new premises in December at the new Starckjohann shopping centre.

OUTLOOK

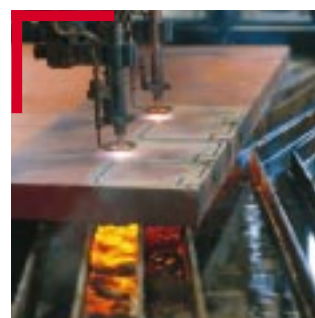
Growth in the output of the metal and electronics industries will continue in the present year, although at a slightly slower rate than last year. However, the engineering and metal product industry is expected to boost its output by approximately 4-5%, which is on a par with last year's growth. As the metal industry is outsourcing the upstream stages of its production processes, the demand for steel pretreatment services will also grow. At Starckjohann Steel, 1998 is expected to be a brisker year for sales than 1997. The favourable trend in sales will be affected by increased demand for steels and other metals, higher prices for commercial steels, and especially by the investments the division has made in its product range, its pretreatment machinery, its warehouse facilities and its personnel. These boost Starckjohann Steel's competitive edge in a situation in which a high industrial capacity utilization rate requires particularly precise, on-time operations.



Starckjohann Steel can deliver bright steels cut to length when required.



State-of-the-art warehouse technology means deliveries you can bank on.



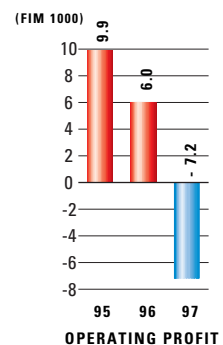
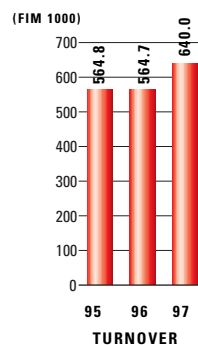
As a steel pretreater, Starckjohann Steel is an integral part of the metal industry's outsourcing network.



BUSINESS AREA DIRECTOR HEIKKI MÄENPÄÄ

Suomen LVI-Tukku

Suomen LVI-Tukku	1997	1996	1995
Share of Group turnover, %	17.8	18.3	19.2
Share of Group operating profit, %	-6.5	6.6	11.2
Turnover	640.0	564.7	564.8
Operating profit	-7.2	6.0	9.9
Operating profit, %	-1.1	1.1	1.7
Return on investment, %	neg.	-	-
Staff at year-end	224	215	209



Suomen LVI-Tukku is a wholesaler of heating, plumbing and ventilation products in Finland. Its product range covers all HVAC products. Suomen LVI-Tukku's customers are HVAC contractors, public utilities, industrial maintenance and HVAC distributors. Its nationwide sales and distribution network consists of a central warehouse and 16 cash-and-carry outlets in various parts of Finland.

TURNOVER AND OPERATING LOSS

Suomen LVI-Tukku's turnover in 1997 was FIM 640.0 million or 17.8% of the Starckjohann Group's turnover (1996: FIM 564.7 million and 18.3%). Turnover was up by 13.3%.

Demand for Suomen LVI-Tukku's products is particularly dependent on the trend in construction output. In 1997 construction output grew by about 10%. Growth continued in renovation construction, which is also important to the HVAC business, but it grew at a slower rate than new construction. Suomen LVI-Tukku's sales grew faster than average for the industry and it retained its market share of roughly 20%. Growth in new construction affects trade in HVAC products more slowly than other building supplies, because it is only later during construction that HVAC products are required in greater quantities. In the early months of the year, demand was low in the HVAC business. Later in the year the market for HVAC products expanded, but the growth was no longer enough to compensate for the deterioration in profitability caused by heavy competition on prices.

Heavy price competition throughout the year left the division's margins low, and in spite of higher sales Suomen LVI-Tukku's operating result declined. The operating loss was 7.2 million or -1.1% of turnover (1996: FIM 6.0 million and 1.1%).

Suomen LVI-Tukku had 224 employees at the end of 1997 (1996: 215). The increase in the number of employees was due to the establishment of the central warehouse and the expansion of operations.

OPERATIONS

Suomen LVI-Tukku set up a central warehouse in Turku, which became operational in March. The central warehouse makes Suomen LVI-Tukku's logistics more efficient as well as improving capital management and customer service. The central warehouse serves all the sales units of Suomen LVI-Tukku and its re-

gional warehouses, which concentrate on developing cash-and-carry and other customer services.

During the financial year, the regional sales and distribution network was also modernized and expanded. The Turku sales unit moved into the same building as the central warehouse in January and the Oulu sales unit moved to the same site as Starkki in February. New premises were refurbished for the Hämeenlinna retail unit and cash-and-carry warehouse, and the premises came on stream in April. The distribution network was also expanded by one unit when a new retail outlet and cash-and-carry warehouse was opened in Kokkola in June. A cash-and-carry warehouse was established in Lappeenranta in September after the local retail unit had moved to Starckjohann's new shopping centre..

A new, chain-type operating model for Suomen LVI-Tukku was introduced in February 1998. The basic parts of the chain are the marketing and materials section and the retail units section. The marketing and materials section is responsible on a centralized basis for matters related to the use of capital, such as the range in stock, purchasing agreements, purchases, marketing, and centralized materials operations. The retail units section is responsible for sales and customer services in the field. The new, customer-oriented operating model enhances the efficiency of Suomen LVI-Tukku's operations and improves its competitiveness.

OUTLOOK

The growth in construction output will continue this year. HVAC business is forecast to expand by approximately 10%. Competition in this field is likely to remain intense, however. Last year's investments in the central warehouse and business locations, combined with the new, chain-type operating model, are forecast to enable Suomen LVI-Tukku to continue its favourable trend in sales and its profitability to improve.



Suomen LVI-Tukku's product range covers everything you need for heating, plumbing and ventilation.



A broad-based and efficient cash-and-carry service is one of Suomen LVI-Tukku's strong points.



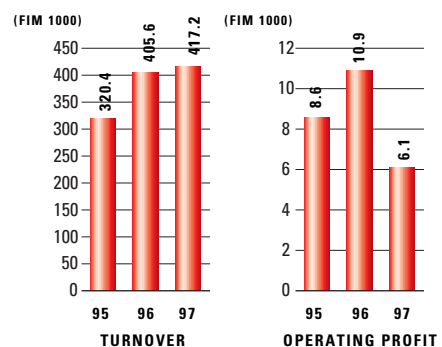
One of Suomen LVI-Tukku's services is maintenance for industry.



BUSINESS AREA DIRECTOR MARKKU MÄKELÄ

Starckjohann Auto

Starckjohann Auto	1997	1996	1995
Share of Group turnover, %	11.6	13.2	11.1
Share of Group operating profit, %	5.5	11.9	9.8
Turnover, FIM million	417.2	405.6	320.4
Operating profit, FIM million	6.1	10.9	8.6
Operating profit, %	1.5	2.7	2.7
Return on investment, %	14.5	-	-
Staff at year-end	138	128	117



Starckjohann Auto is a chain of five car dealers trading in cars and spare parts as well as servicing and repairs, operating in Lahti, Tampere, Hämeenlinna and Heinola. Starckjohann Auto sells several marques. The main marque is Opel, which Starckjohann Auto deals in at all its business locations. The other marques are Nissan and GM-USA cars in Lahti, Nissan in Heinola, Saab in Tampere, and Mercedes-Benz, Honda and BMW in Hämeenlinna.

TURNOVER AND OPERATING PROFIT

Starckjohann Auto's turnover in 1997 was FIM 417.2 million or 11.6% of the Starckjohann Group's turnover (1996: FIM 405.6 million and 13.2%). The growth in turnover, at 2.9%, was below the average for the industry. This was caused particularly by a downturn in the market share of the main marque, Opel. However, Opel was the second most purchased marque in Finland, with a market share of approximately 12.4%. The marque's share of Starckjohann Auto's new car trade is roughly 70%.

The start of 1997 was more quiet in the motor trade than had been forecast. In the summer car sales began to recover. During the year a total of 104,507 new cars were sold in Finland, which is 9% more than during the previous year. Sales of cars registered for corporate use were up by 12%. Their percentage of aggregate sales of new cars was 41%. Demand for maintenance and repair shop services grew as a result of growth in new car sales.

Starckjohann Auto's operating profit was FIM 6.1 million and 1.5% of turnover (1996: FIM 10.9 million and 2.7%). Low growth in sales resulted in a deterioration in operating profit as well. One reason for this was competition for market share between car marques, which exerted a drag on profitability in the industry. Later in the year, the nonrecurring expenses of starting up the Tampere car showroom building also exerted a drag on profits.

Starckjohann Auto had 138 staff at year-end (1996: 128). The increase in staff was due to the fact that, on completion of the new car showroom building in Tampere, its maintenance and repair shop operations were transferred from private repair firms to Starckjohann Auto.

OPERATIONS

In 1997 Starckjohann Auto handed over a total of 1,726 new and 3,170 second-hand cars, which is slightly more than in the previous year. Throughout its operating area Starck-

johann Auto's market share was approximately 14% of the total sales of new cars.

The price trend for new cars in 1997 was moderate. Heavy competition between marques for market share stepped up pressure on prices in the new car business and raised trade-in prices.

Starckjohann Auto aims to make its five car sales locations a more standardized and efficient sales chain. In connection with this, its organization was changed in the course of 1997 into a marque line organization, based on specific product lines for the marques. The lines are responsible for all of the customer services in their own product areas, from car sales to spare parts and maintenance services.

The most important investment during the review period was the new Opel and Saab showrooms completed in December in Tampere. The new showrooms also facilitated the expansion of maintenance and repair shop services with new instant maintenance services. A new information system has been acquired for Starckjohann Auto, covering all car dealership operative functions. The new system will be commissioned in spring 1998.

OUTLOOK

The steady growth in the motor trade is continuing. It is forecast that this year some 110,000 new cars will be sold in Finland, which is 5-6% more than last year. Demand for spare parts and maintenance services will also increase due to growth in car trading.

The investments made in 1997 in the Tampere showroom building, the information system and the marque line organization, among others, will improve Starckjohann Auto's competitiveness. In car sales, particular effort will be devoted to boosting the proportion of company car sales and, in after-sales support, to the selling of new maintenance services. The launch this year of the new Opel Astra model, which is in the best-selling class in Finland, is forecast to increase Opel's market share.



Masterfit is one of Starckjohann Auto's new maintenance services.



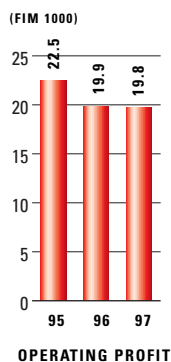
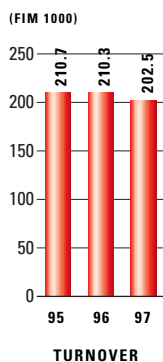
Starckjohann Auto has combined spare parts sales with maintenance customer services.



Starckjohann Auto strives to improve the quality of customer service.

Other Group companies

Other Group companies:	1997	1996	1995
Share of Group turnover, %	5.6	6.8	7.2
Share of Group operating profit, %	17.9	21.8	25.7
Turnover, FIM million	202.5	210.3	210.7
Operating profit, FIM million	19.8	19.9	22.5
Operating profit, %	9.8	9.5	10.7
Return on investment, %	32.5	-	-
Staff at year-end	141	131	140



LAAKERIPALVELU OY

Laakeripalvelu Oy supplies its customers with bearings, power transmission and other engineering products. It imports, stores and sells these products, both directly and through its distributor network, to its customers in primary installation and maintenance. The company has business locations in Helsinki, Lahti and Tampere.

Laakeripalvelu Oy's turnover in 1997 was FIM 62.5 million (1996: FIM 57.9 million). The market in this sector grew during the financial year and turnover was up by 8.0%. Thanks to higher turnover, good margins and tight control of costs, the company's operating profit also improved.

The company had 43 employees at year-end (1996: 39). The increase in personnel was largely due to a rise in the number of sales staff in the field.

The market in the sector will continue to grow this year, but at a slightly slower rate than in 1997. Laakeripalvelu's outlook for 1998 is good.

OULUN PULTTI OY

Oulun Pultti Oy is a specialist dealer in fastenings engaged in importing and dealing in fastenings and related accessories in Northern Finland. It supplies these products to industry, building companies and retailers. In addition to Oulu, it has sales locations and warehouses in Kemi and Rovaniemi.

Oulun Pultti Oy's turnover in 1997 was FIM 24.5 million (1996: FIM 23.4 million). Turnover was up by 4.4%. Growth in new and renovation construction were major contributory factors in this. Oulun Pultti's operating profit also showed improvement.

At the end of 1997 the company had 30 employees (1996: 28).

Oulun Pultti's outlook for 1998 is good.

BÖGE LARSEN PROJECTS OY

Böge Larsen Projects Oy is a specialist in constructing and equipping computer rooms and other special premises, securing IT, and commissioning state-of-the-art technology. It serves companies whose business involves large rooms for computer or other equipment, with high floors, special air conditioning and electricity supply backup. It supplies items including platform floors, and UPS and precision air conditioning systems to customers in Finland as well as supplying projects for computer rooms and other special premises in Russia. The company's administration is in Helsinki. It also has accredited representation in Moscow and St Petersburg.

Böge Larsen Projects Oy's turnover in 1997 was FIM 57.2 million (1996: FIM 76.5 million). Turnover declined by 25.3% due to increased difficulties on the Russian

export market. Demand on the domestic market held steady at the previous year's level. The company's operating profit was unchanged.

The company had 36 Finnish employees at the end of 1997 (1996: 36).

The outlook in Finland for Böge Larsen Projects this year is good. Uncertainty continues on the Russian market and competition is continuing to intensify.

ANINKAISTEN TAPETTI JA VÄRI OY

Aninkaisten Tapetti ja Väri Oy is an interior design specialist based in Turku, where it engages in wholesale and retail trade in interior design products. Its product range consists of paints, wallpaper, flooring materials, adhesives and utensils. The company serves industry, trade paint shops, builders, distributors and consumers.

Aninkaisten Tapetti ja Väri Oy's turnover in 1997 was FIM 58.4 million (1996: FIM 52.5 million). Turnover was up by 11.4% due to growth in new and renovation construction. The company's operating profit also improved.

The company had 32 employees at the end of 1997 (1996: 29). The number of staff increased due to higher volume and new business premises.

Because of growth in construction, the outlook for Aninkaisten Tapetti ja Väri is good this year.



Group Administration



CHIEF FINANCIAL OFFICER
VESA VERTANEN

The main measures related to the development of the Starckjohann Group's administration were the modernization of operating processes carried out jointly with the divisions, combined with the building of information systems to control these operating processes. In connection with this, working costs between the centralized part of the Group and the various divisions are also being streamlined with the goal of a cost-effective Group administration that supports business operations.

Early in 1997 a project was launched to link the Group's business locations by network. As a result of this, the Group's information technology base is being built up to meet the demands of open and increasingly networked trading. The project will be brought to completion in 1998.

2000

All of the Starckjohann Group's commercial and administrative systems are to be upgraded by the year 2000. The Enter 2000 and Control 2000 projects aimed at bringing new information systems on line no later than 1999 are being started up during the present year. The new, customer-oriented information systems that boost competitiveness are based on solutions provided by leading systems suppliers.

External suppliers and the Starckjohann Group have already allocated the resources needed to bring the projects to fruition, so the Starckjohann Group has secured its readiness for updates required for the new millennium and for the changeover to the common European currency, the euro. The total sum to be invested in training related to IT, systems and start-up over the three-year period is approximately FIM 40 million.

FINANCING

In order to pay off the debts rescheduled under the statutory restructuring programmes, the Starckjohann Group's financing and collateral were reorganized. The amortization periods for the new, long-term financing, which are more economical in terms of interest costs than those of the rescheduled debts, are 5-8

years; some of the rates are fixed and some variable. The Group has also made allowance for the investment required for growth by negotiating in advance with financing institutions for a loan of up to FIM 200 million to be taken if necessary.

REAL ESTATE

The Group's real estate business is consolidated in the hands of the subgroup formed by Vahva-Jussi Oy and VJ-Kiinteistöt Oy. The rental occupancy rate of the properties has remained good at nearly 90%, with a net yield of almost 6%. A few smaller properties were sold off from the portfolio in the course of the period under review. In accordance with a realization plan, roughly FIM 40 million is to be disbursed from the properties owned by VJ-Kiinteistöt Oy over the next few years to develop the Group's main business areas.

Human Resources Development

In order to safeguard the continuity of the Ahjo process for the Group management system and personnel development, personnel and quality development and communications were spun off from Group Administration to form a separate unit. The prime purpose of the operation, in addition to improving management and the management system, is to make sure that the Group has access to the necessary expertise and to develop and implement the Starckjohann personnel policy in line with the corporate strategy. It also handles, on a central basis, certain personnel services such as occupational health and wages administration and it provides the divisions with the necessary legal expertise on questions of employment relationships.

MANAGEMENT DEVELOPMENT

The management development process was continued during 1997 in connection both with training and with the implementation of a management system. During the year, 49 managers underwent a four-day Ahjo training session and performed related development work within their own units. The Ahjo sessions during the year and before it were gathered together into a new Starckjohann management model book, which was handed out to all managers during 1998 in connection with operational planning and budgeting.

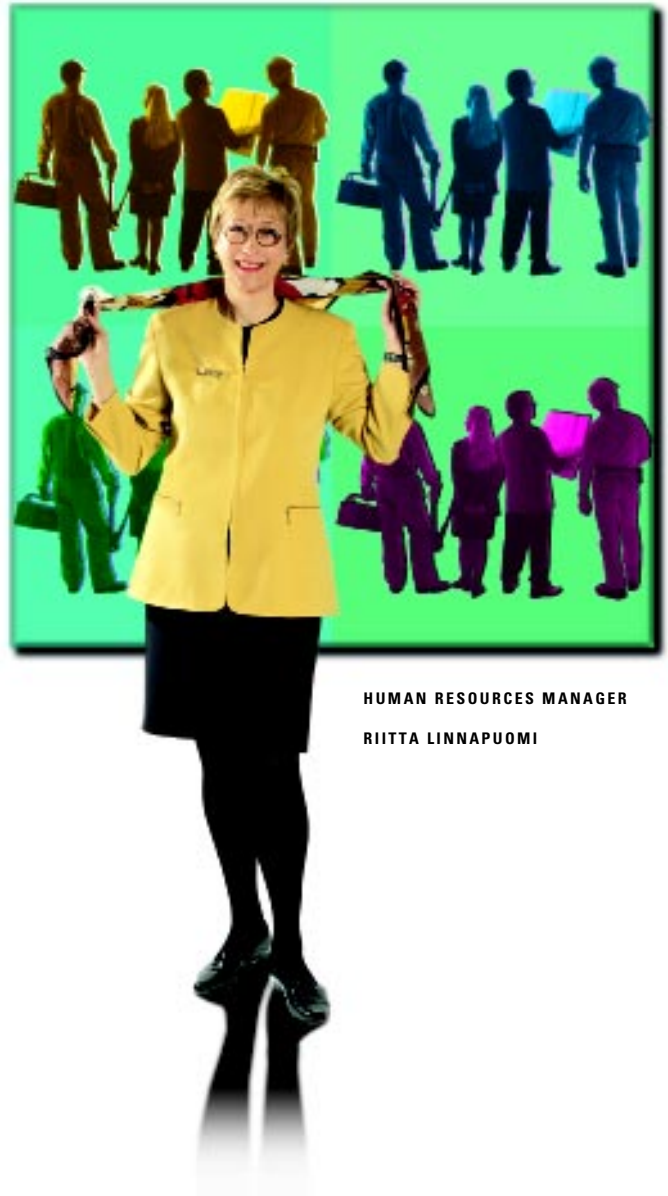
In the future, quality and the ideology of quality management will be emphasized more strongly than before in the development of management at Starckjohann.

RESOURCE AND EXPERTISE SURVEYS

As a part of the organization's strategic development, competence profiles derived from the business management strategy of the key professions in Starkki and Suomen LVI-Tukku were produced during the year, and surveys of resources and expertise were carried out. As a result of these, a picture was obtained of the way present human resources correspond to the needs of the divisions and they also yielded information to support career planning and internal development. The surveys involved all the key professions, from management to shelf supervisors and wholesale trade staff. A similar survey has been started at the beginning of this year at Starckjohann Steel.

COMPUTER TRAINING

In autumn 1997 a total of roughly a thousand new workstations were started up, in accordance with the Group's information management strategy. For most users, this meant a considerable change in the way terminals were used, with state-of-the-art workstations and a network environment. To support this change, a major workstation training programme was launched in autumn 1997. It opened with a pilot course with 70 participants in Lahti, Helsinki and Oulu. Training will be expanded in the course of this year to all business locations in lockstep with networking and the start-up of new workstations.



**HUMAN RESOURCES MANAGER
RIITTA LINNAPUOMI**

Report of the Board

BUSINESS ENVIRONMENT

Construction output rose in quantity by 10% in 1997. Renovation continued to grow at a rate of 8%, but new construction increased substantially. New building construction grew by 17%, with building starts rising to 31 million cubic metres. As recently as two years ago the volume of starts was a third smaller. However, investments in construction accounted for less than 10% of GDP, compared with a range of 14-20% in the 1975-1990 period. Regional differences in construction were large, reflecting the localization of growth in the Helsinki Metropolitan Area and other large centres of population.

Growth in construction output stimulated trade in hardware and building supplies by nearly 10%. The upswing in construction also boosted demand for heating, plumbing and ventilation products, and HEPAC trade wholesale grew by just under 8%.

The output of the metal and electronics industry grew by 11%. The engineering and metal products sector included in this industry boosted output by 5%, influenced by a strong export market in particular; this compensated for a decline in domestic demand from the engineering industry. Growth in construction improved the market for the metal product industry in Finland during the financial year.

Growth in the metal industry's output fuelled demand for steels and other metals. Cash-and-carry sales of steels grew by 15% during the year.

After a slow start to the year, the motor trade began to pick up during the summer. A total of 104,507 new cars were sold in Finland, up by 9% on the previous year. The last time the figure of 100,000 was reached in Finland was 1990, when 139,000 new cars were sold.

OVERVIEW

The Starckjohann Group's divisional companies Rakentajan Starckjohann Oy, Rauta Starckjohann Oy, Suomen LVI-Tukku Oy and Auto Starckjohann Oy were merged at the beginning of last year into their parent company, Starckjohann Oyj, in which they continue in business as independent divisions with business names of their own. Rakentajan Starckjohann continues its business under the name Starkki, Rauta Starckjohann under the name Starckjohann Steel, and Auto Starckjohann under the name Starckjohann Auto. Suomen LVI-Tukku continues with its old name.

Because of a positive trend in the Group's business and an improvement in its financial position, Starckjohann Oyj's financing was reorganized on a market basis and in August the company paid off all its rescheduled debts. After the subsidiary Vahva-Jussi had also paid off its rescheduled debts, all the restructuring programmes confirmed for the Starckjohann Group in 1994 were completed ahead of time. The restructuring programmes for Starckjohann Oyj and Vahva-Jussi Oy were to have lasted until the year 2002 and those of the other companies until 1998.

An extraordinary general meeting of Starckjohann Oyj declared in September that the confirmed restructuring programmes for Starckjohann Oyj and the companies merged with it - Starckjohann Palvelut Oy, Rakentajan Starckjohann Oy and Lappeenrannan Rautakauppa Oy - and the subsidiary Vahva-Jussi Oy, had been terminated. One of the consequences of this was that the prohibition on payment of dividends by the parent company was eliminated.

In the course of 1997 a project representing an extensive upgrade for the divisions' information systems was launched under the name Enter 2000. New infor-

mation systems will be operative in Starkki, Starckjohann Steel and Suomen LVI-Tukku in spring 1999. Starckjohann Auto's new information system will be started up this spring.

As part of a staff incentive scheme, the full-time employees of Starckjohann Oyj were offered a FIM 570,000 warrant bond issue for subscription in November. The warrants confer entitlement to subscribe for a total of 5.7 million company shares at a subscription price of FIM 12. The subscription period for the shares will begin in stages on 1 May 1999 and 1 May 2000.

In November Merita Bank Ltd, which had held 53.7% of the share capital and voting rights in the company, sold all the Starckjohann Oyj shares it held to Trelleborg Holding AB of Sweden, which thereupon became Starckjohann Oyj's parent company.

The overall market for all the Starckjohann Group's divisions grew in 1997. The Group's turnover was up and the profit before extraordinary items improved. Liquidity remained favourable throughout the financial year.

The Board of Directors proposes that FIM 0.15, or 22.4% of the earnings per share, be paid in dividend for 1997.

TURNOVER

The Starckjohann Group's turnover for the 1997 financial year was FIM 3,599.8 million (FIM 3,079.7 million in 1996). Turnover was up by 16.9%. Growth in turnover was due particularly to the upturn in the construction industry as well as the metal and engineering industry's increased output. They boosted demand for building materials and heating, plumbing and ventilation products as well as steels and other metals. The upturn in the motor trade also continued.

Starkki's sales were up well ahead of the average for the sector. In addition to the recovery in construction, the healthy trend in sales was boosted by conceptual changes in the Starkki units, new investments, and the consolidation of market shares that took place in trading in hardware and building supplies during the period under review, which strengthened Starkki's position on the market. The sales of Suomen LVI-Tukku also grew better than general for the sector.

Starckjohann Steel's sales also grew faster than average for the sector. In addition to increased output in the metal and engineering industry, Starckjohann Steel's sales were also boosted by a corporate acquisition the previous year and by extended pretreatment capacity.

Starckjohann Auto's sales also grew, but more slowly than the average trend for the sector. This was due to reasons including the fact that the main marque lost market share.

The sales of Laakeripalvelu Oy, Oulun Pultti Oy, Böge Larsen Projects Oy and Aninkaisten Tapetti ja Väri Oy were down on the previous year.

FINANCIAL PERFORMANCE

The Starckjohann Group's financial result was an improvement on the previous year's figure. The operating margin was FIM 163.7 million and 4.5% of turnover (1996: FIM 151.8 million and 4.9%). Operating profit amounted to FIM 110.2 million, which is 3.1% of turnover (1996: FIM 91.4 million and 3.0%).

After the merger of the Group's divisional companies with their parent company, Starckjohann Oyj, at the beginning of 1997, the calculation of the divisions' profits has been defined in such a way that the intra-Group accounting items also exert a drag on the divisions' profits. For this reason the operating profit figures for the individual divisions are not, without modification, comparable with previous years' operating profit figures.

Starkki's operating profit was FIM 45.3 million, being 2.9% of turnover (1996: FIM 41.7 million and 3.0%). The rise in operating profit was influenced by higher sales as a result of an upturn in construction as well as conceptual changes that boosted the operational efficiency and competitiveness of the Starkki chain units during the financial year. The start-up of new business locations at the end of the year resulted in nonrecurring expenses which exerted a drag on profits in the closing months of the year.

Starckjohann Steel's operating profit was FIM 34.6 million or 4.3% of turnover (1996: FIM 24.9 million and 4.0%). In addition to growth in demand by the metal and engineering industry and the expansion of the product range, operating profit was boosted by a proportional increase in pretreatment sales, which raised the level of value added. A downturn in stainless steel prices eroded the operating profit towards the end of the year.

Suomen LVI-Tukku's operating loss was FIM 7.2 million or -1.1% of turnover (1996: profit of FIM 6.0 million and 1.1%). In spite of growing demand for construction and for heating, plumbing and ventilation products, competition in the HEPAC field continued to be intense throughout the year. The nonrecurring expenses of establishing a central warehouse also exerted a drag on profits. For

The distribution and growth of the Group's turnover in 1997 was as follows:

(FIM 1,000)	Turnover	Percentage	Change on 1996, %
Divisions			
Starkki	1,587.029	44.1	19.1
Starckjohann Steel	797.401	22.2	27.8
Suomen LVI-Tukku	640.044	17.8	13.3
Starckjohann Auto	417.160	11.6	2.9
Other Group companies			
Aninkaisten Tapetti ja Väri Oy	202.541	5.6	-3.7
Laakeripalvelu Oy			
Oulun Pultti Oy			
Böge Larsen Projects Oy			
Other companies	28.481	0.8	-27.7
Intra-Group invoicing	-72.876	-2.1	-24.7
Total for Group	3,599.780	100.0	16.9

these reasons, Suomen LVI-Tukku's operating result declined.

Starckjohann Auto's operating profit was FIM 6.1 million or 1.5% of turnover (1996: FIM 10.9 million and 2.7%). Because of a decline in the market share of the main marque, Starckjohann Auto's sales did not follow the trend in its industry. Heavy competition over market share between car marques raised trade-in prices and put pressure on profitability in the business. Later in the year, the nonrecurring expenses of starting up operations in the Tampere car showroom building also exerted a drag on profits.

The combined operating profit of the other Group companies, which were Laakeripalvelu Oy, Oulun Pultti Oy, Böge Larsen Projects Oy and Aninkaisten Tapetti ja Väri Oy, was FIM 19.8 million (1996: FIM 19.9 million).

The Group's depreciation totalled FIM 53.5 million (1996: FIM 60.4 million).

Profit after financing items was FIM 95.2 million (1996: FIM 77.4 million). Extraordinary income amounted to FIM 14.8 million. Extraordinary income includes an accord for a FIM 14.8 million subordinated loan related to financing arrangements for subsidiary Vahva-Jussi Oy.

The consolidated profit before reserves and taxes was FIM 110.0 million (1996: FIM 77.4 million). The taxes for the financial year were FIM 7.7 million (1996: FIM 0.1 million). A decision handed down by the Provincial Tax Office of Uusimaa in 1997 enables Starckjohann Oyj to deduct confirmed losses for the tax years 1992-1995 in its taxes, in spite of the changes in ownership that took place in the 1995-1997 period. The confirmed losses not yet deducted in taxes amount to some FIM 820 million.

FINANCIAL POSITION

FIM million	1997	1996
Interest-bearing debts		
Long-term rescheduled debts	0.0	330.2
Long-term loans	512.0	29.5
Short-term rescheduled debts	0.0	78.6
Short-term loans	62.0	11.5
Interest-bearing debts, total	574.0	449.8
Non-interest-bearing rescheduled debts	0.0	169.9
Interest- and non-interest-bearing debts, total	574.0	619.7
Cash and at banks	97.6	107.2
Net debt	476.4	512.5
Net debt/turnover (%)	13.2	16.6
Shareholders' equity	444.6	329.4
Debt-equity ratio (%)	105.4	155.6
Equity ratio (%)	31.7	26.8
Cash flow from business operations	162.9	111.2
Net financing expenses	15.0	14.0
Net financing expenses/turnover (%)	0.4	0.5

The consolidated financial statements for 1997 indicate a net profit of FIM 110,041,275.94 (1996: FIM 92,846,395.66).

The Group's return on investment was 13.2% (1996: 12.2%) and its return on equity was 21.0% (1996: 24.8%). The Group's earnings per share were FIM 0.67 (1996: FIM 0.62).

FINANCING AND FINANCIAL POSITION

The Group's financial position improved in 1997. The equity ratio was 31.7% at year-end, which is 4.9 percentage points up on the previous year's figure.

In August 1997 all the rescheduled debts FIM 578.7 million were repaid to the creditors. New loans were taken in the amount of FIM 515.0 million for the payment of the rescheduled debts.

Cash flow from operations grew to FIM 162.9 million (1996: FIM 111.2 million).

The Group's liquidity was good throughout the year. Liquid assets at year-end totalled FIM 97.6 million (1996: FIM 107.2 million).

INVESTMENTS

The Group's investments were an increase on the previous year's and totalled FIM 97.5 million (1996: FIM 59.8 million). The biggest investments completed in 1997 were the joint business centre for Starkki, Starckjohann Steel and Suomen LVI-Tukku in Lappeenranta, new Starkki units in Espoo and Turku, Suomen LVI-Tukku's central warehouse in Turku and its new unit in Kokkola, and Starckjohann Auto's new car showroom building in Tampere.

The investments in progress at year-end included an extension to the Starkki unit in Hämeenlinna, the renovation of a Helsinki unit, and the construction of a new Starkki unit in Helsinki.

GROUP STRUCTURE

The Starckjohann Group's divisional companies - Rakentajan Starckjohann Oy, Rauta Starckjohann Oy, Suomen LVI-Tukku Oy and Auto Starckjohann Oy - were merged into their parent company, Starckjohann Oy, at the beginning of 1997. Since the merger they have continued in business as before as independent divisions of Starckjohann Oy under new business names.

During the accounting period, Starckjohann Oy relinquished Penope Oy, a former affiliate that had become a subsidiary, after selling all its shares in Penope in May. Starckjohann Oy's holding was 50.5% of the company's share capital and 58.0% of voting rights. After the transaction the Group retained no shares in Penope Oy.

SHARES AND SHARE CAPITAL

At the end of 1997, Starckjohann Oy's share capital was FIM 129.8 million. At year-end the Board of Directors had no authorizations to issue shares. During 1997 there was a targeted issue of warrant bonds to Starckjohann Oy's full-time staff, the subscriptions for which may result in the company's share capital rising by a maximum of 5,700,000 shares or FIM 5.7 million.

The amount of the warrant bond issue is FIM 570,000 and it has a maturity of three years. The issue bears no interest. The warrants may be used to subscribe for a total of 5,700,000 shares in the company at a subscription price of FIM 12. The subscription period of the shares will take place in stages on 1 May 1999 and 1 May

THE TEN BIGGEST SHAREHOLDERS ON 31 DECEMBER 1997:

	Shares, Number	Percentage of shares and Voting rights
Trelleborg Holding AB	69,718,714	53.7
Metsä-Serla Oy	6,000,000	4.6
Starckjohann Foundation	3,156,128	2.4
SkopBank	2,208,568	1.7
Starckjohann Solveig	1,538,629	1.2
Partita Oy	1,178,000	0.9
Merita Delta Oy	1,056,000	0.8
Starckjohann-Bruun Thelma Foundation	986,302	0.8
Optiomi Oy	873,000	0.7
Aktia Capital	858,000	0.7
Total	87,573,341	67.4

There were a total of 6,269,068 shares, or 4.83% of the total shares and voting rights, in a nominee register. Of these, 5,871,330 shares were nominee-registered at Merita Bank Ltd, a number corresponding to 4.5% of the shares and voting rights.

2000. The share subscription period for all the warrants will end on 31 May 2002.

SkopBank, which had held 20.2% of Starckjohann Oy's share capital and voting rights, sold a total of 21,000,000 of its shares in Starckjohann Oy in January, as a result of which its interest in the company fell to 3.85%. SkopBank's holdings of company shares and voting rights on 31 December 1997 was 1.7%.

Penope Oy, which had held 1.5% of the company's share capital and voting rights, sold all its Starckjohann Oy shares in February.

In November Merita Bank Ltd sold a total of 69,718,714 of the Starckjohann Oy shares it held to Trelleborg Holding AB of Sweden, whereupon Trelleborg Holding AB became the parent company of Starckjohann Oy. Its share of the company's share capital and voting rights amounted to 53.7% on 31 December 1997.

A record number of Starckjohann Oy shares were traded during 1997 on the Helsinki Stock Exchange, with a total of 174.2 million shares changing hands, the equivalent of 134.2% of the number of issued shares (1996: 8.9 million shares and 6.9%). The value of the share turnover totalled FIM 1,589.5 million (1996: FIM 56.6 million). The lowest traded price for the company's shares was FIM 7.00 and the highest was FIM 11.00, with an average of FIM 9.12. The last traded price on 30 December 1997 was FIM 8.01. The market capitalization on the closing of the books on 31 December 1997 amounted to FIM 1,040.0 million (1996: FIM 928 million). The number of shareholders at year-end was 2,895 (1996: 1,074).

As a result of the termination of the statutory restructuring programmes, the prohibition on the payment of dividends by the company ended. Helsinki Stock

Exchange took Starckjohann Oyj off the observation list on 8 September 1997.

The members of the company's Board of Directors and its President held a total of 677,283 shares at year-end, representing 0.5% of the company's share capital and voting rights. The members of the company's Board of Directors and its President also hold 665,000 equity warrants in the company. These confer entitlement to subscribe for a number of shares corresponding to 0.5% of the share capital and voting rights.

BOARD OF DIRECTORS AND PRESIDENT

The company's Board of Directors, until 15 December 1997, comprised Leo Vatanen as its Chairman, Risto Wartiovaara as Deputy Chairman, and Hannu Anttila, Kari Kolu and Sisko Kanervaara as ordinary members.

As a result of Trelleborg Holding AB's acquisition of a 53.7% holding in Starckjohann Oyj's issued stock, Board members Hannu Anttila, Kari Kolu and Risto Wartiovaara tendered their resignations from the Board. At an extraordinary general meeting held on 15 December 1997, new members were elected to the Board in place of those who had resigned: Kjell Nilsson, Björn Ogard and Åke Järnblad, all employees of Trelleborg AB. Continuing as Board members were its Chairman, Leo Vatanen, and ordinary member Sisko Kanervaara.

Taisto Riski, M.Sc. (Econ.), APA, served as the company's President.

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

PERSONNEL AND PAY

The Group had an average of 1,569 employees (1996: 1,457), of whom the parent company employed an average of 1,422 people (1996:74). The big change in the parent company's number of employees resulted from the change in the Group structure effected at the beginning of 1997. At the start of the financial year the Group had 1,485 employees and 1,616 at year-end. The number of employees grew as a result of growth in business.

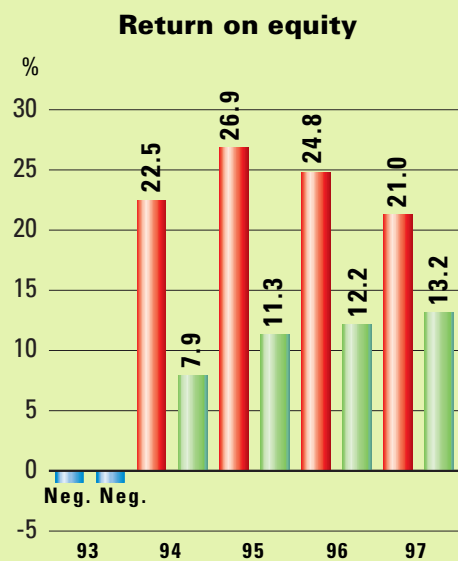
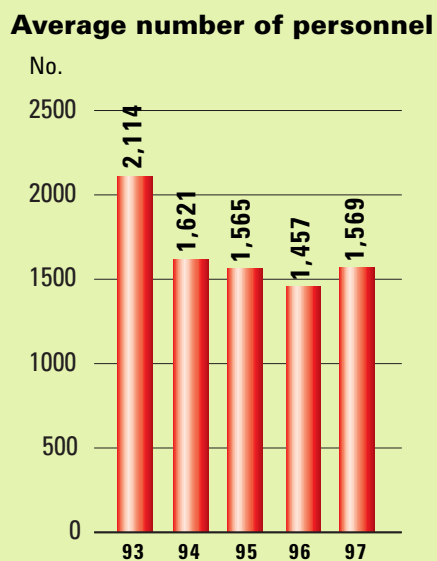
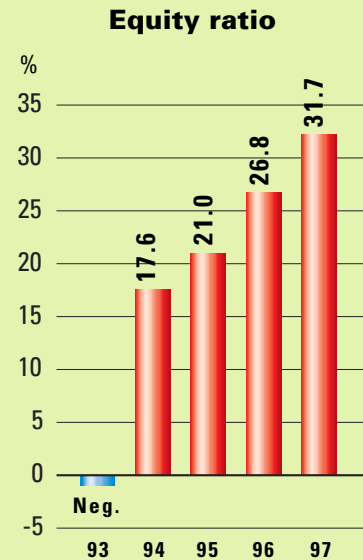
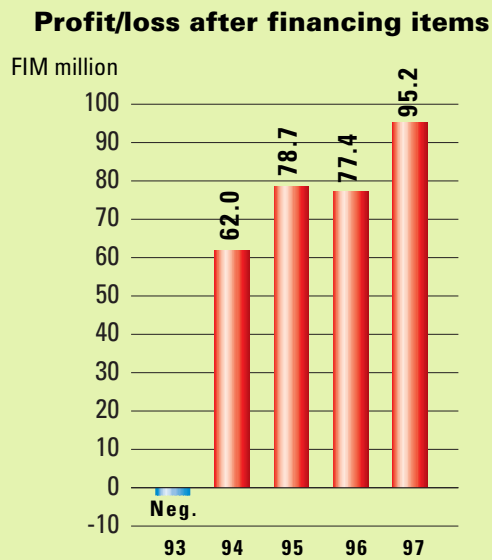
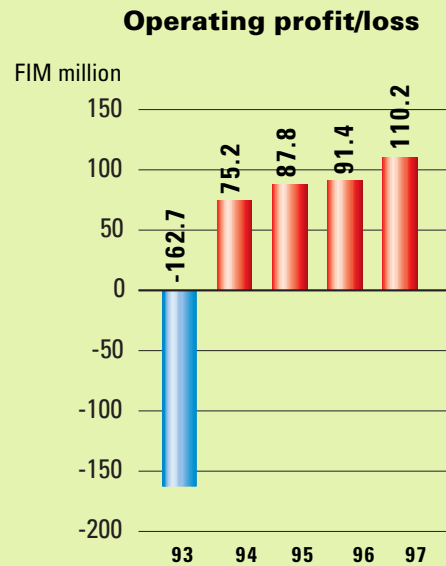
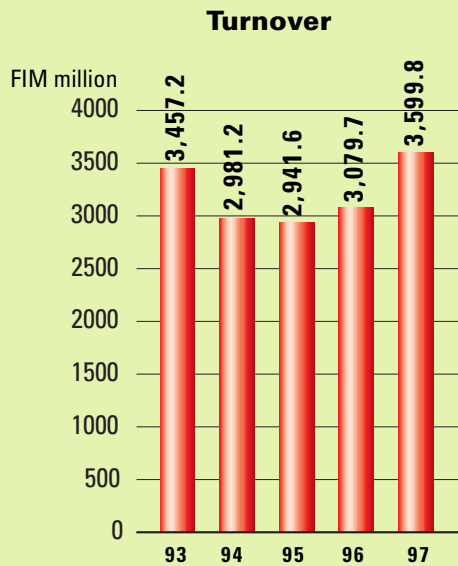
The wages, salaries and emoluments paid by the Group were FIM 225,018,922.55 (1996: FIM 201, 638,079.00), of which the salaries paid to the Board of Directors and the President accounted for FIM 3,401,046.60 (1996: FIM 6,154,155.00). The salaries and wages paid by the parent company totalled FIM 202,613,843.55 (1996: FIM 12,910,115.00), of which the salaries paid to the Board of Directors and President accounted for FIM 1,411,572.00 (1996: FIM 1,567,712.00).

OUTLOOK FOR 1998

The healthy trend in the Finnish economy is expected to continue this year. The economic prospects for the near future look good for all the Starckjohann Group's divisions. The construction and metal indus-

tries are forecast to continue increasing their output, which will boost demand for building materials, heating, plumbing and ventilation products, and steels and other metals. The motor trade is also forecast to continue along its growth track.

Thanks to the overall economic trend and the investments and development measures taken, the Group's turnover is forecast to grow and the net profit to improve further in the present year.



ROE
ROI

Starckjohann Group, Income Statement

(FIM 1,000)	1.1.-31.12.1997		1.1.-31.12.1996		Note
TURNOVER	3,599,780		3,079,747		4
Share in profits of affiliated companies	175		301		
Other income from business operations	14,075		20,608		
EXPENSES					
Materials, supplies and products:					
Purchases during accounting period	3,077,793		2,539,455		
Change in inventories	-78,536		-26,405		
External services	36,620		39,618		
Personnel expenses	279,316		259,171		5
Rents	18,067		18,692		
Other expenses	117,118	3,450,378	118,339	2,948,870	
OPERATING MARGIN	163,652		151,786		
DEPRECIATION ON FIXED ASSETS AND OTHER CAPITALIZED EXPENDITURE	53,464		60,340		6
OPERATING PROFIT	110,188		91,446		
FINANCING INCOME AND EXPENSES					7, 8
Dividend income	831		171		
Interest income	12,652		19,059		
Interest expense	-26,124		-33,096		
Other financing expenses	-2,331	-14,972	-183	-14,049	
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	95,216		77,397		
EXTRAORDINARY INCOME AND EXPENSES	14,800		-		3
PROFIT BEFORE RESERVES AND TAXES	110,016		77,397		
Change in depreciation difference	-12,431		3,980		
Decrease in voluntary reserves	20,566		8,411		
Direct taxes	-8,110		3,126		2
PROFIT BEFORE MINORITY INTEREST	110,041		92,914		
Minority interest	-		-68		
NET PROFIT FOR THE ACCOUNTING PERIOD	110,041		92,846		

Starckjohann Group, Balance Sheet

(FIM 1,000)

ASSETS	31.12.1997		31.12.1996		Note
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					10
Intangible assets					9
Intangible rights	4,356		2,100		
Goodwill	6,000		8,270		
Group goodwill	14,984		18,589		
Other capitalized expenditure	11,930	37,270	8,539	37,498	
Tangible assets					
Land and water areas	51,325		45,884		9
Buildings and structures	330,948		319,222		
Machinery and equipment	83,374		74,870		
Other tangible assets	6,290		3,224		
Incomplete acquisitions	1,527	473,464	2,125	445,325	
Securities included in fixed assets and other non-current acquisitions					8
Shares in affiliated companies	2,080		11,886		
Other stocks and shares	16,466	18,546	20,099	31,985	
VALUATION ITEMS		8,300		14,596	1
INVENTORIES AND FINANCIAL ASSETS					
Inventories					
Materials and supplies	474,983		396,630		
Other inventories	39,257		39,013		
Advance payments	79	514,319	7	435,650	
Receivables					14
Accounts receivable	261,974		227,666		
Notes receivable	1,782		5,430		
Accrued assets	66,565		66,172		
Other receivables	8,321	338,642	45,534	344,802	
Cash and at bank		97,942		72,618	
TOTAL ASSETS		1,488,483		1,382,474	

(FIM 1,000)

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.1997		31.12.1996		Note
SHAREHOLDERS' EQUITY					16
Restricted equity					
Share capital	129,842		129,842		
Reserve fund	118,048		118,074		
Revaluation fund	3,883	251,773	4,400	252,316	
Non-restricted equity					
Retained profits/losses from previous years	82,737		-15,728		
Net profit for the accounting period	110,041	192,778	92,846	77,118	
SUBORDINATED LOANS		-		39,625	
RESERVES					
Accumulated depreciation difference	24,443			12,012	6
Transition reserve	-			20,566	
Obligatory reserves	5,024			16,855	
LIABILITIES					
Long-term					13
Loans from financial institutions	252,159		11,371		
Pension loans	174,789		18,169		
Other long-term liabilities	99,424	526,372	20,205	49,745	
Current					15
Loans from financial institutions	19,991		9,865		
Pension loans	41,415		1,639		
Advances received	9,266		29,519		
Accounts payable	330,284		222,729		
Deferred liabilities	82,437		69,074		
Other current liabilities	4,700	488,093	2,732	335,558	
RESCHEDULED DEBTS					
Unsecured rescheduled debts	-		169,918		
Secured debts	-		151,499		
Group liability debts	-	-	257,262	578,679	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,488,483		1,382,474	

Starckjohann Group, Cash Flow Statement

(FIM 1,000)

BUSINESS OPERATIONS	31.12.1997	31.12.1996
Cash flow financing		
Operating profit	110,188	91,446
Depreciation	53,464	60,340
Financing income and expenses	-14,972	-14,049
Extraordinary items	14,800	-
Taxes	-8,110	3,126
	155,370	140,863
Change in working capital		
Inventories, increase(-)/decrease(+)	-78,669	-15,788
Current receivables, increase(-)/decrease(+)	-34,701	-5,619
Non-interest bearing short-term liabilities, increase(+)/decrease(-)	120,918	-8,264
	7,548	-29,671
Cash flow from business operations	162,918	111,192
Investments		
Investments in fixed assets	-97,462	-42,271
Sales of fixed assets	27,479	-
	-69,983	-42,271
Cash flow before financing	92,935	68,921
Financing		
Long-term receivables, increase(-)/decrease(+)	40,861	8,621
Long-term liabilities, increase(+)/decrease.(-)	-141,677	-106,359
Long-term loans, increase (+)/decrease (-)	31,617	-
Other financing items (change in valuation items)	6,296	6,683
	-62,903	-91,055
Calculated change in liquid assets, increase (+) /decrease (-)	30,032	-22,134
Adjustment items	-4,708	-4,575
Change in liquid assets as per balance sheet, increase (+) / decrease (-)	25,324	-26,709

Starckjohann Oyj, Income Statement

(FIM 1,000)	1.1.-31.12.1997	1.1.-31.12.1996	Note
TURNOVER	3,394,359	32,015	
Other income from business operations	11,954	8,842	
EXPENSES			
Materials, supplies and goods		-	
Purchases during the accounting period	2,964,588	-	
Changes in inventories	-89,757	-	
External services	25,343	59	
Personnel expenses	250,598	15,713	5
Rents	17,848	1,899	
Other expenses	101,469	13,171	30,842
OPERATING MARGIN	136,224	10,015	
DEPRECIATION ON FIXED ASSETS AND OTHER CAPITALIZED EXPENDITURE	43,451	5,954	6
OPERATING PROFIT	92,773	4,061	
FINANCING INCOME AND EXPENSES			7, 8
Dividend income	775	616	
Interest income	12,231	17,241	
Interest expenses	-25,270	-26,114	
Other financing expenses	-2,277	-1	-8,258
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	78,232	-4,197	
EXTRAORDINARY INCOME AND EXPENSES	85,513	6,000	3
PROFIT BEFORE RESERVES AND TAXES	163,745	1,803	
Change in depreciation difference	-12,617	322	
Change in voluntary reserves	20,566	-	
Direct taxes	-8,028	3,924	2
NET PROFIT FOR ACCOUNTING PERIOD	163,666	6,049	

Starckjohann Oyj, Balance Sheet

(FIM 1,000)

ASSETS	31.12.1997		31.12.1996		Note
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					10
Intangible assets					9
Intangible rights	4,012		1,119		
Goodwill	6,000		-		
Other capitalized expenditure	25,984	35,996	35	1,154	
Tangible assets					9
Land and water areas	47,461		24,709		
Buildings and structures	296,568		75,618		
Machinery and equipment	77,638		3,391		
Other tangible assets	6,077		1,153		
Advance payments and incomplete acquisitions	1,512	429,256	-	104,871	
Securities included in fixed assets and other non-current investments					8
Shares in subsidiaries	25,971		167,605		
Shares in affiliated companies	1,305		11,807		
Other stocks and shares	12,780	40,056	8,935	188,347	
VALUATION ITEMS		8,300		14,596	1
INVENTORIES AND FINANCIAL ASSETS					
Inventories					
Finished goods/products		433,958		-	
Receivables					11, 14
Accounts receivable	243,073		3,647		
Notes receivable	941		51,850		
Accrued assets	63,686		3,872		
Other receivables	32,633	340,333	307,286	366,655	
Cash and at bank		79,456		30,497	
TOTAL ASSETS		1,367,355		706,120	

(FIM 1,000)

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.1997		31.12.1996		Note
SHAREHOLDERS' EQUITY					16
Restricted equity					
Share capital	129,842		129,842		
Reserve fund	118,148		118,148		
Revaluation fund	11,800	259,790	3,800	251,790	
Non-restricted equity					
Retained profits	6,049		-		
Net profit for accounting period	163,666	169,715	6,049	6,049	
RESERVES					
Accumulated depreciation difference		22,705		700	
Obligatory reserves		2,024		10,321	
LIABILITIES					
Long-term					11, 13
Loans from financial institutions	184,300		3,230		
Pension loans	172,724		17		
Other long-term loans	98,805	455,829	19,530	22,777	
Current					15
Loans from financial institutions	16,300		-		
Pension loans	41,241		-		
Advances received	55		-		
Accounts payable	319,116		3,792		
Deferred liabilities	75,104		2,586		
Other current liabilities	5,476	457,292	11,864	18,242	
RESCHEDULED DEBT					
Unsecured rescheduled debt	-		26,491		
Secured debt	-		112,467		
Group rescheduled debt	-		21		
Group liability debt	-		257,262	396,241	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,367,355		706,120	

Starckjohann Oyj, Cash Flow Statement

(FIM 1,000)

BUSINESS OPERATIONS	31.12.1997	31.12.1996
Cash flow financing		
Operating profit	92,773	4,061
Depreciation	43,451	5,954
Financing income and expenses	-14,541	-8,258
Extraordinary items	-	6,000
Taxes	-8,028	3,924
	113,655	11,681
Change in working capital		
Increase (-)/decrease(+) in inventories	-89,757	-
Increase (-)/decrease (+)in current receivables	-22,419	2,605
Non-interest-bearing current liabilities, increase(+)/decrease(-)	112,965	8,939
	789	11,544
Cash flow from business operations	114,444	23,225
Investments		
Investments in fixed assets	-94,555	-7,970
Sales of fixed assets	27,452	-
	-67,103	-7,970
Cash flow before financing	47,341	15,255
Financing		
Long-term receivables, increase(-)/decrease(+)	513,902	45,013
Long-term liabilities, increase(+)/decrease(-)	-406,812	-48,012
Short-term loans, increase(+)/decrease(-)	-114,576	-
Other financing items (change in valuation items)	-6,296	-7,813
	-13,782	-10,812
Calculated change in liquid assets, increase (+) / decrease (-)	33,559	4,443
Adjustment items	-	-2,833
Change in liquid assets as per balance sheet, increase (+) / decrease (-)	33,559	1,610

Notes to the Financial Statements

1. THE PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 2 January 1997, the formerly separately operating subsidiaries Rakentajan Starckjohann Oy, Rauta Starckjohann Oy, Suomen LVI-Tukku Oy and Auto Starckjohann Oy were amalgamated with Starckjohann Oy. The operational results of these former companies, which now operate as divisions of the parent company, are included in Starckjohann Oy's income statement for the entire financial year. Ingman Oy Ab, Kiinteistö Oy Vihiojantie 1, and Uudenmaan Tapetti ja Väri Oy, which were merged with the parent company on 31 August 1997, are by contrast consolidated in the income statements as separate companies up to the merger date. Because of the said mergers, the information on the parent company's profit and balance sheet is not comparable with that of the previous year.

SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidation includes all 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. These unconsolidated companies have no significant importance to the Group's non-restricted equity. A new company in the consolidation is the foreign subsidiary ZAO Starck, which operates in St Petersburg, Russia. More detailed information on companies in the Group and its affiliated companies can be found below in the section of these notes entitled 'Stocks and shares held by the Group and parent company'.

All the shares in Penope Oy, formerly an affiliated company, held by Starckjohann Oyj were sold in August to a party outside the Group. After this transaction the only consolidated affiliate is 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 fi-

nancial statements. The affiliate has been consolidated by the equity method.

ACCOUNTING CONVENTIONS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been produced with the acquisition cost method. The subsidiaries' shareholders' equity is taken to comprise their restricted and non-restricted equity. Any price in excess of the shareholders' equity at the time of acquisition that may have been paid is partly allocated to fixed assets, partly shown as goodwill. This goodwill (31 December 1997: FIM 15.0 million) will be depreciated according to a previously made depreciation plan by the year 2002.

INTERNAL TRANSACTIONS

The Group's inter-company business transactions have, like intra-company sales and purchases, rents, invoicing for administrative services, and mutual receivables and debts, been eliminated.

TRANSLATION ADJUSTMENT

The financial statement figures for foreign Group companies have been translated into Finnish markkas at the official rate of the Bank of Finland on the date of closing the books. The translation adjustment generated in the elimination of these companies' shareholders' equity has been eliminated from the Group's non-restricted equity.

FIXED ASSETS

Fixed assets are recorded in the balance sheet as the difference between the cost price and the accumulated planned depreciation. The planned depreciation is calculated according to the economic life of the item in straight-line depreciation on the original acquisition cost.

The periods for planned depreciation used by the Starckjohann Group, based on the economic life, are as follows:

- Buildings
straight-line depreciation, 20-30 years
- Light structures
straight-line depreciation, 5 years
- Machinery and equipment
straight-line depreciation, 5-7 years
- Forklift trucks and cranes
straight-line depreciation, 12 years

- Production machinery
straight-line depreciation, 12 years
- Building elements
straight-line depreciation, 10 years
- Software
straight-line depreciation, 5 years
- Other capitalized expenditure
straight-line depreciation, 5 years
- Goodwill
straight-line depreciation, 5-10 years

PENSION ARRANGEMENTS

Statutory staff pension cover has been arranged through pension insurance with non-Group pension insurers. The Group's two pension funds were dissolved in December 1996. In the dissolution, Starckjohann Oyj retained liability for that part of the pensions for those in employment and those with paid-up pensions for which the pension funds were inadequate at that time. Optional supplementary pension insurance cover was taken out for those in employment in this connection.

The liability in respect of those with paid-up pensions was FIM 9.5 million on 31 December 1997 (31 December 1996: FIM 16.9 million). The liability arising from Starckjohann Tekniikka Oy, which was amalgamated with Starckjohann Oyj in 1995, was FIM 3.7 million on 31 December 1997 (31 December 1996: FIM 2.6 million). The combined total of these liabilities, FIM 13.2 million, has been shown in the parent company's and consolidated financial statements under other long-term liabilities.

VALUATION ITEMS

The above-mentioned liability of Starckjohann Oyj for paid-up pensions in the dissolution of the pension fund and the liability transferred in the amalgamation of Starckjohann Tekniikka Oy, includes FIM 8.3 million not booked as an expense and this is entered on the assets side of the balance sheet as a valuation item.

INVENTORIES

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

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.

2. DIRECT TAXES

The taxes in the income statements comprise the minimum tax levied on the dividend paid by the parent company and on the subsidiaries' taxes matched for the accounting period. The taxes for previous accounting periods are back-taxes based on tax audits. The Group has confirmed losses, mainly for the tax years 1993 and 1994, of approximately FIM 820 million.

3. EXTRAORDINARY INCOME AND EXPENSES

The extraordinary income in the consolidated income statement, FIM 14.8 million, comprises an accord for a subordinated loan related to financing arrangements for ending the statutory restructuring programme of subsidiary Vahva-Jussi Oy. The parent company's extraordinary income and expenses are FIM 184.1 million in profits on mergers and FIM 98.6 million in losses on mergers that arose during the accounting period. The parent company's extraordinary income for 1996, FIM 6 million, was a Group subvention received.

FIM 1,000	Group		Parent company	
	1997	1996	1997	1996
Taxes for the accounting period	-7,657	-119	-7,574	-
Taxes for previous accounting periods	-453	3,245	-453	3,924

4. Composition of turnover

(FIM 1,000)	31.12.1997	percentage	31.12.1996	percentage
Divisions:				
Starkki	1,587,029	44.1	1,332,812	43.3
Starckjohann Steel	797,401	22.2	623,783	20.3
Suomen LVI-Tukku	640,044	17.8	564,707	18.3
Starckjohann Auto	417,160	11.6	405,571	13.2
Other Group Companies:				
Aninkaisten Tapetti ja Väri Oy	202,541	5.6	210,321	6.8
Laakeripalvelu Oy				
Oulun Pultti Oy				
Böge Larsen Projects Oy				
Other companies	28,481	0.8	39,366	1.3
Internal invoicing	-72,876	-2.1	-96,813	-3.2
Total for Group	3,599,780	100.0	3,079,747	100.0

5. Personnel expenses and perquisites

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
Wages and salaries	224,210	207,336	201,072	12,315
Perquisites	4,365	4,102	3,555	490
Pension expenses	38,036	30,840	34,258	3,179
Other indirect personnel expenses	17,372	20,005	15,268	219
Total	283,983	262,283	254,153	16,203

6. Depreciation

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
Planned depreciation				
Immaterial goods	8,071	10,324	6,446	1,071
Buildings and structures	18,795	19,814	16,020	2,948
Machinery and equipment	22,044	25,583	20,057	1,866
Other tangible assets	950	914	928	69
Group goodwill	3,604	3,705	-	-
Total	53,464	60,340	43,451	5,954
Booked depreciation				
Immaterial goods	8,071	10,324	6,446	1,071
Buildings and structures	21,058	18,975	18,247	2,982
Machinery and equipment	32,212	22,442	30,447	1,510
Other tangible assets	950	914	928	69
Group goodwill	3,604	3,705	-	-
Total	65,895	56,360	56,068	5,632
Change in depreciation difference				
Buildings and structures	2,263	-839	2,227	34
Machinery and equipment	10,168	-3,141	10,390	-356
Total	12,431	-3,980	12,617	-322
Accumulated depreciation difference				
Buildings and structures	10,890	8,627	10,241	1,056
Machinery and equipment	13,553	3,385	12,464	-356
Total	24,443	12,012	22,705	700

7. Inter-company financing income and expenses

(FIM 1,000)	Parent company	
	1997	1996
Financing income received from Group companies		
Interest income from short-term investments	387	10,791

8. Financing income and expenses

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
Dividend income	831	171	775	616
Interest income from long-term investments	2,769	3,383	2,769	2,632
Interest income from short-term investments	1,512	8,665	1,182	14,609
Other financing income	8,371	7,011	8,281	-
Exchange rate gains	85	270	79	-
Interest expenses	-26,124	-33,096	-25,270	-26,114
Other financing expenses	-2,317	-436	-2,259	-
Exchange rate losses	-99	-17	-97	-1
Total	-14,972	-14,049	-14,540	-8,258

9. Intangible and tangible assets

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
Intangible rights				
Acquisition cost 1.1.	12,679	2,774	1,408	795
Increases	3,169	10,463	3,129	613
Decreases	-8,010	-558	-1	-
Acquisition cost 31.12.	7,838	12,679	4,536	1,408
Accumulated planned depreciation	-3,482	-2,686	-524	-289
Book value 31.12.	4,356	9,993	4,012	1,119
Goodwill				
Acquisition cost 1.1.	47,069	71,186		
Increases	-	-		
Decreases	-	-24,117		
Acquisition cost 31.12.	47,069	47,069		
Accumulated planned depreciation	-32,084	-28,480		
Book value 31.12.	14,985	18,589		
Other capitalized expenditure				
Acquisition cost 1.1.	280,121	285,412	31,828	31,789
Increases	15,597	1,481	38,244	39
Decreases	-519	-6,772	-352	-
Acquisition cost 31.12.	295,199	280,121	69,720	31,828
Accumulated planned depreciation	-277,275	-271,204	-37,736	-31,793
Book value 31.12.	17,924	8,917	31,984	35
Land areas				
Acquisition cost 1.1.	45,884	45,667	24,709	23,382
Increases	5,551	1,409	22,862	1,327
Decreases	-110	-1,182	-110	-
Book value 31.12.	51,325	45,884	47,461	24,709
Buildings and structures				
Acquisition cost 1.1.	479,262	476,593	111,064	98,696
Increases	33,577	37,467	238,089	12,368
Decreases	-1,119	-34,798	-1,119	-
Acquisition cost 31.12.	511,720	479,262	348,034	111,064
Accumulated planned depreciation	-180,772	-160,039	-51,467	-35,447
Book value 31.12.	330,948	319,223	296,567	75,617
Accumulated difference between overall and planned depreciation 1.1.				
	8,627	9,110	1,056	1,022
Increase in depreciation difference 1.1.-31.12.				
	2,295	1,132	9,185	34
Decrease in depreciation difference 1.1.-31.12.				
	-31	-1,615	-	-
Accumulated difference between overall and planned depreciation 31.12.				
	10,891	8,627	10,241	1,056
Revaluation included in the acquisition cost of buildings				
Revaluation 1.1.	33,410	33,410	33,410	33,410
Increase 1.1.-31.12.	-	-	7,700	-
Decrease 1.1.-31.12.	-	-	-	-
Revaluation 31.12.	33,410	33,410	41,110	33,410

Machinery and equipment

Acquisition cost 1.1.	246,790	255,214	15,571	13,905
Increases	32,786	37,179	97,966	2,060
Decreases	-2,237	-45,603	-3,673	-394
Acquisition cost 31.12.	277,339	246,790	109,864	15,571
Accumulated planned depreciation	-193,965	-171,921	-32,226	-12,180
Book value 31.12.	83,374	74,869	77,638	3,391
Accumulated difference between overall and planned depreciation 1.1.	3,386	6,883	-356	-
Increase in depreciation difference 1.1.-31.12.	10,467	162	12,820	-
Decrease in depreciation difference 1.1.-31.12.	-301	-3,659	-	-356
Accumulated difference between overall and planned depreciation 31.12.	13,552	3,386	12,464	-356

Other tangible assets

Acquisition cost 1.1.	2,650	1,272	1,736	1,347
Increases	5,874	1,421	5,851	389
Decreases	-	-43	-	-
Acquisition cost 31.12.	8,524	2,650	7,587	1,736
Accumulated planned depreciation	-2,447	-1,497	-1,511	-583
Book value	6,077	1,153	6,076	1,153

10. Taxation values of fixed assets

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
Land areas	19,022	23,991	17,049	16,125
Buildings	158,926	166,536	141,351	30,670
Stocks and shares	173,599	528,384	168,002	301,950

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

11. Inter-company receivables and debts

(FIM 1,000)	Parent company	
	1997	1996
Receivables from Group companies		
Accounts receivable	2,397	3,093
Notes receivable	-	49,270
Accrued assets	136	2,782
Other receivables	24,686	264,550
Total receivables	27,219	319,695
Debts to Group companies		
Accounts payable	84	445
Deferred liabilities	62	5
Other current liabilities	3,984	11,800
Group rescheduled debts	-	21
Total debts	4,130	12,271

12. Management pension commitments

The pensionable age of the parent company's President has been agreed on as 60 years.

13. Liabilities with a maturity of five years or more

(FIM 1,000)	1998	1999	2000	2001	2002	2003 or later	Total
Group:							
Loans from financial institutions	19,241	28,600	28,050	27,800	27,800	140,659	272,150
Pension loans	41,326	41,257	41,134	40,893	40,834	10,758	216,202
Other long-term liabilities	619	-	85,000	-	-	-	85,619
Total	61,186	69,857	154,184	68,693	68,634	151,417	573,971
Parent company:							
Loans from financial institutions	16,300	16,300	16,000	16,000	16,000	120,000	200,600
Pension loans	41,153	41,100	40,985	40,751	40,698	9,277	213,964
Other long-term liabilities	-	-	85,000	-	-	-	85,000
Total	57,453	57,400	141,985	56,751	56,698	129,277	499,564

14. Receivables with a maturity of over one year

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
Accounts receivable (Starckjohann Auto's hire purchase receivables)	4,151	4,123	4,151	-
Other receivables	4,521	7,614	4,521	5,522
Total	8,672	11,737	8,672	5,522

15. Non-interest-bearing debts

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
Non-interest-bearing debts, total	440,492	491,282	407,455	32,869

16. Shareholders' equity

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
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.	118,074	132,145	118,148	132,200
Transfer to retained earnings	-	-14,052	-	-14,052
Other changes	-27	-	-	-
Sale of subsidiaries	-	-19	-	-
Reserve fund 31.12.	118,047	118,074	118,148	118,148
Revaluation fund 1.1.	4,400	7,443	3,800	6,800
Decreases	-517	-3,043	-	-3,000
Increases	-	-	8,000	-
Revaluation fund 31.12.	3,883	4,400	11,800	3,800
Non-restricted equity 1.1.	77,118	-26,942	6,049	-14,052
Covered from reserve fund	-	14,052	-	14,052
Change in minority interest	-	609	-	-
Change in translation adjustment	558	752	-	-
Changes in Group structure	5,061	-4,199	-	-
Net profit for the accounting period	110,041	92,846	163,666	6,049
Non-restricted equity 31.12.	192,778	77,118	169,715	6,049

17. Holdings of the members of the board of directors and the president of company shares and equity warrants issued by the company

	% of share	
	Number	capital
Shares	677,283	0.5
Warrants	665,000	0.5

18. Pledges and contingent liabilities

(FIM 1,000)	Group		Parent company	
	1997	1996	1997	1996
For own liabilities				
Pledges	2,360	41,293	453	33,709
Mortgages on land areas and buildings	205,650	238,430	200,850	89,595
Mortgages on company assets	516,400	628,600	445,800	-
For a Group company's liabilities				
Pledges	-	-	-	3,099
Mortgages on company assets	-	-	53,200	237,300
Guarantees	863	1,096	69,190	104,760
For affiliated companies				
Guarantees	790	1,442	85	-
For others				
Guarantees	911	300	911	-
Other own commitments				
Leasing commitments	5,951	-	5,951	-
Buy-back commitments	3,574	4,994	3,574	-
Instalment financing limit	50,715	37,488	50,715	-
Total				
Pledges	2,360	41,293	453	36,808
Mortgages on land areas and buildings	205,650	238,430	200,850	89,595
Mortgages on company assets	516,400	628,600	499,000	237,300
Guarantees	2,564	2,838	70,186	104,760
Leasing commitments	5,951	-	5,951	-
Buy-back commitments	3,574	4,994	3,574	-
Instalment financing limit	50,715	37,488	50,715	-
Total	787,214	953,643	830,729	468,463
Futures contracts at par value, 31.12.1997				
Currency forward rate contracts	5,987	-	5,987	-
Interest rate swaps	160,000	-	160,000	-

19. Stocks and shares held by the Group and the Parent company

(FIM 1,000)	Group holding, %	Group voting rights, %	Group share of equity, FIM	Parent company's holding, %	Parent company's no. of shares	Group's no. of shares	Par value	Book value	Last financial statements' profit/loss
GROUP COMPANIES									
Aninkaisten Tapetti ja									
Väri Oy	100	100	939	100	205	205	205	7,000	-8
Böge Larsen Projects Oy	100	100	2,813	100	30,000	30,000	3,000	2,985	-117
Kiinteistö Oy Linkokuja 4	100	100	997	100	150	150	1,000	1,000	-2
Kiinteistö Oy Linkokuja 6-8	100	100	910	100	838	838	1,000	1,000	5
Laakeripalvelu Oy	100	100	5,936	100	4,000	4,000	2,000	11,420	-93
Nummelan Rauta Oy	100	100	-855	-	-	100	15	-	109
Oulun Pultti Oy	100	100	147	100	160	160	2,400	2,400	-35
Rauta Starckjohann									
Balti A/S	100	100	212	100	-	-	-	157	223
* Starckjohann & Co.	100	100	-	100	-	-	-	-	-
* Starkki AB	100	100	-	100	1,000	1,000	100	63	-
* Starck-Irbis	100	100	-	100	62	62	-	50	-
Top-Slit Oy	100	100	173	100	200	200	100	-	-1
ZAO Starck	100	100	12	100	86	86	-	9	-53
Vahva-Jussi Oy	100	100	9,791	100	17,000	17,000	10,013	-	14,598
VJ-Kiinteistöt Oy	100	100	65,018	-	-	50,000	20,000	44,000	21,544
Total								70,084	36,170

* = not included in the financial statements as at 31.12.1997

(FIM 1,000)	Group holding, %	Group voting rights, %	Parent company holding, %	Parent company's shares no.	Group's shares no.	Par value	Book value
AFFILIATED COMPANIES							
Asunto Oy Vasikkahaantie 15	20	20	20	50	50	-	1,013
Eastway Pietari	25	25	25	-	-	-	29
Lappeenrannan							
Laakerikeskus Oy	50	50	-	-	150	15	50
Oy Stalko Ab	37.5	37.5	37.5	1,470	1,470	-	263
Total							1,355

COMPANIES IN WHICH HOLDINGS EXCEED FIM 100,000	Group holding, percentage	Parent company holding, percentage	Shares held by parent company, number	Shares held by Group, number	Par value FIM 1,000	Book value FIM 1,000
Asunto Oy Alppilan Aho	-	-	-	831	42	1,453
Asunto Oy Aurorankatu 9	9.05	9.05	130	130	5	1,321
Asunto Oy Itälahdenkatu 10	1.35	1.35	10,590	10,590	106	133
Asunto Oy Lahden Citylinna	11.28	11.28	267	267	267	372
Asunto Oy Lahden Citytorni	10.70	10.70	307	307	246	460
Asunto Oy Leivonhovi	5.50	-	-	190	19	409
Asunto Oy Mäkitorpantie 34-36	-	-	2	2	0	576
Asunto Oy Puutammelanraitti	-	-	120	120	0	1,118
Asunto Oy Torivouti	1.39	1.39	51	51	8	361
As Oy Pyyntikintie 5	0.50	-	-	1,575	50	283
As Oy Rintinpolku	-	-	-	54	0	284
Helsinki Telephone Ltd	-	-	3,470	3,819	0	235
Helsinki Telephone Company	-	-	349	383	1,343	1,426
Kalevankatu 56 A B Helsinki	-	-	156	156	0	1,067
Kaunispään Kuntorinne	9.20	9.20	92	92	3	716
Keski-Suomen Puhelin Oy	-	-	236	236	60	280
Kiinteistö Oy Kauppakartanonkatu 14	-	-	4	4	0	364
Kiinteistö Oy Parolanhovi	-	-	5	5	0	108
Kiinteistö Oy Riihimäen Yritystalo	-	-	-	45	0	260
Kiinteistö Oy Saimaan Ruori	-	-	20,559	20,559	206	242
Lahden Seurahuoneen Kiinteistö Oy	-	-	3	3	150	150
Merita A	-	-	38,858	38,858	390	350
Messilä Golf Oy	-	-	2	2	0	105
Oulun Puhelin Oy	-	-	37	46	183	155
Putkiyhtymä Oy	-	-	348	348	19	466
Päijät-Hämeen Puhelinyhdistys	-	-	199	203	779	760
Suomen Arvopaperikeskus Oy	-	-	2	2	140	140
Tampereen Puhelinosuuskunta	-	-	108	108	392	443
Vaasan Läänin Puhelin Oy	-	-	38	38	3	155
Väritukku Oy	6.50	-	-	565	0	682
						14,874
COMPANIES IN WHICH HOLDINGS ARE LESS THAN FIM 100,000						
Parent company						1,332
Others						165
Total						16,371

Group key business indicators 1993-1997

	1997	1996	1995	1994	1993
1. Key indicators for shares					
Earnings per share, FIM	0.67	0.62	0.58	0.47	neg.
Nominal dividend per share, FIM	0.15 *)	-	-	-	-
Dividend ratio, %	22.4	-	-	-	-
Effective dividend yield, %	1.9	-	-	-	-
Equity per share, FIM	3.61	2.79	2.21	2.09	neg.
Adjusted share price, FIM	8.01	7.15	4.90	6.00	5.17
P/E ratio	11.9	11.5	8.5	12.8	neg.
Market capitalization (not adjusted) at year/end, FIM million	1,040	928	636	779	90
Dividend paid, FIM 1,000	-	-	-	-	-
Adjusted number of shares at year-end, 1,000	129,842	129,842	129,842	129,842	8,274
Adjusted average number of shares, 1,000	129,842	129,842	129,842	42,048	8,274
Share price, FIM					
low for year	7.00	4.80	4.00	5.00	3.45
high for year	11.00	7.60	7.35	12.00	8.83
average for year	9.12	6.33	4.98	9.29	4.63
Number of shares traded, 1,000	174,200	8,944	2,264	1,029	684
Percentage of shares traded	134.2	6.9	1.7	2.5	5.7
2. Key indicators for financial trend					
Scope of business					
Turnover, FIM million	3,599.8	3,079.7	2,941.6	2,981.2	3,457.2
Change, %	16.9	4.7	-2.9	-13.8	-3.5
Investments, FIM million	97.5	59.8	43.3	10.0	21.0
% of turnover	2.7	1.9	1.5	0.3	0.6
Average personnel	1,569	1,457	1,565	1,621	2,114
Turnover/employee, FIM 1,000	2,294	2,114	1,880	1,839	1,635
Profitability					
Operating margin FIM million	163.7	151.8	159.5	157.2	-10.7
% of turnover	4.5	4.9	5.4	5.3	-0.3
Operating profit/loss, FIM million	110.2	91.4	87.8	75.2	-162.7
% of turnover	3.1	3.0	3.0	2.5	-4.7
Profit/loss before extraordinary items, FIM million	95.2	77.4	78.7	62.1	-452.8
% of turnover	2.6	2.5	2.7	2.1	-13.1
Profit/loss before appropriations and taxes, FIM million	110.0	77.4	25.6	-66.5	-458.0
% of turnover	3.1	2.5	0.9	-2.2	-13.2
Share of affiliates' profit/loss, FIM million	0.2	0.3	1.7	0.6	0.0
Aggregate profit/loss, FIM million	110.0	92.8	30.6	-50.2	-415.6
% of turnover	3.1	3.0	1.0	-1.7	-12.0
ROE	21.0	24.8	26.9	22.5	neg.
ROI	13.2	12.2	11.3	7.9	neg.
Financing and financial position					
Current ratio	1.9	2.5	2.5	2.3	0.7
Equity ratio, %	31.7	26.8	21.0	17.6	neg.
Interest-bearing liabilities, FIM million	574.0	472.7	571.5	655.9	1,588.5

*) Proposal by the Board of Directors for dividend

Formulas for key indicators

Earnings/share (EPS)	=	$\frac{\text{Profit before extraordinary items +/- minority interest in net profit for accounting period - taxes for period}}{\text{Mean number of shares, issue-adjusted}}$
Dividend/share	=	$\frac{\text{Dividend paid during accounting period}}{\text{Mean number of shares at year-end, issue-adjusted}}$
Dividend/price ratio	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Adjusted stock exchange price, FIM}}$
Equity /share	=	$\frac{\text{Shareholders' equity + accumulated difference in depreciation + voluntary reserves}}{\text{Mean number of shares at year-end, issue-adjusted}}$
Issue-adjusted share price	=	$\frac{\text{Share price before issue}}{\text{Share issue index}}$
P/E ratio	=	$\frac{\text{Last quoted share price}}{\text{EPS}}$
Market capitalization	=	Number of shares x quoted price at year-end
Return on equity, % (ROE)	=	$\frac{\text{Profit before extraordinary items - taxes for period}}{\text{Shareholders' equity + minority interest + accumulated depreciation difference + voluntary reserves (average for year)}} \times 100$
Return on investment, % (ROI)	=	$\frac{\text{Profit before extraordinary items + interest expense and other financing expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average for year)}} \times 100$
Equity ratio	=	$\frac{\text{Shareholders' equity + minority interest + accumulated depreciation difference + voluntary reserves}}{\text{Balance sheet total - advance payments received}} \times 100$
Division's ROI	=	$\frac{\text{Division's operating profit + interest income from division's accounts receivable}}{\text{Inventories tied up in division + accounts receivable - accounts payable + fixed assets}}$
Divisions' operating profit	=	The calculation of the operating profit is based on the Starckjohann Group's internal accounting. The divisions are charged a nominal, internal rent for Group-owned facilities used by the divisions. All Group Administration expenses are also charged to the divisions.

Proposal by the Board of Directors

The parent company's and Group's shareholders' equity as at 31 December 1997

	Parent company	Group
RESTRICTED EQUITY		
Share capital	129,841,733.00	129,841,733.00
Reserve fund	118,147,896.80	118,047,635.80
Revaluation fund	11,800,000.00	3,882,660.00
	<hr/>	<hr/>
	259,789,629.80	251,772,028.80
	<hr/>	<hr/>
NON-RESTRICTED EQUITY		
Retained profit from previous years	6,049,084.36	82,736,865.93
Net profit for the accounting period	163,666,163.20	110,041,275.94
	<hr/>	<hr/>
	169,715,247.56	192,778,141.87
	<hr/>	<hr/>

THE BOARD'S PROPOSAL FOR THE DISPOSAL OF PROFIT

The Group's non-restricted equity according to the balance sheet as at 31 December 1997 is FIM 192,778,141.87.

The parent company non-restricted equity as at 31 December 1997 is FIM 169,715,247.56.

The Board proposes that FIM 0.15 be paid in dividend per share, totalling FIM 19,476,259.95.

Lahti, 4 March 1998

Leo Vatanen
Chairman of the Board of Directors

Åke Järnblad

Sisko Kanervaara

Kjell Nilsson

Björn Ogard

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, 10 March 1998

Mauri Palvi
Authorized Public Accountant

Reino Tikkanen
Authorized Public Accountant

Auditors' report

TO THE SHAREHOLDERS OF STARCKJOHANN OYJ

We have audited the accounts, the accounting records and the administration of Starckjohann Oyj for the 1997 financial year. The financial statements 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, and notes to the financial statements. On the basis of our audit we render our statement on the accounts and the administration.

We have conducted our audit in accordance with Finnish generally accepted auditing standards. The accounts and the accounting conventions used for the finan-

cial statements, their content and presentation have therefore been audited to a sufficient extent to determine that there are no material errors or omissions in the financial statements. The audit of the administration examined the compliance of the parent company's Board of Directors and President with the rules of the Finnish Companies Act.

It is our view that the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of accounts in Finland. The financial statements provide a true and fair view, as defined in the Accounting Act, of the Group's and the parent company's re-

sults of operation and the financial position. The financial statements and consolidated 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 the treatment of the profit is in compliance with the Finnish Companies Act.

We have acquainted ourselves with the interim reports made public during the financial year. It is our understanding that the interim reports have been prepared in accordance with the rules and regulations governing them.

Lahti, 10 March 1998

Mauri Palvi
Authorized Public Accountant

Reino Tikkanen
Authorized Public Accountant

Information on Starckjohann Oyj shares

SHARE CAPITAL

At the end of 1997 there were 129,841,733 Starckjohann Oyj shares in existence and the company's paid-in share capital, as entered in the Trade Register, was FIM 129,841,733. There were no changes in the share capital in 1997.

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.

The Board of Directors holds no outstanding authorizations to issue shares.

WARRANT BONDS

An issue of warrant bonds has been targeted on the full-time staff of Starckjohann Oyj in the

amount of FIM 570,000 and with a maturity of three years. The issue is non-interest-bearing. The warrants may be used to subscribe for a total of 5,700,000 shares in the company. The subscription price of the shares is FIM 12 each. The subscription period for shares will begin in stages on 1 May 1999 and 1 May 2000. The share issue period for all the warrants will end on 31 May 2002. Starckjohann Oyj's share capital may rise as a result of the subscriptions by a maximum of 5,700,000 shares or FIM 5,700,000.

SHARES AND VOTING RIGHTS

Starckjohann Oyj has a single series of shares with identical par value and voting rights. The par value of a share is FIM one (1). A share confers entitlement to one (1) vote at meetings of shareholders.

SHARE LISTING

Starckjohann Oyj shares have been quoted on the Helsinki Stock Exchange since 1989.

As a result of the termination of the statutory restructuring, the shares were taken off the stock exchange observation list on 8 September 1997.

PAYMENT OF DIVIDEND

In the period between the confirmation and the termination of the statutory restructuring programme, the company has had a prohibition on dividend payments in force. This was abolished when statutory restructuring programmes ended with the repayment of the rescheduled debts. All the rescheduled debts were paid off on 22 and 26 August 1997.

The Board of Directors proposes to the annual general meeting that FIM 0.15 per share be paid in dividend for 1997. The earnings per share were FIM 0.67.

TREND IN SHARE PRICE AND TRADING

During 1997 the lowest price for Starckjohann Oyj shares was FIM 7.00 and the highest was FIM 11.00, with an average of FIM 9.12. The last traded price on 30 December 1997 was FIM 8.01. a total of 174.2 million shares were traded, valued at a total of FIM 1,589.5 million. The number of shares traded was 134.2% of the issued stock.

The company's market capitalization at year-end was FIM 1,040.0 million.

SHAREHOLDERS

In November Merita Bank Ltd sold a total of 69,718,714 of the Starckjohann Oyj shares it held to Trelleborg Holding AB of Sweden, whereupon Trelleborg Holding AB became the parent company of Starckjohann Oyj. Its share of the company's share capital and voting rights amounted to 53.7% on 31 December 1997.

SkopBank, which had held 20.2% of Starckjohann Oyj's share capital and voting rights, sold a total of 21,000,000 of shares in Starckjohann Oyj in January. SkopBank's holdings of the company's shares capital and voting rights on 31 December 1997 was 1.7%.

The company had a total of 2,895 shareholders at year-end.

Management shareholdings are described in the report of the Board.

TYPES OF SHAREHOLDER

	No. of shareholders	No. of shares	Percentage of shares
Corporations	319	84,327,028	64.95
Financial institutions and insurers	34	16,361,539	12.60
Public corporations	14	1,135,879	0.87
Non-profit-making organizations	31	5,448,870	4.20
Households	2,482	22,094,267	17.02
Foreign	15	441,000	0.34
Total	2,895	129,808,583	99.97
On waiting list and on joint account		33,150	0.02
Total issued stock		129,841,733	100.00
Nominee register		6,269,068	4.83

DISTRIBUTION OF SHARES BY SIZE OF HOLDING

Number of shares	No. of shareholders	No. of shares
1-1.000	1,247	671,202
1.001-10.000	1,323	5,338,120
10.001-100.000	249	7,938,942
Over 100.000	78	115,860,319
Total	2,895	129,808,583
On waiting list and on joint account		33,150
Total issued stock		129,841,733

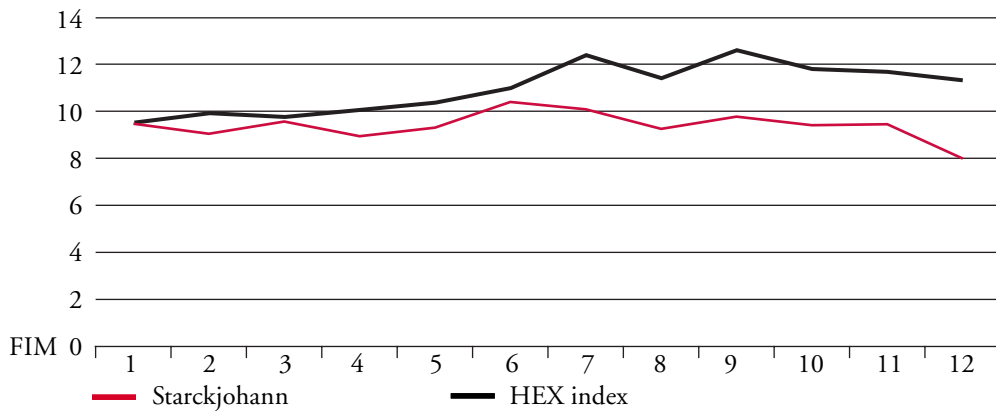
THE TEN BIGGEST SHAREHOLDERS ON 31 DECEMBER 1997

	Shares no.	Percentage of shares and voting rights
Trelleborg Holding AB	69,718,714	53.7
Metsä-Serla Oyj	6,000,000	4.6
Starckjohann Foundation	3,156,128	2.4
Skop Bank	2,208,568	1.7
Starckjohann Solveig	1,538,629	1.2
Partita Oy	1,178,000	0.9
Merita Delta Oy	1,056,000	0.8
Starckjohann-Bruun Thelma Foundation	986,302	0.8
Optiomi Oy	873,000	0.7
Aktia Capital	858,000	0.7
Total	87,573,341	67.4

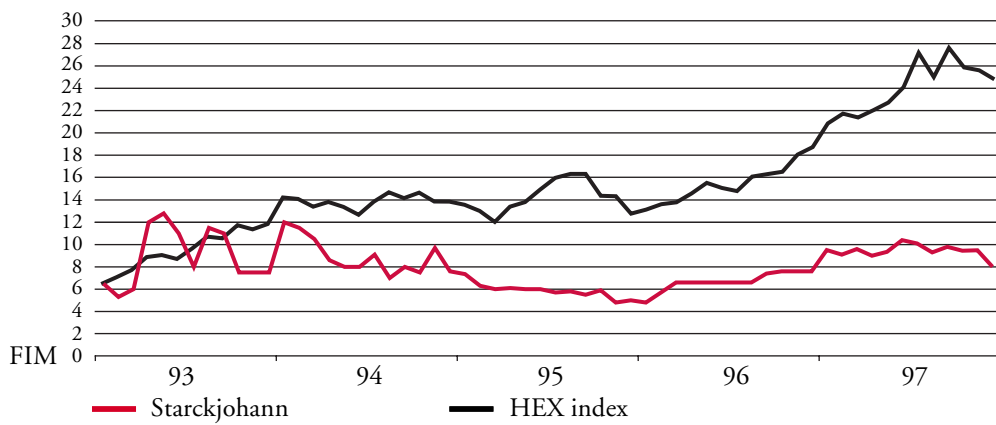
There were a total of 6,269,068 shares, or 4.83% of the total shares and voting rights, in a nominee register. Of these, 5,871,330 shares were nominee-registered at Merita Bank Ltd, a number corresponding to 4.5% of the shares and voting rights.

Share price trend and trading

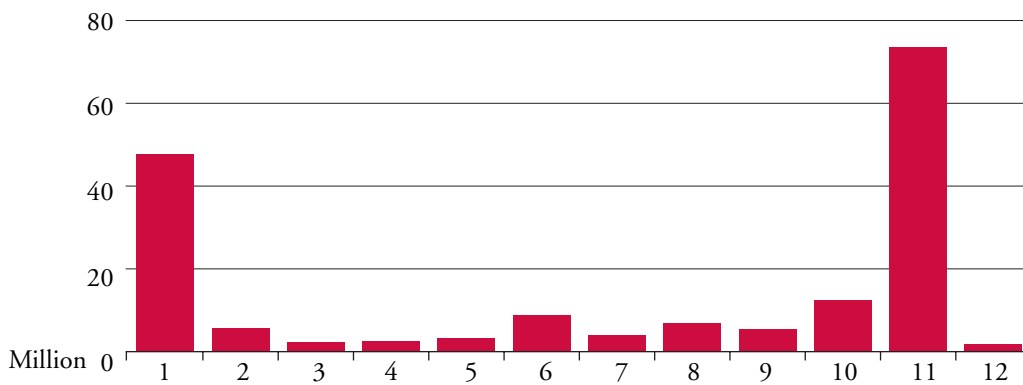
SHARE PRICE TREND, 1997



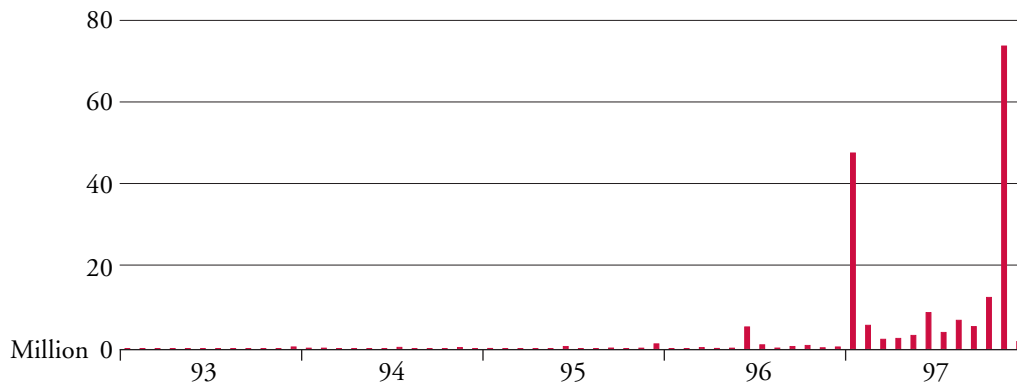
PRICE TREND, 1993-1997



SHARES TRADED, 1997



SHARES TRADED, 1993-1997



Trend in Group earnings, 1993-1997

(FIM million)	1997	1996	1995	1994	1993
TURNOVER	3,599.8	3,079.7	2,941.6	2,981.2	3,457.2
change, %	16.9	4.7	-1.3	-13.7	-3.4
OPERATING MARGIN	163.7	151.8	159.5	157.2	-10.7
operating margin ratio	4.5	4.9	5.4	5.3	-0.3
Planned depreciation	-53.5	-60.4	-71.7	-82.0	-151.9
OPERATING PROFIT/LOSS	110.2	91.4	87.8	75.2	-162.7
Financing income	13.5	19.5	20.8	26.1	16.2
Financing expenses	-28.5	-33.5	-29.9	-39.3	-306.4
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	95.2	77.4	78.7	62.0	-452.9
Extraordinary income	14.8	-	-	97.7	9.9
Extraordinary expenses	-	-	-52.8	-46.2	-42.2
Additional depreciation	-	-	-	-179.4	-
PROFIT/LOSS BEFORE TAXES	110.0	77.4	25.9	-65.9	-485.2
Taxes	-8.1	3.1	-3.4	-0.9	-2.8
Minority interest	-	-	0.3	0.6	-27.2
PROFIT/LOSS BEFORE RESERVES	101.9	80.5	22.2	-67.4	-460.8

Trend in consolidated balance sheet 1993-1997

(FIM million)	1997	1996	1995	1994	1993
ASSETS					
Fixed assets and other					
long-term investment					
Intangible assets					
Goodwill	15.0	18.6	25.9	38.2	108.9
Other capitalized expenditure	11.9	8.5	13.5	72.1	144.6
Other intangible assets	10.4	10.4	3.3	3.0	0.8
Tangible assets					
Land and water areas	51.3	45.9	47.8	47.4	63.5
Buildings and structures	330.9	319.2	330.6	331.6	504.6
Machinery and equipment	83.4	74.9	70.0	87.0	129.0
Other tangible assets	6.3	3.2	2.8	3.2	-
Advance payments and incomplete acquisitions	1.5	2.1	4.6	2.3	2.2
Securities included in fixed assets and other non-current investments	18.5	32.0	41.3	44.0	41.0
Valuation items	8.3	14.6	21.3	22.7	26.4
Inventories and financial assets					
Inventories	514.4	435.7	419.9	409.4	385.0
Receivables	338.6	344.8	347.8	424.6	492.0
Cash and at bank	98.0	72.6	99.3	136.4	43.5
	1,488.5	1,382.5	1,428.1	1,621.9	1,941.5
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Restricted equity	251.8	252.3	269.4	730.7	150.1
Non-restricted equity	192.8	77.1	-26.9	-517.6	-428.9
Subordinated loans	-	39.6	39.6	39.6	1.9
Minority interest	-	-	0.9	1.4	42.1
Reserves					
Accumulated depreciation difference	24.4	12.0	16.0	22.5	61.7
Voluntary reserves	-	20.6	29.0	35.2	48.9
Obligatory reserves	5.0	16.9	21.6	19.2	-
Liabilities					
Long-term	526.4	49.7	66.0	75.2	757.0
Current	488.1	335.6	343.8	419.0	1,308.7
Rescheduled debt	-	578.7	668.7	796.7	-
	1,488.5	1,382.5	1,428.1	1,621.9	1,941.5

Stock exchange review, 1997

Thirty-seven stock exchange releases were published on Starckjohann Oyj in 1997. Here is a summary of the main releases:

3 JANUARY

Starckjohann Oy forecasts improved net profit in 1997

Due to the improved economic situation in the construction industry, Starckjohann Oy expects the net profit for 1997 to be better than the previous year's.

10 JANUARY

SkopBank's shareholding in Starckjohann Oy falls from 20.02% to 3.85%

In deals made on 10 January, SkopBank has sold a total of 21,000,000 shares. The selling price amounted to roughly FIM 147,000,000. SkopBank's holding after the deal is 3.85% of Starckjohann Oy's shares and voting rights.

12 MARCH

The Starckjohann Group's financial statements release for the financial year 1 Jan.-31 Dec. 1996

Turnover FIM 3,079.7 million (+4.7%)
Operating profit FIM 91.4 million (+4.1%)
Profit after financing items FIM 77.4 million (-1.7%)
Earnings per share FIM 0.62 (FIM 0.58)
Equity ratio 26.8% (21.0%)

20 MARCH

The Board of Directors of Starckjohann Oy decides to call a meeting of shareholders on 2 April 1997

The meeting will consider, in addition to the agenda for the annual general meeting, changes in the articles of association affecting articles 1, 2 and 12.

2 APRIL

Starckjohann Oy meeting of shareholders, 2 April 1997

The annual general meeting passed the following resolutions, among others, unanimously:

The members elected to the Board of Directors were: Hannu Anttila, Sisko Kanervaara, Kari Kolu, Risto Wartiovaara and Leo Vatanen. At an organizational meeting of Board of Directors held after the AGM, Leo Vatanen was elected Chair-

man of the Board and Risto Wartiovaara was elected Deputy Chairman. The auditors were re-elected, being Mauri Palvi, APA, and Reino Tikkanen, APA, with the auditing firm of KPMG Wideri Oy Ab as deputy. In accordance with a motion from the Board, the AGM resolved that no dividend will be paid. The AGM resolved to change the form of the company to a public limited company and on the following amendments to the articles of association:

1 § Company name and field of business

The company name is Starckjohann Oyj and its domicile is Lahti.

2 § Company's field of business

The company's field of business is wholesale and retail of building supplies, timber products, hardware products and interior design products, heating, plumbing and ventilation products, cars and related spare parts and accessories, steels and other metals, as well as the pretreatment of steels and the servicing of vehicles; trading in securities and corporate services including but not limited to services for forwarding, warehousing, distribution, consultancy, financing and account management, and data processing services. The company may also own real estate and engage in trading in and leasing these.

12 § Company share buy-backs
Deleted.

25 APRIL

Starckjohann Oy's holdings in Penope Oy rise to over 50%

On 25 April 1997, Starckjohann Oy acquired 38,000 K-series shares in Penope Oy from Managing Director Jarmo Kivistö. After the transaction Starckjohann Oy's holdings in Penope Oy's issued stock are 50.5%, conferring 58.0% of voting rights. After the deal, Managing Director Jarmo Kivistö holds 10.0% of the company's issued stock and 20.0% of voting rights.

22 MAY

Starckjohann Oy unifies its visual line

Starckjohann Oy is to unify its visual line. All the division names are to be linked with the name of Starckjohann, and they will have a standardized colour and

logotype. In the same connection, the divisions names will be changed. The new names and basic look will come in on 1 June 1997 and the modernization will be carried out in stages in the course of 1997.

22 MAY

Starckjohann Oy sells all its holdings of Penope Oy shares

On 22 May 1997 Starckjohann Oy sold all its holdings of Penope Oy K-series and A-series shares to the Managing Director of Kontram-Yhtiöt Oy, Arto Ilmari Jokinen. After the deal Starckjohann Oy no longer has any K- or A-series shares in Penope Oy. The deal has no substantial effect on the net profit of the Starckjohann Group.

19 JUNE

Interim report 1 January-30 April 1997

Turnover FIM 1,026.7 million

(change 1-4/96 +11.3%)

Operating profit FIM 18.9 million

(change 1-4/96 +44.5%)

Profit after financing items FIM 14.5 million

(change 1-4/96 +108.4%)

Net profit for review period FIM 14.5 million

(change 1-4/96 +104.0%)

Earnings per share FIM 0.11

(30 April 97 FIM 0.05)

Equity ratio 24.9%

(31 December 96 26.8%)

20 AUGUST

Starckjohann Oy renews its financing and proposes an issue of warrant bonds to staff

Starckjohann Oy's Board of Directors has decided on a rearrangement of the company's financing. According to the decision, financing will be arranged at more economical rates on a market basis and all the rescheduled debts will be paid off.

The Board of Directors also voted to propose to an extraordinary general meeting the issue of warrant bonds to all staff for subscription.

The Board of Directors decided to call an extraordinary general meeting on 12 September 1997 to declare the statutory restructuring programmes terminated and to decide on the staff warrant bond issue.

25 AUGUST

Merita seeks to reduce its holdings in Starckjohann

Merita Bank Ltd's Board of Governors has decided to commission Merita Corporate Finance Ltd to examine possibilities for placing the Starckjohann Oy shares held by the bank on the market in part or wholly. The bank holds 69,718,714 Starckjohann Oy shares or 53.7% of the company's share capital.

5 SEPTEMBER

Statutory restructuring programmes for Starckjohann Oy terminated

Starckjohann Oy has paid off all its rescheduled debt, as a result of which the statutory restructuring programmes of Starckjohann Oy and the companies merged into it which have completed their restructuring programmes - Starckjohann Palvelut Oy, Rakentajan Starckjohann Oy and Lappeenrannan Rautakauppa Oy - have been terminated. The restructuring programme of subsidiary Vahva-Jussi Oy has also ended. Following the termination of the statutory restructuring programmes, Starckjohann Oy has asked Helsinki Stock Exchange to take the company off the stock exchange observation list.

5 SEPTEMBER

Starckjohann Oy off the observation list as of 8 September 1997

Bulletin from Helsingin Arvopaperipörssi Oy: the statutory restructuring programmes of Starckjohann Oy and its Group companies have been terminated. For this reason Helsinki Stock Exchange will take the company's shares off the observation list as of 8 September 1997.

12 SEPTEMBER

Extraordinary general meeting of Starckjohann Oy, 12 September 1997

The meeting declared completed the statutory restructuring programmes confirmed for Starckjohann Oy and the companies merged into it which had completed the restructuring programme: Starckjohann Palvelut Oy, Rakentajan Starckjohann Oy and Lappeenrannan Rautakauppa Oy, as well as subsidiary Vahva-Jussi Oy.

The general meeting decided to offer warrant bonds for subscription to the staff of Starckjohann Oy, in the amount of FIM 570,000 and with a maturity of three years. The issue is non-interest-bearing. The warrants for the issue may be used to subscribe for a total of 5,700,000 shares in the company. The subscription price of the shares is FIM 12.00 each. The subscription period for the shares will begin in stages on 1 May 1999 and 1 May 2000. The share subscription period for all the warrants will end on 31 May 2002.

In a review given at the extraordinary general meeting, President Taisto Riski announced that the Group's sales were up by 15.6% in the first eight months of the year compared with the same period the year before. Due to the healthy trend in sales, he forecast that the Group's trend in earnings would continue to be good and that the net profit for the year would be an improvement.

1 OCTOBER

Suspension of trading in Starckjohann Oy shares

Helsinki Stock Exchange bulletin: Helsinki Stock Exchange suspended trade in Starckjohann Oy shares as of 12.15 PM until further notice, as a fact with substantial impact on the price of the shares had come to the attention of the stock exchange. According to the stock exchange's information, significant changes in the ownership of Starckjohann Oy may be in the offing.

2 OCTOBER

Trading in Starckjohann Oy shares resumes

Helsinki Stock Exchange bulletin: trading in Starckjohann Oy shares resumes at 9.15 AM.

2 OCTOBER

Letter of intent on the sale of Starckjohann Oy shares

Merita Bank Ltd has today announced it has made a letter of intent on the sale of the Starckjohann Oy shares it holds to Trelleborg AB of Sweden and to CapMan Capital Management Oy of Finland, with the intention of making an investment

from the capital funds it controls, acting jointly with its syndicated partners. CapMan will be Trelleborg AB's partner in the final transaction, if its relevant governing bodies make a decision favourable to the investment.

The selling price of the shares is FIM 9.50 each. For all the shareholders to be treated equitably, the buyers have announced that they will make an offer to minority shareholders at the same price after the deal is confirmed.

Merita Bank Ltd holds a total of 69,718,714 Starckjohann Oy shares, which is equal to 53.7% of the company's issued stock.

2 OCTOBER

Notification of ownership

Merita Bank Ltd has today announced that the Merita Group's holdings in Starckjohann Oy are to decline to less than one tenth of the company's shares and voting rights as a result of the letter of intent.

If the letter of intent leads to the deal envisaged in it, the holdings of the Merita Group and Merita Bank Ltd in Starckjohann Oy will be 0.0% of voting rights and 0.0% of shares.

2 OCTOBER

Notification of ownership

CapMan Capital Management Oy and Trelleborg AB have announced that, according to the letter of intent made between them and Merita Bank Ltd, the holdings of the parties making the declaration in Starckjohann Oy will exceed 1/5 separately and 1/2 jointly of Starckjohann Oy's share capital and voting rights if the final transaction takes place.

The holdings of the declaring parties in Starckjohann Oy's voting rights and share capital after the intended share deal will be as follows:

The funds administered by CapMan Capital Management Oy its syndicated partners: holdings of voting rights and share capital 26.85%.

Trelleborg AB: holdings of voting rights and share capital 26.85%.

Both contracting parties will, according to their declarations, enter into a contract in connection with the intended

share deal whereby the parties will exercise their voting rights in Starckjohann Oyj in concert.

3 OCTOBER

Supplement to the notifications of ownership in Starckjohann Oyj of 2 October 1997

The letter of intent will be valid till 14 November 1997. The buying parties want clarification by then on certain technical permits from the authorities.

3 OCTOBER

Supplement to the notification of ownership in Starckjohann Oyj of 2 October 1997

Further information on CapMan Capital Management Oy and Trelleborg AB:

In the event that the funds administered by CapMan Capital Management Oy and its syndicated partners do not approve the placement of the investment in their relevant governing bodies, Trelleborg AB will take the 26.85% holding planned for the funds administered by CapMan Capital Management Oy and its syndicated partners in the intended deal. In such a case, Trelleborg AB's holding will be the entire 53.70% of Starckjohann Oyj's share capital and voting rights referred to in the letter of intent.

14 OCTOBER

Interim report 1 Jan.-31 Aug. 1997

Turnover FIM 2,311.2 million

(change 1-8/96 +14.9%)

Operating profit FIM 85.4 million

(change 1-8/96 +27.5%)

Profit after financing items FIM 75.0 million (change 1-8/96 +30.6%)

Net profit for review period FIM 89.3 million (change 1-8/96 +47.6%)

Earnings per share FIM 0.57

(31 August 96 FIM 0.47)

Equity ratio 29.8%

(31 December 96 26.8%)

14 OCTOBER

Subscriptions for Starckjohann Oyj's warrant bonds approved

Starckjohann Oyj's Board of Directors approved, at its meeting on 14 October

1997, the subscriptions for the warrant bonds offered to the company's entire full-time staff.

10 NOVEMBER

Entitlement to deduct the losses confirmed for Starckjohann Oyj in the tax years 1992-1995

Starckjohann Oyj has received a favourable decision from the Provincial Tax Office of Uusimaa on its application for entitlement to deduct the losses confirmed for the tax years 1992-1995 in spite of the changes in ownership then and in the letter of intent made public by Merita Bank Ltd on 2 October 1997. The total of the losses not yet deducted in taxation is approximately FIM 825 million.

14 NOVEMBER 1997

Merita Bank Ltd sells its shares in Starckjohann

Merita Bank Ltd has today announced that, in accordance with its previously made letter of intent, it has sold the Starckjohann Oyj shares it holds to Trelleborg Holding AB of Sweden. The price obtained by the bank was FIM 9.50 per share.

CapMan Capital Management Oy of Finland was a party to the deal on behalf of the capital funds it administers and its syndicated partners, in accordance with its agreement with Trelleborg Holding AB. One condition of CapMan's final participation on it is that the funds it administers and its syndicated partners obtain a favourable decision on the investment from their governing bodies.

Merita Bank Ltd held a total of 69,718,714 Starckjohann Oyj shares, roughly equal to 53.7% of the company's voting rights and share capital.

14 NOVEMBER

Notification of ownership

Merita Corporation has today announced that the Merita Group's holdings in Starckjohann Oyj are to decline to less than one tenth of the company's shares and voting rights as a result of the deal made on 14 November 1997.

The holdings of Merita Bank Ltd (513,752) in Starckjohann Oyj after the

share transaction will be 0.2999% of the voting rights and share capital. The holdings of Partita Oy (100,362) will be 0.907% of the voting rights and share capital, the holdings of Merita Securities Ltd (399,326) will be 0.058% of the voting rights and share capital, and the holdings of Merita Delta Oy (336,657) will be 0.404% of the voting rights and share capital. The Merita Group's holdings will total 1.668% of the voting rights and share capital.

17 NOVEMBER

Notification of ownership

CapMan Capital Management Oy (443,018) has today announced that it has, on behalf of the funds it administers and its syndicated partners, and that Trelleborg Holding AB has, on its own behalf, made a contract with Merita Bank Ltd on 14 November 1997 in connection with the share deal made the same day, whereby the Starckjohann Oyj shares held by Merita Bank Ltd were sold to Trelleborg Holding AB.

According to the announcement by CapMan Capital Management Oy, the holdings of the funds it administers and the syndicated partners will, if the intended share deal materializes, exceed 1/5 of Starckjohann Oyj's share capital and voting rights and will be 26.85% of the voting rights and 26.85% of the share capital.

In the event that CapMan Capital Management Oy and the funds it administers and the syndicated partners do not receive approval from the appropriate governing bodies for the placement of the investment, Trelleborg Holding AB will retain in the intended share deal also the 26.85% holding planned for CapMan Capital Management Oy's funds and syndicated partners. The holdings of Trelleborg Holding AB will thus be 53.7% of Starckjohann Oyj share capital and voting rights.

CapMan Capital Management Oy must, according to the agreement, give notice of the participation of the funds it administers and the syndicated partners by 1 December 1997.

18 NOVEMBER

Trelleborg Holding AB (556 2128255) has given notice that Merita Bank Ltd, Trelleborg Holding AB and CapMan Capital Management Oy have signed an agreement on 14 November 1997 according to which Trelleborg Holding AB is to buy 69,718,714 shares in Starckjohann Oyj (290,074) from Merita Bank Ltd, the equivalent of 53.7% of the company's voting rights and share capital.

According to the notification, the ownership of the shares will be transferred when Trelleborg Holding AB has paid the purchase price in full. It must pay the purchase price within 22 banking days of the signing of the said agreement.

In the same connection, it has been agreed that CapMan Capital Management Oy will, in certain circumstances, have an option to buy 50% of the shares involved in the deal and that it must give notice of exercising its option by 1 December 1997.

24 NOVEMBER

The potential holdings in Starckjohann Oyj of the funds administered by and syndicated partners of CapMan Capital Management Oy

CapMan Capital Management Oy has today announced to Trelleborg Holding AB that it will not exercise its option to acquire 50% of the 69,718,714 Starckjohann Oyj shares purchased by Trelleborg Holding AB on 14 November 1997 from Merita Bank Ltd.

Trelleborg Holding AB has previously announced that, if CapMan Capital Management Oy does not use its option, Trelleborg Holding AB will retain all the shares it obtained in Starckjohann Oyj on 14 November 1997, conferring entitlement to 53.7% of the company's share capital and voting rights.

1 DECEMBER

Extraordinary general meeting

Because of the changes in Starckjohann Oyj's ownership, the company's Board of Directors has today decided to call an extraordinary general meeting of

the company on 15 December 1997 to elect a new Board of Directors for the company.

3 DECEMBER

Trelleborg Holding AB has today made an announcement that, according to information it has received, shareholders of Starckjohann Oyj with a total of about 14% of the company's share capital and voting rights, do not accept the offer of FIM 9.50 per share, so that Trelleborg will not be able to acquire 90% of Starckjohann Oyj's share capital and voting rights. For this reason, for the time being Trelleborg Holding AB does not intend to make an official purchase offer for Starckjohann Oyj shares to the minority shareholders.

15 DECEMBER

Extraordinary general meeting of Starckjohann Oyj

The only items on the agenda of Starckjohann Oyj's extraordinary general meeting was the election of members of the Board of Directors. As Trelleborg Holding AB has acquired 53.7% of the shares in Starckjohann Oyj, Board members Hannu Anttila, Kari Kolu and Risto Wartiovaara have tendered their resignation from the Board. Those elected to the Board in their place were Kjell Nilsson, Björn Ogard and Åke Järnblad, all employees of Trelleborg AB. Continuing as Chairman of the Board will be Leo Vatanen and Sisko Kanervaara continues as an ordinary member.

23 DECEMBER

Financial information on Starckjohann Oyj for 1998

Starckjohann Oyj announces the time schedule for its financial information for 1998. Instead of the former two interim reports there will be three interim reports published in 1998. This change is in line with the Group's new parent company.

Addresses

STARCKJOHANN OYJ

Helsingintie 50
FIN-15100 Lahti
PO Box 54, FIN-15101 Lahti
Tel +358 3 811 911
Fax +358 3 811 9555

Divisions:

Starckjohann Auto

Pohjoinen Liipolankatu 3
FIN-15500 Lahti
Finland
PO Box 63, FIN-15101 Lahti
Finland
Tel +358 3 881 511
Fax +358 3 881 5200

Starckjohann Steel

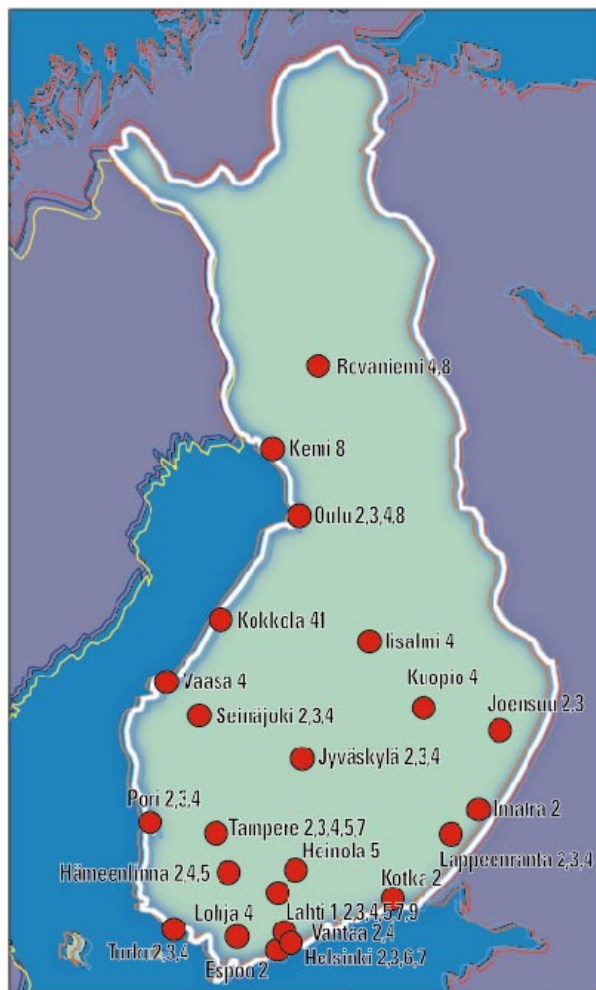
Helsingintie 50
FIN-15100 Lahti
Finland
PO Box 54, FIN-15101 Lahti
Finland
Tel +358 3 811 911
Fax +358 3 811 9503

Starkki

Sahaajankatu 6
FIN-00810 Helsinki
Finland
PO Box 60,
FIN-00811 Helsinki
Finland
Tel +358 9 759 859
Fax +358 9 7598 5844

Suomen LVI-Tukku

Virkatie 1
FIN-01510 Vantaa
Finland
Tel +358 9 82 991
Fax +358 9 870 3681



Business locations in Finland

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

Subsidiaries:

Böge Larsen Projects Oy

Hitsaajankatu 9 A
FIN-00810 Helsinki
Finland
PO Box 17,
FIN-00811 Helsinki
Finland
Tel +358 9 755 6211
Fax +358 9 755 7710
Telex 123180 boege.fi

Laakeripalvelu Oy

Hitsaajankatu 9 B
FIN-00810 Helsinki
Finland
PO Box 36,
FIN-00811 Helsinki
Finland
Tel +358 9 755 7355
Fax +358 9 755 5285

Oulun Pultti Oy

Karhunkedontie 2
FIN-90400 Oulu
Finland
PO Box 36, FIN-90401 Oulu
Finland
Tel +358 8 321 2200
Fax +358 8 321 2222

Vahva-Jussi Oy

VJ-Kiinteistöt Oy
Helsingintie 50
FIN-15100 Lahti
Finland
PO Box 54, FIN-15101 Lahti
Finland
Tel +358 3 811 911
Fax +358 3 811 9555

Information for shareholders

ANNUAL GENERAL MEETING

The annual general meeting of Starckjohann Oyj will be held in Thursday 2 April 1998 at 3,00 PM at the company's head office in Lahti (address: Helsingintie 50, Lahti). The meeting will deal with the agenda given in the notice of meeting published in newspapers. The newspaper announcement also gives information on registering for the AGM.

PAYMENT OF DIVIDEND

The Board of Directors will propose to the annual general meeting the payment of FIM 0.15 per share for the 1997 financial year. If the AGM votes in favour of the Board's proposal on dividend, it will be paid to those shareholders who are enrolled in the register of members maintained by Suomen Arvopaperikeskus Oy on the date of record, 7.4.1998, confirmed by the Board of Directors. The date for the payment of dividend is 14.4.1998.

SHARE REGISTER

The register of members showing the shares in Starckjohann Oyj and their holders is kept at Suomen Arvopaperikeskus Oy. We request notifications of shareholders' changes of address to be sent to the shareholder's own book-entry securities register where the account is kept.

FINANCIAL INFORMATION

Starckjohann Oyj will publish its interim reports for 1998 as follows:

January-March	24 April 1998
January-June	21 August 1998
January-September	5 November 1998

The reports will be published in Finnish and English. Annual reports and interim reports can be ordered from the following address: Starckjohann Oyj, Communications, PO Box 54, FIN-15101 Lahti, Finland, Tel +358 3 811 911, fax +358 3 811 9555.

INVESTOR RELATIONS

President and CEO	Chief Financial Officer
Taisto Riski	Vesa Vertanen
Tel 358 3 811 9221	Tel 358 3 811 9222
Fax 358 3 811 9555	Fax 358 3 811 9555

STARCKJOHANN OYJ

Helsingintie 50,
FIN-15100 Lahti,
Finland

PO Box 54,
FIN-15101 Lahti,
Finland

Tel +358 3 811 911

Fax +358 3 811 9555

STARCKJOHANN