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BERNER LTD
ANNUAL REPORT 1995
FOR THE 113TH YEAR
OF BUSINESS

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Shown standing in front is President Martti Ahtisaari, flanked by Martti Manninen, his adviser, and Erik Berner. In the rear, from the left, are Michael Berner Sandbacka, George Berner, Peter Berner, Harry B. Berner and Hannes Berner.

THE PRESIDENT OF FINLAND

The President of Finland, Martti Ahtisaari, visited the company on 12 May 1995. He wanted to acquaint himself with the operations, culture and corporate philosophy of the 113 year-old family-owned company. In particular, President Ahtisaari wanted to learn about the company's bonus system, which has been in force since 1946. Under the scheme, labour capital and financial capital have been placed on an equal footing. The entire personnel receive 10 per cent of the company's profits and a dividend is paid to shareholders. The bonuses have varied from a payout corresponding to half a month's salary to three and a half months of salary. The scheme was explained to the President by the chairman of the Board of Directors, Harry B. Berner, consul general, who was one of the architects of the scheme.



The President also stopped by the so-called "Back Room" which serves as the office of Managing Director George Berner and Peter Berner, deputy chairman of the Board.



The company's Board of Directors shaking hands with President Ahtisaari.

BERNER LTD

ANNUAL REPORT FOR THE 113TH YEAR OF BUSINESS

THE OPERATING ENVIRONMENT

The year started on a note of general optimism. Exports were buoyant and inflation remained at a very low level. This led to a lowering of interest rates and there were clear signs that Finns now believed in a better future.

Since wage earners' disposable income rose by 7.5 %, it is understandable that sales figures increased substantially within both the wholesale and retail trade. The wholesale trade rose by 6.2 % and the retail trade by 3.6 % in Finnish mark terms. The prices of foodstuffs fell by about 9 % during the year, which meant that the volume increase in the wholesale and retail sector was even greater than this figure.

In the autumn the situation began to change markedly. The first clear signs were the sales difficulties of the wood-processing industry. As the year wore on, more and more alarming signals became apparent. The economies of Finland's major export countries went into a slump, and exports, which had been brisk up to now, began to falter. The pronounced strengthening of the Finnish mark added to problems. Another negative surprise was the persistent high level of unemployment, although industrial capacity was in full use and domestic demand rose substantially.

The outlook for 1996 is partly contradictory. Official forecast figures and statements speak in favour of a continuing upward trend, and the downswing at the turn of the year is considered to be a transitory phenomenon of short duration. The optimism is based on the view that the competitiveness of Finnish industry is still very good, inflation is staying below the level of the OECD countries, the government has made major cuts in public expenditures and unemployment is declining. On the other hand, it is apparent that the economic trend everywhere in the EU countries has weakened a good deal. In most of the countries that are important for us, preparations for joining the EMU have started and this has led to substantial cuts in public sector spending, which is probably the largest individual reason for the stall in economic growth. Especially in Germany and Sweden, which are very important countries for the Finnish export industry, the outlook is very weak.

We at Berner are nevertheless proceeding on the premise that private consumer demand on the domestic market, which is a crucial factor for our company, will grow further in 1996. Disposable income and domestic demand will not, however, develop as fast as they did in 1995.

GROUP OPERATIONS AND PROFITS

During the financial period two major and strategically important acquisitions were made, both of which will considerably strengthen the company's position in their respective sectors of operations.

In the spring, Berner Ltd bought the technical chemicals business of Primalco Oy, whose well-known trademarks such as Lasol and Masinol decisively strengthened the product range and market position of our division that markets chemical products for cars. Ethanol-based disinfectants also meant a significant addition to the product range of our subsidiary Karl Beus Oy, which focuses on the health services sector.

Another important acquisition was made in the autumn, when Berner Ltd bought Sareko Agro's crop protection business from the Cultor Group. The deal meant an expansion and diversification of our product assortment, making Berner the largest importer and marketer of crop protection substances in Finland.

Both acquisitions were financed in their entirety from the company's cash flow and funds.



Present at the signing of the bill of sale for the Sareko Agro deal were, from the left, Ville Kauppinen, managing director of Sareko Agro Oy, Managing Director George Berner, Antero Nyysönen, managing director of Suomen Rehu Oy, and Peter Berner, deputy chairman of the Board.

BEAUTY AND PERSONAL HYGIENE

During 1995 a turn for the better took place on the market after several years of slumping profits. Sales of the largest groups of convenience goods to the wholesale and retail trade grew by 5.4% and sales of cosmetics by 7.1% (Source: The Finnish Cosmetic, Toiletry and Detergent Association). In most groups the trend was very good in the first half of the year but tailed off markedly towards the end of the year. Here, too, Berner's operations were in step with the general economic trend.

The Cosmetics Department acquired two new principals during the financial period: Pierre Fabre, whose Elancyl and Klorane products are marketed through pharmacies, and Antonio Puigi. Both are expected to have strong sales in 1996.

Within convenience goods, the launch of the renewed XZ series went well, and sales developed positively in the face of very strong competition, also gaining market share.



Revlon Colourstay make-up products represent a new transferproof approach. The colours are long-lasting and retain their shades for up to 12 hours.



The Christian Nissen Department delivered to the X-ray Department of the Meilähti hospital a Picker Edge 1.5 T high field magnet equipped with state-of-the-art accessories. The magnet, hanging from a crane, was handily lifted to the sixth floor by way of a hole made in the roof. The unit weighs about 7,000 kg.

HEALTH

The operations of all the units in our company's health care sector developed well. At the beginning of the year, operations were nevertheless hampered by the protracted nurses' strike. During the year we signed agreements with two important new principals. There were also some losses, mainly due to acquisitions that were made around the world.

Product development has been very fast, especially on the equipment side. New products and applications are being brought to market to an ever greater extent. Our task is indeed to serve physicians and hospitals by seeking out the latest innovations. Our activities as an importer of equipment that is suited to the Finnish market cover not only marketing but also training and maintenance. We believe that we have this know-how and it is with confidence that we look to the years ahead.

At the turn of the year the long-time director of the Veterinary Department and member of the Board of Directors, Antti Arho, retired. Jukka Santalahti, M.Sc.(Pharm.), was appointed as the new director of the department.

AGRICULTURE

The first year as a member of the EU has gone by and from the viewpoint of the farm sector, the greatest change was the fall in producer prices to half of their previous level. Farm support is also being paid in a new way. Although the change was huge and surrounded by a good deal of uncertainty, cultivated acreage increased and the volume of pesticide sales remained at nearly the previous level. We nevertheless boosted our own sales and market shares, and thus we can be satisfied with our achievements during the growth period.

As was mentioned above, in the autumn an agreement was signed between Sareko Agro Oy and Berner Ltd according to which the business operations of the former were transferred to Berner Ltd. This deal is significant not only for our company but for the entire field. As we see it, the deal represents industry consolidation at its best, and the advantages secured are certain to be passed along to the farmer, too.

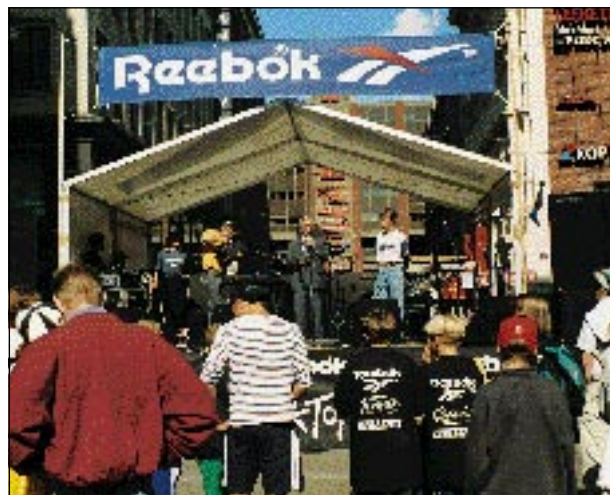
During the financial period, Jaakko Aalto, the department's director of long standing and member of the Board, retired after 34 years of service to the company. Antti Korpiemi, M.Sc.(Agro), was appointed as the new director of the department.



The Sareko deal meant that the Plant Protection Department obtained the agency rights to the result of the latest product development, Ratio low dose herbicide, that is used to combat weeds in serial crop fields.

LEISURE AND THE HOME

The sporting goods trade developed very well during the financial period after a string of truly weak years. The reasons were many: consumers again had the confidence to increase their consumption, the structure of the sporting goods trade was on a clearly healthier basis and the weather was favourable too - the warm summer and the early



Reebok celebrated its 100th anniversary in 1995. The picture is from an event for the public held in Kluuwikatu street, Helsinki.

snowy winter drew people to leisure pursuits outdoors. Our Sporting Goods Department developed in line with the trends in the field, although it did not quite reach the same growth figures as the sector on the whole. Strong brand names nevertheless give us a belief in the continuing good trend.

At our Household and Foodstuffs Department, we carried out a reorientation that has been in the planning stage for some time now. The non-food products, Ansell protective gloves, Spontex sponge cloths and Kas-Kas footwear care products were transferred to the Technical Chemicals Department. Thus the Household and Foodstuffs Department became a Foodstuffs Department, with a single focus on the marketing of imported foods. The most important new product during the year was the launch of Kavli cheese spreads, which went very well. Towards the end of the year we received a new distributorship for Del Monte tomato-based products. We consider that the department has very good development prospects in its new form.

Sales of professional cleaning products continued to develop positively and we increased our market shares considerably.

AGENCY OPERATIONS

The department's operations developed favourably and adjustment to the changing conditions within the EU went well. Agency trade with Finland's nearby areas also developed favourably, although in volume terms it is still relatively small.

TECHNICAL PRODUCTS

Both the forklift truck and vehicle trade continued to perform well. The markets for forklifts rose by more than 70% on the previous year. Sales of Mitsubishi forklifts managed to outpace even this figure, contributing to a slight increase in our market share. Sales of the vehicle outlet in Kouvola were also up, due to the fact that Volkswagen was Finland's best selling make of car in 1995.

Within lubricants, Castrol continued to increase its market share thanks to successful marketing that was based on good results in rally competitions.

The largest change in the department's operations was of course the launch of the strong new brand names that Berner has gained by way of new acquisitions. The strong market position of Korrek products in car waxes and other special car care products and the leading new volume products such as Lasol, Masinol and Sinol make our company Finland's foremost marketer of car care products.

Lasol, which has for many years been the market leader in windscreen cleaning fluids, became a part of Berner's range of car care products.



By far the largest-selling brand of car wax in Finland in 1995 was Korrek Teflox.

EXPORTS

Export marketing ran into snags during the financial period. The unstable conditions in Russia and the generally weak income of the Russian people hampered the sale of branded products. The bank crises in Lithuania and Latvia coupled with constantly changing regulations led to a good deal of additional work. The tough competition and low prices in the Czech Republic and Slovakia weakened profitability.

During the year we set up the company Barlach-Berner in Sweden. Convenience goods were transferred from Bröderna Berner to the new company. Bröderna Berner will continue operations strictly as a company serving the hospital supplies field. We also continued to develop Berner Eesti in Estonia, which employed 5 people at the end of the year.

BERNER INDUSTRY

For the factory and its management, the major events and changes during the year were the result of the acquisitions we made. The purchase of Sareko Agro nearly doubled the flow of goods and called for well tuned logistics. An even greater change took place after the Primalco deal, when the company rented part of the factory in Rajamäki. Ethanol-based automotive chemicals and health sector disinfectants that are sold in consumer containers are the main products manufactured at Rajamäki. After a very short break-in period, it can be observed that the integration has exceeded expectations and production is running well.

KARL BEUS

1995 was a year of great changes for our subsidiary that operates in the health care field. As a consequence of acquisitions in the international business arena, the company lost several important principals. Thanks to active efforts, the company nevertheless started cooperation with several new principals who are likely to bring in good sales already in 1996. Good additional sales also came from the ethanol-based disinfectants obtained through the Primalco acquisition. Karl Beus has managed to get the marketing of these products off to a good start.

Despite the upheavals in product sourcing, the company posted a good result for the 1995 financial period, and the outlook for 1996 is similarly optimistic.

TERPIA

The trend of the Terpia pharmaceutical factory during the financial period was good. Turnover rose to FIM 16.8 million (FIM 9.3 million in the previous financial period/10 months). The earnings trend during the year was also positive.

Natural food products

Natural food products still account for a significant share of Terpia's turnover. The good success achieved in Europe and in more far-flung markets, too, portends positive development in the years ahead.

Pharmaceuticals

The share of pharmaceuticals within Terpia's sales remained at the level of the previous financial period. Sales consisted nearly entirely of sales of veterinary medicines to the Veterinary Medicine Department.

BERNER GROUP FIGURES

FIM million	1991	1992	1993	2/1994	12/1994 (10 months)	1995
Turnover	435.7	422.7	442.2	507.7	439.6	595.3
Growth, %	6.2	- 3.0	4.6	14.8	- 13.4	35.4
Personnel	416	405	384	380	379	433
Salaries and wages	58.0	58.5	57.2	74.4	69.2	90.1
as a per cent of turnover	13.3	13.8	12.9	11.2	15.7	15.1
Operating profit before depreciation	29.7	28.3	33.5	46.1	42.9	61.9
% of turnover	6.8	6.9	7.6	9.1	9.8	10.4
Net profit	23.5	17.3	28.6	38.4	39.4	51.5
Change in untaxed reserves	- 3.9	- 0.9	- 3.6	0.0	- 1.4	- 3.2
Taxes	6.9	6.1	7.2	10.1	10.2	13.5
Interest expense	4.0	7.1	8.8	5.2	2.6	1.1
Interest income	3.3	2.6	5.9	3.3	2.3	2.7
Depreciation according to the Business Taxation Act	10.2	8.1	8.8	7.2	3.1	15.3
Balance sheet total	274.8	253.8	285.5	267.0	271.3	303.9
Gross investments	19.0	11.6	9.7	12.4	12.3	27.9
Equity ratio, %	46.2	32.5	34.8	46.6	54.4	58.7

SUBSIDIARIES OPERATING IN FINLAND

OY KARL BEUS AB

The company operates in the field of hospital supplies. Its turnover was FIM 24.7 million and 17 employees were on the payroll.

TERPIA BERNERIN LÄÄKETEHDAS OY

The company's turnover was FIM 16.6 million and it had 5 employees.

OTHER SUBSIDIARIES IN FINLAND

Aroma Blend Co Oy
Berco Trading Co Oy
Oy Berfin Ab
Bernerin Kiinteistösaakehtiö
Kymen Moottoritalo Oy
Lasse Virén - Tiger Oy
Bostads Ab Södra Kajen 4 (Housing corporation)

FOREIGN SUBSIDIARIES

Bröderna Berner HAB, Sweden

The company's turnover was FIM 15.1 million and it employed 10 people.

Sören Berner AS, Norway

Turnover was FIM 10.5 million and the company employed 13 people.

Betra Marketing Ltd, Republic of Slovakia

Turnover was FIM 1.4 million and the company employed 2 people.

Berner Eesti AS

Turnover was FIM 2.0 million and 3 employees were on the payroll.

Berner Brothers Inc., USA

No operations during the year.



Tasty new products from the Household and Foodstuffs Department: Käse processed cheeses, which had a successful launch.

BALANCE SHEET AND PROFIT

The consolidated gross profit on sales was FIM 218.0 million (36.6%). Operating profit before depreciation was FIM 61.9 million (10.4%). The Group had net interest income of FIM 1.6 million. Gross capital expenditure totalled FIM 27.9 million. The balance sheet total was FIM 303.9 million. The equity ratio was 58.7%. The transitional reserve totalled FIM 37.8 million. The reserve was decreased by FIM 3.2 million. The maximum depreciation allowable under the Business Taxation Act was booked – FIM 15.3 million – and depreciation according to plan amounted to FIM 9.6 million.

PERSONNEL, WAGES AND SALARIES

An average of 433 people were in the Group's employ, and personnel expenses totalled FIM 90.1 million. A bonus of FIM 4.8 million, inclusive of social costs, was paid out. The bonus amounted to 16.98% of the salaries and wages it was based on.

JOINT COOPERATION

Company labour relations have remained good. Joint cooperation negotiations have been held regularly at all the units. In these sessions, the company has informed employees of the company's financial situation and the trend in earnings.

MANAGEMENT OF THE PARENT COMPANY

Board of Directors

Chairman

Harry B. Berner, Consul General

Vice Chairman

Erik Berner, Commercial Counsellor

Vice Chairman

Peter Berner, M.Sc. (Econ.)

Managing Director

George Berner, M.Sc. (Eng.), Consul

Deputy Managing Director

Hannes Berner, M.Sc. (Econ.)

Other members

Jaakko Aalto, B.Sc. (horticulture)

(up to 31 July 1995)

Antti Arho, Licentiate, Veterinary Medicine

(up to 31 December 1995)

Juhani Klemola, M.Sc. (Pol.sc.)

Kirsi-Marja Koskelo, M.Sc. (Econ.)

Hannu Raiskio, LL.M.

Michael Sandbacka

Managing Director of Oy Karl Beus Ab

M.Sc. (Econ.)

AUDITORS

Professor Edward Andersson

Chairman Pekka Oivio

Per-Olof Stenvall, M.Sc. (Econ.),

Authorized Public Accountant

Professor Edward Andersson and Bank Director

Kalevi Sorsa have been asked to serve as advisors

for social affairs.

A collection of top-of-the-line forklift trucks manufactured at the Mitsubishi plants in Europe in 1995.



CONSOLIDATED INCOME STATEMENT

	01.01.1995–31.12.1995	01.03.1994–31.12.1994
Turnover	595 320 776.25	439 568 704.58
Product inventories, increase/decrease (+/-)	2 866 760.07	– 1 201 571.54
Other income from operations	1 230 435.39	1 103 199.22
Variable costs		
Materials, supplies and goods:		
Purchases during the financial period	375 821 685.34	273 987 309.47
Increase in inventories (–)	– 4 181 491.92	– 5 457 437.16
Outside services	3 960 058.65	2 430 251.40
Personnel expenses	2 057 177.48	1 483 280.90
Other variable costs	3 764 124.38	2 303 991.83
	<u>–381 421 553.93</u>	<u>–274 747 396.44</u>
Gross profit	217 996 417.78	164 722 935.82
Fixed costs		
Personnel expenses	87 997 004.16	67 693 800.07
Rents	5 661 036.19	3 443 308.99
Other fixed costs	62 395 649.64	50 671 952.40
	<u>–156 053 689.99</u>	<u>–121 809 061.46</u>
Operating profit before depreciation	61 942 727.79	42 913 874.36
Depreciation		
Fixed assets and other long-term expenditure	9 539 721.85	7 008 695.36
Amortization of goodwill on consolidation	11 255.00	11 157.00
	<u>– 9 550 976.85</u>	<u>– 7 019 852.36</u>
Operating profit after depreciation	52 391 750.94	35 894 022.00
Financial income and expenses		
Dividend income	110 811.55	96 614.15
Other financial income	3 804 799.21	3 744 787.26
Interest expense	– 1 111 623.22	– 2 622 273.46
Other financial expenses	– 1 589 437.11	– 2 341 872.22
	<u>1 214 550.43</u>	<u>– 1 122 744.27</u>
Profit before extraordinary items, appropriations and taxes	53 606 301.37	34 771 277.73
Extraordinary income and expenses		
Extraordinary income	828 684.38	700 722.84
Extraordinary expenses	– 29 388.99	– 540 514.09
	<u>799 295.39</u>	<u>160 208.75</u>
Profit before appropriations and taxes	54 405 596.76	34 931 486.48
Accelerated depreciation, increase/decrease (-/+)	– 5 778 509.66	3 008 531.75
Voluntary untaxed reserves, decrease (+)	3 198 807.80	1 445 698.73
Direct taxes		
For the financial period	13 332 793.00	9 937 661.31
For previous financial periods	174 633.00	262 865.00
Taxes paid from retained earnings	– 13 140 516.89	– 10 212 814.00
	<u>– 366 909.11</u>	<u>12 287.69</u>
Profit for the financial period before minority interest	51 458 985.79	39 398 004.65
Minority interest in net profit for the financial period	13 551.26	– 19 728.63
Consolidated net profit for the period	<u>51 472 537.05</u>	<u>39 378 276.02</u>

CONSOLIDATED BALANCE SHEET

ASSETS	31.12.1995		31.12.1994
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS			
Intangible assets			
Intangible rights	470 077.35		498 896.63
Goodwill	14 852 564.82		
Goodwill on consolidation	164 628.02		175 785.02
Other long-term expenditures	905 427.89	16 392 698.08	899 157.69
	<u> </u>		<u> </u>
1 573 839.34			
Tangible assets			
Land	7 580 846.14		7 032 443.25
Buildings and structures	10 354 508.06		11 649 629.24
Machinery and equipment	19 461 770.59	37 397 124.79	19 416 857.14
	<u> </u>		<u> </u>
38 098 929.63			
Fixed asset securities and other long-term investments			
Shares in subsidiaries	32 180.00		32 180.00
Shares in associated companies	235 280.00		
Other shares and holdings	1 368 880.91		1 364 478.91
Receivables from associated companies	2 355 480.64	3 991 821.55	
	<u> </u>		<u> </u>
1 396 658.91			
VALUATION ITEMS			
Translation adjustment		35 975.50	202 774.00
INVENTORIES AND FINANCIAL ASSETS			
Inventories			
Materials and supplies	10 613 353.28		10 966 953.79
Uncompleted goods	2 086 753.84		913 354.84
Finished products/Goods	104 654 364.04	117 354 471.16	97 862 642.44
	<u> </u>		<u> </u>
109 742 951.07			
Receivables			
Accounts receivable	93 077 828.73		62 438 902.65
Loan receivables from shareholders	309 786.43		472 279.68
Loan receivables from members of the Board	21 651.01		42 184.45
Other loan receivables	922 398.23		905 817.18
Prepaid expenses and accrued income	3 352 746.62		2 291 284.06
Other receivables	16 581 043.95	114 265 454.97	31 411 078.66
	<u> </u>		<u> </u>
97 561 546.68			
Cash and banks			
		14 467 768.43	22 678 562.86
		<u>303 905 314.48</u>	<u>271 255 262.49</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Restricted equity			
Share capital	5 106 520.00		5 106 520.00
Reserve fund	1 000 872.58		1 241 287.44
Construction fund			700.00
Revaluation fund		6 107 392.58	199.68
	<u> </u>		<u> </u>
6 348 707.12			
Non-restricted equity			
Disposal fund	5 798 889.47		5 948 118.76
Loan repayment fund	50 949.36		829 076.06
Renovation fund			5 355.00
Retained earnings	91 581 510.30		66 442 175.20
Dividends	-11 047 320.00		- 4 418 928.00
Taxes	-13 140 516.89		-10 212 814.00
	<u> </u>		<u> </u>
51 810 433.20			
Net profit for the period	51 472 537.05	124 716 049.29	130 823 441.87
	<u> </u>		<u> </u>
39 378 276.02			
MINORITY INTEREST			
		252 173.70	291 359.17
UNTAXED RESERVES			
Accumulated difference between booked and planned depreciation			
		9 791 072.71	4 014 466.18
Voluntary untaxed reserves			
Transitional reserve	37 761 213.47		40 943 851.27
Other reserves	2 506.35	37 763 719.82	
	<u> </u>		<u> </u>
40 943 851.27			
VALUATION ITEMS			
Gains on foreign exchange	153 238.17		323 206.02
Translation adjustment	103 318.92	256 557.09	28 747.71
	<u> </u>		<u> </u>
351 953.73			
LIABILITIES			
Long term			
Loans from financial institutions	1 445 135.78		1 069 995.84
Advances received	347 251.00	1 792 386.78	385 834.00
	<u> </u>		<u> </u>
1 455 829.84			
Current			
Loans from financial institutions			16 061 400.00
Advances received	125 652.65		
Accounts payable	64 804 300.11		55 037 520.84
Accrued expenses and prepaid income	41 567 440.97		38 713 313.77
Other current liabilities	16 728 568 78	123 225 962.51	10 065 601.53
	<u> </u>		<u> </u>
119 877 836.14			
		<u>303 905 314.48</u>	<u>271 255 262.49</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FIM 1,000

Sources of funds	01.01.–31.12.1995	01.03.1994–31.12.1994
Funds generated from operations		
Operating profit before depreciation	61 943	42 914
Dividends and other financial income	3 916	3 841
Gains on the sale of fixed assets	4 005	4 394
Extraordinary items (net)	<u>+ 799</u>	<u>+ 160</u>
	70 663	51.309
Distribution of profits		
Financial expenses	– 2 701	– 4 964
Taxes	–13 507	–10 201
Dividends	<u>–11 047</u>	<u>– 4 419</u>
	–27 255	–19 584
Capital financing		
Long-term borrowed capital, increase/decrease	<u>+ 337</u>	<u>–44 461</u>
Total (A)	<u>+43 745</u>	<u>–12 736</u>
 Application of funds		
Investments		
Investments in fixed assets	+26 581	+12 974
Increase/decrease due to translation adjustment	– 92	+ 176
Purchase of shares in subsidiaries	+ 1 678	+ 364
Purchase of shares in associated companies	+ 235	—
Net change due to the consolidation of Bostads Ab Södra Kajen 4 housing corporation	—	– 1 598
Decrease/increase in minority interests	<u>– 39</u>	<u>+ 233</u>
Total (B)	<u>+28 363</u>	<u>+12 149</u>
 Change in net working capital		
Other long-term investments, increase/decrease	+ 2 355	– 25
Inventories, increase	+ 7 612	+ 2 681
Financial assets, increase/decrease	+ 8 493	– 6 207
Valuation items, decrease	+ 170	+ 337
Short-term borrowed capital, increase	– 3 348	–23 262
Other changes in working capital due to the elimination of foreign subsidiaries	<u>+ 100</u>	<u>+ 1 591</u>
Total (A – B)	<u>+15 382</u>	<u>–24 885</u>

Extent of the consolidation

The following companies have been combined in the consolidated financial statements:

Parent company:	Berner Ltd
Subsidiaries:	Aroma Blend Co Oy
	Berco Trading Co Oy
	Oy Berfin Ab
	Bernerin Kiinteistöyhtiö
	Bostadsaktiebolag Södra Kajen 4
	Oy Karl Beus Ab
	Kymen Moottoritalo Oy
	Lasse Virén – Tiger Oy
	Terpia Bernerin Lääketehdas Oy
	Bröderna Berner HAB
	Sören Berner A/S
	Betra Marketing Ltd
	Berner Eesti AS

Unconsolidated subsidiary: Berner Brothers Inc., USA

The company has not been consolidated because it is a foreign company that has not had operations.

Accounting policies

Intercompany share ownership

The consolidated financial statements have been prepared using the acquisition cost method. In the acquisition of shares in subsidiaries, the price paid in excess of shareholders' equity has been allocated in part to fixed assets and in part it is stated as the goodwill on consolidation.

Internal transactions and margins

Intra-Group transactions, the unrealized margins on internal deliveries, internal receivables and debts as well as the internal distribution of profits have been eliminated.

Minority interests

Minority interests have been separated out from the consolidated shareholders' equity, untaxed reserves and net profits and have been stated as an independent item.

Translation adjustments

The financial statement figures of Group companies outside Finland have been translated into Finnish marks at the Bank of Finland's official rate on the balance sheet date. The adjustment differences arising in the elimination of the shareholders' equity amounts of subsidiaries outside Finland have been booked in non-restricted equity.

Associated company

The new associated company has not been consolidated because its net profit for the first financial period 1.6.–31.12.1995 is only FIM 32.73 after an investment of FIM 479,821.80 by the shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31.12.1995

Personnel costs	31.12.1995	31.12.1994
Salaries and wages	67 936 318.99	51 247 515.19
Pension costs	12 353 435.62	8 697 737.12
Other personnel expenses	9 764 427.03	9 231 828.66
Total	90 054 181.64	69 177.080.97
Fringe benefits	2 372 877.29	1 810 454.61
Total	92 427 058.93	70 987 535.58

Valuation items

Unrealized gains on foreign exchange 1.1.1995/1.3.1994	323 206.02	660 548.83
Increase 1.1.–31.12.1995/1.3.–31.12.1994	—	—
Decrease 1.1.–31.12.1995/1.3.–31.12.1994	-169 967.85	-337 342.81
Unrealized gains on foreign exchange 31.12.1995/31.12.1994	153 238.17	323 206.02
Translation adjustment 1.1.1995/1.3.1994	28 747.71	89 788.45
Increase 1.1.–31.12.1995/1.3.–31.12.1994	+ 74 571.21	—
Decrease 1.1.–31.12.1995/1.3.–31.12.1994	—	- 61 040.74
Translation adjustment 31.12.1995/31.12.1994	103 318.92	28 747.71
Translation adjustment, assets side 1.1.1995/1.3.1994	202 774.00	88 096.00
Increase 1.1.–31.12.1995/1.3.–31.12.1994	—	+114 678.00
Decrease 1.1.–31.12.1995/1.3.–31.12.1994	-166 798.50	—
Translation adjustment 31.12.1995/31.12.1994	35 975.50	202 774.00

Receivables falling due in one year or more

Accounts receivable	395 884.00	—
Loan receivables from shareholders	—	121 135.28
Other loan receivables	718 465.02	815 310.13
	1 114 349.02	936 445.41



Effective and safe ethanol-based disinfectants that are used in hospitals became a part of the Karl Beus Oy product range by way of the Primalco acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31.12.1995

Depreciation	31.12.1995	31.12.1994
<u>Depreciation according to plan</u>		
Intangible rights	143 183.87	126 771.54
Goodwill	758 807.18	—
Other long-term expenditure	264 254.87	126 497.91
Buildings and structures	890 597.17	809 148.53
Machinery and equipment	<u>7 335 534.98</u>	<u>5 840 622.77</u>
Domestic items, total	9 392 378.07	6 903 040.75
Foreign subsidiaries		
Machinery and equipment	+ 147 343.78	+ 105 654.61
	<u>9 539 721.85</u>	<u>7 008 695.36</u>
<u>Change in accelerated depreciation</u>		
(increase – / decrease +)		
Intangible rights	– 85 864.60	– 5 943.04
Goodwill	–3 014 035.82	—
Other long-term expenditure	– 107 650.60	– 346 673.84
Buildings and structures	+ 277 903.54	+ 545 112.45
Machinery and equipment	<u>–2 848 862.18</u>	<u>+2 816 036.18</u>
Total	<u>5 778 509.66</u>	<u>3 008 531.75</u>

Uniform principles are applied to the depreciation according to plan for the Group's companies in Finland, and it is calculated as straight-line depreciation on the original purchase price according to the economic life of the fixed asset items.

The depreciation periods according to the plan are:

Intangible rights	4–5 years, rental period
Goodwill	4–5 years
Other long-term expenditure	5–10 years
Buildings	30 years
Structures	10 years
Machinery and equipment	4–10 years, rental period
Consolidated goodwill	10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31.12.1995

CHANGES IN FIXED ASSET ACQUISITION COSTS AND
OTHER LONG-TERM EXPENDITURE 1.1.1995–31.12.1995

	Acquisition cost 1.1.	Increases 1.1.–31.12.	Decreases 1.1.–31.12.	Acquisition cost 31.12.	Accumulated planned depreciation 31.12.	Book value 31.12.
Intangible rights	1 358 082.62	+ 114 364.59	—	1 472 447.21	1 002 369.86	470 077.35
Goodwill	0.00	+15 611 372.00	—	15 611 372.00	– 758 807.18	14 852 564.82
Consolidated goodwill	253 884.02	—	—	253 884.02	– 89 256.00	164 628.02
Other long-term expenditure	1 254 655.77	+ 270 525.07	—	1 525 180.84	– 619 752.95	905 427.89
Land areas	2 483 920.37	+ 5 096 925.77 ²⁾	—	7 580 846.14	—	7 580 846.14
Buildings and structures	19 434 566.62 ¹⁾	+ 2 506 934.38 ²⁾	–1 546 350.10	20 395 150.90	–10 040 642.84	10 354 508.06
Machinery and equipment, domestic	51 724 438.82	+10 302 504.27	–6 225 291.36	55 801 651.73	–36 707 652.91	19 093 998.82
Machinery and equipment, foreign subsidiaries, book value						367 771.77
						19 461 770.59

¹⁾ The acquisition cost includes a revaluation of FIM 1,060,750.44

²⁾ Includes consolidated goodwill
Land areas 5 096 925.77
Buildings and structures 2 467 619.95 (net)



Among the makes sold by Auto-Berner in Kouvola is the Volkswagen Passat TDI, which now ranks as Finland's biggest-selling diesel car.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31.12.1995

COMPANY-OWNED SHARES AND HOLDINGS
IN OTHER COMPANIES

Name	Number	Group's percentage of voting rights %	Group's percentage of total shares %	Par value, FIM	Book value, FIM	Profits/loss according to last financial statements
Shares in subsidiaries						
Berner Brothers Inc., New York, USA	99	99.00 %	99.00 %	<u>32 180.00</u>	<u>32 180.00</u>	—
Shares in associated companies						
Barlach – Berner Ab	4 000	40.00 %	40.00 %	235 280.00	<u>235 280.00</u>	32.73 *)
Shares and holdings in other companies						
Asunto Oy Pääsky, Helsinki	2		0.7 %	7.00	102 009.60	
Asunto Oy Töölöntori 1, Helsinki	2		4.0 %	20.00	165 986.00	
Kohdematkat Oy, Helsinki	50				250 000.00	
MTV Oy, Helsinki	50				140 000.00	
Sampo Insurance Company, Helsinki	863			17 260.00	163 210.00	
Helsinki Telephone Company	82				106 285.20	
Golf Talma, Helsinki	2				162 560.00	
Other companies	—		—	—	278 830.11	
					<u>1 368 880.91</u>	

*) Net profit of FIM 32.73 after the investment of FIM 479,821.80 by the shareholders.

Machinery and equipment	31.12.1995	31.12.1994
Undepreciated portion of the purchase cost of machinery and equipment belonging to fixed assets	973 236.00	1 019 099.31
Group repurchases of shares outstanding (treasury stock)		
Number of shares purchased by the Group	3 052	3 052
total par value	1 354 600.00	1 354 600.00
Loans		
Other loan receivables include loans to the management of a Group company	123 766.83	50 626.06
Guarantees and commitments		
For Group companies Guarantees	4 339 648.95	5 168 814.06
Other own commitments Other commitments	19 816 849.80	11 041 015.62
Total	24 156 498.75	16 209 829.68

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31.12.1995

TAXATION VALUES OF FIXED ASSETS	31.12.1995	31.12.1994
Land	29 972 665.00	27 302 260.00
Buildings	13 407 935.00	13 495 008.00
Shares in subsidiaries	32 180.00	32 180.00
Shares in an associated company	235 280.00	—
Other shares and holdings	1 283 747.00	1 119 459.00

For the following asset items, the book value has been used as the taxation value, since the latter has not been confirmed.

Buildings and structures	1 192 524.00	2 141 556.00
Shares in subsidiaries	32 180.00	32 180.00
Shares in an associated company	235 280.00	—
Other shares and holdings	13 420.00	3 500.00




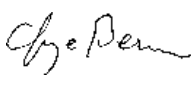

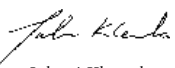
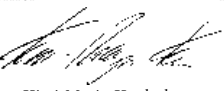
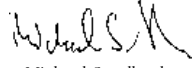
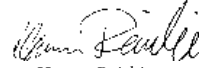
CHANGES IN EQUITY ITEMS

Reserve fund 1.1.1995/1.3.1994	1 241 287.44	1 256 491.82
Transfer to fund	—	+ 13 377.55
Elimination on consolidation (Sören Berner)	- 236 497.72	—
Translation adjustment	- 3 917.14	- 28 581.93
Reserve fund 31.12.1995/31.12.1994	<u>1 000 872.58</u>	<u>1 241 287.44</u>
Disposal fund 1.1.1995/1.3.1994	5 948 118.76	5 975 842.18
Transfer from fund/to fund	- 108 764.03	+ 114 126.27
Translation adjustment	- 40 465.26	- 141 849.69
Disposal fund 31.12.1995/31.12.1994	<u>5 798 889.47</u>	<u>5 948 118.76</u>
Loan repayment fund 1.1.1995/1.3.1994	829 076.06	—
Increase during the financial period	+ 68 480.30	+ 1 184 394.37
Eliminations on consolidation	- 846 607.00	- 355 318.31
Loan repayment fund 31.12.1995/31.12.1994	<u>50 949.36</u>	<u>829 076.06</u>

Changes in the Construction fund, Revaluation fund and Renovation fund are due to eliminations on consolidation.

Retained earnings 1.1.1995/1.3.1994	51 810 433.20	30 642 642.55
Profit for the previous financial period	39 378 276.02	38 403 004.46
	<u>91 188 709.22</u>	<u>69 045 647.01</u>
Eliminations on consolidation, previous financial period	+ 2 633 649.39	—
<u>Bostads Ab Södra Kajen 4:</u>		
Loss from previous years	—	- 468 605.83
Loss from previous financial period	—	- 12 259.81
Transfers from funds/to funds (overseas subsidiaries)	+ 104 207.03	- 113 136.74
Translation adjustment	+ 681 188.69	+ 624 179.96
	<u>94 607 754.33</u>	<u>69 075 824.59</u>
Eliminations on consolidation	- 3 026 244.03	- 2 633 649.39
	<u>91 581 510.30</u>	<u>66 442 175.20</u>
Dividends	-11 047 320.00	- 4 418 928.00
Taxes	-13 140 516.89	-10 212 814.00
Group retained earnings 31.12.1995/31.12.1994	<u>67 393 673.41</u>	<u>51 810 433.20</u>

Helsinki, 31 Mars 1996.

 Harry B. Berner	 Erik Berner	 Peter Berner	 George Berner	 Hannes Berner
 Juhani Klemola	 Kirsi-Marja Koskelo	 Michael Sandbacka	 Hannu Raiskio	

The above financial statements have been prepared in accordance with Generally Accepted Accounting Practice in Finland. We have today submitted our auditors' report of the audit carried out by us.

Helsinki, 15 May 1996.

 Edward Andersson	 Pekka Oivio	 Per-Olof Stenvall Authorized Public Accountant
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AUDITORS' REPORT

To the shareholders of Berner Ltd

We have examined the accounts, financial statements and administration of Berner Ltd for the financial period 1.1.–31.12.1995. The financial statements prepared by the Board of Directors and the Managing Director include the annual report as well as the consolidated and parent company income statements, balance sheets and notes to the financial statements. On the basis of the audit carried out by us, we submit the following statement regarding the financial statements and the company's administration.

The accounts have been audited in detail during the financial period by Tilintarkastajien Oy – Ernst & Young.

The audit has been carried out in accordance with Generally Accepted Accounting Practice in Finland. The accounts as well as the principles according to which the financial statements have been prepared, their content and format have thereby been examined to an extent sufficient to ascertain that the financial statements do not contain material errors or deficiencies. In examining the company's administration, the legality of the actions of the members of the Board of Directors and the Managing Director has been ascertained on the basis of the provisions of the Companies Act.

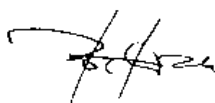
In our opinion, the financial statements, which show a profit for the parent company of FIM 47,049,402.05, have been prepared in accordance with the Accounting Act as well as the other provisions and regulations concerning the preparation of financial statements. The financial statements give, in the manner intended in the Accounting Act, correct and sufficient information on the result of the operations of the Group and the parent company and on their financial position.

The financial statements including the consolidated financial statements can be adopted and release from liability be granted to the members of the parent company's Board of Directors and Managing Director for the financial period audited by us. The proposal of the Board of Directors concerning the disposal of the profits shown in the balance sheet is in accordance with the Companies Act.

Helsinki, 15 May 1996


Edward Andersson


Pekka Oivio


Per-Olof Stenvall
Authorized Public Accountant



The launch of the XZ line of hair care products, which are the result of domestic product development, went well and market share gains were made.

BERNER

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