

KAUKOMARKKINAT 1995



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Kaukomarkkinat Oy's head office is in Espoo, near Helsinki. Established in 1947, Kaukomarkkinat is a leading Finnish trading house and an expert in the global market. We specialize in international trade, imports, exports, and wholesale business.



PRESIDENT'S REVIEW



Kaukomarkkinat enjoyed a good year in 1995. The Group's overall sales and net sales rose to new heights. Overall sales totalled FIM 3.9 billion and net sales amounted to FIM 3.0 billion. The biggest factor influencing the growth in volume was project trade with Russia in Panasonic consumer electronics on an agency basis.

Another spur to growth was a recovery by consumer demand in Finland and the eruption of pent-up purchasing pressure after the recession. This was particularly noticeable in the second half of the year. Trade in branded goods performed particularly well in most of our fields of business, achieving almost double the growth of the market as a whole. The highest growth figures were those of adidas sporting and leisure goods, and adidas strengthened its market leadership in Finland. Panasonic consumer electronics also grew well, but heavy price competition in this field as well as in office automation products meant that neither line achieved its targeted profits. Our cooperation with distributors became closer; one example of this was the opening of a Panasonic Play Shop in the heart of Helsinki by one of our partners. The shop concentrates exclusively on selling Panasonic products, with the business policy of providing the most complete range of products and services for the consumers.

The Panasonic Business Sales Unit enjoyed a favourable trend in sales as the Finnish electronics industry, encouraged by good prospects for exports, increased its purchases of components and continued to invest in new production lines. Sales of closed-circuit TV and surveillance equipment for professional use also did well. Market positions were reinforced by a corporate acquisition in which Xenex Oy, a company specialized in telecommunication networks and systems, was taken over by Kaukomarkkinat.

The Group's strongest market position for branded goods was again for Citizen watches, which retained their overwhelming lead with 37 per cent of the market. Our Optical Division again enjoyed an upbeat trend. Campaigns for Rodenstock lenses were a success and resulted in substantially increased sales.

The Leipuriin Tukku Division's position on the market was strengthened by Finland's accession to the EU. Operations were expanded by launching the Kauko Gourmet unit, which markets wines and ingredients for food, primarily to restaurants and caterers.

In the Group's East-West trade, business with Russia was made difficult by unstable operating conditions and by Russia's constantly changing rules and regulations for

international trade, as well as by an increase in various risks associated with trade. The overall volume of transit deliveries of oil and chemical products through Finland continued to decline. However, the tank capacity provided by Kaukomarkkinat continued to be used at a satisfactory level.

A new field of business was started, comprising the sale of various equipment and service packages to Russian oil and gas companies for monitoring pipelines and compressor stations.

Rapid economic growth continued on the Chinese and Polish markets, and this was reflected in the upward trend of Kaukomarkkinat's business activities in these countries.

Kaukomarkkinat's income before extraordinary items for 1995, at FIM 58 million, is one of the best in the company's history and by far the best in the 1990s to date. Domestic demand in Finland looks set to continue growing in 1996, although there are signs of a slowdown in growth. There are many opportunities for growth in East-West trade, but they are largely dependent on economic and political developments in Russia, as Russia is of great importance to Kaukomarkkinat's international trade. Every effort will also be made to develop trade with China as well.

I would like to express my thanks to our customers, our principals and business partners for the confidence they have shown in us and for the successful and constructive cooperation. We shall devote all our efforts to further developing this cooperation and to constantly improving of our services. I would also like to thank our personnel for their professional and dedicated contribution, which has made our good financial performance in 1995 possible.

A handwritten signature in blue ink, appearing to read 'Kari Ansio'. The signature is fluid and cursive.

Kari Ansio
President, CEO

KAUKOMARKKINAT

The Group, 1 January 1996

Kaukomarkkinat Oy

Supervisory Board

Chairman: Matti Suutarinen.
Vice Chairman: Pekka Pystynen.
Matti Lainema.
Antti Lehtinen.

President, CEO

Kari Ansio.

Management Board

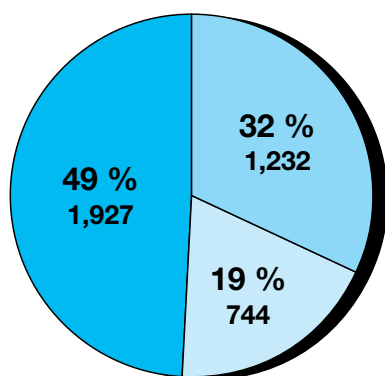
Kari Ansio, President, CEO.
Erkki Hämäläinen,
Senior Executive Vice President.

Hannu Närhi,
Senior Executive Vice President.
Jari-Pekka Lehmuskoski,
Senior Vice President.
Sakari Laine,
Senior Vice President, Logistics and Finance.
Markku Keinonen,
Senior Vice President, Legal Affairs.
Juha Koskenseppä,
Senior Vice President, Personnel.

The Group In Brief	1993	1994	1995
Total sales, million FIM	2,545,3	3,022.0	3,902.7
Net sales, million FIM	1,745,6	1,987.9	3,033.9
Profit before extraordinary items, million FIM	32.0	15.8	58.3
Balance sheet total, million FIM	814.1	958.7	1,485.4
Solvency ratio, %	36.4	31.7	20.1
Personnel at year's end	712	716	743

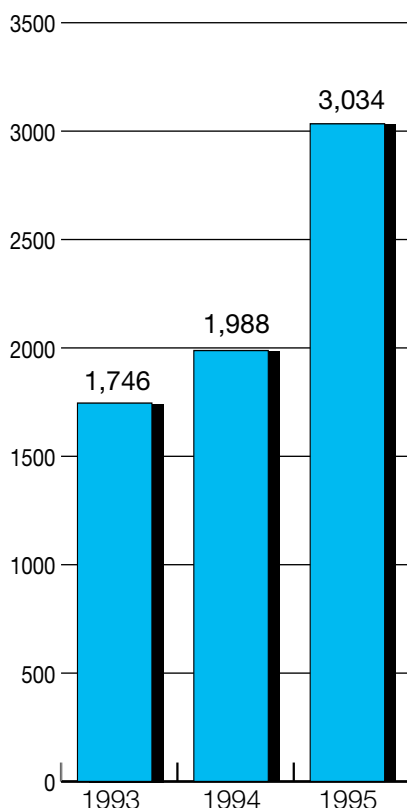
Total Sales

Breakdown of Total Sales,
% and million FIM



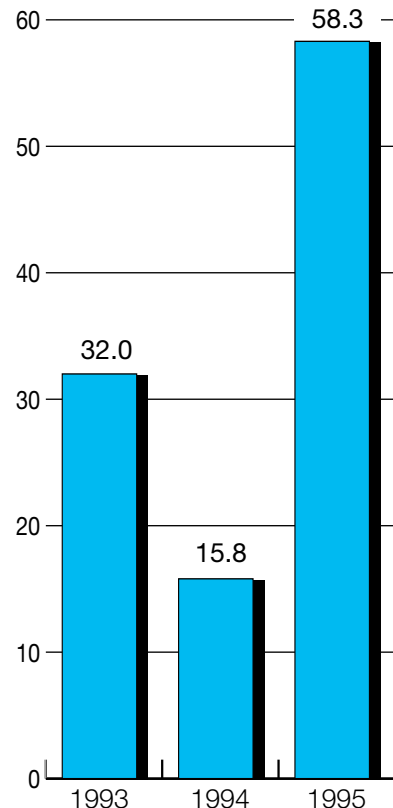
Net Sales

Net Sales,
million FIM



Profit

Profit before extraordinary items,
million FIM



KAUKOMARKKINAT-GROUP 1991 - 1995

Financial development	1991	1992	1993	1994	1995
Total sales, million FIM	2,202.6	1,769.3	2,545.3	3,022.0	3,902.7
Net sales, million FIM ¹⁾	1,501.7	1,233.5	1,745.6	1,987.9	3,033.9
Operating profit, million FIM	46.9	32.6	48.8	25.5	60.0
%	3.1	2.6	2.8	1.3	2.0
Profit before extraordinary items, million FIM	26.2	19.2	32.0	15.8	58.3
%	1.7	1.6	1.8	0.8	1.9
Balance sheet total, million FIM	864.9	777.5	814.1	958.7	1,485.4
Shareholders' equity, million FIM	265.8	277.8	296.1	303.4	297.6
Liquid assets, million FIM	70.3	106.6	78.4	43.5	65.3
Return on investment, %	9.2	10.1	11.0	6.3	13.1
Return on equity, %	16.5	6.7	10.8	5.6	20.9
Solvency ratio, %	30.7	35.7	36.4	31.7	20.1
Adjusted solvency ratio, % ²⁾				42.2	42.0
Current ratio	1.3	1.5	1.5	1.3	1.2
Investments, million FIM	29.5	16.3	19.6	17.5	24.8
Personnel, average	750	637	725	731	749

1) Net sales figure for the years 1995 and 1994 has been calculated according to the international accounting practice. Thus only indirect taxes, granted discounts and foreign exchange differences have been deducted from the sales proceeds.

2) Consolidated balance sheets include 776 million FIM in the year 1995 and 239 million FIM in the year 1994 such financial and current assets for which the economic and business risks are covered by the principals. The assets are financed by current liabilities. The aforementioned items are eliminated when calculating the adjusted solvency ratio.

Formulae for Calculating the Financial Indicators

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

Return on equity (%) = $\frac{\text{Profit before extraordinary items} - \text{direct taxes}}{\text{Shareholders' equity} + \text{minority interest (average for year)}} \times 100$

Solvency ratio (%) = $\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total}} \times 100$

Liquid assets = Monetary funds + short-term placements of the Group

Shareholders' equity = Shareholders' equity + reserves - deferred tax liability
Deferred liability for all years is calculated according to company tax basis for 1995.

Current ratio = $\frac{\text{Financial assets} + \text{inventories}}{\text{Current liabilities}}$

KAUKOMARKKINAT GROUP ORGANIZATION

Corporate Administration

Kari Ansio
President, CEO



Sakari Laine
Senior Vice President

- Finance
- Logistics
- Internal auditing



Juha Koskenseppä
Senior Vice President

- Personnel
- Corporate services
- Insurance
- Real estate



Markku Keinonen
Senior Vice President

- Contracts
- Legal affairs
- Taxation
- Corporate Secretary



Business Divisions

Kauko East-West Trade

Erkki Hämäläinen
Senior Executive
Vice President

- East-West trade
- Transit
- Oil products
- Trade with China
- Kauko-Metex
- Lubricants



Kauko Branded Goods

Hannu Närhi
Senior Executive
Vice President

- Virsu Oy
- Optics
- Watches
- Kauko Time AB



Leipurien Tukku

Hannu Närhi
Senior Executive
Vice President

- LT-Tukku Oy
- LT-Kone Oy
- Hydrovoima Oy
- Leitok Oy



Panasonic Division

Jari-Pekka Lehmuskoski
Senior Vice President

- Consumer electronics
- Professional electronics
- Industrial electronics
- Photo
- Panasonic exports
- Japanese exports



OVER 40 YEARS OF EXPERIENCE IN EAST-WEST TRADE

Trade with Russia is one of the strongest areas of Kaukomarkkinat's expertise. In this important business area, our company has experience going back for more than four decades. As a professionally skilled trading house, Kaukomarkkinat's flexible mode of operations has won the complete confidence of its principals and customers.

Skilled professional in East-West trade

The broad experience and good business contacts of our company's East-West trade professionals are a guarantee of successful cooperation. We employ some 40 Russian-speaking trade specialists. Kaukomarkkinat has made a special commitment to establishing direct contacts with product manufacturers and end users.

A broad spectrum of exports

We are a major exporter in East-West trade. Our export activities are carried out on both barter and direct trade basis. Our main export products are various kinds of machinery and equipment for the forest and wood-processing industry as well as for the oil industry. Within construction and project exports development has been steady, and many of the agreements concluded have been on a turnkey basis.

Our rapidly expanding range of export products also includes furnishings, textiles, clothing and leisure products, consumer electronics and other consumer goods as well as foodstuffs.

Imports for industry

The years of experience Kaukomarkkinat has built up in East-West trade are also clearly reflected in the structure of our business. Not only are we a major exporter to the East, but our imports from there have expanded constantly.

From Russia and the Baltic countries we import timber as a raw material for the forest industries in both Finland and the other Nordic countries. Our wood trade is built on a solid foundation of deliveries of pulpwood. We are strongly committed to a high level of customer service. We have excellent

suppliers of timber who have made us one of the biggest importers of timber in the Nordic region.

International trade in wood products

We have decades of experience in trading the products of the mechanical wood-processing industry. In addition to our main lines - timber and plywood - we also deal in higher value-added special products. Our prime market area is North Africa and the Middle East, although our market share in Europe has also grown as our procurement area has expanded to embrace the countries neighbouring Finland.

Local offices growing in importance

In business today, it is essential to keep a close eye on customers and the markets and changes in them every second of the day. We have our own representative offices in Moscow, St Petersburg, Ufa, Perm, Petrozavodsk and Ukhta. Acting as our sensors on the spot, the local offices are effective in assisting the development of trade, serving our many customers and principals in their areas.

Trade with third countries

We constantly develop our trade between Russia and third countries, arranging financing and counter-purchase operations, for example. Our company is known as a trustworthy partner in both the East and the West.

Flexible and reliable transit services for chemicals and oil products

Transit through Finland is an important export route for the petrochemical and chemical products



of the CIS, especially Russia. We have a tank farm with a capacity of some 100,000 cubic metres at Hamina for the transshipment of these products. The first stage in the products' further refinement takes place at our Hamina tank farm, where they are stored and shipped according to the customers' special requirements. The facility's built-in steam and inert gas systems facilitate economical and safe product handling. We have heated tank and piping systems for heavy products.

In addition to products that arrive by rail from the East and are shipped out by sea, the facility is capable of handling chemicals in the reverse direction. With its separated piping systems, our chemical storage facility is able to hold different chemicals in its tanks.

Oil products and chemicals from East to West

Oil and petrochemical products play a special role in our international commerce. We handle the procurement of the products, which mostly originate in Russia, and market them to Western Europe.



 **KAUKO**
MARKKINAT



WORLDWIDE TRADE

Kaukomarkkinat is a pioneer of international trade in Finland. Our strong points are our extensive networks of outlets and overseas offices, our expert personnel and our ability to handle counter-trade and financing arrangements.

Expertise in machinery and equipment for Eastern Central Europe

We have subsidiaries operating in Poland, Hungary, Germany, the Czech Republic and Slovakia. They specialize in importing, marketing and international trade in machinery and equipment. We also do business through local offices in Bulgaria and Romania.

We first did business in Poland 30 years ago. Our Polish subsidiary imports machinery and equipment for the paper industry and forest industry, along with electrotechnical equipment and instruments and feedstock for the ceramics and plastics industries. Exports have consisted of foodstuffs. Environmental technology and effluent treatment are among our strong fields. This business is handled by our subsidiary Metex-Huber.

Our German subsidiary specializes in importing complete production lines and plants for the moulding and working of metals and finishes. The company has also marketed metalworking machinery, both new and reconditioned, to third countries.

In the Czech Republic and Slovakia, projects related to basic electricity generation and metallurgy industry processes are an important part of operations. In addition to machinery and equipment for the forest industries, we also act as agents for the raw materials required by the chemical forest industries within this region.

In Ukraine, we concentrate on the paint, electronics and forest industries. We also supply machinery for the thin-sheet processing engineering industry.

In the Balkan countries, we market machinery and equipment for the mechanical and chemical wood-processing industry.

Southeast Asia and Africa

The Singapore market area also embraces Indonesia and Malaysia. The Singapore office markets metal and technology products to shipyards and engineering plants.

In Africa, our efforts are concentrated on Harare, Zimbabwe, where we are a major marketer of electrotechnical products and sawmills.

Long traditions in trade with China

Kaukomarkkinat is a Finnish pioneer in trading with China. Our trade has grown from year to year and we are the leading commercial firm in Sino-Finnish trade. We have our own offices in Beijing, Shanghai and Guangzhou.

Our exports consist of wood processing industry machinery and equipment, industrial filters, and technology and equipment for the electrical power industry and for environmental protection. A new field we have opened up is the marketing of health-care machinery and steel products. Our imports comprise textiles, leather goods, consumer electronics and raw materials for the food industry. Textiles and chemicals are also sold to third countries.

Our Clothing Department specializes in agency trade in clothing and accessories, principally for industry and wholesalers. The sources are mainly China, the Far East and the countries of Eastern Central Europe.

The challenge of Japan

Japan is one of our most challenging market areas. Our exports include granite stone for the monument and construction industries, as well as log houses. Exports of sawn goods have also developed favourably.

Raw materials and lubricants for industry

Through our extensive supplier network, we obtain various plastic raw materials and chemicals for industry, and we export industrial products in the form of counter-trade and direct exports. We provide

industry and transport with high-performance lubricants which achieve an economical, efficient and environmentally friendly result.

Industrial maintenance

Services have also been extended to cover information systems for production plant systems as well as special substances and peripheral services. We have extended our industrial maintenance programme to embrace complete systems. They now comprise not only maintenance software but also measurement and analysis services. Kauko Condition Monitoring is specialized in delivering monitoring systems. The target industries are oil, gas, chemicals, and the pulp and paper industry in Russia and Finland.





LEADING INTERNATIONAL BRANDED GOODS

In the import trade, Kaukomarkkinat specializes in the import and marketing in Finland of leading international branded goods. The branded products we represent are the best in their field. They are products of the highest quality, in which consumers can place their trust when selecting sporting and leisure goods, watches and home electronics as well as optical and photo products. Our best-known branded goods are adidas, Bauer, Cooper, Citizen, Panasonic, Polaroid, Rodenstock, Silhouette, Technics and Yashica.

Through our long-term, systematic work, we have created a solid foundation for our cooperation with international producers of branded products. An important link that complements this cooperation is our dealer network in Finland. They are the leaders in their respective fields, as are the branded goods Kaukomarkkinat represents. Absolute trust and long-term cooperation with the different parties involved in the trade are the foundation upon which we build our operations. We shall continue to do so in the future.

adidas - three famous stripes

On the sporting goods market, adidas and its symbol - the three stripes - are a concept. The importing and marketing of adidas products are handled by our subsidiary Virsu Oy, which specializes in the sporting goods trade.

The adidas pioneering tradition in the sporting goods field goes back to the 1920s, when the German shoemaker Adi Dassler made his first training shoes, thus actually creating the entire sports goods trade. This was the beginning of the adidas success story as the world's best-known brand of sporting goods.

Today adidas and its three stripes are a combination that is known, recognized and respected everywhere people are involved in sports, exercise, competition or general fitness.

Top names go with adidas

Since the days of Olympic gold medallists Jesse Owens (Berlin 1936) and Emil Zatopek (Helsinki 1952), the sporting elite have placed their trust in adidas. They know that the

company's product development works tirelessly to manufacture better and better products. Since equipment plays a decisive role in today's top competition, a great deal of attention is paid to selecting just the right equipment. All the selections are made after careful evaluation and testing. It's no wonder that adidas is the leading brand name among top athletes.

The success achieved by adidas is based in large measure on its guiding principle of offering those who keep fit for their own satisfaction the same quality equipment as top athletes have opted for. Lifestyle and fashion are also important parts of the adidas philosophy. But when all is said and done, the important thing is to produce, for all sports lovers - from the fitness enthusiast to the most demanding competitive athlete - the same uncompromisingly developed and crafted sports equipment.

adidas and Jari Litmanen - shooting for the same goal

A million-class sponsorship contract was signed in Amsterdam at the end of 1994 by which Ajax football star Jari Litmanen is to score the ball into the opponents goal with adidas boots.



This uniquely big contract between adidas and a Finnish sportsman is evidence of Litmanen's popularity on the playing fields of Europe. Ronald Koeman, Marcel Desailly and Redondo have similar contracts with adidas.

A nationwide network of dealers

As an importer, we have paid special attention to ensuring that there is an extensive network of retailers of our number one brand in sporting and leisure goods - adidas - throughout Finland. We want adidas products to be well within the reach of all Finnish sports and fitness enthusiasts.

As the distributors of adidas products, we have selected maximum coverage through specialist sporting goods shops and department stores as well as the sporting goods departments of supermarkets. These are points of sale where discerning consumers in search of international branded goods can conveniently find famous adidas products.



adidas



CITIZEN - NUMBER ONE IN THE WATCH MARKET

Kaukomarkkinat Oy is one of Finland's leading importers and marketers of watches and clocks. Our main representation is Citizen, the world's largest manufacturer of watches.

30 years of cooperation in Finland

We have handled the Citizen watch distributorship in Finland with success since 1966. During these years Finns have bought more than three million Citizen watches.

The first in Europe to achieve market leadership

Thanks to our effective marketing work, Finland was the first country in all of Europe in which Citizen achieved market leadership. This breakthrough took place in the mid-1970s. Citizen is the market leader for watches in Finland by a clear margin. This is proved by consumer surveys showing that Citizen's market share is no less than 37 per cent.

Responsibility for the Swedish market too

Our company's exceptional success in marketing Citizen on the Finnish market has not gone unnoticed in Japan either. Cooperation with our Japanese principal is close and fruitful and we are continually enhancing it. The esteem and trust are mutual. Citizen has put Kaukomarkkinat in charge of marketing its watches in Sweden too, where we have handled the marketing of Citizen watches through our own subsidiary since 1981.

Striking a karate blow in watch marketing

Citizen's breakthrough on the Finnish market began with an attention-getting and original campaign featuring a karate blow - with a Citizen watch on the wrist. This legendary success story started with a TV advertisement that people still remember. Riding on the popularity of this campaign, the Japanese watch brand won Finnish hearts thanks to its reliability and strength.

Citizen - the trailblazer in watch fashion

When choosing a Citizen, the Finnish consumer can be sure that his or her watch is the best, not only in quality but also in elegance. Citizen is a

trendsetter in watch styles. It points the way to a style that is noticed and followed. The comprehensive range has something for every taste, a timepiece that will complement each individual's personal style.

The Citizen collection is extensive. It offers everything from the most elegant designer models to the very latest high-tech multifunction watches.

The world's most sophisticated watch technology

Citizen is at the forefront of product development. An example of this is the new Citizen Eco-Drive range of watches. Eco-Drive watches are powered by a photocell which charges up an environmentally friendly titanium-lithium-ion battery. When fully charged, the battery can power the watch for up to 2 - 6 months.

The Citizen Aqualand range is the broadest selection of diver's watches on the market. The features of the Hyper Aqualand watch records data on the dive that can be later downloaded direct into a PC and displayed on-screen or printed out on a printer.

The Citizen group also includes the Adec range of watches, whose competitiveness comes from its economical prices and its Citizen-backed quality.

A wide network of dealers guarantees success

The Citizen success story in Finland would not have been possible without a high class network of dealers. We have carefully built up an excellent and extensive network



which serves consumers professionally and reliably in satisfying all watch requirements.

In addition to watches, our wide and attractive range includes various alarm, table and wall clocks.

A satisfied customer also after the sale is made

The servicing and spare parts service for watches and clocks is handled by a centralized facility at our head office in Espoo. The trained experts who work there are responsible for seeing to it that the watches and clocks brought in for servicing are handled in a flexible and professional manner. Our aim in every situation is to do things in a way that guarantees continuing customer satisfaction after the watch is bought.



 **CITIZEN**



PANASONIC - HUMAN ELECTRONICS

Our Japanese principal Matsushita Electric Industrial Co. Ltd. is the world's leading manufacturer of consumer electronics. Its product range includes televisions, monitors, video equipment, hifi components, in-car entertainment systems, microwave ovens, bread bakeries, batteries, shavers, musical instruments, computers, dictating machines, CD-ROM drives, GSM mobile telephones, cameras, copiers, telephone related products, portable audio, vacuum cleaners, air conditioners etc.. Kaukomarkkinat has a long-standing and solid business relationship with Matsushita, for whom we have distributed the Panasonic and Technics trademarks in Finland for more than 25 years.

Looking to the future

The number of staff Matsushita dedicates to research and development tells you something about its commitment to the future: some 27,000 engineers and scientists work exclusively on developing new technologies and equipment to aid people everywhere in the world. The company devotes some USD 6 billion a year to R&D. Matsushita holds some 46,000 patents.

Customer satisfaction through long-term cooperation

The partners we have chosen are the country's leading dealers, who rely on the Matsushita products we deal in. The names of Panasonic and Technics are found nationwide in the retail outlets of the Expert and Musta Pörssi chains as well as in other shops.

We have a strong field sales organization and we have continually invested in training our dealers and supporting the marketing effort.

Kaukomarkkinat's customer relations marketing is built around the PlayÆ trademark. We publish the PlayÆ customer magazine, and up-to-date, interesting information on our products can also be found in the PlayNet-Panasonic home pages on the Internet.

Our cooperation with distributors became closer; one example of this was the opening of a Panasonic Play Shop in the heart of Helsinki by one of our partners. The shop concentrates exclusively on selling

Panasonic products, with the business policy of providing the most complete range of products and services for the consumers.

Visual products are test winners

Matsushita is the world's biggest manufacturer of television sets. The wide Panasonic range of TVs are characteristically unbeatable for their sharp picture and natural colours, superb audio reproduction and convenient remote control features. All Nicam stereo models have the unique Panasonic 8-bit mechanism. In its home video equipment Panasonic is a trailblazer in ease of use. Programming is made easy with ShowView and PDC codes. Panasonic videos have come out on top in tests both in Finland and abroad.

Creative fun with a video camera

Panasonic's compact VHS-C camcorders embody unique new digital technology and an image stabilizer that eliminates jumpy footage due to camera shake when shooting. More and more people can now enjoy the pure pleasure of video filming. The Panasonic VHS camcorder is the clear market leader in Finland.

Fun and enjoyment for music lovers

With its Technics and Panasonic audio home and in-car equipment, Matsushita brings quality and enjoyment to music lovers. The range offers everything from studio-class professional equipment and hi-fi car audio to the very lightest personal CD players.

A new era in music-making

Technics has opened up a whole new dimension in amateur music-making. The latest in computerized technology is used to support the player. Easy-use functions leave the player free to concentrate on what is essential - the music itself. Both the beginner and the professional

musician will find the right musical instrument in the Technics range.

Healthy and easy cooking

In our White Line product group, Panasonic offers the widest available range of easy-to-use automatic and grill microwave ovens. The Panasonic Bread Bakery has won many awards in tests and is the undisputed market leader.

Lightweight cleaning power

Panasonic vacuum cleaners are light and efficient. They have won praise especially for their sixfold filtering of the exhaust air, which significantly cuts down the dust content of the indoor air.

Environmentally sound battery power and durability

Panasonic offers the most complete assortment of long-life batteries on the market. They are suitable for nearly all battery-operated devices and equipment. Panasonic batteries have won awards for their environmental friendliness.



Panasonic



PANASONIC - THE PROFESSIONAL'S CHOICE

As the world's leading manufacturer of home and office electronics, Matsushita Electric Industrial Co. Ltd. of Japan offers a broad range of products covering professional uses. Matsushita invests heavily in product development so that its products serve their users in line with the requirements of the future. Another goal is products that are increasingly compact and lightweight.

Cordless communications - a growing business

Cordless communications are one of the fastest growing product areas of this decade. People are on the move more than ever before and Panasonic goes along with them. The Home Office concept is also gaining ground in Finland as telecommuting becomes more widespread.

Panasonic offers the latest solutions for various personal communication requirements. An example of successful product development is the Panasonic G400, one of the smallest GSM pocket phones in the world. The Panasonic KX-T9000 range is the market leader for cordless phones.

The leader in information and office technology

We offer a comprehensive range of products for the office. They include high-quality fax machines and other telephone related products as well as copiers, printers and monitors.

Panasonic was the first copier manufacturer to build artificial intelligence control into its equipment. The new Neuro Fuzzy Logic artificial intelligence control regulates the copier to function according to each situation. This is why copying with a Panasonic gives indisputably better results than conventional copiers. In addition to large office machines, the range now also covers A3-size copiers offering small and home office users low-cost, high-quality results.

The Panasonic range of fax machines comprises two distinct groups. The first includes call-recognizing equipment and answering faxes that are intended for home offices and personal use. The second group comprises plain paper faxes using ink jet or laser printing technology for higher quality demands. In the field of computer equipment, Panasonic's range of peripherals offers

a go-ahead set of solutions for printers, monitors, multimedia products and portable computers. The latest breakthrough is the Panasonic ASSistant printer. With its advanced technology and sophisticated styling, it has created a new concept of the space required for personal laser printers - and their running costs.

Panasonic is also one of the world's leading monitor manufacturers. Panasonic Pro monitors offer top-quality sharpness and user comfort at a reasonable price.

The latest in audio and video

Within the field of audio and video equipment for professional use, Panasonic is one of Finland's leading brands. For video production, we offer different-level solutions from S-VHS equipment all the way to Broadcast video equipment suitable for national broadcasting companies. A number of Finland's major video production companies use Panasonic MII series production-standard equipment, and the TV 2 channel of the Finnish Broadcasting Company uses digital Panasonic D3 recording equipment in its broadcast and production operations. Panasonic's uncompressed digital D5 component video production system is the most technically advanced product of its kind on the market.

The Panasonic videoconferencing system was a new product group launched in 1995.

Sophisticated equipment for surveillance and guarding

For years Panasonic has been the market leader in surveillance video systems in Finland. Panasonic is able to offer complete system packages for banks, post offices, retailers and industry. There is equipment for both area surveillance and industrial process control. Our specialist products, such as microcameras, solve many different monitoring problems. In particular, Panasonic digital colour surveillance cameras have achieved a strong position on the market. In control systems, Matsushita constantly develops new technology. Panasonic's time-lapse VTRs are the most extensive range on the market.

Electronics for industrial customers

Our deliveries to Finnish industrial

customers include Matsushita components, batteries, factory automation machinery, and measuring instruments as well as measuring and testing systems.

Servicing guarantees customer satisfaction

Our Panasonic Service Centre has centralized responsibility for the after-sales marketing of professional and home electronics equipment as well as for the delivery of spare parts and supplies. It also handles testing procedures that precede the marketing of the products.

Exporting Panasonic to CIS countries

Kaukomarkkinat has done a continuously expanding volume of business with Matsushita. For a number of years now, we have worked in close cooperation with Matsushita to export Panasonic products to Russia and the other CIS countries as an agency basis. In spite of the unstable conditions in these countries, this trade has continuously developed and grown.



Panasonic



BRANDED PRODUCTS THAT COMBINE STYLE AND QUALITY

Better vision plus a good outlook for profits

Our optical business unit, based in the Varisto district of Vantaa, has maintained its position as the leading manufacturer and distributor in Finland. Our deployment in the quality of our own work and our products, in technology and fashionable styling, has yielded excellent results. Our range embraces all eye optics products and the supply consists of unchallenged top products and brand names. Our main product groups are frames, lenses, contact lens products, sunglasses and eye-test equipment.

Silhouette, Titan, adidas...

Our strength as a supplier of frames derives from a range in which every Finn can find the right eyewear. Silhouette of Austria has been the best-known brand in Finland for years. The Titan range of frames has also won a significant position on the market. The new adidas frames and sunglasses represent sporty style and quality.

Safe and familiar Polaroid

Polaroid is the leading brand for sunglasses in Finland. Polaroid sunglasses protect the wearer against UV radiation and glare.

All about contact lenses

We offer contact lens users products based on the top expertise in the field. The wide and high-quality range includes Menicon gas-permeable contact lenses, Pilkington and Hydron traditional soft lenses as well as Acuvue disposable lenses. We also market Menicon and Allergan contact lens care products.

Supreme quality in lens technology

The Kauko-Silhu optical facility has a thorough mastery of the entire lens-making process. The best proof of this is the popularity of our lenses with the Finnish public. Almost one pair of spectacles in three in Finland are made at our optical facility.

Our leading principal is Rodenstock of Germany, one of the world's major manufacturer of lenses and a pioneer in new lens technology. The breakthrough of Rodenstock's new

generation of products began with Rodenstock Life progressive lenses. The latest innovation is the Solitaire antireflex coating that makes plastic lenses totally clear and as durable as glass. Rodenstock is the first company in the history of eye optics ever to give consumers a firm guarantee of the quality and functioning of its lenses. The guarantee period varies up to a maximum of two years, according to the product.

Everything for eye optics

In addition to lenses and frames, our Rodenstock eye-testing apparatus and Weco edging equipment serve ophthalmologists, eye hospitals and opticians.

Success across the Finnish border

We have established market leadership in Estonia as a distributor of lenses for glasses. Both plastic and glass lenses are made in Estonia for the local market.

Leitok Oy - fashion in everyday clothes

Leitok Oy specializes in casual wear. Round the world we purchase and have made low-cost clothing which has the style, fabrics, colours and sizes that are right for the Finnish consumer. We keep a close watch on international fashion and quickly adapt it to our casual wear. Operations are largely based on our own product design and outsourcing in the country that offers the best deals at any given time. Our own trademarks include Jasmine, Juan, Just, Capri and Qui.

Important brands in photo business

We have a long tradition as a major supplier in the photographic business. We have imported Yashica cameras into Finland since 1956. We also represent Contax and Panasonic

cameras. We have been the market leaders for compact cameras in Finland for years.

Among our other important representations, we also sell the products of HAMA, the world's leading manufacturer of video and photo accessories, as well as Tamron lenses and KIS photography minilaboratories.

Premium equipment for ice-hockey

Our range of international branded goods includes ice-hockey skates and equipment for both top professionals and amateurs. The world's leading manufacturer is Canstar of Canada. We import and market Canstar's Bauer and Cooper products through our subsidiary Virsu Oy. Bauer in-line skates are today's success story.



R RODENSTOCK



LEIPURIEN TUKKU - A FOOD INDUSTRY EXPERT

Leipurien Tukku has served Finland's bakers for more than 75 years. In this time it has achieved dominance as a supplier of raw materials, machinery and equipment. Operations have been expanded into the rest of the food industry and institutional kitchens.

LT-Tukku Oy - the bakery trade's specialized wholesaler

The product range of LT-Tukku includes all the raw materials and packaging supplies bakers need, including a new range of frozen foods. The Finnish and imported raw materials sold under the Leipurin (Baker's) trademark guarantee the customer high quality at a competitive price. We are the agents in Finland for leading manufacturers in the field:

Ireks GmbH
Cerestar Eridania Beghin-Say Group
Anglia Oils Limited
Dragsbaek Margarinefabrik A/S
Sonneveld B.V., Frucaps
Norlander Food AB
Aromatic AB
Carma AG
Martin Braun KG

In addition to these, we are able to offer our customers a broad selection of convenience goods.

LT-Tukku has a nationwide sales organization. The field sales network is supported by an efficient telesales operation. Fast and regular deliveries create the basis for successful cooperation between the baker and LT-Tukku.

In addition to quality products, we also offer our customers a useful range of parallel services. Our customer-centred product development service's courses have won wide acclaim, and the trips we arrange for study and trade fairs help bakeries to enhance their skills and product ranges for their own customers. Our own product presenters and those of our principals bring in the latest information on what's happening round the world, providing services of high standard for our clients.

Our new pilot bakery in Espoo is a guarantee of our high-quality and efficient services for today and the years ahead.

Our membership in the Bako Europa, the community of leading European bakery suppliers, offers us opportunities for mutual trading as well as a general interchange of information on questions affecting the international trade in raw materials. The members of Bako Europa also take part in promoting sales of bakery products through a regular exchange of experience and information on the trends in baking in each country.

Supplier to the processed food and meat industry

We have also entered the business of raw materials for the processed food and meat industry. We offer a broad range of various ingredients, additives and other raw materials for the food industry.

We provide the processed food industry a comprehensive range of high-quality, competitive ingredients, including rice, special oils, raisins, yeasts, special additive mixtures, breadcrumb coatings, etc. We are agents for major international manufacturers including:

Cargil B.V.
Cerestar Eridania Beghin-Say Group
De Ster B.V.
Dynagel Incorporated
Griffith Laboratories B.V.
Krehalon Synclair Packaging B.V.
Lakeland Industries Inc.
Loders Croklaan B.V.
Raadvad A/S
Victorinox
Volk Enterprises Inc.

Kauko-Gourmet - quality, savoury treats from faraway places for restaurants and institutional kitchens

Kauko-Gourmet's range of products embraces specialist meat products, frozen fruit and berries, egg-based products and seasonal products that add variety to the Finnish restaurant culture. Kaukomarkkinat Oy has acted as agents for Bulgarian wines, for example, for more than 25 years. Our sales programme also includes Chilean, South African, German, Italian, French and Spanish alcoholic beverages. We have started distributing alcoholic beverages since importing and wholesaling were liberalized.

We represent leading international and Finnish producers:

Wineries:
Vinimpex PLL
Van Loveren
A.A. Baker & Co.s.r.l.
Vina Undurraga
Domaine Frank Millet
Philipp W. Bonnet
La Chablisienne
Alvarez y Diez S.A.
Olivier Leflaive Freres

Gourmet products:
Affco New Zealand Limited
Gelavi S.A.
Intermondo Warenhandels GmbH
AB Kronfågel
Paul Neuendorf & Co
Scanegg Suomi Oy
Denver Buffalo Company

Leipurien Tukku in Estonia

We are an important supplier of raw materials to the Estonian bakery and food industry and to restaurants. We provide a comprehensive range of products, efficient logistics, and training & product presentation services.





LEIPURIEN TUKKU - A LEADING SUPPLIER OF BAKERY MACHINERY

LT-Kone Oy supplies the bakery and food-processing industry with machinery, equipment and production lines that are manufactured either by its own Group companies or else imported. We are manufacturing bakery machinery and equipment at Hydrovoima Oy in Turku and at the Saario factory in Hausjärvi. We are Finland's leading supplier of machinery and equipment to the bakery industry and we are a major supplier of equipment to other branches of the food processing industry and to institutional kitchens.

Our product range includes all the machinery and equipment needed by small, medium-sized and industrial-scale bakeries - from flour silos to wrapping and packing machines. We also offer a wide and constantly growing range of baking supplies. Our principals are among the world's leading manufacturers in their fields:

Hobart Corporation
BV Machinefabrik Houdijk
Klöckner Hänsel Tevopharm B.V.
Lillnord A/S
Mondomix Howden B.V.
Rheon Automatic Machinery Co Ltd
Sancassiano S.p.A.
Seewer AG
Sveba-Dahlen AB
Werner & Pfleiderer GmbH.

Customized in-house manufacturing

Hydrovoima Oy designs and manufactures high-quality special machinery and production automation equipment for the bakery and preprocessed food industry. Design work and product development are carried out in close cooperation with customers. There are many patented solutions. Hydrovoima's growth strategy is based on expanding its market area and on exports in its own special areas of expertise. Examples of this are the VE 600 and VE 900 continuous sheeting machines. Exports account for roughly 70 per cent of the company's net sales.

The Saario factory designs and manufactures primarily machinery and equipment needed for the proving and cooling of bakery products. The company's exports go to Sweden, the Baltic states and Russia.

Machinery and equipment for institutional kitchens

The delivery programme of LT-Kone Oy also includes equipment for institutional kitchens including pizza ovens. Operations are mainly centred on the products of the Hobart Corporation, the world's largest manufacturer of kitchen equipment. For restaurants and institutional kitchens, we offer preprocessing equipment, combination ovens, steam cookers, various refrigerated and deep-freeze storage facilities, dishwashers and automatic dishwashing systems.

Smooth service

Our reputation as a dependable supplier is also based on our after-sales service. LT-Kone Oy's strengths are its expert installation, commissioning and servicing personnel as well as its fast spare parts deliveries. We keep more than 5,000 spare part items in stock, and in conjunction with our principals we provide regular training for our service organization throughout the country.

LT-Kone in the Baltic states

We have expanded operations into the Baltic states. Tallinn-based Leipurien Tukku A/S in Estonia has a comprehensive range of baking and institutional kitchen equipment in its sales programme with which to supply the growing markets of the Baltic rim.





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KAUKOMARKKINAT ANNUAL REPORT 1995

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Kaukomarkkinat Group's main fields of business were diversified import and wholesale trade of branded goods, industrial electronics, textiles, foodstuffs and raw materials for foodstuff industry and international trade where the main operating areas were Russia, China and Poland as well as other Eastern Central European countries.

Total sales and net sales

The Group's total sales, including agency trade, rose to new heights of FIM 3.903 million from the previous year's total of FIM 3.022 million. Net sales of the Group, FIM 3.034 million, is also the highest in the company's history (FIM 1.988 million the previous year). The net sales grew by 53 %. The most important factor influencing the growth in total sales and net sales was project trade with Russia in Panasonic consumer electronics.

In domestic trade the Group's sales amounted to FIM 1.232 million, compared with FIM 1.128 million the previous year. The growth from previous year was 9 %. The biggest growth in volume came from Kaukomarkkinat's leading branded goods; adidas sporting and leisure products, Citizen watches and Panasonic consumer electronics, and especially from the product lines of professional and industrial electronics. The sales value of Leipurien Tukku division remained on the level of the previous year, due to decline in foodstuff prices as a result of Finland's accession to the European Union.

The Group's exports amounted to FIM 744 million, compared with FIM 937 million the previous year. The main export countries were Russia, China and Poland.

The international trade was worth FIM 1.927 million in total sales, compared with FIM 957 million the previous year. The main product groups in international trade were Panasonic consumer electronics, various industrial raw materials, foodstuff and oil products.

Financial result

The Group's profit before extraordinary items was FIM 58 million. All business

divisions were profitable. Branded Goods division with biggest growth in profitability achieved good result, clearly surpassing the targets. The results of Panasonic and Leipurien Tukku divisions were at satisfactory level. East-West Trade division accounted for improved result, though far behind the targeted level.

Solvency

The Group's solvency ratio was 20,1 % on December 31, 1995, compared with 31,7 % the previous year. The decline in solvency ratio was due to working capital growth tied in business transactions, where our principals bear the financial responsibility. The solvency ratio calculated without such items was 42,0 %.

Personnel

Kaukomarkkinat Oy employed an average of 404 persons, compared with 393 the previous year. The average number of Group's personnel was 749 (731 the previous year).

Wages and salaries

The members of the Supervisory Board and Presidents received in salaries and remunerations FIM 6,3 million from the Group (FIM 6,7 million the previous year), out of which FIM 1,1 million (FIM 1,3 million the previous year) was paid by Kaukomarkkinat Oy.

Salaries and wages paid to other personnel employed by the Group totalled FIM 105,7 million (FIM 96,6 million the previous year). Kaukomarkkinat Oy paid FIM 63,2 million of the salaries and wages (FIM 56,7 million the previous year).

Capital expenditure

Net capital expenditure totalled FIM 21,3 million in the Group and FIM 14,8 million at Kaukomarkkinat Oy.

Increase of share capital

The Extraordinary General Meeting of Kaukomarkkinat Oy held on December 20, 1995 made a decision of rights issue of FIM 22,0 million, whereof FIM 20,0 million as an increase in reserve fund. The increased share capital of the parent company will be FIM 215 million.

Outlook for 1996

In the domestic consumer demand there are signs of slowdown in growth as the unemployment will remain at fairly high level. The prospects for export in domestic industry are also weaker compared with the previous year, whereas the prospects for growth in international trade look more promising. On the whole the Group's outlook for 1996 is continuously favourable.

Parent company

Kaukomarkkinat Oy's parent company is Sponsor Oy.

Subsidiaries and associated companies

The following new subsidiaries are incorporated in the Group: Oy Xenex Ab, Xenex Telecom Oy, Kauko Condition Monitoring Oy and AOTZ Amtek.

The following Group companies were sold: Kauko Norge A.S.

Company management

Supervisory Board

Matti Suutarinen, Chairman
Pekka Pystynen, Vice Chairman
Matti Lainema
Antti Lehtinen
Jorma Routti up to September 30, 1995

President, CEO

Kari Ansio

Board's proposal for the distribution of profit

The parent company's non-restricted equity is FIM 129,9 million and the non-restricted equity shown in the consolidated balance sheet is FIM 51,7 million, out of which FIM 14,5 million is distributable. We propose to the Annual General Meeting that no dividend be paid and that the profit of FIM 2,5 million be posted to the retained earnings account.

Espoo, March 5, 1996

Matti Suutarinen

Pekka Pystynen

Matti Lainema

Antti Lehtinen

Kari Ansio

CONSOLIDATED INCOME STATEMENT

Year ended December 31	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
NET SALES	3 033 868	1 987 918	696 065	419 109
Share of associated companies' results	561	-141	129	-30
Other operating income	1 348	1 507	309	318
Expenses:				
Materials, supplies and products:				
Purchases during accounting year	3 099 547	1 795 905	711 134	378 627
Increase-/decrease+ in inventories	-500 202	-161 107	-114 762	-33 966
External charges	1 417	653	325	138
Personnel costs	150 988	140 440	34 641	29 609
Rents	14 443	11 852	3 314	2 499
Other expenses	189 757	155 899	43 536	32 868
	2 955 950	1 943 642	678 188	409 774
OPERATING PROFIT BEFORE DEPRECIATION	79 827	45 642	18 315	9 623
Depreciation:				
On fixed assets and other long-term expenditure	17 314	17 836	3 972	3 760
On consolidated assets	2 466	2 334	566	492
	19 781	20 170	4 538	4 252
OPERATING PROFIT	60 046	25 472	13 777	5 370
Financing income and expenses:				
Dividend income	393	65	90	14
Interest income	23 117	8 714	5 304	1 837
Other income from financing	91	381	21	80
Exchange rate gains and losses	-1 028	-1 663	-236	-351
Interest expenses	-23 391	-15 783	-5 367	-3 328
Other expenses of financing	-900	-1 427	-206	-301
	-1 717	-9 713	-394	-2 048
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES	58 329	15 759	13 383	3 322
Extraordinary items:				
Other extraordinary expenditure	-16 790	-6 060	-3 852	-1 278
PROFIT BEFORE GROUP CONTRIBUTIONS AND TAXES	41 539	9 698	9 530	2 045
Group contributions	-74 000	-17 000	-16 978	-3 584
Direct taxes:				
Accounting period	-1 803	-786	-414	-166
Previous years	419	10	96	2
Change in deferred taxes	5 912	1 748	1 356	369
	4 527	972	1 039	205
LOSS BEFORE MINORITY INTEREST	-27 933	-6 329	-6 409	-1 334
Minority interest	-82	-29	-19	-6
CONSOLIDATED LOSS FOR THE ACCOUNTING YEAR	-28 015	-6 358	-6 428	-1 340

Conversions into United States dollars have been made at the middle exchange rate quoted by the Bank of Finland on December 31, 1995 and 1994, which were FIM 4.3586 and FIM 4.7432 per dollar, respectively.

CONSOLIDATED BALANCE SHEET

As of December 31,	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
ASSETS				
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS				
Intangible assets				
Intangible rights	154	168	35	35
Consolidated assets	3 112	3 829	714	807
Other long-term expenses	5 109	3 809	1 172	803
Advance payments	93	975	21	206
	8 468	8 782	1 943	1 851
Tangible assets				
Land and water areas	28 412	28 394	6 519	5 986
Buildings and constructions	159 390	164 366	36 569	34 653
Machinery and equipment	31 649	23 824	7 261	5 023
Other tangible assets	1 424	1 685	327	355
Advance payments and construction in progress	86	54	20	11
	220 960	218 324	50 695	46 029
Securities included in fixed assets and other long-term investments				
Associated company shares and holdings	4 515	3 944	1 036	831
Other shares and holdings	2 150	2 093	493	441
	6 665	6 037	1 529	1 273
TOTAL FIXED ASSETS	236 094	233 142	54 167	49 153
VALUATION ITEMS	-	16 790	-	3 540
CURRENT ASSETS				
Inventories				
Materials and supplies	1 001	866	230	183
Work in progress	813	1 247	187	263
Finished products/goods	964 671	467 636	221 326	98 591
Advance payments on inventories	1 034	4 138	237	872
	967 519	473 888	221 979	99 909
Receivables				
Accounts receivable	199 046	161 937	45 667	34 141
Loans receivable	7 327	3 962	1 681	835
Share issue receivables	-	11 514	-	2 427
Accrued receivables	10 129	13 939	2 324	2 939
	216 503	191 351	49 673	40 342
Marketable securities included in current assets				
Other securities	84	76	19	16
Cash and bank receivables	65 238	43 432	14 968	9 157
TOTAL CURRENT ASSETS	1 249 344	708 749	286 639	149 424
TOTAL ASSETS	1 485 438	958 680	340 806	202 117

CONSOLIDATED BALANCE SHEET

As of December 31,	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
LIABILITIES AND SHAREHOLDERS' EQUITY				
SHAREHOLDERS' EQUITY				
Restricted				
Share capital	213 000	211 788	48 869	44 651
Share issue	22 000	11 514	5 047	2 427
Reserve fund	10 302	-	2 364	-
Other restricted equity	592	467	136	98
	245 894	223 769	56 416	47 177
Non-restricted				
Retained earnings	79 764	85 949	18 300	18 121
Loss for the accounting year	-28 015	-6 358	-6 428	-1 340
	51 749	79 591	11 873	16 780
TOTAL SHAREHOLDERS' EQUITY	297 643	303 360	68 289	63 957
MINORITY INTEREST	215	171	49	36
LIABILITIES				
Long-term				
Loans from financial institutions	128	-	29	-
Other long-term loans	300	-	69	-
Pension loans	67 257	73 912	15 431	15 583
Pension fund commitment deficit	31 039	31 457	7 121	6 632
Deferred tax liability	12 442	18 348	2 854	3 868
	111 165	123 717	25 505	26 083
Current liabilities				
Loans from financial institutions	361 625	130 690	82 968	27 553
Pension loans	4 548	4 791	1 043	1 010
Advances received	3 810	8 372	874	1 765
Accounts payable	596 938	327 793	136 956	69 108
Notes payable	2 527	3 780	580	797
Accrued liabilities	54 757	38 271	12 563	8 069
Other current liabilities	52 209	17 734	11 978	3 739
	1 076 414	531 432	246 963	112 041
TOTAL LIABILITIES	1 187 579	655 149	272 468	138 124
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1 485 438	958 680	340 806	202 117

Consolidated balance sheet includes 776 million FIM in the year 1995 and 239 million FIM in the year 1994 such financial and other current assets for which the economic and business risks are covered by the principals. The assets are financed by current liabilities (see Annual Report of the Supervisory Board/solvency).

SOURCE AND APPLICATION OF FUNDS, GROUP

Year ended December 31	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
Business activities				
Funds from operations				
Operating profit before depreciation	78 360	41 838	17 978	8 821
Financial items net	-1 717	-9 713	-394	-2 048
Extraordinary items net	-	-6 060	-	-1 278
Group contributions	-74 000	-17 000	-16 978	-3 584
Direct taxes	-1 384	-776	-318	-164
	1 259	8 289	289	1 748
Change in working capital				
Increase (-), decrease (+) in inventories	-493 630	-158 020	-113 254	-33 315
Increase (-), decrease (+) in short-term trade receivables	-36 665	-15 939	-8 412	-3 360
Increase (+), decrease (-) in interest-free short-term liabilities	316 069	155 237	72 516	32 728
	-214 226	-18 722	-49 150	-3 947
Cash flow from business activities	-212 967	-10 433	-48 861	-2 200
Investments				
Investments in fixed assets	-24 816	-17 547	-5 694	-3 699
Sales of fixed assets	3 565	3 948	818	832
	-21 251	-13 599	-4 876	-2 867
Cash flow before capital financing	-234 218	-24 032	-53 737	-5 067
Capital financing				
Increase (+) in long-term loans	1 173	550	269	116
Decrease (-) in long-term loans	-27 674	-10 701	-6 349	-2 256
Increase (+), decrease (-) in short-term loans	249 187	-8 628	57 171	-1 819
Share issue	33 514	-	7 689	-
	256 200	-18 779	58 780	-3 959
Change in liquid funds	21 982	-42 811	5 043	-9 026
Conversion differences	-168	7 944	-39	1 675
Increase (+), decrease (-) in liquid funds according to consolidated balance sheet	21 814	-34 867	5 005	-7 351

PARENT COMPANY INCOME STATEMENT

Year ended December 31	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
NET SALES	2 361 790	1 396 311	541 869	294 382
Other operating income	808	1 228	185	259
Expenses:				
Products:				
Purchases during accounting year	2 624 452	1 321 768	602 132	278 666
Increase-/decrease+ in inventories	-508 908	-136 423	-116 760	-28 762
Personnel costs	88 616	79 040	20 331	16 664
Rents	22 842	19 373	5 241	4 084
Other expenses	113 939	89 341	26 141	18 836
	2 340 940	1 373 099	537 085	289 488
OPERATING PROFIT BEFORE DEPRECIATION	21 658	24 441	4 969	5 153
Depreciation:				
On fixed assets and other long-term expenditure	10 459	10 848	2 400	2 287
OPERATING PROFIT	11 199	13 592	2 569	2 866
Financing income and expenses:				
Dividend income	5 830	43	1 338	9
Interest income	38 279	21 344	8 782	4 500
Other income from financing	-	380	-	80
Exchange rate gains and losses	-164	-999	-38	-211
Interest expenses	-23 354	-14 145	-5 358	-2 982
Other expenses of financing	-500	-1 044	-115	-220
	20 091	5 580	4 609	1 176
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	31 290	19 172	7 179	4 042
Extraordinary items:				
Other extraordinary expenditure	-	-17 516	-	-3 693
PROFIT BEFORE GROUP CONTRIBUTIONS, RESERVES AND TAXES	31 290	1 656	7 179	349
Group contributions:				
Consolidated contributions, received	28 300	15 300	6 493	3 226
Consolidated contributions, granted	-78 500	-17 000	-18 010	-3 584
	-50 200	-1 700	-11 517	-358
Depreciation difference	-1 531	-548	-351	-116
Increase-/decrease+ in reserves	24 000	300	5 506	63
Direct taxes:				
Accounting period	-1 086	-121	-249	-26
Previous years	-3	129	-1	27
	-1 089	7	-250	2
PROFIT/LOSS FOR THE ACCOUNTING YEAR	2 469	-285	566	-60

PARENT COMPANY BALANCE SHEET

As of December 31,	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
ASSETS				
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS				
Intangible assets				
Other long-term expenses	4 189	2 818	961	594
Advance payments	16	975	4	206
	4 205	3 794	965	800
Tangible assets				
Land and water areas	7 453	7 453	1 710	1 571
Buildings and constructions	18 012	20 693	4 133	4 363
Machinery and equipment	20 081	15 149	4 607	3 194
Other tangible assets	1 096	1 410	251	297
Advance payments and construction in progress	50	54	12	11
	46 692	44 759	10 713	9 436
Securities included in fixed assets				
Shares and holdings	5 059	5 059	1 161	1 067
Shares and holdings in subsidiaries	88 614	85 852	20 331	18 100
	93 673	90 911	21 492	19 167
TOTAL FIXED ASSETS	144 570	139 464	33 169	29 403
CURRENT ASSETS				
Inventories				
Products	856 938	348 029	196 608	73 374
Receivables				
Accounts receivable	127 356	81 575	29 219	17 198
Receivables from Group companies	115 059	105 411	26 398	22 224
Loans receivable	6 290	1 378	1 443	290
Loan receivables from Group companies	135 136	149 581	31 004	31 536
Share issue receivables	-	11 514	-	2 427
Accrued receivables	3 142	2 406	721	507
	386 982	351 864	88 786	74 183
Marketable securities included in current assets				
Other securities	21	21	5	5
Cash and bank receivables	52 704	25 845	12 092	5 449
TOTAL CURRENT ASSETS	1 296 645	725 760	297 491	153 011
TOTAL ASSETS	1 441 215	865 224	330 660	182 413

PARENT COMPANY BALANCE SHEET

As of December 31,	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
LIABILITIES AND SHAREHOLDERS' EQUITY				
SHAREHOLDERS' EQUITY				
Restricted				
Share capital	213 000	211 788	48 869	44 651
Share issue	22 000	11 514	5 047	2 427
Reserve fund	10 302	-	2 364	-
	245 302	223 302	56 280	47 078
Non-restricted				
Retained earnings	127 435	127 720	29 238	26 927
Profit/loss for the accounting year	2 469	-285	566	-60
	129 904	127 435	29 804	26 867
TOTAL SHAREHOLDERS' EQUITY	375 206	350 737	86 084	73 945
RESERVES				
Depreciation difference	13 801	12 270	3 166	2 587
Untaxed reserves				
Transition reserve	-	24 000	-	5 060
TOTAL RESERVES	13 801	36 270	3 166	7 647
LIABILITIES				
Long-term:				
Pension loans	40 892	45 259	9 382	9 542
Current liabilities				
Loans from financial institutions	144 912	61 897	33 247	13 050
Pension loans	3 008	3 234	690	682
Accounts payable	548 261	273 512	125 788	57 664
Payables to Group companies	282 935	65 904	64 914	13 894
Accrued liabilities	32 189	28 411	7 385	5 990
Other current liabilities	10	-	2	-
	1 011 316	432 958	232 028	91 280
TOTAL LIABILITIES	1 052 208	478 217	241 410	100 822
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1 441 215	865 224	330 660	182 413

SOURCE AND APPLICATION OF FUNDS, PARENT COMPANY

Year ended December 31,	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
Business activities				
Funds from operations				
Operation profit before depreciation	20 850	23 212	4 784	4 894
Financial items net	20 090	5 580	4 609	1 176
Extraordinary items net	-	-5 228	-	-1 102
Group contributions net	-50 200	-1 700	-11 517	-358
Direct taxes	-1 089	7	-250	1
	-10 349	21 871	-2 374	4 611
Change in working capital				
Increase (-), decrease (+) in inventories	-508 908	-136 423	-116 760	-28 762
Increase (-), decrease (+) in short-term trade receivables	-59 533	-24 522	-13 659	-5 170
Increase (+), decrease (-) in interest-free short-term liabilities	304 658	184 524	69 898	38 903
	-263 783	23 579	-60 520	4 971
Cash flow from business activities	-274 132	45 450	-62 895	9 582
Investments				
Investments in fixed assets	-17 294	-12 451	-3 968	-2 625
Sales of fixed assets	2 538	3 226	582	680
	-14 756	-9 225	-3 385	-1 945
Cash flow before capital financing	-288 888	36 225	-66 280	7 637
Capital financing				
Increase (-), decrease (+) in long-term receivables	12 901	10 807	2 960	2 278
Increase (+) in long-term loans	69	131	16	28
Decrease (-) in long-term loans	-24 862	-8 095	-5 704	-1 707
Increase (+), decrease (-) in short-term loans	294 125	-69 828	67 482	-14 722
Share issue	33 514	-	7 689	-
	315 747	-66 985	72 442	-14 122
Change in liquid funds	26 859	-30 760	6 162	-6 485
Increase (+), decrease (-) in liquid funds according to balance sheet	26 859	-30 760	6 162	-6 485

NOTES TO THE FINANCIAL STATEMENTS, GROUP

31.12.1995

	Group holding %	Group voting rights %	Parent comp. holding %	No. of shares owned by parent company	Nominal value (1000)		Book value (1000 FIM)
GROUP COMPANIES							
Owned by the parent company							
Barker-Littoinen Oy	100	100	100	1,100	11 000	FIM	11 000
Oy SF Komfort Finland	100	100	100	500	100	FIM	1
Gerit Oy	100	100	100	22,000	2 200	FIM	2 200
Hydrovoima Oy	100	100	100	400,000	4 000	FIM	3 618
Inter Ocean Trading AG	100	100	100	200	200	CHF	1
Kauko Condition Monitoring Oy	100	100	100	150	15	FIM	305
Kauko Española S.A.	100	100	100	10,000	10 000	ESP	1
Kauko International Holding B.V.	100	100	100	1,100	1 100	NLG	1 693
Kaukoma AG	100	100	100	100	100	CHF	382
Kauko-Optiikka Oy	100	100	100	100	10	FIM	10
Kauko Time Ab	100	100	100	10,000	1 000	SEK	886
Kauko Trading APS	100	100	100	80	80	DKK	50
Leipurien Tukku Oy	100	100	100	500	50	FIM	50
Leitok Oy	100	100	100	200,000	10 000	FIM	9 145
LT-Kone Oy	100	100	100	5,000	5 000	FIM	3 825
LT-Tukku Oy	100	100	100	10,000	10 000	FIM	12 885
Metex Osuuskunta	100	100	97.6	80	320	FIM	15 973
Omag Products AG	100	100	100	200	200	CHF	1
Ulkokaupat Oy	100	100	100	50,000	5 000	FIM	7 656
Virsu Oy	100	100	100	4,500	4 500	FIM	16 104
Oy Xenex Ab	100	100	100	200	15	FIM	2 829
							<u>88 614</u>
Other Group companies							
AOTZ Amtek	51	51			260	SUR	67
Femex Oy	100	100			4 000	FIM	3 834
Oy Finn-Türk Ab	100	100			308	FIM	306
Focus Eesti A/S	80	80			680	EEK	286
Oy Focus Estonia Ltd	100	100			350	FIM	345
Kauko-Silhu Oy	100	100			8 296	FIM	11 158
Leipurien Tukku Eesti AS	100	100			100	EEK	40
Metex Chile Commercial Ltda	100	100			10	USD	1
Metex Deutschland GmbH	100	100			100	DEM	299
Metex Food Co. Ltd	100	100			15	PLN	320
Metex-Huber Co. Ltd	74.9	74.9			72	PLN	196
Metex Hungária Kereskedelmi Kft	100	100			1 000	HUF	58
Metex Poland Ltd	100	100			350	PLN	748
Metex Slovensko spol, s.r.o.	100	100			100	SOK	17
Metex South Africa (Pty) Ltd	100	100			0	ZAR	0
Metex CZ, spol, s.r.o	100	100			1 000	CSK	139
Oy Metex Trading Ltd	100	100			50	FIM	48
Ulkokaupat Eesti AS	100	100			40	EEK	16
Xenex Telecom Oy	100	100			15	FIM	15
Associated companies							
Tissu Canarias S.A.	36.4	36.4	36.4	22,568	11 284	ESP	493
Vantaan Sahakari Oy	20	20	20	1,000	1 000	FIM	3 200
Metex Freeze Co. Ltd	40	40			60	PLN	106
OTHER SHARES AND HOLDINGS							
Owned by the parent company							
As. Oy Iso-Roobertinkatu 41			2.3	95	1	FIM	326
As. Oy Töölönhovi			2.9	50	39	FIM	147
Lindeks A.O.			3.0	36	24	LAT	108
Golfsarfvik Oy			0.3	2	50	FIM	147
Helsingin Puhelinyhdistys				91			185
Tennistapiola Oy			0.6	77	39	FIM	111
Others							342
							<u>1 366</u>
Other shares and holdings owned by subsidiaries							
							784
							<u>2 150</u>

Consolidated financial statements

The consolidated financial statements include the parent company Kaukomarkkinat Oy and the companies in which the parent company holds, either directly or indirectly more than 50% of their total voting rights.

The intercompany shareholding has been eliminated by the acquisition cost method. The difference between the subsidiaries' acquisition cost and balance sheet value has been allocated partly to the subsidiaries' fixed assets and partly shown as intangible assets and depreciated according to the plan in the consolidated balance sheet. In the acquisition costs of new subsidiaries in 1993 and thereafter, shareholders' equity include the untaxed reserves and accumulated depreciation difference deducted with the deferred liability.

The intercompany transactions, margins of internal deliveries, intercompany receivables and payables and the internal profit distribution have been eliminated.

The minority interest has been separated from the consolidated shareholders' equity and net income and shown as a separate item.

The balance sheets of foreign subsidiaries have been converted into Finnish markkas according to the official Bank of Finland middle exchange rates valid on Dec. 31. Whereas income statement of the report year has been converted using average rates of the financial year. The conversion difference of shareholders' equity has been entered in the consolidated non-restricted equity.

The associated companies have been consolidated according to the equity method. The relative proportion of the profits of accounting year and from previous year have been presented in operating income and other expenses. On top of that a guarantee loss caused by one associated company has been taken into account as other expense.

The untaxed reserves have been divided into shareholders' equity and deferred tax liability calculated at a tax rate of 25%. The transferred share of untaxed reserves in shareholders' equity is included in retained earnings and profit of the accounting year and the deferred tax liability is shown as a separate item. The change in deferred tax liability connected to increase/decrease in reserves is shown in the consolidated income statement.

Net Sales

The consolidated net sales in 1995, total FIM 3,033.9 million, originated from:

International trade	61 %
Domestic trade	33 %
Export	6 %

International accounting practices have been adopted when calculating the net sales figure. Thus only indirect taxes, granted discounts and foreign exchange differences have been deducted from the sales proceeds. Commissions payable, sales freights, credit losses and other sales adjustment items have been shown in other expenses. The previous year's figures have been recalculated accordingly.

	1995	1994	1995	1994
	In thousands of Finnish markkas		In thousands of US dollars	
Personnel costs				
Wages	113 006	103 422	25 927	21 804
Fringe benefits	7 441	6 637	1 707	1 399
Pension costs	20 152	20 633	4 623	4 350
Indirect employee costs	17 832	16 386	4 091	3 455
	158 430	147 078	36 349	31 008

In addition to the pensions paid the pension costs include also pension insurances, contribution payments to the pension funds, as well as changes in the commitment deficit.

NOTES TO THE FINANCIAL STATEMENTS, GROUP

	1995	1994	1995	1994
	In thousands of Finnish markkas		In thousands of US dollars	
Depreciation				
Planned depreciation on fixed assets has been calculated according to expected useful lifetime as a straight-line depreciation on the original acquisition cost.				
Schedule for the depreciation:				
Buildings and constructions:				
Fixed equipment in buildings	10 years			
Containers and constructions	15 years			
Buildings	20-40 years			
Machinery and equipment:				
Vehicles	5 years			
Manufacturing devices	5-10 years			
Other machinery and equipment	3-7 years			
Other tangible assets and long-term expenses	3-20 years			
Patents	10 years			
Consolidation difference	1-10 years			
Planned depreciation:				
Buildings and constructions	5 540	6 723	1 271	1 417
Machinery and equipment	9 691	8 858	2 223	1 868
Other tangible assets	232	238	53	50
Other long-term expenses	1 824	1 989	419	419
Intangible rights	27	28	6	6
	17 314	17 836	3 972	3 760
Consolidation difference (assets)	2 460	2 334	564	492
Adjustment to income recognition of consolidation difference	6	-	1	-
	2 466	2 334	566	492
Change in depreciation difference:				
Buildings and constructions	-756	-1 413	-173	-298
Machinery and equipment	3 217	2 185	738	461
	2 462	772	565	163

Extraordinary expenditure

Extraordinary expenditure include in 1995 liability of the pension funds accumulated on or before 31.12.1988, previously shown on valuation items, totally FIM 16.8 million.

NOTES TO THE FINANCIAL STATEMENTS, GROUP

	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
Intangible assets				
Intangible rights				
Acquisition value 1.1.	304	222	70	47
Increase in the period	14	82	3	17
Acquisition value 31.12.	318	304	73	64
Accumulated planned depreciation 1.1.	-136	-108	-31	-23
Planned depreciation in the period	-27	-28	-6	-6
Book value 31.12.	154	168	35	35
Consolidation difference (assets)				
Acquisition value 1.1.	23 102	23 102	5 300	4 870
Increase in the period	1 743	-	400	-
Acquisition value 31.12.	24 844	23 102	5 700	4 870
Accumulated planned depreciation 1.1.	-19 272	-16 938	-4 422	-3 571
Planned depreciation in the period	-2 460	-2 334	-564	-492
Book value 31.12.	3 112	3 829	714	807
Consolidation difference (liability)				
Acquisition value 1.1.	463	463	106	98
Adjustment to acquisition value	-6	-	-1	-
Acquisition value 31.12.	457	463	105	98
Accumulated income recognitions 1.1.	-463	-463	-106	-98
Adjustment to income recognitions	6	-	1	-
Book value 31.12.	-	-	-	-
Other long-term expenses				
Acquisition value 1.1.	15 063	14 643	3 456	3 087
Increase from the acquired companies	197	-	45	-
Increase in the period	2 966	462	680	97
Decrease in the period	-42	-30	-10	-6
Conversion difference	-1	-12	-	-3
Acquisition value 31.12.	18 183	15 063	4 172	3 176
Accumulated planned depreciation 1.1.	-11 254	-9 295	-2 582	-1 960
Increase from the acquired companies	-38	-	-9	-
Accumulated planned depreciation of the decrease	42	30	10	6
Planned depreciation in the period	-1 824	-1 989	-419	-419
Book value 31.12.	5 109	3 809	1 172	803
Tangible assets				
Land areas				
Acquisition value 1.1.	28 394	28 394	6 514	5 986
Increase in the period	18	-	4	-
Acquisition value 31.12.	28 412	28 394	6 519	5 986
Revaluations included in acquisition value 1.1.	2 000	2 000	459	422
Revaluations included in acquisition value 31.12.	2 000	2 000	459	422
Buildings and constructions				
Acquisition value 1.1.	235 945	234 787	54 133	49 500
Increase in the period	564	1 160	129	244
Decrease in the period	-84	-2	-19	-
Acquisition value 31.12.	236 425	235 945	54 243	49 744
Accumulated planned depreciation 1.1.	-71 578	-64 856	-16 422	-13 673
Accumulated planned depreciation of the decrease	84	-	19	-
Planned depreciation in the period	-5 540	-6 723	-1 271	-1 417
Book value 31.12.	159 390	164 366	36 569	34 653
Revaluations included in acquisition value 1.1.	86 100	86 100	19 754	18 152
Revaluations included in acquisition value 31.12.	86 100	86 100	19 754	18 152
Accumulated depreciation difference 1.1.	43 841	45 255	10 059	9 541
Change in depreciation difference	-756	-1 413	-173	-298
Accumulated depreciation difference 31.12.	43 085	43 841	9 885	9 243

NOTES TO THE FINANCIAL STATEMENTS, GROUP

	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
Machinery and equipment				
Acquisition value 1.1.	103 149	96 027	23 666	20 245
Increase from the acquired companies	1 160	-	266	-
Increase in the period	19 231	14 736	4 412	3 107
Decrease in the period	-10 575	-6 775	-2 426	-1 428
Conversion difference	-266	-839	-61	-177
Acquisition value 31.12.	<u>112 699</u>	<u>103 149</u>	<u>25 857</u>	<u>21 747</u>
Accumulated planned depreciation 1.1.	-79 325	-75 477	-18 200	-15 913
Increase from the acquired companies	-536	-	-123	-
Accumulated planned depreciation of the decrease	8 376	4 667	1 922	984
Conversion difference	126	344	29	72
Planned depreciation in the period	-9 691	-8 858	-2 223	-1 868
Book value 31.12.	<u>31 649</u>	<u>23 824</u>	<u>7 261</u>	<u>5 023</u>
Accumulated depreciation difference 1.1.	1 592	-593	365	-125
Change in depreciation difference	3 217	2 185	738	461
Accumulated depreciation difference 31.12.	<u>4 809</u>	<u>1 592</u>	<u>1 103</u>	<u>336</u>
Other tangible assets				
Acquisition value 1.1.	4 286	4 267	983	900
Increase in the period	117	19	27	4
Decrease in the period	-295	-	-68	-
Acquisition value 31.12.	<u>4 108</u>	<u>4 286</u>	<u>943</u>	<u>904</u>
Accumulated planned depreciation 1.1.	-2 601	-2 362	-597	-498
Accumulated planned depreciaton of the decrease	147	-	34	-
Planned depreciation in the period	-232	-238	-53	-50
Book value 31.12.	<u>1 424</u>	<u>1 685</u>	<u>327</u>	<u>355</u>
Taxable values of real estate and shares included in fixed assets				
Land and water areas	16 604	17 386	3 810	3 665
Buildings and constructions	95 642	97 963	21 943	20 653
Other shares and holdings	7 843	6 266	1 799	1 321
Valuation items				
Liability of the pension funds 31.12.1988, thereafter the changes in the commitment deficit have been entered in the consolidated income statements. Valuation items have been written off in 1995 as extraordinary expenditure.	-	16 790	-	3 540
Inventories				
Acquisition and production costs are included in inventory value. Inventories are valued in acquisition value or lower replacement price or probable selling price. Inventories in foreign subsidiaries are valued according to the accounting standards of the country conserved.				
Receivables from Group companies and associated companies				
Trade receivables from Group companies	348	536	80	113
Trade receivables from associated companies	2 256	3 182	518	671
Loan receivables from associated companies	728	2 483	167	523
Advance payments to associated companies	-	293	-	62
Receivables falling due after one year				
Accounts receivable	1 298	739	298	156
Loans receivable	24	931	6	196
Loans to Directors and Presidents				
Loans granted to the Presidents	60	89	14	19

NOTES TO THE FINANCIAL STATEMENTS, GROUP

	1995	1994	1995	1994
	In thousands of Finnish markkas		In thousands of US dollars	
Changes in the restricted shareholders' equity				
Share capital 1.1.	211 788	211 788	48 595	44 651
Subscription issue	1 212	-	278	-
Share capital 31.12.	213 000	211 788	48 873	44 651
Share issue	22 000	11 514	5 048	2 427
Reserve fund 1.1.	-	-	-	-
Subscription issue	10 302	-	2 364	-
Reserve fund 31.12.	10 302	-	2 364	-
Other restricted shareholders' equity 1.1.	467	561	107	118
Transferred from the retained earnings	145	-	33	-
Conversion difference	-19	-94	-4	-20
Other restricted shareholders' equity 31.12.	592	467	136	98
Non-restricted shareholders' equity 1.1.	79 591	83 758	18 262	17 659
Transferred to other restricted shareholders' equity	-145	-	-33	-
Conversion difference	318	2 191	73	462
Loss for the accounting year	-28 015	-6 358	-6 428	-1 340
Non-restricted shareholders' equity 31.12.	51 749	79 591	11 874	16 780
Distributable funds from non-restricted shareholders' equity	14 515	25 108	3 330	5 293
Own shares in the possession of the Group companies				
Kaukomarkkinat Oy's shares repurchased	6 468	6 468	1 484	1 364
Shares out 1994 2.053.200 pcs, nominal value		205 320		43 287
Shares out 1995 2.065.320 pcs, nominal value	206 532		47 385	
Depreciation difference and untaxed reserves				
Accumulated depreciation difference	46 968	44 507	10 776	9 383
Untaxed reserves	1 582	27 670	363	5 834
	48 550	72 177	11 139	15 217
Divided into				
Deferred tax liability	12 137	18 044	2 785	3 804
Non-restricted shareholders' equity	36 412	54 133	8 354	11 413
Long-term loans				
Loans falling due after five years				
Pension loans	49 413	54 975	11 337	11 590
Other long-term loans	300	-	69	-
Payables to Group and associated companies				
Trade payables to Group companies	-	208	-	44
Trade payables to associated companies	-	2	-	-
Other current liabilities to Group companies	52 000	17 000	11 930	3 584
Pension liabilities				
Additional pensions:				
Total liability of the Group	11 778	12 163	2 702	2 564
Total liability of Pension Fund	40 447	42 926	9 280	9 050
Commitment deficit	31 039	31 457	7 121	6 632
Pledges, mortgages and guarantees				
Pledges for Group liabilities	71	55	16	12
Mortgages for Group liabilities:				
Equitable mortgages	300	4 208	69	887
Other mortgages	124 368	136 468	28 534	28 771
Guarantees for associated companies	4 717	1 924	1 082	406
Guarantees for others	-	563	-	119
Other liabilities	2 175	12 003	499	2 531
Leasing liabilities				
Payments due next year	335	563	77	119
Total payments due thereafter	378	260	87	55

Receivables and liabilities in foreign currencies

have been converted into Finnish markkas at the official middle exchange rate quoted by the Bank of Finland on December 31st. Receivables and liabilities covered by forward contracts have been valued at forward rates.

At the end of the financial year, the Group also holds a book of open foreign exchange forward and option contracts, the purpose of which is to hedge cash inflows and outflows of the new financial year. The financial result of these forward and option contracts is accounted for simultaneously with the entry of the underlying hedged transaction (hedge accounting).

The premium payments connected to open option contracts are included in the adjusting items of the year-end balance sheet.

The Group companies do not hold derivative instruments in trading purpose.

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY

	1995	1994	1995	1994
	In thousands of Finnish markkas		In thousands of US dollars	
Net Sales				
Net Sales in 1995, total FIM 2,361.8 million, originated from:				
International trade	72 %			
Domestic trade	22 %			
Export	6 %			
Personnel costs				
Wages	65 003	58 666	14 914	12 368
Fringe benefits	4 392	3 965	1 008	836
Pension costs	12 817	11 672	2 941	2 461
Indirect employee costs	10 798	8 703	2 477	1 835
	93 010	83 006	21 339	17 500
Depreciation				
Planned depreciation on fixed assets has been calculated according to expected useful lifetime as a straight-line depreciation on the original acquisition cost.				
Schedule for the depreciation:				
Buildings and constructions:				
Fixed equipment in buildings	10 years			
Containers and constructions	15 years			
Buildings	25-40 years			
Machinery and equipment:				
Vehicles	5 years			
Other machinery and equipment	3-4 years			
Other tangible assets and long-term expenses				
	3-20 years			
Planned depreciation:				
Buildings and constructions	2 927	4 147	672	874
Machinery and equipment	5 832	4 928	1 338	1 039
Other tangible assets	167	186	38	39
Other long-term expenses	1 533	1 588	352	335
	10 459	10 848	2 400	2 287
Change in depreciation difference :				
Buildings and constructions	-718	-1 372	-165	-289
Machinery and equipment	2 249	1 921	516	405
	1 531	548	351	116
Intercompany financial income and expenses				
Interest income from long-term loans	7 367	8 099	1 690	1 708
Interest income from short-term loans	9 367	7 175	2 149	1 513
Other financial income	-	5	-	1
Interest expenses	11 050	4 617	2 535	973
Dividend income	4 386	-	1 006	-

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY

	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
Intangible assets				
Other long-term expenses				
Acquisition value 1.1.	12 840	12 380	2 946	2 610
Increase in the period	2 903	460	666	97
Decrease in the period	-17	-	-4	-
Acquisition value 31.12.	15 725	12 840	3 608	2 707
Accumulated planned depreciation 1.1.	-10 021	-8 434	-2 299	-1 778
Accumulated planned depreciation of the decrease	17	-	4	-
Planned depreciation in the period	-1 533	-1 588	-352	-335
Book value 31.12.	4 189	2 818	961	594
Tangible assets				
Land areas				
Acquisition value 1.1.	7 453	7 453	1 710	1 571
Acquisition value 31.12.	7 453	7 453	1 710	1 571
Buildings and constructions				
Acquisition value 1.1.	60 388	59 908	13 855	12 630
Increase in the period	246	481	56	101
Decrease in the period	-84	-	-19	-
Acquisition value 31.12.	60 551	60 388	13 892	12 732
Accumulated planned depreciation 1.1.	-39 696	-35 549	-9 107	-7 495
Accumulated planned depreciation of the decrease	84	-	19	-
Planned depreciation in the period	-2 927	-4 147	-672	-874
Book value 31.12.	18 012	20 693	4 133	4 363
Accumulated depreciation difference 1.1.	11 235	12 608	2 578	2 658
Change in depreciation difference	-718	-1 372	-165	-289
Accumulated depreciation difference 31.12.	10 517	11 235	2 413	2 369
Machinery and equipment				
Acquisition value 1.1.	67 109	61 021	15 397	12 865
Increase in the period	11 968	10 352	2 746	2 182
Decrease in the period	-6 309	-4 264	-1 447	-899
Acquisition value 31.12.	72 768	67 109	16 695	14 148
Accumulated planned depreciation 1.1.	-51 960	-50 036	-11 921	-10 549
Accumulated planned depreciation of the decrease	5 104	3 005	1 171	633
Planned depreciation in the period	-5 832	-4 928	-1 338	-1 039
Book value 31.12.	20 081	15 149	4 607	3 194
Accumulated depreciation difference 1.1.	1 034	-886	237	-187
Change in depreciation difference	2 249	1 921	516	405
Accumulated depreciation difference 31.12.	3 284	1 034	753	218
Other tangible assets				
Acquisition value 1.1.	3 736	3 736	857	788
Decrease in the period	-295	-	-68	-
Acquisition value 31.12.	3 441	3 736	789	788
Accumulated planned depreciation 1.1.	-2 325	-2 140	-534	-451
Accumulated planned depreciation of the decreases	147	-	34	-
Planned depreciation in the period	-167	-186	-38	-39
Book value 31.12.	1 096	1 410	251	297
Taxable values of real estate and shares included in fixed assets				
Land and water areas	1 616	1 382	371	291
Buildings and constructions	8 614	9 479	1 976	1 998
Shares in subsidiaries	68 202	52 564	15 648	11 082
Other shares and holdings	6 681	5 137	1 533	1 083

NOTES TO THE FINANCIAL STATEMENTS, PARENT COMPANY

	1995 In thousands of Finnish markkas	1994	1995 In thousands of US dollars	1994
Receivables due after one year				
Trade receivables	253	300	58	63
Loans receivable	24	53	6	11
Loan receivables from Group companies	120 021	132 846	27 537	28 008
Loans to Directors and Presidents				
Loans granted to the Presidents of subsidiaries	60	89	14	19
Receivables from associated companies				
Trade receivables	2 256	3 182	517	671
Loans receivable	728	728	167	153
Changes in the restricted shareholders' equity				
Share capital 1.1.	211 788	211 788	48 591	44 651
Subscription issue	1 212	-	278	-
Share capital 31.12.	213 000	211 788	48 869	44 651
Share issue	22 000	11 514	5 047	2 427
Reserve fund 1.1.	-	-	-	-
Subscription issue	10 302	-	2 364	-
Reserve fund 31.12.	10 302	-	2 364	-
Own shares in the possession of the company				
Shares possessed 64.680 pcs, nominal value	6 468	6 468	1 484	1 364
Shares out 1994 2.053.200 pcs, nominal value		205 320		43 287
Shares out 1995 2.065.320 pcs, nominal value	206 532		47 385	
Changes in the non-restricted shareholders' equity				
Retained earnings 1.1.	127 435	127 720	29 238	26 927
Profit/loss for the accounting year	2 469	-285	566	-60
Retained earnings 31.12	129 904	127 435	29 804	26 867
Long-term loans				
Loans falling due after five years				
Pension loans	23 956	32 425	5 496	6 836
Pension liabilities				
Additional pensions:				
Total liability of the company	11 778	12 163	2 702	2 564
Total liability of Pension Fund	22 097	24 459	5 070	5 157
Commitment deficit	21 040	22 047	4 827	4 648
Pledges, mortgages and guarantees				
Mortgages for own liabilities	24 000	24 000	5 506	5 060
Guarantees:				
Guarantees for the liabilities of Group and associated companies	228 459	74 718	52 416	15 753
Guarantees for others	-	563	-	119
Other liabilities	292	474	67	100
Other liability for subsidiary's debt	448	10 062	103	2 121
Leasing liabilities				
Payments due next year	109	88	25	19
Total payments due thereafter	190	-	44	-

Receivables and liabilities in foreign currencies

have been converted into Finnish markkas at the official middle exchange rate quoted by the Bank of Finland on December 31st. Receivables and liabilities covered by forward contracts have been valued at forward rates.

At the end of financial year the company also holds a book of open foreign exchange forward and option contracts, the purpose of which is to hedge cash inflows and outflows of the new financial year. The financial result of these forward and option contracts is accounted for simultaneously with the entry of the underlying hedged transactions (hedge accounting). The premium payments connected to open option contracts are included in the adjusting items of the year-end balance sheet.

The company does not hold derivative instruments in trading purpose.

REPORT OF THE AUDITORS

To the shareholders of Kaukomarkkinat Oy

We have audited the accounting, the financial statements and the corporate governance of Kaukomarkkinat Oy for the period 1.1. - 31.12.1995. The financial statements, which include the report of the Supervisory Board and the President, both for the Group and the Parent Company, income statement, balance sheet and notes to the financial statements, have been prepared by the Supervisory Board and the President. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Audit-

ing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Supervisory Board and the President have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with

the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the Parent Company's and the Group's result of operations as well as of the financial position. The profit of the Parent Company for the 1995 financial year is FIM 2,468,750.07 and the loss of the Group FIM 28,015,444.73. The financial statements, including the consolidated financial statements, can be adopted and the members of the Supervisory Board and the President can be discharged from liability for the period audited by us. The proposal by the Supervisory Board regarding the distribution of retained earnings is in compliance with the Companies' Act.

Espoo, March 6, 1996

SVH COOPERS & LYBRAND OY
Authorised Public Accountants

Taisto Hautakangas
Authorized Public
Accountant

Johan Kronberg
Authorized Public
Accountant





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