



BERNER LTD
ANNUAL REPORT 1996
THE 114TH YEAR
OF BUSINESS

BERNER

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ANNUAL REPORT FOR THE 114TH YEAR OF BUSINESS

THE OPERATING ENVIRONMENT

1996 was largely in line with our expectations for the national economy, the trend in the wholesale and retail trade and our company's performance. In the first part of the year the trend in production was slower than anticipated. Exports of products of the wood-processing industry in particular were sluggish and the price level was weaker than forecast. The industry nevertheless bounced back in the spring and the situation improved further towards the end of the year. GDP grew by 3.2 per cent, which was clearly above the average for the EU countries. Consumers had a stronger belief in the future, the degree of savings declined a bit further and private consumption rose by 3.5 %.

The trend in the wholesale and retail trade, which is vital for our company, was even better. The wholesale trade was up 5.3 % and the retail trade by 4.1 %. Car sales grew by a whopping 20 %. Sales of other consumer durables too increased by more than 10 %.

The outlook for 1997 is again exceptionally positive. GDP is likely to increase at a rate of 4.5 % to 5 %, inflation is forecast to remain under one per cent and exports are again buoyant, which means that the current account balance will again show a surplus of about FIM 20 billion.

Perhaps the most important factor of all for the company is that the retail trade is forecast to grow further, by more than 5 %. Consumers' optimism will probably remain high and disposable income will increase, even if nominal wages and salaries do not rise mentionably in 1997. At last, persistent unemployment is beginning to ease up too, thus contributing to boosting the real income of households. We believe that Berner Ltd will continue to operate in a favourable environment.

GROUP OPERATIONS AND PROFITS

Berner again performed well. The integration of the business operations that were acquired during the previous year was carried out successfully. The organic growth of the different departments was also good in view of the conditions. The Group's turnover grew by 12.3 % to FIM 668 million. In addition, the value of sales mediated by the Agency Department was FIM 270 million. Although ever increasing competition meant a slight drop in the gross margin on sales, the increased volume coupled with costs that were kept under control led to an increase in profit before extraordinary items, appropriations and taxes of 15.7 %, totalling FIM 59.5 million. The Group's equity ratio towards the end of the year was 62.5 %.

During the year an extensive training project for the personnel was launched with the aim of increasing not only the level of know-how but also motivation and team spirit. We believe that a well motivated staff is an ever more critical factor for the company's success in a competitive environment that gets tougher by the day.

On the last day of the financial year, a bill of sale was signed with ASKO Oy whereby we purchased the KARHU Ball Games business, which mainly consists of Finnish baseball and indoor bandy equipment. This significantly strengthens the position of our Sport Department.

The company's Board of Directors wishes to extend its warm thanks to the personnel, who have worked hard to achieve this good result.



The Central Chamber of Commerce's medals for long service were again handed out during a buffet dinner for the staff.

CONVENIENCE GOODS AND COSMETICS

The revival in the market continued, and it well mirrors the general growth in consumption. In a number of product groups there was also a perceptible trend towards more expensive products.

Accordingly, the trend in selective cosmetics was, for the first time in years, better than that of lower priced semi-selective cosmetics and exceeded the 1995 level by 7.4 %.

The trend in the total markets for technochemical products that are sold in the convenience goods trade was 7.1 %.

Convenience goods were reorganized by transferring all the non-food convenience products to a single department. The Technochemical Department thus took over, among other things, the Kas-kas footwear care line, Ansell rubber gloves and Spon-tex sponge cloths. This meant that the former Household and Foodstuffs Department became the Pure Foods Department.

We have long had a the objective of setting up a Pure Foods Department, and now that this has been done the sales trend has been exceptionally positive. Sales of Kavli cheese spreads and Del Monte chili sauces were especially strong.

During the year, the Rai perfume deodorant series was launched on the convenience goods side together with renewed Revlon Flex shampoos and conditioners. Aquafresh oral hygiene products also sold particularly well and rose to third place amongst the best selling brands on the market.

Within cosmetics, the Revlon line of products experienced strong growth, rising to second place among selectively distributed ranges of cosmetics.



The Pierre Robert line of cosmetics underwent a complete renewal, both in appearance and in the products themselves. The line was also renamed "Sensiq by Pierre Robert".

HEALTH

All in all, sales by the health care field developed well during the financial year. Sales of the products Berner represents, except for heavy tomography equipment, were in line with the general trend.

Sales of implantable defibrillators and neurostimulators developed especially well. These forms of therapy represent relatively new technology and there appears to be a clear need for both, since they mean a decisive improvement in patients' quality of life.

Sales of animal vaccines and pharmaceuticals also showed good growth and we markedly strengthened our position in these areas.

The first product launches in the humane medicine sector were made towards the end of the year and consisted of clinical nutrition products for hospital use as well as Modifast slimming products that are sold in pharmacies. Both products were well received and we believe that they will be a success.

The Aloka SSD-1700 ultrasonic units for which the Christian Nissen Department acts as a distributor make it possible for the first time to obtain a real-time three-dimensional view of a foetus.



AGRICULTURE

In the second year as a member of the EU, Finnish agriculture was already clearly making the adjustment to new lower producer prices. Farmers are gradually coming over to the view that even at lower producer prices, and by striving for a good harvest and high quality, they can also achieve the best possible economic result.

For the Crop Protection Department, the year meant getting acquainted with the products that were taken over from Sareko Agro and integrating them into our own range of products. The extensive new product assortment made it possible to prepare improved pesticide programmes. The department's own testing activities were also in an important position, and there were already 1,200 test plots in the test fields.

We have traditionally occupied a strong position within products for special crops. This year we strengthened our grip, particularly in the area of grain cultivation, where there is large cultivated acreage that is continuing to expand. On the whole, the adaptation of the new products to the department's range of services has gone well and in other respects too, the department's operations are approaching our objective of being a "better-service crop protection outfit". It is with confidence that we face an ever keener competition situation, since the department has a high level of professional skill and motivation.



Only through our own testing activities can we find the best recommendations for farmers and make them available to our crop protection advisers. New substances can also be introduced faster when our own testing produces reliable information on the behaviour of new substances in Finland's conditions.



The popular indoor bandy sticks manufactured by the Karhu Ball Games unit.

LEISURE

The formation of chains within the sporting goods trade moved ahead in the retail sector.

Operations of the Sport Department developed positively. Reebok sales rose substantially. Sales of sports attire were particularly good, since the collection for the year proved to be a strong seller. The sales trends of other textiles too, such as Mäser, Craft and Arena, also showed gratifying development.

The outlook for 1997 is good, and a new and major challenge is to integrate the Karhu Ball Games unit into the department's operations. The unit has strong know-how and the Karhu brand is well known both in indoor bandy and especially Finnish baseball circles.

AGENCY OPERATIONS

The opening up of market areas in different parts of Europe and the diversification of contacts around the world was felt to be a positive factor, which was reflected in the development of new product areas.

We thus look forward to expanding our sales to both new and present customer groups in the current year. Thus, the department's main strategy has been to develop greater diversification within industry and trade.

TECHNICAL PRODUCTS

Both the car and forklift truck trade again enjoyed very favourable development and our sales grew markedly. The Forklift Truck Department moved from Herttoniemi to modern new facilities in Lommila, improving its operational ability.

For the Lubricants Department, it was a year of momentous changes. The sixty-year long cooperation with Castrol Ltd changed essentially when they established a subsidiary, Castrol Oy, which began operations on September 1. According to the agreed market division, Berner will continue to sell Castrol to automotive supply stores and agricultural customers. The other channels will be handled by Castrol Oy. The manufacture and storage of lubricating oil will continue to be handled, to the previous extent, by Berner Ltd.

Because the department's product range underwent such an essential change, it was decided that the department should be given a new name that better reflects its operations. The new name selected was the Automotive Department. Its main products are Korrek car waxes, washing substances and waxes for Korrek Professional brush car-wash machines, Lasol, Masinol and other windscreen deicing agents and, partly, Castrol lubricants.

EXPORTS

Development efforts were stepped up in the Baltic countries, where sales grew significantly. In addition to Berner-manufactured XZ hair care products, Barracuda cosmetics for men and Korrek automotive chemicals, other product groups that enjoyed good sales were sports footwear, plant protection substances and hospital equipment.

Our subsidiary Berner Eesti A/S had a staff of 11 people at the end of the year.

In Russia, trading was continually hampered by changing and increasingly stringent regulations imposed by the authorities. In the Czech Republic and Slovakia, ever tougher competition weakened profitability and we cut back the extent of our operations.

HERTTONEMI FACTORY

The largest change at the factory during the year involved new arrangements that were ushered in by the agreement that was signed between Berner Ltd and Castrol Ltd in September. Under the agreement, the Herttoniemi factory will sell production, storage and shipping department services to Castrol Oy, which is Castrol Ltd's new company in Finland.

The integration of added operations due to the increased turnover of the Plant Protection Department was the second major factor affecting the factory's operations.

The production volume was virtually the same as in the previous financial year, totalling FIM 45.5 million in sales.

A large work input has gone into seeing the quality system to completion, with the result that the factory, together with the Automotive Department, was granted an ISO 9002 quality certificate in September.

RAJAMÄKI FACTORY

For both the personnel and management, the factory's first full calendar year of operations was devoted to firmly establishing the new operational model. We have also received a considerable amount of subcontractor work, which will enable us to spread fixed costs over a much larger production volume than in the previous year.

KARL BEUS

The company continued to restructure its operations during the year. A number of representation agreements were transferred away from the company owing to acquisitions in the international arena, but by actively searching for new dealerships, we were able to patch up the gaps that had arisen. Our most important new principals are the world's leading manufacturer of diatherms, Pfizer Valleylab as well as Medtronic Synectics, which manufactures gastro-enerological measuring equipment.

Ethanol-based disinfecting agents enjoyed very strong sales, and in future years greater efforts will be made to increase the sales of this product line.

The company's result for the financial year was good and the outlook for 1997 is also promising.

TERPIA

The trend of the Terpia pharmaceutical factory was positive and turnover grew to FIM 22.2 million (FIM 16.8 million in the previous financial year).

The manufacture of Natural Food Products increased further thanks to good sales results in the Far East and South American markets.

The company's result was again at a good level, and during the coming year efforts will be made to increase the manufacture of pharmaceuticals.

BERNER GROUP FIGURES

FIM million	1992	1993	2/1994	12/1994 (10 months)	1995	1996
Turnover	422.7	442.2	507.7	439.6	595.3	668.4
Growth, %	- 3.0	4.6	14.8	- 13.4	35.4	12.3
Personnel	4.5	384	380	379	433	424
Salaries and wages	58.5	57.2	74.4	67.7	88.0	92.4
as a per cent of turnover	13.8	12.9	11.2	10.4	14.8	13.8
Operating profit before depreciation	28.3	33.5	46.1	42.2	61.9	70.8
% of turnover	6.9	7.6	9.1	9.6	10.4	10.6
Net profit	17.3	28.6	38.4	39.6	51.5	58.1
Change in untaxed reserves	- 0.9	- 3.6	0.0	- 1.4	- 3.2	- 12.9
Taxes	6.1	7.2	10.1	10.2	13.1	19.1
Interest expense	7.1	8.8	5.2	2.6	1.1	0.2
Interest income	2.6	5.9	3.3	2.3	2.7	1.8
Depreciation according to the Business Taxation Act	8.1	8.8	7.2	3.1	15.3	23.0
Balance sheet total	253.8	285.5	267.0	271.3	303.9	332.6
Gross investments	11.6	9.7	12.4	12.3	27.9	16.9
Equity ratio, %	32.5	34.8	46.6	54.4	58.7	62.5

SUBSIDIARIES OPERATING IN FINLAND

OY KARL BEUS AB

The company operates in the field of hospital supplies. Its turnover was FIM 26.9 million and 15 employees were on the payroll.

TERPIA BERNERIN LÄÄKETEHDAS OY

The company's turnover was FIM 22.0 million and it had 5 employees.

OTHER SUBSIDIARIES IN FINLAND

Aroma Blend Co Oy

Berco Trading Co Oy

Oy Berfin Ab

Bernerin Kiinteistöosakeyhtiö

(property management company)

Kymen Moottoritalo Oy

Lasse Viren - Tiger Oy

Bostads Ab Södra Kajen 4

(housing corporation)

FOREIGN SUBSIDIARIES

Bröderna Berner HAB, Sweden

The company's turnover was FIM 12.7 million and it employed 6 people.

Sören Berner AS, Norway

Turnover was FIM 11.1 million and the company employed 12 people.

Betra Marketing Ltd, Republic of Slovakia

Turnover was FIM 1.0 million and the company employed 2 people.

Berner Eesti AS

Turnover was FIM 3.4 million, and the company employed 11 people.

Berner Brothers Inc., USA

No operations during the year

The Foodstuffs Department brought out on the market delicious French Bonduelle canned vegetables.



BALANCE SHEET AND PROFIT

The consolidated gross profit on sales was FIM 236.2 million (35.3 %).
Operating profit before depreciation was FIM 70.8 million (10.6 %).
The Group had net interest income of FIM 1.6 million.
Gross capital expenditure totalled FIM 16.9 million.
Total assets stood at FIM 332.6 million.
The equity ratio was 62.5 %.
The transitional reserve totalled FIM 25.0 million.
The reserve was decreased by FIM 12.9 million, which went towards capital expenditures.
The maximum depreciation allowable under the Business Taxation Act was booked - FIM 7.0 million, and depreciation according to plan amounted to FIM 12.4 million.

PERSONNEL, WAGES AND SALARIES

An average of 424 people were in the Group's employ, and personnel expenses totalled FIM 92.4 million. A bonus of FIM 5.2 million inclusive of social costs was paid out. The bonus amounted to 14.97 % of the salaries and wages it was based upon.

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

Juhani Klemola, M.Sc.(Pol.Sc.)
Kirsi-Marja Koskela, M.Sc.(Econ.)
Markku Koski, B.Sc.(Eng.)
Hannu Raiskio, LL.M.
Michael Sandbacka, M.Sc.(Econ.),
Managing Director of Oy Karl Beus Ab

AUDITORS

Per-Olof Stenvall, Authorized Public Accountant, and Rabbe Nevalainen, Authorized Public Accountant, both of the firm of public accountants Tilintarkastajien Oy - Ernst & Young.

SOCIAL AFFAIRS

Professor Edward Andersson and Bank Director Kalevi Sorsa have acted as advisors for social affairs.



Think of your roots - now!



XZ is a line of domestic hair care products for the whole family and it is part of a Finnish-Made campaign that promotes Finnish labour. The packages have been given a new look and the line has been rounded out with three new products.



Don't forget your roots

BERNER

CONSOLIDATED INCOME STATEMENT

	01.01.1996–31.12.1996	01.01.1995–31.12.1995
Turnover	668 421 157.52	595 320 776.25
Decrease (-)/increase (+) in product inventories	– 995 059.00	2 866 760.07
Income from other operations	3 752 403.62	1 230 435.39
Variable costs		
Materials, supplies and goods:		
Purchases during the financial year	418 969 359.31	375 821 685.34
Increase (-)/decrease (+) in inventories	2 454 443.10	– 4 181 491.92
Outside services	4 945 249.45	3 960 058.65
Personnel expenses	2 577 096.92	2 057 177.48
Other variable costs	5 988 588.90	3 764 124.38
	<u>–434 934 737.68</u>	<u>–381 421 553.93</u>
Gross profit	236 243 764.46	217 996 417.78
Fixed costs		
Personnel expenses	92 416 278.06	87 997 004.16
Rents	7 638 300.25	5 661 036.19
Other fixed costs	65 436 896.33	62 395 649.64
	<u>–165 491 474.64</u>	<u>–156 053 689.99</u>
Operating profit before depreciation	70 752 289.82	61 942 727.79
Depreciation		
Fixed assets and other long-term expenditure	12 367 168.90	9 539 721.85
Amortization of goodwill on consolidation	241 981.61	11 255.00
	<u>– 12 609 150.51</u>	<u>– 9 550 976.85</u>
Operating profit after depreciation	58 143 139.31	52 391 750.94
Financial income and expenses		
Dividend income	247 444.60	110 811.55
Other financial income	2 255 196.25	3 804 799.21
Interest expenses	– 284 899.70	– 1 111 623.22
Other financial expenses	– 827 605.83	– 1 589 437.11
	<u>1 390 135.32</u>	<u>1 214 550.43</u>
Profit before extraordinary items, appropriations and taxes	59 533 274.63	53 606 301.37
Extraordinary income and expenses		
Extraordinary income	4 289 697.53	828 684.38
Extraordinary expenses	– 955 735.57	– 29 388.99
	<u>3 333 961.96</u>	<u>+ 799 295.39</u>
Profit before appropriations and taxes	62 867 236.59	54 405 596.76
Increase in accelerated depreciation (-)	– 10 410 700.19	– 5 778 509.66
Decrease (+) in voluntary untaxed reserves	12 854 484.46	3 198 807.80
Direct taxes		
For the financial year	19 072 957.48	13 332 793.00
For previous financial years	– 91.00	174 633.00
Taxes paid from retained earnings	– 19 061 060.00	– 13 140 516.89
	<u>11 806.48</u>	<u>– 366 909.11</u>
Profit for the financial year before minority interest	65 299 214.38	51 458 985.79
Minority interest in net profit for the financial year	31 462.33	13 551.26
Consolidated net profit for the year	<u>65 330 676.71</u>	<u>51 472 537.05</u>

CONSOLIDATED BALANCE SHEET

	31.12.1996	31.12.1995
ASSETS		
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS		
Intangible assets		
Intangible rights	612 175.24	470 077.35
Goodwill	11 631 842.51	14 852 564.82
Goodwill on consolidation	153 471.02	164 628.02
Other long-term expenditure	<u>1 808 835.33</u>	<u>905 427.89</u>
	14 206 324.10	16 392 698.08
Tangible assets		
Land	6 560 846.14	7 580 846.14
Buildings and structures	14 289 018.04	10 354 508.06
Machinery and equipment	14 012 573.76	19 461 770.59
Advance payments	<u>61 785.97</u>	<u> </u>
	34 924 223.91	37 397 124.79
Fixed asset securities and other long-term investments		
Shares in subsidiaries	32 180.00	32 180.00
Shares in associated companies	434 831.90	235 280.00
Other shares and holdings	1 390 300.91	1 368 880.91
Receivables from associated companies	<u> </u>	<u>2 355 480.64</u>
	1 857 312.81	3 991 821.55
VALUATION ITEMS		
Translation adjustment	14 464.93	35 975.50
INVENTORIES AND FINANCIAL ASSETS		
Inventories		
Materials and supplies	12 978 778.09	10 613 353.28
Uncompleted goods	2 284 668.52	2 086 753.84
Finished products/goods	<u>98 929 751.56</u>	<u>104 654 364.04</u>
	114 193 198.17	117 354 471.16
Receivables		
Accounts receivable	62 443 709.00	93 077 828.73
Loan receivables from shareholders	337 601.49	309 786.43
Loan receivables from members of the Board		21 651.01
Other loan receivables	665 307.64	922 398.23
Accrued income and prepaid expenses	4 133 300.97	3 352 746.62
Other receivables	<u>49 181 936.24</u>	<u>16 581 043.95</u>
	116 761 855.34	114 265 454.97
Securities held in financial assets		
Other securities	30 000 000.00	
Cash and banks	20 676 036.38	14 467 768.43
	<u>332 633 415.64</u>	<u>303 905 314.48</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY		
Restricted equity		
Share capital	5 106 520.00	5 106 520.00
Reserve fund	<u>1 004 337.61</u>	<u>1 000 872.58</u>
	6 110 857.61	6 107 392.58
Non-restricted equity		
Disposal fund	5 508 454.47	5 798 889.47
Loan repayment fund	50 949.36	50 949.36
Retained earnings	119 474 316.65	91 581 510.30
Dividends	- 4 168 800.00	-11 047 320.00
Taxes	<u>-19 061 060.00</u>	<u>-13 140 516.89</u>
	96 244 456.65	67 393 673.41
Net profit for the year	<u>65 330 676.71</u>	<u>51 472 537.05</u>
	167 134 537.19	124 716 049.29
130 823 441.87		
MINORITY INTEREST		
	246 515.05	252 173.70
UNTAXED RESERVES		
Accelerated depreciation		
	20 201 773.10	9 791 072.71
Voluntary untaxed reserves		
Transitional reserve	24 906 729.01	37 761 213.47
Other reserves	<u>34 217.24</u>	<u>2 506.35</u>
	24 940 946.25	37 763 719.82
VALUATION ITEMS		
Gains on foreign exchange	870 627.18	153 238.17
Translation adjustment	<u>198 240.45</u>	<u>103 318.92</u>
	1 068 867.63	256 557.09
LIABILITIES		
Long-term		
Loans from financial institutions		1 445 135.78
Advances received	308 668.00	<u>347 251.00</u>
	308 668.00	1 792 386.78
Current		
Advances received	833 557.92	125 652.65
Accounts payable	63 128 676.93	64 804 300.11
Accrued expenses and prepaid income	36 862 501.27	41 567 440.97
Other current liabilities	<u>11 796 514.69</u>	<u>16 728 568.78</u>
	112 621 250.81	123 225 962.51
	<u>332 633 415.64</u>	<u>303 905 314.48</u>

CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS

FIM 1,000

Sources of funds	01.01.1996–31.12.1996	01.01.1995–31.12.1995
Funds generated from operations		
Operating profit before depreciation	70 752	61 943
Dividends and other financial income	2 503	3 916
Gains on the sale of fixed assets	8 842	4 005
Extraordinary items (net)	<u>+ 3 334</u>	<u>+ 799</u>
	85 431	70 663
Distribution of profits		
Financial expenses	– 1 113	– 2 701
Taxes	–19 073	–13 507
Dividends	<u>– 4 169</u>	<u>–11 047</u>
	–24 355	–27 255
Capital financing		
Decrease/increase in long-term borrowed capital	<u>– 1 484</u>	<u>+ 337</u>
Total (A)	<u>+59 592</u>	<u>+43 745</u>
 Application of funds		
Investments		
Investments in fixed assets	+16 583	+26 581
Increase/decrease due to translation adjustment	+ 73	– 92
Purchase of shares in subsidiaries	+ 1 147	+ 1 678
Purchase of shares in associated companies	+ 200	+ 235
Decrease in minority interests	<u>– 6</u>	<u>– 39</u>
Total (B)	<u>+17 997</u>	<u>+28 363</u>
 Change in net working capital		
Decrease/increase in other long-term investments	– 2 355	+ 2 355
Decrease/increase in inventories	– 3 161	+ 7 612
Increase in financial assets	+38 705	+ 8 493
Increase/decrease in valuation items	– 717	+ 170
Decrease/increase in short-term borrowed capital	+10 605	– 3 348
Other change in working capital due to the elimination of foreign subsidiaries	<u>– 1 482</u>	<u>+ 100</u>
Total (A - B)	<u>+41 595</u>	<u>+15 382</u>



Towards the end of the year Modifast slimming products were launched in sales through pharmacies.

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 Kiinteistöosakeyhtiö
	Bostadaktiebolaget Södra Kajen 4
	Oy Karl Beus Ab
	Kymen Moottoritalo Oy
	Lasse Viren Tiger Oy
	Terpia Bernerin Lääketehdas Oy
	Bröderna Berner HAB
	Sören Berner A/S
	Betra Marketing Ltd
	Berner Eesti As

Subsidiary excluded from the consolidation:	Berner Brothers Inc., USA
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The company has not been consolidated because it is an overseas company that has not had business 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 to 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 associated company has not been consolidated because its profit is only FIM 270.59 after the shareholders' investments of FIM 1,705,219.60 and because in connection with said investment in 1997, Berner Ltd's holding in the company will fall to 10%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Personnel costs	31.12.1996	31.12.1995
Salaries and wages	72 694 106.71	67 936 318.99
Pension costs	11 526 407.20	12 353 435.62
Other personnel expenses	10 772 861.07	9 764 427.03
Total	<u>94 993 374.98</u>	90 054 181.64
Fringe benefits	<u>2 377 180.92</u>	<u>2 372 877.29</u>
Total	<u><u>97 370 555.90</u></u>	<u><u>92 427 058.93</u></u>
Extraordinary income		
Extraordinary income includes the goodwill obtained from Castrol Oy	3 000 000.00	
Compensation for lost income connected with the termination of a representation agreement	<u>1 288 360.00</u>	
	<u><u>4 288 360.00</u></u>	
Extraordinary expenses		
Extraordinary expenses include the losses on the sale of forest holdings in Porvoo (Korpi II, Korpi III)	<u>900 000.00</u>	
Valuation items		
Translation adjustment (assets) 1.1.	35 975.50	202 774.00
Decrease 1.1.-31.12.	<u>- 21 510.57</u>	<u>-166 798.50</u>
Translation adjustment 31.12.	<u>14 464.93</u>	<u>35 975.50</u>
Unrealized gains on foreign exchange 1.1.	153 238.17	323 206.02
Increase 1.1.-31.12.	717 389.01	—
Decrease 1.1.-31.12.	—	<u>-169 967.85</u>
Unrealized gains on foreign exchange 31.12.	<u>870 627.18</u>	<u>153 238.17</u>
Translation adjustment (liabilities) 1.1.	103 318.92	28 747.71
Increase 1.1.-31.12.	<u>+ 94 921.53</u>	<u>+ 74 571.21</u>
Translation adjustment 31.12.	<u>198 240.45</u>	<u>103 318.92</u>
Receivables falling due in one year or more		
Accounts receivable	1 044 529.00	395 884.00
Loan receivables from shareholders	—	—
Other loan receivables	429 262.96	718 465.02
	<u>1 473 791.96</u>	<u>1 114 349.02</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Depreciation	31.12.1996	31.12.1995
<u>Depreciation according to plan</u>		
Intangible rights	135 484.77	143 183.87
Goodwill	4 048 903.31	758 807.18
Other long-term expenditure	316 142.05	264 254.87
Buildings and structures	857 030.95	890 597.17
Machinery and equipment	6 860 881.17	<u>7 335 534.98</u>
Domestic items, total	12 218 442.25	9 392 378.07
Foreign subsidiaries:		
Intangible rights	5 057.94	—
Machinery and equipment	143 668.71	<u>147 343.78</u>
	12 367 168.90	<u>9 539 721.85</u>
<u>Change in accelerated depreciation</u>		
(increase-/decrease +)		
Intangible rights	- 110 029.09	- 85 864.60
Goodwill	—	-3 014 035.82
Other long-term expenditure	- 1 062 791.65	- 107 650.60
Buildings and structures	- 4 498 987.75	+ 277 903.54
Machinery and equipment	- 4 738 891.70	<u>-2 848 862.18</u>
Total	-10 410 700.19	<u>-5 778 509.66</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 based on 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CHANGES IN FIXED ASSET ACQUISITION COSTS AND OTHER LONG-TERM EXPENDITURE 1.1.1996-31.12.1996

	Asquisition cost 1.1.	Increases 1.1.–31.12.	Decreases 1.1.–31.12.	Asquisition cost 31.12.	Accumulated planned depreciation 31.12.	Book value 31.12.
Intangible rights						
Domestic	1 472 447.21	266 141.31	– 322 165.05	1 416 423.47	– 816 356.25	600 067.22
International subsidies, book value						12 108.02
						612 175.24
Goodwill	15 611 372.00	828 181.00	—	16 439 553.00	– 4 807 710.49	11 631 842.51
Consolidated goodwill	253 884.02	—	—	253 884.02	– 100 413.00	153 471.02
Other long-term expenditure	1 525 180.84	1 262 149.49	– 82 528.25	2 704 802.08	– 895 966.75	1 808 835.33
Land areas	2 483 920.37	5 276 925.77 ²⁾	–1 200 000.00	6 560 846.14	—	6 560 846.14
Buildings and structures	17 927 530.95 ¹⁾	6 954 344.71 ²⁾		24 881 875.66	–10 592 857.62	14 289 018.04
Machinery and equipment						
Domestic	55 801 651.93	8 776 399.28	–24 778 074.12	39 799 977.09	–26 387 305.07	13 412 672.02
International subsidies, book value						599 901.74
						14 012 573.76
Advance payments		61 785.97		61 785.97		61 785.97

¹⁾ Includes revaluation 1,060,750.44 mk

²⁾ Includes consolidated goodwill
Land areas 5 096 925.77
Buildings and structures 2 162 803.78 (net)

The Forklift Truck Department moved into modern new facilities in Lommila, Esbo. The department celebrated its 20th birthday in beautiful spring weather in May.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY-OWNED SHARES AND HOLDINGS IN OTHER COMPANIES 31.12.1996

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
<u>Shares in subsidiaries</u>						
Berner Brothers Inc., New York, USA	99	99.00 %	99.00 %	<u>32 180.00</u>	<u>32 180.00</u>	—
<u>Shares in associated companies</u>						
Barlach – Berner AB	4 000	40.00 %	40.00 %	434 831.90	<u>434 831.90</u>	270.59 *)
<u>Shares and holdings in other companies</u>						
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	—		—	—	300 250.11	
					<u>1,390 300.91</u>	

*) Profit of FIM 270.59 after shareholders' investment of FIM 1,705,219.60

Machinery and equipment

	31.12.1996	31.12.1995
Undepreciated portion of the purchase cost of machinery and equipment belonging to fixed assets	1 758 689.14	973 236,00

Group repurchases of shares outstanding

Number of shares purchased by the Group	3 052	3 052
total par value, FIM	1 354 600.00	1 354 600,00

Loans

Other loan receivables include loans to the management of a Group company	216 774,58	123 766,83
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Guarantees and commitments

For Group companies		
Guarantees	1 214 437,34	4 339 648,95
Other own commitments		
Other commitments	21 076 236,72	19 816 849,80
Total	22 290 674,06	24 156 498,75

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TAXATION VALUES OF FIXED ASSETS	31.12.1996	31.12.1995
Land	29 818 785.00	29 972 665.00
Buildings	13 570 727.00	13 407 935.00
Shares in subsidiaries	32 180.00	32 180.00
Shares in an associated company	434 832.00	235 280.00
Other shares and holdings	1 630 778.00	1 283 747.00

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

Buildings and structures	—	1 192 524.00
Shares in subsidiaries	32 180.00	32 180.00
Shares in an associated company	434 832.00	235 280.00
Other shares and holdings	11 420.00	13 420.00

CHANGES IN EQUITY ITEMS

Reserve fund 1.1.	1 000 872.58	1 241 287.44
Transfer to fund (Bröderna Berner)	+ 3 438.10	—
Elimination on consolidation (Sören Berner)	—	- 236 497.72
Translation adjustment	+ 26.93	- 3 917.14
Reserve fund 31.12.	<u>+ 1 004 337.61</u>	<u>1 000 872.58</u>

Disposal fund 1.1.	5 798 889.47	5 948 118.76
Transfer from fund	- 394 628.04	- 108 764.03
Translation adjustment	+ 104 193.04	- 40 465.26
Disposal fund 31.12.	<u>5 508 454.47</u>	<u>5 798 889.47</u>

Loan repayment fund 1.1.	50 949.36	829 076.06
Increase during the financial period	—	+ 68 480.30
Eliminations on consolidation	—	- 846 607.00
Loan repayment fund 31.12.	<u>50 949.36</u>	<u>50 949.36</u>


Retained earnings 1.1.	67 393 673.41	51 810 433.20
Profit for the previous financial period	<u>51 472 537.05</u>	<u>39 378 276.02</u>
	118 866 210.46	91 188 709.22

Eliminations on consolidation, previous financial period	+ 3 026 244.03	+ 2 633 649.39
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Transfers from reserves (overseas subsidiaries)	+ 394 628.04	+ 104 207.03
Translation adjustment	- 96 966.41	+ 681 188.69
	<u>122 190 116.12</u>	<u>94 607 754.33</u>
Eliminations on consolidation	<u>- 2 715 799.47</u>	<u>- 3 026 244.03</u>

	119 474 316.65	91 581 510.30
Dividends	- 4 168 800.00	-11 047 320.00
Taxes	<u>-19 061 060.00</u>	<u>-13 140 516.89</u>
Group retained earnings 31.12.	<u>96 244 456.65</u>	<u>67 393 673.41</u>

Helsinki, 31 March 1997


Hary B. Berner


Erik Berner


Peter Berner

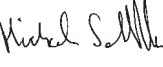

George Berner


Hannes Berner


Juhani Klemola


Kirsi-Marja Koskelo


Markku Koski


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, 23 April 1997

Tilintarkastajien Oy – Ernst & Young


Rabbe Nevalainen
KHT


Per-Olof Stenvall
KHT

AUDITORS' REPORT

To the shareholders of Berner Ltd

We have examined the accounts, financial statements and administration of Berner Ltd for the financial year 1.1. - 31.12.1996. 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 statement, balance sheet 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 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 governance, 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.

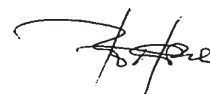
In our opinion, the financial statements, which show a profit for the parent company of 57,012,593.04 marks, have been prepared in accordance with the Accounting Act as well as the other provisions and regulations concerning the preparation of financial statements. The financial statements give, in the 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 year 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, 23 April 1997



Rabbe Nevalainen
Authorized
Public Accountant



Per-Olof Stenvall
Authorized
Public Accountant



RAI

perfume deodorant



The series
includes
three
trendy
fragrances.



BERNER

BERNER

BERNER LTD
Eteläranta 4 B
P.O.Box 15, FIN-00131 Helsinki
Tel. +358 9 134 511
Telefax +358 9 1345 1500