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*HK Foods (HK Ruokatalo Oy), Registered address:  
Kaivokatu 18 (PO Box 50), 20521 Turku, Finland. Registernumber: 238.752*



## *LSO Group*

### *becomes HK Foods*

Our annual report is now being published under the name HK Foods (HK Ruokatalo Oy in Finnish) for the first time. The company was previously known as LSO Group. The new name was introduced at the beginning of 1997 as part of an internal restructure. This annual report is a continuation of LSO Group's annual reports.

The name LSO Foods Oy will not disappear, however, since under the restructure HK Foods formed a subsidiary undertaking responsible for purchasing raw meat material and for slaughtering. The name of this subsidiary undertaking is LSO Foods Oy.

When making comparisons, it is important to note that the new LSO Foods Oy is a completely different company to the LSO Foods Oy appearing in previous annual reports.

The figures given in this annual report are not comparable to the LSO Group figures shown for previous years.

### *HK Foods' mission*

HK Foods' mission, our central purpose, is to satisfy consumers' nutritional requirements and to offer taste experiences by producing and marketing foods for the wholesale and retail trade, institutional kitchens and industry in the Finnish and international markets.

We are committed to profitable business, taking into account the expectations of our owners and other interest groups.

### *Financial information*

HK Foods publishes an annual report in April, and an interim report in August. These reports are published in Finnish and English. Copies of the reports can be obtained by writing to HK Foods, Corporate Communications, PO Box 50, FIN-20521 Turku, Finland, telefax +358 2 267 6102 / Corporate Communications.



## *Group structure*



## *Annual General Meeting*

HK Foods is to hold its Annual General Meeting commencing at 1pm on Monday 28 April 1997 at the company's head office in Turku, address Kaivokatu 18. Examination of proxy forms will begin at 12am.

Shareholders wishing to attend the Annual General Meeting and to exercise their right to vote should be registered in the company's share register by 23 April 1997. Shareholders should register their intention to attend the Meeting by 4pm Finnish time on 23 April 1997 at the following address: HK Foods, Share Register, PO Box 50, FIN-20521 Turku, Finland, or by telephone at +358 2 267 6111 / Share Register.

Notice of the Meeting has been published in the following newspapers: Turun Sanomat, Helsingin Sanomat, Maaseudun Tulevaisuus and Landsbygdens Folk.

## *Share register*

HK Foods' share register is kept at the company's head office in Turku, where shareholders may register their shares and report any change of address. The address to contact is: HK Foods, Share Register, PO Box 50, FIN-20521 Turku, Finland, telephone +358 2 267 6111 / Share Register.



## 1996 in brief



The corporate logo designed for HK Foods will be introduced in 1997. According to tests, our new logo tells that we are the well-known Finnish company HK Foods. Additionally, the logo conveys the major step forward we have taken towards more target-oriented activities. The test group thought the flame-like components of our logo brought to mind the traditions of good food and the homely cooking aromas. Aspiring upwards, the design refers to development, the colours communicate purity and our professional expertise in the foodstuff industry.



Finns have acquired a distinct liking for low-fat poultry meat. In 1996, chicken consumption rose by 14% to reach 8.7kg per person. The highest growth



was in bone-free value added products. New items introduced in this product group included marinated products made of chicken leg meat. These products are showing a dynamic growth in volume.



In today's modern shop environment, packaging is an extremely important sales factor. We upgraded and standardised all packaging in the Popsi product range, giving it a new, more modern look, with distinctive action and colour for products in everyday use. Additionally, upgrading the Popsi cold cut range, also included the introduction of larger 300 g family packs for a considerable number of products in the range.



Kassler joints of meat have already established their position in the growing fresh meat market. Kassler Grillivalmiit ready-to-barbecue products were also very successful during the summer. We upgraded both products and marinades in the range, which is now the most extensive barbecue range in the market. Compared to the previous year, sales were up by more than 50%.



The convenience foods market continued growing at a rate of over 10% for the second year running. We responded to increased demand by upgrading our standard range to take into account consumer wishes with respect to salt content, lactose and fat, and by renewing the HK product range. Products in our Flavours of the World series are more strongly spiced and the recipes differ from typical Finnish food. We also gave an extra dash of flavour



and colour to traditional minced meat products, and expanded the range by adding two new products: Valkosipulipyörykkä (garlic meat balls) and Pekonisipulinyytti (bacon and onion pasty).

We also successfully launched HK Juustokabanossi, a cheese version of our popular HK Kabanossi. The product immediately established its position and boosted sales of the Kabanossi range by almost 50% compared to the previous year. Despite the cool summer, this success increased consumption of class A sausages by over 30%.





## *CEO's review*

The year under review was Finland's second year of EU membership, and still very much a year of adjustment for the food industry, which had earlier operated in a closed sector. Further falls were seen in the prices of fresh foods containing meat as the principal raw material. This was largely owing to domestic competition. Fierce pricing meant that imports had only minor significance in these product groups.

Although domestic consumption of poultry meat and convenience foods was extremely encouraging, the trend for processed meat and meat joints was more modest.

In Finland, primary production of meat rose by 5%, and its domestic consumption by 2%.

Although price competition remained fierce throughout the year, the acclimatisation measures decided earlier in the year put HK Foods' performance back on track towards the end of the year.

At the end of the year, we restructured the Group to enable it to better respond to the need for efficiency and service within various parts of the business. This restructure resulted in HK Foods becoming the Group's parent company. Its business is based on a customer and consumer oriented food industry, with strong brands as its main competitive weapons. HK Foods' subsidiary undertakings are Broilertalo Oy, which is responsible for producing and marketing poultry meat, and LSO Foods Oy, which is responsible for producer service, and the procurement and slaughtering of slaughter animals.

The Group's new structure came into effect at the beginning of 1997. Since LSO-osuuskunta was responsible for animal intermediation and the procurement of slaughter animals in 1996, the consolidated figures of LSO Group for 1995 and 1994 are not comparable with those for the year under review.

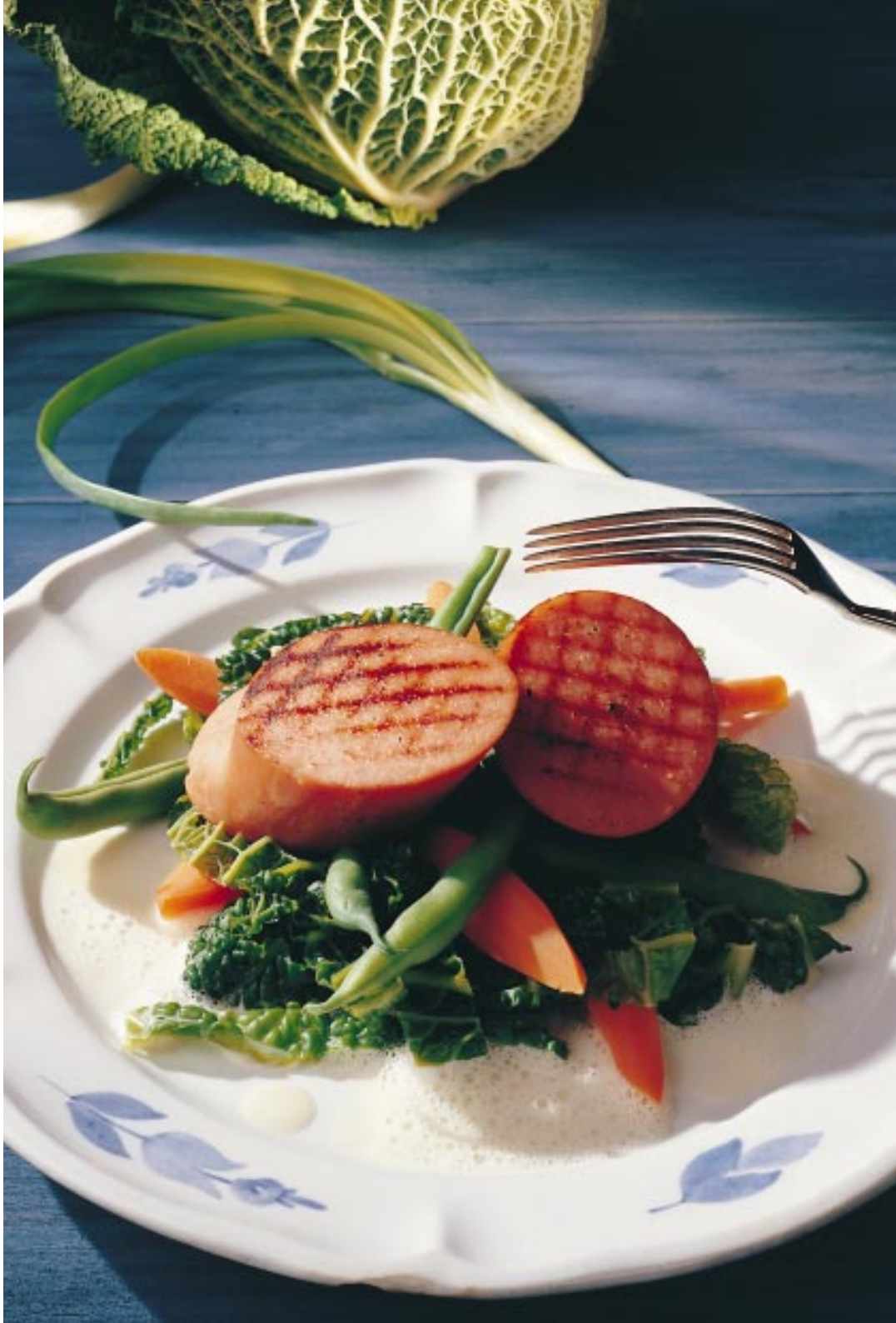
At the end of the year HK Food's subsidiary undertaking, LSO Foods Oy, began cooperation on the procurement and slaughter of beef with Pouttu Oy. Pouttu Oy's Outokumpu slaughterhouse was transferred to joint ownership in a bid to meet HK Foods' need for a competitive supply of Finnish beef. LSO Foods Oy owns 50 % of Pouttu Foods Oy.

The end of the year saw us take decisions to improve the Group's equity ratio. HK Foods issued a FIM 62.5 million convertible bond on terms applied for subordinated loans. The bond was targeted at professional investors and was fully subscribed. In February 1997, LSO-osuuskunta decided to reduce its holding in HK Foods by selling some of its Series A shares to Finnish investors. The transaction took place via Helsinki Stock Exchange brokers' list, where HK Foods has been listed since February 1997.

HK Foods' consolidated turnover was FIM 2,346.8 million, down FIM 86.5 million on the previous year. The operating margin amounted to FIM 194.7 million. The result before extraordinary items and taxes was FIM 29.6 million, compared to FIM 32.0 million a year earlier. FIM 1.6 million of the result was generated in the first six months of the year, FIM 28.0 million in the second half.

1996 was a year marked by fierce price competition and acclimatisation, and one which saw us shift to normal ongoing development within the company. We also completed and introduced our new advanced management system. The past year was a time of intense work and challenges for Group employees. I would like to express my sincere thanks to them for their commitment and high motivation. Likewise, I would also like to thank our customers and owners for their valuable cooperation.

*Simo Palokangas*



*The third Friday in August has been designated National Bologna Day to commemorate the anniversary of HK Sininen. The theme "Blue and White" highlights the unrivalled position of 33-year-old HK Sininen as a staple food of every Finn.*



## *Commercial Operations Group*

Commercial Operations is responsible for marketing, domestic sales, exports, product development and customer logistics. Despite tremendous changes in the competitive situation, Commercial Operations managed to successfully implement its customer-oriented brand and operations strategy.

Price competition, which had begun in autumn 1995, continued to have an adverse impact on profitability until spring 1996, when markets and prices became more stable. At the same time, this also created conditions for improved profitability.

The Group successfully retained its position in the face of increasingly fierce competition. Towards the end of the year, we even managed to somewhat increase our market share in certain core product groups in which HK Foods is market leader. Sales volumes began to rise in autumn 1996.

Commercial Operations went over to using a management system controlled by customer needs. The new system includes precise planning and realisation periods, and will lead to more reliable deliveries and better product turnaround, thus increasing customer satisfaction and business profitability.

In exports, products and marketing actions were addressed in much greater detail than earlier, and this put our export trade on the track to more profitable growth. The activities of our export organisation, formed during the year, concentrated on Russia and Sweden.

Commercial Operations introduced a new product programme covering the entire production range. This further increased both consumer and trade interest in our products. Sales of Kassler, our domestic brand of meat, grew dynamically, and consumer packs of Kassler products in particular were more successful than envisaged. The new brand strategy launched in processed meats consolidated new HK and Popsi products in line with targets set. The new programme for convenience foods addressed the strongest growing product groups: pizzas, micro meals and salads.

The company's change of name to HK Foods was also seen as a positive move on the market, and one strengthening business conditions.

Commercial Operations assumed responsibility for customer logistics at the beginning of 1997.





*HK Foods was the first company to introduce standard weight, consumer packed Kassler minced meat, which is still the only product of its kind in Finland. This quality product has achieved a significant position in the ready-packed meat market.*



## *Production Group*

HK Foods' Production Group comprises the meat cutting, meat processing and convenience foods divisions, and technology and logistics which serve production.

Major projects in the Production Group included application of the new management and quality system approved for use for the Group. Building the system in each production plant, documentation and inauguration, as well as the training required, will be largely completed by the end of the year. We aim to receive ISO 9001 certification for our quality system during 1997.

Work began on creating an extensive documented environmental management system as part of the management system in the Production Group. This process started in Vantaa and will be extended to Riihimäki and Säkylä in spring 1997, and to production facilities elsewhere later. Our environmental management system aims at satisfying the criteria of the ISO 14001 standard.

All units within the Production Group gave priority to increasing customer satisfaction. The starting points were quality activities and logistics competence. We focused on measures and training aimed at improving production flow. Training increased our people's skills in production technology, business economics, computers, industrial safety, etc. Additionally, time was spent learning the know-how and skills required in using the own control measures being introduced.

The meat processing unit was very successful in increasing operations control between different production locations. This enabled us to maintain delivery reliability even during the peak season, despite production rising to record volumes.

The convenience foods unit completed upgrading its premises and production technology in Vantaa in spring 1996, when casserole food, meat ball and hamburger production were relocated in new premises.

In 1996, the unit was the first in Finland to shift over to using environmentally friendly Transbox plastic containers for distribution. Transbox containers are reusable and have been designed with central firms in the trade for joint use. Container washing facilities were also completed at the Vantaa production plant. These facilities are also used by Kesko, TukoSpar and Inex in the Helsinki area.

We improved our own dispatching operations by moving the activities of the dispatch department at Sörnäinen in Helsinki, to the southern distribution centre in Vantaa. In-house logistics benefited from a predominantly real-time data collection, processing and control system introduced in our various production locations.





**Hyvästä maistuu**

**popsi®**

*Popsi retained its position as the leading sausage brand in the market. The upgraded range of Popsi cold cuts launched in August also consolidated Popsi's position in sausage specialities.*



## LSO Foods Oy

Starting at the beginning of 1997, LSO Foods Oy assumed responsibility for the procurement of raw meat material, slaughterhouse activities, improving primary production and for producer services. Meat procurement is based on contracts with meat producers. We are striving to further intensify contract activities because this helps minimise market disruptions, level of supply and predict more accurately the future numbers of animals entering the market.

During the year under review, supply and demand on the pork market were mostly in balance, despite uncertainty about the following year's level of aid which increased supply in the autumn. BSE, mad cow disease, threw the beef market into a state of confusion, resulting in a slump in beef consumption in Europe. Production profitability also caused uncertainty in the industry in Finland, which was why an unusually large quantity of beef came onto the market towards the end of the year.

LSO Foods Oy's procurement improved encouragingly: we purchased 3.4% more pork and 1.6% more beef than during the previous year.

Our LSO 2000 quality system progressed as planned. Participating feeder pig farms produced over nine million kilos of LSO 2000 meat, and the volume is continuing to grow. By the end of the year, over 60% of the pigs for intermediation belonged to the LSO 2000 class.

The Group's pork requirement is expected to increase by 20-30% over the next few years, and this provides producers with an opportunity to step up production. Work with producers forged ahead to promote development of farm structure and improve profitability by cutting production costs. Likewise, we continued to disseminate EU information and business economics to producers.

In a bid to increase cooperation, the company began to send producers monthly information about market trends and about topical issues relating to animal rearing. Likewise, we began to establish datanetwork connections, and some 80 farms were network linked by the end of the year.





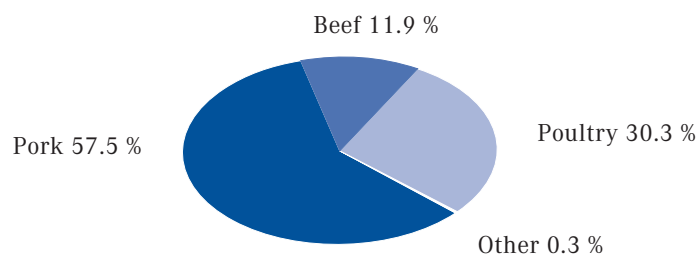
*A product range aimed at larger portions, more flavour and vision was launched in March. HK brings flavours of the world to Finnish dining tables. The first products in the range were Kantonin pata, Chili con carne and Pasta di Maestro.*





*LSO Foods Oy and Broilertalo Oy purchased a total of 85.2 million kilos of meat (+6.2%). Meat purchases were divided as follows:*

	1,000 kg	Change %
Pork	48,942	+3.4
Beef	10,117	+1.6
Lamb	200	-13.9
Horse	42	+23.2
Poultry	25,855	+14.3
<b>Total</b>	<b>85,158</b>	<b>+6.2</b>



Improving slaughterhouse operations was principally aimed at raising cost and production efficiency. The main focus was on boosting productivity, quality and, above all, customer satisfaction, both internal and external. This was the reason behind major slaughterhouse repair and conversion work, which led to better carcass refrigeration.

The unit took part in building the Group's quality system and staff received training in using and utilising own control and quality systems.

An assessment in December resulted in us introducing the EUROP classification for our pig carcasses, the first in Finland to do so. This new class classification allows producers to monitor and control their production development much more accurately. The new system can also be used to reward those investing in improving animal material better than before.





*The range of unseasoned Kariniemi chicken products was launched in 1996. The chickens used in the products are reared on the principle of Integrated Production. The IP range is pure, unseasoned choice meat which forms an essential basic ingredient of successful creative cuisine.*



## *Broilertalo Oy*

The brisk growth in consumption and production witnessed on the poultry meat market in 1995 continued throughout the year under review, with consumption rising 12% and production 16% on the figure for the previous year. Broilertalo successfully retained its market share. This called for greatly increased production. The rise in volume and processing also led to an increase of around 60 permanent jobs.

The company particularly invested in primary production to boost chick and broiler production capacity. On the industrial side, investments were mainly of a replacement nature; additional volume was achieved by raising capacity utilisation rates.

Broilertalo's turnover totalled FIM 472.6 million (+14.6%) and financial performance was good. The company's most significant new product was the Kariniemen kanapoika range, the market success of which will be seen in the years to come.

## *Food Kuljetus Oy*

Food Kuljetus Oy is responsible for the provision of transportation resources, transportation rates, transportation contract and quality affairs, and liaison with the authorities. Operative transportation control and responsibility were decentralised to various Group units in the autumn.

Transportation efficiency improved during the year and enabled us to slightly reduce the number of vehicles. At the end of the year, there were 120 vehicles in Group livery. Transportation quality is ensured by a quality system conforming to the ISO 9002 standard.

Food Kuljetus reported a turnover of FIM 88.7 million (+19.7%).

## *Lounaisrehu Oy*

Marketing company Lounaisrehu Oy offers meat producers competitive, quality animal feeds. The company's core products are wet and dry feeds manufactured from by-products of the food industry. Nevertheless, the most dynamic growth was in sales of dry feed mixes supplied by various producers.

Lounaisrehu achieved a turnover of FIM 23.6 million (+65%). The company employed three persons at the end of the year.



# *Report by the Board of Directors for the financial year 1.1.-31.12.1996*

## *Changes within the Group*

A decision was taken at the end of the year to restructure the Group so as to separate the brand product business, aimed at consumers and customers, from raw meat material procurement and slaughtering operations. Shifting the focus of Group activities nearer the consumer and customer market also justified the move to change the company's name to HK Foods. It was decided to assign the company's former name, LSO Foods Oy, to the new subsidiary undertaking specialising in the procurement of raw meat material and slaughtering. These changes were carried out at the beginning of 1997.

As part of this same restructure, HK Foods also took over the business and staff of its main owner, LSO-osuuskunta (Cooperative). This move marked the end of the long practical link between HK Foods and LSO-osuuskunta, and LSO-osuuskunta now remains just an owner. HK Foods is the subsidiary of LSO-osuuskunta.

Other major changes included acquisition of a 50% stake in Findane A/S earlier in the year. Findane operates in Denmark, from where it trades in the international meat market. The Group also sold its 50% holding in TLK Trading Ltd.

Spring saw the Group take part in founding a new company, Etelä-Suomen Multaravinne Oy, with a 25% stake. The company intends to start organic waste processing at a purpose-built plant in Forssa. This project supports the Group's environmental policy announced in the spring.

The company's own slaughtering department for sick animals was divested in early September and is now known as Etelä-Suomen Teuraspalvelu Oy, which is responsible for slaughtering sick animals in the sick animal slaughterhouse located in area of the Forssa production plant.

## *Turnover and financial performance*

HK Foods' turnover amounted to FIM 2,346.8 million, down 86.5 million or 3.6% on the figure for the previous year. This decrease was primarily owing to lower prices for meat products. The operating margin was FIM 194.7 million, equivalent to 8.3% of turnover. The result before extraordinary items, reserves and taxes was FIM 29.6 million.

The parent company reported a turnover of FIM 1,897.8 million, and its result before extraordinary items, reserves and taxes was FIM -13.3 million.

## *Capital expenditure*

Gross Group investments totalled FIM 110.7 million. Major investments were made in extending slaughterhouse refrigeration facilities and the meat processing division at Forssa, and in introducing plastic Transbox transportation containers. At the end of the year, the Group acquired the meat procurement, animal and accessories mediation business from LSO-osuuskunta.

## *Share capital*

HK Foods' paid-up share capital entered in the Trade Register was FIM 120,000,000 as at 31 December 1996. The share capital is divided into 1,320,000 Series A shares and 1,080,000 Series K shares. Each share has a nominal value of FIM 50. Under the Articles of Association, each Series A share carries one (1) vote and each Series K share carries twenty (20) votes. Series K shares are owned by LSO-osuuskunta.

At the balance sheet date, the company had 9,975 registered shareholders.

HK Foods shares were quoted on the brokers list maintained by Turun Seudun Osuuspankki.

## *Finance*

Amortising of our loans continued as planned.

The Group's equity ratio further improved to stand at 20.0% at the end of the year. This compares to 15.1% at the end of 1995.

## *Convertible bond*

On 30 December 1996, the company exercised an authorisation granted by an Extraordinary General Meeting to float a FIM 62,500,000 convertible bond. Shareholders' pre-emptive rights were disapplied because the bonds were targeted at professional investors. The loan is for ten years, and may be converted into a maximum of 500,000 Series A shares. The subscription period was 30 December 1996 to 30 January 1997, and was fully subscribed during the subscription period.

The terms for subordinated loans are applied to the issue. The flotation broadens the company's shareholder base, ensures its investment programme can be carried out and strengthens the capital structure.

Each share (62,500) has a nominal value of FIM 1,000 and may be converted into eight (8) of the company's



Series A shares, each with a nominal value of FIM 50. The first conversion period is between 1 September and 30 November 1998, and thereafter between 2 January and 30 November each year. The first dividend is payable on new shares for the financial year during which they were converted.

The shares convertible in respect of the convertible loan represent a maximum of 17.2% of total shares and 2.1% of votes.

The bond was subscribed by 31 December 1996 and paid to the value of FIM 45,000,000.

The bond pays fixed annual interest on the principal of 6.2% for the first six (6) interest periods. The interest for following periods is 5 percentage units over the 6-month Helibor rate.

Interest is payable if, and only to the extent that the company has full cover for non-restricted equity calculated in accordance with the adopted balance sheet and consolidated balance sheet for the past financial year. The conditions for the payment of interest are examined and interest is paid before dividend with interest for the same financial year.

Interest is first payable on 30 June 1997, and thereafter in arrears on 30 June each year. The interest is payable for the last six months on 30.12.2006.

#### *Directors' interests in shares and the 1994 bond with warrants*

As at 31.12.1996, members of the company's Board of Directors and the CEO owned a total of 5,529 Series A shares, representing 0.23% of all shares and 0.02% of votes.

In keeping with the decision of an Extraordinary General Meeting, the company raised a loan of FIM 225,000 from Group executives on 12.12.1994 by an issue of bonds with warrants. The bonds are for a period of five years and pay interest at six per cent.

Each of the 45 promissory notes carries one thousand warrants, each of which gives the right to subscribe one Series A share á FIM 50 for a subscription price of FIM 70. The subscription period is 1.2.1998-12.12.1999.

The warrants can be exercised to subscribe a maximum of 45,000 Series A shares, and the share capital may be increased at most by FIM 2,250,000. Shares subscribed by virtue of the warrants represent 1.84% of shares and 0.20% of votes.

#### *Book-entry system*

Under the terms of the convertible bond issue, the company's Board of Directors has undertaken to move the company's shares on to the book-entry system by 1 September 1998. The Extraordinary General Meeting approved the changes in the Articles of Association to this end on 30 December 1996, and at the same time authorised the Board of Directors to specify the date of transfer to the book-entry system.

#### *Listing*

On 22 January 1997, the Board of Directors decided to apply for the company's A shares to be listed on the brokers list at the Helsinki Stock Exchange. The Stock Exchange approved listing on 4 February 1997, and trading of the company's shares began on 6 February 1997.

#### *Board of Directors' authorisations to increase share capital*

The Extraordinary General Meeting held on 30 December 1996 authorised the Board of Directors to decide to float one or more convertible bonds, bonds with warrants or to issue new shares. The authorisation permits the issue of shares or notes entitling to shares subject to a maximum of 300,000 new Series A shares á FIM 50 nominal value and a maximum increase of FIM 15,000,000 in the company's share capital. The notes may also be floated on generally applied terms for subordinated loans. Shareholders' pre-emptive rights may be disappplied if there are weighty reasons for doing so with respect to safeguarding the Group's business conditions or consolidating the company's domestic or international business.

The authorisation is valid until 17 January 1998. It has not been exercised.

#### *Employees*

	<i>1996</i>	<i>1995</i>	<i>Change</i>
<i>HK Foods Group</i>			
Average	2,684	2,753	-69
At year-end	2,593	2,551	+42
<i>Parent company</i>			
Average	2,095	2,218	-123
At year-end	2,021	2,040	-19

The average figures have been calculated as an average value of the number of employees at the end of each month. HK Foods Group paid salaries and wages, including fringe benefits, totalling to FIM 358,381,202.00, of which FIM 1,089,423.00 was paid to members of the Board of Directors



and the CEO. The parent company paid salaries and wages, including fringe benefits, totalling FIM 283,210,837.00, of which FIM 55,800.00 was paid to members of the Board of Directors and the CEO. No separate profit shares were paid to Board members or to the CEO.

### *Employees by company at the balance sheet date*

	<i>1996</i>	<i>1995</i>
HK Foods	2,021	2,040
Broilertalo Oy	544	470
Etelä-Suomen Teuraspalvelu Oy	19	-
Food Kuljetus Oy	6	38
Lounaisrehu Oy	3	3
HK Foods Group, total	2,593	2,551

The number of Group employees rose to 2,757 as a result of LSO-osuuskunta assigning its business and personnel to HK Foods on 1 January 1997.

### *Performance highlights*

The Group came into existence on 30 June 1995, which means there are no comparative figures available for previous years. With respect to 1995, it has only been possible to calculate those figures in which the average figures at the beginning and end of the financial year are not used.

It has not been possible to calculate the following financial data because HK Foods shares have only been publicly listed since 6 February 1997: dividend yield (%), price / earnings ratio (P/E), trend in share prices, market capitalisation, shares traded as a figure and as a per cent.

The dilution impact of the convertible bond issued by the company on the earnings of each share has not been taken into account, since the placement occurred on 30 December 1996, and the dilution impact is therefore not significant. Nor has the dilution impact of the bond with warrants targeted at Group executives been taken into account, because its impact is not significant. In calculating shareholders' equity per share, the number of shares available for subscription by virtue of the convertible bond has been included in the number of shares.

Deferred tax liabilities have been differentiated when calculating the return on equity as a percentage and the equity ratio.

### *Performance highlights*

	<i>1996</i>	<i>1995</i>
Turnover, FIM 1,000	2,346,828	2,433,343
Operating profit, FIM 1,000	87,093	90,172
Operating profit as % of turnover	3.7	3.7
Profit/loss before extraordinary items, reserves and taxes, FIM 1,000	29,619	32,016
Profit/loss before extraordinary items, reserves and taxes as % of turnover	1.3	1.3
Profit/loss before reserves and taxes, FIM 1,000	28,590	32,730
Profit/loss before reserves and taxes as % of turnover	1.2	1.4
Return on equity (ROE), %	8.2	-
Return on investment (ROI), %	8.0	-
Equity ratio, %	20.0	15.1
Gross capital investment, FIM 1,000	110,695	400,624 *)
Gross capital investment as % of turnover	4.7	16.5
R&D expenditure, FIM 1,000	5,326	3,876
R&D expenditure as % of turnover	0.2	0.2
Average personnel	2,684	2,753

\*) Investments in 1995 and 1996 are mostly related to restructuring of the Group.

The subordinated loans shown in the balance sheet have been included in equity capital when calculating the financial data.



## Share information

	1996	1995
Earnings per share, FIM	8.53	13.35
Equity per share, FIM	117.14	92.06
Number of shares on 31.12.	2,400,000	2,400,000

	1996	1995	1994	1993	1992
Dividend per share, FIM	-	-	-	-	5.00
Dividend per earnings, %	-	-	-	-	200.0

The dividend paid for 1992 is shown as a percentage of the result of the parent company since the Group did not exist then.

## Largest shareholders at 7. 2.1997

	A- shares	K- shares	% of shares	% of voting rights
LSO-osuuskunta	432,573	1,080,000	63.02	96.13
Kuntien Eläkevakuutus	150,000	-	6.25	0.65
Eläke-Varma Keskinäinen vakuutusyhtiö	50,000	-	2.08	0.22
Henkivakuutusosakeyhtiö Nova	50,000	-	2.08	0.22
Vakuutusosakeyhtiö Yritys-Sampo	50,000	-	2.08	0.22
Eläkevakuutusosakeyhtiö Verdandi	30,000	-	1.25	0.13
Osuuspankkien Keskuspankki Oy	20,000	-	0.83	0.09
Sijoitusrahasto Gyllenberg Finlandia	20,000	-	0.83	0.09
Sijoitusrahasto Gyllenberg Small Firm	20,000	-	0.83	0.09
Bank Hofmann	11,500	-	0.48	0.05
Ten largest, total	834,073	1,080,000	79.75	97.88
Others	485,927	-	20.25	2.12
Total	1,320,000	1,080,000	100.00	100.00



## *Analysis of shareholdings at 7.2.1997*

Number of shares	Number of shareholders	%	Number of shares	%
1-10	5,973	59.75	23,861	0.99
11-100	3,169	31.70	130,997	5.46
101-1000	809	8.09	209,273	8.72
1001-	45	0.46	2,035,869	84.83
Shareholder's, total	9,996	100.00	2,400,000	100.00

## *Share ownership by owner category at 7.2.1997*

Private companies	64.44 %
Public companies	7.08 %
Finance and insurance institutions	11.27 %
Municipalities	0.01 %
Non-profit organisations	0.14 %
Private individuals	16.58 %
Outside Finland	0.48 %

### *Future prospects*

Domestic consumption of the industry's products is expected to grow by an average of two per cent per annum. Growth is likely to be fastest in poultry meat and convenience foods. In foods containing meat raw material, quality control in the production process, environmental friendliness and ethical production will become increasingly important. This gives us a competitive advantage.

Because of dynamic improvement measures introduced, our aim is better performance than in 1996. We can now look forward to a major increase in turnover because animal intermediation now takes place on LSO Foods Oy's account.

Now that HK Foods' Series A shares are quoted on the Helsinki Stock Exchange brokers' list, we aim to improve liquidity and make the share an attractive investment.

Successful change and development will arm the company with reasonably good competitive conditions during the present year and onwards.

### *Board of Directors' proposal for the disposal of profit*

The consolidated non-restricted equity as per the balance sheet is FIM 74,910,987.19, of which items transferred to equity from voluntary reserves under the Accounting Act amount to FIM 73,149,462.64. The non-restricted equity of the parent company is FIM 5,324,779.48.

The Board of Directors proposes that the 1996 profit of FIM 15,066,226.06 be retained and that no dividend be paid.





# Income Statement

1.1.-31.12. (FIM 1000)

	<i>Group 1996</i>	<i>Group 1995</i>	<i>Parent 1996</i>	<i>Parent 1995</i>
<i>Turnover</i>	2 346 828	2 433 343	1 897 817	2 042 500
Increase (+) / decrease (-) in stocks of finished goods	-6 564	-27 467	-6 971	-20 929
Production for own use	1 365	1 352	1 365	1 352
Share of profits of associated undertakings	749	327	-	-
Other operating income	16 348	10 123	16 745	7 690
<i>Variable costs</i>				
Raw materials and consumables				
Purchases during the financial year	1 190 462	1 217 797	990 957	1 058 383
Increase (+) / decrease (-) in stocks	-1 039	17 342	389	17 925
External services	153 555	138 187	108 793	97 235
Personnel costs	363 799	347 769	290 560	287 060
Share of losses of associated undertakings	-	485	-	-
Other variable costs	89 647	85 545	64 738	63 584
Variable costs, total	1 796 424	1 807 125	1 455 437	1 524 187
<i>Sales margin</i>	562 302	610 553	453 519	506 426
<i>Fixed costs</i>				
Personnel costs	110 912	111 976	90 911	92 710
Rents	11 241	30 504	11 420	29 627
Other fixed costs	245 448	269 009	217 835	245 118
Fixed costs, total	367 601	411 489	320 166	367 455
<i>Operating margin</i>	194 701	199 064	133 353	138 971
<i>Depreciation</i>				
Fixed assets and other long-term expenditure	107 608	108 892	96 213	98 088
<i>Operating profit</i>	87 093	90 172	37 140	40 883
<i>Financial income and expenses</i>				
Dividends received	-	198	-	1 067
Interest received on long-term financial assets	6	-	6	-
Interest received on current financial assets	767	6 087	3 843	10 437
Foreign exchange gains and losses	-102	-11	-63	-30
Interest paid	-51 644	-57 626	-48 124	-53 945
Other financial expenses	-6 501	-6 804	-6 069	-6 266
Financial income and expenses, total	-57 474	-58 156	-50 407	-48 737
<i>Profit/loss before extraordinary items, reserves and taxes</i>	29 619	32 016	-13 267	-7 854
<i>Extraordinary income and expenses</i>				
Extraordinary income	6	1 120	39 000	107
Extraordinary expenses	-1 035	-406	-741	-406
Extraordinary income and expenses, total	-1 029	714	38 259	-299
<i>Profit/loss before reserves and taxes</i>	28 590	32 730	24 992	-8 153
Increase (-)/decrease (+) in depreciation difference	-	-12 221	-6 901	-
Increase (-)/decrease (+) in voluntary reserves	-	-	-	8 500
Direct taxes:				
for the financial year	-3 419	-1 795	-3 025	-
for previous years	-102	-	-	-
Change in deferred tax liability	-5 320	2 125	-	-
<i>Profit for the financial year before minority interests</i>	19 749	20 839	15 066	347
<i>Share of result of minority interests for the financial year</i>	-307	-316	-	-
<i>Profit for the financial year</i>	19 442	20 523	15 066	347



# Balance sheet

31.12. (FIM 1000)

	<i>Group 1996</i>	<i>Group 1995</i>	<i>Parent 1996</i>	<i>Parent 1995</i>
<b>ASSETS</b>				
<b>FIXED ASSETS AND OTHER LONG-TERM FINANCIAL ASSETS</b>				
<i>Intangible assets</i>				
Formation expenses	1 310	99	1 310	99
Intangible rights	6 478	6 532	4 157	4 157
Goodwill	53 125	3 625	2 500	2 900
Other long-term expenditure	10 167	13 153	9 224	12 042
Advance payments	804	1 449	804	1 449
	<b>71 884</b>	<b>24 858</b>	<b>17 995</b>	<b>20 647</b>
<i>Tangible assets</i>				
Land and water	1 575	1 645	260	261
Buildings	642 762	653 091	550 977	561 453
Machinery and equipment	214 363	235 865	195 306	214 948
Other tangible assets	6 768	8 013	6 687	7 880
Advance payments and construction in progress	6 524	25 645	6 320	21 487
	<b>871 992</b>	<b>924 259</b>	<b>759 550</b>	<b>806 029</b>
<i>Long-term financial assets</i>				
Shares and holdings in associated undertakings	10 022	4 595	6 061	5 645
Other shares and holdings	367	478	26 545	17 218
Loans receivable	4 294	-	-	-
	<b>14 683</b>	<b>5 073</b>	<b>32 606</b>	<b>22 863</b>
<b>STOCKS AND CURRENT ASSETS</b>				
<i>Stocks</i>				
Raw materials and consumables	56 099	55 643	53 499	53 795
Work in progress	5 475	4 533	-	-
Finished goods	27 919	35 140	19 938	26 908
Other stocks	3 182	2 884	-	-
Advance payments	50	-	-	94
	<b>92 725</b>	<b>98 200</b>	<b>73 437</b>	<b>80 797</b>
<i>Debtors</i>				
Trade receivables	250 763	230 219	213 426	197 171
Loans receivable	520	4 670	35 234	44 254
Prepaid expenses and accrued income	9 616	28 222	47 306	32 474
Other debtors	628	844	-	-
	<b>261 527</b>	<b>263 955</b>	<b>295 966</b>	<b>273 899</b>
<i>Cash and bank balances</i>	<b>119 485</b>	<b>156 450</b>	<b>92 371</b>	<b>133 173</b>
<b>TOTAL ASSETS</b>	<b>1 432 296</b>	<b>1 472 795</b>	<b>1 271 925</b>	<b>1 337 408</b>



# Balance sheet

31.12. (FIM 1000)

	<i>Group 1996</i>	<i>Group 1995</i>	<i>Parent 1996</i>	<i>Parent 1995</i>
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
<i>Restricted equity</i>				
Share capital	120 000	120 000	120 000	120 000
Reserve fund	25 440	25 440	25 440	25 440
Revaluation reserve	20 000	20 000	-	-
	165 440	165 440	145 440	145 440
<i>Non-restricted equity</i>				
Contingency fund	405	215	405	215
Accrued gains/ losses	55 064	34 754	-10 146	-10 494
Profit for the financial year	19 442	20 523	15 066	347
	74 911	55 492	5 325	-9 932
MINORITY INTERESTS	1 156	850	-	-
RESERVES				
<i>Accumulated depreciation difference</i>	-	-	58 869	51 969
<i>Voluntary reserves</i>				
Transitional reserve	-	-	40 550	40 550
	-	-	99 419	92 519
SUBORDINATED LOANS				
Convertible bonds	45 000	-	45 000	-
LIABILITIES				
<i>Long-term</i>				
Loans from financial institutions	334 160	293 417	309 873	273 667
Pension loans	279 428	299 805	266 059	285 429
Deferred tax liability	28 449	23 130	-	-
Other long-term liabilities	280	24 514	225	225
	642 317	640 866	576 157	559 321
<i>Current</i>				
Loans from financial institutions	142 209	255 207	137 310	240 967
Pension loans	20 141	21 690	19 135	20 608
Advances received	520	705	-	-
Trade payables	97 910	115 214	60 311	80 603
Accrued expenses and deferred income	164 377	117 836	91 276	97 468
Other current liabilities	78 315	99 495	92 552	110 414
	503 472	610 147	400 584	550 060
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1 432 296	1 472 795	1 271 925	1 337 408



# Cash flow statement

(FIM 1000)

	<i>Group</i> <i>1996</i>	<i>Parent</i> <i>1996</i>	<i>Parent</i> <i>1995</i>
<b>OPERATING ACTIVITIES</b>			
<i>Funds generated from operations</i>			
Operating margin	194 701	133 353	138 971
Finance income and expenses	-57 475	-50 407	-48 737
Extraordinary items	-1 029	38 259	-299
Taxes	-3 520	-3 025	0
Change in deferred tax liability	-5 320	-	-
	127 357	118 180	89 935
<i>Change in working capital</i>			
Increase (-)/decrease (+) in stocks	5 475	7 360	38 854
Increase (-)/decrease (+) in current trade receivables	2 428	-22 068	-18 254
Increase (+)/decrease (-) in current interest-free liabilities	13 277	-47 361	-12 021
	21 180	-62 069	8 579
<i>Cash flow from operations</i>	148 537	56 111	98 514
<b>INVESTMENTS</b>			
Investments in fixed assets	-55 268	-54 427	-388 017
Investments in goodwill	-50 000	-	-
Changes in Group structure	-5 427	-	-
Proceeds from sales of fixed assets	3 011	1 406	1 288
	-107 684	-53 021	-386 729
Cash flow before financing	40 853	3 090	-288 215
<b>FINANCING</b>			
Increase in long-term receivables (+)	-4 294	-3 804	-
Increase in long-term liabilities (+)	172 363	172 363	332 536
Decrease in long-term liabilities (-)	-176 354	-153 880	-116 664
Increase (+)/decrease (-) in short-term borrowings	-69 715	-58 762	45 386
Transfer to non-restricted equity	182	190	145
Share issue	-	-	32 191
	-77 818	-43 893	293 594
Net increase (+)/decrease (-) in cash and marketable securities	-36 965	-40 803	5 379
As reported for at 1 Jan.	156 450	133 173	127 794
As reported for at 31 Dec.	119 485	92 370	133 173
Change	-36 965	-40 803	5 379



## *Accounting policies*

### *Consolidated financial statement*

In addition to the parent company, HK Foods, the Group accounts comprise a consolidation of the following subsidiary undertakings: Broilertalo Oy, Food Kuljetus Oy, Lounaisrehu Oy, Etelä-Suomen Teuraspalvelu Oy, LSO Foods Oy and Helsingin Kauppiaat Oy. The financial year for all consolidated companies is the financial year. HK Foods acquired the entire stock of Etelä-Suomen Teuraspalvelu Oy and LSO Foods Oy from LSO-osuuskunta on 31.12.1996. The consolidated accounts include associated undertakings Pakastamo Oy, Honkajoki Oy, Findane A/S, Etelä-Suomen Multaravinne Oy and Pouttu Foods Oy. Shares in TLK Trading Ltd Oy were sold in January 1996. At the same time the Group acquired a 50% stake in the Danish company Findane A/S. Likewise the Group subscribed a 25% holding in Etelä-Suomen Multaravinne Oy in February 1996, and a 50% holding in Pouttu Foods Oy in November 1996.

### *Calculation policies used in the consolidated financial statements*

#### **Mutual share ownership**

Mutual share ownership has been eliminated using the purchase method.

#### **Intragroup transactions and margins**

Intragroup transactions, intragroup margins on stocks and fixed assets, intragroup receivables and debts have been eliminated. There was no distribution of internal profit during the financial year.

#### **Minority interests**

Minority interests are separated from the consolidated shareholders' equity, voluntary reserves and result, and

appear as separate items in the balance sheet and income statement.

#### **Associated undertakings**

Associated undertakings have been consolidated using the equity method. The Group's share of the profits of these companies for the financial year appears under other financial income, and the losses under other variable costs. The reserves of associated undertakings have not been taken into account when calculating the share of equity.

#### **Deferred tax liability**

In the balance sheet voluntary reserves have been divided into deferred tax liability and shareholders' equity. The change in deferred tax liability is shown as a separate item under taxes in the income statement.

### *Comparability*

The Group came into existence on 30 June 1995, and the first consolidated accounts were prepared for the financial year ending 31.12.1995.

### *Valuation of fixed assets*

Fixed assets have been capitalised at direct acquisition cost or at reduced value after acquisition. Depreciation according to plan has been calculated on a straight-line based on expected economic life. The book value of some buildings taken out of productive use may exceed their current market value.

### *Valuation of stocks*

Stocks have been valued at direct acquisition cost or the probable realisation price, whichever is lower. The change in stocks in the income statement includes the impact of the internal margin of stocks.



### *Valuation of trade receivables*

All credit losses, of which we are aware, arising from trade receivables have been booked as expenses. Measures to restore the Elanto cooperative retail society to a sound basis commenced on 27 March 1995. According to a specification received in January 1997, half of the debts scheduled for restructure were changed to convertible bonds giving rights to Osuusliike Elanto certificates of deposit, and half into long-term receivables of which the first amortisation was 31.12.1996 and the last will be 31.12.2002.

### *Foreign exchange items*

Liabilities and receivables denoted in foreign currencies have been translated into Finnish marks at the exchange rates quoted by the Bank of Finland at the balance sheet date. Any gains and losses arising from foreign exchange have been entered in the income statement. Acquisition costs of fixed assets have been adjusted by exchange rate differences relating to the acquisition cost of fixed assets.

### *Pension arrangements*

The Group's statutory pension obligations are covered by pension insurance institutions. A closed pension fund covers a small, partly additional pension scheme. This fund received a contribution of FIM 463,000 during the year under review. The fund has no uncovered liabilities. It has been agreed that the CEO of the parent company will retire at the age of 60.

### *Practical link with LSO-osuuskunta*

In 1995 and 1996, LSO-osuuskunta was responsible for the procurement of slaughter animals and charged HK Foods for its services. These costs are included in the income statement under fixed costs. LSO-osuuskunta sold its procurement business to LSO Foods Oy on 31.12.1996. HK Foods has been buying the meat carcasses produced by LSO Foods for its raw meat material since 1 January 1997. The acquisition price of the business has been booked as goodwill to LSO Foods Oy and will be depreciated on a straight-line basis over a period of ten years.

## *Notes to the income statement and balance sheet*

1.1. - 31.12.1996 (FIM 1000)

	<i>Group 1996</i>	<i>Group 1995</i>	<i>Parent 1996</i>	<i>Parent 1995</i>
<i>Turnover by division</i>				
Foodstuffs	2 225 036	2 329 999	1 870 922	2 017 396
Feeds and animal foods	50 512	39 410	26 895	25 104
Primary production	42 844	35 404	-	-
Transportation services	28 436	28 530	-	-
<b>Total</b>	<b>2 346 828</b>	<b>2 433 343</b>	<b>1 897 817</b>	<b>2 042 500</b>
<i>Turnover by market area</i>				
Finland	2 297 756	2 379 300	1 850 352	1 990 064
Exports to EU states	26 382	23 792	26 105	23 469
Exports outside EU	15 490	9 274	14 160	7 990
Exports through TLK Trading Ltd Oy	7 200	20 977	7 200	20 977
<b>Total</b>	<b>2 346 828</b>	<b>2 433 343</b>	<b>1 897 817</b>	<b>2 042 500</b>



	<i>Group 1996</i>	<i>Group 1995</i>	<i>Parent 1996</i>	<i>Parent 1995</i>
<i>Other operating income</i>				
Rent from outsiders	4 037	2 140	2 822	1 181
Rent from Group companies	-	-	1 393	974
Other regular income from Group companies	-	-	1 309	590
Proceeds from sales of fixed assets	150	111	136	111
Proceeds from sales of scrap	631	3 083	621	3 016
Subsidy income for development projects	10 246	1 506	9 743	902
Property management services	246	246	246	246
Other regular income	1 038	3 037	475	670
<b>Total</b>	<b>16 348</b>	<b>10 123</b>	<b>16 745</b>	<b>7 690</b>
<i>Personnel costs</i>				
Wages and salaries	358 001	346 567	282 785	283 158
Fringe benefits	1 740	1 597	1 212	1 090
Pension costs, pension insurance payments	52 412	55 727	41 050	46 393
Other personnel costs	64 298	57 117	57 636	50 219
<b>Total</b>	<b>476 451</b>	<b>461 008</b>	<b>382 683</b>	<b>380 860</b>
<i>Depreciation according to plan</i>				
Formation expenses	64	164	64	164
Goodwill	500	500	400	400
Renovation of rented premises	683	608	683	608
Computer software	6 191	5 422	5 676	5 087
Buildings	32 168	25 056	28 220	21 272
Building machinery and equipment	3 043	2 375	2 608	2 108
Machinery and equipment	63 646	73 830	57 300	67 572
Other tangible assets	1 313	937	1 262	877
<b>Total</b>	<b>107 608</b>	<b>108 892</b>	<b>96 213</b>	<b>98 088</b>
Depreciation according to plan has been calculated in the form of straight-line depreciation of the historic cost of fixed assets based on their expected economic life.				
Depreciation is based on the following expected economic lives:				
Formation expenses 5 years, goodwill 10 years, other long-term expenditure 5-10 years, buildings 25 years, building machinery and equipment 8-12.5 years, machinery and equipment 3-7 years, other tangible assets 5-10 years				
<i>Intragroup financial income and expenses</i>				
Financial income from Group companies				
Interest received on long-term financial assets			3 242	5 000
Finance expenses paid to Group companies				
Interest paid			557	1 704
<i>Extraordinary income and expenses</i>				
Extraordinary income				
Group contributions	-	-	39 000	-
Merger profit	-	993	-	-
Other extraordinary income	6	127	-	107
<b>Total</b>	<b>6</b>	<b>1 120</b>	<b>39 000</b>	<b>107</b>
<i>Extraordinary expenses</i>				
Price differential payments from previous years	442	-	442	0
Value added tax from previous years	370	-	76	-
Other extraordinary expenses	223	406	223	406
<b>Total</b>	<b>1 035</b>	<b>406</b>	<b>741</b>	<b>406</b>



## Shears in subsidiary undertakings

### Owned by parent company

	Broiler- talo Oy	Food Kul- jetus Oy	Lounais- rehu Oy	Helsingin Kauppiat Oy	LSO Foods Oy
Group holding %	99.73	100	60	100	100
Group voting rights %	99.73	100	60	100	100
Group share of shareholders' equity FIM 1000	31 016	2 021	1 624	74	4 420
Parent company holding %	99.73	100	60	100	100
Shares owned by parent company:					
- number	2 196 775	1 000	60	200	3 000
- par value	10.00	1 000	10000.00	1000.00	1 000
- book value FIM 1000	15 024	1 016	610	203	5 626
Latest profit/loss FIM 1000	9	0	753	5	84
Books closed	31.12.96	31.12.96	31.12.96	31.12.96	31.12.96
Length of accounting period	12 mth	12 mth	12 mth	12 mth	12 mth

### Owned by LSO Foods Oy

	<i>Etelä-Suomen Teuraspalvelu Oy</i>
Group holding %	100
Group voting rights %	100
Group share of shareholders' equity FIM 1000	934
Parent company holding %	100
Shares owned by parent company:	
- number	1 000
- par value	1 000
- book value FIM 1000	1 016
Latest profit/loss FIM 1000	0
Books closed	31.12.96
Length of accounting period	12 mth

## Associated undertakings

### Owned by parent company

	<i>Findane A/S</i>	<i>Honka- joki Oy</i>	<i>Pakas- tamo Oy</i>
Group holding %	50	38.33	50
Group voting rights %	50	38.33	50
Group share of shareholders' equity FIM 1000	2 249	1 075	3 581
Parent company holding %	50	38.33	50
Shares owned by parent company:			
- number	1	345	660
- par value	DKK 250 000.00	1 000.00	5 000.00
- book value FIM 1000	911	1 797	3 353
Latest profit/loss FIM 1000	1 152	454	-2
Books closed	30.09.96	30.06.96	31.12.96
Length of accounting period	12 mth	12 mth	12 mth





### Owned by LSO Foods Oy

	<i>Etelä-Suomen Mutaravinne Oy</i>	<i>Pouttu Foods Oy</i>
Group holding %	24.62	50
Group voting rights %	24.62	50
Group share of shareholders' equity FIM 1000	96	1 500
Parent company holding %	24.62	50
Shares owned by parent company:		
- number	96	3 000
- par value	1 000.00	1 000.00
- book value FIM 1000	98	3 000
Latest profit/loss FIM 1000	0	0
Books closed	31.12.96	
Length of accounting period	12 mth	

### Other shares owned by parent company

<i>1 000 mk</i>	<i>Number</i>	<i>Par value</i>	<i>Book Value</i>
Transbox Oy	10	10 000	100
Telephone company shares			161
			261

### Long-term financial assets

	<i>Group 1996</i>	<i>Group 1995</i>	<i>Parent 1996</i>	<i>Parent 1995</i>
<b>Intangible assets</b>				
<i>Formation expenses</i>				
Acquisition cost 1 Jan.	814	814	814	814
Increase 1 Jan.-31 Dec.	1 275	0	1 275	0
Acquisition cost 31 Dec.	2 089	814	2 089	814
Accumulated planned depreciation 31 Dec.	-779	-715	-779	-715
Book value 31 Dec.	1 310	99	1 310	99
<i>Intangible rights</i>				
Acquisition cost 1 Jan.	6 532	1 350	4 157	276
Increase 1 Jan.-31 Dec.	76	5 182	-	3 881
Acquisition cost 31 Dec.	6 608	6 532	4 157	4 157
Accumulated planned depreciation 31 Dec.	-130	-	-	-
Book value 31 Dec.	6 478	6 532	4 157	4 157
<i>Goodwill</i>				
Acquisition cost 1 Jan.	5 000	5 000	4 000	4 000
Increase 1 Jan.-31 Dec.	50 000	-	-	-
Acquisition cost 31 Dec.	55 000	5 000	4 000	4 000
Accumulated planned depreciation 31 Dec.	-1 875	-1 375	-1 500	-1 100
Book value 31 Dec.	53 125	3 625	2 500	2 900



	<i>Group 1996</i>	<i>Group 1995</i>	<i>Parent 1996</i>	<i>Parent 1995</i>
<i>Other long-term expenditure</i>				
Acquisition cost 1 Jan.	30 820	28 009	28 431	26 110
Increase 1 Jan.-31 Dec.	3 757	2 811	3 540	2 321
Acquisition cost 31 Dec.	34 577	30 820	31 971	28 431
Accumulated planned depreciation 31 Dec.	-24 410	-17 667	-22 747	-16 390
Book value 31 Dec.	10 167	13 153	9 224	12 041
<i>Tangible assets</i>				
<i>Land and water</i>				
Acquisition cost 1 Jan.	1 645	1 645	261	261
Increase 1 Jan.-31 Dec.	77	-	-	-
Decrease 1 Jan.-31 Dec.	-147	-	-	-
Book value 31 Dec.	1 575	1 645	261	261
<i>Buildings</i>				
Acquisition cost 1 Jan.	787 017	478 708	671 692	364 625
Increase 1 Jan.-31 Dec.	19 382	308 309	15 543	307 067
Decrease 1 Jan.-31 Dec.	-1 039	-	-	-
Acquisition cost 31 Dec.	805 360	787 017	687 235	671 692
Accumulated planned depreciation 31 Dec.	-166 549	-134 381	-138 055	-109 835
Write-down of real estate (accrued)	-16 000	-16 000	-16 000	-16 000
Book value 31 Dec.	622 811	636 636	533 180	545 857
Revaluation included in book value of buildings 1 Jan.	20 000	20 000		
Revaluation included in book value of buildings 31 Dec.	20 000	20 000		
Accumulated depreciation difference 1 Jan.	22 812	22 812	22 812	22 812
Increase 1 Jan.-31 Dec.	8 888	-	7 605	-
Accumulated depreciation difference 31 Dec.	31 700	22 812	30 417	22 812
<i>Building machinery and equipment</i>				
Acquisition cost 1 Jan.	30 852	25 955	28 504	23 778
Increase 1 Jan.-31 Dec.	6 539	4 897	4 810	4 726
Acquisition cost 31 Dec.	37 391	30 852	33 314	28 504
Accumulated planned depreciation 31 Dec.	-17 439	-14 397	-15 517	-12 909
Book value 31 Dec.	19 952	16 455	17 797	15 595
Accumulated depreciation difference 1 Jan.	5 003	5 003	5 003	5 003
Increase 1 Jan.-31 Dec.	343			
Decrease 1 Jan.-31 Dec.	-705		-705	
Accumulated depreciation difference 31 Dec.	4 641	5 003	4 298	5 003
<i>Buildings, total</i>				
Acquisition cost 1 Jan.	817 869	504 663	700 196	388 403
Increase 1 Jan.-31 Dec.	25 921	313 206	20 353	311 793
Decrease 1 Jan.-31 Dec.	-1 039	-	-	-
Acquisition cost 31 Dec.	842 751	817 869	720 549	700 196
Accumulated planned depreciation 31 Dec.	-183 988	-148 778	-153 572	-122 744
Write-down of real estate (accrued)	-16 000	-16 000	-16 000	-16 000
Book value 31 Dec.	642 763	653 091	550 977	561 452



	<i>Group</i> <i>1996</i>	<i>Group</i> <i>1995</i>	<i>Parent</i> <i>1996</i>	<i>Parent</i> <i>1995</i>
Accumulated depreciation difference 1 Jan.	27 815	27 815	27 815	27 815
Increase 1 Jan.-31 Dec.	9 231		7 605	
Decrease 1 Jan.-31 Dec.	-705		-705	
Accumulated depreciation difference 31 Dec.	36 341	27 815	34 715	27 815
<i>Machinery and equipment</i>				
Acquisition cost 1 Jan.	581 369	550 927	500 790	475 316
Increase 1 Jan.-31 Dec.	43 518	32 138	38 514	26 757
Decrease 1 Jan.-31 Dec.	-1 372	-1 696	-855	-1 283
Acquisition cost 31 Dec.	623 515	581 369	538 449	500 790
Accumulated planned depreciation 31 Dec.	-409 152	-345 504	-343 143	-285 843
Book value 31 Dec.	214 363	235 865	195 306	214 947
Accumulated depreciation difference 1 Jan.	24 154	24 154	24 154	24 154
Increase 1 Jan.-31 Dec.	560			
Accumulated depreciation difference 31 Dec.	24 714	24 154	24 154	24 154
Share of machinery and equipment of book value			192 603	211 140
<i>Other tangible assets</i>				
Acquisition cost 1 Jan.	13 649	7 190	12 231	5 772
Increase 1 Jan.-31 Dec.	68	6 459	68	6 459
Acquisition cost 31 Dec.	13 717	13 649	12 299	12 231
Accumulated planned depreciation 31 Dec.	-6 950	-5 636	-5 613	-4 351
Book value 31 Dec.	6 767	8 013	6 686	7 880
<i>Taxation values of fixed assets</i>				
Land	1 032	1 010	968	968
Buildings	193 072	187 927	160 734	155 589
Shares in subsidiary undertakings			12 113	5 053
Shares in associated undertakings	9493	5351	6 397	5 351

## *Stocks and current assets*

### *Debtors due in one year or more*

Convertible bond Etelä-Suomen Multaravinne Oy	210		210	
Convertible bond Osuusliike Elanto	2 198		1 953	
Loan receivable Osuusliike Elanto	1 808	4 430	1 641	3 952
Total	4 216	4 430	3 804	3 952

### *Receivables and debts/Group companies and associated undertakings*

Trade receivables/Group companies			1 784	1 221
Trade receivables/associated undertakings	999	6 381	999	6 381
Loans receivable/Group companies			35 000	40 302
Prepaid expenses and accrued income/Group companies			39 000	5 642
Total	999	6 381	76 783	53 546
Short-term trade payables/Group companies			4 488	3 307
Short-term trade payables/associated undertakings	943	625	943	625
Accrued expenses and deferred income/Group companies			66	
Other current creditors/Group companies			90 934	109 053
Total	943	625	96 431	112 985

### *Loans to management*

Loan receivable from member of the Board of Directors of Group company	144	153	144	153
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	<i>Group</i> <i>1996</i>	<i>Group</i> <i>1995</i>	<i>Parent</i> <i>1996</i>	<i>Parent</i> <i>1995</i>
<b><i>Shareholders' equity</i></b>				
Share capital 1 Jan.	120 000	60 000	120 000	60 000
Payable increase in share capital		60 000		60 000
Share capital 31 Dec.	120 000	120 000	120 000	120 000
Share issue 1 Jan.		51 809		51 809
Increase		32 191		32 191
To share capital/reserve fund		-84 000		-84 000
Share issue 31 Dec.		0		0
Reserve fund 1 Jan.	25 440	1 440	25 440	1 440
Issue premium from share issue		24 000		24 000
Reserve fund 31 Dec.	25 440	25 440	25 440	25 440
Revaluation reserve 1 Jan.	20 000	20 000		
Revaluation reserve 31 Dec.	20 000	20 000		
<i>Total restricted equity 31.12. 1996</i>	<b><i>165 440</i></b>	<i>165 440</i>	<b><i>145 440</i></b>	<i>145 440</i>
Contingency fund 1 Jan.	215	70	215	70
Increase	190	145	190	145
Contingency fund 31 Dec.	405	215	405	215
Other non-restricted equity 1 Jan.	55 277	-41 010	-10 147	-10 494
Voluntary reserves and depreciation difference	-6 375	75 764		
Changes in Group structure	6 162			
Profit for the financial year	19 442	20 523	15 066	347
Other non-restricted equity 31 Dec.	74 506	55 277	4 919	-10 147
<i>Total non-restricted equity 31.12.1996</i>	<b><i>74 911</i></b>	<i>55 492</i>	<b><i>5 324</i></b>	<i>-9 932</i>
Distributable funds from non-restricted equity	1 762	-		
Share capital is distributed as follows:				
Series A shares (1 vote per share)	1 320 000	1 320 000		
Series K shares (20 votes per share)	1 080 000	1 080 000		
<b><i>Subordinated loans</i></b>				
Convertible bonds	45 000		45 000	
<b><i>Liabilities</i></b>				
Creditors due in five years or more				
Loans from financial institutions	19 985	16 892	19 985	14 752
Pension loans	195 047	211 706	188 227	202 486
	<b><i>215 032</i></b>	<i>228 598</i>	<b><i>208 212</i></b>	<i>217 238</i>
Bond with warrants	<b><i>225</i></b>	<i>225</i>	<b><i>225</i></b>	<i>225</i>

Deviating from the pre-emptive rights of existing shareholders, the company issued a bond with warrants, which is intended to form part of a management incentive scheme. The bond was subscribed in full. The bond is for five years and pays interest at 6%. 45 promissory notes of FIM 5,000 and made out to named persons have been issued against the bond. Each promissory note carries 1,000 warrants, each of which entitles the holder to subscribe to one HK Foods Series A share, par value FIM 50, for a subscription price of FIM 70. The subscription period for the shares is 1.2.1998-12.12.1999. Shares subscribed by virtue of the bonds represent 1.84% of the shares and 0.20% of the voting rights.



	<i>1996</i>	<i>1995</i>
<b><i>Contingent liabilities, HK Foods group</i></b>		
<i>For own loans</i>		
Mortgages	64 000	64 000
Chattel mortgages	15 000	15 000
<i>For own and LSO-osuuskunta's loans</i>		
Pledges	37 420	79 800
Mortgages	20 000	20 000
Chattel mortgages	110 000	110 000
<i>Guarantees for LSO-osuuskunta's loans</i>	62 031	74 837
<i>For associated undertakings</i>		
Guarantees	7 046	
<i>For others</i>		
Pledges	250	250
Guarantees	5 186	14 740
<i>Other own commitments</i>		
Leasing commitments	3 326	3 188
	<b>324 259</b>	<b>381 815</b>
<i>Total</i>		
Pledges	37 670	80 050
Mortgages	84 000	84 000
Chattel mortgages	125 000	125 000
Guarantees	74 263	89 577
Leasing commitments	3 326	3 188
<b>Commitments, total</b>	<b>324 259</b>	<b>381 815</b>

### ***Contingent liabilities, HK Foods***

<i>For parent cooperative and own loans</i>		
Pledges	37 420	79 800
Mortgages	20 000	20 000
Chattel mortgages	110 000	110 000
<i>Guarantees for parent cooperative's loans</i>	62 031	74 837
<i>For Group company loans</i>		
Guarantees	19 503	23 513
<i>For associated undertakings</i>		
Guarantees	7 046	
<i>For others</i>		
Guarantees	2 526	12 563
<i>Other own commitments</i>		
Leasing commitments	2 609	2 458
	<b>261 135</b>	<b>323 171</b>
<i>Total</i>		
Pledges	37 420	79 800
Mortgages	20 000	20 000
Chattel mortgages	110 000	110 000
Guarantees	91 106	110 913
Leasing commitments	2 609	2 458
<b>Commitments, total</b>	<b>261 135</b>	<b>323 171</b>

HK Foods: The company's buildings are encumbered by mortgages of FIM 714,635 thousand pledged by the parent cooperative as security for LSO-osuuskunta's and HK Foods liabilities. The corresponding figure in 1995 was FIM 700,035 thousand. After 28.2.1997, the parent cooperative no longer has loans from financial institutions in the balance sheet, for which HK Foods has given personal security or pledged mortgages, chattel mortgages or direct pledges. Additionally trade receivables of FIM 62,500 thousand have been pledged as security for factoring credit. The corresponding figure in 1995 was FIM 55,852 thousand.



# Signatures of the Board of Directors and the CEO

Turku, 19 March 1997

Reijo Myyrinmaa

Pentti Virtanen

Matti Salminen

Marcus H. Borgström

Markku Aalto

Simo Palokangas

## Auditors' report

To the shareholders of HK Ruokatalo Oy

We have audited the accounts, financial statements and administration of HK Ruokatalo Oy for 1996. The financial statements, which include the review by the Board of Directors, the income statement, balance sheet and notes to the financial statements, have been prepared by the Board of Directors and the CEO. Based on our audit, we express an opinion on these financial statements and the company's administration.

We carried out our audit in accordance with generally accepted auditing standards in Finland. These standards require that we perform the audit to obtain reasonable assurance that 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, evaluating the accounting principles used and significant estimates made by the management, as well as assessing the overall presentation of the financial statement. We have audited the company's administration to establish that the Board of Directors and CEO have complied with the rules and regulations of the Finnish Companies Act.

We note that the financial statement, which shows a profit of FIM 15,066,226.06, has been drawn up in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as described in the Accounting Act, of the result of operations and of the company's financial position. We recommend that the financial statements be adopted and that the members of the Board of Directors and the CEO be discharged from liability for 1996.

The proposal by the Board of Directors for the disposal of the profit complies with the Companies Act.

Turku, 24 March 1997

*Kauko Lehtonen, Authorised Public Accountant*

*Pekka Nikula, Authorised Public Accountant*

## Calculation of financial ratios

### Return on equity (ROE)

$$\frac{\text{Profit/loss before extraordinary items, reserves and taxes less taxes}}{\text{Shareholders' equity + minority interests + voluntary reserves and the depreciation difference minus the imputed (deferred) tax liability (average)}} \times 100$$

### Return on investment, ROI

$$\frac{\text{Profit/loss before extraordinary items, reserves and taxes + interest and financial expenses}}{\text{Balance sheet total less non-interest bearing liabilities (average)}} \times 100$$

### Equity ratio

$$\frac{\text{Shareholders' equity + minority interests + voluntary reserves and depreciation difference minus the imputed (deferred) tax liability}}{\text{Balance sheet total less advance payments}} \times 100$$

### Earnings/share

$$\frac{\text{Profit before extraordinary items, reserves and taxes less taxes +/- minority interests}}{\text{Number of shares}}$$

### Equity/share

$$\frac{\text{Shareholders' equity + voluntary reserves and depreciation difference minus the imputed (deferred) tax liability and minority interest}}{\text{Average number of shares, adjusted}}$$

### Dividend per earnings

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$



### *Verkställande direktörens översikt*

Året 1996 var Finlands andra år som medlem av EU. För livsmedelsindustrin, som tidigare verkat i en s.k. sluten ekonomi, var det fortfarande ett år av anpassning. Priserna på färska livsmedel med kött som huvudingrediens sjönk ytterligare jämfört med året innan, vilket främst berodde på den inhemska konkurrensen. På grund av den skärpta priskonkurrensen visade det sig att importen fick rätt liten betydelse i dessa produktgrupper.

Den inhemska konsumtionen utvecklades synnerligen positivt i fråga om fjäderfäkött och färdigmat.

I charkuterivaror och styckat kött var konsumtionsutvecklingen däremot anspråkslösare.

Råvaruproduktionen ökade i Finland med 5 % och den inhemska konsumtionen med 2 %.

Priskonkurrensen var hela året hård, men tack vare de anpassningsåtgärder som HK Ruokatalo fattade beslut om på våren vände bolagets resultat mot slutet av året på nytt i positiv riktning.

I slutet av redovisningsåret förnyades koncernstrukturen så att den bättre fyller effektivitets- och servicebehoven hos de olika delarna av affärsverksamheten. I den nya organisationen blev HK Ruokatalo moderbolag i koncernen. Utgångspunkten för dess affärsverksamhet är en kund- och konsumentinriktad livsmedelsindustri med starka varumärken som centrala konkurrensfaktorer. HK Ruokatalos dotterbolag är Broilertalo Oy, som svarar för produktion och marknadsföring av fjäderfäkött, samt LSO Foods Oy, vars verksamhetsområde är producenttjänster samt anskaffning och slaktning av slaktdjur.

Den nya organisationen gäller från början av 1997. Emedan djurförmedlingen och anskaffningen av slaktdjur 1996 skedde i LSO-andelslagets namn, är koncernsiffrorna för fjolåret icke jämförbara med de siffror som LSO-koncernen har meddelat under tidigare år.

I slutet av året inledde HK Ruokatalos dotterbolag LSO Foods Oy samarbete med Pouttu Oy beträffande anskaffning av nötkött och slaktning. Pouttu Oy:s slakteri i Outokumpu blev samägt av de två bolagen och målet är att på ett konkurrenskraftigt sätt tillgodose HK Ruokatalos behov av inhemskt nötkött. LSO Foods Oy äger 50 % av Pouttu Foods Oy.

I slutet av året fattades beslut som avser att stärka bolagets soliditet. HK Ruokatalo Oy emitterade ett konvertibelt skuldebrevslån på 62,5 miljoner mark. Lånevillkoren motsvarar villkoren för eget kapital. Lånet riktades till institutionella placerare och blev fulltecknat. I februari 1997 beslöt LSO-andelslaget minska sin ägarandel i HK Ruokatalo Oy genom att avyttra en del av sina A-aktier till inhemska placerare. Försäljningen skedde på Helsingfors Fondbörs mäklarlista, på vilken HK Ruokatalo infördes i februari 1997.

HK Ruokatalo-koncernens omsättning var 2.346,8 miljoner mark, vilket var 86,5 miljoner mark mindre än året innan. Driftsbidraget var 194,7 miljoner mark. Resultatet före extraordinära poster och skatter var 29,6 miljoner mark mot 32,0 miljoner mark året innan. Av resultatet härrörde 1,6 miljoner mark från första halvåret och 28,0 miljoner mark från andra halvåret.

Året 1996 var ett år av anpassning och skärpt priskonkurrens. Under året gick företaget över till ett skede av normal, kontinuerlig utveckling, bl.a. kunde vi finslipa och ta i bruk våra nya avancerade ledningssystem. För personalen har året varit arbetsfyllt och krävande. Jag vill därför framföra ett stort tack för engagemanget och den höga motivationsnivån. Samtidigt tackar jag även våra kunder och ägare för gott samarbete.

*Simo Palokangas*



# *Sammandrag av styrelsens för HK Ruokatalo Oy verksamhetsberättelse för räkenskapsåret 1996*

## *Förändringar i bolagets verksamhet*

I slutet av året beslöt vi ändra koncernstrukturen så att märkesvaruaffärsverksamheten avskiljs från anskaffningen av köttråvara och slaktningen. Genom att tyngdpunkten i koncernens verksamhet sålunda koncentrerades till konsument- och kundmarknaden var det motiverat att samtidigt ändra bolagets namn till HK Ruokatalo. Bolagets tidigare namn, LSO Foods Oy, överläts till ett dotterbolag som specialiserar sig på anskaffning av köttråvara och på slaktning. Den nya strukturen togs i bruk i början av 1997.

Som en del av samma strukturförändring övertog HK Ruokatalo-koncernen i början av 1997 sin huvudägare LSO-andelslagets affärsverksamhet och personal. I och med detta steg avslutades den långvariga funktionella kontakten mellan HK Ruokatalo Oy och LSO-andelslaget, varefter andelslaget är enbart ägare. HK Ruokatalo Oy är dotterbolag till LSO-andelslaget.

Bland andra ändringar kan nämnas att bolaget i början av året förvärvade hälften av Findane A/S:s aktiestock. Findane verkar i Danmark och bedriver där utrikeshandel med kött. I anslutning till denna affär avyttrade bolaget sin 50 % andel av TLK Trading Ltd Oy.

Bolaget var på våren med om att med en andel på 25 % bilda Etelä-Suomen Multaravinne Oy, som har för avsikt att inleda behandling av bioavfall i en för ändamålet byggd anläggning i Forssa. Projektet stöder koncernens miljöpolitik som offentliggjordes på våren.

Bolagets avdelning för slaktning av sjuka djur bolagiserades i början av september till Etelä-Suomen Teuraspalvelu Oy, som handhar slaktningen av sjuka djur i ett specialslakteri som är beläget på samma område som produktionsanläggningarna i Forssa.

## *Omsättning och ekonomiskt resultat*

HK Ruokatalo-koncernens omsättning var 2.346,8 miljoner mark, vilket är 86,5 miljoner mark, dvs. 3,6 % mindre än

året innan. Minskningen berodde främst på sänkningen av priserna på köttprodukter. Driftsbidraget var 194,7 miljoner mark, vilket motsvarar 8,3 % av omsättningen. Resultatet före extraordinära poster, reserveringar och skatter var 29,6 miljoner mark.

Moderbolagets omsättning var 1.897,8 miljoner mark och dess resultat före extraordinära poster, reserveringar och skatter var -13,3 miljoner mark.

## *Investeringar*

HK Ruokatalo-koncernens bruttoinvesteringar utgjorde 110,7 miljoner mark. De mest betydande investeringsobjekten var utvidgningen av slakteriets frysutrymme och avdelningen för vidareförädling av färskt kött i Forssa samt övergången till Transbox-transportlådor av plast. I slutet av året köptes LSO-andelslagets köttansaffnings- och djurförmedlingsverksamhet.

## *Aktiekapital*

HK Ruokatalo Oy:s inbetalda och i handelsregistret införda aktiekapital uppgick vid utgången av året till 120.000.000 mark. Aktiekapitalet var fördelat på 1.320.000 A-aktier och 1.080.000 K-aktier.

Aktiernas nominella värde är 50 mark. Enligt bolagsordningen berättigar A-aktien till 1 röst och K-aktien till 20 röster. K-aktierna innehas av LSO-andelslaget.

Bolaget hade 9.975 aktieägare vid utgången av redovisningsperioden.

HK Ruokatalo Oy:s aktier noterades under redovisningsperioden på en mäklarlista som upprätthålls av Turun





## *Finansiering*

Låneamorteringsprogrammet förverkligades planenligt.

Koncernens soliditet förbättrades ytterligare och var vid utgången av året 20,0 % mot 15,1 % i slutet av 1995.

### *Konvertibelt skuldebrevslån*

Medelst beslut av en extra bolagsstämma emitterade bolaget den 30 december 1996 ett konvertibelt skuldebrevslån på maximalt 62.500.000 mark, vilket med avvikelser från aktieägarnas företrädesrätt riktades till institutionella placerare. Lånetiden är 10 år. Låneandelarna kan konverteras till högst 500.000 A-aktier i bolaget. Teckningstiden för lånet var 30.12.1996-30.1.1997 och lånet fulltecknades under teckningstiden.

Lånet upptas på kapitallån villkor. Med hjälp av lånet breddas bolagets aktieägarbas och samtidigt försäkras sig bolaget om att investeringsprogrammet kan genomföras och att kapitalstrukturen stärks.

Varje låneandel (62.500 st.) med ett nominellt värde av 1.000 mark kan konverteras till åtta A-aktier i bolaget med ett nominellt värde av 50 mark. Lånet kan första gången konverteras till aktier 1.9-30.11.1998 och därefter årligen under tiden 2.1-30.11. De nya aktierna berättigar första gången till dividend för den räkenskapsperiod då konvertering skett.

De aktier mot vilka det konvertibla skuldebrevslånet kan konverteras motsvarar högst 17,2 % av aktierna och 2,1 % av rösterna.

Fram till 31.12.1996 hade lånet tecknats och inbetalats till ett värde av 45.000.000 mark.

### *Ledningens aktieinnehav och optionslånet av år 1994*

Bolagets styrelsemedlemmar och verkställande direktör ägde 31.12.1996 sammanlagt 5.529 A-aktier, vilket motsvarar 0,23 % av samtliga aktier och 0,02 % av rösterna.

Enligt beslut av extra bolagsstämman upptog bolaget 12.12.1994 ett optionslån av personer tillhörande koncernens högsta ledning. Lånebeloppet var 225.000 mark, lånetiden fem år och låneräntan 6 %.

Till varje skuldebrev (45 st.) hör tusen optionsbevis

som vart och ett berättigar till teckning av en A-aktie med det nominella värdet av 50 mark till teckningspriset 70 mark. Teckningstiden för aktierna är 1.2.1998-12.12.1999.

Mot optionsbevisen kan sammanlagt tecknas högst 45.000 A-aktier och aktiekapitalet kan öka med högst 2.250.000 mark. De aktier som kan tecknas mot optionsbevisen motsvarar 1,84 % av det totala antalet aktier och 0,20 % av det totala antalet röster.

### *Värdeandelssystemet*

Bolagets styrelse har i villkoren för det konvertibla skuldebrevslånet förbundit sig att införa bolagets aktie i värdeandelssystemet senast 1.9.1998. En extra bolagsstämma godkände 30.12.1996 de ändringar i bolagsordningen som krävs för detta och befullmäktigade samtidigt styrelsen att bestämma dagen för anmälan till värdeandelssystemet.

### *Listning*

Styrelsen beslöt den 22 januari 1997 ansöka om notering av bolagets A-aktie på Helsingfors Fondbörs' mäklarlista. Börsen godkände ansökan den 4 februari 1997 och handeln med bolagets aktier inleddes den 6 februari 1997.

### *Styrelsens fullmakt för höjning av aktiekapitalet*

Den extra bolagsstämman 30.12.1996 gav styrelsen fullmakt att emittera ett eller flera konvertibla skuldebrev, optionslån eller nya aktier. Enligt fullmakten kan bolaget emittera aktier eller till aktier berättigande värdepapper så, att högst 300.000 nya A-aktier med det nominella värdet av 50 mark utges och att aktiekapitalet höjs med högst 15.000.000 mark. Lånen kan emitteras även på kapitallån villkor. Bolaget kan avvika från den teckningsrätt som tillkommer aktieägarna om vägande skäl med tanke på tryggheten av koncernens verksamhetsförutsättningar eller stärkandet av bolagets internationella eller inhemska affärsverksamhet föreligger.

Fullmakten gäller till 17.1.1998. Den har hittills icke utnyttjats.



## *Personal*

	<i>1996</i>	<i>1995</i>	<i>Förändring</i>
HK-Ruokatalo-koncernen			
i genomsnitt	2.684	2.753	-69
vid årets slut	2.593	2.551	+42
Moderbolaget			
i genomsnitt	2.095	2.218	-123
vid årets slut	2.021	2.040	-19

Genomsnittstalen har uträknats som medeltal av antalen anställda i slutet av månaderna.

HK Ruokatalo-koncernen utbetalade i löner och naturaförmåner sammanlagt 358.381.202,00 mark, varav styrelsemedlemmarnas och verkställande direktörernas löner utgjorde 1.089.423,00 mark. Moderbolaget utbetalade i löner och naturaförmåner sammanlagt 283.210.837,00 mark, varav styrelsemedlemmarnas och verkställande direktörens löner utgjorde 55.800,00 mark. Separata tantiem erlades ej till styrelsemedlemmar eller verkställande direktörer.

Antalet anställda per företag vid redovisningsårets slut

	<i>1996</i>	<i>1995</i>
HK Ruokatalo Oy	2.021	2.040
Broilertalo Oy	544	470
Etelä-Suomen Teuraspalvelu Oy	19	-
Food Kuljetus Oy	6	38
Lounaisrehu Oy	3	3
HK Ruokatalo-koncernen sammanlagt	2.593	2.551

I och med att LSO-andelslag den 1 januari 1997 överlät sin affärsverksamhet och personal till HK Ruokatalo steg antalet anställda i koncernen till 2.757.

## *Framtidsutsikter*

Den inhemska konsumtionen av branschens produkter förutspås stiga med 2 % årligen. Tillväxten är snabbast i fjäderfäkött och färdigmat. I fråga om livsmedel baserade på kött råvaror ökar vikten av kvalitetskontroll i hela produktionskedjan även med tanke på miljövänlig och etisk produktion. För oss innebär detta en konkurrensfördel.

I och med att de massiva utvecklingsåtgärderna nu genomförts är vårt mål att nå ett bättre resultat än 1996. Omsättningen ökar kraftigt bl.a. på grund av att förmedlingen av djur från den 1 januari 1997 sker för LSO Foods Oy:s räkning.

Efter det att HK Ruokatalo Oy:s A-aktie införts på Helsingfors Fondbörs mäklarlista är vårt mål att utveckla den till en likvid aktie som intresserar placerare.

Den lyckade ändrings- och utvecklingsprocessen ger företaget tämligen goda konkurrensförutsättningar under innevarande år och framdeles.

## *Styrelsens förslag till åtgärder beträffande vinsten*

Styrelsen föreslår att räkenskapsårets 1996 vinst 15.066.226,06 mark lämnas till det fria egna kapitalet och att dividend ej utdelas.



## *Merkantila gruppen*

Merkantila gruppens ansvarsområde omfattar marknadsföring, inhemsk försäljning, export, produktutveckling och kundlogistik.

Den priskonkurrens som började hösten 1995 belastade lönsamheten ända till våren 1996. Därefter stabiliserades marknaden och priserna, vilket skapade förutsättningar för bättre lönsamhet. Koncernen bibehöll sina positioner och kunde i slutet av året till och med något öka sin marknadsandel i några centrala produktgrupper.

Merkantila gruppen införde ett ledningssystem som styrs av kundernas behov, och i vilket ingår preciserade planerings- och genomföringsperioder. Systemet medför säkrare leveranser och snabbare varuomsättning, vilket i sin tur leder till nöjdare kunder och lönsammare verksamhet.

Inom exportverksamheten definierades produkterna och marknadsföringsåtgärderna noggrannare än tidigare och därigenom skapades förutsättningar för både tillväxt och bättre lönsamhet. Exportorganisationen, som utformades under året, koncentrerade sig närmast på Ryssland och Sverige.

Nyproduktprogrammet omfattade hela sortimentet och ökade märkbart konsumenternas och handelns intresse för företagets produkter. Varumärket Kassler som står för inhemskt kött började växa kraftigt och i synnerhet de konsumentförpackade Kassler-produkterna klarade sig ännu bättre än väntat. Inom gruppen charkuterivaror lanserades HK- och Popsi-nyheter som enligt våra mål ytterligare befäster märkesstrategin. I fråga om färdigmat koncentrerades nyheterna främst till de produktgrupper som växer kraftigast: pizzor, mikrougnsrätter och sallader.

## *Produktionsgruppen*

Produktionsgruppen omfattar styckningsindustrin, charkvaruindustrin och färdigmatsindustrin samt teknik och logistik som betjänar produktionen.

Ett av de viktigaste projekten var att i praktiken tillämpa koncernens nya lednings- och kvalitetssystem. Arbetet med att bygga upp ett eget system för varje produktionsanläggning, dokumenteringen och ibrukttagandet samt den erforderliga utbildningen blev i stort sett klara. Målet är att innevarande år erhålla certifiering av kvalitetssystemet enligt standarden ISO 9001. Som en del av

ledningssystemet började vi planera ett omfattande system för styrning av miljöfrågor, vilket tar hänsyn till varje tillverkningsorts särdrag. Här är målet att fylla kraven enligt standarden ISO 14001.

I produktionsgruppen fästes stor vikt vid att öka kundbelåtenheten, varvid åtgärder och utbildning som leder till smidigare produktion prioriterades.

Koordineringen av charkvarufabrikenas verksamhet på de olika orterna effektiviserades framgångsrikt, så att leveranssäkerheten kunde upprätthållas även under säsongtopparna.

Moderniseringen av lokalerna och produktionstekniken på färdigmatsavdelningen i Vanda slutfördes våren 1996, varefter produktionen av lådrätter samt köttbullar och färsbiffar flyttade in i renoverade lokaler.

Under 1996 tog bolaget som det första i Finland i bruk miljövänliga Transbox-transportlådor. Den återanvändbara plastlådan har konstruerats i samråd med centralaffärerna för gemensamt bruk.

I den interna logistiken togs största delen av systemet för faktainsamling, hantering och styrning i realtid i bruk på de olika produktionsorterna.



### *LSO Foods Oy*

Från början av 1997 sörjer LSO Foods Oy för anskaffningen av köttråvara och slaktningen, utvecklingen av primärproduktionen och producenttjänsterna. Anskaffningen av kött är baserad på avtal med producenterna.

LSO Foods Oy och Broilertalo Oy anskaffade sammanlagt 85,2 miljoner kilo kött (+6,2 %). Inköpen av svinkött ökade med 3,4 % och inköpen av fjäderfärkött med 14,3 %.

Svinköttsmarknaden var för det mesta i balans, även om osäkerheten om nivån på stödet följande år ökade utbudet på hösten. Nötköttsmarknaden förvillades däremot av galna ko -sjukan (BSE) och den katastrofala nedgång i konsumtionen som denna ledde till i Europa. Produktionens lönsamhet orsakade osäkerhet även i Finland och därför blev utbudet av nötkött ovanligt stort i slutet av året.

De slaktsvingårdar som är med i kvalitetsprogrammet LSO 2000 producerade över nio miljoner kilo LSO 2000-kött och volymen fortsätter att öka. I slutet av året representerade redan mer än 60 % av de förmedlade grisarna kvalitetsklassen LSO 2000.

Koncernen behöver de närmaste åren 20-30 % mer griskött vilket ger producenterna möjligheter att utöka sin produktion. Samarbetet med producenterna syftar till att främja strukturutvecklingen på svingårdarna och förbättra deras lönsamhet. LSO Foods förmedlade även EU-kunskap och företagsekonomiskt kunnande till gårdarna. Dessutom började bolaget månatligen distribuera fakta om marknadsutvecklingen och aktuella frågor i anslutning till uppfödning av djur samt upprätta datanätsförbindelser med producenterna.

Vid utvecklingen av slakteriet lades huvudvikten på att förbättra produktiviteten, kvaliteten och framför allt på att öka kundbelåtenheten. Av dessa orsaker genomfördes betydande reparations- och ändringsarbeten vilka resulterade i effektivare kylning av djurkropparna.

Enheten var för egen del med om att bygga upp koncernens kvalitetssystem och bl.a. utbildades personalen så att den är beredd att ta i bruk och utnyttja egenkontroll- och kvalitetssystemen. I december övergick bolaget som det första i Finland till EUROP-klassificering vid bedömningen av svinkroppar. Med hjälp av den nya klassificeringen kan producenterna noggrannare följa

och styra sin produktion.

### *Lounaisrehu Oy*

Marknadsföringsbolaget Lounaisrehu Oy erbjuder husdjursproducenterna pris- och kvalitetsmässigt konkurrenskraftiga foderprodukter. Bolagets viktigaste artiklar är blötfoder som framställs genom förädling av biprodukter från livsmedelsindustrin. Allra kraftigast ökade emellertid försäljningen av torra foderblandningar som levereras av olika tillverkare. Lounaisrehu Oy:s omsättning uppgick till 23,6 miljoner mark (+65,0 %).

### *Broilertalo Oy*

Marknaden för fjäderfäkött fortsatte att växa kraftigt: konsumtionen ökade med 12 % och produktionen med 16 %. Broilertalo Oy bibehöll sin marknadsandel, vilket förutsatte en avsevärd ökning av produktionen. Samtidigt ökade antalet permanenta arbetsplatser med cirka 60.

Bolaget investerade i synnerhet i primärproduktion, vilket innebar att kapaciteten för produktion av både dunungar och kycklingar ökade. Industrin koncentrerade sig främst på ersättande investeringar, och den extra kapaciteten fick man genom att höja utnyttjandegraden.

Broilertalo Oy:s omsättning uppgick till 472,6 miljoner mark (+14,6 %). Det ekonomiska resultatet var gott.

### *Food Kuljetus Oy*

Bolaget sörjer för anskaffning av transportresurser, transporttaxor, avtals- och kvalitetsfrågor i anslutning till transporter samt kontakter med myndigheter. Den operativa styrningen och det operativa ansvaret för transporter överfördes hösten 1996 på koncernens enheter. Kvaliteten på transporter säkras med hjälp av ett kvalitetssystem enligt standarden ISO 9002. Vid utgången av året rörde sig 120 bilar försedda med koncernens emblem på våra landsvägar.

Food Kuljetus Oy:s omsättning var 88,7 miljoner mark (+19,7 %).



# Corporate governance

## Board of Directors

*Reijo Myyrinmaa*, 56,  
farmer, Nurmijärvi, chairman 1990-1992 and from  
1994, deputy chairman 1992-1994, member since 1990

*Pentti Virtanen*, 55,  
farmer, Huittinen, deputy chairman since 1995,  
member since 1993

*Markku Aalto*, 47,  
farmer, Jämijärvi, member since 1994

*Marcus H. Borgström*, 51,  
farmer Sipoo, member since 1995

*Matti Salminen*, 55,  
director general, Turku, member since 1995

*Simo Palokangas*, 52,  
chief executive officer, Säskylä, member since 1995

The Board of Directors convened 16 times during the year under review. Markku Reunanen, Executive Vice President, Finance and Administration, served as secretary to the Board until 31 August 1996, and Jukka Ahonen, Executive Vice President, Finance and Administration, with effect from 1 September 1996. The Annual General Meeting was held on 8 May 1996, and an Extraordinary General Meeting on 30 December 1996.

## Auditors

### Auditors

*Kauko Lehtonen*, Authorised Public Accountant, Turku

*Pekka Nikula*, Authorised Public Accountant, Helsinki

### Deputy auditors

*Jari Henttula*, Authorised Public Accountant, Turku

*Pentti Leppänen*, Authorised Public Accountant, Turku

## HK Foods Management Group

*Simo Palokangas*, 52  
Säskylä, Chief Executive Officer

*Jukka Ahonen*, 49,  
Vihti, Executive Vice President,  
Administration and Finance

*Olli Antniemi*, 37,  
Tampere, Export Director

*Kyösti Hakasalo*, 46  
Paimio, Executive Vice President, Processed Meat

*Tero Hemmilä*, 30,  
Executive Vice President, Procurement

*Ilkka Häyhä*, 49,  
Kangasala, Managing Director of  
Broilertalo Oy

*Jari Laaksonen*, 39,  
Tammela, Executive Vice President, Production

*Raimo Laine*, 53,  
Naantali, Sales Director

*Matti Perkonoja*, 47,  
Mynämäki, Executive Vice President,  
Commercial Operations, deputy CEO

*Timo Tammelin*, 43,  
Merimasku, Executive Vice President,  
Convenience Foods

*Pekka Tiitto*, 41,  
Helsinki, Director of logistics and technology

*Heikki Torniainen*, 37,  
Forssa, Executive Vice President, Meat



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*(Meat processing)*

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