KARJAPORTTI

1997

The Board of Directors: Bottom row from left: Vice President Kyösti Harju, Pirjo Lampinen and President Seppo Virtanen. Top row from left: Managing Director Samuli Sorsa, Antti Pilli-Sihvola, Reino Huotilainen and Erkki Kolehmainen.

KARJAPORTTI CO-OPERATIVE SLAUGHTERHOUSE

FINANCIAL STATEMENTS 1997

MANAGING DIRECTOR'S STATEMENT

The beginning of the year 1997 was everything but promising. Finland was experiencing the worst-ever over-supply of cattle, which had begun during the previous year. The problem was made worse by difficulties related to starting the new slaughterhouse in Lappeenranta. Karjaportti was even forced to sell cattle to be slaughtered elsewhere. This was unprofitable, but necessary to set the minds of the owners at ease. By early summer the jam was over, however, and we were able to assume a normal routine again.

We started to prepare for the increasing supply of cattle already in late summer, by slaughtering as much cattle as we possibly could in July and August. Both foreign and domestic deals for the autumn were closed during the summer. Thanks to good planning, the increased supply of cattle was processed by the end of October.

Karjaportti has now completed its five-year structural development programme, and our operational structure meets the programme objectives. The geographic location of the slaughterhouses in Jyväskylä and Lappeenranta mean that cattle transportation distances and times are considerably short. This is beneficial to both Karjaportti and its producers: Firstly, the animals do not suffer from long transportation distances, and thus the meat quality is maintained all the way to the grocery stores. Secondly, the norms for the protection of animals are upheld.

Turnover for Karjaportti totalled FIM 803 million, an increase of 4.4 percent. Exports accounted for 8.7 percent of the total turnover, an increase of 68 percent compared to their percentage of exports the previous year. The majority of the exports were directed to Russia and Sweden. The volume slaughtered totalled 38.4 million kilograms, an increase of 5.5 percent. The strongest increase was experienced in cattle, where the volume slaughtered increased by 8.7 percent. The increase was mainly due to leftover cattle from the previous year. The volume of swine slaughtered increased by 2.7 percent.

Karjaportti's financial result improved after an unfavourable start, and by June we were making profit according to plan. Our profits were better than the previous year, though the average profit for the entire year did not meet expectations. The gearing ratio remained unchanged at 30.1 percent. The Financial Statements include a maximum depreciation on the business tax.

The total investments carried out by Karjaportti amounted to some FIM 15 million, with 1997 marking a pause in investment activities. Instead, we concentrated on improving our operational flow and developing new products.

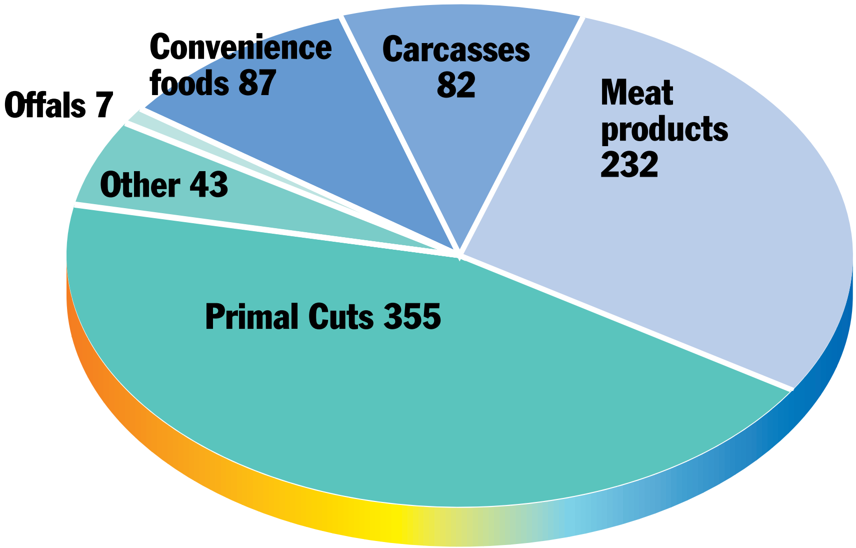
No major investments are being planned for 1998, either. We shall continue to improve the efficiency of our operations and streamline the cost structure. Product development will continue to be a major emphasis, with the aim of increasing the degree of processing.

Karjaportti is involved in a number of projects with the producers' unions aimed at improving the profitability of meat production. Karjaportti's entire production is based on domestic meat, which is why we are greatly concerned with maintaining a sufficient supply. Finnish meat is a crucial factor in Karjaportti's competitiveness. The European Union has proposed a number of changes to Agenda 2000, all of which would hamper meat production in Finland if they were to take effect. It is vital that Finland's special conditions are taken into account when planning the EU agricultural reform, and that Finnish meat production will continue in the future.

I would like to thank the owners of the Karjaportti Co-operative, as well as our personnel and all our interest groups, for their fruitful co-operation in 1997.

Samuli Sorsa

PRODUCT RANGE, FIM MILLION



NEW PRODUCTS IN 1997

PROFIT AND LOSS ACCOUNT

	Corporation		Parent Company	
(FIM 1,000)	**1997**	1996	**1997**	1996
Turnover	803 100	769 310	803 050	769 276
Increase (+) or decrease (-) in inventory of finished goods	–368	261	–368	261
Other income from business operations	3 785	3 264	3 608	3 117
Costs				
Materials, supplies and stock				
Purchases during financial year	–457 390	–444 929	–457 384	–444 926
Increase (-) or decrease (+) in inventory	730	–1 354	730	–1 354
Personnel costs	–165 216	–159 583	–165 056	–159 380
Rents	–3 525	–4 371	–11 217	–14 463
Other costs	–134 995	–122 007	–134 506	–121 557
	–760 396	–732 244	–767 433	–741 680
Operating Margin	46 121	40 591	38 857	30 974
Depreciations				
On fixed assets and other long-term costs	–37 407	–34 551	–33 769	–30 576
Surplus	8 714	6 040	5 088	398
Financial Income and Costs				
Dividend yield	33	2	33	2
Interest yield	1 503	1 583	6 146	6 708
Other financial income	13	124	13	124
Interest costs	–13 003	–14 041	–12 997	–14 034
Other financial costs	–3 420	–2 956	–3 417	–2 953
	–14 874	–15 288	–10 222	–10 153
Deficit before Extraordinary Items, Reserves and Taxes	–6 160	–9 248	–5 134	–9 755
Extraordinary Income and Costs				
Extraordinary income	54	4	1	4
Extraordinary costs	–9	–	–9	–
	45	4	–8	4
Deficit before Reserves and Taxes	–6 115	–9 244	–5 142	–9 751
Increase (-) or Decrease (+) in Depreciation Difference	–1 706	–10 172	–3 656	–12 333
Increase (-) or Decrease (+) in Voluntary Reserves	9 000	22 293	9 000	22 293
Direct Taxes	–	–33	–	–9
Surplus for the Financial Year	1 179	2 844	202	200

BALANCE SHEET

(FIM 1,000)	Corporation		Parent Company	
	1997	1996	1997	1996
ASSETS				
Fixed Assets and Other Long-Term Investments				
Intangible Assets				
Intangible rights	34	40	32	38
Goodwill	469	651	469	651
Other long-term costs	12 918	12 532	12 889	12 520
	13 421	13 223	13 390	13 209
Tangible Assets				
Land and water	14 990	14 990	14 028	14 028
Buildings and constructions	157 763	163 443	116 102	118 137
Machinery and equipment	89 657	63 194	89 630	63 161
Prepaid costs and investments in progress	1 085	45 139	1 085	45 139
	263 495	286 766	220 845	240 465
Securities and Other Long-Term Investments				
Shares and securities	6 650	6 143	9 284	8 776
Total Fixed Assets and Other Long-Term Investments	283 566	306 132	243 519	262 450
Current Assets				
Current Assets				
Materials and supplies	10 694	9 745	10 694	9 745
Finished products	20 204	20 788	20 204	20 788
Other inventories	34	37	34	37
	30 932	30 570	30 932	30 570
Receivables				
Sales receivables	87 051	82 254	86 978	82 192
Loan receivables	284	462	57 875	60 710
Adjusting entries for assets	5 459	3 975	5 452	3 970
Receivables from producers	10 324	11 985	10 324	11 985
Advance payments	4 121	5 444	4 121	5 444
Other receivables	303	304	303	303
	107 542	104 424	165 053	164 604
Cash in Hand and at Bank	3 821	8 846	3 820	8 822
Total Current Assets	142 295	143 840	199 805	203 996
Total Assets	425 861	449 972	443 324	466 446
LIABILITIES				
Shareholders' Equity				
Restricted Capital				
Co-operative capital	59 982	61 324	59 982	61 324
Reserve fund	1 083	1 072	1 083	1 072
Revaluation reserve	382	382	–	–
	61 447	62 778	61 065	62 396
Non-Restricted Capital				
Contingency fund	9 453	9 262	59 610	59 419
Surplus from previous years	12 048	9 404	–	–
Surplus for the financial year	1 179	2 844	202	200
	22 680	21 510	59 812	59 619
Total Shareholders' Equity	84 127	84 288	120 877	122 015
Reserves				
Accumulated Depreciation Difference	42 399	40 694	23 336	19 681
Voluntary Reserves				
Transition reserve	–	9 000	–	9 000
Total Reserves	42 399	49 694	23 336	28 681
Liabilities				
Long-Term Liabilities				
Loans from financial institutions	9 939	38 246	9 939	38 246
Pension loans	114 314	112 614	114 217	112 509
Other long-term liabilities	12 672	3 838	12 672	3 838
	136 925	154 698	136 828	154 593
Current Liabilities				
Loans from financial institutions	59 712	65 146	59 712	65 146
Pension loans	10 731	8 752	10 724	8 745
Advances received	5 379	4 999	5 379	4 999
Accounts payable	43 261	43 817	43 222	43 765
Adjusting entries for liabilities	32 960	31 017	32 917	30 941
Other current liabilities	10 367	7 561	10 329	7 561
	162 410	161 292	162 283	161 157
Total Current and Long-Term Liabilities	299 335	315 990	299 111	315 750
Total Liabilities	425 861	449 972	443 324	466 446

FUNDS STATEMENT

(FIM 1,000)	Corporation 1997	Corporation 1996	Parent Company 1997	Parent Company 1996
SOURCES OF FUNDS				
Cash-Flow Funding				
Operating margin	46 121	40 591	38 857	30 974
Financial income	1 549	1 709	6 192	6 834
Profit from assignment of fixed assets	752	232	736	232
Other cash-flow funding	54	4	1	4
	48 476	42 536	45 786	38 044
Capital Financing				
Increase in long-term liabilities	33 302	44 229	33 264	44 229
Investment aid	–	14 123	–	14 123
Increase in shareholders' equity	3 009	3 410	3 009	3 410
	36 311	61 762	36 273	61 762
Change in Working Capital				
Change in liquid assets	1 908	15 486	4 553	19 924
Change in current assets	–362	1 092	–362	1 092
Change in current liabilities	1 767	8 696	1 812	8 698
	3 313	25 274	6 003	29 714
	88 100	129 572	88 062	129 520
USE OF FUNDS				
Distribution of Surplus				
Financial costs	16 423	16 997	16 414	16 988
Taxes	–	34	–	9
Interests of co-operative capital	–	2 941	–	2 941
Other distribution of profit	9	–	9	–
Investments				
Investments fixed assets	15 594	77 721	15 573	77 712
Repayment of Capital				
Deduction of long-term liabilities	51 724	27 697	51 716	27 688
Deduction of shareholders' equity	4 350	4 182	4 350	4 182
	88 100	129 572	88 062	129 520

NOTES TO THE FINANCIAL STATEMENTS

PRINCIPLES FOR PREPARING THE FINANCIAL STATEMENTS

1. The consolidated Financial Statements have been prepared in accordance with the past equity method. The consolidated Financial Statements include all those operational companies in which the parent co-operative holds a share of more than 50 percent, either directly or indirectly. Business operations, internal margins, receivables and liabilities, as well as ownership within the corporation, have been eliminated. The difference between the acquisition cost of subsidiaries and the shareholders' equity at the moment of the acquisition have been presented as goodwill, which has been written off as straight-line depreciation over a period of ten years. The Russian subsidiary ZAO Portti SPb, wholly owned by the corporation, has not been included in the consolidated Financial Statements. The effect of the company, thus excluded from the Financial Statements, on the Corporation's non-restricted shareholders' equity would have been slightly negative.

2. Planned depreciation is calculated as follows:
   Buildings: 25 years
   Machinery and equipment: 8 years
   Computer programmes: 5 years
   Other long-term investments: 4-10 years
   The depreciations are written off as straight-line depreciation for the duration of the item's useful life.
   Fixed assets have been presented at their original acquisition cost deducted by planned depreciations. Additionally, a revaluation worth FIM 770,000 has been included in the fixed assets.

3. Current assets have been valued at the acquisition cost or at a likely surrender price, following the lower of cost or market principle.

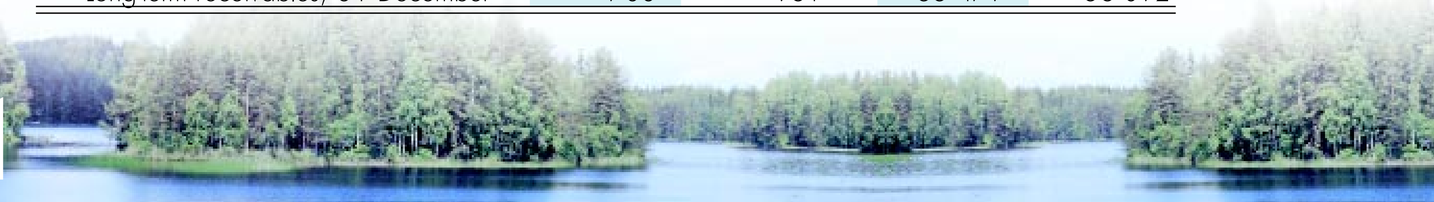
4. Liabilities with a foreign denomination have been entered into the balance sheet at the rate quoted by Merita Bank Ltd on 31 December 1997. All foreign-denominated items have been charged against income.

5. Credit losses have been dealt with as adjustments to turnover.

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)	Corporation		Parent Company	
	1997	1996	1997	1996
1. Distribution of Turnover				
Cut meats	44 %	45 %	44 %	45 %
Meat products	29 %	30 %	29 %	30 %
Processed foods	11 %	10 %	11 %	10 %
Carcass meat	10 %	9 %	10 %	9 %
Other	6 %	6 %	6 %	6 %
2. Turnover by Market Area				
Finland	91 %	95 %	91 %	95 %
Other countries	9 %	5 %	9 %	5 %
3. Personnel Costs				
Wages, salaries and fringe benefits	124 876	121 965	124 710	121 804
Pension costs	21 837	21 053	21 862	21 029
Other personnel costs	18 893	17 003	18 875	16 985
Total personnel costs	165 606	160 021	165 447	159 818

	Corporation		Parent Company	
	1997	1996	1997	1996
4. Depreciation				
Planned depreciation				
Intangible rights	10	41	10	41
Goodwill	182	2 440	182	2 440
Other long-term investments	3 779	4 001	3 775	3 998
Buildings and constructions	9 636	7 722	6 008	4 087
Machinery and equipment	23 800	20 347	23 794	20 010
Total planned depreciation	37 407	34 551	33 769	30 576
Total book depreciation	39 096	44 723	37 425	42 909
= Accumulated difference between total and planned depreciation	–1 689	–10 172	–3 656	–12 333
Depreciation difference adjustment of sold fixed assets	–17	–	–	–
Total depreciation difference	–1 706	–10 172	–3 656	–12 333
5. Intra-Group Financial Income and Costs				
Interest yield	–	–	4 649	5 135
6. Extraordinary Income and Costs				
Profit from the assignment of fixed assets	54	3	1	3
Losses from the assignment of fixed assets	6	–	6	–
Other extraordinary income	–	1	–	1
Other extraordinary costs	3	–	3	–
Total extraordinary income and costs	45	4	–8	4
7. Intangible and Tangible Assets				
Intangible assets				
Acquisition cost, 1 January	61 507	57 050	59 502	55 045
+ increase	4 170	4 493	4 149	4 493
– decrease	–	–36	–	–36
Acquisition cost, 31 December	65 677	61 507	63 651	59 502
Accumulated planned depreciation	–52 256	–48 284	–50 261	–46 293
Book value, 31 December	13 421	13 223	13 390	13 209
Tangible assets				
Acquisition cost, 1 January	520 369	461 696	419 820	361 157
+ increase	10 908	58 905	10 908	58 895
– decrease	–805	–232	–727	–232
Acquisition cost, 31 December	530 472	520 369	430 001	419 820
Accumulated planned depreciation	–266 977	–233 603	–209 156	–179 355
Book value, 31 December	263 495	286 766	220 845	240 465
8. Receivables and Payables				
Receivables from group companies				
Loans receivable			57 590	60 248
Receivables from group companies, 31 December			57 590	60 248
Payables to group companies				
Accounts payable			–	–
Payables to group companies, 31 December			–	–
Long-term receivables				
Loans receivable	278	452	55 019	55 583
Other receivables	460	509	460	509
Long-term receivables, 31 December	738	961	55 479	56 092



	Corporation 1997	Corporation 1996	Parent Company 1997	Parent Company 1996
9. Shareholders' Equity				
Restricted shareholders' equity				
Co-operative capital, 1 January	61 324	62 100	61 324	62 100
+ increase	3 008	3 406	3 008	3 406
– decrease	–4 350	–4 182	–4 350	–4 182
Co-operative capital, 31 December	59 982	61 324	59 982	61 324
Reserve fund, 1 January	1 072	1 059	1 072	1 059
+ increase	11	13	11	13
Reserve fund, 31 December	1 083	1 072	1 083	1 072
Revaluation fund	382	382	–	–
Non-restricted shareholders' equity				
Contingency fund, 1 January	9 262	12 011	59 419	62 168
– interest to co-operative capital	–	–2 941	–	–2 941
+ of profit for previous financial period	190	192	190	192
Contingency fund, 31 December	9 452	9 262	59 609	59 419
Surplus from previous years	12 048	9 404	–	–
Surplus for the financial period	1 179	2 844	202	200
10. Reserves				
Tax liabilities corresponding to voluntary reserves	–	2 520	–	–
11. Long-term Liabilities Falling Due in Five Years	78 562	91 791	77 958	91 713
12. Liabilities				
Non-covered liability deficit of the pensions fund	3 782	3 880	3 782	3 880
Unemployment pension responsibility due to pension commitments	7 693	7 934	7 693	7 934
Liabilities due to pension and salary commitments	9 795	5 472	9 795	5 472
Guarantees on behalf of others	35 534	43 128	35 534	43 128
Mortgage on real estate	200 376	211 876	191 876	203 376
Other mortgages	30 500	30 500	30 500	30 500
Leasing responsibilities	5 154	3 531	5 154	3 531
Responsibility of the guarantees of the TLK Group	1 361	2 004	1 361	2 004
Responsibilities, 31 December	294 195	308 325	285 695	299 825
13. Pledges				
On own behalf				
Other pledges	81 773	74 409	81 773	74 409
14. Co-operative Payments to be Paid	75 724	73 831	75 724	73 831

15. Group Companies	Corporation's Share %	Shares Owned by the Parent Company: Number	Shares Owned by the Parent Company: Book Value
Mikkelin Teurastamo Oy (Mikkeli Slaughterhouse Ltd)	100	600	2 636
ZAO Portti SPb	100	100	463

PROPOSAL FOR DISTRIBUTION OF EARNINGS

The Board of Directors proposes that the surplus of FIM 202,012.32 for 1997 be used as follows:

– 5 percent of the surplus be transferred to the reserve fund in accordance with Section 13 of the Articles of Association	10,100.62
– the remaining funds be transferred to the contingency fund	191,911.70
	202,012.32

The Board of Directors also proposes that no dividend be paid on the co-operative capital for 1997.

Provided that the above proposals are approved, the shareholders' equity of Slaughterhouse Co-operative Karjaportti is:

Restricted Shareholders' Equity		
Co-operative Capital	59,982,183.90	
Reserve Fund	1,093,602.88	61,075,786.78
Non-Restricted Shareholders' Equity		
Contingency Fund		59,801,323.94
		120,877,110.72

Mikkeli, 23 March 1998

Seppo Virtanen

Kyösti Harju
Erkki Kolehmainen
Antti Pilli-Sihvola

Reino Huotilainen
Pirjo Lampinen
Samuli Sorsa

AUDITORS' REPORT

To the Members of the Karjaportti Co-operative Slaughterhouse

We have audited the accounts and the administration of the Karjaportti Co-operative Slaughterhouse for the 1997 financial year. The financial statements presented by the Board of Directors and the Managing Director include, for both the Corporation and the Co-operative, a profit and loss account, a balance sheet and notes to the financial statements, as well as a funds statement. Based on our audits, we express our opinion on these financial statements and the administration of the Co-operative.

We performed our audits in accordance with generally accepted auditing standards. An audit includes assessing the accounting principles used, as well as evaluating the overall financial statement presentation, to obtain reasonable assurance about whether the financial statements are free of material misstatements. The purpose of the audit of administration is to examine that the Supervisory Board, Members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion, the financial statements have been prepared in accordance with generally accepted accounting principles and with other rules and regulations relevant to the preparation of financial statements. The financial statements present fairly, in all material respects, the financial position of the Corporation and the Co-operative, and the results of their operations, in conformity with generally accepted accounting principles. The financial statements of the Co-operative and the corporation can be approved, and the Co-operative's Supervisory Board, Members of the Board of Directors and Managing Director can be discharged from liability for the financial year audited by us. The Board of Directors' proposal for the distribution of profits is in accordance with the Co-operatives' Act.

Mikkeli, 26 March 1998

Olli Sinisalo Chartered Accountant	Pentti Savolainen Authorised Public Accountant

SUPERVISORY BOARD'S STATEMENT

We have examined the statement of the Board of Directors, the statement of the examiners appointed by the Supervisory Board, the financial statements and the auditors' report for the 1997 financial year. In accordance with the Articles of Association, we now leave the said documents to be dealt with by the representatives. We also propose that the financial statements be approved and the surplus be used and interest be paid on the co-operative capital as proposed by the Board of Directors.

Next in turn to resign from the Supervisory Board are Irja Hintsanen, Eero Kailanen, Juha Kosonen, Juha Kuokka, Risto Liukko, Timo Ruhanen, Heikki Sakkara and Eino Vekkeli.

Mikkeli, 17 April 1998

Esko S. Hämäläinen

Irja Hintsanen	Jukka Juutilainen
Eero Kailanen	Kyösti Kallio
Markku Kinnunen	Matti Kohvakka
Juha Korhonen	Juha Kosonen
Juha Kuokka	Seija Lifländer
Risto Liukko	Seija Lyytikäinen
Rauno Nuppola	Pekka Partanen
Reijo Pöntynen	Timo Ruhanen
Mauno Saalasti	Sari Saari-Muhonen
Heikki Sakkara	Erkki Talikka
Kalervo Tulokas	Eino Vekkeli

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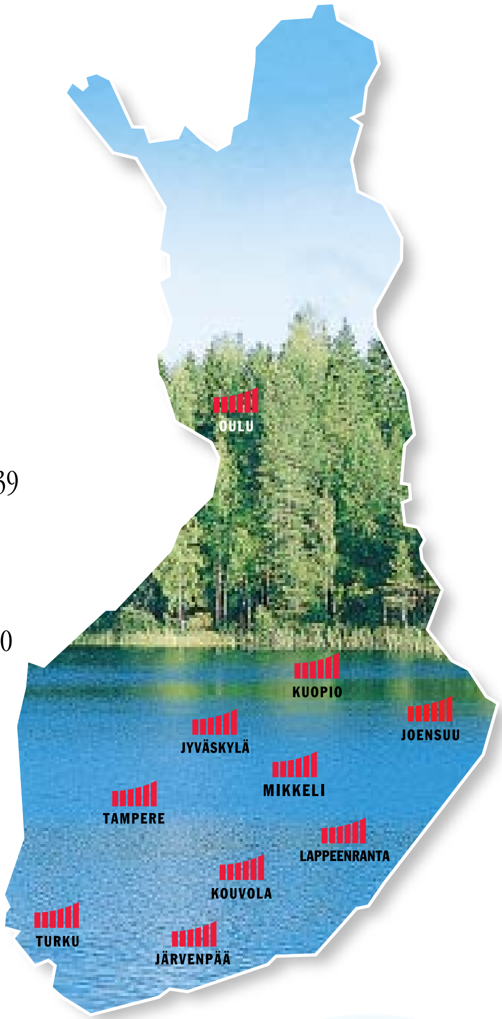
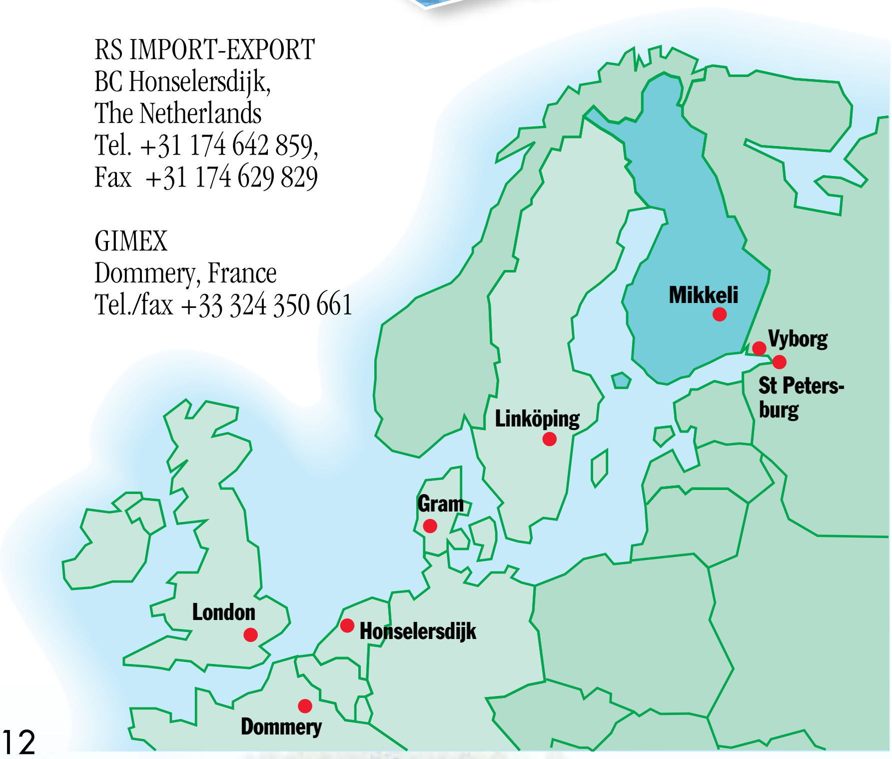
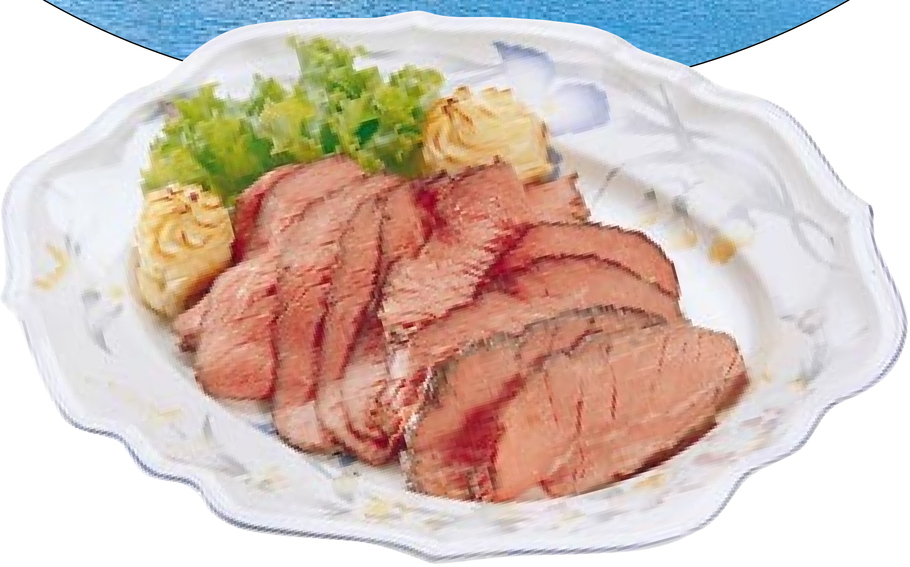


POPULAR EXPORT PRODUCTS SAUCE BASES




JÄRVI-SUOMEN
PORTTI