



ANNUAL REPORT  
1998

# C ontents



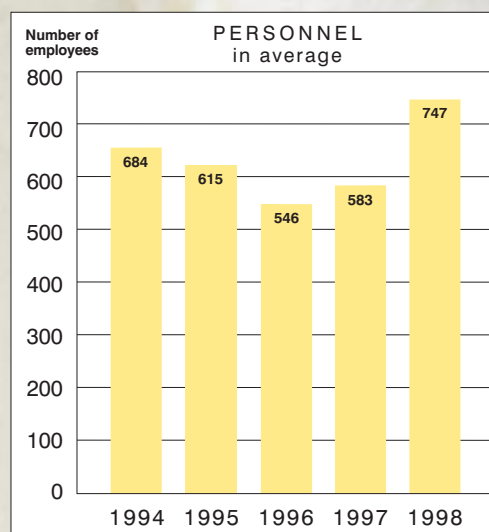
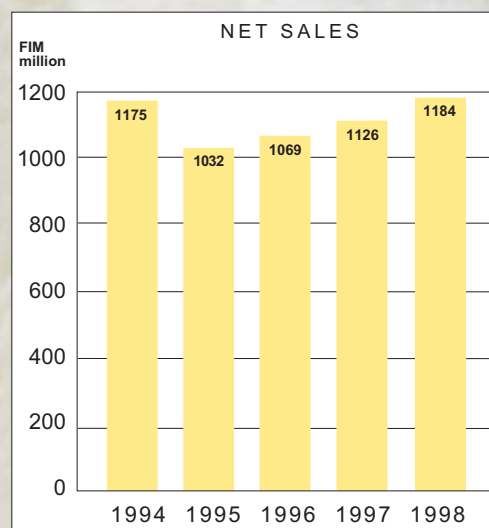
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# 1998 in Brief

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ales in the domestic market developed favourably, but exports decreased considerably, as the exports to Russia plummeted at the beginning of the autumn.

- ◆ Profitability decreased as competition in the chilled products group became sharper in the domestic market, exports to Russia were cut down, and the rainy summer weather had a negative impact on ice-cream sales.
- ◆ During the year the Group introduced cooperation in the packaging of liquid milk products with two dairies, Osuuskunta Maitomaa and Kaustisen Osuusmeijeri.
- ◆ In the spring, the Group acquired the share majority of UAB Ingman Vega.
- ◆ In the autumn, the Group established together with Laaksojen Maitokunta a new production company called Pohjanmaan Juusto Oy, which concentrates on the manufacture of cheese.
- ◆ On the basis of an application by the company, HEX Ltd ended in August the listing of the company's Series A share on the Broker's List of Helsinki Exchanges.



		FIM			%	Euro		
		1998	1997	Change		1998	1997	Change
Net sales	million	1 183.6	1 125.7	58.0	5.1	199.1	189.3	9.7
Operating profit before depreciation	million	82.7	107.4	-24.7	-23.0	13.9	18.1	-4.2
% of net sales		7.0	9.5	-2.6		7.0	9.5	-2.6
Operating profit	million	33.1	62.6	-29.6	-47.2	5.6	10.5	-5.0
% of net sales		2.8	5.6	-2.8		2.8	5.6	-2.8
Profit before extraordinary items	million	26.3	54.0	-27.8	-51.4	4.4	9.1	-4.7
% of net sales		2.2	4.8	-2.6		2.2	4.8	-2.6
Earnings per share		15.58	13.40	2.18	16.3	2.62	2.25	0.37
Gross investments	million	68.4	78.7	-10.3	-13.1	11.5	13.2	-1.7
Balance Sheet total	million	1 116.4	1 189.4	-73.0	-6.1	187.8	200.0	-12.3
Equity ratio	%	51.1	50.5	0.6	1.2	51.1	50.5	0.6
Personnel in average		747	583	164	28.1	747	583	164

# Managing Director's Report

The profitability of Finnish industry, with the exception of the telecommunications sector, decreased considerably during the second half of 1998. This was also reflected in the Stock Exchange as falling share prices. During the second half of the year, the share prices came down in most sectors so dramatically that the total development during the year remained negative. The extremely strong share price development of the telecommunications sector with an index increase of 214.7% consolidated, however, the total index so that the HEX Portfolio Index for the financial year ended at + 12.7%.

In addition to the general problems of industrial production, food industry suffered heavily of the situation in Russia. Export volumes plummeted after the devaluation of the rouble in August. This led to decreasing production volumes and price dumping, as the already manufactured products were sold to the overloaded markets in the west.

The competition situation in the dairy sector also changed at the beginning of the summer. This led to a price fall of above all packaged milk, but the situation also influenced the prices of chilled products in general. The summer was very rainy, which had a negative impact on ice-cream sales, and the consumption of ice-cream fell by 5% from the previous year.

The volume targets set for domestic sales were achieved. The development of net sales was positive in all the product groups. Net sales increased even in the ice-cream group, which suffered from the rainy summer.

The situation in Russia resulted in very gloomy export figures. In addition to the sharply falling export volumes, exports also suffered from credit losses and, besides, other losses resulting from the fact that the already manufactured products had to be sold to other markets.

The Group's net sales developed favourably on the whole and increased by 5.1% to FIM 1 183.6 million. As a result of the difficult market situation Ingman Foods could not, however, reach a satisfactory result. The profit after financial items was cut down by half to FIM 26.3 million.



The result from securities trading was good, and the target of obtaining a yield that corresponds at least to the HEX Portfolio Index was obtained. The situation in the market was, however, difficult as two thirds of the shares listed on the Stock Exchange had a negative price development.

The problems that the dairy sector had to face last year will continue in 1999. Competition has sharpened, and no help can be expected from exports. Summer weather will have a major impact on ice-cream sales, and it is unlikely that the summer of 1999 is as rainy as the previous one. This would mean that it is possible to maintain the profit approximately at the present level.

I would like to take this opportunity to thank the employees for work well done during the year. I would also like to extend my thanks to all our customers, co-operation dairies, milk suppliers and other interest groups for good co-operation.

Robert Ingman



# Ingman Foods Group

**I**ngman Foods is a Finnish food industry group with a constantly changing operating environment. Over the years, the Group has been systematically developed into one of Finland's leading food manufacturers, and it holds an important position in the dairy sector.

The strategy of the Group is to concentrate on milk-based products, which has led to the sale of the other product groups over the years. Consequently, the Group's most important raw material is fresh Finnish milk.

Ingman's product groups are:

- ◆ chilled products
- ◆ liquid milk products
- ◆ dairy products
- ◆ ice-cream products

The chilled products include yogurt, curdled milk, puddings, unripened cheese, cottage cheese, food creams (smetana sour cream, Crème Fraîche, Chef Gourmet), curd, dessert sauces, and juice. The milk products comprise milk, sour milk, and cream. Dairy products are different kinds of cheese, butter, lactose, and milk protein.

The Ingman Foods Group has production units in Sipoo, Lapinjärvi, Kuusamo, Ranua, Ylivieska, Kitee, and Urjala. The parent company Ingman Foods Oy Ab's production units

The group company Jk Juusto Kaira Oy operates in Kuusamo and Ranua. Cheese, lactose and milk protein are produced in Kuusamo and butter in Ranua.

Pohjanmaan Juusto Oy manufactures cheese in Ylivieska.

Kiteen Meijeri Oy produces butter and milk powder in Kitee.

Halkivahan Meijeri Oy, situated in Urjala, produces butter and unripened cheese.

The associated company UAB Ingman Vega manufactures ice-cream in Mazeikiai, Lithuania.

Ingman Foods has a comprehensive sales and distribution network in Finland. The head office and main production units are situated in Sipoo, near Helsinki. In addition to the sales offices in Tampere, Oulu, Tammisaari and Maarianhamina there are delivery terminals in various parts of Finland. The foreign sales offices are situated in St. Petersburg, Russia, in Riga, Latvia and Exeter, the UK.

## **Ingman Foods' key to success**

During its more than 90 years of operation, the company has grown and adapted itself to the constantly changing needs of the market. Ingman Foods' major resources lie in the true competence of its personnel, innovative product development, and valuable traditions. The company has been the first to introduce several new products to the Finnish market, e.g. curdled milk, natural unflavoured yogurt and yogurt with fruit, layered yogurt, traditional and flavoured cottage cheese, Crème Fraîche, smetana sour cream, curd, juice, packaged and giant ice-cream cones, and premium ice-cream.

Ingman Foods' prime-quality products are based on first-class ingredients and advanced quality control systems. Milk is the company's main ingredient and the core of production. The company has an organisation of its own for the collection of milk, as have its dairy subsidiaries and co-operation dairies in other parts of Finland. The European ISO 9001 quality standard and from the spring of 1999 the ISO 14001 environmental standard are applied at the Sipoo plant.

are situated in Sipoo and Lapinjärvi. Chilled and ice-cream products are produced in Sipoo and processed cheese in Lapinjärvi, where the cheese produced in Kuusamo is also packaged.

## Sales offices, delivery terminals and production plants

### Sales office and delivery terminal

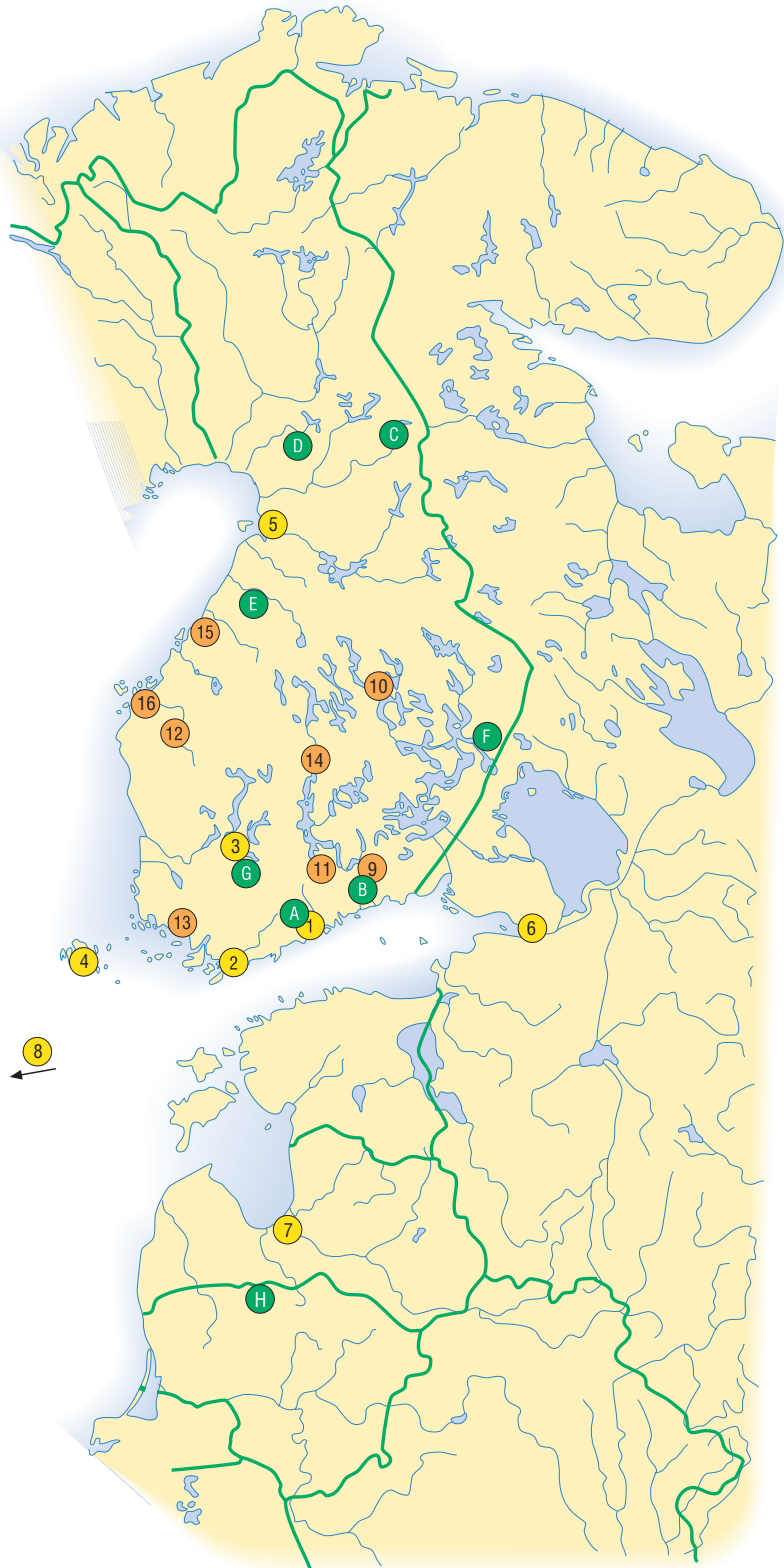
- 1) Sipoo
- 2) Tammisaari
- 3) Tampere
- 4) Maarianhamina, Åland Islands
- 5) Oulu
- 6) St. Petersburg, Russia
- 7) Riga, Latvia
- 8) Exeter, the UK

### Delivery terminals

- 9) Kouvola
- 10) Kuopio
- 11) Lahti
- 12) Seinäjoki
- 13) Turku
- 14) Jyväskylä
- 15) Kokkola
- 16) Vaasa

### Production plants

- A. Sipoo, Ingman Foods Oy Ab
- B. Lapinjärvi, Ingman Foods Oy Ab
- C. Kuusamo, Jk Juusto Kaira Oy
- D. Ranua, Jk Juusto Kaira Oy
- E. Ylivieska, Pohjanmaan Juusto Oy
- F. Kitee, Kiteen Meijeri Oy
- G. Urjala, Halkivahan Meijeri Oy
- H. Mazeikiai, Lithuania, UAB Ingman Vega





## Ingman Foods Oy Ab's history

**1907** Kotisaari Oy was established under the name Maanviljelijäin Maitokeskus.

**1929** Oy Hj. Ingman Ab was established in Sipoo by Hjalmar Ingman.

**1987** Maitotuote Oy and Oy Iglu Ab were merged with Oy Hj. Ingman Ab.

**1988** Oy Hj. Ingman Ab and Kotisaari Oy were merged into Kotisaari-Ingman Oy.

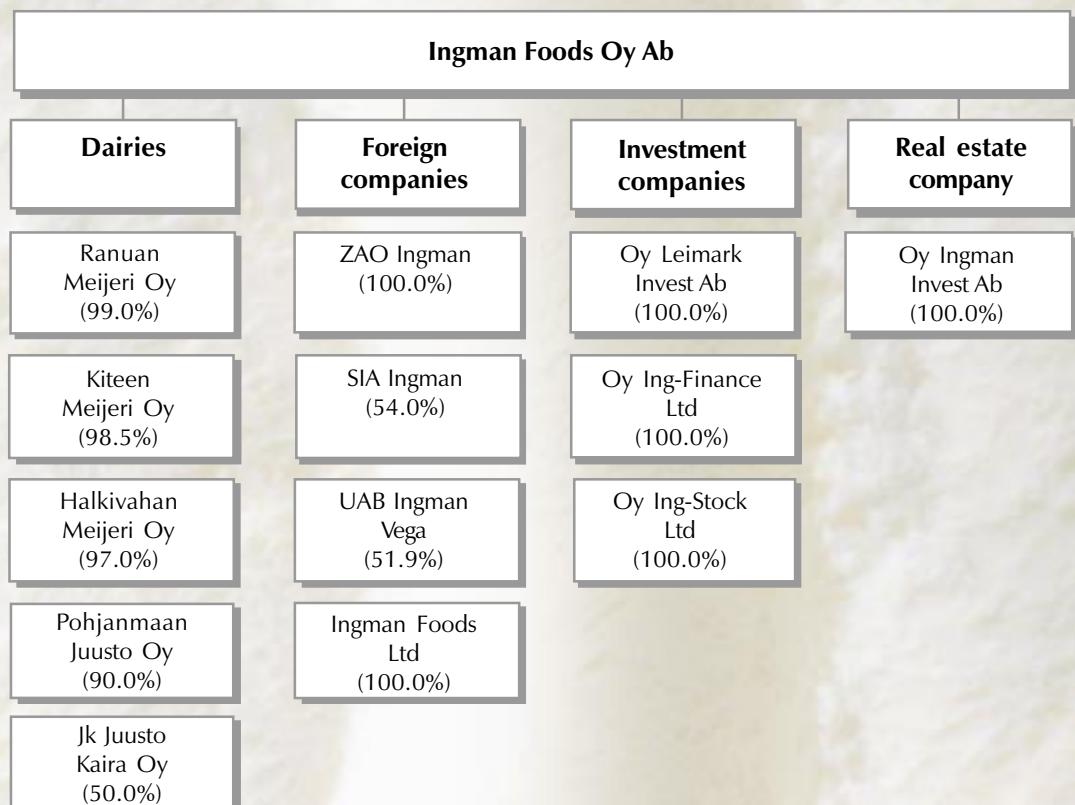
**1990** Kotisaaren Leipomo Oy was sold.

**1991** Apetit Pakaste Oy was merged with Kotisaari-Ingman Oy. The company name was changed to Ingman Foods Oy Ab. The new plant and head office in Sipoo were completed.

**1995** Ingman Foods Oy Ab concentrated on milk processing and gave up the marketing of frozen food and vegetables as well as juices and beverages with the exception of juices and beverages for refrigerated delivery.

**1997** The company celebrated its 90<sup>th</sup> anniversary.

**1998** The listing of the company's Series A shares on Helsinki Exchanges ended.





# Board of Directors, Management and Auditors

## Board of Directors

C-G Ingman, Chairman  
Hans Ingman  
Lars Ingman  
Robert Ingman  
Cecilia Rydbeck  
Teppo Taberman  
Magnus Westerholm

From the left Lars Ingman,  
Hans Ingman, Teppo Taberman,  
Cecilia Rydbeck, Magnus  
Westerholm, Robert Ingman  
and C-G Ingman

From the left Leif Hellman,  
Marika Ingman, Hans Ingman,  
Robert Ingman and Eino Lindfors



## Management

Robert Ingman, Managing Director  
Leif Hellman, Sales Director  
Hans Ingman, Production Director  
Marika Ingman, Marketing Director  
Eino Lindfors, Export Director

## Auditors

Jukka Reimi, Authorized Public Accountant  
Olli Wesamaa, Approved Public Accountant



# Products and Trademarks



**D**omestic sales developed favourably in all product groups in 1998. The total increase of sales in Finland was 7%. Exports developed, however, negatively in all product groups.

The volume of domestic ice-cream sales was good despite the rainy summer, which meant that Ingman Foods' market share developed favourably. There are a number of reasons for the success. The ice-cream group has a strong product range with many well-known brands. The company also launched a number of successful new products. Of these can be men-

tioned above all the soya ice-cream Tofu Ice and the premium ice-cream Ingman Golden.

Competition within chilled products sharpened clearly, which meant lower prices and falling profitability for our basic products. At the same time the interest in functional food increased, which contributed to the success of the Relä series. The popularity of different snack products also increased. Flavoured curd, which was one of our most successful new chilled products in 1998, belongs to this category.

The share of imports as compared with domestic products decreased to some extent in all our product groups. This was especially clear in the cheese group, where the price of domestic cheese was higher than that of foreign cheese in the volume segments. Another clear trend in the cheese group was the very strong increase in the sales of low-fat cheese. One example of this was the great success of Ingman Foods' new series of low-fat cheese spreads, which was launched in the summer of 1998.

The increase of domestic sales, the successful new products and the continuing expansion of the product range have further strengthened the position of Ingman's products among consumers. The key to success will even in the future be the concentration of communications to the Ingman trademark and a small number of other brands. The product selection must also be constantly expanded with innovative and strong novelties.

#### ◆ Chilled products

The domestic yogurt market continued to grow by about 4% in volume and 5% in value as compared with the previous year. Competition in the volume segments sharpened notably, while the role of special products was emphasised. The new growing segments include functional and low-fat yogurt products. The yogurt novelties launched by Ingman Foods also belong to these segments.

The total market for curdled milk was cut down by approximately 3%. The position of favoured curdled milk was further strengthened. Ingman Foods introduced to this segment a curdled milk with fruit, which is designed especially for children. The market share of Ingman Foods in the curdled milk group was 22%.

As interest in functional food is growing it is natural that the Rela series was also expanded. A new product introduced in 1998 was the Rela juice, which contains in addition to the beneficial lactic bacterium *Lactobacillus Reuteri* as much calcium as milk. A low-lactose yogurt in small cups was introduced to the Rela yogurt series.

The consumption of snack and dessert products has increased notably. Ingman's series

of flavoured curd represents this segment, and the sales figures show that the trend is very strong. Domestic curd in a larger package launched in this category was also very well received by the market.



◆ **Liquid milk products**

Milk consumption continues to fall. The decrease from the previous year was about 2%.

The competition in the fresh milk product group clearly sharpened during the year 1998. In spite of the competition, Ingman Foods' sales increased from 51 million litres the year before to 62 million litres.

◆ **Dairy products**

The group comprises cheese, butter and the powder products milk powder, milk protein, and lactose, with cheese being the major product.

Cheese consumption increased by more than

4% on the previous year. Consumption totalled approximately 88 million kilograms, which is about 17 kilograms of cheese per capita. The share of imported cheese was fairly constant, i.e. a little less than 20%. The sales of domestic aged cheese started to rise after the fall in 1997.

Ingman Foods' domestic cheese sales increased by 3% on the previous year. The company's market share is 9%. The sales of Edam cheese fell by 9%, while Emmenthaler sales increased by 5% on the year 1997. Sales in the category "other aged cheese" increased by 23% and the sales of cheese spreads by 18% on the previous year. The extensive selection of Emmenthaler and processed cheese has had a positive impact on sales. Above all the new low-fat series of cheese spreads has added to the sales.

The consumption of butter was about 23 million kilograms in 1998, i.e. more than 1% less than during the previous year. Despite the fall in the overall market, Ingman Foods sold 25% more butter than in 1997, and its market share is now 9%.

Powder sales accounted for about 5% of the total sales of the dairy group. The most important products are lactose, milk protein and fat-free milk powder.

The rapid decrease of exports to Russia also had an impact on the domestic sales of cheese and butter by further sharpening the price competition.

◆ **Ice-cream products**

The domestic overall market fell from 72 million litres in 1997 to 68 million litres in 1998. The major reason for the fall was the short and rainy summer.

The bad summer also changed the consumption pattern of ice-cream. The consumption of family packs increased, whereas the consumption of single items like pins and cones decreased. The soft ice product group as well as the "snack ice-cream" group continued to grow. This group contains for example ice-cream sandwiches and boats. The share of ice-cream cakes continued to fall in 1998.







Imports stood for 16% of the total consumption. Exports decreased dramatically as a result of the situation in Russia.

Despite the fall of the overall market, Ingman Foods was able to increase its market share to 34% in 1998. Ingman was the only ice-cream producer that increased its sales in the domestic market. The main reasons for the success were the good basic selection and interesting new products. The soya ice-cream Tofu Ice, which fulfilled the need for milk-free ice-cream, was launched at the beginning of the year. The product series received an honorary prize in the competition for the best Finnish food product in 1999, which was arranged by the Finnish Food and Drink Industries' Federation.

Of the novelties introduced in the spring, the Jättis strawberry cone and the ice lolly Lipsi Hot were especially well received by consumers. The launching of the premium ice-cream Ingman Golden in the autumn was a success. The series with four different flavours became market leader in the premium ice-cream segment within only a few weeks after its introduction.

# Ingman Foods and the Environment



**T**he environmental management system of Ingman Foods was certified according to the ISO 14001 standard in the spring of 1999.

## **Ingman Foods' environmental policy**

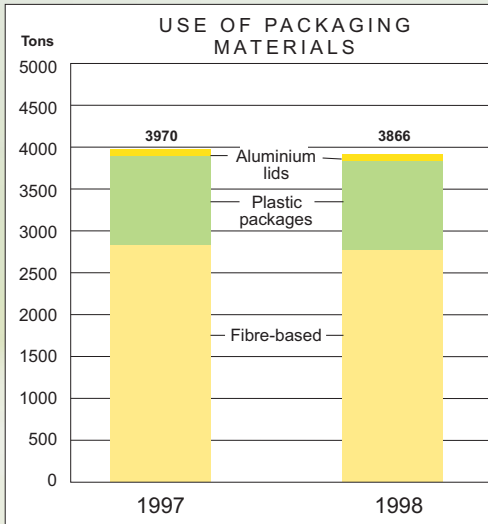
Ingman Foods' production unit in Sipoo mainly concentrates on production of milk-based food. The product selection covers chilled products, liquid milk products and ice-creams. Our environmental system comprises the operations at Ingman Foods' production unit in Sipoo.

In our operations, we take into account environmental impacts by decreasing the loads on the environment and by constantly improving the management of environmental matters. The constant improvement and con-

sideration of environmental matters is achieved by following the international ISO 14001 environmental management system. Environmental management is applied extensively in our company, and it has been integrated with quality management into one unified management policy.

## **The central objectives of the environmental system are to:**

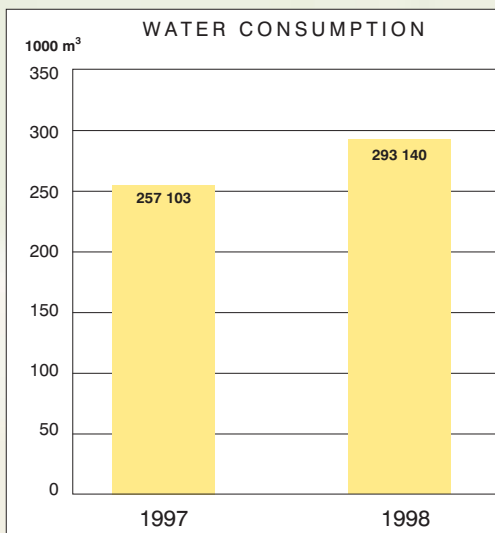
- ◆ cut down the amount of waste water and to improve its quality
- ◆ save energy
- ◆ minimise packing and raw material wastage
- ◆ cut down the amount of waste
- ◆ find environmentally friendly packing solutions
- ◆ reduce the atmospheric emissions caused by energy production
- ◆ develop and increase recycling



- ◆ cut down the environmental load due to transports

The entire staff should be familiar with the company's environmental policy. The staff is trained to understand the impacts that its operations have on the environment and advised and encouraged to take the responsibility for its work.

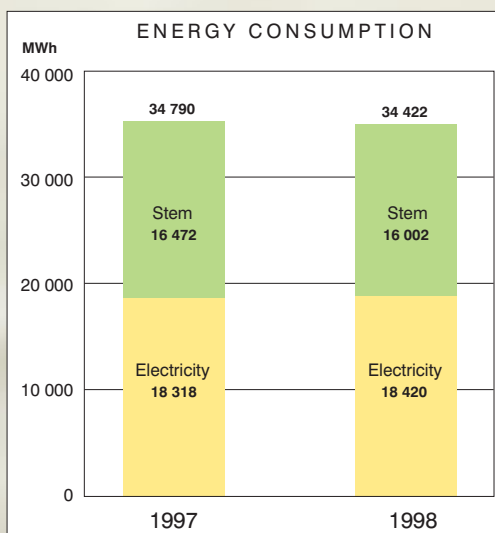
We follow the principles of the international Chamber of Commerce on sustainable development and the obligations and regulations defined by legislation. All our interest groups are aware of our environmental policy, and we distribute information about it actively.



### Environmental organisation and responsibilities

The management of the environmental system is represented by the Development Manager. He is responsible for the implementation and development of the system as well as for the training of the staff in environmental matters.

The Environmental Management Team plans new challenges related to the system, assesses the development needs of new functions, and follows the realisation of the environmental goals. The Team consists of the persons responsible for the different departments of the factory, who take the decisions of the Management Team further to the departments.



The Environmental Team supports the Development Manager in the maintenance and continuous improvement of the system. The Team makes internal audits and brings out development needs of the system. Every employee is for his or her part responsible for operations in accordance with the environmental system and for its development.

### Environmental Management Team:

- Factory Director
- Production managers
- Development manager
- Automation manager
- Research manager
- Chief buyer
- Maintenance manager
- Head of ice-cream production
- Materials manager



### Environmental Team:

Development manager  
Environmental planner  
Environmental auditors

### Measures taken

### Reports

**1991:** a protection plan which analysed the major environmental risks and examined the things that had to be taken into account in the protection of air and water and noise abatement was completed.

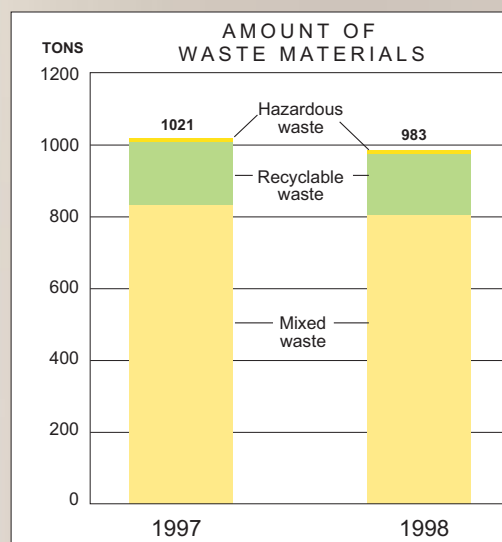
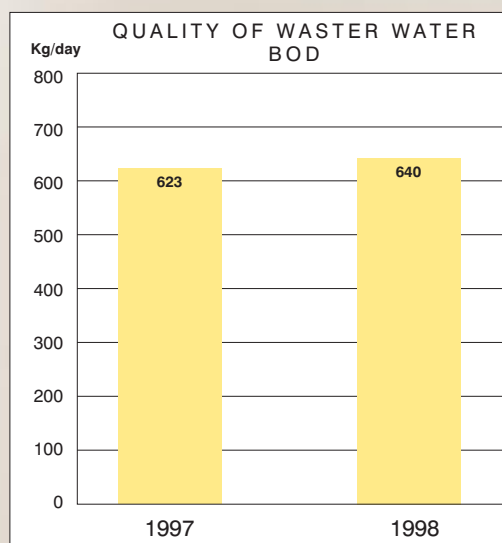
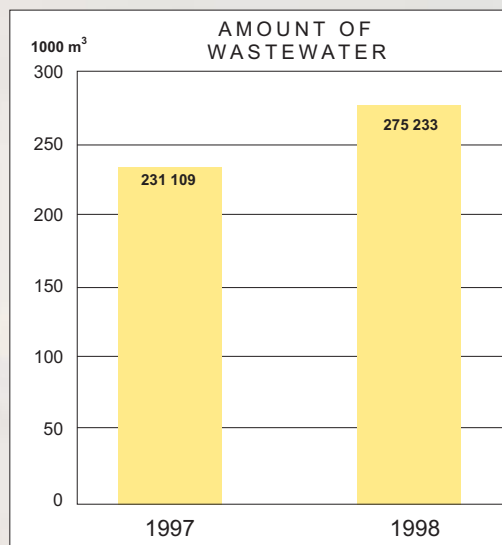
**1996:** an assessment of the hazards connected with different functions was added to the protection plan, an information bulletin on the state of the management of environmental matters was published for our interest groups, and an energy audit on energy savings objects was made.

**1997:** Ingman Foods published its first environmental report, which accounted for the environmental impacts of the company operations.

**1998:** the company published an environmental report containing the major environmental aspects and impacts as well as proposals for the development of environmental management.

### Air and water

The heating station uses industrial fuel oil with low sulphur content, due to which the sulphur emissions into the air are 60% smaller than if the company used ordinary fuel oil. Particulate emissions are 10 to 20 times smaller than the standards defined by the Finnish Council of State. Freon-free, environmentally friendly refrigerants according to the latest technology, which do not destroy the ozone layer of the atmosphere, have been installed to the refrigeration and transport equipment. In February 1999, the last halon fire extinguishing systems were replaced by a less harmful agent. The condensing and cooling water of the production is reused in the process, which means savings of 20 to 30% in the total consumption of water. Ingman Foods has managed to reduce the amount of organic substances in the waste water by 50% during the period 1994 to 1998.





### **Packages**

Milk cartons and large (1 kg) yogurt cartons are mostly made of material that can be recycled. The company has partly started to use paper covers instead of aluminium covers in the curdled milk cups. The packing machines in the factory have been adjusted so that it is possible to use thinner plastic.

Many of the products are packed in roll containers, which the shops return to the factory once empty. Excessive packing has also been cut down in transports by packing the sales lot cases directly on platforms.

As for the raw material, milk is received directly to silos from the tank cars. The jams and chocolate come in steel containers, which are returned to the manufacturer. Sugar is also moved directly to silos, which reduces the need for unnecessary packing. The raw material warehouse reuses cartons, plastic cans, tin and plastic containers, and aluminium covers.

### **Energy**

Energy savings of about 10% could be achieved in 1998 as a result of a project for the recycling of heat. The programme for saving lighting energy was completed in the beginning of 1999.

### **Waste**

The incinerable waste arising in production is sorted and delivered to the energy industry, which uses it as support fuel. The corrugated board that comes to the factory is recycled to almost 100%. The corrugated board packages used in Ingman Foods' products are also reused thanks to the active recycling operations of grocers. The plastic packages that come to the factory are gathered and used as raw material for, e.g. refuse sacks. All metal waste is also gathered and sent to a scrap yard. The wooden platforms and cases that are broken during transports are chipped. A register is kept of all hazardous waste, which is sent to a company specialising in its treatment. The paper used in the office is sorted to white office paper and other collected paper. Waste accounting was introduced in 1998.





# Report of the Board of Directors

## 3.1.1998-2.1.1999

Sales development in the domestic market was favourable in all product groups. Exports, on the other hand, were cut down considerably, as the exports to Russia stood practically still after August. The good domestic sales compensated, however, the fall in exports, and total sales developed positively.

The profitability of the core operations was unsatisfactory. The sharp price competition in the domestic market cut down the margins in the chilled products group. The profitability of ice-cream sales decreased, on the other hand, as a result of the rainy summer, which transferred ice-cream consumption from single items to family packs. The result of the dairy products group fell mainly as a result of the plummeting exports to Russia. Securities trading showed a profitable result and reached the result level of the previous year.

### **Net sales**

Group net sales increased by 5.1% to FIM 1 183.6 million (1997: FIM 1 125.7 million). Sales increased in all product groups except for the dairy products. Exports and foreign operations amounted to FIM 121.5 million (FIM 136.5 million) accounting for 10.3% (12.1%) of Group net sales.

Net sales in the chilled products group increased by 9.8% to FIM 448.0 million (FIM 408.0 million) as a result of the growth in packaged milk and cream sales. In order to be able to meet the growing demand, the Group introduced co-operation with the dairies Osuuskunta Maitomaa and Kaustisen Osuusmeijeri regarding the packaging of liquid milk products. Chilled products accounted for 37.9% (36.2%) of Group net sales. Exports of chilled products decreased.

Net sales in the ice-cream products group increased by 4.2% due to the fact that UAB Ingman Vega was for the first time included in the Group in 1998. Net sales of ice-cream products totalled FIM 265.6 million (FIM 254.8 million) and accounted for 22.4% (22.6%) of Group net sales. Net sales in the domestic market remained practically unchanged, whereas the exports of ice-cream were cut down by half from the previous year.

Net sales in the dairy products group fell by 4.5% to FIM 324.1 million (FIM 339.2 million) as a result of the fall in exports. Dairy products accounted for 27.4% (30.1%) of Group net sales. The drastic fall in exports to Russia caused the decrease in exports as well as temporary oversupply in the domestic market, which resulted in sharper competition and a price fall.

The provision of milk by the Group to external units increased by 28.0% and was FIM 59.3 million (FIM 46.3 million). Most of the milk was delivered to the co-operation dairy Hämeenlinnan Osuusmeijeri, which packages the majority of the Group's liquid milk products. The share of the milk raw material of Group net sales was 5.0% (4.1%).

### **Financial result**

Group operating profit before depreciation decreased by FIM 24.7 million to FIM 82.7 million (FIM 107.4 million). There were a number of reasons for the unsatisfactory result. Domestic competition increased during the year above all in the chilled products group, exports to Russia plummeted in the early autumn, and the rainy summer had a negative impact on ice-cream sales. The result of the investment companies was, however, good. Operating profit before depreciation accounted for 7.0% (9.5%) of net sales.

Depreciation according to plan was recorded to the amount of FIM 49.6 million (FIM 44.9 million). The increase by FIM 4.8 million is mainly due to the non-recurrent depreciation on the goodwill of UAB Ingman Vega.

Operating profit fell by FIM 29.5 million to FIM 33.1 million (FIM 62.6 million) accounting for 2.8% (5.6%) of net sales.

Financial net costs fell by FIM 1.8 million from FIM 8.6 million to FIM 6.8 million as a result of lower interest expenses.

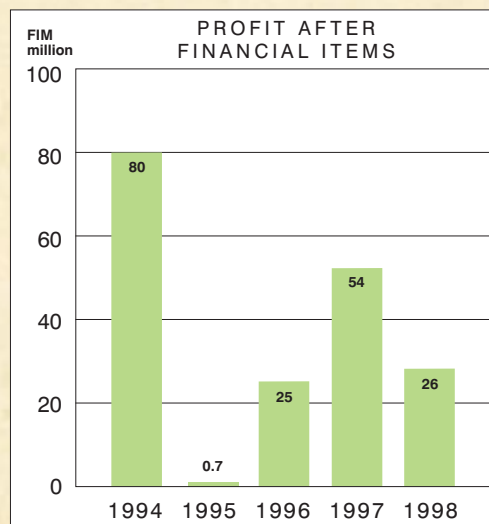
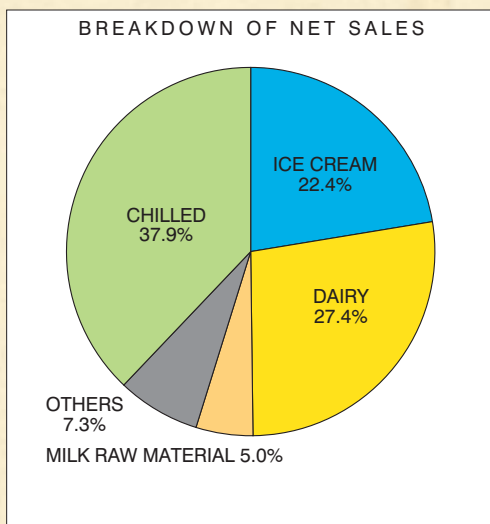
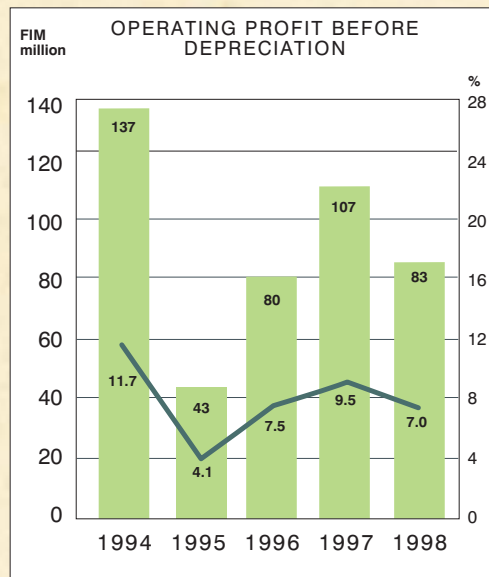
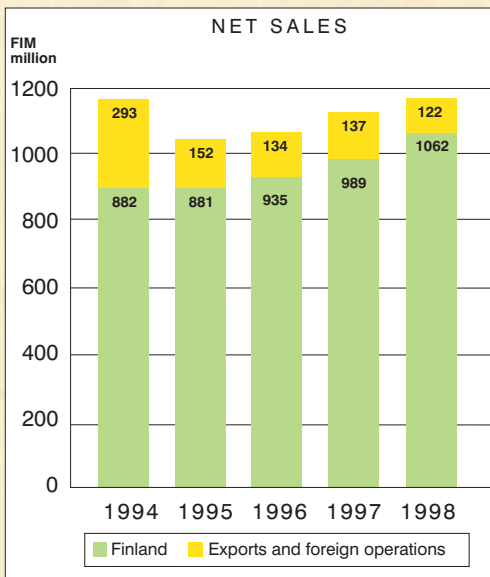
Profit after financial items amounted to FIM 26.3 million (FIM 54.0 million), which corresponds to 2.2% (4.8%) of net sales.

Extraordinary items totalled FIM 1.8 million (FIM 76.8 million). Profit before appropriations and taxes was FIM 28.0 million (FIM



130.8 million). Direct taxes amounted to FIM 8.8 million (FIM 37.1 million).

The Group's total financial result after minority interest was FIM 17.6 million (FIM 90.7 million).



### **Investments and financing**

In 1998, the Group invested for example in a milk terminal in Sipoo. As a result of this, all remaining operations in the company's old production plant at Hämeentie in Helsinki were transferred to Sipoo. The Group's gross investments were FIM 68.4 million (FIM 78.7 million). The gross investments are relatively high, as UAB Ingman Vega and Pohjanmaan Juusto Oy are for the first time included in the Group, and they bring with them fixed assets included in the Group's gross investments.

The Group's working capital increased by FIM 21.3 million to FIM 279.3 million (FIM 258.0 million). Liquidity was good throughout the year.

The equity ratio increased by 0.6 percentage points to 51.1% (50.5%). Interest-bearing liabilities decreased by FIM 25.2 million to FIM 314.6 million (FIM 339.9 million).

### **Personnel**

The Group's total number of personnel increased because the staff of UAB Ingman Vega and Pohjanmaan Juusto Oy is now included in Group figures. The number of personnel in the parent company is at the same level as the year before. The Group employed an average of 747 (583) persons during the year and 697 (559) persons at the year end. The average number of personnel increased by 164 and the number of personnel at the year end by 138 persons.

### **Milk procurement**

The procurement of milk within the Group remained at the same level as in 1997. The restructuring of the sector with several suppliers giving up milk production continued. The number of milk suppliers decreased by 57 during the year. The number of milk suppliers will continue to fall, but at a slower pace. The change in milk procurement will, however, be very little, as the remaining suppliers are increasing their milk production. The Group's procurement of milk amounted to 59.2 million litres (59.4 million litres). The Group also bought milk for processing in the production plants and for sales to the co-operation dairies. This milk amount was 120.4 million litres (116.9 million litres).

### **Subsidiaries**

Total net sales of the dairy subsidiaries increased as Pohjanmaan Juusto Oy was included in the Group. The overall result of the dairy subsidiaries fell and was negative.

The net sales of the foreign subsidiaries increased and their financial result improved as UAB Ingman Vega was included in the Group.

The investment companies achieved a good result, which was at the same level as in 1997. The goal of securities trading to achieve a yield that corresponds to the HEX Portfolio Index was achieved. The HEX Portfolio Index went up by 12.7% in 1998.

### **Own shares**

On the basis of a decision by the General Meeting, 48 257 Series A shares were redeemed from subsidiaries and 108 489 Series A shares were acquired through public trading. A total of 156 746 own Series A shares were redeemed and acquired. The purchase value was FIM 62.7 million. During the year, 140 757 Series A shares were invalidated and the share capital was decreased by a total of FIM 3 518 925, which was transferred to the share premium fund. The invalidated shares stood for 12.6% of the share capital and 14.1% of the total number of votes. At the end of the financial period the Group owned 15 989 own Series A shares with a nominal value of FIM 399 725. Their share of the total share capital is 1.6% and of the total voting rights 1.6%.

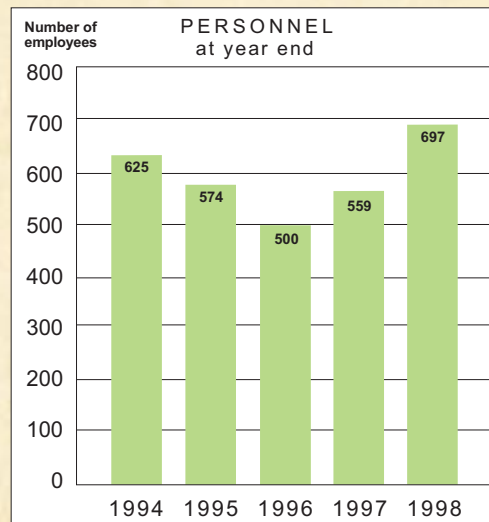
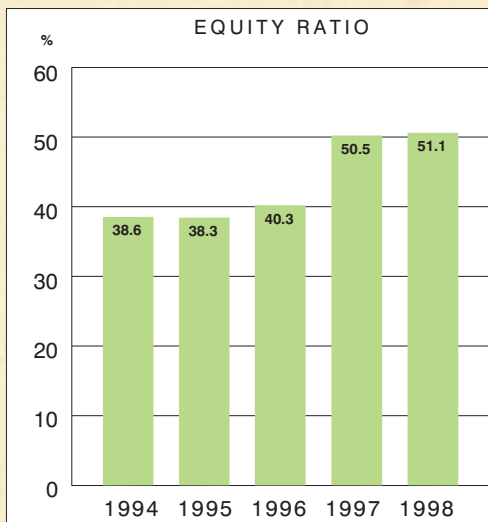
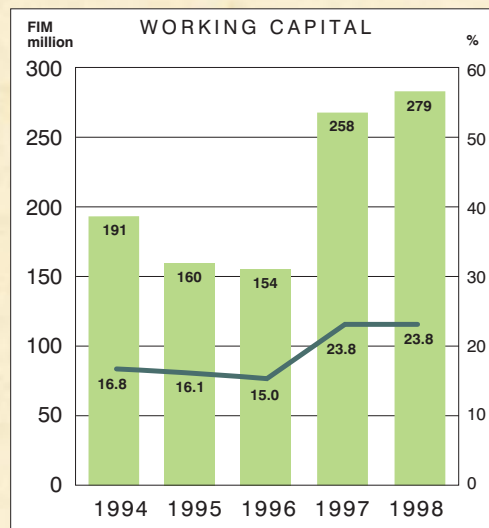
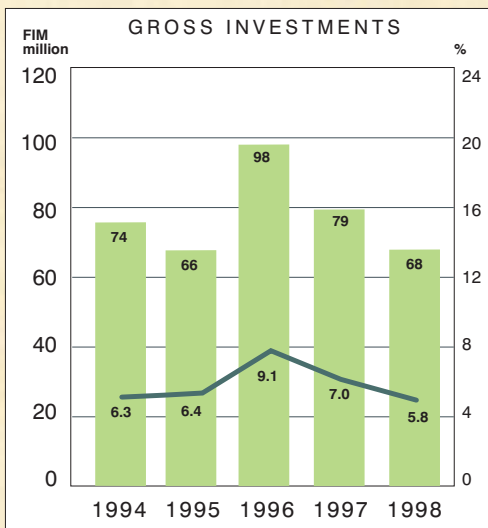
### **Strategic decisions**

The share majority of UAB Ingman Vega was acquired at the beginning of the year. The holding of the Group in the company is now 51.9%. UAB Ingman Vega, which manufactures ice-cream in Lithuania, was previously an associated company.

During the spring, the Group also increased its holding in Chymos Juomat Oy from 11.0% to 17.6%. The merger between Chymos Juomat Oy and Marli Oy became effective on 1.2.1999. The holding of Ingman Foods Oy Ab in the new company Oy Marli Ab is 8.09%.

Based on a decision by the General Meeting, the company made in May an application requesting that the listing of the company's Series A share on the Brokers' List of Helsinki Exchanges be ended. The application was approved, and the listing ended in August.

In September, the Group established together with Laaksojen Maitokunta a new production company called Pohjanmaan Juusto Oy, which concentrates on the manufacture of cheese in Ylivieska.





# Income Statements

FIM thousand	Group				Ingman Foods Oy Ab			
	3.1.1998- 2.1.1999	%	3.1.1997- 2.1.1998	%	3.1.1998- 2.1.1999	%	3.1.1997- 2.1.1998	%
<b>Net sales (1)</b>	<b>1 183 629</b>	<b>100.0</b>	1 125 674	100.0	<b>1 048 862</b>	<b>100.0</b>	1 028 616	100.0
Increase+ or decrease- in product inventories	<b>9 467</b>		5 506		<b>6 649</b>		3 265	
Share of result of associated companies			3 886					
Other operating income (2)	<b>9 439</b>		9 309		<b>6 752</b>		7 021	
Raw material and services (3)	<b>-808 612</b>		-759 061		<b>-768 821</b>		-735 137	
Personnel expenses (4)	<b>-109 603</b>		-101 772		<b>-81 058</b>		-80 016	
Depreciation and reduction (5)	<b>-49 617</b>		-44 782		<b>-33 107</b>		-34 295	
Other operating expenses	<b>-201 631</b>		-176 136		<b>-166 637</b>		-145 754	
	<b>-1 169 462</b>		-1 081 752		<b>-1 049 622</b>		-995 201	
<b>Operating profit</b>	<b>33 073</b>	<b>2.8</b>	62 622	5.6	<b>12 641</b>	<b>1.2</b>	43 700	4.2
Financial income and expenses (6)	<b>-6 802</b>	<b>-0.6</b>	-8 581	-0.8	<b>2 324</b>	<b>0.2</b>	-450	0.0
<b>Profit before extraordinary items</b>	<b>26 271</b>	<b>2.2</b>	54 041	4.8	<b>14 965</b>	<b>1.4</b>	43 250	4.2
Extraordinary items (7)	<b>1 756</b>		76 782		<b>-3 196</b>		79 536	
<b>Profit before appropriations and taxes</b>	<b>28 027</b>	<b>2.4</b>	130 824	11.6	<b>11 769</b>	<b>1.1</b>	122 786	11.9
Change in appropriations (8)					<b>1 075</b>		-7 114	
Direct taxes (9)	<b>-8 763</b>		-38 187		<b>-3 006</b>		-31 914	
<b>Profit for the period</b>	<b>19 263</b>	<b>1.6</b>	92 637	8.2	<b>9 839</b>	<b>0.9</b>	83 759	8.1
Minority interest	<b>-1 628</b>		-1 944					
<b>Group profit for the period</b>	<b>17 635</b>	<b>1.5</b>	90 693	8.1				

# Cash Flow Statements

FIM thousand	Group	Ingman Foods Oy Ab		
	3.1.1998- 2.1.1999	3.1.1997- 2.1.1998	3.1.1998- 2.1.1999	3.1.1997- 2.1.1998
<b>Operations</b>				
Operating profit	33 073	62 622	12 641	43 700
Corrections to the operating profit	50 908	120 566	33 748	112 832
Change in net working capital	-36 527	-117 221	-3 597	15 306
Interests and other financial items	-8 565	-9 764	-1 288	-4 302
Received dividends	1 763	1 184	3 612	3 852
Taxes	-8 763	-37 069	-3 006	-31 913
<b>Net cash flow from operations</b>	<b>31 889</b>	<b>20 318</b>	<b>42 110</b>	<b>139 475</b>
<b>Investments</b>				
Acquired shares	-5 028	-2 986	-14 818	-30 821
Sold shares	198	67 128	479	75 441
Purchase of other fixed assets	-63 374	-75 693	-43 269	-10 743
Sales of other fixed assets	4 336	51 397	2 102	4 535
Non-current receivables (increase/decrease)	1 004	84 682	19 806	-31 987
<b>Total cash flow from investments</b>	<b>-62 864</b>	<b>124 528</b>	<b>-35 700</b>	<b>6 425</b>
<b>Cash flow before financing</b>	<b>-30 975</b>	<b>144 846</b>	<b>6 410</b>	<b>145 900</b>
<b>Financing</b>				
Increase in long term liabilities	67 037	70 451	60 800	50 000
Decrease in long term liabilities	-94 052	-187 611	-84 461	-142 308
Dividends	-14 103	-10 630	-11 805	-10 654
Purchase of own shares	-43 784	-	-62 665	-
Annulled dividends	74	23	74	-
Received and paid Group contributions	-	-	-4 300	-
Other	1 868	52 890	-	-
<b>Financing, total</b>	<b>-82 960</b>	<b>-74 877</b>	<b>-102 357</b>	<b>-102 962</b>
Increase/decrease in liquid assets	-113 935	69 969	-95 947	42 938
Liquid assets on 3 January	182 027	112 058	150 567	107 629
<b>Liquid assets on 2 January</b>	<b>68 092</b>	<b>182 027</b>	<b>54 620</b>	<b>150 567</b>

# Balance Sheets

FIM thousand	2.1.1999	Group 2.1.1998	2.1.1999	2.1.1998
			Ingman Foods Oy Ab	
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Other long-term expenditure (10)	11 722	10 566	6 597	6 951
<b>Tangible assets</b>				
Land and water areas (11)	11 649	11 459	9 577	9 467
Buildings (12)	317 392	294 560	272 419	254 261
Machinery and equipment (13)	279 889	276 156	236 074	246 243
Advance payments and construction in progress (14)	1 516	153	778	-
	<b>610 447</b>	<b>582 328</b>	<b>518 849</b>	<b>509 972</b>
<b>Investments</b>				
Shares in Group companies (15, 33)			49 659	31 931
Receivables from Group companies (18)			125 353	144 028
Shares in associated companies (16)	-	13 611	-	8 148
Other shares (17)	25 498	20 668	24 891	20 132
Loans receivables (19, 22)	14 409	15 412	14 409	15 539
	<b>39 907</b>	<b>49 692</b>	<b>214 311</b>	<b>219 778</b>
<b>Non-currents assets</b>	<b>662 075</b>	<b>642 586</b>	<b>739 757</b>	<b>736 700</b>
<b>Current assets</b>				
<b>Inventories</b>				
Raw materials and supplies	25 392	20 218	17 503	16 148
Finished Products/Goods	95 740	78 261	57 335	50 686
Other inventories (20)	166 286	149 088	-	-
	<b>287 418</b>	<b>247 567</b>	<b>74 837</b>	<b>66 834</b>
<b>Receivables</b>				
Trade receivables	74 168	79 366	66 543	74 789
Receivables from Group companies (21)	-	-	2 985	6 398
Receivables from associated companies (21)	-	54	-	-
Loans receivables (22)	1 662	2 702	417	1 605
Other receivables	3 314	10 476	3 235	10 115
Prepaid expenses and accrued income	19 669	24 625	9 528	12 851
	<b>98 814</b>	<b>117 224</b>	<b>82 708</b>	<b>105 758</b>
<b>Cash in hand and at bank</b>	<b>68 092</b>	<b>182 027</b>	<b>54 621</b>	<b>150 567</b>
<b>Current assets</b>	<b>454 324</b>	<b>546 818</b>	<b>212 166</b>	<b>323 160</b>
	<b>1 116 399</b>	<b>1 189 404</b>	<b>951 922</b>	<b>1 059 860</b>



# Balance Sheets

FIM thousand	2.1.1999	Group 2.1.1998	2.1.1999	Ingman Foods Oy Ab 2.1.1998
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity (23)</b>				
Share capital	24 517	28 036	24 517	28 036
Share premium fund	3 519	-	3 519	-
Other reserves				
Legal reserve	1 529	1 529	1 529	1 529
Contingency fund	1 135	1 135	1 135	1 135
Retained earnings	499 107	466 961	200 721	191 359
Profit for the period	17 635	90 693	9 839	83 759
<b>Shareholders' equity</b>	<b>547 441</b>	<b>588 354</b>	<b>241 260</b>	<b>305 817</b>
<b>Minority interests</b>	<b>23 249</b>	<b>12 401</b>		
<b>Appropriations</b>				
Accumulated depreciation difference			346 116	347 191
<b>Liabilities</b>				
Deferred tax liability (25)	99 435	100 273		
<b>Non-current liabilities (26)</b>				
Loans from financial institutions	183 353	245 550	157 117	214 986
Pension loans	285	901	-	-
	<b>183 638</b>	<b>246 451</b>	<b>157 117</b>	<b>214 986</b>
<b>Current Liabilities</b>				
Loans from financial institutions	129 143	93 279	118 500	84 291
Pension loans	21	89	-	-
Trade payables	82 287	68 670	56 752	47 715
Debt owed to Group companies (27)	-	-	3 901	3 393
Debt owed to associated companies (27)	-	314	-	-
Accruals and deferred expenses	11 736	6 064	4 865	3 607
Other current liabilities	39 449	73 510	23 412	52 859
	<b>262 636</b>	<b>241 926</b>	<b>207 429</b>	<b>191 865</b>
<b>Liabilities</b>	<b>545 709</b>	<b>588 649</b>	<b>364 546</b>	<b>406 851</b>
	<b>1 116 399</b>	<b>1 189 404</b>	<b>951 922</b>	<b>1 059 860</b>

# Accounting Principles

The Financial Statements of Ingman Foods have been prepared in accordance with the Finnish accounting standards. All Group companies have in the Group Financial Statements applied the accounting principles below.

## **Principles of consolidation**

The consolidated Financial Statements cover the parent company as well as all companies in which the Group has, directly or indirectly, a controlling interest. Also the associated company in which the Group interest is 50 % and where its influence is significant has been consolidated.

The companies are consolidated by the acquisition cost method. Accordingly, the shares of subsidiaries have been balanced against subsidiary equity at the point of acquisition. The difference between the acquisition price of the shares and the total value of the subsidiary is recorded either under fixed assets, subsidiary goodwill or Group reserves. The subsidiary goodwill and the Group reserves arisen from the consolidation have been expensed.

All inter-Group transactions, internal receivables and payables and internal dividends have been eliminated.

The Income Statements of the foreign companies are converted into Finnish marks using the average exchange rate of the period and the Balance Sheets are converted into Finnish marks using the official average year end rate of the Bank of Finland. The conversion discrepancy pertaining to subsidiary equity arising from the difference between the year end exchange rate and the rate of exchange at the point of acquisition is eliminated by carrying the difference directly under the Group's equity.

This financial period no associated companies have belonged to the Group. The associated company in the previous period has changed to Group company. Associated companies of which the Group's holding is 20-50% are consolidated using the equity method. The percentage of associated company's profits which conforms to the Group's holding including the goodwill depreciation is recorded in the Group Income Statement. Dividends from associated companies are eliminated.

The Group's share of the profits and losses of the associated companies arisen after the acquisition including the goodwill depreciation have been added to the acquisition value of the associated companies and to the equity in the Group Balance Sheet.

## **Foreign currency items**

The foreign currency denominated accounts and receivables as well as liabilities to the parent company and domestic subsidiaries have been converted into Finnish marks at the official average year end rate of the Bank of Finland. The exchange rate gains and losses are presented as a net value in the financial items in the Income Statement.

## **Pension liabilities**

The personnel is insured through pension insurance companies. The Group does not have its own pension fund.

## **Research and development**

The research and development costs are moderate and have been expensed.

## **Valuation of fixed assets and depreciation**

Fixed assets are capitalized using their original acquisition price reduced with the depreciation according to plan. The planned depreciation is calculated straight line on the basis of the asset's economic lifetime and the acquisition cost as follows:

- Buildings and structures	20-50 years
- Machinery and equipment	5-30 years
- Other long-lived assets	5-10 years

## **Inventory valuation**

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a fifo-basis.

## **Appropriations**

The appropriations have been divided into equity (not distributable) and deferred tax liability in the proportion 72/28.

## **Net sales**

The gross sales have been reduced with the indirect taxes based on sales and cash-discounts.



# Notes to the Financial Statements

Income Statement, FIM thousand	Group		Ingman Foods Oy Ab	
	3.1.1998- 2.1.1999	3.1.1997- 2.1.1998	3.1.1998- 2.1.1999	3.1.1997- 2.1.1998
<b>1. Net sales</b>				
Net sales by product group				
Chilled products	448 012	408 047	448 359	412 590
Ice-cream products	265 558	254 762	223 849	242 488
Dairy products	324 082	339 230	295 934	303 281
Bulk dairy ingredients	59 323	46 338	80 720	70 256
Others	86 654	77 296	-	-
<b>Total</b>	<b>1 183 629</b>	<b>1 125 674</b>	<b>1 048 862</b>	<b>1 028 616</b>
	3.1.1998- 2.1.1999	%	3.1.1997- 2.1.1998	%
Geographic distribution of net sales				
Finland	1 062 095	89.7	994 054	88.3
Lithuania	32 383	2.7	-	0.0
Russia	52 954	4.5	85 620	7.6
Other	36 197	3.1	46 000	4.1
<b>Total</b>	<b>1 183 629</b>	<b>100.0</b>	<b>1 125 674</b>	<b>100.0</b>
	3.1.1998- 2.1.1999		3.1.1997- 2.1.1998	
<b>2. Other operating income</b>				
Rental income	8 145	7 195	6 290	6 023
Profit on sales of fixed assets	463	998	463	998
Other	831	1 116	-	-
<b>Total</b>	<b>9 439</b>	<b>9 309</b>	<b>6 752</b>	<b>7 021</b>
<b>3. Raw material and services</b>				
Raw materials and supplies				
Purchases during the period	826 971	759 357	770 175	733 485
Change in inventories	-18 359	-295	-1 354	1 652
<b>Total</b>	<b>808 612</b>	<b>759 061</b>	<b>768 821</b>	<b>735 137</b>
<b>4. Personnel costs</b>				
Wages, salaries and remunerations	86 495	80 010	63 887	62 627
Pension costs	13 747	13 278	10 424	10 803
Other personnel costs	9 362	8 485	6 747	6 586
<b>Total</b>	<b>109 603</b>	<b>101 772</b>	<b>81 058</b>	<b>80 016</b>
Salaries, benefits and remunerations to members of the Board of Directors and the Managing Directors	2 338	2 075	1 062	1 014
<b>5. Depreciation and reduction</b>				
Depreciation on intangible and tangible assets	43 728	40 924	33 107	34 295
Depreciation on goodwill	5 889	3 858	-	-
<b>Total</b>	<b>49 617</b>	<b>44 782</b>	<b>33 107</b>	<b>34 295</b>
<b>6. Financial income and expenses</b>				
Dividend income				
From Group companies	-	-	1 891	833
From others	1 763	1 185	1 722	3 019
<b>Total</b>	<b>1 763</b>	<b>1 185</b>	<b>3 613</b>	<b>3 853</b>
Interest and other financial income				
From Group companies	-	-	6 416	3 994
From others	5 855	9 515	4 467	8 812
<b>Total</b>	<b>5 855</b>	<b>9 515</b>	<b>10 883</b>	<b>12 806</b>
Interest and other financial expenses				
To Group companies	-	-	46	29
To others	14 420	19 280	12 125	17 080
<b>Total</b>	<b>14 420</b>	<b>19 280</b>	<b>12 171</b>	<b>17 109</b>
<b>Total</b>	<b>-6 802</b>	<b>-8 581</b>	<b>2 324</b>	<b>-450</b>
The items interest and other financial income/expenses includes exchange differencies (net)	409	506	-271	400



# Notes to the Financial Statement

	Group	Group	Ingman Foods Oy Ab	Ingman Foods Oy Ab
	3.1.1998- 2.1.1999	3.1.1997- 2.1.1998	3.1.1998- 2.1.1999	3.1.1997- 2.1.1998
<b>7. Extraordinary income and expenses</b>				
Extraordinary income				
Profit on sales of fixed assets	2 155	124 559	1 783	110 780
Received Group contribution	-	-	850	-
Revaluations	-	1 331	-	17 826
<b>Total</b>	<b>2 155</b>	<b>125 890</b>	<b>2 633</b>	<b>128 606</b>
Extraordinary expenses				
Loss on sales of fixed assets	385	49 070	385	49 070
Reduction	14	37	295	-
Given Group contribution	-	-	5 150	-
<b>Total</b>	<b>399</b>	<b>49 108</b>	<b>5 830</b>	<b>49 070</b>
<b>Total</b>	<b>1 756</b>	<b>76 782</b>	<b>-3 196</b>	<b>79 536</b>
<b>8. Appropriations</b>				
Change in depreciation difference	-	-	1 075	-7 114
<b>9. Direct taxes</b>				
Taxes from extraordinary items	388	21 499	-895	22 270
Taxes from operations	9 187	15 570	3 901	9 643
Change in deferred tax liability	-812	1 117	-	-
<b>Total</b>	<b>8 763</b>	<b>38 187</b>	<b>3 006</b>	<b>31 914</b>
<b>Balance Sheet, FIM thousand</b>	<b>2.1.1999</b>	<b>Group</b> 2.1.1998	<b>Ingman Foods Oy Ab</b> 2.1.1999	<b>2.1.1998</b>
<b>10. Other long-term expenditures</b>				
Acquisition value 3.1.1998	37 443	31 787	31 531	31 531
Increases	3 864	5 656	1 216	-
Decreases	-6	-	-	-
Acquisition value 2.1.1999	41 301	37 443	32 747	31 531
Accumulated depreciation 3.1.1998	-27 314	-23 864	-24 580	-22 305
Accumulated depreciation on decreases	-2 155	-2 904	-1 569	-2 275
Depreciation for the period	-110	-110	-	-
Accumulated depreciation 2.1.1999	-29 580	-26 878	-26 149	-24 580
Book value 2.1.1999	11 722	10 566	6 597	6 951
<b>11. Land and water areas</b>				
Acquisition value 3.1.1998	11 459	10 986	9 467	9 467
Increases	195	473	110	-
Decreases	-5	-	-	-
Acquisition value 2.1.1999	11 649	11 459	9 577	9 467
<b>12. Buildings</b>				
Acquisition value 3.1.1998	368 539	311 470	307 719	307 563
Increases	34 861	57 069	26 476	156
Decreases	-505	-	-505	-
Acquisition value 2.1.1999	402 895	368 539	333 690	307 719
Accumulated depreciation 3.1.1998	-74 892	-64 311	-53 458	-45 839
Depreciation for the period	-10 611	-9 668	-7 814	-7 619
Accumulated depreciation 2.1.1999	-85 503	-73 979	-61 272	-53 458
Book value 2.1.1999	317 392	294 560	272 419	254 261
<b>13. Machinery and equipment</b>				
Acquisition value 3.1.1998	451 656	396 977	382 341	375 853
Increases	41 165	58 247	14 689	11 023
Decreases	-3 667	-3 568	-1 597	-4 535
Acquisition value 2.1.1999	489 154	451 656	395 433	382 341
Accumulated depreciation 3.1.1998	-178 766	-148 146	-136 098	-112 695
Accumulated depreciation on decreases	463	998	463	998
Depreciation for the period	-30 962	-28 352	-23 724	-24 401
Accumulated depreciation 2.1.1999	-209 265	-175 500	-159 359	-136 098
Book value 2.1.1999	279 889	276 156	236 074	246 243

	Group		Ingman Foods Oy Ab	
	2.1.1999	2.1.1998	2.1.1999	2.1.1998
<b>14. Construction in progress</b>				
Acquisition value 3.1.1998	153	437	-	437
Increases	1 516	153	778	-
Decreases	-153	-437	-	-437
Acquisition value 2.1.1999	1 516	153	778	0
<b>15. Investments in Group companies</b>				
Acquisition and book value 3.1.1998			31 931	31 931
Increases			9 861	
Decreases			-281	
Transfers			8 148	
Acquisition and book value 2.1.1999			49 659	31 931
<b>16. Investments in associated companies</b>				
Acquisition and book value 3.1.1998	13 611	11 730	8 148	8 148
Increases	-	1 881	-	-
Decreases	-13 611	-	-	-
Transfers	-	-	-8 148	-
Acquisition and book value 2.1.1999	0	13 611	0	8 148
<b>17. Other investments</b>				
Acquisition and book value 3.1.1998	20 668	20 513	20 132	20 132
Increases	5 028	155	4 957	-
Decreases	-198	-	-198	-
Acquisition and book value 2.1.1999	25 498	20 668	24 891	20 132
<b>18. Receivables from Group companies</b>				
Acquisition and book value 3.1.1998			144 028	95 612
Increases			-	48 416
Decreases			-18 675	-
Acquisition and book value 2.1.1999			125 353	144 028
<b>19. Other receivables</b>				
Acquisition and book value 3.1.1998	15 412	100 095	15 539	31 968
Increases	-1 004	-84 683	-1 130	-16 429
Acquisition and book value 2.1.1999	14 409	15 412	14 409	15 539
<b>20. Other inventories</b>				
Securities in inventory				
Market value	221 260	182 932	-	-
Book value	163 980	147 310	-	-
<b>21. Receivables</b>				
From Group companies				
Trade receivables			2 985	6 398
Total			2 985	6 398
From associated companies				
Trade receivables	-	54	-	54
Total	-	54	-	54
<b>22. Loans to the Members of the Board of Directors, Managing Director and Shareholders</b>				
Loans have not been given to members of the Board of Directors, Managing Director or shareholders.				
<b>23. Shareholders' equity</b>				
Share capital 3.1.1998	28 036	28 036	28 036	28 036
Decreases	-3 519	-	-3 519	-
Share capital 2.1.1999	24 517	28 036	24 517	28 036
Share premium fund 3.1.1998	-	-	-	-
Increases	3 519	-	3 519	-
Share premium fund 2.1.1999	3 519	-	3 519	-
Restricted reserves 3.1.1998 and 2.1.1999	1 529	1 529	1 529	1 529
Contingency fund 3.1.1998 and 2.1.1999	1 135	1 135	1 135	1 135

# Notes to the Financial Statement

	2.1.1999	Group 2.1.1998	Ingman Foods Oy Ab 2.1.1999	2.1.1998
Retained earnings 3.1.1998	557 654	444 729	275 117	202 012
Dividend payment	-14 103	-10 630	-11 805	-10 654
Annulled dividends	74	23	74	-
Redemption and acquisition of own shares	-43 784	-	-62 665	-
Conversion difference and other changes	-735	32 839	-	-
Retained earnings 2.1.1999	499 107	466 961	200 721	191 359
Profit for the period	17 635	90 693	9 839	83 759
Total shareholders' equity 2.1.1999	547 441	588 354	241 260	305 817
Distributable funds 2.1.1999	262 188	300 944		

24. Own shares	Number of shares	Nominal value	Share of share capital	Share of votes
Acquisition of own A-shares				
From Group companies	48 257	1 206 425	4.3	4.8
Through public trading	108 489	2 712 225	9.7	10.9
Total	156 746	3 918 650	14.0	15.7
Invalidated during the year	140 757	3 518 925	12.6	14.1
In the Group's possession 2.1.1999	15 989	399 725	1.4	1.6

During the year the quotation of the company's A-shares on Helsinki Exchanges was stopped. To improve the possibilities of disposing for shareholders not interested in being shareholders in a unquoted company, the company acquired own shares. The acquisition took place between May 27, and August 21, 1998. The price was FIM 400 per share.

	2.1.1999	Group 2.1.1998	Ingman Foods Oy Ab 2.1.1999	2.1.1998
25. Deferred tax liability				
From appropriations	99 435	100 273		
Total	99 435	100 273		

26. Liabilities maturing within five years or later				
Loans from financial institutions	10 000	16 667	10 000	16 667
Pension loans	213	665	-	-
Total	10 213	17 331	10 000	16 667

27. Current liabilities				
To Group companies				
Trade payables			138	2 866
Other current liabilities			3 764	527
Total			3 901	3 393

To associated companies				
Trade payables	-	314	-	314
Total	-	314	-	314

28. Contingent liabilities				
Mortgages and pledges for own liabilities				
Real estate mortgages	57 745	57 745	43 800	43 800
Company mortgages	7 500	7 500	-	-
Pledges	43 857	46 417	5 773	5 861
Total	109 102	111 662	49 573	49 661

Contingent liabilities				
Guarantees for Group companies	-	-	19 848	23 648
Guarantees for others	114	49	-	-
Pension liability	73	85	73	85
Leasing liability due 3.1.1999-2.1.2000	3 905	3 914	1 335	1 148
Leasing liability due later	15 890	17 589	3 282	2 479
Total	19 982	21 637	24 538	27 360

29. Derivative contracts				
Exchange derivatives, future contracts				
Market value	18 491	79 153	18 491	79 153
Nominal value	18 361	78 196	18 361	78 196



	Group		Ingman Foods Oy Ab	
	2.1.1999	2.1.1998	2.1.1999	2.1.1998
<b>30. Personnel</b>				
In average				
Chilled products	73	76	73	76
Ice-cream products	120	127	120	127
Other units	34	33	34	33
Marketing and distribution	181	176	181	176
Administration and service	30	29	30	29
Subsidiaries	309	142	-	-
<b>Total</b>	<b>747</b>	<b>583</b>	<b>438</b>	<b>441</b>
Personnel by country in average				
Finland	580	552	438	441
Latvia	9	7	-	-
Lithuania	129	-	-	-
Russia	29	24	-	-
<b>Total</b>	<b>747</b>	<b>583</b>	<b>438</b>	<b>441</b>
<b>31. Milk procurement, litres '000</b>				
Kotisaari-Ingman	21 360	21 870	21 360	21 870
Halkivahan Meijeri Oy	1 613	1 764	-	-
Kiteen Meijeri Oy	13 057	12 928	-	-
Ranuan Meijeri Oy	23 204	22 858	-	-
<b>Total</b>	<b>59 233</b>	<b>59 420</b>	<b>21 360</b>	<b>21 870</b>
<b>32. Milk suppliers</b>				
Number of suppliers	590	647	191	218
<b>33. Group companies 2.1.1999</b>				
	Group Share holding		Ingman Foods Oy Ab Share holding	
Kiteen Meijeri Oy, Kitee	98.5		98.5	
Halkivahan Meijeri Oy, Urjala	97.0		97.0	
Ranuan Meijeri Oy, Ranua	99.0		99.0	
Pohjanmaan Juusto Oy, Ylivieska	90.0		90.0	
Jk Juusto Kaira Oy, Kuusamo	50.0		17.4	
Oy Leimark Invest Ab, Sipoo	100.0		100.0	
Oy Ing-Stock Ltd, Sipoo	100.0		26.7	
Oy Ing-Finance Ltd, Sipoo	100.0		26.7	
Oy Ingman Invest Ab, Sipoo	100.0		26.7	
Fastighets Ab Sibbo Solbacka, Sipoo	100.0		-	
Kiint. Oy Juvanmalmin Länt. Teollisuusk.18, Espoo	100.0		-	
Kiint. Oy Vaaralan Kuussillantie 16, Vantaa	100.0		-	
Spice Ice Oy, Tervakoski	100.0		100.0	
Mamela Oy, Sipoo	100.0		-	
Hemholmen Ab, Sipoo	100.0		100.0	
Ingman Mejeri Ab, Sipoo	100.0		100.0	
Glassförsäljarna i Södertälje AB, Sweden	100.0		100.0	
Ingman Foods Sverige AB, Sweden	100.0		100.0	
Ingman Foods Ltd., Exeter Great Britain	100.0		100.0	
ZAO Ingman, St. Petersburg Russia	100.0		100.0	
Ingman Transport, St. Petersburg Russia	100.0		100.0	
SIA Ingman, Riga Latvia	54.0		54.0	
Ingman Vega UAB, Mazeikiai Lithuania	51.9		51.9	

# Group Key Ratios and Figures

<b>Financial development</b>		1994	1995	1996	1997	1998
Net sales	FIM million	1 175.2	1 032.5	1 069.3	1 125.7	1 183.6
Change	%	31.2	-12.1	3.6	5.3	5.1
Offshore sales	FIM million	293.0	151.9	134.3	136.5	121.5
Share of net sales	%	24.9	14.7	12.6	12.1	10.3
Operating profit before depreciation	FIM million	137.2	42.7	79.9	107.4	82.7
Share of net sales	%	11.7	4.1	7.5	9.5	7.0
Depreciation according to plan	FIM million	35.0	34.5	39.4	44.8	49.6
Operating profit	FIM million	102.1	8.2	40.4	62.6	33.1
Share of net sales	%	8.7	0.8	3.8	5.6	2.8
Net financial costs	FIM million	-22.4	-7.6	-15.4	-8.6	-6.8
Share of net sales	%	-1.9	-0.7	-1.4	-0.8	-0.6
Profit after financial items	FIM million	79.7	0.7	25.1	54.0	26.3
Share of net sales	%	6.8	0.1	2.3	4.8	2.2
Profit before appropriations and taxes	FIM million	67.6	32.7	22.9	130.8	28.0
Share of net sales	%	5.7	3.2	2.1	11.6	2.4
Non-current assets	FIM million	739.9	731.2	710.9	642.6	662.0
Inventories	FIM million	194.4	145.6	130.0	247.6	287.4
Trade receivables	FIM million	86.8	78.8	84.5	79.4	74.2
Other receivables	FIM million	192.9	111.4	127.5	37.0	24.8
Cash & bank deposits	FIM million	54.5	232.7	112.1	182.8	68.1
Shareholders' equity	FIM million	489.5	498.0	467.5	588.4	547.5
Minority interest	FIM million	0.1	0.3	1.6	12.4	23.2
Appropriations 1)	FIM million	324.7	341.5	343.1	358.1	355.1
Deferred tax liability	FIM million	90.9	95.6	96.1	100.3	99.4
Long-term interest bearing liabilities	FIM million	271.9	395.4	356.8	246.5	183.6
Short-term interest bearing liabilities	FIM million	255.5	189.7	100.2	93.4	131.0
Trade payables	FIM million	90.6	64.1	60.0	69.0	82.3
Other liabilities free of interest	FIM million	58.8	56.5	82.8	79.6	49.4
Balance sheet total	FIM million	1 268.4	1 299.7	1 164.9	1 189.4	1 116.4
Return on investment (ROI)	%	11.3	5.7	6.0	7.1	4.5
Return on equity (ROE)	%	9.2	-0.1	2.8	1.9	1.9
Equity ratio	%	38.6	38.3	40.3	50.5	51.1
Quick ratio		0.8	1.4	1.3	1.2	0.6
Current ratio		1.3	1.8	1.9	2.3	1.7
Working capital	FIM million	190.6	160.3	154.4	258.0	279.3
Share of net sales	%	16.2	15.5	14.4	22.9	23.6
Gross investments	FIM million	74.2	65.8	97.6	78.7	68.4
Share of net sales	%	6.3	6.4	9.1	7.0	5.8
Average number of personnel		684	615	546	583	747
Personnel at the end of period		625	574	500	559	697

1) Appropriations have been divided into retained earnings 72% and deferred tax liability 28%.

## Equity-related key ratios

Earnings/share	FIM	63.96	-0.58	20.90	13.40	15.58
Equity/share	FIM	446.41	444.10	416.85	524.69	558.28
Dividend/share 2)	FIM	10.00	9.00	9.50	11.00	10.70
Dividend/earnings	%	15.6	-1559.3	45.4	82.1	68.7

2) Proposal of the Board for 1998 1.80 euro = about FIM 10.70

## Calculation of key ratios

Return on investment (ROI)	$\frac{(\text{Profit before extraordinary items} + \text{interest and other financial expenses}) * 100}{\text{Average (balance sheet total - non-interest-bearing liabilities)}}$
Return on equity (ROE)	$\frac{(\text{Profit before extraordinary items} - \text{taxes}) * 100}{\text{Average (shareholders' equity} + \text{minority interest)}}$
Equity ratio	$\frac{\text{Shareholders' equity} + \text{minority interest} * 100}{\text{Balance sheet total}}$
Quick ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Current ratio	$\frac{\text{Current assets} + \text{inventories}}{\text{Current liabilities}}$
Working capital	Trade receivables + inventories - trade payables
Earnings per share	$\frac{\text{Profit before extraordinary items} - \text{taxes} - \text{minority}}{\text{Average number of shares}}$
Shareholders' equity per share	$\frac{\text{Shareholders' equity}}{\text{Number of shares at year end}}$
Dividend / share	$\frac{\text{Dividend}}{\text{Number of shares at year end}}$
Dividend as percentage of earnings	$\frac{\text{Dividend} / \text{share} * 100}{\text{Earnings per share}}$



# Proposal of the Board of Directors

The Groups' distributable funds FIM	262 187 794.78
Distributable funds in the parent company FIM of which the profit of the year amounted to FIM 9,838,662.01.	211 695 091.60
The Board of Directors proposes that a dividend of EUR 1.80 / about FIM 10.70 per share to be distributed totalling EUR 1 765 227.60 corresponding to about FIM	-10 495 566.70
the remainder of the distributable funds in the parent company to be carried forward about FIM	201 199 524.90

Sipoo, March 18, 1999

C-G Ingman	Hans Ingman	Lars Ingman	Robert Ingman Managing Director
Cecilia Rydbeck	Teppo Taberman	Magnus Westerholm	

## Auditors' Report

To the shareholders of Ingman Foods Oy Ab

We have audited the accounting records, and the financial statements as well as the administration of Ingman Foods Oy Ab for the accounting period ended January 2, 1999. The financial statements prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated and parent company profit and loss accounts, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements and the parent company's administration.

We conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The purpose of our audit of the administration has been to examine that the Board of Directors and the Managing Director have been complied with the rules of the Finnish Companies' Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and Parent company result of operations, as well as of financial position. The accounts can be adopted and the members of the Board of Directors and the Managing Director of the Parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors concerning the distributable funds is in compliance with the Companies' Act.

Sipoo, March 18, 1999

Jukka Reimi  
Authorized Public  
Account

Olli Wesamaa  
Approved Public  
Accountant



# Share Capital, Shares and Shareholders

## Share capital

According to the articles of association, the minimum share capital of Ingman Foods Oy Ab is FIM 12,000,000 and maximum share capital FIM 48,000,000. The share capital may be raised or lowered within these limits without amendments to the articles. On January 2, 1999 FIM 24,517,050 has been paid up and entered in the Trade Register.

Share capital, shares and voting rights	Nominal value	Votes per share	Shares	%	Votes	%
A-shares	25	20	849 682	86.6	16 993 640	99.2
B-shares	25	1	131 000	13.4	131 000	0.8
Total			980 682	100.0	17 124 640	100.0

Both shares carry equal rights to dividends.

## Ownership restrictions

According to section 18 of the company's articles, anyone not previously in possession of shares in the company shall ask the Board of Directors in writing for permission to obtain shares. The Board of Directors may consider the request before handover.

## Shareholders and the management's shareholdings

According to the Book Entry Register, Ingman Foods Oy Ab had 555 shareholders on January 2, 1999. The members of the Board of Directors of Ingman Foods Oy Ab and the Managing Director hold 644 966 A shares and 131,000 B shares. This represents 79.1 % of the total share holding and 75.9 % of the company's voting rights.

Major Shareholders	No. of A shares	No. of B shares	Total	%	Voting rights	%
According to the Book Entry Register, January 2, 1999						
C-G Ingman	231 705	43 666	275 371	28.1	4 677 766	27.3
Hans Ingman	183 111	43 668	226 779	23.1	3 705 888	21.6
Robert Ingman	125 984	24 016	150 000	15.3	2 543 696	14.9
Lars Ingman	92 518	19 650	112 168	11.4	1 870 010	10.9
Oy Holding Company Ab	12 604		12 604	1.3	252 080	1.5
Cecilia Rydbeck	11 632		11 632	1.2	232 640	1.4
Tapiola Mutual Insurance Company	11 520		11 520	1.2	230 400	1.3
AB Svenska Småbruk och Egnahem	9 720		9 720	1.0	194 400	1.1
Hisinger-Jägerskiöld Erik Sterbhus	6 400		6 400	0.7	128 000	0.7
Timo Oesch	6 128		6 128	0.6	122 560	0.7
Total, 10 major shareholders	691 322	131 000	822 322	83.9	13 957 440	81.5

Distribution of Shares	Number of shareholders	%	Number of shares	%	Voting rights	%
According to the Book Entry Register, January 2, 1999						
1-100	335	60.4	12 342	1.3	246 840	1.5
101-500	159	28.6	36 398	3.8	727 960	4.4
501-1000	27	4.9	18 177	1.9	363 540	2.2
1001-	34	6.1	884 314	93.0	15 197 280	91.9
Total	555	100.0	951 231	100.0	16 535 620	100.0

There are also 6,427 shares which have not been transferred to book entries, 7,035 unregistered book entries on the waiting list and 15,989 shares in the company's possession.



**Head office**  
Ingman Foods Oy Ab  
P.O.Box 33, FIN-01151 SÖDERKULLA  
Tel. + 358 9 272 001  
Fax + 358 9 272 1630  
Internet: [www.ingmanfoods.fi](http://www.ingmanfoods.fi)  
E-mail: [first.name.surname@ingmanfoods.fi](mailto:first.name.surname@ingmanfoods.fi)

**Sales offices and  
Delivery terminals**

HELSINKI (Sipoo)  
P.O.Box 33  
FIN-01151 SÖDERKULLA  
Tel. + 358 9 2720 0310  
Fax + 358 9 2720 0288

TAMMISAARI  
Trollbergintie 11  
FIN-10600 TAMMISAARI  
Tel. +358 400 303 941  
Fax + 358 19 241 2271

TAMPERE  
Rasulankatu 3  
FIN- 33730 TAMPERE  
Tel. + 358 3 358 4900  
Fax +358 3 364 0020

AHVENANMAA,  
MAARIANHAMINA  
Möckelö 84  
FIN-22100 MAARIANHAMINA  
Tel. + 358 18 31 445  
Fax + 358 18 14 765

OULU  
Sumukellontie 3  
FIN-90520 OULU  
Tel. +358 8 556 4888  
Fax +358 8 556 5898

ZAO Ingman  
Ul. Sofiiskaja D.6  
6. Etaz  
ST. PETERSBURG  
Russia  
Tel. +7 812 108 66  
Fax +7 812 108 6574

SIA Ingman  
Viskalu Iela 3  
LV-1026 RIGA  
Latvia  
Tel. +371 2 367 721  
Fax + 371 7 541 070

Ingman Foods Ltd.  
PO Box 146  
Exeter  
EX2 7YA  
United Kingdom  
Tel. +44 1392 447 701  
Fax +44 1392 447 702

**Delivery terminals**

JYVÄSKYLÄ  
Kuormaajantie 26  
FIN-40320 JYVÄSKYLÄ  
Tel. +358 14 282 011  
Fax +358 14 282 011

KOKKOLA  
Vaasantie  
FIN-67100 KOKKOLA  
Tel. +358 6 830 1194

KOUVOLA  
Alakyläntie 27  
FIN-45100 KOUVOLA  
Tel. +358 5 375 3824  
Fax +358 5 375 1139

KUOPIO  
Ajajantie 4  
FIN-70780 KUOPIO  
Tel. +358 17 361 3666  
Fax +358 17 361 3695

LAHTI  
Kukonkoskenkatu 8  
FIN-15700 LAHTI  
Tel. +358 3 787 5523  
Fax +358 3 787 5522

SEINÄJOKI  
Rengastie 23  
FIN-60120 SEINÄJOKI  
Tel. + 358 6 414 1501  
Fax +358 6 414 7788

VAASA  
Vaasan Rekkaterminaali  
Silmukkatie 2  
FIN-65100 VAASA  
Tel. +358 49 368 120

TURKU  
Radiomiehenkatu 2  
FIN-20320 TURKU  
Tel. +358 2 239 2200  
Fax +358 2 239 7955

AHVENANMAA, MAARIANHAMINA  
Transmar  
FIN-22100 MAARIANHAMINA  
Tel. +358 18 174 45

**Production units**

SIPOO  
P.O.Box 33  
FIN-01151 SÖDERKULLA  
Tel. + 358 9 272 001  
Fax + 358 9 272 1967

LAPINJÄRVI  
Myrskyläntie 1A  
FIN-07820 PORLAMMI  
Tel. +358 19 612 202  
Fax +358 19 612 285

**Production units of subsidiaries**

Halkivahan Meijeri Oy  
Vesilahdentie 1442  
FIN-31830 HALKIVAHA  
Tel. +358 3 546 4211  
Fax +358 3 546 4211

Kiteen Meijeri Oy  
Savikontie 35  
FIN-82500 KITEE  
Tel. +358 13 413 951  
Fax +358 13 413 981

Ranuan Meijeri Oy  
Pekkalantie 10  
FIN-97700 RANUA  
Tel. +358 16 355 1441  
Fax +358 16 355 1442

Jk Juusto Kaira Oy  
Kitkantie 110  
FIN-93600 KUUSAMO  
Tel. +358 8 562 1300  
Fax +358 8 562 1351

Jk Juusto Kaira Oy  
FIN-97700 RANUA  
Tel. +358 16 355 1441  
Fax +358 16 355 1442

Pohjanmaan Juusto Oy  
P.O.Box 64  
FIN-84101 YLIVIESKA  
Tel. +358 8 411 6150  
Fax +358 8 411 6112

UAB Ingman Vega  
Skuoda Gatve 28  
5500 MAZEIKIAI  
Lithuania  
Tel. +370 9 378 601  
Fax +370 9 379 603

**Other Subsidiaries**

Oy Leimark Invest Ab  
P.O.Box 33  
FIN-01151 SÖDERKULLA  
Tel. +358 9 272 001  
Fax +358 9 272 1630

Oy Ing-Finance Ltd  
P.O.Box 33  
FIN-01151 SÖDERKULLA  
Tel. +358 9 272 001  
Fax +358 9 272 1630

Oy Ing-Stock Ltd  
P.O.Box 33  
FIN-01151 SÖDERKULLA  
Tel. +358 9 272 001  
Fax +358 9 272 1630