



# KARJAPORTTI

1998



## **FINANCIAL STATEMENTS 1998**

**KARJAPORTTI CO-OPERATIVE  
SLAUGHTERHOUSE**





## MANAGING DIRECTOR'S STATEMENT

During the year under review, the operating conditions in our line of business were seriously affected by the market disturbances of pork. The global increase in production of pork occurred simultaneously with the economic crises in Far East and Russia, resulting in a heavy decline of pork prices and a collapse of the export market. The market problems also caused a decreasing trend in domestic prices of meat products. As a consequence, the profitability of the industry weakened in Finland, too.

The decreasing production of beef in Finland led to an increase in imports, which, particularly during the ample supply of cattle in the autumn, decreased also the market price of domestic beef and the margins in the industry.

Turnover for Karjaportti totalled FIM 786 million, showing a decrease of 2.1 percent. The share of exports of the total turnover declined from 9 to 4.5 percent. The objectives set for the result were not met and the financial result was unsatisfactory. The most important reasons for the poor development of the result were the declining profitability of the pork market, the unexpectedly dramatic decline in volume of slaughter-cattle as well as the continuing decline in market prices. However, domestic sales of meat products and processed foods increased, thus strengthening the position of our brand 'Järvi-Suomen Portti' in national marketing. In spite of the poor development of the result, our gearing ratio was 27.4 percent.

The total investments carried out by Karjaportti amounted to circa FIM 26 million during the year under review. The most significant investments were the production facilities and machines required for production of small frankfurter sausages, sausage cubes and strips at the meat processing plant in Mikkeli, as well as the data system investments required for Year 2000 compliance.

At year's end, we introduced a development plan with the objective of improving the annual result by approximately FIM 50 million. The project focuses on structural development, increasing productivity by improving efficiency and utilisation of raw material, increasing the degree of processing, developing the product range and improving the quality of operations.



During the first phase of structural development, slaughtering operations will be centralised in Lappeenranta, and meat cutting operations in Mikkeli and Kouvola, all by the end of the year 1999. Thereafter, the Jyväskylä unit will be closed down. The savings in costs resulting from the operations now introduced will not take full effect until the year 2000.

I would like to extend my gratitude to the owners of the Karjaportti Co-operative, our personnel and all our interest groups for their fruitful co-operation in 1998.



## FINANCIAL STATEMENTS AND REPORTS

### PROFIT AND LOSS ACCOUNT

| (FIM 1,000)   | Corporation |           | Parent Company |           |
|---|-------------|-----------|----------------|-----------|
|   | 1998        | 1997      | 1998           | 1997      |
| <b>Turnover</b>   | 785 780     | 803 100   | 785 734        | 803 050   |
| Increase (+) or decrease<br>(-) in inventory of finished goods    | 6 158       | - 368     | 6 158          | - 368     |
| Other income from business operations                             | 3 931       | 3 785     | 3 789          | 3 608     |
| <b>Costs</b>  |             |           |                |           |
| Materials, supplies and stock                                     |             |           |                |           |
| Purchases during financial year                                   | - 445 125   | - 457 390 | - 445 124      | - 457 384 |
| Increase (-) or decrease (+) in inventory                         | 10 031      | 730       | 10 031         | 730       |
| Personnel costs   | - 174 668   | - 165 216 | - 174 456      | - 165 056 |
| Rents   | - 4 858     | - 3 525   | - 12 552       | - 11 217  |
| Other costs   | - 140 713   | - 134 995 | - 140 236      | - 134 506 |
|   | - 755 333   | - 760 396 | - 762 337      | - 767 433 |
| <b>Operating Margin</b>   | 40 536      | 46 121    | 33 344         | 38 857    |
| <b>Depreciations</b>  |             |           |                |           |
| On fixed assets and<br>other long-term costs                      | - 36 282    | - 37 407  | - 32 644       | - 33 769  |
| <b>Surplus</b>  | 4 254       | 8 714     | 700            | 5 088     |
| <b>Financial Income and Costs</b>                                 |             |           |                |           |
| Dividend yield  | 58          | 33        | 58             | 33        |
| Interest yield  | 1 169       | 1 503     | 5 588          | 6 146     |
| Other financial income  | 49          | 13        | 49             | 13        |
| Interest costs  | - 12 586    | - 13 003  | - 12 576       | - 12 997  |
| Other financial costs   | - 2 886     | - 3 420   | - 2 884        | - 3 417   |
|   | - 14 196    | - 14 874  | - 9 765        | - 10 222  |
| <b>Deficit before Extraordinary Items,<br/>Reserves and Taxes</b> | - 9 942     | - 6 160   | - 9 065        | - 5 134   |
| <b>Extraordinary Income and Costs</b>                             |             |           |                |           |
| Extraordinary income  | 45          | 54        | 45             | 1         |
| Extraordinary costs   | -           | - 9       | -              | - 9       |
|   | 45          | 45        | 45             | - 8       |
| <b>Deficit before Reserves and Taxes</b>                          | - 9 897     | - 6 115   | - 9 020        | - 5 142   |
| Increase (-) or Decrease (+) in Depreciation Difference           | 11 135      | - 1 706   | 9 040          | - 3 656   |
| Increase (-) or Decrease (+)<br>in Voluntary Reserves             | -           | 9 000     | -              | 9 000     |
| Direct Taxes  | -           | -         | -              | -         |
| <b>Surplus for the Financial Year</b>                             | 1 238       | 1 179     | 20             | 202       |

## BALANCE SHEET

| (FIM 1,000)   | Corporation    |                | Parent Company |                |
|---|----------------|----------------|----------------|----------------|
|   | 1998           | 1997           | 1998           | 1997           |
| <b>ASSETS</b>   |                |                |                |                |
| <b>Fixed Assets and Other Long-Term Investments</b>       |                |                |                |                |
| Intangible Assets   |                |                |                |                |
| Intangible rights   | 39             | 34             | 36             | 32             |
| Goodwill  | 320            | 469            | 320            | 469            |
| Other long-term costs                                     | 12 188         | 12 918         | 12 163         | 12 889         |
|   | 12 547         | 13 421         | 12 519         | 13 390         |
| Tangible Assets   |                |                |                |                |
| Land and water  | 14 990         | 14 990         | 14 028         | 14 028         |
| Buildings and constructions                               | 149 573        | 157 763        | 111 538        | 116 102        |
| Machinery and equipment                                   | 77 671         | 89 657         | 77 655         | 89 630         |
| Prepaid costs and investments in progress                 | 3 189          | 1 085          | 3 189          | 1 085          |
|   | 245 423        | 263 495        | 206 410        | 220 845        |
| Securities and Other Long-Term Investments                |                |                |                |                |
| Shares and securities                                     | 6 642          | 6 650          | 9 275          | 9 284          |
| <b>Total Fixed Assets and Other Long-Term Investments</b> | <b>264 612</b> | <b>283 566</b> | <b>228 204</b> | <b>243 519</b> |
| <b>Current Assets</b>                                     |                |                |                |                |
| Current Assets  |                |                |                |                |
| Materials and supplies                                    | 20 740         | 10 694         | 20 740         | 10 694         |
| Finished products   | 26 362         | 20 204         | 26 362         | 20 204         |
| Other inventories   | 19             | 34             | 19             | 34             |
|   | 47 121         | 30 932         | 47 121         | 30 932         |
| Receivables   |                |                |                |                |
| Sales receivables   | 91 250         | 87 051         | 91 220         | 86 978         |
| Loan receivables  | 278            | 284            | 55 117         | 57 875         |
| Adjusting entries for assets                              | 5 003          | 5 459          | 4 943          | 5 452          |
| Receivables from producers                                | 10 077         | 10 324         | 10 077         | 10 324         |
| Advance payments  | 3 735          | 4 121          | 3 735          | 4 121          |
| Other receivables   | 303            | 303            | 303            | 303            |
|   | 110 646        | 107 542        | 165 395        | 165 053        |
| Cash in Hand and at Bank                                  | 1 236          | 3 821          | 1 236          | 3 820          |
| <b>Total Current Assets</b>                               | <b>159 003</b> | <b>142 295</b> | <b>213 752</b> | <b>199 805</b> |
| <b>Total Assets</b>                                       | <b>423 615</b> | <b>425 861</b> | <b>441 956</b> | <b>443 324</b> |
| <b>LIABILITIES</b>  |                |                |                |                |
| <b>Shareholders' Equity</b>                               |                |                |                |                |
| Restricted Capital  |                |                |                |                |
| Co-operative capital                                      | 57 797         | 59 982         | 57 797         | 59 982         |
| Reserve fund  | 1 097          | 1 083          | 1 097          | 1 083          |
| Revaluation reserve                                       | 382            | 382            | -              | -              |
|   | 59 276         | 61 447         | 58 894         | 61 065         |
| Non-Restricted Capital                                    |                |                |                |                |
| Contingency fund  | 9 698          | 9 453          | 59 802         | 59 610         |
| Surplus from previous years                               | 12 972         | 12 048         | -              | -              |
| Surplus for the financial year                            | 1 238          | 1 179          | 20             | 202            |
|   | 23 908         | 22 680         | 59 822         | 59 812         |
| <b>Total Shareholders' Equity</b>                         | <b>83 184</b>  | <b>84 127</b>  | <b>118 716</b> | <b>120 877</b> |
| <b>Reserves</b>   |                |                |                |                |
| Accumulated Depreciation Difference                       | 31 263         | 42 399         | 14 296         | 23 336         |
| <b>Liabilities</b>  |                |                |                |                |
| Long-Term Liabilities                                     |                |                |                |                |
| Loans from financial institutions                         | 11 438         | 9 939          | 11 438         | 9 939          |
| Pension loans   | 114 564        | 114 314        | 114 474        | 114 217        |
| Other long-term liabilities                               | 11 280         | 12 672         | 11 280         | 12 672         |
|   | 137 282        | 136 925        | 137 192        | 136 828        |
| Current Liabilities                                       |                |                |                |                |
| Loans from financial institutions                         | 61 274         | 59 712         | 61 274         | 59 712         |
| Pension loans   | 12 886         | 10 731         | 12 879         | 10 724         |
| Advances received   | 5 576          | 5 379          | 5 576          | 5 379          |
| Accounts payable  | 47 269         | 43 261         | 47 245         | 43 222         |
| Adjusting entries for liabilities                         | 33 027         | 32 960         | 32 985         | 32 917         |
| Other current liabilities                                 | 11 854         | 10 367         | 11 793         | 10 329         |
|   | 171 886        | 162 410        | 171 752        | 162 283        |
| <b>Total Current and Long-Term Liabilities</b>            | <b>309 168</b> | <b>299 335</b> | <b>308 944</b> | <b>299 111</b> |
| <b>Total Liabilities</b>                                  | <b>423 615</b> | <b>425 861</b> | <b>441 956</b> | <b>443 324</b> |



## FUNDS STATEMENT

| (FIM 1,000)                            | Corporation |        | Parent Company |        |
|--|-------------|--------|----------------|--------|
|  | 1998        | 1997   | 1998           | 1997   |
| <b>SOURCES OF FUNDS</b>                |             |        |                |        |
| <b>Cash-Flow Funding</b>               |             |        |                |        |
| Operating margin                       | 40 536      | 46 121 | 33 344         | 38 857 |
| Financial income                       | 1 276       | 1 549  | 5 695          | 6 192  |
| Profit from assignment of fixed assets | 486         | 752    | 483            | 736    |
| Other cash-flow funding                | 45          | 54     | 45             | 1      |
|  | 42 343      | 48 476 | 39 567         | 45 786 |
| <b>Capital Financing</b>               |             |        |                |        |
| Increase in long-term liabilities      | 46 518      | 33 302 | 46 495         | 33 264 |
| Increase in shareholders' equity       | 3 989       | 3 009  | 3 989          | 3 009  |
|  | 50 507      | 36 311 | 50 484         | 36 273 |
| <b>Change in Working Capital</b>       |             |        |                |        |
| Change in liquid assets                | - 519       | 1 908  | 2 242          | 4 553  |
| Change in current assets               | - 16 189    | - 362  | - 16 189       | - 362  |
| Change in current liabilities          | - 8 229     | 1 767  | - 8 212        | 1 812  |
|  | - 24 937    | 3 313  | - 22 159       | 6 003  |
|  | 67 913      | 88 100 | 67 892         | 88 062 |
| <b>USE OF FUNDS</b>                    |             |        |                |        |
| <b>Distribution of Surplus</b>         |             |        |                |        |
| Financial costs                        | 15 472      | 16 423 | 15 460         | 16 414 |
| Other distribution of profit           | -           | 9      | -              | 9      |
| <b>Investments</b>                     |             |        |                |        |
| Investments fixed assets               | 17 815      | 15 594 | 17 813         | 15 573 |
| <b>Repayment of Capital</b>            |             |        |                |        |
| Deduction of long-term liabilities     | 28 456      | 51 724 | 28 449         | 51 716 |
| Deduction of shareholders' equity      | 6 170       | 4 350  | 6 170          | 4 350  |
|  | 67 913      | 88 100 | 67 892         | 88 062 |



## 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. The company's internal structure will be made more effective by closing down the slaughtering and meat cutting unit in Jyväskylä by the end of the year 1999. The fixed assets of the unit have been valued according to the concept of continuing operations. By now it is already evident that the benefits resulting from the unit's closure will cover non-recurring expenses.
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. All foreign-denominated items have been charged against income.
5. Credit losses have been dealt with as adjustments to turnover.

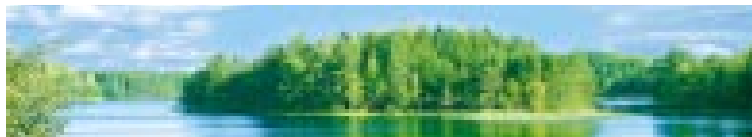
### NOTES TO THE FINANCIAL STATEMENTS

| (FIM 1,000)                         | Corporation    |                | Parent Company |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 1998           | 1997           | 1998           | 1997           |
| <b>1. Distribution of Turnover</b>  |                |                |                |                |
| Cut meats                           | 44 %           | 44 %           | 44 %           | 44 %           |
| Meat products                       | 31 %           | 29 %           | 31 %           | 29 %           |
| Processed foods                     | 12 %           | 11 %           | 12 %           | 11 %           |
| Carcass meat                        | 7 %            | 10 %           | 7 %            | 10 %           |
| Other                               | 6 %            | 6 %            | 6 %            | 6 %            |
| <b>2. Turnover by Market Area</b>   |                |                |                |                |
| Finland                             | 96 %           | 91 %           | 96 %           | 91 %           |
| Other countries                     | 4 %            | 9 %            | 4 %            | 9 %            |
| <b>3. Personnel Costs</b>           |                |                |                |                |
| Wages, salaries and fringe benefits | 132 150        | 124 876        | 131 982        | 124 710        |
| Pension costs                       | 22 596         | 21 837         | 22 571         | 21 862         |
| Other personnel costs               | 20 259         | 18 893         | 20 240         | 18 875         |
| <b>Total personnel costs</b>        | <b>175 005</b> | <b>165 606</b> | <b>174 793</b> | <b>165 447</b> |

|  | Corporation |           | Parent Company |           |
|--|-------------|-----------|----------------|-----------|
|  | 1998        | 1997      | 1998           | 1997      |
| <b>4. Depreciation</b>   |             |           |                |           |
| Planned depreciation   |             |           |                |           |
| Intangible rights  | 15          | 10        | 15             | 10        |
| Goodwill   | 149         | 182       | 149            | 182       |
| Other long-term investments  | 4 092       | 3 779     | 4 086          | 3 775     |
| Buildings and constructions  | 9 679       | 9 636     | 6 054          | 6 008     |
| Machinery and equipment  | 22 347      | 23 800    | 22 340         | 23 794    |
| Total planned depreciation   | 36 282      | 37 407    | 32 644         | 33 769    |
| Total book depreciation  | 25 147      | 39 096    | 23 604         | 37 425    |
| = Accumulated difference<br>between total and planned depreciation | 11 135      | - 1 689   | 9 040          | - 3 656   |
| Depreciation difference<br>adjustment of sold fixed assets         | -           | - 17      | -              | -         |
| Total depreciation difference                                      | 11 135      | - 1 706   | 9 040          | - 3 656   |
| <b>5. Intra-Group Financial Income and Costs</b>                   |             |           |                |           |
| Interest yield   | -           | -         | 4 420          | 4 649     |
| <b>6. Extraordinary Income and Costs</b>                           |             |           |                |           |
| Profit from the assignment of fixed assets                         | 7           | 54        | 7              | 1         |
| Losses from the assignment of fixed assets                         | -           | 6         | -              | 6         |
| Other extraordinary income   | 38          | -         | 38             | -         |
| Other extraordinary costs  | -           | 3         | -              | 3         |
| Total extraordinary income and costs                               | 45          | 45        | 45             | - 8       |
| <b>7. Intangible and Tangible Assets</b>                           |             |           |                |           |
| Intangible assets  |             |           |                |           |
| Acquisition cost, 1 January  | 65 677      | 61 507    | 63 651         | 59 502    |
| + increase   | 3 382       | 4 170     | 3 379          | 4 149     |
| - decrease   | -           | -         | -              | -         |
| Acquisition cost, 31 December                                      | 69 059      | 65 677    | 67 030         | 63 651    |
| Accumulated planned depreciation                                   | - 56 512    | - 52 256  | - 54 511       | - 50 261  |
| Book value, 31 December  | 12 547      | 13 421    | 12 519         | 13 390    |
| Tangible assets  |             |           |                |           |
| Acquisition cost, 1 January  | 530 472     | 520 369   | 430 001        | 419 820   |
| + increase   | 14 313      | 10 908    | 14 313         | 10 908    |
| - decrease   | - 358       | - 805     | - 354          | - 727     |
| Acquisition cost, 31 December                                      | 544 427     | 530 472   | 443 960        | 430 001   |
| Accumulated planned depreciation                                   | - 299 004   | - 266 977 | - 237 550      | - 209 156 |
| Book value, 31 December  | 245 423     | 263 495   | 206 410        | 220 845   |
| <b>8. Receivables and Payables</b>                                 |             |           |                |           |
| Receivables from group companies                                   |             |           |                |           |
| Loans receivable   |             |           | 54 839         | 57 590    |
| Receivables from group companies, 31 December                      |             |           | 54 839         | 57 590    |
| Payables to group companies  |             |           |                |           |
| Accounts payable   |             |           | -              | -         |
| Payables to group companies, 31 December                           |             |           | -              | -         |
| Long-term receivables  |             |           |                |           |
| Loans receivable   | 278         | 278       | 52 114         | 55 019    |
| Other receivables  | 412         | 460       | 412            | 460       |
| Long-term receivables, 31 December                                 | 690         | 738       | 52 526         | 55 479    |



|  | Corporation |                       | Parent Company                            |            |
|--|-------------|-----------------------|---|------------|
|  | 1998        | 1997                  | 1998                                      | 1997       |
| <b>9. Shareholders' Equity</b>                                 |             |                       |   |            |
| Restricted shareholders' equity                                |             |                       |   |            |
| Co-operative capital, 1 January                                | 59 982      | 61 324                | 59 982                                    | 61 324     |
| + increase   | 3 985       | 3 008                 | 3 985                                     | 3 008      |
| - decrease   | - 6 170     | - 4 350               | - 6 170                                   | - 4 350    |
| Co-operative capital, 31 December                              | 57 797      | 59 982                | 57 797                                    | 59 982     |
| Reserve fund, 1 January  | 1 083       | 1 072                 | 1 083                                     | 1 072      |
| + increase   | 14          | 11                    | 14  | 11         |
| Reserve fund, 31 December                                      | 1 097       | 1 083                 | 1 097                                     | 1 083      |
| Revaluation fund   | 382         | 382                   | -   | -          |
| Non-restricted shareholders' equity                            |             |                       |   |            |
| Contingency fund, 1 January                                    | 9 452       | 9 262                 | 59 609                                    | 59 419     |
| + profit of sold fixed assets -97                              | 53          | -                     | -   | -          |
| + of profit for previous financial period                      | 192         | 190                   | 192                                       | 190        |
| Contingency fund, 31 December                                  | 9 697       | 9 452                 | 59 801                                    | 59 609     |
| Surplus from previous years                                    | 12 972      | 12 048                | -   | -          |
| Surplus for the financial period                               | 1 238       | 1 179                 | 20  | 202        |
| <b>10. Long-term Liabilities Falling Due in Five Years</b>     | 70 040      | 78 562                | 69 972                                    | 77 958     |
| <b>11. Liabilities</b>   |             |                       |   |            |
| Non-covered liability deficit of the pensions fund             | 4 686       | 3 782                 | 4 686                                     | 3 782      |
| Unemployment pension responsibility due to pension commitments | 6 079       | 7 693                 | 6 079                                     | 7 693      |
| Liabilities due to pension and salary commitments              | 8 086       | 9 795                 | 8 086                                     | 9 795      |
| Guarantees on behalf of others                                 | 33 683      | 35 534                | 33 683                                    | 35 534     |
| Mortgage on real estate  | 199 326     | 200 376               | 193 826                                   | 191 876    |
| Other mortgages  | 30 500      | 30 500                | 30 500                                    | 30 500     |
| Leasing responsibilities                                       | 6 831       | 5 154                 | 6 831                                     | 5 154      |
| Responsibility of the guarantees of the TLK Group              | -           | 1 361                 | -   | 1 361      |
| Responsibilities, 31 December                                  | 289 191     | 294 195               | 283 691                                   | 285 695    |
| <b>12. Pledges</b>   |             |                       |   |            |
| On own behalf  |             |                       |   |            |
| Other pledges  | 86 147      | 81 773                | 86 147                                    | 81 773     |
| <b>13 Co-operative Payments to be Paid</b>                     | 76 151      | 75 724                | 76 151                                    | 75 724     |
| <b>14. Group Companies</b>                                     |             |                       |   |            |
|  |             | Corporation's Share % | Shares Owned by the Parent Company Number | Book Value |
| Mikkelin Teurastamo Oy   |             | 100                   | 600                                       | 2 636      |
| (Mikkeli Slaughterhouse Ltd)                                   |             | 100                   | 100                                       | 463        |
| ZAO Portti SPb   |             |                       |   |            |



## PROPOSAL FOR DISTRIBUTION OF EARNINGS

The Board of Directors proposes that the surplus of FIM 20,209.56 for 1998 be used as follows:

|  |                  |
|--|------------------|
| – 5% of the surplus be transferred to the reserve fund<br>in accordance with Section 13 of the Articles of Association | 1,010.48         |
| – the remaining funds be transferred to the contingency fund   | 19,199.08        |
|  | <u>20,209.56</u> |

The Board of Directors also proposes that no dividend be paid on the co-operative capital for 1998.

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

|                                     |                     |                       |
|-------------------------------------|---------------------|-----------------------|
| Restricted Shareholders' Equity     |                     |                       |
| Co-operative Capital                | 57,797,714.07       |                       |
| Reserve Fund                        | <u>1,098,027.36</u> | 58,895,741.43         |
| Non-Restricted Shareholders' Equity |                     |                       |
| Contingency Fund                    |                     | <u>59,820,523.02</u>  |
|                                     |                     | <u>118,716,264.45</u> |

Mikkeli, 29 March 1999

Seppo Virtanen

Kyösti Harju  
Erkki Kolehmainen  
Antti Pilli-Sihvola

Reino Huutilainen  
Pirjo Lampinen  
Pekka Kaikkonen

### 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 1998 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 state-

ments be approved and the surplus be used as proposed by the Board of Directors.

Next in turn to resign from the Supervisory Board are Pekka Juutilainen, Kyösti Kallio, Markku Kinnunen, Matti Kohvakka, Pekka Partanen, Reijo Pöntynen, Mauno Saalasti and Kalervo Tulokas.

Mikkeli, 29 April 1999

Esko S. Hämäläinen

Jukka Juutilainen  
Eero Kailanen  
Kyösti Kallio  
Ilpo Kiema  
Markku Kinnunen  
Matti Kohvakka  
Juha Korhonen

Juha Kosonen  
Juha Kuokka  
Seija Lifländer  
Arvo Liukkonen  
Seija Lyytikäinen  
Rauno Nuppola  
Pekka Partanen

Reijo Pöntynen  
Timo Ruhanen  
Sari Saari-Muhonen  
Seppo Seppälä  
Erkki Talikka  
Kalervo Tulokas  
Kari Vesterinen



## 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 1998 financial year. The financial statements presented by the Board of Directors 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 and Members of the Board of Directors have legally complied with the rules of the Companies' Act.

The operative result of Karjaportti Co-operative has continued to show a deficit. During the period under review, and thereafter, the Co-operative's Board of Directors has made decisions in order to improve the efficiency of operations and

profitability. Some of the decisions have already been implemented. Further measures to be taken are mentioned in the notes to the financial statements and the Managing Director's statement, included in the Board of Directors' report.

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 and Members of the Board of Directors 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, 30 March 1999

Olli Sinisalo  
Chartered Accountant

Pentti Savolainen  
Authorised Public Accountant

### KARJAPORTTI

P.O. BOX 60  
FIN-50101 Mikkeli  
Tel. +358 15 202 21  
Fax + 358 15 150 867

NIGEL FREDERICKS  
FOOD GROUP  
London, Great Britain  
Tel. +44 181 905 9005  
Fax +44 181 205 6151

ZAO PORTTI SPb  
St Petersburg, Russia  
Tel +7 812 327 73 75  
Fax +7 812 327 73 93

RS IMPORT-EXPORT  
BC Honselersdijk,  
The Netherlands  
Tel. +31 174 642 859  
Fax +31 174 629 829

I.P KULIKOVA  
Vyborg, Russia  
Tel./fax +7 81278 332 39

SVENSKA PORTTI  
FÖRSÄLJNING AB  
Linköping, Sweden  
Tel./fax +46 13 27 1090

DENMARK  
Postbox 13, 6510 Gram  
Tel. +45 40 426 160  
Fax +45 748 20023



