KARJAPORTTI

1999

PORTTI

Managing Director's Statement

The market situation in the meat processing industry turned out to be unstable in 1999. Particularly in the beginning of the year the market was affected heavily by fast and intensive fluctuations in the raw material market prices of meat as a consequence of the market crisis of pork. The year under review was also overshadowed by the problematic economic situation in Russia, impeding profitable export. Moreover, the profitability of the line of business was weakened by the continuing decrease in sales prices of products, which seems to have stopped now.

The decrease in beef production continued, while, surprisingly, also pork production remained slightly short of the previous year's level in Finland. However, total consumption of meat increased further.

Turnover for the year under review amounted to FIM 843 million, showing a decrease of 4.7 percent over the previous year. The decrease in turnover was due to lower meat purchasing volumes. Meat production volumes came down in Karjaportti's strong acquisition areas more than in other parts of the country. Correspondingly, the sales of Karjaportti's products increased well in retail stores, raising our market share in processed meat for the first time over 10 percent in Finland. Furthermore, the store coverage of our brand, "JärviSuomen" almost reached the level of 100 percent towards the end of the year.

During the year under review, centralisation of slaughtering operations in Lappeenranta was carried out, as well as centralisation of meat cutting operations in Mikkeli and Kouvola. This enabled us to close down the Jyväskylä unit, which caused one-time costs burdening the result for the year 1999. Even though the profit targets were not met, by virtue of the higher degree of processing and the growth in sales of products, last year's profit development was positive in comparison with the previous year. The cost savings resulting from the programme targeted towards improving the result will take effect only from the year 2000 onwards. Karjaportti's total number of personnel has fallen from the beginning of the year 2000 by 60 employees in comparison with the previous year.

The total investments carried out were equal to depreciation according to plan, i.e., FIM 28 million. The most significant investments were targeted to modernisation of IT systems, as well as the improvements implemented at the Lappeenranta slaughterhouse, concerning production and environmental technology.

The recent development of Karjaportti shows several positive features, such as an increasing degree of processing, growing market shares for products and the improved market coverage in retail stores. The development programme was introduced and it progresses as planned, in good co-operation with the personnel. In production management, special attention is paid to correct timing as regards adequacy of raw material. In days to come, Karjaportti's co-operation with Järvi-Suomen Kalkkuna Oy provides good opportunities for expanding our raw-material base. Karjaportti is one of the shareholders in Järvi-Suomen Kalkkuna Oy. Moreover, we will continue the specifying of the second stage of our structural development and consolidation of our market status through efforts towards development of new products and marketing. When the entire personnel joins forces, we believe we will be able to meet the needs of our interest groups and owners alike in the future even better than previously.

Hereby I would like to express my cordial gratitude to all our partners for the good co-operation in the year under review, as well as Karjaportti's personnel for their good co-operation.

Pekka Kaikkonen

Profit and Loss Account

1 January – 31 December (FIM 1,000)	Corporation		Parent Company	
	1999	1998	**1999**	1998
Turnover	842 722	883 953	842 661	883 906
Increase (+) or decrease (-) in inventory of finished goods and work in progress	-10 474	6 158	-10 474	6 158
Other income from business operations	6 454	3 977	6 416	3 834
Materials and services				
Materials and supplies				
Purchases during the financial year	450 563	519 515	450 560	519 514
Increase (-) / decrease (+) in inventory	6 147	-10 031	6 147	-10 031
	456 710	509 484	456 707	509 483
Personnel costs				
Salaries and wages	124 102	131 813	123 941	131 644
Social expenses				
Pensions	24 073	22 596	24 048	22 571
Other social expenses	16 919	17 888	16 903	17 869
	165 094	172 297	164 892	172 084
Depreciation and write downs				
Planned depreciation	32 147	36 283	28 605	32 644
Other operating expenses	179 515	171 725	187 034	178 942
Operating surplus	5 236	4 299	1 365	745
Financial Income and Expenses				
Income from other investments				
From others	59	58	59	58
Other interest and financial income				
From group companies	-	-	4 171	4 420
From others	1 189	1 218	1 187	1 217
Interest expenses and other financial expenses				
To others	-13 036	-15 472	-13 027	-15 460
	-11 788	-14 196	-7 610	-9 765
Deficit before Appropriations and Taxes	-6 552	-9 897	-6 245	-9 020
Appropriations				
Increase (-) / decrease (+) in depreciation difference	-	11 135	6 252	9 040
Change in deferred tax liability	2 114	-	-	-
Net deficit/surplus for the financial period	-4 438	1 238	7	20

Balance Sheet

1 January – 31 December (FIM 1,000)	Corporation		Parent Company	
	1999	1998	1999	1998
ASSETS				
Fixed Assets and Other Long-Term Assets				
Intangible Assets				
Intangible rights	31	39	28	36
Goodwill	193	320	193	320
Other long-term costs	13 418	12 188	13 398	12 163
	13 642	12 547	13 619	12 519
Tangible Assets				
Land and water	14 990	14 990	14 028	14 028
Buildings and structures	144 366	149 573	109 692	111 538
Machinery and equipment	64 302	77 671	64 294	77 655
Advances paid and acquisition in progress	11 861	3 189	11 861	3 189
	235 519	245 423	199 875	206 410
Long-Term Investments				
Holdings in Group companies	-	-	3 115	3 115
Other shares and holdings	6 948	6 642	6 466	6 160
	6 948	6 642	9 581	9 275
Fixed Assets and Other Long-Term Assets Total	256 109	264 612	223 075	228 204
Inventories and Current Assets				
Inventories				
Materials and supplies	14 603	20 740	14 603	20 740
Finished products	15 443	26 362	15 443	26 362
Other inventories	10	19	10	19
	30 056	47 121	30 056	47 121
Receivables				
Long-term				
Accounts receivable	392	109	392	109
Receivables from Group companies	-	-	48 340	51 740
Loans receivable	278	278	278	278
Other receivables	303	303	303	303
Accrued income and prepaid expenses	434	648	434	648
	1 407	1 338	49 747	53 078
Short-term				
Accounts receivable	101 826	104 456	100 314	103 240
Receivables from Group companies	-	-	4 875	4 285
Other receivables	1 517	1 870	1 517	1 870
Accrued income and prepaid expenses	2 192	2 982	2 160	2 922
	105 535	109 308	108 866	112 317
Cash in Hand and at Bank	734	1 236	733	1 236
Inventories and Current Assets Total	137 732	159 003	189 402	213 752
Total Assets	393 841	423 615	412 477	441 956

Balance Sheet

1 January – 31 December (FIM 1,000)	Corporation		Parent Company	
	1999	1998	1999	1998
LIABILITIES AND SHAREHOLDERS' EQUITY				
SHAREHOLDERS' EQUITY				
Restricted Capital				
Co-operative capital	50 066	57 797	50 066	57 797
Reserve fund	1 098	1 097	1 098	1 097
Revaluation reserve	382	382	-	-
	51 546	59 276	51 164	58 894
Non-Restricted Capital				
Contingency fund	21 422	9 698	59 821	59 802
Surplus from previous years	26 407	12 972	-	-
Deficit/Surplus for the financial year	-4 438	1 238	7	20
	43 391	23 908	59 828	59 822
Total Shareholders' Equity	94 937	83 184	110 992	118 716
ACCUMULATED APPROPRIATIONS				
Depreciation Difference	-	31 263	8 043	14 296
OBLIGATORY RESERVES	2 000	-	2 000	-
LIABILITIES				
Deferred tax liability	5 226	-	-	-
Long-Term				
Loans from financial institutions	7 350	9 894	7 350	9 894
Pension loans	104 517	114 564	104 433	114 474
Other long-term liabilities	7 932	11 280	7 932	11 280
	119 799	135 738	119 715	135 648
Current Liabilities				
Loans from financial institutions	63 663	62 879	63 574	62 818
Pension loans	13 047	12 886	13 041	12 879
Advances received	4 622	5 576	4 622	5 576
Accounts payable	48 188	47 269	48 168	47 245
Payables to Group companies	-	-	2	-
Other payables	20 399	18 552	20 389	18 538
Accruals	21 960	26 268	21 931	26 240
	171 879	173 430	171 727	173 296
Total Liabilities	296 904	309 168	291 442	308 944
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	393 841	423 615	412 477	441 956

Funds Statement

(FIM 1,000)	Corporation		Parent Company	
	1999	1998	1999	1998
SOURCES OF FUNDS				
Cash-Flow Financing				
Operating surplus	5 236	4 299	1 365	745
Adjustment to operating surplus	34 147	36 282	30 606	32 644
Financial yields	1 248	1 276	5 417	5 695
	40 631	41 857	37 388	39 084
Capital Financing				
Increase in long-term liabilities	6 920	23 509	6 920	23 509
Increase in shareholders' equity	-	3 989	-	3 989
	6 920	27 498	6 920	27 498
Change in Working Capital				
Change in liquid assets	4 206	-519	7 285	2 242
Change in current assets	17 066	-16 189	17 066	-16 189
Change in current liabilities	1 550	10 312	1 529	10 306
	22 822	-6 396	25 880	-3 641
	70 373	62 959	70 188	62 941
APPLICATION OF FUNDS				
Distribution of profit				
Financial expenses	13 037	15 472	13 028	15 460
Investments				
Investments in fixed assets	23 645	17 329	23 476	17 330
Repayment of Capital				
Deduction of long-term liabilities	25 959	23 988	25 952	23 981
Deduction of shareholders' equity	7 732	6 170	7 732	6 170
	70 373	62 959	70 188	62 941

Notes to the Financial Statements

Principles for Preparing the Financial Statements

The Financial Statements have been prepared in accordance with the Accounting Act of 30 December 1997. The comparison data in the balance sheet and profit and loss account formulas, as well as in the notes to the financial statements have been changed to comply with the revised accounting rules and regulations.

The Financial Statements have been prepared according to the past equity method. The consolidated Financial Statements include all the operational companies, in which the parent co-operative holds a share of more than 50%, either directly or indirectly. Intra-group 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 acquisition has 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.

Planned depreciation is calculated according to the following economic lifetimes: buildings 25 years, other long-term investments 4–10 years, machinery and equipment 8 years, and computer programmes 5 years. The depreciations are written off as straight-line depreciation for the duration of the item's useful life. Fixed assets are presented in the balance sheet at their original acquisition cost less planned depreciations. Additionally, a revaluation worth FIM 770,000 is included in the fixed assets.

Current assets have been valued at the direct acquisition cost, including variable costs incurred from acquisition and manufacturing, or at a likely sales price, following the lower cost or market principle.

Liabilities with a foreign denomination have been entered into the balance sheet at the rate quoted by Merita Bank Ltd on 31 December.

Deferred tax liability: in the Consolidated Balance sheet, the net depreciation difference, less off the shelf depreciation, is divided into deferred tax liability and shareholders' equity as of the beginning of the year 1999. The change in deferred tax liability is presented in the profit and loss account separately under taxes. In the separate financial statements, the division of depreciation difference is presented in notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)	Corporation		Parent Company	
	1999	1998	1999	1998
1. Distribution of Turnover				
Meat processing line	48 %	50 %	48 %	50 %
Final product line	43 %	39 %	43 %	39 %
Others	9 %	11 %	9 %	11 %
2. Turnover by Market Area				
Finland	96 %	96 %	96 %	96 %
Other countries	4 %	4 %	4 %	4 %
3. Other income from business operations				
Rental income	3 901	3 435	3 851	3 290
Gain from the sale of fixed assets	1 009	7	1 009	7
Others	1 544	535	1 556	537
Total	6 454	3 977	6 416	3 834
4. Average number of personnel	840	930	839	929
5. Other operating expenses				
Includes costs incurred from transport, energy, cleaning, operating, marketing, administration and other sources	179 515	171 725	187 034	178 942

(FIM 1,000)	Corporation		Parent Company	
	1999	1998	**1999**	1998
6. Fixed Assets and Other Long-Term Assets				
Intangible Assets and depreciation				
Intangible rights				
Acquisition cost 1 Jan	259	237	253	234
+ change	6	22	6	19
Acquisition cost 31 Dec	265	259	259	253
Accumulated depreciation 1 Jan	-220	-204	-217	-202
Depreciation during the financial year	-14	-16	-13	-15
Accumulated depreciation 31 Dec	-234	-220	-230	-217
Book value 31 Dec	31	39	29	36
Goodwill				
Acquisition cost 1 Jan	24 703	24 703	24 703	24 703
Acquisition cost 31 Dec	24 703	24 703	24 703	24 703
Accumulated depreciation 1 Jan	-24 383	-24 235	-24 383	-24 235
Depreciation during the financial year	-127	-148	-127	-148
Accumulated depreciation 31 Dec	-24 510	-24 383	-24 510	-24 383
Book value 31 Dec	193	320	193	320
Other long-term costs				
Acquisition cost 1 Jan	42 118	38 758	42 074	38 714
+ change	5 942	3 360	5 942	3 360
Acquisition cost 31 Dec	48 060	42 118	48 016	42 074
Accumulated depreciation 1 Jan	-29 930	-25 839	-29 911	-25 824
Depreciation during the financial year	-4 713	-4 091	-4 708	-4 087
Deductions	1	-	1	-
Accumulated depreciation 31 Dec	-34 642	-29 930	-34 618	-29 911
Book value 31 Dec	13 418	12 188	13 398	12 163
Tangible Assets and depreciation				
Land and water				
Acquisition cost 1 Jan	14 611	14 611	14 028	14 028
+ revaluation in 1982	379	379	-	-
Acquisition cost 31 Dec	14 990	14 990	14 028	14 028
Buildings and structures				
Acquisition cost 1 Jan	241 742	240 253	145 869	144 380
+ revaluation in 1982	770	770	-	-
+ change	4 155	1 489	4 281	1 489
Acquisition cost 31 Dec	246 667	242 512	150 150	145 869
Accumulated depreciation 1 Jan	-92 939	-83 260	-34 332	-28 278
Depreciation during the financial year	-9 656	-9 679	-6 126	-6 054
Deductions	294	-	-	-
Accumulated depreciation 31 Dec	-102 301	-92 939	-40 458	-34 332
Book value 31 Dec	144 366	149 573	109 692	111 537
Machinery and equipment				
Acquisition cost 1 Jan	283 736	273 374	280 874	270 508
+ change	4 269	10 362	4 269	10 366
Acquisition cost 31 Dec	288 005	283 736	285 143	280 874
Accumulated depreciation 1 Jan	-206 065	-183 718	-203 218	-180 878
Depreciation during the financial year	-17 638	-22 347	-17 631	-22 340
Accumulated depreciation 31 Dec	-223 703	-206 065	-220 849	-203 218
Book value 31 Dec	64 302	77 671	64 294	77 656
Advances paid and acquisition in progress				
Acquisition cost 1 Jan	3 189	1 085	3 189	1 085
+ change	8 672	2 104	8 672	2 104
Acquisition cost 31 Dec	11 861	3 189	11 861	3 189
Undepreciated balance from machinery and equipment 31 Dec	64 302	77 671	64 294	77 656
The share of other machinery and equipment than those involved in production is not an essential item.				
Long-Term Investments				
Holdings in Group companies				
Acquisition cost 1 Jan	-	-	3 115	3 115
Acquisition cost 31 Dec	-	-	3 115	3 115

(FIM 1,000)	Corporation		Parent Company	
	1999	1998	**1999**	1998
Other shares and holdings				
Acquisition cost 1 Jan	6 643	6 651	6 161	6 169
+ change	305	-8	305	-8
Acquisition cost 31 Dec	6 948	6 643	6 466	6 161
7. Receivables				
Long-term				
Receivables from Group companies				
Loans receivable	-	-	48 340	51 740
Accrued income and prepaid expenses				
- periodisation of rents	434	648	434	648
Short-term				
Receivables from Group companies				
Accounts receivable	-	-	1 499	1 186
Loans receivable	-	-	3 376	3 099
Total	-	-	4 875	4 285
Breakdown of accrued income and prepaid expenses				
Various subsidy income and compensations	1 115	1 065	1 115	1 064
- periodisation of rents	369	421	369	421
Others	708	1 496	676	1 437
Total	2 192	2 982	2 160	2 922
8. Shareholders' Equity				
Restricted Capital				
Co-operative capital 1 Jan	57 798	59 982	57 798	59 982
- change	-7 732	-2 184	-7 732	-2 184
Co-operative capital 31 Dec	50 066	57 798	50 066	57 798
Reserve fund 1 Jan	1 097	1 084	1 097	1 084
+ change	1	13	1	13
Reserve fund 31 Dec	1 098	1 097	1 098	1 097
Revaluation reserve	382	382	-	-
Non-Restricted Capital				
Contingency fund 1 Jan	21 403	9 452	59 801	59 609
- profit from sales of fixed assets 1997	-	53	-	-
- of the previous financial year's profit	19	192	19	192
Contingency fund 31 Dec	21 422	9 697	59 820	59 801
Surplus from previous years	26 407	12 972	-	-
Deficit/Surplus for the financial year	-4 438	1 238	7	20
Total	94 937	83 184	110 991	118 716
Share of shareholders' equity of depreciation difference	17 842	-	7 174	-
Deferred tax liability of appropriations	5 226	-	869	-
9. Obligatory Reserves				
Pension reserves	2 000	-	2 000	-
10. Liabilities				
Debts falling due later than in 5 years' time				
Pension loans	63 811	70 040	63 747	69 972
Short-term liabilities				
Debts to group companies				
Accounts payable	-	-	2	-
Breakdown of accrued expenses				
Personnel costs	18 759	20 968	18 734	20 945
Periodisation of interest	1 607	1 970	1 604	1 968
Others	1 594	3 330	1 593	3 328
Total	21 960	26 268	21 931	26 241

(FIM 1,000)	Corporation		Parent Company	
	1999	1998	1999	1998
11. Collaterals given and contingent liabilities				
Debts, for which mortgages or other collaterals have been given as security				
Pension loans	114 054	123 941	113 964	123 843
Loans from financial institutions	71 008	72 772	70 924	72 711
Total	185 062	196 713	184 888	196 554
Mortgages and other collaterals given as general security				
Real estate mortgages given	198 920	199 325	193 420	193 825
Business mortgages given	30 500	30 500	30 500	30 500
Other collaterals given	85 486	86 147	85 486	86 147
Total	314 906	315 972	309 406	310 472
Contingent liabilities				
Guarantees on behalf of others	24 276	33 683	24 276	33 683
Liabilities deficit of pension fund	4 755	4 686	4 755	4 686
- entered as expenses	-69	-	-69	-
Uncovered liabilities deficit of pension fund	4 686	4 686	4 686	4 686
Unemployment pension responsibility due to pension commitments	9 062	6 079	9 062	6 079
- entered as expenses	-1 931	-	-1 931	-
Unemployment pension responsibility due to pension commitments	7 131	6 079	7 131	6 079
Liabilities due to pension and salary commitments	6 572	8 086	6 572	8 086
Total	42 665	52 534	42 665	52 534
Leasing liabilities				
Amounts remaining unpaid of leasing liabilities	14 151	9 787	14 151	9 787

	Group ownership %	Shares owned by parent co. shares	Shares owned by parent co. book value
12. Group companies			
Mikkelin Teurastamo Oy (Mikkeli Slaughterhouse Ltd), Mikkeli	100	600	2 636
ZAO Portti SPb, St. Petersburg	100	100	463

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 on them. In accordance with the Articles of Association, we now submit the said documents for handling by the representatives, proposing that the financial statements be approved and the proposal by the Board of Directors on distribution of the surplus be accepted.

Next in turn to resign from the Supervisory Board are Esko S. Hämäläinen, Seija Lifländer, Seija Lyytikäinen, Rauno Nuppola, Sari Saari-Muhonen and Erkki Talikka. Moreover, members must be elected to replace Juha Korhonen and Seppo Seppälä, who have joined the Board of Directors.

Mikkeli, 27 April 2000

Esko S. Hämäläinen

Antero Jaatinen	Juha Kuokka	Seija Lyytikäinen	Heikki Sakkara
Jukka Juutilainen	Ilkka Laahanen	Rauno Nuppola	Erkki Talikka
Eero Kailanen	Ari Lavikka	Pekka Partanen	Kalervo Tulokas
Matti Kohvakka	Seija Lifländer	Reijo Pöntynen	Kari Vesterinen
Juha Kosonen	Arvo Liukkonen	Sari Saari-Muhonen	

Proposal for Distribution of Earnings

The Board of Directors proposes that the surplus of FIM 6,876.00 for 1999 be used as follows:

- 5% of the surplus be transferred to the reserve fund in accordance with Section 13 of the Articles of Association	343.80
- the remaining funds be transferred to the contingency fun	6,532.20
	6,876.00

The Board of Directors also proposes that no dividend be paid on the co-operative capital for 1999.

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

Restricted Shareholders' Equity		
Co-operative Capital	50,065,963.06	
Reserve Fund	1,098,381.16	51,164,344.22
Non-Restricted Shareholders' Equity		
Contingency Fund		59,827,055.22
		110,991,399.44

Mikkeli, 27 March 2000

Kyösti Harju

Erkki Kolehmainen
Pirjo Lampinen
Seppo Seppälä

Juha Korhonen
Antti Pilli-Sihvola
Pekka Kaikkonen

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 1999 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.

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, 28 March 2000

Olli Sinisalo
Chartered Accountant

Pentti Savolainen
Authorised Public Accountant

JärviSuomen

Always a pure matter of taste

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