JärviSuomen

Karjaportti 2001

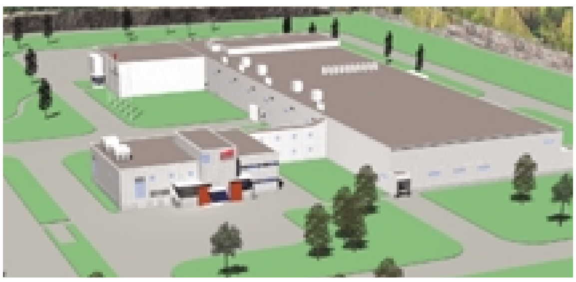
MANAGING DIRECTOR'S STATEMENT

The Finnish food industry experienced favourable developments in 2001, seeing improved profitability within the sector. Finnish meat production as a whole increased, whereas consumption remained at the same level as the year before. However, changes occurred between various types of meat and product groups. Poultry consumption increased by ten per cent while, correspondingly, demand for beef fell by seven per cent. This decrease in beef consumption cannot be considered substantial in comparison to the level of fuss generated by the issue of BSE, and it is also true that consumers' level of trust in Finnish meat has remained high, despite the Finnish BSE case which occurred in December.

Turnover amounted to EUR 140 million, which was 2-3 per cent better than the previous year. A rise in product prices increased turnover and improved profitability. Because, at the same time, Karjaportti managed to increase productivity (despite the additional costs imposed by the BSE incident) our operating surplus increased almost five-fold compared to last year. For the first time in many years, the result for the financial period was positive.

Karjaportti's investments in the development of primary production have started to yield tangible results. Even though the purchase of meat per annum declined, levels of commission on both pig and calf meat increased again during the latter half of the year.

Total investments amounted to EUR 8 million. The largest investments were made in the building of a new production plant in Mikkeli and process-related purchases, as well as in changing our data systems as required by the introduction of the euro. Capital allowances in the accounts remained at the level of deductions defined by the Business Tax Act.



The new food factory in Mikkeli will be completed in spring 2003.

Falls in the level of co-operative capital, caused by a corresponding decrease in the number of meat production premises, caused in its turn by structural changes in agriculture, ceased during the year under review, and turned into increases close to two per cent. Despite its substantial investments, Karjaportti's liabilities did not grow substantially.

The construction of the new production plant in Mikkeli has proceeded well, is on schedule and within the estimated budget. The major challenges for 2002 are planning the introduction of the new factory and completing the entire project. Karjaportti's old premises in Mikkeli were sold to the City of Mikkeli at the beginning of 2002. The sale has had a clear positive effect on the result for 2001, and also continues to play an important part in the funding of the construction project. Due to this funding, Karjaportti's total liabilities will not increase during the current year, despite our large investments.

In early 2002, Karjaportti's sales were better than the year before, and our new products succeeded well in the market. Exports to Russia were already developing favourably during late 2001, and have continued to do so. The financial results for early 2002 have also clearly improved on the year before and are in line with the forecast result. For this reason, it seems obvious that the target results for the entire year, higher than those of the previous year, will be reached.

Karjaportti has several new development projects, the outcomes of which, in the form of new competitive products, will be launched during the period 2002-2004. The two-year training course for a vocational management qualification for middle and upper management is about to reach its end, and the focus of our training effort will shift towards other levels of the organisation. Karjaportti's development programme is progressing, and we believe that we will be even better able to fulfil the needs of our interest groups and shareholders in the future.

I would like to take this opportunity to extend my warmest thanks for successful co-operation throughout the past year, to all our co-operating partners and Karjaportti's personnel.

Pekka Kaikkonen

PROFIT AND LOSS ACCOUNT

1 January – 31 December (EUR 1000)	Corporation		Parent Company	
	2001	2000	**2001**	2000
Turnover	139 763	139 634	139 749	139 621
Increase (+) or decrease (-) in inventory of finished goods and work in progress	–387	20	–387	20
Other income from business operations	1 137	1 149	1 056	1 135
Materials and services				
Materials and supplies				
Purchases during the financial year	80 843	78 860	80 855	78 859
Increase (-) / decrease (+) in inventory	–938	-356	-938	-356
	79 905	78 504	79 917	78 503
Personnel costs				
Salaries and wages	19 167	19 628	19 143	19 601
Social expenses				
Pensions	4 000	3 562	3 996	3 558
Other social expenses	2 209	2 393	2 206	2 389
	25 376	25 583	25 345	25 548
Depreciation and write downs				
Planned depreciation	4 950	5 091	4 372	4 507
Other operating expenses	27 490	31 003	28 701	32 209
Operating surplus	2 792	622	2 083	9
Financial Income and Expenses				
Profits from shares in associated companies	–	–	37	4
Profits from other investments				
From others	9	11	9	11
Other interest and financial income				
From group companies	–	–	606	656
From others	180	194	180	194
Interest expenses and other financial expenses				
To others	–2 403	–2 320	–2 402	–2 319
	–2 214	–2 115	–1 570	–1 454
Surplus/deficit before extraordinary items	578	–1 493	513	–1 445
Extraordinary items				
Extraordinary expenses	–	–740	–	–740
Share of the profit of the affiliated companies	–	943	–	–
Surplus/deficit before Appropriations and Taxes	578	–1 290	513	–2 185
Appropriations				
Increase (-) / decrease (+) in depreciation difference	-	-	67	1 017
Income tax	–30	–1	–30	–1
Change in deferred tax liability	128	345	-	-
Net surplus/deficit for the financial period	676	–946	550	–1 169

BALANCE SHEET

31 December (EUR 1000)	Corporation		Parent Company	
	2001	2000	**2001**	20000
ASSETS				
Fixed Assets and Other Long-Term Assets				
Intangible Assets				
Intangible rights	1	3	1	3
Goodwill	–	15	–	15
Other long-term costs	1 676	1 984	1 673	1 981
	1 677	2 002	1 674	1 999
Tangible Assets				
Land and water	2 490	2 519	2 358	2 358
Buildings and structures	21 771	23 385	17 130	18 168
Machinery and equipment	7 132	9 340	7 139	9 339
Advances paid and acquisition in progress	7 011	1 637	7 011	1 637
	38 404	36 881	33 638	31 502
Long-Term Investments				
Holdings in group companies	–	–	524	524
Holdings in associated companies	1 127	1 166	228	228
Other shares and holdings	941	941	860	860
	2 068	2 107	1 612	1 612
Fixed Assets and Other Long-Term Assets Total	42 149	40 990	36 924	35 113
Inventories and Current Assets				
Inventories				
Materials and supplies	3 751	2 813	3 751	2 813
Finished products	2 230	2 618	2 230	2 618
Other inventories	1	–	1	–
	5 982	5 431	5 982	5 431
Receivables				
Long-term				
Accounts receivable	2	65	2	65
Receivables from group companies	–	–	6 804	7 525
Receivables from associated companies	433	293	433	293
Loans receivable	10	10	10	10
Other receivables	–	51	–	51
Accrued income and prepaid expenses	9	35	9	35
	454	454	7 258	7 979
Short-term				
Accounts receivable	17 822	17 551	17 486	17 250
Receivables from group companies	–	–	998	909
Other receivables	673	250	673	250
Accrued income and prepaid expenses	423	341	420	338
	18 918	18 142	19 577	18 747
Cash in Hand and at Bank	196	83	190	80
Inventories and Current Assets Total	25 550	24 110	33 007	32 237
Total Assets	67 699	65 100	69 931	67 350

31 December (EUR 1000)	Corporation		Parent Company	
	2001	2000	**2001**	2000
LIABILITIES AND SHAREHOLDERS' EQUITY				
SHAREHOLDERS' EQUITY				
Co-operative capital	7 813	7 681	7 813	7 681
Reserve fund	185	185	185	185
Revaluation reserve	37	64	–	–
Contingency fund	1 825	2 842	8 893	10 062
Surplus from previous years	4 528	4 456	–	–
Surplus/deficit for the financial year	676	–945	550	–1 169
Total Shareholders' Equity	15 064	14 283	17 441	16 759
ACCUMULATED APPROPRIATIONS				
Depreciation Difference	–	–	268	336
LIABILITIES				
Deferred tax liability	404	533	–	–
Long-Term				
Loans from financial institutions	4 263	547	4 263	547
Pension loans	16 743	19 237	16 743	19 224
Other long-term liabilities	667	943	667	943
	21 673	20 727	21 673	20 714
Current Liabilities				
Loans from financial institutions	12 725	11 881	12 725	11 881
Pension loans	2 481	2 546	2 481	2 545
Advances received	619	658	619	658
Accounts payable	7 472	6 474	7 468	6 467
Payables to associated companies	91	25	91	25
Other payables	2 603	3 315	2 600	3 313
Accruals	4 567	4 658	4 565	4 652
	30 558	29 557	30 549	29 541
Total Liabilities	52 635	50 817	52 222	50 255
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	67 699	65 100	69 931	67 350

FUNDS STATEMENT

(EUR 1000)	Corporation		Parent Company	
	2001	2000	**2001**	2000
SOURCES OF FUNDS				
Cash-Flow Financing				
Operating surplus	2 792	622	2 083	9
Adjustment to operating surplus	4 950	4 755	4 371	4 171
Financial yields	188	210	832	866
	7 930	5 587	7 286	5 046
Capital Financing				
Increase in long-term liabilities	4 230	4 215	4 230	4 215
Increase in shareholders' equity	746	370	746	370
	4 976	4 585	4 976	4 585
Change in Working Capital				
Change in liquid assets	–890	–569	–219	–8
Change in current assets	–550	–376	–550	–376
Change in current liabilities	1 270	–271	1 276	–261
	–170	–1 216	507	–645
	12 736	8 956	12 769	8 986
APPLICATION OF FUNDS				
Distribution of profit				
Financial expenses	2 402	2 321	2 401	2 319
Taxes	30	1	30	1
Investments				
Investments in fixed assets	6 136	2 068	6 184	2 101
Repayment of Capital				
Deduction of long-term liabilities	3 553	3 457	3 539	3 456
Deduction of shareholders' equity	615	1 109	615	1 109
	12 736	8 956	12 769	8 986

NOTES TO THE FINANCIAL STATEMENTS

PRINCIPLES FOR PREPARING THE FINANCIAL STATEMENTS

Principles for preparing the consolidated Financial Statements
The consolidated 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.

Affiliated companies
Affiliated companies have been included in the consolidated financial statement following the principle of capital share. The Group's share of the affiliated companies' result for the financial period, in accordance with the Group's holding in them, has been entered under 'Materials and Supplies' for companies supporting the industry, and under 'Rent Income' for real-estate companies.

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. 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.

Valuation principles
Valuation of fixed assets
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.
Allowances received for the acquisition of fixed assets have been entered as deductions from the acquisition cost. In addition, the acquisition cost includes an increase in value of EUR 129,504.70, which was implemented prior to the entry into force of the current Accounting Act.

Valuation of Current 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.

Currency-denominated items
Receivables and liabilities in foreign denominations have been entered into the balance sheet at the rate quoted by Nordea Pankki Suomi Oyj, on the closing date of the accounts.

Euro
The financial statements have been created in euros for the first time. Day-to-day bookkeeping was converted into euros during the 2001 financial year. Comparable financial statements are converted into euros using the standard exchange rate.

Comparability of the financial statements
In relation to the comparability of the financial statements, it should be noted that, without the minor changes made to our invoicing policy, the turnover for the financial year would have been 2-3 per cent higher than for the previous year, and other expenses correspondingly greater.

PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The Board of Directors proposes that the surplus for 2001, totalling EUR 549,865.06, be used as follows:

– 5% of the surplus be transferred to the reserve fund in accordance with Section 13 of the Articles of Association	27,493.25
– the remaining funds be transferred to the contingency fund	522,371.81
	549,865.06

In addition, the Board of Directors proposes that interest of 1%, or EUR 70,670.80, be paid from the reserve fund towards the co-operative capital of EUR 7,067,079.57.
Provided that the above proposals are approved, the shareholders' equity of Slaughterhouse Co-operative Karjaportti is:

Restricted Capital		
Co-operative Capital	7,812,809.41	
Reserve Fund	212,868.50	8,025,677.91
Non-Restricted Capital		
Contingency Fund		9,344,798.74
		17,370,476.65

Mikkeli, 26. March 2002

Seppo Seppälä

Erkki Kolehmainen	Juha Korhonen
Pirjo Lampinen	Antti Pilli-Sihvola
Juha Saikko	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 2001 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.

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, 29 March 2002

KPMG WIDERI OY AB

Pentti Savolainen
Authorised Public Accountant

Jukka Rajala
Authorised Public Accountant

SUPERVISORY BOARD'S STATEMENT

We have examined the statement of the Board of Directors for 2001, 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 Kalervo Tulokas, Jukka Juutilainen, Antero Jaatinen, Matti Kohvakka, Ilkka Laahanen, Ari Lavikka, Pekka Partanen and Reijo Pöntynen.

Mikkeli, 24 April 2002

Kalervo Tulokas

Pekka Halko
Pekka Harju
Eero Hetemäki
Antero Jaatinen
Jukka Juutilainen
Ilpo Kiema

Matti Kohvakka
Satu Koskinen
Juha Kuokka
Ilkka Laahanen
Ari Lavikka
Arvo Liukkonen

Pekka Luukkonen
Kari Nousiainen
Rauno Nuppola
Pekka Partanen
Reijo Pöntynen
Timo Ruhanen

Heikki Sakkara
Ville Savelainen
Antti Toivakka
Kari Vesterinen
Hilkka Weijo

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