

A n n u a l r e p o r t
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Lännen Tehtaat in brief

		1995	1994	1993
Net sales	FIM mill.	783,1	648,9	683,0
Exports	FIM mill.	79,5	40,6	69,1
Operating margin	FIM mill.	71,6	66,7	24,6
Profit before extraordinary items	FIM mill.	51,9	41,7	-11,0
Profit before appropriations and tax	FIM mill.	51,8	41,7	-3,3
Return on investment (ROI)	%	11,4	10,6	4,1
Solvency ratio	%	64,5	64,7	56,9
Adjusted profit per share	FIM	5,01	4,21	-2,84
Dividend per share	FIM	2,00 ¹⁾	2,00	1,00
Average personnel		422	420	557

¹⁾ Board of Directors' recommendation

Information for shareholders

Annual General Meeting

The Annual General Meeting of Lännen Tehtaat Oy will be held on Thursday, April 11, 1996 at 2.00 p.m. in the staff restaurant of Lännen Tehtaat Oy in Iso-Vimma, Säkyliä.

Shareholders wishing to participate are requested to inform Lännen Tehtaat Head Office by 2.00 p.m. on Tuesday, April 9, 1996.

Dividend

The Board of Directors will recommend to the Annual General Meeting that a dividend of FIM 2 per share be paid for 1995. The Board will recommend to the Annual General Meeting that the record date be April 16, 1996 and the dividend payment date April 19, 1996. Dividends will be paid to shareholders entered by the record date in the list of company shareholders kept by the Central Share Register of Finland Co-operative.

Information about the result

Lännen Tehtaat will issue two interim reports in 1996: for the January-April period on June 18, 1996, and for the January-August period on October 22, 1996.

The interim reports will be in Finnish and English. They can be ordered from Lännen Tehtaat by telephone, +358 38 83 971, or from Lännen Tehtaat Oy, P.O. Box 100, FIN-27821 Iso-Vimma.

Share register

Shareholders are requested to report any changes of name or address to that book-entry securities register with which they have a book-entry securities account.



Contents

Information for shareholders	2
President's review	4
Food Group	6
Earthmoving Technology Group	10
Other Business Units	12
Organization and administration	14
Financial statements	
Board of Directors' report on operations 1995	16
Consolidated profit and loss statement	21
Consolidated balance sheet	22
Consolidated statement of source and application of funds	24
Parent company profit and loss statement	25
Parent company balance sheet	26
Parent company statement of source and application of funds	28
Notes on the financial statements 1995	29
Auditors' report	35
Administrative council statement	35
Corporation key figures and statistics	36
Lännen Tehtaat Oy shares	37
Share capital and shares	38

President's review



**President
Olli Karkkila**

1995 was a year of concerted effort for Lännen Tehtaat. It was also a very good year. The decisions we had taken concerning our future course proved to be the right ones, and we achieved our profit targets for the financial year. Not only did we improve our profitability; we also reached our goals for growth. Corporate strategy was redefined as a viable development programme. It was important that we were able to get the corporate restructuring foreseen by this programme under way in the course of 1995.

The year did not bring any major surprises. We had prepared the ground for working within the European Union with care. To maximize our competitiveness we have put even greater effort into quality, cost efficiency, production methods and marketing in all operational groups. The pace of change in the market and competitive situation is, however, so rapid that we must continuously reassess our chosen strategy.

Business strategies clarified

Lännen Tehtaat has defined a strategy based on its own areas of strength for each of its business units.

We attribute our success in our main operating sector - the food industry - to the cultivation of pure raw materials and the manufacture and marketing of high quality foods. To ensure that cost-efficiency is achieved in every link in the chain, we have chosen central wholesalers as the main distribution channel for our consumer products.

Lännen Feed focuses on the manufacture and marketing of special feeds and feeds made from by-products of the sugar industry.

Lännen Plant Systems develops and markets the technology needed for planting and growing seedlings. The expertise of the unit, which is well equipped to carry out projects of a most demanding nature, is of a high international standard.

The Earthmoving Technology Group produces and markets machinery intended for Nordic conditions in cooperation with international companies in the business. Output focuses on backhoe loaders and wheeled excavators - two vehicle types in which we excel. Well-established Lännen and Komatsu trade names feature prominently in our business.

Brand names given priority

The strategic aim of Lännen Tehtaat is to create a strong brand name in the food industry, too, and to expand our market into Russia and the Baltic and Nordic countries. We aim to increase our net sales to FIM one billion by the end of the millennium. Our profitability has already improved, but our target is 13 per cent return on investment. Thanks to our good solvency ratio we can continue to expand without the need for additional capital investment. Our target is to maintain the solvency ratio at 50 per cent. We intend to see that our operations are conducive to healthy development in the value of our shares.

The first major step in our strategy was purchase of the Apetit brand name and business from Ingman Foods Oy Ab. As part of the same transaction, ownership of Lännen Pakaste Oy was transferred wholly to Lännen Tehtaat. Sales of Frionor frozen fish products were also taken over by Lännen Tehtaat. Our sustained development work will be able to continue if the acquisition of Tresko Food Oy shares goes through at the shareholders' meeting. If it does, the Tresko operation will permit Finland's frozen products industry to press ahead with even greater confidence.

Russia and the Baltic and Nordic countries will be an important market area for us in the future. With expansion of the Russian and Baltic trade in mind, the Food Group purchased Polar Lake Oy, a company specialized in exports.

Net sales and profitability - both up

Last year was a period of growth for Lännen Tehtaat. Our net sales rose by 21 per cent, to FIM 783 million. At the same time, we were able to improve our profitability, and return on investment rose to 11.4 percent. Profit before appropriations and taxes came to FIM 52 million.

The acquisition of Apetit made for a 14 per cent increase in the Food Group's net sales. The new operations posed a major challenge to Lännen Tehtaat, which the entire staff took up with gratifying enthusiasm and flexibility. The Apetit staff who joined us have adapted well to the Lännen way of doing things.

Most of the strategies chosen for the Earthmoving Technology Group two years ago have been implemented. As the last stage of the project, Aquamec Oy's Watermaster business was sold, and in a deal concluded in January 1996 we gave up the manufacture of front-end loaders for farm tractors. The change, which has been in the pipeline for several years, has been hard on the whole staff. The Earthmoving Technology Group has nonetheless succeeded in retaining its exceptionally high market shares in the main product groups, even at a time of growing demand. The net sales of the group grew by a record 67 per cent and we achieved our profitability target.

The Other Business Units did well, despite a decline in net sales. The price of feed products fell by over 30 per cent, but the division's net sales were down by only 19 per cent. Due to heavy rain, growing conditions were extremely hard for the Agricultural Department. Nevertheless, all things considered, yields were good thanks to the coordinated efforts of the unit and contract farmers. Lännen Plant Systems also consolidated its position on the market and achieved its target.

I wish to express my sincere thanks to the shareholders of Lännen Tehtaat for the confidence they have shown in the company. I also thank the staff of Lännen Tehtaat and our contract farmers for their energetic efforts and determination and for their faith in the future of the company.

Säkylä, March 12, 1996

Olli Karkkila

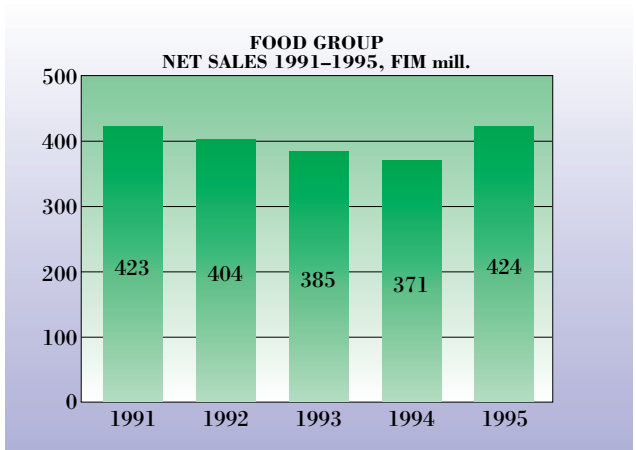


**Director
Ilkka Jaskari**



FOOD GROUP, FIM mill.	1995	1994
Net sales	423,7	370,8
Percentage of consolidated net sales	54 %	57 %
Trading profit	25,2	29,4
Investment	70,7	20,6
Average personnel	163	153
Net sales by unit		
Lännen Sugar	222,6	211,6
Apetit	183,6	159,2
Polar Lake Oy	17,5	
	423,7	370,8

Food Group



Lännen Tehtaat's Food Group develops, manufactures and markets high-quality food products. Vegetables, berries and ready-made foods are mainly supplied as frozen products. Jams are the most important conserve, and cucumbers the main vegetable preserve. Most consumer products are distributed through central wholesalers.

At the beginning of the financial year, the Food Group consisted of Lännen Sugar, Lännen Food and Lännen Pakaste Oy. In May, the Group took over the marketing of Apetit and Frionor frozen products. In July, the Group was further enlarged with the operations of Polar Lake Oy, a company specializing in trade with Russia.



After internal reorganization at the end of the financial year, the Group now consists of Lännen Sugar, the Apetit unit and Polar Lake Oy. Apetit markets frozen foods, jams and vegetable preserves.

The Food Group net sales grew by 14 per cent to FIM 423.7 million (FIM 370.8 million in 1994). Lännen Sugar net sales totalled FIM 222.6 million (FIM 211.6 million in 1994). Net sales of Apetit business operations came to FIM 183.6 million (FIM 159.2 million in 1994). The new frozen foods operations acquired during the financial year made for a FIM 47 million increase in the net sales of the Apetit unit. Sales of other products were FIM 22 million down on 1994. This decline was due to the reduction in sales of industrial jams and to price changes caused by EU membership. Net sales of Polar Lake Oy in the period July 1-December 31, 1995 amounted to FIM 18 million. Group trading profit totalled FIM 25.2 million (FIM 29.4 million in 1994).



The sugar quota under the EU Treaty of Accession was smaller than expected, which made things difficult for the sugar industry. Demand for sweeteners remained at the previous year's level. Lännen Sugar's market share exceeded that of 1994.



Finns still use frozen foods less than people in the other Nordic countries. The greater range of products available together with increasing quality awareness of consumers suggest, however, that consumption of frozen foods will continue to outpace that of other foods.

There was no change in net sales of jams sold through retailers. Sales of industrial jams were down, because of the decline in exports by yogurt manufacturers to Russia. An increase in imported yogurts in Finland has also affected Lännen's sales of industrial jams.

Demand for vegetable preserves was lower than expected. The stocks left over from the previous year's harvest upset marketing in the autumn, and the prices of products did not reach a satisfactory level. Vegetable preserves play, however, a smaller role in Lännen's net sales and profitability than they used to.

Food Group exports totalled FIM 20.1 million (FIM 3.0 million in 1994), with exports to Russia accounting for FIM 17.0 million of this sum. The increase in exports was due to the acquisition of Polar Lake Oy.

Investment during the financial year totalled FIM 70.7 million (FIM 20.6 million in 1994). The most notable investment was the acquisition of the Apetit business and the shares of Lännen Pakaste Oy for a total of FIM 60.0 million. Other investments totalled FIM 10.7 million. Another significant investment was the installation of a new cooking system for frozen foods that was brought into operation in January 1996.

The production of frozen ready-made foods was reorganized and new recipes were introduced. Steps were taken to set up the production of frozen soups before the end of the financial year. The development of jams and jellies was continued in partnership with bakery and industrial clients.

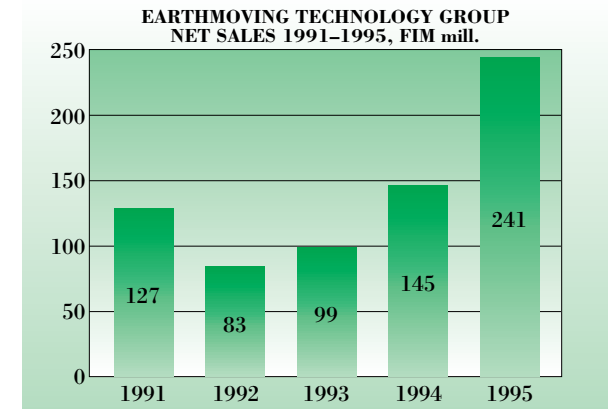
In marketing, priority was given to strengthening the image of the Apetit and Frionor brand names. Collaboration with central wholesalers was intensified with a view to improving competitiveness by streamlining distribution and lowering costs.





Managing Director
Markku Routasalo

Earthmoving Technology Group



Lännen's Earthmoving Technology Group designs, manufactures and markets earthmoving machinery that meets special Nordic requirements together with international companies in the sector. The main products are Lännen backhoe loaders and excavators and Komatsu excavators and wheeled loaders.

The Group consists of Lännen Engineering Oy, which manufactures backhoe loaders and excavators, Suomen Rakennuskone Oy, which markets Lännen and Komatsu machinery in Finland, and Lännen Maskin AB, which markets Lännen machinery in Sweden. Sale of the Aquamec Oy's Watermaster business during the financial year helped to streamline operations. Through a deal struck in January 1996 Lännen Engineering Oy gave up the manufacture of farm tractor front-end loaders. The effect of these sales on the Group's net sales will amount to approximately FIM 20 million a year.

Demand for earthmoving machinery grew briskly in both Finland and Sweden and sales practically doubled for the second year in a row. Industrial construction, major road investments and export industry projects provided targets for contractors. The need to overhaul the machine stock was augmented by the large volumes of fairly new machines exported in the years following the previous cyclical peak. The increase in demand for backhoe loaders was less marked than that for excavators owing to the continuing dormancy of the housing construction sector.

Group net sales increased by 67 per cent, totalling FIM 241.6 million (FIM 144.7 million in 1994). Net sales of Suomen Rakennuskone Oy increased by 94 per cent, to FIM 169.1 million (FIM 87.2 million in 1994). Net sales of Lännen Engineering Oy amounted to FIM 99.0 million (FIM 70.4 million in 1994) and of Lännen Maskin AB to FIM 31.0 million (FIM 17.5 million in 1994). Group trading profit rose to FIM 8.1 million (FIM 4.4 million in 1994).

The need to adapt to the climate and terrain of the Nordic countries explains the large slice of the market held by local manufacturers. The backhoe loaders of Lännen Engineering Oy, for instance, account for 20 per cent of the Nordic market. Growth in demand spurred the arrival of new brands on the scene, but Lännen backhoe loaders managed to retain the title of market leader. Familiarity with the needs of their Nordic clients combined with flexibility in satisfying their demands have proved to be an important competitive tool.

The earthmoving machinery market is very volatile, and maintaining profitability in the face of dwindling demand calls for considerable flexibility. In an effort to improve this situation, Lännen Engineering has increased the proportion of assembly work. Company operations are geared to making a profit even when demand is slack.

Suomen Rakennuskone Oy has consolidated its position as the leading distributor of earthmoving machinery. Its share of the Finnish market stands at over 20 per cent. As well as Lännen backhoe loaders and excavators, the company range includes products from the world's second largest manufacturer of earthmoving machinery - Komatsu. Complementary strong products permitted the company to achieve vigorous growth.

Suomen Rakennuskone Oy has now opened a new outlet in Tallinn, thus establishing a foothold on the Estonian market. Efforts have been made to introduce Lännen and Komatsu to Estonian clients. Estonia's small market will give Suomen Rakennuskone Oy an opportunity to develop into a major operator.

Lännen Maskin AB continued to expand its sales network in Sweden. Despite the unfavourable exchange rate of the Swedish crown, operations made satisfactory progress, and net sales grew by 77 per cent.

EARTHMOVING TECHNOLOGY GROUP, FIM mill.	1995	1994
Net sales	241,6	144,7
Percentage of consolidated net sales	31 %	22 %
Trading profit	8,1	4,4
Investment	1,7	0,7
Average personnel	175	165
Net sales by unit		
Lännen Engineering Oy	99,0	70,4
Suomen Rakennuskone Oy	169,1	87,2
Lännen Maskin AB	31,0	17,5
Uspek Oy	5,6	8,3
Internal sales	-63,1	-38,7
	241,6	144,7

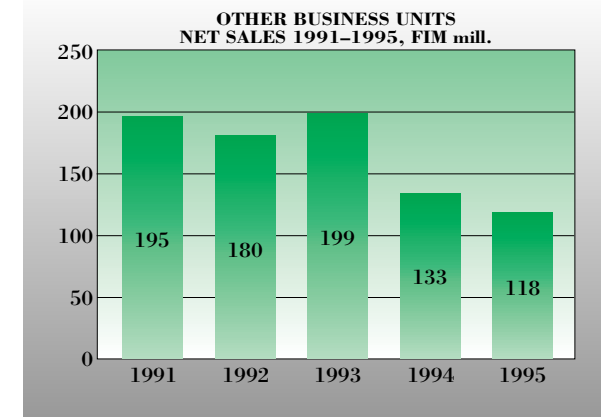
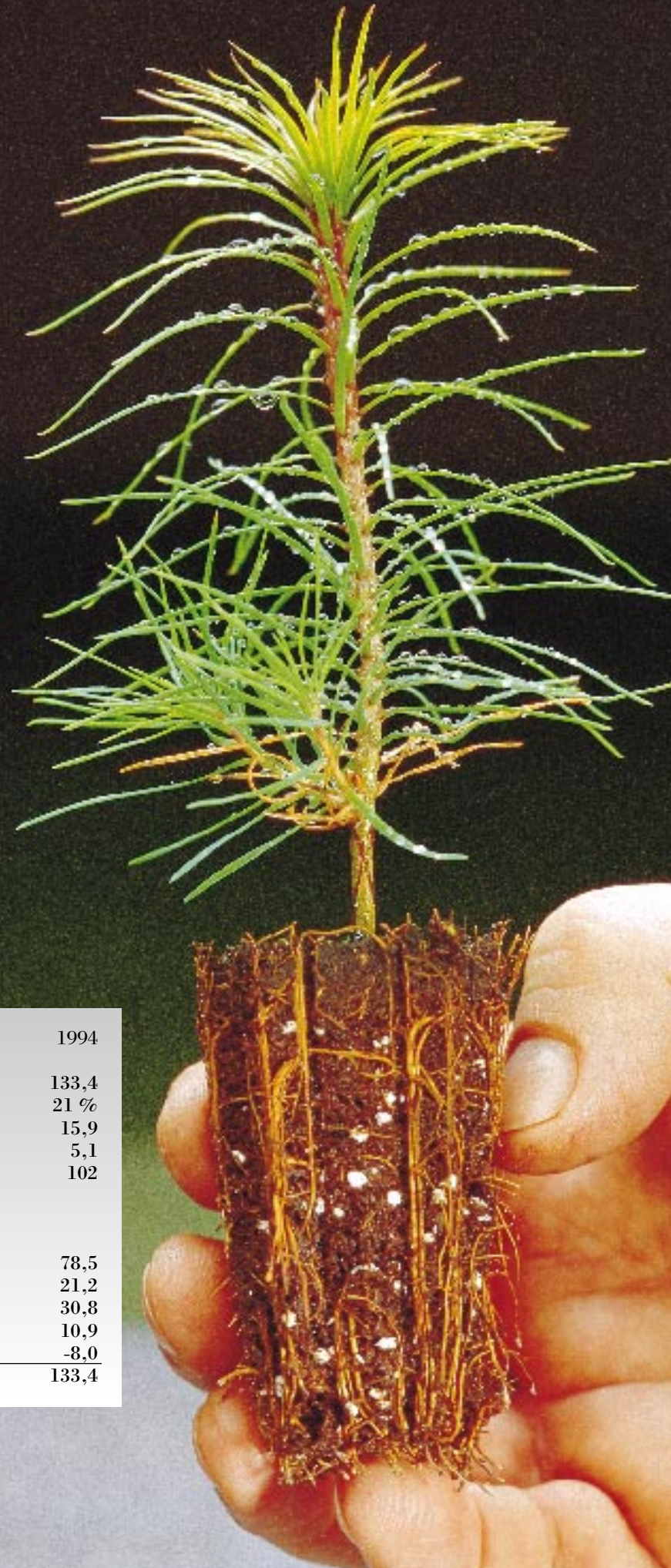
Other Business Units



Director
Jorma Aarnio
Lännen Feed



Director
Pekka Kurri
Lännen Plant Systems
Lännen Agricultural Department



Lännen Feed

Lännen Feed supplies raw materials for the feed industry, manufactures feed mixes as a subcontractor and sells feed under its own Mella brand name to farms through the central wholesalers. Around 90 per cent of Lännen feeds and raw materials sold to industry are for beef cattle.

As expected, Finland's first year of EU membership brought down the prices of feeds and feed raw materials. Lännen Feed's net sales declined by 19 per cent, standing at FIM 63.9 million (FIM 78.5 million in 1994). Increased use of industrial feeds mitigated the effects of the decline caused by the price change.

Excellent quality, a supply of raw materials direct from the sugar factory, and a high standard of hygiene in both the processing and production of raw materials give Lännen Feed's products a competitive edge. The increasingly strict policy on hygiene in the feed industry has made self-supervision even more important. Both present and future investments will further enhance our already high standard of hygiene.

The deteriorating prospects for agriculture call for greater efforts on the part of suppliers to intensify operations and lower costs. Structural change in agriculture will inevitably lead to an increase in farm size. In the future, feeds will increasingly be processed as bulk rather than bagged goods.

The biggest investment in 1995 was the construction of an automatic bulk loading unit. Total investments in the financial year came to FIM 5.9 million (FIM 0.8 million in 1994).

Lännen Feed concentrates on the manufacture and marketing of special feeds and feeds based on the sugar industry's by-products. Efforts will be made to secure the company's competitiveness in the structural change affecting agriculture by continuously refining operations and manufacturing products to an ever higher standard of purity and excellence.

Lännen Plant Systems

Lännen Plant Systems develops, produces and sells planting machines and production technology for containerized seed-

lings destined for the world market. The company also designs and supplies nurseries with the system packages they require for production. Lännen's plant technology is used in the cultivation of vegetables, and forest and garden plants.

Globally, the market totals some FIM 500 million. The main market areas are the Nordic countries, Western Europe, Oceania and the USA. Project deliveries focus primarily on Russia.

The level of investment by Nordic nurseries was low in 1995. Even so, the unit's net sales increased to FIM 23.7 million (FIM 21.2 million in 1994). Exports accounted for 57 per cent of net sales (63 per cent in 1994).

Investment in 1995 amounted to FIM 0.7 million, and was directed primarily at the acquisition of moulds for new seedling trays. R&D focused on the development of semi-automatic and automatic planting machines and seeding machines.

In Finland, forest nurseries will be concentrating on an increasingly small number of large units. Pots made from paper will gradually be replaced by Lännen Plantek-type seedling trays. Investments by nurseries in new technology will increase over the next five years. The R&D of Lännen Plant Systems is prepared for changes on the market that will affect both seedling trays and their handling technology.

Lännen Agricultural Department

Lännen Agricultural Department acquires the domestic vegetable raw materials needed by Lännen Tehtaat from contract farmers. The department also sees to acquisition of sugar beet used by Sucros Oy's Säköylä factory. Plant trials are conducted at Lännen Tehtaat's experimental farm, in Köyliö. 1,400 farmers cultivate eleven different plants for the department.

During the financial year, contract farmers supplied 347 million kg of sugar beet and 14 million kg of vegetables. Despite the wet sowing season, yields were as targeted, and quality was high; only the crop of deep-frozen peas was slightly below target.

The Agricultural Department's net sales totalled FIM 32 million (FIM 30.8 million in 1994). The figure comprises sales of cultivation equipment to contract farmers and of services for contract cultivation.

Efforts have been made to reduce the environmental load and nutrient leaching on the fields of contract farmers and at the company's own experimental farm. The aim is to produce clean, good-value vegetables.

During the first EU year, raw material prices had to be adjusted to the EU level together with farmers. Prices were lowered by an average of 20 per cent. Interest in cultivating sugar beet and vegetables remained high, however. Cultivation areas were somewhat larger than in 1994. Prospects for cultivation in 1996 look rather good. Cultivation of deep-frozen peas will be increased.

OTHER BUSINESS UNITS, FIM mill.	1995	1994
Net sales	117,8	133,4
Percentage of consolidated net sales	15 %	21 %
Trading profit	14,8	15,9
Investment	9,1	5,1
Average personnell ¹⁾	84	102
¹⁾ Includes Corporation administrative staff		
Net sales by unit		
Lännen Feed	63,9	78,5
Lännen Plant Systems	23,7	21,2
Lännen Agricultural Department	32,0	30,8
Other sales	3,3	10,9
Internal sales	-5,1	-8,0
	117,8	133,4

Lännen Tehtaat

Organization, operating sectors and administration, March 4, 1996

Corporate management

President
OLLI KARKKILA

Director of Finance
ERKKI LEPISTÖ

Food Group

Director
TOM KAVANDER

Lännen Sugar
Director
ILKKA JASKARI

Apetit Unit
Director
TOM KAVANDER

Polar Lake Oy
Managing Director
JOUNI MÄKITALO

Associated
company:
Sucros Oy

*Earthmoving
Technology Group*
Managing Director
MARKKU ROUTASALO

Lännen
Engineering Oy
Managing Director
MARKKU
ROUTASALO

Suomen
Rakennuskone Oy
Managing Director
RAIMO REKO

Lännen Maskin AB
Managing Director
MAX
KVICKSTRÖM

Other Business Units

Lännen Feed
Director
JORMA AARNIO

Lännen Plant Systems
Director
PEKKA KURRI

Lännen Agricultural
Department
Director
PEKKA KURRI

Associated companies:
Oy Potma Ltd
Harviala Oy



*Front: (right) Heikki Harjuvaara, Seppo Lähteenmäki, Matti Ruosteenoja.
Back: (right) Olli Karkkila, Tapio Reponen, Juha Korkeaoja, Lauri Jalli.*

Board of directors

HEIKKI HARJUVAARA
Chairman
Eura

JUHA KORKEAOJA
Deputy Chairman
Kokemäki

LAURI JALLI
Lahti

TAPIO REPONEN
Turku

MATTI RUOSTEENOJA
Eura

OLLI KARKKILA
Säkylä

Administrative council

SEPPO LÄHTEENMÄKI
Chairman
Kokemäki

TOM LILJESTRÖM
Deputy Chairman
Kauniainen

ANTTI BÄRLUND
Nakkila

TAPANI EHTAMO
Köyliö

MATTI ESKOLA
Oripää

RAINER FALLILA
Uvila

HEIKKI HALKILAHTI
Kauniainen

JUSSI HANTULA
Seinäjoki

HANNU HARJUNMAA
Vampula

ESA HÄRMÄLÄ
Helsinki

PASI JAAKKOLA
Eurajoki

JOUNI JUNNILA
Säkylä

REIJO JÄRVI
Huittinen

TIMO KAILA
Kauttua

JOUNI KAITILA
Laitila

KARI KATILA
Kiukainen

ANTTI KULMALA
Huittinen

SEPPO KYLMÄNEN
Espoo

VESA LAMMELA
Kiukainen

HÅKAN MALM
Maalahti

JUHA NEVAUORI
Kalanti

SIMO SAVO
Pöytyä

SEPPO SIIVONEN
Säkylä

PIRKKO TYÖLÄJÄRVI
Turku

Auditors

KALLE HOSSI
Pori

KAUKO LEHTONEN
Authorized Public
Accountant
Turku

PEKKA NIKULA
Authorized Public
Accountant
Helsinki

MATTI OLLILA
Kokemäki

Deputy auditors

REINO MAJALA
Turku

JARMO PERTTULA
Säkylä

Board of Directors' report on operations 1995

Operating environment

When operations were being planned for 1995, there was a general sense of uncertainty about the effects of accession to the EU on the food and feed industry. As it turned out, membership stabilized the operating conditions of Lännen Tehtaat as, indeed, we had expected. The full impact of the changes brought by membership will not, however, be reflected in the prices of products until 1996. For the food industry, it is vital that the supply of Finnish raw materials should be safeguarded through agricultural policy decisions.

Demand for foods grew, spurred by the 11 per cent drop in consumer prices. Feed prices fell by almost 40 per cent. Consumption of frozen products increased for the second year in a row. Although still lower than in other Nordic countries, consumption is expected to increase in the next few years.

The EU's sugar quota for Finland was smaller than expected. The additional quota of 20 million kg of raw sugar which was agreed upon later enabled the sugar industry to continue operations as before.

Russia and the Baltic and Nordic countries are an interesting market area for Lännen Tehtaat and open up new prospects for the company. The imposition of new rules by the Russian authorities slowed down the growth in trade with Russia. An increase in this trade is, however, foreseen in the long term.

Demand for earthmoving machinery increased substantially, at the beginning of the year in particular. The trade in earthmoving machinery is, however, still not as it should be if the age structure of the machine stock is to be retained at its present level. Economic uncertainty led to a decline in the order backlog in the second half of the year.

Corporate structure

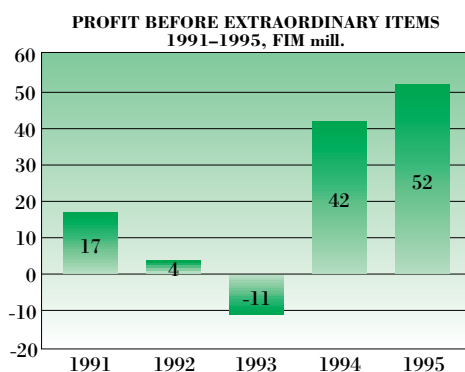
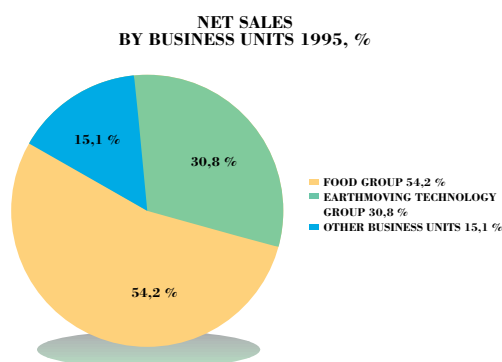
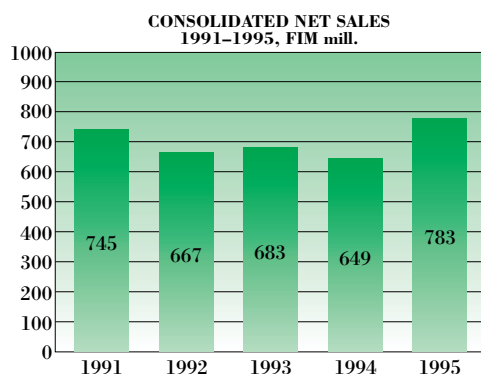
The Apetit brand name together with the associated frozen food business was purchased from Ingman Foods Oy Ab. Operations were transferred to Lännen Tehtaat on May 1. The transaction was completed by the end of the year, by which time operations had been fully incorporated in the Food Group.

The shares held by Ingman Foods Oy Ab in Lännen Pakaste Oy were acquired at the same time as the Apetit business was taken over. Lännen Pakaste Oy was merged with Lännen Tehtaat Oy on December 31, 1995.

Through a deal of July 1, Lännen Tehtaat acquired an 81 per cent holding in Polar Lake Oy, a company specialized in trade with Russia. Polar Lake thus became a fully owned subsidiary of Lännen Tehtaat Oy.

Aquamec Oy, a company specializing in the marketing of machines for waterway technology, was sold in August.

At the end of the financial year, the Lännen Tehtaat Corporation comprised five limited companies engaging in business. The parent company, Lännen Tehtaat Oy, engages in food, feed and plant technology operations, and the subsidiary, Polar Lake Oy, in food exports to Russia and the Baltic countries.



Lännen Engineering Oy manufactures earthmoving machinery. Suomen Rakennuskone Oy markets Lännen and Komatsu earthmoving machinery in Finland, whilst Lännen Maskin AB covers the Swedish market.

Included in the consolidated financial statements are the associated companies, Sucros Oy (Group), Oy Potma Ltd, Harviala Oy and Oy Atraco Ab, all of which engage in business operations.

Operationally, Lännen Tehtaat is divided into three business divisions. The Food Group consists of Appetit and Lännen Sugar, both of which belong to Lännen Tehtaat Oy, and of Polar Lake Oy. The Earthmoving Technology Group comprises Lännen Engineering Oy, Suomen Rakennuskone Oy and Lännen Maskin AB. Lännen Tehtaat Oy's Lännen Feed, Agricultural Department and Lännen Plant Systems are included in the Other Business Units.

As for the associated companies, Sucros Oy is part of the Food Group. Oy Potma Ltd, Harviala Oy and Oy Atraco Ab operate under Other Business Units.

Net sales

Consolidated net sales totalled FIM 783.1 million (FIM 648.9 million in 1994), making for an increase of 21 per cent. The Food Group accounted for 54 per cent (57 per cent in 1994), the Earthmoving Technology Group for 31 per cent (22 per cent in 1994), and Other Business Units for 15 per cent (21 per cent in 1994).

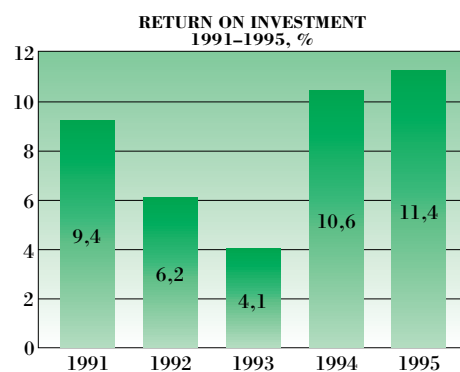
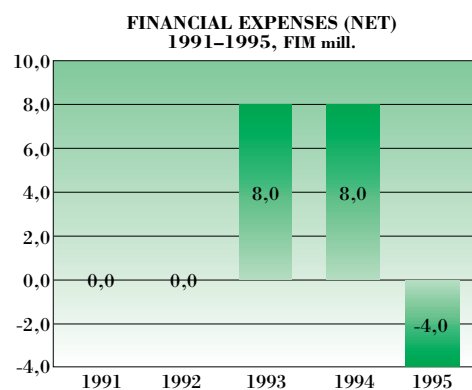
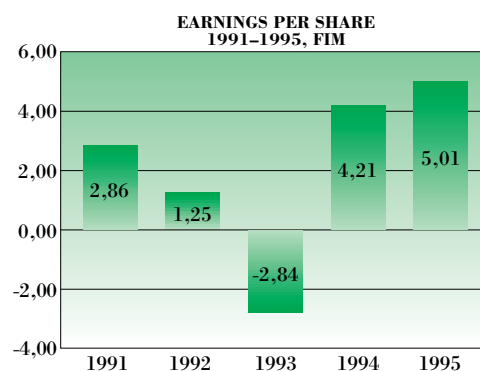
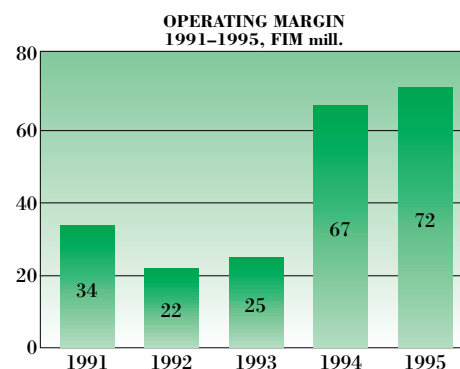
Other income from business operations includes the inventory value adjustment compensation of FIM 4.1 million due to EU membership paid by the Ministry of Trade and Industry.

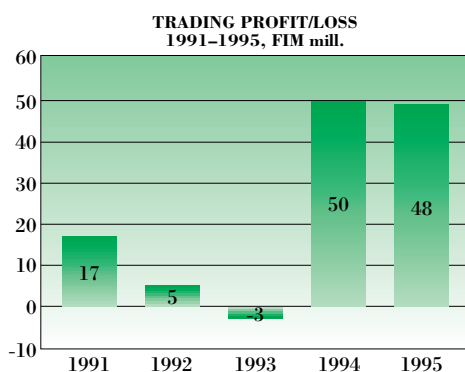
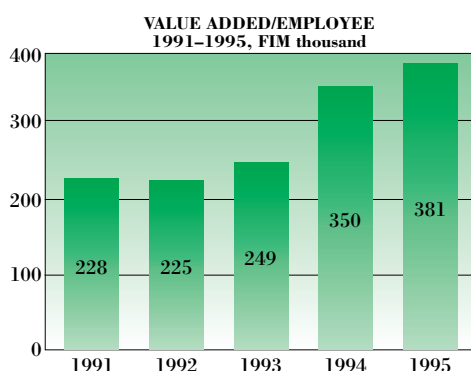
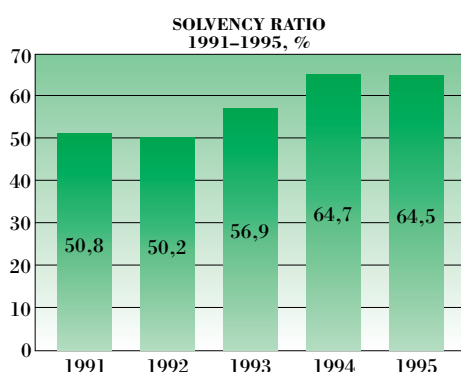
The Food Group's net sales totalled FIM 423.7 million, an increase of 14 per cent (FIM 370.8 million in 1994). The acquisition of Appetit on May 1 added FIM 47 million to the Food Group's net sales. Polar Lake Oy, which became part of the group on July 1, added another FIM 18 million. The growth in the Food Group's net sales was impaired by sales of industrial jams, which were down on 1994.

The Earthmoving Technology Group net sales amounted to FIM 241.6 million (FIM 144.7 million in 1994), which was up 67 per cent on 1994. Lännen Engineering net sales increased by 41 per cent to FIM 99 million (FIM 70.4 million in 1994). Particularly owing to the brisk demand for heavy earthmoving machinery, Suomen Rakennuskone Oy's net sales, at FIM 169.1 million, were almost double the figure for 1994 (FIM 87.2 million).

Net sales of Other Business Units fell by 12 per cent to FIM 117.8 million (FIM 133.4 million in 1994). The decline was due to the reduction in prices of feed caused by EU membership. Net sales of Lännen Plant Systems and the Agricultural Department rose by a total of FIM 3.7 million.

If it had not been for the price reduction caused by EU membership, consolidated net sales would have grown by another FIM 51 million.





Lännen Tehtaat exports increased by 96 per cent to FIM 79.5 million (FIM 40.6 million in 1994), accounting for 10 per cent of net sales (6 per cent in 1994). Food exports totalled FIM 20.1 million and earthmoving machinery exports FIM 46.0 million. The remainder comprised plant technology products and feeds. Exports to Russia amounted to FIM 34.7 million.

Net sales of the parent company, Lännen Tehtaat Oy, was up 14 per cent, totalling FIM 492.9 million (FIM 431.8 million in 1994.)

Financial performance

Lännen Tehtaat continued to perform well. The operating margin was FIM 71.6 million (FIM 66.7 million in 1994). The operating margin percentage was 9.1 (10.3 in 1994). This decline was partly due to structural changes in sales that occurred when Suomen Rakennuskone Oy and Polar Lake Oy, both of which engage in trade, increased their share of the net sales. Due to the strengthening of sales and marketing functions, other expenditure rose by 20 per cent, to FIM 43.5 million (FIM 36.2 million in 1994).

Purchase of Apetit increased scheduled depreciation, which rose to FIM 23.5 million (FIM 17 million in 1994). The higher depreciation means that trading profit is down somewhat on last year, being FIM 48.1 million (FIM 49.7 million in 1994).

Financial income exceeded financial expenses by FIM 3.8 million (-FIM 8 million in 1994). Profit before extraordinary items totalled FIM 51.9 million (FIM 41.7 million). The profit for the financial year would have been FIM 9.4 million higher if it had not been for the appealed taxes of previous years.

Return on investment (ROI) rose to 11.4 per cent (FIM 10.6 per cent in 1994). Return on equity (ROE) was FIM 7.4 per cent (FIM 7.4 per cent in 1994). One-off taxes of previous years lowered ROE by 1.6 percentage units.

The Food Group's trading profit totalled FIM 25.2 million (FIM 29.4 million in 1994). The Group's profitability was diminished by the decline in demand for industrial jams. The Earthmoving Technology Group's trading profit rose to FIM 8.1 million (FIM 4.4 million in 1994). The performance of Suomen Rakennuskone Oy was particularly good. Trading profit of Other Business Units totalled FIM 14.8 million (FIM 15.9 million in 1994).

The associated company of Harviala Oy, established in 1993, did not achieve its profitability target, and operations were slightly in the red. Lännen Tehtaat Oy liabilities in Harviala Oy amount to FIM 9.2 million.

Investment

Gross investment in fixed assets totalled FIM 81.5 million (FIM 26.4 million in 1994), FIM 23.6 million of which was the acquisition cost of subsidiary shares eliminated in consolidation.

The largest investments were the acquisition of the Apetit brand name and business operations, FIM 37.7 million, and the purchase of a 50 per cent holding in Lännen Pakaste Oy, FIM 22.7 million. Other investments totalled FIM 21.1 million.

Financing

The financial structure of Lännen Tehtaat continued to be solid in 1995. The solvency ratio was 64.5 per cent at year end (64.7 per cent in 1994). Investments were financed out of cash funds and liquidity was good throughout the financial year. A total of FIM 1.1 million was recorded in consolidated credit losses (FIM 0.9 million in 1994).

Annual General Meeting, share capital and shareholders

The Annual General meeting of Lännen Tehtaat Oy held on April 20, 1995 increased the dividend issued by the company to FIM 2 per share.

Parent company share capital totalled FIM 60.6 million at year end (FIM 60.6 million in 1994). Company shares were transferred to the book-entry securities system on April 24, 1995, thus improving the reliability of information on shareholders. According to the book-entry securities register, the number of shareholders at year end was 7,118. The number of shares traded on the Helsinki Stock Exchange was 541,161 (737,403 in 1994), or 8.9 per cent (12.2 per cent in 1994) of the total stock. The share price ranged from FIM 30 to 41 in the course of the financial year.

Profit per share increased by 19 per cent, to FIM 5.01 (FIM 4.21 in 1994). At the end of the financial year, the share price was FIM 36 (FIM 35.50 in 1994) and the company's market value FIM 218.1 million (FIM 215.1 million in 1994).

Personnel

The Corporation had an average of 422 employees during the financial year (420 in 1994), and the parent company an average of 163 (166 in 1994).

Salaries and fees paid to members of the Administrative Council and Board of Directors and to the President and Corporation Managing Directors totalled FIM 3.2 million (FIM 2.7 million in 1994). Salaries and wages paid to other corporate personnel totalled FIM 58.3 million (FIM 55.9 million in 1994).

Salaries and wages paid by the parent company totalled FIM 26.4 million (FIM 24.6 million in 1994). Salaries and fees paid to the Administrative Council, Board of Directors and President totalled FIM 1.2 million (FIM 1 million in 1994). Salaries and wages paid to other personnel totalled FIM 25.2 million (FIM 23.6 million in 1994).

Product development

The Food Group's R&D focused on reorganization of the production of ready-made foods, with the R&D programme introduced during the year giving priority to frozen meals.

The Earthmoving Technology Group is currently updating its range of excavators.

The environment

A new waste-water treatment plant and composting facilities for process waste were brought into use in 1995. The investment totalled FIM 1.0 million. A company-wide action programme with the ultimate aim of reducing the amount of waste and promoting sorting was launched.

Experience gained at Lännen's own experimental farm was used to increase the environmental awareness of our contract farmers. Among other things, farmers were advised on how to prevent leaching of nutrients.

Events after the end of the financial year

Lännen Tehtaat Oy has negotiated an agreement on acquiring the shares of Tresko Food Oy. Under the agreement, Mr Esko Eela will assign the shares he holds in Tresko Food Oy (55.6 per cent) as non-cash assets to Lännen Tehtaat Oy, and Lännen Tehtaat Oy will offer Mr Eela 6 per cent of Lännen Tehtaat Oy's shares for subscription against the non-cash assets. The subject of the directed issue will be dealt with at the Annual General Meeting to be held on April 11, 1996.

Lännen Tehtaat Oy intends to acquire a 100 per cent holding in Tresko Food Oy.

Prospects for 1996

The Apetit brand name acquired in 1995 will improve the competitiveness of the Food Group. Apetit frozen food operations are included for the whole financial year, which has a favourable impact on both net sales and the profit. The eventual acquisition of Tresko Food Oy shares will bring about an increase of around FIM 70 million in net sales in 1996. The synergy benefits achieved by the purchase will not, however, be reflected in profitability until 1997. The Food Group's profitability will improve thanks to measures taken to increase efficiency in 1995.

The hefty cut in prices introduced in the feed industry to bring them down to the EU level will have a negative impact on performance. Lännen Plant Systems' net sales and profitability will remain at the 1995 level.

The growth in demand for earthmoving machinery has slowed down, and the order backlog is smaller than it was. Net sales will decline in the current financial year, and the profit is expected to be somewhat poorer than in 1995.

With the acquisition of new business operations, Lännen Tehtaat's net sales will increase to over FIM 800 million. Despite conflicting expectations of future trends, no change is expected in the profit level for 1996.

Board proposal for the distribution of profit

Lännen Tehtaat Oy profit for the financial year is FIM 33,930,373.67. The Board proposes that a 20 per cent dividend, i.e. FIM 12,115,552.00, be paid on the FIM 60,577,760 share capital, and that the remaining FIM 21,814,821.67 be carried over on the previous years' profit account.

Consolidated profit and loss statement

	Jan. 1-Dec. 31, 1995 FIM 1000	Jan. 1-Dec. 31, 1994 FIM 1000
Net sales (1)	783 087	648 885
Change in product inventories	14 098	4 311
Share of associated companies' result	14 116	15 940
Other income from operations (2)	7 869	3 114
Expenses:		
Materials, supplies and goods:		
Purchases during financial year	602 708	494 955
Change in inventories	3 102	-13 638
External services	8 941	7 501
Personnel expenses (3)	80 430	72 684
Rents	8 870	7 846
Other expenses	43 515	36 237
Total expenses	747 566	605 585
Operating margin	71 604	66 665
Depreciation (4)		
Fixed assets and other long-term items	-22 531	-16 971
Goodwill, consolidated	-970	-1
Trading profit	48 103	49 693
Financial income and expenses:		
Dividend received	346	467
Interest on long-term investment	3 206	4 034
Interest on short-term investment	8 487	7 731
Share of associated companies' result	495	1 087
Exchange rate difference	92	-1 020
Interest paid	-7 183	-8 837
Other financial expenses	-1 604	-5 475
Depreciation on investment		-6 000
Total financial income and expenses	3 839	-8 013
Profit before extraordinary items, reserves and tax	51 942	41 680
Extraordinary income and expenses: (6)		
Extraordinary income	204	
Extraordinary expenses	-390	
Total extraordinary income and expenses	-186	
Profit before reserves and tax	51 756	41 680
Change in depreciation difference (4)	66	-12 108
Decrease in optional reserves	8 145	35 262
Direct taxes:		
For the financial year	-11 018	-10 551
For previous financial years	-9 425	-532
Profit for the financial year	39 524	53 751
Minority interest in profit for the financial year	-1 145	-5 071
Consolidated profit for the financial year	38 379	48 680

Consolidated balance sheet

	Dec. 31, 1995 FIM 1000	Dec. 31, 1994 FIM 1000
ASSETS		
Fixed assets and other long-term investments		
Intangible assets		
Intangible rights (7)	16 554	1 637
Goodwill (8)	28 937	10 443
Goodwill, consolidated (9)	3 880	
Other long-term items (10)	452	614
	49 823	12 694
Tangible assets		
Land and water areas	16 114	16 114
Buildings and constructions (11)	80 989	82 653
Machinery and equipment (12)	43 182	44 868
Advance payments and incomplete acquisitions	4 088	652
	144 373	144 287
Securities included in fixed assets and other long-term investments		
Associated company shares and holdings (13)	100 548	102 117
Other shares and holdings (13)	9 934	11 868
Loans receivable (14)	7 860	9 279
	118 342	123 264
Valuation items (15)	1 388	9 226
Inventories and current assets		
Inventories		
Materials and supplies	29 427	37 154
Semifinished products	6 011	4 926
Finished products/goods	81 662	57 522
Advance payments	103	6
	117 203	99 608
Receivables		
Accounts receivable	98 996	74 721
Loans receivable	93	206
Deferred receivables	15 577	28 360
	114 666	103 287
Securities included in current assets		
Other securities	11 545	52 739
Cash and bank receivables	101 030	118 108
	658 370	663 213

	Dec. 31, 1995 FIM 1000	Dec. 31, 1994 FIM 1000
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity (17)		
Restricted shareholders' equity		
Share capital	60 578	60 578
Reserve fund	118 831	118 831
Revaluation fund	4 599	4 599
	184 008	184 008
Non-restricted shareholders' equity		
Contingency reserve fund	43 000	43 000
Profit for previous financial years	44 167	11 650
Net profit for the financial year	38 379	48 680
	125 546	103 330
Minority interest	3 583	21 499
Reserves (18)		
Accumulated depreciation difference	93 745	93 717
Optional reserves		
Transition reserves	17 026	25 171
Obligatory reserves	1 209	1 003
Liabilities		
Long-term (19)		
Convertible bonds	1 000	1 000
Loans from financial institutions	14 736	17 186
Pension loans	76 568	63 496
Pension fund liability deficit	1 067	1 688
	93 371	83 370
Current		
Loans from financial institutions	7 192	18 134
Pension loans	4 634	3 711
Advance payments received	1 116	1 934
Accounts payable	86 480	100 358
Accrued charges	39 502	25 954
Other current liabilities	958	1 024
	139 882	151 115
	658 370	663 213

Consolidated statement of source and application of funds

	Jan. 1-Dec. 31, 1995 FIM 1000	Jan. 1-Dec. 31, 1994 FIM 1000
Source of funds		
Income financing		
Net profit	38 379	31 654
Depreciation	23 501	16 972
Change in reserves	-7 911	-23 154
Total income financing	53 969	25 472
Long-term loans receivable	1 419	3 247
Sale of fixed assets	3 771	10 978
Increase in long-term liabilities	18 737	3 248
Change in valuation items	7 838	1 687
Elimination change in shareholders' equity	-4 048	
	27 717	19 160
	81 686	44 632
Application of funds		
Investment	60 984	26 372
Decrease in long-term liabilities	8 736	23 464
Change in minority interest	17 916	-2 954
Dividend	12 115	8 160
	99 751	55 042
Change in net working capital	-18 065	-10 410
	81 686	44 632
Change in net working capital		
Cash and bank	-17 078	-42 578
Short-term current assets	-29 815	-35 803
Inventories	17 595	17 538
Current liabilities	11 233	50 433
	-18 065	-10 410
Net working capital on Jan. 1	222 627	233 037
Net working capital on Dec. 31	204 562	222 627

Parent company profit and loss statement

	Jan. 1-Dec. 31, 1995 FIM 1000	Jan. 1-Dec. 31, 1994 FIM 1000
Net sales (1)	492 900	431 808
Change in product inventories	13 496	-836
Other income from operations (2)	5 881	3 520
Expenses:		
Materials, supplies and goods:		
Purchases during the financial year	403 093	358 156
Change in inventories	7 379	-10 409
External services	3 783	2 291
Personnel expenses (3)	34 244	32 547
Rents	4 778	3 416
Other expenses	30 737	24 123
Total expenses	484 014	410 124
Operating margin	28 263	24 368
Depreciation on fixed assets and other long-term items (4)	-16 515	-11 446
Trading profit	11 748	12 922
Financial income and expenses:		
Dividend received (5)	28 150	4 364
Interest on long-term investment	3 206	4 034
Interest on short-term investment (5)	7 411	6 683
Exchange rate difference	7	-811
Interest paid (5)	-4 366	-6 069
Other financial expenses	-851	-4 813
Depreciation on investment		-6 000
Total financial income and expenses	33 557	-2 612
Profit before extraordinary items, reserves and tax	45 305	10 310
Extraordinary income and expenses: (6)		
Extraordinary income	4 645	
Extraordinary expenses	-965	-400
Total extraordinary income and expenses	3 680	-400
Profit before reserves and tax	48 985	9 910
Change in depreciation difference (4)	4 137	-12 669
Decrease in optional reserves	3 233	35 073
Direct taxes:		
For the financial year	-13 068	-8 149
For previous financial years	-9 357	-108
Profit for the financial year	33 930	24 057

Parent company balance sheet

	Dec. 31, 1995 FIM 1000	Dec. 31, 1994 FIM 1000
ASSETS		
Fixed assets and other long-term investments		
Intangible assets		
Intangible rights (7)	15 522	1 637
Goodwill (8)	28 931	5 236
Other long-term items (10)	198	2 202
	44 651	9 075
Tangible assets		
Land and water areas	15 812	15 812
Buildings and constructions (11)	93 263	72 718
Machinery and equipment (12)	35 689	22 225
Advance payments and incomplete acquisitions	4 088	651
	148 852	111 406
Securities included in fixed assets and other long-term investments		
Subsidiary shares (13)	34 449	42 434
Other shares and holdings (13)	95 330	97 238
Loans receivable (14)	14 615	13 079
	144 394	152 751
Valuation items (15)	1 067	8 544
Inventories and current assets		
Inventories		
Materials and supplies	18 127	23 886
Semifinished products	533	726
Finished products/goods	48 796	17 028
Advance payments		6
	67 456	41 646
Receivables (16)		
Accounts receivable	57 458	46 049
Loans receivable	1 349	1 824
Deferred receivables	12 633	22 824
	71 440	70 697
Securities included in current assets		
Other securities	11 543	52 739
Cash and bank receivables	85 717	99 401
	575 120	546 259

	Dec. 31, 1995 FIM 1000	Dec. 31, 1994 FIM 1000
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity (17)		
Restricted shareholders' equity		
Share capital	60 578	60 578
Reserve fund	118 831	118 831
Revaluation fund	4 599	4 599
	184 008	184 008
Non-restricted shareholders' equity		
Contingency reserve fund	43 000	43 000
Profit for previous financial years	53 340	41 398
Net profit for the financial year	33 930	24 057
	130 270	108 455
Reserves (18)		
Accumulated depreciation difference	89 020	79 628
Optional reserves		
Transition reserve	10 697	13 930
Obligatory reserves		197
Liabilities		
Long-term (19)		
Loans from financial institutions	12 437	10 461
Pension loans	53 247	45 863
Pension fund liability deficit	1 066	1 431
	66 750	57 755
Current (16)		
Loans from financial institutions	6 892	14 931
Pension loans	2 879	2 384
Advance payments received	549	54
Accounts payable	58 886	69 237
Accrued charges	24 047	14 976
Other current liabilities	1 122	704
	94 375	102 286
	575 120	546 259

Parent company statement of source and application of funds

	Jan. 1-Dec. 31, 1995 FIM 1000	Jan. 1-Dec. 31, 1994 FIM 1000
Source of funds		
Income financing		
Net profit	33 930	24 057
Depreciation	16 515	11 446
Change in reserves	5 961	-22 208
Total income financing	56 406	13 295
Long-term loans receivable	-1 536	3 247
Sale of fixed assets	3 910	9 067
Increase in long-term liabilities	5 790	2 991
Change in valuation items	7 477	2 756
	15 641	18 061
	72 047	31 356
Application of funds		
Investment	76 169	22 334
Decrease in long-term liabilities	4 179	18 800
Dividend	12 115	6 058
	92 463	47 192
Change in net working capital	-20 416	-15 836
	72 047	31 356
Change in net working capital		
Cash and bank	-13 684	-33 647
Short-term current assets	-40 453	-44 229
Inventories	25 810	9 579
Current liabilities	7 911	52 461
	-20 416	-15 836
Net working capital on Jan. 1	162 197	178 033
Net working capital on Dec. 31	141 781	162 197

Notes on the financial statements 1995

Accounting principles

Extent of consolidated financial statements

The consolidated financial statements include the parent company Lännen Tehtaat Oy and the following subsidiaries engaging in business operations: Lännen Engineering Oy, Suomen Rakennuskone Oy, Lännen Maskin AB, Sweden, Lännen Pakaste Oy, which merged with the parent company at the end of 1995, Polar Lake Oy as of July 1, Uspek Oy (formerly Aquamec Ltd) and Lännen Taimistot Oy, both now in liquidation, eight companies founded for future operations and Sedina Oy, which rents real estate to the Corporation. The consolidated financial statements include all the associated companies engaging in business operations, i.e. the Sucros Group, Oy Potma Ltd, Harviala Oy and Oy Atraco Ab.

Details of the Corporation and associated companies are given in the following notes under 'Subsidiaries, associated companies and other shares and holdings'.

Consolidated financial statements: calculation principles

The mutual shareholding has been eliminated on the cost acquisition principle. Intercompany business transactions, unrealized profit on them, mutual receivables and liabilities, and the distribution of profit within the Corporation have been eliminated. Minority interest has been separated from consolidated shareholders' equity and profit and entered as a separate item.

Conversion differences

The figures in the financial statements of foreign Corporation companies have been converted into Finnish markkas at the Bank of Finland middle rate on the day of closing. Conversion differences on balance sheet items arising between the date of occurrence and the date of closing because of changes in exchange rates are entered under valuation items in consolidated balance sheet assets.

Associated companies

The associated companies have been consolidated using the equity method. A proportion equivalent to Corporation ownership of the net 1995 profit for the associated companies is entered before other income from operations for the Sucros Group and

Oy Potma Ltd, as these companies' operations are closely related to those of the parent company. The proportion of profit accounted for by Oy Atraco Ab and Harviala Oy is entered under financial items.

Valuation of fixed assets

Fixed assets have been capitalized at acquisition cost. Scheduled depreciation has been calculated on a straight-line basis according to useful life. Publicly quoted fixed asset shares have been valued at historical cost or at the lower rate on the former day of closing, after which there have been no significant changes.

Valuation of inventories

Inventories have been presented at acquisition cost in accordance with variable costs or at the lower probable sales price.

Items in foreign currency

Receivables and liabilities denominated in foreign currency have been converted to Finnish markkas at the Bank of Finland middle rate on the date of closing. Exchange rate differences are debited against net income.

Tax

FIM 9.4 million in appealed taxes for 1990 and 1991 has been entered in the profit and loss statement of the parent company.

Matching of pension costs

Corporation personnel's statutory pension security is covered by pension insurance. The liability deficit associated with the partial additional pension security in respect of the Lännen Staff Pension Trust has been recorded under long-term liabilities in the balance sheet, the counter-entry under valuation items. During the financial year, the parent company paid FIM 850,000 and Lännen Pakaste Oy FIM 261,190 in contributions to the Pension Trust. The Pension Trust was closed in 1982.

The retirement age of the parent company's president has been set at 60 years.

Notes on the profit and loss statement and balance sheet, 1995 FIM 1000

1. Net sales by operating sector

	Corporation 1995	Parent company 1995
Food Group	423 735	370 019
Earthmoving Technology Group	241 553	
Other Business Units	117 799	122 881
Total	783 087	492 900
Exports	79 525	15 483

Net sales by market area

Finland	691 195	477 418
European Union	44 362	7 427
Rest of Europe	39 119	3 639
Other	8 411	4 416
Total	783 087	492 900

2. Other income from operations

EU compensation for stocks	4 074	3 344
Rent income	1 267	2 458
Capital gain on fixed assets	2 209	
Other	319	79
Total	7 869	5 881

3. Personnel expenses and fringe benefits

Salaries and wages	61 732	25 899
Other personnel expenses	18 698	8 345
Total	80 430	34 244
Fringe benefits	985	610
Total	81 415	34 854

4. Depreciation

Scheduled depreciation on fixed assets is calculated at cost on a straight-line basis according to probable useful life. The depreciation is based on the following life spans:

Buildings, stone and wood	22-30 years
Other buildings and constructions	10 years
Machinery and equipment	5-10 years
Intangible rights	10 years
Goodwill	10 years
Goodwill, consolidated	5 years
Other long-term items	5-10 years

Scheduled depreciation

	Corporation 1995	Parent company 1995
Intangible rights	1 971	1 928
Goodwill	3 506	2 855
Other long-term items	128	3
Buildings and constructions	5 242	4 846
Machinery and equipment	11 684	6 883
Total	22 531	16 515

Depreciation on consolidated goodwill 970

Change in depreciation difference

Intangible rights	35	35
Buildings and constructions	131	152
Machinery and equipment	-100	3 950
Total	66	4 137

Recorded depreciation according to current legislation

Intangible rights	1 936	1 892
Goodwill	3 505	2 855
Other long-term items	128	3
Buildings and constructions	1 845	1 462
Machinery and equipment	6 937	2 933
Total	14 351	9 145

Fixed asset acquisitions covered from transition reserve

Buildings and constructions	3 266	3 233
Machinery and equipment	4 847	
Total	8 113	3 233

5. Internal financial incomes and expenses

Financial income from Corporation companies	
Dividend received	4 693
Interest on short-term investment	549
Financial expenses to Corporation companies	
Interest paid	22

6. Extraordinary income and expenses

Extraordinary income		
Profit on merger		4 441
Other extraordinary income	204	204
Total	204	4 645
Extraordinary expenses		
Value adjustment of subsidiary shares		713
Loss on sale of shares	180	180
Other extraordinary expenses	210	72
Total	390	965

Intangible and tangible assets

	Corporation 1995	Parent company 1995
7. Intangible rights		
Acquisition cost, Jan. 1	4 236	4 236
Increase, Jan. 1-Dec. 31	17 141	15 912
Decrease, Jan. 1-Dec. 31	-100	-100
Acquisition cost, Dec. 31	21 277	20 048
Accumulated scheduled depreciation	-4 723	-4 526
Book value, Dec. 31	16 554	15 522
Accumulated difference between total and scheduled depreciation, Jan. 1	281	281
Decrease in depreciation difference, Jan. 1-Dec. 31	-35	-35
Accumulated difference between total and scheduled depreciation, Dec. 31	246	246

8. Goodwill

Acquisition cost, Jan. 1	13 055	6 545
Increase, Jan. 1-Dec. 31	22 000	28 500
Acquisition cost, Dec. 31	35 055	35 045
Accumulated scheduled depreciation	-6 118	-6 114
Book value, Dec. 31	28 937	28 931

9. Goodwill, consolidated

Acquisition cost, Jan. 1	28 967	
Increase Jan. 1-Dec. 31	4 850	
Acquisition cost, Dec. 31	33 817	
Accumulated scheduled depreciation	-29 937	
Book value, Dec. 31	3 880	

10. Other long-term items

Acquisition cost, Jan. 1	29 646	24 854
Increase, Jan. 1-Dec. 31	155	14
Decrease, Jan. 1-Dec. 31	-189	-2 000
Acquisition cost Dec. 31	29 612	22 868
Accumulated scheduled depreciation	-29 160	-22 670
Book value, Dec. 31	452	198

Figures, FIM 1000

11. Buildings and constructions

	Corporation 1995	Parent company 1995
Acquisition cost, Jan. 1	109 640	97 033
Increase, Jan. 1-Dec. 31	3 777	32 824
Decrease, Jan. 1-Dec. 31	-200	-200
Acquisition cost Dec. 31	113 217	129 657
Accumulated scheduled depreciation	-32 228	-33 394
Book value Dec. 31	80 989	96 263
Accumulated difference between total and scheduled depreciation, Jan. 1	62 103	57 748
Increase in depreciation diffe- rence Jan. 1-Dec. 31	174	4 557
Accumulated difference between total and scheduled depreciation, Dec. 31	62 277	62 305

12. Machinery and equipment

Acquisition cost, Jan. 1	103 338	32 981
Increase, Jan. 1-Dec. 31	12 976	31 815
Decrease, Jan. 1-Dec. 31	-2 863	-711
Acquisition cost, Dec. 31	113 451	64 085
Accumulated scheduled depreciation	-70 269	-28 396
Book value, Dec. 31	43 182	35 689
Accumulated difference between total and scheduled depreciation, Jan. 1	31 441	21 599
Change in depreciation difference, Jan. 1-Dec. 31	-220	4 870
Accumulated difference between total and scheduled depreciation, Dec. 31	31 221	26 469
Book value, Dec. 31		
share of machinery and equipment	33 756	28 853

Taxable value of fixed assets

Land areas	2 500	2 194
Buildings	49 742	42 984
Subsidiary shares		16 111
Other shares and holdings	111 461	111 377
	163 703	172 666

Revaluation

Land areas, Jan. 1 and Dec. 31, 1995	10 999	10 999
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13. Subsidiaries, associated companies and other shares and holdings

Subsidiaries

	Corporation ownership and voting rights, %	Corporation share of share- holders' equity	Shares no.	Shares, nominal value, FIM	Shares, book value	Last financial statements, profit/loss
Owned by parent company:						
Lännen Engineering Oy, Loimaa municipality	97,80	11 517	1 706 120	6	23 198	5 084
Suomen Rakennuskone Oy, Säkyli	79,50	12 976	7 950	1 000	8 192	5 092
Polar Lake Oy, Säkyli	100,00	1 261	100	1 000	2 614	169
Uspek Oy, Säkyli	100,00	295	200	5 000	300	-750
Lännen Taimistot Oy, Janakkala	100,00		3 000	1 000		-19
Sedina Oy, Säkyli	100,00	19	150	100	25	1
8 non-operative companies, Säkyli	100,00	146	24	5 000	120	4
Total					34 449	
Owned by subsidiaries						
Lännen Maskin AB, Sweden	97,80	422	10 000	SEK 100	559	46

Associated companies

	Corporation ownership and voting rights, %	Corporation share of share- holders' equity	Shares no.	Shares, nominal value, FIM	Shares, book value	Last financial statements, profit/loss	Date of closing	Duration of financial year, months
Owned by parent company:								
Sucros Oy, Salo	20,00	85 575	700 000	100	70 000	69 822	31.12.1995	12
Oy Potma Ltd, Pello	50,00	954	60	10 000	600	303	31.12.1995	12
Harviala Oy, Janakkala	44,70	380	85	5 000	425	-167	31.12.1995	12
Oy Atraco Ab, Turku	50,00	19 639	125 080	20	14 452	1 139	31.12.1995	12
Total					85 477			

Other shares and holdings owned by parent company and admission fees

	Shares no.	Shares, nominal value, FIM	Shares, book value
Raisio Tehtaat Oy, K shares, Raisio	20 600	10	1 986
Raisio Tehtaat Oy, V shares, Raisio	5 365	10	460
Kesko Oy, Helsinki	100 000	10	4 214
Cultor Oy, Helsinki	2 800	12	380
Säkyliän Ukkomestari Housing Company, Säkyli	136	500	343
Lännen Puhelin Oy, Rauma	73		113
Helsinki Stock Exchange Ltd.	2 000	10	150
Other shares and holdings			484
Admission fees			1 723
Total			9 853

Figures, FIM 1000

14. Loan receivables on long-term investments from corporation and associated companies

	Parent company 1995
Loan receivables from corporation companies	6 755
Loan receivables from associated companies	7 360

15. Valuation items under assets

	Corporation 1995		
	Jan. 1	Change	Dec. 31
Exchange rate differences arising from converting the balance sheet data of foreign subsidiaries	1	-22	-21
Counter-entry of Pension Trust liability deficit	1 688	-621	1 067
Appealed taxes	7 536	-7 194	342
	9 225	-7 837	1 388

	Parent company 1995		
	Jan. 1	Change	Dec. 31
Counter-entry of Pension Trust liability deficit	1 431	-364	1 067
Appealed taxes	7 113	-7 113	
	8 544	-7 477	1 067

16. Receivables from and liabilities to corporation and associated companies

	Parent company 1995
Receivables from corporation and associated companies	
Accounts receivable from corporation companies	336
Accounts receivable from associated companies	753
Loans receivable from corporation companies	1 315

Liabilities to corporation and associated companies

Current accounts payable to corporation companies	31
Current accounts payable to associated companies	38 218
Other current liabilities to corporation companies	508

17. Changes in shareholders' equity

	Corporation 1995	Parent company 1995
Restricted equity		
Share capital, Jan. 1	60 578	60 578
Share capital, Dec. 31	60 578	60 578
Reserve fund, Jan. 1	118 831	118 831
Reserve fund, Dec. 31	118 831	118 831
Revaluation fund, Jan. 1	4 599	4 599
Revaluation fund, Dec. 31	4 599	4 599
Non-restricted equity		
Contingency fund, Jan. 1	43 000	43 000
Contingency fund, Dec. 31	43 000	43 000
Profit retained, Jan. 1	11 650	41 398
Transferred from 1994 profit	48 680	24 057
Dividend	-12 115	-12 115
Elimination changes	-4 048	
Profit retained, Dec. 31	44 167	53 340
Profit for the period	39 524	33 930
Minority interest	-1 145	
Consolidated profit for the period	38 379	33 930
Shareholders' equity, Dec. 31	309 554	314 278
Non-restricted equity, distributable funds	125 546	

Figures, FIM 1000

18. Reserves

Corporation 1995			
	Jan. 1	Change	Dec. 31
Optional reserves:			
Transition reserve	25 171	-8 145	17 026
Tax liabilities corresponding to optional reserves			4 257

Parent company 1995			
	Jan. 1	Change	Dec. 31
Optional reserves:			
Transition reserve	13 930	-3 233	10 697
Tax liabilities corresponding to optional reserves			2 674

Corporation 1995			
	Jan. 1	Change	Dec. 31
Obligatory reserves:			
Guarantee reserve	806	314	1 120
Salary and wages reserve	197	-108	89
	1 003	206	1 209

Parent company 1995			
	Jan. 1	Change	Dec. 31
Obligatory reserves:			
Salary and wages reserve	197	-197	

19. Liabilities falling due in five years or longer

	Corporation 1995	Parent company 1995
Pension loans	44 553	27 108

Convertible bond loans

	Corporation 1995
Suomen Rakennuskone Oy	1 000
Loan period 5 years; subscribed Oct. 15, 1992. Interest 5%. Company share capital can be increased by converting bonds to a maximum of FIM 1,000,000. Bonds can be converted into Suomen Rakennuskone Oy B shares during the period Oct. 1-Dec. 31, 1997.	

Liabilities

	Corporation 1995	Parent company 1995
Own liabilities		
Deposited securities	15 022	15 000
Real estate mortgages	57 400	52 000
Corporate mortgages	31 702	25 000
Repurchasing commitments	10 790	

Liabilities of Corporation companies

Real estate mortgages		5 400
Guarantees		39 029
Repurchasing commitments		1 594

For associated companies

Real estate mortgages	2 300	2 300
Guarantees	625	625

For others

Guarantees	540	176
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Leasing liabilities

Falling due in 1996	2 458	2 335
Falling due later	4 671	4 671
	125 508	148 130

Outstanding derivatives	871	871
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Säkylä, March 4, 1996

Heikki Harjuvaara Juha Korkeaaja Matti Ruosteenoja

Tapio Reponen Lauri Jalli Olli Karkkila

Figures, FIM 1000

Auditors' report

To Lännen Tehtaat Oy shareholders

We have examined the bookkeeping, financial accounts and administration of Lännen Tehtaat Oy for the financial year January 1 - December 31, 1995. The financial statements drawn up by the Board of Directors and the President comprises a report on operations and the consolidated and parent company profit and loss statements, balance sheets and notes on the financial statements. On the basis of this examination we now make a statement on the accounts and administration.

The audit has been carried out in accordance with good auditing practice. The bookkeeping, the principles applied in drawing up the financial statements and their contents and presentation have been examined to an extent sufficient to ensure that the accounts do not contain essential errors or deficiencies. The examination of the administration included the legality of action by the members of the Administrative Council and the Board of Directors and the President under the Companies Act.

We hereby report that the financial statements have been drawn up in accordance with the Accountancy Act and other rules and regulations concerning financial statements. The financial statements provided true and fair information on consolidated and parent company performance and financial position as decreed in the Accounting Act. The financial statements, including consolidated statements, can be approved and the members of the parent company Administrative Council and Board of Directors and the President can be released from liability for the financial year audited. The Board of Directors' recommendation for dealing with the profit complies with the Companies Act.

We have examined the interim report issued during the financial year and find that it has been drawn up in accordance with the relevant regulations.

Säkylä, March 7, 1996

Kalle Hossi

Matti Ollila

Pekka Nikula,
Authorized Public
Accountant

Kauko Lehtonen,
Authorized Public
Accountant

Administrative council statement

Having studied the financial statements and auditors' report on 1995, the Administrative Council proposes that the consolidated and parent company financial statements be approved and that the Board of Directors recommendation for distribution of profit be accepted.

The terms of the following members of the Administrative Council are coming to an end: Esa Härmälä, Kari Katila, Seppo Kylmänen, Vesa Lammela, Seppo Lähteenmäki, Juha Nevavuori and Pirkko Työläjärvi.

Säkylä, March 8, 1996

Seppo Lähteenmäki
Chairman of the
Administrative Council

Erkki Lepistö
Secretary of the
Administrative Council

Corporation key figures and statistics

	1995	1994	1993	1992	1991
Profitability					
Return on investment, % (ROI)	11,4	10,6	4,1	6,2	9,4
Return on equity, % (ROE)	7,4	7,4	-3,3	-0,3	2,9
Operating margin, %	9,1	10,3	3,6	3,2	4,5
Financing					
Current ratio	2,5	2,5	2,2	2,2	3,7
Solvency ratio, %	64,5	64,7	56,9	50,2	50,8
Profit and loss statement, FIM mill.					
Net sales	783	649	683	667	745
Exports	80	41	69	36	50
Personnel expenses	80	73	79	86	105
Operating margin	72	67	25	22	34
Scheduled depreciation	24	17	28	17	18
Financial income/expenses, net	4	-8	-8	0	0
Profit before extraordinary items	52	42	-11	4	17
Profit before reserves and tax	52	42	-3	5	136
Change in reserves, increase+, decrease-	-8	-23	-20	-5	+87
Profit for the financial year	38	49	10	3	36
Investment					
	82	26	42	33	82
Balance sheet data, FIM mill.					
Fixed assets and other long-term investments	313	280	268	416	442
Inventories and current assets	344	374	435	440	430
Shareholders' equity	310	287	241	252	255
Accumulated appropriations	111	119	145	166	173
Liabilities	233	234	305	437	431
Total assets	658	663	714	874	874
Other data					
Value added, FIM mill.	161	147	113	120	151
Average personnel	422	420	455 ¹⁾	531 ²⁾	663 ³⁾
Value added/employee, FIM 1000	381	350	249	225	228

1) The average number of layoffs - 102 employees - is not included in the average personnel figure of 557.

2) The average number of layoffs - 110 employees - is not included in the average personnel figure of 641.

3) The average number of layoffs - 112 employees - is not included in the average personnel figure of 775.

Calculation of indexes

Return on investment, % (ROI)	=	100 x	$\frac{\text{Profit before extraordinary items plus interest paid, exchange rate losses and other financial expenses}}{\text{Total assets minus non-interestbearing liabilities (yearly average)}}$
Return on equity, % (ROE)	=	100 x	$\frac{\text{Profit before extraordinary items minus tax for the year}}{\text{Equity plus minority interest plus accumulated appropriations (average)}}$
Current ratio	=		$\frac{\text{Inventories and current assets}}{\text{Current liabilities}}$
Solvency ratio, %	=	100 x	$\frac{\text{Equity plus minority interest plus accumulated appropriations}}{\text{Total assets minus advance payments received}}$
Value added	=		Operating margin plus personnel expenses plus rents

Lännen Tehtaat Oy shares

	1995	1994	1993	1992	1991
Share capital, FIM 1000	60.578	60.578	60.578	59.678	59.678
Market capitalization of shares, FIM 1000	218.080	215.051	279.263	226.775	295.405
Number of shares, 1000	6.058	6.058	6.058	5.968	5.968
Adjusted number of shares, 1000	6.058	6.058	6.013	5.968	5.968
Average adjusted number of shares, 1000	6.058	6.058	6.013	5.968	5.968
Share issues, FIM 1000					
Rights issue			900		
Share premium			4.050		
Profit and dividend					
Distribution of dividend, FIM 1000	12.116 ¹⁾	12.116	6.058	5.968	5.968
Adjusted earnings per share, FIM	5,01	4,21	-2,84	1,25	2,86
Dividend per share, FIM	2,00 ¹⁾	2,00	1,00	1,00	1,00
Adjusted dividend per share, FIM	2,00	2,00	1,00	1,00	1,00
Dividend per profit, %	39,9	47,5	neg.	80,0	34,9
Effective yield of shares, %	5,6	5,6	2,2	2,6	2,0
Price/earnings ratio (P/E)	7,2	8,4	neg.	30,4	17,3
Equity per share, adjusted, FIM	69,39	67,06	64,22	70,02	71,68
Share value, FIM					
Nominal value	10,00	10,00	10,00	10,00	10,00
Adjusted quotation	36,00	35,50	46,10	38,00	49,50
Quotation at end of financial year	36,00	35,50	46,10	38,00	49,50
Shares traded on the Stock Exchange, 1000	541	737	741	114	593

1) Board of Directors' recommendation

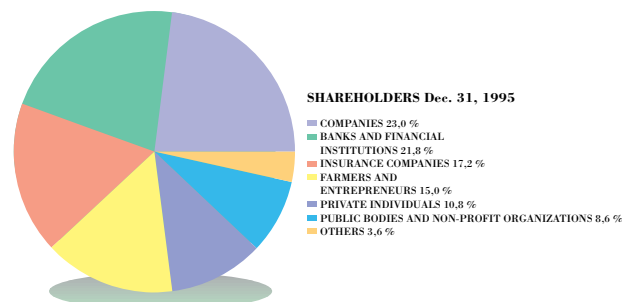
Calculation of indexes

Adjusted earnings per share	=	$\frac{\text{Profit before extraordinary items plus/minus minority interest minus tax}}{\text{Average adjusted number of shares (adjusted for share issues)}}$
Adjusted dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Share issue coefficient}}$
Dividend per profit, %	= 100 x	$\frac{\text{Adjusted dividend per share}}{\text{Earnings per share}}$
Effective yield, %	= 100 x	$\frac{\text{Adjusted dividend per share}}{\text{Adjusted quotation}}$
Price/earnings ratio (P/E)	=	$\frac{\text{Quotation at end of financial year}}{\text{Earnings per share}}$
Adjusted equity per share	=	$\frac{\text{Equity plus accumulated appropriations}}{\text{Number of shares on Dec. 31 (adjusted for share issues)}}$
Adjusted quotation	=	$\frac{\text{Quotation at end of financial year}}{\text{Share issue coefficient}}$

Share capital and shares

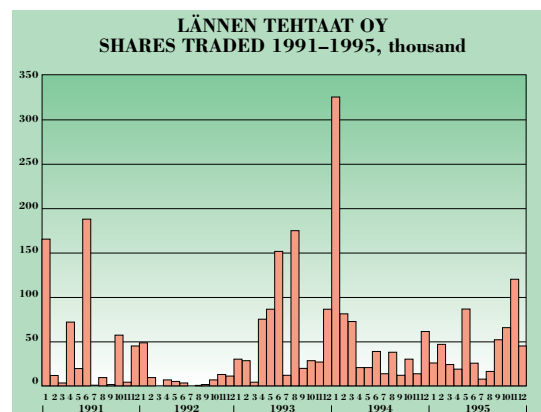
The shares of Lännen Tehtaat Oy are a single series.
All shares carry the same voting and dividend rights.

Share Capital	FIM 60.577.760
Biggest shareholders	% of holding and voting rights
OP-Osake Oy	14,1
Tapiola Mutual Insurance Company	10,1
Valio Oy	5,4
Raisio Tehtaat Oy Ab	5,4
Oy Atraco Ab	5,1
Tapiola Life Insurance Company	3,4
OP-Delta mutual fund	3,3
Central Union of Agricultural Producers	2,2
Suomen Sokeri Oy	2,0
Ilmarinen Pension Insurance Company	1,5
OKOBANK Osuuspankkien Keskuspankki Oy	1,4
Nominee registered/Merita Bank Ltd	1,0
Säkylä municipality	1,0
Pohjola Insurance Company	0,9
Lännen Staff Pension Trust	0,7
Total	57,5



Shareholding of corporate directors

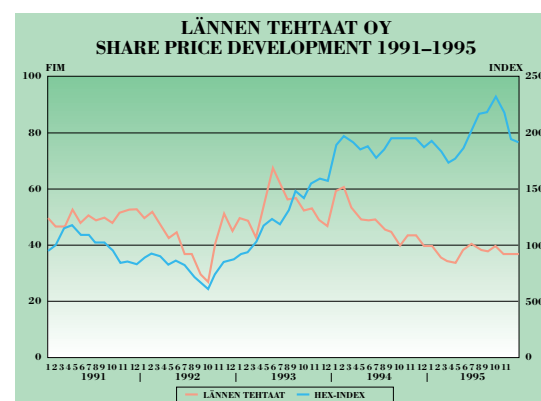
Members of the Administrative Council and Board of Directors, and the President held 0.46% of total shares and voting rights on December 31, 1995.



Shareholders

	Shares	Number	% of holding	% of shares and votes
1-	100	3.601	50,6	2,4
101-	1.000	3.110	43,7	17,4
1.001-	10.000	374	5,3	13,7
10.001-	40.000	16	0,2	4,7
40.001-		17	0,2	58,8
Shares not transferred to book-entry securities system				3,0
Total		7.118	100,0	100,0

Nominee registered shares account for 1.0% of shares and votes





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Räpi experimental farm
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Subsidiaries:

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Lännen Maskin AB
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Tel: +358-0-878 7112

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Associated companies:

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