



*Lännen Tehtaat  
Annual Report 1996*





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## LÄNNEN TEHTAAT IN BRIEF

Lännen Tehtaat is the leading company producing and marketing frozen foods in Finland.

Lännen Tehtaat's Food Group produces and markets frozen foods, jams, marmalades and processed fish products from pure, carefully selected raw materials, and markets sugar.

Lännen Tehtaat also contains the Earthmoving Technology Group, Lännen Feed, Lännen Plant Systems and Lännen Agricultural Department. The Earthmoving Technology Group designs, manufactures and markets earthmoving machinery for Nordic conditions. Lännen Feed specializes in the development and production of cattle feed and Lännen Plant Systems in seedling technology. Lännen Agricultural Department acquires high quality Finnish raw materials from



<i>Key indicators</i>		1996	1995	1994
Net sales	MFIM	866.6	783.1	648.9
Exports from Finland	MFIM	87.3	79.5	40.6
Operating profit before depreciation	MFIM	69.5	69.7	69.2
Operating profit	MFIM	40.2	46.2	52.2
Profit before extraordinary items	MFIM	48.5	50.0	44.2
Profit before taxes and minority interest	MFIM	48.5	49.8	44.2
Return on investment (ROI)	%	10.0	11.2	11.3
Equity ratio	%	58.1	61.2	61.2
Earnings per share	FIM	6.19	5.06	5.71
Dividend per share	FIM	2.20 <sup>1)</sup>	2.00	2.00
Average number of personnel		530	422	420

<sup>1)</sup> Board Proposal





Apetit unit

Lännen Sugar

Polar Lake Oy

Tresko Fish Oy

**FOOD GROUP**

frozen foods

sugar

jams and marmalades

*Apetit - for lovers of good food*



Lännen Feed  
Lännen Plant Systems  
Lännen Agricultural Department

**FEED, CONTRACT FARMING, SEEDLING TECHNOLOGY**

raw materials for the feed industry, compound feeds  
bareroot seedling production technology, planting machines  
complete systems for seedling nurseries  
Finnish vegetables from contract farmers



Lännen Engineering Oy  
Suomen Rakennuskone Oy  
Lännen Maskin AB

**EARTHMOVING TECHNOLOGY GROUP**

Lännen earthmoving machinery  
Komatsu earthmoving machinery  
Samsung earthmoving machinery



## PRESIDENT'S REVIEW

*During 1996 Lännen Tehtaat reinforced its position as the leading company in the frozen food sector in Finland. The Annual General Meeting in April approved the acquisition of Tresko Food Oy and this process was completed in November when the companies were merged. This arrangement helped keep Finnish frozen foods competitive.*

This acquisition conformed to the strategy we adopted three years ago. Lännen Tehtaat's core area is frozen foods; growth in the consumption of these is faster than the market average. Our operating area is Finland and the countries close to Finland, which is where we are looking for growth. The factors behind the company's success are the cultivation of pure raw materials and the production and marketing of high quality foods.

Key goals in Lännen Tehtaat's chosen strategy are to reach net sales of FIM one billion by the year 2000, to raise the return on investment to 13 per cent, and to maintain our solvency ratio at a minimum of 50 per cent. Consolidated net sales rose to FIM 866 million in 1996, so today it looks as if we shall reach our goal even before the year 2000. We have adjusted the target for the Food Group, so it should reach net sales of FIM 800 million by the year 2000.

### Frozen foods are the core area

Frozen foods account for about a quarter of Lännen Tehtaat's net sales. Market leadership in Finland gives a firm foundation to build on. Consumption of frozen food in Finland is, however, still low compared to other western countries. The main reason for this is the lack of choice in the products available.

Product development plays a major role in increasing the range of products available. We intend to make more diverse use of the pure raw materials we obtain from our contract farmers. We also purchase foods

and raw materials from partners to make up for what is lacking in our own production.

The Apetit and Kesäpöytä brand names are a guarantee of high quality for the consumer. The Apetit brand name is a key tool for the company as it makes progress towards its goals for the year 2000. The company also needs to be efficient and competitive. Ongoing development of personnel resources and correctly targeted investments are the strengths with which Lännen Tehtaat is reinforcing its competitiveness. Discussions about Lännen's values are being held with personnel in every unit, in order to create the necessary basis for ongoing development.

### Net sales and profitability

Lännen Tehtaat's net sales rose by 11 per cent to FIM 866 million. The Food Group's net sales grew most, accounting for nearly two thirds of the total net sales. Net sales for the Earthmoving Technology Group fell, and for the Other Business Units they remained at the same level as the previous year.

The growth in the operating profit of the Food Group was not sufficient to compensate for the fall in the operating profits of the Earthmoving Technology Group and Other Business Units. The poorer profitability of the Earthmoving Technology Group can be largely explained by the reduction in net sales during the first months of the year that resulted from the change in the value added tax law. Lännen Feed's operations were still profitable, even though the

conditions for profitable feed operations became more difficult in the sector in general after Finland joined the EU. The performances of Lännen Plant Systems and the Agricultural Department matched the good level of the previous year.

Lower taxes than the previous year and the reversal of the writedown on the shares in associated companies raised the profit for the financial period to FIM 39 million (FIM 31 million in 1995). The earnings per share also improved.

### Facing the future with confidence

The prospects for the current year are better than last year for Lännen Tehtaat. We shall continue to follow our chosen strategy. The Food Group's share of net sales will continue to rise, now that the new operations merged with the Apetit unit are included in Lännen Tehtaat from the start of the financial period.

Lännen Tehtaat has defined its targets. We see before us attractive opportunities to raise the value of the company during the next few years. We aim to meet these targets. We will then be able to reward the innovation and hard work of our personnel and contract farmers, and above all the trust of our shareholders. At the same time we shall ensure that the operations and value of Lännen Tehtaat will continue to improve.

Säkylä, March 1997

Olli Karkkila







Percentage of consolidated net sales 64 %

Apetit  
Lännen Sugar  
Polar Lake Oy  
Tresko Fish Oy

## FOOD GROUP

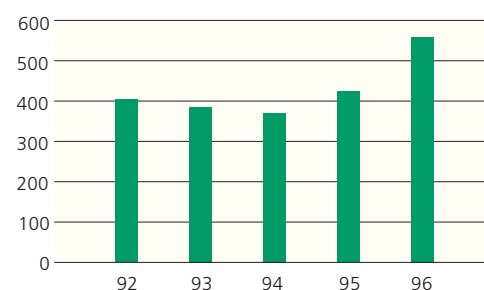
Lännen Tehtaat's Food Group produces and markets frozen vegetables, berries, fish and prepared foods using pure and carefully selected raw materials. The product selection also includes sugar, jams and marmalades.

The Food Group consists of the parent company units Apetit (production and marketing of frozen foods, jams and marmalades) and Lännen Sugar (marketing of sugar), as well as the subsidiary companies Polar Lake Oy (trade with the East) and Tresko Fish Oy (processed fish products). The Food Group's brand names are Apetit, Lännen, Kesäpöytä and Frionor, as well as Pearl and West Best in Russia and the Baltic countries.

The Food Group had net sales in 1996 of FIM 558.3 (423.7) million and 279 (163) employees.

FOOD GROUP, FIM MILLION	1996	1995
Net sales	558.3	423.7
Percentage of consolidated net sales	64%	54%
Operating profit	28.1	23.4
Investments	36.2	70.7
Average personnel	279	163
Net sales by business unit		
Apetit	315.6	183.6
Lännen Sugar	211.2	222.6
Polar Lake Oy	31.5	17.5
Tresko Fish Oy	13.5	
Internal sales	-13.5	
	558.3	423.7

NET SALES, FOOD GROUP 1992-1996, FIM MILLION



The Food Group's net sales have grown as a result of the company acquisitions in 1995 and 1996 to more than FIM 550 million.

*If you want it fresh, buy it frozen*



### Frozen foods a growing product group

Frozen foods are one of the fastest growing product groups in Finland's food sector, with an increase of more than 10% in 1996. The average western European eats about 25 kilograms of frozen foods a year, whereas Finns on average consume just 15 kilograms. The market for frozen foods is expected to grow rapidly in the next few years, partly because Finnish eating habits are changing, with people making greater use of prepared foods, and partly because of the greater variety of foods available. Increased consumer awareness of health and quality issues also boosts consumption of frozen foods. Prepared foods are the fastest growing group of frozen products. Ongoing efforts in product development are necessary if this is to continue.

Lännen Tehtaat's advantage over its international competitors lies in its knowledge of Finnish food taste that primarily directs consumer choices. Lännen Tehtaat's products have been developed for the Finnish market and its frozen food brands are some of the best known in the sector. The Finnish frozen foods market is worth just over FIM 1,000 million, and Lännen Tehtaat has about a 25% share of this.

### Frozen foods are a healthy, safe choice

Research has shown that frozen foods retain their vitamin contents well. Industrial freezing utilizes extremely low temperatures and a very cold air flow to freeze foods quickly, so they retain their vitamins and their constituency well.

Sales of frozen foods in Finland are held back by the way the range of products kept in a store's freezer space is managed. Lännen Tehtaat and retailers have together now started a project to improve the management of freezer space, aiming to find the selection of frozen products that will be profitable for the store and give consumers as wide a choice as possible. Sales representatives have a hand-held transmitter with which it is possible to optimize the product selection for the customers of each store and monitor how demand develops. The role of representatives is changing, and they are gradually becoming more a partner and consultant for the store.

### Jams, marmalades and sweeteners

The market for jams and marmalades in Finland remains steady. Lännen Tehtaat has a 35% market share of the jam and marmalade retail trade. During 1996 Apetit jams and marmalades became market leaders in this sector.

Sugar consumption in Finland remained unchanged, and so did Lännen Tehtaat's market share. Finnish membership of the European Union made it possible to import sugar from other EU countries, so it is essential to monitor costs closely in order to remain competitive.

### Changes due to EU membership

The abolition of the trade barriers between the EU countries opens up the way to increased food imports, so Finnish industry has to put more effort into product





development. Opening the market to international competition gives consumers greater choice and overall markets grow. Membership of the European Union removed all barriers at the border and made Finland part of a single European market area. Finland's small markets and local tastes have, however, tended to check any growth in imports.

The biggest change for the food industry has been the fall of raw material prices to the same level as in other EU countries. Consumer prices for food in Finland have fallen by more than 10% as a result of joining the EU.

#### Value chain from farmer to consumer

The key to the products of Länne Tehtaat's Food Group lies in the company's location in south-western Finland, the country's best area for specialist farming.

Länne Agricultural Department acquires the high quality vegetable raw materials from Finnish contract farmers for the Food Group. The company only imports raw materials that do not grow in Finland, such as maize and paprika, or that are not financially worthwhile cultivating for industry.

Contract farmers supply a total of 13 raw materials to Länne Tehtaat, and the key vegetables are peas, potatoes and carrots. Peas are the most important raw material in production because of their rich nutritional

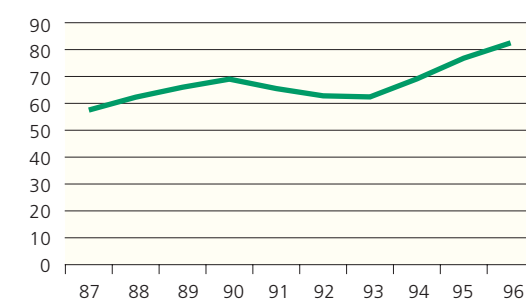
contents and because they can be produced very competitively. Länne Tehtaat uses six million kilograms of peas in its production annually. All Finnish frozen peas are grown in Länne Tehtaat's farming area. Finland's light summer nights ensure the best possible conditions for peas with their short growing period.

#### Investments

The Food Group made investments of FIM 36.2 (70.7) million in 1996, and the largest of these was the purchase of Tresko Food Oy.

Other investments included the construction of a frozen food store, started during the financial period in Säskylä, and the production line for frozen soups which was completed and started up in January 1996 in Säskylä. Other investments totalled FIM 7.9 million.

FROZEN FOOD MARKET IN FINLAND 1987-1996, KG MILLION



Consumption of frozen foods is expected to grow rapidly, which opens up great opportunities for Länne Tehtaat.

#### Goals

Länne Tehtaat operates on a customer-oriented basis, which means that the production process is geared to the demand for products. The company is improving competitiveness and raising efficiency by reducing fixed costs. By increasing its efforts in product development, Länne Tehtaat will be able to continue to build up its market shares in prepared foods.

#### Apetit

Apetit is the most important brand name in the Food Group's product family, and it covers frozen vegetable and berry products, prepared foods and soups, as well as jams and marmalades. The Apetit unit also markets Tresko Fish Oy's fish products and the Norwegian company Frinor AS's frozen fish foods in Finland. The Apetit unit markets its products to consumers and to institutional kitchens. The Apetit brand name is registered in the main market areas around the Baltic Sea. The unit had net sales in 1996 of FIM 315.6 (183.6) million.

The acquisition of Tresko Food in April 1996 almost doubled Länne Tehtaat's market share in frozen foods, and supported the company's concentration on frozen food operations. Tresko Food's Kesäpöytä brand name for frozen vegetables will be combined with the Apetit brand in April 1997.

In May 1996, Länne Tehtaat reached agreement with Saarioinen Oy on a sector rationalization, and as a result Länne Tehtaat sold its vegetable preserves production to Saarioinen Oy.

In spring 1996 the jams and marmalades sold under the Länne brand name became Apetit brand products.

During 1997 Länne Tehtaat's production of frozen vegetables is being brought together in Säskylä, which will increase efficiency in production.

The Turku production unit will continue to package frozen vegetables and to produce frozen foods and canned fish.

#### Länne Sugar

Länne Sugar is a marketing unit that sells the sugar products produced by Sucros Oy to retail stores and industry. The unit had net sales in 1996 of FIM 211.2 (222.6) million. Its market share remained unchanged.

#### Polar Lake Oy

Polar Lake Oy is a marketing company that specializes in trade to the East and sells ketchup, mustard and juice under the Pearl and West Best brand names to Russia through importers. The company had net sales in 1996 of FIM 31.5 million.

During the review year the company looked into Moscow's markets for frozen foods. Trial marketing of Apetit frozen foods will begin during 1997.

#### Tresko Fish Oy

Tresko Fish Oy is a production unit for fish products located in Kustavi on Finland's west coast. Its products are marketed by Apetit. The company's net sales for eight months of FIM 13.5 million are included in the Länne Tehtaat's figures. The unit had net sales for the full financial period of FIM 20.6 (35.1) million.







Percentage of consolidated net sales 22 %

Lännen Engineering Oy  
Suomen Rakennuskone Oy  
Lännen Maskin AB



## EARTHMOVING TECHNOLOGY GROUP

Lännen Tehtaat's Earthmoving Technology Group works with international companies in the sector to develop, manufacture and market earthmoving machinery for Nordic conditions.

The Group consists of Lännen Engineering Oy, which manufactures backhoe loaders and excavators, and the sales companies Suomen Rakennuskone Oy in Finland and Lännen Maskin AB in Sweden. In addition to Lännen's own machinery, the companies also market Komatsu earthmoving machinery in Finland and the Baltic countries and Samsung machinery in Sweden.

Demand for earthmoving machinery declined by about 25% on the previous year, following two years of vigorous growth. Demand in Sweden and Norway remained at the same level as before. The building recession in the main market area has continued for a long time, and this is reflected in the low level of demand for machinery.

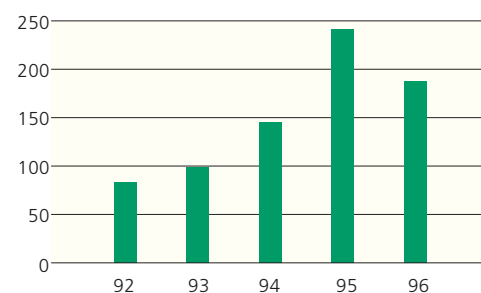
The market for earthmoving machinery has been very volatile in recent years following the fluctuations in the construction sector. Great flexibility is required to adapt to customer needs and demand. Lännen has reduced its exposure to market fluctuations by increasing the amount of subcontracted work, moving more towards assembly work in its own production, and cutting back on the range of products. It has successfully carried through this work and has also improved stock management.

The Earthmoving Technology Group maintained its position as the leading manufacturer and distributor of earthmoving machinery in Finland. It strengthened its position in Sweden and especially in the Baltic countries.

### NET SALES, EARTHMOVING TECHNOLOGY GROUP,

FIM MILLION	1996	1995
Net sales	187.2	241.6
Percentage of consolidated net sales	22%	31%
Operating profit	3.2	8.1
Investments	2.1	1.7
Average personnel	166	175
Net sales by business unit		
Suomen Rakennuskone Oy	124.9	169.1
Lännen Engineering Oy	78.5	99.0
Lännen Maskin AB	35.3	31.0
Uspek Oy	0.3	5.6
Internal sales	-51.8	-63.1
	187.2	241.6

### NET SALES, EARTHMOVING TECHNOLOGY GROUP, 1992-1996, FIM MILLION



Net sales for Lännen Tehtaat's Earthmoving Technology Group have followed general trends in the sector.

## Machinery for the cold conditions of the North

### Fall in net sales

The Group's net sales fell by 22 per cent to FIM 187.2 (241.6) million. This was mainly due to the change in the value added tax that came into force at the beginning of 1996. The first months of 1996 were very quiet, but demand for machinery recovered to their former level towards the end of the year. The company did not manage to compensate for reduced domestic sales with exports.

Net sales for Suomen Rakennuskone Oy fell to FIM 124.9 (169.1) million and for Lännen Engineering Oy to FIM 78.5 (99.0) million. Lännen Maskin AB's net sales in Sweden rose to FIM 35.3 (31.0) million.

Lännen Engineering's earthmoving machinery is designed to withstand the cold and to cope with the difficulties caused by heavy frost. The machinery is versatile, thanks to the various accessories available, and is easy to transport and suitable for the terrain.

Early in the year Lännen Engineering divested its manufacturing operations for agricultural tractor front-end loaders. This gave the company a more clearly defined image, since it now concentrates solely on earthmoving machinery operations.

In April Lännen Maskin AB signed a distributor agreement with the Korean company Samsung for the Swedish market. The agreement reinforced the com-

pany's position as a major distributor of earthmoving machinery in Sweden, and extends Lännen's own Scandinavian range of models.

Lännen achieved market leadership in Estonia and Latvia, and also supplied its first machines to Russia.

### Prospects

The Group's net sales are expected to grow to some extent during the current financial year. Growth is expected to be greatest in Sweden, where the inclusion of Samsung's machinery in the product range should increase sales considerably. The Group's result is expected to improve, but will probably not reach the level of 1995.

Housing construction is expected to pick up in Finland this year. Major road construction projects are also underway or starting up. All this activity should result in rising demand for earthmoving machinery this year, but any growth will probably be moderate.

Construction in the Baltic countries should continue at a vigorous rate. Competition in the earthmoving machinery sector, however, will intensify.





Percentage of consolidated net sales 14 %

Lännen Feed  
Lännen Plant Systems  
Lännen Agricultural Department

## OTHER BUSINESS UNITS

### Lännen Feed

Lännen Feed specializes in the development and production of cattle feed. It processes raw materials and supplies them to feed producers, produces ready compound feeds as a subcontractor, and sells feed under its own Mella label to farms through wholesalers. Lännen Feed's net sales rose to FIM 71.1 (63.9) million.

The most important raw materials used by Lännen Feed are the by-products from the sugar factory, sugarbeet pulp and molasses. These are high quality, palatable and low-cost raw materials, but they demand special knowhow and equipment. One of Lännen Feed's specialities is the absorption of molasses and other liquids into dry feed.

The total cattle feed market in Finland is about 450 million kilograms, so it is the largest animal feed market. Finland's feed markets have been concentrated among relatively few companies, but in recent years new producers have entered the market. The marked rise in the prices of protein raw materials, soya and rape, caused the biggest changes in the operating environment, and reduced the sector's profitability.

Lännen Feed expanded its joint efforts with Rehuraisio during the past year and continued to pro-

duce the K feed series for Kesko. The company started to produce the Agri feed series for Hankkija Maatalous. One goal for 1997 is to further strengthen existing customer relations by offering customers even better product support.

Lännen Feed made investments to improve the processing of raw materials and to ensure the standard of product hygiene. The largest investments were the conveyor line from the raw materials store to production and the construction of intermediate silos for the pelleting plant. Investments in 1996 totalled FIM 3.4 million.

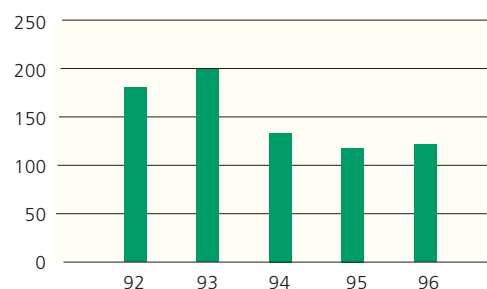
Lännen Feed's result is affected by the sugarbeet crop, which in the review year was 20 per cent down on the previous year's crop. This considerably reduced the availability of important by-products for Lännen Feed, namely molasses and sugarbeet pulp. The poor harvest will slightly reduce Lännen Feed's result during the current year.

#### OTHER BUSINESS UNITS,

FIM MILLION	1996	1995
Net sales	121.1	117.8
Percentage of consolidated net sales	14%	15%
Operating profit	8.9	14.6
Investments	8.7	9.1
Average personnel	85 <sup>1)</sup>	84
Net sales by business unit		
Lännen Feed	71.1	63.9
Lännen Plant Systems	22.6	23.7
Lännen Agricultural Department	25.7	32.0
Other sales	2.2	3.3
Internal sales	-0.5	-5.1
	121.1	117.8

<sup>1)</sup> Includes corporate administration

#### NET SALES, OTHER BUSINESS UNITS 1992-1996, FIM MILLION



Net sales for Other Business Units have settled at the level to which they fell after Finland joined the EU.

## PLANTEK

### The finest raw materials - guarantee of high quality

#### Lännen Plant Systems

Lännen Plant Systems designs, manufactures and markets machinery, equipment, supplies and system packages for producing and planting forest and vegetable seedlings. Lännen Plant Systems also designs and supplies complete production systems for nurseries.

The Nordic countries are the most important market for Lännen Plant Systems, but the unit also exports to western Europe, Australia, New Zealand and the USA. The company supplies complete seedling production systems to the large farms in Russia. Exports accounted for 60% of net sales in the review period.

Lännen Plant Systems had net sales of FIM 22.6 (23.7) million and 20 employees. Exports to western Europe decreased because of low investments by nurseries in the area. Growth in investments by Finland's forestry sector, project exports to Russia and sales of planting machines to the USA all had a positive impact on the unit's net sales.

Deliveries of complete system packages to Russia, which started during the review period and will continue in 1997, have a major impact on the unit's performance, as do the changes in production methods by Finland's forestry nurseries. Lännen Plant Systems is also working on an extensive seedling propagation system based on Lännen technology that will be supplied to a leading forestry company in Australia.

Product development focused on new types of containers, project products and the development of a new type of automatic planting machine. The renewal of forest nurseries in Finland and developments in seedling production and planting globally pose new challenges to Lännen Plant Systems. Domestic forest nurseries are gradually changing over to plastic containers such as Plantek-F. In western Europe producers of vegetable seedlings are changing from using bareroot seedlings to containerized seedling technology and in the USA from direct seeding to transplanting.

#### Lännen Agricultural Department

Lännen Agricultural Department acquires high quality Finnish vegetable raw materials from contract farmers for the production plants of the Lännen Tehtaat Food

Group. The department is also responsible for acquiring the sugar beet used by Sucros Oy's Säkylä factory. The unit also supplies contract farmers with the seeds and herbicides they need and provides a crop cultivation advisory service.

Lännen Agricultural Department is the largest company acquiring special vegetables from contract farmers in Finland. The department has nearly 1400 farming contracts for 14 vegetables.

From its 45 years' experience, the Agricultural Department has gained indepth knowhow of contract farming. This is based on a knowledge of farm conditions, varieties cultivated and the farmers. The department carries out field experiments and develops farming methods at the experimental farm in Köyliö. Working with Lännen Plant Systems makes it possible to utilize seedling technology in the cultivation of vegetable seedlings for transplanting.

Prices for vegetable raw materials fell by about 20% after Finland joined the EU, and prices remained at that level during the review period.

The Agricultural Department had net sales of FIM 25.7 (32.0) million in 1996 and a personnel of 12. The decrease in net sales was mainly because farmers bought less seeds and pesticides than during the previous year.

The Agricultural Department purchased a new pea harvester during the review period to improve harvesting. This cost FIM 1.8 million.

During the review period, contract farmers supplied 307 million kilograms of sugarbeet and 14.3 million kilograms of vegetables. Despite the unfavourable weather in the early summer, crop yields were on target and the quality of the raw materials was high. The department terminated the cultivation of cucumber and pumpkin during the period, following the sale of the vegetable preserves operations.

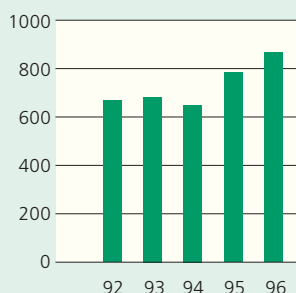
Lännen Tehtaat has committed itself to the international integrated production (IP) quality system and during the financial period started to prepare a Lännen IP programme. The programme includes increased training for contract farmers, with the aim of producing even better raw materials while protecting the environment and reducing costs.



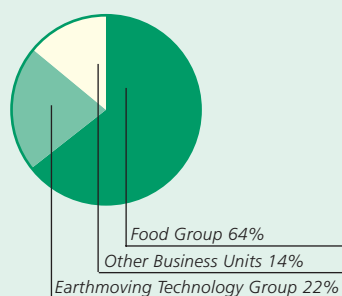


## BOARD OF DIRECTORS' REPORT

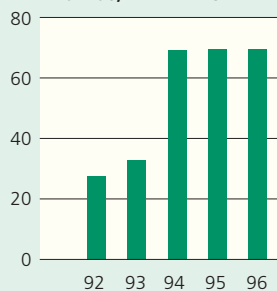
**CONSOLIDATED NET SALES**  
**'92-'96, FIM MILLION**



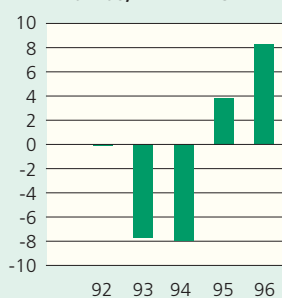
**NET SALES BY BUSINESS SEGMENT**



**OPERATING PROFIT BEFORE DEPRECIATION**  
**'92-'96, FIM MILLION**



**FINANCIAL EXPENSES, NET**  
**'92-'96, FIM MILLION**



### Operating environment

Uncertainty about the economic prospects affected purchasing decisions in most sectors at the start of the year. Confidence that the economy would continue to improve enhanced operating conditions at the end of the year.

Net sales in Finland's food industry grew on average by two per cent. Consumption of frozen food rose extremely fast, however, increasing by more than 10 per cent. Finland's membership of the EU and the liberalization of world trade made sugar production less profitable.

Imported foods did not gain a significant market share, except in a few individual product groups, and competition from imports has so far had little impact on Lännen Tehtaat's Food Group. Towards the end of the year, however, major international companies were showing some signs of increased activity in Finland.

Uncertainty in the economic and political situation in Russia slowed down any growth in trade in that country in the second half of the year.

As agriculture became less competitive, feed prices fell still further. Meanwhile, price rises for the protein needed in feed production cut into the sector's profitability.

Demand for earthmoving machinery fell significantly in the first part of the year because of the low volume of construction and the change in VAT at the beginning of 1996. Demand returned to its normal level towards the end of the year.

### Corporate structure

Tresko Food Oy, a producer of frozen vegetables and food as well as fish products, joined Lännen Tehtaat at the beginning of May and was merged with Lännen Tehtaat Oy on 30 November 1996. The Tresko Food Group had net sales between 1 January and 30 November 1996 of FIM 133.1 million. Following the merger, Tresko Food Oy's subsidiary Tresko Fish Oy continues as a fully owned subsidiary of Lännen Tehtaat Oy.

The Lännen Tehtaat Group consists of the parent company and five subsidiaries engaged in business operations. The operations of Lännen Tehtaat are divided into three business groups. The Food Group is formed by two units, *Apetit* and *Lännen Sugar*, belonging to the parent company Lännen Tehtaat Oy, and the subsidiary companies *Polar Lake Oy* and *Tresko Fish Oy*. *Lännen Engineering Oy*, *Suomen Rakennuskone Oy* and *Lännen Maskin AB* belong to the Earthmoving

Technology Group. The Other Business Units are the Lännen Tehtaat Oy units Lännen Feed, Lännen Agricultural Department and Lännen Plant Systems.

Lännen Tehtaat has four associated companies. Sucros Oy belongs to the Food Group, and Oy Potma Ltd, Harviala Oy and Oy Atraco Ab belong to the Other Business Units.

### Net sales

Lännen Tehtaat had consolidated net sales of FIM 866.6 million (FIM 783.1 million in 1995), which represented growth of 11 per cent. The Food Group accounted for 64 (54) per cent of net sales, the Earthmoving Technology Group for 22 (31) per cent, and Other Business Units for 14 (15) per cent.

The Food Group's net sales grew by 32 per cent to FIM 558.3 (423.7) million. Tresko Food Oy, which joined the Lännen Tehtaat Group on 1 May 1996, contributed about FIM 90 million to the Food Group's net sales.

The Earthmoving Technology Group had net sales of FIM 187.2 (241.6) million, which was 22 per cent less than the previous year. Sales of new earthmoving machines were lower than the previous year, especially during the first months of the year.

The net sales of Other Business Units remained at about the same level as the previous year, at FIM 121.1 (117.8) million.

Lännen Tehtaat's exports totalled FIM 87.3 (79.5) million, or 10 (10) per cent of net sales. The value of foods exported was FIM 38.6 (20.1) million and of earthmoving machinery FIM 38.0 (46.0) million. Exports of seedling technology totalled FIM 10.7 (13.4) million.

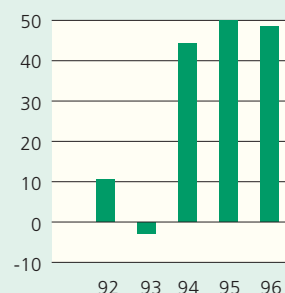
The net sales of the parent company Lännen Tehtaat Oy rose by 23 per cent to FIM 605.3 (492.9) million.

### Profits

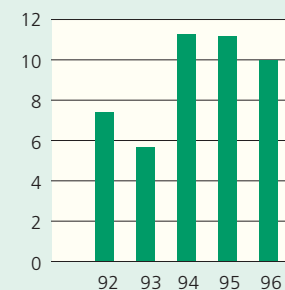
Lännen Tehtaat's performance remained steady. The operating profit before depreciation was FIM 69.5 (69.7) million, and as a percentage it fell to 8.0 (8.9) per cent. This fall was due to reduced profits from the associated company Sucros Oy and the lower profitability of the Earthmoving Technology Group.

Planned depreciation increased to FIM 29.3 (23.5) million, mainly due to the purchase of Tresko Food Oy. The operating profit of FIM 40.2 (46.2) million was smaller than the previous year because of the increased depreciation.

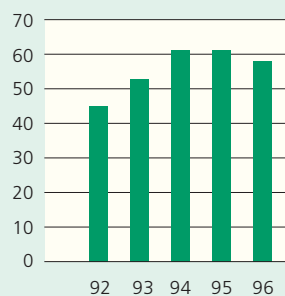
**PROFIT BEFORE EXTRAORDINARY ITEMS, '92-'96, FIM MILLION**



**RETURN ON INVESTMENT '92-'96, %**



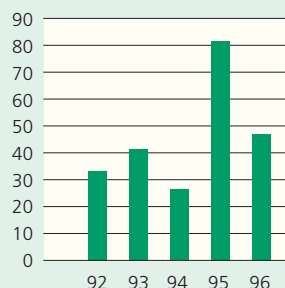
**EQUITY RATIO '92-'96, %**



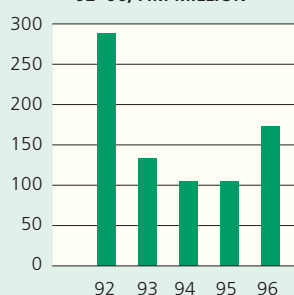


## BOARD OF DIRECTORS' REPORT

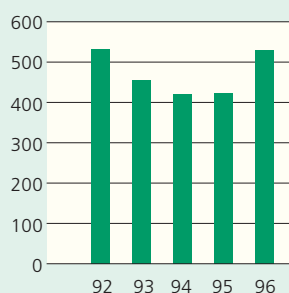
**GROSS INVESTMENTS IN  
FIXED ASSETS  
'92-'96, FIM MILLION**



**INTEREST-BEARING LIABILITIES  
'92-'96, FIM MILLION**



**NUMBER OF PERSONNEL '92-'96**



Financing income exceeded financing expenses by FIM 8.2 (3.8) million. The income included FIM 1.5 million profit from the sale of shares and FIM 6 million from the reversal of the writedown previously made on Oy Atraco Ab shares. The profit before extraordinary items was FIM 48.5 (50.0) million.

Direct taxes of FIM 8.9 (18.1) million were considerably lower than the previous year. 1995 profits were cut by the tax arising from the writedown made on shares in 1991. In contrast, the 1996 reversal of the writedown on shares was tax-free income.

The profit for the financial year was FIM 39.2 (30.5) million.

The Food Group had an operating profit of FIM 28.1 (23.4) million. The purchase of Tresko Food Oy had a positive impact on these profits. The calculated share of the profits of the associated company Sucros Oy fell to FIM 7.0 (12.1) million, which reduced the Food Group's operating profit. The Earthmoving Technology Group had an operating profit of FIM 3.2 (8.1) million. The reduction in operating profit was due to a fall in net sales. Other Business Units had an operating profit of FIM 8.9 (14.6) million. The fall in profits was because feed operations in general were less profitable.

The associated company Harviala Oy recorded a slight profit. Lännen Tehtaat Oy's shareholding and commitments on behalf of Harviala Oy total FIM 10.5 (9.9) million.

### Financing

Lännen Tehtaat's financial structure remained strong. Consolidated cash reserves at the end of the financial period totalled FIM 161.2 (112.6) million. Some of the cash reserves are intended for paying back pension loans during 1997. The equity ratio stood at 58.1 (61.2) per cent at the end of the year.

On 11 November 1996 Lännen Tehtaat Oy launched an issue of bonds to the value of FIM 100 million to institutional investors. The bond will mature in full on 11 November 2001. The bond is unsecured. The company has applied for listing of the bond on the Helsinki Stock Exchange. The funds obtained through the bond will be used to pay back the Group's other interest-bearing loans and for 1997 investments.

### Annual General Meeting, share capital and shareholders

The Annual General Meeting of Lännen Tehtaat Oy decided to pay a dividend of FIM 2 per share. The meeting approved new Articles of

Association for the company, and these were recorded in the Trade Register on 5 May 1996. According to the new Articles of Association, the company may redeem its own shares with non-restricted share capital if it is offered them.

The company raised its share capital in April with a rights issue of 387,000 shares. Mr Esko Eela subscribed for all the shares, disapplying the pre-emptive rights of existing shareholders and transferring 55.6 per cent of the shares of Tresko Food Oy to Lännen Tehtaat Oy in payment. FIM 15.5 million was entered in the company's balance sheet as payment in kind. Following the increase in share capital, Mr Esko Eela has a 6 per cent share of the share capital and votes in Lännen Tehtaat Oy.

The company has no outstanding convertible bonds or bonds with warrants. At the end of the financial period the Board of Directors has no authorization to launch rights issues or to issue convertible bonds or bonds with warrants.

### **Investments**

Gross investment in fixed assets totalled FIM 47.0 (81.5) million. The largest investment was the purchase in April of the share stock of Tresko Food Oy for FIM 28.3 million. The Tresko Food Oy shares were paid for partially with Lännen Tehtaat Oy shares, to the value of FIM 15.5 million, and the rest in cash.

At the end of the financial period, investments were being made in Säskylä in frozen food production and storage. The factory and extension to the warehouse will come into use during the harvest season in 1997. Once the work is completed, it will reduce the need for using external temporary storage in production, and safeguard the high quality of products. The investments will also increase efficiency in production. The investments have so far cost FIM 3.9 million and the estimated total costs will be FIM 8.3 million.

Investments by the Food Group totalled FIM 36.2 (70.7) million. Investments by the Earthmoving

Technology Group totalled FIM 2.1 (1.7) million and by Other Business Units FIM 8.7 (9.1) million.

### **R & D**

The Group's expenses for R & D operations were 0.5 (0.5) per cent of net sales. Most of this focused on products in the Apetit unit, aiming to raise the degree of added value.

### **Personnel**

The Group employed on average 530 (422) people during the financial year. The parent company had on average 256 (163) employees. The increase in personnel was due to the purchase of Tresko Food Oy.

Salaries and fees paid to the Administrative Council, the Board of Directors, the President and Managing Directors totalled FIM 3.7 (3.2) million. The fees included bonus payments of FIM 0.3 million. Wages and salaries for other employees totalled FIM 75.9 (58.3) million.

Salaries and fees paid by the parent company to members of the Administrative Council, the Board of Directors and the President totalled FIM 1.4 (1.2) million. The fees included bonus payments of FIM 0.2 million. Wages and salaries paid to other employees totalled FIM 39.8 (25.2) million.

### **The environment**

During the financial period the Administrative Council approved a corporate environmental policy. This states that Lännen Tehtaat sets environmental protection goals for itself that conform to the principle of sustainable development of the company's operations. The aim of managing environmental issues is to win a competitive advantage.

During the review period the company continued its programme to improve the sorting of waste and reduce the amount of waste. Contract farmers were given advice and instruction to help them take action to reduce environmental impact.



## BOARD OF DIRECTORS' REPORT

### **Events after the end of the financial year**

In January, the company decided on investments to rationalize frozen food production, with estimated costs of FIM 12.4 million. The investments will be completed by the harvest season in 1997 and will enable all harvest season production to be transferred from Turku to Säskylä.

### **Prospects for the current year**

Demand for frozen food will continue to grow faster than demand for other foods. The cost benefits from the merger with Tresko Food Oy will be realized partially in 1997, and in full in 1998. Annual savings resulting from the merger are estimated at FIM 10

million. The profits and profitability of the Apetit unit will improve on 1996 figures.

The 1996 sugar beet crop fell short of its target and was smaller than the previous year's crop, and this will to some extent reduce the profits of sugar and feed operations. Lännen Plant Systems' net sales and profits will remain at the level of 1996.

Improved economic prospects for 1997 will raise demand for earthmoving machinery, and the division's net sales and profits will show an improvement on 1996 figures, but profits will not reach those of 1995.

Lännen Tehtaat's net sales are expected to exceed FIM 900 million and profits should be slightly higher than in 1996.

## PROFIT AND LOSS ACCOUNTS

FIM 1 000		CONSOLIDATED		PARENT COMPANY	
		1996	1995	1996	1995
<b>Net sales</b>	(1)	<b>866 571</b>	783 087	<b>605 254</b>	492 900
Change in product inventories		<b>12 575</b>	14 098	<b>6 094</b>	13 496
Share of profits of associated companies		<b>6 921</b>	12 167		
Other operating income	(2)	<b>7 914</b>	7 869	<b>5 067</b>	5 881
Operating expenses					
Materials, supplies and goods					
Purchases during the financial year		<b>648 483</b>	602 708	<b>468 158</b>	403 093
Increase in stocks		<b>2 829</b>	3 102	<b>4 519</b>	7 379
External services		<b>5 599</b>	8 941	<b>4 914</b>	3 783
Personnel expenses	(3)	<b>98 827</b>	80 430	<b>51 811</b>	34 244
Rents and leases		<b>10 247</b>	8 870	<b>8 620</b>	4 778
Other operating expenses		<b>58 533</b>	43 515	<b>41 258</b>	30 737
Operating expenses, total		<b>824 518</b>	747 566	<b>579 280</b>	484 014
<b>Operating profit before depreciation</b>		<b>69 463</b>	69 655	<b>37 135</b>	28 263
Depreciation	(4)				
On fixed assets and other capitalized expenditure		<b>-28 286</b>	-22 531	<b>-22 013</b>	-16 515
On goodwill on consolidation		<b>-970</b>	-970		
Total depreciation		<b>-29 256</b>	-23 501	<b>-22 013</b>	-16 515
<b>Operating profit</b>	(5)	<b>40 207</b>	46 154	<b>15 122</b>	11 748
Financial income and expenses	(6)				
Dividend income		<b>304</b>	346	<b>1 989</b>	28 150
Interest income from long-term investments		<b>865</b>	3 206	<b>865</b>	3 206
Other interest income		<b>4 896</b>	8 487	<b>3 877</b>	7 411
Other financial income		<b>7 685</b>		<b>9 637</b>	
Foreign exchange gains and losses		<b>1 241</b>	92	<b>102</b>	7
Share of profits of associated companies		<b>2 881</b>	496		
Interest expenses		<b>-8 464</b>	-7 183	<b>-4 712</b>	-4 366
Other financial expenses		<b>-1 150</b>	-1 604	<b>-732</b>	-851
Financial income and expenses, total		<b>8 258</b>	3 840	<b>11 026</b>	33 557
<b>Profit before extraordinary items, provisions, taxes and minority interest</b>		<b>48 465</b>	49 994	<b>26 148</b>	45 305
Extraordinary income and expenses	(7)				
Extraordinary income			204	<b>224</b>	4 645
Extraordinary expenses			-390	<b>-4 352</b>	-965
Extraordinary income and expenses, total			-186	<b>-4 128</b>	3 680
<b>Profit before provisions, taxes and minority interest</b>		<b>48 465</b>	49 808	<b>22 020</b>	48 985
Depreciation less than plan	(4)			<b>306</b>	4 137
Decrease in voluntary provisions	(4)			<b>2 915</b>	3 233
Direct taxes	(8)	<b>-8 897</b>	-18 144	<b>-6 030</b>	-22 425
Minority interest		<b>-331</b>	-1 118		
<b>Profit for the financial year</b>		<b>39 237</b>	30 546	<b>19 211</b>	33 930



## BALANCE SHEETS

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1996	1995	1996	1995
<b>ASSETS</b>				
<b>Fixed assets and other long-term investments</b>				
Intangible assets	(9)			
Intangible rights		16 554	13 779	15 522
Goodwill		28 937	25 427	28 931
Goodwill on consolidation		3 880		
Other capitalized expenditure		452	493	198
		<b>44 549</b>	<b>39 699</b>	44 651
Tangible assets	(10)			
Land and water		16 114	15 811	15 812
Buildings and constructions		80 989	108 380	93 263
Machinery and equipment		43 182	50 222	35 689
Advance payments and construction in progress		4 088	5 653	4 088
		<b>198 542</b>	<b>180 066</b>	148 852
Financial assets	(11,12)			
Shares in subsidiaries			38 172	34 449
Shares and holdings in associated companies		124 479	93 477	85 477
Other shares and holdings		9 934	7 829	9 853
Loans receivable		7 860	10 360	14 615
		<b>158 526</b>	<b>149 838</b>	144 394
<b>Valuation items</b>	(13)			
		1 388		1 067
<b>Current assets</b>				
Inventories				
Raw materials and consumables		29 427	17 785	18 127
Semifinished products		6 011	1 363	533
Finished products/goods		81 662	65 003	48 796
Advance payments		103		
		<b>144 532</b>	<b>84 151</b>	67 456
Receivables	(14)			
Accounts receivable		98 996	63 311	57 458
Loans receivable		93	25 264	1 349
Prepaid expenses and accrued income		15 577	6 316	12 633
		<b>98 822</b>	<b>94 891</b>	71 440
Financial assets				
Other securities		11 545	19 542	11 543
Cash in hand and at bank		101 030	121 751	85 717
		<b>806 173</b>	<b>689 938</b>	575 120

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1996	1995	1996	1995
<b>LIABILITIES</b>				
<b>Shareholders' equity</b>	(15)			
Restricted equity				
Share capital	<b>64 448</b>	60 578	<b>64 448</b>	60 578
Share premium account	<b>130 441</b>	118 831	<b>130 441</b>	118 831
Revaluation reserve	<b>4 599</b>	4 599	<b>4 599</b>	4 599
	<b>199 488</b>	184 008	<b>199 488</b>	184 008
Non-restricted equity				
Contingency reserve	<b>43 000</b>	43 000	<b>43 000</b>	43 000
Retained earnings	<b>180 815</b>	155 454	<b>75 155</b>	53 340
Profit for the financial year	<b>39 237</b>	30 546	<b>19 211</b>	33 930
	<b>263 052</b>	229 000	<b>137 366</b>	130 270
<b>Minority interest</b>	<b>3 808</b>	3 814		
<b>Provisions</b>	(16)			
Accumulated depreciation in excess of plan			<b>92 120</b>	89 020
Voluntary provisions				
Transition provision			<b>9 681</b>	10 697
Obligatory provisions	<b>797</b>	1 209	<b>412</b>	
<b>Liabilities</b>	(17)			
Long-term				
Bonds	<b>100 000</b>		<b>100 000</b>	
Convertible bonds		1 000		
Loans from financial institutions	<b>5 084</b>	14 736	<b>3 750</b>	12 436
Pension loans	<b>15 905</b>	76 568	<b>15 905</b>	53 247
Pension fund liability deficit		1 067		1 067
Deferred tax liability	<b>31 273</b>	31 016		
Other long-term liabilities	<b>812</b>		<b>812</b>	
	<b>153 074</b>	124 387	<b>120 467</b>	66 750
Current				
Convertible bonds	<b>1 000</b>			
Loans from financial institutions	<b>9 197</b>	7 192	<b>8 230</b>	6 892
Pension loans	<b>40 840</b>	4 635	<b>23 699</b>	2 879
Payments on account	<b>4 054</b>	1 116	<b>2 625</b>	549
Accounts payable	<b>93 677</b>	86 480	<b>72 520</b>	58 886
Accruals and other deferred income	<b>37 186</b>	39 502	<b>23 268</b>	24 047
Other current liabilities		958	<b>62</b>	1 122
	<b>185 954</b>	139 883	<b>130 404</b>	94 375
	<b>806 173</b>	682 301	<b>689 938</b>	575 120

## STATEMENT OF CASH FLOWS

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1996	1995	1996	1995
<b>Source of funds</b>				
Income financing				
Net profit	<b>39 237</b>	30 546	<b>19 211</b>	33 930
Depreciation	<b>29 256</b>	23 501	<b>22 013</b>	16 515
Change in provisions	<b>-412</b>	206	<b>2 498</b>	5 961
Total income financing	<b>68 081</b>	54 253	<b>43 722</b>	56 406
Long-term loans receivable	<b>-2 500</b>	1 419	<b>4 255</b>	-1 536
Sale of fixed assets	<b>3 866</b>	3 771	<b>3 804</b>	3 910
Increase in long-term liabilities	<b>143 841</b>	18 737	<b>103 750</b>	13 175
Change in valuation items	<b>1 388</b>	7 838	<b>1 067</b>	7 477
Share issue	<b>15 480</b>		<b>15 480</b>	
Change in shareholders' equity	<b>6 930</b>	675		
	<b>169 005</b>	32 440	<b>128 356</b>	23 026
	<b>237 086</b>	86 693	<b>172 078</b>	79 432
<b>Application of funds</b>				
Investments				
Increase in fixed assets	<b>95 771</b>	59 034	<b>61 779</b>	83 554
Decrease in long-term liabilities	<b>115 153</b>	11 009	<b>50 033</b>	4 179
Change in minority interest	<b>6</b>	22 600		
Dividend paid	<b>12 115</b>	12 115	<b>12 115</b>	12 115
	<b>223 045</b>	104 758	<b>123 927</b>	99 848
Change in net working capital	<b>14 041</b>	-18 065	<b>48 151</b>	-20 416
	<b>237 086</b>	86 693	<b>172 078</b>	79 432
<b>Change in net working capital</b>				
Cash in hand and at bank	<b>40 629</b>	-17 078	<b>36 033</b>	-13 684
Short-term current assets	<b>-7 846</b>	-29 815	<b>31 451</b>	-40 453
Inventories	<b>27 329</b>	17 595	<b>16 695</b>	25 810
Current financial assets	<b>-46 071</b>	11 233	<b>-36 028</b>	7 911
	<b>14 041</b>	-18 065	<b>48 151</b>	-20 416
Net working capital on 1 Jan.	<b>204 562</b>	222 627	<b>141 781</b>	162 197
Net working capital on 31 Dec.	<b>218 603</b>	204 562	<b>189 932</b>	141 781



## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING PRINCIPLES

#### Extent of consolidated financial statements

The consolidated financial statements include the parent company Lännen Tehtaat Oy and the following subsidiaries engaged in business operations: Lännen Engineering Oy, Suomen Rakennuskone Oy, Lännen Maskin AB, Sweden, Polar Lake Oy and from 1 May 1996 Tresko Food Oy and Tresko Fish Oy. Tresko Food Oy was merged with Lännen Tehtaat Oy on 30 November 1996. The consolidated financial statements also include eight companies established for future business operations, two companies that rent property to Lännen Tehtaat companies, Sedina Oy for the full financial year and Cibarius Oy from 1 May 1996, as well as Lännen Taimistot Oy and Uspek Oy, which were liquidated in December. All associated companies engaged in business are included in the consolidated financial statements, namely Sucros Oy (Group), Oy Potma Ltd, Harviala Oy and Oy Atraco Ab.

More details about Lännen Tehtaat companies and associated companies are given below under section 11, "Subsidiary and associated companies, and other shares and holdings".

#### Accounting principles for consolidated financial statements

##### Change in accounting method

Voluntary provisions, the accumulated depreciation difference and changes in them have now been allocated to shareholders' equity and deferred tax liability, in accordance with instructions from the Finnish Accounting Committee in April 1996. The same method has been applied in the calculation of holdings in associated companies and minority interest. The figures for the previous year and key indicators for previous years have been altered to conform with this new practice.

##### Mutual shareholdings

The consolidated financial statements have been drawn up according to the acquisition cost method. The price paid for subsidiary companies that exceeded their shareholders' equity has partially been allocated to fixed assets and partially to goodwill on consolidation. On 31 December 1996, items allocated to buildings totalled FIM 11.6 million, which will be depreciated according to the depreciation plan for buildings.

##### Internal transactions and margins

Internal transactions, unrealized margins from internal transactions, internal receivables and liabilities, and internal distribution of profit, have been eliminated.

##### Minority interest

Minority interest is shown separately from consolidated shareholders' equity, from voluntary provisions and the accumulated depreciation difference less deferred tax liabilities, and from the profit for the financial period.

##### Conversion differences

The figures from the financial statements of foreign Group companies have been converted into Finnish markka at the Bank of Finland's average exchange rates on the closing day. The translation difference arising from the elimination of these companies' shareholders' equity has been recorded under retained earnings.

##### Associated companies

The associated companies have been consolidated according to the equity method. The Group's share of the profits for the financial period of the associated companies Sucros Group and Oy Potma Ltd have been entered before other income from operations because the production of these companies is directly related to the business of the parent company. The Group's share of the profits of Oy Atraco Ab and Harviala Oy has been entered under financial items. The Group's share of profits includes a share of the change in voluntary provisions and the depreciation difference less the change in the deferred tax liability.

##### Valuation of fixed assets

Fixed assets have been capitalized at their acquisition cost. Fixed assets have been depreciated on a straight line basis according to plan, based on estimated useful economic life. Publicly quoted fixed asset shares have been valued at historical cost. Writedowns on Oy Atraco Ab shares made in previous years have been reversed to the value of FIM 8.0 million, based on a significant rise in the market value of the shares. The reversals increased consolidated profits by FIM 6.0 million.

##### Valuation of inventories

The balance sheet value of inventories is the lowest of variable acquisition cost, repurchase price or probable market value.

##### Foreign currency items

Foreign currency receivables and liabilities have been translated to Finnish markka at the Bank of Finland's average exchange rates on the last day of the year. Exchange rate differences have been charged to the profit and loss account.

##### Allocation of pension costs

The statutory pension obligations of corporate personnel are covered by pension insurances. The pension commitment of the Lännen Staff Pension Trust, providing partial supplementary pension benefit, is fully covered. No contributions have been made in 1996. The Pension Trust has returned to Lännen Tehtaat Oy a surplus of FIM 1.5 million. The company has also received a tax rebate of FIM 0.6 million related to the refund. The Pension Trust was closed in 1982.

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

## NOTES TO THE FINANCIAL STATEMENTS

FIM 1 000	CONSOLIDATED 1996	PARENT COMPANY 1996
<b>1. NET SALES BY BUSINESS SEGMENT</b>		
Food Group	558 258	483 649
Earthmoving Technology Group	187 250	
Other Business Units	121 063	121 605
Total	866 571	605 254
Exports from Finland	87 278	15 635
<b>NET SALES BY MARKET AREA</b>		
Finland	758 014	589 619
European Union	41 182	6 265
Rest of Europe	61 430	5 185
Other	5 945	4 185
Total	866 571	605 254
<b>2. OTHER OPERATING INCOME</b>		
Gains from sales of fixed assets	4 930	2 800
Export subsidies	1 778	20
Rental income	1 206	2 247
Total	7 914	5 067
<b>3. PERSONNEL EXPENSES AND FRINGE BENEFITS</b>		
Wages and salaries	78 687	41 777
Pension expenses	11 618	5 511
Other personnel expenses	8 522	4 523
	98 827	51 811
Fringe benefits	1 354	937
Total	100 181	52 748

#### 4. DEPRECIATION

Depreciation according to plan has been calculated from the original acquisition cost on a straight line basis based on the probable economic life of the asset as follows:

Buildings, made of 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 on consolidation	5 years
Other	5 years

FIM 1 000	CONSOLIDATED 1996	PARENT COMPANY 1996
<b>DEPRECIATION ACCORDING TO PLAN</b>		
On intangible rights	2 045	1 915
On goodwill	3 859	3 504
On other capitalized expenditure	443	305
On buildings and constructions	6 152	5 029
On machinery and equipment	15 787	11 260
Total	28 286	22 013
Depreciation of goodwill on consolidation	970	

FIM 1 000	CONSOLIDATED 1996	PARENT COMPANY 1996
<b>DEPRECIATION IN EXCESS OF OR LESS THAN PLAN</b>		
Intangible rights	35	35
Buildings and constructions	1 288	-164
Machinery and equipment	3 190	435
Total	4 513	306

#### RECORDED DEPRECIATION ACCORDING TO CURRENT TAX LEGISLATION

On intangible rights	2 110	1 880
On goodwill	3 757	3 504
On other capitalized expenditure	443	305
On buildings and constructions	3 205	3 535
On machinery and equipment	10 152	9 568
Total	19 667	18 792

#### FIXED ASSET ACQUISITIONS COVERED FROM TRANSITION PROVISION

Buildings and constructions	1 659	1 659
Machinery and equipment	2 446	1 256
Total	4 105	2 915

#### CONSOLIDATED 1996

#### 5. OPERATING PROFIT BY BUSINESS SEGMENT

Food Group	28 100
Earthmoving Technology Group	3 200
Other Business Units	8 907
Total	40 207

#### Personnel by business segment

Food Group	279
Earthmoving Technology Group	166
Other Business Units	85
Total	530

#### PARENT COMPANY 1996

#### 6. INTERNAL FINANCIAL INCOME AND EXPENSES

Financial income from Group companies	
Dividend received	1 193
Interest on short-term investments	476
Financial expenses paid to Group companies	
Interest expenses	22

#### 7. EXTRAORDINARY INCOME AND EXPENSES

<b>Extraordinary income</b>	
Share of liquidated subsidiary company	224
<b>Extraordinary expenses</b>	
Loss from merger	4 024
Write-off of shares of liquidated subsidiary company	300
Other extraordinary expenses	28
Total	4 352

FIM 1 000	CONSOLIDATED PARENT COMPANY	
	1996	1996
<b>8. DIRECT TAXES</b>		
For financial year	11 542	6 069
For previous years	-232	-39
Change in deferred tax liability	-2 413	
Total	8 897	6 030
<b>FIXED ASSETS AND OTHER CAPITALIZED EXPENDITURE 1996</b>		
<b>9. INTANGIBLE ASSETS</b>		
<b>Intangible rights</b>		
Acquisition cost 1 Jan.	21 277	20 047
Increases 1 Jan.-31 Dec.	224	224
Acquisition cost 31 Dec.	21 501	20 271
Accumulated depreciation according to plan	-6 819	-6 492
Book value 31 Dec.	14 682	13 779
Accumulated depreciation in excess of plan 1 Jan.	245	245
Depreciation less than plan 1 Jan.-31 Dec.	-35	-35
Accumulated depreciation in excess of plan 31 Dec.	210	210
<b>Goodwill</b>		
Acquisition cost 1 Jan.	35 055	35 045
Increases 1 Jan.-31 Dec.	1 900	
Acquisition cost 31 Dec.	36 955	35 045
Accumulated depreciation according to plan	-10 853	-9 618
Book value 31 Dec.	26 102	25 427
<b>Goodwill on consolidation</b>		
Acquisition cost 1 Jan.	18 772	
Increases 1 Jan.-31 Dec.		
Acquisition cost 31 Dec.	18 772	
Accumulated depreciation according to plan	-15 862	
Book value 31 Dec.	2 910	
<b>Other capitalized expenditure</b>		
Acquisition cost 1 Jan.	637	200
Increases 1 Jan.-31 Dec.	1 551	1 189
Acquisition cost 31 Dec.	2 188	1 389
Accumulated depreciation according to plan	-1 333	-896
Book value 31 Dec.	855	493

FIM 1 000	CONSOLIDATED PARENT COMPANY	
	1996	1996
<b>10. TANGIBLE ASSETS</b>		
<b>Buildings and constructions</b>		
Acquisition cost 1 Jan.	113 218	126 657
Increases 1 Jan.-31 Dec.	46 787	26 437
Acquisition cost 31 Dec.	160 005	153 094
Accumulated depreciation according to plan	-44 650	-44 714
Book value 31 Dec.	115 355	108 380
Accumulated depreciation in excess of plan 1 Jan.	62 305	62 305
Depreciation in excess of or less than plan 1 Jan.-31 Dec.	18	-281
Accumulated depreciation in excess of plan 31 Dec.	62 323	62 024
<b>Machinery and equipment</b>		
Acquisition cost 1 Jan.	113 268	64 084
Increases 1 Jan.-31 Dec.	44 129	40 405
Decreases 1 Jan.-31 Dec.	-1 300	-1 091
Acquisition cost 31 Dec.	156 097	103 398
Accumulated depreciation according to plan	-97 919	-53 176
Book value 31 Dec.	58 178	50 222
Accumulated depreciation in excess of plan 1 Jan.	31 221	26 469
Depreciation in excess of plan 1 Jan.-31 Dec.	3 114	3 417
Accumulated depreciation in excess of plan 31 Dec.	34 335	29 886
Share of machinery and equipment in book value 31 Dec.	41 193	35 984
<b>TAXATION VALUES OF FIXED ASSETS</b>		
Land	4 391	2 194
Buildings	64 096	61 628
Shares in subsidiary companies		25 607
Other shares and holdings	120 807	120 713
Total	189 294	210 142
<b>Revaluation</b>		
Land 1 Jan. and 31 Dec.	10 999	10 999



## NOTES TO THE FINANCIAL STATEMENTS

### 11. SUBSIDIARY AND ASSOCIATED COMPANIES AND OTHER SHARES AND HOLDINGS

#### SUBSIDIARY COMPANIES

	Holdings and voting rights %	Share of shareholders' equity FIM 1 000	Number of shares	Nominal value of share FIM	Book value of shares FIM 1 000	Profit/loss in last financial statements FIM 1 000
Owned by parent company						
Lännen Engineering Oy, Loimaa municipality	97.93	13 887	1 707 620	6	23 207	2 428
Suomen Rakennuskone Oy, Säkylä	79.50	12 978	7 950	1 000	8 192	1 503
Tresko Fish Oy, Kustavi	100.00	3 993	40 000	100	3 997	26
Polar Lake Oy, Säkylä	100.00	4 379	100	1 000	2 614	3 218
Sedina Oy, Säkylä	100.00	20	150	100	26	1
Cibarius Oy, Turku	100.00	34	15	1 000	16	12
8 non-operative companies, Säkylä	100.00	150	24	5 000	120	4
Total					38 172	
Owned by subsidiary companies						
Lännen Maskin AB, Sweden	97.93	808	10 000	SEK 100	559	391

#### ASSOCIATED COMPANIES

	Holding and voting rights %	Share of shareholders' equity FIM 1 000	Number of shares	Nominal value of share FIM	Book value of shares FIM 1 000	Profit/loss in last financial statements FIM 1 000	Balance sheet date	Duration of financial period, months
Owned by parent company								
Sucros Oy, Salo	20.00	97 664	700 000	100	70 000	60 317	31.12.1996	12
Oy Potma Ltd, Pello	50.00	905	60	10 000	600	45	31.12.1996	12
Harviala Oy, Janakkala	44.70	432	85	5 000	425	118	31.12.1996	12
Oy Atraco Ab, Turku	50.00	22 472	125 080	20	22 452	5 667	31.12.1996	12
Total					93 477			

#### OTHER SHARES AND HOLDINGS OWNED BY PARENT COMPANY AND CONNECTION CHARGES

	Number of shares	Nominal value of share FIM	Book value of shares FIM 1 000	Market value of shares FIM 1 000
Quoted on Stock Exchange				
Kesko Oy, Helsinki	100 000	10	4 214	6 490
Cultor Oy, I shares, Helsinki	2 800	12	380	700
Merita Bank Ltd, A shares, Helsinki	10 000	10	109	143
Raision Tehtaat Oy, K shares, Raisio	600	10	58	165
Other				
Asunto Oy Säkylän Ukkomestari, Säkylä	136	500	343	
Lännen Puhelin Oy, Eura	73	300	113	
Helsinki Stock Exchange Ltd, Helsinki	2 000	10	150	
Länsi-Rannikon Kala Oy, Taivassalo	21 000	10	173	
Other shares and holdings			550	
Connection charges			1 740	
Total			7 830	

	CONSOLIDATED PARENT COMPANY		CONSOLIDATED PARENT COMPANY	
FIM 1 000	1996	1996	FIM 1 000	1996
<b>12. LONG-TERM LOANS RECEIVABLE FROM GROUP AND ASSOCIATED COMPANIES</b>				
Loans receivable from associated companies	9 860	9 860		
<b>13. VALUATION ITEMS UNDER ASSETS</b>				
<b>Consolidated</b>	1 Jan.	Change	31 Dec.	
Exchange rate differences arising from translating balance sheet data of foreign subsidiary companies	-21	21	0	
Counter entry for uncovered liability of Pension Trust	1 067	-1 067	0	
Taxes subject to appeal	342	-342	0	
Total	1 388	-1 388	0	
<b>Parent company</b>	1 Jan.	Change	31 Dec.	
Counter entry for uncovered liability of Pension Trust	1 067	-1 067	0	
<b>14. RECEIVABLES FROM GROUP AND ASSOCIATED COMPANIES</b>				
Accounts receivable from Group companies				386
Accounts receivable from associated companies			414	414
Loans receivable from Group companies				25 264
<b>15. CHANGES IN SHAREHOLDERS' EQUITY</b>				
<b>Restricted equity</b>				
Share capital 1 Jan.			60 578	60 578
Targeted share issue			3 870	3 870
Share capital 31 Dec.			64 448	64 448

FIM 1 000	CONSOLIDATED PARENT COMPANY	
	1996	1996
Share premium account 1 Jan.	118 831	118 831
Issue premium on share issue	11 610	11 610
Share premium account 31 Dec.	130 441	130 441
Revaluation reserve 1 Jan. and 31 Dec.	4 599	4 599
<b>Non-restricted equity</b>		
Contingency reserve 1 Jan. and 31 Dec.	43 000	43 000
Profit retained 1 Jan. before change in accounting method	44 167	53 340
Changes		
Share of equity in change to provisions	5 913	
Share of equity in change to provisions of associated companies	1 947	
Share of equity in balance sheet provisions	79 496	
Share of equity in balance sheet provisions of associated companies	23 931	
Profit retained 1 Jan. after change in accounting method	155 454	53 340
Transferred from 1995 profit	30 546	33 930
Dividend	-12 115	-12 115
Share of equity in change to provisions	6 178	
Share of equity in increase in balance sheet provisions	708	
Changes and translation differences during elimination	44	
Profit retained 31 Dec.	180 815	75 155
Profit for the financial year	39 237	19 211
Total non-restricted shareholders' equity	263 052	137 366
Shareholders' equity 31 Dec.	462 540	336 854
Distributable funds		
Shareholders' equity	263 052	
./Balance sheet provisions included in shareholders' equity	-80 205	
./Balance sheet provisions of associated companies included in shareholders' equity	-18 765	
Distributable funds 31 Dec.	164 082	
<b>16. PROVISIONS</b>		
<b>Accumulated depreciation in excess of plan</b>	96 869	92 120
<b>Voluntary provisions</b>		
Transition provision	14 821	9 681
Deferred tax liabilities in voluntary provisions	4 150	2 711
<b>Obligatory provisions</b>		
Guarantee provision	385	
Salaries provision	412	412
Total	797	412

FIM 1 000	CONSOLIDATED PARENT COMPANY	
	1996	1996
<b>17. LIABILITIES</b>		
Bond		
Lännen Tehtaat Oy		
1/1996, reg. no. 102/271/96	100 000	100 000
Maturity 5 years, interest rate 6%.		
Loan is unsecured and matures on 11 November 2001.		
Convertible bond	1000	
Suomen Rakennuskone Oy's convertible loan		
Maturity period 5 years, floated on 15 October 1992.		
Interest rate 5%. The company's share capital can be raised by a maximum of FIM 1,000,000 if the bond certificates are exchanged. The bond certificates can be converted into Suomen Rakennuskone Oy's B shares in the period 1 October - 31 December 1997.		
Debts falling due after five or more years		
Pension loans	15 905	15 905
Liabilities to Group and associated companies		
Short-term accounts payable to Group companies		3 154
Short-term accounts payable to associated companies	33 530	33 530
Other short-term liabilities to Group companies		62
<b>CONTINGENT LIABILITIES</b>		
<b>For own debts</b>		
Deposited securities	15 025	15 000
Real estate mortgages	49 700	44 800
Corporate mortgages	33 175	25 000
Repurchasing commitments	12 386	
<b>For debts of Group companies</b>		
Real estate mortgages		3 400
Corporate mortgages		3 000
Guarantees		38 259
Repurchasing commitments		435
<b>On behalf of associated companies</b>		
Real estate mortgages	100	100
Guarantees	613	613
<b>On behalf of others</b>		
Guarantees	251	125
<b>Leasing liabilities</b>		
Falling due in 1997	2 468	2 356
Falling due at later date	2 551	2 336
Total	116 269	135 424
Outstanding derivatives	-	-

The Company is obliged at the end of the rental period to repurchase two buildings which it sold in 1988 to a financing company and which the Company has rented for its own use under a 10 year leasing agreement. The repurchasing price for the buildings is FIM 19.5 million.

## KEY INDICATORS

	1996	1995	1994	1993	1992
<b>Financial indicators <sup>1)</sup></b>					
Scope of operations					
Net sales, FIM 1 000	<b>866 571</b>	783 087	648 885	683 000	667 140
Change, %	<b>10.7</b>	20.7	-5.0	2.4	-10.5
Food Group, %	<b>64.4</b>	54.1	57.1	56.3	60.5
Earthmoving Technology Group, %	<b>21.6</b>	30.9	22.3	14.5	12.4
Other Business Units, %	<b>14.0</b>	15.0	20.6	29.2	27.1
Exports from Finland, FIM 1000	<b>87 278</b>	79 525	40 571	69 129	35 808
Exports' share of net sales, %	<b>10.1</b>	10.2	6.3	10.1	5.4
Gross investments in fixed assets, FIM 1000	<b>46 977</b>	81 474	26 371	41 468	33 150
% of net sales	<b>5.4</b>	10.4	4.1	6.1	5.0
R & D expenses, FIM 1000	<b>4 765</b>	4 203	3 770	3 856	5 920
% of net sales	<b>0.5</b>	0.5	0.6	0.6	0.9
Investments in associated companies, FIM 1000	<b>93 476</b>	85 476	85 476	91 476	91 051
Dividends received from associated companies, FIM 1000	<b>72</b>	16 160	700		
Average number of personnel	<b>530</b>	422	420	455	531
Net sales/employee, FIM 1 000	<b>1 635</b>	1 856	1 545	1 501	1 256
Added value/employee, FIM 1000	<b>337</b>	377	356	267	203
Extraordinary income/expenses (-), net, FIM 1000		-186		7 695	1 139
Profitability					
Operating profit before depreciation, FIM 1000	<b>69 463</b>	69 655	69 170	32 831	27 640
% of net sales	<b>8.0</b>	8.9	10.7	4.8	4.1
Operating profit, FIM 1 000	<b>40 207</b>	46 154	52 198	4 966	10 440
% of net sales	<b>4.6</b>	5.9	8.0	0.7	1.6
Profit/loss before extraordinary items, FIM 1000	<b>48 465</b>	49 995	44 207	-2 775	10 534
% of net sales	<b>5.6</b>	6.4	6.8	-0.4	1.6
Profit/loss before taxes and minority interest, FIM 1000	<b>48 465</b>	49 809	44 207	4 920	11 673
% of net sales	<b>5.6</b>	6.4	6.8	0.7	1.7
Profit for the financial year, FIM 1000	<b>39 237</b>	30 546	34 561	3 680	3 970
% of net sales	<b>4.5</b>	3.9	5.3	0.5	0.6
Return on equity, % (ROE)	<b>9.0</b>	7.6	9.8	0.5	1.6
Return on investment, % (ROI)	<b>10.0</b>	11.2	11.3	5.7	7.4
Financial and economic status					
Current ratio	<b>2.2</b>	2.5	2.5	2.2	2.2
Equity ratio, %	<b>58.1</b>	61.2	61.2	52.7	45.0
Net gearing, %	<b>1.3</b>	-3.3	-18.7	-26.1	-13.0
Fixed assets and other					
long-term investments, FIM 1000	<b>401 617</b>	336 469	306 123	291 543	431 963
Inventories and other current assets, FIM 1000	<b>404 556</b>	344 444	373 742	434 585	440 216
Shareholders' equity, FIM 1000	<b>462 540</b>	413 008	393 902	363 295	373 837
Distributable funds, FIM 1000	<b>164 082</b>	125 546	103 331	57 203	70 641
Liabilities, FIM 1000	<b>339 028</b>	264 269	267 772	345 715	483 337
Interest-bearing liabilities, FIM 1000	<b>172 838</b>	105 089	104 551	133 557	288 682
Balance sheet total, FIM 1000	<b>806 173</b>	682 301	689 091	737 041	889 599
<b>Share data <sup>1)</sup></b>					
Earnings and dividend					
Earnings per share, FIM	<b>6.19</b>	5.06	5.71	-0.31	0.49
Nominal dividend per share, FIM	<b>2.20<sup>2)</sup></b>	2.00	2.00	1.00	1.00
Adjusted dividend per share, FIM	<b>2.20<sup>2)</sup></b>	2.00	2.00	1.00	1.00
Dividend per earnings, %	<b>35.5</b>	39.5	35.0		204.1
Effective dividend yield, %	<b>3.6</b>	5.6	5.6	2.2	2.6
P/E ratio	<b>10.0</b>	7.1	6.2		78.0
Shareholders' equity per share, FIM	<b>71.77</b>	68.18	65.02	60.42	62.64
Share performance, FIM					
Adjusted quoted share price	<b>62.00</b>	36.00	35.50	46.10	38.00
Lowest price in year	<b>36.10</b>	30.00	35.50	37.50	22.00
Highest price in year	<b>63.00</b>	41.00	61.00	68.00	52.10
Average price during year	<b>53.18</b>	35.91	49.61	53.19	43.86



	1996	1995	1994	1993	1992
Shares traded					
Shares traded on Stock Exchange, x 1000	<b>2 276</b>	541	737	741	114
% of average number of shares	<b>35.9</b>	8.9	12.2	12.3	1.9
Share capital, FIM 1000	<b>64 448</b>	60 578	60 578	60 578	59 678
Market capitalization, FIM 1000	<b>399 576</b>	218 080	215 051	279 263	226 775
Dividends, FIM 1000	<b>14 178 <sup>2)</sup></b>	12 116	12 116	6 058	5 968
Share issues, FIM 1000					
Rights issue				900	
Targeted issue	<b>3 870</b>				
Share premium	<b>11 610</b>			4 050	
Number of shares					
Average adjusted number of shares	<b>6 336 201</b>	6 057 776	6 057 776	6 012 776	5 967 776
Adjusted number of shares at end of financial year	<b>6 444 776</b>	6 057 776	6 057 776	6 057 776	5 967 776

<sup>1)</sup> The key indicators have been calculated in accordance with the instructions given by the Finnish Accounting Committee on 12 April 1996, in which voluntary provisions, accumulated depreciation in excess of plan and changes in them are divided into shareholders' equity and deferred tax liability. The same procedure has been applied in calculating profits in associated companies and minority interest. The calculation was made with a 28% tax rate for all accounting years. For this reason the profit and loss account and balance sheet figures and the key indicators for the years preceding 1996 differ from previously published figures.

<sup>2)</sup> Board of Directors' recommendation

## CALCULATION OF FINANCIAL RATIOS

Return on equity, % (ROE)	=	$\frac{\text{Profit/loss before extraordinary items less taxes} + \text{tax on extraordinary items}}{(\text{Shareholders' equity} + \text{minority interest}) \text{ average}} \times 100$
Return on investment, % (ROI)	=	$\frac{\text{Profit/loss before extraordinary items} + \text{interest paid and other financial expenses}}{\text{Capital employed (average)}} \times 100$
Capital employed	=	Balance sheet total - interest-free accounts payable and accrued liabilities, advance payments received, deferred tax liability, Pension Trust liability deficit - obligatory provisions
Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Equity ratio, %	=	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advance payments received}} \times 100$
Net gearing ratio, %	=	$\frac{\text{Interest-bearing net liabilities}}{\text{Shareholders' equity}} \times 100$
Interest-bearing net liabilities	=	Interest-bearing liabilities - interest bearing deposits and receivables
Value added/employee	=	$\frac{\text{Operating profit before depreciation} + \text{personnel expenses} + \text{rentals}}{\text{Average number of personnel}}$
Earnings per share	=	$\frac{\text{Profit/loss before extraordinary items} - \text{tax} + \text{tax on extraordinary items} + \text{minority interest}}{\text{Average number of shares (adjusted for share issues)}}$
Adjusted dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Share issue coefficient}}$
Dividend per earnings, %	=	$\frac{\text{Adjusted dividend}}{\text{Earnings per share}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Adjusted dividend}}{\text{Adjusted share price}} \times 100$
Price/earnings ratio (P/E)	=	$\frac{\text{Adjusted share price}}{\text{Earnings per share}}$
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Number of shares on Dec. 31, adjusted for share issues}}$
Adjusted share price	=	$\frac{\text{Average price on 31 Dec.}}{\text{Share issue coefficient}}$
Market capitalization	=	Number of shares x average price at end of financial year

## SHARES AND SHAREHOLDERS

### Shares and voting rights

The shares of Lännen Tehtaat Oy are all in one series. All shares carry the same voting and dividend rights. The shares have a nominal value of FIM 10 each.

Share capital at the end of the financial year was FIM 64,447,760 and the number of shares was 6,444,776.

### Dividend policy

In accordance with the dividend policy defined by the Board of Directors of Lännen Tehtaat Oy, the company intends to pay a dividend which will be based on the earnings per share in recent years and which is competitive when compared with the dividends paid by other listed companies in the sector.

### Increase in share capital

Method of raising share capital	Subscription period	Subscription price FIM	Number of new shares	Increase in share capital	New share capital	Dividend rights
Targeted issue	15-18 April 1996	40	387,000	3,870,000	64,447,760	Full dividend in 1996

### Shareholders

Principal shareholders	Number of shares and votes	% of share capital and voting rights
OKOBANK Osuuspankkien Keskuspankki Oy	936 444	14.5
Tapiola Mutual Insurance Company	614 000	9.5
Esko Eela	387 300	6.0
Valio Oy	324 552	5.0
Raision Tehtaat Oy Ab	324 294	5.0
Oy Atraco Ab	299 603	4.6
Nova Life Insurance Company	270 443	4.2
Norvestia Oy Ab	205 200	3.2
Tapiola Life Insurance Company	204 600	3.2
Pohjola Insurance Company	156 000	2.4
Nominee registered shares	6 406	0.1
Other shareholders	2 715 934	42.3
	6 444 776	100.0

### Shares owned by Corporate Management

Members of the Administrative Council and the Board of Directors and the President owned a total of 414,682 shares, which corresponds to 6.4% of the company's share capital and voting rights on 31 December 1996.

### Distribution of shareholdings

Shares	Number	% of shareholders	% of shares and votes
1 - 100	3 527	50.9	2.3
101 -1 000	3 029	43.7	16.0
1 001 - 10 000	343	5.0	11.7
10 001 - 40 000	14	0.2	3.8
40 001 -	16	0.2	64.3
Joint account			1.9
Total	6 929	100.0	100.0

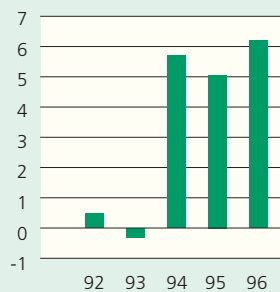
## Distribution of ownership

	% of shareholders	% of shares
Companies	1.9	21.4
Financial and insurance institutions	0.7	36.2
Public organizations	0.7	6.2
Non-profit organizations	1.2	4.6
Private households	95.5	29.6
Foreign and nominee registered		0.1
Joint account		1.9
Total	100.0	100.0

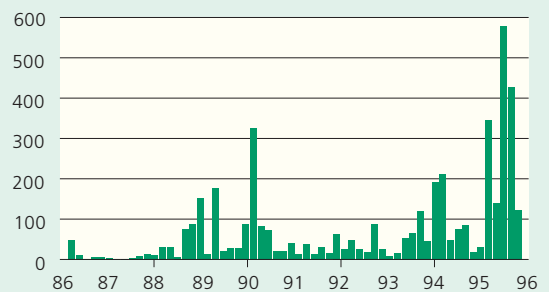
## Changes in ownership reported

The company has reported on 23 April 1996 that the holding of Tapiola Mutual Insurance Company fell from more than 10 per cent to 9.5 per cent, on 17 October 1996 that the holding of OP-Osake Oy fell from more than 10 per cent to 8.7 per cent, and on 1 November 1996 that the holding of OKOBANK Osuuspankkien Keskuspankki Oy exceeded 10 per cent, rising to 14.5 per cent.

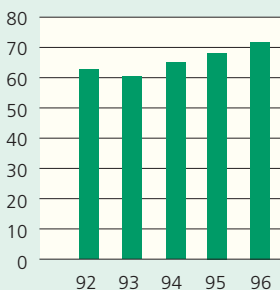
**EARNINGS PER SHARE  
'92-'96, FIM**



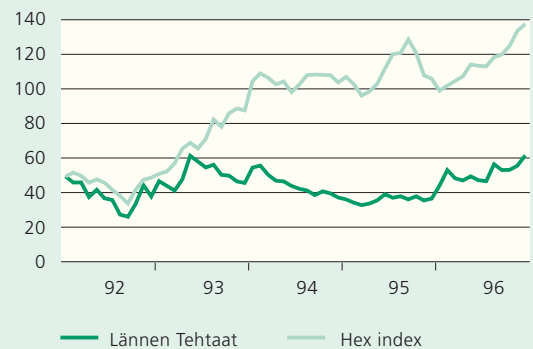
**SHARE TRADING '92-'96, 1000 SHARES**



**SHAREHOLDERS' EQUITY PER  
SHARE '92-'96, FIM**



**SHARE PERFORMANCE '92-'96, FIM**



## PROPOSAL OF THE BOARD

Group non-restricted shareholders' equity on 31 December 1996 was FIM 263,051,724.98, including FIM 164,082,020.82 in distributable funds. The parent company's non-restricted equity was FIM 137,365,087.16.

The Board of Directors proposes that Lännen Tehtaat Oy pay a dividend of 22% on share capital for 1996, or FIM 2.20 per share, a total of FIM 14,178,507.20.

Säkylä, 28 February 1997

Heikki Harjuvaara  
Lauri Jalli

Juha Korkeaaja  
Tapio Reponen  
Olli Karkkila

Esko Eela  
Matti Ruosteenoja



## AUDITORS' REPORT

### To the shareholders of Lännen Tehtaat Oy

We have audited the accounting records, financial statements and administration of Lännen Tehtaat Oy for the financial year 1 January - 31 December 1996. The financial statements prepared by the Board of Directors and the President, contain the Board's report, and the consolidated and parent company profit and loss accounts, balance sheets and notes to the financial statements. Based on our audit we express an opinion on these financial statements and administration.

We have conducted our audit in accordance with generally accepted auditing standards in Finland. These standards require that we conduct a sufficient examination of the annual accounts, as well as the accounting principles, disclosures and presentation of the financial statements, to obtain reasonable assurance that the financial statements are free of material misstatement. The purpose of our audit of the administration is to establish that the Administrative Council, the Board of Directors and the President have complied with the rules of the Finnish Companies' Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations and financial position. The financial statements, including the consolidated statements, may be adopted, and the members of the Administrative Council and the Board of Directors, and the President, may be discharged from liability for the financial period audited by us. The proposal of the Board of Directors concerning the disposal of the profit is in compliance with the Finnish Companies' Act.

We have reviewed the interim reports published by the company during the financial year. The interim reports have been prepared in accordance with the applicable regulations.

Säkylä, 11 March 1997

Kauko Lehtonen, Authorized Public Accountant

Pekka Nikula, Authorized Public Accountant

## ADMINISTRATIVE COUNCIL STATEMENT

After examining the 1996 financial statements and auditors' report, the Administrative Council recommends that the consolidated and parent company financial statements be approved and that the Board of Directors' recommendation for distribution of profit be accepted.

The following members of the Administrative Council are in turn for retirement: Matti Eskola, Rainer Fallila, Hannu Harjunmaa, Pasi Jaakkola, Jouni Junnila, Reijo Järvi, Timo Kaila, Jouni Kaitila and Pekka Sihvonen.

Säkylä, 13 March 1997

Tom Liljeström

Chairman of the Administrative Council

Erkki Lepistö

Secretary of the Administrative Council

## ADMINISTRATION AND CORPORATE MANAGEMENT



From left Matti Ruosteenoja, Olli Karkkila, Lauri Jalli, Tapio Reponen, Esko Eela, Heikki Harjuvaara and Juha Korkeaaja



From left Markku Routasalo, Olli Karkkila, Jukka Haikonen, Pekka Kurri, Tom Kavander, Ilkka Jaskari and Erkki Lepistö

### BOARD OF DIRECTORS

Heikki Harjuvaara, b. 1942, member since 1990 and Chairman since 1994  
Juha Korkeaaja, b. 1950, member since 1983 and Deputy Chairman since 1991  
Esko Eela, b. 1936, member since 1996  
Lauri Jalli, b. 1944, member since 1995  
Olli Karkkila, b. 1942, President, Lännen Tehtaat Oy, member since 1993  
Tapio Reponen, b. 1947, member since 1995  
Matti Ruosteenoja, b. 1933, member since 1981

### CORPORATE MANAGEMENT

Olli Karkkila, b. 1942, President since 1994  
Erkki Lepistö, b. 1955, Director of Finance since 1995  
Tom Kavander, b. 1953, Director of Food Group since 1996  
Ilkka Jaskari, b. 1947, Corporate Director since 1988, Sales Director of Food Group since 1996  
Markku Routasalo, b. 1952, Managing Director of Earthmoving Technology Group since 1993  
Jukka Haikonen, b. 1955, Director of Lännen Feed since 1996  
Pekka Kurri, b. 1943, Director of Lännen Plant Systems and Agricultural Department since 1992

### ADMINISTRATIVE COUNCIL

Tom Liljeström, member since 1994, chairman since 1996  
Rainer Fallila, member since 1978, deputy chairman since 1996  
Helena Wallidén, deputy chairman since 1996  
Antti Bärilund, member since 1995  
Tapani Ehtamo, member since 1977  
Heikki Ellilä, member since 1996  
Matti Eskola, member since 1991  
Heikki Halkilahti, member since 1990  
Jussi Hantula, member since 1995  
Hannu Harjunmaa, member since 1988  
Esa Härmälä, member since 1991  
Pasi Jaakkola, member since 1982  
Jouni Junnila, member since 1994  
Reijo Järvi, member since 1994  
Timo Kaila, member since 1995  
Jouni Kaitila, member since 1991  
Mari Kiviniemi, member since 1996  
Antti Kulmala, member since 1980  
Vesa Lammela, member since 1993  
Hannu Lamminen, member since 1996  
Håkan Malm, member since 1977  
Juha Nevavuori, member since 1973  
Simo Savo, member since 1992  
Pekka Sihvonen, member since 1996

### AUDITORS

Kauko Lehtonen, CPA  
Pekka Nikula, CPA

### Environmental policy

1. *The company's operations involve responsible interaction with nature.*
2. *Lännen Tehtaat meets its legal obligations in every situation and takes into account the interests of different parties. The company has an effective organization for managing environmental issues.*
3. *Lännen Tehtaat sets its own goals for environmental protection that conform to the principle of sustainable development for its operations. The goal is to obtain a competitive edge through the company's management of environmental issues.*
4. *The environmental impact of existing processes has been identified and is reliably monitored. Lännen Tehtaat works with the authorities and research organizations from the planning stage onwards to study the environmental impact of new processes.*
5. *In its purchasing and use of materials, Lännen Tehtaat takes account of procedures that preserve natural resources and of their environmental impact.*
6. *The contract farmers producing the vegetable raw materials for Lännen Tehtaat make use of the results of the latest research. Lännen has its own experimental farm for trying out cultivating methods to make sure that they are suitable for Finnish conditions and are effective in assisting natural growth factors.*
7. *Training is given for personnel so that they can all encourage methods of operating that benefit the environment.*

### Actions taken

Lännen Tehtaat implemented waste disposal instructions based on the principle of sustainable development at the Lännen industrial site. Personnel were taught to follow the manual's principles in their work, and a collection system was set up for different types of waste throughout the factory site.

Lännen Tehtaat started a survey with the Department of Biological and Environmental Science at Jyväskylä University into the wastewater load from the various production units.

The instructions of the waste disposal manual were implemented really quickly. The amount of waste that now ends up at the waste disposal site is only about 5 per cent of what it used to be.

The waste disposal site in Lännen's industrial area was converted into a waste landfill site, where the waste is compacted. The landfill site was built in accordance with the decision of the Council of State and EU directives.

All organic waste generated on the factory site was composted and converted back into fertile soil.

Lännen Tehtaat has educated environmental trainers for the factory units and business divisions. These form an environmental team for the factory area to see that progress is made with environmental issues and to carry out the environmental programme.

The contract farmers in the area where we cultivate crops have committed themselves to methods for cultivating vegetables that preserve the environment. This means, for example, following the results of productivity surveys when deciding how much fertiliser to use, and making only limited use of herbicides, using agents that cause minimum environmental impact.

Lännen Tehtaat started energy surveys (MOTIVA) of the company's buildings, looking at production plants, offices and housing. The results will be used to draw up a plan of action and decide on investments to save energy.

## ADDRESSES

Lännen Tehtaat Oy  
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Räpi Experimental Farm  
FIN-27710 Köyliö, Finland  
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### SUBSIDIARIES

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Tel. +358 2 760 721  
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Lännen Maskin AB  
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Tel. +46 36 150 670  
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Suomen Rakennuskone Oy  
Juhanilantie 2,  
FIN-01740 Vantaa, Finland  
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Polar Lake Oy  
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Fax +358 9 5123 4488

Tresko Fish Oy  
Vuosnainen,  
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### ASSOCIATED COMPANIES

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## INFORMATION FOR SHAREHOLDERS

### Annual General Meeting

The Annual General Meeting of Lännen Tehtaat Oy will be held on Tuesday, 8 April 1997, at 2.00 p.m. in the Lännen Tehtaat Oy staff restaurant in Iso-Vimma, Säkylä.

Shareholders wishing to attend are requested to inform Lännen Tehtaat Head Office by 2.00 p.m. on Friday, 4 April 1997.

### Dividend

The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 2.20 per share is paid for 1996. The record date is 11 April 1997 and the dividend payment date is 16 April 1997. The dividend will be paid to shareholders who are registered as shareholders on 11 April 1997 in the list kept by the Finnish Central Securities Depository Ltd.

### Information about results

Lännen Tehtaat Oy will issue two interim reports during 1997; for the January-April period on 18 June 1997, and for the January-August period on 15 October 1997.

The interim reports will be published in Finnish and English, and can be ordered by telephone, +358 2 839 71, or from Lännen Tehtaat Oy, P.O.Box 100, FIN-27821 Iso-Vimma, Finland.

### Share register

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





Lännen Tehtaat Oy  
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