



Lännen Tehtaat  
**Annual Report 1997**



# Lännen Tehtaat

## Annual Report 1997



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<b>KEY INDICATORS</b>		<b>1997</b>	<b>1996</b>
Net sales	FIM million	<b>958.1</b>	866.6
Exports from Finland	FIM million	<b>96.1</b>	87.3
Operating profit before depreciation	FIM million	<b>77.1</b>	69.5
Operating profit	FIM million	<b>45.9</b>	40.2
Profit before extraordinary items	FIM million	<b>54.2</b>	48.5
Profit before taxes and minority interest	FIM million	<b>54.2</b>	48.5
Return on investment (ROI)	%	<b>10.4</b>	10.0
Equity ratio	%	<b>63.9</b>	58.1
Earnings per share	FIM	<b>6.00</b>	6.19
Dividend per share	FIM	<b>2.40</b> <sup>1)</sup>	2.20
Average number of personnel		<b>573</b>	530

<sup>1)</sup> Board Proposal

# President's Review

*F*or Lännen Tehtaat, 1997 was a good year, and operations developed favourably overall. The Food Group concentrated its functions, sharpening its competitive edge and raising profitability. A new frozen vegetables production line and a frozen food store to accommodate the rising output of semi-manufactured products were completed in Säskylä. A decision was made in summer to build a new production line for ready-made foods in order to further consolidate the status of Lännen Tehtaat as the leading frozen foods producer in Finland.

## **OVERALL TREND GOOD**

Lännen Tehtaat's net sales rose by 11%, to FIM 958 million, in 1997. The average total increase in net sales by the Finnish food industry was 2% for the same period. The consolidated equity ratio 64% was good and continued to exceed the strategic minimum target of 50%.

Operations by the Food Group developed as targeted. Consumption of frozen foods continued to grow rapidly, and Lännen Tehtaat held a leading market position in this sector. Costs were cut by reorganizing and intensifying operations. Our competitive edge in the sugar sector will be enhanced by a sectoral rearrangement agreed on with Cultor, transferring sales of consumer products to Lännen Tehtaat from the beginning of 1998. Profitability reached a satisfactory level in the Food Group.

Net sales by the Earthmoving Technology Group grew by nearly one third, amounting to FIM 241 million. Lännen earthmoving machinery won a strong foothold in both the other Nordic countries, and the Baltic region. Distribution companies were opened in Tallinn and Riga in January 1998.

Lännen Plant Systems showed a gratifying trend, increasing its market share in the highly specialist seedling technology sector. The growing need for vegetable raw material was met by Lännen Agricultural Department's contract farmers. In spite of problems in the animal feed sector, Lännen Feed's net sales remained at the 1996 level, and profitability targets were met.

## **CONSUMERS RELY ON DOMESTIC PRODUCTION**

The role played by imported food in the Finnish diet did not grow as fast as expected. Demand for domestic products grew, and Finland's own food industry continues to be competitive.

Changes brought about by accession to the European Union have caused our farmers great adjustment problems, however. The cultivation of special plants used as raw material for Finnish-made foods is a means of livelihood for thousands of Finns. However, farmers feel very real concern about the future, and the special conditions in Finland must be taken into account when decisions are made about farm incomes.



Finnish food must continue to be competitive in terms of price, too. Success calls for continuous improvement and intensification of operations in the Food Group. Pure raw materials and sustainable development are essential to future operations. For Län-  
nen Tehtaat, continuous improvement is the starting point for all activities.

### **NEW TARGETS**

The billion-mark target that Lännen Tehtaat has set for its net sales in 2000 will be reached in 1998, two years ahead of schedule. We have therefore set a new target of FIM 1.2 billion. It will also be possible to achieve our 13% ROI target by 2000.

Our Food Group's success mainly derives from the contract farming of pure raw materials. In industrial production, our strength lies in our expertise in freezing technology. Reinforcement of the *Apetit* and *Kesäpöytä* brands will open up new development potential for our business in Finland.

Lännen Tehtaat's aim is to grow not only in Finland but all round the Baltic Rim. Exports are just an intermediate phase in opening up new markets, and we have started preliminary investigations with the aim of setting up a frozen foods business in Poland, as part of our strategy implementation process.

The favourable trend shown by the company is reflected in the 1997 final accounts in spite of the fact that yield per share remained at the previous year's level. In view of

our improved performance the Board proposes raising the dividend, for the third consecutive year.

The credit for our successful and profitable year is due to our customers, cooperation partners and, above all, each and every employee.



**Säkylä, March 1998**

A handwritten signature in blue ink, reading "Olli Karkkila". The signature is written in a cursive, flowing style.

**Olli Karkkila**

# Lännen Tehtaat in Brief

Lännen Tehtaat Oy is a company operating in the food sector and quoted on the Helsinki Exchanges. The Lännen Tehtaat Group consists of the Food Group, the Earthmoving Technology Group and the Other Business Units group comprising feed production, seedling technology and contract farming.

The Food Group produces and markets frozen foods, fish products, jams, marmalades and sugar, all from pure, carefully selected raw materials. The Earthmoving Technology Group develops, manufactures and markets earthmoving machinery for northern conditions. Lännen Feed, which is one of the Other Business Units, specializes in cattle feed, while Lännen Plant Systems specializes in seedling technology and nursery system packages. Lännen Agricultural Department is responsible for contract farming of the Finnish plants used as raw material.

Lännen Tehtaat markets its products primarily in Finland. The company aims to grow by expanding its market area to the Baltic Rim.

  
**1950**  
 Establishment of  
 Länsi-Suomen Sokeritehdas Oy

  
**1953**  
 Start of  
 sugar production

  
**1956**  
 Feed  
 factory

  
**1959**  
 Engineering  
 workshop


  
**1960**  
 Frozen foods and  
 preserves factory

  
**1967**  
 Lännen  
 Plant Systems

  
**1988**  
 Lännen Agricultural  
 Department

  
**1990**  
 Sucros Oy

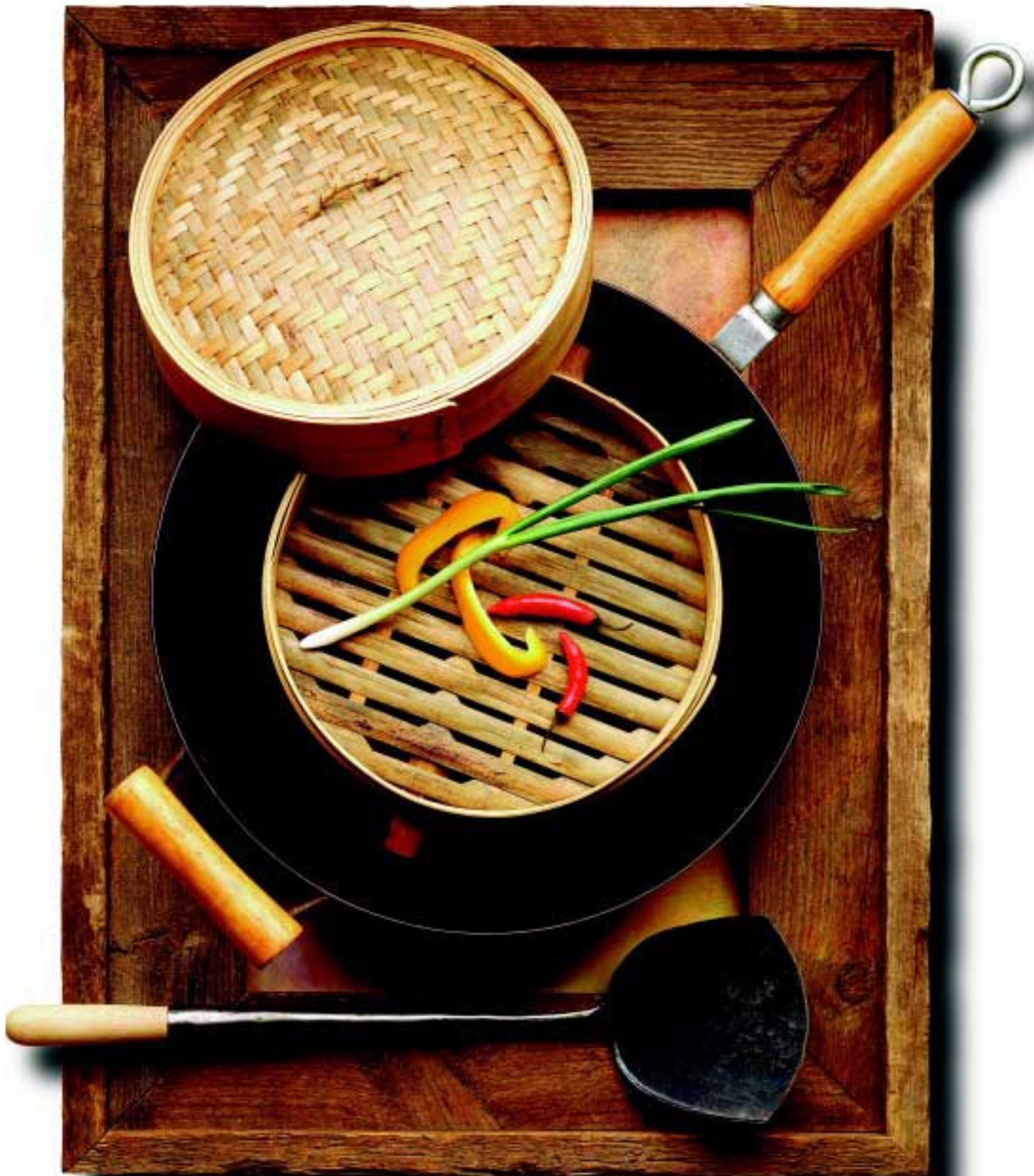
  
**1995**  
 Acquisition of Apetit label and  
 frozen food operations

  
**1996**  
 Acquisition of  
 Tresko Food Oy

<b>FOOD GROUP</b>	Frozen foods, jams and marmalades	Apetit
	Fish products	Tresko Fish Oy
	Sugar	Lännen Sugar
<b>EARTHMOVING TECHNOLOGY GROUP</b>	<b>Sales:</b>	
	Lännen earthmoving machinery	
	Komatsu earthmoving machinery	Suomen Rakennuskone Oy
	Lännen earthmoving machinery	
	Samsung earthmoving machinery	Lännen Maskin AB
	<b>Manufacture:</b>	
Lännen earthmoving machinery	Lännen Engineering Oy	
<b>OTHER BUSINESS UNITS</b>	Feed industry raw materials and compound feeds	Lännen Feed
	Containerized seedling production technology, planting machines and nursery system packages	Lännen Plant Systems
	Acquisition and contract farming of Finnish vegetables	Lännen Agricultural Department



# Food Group



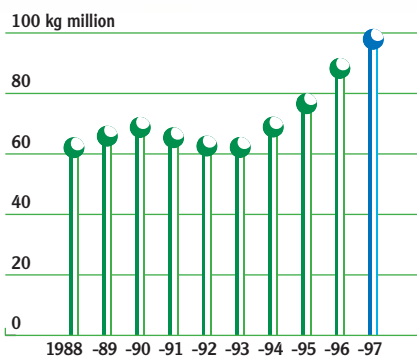


**Lännen Tehtaat's Food Group produces and markets frozen foods, jams, marmalades and fish products using pure and carefully selected raw materials, and its selection includes various sweeteners made by Sucros Oy. Lännen Tehtaat is Finland's market leader in frozen foods and in jams and marmalades produced for retail.**

The Food Group comprises the Apetit unit, Polar Lake Oy, Tresko Fish Oy and Lännen Sugar. Apetit concentrates on producing and marketing frozen foods, jams and marmalades. The Group also includes Polar Lake Oy, which specializes in trade with Finland's eastern neighbours, and Tresko Fish Oy, which turns out fish products. Lännen Sugar is a marketing unit selling sweeteners made by Sucros Oy to Finnish consumers.

Net sales by the Food Group came to FIM 573.8 million in 1997, an increase of 3% on the previous year. Frozen foods accounted for FIM 250 million (FIM 220 million in 1996). The inclusion of net sales by Tresko Food Oy from the beginning of 1997 caused most of the increase that took place in sales of frozen foods. Growth in the Food Group's net sales was hampered by the fact that Polar Lake's trading sales to Russia went down from FIM 31.5 million to FIM 8.1 million. On the whole, 1997 was a good year for the Food Group, and rationalization of operations brought profit up to FIM 29.7 million, an increase of 6%.

Frozen food market in Finland 1988–1997



#### APETIT

According to advance information given by the Finnish Frozen Food Industries' Association, the growth in the consumption of frozen foods was 12% in 1997, exceeding 10% for the fourth consecutive year. The growth in frozen foods is expected to continue at a slightly faster pace than the average increase in food consumption in Finland.

The value of Finland's frozen foods consumption totalled FIM 1.2 billion in 1997. Apetit produces and markets frozen vegetables, ready foods, fish products and potatoes. Its average market share is 20% of all frozen products, and 30% if only the products made by Apetit are included.

The total value of Finland's jam market is approximately FIM 230 million, and Apetit's market share is approximately 24%. Apetit has the biggest market share in jams made for retail and the smallest in jams made for industrial use.

In June 1997, a decision was made to build a production line for ready frozen foods in Säkyli. The production line will go on stream in spring, and the first new products will be in the shops in September. The investment will come to some FIM 9 million altogether. Apetit aims to increase its market share in the fast-growing ready foods sector.

Food Group, FIM million	1997	1996
Net sales	<b>573.8</b>	558.3
Percentage of consolidated net sales	<b>60%</b>	64%
Operating profit	<b>29.7</b>	28.1
Investments	<b>23.5</b>	36.2
Average personnel	<b>308</b>	279
<b>Net sales by business unit, FIM million</b>		
Apetit	<b>337.1</b>	315.6
Lännen Sugar	<b>224.0</b>	211.2
Polar Lake Oy	<b>8.1</b>	31.5
Tresko Fish Oy	<b>17.3</b>	13.5
Internal sales	<b>- 12.7</b>	- 13.5
	<b>573.8</b>	558.3





# Food Group

The internal division of work between the factories in Turku and Säkyli improved in 1997, when seasonal production of frozen vegetables was concentrated in Säkyli. New investments were required for the move: a new freezing unit, and a vegetable blanching line and colour sorter. A new frozen food store was also opened in Säkyli in July. Investments totalled FIM 23.5 million (FIM 36.2 million).

Lännen Tehtaat's brand strategy for retailing frozen foods was outlined in spring 1997: its key elements are expansion of the *Apetit* series into new areas, such as ready frozen foods, and promotion of brand familiarity. *Kesäpöytä* is a good domestic alternative for consumers of frozen vegetables and potatoes.

Lännen Tehtaat gave up marketing vegetable preserves in 1997; production had already been discontinued the previous year.

A decision was made in September to renovate the Turku factory fish department putting out herring and *Kesäpöytä* Baltic herring products. The renovation will be completed by the 1998 summer season.

*Apetit* plans to expand its product range and increase its market shares in Finland. Operations in the Baltic Rim will be expanded in order to reach the growth targets set for the unit. In autumn 1997, a sales office was opened in Moscow to back up sales in Russia, and the potential for setting up a frozen food business in Poland began to be investigated.

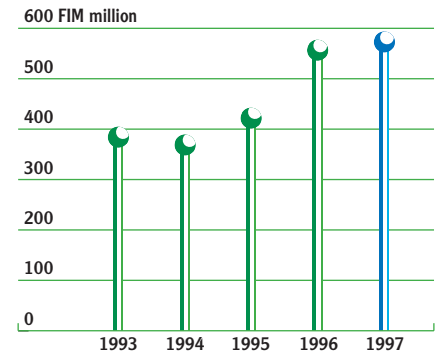
The building of quality and environmental systems continued: we aim to be ready for ISO 9001 and 14001 certification by the end of 1998.

## LÄNNEN SUGAR

Finland's total market for sugar products remained at the 1996 level. Sugar consumption per capita was 38.5 kilograms. Household use of sugar went down partly because of a change in consumption habits and partly because of the poor berry yield in summer 1997, but the volume of sugar products bought by industry increased, as a result of increased demand for ice-cream and beverages.

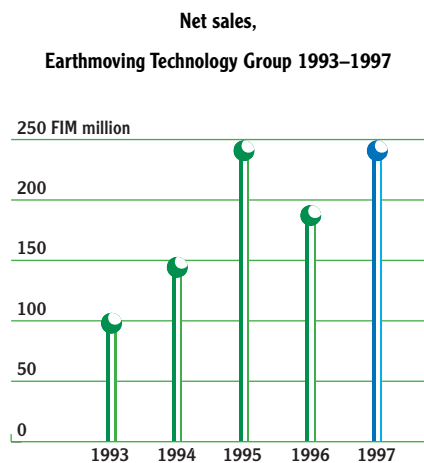
As of January 1998, marketing and sales of domestic sugar products have been reorganized, and Lännen Sugar now concentrates on selling consumer products on the domestic retail market and Sucros Oy on marketing and selling to institutional kitchens and industry. This arrangement will increase Lännen Sugar's 1998 net sales, but will not have the equivalent effect on profit.

Net Sales, Food Group, 1993-1997



# Earthmoving Technology Group

**Lännen Tehtaat's Earthmoving Technology Group works with international companies in the sector to develop, manufacture and market earthmoving machinery for northern conditions. Lännen Tehtaat is the market leader in earthmoving machinery in Finland, Estonia and Latvia.**



Earthmoving Technology Group, FIM million	1997	1996
Net sales	241.2	187.2
Percentage of consolidated net sales	25%	22%
Operating profit	5.7	3.2
Investments	1.9	2.1
Average personnel	168	166
<b>Net sales by business unit, FIM million</b>		
Suomen Rakennuskone Oy	176.7	124.9
Lännen Engineering Oy	90.0	78.5
Lännen Maskin AB	37.5	35.3
Internal sales	- 63.0	- 51.5
	241.2	187.2

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.

The Group's net sales rose distinctly, to FIM 241.2 million in 1997, an increase of 29%. Targets were exceeded in both net sales and profit. Net sales by Suomen Rakennuskone Oy went up by 42%, totalling FIM 176.7 million. Net Sales by Lännen Engineering Oy totalled FIM 90 million, an increase of 15%. Net sales by Lännen Maskin AB in Sweden grew to FIM 37.5 million, up 6%.

The market for earthmoving machinery grew by some 30% in Finland, but declined somewhat in Sweden. Demand for backhoe loaders increased on the fairly small Norwegian market. Rapid growth continued on the market in the Baltic countries: building was vigorous in Estonia in particular, and the economic uncertainties emerging towards the end of the year did not affect this trend.

Market shares remained unchanged in Finland and Norway, but grew slightly in Sweden, since Volvo discontinued its manufacture of backhoe loaders. In the Baltic States, competition tightened as markets expanded. Lännen and Komatsu kept their positions well, however, partly because of success in the competitive tender rounds arranged by the road construction and maintenance authorities in the Baltic countries.

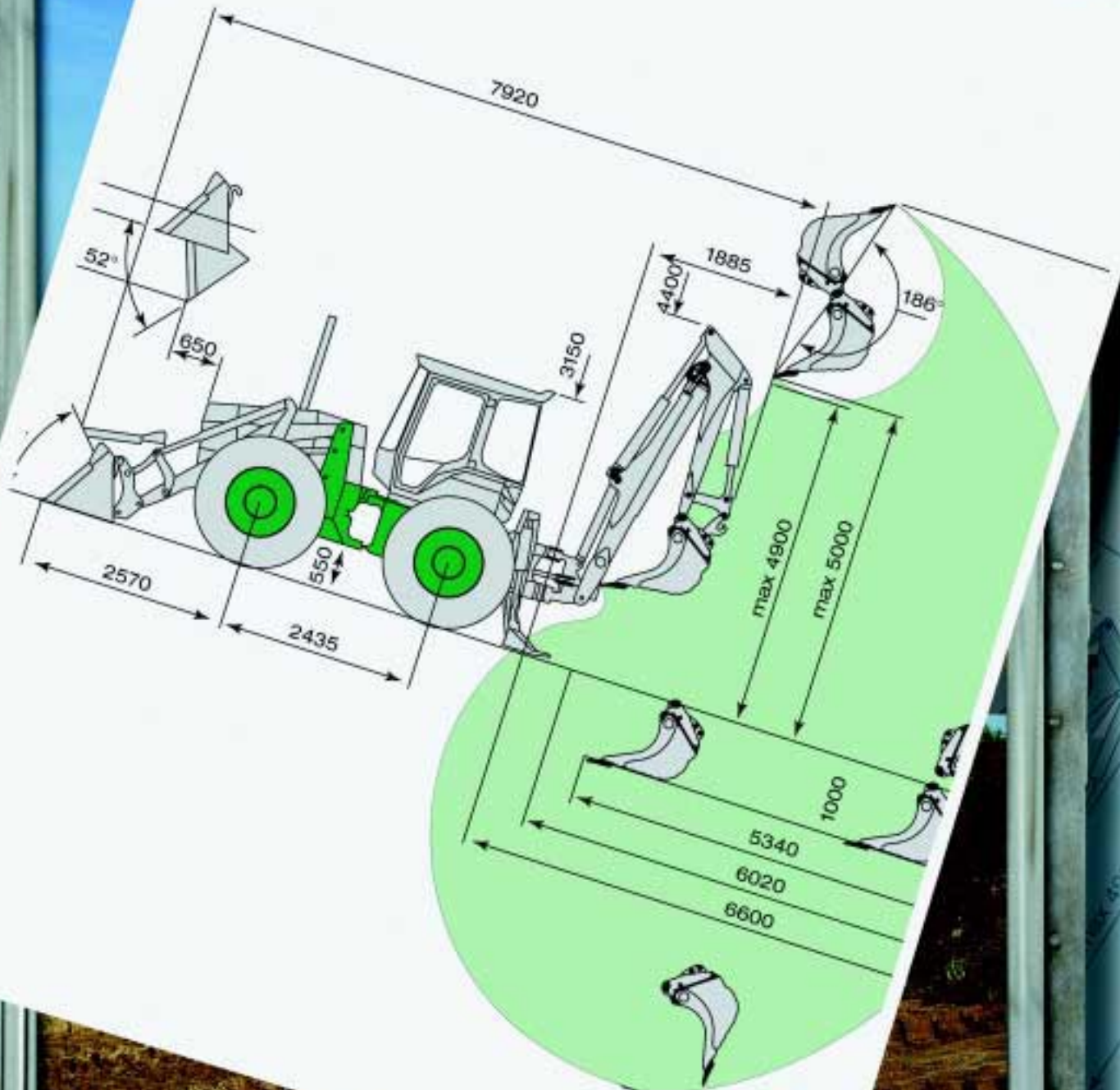
In October 1997, a decision was made to buy the sales companies representing Lännen and Komatsu earthmoving machinery in Estonia and Latvia. These companies were made part of Earthmoving Technology Group from the beginning of 1998. Export efforts will continue in Lithuania, too.

Product development continued in order to make earthmoving machinery environmentally sounder. The noise level of the machinery meets the criteria that came into force from the beginning of 1998 and in the case of backhoe loaders the 2001 norm as well. By the end of 1997 all machinery offered for sale by the Group was equipped with 'green' diesel engines reducing exhaust fumes. These diesel engines meet the EU1 requirements coming into force in autumn 1998.

Prospects for the Earthmoving Technology Group look good. Construction is expected to remain vigorous, particularly in southern Finland, and is expected to continue vigorously in the Baltic Rim. The Swedish market will probably start to recover in 1998. Finland accounts for some 70% of the Earthmoving Technology Group's operations. Performance is expected to improve in line with growing volumes.

A Lännen-Komatsu drive was arranged in Loimaa in autumn 1997, attended by close on 2000 customers and cooperation partners from Finland, Sweden and the Baltic Rim. Named Power Fest, the event proved extremely successful.





# Other Business Units





## LÄNNEN FEED

Lännen Feed specializes in developing and producing cattle and pig feeds. It processes raw materials and supplies them to feed producers, produces ready compound feeds as a subcontractor, and sells feed to farms through wholesalers under its own Mella label. As raw materials, Lännen Feed uses sugar beet pulp and molasses by-products from the sugar factory.

Net sales remained at the 1996 level, totalling FIM 70.4 million. The poor sugar beet crop in autumn 1996 hampered operations in 1997, as 20% less raw material for feed, viz. beet pulp and molasses, was obtained compared with the previous year. The quantities of raw material delivered to other feed producers went down. However, the volume of compound feed produced under wholesaler brand names grew substantially on the previous year.

The 450 million kilogram cattle feed market was stable, though price competition tightened as trade in imported raw materials picked up.

The relative importance of the compound feed trade grew in 1997. The proportion of compound feed produced, accounted for by bulk goods, increased. New brand feeds were introduced for wholesalers. The agreement with Rehuraisio on the production of Melli mineral feeds was extended.

Lännen Feed also invested in the development of compound feeds for pigs in 1997. Feeding tests with different types of pig feed were carried out on farms in the Säkylä area, and internal training underlined expertise in pig feeding. The new products are scheduled to come onto the market in spring 1998. The Lännen Feed factory in Säkylä lies in the middle of Finland's most active pork production area.

Major investments in 1997 comprised a new hygiene-improving expander line and a renewed grinding system. Total investments came to well over FIM 2 million. Development of a quality system continued and the first advance audit for an ISO 9001 Certificate was held in December. Creation of environmental systems also began in 1997.

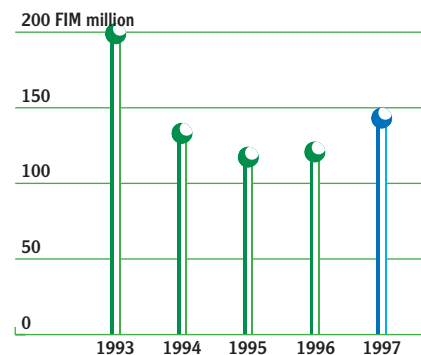
## LÄNNEN PLANT SYSTEMS

Lännen Plant Systems offers containerized seedling production and planting technology for seedling producers and farmers of forest trees, vegetables and horticultural plants. Apart from its sales of seedling trays and machinery, the unit markets project-type nursery system packages and seedling transportation and planting systems. Exports account for some 60% of operations.

The 70% increase in net sales by Lännen Plant Systems to FIM 38.4 million derived from investments made by forest nurseries in Finland, project sales to Russia and more sales of planting machinery to the United States. Exports to central and southern Europe increased.

**Other Business Units comprise Lännen Feed, Lännen Plant Systems and Lännen Agricultural Department.**

Net sales,  
Other Business Units 1993–1997



Other Business Units, FIM million	1997	1996
Net sales	143.1	121.1
Percentage of consolidated net sales	15%	14%
Operating profit	10.5	8.9
Investments	6.4	8.7
Average personnel (Includes corporate administration)	97	85
<b>Net sales by business unit, FIM million</b>		
Lännen Feed	70.4	71.1
Lännen Plant Systems	38.4	22.6
Lännen Agricultural Department	32.3	25.7
Other sales	2.7	2.2
Internal sales	-0.7	-0.5
	<b>143.1</b>	<b>121.1</b>

# Other Business Units

Finnish forest nurseries are gradually changing over to Lännen Plantek-F type plastic containers. In 1997, Lännen systems were delivered to the nurseries of UPM-Kymmene and the Finnish Forest and Park Service. A nursery based on Lännen technology and supplied to a leading Australian forest industry company became operational in September.

Intensive product development continued. New equipment was introduced: a tray washing machine using recycled water, disinfecting equipment, a growing and transport rack system, seedling packaging machines and a new Plantek planting tube series. New travelling watering gantries were developed for greenhouses and outdoor cultivation.

A new automatic planting machine for vegetable seedlings was introduced at Europe's biggest horticultural exhibition in the Netherlands in November. The machine is equipped with a skip reading and completion system and has attracted a lot of interest among farmers. Actual planting will begin next season.

Prospects look good for Lännen Plant Systems. Successful product development and tailored applications will continue to be important. In project sales, the unit will invest increasingly in acquiring and utilizing knowledge of local conditions.

## LÄNNEN AGRICULTURAL DEPARTMENT

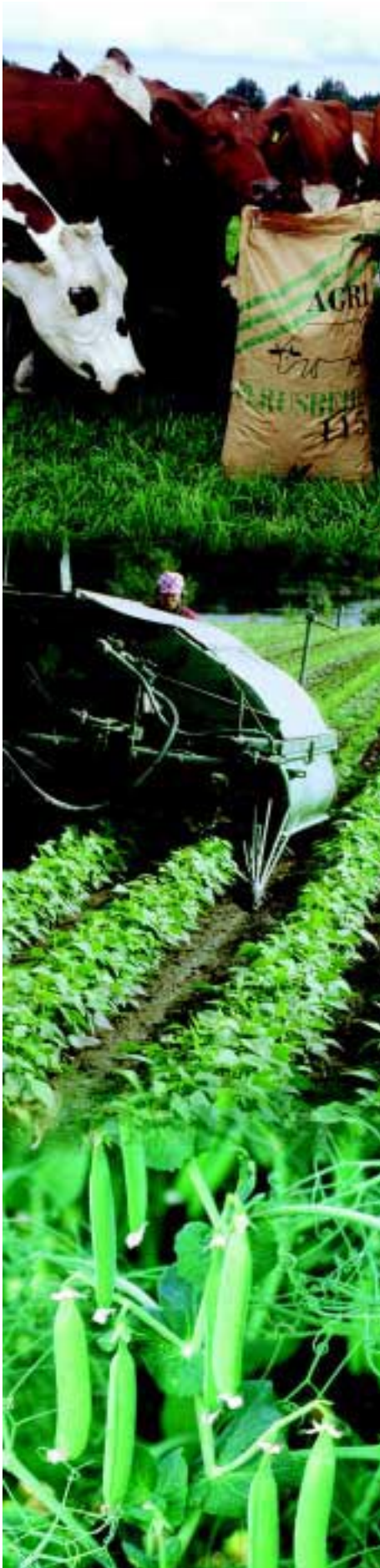
**Lännen Agricultural Department acquires high quality Finnish vegetable raw materials from contract farmers for the production plants of the Lännen Tehtaat Food Group, and is also responsible for acquiring the sugar beet used by Sucros Oy's factory in Säkyliä. Lännen Agricultural Department is the largest company buying special vegetables from contract farmers in Finland, with close on 1 300 farming contracts. The Agricultural Department is also responsible for providing crop cultivation advice for its contract farmers, and for research and testing.**

Net sales by the Agricultural Department were up by 26% in 1997, amounting to FIM 32.3 million, for the most part representing sales to contract farmers and by the Department's own experimental farm. The value of vegetable and sugar beet crops cultivated by contract farmers, some FIM 151 million, is not included in the Department's net sales but is booked as raw material acquisition cost for the processing factories.

Quantities cultivated increased in 1997, as the total area of contract farming grew and crop yields were good. Contract farmers delivered a total of 25.3 million kilograms of vegetables and 390 million kilograms of sugar beet for processing.

The 3-year international Integrated Production (IP) quality system project started in cooperation with contract farmers, Pyhäjärvi Institute and the Agricultural Research Centre. During the project, all vegetable farmers will learn about cultivation methods based on sustainable development. In future, all Lännen Tehtaat contract vegetables will be grown in accordance with the IP system.

The future prospects look good for the Agricultural Department, which relies on expertise, experience and motivation. The Department has an experimental farm, the only one of its kind in Finland.



# Lännen Tehtaat and the Environment

Lännen Tehtaat started setting up an ISO 14001 environmental system with the aim of having all units ready for certification in 1998.

In 1997, all units defined the environmental issues important in production, as follows:

- reducing the amount of wastewater and of various substances in it;
- reducing energy consumption; and
- reducing volumes of raw material and packaging waste.

An investment programme for a wastewater treatment plant was prepared in cooperation with the University of Jyväskylä Department of Biological and Environmental Science. For this purpose, a study was carried out on the wastewater load from the various production units, and the suitability of a bioreactor based on anaerobic decomposition for the treatment of wastewater from Säskylä industrial estate was investigated.

Energy surveys (MOTIVA) were carried out in the company's buildings in Säskylä. The findings will constitute the basis for deciding on energy conservation measures and investments in 1998.

An Integrated Production (IP) project was launched among contract farmers to achieve a change-over to an integrated quality system based on sustainable development. The project will take three years to complete, and during this period all contract farmers will be trained.

The concentration of seasonal production in Säskylä and the record sugar beet crops refined by Sucros Oy's Säskylä Factory increased the wastewater from the industrial estate by 20%. Correspondingly, the volume of wastewater from the Turku factory fell by 73%.

The freezing line completed in 1997 changed over from using water to very cold air, reducing the amount of wastewater produced. A new colour sorter for vegetable raw material reduced the volume of solid waste.

Recycling in accordance with the waste management programme has reduced landfill waste from the Säskylä industrial estate by 96% since 1995. The new landfill site built in Säskylä was granted an environmental permit in December 1997.

## ENVIRONMENTAL POLICY (June 18, 1996)

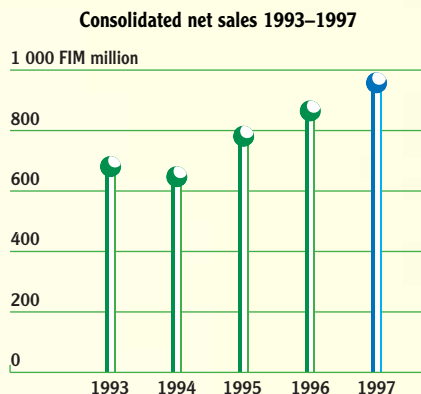
1. The company's operations incorporate responsible interaction with nature.
2. Lännen Tehtaat meets its legal obligations in every situation and takes account of the interests of different parties. The company has an effective organization for managing environmental issues.
3. Lännen Tehtaat sets its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

Lännen Tehtaat follows the key environmental management principles of the International Chamber of Commerce (ICC) in order to achieve sustainable development.

# Board of Directors' Report



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



## OPERATING ENVIRONMENT

According to Finnish Food Industries' Federation statistics, net sales increased by an average of 2% in 1997. According to advance information given by the Finnish Frozen Food Industries' Association, total consumption of frozen foods increased by some 12% in 1997. Net sales by frozen food companies exceeded average growth among food companies in general.

Invoicing by the member companies of the Central Association of Earthmoving Contractors in Finland grew by 12% during the summer period, and the average growth in the volume of machinery was 4%. The average utilization rate of machinery rose to 91% (87%).

## CORPORATE STRUCTURE

LännenTehtaat business operations are engaged in by the parent company LännenTehtaat Oy and its five subsidiaries. Operations are divided between three business groups. The Food Group consists of two LännenTehtaat units – Apetit and Lännen Sugar – and the subsidiaries Polar Lake Oy and Tresko Fish Oy. The Earthmoving Technology Group comprises Lännen Engineering Oy, Suomen Rakennuskone Oy and Lännen Maskin AB.



The Other Business Units consist of Lännen Tehtaat Oy's Lännen Feed, Lännen Plant Systems and Lännen Agricultural Department.

Among associated companies, Sucros Oy comes under the Food Group, while Oy Potma Ltd, Harviala Oy and Oy Atraco Ab operate under Other Business Units.

## NET SALES

Lännen Tehtaat had consolidated net sales of FIM 958.1 million (FIM 866.6 million in 1996). Net sales increased by 11%, with the Food Group accounting for 60% (64%), the Earthmoving Technology Group for 25% (22%) and Other Business Units for 15% (14%) of net sales.

The Food Group's net sales came to FIM 573.8 (558.3) million, an increase of 3%. Apetit, Polar Lake Oy and Tresko Fish Oy achieved joint net sales of FIM 349.8 (347.1) million. Apetit's sales of frozen foods reached FIM 250 (220) million. Net sales in frozen foods grew by 4%, with sales of frozen foods by Tresko Food Oy added to the comparison data for the first four months of 1996. Tresko Food Oy joined the Group as from May 1, 1996.

Net sales by Lännen Sugar rose to FIM 224.0 (211.2) million, but exports by Polar Lake Oy to Russia and the Baltic Rim went down to FIM 8.1 (31.5) million.

Net sales by the Earthmoving Technology Group amounted to FIM 241.2 (187.2) million, a rise of 29%.

Thanks to the favourable trend shown by Lännen Plant Systems, net sales by Other Business Units increased by 18%, totalling FIM 143.1 (121.1) million.

Exports by Lännen Tehtaat totalled FIM 96.1 (87.3) million, accounting for 10% (10%) of net sales. Food exports came to FIM 16.1 (38.6) million, and exports of earthmoving machinery to FIM 56.6 (38.0) million. Exports of plant technology rose to FIM 23.0 (10.7) million.

Net sales by the parent company Lännen Tehtaat Oy totalled FIM 704.9 (605.3) million, up 16%.

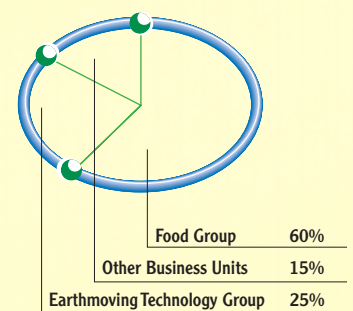
## PROFITS

Lännen Tehtaat's operating profit before depreciation came to FIM 77.1 (69.5) million. Planned depreciation totalled FIM 31.2 (29.3) million. Operating profit reached FIM 45.9 (40.2) million, up 14%. The increase in operating profit was cut by a FIM 1.5 million share of Sucros Oy's losses, rather than the FIM 7.0 million profit recorded in 1996.

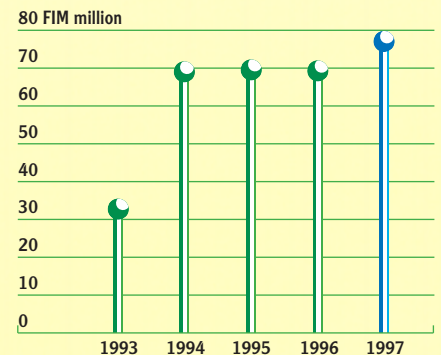
Financial income exceeded expenses by FIM 8.3 (8.3) million, including a FIM 10.6 (2.8) million share of Oy Atraco Ab's profits and a FIM 0.7 (6.0) million reversal of write-downs previously made on Atraco shares. Profit before extraordinary items was FIM 54.2 (48.5) million.

At FIM 14.7 million, direct taxes were substantially higher than the previous year (FIM 8.9 million). The 1996 taxes were exceptionally low because of the reversal of tax-exempt write-downs on shares. In spite of improved performance, the higher taxes

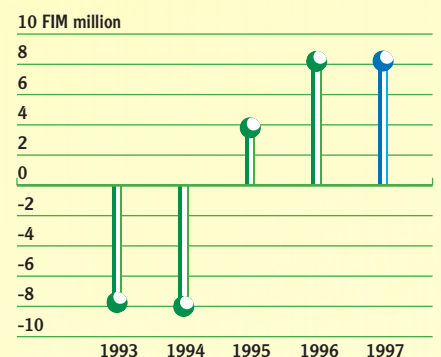
Net sales by business segment



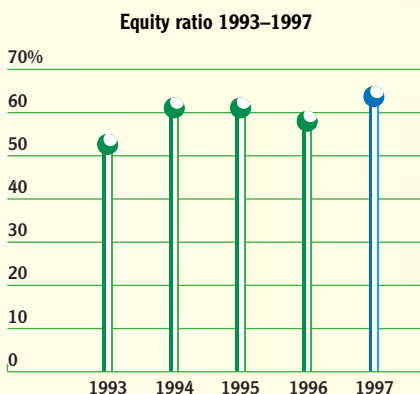
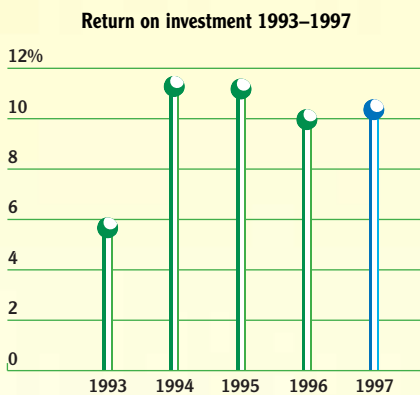
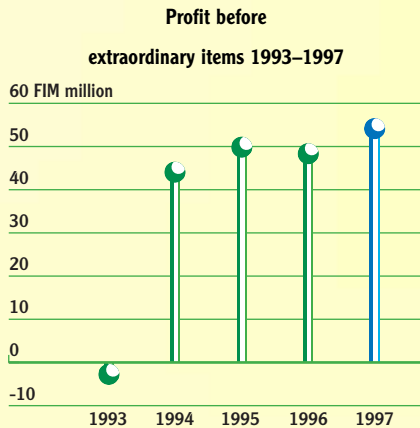
Operating profit before depreciation 1993–1997



Financial income/expenses, net 1993–1997



# Board of Directors' Report



kept profit for the financial year close to the 1996 level, at FIM 38.6 (39.2) million.

The Food Group's operating profit came to FIM 29.7 (28.1) million. The cost savings expected to result from intensified operations as a result of the purchase of Tresko Food Oy were achieved in 1997.

As Sucros Oy's performance deteriorated, partly because of an immediate write-off made as a result of closing down the Turenki factory, the increase in the Food Group's operating profit was reduced by FIM 8.5 million. The resulting write-downs on fixed assets were recorded into as expenses for 1997.

The increase in operating profit was further reduced by a fall of FIM 4.7 million in Polar Lake Oy's operating profit.

The Earthmoving Technology Group's operating profit rose to FIM 5.7 (3.2) million, while the figure for Other Business Units was FIM 10.5 (8.9) million.

The associated company Harviala Oy continued to operate as planned. Lännen Tehtaat Oy's holding in and liabilities for Harviala Oy totalled FIM 9.4 (10.5) million.

## FINANCING

Lännen Tehtaat's financing structure remained good. Consolidated cash reserves at the end of the financial period totalled FIM 104.8 (161.2) million. The equity ratio stood at 64% (58%) at the end of the year.

## ANNUAL GENERAL MEETING, SHARE CAPITAL AND SHAREHOLDERS

On April 8, 1997, the Annual General Meeting of Lännen Tehtaat Oy decided to pay a dividend of FIM 2.20 per share for 1996.

The company issued a warrant bond of FIM 44 000 targeted at the management. The warrants entitle holders to subscribe a total of 220 000 new Lännen Tehtaat shares over the period 1998–2004. The warrant bond is part of the management incentive system and covers 22 people. The share subscription price is FIM 70 in 1998 and will rise 4% per year thereafter.

At the end of the financial period the Board of Directors had no authorization to launch share issues or to issue convertible or warrant bonds.

## INVESTMENTS

Gross investments in fixed assets totalled FIM 31.8 (47.0) million.

At the end of the financial period, investments were being made in Säkylä in a production line for ready foods, scheduled for completion in spring 1998. The first products will be in the shops in September 1998. A total of FIM 3.9 million has already been invested, and the estimated total cost of the project is FIM 9 million.

Investments by the Food Group totalled FIM 23.5 (36.2) million. Investments by the Earthmoving Technology Group totalled FIM 1.9 (2.1) million and Other Business Units investments FIM 6.4 (8.7) million.

## R & D

The Group's R & D expenses represented 0.7% (0.5%) of net sales. Most of this focused on raising the degree of added value in the Apetit unit.

## PERSONNEL

The Group employed an average of 573 (530) people during the financial year. The parent company had 379 (256) employees on average.

Salaries and fees paid in the Group to the Administrative Council, the Board of Directors, the President and Managing Directors totalled FIM 3.1 (3.7) million. The fees included bonus payments of FIM 0.2 million. Wages and salaries paid to other employees totalled FIM 82.4 (75.9) million.

Salaries and fees paid by the parent company to the Administrative Council, the Board of Directors and the President totalled FIM 1.4 (1.4) million. The fees included bonus payments of FIM 0.2 million. Wages and salaries paid to other employees totalled FIM 56.4 (39.8) million.

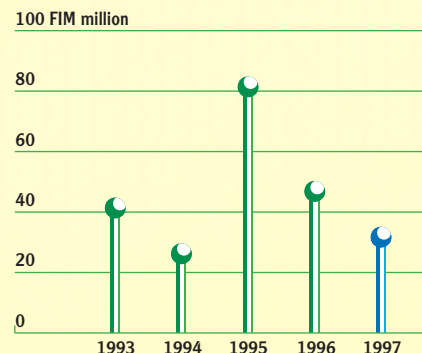
A decision was made to dissolve the Lännen Staff Pension Trust. A pension insurance has been bought with the Trust's funds to replace the pension security prescribed in the Trust's by-laws.

## THE ENVIRONMENT

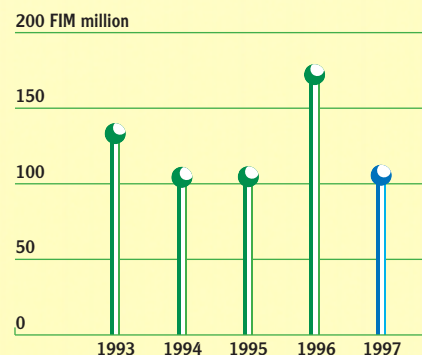
Creation of an ISO 14001 standard environmental system was started in all units, in order to be ready for certification in 1998.

In order to reduce the environmental impact of contract farming, a three-year project was started to encourage farmers to introduce better farming methods (Integrated Production) in vegetable farming.

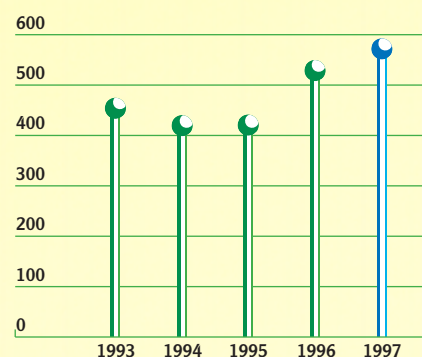
Gross investments in  
fixed assets 1993–1997



Interest-bearing liabilities 1993–1997



Number of personnel 1993–1997



# Board of Directors' Report

## **EVENTS AFTER THE END OF THE FINANCIAL YEAR**

Lännen Tehtaat has continued to investigate the possibility of expanding frozen food operations to Poland. Decisions on the Polish operation will be made in 1998.

A decision has been made to merge Polar Lake Oy, which engages in trading, and the real estate company Sedina Oy with Lännen Tehtaat Oy in order to simplify the Group structure.

In January, Suomen Rakenuskone Oy bought a majority holding in a company representing Lännen and Komatsu earthmoving machinery in Tallinn. The company has a subsidiary selling earthmoving machinery in Riga.

## **PROSPECTS FOR THE CURRENT YEAR**

Demand for frozen foods is expected to continue to increase faster than the average demand for food. The growing market will open up good prospects for developing frozen food operations in Finland.

Concentrating sales of Sucros Oy retail products at Lännen Sugar will increase Lännen Tehtaat's net sales by FIM 140 million. This increase in net sales will not, however, affect the unit's profit figure. The record sugar beet crop in 1997 will have a favourable effect on performance in the sugar and feed businesses. Unlike 1997, no immediate write-offs will be made on the profit share of the associated company Sucros Oy in 1998: this is therefore expected to be approximately the same as in 1996.

Demand for earthmoving machinery will continue to grow, and the Group's net sales and performance will exceed the 1997 level.

Lännen Tehtaat's net sales are expected to exceed FIM 1 100 million, and profit is expected to be somewhat better than in 1997.

# Profit and Loss Accounts

FIM 1 000		CONSOLIDATED		PARENT COMPANY	
		1997	1996	1997	1996
<b>Net sales</b>	(1)	<b>958 112</b>	866 571	<b>704 923</b>	605 254
Change in product inventories		- 32	12 575	- 6 167	6 094
Share of profits of associated companies	(2)	- 1 553	6 921		
Other operating income	(3)	2 137	7 914	2 620	5 067
Operating expenses					
Materials, supplies and goods					
Purchases during the financial year		<b>705 645</b>	648 483	<b>503 274</b>	468 158
Increase in stocks		- 4 145	2 829	- 535	4 519
External services		<b>6 295</b>	5 599	<b>6 146</b>	4 914
Personnel expenses	(4)	<b>106 132</b>	98 827	<b>70 930</b>	51 811
Rents and leases		<b>9 866</b>	10 247	<b>8 357</b>	8 620
Other operating expenses		<b>57 753</b>	58 533	<b>47 836</b>	41 258
Operating expenses, total		<b>881 546</b>	824 518	<b>636 008</b>	579 280
<b>Operating profit before depreciation</b>		<b>77 118</b>	69 463	<b>65 368</b>	37 135
Depreciation					
On fixed assets and other capitalized expenditure	(5)	- 30 203	- 28 286	- 25 914	- 22 013
On goodwill on consolidation		- 970	- 970		
Total depreciation		- 31 173	- 29 256	- 25 914	- 22 013
<b>Operating profit</b>	(6)	<b>45 945</b>	40 207	<b>39 454</b>	15 122
Financial income and expenses					
Dividend income	(7)	<b>393</b>	304	<b>12 099</b>	1 989
Interest income from long-term investments		<b>872</b>	865	<b>872</b>	865
Other interest income		<b>4 888</b>	4 896	<b>5 137</b>	3 877
Other financial income		<b>1 638</b>	7 685	<b>12 217</b>	9 637
Foreign exchange gains and losses		<b>6</b>	1 241	- 36	102
Share of profits of associated companies	(2)	<b>10 565</b>	2 881		
Interest expenses		- 9 076	- 8 464	- 7 362	- 4 712
Other financial expenses		- 1 032	- 1 150	- 704	- 732
Financial income and expenses, total		<b>8 254</b>	8 258	<b>22 223</b>	11 026
<b>Profit before extraordinary items, provisions, taxes, and minority interest</b>		<b>54 199</b>	48 465	<b>61 677</b>	26 148
Extraordinary income and expenses					
Extraordinary income	(8)				224
Extraordinary expenses				- 870	- 4 352
Extraordinary income and expenses, total				- 870	- 4 128
<b>Profit before provisions, taxes and minority interest</b>		<b>54 199</b>	48 465	<b>60 807</b>	22 020
Depreciation in excess of or less than plan	(5)			- 3 076	306
Decrease in voluntary provisions	(5)			<b>9 681</b>	2 915
Direct taxes	(9)	- 14 695	- 8 897	- 17 650	- 6 030
Minority interest		- 867	- 331		
<b>Profit for the financial year</b>		<b>38 637</b>	39 237	<b>49 762</b>	19 211

# Balance Sheets, Assets

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
<b>Fixed assets and other long-term investments</b>				
Intangible assets	(10)			
Intangible rights	12 803	14 682	12 027	13 779
Goodwill	22 216	26 102	21 922	25 427
Goodwill on consolidation	1 940	2 910		
Other capitalized expenditure	1 221	855	832	493
	<b>38 180</b>	<b>44 549</b>	<b>34 781</b>	<b>39 699</b>
Tangible assets	(11)			
Land and water	19 429	19 356	15 883	15 811
Buildings and constructions	117 198	115 355	110 362	108 380
Machinery and equipment	57 538	58 178	51 758	50 222
Advance payments and construction in progress	5 443	5 653	5 443	5 653
	<b>199 608</b>	<b>198 542</b>	<b>183 446</b>	<b>180 066</b>
Financial assets and other long-term investments	(12,13)			
Shares in subsidiaries			38 172	38 172
Shares and holdings in associated companies	143 016	140 238	104 777	93 477
Other shares and holdings	7 581	7 928	7 318	7 829
Loans receivable	10 065	10 360	10 060	10 360
Other non-current assets	5 383		5 383	
	<b>166 045</b>	<b>158 526</b>	<b>165 710</b>	<b>149 838</b>
<b>Current assets</b>				
Inventories				
Raw materials and consumables	36 435	32 587	18 320	17 785
Semifinished products	6 613	6 941	784	1 363
Finished products/goods	105 751	105 004	59 416	65 003
	<b>148 799</b>	<b>144 532</b>	<b>78 520</b>	<b>84 151</b>
Receivables	(14)			
Accounts receivable	94 852	89 952	69 038	63 311
Loans receivable			46 049	25 264
Prepaid expenses and accrued income	17 183	8 870	14 105	6 316
	<b>112 035</b>	<b>98 822</b>	<b>129 192</b>	<b>94 891</b>
Financial assets				
Other securities	27 008	19 543	27 008	19 542
Cash and cash equivalents	77 761	141 659	63 142	121 751
	<b>769 436</b>	<b>806 173</b>	<b>681 799</b>	<b>689 938</b>

# Balance Sheets, Liabilities

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
<b>Shareholders' equity</b>				
	(15)			
Restricted equity				
Share capital	64 448	64 448	64 448	64 448
Share premium account	130 458	130 441	130 441	130 441
Revaluation reserve	4 599	4 599	4 599	4 599
	199 505	199 488	199 488	199 488
Non-restricted equity				
Contingency reserve	43 000	43 000	43 000	43 000
Retained earnings	205 254	180 815	80 187	75 155
Profit for the financial year	38 637	39 237	49 762	19 211
	286 891	263 052	172 949	137 366
<b>Minority interest</b>	4 265	3 808		
<b>Provisions</b>				
	(16)			
Accumulated depreciation in excess of plan			95 196	92 120
Voluntary provisions				
Transition provision				9 681
Obligatory provisions	612	797		412
<b>Liabilities</b>				
	(17)			
Long-term				
Bonds	100 000	100 000	100 000	100 000
Loans from financial institutions	3 167	5 084	2 500	3 750
Pension loans		15 905		15 905
Deferred tax liability	27 696	31 273		
Other long-term liabilities	853	812	853	812
	131 716	153 074	103 353	120 467
Current				
Convertible bonds		1 000		
Loans from financial institutions	1 916	9 197	1 250	8 230
Pension loans		40 840		23 699
Payments on account	1 446	4 054	1 342	2 625
Accounts payable	95 179	93 677	76 241	72 520
Accruals and other deferred income	47 906	37 186	31 920	23 268
Other current liabilities			60	62
	146 447	185 954	110 813	130 404
	769 436	806 173	681 799	689 938

# Source and Application of Funds

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
<b>Source of funds</b>				
Cash flow from operations				
Net profit	38 637	39 237	49 761	19 211
Depreciation	31 173	29 256	25 914	22 013
Change in provisions	- 186	- 412	- 7 018	2 498
Total income financing	69 624	68 081	68 657	43 722
Long-term loans receivable	295	- 2 500	300	4 255
Sale of fixed assets	2 427	3 866	1 763	3 804
Change in long-term liabilities	44	143 841	44	103 750
Change in valuation items		1 388		1 067
Change in minority interest	457	- 6		
Share issue		15 480		15 480
Change in shareholders' equity	- 602	6 930		
	2 621	168 999	2 107	128 356
	72 245	237 080	70 764	172 078
<b>Application of funds</b>				
Investments				
Increase in fixed assets	30 727	95 771	36 928	61 779
Other non-current assets	5 383		5 383	
Decrease in long-term liabilities	21 403	115 153	17 158	50 033
Dividend paid	14 178	12 115	14 178	12 115
	71 691	223 039	73 647	123 927
Change in net working capital	554	14 041	- 2 883	48 151
	72 245	237 080	70 764	172 078
<b>Change in net working capital</b>				
Cash and cash equivalents	- 63 897	40 629	- 58 610	36 033
Other current assets	20 678	- 7 846	41 767	31 451
Inventories	4 267	27 329	- 5 631	16 695
Current liabilities	39 506	- 46 071	19 591	- 36 028
	554	14 041	- 2 883	48 151
Net working capital on Jan. 1	218 602	204 561	189 932	141 781
Net working capital on Dec. 31	219 156	218 602	187 049	189 932



# Notes to the Financial Statements 1997

## ACCOUNTING PRINCIPLES

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### 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 Tresko Fish Oy. The consolidated financial statements also include eight companies established for future business operations and two companies that lease property to Lännen Tehtaat companies: Sedina Oy and Cibarius Oy. Also, 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 the section entitled "Subsidiary and associated companies, and other shares and holdings".

## ACCOUNTING PRINCIPLES FOR CONSOLIDATED FINANCIAL STATEMENTS

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### Mutual shareholdings

The consolidated financial statements have been drawn up according to the acquisition cost method. The price paid for subsidiary companies in excess of their shareholders' equity has been allocated to fixed assets and goodwill on consolidation. On December 31, 1997 items allocated to buildings totalled FIM 11.1 million; these 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.

### Translation differences

The figures from the financial statements of foreign Group companies have been translated 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

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Fixed assets have been capitalized at their acquisition cost. Fixed assets have been depreciated on a straight line basis according to plan, based on 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 original historical value, based on a significant rise in the market value of the shares, which is now higher than the historical cost. The reversals totalled FIM 11.3 million, increasing consolidated profits by FIM 0.7 million.

## VALUATION OF INVENTORIES

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

## FOREIGN CURRENCY ITEMS

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

## USE OF DERIVATIVE INSTRUMENTS

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Derivative contracts are used for hedging. The Group used an interest rate swap for partial hedging entailed in fixed-rate liabilities of the interest rate risks. The interest rate difference for the contract is recorded on an accrual basis under other financial income or expenses. Forward contracts have also been used to a limited extent for hedging against the exchange rate risks entailed in purchases denominated in foreign exchange.

## PENSION ARRANGEMENTS

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Statutory pension coverage for corporate personnel is covered by pension insurance.

The assets and liabilities of the Lännen Staff Pension Trust, which had provided additional pension security, were transferred to Tapiola Corporate Life Insurance Ltd. The Trust went into liquidation on December 31, 1997. The liabilities were fully covered before transfer. The insurance company's pension insurance provides additional pension security to the employees and retired staff covered by the Trust in keeping with the Trust's rules.

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

# Notes to the Financial Statements

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
<b>1. NET SALES BY BUSINESS SEGMENT</b>				
Food Group	573 762	558 258	561 103	483 649
Earthmoving Technology Group	241 194	187 250		
Other Business Units	143 156	121 063	143 820	121 605
Total	958 112	866 571	704 923	605 254
Exports from Finland	96 070	87 278	31 113	15 635
<b>Net sales by market area</b>				
Finland	840 256	758 014	673 810	589 619
European Union	48 279	41 182	10 387	6 265
Rest of Europe	60 484	61 430	11 804	5 185
Other	9 093	5 945	8 922	4 185
Total	958 112	866 571	704 923	605 254
<b>2. SHARE OF PROFITS OF ASSOCIATED COMPANIES</b>				
<b>Performed before operating profit depreciation</b>				
Sucros-Group	-1 505	7 002		
Other	-48	-81		
Total	-1 553	6 921		
<b>Performed in financial income</b>				
Oy Atraco Ab	10 580	2 834		
Other	-15	47		
Total	10 565	2 881		
<b>3. OTHER OPERATING INCOME</b>				
Gains from sales of fixed assets	636	4 930	514	2 800
Export subsidies	365	1 778	45	20
Rental income	945	1 206	2 061	2 247
Other	191			
Total	2 137	7 914	2 620	5 067
<b>4. PERSONNEL EXPENSES AND FRINGE BENEFITS</b>				
Wages and salaries	85 166	78 687	57 713	41 777
Pension expenses	12 778	11 618	8 161	5 511
Other personnel expenses	8 188	8 522	5 056	4 523
	106 132	98 827	70 930	51 811
Fringe benefits	1 404	1 354	1 082	937
Total	107 536	100 181	72 012	52 748

## 5. 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:

Intangible rights	10 years
Goodwill	10 years
Goodwill on consolidation	5 years
Other capitalized expenditure	5 years
Buildings, made of stone and wood	22–30 years
Other buildings and constructions	10 years
Machinery and equipment	5–10 years

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
<b>Depreciation according to plan</b>				
On intangible rights	2 062	2 045	1 933	1 915
On goodwill	3 886	3 859	3 504	3 504
On other capitalized expenditure	322	443	166	305
On buildings and constructions	6 787	6 152	6 353	5 029
On machinery and equipment	17 146	15 787	13 958	11 260
Total	30 203	28 286	25 914	22 013
Depreciation of goodwill				
on consolidation	970	970		
<b>Depreciation in excess of or less than plan</b>				
Intangible rights	-35	-35	-35	-35
Buildings and constructions	5 979	-1 288	5 444	164
Machinery and equipment	-3 899	-3 190	-2 333	-435
Total	2 045	-4 513	3 076	-306
<b>Recorded depreciation according to current tax legislation</b>				
On intangible rights	2 027	2 110	1 898	1 880
On goodwill	3 885	3 757	3 504	3 504
On other capitalized expenditure	322	443	166	305
On buildings and constructions	4 462	3 205	3 400	3 535
On machinery and equipment	11 492	10 152	10 341	9 568
Total	22 188	19 667	19 309	18 792
On goodwill on consolidation	970	970		
<b>Fixed asset acquisitions covered from transition provision</b>				
Buildings and constructions	8 862	1 659	8 398	1 659
Machinery and equipment	1 763	2 446	1 283	1 256
Total	10 625	4 105	9 681	2 915
<b>6. OPERATING PROFIT BY BUSINESS SEGMENT</b>				
Food Group	29 745	28 100		
Earthmoving Technology Group	5 700	3 200		
Other Business Units	10 500	8 907		
Total	45 945	40 207		
<b>Personnel by business segment</b>				
Food Group	308	279		
Earthmoving Technology Group	168	166		
Other Business Units	97	85		
Total	573	530		
<b>7. INTERNAL FINANCIAL INCOME AND EXPENSES</b>				
<b>Financial income from subsidiaries</b>				
Dividend received			2 193	1 193
Interest received			1 389	476
<b>Financial expenses paid to subsidiaries</b>				
Interest expenses			5	22

# Notes to the Financial Statements

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
<b>1. NET SALES BY BUSINESS SEGMENT</b>				
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<b>Performed before operating profit depreciation</b>				
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Other	-48	-81		
Total	-1 553	6 921		
<b>Performed in financial income</b>				
Oy Atraco Ab	10 580	2 834		
Other	-15	47		
Total	10 565	2 881		
<b>3. OTHER OPERATING INCOME</b>				
Gains from sales of fixed assets	636	4 930	514	2 800
Export subsidies	365	1 778	45	20
Rental income	945	1 206	2 061	2 247
Other	191			
Total	2 137	7 914	2 620	5 067
<b>4. PERSONNEL EXPENSES AND FRINGE BENEFITS</b>				
Wages and salaries	85 166	78 687	57 713	41 777
Pension expenses	12 778	11 618	8 161	5 511
Other personnel expenses	8 188	8 522	5 056	4 523
	106 132	98 827	70 930	51 811
Fringe benefits	1 404	1 354	1 082	937
Total	107 536	100 181	72 012	52 748

## 5. 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:

Intangible rights	10 years
Goodwill	10 years
Goodwill on consolidation	5 years
Other capitalized expenditure	5 years
Buildings, made of stone and wood	22–30 years
Other buildings and constructions	10 years
Machinery and equipment	5–10 years

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
<b>Depreciation according to plan</b>				
On intangible rights	2 062	2 045	1 933	1 915
On goodwill	3 886	3 859	3 504	3 504
On other capitalized expenditure	322	443	166	305
On buildings and constructions	6 787	6 152	6 353	5 029
On machinery and equipment	17 146	15 787	13 958	11 260
Total	30 203	28 286	25 914	22 013
Depreciation of goodwill				
on consolidation	970	970		
<b>Depreciation in excess of or less than plan</b>				
Intangible rights	-35	-35	-35	-35
Buildings and constructions	5 979	-1 288	5 444	164
Machinery and equipment	-3 899	-3 190	-2 333	-435
Total	2 045	-4 513	3 076	-306
<b>Recorded depreciation according to current tax legislation</b>				
On intangible rights	2 027	2 110	1 898	1 880
On goodwill	3 885	3 757	3 504	3 504
On other capitalized expenditure	322	443	166	305
On buildings and constructions	4 462	3 205	3 400	3 535
On machinery and equipment	11 492	10 152	10 341	9 568
Total	22 188	19 667	19 309	18 792
On goodwill on consolidation	970	970		
<b>Fixed asset acquisitions covered from transition provision</b>				
Buildings and constructions	8 862	1 659	8 398	1 659
Machinery and equipment	1 763	2 446	1 283	1 256
Total	10 625	4 105	9 681	2 915
<b>6. OPERATING PROFIT BY BUSINESS SEGMENT</b>				
Food Group	29 745	28 100		
Earthmoving Technology Group	5 700	3 200		
Other Business Units	10 500	8 907		
Total	45 945	40 207		
<b>Personnel by business segment</b>				
Food Group	308	279		
Earthmoving Technology Group	168	166		
Other Business Units	97	85		
Total	573	530		
<b>7. INTERNAL FINANCIAL INCOME AND EXPENSES</b>				
<b>Financial income from subsidiaries</b>				
Dividend received			2 193	1 193
Interest received			1 389	476
<b>Financial expenses paid to subsidiaries</b>				
Interest expenses			5	22

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
<b>8. EXTRAORDINARY INCOME AND EXPENSES</b>				
<b>Extraordinary income</b>				
Share of liquidated subsidiary				224
<b>Extraordinary expenses</b>				
Loss from merger				4 024
Write-off of shares of liquidated subsidiary				300
Group contributions			870	
Other				28
Total			870	4 352

<b>9. DIRECT TAXES</b>				
For financial year	18 154	11 542	17 544	6 069
For previous years	118	-232	106	-39
Change in deferred tax liability	-3 577	-2 413		
Total	14 695	8 897	17 650	6 030

#### FIXED ASSETS AND OTHER CAPITALIZED EXPENDITURE

<b>10. INTANGIBLE ASSETS</b>				
<b>Intangible rights</b>				
Acquisition cost Jan. 1	21 501	21 277	20 271	20 047
Increases Jan. 1–Dec. 31	183	224	181	224
Acquisition cost Dec. 31	21 684	21 501	20 452	20 271
Accumulated depreciation according to plan	-8 881	-6 819	-8 425	-6 492
Book value Dec. 31	12 803	14 682	12 027	13 779
Accumulated depreciation in excess of plan Jan. 1	210	245	210	245
Depreciation less than plan Jan. 1–Dec. 31	-35	-35	-35	-35
Accumulated depreciation in excess of plan Dec. 31	175	210	175	210
<b>Goodwill</b>				
Acquisition cost Jan. 1	36 955	35 055	35 045	35 045
Increases Jan. 1–Dec. 31		1 900		
Acquisition cost Dec. 31	36 955	36 955	35 045	35 045
Accumulated depreciation according to plan	-14 739	-10 853	-13 123	-9 618
Book value Dec. 31	22 216	26 102	21 922	25 427
<b>Goodwill on consolidation</b>				
Acquisition cost Jan. 1	4 850	4 850		
Acquisition cost Dec. 31	4 850	4 850		
Accumulated depreciation according to plan	-2 910	-1 940		
Book value Dec. 31	1 940	2 910		

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
<b>Other capitalized expenditure</b>				
Acquisition cost Jan. 1	2 188	637	1 389	200
Increases Jan. 1–Dec. 31	688	1 551	505	1 189
Acquisition cost Dec. 31	2 876	2 188	1 894	1 389
Accumulated depreciation according to plan	-1 655	-1 333	-1 062	-896
Book value Dec. 31	1 221	855	832	493

#### 11. TANGIBLE ASSETS

##### Buildings and constructions

Acquisition cost Jan. 1	160 005	113 218	153 094	126 657
Increases Jan. 1–Dec. 31	8 862	46 787	8 398	26 437
Decreases Jan. 1–Dec. 31	-232		-62	
Acquisition cost Dec. 31	168 635	160 005	161 430	153 094
Accumulated depreciation according to plan	-51 437	-44 650	-51 068	-44 714
Book value Dec. 31	117 198	115 355	110 362	108 380

Accumulated depreciation in excess of plan Jan. 1	62 323	62 305	62 024	62 305
Depreciation in excess of or less than plan Jan. 1–Dec. 31	5 971	18	5 444	-281
Accumulated depreciation in excess of plan Dec. 31	68 294	62 323	67 468	62 024

##### Machinery and equipment

Acquisition cost Jan. 1	156 097	113 268	103 398	64 084
Increases Jan. 1–Dec. 31	18 354	44 129	16 682	40 405
Decreases Jan. 1–Dec. 31	-1 839	-1 300	-1 189	-1 091
Acquisition cost Dec. 31	172 612	156 097	118 891	103 398
Accumulated depreciation according to plan	-115 074	-97 919	-67 133	-53 176
Book value Dec. 31	57 538	58 178	51 758	50 222

Accumulated depreciation in excess of plan Jan. 1	34 335	31 221	29 886	26 469
Depreciation in excess of or less than plan Jan. 1–Dec. 31	-3 890	3 114	-2 333	3 417
Accumulated depreciation in excess of plan Dec. 31	30 445	34 335	27 553	29 886

Share of machinery and equipment in book value Dec. 31	42 604	41 193	38 996	35 984
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##### Taxation values of fixed assets

Land	4 391	4 391	2 194	2 194
Buildings	61 738	64 096	59 401	61 628
Shares in subsidiaries			34 337	25 607
Other shares and holdings	91 123	82 306	91 034	82 213
Total	157 252	150 793	186 966	171 642

##### Revaluation

Land Jan. 1 and Dec. 31	10 999	10 999	10 999	10 999
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# Notes to the Financial Statements

## 12. SUBSIDIARIES AND ASSOCIATED COMPANIES AND OTHER SHARES AND HOLDINGS

Subsidiaries	Holdings and voting rights %	Share of shareholders' equity FIM 1000	Number of shares	Nominal value of share FIM	Book value of shares FIM 1000	Profit/loss in last financial statements FIM 1000
<b>Owned by parent company</b>						
Lännen Engineering Oy, Loimaa municipality	97.93	19 207	1 707 620	6	23 207	5 433
Suomen Rakennuskone Oy, Säköylä	79.50	15 269	7 950	1 000	8 192	4 381
Tresko Fish Oy, Kustavi	100.00	3 992	40 000	100	3 997	-1
Polar Lake Oy, Säköylä	100.00	3 379	100	1 000	2 614	
Sedina Oy, Säköylä	100.00	22	150	100	26	1
Cibarius Oy, Turku	100.00	44	15	1 000	16	10
8 non-operative companies, Säköylä	100.00	154	24	5 000	120	4
Total					38 172	

### Owned by subsidiaries

Lännen Maskin AB, Sweden	97.93	691	10 000	SEK 100	559	-134
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Associated companies	Holdings and voting rights %	Share of shareholders' equity FIM 1000	Number of shares	Nominal value of share FIM	Book value of shares FIM 1000	Profit/loss in last financial statements FIM 1000	Balance sheet date	Duration of financial period, months
<b>Owned by parent company</b>								
Sucros Oy, Salo	20.00	94 430	700 000	100	70 000	10 079	31.12.1997	12
Oy Potma Ltd, Pello	50.00	904	60	10 000	600	94	31.12.1997	12
Harviala Oy, Janakkala	44.70	432	85	5 000	425	1	31.12.1997	12
Oy Atraco Ab, Turku	50.00	32 114	125 080	20	33 752	21 159	31.12.1997	12
Total					104 777			

### Other shares and holdings owned by parent company and connection charges

	Number of shares	Nominal value of share FIM	Book value of shares FIM 1000	Market value of shares FIM 1000
<b>Quoted on Stock Exchange</b>				
Kesko Corporation, Helsinki	100 000	10	4 214	8 620
Cultor Corporation, I shares, Helsinki	2 800	12	380	829
Raisio Group plc, K shares, Raisio	600	10	58	384
<b>Other</b>				
Asunto Oy Säköylän				
Ukkomestari, Säköylä	136	500	343	
Lännen Puhelin Oy, Eura	78	300	130	
HEX Ltd, Helsinki	2 000	10	150	
Other shares and holdings			304	
Connection charges			1 739	
Total			7 318	

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996

### 13. LONG-TERM LOANS RECEIVABLE FROM SUBSIDIARIES AND ASSOCIATED COMPANIES

Loans receivable from associated companies	9 560	9 860	9 560	9 860
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### 14. RECEIVABLES FROM SUBSIDIARIES AND ASSOCIATED COMPANIES

Accounts receivable from subsidiaries			658	386
Accounts receivables from associated companies	993	414	993	414
Loans receivable from subsidiaries			46 049	25 264

### 15. CHANGES IN SHAREHOLDERS' EQUITY

	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
<b>Restricted equity</b>				
Share capital Jan. 1	64 448	60 578	64 448	60 578
Targeted share issue		3 870		3 870
Share capital Dec. 31	64 448	64 448	64 448	64 448
Share premium account Jan. 1	130 441	118 831	130 441	118 831
Transfer from retained earnings		17		
Issue premium on share issue		11 610		11 610
Share premium account Dec. 31	130 458	130 441	130 441	130 441

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
Revaluation reserve Jan. 1	4 599	4 599	4 599	4 599
Revaluation reserve Dec. 31	4 599	4 599	4 599	4 599
<b>Non-restricted equity</b>				
Contingency reserve Jan. 1	43 000	43 000	43 000	43 000
Contingency reserve Dec. 31	43 000	43 000	43 000	43 000
Retained earnings Jan. 1	180 815	155 454	75 155	53 340
Transferred from the previous year profit	39 237	30 546	19 211	33 930
Dividends	-14 179	-12 115	-14 179	-12 115
Transfer to share previous account	-17			
Changes and translation differences during elimination	-602	6 930		
Retained earnings Dec. 31	205 254	180 815	80 187	75 155
Profit for the financial year	38 637	39 237	49 762	19 211
Total non-restricted shareholders' equity	286 891	263 052	172 949	137 366
Shareholders' equity Dec. 31	486 396	462 540	372 437	336 854
Distributable funds				
Shareholders' equity	286 891	263 052		
./Balance sheet provisions included in shareholders' equity	-71 218	-80 205		
./Balance sheet provisions of associated companies included in shareholders' equity	-15 136	-18 765		
Distributable funds Dec. 31	200 537	164 082		

## 16. PROVISIONS

Accumulated depreciation in excess of plan	98 914	96 869	95 196	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	612	385		
Salaries provision		412		412
Total	612	797		412

## 17. LIABILITIES

Bond				
Lännen Tehtaata Oy I/1996				
Reg.no 102/271/96.	100 000	100 000	100 000	100 000
Maturity 5 years, interest 6%.				
The loan is unsecured and matures on November 11, 2001.				
Warrant bond				
Lännen Tehtaata Oy I/1997	44		44	

FIM 1 000	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996

The FIM 44 000 warrant bond issued to corporate and unit management in May 1997 is included in other long-term liabilities. The bond is non-interest-bearing and will mature in total on April 30, 2002. Each FIM 1 000 bond carries 1 000 warrants. Each warrant entitles its holder to subscribe a maximum of five Lännen Tehtaata Oy shares during the 1998–2004 period as follows: one share as from May 1, 1998 and one additional share each year as from May 1 during subsequent years up to the maximum five. The subscription right lapses on October 31, 2004. The subscription price will be FIM 70 in 1998, after which it will rise by 4% per year up to the subscription to be made in 2004. At the end of the year, 22 people were covered by the warrant bond programme.

The maximum number of shares to be subscribed is 220 000, and subscriptions must not raise share capital by more than FIM 2 200 000. In the case of full subscription, the warrant subscriptions would account for 3.3% of the raised share capital and of votes.

## Liabilities to subsidiaries and associated companies

Short-term accounts payable				
to subsidiaries			121	3 154
to associated companies	41 269	33 530	41 269	33 530
Accruals and other deferred income to subsidiaries			870	
Other short-term liabilities to subsidiaries			60	62

## CONTINGENT LIABILITIES

### For own debts

Deposited securities	28	15 025		15 000
Real estate mortgages	11 000	49 700	4 300	44 800
Corporate mortgages	21 402	33 175	13 000	25 000
Repurchasing commitments	16 387	12 386	2 948	

### For debts of subsidiaries

Real estate mortgages			5200	3 400
Corporate mortgages			3 000	3 000
Guarantees			13 535	38 259
Repurchasing commitments			207	435

### On behalf of associated companies

Real estate mortgages	100	100	100	100
Guarantees	350	613	350	613

### On behalf of others

Guarantees	200	251	100	125
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## Leasing liabilities

Falling due during the following year	2 411	2 468	2 335	2 356
Falling due at later date		2 551		2 336
Total	51 878	116 269	45 075	135 424

## Outstanding derivative instruments

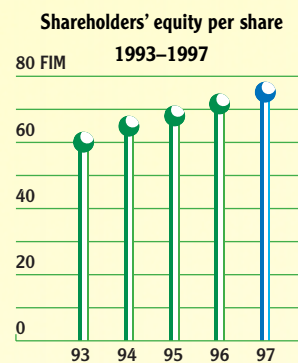
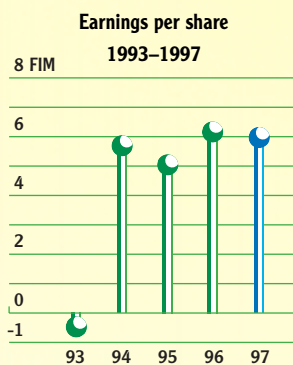
Interest rate swaps	20 000		20 000	
Forward currency contracts	1 387		1 387	
Redemption liability of leased buildings	19 500	19 500	19 500	19 500

# Key Indicators

	1997	1996	1995	1994	1993
<b>Financial indicators</b>					
<b>Scope of operations</b>					
Net sales, FIM 1000	958 112	866 571	783 087	648 885	683 000
Change, %	10.6	10.7	20.7	- 5.0	2.4
Food Group, %	59.9	64.4	54.1	57.1	56.3
Earthmoving Technology Group, %	25.2	21.6	30.9	22.3	14.5
Other Business Units, %	14.9	14.0	15.0	20.6	29.2
Exports from Finland, FIM 1000	96 070	87 278	79 525	40 571	69 129
Exports' share of net sales, %	10.0	10.1	10.2	6.3	10.1
Gross investments in fixed assets, FIM 1000	31 789	46 977	81 474	26 371	41 468
% of net sales	3.3	5.4	10.4	4.1	6.1
R & D expenses, FIM 1000	6 771	4 765	4 203	3 770	3 856
% of net sales	0.7	0.5	0.5	0.6	0.6
Investments in associated companies, FIM 1000	104 776	93 476	85 476	85 476	91 476
Dividends received from associated companies, FIM 1000	6 236	72	16 160	700	
Average number of personnel	573	530	422	420	455
Net sales/employee, FIM 1000	1 672	1 635	1 856	1 545	1 501
Added value/employee, FIM 1000	337	337	377	356	267
Financial income/expenses (-), net, FIM 1000	8 254	8 257	3 839	- 8 013	- 7 741
Extraordinary income/expenses (-), net, FIM 1000			- 186		7 695
<b>Profitability</b>					
Operating profit before depreciation, FIM 1000	77 118	69 463	69 655	69 170	32 831
% of net sales	8.0	8.0	8.9	10.7	4.8
Operating profit, FIM 1000	45 945	40 207	46 154	52 198	4 966
% of net sales	4.8	4.6	5.9	8.0	0.7
Profit/loss before extraordinary items, FIM 1000	54 199	48 465	49 995	44 207	- 2 775
% of net sales	5.7	5.6	6.4	6.8	- 0.4
Profit/loss before taxes and minority interest, FIM 1000	54 199	48 465	49 809	44 207	4 920
% of net sales	5.7	5.6	6.4	6.8	0.7
Profit for the financial year, FIM 1000	38 637	39 237	30 546	34 561	3 680
% of net sales	4.0	4.5	3.9	5.3	0.5
Return on equity (ROE), %	8.3	9.0	7.6	9.8	0.5
Return on investment (ROI), %	10.4	10.0	11.2	11.3	5.7
<b>Financial and economic status</b>					
Current ratio	2.5	2.2	2.5	2.5	2.2
Equity ratio, %	63.9	58.1	61.2	61.2	52.7
Net gearing, %	- 2.0	1.3	- 3.3	- 18.7	- 26.1
Fixed assets and other long-term investments, FIM 1000	403 833	401 617	336 469	306 123	291 543
Inventories and other current assets, FIM 1000	365 603	404 556	344 444	373 742	434 585
Shareholders' equity, FIM 1000	486 395	462 540	413 008	393 902	363 295
Distributable funds, FIM 1000	200 536	164 082	125 546	103 331	57 203
Liabilities, FIM 1000	278 164	339 028	264 269	267 772	345 715
Interest-bearing liabilities, FIM 1000	105 937	172 838	105 089	104 551	133 557
Balance sheet total, FIM 1000	769 436	806 173	682 301	689 091	737 041

	1997	1996	1995	1994	1993
<b>Share data</b>					
<b>Earnings and dividend</b>					
Earnings per share, FIM	6.00	6.19	5.06	5.71	-0.31
Earnings per share, including warrant bond, FIM	5.88				
Nominal dividend per share, FIM	2.40 <sup>1)</sup>	2.20	2.00	2.00	1.00
Adjusted dividend per share, FIM	2.40	2.20	2.00	2.00	1.00
Dividend per earnings, %	40.0	35.5	39.5	35.0	
Effective dividend yield, %	3.2	3.6	5.6	5.6	2.2
P/E ratio	12.6	10.0	7.1	6.2	
Shareholders' equity per share, FIM	75.47	71.77	68.18	65.02	60.42
<b>Share performance, FIM</b>					
Adjusted quoted share price	75.39	62.00	36.00	35.50	46.10
Lowest price in year	61.00	36.10	30.00	35.50	37.50
Highest price in year	83.00	63.00	41.00	61.00	68.00
Average price during year	73.04	53.18	35.91	49.61	53.19
<b>Shares traded</b>					
Shares traded on Stock Exchange, x 1000	1 671	2 276	541	737	741
% of average number of shares	25.9	35.9	8.9	12.2	12.3
Share capital, FIM 1000	64 448	64 448	60 578	60 578	60 578
Market capitalization, FIM 1000	485 872	399 576	218 080	215 051	279 263
Dividends, FIM 1000	15 467 <sup>1)</sup>	14 178	12 116	12 116	6 058
<b>Share issues, FIM 1000</b>					
Rights issue					900
Targeted issue		3 870			
Share premium		11 610			4 050
<b>Number of shares</b>					
Average adjusted number of shares	6 444 776	6 336 201	6 057 776	6 057 776	6 012 776
Adjusted number of shares at end of financial year	6 444 776	6 444 776	6 057 776	6 057 776	6 057 776

<sup>1)</sup> Board Proposal





# Calculation of Financial Ratios

## Financial indicators

Return on equity (ROE), %	=	$\frac{\text{Profit/loss before extraordinary items less taxes} \pm \text{tax on extraordinary items}}{(\text{Shareholders' equity} + \text{minority interest}) \text{ average}}$	x 100
Return on investment (ROI), %	=	$\frac{\text{Profit/loss before extraordinary items} + \text{interest paid and other financial expenses}}{\text{Capital employed (average)}}$	x 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, %	=	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advance payments received}}$	x 100
Net gearing ratio, %	=	$\frac{\text{Interest-bearing net liabilities}}{\text{Shareholders' equity}}$	x 100
Interest-bearing net liabilities	=	Interest-bearing liabilities – interest-bearing deposits and receivables	
Value added/employee	=	$\frac{\text{Operating profit before depreciation} + \text{personnel expenses} + \text{rentals}}{\text{Average number of personnel}}$	

## Share data

Earnings per share	=	$\frac{\text{Profit/loss before extraordinary items less taxes} \pm \text{tax on extraordinary items} \pm \text{minority interest}}{\text{Average number of shares (adjusted for share issues)}}$	
Adjusted dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Share issue coefficient}}$	
Dividend per earnings, %	=	$\frac{\text{Adjusted dividend}}{\text{Earnings per share}}$	x 100
Effective dividend yield, %	=	$\frac{\text{Adjusted dividend}}{\text{Adjusted share price}}$	x 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	=	$\frac{\text{Average price on Dec. 31}}{\text{Share issue coefficient}}$	
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 Company Articles prescribe that the number of votes a shareholder is entitled to exercise cannot exceed one tenth of the votes represented at a shareholders' meeting.

The minimum share capital is FIM 60 000 000 and the maximum FIM 240 000 000. Share capital at the end of the financial year was FIM 64 447 760 and the number of shares was 6 444 776. The shares have a nominal value of FIM 10 each.

## REGISTRATION AND SHARE QUOTATION

Lännen Tehtaat Oy's shares are in the book-entry system, and they have been quoted on the Helsinki Exchanges (previously Helsinki Stock Exchange) since 1989. The symbol for the shares is LTE1S and the trading lot is 200 shares.

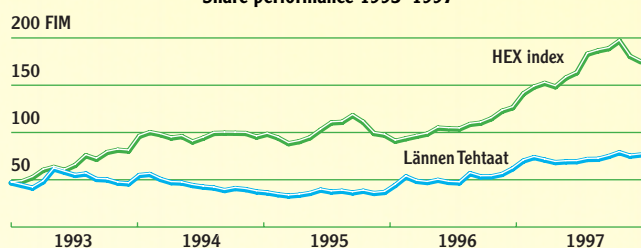
## DIVIDEND POLICY

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.

## SHAREHOLDERS

Major shareholders	Number of shares and votes	% of share capital and voting rights
Tapiola General Mutual Insurance Company	614 000	9.5
OKOBANK Osuuspankkien Keskuspankki Oy	474 888	7.4
Esko Eela	387 300	6.0
Norvestia Oy Ab	355 200	5.5
Valio Oy	324 552	5.1
Raisio Group plc	324 294	5.0
Nova Life Insurance Company	270 443	4.2
Ilmarinen Pension Insurance Company	224 464	3.5
Tapiola Mutual Life Assurance Company	204 600	3.2
Pohjola Insurance Company Ltd	156 000	2.4
Central Union of Agricultural Producers and Forest Owners (MTK)	125 485	1.9
PT Pension Fund	73 600	1.1
Employment Pension Fund	71 000	1.1
Säkylä Municipality	59 822	0.9
Cooperative Dairies Pension Fund	58 400	0.9
Nominee registered shares	138 020	2.2
Other shareholders	2 582 708	40.1
	6 444 776	100.0

Share performance 1993–1997



## SHARES OWNED BY CORPORATE MANAGEMENT

Members of the Administrative Council and the Board of Directors and the President owned a total of 416 236 shares, which corresponds to 6.5% of the company's share capital and voting rights. Apart from this, the President holds FIM 6 000 of the capital value of a warrant bond taken by the company in 1997. A breakdown of the management's warrant bonds is given in the notes to the financial statements on page 29.

## DISTRIBUTION OF SHAREHOLDINGS

Shares	Number	% of shareholders	% of shares and votes
1–100	3 475	50.7	2.2
101–1 000	2 976	43.4	15.9
1 001–10 000	363	5.3	13.1
10 001–40 000	20	0.3	5.6
40 001–	19	0.3	61.8
Joint account			1.4
Total	6 853	100.0	100.0

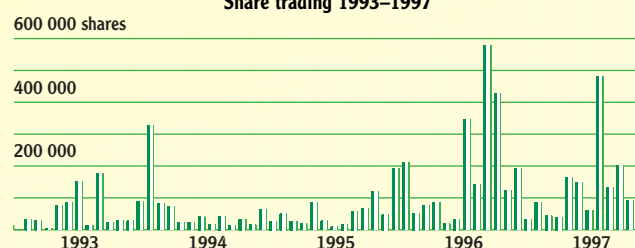
## DISTRIBUTION OF OWNERSHIP

	% of shareholders	% of shares
Private households	94.9	29.8
Companies	2.3	20.6
Non-profit organizations	1.4	6.1
Financial and insurance institutions	0.6	32.5
Public organizations	0.8	7.4
Foreign and nominee registered		2.2
Joint account		1.4
Total	100.0	100.0

## CHANGES IN OWNERSHIP REPORTED

The company reported on October 23, 1997 that the OKOBANK Osuuspankkien Keskuspankki Oy holding had fallen from more than 10%.

Share trading 1993–1997



# Proposal of the Board

Group non-restricted shareholders' equity on December 31, 1997 was FIM 286 890 412.20, including FIM 200 536 415.32 in distributable funds. The parent company's non-restricted equity was FIM 172 948 487.06.

The Board of Directors proposes that Lännen Tehtaat Oy pay a dividend of 24% on share capital for 1997, or FIM 2.40 per share, i.e. a total of FIM 15 467 462.40.

Säkylä, 2 March 1998

Heikki Harjuvaara

Juha Korkeaoja

Esko Eela

Lauri Jalli

Tapio Reponen

Matti Ruosteenoja

Olli Karkkila

# 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 1997. 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, 5 March 1998

Kauko Lehtonen  
Authorized Public Accountant

Pekka Nikula  
Authorized Public Accountant

## Administrative Council Statement

After examining the 1997 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: Antti Bärlund, Tapani Ehtamo, Heikki Halkilahti, Jussi Hantula, Antti Kulmala, Tom Liljeström, Håkan Malm and Simo Savo.

Säkylä, 9 March 1998

Tom Liljeström  
Chairman of the  
Administrative Council

Erkki Lepistö  
Secretary of the  
Administrative Council

# Administration and Corporate Management



At the front: Olli Karkkila and Erkki Lepistö. At the back: Markku Routasalo, Ilkka Jaskari, Pekka Kurri, Jukka Haikonen and Antti Kerttula

## CORPORATE MANAGEMENT

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**Olli Karkkila**, b. 1942  
President since 1994

**Erkki Lepistö**, b. 1955  
Director since 1993  
Director of Finance since 1995

**Antti Kerttula**, b. 1956  
Director since 1994  
Director of Apetit  
since 1997

**Ilkka Jaskari**, b. 1947  
Director of  
Lännen Sugar since 1988

**Markku Routasalo**, b. 1952  
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

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## BOARD OF DIRECTORS

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**Heikki Harjuvaara**, b. 1942  
Deputy Managing Director  
Åkerlund & Rausing Group  
member since 1990 and  
chairman since 1994

**Juha Korkeaoja**, b. 1950  
Member of Parliament  
member since 1983 and  
deputy chairman since 1991

**Esko Eela**, b. 1936  
member since 1996

**Lauri Jalli**, b. 1944  
Managing Director, Eimo Oy  
member since 1995

**Olli Karkkila**, b. 1942  
President, LännenTehtaat Oy  
member since 1993

**Tapio Reponen**, b. 1947  
Professor, Rector  
Turku School of Economics  
and Business Administration  
member since 1995

**Matti Ruosteenoja**, b. 1933  
farmer  
member since 1981

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## ADMINISTRATIVE COUNCIL

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**Tom Liljeström**, b. 1959  
member since 1994  
chairman since 1996

**Rainer Fallila**, b. 1937  
member since 1978  
deputy chairman since 1996

**Helena Walldén**, b. 1953  
deputy chairman since 1996

**Antti Bärlund**, b. 1945  
member since 1995

**Tapani Ehtamo**, b. 1935  
member since 1977

**Heikki Ellilä**, b. 1945  
member since 1996

**Antti Elo**, b. 1949 \*  
member since 1997

**Matti Eskola**, b. 1950  
member since 1991

**Heikki Halkilahti**, b. 1947  
member since 1990

**Jussi Hantula**, b. 1955  
member since 1995

**Hannu Harjunmaa**, b. 1941  
member since 1988

**Esa Härmälä**, b. 1954  
member since 1995

**Pasi Jaakkola**, b. 1941  
member since 1982

**Jouni Kaitila**, b. 1963  
member since 1991

**Mari Kiviniemi**, b. 1968  
member since 1996

**Antti Kulmala**, b. 1931  
member since 1980

**Matti Laakso**, b. 1945 \*  
member since 1997

**Vesa Lammela**, b. 1941  
member since 1993

**Hannu Lamminen**, b. 1951  
member since 1996

**Tellervo Lepistö**, b. 1950 \*  
member since 1997

**Håkan Malm**, b. 1936  
member since 1977

**Juha Nevavuori**, b. 1942  
member since 1973

**Esa Paganus**, b. 1963 \*  
member since 1997

**Simo Savo**, b. 1953  
member since 1992

\* Staff representative

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## AUDITORS

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**Kauko Lehtonen**  
Authorized Public Accountant

**Pekka Nikula**  
Authorized Public Accountant

# Addresses

## Lännen Tehtaat Oy

P.O. Box 100,  
FIN-27821 Iso-Vimma, Finland  
Tel. +358 2 83 971  
Fax +358 2 8397 4022  
E-mail lannen.tehtaat@lannen.fi

Registered office: Säkyä  
Trade register number: 122.439

## LÄNNEN TEHTAAT OY UNITS:

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### Lännen Tehtaat Oy Apetit Säkyä

P.O. Box 230,  
FIN-27821 Iso-Vimma, Finland  
Tel. +358 2 8397 4300  
Fax +358 2 8397 4377

### Lännen Tehtaat Oy Apetit Helsinki

Ruosilantie 14 A,  
FIN-00390 Helsinki, Finland  
Tel. +358 9 5123 440  
Fax +358 9 5123 4422

### Lännen Tehtaat Oy Apetit Turku

Iso-Heikkiläntie 6,  
P.O. Box 32,  
FIN-20201 Turku, Finland  
Tel. +358 2 83 971  
Fax +358 2 3388 260

### Lännen Sugar

P.O. Box 110,  
FIN-27821 Iso-Vimma, Finland  
Tel. +358 2 8397 4660  
Fax +358 2 8397 4666

### Lännen Feed

P.O. Box 120,  
FIN-27821 Iso-Vimma, Finland  
Tel. +358 2 8397 4200  
Fax +358 2 8397 4222

### Lännen Plant Systems

P.O. Box 170,  
FIN-27821 Iso-Vimma, Finland  
Tel. +358 2 8397 4700  
Fax +358 2 8397 4722

### Lännen Agricultural Department

P.O. Box 160,  
FIN-27821 Iso-Vimma, Finland  
Tel. +358 2 8397 4600  
Fax +358 2 8397 4622

### Räpi Experimental Farm

FIN-27710 Köyliö, Finland  
Tel. +358 2 5541 300

## SUBSIDIARIES:

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### Lännen Engineering Oy

Oripääntie 22,  
FIN-32210 Loimaa kk, Finland  
Tel. +358 2 760 721  
Fax +358 2 7607 2346

### Lännen Maskin AB

Bangårdsgatan 11,  
S-55303 Jönköping, Sweden  
Tel. +46 36 150 670  
Fax +46 36 150 774

### Suomen Rakennuskone Oy

Juhanilantie 2,  
FIN-01740 Vantaa, Finland  
Tel. +358 9 8787 112  
Fax +358 9 8787 166

### Polar Lake Oy

Iso-Heikkiläntie 6,  
P.O. Box 32,  
FIN-20201 Turku, Finland  
Tel. +358 2 83 971  
Fax +358 2 3388 222

### Tresko Fish Oy

Vuosnaistentie 593 A,  
FIN-23360 Kustavi, Finland  
Tel. +358 2 877 338  
Fax +358 2 877 353

## ASSOCIATED COMPANIES:

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### Oy Potma Ltd

Teollisuustie 10,  
FIN-95700 Pello, Finland  
Tel. +358 16 513 981  
Fax +358 16 513 988

### Oy Atraco Ab

c/o Raisio Group plc  
P.O. Box 101,  
FIN-21201 Raisio, Finland  
Tel. +358 2 4342 111

### Sucros Oy

Sokerikatu 1,  
FIN-24100 Salo, Finland  
Tel. +358 2 77 421  
Fax +358 2 7742 287

### Sucros Oy Säkyä Factory

P.O. Box 210,  
FIN-27821 Iso-Vimma, Finland  
Tel. +358 2 8397 4100  
Fax +358 2 8397 4122

### Harviala Oy

Alikartano 9,  
FIN-13330 Harviala, Finland  
Tel. +358 3 6196 801  
Fax +358 3 6196 807

# Information for Shareholders

## **ANNUAL GENERAL MEETING**

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The Annual General Meeting of Länntehta Oy will be held on Thursday, April 2, 1998, at 2.00 p.m. in the Länntehta Oy staff restaurant in Iso-Vimma, Säkyliä.

Shareholders wishing to attend are requested to inform Länntehta Head Office by 2.00 p.m. on Tuesday, March 31, 1998.

## **DIVIDEND**

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The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 2.40 per share is paid for 1997. The record date is April 7, 1998 and the dividend payment date is April 14, 1998. The dividend will be paid to shareholders who are registered as shareholders on April 7, 1998 in the list kept by the Finnish Central Securities Depository Ltd.

## **INFORMATION ABOUT RESULTS**

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Länntehta Oy will issue its annual and interim reports as follows:

annual report for 1997 on March 23

interim report for January–April 1998 on June 17

interim report for January–August 1998 on October 7

The annual and interim reports will be issued in Finnish and English, and can be ordered by telephone +358 2 83 971, or from Länntehta Oy, P.O. Box 100, FIN-27821 Iso-Vimma, Finland, or by E-mail [lannen.tehta@lannen.fi](mailto:lannen.tehta@lannen.fi).

## **SHARE REGISTER**

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



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**Lännen Tehtaat**  
**Annual Report 1997**

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**Lännen Tehtaat Oy**

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