



Lännen Tehtaat.

Annual Report.

1999



Information for shareholders

Annual General Meeting

The Annual General Meeting of Lännen Tehtaat plc will be held on Thursday, April 13, 2000, at 2.00 p.m. in the Lännen Tehtaat plc staff restaurant in Iso-Vimma, Säkyliä.

Shareholders wishing to attend are asked to inform Lännen Tehtaat Head Office by 2.00 p.m. on Tuesday, April 11, 2000.

Dividend

The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 3.00 per share be paid for 1999 in accordance with the company's dividend distribution policy, plus an additional dividend of FIM 2.00 per share to mark the company's anniversary year, i.e. a total of FIM 5.00. The Board will propose to the meeting that April 18, 2000 be set as the record date and April 27, 2000 as the dividend payment date. The dividend will be paid to shareholders who are registered as shareholders on the record date on the list kept by the Finnish Central Securities Depository Ltd.

Information about results

Lännen Tehtaat plc will issue the following information on the 2000 financial period:

Annual report	week 13
Interim report for January–April	June 14
Interim report for January–August	October 11

The information will be published in Finnish and English.

It can be ordered from Lännen Tehtaat plc, P.O. Box 100, 27821 Iso-Vimma, by telephone +358 2 83971, or by e-mail from arja.antikainen@lannen.fi. The information is also available on the company web pages at www.lannen.fi.

Share register

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

Key indicators		1999	1998	1997
Net turnover	FIM million	1,341.4	1,141.9	958.1
International net turnover	FIM million	288.4	104.8	124.9
Operating profit	FIM million	53.1	44.0	45.9
Profit before extraordinary items	FIM million	57.4	49.7	54.2
Profit before taxes and minority interest	FIM million	57.4	49.7	54.2
Return on investment (ROI)	%	8.9	9.4	10.4
Equity ratio	%	50.8	63.4	63.9
Earnings per share	FIM	7.84	6.06	6.00
Dividend per share	FIM	5.00 ¹⁾	2.40	2.40
Average number of personnel		997	695	573

¹⁾ Board proposal

Lännen Tehtaat Annual Report 1999

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President's review

For 50 years, Lännen Tehtaat's growth has been nourished by Finland's soil and its crops. Its history is closely linked with farming and farmers in western Finland. Over the five decades of its existence, the company has refined their produce into sugar and a variety of other foods, and this work will continue.

Lännen Tehtaat's principal sectors have developed in a fairly straightforward manner. Operations have always been based on the use of farm-produced raw materials, which have been refined further and further each year. The road from mere sugar processing to the ready frozen foods of today, produced using state-of-the-art methods, has been long, but progress has been systematic.

The Lännen spirit – a corporate value

We shall be celebrating our anniversary year mostly at our desks. However, our veterans, present staff, owners, cooperation partners and customers will be remembered in a number of celebratory events arranged over the year. They have all made a vital contribution to the success of the company.

The Lännen spirit that has carried our operations forward for several decades now has re-manifested itself in the preparations made for the anniversary year. It is a powerful feeling of togetherness and cooperation that seems to be unparalleled in the Finnish business world. Various developments related to the progress made in farming and in expanding operations and to the impact of EU membership are excellent examples of the fruits of this cooperative spirit.



Our operating principles, which have been moulded by decades of experience, have become established as the Lännen values, based on equal respect for our customers, personnel and operating environment alike. These values will continue to be the cornerstones of our operations and development in future years.

One example of our environmental orientation is the biggest environmental investment project in the history of the entire company, launched last year: the refurbishment of the Säskylä industrial estate wastewater treatment plant. Through this project, we hope to ensure sustainable development in our environment.

Busy and profitable in 1999

For Lännen Tehtaat, 1999 was a busy and profitable year. Net turnover rose to FIM 1.34 billion. Profit from business totalled FIM 57.4 million, exceeding the target.

The year was above all characterized by the corporatization and growth of the earthmoving technology sector, and by sharing Sucros Ltd ownership with Danisco A/S.

In summer, the Earthmoving Technology Group was turned into a new company, Machinium Ltd. In the same context, the company purchased the Swedish SMA Maskin AB, which trades in and maintains earthmoving and materials handling machinery.



The main shareholders in Machinium Ltd are Lännen Tehtaat, with 58%, two investment funds administered by SFK Finance Oy and the Japanese Sumimoto Corporation. Machinium Ltd plans to become a listed company in the near future. The Machinium Group is one of the biggest earthmoving machinery distributors in the Nordic countries.

The purpose of the corporatization and expansion of the Earthmoving Technology Group is to create a strong, independent company. In this way, Lännen Tehtaat can pursue its strategy and concentrate on the food industry and its core area, frozen foods.

The fact that Lännen Tehtaat now shares the ownership of its associated company Sucros Ltd with the Danish company Danisco A/S is a clear indication of the prevalent integration trend in the European food sector. The change reinforces the position of Sucros Ltd and, consequently, of Lännen Tehtaat, in the European sugar production chain.

Future in frozen foods and internationalization

A few years ago, Lännen Tehtaat made a strategic decision to concentrate on food, frozen foods in particular. The choice appears to have been the right one: Lännen Tehtaat has grown to be the number one frozen food company in Finland.

Another clear policy target focuses on internationalization, and the first steps have already been taken here. International operations already account for almost one quarter of net turnover. The target in 2002 is to reach net turnover of FIM 1.8 billion, 40% from operations outside Finland.

I should like to thank Lännen Tehtaat's personnel for their good work in the Lännen spirit, our cooperation partners for the fruitful interaction we have enjoyed, our customers for their confidence in us, and our owners for their faith in the company. Special credit must be given to the founders of Lännen Tehtaat and other personalities who have had a decisive effect on corporate operations, among them Mr Pentti Perttuli, who led the company for the first 30 years of its existence.

Säkylä, March 2000

Olli Karkkila

A handwritten signature in black ink that reads "Olli Karkkila". The signature is written in a cursive, flowing style.

Lännen Tehtaat



Lännen Tehtaat plc is a company operating in the food sector and quoted on Helsinki Exchanges. The Lännen Tehtaat Group consists of the Food Group, the Machinium Group concentrating on earthmoving and materials handling technology 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 Machinium Group develops and manufactures earthmoving machinery for northern conditions, markets high-quality international earthmoving and materials handling machinery and provides maintenance services. Lännen Feed, which is one of the Other Business Units, specializes in cattle and pig feeds, Lännen Plant Systems focuses on seedling technology and nursery system packages and Lännen Agricultural Department is responsible for contract farming the Finnish crops used as raw material.

Finland and Sweden constitute Lännen Tehtaat's primary home market, but the company has extended its operations to the Baltic Rim in the past few years.

Food Group



Apetit	Frozen foods, jams and marmalades
Lannen Polska Sp. z o.o.	Frozen foods
Tresko Fish Ltd	Fish products
Lännen Sugar	Sugar

Machinium



Sales	Suomen Rakennuskone Oy	Earthmoving machinery
	AS Balti Ehitusmasin-Baltem	Earthmoving machinery
	SIA BCM Baltijas Celtniecibas Masina	Earthmoving machinery
	UAB Baltijos Statybinės Masinos	Earthmoving machinery
Sales and maintenance	SMA Maskin AB	Earthmoving machinery, forklift trucks and diesel engines
Manufacture	Lännen Engineering Oy	Earthmoving machinery

Other Business Units



Lännen Feed	Compound feeds and feed industry raw materials
Lännen Plant Systems	Containerized seedling production, planting machines and nursery system packages
Lännen Agricultural Department	Contract farming of Finnish vegetables and sugar beet
Harviala Oy	Production of tree seedlings

50 years of growth



1 1950 Länsi-Suomen Sokeritehdas Oy sugar factory founded

On Friday, March 17, 1950, twelve men from Satakunta and the southwest of Finland met at the home of Kalle and Aili Arojärvi in Loimaa. The charter founding Länsi-Suomen Sokeritehdas Oy sugar factory was then signed in the large hall of the main building.

1953 Sugar production begins

1956 Feed factory founded

2 1959 Engineering workshop founded

The first product of Lännen Tehtaat's engineering workshop, the Hydro-Master hydraulic tractor digger, was already enormously powerful in the opinion of salesmen and users alike: "It can only be stopped by open water and solid rock".

3 1960 Frozen food and preservatives factory founded

The farmers who had learned from growing sugar beet were ready for more challenges in the 1960s. This is how vegetable production and the frozen food and preservatives factory got started. Sorting cucumber by size in the 1960s.

1967 Lännen Plant Systems founded

1988 Lännen Agricultural Department founded

1990 Sucros Ltd founded

4 1995 Appetit brand and its frozen food business purchased

Lännen Tehtaat began to expand into Finland's leading frozen food company. The operations of the Appetit unit were characterized by vigorous product development and a higher degree of processing.

1996 Tresko Food Oy purchased

1998 Lännen Polska Sp. z o.o. founded

• Food Processing Koivukangas Oy purchased

5 1999 Earthmoving Technology Group

corporatized • Machinium Ltd founded

• SMA Maskin AB purchased

Since the very beginning, the Machinium Group has been one of the biggest earthmoving machinery distributors in the Nordic countries. It also plays an important role in the machinery trade in the Baltic States.

2000 Lännen Tehtaat plc 50 years



Food Group



Lännen Tehtaat's Food Group develops, produces and markets frozen foods, jams, marmalades and fish products from pure, carefully selected raw materials. Its selection also includes sweeteners made by Sucros Ltd. ■ Lännen Tehtaat is Finland's market leader in frozen foods and in jams and marmalades produced for retail.



Food Group

The Food Group comprises the Apetit unit, Food Processing Koivukangas Oy, Tresko Fish Ltd, Lannen Polska Sp. z o.o. and Lannen Sugar.

Apetit develops, produces and markets frozen foods, jams and marmalades. Tresko Fish specializes in fish products, and Lannen Polska Sp. z o.o. is a frozen food factory in Poland. Lannen Sugar sells sweeteners made by the associated company Sucros Ltd on the Finnish retail market. Food Processing Koivukangas Oy, specializing in frozen pizzas, was merged with Lannen Tehtaat at the end of 1999, and its operations were incorporated into Apetit.

Net turnover by the Food Group totalled FIM 723.3 million in 1999 (FIM 718.5 million in 1998), an increase of 1% thanks to increased sales by the Apetit unit and Lannen Polska Sp. z o.o. Frozen pizzas and jams did particularly well in the Apetit unit. Pizzas were sold for the first full year, and the Apetit label was joined by Dronningholm in jams.

Frozen foods accounted for FIM 274.0 million (FIM 266.0 million) of net sales.

The Group's operating profit of FIM 35.0 million exceeded the 1998 level substantially. Investments totalled FIM 18.4 million, the biggest single item being acquisition of the Dronningholm production and trade mark.

Apetit

According to monitoring information released by the Finnish Food and Drink Industries' Federation, net sales of food went down some 1.9% and sales volume 3.1% in 1999. On the other hand, the Finnish Frozen Food Industries' Association reports that consumption of frozen foods grew by about 7%, particularly in frozen baking doughs and ready meals.

Consumer buying habits are distinctly focusing on ready or semimanufactured foods. In 1999, the operations of the Apetit unit were characterized by vigorous product development and a higher degree of processing.

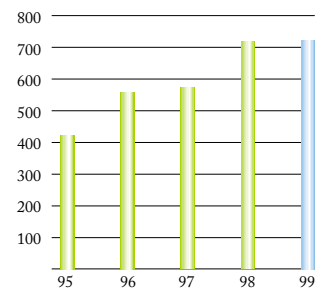
The range of Apetit, Kesäpöytä and Frionor frozen foods expanded significantly during the year. The unit introduced new product families of gratinated vegetables in spring and easy-to-use family-size soups in autumn.

Towards the end of the year, the first frozen organically grown potato and pea products were introduced. These new product families were received well by trade and consumers alike. At the beginning of 2000, three delicious new easy-to-use stews were also introduced.

Operations by Lannen Polska Sp. z o.o. proceeded as planned. There were a number of one-off cost items affecting the 1999 profit, caused by refocusing operations, reorganization and development of a new product range for the retail market. In autumn, the profit trend took a turn upwards.



Net turnover, Food Group, 1995–1999, FIM million



1960



The operations of the frozen foods and preserves factory started out briskly. From the start, our range included a wide variety of products processed from raw materials procured from the surrounding agricultural area. In those times, the manufacture of preserves still required a lot of manual work in spite of the machinery developed to help in the process.



Food Group, FIM million	1999	1998
Net turnover	723.3	718.5
Percentage of consolidated net turnover	54%	63%
Operating profit	35.0	29.6
Investments	18.4	46.1
Average personnel	568	392
Net turnover by business unit, FIM million		
	1999	1998
Apetit	342.0	328.0
Lännen Sugar	337.9	357.6
Tresko Fish Ltd	28.3	22.3
Food Processing Koivukangas Oy	19.3	8.4
Lännen Polska Sp. z o.o.	23.9	8.4
Calabris Oy		1.4
Internal sales	-28.1	-7.6
	723.3	718.5



Lännen Polska's production chain from contract farming to finished products is now a complete functional process, and product quality is high. The company's first new products were introduced on the Polish retail market in autumn 1999.

Quality and environmental work continued in line with objectives laid down by the Lännen Tehtaat Group. The operations in Säkylä were awarded an ISO 9001 quality certificate and an ISO 14001 environmental certificate in 1999. The other units are scheduled to be ready for certification in 2000.

Apart from its core range of frozen vegetables, Apetit will continue to invest in developing products with a high degree of value added in 2000. The new Cryomix production method will be utilized on a wider scale.

Lännen Sugar

Lännen Sugar sells the sugar-based products of Lännen Tehtaat's associated company Sucros Ltd on the Finnish consumer market. The Finnish sugar consumer market has shown a downward trend for a few years already, as a result of changes in consumer buying habits. The most significant change has been the declining popularity of household baking and preserving. Even so, the per capita consumption of sugar used in Finnish households was some 12 kilos in 1999, above the EU average. Product development is carried out by Suomen Sokeri Oy.

Lännen Sugar is preparing an ISO 9001 quality system, which will be ready for certification in spring 2000.

The sugar market is expected to continue to shrink somewhat in 2000.

2000



Vigorous product development and higher value added characterize Apetit's operations, as consumers require foods that are increasingly easy to use. Our new Cryomix production method allows fast processing of vegetables into delicious frozen meals.



Machi. nium

M a c h i n i u m

The Machinium Group markets and sells high-quality international earthmoving and materials handling machinery and manufactures heavy-duty backhoe loaders. Machinium also produces maintenance and spare part services for the makes it represents. Operations focus on the Baltic Rim. ■

The Machinium Group plans to go public within 3–5 years.

Lännen **KOMATSU**

HYSTER



BOMAG

Machinium

The Machinium Group consists of the parent company Machinium Ltd; Lännen Engineering Oy, which manufactures earthmoving machinery; the sales companies Suomen Rakennuskone Oy in Finland, AS Balti Ehitusmasin-Baltem in Estonia, SIA BCM Baltijas Celtniecibas Masina in Latvia and UAB Baltijos Statybinės Masinos in Lithuania, which started operations in 1999; and the SMA Maskin AB sales and maintenance company in Sweden.



Group companies sell Lännen and Komatsu earthmoving machinery in Finland, Sweden and the Baltic States, and also Hyster forklifts, Bomag road construction equipment and Cummins diesel engines in Sweden. Apart from sales of machinery, maintenance services constitute an important part of operations in Sweden. Machinium is the market leader in earthmoving machinery in Finland, Estonia and Latvia.

Net turnover by the Machinium Group totalled FIM 454.1 million (FIM 266.3 million). The 70% increase resulted from the merger of SMA Maskin AB into the Group in July and from increased domestic sales. Acquisitions by the Finnish and Norwegian defence forces for reconstruction work in Kosovo also contributed to growth in the Finnish companies. The earthmoving machinery market continued to expand in both Finland and Sweden. In the Baltic States, economic growth came to a halt, and growth in machinery sales slowed down.

SMA Maskin AB

SMA Maskin AB specializes in import, retail and maintenance of earthmoving and materials handling machinery and engines. Its maintenance network covers the whole of Sweden, making it less susceptible to economic fluctuation. In the sales and maintenance of materials handling machinery, its clientele includes many large industrial companies in Sweden. SMA Maskin AB offers its clients maintenance leasing contracts covering their entire machinery fleet. At the moment some 1700 engines are covered by such contracts in Sweden.

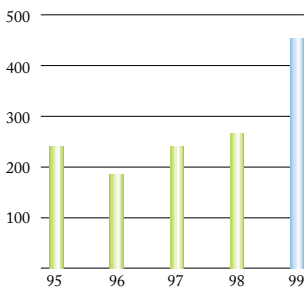
On the earthmoving machinery market, SMA Maskin's favourably-developing position was reinforced by the new Komatsu machinery introduced on the market, including parallel linkage wheel loaders and a series of small Utility earthmoving machinery.

The operations and personnel of Lännen Maskin AB, which was in charge of sales and after sales service for Lännen earthmoving machinery in Sweden, were merged with SMA Maskin AB in autumn 1999. SMA's sales, maintenance and spare part network, comprising 250 people and covering the whole of Sweden, now offers better opportunities to serve current and future users of Lännen earthmoving machinery.

The construction of quality and environmental system began in autumn 1999.



Net turnover, Machinium Group
1995–1999, FIM million



1959



The production of earthmoving machinery began at Lännen Tehtaat with the company's first hydraulic excavator Hydro-Master, followed by the famous Ukko-Mestari product series in the 1960s. The forest and peatland ditches dug by this machinery during the 1960s and '70s would go 12 times around the world.



Suomen Rakennuskone Oy

The favourable general trend in this sector helped Suomen Rakennuskone Oy's net turnover to grow by some 8.4% in 1999. Just as in Sweden, sales were boosted by the new Komatsu earthmoving machinery models introduced on the market.

In autumn, Suomen Rakennuskone and Lännen Engineering organized the biggest private demonstration and test drive event in Finland in 1999, Power Test 1999. This was visited by 2 000 people from Finland, the other Nordic countries and the Baltic States.

Lännen Engineering Oy

Production focus shifted towards backhoe loaders in Lännen Engineering Oy. The company's own product development introduced a new articulated backhoe loader, Lännen 860S, the predecessor of which, Lännen 740S, was Finland's best-selling backhoe loader in the 1990s. In autumn 1999 Lännen Engineering was awarded an ISO 9001 quality certificate and an ISO 14001 environmental certificate.

The Baltic companies

In the Baltic States, earthmoving and the entire GDP stagnated, partly as a consequence of the situation in Russia. Economic fluctuation immediately tightened competition on the limited earthmoving machinery market, but energy production investments offered our sales companies new opportunities.

In 1999, a sales company was opened in Lithuania in addition to those already operating in Estonia and Latvia.

Prospects

Vigorous building is expected to continue in 2000 in both Finland and Sweden, and the earthmoving machinery market is expected to continue to grow. The Swedish materials handling machinery market is expected to remain unchanged and maintenance operations to remain stable.

The benefits of cooperation within the Machinium Group will be usable for the first full year in 2000. Net turnover is expected to exceed FIM 600 million.

Machinium Group, FIM million	1999	1998
Net turnover	454.1	266.3
Percentage of consolidated net turnover	34%	23%
Operating profit	9.5	7.6
Investments	64.7	9.8
Average personnel	296	175

Net turnover by business unit, FIM million	1999	1998
Machinium Ltd	0.4	
Suomen Rakennuskone Oy	208.4	192.2
Lännen Engineering Oy	96.8	94.7
SMA Maskin AB 1.7.-31.12.	192.9	
Lännen Maskin AB	35.5	49.9
AS Balti Ehitusmasin-Baltem	10.4	12.7
SIA BCM Baltijas		
Celtniecibas Masina	2.8	2.5
UAB Baltijos Statybines Masinos	0.1	
Internal sales	-93.2	-85.7
	454.1	266.3



2000



Radical technological advances have been made in earthmoving machinery in the past few decades. Today, Lännen's backhoe loaders are heavy-duty multi-purpose machines designed for the tough conditions of the north, with the driver sitting high up on a 'throne', controlling the machine with light movements of his hands.



Other Business Units

Other Business Units



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



PLANTEK



Other Business Units

Lännen Feed

Net turnover rose to FIM 81.5 million. The 4.5% increase on the previous year was due to the higher quantities of feeds and compound feeds delivered to farms. The volume increase in compound feeds was substantially greater than the value increase in markkas. Profitability was good, thanks to a higher degree of processing and the volume increase.

Deliveries of compound feed in Finland increased by some 4%. Sales of compound feed for dairy cattle and broiler chicken increased most, while the value increase on the feed market was substantially lower as a consequence of falling world market prices and tighter competition, which in turn cut at sales prices.

Output of complete feeds for dairy cattle and pigs rose considerably over the year, and the use of grain as raw material increased. The unit has thus become an important local grain buyer. Production conditions were weakened by the poor beet crop in 1998, which left processing and sales of sugar beet pulp below the previous year's figures.

Product development focused on pig feed. Following an 18-month development period, an antibiotic-free piglet feed was introduced on the market at the beginning of August. This had already proved extremely successful in the feeding tests preceding the launch. The pig feed range was supplemented during the autumn, and the unit's biggest investment item of the year, a new pelletizing line, also contributed towards higher quality in pig feed production.

Lännen Feed has been applying an ISO 9001 certified quality system for two years already. In December 1999 it achieved readiness for ISO 14001 certification, too.

Prospects for 2000 look favourable. The 1999 beet crop was good in quantity and quality, and substantially better than the previous year's, which ensures a good supply of domestic raw material. The unit's product range has been expanded, and the absence of unhealthy competition is also likely to improve profitability.

Lännen Plant Systems

Net turnover totalled FIM 30.4 million (FIM 33.7 million) in 1999. Exports accounted for FIM 12.2 million (FIM 16.6 million). Automation of the production and handling of forest seedlings continued for the third consecutive year in Finland, and deliveries related to this project peaked in 1999. Exports to Russia, Southeastern Asia and South America fell because of the poor economic situation there.

Lännen Plant Systems has a strong foothold in Finnish forest seedling technology. The unit has established its status in vegetable planting technology worldwide. The unit's position is stable in Australia and New Zealand in both forest and vegetable seedling technology.

In the future, demand will focus on more efficient and technically advanced products. The planting of forest seedlings, too, will become mechanized and

Lännen Feed specializes in developing and producing cattle and pig feeds. It processes raw materials and supplies them to the feed industry, produces compound feeds as a subcontractor and sells feeds to farms through wholesalers under its own Lännen and Mella labels. The main ingredients used for compound feeds are sugar beet pulp and molasses, which are by-products from the sugar factory.



Lännen Plant Systems develops, produces and markets containerized seedling and planting technology for seedling producers of forest trees, vegetables and horticultural plants. The unit's product range includes seedling trays and machinery and equipment developed for filling them and for sowing, watering, transferring and planting.

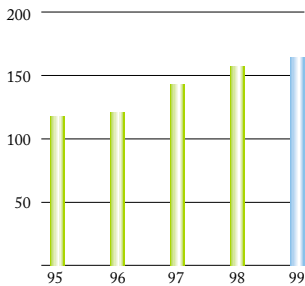


1953



In the early '50s beet crops were raised by hand, which was extremely hard work under difficult conditions. At times it was feared that the shortage of harvesters would hamper the cultivation of beet overall. The first Finnish mechanical harvester was developed by Lauri Junnila.

Net turnover, Other Business Units 1995–1999, FIM million



Lännen Agricultural Department is responsible for contract farming for the Apetit unit and for the Sucros Ltd factory in Säskylä. The aim is to make annual farming contracts to ensure a supply of quality raw material from Finland for the Apetit unit in accordance with the quality systems for IP and organic farming, and to supply the sugar factory with sufficient quantities of beet.

Other Business Units, FIM million	1999	1998
Net turnover	164.0	157.1
Percentage of consolidated net turnover	12%	14%
Operating profit	8.6	6.8
Investments	12.1	7.9
Average personnel ¹⁾	133	128

¹⁾ Includes corporate administration

Net turnover by business unit, FIM million	1999	1998
Lännen Feed	81.5	78.0
Lännen Plant Systems	30.4	33.7
Lännen Agricultural Department	34.8	32.3
Harviala Oy	14.1	11.5
Other sales	4.5	2.8
Internal sales	-1.3	-1.2
	164.0	157.1

automated in the near future. In 1999, the unit responded to development demands by designing new Plantek tray models, nursery equipment and planting machinery, for instance.

In October, Lännen Plant Systems was awarded the ISO 9001 quality certificate and the ISO 14001 environmental certificate. The concrete goal of the environmental programme is to maintain a high level of recycling for materials and components.

The utilization of seedling technology continues to expand worldwide. Investments at least equivalent to the growth in consumption will have to be made in forestation and food production, while at the same time paying attention to care for the environment, in keeping with sustainable development principles.

Lännen Agricultural Department

The Agricultural Department's experimental farm in Köyliö carries out experiments and R&D in the cultivation of beet and vegetables grown for freezing. The unit buys the seeds and the most important pesticides for the contracted plants and sells them to farmers. The Agricultural Department is in charge of drawing up transportation plans, transportation of peas and supervision of beet transportation. It is also responsible for harvesting peas and spinach.

The 1999 crops were good in both quality and quantity. As targeted, a total of 26 million kilos of 11 different vegetables were received from farmers. Because of the drought during the growing season, however, peas and potatoes did not meet the crop targets.

The beet crop benefited from the autumn rains, and both quality and quantity were good. Sucros got 353.7 million kilos (217.5 million kilos) of beet from the Agricultural Department's farming area, with a sugar content of 16.7% (15.6%).

Contract farmers of vegetables have undergone IP (Integrated Production) quality system training over a period of three years. The aim is to obtain quality certification for the entire Lännen contract farming system in accordance with the international principles and general rules laid down by the IOBC (International Organization for Biological Control) for IP.

Lännen Agricultural Department was awarded an ISO 9002 quality certificate and an ISO 14001 environmental certificate in October.

Contracts on the organic farming of peas and potatoes came into effect in 1999, and these operations will be expanded this year.

The Agricultural Department's operating conditions are good in 2000, thanks to the steady demand for raw material from the Apetit unit and the Sucros factory in Säskylä.



2000



Once mechanical harvesting got started, rapid advances were made in the beet growing-business, which is now aided by machines capable of sowing several rows at a time, wide harrows for weed control, efficient, exact sprayers, etc. Our new harvesters handle to as many as six rows of beet at a time.

Lännen Tehtaat and the environment

In 1999, Lännen Tehtaat launched the biggest single environmental investment of its entire history. By the end of 2000, some FIM 21.1 million will have been spent on renovation and new building to intensify the treatment of wastewater from the Säkylä industrial area.

The purpose of the investment is

- to build more wastewater treatment capacity as required by the company's strategic choices
- to ensure that the load on waterways meets the new licence conditions
- to eliminate offensive smells from the operating environment of food plants
- to renew the sewage network in the industrial area, ensuring that different wastewater fractions are treated separately.

The most significant investment item is the construction of an anaerobic waste water pre-treatment plant that will reduce the oxygen consumption load from wastewater. The methane produced in the process will be used for energy generation. In 1999, the current aerobic purification unit was refurbished and its smooth winter operation ensured.

These investments will free about 50% of the 40-hectare wastewater basin for other uses. Offensive smells and the load of wastewater led into the surface waters will be reduced. The methane obtained from the process will replace fossil fuel equivalent to some 5 000 litres of fuel oil per day.

A separate brochure has been issued on the corporate environmental policy and its goals for 1998–2001.

Lännen Tehtaat's environmental goals include

1. Reducing the amount of wastewater and load on waterways
2. Cutting energy consumption
3. Reducing waste
4. Design and planning of the product range, packaging and investment in accordance with sustainable development principles
5. Development of our suppliers' environmental systems

Environmental pathway

- 1953 5 hectares of stabilization ponds are completed for wastewater treatment.
- 1977 The wastewater treatment area is extended to 40 hectares.
- 1986 An aerobic wastewater treatment process is adopted.
- 1996 The company committed itself to the ICC Business Charter for sustainable development. A waste management plan and related instructions are completed for the industrial area.
- 1997 The industrial area's waste management is awarded an environmental licence.
- 1998 An environmental policy is adopted and the company commits itself to its goals. The company joins the 'environmental register of packaging, PYR'.
- 1999 The biological wastewater treatment unit is renovated and its safe use in winter guaranteed.

Planning stage

- 2000 Construction of an anaerobic waste water pre-treatment plant
Recovery and utilization of methane



Board of Directors' report

Operating environment

According to advance information released by Statistics Finland, industrial production increased by a good 5% in 1999. Growth was slower than in 1998 but continued at a relatively steady pace throughout the year.

Food industry production grew faster in 1999, since plummeting exports to Russia slowed down growth in 1998. The 1999 growth rate was 3%. Finnish Food and Drink Industries' Federation follow-up statistics covering 40 companies show that the sales volume of food companies declined by 3% and net sales by 2% in 1999. The follow-up covers some 70% of all food industry sales. According to advance information from the Finnish Frozen Food Industries' Association, total consumption of frozen foods increased.

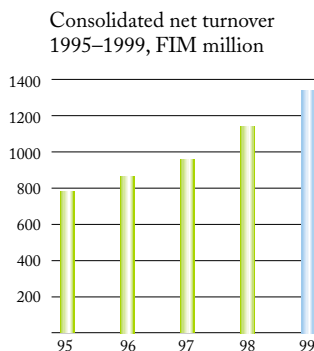
Corporate structure

Lännen Tehtaat business operations are divided into three groups. The Food Group consists of Lännen Tehtaat plc units *Apetit* and *Lännen Sugar*, and the subsidiaries *Tresko Fish Ltd* in Finland and *Lannen Polska Sp. z o.o.* in Poland. The Food Group's *Food Processing Koivukangas Oy* was merged with *Lännen Tehtaat plc* at the end of the year.

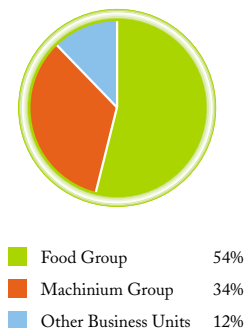
In July, the Earthmoving Technology Group was turned to *Machinium Group*, which consists of *Machinium Ltd*, the parent company of the new sub-Group, and its subsidiaries *Lännen Engineering Oy*, *Suomen Rakennuskone Oy*, *SMA Maskin AB* purchased in Sweden and *Lännen Maskin AB*, which was merged with it, *AS Balti Ehitusmasin-Baltem* in Estonia, *SIA BCM Baltijas Celtniecibas Masina* in Latvia and *UAB Baltijos Statybines Masinos* established in Lithuania. When the new group was set up, its ownership base was expanded, and *Lännen Tehtaat* now has a 58% holding.

The Other Business Units include *Lännen Tehtaat plc* units *Lännen Feed*, *Lännen Plant Systems*, *Lännen Agricultural Department* and *Harviala Oy*.

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



Net turnover by business segment



Net turnover

Consolidated net turnover totalled FIM 1 341.4 million (FIMm 1 141.9), an increase of 17%. The Food Group accounted for 54% (63%), the Machinium Group for 34% (23%) and Other Business Units for 12% (14%) of the total.

Net turnover by the Food Group amounted to FIM 723.3 million (FIMm 718.5). Net turnover by *Apetit* and the Food Group subsidiaries were FIM 385.4 million (FIMm 360.9), up 7%. Domestic sales accounted for FIM 10 million of this growth, and the first full operating year for *Lannen Polska* brought in more sales worth FIM



Members of the Board
 Hannu Simula (from the left)
 Tapio Reponen
 Juha Korkeaaja
 Heikki Harjuvaara
 Olli Karkkila
 Esko Eela and
 Tom v. Weymarn

15 million. Sales of frozen foods in Finland totalled FIM 274 million (FIMm 266). Frozen potatoes and pizzas sold particularly well. Sales of jams rose, while frozen fish and other fish products fell. The consumer market for sugar is experiencing a down trend in Finland, and Lännen Sugar's net turnover of FIM 337.9 million were therefore lower than the previous year (FIMm 357.6).

Net turnover by the Machinium Group came to FIM 454.1 million (FIMm 266.3), up 70%. Most of the increase was accounted for by the merger of SMA Maskin AB with the Group at the beginning of July. The proportion of consolidated net turnover accounted for by the Machinium Group grew and will continue to rise when SMA Maskin AB's net turnover for the entire year is included.

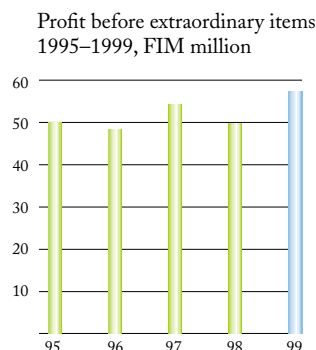
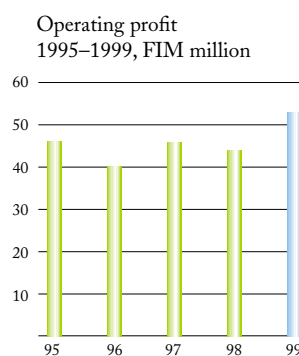
Net turnover by Other Business Units rose to FIM 164.0 million (FIMm 157.1), an increase of 4%.

International net turnover rose to FIM 288.4 million (FIMm 104.8).

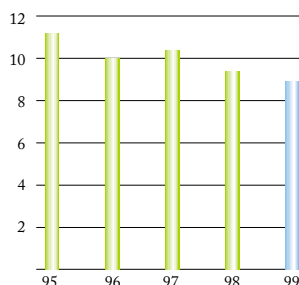
Net turnover by the Lännen Tehtaat plc parent company totalled FIM 831.1 million (FIMm 832.4).

Profits

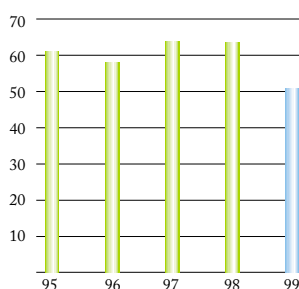
The consolidated operating profit was FIM 53.1 million (FIMm 44.0), and profit before extraordinary items FIM 57.4 million (FIMm 49.7), including a FIM 5.1 million (FIMm 7.5) share of Oy Atraco Ab's profit.



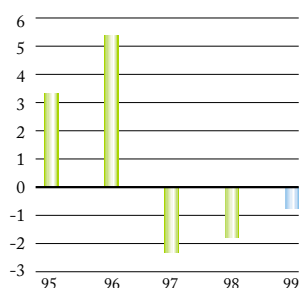
Return on investment
1995–1999, %



Equity ratio
1995–1999, %



Financial income/expenses,
net 1995–1999, FIM million



Direct taxes totalled FIM 12.3 million (FIMm 10.5). Profit for the financial year, at FIM 49.3 million, was substantially better than the previous year (FIMm 39.0).

Profits made by all groups increased.

Operating profit for the Food Group rose to FIM 35.0 million (FIMm 29.6). The increase was generated by Lännen Sugar and Apetit.

In the Machinium Group operating profit was FIM 9.5 million (FIMm 7.6) and that made by Other Business Units FIM 8.6 million (FIMm 6.8).

Financing

The consolidated balance sheet figures rose as a result of expansion in the Machinium Group: minority shareholders were included and SMA Maskin AB was merged with the Group. The financing structure continued to be good. At the end of the financial year, the consolidated financial assets totalled FIM 162.7 million (FIMm 88.0). Net financial expenses came to FIM 0.8 million (FIMm 1.8). The equity ratio stood at 51% (63%) at year end.

Annual General Meeting, share capital and shareholders

Lännen Tehtaat plc's Annual General Meeting held on April 15, 1999 decided to pay a dividend of FIM 2.40 per share.

The Annual General Meeting authorized the Board to decide on acquisition, sale or other surrender of the company's own shares. The authorization allows the Board to buy from Helsinki Exchanges a maximum of 322 238 Lännen Tehtaat plc shares, i.e. 5% of the total stock. The authorization is in force for one year from the Annual General Meeting. The company bought 170 000 of its own shares under the previous authorization. The Board has decided on the acquisition of a total maximum of 322 238 company shares. At the end of the financial year, the company owned a total of 216 000 of its own shares. A total of 106 200 more shares had been bought by February 18, 2000, bringing the total up to 322 200. The authorization to sell or surrender the company's own shares was not used.

At the end of the financial year, the Board did not have any authorization to issue shares or convertible or warrant bonds.

Investments

Gross investments in non-current assets totalled FIM 95.2 million (FIMm 63.8), with acquisition of subsidiary shares accounting for FIM 58.4 million. The biggest single acquisition was purchase of the share capital of the Swedish SMA Maskin AB for the Machinium Group for FIM 47.5 million. Material investments were distributed

evenly across the whole Group. The ongoing FIM 16 million environmental investment programme spent FIM 4.8 million on modernizing the industrial wastewater treatment plant in 1999.

The Food Group spent a total of FIM 18.4 million (FIMm 46.1) on investments, the Machinium Group FIM 64.7 million (FIMm 9.8) and Other Business Units FIM 12.1 million (FIMm 7.9).

R & D

The Group's R & D expenses represented 0.6% (0.7%) of net turnover. Most of this focused on *Apetit* products. New product series introduced included frozen gratinated vegetables and easy-to-use family-size soups and stews. Production of organically grown frozen food began. The aim of our R & D work is to continue to raise value added.

Management system

The construction of a management system based on an environmental and quality system complying with the ISO 9001/9002 and ISO 14001 standards and on an occupational health and safety programme proceeded as targeted. The *Apetit* unit, *Lännen Engineering Oy*, *Lännen Plant Systems* and *Lännen Agricultural Department* were awarded quality and environmental certificates in 1999. *Lännen Feed* had been awarded a quality certificate earlier. Other units will be ready for certification in 2000.

IP quality system in contract farming

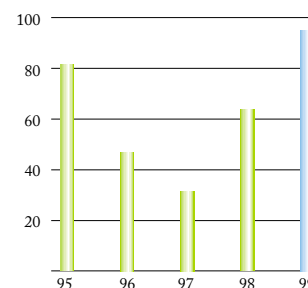
In order to safeguard the availability of high-quality domestic raw material and production, contract farmers of vegetables have been given IP (Integrated Production) quality system training for three years now. The aim is to have *Lännen* contract farming certified as meeting the international requirements for Integrated Production laid down by the IOBC.

Human resources development

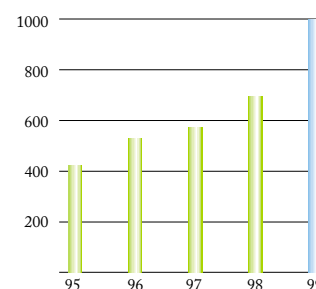
Suggestions

In 1999, the Group introduced a system which allows every member of the personnel to participate in developing various functions by making suggestions. In the first year, 27 suggestions per 100 persons were submitted. The aim is to increase the number of suggestions through various campaigns.

Gross investments
1995–1999, FIM million



Number of personnel
1995–1999



Well-being on the job

A training programme to improve employee well-being on the job was completed in 1999. It focuses on individual employees and on the way the company operates. For individual employees, physical and mental health, professional skills and work motivation are important factors. At the beginning of the programme, those participating are given personal targets, and personal development programmes are drawn up to help them achieve these targets. A follow-up survey is then made within two years. The well-being of the entire company is illustrated by the working atmosphere, the general level of efficiency and management skills. Lännen Tehtaat has been carrying out working atmosphere surveys at five-year intervals; the latest of these surveys was made towards the end of 1999 and it covered the personnel of all domestic units.

Prospects for 2000

Demand for frozen foods is expected to continue to grow faster than that for food on average in Finland, creating good conditions for selling the Food Group's Apetit frozen foods on the home market. Acquisition of the Dronningholm trademark in early 1999 also improved the growth potential in jams. The profit trend of the Polish subsidiary will continue to improve now that the rearrangement of operations has been completed. The company has been able to enter the Polish retail market with its own frozen food brand, which will create better opportunities to increase sales and prices in the future. The Food Group's profit is expected to rise slightly on the previous year.

Earthmoving is expected to remain at the previous year's level in both Finland and Sweden in 2000. The market for materials handling machinery is expected to remain at the present level in Sweden. The market for earthmoving machinery is expected to revive somewhat in the Baltic States. Net turnover by the Machinium Group will grow substantially as a result of expansion, and its profits will increase on 1999.

With the Machinium Group growing, consolidated net turnover will exceed FIM 1 500 million and operating profit will also increase materially. Our proportion of the profit made by associated companies will decrease. The accumulation of profits will concentrate on the latter part of the year, as in 1999. The profit for 2000 is expected to be around the 1999 level.

Profit and loss accounts

FIM 1 000		Consolidated		Parent company	
		1999	1998	1999	1998
Net turnover	(1)	1 341 398	1 141 866	831 137	832 388
Variation in stocks of finished goods and in work in progress		1 839	15 079	-2 693	5 496
Share of profits of associated undertakings	(2)	13 066	8 721		
Other operating income	(3)	11 599	4 486	6 859	4 379
Raw materials and services	(4)	-983 717	-880 061	-625 798	-641 643
Staff expenses	(5)	-170 887	-123 715	-79 111	-80 631
Depreciation	(6)	-38 934	-33 760	-27 711	-27 635
Other operating charges		-121 274	-88 635	-67 919	-65 688
Operating profit	(7)	53 090	43 981	34 764	26 666
Share of profits of associated undertakings	(2)	5 098	7 517		
Financial income and expenses	(8)	-753	-1 780	67 533	9 066
Profit before extraordinary items		57 435	49 718	102 297	35 732
Extraordinary items	(9)			-5 573	-1 210
Profit before appropriations, taxes and minority interest		57 435	49 718	96 724	34 522
Appropriations	(10)			23 163	5 195
Income taxes	(11)	-12 262	-10 489	-32 470	-11 735
Minority interest		4 108	-240		
Profit for the financial year		49 281	38 989	87 417	27 982

Balance sheets

FIM 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
ASSETS				
Non-current assets				
Intangible assets	(12) 59 887	37 091	35 719	30 409
Tangible assets	(13) 242 907	237 290	171 815	182 075
Holdings in group undertakings	(14,15) 52 752		52 752	61 609
Holdings in associated undertakings	(14,15) 128 400	155 426	104 352	104 352
Own shares	(14) 14 510	4 462	14 510	4 462
Other investments	(14,15) 13 533	13 553	15 745	15 499
	459 237	447 822	394 893	398 406
Current assets				
Stocks	(16) 286 643	180 037	89 565	90 482
Long-term receivables	(17) 3 530	2 000	16 765	26 447
Deferred tax receivables	(22) 254			
Current receivables	(18) 249 229	118 805	136 899	110 387
Marketable securities	29 435	29 460	29 435	29 460
Cash and cash equivalents	133 299	58 519	110 552	37 972
	702 390	388 821	383 216	294 748
	1 161 627	836 643	778 109	693 154
LIABILITIES				
Capital and reserves (19)				
Share capital	64 448	64 448	64 448	64 448
Share premium account	130 458	130 458	130 441	130 441
Revaluation reserve	4 599	4 599	4 599	4 599
Reserve for own shares	14 510	4 462	14 510	4 462
Contingency reserve	43 000	43 000	43 000	43 000
Retained earnings	238 365	224 031	112 893	110 019
Profit for the financial year	49 281	38 989	87 417	27 982
Preferred capital loans	10 000			
	554 661	509 987	457 308	384 951
Minority interest	51 491	20 033		
Accumulated appropriations			67 878	90 001
Provisions	(21) 884	600		121
Liabilities				
Deferred tax liability	(22) 20 454	25 987		
Long-term liabilities	(23) 233 938	107 810	103 275	102 101
Current liabilities	(23) 300 199	172 226	149 648	115 980
	1 161 627	836 643	778 109	693 154

Cash flow statements

FIM 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Operations				
Operating profit	53 090	43 981	34 764	26 666
Adjustments:				
Share of profits of associated undertakings	-18 164	-16 238		
Depreciation according to plan	38 934	33 760	27 711	27 635
Other adjustments	47 665	3 300	-1 005	118
Financial income and expenses	3 826	5 737	67 014	9 066
Extraordinary items			-1 500	-750
Direct taxes	-12 262	-10 489	-32 470	-11 735
Cash flow from operations	113 089	60 051	94 514	51 000
Change in working capital				
Change in current receivables	-130 424	-6 770	-26 511	18 804
Change in stocks	-106 605	-31 238	917	-11 962
Change in non-interest-bearing current liabilities	108 679	21 031	32 340	5 167
Change in long-term receivables	-1 784	8 059	9 682	-18 887
	-130 134	-8 918	16 428	-6 878
Net cash flow from operations (A)	-17 045	51 133	110 942	44 122
Investments				
Investments in tangible and intangible assets	-89 768	-73 154	-40 450	-24 047
Proceeds from sales of tangible and intangible assets	24 284	3 044	19 620	2 126
Other investments	-323	-592	-937	-25 959
Proceeds from sales of other investments	915	42	5 986	2 222
Net cash flow from investments (B)	-64 892	-70 660	-15 781	-45 658
Financing				
Purchase of own shares	-10 048	-4 462	-10 048	-4 462
Change in preferred capital loans	10 000			
Change in minority interest	31 459	15 767		
Change in current loans	19 294	4 748	1 328	
Change in long-term loans	120 595	2 081	1 174	-1 253
Dividends paid	-15 060	-15 467	-15 060	-15 467
Other changes in capital and reserves	452	70		
Net cash flow from financing (C)	156 692	2 737	-22 606	-21 182
Changes in liquid assets (A+B+C)	74 755	-16 790	72 555	-22 718
Liquid assets 1 January	87 979	104 769	67 432	90 150
Liquid assets 31 December	162 734	87 979	139 987	67 432

Notes to the financial statements 1999

Accounting principles

Extent of consolidated financial statements

The consolidated financial statements include the parent company Lännen Tehtaat plc and the following subsidiaries engaged in business operations: Tresko Fish Ltd, Food Processing Koivukangas Oy, merged with the parent company at the end of the financial year, Lannen Polska Sp. z o.o. in Poland, Harviala Oy and, as from the beginning of July, the Machinium Group as a subgroup. This last includes the parent company Machinium Ltd and Lännen Engineering Oy, Lännen Maskin AB in Sweden, Suomen Rakennuskone Oy, SMA Maskin AB in Sweden as from the beginning of July, AS Balti Ehitusmasin-Baltem in Estonia, SIA BCM Baltijas Celtniecibas Masina in Latvia and UAB Baltijos Statybinės Masinos in Lithuania. The consolidated financial statements also include seven companies established for future business operations and Cibarius Oy, which leases property to Group companies. All associated undertakings engaged in business are included in the consolidated financial statements, namely Sucros Ltd (Group), Oy Potma Ltd and Oy Atraco Ab.

More details about Lännen Tehtaat companies and associated companies are given below under the section entitled 'Group and associated undertakings'.

Accounting principles for consolidated financial statements

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. At the end of 1999, items allocated to buildings totalled FIM 9.7 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 markkas at the Bank of Finland middle rate on the closing day. The translation difference arising from the elimination of these companies' shareholders' equity has been recorded under retained earnings.

Associated undertakings

The associated undertakings have been consolidated according to the equity method. The Group's share of the profits for the financial period of the associated undertakings Sucros Group and Oy Potma Ltd have been entered before operating profit 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 has been entered after operating profit. 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 useful economic life. Publicly quoted fixed asset shares have been valued at historical cost.

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

Receivables and liabilities, other than those denominated to the euro have been translated into Finnish markkas at the Bank of Finland middle rate on the closing day. These exchange rate differences have been charged to the profit and loss account.

Use of derivative instruments

Derivative contracts are used for hedging. The Group used an interest rate swap for partial hedging against the interest rate risks entailed in long-term fixed-rate liabilities. The interest rate difference for the contract is recorded on an accrual basis under other financial income or expenses.

Pension arrangements

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

Special pension insurance policies provide additional pension coverage under the Trust rules for former employees and retired staff previously covered by the Lännen Staff Pension Trust.

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	
	1999	1998	1999	1998

1 Net turnover by business segment and by market area

Net turnover by business segment

Food Group	723 316	718 449	679 899	685 615
Machinium Group	454 041	266 276		
Other Business Units	164 041	157 141	151 238	146 773
Total	1 341 398	1 141 866	831 137	832 388

Exports from Finland	67 199	70 923	19 362	25 940
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Net turnover by market area

Finland	1 052 951	1 037 064	811 775	806 448
European Union	231 464	60 859	10 163	11 048
Rest of Europe	49 475	35 604	4 647	8 247
Other	7 508	8 339	4 552	6 645
Total	1 341 398	1 141 866	831 137	832 388

2 Share of profits of associated undertakings

Performed before operating profit

Sucros Group	12 906	8 556		
Other	160	165		
Total	13 066	8 721		

Performed after operating profit

Oy Atraco Ab	5 098	7 517		
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3 Other operating income

Gains from sales of non-current assets	6 785	1 246	1 932	335
Rental income	2 485	1 322	2 986	2 168
Payments received	2 329	1 495	1 925	1 544
Other		423	16	332
Total	11 599	4 486	6 859	4 379

4 Raw materials and services

Raw materials and consumables

Purchases during the financial year	962 064	882 278	621 709	641 092
Variation in stocks	810	-9 410	-1 501	-5 651
External services	20 843	7 193	5 590	6 202
Total	983 717	880 061	625 798	641 643

5 Staff expenses and the amount of the staff

Staff expenses

Wages and salaries	129 790	95 413	61 183	61 318
Pension expenses	22 945	17 676	11 130	12 334
Other social security expenses	18 152	10 626	6 798	6 979
Total	170 887	123 715	79 111	80 631

about which salaries and fees to the corporate management;

the members of the Administrative Council and

the Board of Directors and

the Managing Directors	3 617	3 312	1 655	1 541
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Average staff

Food Group	568	392	282	297
Machinium Group	296	175		
Other Business Units	133	128	104	103
Total	997	695	386	400

about which staff abroad

Average staff in associated undertakings	308	575		
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The commitments of the retirement for the members of Board of Directors and the President

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

6 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:

Formation expenses			5 years
Intangible rights			10 years
Goodwill			10 years
Goodwill on consolidation			5 or 10 years
Other capitalized long-term expenses			5 or 10 years
Buildings, made of stone and wood			22–30 years
Other buildings and constructions			5 or 10 years
Machinery and equipment			5 or 10 years

FIM 1 000	Consolidated		Parent company	
	1999	1998	1999	1998

Depreciation according to plan

Formation expenses		22		
Intangible rights	2 727	2 069	2 695	2 037
Goodwill	4 128	3 883	3 505	3 505
Other capitalized long-term expenses	634	561	288	239
Buildings	8 108	7 285	6 544	6 549
Machinery and equipment	21 087	18 513	14 679	15 305
Total	36 706	32 311	27 711	27 635

Goodwill on consolidation	2 228	1 449		
Total	38 934	33 760		

7 Operating profit by business segment

Food Group	34 990	29 581		
Machinium Group	9 500	7 600		
Other Business Units	8 600	6 800		
Total	53 090	43 981		

8 Financial income and expenses

Dividend income

From group undertakings			1 192	1 992
From associated undertakings			45 129	3 391
From others	511	478	511	478
Avoir fiscal income	199	185	18 213	2 280
Total	710	663	65 045	8 141

Interest income from long-term investments

From group undertakings			1 071	1 141
From others	300	512	300	512
Total	300	512	1 371	1 653

Other interest and financial income

From group undertakings			1 111	1 139
From others	9 465	6 410	6 342	5 193
Total	9 465	6 410	7 453	6 332

Financial income, total	10 475	7 585	73 869	16 126
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Interest expenses and other financial expenses

To group undertakings			6	6
To others	11 228	9 365	6 330	7 054
Total	11 228	9 365	6 336	7 060

Financial income and expenses, total	-753	-1 780	67 533	9 066
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Notes to the financial statements

FIM 1 000	Consolidated		Parent company		FIM 1 000	Consolidated		Parent company	
	1999	1998	1999	1998		1999	1998	1999	1998
9 Extraordinary expenses									
Group contributions			1 500	750					
Loss of merger			4 073						
Loss of liquidated group undertakings				460					
Total			5 573	1 210					
10 Appropriations									
Depreciation in excess of or less than plan									
Formation expenses	22								
Intangible rights	229	-35	229	-35					
Other capitalized long-term expenses	65		50						
Buildings	-19 627	-2 721	-19 731	-2 939					
Machinery and equipment	-2 945	-3 722	-3 711	-2 221					
Total	-22 256	-6 478	-23 163	-5 195					
11 Income taxes									
For financial year	20 419	11 932	34 836	11 367					
For previous years	-2 371	371	-2 366	368					
Deferred tax receivables	-254								
Change in deferred tax liability	-5 532	-1 814							
Total	12 262	10 489	32 470	11 735					
12 Intangible assets									
Formation expenses									
Increases	219								
Acquisition cost Dec. 31	219								
Depreciation for the year	-22								
Accumulated depreciation Dec. 31	-22								
Book value Dec. 31	197								
Intangible rights									
Acquisition cost Jan.1	20 157	20 081	19 824	18 848					
Increases	10 253	1 308	10 261	976					
Decreases		-1 232							
Acquisition cost Dec. 31	30 410	20 157	30 085	19 824					
Accumulated depreciation	-9 039	-7 468	-8 859	-6 822					
Accumulated depreciation on decreases		498							
Depreciation for the year	-2 727	-2 069	-2 697	-2 037					
Accumulated depreciation Dec. 31	-11 766	-9 039	-11 556	-8 859					
Book value Dec. 31	18 644	11 118	18 529	10 965					
Goodwill									
Acquisition cost Jan.1	39 572	36 954	35 044	35 044					
Increases	3 177	2 618	1 047						
Acquisition cost Dec. 31	42 749	39 572	36 091	35 044					
Accumulated depreciation	-19 843	-15 960	-16 627	-13 122					
Depreciation for the year	-4 128	-3 882	-3 504	-3 504					
Accumulated depreciation Dec. 31	-23 971	-19 842	-20 131	-16 626					
Book value Dec. 31	18 778	19 730	15 960	18 418					
Goodwill on consolidation									
Acquisition cost Jan.1	8 235	4 850							
Increases	17 052	3 385							
Acquisition cost Dec. 31	25 287	8 235							
Accumulated depreciation	-4 359	-2 910							
Depreciation for the year	-2 229	-1 449							
Accumulated depreciation Dec. 31	-6 588	-4 359							
Book value Dec. 31	18 699	3 876							
Other capitalized long-term expenses									
Acquisition cost Jan.1	3 690	1 931	1 497	1 063					
Difference on translation	-10								
Increases	1 845	1 759	492	434					
Acquisition cost Dec. 31	5 525	3 690	1 989	1 497					
Accumulated depreciation	-1 322	-762	-471	-232					
Depreciation for the year	-633	-561	-288	-239					
Accumulated depreciation Dec. 31	-1 955	-1 323	-759	-471					
Book value Dec. 31	3 570	2 367	1 230	1 026					
Intangible assets, total	59 888	37 091	35 719	30 409					
13 Tangible assets									
Land and waters									
Acquisition cost Jan.1	19 647	19 096	15 828	15 883					
Increases		985		345					
Decreases	-263	-434		-400					
Book value Dec. 31	19 384	19 647	15 828	15 828					
Buildings									
Acquisition cost Jan.1	192 861	158 015	157 074	150 810					
Difference on translation	-275								
Increases	3 005	36 310	11 373	6 856					
Decreases	-16 680	-1 464	-23 152	-592					
Acquisition cost Dec. 31	178 911	192 861	145 295	157 074					
Accumulated depreciation	-49 290	-42 164	-46 997	-40 555					
Difference on translation	-349								
Accumulated depreciation on decreases	4 549	132	6 314	107					
Depreciation for the year	-8 107	-7 258	-6 545	-6 550					
Accumulated depreciation Dec. 31	-53 197	-49 290	-47 228	-46 998					
Book value Dec. 31	125 714	143 571	98 067	110 076					
Machinery and equipment									
Acquisition cost Jan.1	157 497	121 093	121 730	102 246					
Difference on translation	-60	-128							
Increases	45 204	38 127	16 803	20 646					
Decreases	-3 061	-1 595	-2 040	-1 162					
Acquisition cost Dec. 31	199 580	157 497	136 493	121 730					

FIM 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Accumulated depreciation	-83 912	-67 139	-65 792	-51 912
Difference on translation	-148	56		
Accumulated depreciation on decreases	1 739	1 689	1 188	1 424
Depreciation for the year	-21 087	-18 518	-14 679	-15 304
Accumulated depreciation Dec. 31-	103 408	-83 912	-79 283	-65 792
Book value Dec. 31	96 172	73 585	57 210	55 938
Share of machinery and equipment in book value Dec.31	57 213	58 718	47 808	44 154
Advance payments and construction in progress				
Acquisition cost Jan.1	487	5 443	233	5 443
Increases	4 103	487	711	233
Decreases	-2 953	-5 443	-233	-5 443
Book value Dec. 31	1 637	487	711	233
Tangible assets, total	242 907	237 290	171 816	182 075
Taxation value of non-current assets				
Land and waters	4 435	4 387	2 339	2 311
Buildings	77 472	87 320	56 419	63 334
Holdings in group undertakings			86 345	57 298
Other shares and holdings	116 302	108 368	116 241	108 297
Total	198 209	200 075	261 344	231 240
Revaluation				
Land and waters Jan. 1 and Dec. 31	10 999	10 999	10 999	10 999
Buildings Jan. 1 and Dec. 31	4 827		4 827	
14 Investments				
Holdings in group undertakings				
Acquisition cost Jan.1			61 609	38 172
Increases			302	26 077
Decreases			-9 159	-2 640
Book value Dec. 31			52 752	61 609
Holdings in associated undertakings				
Acquisition cost Jan.1	155 426	143 015	104 352	104 777
Increases	18 164	16 238		
Decreases	-45 190	-3 827		-425
Book value Dec. 31	128 400	155 426	104 352	104 352
Own shares				
Acquisition cost Jan.1	4 462		4 462	
Increases	10 048	4 462	10 048	4 462
Book value Dec. 31	14 510	4 462	14 510	4 462
Other investments				
Receivables from group undertakings				
Book value Jan 1. and Dec. 31			2 500	2 500

FIM 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Other shares and holdings				
Acquisition cost Jan.1	7 856	7 581	7 307	7 318
Increases	3	2 309	265	2 000
Decreases	-424	-2 035	-419	-2 011
Book value Dec. 31	7 435	7 855	7 153	7 307
Other receivables				
Acquisition cost Jan.1	5 698	5 389	5 692	5 383
Increases	400	309	400	309
Book value Dec. 31	6 098	5 698	6 092	5 692
Other investments, total	13 533	13 553	15 745	15 499
15 Group and associated undertakings			Group holding %	Parent company holding %
Group undertakings				
Owned by parent company				
Machinium Ltd, Säkylä			58.25	58.25
Tresko Fish Ltd, Kustavi			100.00	100.00
Lannen Polska Sp. z o.o., Poland			50.00	50.00
Harviala Oy, Janakkala			100.00	100.00
Cibarius Oy, Turku			100.00	100.00
7 non-operative companies, Säkylä			100.00	100.00
Owned by other group undertakings				
Lännen Engineering Oy, Loimaa municipality			57.38	
Suomen Rakennuskone Oy, Säkylä			58.25	
SMA Maskin AB, Sweden			58.25	
Lännen Maskin AB, Sweden			58.25	
AS Balti Ehitusmasin-Baltem, Estonia			55.05	
SIA BCM Baltijas Celtniecibas Masina, Latvia			55.34	
UAB Baltijas Statybines Masinos, Lithuania			58.25	
Associated undertakings				
Sucros Ltd, Salo			20.00	20.00
Oy Potma Ltd, Pello			50.00	50.00
Oy Atraco Ab, Turku			50.00	50.00
Other shares and holdings owned by parent company and connection charges	Number of shares	Book value of shares FIM 1 000	Market value of shares FIM 1 000	
Quoted on Stock Exchange				
Kesko Corporation, Helsinki	100 000	4 214	7 492	
Raisio Group plc, K shares, Raisio	6 000	58	168	
Neomarkka plc, Helsinki	280	14	12	
Other				
Shares and holdings		863		
Connection charges		2 004		
Total		7 153		

Notes to the financial statements

FIM 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
16 Stocks				
Raw materials and consumables	45 185	47 250	26 210	23 971
Work in progress	22 388	12 108	1 562	1 925
Finished products/Goods	218 998	120 653	61 714	63 771
Advance payments	72	26	79	815
Total	286 643	180 037	89 565	90 482
17 Long-term receivables				
Loans receivable from group undertakings			15 431	24 447
Loans receivable from associated undertakings	1 333	2 000	1 334	2 000
Accounts receivable	2 197			
Total	3 530	2 000	16 765	26 447
18 Current receivables				
Accounts receivable	202 794	108 609	88 521	74 604
Amounts owed by group undertakings				
Accounts receivable			3 503	2 576
Loans receivable			19 631	27 563
			23 134	30 139
Amounts owed by associated undertakings				
Accounts receivable	1 470	542	1 470	542
Other receivables				
	4 612	3 569	1 826	1 677
Prepayments and accrued income				
Raw materials and services	11 229			
Warranty indemnities	2 162	118		
Pension assurance and other legal assurances	2 538	180	1 446	
Interest income and other financial income	1 661	1 579	1 229	921
Tax compensation receivables	19 379	2 280	18 213	2 279
Other	3 384	1 928	1 060	225
	40 353	6 085	21 948	3 425
Total	249 229	118 805	136 899	110 387
19 Changes in capital and reserves				
Share capital Jan.1	64 448	64 448	64 448	64 448
Share capital Dec.31	64 448	64 448	64 448	64 448
Share premium account Jan.1	130 458	130 458	130 441	130 441
Share premium account Dec.31	130 458	130 458	130 441	130 441
Revaluation reserve Jan.1	4 599	4 599	4 599	4 599
Revaluation reserve Dec.31	4 599	4 599	4 599	4 599
Reserve for own shares Jan.1	4 462	4 462	4 462	4 462
Transfer from retained earnings	10 048		10 048	
Reserve for own shares Dec.31	14 510	4 462	14 510	4 462
Contingency reserve Jan.1	43 000	43 000	43 000	43 000
Contingency reserve Dec.31	43 000	43 000	43 000	43 000

FIM 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Retained earnings Jan.1	224 031	205 254	110 019	80 186
Transferred from the previous year profit	38 989	38 636	27 981	49 762
Dividends	-15 059	-15 467	-15 059	-15 467
Transfer to reserve for own shares	-10 048	-4 462	-10 048	-4 462
Changes and translation differences during elimination	452	70		
Retained earnings Dec.31	238 365	224 031	112 893	110 019
Profit for the financial year	49 281	38 989	87 417	27 982
Preferred capital loans Jan.1				
Increase	10 000			
Preferred capital loans Dec.31	10 000			
Capital and reserves Dec.31	554 661	509 987	457 308	384 951
Distributable funds				
Contingency reserve	43 000	43 000	43 000	43 000
Retained earnings	238 365	224 031	112 893	110 019
Profit for the financial year	49 281	38 989	87 417	27 982
./. Activated formation expenses	-197			
./. Balance sheet provisions included in capital and reserves	-50 099	-66 823		
./. Balance sheet provisions of associated undertakings included in capital and reserves	-21 499	-9 019		
Distributable funds Dec.31	258 851	230 178	243 310	181 001
Preferred capital loan				
Group member Machinium Ltd has a FIM 10 000 000 preferred capital loan. The loan period is 5 years, and it is to be repaid in two equal instalments on April 30, 2003 and April 30, 2004. Throughout the three-year period the interest will be the reference rate for employee pension loans + 6.55 percentage points. The interest is entered under interest expenses in the consolidated profit and loss statement. The loan is a preferred capital loan according to the Limited-liability Companies Act's chapter 5.				
20 Accumulated appropriations				
Accumulated depreciation in excess of plan	70 554	92 810	67 878	90 001
Share transferred to capital and reserves	50 099	66 823		
21 Provisions				
Guarantee provision	884	479		
Salaries provision		121		121
Total	884	600		121
22 Deferred tax receivables and deferred tax liability				
Deferred tax receivables				
From consolidation procedures	254			
Deferred tax liability				
From appropriations	20 454	25 987		

FIM 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
23 Liabilities				
Long-term liabilities				
Bonds	100 000	100 000	100 000	100 000
Loans from credit institutions	81 388	6 835	2 379	1 250
Pension loans	51 654			
Other liabilities	896	975	896	851
Total	233 938	107 810	103 275	102 101

Bond

Lännen Tehtaat plc I/1996

Reg.no 102/271/96.

The amount of the loan FIM 100 million.

Maturity 5 years, interest 6%.

Loan is unsecured and matures on 11 November 2001.

Warrant bond

Lännen Tehtaat plc I/1997

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, 2000. Each FIM 1 000 bond carries 1 000 warrants. Each warrant entitles its holder to subscribe a maximum of five Lännen Tehtaat plc 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 price was 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, 21 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.

FIM 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Current liabilities				
Loans from credit institutions	25 797	6 504	2 578	1 250
Advances received	2 715	3 679	1 475	564
Payments on account	112 816	64 547	40 737	34 724
Amounts owed to group undertakings				
Payments on account			379	128
Other liabilities			68	64
Accruals and deferred income			1 500	750
			1 947	942

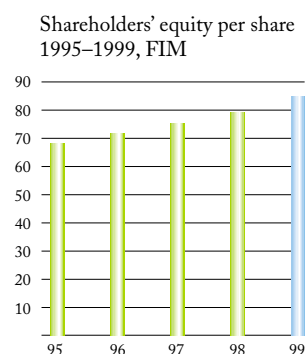
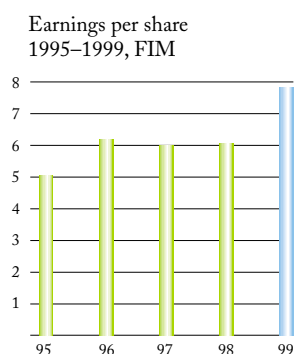
FIM 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Amounts owed to associated undertakings				
Payments on account	54 944	51 188	54 944	51 188
Other current liabilities	24 348	13 007	4 026	5 421
Accruals and deferred income				
Holiday pay reserve including				
social security expenses	21 075	13 794	9 922	9 408
Other salaries and fees including				
social security expenses	6 841	5 072	4 450	2 833
Raw materials and services	9 584	3 592	660	2 386
Interests of the loans	2 513	1 486	873	862
Income taxes	27 447	2 189	25 171	2 077
Other	12 119	7 168	2 865	4 325
	79 579	33 301	43 941	21 891
Current liabilities, total	300 199	172 226	149 648	115 980
Contingent liabilities				
Debts against which mortgages have been given				
Pension loans	51 653			
Loans from credit institutions	87 145	10 140	4 567	2 500
Real estate mortgages	5 750	7 900	5 750	2 500
Corporate mortgages	86 594	3 800		
Other securities given				
Pledges	25	28		
Real estate mortgages	8 950	8 900	6 876	5 200
Corporate mortgages	13 000	17 135	8 000	8 000
Securities given on behalf of Group companies				
Real estate mortgages			1 874	2 300
Corporate mortgages			3 000	3 000
Leasing liabilities				
Falling due during the following year	281	121	130	35
Falling due at later date	777	55	219	9
Contingent liabilities for own commitments				
Repurchasing commitments	149 833	16 116	5 407	3 276
Other commitments	1 033	1 000	1 033	1 000
Contingent liabilities on behalf of Group companies				
Guarantees			52 445	12 867
Repurchasing commitments				67
Contingent liabilities on behalf of others				
Guarantees		200		100
Other contingent liabilities				
Redemption liability of				
leased buildings	38 397	19 500	19 500	19 500
Outstanding derivative instruments				
Interest rate swap	20 000	20 000	20 000	20 000

Key indicators

Financial indicators	1999	1998	1997	1996	1995
Scope of operations					
Net turnover, FIM 1 000	1 341 398	1 141 866	958 112	866 571	783 087
Change, %	17.5	19.2	10.6	10.7	20.7
Food Group, %	53.9	62.9	59.9	64.4	54.1
Machinium Group, %	33.9	23.3	25.2	21.6	30.9
Other Business Units, %	12.2	13.8	14.9	14.0	15.0
Exports from Finland, FIM 1 000	67 199	70 923	96 070	87 278	79 525
Exports' share of net turnover, %	5.0	6.2	10.0	10.1	10.2
Gross investments in non-current assets, FIM 1 000	95 188	63 821	31 789	46 977	81 474
% of net turnover	7.1	5.6	3.3	5.4	10.4
R & D expenses, FIM 1 000	8 619	7 768	6 771	4 765	4 203
% of net turnover	0.6	0.7	0.7	0.5	0.5
Investments in associated undertakings, FIM 1 000	104 352	104 352	104 776	93 476	85 476
Dividends received from associated undertakings, FIM 1 000	45 129	3 391	6 236	72	16 160
Average number of personnel	997	695	573	530	422
Net turnover/employee, FIM 1 000	1 345	1 643	1 672	1 635	1 856
Financial income/expenses(-), net, FIM 1 000	-753	-1 780	-2 311	5 377	3 344
Extraordinary income/expenses(-), net, FIM 1 000					-186
Profitability					
Operating profit, FIM 1 000	53 090	43 981	45 945	40 207	46 154
% of net turnover	4.0	3.9	4.8	4.6	5.9
Profit before extraordinary items, FIM 1 000	57 435	49 719	54 199	48 465	49 995
% of net turnover	4.3	4.4	5.7	5.6	6.4
Profit before taxes and minority interest, FIM 1 000	57 435	49 719	54 199	48 465	49 809
% of net turnover	4.3	4.4	5.7	5.6	6.4
Profit for the financial year, FIM 1 000	49 281	38 989	38 637	39 237	30 546
% of net turnover	3.7	3.4	4.0	4.5	3.9
Return on equity, % (ROE)	8.2	7.7	8.3	9.0	7.6
Return on investment, % (ROI)	8.9	9.4	10.4	10.0	11.2
Financial and economic status					
Current ratio	2.3	2.3	2.5	2.2	2.5
Equity ratio, %	50.8	63.4	63.9	58.1	61.2
Net gearing, %	28.7	4.1	-2.0	1.3	-3.3
Non-current assets, FIM 1 000	459 238	447 822	403 833	401 617	336 469
Current assets, FIM 1 000	702 390	388 820	365 603	404 556	344 444
Capital and reserves, FIM 1 000	554 661	509 987	486 395	462 540	413 008
Distributable funds, FIM 1 000	259 048	230 178	200 536	164 082	125 546
Liabilities, FIM 1 000	554 591	306 023	278 164	339 028	264 269
Interest-bearing liabilities, FIM 1 000	324 679	114 474	105 937	172 838	105 089
Balance sheet total, FIM 1 000	1 161 627	836 643	769 436	806 173	682 301

Share data	1999	1998	1997	1996	1995
Earnings and dividend					
Earnings per share, FIM	7.84	6.06	6.00	6.19	5.06
Earnings per share, incl. warrant bond, FIM	7.57	5.86	5.88		
Nominal dividend per share, FIM	5.00 ¹⁾	2.40	2.40	2.20	2.00
Adjusted dividend per share, FIM	5.00	2.40	2.40	2.20	2.00
Dividend per earnings, %	63.8	39.6	40.0	35.5	39.5
Effective dividend yield, %	8.2	3.7	3.2	3.6	5.6
P/E ratio	7.8	10.7	12.6	10.0	7.1
Shareholders' equity per share, FIM	85.11	79.22	75.47	71.77	68.18
Share performance, FIM					
Adjusted closing price	60.76	65.00	75.39	62.00	36.00
Lowest price in year	52.92	60.00	61.00	36.10	30.00
Highest price in year	78.48	87.00	83.00	63.00	41.00
Average price during year	63.27	78.75	73.04	53.18	35.91
Shares traded					
Shares traded on Stock Exchange, 1 000 shares	2 749	1 146	1 671	2 276	541
% of average number of shares	43.7	17.8	25.9	35.9	8.9
Share capital, FIM 1 000	64 448	64 448	64 448	64 448	60 578
Market capitalization, FIM 1 000	391 585	418 910	485 872	399 576	218 080
Dividends, FIM 1 000	30 613 ¹⁾	15 271	15 467	14 178	12 116
Share issues, FIM 1 000					
Directed issue				3 870	
Share premium				11 610	
Number of shares					
Number of shares	6 444 776	6 444 776	6 444 776	6 444 776	6 057 776
Average adjusted number of shares	6 288 062	6 429 650	6 444 776	6 336 201	6 057 776
Adjusted number of shares at end of financial year	6 228 776	6 381 504	6 444 776	6 444 776	6 057 776

¹⁾ Board proposal



Calculation of financial ratios

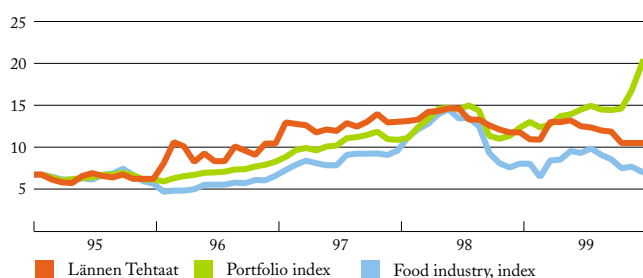
Financial indicators

Return on equity, % (ROE)	=	$\frac{\text{Profit/loss before extraordinary items less taxes} + \text{tax on extraordinary items}}{(\text{Shareholders' equity} - \text{own shares} - \text{preferred capital loans} + \text{minority interest}) \text{ average}}$	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 - own shares - interest-free accounts payable and accrued liabilities, advance payments received, deferred tax liability, obligatory provisions	
Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$	
Equity ratio, %	=	$\frac{\text{Shareholders' equity} - \text{own shares} - \text{preferred capital loans} + \text{minority interest}}{\text{Balance sheet total} - \text{own shares} - \text{advance payments received}}$	x 100
Net gearing ratio, %	=	$\frac{\text{Interest-bearing net liabilities}}{\text{Shareholders' equity} - \text{own shares} - \text{preferred capital loans}}$	x 100
Interest-bearing net liabilities	=	Interest-bearing liabilities - interest-bearing deposits and receivables	

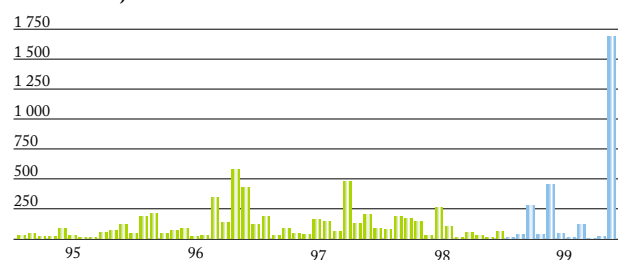
Share data

Earnings per share	=	$\frac{\text{Profit/loss before extraordinary items less taxes} + \text{tax on extraordinary items} + \text{minority interest}}{\text{Average number of shares (adjusted for share issues)}}$	
Adjusted dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Share issue coefficient}}$	
Dividend per earnings, %	=	$\frac{\text{Adjusted dividend}}{\text{Earnings per share}}$	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	=	$\frac{\text{Shareholders' equity} - \text{own shares} - \text{preferred capital loans}}{\text{Number of shares on Dec. 31, adjusted for share issues}}$	
Adjusted share price	=	$\frac{\text{Closing price on 31 Dec.}}{\text{Share issue coefficient}}$	
Market capitalization	=	Number of shares x average price at end of financial year	

**Share performance
1995–1999, EUR**



**Share trading
1995–1999, 1 000 shares**



Shares and shareholders

Shares and voting rights

The shares of Lännen Tehtaat plc 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 240 000 000. Share capital at the end of the financial year was FIM 64 447 760 and there were 6 444 776 shares. The shares have a nominal value of FIM 10 each.

Own shares

On April 15, 1999, the Annual General Meeting of Lännen Tehtaat plc authorized the Board of Directors to decide on the purchase of a maximum of 322 238 of the company's own shares by April 15, 2000. The maximum number of 322 238 included the 170 000 shares acquired under the authorization granted by the previous AGM on April 2, 1998.

The Board has decided to acquire the maximum amount of these shares. According to the AGM decision, the company has bought its own shares at the current market price in public trading on Helsinki Exchanges.

At the end of the 1999 financial period, Lännen Tehtaat plc owned 216 000 of its own shares, with a total nominal value of FIM 2 160 000. A total of FIM 14 509 676 was paid for the shares purchased. The proportion of the share capital and voting rights carried by the company's own shares thus acquired was 3.4% on December 31, 1999. A total of 152 728 of the company's own shares were purchased in 1999, totalling FIM 1 527 280 in nominal value. FIM 10 048 143 was paid for these shares.

Since the 1999 financial period, a total of 106 200 additional own shares have been bought, at a cost of FIM 7 520 194. On February 18, 2000, the company owned 322 200 of its own shares, with a total nominal value of FIM 3 222 000, i.e. 5% of the share capital and votes. A total of FIM 22 029 871 has been paid for the company's own shares.

Shares owned by the company itself do not carry any dividend or voting rights.

Registration and share quotation

Lännen Tehtaat plc's shares are in the book-entry system and have been quoted on Helsinki Exchanges since 1989. The symbol for the shares is LTE1S and the trading lot is 200 shares.

Dividend policy

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

Shareholders on February 18, 2000

Major shareholders	Number of shares	%	Number of votes	%
Tapiola General Mutual Insurance Company	614 000	9.5	614 000	10.0
Raisio Group plc	477 500	7.4	477 500	7.8
Esko Eela	387 348	6.0	387 348	6.3
Sampo Life Insurance Company Ltd	342 400	5.3	342 400	5.6
Valio Ltd	327 912	5.1	327 912	5.4
Norvestia plc	303 800	4.7	303 800	5.0
Tapiola Mutual Life Assurance Company	204 600	3.2	204 600	3.3
Varma-Sampo Mutual Pension Insurance Company	181 566	2.8	181 566	3.0
Ilmarinen Mutual Pension Insurance Company	170 000	2.6	170 000	2.8
Pohjola Non-Life Insurance Company	156 000	2.4	156 000	2.5
Nominee-registered shares	22 630	0.4	22 630	0.4
Other shareholders	2 934 820	45.6	2 934 820	47.9
External ownership total	6 122 576	95.0	6 122 576	100.0
Owned by the company	322 200	5.0		
	6 444 776	100.0	6 122 576	100.0

Shares owned by corporate management

Members of the Administrative Council and the Board of Directors and the President owned a total of 411 465 shares on February 18, 2000. This corresponds to 6.4% of the company's share capital and 6.7% of the voting rights. Apart from this, the President holds FIM 6 000 of the capital value of a warrant bond issued by the company in 1997. A breakdown of the management's warrant bonds is given in the notes to the financial statements on page 31.

Distribution of shareholdings

Shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 - 100	3 957	46.5	178 641	2.8
101 - 1 000	4 167	49.0	1 305 283	20.3
1 001 - 10 000	353	4.1	729 857	11.3
10 001 - 40 000	14	0.2	237 506	3.7
40 001 -	18	0.2	3 919 938	60.8
Joint account			73 551	1.1
Total	8 509	100.0	6 444 776	100.0

Distribution of ownership

	% of shareholders	% of shares
Companies	1.6	24.9
Financial and insurance institutions	0.4	22.2
Public organizations	0.6	11.9
Non-profit organizations	1.2	4.5
Private households	96.2	35.0
Foreign and nominee-registered		0.4
Joint account		1.1
Total	100.0	100.0

Changes in ownership reported

The following notifications were made during the financial period under chapter 2, section 9, of the Securities Markets Act:

April 6, 1999: The 7.1% owned by Norvestia plc exceeded one twentieth part of Lännen Tehtaat plc's votes and share capital.

May 10, 1999: The 5.4% owned by Sampo Life Insurance Company Ltd exceeded one twentieth part of Lännen Tehtaat plc's votes and share capital.

Proposal of the Board for the distribution of profit

The Group's distributable funds totalled FIM 258 851 351.97 on December 31, 1999. The parent company's distributable non-restricted equity was FIM 243 310 464.09.

The Board of Directors proposes that Lännen Tehtaat plc pay out FIM 3.00 per share as dividend in accordance with

its dividend distribution policy, and a further FIM 2.00 per share as additional dividend for the company's anniversary year, a total of FIM 5.00. The dividend distribution total is FIM 30 612 880.

Säkylä, March 6, 2000

Heikki Harjuvaara

Juha Korkeaoja

Esko Eela

Tapio Reponen

Hannu Simula

Tom von Weymarn

Olli Karkkila

Auditors' report

To the shareholders of Lännen Tehtaat plc

We have audited the accounting records, financial statements and administration of Lännen Tehtaat plc for the financial year 1 January–31 December 1999. 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 distributable funds is in compliance with the Finnish Companies' Act.

Säkylä, March 9, 2000

Kauko Lehtonen
Authorized Public Accountant

Pekka Nikula
Authorized Public Accountant

Administrative Council statement

After examining the 1999 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 distribu-

tion of profit be accepted.

The following members of the Administrative Council are in turn for retirement: Matti Eskola, Rainer Fallila, Hannu Harjunmaa, Pasi Jaakkola and Jouni Kaitila.

Säkylä, March 17, 2000

Tom Liljeström
Chairman of the
Administrative Council

Jarkko Sillanpää
Secretary of the
Administrative Council

Profit and loss accounts

EUR 1 000		Consolidated		Parent company	
		1999	1998	1999	1998
Net turnover	(1)	225 607	192 048	139 787	139 998
Variation in stocks of finished goods and in work in progress		309	2 536	-453	924
Share of profits of associated undertakings	(2)	2 198	1 467		
Other operating income	(3)	1 951	754	1 154	736
Raw materials and services	(4)	-165 449	-148 016	-105 252	-107 917
Staff expenses	(5)	-28 741	-20 807	-13 306	-13 561
Depreciation	(6)	-6 548	-5 678	-4 661	-4 648
Other operating charges		-20 397	-14 907	-11 423	-11 048
Operating profit	(7)	8 929	7 397	5 847	4 485
Share of profits of associated undertakings	(2)	857	1 264		
Financial income and expenses	(8)	-127	-299	11 358	1 525
Profit before extraordinary items		9 660	8 362	17 205	6 010
Extraordinary items	(9)			-937	-204
Profit before appropriations, taxes and minority interest		9 660	8 362	16 268	5 806
Appropriations	(10)			3 896	874
Income taxes	(11)	-2 062	-1 764	-5 461	-1 974
Minority interest		691	-40		
Profit for the financial year		8 288	6 557	14 702	4 706

Balance sheets

EUR 1 000	Consolidated		Parent company		
	1999	1998	1999	1998	
ASSETS					
Non-current assets					
Intangible assets	(12)	10 072	6 238	6 008	5 114
Tangible assets	(13)	40 854	39 909	28 897	30 623
Holdings in group undertakings	(14,15)			8 872	10 362
Holdings in associated undertakings	(14,15)	21 595	26 141	17 551	17 551
Own shares	(14)	2 440	750	2 440	750
Other investments	(14,15)	2 276	2 279	2 648	2 607
		77 238	75 318	66 416	67 007
Current assets					
Stocks	(16)	48 210	30 280	15 064	15 218
Long-term receivables	(17)	594	336	2 820	4 448
Deferred tax receivables	(22)	43			
Current receivables	(18)	41 917	19 982	23 025	18 566
Marketable securities		4 951	4 955	4 951	4 955
Cash and cash equivalents		22 419	9 842	18 594	6 386
		118 134	65 395	64 452	49 573
		195 372	140 713	130 869	116 580
LIABILITIES					
Capital and reserves (19)					
Share capital		10 839	10 839	10 839	10 839
Share premium account		21 941	21 941	21 939	21 939
Revaluation reserve		773	773	773	773
Reserve for own shares		2 440	750	2 440	750
Contingency reserve		7 232	7 232	7 232	7 232
Retained earnings		40 090	37 679	18 987	18 504
Profit for the financial year		8 288	6 557	14 702	4 706
Preferred capital loans		1 682			
		93 287	85 774	76 914	64 744
Minority interest		8 660	3 369		
Accumulated appropriations	(20)			11 416	15 137
Provisions	(21)	149	101		20
Liabilities					
Deferred tax liability	(22)	3 440	4 371		
Long-term liabilities	(23)	39 346	18 132	17 370	17 172
Current liabilities	(23)	50 490	28 966	25 169	19 506
		195 372	140 713	130 869	116 580

Cash flow statements

EUR 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Operations				
Operating profit	8 929	7 397	5 847	4 485
Adjustments:				
Share of profits of associated undertakings	-3 055	-2 731		
Depreciation according to plan	6 548	5 678	4 661	4 648
Other adjustments	8 017	555	-169	20
Financial income and expenses	643	965	11 271	1 525
Extraordinary items			-252	-126
Direct taxes	-2 062	-1 764	-5 461	-1 974
Cash flow from operations	19 020	10 100	15 896	8 578
Change in working capital				
Change in current receivables	-21 936	-1 139	-4 459	3 163
Change in stocks	-17 930	-5 254	154	-2 012
Change in non-interest-bearing current liabilities	18 278	3 537	5 439	869
Change in long-term receivables	-300	1 355	1 628	-3 177
	-21 887	-1 500	2 763	-1 157
Net cash flow from operations (A)	-2 867	8 600	18 659	7 421
Investments				
Investments in tangible and intangible assets	-15 098	-12 304	-6 803	-4 044
Proceeds from sales of tangible and intangible assets	4 084	512	3 300	358
Other investments	-54	-100	-158	-4 366
Proceeds from sales of other investments	154	7	1 007	374
Net cash flow from investments (B)	-10 914	-11 884	-2 654	-7 679
Financing				
Purchase of own shares	-1 690	-750	-1 690	-750
Change in preferred capital loans	1 682			
Change in minority interest	5 291	2 652		
Change in current loans	3 245	799	223	
Change in long-term loans	20 283	350	197	-211
Dividends paid	-2 533	-2 601	-2 533	-2 601
Other changes in capital and reserves	76	12		
Net cash flow from financing (C)	26 354	460	-3 802	-3 563
Changes in liquid assets (A+B+C)	12 573	-2 824	12 203	-3 821
Liquid assets 1 January	14 797	17 621	11 341	15 162
Liquid assets 31 December	27 370	14 797	23 544	11 341

Notes to the financial statements

EUR 1 000

	Consolidated		Parent company	
	1999	1998	1999	1998

1 Net turnover by business segment and by market area

Net turnover by business segment

Food Group	121 653	120 834	114 351	115 312
Machinium Group	76 364	44 784		
Other Business Units	27 590	26 429	25 436	24 685
Total	225 607	192 048	139 787	139 998

Exports from Finland	11 302	11 928	3 256	4 363
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Net turnover by market area

Finland	177 094	174 422	136 531	135 635
European Union	38 929	10 236	1 709	1 858
Rest of Europe	8 321	5 988	782	1 387
Other	1 263	1 403	766	1 118
Total	225 607	192 048	139 787	139 998

2 Share of profits of associated undertakings

Performed before operating profit

Sucros Group	2 171	1 439		
Other	27	28		
Total	2 198	1 467		

Performed after operating profit

Oy Atraco Ab	857	1 264		
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3 Other operating income

Gains from sales of non-current assets	1 141	210	325	56
Rental income	418	222	502	365
Payments received	392	251	324	260
Other		71	3	56
Total	1 951	754	1 154	736

4 Raw materials and services

Raw materials and consumables

Purchases during the financial year	161 808	148 389	104 564	107 824
Variation in stocks	136	-1 583	-252	-950
External services	3 506	1 210	940	1 043
Total	165 449	148 016	105 252	107 917

5 Staff expenses and the amount of the staff

Staff expenses

Wages and salaries	21 829	16 047	10 290	10 313
Pension expenses	3 859	2 973	1 872	2 074
Other social security expenses	3 053	1 787	1 143	1 174
Total	28 741	20 807	13 306	13 561

about which salaries and fees to the corporate management;

the members of the Administrative Council and

the Board of Directors and

the Managing Directors	608	557	278	259
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Average staff

Food Group	568	392	282	297
Machinium Group	296	175		
Other Business Units	133	128	104	103
Total	997	695	386	400

about which staff abroad	379	80		
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Average staff in associated undertakings	308	575		
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The commitments of the retirement for the members of Board of Directors and the President

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

6 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:

Formation expenses			5	years
Intangible rights			10	years
Goodwill			10	years
Goodwill on consolidation			5 or 10	years
Other capitalized long-term expenses			5 or 10	years
Buildings, made of stone and wood			22–30	years
Other buildings and constructions			5 or 10	years
Machinery and equipment			5 or 10	years

EUR 1 000

	Consolidated		Parent company	
	1999	1998	1999	1998

Depreciation according to plan

Formation expenses	4			
Intangible rights	459	348	453	343
Goodwill	694	653	589	589
Other capitalized long-term expenses	107	94	48	40
Buildings	1 364	1 225	1 101	1 101
Machinery and equipment	3 547	3 114	2 469	2 574
Total	6 174	5 434	4 661	4 648

Goodwill on consolidation	375	244		
Total	6 548	5 678		

7 Operating profit by business segment

Food Group	5 885	4 975		
Machinium Group	1 598	1 278		
Other Business Units	1 446	1 144		
Total	8 929	7 397		

8 Financial income and expenses

Dividend income

From group undertakings			200	335
From associated undertakings			7 590	570
From others	86	80	86	80
Avoir fiscal income	33	31	3 063	383
Total	119	112	10 940	1 369

Interest income from long-term investments

From group undertakings			180	192
From others	50	86	50	86
Total	50	86	231	278

Other interest and financial income

From group undertakings			187	192
From others	1 592	1 078	1 067	873
Total	1 592	1 078	1 254	1 065

Financial income, total	1 762	1 276	12 424	2 712
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Interest expenses and other financial expenses

To group undertakings			1	1
To others	1 888	1 575	1 065	1 186
Total	1 888	1 575	1 066	1 187

Financial income and expenses, total	-127	-299	11 358	1 525
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Notes to the financial statements

EUR 1 000	Consolidated		Parent company		EUR 1 000	Consolidated		Parent company	
	1999	1998	1999	1998		1999	1998	1999	1998
9 Extraordinary expenses					Goodwill on consolidation				
Group contributions			252	126	Acquisition cost Jan.1	1 385	816		
Loss of merger			685		Increases	2 868	569		
Loss of liquidated group undertakings				77	Acquisition cost Dec. 31	4 253	1 385		
Total			937	204	Accumulated depreciation	-733	-489		
10 Appropriations					Depreciation for the year	-375	-244		
Depreciation in excess of or less than plan					Accumulated depreciation Dec. 31	-1 108	-733		
Formation expenses	4				Book value Dec. 31	3 145	652		
Intangible rights	39	-6	39	-6	Other capitalized long-term expenses				
Other capitalized long-term expenses	11		8		Acquisition cost Jan.1	621	325	252	179
Buildings	-3 301	-458	-3 319	-494	Difference on translation	-2			
Machinery and equipment	-495	-626	-624	-374	Increases	310	296	83	73
Total	-3 743	-1 090	-3 896	-874	Acquisition cost Dec. 31	929	621	335	252
11 Income taxes					Accumulated depreciation	-222	-128	-79	-39
For financial year	3 434	2 007	5 859	1 912	Depreciation for the year	-106	-94	-48	-40
For previous years	-399	62	-398	62	Accumulated depreciation Dec. 31	-329	-222	-128	-79
Deferred tax receivables	-43				Book value Dec. 31	600	398	207	173
Change in deferred tax liability	-930	-305			Intangible assets, total	10 072	6 238	6 008	5 114
Total	2 062	1 764	5 461	1 974	13 Tangible assets				
12 Intangible assets					Land and waters				
Formation expenses					Acquisition cost Jan.1	3 304	3 212	2 662	2 671
Increases	37				Increases		166	58	
Acquisition cost Dec. 31	37				Decreases	-44	-73	-67	
Depreciation for the year	-4				Book value Dec. 31	3 260	3 304	2 662	2 662
Accumulated depreciation Dec. 31	-4				Buildings				
Book value Dec. 31	33				Acquisition cost Jan.1	32 437	26 576	26 418	25 364
Intangible rights					Difference on translation	-46			
Acquisition cost Jan.1	3 390	3 377	3 334	3 170	Increases	505	6 107	1 913	1 153
Increases	1 724	220	1 726	164	Decreases	-2 805	-246	-3 894	-100
Decreases		-207			Acquisition cost Dec. 31	30 091	32 437	24 437	26 418
Acquisition cost Dec. 31	5 115	3 390	5 060	3 334	Accumulated depreciation	-8 290	-7 091	-7 904	-6 821
Accumulated depreciation	-1 520	-1 256	-1 490	-1 147	Difference on translation	-59			
Accumulated depreciation on decreases		84			Accumulated depreciation on decreases	765	22	1 062	18
Depreciation for the year	-459	-348	-454	-343	Depreciation for the year	-1 363	-1 221	-1 101	-1 102
Accumulated depreciation Dec. 31	-1 979	-1 520	-1 944	-1 490	Accumulated depreciation Dec. 31	-8 947	-8 290	-7 943	-7 904
Book value Dec. 31	3 136	1 870	3 116	1 844	Book value Dec. 31	21 144	24 147	16 494	18 513
Goodwill					Machinery and equipment				
Acquisition cost Jan.1	6 656	6 215	5 894	5 894	Acquisition cost Jan.1	26 489	20 366	20 474	17 197
Increases	534	440	176		Difference on translation	-10	-22		
Acquisition cost Dec. 31	7 190	6 656	6 070	5 894	Increases	7 603	6 413	2 826	3 472
Accumulated depreciation	-3 337	-2 684	-2 796	-2 207	Decreases	-515	-268	-343	-195
Depreciation for the year	-694	-653	-589	-589	Acquisition cost Dec. 31	33 567	26 489	22 956	20 474
Accumulated depreciation Dec. 31	-4 032	-3 337	-3 386	-2 796					
Book value Dec. 31	3 158	3 318	2 684	3 098					

EUR 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Accumulated depreciation	-14 113	-11 292	-11 065	-8 731
Difference on translation	-25	9		
Accumulated depreciation on decreases	292	284	200	239
Depreciation for the year	-3 547	-3 115	-2 469	-2 574
Accumulated depreciation Dec. 31	-17 392	-14 113	-13 334	-11 065
Book value Dec. 31	16 175	12 376	9 622	9 408
Share of machinery and equipment in book value Dec.31	9 623	9 876	8 041	7 426
Advance payments and construction in progress				
Acquisition cost Jan.1	82	915	39	915
Increases	690	82	120	39
Decreases	-497	-915	-39	-915
Book value Dec. 31	275	82	120	39
Tangible assets, total	40 854	39 909	28 897	30 623
Taxation value of non-current assets				
Land and waters	746	738	393	389
Buildings	13 030	14 686	9 489	10 652
Holdings in group undertakings			14 522	9 637
Other shares and holdings	19 561	18 226	19 550	18 214
Total	33 336	33 650	43 955	38 892
Revaluation				
Land and waters Jan. 1 and Dec. 31	1 850	1 850	1 850	1 850
Buildings Jan. 1 and Dec. 31	812		812	
14 Investments				
Holdings in group undertakings				
Acquisition cost Jan.1			10 362	6 420
Increases			51	4 386
Decreases			-1 540	-444
Book value Dec. 31			8 872	10 362
Holdings in associated undertakings				
Acquisition cost Jan.1	26 141	24 053	17 551	17 622
Increases	3 055	2 731		
Decreases	-7 600	-644		-71
Book value Dec. 31	21 595	26 141	17 551	17 551
Own shares				
Acquisition cost Jan.1	750		750	
Increases	1 690	750	1 690	750
Book value Dec. 31	2 440	750	2 440	750
Other investments				
Receivables from group undertakings				
Book value Jan 1. and Dec. 31			420	420

EUR 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Other shares and holdings				
Acquisition cost Jan.1	1 321	1 275	1 229	1 231
Increases	1	388	45	336
Decreases	-71	-342	-70	-338
Book value Dec. 31	1 250	1 321	1 203	1 229
Other receivables				
Acquisition cost Jan.1	958	906	957	905
Increases	67	52	67	52
Book value Dec. 31	1 026	958	1 025	957
Other investments, total	2 276	2 279	2 648	2 607
15 Group and associated undertakings			Group holding %	Parent company holding %
Group undertakings				
Owned by parent company				
Machinium Ltd, Säkyä			58.25	58.25
Tresko Fish Ltd, Kustavi			100.00	100.00
Lannen Polska Sp. z o.o., Poland			50.00	50.00
Harviala Oy, Janakkala			100.00	100.00
Cibarius Oy, Turku			100.00	100.00
7 non-operative companies, Säkyä			100.00	100.00
Owned by other group undertakings				
Lännen Engineering Oy, Loimaa municipality			57.38	
Suomen Rakennuskone Oy, Säkyä			58.25	
SMA Maskin AB, Sweden			58.25	
Lännen Maskin AB, Sweden			58.25	
AS Balti Ehitusmasin-Baltem, Estonia			55.05	
SIA BCM Baltijas Celtniecibas Masina, Latvia			55.34	
UAB Baltijas Statybines Masinos, Lithuania			58.25	
Associated undertakings				
Sucros Ltd, Salo			20.00	20.00
Oy Potma Ltd, Pello			50.00	50.00
Oy Atraco Ab, Turku			50.00	50.00
Other shares and holdings owned by parent company and connection charges	Number of shares	Book value of shares FIM 1 000	Market value of shares FIM 1 000	
Quoted on Stock Exchange				
Kesko Corporation, Helsinki	100 000	709	1 260	
Raisio Group plc, K shares, Raisio	6 000	10	28	
Neomarkka plc, Helsinki	280	2	2	
Other				
Shares and holdings		145		
Connection charges		337		
Total		1 203		

Notes to the financial statements

EUR 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
16 Stocks				
Raw materials and consumables	7 600	7 947	4 408	4 032
Work in progress	3 765	2 036	263	324
Finished products/Goods	36 833	20 292	10 380	10 726
Advance payments	12	4	13	137
Total	48 210	30 280	15 064	15 218

17 Long-term receivables				
Loans receivable from group undertakings			2 595	4 112
Loans receivable from associated undertakings	224	336	224	336
Accounts receivable	370			
Total	594	336	2 820	4 448

18 Current receivables				
Accounts receivable	34 108	18 267	14 888	12 547

Amounts owed by group undertakings				
Accounts receivable			589	433
Loans receivable			3 302	4 636
			3 891	5 069

Amounts owed by associated undertakings				
Accounts receivable	247	91	247	91

Other receivables	776	600	307	282
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Prepayments and accrued income				
Raw materials and services	1 889			
Warranty indemnities	364	20		
Pension assurance and other legal assurances	427	30	243	
Interest income and other financial income	279	266	207	155
	3 259	383	3 063	383
Tax compensation receivables	569	324	178	38
Other	6 787	1 023	3 691	576
Total	41 917	19 982	23 025	18 566

19 Changes in capital and reserves				
Share capital Jan.1	10 839	10 839	10 839	10 839
Share capital Dec.31	10 839	10 839	10 839	10 839
Share premium account Jan.1	21 941	21 941	21 939	21 939
Share premium account Dec.31	21 941	21 941	21 939	21 939
Revaluation reserve Jan.1	773	773	773	773
Revaluation reserve Dec.31	773	773	773	773
Reserve for own shares Jan.1	750	750	750	750
Transfer from retained earnings	1 690		1 690	
Reserve for own shares Dec.31	2 440	750	2 440	750
Contingency reserve Jan.1	7 232	7 232	7 232	7 232
Contingency reserve Dec.31	7 232	7 232	7 232	7 232

EUR 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Retained earnings Jan.1	37 679	34 521	18 504	13 486
Transferred from the previous year profit	6 557	6 498	4 706	8 369
Dividends	-2 533	-2 601	-2 533	-2 601
Transfer to reserve for own shares	-1 690	-750	-1 690	-750
Changes and translation differences during elimination	76	12		
Retained earnings Dec.31	40 090	37 679	18 987	18 504
Profit for the financial year	8 288	6 557	14 702	4 706
Preferred capital loans Jan.1				
Increase	1 682			
Preferred capital loans Dec.31	1 682			
Capital and reserves Dec.31	93 287	85 774	76 914	64 744
Distributable funds				
Contingency reserve	7 232	7 232	7 232	7 232
Retained earnings	40 090	37 679	18 987	18 504
Profit for the financial year	8 288	6 557	14 702	4 706
./. Activated formation expenses	-33			
./. Balance sheet provisions included in capital and reserves	-8 426	-11 239		
./. Balance sheet provisions of associated undertakings included in capital and reserves	-3 616	-1 517		
Distributable funds Dec.31	43 536	38 713	40 922	30 442

Preferred capital loan

Group member Machinium Ltd has a EUR 1 681 879 (FIM 10 000 000) preferred capital loan. The loan period is and it is to be repaid in two equal instalments on April 30, 2003 and April 30, 2004. Throughout the three-year period the interest will be the reference rate for employee pension loans + 6.55 percentage points. The interest is entered under interest expenses in the consolidated profit and loss statement. The loan is a preferred capital loan according to the Limited-liability Companies Act's chapter 5.

EUR 1 000	Consolidated		Parent company	
	1999	1998	1999	1998

20 Accumulated appropriations				
Accumulated depreciation in excess of plan	11 866	15 610	11 416	15 137
Share transferred to capital and reserves	8 426	11 239		

21 Provisions				
Guarantee provision	149	81		
Salaries provision		20		20
Total	149	101		20

22 Deferred tax receivables and deferred tax liability

Deferred tax receivables				
From consolidation procedures	43			
Deferred tax liability				
From appropriations	3 440	4 371		

EUR 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
23 Liabilities				
Long-term liabilities				
Bonds	16 819	16 819	16 819	16 819
Loans from credit institutions	13 688	1 150	400	210
Pension loans	8 688			
Other liabilities	151	164	151	143
Total	39 346	18 132	17 370	17 172

Bond

Lännen Tehtaat plc I/1996

Reg.no 102/271/96.

The amount of the loan EUR 16 818 792 (FIM 100 000 000)

Maturity 5 years, interest 6%.

Loan is unsecured and matures on 11 November 2001.

Warrant bond

Lännen Tehtaat plc I/1997

The EUR 7 400 (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, 2000. Each EUR 168 (FIM 1 000) bond carries 1,000 warrants. Each warrant entitles its holder to subscribe a maximum of five Lännen Tehtaat plc 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 price was EUR 11.77 (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, 21 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 EUR 370 013 (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.

EUR 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Current liabilities				
Loans from credit institutions	4 339	1 094	434	210
Advances received	457	619	248	95
Payments on account	18 974	10 856	6 851	5 840
Amounts owed to group undertakings				
Payments on account			64	22
Other liabilities			11	11
Accruals and deferred income			252	126
			327	158

EUR 1 000	Consolidated		Parent company	
	1999	1998	1999	1998
Amounts owed to associated undertakings				
Payments on account	9 241	8 609	9 241	8 609
Other current liabilities	4 095	2 188	677	912
Accruals and deferred income				
Holiday pay reserve including				
social security expenses	3 545	2 320	1 669	1 582
Other salaries and fees including				
social security expenses	1 151	853	748	476
Raw materials and services	1 612	604	111	401
Interests of the loans	423	250	147	145
Income taxes	4 616	368	4 233	349
Other	2 038	1 206	482	727
	13 384	5 601	7 390	3 682
Current liabilities, total	50 490	28 966	25 169	19 506
Contingent liabilities				
Debts against which mortgages have been given				
Pension loans	8 687			
Loans from credit institutions	14 657	1 705	768	420
Real estate mortgages	967	1 329	967	420
Corporate mortgages	14 564	639		
Other securities given				
Pledges	4	5		
Real estate mortgages	1 505	1 497	1 156	875
Corporate mortgages	2 186	2 882	1 346	1 346
Securities given on behalf of Group companies				
Real estate mortgages			315	387
Corporate mortgages			505	505
Leasing liabilities				
Falling due during the following year	47	20	22	6
Falling due at later date	131	9	37	2
Contingent liabilities for own commitments				
Repurchasing commitments	25 200	2 711	909	551
Other commitments	174	168	174	168
Contingent liabilities on behalf of Group companies				
Guarantees			8 821	2 164
Repurchasing commitments				11
Contingent liabilities on behalf of others				
Guarantees		34		17
Other contingent liabilities				
Redemption liability of				
leased buildings	6 458	3 280	3 280	3 280
Outstanding derivative instruments				
Interest rate swap	3 364	3 364	3 364	3 364

Key indicators

Financial indicators	1999	1998	1997	1996	1995
Scope of operations					
Net turnover, EUR 1 000	225 607	192 048	161 143	145 747	131 706
Change, %	17.5	19.2	10.6	10.7	20.7
Food Group, %	53.9	62.9	59.9	64.4	54.1
Machinium Group, %	33.9	23.3	25.2	21.6	30.9
Other Business Units, %	12.2	13.8	14.9	14.0	15.0
Exports from Finland, EUR 1 000	11 302	11 928	16 158	14 679	13 375
Exports' share of net turnover, %	5.0	6.2	10.0	10.1	10.2
Gross investments in non-current assets, EUR 1 000	16 009	10 734	5 347	7 901	13 703
% of net turnover	7.1	5.6	3.3	5.4	10.4
R & D expenses, EUR 1 000	1 450	1 306	1 139	801	707
% of net turnover	0.6	0.7	0.7	0.5	0.5
Investments in associated undertakings, EUR 1 000	17 551	17 551	17 622	15 722	14 376
Dividends received from associated undertakings, EUR 1 000	7 590	570	1 049	12	2 718
Average number of personnel	997	695	573	530	422
Net turnover/employee, EUR 1 000	226	276	281	275	312
Financial income/expenses(-), net, EUR 1 000	-127	-299	-389	904	562
Extraordinary income/expenses(-), net, EUR 1 000					-31
Profitability					
Operating profit, EUR 1000	8 929	7 397	7 727	6 762	7 763
% of net turnover	4.0	3.9	4.8	4.6	5.9
Profit before extraordinary items, EUR 1 000	9 660	8 362	9 116	8 151	8 409
% of net turnover	4.3	4.4	5.7	5.6	6.4
Profit before taxes and minority interest, EUR 1 000	9 660	8 362	9 116	8 151	8 377
% of net turnover	4.3	4.4	5.7	5.6	6.4
Profit for the financial year, EUR 1 000	8 288	6 557	6 498	6 599	5 137
% of net turnover	3.7	3.4	4.0	4.5	3.9
Return on equity, % (ROE)	8.2	7.7	8.3	9.0	7.6
Return on investment, % (ROI)	8.9	9.4	10.4	10.0	11.2
Financial and economic status					
Current ratio	2.3	2.3	2.5	2.2	2.5
Equity ratio, %	50.8	63.4	63.9	58.1	61.2
Net gearing, %	28.7	4.1	-2.0	1.3	-3.3
Non-current assets, EUR 1 000	77 238	75 318	67 920	67 547	56 590
Current assets, EUR 1 000	118 134	65 395	61 490	68 041	57 931
Capital and reserves, EUR 1 000	93 287	85 774	81 806	77 794	69 463
Distributable funds, EUR 1 000	43 569	38 713	33 728	27 597	21 115
Liabilities, EUR 1 000	93 276	51 469	46 784	57 020	44 447
Interest-bearing liabilities, EUR 1 000	54 607	19 253	17 817	29 069	17 675
Balance sheet total, EUR 1 000	195 372	140 713	129 410	135 589	114 755

Share data	1999	1998	1997	1996	1995
Earnings and dividend					
Earnings per share, EUR	1.32	1.02	1.01	1.04	0.85
Earnings per share, incl. warrant bond, EUR	1.27	0.99	0.99	0.00	0.00
Nominal dividend per share, EUR	0.84 ¹⁾	0.40	0.40	0.37	0.34
Adjusted dividend per share, EUR	0.84	0.40	0.40	0.37	0.34
Dividend per earnings, %	63.8	39.6	40.0	35.5	39.5
Effective dividend yield, %	8.2	3.7	3.2	3.6	5.6
P/E ratio	7.8	10.7	12.6	10.0	7.1
Shareholders' equity per share, EUR	14.31	13.32	12.69	12.07	11.47
Share performance, EUR					
Adjusted closing price	10.22	10.93	12.68	10.43	6.05
Lowest price in year	8.90	10.09	10.26	6.07	5.05
Highest price in year	13.20	14.63	13.96	10.60	6.90
Average price during year	10.64	13.24	12.28	8.94	6.04
Shares traded					
Shares traded on Stock Exchange, 1 000 shares	2 749	1 146	1 671	2 276	541
% of average number of shares	43.7	17.8	25.9	35.9	8.9
Share capital, EUR 1 000	10 839	10 839	10 839	10 839	10 188
Market capitalization, EUR 1 000	65 860	70 456	81 718	67 204	36 678
Dividends, EUR 1 000	5 149 ¹⁾	2 568	2 601	2 385	2 038
Share issues, EUR 1 000					
Directed issue				651	
Share premium				1 953	
Number of shares					
Number of shares	6 444 776	6 444 776	6 444 776	6 444 776	6 057 776
Average adjusted number of shares	6 288 062	6 429 650	6 444 776	6 336 201	6 057 776
Adjusted number of shares at end of financial year	6 228 776	6 381 504	6 444 776	6 444 776	6 057 776

¹⁾ Board proposal

Corporate governance

Shareholders' meeting

The shareholders' meeting is the company's highest decision-making organ. Lännen Tehtaat plc has one series of shares carrying one vote each at shareholders' meetings. The Company Articles, however, limit the right of a single shareholder to exercise voting powers representing more than one tenth of the votes at the meeting.

The Annual General Meeting must be held by the end of May each year.

Administrative Council

The Board of Directors and the President are in charge of corporate management, under the supervision of the Administrative Council. The Administrative Council comprises a minimum of 15 and a maximum of 20 members elected by the shareholders' meeting. Persons 65 years of age or older are no longer eligible.

The term of the members of the Administrative Council is three years and ends at the close of the third AGM following election. The terms of one third (or the number nearest to it) must come to an end each year. Apart from this, the permanent corporate personnel may elect a maximum of four members, with personal deputies, from among themselves.

The Administrative Council has currently 20 members elected by the shareholders' meeting and four personnel representatives.

The function of the Administrative Council is:

- to supervise corporate management by the Board of Directors and the President
- to decide on the number of members of the Board
- to elect the members of the Board and to fix the fees and other remunerations payable to the members of the Board
- to elect a chairman and deputy chairman from among the members of the Board
- to elect the President and to decide his/her salary and other benefits
- to decide on any substantial changes in the company's business and to issue an opinion on the financial statements and the auditors' report
- to convene shareholders' meetings and to prepare the issues to be dealt with at them.

The Administrative Council usually meets three times a year.

Board of Directors

The Board of Directors bears the general responsibility for corporate management in keeping with the law and the Lännen Tehtaat plc Company Articles. In accordance with a decision made by the Administrative Council, the Board comprises a minimum of four and a maximum of seven members, one of them the President. A member must not be 65 or older at the time of election. The current Board has seven members.

The Board is elected for one year. The term of a Board member comes to an end at the close of the Administrative Council meeting convened following the AGM that follows the election. The Board usually meets once a month. In 1999, the Board met 17 times.

President

The President is elected by the Administrative Council. The President may have one or more deputies appointed by the Board of Directors.

Olli Karkkila has been President since 1994.

Auditors

In accordance with the Company Articles, Lännen Tehtaat plc has a minimum of two and a maximum of three auditors, who must be Authorized Public Accountants or Accounting Companies.

Lännen Tehtaat plc's auditors are Kauko Lehtonen, APA, and Pekka Nikula, APA, with Kauko Lehtonen acting as the supervisory auditor nominated by the shareholders' meeting.

Salaries and remunerations

The Annual General Meeting decides on the fees of the Administrative Council. The Administrative Council decides on the fees for Board meetings and other remunerations, including the President's salary and other benefits.

Insider regulations

General insider guidelines prepared by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers were approved by the Board of the Helsinki Exchanges on October 28, 1999.

The Lännen Tehtaat plc Board approved new insider regulations for the company on November 15, 1999, in force as from November 16, 1999. The new regulations replace the company's previous regulations and guidelines. The new insider regulations are based on the Guidelines for Insiders approved by the Helsinki Exchanges, and follow the requirements and instructions laid down there.

Administration and corporate management

Board of Directors

Heikki Harjuvaara, b. 1942
Deputy Managing Director,
Åkerlund & Rausing Group
Member since 1990 and Chairman since 1994
Chairman of the Board:
Kauttuan Paikallispalvelut Oy
Member of Board: Machinium Ltd,
Oy Teampac Ab, Åkerlund & Rausing Oy,
Tecnojolly S.p.a.,
Åkerlund & Rausing S.A.,
ZAO Åkerlund & Rausing
Holding: 2 000 shares

Juha Korkeaoja, b. 1950
Member of Parliament
Member since 1983 and
Deputy Chairman since 1991
Member of Supervisory Board:
Finnair Oyj
Member of Investment Council:
Finnish Industry Investment Ltd
Member of Board:
Federation of Finnish Fisheries Associations,
Köyliön Kalanviljely Oy
Chairman of Council:
Satakunta Rural Advisory Centre
Holding: 3 156 shares

Esko Eela, b. 1936
Member since 1996
Member of Board: Köyliön-Säkylän Sähkö Oy
Member of Supervisory Board:
Satapirkkan Sähkö Oy
Holding: 387 348 shares

Olli Karkkila, b. 1942
President, Lännen Tehtaat plc
Member since 1993
Chairman of the Board: Machinium Ltd
Member of Supervisory Board:
Tapiola Mutual Pension Insurance Company,
Lännen Puhelin Oy
Deputy Chairman of the Board:
Rauma Chamber of Commerce
Member of Board:
Finnish Food and Drink Industries' Federation
Holding: 1 000 shares

Tapio Reponen, b. 1947
Professor, Rector of Turku School of Economics
and Business Administration
Member since 1995
Member of Board: Hansaprint Oy
Holding: -

Hannu Simula, b. 1947
Head of Section, Central Union of
Agricultural Producers and
Forest Owners (MTK)
Member since 1998
Member of Board: Sucros Ltd,
Sugarbeet Research Centre
Holding: 850 shares

Tom v. Weymarn, b. 1944
CEO, Oy Rettig Ab
Member since 1999
Member of Board: Oy Rettig Ab,
Metsä Speciality Chemicals B.V.,
Telko Oy, Oy Sinebrychoff Ab, Ewos Ltd
Holding: -

Administrative Council

Tom Liljeström, b. 1959
Managing Director,
Tapiola Mutual Pension
Insurance Company
Member since 1994,
Chairman since 1996
Member of Board: Tapiola General
Mutual Insurance Company,
Tapiola Mutual Life
Assurance Company
Holding: -

Rainer Fallila, b. 1937
Member since 1978, Deputy Chairman
since 1996
Holding: 1 631 shares

Heikki Halkilahti, b. 1947
Senior Vice President, Valio Ltd.
Member since 1990,
Deputy Chairman since 1999
Deputy Chairman of the Board:
Cooperative Dairies Pension Fund
Holding: -

Antti Bärnlund, b. 1945
Member since 1995

Heikki Ellilä, b. 1945
Member since 1996

Antti Elo, b. 1949*
Member since 1997

Matti Eskola, b. 1950
Member since 1991

Jussi Hantula, b. 1955
Member since 1995

Hannu Harjunmaa, b. 1941
Member since 1988

Börje Helenelund, b. 1951
Member since 1998

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

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

Juha Nevavuori, b. 1942
Member since 1973

Esa Paganus, b. 1963*
Member since 1997

Samu Pere, b. 1968
Member since 1998

Esa Ruohola, b. 1946
Member since 1998

Mikko Soro, b. 1950
Member since 1998

Helena Walldén, b. 1953
Member since 1996

* Staff representative

Auditors

Kauko Lehtonen
Authorized Public Accountant

Pekka Nikula
Authorized Public Accountant

Corporate Management



Olli Karkkila, b. 1942
President since 1994



Riitta Jaakkola, b. 1950
Director of Finance since 1998



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 Machinium 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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Lännen Plant Systems

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Lännen Agricultural Department

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Lännen Engineering Oy

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Suomen Rakennuskone Oy

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Oy Atraco Ab

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