Board of Directors' report 2005

LÄNNEN TEHTAAT'S VISION IS TO BE ONE OF THE LEADING FINNISH FOOD COMPANIES.

CHANGES IN GROUP STRUCTURE AND ORGANIZATION

The Group structure was given a clearer definition and profit responsibility was underlined in the last quarter of 2005. The Group administration organization was streamlined heavily and human resources and information management were moved closer to the customer interface as part of the Food segment. New key personnel were recruited for Group management.

At the end of the financial year, the Food Division was organized into two strategic business units: Apetit Frozen Foods and Jams, and Apetit Kala. Apart from these, joint operations include marketing, sales, controlling, information management and human resources management.

Operations by Lännen Sugar, which was a business unit in the Food Division, were discontinued at the end of 2005, since Sucros Ltd terminated its sales contract for Dansukker consumer products on December 31, 2005.

The Agricultural Division's companies operate as independent units with their own product brands. The Division comprises Lännen Tehtaat plc's subsidiaries Suomen Rehu Oy and Avena Nordic Grain Oy. Suomen Rehu Oy's subsidiaries are Lännen Rehu Oy, Hiven Oy, Mildola Oy and UAB Baltic Feed. The companies are managed through internal Board work. The segments reporting to the Agricultural Division are the Animal Feeds segment, consisting of Suomen Rehu Oy and its subsidiaries and the Grain Trading segment, which consists of Avena Nordic Grain Oy.

In March, Suomen Rehu Oy acquired 65% of the total stock of Mildola Oy, which produces vegetable oils and protein feeds. After the transaction Suomen Rehu Oy owns 82.5 per cent of Mildola Oy's stock. The company has been included in the consolidated financial statements as of May 1, 2005. Mildola Oy's inoperative companies Anttilan Koetila Oy and ÖP-Trading Oy were merged with their parent company at the end of 2005.

In August, Lännen Tehtaat and Raisio set up an equally-owned joint venture Scandic Feed in Russia. The company's aim is to start producing feeds in northwestern Russia and win a significant market share there within five years.

In order to develop grain trading in the Baltic region, Avena Nordic Grain Oy established a subsidiary in Lithuania. UAB Avena Nordic Grain's operations began in August.

The Other Operations segment comprises Group administration and Harviala Oy.

The business operations of Lännen Plant Systems, which was part of the Other Operations segment, were sold at the beginning of April. The deal had no significant impact on Group performance.

NET TURNOVER

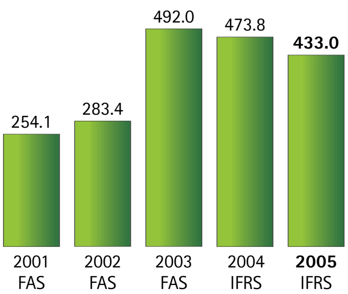
The Lännen Tehtaat Group's consolidated net turnover totalled EUR 433.0 (473.8) million. Net turnover for continuing operations was EUR 424.9 million in the comparison year. Food accounted for 35% of this figure (31% of continuing operations) and the Animal Feeds segment 47% (46%). Grain Trading accounted for 17% (21%) and Other Operations for 1% (2%).

The Food Division's net turnover was EUR 149.5 (130.6) million. The increase was due to the addition of Apetit Kala to the Group at the end of June in 2004. Net turnover for the fish products business grew as planned. Retail sales of frozen foods were at the same level as in the comparison year. Sales of frozen foods, pizzas and frozen potato products grew on 2004. Sales of frozen vegetables fell, particularly for products sold under own product brand. Retail sales of jams and marmalades fell, too. Sales to the food industry and to the hotel, restaurant and catering sector fell short of that in the comparison year as a result of increased imports. Imports of sugar products for consumer use through the retail trade from the Baltic States increased, which reduced Lännen Sugar's net turnover. The good berry and apple crops reduced the expected fall in sugar sales, however.

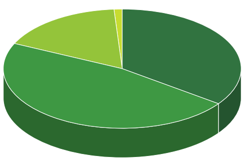
Net turnover for the Feeds segment was EUR 205.1 (195.0) million. The comparable net turnover with the impact of the corporate acquisition eliminated fell by some 5% on the previous year. The fall in sales was primarily due to the impact of lower raw material prices on sales prices. The merging of Mildola with the Group caused an increase of EUR 19.5 million in the Feeds segment net turnover in 2005.

Net turnover for Grain Trading was EUR 86.6 (107.2) million. The volume was reduced in the early part of the

CONSOLIDATED NET TURNOVER, EUR MILL.



NET TURNOVER BY BUSINESS SEGMENT



Food Division	35%
Feeds Segment	47%
Grain Trading	17%
Other operations	1%
Total	100%

year by the previous year's small crops in Finland. The price level of grains was also lower than in the previous year. In the latter half of the year, the grain trade from 2005 crops was as planned.

Net turnover for Other Operations was EUR 7.1 (8.8) million. The decrease was due to the sale of Lännen Plant Systems at the beginning of April.

Net turnover for the parent company Lännen Tehtaat plc was EUR 99.0 (107.5) million.

PROFITS

The operating profit for Lännen Tehtaat's continuing operations before non-recurring items came to EUR 12.1 (14.7) million. The impact of non-recurring items on the operating profit was EUR +4.2 (-) million. The non-recurring items affecting the operating profit include the write-downs and cost reserves of EUR 3.2 million resulting from the decision to close down Suomen Rehu's factory in Vaasa and recorded in the Feed segment's result in the first quarter, and the entry in the profit and loss account of the negative goodwill of EUR 1.1 million created in the acquisition of Mildola Oy in the second quarter. The Food Division recorded a non-recurring income item of EUR 7.6 million from the termination of the sales contract concerning sugar retailing and a EUR 0.3 million reserve for restructuring expenses in the final quarter. Other Operations reserved EUR 0.7 million for restructuring expenses and EUR 0.3 million for impairment losses.

The operating loss for discontinued operations was EUR 3.3 million in the comparison period.

The Food Division's operating profit before non-recurring items amounted to EUR 2.3 (4.1) million and EUR 9.6 (4.1) after non-recurring items. The division's profitability fell short of the target level and the comparison period, primarily as a result of poor profitability in the fish products business in the early part of the year. The performance of Frozen Foods and Jams fell slightly on the comparison year as a result of lower net turnover. Lännen Sugar's operative performance was at the same level as in 2004.

The operating profit for the Feed segment before non-recurring items was EUR 11.5 (11.7) million and after non-recurring items EUR 9.4 (11.7) million. The merging of Mildola with the Feed segment improved profitability significantly.

Operating profit by Grain Trading amounted to EUR 1.4 (2.3) million. EUR 0.4 of the decrease is due to value changes of derivative contracts in the profit and loss account. Value changes in the derivative contracts taken to hedge the raw material positions reduced the performance for the early part of the year by EUR 0.2 million and improved the performance of the comparison period 2004 by EUR 0.2 million. As of the beginning of 2005, hedge accounting has been applied to efficient hedging of purchases and sales under the IAS 39 Standard.

The operating profit before non-recurring items for Other Operations was EUR –3.1 (-3.4) million and after non-recurring items EUR –4.1 (-3.4) million.

Net financial expenses totalled EUR 1.2 (1.5) million. The share of profits of associated companies was EUR –0.1 (2.7) million. The compensation relating to the termination of the sugar sales contract between Lännen Tehtaat and Sucros reduced the share of profits of associated companies by EUR 1.1 million in the final quarter.

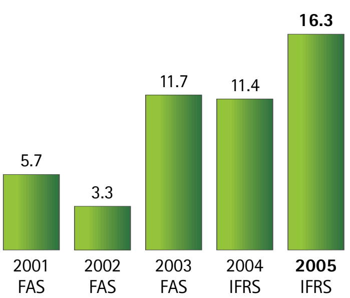
Consolidated profit before taxes and non-recurring items was EUR 11.8 (14.4) million and after non-recurring items EUR 14.9 (12.6) million. The profit for the period was EUR 11.4 (10.5) million.

FINANCING AND CASH FLOW

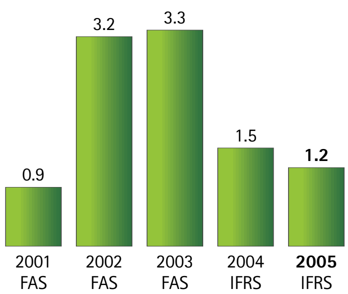
The Group's financial position and liquidity continued to be good. Cash flow from operations after interest and taxes stood at EUR 17.8 (27.8) million. The difference between 2005 and 2004 is primarily due to changes in working capital. The net cash flow from investments was EUR –8.0 (-9.4) million. A total of EUR 4.1 (3.9) million was paid out in dividends.

The Group's interest-bearing liabilities came to a total of EUR 45.9 (46.4) million and liquid assets to EUR 11.2 (10.2) million at the end of the financial period. Net interest-bearing liabilities amounted to EUR 34.7 (36.2) million. The consolidated balance sheet total stood at EUR 232.2 (215.4) million. Equity totalled EUR 116.1 (106.8) million at the end of the financial period. The equity ratio was 50.0 (49.6) %. Commercial papers issued for the Group's short-

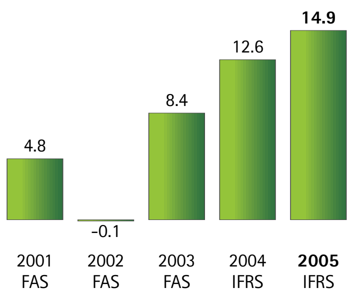
OPERATING PROFIT, EUR MILL.



FINANCIAL EXPENSES, EUR MILL.



PROFIT BEFORE TAXES, EUR MILL.



Board of Directors' report 2005

term financing stood at EUR 19.0 (13.0) million at the end of the review period. Liquidity is secured with long-term committed credit facilities. No credit facilities were used during the financial period.

INVESTMENT

Consolidated gross investment in non-current assets came to EUR 7.3 (5.4) million. Investment excluding corporate acquisitions by the Food Division totalled EUR 1.4 (2.7) million, by the Feed segment EUR 5.6 (2.1) million, by Grain Trading EUR 0.0 (0.0) million and by Other Operations EUR 0.3 (0.4) million. Investment by the Machinium Group in 2004 stood at EUR 0.3 million at the time it was disengaged from the Group.

The Feed segment's investments were primarily related to improving production and logistics processes in the Feed segment and to increasing production capacity at the Feed group's other factories related to the closing down of the Suomen Rehu factory in Vaasa.

Other consolidated investments in non-current assets concerned productivity and replacements.

The most significant of the share and corporate acquisitions which totalled EUR 4.4 (5.6) million, was the purchase of a majority holding of Mildola Oy's shares for EUR 4.1 million in a transaction that took effect at the beginning of May.

ANNUAL GENERAL MEETING, SHARE CAPITAL AND SHARES

The Annual General Meeting on March 31, 2005 decided to distribute a dividend of EUR 0.65 per share.

The Annual General Meeting decided to authorize the Board of Directors to raise share capital by new share issues and/or to issue a convertible bond in one or more instalments. The authorization is valid one year, starting from the date of the AGM decision. In a new share issue and/or an issue through a convertible bond, the share capital can be raised by a maximum total of EUR 1,263,514 in such a way that a maximum of 631,757 shares with a nominal value of EUR 2.00 are offered for subscription.

The Board of Directors was authorized to diverge from the shareholders' pre-emptive subscription right to new shares and/or to convertible bonds if the company's financial status so requires. The authorization also covers the right to decide on the subscription prices, those entitled to subscribe shares, subscription terms, terms concerning a convertible bond and other terms and aspects related to a new share issue and/or issue of a convertible bond.

So far the Board has not exercised its right to raise share capital by issuing new shares or a convertible bond.

The Annual General Meeting decided to authorize the Board of Directors to decide to surrender the company's own shares. The authorization concerns the 65,000 company shares acquired using the authorization granted by the AGM on April 5, 2001. The Board is authorized to decide to whom and in what order the company's own shares are surrendered. The shares can be surrendered in one or more tranches. The Board may decide to surrender the Company's own shares otherwise than in proportion to the pre-emptive right of shareholders.

The shares can be surrendered in one or more tranches, as decided by the Board, in connection with corporate acquisitions or other corporate arrangements or for some other similar purpose that the Board may consider suitable. Surrender of the shares can also be carried out via public trading on Helsinki Exchanges. The share price is the current value at the time of surrender, determined in public trading on Helsinki Stock Exchange. The shares may also be surrendered against other than monetary consideration. The authorization is valid for one year, starting from the date of the AGM decision.

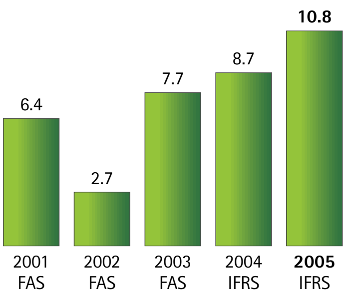
The Board has not yet made use of the authorization. The 65,000 Lännen Tehtaat plc shares in the company's possession represent 1.0% of the total share capital and total votes.

FLAGGING NOTICES

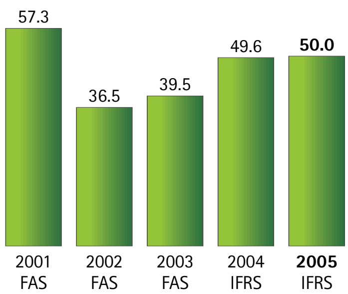
Tapiola General Mutual Insurance Company and Tapiola Mutual Life Assurance Company, whose shareholdings are calculated together under the flagging regulations, announced on February 18, 2005 a change in their shareholding on February 17, 2005. They now hold 4.37% of Lännen Tehtaat plc's total share capital and total votes.

Raisio plc announced on September 14, 2005 that its holding in Lännen Tehtaat plc's share capital and voting rights had fallen below 5% on September 14, 2005. After the change, neither Raisio plc nor any organization or foundation

RETURN ON INVESTMENT, %



EQUITY RATIO, %



controlled by Raisio plc owns Lännen Tehtaat plc's shares.

ODIN Forvaltning AS announced on September 15, 2005 that the proportion of its holding in Lännen Tehtaat plc's share capital and voting rights had risen to 5.18%.

SHARE TRADING

In the period under review, 3,768,866 (1,778,558) company shares were traded on the Stock Exchange, i.e. 59.7% (28.6%) of the total stock. The highest share price was EUR 18.29 (14.50) and the lowest EUR 11.71 (11.00). Share turnover totalled EUR 54.0 (22.4) million. The price at the end of the year was EUR 18.00 (12.05).

IFRS REPORTING

Lännen Tehtaat's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. The Group transferred to IFRS reporting at the beginning of 2005. The transition was reported in a separate information bulletin issued on April 27, 2005.

SEASONALALITY OF OPERATIONS

The transition to IFRS reporting has had a noticeable impact on the accrual of Lännen Tehtaat's profits over the financial year.

In accordance with the IAS 2 standard, the historical cost of inventories includes a systematically allocated portion of the fixed production overheads. In production that focuses on seasonal crops, raw materials are processed into finished products mainly during the year's final quarter, which means that the inventory volumes and their balance-sheet values are at their highest at the end of the year. As entering as an expense of the fixed production overheads included in the historical cost is deferred until the time of sale, most of the Group's annual profit is accrued in the final quarter. The seasonal nature of operations features most strongly in the Food Division and in the associated company Sucros, which is part of that division. There is also some seasonal fluctuation in the Feed segment. Apetit Kala's sales depend largely on seasonal holidays, such as Christmas. A major proportion of the entire year's profit depends on the success of Christmas sales.

R&D

The Group's product development expenses were 0.7% (0.6%) of net turnover.

In food products, the development focus was on ready-made frozen foods and fish products. A new series of Apetit casseroles and a series of Grilled Fish products were launched, and new products were added to the Quick & Tasty microwave range.

In animal feeding solutions, the emphasis in 2005 was on the development of feeding that advances intestinal health and the wellbeing of young animals.

RISKS AND UNCERTAINTIES

The Group companies and the business units regularly assess the risks involved in their operations and the adequacy of the control methods needed. The purpose of these risk assessments, which support strategy work and decision-making, is to ensure sufficient action to control risks.

No significant individual risks have come up in the Group's risk assessments that would call for special action in addition to measures falling within normal business operations and defined in the risk management process.

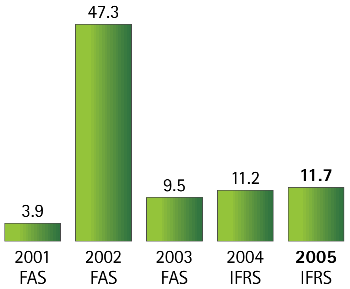
The European Union new sugar regime has a negative impact on the operating conditions in this sector in Finland. Sucros Ltd has decided to start co-determination talks concerning reductions in personnel relating to the closing down of the factory in Salo. The factory in Säkylä will continue for the time being. The sugar regime reform and the consequent changes will reduce the dividends received by Lännen Tehtaat from Sucros Ltd in future years and the share of profit to be entered in the profit and loss account.

Lännen Tehtaat plc owns 20% of the stock of Sucros Ltd, which engages in sugar production in Finland. The company has sugar beet factories in Salo and Säkylä, a glucose syrup factory in Jokioinen and a factory that refines raw sugar in Kantvik.

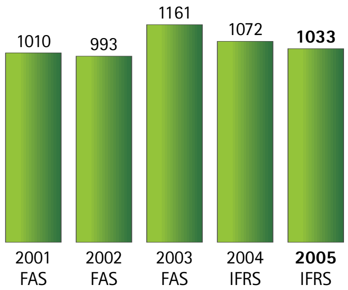
ENVIRONMENAL RESPONSIBILITY

Lännen Tehtaat's operations are guided by the principles of continuous improvement and sustainable development. The company is a responsible operator, taking into account the requirements of both society and the environment.

GROSS INVESTMENTS, EUR MILL.



AVERAGE NUMBER OF PERSONNEL



Board of Directors' report 2005

The management of Lännen Tehtaat has set environmental objectives for the company in its operating policy.

The company is not aware of any significant individual risks relating to the environment at the time of closing the accounts.

CORPORATE GOVERNANCE, MANAGEMENT AND PERSONNEL

The Supervisory Board of Lännen Tehtaat plc elected the following Board members at a meeting on June 16, 2005: Tom von Weymarn, Hannu Simula, Harri Eela, Aappo Kontu, Matti Lappalainen and Soili Suonoja. Tom von Weymarn was elected Chairman of the Board and Hannu Simula Vice Chairman. In a meeting held on October 31, 2005 the Supervisory Board elected Simo Palokangas member of the Board as of April 1, 2006.

The CEO of Lännen Tehtaat plc was Erkki Lepistö up to August 31, 2005. Matti Karppinen was elected CEO and started in office on September 1, 2005.

The Chairman of the Supervisory Board is Tom Liljeström and the Deputy chairman is Juha Nevavuori.

The Group employed an average of 1,033 (1,072) people in 2005. At the end of the year the head count was 1,115 (1,077), an increase of 38, when Mildola Oy was merged with the Group at the beginning of May. The sale of Lännen Plant Systems reduced the number by 24 employees.

PROPOSED DIVIDEND

The goal of the Lännen Tehtaat Board of Directors is to ensure that an investment in the company's shares produces a good yield and stable value. In accordance with its dividend distribution policy, the company distributes dividends worth at least 40 per cent of the profit for the financial year to the owners of the parent company. The Board proposes to the Annual General Meeting that a dividend of EUR 0.73 (0.65) be paid per share, i.e. 40 (39) % of the yield per share.

OUTLOOK FOR 2006

The Food Division's net turnover and profit will be reduced by the termination of the sales contract between Lännen Tehtaat and Sucros Ltd on December 31, 2005. Sugar retailing will be handled by Sucros Ltd as of January 1, 2006. The impact of the discontinuation of sugar sales will be some EUR 45 million on the Food Division's net turnover and some EUR 2 million on operating profit. Sales of frozen foods are expected to follow the general trend on the market. Sales of ready-made frozen foods are predicted to exceed the general market trend. Sales by Apetit Kala are expected to continue growing, and the proportion of industrially packaged fish of all retailed fish is expected to grow. Apetit Kala's profit is expected to improve and be well in the black in 2006. As a result of Apetit Kala's improved performance and cuts in fixed costs, the Food Division's operating profit is expected to rise above the 2005 result from which the impact of sugar business has been eliminated.

Net turnover in the feeds business is expected to increase slightly as a result of higher sales prices and volumes. Mildola's net turnover contribution to the Group for the entire financial period will increase the year's net turnover by EUR 10 million. The discontinuation of the feeds factory in Vaasa and transfer of production to the other factories in the Feeds group will be carried out gradually during the summer. Transfers of production will call for increased capacity in the other factories in the Feeds group. Investments are being made in Finland at the moment, and investments to extend and revamp the Baltic Feed factory in Latvia are beginning. The discontinuation of the factory in Vaasa is geared to save some EUR 2 million, which will be felt in full in 2007. After the cost cuts implemented at the beginning of the year, the operating profit for the Feeds business is expected to exceed the 2005 operating profit from which the impact of non-recurring items has been eliminated even though the operating profit from vegetable oil operations is expected to fall short of the record achieved in 2005

The Grain Trading net turnover is expected to exceed EUR 100 million as a result of the good crops harvested last autumn. The profit is expected to be at the same level as in 2005.

The entire Lännen Tehtaat Group's net turnover for 2006 is expected to be slightly lower than in 2005. Operating profit for the entire year is expected to be somewhat better than the 2005 operating profit reduced by the elimination of non-recurring items, thanks to a better performance in the fish products business, productivity measures and a cost-cutting programme. The impact of the cost cutting programme on profit will be EUR +2.5 – 3.0 million.

Net turnover for the first quarter will be at around the same level as that for the first quarter in 2005. The operating result for the first quarter will show a loss in the same way as in the comparison period.

The transfer to IFRS reporting will cause the consolidated profit to accrue in the latter part of the year.

Lännen Tehtaat's vision is to be one of the leading Finnish food companies, which means the emphasis is on developing food operations. Action to expand the Group's food business began in autumn. The goal is significant expansion in Finland and in the northern parts of the Baltic Rim by the end of 2006.

Development of the Agricultural Division's business operations will continue with the focus of growth being in the Baltic Sates and Russia.

The Group's cost-efficiency will be improved by implementing an action plan during the first quarter of the year. Productivity will be enhanced e.g. by looking into the possibilities of transferring the production of the Food Division's factory in Turku to Säkylä. n

Consolidated financial statements, IFRS

Consolidated income statement

EUR million	Note	2005 Continuing operations	2005 Discontinued operations	2005 Total	2004 Continuing operations	2004 Discontinued operations	2004 Total
Net turnover	(3)	**433.0**	**–**	**433.0**	**424.9**	**48.9**	**473.8**
Variation of stocks in finished goods and in work in progress		-2.6	-	-2.6	-13.5	-2.4	-15.9
Other operating income	(6)	10.9	-	10.9	2.9	1.2	4.2
Raw materials and services	(8)	-316.6	-	-316.6	-304.8	-35.9	-340.7
Employee benefits expenses	(7,26)	-40.8	-	-40.8	-34.2	-8.5	-42.7
Depreciation	(3,9)	-8.3	-	-8.3	-8.1	-0.6	-8.7
Impairments	(3,9)	-3.0		-3.0	-	-	-
Other operating expenses	(6)	-56.2	-	-56.2	-52.5	-6.0	-58.5
Operating profit/loss	(3)	**16.3**	**–**	**16.3**	**14.7**	**-3.3**	**11.4**
Share of profits of associated companies	(3)	-0.1	-	-0.1	2.7	-	2.7
Financial income and expenses	(10)	-1.2	-	-1.2	-1.1	-0.4	-1.5
Profit/loss before taxes		**14.9**	**–**	**14.9**	**16.3**	**-3.7**	**12.6**
Income taxes	(11)	-3.6	-	-3.6	-2.1	-	-2.1
Profit/loss for the period	(12)	**11.4**	**–**	**11.4**	**14.2**	**-3.7**	**10.5**
Attributable to:							
Shareholders of the parent company		11.3	-	11.3	14.1	-3.7	10.4
Minority interests		0.1	-	0.1	0.1	0.0	0.1
Earnings per share, calculated of the profit attributable to the shareholders of the parent company	(12)						
Basic earnings per share (EUR)		1.81	-	1.81	2.30	-0.62	1.68
Diluted earnings per share (EUR)		1.81	-	1.81	2.30	-0.62	1.68

Consolidated balance sheet

EUR million	Note	Dec. 31, 2005	Dec. 31, 2004
ASSETS			
Non-current assets			
Intangible assets	(13)	1.7	2.5
Goodwill	(13)	17.4	17.4
Tangible assets	(13)	72.2	70.0
Investment in associated companies	(14)	21.3	22.3
Available-for-sale investments	(15)	3.2	3.7
Receivables	(16)	6.9	0.3
Deferred tax assets	(11)	1.3	2.2
		123.9	**118.4**
Current assets			
Inventories	(18)	54.5	49.5
Tax receivables	(17)	1.0	0.3
Trade receivables and other receivables	(17)	41.5	36.9
Financial assets at fair value through profit and loss	(19)	-	0.5
Cash and cash equivalents	(19)	11.2	9.7
		108.2	**96.9**
Total assets	(3)	**232.2**	**215.4**
EQUITY AND LIABILITIES	(20)		
Equity attributable to shareholders of the parent company			
Share capital		12.6	12.6
Premium fund		23.4	23.4
Revaluation reserve and other reserves		9.1	8.3
Retained earnings		55.9	49.5
Net profit for the period		11.4	10.5
		112.4	**104.3**
Minority interests		3.7	2.5
Total equity		**116.1**	**106.8**
Non-current liabilities			
Deferred tax liabilities	(11)	7.4	7.5
Interest-bearing long-term borrowings	(22)	16.0	23.1
Long-term provisions	(21)	0.9	1.0
Total non-current liabilities		**24.3**	**31.6**
Current liabilities			
Interest-bearing short-term borrowings	(23)	29.9	23.3
Tax liabilities		2.4	1.4
Trade payables and other liabilities	(23, 24)	58.5	51.3
Short-term provisions	(21)	0.9	1.0
Total current liabilities		**91.7**	**77.0**
Total liabilities	(3)	**116.1**	**108.6**
Total equity and liabilities		**232.2**	**215.4**

Consolidated cash flow statement

EUR million	Note	2005	2004
Cash flow from operating activities			
Net profit for the period		11.4	10.5
Adjustments*:		16.3	8.0
Change in inventories		-2.5	19.0
Change in non-interest-bearing short-term receivables		-9.1	-1.1
Change in non-interest-bearing short-term liabilities		5.4	-8.8
Change in provisions		-0.2	0.9
Change in net working capital		-6.5	10.0
Cash flow from operating activities before financing items and taxes		21.2	28.5
Interests paid		-1.4	-2.1
Dividends received from operating activities		1.2	1.8
Interests received from operating activities		0.3	0.4
Other financing items		-0.3	0.0
Taxes paid		-3.1	-0.9
Net cash flow from operating activities		**17.8**	**27.8**
Cash flows from investing activities			
Investments in tangible and intangible assets		-7.0	-6.6
Proceeds from sales of tangible and intangible assets		0.4	1.8
Acquisition of subsidiaries deducted by cash at acquisition date	(4)	-1.3	1.2
Disengaged group companies, cash at disengagement date		-	-3.8
Investments in associated company shares		-0.2	-
Investments in subsidiary shares (minority interest acquisitions)		-	-3.0
Proceeds from sales of other investments		0.0	0.3
Loans granted		0.0	-0.4
Repayments of loan receivables		0.0	0.7
Dividends received from investing activities		0.1	0.4
Net cash flow from investing activities		**-8.0**	**-9.4**
Cash flows from financing activities			
Repayments of long-term borrowings		-10.8	-13.6
Payments of financial lease liabilities		-0.1	-0.3
Change in short term financing		6.5	-3.2
Dividends paid		-4.1	-3.9
Net cash flow from financing activities		**-8.6**	**-21.0**
Net change in cash and cash equivalents		1.0	-2.8
Cash and cash equivalents at the beginning of the period		10.2	13.1
Cash and cash equivalents at the end of the period		11.2	10.2
*Adjustments to cash flow from operating activities:			
Depreciation and impairments		11.4	8.7
Gains and losses on sales of fixed assets		0.0	-1.7
Share of profits of associated companies		0.1	-2.7
Unrealised gains on foreign currency rate changes		0.1	0.4
Financial income and expenses		1.3	1.1
Income taxes		3.6	2.1
Minority interests		0.1	0.1
Other adjustments		-0.1	0.0
		16.3	8.0

Statement of changes in shareholders' equity

EUR million	Share capital	Premium fund	Revalua-tion reserve	Other reserves	Treasury shares	Translation differences	Retained earnings	Preferred capital loans	Total	Minority interests	Total equity
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
Equity Dec. 31, 2003, FAS	12.2	21.4		7.3	0.8	-0.5	52.1	1.7	95.1	4.9	100.0
Effect of transition to IFRS			0.9		-0.8	0.0	2.1	-1.7	0.5	-0.6	
Equity Jan. 1, 2004, IFRS	12.2	21.4	0.9	7.3	0.0	-0.5	54.2	0.0	95.7	4.3	100.0
Available-for-sale investments:											
Valuation gains taken to equity			0.4						0.4		0.4
Transferred to income statement on sale			-0.2						-0.2		-0.2
Translation differences						0.2			0.2		0.2
Dividends paid							-3.9		-3.9	0.0	-3.9
Targeded issue	0.4	1.9							2.3		2.3
Business combinations									0.0	2.4	2.4
Acquisitions of minority interests							-0.4		-0.4	-3.1	-3.5
Disengagement of Machinium Division									0.0	-1.1	-1.1
Profit for the period							10.4		10.4	0.1	10.5
Equity Dec. 31, 2004, IFRS	12.6	23.4	1.1	7.3	0.0	-0.3	60.2	0.0	104.3	2.5	106.8
Equity Jan. 1, 2005, IFRS	12.6	23.4	1.1	7.3	0.0	-0.3	60.2	0.0	104.3	2.5	106.8
Available-for-sale investments:											
Valuation gains taken to equity			0.4						0.4		0.4
Cash flow hedges:											
Gains taken to equity			0.3						0.3		0.3
Tax on items taken directly to or transferred from equity			0.0						0.0		0.0
Translation differences						0.1			0.1		0.1
Dividends							-4.1		-4.1	-0.1	-4.2
Business combinations									0.0	1.2	1.2
Other changes				0.0					0.0		0.0
Profit for the period							11.4		11.4	0.0	11.4
Equity Dec. 31, 2005, IFRS	12.6	23.4	1.8	7.3	0.0	-0.2	67.5	0.0	112.4	3.7	116.1

Distributable funds	**2005**
Retained earnings	67.5
Contingency reserve	7.2
Untaxed reserves in retained earnings	-9.0
Distributable funds	65.7

Notes to the consolidated financial statements

Note 1
Accounting principles

COMPANY DETAILS

Lännen Tehtaat plc is a Finnish public limited company established under Finnish law. Its registered office is in Säkylä and the registered address is P.O. Box 100, FI-27801 Säkylä, Finland.

On February 20, 2006, the Lännen Tehtaat plc Board of Directors approved the financial statements for publication.

MAIN OPERATIONS

Lännen Tehtaat plc is a company operating in the food industry and quoted on Helsinki Stock Exchange. The symbol for the shares is LTE1S.

The Lännen Tehtaat Group consists of the Food Division and the Agricultural Division.

In the Food Division, the Apetit Frozen Foods and Jams unit develops, produces and markets frozen foods, jams and marmalades that meet customer needs and requirements, and the Apetit Kala unit specializes in the manufacture of fish products and the wholesale and retail fish trade. Apetit products are all made from pure and carefully selected raw materials.

In the Agricultural Division, Suomen Rehu and its subsidiaries develop, produce and market effective, safe and environmentally friendly compound feeds, feed raw materials and feeding programmes. Mildola offers its customers vegetable oils and protein feed produced using purely natural methods. Avena Nordic Grain specializes in the domestic and international trade in grains, oil seeds, pulses and raw materials for feeds.

Although Finland is Lännen Tehtaat's primary market, the Group also has operations in other countries around the Baltic Sea.

BUSINESS DIVISIONS	PRODUCTS AND SERVICES
FOOD DIVISION	
Apetit Frozen Foods and Jams	Frozen foods, jams and marmalades
Apetit Kala Oy	Fish products
Associated company:	
Sucros Ltd	Manufacture, marketing and sales of sugar
Joint venture:	
Ateriamestarit Oy	HoReCa sales
AGRICULTURAL DIVISION	
Animal feeds	
Suomen Rehu Ltd	Compound feeds and feeding programmes
Lännen Rehu Oy	Compound feeds and feed industry raw materials
Hiven Oy	Special compound feeds
SIA Baltic Feed, Latvia	Special compound feeds
Rehu Eesti Oü, Estonia	Special compound feeds
Associated company:	
Movere Oy	Logistics services
Joint ventures:	
Farmit Website Oy	Agricultural portal operator
ZAO Scandic Feed, Russia	Feed industry
Vegetable oils	
Mildola Oy	Vegetable oils and protein feed
Grain trade	
Avena Nordic Grain Oy	Trade in grains, oil seeds and raw materials for feeds
ZAO Avena St. Petersburg, Russia	Trade in grains, oil seeds and raw materials for feeds
UAB Avena Nordic Grain, Lithuania	Trade in grains, oil seeds

ACCOUNTING PRINCIPLES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The IAS and IFRS standards complied with, and the SIC and IFRIC interpretations, are those valid on December 31, 2005. The comparative information for 2004 has also been restated to accord with these standards and interpretations.

The Group made the transition to using the international IFRS accounting practices during 2005, and in these financial statements it has applied the IFRS 1 standard ('First-Time Adoption of International Financial Reporting Standards'). The transition date was January 1, 2004. The differences arising from application of the IFRS standards are presented in the reconciliations given in item 27 of the notes to the financial statements.

The consolidated financial statements have been drawn up on the basis of historic acquisition costs, except for those financial assets and liabilities which are recognized in income at fair value and all derivative financial instruments, as they are measured at fair value. For business combinations that occurred prior to 2004, goodwill corresponds to the carrying amount used as the deemed cost under the previous accounting standards. When drawing up the Group's opening IFRS balance sheet, no adjustment was made to the classification of these acquisitions or their treatment in the financial statements other than recognizing in the balance sheet the deferred tax assets concerning the allocated negative goodwill, and adjusting the opening balance sheet equity by a corresponding amount.

Preparation of the financial statements in accordance with the IFRS standards requires that the Group's management make certain assessments and exercise judgement in applying the accounting policies. Details of the judgements made by the management in applying the accounting policies observed by the Group, and of those aspects which have the greatest impact on the figures reported in the financial statements, are given below under the heading 'Accounting policies requiring executive judgement and the main uncertainties concerning the assessments made'.

SUBSIDIARIES
Subsidiaries are companies over which the Group exercises control. This control derives from the Group holding more than half of the voting rights or otherwise being in a position to exercise control. Mutual shareholdings have been eliminated using the acquisition cost method. Subsidiaries acquired by the Group are consolidated into the financial statements from the time that the Group establishes its control, while subsidiaries disposed of are consolidated up to the time that the Group's control ceases. All intra-Group transactions, receivables, liabilities and profits are eliminated on consolidation. Unrealized losses are not eliminated if the loss is due to impairment.

ASSOCIATES
Associates are companies in which the Group exercises significant influence. Significant influence is exercised when the Group holds more than 20% of the voting rights in the company or otherwise exercises significant influence but not control. The associate companies have been consolidated into the financial statements using the equity method. Unrealised gains between the Group companies and associates have been eliminated according to the share of ownership.

JOINT VENTURES
Joint ventures are companies over which the Group exercises joint control with other parties. Joint venture companies have been consolidated into the financial statements using the equity method.

FOREIGN CURRENCY ITEMS
The figures for the financial performance and standing of each of the Group's units are measured in the currency of the unit's principal operating environment ('functional currency'). The consolidated financial statements are presented in euros, which is the functional and reporting currency of the Group's parent company. Foreign currency transactions are recognized as amounts denominated in the functional currency using the rate prevailing on the transaction date. At the balance sheet date, monetary receivables and payables are translated using the closing rate. Exchange differences arising from translation are recognized in the income statement.

Exchange gains and losses from operating activities are included in the corresponding items above the operating profit. Hedge accounting has been applied to some of the forward exchange contracts used to hedge foreign currency denominated sales and purchases, and these contracts have been treated in accordance with the hedge accounting model. The financial impact of these forward exchange contracts is therefore recognized in the income statement simultaneously with that of the hedged sales. The financial impact of the effective portion of forward exchange contracts is recognized as an adjustment to sales. Any ineffective portion of hedges is recognized under financial items.

The income statements of foreign subsidiaries have been translated into euros using average rates for the reporting period, and their balance sheets translated using the closing rates. The exchange difference due to the use of average rates in the income statement translations and closing rates in the balance sheet translations is recognized as a separate item under shareholders' equity.

In preparing the consolidated financial statements, the translation difference due to exchange rate fluctuations, in regard to the shareholders' equity of the subsidiaries and associates, is recognized as a separate item in the translation differences for the consolidated shareholders' equity. If a foreign subsidiary or associate is disposed of, the accrued translation difference is recognized in the income statement under sales profit or loss.

NET TURNOVER AND THE PRINCIPLES FOR RECOGNITION AS INCOME
An item is recognized as income when the risks and benefits of ownership pass to the purchaser. Generally, this occurs when a production item is delivered. When net turnover is calculated, indirect taxes and trade discounts are deducted from sales proceeds.

PENSION LIABILITIES
The Group companies which operate in different countries have a number of different pension plans based on local circumstances and practices. These pension plans are classified as either defined contribution or defined benefit plans.

In defined contribution pension plans the contributions to be paid are recognized as expenses in the income statement for the reporting period to which they are attributable.

PROVISIONS
A provision is recognized when the Group has a legal or constructive obligation based on a past event and it is probable that the fulfilment of this obligation will require a contribution, and the amount of the obligation can be reliably estimated.

Provisions are made in connection with operational restructuring, onerous contracts, litigation and environmental and tax risks. A restructuring provision is recognized when a detailed and appropriate plan has been drawn up for it and sufficient grounds given to expect that the restructuring will occur and information is issued on it.

INCOME TAXES

Income taxes recognized in the consolidated income statement comprise taxes levied on an accrual basis on the reporting period results of Group companies, based on the taxable profits calculated for each Group company in accordance with the local tax regulations, as well as tax adjustments from previous periods and changes in deferred tax.

Deferred tax assets and liabilities are calculated on the temporary differences between the taxable values and the carrying amounts of assets and liabilities, in accordance with the liability method. Deferred taxes are recognized in the financial statements using the tax rates that apply up to the balance sheet date.

The most material temporary differences arise from fixed assets, appropriations, unused tax losses, revaluation of derivative financial instruments, and defined benefit pension plans. Deferred tax assets are recognized up to an amount where it is probable that they can be utilized against future taxable profits. Deferred taxes are not recognized on goodwill which is not tax deductible.

In the case of derivative financial instruments covered by hedge accounting and available-for-sale investments, the deferred taxes related to value adjustments recognized directly under shareholders' equity are also recognized directly under shareholders' equity.

BORROWING COSTS

Borrowing costs are recognized under the expenses for the period in which they arose. Where clearly linked to a specific loan, transaction costs arising directly from loans are included in the loan's original amortized cost and divided into a series of interest expenses using the effective interest method.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are recognized in the income statement under expenses for the period in which they arose. Development expenses for new products and processes are not recognized as assets because such expenses did not occur to any significant extent during the period between the development stage at which products are already technically feasible and commercially exploitable and the stage at which they are placed on the market. On the balance sheet date the consolidated balance sheet contained no capitalized development costs.

The income statement includes EUR 3,1 million (2004: EUR 3.1 million) in research and development costs recognized as expenses.

INTANGIBLE ASSETS

Goodwill

In the case of companies acquired after January 1, 2004, goodwill corresponds to that part of the cost of acquiring the company which is in excess of the Group's share of the fair value of the acquired company's net assets on the acquisition date. For business combinations that occurred prior to this date, goodwill corresponds to the carrying amount used as the deemed cost under the previous accounting standards (January 1, 2004). In drawing up the Group's opening IFRS balance sheet, no adjustment was made to the classification of these acquisitions or their treatment in the financial statements. In the case of associate companies, goodwill is included in their investment value.

Goodwill is tested annually for impairment and has been allocated to each of the cash generating units for this purpose. Goodwill is valued at historic acquisition cost less any impairment.

Other intangible assets

Patents, trademarks and licences with a limited useful life are recognized as expenses in the balance sheet and amortized on a straight-line basis over the period of their useful lives. Intangible assets have not included assets with an unlimited useful life.

Depreciation period for intangible assets:

Intangible rights	5 – 10 years
Software	5 years

Assets whose useful life has not yet expired and fully depreciated fixed assets that are still used in operating activities are included in the acquisition cost of assets. Similar principles apply to accumulated depreciation.

Subsequent costs relating to intangible assets are capitalised only if the economic benefits flowing to the entity exceed the original performance level. Otherwise the expenses are recognised in profit and loss as incurred.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have been measured at historic acquisition cost less depreciation and impairment.

These assets are subject to straight-line depreciation over the period of their useful lives. Land is not subject to depreciation.

The estimated useful lives are as follows:

Property	10 – 40 years
Plant and equipment	5 – 15 years

The residual value of the assets and their useful lives are reviewed each time the financial statements are prepared and, when necessary, are adjusted to reflect any change in the economic benefits expected.

Property, plant and equipment are no longer depreciated if they are classified as assets held for sale in accordance with the IFRS 5 standard ('Non-Current Assets [groups of assets] Held for Sale and Discontinued Operations').

Assets whose useful life has not yet expired and fully depreciated fixed assets that are still used in operating activities are included in the acquisition cost of assets. Similar principles apply to accumulated depreciation.

GOVERNMENT GRANTS

Government grants received for the acquisition of fixed assets are recognized as deductions in the carrying amounts for property, plant and equipment. The grants are released to profit through smaller depreciations during the use of the asset in question.

LEASES

In accordance with the principles set out in the IAS 17 ('Leases') standard, leases in which the risks and benefits inherent in an asset are transferred in all essential respects to the company are classified as finance leases. Finance leases under the IAS 17 standard are recognized in the balance sheet at the lesser of the fair value at the inception of the leasing period and the present value of the minimum lease payments. The lease obligations of finance lease assets are included in discounted form under interest-bearing liabilities.

Assets acquired with finance leases are depreciated according to plan, and any impairment losses recognized. Depreciation is carried out over the shorter of the relevant fixed asset depreciation period and the lease period. During the reporting period there were no situations in which the Group would have been categorized under IAS 17 as the lessor of a finance lease asset.

IMPAIRMENT

The carrying amounts for assets are assessed at the balance sheet date for any signs of impairment. If there are signs of impairment, an estimate is determined for the amount recoverable on the asset. An impairment loss is recognized if the balance sheet value of the asset or the cash generating unit exceeds the recoverable amount. Impairment losses are recognized in the income statement.

The impairment loss of a cash generating unit is first allocated to reducing the goodwill attributed to the unit, and then to reducing other assets of the unit on a pro rata basis.

The recoverable amount of intangible and tangible assets is determined at the higher of the fair value less costs to sell and the value in use. In determining the value in use, the estimated future cash flows are discounted to their present value on the basis of discount rates applying to the average pre-tax capital costs of the cash generating unit in question. The discount rates also take into account any special risk associated with the cash generating units.

Impairment losses on property, plant and equipment and on intangible assets other than goodwill are reversed if a change has occurred in the estimates used in determining the recoverable amount of the asset. The amount by which an impairment loss is reversed is no more than the carrying amount (less depreciation) that would have been determined for the asset if no impairment loss had been recognized on it in previous years. Impairment losses recognized on goodwill are not reversed.

The recoverable amount for financial instruments, such as available-for-sale investments or receivables, is calculated on the present value of estimated future cash flows, discounted using the original effective interest rate. Current receivables are not discounted. An impairment loss is reversed if a later addition to the recoverable amount can be reliably linked to an event occurring after recognition of the impairment loss.

Goodwill has been tested for impairment as required by the transition standards. The impairment test was conducted by applying IAS 36 to the IFRS standards on the transition date of January 1, 2004.

INVENTORIES

Inventories have been measured at the lower of acquisition cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, after deduction of the estimated costs of completion and the estimated costs necessary to make the sale.

The value of inventories has been determined using the weighted average price method and includes all direct costs of acquisition and other indirect costs to be allocated. The cost of each inventory item produced comprises not only the purchase costs of materials, direct labour costs and other direct costs, but also a proportion of production overheads, but not selling or financing costs. The value of inventories has been reduced for obsolescent assets.

FINANCIAL ASSETS AND LIABILITIES

Derivative financial instruments have been measured at fair value. The Group applies hedge accounting to certain interest-rate swaps and forward currency contracts that meet the terms for hedge accounting defined in the IAS 39 standard. The hedged cash flow must be probable and the cash flow must ultimately have an impact on the income statement. The hedge must be effective when examined prospectively and retrospectively. For hedges that meet the terms for hedge accounting, the effective portion of the change in fair value of the hedges is recognized in shareholders' equity, and any residual ineffective portion is recognized in income. The cumulative change in fair value recognized under shareholders' equity is recognized in income on the same date that the projected cash flow is recognized in the income statement. If a derivative financial instrument does not meet the hedge accounting terms defined in IAS 39, the change in its fair value is recognized directly in income.

The fair values of forward currency contracts have been calculated using market prices at the balance sheet date. The fair values of interest-rate swaps, interest-rate futures and forward rate agreements have been determined on the basis of the present values of estimated future cash flows. The fair values of cash flows, current loans and bank overdrafts are, due to their short-term nature, estimated to be the same as their carrying amount.

The group of financial assets to be recognized in income at fair value includes assets held for trading. Financial assets held for trading have been acquired primarily for the purpose of making a profit on short-term changes in market prices. Derivative financial instruments, to which hedging does not apply, have been classified as held for trading. Both unrealized and realized gains and losses from changes in fair value are recognized in the income statement for the period in which they occur.

Available-for-sale financial assets are not part of the derivative assets but are non-current assets, because the intention is to keep them for longer than 12 months following the balance sheet date. Publicly quoted shares are classified as available-for-sale investments and are measured at fair value, which is the market price on the balance sheet date. Changes in fair value are recognized directly in shareholders' equity until the investment is sold or otherwise disposed of, when the changes in fair value are recognized in the income statement. Permanent impairment of assets is recognized in the income statement. Unquoted shares are presented at their acquisition price, because their fair values are not reliably available.

ACCOUNTING POLICIES REQUIRING EXECUTIVE JUDGEMENT AND THE MAIN UNCERTAINTIES CONCERNING THE ASSESSMENTS MADE

In preparing the consolidated financial statements in accordance with international accounting practices, the company's management has had to make assessments and assumptions that affect the amount of assets, liabilities, income and expenses recognized in the accounts and the contingencies presented. These assessments and assumptions are based on experience and on other reasonable suppositions that are believed to be realistic in the circumstances that constitute the basis for the estimates of items recognized in the financial statements. The outcome may deviate from these estimates. The estimates and assessments are mainly connected with restructuring plans, the extent of obsolescent inventories, environmental, litigation and tax risks, asset measurement and the determination of pension liabilities, and the use of deferred tax assets against future taxable profits. n

Note 2
Managing the financial risks

MANAGING THE FINANCIAL RISKS

The Lännen Tehtaat Group is exposed to various financial risks in its normal business operations. The aim of the Group's risk management is to minimize the adverse effects of changes in the financial markets on its financial performance. The main financial risks are the currency risk, the interest-rate risk and the funding risk. The Group uses derivative financial instruments, among other things, to hedge against currency and interest-rate risks.

The general risk management principles observed by the Group are subject to approval by the Board of Directors, and the practical implementation of these principles is the responsibility of the Financing Department, which operates under the Director of Finance.

MARKET RISK AND CURRENCY RISK

The Group operates in international markets and is thus exposed to currency risks arising from movements in exchange rates. The Group's currency risks concern sales, purchases and balance sheet items denominated in foreign currencies (transaction risk), and also investment in foreign subsidiaries (translation risk).

The principle followed by the Group is to hedge the original transaction risk in the case of all financially significant currency positions. Hedging can also be made against a probable future open currency position. The most significant transaction risk is associated with the US dollar. The instruments available in currency hedging are forward currency contracts, currency options and currency swaps. The Group's Financing Department is responsible for currency risk hedging, with the exception of the grain trade business, for which there are separate currency hedging arrangements related to commercial agreements. The grain trade currency hedges are conducted in accordance with the risk management policy specifically defined for the purpose, and this is monitored by the Group's Financing Department.

The amount of unrealized derivatives entered in the equity hedging reserve at the end of the financial year is given in the statement of changes in equity.

COUNTERPARTY RISKS AND OPERATIONAL CREDIT RISKS

Derivative financial instruments are only entered into with domestic and foreign banks that have a good credit rating. Commodity derivative financial instruments can be entered into on the appropriate commodity exchanges if necessary. Liquid assets are invested within the approved limits in targets with a good credit rating.

To minimize the operational credit risk, the Group seeks to obtain collateral security in the event that a customer's credit rating so requires.

The Group's management believes that there are no significant customer, geographical or counterparty concentrations in the Group's credit and counterparty risks.

INTEREST-RATE RISK

When adjusting its interest-rate profile, the Group can borrow at either a fixed or floating rate and can use interest-rate swaps. At the closing of the accounts, the Group had open euro-denominated interest-rate swaps amounting to a nominal value of EUR 25 million, on the basis of which it receives floating interest from the counterparty and pays a fixed interest. The expiry dates of the interest-rate swaps are in the period January 7 – May 5, 2008. In the financial statements, all interest-rate swaps have been treated in accordance with the principles of cash flow hedging defined in IAS 39. At the close of the financial year, the Group had a total of EUR 26.9 million (2004: EUR 33.4. million) in long-term floating rate loans from financial institutions, EUR 19.0 million (EUR 13.0 million) in commercial papers, and EUR 11.2 million (EUR 10.2 million) in liquid cash assets. With the present capital structure, a rise of one percentage point in all interest rates payable would increase the Group's interest expenses by about EUR 0.1 million.

SHARE PRICE RISK

Lännen Tehtaat has a number of insignificant minority investments in publicly quoted companies. These investments have been classed as 'available-for-sale financial assets'. The market value of these assets at the end of 2005 was EUR 2.9 million (2004: EUR 2.2 million).

The company currently has no open derivative financial instruments for hedging these assets.

LIQUIDITY RISK

The liquidity risk is the risk that the company may not have sufficient liquid assets or be unable to acquire enough funds to meet the needs of its business operations. The aim of liquidity risk management is to maintain sufficient liquid funds and credit facilities to ensure that there is always enough financing for the Group's business operations. The cash flows of the Group are netted with the aid of the Group's internal bank and Group accounts. To manage liquidity, the Group has a commercial paper programme worth EUR 50 million and also long-term binding credit facilities agreed with financial institutions; a total of EUR 23 million was available in credit on December 31, 2005. The total amount of commercial paper issued was EUR 19 million. Liquidity risk management is the responsibility of the parent company's Financing Department.

COMMODITY RISK

The Group is exposed to commodity risks associated with the availability of raw materials, the time difference between procurement and sales, and price fluctuations. It seeks to reduce these risks by using certain commodity futures, forward agreements and options.

The Lännen Tehtaat Group hedges against price variations in the electricity it purchases by agreeing power supply and electricity derivative financial instruments of different lengths. Management of the electricity risk is governed by the Group's separate risk policy on electricity supply. n

Note 3
Segment information

Segment information is presented according to the Group's business and geographical segment reporting format. The Group's primary reporting form is the business segment format. The business segments are based on the internal organisation structure and internal financial reporting structure.

The business segments consist of groups of assets and business operations, whose risks and profitability of their products or services differ from the other business segments.

Regarding the geographical segment format the income is based on the geographical location of the customers, and correspondingly the assets and liabilities are divided according to the geographical location of the assets.

Intra-group sales take place at arm's length prices.

The assets and liabilities of a segment are such items of the business operations that the segment uses in its business operations or that can be allocated to a segment on reasonable basis. Tax and financing items together with items common to the whole Group have been allocated to the segment "Other operations".

BUSINESS SEGMENTS

The business segments of the Group are:
Food Division: production of foods
Feeds Segment: production of feeds and vegetable oils
Grain Trading operations: trade of grain
Other operations include Harviala Oy's tree seedling business operations and Group management.

GEOGRAPHICAL SEGMENTS

The secondary segment reporting format of Lännen Tehtaat is according to the geographical segment. The market areas have been defined into three segments: Finland, other EU countries and other countries.

BUSINESS SEGMENTS 2005 EUR million	Food Division	Feeds Segment	Grain Trading	Other operations	Discontinued operations	Consolidated
External sales						
Product sales	149.2	204.8	81.0	6.1	-	441.1
Services sold	0.3	0.3	5.6	1.0	-	7.2
Total external sales	149.5	205.1	86.6	7.1	-	448.3
Intra-group sales	0.0	0.0	-14.8	-0.5	-	-15.3
Net turnover	149.5	205.1	71.8	6.6	-	433.0
Operating profit	9.6	9.4	1.4	-4.1	-	16.3
Share of profit of associated companies	-0.2	0.1	-	-	-	-0.1
Assets	86.9	104.0	18.9	22.4	-	232.2
Liabilities	19.6	30.4	8.8	55.4	1.9	116.1
Investments	1.4	5.6	0.0	4.7	-	11.7
Depreciations	2.9	4.2	0.2	1.0	-	8.3
Impairments	–	2.7	–	0.3	-	3.0

BUSINESS SEGMENTS 2004 EUR million	Food Division	Feeds Segment	Grain Trading	Other operations	Discontinued operations	Consolidated
External sales						
Product sales	130.4	194.7	101.4	8.0	48.9	483.4
Services sold	0.3	0.2	5.8	0.9	0.0	7.1
Total external sales	130.7	194.9	107.2	8.9	48.9	490.5
Intra-group sales	-0.1	-0.1	-16.2	-0.4	–	-16.8
Net turnover	130.6	194.8	91.0	8.5	48.9	473.8
Operating profit	4.1	11.7	2.3	-3.4	-3.3	11.4
Share of profit of associated companies	2.7	0.0	-	-	-	2.7
Assets	77.1	88.0	17.3	33.0	-	215.4
Liabilities	16.4	23.7	5.8	60.6	2.1	108.6
Investments	2.7	2.7	0.0	5.5	0.3	11.2
Depreciations	3.1	3.8	0.2	1.0	0.6	8.7

Note 3
Segment information

GEOGRAPHICAL SEGMENTS 2005 EUR million	Finland	Other EU-countries	Other countries	Consolidated
Turnover	382.8	34.2	16.0	433.0
Assets	230.5	1.7	0.0	232.2
Investments	11.1	0.4	0.2	11.7

GEOGRAPHICAL SEGMENTS 2004 EUR million	Finland	Other EU-countries	Other countries	Consolidated
Turnover	383.2	59.6	31.0	473.8
Assets	214.3	1.1	0.0	215.4
Investments	10.6	0.6	-	11.2

Note 4
Discontinued operations

Machinium Division, which was disengaged from the Group in July 2004, has been presented as discontinued operations.

The discontinued operations' share of cash flows was as follows:

EUR million	2005	2004
Cash flow of Machinium Division		
Cash flow from operating activities	-	-0.7
Cash flow from investing	-	-3.4
Cash flow from financing	-	-2.5
Total cash flow	-	-6.6

Note 5
Acquired businesses

In May 1, 2005 the Group acquired 65% of the shares in Mildola Oy, which produces vegetable oils and protein feeds. After the acquisition the Group's share of ownership in Mildola Oy went up to 82.5%. A subsidiary of the Group, Suomen Rehu Ltd, purchased 17.5% of the shares in Mildola on November 1, 1999. The purchase price paid in cash for the latter acquisition phase (65%) amounted to 4.0 million euros. The acquisition cost includes 0.1 million expert fees in addition to the monetary payment. The balance sheet value of the 17.5% share acquired earlier is 1.1 million euros on the accounts of Suomen Rehu Ltd, thus the acquisition price used in the acquisition cost allocation calculation amounts to 5.1 million euros.

On the date of the acquisition Mildola Oy owned the shares of two non-operative companies, Anttilan Koetila Oy and ÖP-Trading Oy. These companies were merged with their parent company on December 31, 2005.

The fair values entered in the combination were defined on the base of value in use calculations. The proportion of the acquired assets valued at their fair values exceeded the purchase price of the shares. The resulted negative goodwill was recognised as income immediately.

Mildola subgroup's 8-month result, which amounted to 1.8 million, is included in the 2005 income statement of the Group. The turnover of the Group in 2005 would have been 443.3 million euros (actual 433.0 million euros) and the profit for the financial year 12.0 million euros (actual 11.4 million euros), if Mildola subgroup were consolidated from the beginning of the year 2005.

Lännen Tehtaat plc acquired the majority, 50.9% in the shares of Apetit Kala Oy (formerly Kuopion Kalatukku Oy). Apetit Kala specializes in the manufacture of fish products and the wholesale and retail fish trade. The turnover of the Group would have been 495.5 million euros (actual 473.8 million euros) in 2004, if Apetit Kala were consolidated from the beginning of the year 2004. The result of the Group would not have changed materially.

The business acquisition was carried out as a share exchange so that 195,000 new shares of Lännen Tehtaat plc were issued for subscription by the seller. The value of the shares in the share exchange amounted to 2.3 million euros. The subscription took place on June 10, 2004, whereby the title of ownership was transferred to Lännen Tehtaat. Apetit Kala Oy has been consolidated as from June 30, 2004.

The definition of the fair values of the real estate has been based on external assessments or the purchase price for the real estate owned for less than one year. Machinery and equipment were valued on the book value deducted by the government grants received. Inventories were valued at the sales price, adjusted by the selling expenses.

The following assets and liabilities have been booked for the acquired businesses:

	Net fair values of identifiable assets and liabilities of the acquired businesses		Assets and liabilities immediately before the business combination	
EUR million	2005	2004	2005	2004
Intangible assets	0.0	0.1	0.1	0.1
Tangible assets	5.8	8.6	13.3	6.1
Investments	0.0	0.0	0.0	0.0
Inventories	2.5	2.0	2.3	1.6
Trade receivables and other receivables	2.1	2.8	2.1	2.8
Cash and cash equivalents	2.7	1.5	2.7	1.5
Deferred tax assets	2.0	-	0.0	-
Total assets	**15.3**	**15.0**	**20.6**	**12.1**
Deferred tax liabilities	2.4	0.7	2.3	0.0
Long term liabilities	1.9	3.8	1.9	3.8
Short term liabilities	3.6	5.5	3.6	5.5
Total liabilities	**7.8**	**10.1**	**7.7**	**9.4**
Acquired proportion of the assets	6.2	2.5		
Acquisition cost	5.1	2.7		
Goodwill	-1.1	0.2		
Acquisition cost paid in cash and activated transaction costs	4.1	0.3		
Cash and cash equivalents of acquired businesses	2.7	1.5		
Acquisition cost in cash flow statement	-1.3	1.2		

Note 6
Other operating income and expenses

EUR million	2005	2004
Other operating income		
Compensation for the termination of sales contract	7.6	-
Government grants received	0.4	0.4
Negative goodwill recognised as income	1.1	-
Gains from sales of non-current assets	0.1	1.7
Rental income	0.8	0.9
Gains from derivative instruments	0.3	0.7
Other	0.6	0.5
Total	10.9	4.2
Other operating expenses		
Rental expenses	3.8	3.9
Losses from sales of non-current assets	0.1	0.1
Losses from disengagement of discontinued operations	-	1.8
Other	52.3	52.7
Total	56.2	58.5

AUDIT FEES PAID BY THE GROUP TO ITS INDEPEDENT AUDITOR PRICEWATERHOUSECOOPERS

The audit fees relate to the auditing of the annual accounts and to the statutory and obligatory functions closely attached to them. The non-audit fees are caused by services linked to the audit and aimed to assure the correctness of the financial statements and by fees incurred on account of tax compliance, advice and planning.

AUDIT FEES AND NON-AUDIT FEES

EUR million	2005	2004
Audit fees	0.2	0.2
Non-audit fees	0.1	0.0
Total	0.3	0.2

Note 7
Employee benefits expenses

EUR million	2005	2004
Wages and salaries	32.6	33.8
Pensions, defined contribution plans	5.5	5.7
Pensions, defined benefit plans	-0.1	-0.5
Other personnel costs	2.8	3.7
Total	40.8	42.7

Information on the remuneration and loans granted to the management is presented in note 26 “Related party transactions”.

POST EMPLOYMENT BENEFITS

Pension coverage in the Group companies is provided in accordance with the rules and practices in the respective countries. Since the disability component of Finnish statutory pension system (“TEL”) was changed into a defined contribution there have not been any material defined contribution plans within the Group.

AVERAGE NUMBER OF PERSONNEL OF THE GROUP	2005	2004
Food Division	581	445
Feeds Segment	348	326
Grain Trading operations	28	25
Other operations	74	94
Discontinued operations	-	182
Total	1033	1072

Note 8
Materials and services

EUR million	2005	2004
Raw materials and consumables	309.6	325.2
Variation in stocks	-5.1	3.2
External services	12.2	12.4
Total	316.6	340.7

Note 9
Depreciations and impairments

EUR million	2005	2004
Depreciations		
Intangible assets	0.7	1.3
Buildings	2.8	2.6
Machinery and equipment	4.8	4.7
Other tangible assets	0.0	0.0
Total	8.3	8.7
Impairments		
Land	0.2	-
Buildings	1.1	-
Machinery and equipment	1.7	-
Total	3.0	–

Note 10
Financial income and expenses

EUR million	2005	2004
Financial income		
Interest income	0.3	0.4
Dividend income	0.1	0.9
Foreign currency gains	0.1	0.1
Gains on cash flow hedges – hedges not under hedge accounting	0.1	-
Other financial income	0.3	0.4
Financial expenses		
Interest expenses	-1.4	-2.1
Impairments of non-current investments	0.0	-
Losses on cash flow hedges – hedges not under hedge accounting	-	-0.4
Foreign currency losses	-0.1	-0.1
Other financial expenses	-0.6	-0.7
Total	-1.2	-1.5

The fair value changes through profit and loss of derivative instruments is mainly caused by the market valuations of interest swap agreements. On April 1, 2005 the Group started to apply hedge accounting to the interest derivatives and since that the value changes have been entered directly to equity.

Note 11
Income taxes

EUR million	2005	2004
Current period taxes	3.2	2.4
Previous periods' taxes	0.1	0.0
Deferred taxes	0.2	-0.3
Total	3.6	2.1
Reconciliation of income taxes		
Profit before taxes	14.9	12.6
Tax calculated at the tax rate of the parent company 26% (2004: 29%)	3.9	3.7
Effect of different tax rates in foreign subsidiaries	-0.1	-0.1
Income not subject to tax	-0.3	-1.5
Expenses not deductible for tax purposes	0.1	0.3
Losses of which no deferred tax asset has been recognised	–	0.9
Utilisation of previously unrecognised tax losses	–	-0.4
Previous periods' taxes	0.1	0.0
Effect of changed domestic tax rate	-	-0.6
Other items	–	-0.1
Tax expense in the income statement	3.6	2.1

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES TO BALANCE SHEET 2005

EUR million	Jan 1, 2005	Charge in income statement	Charged to equity	Acquisitions, disengaged companies	Dec 31, 2005
Deferred tax assets					
Negative goodwill allocated to tangible assets	1.4	-1.3	–	–	0.1
Pension liabilities	0.0	0.0	–	–	0.0
Provisions	0.5	0.0	–	–	0.5
Impairments of financial assets	0.1	-0.1	–	–	0.0
Carry forward of unused tax losses	0.0	0.2	–	–	0.2
Derivative instruments	0.2	0.0	-0.1	–	0.2
Intra-group margin in inventories	0.0	0.0	–	–	0.0
Timing difference of long term receivables	0.0	0.3	–	–	0.3
Total	**2.2**	**-0.9**	**-0.1**	**–**	**1.3**
Deferred tax liabilities					
Accrued depreciation difference	-4.1	1.3	–	-2.3	-5.1
Valuation of assets in acquisition cost allocation calculations	-1.4	-0.1	–	–	-1.5
Inventory valuation (IAS 2)	-0.9	0.2	–	-0.1	-0.8
Goodwill	-0.6	-0.5	–	–	-1.1
Valuation of other investments to fair value	-0.4	–	-0.2	–	-0.6
Valuation of derivative instruments	-0.1	–	-0.1	–	-0.2
Valuation of Mildola Oy's acquisition to fair value (deducted of the deferred tax liability of accrued depreciation difference)	–	–	–	2.0	2.0
Total	**-7.5**	**0.7**	**-0.2**	**-0.4**	**-7.4**

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES TO BALANCE SHEET 2004

EUR million	Jan 1, 2004	Charge in income statement	Charged to equity	Acquisitions, disengaged companies	Dec 31, 2004
Deferred tax assets					
Negative goodwill allocated to tangible assets	1.5	-0.1	–	–	1.4
Pension liabilities	0.2	-0.2	–	–	0.0
Provisions	0.3	0.3	–	–	0.5
Impairments of financial assets	0.1	0.0	–	–	0.1
Carry forward of unused tax losses	0.0	0.3	–	-0.3	0.0
Derivative instruments	0.4	-0.2	–	–	0.2
Intra-group margin in inventories	0.0	0.0	–	–	0.0
Total	**2.4**	**0.1**	**0.0**	**-0.3**	**2.2**
Deferred tax liabilities					
Accrued depreciation difference	-4.4	0.5	–	-0.2	-4.1
Valuation of assets in acquisition cost allocation calculations	-0.9	0.1	–	-0.7	-1.3
Inventory valuation (IAS 2)	-1.0	0.1	–	–	-0.9
Goodwill	0.0	-0.6	–	–	-0.6
Valuation of other investments to fair value	-0.4	0.0	0.0	–	-0.4
Valuation of derivative instruments	-0.1	0.1	–	–	-0.1
Total	**-6.8**	**0.2**	**0.0**	**-0.9**	**-7.5**

Note 12
Earnings per share

Basic earnings per share are calculated by dividing the profit for the financial year attributable to the shareholders of the parent company by weighted average number of the shares outstanding. The outstanding shares do not include treasury shares in possession of the company.

Diluted earnings per share are calculated by dividing the profit for the financial year attributable to the shareholders of the parent company by diluted weighted average number of the shares outstanding.

EUR million	2005	2004
Profit attributable to the shareholders of the parent company (basic/diluted), continuing operations	11.3	14.1
Profit attributable to the shareholders of the parent company (basic/diluted), discontinued operations	-	-3.7
Weighted average number of outstanding shares (1 000)	6 253	6 160
Basic earnings per share (EUR), continuing operations	1.81	2.30
Basic earnings per share (EUR), discontinued operations	-	-0.62
Diluted weighted average number of shares outstanding (1 000)	6 253	6 160
Diluted earnings per share (EUR per share), continuing operations	1.81	2.30
Diluted earnings per share (EUR per share), discontinued operations	-	-0.61

Note 13
Intangible and tangible assets

The cost of assets include the assets, whose useful lives have not ended and fully depreciated assets still used in operating activities. Similar principles apply to accumulated depreciation.

INTANGIBLE ASSETS 2005 EUR million	Goodwill	Intangible rights	Advance payments	Total
Acquisition cost Jan. 1	34.2	7.7	0.0	41.9
Additions		0.2		0.2
Acquired companies		0.0		0.0
Disposals		-0.5		-0.5
Intra-balance sheet transfers		-0.1		-0.1
Acquisition cost Dec. 31	34.2	7.3	0.0	41.5
Accumulated depreciation Jan. 1	-16.8	-5.2	0.0	-22.0
Accumulated depreciation on disposals and transfers		0.4		0.4
Acquired companies, accumulated depreciation		0.0		0.0
Depreciation for the financial year		-0.7		-0.7
Impairments		-0.1		-0.1
Accumulated depreciation Dec. 31	-16.8	-5.6	0.0	-22.4
Book value Dec. 31, 2005	17.4	1.7	0.0	19.1

Goodwill has not been depreciated since Jan. 1, 2004.

INTANGIBLE ASSETS 2004 EUR million	Goodwill	Intangible rights	Advance payments	Total
Acquisition cost Jan. 1	36.8	10.3	0.1	47.2
Additions	0.1	0.0	0.0	0.1
Acquired companies	0.2	0.1		0.3
Disposals		-2.8		-2.8
Discontinued operations	-2.9			-2.9
Intra-balance sheet transfers		0.1	-0.1	0.0
Foreign currency differences	0.0	0.0		0.0
Acquisition cost Dec. 31	34.2	7.7	0.0	41.9
Accumulated depreciation Jan. 1	-19.2	-6.9		-26.1
Accumulated depreciation on disposals and transfers	1.8	2.9		4.7
Acquired companies, accumulated depreciation				0.0
Discontinued operations, accumulated depreciation	0.6			0.6
Depreciation for the financial year		-1.2		-1.2
Impairments				0.0
Foreign currency differences		0.0		0.0
Accumulated depreciation Dec. 31	-16.8	-5.2	0.0	-22.0
Book value Dec. 31, 2004	17.4	2.5	0.0	19.9

Goodwill has not been depreciated since Jan. 1, 2004.

IMPAIRMENTS

IMPAIRMENT TEST FOR CASH-GENERATING-UNITS CONTAINING GOODWILL

The following cash-generating units (or groups of cash-generating units) have significant carrying amounts of goodwill:

EUR million	2005	2004
SBU Apetit Frozen Foods and Jams (Food Division)	0.4	0.4
SBU Apetit Kala (Food Division)	0.2	0.2
Feed industry, excluding the operations of Mildola Oy (Feeds Segment)	16.8	16.8
Total	17.4	17.4

The recoverable amount is based on value in use calculations. The financial useful life has been set to 10 years in the calculations. The defined expected future cash flows are based on the historic operating profits and on the financial plans and prognoses for the next three years approved by the Board of Directors of the Group. Seven years subsequent to the forecast period, apart from the fish operations, have been assessed to stay on the level of the third forecasted year, thus the years 4 to 10 have been extrapolated using the growth rate of zero per cent. Regarding the fish operations, seven years subsequent to the forecast period have been extrapolated using a 6% growth rate in the value in use calculations. The market of industrially packed fish products has according to the market studies performed by ACNielsen grown more than 10% annually during the recent years. According to the insight of the management the growth rates reflect the development of business operations in the long term.

The central variables used in the value in use calculations are the budgeted gross margin and the budgeted market share. Both of them are based on the actual figures from three previous years. Regarding the gross margin such cost savings and other gains related to the restructurings have been either executed or to which commitments have been made are also taken into account. There are no material future expenditures attached to these restructurings.

The pre-tax discount rates used in the calculations are: cash-generating units of the Food Division segment 7.7%, cash-generating units of the Feeds Segment 7.9%.

Regarding the Apetit Frozen Foods operations the value in use calculated in the test exceeds the book value by 2.5 million euros. If the discount rate used in the calculation, 7.7%, would increase by 1,2% units to 8.9%, the value in use would equal to its book value. Moderate changes in other assumptions would not lead to a similar situation. Moderate changes in the central assumptions used in the test calculations of other cash-generating units would not lead to situation where the book value of the assets exceeds their value in use.

TANGIBLE ASSETS 2005 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost Jan. 1	4.8	65.0	56.4	0.4	0.8	127.4
Additions		0.2	1.3		5.6	7.1
Acquired companies	0.6	2.3	3.2	0.3	0.0	6.4
Disposals		0.0	-2.8			-2.8
Intra-balance sheet transfers		1.2	1.1		-2.5	-0.2
Acquisition cost Dec. 31	5.4	68.7	59.2	0.7	3.9	137.9
Accumulated depreciation Jan. 1		-21.5	-35.7	-0.2		-57.4
Accumulated depreciation on disposals and transfers		0.0	2.7			2.7
Acquired companies, accumulated depreciation		0.0	-0.3	0.0		-0.3
Depreciation for the period		-2.8	-4.8			-7.6
Impairments	-0.2	-1.1	-1.7			-3.0
Intra-balance sheet transfers						0.0
Accumulated depreciation Dec. 31	-0.2	-25.4	-39.8	-0.2		-65.6
Book value Dec. 31, 2005	5.2	43.3	19.4	0.5	3.9	72.2

The Group received a government grant of 0.1 million euros from TE-Centre for building a production plant. The grant has been recognised as deduction of the acquisition cost.

FINANCE LEASE ARRANGEMENTS 2005

The tangible assets include the following assets acquired using a finance lease arrangement:

EUR million	Machinery and equipment	Total
Acquisition cost Jan. 1	1.2	1.2
Additions	0.4	0.4
Acquisition cost Dec. 31	1.6	1.6
Accumulated depreciations Jan. 1	-1.1	-1.1
Depreciation for the period	-0.2	-0.2
Accumulated depreciations Dec. 31	-1.3	-1.3
Book value Dec. 31, 2005	0.3	0.3

TANGIBLE ASSETS 2004 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost Jan. 1	4.4	58.6	82.7		0.7	146.4
Additions	0.2	1.4	1.0	0.0	3.1	5.7
Acquired companies	0.2	4.6	2.5		0.6	7.9
Disposals	0.0	-0.1	-30.1	0.0		-30.2
Discontinued operations, original acquisition cost		-0.2	-3.3			-3.5
Discontinued operations, realisation of internal margin		1.1				1.1
Intra-balance sheet transfers		-0.4	3.6	0.4	-3.6	0.0
Foreign currency differences		0.0	0.0			0.0
Acquisition cost Dec. 31	4.8	65.0	56.4	0.4	0.8	127.4
Accumulated depreciation Jan. 1		-18.7	-61.9			-80.6
Accumulated depreciation on disposals and transfers		0.1	29.8			29.9
Acquired companies, accumulated depreciation		-0.2	-0.9			-1.1
Discontinued operations, accumulated depreciation		0.1	1.8			1.9
Discontinued operations, accumulated adjustments of internal margin depr.		-0.5				-0.5
Depreciation during the financial year		-2.6	-4.5	0.0		-7.1
Intra-balance sheet transfers		0.2		-0.2		0.0
Foreign currency differences		0.1	0.0			0.1
Accumulated depreciation Dec. 31	0.0	-21.5	-35.7	-0.2	0.0	-57.4
Book value Dec. 31, 2004	4.8	43.5	20.7	0.2	0.8	70.0

The Group received a government grant of 0.4 million euros from TE-Centre for building a production plant. The grant has been recognised as deduction of the acquisition cost.

FINANCE LEASE ARRANGEMENTS 2004

The tangible assets include the following assets acquired using a finance lease arrangement:

EUR million	Buildings and structures	Machinery and equipment	Total
Acquisition cost Jan. 1	3.2	30.8	34.0
Disengagement of subsidiaries	-3.2	-29.6	-32.8
Acquisition cost Dec. 31	0.0	1.2	1.2
Accumulated depreciation Jan. 1	-0.6	-13.6	-14.2
Accumulated depreciation of disposals, disengaged subsidiaries	0.6	12.7	13.3
Depreciation for the period		-0.2	-0.2
Accumulated depreciation Dec. 31	–	-1.1	-1.1
Book value Dec. 31, 2004	–	0.1	0.1

Note 14
Investment in associated companies and joint ventures

EUR million	2005	2004
Jan. 1	22.3	21.1
Additions	0.2	0.0
Share of profits for the period	-0.1	2.7
Dividends	-1.2	-1.5
Dec. 31	21.3	22.3

Information on the associated companies and their assets, liabilities, turnover and profit/loss:

ASSOCIATED COMPANIES

2005 EUR million	Domicile	Assets	Liabilities	Net turnover	Profit/loss	Group holding (%)
Sucros Ltd	Kirkkonummi	179.0	66.5	198.1	6.7	20.0%
Oy Silva Seafood Ab	Kaskinen	0.8	0.6	2.4	0.1	20.0%
Movere Oy	Lahti	5.5	4.8	46.2	0.3	33.3%
2004 EUR million						
Sucros Ltd	Kirkkonummi	180.7	69.0	197.6	15.4	20.0%
Oy Silva Seafood Ab	Kaskinen	0.7	0.6	1.8	0.1	20.0%
Movere Oy	Lahti	5.2	4.8	43.0	0.1	33.3%

JOINT VENTURES

The Group holds 50% share of ownership in the following joint ventures:

2005 EUR million	Domicile	Assets	Liabilities	Net turnover	Profit/loss	Group holding (%)
Ateriamestarit Oy	Raisio	3.6	3.5	30.2	0.1	50.0%
Farmit Website Oy	Helsinki	0.4	0.2	0.8	0.0	50.0%
ZAO Skandinavskij Korm	Russia	0.6	0.0	0.0	0.0	50.0%
2004 EUR million						
Ateriamestarit Oy	Raisio	4.3	4.2	17.2	0.0	50.0%
Farmit Website Oy	Helsinki	0.5	0.4	0.8	0.0	50.0%

Joint venture companies have been consolidated into the financial statements using the equity method.

The joint venture assets and profits included in the balance sheet and income statement of the Group are as follows:

EUR million	2005	2004
Non-current assets	0.1	0.1
Income	0.0	0.0

Note 15
Available-for-sale investments

Available-for-sale financial assets contain shares of publicly listed companies and shares of unlisted companies. The shares of the publicly listed companies have been recognised at fair value. The shares of unlisted companies are reported at acquisition cost as their values are not realiably available.

A total of +0,1 million euros was entered as gains and losses of disposals and impairments of available-for-sale financial assets in 2005. (2004: +0,3 million euros).

EUR million	2005	2004
Investments in shares of publicly listed companies	2.9	2.2
Investments in shares of unlisted companies	0.3	1.6
Total	3.2	3.7

Note 16
Receivables (non-current)

EUR million	2005	2004
Receivables from associated companies	6.2	–
Receivables based on derivative instruments	0.2	–
Connection fees	0.4	0.3
Total	6.9	0.3

The fair values of the receivables are estimated to correspond to their book values.

Note 17
Trade receivables and other receivables

EUR million	2005	2004
Trade receivables	34.5	30.8
Loan receivables	0.0	0.3
Receivables based on derivative instruments	0.3	0.0
Accrued income and deferred expenses	1.9	2.9
Other receivables	1.2	0.4
Receivables from associated companies and joint ventures		
Trade receivables	2.2	2.4
Loan receivables	1.4	0.1
Total	41.5	36.9

The material items in the accrued income and deferred expenses relate to accruals of employment benefits and income taxes. The fair values of the receivables are estimated to correspond to their book values.

Note 18
Inventories

EUR million	2005	2004
Materials and consumables	26.4	21.3
Work in progress	0.9	0.9
Finished goods	27.2	27.3
Advance payments	-	0.0
Total	54.5	49.5

Note 19
Cash and cash equivalents

EUR million	2005	2004
Cash and bank receivables	4.0	3.9
Short term investments	7.2	5.9
Effect of foreign currency rate changes	0.0	-0.1
Total	11.2	9.7
The liquid assets in the cash flow statement are as follows:		
Cash and cash equivalents	11.2	9.2
Financial assets through profit and loss	-	0.5
	11.2	9.7

Note 20
Shareholders' equity

Reconciliation of the number of shares.

EUR million	Number of shares (1 000)	Share capital	Premium fund	Total
Jan. 1, 2004	6 123	12.2	21.4	33.6
Targeded issue	195	0.4	2.0	2.3
Dec. 31, 2004	6 318	12.6	23.4	35.2
Dec. 31, 2005	6 318	12.6	23.4	35.2

The maximum number of shares on December 31, 2005 is 20 million (2004: 20 million). The nominal value of the shares is 2 euros per share and the maximum share capital of the Group 40 million euros (2004: 40 million euros). All of the issued shares have been paid in full.

Descriptions of the funds in the equity:

TRANSLATION DIFFERENCES

Translation differences -fund contains the translation differences arising from the translations of the financial statements prepared in foreign currency.

REVALUATION RESERVE

Revalution reserve consists of two subreserves: fair value reserve for available-for-sale financial assets and hedging reserve for the revaluations of the fair values of derivative insruments used for cash flow hedges.

OTHER RESERVES

Other reserves consist of contingency reserve and capital reserve accounts. Contingency reserve includes the proportion transferred from retained earnings according to the decision by the annual general meeting. Capital reserve accounts include items that are based on the local regulation of foreign subsidiaries.

TREASURY SHARES

Treasury shares include the acquisition cost of the own shares that are in Group's possession. The company possessed 65,000 (2004: 65,000) own shares that have been repurchased during 2000 and 2001. The shares represent 1.0% of the company's share capital and votes. The acquisition cost of the repurchased shares was 0.8 million euros and it is presented as deduction of equity.

DIVIDENDS

Subsequent to the financial statement date the Board of Directors has proposed a dividend of 0.73 euros per share to be paid.

Note 21
Provisions

EUR million	Restructuring provision	Total
Jan. 1, 2005	2.1	2.1
Arising during the year	0.0	0.0
Utilised	-0.2	-0.2
Dec. 31, 2005	1.9	1.9

RESTRUCTURING PROVISION

Restructuring provision was recorded to cover liabilities and other losses incurring due to bankruptcy of Machinium Oy.

Note 22
Interest-bearing liabilities

EUR million	2005	2004
Non-current		
Loans from credit institutions	14.6	21.9
Other loans	1.2	1.2
Finance lease liabilities	0.2	–
Total	16.0	23.1
Current		
Commercial paper debts	19.0	13.0
Current portion of long term loans	10.8	10.2
Finance lease liabilities (note 24)	0.1	0.1
Total	29.9	23.3

2005 REPAYMENT SCHEDULE OF LONG TERM BORROWINGS Dec. 31, EUR million	2006	2007	2008	2009	2010	2011+	Total
Loans from credit institutions	10.8	10.9	2.5	0.6	0.2	1.8	26.8
Short term loans, repayable within the next 12 months							10.8
Long term loans, repayable after 12 months							**16.0**

The major part of the borrowings have floating interest rates of which a portion amounting 25 million euros has been changed to a fixed rate using an interest swap agreement. It is assessed that the book values of the borrowings correspond to their fair values.
All interest-bearing long term loans are denominated in euros.

2004 REPAYMENT SCHEDULE OF LONG TERM BORROWINGS Dec. 31, EUR million	2005	2006	2007	2008	2009	2010+	Total
Loans from credit institutions	10.2	10.4	10.1	0.3	0.2	2.0	33.3
Short term loans, repayable within the next 12 months							10.2
Long term loans, repayable after 12 months							**23.1**

The major part of the borrowings have floating interest rates of which a portion amounting 25 million euros has been changed to a fixed rate using an interest swap agreement. It is assessed that the book values of the borrowings correspond to their fair values.
All interest-bearing long term loans are denominated in euros.

Note 23
Trade payables and other liabilities

EUR million	2005	2004
Current		
Advances received	0.0	0.1
Trade payables	31.4	24.2
Amounts owed to associated companies and joint ventures	6.2	6.8
Accrued expenses and deferred income	16.1	13.2
Derivative instrument liabilities	0.5	0.7
Other liabilities	4.3	6.3
Total	58.5	51.3

The material items in accrued expenses and deferred income consist of personnel expenses and accruals of liabilies and material purchases.

Note 24
Minimum future lease payments of finance leases

EUR million	2005	2004
Finance lease liabilities – total amount of minimum lease payments	0.3	0.1
Within one year	0.1	0.1
After one year but not more than five years	0.2	–
After more than five years	–	–
Finance lease liabilities – present value of minimum lease payments	0.3	0.1
Within one year	0.1	0.1
After one year but not more than five years	0.2	–
After more than five years	–	–
Finance charges accruing in the future	0.0	0.0

Tangible assets include the following assets acquired through finance lease agreements:

EUR million	Machinery and equipment	Total
2005	0.3	0.3
2004	0.1	0.1

Note 25
Contingent liabilities

EUR million	2005	2004
Mortgages given for debts		
Real estate mortgages	40.7	34.9
Corporate mortgages	51.4	51.4
Shares pledged	3.6	3.6
Other securities given		
Real estate mortgages	0.1	0.1
Pledges	0.0	0.0
Leasing liabilities		
Within one year	0.6	0.5
Later	0.7	0.4
Rental liabilities		
Non-cancellable other leases, minimum lease payments	2.1	1.9
Contingent liabilities for own commitments		
Repurchasing commitments	0.1	0.2
Contingent liabilities on behalf of the associated companies		
Guarantees	0.0	0.1
Repurchasing commitments	0.1	0.1
Other contingent liabilities		
Redemption liabilities of leased buildings	–	2.5
Outstanding values of derivative instruments		
Forward currency contracts	1.5	3.3
Commodity derivative instruments	5.0	5.9
Interest rate swaps	25.0	25.0

Note 26
Related party transactions

PARENT COMPANY AND SUBSIDIARY RELATIONS OF THE GROUP	Domicile	Group's share of ownership, %	Group's share of votes, %
Lännen Tehtaat plc (parent company)	Finland		
Suomen Rehu Ltd	Finland	100.0	100.0
Lännen Rehu Oy	Finland	100.0	100.0
Hiven Oy	Finland	100.0	100.0
Mildola Oy	Finland	82.5	82.5
SIA Baltic Feed	Latvia	100.0	100.0
Rehu Eesti Oü	Estonia	100.0	100.0
Avena Nordic Grain Oy	Finland	100.0	100.0
ZAO Avena St. Petersburg	Russia	100.0	100.0
UAB Avena Nordic Grain	Lithuania	100.0	100.0
Apetit Kala Oy	Finland	50.9	50.9
Harviala Oy	Finland	100.0	100.0
Cibarius Oy	Finland	100.0	100.0
7 non-operative companies	Finland	100.0	100.0

SALARIES, WAGES AND BENEFITS OF THE ADMINISTRATIVE BODIES OF THE GROUP

The chairman of the supervisory board was paid 5,800 euros, the vice chairman 5,400 euros and the members 600 to 1,000 euros in fees and allowances.

The members of the Board of Directors and CEOs were paid in salaries, wages and fringe benefits in 2005 as follows (euros):

Tom v. Weymarn, chairman of the Board	24,000.00
Hannu Simula, vice chairman of the Board	15,000.00
Harri Eela, member of the Board	15,000.00
Aappo Kontu, member of the Board	15,000.00
Matti Lappalainen, member of the Board	15,000.00
Soili Suonoja, member of the Board	15,000.00
Erkki Lepistö, CEO until August 31, 2005	168,674.18
Matti Karppinen, CEO as from September 1, 2005	76,440.00

The members of the Board do not have pension agreements with the Group companies. The agreed retirement age for the CEO is 62 years.
The Group did not have loan receivables from the members of the administrative bodies on December 31, 2005 nor on December 31, 2004.

TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES EUR million	2005	2004
Sales of goods to associated companies	0.6	0.6
Sales of goods to joint ventures	7.3	4.2
Sales of services to associated companies	0.7	0.7
Sales of services to joint ventures	0.1	0.1
Purchase of goods from associated companies	51.0	50.9
Purchase of services from associated companies	14.8	9.9
Purchases of services from joint ventures	0.0	0.1
Long-term receivables from associated companies	7.3	0.1
Trade receivables and other receivables from associated companies	3.0	1.4
Trade receivabes and other receivables from joint ventures	0.7	1.0
Trade payables and other liabilities to associated companies	6.2	6.2

The sales of goods and services to the associated companies and joint ventures are based on valid price catalogues of the Group.

Note 27
Transition to IFRS reporting

EFFECTS OF ADOPTING IFRS REPORTING ON THE COMPARATIVE FIGURES FOR 2004

The Lännen Tehtaat Group started applying the International Financial Reporting Standards (IFRS) in its financial reporting from the beginning of 2005. The transition date was January 1st 2004. Note 1 "Accounting principles" describes the IFRS standards that were applied in making the changeover.

Lännen Tehtaat published on April 27th 2005 a separate stock exchange release on the effects of IFRS transition. The release presented the material effects of the transition to IFRS reporting on the financial information of the year 2004 originally reported in accordance with the accounting regulations for listed companies in Finland (Finnish Accounting Standards (FAS). The FAS accounting principles are presented in Lännen Tehtaat's Annual Report 2004.

1) PROFIT/LOSS FOR THE PERIOD

The following table gives a summary of the impact of the transition to IFRS standards on Lännen Tehtaat's results for 2004. These differences have been described further in the following chapters.

	2004
Profit/loss for the period, FAS	6.0
+ minority interest (IAS 1, difference in presentation)	0.2
IFRS 3 Reversal of goodwill amortizations	3.2
IAS 2 Inventories	-0.3
IAS 12 Deferred tax assets	-0.5
IAS 12 Deferred tax liabilities	-0.2
IAS 17 Finance leases	1.0
IAS 19 Pension liability	0.6
IAS 28 Investments in associated companies	0.3
IAS 38 Intangible assets	0.0
IAS 39 Derivatives	0.2
Profit/loss for the period, IFRS	10.5

2) TREATMENT OF GOODWILL

According to IFRS 3, goodwill is no longer depreciated according to plan. Instead, any impairment is assessed through annually performed impairment tests in accordance with IAS 36. Impairment test will also be performed if there is an indication that the cash generating unit to which goodwill has been allocated, may be impaired. IAS 36 impairment testing has been carried out for all goodwill entered in the opening IFRS consolidated balance sheet on January 1, 2004. The present value of the cash flow from the impairment testing exceeds the book value of the asset items covered by the tests.

The opening IFRS consolidated balance sheet on January 1, 2004 included goodwill amounting to EUR 17.6 million. EUR 16.6 million of this has been allocated to the Feed Division, EUR 0.6 million to the Food Division and EUR 0.5 million to discontinuing operations.

3) SEGMENT REPORTING

The Lännen Tehtaat Group's primary system of segment reporting is based on business segments. The Group has four business segments: the Food Division, the Feed Division, the Grain Trading Division and Other Operations. Other Operations includes Lännen Plant Systems, Harviala Oy and the corporate administration. The Machinium Division, which was part of the Group until July 2004, is presented under discontinuing operations.

The Lännen Tehtaat Group's secondary segment reporting format is based on market area segments. The Group has three market areas determined in accordance with IAS 14: Finland, other EU member states and other countries.

4) PROVISIONS

In the IFRS balance sheet, provisions are classified into current and non-current liabilities.

5) PRESENTATION OF SHARE OF PROFITS OF ASSOCIATED COMPANIES

The transition to the IFRS profit and loss account format brings a change to the way the share of profits of Lännen Tehtaat's associated companies is presented. Prior to the transition, the share of profits of associated companies was presented before the operating result. Under the IFRS profit and loss account, the share of profits of associate companies is presented after the operating result.

6) FINANCE LEASE AGREEMENTS

Under IAS 17, rental agreements have been divided into finance lease agreements and other rental agreements. As an IFRS adjustment, assets acquired through finance lease agreements have been recognized as assets, and finance lease debts as liabilities, in the balance sheet. In the profit and loss account, rent expenses entered as operating expenses in the FAS accounting have been reversed. Depreciation according to plan and interest expenses resulting from finance lease liabilities have been entered as operating expenses.

7) DEFERRED TAX ASSETS AND LIABILITIES

In accordance with IAS 1, deferred tax assets and liabilities are presented as non-current assets and liabilities. Among the taxable IFRS adjustments, deferred taxes have been entered on the basis of IAS 12. In the balance sheet at the transition date, January 1, 2004, deferred tax liabilities resulting from IFRS adjustments amounted to EUR 6.8 million (FAS: EUR 4.4 million) and deferred tax assets amounted to EUR 2.4 million (FAS: EUR 0.4 million). In connection with the acquisition of Apetit Kala in the second quarter of 2004 and subsequent allocation of the purchase price to the assets acquired, a deferred tax liability amounting to EUR 0.7 million was recognized.

8) AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

Available-for-sale financial assets are carried at fair value. The profit generated by the valuation difference, less the deferred tax liability, is included in the equity as net unrealized gains on available-for-sale financial assets. The shares of unlisted companies are carried at acquisition cost because their values are not reliably available.

9) DEFINED BENEFIT PENSION ARRANGEMENTS

A liability amounting to EUR 0.7 million has been entered in the opening IFRS balance sheet for the defined benefit pension arrangements. Under the FAS accounting no such liability was recognized. EUR 0.6 million of the liability figure recognized under the IFRS reporting has been entered as an expense adjustment in the last quarter of 2004 due to the changes made to the Employees' Pensions Act (TEL). At the end of 2004 the liability amounted to EUR 0.1 million.

10) BUSINESS COMBINATIONS

The effects of the acquisition of Apetit Kala Oy (formerly Kuopion Kalatukku Oy) in June 2004 are presented in note 5 of the financial statements "Acquired businesses".

11) INVENTORIES

Under the IFRS standards, inventories include fixed purchase and production costs. These were not included in the acquisition cost of inventories under the previous FAS accounting practice.

12) SHAREHOLDERS' EQUITY

The following table shows the results of a reconciliation of the shareholders' equity under the FAS standards and under the IFRS standards at the IFRS transition date on January 1, 2004 and at the end of the financial year 2004.

	Jan. 1, 2004	Dec. 31, 2004
Shareholders' equity, FAS	95.1	97.5
+ minority interest (IAS 1, difference in presentation)	4.9	1.6
IFRS 3 Goodwill	0.0	3.4
IAS 1 Preferred capital loans	-1.7	0.0
IAS 2 Inventories	3.4	3.5
IAS 12 Deferred tax assets	2.0	1.6
IAS 12 Deferred tax liabilities	-2.4	-3.4
IAS 16 Tangible assets	-0.4	0.4
IAS 17 Finance leases	-1.4	0.0
IAS 19 Pension liability	-0.7	-0.1
IAS 28 Investments in associated companies	1.9	2.2
IAS 32 Treasury shares	-0.8	-0.8
IAS 39 Available-for-sale investments	1.3	1.4
IAS 39 Derivative instruments	-0.7	-0.5
Shareholders' equity, IFRS	99.9	106.8

13) OTHER

In addition to items mentioned above the IFRS transition has led to reclassification of a few minor balance sheet items. n

Parent company financial statements, FAS

Income statement

EUR 1000

	Note	2005	2004
Net turnover	(1)	**99 015**	**107 544**
Variation of stocks in finished goods and in work in progress		-1 418	138
Other operating income	(2)	9 406	1 099
Raw materials and services	(3)	-70 890	-79 015
Personnel expenses	(4)	-13 767	-14 307
Depreciation and impairments	(5)	-3 304	-4 114
Other operating expenses		-11 793	-18 197
Operating profit/loss		**7 249**	**-6 853**
Financial income and expenses	(6)	2 012	3 359
Profit/loss before extraordinary items		**9 262**	**-3 494**
Extraordinary items	(7)	350	1 400
Profit/loss before appropriations, taxes and minority interests		**9 612**	**-2 094**
Appropriations	(8)	2 089	580
Income taxes	(9)	-2 645	-195
Profit/loss for the financial year		**9 056**	**-1 709**

Balance sheet, FAS

EUR 1000

	Note	Dec. 31, 2005	Dec. 31, 2004
ASSETS			
Non-current assets			
Intangible assets	(10)	839	1 177
Tangible assets	(11)	25 211	27 422
Investments in Group companies	(12,13)	19 232	19 232
Receivables from Group companies	(12,13)	9 430	9 430
Investments in associated companies	(12,13)	12 019	11 799
Other investments and receivables	(12,13)	1 236	1 242
		67 966	70 301
Current assets			
Inventories	(14)	10 445	12 024
Long-term receivables	(15)	8 654	1 404
Deferred tax receivable	(16)	490	655
Current receivables	(16)	45 745	45 913
Marketable securities		0	508
Cash and cash equivalents		7 057	6 162
		72 391	66 667
		140 357	**136 968**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(17)		
Share capital		12 635	12 635
Premium fund		23 391	23 391
Contingency reserve		7 232	7 232
Retained earnings		25 979	31 751
Profit/loss for the financial year		9 056	-1 709
		78 292	73 301
Accumulated appropriations	(18)	5 784	7 872
Provisions	(19)	1 885	2 095
Liabilities	(20)		
Long-term borrowings		6 400	12 800
Current liabilities		47 996	40 900
		140 357	**136 968**

Cash flow statement, FAS

EUR 1000

	2005	2004
Cash flow from operating activities		
Profit/loss before extraordinary items	9 262	-3 494
Adjustments	1 289	4 218
Change in working capital		
Change in non-interest-bearing current receivables	-10 109	5 314
Change in inventories	1 580	250
Change in non-interest-bearing current liabilities	-2 535	887
Cash flow from operating activities	-513	7 175
Dividends received	1 218	1 540
Interests paid	-1 022	-1 082
Interests received	1 788	1 819
Other financial items	-142	-84
Taxes paid	-211	0
Cash flow from operating activities (A)	**1 118**	**9 368**
Cash flow from investing activities		
Investments in tangible and intangible assets	-1 013	-2 283
Proceeds from sales of tangible and intangible assets	261	349
Investments in Group companies	–	-2 767
Sales of Group companies	–	951
Investments in associated companies	-219	-26
Investments in other shares	–	-
Proceeds from sales of other investments	–	272
Loans granted	–	-279
Change in short term investments	-240	–
Dividends received	180	380
Cash flow from investing activities (B)	**-1 031**	**-3 403**
Cash flow before financing	**87**	**5 965**
Cash flow from financing activities		
Change in short-term financing	9 367	5 840
Repayments of long-term loans	-6 400	-6 400
Dividends paid	-4 064	-3 937
Group contributions, received	1 400	-
Cash flow from financing activities (C)	**303**	**-4 497**
Net increase/decrease (A+B+C) in cash and cash equivalents	**388**	**1 468**
Cash and cash equivalents at the beginning of the period	**6 670**	**5 203**
Cash and cash equivalents at the end of the period	**7 057**	**6 670**

Accounting principles, FAS

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 payables denominated in foreign currencies have been translated into euros at the European Central Bank middle rate on the closing day. Exchange rate differences caused by current receivables and liabilities have been charged to the profit and loss account. Likewise, unrealised exchange rate losses of long-term receivables and liabilities have also been charged to the profit and loss account. Unrealised exchange rate gains have been charged to the profit and loss account, but only up to the amount of loss from the same currency.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax liabilities and assets are calculated on the basis of the timing differences between the closing date and the taxation date, using the tax rate for subsequent years confirmed on the closing date.

DERIVATIVE CONTRACTS

In line with its risk management policy, Lännen Tehtaat uses a variety of derivatives for hedging against a number of risks arising from foreign currencies, interest rates and commodity prices. The market values of derivatives are entered under derivative contracts in the other notes to the accounts and indicate what the result would have been if the derivative position had been closed at market prices on the date of closing of the accounts.

Swap contracts and cap agreements have been used against interest risks in variable-rate long-term loans. The income or expenses from the contracts are recorded on 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 CEO has been set at 62 years. n

Notes to the parent company income statement, FAS

EUR 1000

1. NET TURNOVER BY BUSINESS SEGMENT AND BY GEOGRAPHICAL SEGMENT	2005	2004
By segment		
Food segment	95 000	101 516
Other operations segment	4 015	6 028
Total	99 015	107 544
Exports from Finland	2 348	4 126
By geographical segment		
Finland	96 667	103 418
Other EU countries	1 236	2 081
Other countries	1 112	2 045
Total	99 015	107 544

2. OTHER OPERATING INCOME	2005	2004
Compensation for the termination of sales contract	8 700	-
Gains from sales of non-current assets	31	605
Rental income	455	264
Income from compensations	174	139
Other	46	91
Total	9 406	1 099

3. MATERIALS AND SERVICES	2005	2004
Raw materials and consumables		
Purchases during the financial year	70 014	77 804
Variation in inventories	155	394
External services	721	817
Total	70 890	79 015

Notes to the parent company income statement, FAS

EUR 1000

4. PERSONNEL EXPENSES AND AVERAGE NUMBER OF PERSONNEL	2005	2004
Personnel expenses		
Wages and salaries	11 036	11 331
Pension expenses	1 821	1 982
Other social security expenses	910	994
Total	13 767	14 307
Salaries, wages and benefits of the administration bodies are presented in note 26.		
Average number of personnel		
Food segment	287	297
Other operations segment	44	64
Total	331	361
The pension commitments to the members of the Board of Directors and the CEO		
The retirement age of the CEO is 62 years.		

5. DEPRECIATION AND IMPAIRMENTS	2005	2004
Depreciation according to plan has been calculated from the original acquisition cost on a straight line basis based on the probable economic life of the asset as follows.		
Intangible rights	5 or 10 years	
Goodwill	10 years	
Other capitalized long-term expenses	5 or 10 years	
Buildings, made of stone and wood	20 – 30 years	
Other buildings and constructions	5 or 10 years	
Machinery and equipment	5 or 10 years	
Depreciation according to plan	**2005**	**2004**
Intangible rights	174	466
Goodwill	-	370
Other capitalized long-term expenses	136	124
Buildings	1 199	1 198
Machinery and equipment	1 795	1 956
Total	3 304	4 114

Notes to the parent company income statement, FAS

EUR 1000

6. FINANCIAL INCOME AND EXPENSES	2005	2004
Dividend income		
From Group companies	68	-
From associated companies	1 218	1 540
From others	111	380
Avoir fiscal income	-	784
Total	1 397	2 704
Interest income from long-term investments		
From Group companies	728	717
From others	-	16
Total	728	733
Other interest and financial income		
From Group companies	891	857
From others	497	664
Total	1 388	1 521
Financial income, total	3 513	4 958
Reduction in value of investments		
Reduction in value of shares	7	-
Interest expenses and other financial expenses		
To Group companies	111	90
To others	1 383	1 509
Total	1 494	1 599
Financial income and expenses, total	2 012	3 359

7. EXTRAORDINARY ITEMS	2005	2004
Group contributions received	350	1 400

8. APPROPRIATIONS	2005	2004
Depreciation in excess of or less than plan		
Intangible rights	3	1
Other capitalized long-term expenses	14	-21
Buildings	363	314
Machinery and equipment	1 709	286
Total	2 089	580

9. INCOME TAXES	2005	2004
For the financial year	2 479	520
For the previous years	1	40
Change in deferred tax receivable	165	-365
Total	2 645	195

Notes to the parent company balance sheet, FAS

EUR 1000

10. INTANGIBLE ASSETS	2005	2004
INTANGIBLE RIGHTS		
Acquisition cost Jan. 1	2 222	5 103
Disposals	-483	-2 881
Acquisition cost Dec. 31	1 739	2 222
Accumulated depreciation	-1 447	-3 809
Accumulated depreciation on decreases	446	2 828
Depreciation for the year	-174	-466
Accumulated depreciation Dec. 31	-1 175	-1 447
Book value Dec. 31	564	775
GOODWILL		
Acquisition cost Jan. 1	6 334	6 334
Acquisition cost Dec. 31	6 334	6 334
Accumulated depreciation	-6 334	-5 964
Depreciation for the year	-	-370
Accumulated depreciation Dec. 31	-6 334	-6 334
Book value Dec. 31	-	-
OTHER CAPITALIZED LONG-TERM EXPENSES		
Acquisition cost Jan. 1	1 079	984
Additions	-	162
Disposals	-2	-3
Transfers between items	11	-64
Acquisition cost Dec. 31	1 088	1 079
Accumulated depreciation	-677	-556
Accumulated depreciation on decreases		3
Depreciation for the year	-136	-124
Accumulated depreciation Dec. 31	-813	-677
Book value Dec. 31	275	402
ADVANCE PAYMENTS		
Acquisition cost Jan. 1	-	98
Disposals	-	24
Transfers between items	-	-122
Acquisition cost Dec. 31	-	-
Intangible assets, total	**839**	**1 177**

Notes to the parent company balance sheet, FAS

EUR 1000

11. TANGIBLE ASSETS	2005	2004
LAND AND WATERS		
Acquisition cost Jan. 1	2 491	2 494
Disposals	–	-3
Book value Dec. 31	2 491	2 491
BUILDINGS		
Acquisition cost Jan. 1	29 661	29 468
Additions	19	33
Disposals	-20	-110
Transfers between items	235	270
Acquisition cost Dec. 31	29 895	29 661
Accumulated depreciation	-11 941	-10 819
Accumulated depreciation on decreases	9	76
Depreciation for the year	-1 199	-1 198
Accumulated depreciation Dec. 31	-13 131	-11 941
Book value Dec. 31	16 764	17 720
MACHINERY AND EQUIPMENT		
Acquisition cost Jan. 1	27 915	26 331
Additions	302	296
Disposals	-2 021	-166
Transfers between items	447	1 454
Acquisition cost Dec. 31	26 643	27 915
Accumulated depreciation	-20 765	-18 953
Accumulated depreciation on decreases	1 810	144
Depreciation for the year	-1 795	-1 956
Accumulated depreciation Dec. 31	-20 750	-20 765
Book value Dec. 31	5 893	7 150
Share of machinery and equipment in book value Dec. 31	5 395	6 471
OTHER TANGIBLE ASSETS		
Acquisition cost Jan. 1	64	–
Transfers between items	–	64
Acquisition cost Dec. 31	64	64
Book value Dec. 31	64	64
ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS		
Acquisition cost Jan. 1	–	44
Additions	692	1 547
Transfers between items	-692	-1 591
Book value Dec. 31	–	–
Tangible assets, total	**25 212**	**27 425**

Notes to the parent company balance sheet, FAS

EUR 1000

	2005	2004
REVALUATION		
Land and waters Jan. 1 and Dec. 31	1850	1850
Buildings Jan. 1 and Dec. 31	812	812

12. INVESTMENTS	2005	2004
HOLDINGS IN GROUP COMPANIES		
Acquisition cost Jan. 1	19 232	17 249
Additions	-	5 107
Disposals	-	-3 124
Book value Dec. 31	19 232	19 232
RECEIVABLES FROM GROUP COMPANIES		
Acquisition cost Jan. 1	9 430	9 430
Book value Dec. 31	9 430	9 430
HOLDINGS IN ASSOCIATED AND PARTICIPATING INTEREST COMPANIES		
Holdings in associated companies		
Acquisition cost Jan. 1	11 799	11 773
Additions	220	26
Book value Dec. 31	12 019	11 799
OTHER INVESTMENTS AND RECEIVABLES		
Other investments		
Acquisition cost Jan. 1	929	1 267
Disposals	-7	-9
Transfers between items	-	-329
Book value Dec. 31	922	929
Other receivables		
Acquisition cost Jan. 1	314	-
Transfers between items	-	329
Disposals	-	-15
Book value Dec. 31	314	314
Other investments and receivables, total	1 236	1 243
Investments total	**41 917**	**41 704**

Notes to the parent company balance sheet, FAS

EUR 1000

13. SHARES OF GROUP COMPANIES, ACCOCIATED COMPANIES AND OTHER SHARES AND RECEIVABLES			
	Registered office		Holding -%
Group companies			
Suomen Rehu Ltd	Helsinki		100,0
Avena Nordic Grain Oy	Helsinki		100,0
Apetit Kala Oy	Kuopio		50,9
Harviala Oy	Janakkala		100,0
Cibarius Oy	Turku		100,0
7 non-operative companies	Säkylä		100,0
Associated companies			
Sucros Ltd	Helsinki		20,0
Joint ventures			
Ateriamestarit Oy	Raisio		50,0
ZAO Skandinavskij Korm	Russia		50,0
Participating interest companies			
Lannen Polska Sp. z o.o.	Poland		19,0
OTHER SHARES, HOLDINGS AND RECEIVABLES			
	Number of shares	Book value of shares EUR 1000	Market value of shares EUR 1000
Shares of listed companies			
Kesko Corporation, B, Helsinki	100 000	709	2 395
OMX AB (publ), Stockholm	37 800	15	437
Raisio plc, K, Raisio	6 000	10	14
Neomarkka plc, B, Helsinki	280	2	2
Elisa Communications Corporation, A, Helsinki	1 185	4	18
Other			
Shares and holdings		182	
Connection fees		314	
Total		1 236	

14. INVENTORIES	2005	2004
Raw materials and consumables	1 980	2 135
Work in progress	–	140
Finished products/goods	8 464	9 743
Advance payments	–	6
Total	10 444	12 024

15. LONG-TERM RECEIVABLES	2005	2004
Loans receivables from Group companies	1 404	1 404
Other receivables from accociated companies	7 250	-
Total	8 654	1 404

Notes to the parent company balance sheet, FAS

EUR 1000

16. CURRENT RECEIVABLES	2005	2004
Deferred tax receivables		
From accruals	490	655
Accounts receivable	8 641	9 397
Amounts owed by the Group companies		
Accounts receivable	366	261
Loans receivable	29 791	30 951
Prepayments and accrued income	2 686	1 510
Total	32 843	32 722
Amounts owed by the associated companies		
Accounts receivable	2 082	2 320
Loans receivable	50	79
Other receivables	1 450	-
Total	3 582	2 399
Other receivables	58	-
Prepayments and accrued income		
Pension assurance and other legal assurances	431	355
Tax compensation receivables	-	784
Other	190	256
Total	621	1 395
Current receivables total	46 235	46 568

17. CHANGES IN SHAREHOLDERS' EQUITY	2005	2004
Share capital Jan. 1	12 635	12 245
Targeted share issue	-	390
Share capital Dec. 31	12 635	12 635
Premium fund Jan. 1	23 391	21 441
Share issue premium	-	1 950
Premium fund Dec. 31	23 391	23 391
Contingency reserve Jan. 1	7 232	7 232
Contingency reserve Dec.3 1	7 232	7 232
Retained earnings Jan. 1	31 752	29 886
Transfer from previous year profit	-1 709	5 803
Dividends paid	-4 064	-3 937
Retained earnings Dec. 31	25 979	31 752
Profit/loss for the financial year	9 056	-1 709
Shareholders' equity Dec. 31	78 292	73 301

Distributable funds		
Contingency reserve	7 232	7 232
Retained earnings	25 979	31 752
Profit/loss for the financial year	9 056	-1 709
Distributable funds Dec. 31	42 267	37 275

Notes to the parent company balance sheet, FAS

EUR 1000

18. ACCUMULATED APPROPRIATIONS	2005	2004
Accumulated depreciation in excess of plan	5 784	7 872

19. PROVISIONS	2005	2004
Bankruptcy of Machinium Oy	1 885	2 095

20. LIABILITIES	2005	2004
Long-term borrowings		
Loans from credit institutions	6 400	12 800
Current liabilities		
Loans from credit institutions	6 400	6 400
Advances received	–	27
Trade payables	4 829	5 495
Total	11 229	11 922
Amounts owed to Group companies		
Trade payables	18	26
Other liabilities	62	63
Accruals and deferred income	6 775	6 460
Total	6 855	6 549
Amounts owed to associated companies		
Trade payables	4 731	5 071
Other current liabilities		
Commercial papers emitted	19 000	13 000
Other	1 028	878
Total	20 028	13 878
Accrued expenses and deferred income		
Holiday pay reserve including social security expenses	1 414	1 692
Other salaries and fees including social security expenses	977	699
Raw materials and services	106	88
Interests on the loans	65	245
Income taxes	2 000	554
Other	592	202
Total	5 154	3 480
Current liabilities, total	47 996	40 900

Notes to the parent company balance sheet, FAS

EUR 1000

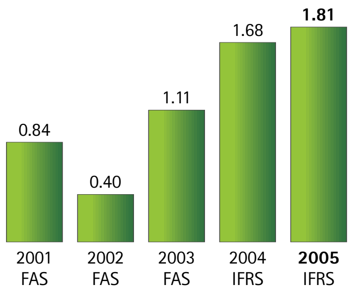
21. CONTINGENT LIABILITIES	2005	2004
Debts against which mortgages have been given		
Loans from credit institutions	12 800	19 200
Mortgages given for debts		
Real estate mortgages	18 888	18 888
Corporate mortgages	30 071	30 071
Shares pledged	3 600	3 600
Other securities given		
Pledges	4	4
Leasing liabilities		
Falling due during the following year	289	196
Falling due at later date	322	219
Lease liabilities		
Non-cancellable other leases, minimum lease payments	1 387	1 664
Contingent liabilities for own commitments		
Guarantees	385	420
Repurchasing commitments	61	158
Contingent liabilities on behalf of the Group companies		
Guarantees	9 526	11 986
Other contingent liabilities		
Redemption liability of leased buildings	-	2 472
Outstanding derivative instruments		
Interest rate swaps		
Market value	-411	-653
Value of underlying instruments	25 000	25 000
Commodity derivate instruments		
Market value	500	-41
Value of underlying instruments	1 264	1 813

Key indicators

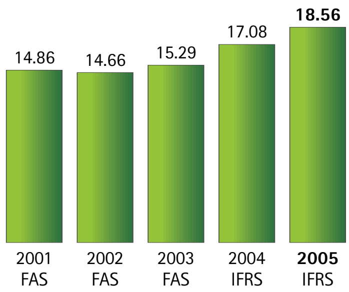
FINANCIAL INDICATORS EUR million	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS	2001 FAS
Scope of operations					
Net turnover	433.0	473.8	492.0	283.4	254.1
Exports from Finland	40.0	48.5	48.6	26.8	13.6
Gross investments excluding acquisitions	7.3	5.4	9.5	4.7	3.9
% of net turnover	1.7	1.1	1.9	1.7	1.5
Acquisitions and other investments in shares	4.4	5.7	0.0	42.6	0.0
% of net turnover	1.0	1.2	0.0	15.0	0.0
R & D expenses	3.1	3.1	3.2	1.7	1.5
% of net turnover	0.7	0.6	0.7	0.6	0.6
Average number of personnel	1 033	1 072	1 161	993	1 010
Financial income (+)/expenses(-), net	-1.2	-1.5	-3.3	-3.2	-0.9
Profitability					
Operating profit	16.3	11.4	11.7	3.3	5.7
% of net turnover	3.8	2.4	2.4	1.2	2.2
Profit before taxes	14.9	12.6	8.4	-0.1	4.8
% of net turnover	3.4	2.7	1.7	-0.0	1.9
Profit for the financial year	11.4	10.5	6.7	2.4	5.1
% of net turnover	2.6	2.2	1.4	0.9	2.0
Return on equity, % (ROE)	10.2	10.1	6.0	0.5	3.4
Return on investment, % (ROI)	10.8	8.7	7.7	2.7	6.4
Financial and economic status					
Equity ratio, %	50.0	49.6	39.5	36.5	57.3
Net gearing, %	29.9	33.8	65.4	75.4	4.0
Non-current assets	123.9	118.5	109.8	112.0	66.8
Inventories	54.5	49.5	80.2	81.9	41.2
Other current assets	53.7	46.8	59.6	69.0	60.2
Shareholders' equity	116.1	106.8	95.1	91.2	92.5
Distributable funds	65.7	55.3	47.5	47.4	48.0
Interest-bearing borrowings	45.9	46.4	73.7	83.9	24.9
Non-interest-bearing borrowings	68.3	60.1	75.7	83.1	46.3
Balance sheet total	232.2	215.4	249.7	262.9	168.2

KEY SHARE RATIOS		2005 IFRS	2004 IFRS	2003 FAS	2002 FAS	2001 FAS
Earnings and dividend						
Earnings per share, EUR		1.81	1.68	1.11	0.40	0.84
Nominal dividend per share, EUR	1)	0.73	0.65	0.65	0.30	0.60
Adjusted dividend per share, EUR	1)	0.73	0.65	0.65	0.30	0.60
Dividend per earnings, %		40.3	38.7	58.5	75.2	71.8
Effective dividend yield, %		4.1	5.4	5.5	2.9	5.1
P/E ratio		9.9	7.2	10.6	25.6	14.0
Shareholdes' equity per share, EUR		18.56	17.08	15.29	14.66	14.86
Share performance, EUR						
Adjusted closing price		18.00	12.05	11.75	10.20	11.70
Lowest price during the year		11.71	11.00	8.20	8.60	9.66
Highest price during the year		18.29	14.50	12.14	11.90	12.50
Average price during the year		14.24	12.57	10.18	10.54	10.61
Share turnover						
Share turnover (1000 pcs)		3 769	1 779	345	340	381
Turnover ratio, %		59.7	28.6	5.6	5.6	6.2
Share capital, EUR million		12.6	12.6	12.2	12.2	12.2
Market capitalisation, EUR million		113.7	76.1	71.9	62.5	71.6
Dividends, EUR million	1)	4.6	4.1	3.9	1.8	3.6
Number of shares						
Number of shares		6 317 576	6 317 576	6 122 576	6 122 576	6 122 576
Average adjusted number of shares		6 252 576	6 160 151	6 057 576	6 057 576	6 061 711
Adjusted number of shares at the end of the period		6 252 576	6 252 576	6 057 576	6 057 576	6 057 576
1) Proposal of the Board of Directors						

EARNINGS PER SHARE, EUR



SHAREHOLDERS' EQUITY PER SHARE, EUR



Calculation of financial ratios

FINANCIAL INDICATORS

		Numerator	Denominator	
Return on equity, % (ROE)	=	Profit/loss before extraordinary items less taxes +- tax on extraordinary items	(Shareholders' equity - treasury shares - preferred capital loans + minority interest) average	x 100
Return on investment, % (ROI)	=	Profit/loss before extraordinary items + interest paid and other financial expenses	Capital employed (average)	x 100
Capital employed	=	Balance sheet total - treasury shares - interest-free accounts payable and accrued liabilities, advance payments received, deferred tax liability, obligatory provisions		
Equity ratio, %	=	Shareholders' equity - treasury shares - preferred capital loans + minority interest	Balance sheet total - treasury shares - advance payments received	x 100
Net gearing ratio, %	=	Interest-bearing net liabilities	Shareholders' equity - treasury shares - preferred capital loans	x 100
Interest-bearing net liabilities	=	Interest-bearing liabilities - interest-bearing deposits and receivables		

SHARE DATA

		Numerator	Denominator	
Earnings per share	=	Profit/loss before extraordinary items less taxes +- tax on extraordinary items +- minority interest	Average number of shares (adjusted for share issues)	
Adjusted dividend per share	=	Dividend for the financial year	Share issue coefficient	
Dividend per earnings, %	=	Adjusted dividend	Earnings per share	x 100
Effective dividend yield, %	=	Adjusted dividend	Adjusted share price	x 100
Price/earnings ratio (P/E)	=	Adjusted share price	Earnings per share	
Shareholders' equity per share	=	Shareholders' equity - treasury shares - preferred capital loans	Number of shares on Dec. 31, adjusted for share issues	
Adjusted share price	=	Closing price on Dec. 31	Share issue coefficient	
Market capitalization	=	Number of shares x adjusted share price		

Shares, share capital and shareholders

REGISTRATION AND SHARE QUOTATION

Lännen Tehtaat plc's shares are in the book-entry system and have been quoted on Helsinki Stock Exchange since 1989. The symbol for the shares is LTE1S and trading lot is 50 shares.

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 Articles of Association prescribe that the number of votes a shareholder is entitled to exercise cannot exceed one tenth of the votes represented at a shareholders' meeting.

SHARE CAPITAL

The minimum share capital is EUR 10,000,000 and the maximum EUR 40,000,000. The shares have a nominal value of EUR 2 each. Share capital at the beginning of the financial year was EUR 12,635,152 and there were 6,317,576 shares.

The Annual General Meeting of Lännen Tehtaat plc, held on March 31, 2005, authorized the Board of Directors to decide on increasing the share capital through a new issue and/or by taking a convertible loan in one or more tranches. In the new issue and/or new issue based on a convertible bond, the share capital may be increased by a maximum of EUR 1,263,514, which would mean a maximum of 631,757 shares for subscription. The authorization remains valid for one year from the date of the AGM. Increasing the share capital and/or taking a convertible bond is permitted as an exception to the shareholders' right of pre-emption provided that there is a weighty financial reason for such an exception.

The authorization to increase the share capital had not been exercised by February 13, 2006.

OWN SHARES

At the end of the financial period the company held 65,000 company shares acquired in 2000-2001, representing 1.0% of total share capital and votes. Their acquisition cost is EUR 778,475, i.e. EUR 11.98 per share. These shares carry no voting rights and no dividend is paid on them.

Lännen Tehtaat plc's Annual General Meeting on March 31, 2005, authorized the Board to decide to surrender these shares, which number 65,000 in all. This can be done in connection with corporate acquisitions or other arrangements, or for some other similar purpose, or they can be sold in public trading on Helsinki Stock Exchange. The authorization is valid for one year as of the AGM.

The authorization to surrender the company's own shares had not been exercised by February 13, 2006.

LÄNNEN TEHTAAT PLC'S SHARE OPTIONS

There are no valid stock option schemes at the moment.

FLAGGING NOTICES

Tapiola General Mutual Insurance Company and Tapiola Mutual Life Assurance Company, whose shareholdings are calculated together under the flagging regulations, announced on February 18, 2005 a change in their shareholding on February 17, 2005. They now hold 4.37% of Lännen Tehtaat plc's total share capital and total votes.

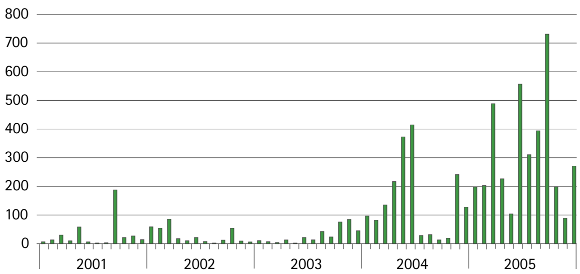
Raisio plc announced on September 14, 2005 that its holding in Lännen Tehtaat plc's share capital and voting rights had fallen below 5% on September 14, 2005. After the change, neither Raisio plc nor any organization or foundation controlled by Raisio plc owns Lännen Tehtaat plc's shares.

ODIN Forvaltnings AS announced on September 15, 2005 that the proportion of its holding in Lännen Tehtaat plc's share capital and voting rights had risen to 5.18%.

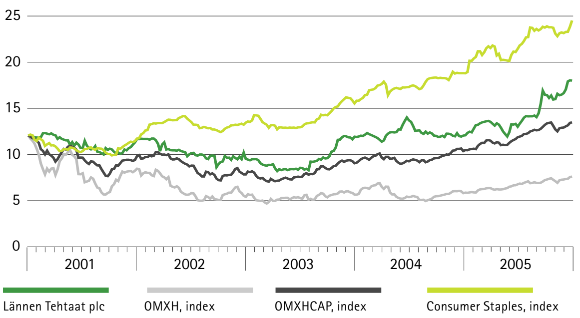
DIVIDEND POLICY

The aim of the Lännen Tehtaat plc Board is to ensure that the share generates a good return and retains its value. Dividend policy supports this goal. The company will distribute a dividend of no less than 40% of the proportion of the profit for the financial year that is assigned to parent company shareholders.

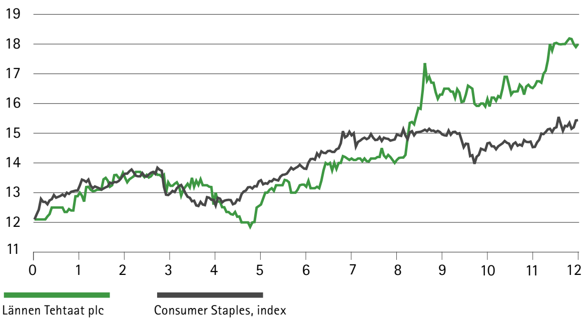
SHARE TRADING 2001–2005, 1000 SHARES



SHARE PERFORMANCE 2001–2005, EUR



SHARE PERFORMANCE 2005, EUR



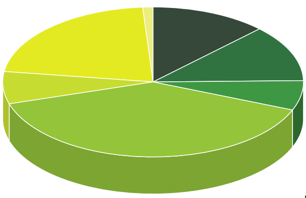
Shares and shareholders

MAJOR SHAREHOLDERS ON FEBRUARY 13, 2006	Number of shares	%	Number of votes	%
Esko Eela	386 548	6.1	386 548	6.2
Valio Oy	327 912	5.2	327 912	5.2
Odin Förvaltnings AS	327 100	5.2	327 100	5.2
Nordea Small Cap	263 800	4.2	263 800	4.2
Pohjola Finland Value	262 000	4.1	262 000	4.2
Ilmarinen Mutual Pension Insurance Company	153 800	2.4	153 800	2.5
Central Union of Agricultural Producers and Forest Owners (MTK)	125 485	2.0	125 485	2.0
Evli-Select	115 000	1.8	115 000	1.8
Säästöpankki Kotimaa Sijoitusrahasto	89 400	1.4	89 400	1.4
Jan Fazer	73 740	1.2	73 740	1.2
Nominee-registered shares	1 025 610	16.2	1 025 610	16.4
Other shareholders	3 102 181	49.1	3 102 181	49.6
External ownership total	6 252 576	99.0	6 252 576	100.0
Owned by the company	65 000	1.0		
	6 317 576	100.0		

SHARES OWNED BY THE CORPORATE MANAGEMENT

Regular and deputy members of the Supervisory Board and members of the Board of Directors and the CEO owned a total of 21,065 shares on February 13, 2006. This corresponds to 0.3% of share capital and voting rights.

DISTRIBUTION OF SHAREHOLDINGS ON FEBRUARY 13, 2006 Shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 100	3 896	47.6	174 216	2.8
101 – 500	3 211	39.2	783 593	12.4
501 – 1 000	666	8.1	483 741	7.7
1 001 – 5 000	344	4.2	640 864	10.1
5 001 – 10 000	26	0.3	180 146	2.8
10 001 – 50 000	26	0.3	540 546	8.5
50 001 – 100 000	7	0.1	466 112	7.4
100 001 – 500 000	10	0.1	2 414 589	38.2
500 001 –	1	0.0	572 666	9.1
Joint account			61 232	1.0
Total	8 187	100.0	6 317 576	100.0



DISTRIBUTION OF OWNERSHIP ON FEBRUARY 13, 2006
% OF SHARES

	% of shareholders	% of shares
Companies	1.9	12.4
Financial and insurance institutions	0.4	12.4
Public organizations	0.5	6.3
Private households	95.8	39.1
Non-profit organizations	1.3	6.9
Foreign and nominee-registered		21.9
Joint account		1.0
Total	100.0	100.0

Proposal of the Board of Directors' for the distribution of profit

The Group's distributable funds totalled EUR 65,732,770.71 on December 31, 2005.
The Parent company's distributable funds were EUR 42,266,413.25.

The Board of Directors proposes that Lännen Tehtaat plc pay a dividend of EUR 0.73 per share, a total of EUR 4,564,380.48.

Signature of financial statements

Helsinki, February 20, 2006

Tom v. Weymarn	Hannu Simula	Harri Eela
Aappo Kontu	Matti Lappalainen	Soili Suonoja
	Matti Karppinen CEO	

Auditors' report

TO THE SHAREHOLDERS OF LÄNNEN TEHTAAT PLC

We have audited the accounting records, the financial statements and the administration of Lännen Tehtaat plc for the financial year January 1 – December 31, 2005. The Board of Directors and the Chief Executive Officer have prepared the Board's report and the consolidated financial statements, which have been drawn up in accordance with the International Financial Reporting Standards approved for use in the European Union, and the parent company's financial statements, which have been drawn up in accordance with the prevailing regulations in Finland. The parent company's financial statements comprise the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements and on the parent company's financial statements and administration.

We conducted our audit in accordance with generally accepted auditing standards in Finland. These standards require that we conduct a sufficient examination of the accounting records and of the accounting policies, 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 was to establish that the members of the parent company's Board of Directors and the Chief Executive Officer have complied with the provisions of the Finnish Companies Act.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements give a true and fair view, as defined in the International Financial Reporting Standards approved for use in the EU and in the Finnish Accounting Act, of the consolidated result of operations and the financial position. The financial statements can be adopted.

PARENT COMPANY'S FINANCIAL STATEMENTS AND ADMINISTRATION

The parent company's 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 the parent company's result of operations and financial position. The financial statements can be adopted, and the members of the parent company's Board of Directors and the Chief Executive Officer can be discharged from liability for the financial period audited by us. The proposal of the Board of Directors concerning disposal of the distributable funds is in compliance with the Finnish Companies Act.

Säkylä, February 23, 2006

PricewaterhouseCoopers Oy
Authorized Public Accountants

Hannu Pellinen	Jari Henttula
Authorized Public Accountant	Authorized Public Accountant

Supervisory Board statement

The Supervisory Board of Lännen Tehtaat plc has today examined the consolidated and parent company financial statements for 2005 and studied the Auditors' report. The Supervisory Board has no comments on the financial statements for 2005.

The term of the following Supervisory Board Members will end on the date of the Annual General Meeting: Matti Eskola, Pasi Jaakkola, Jouni Kaitila, Markku Länninki and Ilkka Markkula.

Säkylä, March 7, 2006

For the Supervisory Board

Tom Liljesteröm	Asmo Ritala
Chairman	Secretary