Lännen Tehtaat Annual Report '06

Contents

Information for shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Lännen Tehtaat plc will be held on Thursday, March 29, 2007 at 2.00 p.m. in the Lännen Tehtaat plc staff restaurant in Säkylä.

Shareholders who are registered as shareholders no later than March 19, 2007 on the Lännen Tehtaat shareholders' register kept by the Finnish Central Securities Depository Ltd may attend the Annual General Meeting.

Shareholders wishing to attend the Annual General Meeting shall notify the company by 4.00 p.m. on Tuesday, March 27, 2007, either in writing to Lännen Tehtaat plc, P.O. Box 100, FI-27801 Säkylä, by fax +358 10 402 4022, by telephone +358 10 402 4002/Arja Antikainen or by e-mail *arja.antikainen@lannen.fi*.

DIVIDEND

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.84 per share be paid for 2006. The Board will also propose to the meeting that April 3, 2007 be set as the record date and April 12, 2007 as the dividend payment date. The dividend will be paid to shareholders who are registered as shareholders on the record date on the Lännen Tehtaat shareholders' register kept by the Finnish Central Securities Depository Ltd.

FINANCIAL INFORMATION IN 2007

Lännen Tehtaat plc will issue the following information on the 2007 financial period:

Financial statement bulletin 2006	February 14, 2007
Annual Report 2006	in week 12, 2007
Interim report for January-March	May 8, 2007
Interim report for January-June	August 9, 2007
Interim report for January-September	November 1, 2007

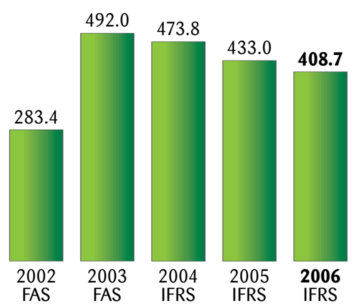
The Annual Report and Interim Reports are published in Finnish and English. A printed version of the Annual Report will be mailed to all shareholders with more than 100 shares. The Annual Report is also availabe on the company web pages at *www.lannen.fi/en/investor_information*. Interim Reports are published as stock exchange releases and on the company web pages at *www.lannen.fi/en/investor_information*. Financial reports can be ordered from Lännen Tehtaat plc, P.O. Box 100, FI-27801 Säkylä, telephone +358 10 402 00, fax +358 10 402 4022, or by e-mail from *arja.antikainen@lannen.fi*. You can also sign up for the publication mailing list via the company web pages.

CHANGES OF NAME OR ADDRESS

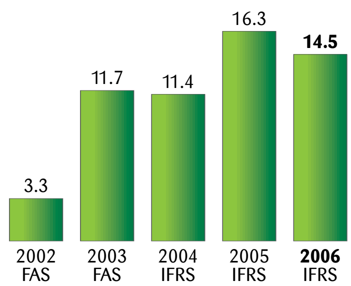
Shareholders are asked to notify the bank in which their book-entry accounts are handled of any changes in their name or address.

Key indicators

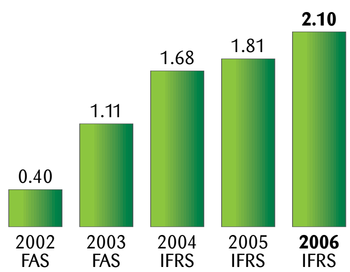
CONSOLIDATED NET SALES, EUR MILL.



OPERATING PROFIT, EUR MILL.



EARNINGS PER SHARE, EUR



		2006 IFRS	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS
Net sales	EUR mill.	408.7	433.0	473.8	492.0	283.4
Operating profit	EUR mill.	14.5	16.3	11.4	11.7	3.3
Profit before taxes	EUR mill.	17.8	14.9	12.6	8.4	-0.1
Return on investment (ROI)	%	11.2	10.8	8.7	7.7	2.7
Return on equity (ROE)	%	10.5	10.2	10.1	6.0	0.5
Equity ratio	%	50.3	50.0	49.6	39.5	36.5
Earnings per share	EUR	2.10	1.81	1.68	1.11	0.40
Dividend per share	EUR	[1] 0.84	0.73	0.65	0.65	0.30
Personnel average		981	1,033	1,072	1,161	993

[1] Board of Directors' proposal

Lännen Tehtaat

Lännen Tehtaat plc is a company operating in the food industry and quoted on Helsinki Stock Exchange. The Lännen Tehtaat Group consists of the Food Division and the Agricultural Division.

In the Food Division, the Apetit Frozen Foods and Jams business unit develops, produces and markets frozen foods, jams and marmalades that meet customer needs and requirements, and the Apetit Kala business 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

BUSINESS DIVISIONS

FOOD DIVISION	**Products and services**
Apetit Frozen Foods and Jams	Frozen foods, jams and marmalades
Apetit Kala Oy	Fish products
Associated company:	
Sucros Ltd, 20%	Manufacture, marketing and sales of sugar
Joint venture:	
Ateriamestarit Oy, 50%	HoReCa sales

AGRICULTURAL DIVISION	**Products and services**
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
UAB Baltijos Pasarai, Lithuania	Special compound feeds
Rehu Eesti Oü, Estonia	Special compound feeds
Associated company:	
Movere Oy, 33.3%	Logistics services
Joint venture:	
Farmit Website Oy, 50%	Agricultural portal operator
Vegetable oils	
Mildola Oy	Vegetable oils and protein feed
Grain trading	
Avena Nordic Grain Oy	Trade in grains, oil seeds, pulses and raw materials for feeds
ZAO Avena St. Petersburg, Russia	Trade in grains, oil seeds, pulses and raw materials for feeds
UAB Avena Nordic Grain, Lithuania	Trade in grains, oil seeds, pulses and raw materials for feeds

The updated Group structure can be found on the company web pages at www.lannen.fi/en under Lännen Tehtaat, Group structure

Vision, goals and values

VISION

Lännen Tehtaat is one of the leading Finnish food companies.

GOALS

- ➜ profitable growth and consolidation of our status as a leading Finnish food company
- ➜ a 40% equity ratio
- ➜ economic value added for shareholders
- ➜ preconditions for a stable share-price trend

VALUES

CUSTOMER FOCUS

We recognize our customers' needs, and we satisfy those needs with quality products and services. We work to build success and wellbeing for our customers, which will, in turn, bring success to the company. We also work to reinforce a favourable image for the company and seek to establish successful partnerships.

EXPERTISE

Skilled personnel represent the company's most important resource. We aim to ensure that our expertise is maintained at the level necessary to meet today's needs and those of the future. To this end, we cultivate a working climate that encourages learning and we provide opportunities to learn. We encourage each other to improve as employees and as human beings in general. We interact with each other and use our expertise for the common good of the company.

RENEWAL

We actively search for new solutions and are ready for change. By helping develop the sector, we contribute to the improvement of our operating environment. We also ensure our operations are constantly kept up to date in order to meet future demands. By innovating, we are able to develop our business and improve our performance, thus ensuring the continuity of our operations. ●

Concentrating on the essential **to become the best in the field**

GENERAL

The focused development of Lännen Tehtaat continued throughout the financial year. During the first quarter, the non-core business Harviala Ltd seedling company was sold to Saarioisten Taimistot Oy. During the first quarter, we also implemented a strict program for cutting fixed costs, which improved cost efficiency, particularly in Apetit frozen foods, the Feeds segment and Group administration. In the same period, Lännen Tehtaat sold its investments in shares of other listed companies as part of the plan to give up all assets not relevant to core business.

During the second quarter we announced a plan for bioethanol production. The aim was to start the production of bioethanol and animal feed raw material in the Feeds segment. We also purchased the remaining 17.5% of the Mildola shares from Maatalouskesko Oy during the second quarter, whereby Mildola Oy became a wholly-owned subsidiary of Lännen Tehtaat, thus strengthening the development of the company's operations.

During the third quarter, Lännen Tehtaat purchased 49% of Apetit Kala Oy's shares from Antti Räsänen, and the company became a wholly-owned subsidiary of Lännen Tehtaat. Lännen Tehtaat strives for strong and focused development of its fish product business operations in the northern Baltic region as part of its core business. In the Feeds segment, Erkki Lepistö was appointed President of Suomen Rehu Ltd as of the beginning of July, with the aim of accelerating decision-making and implementation processes within the segment. Towards the end of the quarter, Apetit Kala Oy decided to close down its Kustavi factory and transfer production to its Kuopio factory to improve productivity and cost-efficiency.

During the final quarter, Lännen Tehtaat and Raisio plc decided to dissolve their jointly-owned Russian company ZAO Scandic Feed, following the cancellation of the company's purchase of a Russian animal feed factory. Lännen Tehtaat will continue its research and activities in relation to Russian feed business operations independently. In November, Apetit Frozen Foods sold its Turku industrial property and decided to move its Turku production to Säkylä by the end of 2008 as a productivity improvement measure.

In addition, a decision was made to corporatize the business operations of the Food Division to bring them into the ownership of Apetit Pakaste Oy (frozen foods), Apetit Kala Oy (fish products) and Apetit Suomi Oy (service company) in the future. The aim was to streamline the structure of business operations and strengthen a management model based on independent business units.

Comprehensive research was undertaken during the year regarding the expansion of Lännen Tehtaat's food business operations to the northern Baltic region. Far-reaching negotiations took place with several stakeholders, but no corporate acquisitions eventuated during the year. Many of the planned projects and negotiations are still active, and the aim is to carry out one or more corporate acquisitions during 2007. Lännen Tehtaat aims to purchase businesses with a strong market status and brands valued by consumers.

FOOD DIVISION

During the financial year, the activities of the Food Division's customers were characterized by strong competition, with two of the central wholesalers battling over market share. Grocery goods sales grew by over 4% and consumers favoured processed food products. Increased consumer purchasing power and a promising economic outlook had a favourable impact on the sales of more expensive food products.

The Food Division's strategic business units Apetit Frozen Foods and Jams and Apetit Kala developed favourably. The frozen foods market grew markedly in all strategically significant product groups. The upward turn in the value of the frozen vegetables market was particularly gratifying. The frozen products sold under the Apetit brand successfully meet the needs of the modern consumer by focusing on health, enjoyment, wellbeing and convenience.

The value of the jams and marmalades market fell by almost 6 per cent during the year, and the market share of Dronningholm jams and marmalades also fell slightly as a result of the stiff competition. The shrinking market, changing consumer behaviour and tough domestic and import competition present these product groups with challenges that will have to be answered with new strategic solutions in the near future.

The Apetit Frozen Foods and Jams unit carried out a radical cost-cutting programme at the beginning of the year. The unit's sales developed well and the proportion of the products sold under the unit's own Apetit brand increased. The unit's profitability improved significantly as a result of this favourable trend.

Apetit Kala's modern, highly processed, consumer-packaged fish products are responding well to changing consumer requirements. Apetit Kalapöytä products offer easy-to-use, health-promoting, delicious meal solutions for everyday use and festive occasions alike. In the grocery goods retail sector, the consumer-packaged fresh fish products market grew by more than 17 per cent, which is an unusually fast rate for the food market.

The market share of the Apetit Kala unit grew substantially during the year. Sales of both consumer-packaged fish and of products under the Kalatori concept increased. The favourable trend was hampered by a radical upward swing in the prices of fish raw material in the second quarter which could not be transferred to sales prices with sufficient alacrity. The negative impact of the fish raw material prices could, however, be alleviated with successful development of purchasing and improvements in the productivity of raw material. There was also a significant improvement in Apetit Kala's profitability on 2005.

Systematic inputs continued to be made in the Apetit brand, with television as the main medium. New products were introduced during the year, such as Apetit frozen mashed potato products, Apetit frozen microwave meals and Apetit whitefish nuggets. Apetit Kala carried ➜

➜ out a successful package reform by adopting packaging with a new look and colour range for the consumer-packaged fresh fish products. Spontaneous overall awareness of the Apetit brand rose to 53 per cent (42%) and Apetit was indeed by far the best-known frozen food brand among Finnish consumers. In fish product groups, awareness rose to 26 per cent (11%), and Apetit was also clearly the best-known fish product brand.

The Food Division's operations have been organized into strategic business units. In order to boost the favourable development trend, Apetit Kala's operations were divided into two clearly defined segments: fish industry and business concepts. The Food Division has recruited top food sector experts to its management; their contribution and expertise will ensure organic growth and exploitation of the division's external growth potential.

The possibilities of extending the Food Division were studied throughout the year. Familiarity with the food market around the northern Baltic area improved significantly over the past year, although no corporate acquisitions were made. Intensive investigation work concerning corporate acquisitions will continue, and the aim is to find external growth solutions within the current year.

AGRICULTURAL DIVISION

Discussions on the future of EU agricultural policy were characterized by hiccups in the WTO negotiations. Future solutions will have unpredictable effects on the EU agricultural policy and Finland's agricultural production.

Climate change, which has been discussed a lot recently, will also affect the future of Finland's agricultural production. Last summer's unusual weather had material impacts on agricultural crops regardless of whether the heatwave and drought were caused by random meteorological variation or the first signs of climate change. Climate change, a trend which has now been confirmed by scientific research, is expected to extend Finland's cultivation zone for wheat considerably further north, and maize is likely to be introduced as a new cultivation plant.

Animal feeds production was subjected to major profitability pressures, as the rise in raw material prices that began at the end of 2005 was to be transferred to product prices. The grain crop harvest was expected to be poor as a result of the drought, but luckily these fears proved unfounded. Raw material prices remained high throughout the year, however, which was reflected in reduced unit margins for the animal feeds business. Cost-efficiency was improved in the feeds segment through a cost-cutting programme adopted at the beginning of the year. The feeds segment's productivity improved when the Vaasa feed factory was closed down in the summer as planned and production was concentrated in other factories. In addition, the feeds segment's profit was improved by the oil crushing company Mildola, which in 2006 was a member of the group for the full year. Successful productivity and efficiency measures kept the profitability for feeds roughly at previous year's level.

Mildola, which specializes in the vegetable oil and feed protein business, was able to continue operating at a good level of profitability. Although the world market prices of raw materials rose towards the end of the year, the company managed to maintain its processing margin better than expected.

In the grain business, Avena Nordic Grain was able to increase its market shares and net sales on the previous year. Development of domestic purchasing was successful and the goals set for grain trade in the Baltic countries were achieved. The company's profitability improved slightly more than expected on the previous year.

Thorough investigations and plans were made over the year concerning divestment of the Agricultural Division's business. On the basis of these investigations it was decided that selling negotiations were to begin concerning the Agricultural Division; these negotiations subsequently led to the signing of a deed concerning 51 per cent of the shares of Suomen Rehu Ltd and Avena Nordic Grain Oy on January 19, 2007. As a result of this, Lännen Tehtaat decided to give up its role as the main shareholder and implementer of the bioethanol project, although an option was left open for it to participate as a minority shareholder in the bioethanol factory to be set up in Säkylä.

CONCLUSION

We will continue to grow in our current business segments with the aim of growing faster than the market. We will make use of the consumer confidence in our strong Apetit brand in increasing sales of current products. We will develop and launch highly processed products and take care of productivity by also streamlining our range. Competitive raw materials and materials procurement are critical success factors for us, and we must see to them by acquiring the best possible purchasing expertise. Our most important lessons to learn are the development of productivity and cost-efficiency. We will continue to develop productivity by concentrating production, by making investments in productivity and by cutting wastage. Cost-efficiency will be maintained by keeping a critical eye on costs and by strict monitoring – we aim to be the best in this, too.

Lännen Tehtaat will continue to be developed into one of the leading Finnish food companies. The Food Division's development will continue to be strong. The company's structure is becoming increasingly clearly defined and its financial position will improve when the sale of the shares of Suomen Rehu and Avena Nordic Grain is concluded. When the structural rearrangements in the sector are implemented, we will be a food company with a credible and well established status. We also intend to be an active and determined actor working for the benefit of the Finnish food chain.

I would like to thank the Finnish consumers and our customers for their confidence in us, our products and services during the past year. I would also like to thank our owners for their support and determination in developing Lännen Tehtaat into a leading food company. Our co-operation partners deserve thanks for their willingness and ability to help and support us in our work towards achieving our goals. I would like to thank our personnel for their extensive and beneficial contribution, the results of which are presented in this annual report. You have shown excellent commitment, diligence and skill in you daily work. And on top of all this, you have played a central role in changing our corporate structure and work culture, thus guaranteeing even better success in the future.

Lännen Tehtaat has taken its first major steps on the road towards becoming a leading Finnish food company. We can feel good and confident to be travelling this road together with our customers, employees, cooperation partners and owners.

February 2007

Matti Karppinen
CEO

“When the structural rearrangements in the sector are implemented, we will be a food company with a credible and well established status. We also intend to be an active and determined actor working for the benefit of the Finnish food chain.”

Active, predictive operating policy

Lännen Tehtaat makes every effort to act responsibly and to take full account of the needs and expectations of customers, personnel and society and the demands of the environment. We carefully observe all the legislation and regulations relevant to our operations.

We are constantly developing our operations to meet the needs of the changing business environment. We maintain a management system based on the ISO 9001 and ISO 14001 standards and on the occupational health and safety system OHSAS 18001 specification. The Lännen Tehtaat management has established a set of quality, environmental and safety goals for the Group, in keeping with the principle of continuous improvement. Through managerial reviews, the management ensures that the operating policy is up to date and targets are being achieved, and decides on any changes to be made.

Our employees are aware of the quality, environmental and safety issues related to their own work.

LÄNNEN TEHTAAT'S OPERATING POLICY GOALS ARE:

1. Continuous improvement in customer satisfaction and product safety
2. Continuous improvement in profitability and more efficient use of capital
3. Continuous improvement and updating of personnel skills
4. A safe working environment
5. Reduction of environmental load

Personnel's genuine enthusiasm and skills **take development forward**

The aim of Lännen Tehtaat's human resources policy is to maintain a good level of motivation among the personnel, encourage self-development and promote employee wellbeing. Lännen Tehtaat's personnel are committed to the Group's goals.

- We are active in nurturing the development of skills
- We appreciate experience – we ensure that silent knowledge is passed on
- We develop interactive skills

Those taking part in the Specialist Qualification in Management training include Juhani Ruohonen, Johanna Myllykangas and Aarne Poutiainen.

The Lännen Tehtaat Group employed an average of 981 people during 2006 (2005: 1,033; and 2004: 1,072). At the end of the year, the number of personnel was 1,036 (1,115 and 1,077). Salaries and other remuneration amounted to a total of EUR 32.3 (32.6 and 33.8) million.

The number of personnel was reduced in the Food Division and Feeds segment as a result of the cost-cutting programme carried out in the spring, the closure of Suomen Rehu's factory at Vaasa and the sale of Harviala Ltd.

In human resources management, one of the Group's corporate values is the expertise of its personnel. The focus in 2006 was once again on improving management skills and professional competence. After two years of study, a group of employees will obtain the Specialist Qualification in Management in 2007. In October 2006, another group of employees began the same training programme. The group includes 18 supervisors and specialists working in various units. Participants in other management training programmes (MBA, Lifim, JOKO) completed their studies.

Analysis continued of the results of the personnel survey carried out in the previous autumn. Each unit agreed on interim goals, timetables and people with monitoring responsibilities for the jointly identified areas for improvement.

The first part of the three-part Tuulta purjeisiin (Wind in Your Sails) fitness improvement programme was implemented in the autumn. The programme is directed at personnel over 50 years of age across the Group, and targets both physical and mental fitness.

The Food Division organized two so-called Managers' Days, training days aimed mainly at staff at the supervisory level. The objective of the Managers' Days is to develop the participants' leadership competencies, and support and train supervisors in gaining a holistic view of the business and understanding the importance of teamwork.

In the autumn, Lännen Rehu began extensive planning of a training project that will focus mainly on the skills of factory workers and their immediate supervisors. The main goals will be to improve efficiency and procedures, and promote occupational wellbeing. The actual training will take place during 2007. →

PERSONNEL

Pirkko Hämeenoja, taking part in the Specialist Qualification in Management training.

In Mildola, the focus of personnel development was on a controlled transfer of knowledge of retiring employees. During the year, over 10% of the personnel retired fully or partly, including the Managing Director. As a result, new personnel have been recruited.

OUTLOOK FOR 2007

The focus areas for personnel development will be professional training, workplace interactive skills, and, in the area of management competencies, everyday supervision skills and development discussions. Existing and planned projects aimed at maintaining the work ability of ageing personnel will be continued.

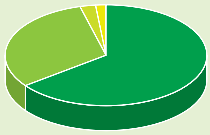
A workplace climate survey will be implemented in the autumn to assess any changes within the last two years.

The management group of the Food Division will participate in a 360-degree review assessing their leadership skills in different areas of management. Managers' Days will be run regularly for supervisors in the Food Division to develop their supervisory skills.

The Apetit Kala Kustavi factory will be closed in spring 2007 and production will be transferred to Kuopio. At the same time, recruitment and training related to the expansion of the Kuopio factory will begin.

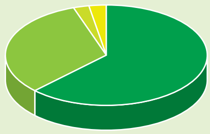
In accordance with the 2007 operational plan, the human resources and payroll information systems will be updated.

Personnel administration was transferred to Apetit Suomi Oy with the corporatization at the beginning of 2007.



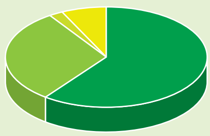
NUMBER OF PERSONNEL IN THE LÄNNEN TEHTAAT GROUP DEC. 31, 2006

Food Division	671
Feeds Segment	323
Grain Trading	26
Other Operations	16
Total	1 036



NUMBER OF PERSONNEL IN THE LÄNNEN TEHTAAT GROUP DEC. 31, 2005

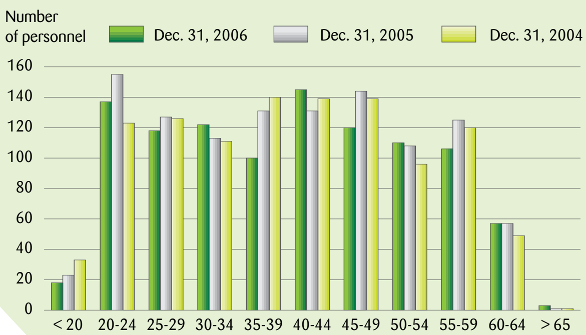
Food Division	696
Feeds Segment	360
Grain Trading	27
Other Operations	32
Total	1 115



NUMBER OF PERSONNEL IN THE LÄNNEN TEHTAAT GROUP DEC. 31, 2004

Food Division	648
Feeds Segment	326
Grain Trading	26
Other Operations	77
Total	1 077

AGE DISTRIBUTION OF THE LÄNNEN TEHTAAT GROUP PERSONNEL



Behind good quality **capable people**

Lännen Tehtaat's key operating goals are to maintain the high quality of its products, ensure product safety and improve customer satisfaction on a continuous basis.

- We were developing self-monitoring guidelines according to the new Food Act for the food industry's HACCP system
- Our product safety is guaranteed throughout the entire production chain from the purchase of raw materials to the shop

The Group is able to achieve these goals through the application of its certified operational management systems, observance of HACCP (Hazard Analysis and Critical Control Point) principles, and constant self-monitoring and customer satisfaction assessment.

FOOD DIVISION

The revised food legislation came into force in Finland in 2006. It requires producers to ensure product safety throughout the production chain, beginning with primary production. Following the initiative of the Finnish Food and Drink Industries' Federation and the Finnish Food Safety Authority Evira, 2005-2006 saw the completion of HACCP-based self-monitoring guidelines for the food industry. The guidelines comprise a general section and individual guidelines for six separate areas of the food industry, including fish and vegetable products. Apetit participated in the development of the guidelines.

In the Food Division, product safety is ensured by conducting product group inspections under the HACCP system and by providing food and hygiene training for the Division's personnel. Self-monitoring in the units was brought up to date to meet the requirements of the new legislation.

Apetit assesses customer satisfaction by taking part in joint surveys carried out by the retail trade. People's awareness and impressions of the Apetit brand are also assessed yearly. In product development, new products are tested with the aid of consumer trials before they are brought to market. In order to develop products and operations constantly, consumer service monitors the quantity and content of customer feedback by product group and for each product.

AGRICULTURAL DIVISION

Suomen Rehu produces safe and traceable animal feed, and in doing so contributes to the high quality of Finnish food products. Suomen Rehu guarantees that its animal feed is absolutely free from salmonella, which gives it a clear competitive advantage, although also has cost implications. The Suomen Rehu Group companies have certified quality and environmental management systems and an occupational health and safety system. The self-monitoring conducted at the factories has been approved by the relevant authorities and is monitored by them.

Customer satisfaction is regularly examined. Continuous customer feedback forms the basis for product and business development. Further improvements in the consistency of product quality, which is very important for customer satisfaction, is one of the key goals of the Suomen Rehu Group. Product safety is ensured through assessment of Suomen Rehu's operations based on HACCP principles. The assessment covers the entire chain of operations, i.e. raw materials procurement, production and deliveries, as well as traceability throughout the chain. Risk assessment has been used to identify the most critical points in the operations, and these points have then been subject to close monitoring and quality control. In its production and its own laboratory, Suomen Rehu performs about 100,000 analyses for risk management and quality control purposes each year.

Suomen Rehu has participated in the development of Finnish national guidelines based on the European Feed Manufacturers' Code concerning good operating practices in industrial feed manufacture. Suomen Rehu's feed business has taken the requirements of these guidelines into account in developing its operations.

Mildola Oy has had a certified quality management system meeting the requirements of the ISO 9001:2000 standard since 1996. In 2006, a HACCP assessment was added to the system to ensure product safety.

Avena Nordic Grain's operating system is certified in accordance with the ISO 9001:2000 standard and meets the requirements of the Coceral European Code of Good Trading Practice. The most important quality indicators are customer satisfaction and contractual compliance in deliveries. Operational development is based on the principle of continuous improvement.

The achievement of the quality objectives is achieved through a certified system, the HACCP and the responsible attitude of the personnel.

Efficient production **in harmony with** the environment

- In environmental matters we are guided by the principles of on-going improvement and sustainable development
- In the production, procurement and transportation we are constantly developing methods that are increasingly clean and environment-friendly
- We observe the law, follow scientific research and set trends

FOOD DIVISION

The Apetit Frozen Foods and Jams business unit produces frozen vegetables, frozen ready meals and jams at three production sites in Finland. The procurement of domestic raw materials through contracts and their processing use an operating method that is sparing on natural resources and minimizes negative effects on the environment. In order to reduce adverse environmental effects caused by production a development programme has been drawn up for decreasing the amount of process water and energy consumption in line with the targets set. The targets for a reduction in the amount of waste have been achieved and the present amount of waste has been set as a benchmark. Investment decisions take into account environmental effects, thus supporting the attainment of targets in the environmental system. Apetit has a certified operational management system based on the ISO 9001 and ISO 14001 standards.

The target for development in Apetit's procurement of raw vegetables is the production of high-grade raw materials through Finnish contract farming using methods that have as few detrimental effects on the environment as possible. Well-considered, correctly-timed cultivation measures in the integrated production (IP), on which the cultivation is based, improve the quality of the products and reduce the detrimental effects caused by the cultivation. Every contract farmer is trained to recognize the special requirements associated with cultivating the vegetables they grow.

The farming contracts contain obligations such as observing the terms and conditions of environmental support and attention to crop rotation, which protects a field's capacity and vitality. The length of the crop rotation cycle varies according to the vegetable concerned. For example, a farmer can cultivate peas in the same parcel of land only once every five years. Before an agricultural parcel is approved, a farmer must present valid fertility analyses. Every year only the amounts of nutrition required by the vegetable in question are used. Particular attention is paid to the use of nitrogen and phosphorus. The farmer documents the amounts of fertilizer used. A reduction in the level of phosphorus in the field is selected as one environmental objective at the company's own experimental farm.

Vegetable protection is also based on necessity. The appearance of pests is monitored by means of traps and repelling them is only started when the threshold levels are exceeded. The time for destroying weeds and the substances used are chosen once the weeds have been recognized and their degree of development is at its best for spraying purposes.

Transferring information about fertilizers and vegetable protection from farm to factory is being done increasingly in electronic form. Analysing the information in these data banks makes it possible to develop cultivation systems further. The information gathered is used when advice is given about cultivation e.g. at spring briefings held for each individual vegetable.

Apetit Kala produces fresh and frozen fish products at Kuopio, Kustavi and Kerava using mainly salmon, rainbow trout and whitefish. The company is at present building an operational management system based on standards ISO 9001 and ISO 14001 at the Kuopio and Kerava factories.

The procurement of Apetit Kala's raw material is based on the use of farmed fish in order to ensure a steady supply. To reduce the environmental drawbacks of fish farming Finland introduced environmental protection instructions in 2000. By developing feeding and feeds and using suitable fish-farming techniques Finnish fish farming has succeeded in achieving the targets for reducing environmental loading set in the water-protection programme. Apetit Kala requires that wild fish be caught on a sustainable basis. Undersize limits have been set for several fish species, and fish stocks are kept flourishing by the use of restrictions on traps.

Most of the rainbow trout raw material used in Apetit Kala's production and the raw material consignments between the factories are these days transported in recyclable plastic containers. Termination of the use of disposable styrox packaging has reduced not only the amount of waste but also costs. The present styrox product packaging, which is a problem for the retail trade and logistically, is being replaced by environment-friendly hard-plastic packaging. Finished products are distributed in recyclable boxes.

Most of the fish sold or used for processing by Apetit Kala is filleted mechanically at the Kerava factory. The fish bio-waste there is processed into a feed raw material for fur-bearing animals in the factory's by-product department, which has been approved by the Finnish Food Safety Authority Evira.

All the factories in the Food Division required to have environmental permits have permits that are valid.

AGRICULTURAL DIVISION

The Suomen Rehu Group is Finland's leading manufacturer of industrial feeds and also operates in international markets. It develops, manufactures and markets efficient, safe and environmentally friendly feeds and feeding programmes.

With the aid of feeds and feeding programmes supplied by Suomen Rehu, livestock production is efficient and accords with environmental and ethical values. Guided by the 'Safe Welfare' principle, development focuses on feeds that promote the health and wellbeing of the animals concerned and targeted feeding technologies that reduce adverse environmental effects. Suomen Rehu has advanced its special expertise in the intestines and rumen research programme in order to increase the usage of protein (nitrogen) and feed energy in the programmes for cattle, poultry and pig feed. Phosphorus emissions has been reduced by updating phosphorus norms in the planning of feeds and by choosing the best possible raw materials in terms of the usability of phosphorus.

The environmental load associated with grain raw materials has been successfully reduced by following the ISO-VILJA programme, which requires carefully targeting the use of nitrogen and phosphorus fertilizers. The ISO-VILJA technology is used for controlling grain cultivation and the quality and amount of the crop and is based on achieving harmony between environmental benefits and the benefits of grain production. Long-term work of Research Manager Juha Salopelto concerning the development of sustainable agriculture was recognized with the Bayer CropScience Innovation Award in spring 2006, the first time the prize has gone to Finland.

The environmental impacts of production and transport are controlled by keeping energy consumption low by means of efficient production and logistics. Energy consumption is measured at different stages of the operation chain. The amount of waste sent to the landfill is being reduced by using modern production technology. The companies in the Suomen Rehu Group have certified quality and environmental systems and an occupational health and safety system. The companies are committed to the continuous development of the systems.

All the feed factories in the Animal Feeds group required to have environmental permits have permits that are valid.

Suomen Rehu took part in the Foodchain II project which aimed at identifying the environmental effects and development prospects of the supply chain for broiler chicken fillet marinated with honey. The environmental-effect assessment was based on the actual production processes for broiler chicken fillet during 2003-2005.

The emphasis of the development work in Suomen Rehu's feeding programmes during 2007 will be on improving the utilization of nutrients, which will make it possible to improve the competitiveness of livestock production and reduce its environmental effects.

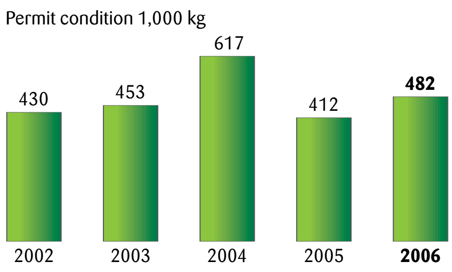
Mildola is Finland's leading rapeseed crushing company. It markets vegetable oils within the European Union and protein feeds on the Finnish market. The aim of operations at Mildola is to manage the production chain in a way that minimizes the loading on the environment and meets the highest ethical standards. The company's natural, chemical-free and environment friendly manufacturing process makes it a leader in modern, ethical operating methods in the vegetable oil industry.

Environmental matters are incorporated into the company's certified quality system. An environmental permit was granted in December 2006 to the production facilities located at Kirkkonummi.

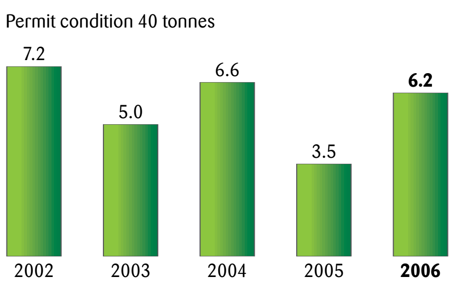
Avena Nordic Grain trades in grain, oil seeds, pulses and feed raw materials both in Finland and abroad. It operates in a manner consistent with its corporate responsibilities and focuses on developing the quality of its operations in line with the principle of continuous development. Environmental matters are incorporated into the company's certified operating system.

LÄNNEN TEHTAAT'S SÄKYLÄ INDUSTRIAL ESTATE

WASTEWATER LOAD: PHOSPHORUS KG



WASTEWATER LOAD: BIOCHEMICAL OXYGEN DEMAND = BOD-7 (ATU), TONNES



LÄNNEN TEHTAAT'S SÄKYLÄ INDUSTRIAL ESTATE

The environmental permit for the Säkylä industrial estate lays down conditions concerning the treated wastewater released into the Eurajoki river. These conditions refer to the annual biochemical oxygen demand (BOD) load and phosphorus load, and target values have been set for the BOD and for the phosphorus and ammonium nitrogen concentrations. All the conditions and targets laid down in the permit have been met.

The amount of landfill waste at the industrial state has been reduced considerably through the sorting and increased recycling of the waste. Remediating the present landfill in order to meet official demands would have required substantial investment. As a result the decision was taken to close down the landfill waste's final repository at the Säkylä industrial estate during 2007. The change will not create a new environmental permit procedure. The obligation to monitor the landfill will continue after its closure. The landfill waste will in the future be sent to the final repository of Satakierto Oy's waste processing plant at Hallavaara in Köyliö.

Lännen Tehtaat and the municipality of Säkylä lodged an appeal concerning an environmental permit for a waste¬water treatment plant on the industrial estate. The appeal applied to the demand to draw up a plan for relocating the treated waste¬water outfall pipe issuing into the River Eurajoki and jointly operated by Lännen Tehtaat and the municipality of Säkylä. The appeal was upheld and the demand was quashed by a decision of the administrative court at Vaasa on December 15, 2006. However, in connection with a revision of the permit regulations in 2012, Lännen Tehtaat must present a report on the possibilities for a relocation. The permit is, however, valid for now.

Food Division

Success factors

- Well-known, strong brand
- Market leadership
- Awareness of consumer needs
- Purchasing know-how
- Efficient production
- Cost-effectiveness

- Awareness of Apetit brand grows
- Apetit brand wins market share
- We predict trends; we focus on strengthening expanding product areas

Apetit offers **enjoyment and wellbeing**

In the Food Division, the Apetit Frozen Foods and Jams and Apetit Kala produce and market frozen foods, fish products and jams and marmalades, and develop these products to ensure that they meet customer needs and requirements. Apetit products are all prepared from pure, carefully selected raw materials.

Structural changes continue in the operating environment of the Food Division. Retail chains are growing and their purchasing units are expanding their cooperation with international purchasing organizations.

The growth that has been taking place in retailers' own labels in recent years has evened out and taken a partial downward turn. Thanks to rigorous product development and new products appreciated by the consumers, manufacturers of branded goods have won back some of their lost market share. In the future the food industry is expected to be more clearly divided between manufacturers of branded goods that focus on product development and companies producing retailers' own brands.

Rapid changes are also taking place among consumers. The average age of consumers is rising, and the number of one-person and two-person households is increasing. Consumer needs and wishes are becoming more diverse as a result. At the same time, consumers are becoming more health conscious and paying more attention to the preventive health effects of food choices, alongside taste, adventure and convenience.

The Food Division is actively investing in strengthening its expanding product groups and increasing the added value of its processed products. It aims to grow by improving the efficiency of operations and

Apetit is by far the best-known brand in frozen foods and fish products.

actively consolidating partnerships, and through corporate acquisitions and restructuring.

In 2006, the Food Division consisted of two strategic business units: the Apetit Frozen Foods and Jams unit and the Apetit Kala unit. The Division's common functions were sales and marketing, product development and business controlling. The information technology and personnel administration functions are also part of the Food Division, but they produce services for the entire Group.

The Food Division also includes the associated company Sucros Ltd, which produces beet sugar and refines raw sugar at its refinery in Kirkkonummi. Ateriamestarit Oy is a joint venture owned by Lännen Tehtaat and Raisio, selling and marketing products for the hotel, restaurant and catering sector.

At the beginning of 2007, Apetit Frozen Foods and Jams and the functions serving all business units were corporatized. The name of the frozen foods company is now Apetit Pakaste Oy and the service company is Apetit Suomi Oy.

Apetit Pakaste Oy produces frozen foods, jams and marmalades. Apetit Suomi Oy's commercial section is responsible for developing, marketing and selling products manufactured by Apetit Pakaste and Apetit Kala. Apart from commercial operations, Apetit Suomi produces personnel, IT, environmental and cash management services for companies in the Lännen Tehtaat Group.

MISSION

Apetit supplies food products that bring enjoyment and enhance the general wellbeing of consumers.

APETIT BRAND

The Food Division's common brand name is Apetit, with its slogan 'Naturally good – the way Finns like it'. Together they convey the core promise of the brand, namely that Apetit provides enjoyment for Finnish consumers and customers, promoting their wellbeing.

Apetit is a modern food brand that provides enjoyable eating experiences and food solutions with preventive health effects for daily use by households of all sizes and also for more festive occasions. Apetit food solutions provide added value for customers in the form of taste experiences, freshness, healthiness and convenience. Pure, carefully selected raw materials and production processes that keep their freshness guarantee customer satisfaction with Apetit products.

APETIT IS THE STRONGEST BRAND IN FROZEN FOODS AND FISH PRODUCTS

The market success of the Apetit brand is monitored on a regular basis, principally by examining its market share and the brand awareness and image among consumers.

The market share is monitored on the basis of retail statistics produced by ACNielsen. Apetit is the market leader in frozen vegetables, frozen ready meals and packaged fish.

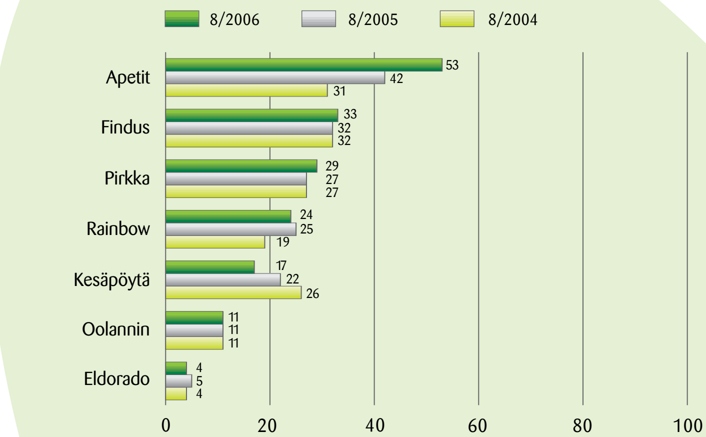
Consumer's awareness and image of the Apetit brand are surveyed annually every August in frozen foods and fish products. In 2006, the Apetit brand clearly increased its lead over competitors in both product groups. Apetit's image in consumers' minds was as targeted.

In frozen foods, Apetit is by far the best-known brand in the category of spontaneous answers: 37% of all consumers mentioned Apetit first among the brands known to them. This proportion rose significantly compared with the results of the previous year. With second and third mentions included, the overall spontaneous brand awareness rating was 53%.

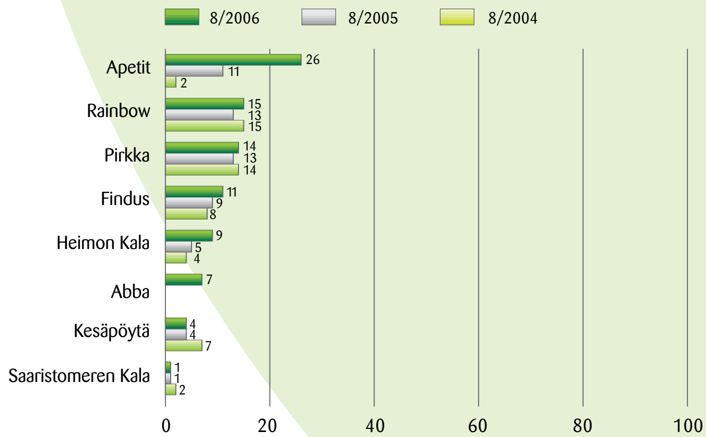
The Apetit brand's spontaneous overall awareness rating more than doubled in fish products in 2006 compared with the previous year. Apetit is now by far the leading brand, with a spontaneous awareness rating of 26%. This figure can still be improved significantly through marketing measures.

The strong image of the Apetit brand and its good market position will be further reinforced by introducing thoroughly researched new products and increasing consumption of existing products. Apetit will focus strongly on national TV advertising and supporting consumers' purchasing decisions in the stores. ➜

SPONTANEOUS OVERALL BRAND AWARENESS IN FROZEN FOODS, (%)

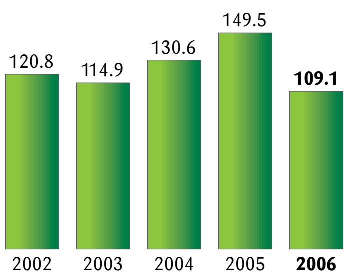


SPONTANEOUS OVERALL BRAND AWARENESS IN FISH PRODUCTS, (%)



FOOD DIVISION

FOOD DIVISION, NET SALES, EUR MILL.



FOOD DIVISION, EUR MILL.	2006	2005
Net sales	109.1	149.5
Percentage of consolidated net sales	27%	35%
Operating profit	3.2	9.6
Investments	1.4	1.4
Average personnel	579	581

NET SALES BY BUSINESS UNIT EUR MILL.	2006	2005
Lännen Sugar [1)]	–	44.2
Apetit Frozen Foods	50.2	50.8
Apetit Kala Oy	58.9	54.5
Internal sales	-0.1	0.0
Total	109.0	149.5

[1)] until December 31, 2005

NET SALES AND OPERATING PROFIT

The Food Division's net sales in 2006 totalled EUR 109.0 (149.5) million. Retail sales of sugar by Lännen Sugar were discontinued at the end of December 2005. This meant a reduction of EUR 44.2 million in net sales, leaving a comparable net sales figure of EUR 105.3 million for 2005. The increase in the net sales for continuing operations came from Apetit Kala. The net sales for Apetit Frozen Foods and Jams were at the previous year's level.

The net sales for Apetit Frozen Foods and Jams amounted to EUR 50.2 (50.8) million. Sales of products increased by approximately 1%. Sales of frozen retail products increased by some 2%. Sales of frozen ready meals and pizzas continued to grow by more than 10% for the second consecutive year. Growth was slightly lower in frozen potato products and frozen vegetables sold under retailers' own brands. Sales of jams fell by some 6%. Sales in the hotel, restaurant and catering sector grew by close on 8% and exports showed a favourable trend, too. Sales to the bakery and industrial sectors fell compared with the previous year, and sales of farming supplies went down by over EUR 1 million.

Apetit Kala's net sales developed as targeted. At EUR 58.9 (54.5) million, they showed an increase of 8%, as a result of higher sales prices.

The Food Division's operating profit for continuous operations came to EUR 3.3 (-0.1) million. Apetit Frozen Foods and Jams accounted more than half and Apetit Kala almost the half of the over EUR 3 million improvement in the profit. The profit improvement achieved by Apetit Frozen Foods resulted from better net sales and improved cost effectiveness. Apetit Kala's improvement was brought about by bigger margins resulting from higher net sales and a significant improvement in productivity.

The Food Division's profit in the comparison year was EUR 9.6 million, including non-recurring items. The profit of the discontinued sugar business including non-recurring items was EUR 9.7 million in the comparison year.

A total of EUR 1.5 million of the Food Division's overall investment of EUR 2.9 (1.4) million went into Apetit Kala shares. Investment in non-current assets in Apetit Frozen Foods and Jams totalled EUR 0.8 million, and investment in Apetit Kala EUR 0.6 million. Some EUR 0.8 million of the Food Division's investment went into packaging technology. The rest of the investment total was primarily replacement investment.

Apetit is **cooler** than ever

- Mash becomes a brand product
- Casseroles open doors of singles' kitchens
- Soups and frozen vegetables are still the rising stars

The Apetit Frozen Foods and Jams unit develops, produces and markets frozen foods, jams and marmalades, all made from pure and carefully chosen ingredients.

The retail sales of frozen foods in Finland in Apetit's product groups were up by about 5% in 2006. The increase was the greatest in frozen ready meals, some 10%, with the biggest increases in soups, single-portion meals and meal components. Brand products hold a dominant position in the retail sales of frozen ready meals.

The downturn in sales of frozen vegetables during the past few years turned into an upswing of approximately 3%. Revamped brand products started winning market share from retailers' private labels, and sales of frozen potato products increased by some 3%, primarily as a result of the favourable trend in the sales of special potato products. Sales of frozen pizzas and pizza bases increased by about 5%.

Sales of jams and marmalades fell by some 6% in value because of a decline in consumption and the falling world market prices of raw materials.

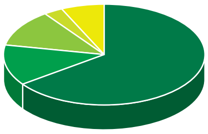
Apetit's frozen foods are produced in Säkylä, Turku and Pudasjärvi, and its jams in Säkylä. Its customers are the retail trade, the Finnish food industry and the hotel, restaurant and catering sector.

Retail products account for two-thirds of Apetit's net sales. Retail sales of Apetit's frozen foods were up by some 6% in 2006. Sales of frozen ready meals, pizzas and frozen potato products were up. Also sales of frozen vegetables sold under Apetit brand increased, while retail sales of jams and marmalades went down.

In hotel, restaurant and catering sales, frozen vegetables are Apetit's largest product group. Other major product groups are frozen fish products, frozen ready meals and jams. Hotel, restaurant and catering sales were up on 2005, as the competitive edge of Finnish products improved following mediocre crops in Continental Europe.

About half of Apetit's food-industry sales consist of frozen vegetable purchases by the domestic ready-made foods industry and contract production of vegetables for food-industry partners. Another ➜

DISTRIBUTION OF NET SALES



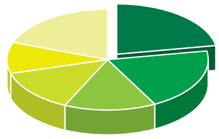
Retailers	65%
HoReCa sector	13%
Food industry	12%
Exports	3%
Other	7%
Total	100%

MARKET SHARES (VALUE) 2006

VEGETABLES

- **Lännen Tehtaat 44.7%**
- Kesko
- Inex
- Findus
- Other

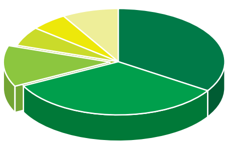
Market size EUR 41 million, change +3.1%



READY MEALS

- **Lännen Tehtaat 22.1%**
- Findus
- Chips
- Inex
- Kesko
- Other

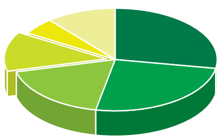
Market size EUR 32 million, change +9.8%



PIZZAS AND PIZZA BASES

- Dr. Oetker
- Felix Abba
- **Lännen Tehtaat 12.6%**
- Dafgård
- Kesko
- Other

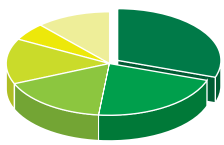
Market size EUR 37 million, change +5.2%



POTATO PRODUCTS

- Chips
- Inex
- Kesko
- **Lännen Tehtaat 12.5%**
- Raisio
- Other

Market size EUR 33 million, change +3.4%



JAMS AND MARMALADES

- **Lännen Tehtaat 30.2%**
- Saarioinen
- Kesko
- Inex
- Meritalo
- Other

Market size EUR 18 million, change -5.9%

Source: ACNielsen Scan Track

➜ key product group is jams, which account for about one third of Apetit's food-industry sales. Overall, food-industry sales fell on the previous year as domestic production lost ground to imports.

The main export markets were Sweden and Italy, and some exports also went to the Baltic countries. Exports increased on the previous year. Exports to Sweden and to the Baltic Countries comprise principally frozen ready meals, and those to Italy, frozen peas.

In 2006, the unit's operations were developed systematically by improving production processes and logistics, and the organization was updated. The targets set for improvement and cost effectiveness were achieved as planned.

A decision was made to transfer the production of the Turku factory to Säkylä. This will be carried out by the end of 2008 and will require investment totalling some EUR 3.5 million at the Säkylä factory.

Retail sales of frozen pizzas, ready meals and special potato products are expected to continue to increase in 2007, and frozen vegetables are expected to maintain their position. Sales of cultivation products, which accounted for slightly under EUR 3 million of Apetit's net sales, were discontinued at the end of 2006 and will not be included in the 2007 net sales and financial performance.

Apetit's product sales are expected to increase by some 5% in 2007 and Apetit is expected to continue to make good progress.

NEW PRODUCTS

At the beginning of 2006, Apetit introduced a range of quick and easy flavoured mashed potato products: traditional, spinach and herb flavours. These products, designed to be heated in a microwave oven in just a few minutes, were given a good reception by consumers.

Simultaneously with its mashed potato products, Apetit relaunched its series of wok vegetables in a completely new form: Wok Karibia, Wok Thai, Wok Oriental and Wok Romanesco. These easy-to-use, healthy vegetable mixes allow consumers to prepare a tasty meal by simply adding fish, chicken or other meat.

A new range of casserole dishes was launched in the autumn. These single-portion meals offer a choice of three varieties: Lasagnette, Salmon casserole and Chicken pasta. The new series of frozen ready meals offers everyday food for consumers who like tasty home cooking that is quick and easy to prepare. The microwave portions can be heated in their own containers straight from the freezer. The latest addition to Apetit's vegetable patty series is a trendy beetroot patty that looks delicious and is tasty and healthy.

CONTRACT GROWING

Apetit Cultivation is responsible for the contract farming of domestic raw materials and for most of the contract farming of sugar beet supplied to Sucros Ltd's factory in Säkylä. These operations are based on contract growing agreements with farmers.

Apetit's raw materials are grown in accordance with integrated production (IP), baby food or organic quality requirements. The area of contract cultivation for Apetit in 2006 was approximately 1,500 (1,300) hectares. A total of 8,400 (10,000) hectares was under contracted sugar beet cultivation.

The weather conditions during the past year were rather exceptional. Sowing began

Out of all Apetit's products its vegetables and frozen ready meals are found most often on the consumer's plate. We have kept and intend keeping our position as market leader by investing in quality, unambiguous good taste and bold innovations.

slightly later than usual but was completed for the most part in May. An exceptionally long warm and dry season began in mid-June, and the first rains did not come until early autumn. Harvesting and processing proceeded as usual, thanks to good autumn weather conditions. The processing of raw materials was completed in December both at the frozen food factory and at the Sucros factory in Säkylä.

The 2006 vegetable crops were mostly as expected. The total yield was 24.6 (23.7) million kilos. The quality of all vegetables was good. The sugar beet yield was one of the best ever in the Lännen cultivation area, 36.6 (37.4) million tonnes per hectare, but the sugar content was not more than 15.3% (16.6%).

Sucros Ltd will take charge of its sugar beet contract farming as of the beginning of 2007.

Apetit Pakaste's contract growing volume in 2007 will be roughly at the same level as in 2006.

SUGAR

The importance of the sugar business for Lännen Tehtaat has diminished since the start of 2006, when its agreement with Sucros Ltd concerning sales of consumer products was terminated, and the operations by Lännen Sokeri were discontinued. The comparable figure in 2005 included the Lännen Sokeri net sales of EUR 44.2 million and profit of EUR 9.7 million. Non-recurrent income of EUR 7.6 million payable in future years as a result of the cancellation of the agreement, as well as non-recurrent expenses of EUR 0.3 million, were entered in the financial result of 2005.

Lännen Tehtaat continues to hold 20% of the shares of the sugar producer Sucros Ltd. Sucros produces sugar at the Säkylä sugar beet factory, glucose syrup at the Jokioinen factory, and refines raw sugar at Kantvik in Kirkkonummi. From 2006 onwards, the financial result and balance sheet of Lännen Tehtaat will be affected only by its 20% share of the operating profit or loss made by Sucros Ltd.

NEW EU SUGAR REGIME

The EU's new sugar regime, which it approved on November 24, 2005, came into effect on July 1, 2006. The price of sugar is to be reduced in stages by an overall total of 36% by 2009. In the first phase, the EU-determined sales price of sugar was reduced by 20% on July 1, 2006. The minimum sugar beet price for producers was reduced to EUR 32.9 per tonne in 2006, and will continue to be reduced in stages up to 2009/2010, when it will be EUR 26.3 per tonne. Sugar beet growers will receive compensation from EU funds amounting to 64% of the price reduction. In addition to this, Finland obtained the right to pay growers additional support of EUR 350 per hectare from national funds. In 2006, Finnish growers received EUR 60 per hectare from national funds; in 2007 the national support has been determined at EUR 267 per hectare.

The aim of the sugar regime is to cut the EU's overproduction of sugar. To reduce sugar production, the European Commission is to purchase production quotas from sugar companies. In the first two years, the compensation to be paid for these quotas will be EUR 730 per tonne of sugar.

Sucros decided to sell part of its production quota and continue its operations with a quota of 90 million kilos. The resulting cut in production was implemented by closing the Salo factory after the 2006 production season.

Apetit Kala **swimming quickly** downstream

Apetit Kala develops, produces and markets fish products and in its Kalatori outlets sells fresh fish, processed fish products, ready-made foods, meat products and salads.

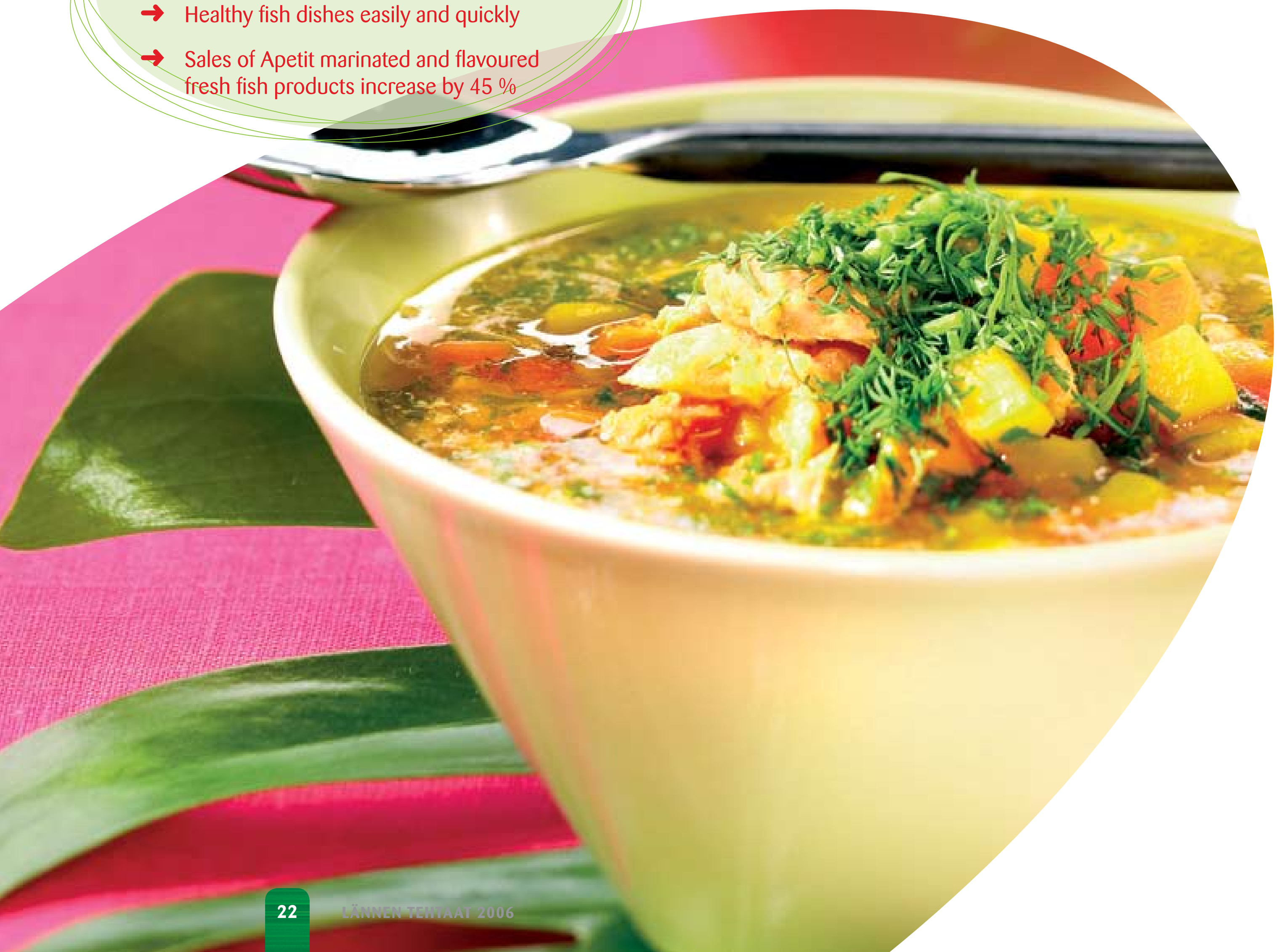
- Apetit is the market leader in fresh fish products
- Apetit is the number one brand in fish products
- Healthy fish dishes easily and quickly
- Sales of Apetit marinated and flavoured fresh fish products increase by 45 %

Apetit Kala's operations cover the entire chain from fish purchasing and processing to wholesaling and retailing. Its range of fish products is diverse and includes convenient, pan-ready, processed products that meet the requirements of today's busy consumers. Apetit Kala's main product groups are hot- and cold-smoked fish products, lightly salted fish products, fish strips and fish portions, ready-to-eat fish products, Baltic herring products and fresh fish.

Apetit Kala has factories in Kuopio, Kerava and Kustavi and retail operations in 66 shop-in-shop Kalatori outlets selling not only a wide range of fish products but also ready-made foods, meat products and salads.

Apetit Kala's net sales rose by 8% in 2006. The anticipated increase in sales was achieved by means of a conspicuous marketing campaign combined with consumer guidance. The most important starting point for Apetit Kala's marketing was to increase the use of fish in cooking also outside the traditional seasons. Nationwide advertising of marinated strips and fillets and stimulating consumer interest increased the sales of marinated and flavoured Apetit fresh fish products by 45%. With its 71% share Apetit is the overwhelming market leader in this product group that is vital in terms of an increase in the use of fish products.

The company's productivity was improved during the year under review by developing control of the production process and reducing the raw-material and product wastage. Operational profitability was



The predominant trend in food production is convenience, which favours raw materials that need little processing and become ready quickly. We are responding to consumers' wishes by offering highly processed, easy-to-use fish products.

weakened by an unusually hard-hitting increase in the price of the main raw materials in the second and third quarters. The sales prices of processed fish products were raised considerably to compensate for the increase in raw-material costs.

In 2006 a plan to transfer the operations of the factory at Kustavi to Kuopio was announced. Its implementation has gone as planned and the aim is to transfer the production during the second quarter of 2007.

Apetit Kala's financial performance is dependent to a great extent on the availability and price of the fish used as raw material and by its management of production and logistics. The world market price of rainbow trout and salmon, in particular, and the success of Finnish fish-farming are reflected strongly in the prices of the main products.

The quarterly distribution of the company's net sales and profit is related to annual celebrations at different points during the year. A considerable share of Apetit Kala's sales and operating profit depends on the success of Christmas sales and other seasonal sale peaks. Guaranteeing freshness and availability of products at a competitive price will remain a challenging task.

Finns are currently eating about 14 kilos (fillet weight) of fish a year (source: Pro Kala Ry), appreciating it as a healthy food option. Fish has in fact been one of the fastest-growing product groups in recent years. The market for industrially packaged fish, which has expanded its market share the most, grew by 17% in 2006. The product group is worth EUR 55 million in terms of market capitalization and Apetit Kala is the clear market leader with a 36% share.

The market for industrially packaged fish is expected to grow substantially in the future, too, with the highest growth occurring in the consumption of standard-weight packs of fresh and processed fish products that are suited to the trend in the modern lifestyle and consumer habits in Finland. The fish products are being sold in increasingly processed forms and farmed fish is increasingly replacing wild fish as the raw material. Other fish species are also being farmed in addition to the traditional rainbow trout and whitefish.

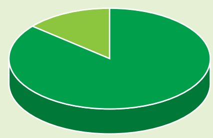
The growth in the sales by Apetit Kala is expected to continue at a faster rate than market growth in 2007.

FISH THAT'S EASY TO USE

Already the market leader in fish products, Apetit Kala is also seeking to expand the overall demand for fish by establishing new ways of using it and encouraging consumers to buy fish more often. In 2006 Apetit Kala introduced to the retail market products such as whitefish nuggets, sliced cold-smoked whitefish and salmon steaks. With these new products Apetit Kala is responding to consumer needs and wishes for fish that is easy to use and quick to make. In consumer packs the fish is already gutted, filleted, sliced, cut into strips or marinated, and the packs are of a convenient size for consumers.

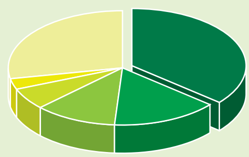
Barbecues are an essential part of the Finnish summer. In the summer of 2005 Apetit Kala highlighted the suitability of fish for barbecuing and launched a product range specifically developed for grilling. This theme was continued and expanded during summer 2006. At the beginning of the year Apetit introduced boneless Norwegian salmon fillet portions marinated in honey. Pre-processed fish products such as this are easy to use and very tasty, whether fried, grilled or oven-baked.

DISTRIBUTION OF NET SALES (%)



Fish products	86%
Other products	14%
Total	100%

MARKET SHARES (VALUE) 2006 INDUSTRIALLY PACKAGED FISH



Apetit Kala, 36.0%
Heimon Kala
Kesko
Saaristomeren Kala
Hätälä
Other

Market size EUR 55 million, change +17.2%

Source: ACNielsen Scan Track

Agricultural Division

Success factors

- Products that bring added value
- Market leadership
- Awareness of customer needs
- Purchasing know-how
- Efficient production and logistics
- Cost-effectiveness

Agricultural Division

The operating sectors of the Agricultural Division are the animal feed industry, manufacture of vegetable oils, and the grain trade.

The companies within the Suomen Rehu Group develop, produce and market effective, safe and environment friendly pre-mixed animal feeds, feed raw materials and feeding programmes. Mildola develops, manufactures and markets vegetable oils and protein feed. Avena Nordic Grain specializes in the domestic and international grain, vegetable oil and pulse trade and in the trade in raw materials for feeds.

Suomen Rehu Group comprises Suomen Rehu Ltd, Lännen Rehu Oy and Hiven Oy in Finland, and SIA Baltic Feed in Latvia, UAB Baltijos Pasarai in Lithuania, and Rehu Eesti Oü in Estonia. Mildola Oy, which manufactures vegetable oils and protein feed, was part of Suomen Rehu Group until the end of 2006. Associated companies that have important links with Suomen Rehu's operations are the logistics steering company Movere Oy and agricultural portal operator Farmit Website Ltd.

Mildola Oy was incorporated into the Lännen Tehtaat animal feed sector at the beginning of May 2005, when Suomen Rehu Ltd purchased the majority of its shares. The remaining 17.5% of Mildola's shares were acquired by Suomen Rehu in April 2006. Following an internal sale within the Group, the Mildola shares are now held by the parent company Lännen Tehtaat plc.

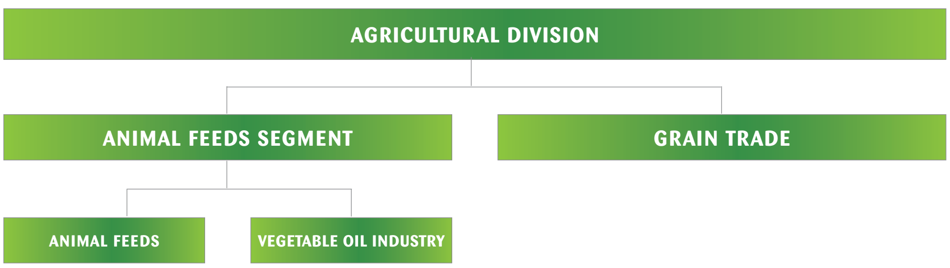
The grain trade business comprises Avena Nordic Grain Oy and the subsidiaries ZAO Avena St. Petersburg in Russia and UAB Avena Nordic Grain in Lithuania.

In 2005, Lännen Tehtaat and Raisio established a 50/50 owned joint venture ZAO Scandic Feed in Russia, with the aim of beginning animal feed production in Northwest Russia. The acquisition of a feed factory for Scandic Feed failed at the end of summer 2006, and later in the autumn the two owners decided to dissolve the joint venture company.

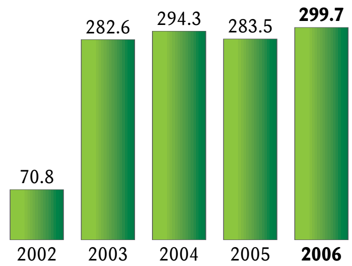
Harviala Ltd, part of the Agricultural Division at the beginning of the year, was sold to Saarioisten Taimistot Oy in March 2006.

The net sales for the Agricultural Division in 2006 totalled EUR 299.7 (283.5) million. The net sales for all the continuing individual businesses grew from the previous year. The net sales for the animal feed industry grew from EUR 185.0 million to EUR 188.4 million, for the vegetable oil industry from EUR 26.4 million to EUR 40.6 million and for the grain trade from EUR 86.6 million to EUR 96.3 million. The terminated operations reduced the total net sales for the Agricultural Division by EUR 5.4 million. Mildola was part of the division for 8 months of the year only.

Investment in the Agricultural Division amounted to EUR 7.7 (10.3) million, of which the acquisition of shares in Mildola Oy and ZAO Scandic Feed accounted for EUR 1.5 million. EUR 3.6 million was invested in the extension and renovation of the Baltic Feed factory, and EUR 1.1 million in increasing the production capacity of Lännen Rehu. The remaining investments were mainly in improving the efficiency of production and logistics processes in the animal feeds business. Investment in Mildola Oy totalled EUR 0.4 million.



AGRICULTURAL DIVISION, NET SALES, EUR MILL.



AGRICULTURAL DIVISION, EUR MILL.	2006	2005
Net sales [1]	299.7	283.5
Percentage of consolidated net turnover [1]	73%	65%
Operating profit [1]	11.3	6.7
Investments [1]	7.7	10.3
Average personnel [1]	402	452

[1] includes Other operations

NET SALES BY BUSINESS UNIT, EUR MILL.	2006	2005
Suomen Rehu Ltd	156.3	157.0
Lännen Rehu Oy	34.3	24.5
Hiven Oy	8.8	7.2
SIA Baltic Feed	4.3	4.0
Rehu Eesti Oü	0.2	0.2
UAB Baltijos Pasarai	0.1	0.0
Mildola Oy [1]	40.6	26.4
Avena Nordic Grain	96.3	86.6
Lännen Plant Systems [2]	0.0	2.3
Harviala Ltd [3]	0.0	3.1
Other sales	0.0	1.6
Internal sales	-40.9	-29.5
Total	299.7	283.5

[1] since May 1, 2005
[2] until March 31, 2005
[3] until February 28, 2006

Product innovations **bring new benefit** for customers

- Product innovations and production investment strengthen the lead
- Productivity-enhancing and health-promoting feeds and feeding programmes for cattle, pigs, poultry, horses and reindeer
- Brisk growth in exports

Suomen Rehu Group's animal feed companies develop, manufacture and market animal feeds and feeding programmes that enhance productivity and health for livestock farms.

VISION

Suomen Rehu is the most profitable and supportive animal feeds partner for Finnish livestock farms and an expanding operator in the animal feeds business in the Baltic States and Russia. In Scandinavia and elsewhere in Europe we supply a unique range of special feed products.

The number of Finnish livestock farms continues to fall strongly in all animal groups, and the size of the remaining farms is growing. These farms are operating more efficiently and improving their cost-effectiveness. The need to find feeding options that provide better financial results is increasing, and farms are considering where to best direct their own work effort. Feeding is becoming automated and more technical, which sets specific requirements for the technical quality of compound feeds.

The EU agricultural policy reform will accelerate the change process, as it will mean that EU support for livestock farming will be less dependent on production. Another key reform will be the removal of agricultural export subsidies throughout the EU, which is related to the WTO negotiations. In Finland, the biggest impact will be on feed grain and milk production.

The food industry's interest in the development of feeding and the primary production chain will grow, and as a consequence, efficient raw-material procurement and risk management are becoming increasingly important. The growing use of arable plants as energy sources will increase demand for grain and other feed raw material, and cause cost pressures on raw-material procurement. Opportunities for business expansion are emerging in the developing Baltic States and Russia.

Suomen Rehu is Finland's leading producer of industrial feeds with a range of operations in international markets. The company develops, manufactures and markets effective, safe and environmentally friendly animal feeds and feeding programmes. Suomen Rehu offers a comprehensive range of feed mixes for cattle, pigs, poultry, horses and reindeer. The range also includes dog food and a large selection of special feeds and products developed to promote the intestinal health of animals. The company accounts for some 50% of Finland's industrial feed production. In Scandinavia and other selected market areas in Central Europe, Suomen Rehu concentrates on health-promoting feeds and modern, patented feeding solutions. In Russia, the company and its distributors offer new feeding solutions for large farms and feed mills.

The good location of its production units and the existence of an extensive sales network allow Suomen Rehu to supply its products all over Finland. Farms are assisted in planning their feeding and grain trading by Suomen Rehu's consulting sales representatives and distributors.

The total sales of industrially manufactured and compound feeds in Finland fell slightly on the previous year during 2006. The overall market →

➜ for pig feeds grew. The overall market for cattle feeds and poultry feeds diminished, as the number of animals in production dropped. The total amount of feeds manufactured by Suomen Rehu fell slightly in 2006 as the production of feed for fur animals was discontinued. The production of feed components for farms using mixed feeding grew. Suomen Rehu's share of pig and poultry feed sales increased on the previous year. In cattle feeds, the market share diminished slightly.

Suomen Rehu's exports went up by a third in 2006. Key export areas include Russia, the Baltic States and Scandinavia. Outside this area, exports consist primarily of highly processed products from the Progut and Acetona product families.

Net sales for Lännen Tehtaat's animal feeds rose by just under 2% in 2006, amounting to EUR 188.4 (185.0) million. The sales volume dropped slightly. The increase in net sales was a result of higher selling prices caused by a rise in raw material prices. Due to the competitive market situation, however, it was not possible to pass these raw material price increases on in full to sales prices, which in turn reduced the gross margin. In particular, prices increased for fodder grain and proteins, which account for the majority of the costs of feed manufacturing.

The cost-effectiveness of the Group improved significantly as a result of the programme to cut fixed costs that was implemented in the spring, and the closure of the Vaasa factory in the autumn. The operating profit for Animal Feeds was almost at the level of the previous year.

Suomen Rehu has focused strongly on the price/quality ratio of its feed products by reorganizing its feed production, developing its logistics arrangements and making a number of investments, the impact of which will become evident in the competitiveness of its products in 2007. With the closure of the Vaasa factory, production was transferred to the Turku, Säkylä, Paimio and Seinäjoki factories. The expansion and modernization investments at Baltic Feed's Latvia mill were implemented at the end of the year.

Communication between clients and the company have been improved through interactive channels. A great many new users have been attracted to the Farmit Website. At the beginning of 2006, a customer service centre focusing on centralized receipt of orders and telephone marketing began its operations. The skills of customer-service feeding consultants have been developed through training. The focus has shifted from advertising individual brands towards strengthening the Suomen Rehu brand and presenting feeding solutions, as well as emphasising the company's internationally strong expertise.

New products have clearly improved milk production. Feeds are also utilised more efficiently.

Suomen Rehu's e-farm project was elected the best business project in the Large Businesses section of the 2006 Tekes technology programme "E-Business Logistics". The project involved developing a Smartsilo application based on mobile technology, in which a livestock farm's feed silo is linked directly to the Suomen Rehu's enterprise resource planning system. The method makes it possible to improve the efficiency of logistics in feed production and transportation, and enhance the feed order-delivery routines for farms. The results of the project have been commercialized by Suomen Rehu in the form of the online Signaali24 ordering services, which are used regularly by hundreds of livestock farmers.

New products and the production impact of feeds have been improved by investing in an innovation programme that started in 2005.

Suomen Rehu's net sales and operating profit are dependent to a significant degree on the prices of the main raw materials (grain and proteins) for feeds, and the way in which the price changes are managed.

The overall market for animal feeds in Finland is expected to remain at the level of the previous year in 2007. Demand for pig feed and cattle feed is expected to rise slightly, while demand for poultry feed will remain stable.

LÄNNEN REHU OY

Lännen Rehu Oy manufactures and markets livestock feed and farm mineral feed mainly for cattle farms. Mixed feeding is becoming more popular as a cattle feeding technique. Therefore the product range has been expanded by feed components, such as crushed and pressed protein and by-products from the food industry, as well as plain compound feeds tailor-made for mixed feeding. The most significant client groups for feed components are cattle farms that have moved to mixed feeding, and pig farms that use wet feeding systems. The company also manufactures and markets processed sugar beet pulp and molasses. In addition, it manufactures compound feeds and supplies feed raw material for the retail trade and other feed industry.

The sales volume of feed components went up by over 30% in 2006. The growth was accelerated by a smaller than usual silage harvest due to the dry summer, which resulted in a record delivery of fresh beet pulp to farms. To ease the undersupply caused by the smaller than usual silage harvest, Lucerne grain was also imported to replace silage. Demand for unprocessed crushed rape continued to grow strongly.

The feed mill extension at Säkylä became operational in March. The extension increased the factory's production capacity by a third. Following completion of the extension, some of the production of the terminated Vaasa factory was transferred to Säkylä.

As a result of the EU sugar reform, the amount of cropland for sugar beet fell from the previous year. This reduced the amount of beet pulp and molasses processed as feed. The long, hot summer provided a good sugar beet harvest, which mitigated the impact of the decrease in cropland.

It is expected that the number of mixed feed farms will continue to rise and that the demand for products used in these farms will strengthen further in 2007. From autumn 2007, the processing of sugar beet in Finland will be concentrated at Säkylä, and as a result, the amount of pressed sugar beet pulp will increase. A modest growth is expected in farm compound feeds.

HIVEN OY

Hiven Oy develops, manufactures and markets high-quality special products for livestock farms and the fur-farming sector. The most important product groups are the different vitamin and micronutrient preparations, special feeds, feed preservatives and hygiene products.

During 2006 the company concentrated on updating and expanding its product range. Of the new product groups, biological feed preservatives, in particular, sold well and received positive client feedback.

Hiven Oy has nationwide network of independent local representatives through which the company's products can be delivered directly to farm customers. Product deliveries can also be made via dairies and abattoirs. Sales in Finland were good. The company also set up a network of local representatives in Sweden, based on the sales and distribution concept being applied in Finland and Estonia.

SIA BALTIC FEED

SIA Baltic Feed is a special feeds company operating in the Baltic States. It produces and sells safe, cost-effective and health-promoting animal feeds for the local market. The product selection includes minerals, semi-manufactured products, concentrates and special products.

SIA Baltic Feed's factory is based in Tukums in Latvia. The company also has operations in Estonia and Lithuania, where a local sales company started at the beginning of 2006. The extension and renovation of the Tukums plant tripled the production capacity. The new factory manufacture pre-mixes and minerals, and enables Baltic Feed to expand and develop its product range in accordance with the requirements of the Baltic market, utilising the special production technology of the factory.

INNOVATION PROGRAMME

The focus of Suomen Rehu's innovation programme during 2006 was on commercialising expertise based on intestinal health. During the year, a number of feeding concepts and new feeds were developed and launched. The research methods used in Suomen Rehu's network research programme have created a basis for product differentiation based on the company's special know-how and the development of a new type of client benefit in feeding. The results of the process have received positive attention at several international conferences in the livestock sector.

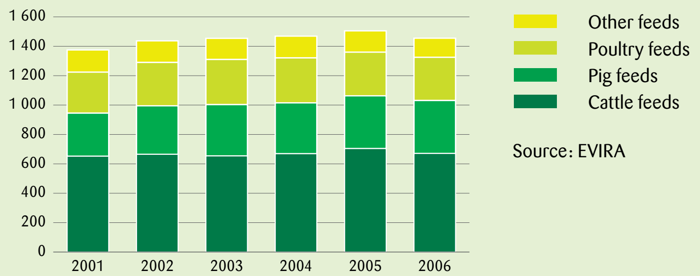
In the cattle feed product group, the new Mainio-Krossi and Oiva-Krono Top products were launched. They utilise the patented Pötsitehoste ingredient, developed in the rumen research programme. The new products have greatly increased milk production and, at the same time, ensured that feeds are utilised more efficiently. The new products enhance the input/output ratio for cattle farms and improve the competitiveness of the Suomen Rehu cattle product range. During 2006, the Krossi 100 product, launched in 2005, became the number one product of the Suomen Rehu cattle product range.

In the pig feed group, the Dynaaminen kasvuohjelma (Dynamic Growth Programme) feeding concept was launched. The Juniori-Pekoni weaning feed is a new four-product concept for pigs. In developing the product programme, the MBI (Microbial Balance Index) was utilised. The index was developed in the intestinal health research programme and describes the optimal equilibrium of intestinal microbes. The method is patented.

The new 4-feed programme for broiler, launched in autumn 2006, is also based on solutions developed in the intestinal health research programme. Record results in the daily growth of broiler speak for its productive capacity. The most important factor affecting the competitiveness of Finnish broiler production and the feeding programme is a more affordable production cost per a kilogram of meat, achieved through the renewed feeding programme.

The Pekoni Break and Acetona product families, launched in the previous year, have strengthened their positions in the domestic market, and their exports have developed well. The Progut product family has a new water-soluble Progut product, which will be marketed as a supplement for milk replacers both for the export market and domestically. The product was presented at the international Agromek exhibition in Denmark. It received the highly valued Star Product status at the exhibition.

COMPOUND FEED PRODUCTION IN FINLAND 2001-2006, THOUSANDS OF TONNES



Source: EVIRA

- We focus on increasingly interesting products in the spirit of taste and diversity
- Our oils are based on health-promoting rapeseed and soya
- High-grade protein from raw material plants is used in the production of animal feeds

Home of the popular **Finnish Neito** brand

Mildola is Finland's leading rapeseed crushing company. It markets vegetable oils within the European Union and protein feeds on the Finnish market.

Mildola develops, manufactures and markets vegetable oils and plant protein feeds. The main ingredients of Mildola's vegetable oils and protein feeds are rapeseed and soybeans. The company's natural, chemical-free and environment friendly manufacturing process makes it a leader in modern, ethical operating methods in the vegetable oil industry.

The raw materials used at Mildola's production unit in Kirkkonummi are Finnish rapeseed, rapeseed from EU countries, and soybeans from Brazil and North America. Finnish rapeseed is obtained through contract farm production in cooperation with agricultural suppliers. Rapeseed accounts for almost 90% of Mildola's total production capacity of 135 million kilos. The oil yield from rapeseed is about 40% and from soybean about 15%; the remaining material is used for protein feed.

Mildola's vegetable oil customers are primarily companies in the food industry, professional kitchens and retailers. In the retail trade, the company's products are sold under the Neito brand and as retailers' own-brand products. To the hotel, restaurant and catering sector Mildola sells products both under their own brand names and under the Mildola brand. Protein feeds made from rapeseed and soybean are sold as raw materials for animal feed manufacturers and directly for use by livestock farms. Mildola's own Öpex brand is a plant protein feed known for its optimal nutritional quality and for being a safe and reliable choice.

In 2006, Mildola focused on sales of products with a higher added value, in line with its declared strategy. Sales of refined vegetable oil rose to over 90% of the company's total oil sales. In the hotel, restaurant, and catering trade the manufacture of chains' own brands grew strongly. Mildola also introduced new products to professional kitchens under the Mildola brand. In the retail trade, the sales of Mildola's own Neito brand increased. Three new flavoured Neito vegetable oils and a ready-to-use

In the retail trade, the sales of Mildola's own Neito brand increased. Three new flavoured Neito vegetable oils and a ready-to-use baking and frying oil were brought onto the market.

baking and frying oil were brought onto the market.

In 2006, the EU rapeseed harvests remained at the 2005 level, i.e. well over 15 million tonnes. The total harvest of rapeseed crops in Finland was almost 150 million kilos. The 2006 rapeseed harvest in Finland was the biggest so far in the 21st century, due to the growth in the arable area used. Due to growing biodiesel production, there was strong demand for rapeseed oil as a raw material, which increased its price significantly towards the end of the year. More than half of the EU's rapeseed oil production is already being used for producing transportation fuel.

Mildola's full-year net sales in 2006 amounted to EUR 40.6 (40.8) million. In addition to Finland, the focus in vegetable oil sales in 2006 was on the Scandinavian market and the entire EU area. Exports to Scandinavia continued to grow. Altogether, vegetable oils accounted for about 67% of Mildola's 2006 net sales.

The company's net sales, production and customer deliveries were all above the levels budgeted for. The company's financial performance, while slightly weaker than during the record year of 2005, exceeded all targets.

Mildola's net sales and financial performance are influenced considerably by the quantity and quality of the main oil crop harvests, both in Finland and on the international markets. The raw material prices are determined on international commodity exchanges.

The company has identified the raw-material price risks and currency risks associated with its operations and it applies a risk management policy throughout its business, the aim being to safeguard its refining margin. To this end, it engages, for example, in derivatives trading with the aim of maintaining adequate balance between buying and selling positions.

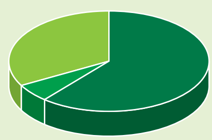
Mildola's net sales in 2007 were forecast to increase slightly from the 2006 level, mainly because of the expected rise in selling prices. Due to a forecast decrease in the refining margin, the operational profit is expected to be lower than the excellent 2006 result. The decrease in the refining margin will be a result of the strong increase in the market price of rapeseed raw materials due to high demand. The demand for the raw material has grown as the crushing capacity in Europe has been increased to meet the needs of biodiesel production.

NEITO BRAND

The Neito vegetable oil product family is characterised by good taste, freshness and interesting new products. The products are manufactured using natural processes and the best possible raw materials. Neito products make cooking easy and promote a varied and healthy diet. New delicious flavours include Lemon, Herbs and Mushroom. The baking and frying oil is a ready-to-use product for healthy food preparation.

Neito special rapeseed oil is produced in a manner that is as gentle and environment friendly as possible and meets the quality requirements of even the most demanding consumer. The unique manufacturing process ensures that important natural microcomponents of rapeseed are retained, including tocopherols (important antioxidants), plant sterols, plant phenols, flavonoids and vitamin K.

DISTRIBUTION OF NET SALES (%)



Refined vegetable oils	61%
Other vegetable oils	6%
Protein feeds	33%
Total	100%

International trade, **weighty** market information

Avena Nordic Grain is active in the trading of grains, oil seeds, pulses and feed raw materials both in Finland and abroad.

- We have a substantial share of all grain sold in Finland and of the Finnish grain trade beyond Finland's borders
- As usual, we produced objective information that creates confidence among customers

Avena Nordic Grain's head office is based in Espoo, with branch offices in Vaasa, Pori and Kouvola and rented storage facilities throughout Finland. The subsidiaries ZAO Avena St. Petersburg in St. Petersburg, Russia, and UAB Avena Nordic Grain in Vilnius, Lithuania, and a representative office in Alma Ata, Kazakhstan, support the company's activities in these markets.

Avena Nordic Grain has been increasing its operations constantly in Finland. The company accounts for a quarter of the grain sold in Finland and handles more than half of the country's grain imports and exports. During 2006 Avena Nordic Grain strengthened its position as a major supplier of feed raw materials.

The objective market information produced and made public by Avena Nordic Grain and the company's market-responsive spot and forward prices have found an established position on Finland's grain market. The spot and forward contracts make it possible to trade and fix prices for immediate and future deliveries. Growers

appreciate these tools when crop planning and monitoring market developments or pricing crops at a time of their choosing.

The company's domestic market is Finland, but it has plenty of trading partners in numerous other countries as well. Avena Nordic Grain's thorough market assessments, understanding of customer needs and high level of professional skills have formed a basis for customer confidence, which has helped in expanding the company's activities both in Finland and abroad.

The world production of wheat and coarse grains in 2006 amounted to 1,557 million tonnes compared with 1,597 million tonnes in the previous year. The consumption of wheat is expected to fall by 9 million tonnes from 624 million to 615 million. The demand for coarse grains is expected to increase by 24 million tonnes from 988 million to 1,012 million. It is thought that global wheat stocks will drop at the end of this season from 147 million tonnes to 121 million tonnes and coarse grains from 167 million tonnes to 124 million tonnes.

rapeseed harvest of 150,000 tonnes was 40% higher than in the previous year as a result of increased plantings and the fairly good yields in line with the five-year average. The price of rapeseed remained at a good level throughout the year principally because of its heavy demand as a raw material for the production of bio-diesel.

Grain prices for the 2006 crop were well above intervention level. Price fluctuations between exporter and importer countries were big. Even though EU internal market prices were relatively high and competition from the Black Sea countries was strong, the EU was able to export grain to a large extent without export subsidies. The objective of the EU Commission was to reduce intervention stocks, which amounted to 14 million tonnes at the beginning the 2006 crop year. Most of the intervention stocks were sold for export and onto the EU internal market. Close to 300,000 tonnes were sold from Finnish intervention stocks, of which 200,000 tonnes of barley were exported and 50,000 tonnes of barley and 30,000 tonnes of wheat went to the internal market. At the end of the crop season the EU's intervention stocks will be noticeably lower than at the beginning, containing mainly maize and wheat in the land-locked Member States.

Net sales for Avena Nordic Grain totalled EUR 96.3 (86.6) million in 2006. The growth was due to increased volume and a higher market price level for grains and oil plants compared with the previous year.

In 2007, the operations of Avena Nordic Grain Oy will continue to grow both in EU markets and third country markets. The net sales will, however, depend on the quantity and quality of crops and the price level in the main market areas. The financial performance is expected to show a slight improvement on 2006.

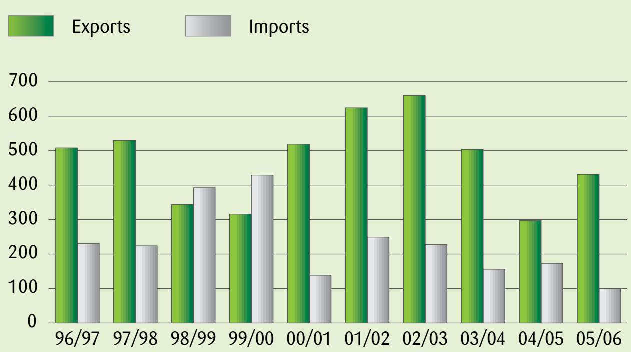
Grain isn't just bread; it's also feed and these days a source of energy.

World market prices for grain rose in the second half of the calendar year, reflecting tighter demand and supply. On a world scale considerable growth has taken place in the demand for grain and oil seeds as the raw materials for ethanol and biodiesel, which has contributed to the rise in prices. The increased demand for raw materials in the energy sector will also have a substantial effect on the price structure of agricultural products in the future.

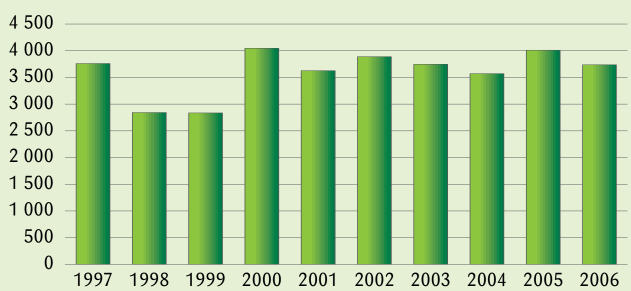
EU expectations for a large grain crop did not materialize because of the dry conditions at critical stages of the growing period and prolonged rainfall during the harvest season. This resulted in reduced yields and lower quality in many member states, the losses being particularly heavy in Poland, Lithuania and Sweden and to a lesser extent in Latvia and Estonia. The total crop in the EU in the year under review totalled 242.5 million tonnes i.e. 10 million tonnes down on the previous year.

Growing and harvest conditions in Finland were much more favourable. The official crop estimate for 2006 was 3.8 million tonnes, which is quite close to the record of 4 million tonnes in the previous year. Although some of the wheat crop had lower protein values than usual and was not suitable for milling, the quality overall was very satisfactory. The

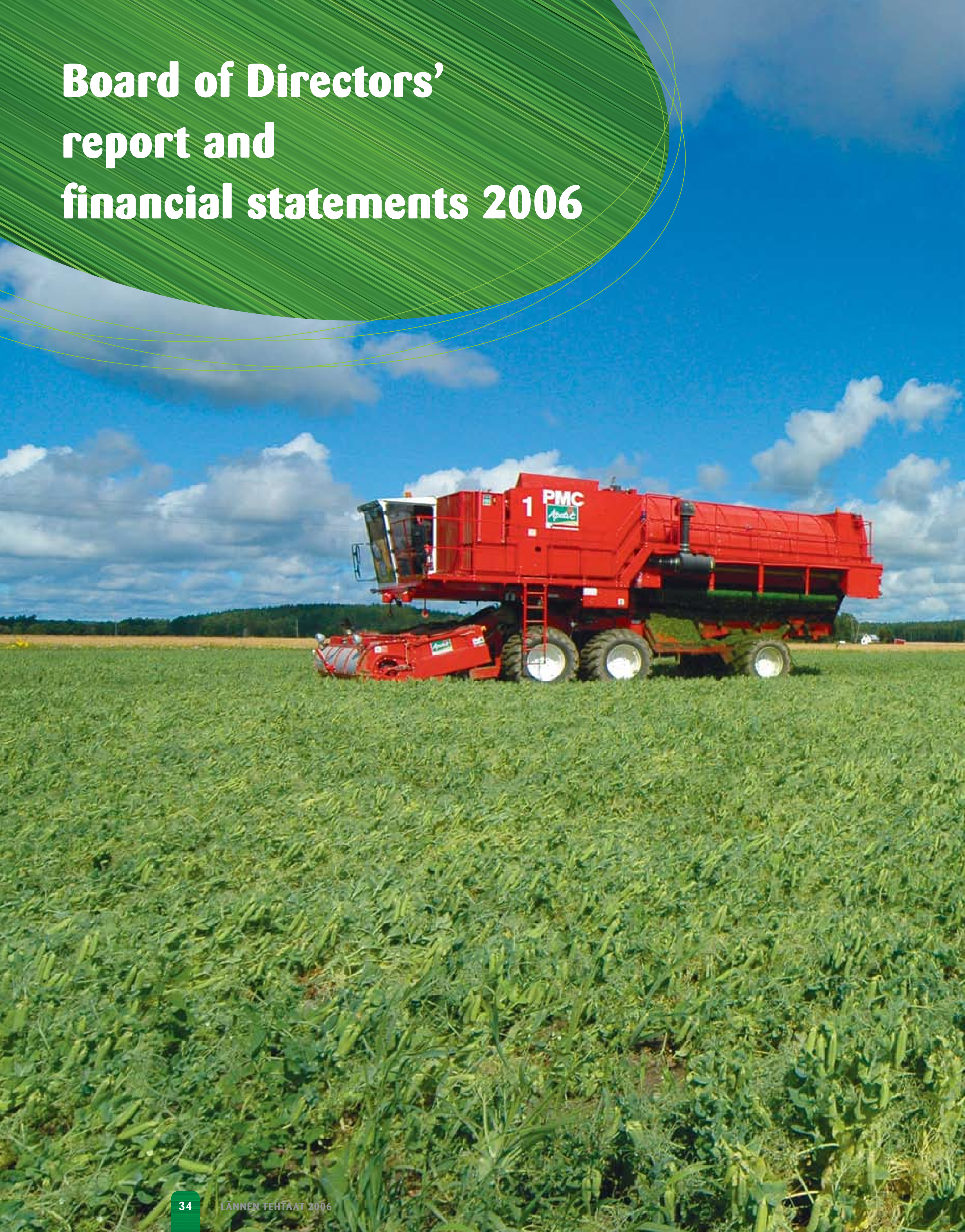
GRAIN EXPORTS AND IMPORTS DURING CROP SEASONS 1996/1997 – 2005/2006, THOUSANDS OF TONNES



CROPS IN FINLAND 1997-2006, THOUSANDS OF TONNES



Board of Directors' report and financial statements 2006



Board of Directors' report 2006

Lännen Tehtaat's vision is to be one of the leading Finnish food companies.

GROUP STRUCTURE

During the financial year, the Food Division was managed as two strategic business units: Apetit Frozen Foods and Jams, and Apetit Kala. In addition to these, joint operations included marketing, sales, controlling, information management, human resources management and environmental management.

In June, Lännen Tehtaat plc purchased 49% of the shares of Apetit Kala Oy from Antti Räsänen. Following the purchase, Apetit Kala is fully owned by Lännen Tehtaat plc. Operations by Lännen Sugar, which was a business unit in the Food Division, were discontinued at the end of 2005, since Sucros Ltd terminated the sales contract for Dansukker consumer products on December 31, 2005.

The Agricultural Division's companies operated as independent units with their own product brands. The Division comprised Lännen Tehtaat plc's subsidiaries Suomen Rehu Ltd and Avena Nordic Grain Oy. Suomen Rehu Ltd's subsidiaries are Lännen Rehu Oy, Hiven Oy, Rehu Eesti Oü, Mildola Oy and SIA Baltic Feed and its subsidiary UAB Baltijos Pasarai, which began its operations at the beginning of 2006. The operations of Rehu Eesti Oü were discontinued at the end of the year. The companies are managed through internal Board work. The segments reporting in the Agricultural Division are the Animal Feeds segment, consisting of Suomen Rehu Ltd and its subsidiaries, and the Grain Trading segment, which consists of Avena Nordic Grain Oy and its subsidiaries ZAO Avena St. Petersburg and UAB Avena Nordic Grain.

In April, Suomen Rehu Ltd acquired 17.5% of the shares of the vegetable oil and protein feed manufacturer Mildola Oy from Maatalouskesko Oy. Following the purchase, Suomen Rehu Ltd gained full ownership of Mildola. Following an internal sale within the Group, Lännen Tehtaat plc acquired the Mildola shares at the end of December. For the purposes of reporting by segments, Mildola Oy was part of the Feeds segment during 2006.

In spring 2006, ZAO Scandic Feed, a joint venture owned by Lännen Tehtaat and Raisio, signed a contract concerning the acquisition of the Tosno feed factory. The acquisition failed in August as the seller withdrew from the deal. In the autumn, Lännen Tehtaat and Raisio decided to dissolve ZAO Scandic Feed. The dissolution is likely to take place at the end of 2007.

The Other Operations segment comprised operations that are common to the Group and unallocated to a particular segment, and Harviala Ltd. Lännen Tehtaat sold the shares of Harviala Ltd to Saarioisten Taimistot Oy in March.

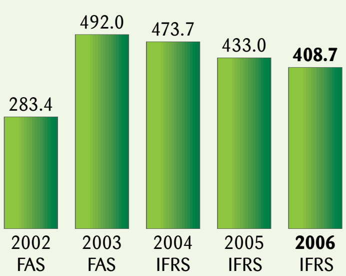
NET SALES

Lännen Tehtaat's consolidated net sales totalled EUR 408.7 (2005: 433.0) million. Net sales for continuing operations was EUR 383.3 million in the comparison year. Net sales for continuing business operations increased by 6.6%. Food accounted for 27% (35%) of this figure and the Animal Feeds segment 53% (47%). Grain Trading accounted for 20% (17%) and Other Operations for 0% (2%).

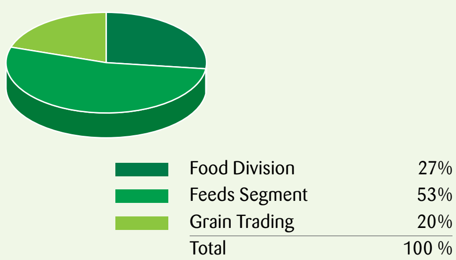
The Food Division's net sales were EUR 109.1 (105.3 continuing operations) million, an increase of 3.6%. The increase was due to an 8% rise in Apetit Kala's net sales. Net sales for Apetit Frozen Foods and Jams fell slightly on the previous year. This was due to a decrease in the sales of farm supplies. Sales of frozen foods and jams increased by about 1%. All in all, retail sales of frozen foods grew by about 2% on the previous year. Sales of frozen foods under the Apetit brand went up by almost 6%, while sales under the retailers' own brands fell. Sales of pre-prepared frozen food and pizzas grew by over 10% and frozen potato products by over 8% on the previous year. Sales of frozen vegetables under the Apetit brand grew by almost 7%, but sales under the retailers' own brands decreased with Lännen Tehtaat losing the production of the retailers' brands to imported products. Retail sales of jams and marmalades went down by about 6%. Sales to the hotel, restaurant and catering sector increased, as did exports. Industrial and bakery sales fell short of the 2005 results. The Lännen Sugar retail sugar sales were discontinued at the end of 2005. The 2005 net sales included sugar sales to the amount of EUR 44.2 million. The total 2005 net sales for the Food Division were EUR 149.5 million.

Net sales for the Feeds segment were EUR 218.2 (205.1) million, an increase of over 6%. The comparable net sales, which exclude

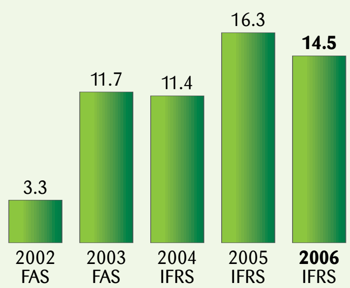
CONSOLIDATED NET SALES, EUR MILL.



NET SALES BY BUSINESS SEGMENT



OPERATING PROFIT, EUR MILL.



Mildola, grew by about 2% on the previous year. The volume of feed sales dropped slightly. The rise in net sales is due to the impact of higher raw-material prices on selling prices. Mildola accounted for EUR 29.8 (20.1) million of the Feeds segment's net sales.

Net sales for Grain Trading were EUR 96.3 (86.6) million. The growth in net sales was due to both increased volume and a higher market price level for grains and oil plants compared with the previous year.

Net sales for the Other Operations segment were EUR 0.0 (7.1) million. The decrease was due to the sale of the business operations of the Lännen Plant Systems unit at the beginning of April 2005, and the sale of Harviala Ltd in March 2006.

Net sales for the parent company Lännen Tehtaat plc were EUR 50.2 (99.0) million. The 2005 net sales include EUR 46.5 million of sales by the discontinued Lännen Plant Systems and Lännen Sokeri. Net sales for continuing operations were EUR 52.5 million in 2005.

PROFITS

The consolidated profit before tax excluding non-recurring items was EUR 13.4 (11.8) million, and including non-recurring items EUR 17.8 (14.9) million. Profit for the period was EUR 13.1 (11.4) million. Earnings per share were EUR 2.10 (1.81).

Lännen Tehtaat's consolidated operating profit excluding non-recurring items came to EUR 12.9 (12.1) million. The impact of non-recurring items on the operating profit was EUR +1.6 (+4.2) million. Non-recurring items amounted to EUR -0.1 (+7.3) million for the Food Division, EUR +0.3 (-2.1) million for the Feeds segment, and EUR +1.4 (-1.0) million for the Other Operations segment. Non-recurring items recorded for the final quarter of the year, totalling EUR +2.3 (+6.3) million, are due to sales of premises and the cancelling of the cost provisions of previous years. Of the profit from sold premises, EUR 0.5 million was recorded for the Feeds segment, and EUR 0.1 million for the Other Operations segment. A EUR 0.5 million loss on a property sale was recorded for the Food Division. In the Other Operations segment, a previous provision of EUR 1.9 million to cover costs related to the discontinued operations was cancelled. The Feeds segment recorded as income a differential in raw material prices of EUR 0.2 million.

The operating profit of the continuing operations of the Food Division excluding non-recurring items, amounted to EUR 3.3 (-0.1) million and EUR 3.2 (-0.1) million including non-recurring items. The division's performance improved significantly on the comparison year because of the improvement in the growth and productivity of Apetit Kala, as well as the increase in the proportion of products sold under the Apetit brand and the programme trimming fixed costs in Apetit Frozen Foods and Jams. The improvement in the financial performance of Apetit Kala was slowed down during the second half of the year, as a strong rise in raw material prices that began in the spring could not be fully transferred to selling prices. The Food Division's operating profit for both continuing and discontinued operations was EUR 3.2 (9.6) million. The comparative figures in 2005 include operating profit for the discontinued sugar business operations, a non-recurring profit of EUR 7.6 million due to the termination of the sugar sales contract, and a non-recurring expense of EUR 0.3 million.

The operating profit for the Feeds segment excluding non-recurring items was EUR 12.0 (11.5) million and including non-recurring items EUR 12.3 (9.4) million. The operating profit for the Feeds segment excluding non-recurring items and Mildola was EUR 9.1 (9.3) million.

The operating profit for Grain Trading amounted to EUR 2.0 (1.4) million. Value changes in the derivative contracts taken to hedge the raw material positions reduced the comparative 2005 figure 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.

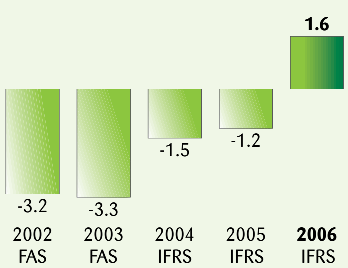
The operating profit for Other Operations excluding non-recurring items was EUR -4.4 (-3.1) million, and including non-recurring items EUR –3.0 (-4.1) million. Other Operations' profit includes non-recurring items of EUR +1.4 (-1.0) million for Other Operations. The cancellation of the provision in relation to the discontinued operations in the last quarter improved the profit by EUR 1.9 million; the sale of the Harviala Ltd shares in the first quarter weakened it by EUR -0.6 million; and the profit on the sale of a property in the final quarter improved it by EUR 0.1 million.

Net financial income totalled EUR 1.6 (-1.2) million. The financial income includes non-recurring profits of about EUR 2.5 million on sales of quoted and other shares, as well as a composition of EUR 0.2 million from the Mildola product development loan. The Group's share in the profit/loss of associated companies was EUR 1.7 (-0.1) million. In the comparison year 2005, the termination of the sugar sales contract between Lännen Tehtaat and Sucros reduced the share in the profit of associated companies by EUR 1.1 million as a one-off.

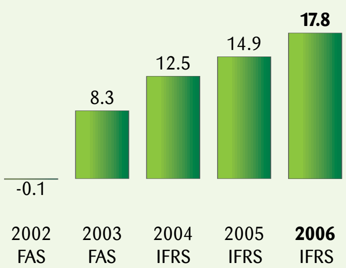
FINANCING AND CASH FLOW

The Group's financial position and liquidity continued to be good. Cash flow from operations after interest and taxes stood at EUR -6.4 (17.8) million. The difference between 2006 and 2005 is primarily due to changes in working capital. The net cash flow from investments was EUR -2.7 (-8.0) million. A total of EUR 4.6 (4.1) million was paid out in dividends. ➜

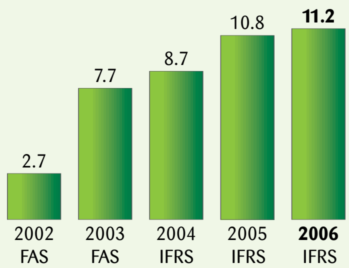
FINANCIAL INCOME (+)/ EXPENSES(-), NET, EUR MILL.



PROFIT BEFORE TAXES, EUR MILL.



RETURN ON INVESTMENT, (%)



➜ The Group's interest-bearing liabilities came to a total of EUR 56.1 (45.9) million and liquid assets to EUR 7.5 (11.2) million at the end of the financial period. Net interest-bearing liabilities amounted to EUR 48.5 (34.7) million. The consolidated balance sheet total stood at EUR 237.5 (232.2) million. Equity totalled EUR 119.2 (116.1) million at the end of the financial year. The equity ratio was 50.3 (50.0) %. Commercial papers issued for the Group's short-term financing stood at EUR 38.0 (19.0) million at the end of the review period. The increase in commercial papers is due to larger than usual procurement of fish and grain raw materials. Liquidity is secured with long-term committed credit facilities. No credit facilities were used during the financial period.

KEY FIGURES, EUR MILL.

	2006	2005	2004
Net sales	408.7	433.0	473.8
Operating profit excluding non-recurring items	12.9	12.1	15.4
Operating profit excluding non-recurring items -%	3.2	2.8	3.3
Operating profit	14.5	16.3	11.4
Operating profit -%	3.5	3.8	2.4
Profit for the financial year	13.1	11.4	10.5
% of net sales	3.2	2.6	2.2
Earnings per share, EUR	2.10	1.81	1.68
Return on equity -%	10.5	10.2	10.1
Return on investment -%	11.2	10.8	8.7
Equity ratio -%	50.3	50.0	49.6

INVESTMENT

Consolidated gross investment in non-current assets came to EUR 7.6 (7.3) million. Investment by the Food Division excluding corporate acquisitions totalled EUR 1.4 (1.4) million, by the Feeds segment EUR 6.1 (5.6) million, by Grain Trading EUR 0.0 (0.0) million and by Other Operations EUR 0.1 (0.3) million.

The Food Division's main investments were in packaging machinery in both the Apetit Frozen Food and Jams and Apetit Kala. Investment by the Feeds segment primarily related to the extension and renovation of the Baltic Feed factory in Latvia, the extension to the Lännen Rehu factory in Säkylä, and the loading dock for bulk feed at the Seinäjoki factory of Suomen Rehu. Other Group investment in non-current assets concerned productivity and replacements.

The most significant of the share and corporate acquisitions, which totalled EUR 3.0 (4.4) million, were the purchase of a minority holding in Apetit Kala Oy and in Mildola Oy.

SHARES AND SHARE CAPITAL

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. The shares have a nominal value of EUR 2 each, and the number of shares is 6,317,576. The minimum share capital is EUR 10,000,000 and the maximum EUR 40,000,000.

Board of Directors' authorizations

The Annual General Meeting of March 29, 2006 authorized 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 on condition that the company has a pressing financial reason to do so. 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.

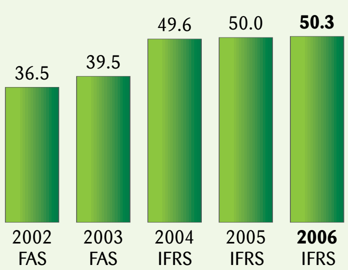
So far the Board has not exercised its right to raise share capital by issuing new shares or a convertible bond.

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.

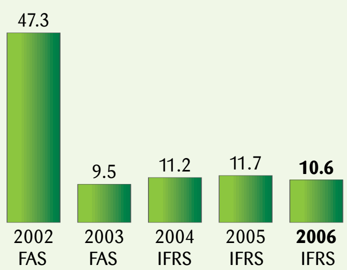
The shares can be surrendered in one or more tranches, as decided by the Board, in connection with corporate acquisitions or other corporate arrangements or for some other similar purpose that the Board may consider suitable. Surrender of the shares can also be carried out via public trading on Helsinki Stock Exchange. 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

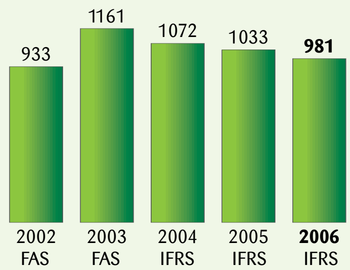
EQUITY RATIO, (%)



GROSS INVESTMENTS EUR MILL.



AVERAGE NUMBER OF PERSONNEL



shares in the company's possession represent 1.0% of the total share capital and total votes.

Dividend distribution

The AGM of Lännen Tehtaat plc decided on March 29, 2006 to pay a dividend of EUR 0.73 (0.65) per share.

Share Trading

In the period under review, 1,622,123 (3,768,866) company shares were traded on the Stock Exchange, i.e. 25.7% (59.7%) of the total stock. The highest share price was EUR 24.70 (18.29) and the lowest EUR 15.26 (11.71). The share turnover totalled EUR 32.8 (54.0) million. The price at the end of the year was EUR 24.30 (18.00) and the market capitalization EUR 153.5 (113.7) million.

Flagging announcements

There were no flagging announcements during the financial period.

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 Feeds segment. Apetit Kala's sales depend largely on seasonal holidays. 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 EUR 3.2 (3.1) million, i.e. 0.8% (0.7%) of the net sales.

In the Food Division, the focus of development was on ready-made frozen foods and fish products. New products included mashed potato products, an improved range of wok vegetables, a completely new range of microwave casserole dishes and new additions to the grilled fish and vegetable patty series.

Mildola developed and launched a range of flavoured special rape seed oils.

In animal feeding solutions, the emphasis was on the development and launching of feeding concepts and new products, that are based on intestinal health research.

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 new European Union sugar regime, which took effect on July 1, 2006, has a negative impact on the operating conditions in this sector in Finland. Lännen Tehtaat's associated company Sucros Ltd decided to sell part of its production quota and continue with a sugar quota of 90 million kilos. The consequent production cut was achieved by closing down the Salo sugar factory after the processing of the autumn 2006 sugar beet crop. Sucros will continue to manufacture beet sugar at its Säkylä factory. The sugar regime reform and the consequent changes will reduce the dividends received by Lännen Tehtaat from Sucros Ltd and the share of profit to be entered in the profit and loss account in the next few years. Lännen Tehtaat plc owns 20% of the shares of Sucros Ltd, which engages in sugar production in Finland. Following the closure of its Salo factory and the partial sale of its production quota, Sucros Ltd lodged an application in November with the Ministry of Agriculture and Forestry for aid for restructuring. Sucros applied for aid in relation to the relinquished quota of 56 tonnes. The one-off payment is about EUR 34 million and will compensate for the continuing loss of income due to the reduced production quota, and for the expenses incurred due to the closure of the Salo factory. The write-off and estimated closing down expenses will amount to about EUR 15 million.

CORPORATE GOVERNANCE AND MANAGEMENT

The Supervisory Board of Lännen Tehtaat plc elected Tom Liljeström Chairman and Juha Nevavuori Vice Chairman of the Supervisory Board at its meeting on April 10, 2006.

The Supervisory Board elected the following members to the Board of Directors: Harri Eela, Aappo Kontu, Matti Lappalainen, Simo Palokangas, Hannu Simula, Soili Suonoja and Tom v. Weymarn. Tom v. Weymarn was elected Chairman of the Board of Directors and Hannu Simula Vice Chairman. Simo Palokangas resigned from the Board of Directors on November 29, 2006.

The CEO of Lännen Tehtaat plc is Matti Karppinen.

PERSONNEL

The most crucial areas for personnel development are management, professional training and workplace interactive skills.

The Group employed an average of 981 (2005: 1,033 and 2004: 1,072) people in 2006. Distribution of personnel by business area:

	2006	2005	2004
Food Division	579	581	445
Feeds Segment	355	348	326
Grain trading	29	28	25
Other operations	18	74	94
Discontinued operations	–	–	182
Total	981	1033	1072

During the financial year, recruitment for key personnel continued in the Food Division and Group administration. A Director of Sales & Marketing and a Director of SBU concept business were recruited to the management of the Food Division; Group administration appointed a Chief Financial Officer. ➜

➜ During the financial period, personnel received salaries and other remuneration to the amount of EUR 32.3 (2005: 32.6 and 2004: 33.8) million.

ENVIRONMENT

Lännen Tehtaat observes the principles of continuous improvement and sustainable development throughout its operations. The company operates in a responsible manner and takes account of social and environmental considerations throughout its operations. The aim is efficient production that is in harmony with the environment.

Lännen Tehtaat's management has defined the company's environmental goals as part of its overall operating policy.

All production units required to have an environmental permit have a current permit.

Lännen Tehtaat is not aware of any significant individual environmental risks at the time of completion of the financial statements.

OVERVIEW ON EARLY 2007

In order to clarify the management model for the Group, it was decided to corporatize the frozen foods unit Apetit Frozen Foods and Jams and the Group's service business operations. As of the beginning of 2007, Apetit Frozen Foods and Jams became Apetit Pakaste Oy and the service business operations Apetit Suomi Oy. Apetit Suomi Oy will be in charge of developing, marketing and selling products made by Apetit Pakaste Oy and Apetit Kala Oy. In addition, it will produce IT, human resources, business controlling, cash management, and environmental services for the companies in the Lännen Tehtaat Group. The parent company, Lännen Tehtaat plc, will act mainly as a holding company that owns the shares of subsidiary companies and properties, and also has a small Group administration unit.

On January 19, 2007, Lännen Tehtaat plc and Hankkija-Maatalous Oy signed a share-purchase agreement whereby 51% of the shares in Suomen Rehu Ltd and Avena Nordic Grain Oy will be transferred to the ownership of Hankkija-Maatalous Oy. The enterprise value of the business operations of Suomen Rehu and Avena has been agreed at approximately EUR 81 million. The price for the 51 per cent of the shares in the companies to be sold will be about EUR 28 million. The purchaser will also assume responsibility for the net debts of Suomen Rehu and Avena at the moment when the closing takes place. The exact price for the shares will be determined on the basis of the assets and liabilities of the companies to be sold at the moment when the closing takes place. The transaction will not include the shares of the oil seed processing company Mildola Oy, which have been transferred to the ownership of Lännen Tehtaat plc in an internal transaction.

The sale of the majority shareholding is expected to take place in the second quarter of 2007 and generate a tax-exempt profit of about EUR 7 to 8 million. In connection with the sale of the majority shareholding, an option scheme has also been agreed under which Lännen Tehtaat will, if it wishes, have the right to sell the remaining 49% of the shares in Suomen Rehu Ltd and Avena Nordic Grain Oy to Hankkija-Maatalous. The latter, for its part, has a purchasing option for the remaining shares, which it will be able to put into effect at the earliest 15 months after the closing of the deal for the majority holding.

At the beginning of 2006, Lännen Tehtaat conducted a feasibility study on the launching of ethanol production in western or south-western Finland. The study shows that this part of Finland has the best potential for producing ethanol for fuel purposes. The region has sufficient grain-growing capacity to supply the raw material for an ethanol plant. It is also home to one of the two main pig-farming areas in Finland, which is important for utilizing the animal feed by-products from an ethanol plant. The region also has a number of feed factories that could use some of the by-products from an ethanol plant as raw material for their animal feeds. The total cost of the investment was put at some EUR 55 million. The Ministry of Trade and Industry has granted Lännen Tehtaat an investment subsidy of EUR 1 million for the project. Lännen Tehtaat considers Säkylä to be a highly suitable location for the plant in terms of the procurement of the grain raw material and ready infrastructure. On January 19, 2007, the company announced that it will not take responsibility for building an ethanol plant, but is prepared to consider a minority share in a company that would construct the plant in Säkylä. The decision to withdraw from implementing the project is based on Lännen Tehtaat's strategic policy of focusing on the food business operations and is linked with an announcement the same day to sell the feeds business and grain trading operations.

In order to accelerate the growth of its fish product operations, Lännen Tehtaat plc decided to purchase the shares of Maritim Food AS, one of the leading fish product manufacturers in Norway, at the beginning of February. Lännen Tehtaat plc and the vendor Brynild Gruppen AS signed the deed of purchase on February 6, 2007, thereby transferring the shares of Maritim Food AS to Lännen Tehtaat. The deal includes Maritim Food AS and its wholly-owned Swedish subsidiaries Maritim Food Sweden AB and Maritim Food Sweden Egendom AB, as well as its 47.5% minority interest in the Norwegian Sandanger AS. In addition, the deal includes a call option which will enable Maritim Food AS to increase its holding in Sandanger AS to 51% in the future. The enterprise value of Maritim Food AS has been determined at approximately EUR 15 million. Upon completion of the purchase, Lännen Tehtaat plc will pay approximately EUR 10 million for the shares of Maritim Food AS, and assume responsibility for net liabilities of approximately EUR 4 million. The final purchase price of the shares will be affected by the development of the assets and liabilities of the companies between June 30, 2006 and the date of completion of the purchase. In addition to the purchase price payable upon completion, the parties have agreed on an additional purchase price of EUR 0–1.3 million which is dependent on the 2007 results for Maritim Food and Sandanger AS. The share purchase is expected to provide Lännen Tehtaat with a Group goodwill amounting to not more than EUR 7 million.

In 2005, the net sales of Maritim Food AS were approximately EUR 27 million and the profit about EUR 1.2 million. The balance sheet total was around EUR 10 million. Maritim Food employs an average of 95 people. The net sales of Sandanger AS were approximately EUR 9 million and profit about EUR 0.3 million. The company employs about 50 people.

OUTLOOK FOR 2007

In the new year Apetit Pakaste Oy, Apetit Suomi Oy, Apetit Kala Oy, business operations that will be acquired and Mildola Oy and expenses that are common to the Group and unallocated to a particular segment will report as Continuing operations.

From the beginning of 2007 until the completion of the majority shareholder sale, the profit/loss of Lännen Tehtaat's feeds business and grain trading will be reported as a single line item under Discontinued operations. Once the transaction has been completed, the profit/loss will be recorded as a share of the profit/loss for the relevant associated company.

In the Food Division, the net sales for Apetit Pakaste Oy are expected to remain at the 2006 level. Product sales are expected to grow by about 5%. With the transfer of contract farming of sugar beet to the care of Sucros Oy, sales of farm supplies will be reduced by almost EUR 3 million. Sales under the Apetit brand are predicted to grow due to a volume increase and changes in the product mix. Hotel, restaurant and catering sales and industrial sales are also expected to make good progress. Sales under retailers' own brands and exports are expected to fall.

Sales by Apetit Kala are expected to continue to grow with further processing of products and as the proportion of industrially packaged fish in relation to all the retailed fish grows.

The performance of Apetit Pakaste is expected to continue to make good progress. It is anticipated that Apetit Kala's ability to achieve results will improve following productivity measures. The business service unit Apetit Suomi Oy will record a small profit.

Mildola Oy's net sales are predicted to increase slightly on the 2006 level because of a small increase in volume and product prices. As the world market prices for raw materials rise, the processing margins are expected to fall and the operating profit to be more modest than the exceptionally good results of 2005 and 2006.

Net sales for the feeds business are expected to grow slightly as a result of an increase in selling prices and volume. The operating profit is expected to grow due to the increase in net sales, productivity measures and a reduction in fixed costs.

Net sales for grain trading are expected to grow because of a volume increase. Due to an increase in the gross margin, the financial performance of Avena Nordic Grain Oy is predicted to improve slightly on the 2006 level.

Due to the increase in net sales for Apetit Kala and Mildola, the consolidated net sales for the continuing operations are expected to grow slightly on 2006. The operating profit for continuing operations excluding non-recurring items is predicted to increase over the 2006 operating profit excluding non-recurring items.

As a result of an increase in the net sales of Apetit Pakaste Oy and Apetit Kala Oy, the net sales for continuing operations are expected to go up slightly on the 2006 level during the first quarter of the year. The operating profit during the first quarter for continuing operations excluding non-recurring items is expected to remain at the 2006 level.

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 2005. The goal is significant expansion in Finland and in the northern Baltic region. In order to be able to focus on food in line with its vision, Lännen Tehtaat has decided to sell the majority holdings in its feeds and grain trade business operations. The arrangement will strengthen Lännen Tehtaat's room for manoeuvre and improve the company's chances of developing its food sector either through corporate acquisition or via other restructuring.

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 for the financial year 2006, a dividend of EUR 0.84 (0.73) be paid per share, i.e. 40 (40) % of the yield per share.

The parent company's distributable funds totalled EUR 40,066,946.30 on December 31, 2006, of which EUR 2,364,913.53 is profit for the financial year.

The Board of Directors will propose to the Annual General Meeting that Lännen Tehtaat plc pays a dividend of EUR 0.84 per share, a total of EUR 5,252,163.84, and leave the remaining EUR 34,814,782.46 in its equity.

No significant changes have taken place in the financial standing of the company since the end of the financial year. The company's liquidity is good, and in the view of the Board of Directors, will not be jeopardized by the proposed distribution of dividends.

Consolidated income statement

EUR million	Note	2006	2005
Net sales	(3)	**408.7**	**433.0**
Variation of stocks in finished goods and in work in progress		5.1	-2.6
Other operating income	(6)	5.2	10.9
Materials and services	(9)	-302.4	-316.6
Employee benefits expense	(7,27)	-40.2	-40.8
Depreciation	(3,10)	-8.2	-8.3
Impairments	(3,10)	-0.2	-3.0
Other operating expenses	(6)	-53.5	-56.2
Operating profit	(3)	**14.5**	**16.3**
Financial income	(11)	3.6	0.9
Financial expenses	(11)	-2.0	-2.1
Share of profits/losses of associated companies	(3)	1.7	-0.1
Profit before taxes		**17.8**	**14.9**
Income taxes	(12)	-4.7	-3.6
Profit for the period	(13)	**13.1**	**11.4**
Attributable to:			
Shareholders of the parent company		13.1	11.3
Minority interests		–	0.1
Earnings per share, calculated of the profit attributable to the shareholders of the parent company			
Basic and diluted earnings per share (EUR)	(13)	**2.10**	**1.81**

Consolidated balance sheet

EUR million	Note	DEC. 31, 2006	DEC. 31, 2005
ASSETS			
Non-current assets			
Intangible assets	(14)	1.5	1.7
Goodwill	(14)	17.4	17.4
Tangible assets	(14)	67.4	72.2
Investment in associated companies	(15)	23.1	21.3
Available-for-sale investments	(16)	0.1	3.2
Receivables	(17)	5.8	6.9
Deferred tax assets	(12)	0.3	1.3
		115.6	**123.9**
Current assets			
Inventories	(19)	65.3	54.5
Tax receivables	(18)	0.3	1.0
Trade receivables and other receivables	(18)	48.7	41.5
Cash and cash equivalents	(20)	7.5	11.2
		121.9	**108.2**
Total assets	(3)	**237.5**	**232.2**
EQUITY AND LIABILITIES	(21)		
Equity attributable to shareholders of the parent company			
Share capital		12.6	12.6
Premium fund		23.4	23.4
Own shares		-0.8	-0.8
Revaluation reserve and other reserves		7.7	9.1
Retained earnings		63.2	56.7
Net profit for the period		13.1	11.4
Equity attributable to shareholders of the parent company total		**119.2**	**112.4**
Minority interests		–	3.7
Total equity		**119.2**	**116.1**
Non-current liabilities			
Deferred tax liabilities	(12)	7.0	7.4
Interest-bearing long-term borrowings	(23)	7.0	16.0
Long-term provisions	(22)	–	0.9
Total non-current liabilities		**14.0**	**24.3**
Current liabilities			
Interest-bearing short-term borrowings	(23)	49.1	29.9
Tax liabilities		1.0	2.4
Trade payables and other liabilities	(24,25)	54.2	58.5
Short-term provisions	(22)	-	0.9
Total current liabilities		**104.3**	**91.7**
Total liabilities	(3)	**118.3**	**116.1**
Total equity and liabilities		**237.5**	**232.2**

Consolidated cash flow statement

EUR million	2006	2005
Cash flow from operating activities		
Net profit for the period	13.1	11.4
Adjustments *	8.5	16.3
Change in inventories	-10.9	-2.5
Change in non-interest-bearing short-term receivables	-6.4	-9.1
Change in non-interest-bearing short-term liabilities	-3.9	5.4
Change in provisions	-1.9	-0.2
Change in working capital	-23.1	-6.5
Cash flow from operating activities before financing items and taxes	-1.5	21.2
Interests paid	-1.6	-1.4
Dividends received from operating activities	0.0	1.2
Interest received from operating activities	0.3	0.3
Other financing items	-0.3	-0.3
Taxes paid	-3.2	-3.1
Net cash flow from operating activities	**-6.4**	**17.8**
Cash flows from investing activities		
Investments in tangible and intangible assets	-7.7	-7.0
Proceeds from sales of tangible and intangible assets	4.6	0.4
Acquisition of subsidiaries deducted by cash at acquisition date	-2.8	-1.3
Investments in associated company shares	-0.2	-0.2
Investments in subsidiary shares (minority interest acquisitions)	-0.1	-
Proceeds from sales of other investments	3.4	0.0
Dividends received from investing activities	0.0	0.1
Net cash flow from investing activities	**-2.7**	**-8.0**
Cash flows from financing activities		
Raising of long-term loans	1.9	–
Repayments of long-term loans	-10.8	-10.8
Payment of financial lease liabilities	-0.1	-0.1
Change in short-term financing	19.1	6.5
Dividends paid	-4.6	-4.1
Net cash flow from financing activities	**5.5**	**-8.6**
Net change in cash and cash equivalents	**-3.7**	**1.0**
Cash and cash equivalents at the beginning of the period	**11.2**	**10.2**
Cash and cash equivalents at the end of the period	**7.5**	**11.2**
*Adjustments to cash flow from operating activities		
Depreciation and impairments	8.4	11.4
Gains and losses on sales of fixed assets	-1.3	0.0
Share of profits of associated companies	-1.6	0.1
Unrealised gains on foreign currency rate changes	0.0	0.1
Financial income and expenses	-1.6	1.3
Income taxes	4.7	3.6
Minority interests	–	0.1
Other adjustments	-0.1	-0.1
	8.5	16.3

Statement of changes in shareholders' equity

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									
EUR million	Share capital	Premium fund	Revaluation reserve	Other reserves	Own shares	Translation differences	Retained earnings	Total	Minority interests	Total equity
Equity Jan. 1, 2005	12.6	23.4	1.1	7.3	-0.8	-0.3	61.0	104.3	2.5	106.8
Available-for-sale financial assets:										
Gains and losses from fair value measurement	-	-	0.4	-	-	-	-	0.4	-	0.4
Cash flow hedges:										
Gains recorded in equity	-	-	0.3	-	-	-	-	0.3	-	0.3
Taxes related to items entered into equity and removed from equity	-	-	0.0	-	-	-	-	0.0	-	0.0
Translation differences	-	-	-	-	-	0.1	-	0.1	-	0.1
Dividend distribution	-	-	-	-	-	-	-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	12.6	23.4	1.8	7.3	-0.8	-0.2	68.3	112.4	3.7	116.1
Equity Jan. 1, 2006	12.6	23.4	1.8	7.3	-0.8	-0.2	68.3	112.4	3.7	116.1
Available-for-sale financial assets:										
Transferred to income statement on sale	-	-	-2.1	-	-	-	-	-2.1	-	-2.1
Cash flow hedges:										
Gains recorded in equity	-	-	0.5	-	-	-	-	0.5	-	0.5
Taxes related to items entered into equity and removed from equity	-	-	0.2	-	-	-	-	0.2	-	0.2
Translation differences	-	-	-	-	-	0.0	-	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-4.6	-4.6	-	-4.6
Increase in subsidiary	-	-	-	-	-	-		0.0	-3.7	-3.7
Other changes	-	-	-	-	-	-	-0.3	-0.3	-	-0.3
Profit for the period	-	-	-	-	-	-	13.1	13.1	-	13.1
Equity Dec. 31, 2006	12.6	23.4	0.4	7.3	-0.8	-0.2	76.5	119.2	-	119.2

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 13, 2007, the Lännen Tehtaat plc Board of Directors approved the financial statements for publication.

MAIN OPERATIONS

Lännen Tehtaat plc is a food industry company listed on the Helsinki Stock Exchange. The trading code of the share is LTE1S.

The business divisions of the Group in 2006 were the Food Division and the Agricultural Division.

Through a transaction carried out on January 19, 2007, Lännen Tehtaat plc sold 51 per cent of the shares in Suomen Rehu Ltd and Avena Nordic Grain Oy, which were part of the Agricultural Division. The transaction is expected to be finally concluded during the spring of 2007.

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
UAB Baltijos Pasarai, Lithuania	Special compound feeds
Rehu Eesti Oü, Estonia	Special compound feeds
Rehu Eesti Oü was discontinued at the end of the financial year.	
Associated company:	
Movere Oy	Logistics services
Joint ventures:	
Farmit Website Oy	Agricultural portal operator
ZAO Scandic Feed, Russia	Feed industry
In 2006 a decision was made to dissolve ZAO Scandic Feed.	
Vegetable oils	
Mildola Oy	Vegetable oils and protein feed
Grain trading	
Avena Nordic Grain Oy	Trade in grains, oil seeds, pulses and raw materials for feeds
ZAO Avena St. Petersburg, Russia	Trade in grains, oil seeds, pulses and raw materials for feeds
UAB Avena Nordic Grain, Lithuania	Trade in grains, oil seeds, pulses and raw materials for feeds
Other operations	
Harviala Ltd	Production and marketing of tree seedlings
The company has been sold during the financial year.	

ACCOUNTING PRINCIPLES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved for use in the EU. The IAS and IFRS standards and the SIC and IFRIC interpretations complied with are those valid on December 31, 2006. The comparative information for 2005 also complies with these standards and interpretations. The notes to the consolidated financial statements are in accordance with Finnish bookkeeping and company legislation. 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 book value 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 the Group's management to make certain assessments and exercise judgement in applying the accounting principles. Details of the judgements made by the management in applying the accounting principles 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 principles 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 or having the right to stipulate the principles of the company's finances and business operations. 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. If the Group's share of the losses of an associate exceed the book value of the investment, the investment is entered in the balance sheet at a valuation of zero, and losses that exceed the book value are not consolidated unless the Group has undertaken to meet the obligations of associates. Unrealized gains between the Group companies and associates have been eliminated according to the share of ownership. Any goodwill arising from the acquisition of an investment in an associate is included in the investment.

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 sale or purchase. The financial impact of the effective portion of forward exchange contracts is recognized as an adjustment to sales or purchases. 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 SALES AND THE PRINCIPLES FOR RECOGNITION AS INCOME

Income is recognized on the basis of the fair value of the consideration received or receivable. 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 sales are calculated, indirect taxes and trade discounts are deducted from sales proceeds.

Interest income is recorded under the effective interest method and dividend income when the right to the dividend has been created.

PENSION LIABILITIES

The pension contributions for defined contribution pension plans are paid to the pension insurance company. Payments for defined contribution plans are recorded as expenditure in the income statement for the financial year to which they are attributable. The Group has no defined benefit pension plans nor other benefits subsequent to the termination of employment.

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 valued at the present value of the costs required to cover the obligation.

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, sufficient grounds have been given to expect that the restructuring will occur and information has been 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 book values 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet and cash flow statement comprise cash, bank deposits from which withdrawals can be made and other short-term highly liquid investments. Items classified under cash and cash equivalents have a maximum of three months maturity from the acquisition date.

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 3.2 (2005: 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 book value 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

An intangible asset is entered in the balance sheet at the original acquisition cost in a case where the cost can be determined reliably and it is likely that an expected financial benefit derived from the asset will turn out to be to the company's benefit.

Patents and trademarks 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 expenditure relating to intangible assets is recognized as an asset only if its financial benefit to the company exceeds the originally estimated level of performance. Otherwise the expenditure is recognized as a cost at the time it is 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 book values 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 charged over the shorter of the relevant fixed asset depreciation period and the lease period. Leases to be paid are divided into financial cost and a decrease in debt during the lease term so that the interest rate on the remaining debt is the same each financial year. Lease obligations are included in interest-bearing liabilities. 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.

The leases in which the risks and benefits inherent in the ownership remain with the lessor are treated as other leases. Rents paid on the basis of other leases are recognized as an expense in the income statement in equal amounts over the period of the lease.

IMPAIRMENT

The book values 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 book value (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.

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

All financial assets and liabilities are recorded in the balance sheet at an acquisition cost corresponding to the original fair value. Transaction costs are deducted only when the item is not valued against the profit at fair value.

The Group applies hedge accounting to certain interest-rate swaps, forward currency contracts and asset derivatives 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 a hedge 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 book value.

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.

A recoverable amount for financial instruments such as available-for-sale investments or receivables, is calculated at the present value of future estimated cash flows, discounted by the original effective interest rate. Short-term 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.

ACCOUNTING PRINCIPLES 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, the determination of pension liabilities and the use of deferred tax assets against future taxable profits.

APPLICATION OF NEW AND UPDATED IFRS

The Group has not in these financial statements applied the following standards, amendments to standards or interpretations which were published by the balance sheet date by the IASB and the application of which is not yet compulsory at this stage.

- IAS 1 (Amendment) Presentation of Financial Statements – Capital Disclosures
- IAS 21 (Amendment) Net Investment in a Foreign Operation (December 15, 2006)
- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement
- IFRS 4 (Amendment) Insurance Contracts – Financial Guarantee Contracts
- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IFRS 7 Financial Instruments: Disclosures
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IFRIC 8 "Scope of IFRS 2"

NOTE 2
MANAGING FINANCIAL RISKS

MANAGING 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 CFO.

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 most significant currency risk is caused by the US dollar. As far as other currencies are concerned, the risk was minimal.

The principle followed by the Group is to hedge the original transaction risk in the case of all financially significant currency positions. The Group's financial policy is to look on open currency positions with a value in excess of EUR 100,000 as significant. Hedging can also be made against a probable future open currency position. 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 business units endeavour 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, in such a way, however, that partial hedge accounting has been applied when loans that are in keeping with the terms and conditions of hedge accounting fall short of the nominal value total of the interest-rate swaps. At the close of the financial year, the Group had a total of EUR 17.9 (2005: 26.8) million in long-term floating rate loans from financial institutions, EUR 38.0 (2005: 19.0) million in commercial papers, and EUR 7.5 (2005: 11.2) 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 0.2 million.

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 companies 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, 2006. The total amount of commercial paper issued was EUR 38 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 quoted commodity futures, forward agreements and options. The most significant single commodity risks concern grains; wheat, barley, oats and soy and rapeseed products. The business units are responsible for managing their commodity risks in accordance with the risk management principles laid down for them.

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 Group's electricity portfolio has been outsourced. The portfolio management covers both the physical procurement of electricity and the financial hedges. Management of the electricity risk is governed by a separate risk policy for the procurement of the electricity. Hedge accounting in line with IAS 39 is applied for hedging the electricity risk.

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 (trade of grain). Other operations include Group management and Harviala Ltd's tree seedling business operations until the end of February 2006 when the shareholding in the company was sold.

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 2006

EUR million	Food Division	Feeds Segment	Grain Trading	Other operations	Discontinued operations	Consolidated
External sales						
Product sales	109.0	217.8	90.5	0.0	-	417.3
Services sold	0.1	0.4	5.7	0.0	-	6.2
Total external sales	109.1	218.2	96.3	0.0	-	423.5
Intra-group sales	-0.1	0.0	-14.7	0.0	-	-14.8
Net sales	109.0	218.2	81.5	0.0	-	408.7
Operating profit/loss	3.2	12.3	2.0	-3.0	-	14.5
Share of profits/losses of associated companies	1.8	-0.1	-	-	-	1.7
Assets	82.3	111.1	31.2	12.9	-	237.5
Liabilities	15.1	30.3	8.9	64.0	-	118.3
Investments	1.4	6.1	-	3.1	-	10.6
Depreciations	3.5	4.1	0.1	0.5	-	8.2
Impairments	0.2	-	-	-	-	0.2

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 sales	149.5	205.1	71.8	6.6	-	433.0
Operating profit/loss	9.6	9.4	1.4	-4.1	-	16.3
Share of profits/losses 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

GEOGRAPHICAL SEGMENTS 2006

EUR million	Finland	Other EU countries	Other countries	Consolidated
Net sales	342.3	37.7	28.7	408.7
Assets	234.8	2.7	0.0	237.5
Investments	4.0	3.6	-	7.6

GEOGRAPHICAL SEGMENTS 2005

EUR million	Finland	Other EU countries	Other countries	Consolidated
Net sales	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

NOTE 4
DISCONTINUED OPERATIONS

No discontinued operations are included in financial statements of 2006 and 2005.

NOTE 5
ACQUISITIONS AND DIVESTMENTS OF BUSINESS OPERATIONS

ACQUISITIONS OF MINORITY INTERESTS

In April 2006 the Group acquired 17.5% of the share capital of Mildola Oy, which produces vegetable oils and protein feeds. With the transaction Mildola Oy became fully-owned by the Group. The acquisition price with ancillary expenses for the 17.5% interest, which was paid in cash, amounted to EUR 1.3 million.

The book value of the minority interest in the Lännen Tehtaat consolidated balance sheet before the transaction was EUR 1.6 million. The acquisition price of the minority-interest shares was less than their book value. The negative goodwill of EUR 0.3 million was recognized as income immediately.

In the financial year 2004, Lännen Tehtaat plc acquired a majority holding (50.9%) of the share capital of Apetit Kala Oy (formerly Kuopion Kalatukku Oy). Apetit Kala specializes in the manufacture of fish products and the wholesale and retail fish trade. In June 2006 Lännen Tehtaat acquired the remaining 49.1% of Apetit Kala Oy's shares, since when the entire share capital of Apetit Kala Oy has been under the ownership of Lännen Tehtaat. The acquisition price with ancillary expenses for the minority-interest shares, which was paid in cash, amounted to EUR 1.5 million. The book value of the minority interest in the Lännen Tehtaat consolidated balance sheet before the transaction was EUR 2.3 million. The acquisition price of the minority-interest shares was less than their book value. The negative goodwill of EUR 0.7 million was recognized as income immediately.

DIVESTMENTS

Lännen Tehtaat plc sold the entire share capital of Harviala Ltd, which produces and markets tree seedlings, in a transaction completed in March 2006. Harviala has been consolidated with Lännen Tehtaat until February 28, 2006. The Group suffered a loss of EUR 0.6 on the sale of the shares. Harviala Ltd had no net sales in the early months of 2006 and incurred a loss of EUR 0.1 million. The net sales in 2005 totalled EUR 3.1 million and the effect on the financial performance of the Lännen Tehtaat Group was a loss of EUR 0.3 million.

NOTE 6
OTHER OPERATING INCOME AND EXPENSES

EUR million	2006	2005
Other operating income		
Compensation for the termination of sales contract	-	7.6
Government grants received	0.8	0.4
Negative goodwill recognised as income	1.0	1.1
Gains from sales of non-current assets	0.8	0.1
Rental income	0.9	0.8
Gains from derivative instruments	0.0	0.3
Other	1.7	0.6
Total	5.2	10.9
Other operating expenses		
Rental expenses	3.5	3.8
Losses from sales of non-current assets	0.8	0.1
Entered as income of the provision	-1.9	-
Other	51.1	52.3
Total	53.5	56.2

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 other advice.

Audit fees and non-audit fees		
Audit fees	0.2	0.2
Non-audit fees	0.2	0.1
Total	0.4	0.3

NOTE 7
EMPLOYEE BENEFITS EXPENSE

EUR million	2006	2005
Wages and salaries	32.2	32.6
Pensions, defined contribution plans	5.3	5.5
Pensions, defined benefit plans	-	-0.1
Other personnel costs	2.7	2.8
Total	40.2	40.8

Information on the remuneration and loans granted to the management is presented in note 27 "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 ("TyEL") was changed into a defined contribution at the beginning of 2005 there have not been any material defined contribution plans within the Group.

EUR million	2006	2005
Average personnel of the Group		
Food Division	579	581
Feeds Segment	355	348
Grain trading	29	28
Other operations	18	74
Total	981	1 033

NOTE 8
R & D EXPENSES

R & D expenses of the Group amounted to EUR 3.2 (2005: 3.1) million, representing 0.8 (2005: 0.7) % of the net sales.

NOTE 9
MATERIALS AND SERVICES

EUR million	2006	2005
Raw materials and consumables	297.5	309.6
Variation in stocks	-7.3	-5.1
External services	12.2	12.2
Other	302.4	316.6

NOTE 10
DEPRECIATIONS AND IMPAIRMENTS

EUR million	2006	2005
Depreciations		
Intangible assets	0.7	0.7
Buildings	2.8	2.8
Machinery and equipment	4.7	4.8
Other tangible assets	0.0	0.0
Total	8.2	8.3
Impairments		
Land	-	0.2
Buildings	0.2	1.1
Machinery and equipment	-	1.7
Total	0.2	3.0

NOTE 11
FINANCIAL INCOME AND EXPENSES

EUR million	2006	2005
Financial income		
Interest income	0.7	0.3
Dividend income	0.0	0.1
Foreign currency gains	0.0	0.1
Gains on cash flow hedges – hedges not under hedge accounting	0.0	0.1
Profits from sales of other investments	2.6	0.0
Other financial income	0.3	0.3
Total	3.6	0.9
Financial expenses		
Interest expenses	-1.9	-1.4
Impairments of non-current investments	0.0	0.0
Foreign currency losses	-0.1	-0.1
Other financial expenses	0.0	-0.6
Total	-2.0	-2.1

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. Since the last quarter of 2006 the Group has applied the partial hedge accounting of the interest derivates.

NOTE 12
INCOME TAXES

EUR million	2006	2005
Current period taxes	2.2	3.2
Previous periods' taxes	1.4	0.1
Deferred taxes	1.1	0.2
Total	4.7	3.6
Reconciliation of income taxes		
Profit before taxes	17.8	14.9
Tax calculated at the tax rate of the parent company 26%	4.6	3.9
Effect of different tax rates in foreign subsidiaries	-0.1	-0.1
Income not subject to tax	-0.7	-0.3
Expenses not deductible for tax purposes	0.4	0.1
Losses of which no deferred tax asset has been recognised	0.0	-
Utilisation of previously unrecognised tax losses	0.6	0.0
Previous periods' taxes	0.0	0.1
Other items	0.0	0.0
Tax expense in the income statement	4.7	3.6
Effective tax rate	26.4%	24.2%

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES TO BALANCE SHEET 2006

EUR million	Jan 1, 2006	Charge in income statement	Charged to equity	Acquisitions, disengaged companies	Dec 31, 2006
Deferred tax assets					
Negative goodwill allocated to tangible assets	0.1	-0.1	-	-	0.0
Pension liabilities	-	-	-	-	-
Provisions	0.5	-0.5	-	-	0.0
Carry forward of unused tax losses	0.2	-0.1	-	-	0.1
Derivative instruments	0.2	-0.2	-	-	0.0
Intra-group margin in inventories	0.0	-	-	-	0.0
Timing difference of long term receivables	0.3	-0.1	-	-	0.2
Total	**1.3**	**-1.0**	**–**	**–**	**0.3**
Deferred tax liabilities					
Accrued depreciation difference	-5.1	0.4	-	-	-4.7
Valuation of assets in acquisition cost allocation calculations	-1.5	0.3	-	-	-1.2
Inventory valuation (IAS 2)	-0.8	0.1	-	-	-0.7
Goodwill	-1.1	-0.5	-	-	-1.6
Valuation of other investments to fair value	-0.6	-	-	-	-0.6
Valuation of derivative instruments	-0.2	-	-	-	-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	**-7.4**	**0.3**	**–**	**–**	**-7.0**

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	-	-	-
Provisions	0.5	0.0	-	-	0.5
Impairments of financial assets	0.1	-0.1	-	-	-
Carry forward of unused tax losses	-	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**

NOTE 13
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.

The company has no such instruments that would cause a dilution effect on the earnings per share.

EUR million	2006	2005
Profit attributable to the shareholders of the parent company: basic and diluted	13.1	11.3
Weighted average number of outstanding shares (1 000 pcs)	6 253	6 253
Diluted average number of outstanding shares (1 000 pcs)	6 253	6 253
Basic and diluted earnings per share (EUR per share)	2.10	1.81

NOTE 14
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 2006

EUR million	Goodwill	Intangible rights	Advance payments	Total
Acquisition cost Jan. 1	34.2	7.3	-	41.5
Additions	-	0.3	-	0.3
Divestmets of companies	-	-0.1	-	-0.1
Disposals	-	0.0	-	0.0
Intra-balance sheet transfers	-	0.1	-	0.1
Acquisition cost Dec. 31	34.2	7.6	-	41.8
Accumulated depreciation Jan. 1	-16.8	-5.6	-	-22.4
Accumulated depreciation on disposals and transfers	-	0.1	-	0.1
Divestmets of companies, accumulated depreciation	-	0.1	-	0.1
Depreciation for the period	-	-0.7	-	-0.7
Accumulated depreciation Dec. 31	-16.8	-6.1	-	-22.9
Book value Dec. 31, 2006	17.4	1.5	-	18.9

Goodwill has not been depreciated since Jan. 1 2004.

INTANGIBLE ASSETS 2005

EUR million	Goodwill	Intangible rights	Advance payments	Total
Acquisition cost Jan. 1	34.2	7.7	-	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	-	41.5
Accumulated depreciation Jan. 1	-16.8	-5.2	-	-22.0
Accumulated depreciation on disposals and transfers	-	0.4	-	0.4
Acquired companies, accumulated depreciation	-	0.0	-	0.0
Depreciation for the period	-	-0.7	-	-0.7
Impairments	-	-0.1	-	-0.1
Accumulated depreciation Dec. 31	-16.8	-5.6	-	-22.4
Book value Dec. 31, 2005	17.4	1.7	-	19.1

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

IMPAIRMENTS

Impairment test for cash-generating-units or groups of units containing goodwill

Goodwill has been allocated to the following cash-generating units or groups of units:

EUR million	2006	2005
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 Management of the unit. Seven years subsequent to the forecast period, apart from the fish operations, have been assessed to stay on the level of the third forecast 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 4% 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. The calculation takes into account cash outflows relating to these restructurings and starting subsequent to the examination date.

The pre-tax discount rates used in the calculations are: the cash-generating unit in the fish products business 9.5%, the cash-generating unit in the frozen food and jam business 8.3%, and cash-generating groups of units in the Feeds segment 8.5%.

As far as all cash-generating units or groups of units with goodwill allocations are concerned, moderate changes in the central assumptions used in the calculations would not lead to a situation where the book value of the assets exceeds their recoverable amount.

TANGIBLE ASSETS 2006

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost Jan. 1	5.4	68.7	59.2	0.7	3.9	137.9
Additions	-	0.5	0.8	-	6.0	7.3
Divestments of companies	-	-0.3	-0.1	-	-	-0.4
Disposals	-1.0	-7.9	-0.8	-0.2	-	-9.9
Intra-balance sheet transfers	-	3.3	5.7	-	-9.2	0.0
Acquisition cost Dec. 31	4.4	64.3	64.8	0.5	0.7	134.7
Accumulated depreciation Jan. 1	-0.2	-25.4	-39.8	-0.2	0.0	-65.6
Accumulated depreciation on disposals and transfers	-	4.2	1.1	0.0	-	5.3
Divestments of companies, accumulated depreciation	-	0.8	0.0	-	-	0.8
Depreciation for the period	-	-2.9	-4.6	0.0	-	-7.5
Impairments	-	-0.2	-	-	-	-0.2
Accumulated depreciation Dec. 31	-0.2	-23.5	-43.3	-0.2		-67.2
Book value Dec. 31, 2006	4.2	40.7	21.5	0.3	0.7	67.4

The Group received a government grant of EUR 0.1 (2005: 0,1) million from TE-Centre for investing in machinery. The grant has been recognized as deduction of the acquisition cost.

FINANCE LEASE ARRANGEMENTS 2006

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

EUR million	Machinery and equipment	Total
Acquisition cost Jan. 1	1.6	1.6
Acquisition cost Dec. 31	1.6	1.6
Accumulated depreciations Jan. 1	-1.3	-1.3
Depreciation for the period	-0.1	-0.1
Accumulated depreciations Dec. 31	-1.4	-1.4
Book value Dec. 31, 2006	0.2	0.2

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	-	-	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
Accumulated depreciation Dec. 31	-0.2	-25.4	-39.8	-0.2	0.0	-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 EUR 0.1 million from TE-Centre for building of production plant and for investing in machinery. The grant has been recognized 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

NOTE 15
INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2006	2005
Jan. 1	21.3	22.3
Additions	0.1	0.2
Impairments	-0.2	-
Share of profits/losses for the period	1.9	-0.1
Dividends	-	-1.2
Dec. 31	23.1	21.3

Information on the associated companies and their assets, liabilities, net sales and profit/loss (EUR million):

ASSOCIATED COMPANIES

2006 EUR million	Domicile	Assets	Liabilities	Net sales	Profit/ loss	Group holding, %
Sucros Ltd	Helsinki	158.4	41.4	196.3	9.2	20.0%
Oy Silva Seafood Ab	Kaski-nen	0.7	0.6	1.9	0.1	20.0%
Movere Oy	Lahti	5.7	4.8	48.9	0.2	33.3%

2005 EUR million	Domicile	Assets	Liabilities	Net sales	Profit/ loss	Group holding, %
Sucros Ltd	Helsinki	152.0	39.5	195.9	-1.1	20.0%
Oy Silva Seafood Ab	Kaski-nen	0.8	0.6	2.1	0.1	20.0%
Movere Oy	Lahti	5.5	4.8	46.2	0.3	33.3%

JOINT VENTURES

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

2006 EUR million	Domicile	Assets	Liabilities	Net sales	Profit/ loss	Group holding, %
Ateriamestarit Oy	Raisio	3.7	3.5	30.8	0.0	50.0%
Farmit Website Oy	Helsinki	0.4	0.2	0.8	-0.0	50.0%
ZAO Skandinavskij Korm	Russia	0.3	-	-	-0.3	50.0%

2005 EUR million	Domicile	Assets	Liabilities	Net sales	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%

Joint venture companies have been consolidated into the income statement 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	2006	2005
Non-current assets	0.1	0.1
Income	0.0	0.0

NOTE 16
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 recognized at fair value. The shares of unlisted companies are reported at acquisition cost as their values are not realiably available. All the investments in publicly listed companies were sold in 2006. A profit of EUR 2.6 (2005: 0.1) million was recognized under financial income from the sale of the publicly listed shares and the sale of shares of unlisted companies.

EUR million	2006	2005
Investments in shares of publicly listed companies	-	2.9
Investments in shares of unlisted companies	0.1	0.3
Total	0.1	3.2

NOTE 17
RECEIVABLES (NON-CURRENT)

EUR million	2006	2005
Receivables from associated companies	5.2	6.2
Receivables based on derivative instruments	0.1	0.2
Connection fees	0.4	0.4
Other items	0.1	-
Total	5.8	6.9

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

NOTE 18
TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR million	2006	2005
Trade receivables	33.2	34.5
Loan receivables	0.0	0.0
Receivables based on derivative instruments	0.3	0.3
Accrued income and deferred expenses	8.2	1.9
Other receivables	4.2	1.2
Receivables from associated companies and joint ventures		
Trade receivables	1.4	2.2
Loan receivables	1.4	1.4
Total	48.7	41.5

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

During the financial year the Group recorded credit losses of EUR 0.0 (2005; 0.2) million on trade receivables.

NOTE 19
INVENTORIES

EUR million	2006	2005
Materials and consumables	33.0	26.4
Work in progress	0.2	0.9
Finished goods	32.0	27.2
Advance payments	0.1	-
Total	65.3	54.5

A write-down of EUR 0.4 (2005: 0.3) million in inventory value was booked to correspond the net realization value.

NOTE 20
CASH AND CASH EQUIVALENTS

EUR million	2006	2005
Cash and bank receivables	2.2	4.0
Short term investments	5.3	7.2
Effect of foreign currency rate changes	0.0	0.0
Total	7.5	11.2

The liquid assets in the cash flow statement are as follows:

Cash and cash equivalents	7.5	11.2
Financial assets through profit and loss	-	-
Total	7.5	11.2

NOTE 21
SHAREHOLDERS' EQUITY

Reconciliation of the number of shares:

EUR million	Number of shares (1 000 pcs)	Share capital	Premium fund	Total
Dec. 31, 2005	6 318	12.6	23.4	36.0
Dec. 31, 2006	6 318	12.6	23.4	36.0

The fully paid and registered share capital of the company at the end of the financial year was EUR 12,635,152. The minimum share capital is EUR 10,000,000 and the maximum share capital EUR 40,000,000. The maximum number of the shares according to the Articles of Association is 20 million shares. The nominal value of a share is EUR 2.

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
Revaluation 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 instruments 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 (2005: 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 0.84 euros per share to be paid.

NOTE 22
PROVISIONS

EUR million	2006	2005
Restructuring provision Jan. 1	1.9	2.1
Changes	-1.9	-0.2
Restructuring provision Dec. 31	-	1.9

Restructuring provision

Restructuring provision was recorded to cover liabilities and other losses incurring due to bankruptcy of Machinium Oy. Realization of an eventual liability or other loss has been considered to be unlikely and thus the provision was distributed.

NOTE 23
INTEREST-BEARING LIABILITIES

EUR million	2006	2005
Non-current		
Loans from credit institutions	5.7	14.6
Other loans	1.2	1.2
Finance lease liabilities	0.1	0.2
Total	7.0	16.0

The major part of the loans is floating rate and linked to 6 month Euribor reference rate. The loan in 'Other loans' carries a fixed rate of 5% p.a. Floating rate long-term loans are hedged against a rise in interest level by interest rate swaps, presented in Note 2. All interest-bearing long-term loans are denominated in euros. It is assessed that the book values of the borrowings correspond to their fair values.

Current		
Commercial paper debts	38.0	19.0
Current portion of long term loans	11.0	10.8
Finance lease liabilities (note 25)	0.1	0.1
Total	49.1	29.9

Commercial papers are floating rate and have maturity of 1-2 months.

2006 REPAYMENT SCHEDULE OF LONG TERM BORROWINGS

EUR million	2007	2008	2009	2010	2011	2012+	Total
Loans from credit institutions	11.1	3.0	1.0	1.0	0.6	1.3	18.1
Short term loans, repayable within the next 12 months							11.1
Long term loans, repayable after 12 months							7.0

2005 REPAYMENT SCHEDULE OF LONG TERM BORROWINGS

EUR million	2006	2007	2008	2009	2010	2012+	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

NOTE 24
TRADE PAYABLES AND OTHER LIABILITIES

EUR million	2006	2005
Current		
Advances received	0.3	0.0
Trade payables	33.4	31.4
Amounts owed to associated companies and joint ventures	3.7	6.2
Accrued expenses and deferred income	14.8	16.1
Derivative instrument liabilities	0.0	0.5
Other liabilities	2.0	4.3
Total	54.2	58.5

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

NOTE 25
FINANCE LEASE LIABILITIES

EUR million	2006	2005
Finance lease liabilities – total amount of minimum lease payments	0.2	0.3
Within one year	0.2	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	0.2	0.3
Within one year	0.2	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
2006	0.2	0.2
2005	0.3	0.3

NOTE 26
CONTINGENT LIABILITIES

EUR million	2006	2005
Mortgages given for debts		
Real estate mortgages	37.5	40.7
Corporate mortgages	51.4	51.4
Shares pledged	3.6	3.6
Other securities given		
Real estate mortgages	0.0	0.1
Pledges	0.0	0.0
Leasing liabilities		
Within one year	0.6	0.6
Later	0.5	0.7
Rental liabilities		
Non-cancellable other leases, minimum lease payments	2.8	3.1
Contingent liabilities for own commitments		
Repurchasing commitments	0.0	0.1
Contingent liabilities on behalf of the associated companies		
Repurchasing commitments	-	0.1

MARKET VALUES OF DERIVATIVE INSTRUMENTS

2006 EUR million	Positive market values	Negative market values	2006 Market values
Forward currency contracts	-	-0.0	-0.0
Commodity derivative instruments	0.3	-	0.3
Interest rate swaps	0.1	-	0.1

2005 EUR million	Positive market values	Negative market values	2006 Market values
Forward currency contracts	-	-0.0	0.0
Commodity derivative instruments	0.6	-0.0	0.6
Interest rate swaps	-	-0.4	-0.4

OUTSTANDING VALUES OF DERIVATIVE INSTRUMENTS

EUR million	2006	2005
Forward currency contracts	4.5	1.5
Commodity derivative instruments	4.6	5.0
Interest rate swaps	25.0	25.0

NOTE 27
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	100.0	100.0
SIA Baltic Feed	Latvia	100.0	100.0
UAB Baltijos Pasarai	Lithuania	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	100.0	100.0
Apetit Suomi Oy	Finland	100.0	100.0
Apetit Pakaste 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 corporate administration consists of the members of the Supervisory Board, the Board of Directors and the CEO of the parent company.

The chairman of the Supervisory Board were paid EUR 5,600 (2005: 5,800), the vice chairman EUR 6,200 (2005: 5,400) and the members EUR 400–1,000 (2005: 600 to 1,000) in fees and allowances.

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

	2006	2005
Tom v. Weymarn, chairman of the Board	30	24
Hannu Simula, vice chairman of the Board	19	15
Harri Eela, member of the Board	16	15
Aappo Kontu, member of the Board	16	15
Matti Lappalainen, member of the Board	16	15
Simo Palokangas, member of the Board until Nov. 29, 2006	11	-
Soili Suonoja, member of the Board	16	15
Matti Karppinen, CEO since Sep. 1, 2005	294	76
Erkki Lepistö, CEO until Aug. 31, 2005	-	169

The members of the Board do not have pension agreements with the Group companies. The agreed retirement age for the CEO is 62 years.

Post-employment benefits (pension benefits, amount transferred to income statement):

Matti Karppinen, CEO since September 1, 2005	46	12
Erkki Lepistö, CEO until August 31, 2005	0	56

The key conditions of the CEO's terms of service are defined in his contract. The period of notice for the CEO is six months. Should the CEO be given notice by the company, he will be entitled to a severance package equivalent to 12 months' pay.

The Group did not have any loan receivables from the members of the administrative bodies on December 31, 2006 nor on December 31, 2005.

TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2006	2005
Sales of goods to associated companies	1.0	0.6
Sales of goods to joint ventures	7.6	7.3
Sales of services to associated companies	0.1	0.7
Sales of services to joint ventures	0.1	0.1
Purchase of goods from associated companies	7.1	51.0
Purchase of services from associated companies	12.2	14.8
Purchase of services from joint ventures	0.3	0.0
Long-term receivables from associated companies	5.2	7.3
Trade receivables and other receivables from associated companies	5.0	3.0
Trade receivabes and other receivables from joint ventures	0.6	0.7
Trade payables and other liabilities to associated companies	3.7	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 28
OVERVIEW ON EARLY 2007

On January 19, 2007 the parent company of the group signed a share-purchase agreement whereby it sold 51% of the shares in its wholly owned subsidiaries Suomen Rehu Ltd and Avena Nordic Grain. The transaction will be finally closed once the competition authorities have given their approval. The enterprise value of the business operations of Suomen Rehu and Avena Nordic Grain has been agreed at approximately EUR 81 million. The price for the 51% of the shares in the companies to be sold will be about EUR 28 million. The exact price for the shares will be determined on the basis of the assets and liabilities of the companies to be sold at the moment when the closing takes place.

The sale of the majority shareholding is expected to take place in the second quarter of 2007 and generate a tax-exempt profit of about EUR 7 to 8 million. Lännen Tehtaat plc's board of directors will propose, as an exception to the company dividend policy, that the profit will be used for developing the company.

In connection with the sale of the majority shareholding an option scheme has also been agreed under which Lännen Tehtaat will, if it wishes, have the right to sell the remaining 49% of the shares in Suomen Rehu Ltd and Avena Nordic Grain Oy to the buyer. The buyer has a purchasing option for the remaining shares, which it will be able to put into effect at the earliest 15 months after the purchase of the majority holding.

The combined net sales of the companies to be sold in 2005 was EUR 272 million and the operating profit under IFRS standards was EUR 7.4 million. The corresponding figures for January-September 2006 were EUR 198 million and EUR 7.0 million. There are about 330 people working for Suomen Rehu and Avena Nordic Grain.

The parent company ot the group informed on January 19, 2007 that it will withdraw from implementing the project of the launching of ethanol production in western/south-western Finland.The total cost of the investment was put at some EUR 55 million.

Lännen Tehtaat considered Säkylä to be a highly suitable location for the plant in terms of the procurement of the grain raw material and ready infrastructure. The company has, however, decided that it will not implement the project in the way planned. Lännen Tehtaat, however, is prepared to take part in the project by providing good location conditions for a production plant at Säkylä, and it is ready to consider a minority shareholding in the company that would construct the plant there.

The decision to withdraw from implementing the project is based on Lännen Tehtaat's strategic policy of focusing on the food business operations and is linked with the sale of majority shareholdings in Suomen Rehu Ltd and Avena Nordic Grain Oy to Hankkija-Maatalous Oy on January 19, 2007.

On February 6, 2007 the parent company of the Group signed a a deed of purchase whereby it purchased the shares of the Norwegian Maritim Food AS from Brynild Gruppen AS. Lännen Tehtaat will strengthen its Food Division and accelerate the growth of its fish product operations by purchasing the shares. The finalization of the purchase is subject to the approval of the Norwegian competition authorities, expected in February-March. The deal will include Maritim Food AS and its wholly-owned Swedish subsidiaries Maritim Food AB and Maritim Food Egendom AS, as well as its 47.5% minority interest in the Norwegian Sandanger AS. In addition, the deal includes a call option which will enable Maritim Food AS to increase its holding in Sandanger AS to 51% in the future.

The enterprise value of Maritim Food AS has been determined at approximately EUR 15 million. Upon completion of the purchase, Lännen Tehtaat plc will pay approximately EUR 10 million for the shares of Maritim Food AS, and assume responsibility for net liabilities of approximately EUR 4 million. The final purchase price of the shares will be affected by the development of the assets and liabilities of the companies between June 30, 2006 and the date of completion of the purchase. The parties have agreed on an additional purchase price of EUR 0–1.3 million in April 2008 which is dependent on the 2007 results for Maritim Food and Sandanger AS. The share purchase is expected to provide Lännen Tehtaat with a Group goodwill amounting to not more than EUR 7 million.

In 2005, the net sales of Maritim Food AS were approximately EUR 27 million and the operating profit about EUR 1.2 million. The balance sheet total was around EUR 10 million. The net sales of Sandanger AS were approximately EUR 9 million and operating profit about EUR 0.3 million.

Together Maritim Food AS and Apetit Kala Oy will be one of the leading Nordic fish product manufacturers. In Norway and Finland, their products will be distributed within the nationwide retail sector, and in Sweden, comprehensively throughout the country within the hotel/restaurant/catering industry. The companies aim to utilise their joint know-how, particularly in the procurement of raw materials, and in manufacturing and selling of products within the Northern Baltic region.

The corporate acquisition is expected to have a slight positive impact on the operating profit of the Lännen Tehtaat Group as early as 2007.

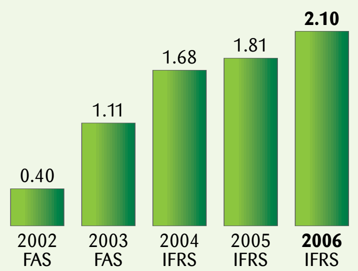
Key indicators

FINANCIAL INDICATORS EUR million	2006 IFRS	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS
Scope of operations					
Net sales	408.7	433.0	473.7	492.0	283.4
Exports from Finland	45.7	40.0	48.4	48.5	26.8
Gross investments excluding acquisitions	7.6	7.3	5.4	9.5	4.7
% of net sales	1.8	1.6	1.1	1.9	1.6
Acquisitions and other investments in shares	3.0	4.4	5.7	0.0	42.6
% of net sales	0.7	1.0	1.2	0.0	15.0
R & D expenses	3.2	3.1	3.1	3.2	1.7
% of net sales	0.8	0.7	0.6	0.6	0.6
Average number of personnel	981	1 033	1 072	1 161	993
Financial income (+)/expenses(-), net	1.6	-1.2	-1.5	-3.3	-3.2
Profitability					
Operating profit	14.5	16.3	11.4	11.7	3.3
% of net sales	3.5	3.8	2.4	2.4	1.2
Profit before taxes	17.8	14.9	12.6	8.4	-0.1
% of net sales	4.4	3.4	2.7	1.7	-0.0
Profit for the financial year	13.1	11.4	10.5	6.7	2.4
% of net sales	3.2	2.6	2.2	1.4	0.9
Return on equity, % (ROE)	10.5	10.2	10.1	6.0	0.5
Return on investment, % (ROI)	11.2	10.8	8.7	7.7	2.7
Financial and economic status					
Equity ratio, %	50.3	50.0	49.6	39.5	36.5
Net gearing, %	40.7	29.9	33.8	65.4	75.4
Non-current assets	115.6	123.9	118.5	109.8	112.0
Inventories	65.3	54.5	49.5	80.2	81.9
Other current assets	56.5	53.7	46.8	59.6	69.0
Shareholders' equity	119.2	116.1	106.8	95.1	91.2
Interest-bearing borrowings	56.1	45.9	46.4	73.6	83.8
Non-interest-bearing borrowings	62.2	70.1	62.2	75.7	83.1
Balance sheet total	237.5	232.2	215.4	249.7	262.9

KEY INDICATORS

SHARE INDICATORS	2006 IFRS	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS
Earnings and dividend					
Earnings per share, EUR	2.10	1.81	1.68	1.11	0.40
Nominal dividend per share, EUR	[1] 0.84	0.73	0.65	0.65	0.30
Adjusted dividend per share, EUR	[1] 0.84	0.73	0.65	0.65	0.30
Dividend per earnings, %	40.0	40.3	38.7	58.5	75.2
Effective dividend yield, %	3.5	4.1	5.4	5.5	2.9
P/E ratio	11.6	9.9	7.2	10.6	25.6
Shareholders' equity, EUR	19.06	18.56	17.08	15.29	14.66
Share performance, EUR					
Adjusted closing price	24.30	18.00	12.05	11.75	10.20
Lowest price during the year	15.26	11.71	11.00	8.20	8.60
Highest price during the year	24.70	18.29	14.50	12.14	11.90
Average price during the year	20.21	14.34	12.57	10.18	10.54
Share trading					
Number of shares (1000 pcs)	1 622	3 769	1 779	345	340
% of total	25.7	59.7	28.6	5.6	5.6
Share capital, EUR million	12.6	12.6	12.6	12.2	12.2
Market capitalization, EUR million	153.5	113.7	76.1	71.9	62.4
Dividend distribution, EUR million	[1] 5.3	4.5	4.1	3.9	1.8
Number of shares					
Number of shares	6 317 576	6 317 576	6 317 576	6 122 576	6 122 576
Average adjusted number of shares	6 252 576	6 252 576	6 160 151	6 057 576	6 057 576
Adjusted number of shares at the end of period	6 252 576	6 252 576	6 252 576	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

Return on equity, % (ROE)	=	Profit/loss before taxes – income taxes / Total equity (average of the figures for the accounting period)	x 100
Return on investment, % (ROI)	=	Profit/loss before taxes + interest + other financial expenses / Total assets – non-interest-bearing liabilities (average of the figures for the accounting period)	x 100
Equity ratio, %	=	Total equity / Total assets – advance payments received	x 100
Gearing ratio, %	=	Interest-bearing net liabilities / Total equity	
Interest-bearing net liabilities	=	Interest-bearing liabilities – cash and cash equivalents	

SHARE DATA

Earnings per share	=	Profit/loss for the year of parent company shareholders / Average number of shares (adjusted for share issues)	
Adjusted dividend per share	=	Dividend for the period / 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	=	Equity of parent company shareholders / 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	

Income statement, FAS

EUR 1 000	Note	2006	2005
Net sales	(1)	**50 227**	**99 015**
Variation of stocks in finished goods and in work in progress		-1 440	-1 418
Other operating income	(2)	2 072	9 406
Raw materials and services	(3)	-25 786	-70 890
Personnel expenses	(4)	-13 103	-13 767
Depreciation and impairments	(5)	-3 075	-3 304
Other operating expenses		-8 806	-11 793
Operating profit		**89**	**7 249**
Financial income and expenses	(6)	3 159	2 012
Profit before extraordinary items		**3 248**	**9 262**
Extraordinary items	(7)	-	350
Profit before appropriations, taxes and minority interests		**3 248**	**9 612**
Appropriations	(8)	567	2 089
Income taxes	(9)	-1 450	-2 645
Profit for the period		**2 365**	**9 056**

Balance sheet, FAS

EUR 1 000	Note	DEC. 31, 2006	DEC. 31, 2005
ASSETS			
Non-current assets			
Intangible assets	(10)	638	839
Tangible assets	(11)	20 744	25 211
Investments in Group companies	(12,13)	28 136	19 232
Receivables from Group companies	(12,13)	9 430	9 430
Investments in associated companies	(12,13)	12 163	12 019
Other investments and receivables	(12,13)	476	1 236
		71 588	67 966
Current assets			
Inventories	(14)	8 929	10 445
Long-term receivables	(15)	5 800	8 654
Deferred tax receivable	(16)	-	490
Current receivables	(16)	47 271	45 745
Cash and cash equivalents		5 825	7 057
		67 826	72 391
		139 414	**140 357**
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		30 470	25 979
Profit for the period		2 365	9 056
		76 093	78 292
Accumulated appropriations	(18)	5 214	5 784
Provisions	(19)	-	1 885
Liabilities	(20)		
Long-term borrowings		-	6 400
Current liabilities		58 107	47 996
		139 414	**140 357**

Cash flow statement, FAS

EUR 1 000	2006	2005
Cash flow from operating activities		
Profit before extraordinary items	3 248	9 262
Adjustments	-883	1 289
Change in working capital		
Change in non-interest-bearing current receivables	4 696	-10 109
Change in inventories	1 515	1 580
Change in non-interest-bearing current liabilities	-9 667	-2 535
Change in provisions	-1 886	-
Cash flow from operating activities before financial items and taxes	-2 977	-513
Dividends received	16	1 218
Paid interests	-1 128	-1 022
Received interests	1 796	1 788
Other financial items	-91	-142
Taxes paid	-3 291	-211
Cash flow from operating activities (A)	**-5 675**	**1 118**
Cash flow from investing activities		
Investments in tangible and intangible assets	-852	-1 013
Proceeds from sales of tangible and intangible assets	3 544	261
Investments in Group companies	-9 750	-
Divestments of Group companies	846	-
Investments in associated companies	-145	-219
Investments in other shares	-111	-
Proceeds from sales of other investments	2 560	-
Change in short term investments	-51	-240
Dividends received	16	180
Cash flow from investing activities (B)	**-3 943**	**-1 031**
Cash flow before financing	**-9 618**	**87**
Cashflow from financing activities		
Change in short-term financing	19 000	9 367
Repayments of long-term loans	-6 400	-6 400
Dividends paid	-4 564	-4 064
Group contributions, received	350	1 400
Cashflow from financing activities (C)	**8 386**	**303**
Net increase/decrease in cash and cash equivalents	**-1 232**	**388**
Cash and cash equivalents at beginning of period	**7 057**	**6 670**
Cash and cash equivalents at end of period	**5 825**	**7 057**

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.

Notes to the parent company financial statements, FAS

1. NET SALES BY BUSINESS SEGMENT AND BY GEOGRAPHICAL SEGMENT

EUR 1 000	2006	2005
By segment		
Food segment	50 216	95 000
Other operations segment	11	4 015
Total	50 227	99 015
Exports from Finland	1 786	2 348
By geographical segment		
Finland	48 442	96 667
Other EU countries	1 347	1 236
Other countries	438	1 112
Total	50 227	99 015

2. OTHER OPERATING INCOME

EUR 1 000	2006	2005
Compensation for the termination of sales contract	-	8 700
Gains from sales of non-current assets	616	31
Rental income	214	455
Payments received	146	174
Service fees	1 047	1)
Other	49	46
Total	2 072	9 406

1) Change in accounting plan: Service fees were booked into net sales in 2005.

3. MATERIALS AND SERVICES

EUR 1 000	2006	2005
Raw materials and consumables		
Purchases during the financial year	25 028	70 014
Variation in inventories	75	155
External services	683	721
Total	25 786	70 890

4. PERSONNEL EXPENSES AND AVERAGE NUMBER OF PERSONNEL

EUR 1 000	2006	2005
Personnel expenses		
Wages and salaries	10 533	11 036
Pension expenses	1 679	1 821
Other social security expenses	891	910
Total	13 103	13 767

Salaries, wages and benefits of the administration bodies are presented in note 27 in consolidated financial statements.

Average number of personnel		
Food segment	297	287
Other operations segment	16	44
Total	313	331

The pension commitments of the members of the Board of Directors and the CEO:
The retirement age of the CEO is 62 years.

5. DEPRECIATION AND IMPAIRMENTS

EUR 1 000 — 2006 — 2005

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	2006	2005
Intangible rights	172	174
Other capitalized long-term expenses	114	136
Buildings	1 156	1 199
Machinery and equipment	1 633	1 795
Total	3 075	3 304

6. FINANCIAL INCOME AND EXPENSES

EUR 1 000	2006	2005
Dividend income		
From Group companies	-	68
From associated companies	-	1 218
From others	16	111
Total	16	1 397
Interest income from long-term investments		
From Group companies	678	728
Other interest and financial income		
From Group companies	1 078	891
Proceeds from sales of other investments	2 568	160
From others	217	337
Total	3 863	1 388
Financial income, total	4 557	3 513
Reduction in value of investments		
Reduction in value of shares	-	7
Interest expenses and other financial expenses		
To Group companies	122	111
To others	1 276	1 383
Total	1 398	1 494
Financial income and expenses, total	3 159	2 012

7. EXTRAORDINARY ITEMS

EUR 1 000	2006	2005
Group contributions received	-	350

8. APPROPRIATIONS

EUR 1 000	2006	2005
Depreciation in excess of or less than plan		
Intangible rights	0	3
Other capitalized long-term expenses	-2	14
Buildings	477	363
Machinery and equipment	92	1 709
Total	567	2 089

9. INCOME TAXES

EUR 1 000	2006	2005
For the financial year	889	2 479
For the previous years	71	1
Change in deferred tax receivable	490	165
Total	1 450	2 645

10. INTANGIBLE ASSETS

EUR 1 000	2006	2005
INTANGIBLE RIGHTS		
Acquisition cost Jan. 1	1 739	2 222
Disposals	-17	-483
Acquisition cost Dec. 31	1 722	1 739
Accumulated depreciation	-1 175	-1 447
Accumulated depreciation of disposals and transfers	13	446
Depreciation for the period	-172	-174
Accumulated depreciation Dec. 31	-1 334	-1 175
Book value Dec. 31	388	564
GOODWILL		
Acquisition cost Jan. 1	6 334	6 334
Acquisition cost Dec. 31	6 334	6 334
Accumulated depreciation	-6 334	-6 334
Accumulated depreciation Dec. 31	-6 334	-6 334
Book value Dec. 31	-	-
OTHER CAPITALIZED LONG-TERM EXPENSES		
Acquisition cost Jan. 1	1 088	1 079
Additions	91	-
Disposals	-116	-2
Intra-balance sheet transfers	-	11
Acquisition cost Dec. 31	1 063	1 088
Accumulated depreciation	-813	-677
Accumulated depreciation of disposals and transfers	114	-
Depreciation for the period	-114	-136
Accumulated depreciation Dec. 31	-813	-813
Book value Dec. 31	250	275
Intangible assets, total	638	839

11. TANGIBLE ASSETS

EUR 1 000	2006	2005
LAND AND WATERS		
Acquisition cost Jan. 1	2 491	2 491
Book value Dec. 31	2 491	2 491
BUILDINGS		
Acquisition cost Jan. 1	29 895	29 661
Additions	-	19
Disposals	-5 433	-20
Intra-balance sheet transfers	70	235
Acquisition cost Dec. 31	24 532	29 895
Accumulated depreciation	-13 131	-11 941
Accumulated depreciation of disposals and transfers	3 109	9
Depreciation for the period	-1 156	-1 199
Accumulated depreciation Dec. 31	-11 178	-13 131
Book value Dec. 31	13 351	16 764
MACHINERY AND EQUIPMENT		
Acquisition cost Jan. 1	26 643	27 915
Additions	162	302
Disposals	-768	-2 021
Intra-balance sheet transfers	523	447
Acquisition cost Dec. 31	26 560	26 643
Accumulated depreciation	-20 750	-20 765
Accumulated depreciation of disposals and transfers	656	1 810
Depreciation for the period	-1 633	-1 795
Accumulated depreciation Dec. 31	-21 727	-20 750
Book value Dec. 31	4 833	5 893
Share of machinery and equipment in book value Dec. 31	4 605	5 395
OTHER TANGIBLE ASSETS		
Acquisition cost Jan. 1	64	64
Acquisition cost Dec. 31	64	64
Book value Dec. 31	64	64
ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS		
Acquisition cost Jan. 1	-	-
Additions	598	692
Intra-balance sheet transfers	-592	-692
Book value Dec. 31	6	-
Tangible assets, total	**20 744**	**25 211**
REVALUATION		
Land and waters Jan. 1 and Dec. 31	1850	1850
Buildings Jan. 1 and Dec. 31	812	812

12. INVESTMENTS

EUR 1 000	2006	2005
HOLDINGS IN GROUP COMPANIES		
Acquisition cost Jan. 1	19 232	19 232
Additions	9 750	-
Disposals	-846	-
Book value Dec. 31	28 136	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	12 019	11 799
Additions	144	220
Book value Dec. 31	12 163	12 019
OTHER INVESTMENTS AND RECEIVABLES		
Other investments		
Acquisition cost Jan. 1	922	929
Disposals	-870	-7
Book value Dec. 31	52	922
Other receivables		
Acquisition cost Jan. 1	314	314
Additions	111	-
Book value Dec. 31	425	314
Other investments and receivables, total	476	1 236
Investments total	50 206	41 917

13. SHARES IN SUBSIDIARIES, ACCOCIATED COMPANIES AND JOINT VENTURES AND OTHER SHARES AND HOLDINGS

	Domicile	Holding -%
Subsidiaries		
Suomen Rehu Ltd	Helsinki	100.0
Avena Nordic Grain Oy	Helsinki	100.0
Mildola Oy	Kirkkonummi	100.0
Apetit Kala Oy	Kuopio	100.0
Apetit Suomi Oy	Säkylä	100.0
Apetit Pakaste Oy	Säkylä	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

	Book value of shares EUR 1 000
Other shares and holdings	
Other	
Shares and holdings	52
Connection fees	313
Activation of the costs	111
Total	476

14. INVENTORIES

EUR 1 000	2006	2005
Raw materials and consumables	1 905	1 980
Finished products/goods	7 024	8 464
Total	8 929	10 444

15. LONG-TERM RECEIVABLES

EUR 1 000	2006	2005
Loans receivables from Group companies	-	1 404
Other receivables from accociated companies	5 800	7 250
Long-term receivables total	5 800	8 654

16. CURRENT RECEIVABLES

EUR 1 000	2006	2005
Deferred tax receivables		
From accruals	-	490
Accounts receivable	4 924	8 641
Amounts owed by the Group companies		
Accounts receivable	606	366
Loans receivable	34 910	29 791
Group account receivables	3 252	2 217
Prepayments and accrued income	169	469
Total	38 937	32 843
Amounts owed by the associated companies		
Accounts receivable	1 003	2 082
Loans receivable	-	50
Other receivables	1 450	1 450
Total	2 453	3 582
Other receivables	8	58
Prepayments and accrued income		
Pension assurance and other legal assurances	357	431
Tax compensation receivables	331	-
Other	259	190
Total	947	621
Current receivables total	47 271	45 745

17. CHANGES IN SHAREHOLDERS' EQUITY

EUR 1 000	2006	2005
Share capital Jan. 1	12 635	12 635
Share capital Dec. 31	12 635	12 635
Premium fund Jan. 1	23 391	23 391
Premium fund Dec. 31	23 391	23 391
Contingency reserve Jan. 1	7 232	7 232
Contingency reserve Dec. 31	7 232	7 232
Retained earnings Jan. 1	25 979	31 752
Transfer from previous year profit	9 056	-1 709
Dividends paid	-4 564	-4 064
Retained earnings Dec. 31	30 470	25 979
Profit for the financial year	2 365	9 056
Shareholders' equity Dec. 31	76 093	78 292
Distributable funds		
Contingency reserve	7 232	7 232
Retained earnings	30 470	25 979
Profit/loss for the financial year	2 365	9 056
Distributable funds Dec. 31	40 067	42 267

18. ACCUMULATED APPROPRIATIONS

EUR 1 000	2006	2005
Accumulated depreciation in excess of plan	5 214	5 784

19. PROVISIONS

EUR 1 000	2006	2005
Expenses and losses incurring due to bankruptcy of Machinium Oy	-	1 885

20. LIABILITIES

EUR 1 000	2006	2005
Long-term borrowings		
Loans from credit institutions	-	6 400
Current liabilities		
Loans from credit institutions	6 400	6 400
Trade payables	4 117	4 829
Total	10 517	11 229
Amounts owed to Group companies		
Trade payables	9	18
Other liabilities	66	62
Group account liabilities	5 136	6 731
Accruals and deferred income	10	44
Total	5 221	6 855
Amounts owed to associated companies		
Trade payables	3	4 731
Other current liabilities		
Commercial papers emitted	38 000	19 000
Other	816	1 028
Total	38 816	20 028
Accrued expenses and deferred income		
Holiday pay reserve including social security expenses	1 455	1 414
Other salaries and fees including social security expenses	1 013	977
Raw materials and services	170	106
Interests on the loans	47	65
Income taxes	-	2 000
Other	865	592
Total	3 550	5 154
Current liabilities, total	58 107	47 996

21. CONTINGENT LIABILITIES

EUR 1 000	2006	2005
Debts against which mortgages have been given		
Loans from credit institutions	6 400	12 800
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	282	289
Falling due at later date	209	322
Lease liabilities		
Non-cancellable other leases, minium lease payments	1 337	1 387
Contingent liabilities for own commitments		
Guarantees	-	385
Repurchasing commitments	22	61
Contingent liabilities on behalf of the Group companies		
Guarantees	10 150	9 526
Outstanding derivative instruments		
Interest rate swaps		
Market value	98	-411
Value of underlying instruments	25 000	25 000
Commodity derivate instruments		
Market value	235	500
Value of underlying instruments	1 893	1 264

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.

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 29, 2006, 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.

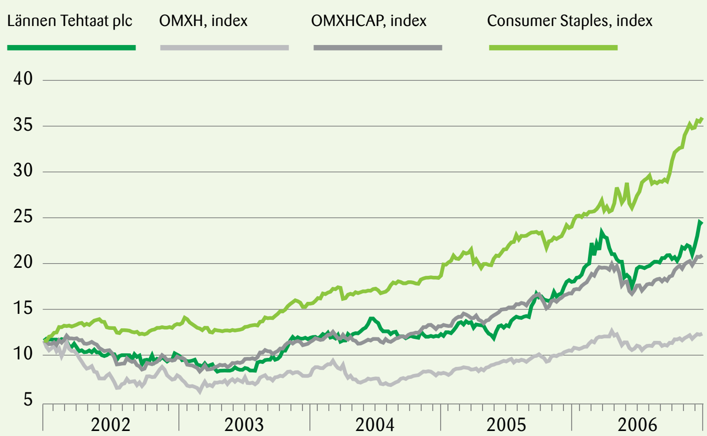
The authorization to increase the share capital had not been exercised by February 8, 2007

OWN SHARES

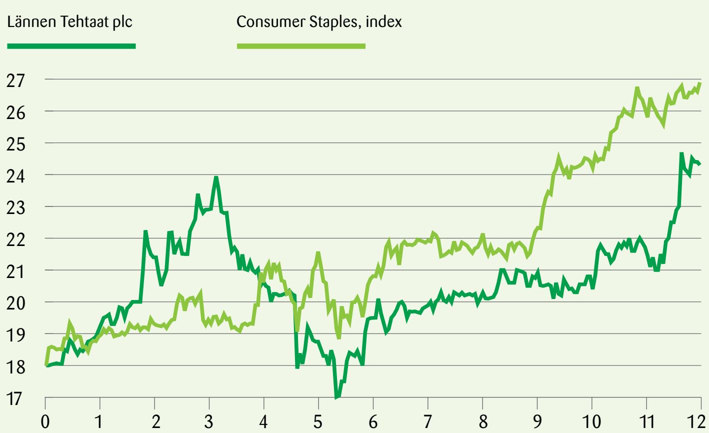
At the end of the financial period the company held 65,000 company shares acquired in 2000-2001, representing 1.0% of total share capital and votes. Their acquisition cost is EUR 778,475, i.e. EUR 11.98 per share. These shares carry no voting rights and no dividend is paid on them.

Lännen Tehtaat plc's Annual General Meeting on March 29, 2006, 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. ➜

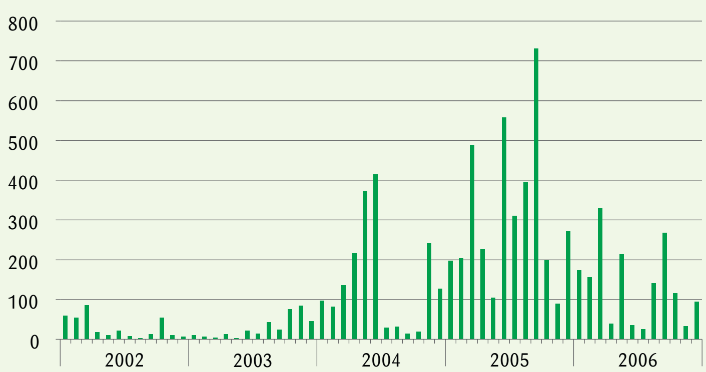
SHARE PERFORMANCE 2002–2006, EUR



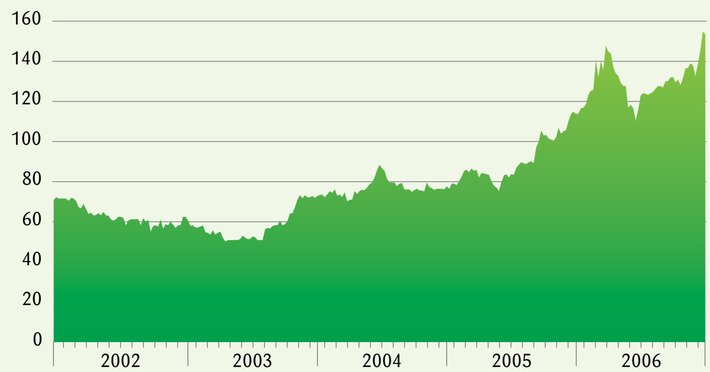
SHARE PERFORMANCE 2006, EUR



SHARE TRADING 2002–2006, 1000 SHARES



MARKET CAPITALIZATION 2002–2006, EUR MILLION



➜ The authorization to surrender the company's own shares had not been exercised by February 8, 2007

LÄNNEN TEHTAAT PLC'S SHARE OPTIONS

There are no valid stock option schemes at the moment.

FLAGGING NOTICES

There were no flagging announcements during the financial period.

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. ●

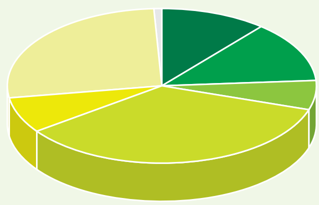
DISTRIBUTION OF SHAREHOLDINGS ON FEBRUARY 8, 2007

Shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 100	3 883	48.5	174 551	2.8
101 – 500	3 123	39.0	757 840	12.0
501 – 1 000	614	7.7	446 567	7.1
1 001 – 5 000	324	4.0	588 685	9.3
5 001 – 10 000	25	0.3	171 092	2.7
10 001 – 50 000	26	0.3	589 158	9.3
50 001 – 100 000	4	0.1	247 722	3.9
100 001 – 500 000	10	0.1	2 702 981	42.8
500 001 –	1	0.0	579 608	9.2
Joint account			59 372	0.9
Total	8 010	100.0	6 317 576	100.0

SHARES AND SHAREHOLDERS

MAJOR SHAREHOLDERS ON FEBRUARY 8, 2007

	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	327 800	5.2	327 800	5.2
OP-Suomi Arvo-sijoitusrahasto	292 100	4.6	292 100	4.7
Nordea Nordic Small Cap	263 800	4.2	263 800	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	61 900	1.0	61 900	1.0
SR Arvo Finland Value	61 000	1.0	61 000	1.0
Nominee-registered shares	1 290 144	20.4	1 290 144	20.6
Other shareholders	2 847 087	45.1	2 847 087	45.5
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		



DISTRIBUTION OF OWNERSHIP ON FEBRUARY 8, 2007

	% of shareholders	% of shares
Companies	1.9	11.1
Financial and insurance institutions	0.4	12.9
Public organizations	0.5	6.0
Private households	95.8	35.1
Non-profit organizations	1.4	7.3
Foreign and nominee-registered		26.7
Joint account		0.9
Total	100.0	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 21,955 shares on February 8, 2007. This corresponds to 0.4% of share capital and voting rights.

Proposal of the Board of Directors for the distribution of profits

The parent company's distributable funds totalled EUR 40,066,946.30 on December 31, 2006, of which EUR 2,364,913.53 is profit for the financial year.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:

•	distributed as a dividend of EUR 0.84 per share i.e. a total of	EUR 5,252,163.84
•	retained in shareholders' equity	EUR 34,814,782.46
	Total	EUR 40,066,946.30

No material changes have taken place in the company's financial position subsequent to the balance sheet date. The company's liquidity is good and, in the Board of Directors' opinion, the proposed dividend distribution will not jeopardize the company's solvency.

Signatures to the Board of Directors' report and financial statements

Espoo, February 13, 2007

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, the report of the Board of Directors, and the administration of Lännen Tehtaat plc for the period January 1 – December 31, 2006. The Board of Directors and the Chief Executive Officer have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing 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, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Supervisory Board and the Board of Directors and the Chief Executive Officer of the parent company have complied with the rules of the Companies Act.

CONSOLIDATED FINANCIAL STATEMENTS

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

PARENT COMPANY'S FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

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

Säkylä, February 16, 2007

PricewaterhouseCoopers Oy
Authorized Public Accountants

Hannu Pellinen Authorized Public Accountant	Jari Henttula Authorized Public Accountant

Statement by the Supervisory Board

The Supervisory Board of Lännen Tehtaat plc has today reviewed the parent company financial statements, consolidated financial statements, the Board of Directors' report and the related Board of Director's proposal concerning the distribution of profits, and the auditors' report provided by the Company's auditors.

The Supervisory Board has no comments to make on the parent company financial statements 2006 and consolidated financial statements 2006. The Supervisory Board proposes that the parent company financial statements and consolidated financial statements be adopted. The Supervisory Board concurs with the proposal of the Board of Directors concerning the distribution of the profits.

The term of the following Supervisory Board Members will end on the date of the Annual General Meeting: Antti Bärlund, Heikki Halkilahti, Jussi Hantula, Börje Helenelund, Tom Liljeström, Samu Pere, Esa Ruohola and Mikko Soro.

Säkylä, March 7, 2007

For the Supervisory Board

Tom Liljeström	Asmo Ritala
Chairman	Secretary

Lännen Tehtaat plc corporate governance

CORPORATE STRUCTURE

Lännen Tehtaat Group comprises Lännen Tehtaat plc and its subsidiary companies. The most significant subsidiaries are Apetit Kala Oy, Avena Nordic Grain Oy and Suomen Rehu Ltd.

APPLIED PROVISIONS

Lännen Tehtaat plc is a Finnish public limited company; its decision-making and administration are in accordance with the Finnish Companies Act, other acts which apply to public listed companies, and the company's Articles of Association. In addition to these, the company follows the Guidelines for Insider Trading of the Helsinki Stock Exchange and the Corporate Governance Recommendation for listed companies of the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers, which entered into force on July 1, 2004.

SHAREHOLDERS' MEETING

The company's highest decision-making organ, the shareholders' meeting, is convened at the invitation of the company's Board of Directors. Shareholders' meetings are either Annual General Meetings or Extraordinary General Meetings.

The Annual General Meeting is held by the end of May each year, at a time specified by the Board of Directors. The issues that must be dealt with at an AGM as set out in the Articles of Association are discussed as are any other proposals that have been put to the shareholders' meeting. Annual General Meeting is usually held in March or April.

An Extraordinary General Meeting is convened as necessary in order to deal with a specific proposal that has been put to a shareholders' meeting.

Summons to a shareholders' meeting

Shareholders are invited to shareholders' meetings with a summons that is published in at least two national newspapers determined by the Board of Directors, mentioning the matters to be dealt with in the meeting. In addition to this, the summons and Board of Directors' proposals that will be put to the shareholders' meeting are published in a stock exchange release and on the company web pages.

Attending a meeting

In order to attend a meeting, shareholders must notify the company of their attendance in advance by the date specified in the summons. A shareholder may attend the shareholders' meeting in person or appoint a representative. A shareholder or representative may also have an assistant at the meeting. Minutes of the meeting are drawn up and made available to the shareholders within two weeks of the meeting. In addition, a stock exchange release is issued without delay after the shareholders' meeting, stating the decisions made at the meeting.

Attendance of the Board of Directors and the CEO

The company's aim is for all members of the Board of Directors and the CEO to attend the Annual General Meeting.

Decision-making at the shareholders' meeting

The company has one series of shares and all shares carry equal voting power. No single shareholder is entitled to exercise voting powers representing more than one tenth of the votes at any meeting. Upon voting, a proposal supported by more than half of the votes usually constitutes the meeting's decision; in the event of a tie, the decision will be the proposal that was supported by the chairman. According to the Finnish Companies Act, there are, however, many situations (e.g. an amendment to the Articles of Association or a decision on a targeted share issue) when a decision requires a statutory majority of two-thirds.

The Articles of Association do not include a redemption clause. To the knowledge of the company, there are no shareholder agreements about the use of voting power or any agreements that limit the conveying of shares.

SUPERVISORY BOARD

Composition and term

The Supervisory Board comprises a minimum of 15 and a maximum of 20 members elected by the shareholders' meeting. Persons who have attained the age of 65 are ineligible for election to the Supervisory Board. In addition to this, members of the company's permanent personnel may appoint to the Supervisory Board a maximum of four members, with personal deputies, from among themselves, in accordance with section 4 of the Act on Personnel Representation in the Administration of Undertakings (725/1990). Personnel representatives are not entitled to attend Supervisory Board meetings when the matters dealt with concern the election of the company management, dismissal, the terms of agreements concerning management, the terms of personnel employment or industrial action.

The term of office of the members of the Supervisory Board is three years and ends at the close of the third Annual General Meeting following their election. The Supervisory Board generally convenes three times a year.

Function of the Supervisory Board

Once it has heard the opinions of the biggest shareholders, the Supervisory Board elects the members of the Board of Directors, the chairman and deputy chairman and decides on their fees. The Supervisory Board is also responsible for supervising the corporate management of the company, issuing instructions to the Board of Directors, issuing an opinion on the financial statements and auditors' report and other duties that are prescribed in the Companies Act.

Deviation from the corporate governance recommendation:

According to recommendation 10 of the Corporate Governance Recommendation, the members of the Board of Directors are chosen at the shareholders' meeting. According to the Articles of Association, the Supervisory Board elects the members of the Board and decides on their fees. This practice, which deviates from what is prescribed in the Recommendation, has been adopted because the Supervisory Board is responsible for monitoring the Board of Directors and therefore has the best competence for assessing the composition of the Board and the characteristics that are required from Board members.

BOARD OF DIRECTORS

Composition and term

In accordance with the Articles of Association, Lännen Tehtaat plc's Board of Directors comprises a minimum of five and a maximum of seven members. The term of office of the Board of Directors comes to an end at the close of the Supervisory Board meeting convened following the AGM subsequent to the election. The Articles of Association do not limit the number of terms of office that can be held by a member of the Board, or in some other way limit the quorum of the Supervisory Board when members of the Board are being chosen. Persons who are 65 years of age or older are ineligible for election to the Board of Directors.

Function of the Board of Directors

The general function of the Board of Directors is to direct the operations of the company so that in the long term it will produce the maximum amount of added value for the invested capital, taking into account at the same time the expectations of different interest groups.

In order to fulfil its functions, the Board of Directors:

- confirms the company's ethical values and operating policies, and supervises their implementation
- confirms the company's basic strategy and continuously monitors its validity
- defines the company's dividend policy
- approves the annual operational plan and budget on the basis of the strategy, and supervises their implementation
- approves the total annual investment and its distribution among the business areas, and decides on large and strategically important investments, acquisitions and divestments
- deals with and approves interim reports, the annual reports and financial statements
- confirms the Group's organizational structure
- examines the main risks associated with the company's operations and their management and approves the related operational policies and limits at least once a year
- appoints and releases the CEO and his deputy his duty, and decides on the conditions of their terms of service and incentive schemes
- sets personal targets for the CEO annually and assesses their realization
- convenes at least once a year without the current management in attendance
- holds a meeting with the auditors at least once a year
- assesses its own performance once a year and provides the Supervisory Board with the results of the assessment
- confirms its rules of procedure, which are reviewed annually
- monitors the company's working atmosphere and the way in which personnel manage in their tasks
- annually monitors issues associated with management successors and draws up the necessary conclusions

Evaluation of independence

The company's Board of Directors has carried out an evaluation of independence of the company in accordance with recommendation 18 of the Corporate Governance Recommendation. The evaluation determined that chairman of the Board Tom v. Weymarn, vice chairman Hannu Simula and Board members Harri Eela, Aappo Kontu, Matti Lappalainen and Soili Suonoja were all independent of the company. All members of the Board are independent of a significant shareholder, as referred to in the Corporate Governance Recommendation.

Decision-making

The Board of Directors must always promote the interests of the company and ensure that its actions do not provide an unfair advantage to a shareholder or any other party at the expense of the company or any other shareholder. A member of the Board is disqualified from taking part in the handling of an issue between him/her and the company. The chairman of the Board together with the CEO and Board secretary are responsible for convening Board meetings and preparing the rules of procedure. When a vote is taken, the opinion of the majority forms the decision of the Board of Directors and, in the event of a tie, the opinion of the chairman forms the decision. In the event of a tie in personal elections, the election is decided by lot.

Meetings of the Board and self-evaluation

The Board of Directors convenes about 7 times a year. The Board has not distributed any specific focus areas to the members for the monitoring of business operations. The CEO of Lännen Tehtaat plc, or another member of the corporate management assigned by the CEO, is responsible for presenting the issues to be dealt with at the meeting. According to the Board rules of procedure, the CEO is responsible for providing the Board with sufficient information in order for it to be able to assess the operations and financial position of the Group. The CEO also supervises the implementation of Board decisions and reports to the Board on any deficiencies or problems in their implementation. The Board secretary is the company's corporate counsel. The Board regularly evaluates its performance and working methods by carrying out a self-evaluation once a year. The results of the evaluation are issued to the Supervisory Board.

The Board's fees and other benefits

The Supervisory Board decides on the Board's fees and the grounds for compensation for expenses every year. Fees to members of the Board are paid as monetary compensation. The fees paid are stated on the company web pages.

CEO AND DEPUTY CEO

Lännen Tehtaat plc has a CEO. A Deputy CEO has not been elected. The CEO's task is to direct the operations of the company according to instructions and provisions issued by the Board and to inform the Board about the development of the company's business operations and financial situation. The CEO is also responsible for the arrangement of the day-to-day management of the company and ensures that the company's financial administration has been arranged reliably.

The CEO is primarily responsible for introducing the issues that will be dealt with at the Board meeting and responsible for drawing up the proposals for decisions. In matters it considers appropriate, the CEO may also delegate these tasks to a member of the Group management. The CEO and the deputy are elected by the Board of Directors, which also decides on their salary, performance-related benefits and other conditions of the terms of their service. The CEO's terms of service have been agreed in writing. The CEO does not have a fixed term of office, but has been appointed for the task until further notice.

Retirement age and benefits

The CEO's retirement age and benefits are stated on page 82 and on the company web pages. ➜

CORPORATE MANAGEMENT

The Lännen Tehtaat Group's Corporate Management is chaired by the CEO of Lännen Tehtaat plc. Its members comprise the directors of the largest business units, the financial director and other directors of the Group companies elected separately. The Corporate Management does not exercise powers based on law or the Articles of Association. The Corporate Management is an advisory organ appointed by the CEO, and it has the task of carrying out development projects that apply to the entire Group and deal with principles and operating policies at the Group level. The Corporate Management is also informed of the business plans and financial performance of the Group and the subsidiary companies and of the issues dealt with by the Board, the preparation of which it participates in. The Corporate Management convenes about four times a year. The CEO is responsible for choosing the members of the Corporate Management.

EXTERNAL AUDIT

The primary function of the statutory auditing of the accounts is to verify that the financial statements provide correct and sufficient information on the Group's results and financial position for the financial period. Lännen Tehtaat plc's financial year is the calendar year.

The auditor is responsible for inspecting the accuracy of the company's bookkeeping and financial statements for the financial year, and for issuing an auditors' report for the shareholders' meeting. According to Finnish law, the auditor must also inspect the lawfulness of the company's administration. The auditors usually report their observations to the Board of Directors once a year.

Auditor

In accordance with the Articles of Association, Lännen Tehtaat plc has a minimum of two and a maximum of three auditors appointed by the Annual General Meeting. An auditor's term ends at the close of the Annual General Meeting subsequent to the election. The auditors must be Authorized Public Accountants or Accounting Companies.

Fees paid

The audit fees are stated on the company's web pages.

GROUP REPORTING AND INTERNAL CONTROL

The implementation of financial targets is monitored by means of monthly reports which cover the entire Group. The reports compare the monthly and cumulative results with the budget, the previous year and regularly updated forecasts. The up-to-date forecasts cover the following 12 months. Data from the monthly reports are regularly updated into the bookkeeping. The Group CEO and members of the Corporate Management are issued with the reports, and the Group's Board of Directors is issued with a summary for the Group and summaries of the data for each business unit.

Internal auditing has been incorporated into the Group's financial management. A person who holds responsibility for financial matters and who ensures that legislation and Group guidelines are adhered to has been appointed to each company or business unit within the Group. The Group's auditors carry out a supervising audit as a part of their annual audit programme. The auditors report their observations to the director of the unit inspected, the person in charge of financial matters, the Group's financial director and the manager responsible for accounting and tax issues as well as the CEO.

RISK MANAGEMENT

Group companies and business units assess the risks associated with their business operations and the adequacy of the necessary control methods. The function of the risk assessments, which support strategy work and decision-making, is to ensure that there are sufficient measures to control risks. Lännen Tehtaat plc's Board of Directors approves the risk management policies and limits associated with the business operations of Group companies, and these are updated at least once a year. The survey of the risks is updated annually in conjunction with annual planning.

UPDATING CORPORATE GOVERNANCE

The regularly updated Lännen Tehtaat plc Corporate Governance section can be found on the company web pages at *www.lannen.fi/en/investor_information*.

CORPORATE GOVERNANCE ON DECEMBER 31, 2006

SUPERVISORY BOARD

The Supervisory Board of Lännen Tehtaat plc comprises 20 members elected by the shareholders' meeting and four members elected by the company's permanent personnel. The chairman of the Supervisory Board is Tom Liljeström and the deputy chairman is Juha Nevavuori. The members of the Supervisory Board are shown on page 85.

The Supervisory Board met five times in 2006.

As decided by the Annual General Meeting on March 29, 2006, the monthly fee paid to the Supervisory Board's chairman is EUR 350, and to the deputy chairman EUR 300. The meeting allowance paid to the chairman and the members of the Supervisory Board is EUR 200. The members of the Supervisory Board were paid a total of EUR 30,400 in fees and allowances in 2006.

BOARD OF DIRECTORS

On April 10, 2006 the Supervisory Board of Lännen Tehtaat plc elected seven Board members. Tom v. Weymarn was elected chairman of the Board and Hannu Simula vice chairman. The members of the Board of Directors are shown on page 86. Simo Palokangas resigned from the Board of Directors on November 29, 2006.

In 2006 the Board met 13 times. The average attendance rate of members was 87.2%.

As decided by the Supervisory Board on April 10, 2006, the monthly fee paid to the chairman of the Board of Directors is EUR 2,750, and to the vice chairman EUR 1,700 and to the Board members EUR 1,350. In 2006, the members of the Board of Directors received a total of EUR 122,500 in fees and allowances.

CEO

Matti Karppinen took up his duties as CEO of Lännen Tehtaat plc on September 1, 2005.

The key conditions of the CEO's terms of service are defined in his contract. The agreed retirement age for the CEO is 62 and the period of notice is six months. Should the CEO be given notice by the company, he will be entitled to a severance package equivalent to 12 months' pay.

The salary with fringe benefits and bonuses paid to the CEO in 2006 amounted EUR 294,135. Basis of the bonuses are defined yearly.

AUDITORS

Lännen Tehtaat's 2006 Annual General Meeting decided to elect two auditors for the company. The auditors chosen were Hannu Pellinen, APA, and PricewaterhouseCoopers Oy Authorized Public Accountants, with Jari Henttula, APA, as the auditor with principal responsibility. Auditors for the Lännen Tehtaat Group's subsidiaries are mostly member firms of PricewaterhouseCoopers or auditors working for such firms.

The Group's auditors based in Finland and elsewhere were paid a total of EUR 162,109 in 2006 for their auditing of the Lännen Tehtaat Group companies' accounts. In addition to the auditors' fees, companies belonging to PricewaterhouseCoopers were paid a total of EUR 266,409 in fees for non-audit services such as tax, IFRS and due diligence services.

INSIDER ISSUES

Lännen Tehtaat plc's insider trading regulations approved by the Board of Directors came into effect on December 19, 2006. They are based on the Securities Markets Act (Chapter 5), the standard issued by the Financial Supervision Authority (standard 5.3 on declarations of insider holdings and insider registers, September 1, 2005) and the Guidelines for Insider Trading approved by the Board of Directors of Helsinki Stock Exchange. The regulations include guidelines for concerning persons in public insider registers, permanent company-specific insiders and project-specific insiders, and on the organization and procedures concerning insider administration.

The following are all categorized as public insiders of Lännen Tehtaat plc by virtue of their position and duties: the members and deputy members of the company's Board of Directors and Supervisory Board; the CEO and Deputy CEO; the auditors and deputy auditors, including the auditing firm's auditor with principal responsibility for Lännen Tehtaat; the Chief Financial Officer; the Managing Director on Apetit Pakaste Oy; the Managing Director of Apetit Kala Oy; the President of Suomen Rehu Ltd; the Managing Director of Mildola Oy and the Managing Director of Avena Nordic Grain Oy.

Lännen Tehtaat plc's company-specific permanent register on insider holdings contains information on persons who, by virtue of their position and duties, receive inside information on a regular basis. The company-specific insider register currently lists some 20 persons.

A trading restriction is in force within the company which forbids its permanent insiders from trading in Lännen Tehtaat shares 21 days prior to publication of Lännen Tehtaat's interim reports and the release of its financial statements.

The company maintains its insider register in the SIRE system of the Finnish Central Securities Depository Ltd.

The names of those persons listed as company insiders can be viewed on the company web pages at *www.lannen.fi/en/investor_information*, under 'Corporate Governance'.

A summary of the stock exchange releases in 2006

The stock exchange releases of Lännen Tehtaat plc are available on the company web pages at www.lannen.fi/en/investor_information.

FEBRUARY

SER February 7, 2006
Lännen Tehtaat cuts fixed costs and begins employee co-determination talks to reduce personnel

SER February 21, 2006
Financial statements information
January 1 – December 31, 2005

SER February 23, 2006
Board proposals to Lännen Tehtaat Annual General Meeting

MARCH

SEA March 3, 2006
Summons to Annual General Meeting of Lännen Tehtaat

SER March 7, 2006
First quarter results will include EUR 2.4 million of gains on sales of shares

SEA March 22, 2006
Annual Report 2005 published

PR March 22, 2006
First action for the joint venture of Lännen Tehtaat and Raisio in Russia

SER March 29, 2006
Lännen Tehtaat plc Annual General Meeting

PR March 31, 2006
Harviala Ltd sold to Saarioisten Taimistot Oy

APRIL

SER April 10, 2006
Organization of the Supervisory Board and election of the Boad of Directors

SER April 10, 2006
Lännen Tehtaat plans to launch ethanol production

PR April 13, 2006
Mildola Oy wholly owned by Suomen Rehu

MAY

SER May 9, 2006
Interim Report for January 1 - March 31, 2006

JUNE

SER June 19, 2006
Lännen Tehtaat plc acquires remainder of Apetit Kala Oy's shares

SER June 29, 2006
Erkki Lepistö appointed President of Suomen Rehu Oy

PR June 29, 2006
Apetit Kala plans to close its Kustavi factory in order to improve productivity and cost-efficiency

AUGUST

SER August 10, 2006
Interim Report for January 1 – June 30, 2006

SER August 24, 2006
Feed factory acquisition in Russia by Lännen Tehtaat and Raisio joint venture cancelled

NOVEMBER

SER November 1, 2006
Interim Report for January 1 – September 30, 2006

SER November 1, 2006
Scandic Feed, Lännen Tehtaat's and Raisio's joint venture, to be dissolved

SER November 15, 2006
Lännen Tehtaat sold its frozen food factory property in Turku and will transfer the factory´s production to Säkylä

SER November 20, 2006
Lännen Tehtaat to bring clearer definition to business structure by corporatizing frozen food and service business operations

SER November 29, 2006
Simo Palokangas has resigned from his position as a Board Member

DECEMBER

SEA December 20, 2006
Lännen Tehtaat plc's financial information in 2007

SER = Stock Exchange Release
SEA = Stock Exchange Announcement
PR = Release, Press Release

Supervisory Board and Auditors

SUPERVISORY BOARD

MEMBERS ELECTED BY THE SHAREHOLDERS' MEETING:

Tom Liljeström, b. 1959
Managing Director of Tapiola Asset Management Ltd and Tapiola Fund Management Company Ltd
Chairman since 1996, Member since 1994
Other positions of trust:
Member of the Board: Tapiola Bank Ltd, Finntemet Oy, Metsä Tissue Corporation,
Shareholding in Lännen Tehtaat: –
(change in 2006: –)
Membership term expires 2007

Juha Nevavuori, b. 1942
Deputy Chairman since 2003, Member since 1973,
Shareholding in Lännen Tehtaat: 646
(change in 2006: –)

Antti Bärlund, b. 1945
Member since 1995
Membership term expires 2007

Matti Eskola, b. 1950
Member since 1991

Heikki Halkilahti, b. 1947
Member since 1990
Membership term expires 2007

Jussi Hantula, b. 1955
Member since 1995
Membership term expires 2007

Börje Helenelund, b. 1951
Member since 1998
Membership term expires 2007

Pasi Jaakkola, b. 1941
Member since 1982

Jouni Kaitila, b. 1963
Member since 1991

Hannu Lamminen, b. 1951
Member since 1996

Markku Länninki, b. 1949
Member since 2003

Ilkka Markkula, b. 1960
Member since 2003

Marja-Liisa Mikola-Luoto, b. 1971
Member since 2005

Jarmo Mäntyharju, b. 1961
Member since 2005

Samu Pere, b. 1968
Member since 1998
Membership term expires 2007

Tuomo Raininko, b. 1966
Member since 2005

Esa Ruohola, b. 1946
Member since 1998
Membership term expires 2007

Mikko Soro, b. 1950
Member since 1998
Membership term expires 2007

Helena Walldén, b. 1953
Member since 1996

Mauno Ylinen, b. 1965
Member since 2005

PERSONNEL REPRESENTATIVES:

Markku Kivikangas, b. 1960
Member since 2006
(personal deputy member Aila Koivuniemi)

Veijo Kukkonen, b. 1981
Member since 2006
(personal deputy member Janne Hämäläinen)

Tapio Mäki, b. 1962
Member since 2006
(personal deputy member Tuija Huhtamäki)

Esa Paganus, b. 1963
Member since 1997
(personal deputy member Marja Rusi)

AUDITORS

Hannu Pellinen
Authorized Public Accountant

PricewaterhouseCoopers Oy
Authorized Public Accountants
Auditor with principal responsibility
Jari Henttula
Authorized Public Accountant

BOARD OF DIRECTORS

1. TOM V. WEYMARN, b. 1944
Chairman since 2003, Member since 1999
Other positions of trust:
Chairman of the Board: TeliaSonera AB, Turku Science Park Ltd
Member of the Board: Boardman Oy, CPS Color Group Oy, Hydrios Biotechnology Ltd, Industri Kapital AB, Kauko-Telko Oy, OKO Bank Plc
Shareholding in Lännen Tehtaat: 2,250 shares (change in 2006: –)

2. HANNU SIMULA, b. 1947
Farmer
Vice Chairman since 2003, Member since 1998
Other positions of trust:
Member of the Board: Sucros Ltd
Shareholding in Lännen Tehtaat: 850 shares (change in 2006: –)

3. HARRI EELA, b. 1960
Project Manager of Cursor Oy
Member since 2004
Shareholding in Lännen Tehtaat: 800 shares (change in 2006: –)

4. AAPPO KONTU, b. 1952
President of Empower Oy
Member since 2004
Other positions of trust:
Chairman of the Board: Vahterus Oy, Headpower Oy
Member of the Board: Empower Oy, Finnish Energy Industries
Shareholding in Lännen Tehtaat: – (change in 2006: –)

5. MATTI LAPPALAINEN, b. 1948
Managing Director of Vaasan & Vaasan Oy
Member since 2003
Other positions of trust:
Chairman ot the Board: Bonbake Oy
Member of the Board: Finnish Food and Drink Industries' Federation, Vaasan & Vaasan Oy
Shareholding in Lännen Tehtaat: 1,000 shares (change in 2006: –)

6. SOILI SUONOJA, b. 1944
Professional board-member
Member since 2003
Other positions of trust:
Member of the Board: Alko Inc., Lassila & Tikanoja plc, Mermit Business Applications Ltd, Nurmijärven Linja Oy, Outokumpu Oyj, Finland Post Corporation
Shareholding in Lännen Tehtaat: 200 shares (change in 2006: –)

CEO AND CORPORATE MANAGEMENT ON JANUARY 1, 2007

1. MATTI KARPPINEN, b. 1958
CEO of Lännen Tehtaat plc since 2005
Other positions of trust:
Chairman of the Board: Finfood – Finnish Food Information Service
Member of the Board: Finnish Food and Drink Industries' Federation
Shareholding in Lännen Tehtaat: – (change in 2006: –)

2. SAMULI ESKOLA, b. 1974
Managing Director of Apetit Kala Oy since 2005
Shareholding in Lännen Tehtaat: – (change in 2006: –)

3. STINA HAKULIN, b. 1957
Managing Director of Mildola Oy since 2006, Director since 1999
Shareholding in Lännen Tehtaat: – (change in 2006: –)

4. ANTTI KERTTULA, b. 1956
Managing Director of Apetit Pakaste Oy since 2007, Director since 1994
Shareholding in Lännen Tehtaat: – (change in 2006: –)

5. EERO KINNUNEN, b. 1970
Chief Financial Officer since 2006
Shareholding in Lännen Tehtaat: – (change in 2006: –)

6. ERKKI LEPISTÖ, b. 1955
President of Suomen Rehu Ltd since 2006, Director since 2001
Shareholding in Lännen Tehtaat: 1,150 (change in 2006: –)

7. ASMO RITALA, b. 1958
Corporate Counsel since 1995
Shareholding in Lännen Tehtaat: – (change in 2006: –)

8. KAIJA VILJANEN, s. 1952
Managing Director of Avena Nordic Grain Oy since 1995
Shareholding in Lännen Tehtaat: - (change in 2006: -)

MANAGEMENT GROUP OF THE FOOD DIVISION ON JANUARY 1, 2007

1. MATTI KARPPINEN, b. 1958
Chairman of the Management Group

2. SAMULI ESKOLA, b. 1974
Director, SBU Fish

3. JOHANNA HEIKKILÄ, b. 1962
HR Director

4. ANTTI KERTTULA, b. 1956,
Director, SBU Frozen foods and jams

5. EERO KINNUNEN, b. 1970
Chief Financial Officer

6. TAPIO KORTTILALLI, b. 1966
Director, Sales and Marketing

7. ARI LAARNE, b. 1967
IT Director

8. MATTI NYFORS, b. 1971
Director, SBU concept business

MANAGEMENT GROUP OF SUOMEN REHU LTD ON JANUARY 1, 2007

1. ERKKI LEPISTÖ, b. 1955
Chairman of the Management Group

2. ASKO HAARASILTA , b. 1942
Director, R & D

3. HANNU HOVI, b. 1975
Group Business Controller, Head of Finance

4. TUIJA HUHTAMÄKI, b. 1959
Information Manager

5. REIJO LAINE, b. 1943
Director, Purchase and Production

6. ARI VALKKI, b. 1963
Financial Manager

7. HENRIK WILLBERG, b. 1966
Director, Sales and Marketing

ADDRESSES

Lännen Tehtaat plc
Head Office
Maakunnantie 4
P.O. Box 100, FI-27801 Säkylä, Finland
Tel. +358 10 402 00
Fax +358 10 402 4022

Lännen Tehtaat plc
Espoo office
Upseerinkatu 1
P.O. Box 404, FI-02601 Espoo, Finland
Tel. +358 10 402 00
Fax +358 10 402 7102

E-mail: firstname.surname@lannen.fi
Internet: www.lannen.fi

Business ID: 0197395-5
Domicile: Säkylä

SUBSIDIARIES

Apetit Pakaste Oy
P.O. Box 230, FI-27801 Säkylä, Finland
Tel. +358 10 402 4300
Fax +358 10 402 4333
firstname.surname@apetit.fi
www.apetit.fi
Business ID 2077046-7

Apetit Pakaste Oy
Iso-Heikkiläntie 6
P.O. Box 32, FI-20201 Turku, Finland
Tel. +358 10 402 00
Fax +358 10 402 4622

Apetit Pakaste Oy
Teollisuustie 3, FI-93100 Pudasjärvi, Finland
Tel. +358 10 402 00
Fax +358 10 402 4666

Apetit Pakaste Oy
Räpi Experimental Farm
Huhdintie 32, FI-27710 Köyliö, Finland
Tel. +358 10 402 4431

Apetit Kala Oy
Mastotie 7, FI-70460 Kuopio, Finland
Tel. +358 10 402 4500
Fax +358 10 402 4520
firstname.surname@apetit.fi
www.apetit.fi
Business ID 0877766-6

Apetii Kala Oy
Sementtitehtaankatu 5, FI-04260 Kerava, Finland
Tel. +358 10 402 4500
Fax +358 10 402 4573

Apetit Kala Oy
Vuosnaistentie 593 A, FI-23360 Kustavi, Finland
Tel. +358 10 402 4500
Fax +358 10 402 4588

Apetit Suomi Oy
P.O. Box 130, FI-27801 Säkylä, Finland
Tel. +358 10 402 4300
Fax +358 10 402 4322
firstname.surname@apetit.fi
www.apetit.fi
Business ID 2077043-2

Apetit Suomi Oy
Sales and marketing
Upseerinkatu 1
P.O. Box 403, FI-02601 Espoo, Finland
Tel. +358 10 402 00
Fax +358 10 402 4455

Suomen Rehu Ltd
Upseerinkatu 1
P.O. Box 401, FI-02601 Espoo, Finland
Tel. +358 10 402 04
Fax +358 10 402 7103
firstname.surname@suomenrehu.com
www.suomenrehu.com
Business ID 1558738-5

Suomen Rehu Ltd
Rydönnotko 4
P.O. Box 702, FI-20361 Turku, Finland
Tel. +358 10 402 04
Fax +358 10 402 7006

Suomen Rehu Ltd
Suursaarenkatu 1
P.O. Box 221, FI-48101 Kotka, Finland
Tel. +358 10 402 04
Fax +358 10 402 7509

Suomen Rehu Ltd
Päivölänkatu 40
P.O. Box 76, FI-60101 Seinäjoki, Finland
Tel. +358 10 402 04
Fax +358 10 402 7373

Lännen Rehu Oy
P.O. Box 120, FI- 27801 Säkylä, Finland
Tel. +358 10 402 7600
Fax +358 10 402 7622
firstname.surname@lannenrehu.com
www.lannenrehu.com
Business ID 1800524-8

Hiven Oy
Yrittäjäntie 1
P.O. Box 25, FI-21531 Paimio, Finland
Tel. +358 10 402 7700
Fax +358 10 402 7752
firstname.surname@hiven.fi
www.hiven.fi
Business ID 0472472-7

SIA Baltic Feed
P.O. Box 70a, LV-3101 Tukums, Latvia
Tel. +371 318 1127
Fax +371 318 1132
www.balticfeed.com

UAB Baltijos Pasarai
Verkiu 5
LT-08218 Vilnius, Lithuania
Tel/fax +370 5273 0065

Mildola Oy
Satamatie 64
P.O.Box 21, FI-02401 Kirkkonummi, Finland
Tel. + 358 10 402 2300
Fax + 358 10 402 2311
firstname.surname@mildola.fi
www.mildola.fi
Business ID 0116251-1

Avena Nordic Grain Oy
Upseerinkatu 1
P.O Box 402, FI-02601 Espoo, Finland
Tel. +358 10 402 02
Fax +358 10 402 2500
firstname.surname@avena.fi
www. avena.fi
Business ID 0989948-9

ZAO Avena St. Petersburg
1 Artillerijskaja str., Europa House
192204 St. Petersburg, Russia
Tel. +7 812 279 3085
Fax +7 812 279 3086

UAB Avena Nordic Grain
Odminiu g. 9-9
LT-01122 Vilnius, Lithuania
Tel. +370 5 243 0290
Fax +370 5 243 0291

Updated contact information on company web pages
at www.lannen.fi/en under Contact information.

Design: Oivallus

Print: Eura Print Oy 2007

Lännen Tehtaat plc
P.O. Box 100, FI–27801 Säkylä, Finland
tel. +358 10 402 00, fax +358 10 402 4022
lannen.tehtaat@lannen.fi
www.lannen.fi