Lännen Tehtaat
Annual Report '07



Fresh, healthy and exciting – stimulating the senses, whatever your situation.




Contents

Information for shareholders

Annual General Meeting

The Annual General Meeting of Lännen Tehtaat plc will be held on Wednesday, 2 April 2008 at 2.00 p.m. in the Lännen Tehtaat plc staff restaurant in Säkylä.

Shareholders who are registered as shareholders no later than 20 March 2008 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 Monday, 31 March 2008, 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 4121/Aila Koivuniemi or by e-mail *aila.koivuniemi@lannen.fi.*

Dividend

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.85 per share be paid for 2007. The dividend will be paid to shareholders who are registered as shareholders on the Lännen Tehtaat shareholders' register kept by the Finnish Central Securities Depository Ltd on 7 April 2008, the record date for dividend payment. The Board of Directors will propose to the Annual General Meeting that dividend be paid on 15 April 2008.

Financial information in 2008

Lännen Tehtaat plc will issue the following financial information in 2008.

Financial statement bulletin 2007	15 February 2008
Annual Report 2007	in week 12, 2008
Interim Report for January-March	8 May 2008
Interim Report for January-June	12 August 2008
Interim Report for January-September	4 November 2008

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.

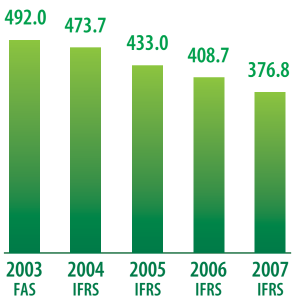
Key indicators

		2007	2006	Change-%
Net sales [1]	EUR million	309.6	244.5	26.6
Operating profit without non-recurring items [1]	EUR million	3.5	3.8	-7.9
Operating profit [1]	EUR million	3.2	5.3	-39.6
Profit before taxes [1]	EUR million	6.0	10.2	-41.2
Profit for the financial year	EUR million	13.4	13.1	2.3
Return on investment	%	10.0	11.2	
Return on equity	%	10.8	10.5	
Equity ratio	%	62.1	50.3	
Gearing	%	16.0	40.7	
Investments [1]	EUR million	6.9	1.9	
Personnel average [1]		725	662	9.5
Shareholders' equity per share	EUR	20.36	19.06	6.8
Earnings per share	EUR	2.13	2.10	1.4
Dividend per share	EUR	[2] 0.85	0.84	1.2

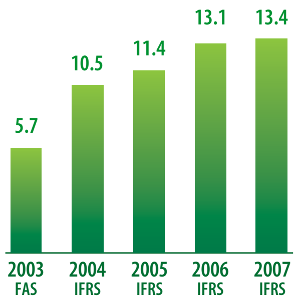
1) continuing operations

2) Board's proposal

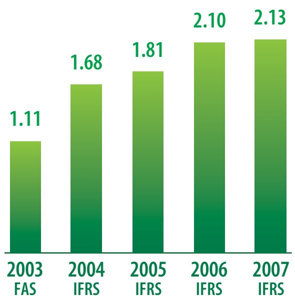
Consolidated net sales,
all operations
EUR million



Profit for the financial year
EUR million



Earnings per share
EUR



Lännen Tehtaat

Lännen Tehtaat plc is a company operating in the food industry and quoted on the OMX Nordic Exchange Helsinki. The business operations of the Lännen Tehtaat Group consist of the Frozen Foods business, the Fish business, the Vegetable Oils business, the Grain Trading business and Other Operations.

Apetit Pakaste Oy produces frozen foods, jams and marmalades in Finland. Apetit Kala Oy produces fish products in Finland and sells fish products and other fresh products at its Kalatori service counters. Maritim Food AS and its subsidiaries produce shellfish and fish products in Norway and Sweden. The company's shellfish products are also sold in Finland. Apetit Suomi Oy is in charge of developing, marketing and selling products made by Apetit Pakaste and Apetit Kala. In addition to these commercial services, Apetit Suomi produces services in human resources management, IT, and environmental and financial administration for the companies in the Lännen Tehtaat Group. Mildola Oy produces vegetable oils and protein feed produced using purely natural methods. Avena Nordic Grain Oy and its subsidiaries specialize in the trading of grains, oilseeds, pulses and feed raw materials both in Finland and internationally.

Lännen Tehtaat operates in the northern Baltic region.

BUSINESS OPERATIONS	PRODUCTS AND SERVICES
Frozen Foods	
Apetit Pakaste Oy	Frozen foods, jams and marmalades
Fish	
Apetit Kala Oy	Processed fish products and retail concept sales
Maritim Food AS	Shellfish and fish products
Maritim Food Sweden AB	Shellfish in brine
Sandanger AS, 51%	Processed fish products
Vegetable Oils	
Mildola Oy	Vegetable oils and protein feed
Grain Trading	
Avena Nordic Grain Oy	Trade in grains, oilseeds, pulses and raw materials for feeds
ZAO Avena St. Petersburg, Russia	Trade in grains, oilseeds, pulses and raw materials for feeds
UAB Avena Nordic Grain, Lithuania	Trade in grains, oilseeds, pulses and raw materials for feeds
Other Operations	
Lännen Tehtaat plc	Group administration, business structure development and holding of shares and properties
Apetit Suomi Oy	Product development, marketing and sales of frozen foods and fish products, human resources management, IT, environmental and financial administration services
Joint ventures and associated companies:	
Ateriamestarit Oy, 50%	HoReCa sales
Sucros Oy, 20%	Manufacture, marketing and sales of sugar
Suomen Rehu Ltd, 49%	Development, manufacture and sales of animal feeds

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

Steering the right course

Mission

Lännen Tehtaat's mission is to produce added value for its shareholders on a long-term basis. This mission is to be achieved with the aid of profitable organic and external growth.

Vision

Lännen Tehtaat is one of the leading Finnish food companies, with operations across the northern Baltic region.

Targets

- a doubling of the Group's net sales over a period of three years
- an operating profit of at least 5% of net sales
- an equity ratio of at least 40%
- a return on equity (ROE) of at least 12%

Values

Customer focus

We recognize the needs of consumers and customers and we satisfy these needs with products and services that exceed expectations. We build success for our customers and ourselves through close cooperation.

Renewal

We actively search for new solutions and we proceed decisively and quickly to take advantage of change. Through innovation and renewal we are able to develop our business and improve our performance.

We ensure that our skills and competence are continuously updated by cultivating a working climate that encourages learning and by providing opportunities to learn. We encourage each other to improve as individuals and as employees.

We constantly update and revise our range of products and services in anticipation of the changing needs of consumers and customers. We also actively contribute to improving our operating environment.

Responsibility

We act responsibly throughout the entire chain of operations and take into account the needs and expectations of consumers, customers, personnel, shareholders, society and the environment.

We are all aware of our personal responsibility within the work community.

It is our responsibility to improve profitability and provide a good return on the capital invested in the company over the long term.

A year of big decisions

"As far as corporate restructuring in the food sector is concerned, Lännen Tehtaat is a food company with a credible role, a strong financial position and a determined and innovative attitude"

The past financial year was one in which Lännen Tehtaat plc took a number of long and purposeful strides towards its vision of being one of the leading Finnish food companies, with operations across the northern Baltic region.

As part of the action for achieving this vision, the Group decided to sell its animal feeds business, as this was no longer compatible with the strategy. This process had been set in motion during the previous year, and in January a share trading agreement was signed with Hankkija-Maatalous Oy. Based on this agreement, Hankkija-Maatalous purchased a 51% majority of the shares in Suomen Rehu Ltd at the start of June. Agreement was reached on an option scheme by which Lännen Tehtaat has the right, at any time, to sell the remaining 49% of the Suomen Rehu shares to Hankkija-Maatalous Oy. For its part, Hankkija-Maatalous has a call option on the remaining shares that it may exercise at any time, but no earlier than 15 months after the transaction, i.e. not before 6 September 2008. Upon the transfer of Suomen Rehu Ltd to Hankkija-Maatalous on 6 June 2007, Lännen Tehtaat plc was left with a 49% holding in Suomen Rehu, which thus became an associated company. The status of associated company will remain until one or other of the parties to the agreement decides to exercise its option right.

For Lännen Tehtaat, the sale of a majority holding in Suomen Rehu was a major step towards attaining the position of being one of the leading Finnish food companies. The aim of this flexible put/call option system and the two-phase nature of the arrangement was to increase the degree of flexibility regarding financing arrangements for any corporate acquisitions made. The Suomen Rehu share transaction strengthened Lännen Tehtaat's room for manoeuvre financially and improved its potential for taking advantage of development opportunities within the food industry via corporate acquisitions or through other restructuring arrangements.

In connection with the announcement of the Suomen Rehu share transaction, we also reported that we were abandoning the planned bioethanol project because it was no longer compatible with Lännen Tehtaat's chosen strategy. Nevertheless, we left open the possibility of involvement as a minority shareholder in a bioethanol production plant to be set up at Säkylä. However, with the substantial rise in grain raw material prices during the year, it became clear that the conditions did not exist for profitable grain-based bioethanol production.

In February 2007, soon after the Suomen Rehu agreement was signed, we purchased the Norwegian fish-processing company Maritim Food AS. Along with Maritim Food, the deal included transfer of Maritim's wholly owned Swedish subsidiaries Maritim Food Sweden AB and Maritim Food Sweden Egendom AB, as well as transfer of Maritim Food's 47.5% minority interest in the Norwegian company

Sandanger AS. Maritim Food also had a call option on Sandanger's shares that allowed it to increase its holding in Sandanger to 51% at the end of the summer.

As one of Norway's leading fish product manufacturers, Maritim Food fits in well with Lännen Tehtaat's Fish business. Maritim's biggest customer in Norway is the country's leading retail grocery chain, and in Sweden Maritim's clientele consists principally of customers in the country's hotel, restaurant and catering sector. Maritim Food's main product groups are shellfish in brine, processed fish products, smoked and marinated fish, and dressings. The company has two processing plants in Norway, both in Fredrikstad, and one at Munkedal in Sweden. Sandanger AS, which concentrates mainly on processed fish products, ready meals and canned fish, has a production unit at Gjerdsvika in Norway. The acquisition of Maritim Food was a logical step in strengthening Lännen Tehtaat's position within the fish business in the northern Baltic region.

With the sale of a majority of the Suomen Rehu shares and the purchase of the entire share capital of Maritim Food AS, the structure of Lännen Tehtaat's business became considerably more food-oriented. This led us to revise the segment format in our financial reporting, the principal aim of which is to provide accurate and transparent information on the state of our business operations. It was decided that the revised segmental reporting should apply from the start of 2007 and that the reporting segments should be as follows: Frozen Foods, Fish, Vegetable Oils, Grain Trading and Other Operations.

In August, Lännen Tehtaat's Norwegian subsidiary Maritim Food AS exercised its call option on the shares of associated company Sandanger AS by purchasing 3.5% of Sandanger's shares in accordance with the agreement. This raised Maritim Food's holding in Sandanger AS to 51%, giving it a majority shareholding and providing Lännen Tehtaat plc with even greater potential for developing the fish business and its production structure in Norway.

At the end of the year, Lännen Tehtaat's CFO Eero Kinnunen was appointed Deputy CEO. This appointment is consistent with the principles of good governance and underlines the CFO's key role in bringing about organic and external growth. If necessary, the Board of Directors may decide separately on temporary Deputy CEO appointments.

The latter part of the year was marked by higher prices for raw materials, energy and packaging materials and by pressure on labour costs in the food industry. There was also lively public debate and some strong views concerning rising food prices. The astonishingly low level of profitability on average in the Finnish food industry at present inevitably means that the industry will react quickly to a rise in costs.

Lännen Tehtaat plc's vision is to be one of the leading Finnish food companies, with operations across the northern Baltic region. In addition to completed acquisitions, we also conducted a considerable number of studies into other potential corporate acquisitions and restructuring arrangements during 2007. Some of these explorations are not yet completed, and others ended with the parties not being able to reach a mutually satisfactory conclusion. During the year, the mergers and acquisitions market was a seller's market, and accordingly prices were high. However, towards the end of the year the market began to cool down, and the buyer's position will no doubt be stronger now.

Frozen Foods

Profitability in the Frozen Foods business improved during 2007, not least because of the determined efforts to raise productivity and cost-efficiency. The better than expected financial performance was also attributable to careful control of capital and the successful management of development projects.

Fish

A number of disruptive events affected the Fish business in Finland during the year.

In the run up to Easter, Apetit Kala's operations were among those affected by one of the threatened strikes in the food industry that emerged from the spring round of collective agreement talks. The preparations for this strike and then the dismantlement of these preparations following cancellation of the strike threat led to additional non-recurring costs for Apetit Kala in March/April. Not long after the strike threat had been lifted, the Kuopio production plant suffered a series of difficult equipment failures that caused breaks in production and led to additional non-recurring costs.

One of the foundations for a profitable Fish business is a high level of labour and raw material productivity. To this end, the functions of Apetit Kala Oy's Kustavi production plant were transferred to the Kuopio plant in late spring. In the summer, the decision was taken to transfer production from the Kerava production and logistics facility to Kuopio, and this was undertaken in the autumn. By centralizing production in this way, the aim is to achieve a significant improvement in productivity and cost-efficiency. The costs of transferring production from Kustavi and Kerava were entered as normal operating expenses.

In later summer, organizational changes were made at Apetit Kala Oy, with the aim of strengthening expertise in purchasing and the expertise necessary for seeking further productivity improvements and developing the best delivery performance in the sector. Ari Laarne was appointed Apetit Kala's new Managing Director as from the start of August and is responsible especially for developing the company's core processes and enterprise resource planning. Heljä Mantere was appointed Production Manager, with responsibility for production development, productivity improvement and quality. Later in the autumn, Jarno Järvinen was appointed the company's new Purchasing Manager. In all these new appointments, the high level of expertise will ensure that the company moves forward confidently.

During the autumn, the Fish business in Finland was able to operate without interruption. Delivery performance also returned to the targeted level after the events of the spring and summer.

The process of integrating the recently acquired Maritim Food AS into Lännen Tehtaat and taking advantage of the synergy benefits proceeded according to plan. Sales to Maritim Food's main customer grew both in value and volume.

The profitability of the Fish business for the year was nevertheless considerably short of the targeted level due to the problems that occurred in the company's Finnish operations.

Vegetable Oils

In the Vegetable Oils business, after two successive years of record profit Mildola Oy encountered difficult market conditions in respect of raw material and product prices quoted on the world market. The rise in raw material prices was faster and sharper than anticipated, and it was not possible to introduce corresponding increases in sales prices. The corrective action taken regarding sales prices only began to have an effect at the end of the final quarter.

The profitability of the Vegetable Oils business fell as expected, but ended below the targeted level.

Grain Trading

The year was a very successful one for the Group's grain trading company Avena Nordic Grain Oy, despite the nervous market in the second half of the year as grain and oilseed prices rose rapidly and proved difficult to anticipate. Avena Nordic Grain's net sales for the year were up significantly as a result of both higher volumes and higher prices.

Thanks to its well-chosen and well-executed commercial tactics, the company's profitability also exceeded the targets set.

Other Operations

The Group's shared resources in Apetit Suomi Oy, comprising sales, marketing, IT, human resources management, financial management and environmental management, produced services for all the Group's businesses with the planned level of efficiency. The Lännen Tehtaat plc functions serving each of the businesses also performed in line with the plans.

The profitability of Other Operations was better than planned.

Sugar production by our associated company Sucros Ltd

In early February 2008, we took the decision together with Sucros Ltd and Danisco Sugar A/S to continue beet sugar production at Sucros Ltd's Säkylä mill. The decision was possible because a sufficient number of growers had reported their desire to continue growing sugar beet, and the necessary number of growing contracts to secure production at the Säkylä sugar mill were then signed during January and February. The decision means that in the future, Finnish consumers will still be able to buy sugar produced from beet grown in Finland.

Finally

Although considerable changes were made in the past financial year, there remain significant challenges ahead of us which are likely to be at least as substantial and rewarding.

The challenge of attaining profitable growth in our continuing operations does not diminish from one year to the next. In 2008, the emphasis is on achieving a healthier performance from those businesses that suffered a deterioration in their profitability, especially the Fish business.

Lännen Tehtaat plc will continue to proceed in a consistent and determined manner towards its chosen vision. The many corporate acquisitions and restructuring projects completed or under way provide us with an excellent fund of knowledge and an unrivalled view of the market, aiding us in our future decisions. We will continue to invest heavily in these projects and aim to secure rapid and profitable external growth. As far as corporate restructuring in the food sector is concerned, Lännen Tehtaat is a food company with a credible role, a strong financial position and a determined and innovative attitude.

We are keenly aware, of course, that profitable organic and external growth cannot occur without the right resources and partners. Special thanks go to all of the Group's personnel for a job well done. Without your commitment, our company could not have taken such significant strides in the right direction. I would also like to thank the company's shareholders for their firm support regarding the changes in the Group's operations and structure, and our partners for their input to the company's development. Last but certainly not least, a big thank you to all our consumers and customers who have again displayed confidence in our products and services. This confidence is the only true foundation on which we can build our future.

With a year of purposeful development and structural change behind us, we are in a good position together to take up the exciting new challenges – however great – that await us.

Matti Karppinen
CEO

"There's a favourable wind blowing"

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.

- ➜ Power and responsibility in the right proportion
- ➜ Equality very evident in practice
- ➜ Safety award provides inspirational example
- ➜ 'Wind in Your Sails' goes well

The Lännen Tehtaat Group employed an average of 849 people during 2007 (2006: 981; and 2005: 1,033). This reduction is attributable mainly to the sale of Suomen Rehu to Hankkija-Maatalous Oy. Acquisition of the Norwegian company Maritim Food has boosted the Group's total personnel by an average of 89 people. Salaries and other remuneration came to a total of EUR 28.6 (32.3 and 32.6) million.

The number of personnel in the Group's continuing operations was an average of 725 (662). For the personnel in the continuing operations, salaries and other remuneration amounted to a total of EUR 23.8 (20.6) million.

In personnel development, the priority was again on improving management skills and professional competence. In June, 13 of Lännen's personnel successfully completed the Specialist Qualification in Management. The next group has already started the course and is due to complete it during 2008.

A workplace climate survey was conducted within the Group's Finnish units in the latter part of the year, and the results are being discussed on a unit by unit basis with the entire personnel. The necessary action emerging from this will be decided by the end of February 2008. According to the survey, employees felt that their own work is meaningful and that they have sufficient authority to manage their own areas of responsibility. Awareness of customer needs was good, and it was felt that decisions were taken promptly. It was also felt that equality between women and men has proceeded well. The quality of Lännen's own products and services was considered to be good, as was the Group's reputation as an employer. The areas with the greatest potential for improvement were considered to be supervisors' and managers' use of time and the procedures followed in meetings, the aim being to ensure an adequate flow of information.

Managerial training (Managers' Days) was arranged jointly for supervisory personnel and specialists in the Frozen Foods and Fish businesses, once in May and again in November. There were more than 50 participants on both occasions. The aim of this training is to develop leadership skills and to provide support and guidance for supervisory personnel, enabling them to better understand the business as a whole and the need for everyone to work together.

To encourage older employees to maintain and improve their physical condition and mental alertness, a three-part eight-day programme ('Wind in Your Sails') was organized. In all, there were 19 participants from a wide range of jobs within the Group.

New arrangements for acknowledging significant milestones passed by personnel members were introduced at the start of the year. The first event celebrating long-serving employees was held jointly by Apetit Pakaste, Apetit Suomi and Group Administration at Turku Castle in November.

The absence-monitoring system at **Apetit Pakaste** was remodelled jointly with personnel representatives. The aim was especially to ease the process of returning to work after a long sickness absence and to reduce the risk of renewed sick leave. Personnel training focused on self-monitoring and occupational health and safety issues.

Personnel

The Pudasjärvi pizza factory was awarded first prize in a national occupational safety competition in the Finnish food industry. During the course of the three-year competition, the factory improved its standard of occupational safety significantly, and this has inspired other units to follow its example.

Changes in personnel and job descriptions were made in **Apetit Kala's** management group and production and procurement organizations during the summer and autumn. At the same time, principal meeting and reporting practices were revised in order to establish clearer responsibilities and improve the flow of information throughout the organization. The changes contributed to an improvement in delivery reliability and productivity.

Centralization of Apetit Kala's production proceeded during the year, involving the transfer of production to the Kuopio plant, as planned. Production at Kustavi was discontinued in the second quarter of the year, and the production and packaging functions at Kerava were transferred to Kuopio during August and September. As a result, the contracts of 15 employees at Kustavi were ended, and at Kerava a number of employees were transferred to other positions internally and the contracts of 7 employees were ended. These measures have significantly improved work productivity and have also resulted in a reduction in the amount of overtime and the use of agency employees.

In the retail concept business, the number of Kalatori service counters fluctuated during the year, averaging 66. Following changes in the overall network, the average number of Kalatori personnel decreased by 3.

At Maritim Food, the main emphasis was on building contacts within the Lännen Tehtaat Group and modifying the mode of operation. Maritim representatives were among those who took part in the Managers' Days managerial training.

The principal measures taken in personnel development at **Mildola** concerned the introduction of the new enterprise resource planning system. The system of personal development discussions was also expanded and attention given to improving employee wellbeing. This work will continue during 2008.

Personnel training at **Avena Nordic Grain** included a modular training programme focusing on customer relationships and training dealing with current issues in the sector.

At Apetit Suomi's commercial services, the sales function was reorganized under separate customer account categories in order to improve customer satisfaction and achieve closer collaboration with customers.

Outlook for 2008

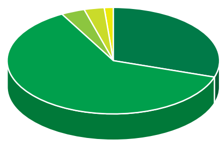
In connection with its strategy review, the Group's values have been updated. Discussion of values was begun during the Managers' Days training in the autumn. To ensure that these new values are visible in daily operations, a round of information briefings and discussions will be arranged for all personnel during the spring and summer.

Analysis of the unit by unit results of the workplace climate survey will continue with the personnel. Action plans to address areas for improvement will be drawn up by the end of February. Implementation of these plans will be monitored regularly by management.

Preparations for the 2008 introduction of the new enterprise resource planning system were begun in the final quarter of 2007. For a great many employees this will mean a significant focus on development work related to larger entities and learning new modes of operation.

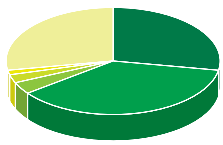
For the purpose of managing the transfer of Apetit Pakaste's Turku plant production to Säkylä, support measures are being prepared together with special programmes for recruitment and for training and induction of new employees.

At Apetit Kala, special attention will be given to leadership skills, occupational safety and the ability of employees to cope with their work. Personnel competence will be broadened with the aid of internal training focusing on the company's operations as a whole, encouraging participants to work towards continuous improvement of these operations.



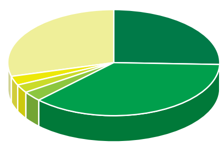
Number of personnel in the Lännen Tehtaat Group, 31 December 2007

Frozen Foods	279
Fish	579
Vegetable Oils	35
Grain Trading	29
Other Operations	12
Discontinued operations	0
Total	934



Number of personnel in the Lännen Tehtaat Group, 31 December 2006

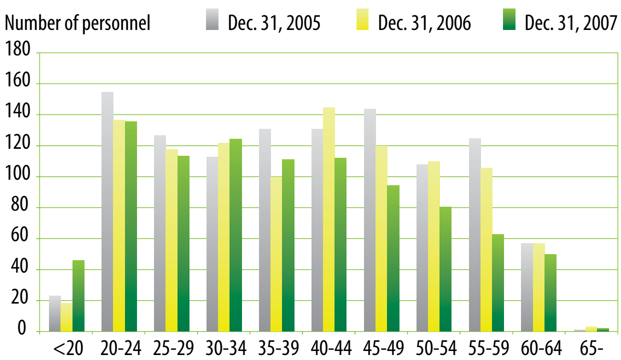
Frozen Foods	269
Fish	402
Vegetable Oils	36
Grain Trading	26
Other Operations	16
Discontinued operations	287
Total	1 036



Number of personnel in the Lännen Tehtaat Group, 31 December 2005

Frozen Foods	286
Fish	410
Vegetable Oils	35
Grain Trading	27
Other Operations	32
Discontinued operations	325
Total	1 115

Age distribution of the Lännen Tehtaat Group personnel



Measuring quality is more than a matter of taste

- ➜ High quality possible once risks are identified
- ➜ Systematic monitoring begins with suppliers and growers
- ➜ Product quality concerns safety, health and taste
- ➜ Improvements are actively and continuously sought

Lännen Tehtaat's key operating goals are to maintain the high quality of its products, ensure an uncompromising level of product safety and a high level of customer satisfaction.

The Group is able to achieve its quality goals through the application of certified operational management systems, HACCP (Hazard Analysis and Critical Control Point) systems, and constant self-monitoring and customer satisfaction assessment. Development of the Group's operations is based on a process of continuous improvement.

The Apetit brand

Apetit Suomi Oy's commercial services unit is responsible for development, sales and marketing of products sold under the Apetit brand. Apetit products promise consumers enjoyment and wellbeing – every time. This promise is the guiding principle throughout Apetit's Frozen Foods and Fish businesses, from raw material procurement to the finished products. The aim is to ensure that finished products meet consumer expectations concerning the Apetit brand.

In the product development process, new concepts and products are tested before they are brought to market. In order to develop products and operations on a continuous basis, consumer services monitors the quantity and content of customer feedback by product group and for each product. 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 regularly.

Frozen Foods

To ensure product safety, **Apetit Pakaste Oy** has conducted an HACCP (Hazard Analysis and Critical Control Point) assessment, as required under Finland's foodstuffs legislation. The assessment covers the entire chain from raw material cultivation to the finished products. The system allows significant food safety risks to be identified, evaluated and managed. Self-monitoring plans have been devised for each department on the basis of risk assessment. Quality assurance is conducted through product testing to ensure that products meet agreed quality standards.

Apetit Pakaste's operating guidelines have been incorporated into the operational management system, which is certified under ISO 9001:2000. In personnel training, attention has been given not only to self-monitoring but also to occupational health and safety matters.

Fish

At Apetit Kala Oy, product safety is ensured by examining product groups in accordance with the requirements of the HACCP system and by providing food and hygiene training for the personnel. Achievement of quality targets is ensured though continuous self-monitoring of production and via sensory examination for consistency. The success of this quality control is judged on the basis of the non-conformities found in self-monitoring and the customer feedback received. This feedback is examined as part of the daily management process, which guarantees a quick response to any shortfall in quality.

Food safety management at **Maritim Food group** is certified in accordance with the British Retailer Consortium (BRC) Food Standard. This requires a fully operational HACCP system, a documented quality management system, and product, process and personnel controls within the factory environment. Maritim Food also has an ISO 9001:2000 quality certificate.

Vegetable Oils

Mildola Oy has been operating according to a certified quality management system that meets the requirements of ISO 9001:2000 since 1996. The system also incorporates HACCP assessment in order to ensure product safety.

Grain Trading

Avena Nordic Grain Oy operates according to a certified operating system that meets the requirements of ISO 9001:2000 and the Coceral European Code of Good Trading Practice. The most important quality indicators are customer satisfaction and delivery performance.

We should treat nature well, because it treats us well

Frozen Foods

Apetit Pakaste Oy produces frozen vegetables, frozen ready meals and jams and marmalades. The company has production units in three different locations in Finland.

The Finnish ingredients used are procured through contract growing. The methods used in this and in subsequent processing are environmentally friendly and minimize adverse environmental effects. The contract growing is based on integrated production (IP), in which carefully chosen and well planned farming methods are used to improve the quality of products and reduce the detrimental effects of cultivation. Every contract grower is trained to know the special requirements for growing the vegetables in question.

To reduce the environmental loading from production, a development programme based on environmental targets is being put into effect at Lännen Tehtaat's production sites. The aim of the programme is to reduce the volume of process water and the amount of energy consumption in line with pre-determined targets. The targets set for cutting waste have already been met, and the benchmarks now used are the figures of 22.78 kg per product tonne for the total amount of waste and 0.17 kg per product tonne for the amount of landfill waste. The majority of the waste is now re-utilized.

Investment decisions take into account the potential environmental effects, thus supporting attainment of the targets in the environmental management system. On the production side, investment in 2007 included improved automation for the freezer plants, and three existing freezer systems were replaced with a single, more energy-efficient flow-freezer.

Apetit Pakaste has a certified operational management system based on the ISO 9001 and ISO 14001 standards.

Fish

Apetit Kala Oy produces processed fish products at its production facilities in Kuopio using mainly rainbow trout, salmon and whitefish. Apetit Kala's raw material procurement 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 guidelines 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 also requires that wild fish be caught on a sustainable basis. Undersize limits have been set for several fish species, and the vitality of fish stocks is preserved by the use of restrictions concerning fishing gear.

A large proportion of the rainbow trout raw material used in Apetit Kala's production is today transported in recyclable plastic transport containers. Distribution of the finished products also uses recyclable boxes.

The fish bio-waste produced in the production process and other food waste at the production plants is used as a raw material in animal feed or is supplied for composting. At all stages, design improvements are sought to make the use of raw materials and packaging more efficient and to reduce losses. Apetit Kala introduced a new waste, water consumption and energy consumption monitoring system in 2007.

Apetit Kala's facilities at Kuopio and Kerava have a valid environmental permit.

Maritim Food was added to Lännen Tehtaat on 1 March 2007. The companies belonging to Maritim Food process, market and sell a variety of shellfish and fish products in Norway and Sweden. Their main product groups are shellfish products, fish products, smoked and marinated fish, and dressings. Maritim Food has three production facilities in Norway and one in Sweden. The company's shellfish products are also sold in Finland.

At the Stabburveien unit, which produces smoked and marinated processed fish products and dressings, fish bio-waste is processed into raw materials for animal feed in a process approved by the Norwegian food safety authority. The process water is treated in four stages before being discharged into the wastewater system. The plant has a programme in place to constantly reduce energy and water consumption. At the Råbekksvingen fish-processing plant, the waste generated is mainly paper, board and plastic. Water is mainly used for cooling.

The companies belonging to Maritim Food are committed to taking the environment into account in all their operations. All production facilities have a valid environmental permit. Compliance with the terms of the permits is ensured through internal monitoring.

Vegetable Oils

Mildola Oy is the leading rapeseed crushing company in Finland. The company markets vegetable oils in the EU and protein feed in Finland. Mildola's operations are based on a production chain management system designed to be of an ethically high standard and to minimize the adverse effects on the environment. With its natural and environmentally friendly production process, the company is a pioneer in the modern vegetable oil industry.

Environmental matters are covered by the company's certified quality system. A new waste monitoring system was introduced in 2007. The production facility in Kirkkonummi was issued an environmental permit in December 2006.

Grain Trading

Avena Nordic Grain Oy specializes in the trading of grains, oilseeds, pulses and feed raw materials in Finland and abroad. Avena Nordic Grain is a responsible producer and follows the principle of continuous improvement in developing its operations. Trading is organized so as to minimize the amount of transportation involved. The company's operating system is certified and fulfils the requirements of both ISO 9001:2000 and the Coceral European Code of Good Trading Practice. The operating system ensures that trading is conducted according to the highest professional standards and in compliance with legislation.

Lännen Tehtaat's Säkylä industrial estate

Environmental goals have been set for the Säkylä industrial estate for 2006–2008. These goals are used for monitoring compliance with the environmental permit conditions, energy consumption, and the volumes of wastewater and waste. The operating permit for the industrial estate's wastewater treatment plant lays down conditions regarding the treated wastewater released into the Eurajoki river. These conditions refer to the annual biochemical oxygen demand (BOD) load and the phosphorus load. In addition, treatment target values have been set for the BOD, the chemical oxygen demand (COD), suspended solids, phosphorus, total nitrogen and ammonium nitrogen. All the conditions laid down in the permit and all the target values specified were met and in fact surpassed.

The volume of waste increased slightly as a result of the greater amounts of vegetable raw materials supplied to meet the growing needs of the frozen foods operation and the sugar mill. The volumes of recyclable waste and landfill waste decreased on the previous year. The mixed-waste landfill in the Säkylä industrial estate was closed down according to plan in November 2007. The closure measures for the dumping area at the landfill will be executed in 2007 – 2008. Landfill waste will in future be taken to the final disposal site at Satakierto Oy's waste processing plant at Hallavaara in Köyliö.

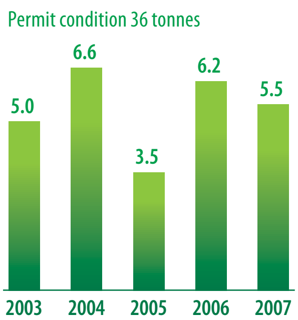
During 2007, the lake water intake at the industrial estate was expanded to ensure availability of water for firefighting and to conserve household water obtained from the municipality of Säkylä. Other environmental investment consisted of the replacement of the sanitary wastewater sewer at Apetit Pakaste and additional asphalt covering for the mixing area at the composting site and for the yard of the interim storage area for hazardous waste. A baling station and storage site for fresh beet pulp were built for Lännen Rehu's needs.

The wastewater permit for Lännen Tehtaat's Säkylä industrial estate and the environmental permit for the estate's landfill are administered by Apetit Suomi Oy's environmental management unit.

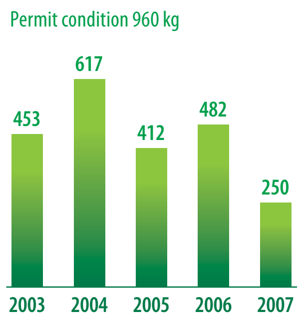
- Säkylä industrial estate's environmental permit target values achieved
- Procurement and processing of Finnish raw materials guided by need to protect environment and minimized adverse environmental effects
- Use of process water and consumption of energy are closely monitored

Lännen Tehtaat's Säkylä industrial estate

Wastewater load:
biochemical oxygen demand = bod-7 (atu), tonnes



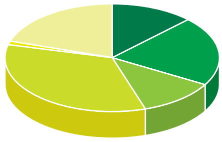
Wastewater load:
phosphorus kg



Key indicators by business operation

Net sales by business operation EUR million	2007	2006
Continuing operations		
Frozen Foods	49.3	50.2
Fish 1)	81.7	58.9
Vegetable Oils	46.0	40.6
Grain Trading	132.8	96.3
Other operations	4.4	0.0
Intra-group sales	-4.6	-1.5
Continuing operations total	309.6	244.5
Discontinued operations 2)	78.8	173.5
Total	376.8	408.7

Distribution of net sales by business operation 2007



Frozen Foods	12.5%
Fish 1)	20.8%
Vegetable Oils	11.7%
Grain Trading	33.8%
Other operations	1.1%
Discontinued operations 2)	20.1%

Operating profit excluding non-recurring items by business operation EUR million	2007	2006
Continuing operations		
Frozen Foods	3.5	2.2
Fish 1)	-1.5	1.1
Vegetable Oils	0.8	2.9
Grain Trading	3.9	2.0
Other operations	-3.0	-4.5
Continuing operations total	3.5	3.8

Investment by business operation EUR million	2007	2006
Continuing operations		
Frozen Foods	1.6	0.8
Fish 1)	4.1	0.6
Vegetable Oils	0.4	0.4
Grain Trading	0.0	0.0
Other operations	0.8	0.1
Continuing operations total	6.9	1.9
Discontinued operations 2)	0.6	5.7
Total	7.5	7.6

Operating profit by business operation EUR million	2007	2006
Continuing operations		
Frozen Foods	3.3	1.7
Fish 1)	-1.8	1.6
Vegetable Oils	0.9	3.0
Grain Trading	3.9	2.0
Other operations	-3.0	-3.0
Continuing operations total	3.2	5.3
Discontinued operations 2)	9.1	9.2
Total	12.3	14.5

Average number of personnel by business operation	2007	2006
Continuing operations		
Frozen Foods	266	275
Fish 1)	381	303
Vegetable Oils	36	36
Grain Trading	29	29
Other operations	11	19
Continuing operations total	725	662
Discontinued operations 2)	125	319
Total	849	981

1) includes Maritim Food group since 1 March 2007

2) includes Suomen Rehu group until 31 May 2007

"With time at a premium, I can wave the wand and it's ready in 15 minutes."

A reputation built on taste – and taste is assessed every day

- Enjoyment and wellbeing, every time
- Active marketing reminds consumers what's good for them
- Consumer trends focusing on locally produced food and exotic tastes

Changes in the Finnish food industry's operating environment are continuing at a fast pace. The increasing dominance of major chains in the retail grocery trade has been accompanied by an increase in international procurement by the retail trade's purchasing organizations. The major retail chains focused strongly on sales of their own private label products during the year, both in frozen foods and packaged fish products. As a consequence, the market shares of these retailer brands began to grow again. The growth in households' disposable income also led retailers to introduce private label products even for higher added value product groups and product types.

The wider variety of family sizes and circumstances in today's society has led to a greater diversity of consumer needs and desires. The average age of consumers is rising, as is the number of one- and two-person households. Consumers are also becoming more health conscious and paying more attention to the preventive health effects of food choices, alongside taste, adventure and convenience.

A key priority at Apetit is to strengthen the company's position in the expanding product areas and to further increase the added value of its products. Apetit is the brand name of the frozen foods and the fish products produced in Finland. Its slogan is 'Naturally good – the way Finns like it!'. The brand represents a promise that Apetit products are delicious, natural and good for Finnish consumers.

The Apetit product range strongly reflects today's consumer tastes, offering delicious and healthy products for everyday meals and special occasions, and for households of all sizes. Apetit products bring consumers and customers added value in the form of great flavours, freshness, healthiness and convenience. Carefully tested recipes, pure and carefully chosen ingredients and a production process that preserves freshness guarantee that the customer will not be disappointed in choosing Apetit.

Apetit is the consumer's brand of choice for frozen foods and fish products

Mission

To be a Finnish food product brand offering consumers both enjoyment and wellbeing.

Vision

Apetit is an innovator creating new, enjoyable and healthy meal options appreciated by consumers and customers.

A strong brand in frozen foods and fish products

The market success of the Apetit brand is regularly monitored. Key indicators of this are market share and consumers' awareness and impressions of the brand.

Awareness and impressions of the Apetit brand are assessed via brand flow surveys of frozen foods and fish products undertaken annually in August. In 2007, the Apetit brand retained its consumer awareness lead over competitors in both product groups, and strengthened its position among consumers as the brand of choice for frozen foods and fish products.

In frozen food products, Apetit is far and away the best known brand in spontaneous responses given by consumers. Apetit was referred to as the best known frozen food brand by 34% of consumers in the survey. If second- and third-place mentions are included, the overall spontaneous awareness rating of the Apetit brand in frozen foods rises to 52%.

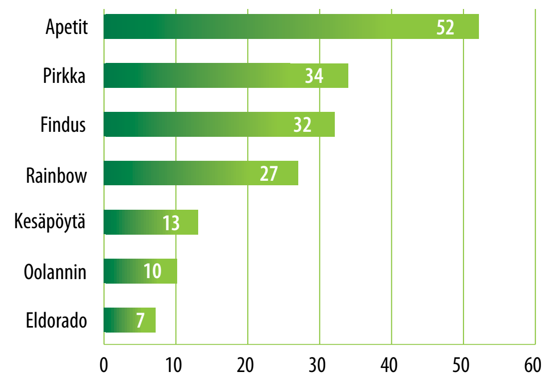
In fish products, overall spontaneous awareness of the Apetit brand in 2007 was one third greater than that for the nearest competitor. Apetit is the leading brand. Apetit consolidated its existing position and also established a lead over competitors as the brand of choice for fish products among consumers. There is still considerable potential for building brand awareness in the fish products market.

Market share is measured using retail statistics compiled by Nielsen. According to these figures, Apetit is the market leader in its biggest markets, which are frozen vegetables and consumer packs of fish. In 2007, Apetit strengthened its market share particularly in frozen pizzas and frozen potato products.

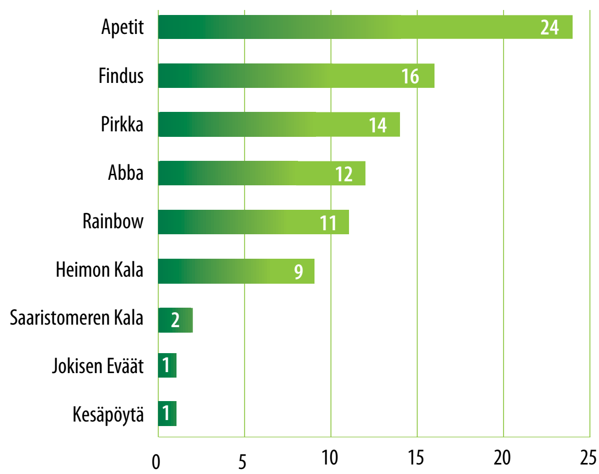
New products and consumer advertising

Consumers' strong awareness and impressions of the Apetit brand provide a solid foundation for activating consumer sales through advertising campaigns. With this in mind, Apetit is investing heavily in national TV advertising and in supporting consumers' purchasing decisions through in-store marketing in the retail trade. In addition to bringing new products to market in 2007, considerable attention was given to plans to activate consumers through advertising in order to further strengthen Apetit's position in the market for certain product groups.

Overall spontaneous awareness of frozen food brands (%)



Overall spontaneous awareness of fish product brands (%)



"When I miss Kerala, I take some brightly coloured vegetables, mix them with basmati, chili and garam masala and heat it all up!"

A fashionable and colourful collection for every day or special occasions

Vision

Apetit Pakaste Oy is Finland's leader in frozen foods.

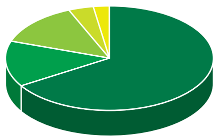
Apetit Pakaste Oy develops, produces and markets frozen foods, jams and marmalades, all made from pure and carefully chosen raw materials. The company's own brands are Apetit and Dronningholm.

Apetit Pakaste Oy was formed on 1 January 2007, when the parent company's frozen foods business was corporatized. The company is based in Säkylä, where it produces frozen vegetables and potato products, frozen ready meals, and jams and marmalades. The processing of raw vegetables for freezing is also carried out at the Säkylä factory. Apetit Pakaste also has a frozen pizza factory at Pudasjärvi, and a frozen ready meals factory and packaging operations in Turku. The Turku factory's operations will be transferred to Säkylä before the end of 2008.

The company's main product groups are frozen vegetable and potato products, frozen ready meals, frozen pizzas and jams and marmalades. Its customers and distribution channels are the main retail chains, the hotel, restaurant and catering sector, and bakeries and other food industry customers. A small proportion of the frozen ready meals and frozen peas are exported. Retail products account for almost two thirds of Apetit Pakaste's net sales, while the hotel, restaurant and catering sector and the food industry together account for about a quarter of net sales.

- ➜ A delicious aroma straight from the freezer!
- ➜ Hot and spicy growth for the Apetit brand
- ➜ Great progress with potatoes

Market share (value) 2007



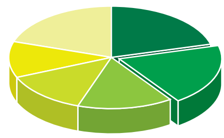
Distribution of net sales

Retailers	66%
HoReCa	14%
Food industry	13%
Exports	4%
Other	2%
Total	100%

Vegetables

- Lännen Tehtaat 42,7%
- Kesko
- Inex Partners
- Findus
- Other

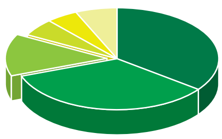
Market size EUR 41.7 million, change +3.1%



Ready meals

- Findus
- Lännen Tehtaat 19,7%
- Chips
- Inex Partners
- Kesko
- Other

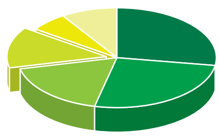
Market size EUR 33.8 million, change +7.5%



Pizzas and pizza bases

- Felix Abba
- Dr Oetker
- Lännen Tehtaat 13,3%
- Familjen Dafgård
- Inex Partners
- Other

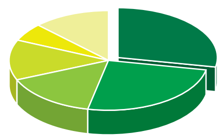
Market size EUR 38.6 million, change +5.9%



Potato products

- Chips
- Inex Partners
- Kesko
- Lännen Tehtaat 13,5%
- Tuko Logistics
- Other

Market size EUR 34.1 million, change +5.4%



Jams and marmalades

- Lännen Tehtaat 28,1%
- Saarioinen
- Kesko
- Inex Partners
- Meritalo
- Other

Market size EUR 18.9 million, change +7.4%

Source: Nielsen ScanTrack 49/2007

Apetit Pakaste's Finnish-grown vegetables, the most important of which are peas, potatoes, carrots, swede, spinach and cauliflower, are purchased from contract growers. These crops are grown in accordance with the quality criteria set by Apetit Pakaste. Most of the contract growers are located in areas of south-west Finland not far from the Säkylä factory. Imported ingredients, primarily maize, red peppers, onions, strawberries and raspberries, are purchased from reputable suppliers, mainly in the European Union.

In spring 2007, Apetit Pakaste signed contract growing agreements covering a total of about 1,630 hectares and 10 different vegetables. The 2007 growing season in Finland was a favourable one in general. For example, in relation to the target set, the crop of peas for freezing was the best in Europe. Although harvesting was hampered in places by the wet autumn conditions, harvesting was successfully completed and processing then started, continuing until early January. In all, a record total of 30.6 million kilos of Finnish vegetables was supplied to Apetit Pakaste.

Markets

Total retail sales in Apetit Pakaste's product groups in Finland were up in 2007 by 5%, according to figures from Nielsen ScanTrack. Sales of frozen vegetables, the biggest product group, were up by 3%. The growth was partly due to increased sales of retailers' private label products. Sales of frozen ready meals increased by 8%. The highest growth was in frozen meal components and frozen microwave meals for one. By contrast, there was a slight drop in sales of frozen soups following the reduced level of advertising during the winter 'soup season'. Sales of frozen potato products grew by about 5%, mainly due to the favourable trend in sales of special potato products, such as the mashed potato and creamed potato products and potato and onion mix. Sales of frozen pizzas and pizza bases were up by 6% following active marketing.

The total value of jam and marmalade sales was up by about 7%, mainly as a result of the increase in world market prices of the raw materials used and because demand shifted from special-offer products to more expensive smaller packages and premium products.

Market growth through marketing campaigns and new products

With the aid of high profile TV and in-store advertising, consumer sales of Apetit Pakaste's special potato products were up in 2007. At the same time, a new product, creamed potatoes, was added to the range. The number of households using Apetit's creamed potatoes was up by 33% following the strong advertising campaign on TV and marketing in retail stores.

At the start of the year, minced beef and vegetable soup (a favourite among Finns) was added to the Apetit Quick&Tasty range of soups. A further new product was a frozen pizza double pack

(available in Bolognese, Twin or Capricciosa) designed to boost net sales in single purchases of Apetit's frozen pizzas.

In the spring, Apetit salsas were added to the range of frozen vegetables. These are designed to make cooking easier by allowing spicy flavours to be conveniently added to all kinds of modern dishes.

Considerable attention was focused in the autumn on the Quick&Tasty range of frozen microwave meals. Spicy new products in the form of Green Curry Chicken and Tikka Masala Shrimps were launched, proving popular with consumers and resulting in growth in Apetit Pakaste's market share in the microwave meals segment, following a decline in recent years.

Apetit Pakaste's product sales in 2007 increased by about 4% altogether. Sales were up in all sales channels, primarily due to growth in Apetit's own brands. Retail sales of frozen foods and jams and marmalades were up by about 1% on the previous year's figures. The strongest growth was in frozen special potato products, where active marketing campaigns boosted sales by almost 20%. Apetit's market share in this product group rose to 21%, due not least to the growth of more than one third in the sales of mashed potato and creamed potato products. Active marketing also boosted Apetit's market share in frozen pizzas to 13%.

The joint venture Ateriamestarit Oy is responsible for sales in the hotel, restaurant and catering sector. Frozen vegetables are the largest product group in this sector. Thanks to the good crop in autumn 2006, Finnish-grown vegetables were more competitive than imported vegetables, and Apetit Pakaste's sales were up by over 10% in this sector. Surveys show that people are eating more vegetables at lunchtime, and this should allow an increase in frozen vegetable sales to the hotel, restaurant and catering sector.

Among the different sales channels, the greatest percentage growth was in exports, which was largely attributable to an increase in exports of peas. The good pea crop in Finland meant a surplus for export not only to Italy but also to central Europe, where the crop was exceptionally poor as a result of unfavourable weather conditions.

Apetit Pakaste's financial performance showed an improvement for the year as a consequence of the growth in sales, changes in the product range, higher productivity and improved cost efficiency.

To further improve productivity and cost efficiency Apetit Pakaste decided to transfer production from the Turku factory to Säkylä, which will require an investment of about EUR 4 million at Säkylä. The transfer of production is scheduled to take place before the end of 2008.

The most important investments made in 2007 were in modernizing the freezing technology used. Investment improved energy use, production logistics and product quality. In addition, the efficiency of packaging processes was improved by introducing more automation. Renewal of the company's enterprise resource planning system was also begun, and the new system is due to be introduced in 2008.

Apetit's sales growth is expected to continue in 2008.

"The secret behind my great complexion? Boneless honeyed salmon!"

Fill your sails and savour the sea air!

- The sea's finest for those who want the best
- Meeting the wishes of health-conscious consumers, "Omega-3 twice a week and conveniently"
- Fish to suit everyone

Vision

Apetit Kala Oy is Finland's largest and most profitable company in the fish business. In retail concepts for fish sales it is the leader in retail service counters in the northern Baltic region.

Apetit Kala develops, produces, markets and sells processed fish products under both the Apetit brand and private labels, and sells fresh fish, fish products and other fresh products at its Kalatori service counters.

Apetit Kala's business covers 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.

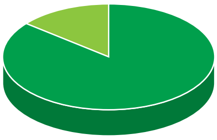
The company's main product groups are hot- and cold-smoked fish products, raw pickled fish products, fish strips and fish portions, ready-to-eat fish products and fresh fish.

Apetit Kala has a production plant in Kuopio and a distribution centre in Kerava. It also has over-the-counter sales at about 65 Kalatori service counters operating under the shop-in-shop principle. The Kalatori product range includes not only a wide selection of fish but also ready-made foods, meat products and salads.

Markets

The market for retail sales of fish grew by 10% in 2007 according to figures from Nielsen ScanTrack. With growing interest in health and general wellbeing, consumer interest in convenient packaged fish

Fish – Apetit Kala



Distribution of sales

	Fish products	86%
	Other products	14%
	Total	100%

Market shares (value) 2007

Industrially packaged fish

- Apetit Kala 34.0%
- Heimon Kala
- Kesko
- Inex Partners
- Saaristomeren Kala
- Other

Market size EUR 60.0 million, change +10.0%

Source: Nielsen ScanTrack 49/2007

products has grown. The strongest growth (16%) has occurred in the packaged fresh and processed fish segment. This growth in demand has naturally led to an increase in the range of fish products produced in the food industry and sold in the retail trade. Hot-smoked and other ready-to-eat meal components grew by 12%, and cold-smoked and raw pickled products by 2%.

Apetit Kala's market share in retail packs of fresh fish products fell by two percentage points to 34%, due to tougher competition in products with lower added value, such as packaged fillets. Its market share in cold-smoked and raw pickled products rose by 6 percentage points to 36%.

Fish and shellfish for everyday use and gourmet occasions

Already the market leader in fish products, Apetit Kala is seeking to further boost the overall demand for fish by encouraging consumers to use fish more often. For newcomers to fish, it is essential that the experience is a pleasant one and that the product is easy to use.

Apetit's selection of hot-smoked products was expanded in the summer with the launch of ready sliced and seasoned products. Topping the range were the new sliced portions of smoked rainbow trout, which instantly became a favourite with those consumers who love fish salads and other modern fish dishes.

In autumn 2007, Apetit further expanded its product range by gourmet products. September saw the introduction of Apetit Maritim shellfish in brine, which is a range of products made by Maritim Food Sweden AB, and sales of Apetit Maritim gourmet salads with either rainbow trout or shrimp began in November. Raw pickled rainbow trout flavoured with brandy was also produced for the Christmas market. Sales indicate that Apetit's plans to dominate the gourmet segment have got off to a promising start.

The beginning of 2008 has seen the launch of a further new product, Kalamestari fish strips, which are sold in packs suitable even for larger families.

Apetit Kala's net sales totalled EUR 55.7 (58.9) million in 2007.

Higher added value products accounted for a considerably greater proportion of total sales at Apetit Kala than in the previous year. Sales of cold-smoked products in consumer packs were up by well over 10% and raw pickled products by almost 20%. With innovative new products and improved availability in stores, sales of consumer-packaged hot-smoked fish (a key focus area during the year) were up by almost 10%, despite sales of hot-smoked whitefish being hit hard by the raw-material availability problems in the latter part of the year. There was tougher competition in the market for semi-finished products such as fish strips and fish portions, sales of which grew by only around 2%. Sales of products with a low added value, such as unpackaged fillets, were down by one third, contributing to the drop in Apetit Kala's total net sales for the year.

A year of centralization and development

Apetit Kala's profitability was adversely affected in the early part of the year by the high prices of its main raw materials and by process breaks and other interruptions to production. Furthermore, additional costs were incurred in the transfer of production to Kuopio from Kustavi in April/May and from Kerava in August/September.

Delivery performance and productivity improved in late summer and during the autumn as a result of centralizing production in Kuopio and the success of measures taken to improve efficiency. In purchasing, improvements were made in both contract practices and procurement processes. Operating practices at the Kalatori service counters were standardized by introducing new concept manuals and regular concept assessments, and by developing a self-assessment model for service counters.

In accordance with the plans for centralizing production, the production and office premises at Kuopio were expanded during the spring. The total cost of this investment was EUR 2.9 million. Other major investment was in renewing the smoking ovens and improving the filleting process. The advantages of centralizing production will be felt in full from the start of 2008. Measures to further streamline production are also continuing. This will include introduction in late 2008 of Lännen Tehtaat's joint enterprise resource planning system, which will replace the existing information systems and much of the manual reporting.

The financial performance of the fish processing business is affected most by the availability and price of raw materials and by the productivity of labour and raw materials. Sales are always higher at weekends and festive periods, with Christmas accounting for a considerable proportion of annual earnings. A key factor in the success of retail concepts such as Kalatori is the existence of a smoothly functioning network, high quality service and cost control.

Apetit Kala's objective is to have the best raw material procurement in the sector, the best delivery performance and reliability, and the highest productivity. To achieve these the company's core competence has been strengthened through management recruitment. The Managing Director, Ari Laarne, and the Production Director, Heljä Mantere, took up their duties at the start of August, and Purchasing Director Jarno Järvinen at the start of November.

In 2008, Apetit Kala's sales are expected to increase faster than the growth in the market.

"My daughters, being modern, like to be quick in the kitchen. But me, I've got time to browse the net."

Complementary products from waters further west

Vision

Within its chosen product markets, Maritim Food is the leading producer and the preferred supplier.

The companies belonging to Maritim Food group develop, produce and market shellfish and fish products in Norway and Sweden. Maritim Food's own brands are Maritim, Fader Martin and Sunnmöre.

Maritim Food's operations cover the entire production chain from procurement and processing of shellfish and fish to deliveries to the main retail chains and the hotel, restaurant and catering sector. Its main product groups are shellfish in brine, fish products (fishballs, fishcakes and Norwegian fish pudding), smoked and marinated fish (salmon and mackerel) and dressings. Maritim Food's products are available in retail stores throughout Norway. In Sweden, its shellfish products are used by the hotel, restaurant and catering sector nationwide.

Maritim Food AS became part of the Lännen Tehtaat Group in February 2007, following the purchase of Maritim Food's entire share capital from confectionery and snack manufacturer Brynild Gruppen AS. Along with Maritim Food AS, the deal included transfer of Maritim's wholly owned Swedish subsidiaries Maritim Food Sweden AB and Maritim Food Sweden Egendom AB to the ownership of Lännen Tehtaat, as well as transfer of the 47.5% minority interest in the Norwegian company Sandanger AS. These companies became part of the Lännen Tehtaat Group on 1 March 2007. In August 2007, Maritim Food AS exercised its call option on Sandanger's shares to increase its holding in Sandanger to 51%. Sandanger AS became part of the Lännen Tehtaat Group on 1 September 2007.

Maritim Food has two fish processing plants in Norway, both in Fredrikstad, near Oslo, and one at Dingle in southwest Sweden. The Swedish plant specializes in shellfish products. Sandanger AS, which concentrates mainly on fish products and canned fish, has a production unit at Gjerdsvika in western Norway. Maritim Food AS and its subsidiaries employ a total of about 130 people.

Markets

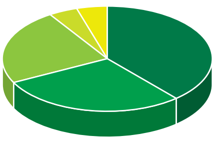
In Norway, Maritim Food is the main supplier of Fiskemannen fish products, a brand owned by Norway's biggest retail chain, NorgesGruppen. In Sweden, Maritim Food's main business is in the hotel, restaurant and catering sector.

NorgesGruppen's market share in Norway's retail trade is almost 40%, and it controls about two thirds of Norway's hotel, restaurant and catering sector. It is also Maritim Food's biggest customer.

Norwegian consumption of fresh fish products in the categories supplied by Maritim Food has been growing at an annual rate of 3-4% since 2000. Manufacturers' brand names are not generally used in the Norwegian market for fresh fish products. NorgesGruppen uses its own retail brand name in both the premium and low-price categories of fresh fish products. Its premium Fiskemannen products are supplied principally by Maritim Food.

- ➜ Known for its delivery performance
- ➜ Firm position in Sweden's HoReCa sector
- ➜ Committed to reputation as trusted supplier

Distribution of net sales



Shellfish in brine	39%
Fish products	29%
Smoked and marinated fish	23%
Dressings	4%
Other	5%
Total	100%

Maritim Food's largest product group is shellfish in brine, sales of which were up by more than 7% on the previous year's figure. During the year, Maritim also signed a new long-term supply agreement for shellfish products, which should mean a further increase in shellfish sales. The total sales value of smoked and marinated fish was down slightly on the previous year, due to the substantial drop in fish raw material prices that occurred at the end of 2006. Sales to Maritim's largest customer increased well during the year. Sales of Norwegian fish pudding and fishcakes grew by about 2% on the 2006 total, while sales of dressings were unchanged.

Maritim Food's profit for 2007 was up on the previous year's figure as a result of the growth in sales and the improvements in productivity and cost-efficiency. Additional automation has been installed at the production plants and operations have been reorganized as production has grown. The greatest increase in productivity has been achieved in the production of dressings and fish products. Production growth and improved productivity were also achieved at the subsidiary company Sandanger.

Maritim Food is known for its delivery performance. Retaining this is therefore a crucial requirement as production volumes grow.

The incorporation of Maritim Food into the Lännen Tehtaat Group began as soon as the deal was secured. The main development focus is on the potential for Apetit Kala, Maritim Food and Sandanger to work together in administration, raw material procurement, production and marketing. The integration process has proceeded according to plan.

The Norwegian market for fresh fish products is expected to grow further in 2008. Together with new supply agreements, this is likely to increase Maritim Food's sales at a faster rate than the growth in the overall market. In product development, the focus will be particularly on dressings, with the intention of reshaping the product range and introducing new low-fat alternatives.

“ I'm delightful, light, delicious and popular with the health conscious!”

Great-tasting products – eco-friendly production

- Delicious Neito vegetable oils for cooking or cold dishes
- No part of the oilseed is wasted
- Rich in natural omega-3

Mildola

Vision

Mildola is a leader in the vegetable oils business in Finland and has a major presence in the rest of Scandinavia and in the Baltic countries. In oilseed feeds, Mildola is the quality and safety leader in Finland.

Mildola develops, manufactures and markets vegetable oils and protein feeds. The main ingredients of Mildola's vegetable oils and protein feeds are rapeseed and soybeans. With its natural, environmentally friendly manufacturing process, the company is a frontrunner in modern, ethical operating methods in the vegetable oil industry.

Traditional crushing process

PERINTEINEN PURISTUSMENETELMÄ

In Mildola's traditional crushing process the oil is separated from the high-quality seeds by simply heating and crushing the seeds.

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

Mildola's vegetable oil customers are primarily companies in the food industry, the hotel, restaurant and catering sector and the retail sector. In the retail trade, the company's products are sold under Mildola's own Neito brand and private labels. Mildola sells its products to the hotel, restaurant and catering sector under the various chains' own private labels as well as 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.

Prices at a record high

The amount of rapeseed harvested across the EU in 2007 was up by about 10% on the previous year's figure. The total harvest was more than 17 (15) million tonnes. In Finland, however, the rapeseed harvest was down considerably on the previous year, at only about 113 (150) million kilos. This was due to a reduction in the area under rapeseed cultivation and a fall in the average yield per hectare.

The price of rapeseed on the commodity exchange fluctuated greatly during the year, rising from EUR 275/tonne at the start of 2007 to about EUR 430/tonne at the end of the year. The rise was especially rapid in the latter part of the year, and the price level is expected to remain high throughout 2008.

During 2007, Mildola successfully focused on sales of higher added value products, in line with its declared strategy: refined vegetable oils accounted for over 90% of Mildola's vegetable oil sales for the year. Production of private label products for hotel, restaurant and catering sector chains increased considerably in 2007, and retail sales of Mildola's own Neito brand were also up significantly, due to an expansion in the number of outlets served. The latter increase occurred particularly in sales of unflavoured Neito special rapeseed oil and the flavoured Neito lemon and herb products. The volume growth in retailers' private label products was substantial.

Together with other operators in the sector, Mildola is involved in a three-year rapeseed oil sales promotion campaign partially funded by the EU and the Finnish Government. Mildola's involvement will continue in 2008.

Mildola's full-year net sales in 2007 amounted to EUR 46.0 (40.6) million. The increase in net sales was attributable especially to sales growth in higher added value products and the increase in sales prices in the latter part of the year. In addition to Finland, the focus in vegetable oil sales was on Scandinavia and the Baltic countries, and exports to these markets were up significantly. Vegetable oil products accounted for about 65% of Mildola's net sales in 2007.

Mildola's operating result fell considerably short of both the budgeted level and the previous year's figure, due to a lower refining margin, especially in the second half of the year. An exceptionally strong rise in raw material prices began in the spring, leading to increased sales prices in the latter part of 2007.

Mildola's net sales and its operating result are influenced considerably by the quantity and quality of the main oil crop harvests, both in Finland and on the international market, as 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 in, for example, derivatives trading, with the aim of maintaining an adequate balance between buying and selling positions.

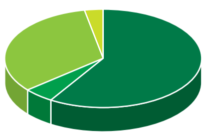
The most important of Mildola's investments during the year was the renewal of its enterprise resource planning system to meet current demands. The new system was introduced in May.

Mildola's 2008 net sales are expected to be up on the 2007 total, mainly because of the anticipated rise in sales prices.

Neito brand

The vegetable oil products sold under the Neito brand represent something new for consumers. They are characterized by freshness and a pleasing taste, and are produced using natural processes and the best raw materials. They make cooking easy and contribute to a varied and healthy diet.

Neito special rapeseed oil is a mild-tasting vegetable oil produced in a way that is as gentle and environmentally friendly as possible, and satisfies the quality requirements of even the most demanding consumers. The unique production 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	59%
Other vegetable oils	5%
Protein feeds	33%
Other	3%
Total	100%

"For me, the stock exchange is in the field and in my wallet! Lännen supplies me with the information for billing."

Weather for growing, wisdom for trading

Vision

Avena Nordic Grain is the leading grain, oilseed and feed raw material trader in Finland and has a significant position in the Baltic region and in other selected markets.

- Success due to thorough market analysis, excellent understanding of customer needs and professional execution of contracts
- Both volume and profits increased

Avena Nordic Grain Oy is active in the trading of grains, oilseeds, pulses and feed raw materials both in Finland and internationally. The company is based in Espoo and has branch offices in Vaasa, Pori, Salo and Kouvola and storage facilities throughout Finland. Its international activities are supported by subsidiaries in St. Petersburg, Russia (ZAO Avena St. Petersburg) and Vilnius, Lithuania (UAB Avena Nordic Grain), and a representative office in Almaty, Kazakhstan.

The main factors in Avena Nordic Grain's success are its thorough analysis of markets, objective market information, market-oriented spot and forward prices, excellent understanding of customer needs, and execution of contracts to the highest of professional standards.

Sharp rise in prices worldwide

Low stocks, rising demand and poor harvests in many of the major producer countries led to sharp price increases in agricultural products worldwide in 2007. In recent years, global grain consumption has exceeded production, thereby reducing grain stocks. Although world production of grain in 2007 was 80 million tonnes greater than the 2006 figure of 1,575 million tonnes, it nevertheless fell short of the earlier optimistic expectations. The rising demand for grain in the food industry, in animal feed production and in the energy sector will lead to a further reduction in stocks by the end of the 2008 harvest season.

Ukraine's grain crop amounted to only 29 million tonnes in 2007, compared with 33 and 37 million tonnes in 2006 and 2005, respectively. The Ukrainian government decided to impose export restrictions in order to control the rise in food and feed prices on the domestic market. By contrast, Russia harvested a normal grain crop and exported substantial quantities in the first months of the season, but the Russian government then announced export restrictions in order to control inflation. In Kazakhstan, the grain crop was extremely good, and there was a significant surplus for export.

The combined grain crop in all 27 EU Member States totalled only 253 million tonnes, which was even lower than the disappointing crop in 2006 (258 million tonnes). Lack of rain and high temperatures in western parts of the EU during April and frequent rainfall during the harvesting period led to a decline in yields and quality. In central and eastern Europe, the grain crop suffered from hot and dry conditions. Only the Iberian Peninsula and countries around the Baltic Sea experienced favourable conditions and produced good crops. Substantial imports of grain (mainly wheat, maize and sorghum) from third countries have helped to ease the tight supply situation. From the start of the harvest through to the end of the year, the EU, usually

a net exporter of grain, exported only 8 million tonnes but imported 15 million tonnes of grain. In a move to ensure sufficient raw materials at reasonable prices, the European Commission has proposed the suspension of all import duties on grain (with the exception of oats) until the end of the harvesting season.

Finland enjoyed favourable growing and harvesting conditions in 2007, resulting in a grain crop of 4.2 million tonnes, the second largest crop ever harvested. Surpluses of oats, barley and wheat were exported mainly to other EU countries. Due to good yields and a larger area under cultivation, the production of rye amounted to 90,000 tonnes, compared with 50,000 tonnes in 2006. Rapeseed yields were disappointing, however, resulting in a crop of only 113,000 (150,000) tonnes.

Expansion in Finland and abroad

Avena Nordic Grain continued to expand its activities on the Finnish domestic market during 2007. A new branch office was opened in Salo in August for the purpose of providing an improved service in southwest Finland. The company's market share of all grain sold in Finland was one quarter, while its share of exports was almost half, and imports more than half. The company was also a major supplier of feed raw materials on the domestic market.

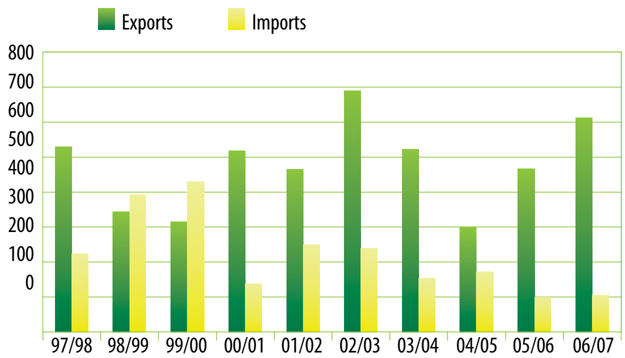
In 2007 the company increased its activities in Russia and Kazakhstan. Wheat, barley and rye were exported to various destinations during the year, for which the support of Avena's offices in St. Petersburg and Almaty was indispensable.

The company's subsidiary in Vilnius, Lithuania, also expanded its activities significantly in 2007. It procured substantially more grain on the Lithuanian domestic market than in the previous year, and this was mainly exported to other EU countries.

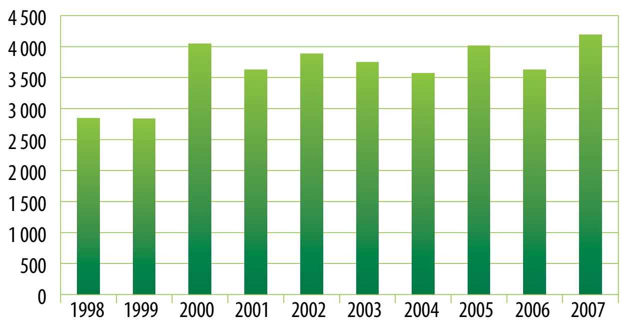
Net sales for Avena Nordic Grain totalled EUR 133 (96) million. The growth in net sales was due to increased volume and higher market prices for grains and oilseeds compared with the previous year.

In 2008, Avena Nordic Grain's operations will continue to grow both in EU markets and in third countries. Net sales will, however, depend on the quantity and quality of this season's crops and the price level in the main markets.

Grain exports and imports during crop seasons 1997/1998–2006/2007, thousands of tonnes



Crops in Finland 1998-2007, thousands of tonnes



“Olli loads up on oregano, while Ossi prefers the heat – sure-fire pizza men since they learned how to walk.”

Board of Directors' report 2007

Group structure: changes and acquisitions

With the aim of producing a more coherent business structure, Lännen Tehtaat turned the Apetit Frozen Foods and Jams unit and the Group's service operations into separate companies during the year. Previously part of Lännen Tehtaat plc, Apetit Frozen Foods and Jams became Apetit Pakaste Oy at the beginning of 2007, and the Group's service operations, comprising sales, marketing, IT, human resources management, environmental management, and some of the financial and financing management, were corporatized under the name Apetit Suomi Oy.

Apetit Kala Oy sold its 20% holding in Oy Silva Seafood AB in January 2007. The transaction had no impact on the Group's financial result.

Lännen Tehtaat's vision is to be one of the leading Finnish food companies, with operations across the northern Baltic region. As part of the strategy for achieving this, the Group decided to withdraw from the animal feeds business by selling a 51% majority of its shares in Suomen Rehu Ltd to Hankkija-Maatalous Oy at the beginning of June. Following this, Suomen Rehu Ltd and its subsidiaries were transferred to Hankkija-Maatalous and Suomen Rehu became an associated company of Lännen Tehtaat plc, which retained a 49% holding in Suomen Rehu.

In connection with the Suomen Rehu transaction, agreement was reached on an option scheme by which Lännen Tehtaat has the right, at any time, to sell the remaining 49% of the Suomen Rehu shares to Hankkija-Maatalous Oy. For its part, Hankkija-Maatalous has a call option on the remaining shares that it may exercise no earlier than 15 months after the transaction, i.e. not before September 2008.

In autumn 2006, Lännen Tehtaat and Raisio decided to dissolve ZAO Scandic Feed, the animal feed company established as a joint venture in Russia. The dissolution was completed in June.

In accordance with its strategy, Lännen Tehtaat embarked on the expansion of its food businesses, buying the entire share capital of Norwegian fish-processing company Maritim Food AS on 28 February 2007. Along with Maritim Food AS, the deal included transfer of Maritim's wholly owned Swedish subsidiaries Maritim Food Sweden AB and Maritim Food Sweden Egendom AB to the ownership of Lännen Tehtaat, as well as transfer of Maritim Food's 47.5% minority interest in the Norwegian company Sandanger AS. Maritim Food AS also had a call option on Sandanger's shares that allowed it to increase its holding in Sandanger to 51%. Maritim Food exercised this option in August, purchasing 3.5% of Sandanger's shares in accordance with the agreement. This raised Maritim Food's holding in Sandanger AS to 51%, and Sandanger became part of Maritim Food and the Lännen Tehtaat Group at the end of August 2007.

Segment reporting

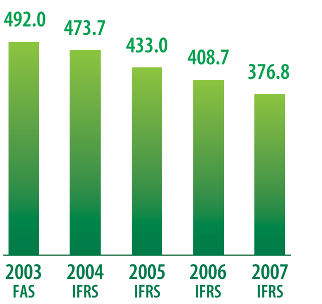
Following the changes made in the Lännen Tehtaat Group structure, the Group's segment reporting has been revised accordingly.

The Group's primary reporting format covers all of its business segments, which are as follows: Frozen Foods, Fish, Vegetable Oils, Grain Trading and Other Operations. The Frozen Foods business comprises Apetit Pakaste Oy, the Fish business Apetit Kala Oy and Maritim Food, the Vegetable Oils business Mildola Oy, the Grain Trading business Avena Nordic Grain Oy and its subsidiaries, and Other Operations Apetit Suomi Oy, the Group Administration and items not belonging to any of the other business segments. The cost effect of services produced by Apetit Suomi Oy is an encumbrance on the operating result in proportion to the use of services. The personnel of Apetit Suomi are allocated either under Frozen Foods or Fish, depending on the nature of their work.

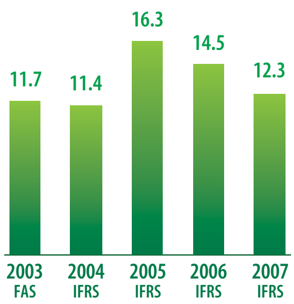
Since the beginning of 2007, Frozen Foods, Fish, Vegetable Oils, Grain Trading and Other Operations have together comprised the Lännen Tehtaat Group's continuing operations under the IFRS reporting arrangements. The figures for the previous year used for comparison purposes have been altered to conform with the new reporting structure.

The Group's secondary reporting format applies to the geographical division of its business segments, and this was also revised from the start of 2007. The geographical segments reported are Finland, Scandinavia, the Baltic countries and Russia, and Other countries.

Consolidated net sales, all operations
EUR million



Operating profit, all operations
EUR million



Reporting discontinued operations

The Group's discontinued operations in 2007 comprise Suomen Rehu, for the period up to the start of June. The profit from the sale of the majority of Suomen Rehu shares was also included under discontinued operations. In Lännen Tehtaat's consolidated income statement, the discontinued operations' profit for the year is presented as a separate line after the income statement data for the continuing operations. The figures for the previous year used for comparison are shown in the same way. In accordance with the IFRS rules, no depreciation according to plan was applied to discontinued operations after 19 January 2007. From the start of the year to the date of the Suomen Rehu transaction, the assets and liabilities of operations held for sale are presented separately from other assets and liabilities in the consolidated balance sheet as non-current assets held for sale and as liabilities associated with non-current groups of assets held for sale. The same categorization was not made in the 2006 balance sheet.

Net sales and profit

Consolidated profit for the financial year totalled EUR 13.4 (13.1) million. This includes a non-recurring sum of EUR 5.6 million as profit from the sale of the majority holding in Suomen Rehu. The profit figure for 2006 includes EUR 3.7 million in non-recurring items. The earnings per share came to EUR 2.13 (2.10).

Continuing operations

The net sales of the continuing operations in the financial year came to EUR 309.6 (244.5) million, an increase of EUR 65.1 million or 27% on the previous year. The growth occurred mainly in the Fish and Grain Trading businesses.

The operating profit of the continuing operations excluding non-recurring items was EUR 3.5 (3.8) million. Non-recurring items totalled EUR –0.3 (+1.5) million. The performance of Frozen Foods, Grain Trading and Other Operations improved on the previous year, while that of the Fish and Vegetable Oils businesses deteriorated.

Net financial expenses for the full year were EUR –0.8 (+3.2) million. In the previous year this figure included approximately EUR 2.6 million profit from the sale of shares unrelated to the Group's business.

The share in the profit of associated companies was EUR 3.5 (1.6) million: EUR 2.1 (1.8) million from Sucros and EUR 1.4 million from the 49% holding in Suomen Rehu following the sale of the majority holding in June. The share in the profit of Sucros includes non-recurrent transitional aid to full-time refiners of EUR 0.7 million, paid on the basis of the EU sugar production reform of 2006.

The pre-tax profit of the continuing operations was EUR 6.0 (10.2) million. This includes EUR –0.2 (+4.2) million in non-recurring items. The profit for the financial year was EUR 5.6 (7.5) million. Taxes for the financial year came to EUR –0.4 (–2.7) million.

Discontinued operations

The Group's discontinued operations comprise Suomen Rehu. The income statement for the previous year has been divided into continuing and discontinued operations, as if Suomen Rehu had been discontinued from the beginning of 2006.

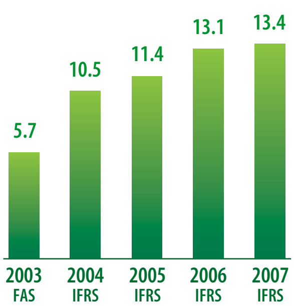
The profit for the discontinued operations for 2007 comprises the profit of Suomen Rehu from January to the beginning of June plus the profit from the sale of the majority holding in Suomen Rehu less the costs of the transaction. A tax-free profit of EUR 4.1 million on the sale of the majority holding based on a fixed share price was recognized in the second quarter. The final sales price was determined on the basis of the balance of the majority holding at the time of the transaction. The correction to the sale price for the majority holding, EUR 1.5 million, was recognized in the third quarter.

The profit of the discontinued operations for the financial year was EUR 7.8 (5.6) million.

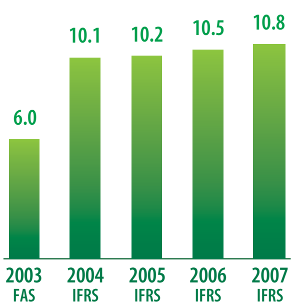
Key figures

	2007	2006	2005
All operations, total			
Net sales, EUR million	**376.8**	408.7	433.0
Operating profit, EUR million	**12.3**	14.5	16.3
Operating profit, %	**3.3**	3.5	3.8
Profit before taxes, EUR million	**14.6**	17.8	14.9
Profit before taxes, %	**3.9**	4.4	3.4
Profit for financial year, EUR million	**13.4**	13.1	11.4
Profit for financial year, %	**3.6**	3.2	2.6
Earnings per share, EUR	**2.13**	2.10	1.81
Equity per share, EUR	**20.36**	19.06	18.56
Equity ratio, %	**62.1**	50.3	50.0
Return on equity (ROE), %	**10.8**	10.5	10.2
Return on investment (ROI), %	**10.0**	11.2	10.8

Profit for the financial year
EUR million



Return on equity
%



	2007	2006	2005
Continuing operations			
Net sales, EUR million	**309.6**	244.5	
Operating profit without non-recurring items, EUR million	**3.5**	3.8	
Operating profit without non-recurring items, %	**1.1**	1.6	
Operating profit, EUR million	**3.2**	5.3	
Operating profit, %	**1.0**	2.2	

Financing and cash flow

The cash flow from operating activities in the financial year after interest and taxes amounted to EUR 5.3 (–6.4) million. The impact of the change in working capital was EUR –3.3 (–23.1) million. The cash flow from investing activities came to EUR 22.5 (–2.7) million. The impact of the sale of the majority holding in Suomen Rehu on the cash flow in investing activities was EUR 42.5 million. The cash flow from loans was EUR –24.9 (+10.1) million. EUR 5.3 (4.6) million was paid out in dividends.

At the end of the financial year, the Group had EUR 33.6 (56.0) million in interest-bearing liabilities and EUR 13.2 (7.5) million in liquid assets. Net interest-bearing liabilities totalled EUR 20.4 (48.5) million. The consolidated balance sheet stood at EUR 205.9 (237.5) million. Equity totalled EUR 128.0 (119.2) million at the end of the financial year, and the equity ratio was 62.1% (50.3%). Commercial papers issued for the Group's short-term financing stood at EUR 27.5 (38.0) million at the end of the financial year. Liquidity is secured with committed credit facilities. No credit facilities were in use at the end of the financial year.

Investment

Gross investment in non-current assets, excluding corporate acquisitions, came to EUR 7.5 (7.6) million. Investment by Frozen Foods totalled EUR 1.6 (0.8) million, by the Fish business EUR 4.1 (0.6) million, by Vegetable Oils EUR 0.4 (0.4) million and by Other Operations EUR 0.8 (0.2) million. Investment by the Feeds business up to the date of sale of the majority holding was EUR 0.6 (5.7) million.

Investment in shares during the financial year totalled EUR 11.6 (3.0) million and concerned the acquisition of shares in the Norwegian fish-processing company Maritim Food AS and in Sandanger AS.

Overview of each business

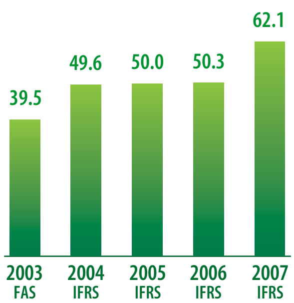
Frozen Foods

Net sales of the Frozen Foods business totalled EUR 49.3 (50.2) million. The slight decline in net sales was due to the transfer of both sugar beet contract growing and sales of the related supplies to Sucros Ltd at the beginning of 2007. The net sales associated with contract growing in the previous financial year totalled EUR 2.9 million. Food sales increased by about 4%, including an increase of about 1% in sales of retail frozen foods. Apetit's own brands once again accounted for a higher proportion of sales than in the previous year. Sales of Apetit's frozen potato products and frozen pizzas grew by more than 15%. Active marketing campaigns and new product launches expanded the overall market as well as Apetit Pakaste's share of that market. Sales in other retail product groups remained at the previous year's level. Sales in the hotel, restaurant and catering sector grew by more than 10% due to the improved competitiveness of Finnish vegetables in relation to imports. Among the different sales channels, the largest growth in relative terms was in exports. A good pea crop in Finland enabled peas to be exported not only to Italy but to central Europe too, where the crop was exceptionally poor due to unfavourable weather conditions. Exports increased by almost 40% on the previous year.

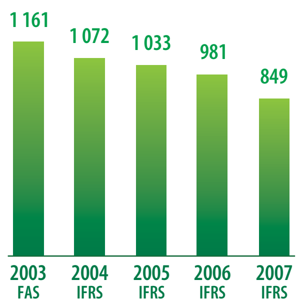
The operating profit of Frozen Foods, excluding non-recurring items, was EUR 3.5 (2.2) million. The profit was adversely affected by a non-recurring EUR 0.2 million write-down on fixed assets removed from service. Non-recurring items in the previous year totalled EUR –0.5 million. The improved profit was the result of improved product sales and changes in the product range. Systematic improvement of productivity and cost-efficiency also had a favourable impact on the profit of Apetit Pakaste. In order to continue this improvement, Apetit Pakaste decided to transfer production from its Turku plant to Säkylä, which will require an investment of about EUR 4 million at Säkylä during 2008. Earthmoving for the necessary construction work was begun in the autumn, and the construction is scheduled for 2008, the plan being to move production from the Turku plant to Säkylä by the end of the year. This centralization of production is expected to improve the operating profit by about EUR 0.9 million as of 2009.

Investment in Frozen Foods totalled EUR 1.6 (0.8) million in 2007. The most significant item was a renewal of the freezing technology, which will enhance energy efficiency and improve production logistics and product quality. Further packaging automation was also introduced.

Equity ratio
%



Average number of personnel, all operations



Fish

The net sales of the Fish business totalled EUR 81.7 (58.9) million. The increase in net sales due to the acquisition of Maritim Food and Sandanger, merged into the Group at the beginning of March and the beginning of September, respectively, was EUR 26.0 million. Apetit Kala's sales and market share declined slightly on the previous year as a result of delivery problems in the summer and the poor availability of wild fish and of the raw material for hot-smoked whitefish in the autumn. Apetit Kala introduced several new products, including sliced hot-smoked fillets, and in the autumn shellfish products from Maritim Food sold under the Apetit Maritim brand came onto the market in Finland. Also sold under the Apetit Maritim brand are the new rainbow trout and shrimp gourmet salads launched towards the end of the year.

Net sales at Maritim Food increased slightly on the previous year, mostly due to an increase in the sales of shellfish and processed fish products. Sales of dressings were roughly the same as the previous year. Sales of fish products declined in terms of total value, mainly because of a drop in raw material prices. Sales to Maritim Food's principal customer grew well during the year.

The full-year operating profit for the Fish business, excluding non-recurring items, was EUR –1.5 (+1.1) million. Non-recurring items came to EUR –0.3 (+0.4) million and comprised the write-down on Apetit Kala's Kustavi facility.

The allocation of the acquisition cost of Maritim Food caused a negative impact of just over EUR –0.5 million. The non-recurring impact of the allocation was EUR -0.3 million, and the long-term effect adding to depreciation is approximately EUR -0.2 million annually. The contribution of Maritim Food to the operating profit of the Fish business for the full year was slightly positive, as anticipated.

Apetit Kala's profitability in the early part of the year was adversely affected by high raw material prices, equipment failures and breaks in the production process. The transfer of production from Kustavi and Kerava to Kuopio also led to additional and overlapping costs. In the second half of the year, limited availability of the raw material for hot-smoked whitefish affected the delivery performance of consumer-packaged products.

The functions of the Kustavi production plant were moved to Kuopio during April/May, and the production and packaging functions of the Kerava plant during August/September. Following this, the company's entire production is now concentrated at a single plant in Kuopio. The logistics centre remains in Kerava. The cost savings from this centralization are expected to gain full effect from the beginning of 2008.

Management positions at Apetit Kala were filled during the year, with the recruitment of a managing director and production and purchasing managers. The aim was to bring more expertise to the development of the company's core processes, executive control, quality, productivity and purchasing. Delivery performance and productivity have improved as a result of efficiency measures in production control introduced in August. In purchasing, the focus has been on developing procurement channels, agreement procedures and the purchasing process.

In retail concepts, procedures were standardized among the Kalatori service counters with the introduction of new concept manuals, regular concept assessments and a self-assessment model. At the end of the financial year, there were 66 Kalatori service counters.

Investment in the Fish business during the financial year totalled EUR 4.1 (0.6) million. Of this, EUR 2.9 million was allocated to the expansion of the premises in Kuopio in accordance with the production centralization plan. Other significant investments involved replacing smoking ovens and improving the filleting process. Maritim Food investments came to EUR 0.2 million.

Vegetable Oils

The net sales of the Vegetable Oils business increased by 13% to EUR 46.0 (40.6) million. The increase was due to a growth in volume, higher added value products and higher sales prices.

Operating profit, excluding non-recurring items, was EUR 0.8 (2.9) million. The non-recurring items, EUR 0.1 (0.2) million, include the profit from the sale of the storage silo property at Kirkniemi in Lohja. The decrease in operating profit was due to a decrease in the refining margin. The sales prices of vegetable oils and protein feed have been slower to rise than the prices of raw materials, which decreased the refining margin particularly in the latter half of the year.

Gross investment in the Vegetable Oils business totalled EUR 0.4 (0.4) million. The most significant individual investment was the renewal of the company's enterprise resource planning system.

Grain Trading

Growth in the Grain Trading business continued to be strong throughout 2007. Net sales for the year were up by 38% to EUR 132.8 (96.3) million, growing on both the domestic and international market. The growth was attributable to a volume increase of about 10% and the exceptionally high market prices for grains and oilseeds.

The Lithuanian subsidiary UAB Avena Nordic Grain consolidated its position as a grain trader in the region and contributed to the net sales growth in the Grain Trading business.

In Kazakhstan, the volume of Avena's grain trading for export exceeded the level of recent years by a considerable margin. With the aim of expanding its grain procurement in Finland, Avena Nordic Grain opened an office in Salo in August, mainly to serve growers in southwest Finland.

The full-year operating profit of the Grain Trading business almost doubled, rising to EUR 3.9 (2.0) million.

Other operations

Other Operations comprise the service company Apetit Suomi Oy, the Group Administration and items not allocated under any of the business segments. The cost effect of services produced by Apetit Suomi is an encumbrance on the operating result in proportion to the use of the services.

Net sales in Other Operations amounted to EUR 4.4 (0.0) million. This figure consists of service sales by Apetit Suomi Oy; in 2006, these sales were included under other Frozen Foods operating income.

The operating profit of Other Operations, excluding non-recurring items, came to EUR –3.0 (-4.5) million. This includes Apetit Suomi Oy's positive contribution of EUR 0.5 (0.0) million. The non-recurring items concerning previous business divestments or discontinued operations and real estate deals totalled EUR 0.1 (1.5) million.

Shares and share capital

The shares of Lännen Tehtaat plc are all in one series. All shares confer the same voting and dividend rights. The Articles of Association stipulate that the number of votes a shareholder is entitled to exercise cannot exceed one tenth of the votes represented at a shareholders' meeting. The nominal value of each Lännen Tehtaat plc share is EUR 2, and the total number of Lännen Tehtaat plc shares is 6,317,576. The minimum share capital is EUR 10 million, and the maximum EUR 40 million.

Authorizations granted to the Board of Directors

The shareholders' meeting of Lännen Tehtaat plc held on 29 March 2007 authorized the Board of Directors to decide on a new issue of shares and on the transfer of Lännen Tehtaat plc shares held by the company, in one or more lots as share issues based on subscription prices. The maximum number of new shares that can be issued is 631,757, and the maximum number of Lännen Tehtaat shares held by the company that can be transferred is 65,000. The subscription price for each new share must be at least its nominal value, EUR 2. The transfer price for Lännen Tehtaat shares held by the company must be at least the current value of the share at the time of transfer, determined by the price quoted in public trading on the Helsinki stock exchange (OMX Nordic Exchange Helsinki Oy). This authorization includes the following rights: the right to deviate from the shareholders' pre-emptive subscription right if the company has a substantial financial reason to do so; the right to offer shares not only against money payment but also against capital consideration in kind or under other specified terms or by exercising right of set-off; and the right to decide on the subscription price of shares and other conditions of and matters related to the share issue.

This authorization is valid until the next Annual General Meeting. The authorization revoked the earlier authorization to issue shares, given on 29 March 2006, and the authorization to transfer the company's own shares, given on the same date.

To date, the Board of Directors has not exercised the authorization to issue shares.

Lännen shares held by the company

At the close of the financial year, the company held 65,000 Lännen Tehtaat plc shares, or 1.0% of the total shares and votes. The nominal value of these Lännen Tehtaat shares held by the company was EUR 130,000. No change occurred in the number of Lännen Tehtaat plc shares held by the company during the financial year or during the year preceding it.

Dividend distribution

The Annual General Meeting of Lännen Tehtaat plc, held on 29 March 2007, decided to pay a dividend of EUR 0.84 (0.73) per share.

Share trading

During the financial year, 923,450 (1,622,123) Lännen Tehtaat plc shares were traded on the stock exchange, i.e. 14.6% (25.7%) of the total number of Lännen Tehtaat shares. The highest share price was EUR 24.50 (24.70) and the lowest EUR 15.65 (15.26). The share turnover totalled EUR 19.3 (32.8) million. The price at the end of the year was EUR 16.19 (24.30) and the market capitalization was EUR 102.3 (153.5) million.

Flagging announcements

On 19 October 2007, Skagen Funds administered by the Norwegian company Skagen AS announced under chapter 2, section 9 of the Securities Markets Act, that it had purchased Lännen Tehtaat plc shares and that its holding on 18 October 2007 totalled 318,200 shares, which represents 5.04% of the total number of Lännen Tehtaat plc shares and of the voting rights conferred by the shares.

Ownership of shares

The distribution of ownership of Lännen Tehtaat plc shares by sector, the names of the major shareholders and the number of shares held by the Group's management are presented in the notes to the financial statements (under note 32).

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.

Seasonality of operations

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 final quarter, which means that the inventory volumes and their balance-sheet values are at their highest at the end of the year. Since the entry of the fixed production overheads included in the historical cost as an expense item 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 is most marked in Frozen Foods and in the associated company Sucros, due to the timing of the crop harvesting and production seasons.

Apetit Kala's sales peak at weekends and on seasonal holidays. A major proportion of the entire year's profit in the Fish business depends on the success of Christmas sales.

Research and development

The Group's research and development costs came to EUR 0.7 (1.1) million, representing 0.2% (0.5%) of net sales. The research and development work mainly concerned the development of new products.

In Frozen Foods, product development focused on the development of frozen ready meals with a higher added value and new kinds of frozen vegetable combinations. Product launches consisted of oven ready Apetit creamed potatoes, vegetable salsas and the new, spicy Tikka Masala Shrimps and Green Curry Chicken, both part of the Quick&Tasty range. The beginning of 2008 saw the launch of a further new Apetit product, potatoes and chopped vegetables for soups.

In the Fish business, the selection of hot-smoked products was expanded with the launch of ready sliced fillets and portions. The Apetit Maritim shellfish range was developed for the Finnish market, and rainbow trout and shrimp gourmet salads were also launched under the Apetit Maritim brand. Two products were also developed for the new Kalamestari fish strips range (both in larger packs) for launch in early 2008.

In the Vegetable Oils business, Mildola continued to develop the Neito range, launching several new products during the year. For its food industry customers the company developed a number of additional customer-specific product solutions, while for the hotel, restaurant and catering sector it focused on products designed for its new customers.

Risks, uncertainties and risk management

To improve risk management within the Group, risk surveys and risk assessments of all activities were carried out in each of the business segments during the year. The results were used to document a comprehensive risk management system. Under this system, all Group companies and business units will regularly assess and report the risks involved in their operations and the adequacy of the control and management methods. The purpose of these risk assessments, which support strategy formulation and decision-making, is to ensure that sufficient measures are taken to control risks.

The Board of Directors of Lännen Tehtaat plc has confirmed the Group's risk management policy and risk management principles.

No significant individual risks have emerged in the Group's risk assessments that would warrant special measures over and above those defined in the risk management process and forming part of normal business operations.

The Group's most significant strategic risks concern corporate acquisitions and their integration into the Group, and changes occurring in the Group's business sectors and in its customerships.

The main operating risks concern raw material availability, the time lags between purchasing and selling or use of raw materials, and fluctuations in raw material prices. Managing price risks is especially important in the Group's Grain Trading, Vegetable Oils and Fish businesses, in which raw materials represent between 65% and 85% of net sales. The prices of grains, oilseeds and the main fish raw materials are determined on the world market. In both the Vegetable Oils and Grain Trading businesses, limits are defined for open price risks.

The Group operates in international markets and is therefore exposed to currency risks associated with changes in exchange rates. The most significant currency risks concern the US dollar and the Norwegian krone.

In accordance with the Group's risk management policy, all major open currency positions are hedged. Further details concerning the management of currency risks are given in the notes to the financial statements (under note 25).

Fire, serious process disruptions and disease epidemics can all lead to major property damage, losses from breaks in production and other indirect adverse impacts on the company's operations. Group companies guard against these risks by evaluating their own processes through self-monitoring and by taking corrective action where necessary. Insurance policies are used to cover all risks for which insurance can be justified on financial or other grounds.

The process of renewing Lännen Tehtaat's enterprise resource planning system was begun in autumn 2007. The aim is to replace all of the Group's tailored operating and financial control systems with packaged business solutions. The Frozen Foods and Fish businesses and the Group's common functions will switch over to the new system during 2008.

Lännen Tehtaat is aware of the risks involved in transferring to the new system, and these risks are being regularly monitored by steering and working groups as the project progresses.

Management

At its meeting on 11 April 2007, Lännen Tehtaat plc's Supervisory Board elected Juha Nevavuori as chairman and Heikki Halkilahti as vice chairman of the Supervisory Board.

The Supervisory Board elected the following as members of the Board of Directors: Harri Eela, Aappo Kontu, Matti Lappalainen, Hannu Simula, Soili Suonoja and Tom v. Weymarn. Tom v. Weymarn was elected chairman of the Board of Directors and Hannu Simula vice chairman.

Lännen Tehtaat plc's CEO is Matti Karppinen. The Group's CFO Eero Kinnunen was appointed Deputy CEO by the Board of Directors as of 1 January 2008.

Personnel

The most important areas for personnel development are management, professional competence and workplace interactive skills.

In 2007, the Group employed an average of 849 people (2006: 981 and 2005: 1,033). The distribution of the personnel across the different business operations is as follows:

	2007	2006	2005
Frozen Foods	**266**	275	
Fish	**381**	303	
Vegetable Oils	**36**	36	
Grain Trading	**29**	29	
Other operations	**11**	19	
Continuing operations	**725**	662	
Discontinued operations	**125**	319	
Total	**849**	981	1033
Salaries and other remuneration paid, EUR million			
Continuing and discontinued operations	**28.6**	32.3	32.6
Continuing operations	**23.8**	20.6	

In the Fish business, the increase in personnel was due to the acquisition of Maritim Food.

Lännen Tehtaat publishes a separate personnel report (in Finnish), which can be viewed on the Lännen Tehtaat website at *www.lannen.fi/fi/henkilosto*.

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 in all its activities. The aim is that production should be efficient and 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 that are 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.

Environmental issues are reported in more detail (in Finnish) on the Lännen Tehtaat website at *www.lannen.fi/fi/ymparisto*.

Events since the end of the financial year

Apetit Kala's retail concept business, the Kalatori service counters, has been run both by the company and as franchises. Apetit Kala has decided to discontinue the franchise model and to take over the 11 franchised Kalatori sales points during spring 2008.

In January, Sami Haapasalmi was appointed to head the Lännen Tehtaat Group's domestic and international fish business. He is responsible for the profitability of the Fish business segment and for expanding the business both organically and through acquisition.

Continuation of beet sugar production by the associated company Sucros

In September 2007, the agriculture ministers of the European Union member states approved the new decisions on cutting sugar production. The key element of the new arrangements is that the cut in production is intended to be achieved by encouraging growers and the industry to give up production voluntarily.

Following the EU's decisions, the continuation of production at Sucros Ltd's Säkylä sugar mill has hung in the balance. In December, the producer organizations the Central Union of Agricultural Producers and Forest Owners (MTK) and the Central Union of Swedish Speaking Agricultural Producers in Finland (SLC) and Sucros Ltd signed a seven-year agreement on the terms and conditions for beet growing and sugar production. A sufficient number of growers expressed the desire to continue growing sugar beet, and the necessary number of growing contracts to secure production at the Säkylä sugar mill were signed during January and February 2008.

On 8 February 2008, Sucros Ltd and its owners Danisco Sugar A/S and Lännen Tehtaat plc took the decision to continue beet sugar production at the Säkylä mill.

Lännen Tehtaat plc has a 20% holding in Sucros Ltd, which produces sugar in Finland. This holding is valued at about EUR 19.2 million on the consolidated balance sheet. The new sectoral agreement dispelled the uncertainty over future sugar production in Finland. On this basis, Lännen Tehtaat will recognize more than EUR 3 million related to the EU restructuring aid for the closure of the Salo sugar mill as non-recurring income from the associated company Sucros Ltd in the first quarter of 2008, which means that all the compensation will have been entered in the accounts.

Alteration to reporting practice

Lännen Tehtaat has decided to alter its reporting practice in respect of the way in which it presents its share of the profit/loss of associated companies from the start of 2008. In future, the share of the profit/loss of associated companies related to food businesses will be included in the operating profit, and the share of the profit/loss of associated companies not forming part of Lännen's core businesses will be shown below the operating profit. The share of the profit/loss of Sucros Ltd, Ateriamestarit Oy and Sandanger AS is shown above the operating profit. The share of the profit/loss from Sucros Ltd and Ateriamestarit Oy is reported under Other Operations, and the share from Sandanger AS from 1 March to 31 August 2007 is reported under the Fish business.

The share of the profit from Suomen Rehu is shown below the operating profit.

Strategy review

Following a review of strategy, the Lännen Tehtaat plc Board of Directors confirmed the company's updated vision and mission statements and its corporate values. Lännen Tehtaat plc's vision is to be one of the leading Finnish food companies, with operations across the northern Baltic region. The company's mission is to produce added value for its shareholders on a long-term basis. This will be achieved by means of profitable organic and external growth. The Group's corporate values are set out under the headings of customer focus, renewal and responsibility.

The Board of Directors also approved the Group's long-term financial targets. The aim is to double net sales over a period of three years and to achieve an operating profit of 5% of net sales, a 12% return on equity, and an equity ratio in the longer term of at least 40%.

Outlook for 2008

Full year

The full year's net sales for the continuing operations are expected to be up, and the operating profit is expected to improve on the previous year.

The net sales of the Frozen Foods business are expected to increase slightly on 2007. Sales of Apetit's own brands are expected to grow, while sales to the hotel, restaurant and catering sector and to the food industry are likely to remain steady and exports are expected to decline. Apetit Pakaste's financial performance will be adversely affected by higher raw material and energy costs and the non-recurring expenses from the transfer of production from Turku to Säkylä and the introduction of the enterprise resource planning system. The positive impact of production centralization will begin to show in 2009.

The net sales of the Fish business are expected to grow with the first full year of the added net sales of Maritim Food and Sandanger. Apetit Kala's net sales are expected to increase through livelier demand and improved delivery performance, and as existing Kalatori franchises are transferred to Apetit Kala. The performance of the Fish business is expected to improve and to end up significantly in profit as a result of process development and productivity-improving measures. The operating profit will also improve with the first full year of Maritim Food being part of the Group.

The net sales of the Vegetable Oils business are expected to increase from their 2007 level due to rising product prices. The refining margin is expected to grow and the operating profit to improve on 2007.

The net sales of the Grain Trading business are expected to remain at the previous year's level. The operating profit is likely to be good, though slightly below the exceptionally good level seen in 2007.

The IFRS reporting means that a considerable proportion of the Group's profits will accrue late in the year.

Proposed dividend

The aim of the Board of Directors of Lännen Tehtaat plc is that the company's shares provide shareholders with a good return on investment and retain their value. It is the company's policy to distribute at least 40% of the profit for the financial year in dividends to the shareholders of the parent company.

The Board of Directors will propose to the Annual General Meeting that the dividend to be paid on the financial year 2007 be 40% of the profit. The Board's proposal for dividend is thus EUR 0.85 (0.84) per share.

The parent company's distributable funds totalled EUR 61,598,627.82 on 31 December 2007, of which EUR 26,783,845.36 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 0.85 per share from the distributable funds, or EUR 5,314,689.60 in total, and leaves the remaining EUR 56,283,938.22 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	2007	2006
Net sales	(2)	309.6	244.5
Other operating income	(5)	1.4	2.0
Materials and services	(8)	-239.2	-187.1
Employee benefits expense	(6,28)	-29.1	-25.5
Depreciation	(3,9)	-5.0	-4.7
Impairments	(3,9)	-0.5	-0.2
Other operating expenses	(5)	-34.1	-23.7
Operating profit	(2)	3.2	5.3
Financial income	(10)	2.0	4.8
Financial expenses	(10)	-2.7	-1.5
Share of profits of associated companies	(2)	3.5	1.6
Profit before taxes		6.0	10.2
Income taxes	(11)	-0.4	-2.7
Profit for the period, continuing operations	(12)	5.6	7.5
Discontinued operations			
Profit for the period, discontinued operations	(4)	7.8	5.6
Profit for the period		13.4	13.1
Attributable to:			
Shareholders of the parent company		13.3	13.1
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, total		2.13	2.10
Basic and diluted earnings per share, EUR, continuing operations		0.88	1.20
Basic and diluted earnings per share, EUR, discontinued operations		1.25	0.90

Consolidated balance sheet

EUR million	Note	Dec. 31, 2007	Dec. 31, 2006
ASSETS			
Non-current assets			
Intangible assets	(13)	4.7	1.5
Goodwill	(13)	7.0	17.4
Tangible assets	(13)	43.5	67.4
Investment in associated companies	(14)	39.2	23.1
Available-for-sale investments	(15)	0.1	0.1
Receivables	(16)	4.6	5.8
Deferred tax assets	(11)	0.3	0.3
		99.4	115.6
Current assets			
Inventories	(18)	64.4	65.3
Tax receivables	(11)	0.4	0.3
Trade receivables and other receivables	(17)	28.6	48.7
Financial assets at fair value through profit and loss	(19)	8.1	-
Cash and cash equivalents	(20)	5.1	7.5
		106.6	121.9
Total assets	(2)	205.9	237.5
EQUITY AND LIABILITIES	(21)		
Equity attributable to the 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		7.6	7.7
Retained earnings		71.2	63.2
Net profit for the period		13.3	13.1
Total equity attributable to the shareholders of the parent company		127.3	119.2
Minority interests		0.7	-
Total equity		128.0	119.2
Non-current liabilities			
Deferred tax liabilities	(11)	4.8	7.0
Interest-bearing long-term borrowings	(23)	5.3	7.0
Long-term provisions	(22)	0.1	-
Total non-current liabilities		10.2	14.0
Current liabilities			
Interest-bearing short-term borrowings	(23)	28.2	49.1
Tax liabilities	(11)	0.7	1.0
Trade payables and other liabilities	(24,26)	38.7	54.2
Total current liabilities		67.6	104.3
Total liabilities	(2)	77.9	118.3
Total equity and liabilities		205.9	237.5

Consolidated cash flow statement

EUR million	Note	2007	2006
Net profit for the period		13.4	13.1
Adjustments, total *)		-1.5	8.5
Change in working capital		-3.3	-23.1
Interests paid from operating activies		-2.8	-1.9
Interest received from operating activities		0.7	0.3
Taxes paid		-1.2	-3.2
Net cash flow from operating activities		5.3	-6.4
Investments in tangible and intangible assets		-7.6	-7.7
Proceeds from sales of tangible and intangible assets		0.2	4.6
Acquisition of subsidiaries deducted by cash	(3)	-9.9	-2.8
Proceeds from sales of subsidiaries	(4)	42.0	0.0
Acquisition of associated companies		0.0	-0.2
Proceeds from sales of associated companies	(4)	0.6	0.0
Purchases of other investments		-35.1	-0.1
Proceeds from sales of other investments		27.0	3.4
Dividends received from investing activities		5.3	0.0
Net cash flow from investing activities		22.5	-2.7
Proceeds from long-term loans		-	1.9
Proceeds from short-term loans		-	19.1
Repayments of short-term loans		-16.7	0.0
Repayments of long-term loans		-8.1	-10.8
Payment of financial lease liabilities		-0.1	-0.1
Dividends paid		-5.3	-4.6
Net cash flows from financing activities		-30.2	5.5
Net change in cash and cash equivalents		-2.4	-3.7
Cash and cash equivalents at the beginning of the period		7.5	11.2
Cash and cash equivalents at the end of the period		5.1	7.5
***) Adjustments to cash flow from operating activities:**			
Depreciation and impairments		5.7	8.4
Gains and losses on sales of fixed assets		-5.8	-1.3
Share of profits of associated companies		-3.6	-1.6
Financial income and expenses		1.4	-1.6
Income taxes		1.2	4.7
Other adjustments		-0.3	-0.1
Total		-1.5	8.5

Statement of changes in shareholders' equity

	Attributable to equity holders of the parent									
EUR million	Share capital	Share premium account	Net unrealised gains	Other reserves	Own shares	Translation differences	Retained earnings	**Total**	Minority interest	**Total equity**
Shareholders' equity at Jan. 1, 2006	12.6	23.4	1.9	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
Business combinations								0.0	-3.7	-3.7
Other changes	-	-	-	-	-	-	-0.3	-0.3	-	-0.3
Profit for the period	-	-	-	-	-	-	13.1	13.1	-	13.1
Total recognised income and expense	-	-	-1.4	-	-	-	12.8	11.4	-3.7	7.7
Dividend distribution	-	-	-	-	-	-	-4.6	-4.6	-	-4.6
Equity at Dec. 31, 2006	12.6	23.4	0.5	7.3	-0.8	-0.2	76.5	119.2	-	119.2
Equity at Jan. 1, 2007	12.6	23.4	0.5	7.3	-0.8	-0.2	76.5	119.2	-	119.2
Translation differences	-	-	-	-	-	0.1	-	0.1	-	0.1
Cash flow hedges, gains recorded in equity	-	-	-0.1	-	-	-	-	-0.1	-	-0.1
Taxes related to items entered into equity and removed from equity	-	-	0.0	-	-	-	-	0.0	-	0.0
Increase / decrease in subsidiary	-	-	-	-	-	0.2	-	0.2	0.7	0.9
Other changes	-	-	-	-0.1	-	-	-	-0.1	-	-0.1
Profit for the period	-	-	-	-	-	-	13.3	13.3	0.1	13.4
Total recognised income and expense	-	-	-0.1	-0.1	-	0.3	13.3	13.4	0.7	14.2
Dividend distribution	-	-	-	-	-	-	-5.3	-5.3	-	-5.3
Equity at Dec. 31, 2007	12.6	23.4	0.4	7.2	-0.8	0.1	84.5	127.3	0.7	128.0

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 14 February 2008, the Lännen Tehtaat plc Board of Directors approved the financial statements for publication.

Main operations

Lännen Tehtaat plc is a company operating in the food industry and quoted on 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 19 January 2007, Lännen Tehtaat plc sold 51% of the shares in Suomen Rehu Ltd. The transaction was finally concluded at the beginning of June 2007 when the competition authority approved the sale. Since June 2007 Suomen Rehu Ltd has been reported as associated company. Till the point of sale Suomen Rehu Ltd is reported as discontinued operations in accordance with IFRS 5. Following the deal Lännen Tehtaat decided to transfer to a new segment format in its financial reporting. The change applies to both the primary and secondary reporting form.

The primary reporting form is based on business and the reporting segments from 2007 are: Frozen Foods, Fish, Vegetable Oils, Grain Trading and Other Operations. The geographical segment format from the beginning of the year is: Finland, Scandinavia, the Baltic States and Russia, and Other countries. Lännen Tehtaat operates in the northern Baltic region.

Business divisions	Products and services
Frozen Foods	
Apetit Pakaste Oy	Frozen foods, jams and marmalades
Joint venture:	
Ateriamestarit Oy	HoReCa
Fish	
Apetit Kala Oy	Fish products and concept sales
Maritim Food AS	Shellfish and fish products
Maritim Food Sweden AB	Shellfish in brine
Maritim Food Sweden Egendom AB	Real estate management
Sandanger AS	Fish products
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	
Lännen Tehtaat plc	Group administration, business structure development and holding of shares and properties
Apetit Suomi Oy	Commercial, IT, HR, environmental and financial administration services
Associated companies:	
Sucros Ltd	Manufacture, marketing and sales of sugar
Suomen Rehu Ltd	Development, manufacture and sales of animal feeds

Accounting principles

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The IAS and IFRS standards and the SIC and IFRIC interpretations complied with are those valid on 31 December 2007. The International Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EC regulation 1606/2002. The notes to the consolidated financial statements are also 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.

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 recognised 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 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 is calculated, indirect taxes and trade discounts are deducted from 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 material 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, consolidation, inventories, unused tax losses and revaluation of derivative financial instruments. 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.

Intangible assets

Goodwill

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.

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. In the case of associated company, goodwill is included in their investment value.

Other intangible assets

An intangible asset is recognised 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, trademarks and other intangible assets 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:

Customer relationships	15 years
Trademarks	15 years
Other intangible assets	5 – 10 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 and plant	10 – 40 years
Machinery 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.

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 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.

Leases in which risks and rewards incident to ownership are not transferred to the lessee are classified as operating leases. Lease payments related to them are recognised in the income statement on a straight-line basis over the lease term.

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

Financial assets are classified to four categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity investments. The classification is conducted based on the purpose of the financial asset and when the financial asset is originally acquired.

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.

The Group does not have any held-to-maturity investments.

Loans and other receivables are non-derivative assets with fixed or measurable payments, are not publicly quoted and the Group does not held them for trading. These assets are recognised at amortised cost.

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.

Cash and cash equivalents in the balance sheet 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.

Financial liabilities are measured at amortised cost except derivative instruments. Financial liabilities are long-term or short-term and can be interest-bearing or interest-free. This item includes, for example, trade payables and loans.

Derivative financial instruments are initially recognized at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The method of recognizing any resulting gain or loss depends on the purpose of the derivative financial instrument. Those derivative financial instruments where hedge accounting applies and are effective hedge instruments, the fair value changes are recognised congruent with the hedged item in the income statement.

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. Purchases and sales of financial assets are recognised using the trade date method.

Fair values are measured using publicly quoted prices. If publicly quoted prices are not available, fair value is measured based on discounted cash flows and price quotation of the counterparty. Short-term receivables or payables are not discounted.

The carrying amounts of the financial assets are tested at each reporting date to determine whether there is objective evidence of impairment. An impairment is recognised when there is objective evidence that receivables are not fully collectible. The impairment loss is reversed if in a subsequent period the fair value of the financial asset increases and this increase can be related objectively to events occurring after the impairment was recognized.

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.

Despite certain hedging relationships fulfill the effective hedging requirements of the Group's risk management policy, the Group does not apply IAS 39 hedge accounting to all transactions done in hedging purpose. These instruments are among others derivatives to hedge operative commodity and currency risks and fair value changes are recognized to other operating income and expense in line with Group's accounting policy.

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.

The Group's most significant strategic risks concern corporate acquisitions and their integration into the Group, and changes occurring in the Group's business sectors and in its customerships.

The main operating risks concern raw material availability, the time lags between purchasing and selling or use of raw materials, and fluctuations in raw material prices. Managing price risks is especially important in the Group's Grain Trading, Vegetable Oils and Fish businesses, in which raw materials represent between 65% and 85% of net sales. The prices of grains, oilseeds and the main fish raw materials are determined on the world market. In both the Vegetable Oils and Grain Trading businesses, limits are defined for open price risks.

The Group operates in international markets and is therefore exposed to currency risks associated with changes in exchange rates. The most significant currency risks concern the US dollar and the Norwegian crone. In accordance with the Group's risk management policy, all major open currency positions are hedged.

Fire, serious process disruptions and disease epidemics can all lead to major property damage, losses from breaks in production, and other indirect adverse impacts on the company's operations. Group companies guard against these risks by evaluating their own processes through self-monitoring and by taking corrective action where necessary. Insurance policies are used to cover all risks for which insurance can be justified on financial or other grounds.

Application of new and updated IFRS

During accounting period the new IFRS 7 -standard and IAS 1 amendment increased disclosure information. Other new standards or interpretations adopted during the year did not have material effect to the financial statements.

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.

The following new standards and interpretations effective in 2008 are not relevant to the group's operations:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'
- IFRIC 12, 'Service Concession Arrangements'
- IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'

The Group will adopt in 2009 the following standards and interpretations published by IASB:

- IAS 1 (Revised), 'Presentation of Financial Statements' *)
- Amendment to IAS 23, 'Borrowing Costs' *)
- Amendment to IFRS 2, 'Share-based payment' *)
- IFRS 8, 'Operating Segments'
- IFRIC 13, 'Customer Loyalty Programmes'

The Group will adopt in 2010 the following standards and interpretations published by IASB:

- IFRS 3 (Revised), 'Business combinations' *)
- IAS 27 (Revised), 'Consolidated and separate financial statements' *)

Management is assessing the impact of the revisions in 2009 and 2010 on the financial statements of the group.

*) The revision, amendment or interpretation to published standards is still subject to endorsement by the European Union.

Note 2. 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

Frozen Foods
Fish
Grain Trading
Vegetable Oils
Other Operations

Geographical segments

The secondary segment reporting format of Lännen Tehtaat is according to the geographical segment. The market areas have been defined into four segments: Finland, Skandinavia, Baltic states and Russia and Other countries.

Discontinued operations

Suomen Rehu is presented as discontinued operations apart from continuing operations of Lännen Tehtaat till the point of sale. From the beginning of June Lännen Tehtaat's 49% ownership in Suomen Rehu Ltd is presented as an associated company in continuing operations.

Business segments 1-12/2007

EUR million	Frozen Foods	Fish	Grain Trading	Vegetable Oils	Other Operations	Continuing operations total	Discontinued operations	Total
Total external sales	49.3	81.7	132.8	46	4.4	314.2	78.8	393.0
Intra-group sales	-0.1	-0.1	-1.2	0.0	-3.2	-4.6	-11.6	-16.2
Net sales	49.2	81.6	131.6	46.0	1.2	309.6	67.2	376.8
Operating profit/loss	3.3	-1.8	3.9	0.9	-3.0	3.2	9.1	12.3
Share of profits/losses of associated companies	0.0	0.1	-	-	3.4	3.5	0.1	3.6
Assets	28.3	49.9	43.9	15.0	55.0	192.0		192.0
Unallocated						13.9		13.9
Assets total						205.9		205.9
Liabilities	6.4	11.5	16.4	2.4	2.1	38.8		38.8
Unallocated						39.1		39.1
Liabilities total						77.9		77.9
Gross investments in non-current assets	1.6	4.1	-	0.4	0.8	6.9	0.6	7.5
Corporate acquisitions and other share purchases	-	11.6	-	-	-	11.6	-	11.6
Depreciations	1.7	1.6	0.1	0.6	1.0	5.0	0.2	5.2
Impairments	0.2	0.3	-	-	-	0.5	-	0.5
Personnel	266	381	29	36	11	725	125	849

Unallocated items include tax, financing and other items common to the whole Group.

Geographical segments 1–12/2007

EUR million	Finland	Scandinavia	Baltic states and Russia	Other countries	Continuing operations total	Discontinued operations	Total
Net sales	189.2	45.8	10.0	64.6	309.6	67.2	376.8
Assets	162.8	26.1	3.0	-	192.0	-	192.0
Gross investments in non-current assets	6.7	0.2	-	-	6.9	0.6	7.5
Corporate acquisitions and other share purchases	-	11.6	-	-	11.6	-	11.6

Business segments 1–12/2006

EUR million	Frozen Foods	Fish	Grain Trading	Vegetable Oils	Other Operations	Continuing operations total	Discontinued operations	Total
Total external sales	50.2	58.9	96.3	40.6	0.0	246.0	173.5	419.5
Intra-group sales	-0.1	0.0	-1.4	0.0	0.0	-1.5	-9.3	-10.8
Net sales	50.1	58.9	94.9	40.6	0.0	244.5	164.2	408.7
Operating profit/loss	1.7	1.6	2.0	3.0	-3.0	5.3	9.2	14.5
Share of profits/losses of associated companies	0.0	0.0	-	-	1.6	1.6	0.1	1.7
Assets	28.0	25.2	30.1	14.4	18.1	115.8	90.5	206.3
Unallocated								31.2
Assets total								237.5
Liabilities	6.7	8.4	8.8	3.1	1.8	28.8	25.5	54.3
Unallocated								64.0
Liabilities total								118.3
Gross investments in non-current assets	0.8	0.6	0.0	0.4	0.1	1.9	5.7	7.6
Corporate acquisitions and other share purchases	-	1.7	-	1.3	-	3.0	-	3.0
Depreciations	2.7	0.8	0.1	0.6	0.5	4.7	3.5	8.2
Impairments	-	0.2	-	-	-	0.2	-	0.2
Personnel	275	303	29	36	19	662	319	981

Unallocated items include tax, financing and other items common to the whole Group.

Geographical segments 1–12/2006

EUR million	Finland	Scandinavia	Baltic states and Russia	Other countries	Continuing operations total	Discontinued operations	Total
Net sales	188.6	22.4	2.3	31.2	244.5	164.2	408.7
Assets	116.0	-	0.0	-	116.0	121.5	237.5
Gross investments in non-current assets	1.9	-	-	-	1.9	5.7	7.6
Corporate acquisitions and other share purchases	3.0	-	-	-	3.0	-	3.0

Note 3. Acquisitions

Lännen Tehtaat acquired on 28 February 2007 the shares of the Norwegian fish product manufacturer Maritim Food AS. The deal included 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.

The purchase price of the shares was EUR 11.1 million. The final purchase price of the shares is affected by the 2007 financial results of Maritim Food and Sandanger AS, which has an estimated effect of EUR 0.3 million. The exact amount of the result based component will be determined during the first quarter 2008.

EUR million	Fair value Feb. 28, 2007	Acquiree's carrying amounts Feb. 28, 2007
Intangible assets	2.8	0.0
Tangible assets	4.2	3.6
Deferred tax assets	0.0	0.0
Inventories	3.6	3.1
Trade receivables and other receivables	2.6	2.6
Cash and cash equivalents	1.3	1.3
Total assets	14.5	10.7
Deferred tax liablities	1.0	0.0
Long-term liabilities	5.7	5.7
Short-term liabilities	2.8	2.8
Total liabilities	9.5	8.6
Acquired portion of the net assets	5.0	2.2
Aquisition cost	11.4	
Goodwill	6.4	
Purchase consideration settled in cash	11.1	
Cash and cash equivalents in subsidiary acquired	1.3	
Cash outflow on acquisition	9.8	

The goodwill mainly comprises of synergies related sales, logistics, raw material purchases and planned savings on the fixed costs.

Net sales of Lännen Tehtaat between 1 January – 31 December 2007 would have increased by EUR 4.5 million if Maritim Food acquisition would have taken place on 1 January 2007. The corresponding effect to the net profit would have been EUR 0.0 million when taking into account the depreciations on fair value allocations and calculatory interest expense to purchase cost starting from 1 January 2007.

Maritim Food AS, the Norwegian subsidiary of Lännen Tehtaat plc exercised a call option and purchased for EUR 0.1 million 3.5% of the shares in the fish-processing company Sandanger AS in accordance with the option agreement. The transaction made Maritim Food AS the majority shareholder in Sandanger AS, with its holding rising to 51%. Sandanger AS was incorporated into the Lännen Tehtaat Group on 31 August 2007.

The total purchase price for the 51% ownership was EUR 1.1 million. There were no goodwill recognised after fair value determination of the company's assets and liabilities. Fair value allocations mostly related to intangible assets such as customer relationships.

Note 4. Discontinued operations

The sale of the majority holding in Suomen Rehu Ltd was completed at the beginning of June, when Suomen Rehu and its subsidiaries were transferred to Hankkija-Maatalous Oy. Suomen Rehu Ltd is presented as discontinued operations apart from continuing operations of Lännen Tehtaat till the point of sale. From the beginning of June Lännen Tehtaat's 49% ownership in Suomen Rehu Ltd is presented as an associated company.

Based on the change in Suomen Rehu Ltd's assets and liabilities share price adjustment was determined during the third quarter 2007 and EUR +1.5 million was recognised in the bookkeeping related to the sold 51% shareholding.

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 to Hankkija-Maatalous. The latter, for its part, has a right to buy the remaining shares, which it will be able to put into effect at the earliest 15 months after the purchase of the majority holding.

In the case of option exercise, Lännen Tehtaat receives the same price per share for the remaining 49% ownership as for the sold majority shareholding in Suomen Rehu Ltd, including the share price adjustment. In addition, the sale price is affected by the financial result of Suomen Rehu Ltd from the beginning of June 2007.

EUR million	1-5/ 2007 5 mths	1-12/ 2006 12 mths
Profits	85.2	176.7
Costs	-76.5	-169.1
Profit before taxes	8.6	7.6
Income taxes	-0.8	-2.0
Profit for the period	7.8	5.6

Profits 1-5/2007 include revenue from the sale of Suomen Rehu Ltd shares totalling EUR 5.8 million and costs include sale related expenses totalling EUR 0.2 million.

EUR million	1-5/ 2007 5 mths	1-12/ 2006 12 mths
Cash flows from operating activities	7.6	5.4
Cash flows from investing activities	-0.6	1.4
Cash flows from financing activities	-6.9	-10.5
Total financing activities	0.1	-3.7

The change in the net working capital has a significant effect on the operating cash flows.

Carrying amounts of sold assets and liabilities

EUR million	5/2007
Tangible and intangible assets	50.2
Inventories	20.9
Trade receivables and other receivables	14.6
Cash and cash equivalents	5.1
Total assets	90.9
Long-term liabilities	15.1
Short-term liabilities	38.0
Total liabilities	53.1
Consideration received	47.5
Cash disposed	5.1
Net cash inflow	42.5

A total of EUR 42.0 million of Suomen Rehu Ltd sale proceeds in cash flow statement relates to subsidiaries, and a total of EUR 0.5 million to associated companies.

Note 5. Other operating income and expenses

EUR million	2007	2006
Other operating income		
Government grants received	0.2	0.1
Gains from sales of non-current assets	0.2	0.2
Rental income	0.4	0.2
Other	0.6	1.5
Total	1.4	2.0
Other operating expenses		
Rental expenses	3.0	2.3
Losses from sales of non-current assets	0.0	0.8
Recognised as income of the provision	-	-1.9
Other	31.1	22.5
Total	34.1	23.7

Audit fees paid by the Group to its independent auditor PricewaterhouseCoopers

The audit fees relate to the auditing of the annual accounts and to the statutory 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

EUR million	2007	2006
Audit fees	0.2	0.2
Non-audit fees	0.1	0.2
Total	0.3	0.4

Note 6. Employee benefits expense

EUR million	2007	2006
Wages and salaries	23.8	20.6
Pensions, defined contribution plans	3.8	3.2
Other personnel costs	1.4	1.7
Total	29.1	25.5

Information on the remuneration and loans granted to the management is presented in note 28 “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 significant defined contribution plans within the Group. Only Maritim companies have an insignificant defined benefit plan.

Note 7. R & D expenses

R & D expenses of the Group amounted to EUR 0.7 (1.1) million, representing 0.2% (0.5%) of the net sales.

Note 8. Materials and services

EUR million	2007	2006
Raw materials and consumables	227.1	183.3
Variation in stocks	0.9	-5.6
External services	11.2	9.4
Total	239.2	187.1

Note 9. Depreciations and impairments

EUR million	2007	2006
Depreciations		
Intangible assets	0.6	0.5
Buildings	1.5	1.4
Machinery and equipment	2.9	2.8
Other tangible assets	0.0	0.0
Total	5.0	4.7
Impairments		
Buildings	0.3	0.2
Machinery and equipment	0.2	-
Total	0.5	0.2

Note 10. Financial income and expenses

EUR million	2007	2006
Financial income:		
Interest income	1.1	1.9
Dividend income	0.0	0.0
Foreign currency gains	0.4	0.0
Profits from sales of other investments	0.0	2.6
Financial assets at fair value through profit and loss	0.1	0.0
Other financial income	0.3	0.3
Total	2.0	4.8
Financial expenses:		
Interest expenses	-2.3	-1.2
Foreign currency losses	-0.2	-0.1
Other financial expenses	-0.2	-0.3
Total	-2.7	-1.5

Material and services include foreing currency losses a total of EUR 0.1 (0.2) million. Net sales include foreing currency gains a total of EUR 0.2 (0.2) million.

The ineffective portion of the change in fair value of hedge instruments totalled EUR 0.0 (0.0) million.

Note 11. Income taxes

EUR million	2007	2006
Current period taxes	0.3	2.9
Previous periods' taxes	0.0	0.0
Deferred taxes	0.1	-0.2
Total	0.4	2.7

Reconciliation of income taxes

Profit before taxes	6.0	10.2
Tax calculated at the tax rate of the parent company 26%	1.6	2.7
Effect of different tax rates in foreign subsidiaries	-0.1	0.0
Effect of associated companies	-0.9	-0.4
Expenses not deductible for tax purposes	0.0	0.5
Other items	-0.1	0.0
Tax expense in the income statement	0.4	2.7

Reconciliation of deferred tax assets and liabilities to balance sheet 2007

EUR million	Jan. 1, 2007	Charge in income statement	Charged to equity	Acquisitions, disengaged companies	Dec. 31, 2007
Deferred tax assets					
Provisions	0.0	-	-	-	0.0
Carry forward of unused tax losses	0.1	-	-	0.0	0.1
Derivative instruments	0.0	-	-	-	0.0
Intra-group margin in inventories	0.0	-	-	-	0.0
Timing difference of long term receivables	0.2	-0.1	-	-	0.1
Other	0.0	0.1	-	-	0.1
Total	0.3	0.0	-	-	0.3
Deferred tax liabilities					
Accumulated depreciation difference	-4.7	0.5	-	1.4	-2.8
Valuation of assets in Mildola's acquisition (netting Mildola's accumulated derpeciation difference)	1.6	-0.3			1.3
Valuation of assets in acquisition cost allocation calculations	-0.8	0.4	-	-1.2	-1.6
Inventories	-0.7	-0.0	-	0.1	-0.7
Goodwill	-1.7	-0.2	-	1.8	-0.1
Depreciations in discontinued operations	0.0	-0.4		0.4	0.0
Tangible assets	-0.5	-	-	-	-0.5
Other	-0.2	-0.1		-0.1	-0.4
Total	-7.0	-0.1	0.0	2.3	-4.8

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	-	-	-
Provisions	0.5	-0.5	-	-	-
Carry forward of unused tax losses	0.2	-0.1	-	-	0.1
Derivative instruments	0.2	-0.2	-	-	-
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					
Accumulated depreciation difference	-5.1	0.4	-	-	-4.7
Valuation of assets in Mildola's acquisition (netting Mildola's accumulated derpeciation difference)	1.8	-0.2	-	-	1.6
Valuation of assets in acquisition cost allocation calculations	-0.8	0.1	-	-	-0.8
Inventories	-0.8	0.1	-	-	-0.7
Goodwill	-1.2	-0.5	-	-	-1.7
Tangible assets	-0.5	-	-	-	-0.5
Available-for-sale investments	-0.6	0.6	-	-	0.0
Other	-0.2	-	-	-	-0.2
Total	-7.4	0.4	0.0	0.0	-7.0

Note 12. Earnings per share

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

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

EUR million	**2007**	2006
Profit attributable to the shareholders of the parent company : basic and diluted	**13.3**	13.1
Weighted average number of outstanding shares (1,000 pcs)	**6 253**	6 253
Diluted average number of shares outstanding (1,000 pcs)	**6 253**	6 253
Basic and diluted earnings per share (EUR)	**2.13**	2.10

Note 13. Intangible and tangible assets

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

Intangible assets 2007

EUR million	Goodwill	Intangible rights	Advance payments	Total
Acquisition cost Jan. 1	34.2	7.4	0.2	41.8
Additions	-	0.2	0.9	1.1
Additions through acquisitions	6.4	3.5	-	9.9
Disposals	-25.1	-3.6	-	-28.7
Translation difference and other changes	-	-0.1	-	-0.1
Transfers	-	0.2	-0.3	-0.1
Acquisition cost Dec. 31	15.5	7.6	0.8	23.9
Accumulated depreciation Jan. 1	-16.8	-6.1	0.0	-22.9
Disposals of subsidiaries, accumulated depreciation	8.3	3.0	-	11.3
Depreciation for the period	-	-0.6	-	-0.6
Accumulated depreciation Dec. 31	-8.5	-3.7	0.0	-12.2
Book value Dec. 31, 2007	7.0	3.9	0.8	11.7

Intangible assets 2006

EUR million	Goodwill	Intangible rights	Advance payments	Total
Acquisition cost Jan. 1	34.2	7.3	-	41.5
Additions	-	0.1	0.2	0.3
Acquired companies	-	-0.1	-	-0.1
Transfers	-	0.1	-	0.1
Acquisition cost Dec. 31	34.2	7.4	0.2	41.8
Accumulated depreciation Jan. 1	-16.8	-5.6	-	-22.4
Accumulated depreciation on disposals and transfers	-	0.2	-	0.2
Depreciation for the period	-	-0.7	-	-0.7
Accumulated depreciation Dec. 31	-16.8	-6.1	0.0	-22.9
Book value Dec. 31, 2006	17.4	1.3	0.2	18.9

Goodwill impairment testing

Impairment test for cash-generating-units containing goodwill. Goodwill has been allocated to the following cash-generating units or groups of units:

EUR million	2007	2006
Apetit Pakaste - Frozen Foods	0.4	0.4
Apetit Kala - Fish	0.2	0.2
Maritim companies - Fish	6.4	-
Suomen Rehu Ltd *)	-	16.8
Total	7.0	17.4

*) From the beginning of June 2007 Suomen Rehu Ltd is consolidated as an associated company.

The recoverable amount is based on value in use calculations. The defined expected future cash flows are based on the financial plans and prognoses approved by the Management and subsequent years to the forecasted period have been extrapolated using a growth rate between 1–2%.

The key variables used in the calculations are the budgeted gross margin and the budgeted market share. Both of them are based materially on the historical actuals. In Fish business in Finland (Apetit Kala) the estimated gross profit is higher due to measures taken in work and raw-material productivity in 2007. Centralisation of production to Kuopio also has other cost savings and benefits. The pre-tax discount rates used in the calculations are: Apetit Kala 10.9% (9.5%), Maritim companies 10.7% and Frozen Foods 9.8% (8.3%).

The recoverable amount exceeds considerably the carrying amount of the tested assets in all cash-generating units.

Sensitivity analyses of key variables: If in Apetit Kala the gross profit in the cash flow calculations decreases by 1.9 per cent in every forecasted period, other variables remaining constant, the estimated cash flow would match with the carryng amount of the tested assets. The corresponding change in Maritim companies acquired in 2007 is 1.2 per cent and in Frozen Foods 3.0 per cent.

If in Apetit Kala a decline in market share in the cash flow calculations decreases net sales by 10 per cent in every forecasted period, other variables remaining constant, the estimated cash flow would match with the carrying amount of the tested assets. The corresponding change in Maritim companies acquired in 2007 is 12 per cent and in Frozen Foods 12 per cent.

Tangible assets 2007

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost Jan. 1	4.4	64.3	64.8	0.5	0.7	134.7
Additions	-	2.9	2.6	-	0.9	6.4
Acquired companies	0.3	3.5	3.9	-	-	7.7
Disposals of subsidiaries, accumulated depreciation	-0.9	-35.2	-30.2	-0.2	-0.3	-66.8
Disposals	-0.1	-0.1	-0.1	-	-	-0.3
Transfers	-	-	-	-	-1.1	0.0
Acquisition cost Dec. 31	3.7	35.4	41.0	0.3	0.2	80.6
Accumulated depreciation Jan. 1	-0.2	-23.5	-43.3	-0.2	-	-67.2
Accumulated depreciation on disposals and transfers	-	-0.1	0.1	0.0	-	0.0
Disposals of subsidiaries, accumulated depreciation	-	16.3	18.5	0.1	-	34.9
Depreciation for the period	-	-1.5	-2.9	0.0	-	-4.4
Impairments	-	-0.3	-0.2	-	-	-0.5
Accumulated depreciation Dec. 31	-0.2	-9.1	-27.8	-0.1	-	-37.2
Book value Dec. 31, 2007	3.5	26.3	13.2	0.2	0.2	43.5

The Group received a government grant of EUR 0.1 million from TE-Centre for investing in machinery and buildings. The grant has been recognised as deduction of the acquisition cost. Machinery and equipment includes assets acquired through finance leases totalling EUR 0.3 million.

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
Disposals of subsidiaries	-	-0.3	-0.1	-	-	-0.4
Disposals	-1.0	-7.9	-0.8	-0.2	-	-9.9
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		-65.6
Accumulated depreciation on disposals and transfers	-	4.2	1.1	0.0	-	5.3
Disposals of subsidiaries, 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	0.0	-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 million from TE-Centre for investing in machinery and buildings. The grant has been recognised as deduction of the acquisition cost. Machinery and equipment includes assets acquired through finance leases totalling to EUR 0.2 million.

Note 14. Investment in associated companies and joint ventures

EUR million	**2007**	2006
Jan. 1	**23.1**	21.3
Additions / acquisitions	**18.5**	0.1
Decreases / disposals	**-0.7**	-
Impairments	**0.0**	-0.2
Share of profits for the period	**3.5**	1.9
Dividends	**-5.3**	-
Dec. 31	**39.2**	23.1

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

Associated companies

2007	Domicile	Assets	Liabilities	Net sales	Profit/loss	Group holding,%
Sucros group	Helsinki	154.8	60.5	190.8	10.3	20.0%
Suomen Rehu group	Helsinki	98.1	60.5	195.5	4.3	49.0%

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

Joint ventures

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

2007	Domicile	Assets	Liabilities	Net sales	Profit/loss	Group holding,%
Ateriamestarit Oy	Raisio	3.6	3.4	30.9	0.0	50.0%

2006	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 Scandic Feed	Russia	0.3	-	-	-0.3	50.0%

Note 15. Available-for-sale investments

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 million was recognized under financial income from the sale of the publicly listed shares and the sale of shares of unlisted companies.

EUR million	2007	2006
Investments in shares of unlisted companies	0.1	0.1

Note 16. Receivables (non-current)

EUR million	2007	2006
Receivables from associated companies	3.9	5.2
Receivables based on derivative instruments, hedge accounting	0.2	0.1
Connection fees	0.4	0.4
Other items	0.1	0.1
Total	4.6	5.8

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

Note 17. Trade receivables and other receivables

EUR million	2007	2006
Trade receivables	21.1	33.2
Loan receivables	1.7	0.0
Receivables based on derivative instruments, hedge accounting	0.5	0.3
Accrued income and deferred expenses	1.4	8.2
Other receivables	0.0	4.2
Receivables from associated companies and joint ventures		
Trade receivables	2.5	1.4
Loan receivables	1.4	1.4
Total	28.6	48.7

The substantial items in the accured income and deferred expenses relate to raw materials 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 (0.0) million on trade receivables.

Note 18. Inventories

EUR million	2007	2006
Materials and consumables	16.2	33.0
Work in progress	0.4	0.2
Finished goods	47.8	32.0
Advance payments	0.0	0.1
Total	64.4	65.3

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

Note 19. Financial assets at fair value through profit and loss

EUR million	2007	2006
Receivables based on derivative instruments, no hedge accounting	0.0	0.0
Fixed income fund	8.1	-
Total	8.1	0.0

Note 20. Cash and cash equivalents

EUR million	2007	2006
Cash and bank receivables	2.7	2.2
Short-term investments	2.3	5.3
Effect of foreign currency rate changes	0.0	0.0
Total	5.1	7.5

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, 2006	6 318	12.6	23.4	36.0
Dec. 31, 2007	**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 (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 EUR 0.8 million and it is presented as deduction of equity.

Dividends
Subsequent to the financial statement date the Board of Directors has proposed a dividend of EUR 0.85 per share to be paid.

Note 22. Provisions

EUR million	2007	2006
Restructuring provision Jan. 1	-	1.9
Changes	-	-1.9
Restructuring provision Dec. 31	-	-
Pension provision Jan. 1	-	-
Acquired companies	0.1	-
Pension provision Dec. 31	0.1	-

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 at the end of the year.

Note 23. Interest-bearing liabilities

EUR million	2007	2006
Non-current		
Loans from credit institutions	3.9	5.7
Other loans	1.2	1.2
Finance lease liabilities	0.2	0.1
Total	5.3	7.0

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. Interest-bearing long-term loans are denominated in euros totalling EUR 2.6 (5.7) million and in Norwegian crones totalling EUR 2.5 (0.0) million.

Current		
Commercial paper debts	27.5	38.0
Current portion of long term loans	0.7	11.0
Finance lease liabilities (note 26)	0.1	0.1
Total	28.2	49.1

Commercial papers are denominated in euros, floating rate and have maturity of 1–2 months. It is assessed that the book values of the borrowings correspond to their fair values.

Note 24. Trade payables and other liabilities

EUR million	2007	2006
Current		
Advances received	0.0	0.3
Trade payables	26.4	33.4
Amounts owed to associated companies and joint ventures	0.1	3.7
Payables based on derivative instruments, no hedge accounting	0.1	0.0
Accrued expenses and deferred income	10.3	14.8
Other liabilities	1.8	2.0
Total	38.7	54.2

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

Derivatives are measured at fair value through profit and loss. All other balances are measured at amortised cost.

Note 25. Financial risk management

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.

1. Market risks

Currency risk

The Group operates in international markets and is thus exposed to currency risks arising from changes 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 and Norwegian crone. As far as other currencies are concerned, the risk was immaterial.

As at 31 December 2007 (31 December 2006) the most significant net investments to foreign subsidiaries are in Norwegian crones EUR 8.8 (0.0) million and Swedish crones EUR 3.4 (0.0) million.

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 business units are responsible for currency risk hedging. Risk management policy specifically defined for the purpose, and this is monitored by the Group's Financing Department.

Sensitivity to currency risk arising from financial instruments as required by IFRS 7

Currency risk (or foreign exchange risk) arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of this IFRS, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

If at 31 December 2007 (31 December 2006) Norwegian crone would have been 10% stronger / weaker against euro, group's net profit would have increased / decreased by EUR 0.3 / -0.3 million and equity increased / decreased by EUR 0.0 million. All other variables such as interest rates remain the same on the analyses. Norwegian crone did not have significant effect in previous year because the Group acquired the fish business from Norway in 2007.

If at 31 December 2007 (31 December 2006) US dollar would have been 10% stronger / weaker against euro, group's net profit would have increased / decreased by EUR 0.0 (0.0) million and equity decreased / increased by EUR -0.1 / 0.1 (-0.3 / 0.3) million. All other variables such as interest rates remain the same on the analyses.

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. Interest-rate swaps have been treated in accordance with the principles of cash flow hedging defined in IAS 39.

Sensitivity to interest-rate risk arising from financial instruments as required by IFRS 7

At the close of the financial year, the Group had a total of EUR 4.6 (17.9) million in long-term floating rate loans from financial institutions, EUR 27.5 (38.0) million in commercial papers, and EUR 5.1 (7.5) million in liquid cash assets. With the capital structure as at 31 December 2007 (31 December 2006), a rise / decrease of one percentage point in interest rates would have decreased / increased Group's net profit by EUR 0.0 (- 0.2 / 0.2) million and equity increased / decreased EUR 0.1 / -0.1 (0.2 / -0.2) million. Part of Group's floating rate loans are hedged using interest rate swaps and this portion does not have an effect to the Group's net profit. For the interest-rate swap portion, the change in the fair value of derivative financial instruments is assumed to be recorded fully in equity. Group does not have other derivatives where fair value is based on interest rates.

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. Finnish companies of the Group have outsourced the management of the electricity portfolio. 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.

Sensitivity to commodity risk arising from financial instruments as required by IFRS 7

If at 31 December 2007 (31 December 2006) derivative based commodity prices would have been increased / decreased by 10%, group's net profit would have increased / decreased by EUR 0.0 (0.0) million and equity increased / decreased by EUR 0.2 / -0.2 (0.2 / -0.2) million. When cash flow hedge accounting is applied, the change in the fair value of derivative financial instruments is assumed to be recorded fully in equity.

Other market risks information

The sensitivity analysis presented may not be representative, since the Group's exposure to market risks also arises from other balance sheet items than financial instruments and the position on the balance sheet date may not be representative for the financial period on average. For example, the currency risk analyses only reflect the change in fair value of derivative instruments. Cash flows from derivatives are materially offset by commodity purchase prices denominated in foreign currency even though the Group does not apply IAS 39 hedge accounting to all transactions made in hedging purpose. Interest rate risk varies depending on working capital requirements of business operations.

2. Credit risk

Derivative financial instruments are only entered into with domestic and foreign banks that have a good credit rating. Commodity derivative 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 evaluates that there are no significant customer, geographical or counterparty concentrations in the Group's credit and counterparty risks.

Aging of Group's receivables

EUR million	2007	2006
Neither or less than a month past due	28.0	48.3
Past due 1 – 3 months	0.4	0.2
Past due 4 – 6 months	0.1	0.1
Past due over 6 months	0.1	0.1
Total	28.6	48.7

Other Group's receivables do not include credit risk.

3. 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 50.0 (50.0) million and also long-term binding credit facilities agreed with financial institutions; a total of EUR 15.0 (23.0) million was available in credit on 31 December 2007. The total amount of commercial papers issued were EUR 27.5 (38.0) million. Liquidity risk management is the responsibility of the parent company's Financing Department.

Group's interest-bearing loan repayments and interest cash flows on 31 December 2007

EUR million	0–3 months	4–12 months	1–5 years	over five years
Loans from financial institutions and other loans	-0.2	-0.9	-3.6	-2.5
Commercial papers	-27.5	-	-	-
Finance leasing	0.0	-0.1	-0.2	-
Interest-rate swaps	0.0	0.1	-	-
Total	-27.7	-0.9	-3.8	-2.5

Group's interest-bearing loan repayments and interest cash flows on 31 December 2006

EUR million	0–3 months	4–12 months	1–5 years	over five years
Loans from financial institutions and other loans	-0.2	-11.3	-6.3	-1.4
Commercial papers	-38.0	-	-	-
Finance leasing	-0.0	-0.1	-0.1	-
Interest-rate swaps	-0.0	0.0	0.0	-
Total	-38.2	-11.4	-6.3	-1.4

2006 includes Suomen Rehu group's loan repayments and interest.

4. Capital risk management

The main objective for capital risk management is to secure the Group's operational preconditions in all circumstances. The capital structure of the Group is reviewed by the Board of Directors on a regular basis. Lännen Tehtaat plc does not have a public rating. The Group monitors its capital on the basis of equity ratio. The Group has set a long term target of equity ratio of 40%. The equity ratio can deviate from the target ratio in the short term. The equity ratio as of 31 December 2007 was 62.1% (50.3%). The Group's strong financial position enables to execute the corporation's strategy to grow thorough mergers and acquisitions.

The amounts of the Group's interest bearing debts fluctuate significantly during the year due to a seasonality of the employed working capital. Normally the employed working capital is at highest level during the last quarter of the year and at lowest level during the spring and summer.

EUR million	2007	2006
Interest bearing liabilities	33.6	56.1
Liquid assets	13.2	7.5
Interest bearing net debt	-20.4	-48.5
Equity	128.0	119.2
Interest bearing net debt and equity total	107.6	70.7
Gearing	16.0%	40.7%
Equity ratio	62.1%	50.3%

Note 26. Finance lease liabilities

EUR million	2007	2006
Finance lease liabilities – total amount of minimum lease payments	0.3	0.2
Within one year	0.1	0.2
After one year but not more than five years	0.2	-
Finance lease liabilities – present value of minimum lease payments	0.3	0.2
Within one year	0.1	0.2
After one year but not more than five years	0.2	-
Finance charges accruing in the future	0.0	0.0

Note 27. Contingent liabilities

EUR million	2007	2006
Mortgages given for debts		
Real estate mortgages	7.3	37.5
Corporate mortgages	1.3	51.4
Shares pledged	-	3.6
Other securities given	7.7	-
Contingent liabilities on behalf of the group companies		
Guarantees	5.1	10.2
Other leases - present value of minimum lease payments		
Within one year	2.3	1.6
After one year but not more than five years	2.9	2.2
After more than five years	0.9	-
Total	6.1	3.7

The present value of minimum lease payments includes real estate leases a total EUR 5.3 (2.8) million.

Suomen Rehu Ltd - option scheme

The calculatory unrecognised value for the result based component included in the option scheme as at 31 December 2007 is approximately EUR 0.0 million.

Investment commitments

Investment commitments in Frozen Foods segment totalled EUR 4.2 million on 31 December 2007.

Market values of derivative instruments 2007

EUR million	Positive market values	Negative market values	Market values
Forward currency contracts - cash flow hedge	0.0	-	0.0
Forward currency contracts - no hedge accounting	-	-0.1	-0.1
Commodity derivative instruments - cash flow hedge	0.6	-0.0	0.6
Interest rate swaps - cash flow hedge	0.1	-	0.1

Market values of derivative instruments 2006

EUR million	Positive market values	Negative market values	Market values
Forward currency contracts - cash flow hedge	-	-0.0	-0.0
Forward currency contracts - no hedge accounting	-	-0.0	-
Commodity derivative instruments - cash flow hedge	0.3	-	0.3
Commodity derivative instruments - no hedge accounting	0.0	-	0.0
Interest rate swaps - cash flow hedge	0.1	-	0.1

Outstanding values of derivative instruments

EUR million	2007	2006
Forward currency contracts - cash flow hedge	2.2	4.4
Forward currency contracts - no hedge accounting	2.8	0.1
Commodity derivative instruments - cash flow hedge	2.6	3.8
Commodity derivative instruments - no hedge accounting	-	0.8
Interest rate swaps - cash flow hedge	25.0	25.0

Other information related to cash flow hedge

Group applies cash flow hedging to interest-rate swaps, commodity and currency derivatives. Interest-rate swaps become due between 7 January – 5 May 2008. Electricity derivatives expiry in three years being more emphasized to the two subsequent years from the balance sheet date. Other derivatives become due inside a year. Due to cash flow hedge accounting equity was decreased by EUR 0.1 million (increased by EUR 0.4 million). Derivatives affected the profit and loss statement related to net sales EUR 0.3 (0.1) million, purchases and other operating income and expense EUR 0.2 (-0.1) million, financial income and expense EUR 0.4 (0.0) million and taxes EUR -0.2 (0,0) million. Profit and loss statement effects of cash flow hedges are materially netted against the opposing fair value change of the hedged item.

Note 28. 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		
Mildola Oy	Finland	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
Maritim Food AS	Norway	100.0	100.0
Maritim Food Sweden AB	Sweden	100.0	100.0
Maritim Food Swden Egendom AB	Sweden	100.0	100.0
Sandanger AS	Norway	51.0	51.0
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 was paid EUR 6,800 (6,000), the vice chairmen EUR 6,200 (6,200) and the members EUR 200–1,000 (200 to 1,000) in fees and allowances.

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

	2007	2006
Tom v. Weymarn, chairman of the Board	33	30
Hannu Simula, vice chairman of the Board	31	30
Harri Eela, member of the Board	16	16
Aappo Kontu, member of the Board	16	16
Matti Lappalainen, member of the Board	16	16
Simo Palokangas, member of the Board until 29 November 2006	-	11
Soili Suonoja, member of the Board	16	16
Matti Karppinen, CEO	372	294

The members of the Board do not have any 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):

	2007	2006
Matti Karppinen, CEO	64	46

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 Group management on 31 December 2007 nor on 31 December 2006.

Transactions with associated companies and joint ventures

EUR million	2007	2006
Sales to associated companies	14.3	1.1
Sales to joint ventures	8.1	7.7
Purchases from associated companies	12.0	19.3
Purchases from joint ventures	0.1	0.3
Long-term receivables from associated companies	3.9	5.2
Trade receivabes and other receivables from associated companies	3.1	5.0
Trade receivabes and other receivables from joint ventures	0.8	0.6
Trade payables and other liabilities to associated companies	0.0	3.7

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

Note 29. Events since the end of the financial year

Apetit Kala's retail concept business, the Kalatori service counters, has been run both by the company and as franchises. Apetit Kala has now decided to discontinue the franchise model and to take over the 11 franchised Kalatori outlets during the spring 2008.

In January, Mr. Sami Haapasalmi was appointed to head the Lännen Tehtaat Group's domestic and international fish business. He is responsible for the profitability of the Fish business segment and for expanding the business both organically and through as acquisition.

Continuation of beet sugar production in associated company

In September 2007, the agriculture ministers of the European Union member states approved the new decisions on cutting sugar production. The key element of the new arrangements is that the cut in production is intended to be achieved by encouraging growers and the industry to give up production voluntarily.

Following the EU's decisions, the continuation of production at Sucros Ltd's Säkylä sugar mill has hung in the balance. In December, the producer organizations the Central Union of Agricultural Producers and Forest Owners (MTK) and the Central Union of Swedish Speaking Agricultural Producers in Finland (SLC) and Sucros Ltd signed a seven-year sectoral agreement on the terms and conditions for beet growing and sugar production. A sufficient number of growers expressed the desire to continue growing sugar beet, and the necessary number of growing contracts to secure production at the Säkylä sugar mill were signed during January and February 2008.

On 8 February 2008, Sucros Ltd and its owners Danisco Sugar A/S and Lännen Tehtaat plc took the decision to continue beet sugar production at the Säkylä mill.

Lännen Tehtaat plc has a 20% holding in sugar producer Sucros Ltd. This holding is valued at about EUR 19.2 million on the consolidated balance sheet. The new sectoral agreement dispelled the uncertainty over future sugar production in Finland. On this basis, Lännen Tehtaat will recognize more than EUR 3 million related to the EU restructuring aid for the closure of the Salo sugar mill as non-recurring income from the associated company Sucros Ltd in the first quarter of 2008, which means that all the compensation will have been recognized in the accounts.

Note 30. Key indicators

Continuing operations

EUR million	2007 IFRS	2006 IFRS
Net sales	309.6	244.5
Exports from Finland	66.6	38.3
Operating profit	3.2	5.3
% of net sales	1.0	2.2
R & D expenses	0.7	1.1
% of net sales	0.2	0.5
Financial income (+)/expenses (-), net	-0.8	3.3
Profit before taxes	6.0	10.2
% of net sales	1.9	4.2
Profit for the period	5.6	7.5
% of net sales	1.8	3.1
Gross investments excluding acquisitions	6.9	1.9
% of net sales	2.2	0.8
Acquisitions and other investments in shares	11.6	3.0
% of net sales	3.7	1.2
Average number of personnel	725	662

Consolidated financial statements, IFRS

Group, continuing and discontinued operations

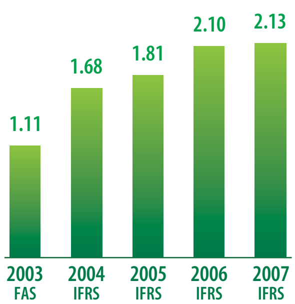
EUR million	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2003 FAS
Profitability					
Net sales	**376.8**	408.7	433.0	473.7	492.0
Operating profit	**12.3**	14.5	16.3	11.4	11.7
% of net sales	**3.3**	3.5	3.8	2.4	2.4
Profit before taxes	**14.6**	17.8	14.9	12.6	8.4
% of net sales	**3.9**	4.4	3.4	2.7	1.7
Profit for the period	**13.4**	13.1	11.4	10.5	5.7
% of net sales	**3.6**	3.2	2.6	2.2	1.2
Attributable to:					
Shareholders of the parent company	**13.3**	13.1	11.3	10.4	6.7
Minority interests	**0.1**	-	0.1	0.1	-1.0
Return on equity, % (ROE)	**10.8**	10.5	10.2	10.1	6.0
Return on investment, % (ROI)	**10.0**	11.2	10.8	8.7	7.7
Financial and economic status					
Equity ratio, %	**62.1**	50.3	50.0	49.6	39.5
Net gearing, %	**16.0**	40.7	29.9	33.8	65.4
Non-current assets	**99.4**	115.6	123.9	118.5	109.8
Inventories	**64.4**	65.3	54.5	49.5	80.2
Other current assets	**42.1**	56.5	53.7	46.8	59.6
Shareholders' equity	**128.0**	119.2	116.1	106.8	95.1
Distributable funds	**61.6**	40.1	65.7	55.3	47.5
Interest-bearing borrowings	**33.6**	56.0	45.9	46.4	73.7
Non-interest-bearing borrowings	**44.3**	62.3	70.1	62.2	75.7
Balance sheet total	**205.9**	237.5	232.2	215.4	249.7
Other indicators					
Gross investments excluding acquisitions	**7.5**	7.6	7.3	5.4	9.5
% of net sales	**2.0**	1.9	1.7	1.1	1.9
Acquisitions and other investments in shares	**11.6**	3.0	4.4	5.7	0.0
% of net sales	**3.1**	0.7	1.0	1.2	0.0
Average number of personnel	**849**	981	1 033	1 072	1 161

Share indicators

	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2003 FAS
Earnings and dividend					
Earnings per share, EUR	**2.13**	2.10	1.81	1.68	1.11
Nominal dividend per share, EUR	1) **0.85**	0.84	0.73	0.65	0.65
Adjusted dividend per share, EUR	1) **0.85**	0.84	0.73	0.65	0.65
Dividend per earnings, %	**40.0**	40.0	40.3	38.7	58.5
Effective dividend yield, %	**5.3**	3.5	4.1	5.4	5.5
P/E ratio	**7.6**	11.6	9.9	7.2	10.6
Shareholders' equity per share, EUR	**20.36**	19.06	18.56	17.08	15.29
Share performance, EUR					
Adjusted closing price	**16.19**	24.30	18.00	12.05	11.75
Lowest price during the year	**15.65**	15.26	11.71	11.00	8.20
Highest price during the year	**24.50**	24.70	18.29	14.50	12.14
Average price during the year	**20.86**	20.21	14.34	12.57	10.18
Share turnover					
Share turnover (1000 pcs)	**923**	1 622	3 769	1 779	345
Turnover ratio, %	**14.6**	25.7	59.7	28.6	5.6
Share capital, EUR million	**12.6**	12.6	12.6	12.6	12.2
Market capitalization, EUR million	**102.3**	153.5	113.7	76.1	71.9
Dividends, EUR million	1) **5.3**	5.3	4.6	4.1	3.9
Number of shares					
Number of shares	**6 317 576**	6 317 576	6 317 576	6 317 576	6 122 576
Average adjusted number of shares	**6 252 576**	6 252 576	6 252 576	6 160 151	6 057 576
Adjusted number of shares at the end of the period	**6 252 576**	6 252 576	6 252 576	6 252 576	6 057 576

1) Board's proposal

Earnings per share, EUR



Shareholders' equity per share, EUR

Note 31. Financial indicators

CALCULATION OF FINANCIAL RATIOS

Return on equity, % (ROE) $= \dfrac{\text{Profit/loss before taxes - income taxes}}{\text{Total equity (average for the year)}} \times 100$

Return on investment, % (ROI) $= \dfrac{\text{Profit/loss before taxes + interest + other financial expenses}}{\text{Total assets – non-interest-bearing liabilities (average for the year)}} \times 100$

Equity ratio, % $= \dfrac{\text{Total equity}}{\text{Total assets – advance payments received}} \times 100$

Gearing, % $= \dfrac{\text{Interest-bearing net liabilities}}{\text{Total equity}} \times 100$

Interest-bearing net liabilities = Interest-bearing liabilities – cash and cash equivalents – short-term investments

Share indicators

Earnings per share $= \dfrac{\text{Profit/loss for the year of parent company shareholders}}{\text{Average number of shares (adjusted for share issues)}}$

Adjusted dividend per share $= \dfrac{\text{Dividend for the period}}{\text{Share issue coefficient}}$

Dividend per earnings, % $= \dfrac{\text{Adjusted dividend}}{\text{Earnings per share}} \times 100$

Effective dividend yield, % $= \dfrac{\text{Adjusted dividend}}{\text{Adjusted share price}} \times 100$

Price/earnings ratio (P/E) $= \dfrac{\text{Adjusted share price}}{\text{Earnings per share}}$

Shareholders' equity per share $= \dfrac{\text{Equity of parent company shareholders}}{\text{Number of shares on Dec. 31, adjusted for share issues}}$

Adjusted share price $= \dfrac{\text{Closing price on Dec. 31}}{\text{Share issue coefficient}}$

Market capitalization = Number of shares on Dec. 31 x adjusted share price

Note 32. Shares and shareholders

Major shareholders on 8 February 2008

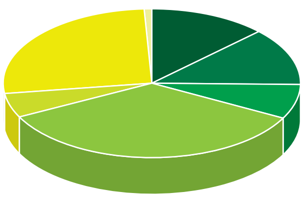
	Number of shares	%	Number of votes	%
Esko Eela	386 548	6.1	386 548	6.2
Odin Finland	364 909	5.8	364 909	5.8
Valio Ltd	327 912	5.2	327 912	5.2
OP-Suomi Arvo	292 100	4.6	292 100	4.7
Nordea Nordic Small Cap Fund	267 214	4.2	267 214	4.3
Skagen Global Verdipapirfond	210 350	3.3	210 350	3.4
Ilmarinen Mutual Pension Insurance Company	153 800	2.5	153 800	2.5
Central Union of Agricultural Producers and Forest Owners (MTK)	125 485	2.0	125 485	2.0
Mutual Fund Evli-Select	115 000	1.8	115 000	1.8
Mutual Insurance Company Pension Fennia	110 000	1.7	110 000	1.7
Nominee-registered shares	890 934	14.1	890 934	14.2
Other shareholders	3 008 324	47.6	3 008 324	48.1
External ownership total	6 252 576	99.0	6 252 576	100.0
Owned by the company	65 000	1,0		
	6 317 576	100.0		

Shares owned by the corporate management

Regular and deputy members of the Supervisory Board and members of the Board of Directors and the CEO owned a total of 21,192 shares on 8 February 2008. This corresponds to 0.3% of share capital and voting rights.

Distribution of shareholdings on 8 February 2008

Shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 100	3 905	48.9	175 419	2.8
101 – 500	3 075	38.5	739 123	11.7
501 – 1 000	613	7.7	446 803	7.0
1 001 – 5 000	335	4.2	608 318	9.6
5 001 – 10 000	22	0.3	150 156	2.4
10 001 – 50 000	18	0.2	390 176	6.2
50 001 – 100 000	9	0.1	585 716	9.3
100 001 – 500 000	11	0.1	2 630 476	41.6
500 001 –	1	0.0	536 470	8.5
Joint account			54 919	0.9
Total	7 989	100.0	6 317 576	100.0



Distribution of ownership on 8 February 2008

	% of shareholders	% of shares
Companies	1.9	12.8
Financial and insurance institutions	0.4	12.6
Public organizations	0.5	7.3
Private households	95.8	34.7
Non-profit organizations	1.3	5.5
Foreign and nominee-registered		26.2
Joint account		0.9
Total	100.0	100.0

Parent company income statement, FAS

EUR 1 000	Note	2007	2006
Net sales	(1)	-	50 227
Variation of stocks in finished goods and in work in progress		-	-1 440
Other operating income	(2)	19 062	2 072
Materials and services	(3)	-	-25 786
Personnel expenses	(4)	-1 483	-13 103
Depreciation and impairments	(5)	-351	-3 075
Other operating expenses		-2 893	-8 806
Operating profit		14 334	89
Financial income and expenses	(6)	8 065	3 159
Profit before extraordinary items		22 399	3 248
Extraordinary items	(7)	4 850	-
Profit before appropriations, taxes and minority interests		27 249	3 248
Appropriations	(8)	71	567
Income taxes	(9)	-537	-1 450
Profit for the period		26 783	2 365

Parent company balance sheet, FAS

EUR 1 000	Note	Dec. 31, 2007	Dec. 31, 2007
ASSETS			
Non-current assets			
Intangible assets	(10)	810	638
Tangible assets	(11)	5 690	20 744
Investments in Group companies	(12,13)	35 907	28 136
Receivables from Group companies	(12,13)	-	9 430
Investments in associated companies	(12,13)	18 115	12 163
Other investments and receivables	(12,13)	75	477
		60 598	71 588
Current assets			
Inventories	(14)	-	8 929
Long-term receivables	(15)	7 415	5 800
Current receivables	(16)	49 888	47 271
Financial assets at fair value through profit and loss		8 118	-
Cash and cash equivalents		2 853	5 825
		68 274	67 825
		128 872	139 414
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		27 583	30 470
Profit for the period		26 783	2 365
		97 624	76 093
Accumulated appropriations	(18)	85	5 214
Liabilities	(19)		
Deferred tax liabilities		17	
Long-term borrowings		29 369	44 400
Current liabilities		1 777	13 707
		128 872	139 414

Parent company cash flow statement, FAS

EUR 1 000	2007	2006
Cash flow from operating activities		
Profit before extraordinary items	26 783	3 248
Adjustments	-30 431	-883
Change in working capital		
Change in non-interest-bearing current receivables	4 609	4 696
Change in inventories	-	1 515
Change in non-interest-bearing current liabilities	-8 031	-9 667
Change in provisions	-	-1 886
Cash flow from operating activities before financial items and taxes	- 7 070	-2 977
Dividends received	1 950	16
Interests paid	-1 987	-1 128
Interests received	2 853	1 796
Other financial items	-	-91
Taxes paid	106	-3 291
Cash flow from operating activities (A)	-4 148	-5 675
Cash flow from investing activities		
Investments in tangible and intangible assets	-750	-852
Proceeds from sales of tangible and intangible assets	-	3 560
Investments in subsidiaries	-11 298	-9 750
Proceeds from sales of subsidiaries	25 116	846
Proceeds from sales of associated companies	149	-
Investments in associated companies	-	-145
Purchases of other investments	-35 084	-111
Proceeds from sales of other investments	26 999	2 560
Change in short-term investments	-	-51
Dividends received	5 250	-
Cash flow from investing activities (B)	10 382	-3 943
Cash flow before financing	6 234	-9 618
Cash flow from financing activities		
Change in short-term financing	-10 500	19 000
Repayments of long-term loans	-6 400	-6 400
Proceeds from short-term loans	12 946	-
Dividends paid	-5 252	-4 564
Group contributions, received	-	350
Cash flow from financing activities (C)	-9 206	8 386
Net increase/decrease in cash and cash equivalents	-2 972	-1 232
Cash and cash equivalents at the beginning of the period	5 825	7 057
Cash and cash equivalents at the end of the period	2 853	5 825

The change in group account 3,383 (2,551) is included in the change in working capital.

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.

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	2007	2006
By segment		
Frozen Foods	-	50 216
Other operations	-	11
Total	-	50 227
Exports from Finland	-	1 786
By geographical segment		
Finland	-	48 442
Other EU member countries	-	1 347
Other countries	-	438
Total	-	50 227

2. Other operating income

EUR 1 000	2007	2006
Gains from sales of non-current assets	18 531	616
Rental income	262	214
Service fees	127	1 047
Other	142	195
Total	19 062	2 072

3. Materials and services

EUR 1 000	2007	2006
Raw materials and consumables		
Purchases during the financial year	-	25 028
Variation in inventories	-	75
External services	-	683
Total	-	25 786

4. Personnel expenses and average number of personnel

EUR 1 000	2007	2006
Personnel expenses		
Wages and salaries	1 287	10 533
Pension expenses	142	1 679
Other social security expenses	55	891
Total	1 484	13 103

Salaries, wages and benefits of the administration bodies are presented in note 28.

Average number of personnel		
Frozen Foods	-	297
Other operations segment	11	16
Total	11	313

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

5. Depreciation and impairments

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
Other capitalized long-term expenses	5 or 10 years
Buildings	20-30 years
Other buildings and constructions	5 or 10 years
Machinery and equipment	5 or 10 years

EUR 1 000	2007	2006
Depreciation according to plan		
Intangible rights	2	172
Other capitalized long-term expenses	33	114
Buildings	270	1 156
Machinery and equipment	46	1 633
Total	351	3 075

6. Financial income and expenses

EUR 1 000	2007	2006
Dividend income		
From Group companies	1 950	-
From associated companies	5 250	-
From others	11	16
Total	7 211	16
Interest income from long-term investments		
From Group companies	321	678
From associated companies	11	-
Other interest and financial income		
From Group companies	1 996	1 078
From associated companies	9	-
Proceeds from sales of other investments	-	2 568
From others	505	217
Total	2 510	3 863
Financial income, total	10 053	4 557
Interest expenses and other financial expenses		
To Group companies	172	122
To others	1 816	1 276
Total	1 988	1 398
Financial income and expenses, total	8 065	3 159

7. Extraordinary items

EUR 1 000	2007	2006
Group contributions received	4 850	-

8. Appropriations

EUR 1 000	2007	2006
Depreciation in excess of or less than plan		
Other capitalized long-term expenses	4	-2
Buildings	68	477
Machinery and equipment	-1	92
Total	71	567

9. Income taxes

EUR 1 000	2007	2006
For the financial year	520	889
For the previous years	-	71
Change in deferred tax receivables	-	490
Change in deferred tax liabilities	17	-
Total	537	1 450

10. Intangible assets

EUR 1 000	2007	2006
INTANGIBLE RIGHTS		
Acquisition cost Jan. 1	1 722	1 739
Disposals	-	-17
Disposals, transfer of business operations	-1 687	-
Acquisition cost Dec. 31	35	1 722
Accumulated depreciation	-1 334	-1 175
Accumulated depreciation of transfer of business operations	1 307	13
Depreciation for the period	-2	-172
Accumulated depreciation Dec. 31	-29	-1 334
Book value Dec. 31	6	388
GOODWILL		
Acquisition cost Jan. 1	6 334	6 334
Disposals	-6 334	-
Acquisition cost Dec. 31	-	6 334
Accumulated depreciation	-6 334	-6 334
Accumulated depreciation of transfer of business operations	6 334	-
Accumulated depreciation Dec. 31	-	-6 334
Book value Dec. 31	-	-
OTHER CAPITALIZED LONG-TERM EXPENSES		
Acquisition cost Jan. 1	1 063	1 088
Additions	-	91
Disposals	7	-116
Disposals, transfer of business operations	-759	-
Acquisition cost Dec. 31	311	1 063
Accumulated depreciation	-813	-813
Accumulated depreciation of disposals	-7	114
Accumulated depreciation of transfer of business operations	597	-
Depreciation for the period	-34	-114
Accumulated depreciation Dec. 31	-257	-813
Book value Dec. 31	54	250
ADVANCE PAYMENTS		
Additions	750	-
Acquisition cost Dec. 31	750	-
Intangible assets, total	810	638

11. Tangible assets

EUR 1 000	2007	2006
LAND AND WATERS		
Acquisition cost Jan. 1	2 491	2 491
Disposals	-142	-
Book value Dec. 31	2 349	2 491
BUILDINGS		
Acquisition cost Jan. 1	24 532	29 895
Disposals	-	-5 433
Disposals, transfer of business operations	-18 760	-
Intra-balance sheet transfers	-	70
Acquisition cost Dec. 31	5 772	24 532
Accumulated depreciation	-11 178	-13 131
Accumulated depreciation of disposals	-	3 109
Accumulated depreciation of transfer of business operations	8 869	-
Depreciation for the period	-271	-1 156
Accumulated depreciation Dec. 31	-2 580	-11 178
Book value Dec. 31	3 192	13 351
MACHINERY AND EQUIPMENT		
Acquisition cost Jan. 1	26 560	26 643
Additions	-	162
Disposals	-	-768
Disposals, transfer of business operations	-25 957	-
Intra-balance sheet transfers	-	523
Acquisition cost Dec. 31	603	26 560
Accumulated depreciation	-21 727	-20 750
Accumulated depreciation of disposals	-	656
Accumulated depreciation of transfer of business operations	21 256	-
Depreciation for the period	-46	-1 633
Accumulated depreciation Dec. 31	-517	-21 727
Book value Dec. 31	86	4 833
Share of machinery and equipment in book value Dec. 31	-	4 605
OTHER TANGIBLE ASSETS		
Acquisition cost Jan. 1	64	64
Disposals	-1	-
Acquisition cost Dec. 31	63	64

EUR 1 000	2007	2006
ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS		
Acquisition cost Jan. 1	6	-
Additions	-	598
Disposals	-6	-
Intra-balance sheet transfers	-	-592
Book value Dec. 31	-	6
Tangible assets, total	5 690	20 744
REVALUATION		
Land and waters Jan. 1 and Dec. 31	1850	1850
Buildings Jan. 1 and Dec. 31	-	812

12. Investments

EUR 1 000	2007	2006
HOLDINGS IN GROUP COMPANIES		
Acquisition cost Jan. 1	28 136	19 232
Additions	20 723	9 750
Disposals	-6 601	-846
Intra-balance sheet transfers	-6 342	-
Disposals, transfer of business operations	-9	-
Book value Dec. 31	35 907	28 136
RECEIVABLES FROM GROUP COMPANIES		
Acquisition cost Jan. 1	9 430	9 430
Disposals	-9 430	-
Book value Dec. 31	-	9 430
HOLDINGS IN ASSOCIATED AND PARTICIPATING INTEREST COMPANIES		
Holdings in associated companies		
Acquisition cost Jan. 1	12 163	12 019
Additions	-	144
Disposals	-364	-
Intra-balance sheet transfers	6 342	-
Disposals, transfer of business operations	-26	-
Book value Dec. 31	18 115	12 163
OTHER INVESTMENTS AND RECEIVABLES		
OTHER INVESTMENTS		
Acquisition cost Jan. 1	52	922
Disposals	-	-870
Disposals, transfer of business operations	-8	-
Book value Dec. 31	44	52

EUR 1 000	2007	2006
OTHER RECEIVABLES		
Acquisition cost Jan. 1	425	314
Additions	-	111
Intra-balance sheet transfers	-111	
Disposals, transfer of business operations	-283	-
Book value Dec. 31	31	425
Other investments and receivables, total	75	477
Investments total	54 098	50 206

13. Shares of Group companies, accociated companies and other shares and receivables

	Domicile	Holding -%
Group companies		
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
Maritim Food AS	Norway	100.0
Cibarius Oy	Turku	100.0
7 non-operative companies	Säkylä	100.0
Associated companies		
Sucros Ltd	Helsinki	20.0
Suomen Rehu Ltd	Helsinki	49.0
Joint ventures		
Ateriamestarit Oy	Raisio	50.0

Other shares, holdings and receivables

	Book value Dec. 31, 2007 EUR 1 000
Other	
Shares and holdings	44
Connection fees, long-term receivables	31
Total	75

14. Inventories

EUR 1 000	2007	2006
Raw materials and consumables	-	1 905
Finished products/goods	-	7 024
Total	-	8 929

15. Long-term receivables

EUR 1 000	2007	2006
Loans receivables from Group companies	3 065	-
Other receivables from accociated companies	4 350	5 800
Long-term receivables total	7 415	5 800

16. Current receivables

EUR 1 000	2007	2006
Accounts receivable	17	4 924
Receivables from Group companies		
Accounts receivable	304	606
Loans receivable	38 430	34 910
Group account receivables	3 363	3 252
Group contribution receivables	4 850	-
Prepayments and accrued income	1 215	169
Total	48 162	38 937
Receivables from associated companies		
Accounts receivable	39	1 003
Other receivables	1 450	1 450
Total	1 489	2 453
Other receivables	90	8
Prepayments and accrued income		
Pension assurance and other legal assurances	7	357
Tax compensation receivables	-	331
Other	123	259
Total	130	947
Current receivables total	49 888	47 271

17. Changes in shareholders' equity

EUR 1 000	2007	2006
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

EUR 1 000	2007	2006
Retained earnings Jan. 1	30 470	25 979
Transfer from previous year profit	2 365	9 056
Dividends paid	-5 252	-4 564
Retained earnings Dec. 31	27 583	30 470
Profit for the financial year	26 783	2 365
Shareholders' equity Dec. 31	97 624	76 093
Distributable funds		
Contingency reserve	7 232	7 232
Retained earnings	27 583	30 470
Profit/loss for the financial year	26 783	2 365
Distributable funds Dec. 31	61 598	40 067

18. Accumulated appropriations

EUR 1 000	2007	2006
Accumulated depreciation in excess of plan	85	5 214

19. Liabilities

EUR 1 000	2007	2006
Deferred tax liabilities		
From accruals	17	-
Current liabilities		
Loans from credit institutions	-	6 400
Trade payables	279	4 117
Total	279	10 517
Payables to Group companies		
Trade payables	23	9
Other liabilities	66	66
Group account liabilities	1 869	5 136
Accruals and deferred income	11	10
Total	1 969	5 221
Payables to associated companies		
Trade payables	3	3
Other current liabilities		
Commercial papers emitted	27 500	38 000
Other	222	816
Total	27 722	38 816

EUR 1 000	2007	2006
Accrued expenses and deferred income		
Holiday pay reserve including	294	1 455
Other salaries and fees including social security expenses	-	1 013
Materials and services	163	170
Interests on the loans	78	47
Income taxes	328	-
Other	260	865
Total	1 123	3 550
Current liabilities with interest, total	29 369	44 400
Current liabilities interest-free, total	1 777	13 707

20. Contingent liabilities

EUR 1 000	2007	2006
Debts against which mortgages have been given		
Loans from credit institutions	-	6 400
Mortgages given for debts		
Real estate mortgages	-	18 888
Corporate mortgages	-	30 071
Shares pledged	-	3 600
Other securities given		
Pledges	-	4
Leasing liabilities		
Falling due during the following year	26	282
Falling due at later date	16	209
Lease liabilities		
Non-cancellable other leases, minimum lease payments	845	1 337
Contingent liabilities for own commitments		
Repurchasing commitments	-	22
Contingent liabilities on behalf of the Group companies		
Guarantees	5 074	10 150
Outstanding derivative instruments		
Interest rate swaps		
Market value	89	98
Value of underlying instruments	25 000	25 000
Commodity derivate instruments		
Market value	402	235
Value of underlying instruments	1 409	1 893
Forward currency contracts		
Market value	-34	-
Value of underlying instruments	2 819	-

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 on 29 March 2007 authorized the Board of Directors to decide on issuing new shares in the form of an issue against payment and on surrendering company shares held by the company in one or more tranches. A maximum total of 631,757 new shares may be issued, and a maximum of 65,000 shares held by the company may be surrendered. The subscription price for the new shares is a minimum of their nominal value, i.e. EUR 2.00. The surrender price for the company shares held by the company is a minimum of the current value at the time of surrender determined on the basis of the price in public trading on the Helsinki Stock Exchange. The Board of Directors was authorized to diverge from the shareholders' pre-emptive subscription right on condition that the company has a substantial financial reason to do so. The authorization also covers the right to offer shares not only against money payment but also against capital consideration in kind or on some other specified conditions or by using the right of set-off and to decide on the subscription price and other terms and conditions related to share issues.

The authorization is valid until the next Annual General Meeting. The authorization repeals the previous share issue authorization given on 29 March 2006 and the authorization given on the same date to surrender the company's own shares.

The authorization to issue new shares and to surrender the company's own shares had not been exercised by 8 February 2008.

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 share options

There are no valid stock option schemes at the moment.

Flagging notices

Skagen Funds managed by the norwegian Skagen AS notified on 19 October 2007 pursuant to chapter 2, section 9 of the Securities Markets Act, that they had bought shares in Lännen Tehtaat plc and the total ownership was 318,200 shares on 18 October 2007. This corresponds to 5,04% of Lännen Tehtaat's share capital and voting rights.

Major shareholders on 8 February 2008

	Number of shares	%	Number of votes	%
Esko Eela	386 548	6.1	386 548	6.2
Odin Finland	364 909	5.8	364 909	5.8
Valio Ltd	327 912	5.2	327 912	5.2
OP-Suomi Arvo	292 100	4.6	292 100	4.7
Nordea Nordic Small Cap Fund	267 214	4.2	267 214	4.3
Skagen Global Verdipapirfond	210 350	3.3	210 350	3.4
Ilmarinen Mutual Pension Insurance Company	153 800	2.5	153 800	2.5
Central Union of Agricultural Producers and Forest Owners (MTK)	125 485	2.0	125 485	2.0
Mutual Fund Evli-Select	115 000	1.8	115 000	1.8
Mutual Insurance Company Pension Fennia	110 000	1.7	110 000	1.7
Nominee-registered shares	890 934	14.1	890 934	14.2
Other shareholders	3 008 324	47.6	3 008 324	48.1
External ownership total	6 252 576	99.0	6 252 576	100.0
Owned by the company	65 000	1.0		
	6 317 576	100.0		

Shares owned by the corporate management

Regular and deputy members of the Supervisory Board and members of the Board of Directors and the CEO owned a total of 21,192 shares on 8 February 2008. This corresponds to 0.3% of share capital and voting rights.

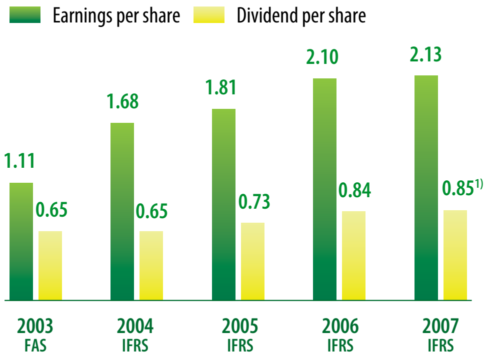
Distribution of shareholdings on 8 February 2008

Shares	Number of shareholders	% of shareholders	number of shares	% of shares
1 – 100	3 905	48.9	175 419	2.8
101 – 500	3 075	38.5	739 123	11.7
501 – 1 000	613	7.7	446 803	7.0
1 001 – 5 000	335	4.2	608 318	9.6
5 001 – 10 000	22	0.3	150 156	2.4
10 001 – 50 000	18	0.2	390 176	6.2
50 001 – 100 000	9	0.1	585 716	9.3
100 001 – 500 000	11	0.1	2 630 476	41.6
500 001 –	1	0.0	536 470	8.5
Joint account			54 919	0.9
Total	7 989	100.0	6 317 576	100.0

Dividend policy

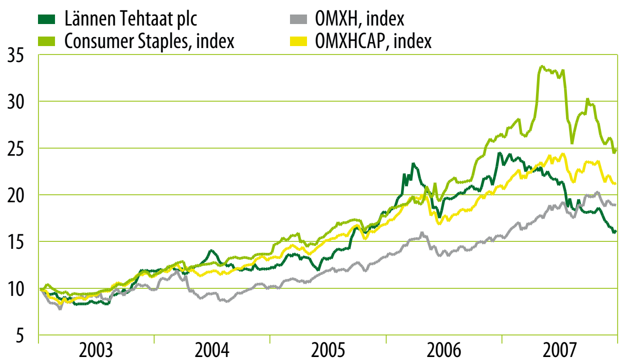
The aim of the Lännen Tehtaat plc Board is to ensure that the share generates a good return and retains its value. Dividend policy supports this goal. The company will distribute a dividend of no less than 40% of the proportion of the profit for the financial year that is assigned to parent company shareholders.

Earnings per share and dividend per share, EUR

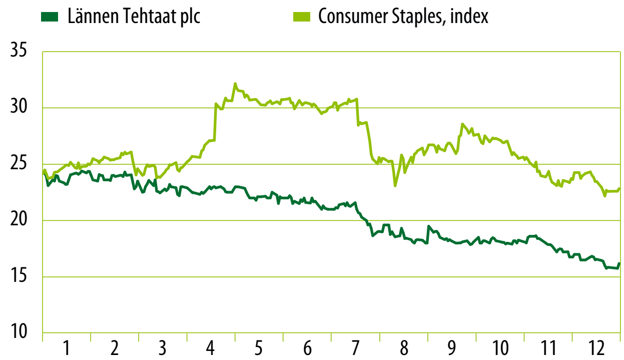


1) Board's proposal

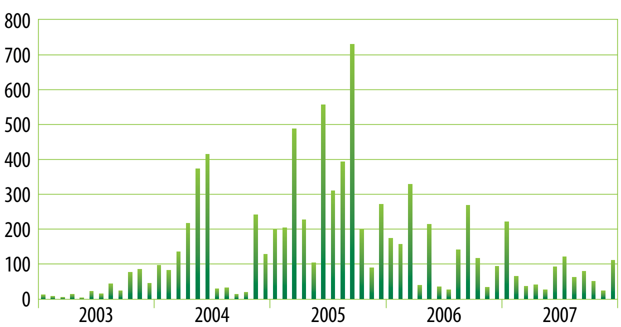
Share performance 2003 – 2007, EUR



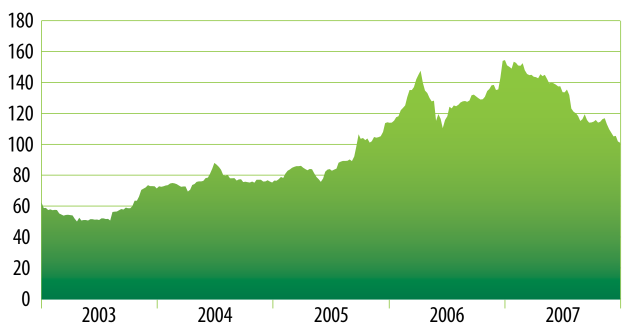
Share performance 2007, EUR



Share trading 2003 – 2007, 1 000 shares



Market capitalization 2003 – 2007, EUR million



Proposal of the Board of Directors for the distribution of profits

The parent company's distributable funds totalled EUR 61,598,627.82 on 31 December 2007, of which EUR 26,783,845.36 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 0.85 per share i.e. a total of	EUR 5 314 689.60
• retained in shareholders' equity	EUR 56 283 938.22
Total	EUR 61 598 627.82

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, 14 February 2008

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

Auditor’s report

To the shareholders of Lännen Tehtaat plc

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Lännen Tehtaat plc for the period 1.1. – 31.12.2007. 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 income statement, balance sheet, 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, the members of 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, the members of 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 27, 2008

PricewaterhouseCoopers Oy
Authorised Public Accountants

Hannu Pellinen	Tomi Moisio
APA	APA, CPFA

Statement by the Supervisory Board

The Supervisory Board has today reviewed Lännen Tehtaat plc's financial statements 2007 including the consolidated financial statements, the Board of Directors' report and the related Board of Director's proposal concerning the distribution of profit funds, and the auditors' report provided by the Company's auditors. The Supervisory Board has no comments to make on these.

The Supervisory Board proposes that the parent company financial statements and consolidated financial statements be adopted and concurs with the proposal of the Board of Directors concerning the distribution of the profit funds.

The term of the following Supervisory Board members will end on the date of the Annual General Meeting: Hannu Lamminen, Marja-Liisa Mikola-Luoto, Jarmo Mäntyharju, Juha Nevavuori, Tuomo Raininko, Helena Walldén and Mauno Ylinen.

Säkylä, 4 March 2008

For the Supervisory Board

Juha Nevavuori	Asmo Ritala
Chairman	Secretary

Corporate Governance

Corporate structure

The Lännen Tehtaat Group comprises Lännen Tehtaat plc and its subsidiaries. The most significant subsidiaries are Apetit Pakaste Oy, Apetit Kala Oy, Maritim Food AS, Mildola Oy, Avena Nordic Grain Oy and Apetit Suomi Oy.

Applied provisions

Lännen Tehtaat plc is a Finnish public limited company. Its decision-making and administration are in accordance with the Limited Liability Companies Act, other acts which apply to public listed companies, and the Lännen Tehtaat plc Articles of Association. In addition, the company follows the Guidelines on Insider Trading of the Helsinki Stock Exchange (OMX Nordic Exchange Helsinki) and the Corporate Governance Recommendation for listed companies issued by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industries, which entered into force on 1 July 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, together with any other proposals that have been put to the shareholders' meeting. The 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 website.

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 rights. No single shareholder is entitled to exercise voting rights 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 Limited Liability 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 rights 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 vice chairman and decides on their fees. The Supervisory Board is also responsible for supervising the corporate administration, 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 Limited Liability 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, nor do they in any 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 in such a way that in the long term they produce the maximum amount of added value for the invested capital, taking into account at the same time the expectations of the different stakeholders.

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 Board of Directors' report 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 allocated 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 website.

CEO and Deputy CEO

Lännen Tehtaat plc has a CEO and a Deputy CEO. 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 Corporate 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 the company website.

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 auditor's 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 website.

Group reporting and internal control

The achievement 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 reconciled with the accounts. 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 control 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, financial manager and the manager responsible for accounting and tax issues, and the CEO.

Risk management

Lännen Tehtaat's primary goals are to achieve improvements in the Group's profitability and competitiveness and to ensure its financial standing is good. The purpose of risk management is to support the achievement of these goals.

The Lännen Tehtaat Group has a documented and comprehensive risk management system under which all Group companies and business units regularly identify, assess and report the risks involved in their operations and the adequacy of their control and management methods. The purpose of these risk assessments, which support strategy formulation and decision-making, is to ensure that sufficient measures are taken to control the strategic, operating, financial and hazard risks. The risk management policy is reviewed annually to ensure that it is relevant and up to date.

The Lännen Tehtaat plc Board of Directors confirms the Group's risk management policy, risk management principles and risk limits

Governance principles of business units

The governance principles of the business units ensure that the units' operations follow the decisions that have been taken and that the people in the various units have a clear idea of the responsibilities and powers associated with the tasks in the unit. These principles are applied by Lännen Tehtaat plc's Group administration and all the fully-owned subsidiaries.

Directors working in the business units and Group administration must ensure that the operations and decision-making conform to agreed administrative principles. Directors must also ensure that operations in their business units follow the operating principles approved for them.

Decision-making and responsibility apply at a personal level. The role of the management groups and work groups is to act as bodies that prepare decision-making. The delegation of powers of decision is also at a personal level.

The legal structure of the Group does not correspond to the operational structure of the Group's business operations. The legal units form only the basis for the legal structure of the business operations. The boards of directors of subsidiaries fully owned by the parent company are made up of people employed by the Group.

Apetit Pakaste Oy

Apetit Pakaste Oy develops, produces and markets frozen vegetables, potato products and ready meals, and jams and marmalades. The company's main market area is Finland. Its operations are based on operating plans that are consistent with its strategy and on budgets that are approved by its Board of Directors. Lännen Tehtaat's Board of Directors confirms Apetit Pakaste's operating plan and annual plan every year. Decision-making by Apetit Pakaste's Managing Director is based not only on the Limited Liability Companies Act and Apetit Pakaste's Articles of Association but also on the approved operating plan and budget. Management reviews held twice a year ensure the suitability of the operational management system for implementing the company's operating policy. The monitoring of set targets is based on continuous internal reporting.

Apetit Kala

Apetit Kala Oy develops, produces and markets fish products in its main market area, Finland. The company's concept business offers solutions for customers outsourcing their service-sales counters. Its operations are based on operating plans that are consistent with its strategy and on budgets that are approved by its Board of Directors. Lännen Tehtaat's Board of Directors confirms Apetit Kala's operating plan and annual plan every year. Decision-making by Apetit Kala's Managing Director is based not only on the Limited Liability Companies Act and Apetit Kala's Articles of Association but also on the approved operating plan and budget. Management reviews held twice a year ensure the suitability of the operational management system for implementing the company's operating policy. The monitoring of set targets is based on continuous internal reporting.

Maritim Food

Maritim Food AS processes, markets and sells shellfish in brine and fish products to the consumer market and hotel, restaurant and catering sector in Norway, Sweden and Finland. It has subsidiaries in Norway and Sweden. Maritim Food's operations are based on operating plans and budgets which are approved by its Board of Directors and are consistent with its strategy. The Lännen Tehtaat Board of Directors confirms the operating plan and annual plan every year. Decision-making by Maritim Food's Managing Director is based on Norway's legislation concerning limited liability companies, Maritim Food's Articles of Association and the approved operating plan and budget. Monitoring of progress against the targets set is based on continuous internal reporting by the company and its subsidiaries.

Mildola

Mildola Oy develops, produces and markets vegetable oils and protein feeds. The main market area for the protein feeds is Finland. Half of the vegetable oils are exported, the focus being on Scandinavia and the Baltic countries. Mildola's operations are based on operating plans that are consistent with its strategy and on budgets that are approved by its Board of Directors. The Lännen Tehtaat Board of Directors confirms Mildola's operating plan and annual plan every year. Decision-making by Mildola's Managing Director is based not only on the Limited Liability Companies Act and Mildola's Articles of Association but also on the approved operating plan and budget. Management reviews held annually ensure the suitability of the operational management system for implementing the company's operating policy. The monitoring of set targets is based on continuous internal reporting.

Avena Nordic Grain

Avena Nordic Grain Oy is active in the trading of grains, oilseeds, pulses and feed raw materials both in Finland and internationally. It has subsidiaries in Russia and Lithuania, and representative offices in Russia and Kazakhstan. Avena's activities are based on its operating plans and budgets, which are approved by its Board of Directors and are consistent with its strategy. The Lännen Tehtaat Board of Directors confirms the operating plan and annual plan every year. Decision-making by Avena's Managing Director is based on the Limited Liability Companies Act, Avena's Articles of Association and the approved operating plan and budget. Monitoring of progress against the targets set is based on continuous internal reporting.

Apetit Suomi

Apetit Suomi Oy produces services in human resources management, sales and marketing, IT, and environmental and financial administration for the Group's business units. The role of the human resources unit is to support the line management and supervisors in achieving the strategic and operative goals by developing and managing the core processes of personnel administration. The sales and marketing function develops, markets and sells products produced by Apetit Kala and Apetit Pakaste. It is responsible for the companies' consumer and customer processes. Decisions about the processes are taken within the framework of Apetit Kala's and Apetit Pakaste's existing business strategies and annual plans. The strategies and operating plans associated with sales and marketing are prepared by the management group and approved by the respective managing directors. Reports on operations and on deviations from the strategic plans are provided to the management groups of Apetit Kala and Apetit Pakaste and to the Apetit management group. The information technology unit produces IT services for the Group's business units. The unit is responsible for the Group's basic information technology and IT infrastructure and for the quality and cost-effectiveness of the IT services produced for the units. The ownership of the business operation systems lies with the business units themselves. In projects concerning these systems, the information technology unit provides support while changes are being made and provides technical and project expertise as well as back-up once a system has been introduced. Apetit Suomi's financial administration unit is responsible for the Group's cash management and payment services and for agreed tasks concerning the invoice processing and invoicing of the Group's businesses. The environmental management unit is responsible for handling matters concerning water, waste management and wastewater treatment at the Säkylä industrial estate, for advising and instructing the Group's companies in questions concerning environmental matters, and for monitoring implementation of the Group's environmental goals.

Group Administration

Group Administration is responsible for financial management at the Group level and legal services. The financial management unit is responsible for monthly reporting at the Group level and it produces financial statements, the annual report and quarterly interim reports. The financial management unit is also responsible for financing and insurance at the Group level, stock exchange releases, guidance on profit forecasting and the annual plan, and internal supervision and risk management. The legal service operates as a legal advisor to the business units and is responsible for producing the legal services they need.

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 31 December 2007

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 Supervisory Board elected Juha Nevavuori chairman of the Supervisory Board and Heikki Halkilahti vice chairman. The members of the Supervisory Board are shown on page 92.

In 2007 the Supervisory Board met 5 times.

As decided by the Annual General Meeting on 29 March 2007, the monthly fee paid to the Supervisory Board's chairman is EUR 350, and to the vice 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 30,850 in fees and allowances in 2007.

Board of Directors

On 11 April 2007 the Supervisory Board of Lännen Tehtaat plc elected six 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 93.

In 2007 the Board met 15 times. The average attendance rate of members was 100%.

As decided by the Supervisory Board on 11 April 2007, 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 2007, the members of the Board of Directors received a total of EUR 129,200 in fees and allowances.

CEO

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

The key conditions of the CEO's terms of service are defined in his contract. The agreed 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 retirement age for the parent company's CEO has been set at 62 years.

The salary with fringe benefits and bonuses paid to the CEO in 2007 amounted EUR 372,305.

Eero Kinnunen, M.Sc. (Econ.), Chief Financial Officer of the Lännen Tehtaat Group was appointed Deputy CEO as of 1 January 2008.

Auditors

Lännen Tehtaat's 2007 Annual General Meeting decided to elect two auditors for the company. The auditors chosen were Hannu Pellinen, APA, and PricewaterhouseCoopers Oy Authorized Public Accountants. Jari Henttula, APA, was the auditor with principal responsibility until 28 September 2007 and Tomi Moisio, APA, CPFA thereafter. 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 173,644 in 2007 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 133,913 in fees for non-audit services such as tax, IFRS and other services.

Insider issues

Lännen Tehtaat plc's insider trading regulations approved by the Board of Directors came into effect on 12 June 2007. 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, 1 September 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 the 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 of Apetit Pakaste Oy; the Managing Director of Apetit Kala Oy; the Managing Director of Maritim Food AS; the Managing Director of Maritim Food Sweden AB; 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 10 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 public 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 2007

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

January

SER 19 January 2007
Lännen Tehtaat rejects majority shareholding in bioethanol project

SER 19 January 2007
Lännen Tehtaat to focus on food and sell majority shareholding in Suomen Rehu Ltd and Avena Nordic Grain Oy to Hankkija-Maatalous Oy

February

SER 6 February 2007
Lännen Tehtaat plc buys Norwegian fish product manufacturer Maritim Food AS

SER 14 February 2007
Lännen Tehtaat plc Financial statements bulletin January 1 – December 31, 2006

SER 14 February 2007
Board of Director's proposals to Lännen Tehtaat plc Annual General Meeting

SER 28 February 2007
Lännen Tehtaat's corporate acquisition in Norway confirmed

March

SER 5 March 2007
Competition authority makes an interim decision on the sale of majority shareholding in Suomen Rehu Ltd and Avena Nordic Grain Oy

SEA 6 March 2007
Invitation to the Annual General Meeting of Lännen Tehtaat plc

SEA 19 March 2007
Lännen Tehtaat Annual Report 2006 published

SER 29 March 2007
Decisions by the Annual General Meeting of Lännen Tehtaat plc

SER 29 March 2007
Lännen Tehtaat to introduce new segment format in its reporting

April

SER 11 April 2007
Organization of the Supervisory Board and election of the Board of Directors

SER 12 April 2007
Apetit Kala plans transfer of production and packaging from Kerava to Kuopio

SER 27 April 2007
Quarterly comparative information for 2006 based on the new segment format

May

SER 8 May 2007
Interim Report for January 1 – March 31, 2007

SER 28 May 2007
Change in structure of the majority shareholding sale of Suomen Rehu Ltd and Avena Nordic Grain Oy

June

SER 5 June 2007
Competition authorities approve sale of majority shareholding in Suomen Rehu Ltd

SER 5 June 2007
Apetit Kala to transfer production and packaging from Kerava to Kuopio

July

SER 17 July 2007
Second quarter result of continuing operations lower than forecast

August

SER 1 August 2007
Lännen Tehtaat strengthens its resources in domestic fish business

SER 9 August 2007
Lännen Tehtaat's interim report 1 January – June 30, 2007

SER 30 August 2007
Lännen Tehtaat to strengthen its position on Norwegian and Swedish fish markets by increasing holding in Sandanger AS

September

SER 28 September 2007
New principal auditor designated by accounting firm

October

SEA 19 October 2007
Announcement pursuant to chapter 2, section 10 of the Securities Markets Act

November

SER 1 November 2007
Lännen Tehtaat's interim report 1 January – September 30, 2007

December

SEA 11 December 2007
Lännen Tehtaat plc's financial information in 2008

SER 18 December 2007
Eero Kinnunen, CFO, appointed Deputy CEO

SER = stock exchange release
SEA = stock exchange announcement

Supervisory Board and Auditors

Supervisory Board

Members elected by the Shareholders' meeting:

Juha Nevavuori, b. 1942
Chairman since 2007, Deputy Chairman since 2003,
Member since 1973,
Shareholding in Lännen Tehtaat: 646 (change in 2007: -)
Membership term expires 2008

Heikki Halkilahti, b. 1947
Deputy Chairman since 2007, Member since 1990
Principal occupation: Valio's Mutual Insurance Company and Valio's Pension Fund, Managing Director
Secondary occupation: Valio Ltd, Executive Vice President, Group Administration
Shareholding in Lännen Tehtaat: - (change in 2007: -)

Heikki Aaltonen, b. 1956
Member since 2007

Matti Eskola, b. 1950
Member since 1991

Jussi Hantula, b. 1955
Member since 1995

Börje Helenelund, b. 1951
Member since 1998

Pasi Jaakkola, b. 1941
Member since 1982

Jouni Kaitila, b. 1963
Member since 1991

Risto Korpela, b. 1949
Member since 2007

Mikko Kurittu, b. 1966
Member since 2007

Hannu Lamminen, b. 1951
Member since 1996
Membership term expires 2008

Markku Länninki, b. 1949,
Member since 2003

Ilkka Markkula, b. 1960
Member since 2003

Marja-Liisa Mikola-Luoto, b. 1971
Member since 2005
Membership term expires 2008

Jarmo Mäntyharju, b. 1961
Member since 2005
Membership term expires 2008

Samu Pere, b. 1968
Member since 1998

Tuomo Raininko, b. 1966
Member since 2005
Membership term expires 2008

Esa Ruohola, b. 1946
Member since 1998

Helena Walldén, b. 1953
Member since 1996
Membership term expires 2008

Mauno Ylinen, b. 1965
Member since 2005
Membership term expires 2008

Personnel representatives:

Aila Koivuniemi, b. 1944
Member since 1997

Veijo Kukkonen, b. 1981
Member since 2006

Tapio Mäki, b. 1962
Member since 2006

Marja Rusi, b. 1966
Member since 1997

Auditors

Hannu Pellinen
APA

PricewaterhouseCoopers Oy
Authorized Public Accountants
Auditor with principal responsibility
Tomi Moisio, APA, CPFA

Board of Directors

Tom v. Weymarn, b. 1944
Chairman since 2003, Member since 1999
Main simultaneous positions of trust:
Chairman of the Board: TeliaSonera AB, Turku Science Park Ltd
Member of the Board: CPS Color Group Oy, Hydrios Biotechnology Ltd, Industri Kapital AB, OKO Bank Plc, Sibelius Academy
Shareholding in Lännen Tehtaat:
2,250 shares (change in 2007: -)

Hannu Simula, b. 1947
Vice Chairman since 2003, Member since 1998
Main simultaneous positions of trust:
Member of the Board: Sucros Ltd
Shareholding in Lännen Tehtaat:
850 shares (change in 2007: -)

Harri Eela, b. 1960
Member since 2004
Principal occupation: Cursor Oy , Project Manager
Shareholding in Lännen Tehtaat:
800 shares (change in 2007: -)

Aappo Kontu, b. 1952
Member since 2004
Principal occupation: Empower Oy, President
Main simultaneous positions of trust:
Chairman of the Board: Vahterus Oy
Member of the Board: Empower Group Oy
Shareholding in Lännen Tehtaat:
500 shares (change in 2007: 500 shares)

Matti Lappalainen, b. 1948
Member since 2003
Principal occupation: Vaasan & Vaasan Oy, Managing Director
Main simultaneous positions of trust:
Chairman of the Board: Bonaria Oy, Bonbake Oy,
Member of the Board: Finnish Food and Drink Industries' Federation, Vaasan & Vaasan Oy
Shareholding in Lännen Tehtaat:
1,000 shares (change in 2007: -)

Soili Suonoja, b. 1944
Member since 2003
Professional board-member
Main simultaneous positions of trust:
Chairman of the Board: Alko Inc.
Member of the Board: Eilakaisla Oy Toimialapalvelu, Helsingin Diakonissalaitoksen Hoiva Oy, Lassila & Tikanoja plc, Nurmijärven Linja Oy, Itella Corporation
Shareholding in Lännen Tehtaat:
200 shares (change in 2007: -)

CEO and Corporate Management

Matti Karppinen, b. 1958
CEO of Lännen Tehtaat plc since 2005
Main simultaneous 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 2007: -)

Anders Ahlberg, b. 1955
Managing Director of Maritim Food Sweden AB since 2007
Shareholding in Lännen Tehtaat: -
(change in 2007: -)

Jan Brevik, b. 1960
Managing Director of Maritim Food AS since 2000
Shareholding in Lännen Tehtaat: -
(change in 2007: -)

Stina Hakulin, b. 1957
Managing Director of Mildola Oy:n since 2006, Director since 1999
Shareholding in Lännen Tehtaat: -
(change in 2007: -)

Johanna Heikkilä, b. 1962
HR Director since 2005
Shareholding in Lännen Tehtaat: -
(change in 2007: -)

Antti Kerttula, b. 1956
Managing Director of Apetit Pakaste Oy since 2007, Director since 1994
Shareholding in Lännen Tehtaat: -
(change in 2007: -)

Eero Kinnunen, b. 1970
Deputy CEO since 2008, Chief Financial Officer since 2006
Shareholding in Lännen Tehtaat: -
(change in 2007: -)

Tapio Korttilalli, b. 1966
Director, Apetit Suomi Oy, sales and marketing since 2006
Shareholding in Lännen Tehtaat: -
(change in 2007: -)

Ari Laarne, b. 1967
Managing Director of Apetit Kala Oy since 2007, Director since 2006
Shareholding in Lännen Tehtaat: -
(change in 2007: -)

Matti Nyfors, b. 1971
Director, Apetit Kala Oy, concept business since 2006
Shareholding in Lännen Tehtaat: -
(change in 2007: -)

Asmo Ritala, b. 1958
Corporate Councel since 1995
Shareholding in Lännen Tehtaat: -
(change in 2007: -)

Kaija Viljanen, b. 1952
Managing Director of Avena Nordic Grain Oy since 1995
Shareholding in Lännen Tehtaat: -
(change in 2007: -)

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