



Interim Report January 1 – March 31, 2006

- Consolidated net sales increased by 3% to EUR 97.0 million in January–March (2005: EUR 94.0 million).
- Net sales of all continuing divisions increased.
- Operating profit/loss excluding non-recurring items improved by EUR 1.1 million to EUR 0.7 (-0.4) million.
- Operating loss after non-recurring items EUR -0.5 (-3.6) million.
- Profit/loss before taxes EUR 1.1 (-4.4) million.
- Earnings per share EUR 0.03 (-0.49).
- Clearer definition for structure continued.
- Programme to cut overheads implemented.

This interim report has been drawn up according to the IFRS recognition and valuation principles. This interim report does not comply with all of the requirements of IAS 34, Interim Financial Reporting.

The information in the report is unaudited.

Key figures illustrating performance, EUR million

	1-3/2006	1-3/2005
Net sales	97.0	94.0
Operating profit/loss excluding non-recurring items	0.7	-0.4
Operating profit/loss after non-recurring items	-0.5	-3.6
Profit/loss before taxes, excluding non-recurring items	-0.2	-1.2
Profit/loss before taxes, after non-recurring items	1.1	-4.4
Profit/loss after taxes	0.4	-3.4
Earnings per share, EUR	0.03	-0.49

Net sales and profits

Lännen Tehtaat's net sales in January–March totalled EUR 97.0 (94.0) million. The net sales of the Food Division fell with the termination of sugar sales at the end of 2005. The net sales of the Feed segment and Grain Trading rose.

Lännen Tehtaat's operating profit excluding non-recurring items during the period under review was EUR 0.7 (-0.4) million. The financial performance in all of the divisions improved. The loss before taxes and excluding

non-recurring items was EUR -0.2 (-1.2) million and after non-recurring items EUR 1.1 (-4.4) million. The profit after taxes was EUR 0.4 (-3.4) million.

During the period under review the Group sold the investments it had made in the shares of other quoted companies, realizing a profit of EUR 2.4 million, which has been recorded under financial income.

Business segments

The net sales of the Food Division totalled EUR 26.2 (32.0) million. The comparable net sales of the Food Division in January–March went up by 8 per cent, if the effect of the terminated sugar sales, EUR 7.7 million, is eliminated from the net sales of the comparison period. The net sales of the Apetit Frozen Foods business unit rose slightly. The net sales of retail products went up by 2 per cent over the comparison period. The growth was greatest in the strategic focal groups of ready-made frozen foods. Sales of frozen vegetables sold under the Apetit brand went well. Sales of jam went down. Apetit Kala's net sales rose by 14 per cent compared with the corresponding period one year earlier, the focus being on consumer-packaged fish products. Shop-in-shop sales showed strong growth.

The operating loss of the Food Division excluding non-recurring items was EUR –0.4 (–1.1) million and after non-recurring items EUR –0.5 (–1.1) million. Financially, the Apetit Frozen Foods business unit performed at a similar level to the comparative period, while Apetit Kala's performance was considerably better than that in the comparative period. The non-recurring expenses of EUR 0.1 million are related to reductions in the division's personnel.

The net sales of the Feed business totalled EUR 52.9 (44.0) million. The effect of Mildola on the growth in the segment's net sales was EUR 7.2 (–) million. The comparable net sales went up by 4%. The growth in net sales was attributable to an increase in sales volumes and rise in sales prices.

The operating profit of the Feed segment excluding non-recurring items was EUR 2.0 (1.7) million and after non-recurring items EUR 1.5 (–1.5) million. Mildola had a positive effect on the financial performance. The profitability of feed sales suffered in the early part of the year from high raw-material prices, the effect of which could not be passed on entirely to sales prices. Non-recurring costs of EUR 0.5 million comprise provisions made for reductions in personnel.

The net sales of Grain Trading rose by 8 per cent. The net sales during the first quarter totalled EUR 21.5 (19.7) million. Grain Trading's volume rose from the level in the comparative period. Market prices were also higher. The operating profit amounted to EUR 0.4 (0.1) million. Derivate instruments to which hedge accounting could not be applied had an adverse effect of EUR 0.2 million on the result in the comparative period.

At the end of this reporting period, following the sale of the entire shareholding in Harviala Ltd, the Other Operations segment comprises only operations that are common to the Group and unallocated to the segments. The segment's net sales were EUR 0.0 (1.8) million. The net sales of the Lännen Plant Systems business unit are included in the comparative year.

The segment's operating loss was EUR –1.9 (–1.0) million, the main constituent of which is non-recurring expenses of EUR 0.6 million caused by the sale of the shares in Harviala Ltd.

Financing and cash flow

The Group's financing situation and liquidity remained good. The cash flow from operations after interest and taxes stood at EUR 4.7 (4.2) million. The net cash flow from investment was EUR 2.7 (–0.7) million.

At the end of the period under review the Group had interest-bearing liabilities amounting to EUR 41.9 (48.2) million and liquid assets of EUR 14.7 (11.0) million. Net interest-bearing liabilities totalled EUR 27.2 (37.2) million. The consolidated balance sheet total was EUR 211.6 (205.7) million. The equity ratio was 52.4% (48.4%). Commercial papers issued for the Group's short-term financing stood at EUR 17.0 (15.0) million at the end of the review period. Liquidity is secured with long-term committed credit facilities, none of which were used during the financial period.

Investment and changes in the group structure

The gross investment in non-current assets during the period under review amounted to EUR 1.2 (0.3) million. Investment by the Food Division totalled EUR 0.2 million and by the Feed segment EUR 0.9 million. The most significant investment was associated with the extension to the Lännen Rehu factory at Säkylä and a loading station for bulk feed at Suomen Rehu's Seinäjoki factory. Other investment concerned mainly productivity and replacements.

ZAO Scandic Feed, a joint venture company owned equally by Lännen Tehtaat and Raisio, acquired control of ZAO Tosno Feed Factory, which produces and markets feeds. The factory is situated near St Petersburg in Russia. The final implementation of the transaction is still subject to clearance by the Russian competition authorities.

At the end of March Lännen Tehtaat plc sold its entire shareholding in Harviala Ltd to Saarioisten Taimistot Oy, recording a loss of EUR 0.6 million on the transaction. Harviala Ltd has been included in the consolidated income statement until the end of February.

Suomen Rehu Ltd's Latvian subsidiary, SIA Baltic Feed, established a subsidiary in Lithuania. The new company, UAB Baltijos Pasarai, will engage in the direct sale of feed in Lithuania.

Important events after the review period

Lännen Tehtaat plc's associated company Sucros Ltd has brought to a conclusion co-determination talks with the personnel on the closure of the sugar beet factory at Salo, and the Board of Directors of Sucros Ltd at a meeting held on April 4, 2006 decided to close down the factory after the production season this year. In accordance with the EU decision on the reduction of the sugar quota, Sucros Ltd will be seeking restructuring assistance from a fund set up by the EU for the purpose. The combination of the assistance and write-downs realized in closing the factory and other costs associated with the closure are not expected to have an impact on Lännen Tehtaat's share of the profit in 2006.

In a transaction carried out on April 13, 2006 Suomen Rehu Ltd acquired from Maatalouskesko Oy the 17.5 per cent interest held by the latter in Mildola Oy, thus making Suomen Rehu Ltd the sole owner of Mildola Oy.

Lännen Tehtaat is planning the start of ethanol production as part of the development of the Agricultural Division's operations. Lännen Tehtaat has carried out a feasibility study of the conditions for starting the production of ethanol for fuel purposes in western and southwestern Finland. Studies show that the best conditions for this kind of production lie in the region. The region has adequate potential for cultivating barley as the raw material for the ethanol plant. There is also plenty of pig farming in the region, which will be important in terms of utilizing the animal feed created as a by-product at the plant. There are also a number of feed factories that will be able to use some of the by-products from the plant as raw material for the feed. The study shows that it will be possible to produce ethanol for fuel in Finland profitably if it is integrated with the animal feed industry.

The feasibility study has planned for the production plant to be located at Säkylä, on the Iso-Vimma industrial estate. Such a location would enable use of Lännen Rehu's drying facilities during processing of the by-products. Following the preliminary studies, Lännen Tehtaat has decided to conduct an environmental impact assessment for investment in the factory at Säkylä, which is required in order for the ethanol plant to be built.

Dividend for 2005

The Annual General Meeting held by Lännen Tehtaat plc on March 29, 2006 approved the distribution of a dividend of EUR 0.73 (EUR 0.65) per share for 2005. The total amount of the dividend, EUR 4.6 million, was taken out of retained earnings and recorded under interest-free short-term liabilities in the balance sheet at the end of March. The dividend was paid on April 10, 2006.

Board of Director's authorizations

The Annual General Meeting authorized the Board of Directors to raise the share capital by new share issues and/or to issue a convertible bond. The authorizations are valid one year, until March 29, 2007. In a new share issue and/or an issue through a convertible bond, the share capital can be raised by a maximum total of EUR 1,263,514 in such a way that a maximum of 631,757 shares with a nominal value of EUR 2.00 are offered for subscription.

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

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

So far the Board has not used the authorization given by the Annual General Meeting to increase the share capital or surrender the company's own shares.

Shares

During the period under review 658,741 (888,808) company shares were traded on the Stock Exchange, i.e. 10.4 (14.1) per cent of the total stock. The highest share price was EUR 23.42 (13.70) and the lowest EUR 17.90 (11.90). The share turnover for the period totalled EUR 13.3 (11.7) million. The market capitalization on March 31, 2006 was EUR 144.8 (85.9) million.

Personnel and organization

The average number of personnel during the period under review was 956 (974). The number fell in the Food Division and Other Operations segment. In the Feed segment it increased mainly as a result of Mildola becoming part of the Group.

Seasonality of operations

The transfer to IFRS reporting has had a material impact on the accrual of Lännen Tehtaat's profits over the financial year. As a result of seasonal production and valuation of inventories in accordance with IAS 2, most of the Group's annual profit accrues during the final quarter.

Because of the harvest production the seasonal nature of the operations features most strongly in the Food Division and in the operations of the associated company Sucros. There is also some seasonal fluctuation in the Feed segment.

Apetit Kala's sales depend on seasonal holidays. A major portion of the entire year's profit depends on the success of Christmas sales.

Grain Trading's net sales fluctuate annually and quarterly, depending on supply and demand and on grain prices in Finland and on other markets. Grain Trading accounts for 20-25 per cent of the Lännen Tehtaat's consolidated net sales. A fluctuation in its net sales has a considerable impact on the entire Group's net sales.

Prospects for the end of the year

The Food Division's net sales will fall from last year because of the absence of sugar sales. The net sales of the continuing food business operations will increase, and the financial performance will be much better because of the improvement in Apetit Frozen Foods' cost-effectiveness and Apetit Kala's growth. Increased demand for fish has raised the raw fish prices on world markets. This rise is expected to slow down the improvement in Apetit Kala's financial performance starting from the second quarter.

The study started in the autumn into bringing about a significant expansion in the Group's food business both in Finland and in northern parts of the Baltic Rim continued.

Investment by the Feed segment will continue by extending and modernizing SIA Baltic Feed's factory in Latvia. Approval from the Russian competition authorities for the acquisition of the Tosno feed plant by the joint venture company ZAO Scandic Feed is expected in the early summer. The closure of the feed factory at Vaasa and the transfer of production to other feed factories will take place in stages during the summer.

Net sales for the entire year by the Feeds business will grow, most of the growth coming from the acquisition of Mildola. As a result of the improved cost-effectiveness and Mildola's inclusion, the operating profit for the whole year is expected to be better than last year's disregarding the non-recurring items.

Grain Trading's net sales are expected to be around EUR 100 million and the financial performance slightly better than last year.

Consolidated net sales will exceed EUR 400 million, but be lower than last year's because of the absence of sugar sales. The operating profit for the entire year disregarding the non-recurring items is expected to be somewhat better than last year's equivalent figure because of the fish operations' better financial performance, productivity measures and improved cost-effectiveness

Net sales in the second quarter are expected to be similar to those of the first. The financial performance is expected to be on the same level as that in the second quarter of last year disregarding the non-recurring items.

CONSOLIDATED INCOME STATEMENT

EUR million	1-3/ 2006 3 mths	1-3/ 2005 3 mths	1-12/ 2005 12 mths
Net sales	97.0	94.0	433.0
Other operating income	0.6	0.6	10.9
Operating expenses	-96.0	-93.4	-416.3
Depreciation	-2.1	-2.1	-8.3
Impairments	-	-2.7	-3.0
Operating profit / loss	-0.5	-3.6	16.3
Financial income and expenses	2.0	-0.3	-1.2
Share of profit of associate companies	-0.4	-0.5	-0.1
Profit / loss before taxes	1.1	-4.4	14.9
Income taxes	-0.6	1.0	-3.5
Profit / loss for the financial period	0.4	-3.4	11.4

The income taxes are based on the result for the period.

Attributable to:

Equity holders of the parent	0.2	-3.1	11.3
Minority interests	0.2	-0.3	0.1
Earnings per share, EUR	0.03	-0.49	1.81
Diluted earnings per share, EUR	0.03	-0.49	1.81

NET SALES BY BUSINESS SEGMENT

EUR million	1-3/2006 3 mths	1-3/2005 3 mths	1-12/2005 12 mths
Food Division	26.2	32.0	149.5
Feed Segment	52.9	44.0	205.1
Grain Trading Segment	21.5	19.7	86.6
Other operations segment	0.0	1.8	7.1
Inter-segment sales	-3.6	-3.5	-15.3
Consolidated	97.0	94.0	433.0

OPERATING PROFIT/LOSS BY BUSINESS SEGMENT

EUR million	1-3/2006 3 mths	1-3/2005 3 mths	1-12/2005 12 mths
Food Division	-0.5	-1.1	9.6
Feed Segment	1.5	-1.5	9.4
Grain Trading Segment	0.4	0.1	1.4
Other operations segment	-1.9	-1.0	-4.1
Consolidated	-0.5	-3.6	16.3

NET SALES BY GEOGRAPHICAL SEGMENT

EUR million	1-3/2006 3 mths	1-3/2005 3 mths	1-12/2005 12 mths
Finland	82.2	83.2	382.8
Other EU member states	11.1	7.6	34.2
Other countries	3.7	3.2	16.0
Consolidated	97.0	94.0	433.0

CONSOLIDATED BALANCE SHEET

EUR million	March 31, 2006	March 31, 2005	Dec. 31, 2005
ASSETS			
Non-current assets			
Tangible assets	71.6	66.2	72.2
Goodwill	17.4	17.4	17.4
Other intangible assets	1.6	2.3	1.7
Investment in associated companies	20.9	23.0	21.3
Available-for-sale investments	0.3	3.0	3.2
Receivables	7.0	-	6.9
Deferred tax assets	1.2	3.0	1.3
	120.0	114.9	123.9
Current assets			
Inventories	45.0	47.8	54.5
Receivables	31.9	31.5	42.5
Financial assets at fair value through profit or loss	-	0.5	-
Cash and cash equivalents	14.7	11.0	11.2
	91.6	90.8	108.2
Total assets	211.6	205.7	232.2
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent	106.8	97.3	112.4
Minority interests	3.9	2.2	3.7
Total equity	110.7	99.5	116.1
Non-current liabilities			
Long-term borrowings	14.0	23.0	16.0
Deferred tax liabilities	6.9	7.0	7.4
Non-current provisions	0.9	1.0	0.9
Non-current liabilities total	21.8	31.0	24.3
Current liabilities			
Trade payables and other liabilities	50.2	49.0	60.9
Short-term borrowings	27.9	25.2	29.9
Current provisions	0.9	1.0	0.9
Current liabilities total	79.0	75.2	91.7
Liabilities total	100.9	106.2	116.1
Total equity and liabilities	211.6	205.7	232.2

CONSOLIDATED CASH FLOW STATEMENT

EUR million	1-3/2006 3 mths	1-3/2005 3 mths	1-12/2005 12 mths
Cash flows from operating activities	4.7	4.2	17.8
Cash flows from investing activities	2.7	-0.7	-8.0
Cash flows from financing activities			
Change in net debt	-4.0	-2.2	-4.5
Dividends paid	-	-	-4.1
Net increase/decrease in cash and cash equivalents	3.5	1.3	1.0
Cash and cash equivalents at beginning of the period	11.2	10.2	10.2
Cash and cash equivalents at end of the period	14.7	11.5	11.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Equity attributable to equity holders of the parent company							Minority interests	Shareholders' equity total
	Share capital	Share premium account	Net unrealised gains	Other reserves	Translation differences	Retained earnings	Total		
Equity at Jan. 1, 2005	12.6	23.4	1.1	7.3	-0.3	60.2	104.3	2.5	106.8
Available-for-sale investments:									
Gains/losses from fair value measurement			0.1				0.1		0.1
Taxes related to items entered into equity and removed from equity			-				-		-
Translation differences					0.1		0.1		0.1
Dividend distribution						-4.1	-4.1		-4.1
Profit / loss for the period						-3.1	-3.1	-0.3	-3.4
Equity at March 31, 2005	12.6	23.4	1.2	7.3	-0.2	53.1	97.3	2.2	99.5
Equity at Jan. 1, 2006	12.6	23.4	1.8	7.3	-0.2	67.5	112.4	3.7	116.1
Available-for-sale investments:									
Gains/losses from fair value measurement			-2.1				-2.1		-2.1
Cash flow hedges:									
Gains/losses recorded in equity			0.7				0.7		0.7
Taxes related to items entered into equity and removed from equity			0.4				0.4		0.4
Translation differences					0.0		0.0		0.0
Dividend distribution						-4.6	-4.6		-4.6
Profit / loss of the period						0.2	0.2	0.2	0.4
Equity at March 31, 2006	12.6	23.4	0.8	7.3	-0.2	63.0	106.8	3.9	110.7

KEY INDICATORS

	March 31, 2006	March 31, 2005	Dec. 31, 2005
Shareholders' equity per share, EUR	17.71	15.90	18.56
Equity ratio, %	52.4 %	48.4 %	50.0 %
Investments, EUR million	1.2	0.3	11.7
Average number of personnel	956	974	1033
Average number of shares , 1 000	6,253	6,253	6,253

CONTINGENT LIABILITIES

EUR million	March 31,	March 31,	Dec. 31,
Mortgages given for debts:			
Real estate mortgages	40.7	35.1	40.7
Corporate mortgages	51.4	51.4	51.4
Shares pledged	3.6	3.6	3.6
Other securities given for own commitments:			
Real estate mortgages	0.0	0.1	0.1
Pledges	0.0	0.0	0.0
Leasing liabilities	1.2	0.8	1.3
Non-cancellable other leases, minimum lease payments	2.0	1.7	2.1
Contingent liabilities for own commitments:			
Repurchasing commitments	0.1	0.2	0.1
Contingent liabilities on behalf of the associate companies:			
Repurchasing commitments	0.1	0.2	0.1
Other contingent liabilities:			
Redemption liability of leased buildings	-	2.5	-

OUTSTANDING VALUES OF DERIVATIVE INSTRUMENTS

Forward currency contracts	0.6	2.0	1.5
Commodity derivative instruments	3.4	4.0	5.0
Interest rate swaps	25.0	25.0	25.0

The data in this interim report have not been audited.