Financial statements bulletin 1 January – 31 December 2007

January–December

- Consolidated profit for the financial year totalled EUR 13.4 million (2006: EUR 13.1 million).
- Earnings per share amounted to EUR 2.13 (2.10).
- Net sales of the continuing operations totalled EUR 309.6 (244.5) million, up 27% on the previous year.
- Operating profit of the continuing operations excluding non-recurring items came to EUR 3.5 (3.8) million; non-recurring items totalled EUR –0.3 (+1.5) million.
- The Board will propose a dividend of EUR 0.85 (0.84) per share to the Annual General Meeting.

Fourth quarter

- Net sales of the continuing operations totalled EUR 96.5 (71.9) million, up 34% on the same quarter in 2006.
- Operating profit of the continuing operations excluding non-recurring items came to EUR 3.3 (3.0) million; non-recurring items totalled EUR –0.2 (+1.4) million.

The information in this report has not been audited.

Matti Karppinen, CEO:

"The past financial year was one of significant decisions at Lännen Tehtaat. The company took systematic and major steps towards its vision of being one of Finland's leading food companies, with operations in the northern Baltic region. The first step was the decision to discontinue the animal feed business, which was incompatible with our strategy. The sale of a majority of the shares was agreed on with Hankkija-Maatalous in January. Another major step was the acquisition of Maritim Food, a Norwegian fish-processing company, at the beginning of the year.

In addition to completed sales and 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.

In connection with its stratey review, the Board of Directors of Lännen Tehtaat outlined the Group's growth targets, aiming to double net sales over a period of three years. The Board also confirmed the other long-term targets: an operating profit of at least 5% of the net sales, a return on equity of at least 12%, and an equity ratio of at least 40%.

Our best-performing businesses in 2007 were Frozen Foods and Grain Trading. In Frozen Foods, the targeted improvement in financial performance was achieved as a result of sales growth and measures to improve productivity and cost-efficiency. In Grain Trading, Avena Nordic Grain managed to increase its sales volume in difficult market conditions while maintaining a reasonably good level of profitability.

Apetit Kala produced a profit in the final quarter, but the result for the year as a whole was disappointing. The Maritim Food group performed as expected. In the course of the year, Apetit Kala undertook measures to improve operating efficiency and productivity, the most significant of these being the centralization of all its production in Kuopio. These measures involved certain non-recurring and overlapping costs. The benefits of the centralization are expected to be felt from the beginning of 2008. The Vegetable Oils business performed slightly less well than expected in the latter half of the year because product prices were raised later than the rise in raw material prices.

Achieving our growth target will be the most important challenge facing the Group in the near future, and will require both organic growth and corporate acquisitions."

KEY FIGURES ILLUSTRATING PERFORMANCE, EUR million

	Oct-Dec 2007	Oct-Dec 2006	Jan-Dec 2007	Jan-Dec 2006
All operations, total				
Net sales	96.5	117.4	376.8	408.7
Operating profit	3.0	8.1	12.3	14.5
Profit before taxes	4.5	10.0	4.6	17.8
Profit for the period	4.0	7.3	13.4	13.1
Earnings per share, EUR	0.62	1.18	2.13	2.10
Continuing operations				
Net sales	96.5	71.9	309.6	244.5
Operating profit without non-recurring items	3.3	3.0	3.5	3.8
Operating profit	3.1	4.4	3.2	5.3
Profit before taxes	4.6	6.8	6.0	10.2
Profit for the period	4.1	4.9	5.6	7.5
Earnings per share, EUR	0.63	0.78	0.88	1.20
Discontinued business operations				
Net sales	0.0	52.5	78.8	164.2
Operating profit	-0.1	3.7	9.1	9.2
Profit for the period	-0.1	2.4	7.8	5.6
Earning per share, EUR	-0.01	0.40	1.25	0.90

NET SALES AND PROFIT

Fourth quarter (Oct–Dec):

The net sales of the continuing operations in October-December totalled EUR 96.5 (71.9) million, an increase of 34% on the same quarter in 2006. Growth occurred in all business operations, although the majority of it was in Grain Trading and Fish. Adding Maritim Food to the Group increased the net sales of the Fish business by EUR 9.7 million compared to the same quarter a year earlier. The net sales of the Vegetable Oils business also increased significantly, and the net sales of the Frozen Foods business increased slightly.

The operating profit of the continuing operations in October-December excluding non-recurring items was slightly better than a year earlier, at EUR 3.3 (3.0) million. Non-recurring items totalled EUR -0.2 (+1.4) million. The comparable year-on-year figures show improved fourth-quarter performance in Grain Trading, Frozen Foods and Other Operations, while the performance of the Fish business remained the same, and that of the Vegetable Oils business deteriorated.

The fourth-quarter pre-tax profit of the continuing business operations was EUR 4.6 (6.8) million, while profit for the quarter came to EUR 4.1 (4.9) million. The taxes on the profit for the quarter amounted to EUR –0.5 (–1.9) million. The profit includes the share in the profit of associated companies, EUR 2.2 (1.9) million – EUR 1.4 (1.9) million from Sucros and EUR 0.9 (0.0) million from Suomen Rehu.

Financial year (Jan–Dec):

Consolidated profit for the financial year totalled EUR 13.4 (13.1) million. This includes non-recurring EUR 5.6 million profit from the sale of the majority holding in Suomen Rehu. The profit 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-recurrent 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 declined.

Net financial expenses for the financial 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 the non-recurrent transitional aid to full-time refiners of EUR 0.7 million, paid on the basis of the 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 includes 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.

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 42.4 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.

PERSONNEL

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

The average number of personnel in the continuing operations during the financial year was 725 (662). The average number of personnel in Frozen Foods was 266 (275), in the Fish business 381 (303), including 89 at Maritim Food (from 1 March 2007), in Vegetable Oils 36 (36), in Grain Trading 29 (29) and in Other Operations 11 (19). The personnel at Apetit Suomi Oy have been included under Frozen Foods or Fish, depending on which section they work in. The personnel listed under Other Operations in 2006 included those employed by Harviala Ltd up to 28 February.

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 link between production and the crop harvesting season.

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.

OVERVIEW OF EACH BUSINESS

Frozen Foods

Net sales in Frozen Foods 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 brand 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. Excavation 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.

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 fresh fish and of the raw material for hot-smoked whitefish in the autumn. Apetit Kala introduced several new products during the year, including sliced hot-smoked fillets, and shellfish products from Maritim Food sold under the Apetit Maritim brand came onto the market in Finland in the autumn. 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, 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 totalled 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 estimated.

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 reliability 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 through 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, production control, quality, productivity and purchasing. Delivery reliability 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 the year. 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 grain 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, 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 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 +0.5 (0.0) million. The non-recurring items concerning previous business divestments or discontinued business operations and real estate deals totalled EUR +0.1 (+1.5) 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 the subscription price. 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 right to deviate from the shareholders' pre-emptive subscription right if the company has a pressing 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.

SHARES AND TRADING

At the end of the financial year the total number of shares issued by the company stood at 6,317,576, and the registered share capital totalled EUR 12,635,152. The number of Lännen Tehtaat plc shares held by the company was 65,000, representing 1.0% of the entire share capital, with a nominal value of EUR 130,000. No changes occurred in the amount of share capital or in the number of Lännen Tehtaat shares held by the company during the financial year or the previous financial year.

The number of Lännen Tehtaat plc shares traded on the stock exchange during the financial year was 923,450 (1,622,123), representing 14.6% (25.7%) of the total number of shares. The highest price quoted was EUR 24.50 (24.70) and the lowest EUR 15.65 (15.26). The share turnover was EUR 19.3 (32.8) million. The share price quoted at year end was EUR 16.19 (24.30), and the combined market value of all shares 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.

MANAGEMENT

The Board of Directors appointed the Group's CFO Eero Kinnunen as Deputy CEO. The appointment takes effect on 1 January 2008.

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 customer relationships.

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.

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 renewal of Lännen Tehtaat's enterprise resource planning system was begun in autumn 2007. The aim is to replace all of the Group's separate operating and financial control systems with a single system. 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.

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. The 11 Kalatori sales points which are now franchises will be taken over by Apetit Kala during the spring.

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 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 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 recognise 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 recognised 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 will be shown above the operating profit. The share of the profit/loss from Sucros Ltd and Ateriamestarit Oy will be reported under Other Operations, and the share from Sandanger AS from 1 March to 31 August 2007 will be reported under the Fish business.

The share of the profit/loss from Suomen Rehu will be 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 Finland's leading food companies, with operations in 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 a commitment to customer focus, corporate social responsibility and renewal.

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 equal to 5% of net sales, a return on equity of 12% and an equity ratio in the longer term of at least 40%.

OUTLOOK FOR 2008

The full year's net sales for the continuing business operations are expected to be up, and the operating profit excluding non-recurring items 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 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 expected to be good, though slightly below the exceptionally good level seen in 2007.

The transition to IFRS reporting means that a considerable proportion of the Group's profits are accrued 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 equity attributable to the shareholders of the parent company.

The Board of Directors proposes to the Annual General Meeting that the dividend to be paid on the financial year 2007 be 40% of the profit for the financial year. 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.

February 15, 2008

LÄNNEN TEHTAAT PLC

Board of Directors

Consolidated income statements

EUR million	10-12/2007 3 mths	10-12/2006 3 mths	1-12/2007 12 mths	1-12/2006 12 mths
Continuing operations				
Net sales	**96.5**	71.9	**309.6**	244.5
Other operating income	**0.5**	0.0	**1.4**	2.0
Operating expenses	**-92.2**	-66.6	**-302.3**	-236.3
Depreciation	**-1.4**	-0.9	**-5.0**	-4.7
Impairments	**-0.3**	-	**-0.5**	-0.2
Operating profit	**3.1**	4.4	**3.2**	5.3
Financial income and expenses	**-0.7**	0.4	**-0.8**	3.2
Share of profit of associate companies	**2.2**	1.9	**3.5**	1.6
Profit before taxes	**4.6**	6.8	**6.0**	10.2
Income taxes	**-0.5**	-1.9	**-0.4**	-2.7
Profit for the period, continuing operations	**4.1**	4.9	**5.6**	7.5
Discontinued operations				
Profit for the period, discontinued operations	**-0.1**	2.4	**7.8**	5.6
Profit for the period	**4.0**	7.3	**13.4**	13.1
Attributable to:				
Equity holders of the parent	**3.9**	7.3	**13.3**	13.1
Minority interests	**0.1**	0.0	**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	**0.62**	1.18	**2.13**	2.10
Basic and diluted earnings per share, EUR, continuing operations	**0.63**	0.78	**0.88**	1.20
Basic and diluted earnings per share, EUR, discontinued operations	**-0.01**	0.40	**1.25**	0.90

Consolidated balance sheet

EUR million	Dec 31, 2007	Dec 31, 2006
ASSETS		
Non-current assets		
Other intangible assets	**4.7**	1.5
Goodwill	**7.0**	17.4
Tangible assets	**43.5**	67.4
Investment in associated companies	**39.2**	23.1
Available-for-sale investments	**0.1**	0.1
Receivables	**4.6**	5.8
Deferred tax assets	**0.3**	0.3
	99.4	115.6
Current assets		
Inventories	**64.4**	65.3
Receivables	**28.6**	48.7
Income tax receivable	**0.4**	0.3
Financial assets at fair value through profit and loss	**8.1**	-
Cash and cash equivalents	**5.1**	7.5
	106.6	121.9
Total assets	**205.9**	237.5
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the parent	**127.3**	119.2
Minority interest	**0.7**	-
Total equity	**128.0**	119.2
Non-current liabilities		
Deferred tax liabilities	**4.8**	7.0
Long-term financial liabilities	**5.3**	7.0
Non-current provisions	**0.1**	-
Non-current liabilities total	**10.2**	14.0
Current liabilities		
Short-term financial liabilities	**28.2**	49.1
Income tax payable	**0.7**	1.0
Trade payables and other liabilities	**38.7**	54.2
Current liabilities total	**67.6**	104.3
Total liabilities	**77.9**	118.3
Total equity and liabilities	**205.9**	237.5

Consolidated cash flow statement

EUR million	1-12/2007 12 mths	1-12/2006 12 mths
Net profit for the period	**13.4**	13.1
Adjustments, total	**-1.5**	8.5
Change in net 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	**-9.9**	-2.8
Proceeds from sales of subsidiaries	**42.0**	0.0
Acquisition of associated companies	**0.0**	-0.2
Proceeds from sales of associated companies	**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
Raising of long-term loans	-	1.9
Raising of 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
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

Statement of changes in shareholders' equity

EUR million	Attributable to equity holders of the parent: 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
Other changes	-	-	-	-	-	-	-0.3	-0.3	-	-0.3
Business combinations	-	-	-	-	-	-	-	-	-3.7	-3.7
Profit for the period	-	-	-	-	-	-	13.1	13.1	-	13.1
Total recognised income and expense	12.6	23.4	0.5	7.3	-0.8	-0.2	81.1	123.8		123.8
Dividend distribution	-	-	-	-	-	-	-4.6	-4.6	-	-4.6
Shareholders' equity at Dec 31, 2006	12.6	23.4	0.5	7.3	-0.8	-0.2	76.5	119.2	-	119.2
Shareholders' equity at Jan. 1, 2007	12.6	23.4	0.5	7.3	-0.8	-0.2	76.5	119.2	-	119.2
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
Increase / decrease in subsidiary	-	-	-	-	-	0.2	-	0.2	0.7	0.9
Translation differences	-	-	-	-	-	0.1	-	0.1	-	0.1
Other changes	-	-	-	-0.1	-	-	0.0	-0.1	-	-0.1
Profit for the period	-	-	-	-	-	-	13.3	13.3	0.1	13.4
Total recognised income and expense	12.6	23.4	0.4	7.2	-0.8	0.1	89.8	132.6	0.7	133.4
Dividend distribution	-	-	-	-	-	-	-5.3	-5.3	-	-5.3
Shareholders' 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

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The year-end report have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2006.

Lännen Tehtaat has adopted the following new amendments and interpretations to published standards as well as new standards from January 1, 2007:

- IFRS 7 Financial Instruments: Disclosures.
- IAS 1 (Amendment) Capital Disclosures.
- IFRIC 9 Reassessment of Embedded derivatives
- IFRIC 10 Interim Financial Reporting and Impairment.

The adopted standards and interpretations have not had any significant effects on this year-end report.

Segment information

Business segments 1–12/2007

EUR million	Frozen Foods	Fish	Grain Trading	Vegetable Oil	Other Operations	Continuing operations total	Discontinued operations	Total
Total external sales	49.3	81.7	132.8	46.0	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 profit/losses of associated companies	0.0	0.1	-	-	3.4	3.5	0.1	3.6
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

Business segments 1–12/2006

EUR million	Frozen Foods	Fish	Grain Trading	Vegetable Oil	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 profit/losses of associated companies	0.0	0.0	-	-	1.6	1.6	0.1	1.7
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	0.1	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

Geographical segments

Net Sales

EUR million	1-12/2007 12 mths	1-12/2006 12 mths
Finland	189.2	188.6
Scandinavia	45.8	22.4
Baltic states and Russia	10.0	2.3
Other countries	64.6	31.2
Continuing operations total	309.6	244.5
Discontinued operations	67.2	164.2
Total	376.8	408.7

Discontinued operations

The sale of the majority holding in Suomen Rehu Ltd was completed at the start 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 interim period 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 purchasing option for the remaining shares, which it will be able to put into effect at the earliest 15 months after the purchase of the majority holding.

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.

Key indicators

	Dec 31, 2007	Dec 31, 2006
Shareholders' equity per share, EUR	**20.36**	19.06
Equity ratio, %	**62.1 %**	50.3 %
Gearing, %	**16.0 %**	40.7 %
Gross investments in non-current assets, EUR million, continiung operations	**6.9**	1.9
Corporate acquisitions and other share purchases, EUR million, continuing operations	**11.6**	**3.0**
Average number of personnel, continuing operations	**725**	662
Average number of shares, 1,000 pcs	**6,253**	6,253

The key figures in this interim financial report are calculated with same accounting principles than presented in year 2006 annual financial statements.

Contingent liabilities

EUR million	Dec 31, 2007	Dec 31, 2006
Mortgages given for debts:		
Real estate mortgages	**7.3**	37.5
Corporate mortgages	1.3	51.4
Shares pledged	-	3.6
Other quarantees	**7.7**	-
Non-cancellable other leases, minimum lease payments:		
Real estate leases	**5.3**	2.8
Other leases	**0.8**	0.9
Contingent liabilities on behalf of the Group companies:		
Guarantees	**5.1**	-

SUOMEN REHU – OPTION SCHEME
The calculatory unrecognised value for the result based component included in the option scheme as at September 30, 2007 is approximately EUR 0.0.

DERIVATIVE INSTRUMENTS

Outstanding nominal values of derivate instruments		
Forward currency contracts	**5.0**	4.5
Commodity derivative instruments	**2.6**	4.6
Interest rate swaps	**25.0**	25.0

INVESTMENT COMMITMENTS
Lännen Tehtaat has investment commitments in frozen foods segment a total of EUR 4,2 million as of December 31, 2007.

Tangible assets

EUR million	1-12/ 2007 12 mths	1-12/ 2006 12 mths
Book value at the beginning of the period	67.4	72.2
Acquisitions	6.5	7.3
Acquisitions of operations	7.6	-
Disposals	-0.2	-4.2
Disposals of operations	-32.6	-0.4
Depreciations and impairments	-5.1	-7.7
Other changes	-0.1	0.2
Book value at the end of the period	43.5	67.4

Transactions with associated companies and joint ventures

EUR million	1-12/ 2007 12 mths	1-12/ 2006 12 mths
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.