



## Interim report 1 January – 30 September 2008

### January – September:

- Profit for the period EUR 14.5 (9.4) million.
- Earnings per share EUR 2.31 (1.51).
- Net sales of continuing operations EUR 268.2 (213.1) million, or growth of 26%.
- Continuing operations showed an operating profit of EUR 2.7 (0.3) million (excluding non-recurring items); non-recurring items amounted to EUR 7.3 (0.7) million.
- Profit from continuing operations EUR 7.5 (1.0) million.

### July – September:

- Profit for the period EUR 8.3 (3.1) million.
- Earnings per share EUR 1.33 (0.49).
- Net sales of continuing operations EUR 76.3 (73.6) million, or growth of 4%.
- Operating profit (excluding non-recurring items) EUR 0.3 (0.6) million; non-recurring items amounted to EUR 2.5 (0.5) million.

The figures in this interim report have not been audited.

### CEO Matti Karppinen:

"During the period July – September Lännen Tehtaat carried out two important strategic restructurings. We sold our remaining Suomen Rehu shares to Hankkija-Maatalous, which marked the conclusion of Lännen Tehtaat's withdrawal from the feed business. We also sold our jams business to Saarioisten Säilyke, which will enable Apetit Pakaste to focus on the development and expansion of frozen foods. These transactions, which are in line with our strategy, will strengthen Lännen Tehtaat's financial standing and give it more freedom of action on the corporate acquisition market. As a result of the recent turbulence on the financial markets, there are now more companies on sale and valuations are also at more attractive levels."

### KEY INDICATORS

EUR million	7-9/2008	7-9/2007	1-9/2008	1-9/2007	1-12/2007
<b>Continuing operations</b>					
Net sales	76.3	73.6	268.2	213.1	309.6
Operating profit	2.7	1.2	10.0	0.9	5.3
Operating profit (excluding non-recurring items)	0.3	0.6	2.7	0.3	4.9
Profit before taxes	2.2	1.1	8.3	0.9	4.6
Profit for the period	1.6	1.2	7.5	1.0	4.2
Earnings per share, EUR	0.26	0.18	1.18	0.16	0.66
<b>Discontinued operations</b>					
Profit for the period	6.6	1.9	7.1	8.4	9.2
Earnings per share, EUR	1.07	0.31	1.13	1.35	1.48

## CHANGES IN GROUP STRUCTURE AND CORPORATE ACQUISITIONS

With a transaction concluded in early September Lännen Tehtaat plc sold its remaining holding of 49% in Suomen Rehu Ltd to Hankkija-Maatalous Oy. The transaction was a continuation of a transaction concluded in June 2007 under which Suomen Rehu and its subsidiaries became part of the Hankkija-Maatalous Group. As a result of the second transaction in September, Lännen Tehtaat has now completely withdrawn from the feed business, and the move is also in accordance with its strategy. The price paid by Hankkija-Maatalous for the minority holding was EUR 27 million. The transaction generated a tax-free sales profit of EUR 6.6 million which has been recognized in the discontinued operations' profits during the third quarter. In the profit and loss account for the period under review and the comparison period, Suomen Rehu is shown as a discontinued operation.

With a transaction closed in September, Apetit Pakaste Oy, a Lännen subsidiary, sold its jams business (including the Dronningholm brand) to Saarioisten Säilyke Oy. The transaction generated a taxable sales profit of EUR 2.5 million which has been recognized in the third-quarter profit of the Frozen Foods Business as a non-recurring item.

The ownership changes in Avena Nordic Grain Oy put into effect at the start of the period under review have been covered in the interim report for the first quarter.

## CHANGES IN REPORTING PRACTICES

Starting on 1 January 2008, Lännen Tehtaat revised the way its share of associated companies' profits is reported. The share of profits of associated companies in the food business is included in the operating profit, while the share of other associated companies' profits is shown below the operating profit. The figures for the comparison year have been adjusted to correspond to the new practice.

The share of the profits of the associated companies' Sucros Ltd and Ateriamestarit Oy are included in the operating profits of Other Operations. The share of the associated company Sandanger AS' profits for the period 1 March and 31 August 2007 is included in the operating profit of the Fish Products Business during the comparison year.

## DISCONTINUED OPERATIONS

Because of the transaction involving the minority holding in Suomen Rehu, Lännen Tehtaat's share of the profits of the associated company Suomen Rehu is presented in the profit and loss account of the period under review and the comparison period under discontinued operations. Profits for discontinued operations during the period under review also include the profit from the sale of the minority holding in Suomen Rehu.

The profits generated by discontinued operations during the comparison period includes the January-May profit of the Suomen Rehu group, profit from the sale of the majority holding and the 49%-share of Suomen Rehu's profit for June-September.

## NET SALES AND PROFIT

### January-September:

The profit for the period amounted to EUR 14.5 (9.4) million and earnings per share EUR 2.31 (1.51).

### Continuing operations

The net sales of continuing operations came to EUR 268.2 (213.1) million, an increase of 26%.

The operating profit for the period amounted to EUR 10.0 (0.9) million. The operating profit without non-recurring items was EUR 2.7 (0.3) million. Non-recurring items totalled EUR 7.3 (0.7) million. Associated companies accounted for EUR 5.6 (0.8) million of the operating profit including non-recurring items of EUR 5.0 (0.7) million generated in connection with the EU sugar reform.

The net financing expenses of continuing operations amounted to EUR 1.6 (0.1) million. These include the right to a dividend (EUR 0.4 million) of the employee shareholders of Avena Nordic Grain Oy, which is based on the profits generated by the Avena Nordic Grain group during the period. Expenses generated by net interest-bearing liabilities were at the same level as in the comparison period. Financing items in the comparison period included positive exchange rate differences and positive effects of interest rate hedges.

The profit before taxes amounted to EUR 8.3 (0.9) million and the profit for the period was EUR 7.5 (1.0) million.

### **Discontinued operations**

Suomen Rehu was included in discontinued operations during the period under review and the comparison period. The net sales of discontinued operations in the comparison period amounted to EUR 78.8 million.

The profit of the discontinued operations amounted to EUR 7.1 (8.4) million. The figure includes a profit of EUR 6.6 million from the sale of the minority holding in Suomen Rehu and a share of EUR 0.5 million of the associated company Suomen Rehu's profit for January-August. The figure for the comparison period includes the Suomen Rehu Group's profit of EUR 2.3 million for January-May, a profit of EUR 5.6 million from the sale of the majority shareholding and a share of EUR 0.5 million of the associated company Suomen Rehu's profits for June-September.

### **July-September:**

The net sales of the continuing operations totalled EUR 76.3 (73.6) million, which was 4% higher than in the comparison period. Except for Grain Trading, there was growth in all business segments.

The operating profit of continuing operations (excluding non-recurring items) for July-September amounted to EUR 0.3 (0.6) million. Fish Products and Vegetable Oils posted higher profits than in the comparison period. Frozen Foods remained at the same level as in the comparison period and Grain Trading and Other Operations were lower than in the comparison period.

## **FINANCING AND CASH FLOW**

The sale of Suomen Rehu's shares improved the Group's financial position and liquidity. The cash flow from operations (after interest and taxes) for January-September amounted to EUR 4.5 (4.6) million. The change in working capital had an impact of EUR 2.6 (-4.7) million. The net cash flow from investments totalled EUR 18.7 (18.6) million, while the cash flows from loans amounted to EUR -15.3 (-21.7) million. A total of EUR 5.3 (5.3) million was paid in dividends. The cash flows of discontinued operations are included in the cash flows of the comparison period. The change in cash and cash equivalents amounted to EUR 1.3 (-3.8) million.

At the end of the period under review, interest-bearing liabilities totalled EUR 17.3 (36.8) million and liquid assets EUR 24.3 (18.7) million. Net interest-bearing liabilities amounted to EUR -7.0 (18.1) million. The consolidated balance sheet total stood at EUR 200.7 (204.6) million. The equity ratio was 67.1 (60.9)%. At the end of the period under review, issued commercial papers used by the Group for short-term financing amounted to EUR 12.0 (27.0) million. The counterparty risk in connection with the company's liquid cash and cash equivalents is considered very low and the company does not see any material risk materializing in the forthcoming future. The liquidity is secured with committed credit facilities, and the credit facilities available totalled EUR 25 (23) million at the end of the period under review.

## **INVESTMENT**

In continuing operations, gross investment in non-current assets during the period under review amounted to EUR 5.7 (3.5) million. Investment in the Frozen Foods Business totalled EUR 3.9 (1.6) million, Fish Products Business EUR 1.2 (1.5) million, Vegetable Oils Business EUR 0.1 (0.3) million, Grain Trading EUR 0.1 (0.0) million and Other Operations EUR 0.2 (0.1) million.

## **PERSONNEL**

The average number of personnel in continuing operations during the period under review totalled 778 (676). The figure for the Frozen Foods Business was 231 (242), Fish Products Business 468 (358), Vegetable Oils Business 35 (36), Grain Trading 30 (29) and Other Operations 12 (11). The figure for Apetit Suomi Oy is divided between Frozen Foods and Fish Products in relation to the services charged. The increase in the number of Fish Products personnel is mainly due to the acquisition of the Maritim Food Group during the comparison period and the growth in the number of Kalatori service counter staff. The Kalatori service counters, which were previously operated on a franchise basis, were converted into outlets managed by own personnel.

## BUSINESS SEGMENTS

### Frozen Foods Business

EUR million	7-9/ 2008	7-9/ 2007	1-9/ 2008	1-9/ 2007	1-12/ 2007
Net sales	11.7	11.0	37.7	36.1	49.3
Operating profit (excluding non-recurring items)	0.9	1.0	1.5	1.8	3.5
Operating profit	3.4	0.8	4.0	1.6	3.3

Net sales of the Frozen Foods Business for July-September were 6% higher than in the comparison period. Sales increased in all distribution channels, except for exports. Sales of retail products grew by about 4%, HoReCa sales by 8% and sales of bakery products by more than 30%. Export sales dropped by almost one third from the comparison period, when some of the good pea harvest was exported to Central Europe.

Focusing sales on high-margin products and successful cost control meant that the drop in the operating profit (excluding non-recurring items) for July-September was less than forecast.

The process of moving the production of the Turku plant to Säkylä continued during the period under review. The work on the extension of the production and packaging facilities and the renovation of the premises formerly used by the jams business for the use of frozen ready meals moving from Turku have progressed according to schedule. Following the end of jam production in September, Lännen Tehtaat started conversion training in which jam-production staff will be familiarized with frozen food production. Most of the non-recurring costs of EUR 0.5 million resulting from the move will occur during the last quarter. The positive effects of the move will be felt from the first quarter of 2009 onwards.

The purchasing of raw materials from domestic contract farmers was as planned during the summer and early autumn. Heavy rains that started in October have, however, made the harvesting of the remaining vegetable crops more difficult and the final harvest depends on the harvesting and storage conditions during the next few weeks.

Net sales for January-September increased by 4% and sales were up in all distribution channels. The strongest-growing Apetit product groups were frozen berries, and frozen potato and frozen ready-meals. The frozen vegetable and potato products introduced in the first half of the year did particularly well.

Price increases aimed at compensating for higher raw material, energy and personnel costs have been implemented as planned during the year in review.

The operating profit for the period under review (excluding non-recurring items) was somewhat higher than expected and almost at the same level as in the comparison period.

Investment in the Frozen Foods Business in January-September amounted to EUR 3.9 (1.6) million, comprising the investment at Säkylä made necessary by the move of production from Turku and the introduction of the enterprise resource planning system (ERP). It has been decided to postpone the launching of the system to 2009.

### Fish Products Business

EUR million	7-9/ 2008	7-9/ 2007	1-9/ 2008	1-9/ 2007	1-12/ 2007
Net sales	21.3	19.8	65.9	56.7	81.7
Operating profit (excluding non-recurring items)	-0.7	-0.8	-1.3	-2.0	-1.5
Operating profit	-0.7	-0.8	-1.3	-2.0	-1.7

Net sales of the Fish Products Business in July-September were 8% higher than in the comparison period. Net sales were up in all market areas, and business operations in Norway and Sweden accounted for most of the growth.

The Fish Products Business posted a loss even though the performance of the segment improved slightly. Domestic operations showed better results than in the comparison period, while there was a slight weakening of the performance of foreign operations.

The profitability of the domestic operations have been boosted considerably by improvements in labour and raw-material productivity and more reliable deliveries. Retailers have continued aggressive marketing of salmon and rainbow trout fillets. The fact that consumers prefer low-priced salmon and rainbow trout fillets with low added value has weakened the profitability of consumer-packaged fillet products and Kalatori service counters.

The profitability of foreign operations has been adversely affected by rising prices of shellfish raw materials. Because of long contract periods it has proved impossible to pass the increases to the sale prices. The financial performance has also been affected by lower labour and raw-material productivity in the Swedish operations. The responsibilities for production management were given a clearer definition at the end of the period under review.

In domestic service sales contractual practices will be renewed, the structure of the sales network will be made more efficient and the product range will be developed in order to improve profitability. In units outside Finland, measures aimed at improving productivity and efficiency will continue.

In summer, the EU Council repealed the regulations on anti-dumping duties on Norwegian-bred salmon and large-size rainbow trout. After the revoking of the regulations there have been no significant changes in import prices.

Apetit Kala Oy and Saarioinen Oy launched HoReCa-cooperation in early September. Under the agreement concluded in spring, Saarioinen will sell and market products made by Apetit Kala and Maritim Food on the Finnish HoReCa market. The aim is to increase significantly the sales of fish and shellfish products in the HoReCa sector.

Net sales of the Fish Products Business increased by 16% in January-September, the growth coming from foreign operations. Maritim Food and Sandanger, which were incorporated into the Group in March 2007 and early September 2007 respectively, accounted for about EUR 11 million of the growth.

The financial performance for January-September was better than in the comparison period but the segment nevertheless posted a loss.

Mr. Jarno Järvinen began as managing director of Apetit Kala Oy at the start of September. Mr. Jan Brevik was appointed managing director of Maritim Food Sweden AB and he will also continue as managing director of Maritim Food AS.

The investment by the Fish Products Business in January-September totalled EUR 1.2 (1.5) million. Most of the investment in Finland was directed at renewing Apetit Kala's ERP system. The new system was introduced at the start of October and the process went smoothly. In the foreign units the focus was on machinery and equipment that will improve productivity. The most important of these investments was the packaging line for HoReCa segment started in Sweden.

## Vegetable Oils Business

EUR million	7-9/ 2008	7-9/ 2007	1-9/ 2008	1-9/ 2007	1-12/ 2007
Net sales	15.5	10.6	45.6	31.3	46.0
Operating profit (excluding non-recurring items)	-0.1	-0.2	0.1	0.7	0.8
Operating profit	-0.1	-0.2	0.1	0.7	0.9

The July-September net sales of the Vegetable Oils Business grew by 46% over the comparison period. The growth was mainly a result of rapid rises in prices of oils and crushed rapeseed and soya products. Demand for rapeseed oils remained good and volumes were higher than in the previous year. The amounts of crushed rapeseed were at the same level as in the comparison period. Deliveries of soya oil and crushed soya dropped from the comparison period. Prices for vegetable oil raw materials were substantially higher than in the comparison period. Because the autumn started late, the domestic harvest intake in September was lower than planned.

The financial performance of the segment was slightly better than in the comparison period, even though it posted a loss. Energy costs were higher than during the comparison period. Furthermore, because of the low availability of domestic raw material most of the raw materials used at the end of the harvesting season had to be imported,

and the freight costs of imports had a negative impact on profitability. Because Mildola's delivery contracts are on a long-term basis, it was impossible to pass rising costs to the sale prices to the extent required.

The raw-material market for vegetable oils remains volatile because prices are not only affected by the harvest outlook and demand in the food industry but also by the prices of biofuels and crude oil and price speculation. Because of the downturn in the global economy, there were sharp falls in the prices of raw materials and end products at the end of the period. Because the products and raw materials of the Vegetable Oils Business are priced in advance, the falls will not have any immediate impact on net sales.

Net sales for January-September were 46% higher than in the comparison period. The growth was the result of increases in raw material and sales prices during the past year and higher volumes.

The financial performance of the Vegetable Oils Business was weaker than in the comparison period.

New operating approaches on the end-product and raw-material markets will improve the profitability of the Vegetable Oils Business.

The area used in Finland for rapeseed cultivation during the current harvesting season decreased from 90,000 to 65,000 hectares, which means that the proportion of domestic raw material will also shrink during the season. Increased use of imported rapeseed will also push up freight costs.

Mr. Erkki Lepistö started as the director responsible for the Vegetable Oils Business and as managing director of Mildola Oy at the beginning of July.

The investment of EUR 0.1 (0.3) million in the Vegetable Oils Business was in small-scale replacements.

## Grain Trading

EUR million	7-9/ 2008	7-9/ 2007	1-9/ 2008	1-9/ 2007	1-12/ 2007
Net sales	27.8	32.1	119.5	89.3	132.8
Operating profit (excluding non-recurring items)	0.7	0.9	4.6	2.6	3.9
Operating profit	0.7	0.9	4.6	2.6	3.9

Net sales of Grain Trading went down by 13% during the third quarter from the comparison period. The drop was due to the fact that prices and volumes were lower than in the comparison period. The volume of domestic sales was higher and that of exports and trade between third countries lower than in the comparison period.

Trading in grain was at normal levels during the harvesting season. A sharp fall in prices after the harvesting season has made EU farmers reluctant to sell any grain. End users in the EU and elsewhere have met most of their short-term needs well, and in a situation characterized by good harvests and falling prices, they make new purchasing decisions on a short-term basis. This has resulted in a substantial drop in grain trading activity during the third quarter.

The operating profit for July-September was slightly lower than in the comparison period.

Net sales grew by 34% in the period January-September. The operating profit for the period was, as a result of good performance during the first half of the year 2008, substantially higher than in the comparison period.

Encouraged by high prices during the last harvesting season, farmers in all important production areas of the world increased areas under cultivation. The weather was favourable and the harvests were good. The EU grain harvest was 307 (254) million tonnes and that of Ukraine and Russia 45 (29) million tonnes and more than 100 (82) million tonnes respectively. The Finnish grain harvest was also better and of higher quality than expected. Prices have declined substantially since spring, a result of plentiful global supply and withdrawal of large funds from commodity exchanges. Prices during the ongoing harvesting season will be affected by such factors as autumn sowing decisions by farmers and the size of the areas under sowing.

Investment in Grain Trading, amounting to EUR 0.1 (0.0) million, was directed at the new ERP system.

### Other Operations

EUR million	7-9/ 2008	7-9/ 2007	1-9/ 2008	1-9/ 2007	1-12/ 2007
Net sales	0.5	1.0	1.8	2.9	4.4
Operating profit (excluding non-recurring items)	-0.6	-0.3	-2.4	-2.9	-1.8
Operating profit	-0.6	0.4	2.6	-2.1	-0.9

The Other Operations segment is made up of the service company Apetit Suomi Oy, Group administration, various items that do not come under any particular segment and the associated companies Sucros Ltd and Ateriamestarit Oy. The cost effect of the services produced by Apetit Suomi Oy is an encumbrance on the financial performance of the business units in proportion to the use of the services.

The decline in the net sales of the segment in July-September is the result of the end of sales and product development service obligations as these operations were transferred from Apetit Suomi Oy to individual business units. The operating profit of EUR -0.6 (-0.3) for the period (excluding non-recurring items) includes EUR 0.2 (0.3) million as the share of associated companies' profits.

The operating profit of EUR 2.6 (-2.1) million for January-September includes a share of EUR 5.6 (0.7) million of associated companies' profits.

Investment in the segment totalled EUR 0.2 (0.1) million. The most important investment was directed at renewing ERP and reporting systems and at environmental management at the Säkylä industrial estate. The new ERP system was introduced at the parent company and Apetit Suomi Oy at the start of September. The process went smoothly.

### DECISIONS OF THE ANNUAL GENERAL MEETING

The Annual General Meeting of Lännen Tehtaat plc was held on 2 April 2008. The Meeting approved the financial statements of the parent company and the Group and discharged the members of the Board of Directors and the Supervisory Board and the CEO from liability for the 2007 financial year.

#### Distribution of dividends

The Annual General Meeting decided that a dividend of EUR 0.85 per share would be paid from the profit for the 2007 financial year. It was decided that the dividend would be paid on 15 April 2008.

#### Changes in the Articles of Association

The Annual General Meeting approved the Board of Directors proposal about raising the maximum age at which a person can be elected to the Board of Directors and the Supervisory Board.

### AUTHORIZATIONS OF THE ANNUAL GENERAL MEETING

#### Authorization to purchase own shares

The Annual General Meeting authorized the Board of Directors to decide on the acquisition of a maximum total of 250,878 of Lännen Tehtaat's own shares using the company's untied equity.

The authorization will be valid until the next Annual General Meeting.

#### Authorization to issue shares

The Annual General Meeting authorized the Board to decide on a new share issue and to sell the company's own shares held by the company either together or in several lots. The maximum number of new shares that can be issued is 947,635. The authorization covers the 65,000 Lännen Tehtaat shares held by the company at the time of the authorization and the maximum of 250,878 shares to be purchased under the authorization of 2 April 2008.

The authorization will be in force until the next Annual General Meeting. It revokes the share issue authorization granted on 29 March 2007 and the authorization to transfer the company's own shares granted on the same date.

More detailed information on the decisions of the Annual General Meeting is contained in the stock exchange release of 2 April 2008 and the interim report published on 8 May 2008.

## **USE OF THE AUTHORIZATION**

### **Share issue authorizations**

The Board has not, as yet, exercised the share issue authorization or the authorization to transfer company's own shares granted by the Annual General Meeting.

### **Purchase of own shares**

The purchasing of the company's own shares, which began during the second quarter, continued in July-August. Under the authorization granted by the Annual General Meeting, a total of 65,000 company's own shares were purchased in the trading organized by NASDAQ OMX Helsinki Ltd. A total of EUR 1.0 million was spent on the purchases and the average price for the shares was EUR 15.25 per share. The highest price was EUR 15.89 and the lowest price EUR 14.35.

At the end of the period under review, the company had a total of 130,000 own shares, which have been purchased during and before the period under review. Their nominal value is EUR 0.26 million and they represent 2.1% of the shares and votes of the company.

## **SALE OF SHARES ON THE JOINT BOOK-ENTRY ACCOUNT**

The Annual General Meeting of Lännen Tehtaat plc held on 29 March 2007 decided on the sale of the company's shares kept on the joint book-entry account that have not been transferred to the book-entry system. The sale is in accordance with chapter 3a, section 3a of the Companies Act (734/1978) and section 8 of the Implementing Act of the new Companies Act (624/2006) and will be on behalf of the owners of the shares.

Trading started in September and the shares to be traded are those kept on Lännen Tehtaat plc's joint book-entry account. They total 52,115 and represent about 0.8% of Lännen Tehtaat plc's shares and votes.

## **SHARES AND TRADING**

During the period under review, 900,875 (739,417) of the company's shares were traded on the stock exchange, which was 14.3 (11.7) % of Lännen Tehtaat's share stock. The highest share price was EUR 17.00 (24.50) and the lowest EUR 13.20 (17.65). Share trading during the period totalled EUR 13.1 (16.2) million. At the end of the period, the market value of the share stock was EUR 97.6 (114.3) million.

## **FLAGGING ANNOUNCEMENTS**

No flagging announcements were made in the period under review.

## **GOVERNANCE**

The Supervisory Board of Lännen Tehtaat plc elected in its constituent meeting on 7 April 2008 Helena Walldén as Chairwoman and Juha Nevavuori as Deputy Chairman of the Supervisory Board.

The Board of Directors elected by the Supervisory Board on 7 April 2008 has the following members: Harri Eela, Heikki Halkilahti, Aappo Kontu, Matti Lappalainen, Hannu Simula, Soili Suonoja and Tom v. Weymarn. Tom v. Weymarn will act as the Chairman and Hannu Simula as the Deputy Chairman of the Board of Directors.



## **SEASONAL NATURE 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 peak at the end of the year. Since the recognition 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.

Apetit Kala's sales peak during weekends and seasonal holidays. A large proportion of the profits of the Fish Products Business accumulate during Christmas sales.

The net sales of Grain Trading vary both annually and quarterly, depending on supply and demand and on prices in Finland and on other markets.

## **SHORT-TERM RISKS AND UNCERTAINTIES**

The major risks for the Lännen Tehtaat Group are connected with the volume and quality of the domestic harvest, control of fluctuations in raw-material prices, changes in customerships, transfer of production from the Turku plant, introduction of the ERP systems, corporate acquisitions and takeovers.

## **IMPORTANT OCCURRENCES AFTER THE END OF THE PERIOD UNDER REVIEW**

Suomen Sokeri Oy, a subsidiary of Lännen Tehtaat plc's associated company Sucros Ltd, has sold its beta-amylase enzyme business to Genencor International Oy. The transaction, which includes the production facility and industrial property in Jokioinen, was concluded at the end of October.

Following the transaction, Lännen Tehtaat will recognize a non-recurring profit of approximately EUR 2 million as the share of associated companies's profits for the final quarter.

## **OUTLOOK FOR 2008**

Net sales of continuing operations are expected to rise above 2007 levels because of the growth in Grain Trading, Vegetable Oils and Fish Products.

A good performance by Grain Trading and improved profitability in the Fish Products Business are expected to push the operating profit of the continuing operations (excluding non-recurring items) above the figures of the comparison year.

Contrary to previous forecasts, the Fish Products Business is expected to remain in loss in 2008, but still improve from the comparative year. The operating profit of the Vegetable Oils Business is expected to be positive but lower than in 2007.

The profit for the financial year will be substantially higher than in the comparison period, a result of improvements in the operating performance of the continuing operations, the positive non-recurring items of the associated company Sucros Ltd, the profit from the sale of the jams business and the profit resulting from the sale of the minority holding in Suomen Rehu.

## Consolidated income statement

EUR million	7-9/2008 3 mths	7-9/2007 3 mths	1-9/2008 9 mths	1-9/2007 9 mths	1-12/2007 12 mths
<b>Continuing operations</b>					
<b>Net sales</b>	<b>76.3</b>	73.6	<b>268.2</b>	213.1	309.6
Other operating income	<b>2.8</b>	0.3	<b>3.5</b>	0.9	1.4
Operating expenses	<b>-75.4</b>	-72.3	<b>-263.5</b>	-210.1	-302.3
Depreciation	<b>-1.2</b>	-1.3	<b>-3.8</b>	-3.6	-5.0
Impairments	<b>-</b>	-0.2	<b>-</b>	-0.2	-0.5
Share of profit/loss of associated companies	<b>0.2</b>	1.1	<b>5.6</b>	0.8	2.1
<b>Operating profit</b>	<b>2.7</b>	1.2	<b>10.0</b>	0.9	5.3
Financial income and expenses	<b>-0.5</b>	0.0	<b>-1.6</b>	-0.1	-0.8
<b>Profit before taxes</b>	<b>2.2</b>	1.1	<b>8.3</b>	0.9	4.6
Income taxes	<b>-0.6</b>	0.0	<b>-0.8</b>	0.1	-0.4
<b>Profit for the period, continuing operations</b>	<b>1.6</b>	1.2	<b>7.5</b>	1.0	4.2
<b>Discontinued operations</b>					
<b>Profit for the period, discontinued operations</b>	<b>6.6</b>	1.9	<b>7.1</b>	8.4	9.2
<b>Profit for the period</b>	<b>8.3</b>	3.1	<b>14.5</b>	9.4	13.4
<b>Attributable to:</b>					
Equity holders of the parent	<b>8.3</b>	3.1	<b>14.4</b>	9.4	13.3
Minority interests	<b>0.0</b>	0.0	<b>0.1</b>	0.0	0.1
<b>Earnings per share, calculated of the profit attributable to the shareholders of the parent company</b>					
Basic and diluted earnings per share, EUR, total	<b>1.33</b>	0.49	<b>2.31</b>	1.51	2.13
Basic and diluted earnings per share, EUR, continuing operations	<b>0.26</b>	0.18	<b>1.18</b>	0.16	0.66
Basic and diluted earnings per share, EUR, discontinued operations	<b>1.07</b>	0.31	<b>1.13</b>	1.35	1.48

## Consolidated balance sheet

EUR million	30 Sep 2008	30 Sep 2007	31 Dec 2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5.6	3.6	4.7
Goodwill	6.8	7.5	7.0
Tangible assets	43.6	42.5	43.5
Investment in associated companies	21.5	37.0	39.2
Available-for-sale investments	0.1	0.1	0.1
Receivables	3.3	4.5	4.6
Deferred tax assets	1.7	1.4	0.3
<b>Non-current assets total</b>	<b>82.8</b>	<b>96.4</b>	<b>99.4</b>
<b>Current assets</b>			
Inventories	60.1	58.4	64.4
Receivables	33.4	30.3	28.6
Income tax receivable	0.1	0.9	0.4
Financial assets at fair value through profit and loss	18.0	15.0	8.1
Cash and cash equivalents	6.3	3.7	5.1
<b>Current assets total</b>	<b>117.9</b>	<b>108.2</b>	<b>106.6</b>
<b>Total assets</b>	<b>200.7</b>	<b>204.6</b>	<b>205.9</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to the equity holders of the parent	134.0	123.9	127.3
Minority interest	0.6	0.8	0.7
<b>Total equity</b>	<b>134.6</b>	<b>124.6</b>	<b>128.0</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	4.2	4.5	4.8
Long-term financial liabilities	4.9	6.0	5.3
Non-current provisions	0.1	0.1	0.1
<b>Non-current liabilities total</b>	<b>9.2</b>	<b>10.6</b>	<b>10.2</b>
<b>Current liabilities</b>			
Short-term financial liabilities	12.5	30.9	28.2
Income tax payable	1.8	1.5	0.7
Trade payables and other liabilities	42.6	37.0	38.7
<b>Current liabilities total</b>	<b>56.9</b>	<b>69.4</b>	<b>67.6</b>
<b>Total liabilities</b>	<b>66.1</b>	<b>80.0</b>	<b>77.9</b>
<b>Total equity and liabilities</b>	<b>200.7</b>	<b>204.6</b>	<b>205.9</b>

## Consolidated cash flow statement

EUR million	1-9/2008 9 mths	1-9/2007 9 mths	1-12/2007 12 mths
Net profit for the period	14.5	9.4	13.4
Adjustments, total	-9.9	1.4	-1.5
Change in net working capital	2.6	-4.7	-3.3
Interests paid from operating activities	-1.8	-2.2	-2.8
Interest received from operating activities	0.5	0.9	0.7
Taxes paid	-1.3	-0.3	-1.2
<b>Net cash flow from operating activities</b>	<b>4.5</b>	<b>4.6</b>	<b>5.3</b>
Investments in tangible and intangible assets	-5.7	-4.1	-7.6
Proceeds from sales of tangible and intangible assets	3.0	0.1	0.2
Acquisition of subsidiaries deducted by cash	-0.4	-9.9	-9.9
Proceeds from sales of subsidiaries	-	41.7	42.0
Transactions with minority	1.5	-	-
Acquisition of associated companies	-0.4	-	-
Proceeds from sales of associated companies	27.0	0.6	0.6
Purchases of other investments	-14.0	-35.0	-35.1
Proceeds from sales of other investments	4.1	20.0	27.0
Dividends received from investing activities	3.6	5.3	5.3
<b>Net cash flow from investing activities</b>	<b>18.7</b>	<b>18.6</b>	<b>22.5</b>
Repayments of short-term loans	-14.7	-14.4	-16.7
Repayments of long-term loans	-0.5	-7.3	-8.1
Payment of financial lease liabilities	-0.1	-0.1	-0.1
Purchases of own shares	-1.0	-	-
Dividends paid to minority	-0.3	-	-
Dividends paid	-5.3	-5.3	-5.3
<b>Cash flows from financing activities</b>	<b>-21.9</b>	<b>-27.0</b>	<b>-30.2</b>
<b>Net change in cash and cash equivalents</b>	<b>1.3</b>	<b>-3.8</b>	<b>-2.4</b>
Cash and cash equivalents at the beginning of the period	5.1	7.5	7.5
Cash and cash equivalents at the end of the period	6.3	3.7	5.1

## Statement of changes in shareholders' equity

EUR million	Attributable to equity holders of the parent								Minority interest	Total equity
	Share capital	Share premium account	Net unrealised gains	Other reserves	Own shares	Translation differences	Retained earnings	Total		
Shareholders' equity at 1 Jan. 2007	12.6	23.4	0.4	7.3	-0.8	-0.2	76.5	119.2	0.0	119.2
Cash flow hedges:										
gains/losses recorded in equity	-	-	0.0	-	-	-	-	0.0	-	0.0
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	0.8	1.0
Translation differences	-	-	-	-	-	0.5	-	0.5	-	0.5
Other changes	-	-	-	-0.1	-	-	-0.1	-0.2	-	-0.2
Profit for the period	-	-	-	-	-	-	9.4	9.4	-	9.4
Total recognized income and expense	-	-	0.0	-0.1	-	0.7	9.3	9.9	0.8	10.7
Dividend distribution	-	-	-	-	-	-	-5.3	-5.3	-	-5.3
Shareholders' equity at 30 Sep. 2007	12.6	23.4	0.4	7.2	-0.8	0.5	80.5	123.8	0.8	124.6
Shareholders' equity at 1 Jan. 2008	12.6	23.4	0.4	7.2	-0.8	0.1	84.5	127.3	0.7	128.0
Cash flow hedges:										
gains recorded in equity	-	-	-1.4	-	-	-	-	-1.4	-	-1.4
Taxes related to items entered into equity and removed from equity	-	-	0.4	-	-	-	-	0.4	-	0.4
Increase / decrease in subsidiary	-	-	-	-	-	-	0.4	0.4	-	0.4
Translation differences	-	-	-	-	-	-0.5	-	-0.5	-	-0.5
Other changes	-	-	-	-	-	-	-0.4	-0.4	-	-0.4
Profit for the period	-	-	-	-	-	-	14.5	14.5	0.1	14.6
Total recognized income and expense	-	-	-1.1	-	-	-0.5	14.5	12.9	0.1	13.1
Purchase of own shares	-	-	-	-	-1.0	-	-	-1.0	-	-1.0
Dividend distribution	-	-	-	-	-	-	-5.3	-5.3	-0.3	-5.6
Shareholders' equity at 30 Sep. 2008	12.6	23.4	-0.7	7.2	-1.8	-0.4	93.7	134.0	0.6	134.6

## Basis of preparation and accounting policies

The interim report has 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 2007. In addition, the IFRIC has published IFRIC 15, 'Agreements for the Construction of Real Estate' and IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'. These interpretations do not have material effect to the Lännen Tehtaat's financial statements.

## Segment information

### Business segments 1-9/2008

EUR million	Frozen Foods	Fish	Vegetable Oils	Grain Trading	Other operations Operations	Continuing Other operations total	Discontinued operations	Total
Total external sales	37.7	65.9	45.6	119.5	1.8	<b>270.5</b>	-	270.5
Intra-group sales	-0.1	-0.1	0.0	-0.7	-1.5	<b>-2.3</b>	-	-2.3
Net sales	37.6	65.8	45.6	118.8	0.3	<b>268.2</b>	-	268.2
Share of profit/loss of associated companies included in operating profit/loss	-	-	-	-	5.6	<b>5.6</b>	-	5.6
Operating profit/loss	4.0	-1.3	0.1	4.6	2.6	<b>10.0</b>	6.6	16.6
Share of profit/loss of associated companies	-	-	-	-	-	<b>-</b>	0.5	0.5
Gross investments in non-current assets	3.9	1.2	0.1	0.1	0.2	<b>5.7</b>	-	5.7
Corporate acquisitions and other share purchases	-	-	-	0.4	-	<b>0.4</b>	-	0.4
Depreciations	1.0	1.7	0.5	0.0	0.6	<b>3.8</b>	-	3.8
Impairments	-	-	-	-	-	<b>-</b>	-	-
Personnel	231	468	35	30	12	<b>778</b>	-	778

### Business segments 1-9/2007

EUR million	Frozen Foods	Fish	Vegetable Oils	Grain Trading	Other operations Operations	Continuing Other operations total	Discontinued operations	Total
Total external sales	36.1	56.7	31.3	89.3	2.9	<b>216.3</b>	78.8	295.1
Intra-group sales	-0.1	-0.1	0.0	-0.7	-2.4	<b>-3.2</b>	-11.6	-14.8
Net sales	36.0	56.6	31.3	88.6	0.5	<b>213.1</b>	67.2	280.3
Share of profit/loss of associated companies included in operating profit/loss	-	0.1	-	-	0.7	<b>0.8</b>	-	0.8
Operating profit/loss	1.6	-2.0	0.7	2.6	-2.1	<b>0.9</b>	9.2	10.1
Share of profit/loss of associated companies	-	-	-	-	-	<b>-</b>	0.6	0.6
Gross investments in non-current assets	1.6	1.5	0.3	-	0.1	<b>3.5</b>	0.6	4.1
Corporate acquisitions and other share purchases	-	11.3	-	-	-	<b>11.3</b>	-	11.3
Depreciations	1.3	0.9	0.5	0.1	0.7	<b>3.6</b>	0.2	3.8
Impairments	0.2	-	-	-	-	<b>0.2</b>	-	0.2
Personnel	242	358	36	29	11	<b>676</b>	164	840

## Business segments 1-12/2007

EUR million	Frozen Foods	Fish	Vegetable		Grain Trading	Continuing Other operations		Discontinued operations	Total
			Oils	Operations		total			
Total external sales	49.3	81.7	46.0	132.8	4.4	<b>314.2</b>	78.8	393.0	
Intra-group sales	-0.1	-0.1	0.0	-1.2	-3.2	<b>-4.6</b>	-11.6	-16.2	
Net sales	49.2	81.6	46.0	131.6	1.2	<b>309.6</b>	67.2	376.8	
Share of profit/loss of associated companies included in operating profit/loss	-	0.1	-	-	2.1	<b>2.1</b>	-	2.1	
Operating profit/loss	3.3	-1.7	0.9	3.9	-0.9	<b>5.3</b>	9.1	14.5	
Share of profit/loss of associated companies	-	-	-	-	-	<b>-</b>	1.5	1.5	
Gross investments in non-current assets	1.6	4.1	0.4	-	0.8	<b>6.9</b>	0.6	7.5	
Corporate acquisitions and other share purchases	-	11.6	-	-	-	<b>11.6</b>	-	11.6	
Depreciations	1.7	1.6	0.6	0.1	1.0	<b>5.0</b>	0.2	5.2	
Impairments	0.2	0.3	-	-	-	<b>0.5</b>	-	0.5	
Personnel	248	379	36	29	11	<b>705</b>	123	827	

## Geographical segments

### Net sales

EUR million	1-9/2008 9 mths	1-9/2007 9 mths	1-12/2007 12 mths
Finland	155.1	134.6	189.2
Scandinavia	53.5	29.4	45.8
Baltic states and Russia	4.1	7.3	10.0
Other countries	55.5	41.8	64.6
Continuing operations total	268.2	213.1	309.6
Discontinued operations	-	67.2	67.2
Total	268.2	280.3	376.8

## Discontinued operations

The sale of the majority holding in Suomen Rehu Ltd was completed at the start of June 2007, when Suomen Rehu and its subsidiaries were transferred to Hankkija-Maatalous Oy. In 2007 the net profit from discontinued operations includes a sale profit related to the sold 51% share ownership totalling EUR 5.6 million. Lännen Tehtaat plc and SOK subsidiary Hankkija-Maatalous Oy signed an agreement on 1 September 2008, transferring the remaining shares owned by Lännen Tehtaat in Suomen Rehu Ltd to Hankkija-Maatalous Oy. The transaction price for the 49% shareholding was some EUR 27 million. Lännen Tehtaat recognized a non-recurring tax-free profit of approximately EUR 6.6 million for the sale of these minority shares in its financial performance for the third quarter.

Because of the transaction, the profit of the associated company Suomen Rehu is presented differently in the consolidated income statement. Previously shown beneath the operating profit, the share of profit of associated company Suomen Rehu for the period 1 January - 31 August 2008 will be presented under discontinued operations. The information for the comparative year for the period subsequent to the sale of the majority shareholding, 1 June - 31 December 2007, will be adjusted accordingly.



## Key indicators

	30 Sep 2008	30 Sep 2007	31 Dec 2007
Shareholders' equity per share, EUR	21.65	19.81	20.36
Equity ratio, %	67.1	60.9	62.1
Gearing, %	-5.2	14.3	16.0
Gross investments in non-current assets, EUR million, continuing operations	5.7	3.5	6.9
Corporate acquisitions and other share purchases, EUR million, continuing operations	0.4	11.3	11.6
Average number of personnel, continuing operations	778	676	705
Average number of shares, 1,000 pcs	6,232	6,253	6,253

The key figures in this interim financial report are calculated with same accounting principles than presented in year 2007 annual financial statements.

## Contingent liabilities

EUR million	30 Sep 2008	30 Sep 2007	31 Dec 2007
Mortgages given for debts:			
Real estate mortgages	8.9	33.4	7.3
Corporate mortgages	1.3	31.4	1.3
Shares pledged	-	9.4	-
Other quarantees	4.9	-	7.7
Guarantees	4.9	0.0	5.1
Additional purchase price, estimate	-	0,0 - 1,3	-
Non-cancellable other leases, minimum lease payments:			
Real estate leases	4.2	5.6	5.3
Other leases	0.8	0.8	0.8
<b>DERIVATIVE INSTRUMENTS</b>			
Outstanding nominal values of derivate instruments			
Forward currency contracts	0.1	4.4	5.0
Commodity derivative instruments	13.8	6.4	2.6
Interest rate swaps	-	25.0	25.0

### INVESTMENT COMMITMENTS

Lännen Tehtaat had investment commitments in Frozen Foods segment a total of EUR 2.0 million as of 30 September 2008.

## Changes in tangible assets

EUR million	1-9/ 2008 9 mths	1-9/ 2007 9 mths	1-12/ 2007 12 mths
Book value at the beginning of the period	43.5	67.4	67.4
Acquisitions	4.1	3.7	6.5
Acquisitions of operations	-	7.5	7.6
Disposals	-0.2	0.0	-0.2
Disposals of operations	-	-32.6	-32.6
Depreciations and impairments	-3.5	-3.6	-5.1
Other changes	-0.2	0.1	-0.1
Book value at the end of the period	43.6	42.5	43.5

## Transactions with associated companies and joint ventures

EUR million	1-9/ 2008 9 mths	1-9/ 2007 9 mths	1-12/ 2007 12 mths
Sales to associated companies	12.8	9.6	14.3
Sales to joint ventures	5.6	6.2	8.1
Purchases from associated companies	0.7	7.1	12.0
Purchases from joint ventures	0.2	0.1	0.1
Long-term receivables from associated companies	2.6	3.9	3.9
Trade receivables and other receivables from associated companies	1.5	2.8	3.1
Trade receivables and other receivables from joint ventures	1.0	1.1	0.8
Trade payables and other liabilities to associated companies	0.0	0.6	0.0

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

4 November 2008

Lännen Tehtaat plc  
Board of Directors