



# Lännen Tehtaat plc

INTERIM REPORT FOR JANUARY – MARCH 2012

**Press Conference for Analysts and Media**

4 May 2012 at 10.00 am  
Scandic Simonkenttä

**Matti Karppinen**  
CEO



# Lännen Tehtaat Group



## Frozen Foods



Luonnollisesti hyvää  
– suomalaiseen makuun –

## Seafood



Associated  
company:  
Taimen Oy (30%)

## Grains and Oilseeds



## Other Operations

Lännen Tehtaat plc  
Group management

Apetit Suomi Oy

Caternet Finland Oy

Associated  
companies:  
Sucros Ltd (20%)  
Ateriamestarit Oy  
(50%)



# Lännen Tehtaat

## Mission, vision and targets



### Mission

To offer consumers healthy and tasty food products which are based on locally produced raw materials. We provide added value for our shareholders on a long-term basis.

### Vision

To be one of the leading Finnish food companies operating across the northern Baltic Sea region.

### Targets

- determined and profitable growth
- an operating profit of at least 5% of net sales
- an equity ratio of at least 40%
- a return on equity (ROE) of at least 12%



# Lännen Tehtaat

## Key figures Q1/2012



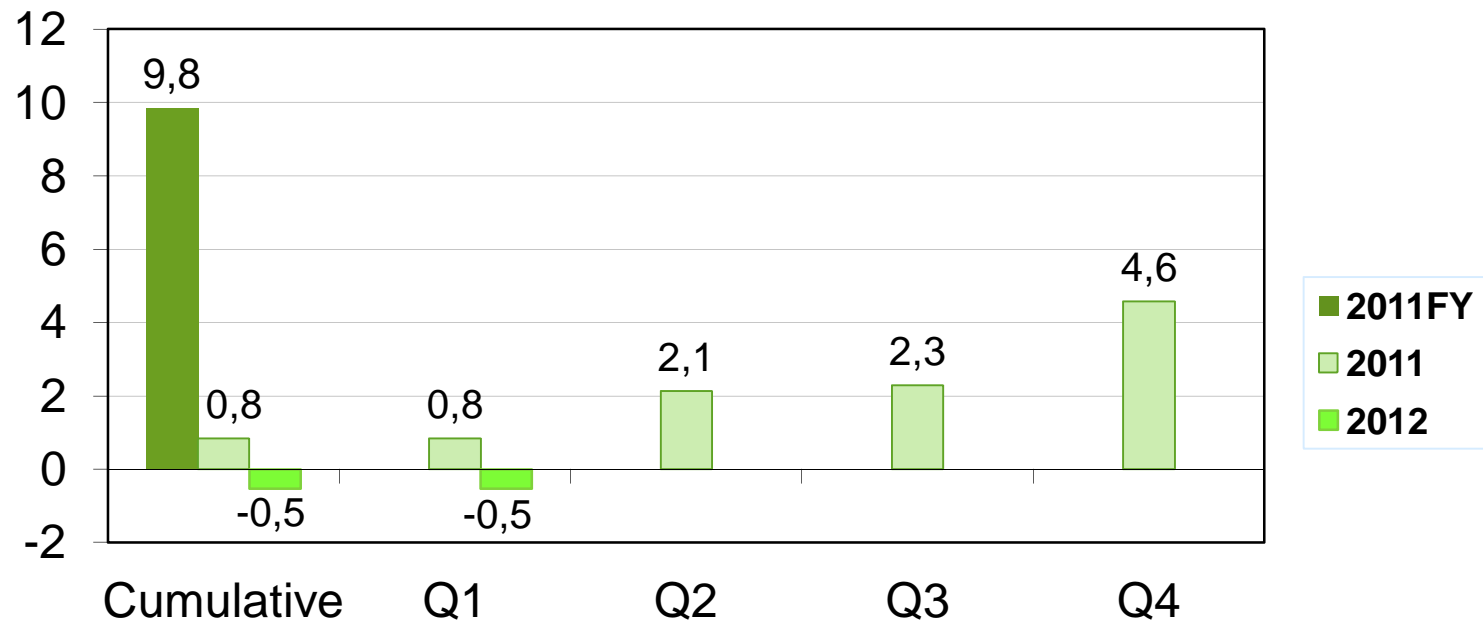
EUR million	Q1/ 2012	Q1/ 2011	Change	Q1-Q4/ 2011
Net sales	79,4	84,0	-5 %	335,5
Operating profit, excl.non-recurring items	-0,5	0,8		9,8
Operating profit	-0,6	0,8		8,7
Profit before taxes	-0,7	0,5		7,5
Profit	-0,7	0,2		5,7
EPS, €	-0,09	0,04		0,92
Equity ratio, %	64,0	68,0		74,9



## Operating profit, excl. non-recurring items



EUR mill.



- The Group acquired Caternet Finland Oy during the first quarter; EUR -0.5 million in transaction expenses related to this acquisition are included in the consolidated operating profit



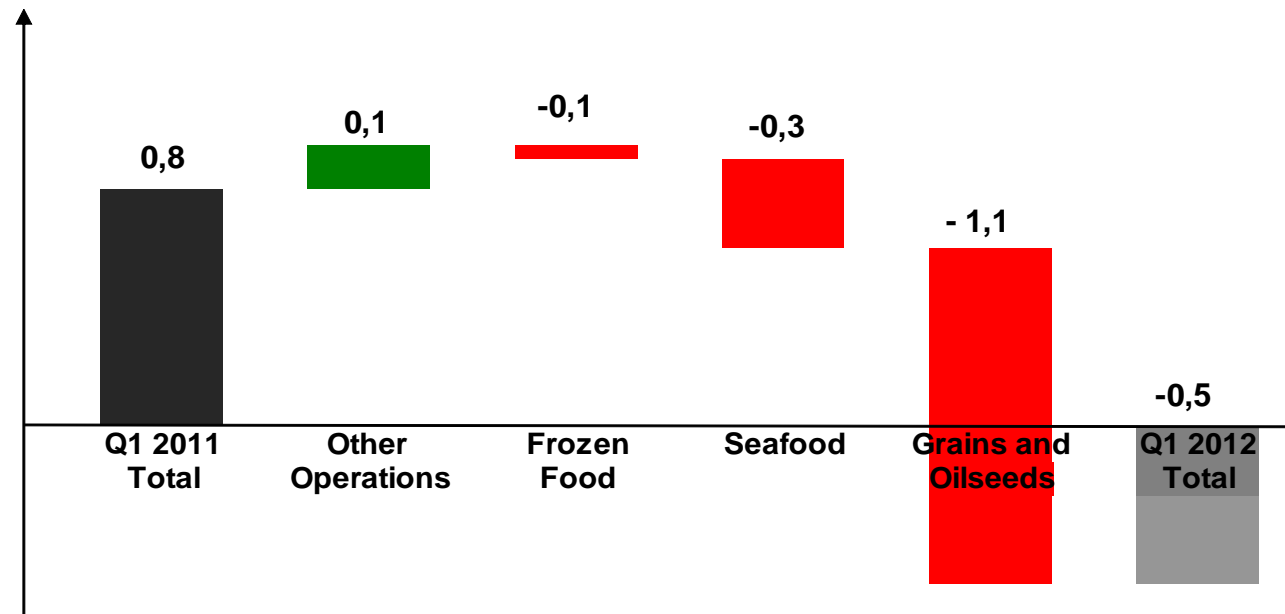


# Operating profit, excl. non-recurring items

## Change – Q1/2012 vs. Q1/2011



EUR mill.



- In the Frozen Foods business the operating profit, excluding non-recurring items was unchanged.
- The operating profit for the Grains and Oilseeds business as well as the operating profit for the Seafood business was weaker than a year earlier.
- The Other Operations improved its operating profit, excluding non-recurring items.







Luonnollisesti hyvää  
— suomalaisen makuun —

# Frozen Foods Business Segment

## Lähiruokaa pakkasesta

Apetit-sopimusviljelijä  
Vesa-Pekka Matomäki,  
Köyliö



Kasvispakasteissamme käytetyt perunat, porkkanat, sellerit, palsternakat, herneet, pinaatit, lantut ja punajuuret poimitaan suomalaisten sopimusviljelijöidemme pelloilta.

Pelloilta pöytään tuoreena pakkasen kautta!



[www.apetit.fi](http://www.apetit.fi)



# Lännen Tehtaat

## Frozen Foods Business Segment



**Apetit – Locally produced food, straight from the freezer.**



**Luonnollisesti hyvää**  
– suomalaiseseen makuun –

Apetit Pakaste Oy is the leading Finnish producer of frozen vegetables and frozen ready meals. Under its Apetit brand, it develops, produces, sells and markets frozen foods that are mainly produced using Finnish raw materials.

Apetit's expertise covers the entire chain, from field to table. Vegetable raw materials are sourced from Apetit's contract growers, which are committed to Apetit's quality targets.

- Apetit offers consumers its Kotimaiset range of 100 per cent Finnish-grown vegetable products.
- Apetit is the best-known frozen foods brand in Finland.





# Frozen Foods

## Tasty frozen food for every day use





# Frozen Foods



**January – March net sales were at the level of Q1/2011**

EUR mill.	Q1/ 2012	Q1/ 2011	Change	Q1-Q4/ 2011
Net sales	12,7	12,6	1%	45,3
Operating profit, excl. non-recurring items	0,2	0,3		3,3
Operating profit	0,2	0,3		3,3

- Sales increased to the hotel, restaurant and catering sector, to the food industry and for export, while sales to retailers declined slightly.
- Sales of the Apetit Kotimaiset range grew by 17 per cent compared with the same period in 2011.
- Sales of frozen berries were up substantially year on year.

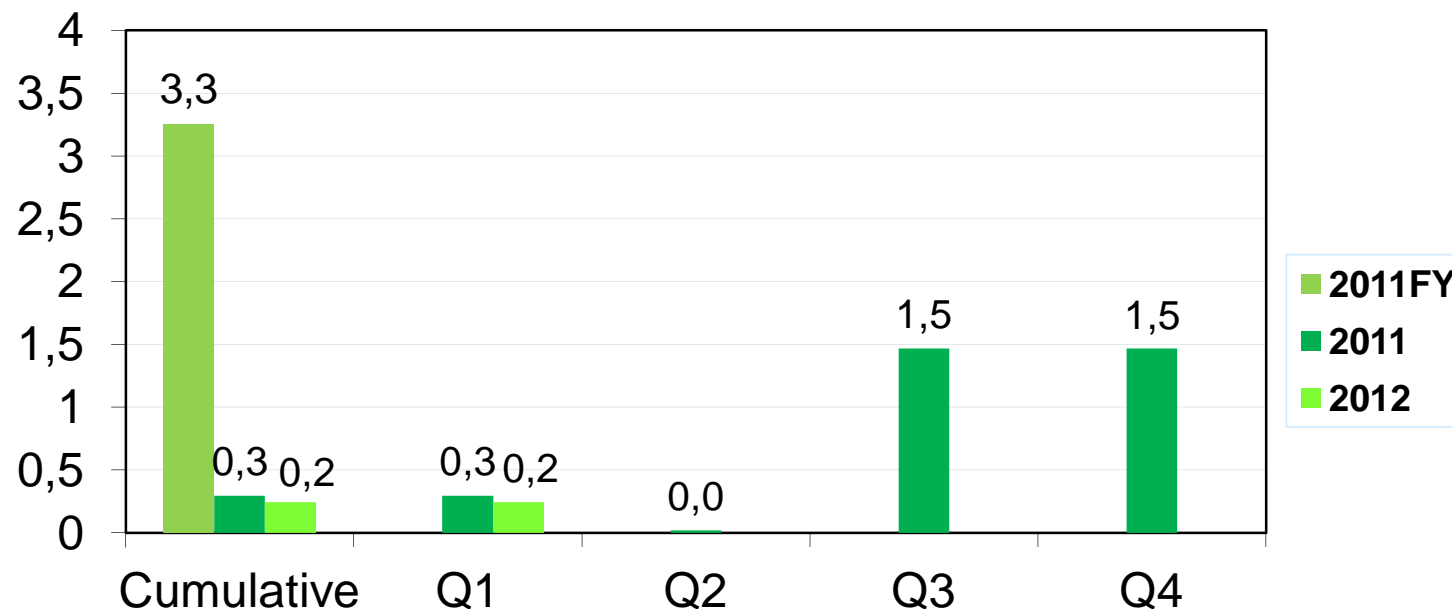




# Frozen Foods

**Operating profit was at the same level as in Q1/2011**

EUR mill.



- The fire which occurred at the fryer of the frozen ready meals factory in March did not interrupt deliveries of frozen ready meals to customers.
- Appetit will continue to develop its Kotimaiset range. New products will be introduced to this range in the autumn, when Finnish leek and cauliflower production will start.





# Seafood Business Segment

Fresh and tasty fish and various seafood.







# Lännen Tehtaat

## Seafood



**Seafood segment focuses on tasty and fresh fish and other seafood.**

Lännen Tehtaat's Seafood business operates in Finland, Norway and Sweden.

Apetit Kala Oy and its subsidiary Myrskylän Savustamo are Finland's leading seafood companies. Apetit Kala sells fish, fish products and other fresh products through its own managed service counters under the shop-in-shop principle. The associated company Taimen Oy specialises in fish farming and fry and fingerling production.

Maritim Food AS and its subsidiaries develop, produce and sell shellfish and fish products in Norway and Sweden.



# Seafood

## Fresh and tasty seafood





# Seafood



**The net sales were up compared to Q1/2011**

EUR mill.	Q1/ 2012	Q1/ 2011	Change	Q1-Q4/ 2011
Net sales	20,1	19,3	4%	84,3
Operating profit excluding non-recurring items	-0,8	-0,5		0,2
Operating profit	-0,8	-0,5		-1,0

- Net sales of the Finnish Seafood business grew in January-March despite the fact that the price of salmon and rainbow trout was lower and Apetit had fewer service counters than in the first quarter of the previous year.
- In Norway, sales of salad dressings and pizza sauces continued to grow, but sales of fish meal components declined.
- In Sweden, sales of shellfish in brine performed extremely well due to new customer relationships, among other things.

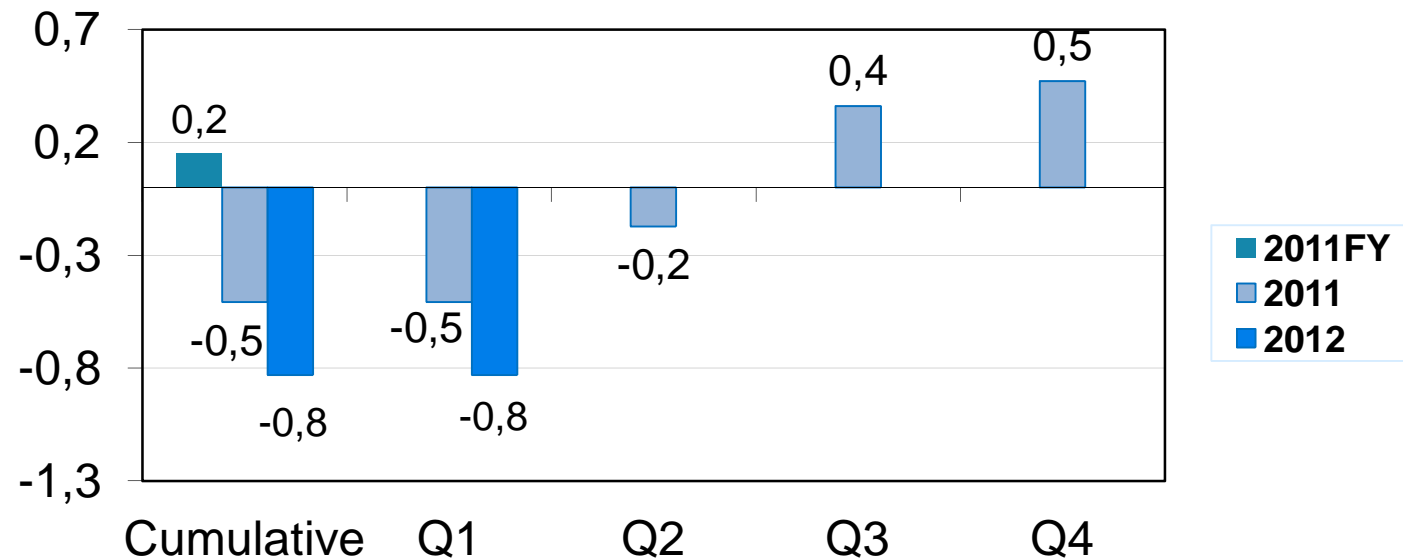




# Seafood

**The operating profit, excluding non-recurring items was lower than in Q1/2011**

EUR mill.



- Profit performance in the Finnish Seafood business continued to be positive.
- The profit of the Seafood business in Norway and Sweden was burdened by the high prices of raw materials.
- The operating profit included a change in the fair value of currency hedges, amounting to EUR -0.3 (-0.1) million.
- The share in the profit of associated company Taimen Oy was EUR -0.1 (0.0) million.





# Grains and Oilseeds Business Segment

Leading expertise in grain trading and vegetable oil production.



# Lännen Tehtaat

## Grains and Oilseeds



Avena Nordic Grain is active in the trading of grains, oilseeds and animal feedstuffs in Finland and internationally. It also markets and sells vegetable oils and expeller, which are produced at its Mildola oil milling plant in Kirkkonummi.

- Avena's strengths are its diverse grain trading expertise, individualised customer service and flexible operation in changing markets.
- Mildola's vegetable oil packaging plant started in the end of 2011. It enables customer-tailored solutions and ensures effective quality Management.



# Grains and Oilseeds

## Own vegetable oil packaging plant enables the sales growth in special oils

### Retail

### Professional kitchen

### Food industry





# Grains and Oilseeds

## The sales of grains were weaker than in Q1/2011



EUR mill.	Q1/ 2012	Q1/ 2011	Change	Q1-Q4/ 2011
Net sales	46,5	51,9	-10%	204,9
Operating profit excluding non-recurring items	1,4	2,5		8,4
Operating profit	1,4	2,5		8,4

- First-quarter net sales in the Grains and Oilseeds business were down compared to the same, very successful period a year earlier.
- The grain trading volume was lower and the market price level was also slightly lower than in the same quarter a year earlier.
- Thanks to the company's own vegetable oil packaging plant, the sales of oils in cans and containers grew substantially.





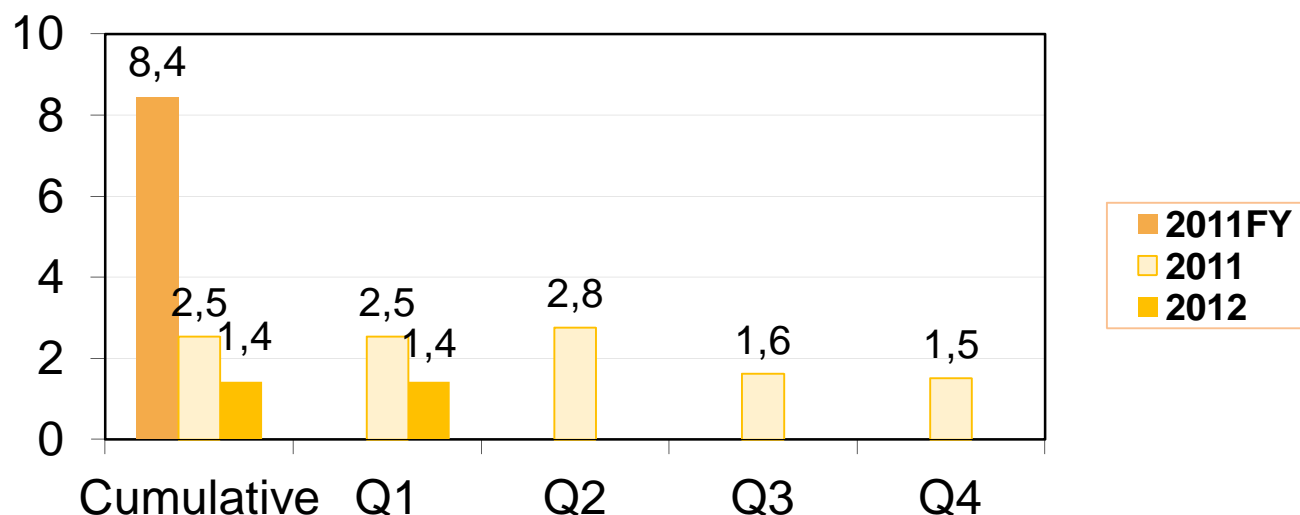


# Grains and Oilseeds

## Operating profit lower than in Q1/2011



EUR mill.



- The first two months of the year, in particular, were quiet in the grain market, leaving sales volume low.
- Despite good sales volumes, the profitability of oilseed products was lower than in the same period a year earlier, due to a weaker refining margin.
- The refining margin was already encumbered by a prolonged imbalance between the prices of raw materials and the market prices of end products.
- In the market, there is scarcity of domestic raw material, rapeseed.





# Lännen Tehtaat

## Other Operations



The parent company, **Lännen Tehtaat plc**, is responsible for Group administration, development of the Group structure and management of shareholdings and real estate.

**Apetit Suomi Oy** is responsible for marketing Apetit products. In addition, Apetit Suomi produces personnel, IT and financial administration services for the companies of the Lännen Tehtaat Group, and environmental administration services for all operators at the Säkylä industrial estate.

**Caternet Finland Oy** produces ready-to-use fresh vegetable and fruit products for professional kitchen sector.

The associated company **Sucros Ltd** (20%) produces, sells and markets sugar products for the food industry and the retail trade, and for export.

**Ateriamestarit** (50 %) is a partner for professional kitchen sector. It offers complete food solutions and expertise for its partners. It is also responsible for selling and marketing of Apetit Pakaste's products for professional kitchen sector.



## Other Operations

**Sucros's result was higher compared to Q1/2011**



EUR mill.	Q1/ 2012	Q1/ 2011	Change	Q1-Q4/ 2011
Net sales	0,5	0,5	0%	2,7
Operating profit, excluding non re-curring items	-1,4	-1,5		-2,0
Operating profit	-1,5	-1,5		-2,0

- Net sales from the sale of services in the Other Operations segment were at the previous year's level.
- The segment's operating profit includes transaction expenses of EUR -0.5 million from the acquisition of Caternet Finland Oy.
- The share of the profits of associated companies was up year on year, totalling EUR 0.4 (-0.2) million.





# Lännen Tehtaat

## Assessment of expected future development



The short-term outlook, which contains a great deal of uncertainty, is weaker than that of the same period last year. The second-quarter operating profit, excluding non-recurring items, is expected to be weaker than that for the same period in 2011, due to the more moderate profit expectations for the Grains and Oilseeds business.

In the financial statements bulletin issued in February, it was stated that the Group's full-year operating profit in 2012, excluding non-recurring items, is expected to be higher than the previous year.

It is forecast that the full-year operating profit, excluding non-recurring items, will reach at the best the level of 2011, due to the lacklustre profit performance early in the year. The profit performance in the second half of the year will be influenced substantially by the extent of activity in the grain and oilseed markets, which at this stage of the year is still difficult to assess.







# Lännen Tehtaat

## Other topical issues



1. The acquisition of Caternet Finland Oy
2. The Shareholder agreement dispute between Lännen Tehtaat and Nordic Sugar





## Caternet Finland Oy – a frontrunner in supplying fresh products to professional kitchen sector



Caternet produces and supplies ready-to-use vegetable, fruit and fresh fish products. The company was established in 1994 and its net sales in 2011 were approximately EUR 29 million. It employs about 120 people.

Caternet produces ready-to-use fresh products for professional kitchen sector. Caternet's business premises are located at Kivikko in Helsinki. The site includes a production and logistics centre and a test kitchen. The company also has sales and logistics functions in Oulu and Jyväskylä.

Product portfolio consists of fresh sliced and chopped vegetables and fruit, and fresh, smoked and frozen fish. Most of the sales come from vegetable and fruit products. Customers are restaurants, hotels, public sector's food supply, retail and food industry in Finland.





## Caternet Finland Oy - history



- Caternet Finland Oy's story began in 1994 at the Hakaniemi Market Hall, where the company operated until 1998 under the name Helsingin Kalamarket Oy.
- In 2000, Caternet acquired Valiovihanne Oy, which was established in 1926. In 2004, Valiovihanne was merged into Caternet.
- In spring 2009, Caternet had a new, modern high-hygiene production plant built in Kivikko, Helsinki.
- In spring 2011, the company strengthened its position as Finland's leading fresh produce supplier by acquiring Tuoretaalo Oy in Oulu and Vihanne Pulk-ka Oy in Jyväskylä.
- Net sales and operating profit 2008-2011:

year	net sales	operating profit
• 2008	EUR 17.8 million	EUR 1.1 million
• 2009	EUR 17.9 million	EUR 0.4 million
• 2010	EUR 20.1 million	EUR - 0.7 million
• 2011	EUR 28.7 million	EUR - 0.2 million



# Caternet Products



## PRODUCT GROUP



Fruit



Mixed vegetables



Vegetables



Roe and shellfish



Herring and Baltic herring

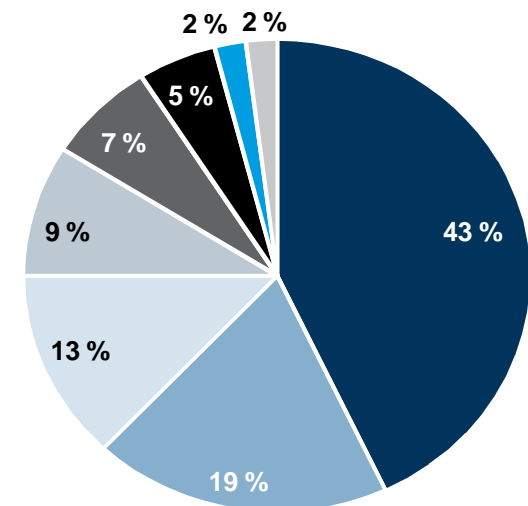


Fresh fish



Processed fish

Sales structure by product



- Ready-to-use fresh products
- Vegetables
- Fish products
- Root vegetables
- Fruits
- Other fish products
- Other vegetable and fruit products
- Other products

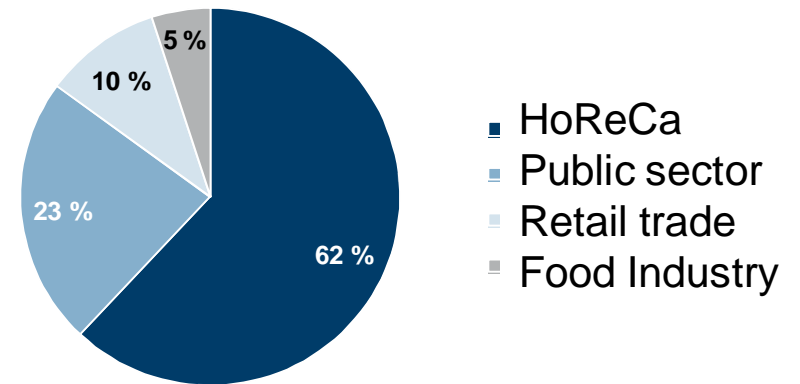


## Caternet Customers



Caternet's main customer segment is the hotel, restaurant and catering sector and the largest customer group is staff restaurants.

Another major customer segment is public sector food services.



### SOME OF CATERNET'S CUSTOMERS

**FINNAIR**

**HOK-ELANTO**

**STOCKMANN**

**TUKO**  
LOGISTICS

**Restel**

**Scandic**

**UniCafe**  
ravintolat

**AMICA**

**MEIRA**





# Caternet has many strengths



- Caternet is a major supplier in the hotel, restaurant and catering sector, and especially to staff restaurant chains
- Product selection supports the modern food service sector's operating model → food service sector procures ready-to-use vegetables and fruit to enhance the efficiency of operations and reduce costs and wastage
- Fast logistics
- Good location from the perspective of the customer's and the company's logistics
- High-quality premises and equipment
- Leading the way with its business model





## What opportunities the integration of Lännen Tehtaat and Caternet will bring?



- 1) The acquisition supports Lännen Tehtaat's growth strategy. Lännen Tehtaat has resources to support the growth of Caternet.
- 2) Caternet's fresh vegetable and fruit products are very compatible with Lännen Tehtaat's food solutions, which focus on great taste, healthiness and light choices.
- 3) Caternet's position as a fish supplier for the food service sector will be reinforced by using the joint raw material supply channel.
- 4) The position of Caternet and Lännen Tehtaat as partner to the food service sector will be stronger.
  - Caternet's fresh fish, fruit and vegetable products
  - Apetit Pakaste's frozen vegetables and frozen ready meals
  - Apetit Kala's fresh fish and fish products





# Lännen Tehtaat

## Shareholder agreement dispute between Lännen Tehtaat and Nordic Sugar





# Shareholder agreement dispute between Lännen Tehtaat and Nordic Sugar (1/4)

## Background of the dispute



- Lännen Tehtaat plc (20%) and Nordic Sugar Oy (80%) are both owners of Sucros Ltd.
- Sucros Ltd was established in 1990 when the sugar industries of Lännen Tehtaat plc and the then Cultor Oy were combined under joint ownership. The shareholder agreement that was drawn up when Sucros Ltd was established includes special minority owner protection for Lännen Tehtaat plc as the minority owner.
- Lännen Tehtaat is of the opinion that its minority rights have repeatedly been violated by the decision-making and actions of the majority owner.
- In spite of several complaints, the majority owner has not rectified the actions that are in breach of the shareholder agreement, therefore in October 2011 Lännen Tehtaat decided to take the issue to arbitration to be resolved.
- According to Lännen Tehtaat, Nordic Sugar has committed 3 breaches against the agreement. According to the terms and conditions of the shareholder agreement, one proven breach will incur a contractual penalty totalling EUR 8.9 million per breach. Therefore the penalty could total a maximum of close to EUR 27 million. In return, Nordic Sugar has called for a contractual penalty of EUR 4.5 million to be imposed on Lännen Tehtaat for breach of shareholder agreement in connection with the dismissal of Sucros's managing director.
- Both of the Companies have denied the breaches of shareholder agreement.
- As a separate process from the arbitration court, Lännen Tehtaat has submitted an application requesting a special audit of the accounts of Sucros Ltd in regard to, among other things, the business transactions between the Nordic Sugar group companies and Sucros.







## Shareholder agreement dispute between Lännen Tehtaat and Nordic Sugar (2/4)



### The situation at the moment in the arbitration court

- The arbitration court is an impartial body consisting of a chairman and two members.
- Both parties have appointed their own mediator.
- The Arbitration Institute of the Central Chamber of Commerce of Finland has appointed a chairman. Once the chairman has been appointed and the court's organisational session held, the case proceedings will commence.
- According to the the Central Chamber of Commerce of Finland the arbitration court's cases last several months, but normally less than a year.





## Shareholder agreement dispute between Lännen Tehtaat and Nordic Sugar (3/4)

### Why the arbitration court is involved?



- The arbitration court is defined in the shareholders' agreement as the measure to resolve disputes between shareholders, which can not be solved otherwise.
- By going to the arbitration court Lännen Tehtaat is seeking assurance that as the minority shareholder in Sucros Oy it is a legally competent decision-maker as specified in the shareholder agreement.
- It is important that the voice of the minority shareholder is heard in the development of Sucros.





# Shareholder agreement dispute between Lännen Tehtaat and Nordic Sugar (4/4)



## The future

- After the arbitration court proceedings, the co-operation with Nordic Sugar will continue within the limits defined by the shareholder agreement
- Sucros is a sound, profitable company
  - Sucros will continue to need sugar beet for refining
  - Sufficient cultivation of sugar beet in Finland must be ensured





**Thank you.**