



Lännen Tehtaat Oyj

INTERIM REPORT Q2 2010

12 August 2010

Scandic Simonkenttä, Helsinki

Matti Karppinen
CEO



Lännen Tehtaat



Frozen Foods



Seafood



Safu

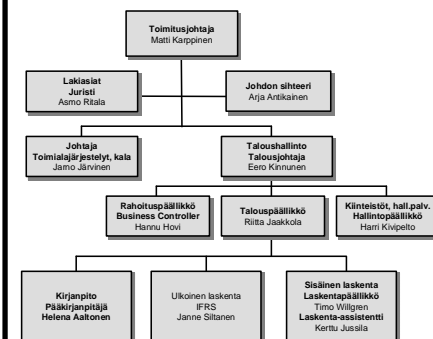
Associated company:
Taimen Oy (30%)

Grains and Oilseeds



Other Operations

Lännen Tehtaat plc



Apetit Suomi Oy

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



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Interim report Q2 2010



Matti Karppinen, CEO:

“Thanks to the good level of sales in Grains and Oilseeds, the Group’s net sales were up by more than 20% year on year. The second quarter was expected to be more challenging than a year earlier, in terms of the profit outlook, and the consolidated operating profit, excluding non-recurring items, was in fact down year on year. The Group’s profit was nevertheless at the same level as the first quarter.”

The labour market dispute in the food industry in Finland in the spring had a disruptive impact on our Finnish business, and this continued to be felt until June. The measures taken in the dispute affected our Frozen Foods, Seafood, and Grains and Oilseeds businesses. The worst impact was in fresh fish production, which has the fastest turnover of stocks.

In continuing to develop and strengthen the Finnish Seafood business in line with our adopted strategy, the company agreed an ownership arrangement with Taimen Oy in June. This integration with fish farming will allow us to create the most efficient fresh-product supply chain for rainbow trout on the Finnish market. The arrangement will also allow the introduction of new business models.”

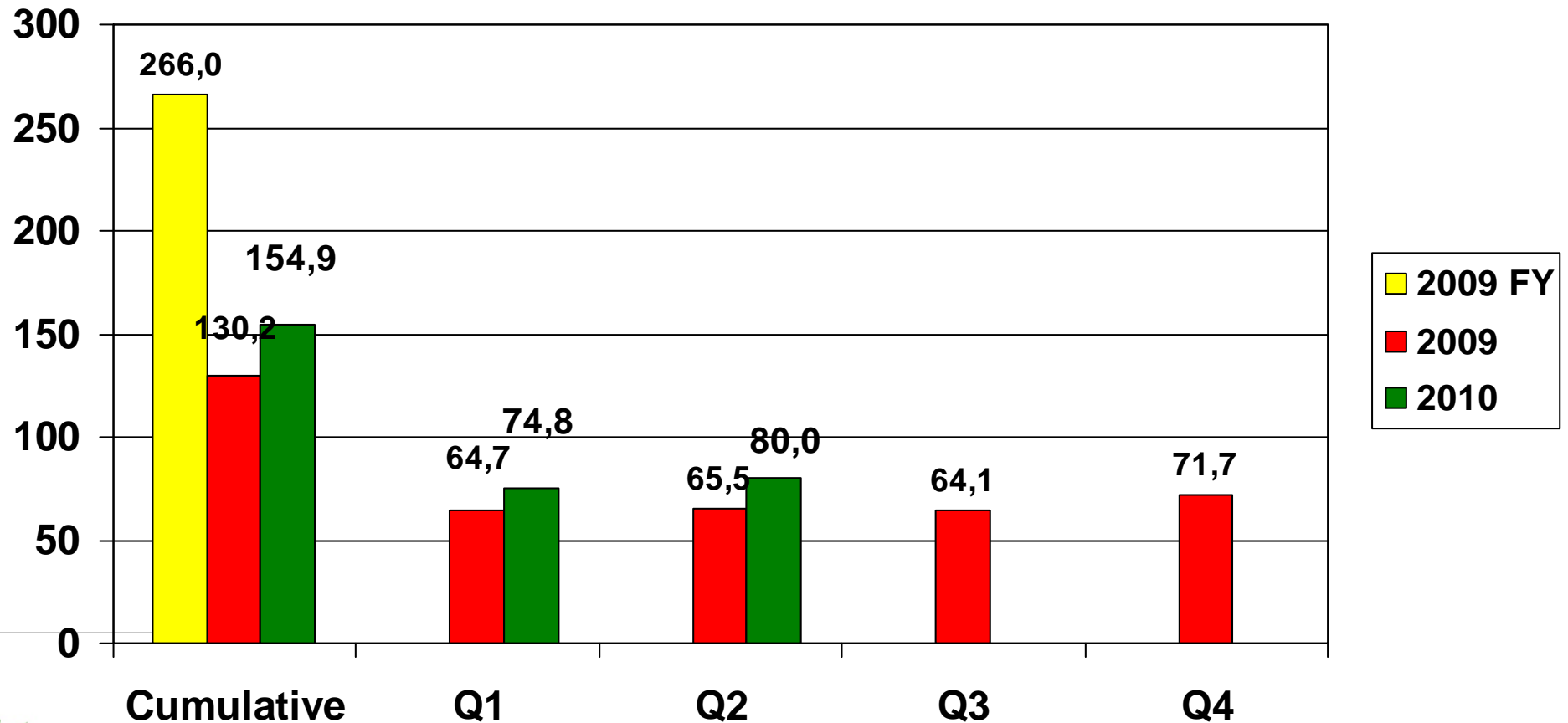
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Key figures Q2 2010

EUR million	Q2 2010	Q2 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Net sales	80.0	65.5	154.9	130.2	266.0
Operating profit	1.0	1.1	1.9	0.4	6.8
Operating profit, excluding non-recurring items	1.0	1.6	1.9	0.9	7.7
Profit before taxes	0.9	1.0	2.1	0.6	7.3
Profit for the period	0.6	0.8	1.4	0.5	5.8
Earnings per share, EUR	0.10	0.12	0.24	0.08	0.94

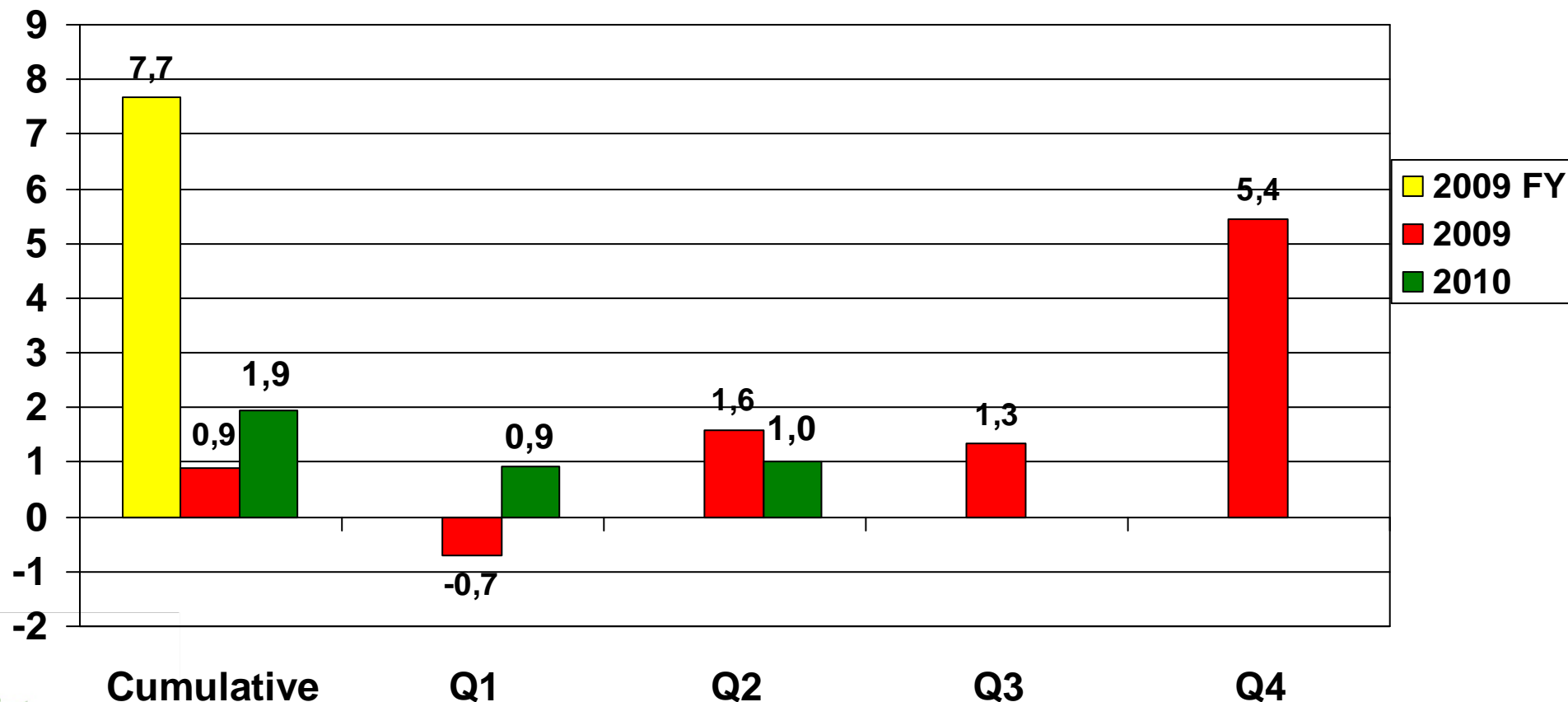
- Net sales were up by 22 %.
- Operating profit, excluding non-recurring items, was down year on year, but was at the same level as Q1.
- Non-recurring items were EUR 0.0 (-0.5) million.
- Equity ratio was 78.9 (76.7) % and the Group is debt-free.

Consolidated net sales, EUR million



- Consolidated net sales were up by 22%.
- Most of the growth was in the Grains and Oilseeds, where sales volumes increased year on year.

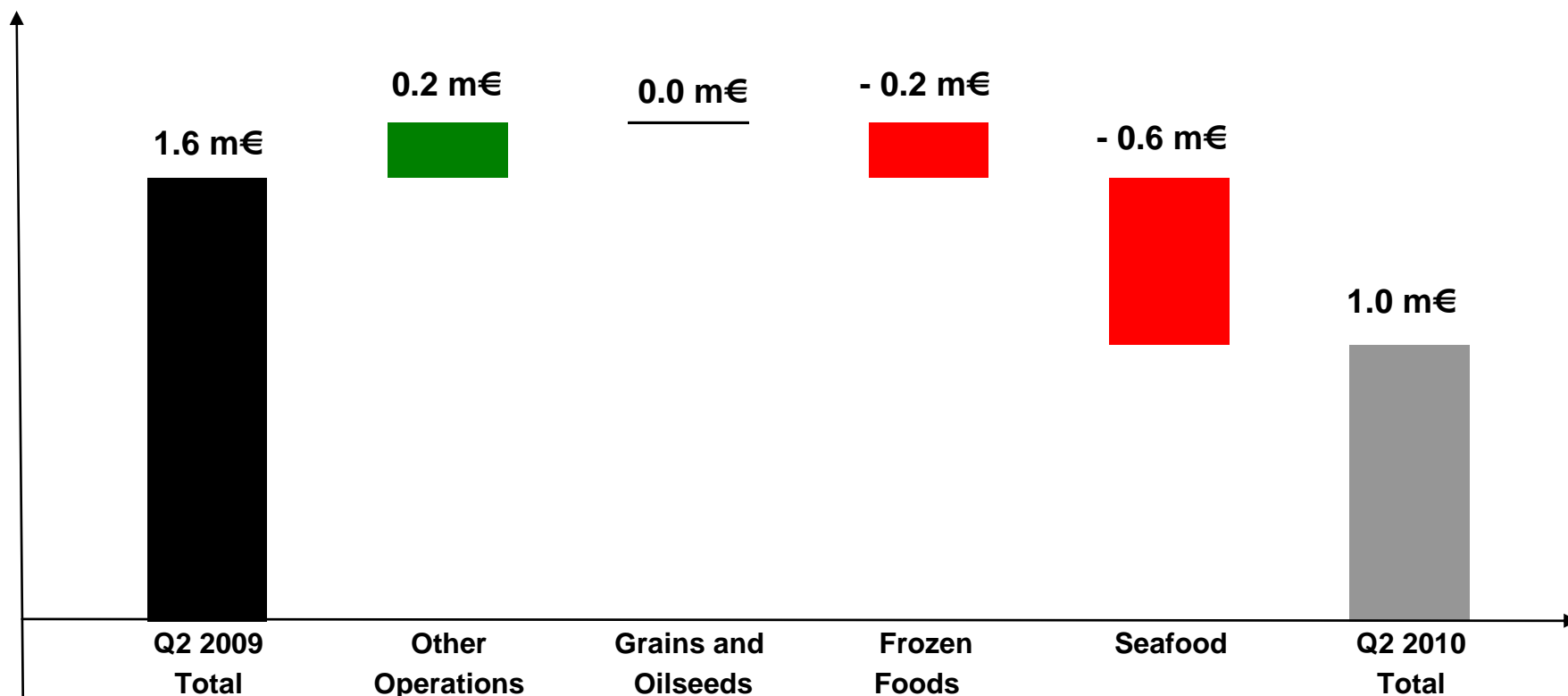
Operating profit excluding non-recurring items, EUR million



- Group's operating profit was down by EUR -0.6 million year on year, but at the level of Q1.
- In Other Operations, the profit was up, in Grains and Oilseeds and in Frozen Foods the profit was at about the same level as the previous year. In the Seafood business the result was down year on year.
- Non-recurring items EUR 0.0 (-0.5) million a year earlier were connected with the Seafood.

Operating profit excluding non-recurring items

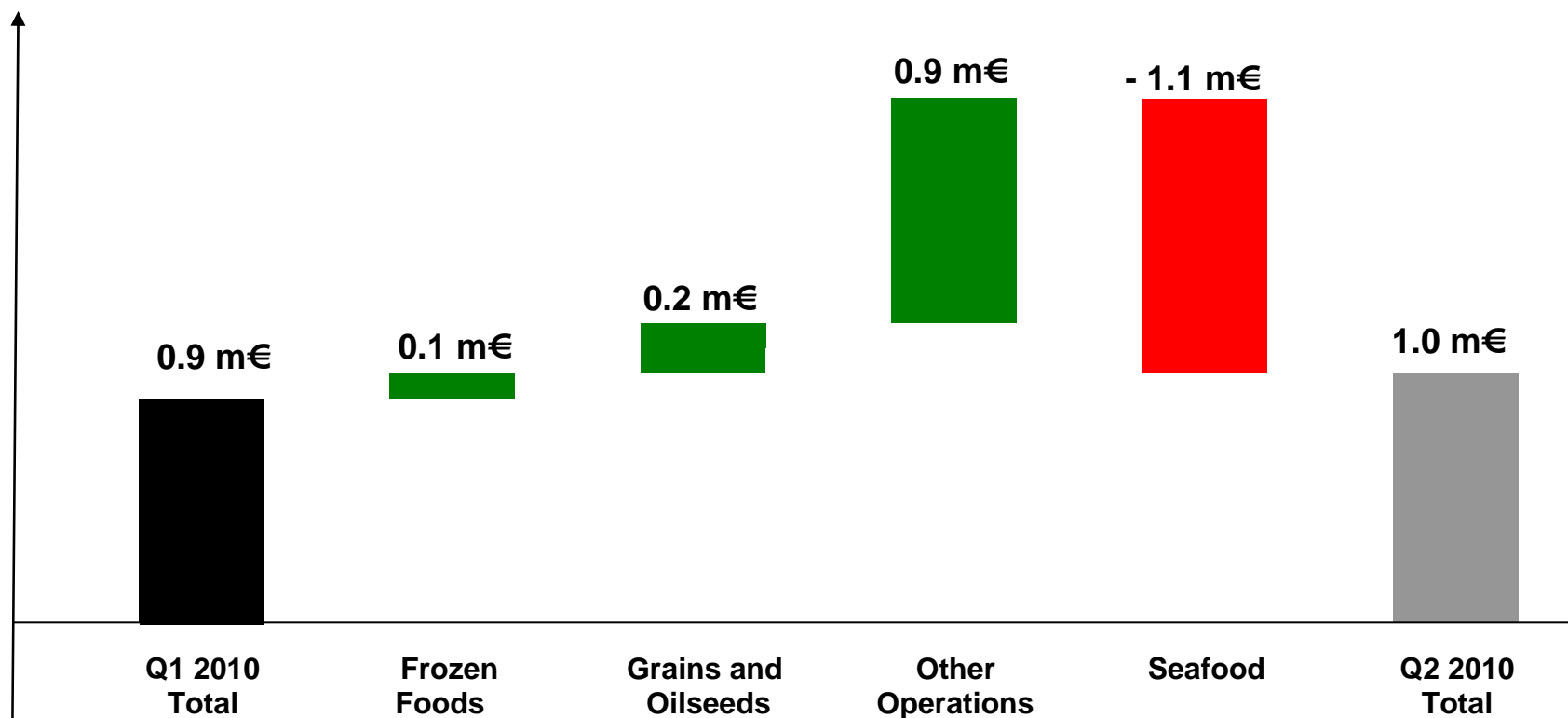
Change in profits Q2 2010 vs Q2 2009, EUR million



• Group's operating profit, excluding non-recurring items, was down by EUR 0.6 million year on year.

Operating profit excluding non-recurring items

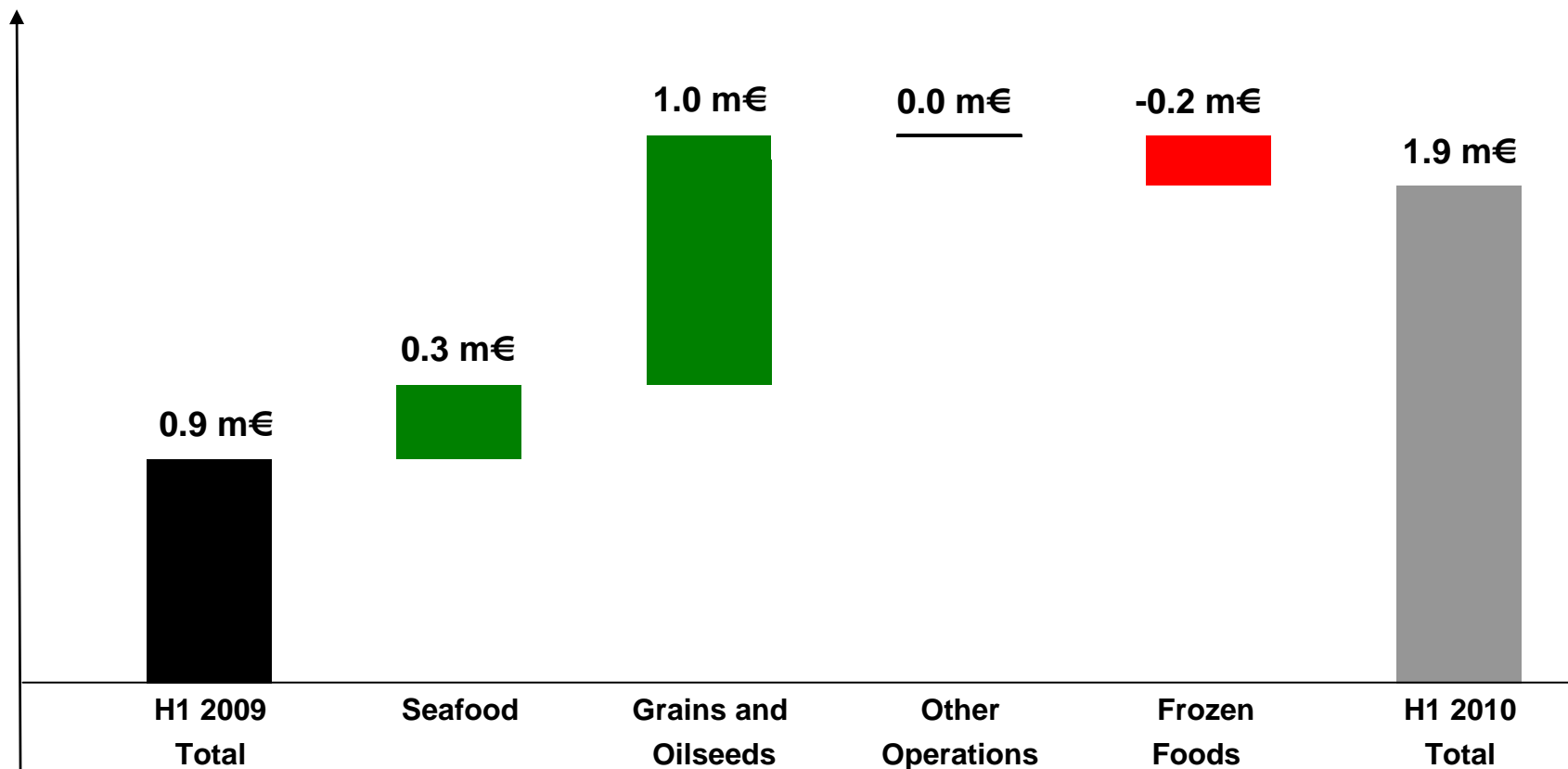
Change in profits Q2 2010 vs Q1 2009, EUR million



- Group's second-quarter operating profit was at the same level as the first quarter.

Operating profit excluding non-recurring items

Change in profits H1 2010 vs H1 2009, EUR million



• Group's operating profit, excluding non-recurring items, for January-June was up by EUR 1.0 million year on year.

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Frozen Foods Q2 2010



Frozen Foods					
EUR million	Q2 2010	Q2 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Net sales	11.0	11.4	23.8	24.2	46.0
Operating profit	0.3	0.5	0.6	0.8	3.4
Operating profit, excluding non-recurring items	0.3	0.5	0.6	0.8	3.4

Net sales

- The decrease of 3 % in net sales was mainly a result of the undelivered retail products due to the labour market dispute in the food industry.
- The growth was especially in basic products.
- The growth was boosted by new products like Muurikka pan-fry vegetables.
- Hotel, restaurant and catering sector sales, food industry sales and exports were all at the same level as a year earlier.

Operating profit

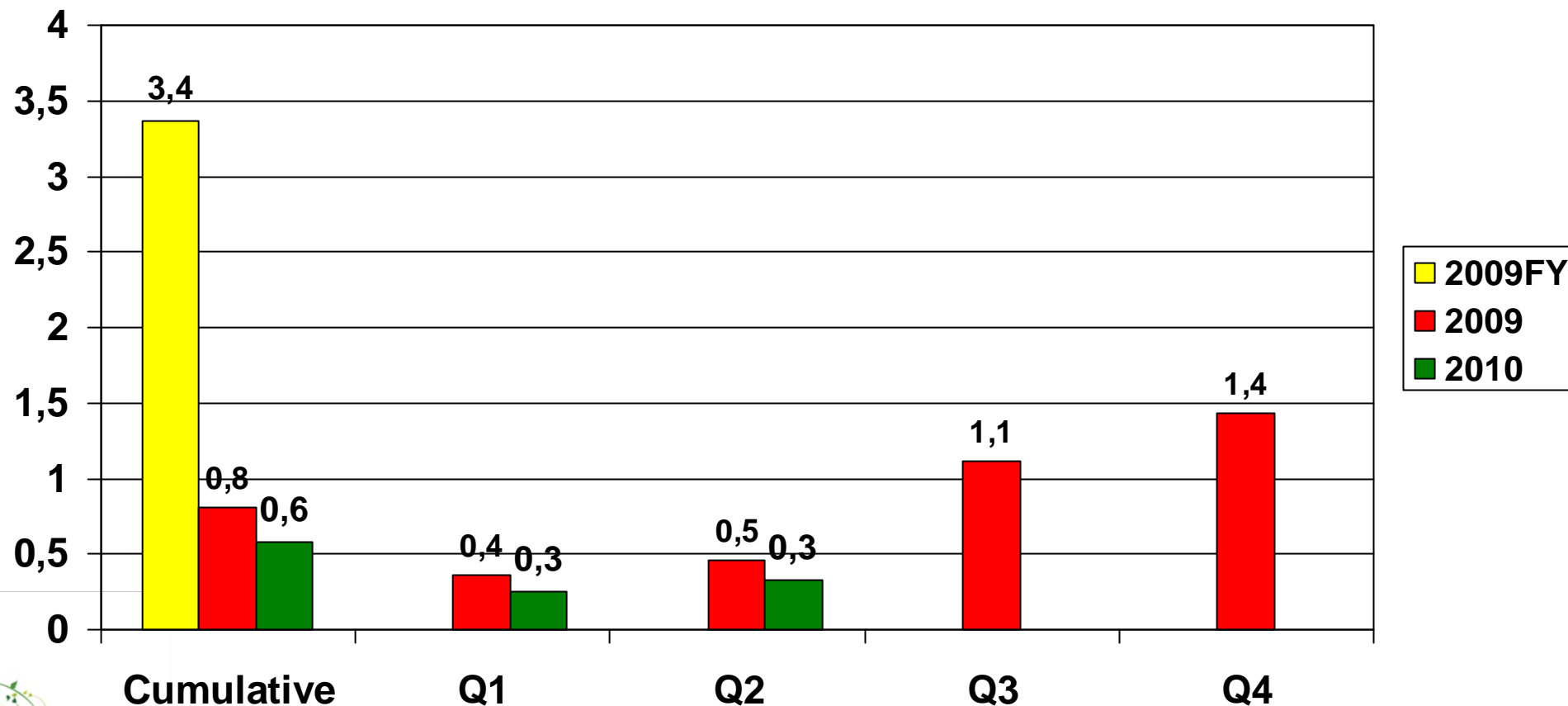
- The labor market dispute had a negative impact on the quarterly result.
- The dispute meant that production was at a standstill for eight days.

Other

- Production did not return to normal until June.

Net sales and profit were almost at the level of the previous year.

Operating profit excluding non-recurring items, Frozen Foods, EUR million



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Seafood Q2 2010



Seafood

EUR million	Q2 2010	Q2 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Net sales	18.4	18.3	37.4	36.8	75.9
Operating profit	-1.1	-1.0	-1.1	-1.9	-2.5
Operating profit, excluding non-recurring items	-1.1	-0.5	-1.1	-1.4	-1.8

Net sales

- **Finnish Seafood business:** Net sales were at about the level of a year earlier.
 - + incorporation of Myrskylän Savustamo into the Group at the start of June, growth in service sales
 - sales suffered due to the labour market dispute, Easter sales occurred partly at the end of first quarter
- **Foreign Seafood business:** Euro-denominated net sales were up. Measured in local currencies, net sales were down.
 - Discontinuation of an unprofitable product segment (Norway), sales volumes of shellfish grew, average prices were down (Sweden)

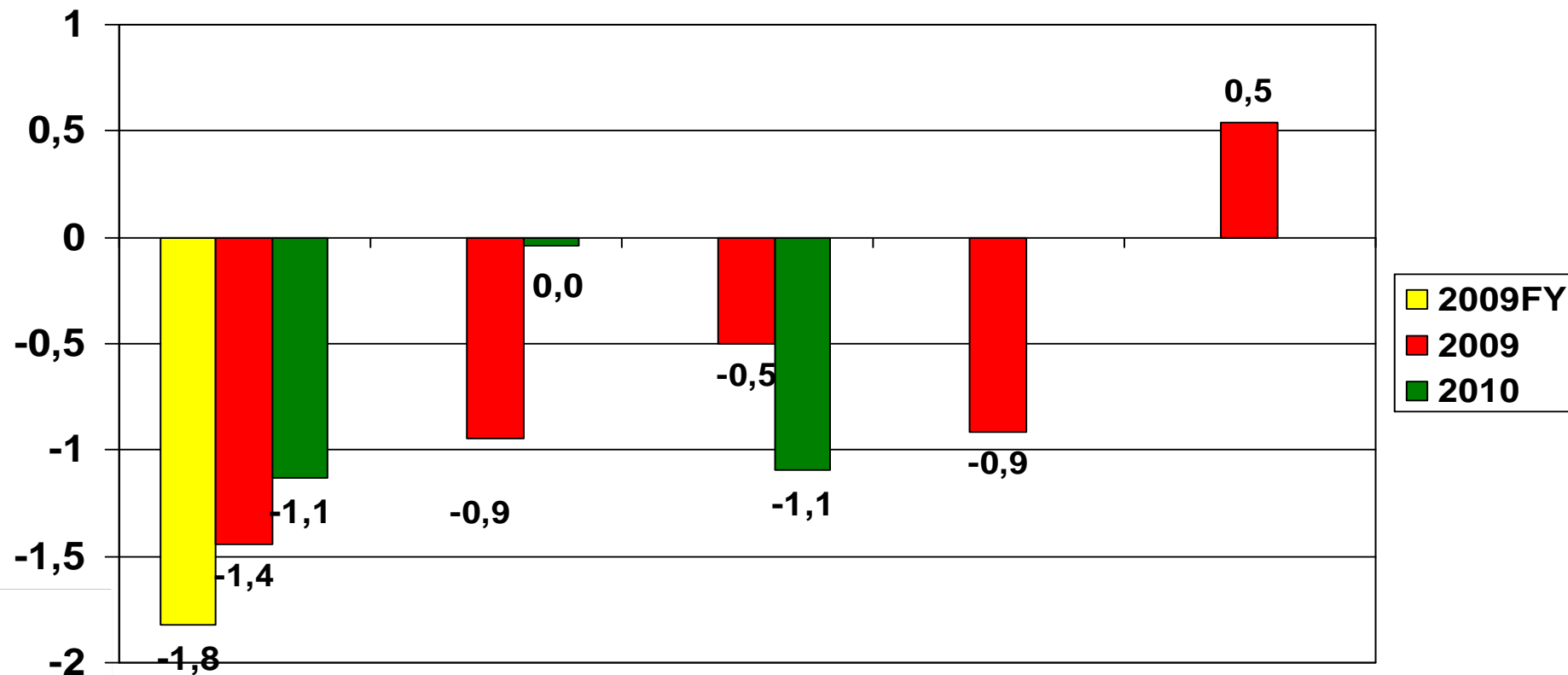
Operating profit

- EUR -0.6 million below that of the same quarter in 2009.
- The result for the Finnish Seafood business was down, foreign operations result was at the same level of a year earlier.
- Salmon and rainbow trout prices were at an exceptionally high level.
- In the Finnish Seafood business the labour market dispute caused interruption in the production and product deliveries.

Other

- Execution of the Finnish Seafood Business strategy has continued as planned.
- Acquisition of a 30 % holding in Taimen Oy and acquisition of the entire share capital of Myrskylän Savustamo.
- Integration with fish farming will allow to create the most efficient fresh-product supply chain for rainbow trout on the Finnish market.
- The productivity programme at the Kuopio production plant was completed.

Operating profit excluding non-recurring items, Seafood, EUR million

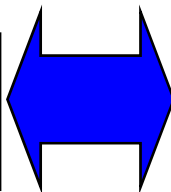


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Salmon and rainbow trout in Finland



More than 70% of the fresh fish bought by Finnish consumers from retail stores is salmon/rainbow trout.

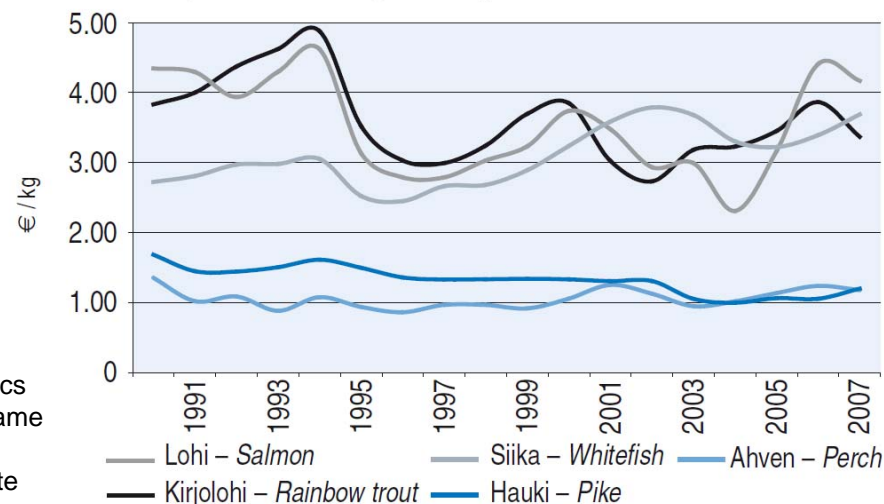


Volumes and markets in Finland:

- salmon approx. 20 million kg
- rainbow trout approx. 15 million kg
- prices are volatile and season-dependent
- prices are also cyclical over periods of several years
- salmon supply fallen due to Chile's production problems
- market prices of salmon and rainbow trout have risen by about half since start of year

Lohen, kirjolohen (kasvatetun), siian, hauen ja ahvenen tuottajahinta Suomessa (€/kg vuoden 2007 hintatasossa, ilman alv) vuosina 1990–2007

Producer price (€/kg in 2007, without VAT) of salmon, rainbow trout (farmed), European whitefish, pike and perch in Finland in 1990–2007



Cyclical.

Source: Finnish Fisheries Statistics 2008, Finnish Game and Fisheries Research Institute

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Salmon farming



Salmon farming and Chile's problems:

- Norway the biggest salmon farmer, approx. 800 million kg, doubled in 10 yrs
- Chile second largest in 2008, approx. 350 million kg – collapsed in past 12 months by over 60%
- With Norway and Scotland increasing their production, the net reduction on the world market in the past 12 months has been approx. 5%
- BUT: Chilean imports to EU countries shrank by over 80% in second quarter
- Chile's problem: anaemia virus
- long time before production is restored
- strong correlation between global supply and market prices



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Ownership arrangement with Taimen Oy



In June, Lännen Tehtaat plc and Taimen Oy entered into an arrangement whereby the Lännen Tehtaat plc's subsidiary Apetit Kala Oy acquired a 30% holding in Taimen Oy and Taimen Oy acquired a 30% holding in Apetit Kala Oy. As part of this arrangement, Taimen Oy transferred to Apetit Kala Oy the share capital of its fish-processing subsidiary Myrskylän Savustamo Oy and the share capital of Myrskylän Savustamo Oy's subsidiary, Safu Oy. Lännen Tehtaat's share of the Taimen Group's profits is reported in Lännen Tehtaat Group's segment reporting as associated company profit for Seafood above the operating profit as from the start of June.

The Taimen Group has a total of 28 fish farming units in Finland and Sweden and also three gutting facilities. The company specialises in farming rainbow trout, trout, whitefish and Saimaa Arctic char, as well as fry and fingerling production. The Taimen Group's total annual production is approximately eight million kilos, and its market share is about half of total rainbow trout production in Finland. The Taimen Group's net sales in 2009 amounted to EUR 29.5 million, and its operating profit was EUR 4.4 million.

Myrskylän Savustamo Oy produces and markets fish products under the Safu brand. Myrskylän Savustamo Oy's net sales in 2009 totalled EUR 3.8 million, and its operating profit was EUR 0.3 million.

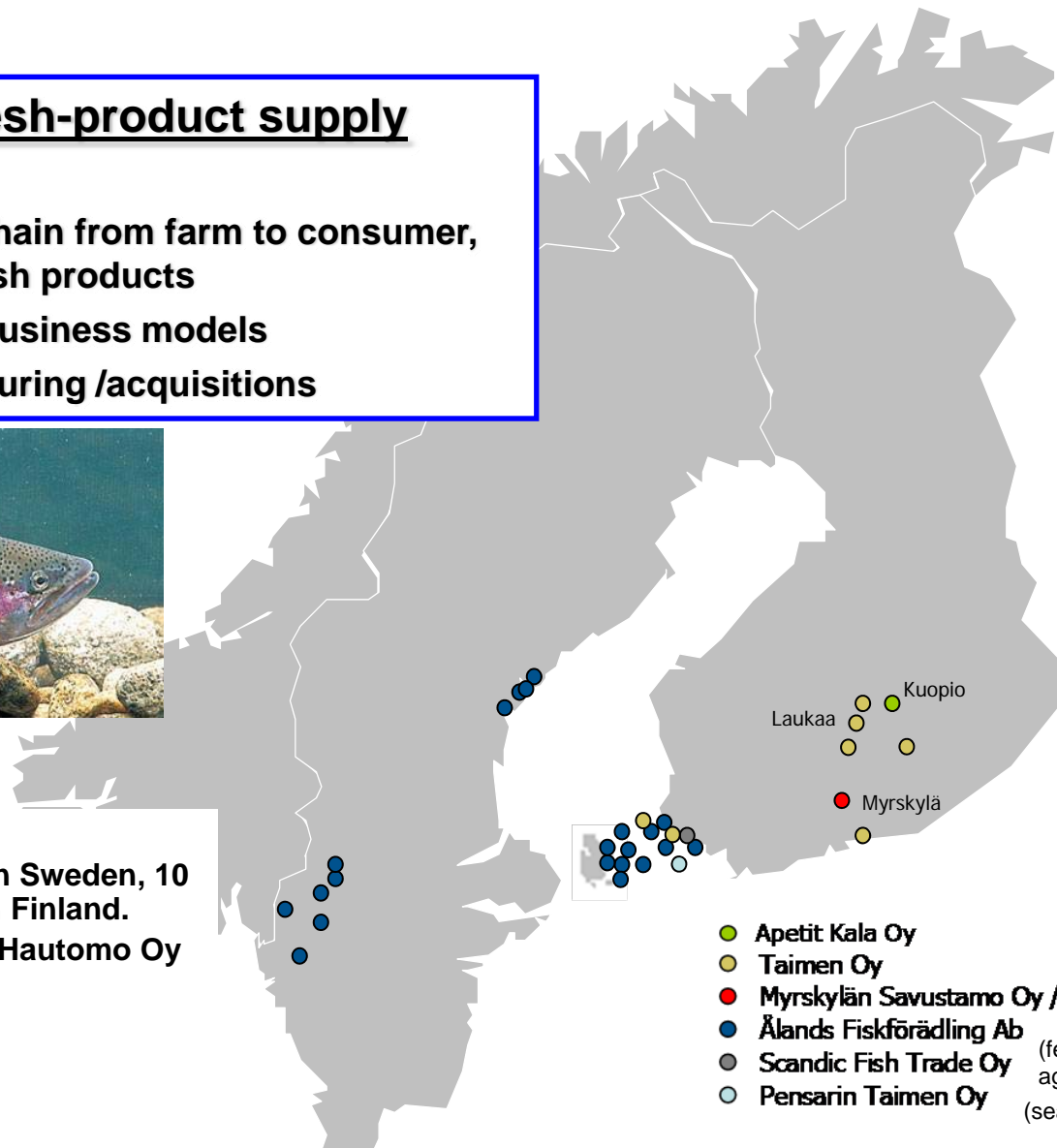
The arrangement allows the creation of the most efficient fresh-product supply chain for rainbow trout on the Finnish market. It will also produce synergy benefits, for instance in production, logistics and sales. The arrangement will, furthermore, open up opportunities for introducing new business models.

Taimen + Apetit Kala Facilities



Finland's most efficient fresh-product supply chain for rainbow trout:

- Aim is to optimise the supply chain from farm to consumer, allowing us to offer the freshest fish products
- Opportunity to introduce new business models
- Opportunity for further restructuring /acquisitions



- Taimen Oy based in Laukaa.
- Taimen Group has 10 fish farming units in Sweden, 10 in the Åland archipelago and 8 elsewhere in Finland.
- Myrskylän Savustamo Oy and Myrskylän Hautomo Oy are located in Myrskylä.

- Apetit Kala Oy
- Taimen Oy
- Myrskylän Savustamo Oy / Myrskylän Hautomo Oy
- Ålands Fiskförädling Ab
- Scandic Fish Trade Oy (feed and fry/fingerling agency)
- Pensarin Taimen Oy (sea facility at Nauvo)

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Grains and Oilseeds Q2 2010



Grains and Oilseeds

EUR million	Q2 2010	Q2 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Net sales	50.5	35.8	93.5	69.0	143.4
Operating profit	2.2	2.2	4.1	3.1	7.3
Operating profit, excluding non-recurring items	2.2	2.2	4.1	3.1	7.4

Net sales

- Net sales were up by 41%.
- Volumes grew considerably.
- Trade within EU grew.

Operating profit

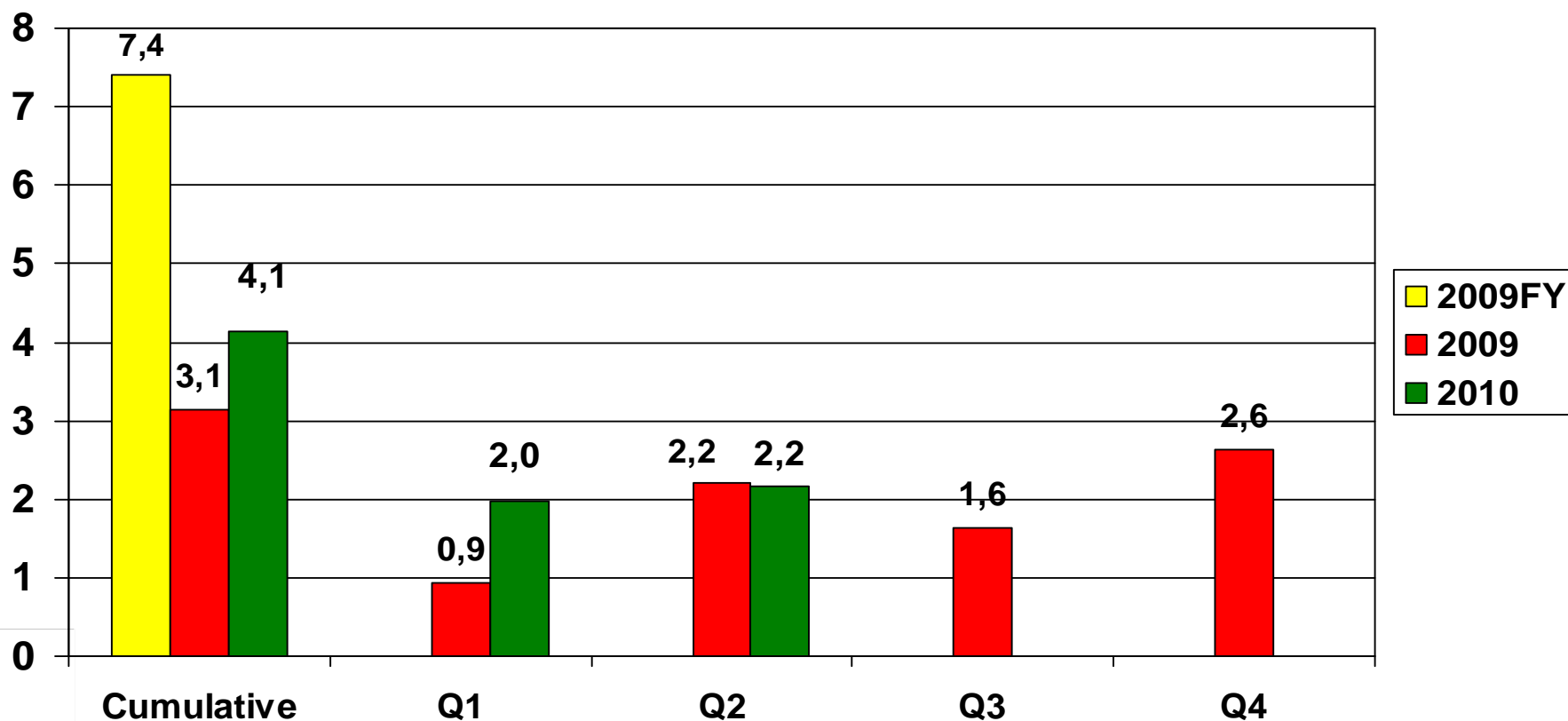
- At the level of the previous year.
- The good result was a consequence of higher grain trade sales volumes and the good oil-refining yield and high-quality Finnish rapeseed crop.

Other

- There was a plentiful supply of grain on the world market and market prices were at low level.
- The price of rapeseed in relation to grain prices was attractive from the grower's viewpoint.
- Renewal of Avena's Internet marketplace (Avenakauppa)

The increase in net sales was due to the growth in volumes and the profit was good.

Operating profit excluding non-recurring items, Grains and Oilseeds, EUR million



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Other Operations Q2 2010



Other Operations					
EUR million	Q2 2010	Q2 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Net sales	0.5	0.4	0.9	0.8	2.4
Operating profit	-0.4	-0.6	-1.6	-1.6	-1.3
Operating profit, excluding non-recurring items	-0.4	-0.6	-1.6	-1.6	-1.3

The Other Operations segment comprises the service company Apetit Suomi Oy, Group Administration, items not allocated under any of the business segments, and the associated companies Sucros Ltd (20%) and Ateriamestarit Oy (50%).

Net sales

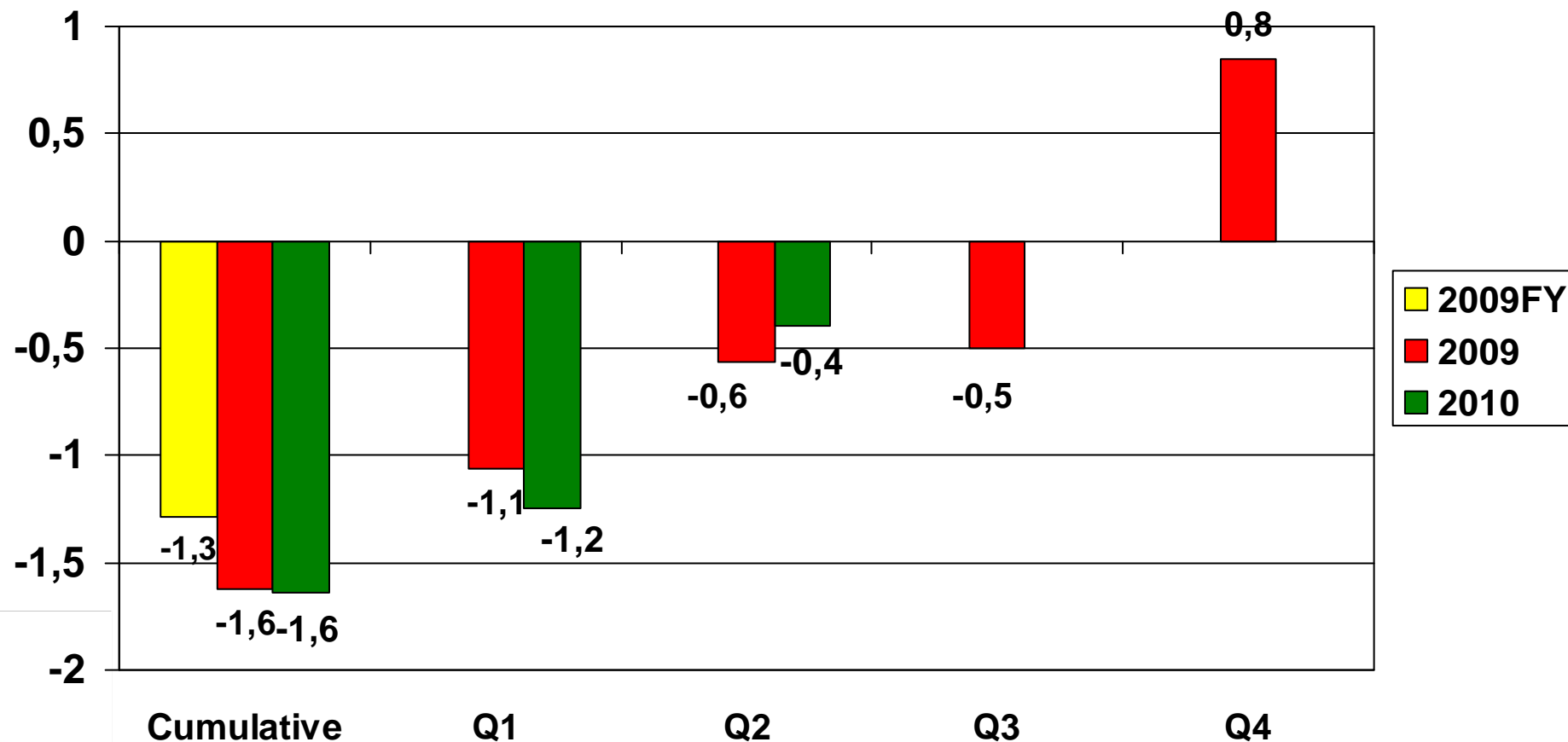
- Comprise service sales to operating segments.
- Does not have any material importance.

Operating profit

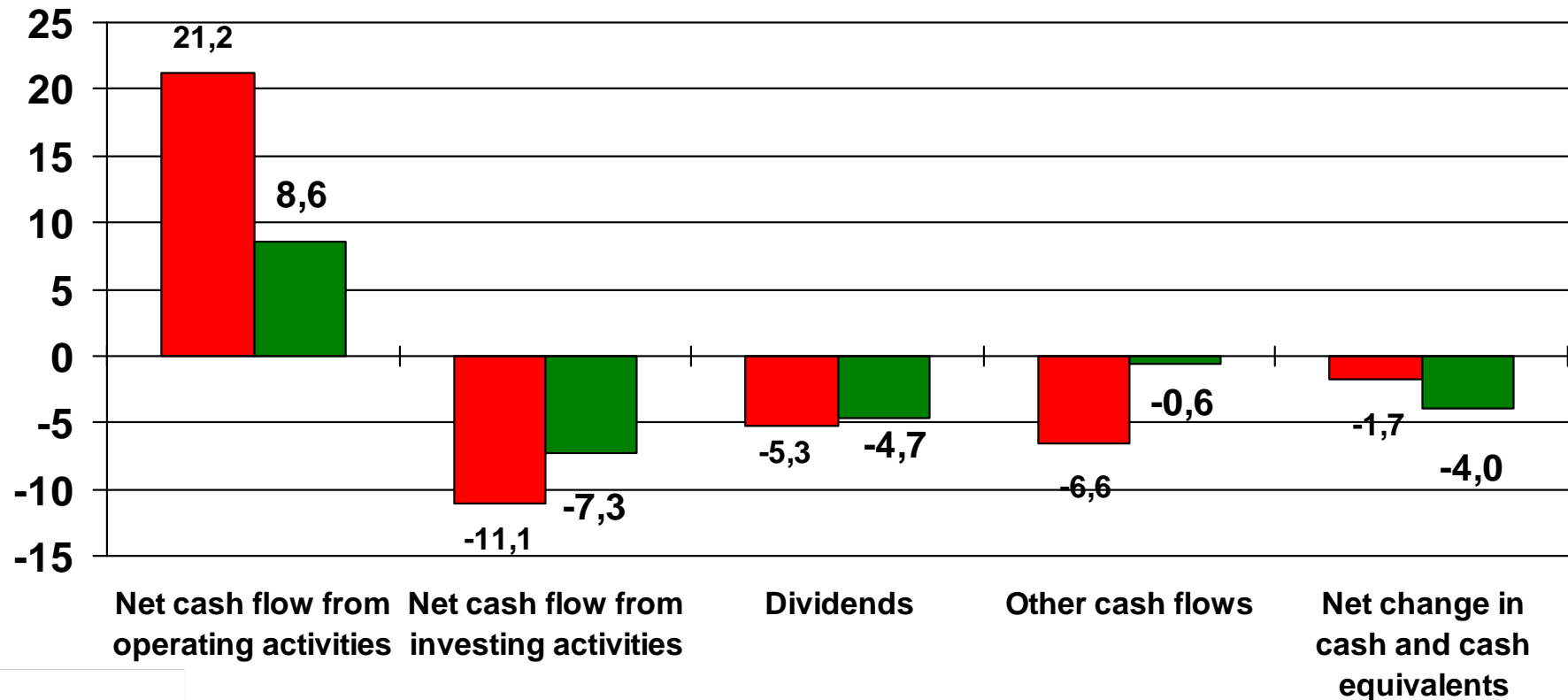
- Comprises the Group administration, costs not allocated to the operating segments and the share of profits of the associated companies.
- Share of profits of associated companies EUR 0.4 (0.4) million.

Expenses below the figure of a year earlier.

Operating profit excluding non-recurring items, Other Operations, EUR million



Cash flow from operations, EUR million



■ 2009 H1 ■ 2010 H1

- Changes in net working capital EUR 6.0 (17.6) million are the most significant item in net cash flow from operating activities.
- Net cash flow EUR -1.0 (-9.0) million from investing activities includes also changes in fund investments.
- Other cash flows include proceeds from loans and repayments of loans.



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

Long-term growth target



Determined and profitable growth in the Group's business.

- **Lännen Tehtaat Group is debt-free.**
- **The equity ratio is 78.9 %.**
- **The company's financing over the next few years has been secured with committed credit facilities.**

➔ Our strong balance sheet and financial position give us excellent change to benefit from new emerging opportunities for corporate arrangements.



Principal shareholders on 31 July 2010



	%
Scanfil plc	8.6
Skagen Funds, total	6.4
Esko Eela	6.2
Nordea Nordic Small Cap Fund	5.5
Valio Ltd	5.2
EM Group Oy	5.0
Mutual Insurance Company Pension Fennia	2.5
Ilmarinen Mutual Pension Insurance Company	2.4
Central Union of Agricultural Producers and Forest Owners (MTK)	2.0
Special Mutual Fund Fourton Fokus Finland	1.7
Valio's Pension Fund	1.4
Norvestia plc	1.2
Säästöpankki Kotimaa Mutual Fund	1.0
Säkylän municipality	0.9
Taaleritehdas Arvomarkka Osake	0.6
City of Turku	0.6
Foundation for Economic Education	0.6
Placeringsfonden SEB Gyllenberg Small Firm	0.5
Suomen Outperform Oy	0.5
Jyrki Hilli	0.5
Nominee registered shares	2.8
Shares owned by the company	2.1
Other shareholders	41.8
	<hr/> 100.0

Top10 = 45,4%

FUTURE OUTLOOK

The Group's net sales will be affected particularly by the level of activity in grain and oilseed markets and by changes in the price level of grains and oilseeds.

The Group's full-year operating profit, excluding non-recurring items, is expected to be at least at the level of 2009. Profit accrual is expected to be weighted heavily towards the last quarter of the year, as in 2009.

Raw material prices have risen considerably and the adverse impact of this on the profit-earning capacity of the Seafood business is expected to continue in the third quarter. The lower grain crop expectations than a year earlier and abrupt price changes will mean a more challenging operating environment for Grains and Oilseeds in the second half of the year than in 2009.



Lännen Tehtaat

Determined and profitable growth in the Group's business.

