



# Lännen Tehtaat plc

**INTERIM REPORT Q1 2011**

**May 5, 2011**

**Hotel Scandic Simonkenttä, Helsinki**

***Matti Karppinen***  
**CEO**

# Lännen Tehtaat



## Frozen Foods



Luonnollisesti hyvää  
– suomalaisen makuun –

## Seafood



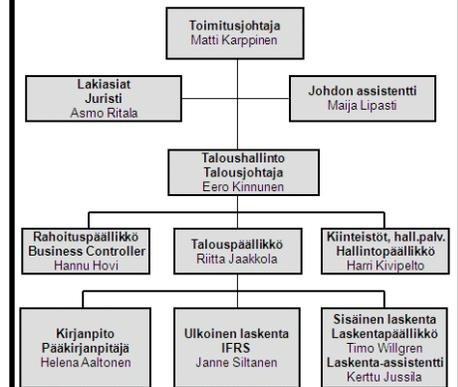
# Safu

Associated company:  
Taimen Oy (30%)

## Grains and Oilseeds



## Other Operations



**Apetit Suomi Oy**

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



# Lännen Tehtaat

## Interim report Q1 2011



### Matti Karppinen, CEO:

“The Group’s profit performance remained good in the first quarter of the year, and its operating profit, excluding non-recurring items, was at the previous year’s level. Consolidated net sales were up 12% thanks to growth in the Grains and Oilseeds business and the Seafood business.

In the first quarter our focus was especially on laying the groundwork for measures to improve the performance of the Seafood business. Because of a persistently unsatisfactory performance trend, a decision was made to take action in both Finland and Norway targeting an overall cost saving of EUR 1.4 million. Restructuring the Seafood business and turning around the business that has been loss-making for an extended period is in fact our primary short-term objective.”

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## Key figures Q1 2011



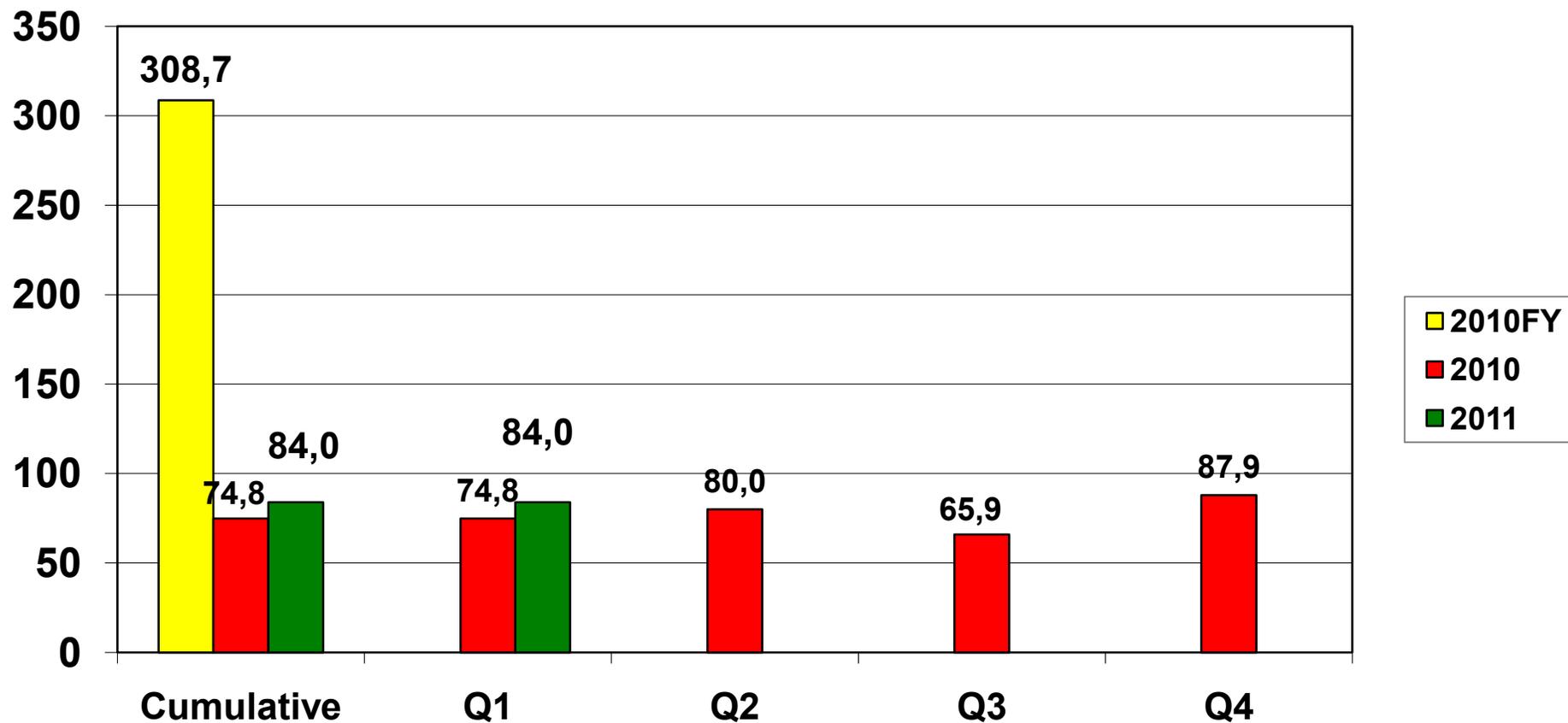
### KEY FIGURES ILLUSTRATING PERFORMANCE

EUR million

	Q1 2011	Q1 2010	Q1-Q4 2010
Net sales	84.0	74.8	308.7
Operating profit, excluding non-recurring items	0.8	0.9	8.3
Profit before taxes	0.5	1.2	8.4
Profit for the period	0.2	0.8	6.5
Earnings per share, EUR	0.04	0.13	1.04

- Net sales were up by 12 % year on year.
- Operating profit, excluding non-recurring items, was at the previous year's level.
- There were no non-recurring items.

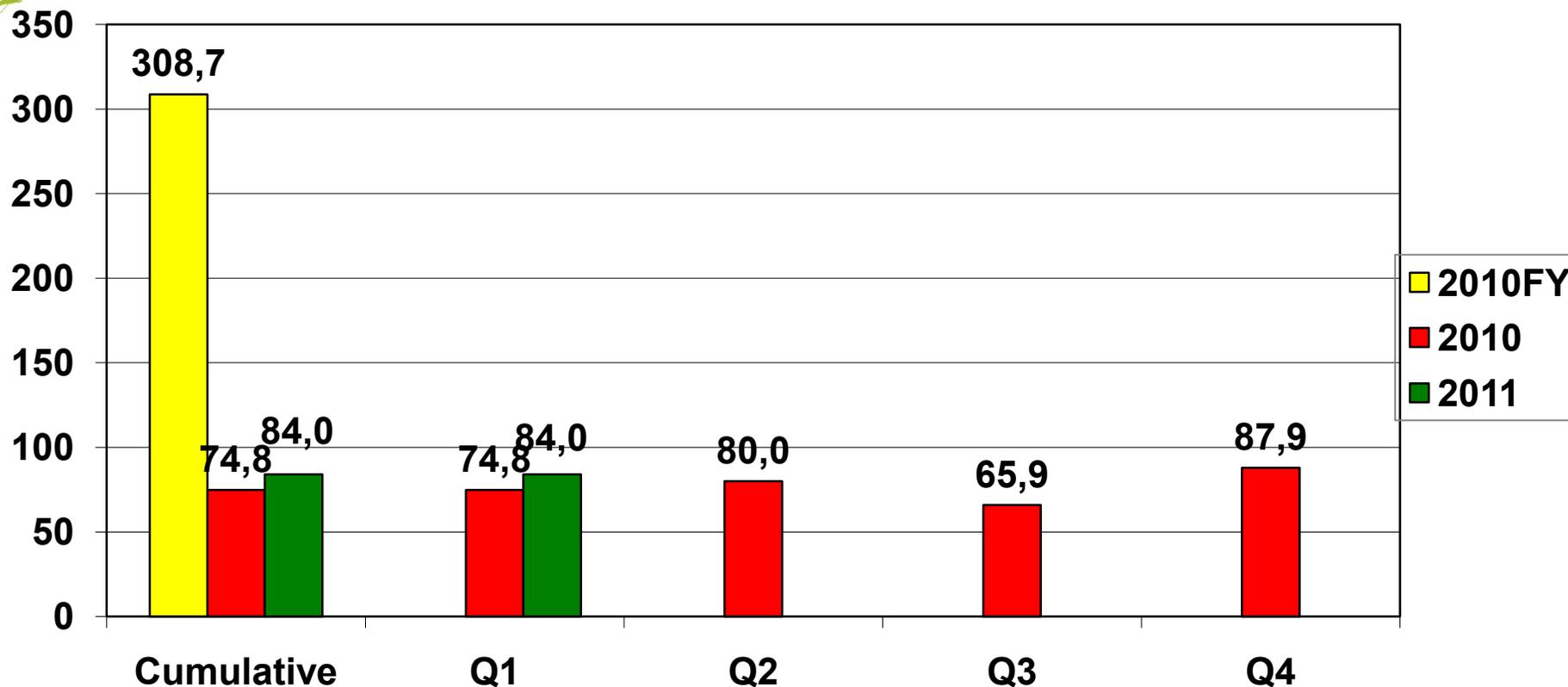
# Consolidated net sales, EUR million



- Consolidated net sales in January-March up by about 12%.
- Most of this growth was in the Grains and Oilseeds business, also Seafood business net sales grew.

# Operating profit

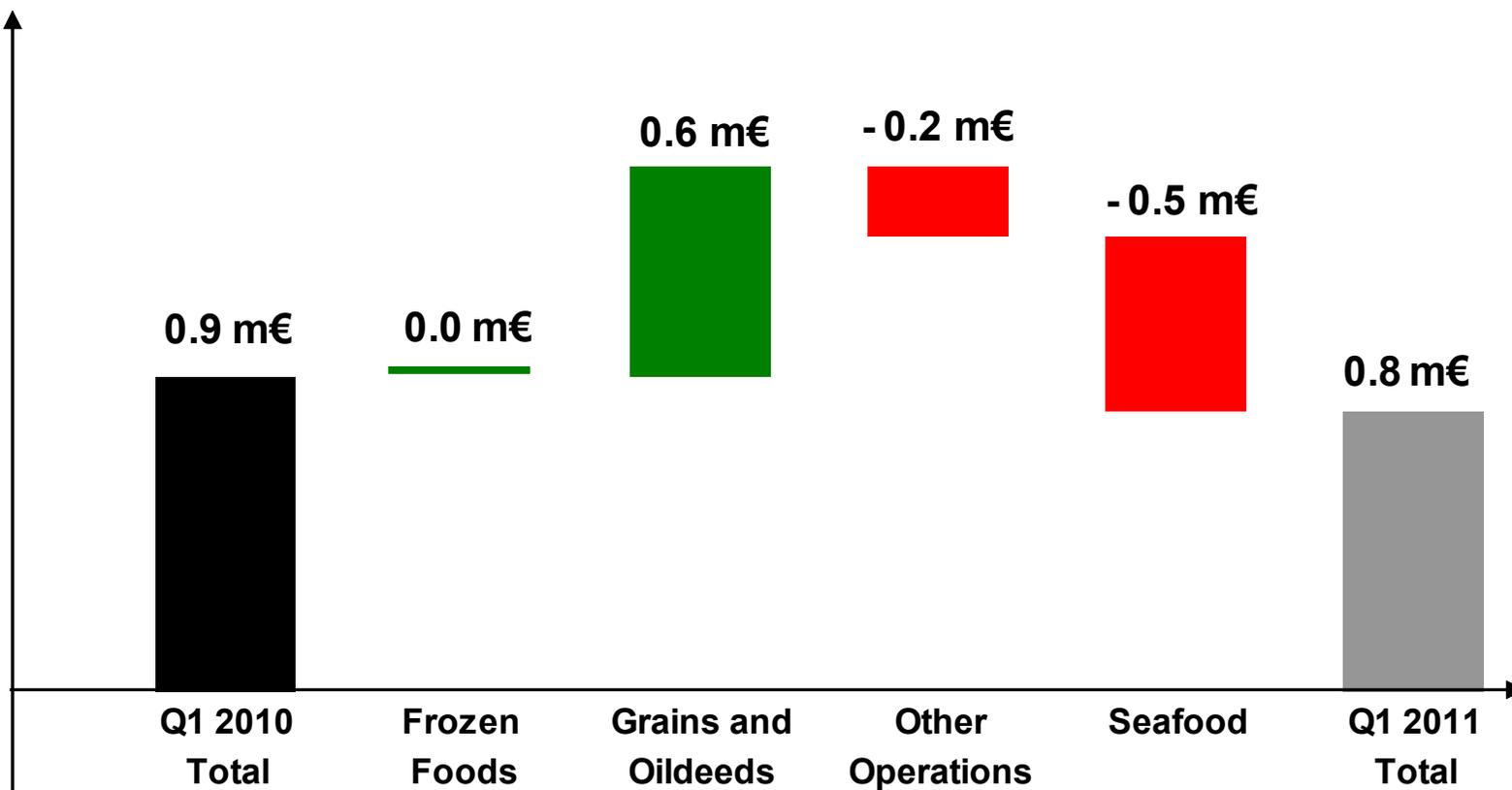
excluding non-recurring items,  
EUR million



- Operating profit, excluding non-recurring items, was at the previous year's level. No non-recurring items.
- Operating profit in the Grains and Oilseeds business was up on the previous year's first-quarter figure.
- Operating profit in the Frozen Foods business was at the level of the previous year.
- Other Operations and Seafood business results fell short of the figure of a year earlier.

# Operating profit excluding non-recurring items

Change Q1 2011 vs Q1 2010, EUR million



• Q1 operating profit was at the level of a year earlier.

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## Frozen Foods Q1 2011



Frozen Foods EUR million	Q1 2011	Q1 2010	Q1-Q4 2010
Net sales	12.6	12.8	45.1
Operating profit, excluding non-recurring items	0.3	0.3	3.4

### Net Sales

- Net sales was at the level of a year earlier.
- Frozen vegetables sales under the Apetit brand grew well and sale of retail products was at the previous year's level.
- HoReCa-sector continued its strong growth : good level of sales in new frozen ready meals and frozen vegetables.
- Sales to the food industry and exports were down year on year.
- Unlike the year before, deliveries for Easter sales occurred partly in the second quarter.

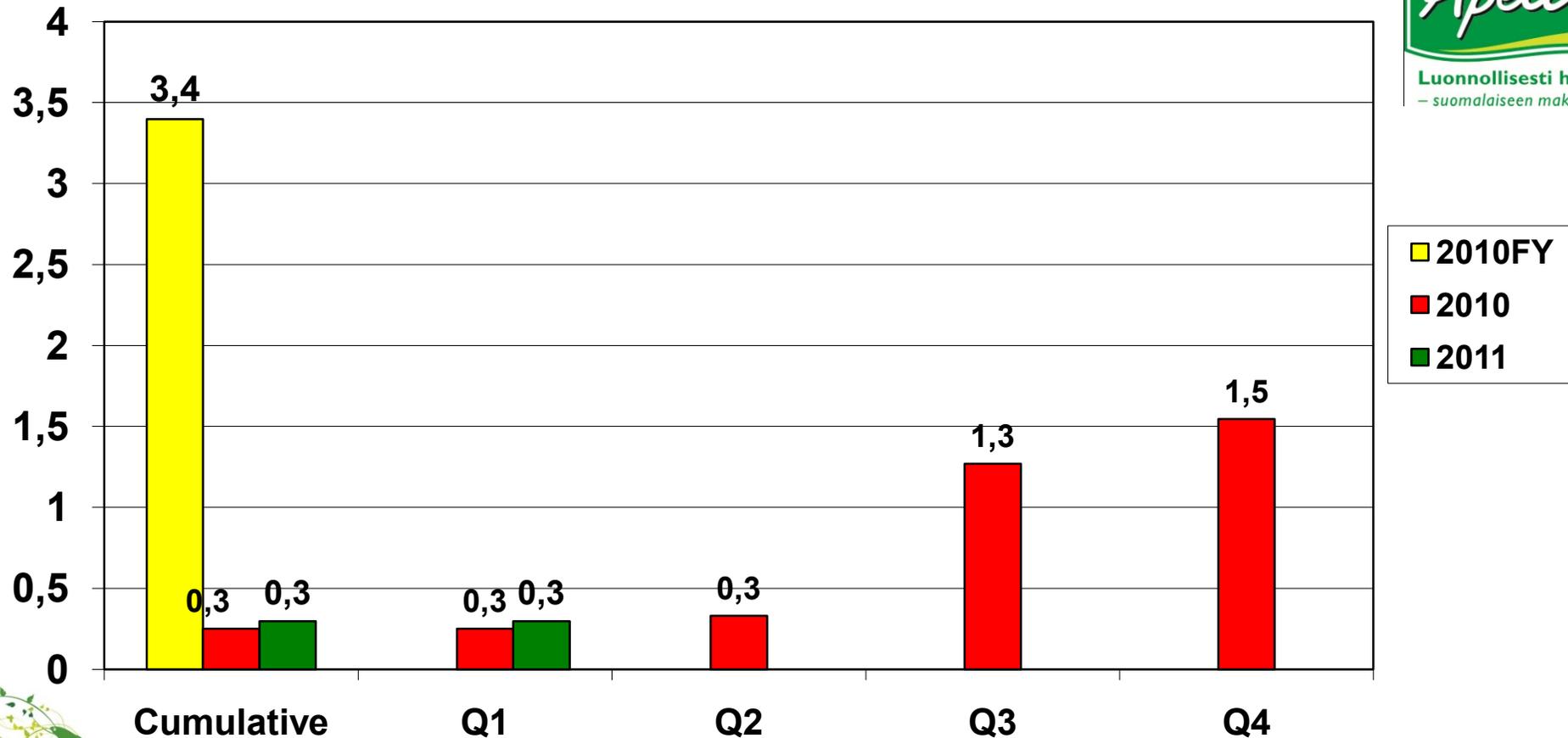
Operating profit , excluding non-recurring items, was at the level of the previous year.

### Other

- New products sold well: Apetit Kotimainen Finnish-grown products, HoReCa; vegetables and frozen products.
- The themes of 'Finnishness' and 'locally produced food, straight from the freezer' continued.

• Both the net sales and the operating profit were at the level of a year earlier.

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





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## Frozen Foods, novelties



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## Seafood Q1 2011



Seafood EUR million	Q1 2011	Q1 2010	Q1-Q4 2010
Net sales	19.3	19.0	80.9
Operating profit, excluding non-recurring items	-0.5	0.0	-1.8

Net Sales grew by 2%

- Net sales grew in the domestic market: incorporation of Myrskylän Savustamo into the Group at the start of June 2010, higher average sales prices .
- Measured in local currencies net sales were down in the Norwegian and Swedish market by 8% caused by discontinuing the sale of smoked salmon to a key customer in autumn 2010.
- Easter sales occurring this year in April, in contrast to the previous year.

Operating profit was down year on year.

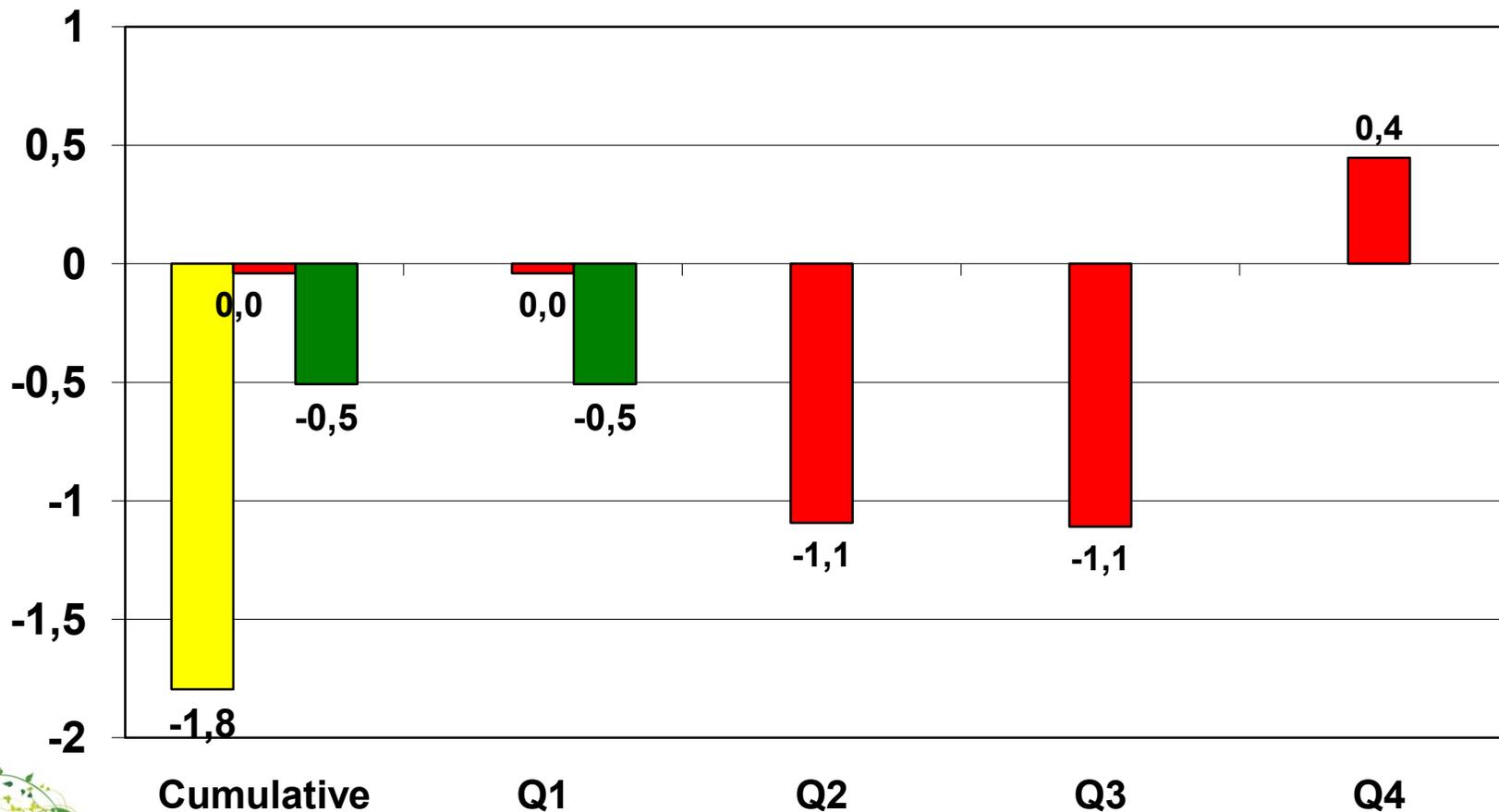
- Profitability of the Norwegian and Swedish Seafood businesses was down year on year
- Result for the Finnish Seafood business was almost unchanged.
- Taimen Group did not have the expected positive impact on the result, because lifting farmed fish from the water and gutting them was adversely affected by the challenging ice conditions, and this temporarily decreased Taimen's delivery performance.

Other

- Apetit Kala's cost-efficiency programme progressed to the implementation phase in Q2.
- Maritim Food decided to shut down one production plant in Q2.

- Net Sales grew slightly – operating profit fell short year-on-year.
- Focus during period was on preparing and implementing structural measures for improving profitability.

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



■ 2010FY  
■ 2010  
■ 2011

# Lännen Tehtaat

## Seafood



**Measures to improve profit performance in the Seafood business.**

- ✓ **Price increases**
- ✓ **Cost-efficiency programme in Apetit Kala (annual savings of about EUR 0.9 million)**
- ✓ **Concentrate the production in Maritim Food, Fredrikstad, at one plant (annual savings of about EUR 0.5 million)**
- ✓ **Strengthen the position on the market in service sales in Finland.**
- ✓ **Strengthen the position on the market in HoReCa-sector in Finland.**
- ✓ **Widen customer base and renew categories in Norway and Sweden**



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Seafood, Finland, Norway and Sweden

Norwegian Seafood business' product range was renewed open-mindedly in collaboration with clients.



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## Grains and Oilseeds Q1 2011



Grains and Oilseeds EUR million	Q1 2011	Q1 2010	Q1-Q4 2010
Net sales	51.9	43.0	181.9
Operating profit, excluding non-recurring items	2.5	2.0	7.2

### Net sales

- Net sales were up by 21 % year on year.
- Substantially higher market prices than a year earlier. (f.e. Matif, wheat future on 3.5.2011 was 90 % higher than on the same time last year).

### Operating profit

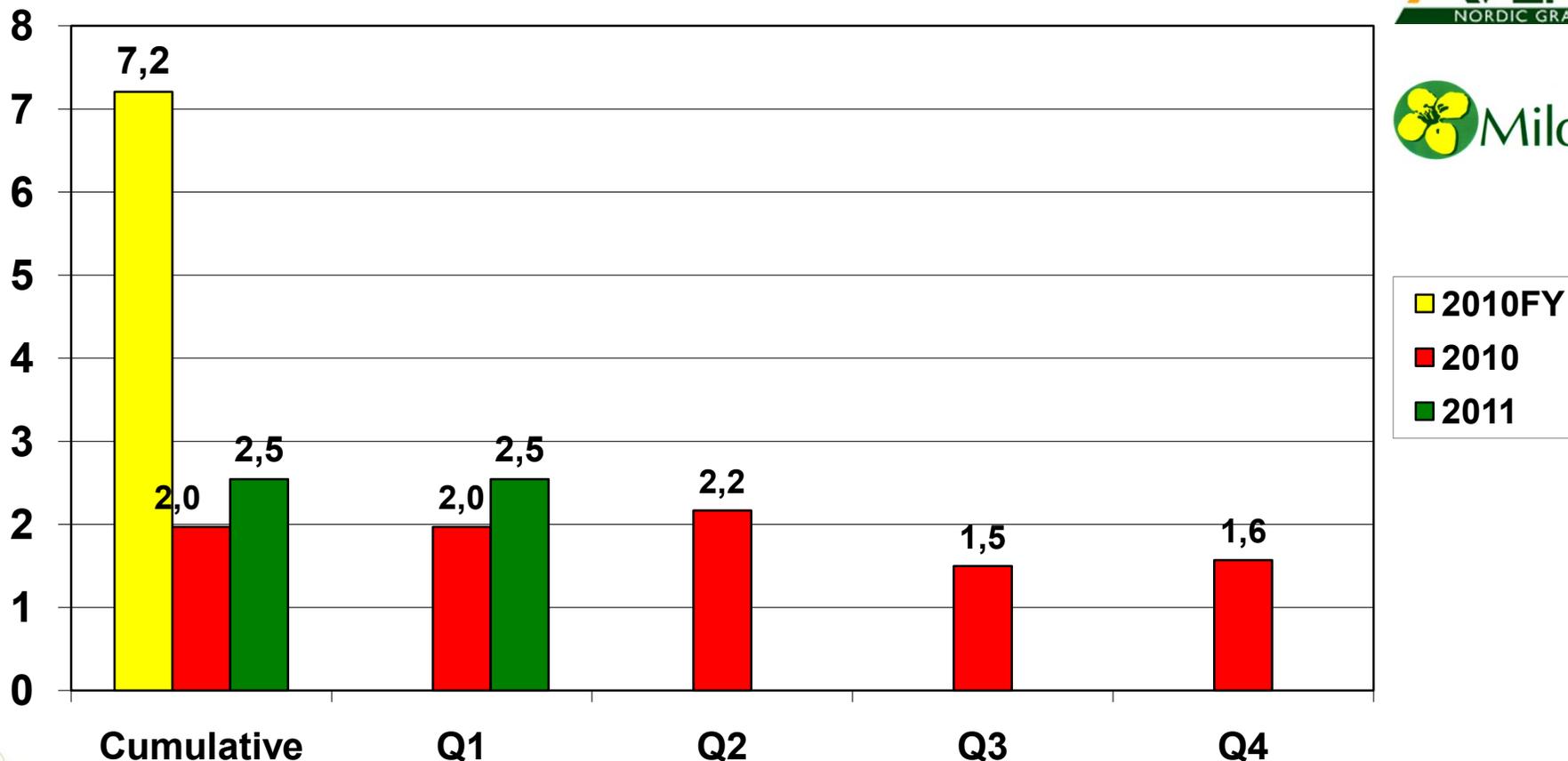
- The first-quarter result was up on the previous year's first-quarter figure.
- + Increased net sales.
- + Realisation of synergy benefits from combining the Grains and Oilseeds businesses

### Other

- Market prices were high due to strong demand, narrow supply situation and comparatively low global grain and oilseed stocks.
- The goal is to boost Avena's competitiveness in the market for packaged vegetable oil products – related to this packaging plant is being constructed at the Kirkkonummi vegetable oil mill.

• Net sales grew by 21 % - Operating profit grew by 25 %.

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



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## Other Operations Q1 2011



Other Operations EUR million	Q1 2011	Q1 2010	Q1-Q4 2010
Net sales	0.5	0.4	2.6
Operating profit, excluding non-recurring it	-1.5	-1.2	-0.5

**Other Operations** comprise 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%).

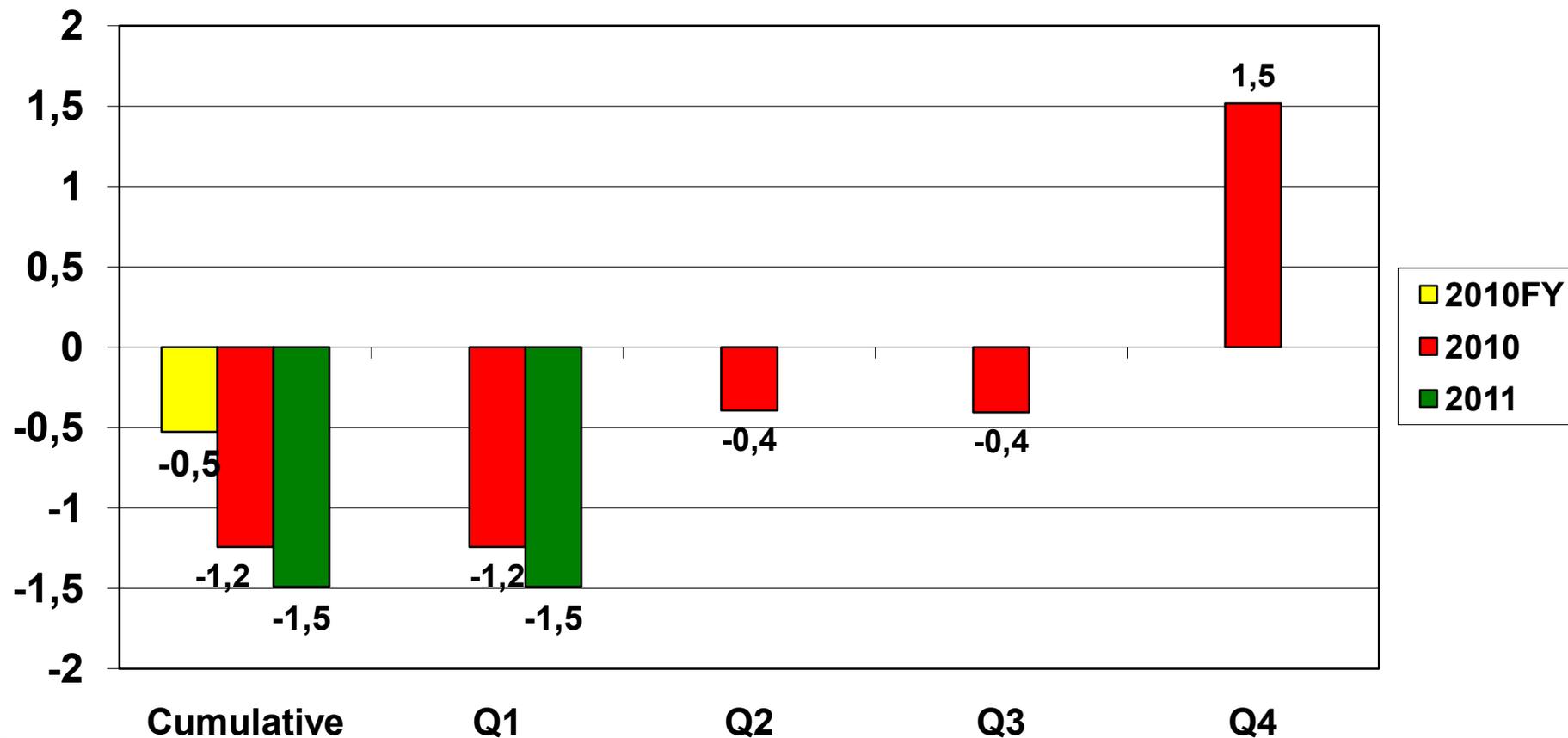
### Net sales

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

### Operating profit

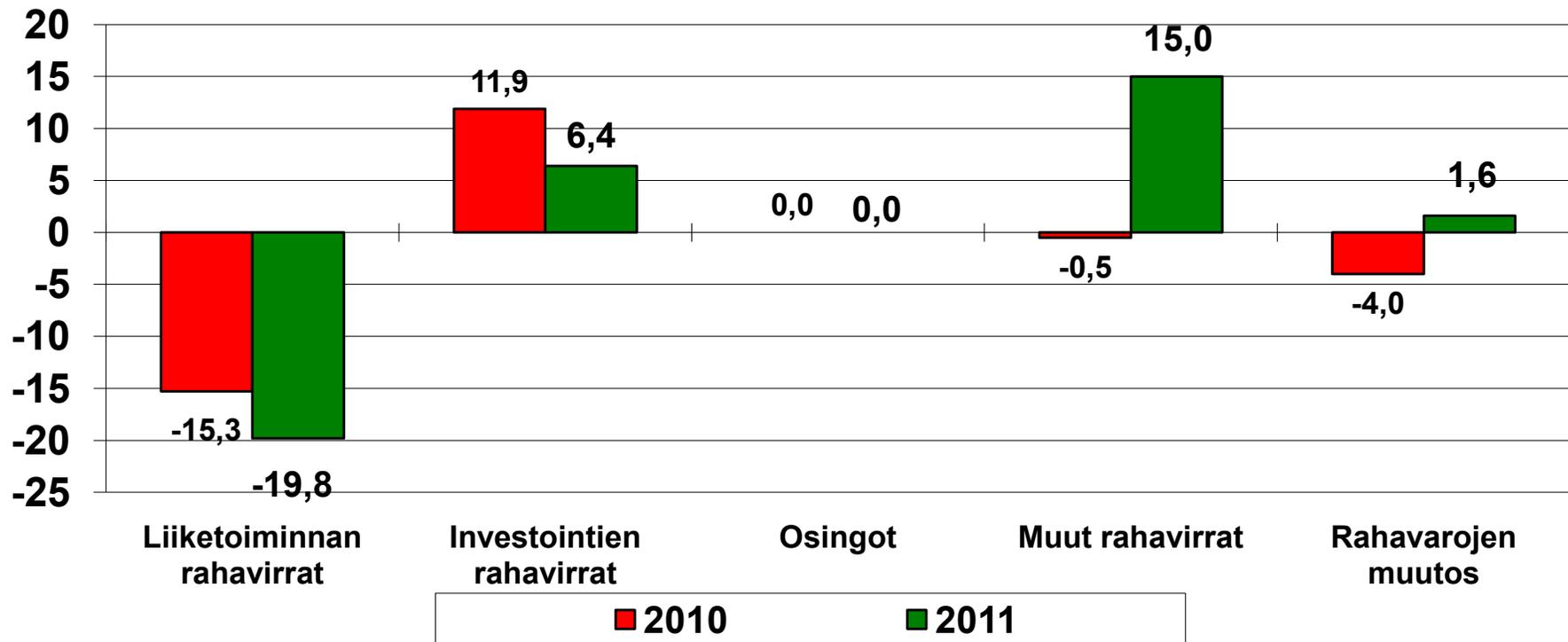
- Comprises the costs of the Group administration, costs not allocated to the operating segments and the share of profits of the associated companies.
- Share of the profits of associated companies was EUR -0.2 (-0.1) million.

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



# Cash flow from operations, Q1

## EUR million



- Changes in net working capital EUR -21.2 (-15.3) million are the most significant item in net cash flow from operating activities.
- In the first quarter, working capital was tied up to a greater extent than a year earlier in the Grains and Oilseeds business, where stocks were high due to new business opportunities and because the grain export shipping programme is weighted towards the second quarter. The amount of working capital was also higher because of the higher market prices for grains and oilseeds than the previous year.
- Net cash flow EUR 7.0 (12.0) 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.**

- The equity ratio is 68,0 %.
- The company's financing has been secured with committed credit facilities.

**→ Our strong balance sheet and financial position give us excellent change to invest in organic growth of our business operations and to benefit from new emerging opportunities for corporate arrangements.**

## Principal shareholders on April 30, 2011



	%
Scanfil plc	8.6
Valio's Pension Fund	6.6
Skagen Funds, total	6.3
Esko Eela	6.2
Nordea Nordic Small Cap Fund	5.5
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
Norvestia plc	1.2
Beetajuuri Oy	1.0
Säästöpankki Kotimaa Mutual Fund	1.0
Säkylän municipality	0.9
Taaleritehdas ArvoMarkka Osake	0.7
Foundation for Economic Education	0.6
SEB Gyllenberg Small Firm Fund	0.5
Suomen Outperform Oy	0.4
Köyliö Farmers' Association	0.4
Apteekkien Eläkekassa B-osasto	0.3
Nominee registered shares	2.9
Shares owned by the company	2.1
Other shareholders	41.2
	100.0

Top10 = 46,8%

## ASSESSMENT OF PROBABLE FUTURE DEVELOPMENT

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.

Thanks to the measures taken to develop the Seafood business, and the positive delivery prospects in the Grains and Oilseeds business for the short term, the second quarter operating profit, excluding non-recurring items, is expected to be better than the previous year's level.

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. Thanks to the measures taken to develop the Group's different businesses, and thanks to the corporate acquisitions made in 2010, the full-year operating profit, excluding non-recurring items, is expected to be better than the previous year's level. Profit accrual is expected to be weighted heavily towards the latter part of the year, as in 2010.