



Lännen Tehtaat plc

INTERIM REPORT Q3 2011

November 2, 2011

Hotel Scandic Simonkenttä, Helsinki

Matti Karppinen
CEO

Lännen Tehtaat



Frozen Foods



Seafood

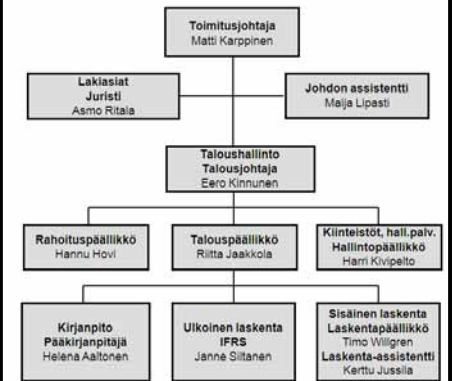


**Associated company:
Taimen Oy (30%)**

Grains and Oilseeds



Other Operations



Apetit Suomi Oy

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



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Interim report Q3 2011



Matti Karppinen, CEO:

“The Group’s third-quarter net sales and profitability improved overall, in line with the forecast. Operating profit for the quarter was up by EUR 1 million year on year, and net sales increased by 18%. Both the Frozen Foods and Seafood businesses turned in a better result than a year earlier. The result for the Grains and Oilseeds business was also slightly up on the previous year. The poor result for the associated company Sucros was disappointing in view of expectations and in comparison with the same period a year ago.

“The development of the Seafood business and improvements in its efficiency continued according to plan in Finland and Norway. Apetit Kala strengthened its position in the fresh fillet and fresh salmon market. In Norway, production at Fredrikstad was concentrated at a single plant. In the Frozen Foods business, marketing has been very successful. According to the latest Brandflow survey, Apetit is by far the best known frozen foods brand and the Finnishness campaign has increased sales of frozen vegetables and frozen potato products. The Grains and Oilseeds business is currently completing its largest investment in years. The new packaging plant will support sales growth in packaged oils.

“All of this provides a good basis from which we can now move forward.”

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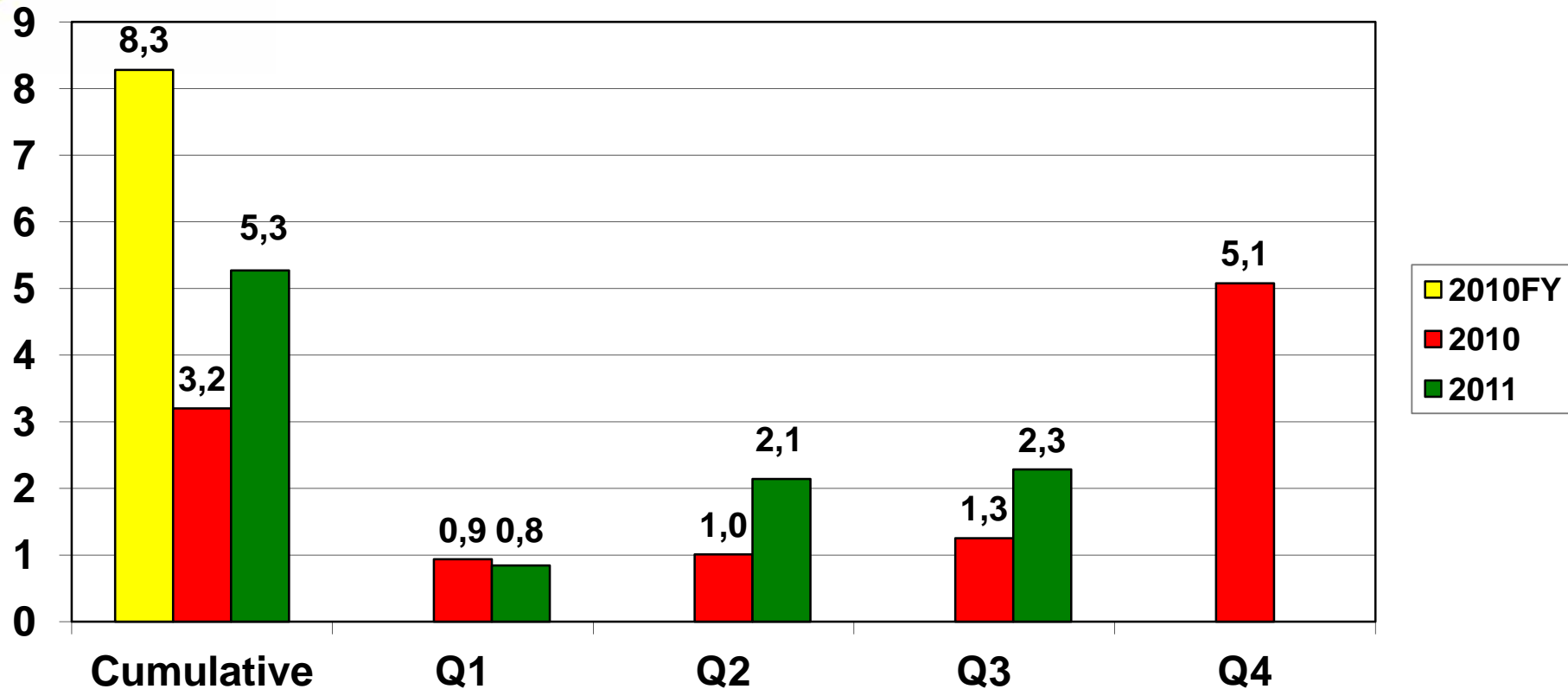
Key figures Q3 2011



EUR million	Q3 2011	Q3 2010	Q1-Q3 2011	Q1-Q3 2010	Q1-Q4 2010
Net sales	77.6	65.9	255.1	220.8	308.7
Operating profit, excluding non-recurring items	2.3	1.3	5.3	3.2	8.3
Operating profit	2.3	1.3	3.6	3.2	8.3
Profit before taxes	2.0	1.2	2.4	3.3	8.4
Profit for the period	1.3	0.7	1.2	2.1	6.5
Earnings per share, EUR	0.20	0.10	0.23	0.34	1.04

- Net sales in the third quarter were up by 18 % year on year.
- Operating profit, excluding non-recurring items, improved EUR 1.0 million year on year.
- There were no non-recurring items.
- Equity ratio was 71.8% (75.6%).

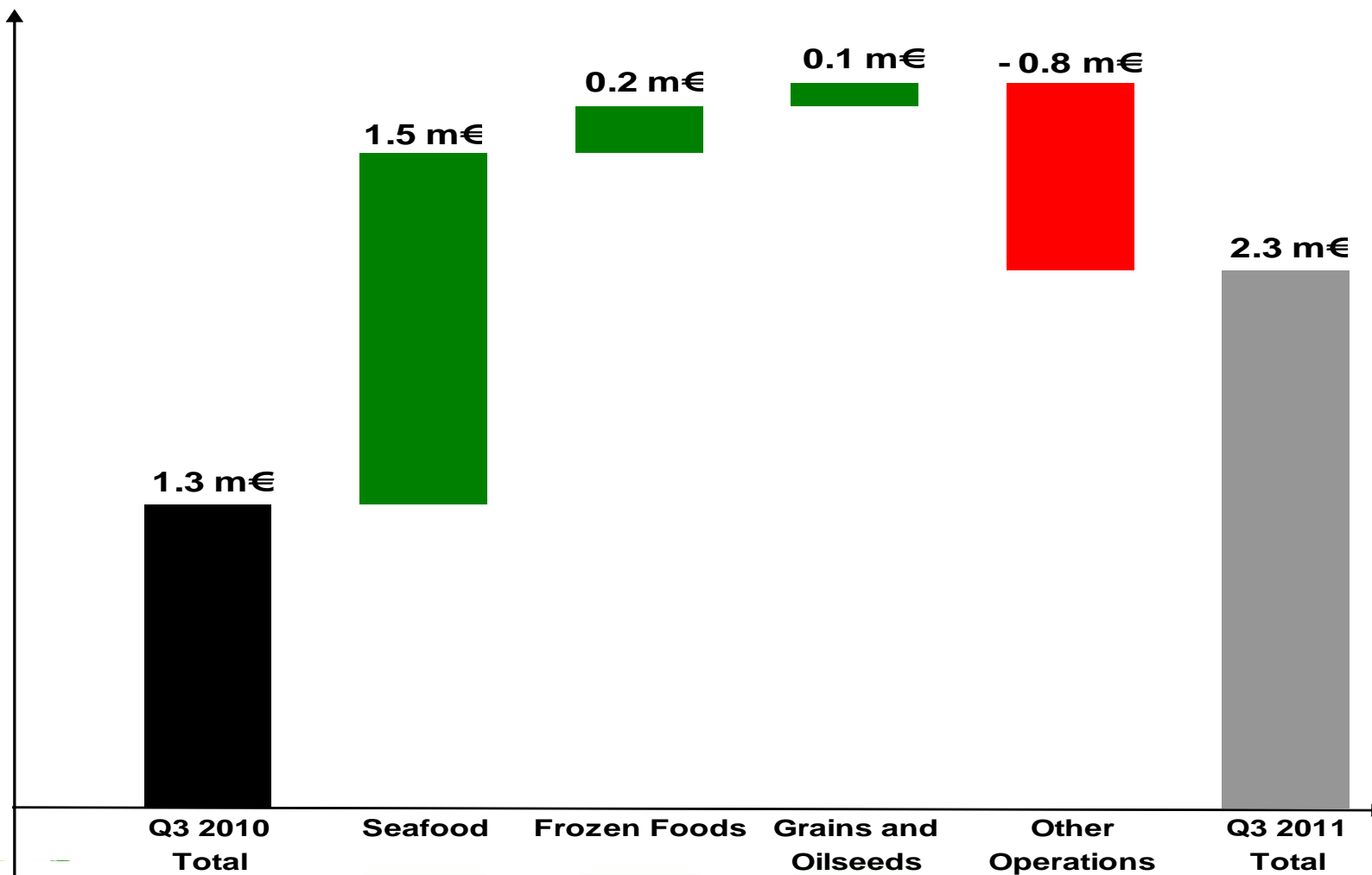
Operating profit excluding non-recurring items, EUR million



- Operating profit, excluding non-recurring items, improved year on year and also compared to Q2.
- Profit in Seafood business, Frozen Foods business and Grains and Oilseeds business was up on the third-quarter figures of a year earlier.
- Other Operations segment was down year on year.



Operating profit excluding non-recurring items Change Q3 2011 vs Q3 2010, EUR million

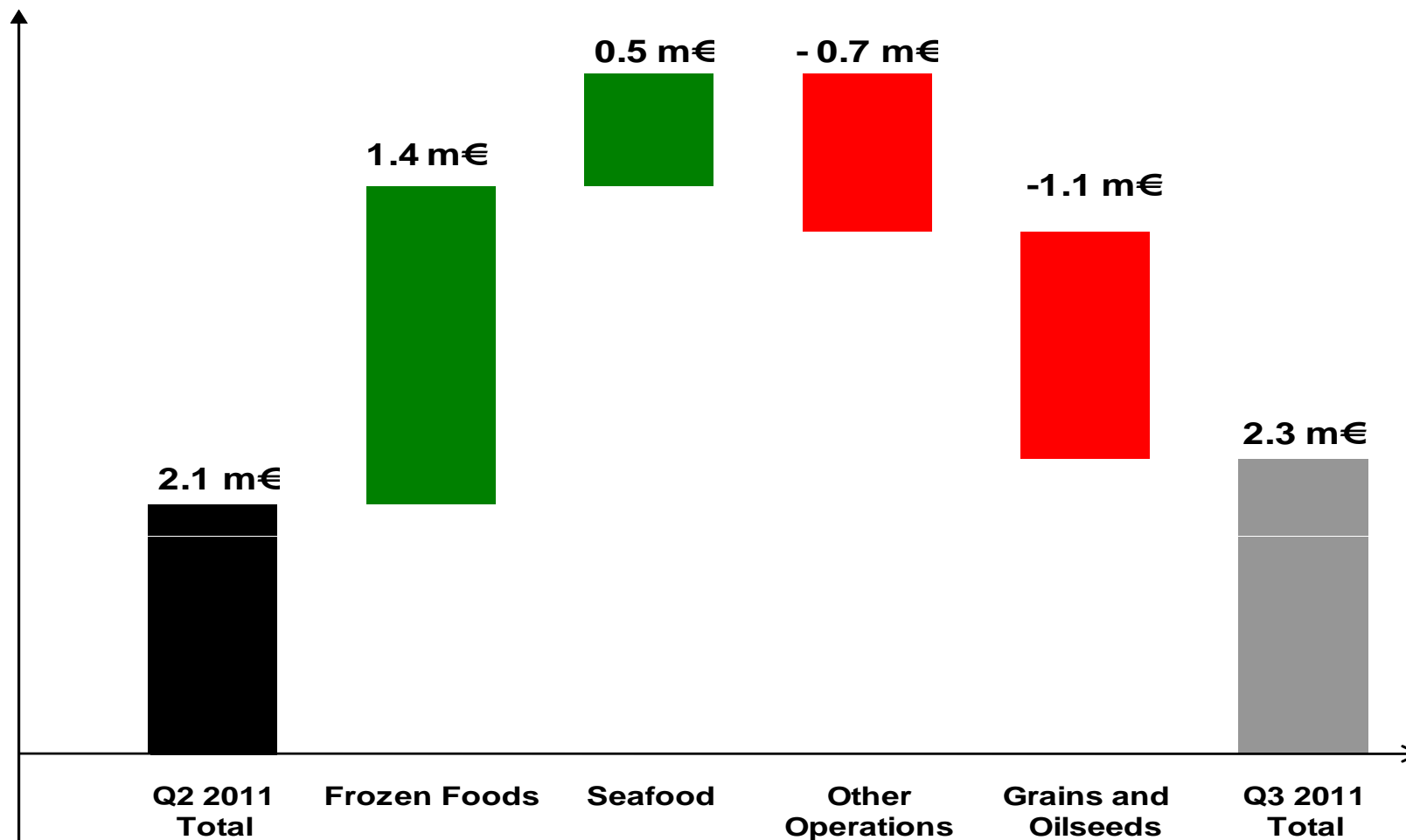


• Seafood business improved the most year on year.



Operating profit excluding non-recurring items

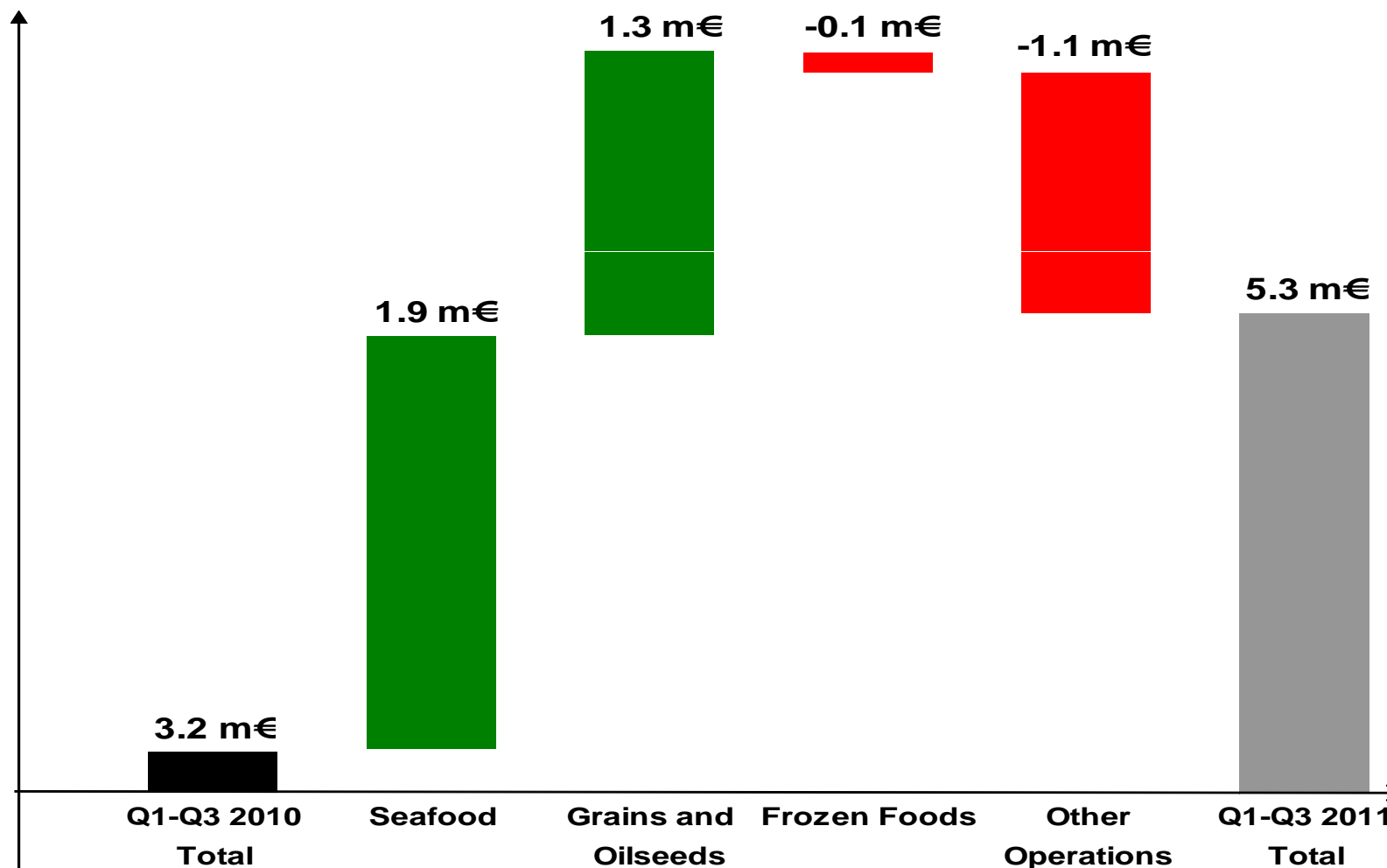
Change Q3 2011 vs Q2 2011, EUR million



• Group's third quarter operating profit was better than the second quarter.



Operating profit excluding non-recurring items Change Q1-Q3 2011 vs Q1-Q3 2010, EUR million



- Seafood business and Grains and Oilseeds business improved from the previous year.
- Other Operations segment was significantly down year on year.

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Frozen Foods Q3 2011



Frozen Foods					
EUR million	Q3 2011	Q3 2010	Q1-Q3 2011	Q1-Q3 2010	Q1-Q4 2010
Net sales	10.4	10.0	34.2	33.8	45.1
Operating profit, excluding non-recurring items	1.5	1.3	1.8	1.9	3.4

Net sales grew 4 %.

- Sales to the retail sector were at the same level as a year earlier; sales of the Apetit Kotimaiset “Finnish grown” range of frozen vegetables were very good.
- Strong growth continued in sales to the hotel, restaurant and catering sector, as a result of new products.
- Exports were up; good domestic crop made export of peas possible.

Operating profit , excluding non-recurring items, was up year on year.

- + Product mix in sales.
- + Earlier start to frozen vegetable production, focusing more on the third quarter than in the previous year.
- Strong rises in raw material and energy prices.

Other

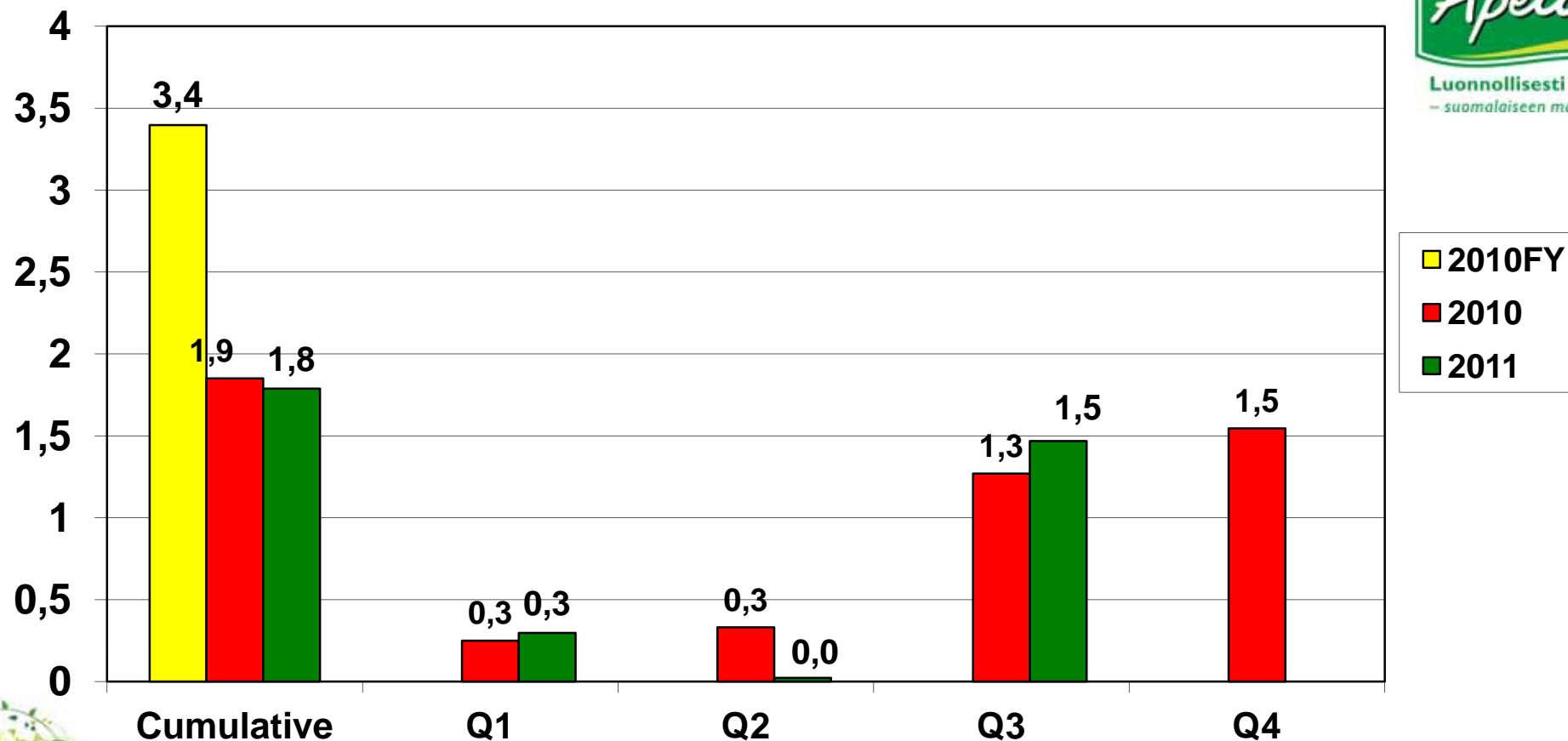
- Due to cost pressures, further price rises will be introduced during the last quarter of the year.
- According to the Brandflow survey, Apetit is by far the best known frozen foods brand.
- The growing season weather was favourable and processing of the crops has proceeded well.

The net sales grew and the operating profit was up at the level of a year earlier.

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



Luonnollisesti hyvää
– suomalaisen makuun –





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Frozen Foods, novelties

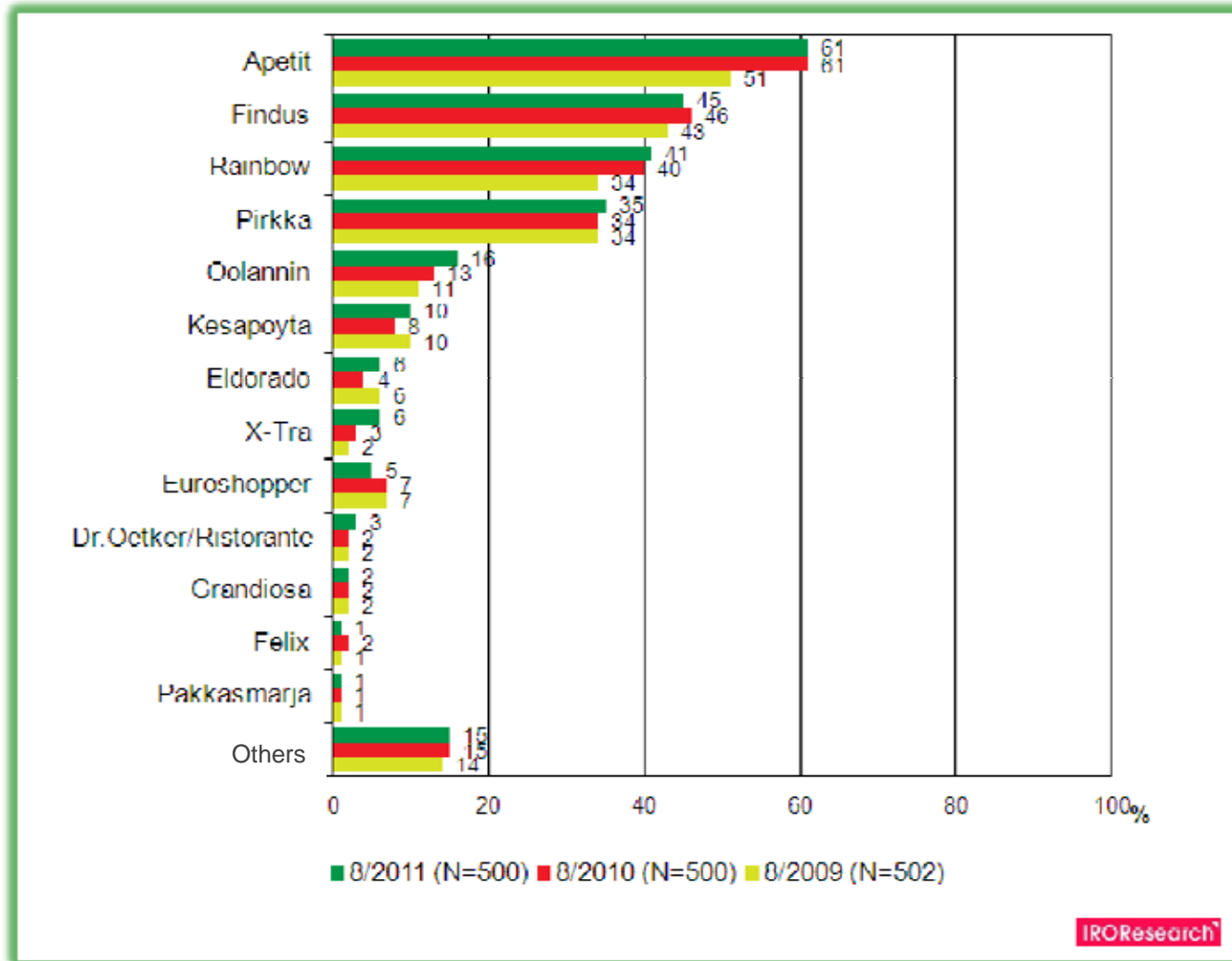


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Frozen Food



Overall spontaneous awareness of frozen food brands



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Seafood Q3 2011



Seafood	Q3 2011	Q3 2010	Q1-Q3 2011	Q1-Q3 2010	Q1-Q4 2010
EUR million					
Net sales	20.5	19.7	62.1	57.1	80.9
Operating profit, excluding non-recurring items	0.4	-1.1	-0.3	-2.2	-1.8

Net sales grew by 4%

- Net sales grew in the Finnish market by 11%: + Increased volumes.
 - Lower number of Kalatori service counters.
- Net sales fell by about 6 % in the Norwegian and Swedish market measured both in Euros and in local currencies:
 - + Sales of dressings and fishcakes and fishballs.
 - Discontinuing the sale of smoked fish products.
 - Availability problems in certain shellfish raw materials.

Operating profit, excluding non-recurring items, improved EUR 1.5 million year on year.

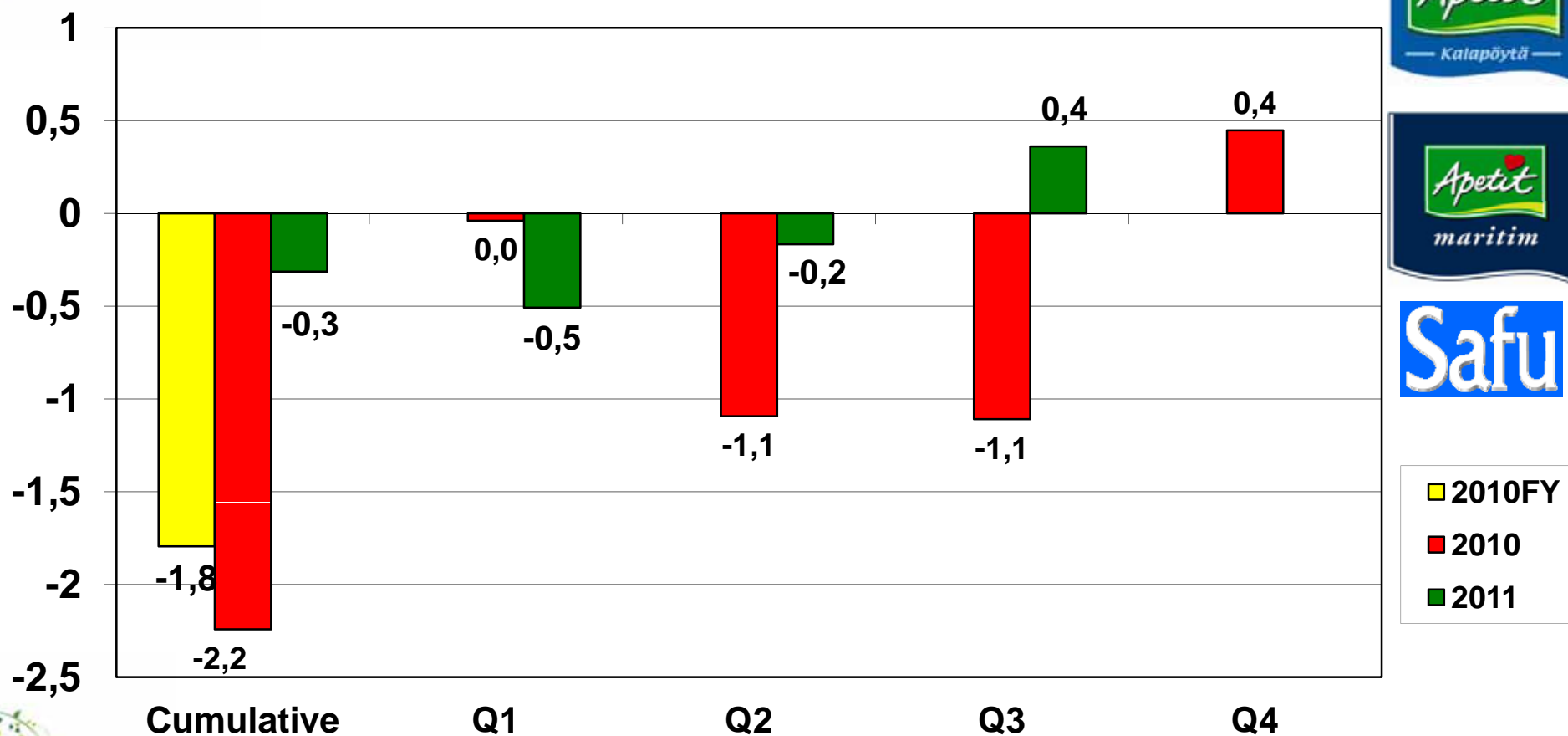
Profits improved both in the Finnish Seafood business and Norwegian and Swedish Seafood businesses
 + EUR 0.5 (-0.3) million as change in the fair value of currency hedges.

- The Finnish Seafood business
 - +Sales growth.
 - + Improved gross margin.
 - + Decreased overhead costs.
 - +/- The Taimen Group's impact EUR 0.3 (0.4) million.
- Norwegian and Swedish Seafood businesses + Decreased overhead costs
 - Higher prices for key raw materials and packaging materials.
 - Delays in increasing sales prices to compensate higher costs due to long agreement periods.

Other

- The development of the Seafood business and improvements in its efficiency continued according to plan in Finland.
- Apetit Kala strengthened its position in the fresh fillet and fresh salmon market.
- In Norway, production at Fredrikstad was concentrated at a single plant.

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



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Seafood



Measures to improve profit performance in the Seafood business

- ✓ **Prices have been increased. Still pressures for increases in some product groups.**
- ✓ **Cost-efficiency programme in Apetit Kala executed – Focus on increasing sales and sales margin in cooperation with clients**
 - **Strengthen the position on the market in service sales in Finland**
 - **Strengthen the position on the market in HoReCa sector in Finland**
- ✓ **Concentration of production in Maritim Food AS at one plant has been executed**
- ✓ **Widen customer base and renew categories in Norway and Sweden**

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Seafood



Norwegian Seafood business' product range was renewed.



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Grains and Oilseeds Q3 2011



Grains and Oilseeds

EUR million	Q3 2011	Q3 2010	Q1-Q3 2011	Q1-Q3 2010	Q1-Q4 2010
Net sales	46.6	36.1	158.5	129.7	181.9
Operating profit, excluding non-recurring items	1.6	1.5	6.9	5.6	7.2

Net sales

- Net sales were up by 29 % year on year.
- Higher market prices than the year before.
- Most of the net sales growth originated from exports and trading outside Finland.

Operating profit

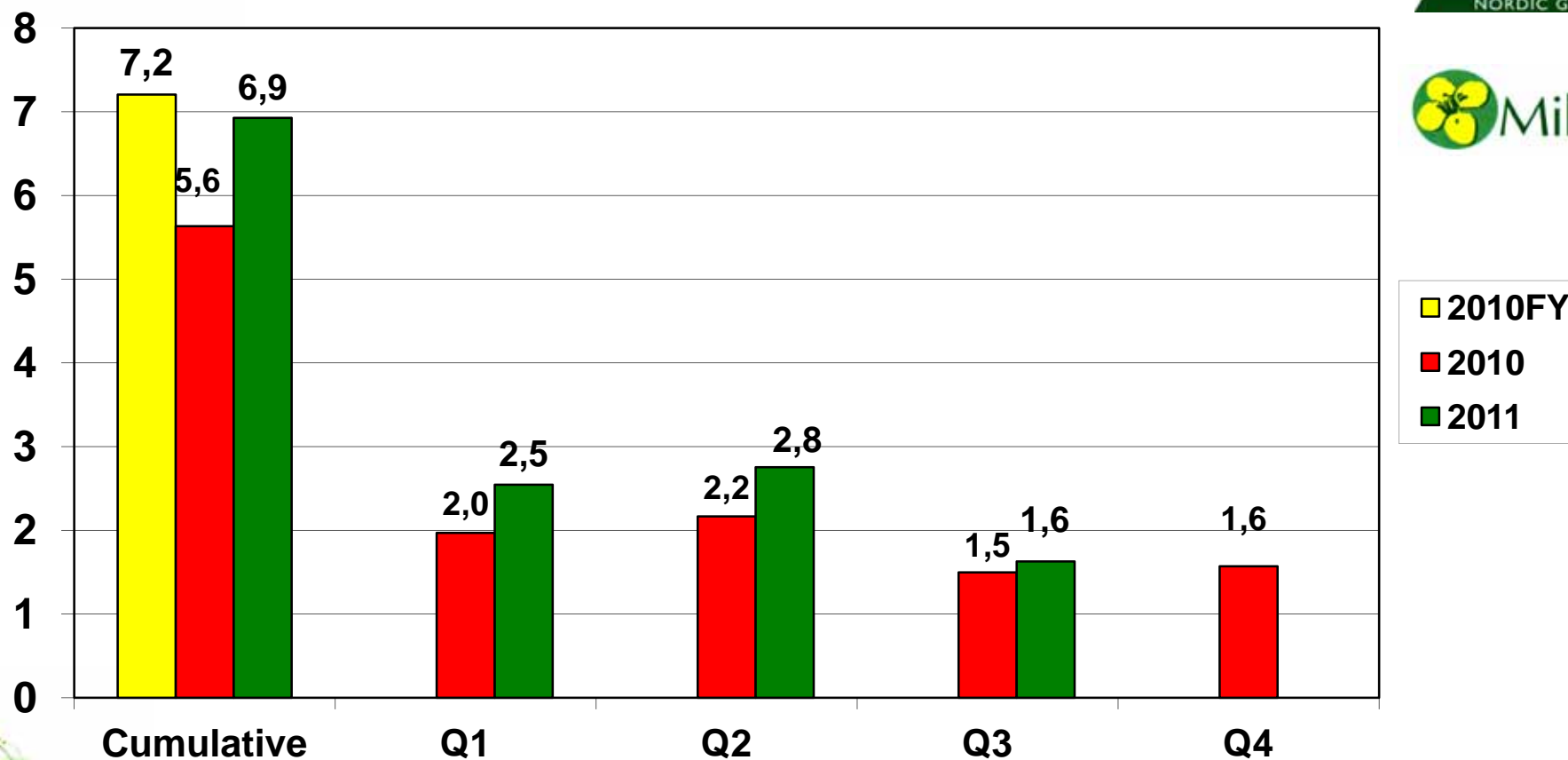
- Was at the level of the year earlier.

Other

- Prices on the global market have remained at a historically very high level even during the new crop season.
- The packaging plant investment in Kirkkonummi's vegetable oil mill is being completed and customer deliveries will commence by the end of the year.
- Investment will boost Avena's competitiveness in the market for packaged vegetable oil products.

• Third quarter net sales grew by 29 %.

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



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Grains and Oilseeds



Retail sector products



HoReCa products



Food industry products



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Other Operations Q3 2011



Other Operations					
EUR million	Q3 2011	Q3 2010	Q1-Q3 2011	Q1-Q3 2010	Q1-Q4 2010
Net sales	0.5	0.5	1.4	1.4	2.6
Operating profit, excluding non-recurring items	-1.2	-0.4	-3.1	-2.0	-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

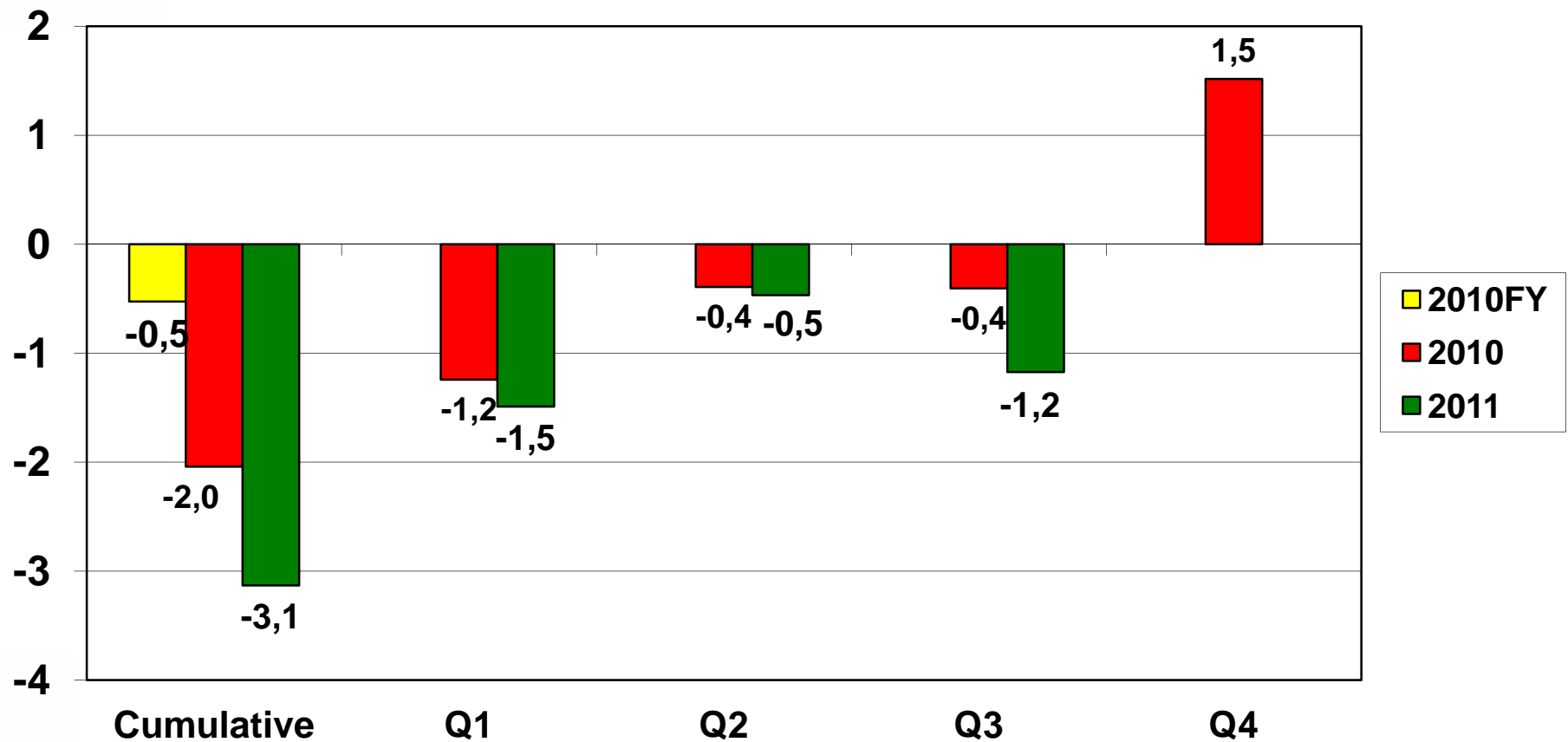
- Comprise service sales to operating segments.
- Do not have any material importance.

Operating profit

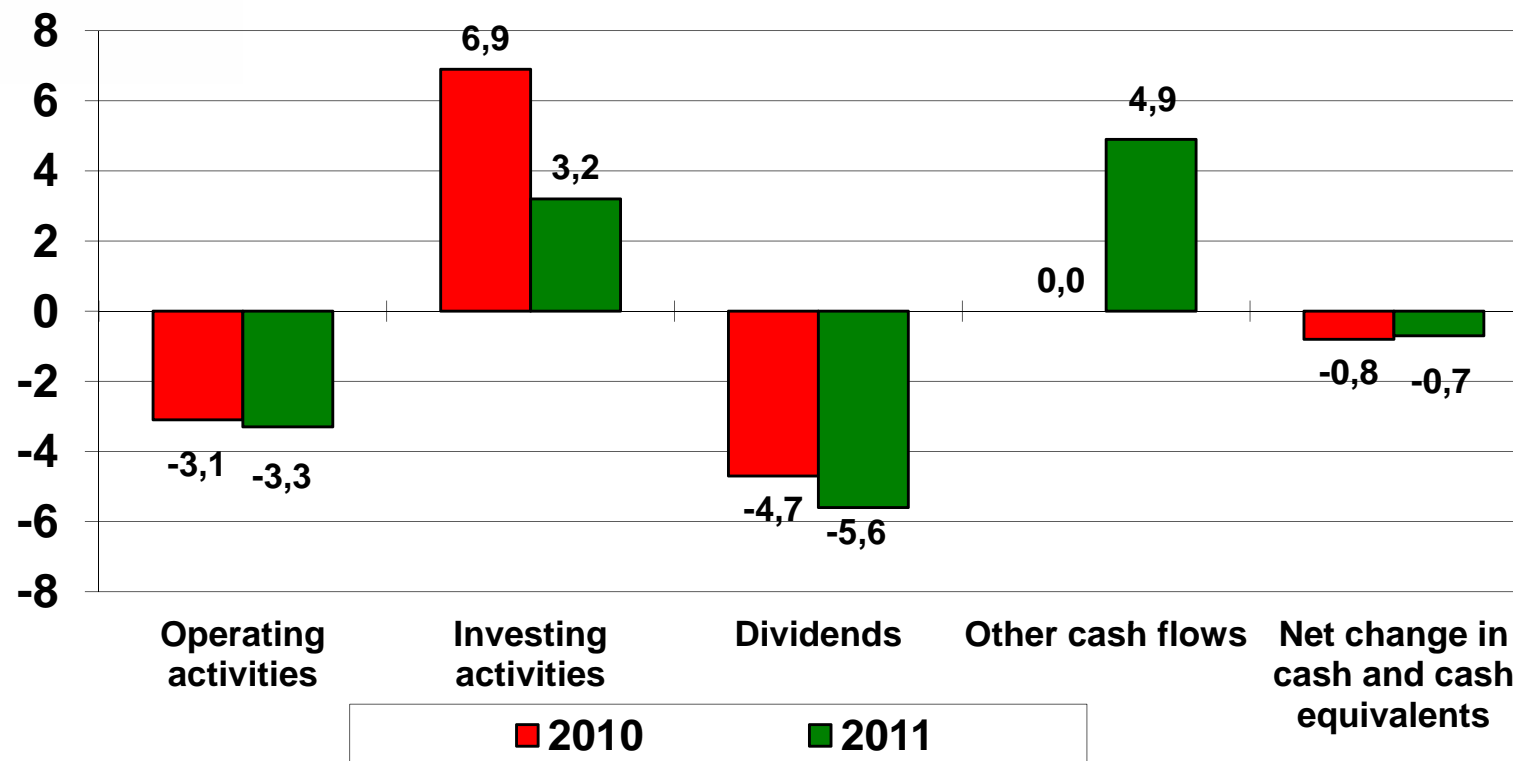
- Comprises the costs of the Group administration, costs not allocated to the operating segments and the share of profits of the associated companies.
- Share of the profits of associated companies was EUR -0.5 (0.2) million.

• The poor result for the associated company Sucros was disappointing in view of expectations and in comparison with the same period a year ago.

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



Cash flow from operations, Q1-Q3 EUR million



- Changes in net working capital EUR – 6.1 (-7.3) million are the most significant item in net cash flow from operating activities.
- Net cash flow from investing activities includes also changes in fund investments EUR 7.1 (13.0) million.
- Other cash flows include proceeds from loans and repayments of loans.

LÄNNEN TEHTAAT PLC TAKES THE BREACH OF SHAREHOLDER AGREEMENT DISPUTE BETWEEN LÄNNEN TEHTAAT AND NORDIC SUGAR TO ARBITRATION

Lännen Tehtaat plc STOCK EXCHANGE RELEASE 14 October 2011 at 9.30 a.m.

Lännen Tehtaat plc and Nordic Sugar Oy are both owners of Sucros Ltd, a company engaged in the processing and marketing of sugar in Finland. Lännen Tehtaat plc has a 20% holding in Sucros Ltd and Nordic Sugar Oy is the majority owner with 80% of the shares.

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 and Nordic Sugar are now in a situation in the operations of Sucros Ltd in which 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, and therefore Lännen Tehtaat has decided to take the issue to arbitration to be resolved. In its rejoinder to Lännen Tehtaat, Nordic Sugar has denied the breaches of shareholder agreement.

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.



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%
- 



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Long-term growth target



Determined and profitable growth in the Group's business.

- The equity ratio is 71,8 %.
- The company's financing is being 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.



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Principal shareholders on 28 October 2011



	%	
Sievi Capital plc	8.6	} Top10 = 46,2%
Valio's Pension Fund	6.6	
Esko Eela	6.2	
Skagen Funds, total	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	
Norvestia plc	1.2	
Myllylä Mikko Aarre	1.0	
Säästöpankki Kotimaa Mutual Fund	1.0	
Säkylä municipality	0.9	
Special Mutual Fund Fourton Fokus Finland	0.8	
Taaleritehdas ArvoMarkka Osake	0.7	
Foundation for Economic Education	0.6	
SEB Gyllenberg Small Firm Fund	0.5	
Malkavaara Kari	0.5	
Köyliö Farmers' Association	0.4	
Kauppilan Turkis Oy	0.3	
Nominee registered shares	2.9	
Shares owned by the company	2.1	
Other shareholders	<u>42.2</u>	
	100.0	

ASSESSMENT OF PROBABLE FUTURE DEVELOPMENT

The Group's net sales will be affected particularly by the level of activity in the grain and oilseed markets and by changes in the price level of grains and oilseeds. Based on developments so far and on the current outlook, the Group's full-year net sales are expected to be up on the 2010 figure.

Thanks to the measures taken to develop the Group's different businesses, and 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.

The profit for the financial year will be depressed by non-recurring costs associated with the Seafood business's efficiency improvement measures reported in the second quarter. There were no non-recurring costs in 2010.



Lännen Tehtaat plc

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Matti Karppinen
CEO