



# Lännen Tehtaat

**INTERIM REPORT Q1 2009**

**7 May 2009**

**Scandic Simonkenttä, Helsinki**

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

# Lännen Tehtaat



- 1. Lännen Tehtaat, financial information Q1 2009**
- 2. Lännen Tehtaat, structural development**
- 3. Additional information**
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# Lännen Tehtaat

## Interim Report Q1 2009



### **Matti Karppinen, CEO:**

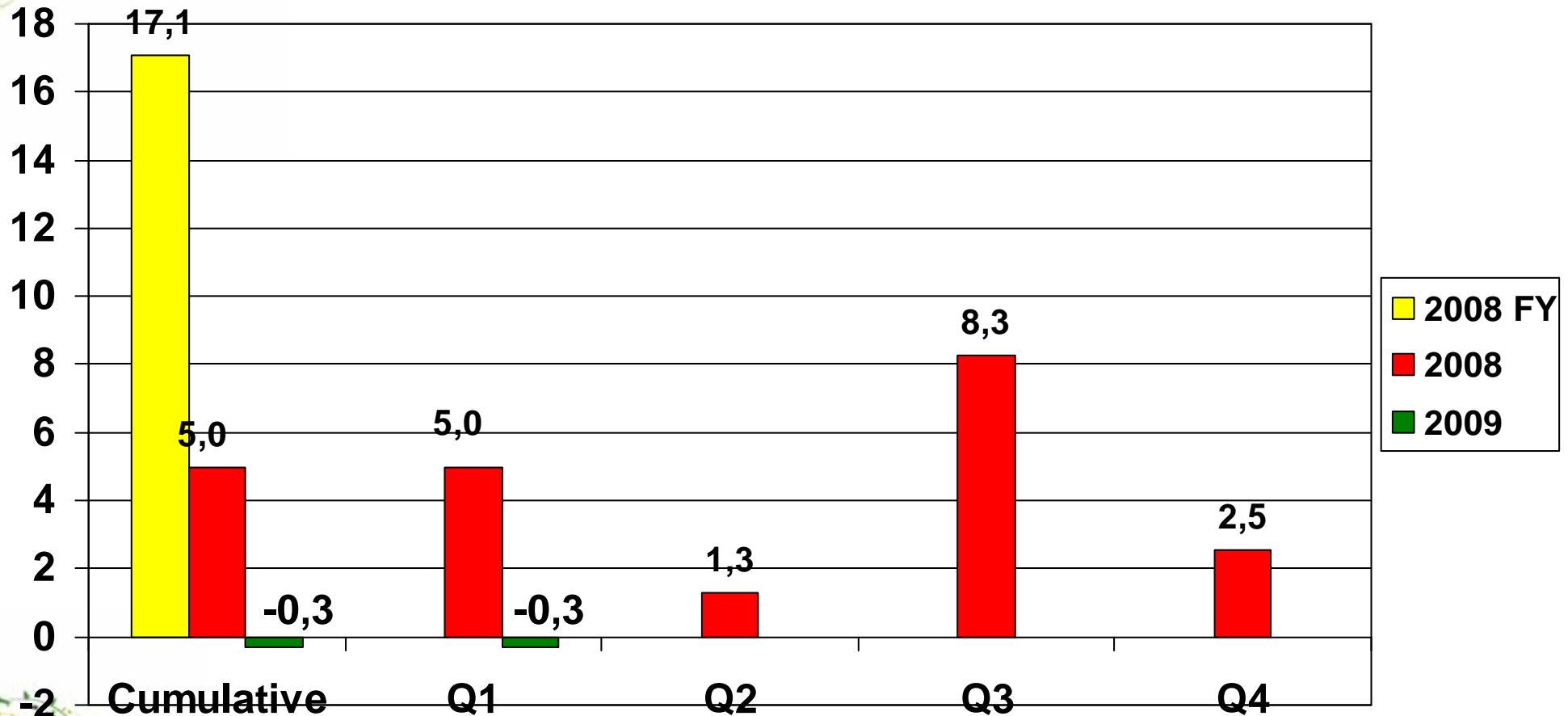
“The Group’s financial position and balance sheet strengthened further in the first quarter. Our equity ratio rose to 76.5 per cent. Consolidated profit was below that of a year ago, which was expected. The fall in profit was attributable above all to the drop in net sales in Grain Trading and the impact of the weakened Norwegian and Swedish currencies on raw material costs. Positive factors supporting the profit level, however, were the improvements in productivity and cost-efficiency in most of the businesses, and the good sales and successful product launches in Frozen Foods.

”During the first quarter we closely monitored the downturn in the economy, made an assessment of the impact on the behaviour of consumers and customers and sought to forecast the impact of these changes on our business activities. The development of management, functions and processes within the Group companies has continued, with the aim of boosting cash flow and adding to strategic agility.

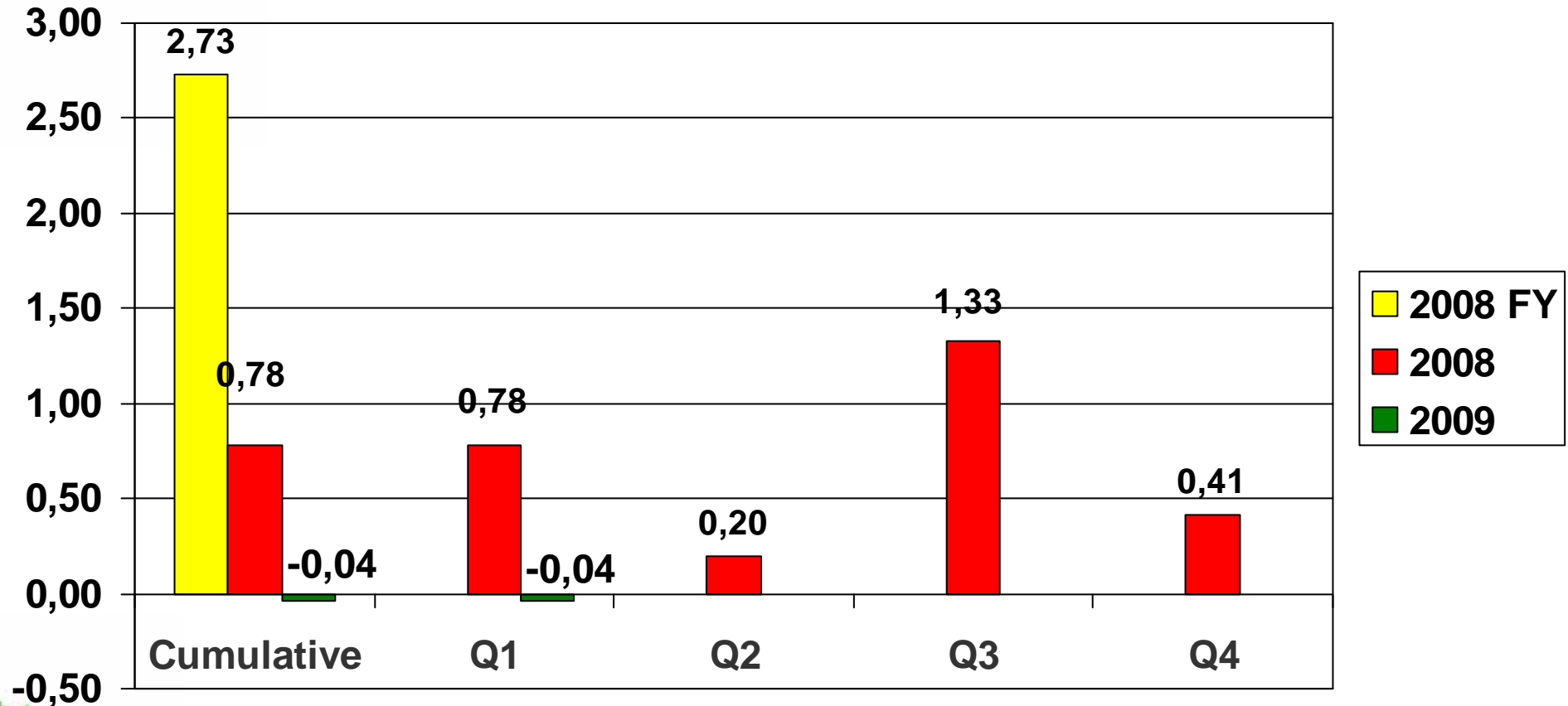
”From the start of the year, Seafood’s business units have been reporting directly to the Group CEO. Under Group management control, Seafood’s Finnish and foreign business management models and reporting practices have been reshaped, which has improved the manageability, transparency and predictability of operations.

”Work continued on achieving the Group’s strategic growth target. The strong financial position and balance sheet provide a sound foundation for further development of the Group.”

# Profit for the period, EUR million



# Earnings per share, EUR



# Lännen Tehtaat

## Interim Report Q1 2009



### KEY FIGURES ILLUSTRATING PERFORMANCE, EUR million

Continuing operations	Jan-Mar 2009	Jan-Mar 2008
Net sales	64.7	90.9
Operating profit	-0.7	5.4
Operating profit, excluding non-recurring items	-0.7	0.6
Profit before taxes	-0.4	4.7
Profit before taxes, excluding non-recurring items	-0.4	-0.1
Profit for the period	-0.3	4.7
Earnings per share, EUR	-0.04	0.74

# Lännen Tehtaat

## Continuing operations



### Frozen Foods



### Seafood



### Vegetable Oils

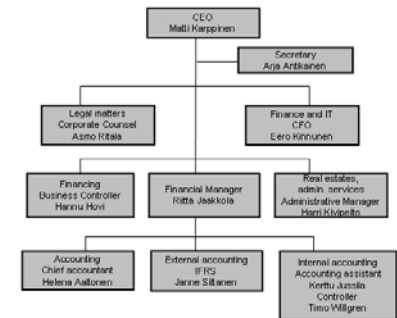


### Grain Trading



### Other Operations

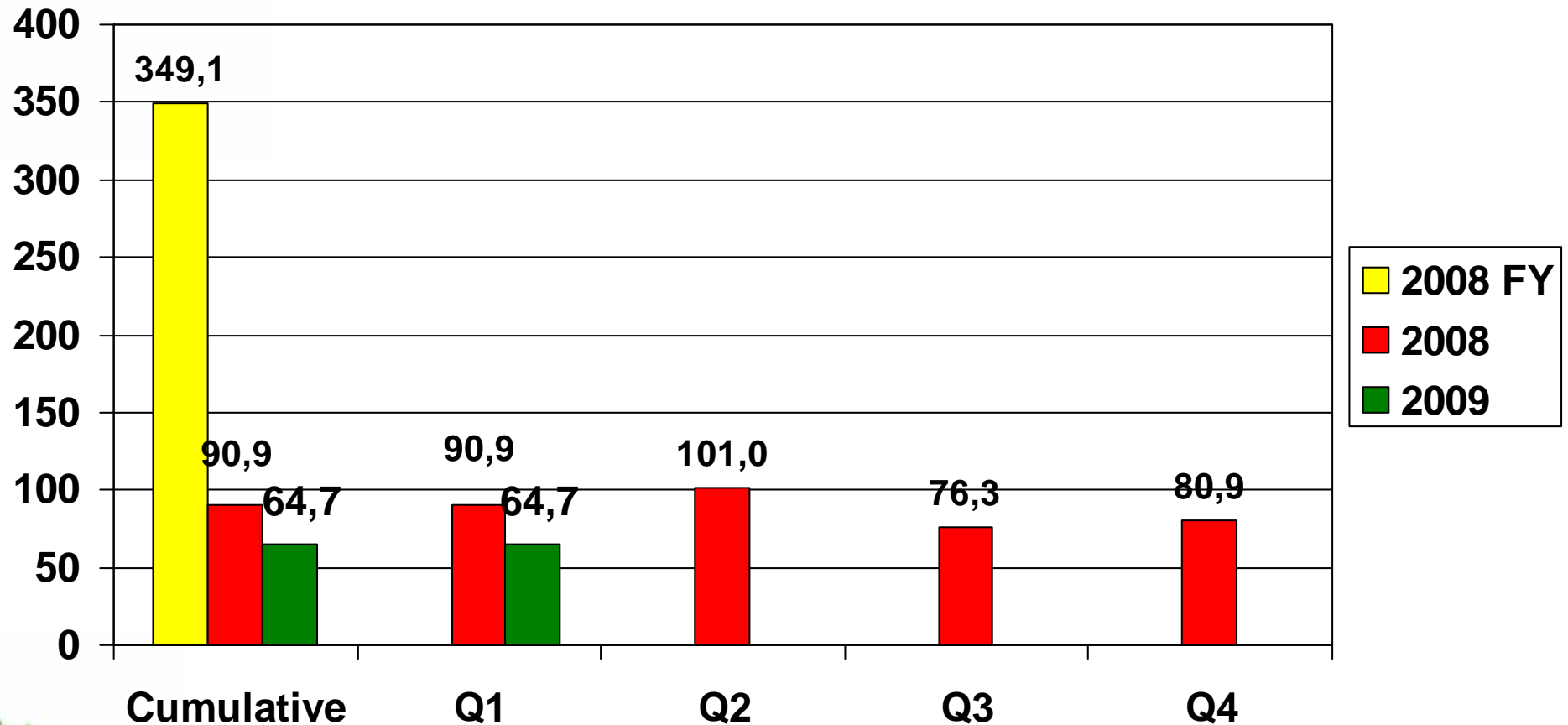
#### Lännen Tehtaat plc



**Apetit Suomi Oy**

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

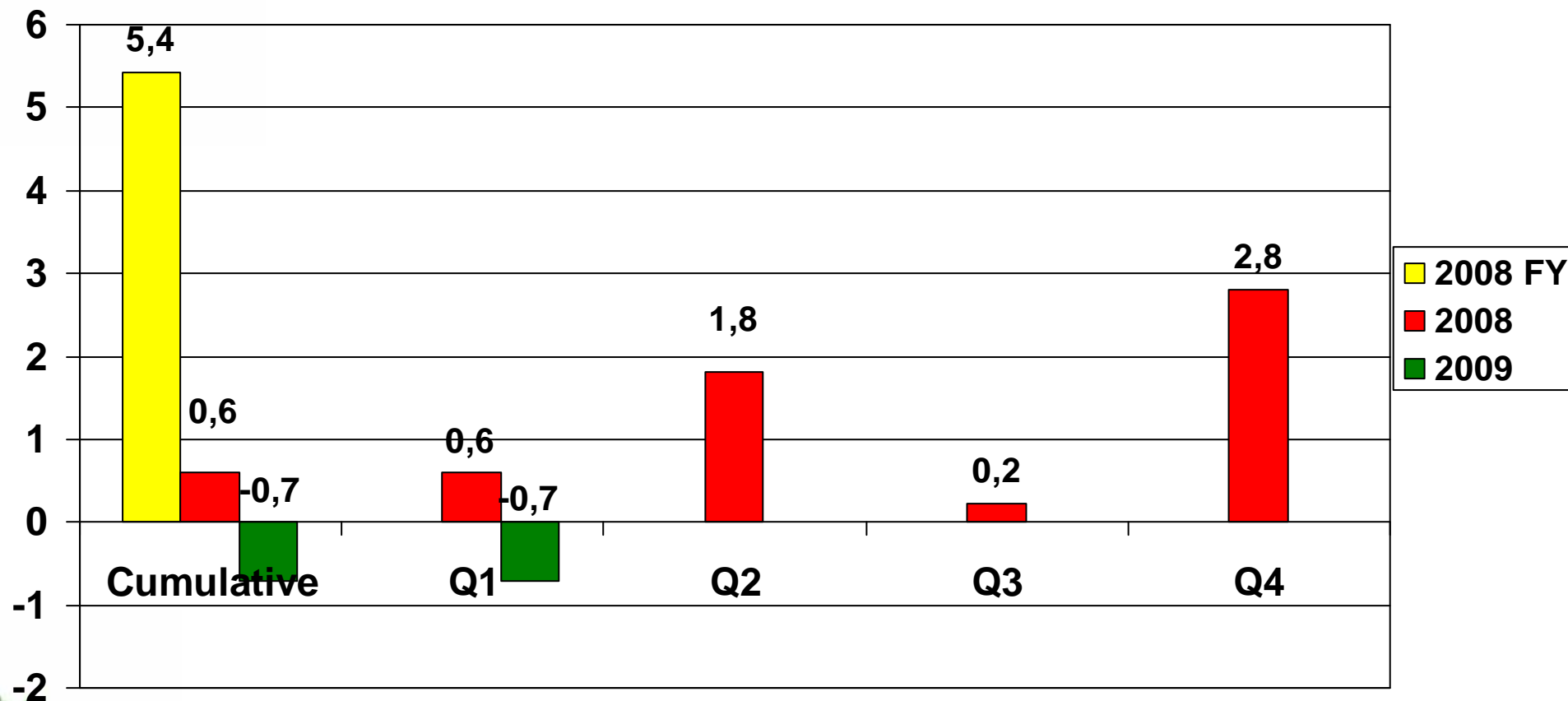
# Consolidated net sales, continuing operations, EUR million



• Q1 net sales, a decrease of -29% on the comparison period.



# Operating profit/loss without non-recurring items, continuing operations, EUR million



- Q1 operating profit/loss including non-recurring items EUR -0.7 (5.4) million.
- Q1 2008 non-recurring items EUR +4.8 million (Salo, EU sugar reform; organization).



# Lännen Tehtaat

Frozen Foods



**Luonnollisesti hyvää**

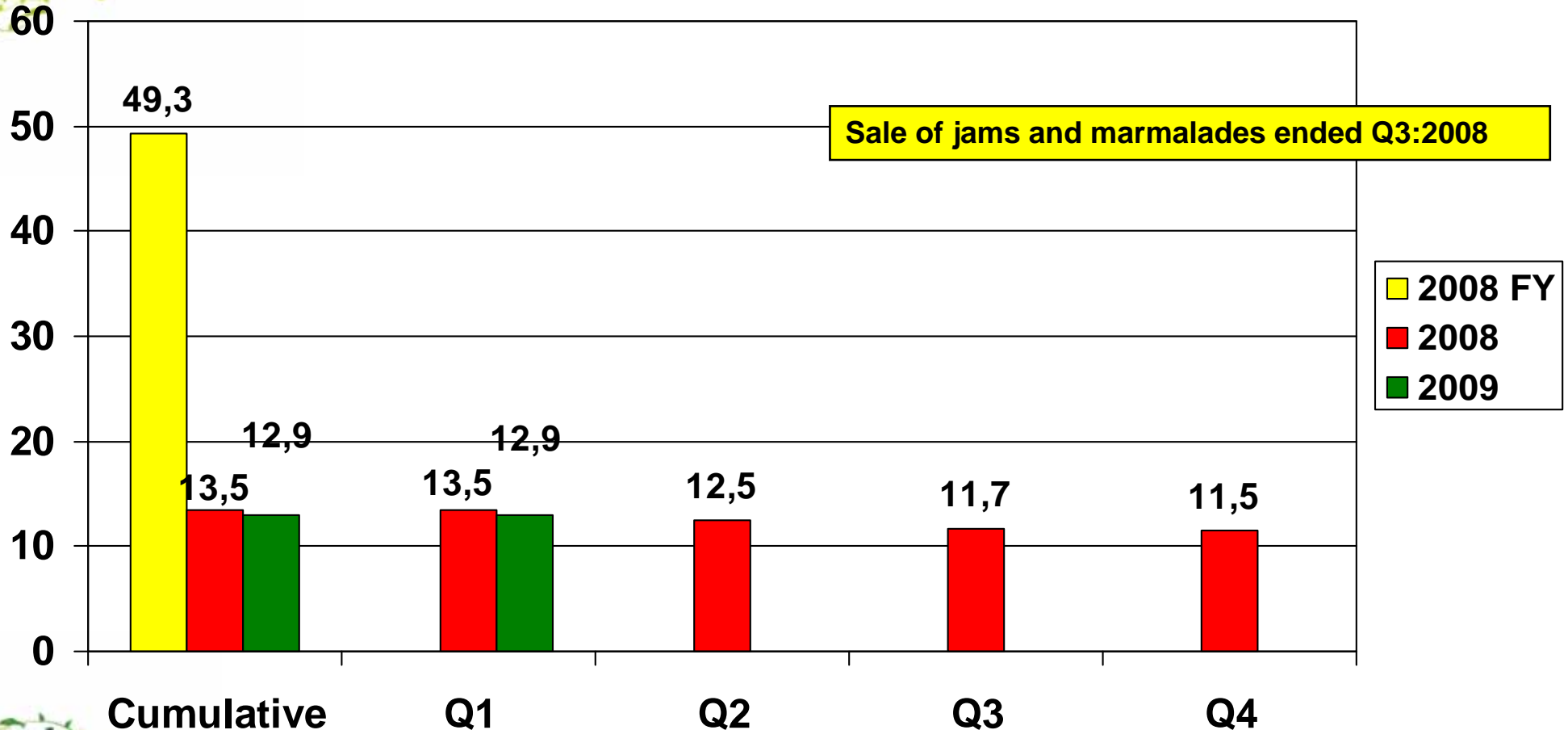
*– suomalaiseseen makuun –*

**Naturally good**

*- the way Finns like it! -*

# Frozen Foods

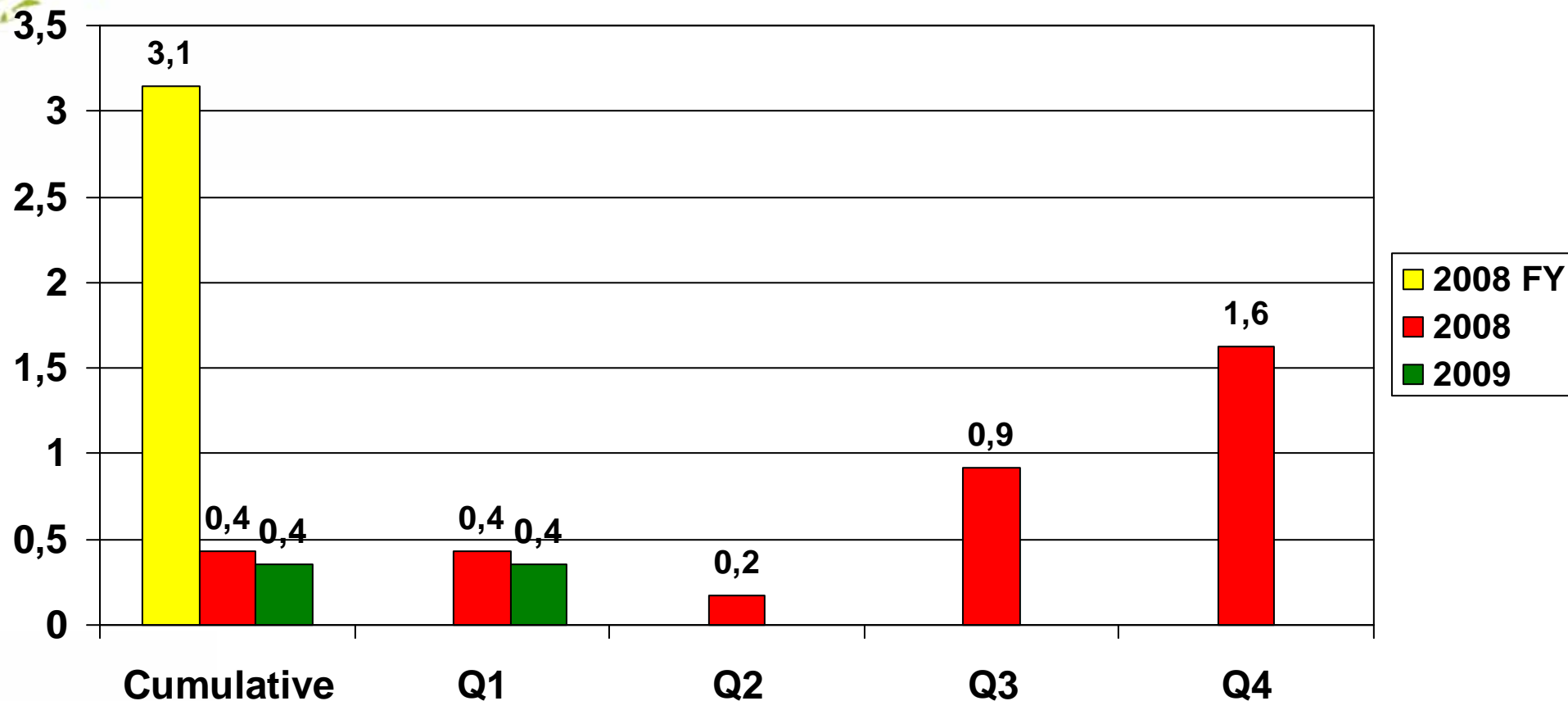
# Net sales Frozen Foods, EUR million



- Q1 like-for-like net sales grew by +6%.
- Sale of jams and marmalades EUR 1.4 million in the comparison period.



# Operating profit without non-recurring items Frozen Foods, EUR million



• Q1 operating profit including non-recurring items EUR +0.4 (0.4) million.

# Lännen Tehtaat

## Frozen Foods Q1 2009



### Net sales

- Like-for-like net sales grew by +6%.
- Net sales growth in retail frozen foods +10%
- Sales in the HoReCa sector grew by +6%.
- Sales to the food industry at the level of the comparison period.
- Export sales were down.

### Operating profit without non-recurring items

- At the level of the first quarter of 2008.
- Need to import raw materials increased costs.
- Centralizing of production improved the productivity and efficiency of operations.

### Other

- New Apetit product launches were very successful.
- New enterprise resource planning system will be implemented during Q2.



# Lännen Tehtaat

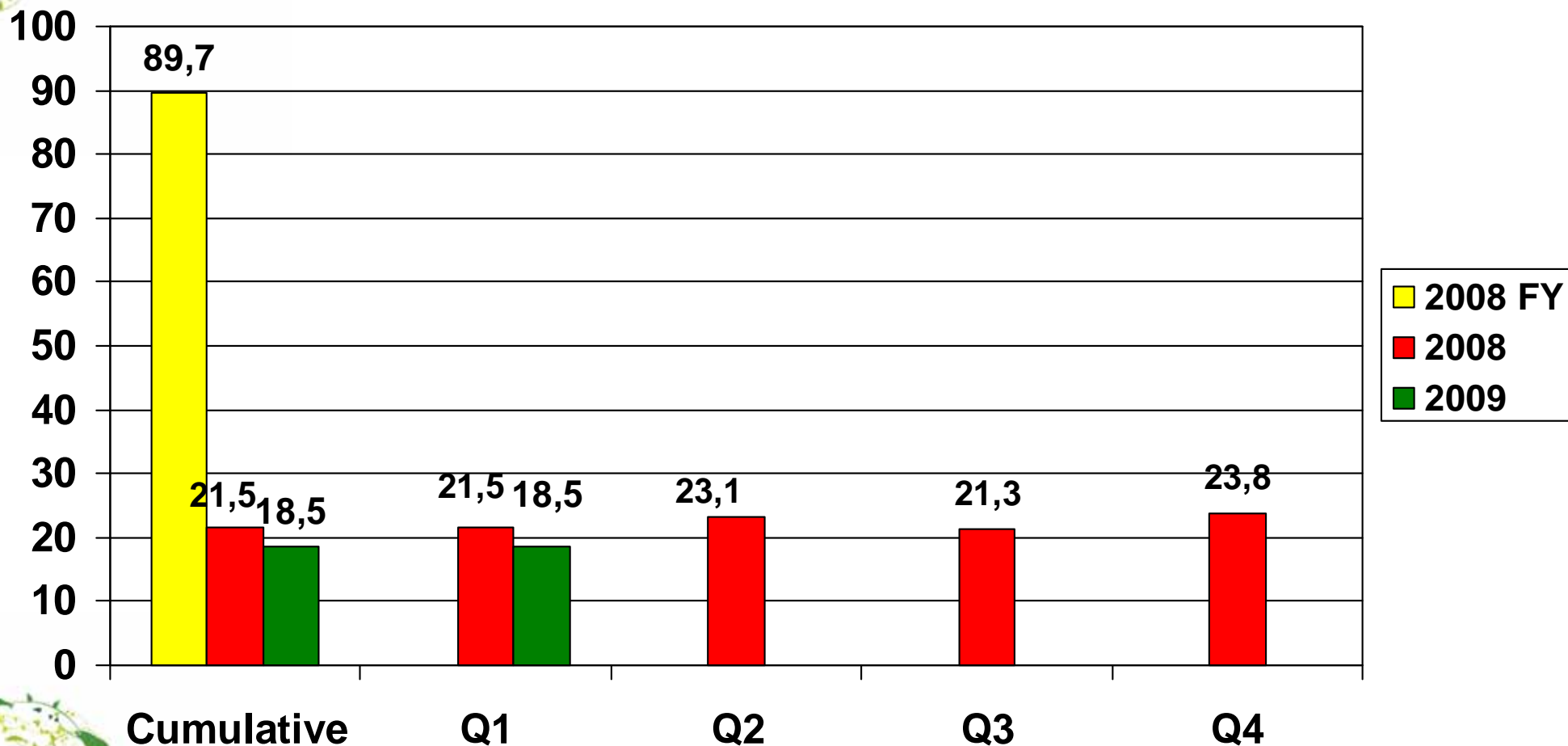
## Seafood



# Seafood

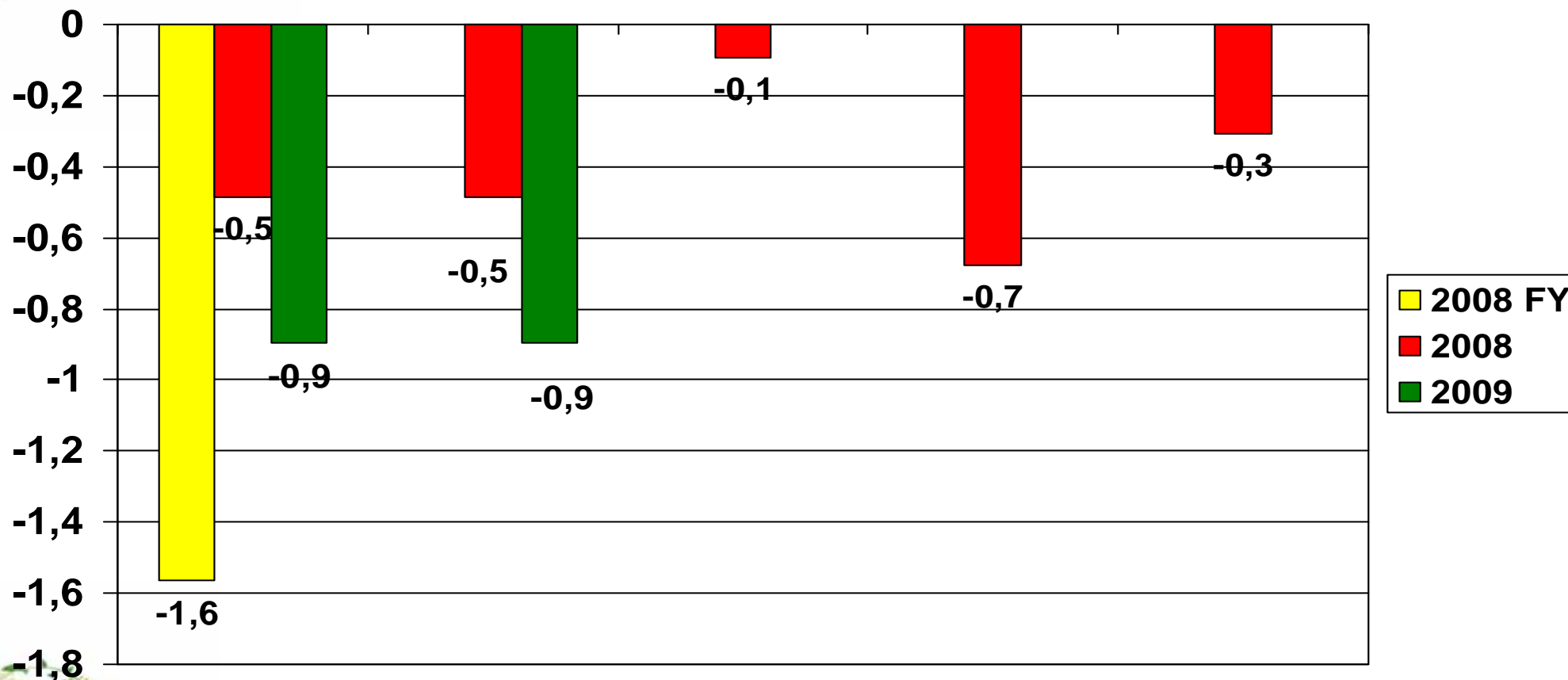
# Net sales

## Seafood, EUR million



- Q1 net sales were down by -14%.
- Net sales of operations abroad calculated in local currencies decreased by about 2%.

# Operating profit/loss without non-recurring items Seafood, EUR million



• Q1 operating loss including non-recurring items EUR -0.9 (-0.5) million.



# Lännen Tehtaat

## Seafood Q1 2009



### Net sales

- The net sales were down by 14%.
- Calculated in local currencies, the net sales of operations abroad were down by about 2%.
- In Sweden the sales of shellfish products grew considerably.

### Operating profit without non-recurring items

- In Finland profit without non-recurring items improved considerably, but was slightly negative.
- In Finland improvements in productivity and in cost efficiency.
- The profitability of operations abroad declined.
- Profit was adversely affected by the rise in raw material prices caused by weakening of Swedish and Norwegian currencies which could not fully be compensated for with price increases.
- The situation improved towards the end of the first quarter, when it was possible to raise prices to compensate for the increase in raw material prices.

### Other

- Seafood businesses have been reporting directly to the CEO since the start of the year.

# Lännen Tehtaat

## Vegetable Oils

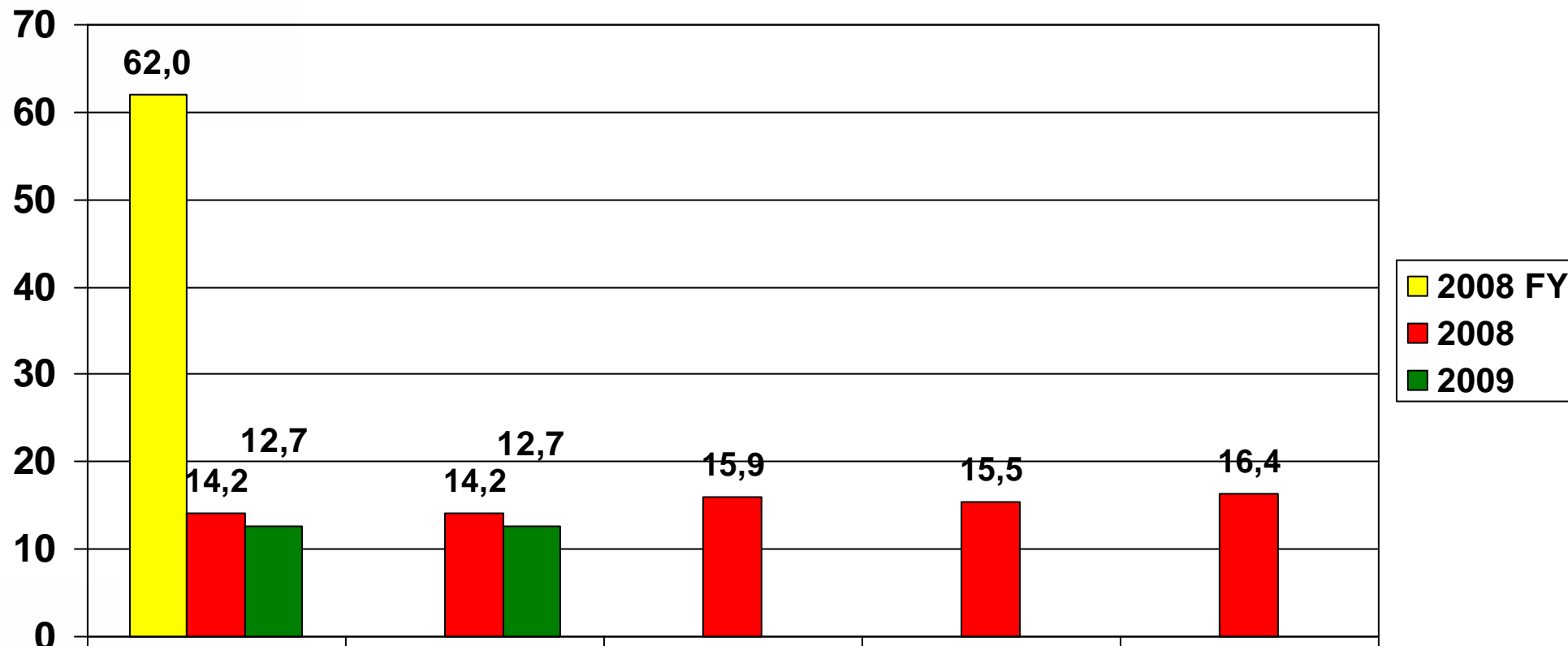


# Vegetable Oils



# Net sales

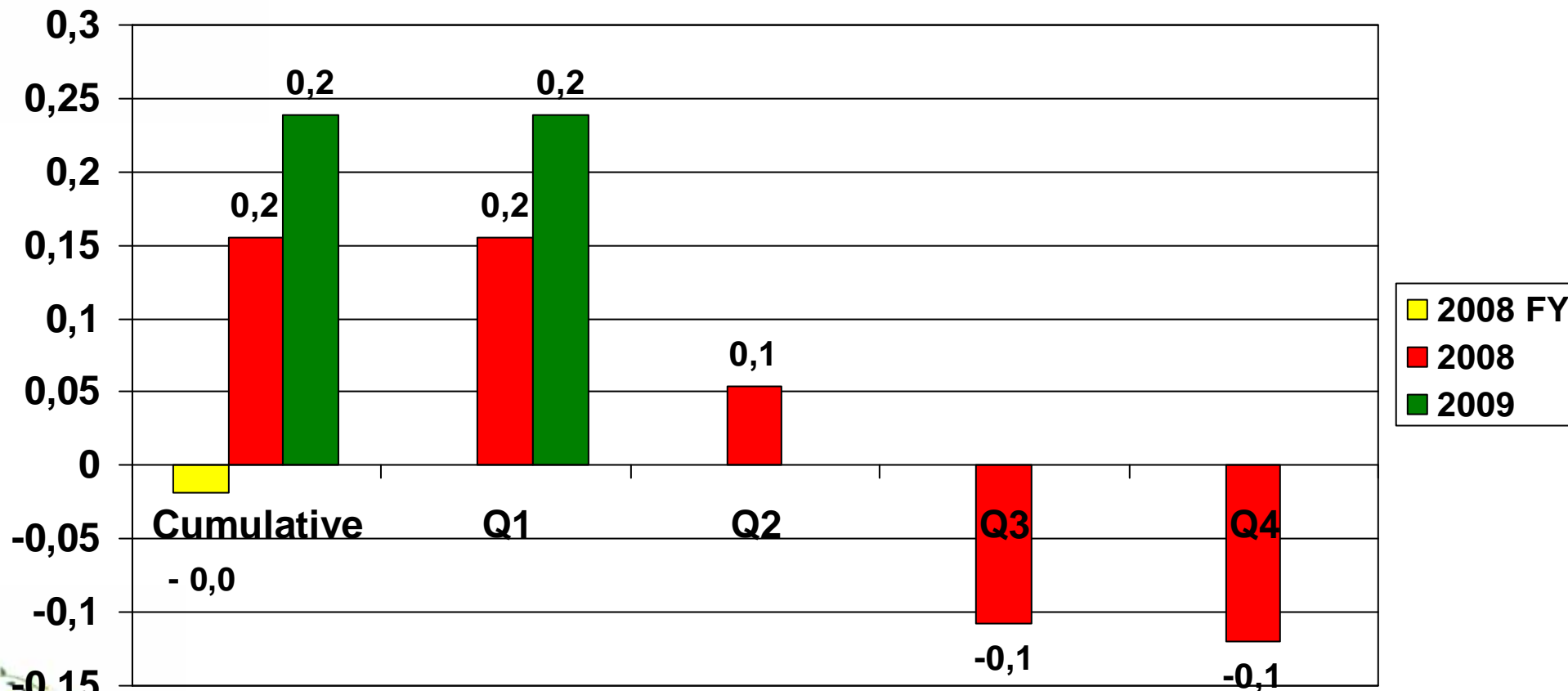
## Vegetable Oils, EUR million



• Q1 net sales declined by -10%.

# Operating profit/loss without non-recurring items

## Vegetable Oils, EUR million



• Q1 operating profit including non-recurring items EUR +0.2 (+0.2) million.

# Lännen Tehtaat

## Vegetable Oils Q1 2009



### Net sales

- The net sales were down by 10%.
- Lower volumes in vegetable oil exports and in sales of the protein feeds.
- There was a plentiful supply of rapeseed oil on the market due to the reduction in biodiesel use. The excess of supply over demand led also to lower prices for edible oils.

### Operating profit without non-recurring items

- Profit showed a slight year-on-year improvement.
- The use of Finnish raw materials was significantly lower than in the comparison period.
- Refining margin was low and market conditions were difficult.
- Internal performance capability was enhanced by the further development of processes, operating methods and the organisation in general.

### Other

- Mildola's food safety management system was granted an ISO 22000:2005 certificate in January.

# Lännen Tehtaat

## Grain Trading

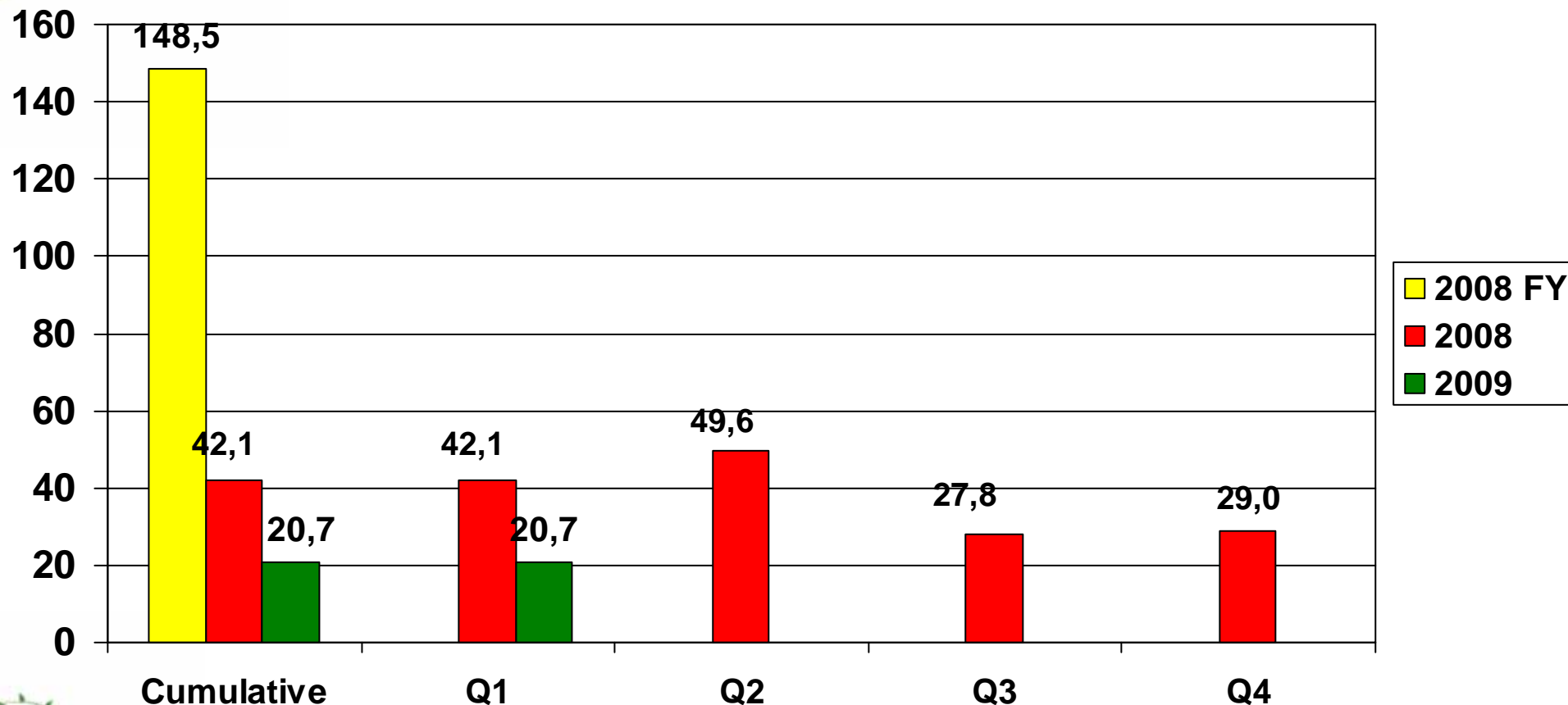


# Grain Trading



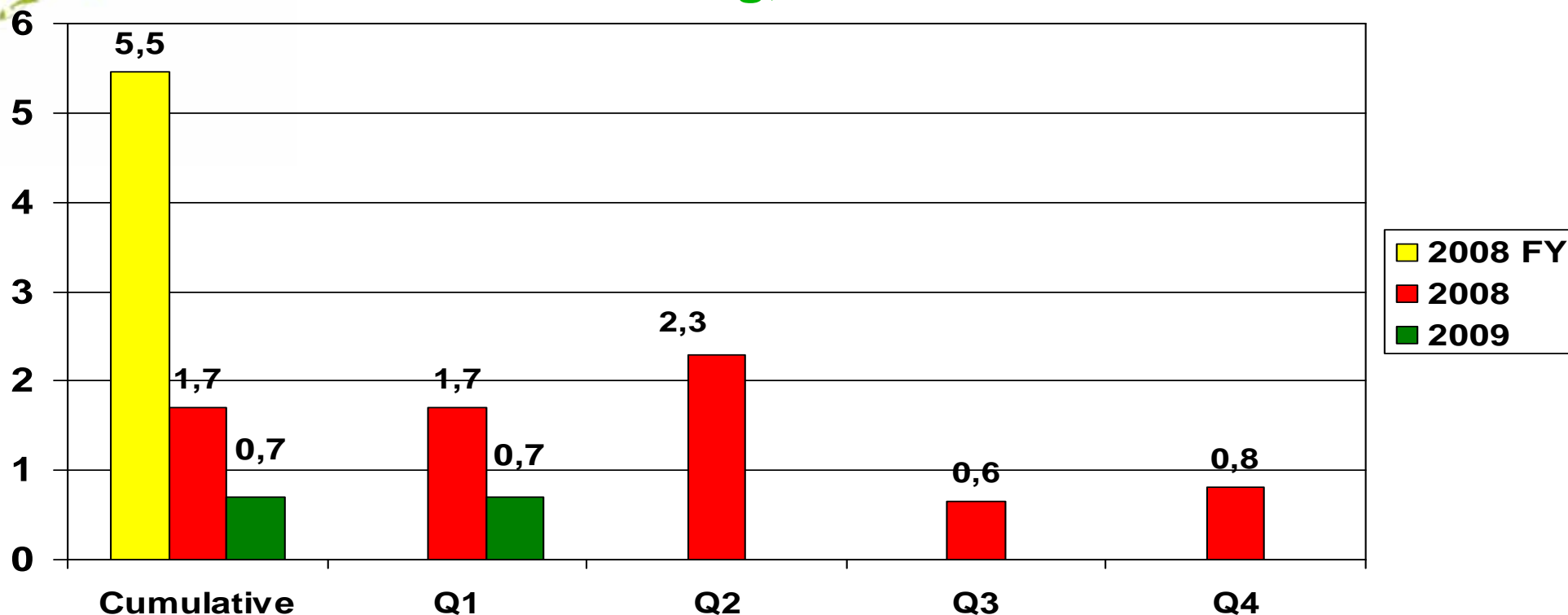
# Net sales

## Grain Trading, EUR million



• Q1 net sales went down by -51%.

# Operating profit without non-recurring items Grain Trading, EUR million



- Q1 operating profit EUR +0.7 (1.7) million. **(no non-recurring items)**
- Net sales and operating profit vary from one crop season to the next:
- 2005: net sales EUR 86.6 million and operating profit EUR 1.4 million
- 2006: net sales EUR 96.3 million and operating profit EUR 2.0 million
- 2007: net sales EUR 132,8 million and operating profit EUR 3,9 million
- 2008: net sales EUR 148,5 million and operating profit EUR 5,5 million



# Lännen Tehtaat

## Grain Trading Q1 2009



### Net sales

- The net sales were down by 51%.
- Smaller sales volumes and significantly lower market prices.
- The volume of Finnish grain trading grew compared to last year.
- Exports and also trade with third countries fell short of the figures a year ago.

### Operating profit without non-recurring items

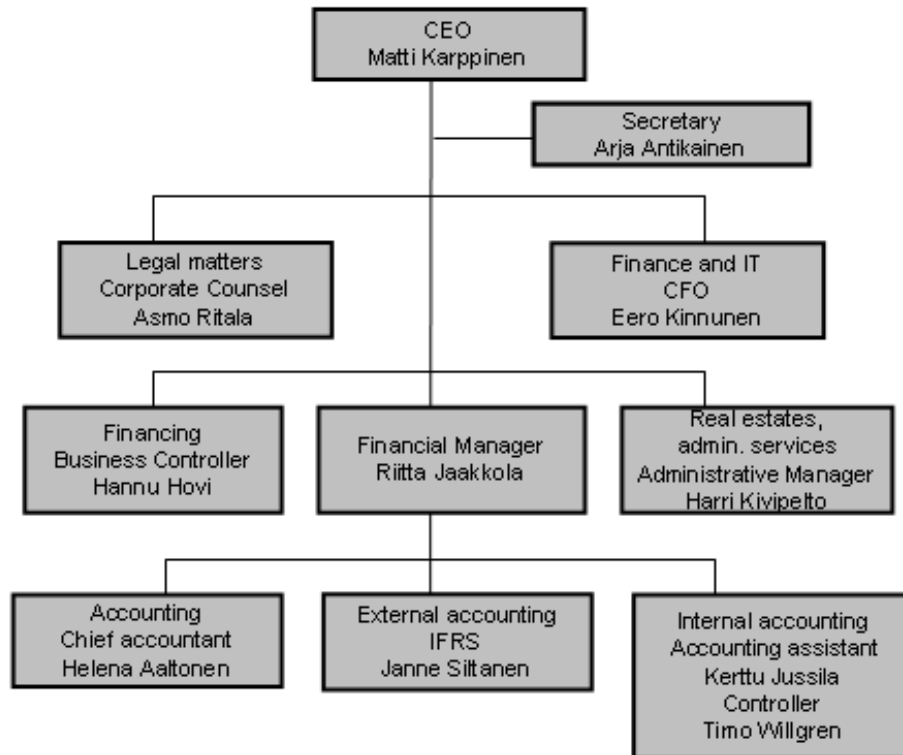
- Operating profit was at the forecast level, a decrease on the figure for the previous year.

### Other

- Due to the good harvests there was a plentiful supply of grains and oilseeds on the market, which held prices low and kept grain in the hands of growers.
- Industry had already covered a major share of their needs earlier on, and made additional purchases only on a short-term basis.

# Lännen Tehtaat

## Other Operations



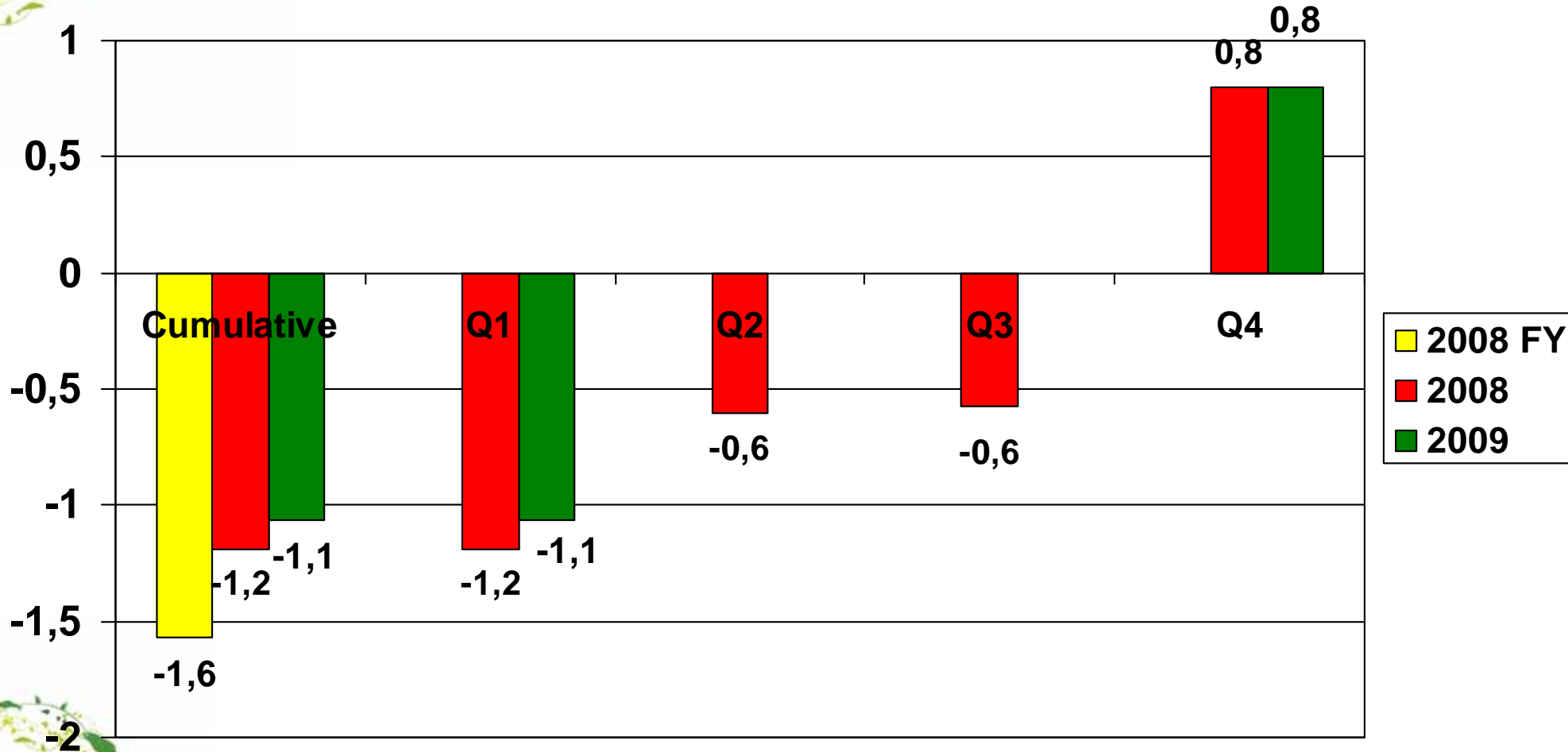
**Apetit Suomi Oy**

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

# Other Operations

- **Other Operations –segment is comprised of the service company Appetit Suomi Oy, the Group Administration, items not allocated under any of the operating segments, and the associated companies Sucros Ltd and Ateriamestarit Oy.**

# Operating profit/loss without non-recurring items Other Operations, EUR million



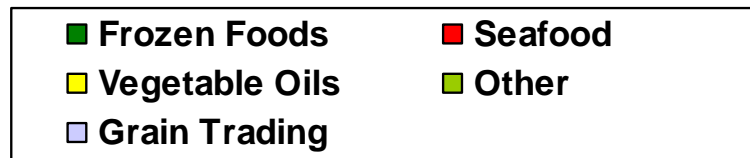
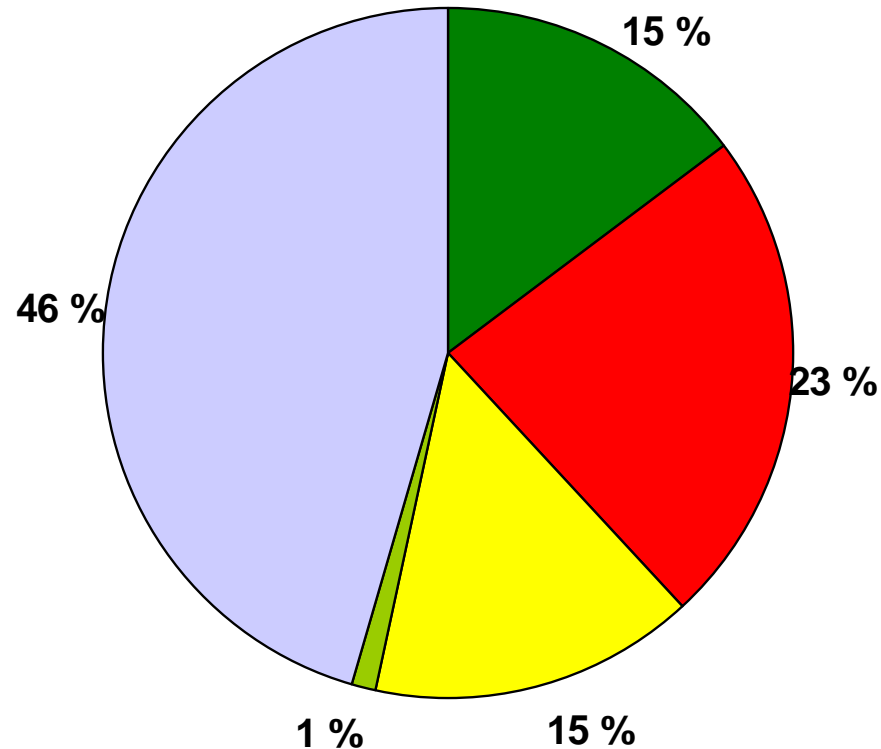
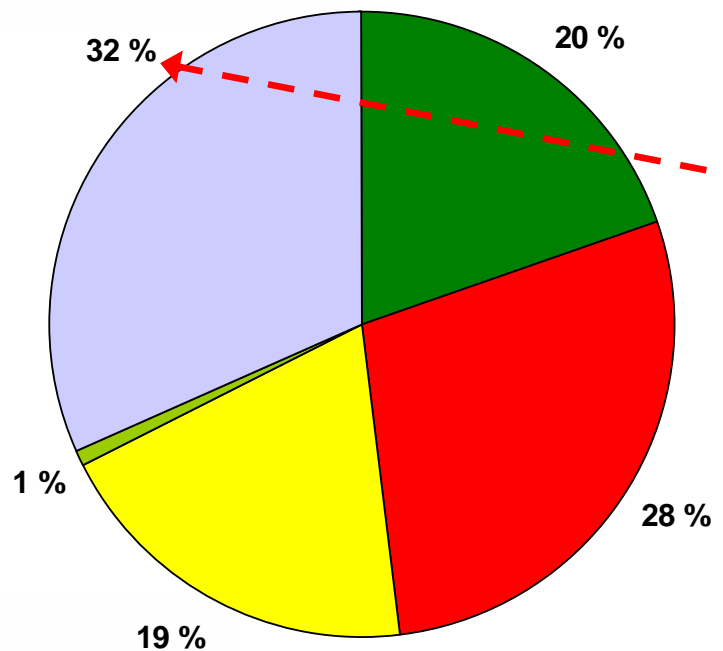
- Q1 operating profit/loss including non-recurring items EUR -1.1 (+3.7) million .
- Q1 share of profits of associated companies EUR -0.0 (+4.9) million including non-recurring items.
- Q1 2008 non-recurring items EUR +4.9 million (EU sugar reform, sale of quotas).



# Net sales by operating segment, continuing operations Q1

2009: EUR 64.7 million

2008: EUR 90.9 million

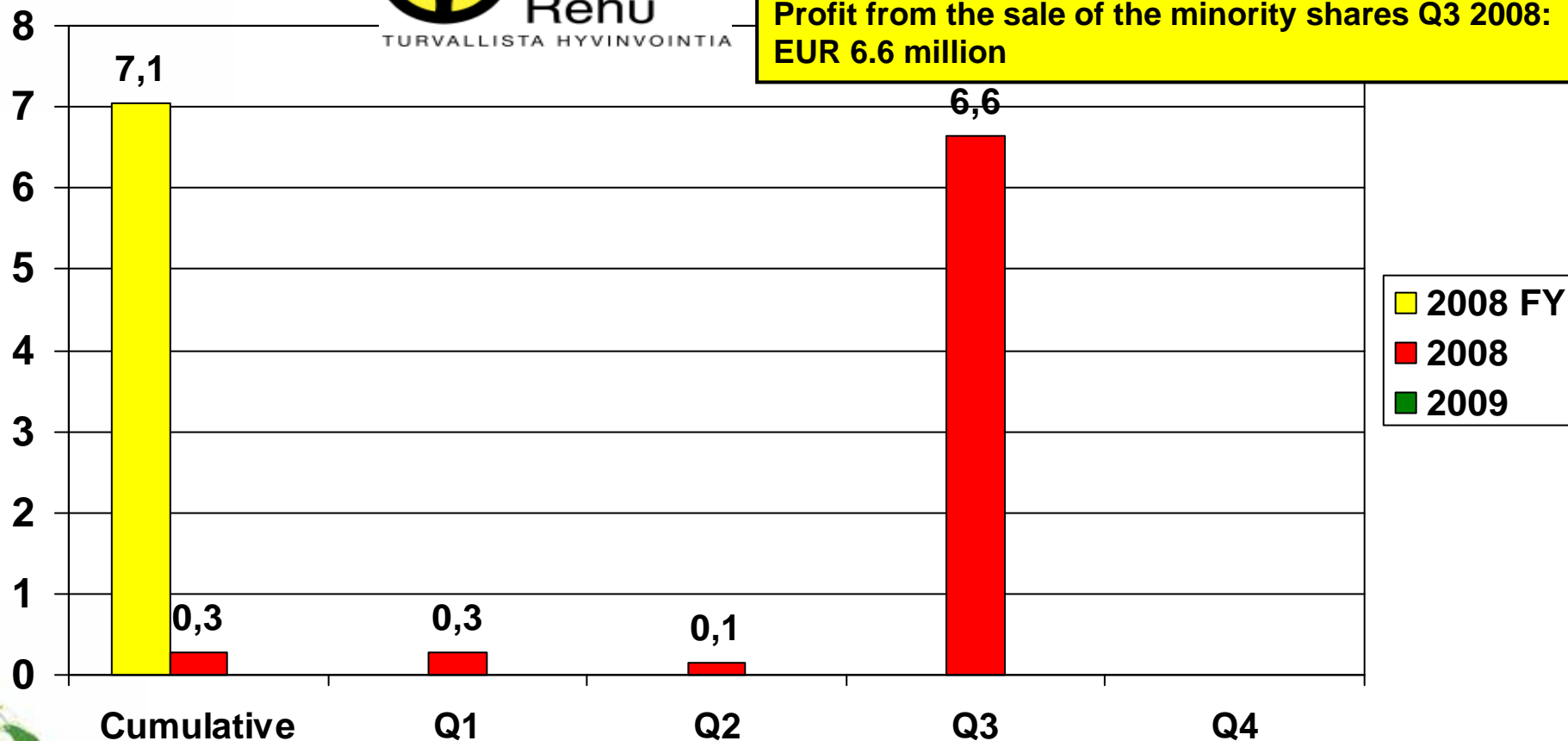


# Profit for the period, discontinued operations, EUR million



The remaining 49% of Suomen Rehu sold Q3 2008

Profit from the sale of the minority shares Q3 2008:  
EUR 6.6 million

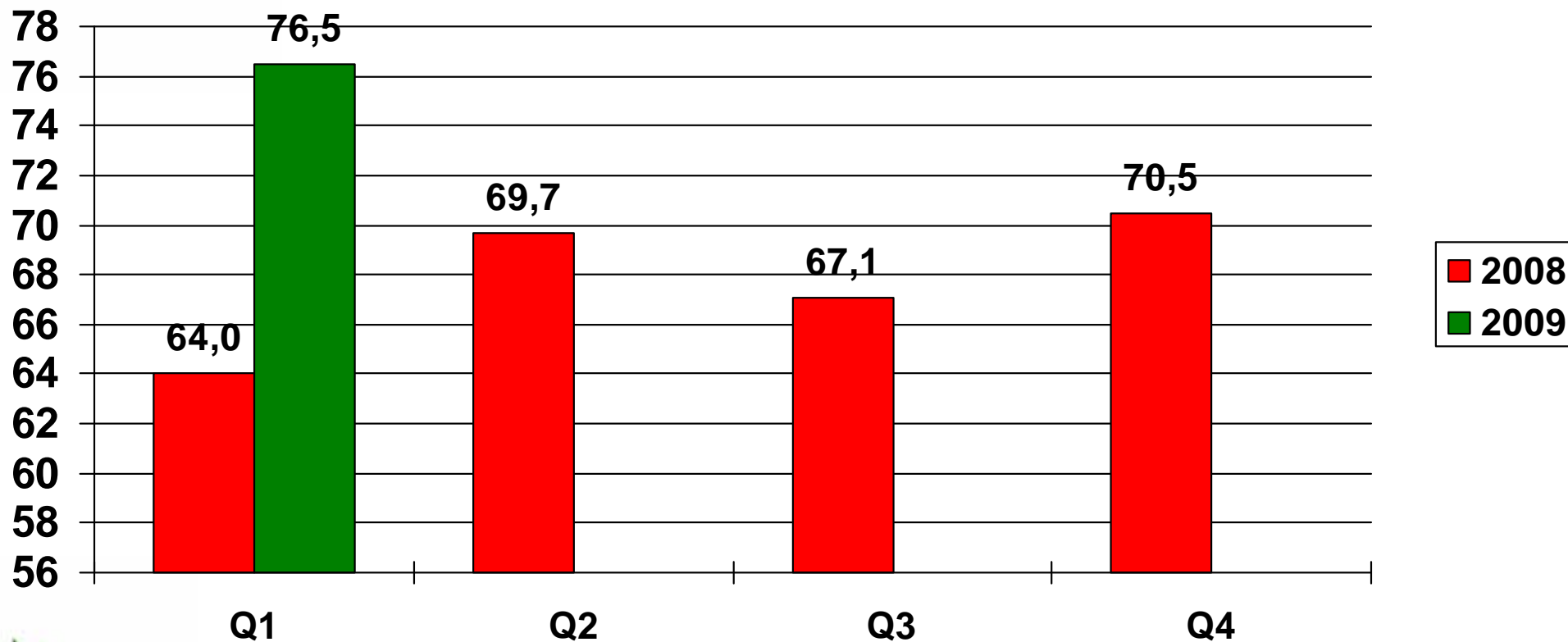


• No impacts on the year 2009

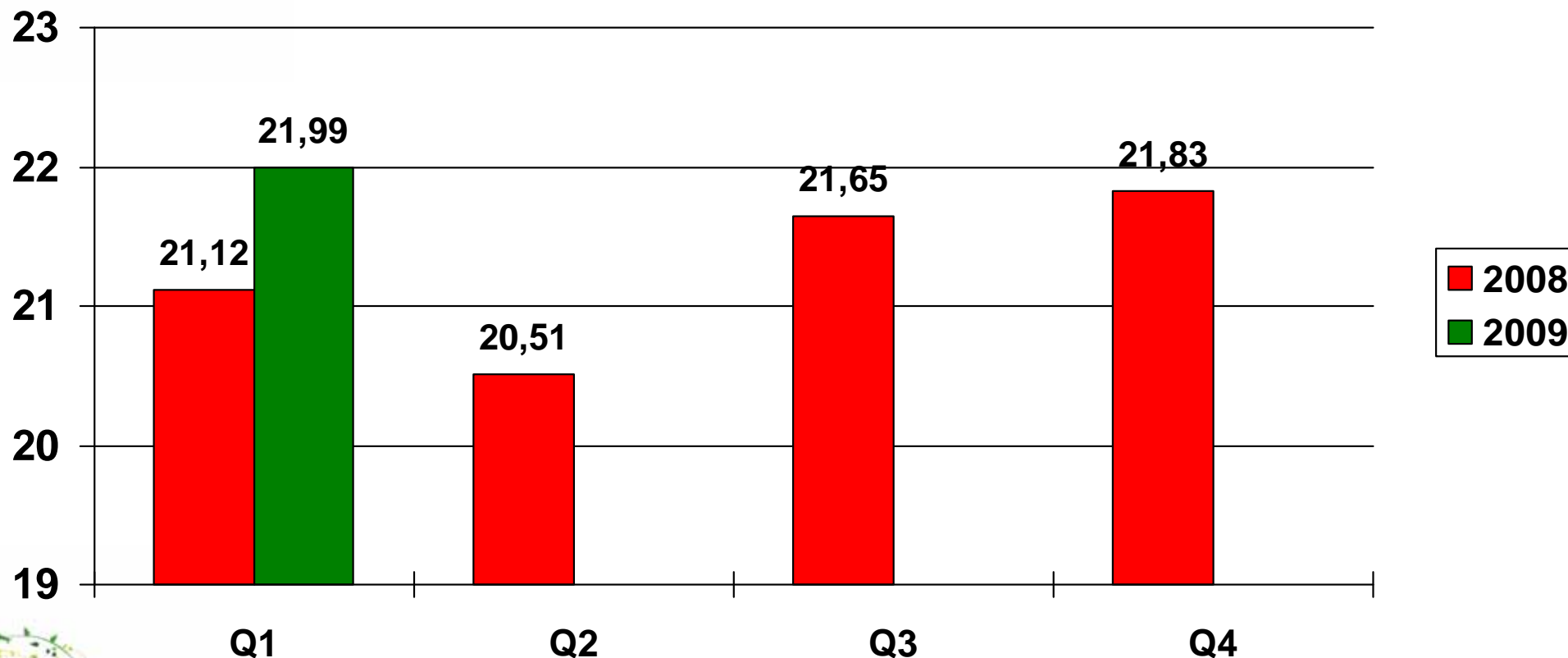


## Other key indicators

# Equity ratio, %

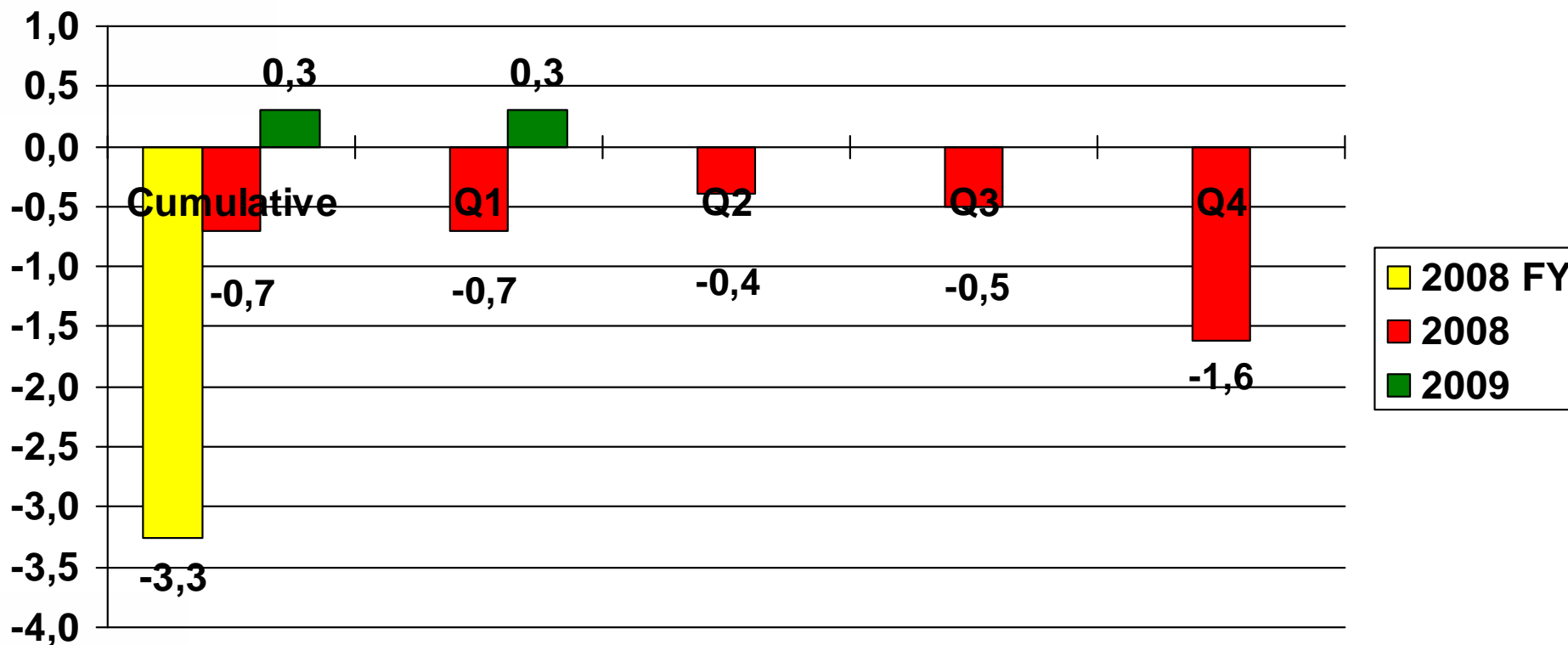


# Shareholders' equity per share, EUR



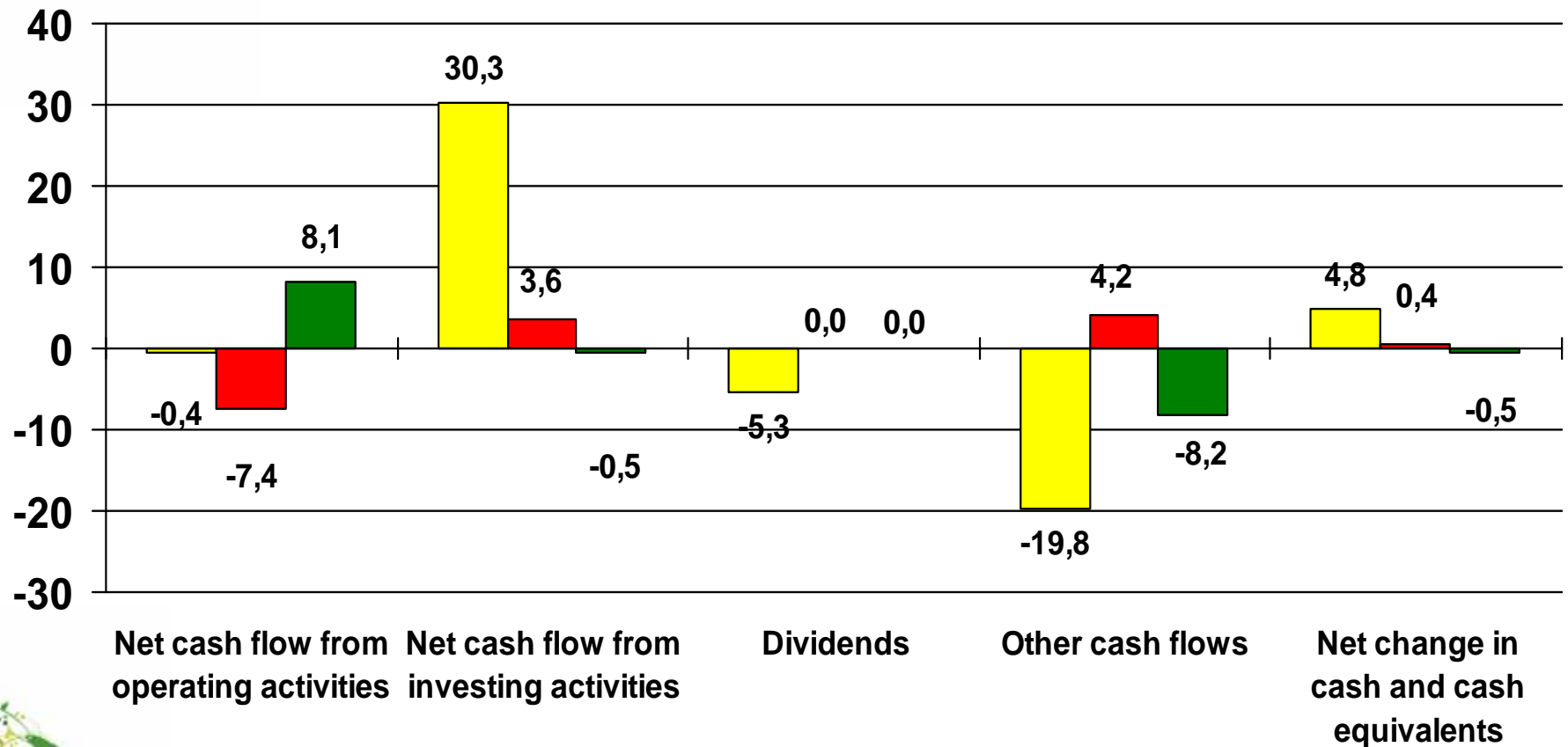


# Financial income and expenses continuing operations, EUR million



- Q1 financial income, net EUR +0.3 (expense, net -0.7) million
- Q1 financial net includes valuation gains of EUR +0.4 (0.0) million with no cash flow implication

# Cash flow from operations, all operations, EUR million



■ 2008 FY 
 ■ 2008 Q1 
 ■ 2009 Q1

# Lännen Tehtaat



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# Lännen Tehtaat

## Long-term growth target



**A doubling of the Group's net sales over a period of three years.**

- Lännen Tehtaat Group is in practise debt-free.
- Equity ratio rose to 76,5%.
- 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 chance to benefit from new emerging opportunities for corporate arrangements.

→ Will the economic recession cause pressure to structural changes in the food industry of the northern Baltic region?

# Lännen Tehtaat



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## Major shareholders on 30 April 2009

	%
Esko Eela	6.1
Skagen Funds	6.0
Odin Finland	5.8
Valio Ltd	5.2
OP-Finland Value	4.6
Nordea Nordic Small Cap Fund	4.1
Mutual Insurance Company Pension Fennia	2.5
Ilmarinen Mutual Pension Insurance Company	2.4
<b>The Central Union of Agricultural Producers and Forest Owners</b>	2.0
Mutual Fund Evli Select	1.4
Valio's Pension Fund	1.4
Norvestia plc	1.2
Arvo Finland Value Fund	1.0
Säästöpankki Kotimaa -sijoitusrahasto	1.0
Säkylä Municipality	0.9
Aktia Capital Fund	0.7
City of Turku	0.6
Nominee-registered shares	10.7
Shares owned by the company	2.1
Other shareholders	<u>40.3</u>
	100.0

Top10 = 40.1%

# Lännen Tehtaat



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## **FUTURE PROSPECTS**

The global economic downturn may have an impact on Lännen Tehtaat's businesses during the year. Forecasting changes in consumer demand and in customer behaviour is difficult, however, but it is widely believed that consumer demand for food products will increasingly be channelled towards basic foodstuffs and low value added products.

The net sales from Lännen Tehtaat's continuing operations will be affected particularly by changes in the price level of grains and oilseeds. Based on the prevailing prices of grains and oilseeds, the Group's half-year net sales are expected to be significantly below the 2008 comparison figure.

The sluggish state of the grain trade and the fall in prices mean that Grain Trading's second-quarter profit will not rise to the record level of a year earlier, and the Group's second-quarter operating profit, excluding non-recurring items, is forecast to be down on the second quarter 2008 figure.

Thanks to the development measures taken by the Group's businesses, the performance of the continuing operations has improved on that in 2008. However, given the economic conditions, an assessment of the situation for the latter part of the year is more difficult to make than under normal circumstances, which is why the company does not at this stage wish to present any estimate of the full-year profit for 2009.

The need for investment in non-current assets is significantly less than in 2008.





## Lännen Tehtaat

**The Group's target of growth is a doubling of the Group's net sales over a period of three years**