



# Lännen Tehtaat Oyj

**INTERIM REPORT Q2 2009**

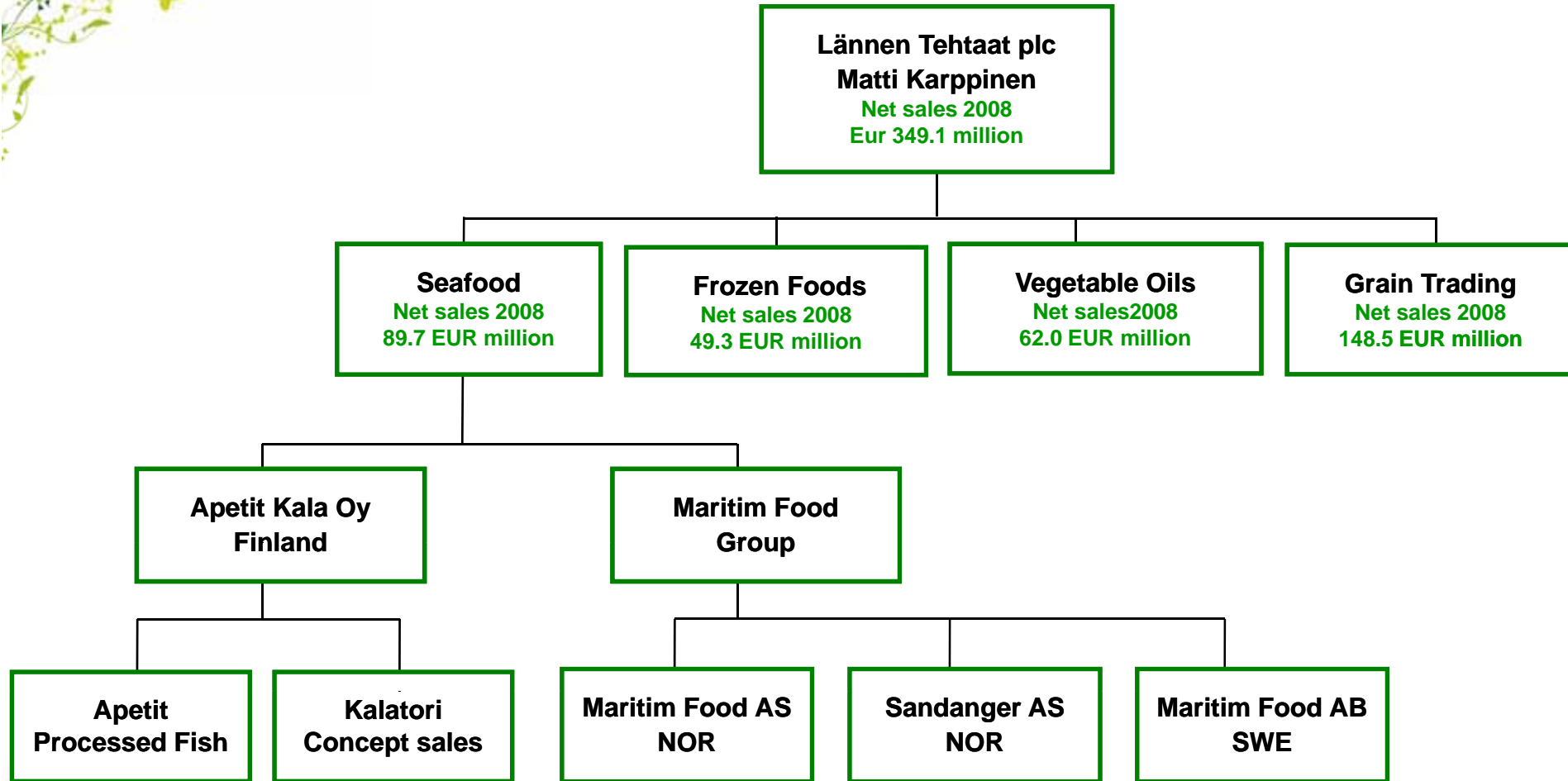
**14 August 2009**

**Scandic Simonkenttä**

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

# Lännen Tehtaat

## Group structure on 30.06.2009



# Lännen Tehtaat

## Interim report Q2 2009



### Matti Karppinen, CEO:

**"The Group's second-quarter operating profit from its continuing operations, excluding non-recurring items, was considerably better than in the first quarter and almost reached the level of a year ago. In all our operating segments the operating result was an improvement on the first-quarter figures. The year-on-year drop in consolidated net sales was mainly the result of the sharp fall in grain and oilseed market prices.**

**"The strategy for Seafood's Finnish-based operations was updated in late spring, and a review of the strategy for its foreign operations is in progress.**

**"The economic downturn has redirected demand for consumer products on the Finnish market towards basic products with a lower added value and a lower price. Sales of consumer-packaged fresh fillets of salmon and rainbow trout have increased considerably and, correspondingly, sales of higher priced cold-smoked and raw pickled products have fallen. In frozen food products, demand has risen for traditional mixed vegetables and root vegetables, and for soups. In Seafood's operations abroad, sales of the lower priced private label products have grown, while demand in the hotel, restaurant and catering sector has fallen. In the prevailing economic circumstances, it is reassuring that our product range also includes basic food products that are currently attracting a great many consumers.**

**"The company's balance sheet at the end of the second quarter showed a further improvement, and cash flow increased too, which means we are well placed for further development in line with the Group's strategy."**

# Lännen Tehtaat

## Key figures, Q2 2009



EUR mill.	Apr-Jun 2009	Apr-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Dec 2008
Net sales	65.5	101.0	130.2	191.9	349.1
Operating profit	1.1	1.8	0.4	7.2	13.9
Operating profit, excluding non-recurring items	1.6	1.8	0.9	2.3	5.4
Profit before taxes	1.0	1.4	0.6	6.1	10.7
Profit before taxes excluding non-recurring items	1.4	1.4	1.0	1.3	2.3
Profit for the period	0.8	1.1	0.5	5.9	10.0
Earnings per share, EUR	0.12	0.18	0.08	0.92	1.60

- **January- June operating profit, excluding non-recurring items, came to EUR 0.9 (2.3) million.**
- **Second-quarter operating profit from its continuing operations, excluding non-recurring items, was considerably better than in the first quarter and almost reached the level of a year ago.**
- **The Group's balance sheet and cash flow showed further improvements.**
- **The equity ratio improved to 76,7 % (69,7 %) and the Group is debt-free.**

# Lännen Tehtaat

## Continuing operations



### Frozen Foods



### Seafood



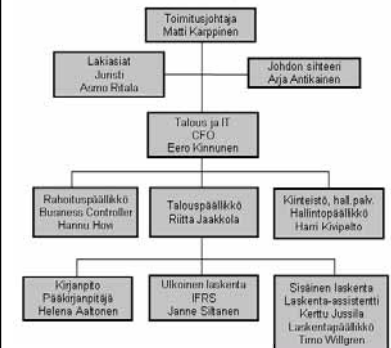
### Vegetable Oils



### Grain Trading



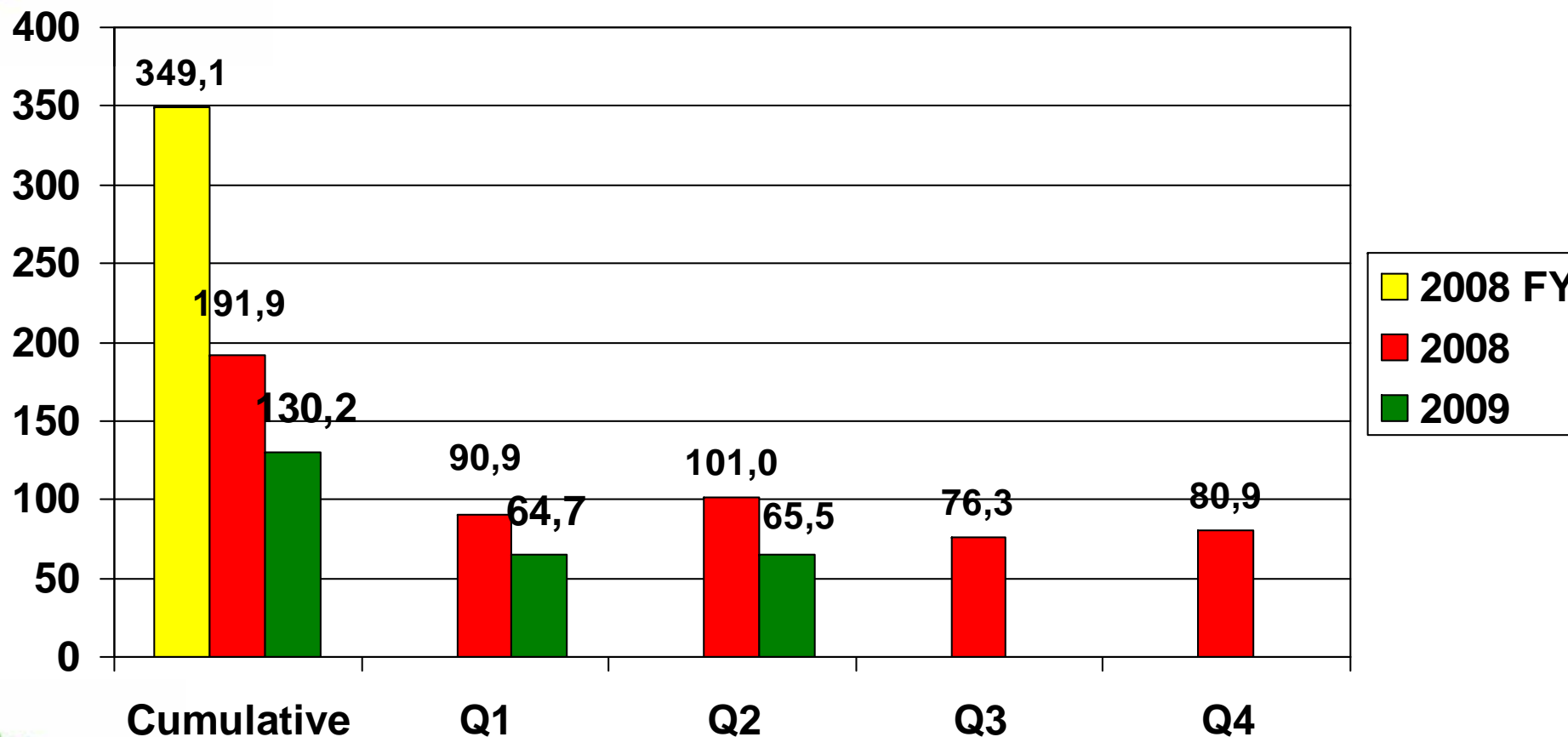
### Other Operations Lännen Tehtaat plc



**Apetit Suomi Oy**

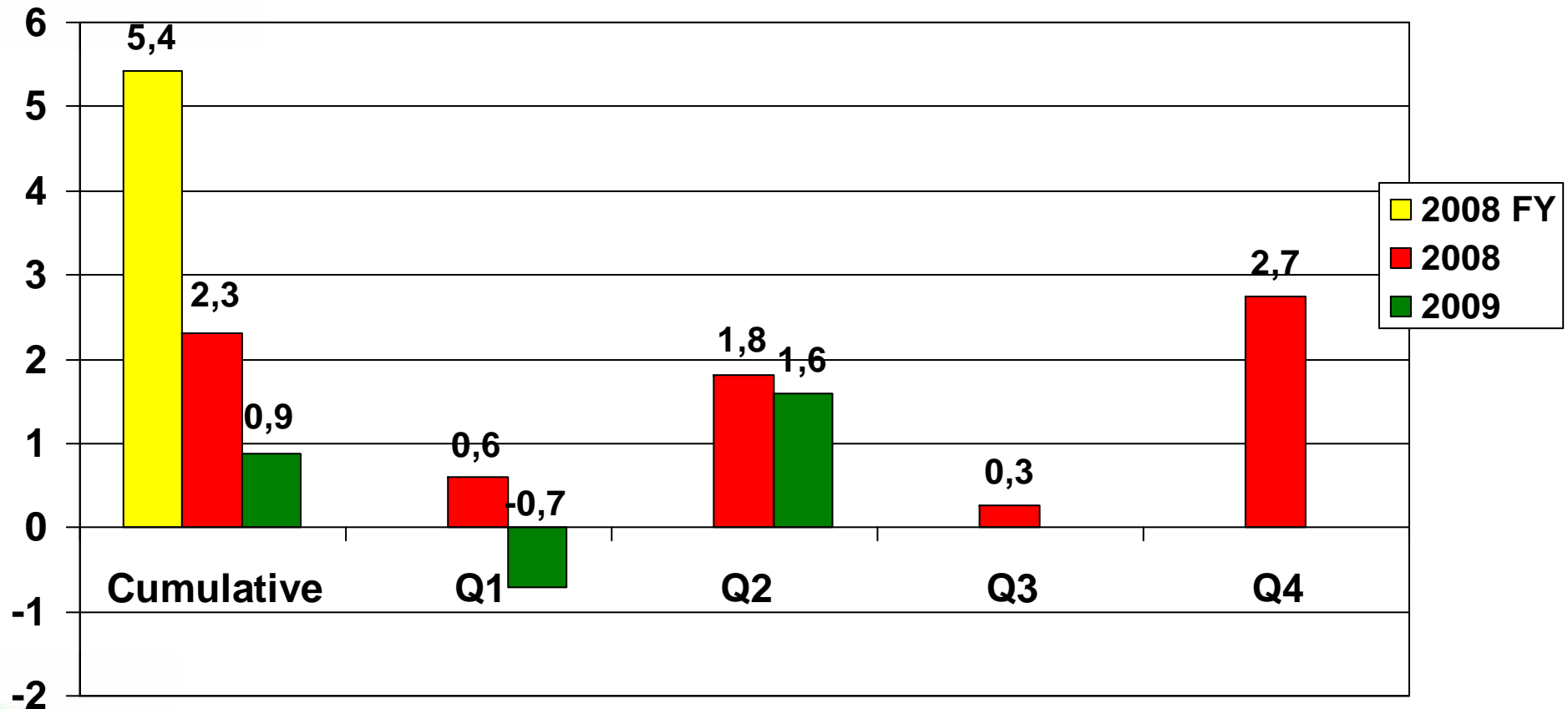
**Associated companies:  
Sucros Ltd (20%)  
Ateriamestarit Oy (50%)**

# Consolidated net sales, continuing operations, EUR million



Net sales from the continuing operations in April-June came to EUR 65,5 (101,0) million, a decrease of 35% on the same quarter in 2008. The drop in net sales was mainly the result of a drop in grain and oil seed market prices.

# Operating profit excluding non-recurring items, continuing operations, EUR million

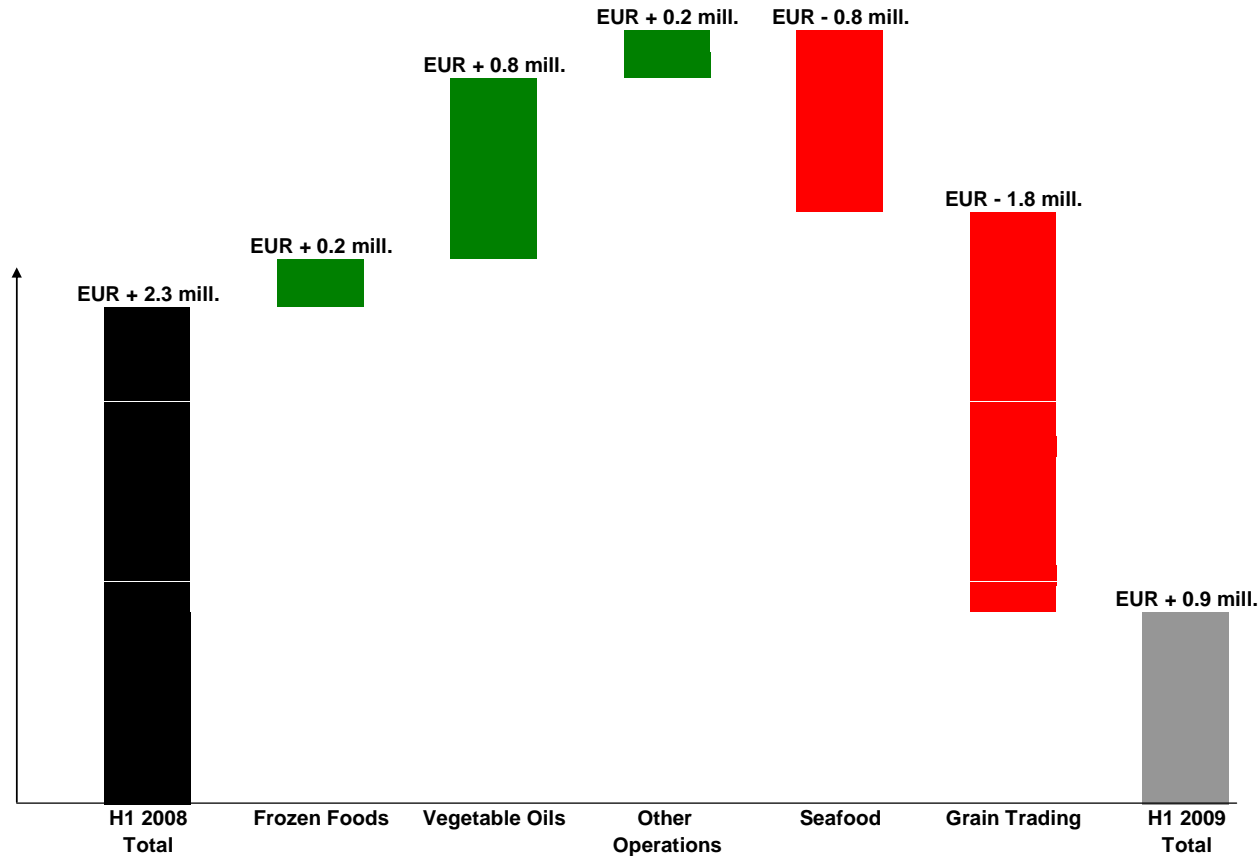


- Q2 reported operating profit 1,1 (1,8) m€
- Q2 non-recurring items -0,5 (0,0) m€ related to the sale of Kerava property.

# Operating profit excluding non-recurring items



Change in profits, H1 2009 vs. H1 2008



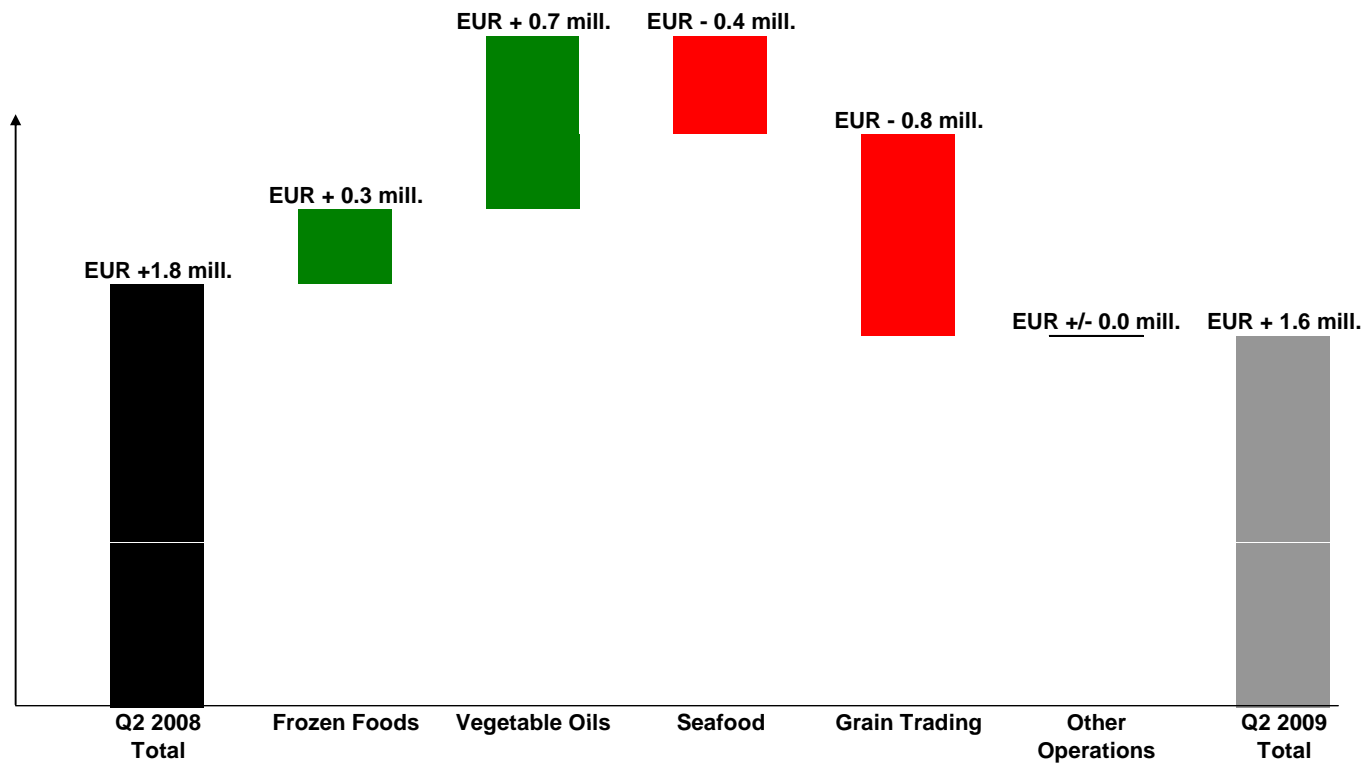
- Operating profit excluding non-recurring items was down year-on-year as estimated.
- Most of the Group's operating profit is normally accrued in the final quarter.



# Operating profit excluding non-recurring items



Change in profits, Q2 2009 vs. Q2 2008

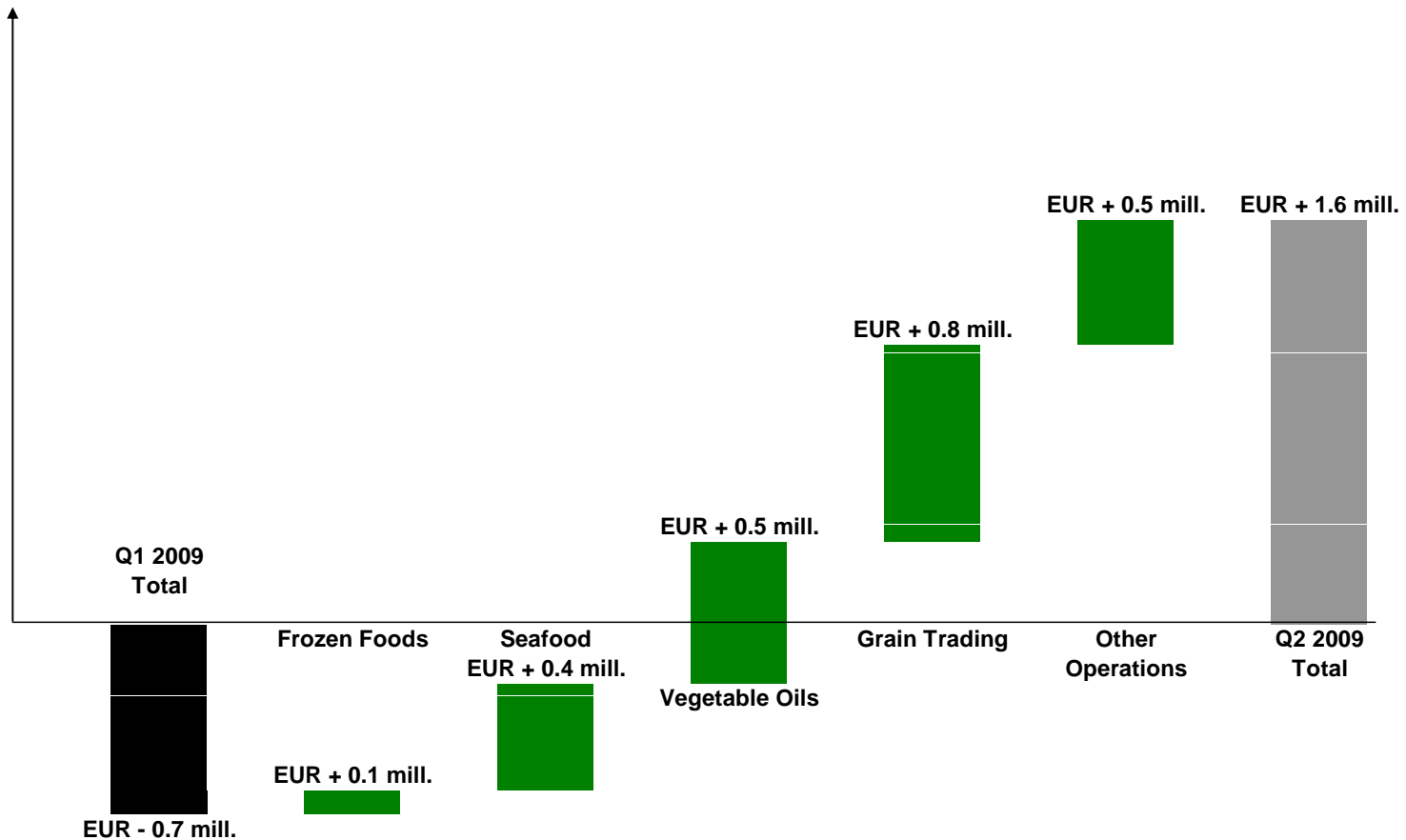


• The Group's second-quarter operating profit from its continuing operations, excluding non-recurring items, almost reached the level of a year ago.

# Operating profit excluding non-recurring items



Change in profits, Q2 2009 vs. Q1 2009



• In all our operating segments the operating result was an improvement on the first-quarter figures.

# Lännen Tehtaat

## Frozen Foods Q2 2009



Frozen Foods					
EUR mill.	Apr-Jun 2009	Apr-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Dec 2008
Net sales	11.4	12.5	24.2	26.0	49.3
Operating profit, excluding non-recurring items	0.5	0.2	0.8	0.6	3.1

### Net Sales

- Like-for-like net sales, excluding the sale of jam and marmalade products, grew by 3%
- Retail sales grew by + 6 %, sales in HoReCa were up by + 10 %.
- Sales to industry and exports were down from the previous year.

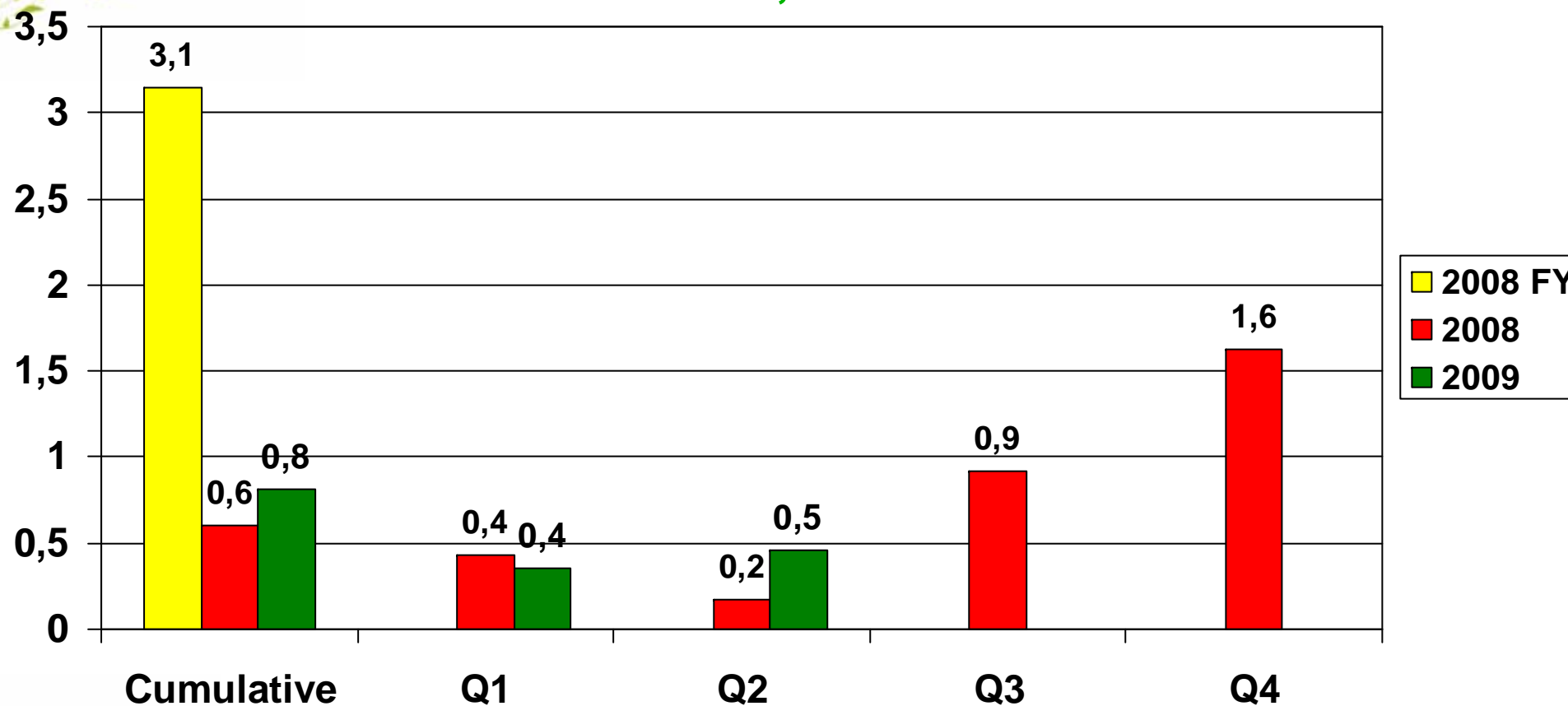
### Operating profit excluding non-recurring items

- Improved on the previous year's figure
- Centralisation of operations improved productivity and cost efficiency.

### Other

- Introduction of the new enterprise resource planning system proceeded smoothly

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



# Lännen Tehtaat

## Seafood Q2 2009



Seafood	Apr-Jun 2009	Apr-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Dec 2008
EUR mill.					
Net sales	18.3	23.1	36.8	44.6	89.7
Operating profit, excluding non-recurring items	-0.5	-0.1	-1.4	-0.6	-1.6

### Net Sales

- Net sales were down by – 21 %.
- The drop in net sales in Finland was a result of the reduction in Kalatori service counters, the focus of consumer demand on lower added value fillet products and tougher competition in consumer-packaged retail products.
- Calculated in local currencies the net sales of foreign operations were down by about 10%.
- Reduced sales of fresh fish and processed fish products. Shellfish sales grow.

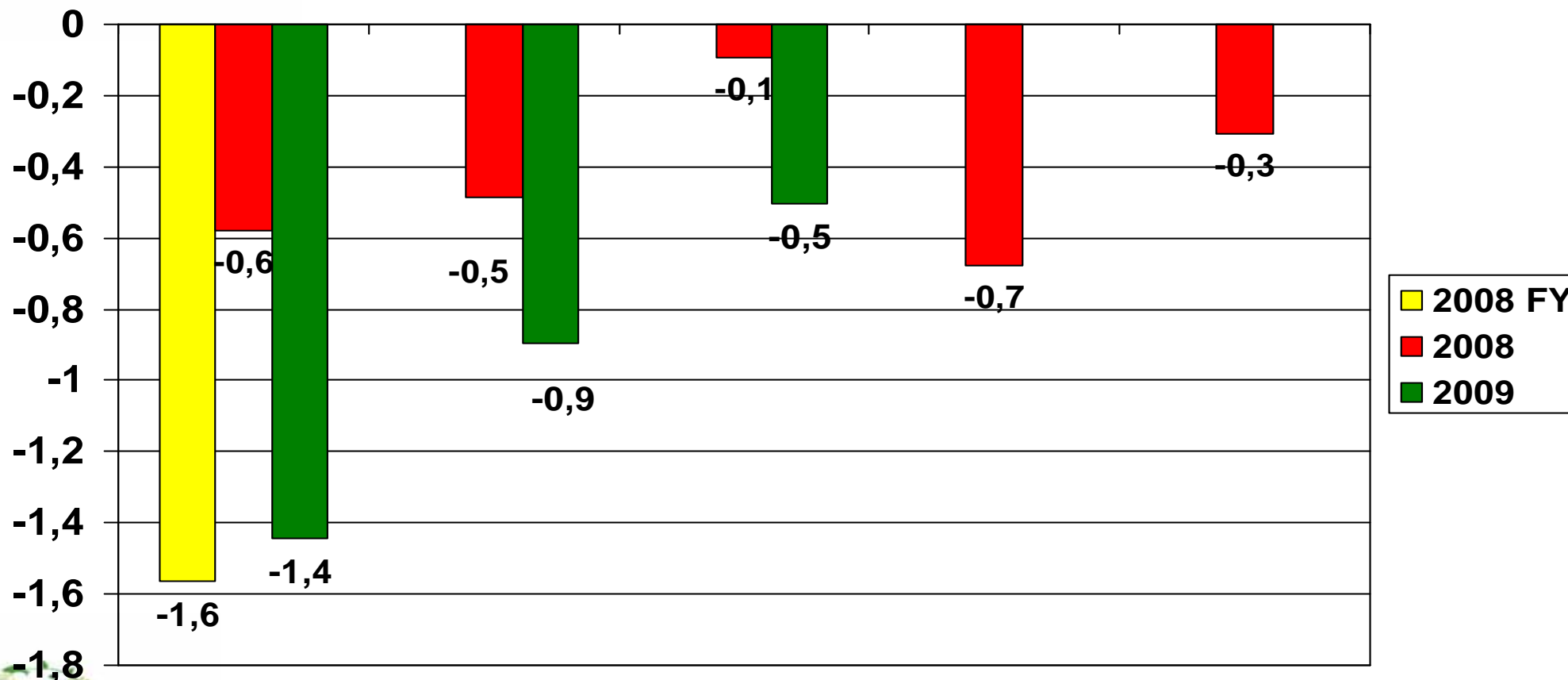
### Operating profit excluding non-recurring items

- Was up on the first-quarter figure but down year-on-year, and was recorded as a loss.
- Foreign operations, the operating result was down year-on-year but improved considerably on the first-quarter figure.
- In Finnish operations the operating result was almost unchanged from a year earlier.

### Other

- To improve the efficiency of logistics operations, the picking and dispatch functions at Apetit Kala Oy's Kerava logistics centre were transferred to Swanline Oy.
- Agreement was reached to sell the Kerava logistics center property.
- Maritim Food AS acquired the remaining 49 % of Sandanger AS shares.

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



# Lännen Tehtaat

## Vegetable Oils Q2 2009



Vegetable Oils					
EUR mill.	Apr-Jun 2009	Apr-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Dec 2008
Net sales	12.2	15.9	24.9	30.1	62.0
Operating profit, excluding non-recurring items	0.7	0.1	1.0	0.2	-0.0

### Net sales

- Net sales were down by - 24 %.
- Delivery volumes fell both in sales of protein feeds and in vegetable oil exports.
- In Finland vegetable oil sales continued to be stable.

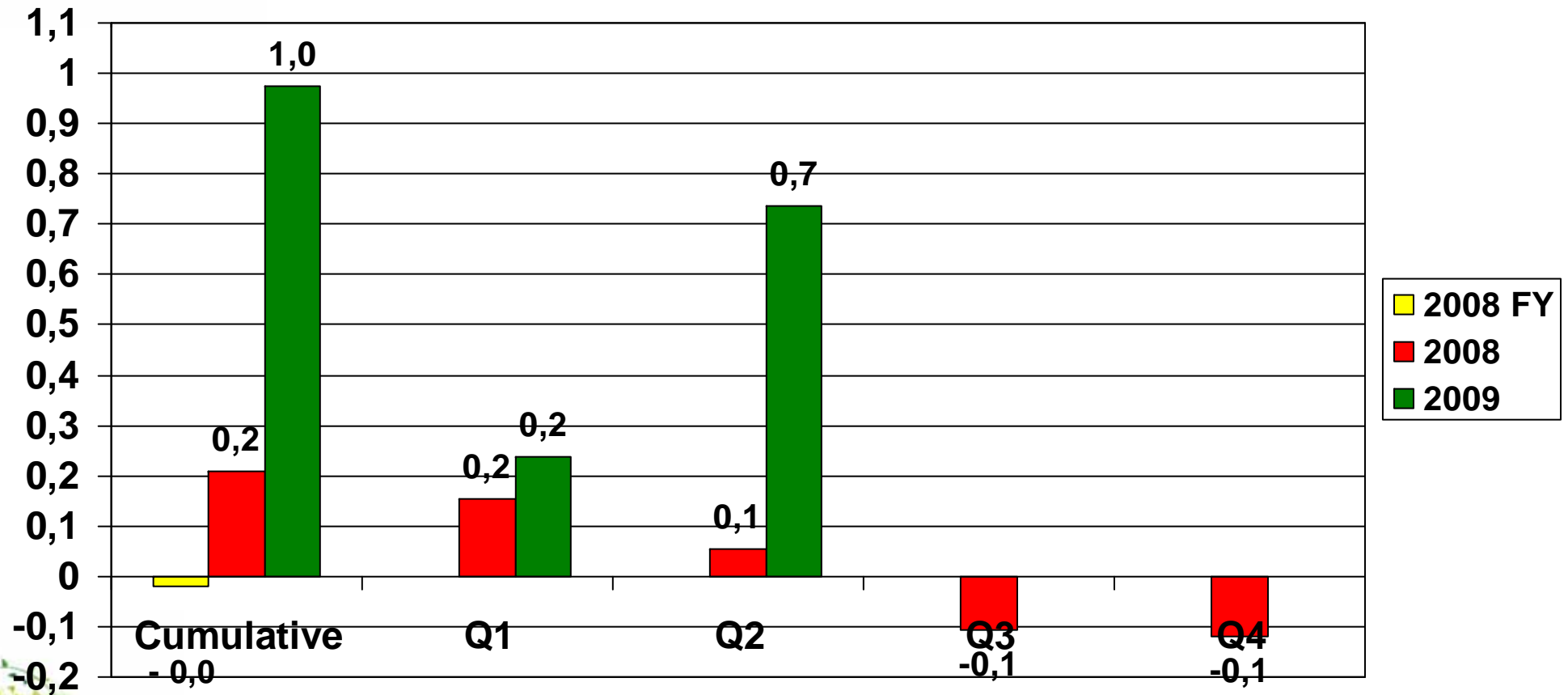
### Operating profit excluding non-recurring items

- Operating profit improved significantly year-on-year.
- The improved result was a consequence of success in managing changes in market prices and in developing processes, operating methods and the organisation in general, and the good oil yield.

### Other

- In the current season the area of Finnish rapeseed under cultivation grew.

# Operating profit excluding non-recurring items Vegetable Oils, EUR million





# Lännen Tehtaat

## Grain Trading Q2 2009



Grain Trading					
EUR mill.	Apr-Jun 2009	Apr-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Dec 2008
Net sales	23.8	49.6	44.5	91.7	148.5
Operating profit, excluding non-recurring items	1.5	2.3	2.2	4.0	5.5

### Net Sales

- Net sales were down by – 52 %.
- Significantly lower market prices, also volumes decreased from the previous year.
- Sales in Finland were up on the previous year's figure.
- Trade with third countries and exports were down year-on-year.

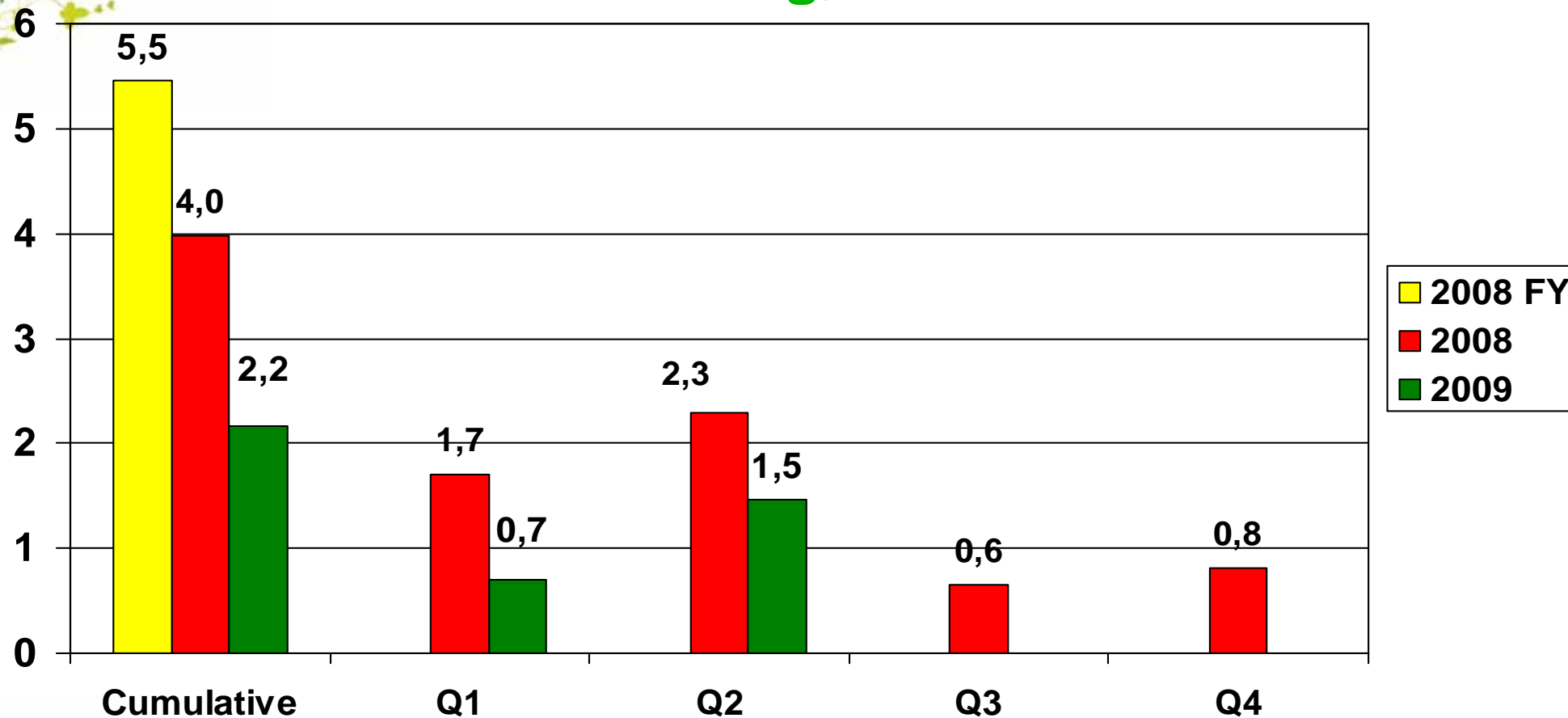
### Operating profit

- Operating profit fell short of the record high of a year earlier as estimated.

### Other

- Grain Trading performed strongly in the prevailing market situation.

# Operating profit excluding non-recurring items Grain Trading, EUR million



# Lännen Tehtaat

## Other Operations Q2 2009



Other Operations					
EUR mill.	Apr-Jun 2009	Apr-Jun 2008	Jan-Jun 2009	Jan-Jun 2008	Jan-Dec 2008
Net sales	0.4	0.4	0.8	1.4	3.0
Operating profit, excluding non-recurring items	-0.6	-0.6	-1.6	-1.8	-1.6

**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%).**

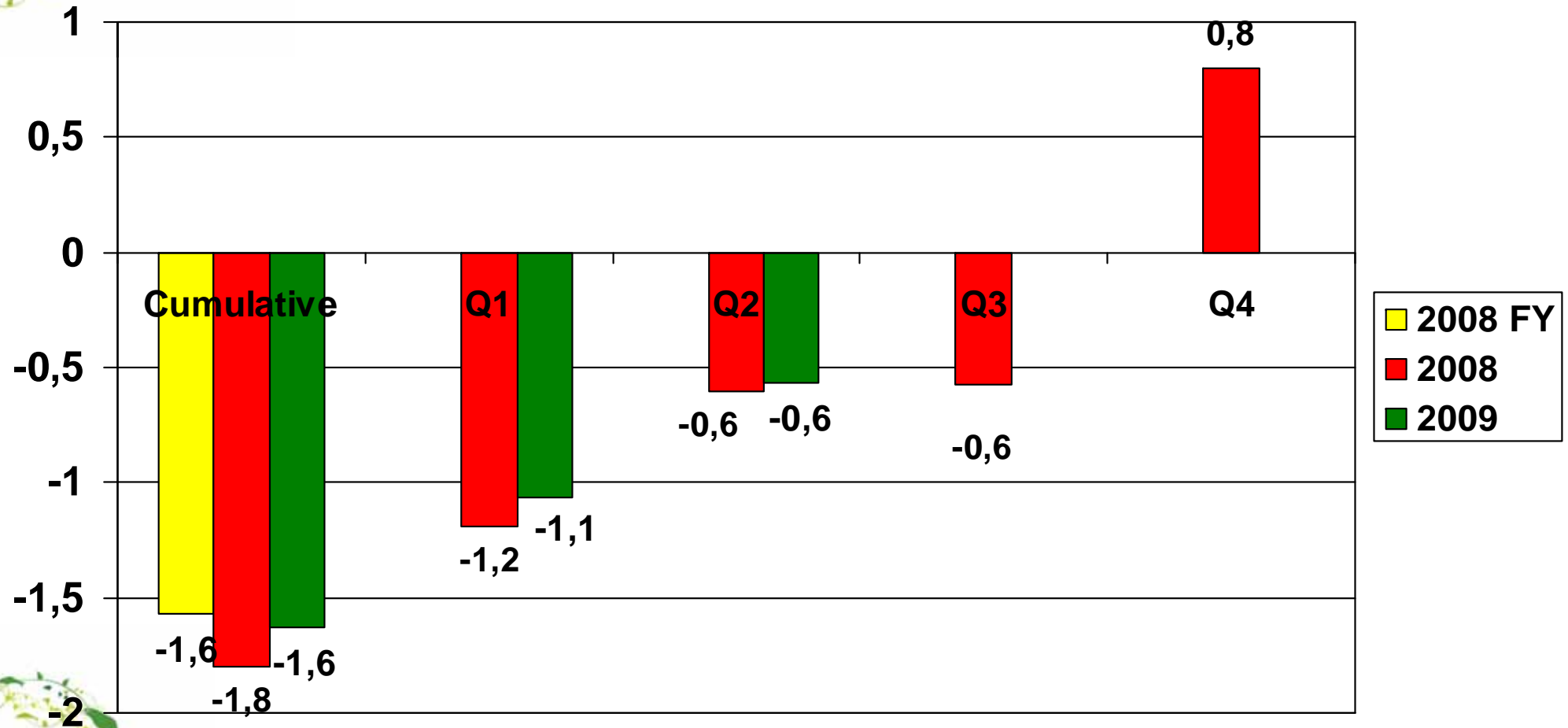
### Net Sales

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

### Operating profit excluding non-recurring items

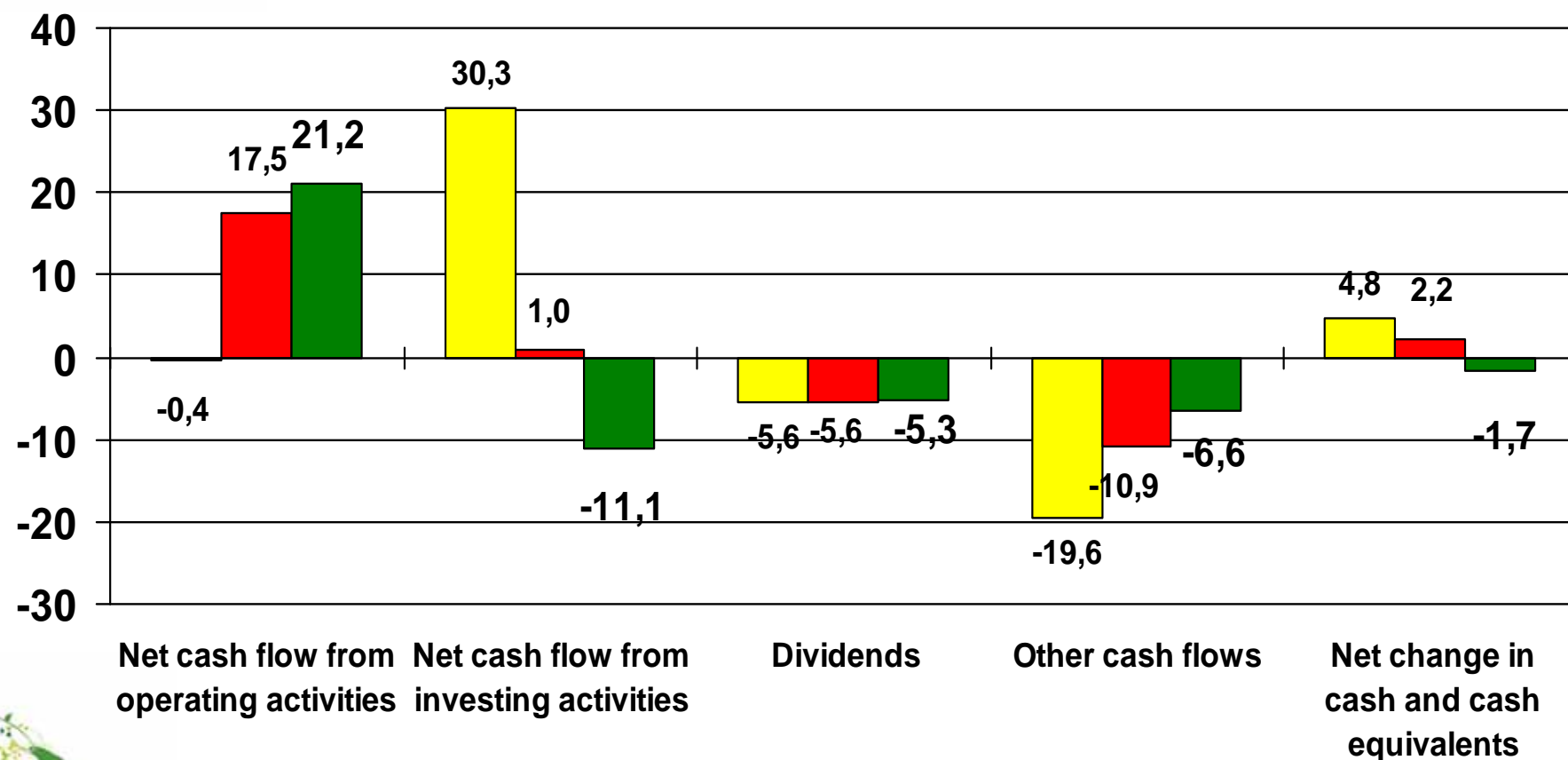
- Comprise the Group administration, costs not allocated to the operating segments and the share of profits of the associated companies.
- Q2 share of the profits of associated companies was +0,4 (+0,5) m€
- Q2 there were no non-recurring items

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





# Cash flow from operations, EUR million



■ 2008 FY ■ 2008 Q1-Q2 ■ 2009 Q1-Q2

# 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 76.7%**
- **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.**

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

## Principal shareholders on 31 July 2009



	%	
Esko Eela	6.1	}
Skagen Funds, total	6.4	
Odin Finland	5.8	
Nordea Nordic Small Cap	5.5	
Valio Ltd	5.2	
OP-Suomi Arvo	4.6	
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	
Mutual Fund Evli-Select	1.4	
Valio's Pension Fund	1,4	} <b>Top10 = 41.9%</b>
Norvestia plc	1,2	
Sijoitusrahasto Arvo Finland Value	1,0	
Säästöpankki Kotimaa -sijoitusrahasto	1,0	
Säkylän Municipality	0,9	
Onninen Sijoitus Oy	0,8	
Aktia Capital	0,7	
Nominee registered shares	5.6	
Shares owned by the company	2.1	
Other shareholders	43.4	
	100.0	

# Lännen Tehtaat



## ASSESSMENT OF 2009

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 grain and oilseed prices in the first half of the year, the Group's net sales for the third quarter and for the entire year are expected to be below the corresponding figures for 2008.

The focus of consumer demand on lower priced basic products as a result of the economic downturn is expected to have both negative and positive effects on the profitability of the Group's businesses. Thanks to the measures taken to develop the Group's different businesses, the third-quarter operating profit from the continuing operations, excluding non-recurring items, is estimated to be at about the same level as in 2008.

On the basis of the profit performance for the first half-year, the full-year operating profit, excluding non-recurring items, from the Group's continuing operations is expected to be at around the previous year's level. Due to the seasonal nature of the Group's operations, a high proportion of the annual profit is accrued in the final quarter of the year.

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.**