# LÄNNEN TEHTAAT PLC INTERIM REPORT, JANUARY–JUNE 2012

Second quarter (April-June):

- Consolidated net sales amounted to EUR 91.0 (93.5) million, down by 2.7 per cent.
- Operating profit, excluding non-recurring items, came to EUR 0.3 (2.1) million; non-recurring items totalled EUR -0.2 (-1.7) million.
- The profit for the quarter was EUR 0.0 (-0.2) million, and earnings per share amounted to EUR 0.01 (-0.02).

January-June:

- Consolidated net sales amounted to EUR 170.5 (177.5) million, down by 4.0 per cent.
- Operating profit, excluding non-recurring items, came to EUR -0.2 (3.0) million; non-recurring items totalled EUR -0.2 (-1.7) million.
- The profit for the period was EUR -0.6 (0.0) million, and earnings per share amounted to EUR -0.09 (0.03).

The assessment of profit performance for the full year is unchanged.

The information in this Interim Report has not been audited. The figures in parentheses are the equivalent figures for the same period in 2011, unless stated otherwise.

Matti Karppinen, CEO:

“The operating profit for the first half-year, excluding non-recurring items, was down – as expected – in relation to the same period last year, when Grains and Oilseeds made a record profit. The volume of grain trade sales was slack, and vegetable oil crushing suffered from a weak refining margin. The operating profit, excluding non-recurring items, in Frozen Foods and Seafood were about the same as last year. In Other Operations, Caternet boosted net sales considerably, as expected.

“The acquisition of Caternet strengthens Lännen Tehtaat’s position as a food solutions supplier to the food service sector, and the company’s product range complements Lännen Tehtaat’s range very well. The sales growth outlook for Caternet is encouraging, as the food service sector is increasingly ordering ready-to-use washed and chopped fruit, vegetables and salads, which involve a considerable amount of work by hand.”

KEY FIGURES

| EUR million | Q2 2012 | Q2 2011 | Change | Q1-Q2 2012 | Q1-Q2 2011 | Change | 2011 |
|---|---|---|---|---|---|---|---|
| Net sales | 91.0 | 93.5 | -2.7% | 170.5 | 177.5 | -4.0% | 335.5 |
| Operating profit, excluding non-recurring items | 0.3 | 2.1 | | -0.2 | 3.0 | | 9.8 |
| Operating profit | 0.2 | 0.4 | | -0.4 | 1.3 | | 8.7 |
| Profit before taxes | -0.1 | -0.1 | | -0.8 | 0.4 | | 7.5 |
| Profit for the period | 0.0 | -0.2 | | -0.6 | 0.0 | | 5.7 |
| Earnings per share, EUR | 0.01 | -0.02 | | -0.09 | 0.03 | | 0.92 |

NET SALES AND PROFIT

*Second quarter (April-June):*

The Group's second-quarter net sales were down by almost 3 per cent year on year. In Frozen Foods, net sales were slightly up, while in Seafood and in Grains and Oilseeds net sales were down. In Other Operations, net sales increased due to the inclusion of Caternet.

Consolidated operating profit, excluding non-recurring items, was EUR 0.3 (2.1) million. Non-recurring items totalled EUR -0.2 (-1.7) million. The non-recurring items in the second quarter were in the Other Operations segment. Profit in the Frozen Foods business was around the same as in the second quarter of 2011. Profit, excluding non-recurring items, was slightly up in the Seafood business, but was down in Grains and Oilseeds and in Other Operations, in comparison to a year earlier. The operating profit includes EUR 0.3 (0.3) million as the share of the profits of associated companies.

*January-June:*

Consolidated net sales in January-June were down by 4 per cent year on year.  This decrease was attributable to the Grains and Oilseeds business.

The operating profit, excluding non-recurring items, was EUR -0.2 (3.0) million. The operating profit includes EUR 0.6 (0.1) million as the share of the profits of associated companies and takes account of the EUR 0.5 million in transaction expenses from the Caternet acquisition. The non-recurring items in the review period came to EUR -0.2 (-1.7) million and were from the Other Operations segment.

The net figure for financial income and expenses was EUR -0.4 (-0.9) million. This includes valuation items of EUR 0.2 (-0.1) million with no cash flow implications. Financial expenses also include EUR 0.3 (0.6) million as the share of the Avena Nordic Grain Group's profit attributable to the employee owners of Avena Nordic Grain Oy.

Profit before taxes was EUR -0.8 (0.4) million. The profit for the period was EUR -0.6 (0.0) million, and earnings per share amounted to EUR -0.09 (0.03).

FINANCING AND BALANCE SHEET

The Group's liquidity was good and its financial position is strong.

The cash flow from operating activities after interest and taxes amounted to EUR 16.4 (15.5) million in January-June. The impact of the change in working capital was EUR 16.7 (14.2) million,

The net cash flow from investing activities was EUR -9.1 (-7.9) million. Deposits and withdrawals of cash assets invested in short-term fixed income funds had an impact of EUR -1.0 (-6.0) million on the net cash flow from investing activities. The cash flow from financing activities was EUR -7.6 (-8.1) million, including EUR -2.3 (-2.6) million in loan withdrawals and repayments and EUR -5.3 (-5.6) million in dividend payments. The net change in cash and cash equivalents was EUR -0.3 (-0.6) million.

At the end of the period, the Group had EUR 10.3 (2.8) million in interest-bearing liabilities and EUR 10.1 (20.1) million in liquid assets. Net interest-bearing liabilities totalled EUR 0.2 (-17.3) million. The consolidated balance sheet total stood at EUR 187.2 (172.1) million. At the end of the period, equity totalled EUR 133.7 (134.2) million. The equity ratio was 71.4 per cent (78.0%). The Group's liquidity is being secured with committed credit facilities; a total of EUR 23 (25) million was available in credit at the end of the second quarter.

INVESTMENT

Investment in non-current assets during January-June totalled EUR 2.3 (2.7) million. In the review period, investments in shares totalled EUR 9.7 (0.1) million and concerned the purchase of Caternet Finland Oy's shares.

PERSONNEL

The average number of personnel in the review period was 659 (580). The increase was mainly due to Caternet joining the Lännen Tehtaat Group at the end of March.

OVERVIEW OF OPERATING SEGMENTS

**Frozen Foods**

| EUR million | Q2 2012 | Q2 2011 | Change | Q1-Q2 2012 | Q1-Q2 2011 | Change | 2011 |
|---|---|---|---|---|---|---|---|
| Net sales | 11.6 | 11.2 | 3.8% | 24.4 | 23.8 | 2.2% | 45.3 |
| Operating profit, excluding non-recurring items | 0.1 | 0.0 | | 0.3 | 0.3 | | 3.3 |
| Operating profit | 0.1 | 0.0 | | 0.3 | 0.3 | | 3.3 |

*Second quarter (April-June):*

The second-quarter net sales of Frozen Foods were up slightly compared with the same quarter a year earlier. Sales to retail sector, for export and to the hotel, restaurant and catering sector grew, and sales to the food industry were down slightly year on year.

The second-quarter operating profit was at about the level of the previous year.

*January-June:*

Net sales in January-June were a little higher than a year earlier. Sales to all distribution channels were up year on year. Sales of the Apetit Kotimaiset range grew by 18 per cent from the same period a year earlier.

The January-June operating profit was about the same as for the first six months of 2011.

By the end of July, a good spinach crop had been harvested by Apetit's contract growers. The pea crop is currently being harvested. A normal yield is expected from contract farms, but the exceptionally cool and wet weather in the spring and early summer may delay the potato and root crop harvest by a couple of weeks.

The early autumn will see the launch of Apetit's new gratinated products: sweet potato & roots au gratin and cauliflower & broccoli au gratin. The convenience food range will also be joined by rainbow trout balls made with Finnish rainbow trout.

The average number of personnel in Frozen Foods during January-June was 179 (193).

Investment totalled EUR 1.5 (1.3) million during the period. This investment was in frozen food factory renovation projects and the purchase of a new pea harvester.

**Seafood**

| EUR million | Q2 2012 | Q2 2011 | Change | Q1-Q2 2012 | Q1-Q2 2011 | Change | 2011 |
|---|---|---|---|---|---|---|---|
| Net sales | 21.5 | 22.3 | -3.3% | 41.7 | 41.6 | 0.1% | 84.3 |
| Operating profit, excluding non-recurring items | 0.0 | -0.2 | | -0.8 | -0.7 | | 0.2 |
| Operating profit | 0.0 | -1.9 | | -0.8 | -2.4 | | -1.0 |

*Second quarter (April-June):*

The second-quarter net sales in the Seafood business were down slightly compared with the same quarter a year earlier. This decrease occurred in Finland and Norway, while in Sweden there was an increase in net sales.

In Finland, the factors affecting Seafood net sales included lower prices of salmon and rainbow trout compared with a year earlier, a shift in sales volumes towards fresh fillets, and lower export sales than a year earlier. Another contributory reason for the decrease in net sales was the fewer number of service counters. In June, the Finnish Seafood business began using a new logistics model that allows fresh salmon products to be available to customers more quickly, making the products even fresher.

Seafood's net sales in Norway declined both in fish products and in salad dressings and pizza sauces. In Sweden, sales of shellfish in brine continued to grow, due to new customer relationships.

Seafood's second-quarter operating profit, excluding non-recurring items, was up on the first quarter figure and showed a year-on-year improvement. The share of the profit of associated companies was EUR 0.1 (0.0) million.

The second-quarter operating profit for the Finnish Seafood business, excluding non-recurring items, was up on the same period a year earlier. Raw material prices during April-June were lower than anticipated.

The second-quarter operating profit for the Seafood business in Norway and Sweden, excluding non-recurring items, was about the same as a year earlier.

*January-June:*

Net sales for January-June in the Seafood business were about the same as the previous year. In Finland and Norway, the Seafood business's net sales declined, but in Sweden they increased.

The January-June operating profit for Seafood, excluding non-recurring items, was down slightly year on year, and a loss was posted as a consequence of the weak first-quarter performance. The operating profit took account of a change in the fair value of currency hedges, amounting to EUR -0.3 (0.0) million. The share of the profit of associated companies was EUR 0.0 (0.1) million.

The average number of personnel in the Seafood business during the period was 342 (318).

Investment in the Seafood business totalled EUR 0.4 (0.4) million. The main investment items during the period were replacement investments at different production plants in Finland, Norway and Sweden.

**Grains and Oilseeds**

| EUR million | Q2 2012 | Q2 2011 | Change | Q1-Q2 2012 | Q1-Q2 2011 | Change | 2011 |
|---|---|---|---|---|---|---|---|
| Net sales | 50.4 | 60.0 | -15.9% | 96.9 | 111.9 | -13.4% | 204.9 |
| Operating profit, excluding non-recurring items | 1.1 | 2.8 | | 2.5 | 5.3 | | 8.4 |
| Operating profit | 1.1 | 2.8 | | 2.5 | 5.3 | | 8.4 |

*Second quarter (April-June):*

Both the net sales and operating profit for the second quarter in the Grains and Oilseeds business were down in comparison with a year earlier, when Grains and Oilseeds posted its best ever quarterly figures. Grain delivery volumes were at a considerably lower level and prices were a little higher than in the second quarter of 2011. Sales of packaged vegetable oils from the Group's own vegetable oil packaging plant were up substantially. The profit for oilseed products was weak as a consequence of the considerably weaker refining margin than a year earlier, which was affected by the imbalance in market prices between raw materials and final products and the difficult raw material situation.

*January-June:*

Both the net sales and operating profit for January-June were down year on year.

Grain markets in the first months of the year were comparatively quiet, though they began to pick up in the second quarter. The price level remained high due to the early uncertainties concerning overwintering of autumn grains in Europe and the Black Sea region, and the drought in the South American soybean region. High temperatures and low precipitation in late spring and early summer reduced the harvest forecasts for spring grains, maize and oilseeds in the USA and Black Sea region in particular. In Finland, crop growth has been slowed by cool and wet weather.

Grains and Oilseeds employed an average of 70 (58) people during the period.

Investment during January-June amounted to EUR 0.2 (1.0) million and was mainly investment in replacements at the vegetable oil mill.

**Other Operations**

| EUR million | Q2 2012 | Q2 2011 | Change | Q1-Q2 2012 | Q1-Q2 2011 | Change | 2011 |
|---|---|---|---|---|---|---|---|
| Net sales | 8.4 | 0.4 | 1860% | 8.9 | 0.9 | 890% | 2.7 |
| Operating profit, excluding non-recurring items | -0.8 | -0.5 | | -2.2 | -2.0 | | -2.0 |
| Operating profit | -1.0 | -0.5 | | -2.4 | -2.0 | | -2.0 |

*Second quarter (April-June):*

Other Operations comprise the service company Apetit Suomi Oy, Group Administration, the Caternet Group, items not allocated under any of the business segments, and the associated companies Sucros Ltd and Ateriamestarit Oy. The cost of services produced by Apetit Suomi Oy is an encumbrance on the profit of the Group's businesses in proportion to their use of the services.

The growth in second-quarter net sales came mainly from Caternet Finland Oy, which was included in Other Operations at the end of March. Net sales from the sale of services in Apetit Suomi Oy were up slightly on the previous year's level.

Second-quarter operating profit, excluding non-recurring items, was below that of the same quarter in 2011. The most important single factor was the allocation of environmental operations costs, which was weighted more heavily towards the early part of the year in comparison with the same period a year earlier. The operating profit includes EUR 0.2 (0.3) million as the share of the profits of associated companies. Non-recurring items amounted to EUR -0.2 (0.0) million and comprised expenses paid to external consultants in the arbitration court case. The net impact of Caternet on the operating profit was slightly positive.

In the terms for acquiring Caternet Finland Oy it was agreed that the price would include a variable element comprising an additional purchase price of EUR 0-6 million, which would be tied to the operating profit for 2012-2013. The initial estimate of the additional purchase price, which was EUR 3.7 million, has been reduced by EUR 0.4 million in regard to the element tied to the operating profit for 2012, and this has been recognised under other operating income in the operating profit for Other Operations.

The shareholder agreement dispute between Lännen Tehtaat and Nordic Sugar was described in detail in the previous Interim Report of 4 May 2012. The Arbitration Institute of the Central Chamber of Commerce of Finland appointed a chairman to the arbitration court and the organisational session was held in June, which means the consideration of the case has started.  The arbitration court procedure is expected to continue well into 2013.

*January-June:*

The January-June operating profit, excluding non-recurring items, was down slightly year on year. Non-recurring items totalled EUR -0.2 (0.0) million. The share of the profits of associated companies amounted to EUR 0.6 (0.1) million. The profit takes into account EUR 0.5 million in transaction costs for the corporate acquisition, and EUR 0.4 million recognised as income in association with the additional purchase price of the acquisition.

The average number of personnel in Other Operations during the period was 68 (11).

Investment in non-current assets in Other Operations totalled EUR 0.2 (0.0) million.

## DECISIONS OF THE ANNUAL GENERAL MEETING

Dividend distribution

The Annual General Meeting of Lännen Tehtaat plc, held on 28 March 2012, resolved that a dividend of EUR 0.85 per share be distributed from the profits of the financial year 2011, in accordance with the proposal of the Board of Directors.  A total of EUR 5.3 million was paid out in dividends on 11 April 2012.

More detailed information on the share issue authorisation granted to the Board of Directors and the decisions of the Annual General Meeting was given in the stock exchange release dated 28 March 2012 and in the Interim Report published on 4 May 2012.

## USE OF AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS

Authorisations to issue shares

The Board of Directors has not exercised the authorisation granted to it by the Annual General Meeting on 28 March 2012 to issue new shares or to transfer Lännen Tehtaat plc shares held by the company.

## SHARES AND TRADING

The number of Lännen Tehtaat plc shares traded on the stock exchange during the January-June period was 475,239 (348,359), representing 7.5 per cent (5.5%) of the total number of shares. The euro-denominated share turnover was EUR 7.1 (5.9) million. The highest share price quoted was EUR 16.77 (18.80) and the lowest EUR 12.38 (14.75). The average price of shares traded was EUR 14.95 (16.90).

At the end of June, the market capitalisation totalled EUR 83.8 (95.3) million.

At the close of the second quarter, the company had in its possession a total of 130,000 of its own shares, with a combined nominal value of EUR 0.26 million. These treasury shares represent 2.1 per cent of the company's total number of shares and total number of votes.

## CORPORATE ADMINISTRATION AND AUDITORS

At its organisational meeting on 13 April 2012, Lännen Tehtaat plc's Supervisory Board appointed Timo Miettinen as Chairman and Marja-Liisa Mikola-Luoto as Deputy Chairman of the Supervisory Board. Aappo Kontu, Matti Lappalainen, Veijo Meriläinen, Samu Pere, Jorma J. Takanen and Helena Walldén were appointed as members of the company's Board of Directors. Matti Lappalainen was appointed as Chairman of the Board of Directors and Aappo Kontu as Deputy Chairman.

Antti Kerttula has been appointed Managing Director of Caternet Finland Oy, as of 21 May 2012. Kerttula will continue as a member of Lännen Tehtaat's Corporate Management. Vesa Moisio has been appointed Managing Director of Apetit Pakaste Oy and a member of Lännen Tehtaat's Corporate Management, as of 21 May 2012.

Hannu Pellinen, APA, and PricewaterhouseCoopers Oy Authorised Public Accountants, with Tomi Moisio, APA, CPFA as responsible auditor, were appointed as auditors for Lännen Tehtaat plc by the Annual General Meeting on 28 March 2012.

## SEASONALITY OF OPERATIONS

In accordance with the IAS 2 standard, the historical cost of inventories includes a systematically allocated portion of the fixed production overheads. In production that focuses on seasonal crops, raw materials are processed into finished products mainly during the final quarter of the year, which means that the inventory volumes and their balance-sheet values are at their highest at the end of the year. Since the entry of the fixed production overheads included in the historical cost as an expense item is deferred until the time of sale, most of the Group's annual profit is accrued in the final quarter. The seasonal nature of operations is most marked in Frozen Foods and in the associated company Sucros, due to the link between production and the crop harvesting season.

In the Seafood business, the sales of Apetit Kala Oy and Myrskylän Savustamo Oy peak at weekends and on holidays. A significant proportion of the entire year's profit in the Seafood business depends on the success of the Christmas season. The profit accumulated by the Taimen Group, which reports as an associated company, is normally smaller during the summer months than at other times of the year, due to the growing season for fish. As Easter can take place in either the first or the second quarter, this can affect the comparability of net sales and profit in the Frozen Foods and Seafood businesses between different years. Net sales in the Grains and Oilseeds business vary from one year and quarter to the next to a greater extent than in the other businesses, being dependent on the demand and supply situation and on the price levels domestically and on other markets.

## SHORT-TERM RISKS AND UNCERTAINTIES

The most significant short-term risks for the Lännen Tehtaat Group concern the following: the management of raw material price changes and currency risks; availability of raw materials; the solvency of customers and the delivery performance of suppliers and service providers; changes in the Group's business sectors and customer relationships; the arbitration court case; and the integration processes following corporate acquisitions.

## ASSESSMENT OF EXPECTED FUTURE DEVELOPMENTS

Net sales for the full year are expected to show an increase on the previous year, due to the acquisition made and the achievement of organic growth. As a consequence of the more moderate profit expectation of the Grains and Oilseeds business following its record performance in 2011, the full-year operating profit, excluding non-recurring items, will be no higher than the level reached in 2011. 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 is difficult to assess.

**CONSOLIDATED INCOME STATEMENT**
EUR million

| | **Q2 2012** | Q2 2011 | **Q1-Q2 2012** | Q1-Q2 2011 | Q1-Q4 2011 |
|---|---|---|---|---|---|
| **Net sales** | **91.0** | 93.5 | **170.5** | 177.5 | 335.5 |
| Other operating income | **0.6** | 0.2 | **0.9** | 0.4 | 1.8 |
| Operating expenses | **-90.0** | -92.2 | **-169.1** | -173.9 | -324.1 |
| Depreciation | **-1.8** | -1.4 | **-3.3** | -2.9 | -5.8 |
| Impairments | **0.0** | 0.0 | **0.0** | 0.0 | 0.0 |
| Share of profits of associated companies | **0.3** | 0.3 | **0.6** | 0.1 | 1.3 |
| **Operating profit** | **0.2** | 0.4 | **-0.4** | 1.3 | 8.7 |
| Financial income and expenses | **-0.3** | -0.5 | **-0.4** | -0.9 | -1.2 |
| Profit before taxes | **-0.1** | -0.1 | **-0.8** | 0.4 | 7.5 |
| Income taxes | **0.1** | -0.1 | **0.2** | -0.4 | -1.8 |
| **Profit for the period** | **0.0** | -0.2 | **-0.6** | 0.0 | 5.7 |
| | | | | | |
| **Attributable to** | | | | | |
| Equity holders of the parent | **0.0** | -0.1 | **-0.5** | 0.2 | 5.7 |
| Non-controlling interests | **0.0** | -0.1 | **-0.1** | -0.2 | 0.0 |
| | | | | | |
| Basic and diluted earnings per share, calculated of the profit attributable to the shareholders of the parent company, EUR | **0.01** | -0.02 | **-0.09** | 0.03 | 0.92 |

**STATEMENT OF COMPREHENSIVE INCOME**
EUR million

| | **Q2 2012** | Q2 2011 | **Q1-Q2 2012** | Q1-Q2 2011 | Q1-Q4 2011 |
|---|---|---|---|---|---|
| **Profit for the period** | **0.0** | -0.2 | **-0.6** | 0.0 | 5.7 |
| Other comprehensive income | | | | | |
| Cash flow hedges | **0.6** | 0.4 | **0.3** | 1.4 | 0.5 |
| Taxes related to cash flow hedges | **-0.1** | -0.1 | **-0.1** | -0.4 | -0.1 |
| Translation differences | **0.2** | 0.0 | **0.4** | 0.0 | 0.1 |
| **Total comprehensive income** | **0.7** | 0.1 | **0.0** | 1.0 | 6.1 |
| | | | | | |
| **Attributable to** | | | | | |
| Equity holders of the parent | **0.7** | 0.2 | **0.1** | 1.2 | 6.1 |
| Non-controlling interests | **0.0** | -0.1 | **-0.1** | -0.2 | 0.0 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

EUR million

| | **30 June 2012** | 30 June 2011 | 31 Dec 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | **11.3** | 5.7 | 5.2 |
| Goodwill | **11.9** | 8.7 | 8.7 |
| Tangible assets | **51.2** | 37.1 | 37.5 |
| Investment in associated companies | **33.2** | 33.7 | 32.9 |
| Available-for-sale investments | **0.1** | 0.1 | 0.1 |
| Receivables | **0.4** | 0.5 | 0.4 |
| Deferred tax assets | **2.4** | 1.6 | 1.5 |
| **Non-current assets total** | **110.4** | 87.2 | 86.3 |
| | | | |
| **Current assets** | | | |
| Inventories | **40.1** | 39.2 | 62.3 |
| Receivables | **26.0** | 25.6 | 27.8 |
| Income tax receivable | **0.7** | 0.1 | 0.1 |
| Financial assets at fair value through profits | **1.0** | 13.1 | |
| Cash and cash equivalents | **9.1** | 7.0 | 9.3 |
| **Current assets total** | **76.8** | 84.9 | 99.5 |
| | | | |
| **Total assets** | **187.2** | 172.1 | 185.8 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
EUR million

| | **30 June 2012** | 30 June 2011 | 31 Dec 2011 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Equity attributable to the equity holders of the parent | **131.1** | 131.7 | 136.5 |
| Non-controlling interests | **2.6** | 2.5 | 2.7 |
| **Total equity** | **133.7** | 134.2 | 139.2 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | **5.7** | 3.7 | 4.0 |
| Long-term financial liabilities | **6.7** | 2.0 | 1.9 |
| Non-current provisions | **0.1** | 0.0 | 0.1 |
| Other non-current liabilities | **7.4** | 4.6 | 4.7 |
| **Non-current liabilities total** | **19.8** | 10.3 | 10.8 |
| **Current liabilities** | | | |
| Short-term financial liabilities | **3.6** | 0.8 | 0.4 |
| Income tax payable | **0.5** | 1.0 | 0.3 |
| Trade payables and other liabilities | **29.3** | 25.8 | 35.0 |
| Short-term provisions | **0.2** | 0.0 | 0.2 |
| **Current liabilities total** | **33.7** | 27.6 | 35.8 |
| **Total liabilities** | **53.5** | 37.9 | 46.6 |
| **Total equity and liabilities** | **187.2** | 172.1 | 185.8 |

**CONSOLIDATED STATEMENT OF CASH FLOWS**

EUR million

| | **Q1-Q2 2012** | Q1-Q2 2011 | Q1-Q4 2011 |
|---|---|---|---|
| Net profit for the period | **-0.6** | 0.0 | 5.7 |
| Adjustments, total | **3.4** | 4.2 | 7.1 |
| Change in net working capital | **16.7** | 14.2 | -2.2 |
| Interests paid | **-1.5** | -1.4 | -1.7 |
| Interests received | **0.0** | 0.1 | 0.3 |
| Taxes paid | **-1.6** | -1.5 | -3.1 |
| **Net cash flow from operating activities** | **16.4** | 15.5 | 6.1 |
| | | | |
| Investments in tangible and intangible assets | **-2.3** | -2.7 | -5.8 |
| Proceeds from sales of tangible and intangible assets | **0.1** | 0.0 | 0.1 |
| Acquisition of subsidiaries deducted by cash | **-6.1** | | |
| Acquisition of associated companies | | -0.1 | -0.2 |
| Proceeds from sales of associated companies | | 0.5 | 0.5 |
| Transactions with non-controlling interests | **0.0** | | |
| Purchases of other investments | **-4.0** | -13.0 | -22.0 |
| Proceeds from sales of other investments | **3.0** | 7.0 | 29.1 |
| Dividends received from investing activities | **0.2** | 0.3 | 2.5 |
| **Net cash flow from investing activities** | **-9.1** | -7.9 | 4.2 |
| | | | |
| Proceeds from and repayments of short-term loans | **2.0** | -2.6 | -2.9 |
| Proceeds from and repayments of long-term loans | **-4.3** | 0.0 | 0.0 |
| Payments of finance lease liabilities | **-0.1** | 0.0 | 0.0 |
| Dividends paid | **-5.3** | -5.6 | -5.6 |
| **Cash flows from financing activities** | **-7.6** | -8.1 | -8.4 |
| | | | |
| **Net change in cash and cash equivalents** | **-0.3** | -0.6 | 1.8 |
| Cash and cash equivalents at the beginning of the period | **9.3** | 7.5 | 7.5 |
| Cash and cash equivalents at the end of the period | **9.1** | 7.0 | 9.3 |

Purchases of other investments and proceeds from sales of other investments are cash flows related to short-term fixed income funds.

## STATEMENT OF CHANGES IN SHAREHOLDERS´ EQUITY

A = Shareholders' equity at 1 January
B = Dividend distribution
C = Transactions with NCI
D = Other changes
E = Total comprehensive income
F = Shareholders' equity at 30 June

**January - June 2012**
EUR million

| | **A** | **B** | **C** | **D** | **E** | **F** |
|---|---|---|---|---|---|---|
| Share capital | **12.6** | | | | | **12.6** |
| Share premium account | **23.4** | | | | | **23.4** |
| Net unrealised gains | **-0.4** | | | | **0.2** | **-0.2** |
| Other reserves | **7.2** | | | | | **7.2** |
| Own shares | **-1.8** | | | | | **-1.8** |
| Translation differences | **0.4** | | | | **0.3** | **0.8** |
| Retained earnings | **94.5** | **-5.3** | **0.3** | **0.0** | **-0.5** | **89.1** |
| Attributable to equity holders of the parent | **136.5** | **-5.3** | **0.3** | **0.0** | **0.0** | **131.1** |
| Non-controlling interests (NCI) | **2.7** | | **0.0** | | **-0.1** | **2.6** |
| **Total equity** | **139.2** | **-5.3** | **0.3** | **0.0** | **-0.1** | **133.7** |

January - June 2011
EUR million

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| Share capital | 12.6 | | | | | 12.6 |
| Share premium account | 23.4 | | | | | 23.4 |
| Net unrealised gains | -0.8 | | | | 1.0 | 0.2 |
| Other reserves | 7.2 | | | | | 7.2 |
| Own shares | -1.8 | | | | | -1.8 |
| Translation differences | 0.3 | | | | 0.0 | 0.3 |
| Retained earnings | 95.3 | -5.6 | -0.2 | 0.0 | 0.2 | 89.6 |
| Attributable to equity holders of the parent | 136.2 | -5.6 | -0.2 | 0.0 | 1.2 | 131.7 |
| Non-controlling interests (NCI) | 2.7 | | | | -0.2 | 2.5 |
| Total equity | 138.9 | -5.6 | -0.2 | 0.0 | 1.0 | 134.2 |

## BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2011. New standards and interpretations adopted in 2012 did not have any material effect to this Interim Report.

## ACQUISITIONS

On 27 March 2012, Lännen Tehtaat plc acquired from private individuals the entire share capital of Caternet Finland Oy, a company supplying the food service sector and specialising in preparing fresh vegetable, fruit and fish products and in logistics. There were no significant changes to the acquisition cost calculation presented on the January-March Interim Report due to the final fair value assessment.

**SEGMENT INFORMATION**
EUR million

A = Frozen Foods
B = Seafood
C = Grains and Oilseeds
D = Other Operations
E = Total

**Operating segments,**
**January - June 2012**
EUR million

| | A | B | C | D | E |
|---|---|---|---|---|---|
| Total segment sales | **24.4** | **41.7** | **96.9** | **8.9** | **171.8** |
| Intra-group sales | **0.0** | **-0.5** | **0.0** | **-0.9** | **-1.4** |
| Net sales | **24.3** | **41.2** | **96.9** | **8.0** | **170.5** |
| | | | | | |
| Share of profits of associated companies included in operating profit | | **0.0** | | **0.6** | **0.6** |
| Operating profit | **0.3** | **-0.8** | **2.5** | **-2.4** | **-0.4** |
| | | | | | |
| Gross investments in non-current assets | **1.5** | **0.4** | **0.2** | **0.2** | **2.3** |
| Corporate acquisitions and other share purchases | | | | **9.7** | **9.7** |
| | | | | | |
| Depreciations | **1.2** | **1.0** | **0.4** | **0.7** | **3.3** |
| Impairments | | **0.0** | | | **0.0** |
| | | | | | |
| Personnel | **179** | **342** | **70** | **68** | **659** |

Operating segments,
January - June 2011
EUR million

| | A | B | C | D | E |
|---|---|---|---|---|---|
| Total segment sales | 23.8 | 41.6 | 111.9 | 0.9 | 178.2 |
| Intra-group sales | 0.0 | 0.0 | 0.0 | -0.7 | -0.7 |
| Net sales | 23.8 | 41.6 | 111.9 | 0.2 | 177.5 |
| | | | | | |
| Share of profits of associated companies included in operating profit | | 0.1 | | 0.1 | 0.1 |
| Operating profit | 0.3 | -2.4 | 5.3 | -2.0 | 1.3 |
| | | | | | |
| Gross investments in non-current assets | 1.3 | 0.4 | 1.0 | 0.0 | 2.7 |
| Corporate acquisitions and other share purchases | | | | 0.1 | 0.1 |
| | | | | | |
| Depreciations | 1.1 | 1.0 | 0.4 | 0.5 | 2.9 |
| Impairments | | 0.0 | | | 0.0 |
| | 193 | 318 | 58 | 11 | 580 |

Personnel

Operating segments,
January - December 2011
EUR million

| | A | B | C | D | E |
|---|---|---|---|---|---|
| Total segment sales | 45.3 | 84.3 | 204.9 | 2.7 | 337.1 |
| Intra-group sales | 0.0 | 0.0 | 0.0 | -1.6 | -1.7 |
| Net sales | 45.3 | 84.2 | 204.9 | 1.1 | 335.5 |
| | | | | | |
| Share of profits of associated companies included in operating profit | | 0.6 | | 0.7 | 1.3 |
| Operating profit | 3.3 | -1.0 | 8.4 | -2.0 | 8.7 |
| | | | | | |
| Gross investments in non-current assets | 1.9 | 0.7 | 3.0 | 0.1 | 5.8 |
| Corporate acquisitions and other share purchases | | | | 0.2 | 0.2 |
| | | | | | |
| Depreciations | 2.2 | 1.9 | 0.7 | 0.9 | 5.8 |
| Impairments | 0.0 | 0.0 | | 0.0 | 0.0 |
| | | | | | |
| Personnel | 204 | 320 | 62 | 10 | 596 |

**KEY INDICATORS**

| | 30 June 2012 | 30 June 2011 | 31 Dec 2011 |
|---|---|---|---|
| Shareholders' equity per share, EUR | **21.19** | 21.28 | 22.06 |
| Equity ratio, % | **71.4** | 78.0 | 74.9 |
| Gearing, % | **0.1** | -12.9 | -5.1 |
| Gross investments in non-current assets, EUR million | **2.3** | 2.7 | 5.8 |
| Corporate acquisitions and other share purchases, EUR million | **9.7** | 0.1 | 0.2 |
| Average number of personnel | **659** | 580 | 596 |
| Average number of shares, 1,000 pcs | **6,188** | 6,188 | 6,188 |

The key figures in this Interim Report are calculated with same accounting principles than presented in the 2011 annual financial statements.

**COLLATERALS, CONTINGENT LIABILITIES, CONTINGENT ASSETS AND OTHER COMMITMENTS**
EUR million

| | **30 June 2012** | 30 June 2011 | 31 Dec 2011 |
|---|---|---|---|
| **Mortgages given for debts** | | | |
| Real estate and corporate mortgages | **3.3** | 2.7 | 2.7 |
| Guarantees | **12.6** | 11.4 | 10.7 |
| | | | |
| **Non-cancellable other leases, minimum lease payments** | | | |
| Real estate leases | **6.2** | 4.4 | 3.9 |
| Other leases | **1.0** | 0.6 | 0.8 |
| | | | |
| **DERIVATIVE INSTRUMENTS** | | | |
| Outstanding nominal values of derivate instruments | | | |
| Interest rate swaps | **6.0** | | |
| Forward currency contracts | **11.2** | 8.4 | 14.3 |
| Commodity derivative instruments | **28.5** | 7.0 | 14.1 |
| | | | |
| **CONTINGENT ASSETS** | | | |
| The present value of proceeds from the sale of shares in the joint entry account | **0.7** | 0.7 | 0.7 |
| | | | |
| **INVESTMENT COMMITMENTS** | | | |
| Frozen Foods | **0.0** | 0.4 | |
| Grains and Oilseeds | | 1.3 | |

**OTHER COMMITMENTS**

Based on the shareholder agreements on the ownership arrangement between Apetit Kala Oy and Taimen Oy, once certain terms and conditions are met the contracting parties are entitled to terminate the cross ownership at fair value. The liability in any termination of ownership is, on the basis of IAS 32 recognised under non-current liabilities. The receivable arising in connection with this may not, under IFRS rules, be recognised.

**DISPUTES**

In October 2011, Lännen Tehtaat decided to take its dispute with Nordic Sugar concerning breaches of shareholder agreement to arbitration. According to Lännen Tehtaat, Nordic Sugar has committed a total of three breaches of agreement. Under the terms and conditions of the shareholder agreement, one proven breach will incur a contractual penalty totaling about EUR 8.9 million. Therefore the penalty could total a maximum of nearly EUR 27 million.

Nordic Sugar expressed the view that Lännen Tehtaat committed a breach of shareholder agreement in connection with the dismissal of Sucros Ltd's managing director, and requested the arbitration court to confirm the breach of shareholder agreement and order Lännen Tehtaat to pay a contractual penalty of EUR 4.5 million. Lännen Tehtaat's view is that the shareholder agreement was complied with in the dismissal of Sucros Ltd's managing director, and so the compensation claim is unfounded.

Compensation claims related to breaches of agreement have not been recorded in income or expenses. Expenses arising from litigation will be recognised as expenses on an accrual basis.

**CHANGES IN TANGIBLE ASSETS**

EUR million

| | **30 June 2012** | 30 June 2011 | 31 Dec 2011 |
|---|---|---|---|
| Book value at the beginning of the period | **37.5** | 37.0 | 37.0 |
| Additions | **2.1** | 2.4 | 5.5 |
| Additions through acquisitions | **14.2** | | |
| Disposals | **0.0** | 0.0 | -0.3 |
| Depreciations and impairments | **-2.6** | -2.3 | -4.7 |
| Other changes | **0.0** | 0.0 | 0.0 |
| Book value at the end of the period | **51.2** | 37.1 | 37.5 |

**TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES**

EUR million

| | **Q1-Q2 2012** | Q1-Q2 2011 | Q1-Q4 2011 |
|---|---|---|---|
| Sales to associated companies | **0.3** | 0.2 | 1.5 |
| Sales to joint ventures | **4.3** | 4.0 | 8.5 |
| Purchases from associated companies | **6.9** | 5.5 | 13.9 |
| Purchases from joint ventures | **0.0** | | 0.0 |

| | **30 June 2012** | 30 June 2011 | 31 Dec 2011 |
|---|---|---|---|
| Long-term receivables from joint ventures | **0.0** | 0.0 | 0.0 |
| Trade receivables and other receivables from associated companies | **0.1** | 0.0 | 0.8 |
| Trade receivables and other receivables from joint ventures | **0.8** | 0.7 | 0.8 |
| Trade payables and other liabilities to associated companies | **0.1** | 0.5 | 0.2 |
| Trade payables and other liabilities to joint ventures | **0.0** | 0.0 | 0.0 |

In Espoo, 15 August 2012

LÄNNEN TEHTAAT PLC

Board of Directors