LÄNNEN TEHTAAT
ANNUAL REPORT | 2012

Lännen Tehtaat in brief

Lännen Tehtaat's business segments are the Frozen Foods business, the Seafood business, the Grains and oilseeds business and Other Operations. The Group´s shares are quoted in NASDAQ OMX Helsinki Ltd.

NET SALES	378,2 EUR million
OPERATING PROFIT EXCLUDING NON-RECURRING ITEMS	8,8 EUR million
DIVIDEND PER SHARE	[1] 0,90 EUR

[1] Board´s proposal

Frozen Foods

The Frozen Foods business comprises Apetit Pakaste Oy. Apetit Pakaste Oy is the leading Finnish producer of frozen vegetables and frozen ready meals. Under its Apetit brand, it develops, produces, markets and sells frozen foods that are mainly produced using Finnish raw materials. The vegetable raw materials are sourced mainly from Apetit's contract growers, who are committed to Apetit's quality targets. Consumer survey results show that Apetit is the best known and most favoured frozen food products brand in Finland.

Seafood

The Seafood business is made up of Apetit Kala Oy, Myrskylän Savustamo Oy, the associated company Taimen Oy and the Maritim Food Group.

Apetit Kala Oy and its subsidiary Myrskylän Savustamo Oy market and sell fresh fish and fish products under the Apetit and Safu brands and retailers' private labels, mainly in Finland. In addition, Apetit Kala sells fish, fish products and other fresh products (including meat and salads) through its own service counters under the shop-in-shop principle. The associated company Taimen Oy and its subsidiaries is Finland's leading rainbow trout farmer and fingerling producer.

Maritim Food AS and its subsidiaries develop, produce, market and sell shellfish and fish products in Norway and Sweden under the Maritim, Fader Martin and Sunnmöre brands and retailers' private labels.

Grains and Oilseeds

The Grains and Oilseeds business comprises Avena Nordic Grain and its subsidiaries.

Avena Nordic Grain Oy has subsidiaries in Estonia, Lithuania, Russia, Ukraine and Kazakhstan.

Avena engages in the trading of grains, oilseeds and animal feedstuffs in numerous markets. Trading is especially active in the Baltic region and the rest of Europe. Avena also markets and sells vegetable oils and expeller, which it produces at its Mildola vegetable oil mill in Kirkkonummi.

Other Operations

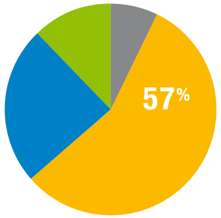
The Other Operations segment consists of parent company Lännen Tehtaat plc, Apetit Suomi Oy, Caternet Finland Oy and associated company Sucros Ltd.

Caternet Finland Oy is a food solutions partner for the professional food service sector. The company produces fresh and ready-to-use vegetable and fruit products, and fresh, smoked and frozen fish. Since the start of 2013, the company has also been responsible for sales of Apetit Pakaste and Apetit Kala products to the professional food service sector.

The associated company Sucros Ltd (20%) produces, sells and markets sugar products for the food industry and the retail trade, and for export.

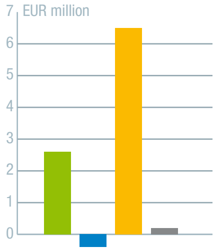
NET SALES 2012
EUR million

Frozen Foods	46.9
Seafood	93.0
Grains and Oilseeds	215.8
Other Operations	26.7
	378.2



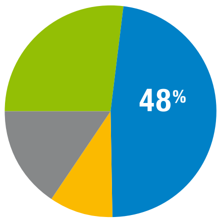
OPERATING PROFIT EXCLUDING NON-RECURRING ITEMS 2012
EUR million

Frozen Foods	2.6
Seafood	-0.4
Grains and Oilseeds	6.5
Other Operations	0.2
	8.8



PERSONEL 2012
Average number

Frozen Foods	195
Seafood	345
Grains and Oilseeds	70
Other Operations	111
	721



Contents

CEO´s review

STRONG GROWTH FOR THE GROUP

In 2012 the Group's net sales increased to EUR 378 million. EUR 23 million of this was from Caternet Finland Oy, which joined the Group in March 2012. Net sales were up in all operating segments, and year-on-year growth in total was 13%. By contrast, the operating result, excluding non-recurring items, was down on the previous year, totalling EUR 8.8 million in 2012. Earnings per share rose to EUR 1.07.

The most significant events in the Group's businesses in 2012 were a successful first year of operation for the Mildola vegetable oil packaging plant, the acquisition of Caternet and subsequent development of its business, and the strong sales growth in the Apetit Kotimainen home-grown product range. Avena's new vegetable oil packaging plant situated by Mildola's vegetable oil mill proved to be a successful investment, as the delivery volumes of packaged vegetable oils almost doubled during the year. In March, Caternet was incorporated into the Lännen Tehtaat Group and constitutes a strong link in the Group's development of its food solution services. With the arrival of Caternet, we took control of customer service for the professional food service sector by setting up a Caternet organisation named Apetit Ammattilaiset, which began operating at the start of 2013. Caternet will in future be responsible not only for professional food service sector sales of its own vegetable, fruit and fish products, but also for sales of the Apetit Pakaste and Apetit Kala professional food service sector products. During the year, Caternet was also responsible for part of Apetit Kala's fresh fish logistics, as its location facilitates very rapid distribution of fresh fish products to customers in the Helsinki metropolitan area.

IS DOMESTIC CONTENT IMPORTANT?

When it comes to Finnish foods and to primary production of food, work performed in Finland is highly valued. Finnish agriculture employs approximately 80,000 people and the Finnish food industry employs more than 32,000 people. The entire food production chain employs directly and indirectly more than 300,000 Finns. Most of the food products consumed in Finland are of Finnish origin, and the home-grown content remains high, at over 80%. Finnish food products therefore represent something very positive for Finnish households and for Finnish employment. The Lännen Tehtaat Group is very much a Finnish company, whose operations consist of trading in grains and vegetables oils and producing a delicious selection of food products.

What constitutes a genuinely Finnish product? Within the Lännen Tehtaat Group, the Apetit Kotimainen frozen vegetable range is made from 100% Finnish raw materials. In the case of the Apetit Kotimainen frozen ready meals, a minimum of 98% of their raw materials are of Finnish origin, as we permit the use of imported seasoning, such as salt and pepper. Domestic content is very important for us and constitutes a competitive advantage that we are constantly developing.

We know the origin of all Apetit products in detail. The producers of the raw materials for Apetit's vegetable products are a large group of Finnish contract growers. They are well trained and experienced professionals who are expected to pay very close attention to all aspects of the contract growing process. All actions undertaken are considered carefully according to need, and are conducted at the appropriate times. Everything is documented on site in the contract grower data system, and only properly managed and documented growing procedures entitle the grower to deliver raw materials for use in Apetit products. We procure fish domestically from our associated company Taimen, and abroad from long-standing contract partners who operate responsibly. We confidently promise that the quality of our raw materials means we can produce delicious, healthy and safe products that are free of impurities.

In 2012, sales of the Apetit Kotimainen home-grown product range grew by a further 15%. By choosing Apetit Kotimainen products, consumers are conveying the message that domestic content is important. For us, this is a strong signal to continue developing our home-grown products and highlighting their domestic content.

With home-grown greetings,

Matti Karppinen

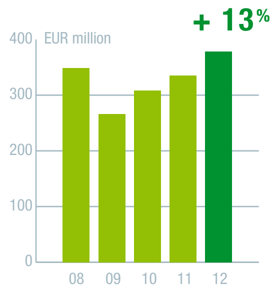
Key indicators

		2012	2011	2010
Net sales	EUR million	**378.2**	335.5	308.7
Operating profit	EUR million	**8.5**	8.7	8.3
Operating profit	%	**2.2**	2.6	2.7
Operating profit excluding non-recurring items	EUR million	**8.8**	9.8	8.4
Operating profit excluding non-recurring items	%	**2.3**	2.9	2.7
Profit before taxes	EUR million	**7.5**	7.5	8.4
Profit for the period	EUR million	**6.7**	5.7	6.5
Return of investment	%	**5.4**	6.3	6.1
Return of equity	%	**4.8**	4.1	4.7
Equity ratio	%	**60.7**	74.9	72.4
Gearing	%	**22.0**	-5.1	-7.7
Equity per share	EUR	**22.41**	22.06	22.01
Earnings per share	EUR	**1.07**	0.92	1.04
Dividend per share	EUR	[1] **0.90**	0.85	0.90
Investment in non-current items	EUR million	**3.9**	5.8	3.1
Investment in shares	EUR million	**9.7**	0.2	10.5
Average number of personnel		**721**	596	621

[1] Board´s proposal

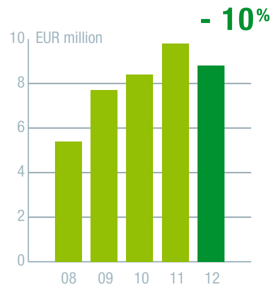
NET SALES
2008 - 2012

2012 378.2
2011 335.5
2010 308.7
2009 266.0
2008 349.1



OPERATING PROFIT EXCLUDING NON-RECURRING ITEMS
2008 - 2012

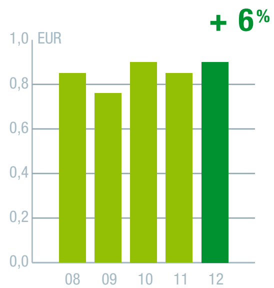
2012 8.8
2011 9.8
2010 8.4
2009 7.7
2008 5.4



DIVIDEND PER SHARE
2008 - 2012

2012 [1] 0.90
2011 0.85
2010 0.90
2009 0.76
2008 0.85

[1] Board´s proposal



Key indicators by business operation

NET SALES

EUR million	**2012**	2011	2010
Frozen Foods	**46.9**	45.3	45.1
Seafood	**93.0**	84.3	80.9
Grains and Oilseeds	**215.8**	204.9	181.9
Other Operations	**26.7**	2.7	2.6
Intra-group sales	**-4.2**	-1.7	-1.8
Total	**378.2**	335.5	308.7

OPERATING PROFIT EXCLUDING NON-RECURRING ITEMS

EUR million	**2012**	2011	2010
Frozen Foods	**2.6**	3.3	3.4
Seafood	**-0.4**	0.2	-1.8
Grains and Oilseeds	**6.5**	8.4	7.2
Other Operations	**0.2**	-2.0	-0.5
Total	**8.8**	9.8	8.4

OPERATING PROFIT

EUR million	**2012**	2011	2010
Frozen Foods	**2.6**	3.3	3.4
Seafood	**-0.4**	-1.0	-1.8
Grains and Oilseeds	**6.5**	8.4	7.2
Other Operations	**-0.1**	-2.0	-0.5
Total	**8.5**	8.7	8.3

INVESTMENT IN NON-CURRENT ASSETS

EUR million	**2012**	2011	2010
Frozen Foods	**1.8**	1.9	1.2
Seafood	**1.1**	0.7	1.1
Grains and Oilseeds	**0.5**	3.0	0.7
Other Operations	**0.6**	0.1	0.2
Total	**3.9**	5.8	3.1

PERSONNEL

Average number	**2012**	2011	2010
Frozen Foods	**195**	204	199
Seafood	**345**	320	351
Grains and Oilseeds	**70**	62	61
Other Operations	**111**	10	10
Total	**721**	596	621

Mission, vision, targets and values

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.

LONG TERM 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%

VALUES

Customer focus
We recognise the needs of consumers and customers. We build success for our customers and ourselves through close cooperation.

Renewal
We actively search for new solutions and we proceed decisively and quickly to take advantage of change. Through renewal we are able to develop our business and improve our performance.

We ensure that our skills and competence are continuously updated by cultivating a working climate that encourages learning and by providing opportunities to learn. We encourage each other to improve as individuals and as employees.

We constantly update and revise our range of products and services in anticipation of the changing needs of consumers and customers. We also actively contribute to improving our operating environment.

Responsibility
We act responsibly throughout the entire chain of operations and take into account the needs and expectations of consumers, customers, personnel, shareholders, society and the environment.

We are all aware of our personal responsibility within the work community.

It is our responsibility to improve profitability and provide a good return on the capital invested in the company over the long term.

Frozen Foods

Home-grown vegetables guarantee great tasting frozen vegetable products and frozen ready meals

Apetit Pakaste is the leading Finnish producer of frozen vegetables and frozen ready meals. Under its Apetit brand, it develops, produces, markets and sells frozen foods mainly produced with Finnish raw materials. The home-grown content accounts for 75% in Apetit's frozen vegetables and frozen potato products, and 98-100% in the Kotimainen product range.

The company's production facilities are located in Säkylä and Pudasjärvi. The Säkylä facility produces frozen vegetables, frozen potato products and frozen ready meals. The majority of Apetit Pakaste's contract growers, who number more than 100, operate near Säkylä. The company's frozen pizza production is located in Pudasjärvi.

Apetit Pakaste's customers comprise the retail trade, the professional food service sector and food industry companies. Apetit Pakaste also produces frozen ready meals and frozen vegetables for export.

FROZEN FOODS	**2012**	2011	2010
Net sales, EUR million	**46.9**	45.3	45.1
Operating profit excluding non-recurring items, EUR million	**2.6**	3.3	3.4
Operating profit, EUR million	**2.6**	3.3	3.4
Investment in non-current assets, EUR million	**1.8**	1.9	1.2
Average number of personnel	**195**	204	199

Great tasting products!

That's because they are made from quality raw materials and go through only the minimum necessary production stages. In Apetit Pakaste's product development the focus is on the taste preferences of Finnish consumers and convenience in daily meal preparation. Flavours and preparation instructions are tested on panels of ordinary consumers, and these panels are regularly changed.

Apetit is the preferred frozen products choice among consumers

Consumer awareness of the Apetit brand and impressions of the brand's image are assessed in the annual Brandflow survey. In spontaneous responses, Apetit was found to be the best known brand among consumers. Consumers felt Apetit to be the lightest, freshest and most natural brand.

RESPONSIBILITY AND QUALITY BEGIN WITH VEGETABLE GROWING

The quality criteria for raw materials are strictly defined. Finnish vegetables come from contract growers, who are committed to following the integrated production (IP) growing guidelines, which are subject to continuous review and development. The aim of IP is to reduce the adverse environmental impact of cultivation and to observe the principles of sustainable farming.

The most important domestic raw materials used by Apetit Pakaste are potatoes, carrots, peas, spinach, swede, parsnips, celery, beetroot, leeks and organic spinach. Frozen maize and sweet peppers are the most important of the imported raw materials, and are acquired from long-standing contract suppliers mainly in the European Union.

APETIT KNOWS PRECISELY WHERE ITS PRODUCTS COME FROM

Based on the product number and best before date on the pack, Apetit can trace the raw materials used in its products. If the raw materials originate from its own contract growers, the source can be traced all the way to the field. Thanks to the shared data system with growers, Apetit Pakaste also has access to data about soils, nutrient conditions, fertilisers and pesticide use, among other things. Raw materials procured from elsewhere can be traced to the arrival batches, which are then used to identify the raw material supplier and to trace the entire supply chain.

The raw materials in Apetit's frozen vegetable products are mainly of Finnish origin. The majority of these raw materials are from Finnish contract growers, almost all of whom are with 100 kilometres of the production plant. All of Apetit Pakaste´s contract growers, who number more than 100, have received training in ecologically sustainable integrated production (IP) methods.

HOME-GROWN CONTENT VALUED BY CONSUMERS

Kotimainen

The Apetit Kotimainen product range can be recognised from the blue Kotimainen label. Apetit Kotimainen frozen vegetables and frozen potato products have a home-grown content of 100%. The raw materials in Apetit Kotimainen frozen ready meals have a home-grown content of 98%, the remainder being imported salt and spices. The home-grown content is clearly stated in the product details of frozen ready meals, and these details also make it clear which ingredients are not of Finnish origin.

The domestic content is evidently an important factor in consumers' purchase decisions, as sales of the Kotimainen product range grew by 15% during the year.

In the beginning of 2013, there were 14 Apetit Kotimainen products for consumers to choose from. Adding to this Apetit Kala Oy's consumer-packaged products and service sales products, and its frozen vegetable products for the professional food service sector, the total number of home-grown Apetit quality products was almost 50. Apetit will continue to develop its Kotimainen product range in the future.

Home-grown content is the guiding principle throughout the field to table chain. Summer 2012 saw leeks added to the range of home-grown vegetables produced. This allows the popular Apetit Peruna & keittokasvikset (potato & chopped vegetables for soups) to be of 100% Finnish origin.

Valmistettu Suomessa

The Finnishness of Apetit's frozen pizzas can also be highlighted as they are made in Pudasjärvi, Finland. A 'Made in Finland' sticker was added to the packaging in the end of 2012.

Seafood

Fresh fish and delicious-tasting fish products

Apetit Kala Oy is Finland's biggest fish seller and fish processing company in terms of net sales. Apetit Kala Oy and its subsidiary Myrskylän Savustamo Oy market and sell fresh fish and fish products under the Apetit and Safu brands and retailers' private labels, mainly in Finland. In addition, Apetit Kala sells fish, fish products and other fresh products (including meat and salads) through its own service counters under the shop-in-shop principle.

The associated company Taimen Oy (30%) and its subsidiaries specialise in fish farming and fingerling production. The Taimen companies have 30 fish farms in mainland Finland, the Archipelago Sea and Sweden.

Maritim Food AS and its subsidiaries develop, produce and sell shellfish and fish products in Norway and Sweden. The companies have two production facilities in Norway and one in Sweden. Maritim Food's customers are retail chains and the professional food service sector. The main product groups are shellfish, minced fish products (fish balls and caces), canned fish products, pizza sauces and salad dressings. Maritim Food's own brands are Maritim, Fader Martin and Sunnmöre. Most of Maritim Food's products are sold under retailers' private labels.

SEAFOOD	**2012**	2011	2010
Net sales, EUR million	**93.0**	84.3	80.9
Operating profit excluding non-recurring items, EUR million	**-0.4**	0.2	-1.8
Operating profit, EUR million	**-0.4**	-1.0	-1.8
Investment in non-current assets, EUR million	**1.1**	0.7	1.1
Average number of personnel	**345**	320	351

How can you tell whether fish is fresh?

Your senses will tell you whether the fish is fresh. Fresh fish has a pleasantly fresh smell and its flesh is firm to the touch. The gills on a whole fresh fish will be bright red. Fish keeps well for as much as two weeks after it is caught, provided that the refrigeration chain is unbroken and the fish is stored on ice at a temperature of between 0°C and +2°C. This is colder than a normal refrigerator temperature, which means that fish bought fresh will not keep for long in a standard home refrigerator.

ALMOST HALF OF THE FISH RAW MATERIAL IS OF FINNISH ORIGIN

All of the Apetit fish products are produced in Finland. Almost half of the fish we sell is of Finnish origin. Apetit Kala's Finnish sourced fish is from the Archipelago Sea and from inland lakes. Wild fish, for instance fresh vendace, is obtained from a number of different waters: the Eastern Finnish lakes of Orivesi, Suvasvesi, Haukivesi, Puruvesi and Pihlajavesi, and at peak times also from Northern Finland. Rainbow trout is supplied by Apetit Kala's associated company, Taimen.

Apetit Kala imports mainly Norwegian salmon. Norwegian farmed salmon is popular in Finland and is also a very important raw material for Apetit Kala too. To guarantee enough fish raw material, Apetit also imports fish from other seas around the world. To ensure a steady supply of raw materials, Apetit Kala's procurements are based mainly on farmed fish.

Apetit Kala is committed to sustainable fishing, and so, for example, it neither imports nor uses any Chilean farmed salmon that is on the WWF red list. Apetit Kala obtains its imported wild fish from the North Sea. Shellfish and other more exotic species are imported in small quantities from sustainable fishing sources in different parts of the world.

KOTIMAINEN PRODUCT RANGE INCLUDES FISH PRODUCTS

Meeting consumer wishes, Apetit Kala gives clear information on its packaging whenever the fish raw material is of 100% Finnish origin. In the beginning of 2013, consumers are offered fish products in the 100% home-grown Kotimainen range, including Kotimainen vendace and Kotimainen whitefish. The aim is to expand the range of these Kotimainen products not only in Finland but also, based on their own home-grown raw materials, in Norway and Sweden.

TAIMEN GUARANTEES THE AVAILABILITY OF FRESH FINNISH RAINBOW TROUT

Thanks to co-operation with associated company Taimen, Apetit Kala is the market leader in Finnish farmed rainbow trout. Apetit Kala introduced a new logistics operation in autumn 2011, which allows consumers to be offered exceptionally fresh rainbow trout during its peak period at retail stores in the Helsinki metropolitan area and elsewhere. This means that the fish on sale may even have been caught the same morning. This exceptionally fresh rainbow trout has been very well received by consumers, and sales have risen considerably in 2012.

UNCOMPROMISING WORK TO ENSURE FISH PRODUCTS ARE TASTY

Tastes can vary widely from one country to another. For example, most of the fish and shellfish products we offer on the Norwegian and Swedish markets are unfamiliar to Finnish consumers.

Irrespective of nationality though, what we all have in common is the desire that food should taste good. Alongside freshness, great taste and Finnish origin are the leading guideline for product development in Seafood business. Great taste relies on having fresh raw materials, tested recipes and unbeatable fish processing skills. We listen carefully to consumers' wishes. In our marinated rainbow trout products, for instance, we renewed marinades to have even more delicious taste and increased the size of the fish pieces.

We have chosen great tastes as our most important competitive strength, and this is something we make no compromises about.

Grains and Oilseeds

Leading expertise and excellent customer service

Avena Nordic Grain Oy is Finland's leading trader in grains, oilseeds and animal feedstuffs, and is a manufacturer and supplier of vegetable oils and expeller. Avena's principal market is the European Union, but it also trades in many other markets. Avena is particularly active in its home market, Finland, and in the Baltic countries.

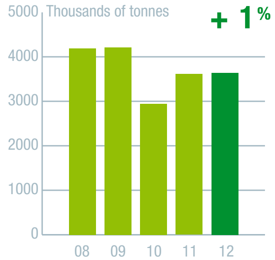
The company is based in Espoo and has branch offices in other parts of Finland: Kirkkonummi, Vaasa, Pori, Salo, Loimaa, Kouvola and Porvoo. Avena also has the following foreign subsidiaries for local grain procurement and trading: ZAO Avena St. Petersburg in Russia, UAB Avena Nordic Grain in Lithuania, OÜ Avena Nordic Grain in Estonia, TOO Avena Astana in Kazakhstan and OOO Avena-Ukraina in Ukraine.

Avena's Mildola Oy subsidiary, based in Kirkkonummi, develops and produces vegetable oils and expeller from rapeseed and soybeans.

GRAINS AND OILSEEDS	**2012**	2011	2010
Net sales, EUR million	**215.8**	204.9	181.9
Operating profit excluding non-recurring items, EUR million	**6.5**	8.4	7.2
Operating profit, EUR million	**6.5**	8.4	7.2
Investment in non-current assets, EUR million	**0.5**	3.0	0.7
Average number of personnel	**70**	62	61

CROPS IN FINLAND
2008 - 2012

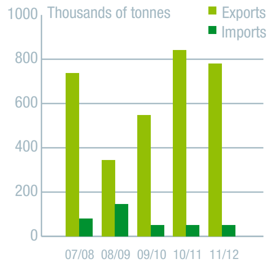
2012	3 659
2011	3 611
2010	2 943
2009	4 214
2008	4 190



GRAIN EXPORTS AND IMPORTS
DURING CROP SEASONS 07/08 - 11/12

11/12	779	50
10/11	840	50
09/10	548	51
08/09	345	145
07/08	738	80

Exports	Imports
- 7 %	0 %



Mildola's vegetable oil contains an abundance of health-beneficial unsaturated fats and omega fatty acids

Thanks to the natural, chemical-free production, Mildola's vegetable oils contain a lot of the healthy microcomponents of rapeseed, such as antioxidants, flavonoids and vitamins. Vegetable oil is excellent for use in the food industry, in the professional food service sector and in home cooking. Mildola's vegetable oils are supplied to customers in Finland, the other Nordic countries and the Baltic countries.

AVENA IS A GRAIN TRADING SPECIALIST

Avena has a well-established position on the Finnish market both among growers and as a raw material supplier to industrial users. Avena purchases all grain varieties, oilseeds and animal feedstuffs, and sells them to the processing industry and the trade, especially in its home market of Finland and in the Baltic countries, but also elsewhere in the world. Grains and oilseeds are acquired directly from growers and also from other grain traders. International flows of grain vary according to crops and market conditions, and so Avena's activity on different markets is influenced by the prevailing grain flows.

AVENA'S EXPERTISE BENEFITS ITS PARTNERS

During almost twenty years of operation Avena has become known on the market as a reliable and professional trading partner. The company has an extensive customer and supplier base in different countries, and its subsidiaries have solid local expertise in their own regions.

The grower benefits in many ways when doing business with Avena, as the company offers growers a diverse array of tools for trading and for managing price and quality risks. Growers have access to the latest market information and may select the modern contract models and pricing methods that suit them best. Trading is performed with precision and on a flexible basis. Delivery locations are many and allow the grower to find the most appropriate logistics solutions. The actions taken by Avena to develop Mildola ensure that rapeseed growers will continue to have a secure delivery destination in the future.

Avena offers the grain processing industry a variety of solutions tailored to meet its raw material needs. Active operations on numerous markets ensure flexible delivery whatever the origin, quality or load size. For the vegetable oil using industry, Avena supplies high quality products in accordance with the specific customer's needs and timetables.

MILDOLA PRODUCES HIGH QUALITY VEGETABLE OIL AND EXPELLER

The raw material for Mildola's oil milling plant is mainly rapeseed. Avena actively purchases Finnish raw materials for Mildola. To ensure a sufficient supply, raw materials are also procured on other markets. In Mildola's production process the oil is naturally extracted from the oilseeds by crushing them. This method is environmentally friendly and efficient. The end products are vegetable oil and expeller, which is excellent as an animal feedstuff. The expeller is used as a raw material in industrial feed production, but is also ideally suited as a component feed for cattle, for example.

Avena also offers customer-specific solutions based on Mildola's production setup, such as deep frying oils for demanding uses. The food industry is a major customer, though there has also been a substantial increase in delivery volumes to the professional food service sector, thanks to the new packaging plant. The packaging plant is also very important in the development of new special vegetable oils.

Special rapeseed oil developed by Mildola is produced in an exceptionally gentle way that preserves the rapeseed's smooth flavour and valuable nutrients as well as possible. It is ideal for a wide range of kitchen uses and product applications. Neito is the name given to the consumer brand of this special rapeseed oil.

Other Operations

CATERNET

The Other Operations segment comprises Group Administration, the service company Apetit Suomi Oy, the Caternet Group, items not allocated under any of the business segments, and the associated company Sucros Ltd. The commercial operations of Ateriamestarit Oy, which is part of Other Operations, were discontinued at the end of 2012.

Parent company Lännen Tehtaat plc is responsible for Group administration, development of the Group structure, and the administration of share and real estate ownership.

Apetit Suomi Oy is responsible for the marketing of Apetit products and for providing personnel, IT and financial management services to the units of the Lännen Tehtaat Group, and environmental administration services to all operators at the Säkylä industrial estate.

Caternet Finland Oy produces ready-to-use fresh vegetable and fruit products, and fresh, frozen and fresh smoked fish for the professional food service sector.

The associated company Sucros Ltd (20%) produces, sells and markets sugar products for the food industry and the retail trade, and for export.

OTHER OPERATIONS	**2012**	2011	2010
Net sales, EUR million	**26.7**	2.7	2.6
Operating profit excluding non-recurring items, EUR million	**0.2**	-2.0	-0.5
Operating profit, EUR million	**-0.1**	-2.0	-0.5
Investment in non-current assets, EUR million	**0.6**	0.1	0.2
Average number of personnel	**111**	10	10

Cold chain essential to shelf-life

Caternet's temperature control is automated throughout the production chain from storage to production and transport. An unbroken cold chain and correct storage temperatures are vital for perishable fresh products. The correct temperature for keeping fresh products is 3-5°C. The shelf-life of Caternet´s products is tested in real conditions in professional kitchens.

4 million kilos of chopped vegetables

Caternet pre-prepared about 4 million kilos of chopped vegetables in 2012. This included, for instance, 18,000 kilos of chopped Iceberg lettuce every week, which ment that up to three truckloads of these lettuces arrived at the production unit each week. Caternet's operation runs seven days a week.

CATERNET FINLAND OY – FOOD SOLUTIONS PARTNER FOR THE PROFESSIONAL FOOD SERVICE SECTOR

Caternet Finland Oy produces fresh and ready-to-use vegetable and fruit products, and fresh, smoked and frozen fish. Since the start of 2013, the company has also been responsible for sales of Apetit Pakaste and Apetit Kala products to the professional food service sector. Caternet became part of the Lännen Tehtaat Group at the end of March 2012.

Caternet's production unit and distribution centre are at Kivikko in Helsinki, and it has a regional office in Jyväskylä.

Caternet is Finland's leading producer and marketer of fresh, additive-free, pre-prepared vegetable and fruit products. The products are sold under the Caternet brand to the professional food service sector and the food industry.

Caternet's biggest professional food service sector customers are staff restaurant chains and hotel and restaurant chains. Sales to public sector catering organisations are also considerable.

Caternet delivers products within 24-hours of the order to ensure freshness anf quality of the products. The majority of customers use the company's online ordering system. The products are delivered to customers via wholesalers or direct distribution, according to the customer's choice.

Fresh from suppliers to customers

Raw materials are acquired fresh from long-standing contract suppliers in Finland and abroad. Finnish raw materials are used wherever they can be obtained at competitive rates. The raw materials arrive from the suppliers exactly when they are needed, thus ensuring freshness.

The comprehensive product range includes vegetables, fruit and fish. Caternet produces fresh fish, fresh smoked fish and frozen fish for the professional food service sector. Fruit and vegetable products are chopped, sliced, diced and cut into strips while fresh and are packed in this form without any preservatives or additives.Caternet also develops new products from quality raw materials to meet customer wishes. The company has its own test kitchen and professional product development and kitchen personnel.

The entire production chain is strictly monitored

Caternet's operation has the highest of hygiene standards and is based on the company's certified ISO 9001 quality management system and ISO 22000 food safety system. The company has also been certified according to ISO 14001 environmental management systems.

Caternet is responsible for the quality of its products from the raw material supplier to the professional food service sector. Quality and shelf-life are based on careful attention to hygiene and temperature control, and these are ensured using quality control points, control samples and raw material traceability.

The company's own laboratory performs efficient quality monitoring and product testing, and results can be acted on immediately. The laboratory analyses samples of raw materials and end products, and from the production line, on a daily basis.

Wide product selection from Apetit Ammattilaiset

The Apetit Ammattilaiset sales and marketing organisation, with a staff of 15, was set up for Caternet at the end of 2012.

From the start of 2013, Apetit Ammattilaiset is responsible for the commercial sales operations of Lännen Tehtaat Group companies Apetit Pakaste Oy, Caternet Finland Oy and Apetit Kala Oy to the professional food service sector. Apetit Ammattilaiset provides the professional food service sector with innovative food solutions and a high-quality, healthy range of products for everyday or special occasions.

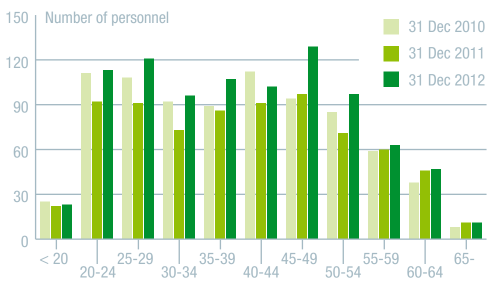
Apetit Ammattilaiset has an extensive range of fresh and frozen products: vegetables, salads, fruit, fish, vegetable and fish products, and pizzas.

Responsibility

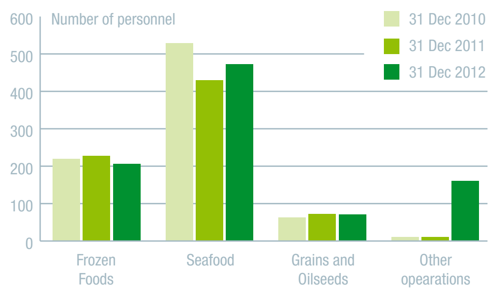
Below are some examples of how the Lännen Tehtaat Group demonstrated responsibility in 2012.

In the Lännen Tehtaat Group, responsibility means adopting a socially, ecologically and economically responsible approach in accordance with the principles of sustainable development. The aim is that operations should be efficient and in harmony with the environment.

AGE DISTRIBUTION OF THE PERSONNEL



NUMBER OF PERSONNEL
BY SEGMENT



CONTINUATION OF THE EMPLOYEE WELLBEING PROJECT: IN 2012 THE FOCUS WAS ON PROMOTING WELLBEING IN THE WORK COMMUNITY AND A GOOD WORKPLACE ATMOSPHERE

In 2011, the Lännen Tehtaat Group launched a three-year employee wellbeing project. Each year of the project has its own theme, and in 2012 the focus was on promoting wellbeing in the work community and a good workplace atmosphere. Each month of the year has its own sub-theme, such as listening to others, giving of feedback, humour, diversity as a work community resource, respect and expertise.

In 2012, the personnel took part in a wellbeing survey, which was a follow-on from the same survey conducted in 2011. The survey results show that the biggest improvement was in mental wellbeing and in the functioning of the work community at Group level. Close cooperation with the occupational health service continued by offering counselling and support to those who the survey found to be part of a risk group.

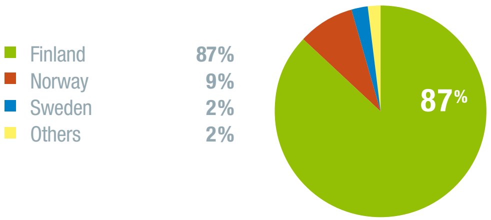
As part of the project, the units within Apetit Kala and Apetit Pakaste introduced a cooperation-based game developed at the laboratory of Work Psychology and Leadership at the Aalto University. With the help of a trained project coordinator, the participants discuss teamwork themes, problem situations, and issues concerning the process of getting to know each other. The aim is to help team members see the different aspects of teamwork, think about the prevailing practices and create joint operating principles for their team.

Aiming for a smoke-free work community

The changeover to a smoke-free work community was begun within the Group. The plants at Säkylä and Pudasjärvi went smoke-free in May 2012 and were followed by Avena Nordic Grain and the Espoo office last autumn.

The aim is that all Group units located in Finland will be smoke-free by the beginning of August 2013. Lännen Tehtaat is encouraging its employees to stop smoking by offering a support programme as part of its occupational health care service, which includes smoke cessation group activities and support medication.

PERSONNEL BY COUNTRY
on 31 Dec. 2012



Did you know that...

the contract growers for Apetit Pakaste use a data system in which they record all parcel-specific cultivation activities in real time. With the system, each raw material batch delivered to the factory can be traced and the grower supplying it identified.

Did you know that...

outdoor growing of vegetables has a long tradition in Satakunta. Vegetable cultivation is concentrated in Satakunta because the area has favourable growing conditions and there is close cooperation between primary producers and the processing industry in the region. A quarter of all outdoor-grown vegetables produced in Finland and more than 70 per cent of Finland's industrially processed vegetables come from Satakunta. Vegetable cultivation is therefore an important factor in the regional economy and a major source of employment in the area.

APPLYING IPM TO PRODUCE VEGETABLE RAW MATERIALS

Growing vegetables outdoors is increasingly subject to new environmental and consumer demands. Legislation, the need to reduce environmental impacts, climate change and consumer requirements have all created a situation where the vegetable production chain must be made more environmentally sustainable. A Satakunta-based vegetable chain is prepared to meet the challenge so that it can keep its operations profitable and competitive and at the same time ensure the eco-friendliness of its processes.

In the training project referred to here, for 2011-2013, the plant-specific growing guidelines for outdoor vegetable cultivation are being updated in accordance with the latest EU requirements. The project will also involve the development of good Finnish growing practices. The project is coordinated by the Pyhäjärvi Institute in partnership with MTT Agrifood Research Finland, Apetit Pakaste Oy and vegetable growers in Satakunta.

In the future, Apetit vegetables will be grown in accordance with the principles of Integrated Pest Management. IPM principles and practices are a continuation of the IP (integrated production) cultivation system introduced by Lännen Tehtaat in the 1990s. In IP, well-considered and correctly timed cultivation methods help to improve product quality and to reduce the environmental impacts of cultivation.

One of the basic requirements of the IPM system is that pest control measures are only taken when necessary. The system is based on information about the pest life-cycles and natural enemies. Vegetable growers regularly monitor the areas under cultivation and the occurrence of pests, and should it become necessary to take pest control measures, only appropriately selected pesticides are used.

Appropriate IPM practices will be incorporated in the production of domestic raw materials for Apetit Pakaste during the 2013 growing season.

PRODUCT DEVELOPMENT AIMS TO PROVIDE CONSUMERS WITH TASTY, HEALTHY AND SAFE FOOD

Case: Developing a new series of gratin products for consumers

Apetit decided to develop a new gratin series because it wanted to have products that can be marketed in parallel with its vegetable gratin, which was steadily increasing in sales. In line with the surge in the popularity of vegetable-based foods, the aim was to create a tasty product with clear composition and high vegetable content (63%), flavoured with low-lactose double cream, cheese and seasoning. Great tasting products are made from quality raw materials and go through only the minimum necessary production stages. The product development process involved the preparation of many versions with different compositions, and taste assessment played a key role in the decisions made. The exact composition and safety of the raw materials and packaging were also examined during the product development phase. The work was based on specifications, chemical and microbiological tests, sensory evaluation and the approval of suppliers. Shelf-life tests were also carried out on the products.

The gratins are produced using the Cryomix method in which the vegetables are covered with sauce. Full-scale production runs were carried out to test the suitability of the recipes and packaging of the new gratins. Controlled production and freezing help to keep the vegetables' natural nutrient density at a high level right all the way to the consumer's plate. Skilled personnel at Apetit Pakaste are appropriately trained in the manufacturing of safe products, and ensuring the safety of new products is part of the product development process.

Apetit was particularly keen to hear what demanding young consumers had to say about the taste of the new gratins. The sensory characteristics and recipes were tested by a group of students at the Turku University of Applied Sciences as part of a sensory analysis course. The 'sweet potato & root vegetable au gratin' and the 'cauliflower & broccoli au gratin' were clear favourites among the number of different tastes tried by the students.

The packaging of the Apetit gratin series was given a fresh and colourful look and the products were launched in the autumn of 2012. Consumers have discovered these new Apetit gratin products and they have has been selling very well. Further additions to this successful range are under development.

ENERGY-EFFICIENT VEGETABLE OIL PACKAGING PLANT

At Mildola's vegetable oil packaging plant, built in 2011, heat – or thermal energy – is needed for the heating system in the premises and for washing containers. At the start of the construction project the plan was to use geothermal heat to produce the thermal energy needed for the packaging plant. However, the investment cost of the geothermal heat system would have been high in relation to the amount of energy needed. Having considered the alternatives, it was decided to produce the thermal energy needed for the plant with the aid of the hot water system in Mildola's vegetable oil mill.

In the mill's hot water system, normal household water is heated to about 80 degrees Celsius using steam and is then piped through the hot water network to part of the process and also to the washing system. For the packaging plant's thermal energy needs, the mill's pipe network was extended to travel via the packaging plant. Hot water is then taken from this extension for washing the plant's containers, and thermal energy is taken for heating the premises.

WASTE RECYCLING

The packaging plant's energy needs were thus met by efficiently utilising the existing hot water system and building a pipe extension from the mill to the packaging plant. The packaging plant has not increased Mildola's energy consumption. On the contrary, Mildola's total energy consumption in 2012 was less than in 2011, despite the operation of the new packaging plant.

The Lännen Tehtaat Group pays particular attention to separate collection of waste and recycling of materials at all its production units. Usable waste material from the production process is reused or recycled. A material that can no longer be reused or recycled will end up as raw material for energy generation. All this means we produce less waste for public landfills, reduce greenhouse gas generation and improve material and energy efficiency.

The soil and stones accumulated during the processing of vegetable raw material at Apetit Pakaste Oy are first dried and then taken to Lännen's industrial estate for use in earthworks. Biofractions that can be used for nutrition are taken for animal feed, while the remainder is composted. The resulting mulch is used as a soil enricher for landscaping and vegetable gardens.

Waste that cannot be reused is taken to landfills, while hazardous waste is taken for appropriate processing.

Fish containers are made of EPS

Because of its durability and good thermal insulation properties, EPS (expanded polystyrene) is widely used in the construction of buildings, and packaging. The good insulation properties of EPS are due to the air contained in its closed-cell foam structure. EPS products do not contain substances or gases detrimental to health or the environment. EPS products are almost 100 per cent recyclable.

Recycling fish containers made of expanded polystyrene

Fish are transported in ice-filled containers made of expanded polystyrene. A large amount of reusable polystyrene is generated at our fish-processing plants. The fish containers are washed, crushed and pressed into briquette bars, which are then taken for recycling into new plastic products.

RECORD CROPS AND HEAVY RAINFALL CHALLENGED THE OPERATION OF THE WASTEWATER TREATMENT PLANT

In 2012, the wastewater treatment plant generated a total of 4,000 MWh of biogas (in 2011: 3,300 MWh). Most of this was used for heat generation at the Säkylä industrial estate's power plant.

As a result of the record crops in autumn 2011, an exceptionally large amount of water filled the wastewater treatment plant basins at the Säkylä industrial estate. Consequently, in order to leave enough space for the spring meltwater, we had to discharge more water than normal into the Eurajoki river in early 2012. The discharges led to us exceeding temporarily the target values specified in the environmental permit conditions during 2012. Changes in the quality of the river water were estimated to be negligible due to the high flow rate in the river. The water did not contain chemical or microbiological constituents detrimental to health.

General overhaul of wastewater treatment plant

The aerobic wastewater treatment plant at the industrial estate underwent a general overhaul during the summer with the aim of improving its efficiency. As part of the overhaul, the aeration basins' efficiency was improved among other things by purchasing an additional aeration compressor and by removing the slurry that had accumulated at the bottom of the basins, which slows down the water purification process.

Most of the water treated at the plant is from vegetables

About 900,000 cubic metres of water are treated at the Säkylä industrial estate's aerobic treatment plant each year. Most of the water is from the vegetables processed at the industrial estate. For example, water accounts for about 70 per cent of the weight of sugar beet. The rest of the water treated at the plant is rain water and lake water used for washing the yard areas.

About 200,000 cubic metres of municipal household water is purchased for the industrial estate each year. Sanitary wastewater is discharged into the municipal sewer network.

Board of Directors´ report and financial statements 2012

Board of Directors' report 2012

The company's businesses are Frozen Foods, Seafood, Grains and Oilseeds, and Other Operations. These are also the reportable business segments in the Group's reporting. Frozen Foods consists of Apetit Pakaste Oy. Seafood comprises the Apetit Kala companies Apetit Kala Oy and Myrskylän Savustamo Oy, the associated company Taimen Oy in Finland, and the Maritim Food Group companies in Norway and Sweden. Grains and Oilseeds comprises Avena Nordic Grain Oy and its subsidiaries.

The Other Operations segment comprises the service company Apetit Suomi Oy, Group Administration, the Caternet Group, items not allocated under any of the business segments, and the associated company Sucros Ltd. The commercial operations of Ateriamestarit Oy, which is part of Other Operations, were discontinued at the end of 2012. The cost of services produced by Apetit Suomi Oy has been allocated to the Group's businesses in proportion to their use of the services.

KEY INDICATORS

	2012	2011	Change	2010
Net sales, EUR million	**378.2**	335.5	13%	308.7
Operating profit, EUR million	**8.5**	8.7		8.3
Operating profit, %	**2.2**	2.6		2.7
Operating profit, excluding non-recurring items, EUR million	**8.8**	9.8		8.3
Operating profit, excluding non-recurring items, %	**2.3**	2.9		2.7
Profit before taxes, EUR million	**7.5**	7.5		8.4
Profit for the period, EUR million	**6.7**	5.7		6.5
Earnings per share, EUR	**1.07**	0.92		1.04
Equity per share, EUR	**22.41**	22.06		22.01
Equity ratio, %	**60.7**	74.9		72.4
Return on equity (ROE), %	**4.8**	4.1		4.7
Return on investment (ROI), %	**5.4**	6.3		6.1

Other key indicators are presented in Note 30 of the Notes to the Financial Statements. The calculation of key indicators is presented in Note 31 of the Notes to the Financial Statements.

NET SALES AND PROFIT

The Group's net sales for 2012 came to EUR 378.2 (335.5) million, up by almost 13% year on year. In all the Group's businesses, net sales were higher than a year earlier. Caternet Finland Oy, which was acquired at the end of March and subsequently incorporated into the Other Operations segment, boosted net sales by EUR 23 million.

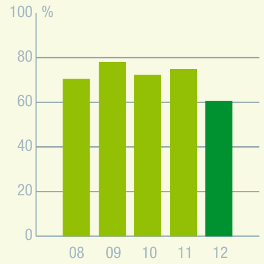
The operating profit, excluding non-recurring items, was EUR 8.8 (9.8) million. Non-recurring items came to EUR -0.4 million and were from the Other Operations segment. Non-recurring items a year earlier came to EUR -1.1 million and were from the Seafood business. The operating profit includes EUR 3.7 (1.3) million as the share of the profits of associated companies. A total of EUR 0.0 (0.6) million of the associated company profits was allocated to the Seafood business, and EUR 3.7 (0.7) million to the Other Operations segment.

Financial income and expenses came to a total of EUR -1.0 (-1.2) million. This includes valuation items of EUR 0.4 (-0.1) million with no cash flow implications. Financial expenses also include EUR -0.7 (-1.0) million as the share of the Avena Nordic Grain Group's profit attributable to the employee owners of Avena Nordic Grain Oy.

EQUITY RATIO

2008 - 2012

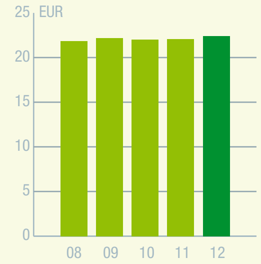
2012	**60.7**
2011	74.9
2010	72.4
2009	78.0
2008	70.5



EQUITY PER SHARE

2008 - 2012

2012	**22.41**
2011	22.06
2010	22.01
2009	22.19
2008	21.83



Profit before taxes was EUR 7.5 (7.5) million. Taxes for the financial year came to EUR -0.8 (-1.8) million. The profit for the period was EUR 6.7 (5.7) million, and earnings per share amounted to EUR 1.07 (0.92).

CASH FLOWS, FINANCING AND BALANCE SHEET

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

The full-year cash flow from operating activities after interest and taxes was EUR -16.1 (6.1) million. The impact of the change in working capital was EUR -24.2 (-2.2) million. Working capital increased as a consequence of the high market prices in Grains and Oilseeds.

The net cash flow from investing activities was EUR -8.8 (4.2) million. Deposits and withdrawals of cash assets invested in short-term fixed income funds had an impact of EUR 0.0 (7.1) million on the cash flow from investing activities. The cash flow from financing activities came to EUR 20.8 (-8.4) million, and this included EUR -5.3 (-5.6) million in dividend payments.

At the close of the financial year, the Group had EUR 36.4 (2.3) million in interest-bearing liabilities and EUR 5.2 (9.3) million in liquid assets. Net interest-bearing liabilities totalled EUR 31.1 (-7.0) million. The consolidated balance sheet total stood at EUR 232.9 (185.8) million. At the end of the period, equity totalled EUR 141.5 (139.2) million. The equity ratio was 60.7% (74.9%) and gearing was 22.0% (-5.1%). The Group's liquidity is secured with committed credit facilities. In all, EUR 15 (25) million was available in credit at the end of the year. To finance working capital, EUR 10.0 (0.0) million was drawn in credit facilities and EUR 19.0 (0.0) million was issued in commercial papers.

INVESTMENT

The Group's gross investment in non-current assets came to EUR 3.9 (5.8) million.

Investment by Frozen Foods totalled EUR 1.8 (1.9) million, by Seafood EUR 1.1 (0.7) million, by Grains and Oilseeds EUR 0.5 (3.0) million and by Other Operations EUR 0.6 (0.1) million.

Investment in shares during the financial year came to EUR 9.7 (0.2) million. This comprised the purchase of Caternet Finland Oy shares.

PERSONNEL

Lännen Tehtaat's personnel strategy focuses on improving professional competence, management skills and employee wellbeing.

The Group is constantly developing its supervision and management processes, aware that these can have a considerable impact on employee wellbeing and that a longer term view is necessary. A three-year employee wellbeing project was launched at the start of 2011. Each year of the project has its own theme, and in 2012 the theme was the promotion of wellbeing and a good workplace atmosphere in the work community. To help maintain each employee's capacity for work, the early care model was continued and explored further in Lännen Tehtaat's different units during 2012. To improve cooperation and enhance the workplace atmosphere, and to encourage everyone to get to know their colleagues, teams were involved in playing a cooperation-based game. Employees were encouraged to take part in various sports and fitness events. The changeover to a smoke-free work community was also begun within the Group.

Number of employees in the Group (average)

	2012	2011	Change	2010
Frozen Foods	**195**	204	- 4%	199
Seafood	**345**	320	8%	351
Grains and Oilseeds	**70**	62	13%	61
Other Operations	**111**	10	1010%	10
Total	**721**	596		621

The average number of employees in Frozen Foods is very dependent on the production volume of frozen vegetables. In 2012, the processed crop volume was smaller than in the record year of 2011. In Seafood, the number of employees grew as a result of the increase in production and product development and the expansion of sales expertise. The number of people employed in Grains and Oilseeds increased due to the start-up of the packaging plant and the launch of Avena-Ukraina in Ukraine. In the Other Operations segment, the increase in personnel was a consequence of acquiring Caternet at the end of March and its subsequent incorporation into Other Operations.

The salaries and other remuneration paid to the Group's personnel in 2012 amounted to EUR 28.4 (23.9) million.

OVERVIEW OF OPERATING SEGMENTS

Frozen Foods

Frozen Foods' net sales in 2012 were up slightly year on year in all sales channels and all product groups. Sales of the Kotimainen home-grown product range were up by 15%, with particularly strong growth in the Kotimainen potato products compared with a year earlier.

Home-grown content is the guiding principle throughout the field to table chain. Summer 2012 saw leeks added to the range, which allows the popular Apetit Peruna & keittokasvikset (potato & chopped vegetables for soups) to be of 100% Finnish origin from the end of 2012. At the end of 2012, consumers had a choice of 14 Apetit Kotimainen products, and the range will be expanded further during 2013.

Domestic content was also highlighted in Apetit pizzas: a 'Made in Finland' sticker was added to the packaging at the end of 2012.

The Apetit Kotimainen home-grown theme was emphasised in the Apetit product marketing during the year, with the message that the products on the table are packaged straight from Finnish fields. The marketing material will continue with Finnish origin theme in 2013.

The 2012 operating profit, excluding non-recurring items, was below the previous year's level. With fewer fixed production costs activated in the inventory value than a year earlier due to the reduced volume of frozen vegetable production, the operating profit, excluding non-recurring items, was weakened by about EUR 0.8 million compared with the previous year.

In 2012, the area under contract cultivation for Apetit Pakaste was 1,330 hectares, covering 116 contract growers and 9 vegetable varieties. Although the growing season was cool and wet, a good quality crop was harvested in the summer and early autumn, largely meeting the targets. The exceptionally heavy rainfall at the time of the autumn harvest hampered the harvesting work, and part of the carrot and potato crop had to be left in waterlogged fields. The crop will be supplemented with additional purchases from Finnish and foreign suppliers. The potato requirement can be satisfied from Finnish growers, allowing the home-grown label to be retained. Some of the carrots are to be acquired from abroad, which means that prices will have to be raised due to the higher transportation costs. The higher costs will be covered by the price increases. The carrots obtained from Finnish growers will nevertheless meet the needs of the Apetit Kotimainen home-grown product range regarding sales in 2013.

Seafood

Net sales of the Seafood business in 2012 were up by 10% on the previous year, despite the lower market prices for salmon and rainbow trout. The net sales growth occurred in Finland and Sweden, while in Norway there was a decrease in net sales.

In Finland, net sales were boosted particularly by the significant increase in sales of fresh salmon products in the second half of the year. In Norway, there was a decline in sales of fishballs and fishcakes, both made from minced fish, while sales of pizza sauces and salad dressings were at almost the same level as the previous year. In Sweden, considerable year-on-year growth occurred in sales of shellfish in brine products, thanks to the acquisition of new customers.

The full-year operating result for the Seafood business, excluding non-recurring items, was a loss, at EUR -0.4 (0.2) million. Non-recurring items totalled EUR 0.0 (-1.1) million. The share in the profit of the associated company Taimen Oy was EUR 0.0 (0.6) million. Taimen's result was adversely affected by the high price of fish feed and the low market price of rainbow trout.

Globally, salmon production increased by one fifth in 2012 from 2011. In the first six months of 2012 the price of salmon was significantly below the previous year's level, but during the third quarter the price returned to the 2011 level. In the fourth quarter the price was slightly above the previous year's figure. The price of Finnish rainbow trout follows salmon prices to a certain extent. Rainbow trout processing reaches a peak in the autumn, and prices are typically at their lowest during this period.

Grains and Oilseeds

Net sales in the Grains and Oilseeds business in 2012 were up on the previous year's figure, although delivery volumes were down a little. Sales of vegetable oil products packaged at the vegetable oil packaging plant completed at the end of 2011 grew well, and having our own packaging plant enables production of special vegetable oils based on specific customer requirements. The delivery volume of packaged vegetable oil products was almost double the previous year's total. Tailored, customer-specific solutions were developed for vegetable oils, including flavoured vegetable oils for the professional food service sector and deep frying oil for demanding uses in the bakery sector.

For the Grains and Oilseeds business, the operating profit, excluding non-recurring items, came to EUR 6.5 (8.4) million, which fell short of the record year of 2011 due to the sluggish first six months of 2012. The operating profit in the second six months was up on the same period a year earlier.

Early forecasts of the 2012 grain crop suggested a bumper crop, but as the year wore on, the estimates were reduced considerably. Unfavourable weather during the sowing and growing seasons weakened the per-hectare yield and, in part, the quality of the crop. Globally, the 2012 crop amounted to 1,774 (previous year: 1,850) million tonnes, of which wheat accounted for 655 (696) million tonnes and coarse grains 1,119 (1,154) million tonnes. Global wheat stocks at the end of the crop year are estimated to have fallen to 177 (196) million tonnes, which corresponds to three months' consumption. Coarse grain stocks are estimated to have fallen to 146 (165) million tonnes, which is only enough to meet needs for six weeks.

Market prices of grains and oilseeds remained high in the second half-year, and trading was very active. In Europe, trading was busy in wheat, in particular, due to factors such as the substantial import need of the United Kingdom and Ireland, which had both experienced a poor crop. These countries ended up having to import not only milling wheat but also a lot of feed wheat. Russia and Ukraine stayed out of the export markets in the last part of the second half-year, due to the insufficiency of their crops, high domestic prices and export restrictions. In Finland, the grain crop came to 3.7 million tonnes, part of which could not be threshed due to the abundant rainfall at the end of the harvest season. Regional differences were considerable. Finland's rapeseed crop was only 70,000 (115,000) tonnes, on account of the reduced area under cultivation and the low per-hectare yield.

Other Operations

Net sales in Other Operations amounted to EUR 26.7 (2.7) million for the full year 2012. The operating profit, excluding non-recurring items, was EUR 0.2 (-2.0) million. This result was a considerable improvement from the previous year, due to the good result posted by associated company Sucros for the second half-year. The share of the profit of associated companies was EUR 3.7 (0.7) million. Non-recurring items amounted to EUR 0.4 (0.0) million and comprised expenses paid to external consultants in the arbitration court case between Lännen Tehtaat and Nordic Sugar. 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, was reduced by EUR 1.2 million in regard to the element tied to the operating profit for 2012, and this was entered as income under other operating income in the operating profit for Other Operations.

Dispute between Lännen Tehtaat and Nordic Sugar concerning breaches of shareholder agreement

Lännen Tehtaat plc (20%) and Nordic Sugar Oy (80%) are joint owners of Sucros Ltd.

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 plc is of the opinion that its minority rights have been repeatedly violated by the majority owner. In October 2011, Lännen Tehtaat plc decided to submit the issue to arbitration, because despite the objections made the majority owner had not rectified its practices that are in breach of the shareholder agreement.

According to Lännen Tehtaat, Nordic Sugar has committed a total of three breaches of agreement. Under the terms and conditions of the shareholder agreement, each single proven breach will incur a contractual penalty of EUR 8.9 million, and so the contractual penalty could total a maximum of almost EUR 27 million. In response, Nordic Sugar requested the Central Chamber of Commerce's Arbitration Tribunal to impose a contractual penalty of EUR 4.5 million on Lännen Tehtaat on the grounds that the latter committed a breach of shareholder agreement in connection with the dismissal of Sucros Ltd's managing director.

Both parties have denied the breaches of agreement claimed by the other party. The arbitration proceeding is expected to continue into the second half of 2013.

RESEARCH AND DEVELOPMENT

The Group's research and development costs came to EUR 1.0 (0.9) million, representing 0.3% (0.3%) of net sales. The R&D work undertaken mainly concerned the development of new products.

In Frozen Foods, Apetit is constantly developing its product selection in order to be able to offer consumers ever more home-grown vegetables and other delicious products. Great tasting products are possible with raw materials that are free of impurities and mainly home-grown, and which go through only the minimum necessary production stages. Nutritional recommendations are taken into account in product development, and in vegetable-based foods special attention is given to the protein and energy content. The frozen vegetables contain no additives whatsoever, and in frozen ready meals they are kept to a minimum. The products contain no genetically manipulated raw materials.

The Apetit Kotimainen retail range was joined during the year by a number of new products, including 'potato & oven-roast root vegetables' and 'Kotimainen lingonberries'. With the inclusion of Finnish leeks, the very popular 'potato & chopped vegetables for soups' was also added to the Kotimainen home-grown range. Apetit Pakaste's position in the oven-ready meals category was strengthened with the launch of two new gratinated products: 'sweet potato & root vegetable au gratin' and 'cauliflower & broccoli au gratin'. Other new frozen ready meals included 'rainbow trout balls', 'Muurikka pan-fry vegetables with chilli', and 'Triple pizza Americana'. Various frozen vegetable products and frozen ready meals were developed for the professional food service sector, including 'mini beetroot burgers', 'root vegetable & sweet potato au gratin', and 'vegetable curry'. A further launch for the professional food service sector was the 'Kotimainen organic spinach'.

In Frozen Foods a project funded by the Finnish Funding Agency for Technology and Innovation (Tekes) for 2012-2014 is under way with the aim of promoting growth, strengthening the Apetit brand, improving customer satisfaction and enhancing employee wellbeing through renewal and innovation. Apetit Pakaste is also involved in a food industry joint project coordinated by the VTT Technical Research Centre of Finland which focuses on the diet of older adults, with the aim of developing new concepts and packaging for these consumers. The project is funded by Tekes.

The development measures taken in Seafood's operations in Finland focused on ensuring the delicious taste and freshness of products and developing the operating procedures. As a result of the new freshness logistics chain introduced in the summer, sales of fresh salmon products grew considerably. Product improvements included flavouring changes to the 'marinated rainbow trout strips' and an increase in the size of the fish strips. Flavour tests were used to investigate the appeal of Apetit products to consumers and in relation to competitors' products. In Norway, 2012 saw continued renewal of the product range and a drive to enhance product flavours.

In Grains and Oilseeds, processes and systems are constantly being developed. During the year, Avena's focus was especially on the further processing of vegetable oils and developing customer packaging solutions.

ENVIRONMENT

Lännen Tehtaat observes the principles of continuous improvement and sustainable development throughout its operations. The company operates in a responsible manner and takes account of social and environmental requirements in all its activities. The aim is that production should be efficient and in harmony with the environment. The Group's most important environmental impacts concern organic wastes from its production process, and water and energy consumption in production, storage, transportation and properties. In the Frozen Foods business, the environmental impact occurs mainly in treating process waters and vegetable waste from production. In the Seafood business, the environmental impact is concerned with process waters and fish waste from the fish raw material in processing. The Group uses a chemical-free vegetable oil milling method. In vegetable oil milling, the environmental effects are mainly associated with the combustion of odorous gases, the weed separation waste at raw material reception and the bleaching clay used in processing. A certain amount of packaging waste is also produced during manufacturing in all the businesses.

Lännen Tehtaat's management has defined the company's environmental goals as part of its overall operating policy. All production units that are required to have an environmental permit have a current permit. An application for review of the currently valid environmental permit conditions that apply to food manufacture, waste management and the wastewater treatment plant at the Säkylä industrial estate was submitted to the authorities at the end of 2012.

Lännen Tehtaat is not aware of any significant individual environmental risks at the time of completion of the financial statements. The Group's environmental costs in 2012 came to EUR 1.3 (0.9) million, representing 0.3% (0.3%) of net sales.

No environmental investments were made during the year.

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 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. 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 level in Finland and other markets.

RISKS, UNCERTAINTIES AND RISK MANAGEMENT

The Board of Directors of Lännen Tehtaat plc has confirmed the Group's risk management policy and risk management principles. All Group companies and business units regularly assess and report the risks involved in their operations and the adequacy of the control procedures and risk management methods. The purpose of these risk assessments, which support strategy formulation and decision-making, is to ensure that sufficient measures are taken to control risks.

The Lännen Tehtaat Group's risks can be categorised as strategic, operating, financial and hazard risks. The Group's most significant strategic risks concern corporate acquisitions and their integration into the Group, and changes occurring in the Group's business sectors and in its customer relationships. There are significant concentrations of customers in the Group's Seafood business in Norway and in Finland.

The main operating risks concern raw material availability, the time lags between purchasing and sale or use, and fluctuations in the market prices of raw materials.

Managing price risks is especially important in the Grains and Oilseeds business and the Seafood business, in which raw materials represent between 65% and 85% of net sales. The prices of grains, oilseeds and the main fish raw materials are determined on the world market. In the Grains and Oilseeds business, limits are defined for open price risks.

The Group operates in international markets and is therefore exposed to currency risks associated with changes in exchange rates. The principal foreign currencies used are the US and Canadian dollars, the Norwegian krone and the Swedish krona. In accordance with the Group's risk management policy, all major open currency positions are hedged. Further details concerning the management of financial risks are given in Note 24 of the Notes to the Financial Statements.

Fire, serious process disruptions, disease epidemics and defective raw materials or defective final products can lead to major property damage, losses from breaks in production, liabilities and other indirect adverse impacts on the company's operations. Group companies guard against these risks by evaluating their own processes, for instance through self-supervision, and by taking corrective action where necessary. Insurance policies are used to cover all risks for which insurance can be justified on financial or other grounds.

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; the impact of the rise in energy prices; 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; claim for recovery of investment grants received; and the integration processes following corporate acquisitions.

CORPORATE GOVERNANCE STATEMENT

The 2012 Corporate Governance Statement for Lännen Tehtaat plc has been examined by Lännen Tehtaat plc's Board of Directors and is issued separately from the Board of Directors' report.

CORPORATE ADMINISTRATION AND MANAGEMENT

At its organisational meeting on 13 April 2012, Lännen Tehtaat plc's Supervisory Board elected Timo Miettinen as Chairman of the Supervisory Board and Marja-Liisa Mikola-Luoto as Deputy Chairman.

The Supervisory Board elected the following as members of the company's Board of Directors: Aappo Kontu, Matti Lappalainen, Veijo Meriläinen, Samu Pere, Jorma J. Takanen and Helena Walldén. The Supervisory Board elected Matti Lappalainen as Chairman of the Board of Directors and Aappo Kontu as Deputy Chairman.

Matti Karppinen has served as CEO of Lännen Tehtaat plc since 1 September 2005. Eero Kinnunen, Chief Financial Officer (CFO) of the Lännen Tehtaat Group, was appointed Deputy CEO as of 1 January 2008.

AUDITORS

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.

AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS

The Annual General Meeting authorized the Board of Directors to decide on issuing shares, which includes the right to issue new shares and the right to transfer Lännen Tehtaat shares held by the company. The authorisation covers a maximum total of 761,757 shares, consisting of a up to 631,757 new shares and 130,000 Lännen Tehtaat shares held by the company.

The subscription price for each new share shall be at least the share's nominal value, or EUR 2. The transfer price for Lännen Tehtaat shares held by the company shall be at least the market value of the share at the time of transfer, which is determined by the price quoted in public trading on NASDAX OMX Helsinki Ltd. The Board of Directors will also have the right to issue shares against consideration other than cash. In the case of share-based incentive systems, shares could also be issued without consideration.

The authorisation includes the right to deviate from the shareholders' pre-emptive subscription right (targeted issue) if the company has an important financial reason to do so, such as development of the company's capital structure, financing and implementing corporate acquisitions or other arrangements, or implementing a share-based incentive system.

The authorisation is valid until the 2015 Annual General Meeting.

USE OF AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS

The company's Board of Directors has not exercised the authorisation granted to it to issue new shares or to transfer Lännen Tehtaat plc shares held by the company.

SHARES, SHARE CAPITAL AND TRADING

The shares of Lännen Tehtaat plc are all in one series, and all shares carry the same voting and dividend rights. The Articles of Association specify that the number of votes a shareholder is entitled to exercise cannot exceed one tenth of the votes represented at a shareholders' meeting. The nominal value of each of the company's shares is EUR 2. At both the beginning and the end of the financial year, the total number of shares issued by the company stood at 6,317,576, and the registered and paid share capital totalled EUR 12,635,152. The minimum amount of share capital is EUR 10 million, and the maximum amount EUR 40 million.

Own shares

At the close of the financial year, the company had in its possession a total of 130,000 of its own shares acquired during previous years, 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. The company's treasury shares carry no voting or dividend rights.

Share turnover

The number of Lännen Tehtaat plc shares traded on the stock exchange during the financial year was 832,618 (687,163), representing 13.2% (10.9%) of the total number of shares. The highest share price quoted was EUR 16.77 (18.80) and the lowest EUR 12.38 (12.95). The average price of shares traded was EUR 14.48 (15.77). The share turnover for the period was EUR 12.1 (10.8) million. The year-end share price was EUR 14.32 (14.71), and the market capitalisation was EUR 90.5 (92.9) million.

Other key indicators per share are presented in Note 30 of the Notes to the Consolidated Financial Statements.

Distribution of shareholdings

Note 32 of the Notes to the Financial Statements presents the distribution of shareholdings by sector, the major shareholders and the ownership by management.

OUTLOOK FOR 2013

Net sales for 2013 are expected to show a year-on-year increase as a result of the acquisition made in 2012 and the achievement of organic growth. 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.

As a result of growth and the development measures undertaken in the Group's businesses, the 2013 consolidated operating profit, excluding non-recurring items, is expected to improve on the 2012 figure. The profit improvement is expected to be strongest in the first six months of the year. The accrual of Lännen Tehtaat's annual profit is typically weighted towards the end of the year, due to the nature of operations in the Frozen Foods business, the Seafood business and the associated company Sucros.

The 2013 result could also be affected significantly by the outcome of the shareholder agreement dispute concerning Sucros, which is expected to be announced in the second half of 2013.

BOARD OF DIRECTORS' PROPOSALS CONCERNING PROFIT MEASURES AND DISTRIBUTION OF OTHER UNRESTRICTED EQUITY

The aim of the Board of Directors of Lännen Tehtaat plc is that the company's shares should provide shareholders with a good return on investment and retain their value. It is the company's policy to distribute in dividends at least 40% of the profit for the financial year attributable to shareholders of the parent company.

The parent company's distributable funds totalled EUR 88,539,558.39 on 31 December 2012, of which EUR 6,115,426.08 is profit for the financial year.

The Board of Directors will propose that a dividend of EUR 0.90 per share be paid for 2012. The Board will propose that a total of EUR 5,568,818.40 be distributed in dividends and that EUR 82,970,739.99 be left in equity. The proposed dividend is 84.1% of the earnings per share.

No dividend will be paid on shares held by the company.

No significant changes have taken place in the financial standing of the company since the end of the financial year. The company's liquidity is good, and in the view of the Board of Directors this will not be jeopardized by the proposed distribution of dividends.

Consolidated financial statements, IFRS

CONSOLIDATED INCOME STATEMENT

EUR million	Note	2012	2011
Net sales	(2)	**378.2**	335.5
Other operating income	(4)	**2.5**	1.8
Materials and services	(7)	**-296.4**	-261.2
Employee benefit expenses	(5,28)	**-34.9**	-29.2
Depreciation	(2,8)	**-7.0**	-5.8
Impairments	(2,8)	**-0.3**	0.0
Other operating expenses	(4,6)	**-37.3**	-33.7
Share of profits of associated companies	(2)	**3.7**	1.3
Operating profit	(2)	**8.5**	8.7
Financial income	(9)	**0.7**	0.3
Financial expenses	(9)	**-1.7**	-1.5
Profit before taxes		**7.5**	7.5
Income taxes	(10)	**-0.8**	-1.8
Profit for the period		**6.7**	5.7
Attributable to			
Equity holders of the parent	(11)	**6.6**	5.7
Non-controlling interests		**0.1**	0.0
Basic and diluted earnings per share, calculated of the profit attributable to the shareholders of the parent company, EUR	(11)	**1.07**	0.92

STATEMENT OF COMPREHENSIVE INCOME

EUR million	2012	2011
Profit for the period	**6.7**	5.7
Other comprehensive income		
Cash flow hedges	**0.3**	0.5
Taxes related to cash flow hedges	**-0.1**	-0.1
Translation differences	**0.7**	0.1
Total comprehensive income	**7.6**	6.1
Attributable to		
Equity holders of the parent	**7.6**	6.1
Non-controlling interests	**0.1**	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	**31 Dec 2012**	31 Dec 2011
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	(12)	**10.6**	5.2
Goodwill	(12)	**12.1**	8.7
Tangible assets	(12)	**49.8**	37.5
Investment in associated companies	(13)	**35.5**	32.9
Available-for-sale investments	(14)	**0.1**	0.1
Receivables	(15)	**0.4**	0.4
Deferred tax assets	(10)	**2.4**	1.5
Total non-current assets		**110.9**	86.3
CURRENT ASSETS			
Inventories	(17)	**79.4**	62.3
Income tax receivable		**0.4**	0.1
Receivables	(16)	**36.9**	27.8
Financial assets at fair value through profits	(18)	**0.1**	-
Cash and cash equivalents	(19)	**5.2**	9.3
Total current assets		**122.0**	99.5
Total assets	(2)	**232.9**	185.8

EUR million	Note	**31 Dec 2012**	31 Dec 2011
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT			
Share capital		**12.6**	12.6
Share premium account		**23.4**	23.4
Own shares		**-1.8**	-1.8
Translation differences and other reserves		**7.1**	6.8
Retained earnings		**90.7**	89.7
Net profit for the period		**6.7**	5.7
Total equity attributable to the equity holders of the parent		**138.7**	136.5
Non-controlling interests		**2.8**	2.7
Total equity	(20)	**141.5**	139.2
NON-CURRENT LIABILITIES			
Deferred tax liabilities	(10)	**5.9**	4.0
Long-term financial liabilities	(22)	**5.6**	1.9
Non-current provisions	(21)	**0.1**	0.1
Other non-current liabilities	(23)	**7.5**	4.7
Total non-current liabilities		**19.2**	10.8
CURRENT LIABILITIES			
Short-term financial liabilities	(22)	**30.8**	0.4
Income tax payable		**0.2**	0.3
Current provisions	(21)	**0.1**	0.2
Trade payables and other liabilities	(23,25)	**41.2**	35.0
Total current liabilities		**72.3**	35.8
Total liabilities	(2)	**91.4**	46.6
Total equity and liabilities		**232.9**	185.8

Consolidated financial statements, IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	2012	2011
Net profit for the period		**6.7**	5.7
Adjustments, total *)		**5.4**	7.1
Change in net working capital		**-24.2**	-2.2
Interests paid		**-1.9**	-1.7
Interests received		**0.2**	0.3
Taxes paid		**-2.3**	-3.1
Net cash flow from operating activities		**-16.1**	6.1
Investments in tangible and intangible assets	(12)	**-3.9**	-5.8
Proceeds from sales of tangible and intangible assets		**0.1**	0.1
Acquisition of subsidiaries deducted by cash	(3)	**-6.1**	-
Acquisition of associated companies		**0.0**	-0.2
Proceeds from sales of non-controlling interests		**-**	0.5
Purchases of other investments		**-8.0**	-22.0
Proceeds from sales of other investments		**8.1**	29.1
Dividends received from investing activities		**1.0**	2.5
Net cash flow from investing activities		**-8.8**	4.2
Proceeds from/repayments of short-term loans		**29.2**	-2.9
Proceeds from/repayments of long-term loans		**-3.0**	0.0
Payments of finance lease liabilities		**-0.2**	0.0
Dividends paid		**-5.3**	-5.6
Cash flows from financing activities		**20.8**	-8.4
Net change in cash and cash equivalents		**-4.1**	1.8
Cash and cash equivalents at the beginning of the period		**9.3**	7.5
Cash and cash equivalents at the end of the period		**5.2**	9.3

EUR million	Note	2012	2011
***) Adjustments to cash flow from operating activities:**			
Depreciation and impairments	(12)	**7.3**	6.0
Gains and losses on sales of fixed assets and shares		**-0.1**	-0.1
Share of profits of associated companies		**-3.7**	-1.3
Financial income and expenses	(9)	**1.0**	1.2
Income taxes	(10)	**0.8**	1.8
Other adjustments		**0.1**	-0.5
Total		**5.4**	7.1

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

	Attributable to equity holders of the parent									
EUR million	Share capital	Share premium account	Net unrealised gains	Other reserves	Own shares	Translation differences	Retained earnings	Total	Non-controlling interests (NCI)	Total equity
SHAREHOLDERS' EQUITY 1 JAN. 2012	**12.6**	**23.4**	**-0.4**	**7.2**	**-1.8**	**0.4**	**95.0**	**136.5**	**2.7**	**139.2**
Dividend distribution	**-**	**-**	**-**	**-**	**-**	**-**	**-5.3**	**-5.3**	**-**	**-5.3**
Transactions with NCI	**-**	**-**	**-**	**-**	**-**	**-**	**0.0**	**0.0**	**-**	**0.0**
Other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-0.1**	**-0.1**	**-**	**-0.1**
Total comprehensive income	**-**	**-**	**0.2**	**-**	**-**	**0.7**	**6.6**	**7.6**	**0.1**	**7.7**
Shareholders' equity 31 Dec. 2012	**12.6**	**23.4**	**-0.2**	**7.2**	**-1.8**	**1.1**	**96.2**	**138.7**	**2.8**	**141.5**
SHAREHOLDERS' EQUITY 1 JAN. 2011	12.6	23.4	-0.8	7.2	-1.8	0.3	95.3	136.2	2.7	138.9
Dividend distribution	-	-	-	-	-	-	-5.6	-5.6	-	-5.6
Transactions with NCI	-	-	-	-	-	-	-0.3	-0.3	-	-0.3
Other changes	-	-	-	-	-	-	-0.1	-0.1	-	-0.1
Total comprehensive income	-	-	0.4	-	-	0.1	5.6	6.1	0.0	6.1
Shareholders' equity 31 Dec. 2011	12.6	23.4	-0.4	7.2	-1.8	0.4	95.0	136.5	2.7	139.2

Consolidated financial statements, IFRS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Accounting principles

COMPANY DETAILS

Lännen Tehtaat plc is a Finnish public limited company established under Finnish law. Its registered office is in Säkylä and the registered address is PO Box 100, FI-27801 Säkylä, Finland. Business ID is 0197395-5.

On 13 February 2013, the Lännen Tehtaat plc Board of Directors approved the financial statements for publication.

MAIN OPERATIONS

Lännen Tehtaat plc is a food industry company listed on the NASDAQ OMX Helsinki Ltd. The trading code of the share is LTE1S.

Lännen Tehtaat's reportable segments are Frozen Foods, Seafood, Grains and Oilseeds and Other Operations. Lännen Tehtaat's primary market is Finland.

Business segments	Products and services
Frozen Foods	
Apetit Pakaste Oy	Frozen Foods
Seafood	
Apetit Kala Oy	Fish products and service sales
Myrskylän Savustamo Oy	Fish products
Maritim Food AS, Norway	Shellfish and fish products
Maritim Food Sweden AB, Sweden	Shellfish
Sandanger AS, Norway	Fish products
Associated company: Taimen group	Fish farming and fingerling production
Grains and Oilseeds	
Avena Nordic Grain Oy	Trade in grains, oil seeds and animal feedstuff
ZAO Avena St. Petersburg, Russia	Trade in grains, oil seeds and animal feedstuff
UAB Avena Nordic Grain, Lithuania	Trade in grains, oil seeds and animal feedstuff
OÜ Avena Nordic Grain, Estonia	Trade in grains, oil seeds and animal feedstuff
TOO Avena Astana, Kazakhstan	Trade in grains, oil seeds and animal feedstuff
OOO Avena-Ukraine, Ukraine	Trade in grains, oil seeds and animal feedstuff
Mildola Oy	Manufacture of vegetable oils and protein feed
Other Operations	
Lännen Tehtaat plc	Group administration, business structure development and holdings of shares and properties
Caternet Finland Oy	Fresh produce and sales of fish, fruit and vegetables
Kiinteistö Oy Kivikonlaita	Holding company of Caternet's real estates
Apetit Suomi Oy	Apetit-marketing, IT, HR, financial management and environmental services
Associated companies: Sucros group	Manufacture, marketing and sales of sugar
Foison Oy	Holding in Avena Nordic Grain Oy
Joint venture: Ateriamestarit Oy	HoReCa sales

ACCOUNTING PRINCIPLES

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The IAS and IFRS standards and the SIC and IFRIC interpretations complied with are those valid on 31 December 2012. The International Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EC regulation 1606/2002. The notes to the consolidated financial statements are also in accordance with Finnish bookkeeping and company legislation. The consolidated financial statements have been drawn up on the basis of historic acquisition costs, except for those financial assets and liabilities which are recognised in income at fair value and all derivative financial instruments, as they are measured at fair value.

Preparation of the financial statements in accordance with the IFRS standards requires the Group's management to make certain assessments and exercise judgement in applying the accounting principles. Details of the judgements made by the management in applying the accounting principles observed by the Group, and of those aspects which have the greatest impact on the figures reported in the financial statements, are given below under the heading 'Accounting principles requiring executive judgement and the main uncertainties concerning the assessments made'.

Consolidation principles

Subsidiaries are companies over which the Group exercises control. This control derives from the Group holding more than half of the voting rights or otherwise being in a position to exercise control or having the right to stipulate the principles of the company's finances and business operations. Mutual shareholdings have been eliminated using the acquisition cost method. The acquisition consideration, including deferred and contingent consideration, as well as the identifiable assets acquired and liabilities assumed, is measured at the acquisition date fair values. The acquisition related costs are accounted as expenses for the period in which they are incurred. At the acquisition date the non-controlling interests are valued either at the acquisition date fair values or at non-controlling interests' proportionate share in the recognised amounts of the identifiable net assets. Valuation principle is determined separately for each acquisition. Subsidiaries acquired by the Group are consolidated into the financial statements from the time that the Group establishes its control, while subsidiaries disposed of are consolidated up to the time that the Group's control ceases. All intra-group transactions, receivables, liabilities and profits are eliminated on consolidation. Unrealized losses are not eliminated if the loss is due to impairment.

Net income for the period is disclosed in the income statement as an allocation to the shareholders of the parent company and non-controlling interests. The allocation of the comprehensive income to the shareholders of the parent company and non-controlling interests is presented in the statement of comprehensive income. Non-controlling interests are disclosed separately under consolidated total equity.

Associates are companies in which the Group exercises significant influence. Significant influence is exercised when the Group holds more than 20% of the voting rights in the company or otherwise exercises significant influence but not control. The associate companies have been consolidated into the financial statements using the equity method. If the Group's share of the losses of an associate exceeds the book value of the investment, the investment is recognised in the balance sheet at a valuation of zero, and losses that exceed the book value are not consolidated unless the Group has undertaken to meet the obligations of associates. Unrealized gains between the Group companies and associates have been eliminated according to the share of ownership. Any goodwill arising from the acquisition of an investment in an associate is included in the investment.

Joint ventures are companies over which the Group exercises joint control with other parties. Joint venture companies have been consolidated into the financial statements using the equity method.

Foreign currency items

The figures for the financial performance and standing of each of the Group's units are measured in the currency of the unit's principal operating environment ('functional currency'). The consolidated financial statements are presented in euros, which is the functional and reporting currency of the Group's parent company. Foreign currency transactions are recognised as amounts denominated in the functional currency using the rate prevailing on the transaction date. At the balance sheet date, monetary receivables and payables are translated using the closing rate. Exchange differences arising from translation are recognised in the income statement. Exchange gains and losses from operating activities are included in the corresponding items above the operating profit.

The income statements of foreign subsidiaries have been translated into euros using average rates for the reporting period, and their balance sheets translated using the closing rates. The exchange difference due to the use of average rates in the income statement translations and closing rates in the balance sheet translations is recognised as a separate item under shareholders' equity.

In preparing the consolidated financial statements, the translation difference due to exchange rate fluctuations, in regard to the shareholders' equity of the subsidiaries and associates, is recognised as a separate item in the translation differences for the consolidated shareholders' equity. If a foreign subsidiary or associate is disposed of, the accrued translation difference is recognised in the income statement under profit or loss.

Net sales and the principles for recognition as income

Income is recognised on the basis of the fair value of the consideration received or receivable. An item is recognised as income when the risks and benefits of ownership pass to the purchaser. Generally, this occurs when a production item is delivered. When net sales are calculated, indirect taxes and trade discounts are deducted from proceeds.

Interest income is recorded under the effective interest method and dividend income when the right to the dividend has been created.

Pension liabilities

The pension contributions for defined contribution pension plans are paid to the pension insurance company. Payments for defined contribution plans are recorded as expenditure in the income statement for the financial year to which they are attributable.

Obligations in relation to defined benefit plans are calculated separately for each plan using the projected unit credit method. Pension costs are recognised as expenses during each employee's employment term on the basis of calculations made by authorised actuaries. In calculating the current value of a pension liability, the Group uses the market rate of return of high-quality debenture bonds issued by the companies as the discount rate, or if these are not available the interest rate of government debt obligations. The maturity of debenture bonds and debt obligations corresponds in an essential aspects to the maturity of the pension obligation being considered. The pension plan assets measured at fair value at the measurement date, the portion of unrecognised actuarial gains and losses and the non-vested past service costs are deducted from the present value of the pension obligation recorded in the statement of financial position. The Group's obligation with respect to a plan is calculated by identifying the extent to which the cumulative unrecognised actuarial gain or loss exceeds by more than 10% the greater of the present value of the defined benefit obligation and the fair value of the plan assets. The excess is recognised in the statement of income over the expected average remaining working lives of employees participating in the plan.

Provisions

A provision is recognised when the Group has a legal or constructive obligation based on a past event and it is probable that the fulfilment of this obligation will require a contribution, and the amount of the obligation can be reliably estimated. Provisions are valued at the present value of the costs required to cover the obligation.

Provisions are made in connection with operational restructuring, onerous contracts, litigation and environmental and tax risks. A restructuring provision is recognised when a detailed and appropriate plan has been drawn up for it, sufficient grounds have been given to expect that the restructuring will occur and information has been issued on it.

Income taxes

Income taxes recognised in the consolidated income statement comprise taxes levied on an accrual basis on the reporting period results of Group companies, based on the taxable profits calculated for each Group company in accordance with the local tax regulations, as well as tax adjustments from previous periods and changes in deferred tax.

Deferred tax assets and liabilities are calculated on the temporary differences between the taxable values and the book values of assets and liabilities, in accordance with the liability method. Deferred taxes are recognised in the financial statements using the tax rates that apply up to the balance sheet date.

The most material temporary differences arise from fixed assets, consolidation, inventories, unused tax losses and revaluation of derivative financial instruments. Deferred tax assets are recognised up to an amount where it is probable that they can be utilized against future taxable profits. Deferred taxes are not recognised on goodwill which is not tax deductible.

In the case of derivative financial instruments covered by hedge accounting and available-for-sale investments, the deferred taxes related to value adjustments recognised directly under the statement of comprehensive income are also recognised directly under the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet and cash flow statement comprise cash, bank deposits from which withdrawals can be made and other short-term highly liquid investments. Items classified under cash and cash equivalents have a maximum of three months maturity from the acquisition date.

Borrowing costs

Borrowing costs are recognised under the expenses for the period in which they arose. Directly attributable borrowing costs related to the acquisition, construction or production of a qualifying asset, for example, factory building, are capitalised. Where clearly linked to a specific loan, transaction costs arising directly from loans are included in the loan's original amortised cost and divided into a series of interest expenses using the effective interest method.

Key employees' share holdings in Foison Oy are treated as liability instruments in Lännen Tehtaat's Group balance sheet due to certain terms and conditions of repurchase. Foison Oy owns 20% of Avena Nordic Grain Oy's share capital. Group recognises financial expense related to the key employees' dividend right from Avena Group.

Research and development costs

Research and development costs are recognised in the income statement under expenses for the period in which they arose. Development expenses for new products and processes are not recognised as assets because such expenses did not occur to any significant extent during the period between the development stage at which products are already technically feasible and commercially exploitable and the stage at which they are placed on the market. On the balance sheet date the consolidated balance sheet contained no capitalized development costs.

Intangible assets

Goodwill

Goodwill corresponds to that part of the cost of acquiring the company which is in excess of the Group's share of the fair value of the acquired company's net assets on the acquisition date. Goodwill is tested annually for impairment and has been allocated to each of the cash-generating units for this purpose. Goodwill is valued at historic acquisition cost less any impairment. In the case of associated company, goodwill is included in their investment value. Goodwill generated through acquisitions of foreign business combinations is measured in the currency of the foreign operations and translated using the period end rates.

Other intangible assets

An intangible asset is recognised in the balance sheet at the original acquisition cost in a case where the cost can be determined reliably and it is likely that an expected financial benefit derived from the asset will turn out to be to the company's benefit.

Patents, trademarks and other intangible assets with a limited useful life are recognised as expenses in the balance sheet and amortised on a straight-line basis over the period of their useful lives. Intangible assets have not included assets with an unlimited useful life.

Depreciation period for intangible assets:

Customer relationships	15 years
Trademarks	15 years
Other intangible assets	5 - 10 years

Assets whose useful life has not yet expired and fully depreciated fixed assets that are still used in operating activities are included in the acquisition cost of assets. Similar principles apply to accumulated depreciation.

Subsequent expenditure relating to intangible assets is recognised as an asset only if its financial benefit to the company exceeds the originally estimated level of performance. Otherwise the expenditure is recognised as a cost at the time it is incurred.

Property, plant and equipment

Property, plant and equipment have been measured at historic acquisition cost less depreciation and impairment. These assets are subject to straight-line depreciation over the period of their useful lives. Land is not subject to depreciation. The residual value of the assets and their useful lives are reviewed each time the financial statements are prepared and, when necessary, are adjusted to reflect any change in the economic benefits expected.

The estimated useful lives are as follows:

Property and plant	10 - 40 years
Machinery and equipment	5 - 15 years

Property, plant and equipment are no longer depreciated if they are classified as assets held for sale.

Assets whose useful life has not yet expired and fully depreciated fixed assets that are still used in operating activities are included in the acquisition cost of assets. Similar principles apply to accumulated depreciation. Repair and maintenance costs of tangible assets are recognised as expenses when incurred.

Government grants

Government grants received for the acquisition of fixed assets are recognised as deductions in the book values for property, plant and equipment. The grants are released to profit through smaller depreciations during the use of the asset in question.

Leases

Leases in which the risks and benefits inherent in an asset are transferred in all essential respects to the company are classified as finance leases. Finance leases are recognised in the balance sheet at the lesser of the fair value at the inception of the leasing period and the present value of the minimum lease payments. The lease obligations of finance lease assets are included in discounted form under interest-bearing liabilities.

Assets acquired with finance leases are depreciated according to plan, and any impairment losses recognised. Depreciation is charged over the shorter of the relevant fixed asset depreciation period and the lease period. Leases to be paid are divided into financial cost and a decrease in debt during the lease term so that the interest on the remaining debt is the same each financial year. Lease obligations are included in interest-bearing liabilities. During the reporting period there were no situations in which the Group would have been categorized as the lessor of a finance lease asset.

Leases in which risks and rewards incident to ownership are not transferred to the lessee are classified as operating leases. Lease payments related to them are recognised in the income statement on a straight-line basis over the lease term.

Impairment

The book values for assets are assessed for any signs of impairment. If there are signs of impairment, an estimate is determined for the amount recoverable on the asset. An impairment loss is recognised if the balance sheet value of the asset or the cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the income statement.

The impairment loss of a cash-generating unit is first allocated to reducing the goodwill attributed to the unit, and then to reducing other assets of the unit on a pro rata basis.

Consolidated financial statements, IFRS

The recoverable amount of intangible and tangible assets is determined at the higher of the fair value less costs to sell and the value in use. In determining the value in use, the estimated future cash flows are discounted to their present value on the basis of discount rates applying to the average pre-tax capital costs of the cash-generating unit in question. The discount rates also take into account any special risk associated with the cash-generating units.

Impairment losses on property, plant and equipment and on intangible assets other than goodwill are reversed if a change has occurred in the estimates used in determining the recoverable amount of the asset. The amount by which an impairment loss is reversed is no more than the book value (less depreciation) that would have been determined for the asset if no impairment loss had been recognised on it in previous years. Impairment losses recognised on goodwill are not reversed.

Inventories

Inventories have been measured at the lower of acquisition cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, after deduction of the estimated costs of completion and the estimated costs necessary to make the sale.

The value of inventories has been determined using the weighted average price method and includes all direct costs of acquisition and other indirect costs to be allocated. The cost of each inventory item produced comprises not only the purchase costs of materials, direct labour costs and other direct costs, but also a proportion of production overheads, but not selling or financing costs. The value of inventories has been reduced for obsolescent assets.

Financial assets and liabilities

Financial assets are classified to four categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity investments. The classification is conducted based on the purpose of the financial asset and when the financial asset is originally acquired.

The group of financial assets to be recognised in income at fair value includes assets held for trading. Financial assets held for trading have been acquired primarily for the purpose of making a profit on short-term changes in market prices. Both unrealized and realized gains and losses from changes in fair value are recognised in the income statement for the period in which they occur.

Loans and other receivables are non-derivative assets with fixed or measurable payments, are not publicly quoted and the Group does not held them for trading. These assets are recognised at amortised cost.

Available-for-sale financial assets are not part of the derivative assets but are non-current assets, because the intention is to keep them for longer than 12 months following the balance sheet date. Publicly quoted shares are classified as available-for-sale investments and are measured at fair value, which is the market price on the balance sheet date. Changes in fair value are recognised directly in the statement of comprehensive income until the investment is sold or otherwise disposed of, when the changes in fair value are recognised in the income statement. Permanent impairment of assets is recognised in the income statement. Unquoted shares are presented at their acquisition price, because their fair values are not reliably available.

Financial liabilities are measured at amortised cost except derivative instruments. Financial liabilities are long or short term and can be interest-bearing or interest free. This item includes, for example, trade receivables and loans.

All financial assets and liabilities are recorded in the balance sheet at an acquisition cost corresponding to the original fair value. Transaction costs are deducted only when the item is not valued against the profit at fair value. Purchases and sales of financial assets are recognised using the trade date method.

Fair values are measured using publicly quoted prices. These instruments are mainly investments to funds and mainly all commodity derivatives. If publicly quoted prices are not available, fair value is measured based on discounted cash flows and price quotation of the counterparty. These instruments are usually currency derivatives. Short-term receivables or payables are not discounted.

The carrying amounts of the financial assets are tested to determine whether there is objective evidence of impairment. An impairment is recognised when there is objective evidence that receivables are not fully collectible. The impairment loss is reversed if in a subsequent period the fair value of the financial asset increases and this increase can be related objectively to events occurring after the impairment was recognised.

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. The Group applies cash flow hedge accounting to certain forward currency and commodity derivative contracts. The hedged cash flow must be probable and the cash flow must ultimately have an impact on the income statement. The hedge must be effective when examined prospectively and retrospectively. For hedges that meet the terms for hedge accounting, the effective portion of the change in fair value of a hedge is recognised in the statement of comprehensive income, and any residual ineffective portion is recognised for currency derivatives to financial items and for commodity derivatives to other operating income or expenses. The cumulative change in fair value recognised under the statement of comprehensive income is recognised to purchases or sales or financial items based on their nature on the same date that the projected cash flow is recognised in the income statement. If a derivative financial instrument expires, is sold or does not meet the hedge accounting terms, the cumulative change in the fair value of the hedging instrument will remain in the hedge reserve and is recognised in income statement on the same date that the projected cash flow is recognised in the income statement. The cumulative fair values of the hedging instruments are transferred from the hedge reserve to other operating income or expense or financial items based on their nature immediately if the hedged cash flow is no longer expected to occur.

Despite certain hedging relationships fulfil the effective hedging requirements of the Group's risk management policy, the Group does not apply hedge accounting to all transactions done in hedging purpose. These instruments' fair value changes are recognised to other operating income and expense or financial items based on their nature.

Equity

Purchases of own shares are deducted from equity attributable to shareholders of the parent company up till the shares are cancelled or transferred back to circulation.

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

Accounting principles requiring executive judgement and the main uncertainties concerning the assessments made

In preparing the consolidated financial statements in accordance with international accounting practices, the company's management has had to make assessments and assumptions that affect the amount of assets, liabilities, income and expenses recognised in the accounts and the contingencies presented. These assessments and assumptions are based on experience and on other reasonable suppositions that are believed to be realistic in the circumstances that constitute the basis for the estimates of items recognised in the financial statements. The outcome may deviate from these estimates.

The Group tests annually goodwill for possible impairment and assesses any indication of impairment. The recoverable amounts of units that generate cash flow are based on value in use calculations. These calculations require the use of estimates.

Determination of the fair value of tangible and intangible assets acquired in business combinations requires estimations by management and is often based on assessment of asset cash flows.

Other assessments including management judgement are mainly related to restructuring plans, the extent of obsolescent inventories, environmental, litigation and tax risks and the use of deferred tax assets against future taxable profits.

Application of new and updated IFRS

From Group's perspective new standards or interpretations adopted during the year did not have material effect to the financial statement. On 1 January 2013 adopted amendment to IAS 19 'Employee Benefits´ eliminates the use of the 'corridor' approach. In Group the change will affect the balance sheet. The change will increase liabilities by EUR 0.3 million and decrease correspondingly retained earnings.

The Group has not in these financial statements applied the following standards, amendments to standards or interpretations which were published by the balance sheet date and the application of which is not yet compulsory at this stage.

The following new standards and interpretations effective in 2013 will not have material effects to the Group's financial statements.

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 13 'Fair Value Measurement'
- Amendment to IAS 27, 'Consolidated and Separate Financial Statements'
- Amendment to IAS 28, 'Investments in Associates'
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual improvements of different standards by IASB

The Group will adopt 2014 or later the following standards and interpretations:

- Amendment to IFRS 7 'Financial Instruments: Disclosures'
- IFRS 9 'Financial Instruments'
- Amendment to IAS 32 'Financial Instruments: presentation'

Management is assessing the impact of the revisions and interpretations of 2014 or later years on the financial statements of the Group.

Note 2 Operating segments

The Group has four reportable segments. The operating segments offer different products or services and are managed separately.

The segment information is based on the Group's organisation and management reporting structure. Reportable segments are:

- Frozen Foods
- Seafood
- Grains and Oilseeds
- Other Operations

Intra-group sales take place at arm's length prices. The assets and liabilities of a segment are such items of the business operations that the segment uses in its business operations or that can be allocated to a segment on reasonable basis. Tax and financing items together with items common to the whole Group are unallocated assets and liabilities. Reported figures are based on IFRS standards.

OPERATING SEGMENTS 1-12/2012

EUR million	Frozen Foods	Seafood	Grains and Oilseeds	Other Operations	**Total**
Total segment sales	46.9	93.0	215.8	26.7	**382.4**
Intra-group sales	-0.2	-1.5	0.0	-2.5	**-4.2**
Net sales	46.7	91.5	215.7	24.3	**378.2**
Share of profits of associated companies included in operating profit	-	0.0	-	3.7	**3.7**
Operating profit	2.6	-0.4	6.5	-0.1	**8.5**
Assets	31.0	54.4	80.4	59.0	**224.9**
Unallocated					**8.1**
Total assets					**232.9**
Liabilities	5.5	11.1	17.1	7.8	**41.4**
Unallocated					**50.0**
Total liabilities					**91.4**
Gross investments in non-current assets	1.8	1.1	0.5	0.6	**3.9**
Corporate acquisitions and other share purchases	-	-	-	9.7	**9.7**
Depreciations	2.4	1.9	0.9	1.8	**7.0**
Impairments	0.0	0.1	-	0.2	**0.3**
Personnel	195	345	70	111	**721**

OPERATING SEGMENTS 1-12/2011

EUR million	Frozen Foods	Seafood	Grains and Oilseeds	Other Operations	Total
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
Assets	33.3	53.6	57.2	30.9	174.8
Unallocated					11.0
Total assets					185.8
Liabilities	6.6	10.0	14.2	4.3	35.1
Unallocated					11.5
Total liabilities					46.6
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

GEOGRAPHICAL INFORMATION

EUR million	**Revenue 2012**	Revenue 2011	**Non-current assets 2012**	Non-current assets 2011
Finland	**226.7**	195.6	**93.3**	69.9
Norway	**31.5**	29.8	**13.9**	13.7
Germany	**23.0**	27.6	**-**	-
Sweden	**26.1**	21.5	**1.2**	1.2
Other countries	**70.9**	61.0	**0.0**	0.0
Total	**378.2**	335.5	**108.5**	84.8

Revenues from one customer were EUR 74.5 (61.2) million or 20% (18%) of the net sales. Revenues from this customer were from all operating segments.

Note 3 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. The company's real estate assets comprise the wholly-owned Kivikonlaita property company. The total acquisition price of the share capital is EUR 6–12 million. The acquisition price consists of a fixed element of EUR 6 million and a variable element comprising an additional purchase price of EUR 0–6 million, which is tied to the operating profit for 2012–2013.

Lännen Tehtaat plc has recorded a total of EUR 0.5 million in consultancy and expert expenses and transfer taxes under other operating expenses.

The fair value of the additional purchase price was set at EUR 3.7 million. The goodwill mainly comprises of synergy benefits in sales and raw material procurements and through planned savings in fixed costs. The initial additional purchase price has been reduced by EUR 1.2 million in regard to the element tied to the operating profit for 2012, and this has been recognised as income under other operating income in the operating profit for Other Operations.

Lännen Tehtaat's net sales for 1 January – 31 March 2012 would have increased by EUR 7.7 million if Caternet had been acquired on 1 January 2012. The corresponding effect on net profit would have been about EUR -0.4 million when taking into account the depreciations on fair value allocations and calculatory interest expense to purchase cost from 1 January 2012.

EUR million	Fair value	Acquiree's carrying amounts
Intangible assets	6.4	0.1
Tangible assets	14.2	11.7
Deferred tax assets	0.3	0.0
Inventories	0.8	0.8
Trade receivables and other receivables	3.5	3.6
Cash and cash equivalents	0.4	0.4
Assets total	**25.5**	**16.6**
Deferred tax liabilities	2.3	0.0
Long-term liabilities	9.9	9.6
Short-term liabilities	6.7	6.5
Liabilities total	**18.9**	**16.1**
Acquired portion of the net assets	6.7	0.4
Acquisition cost	9.7	
Goodwill	3.0	
Purchase consideration settled in cash	6.0	
Consultancy and expert expenses	0.5	
Additional purchase price, fair value	3.7	
Cash and cash equivalents in subsidiary acquired	0.4	
Unpaid contingent additional purchase price	-3.7	
Cash outflow on acquisition	**6.1**	

Note 4 Other operating income and expenses

EUR million	**2012**	2011
OTHER OPERATING INCOME		
Government grants received	**0.2**	0.2
Gains from sales of non-current assets	**0.1**	0.1
Rental income	**0.4**	0.4
Fair value change based on derivative instruments, no hedge accounting	**0.0**	0.5
Additional purchase price recognised as income	**1.2**	-
Other	**0.6**	0.6
Total	**2.5**	1.8
OTHER OPERATING EXPENSES		
Rental expenses	**3.7**	2.9
Administrative expenses	**4.0**	4.3
Information technology expenses	**2.4**	2.1
Sales and marketing expenses	**16.8**	14.8
Maintenance expenses	**5.5**	4.5
Other	**4.8**	5.1
Total	**37.3**	33.7

Audit fees paid by the Group to its independent auditor PricewaterhouseCoopers

The audit fees relate to the auditing of the annual accounts and to the statutory and obligatory functions closely attached to them. The non-audit fees are caused by services linked to the audit and aimed to assure the correctness of the financial statements and other advice.

Audit fees and non-audit fees

EUR million	2012	2011
Audit fees	0.2	0.2
Non-audit fees	0.0	0.0
Total	0.2	0.2

Note 5 Employee benefits expense

EUR million	2012	2011
Wages and salaries	28.3	23.8
Termination benefits	0.1	0.1
Pensions, defined contribution plans	5.3	4.1
Pensions, defined benefit plans	0.1	0.1
Other personnel costs	1.1	1.0
Total	34.9	29.2

Information on the remuneration and loans granted to the management is presented in Note 28 “Related party transactions”.

Post employment benefits

Pension coverage in the Group companies is provided in accordance with the rules and practices in the respective countries. The disability component of Finnish statutory pension system (“TyEL”) is recognised in Finland as defined contribution plan. Lännen Tehtaat Oyj and Apetit Pakaste Oy have defined contribution plans.

Note 6 R & D expenses

R & D expenses of the Group amounted to EUR 1.1 (0.9) million, representing 0.3% (0.3%) of the net sales.

Note 7 Materials and services

EUR million	2012	2011
Raw materials and consumables	302.3	259.3
Change in stocks	-16.6	-8.6
External services	10.7	10.5
Total	296.4	261.2

Materials and services include foreign currency gains and losses a total of EUR 0.0 (0.2) million.

Net sales include foreign currency losses and gains a total of EUR 0.0 (-1.0) million.

The ineffective portion of the change in fair value of hedge instruments totalled EUR -0.1 (-0.1) million.

Note 8 Depreciations and impairments

EUR million	2012	2011
DEPRECIATIONS		
Intangible assets	1.5	1.1
Buildings	2.7	2.2
Machinery and equipment	2.7	2.4
Other tangible assets	0.1	0.1
Total	7.0	5.8
IMPAIRMENTS		
Intangible assets	-0.3	-
Machinery and equipment	0.0	0.0
Total	-0.3	0.0

Note 9 Financial income and expenses

EUR million	2012	2011
FINANCIAL INCOME		
Interest income	0.0	0.1
Foreign currency gains	0.6	0.1
Financial assets at fair value through profits	0.0	0.0
Other financial income	0.1	0.1
Total	0.7	0.3
FINANCIAL EXPENSES		
Interest expenses	-0.7	-0.4
Foreign currency losses	-0.1	0.0
Avena Nordic Grain minority dividend	-0.7	-1.0
Other financial expenses	-0.2	-0.1
Total	-1.7	-1.5

Note 10 Income taxes

EUR million	2012	2011
Current period taxes	**1.8**	2.4
Previous periods' taxes	**0.1**	0.0
Deferred taxes	**-1.0**	-0.6
Total	**0.8**	1.8

RECONCILIATION OF INCOME TAXES

Profit before taxes	**7.5**	7.5
Tax calculated at the tax rate of the parent company 24.5% (26%)	**1.8**	2.0
Effect of Avena Nordic Grain minority dividend	**0.2**	0.3
Effect of associated companies	**-0.9**	-0.3
Expenses not deductible for tax purposes	**0.0**	0.1
Additional purchase price recognised as income	**-0.3**	-
Change in corporate tax rate in Finland	**0.0**	-0.2
Other items	**0.1**	0.0
Tax expenses in the income statement	**0.8**	1.8

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES TO BALANCE SHEET 2012

EUR million	1 Jan. 2012	Charge in income statement	Charged to other comprehensive income	Acquisitions and other changes	31 Dec. 2012
DEFERRED TAX ASSETS					
Carry forward of unused tax losses	1.4	0.5	0.0	0.3	**2.2**
Derivative instruments	0.1	-	-0.1	-	**0.0**
Deferred depreciation	0.0	0.1	-	-	**0.1**
Other	0.1	0.0	0.1	-	**0.1**
Total	**1.5**	**0.6**	**0.0**	**0.3**	**2.4**
DEFERRED TAX LIABILITIES					
Accumulated depreciation difference	-2.1	0.1	0.0	-	**-2.0**
Valuation of assets in Mildola's acquisition (netting Mildola's accumulated depreciation difference)	0.9	-0.1	-	-	**0.8**
Valuation of assets in acquisition cost allocation calculations	-1.3	0.2	0.0	-2.2	**-3.3**
Inventories	-0.8	0.1	-	0.0	**-0.8**
Derivative instruments	-0.1	0.1	0.0	0.0	**0.0**
Goodwill	-0.1	-	-	-	**-0.1**
Tangible assets	-0.5	0.0	-	-0.1	**-0.6**
Other	0.0	0.1	-0.1	0.0	**-0.1**
Total	**-4.0**	**0.4**	**0.0**	**-2.3**	**-5.9**

The Group has unused taxable losses total of EUR 0.4 million at 31 December 2012 where deferred tax assets have not been recognised. These taxable losses expire in 2020 and 2021. Recognised deferred tax assets on unused taxable losses EUR 0.9 million will expire in 2020 - 2022. Other unused taxable losses do not expire.

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES TO BALANCE SHEET 2011

EUR million	1 Jan. 2011	Charge in income statement	Charged to other comprehensive income	Acquisitions and other changes	**31 Dec. 2011**
DEFERRED TAX ASSETS					
Carry forward of unused tax losses	0.9	0.5	-	-	1.4
Derivative instruments	0.5	0.0	-0.3	-	0.1
Other	0.0	0.0	0.1	-	0.1
Total	1.4	0.4	-0.3	-	1.5
DEFERRED TAX LIABILITIES					
Accumulated depreciation difference	-2.4	0.3	-	-	-2.1
Valuation of assets in Mildola's acquisition (netting Mildola's accumulated depreciation difference)	1.0	-0.1	-	-	0.9
Valuation of assets in acquisition cost allocation calculations	-1.4	0.0	-	-	-1.3
Inventories	-0.9	0.0	-	-	-0.8
Derivative instruments	-0.2	-0.1	0.2	-	-0.1
Goodwill	-0.1	-	-	-	-0.1
Tangible assets	-0.4	0.0	-	-	-0.5
Other	-0.1	0.0	0.0	-	0.0
Total	-4.4	0.2	0.2	-	-4.0

The Group has unused taxable losses total of EUR 0.5 million at 31 December 2011 where deferred tax assets have not been recognised. These taxable losses expire in 2020 and 2021. Recognised deferred tax assets on unused taxable losses EUR 0.3 million will expire in 2020. Other unused taxable losses do not expire.

Note 11 Earnings per share

Basic earnings per share are calculated by dividing the profit for the financial year attributable to the shareholders of the parent company by weighted average number of the shares outstanding. The outstanding shares do not include treasury shares in possession of the company.

Diluted earnings per share are calculated by dividing the profit for the financial year attributable to the shareholders of the parent company by diluted weighted average number of the shares outstanding.

The company has no such instruments that would cause a dilution effect on the earnings per share.

EUR million	**2012**	2011
Profit attributable to the shareholders of the parent company, basic and diluted	**6.6**	5.7
Weighted average number of outstanding shares (1,000 pcs)	**6 188**	6 188
Diluted average number of shares outstanding (1,000 pcs)	**6 188**	6 188
Basic and diluted earnings per share (EUR per share)	**1.07**	0.92

Note 12 Intangible and tangible assets

The cost of assets include the assets, whose useful lives have not ended and fully depreciated assets still used in operating activities. Similar principles apply to accumulated depreciation.

INTANGIBLE ASSETS 2012

EUR million	Goodwill	Customer relationships	Other intangible rights	Advance payments	Total
Acquisition cost 1 Jan.	17.2	4.5	6.2	-	**27.9**
Additions	-	-	0.3	-	**0.3**
Acquired companies	3.0	6.3	-	-	**9.3**
Disposals	-	-	-	-	**-**
Translation difference and other changes	0.3	0.3	0.0	-	**0.6**
Transfers	-	-	-	-	**-**
Acquisition cost 31 Dec.	**20.6**	**11.1**	**6.5**	**-**	**38.2**
Accumulated depreciation 1 Jan.	-8.5	-1.5	-4.0	-	**-14.0**
Disposals, accumulated depreciation	-	-	-	-	**-**
Acquired companies, accumulated depreciations	-	-	-	-	**-**
Depreciation for the period	-	-0.6	-0.9	-	**-1.5**
Impairments	-	-	0.0	-	**0.0**
Accumulated depreciation 31 Dec.	**-8.5**	**-2.1**	**-4.9**	**-**	**-15.5**
Book value 31 Dec. 2012	**12.1**	**9.0**	**1.6**	**-**	**22.7**

INTANGIBLE ASSETS 2011

EUR million	Goodwill	Customer relationships	Other intangible rights	Advance payments	Total
Acquisition cost 1 Jan.	17.1	4.5	5.9	-	27.4
Additions	-	-	0.3	-	0.3
Acquired companies	-	-	-	-	-
Disposals	-	-	-	-	-
Translation difference and other changes	0.1	-	0.0	-	0.1
Transfers	0.0	-	-	-	0.0
Acquisition cost 31 Dec.	17.2	4.5	6.2	-	27.9
Accumulated depreciation 1 Jan.	-8.5	-1.2	-3.2	-	-12.9
Disposals, accumulated depreciation	-	-	-	-	-
Acquired companies, accumulated depreciations	-	-	-	-	-
Depreciation for the period	-	-0.3	-0.8	-	-1.1
Impairments	-	-	-	-	-
Accumulated depreciation 31 Dec.	-8.5	-1.5	-4.0	-	-14.0
Book value 31 Dec. 2011	8.7	3.0	2.2	-	13.9

Goodwill impairment testing

Impairment test for cash-generating-units containing goodwill

Goodwill has been allocated to the following cash-generating units or groups of units:

EUR million	2012	2011
Apetit Pakaste - Frozen Foods	**0.4**	0.4
Apetit Kala - Finnish Seafood business	**1.5**	1.5
Maritim companies - Seafood	**7.2**	6.9
Caternet - Other operations	**3.0**	-
Total	**12.1**	8.7

The Maritim companies' goodwill recognised in local currencies varies each year according to changes in exchange rates.

In goodwill impairment testing, the recoverable amount from operating activities is determined on the basis of value in use calculations. Expected future cash flows are based on management-approved forecasts and are given for a five-year period, and cash flows beyond this are extrapolated using a growth factor of 1%-2%.

The key variables in the value in use calculation are the budgeted gross margin, net sales and the discount rate. The forecasted gross margin for the Maritim companies is slightly higher than the realised gross margin of the past two years. The pre-tax discount rates used in the calculations are: Finnish Seafood business 8.2% (8.6%), Maritim companies 8.3% (8.4%) and Frozen Foods 7.4% (7.8%) and Caternet 7.6% (-).

In the Maritim companies the value in use exceeded by 41% the carrying amount of the tested assets, which was EUR 14.9 million. In Frozen Foods and in the Finnish Seafood business the value in use exceeded the carrying amount of the tested assets by a wide margin.

Sensitivity of value in use to fluctuations in key variables

In the Finnish Seafood business, the forecast cash flow would match the carrying amount of the tested assets if the gross margin for each year of the expected future cash flows was 1.8% (1.6%) lower, with the other variables remaining unaltered. An equivalent change in the case of the Maritim companies would be 0.9% (0.6%), for Frozen Foods 4.9% (4.3%) and for Caternet 4.2% (-).

The Finnish Seafood business's forecast cash flow would also match the carrying amount of the tested assets if the net sales used in the calculation of expected future cash flows were 10.5% (8.4%) lower, with the other variables remaining unaltered. An equivalent change in the case of the Maritim companies would be 6.0% (3.5%), for Frozen Foods 12.7% (11.2%) and for Caternet 17.1% (-).

The Finnish Seafood business's forecast cash flow would, similarly, match the carrying amount of the tested assets if the discount rate used in the calculation of expected future cash flows were to be 8.1% (6.1%) higher, with the other variables remaining unaltered. An equivalent change in the case of the Maritim companies would be 1.2% (0.7%), for Frozen Foods 7.4% (6.1%) and for Caternet 9.6% (-).

TANGIBLE ASSETS 2012

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	**Total**
Acquisition cost 1 Jan.	3.4	38.3	41.8	0.7	0.6	**84.9**
Additions	-	0.9	1.9	0.0	0.7	**3.6**
Acquired companies	-	12.1	2.1	-	-	**14.2**
Disposals	0.0	-	-0.1	-	-	**-0.1**
Translation differences and other changes	0.0	0.3	0.2	0.0	-	**0.5**
Transfers	-	0.0	0.6	-	-0.6	**-**
Acquisition cost 31 Dec.	**3.4**	**51.6**	**46.5**	**0.7**	**0.7**	**102.9**
Accumulated depreciation 1 Jan.	-0.2	-15.7	-31.1	-0.3	-	**-47.3**
Accumulated depreciation on disposals and transfers	-	-	0.0	-	-	**0.0**
Acquired companies, accumulated deprecations	-	-	-	-	-	**0.0**
Depreciation for the period	-	-2.7	-2.7	-0.1	-	**-5.5**
Impairments	-	-	0.0	-	-0.3	**-0.3**
Accumulated depreciation 31 Dec.	**-0.2**	**-18.4**	**-33.8**	**-0.3**	**-0.3**	**-53.1**
Book value 31 Dec. 2012	**3.2**	**33.2**	**12.7**	**0.3**	**0.4**	**49.8**

Machinery and equipment includes assets acquired through finance leases totalling EUR 0.7 million.

TANGIBLE ASSETS 2011

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	**Total**
Acquisition cost 1 Jan.	3.4	36.1	40.6	0.5	0.5	81.1
Additions	-	2.2	2.9	0.2	0.1	5.5
Acquired companies	-	-	-	-	-	-
Disposals	-	0.0	-1.7	0.0	-	-1.8
Translation differences and other changes	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	-	0.0	-	0.0	0.0
Acquisition cost 31 Dec.	3.4	38.3	41.8	0.7	0.6	84.9
Accumulated depreciation 1 Jan.	-0.2	-13.5	-30.2	-0.3	-	-44.2
Accumulated depreciation on disposals and transfers	-	0.0	0.0	-	-	0.0
Acquired companies, accumulated deprecations	-	0.0	1.5	-	-	1.5
Depreciation for the period	-	-2.2	-2.4	0.0	-	-4.7
Impairments	-	0.0	0.0	-	-	0.0
Accumulated depreciation 31 Dec.	-0.2	-15.7	-31.1	-0.3	-	-47.3
Book value 31 Dec. 2011	3.2	22.7	10.6	0.4	0.6	37.5

Machinery and equipment includes assets acquired through finance leases totalling EUR 0.0 million.

Note 13 Investment in associated companies and joint ventures

EUR million	**2012**	2011
Book value 1 Jan.	**32.9**	33.9
Acquisitions, other additions	**0.1**	0.2
Share of profits for the period	**3.7**	1.3
Dividends	**-1.3**	-2.5
Book value 31 Dec.	**35.5**	32.9

At 31 December 2012 book value of the associated companies includes a goodwill total of EUR 3.9 (3.9) million.

INFORMATION ON ASSOCIATED COMPANIES AND THEIR ASSETS, LIABILITIES, NET SALES AND PROFIT/LOSS

Associated companies

2012

EUR million	Domicile	Assets	Liabilities	Net sales	Profit/loss	Group holding, %
Sucros group	Helsinki	187.5	56.6	213.9	19.0	20.0 %
Taimen group	Laukaa	39.4	21.6	26.3	0.1	30.0 %
Foison Oy	Helsinki	1.5	0.0	0.0	0.0	21.2 %

2011

EUR million	Domicile	Assets	Liabilities	Net sales	Profit/loss	Group holding, %
Sucros group	Helsinki	159.0	36.5	153.0	3.7	20.0 %
Taimen group	Laukaa	34.9	11.3	25.3	2.7	30.0 %
Foison Oy	Helsinki	1.5	0.0	0.0	0.0	20.6 %

Joint ventures

The Group has a holding of 50% in the following joint ventures

2012

EUR million	Domicile	Assets	Liabilities	Net sales	Profit/loss	Group holding, %
Ateriamestarit Oy	Raisio	1.3	1.4	20.5	-0.3	50.0 %

2011

EUR million	Domicile	Assets	Liabilities	Net sales	Profit/loss	Group holding, %
Ateriamestarit Oy	Raisio	2.3	2.1	21.3	0.0	50.0 %

In autumn 2012, Lännen Tehtaat and Raisio decided to discontinue the operations of the joint venture Ateriamestarit Oy.

Note 14 Available-for-sale investments

The shares of unlisted companies are reported at acquisition cost as their values are not reliably available.

EUR million	2012	2011
Investments in shares of unlisted companies	0.1	0.1
Total	0.1	0.1

Note 15 Non-current receivables

EUR million	2012	2011
Connection fees	0.4	0.4
Other items	0.0	0.0
Total	0.4	0.4

The fair values of the receivables are estimated to correspond to their book values.

Note 16 Current receivables

EUR million	2012	2011
Trade receivables	27.8	24.4
Receivables based on derivative instruments, hedge accounting	0.1	-
Receivables based on derivative instruments, no hedge accounting	-	0.4
Accrued income and deferred expenses	0.9	0.2
Other receivables	6.6	1.2
Receivables from associated companies and joint ventures		
Trade receivables	0.9	1.3
Other receivables	0.6	0.3
Loan receivables	-	0.0
Total	36.9	27.8

The substantial items in the accrued income and deferred expenses are related to raw material purchases and accruals of employment benefits.

Accrued income and deferred expenses 2012 include mostly value added tax receivables of the Grains and Oilseeds business.

The fair values of the receivables are estimated to correspond to their book values.

During the financial year the group recorded credit losses of EUR 0.2 (0.2) million on trade receivables.

Note 17 Inventories

EUR million	2012	2011
Materials and consumables	12.6	10.5
Work in progress	0.0	0.0
Finished goods	66.8	51.8
Total	79.4	62.3

A write-down of EUR 1.1 (1.8) million in inventory value was booked to correspond the net realisation value.

Note 18 Financial assetsat fair value through profits

EUR million	2012	2011
Short-term fixed income funds	0.1	-
Total	0.1	-

Note 19 Cash and cash equivalents

EUR million	2012	2011
Cash and bank receivables	5.2	9.3
Total	5.2	9.3

Note 20 Shareholders' equity

EUR million	Number of shares (1,000 pcs)	Share capital	Share premium account	Total
31 Dec. 2012	**6 318**	**12.6**	**23.4**	**36.0**
31 Dec. 2011	6 318	12.6	23.4	36.0

The fully paid and registered share capital of the company at the end of the financial year was EUR 12,635,152. The nominal value of a share is EUR 2.

DESCRIPTIONS OF THE FUNDS IN THE EQUITY:

Translation differences
Translation differences fund contains the translation differences arising from the translations of the financial statements prepared in foreign currency.

Revaluation reserve
Revaluation reserve consists of two sub-reserves: fair value reserve for available-for-sale financial assets and hedging reserve for the revaluations of the fair values of derivative instruments used for cash flow hedges. Changes on the statement of changes in shareholder's equity relate only the revaluation reserve. Changes in the fair value reserve is null on both reporting periods.

Other reserves
Other reserves consist of contingency reserve and capital reserve accounts. Contingency reserve includes the proportion transferred from retained earnings according to the decision by the Annual General Meeting. Capital reserve accounts include items that are based on the local regulation of foreign subsidiaries. Contingency reserve totals to EUR 6.2 (6.2) million and capital reserve EUR 7.2 (7.2) million.

Treasury shares
Treasury shares include the acquisition cost of the own shares that are in the Group's possession. The company possessed 130,000 own shares that have been repurchased during 2000, 2001 and 2008. The shares represent 2.1% of the company's share capital and votes. The acquisition cost of the repurchased shares was EUR 1.8 million and it is presented as deduction of equity. The acquisition cost of the repurchased shares was EUR 1.8 million and it is presented as deduction of equity.

Dividends
After the date of the financial statement the Board of Directors has proposed a dividend of EUR 0.90 per share to be paid.

Note 21 Provisions

EUR million	2012	2011
NON-CURRENT		
Provisions 1 Jan.	**0.1**	0.0
Increases, decreases	**0.0**	0.1
Provisions 31 Dec.	**0.1**	0.1
CURRENT		
Provisions 1 Jan.	**0.2**	0.1
Increases, decreases	**-0.1**	0.1
Provisions 31 Dec.	**0.1**	0.2

Provisions relate mainly to defined benefit pension plans.

Note 22 Financial liabilities

EUR million	2012	2011
NON-CURRENT		
Loans from credit institutions	**5.0**	1.1
Other loans	**0.6**	0.7
Finance lease liabilities (note 25)	**0.1**	-
Total	**5.6**	1.9

The loans from credit institutions are floating rate. The loan in 'Other loans' carries a fixed rate of 5% p.a. Interest-bearing long-term loans are denominated in euros totalling EUR 4.3 (0.8) million and in Norwegian crowns totalling EUR 0.7 (1.0) million. It is assessed that the book values of the liabilities correspond to their fair values.

EUR million	2012	2011
CURRENT		
Commercial papers and loans from credit institutions	**30.6**	0.4
Finance lease liabilities (note 25)	**0.2**	0.0
Total	**30.8**	0.4

The fair values of the liabilities are estimated to correspond to their book values.

Note 23 Trade payables and other liabilities

EUR million	2012	2011
NON-CURRENT		
Payables based on derivative instruments, hedge accounting	**0.2**	0.1
Other liabilities	**7.3**	4.7
Total	**7.5**	4.7

Based on the shareholder agreements on the ownership arrangement between Apetit Kala Oy and Taimen Oy, under certain terms and conditions the contracting parties are entitled to terminate the cross ownership at fair value. The liability EUR 4.8 (4.7) million in any termination of ownership will, on the basis of IAS 32, be recognised under non-current liabilities. The receivable arising in connection with this may not, under IFRS rules, be recognised. Other liabilities include also Caternet additional purchase price liability total of EUR 2.5 (0.0) million.

EUR million	2012	2011
CURRENT		
Trade payables	**27.1**	24.4
Payables to associated companies and joint ventures	**0.6**	0.2
Payables based on derivative instruments, no hedge accounting	**0.2**	0.0
Payables based on derivative instruments, hedge accounting	**0.0**	0.3
Accrued expenses and deferred income	**8.7**	6.4
Other liabilities	**4.6**	3.7
Total	**41.2**	35.0

The material items in accrued expenses and deferred income consist of personnel expenses and accruals of material purchases.

Note 24 Financial risk management

The Lännen Tehtaat Group is exposed to various financial risks in its normal business operations. The aim of the Group's risk management is to minimize the adverse effects of changes in the financial markets on its financial performance. The main financial risks are the currency risk, the interest rate risk and the funding risk. The Group uses derivative financial instruments, among other things, to hedge against currency and interest rate risks.

The financial risk management principles observed by the Group are subject to approval by the Board of Directors of Lännen Tehtaat plc, and the practical implementation of these principles is the responsibility of the Financing Department, which operates under the CFO.

1. MARKET RISKS

Currency Risk

The Group operates in international markets and is thus exposed to currency risks arising from changes in exchange rates. The Group's currency risks concern sales, purchases and balance sheet items denominated in foreign currencies (transaction risk), and also investment in foreign subsidiaries (translation risk). The most significant currency risk is caused by the US dollar, Canadian dollar and Norwegian crowns. Other currencies causing some currency risk is mainly Swedish crowns. Group's largest currency risk is from currency derivatives, cash balances and trade payables denominated in other currency than the operating currency in Maritim companies and Group's internal financing to Maritim companies.

On 31 December 2012 the most significant net investments to foreign subsidiaries are in Norwegian crownes EUR 5.6 million and Swedish crowns EUR 3.8 million. Lännen Tehtaat plc has intra-group loan receivables in Norwegian crownes EUR 8.9 million and in Swedish crowns EUR 3.4 million. Group's policy is not to hedge balances related to subsidiary ownership such as net investments in foreign operations or intra-group loans.

The principle followed by the Group is to hedge the original transaction risk in the case of all financially significant currency positions. The Group's financial policy is to look on open currency positions with a value in excess of EUR 100,000 as significant. Hedging can also be made against a probable future open currency position. The instruments available in currency hedging are forward currency contracts, currency options and currency swaps. The Group's business units are responsible for currency risk hedging. Currency hedging is guided by the risk management policy specifically defined for the purpose and this is monitored by the Group's Financing Department.

Sensitivity to currency risk arising from financial instruments

Currency risk (or foreign exchange risk) arises from financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of this IFRS, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

If on 31 December 2012 (31 December 2011) Norwegian crowns would have been 10% stronger/weaker against euro, group's net profit would have increased / decreased by EUR 0.7/-0.6 (0.6/-0.5) million and equity increased/decreased by EUR 0.0/0.0 (0.0/0.0) million. All other variables such as interest rates remain the same on the analyses.

If on 31 December 2012 (31 December 2011) US dollar would have been 10% stronger/weaker against euro, group's net profit would have increased/decreased by EUR 0.3/-0.2 (0.2/-0.2) million and equity decreased/increased by EUR 0.0/-0.0 (0.0/0.0) million. All other variables such as interest rates remain the same on the analyses.

If on 31 December 2012 (31 December 2011) Canadian dollar would have been 10% stronger/weaker against euro, group's net profit would have increased/decreased by EUR 0.0/-0.0 (-0.1/0.1) million and equity increased/decreased by EUR 0.0/0.0 (0.0/0.0) million. All other variables such as interest rates remain the same on the analyses.

Interest rate risk

At the end of the financial year, the Group had a total of EUR 5.6 (1.9) million in long-term floating rate loans from financial institutions, EUR 30.8 (0.4) million in other short-term liabilities, EUR 5.2 (9.3) million in liquid cash assets and EUR 0.1 (0.0) million in short-term fixed income funds. The Group has hedged against long-term interest rate risk using interest rate swap with nominal value of EUR 5.4 (0.0) million.

Sensitivity to interest rate risk arising from financial instruments

With the balance sheet structure on 31 December 2012 (31 December 2011), a rise/decrease of one percentage point in interest rates would have decreased / increased Group's net profit by EUR -0.2/0.2 (-0.1/0.1) million and equity increased/decreased EUR 0.0/0.0 (0.0/0.0) million.

Commodity risk

The Group is exposed to commodity risks associated with the availability of raw materials, the time difference between procurement and sales, and price fluctuations. The most significant single commodity risks concern Grains and Oil Seeds; wheat, barley, oats, soy and rapeseed. It seeks to reduce these risks by using certain quoted commodity futures, forward agreements and options. The Group's exposure to commodity risk and correspondingly the hedging instruments expire within 12 months. At the end of the year commodity derivatives totalled to EUR 7.9 (12.4) million. Frozen Foods and Seafood business do not have commodity derivative markets and commodity risk is mostly controlled by purchase and sales functions' co-operation. The business units are responsible for managing their commodity risks in accordance with the risk management principles laid down for them. Hedge accounting is mostly applied when hedging the raw material risk.

The Lännen Tehtaat Group hedges against price variations in the electricity it purchases by agreeing power supply and electricity derivative financial instruments of up to three years. Management of the Group's electricity portfolio has been outsourced for Finnish companies. The portfolio management covers both the physical procurement of electricity and the financial hedges. Management of the electricity risk is governed by a separate risk policy for the procurement of the electricity. Hedge accounting is applied for hedging the electricity risk and electricity derivatives totalled EUR 1.3 (1.7) million at the end of the year.

Sensitivity to commodity risk arising from financial instruments

If on 31 December 2012 (31 December 2011) derivative based commodity prices would have been increased/decreased by 10%, Group's net profit would have increased/decreased by EUR 0.0/0.0 (0.0/0.0) million and equity increased/decreased by EUR -0.1/0.1 (-0.2/0.2) million. When cash flow hedge accounting is applied, the change in the fair value of derivative financial instruments is assumed to be recorded fully in equity.

Other market risks information

The sensitivity analysis presented may not be representative, since the Group's exposure to market risks also arises from other balance sheet items than financial instruments. For example, the currency risk analyses only reflect the change in fair value of derivative instruments. Cash flows from derivatives are materially offset by commodity purchase prices denominated in foreign currency even though the Group does not apply IAS 39 hedge accounting to all transactions made in hedging purpose.

2. CREDIT RISK

Derivative financial instruments are only entered into with domestic and foreign banks that have a good credit rating. Commodity derivative instruments can be entered into on the appropriate commodity exchanges if necessary. Liquid assets are invested within the approved limits in targets with a good credit rating.

To minimize the operational credit risk, the business units endeavour to obtain collateral security, as credit insurance, in the event that a customer's credit rating so requires.

The Group's management evaluates that there are no significant customer, geographical or counterparty concentrations in the Group's credit and counterparty risks.

Aging of Group's receivables

EUR million	**2012**	2011
Not due	**36.2**	27.4
0 - 3 months past due	**0.7**	0.3
4 - 6 months past due	**0.0**	0.1
Over 6 months past due	**0.0**	0.0
Total	**36.9**	27.8

Other Group's receivables do not include credit risk.

3. LIQUIDITY RISK

The liquidity risk is the risk that the company may not have sufficient liquid assets or be unable to acquire enough funds to meet the needs of its business operations. The aim of liquidity risk management is to maintain sufficient liquid funds and credit facilities to ensure that there is always enough financing for the Group's business operations. The cash flows of the Group companies are netted with the aid of the Group's internal bank and Group accounts. To manage liquidity, the Group has a commercial paper programme worth EUR 50 (50) million and also long-term binding credit facilities agreed with financial institutions; a total of EUR 15 (25) million was available in credit on 31 December 2012. Credit facilities expire on December 2016 for EUR 15 million and March 2013 for EUR 10 million. The total amount of commercial papers issued were EUR 19.0 (0.0) million. Liquidity risk management is the responsibility of the parent company's Financing Department.

Group's derivative liabilities and interest-bearing loan repayments and interest cash flows on 31 December 2012

EUR million	0 - 3 months	4 - 12 months	1 - 5 years	Over 5 years
Loans from financial institutions				
and other loans	**-25.2**	**-5.0**	**-5.3**	**-1.3**
Finance leases	**0.0**	**-0.1**	**-0.2**	**-**
Trade payables	**-27.9**	**-**	**-**	**-**
Derivative liabilities	**-0.5**	**-0.1**	**-0.2**	**-**
Total	**-53.5**	**-5.1**	**-5.8**	**-1.3**

Group's derivative liabilities and interest-bearing loan repayments and interest cash flows on 31 December 2011

EUR million	0 - 3 months	4 - 12 months	1 - 5 years	Over 5 years
Loans from financial institutions				
and other loans	-0.1	-0.4	-1.2	-0.8
Finance leasing	0.0	0.0	-	-
Trade payables	-25.1	-	-	-
Derivative liabilities	-0.4	-	-	-
Total	-25.6	-0.4	-1.2	-0.8

4. CAPITAL RISK MANAGEMENT

The main objective for capital risk management is to secure the Group's operational preconditions in all circumstances. The capital structure of the Group is reviewed by the Board of Directors on a regular basis. Lännen Tehtaat plc does not have a public credit rating. The Group monitors its capital on the basis of equity ratio. The Group has set a long term target of equity ratio of at least 40%. The equity ratio can deviate from the target ratio of the short term. The equity ratio on 31 December 2012 was 60.7% (74.9%). The Group's strong financial position enables to execute the corporation's strategy to grow thorough mergers and acquisitions.

The amounts of the Group's interest bearing debts fluctuate significantly during the year due to a seasonality of the employed working capital. Normally the employed working capital is at highest level during the last quarter of the year and at lowest level during the spring and summer.

EUR million	**2012**	2011
Interest bearing liabilities	**36.4**	2.3
Liquid assets	**5.3**	9.3
Interest bearing net debt	**-31.1**	7.0
Equity	**141.5**	139.2
Interest bearing net debt and equity total	**110.4**	146.3
Gearing, %	**22.0**	-5.1
Equity ratio, %	**60.7**	74.9

Note 25 Finance lease liabilities

EUR million	2012	2011
Finance lease liabilities, Total amount of minimum lease payments	**0.3**	0.0
Within one year due	**0.2**	0.0
After one year but not more than five years	**0.1**	-
Finance lease liabilities, Present value of minimum lease payments	**0.3**	0.0
Within one year due	**0.2**	0.0
After one year but not more than five years	**0.1**	-
Finance charges accruing in the future	**0.0**	0.0

Note 26 Collateral, contingent liabilities, contingent assets and other commitments

EUR million	2012	2011
LIABILITIES SECURED BY PLEDGES		
Loans from financial institutions	**0.9**	1.3
Other	**0.8**	0.8
Total	**1.7**	2.1
PLEDGES GIVEN FOR DEBTS		
Real estate mortgages	**2.2**	2.2
Corporate Mortgages	**0.5**	0.5
Other securities given	**3.0**	3.5
Guarantees	**7.9**	7.2
OTHER LEASES, PRESENT VALUE OF MINIMUM LEASE PAYMENTS		
Within one year	**2.7**	1.7
After one year but not more than five years	**2.8**	2.7
After more than five years	**1.7**	0.3
Total	**7.2**	4.7

The present value of minimum lease payments includes real estate leases a total of EUR 5.8 (3.9) million.

CONTINGENT ASSETS	2012	2011
The present value of proceeds from the sale of shares in the joint book-entry account	**0.7**	0.7

INVESTMENT COMMITMENTS

Lännen Tehtaat has no material investment commitments on 31 December 2012.

OTHER LIABILITIES

Liability to adjust value added tax on property investments

The group is liable to adjust value added tax deductions on 2008-2012 property investments, if taxable use of the properties decreases. The maximum value of the liability is EUR 2.3 (1.6) million and liability is valid untill 2022.

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.

At the beginning of November, Caternet Finland Oy has received a decision from the Uusimaa Centre for Economic Development, Transport and the Environment reagarding a claim for recovery of investment support that was granted to Caternet's Kivikko plant in 2008-2009. The claim for recovery is due to the change of ownership of the company's share capital on 27 March 2012. The company has found the claim for recovery to be unfounded and has appealed against the decision from Rural Businesses Appeals Board. Postings related to the claim for recovery have not been recognised to the review period or the balance sheet. Contingent liability is EUR 0 - 1.3 million.

Note 27 Fair value hierarchy on financial assets and liabilities valued at fair value

EUR million	Level 1	Level 2	Level 3	Total
ASSETS 2012				
Currency derivatives, no hedge accounting	-	0.0	-	**0.0**
Commodity derivatives, hedge accounting	0.1			**0.1**
Fund investments	0.1	-	-	**0.1**
ASSETS 2011				
Currency derivatives, no hedge accounting	-	0.4	-	0.4
LIABILITIES 2012				
Currency derivatives, no hedge accounting	-	-0.1	-	**-0.1**
Commodity derivatives, hedge accounting	-0.2	-	-	**-0.2**
Interest rate swaps	-	-0.1	-	**-0.1**
LIABILITIES 2011				
Currency derivatives, no hedge accounting	-	0.0	-	0.0
Commodity derivatives, hedge accounting	0.4	-	-	0.4

Level 1 fair values are based on prices obtained from active markets.

Level 2 fair values are based on other input data and commonly accepted fair value models. The input data is based on observable market prices.

Level 3 fair values are mostly based on other input data that are not for the most part based on observable market prices, instead management estimates and commonly accepted fair value models.

During the year there has not been any transfers between levels 1 and 2.

Nominal values of derivative instruments

EUR million	2012	2011
Currency derivatives, no hedge accounting	**9.3**	14.3
Commodity derivatives, cash flow hedge accounting	**9.3**	14.1
Interest rate swaps	**5.4**	-

Other information related to cash flow hedge

The Group applies cash flow hedge accounting to commodity and currency derivatives. Electricity derivatives expire in three years being more emphasized to the two subsequent years from the balance sheet date. Other derivatives become due within one year. Due to cash flow hedge accounting equity was decreased by EUR 0.5 (0.5) million. Derivatives affected the profit and loss statement related to net sales EUR -1,1 (-0.9) million, purchases and other operating income and expense EUR -0.6 (-0.5) million, financial income and expenses EUR 0.0 (0.0) million and taxes EUR 0.4 (0.4) million. Profit and loss statement effects of cash flow hedges are materially netted against the opposing fair value change of the hedged item.

Note 28 Related party transactions

Parent company and subsidiary relations of the Group	Domicile	Group's share of ownership %	Group's share of votes -%
Lännen Tehtaat plc (parent company)	Finland		
Apetit Pakaste Oy	Finland	100.0	100.0
Apetit Kala Oy	Finland	70.0	70.0
Myrskylän Savustamo Oy	Finland	70.0	70.0
Safu Oy	Finland	70.0	70.0
Caternet Finland Oy	Finland	100.0	100.0
Kiinteistö Oy Kivikonlaita	Finland	100.0	100.0
Apetit Suomi Oy	Finland	100.0	100.0
Maritim Food AS	Norway	100.0	100.0
Maritim Food Sweden AB	Sweden	100.0	100.0
Sandanger AS	Norway	100.0	100.0
Avena Nordic Grain Oy	Finland	[1] 80.0	[1] 80.0
Mildola Oy	Finland	[1] 80.0	[1] 80.0
ZAO Avena St. Petersburg	Russia	[1] 80.0	[1] 80.0
UAB Avena Nordic Grain	Lithuania	[1] 80.0	[1] 80.0
OÜ Avena Nordic Grain	Estonia	[1] 80.0	[1] 80.0
TOO Avena Astana	Kazakhstan	[1] 80.0	[1] 80.0
OOO Avena-Ukraine	Ukraine	[1] 80.0	[1] 80.0
1 non-operative company	Finland	100.0	100.0

[1] In addition Lännen Tehtaat Group owns indirectly through Foison Oy 4.3% of the shares in Avena Nordic Grain Oy.

Salaries, wages and benefits of the administrative bodies of the Group

The administrative bodies consists of the members of the Supervisory Board, the Board of Directors and the CEO of the parent company.

The chairman of the Supervisory Board was paid EUR 10,929 (13,250), the deputy chairman EUR 10,159 (10,083) and the members EUR 250 to 1,015 (250 to 1,000) in fees and allowances.

The members of the Board of Directors and CEO were paid in salaries, wages and fringe benefits as follows:

EUR 1,000	2012	2011
Matti Lappalainen, chairman of the Board	**47**	42
Aappo Kontu, debuty chairman of the Board since 13 April 2012	**25**	20
Hannu Simula, deputy chairman of the Board until 13 April 2012	**7**	24
Harri Eela, member of the Board until 14 April 2011	**-**	6
Heikki Halkilahti, member of the Board until 13 April 2012	**7**	20
Veijo Meriläinen, member of the Board since 13 April 2012	**15**	-
Samu Pere, member of the Board since 13 April 2012	**14**	-
Soili Suonoja, member of the Board until 14 April 2011	**-**	6
Jorma J. Takanen, member of the Board	**22**	14
Helena Walldén, member of the Board	**22**	14
Matti Karppinen, CEO	**314**	377

The members of the Board do not have any pension agreements with the Group companies. The agreed retirement age for the CEO is 62 years.

Post–employment benefits

Pension benefits, amount transferred to income statement:

EUR 1,000	2012	2011
Matti Karppinen, CEO	**111**	98

The key conditions of the CEO's terms of service are defined in his contract.

The period of notice for the CEO is six months. Should the CEO be given notice by the company, he will be entitled to a severance package equivalent to 12 months' pay.

The Group did not have any loan receivables from the group key management on 31 December 2012 nor on 31 December 2011.

Transactions with associated companies and joint ventures

EUR million	2012	2011
Sales to associated companies	**1.7**	1.5
Sales to joint ventures	**8.6**	8.5
Purchases from associated companies	**13.1**	13.9
Purchases from joint ventures	**0.0**	0.0
Long-term receivables from joint ventures	**-**	0.0
Trade receivables and other receivables from associated companies	**0.7**	0.8
Trade receivables and other receivables from joint ventures	**0.7**	0.8
Trade payables and other liabilities to associated companies	**0.5**	0.2
Trade payables and other liabilities to joint ventures	**0.0**	0.0

The sales of goods and services to the associated companies and joint ventures are based on valid market prices.

Note 29 Events since the end of the financial year

There are no material events since the end of the financial year.

Note 30 Key indicators

Continuing operations	**2012**	2011	2010	2009	2008
EUR million					
FINANCIAL RATIOS					
Net sales	**378.2**	335.5	308.7	266.0	349.1
Exports from Finland	**73.0**	90.8	49.0	31.3	78.6
Operating profit	**8.5**	8.7	8.3	6.8	13.9
% of net sales	**2.2**	2.6	2.7	2.6	4.0
R & D expenses	**1.0**	0.9	1.0	0.9	0.8
% of net sales	**0.3**	0.3	0.3	0.3	0.2
Financial income (+)/expenses(-), net	**-1.0**	-1.2	0.1	0.5	-3.3
Profit before taxes	**7.5**	7.5	8.4	7.3	10.7
% of net sales	**2.0**	2.2	2.7	2.7	3.1
Profit for the period	**6.7**	5.7	6.5	5.8	10.0
% of net sales	**1.8**	1.7	2.1	2.2	2.9
Attributable to					
Shareholders of the parent company	**6.6**	5.7	6.5	5.8	17.0
Non-controlling interests	**0.1**	0.0	-	-	0.1
Return on equity, % (ROE)	**4.8**	4.1	4.7	4.3	12.9
Return on investment, % (ROI)	**5.4**	6.3	6.1	5.5	13.8

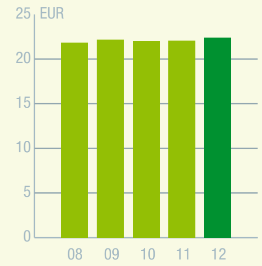
Continuing operations	**2012**	2011	2010	2009	2008
EUR million					
FINANCE AND FINANCIAL POSITION					
Equity ratio, %	**60.7**	74.9	72.4	78.0	70.5
Net gearing, %	**22.0**	-5.1	-7.7	-15.8	1.1
Non-current assets	**110.9**	86.3	87.5	77.4	84.3
Inventories	**79.4**	62.3	55.0	48.1	55.1
Other current assets	**42.6**	37.2	49.4	50.6	52.9
Shareholders' equity	**141.5**	139.2	138.9	137.3	135.6
Distributable funds	**88.5**	87.7	84.5	82.7	78.9
Interest-bearing liabilities	**36.4**	2.3	4.0	3.3	15.2
Non-interest-bearing liabilities	**55.0**	44.3	49.0	35.5	41.6
Balance sheet total	**232.9**	185.8	191.9	176.1	192.3
OTHER INDICATORS					
Gross investments excluding acquisitions	**3.9**	5.8	3.1	2.7	8.1
% of net sales	**1.0**	1.7	1.0	1.0	2.3
Acquisitions and other investments in shares	**9.7**	0.2	10.5	1.2	0.5
% of net sales	**2.6**	0.1	3.4	0.5	0.1
Average number of personnel	**721**	596	621	657	755

Share indicators	**2012**	2011	2010	2009	2008
Earnings and dividend					
Earnings per share, EUR	**1.07**	0.92	1.04	0.94	2.73
Dividend per share, EUR	[1] **0.90**	0.85	0.90	0.76	0.85
Dividend per earnings, %	**84.1**	92.4	86.5	80.9	31.1
Effective dividend yield, %	**6.3**	5.8	5.1	4.9	6.3
P/E ratio	**13.4**	16.0	16.8	16.7	4.9
Shareholders' equity per share, EUR	**22.41**	22.06	22.01	22.19	21.83
Share performance, EUR					
Lowest price during the year	**12.38**	12.95	15.51	11.90	13.00
Highest price during the year	**16.77**	18.80	20.00	15.99	17.00
Average price during the year	**14.48**	15.77	17.62	13.71	14.49
Share price at the end of the year	**14.32**	14.71	17.50	15.65	13.49
Share turnover					
Share turnover (1,000 pcs)	**833**	687	1 035	1 998	963
Turnover ratio, %	**13.2**	10.9	16.4	31.6	15.2
Share capital, EUR million	**12.6**	12.6	12.6	12.6	12.6
Market capitalisation, EUR million	**90.5**	92.9	110.6	98.9	85.2
Dividends, EUR million	[1] **5.6**	5.3	5.6	4.7	5.3
Number of shares					
Number of shares	**6 317 576**	6 317 576	6 317 576	6 317 576	6 317 576
Average adjusted number of shares	**6 187 576**	6 187 576	6 187 576	6 187 576	6 220 618
Adjusted number of shares at the end of the period	**6 187 576**	6 187 576	6 187 576	6 187 576	6 187 576

[1] Board's proposal

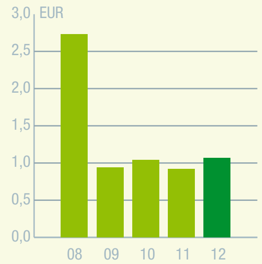
EQUITY PER SHARE

2012 22.41
2011 22.06
2010 22.01
2009 22.19
2008 21.83



EARNINGS PER SHARE

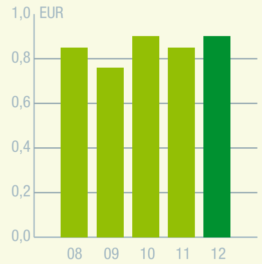
2012 1.07
2011 0.92
2010 1.04
2009 0.94
2008 2.73



DIVIDEND PER SHARE

2012 [1] 0.90
2011 0.85
2010 0.90
2009 0.76
2008 0.85

[1] Board's proposal



Note 31 Calculation of key indicators

Return on equity (ROE), %	=	$\dfrac{\text{Profit/loss}}{\text{Total equity, average for the year}}$	x 100
Return on investment (ROI), %	=	$\dfrac{\text{Profit/loss before taxes + interests and other financial expenses}}{\text{Total assets - non-interest-bearing liabilities, average for the year}}$	x 100
Equity ratio, %	=	$\dfrac{\text{Total equity}}{\text{Total assets - advance payments received}}$	x 100
Gearing, %	=	$\dfrac{\text{Interest-bearing net liabilities}}{\text{Total equity}}$	x 100
Interest-bearing net liabilities	=	Interest-bearing liabilities - cash and cash equivalents - short term investments	
Earnings per share	=	$\dfrac{\text{Profit/loss for the year attributable to the shareholders of the parent}}{\text{Weighted average number of outstanding shares}}$	
Dividend per share	=	$\dfrac{\text{Dividend for the period}}{\text{Basic number of outstanding shares on 31 December}}$	
Dividend per earnings, %	=	$\dfrac{\text{Dividend per share}}{\text{Earnings per share}}$	x 100
Effective dividend yield, %	=	$\dfrac{\text{Dividend per share}}{\text{Share price at the end of the period}}$	x 100
Price/earnings ratio (P/E)	=	$\dfrac{\text{Share price at the end of the period}}{\text{Earnings per share}}$	
Shareholders' equity per share	=	$\dfrac{\text{Equity attributable to the equity holders of the parent company}}{\text{Basic number of outstanding shares on 31 December}}$	
Market capitalisation	=	Basic number of outstanding shares x share price at the end of the period	

Note 32 Shares and shareholders

MAJOR SHAREHOLDERS ON 8 FEBRUARY 2013

Shareholder	Number of shares	%	Number of votes	%
Sievi Capital plc	544 229	8.6	544 229	8.8
Valio's Pension Fund	520 108	8.2	520 108	8.4
Eela Esko	389 838	6.2	389 838	6.3
Nordea Nordic Small Cap Fund	347 860	5.5	347 860	5.6
EM Group Oy	316 000	5.0	316 000	5.1
Skagen Funds	311 087	4.9	311 087	5.0
Central Union of Agricultural Producers and Forest Owners	125 485	2.0	125 485	2.0
Norvestia plc	74 294	1.2	74 294	1.2
Beetajuuri Oy	73 324	1.2	73 324	1.2
Special Mutual Fund Fourton Fokus Finland	62 516	1.0	62 516	1.0
10 major shareholders total	2 764 741	43.8	2 764 741	44.7
Nominee-registered shares	187 020	3.0	187 020	3.0
Other shareholders	3 235 815	51.2	3 235 815	52.3
External ownership total	6 187 576	97.9	6 187 576	100.0
Shares owned by the company	130 000	2.1		
Total	**6 317 576**	**100.0**		

Shares own by the Group administrations

Regular and deputy members of the Supervisory Board and members of the Board of Directors and the CEO and the deputy CEO, and the corporations and foundations under their control owned a total of 353 247 shares on 8 February 2013. This corresponds to 5.6% of the share capital and voting rights.

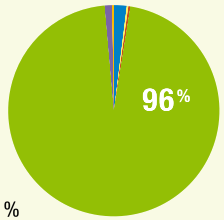
DISTRIBUTION OF SHAREHOLDINGS ON 8 FEBRUARY 2013

Shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 - 100	4 615	47.1	222 237	3.5
101 - 500	3 923	40.0	959 025	15.2
501 - 1 000	764	7.8	563 893	8.9
1001 - 5 000	417	4.3	774 288	12.3
5 001 - 10 000	36	0.4	240 937	3.8
10 001 - 50 000	18	0.2	342 583	5.4
50 001 - 100 000	7	0.1	466 709	7.4
100 001 - 500 000	7	0.1	1 683 567	26.6
500 001 -	2	0.0	1 064 337	16.8
Total	**9 789**	**100.0**	**6 317 576**	**100.0**

DISTRIBUTION OF OWNERSHIP ON 8 FEBRUARY 2013

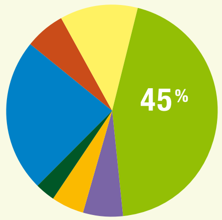
	% of shareholders	% of shares
Companies	2.2	23.6
Financial and insurance institutions	0.2	6.1
Public organisations	0.3	11.8
Private households	95.8	44.5
Non-profit organisations	1.2	6.0
Foreign owners	0.1	5.0
Nominee-registered		3.0
Total	**100.0**	**100.0**

DISTRIBUTION OF OWNERSHIP



by shareholders, %

DISTRIBUTION OF OWNERSHIP



by shares, %

Parent company financial statements, FAS

PARENT COMPANY INCOME STATEMENT, FAS

EUR 1000	Note	2012	2011
Other operating income	(1)	**474**	695
Personnel expenses	(2)	**-2 077**	-1 786
Depreciation and impairments	(3)	**-325**	-322
Other operating expenses	(4)	**-1 377**	-1 076
Operating profit/loss			
Financial income and expenses	(5)	**6 957**	8 610
Profit before extraordinary items		**3 652**	6 121
Extraordinary items	(6)	**2 820**	3 200
Profit before appropriations and taxes		**6 472**	9 321
Income taxes	(7)	**-356**	-581
Net profit		**6 115**	8 740

PARENT COMPANY BALANCE SHEET, FAS

EUR 1000	Note	31 Dec. 2012	31 Dec. 2011
ASSETS			
Non-current assets			
Intangible assets	(8)	**89**	129
Tangible assets	(9)	**4 380**	4 659
Investments in Group companies	(10,11)	**41 191**	34 729
Investments in associated companies	(10,11)	**12 106**	12 095
Other investments and receivables	(10,11)	**76**	76
Total non-current assets		**57 841**	51 688
Current assets			
Long-term receivables	(12)	**14 103**	13 350
Current receivables	(13)	**86 580**	54 349
Cash and cash equivalents		**5 186**	8 096
Total current assets		**105 869**	75 795
Total assets		**163 711**	127 483
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(14)		
Share capital		**12 635**	12 635
Share premium account		**23 391**	23 391
Contingency reserve		**7 232**	7 232
Retained earnings		**75 192**	71 711
Profit for the period		**6 115**	8 740
Total equity		**124 565**	123 709
Liabilities	(15)		
Long-term interest bearing liabilities		**4 200**	-
Current interest bearing liabilities		**34 125**	3 148
Current non-interest bearing liabilities		**821**	625
Total liabilities		**39 146**	3 773
Total equity and liabilities		**163 711**	127 483

PARENT COMPANY STATEMENT OF CASH FLOWS, FAS

EUR 1000	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before extraordinary items	**3 652**	6 121
Adjustments	**-6 646**	-8 525
Change in working capital		
Change in non-interest-bearing current receivables	**200**	-2 306
Change in non-interest-bearing current liabilities	**75**	-269
Cash flow from operating activities before financial items and taxes	**-2 719**	-4 978
Dividends received	**4 205**	4 774
Interests paid	**-277**	-131
Interests received	**1 479**	1 699
Taxes paid	**-672**	-1 152
Cash flow from operating activities (A)	**2 016**	212
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	**-14**	-128
Proceeds from sales of tangible and intangible assets	**9**	46
Investments in Group companies	**-6 462**	-1 032
Investments in associated companies	**-11**	-197
Sales of associated companies	**-**	525
Investments in other investments	**-27 800**	-22 005
Proceeds from sales of other investments	**58 000**	29 095
Dividends received	**1 011**	2 209
Cash flow from investing activities (B)	**24 733**	8 512
Cash flow before financing	**26 749**	8 724

EUR 1000	2012	2011
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	**4 800**	-
Repayments of long-term loans	**-600**	-
Change in long-term subsidiary financing	**-249**	-
Change in short-term subsidiary financing	**-31 551**	-5 649
Dividends paid	**-5 259**	-5 569
Group contributions, received	**3 200**	3 650
Cash flow from financing activities (C)	**-29 659**	-7 568
Net increase/decrease in cash and cash equivalents	**-2 910**	1 156
Cash and cash equivalents at beginning of financial year	**8 096**	6 939
Cash and cash equivalents at end of financial year	**5 186**	8 096

Change in receivables and liabilities of the Group account -1 635 (-834) is included in the change of the working capital.

ACCOUNTING PRINCIPLES, FAS

Valuation of fixed assets

Fixed assets have been capitalised at their acquisition cost. Fixed assets have been depreciated on a straight line basis according to plan, based on useful economic life.

Foreign currency items

Receivables and payables denominated in foreign currencies have been translated into euros at the European Central Bank middle rate on the closing day. Exchange rate differences caused by short-term receivables and liabilities have been charged to the profit and loss account. Unrealised exchange rate losses of long-term receivables and liabilities have also been charged to the profit and loss account. Likewise, unrealised exchange rate gains of long-term receivables have been charged since the financial year 2009 to the profit and loss account.

Deferred tax assets and liabilities

Deferred tax liabilities and assets are calculated on the basis of the timing differences between the closing date and the taxation date, using the tax rate for subsequent years confirmed on the closing date.

Derivative contracts

In line with its risk management policy, Lännen Tehtaat uses a variety of derivatives for hedging against a number of risks arising from foreign currencies, interest rates and commodity prices. The market values of derivatives are entered under derivative contracts in the other notes to the accounts and indicate what the result would have been if the derivative position had been closed at market prices on the date of closing of the accounts.

Swap contracts and cap agreements have been used against interest rate risks in variable-rate long-term loans. The income or expenses from the contracts are recorded on accrual basis under other financial income or expenses.

Pension arrangements

Statutory pension coverage for corporate personnel is covered by pension insurance. Special pension insurance policies provide additional pension coverage under the Trust rules for former employees and retired staff previously covered by the Lännen Staff Pension Trust.

The retirement age for the parent company's CEO has been set at 62 years.

Note 1 Other operating income

EUR 1000	2012	2011
Gains from sales of non-current assets	2	240
Rental income	327	305
Service fees	130	135
Other	15	15
Total	474	695

Note 2 Personnel expenses and average number of personnel

EUR 1000	2012	2011
PERSONNEL EXPENSES		
Wages and salaries	1 610	1 345
Pension expenses	425	400
Other social security expenses	42	41
Total	2 077	1 786

Salaries, wages and benefits of the administrative bodies are presented in Note 28 of the Notes to the consolidated financial statements.

Average number of personnel	11	11

The pension commitments to the members of the Board of Directors and the CEO

The retirement age of the CEO is 62 years.

Note 3 Depreciation and impairments

Depreciation according to plan has been calculated from the original acquisition cost on a straight-line-basis. Tangible and intangible assets are subject to straight-line depreciation over the period of their useful lives. Deprecitions begin from the month that they are available fo use.

Depreciation periods:

Intangible rights	5 or 10 years
Other capitalised long-term expenses	5 or 10 years
Buildings and structure	20-30 years
Other buildings and constructions	5 or 10 years
Machinery and equipment	5 or 10 years

The basis for depreciations have not changed.

EUR 1000	2012	2011
DEPRECIATION ACCORDING TO PLAN		
Intangible rights	21	21
Other capitalised long-term expenses	28	29
Buildings and structure	251	253
Machinery and equipment	24	19
Total	325	322

Note 4 Other operating expenses

EUR 1000	2012	2011
Rental expenses	88	78
Expenses of administration	891	578
Other operating expenses	398	420
Total	1 377	1 076
Audit fees	87	90

Note 5 Financial income and expenses

EUR 1000	**2012**	2011
DIVIDEND INCOME		
From Group companies	**4 187**	4 755
From associated companies	**1 011**	2 209
From others	**18**	19
Total	**5 217**	6 983
INTEREST INCOME FROM LONG-TERM INVESTMENTS		
From Group companies	**400**	188
OTHER INTEREST AND FINANCIAL INCOME		
From Group companies	**1 030**	1 389
From associated companies	**2**	2
Foreign currency gains	**539**	58
From others	**47**	120
Total	**1 618**	1 570
Financial income, total	**7 234**	8 741
INTEREST EXPENSES AND OTHER FINANCIAL EXPENSES		
To Group companies	**1**	10
To others	**276**	121
Financial expenses total	**277**	131
Financial income and expenses, total	**6 957**	8 610

Foreign currency gains include unrealised profits from long-term receivables EUR 537 (50) thousands.

Note 6 Extraordinary items

EUR 1000	**2012**	2011
Group contributions, received	**2 820**	3 200

Note 7 Income taxes

EUR 1000	**2012**	2011
Income taxes from extraordinary items	**691**	832
Income taxes for the financial year	**-335**	-251
Total	**356**	581

Note 8 Non-current assets

INTANGIBLE ASSETS 2012

EUR 1000	Intangible rights	Other capitalised long-term expenses	**Total**
Acquisition cost 1 Jan.	106	302	**408**
Additions	-	9	**9**
Disposals	-	-	**-**
Acquisition cost 31 Dec.	106	311	**417**
Accumulated depreciation 1 Jan.	-39	-240	**-279**
Disposals and transfers, accumulated depreciation	-	-	**-**
Depreciation for the period	-21	-28	**-49**
Accumulated depreciation 31 Dec.	-60	-268	**-328**
Book value 31 Dec. 2012	46	43	**89**

INTANGIBLE ASSETS 2011

EUR 1000	Intangible rights	Other capitalised long-term expenses	Total
Acquisition cost 1 Jan.	98	299	397
Additions	8	2	11
Disposals	-	-	-
Acquisition cost 31 Dec.	106	302	408
Accumulated depreciation 1 Jan.	-18	-211	-229
Disposals and transfers, accumulated depreciation	-	-	-
Depreciation for the period	-21	-29	-50
Accumulated depreciation 31 Dec.	-39	-240	-279
Book value 31 Dec. 2011	67	62	129

Note 9 Non-current assets

TANGIBLE ASSETS 2012

EUR 1000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Assets under construction	**Total**
Acquisition cost 1 Jan.	2 269	5 848	421	63	-	**8 601**
Additions	-	-	5	-	-	**5**
Disposals	-9	-	-	-	-	**-9**
Acquisition cost 31 Dec.	2 260	5 848	426	63	-	**8 597**
Accumulated depreciation 1 Jan.	-	-3 631	-310	-	-	**-3 941**
Disposals and transfers, accumulated depreciation	-	-	-	-	-	**-**
Depreciation for the period	-	-251	-24	-	-	**-275**
Accumulated depreciation 31 Dec.	-	-3 882	-335	-	-	**-4 217**
Book value 31 Dec. 2012	2 260	1 966	91	63	-	**4 380**

TANGIBLE ASSETS 2011

EUR 1000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Assets under construction	Total
Acquisition cost 1 Jan.	2 274	5 848	390	63	-	8 574
Additions	-	-	117	-	-	117
Disposals	-5	-	-87	-	-	-91
Acquisition cost 31 Dec.	2 269	5 848	421	63	-	8 601
Accumulated depreciation 1 Jan.	-	-3378	-343	-	-	-3 721
Disposals and transfers, accumulated depreciation	-	-	52	-	-	52
Depreciation for the period	-	-253	-19	-	-	-272
Accumulated depreciation 31 Dec.	-	-3 631	-310	-	-	-3 941
Book value 31 Dec. 2011	2 269	2 217	110	63	-	4 659

REVALUATION 2012 AND 2011

EUR 1000	**Total**
Revaluation 2012 and 2011	**1 850**

Note 10 Investments

INVESTMENTS, OTHER INVESTMENTS AND RECEIVABLES 2012

EUR 1000	Holdings in Group companies	Holdings in associated companies	Other investments	Other receivables	**Total**
Acquisition cost 1 Jan.	34 729	12 095	44	31	**46 899**
Additions	6 462	11	-	-	**6 473**
Disposals	-	-	-	-	**-**
Book value 31 Dec. 2012	41 191	12 106	44	31	**53 372**

INVESTMENTS, OTHER INVESTMENTS AND RECEIVABLES 2011

EUR 1000	Holdings in Group companies	Holdings in associated companies	Other investments	Other receivables	Total
Acquisition cost 1 Jan.	33 697	12 189	44	31	45 961
Additions	1 032	197	-	-	1 229
Disposals	-	-292	-	-	-292
Book value 31 Dec. 2011	34 729	12 095	44	31	46 899

Note 11 Shares of Group companies, associated companies and other shares and receivables

	Domicile	Holding -%
GROUP COMPANIES		
Apetit Pakaste Oy	Säkylä	100,0
Apetit Kala Oy	Kuopio	70,0
Apetit Suomi Oy	Säkylä	100,0
Avena Nordic Grain Oy	Helsinki	80,0
Caternet Finland Oy	Helsinki	100,0
Maritim Food AS	Norja	100,0
1 non-operative company	Säkylä	100,0
ASSOCIATED COMPANIES		
Sucros Ltd	Helsinki	20,0
Foison Oy	Helsinki	20,6

OTHER SHARES, HOLDINGS AND RECEIVABLES	Book value EUR 1000
Other	
Shares and holdings	44
Connection fees, long-term receivables	31
Total	75

Note 12 Long-term receivables

EUR 1000	2012	2011
Loans receivables from Group companies	**14 103**	13 316
Other receivables from associated companies	**-**	34
Long-term receivables total	**14 103**	13 350

Note 13 Current receivables

EUR 1000	2012	2011
ACCOUNTS RECEIVABLE	**18**	69
AMOUNTS OWED BY THE GROUP COMPANIES		
Accounts receivable	**98**	146
Loans receivable	**77 835**	47 920
Group account receivables	**5 258**	2 846
Group contribution receivables	**2 820**	3 200
Other receivables	**108**	49
Total	**86 119**	54 161
AMOUNTS OWED BY THE ASSOCIATED COMPANIES		
Accounts receivable	**1**	21
Other receivables	**-**	17
Total	**1**	38
PRE-PAYMENTS AND ACCRUED INCOME		
Personel expenses	**21**	76
Income tax receivables	**311**	-
Other	**111**	5
Total	**443**	81
Current receivables total	**86 580**	54 349

Note 14 Changes in shareholders' equity

EUR 1000	2012	2011
Share capital 1 Jan.	**12 635**	12 635
Share capital 31 Dec.	**12 635**	12 635
Share premium account 1 Jan.	**23 391**	23 391
Share premium account 31 Dec.	**23 391**	23 391
Contingency reserve 1 Jan.	**7 232**	7 232
Contingency reserve 31 Dec.	**7 232**	7 232
Retained earnings 1 Jan.	**71 711**	70 730
Transfer from previous year's profit	**8 740**	6 550
Dividends paid	**-5 259**	-5 569
Retained earnings 31 Dec.	**75 192**	71 711
Profit for the financial year	**6 115**	8 740
Shareholders' equity 31 Dec.	**124 565**	123 709
DISTRIBUTABLE FUNDS		
Contingency reserve	**7 232**	7 232
Retained earnings	**75 192**	71 711
Profit/loss for the financial year	**6 115**	8 740
Distributable funds 31 Dec.	**88 540**	87 684

Note 15 Liabilities

EUR 1000	2012	2011
NON-CURRENT LIABILITIES		
Loans from financial institutions	4 200	-
CURRENT LIABILITIES		
Loans from financial institutions	30 200	-
Trade payables	67	109
AMOUNTS OWED TO GROUP COMPANIES		
Trade payables	1	19
Other liabilities	61	61
Group account liabilities	3 925	3 148
Total	**3 987**	3 228
AMOUNTS OWED TO ASSOCIATED COMPANIES		
Trade payables	39	2
OTHER LIABILITIES		
Tax account payable	27	26
ACCRUED EXPENSES AND DEFERRED INCOME		
Personnel expenses	427	218
Income tax payable	-	6
Accruals of expenses	199	184
Total	**626**	407
Non-current liabilities, interest-bearing, total	4 200	-
Current liabilities, interest-bearing, total	34 125	3 148
Current liabilities, non-interest-bearing, total	821	625
Total	**39 146**	3 773

Note 16 Contingent liabilities

EUR 1000	2012	2011
LEASE LIABILITIES		
Real estate lease liabilities		
Falling due during the following year	192	192
Falling due at later date	-	191
OTHER LEASE LIABILITIES		
Falling due during the following year	11	10
Falling due at later date	9	13
OTHER LIABILITIES		
Guarantees	62	62
CONTINGENT LIABILITIES ON BEHALF OF THE GROUP COMPANIES		
Guarantees	7 770	7 168
Total	**8 045**	7 637
OUTSTANDING DERIVATIVE INSTRUMENTS		
Nominal value of underlying instruments		
Commodity derivatives	1 343	1 662
Interest rate swaps	5 400	-
CONTINGENT ASSETS		
Proceeds from the sale of shares in the joint book-entry account.	724	724

DISPUTE

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.

Proposal of the Board of Directors for the distribution of profits

The parent company's distributable funds totalled EUR 88,539,558.39 on 31 December 2012, of which EUR 6,115,426.08 is profit for the financial year.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:

• distributed as a dividend of EUR 0.90 per share i.e. a total of	EUR 5,568,818.40
• retained in shareholders' equity	EUR 82,970,739.99
Total	EUR 88,539,558.39

No material changes have taken place in the company's financial position subsequent to the balance sheet date. The company's liquidity is good and, in the Board of Directors' opinion, the proposed dividend distribution will not jeopardise the company's solvency.

Signatures to the Board of Directors' report and Financial Statements

Espoo, 13 February 2013

Matti Lappalainen   Aappo Kontu   Veijo Meriläinen

Samu Pere   Jorma J. Takanen   Helena Walldén

Matti Karppinen
CEO

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF LÄNNEN TEHTAAT PLC

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Lännen Tehtaat plc for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Supervisory Board, the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

OTHER OPINIONS

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the members of the Supervisory Board, the members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Säkylä, 22 February, 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Hannu Pellinen
APA

Tomi Moisio
APA, CPFA

Statement by the Supervisory Board

The Supervisory Board has today reviewed Lännen Tehtaat plc's financial statements 2012 including the consolidated financial statements, the Board of Directors' report and the auditors' report provided by the Company's auditors. The Supervisory Board has no comments to make on these.

The Supervisory Board proposes that the parent company financial statements and consolidated financial statements be adopted and concurs with the proposal of the Board of Directors concerning the distribution of the profit funds.

The term of the following Supervisory Board members will end on the date of the Annual General Meeting: Heikki Aaltonen, Jussi Hantula, Börje Helenelund, Risto Korpela, Mikko Kurittu and Esa Ruohola.

Säkylä, 28 February 2013

For the Supervisory Board

Timo Miettinen
Chairman

Asmo Ritala
Secretary

Shares, share capital and dividend policy

REGISTRATION AND SHARE QUOTATION

Lännen Tehtaat plc's shares are in the book-entry system and have been quoted on NASDAQ OMX Helsinki Ltd since 1989. The symbol for the shares is LTE1S and the ISIN code FI0009003503.

SHARES AND VOTING RIGHTS

The shares of Lännen Tehtaat plc are all in one series. All shares carry the same voting and dividend rights. The Articles of Association prescribe that the number of votes a shareholder is entitled to exercise cannot exceed one tenth of the votes represented at a shareholders' meeting.

SHARE CAPITAL

The minimum share capital is EUR 10 million and the maximum EUR 40 million. The shares have a nominal value of EUR 2 each. Share capital at the beginning and at the end of the financial year was EUR 12,635,152 and there were 6,317,576 shares.

AUTHORISATION OF THE BOARD OF DIRECTORS

The Annual General Meeting on 28 March 2012 authorized the Board of Directors to decide on issuing shares, which includes the right to issue new shares and the right to transfer Lännen Tehtaat shares held by the company. The authorisation covers a maximum total of 761,757 shares, consisting of up to 631,757 new shares and 130,000 Lännen Tehtaat shares held by the company.

The subscription price for each new share shall be at least the share's nominal value, or EUR 2. The transfer price for Lännen Tehtaat shares held by the company shall be at least the market value of the share at the time of transfer, which is determined by the price quoted in public trading on NASDAX OMX Helsinki Ltd. The Board of Directors will also have the right to issue shares against consideration other than cash. In the case of share-based incentive systems, shares could also be issued without consideration.

The authorisation includes the right to deviate from the shareholders' pre-emptive subscription right (targeted issue) if the company has an important financial reason to do so, such as development of the company's capital structure, financing and implementing corporate acquisitions or other arrangements, or implementing a share-based incentive system.

The authorisation is valid until the 2015 Annual General Meeting.

The Board of Directors has not until 13 February 2013 used the authorisation granted to it for issuing new shares or for transferring Lännen Tehtaat shares held by the company.

OPTIONS

The company's Board of Directors has no authorisation to grant options or other special rights giving entitlement to shares.

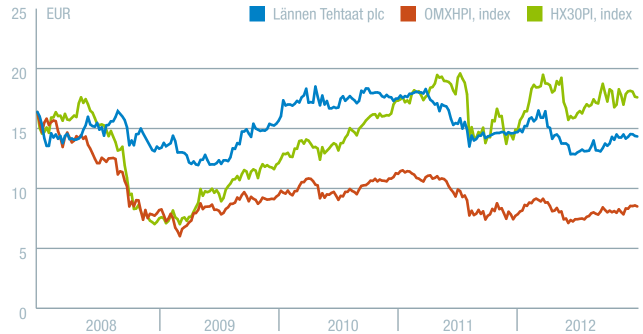
OWN SHARES

At the close of the financial year, the company had in its possession a total of 130,000 of its own shares acquired during previous years, 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. The company's treasury shares carry no voting or dividend rights.

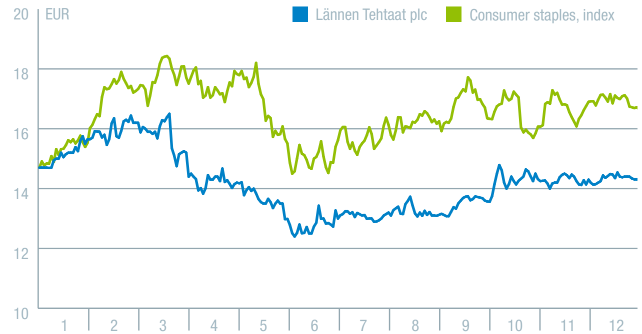
DIVIDEND POLICY

The aim of the Lännen Tehtaat plc Board is to ensure that the share generates a good return and retains its value. Dividend policy supports this goal. The company will distribute a dividend of no less than 40% of the proportion of the profit for the financial year that is assigned to parent company shareholders.

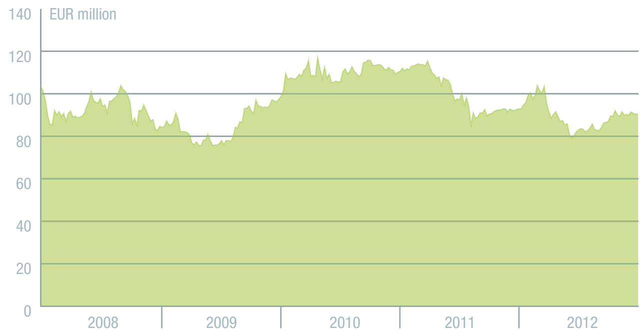
SHARE PERFORMANCE
2008 - 2012



MONTHLY SHARE PERFORMANCE
2012



MARKET CAPITALISATION
2008 - 2012



Corporate Governance Statement 2012

CORPORATE GOVERNANCE STATEMENT 2012 OF LÄNNEN TEHTAAT PLC

This Corporate Governance Statement of Lännen Tehtaat plc has been drawn up in accordance with recommendation 54 of the Finnish Corporate Governance Code. The Corporate Governance Statement has been considered by Lännen Tehtaat plc's Board of Directors and is issued separately from the Board of Directors' report. The company's auditors have confirmed that the Corporate Governance Statement is issued and that the description it contains of the main features of the internal control and risk management systems pertaining to the financial reporting process are consistent with the financial statements.

Lännen Tehtaat plc complies with the Corporate Governance Code published by the Securities Market Association and effective from 1 October 2010.

The company deviates from recommendation 8 of the Code concerning election of the Board of Directors. According to the recommendation the general meeting shall elect the Board of Directors. Under the Lännen Tehtaat plc Articles of Association the company's Supervisory Board elects, in accordance with the proposals of the Nomination Committee, the members of the Board of Directors and decides on the remuneration payable to them.

The company has chosen to deviate from the recommendation because the Supervisory Board, as the body that oversees the company's Board of Directors, is best placed to assess the composition of the Board of Directors and the attributes required of Board members.

The Corporate Governance Code is publicly available on the website of the Securities Market Association, at www.cgfinland.fi.

BOARD OF DIRECTORS

1. Board of Directors election procedure laid down in the Articles of Association

Under the Lännen Tehtaat plc Articles of Association the company's Supervisory Board decides, in accordance with the proposals of the Nomination Committee, on the number of members of the Board of Directors and the remuneration payable to them, and elects the members of the Board of Directors.

Under the Articles of Association, Lännen Tehtaat plc's Board of Directors comprises a minimum of five and a maximum of seven members. Persons who have attained the age of 68 are ineligible for election to the Board of Directors. The Articles of Association do not limit the number of terms served by members of the Board of Directors nor is the Supervisory Board's decision-making power in the election of members of the Board of Directors restricted in any other way.

2. Composition of Board of Directors

Members

Until 13 April 2012 Lännen Tehtaat plc's Board of Directors comprised six members elected by the Supervisory Board on 14 April 2011. The Board members during 1 January - 13 April 2012 were Heikki Halkilahti, Aappo Kontu, Matti Lappalainen, Hannu Simula, Jorma J. Takanen and Helena Walldén.

At a meeting held on 13 April 2012, Lännen Tehtaat plc's Supervisory Board decided further to elect six members to Lännen Tehtaat plc's Board of Directors. The Board members elected were Aappo Kontu, Matti Lappalainen, Veijo Meriläinen, Samu Pere, Jorma J. Takanen and Helena Walldén.

Information on members of the Board of Directors

Matti Lappalainen, b. 1948, M.Sc. (Econ. & Bus. Adm.)
Senior Advisor
Lännen Tehtaat plc Board chairman

Aappo Kontu, b. 1952, M.Sc. (Tech.)
Senior Advisor
Lännen Tehtaat plc Board deputy chairman
since 13 April 2012

Heikki Halkilahti, b. 1947, LL.M., M.Sc. (Econ. & Bus. Adm.)
Valio's Pension Fund and Valio's Mutual Insurance company, Managing Director
Board member until 13 April 2012

Veijo Meriläinen, b. 1952, M.Sc. (Agric.), eMBA
Merive Oy, President
Board member since 13 April 2012

Samu Pere, b. 1968, QBA, Agricultural Technician
Pintos Oy, Administrative Director
Board member since 13 April 2012

Hannu Simula, b. 1947, M.Sc. (Agric.),
Farmer
Lännen Tehtaat plc Board deputy chairman
until 13 April 2012
Board member until 13 April 2012

Jorma J. Takanen, b. 1946, Chemical Engineer
Sievi Capital Plc, President and CEO

Helena Walldén, b. 1953, M.Sc. (Tech.)

Evaluation of independence

The company's Board of Directors has performed an evaluation of the independence of the Board's members in relation to the company and in relation to the major shareholders, in accordance with recommendation 15 of the Corporate Governance Code.

The evaluation found that all the Board members are independent of the company and of significant shareholders as referred to in the Corporate Governance Code recommendation.

3. Description of the operation of the Board of Directors

The main elements of the Board of Directors' rules of procedure

The rules of procedure of the Board of Directors describe the following

- functions of the Board of Directors and the Board's chairman
- planning and assessment of the Board's operation
- establishment of Board committees and temporary working groups, and
- practices for approving the expenses of Board members and the Chief Executive Officer (CEO).

Functions of the Board of Directors

The general function of the Board of Directors is to direct the operations of the company in such a way that in the long run the amount of added value for the capital invested is maximised, taking into account at the same time the expectations of the different stakeholders. The Board of Directors also monitors on a continuous basis the demands placed by shareholders on the Board of Directors and the general development of ownership policy.

For the purpose of performing its functions the Board of Directors:

- monitors the financial statements reporting process and the statutory auditing of the financial statements and consolidated financial statements
- supervises the financial reporting process
- considers the corporate governance statement's description of the main features of the internal control and risk management systems pertaining to the financial reporting process
- appoints and releases from duties the CEO and Deputy CEO, determines their duties and decides on their terms of service and their incentive schemes
- sets personal targets for the CEO annually and assesses their realisation
- convenes at least once a year without the operating organisation's management in attendance
- holds a meeting with the auditors at least once a year
- assesses the independence of the auditor and of the auditing firm, and the additional services provided for the companies to be audited
- prepares a draft resolution on the choice of auditors for submission to the Annual General Meeting
- assesses its own performance once a year
- confirms its rules of procedure, which are reviewed annually
- discusses other matters proposed by the Board of Directors chairman or the CEO for inclusion in the meeting agenda. Members of the Board of Directors are also entitled to have a matter of their choosing discussed by the Board by first notifying the chairman of this.

Based on proposals presented by the CEO, the Board of Directors:

- confirms the company's ethical values and operating policies, and supervises their implementation
- confirms the company's basic strategy and continuously monitors its validity
- defines the company's dividend policy
- approves the annual operating plan and budget on the basis of the strategy, and supervises their implementation
- approves the total annual investment and its distribution among the business areas, and decides on large and strategically important investments, acquisitions and divestments
- confirms the operating guidelines for the company's internal control, ensuring annually that they are kept up-to-date, and monitors the effectiveness of internal control
- confirms the company's risk management policy and principles as well as the risk limits to be confirmed annually, and monitors the effectiveness of the risk management systems
- reviews quarterly the main risks associated with the company's operations and the management of these risks
- discusses and approves interim reports, the Board of Directors' report and the financial statements
- confirms the Group's organisational structure
- submits proposals to the Annual General Meeting concerning the remuneration systems for management and personnel
- annually monitors issues associated with management successors and draws up the necessary conclusions
- confirms the decisions of the CEO about the choice of the CEO's immediate subordinates, their duties, terms of employment and incentive schemes, and
- monitors the company's working atmosphere and the way in which personnel cope with their tasks.

Planning and assessment of the Board's operation

The Board of Directors draws up an operating plan for itself for the ensuing 12 months. The plan includes a schedule of meetings and, for each meeting, the most important issues for discussion.

The Board of Directors assesses its performance annually through a self-evaluation, and the evaluation results are submitted to the Supervisory Board for its information. The evaluation results are taken into consideration in the preparation of proposals for the composition of the new Board of Directors.

Committees of the Board of Directors

The Board of Directors has not elected any committees from among its members. As the Board of Directors has not elected an audit committee from among its members, the Board is managing the duties of audit committee in accordance with the Corporate Governance Code 27 itself.

Board of Directors' meetings in 2012

Lännen Tehtaat plc's Board of Directors convened 14 times in 2012. Three of the meetings were telephone conferences. The average participation rate of all Board members was 91.7%.

Corporate Governance Statement 2012

SUPERVISORY BOARD

1. Composition and term

In accordance with the Articles of Association, the Supervisory Board comprises a minimum of 15 and a maximum of 20 members chosen by the shareholders' meeting. In addition, the Supervisory Board has a maximum of four members at a time, chosen by the personnel from among themselves, and each of these members has a personal deputy.

Persons who have attained the age of 68 are ineligible for election to the Supervisory Board. The members' term of office ends at the close of the third Annual General

2. Functions

The Supervisory Board elects, in accordance with the proposals of the Nomination Committee, the members of the Board of Directors, a chairman and a deputy chairman from among the members of the Board, and decides on the remuneration payable to them.

The Supervisory Board is also responsible for supervising the corporate administration, issuing instructions to the Board of Directors, issuing an opinion on the financial statements, Board of Directors' report and auditor's report, and other duties that are laid down in the Limited Liability Companies Act.

3. Information on members of the Supervisory Board

Until 28 March 2012 the Supervisory Board consisted of 19 members chosen by the shareholders' meeting. On 28 March 2012, the Annual General Meeting decided to select 19 members to the Supervisory Board.

The following were members of the Supervisory Board during 2012:

Members elected by the Annual General Meeting

Timo Miettinen, b. 1955
M.Sc. (Eng.), EM Group Oy,
Chairman of the Board
Chairman of the Supervisory Board

Marja-Liisa Mikola-Luoto, b. 1971
M.Sc. (Agric.), farmer
Deputy Chairman of the Supervisory Board

Heikki Aaltonen, b. 1956
M.Sc. (Agric.), farmer

Harri Eela, b. 1960
wood-products industries technician, sales director

Matti Eskola, b. 1950
B.Sc. (Agric.), farmer

Jaakko Halkilahti, b. 1967
farmer

Jussi Hantula, b. 1955
farmer

Börje Helenelund, b. 1951
B.Sc. (Agric.), farmer

Laura Hämäläinen, b. 1975
M.Sc. (Agric.), farmer

Pasi Jaakkola, b. 1941
farmer
Member until 28 March 2012

Timo Kaunisto, b. 1963
M.Sc. (Agric.), farmer
Member until 28 March 2012

Risto Korpela, b. 1949
M.Sc. (Econ. & Bus. Adm.),
Managing Director

Mikko Kurittu, b. 1966
B.Sc. (Agric.), farmer

Mika Leikkonen, b. 1963
B.Sc. (Agric.), farmer

Markku Länninki, b. 1949
farmer

Ilkka Markkula, b. 1960
B.Sc. (Agric.), farmer

Jari Nevavuori, b. 1966
M.Sc. (Agric.), development manager, farmer
Member since 28 March 2012

Samu Pere, b. 1968
QBA, Agricultural Technician,
administrative director
Member until 26 March 2012

Markku Pärssinen, b. 1957
M.Sc. (Agric.), executive director
Member since 28 March 2012

Tuomo Raininko, b. 1966
farmer

Esa Ruohola, b. 1946
farmer

Mauno Ylinen, b. 1965
M.Sc. (Agric.), farmer

Personnel representatives

Mari Hakanperä, b. 1976
Personal deputy member
Marko Kulmala
Member since 28 March 2012

Pauli Juutinen, b. 1951
Personal deputy member
Timo Kaila
Member until 28 March 2012

Timo Kaila, b. 1956
Personal deputy member
Heikki Kämäräinen
Member since 28 March 2012

Aila Koivuniemi, b. 1944
Personal deputy member
Pia Rantanen
Member until 28 March 2012

Veijo Kukkonen, b. 1981
Personal deputy member
Heikki Vesanto
Member until 25 September 2012

Kirsi Roos, b. 1972
Personal deputy member
Janne Pääaho

4. Meetings of the Supervisory Board in 2012

The Supervisory Board convened four times during 2012. The average participation rate of all the members was 83.9%.

Supervisory Board Nomination Committee

1. Composition and tasks

Under the Articles of Association the Supervisory Board's Nomination Committee, which prepares the selection of members to the Board of Directors, consists of two members chosen by the Annual General Meeting, the chairman of the Supervisory Board, the deputy chairman of the Supervisory Board and the chairman of the Board of Directors. The Nomination Committee is chaired by the Supervisory Board's chairman, and in his/her absence, by the Supervisory Board's deputy chairman.

The Nomination Committee has the task of preparing proposals for the Supervisory Board on the number of members of the Board of Directors, the names of the members, chairman and deputy chairman of the Board of Directors and the remuneration payable to them. The Committee's tasks also include searching for successor candidates to replace members of the Board of Directors, as necessary. The Committee asks shareholders with signify cant voting power for their views concerning the proposals being put to the Supervisory Board.

2. Activity

In 2012 the Nomination Committee convened three times to discuss matters falling within its sphere of responsibility. The meeting attendance rate of Committee members was 100%.

3. Information on members of the Nomination Committee

Matti Lappalainen, b. 1948
M.Sc. (Econ. & Bus. Adm.), Senior Advisor
Chairman of the Board of Directors

Heikki Laurinen, b. 1967
M.Sc. (Agric.), CFO, Central Union of Agricultural Producers and Forest Owners
Managing Director, Viestilehdet Oy

Timo Miettinen, b.1955
M.Sc. (Tech.), Chairman of the Board of EM Group Oy
Chairman of the Supervisory Board

Marja-Liisa Mikola-Luoto, b. 1971
M.Sc. (Agric.), farmer
Deputy Chairman of the Supervisory Board

Tauno Uitto, b. 1948
Farmer

CEO

Chief Executive Officer (CEO)

Matti Karppinen, b. 1958, M.Sc. (Econ. & Bus. Adm.)
CEO of Lännen Tehtaat plc as from 1 September 2005

Description of CEO's duties

The CEO's duty is to direct the operations of the company according to the instructions and provisions issued by the Board of Directors and to inform the Board about the development of the company's business operations and financial situation.

The CEO is also responsible for arrangement of the day-to-day management of the company and for seeing that the company's accounts are in compliance with the law and that its financial aff airs have been arranged in a reliable manner.

DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

1. Internal control operating principles

Lännen Tehtaat plc's Board of Directors confirms the operating principles for the Lännen Tehtaat Group's internal control and assesses the state of internal control at least once a year.

Internal control refers to all the operating methods, systems and procedures with which the company's management seeks to ensure efficient, economical and reliable operations. Internal control comprises financial and other control. At Lännen Tehtaat, internal control is performed by the company's management and by all other personnel.

Risk management as part of internal control refers to the identification, assessment, restriction and monitoring of risks arising in business activities and risks that are materially related to this.

2. Role of company boards in arranging internal control

Lännen Tehtaat plc's Board of Directors is responsible for arranging and maintaining sufficient and effective internal control within the Lännen Tehtaat Group.

As part of the arrangement of internal control and risk management, the company's Board of Directors regularly monitors the results and operating risks of the Group and its business units, and decides on the reporting, the procedures and the qualitative and quantitative indicators for assessing the efficiency and profitability of operations. The Board of Directors of Lännen Tehtaat plc confirms annually the Group's risk policy, risk management principles and key risk limits.

To ensure implementation of the Group's ownership policy towards the Group companies and to monitor the effectiveness of internal control, the boards of directors of the main Group companies include one or more members of the Group's Corporate Management. Group-level risk management and financial reporting are performed on a centralised basis in the Group Administration, independent of the different business activities. The boards of directors of the Group companies are responsible for the highest level of management duties related to the internal control of their respective companies. The operating organisation's management in each of the Group companies is responsible for the implementation of internal control and risk management in line with the pre-determined principles and operating guidelines, and for reporting on the company's operations, risk-bearing ability and risk situation in accordance the Group's management system.

3. Implementation of internal control within Lännen Tehtaat plc and the Group companies

The main principles of internal control observed within Lännen Tehtaat plc and the Group companies are:

Organisational structure and division of tasks
The basis for internal control is the function-specific line organisation that is further divided into departments, units and teams, as necessary. The organisational units are allotted defined tasks and responsibilities required for the company's operations. The task of the operating organisation's management, i.e. the managers of the Group's business areas and operations, is to set quantitative and qualitative targets for the various areas of the business in accordance with the business plan approved by the Board of Directors. For the units, decision-making bodies and people operating within the framework of the organisation there are separately defined decision-making and operating powers set out in work and job specifications, as well as obligations to report to one's superiors or otherwise to a higher organisational level. The task of the operating organisation's management is to ensure that those working under them are familiar with their own duties, and the management are required to create the right conditions for their personnel to be able to perform their work and achieve the targets.

Decision-making and monitoring
Significant commitments or other actions deemed to carry certain risks are subject to the approval of the Board of Directors of Lännen Tehtaat plc. Business units are responsible for formulating proposed decisions and for putting decisions into effect. Reporting on the implementation of decisions is made in connection with the management reporting.

Business activities and processes are guided within the confines of operating guidelines and descriptions, which are monitored to ensure they are complied with and kept up-to-date. All decisions taken are documented and archived. An essential aspect of risk management is the performance of daily controls in the operating chains and processes.

Risk management
The internal and external risks of Lännen Tehtaat plc and the Group companies that could have an adverse effect on achieving business targets are identified, assessed regularly and reported quarterly to the Board of Directors. The risks are contained and the confining limits are monitored.

The Group Administration's risk management has the task of monitoring, measuring and reporting risks and of maintaining, developing and preparing risk management principles for the Board of Directors' approval, and of drafting procedures for use in risk assessment and measurement. Roles and responsibilities are defined in Lännen Tehtaat's risk management policy and risk management principles, which are approved by the Board of Directors of Lännen Tehtaat plc.

Data systems
The basis for business and other activities is provided by the accounting, information and business IT systems. The parent company and the Group companies have an IT strategy in accordance with currently assessed needs and sufficient and appropriately organised IT systems. The IT function ensures that the company's data resources can be utilised in the planning, management, execution and monitoring of the company's business.

Responsibility for the effectiveness of internal control
The operating organisation's management has the primary responsibility for ensuring the implementation of practical measures for internal control. The management must constantly monitor operations and must take the necessary development measures if action contrary to guidelines or decisions or action that is otherwise ineffective or inappropriate is observed. In a transparent and effective organization the entire personnel are all responsible not only for the appropriate discharging of their own duties but also for the fluency of operations with the rest of the organisation.

4. Reporting and management systems

Internal control is supported by appropriate reporting that allows monitoring of operations, results and risks. Achievement of the business targets and developments in the Group's financial situation are monitored with the aid of a Group-wide management system. The Group's accounting principles, controls and responsibilities are described in the Lännen Tehtaat Group's accounting manual. Reporting guidelines and timetables have been drawn up in writing for monthly reporting and preparation of interim reports and annual financial statements. The parent company's financial management unit constantly monitors the business units' reporting and develops and produces guidelines on the content of reporting, taking into account the needs of internal control. The Group prepares financial information for publication, complying with the international financial reporting standards (IFRS). Interim reports and the annual financial statements are reviewed by the Board of Directors of Lännen Tehtaat plc and are subject to its approval.

The business units update the long-term financial estimates each year. The annual budgets are prepared on the basis of these strategic figures. The Board of Directors of Lännen Tehtaat plc assesses and approves the business units' annual budgets. In addition, on a quarterly basis or more often, the business units update the profit and balance sheet estimates to cover at least the ensuing 12 months.

The monthly reporting and the related analysis for budgets and estimates constitute a key element of Lännen Tehtaat's management system and internal control. Financial figures are assembled from the business units' data systems every month for the Group's joint accounting system. The outturn information and up-to-date estimates are reviewed monthly in Group-level results meetings, which are attended by the CEO, the Chief Financial Officer (CFO) and those in charge of the Group's accounting. The monthly reporting system comprises the actual profit and balance sheet information, the key figures and the written management report of those responsible for the businesses.

The management report covers the factors affecting the results given in the month's report, the measures planned for the immediate term and an assessment of the operating profit for the current quarter and the full year, consisting of best case, probable and worst case scenarios.

The Group CEO and members of the Corporate Management are issued with the reports, and the Board of Directors of Lännen Tehtaat plc is issued with a summary for the Group and summaries of the data for each business unit. The business units' management groups examine their own financial outturn data at least once a month for budgets and estimates and also the various units' monitoring measurements for estimates and targets used for business management purposes, and the reasons for any significant discrepancies between these.

5. Internal audit

The internal audit unit functions objectively and independently supporting the Board of Directors, the CEO and Group Administration, for the purpose of assessing and developing the level of internal control by providing an independent and objective assessment and advisory service for risk management and monitoring processes within the organisation. Internal audit is performed on the basis of a pre-determined plan. The internal audit is overseen by the Group's CFO, who submits the annual audit plan to the parent company's Board of Directors for its approval.

Lännen Tehtaat's internal audit is independent of all operating units in Finland and abroad. The internal audit is performed by an employee who is part of the Group Administration and whose job description also includes group accounting and other group-level tasks. The manager-employee relationship in Group Administration regarding these other tasks leads to a situation where the internal auditor is unable to independently audit the areas of responsibility covered by Lännen Tehtaat's Group Administration.

Internal audit reports annually in writing to the Lännen Tehtaat plc Board of Directors on the audit findings and areas for improvement in internal control. Where necessary, the internal audit also reports on individual audit findings during the annual planning period to the Board of Directors.

Remuneration, insider issues

REMUNERATION

Supervisory Board

The Annual General meeting decides on the remuneration of the Supervisory Board.

As decided by the Annual General Meeting on 28 March 2012, the remuneration paid to the members of the Supervisory Board is as follows:

- the yearly remuneration paid to the Supervisory Board's chairman EUR 7,685
- the monthly remuneration paid to the deputy chairman is EUR 5,125
- the meeting allowance paid to the chairman and the members of the Supervisory Board is EUR 255
- the meeting allowance is also paid to the chairman and deputy chairman of the Supervisory Board for their attendance at meetings of the company's Board of Directors
- the meeting allowance is also paid to the members of the Supervisory Board's Nomination Committee.

In 2012 the Supervisory Board met four times. The Nomination Committee met three times. The members of the Supervisory Board and the Nomination Committee were paid a total of EUR 38,848 in remuneration and allowances in 2012.

Board of Directors

The Supervisory Board decides on the remuneration of the Board of Directors. As decided by the Supervisory Board on 13 April 2012.

- the monthly remuneration paid to the chairman of the Board of Directors is EUR 3,100
- the monthly remuneration paid to the deputy chairman is EUR 1,915
- the monthly remuneration paid to the other Board members is EUR 1,550
- a meeting allowance of EUR 510 is also paid to the chairman and EUR 255 to the members.

In 2012 the Board met 14 times. Three of the meetings were telephone conferences. In 2012 the members of the Board of Directors received a total of EUR 159,280 in remuneration and allowances. The remuneration and allowances paid to the members of the Board of Directors can be viewed in Note 28 of the Notes to the Consolidated Financial Statements.

CEO and deputy CEO

The Board of Directors appoints and releases from duties the CEO and deputy CEO, determines their duties and decides on their terms of service and their incentive schemes.

Matti Karppinen, M.Sc. (Econ. & Bus. Adm.) has been CEO of Lännen Tehtaat plc as of 1 September 2005. The key conditions of the CEO's terms of service are defined in his contract. The agreed period of notice is six months. Should the CEO be given notice by the company, he will be entitled to a severance package equivalent to 12 months' pay. The retirement age for the parent company's CEO has been set at 62 years and the retirement pension is 62% of his pensionable salary in accordance with 2004 legislation.

The salary with fringe benefits and bonuses paid to the CEO in 2012 amounted to EUR 314,124.

Eero Kinnunen, M.Sc. (Econ. & Bus. Adm.), Chief Financial Officer of the Lännen Tehtaat Group has been deputy CEO as of 1 January 2008.

INSIDER ISSUES

Lännen Tehtaat plc's insider trading regulations approved by the Board of Directors came into effect on 16 June 2012. They are based on the Securities Markets Act (Chapter 12-14), the standard issued by the Financial Supervision Authority (standard 5.3 on declarations of insider holdings and insider registers, 1 September 2005), and the Guidelines for Insider Trading approved by the Board of Directors of NASDAQ OMX Helsinki Ltd on 9 October 2009. The regulations include guidelines for concerning persons in public insider registers, permanent company-specific insiders and project-specific insiders, and a description of the organization and procedures concerning insider administration.

The following persons are all categorised as public insiders of Lännen Tehtaat plc by virtue of their position and duties: the members and deputy members of the company's Board of Directors and Supervisory Board; the CEO and the deputy CEO; the auditors and deputy auditors, including the auditing firm's auditor with principal responsibility for Lännen Tehtaat; the Chief Financial Officer; the Director of the Seafood business; the Director of the Frozen Foods business; the Director of the Grains and Oilseeds business and the Managing Director of Caternet Finland Oy.

Lännen Tehtaat plc's company-specific permanent register on insider holdings contains information on persons who, by virtue of their position and duties, receive inside information on a regular basis. The company-specific insider register currently lists some 40 persons.

A trading restriction is in force within the company which forbids its permanent insiders from trading in Lännen Tehtaat shares 21 days prior to publication of Lännen Tehtaat's interim reports and the release of its fi nancial statements.

The company maintains its insider register in the SIRE system of the Euroclear Finland Ltd. The names and information on shareholdings of those persons listed as public insiders can be viewed on the company web pages at www.lannen.fi/en.

Shareholdings of the members of the Board of Directors and the Corporate Management on 8 February 2013 can be viewed in this Annual report on pages 85 and 87.

Supervisory Board and Auditors

Supervisory Board

MEMBERS ELECTED BY THE SHAREHOLDERS' MEETING

Timo Miettinen, b. 1955, M.Sc. (Eng.)
Chairman since 2011, Member since 2011
Principal occupation: EM Group Oy, Chairman of the Board
Main simultaneous positions of trust:
Chairman of the Board: Ensto Oy, Sewatek Oy,
Convento Santa Lucia S.r.l.

Marja-Liisa Mikola-Luoto, b. 1971, M.Sc. (Agric.)
Deputy Chairman since 2011, Member since 2005
Principal occupation: Farmer
Main simultaneous positions of trust:
Member of the Board: Säkylän Osuuspankki

Heikki Aaltonen, b. 1956,
M.Sc. (Agric.), farmer
Member since 2007
Membership term expires 2013

Harri Eela, b. 1960,
Wood Industry Technician,
Sales Director
Member since 2012

Matti Eskola, b. 1950,
B.Sc. (Agric.), farmer
Member since 1991

Jaakko Halkilahti, b. 1967,
farmer
Member since 2011

Jussi Hantula, b. 1955,
farmer
Member since 1995
Membership term expires 2013

Börje Helenelund, b. 1951,
B.Sc. (Agric.), farmer
Member since 1998
Membership term expires 2013

Laura Hämäläinen, b. 1975,
M.Sc. (Agr.), farmer
Member since 2009

Risto Korpela, b. 1949,
M.Sc. (Econ. & Bus. Adm.)
Member since 2007
Membership term expires 2013

Mikko Kurittu, b. 1966,
B.Sc. (Agric.), farmer
Member since 2007
Membership term expires 2013

Mika Leikkonen, b. 1963,
B.Sc. (Agric.), farmer
Member since 2008

Markku Länninki, b. 1949,
farmer
Member since 2003

Ilkka Markkula, b. 1960,
B.Sc. (Agric.), farmer
Member since 2003

Jari Nevavuori, b. 1966,
M.Sc. (Agric.), Development
Manager, farmer
Member since 2012

Markku Pärssinen, b. 1957,
M.Sc. (Agric.), Executive Director
Member since 2012

Tuomo Raininko, b. 1966,
farmer
Member since 2005

Esa Ruohola, b. 1946,
farmer
Member since 1998
Membership term expires 2013

Mauno Ylinen, b. 1965,
M.Sc. (Agric.)
Member since 2005

PERSONNEL REPRESENTATIVES

Mari Hakanperä, b. 1976,
Member since 2012
Personal deputy member
Marko Kulmala

Timo Kaila, b. 1956,
Member since 2012
Personal deputy member
Heikki Kämäräinen

Heikki Vesanto, b. 1949,
Member since 2012

Kirsi Roos, b. 1972,
Member since 2009
Personal deputy member
Janne Pääaho

Auditors

Hannu Pellinen
APA

PricewaterhouseCoopers Oy
Authorised Public Accountants
Auditor with principal responsibility **Tomi Moisio**
APA, CPFA

Board of Directors

1.

Matti Lappalainen, b. 1948,
M.Sc. (Econ. & Bus. Adm.), Senior Advisor

Chairman since 2010,
Deputy Chairman in 2009-2010,
Member since 2003

Main simultaneous positions of trust:
Chairman of the Board: Bonaria Oy, Bonbake Oy
Member of the Board: Leipurin Oy

Employment history:
Vaasan&Vaasan Oy, Managing Director 1999-2008
Cultor Ltd Vaasan Leivonta, Managing Director 1997-1998
Cultor Ltd Vaasan Leipomot Oy, Managing Director 1990-1997
Cultor Ltd Food industry, Development Director 1988-1989
Suomen Sokeri Oy Vaasanmylly, Marketing Director 1985-1988
OTK, Managerial duties in food industry and wholesale business 1972-1984

Shareholding in Lännen Tehtaat: 6,260 shares
(8 February 2013)

2.

Aappo Kontu, b. 1952
M.Sc. (Tech.), Senior Advisor

Deputy Chairman since 2012,
Member since 2004

Main simultaneous positions of trust:
Chairman of the Board: Vahterus Oy
Member of the Board: Empower Group Oy, Anvia Oyj,
Anvia Securi Oy

Employment history:
Empower Group Oy, President 1999-2012
Pohjolan Voima Oy, Technical Director, PVO-Engineering Oy,
Managing Director 1996-1998
TVS-Tekniikka Oy, Managing Director 1993-1996
Teollisuuden Voimansiirto Oy,
Director of Technical Department 1989-1993
Teollisuuden Voima Oy,
Head of Electrotechnical Department 1977-1989

Shareholding in Lännen Tehtaat: 500 shares
(8 February 2013)

3.

Veijo Meriläinen, b. 1952,
M.Sc. (Agric.), eMBA

Member of the Board since 2012

Principal occupation: Merive Oy, President

Main simultaneous positions of trust:
Chairman of the Board: HZPC Sadokas, Merive Oy
Member of the Board: HZPC Kantaperuna Oy

Employment history:
Valio Oy, management positions in international operations, international sales and commercialization of innovations 1999-2011, member of the group management team 1990-2011, management positions in production, product acquisition and cheese business 1990-1999, R&D management positions 1978-1990

Shareholding in Lännen Tehtaat: - (8 February 2013)

4.

Samu Pere, b. 1968,
QBA, Agricultural Technician

Member of the Board since 2012,
Member of the Supervisory Board in 1998-2012

Principal occupation: Pintos Oy, Administrative Director,
Pintopuu Oy, President, Farmer

Main simultaneous positions of trust:
Chairman of the Board: NTS Trådspik AB
Member of the Board: Paneliankosken Voima Oy, Pintos Oy
Business delegation member: Finnish Family Firms Association

Shareholding in Lännen Tehtaat: 5 554 shares
(8 February 2013)

5.

Jorma J. Takanen, b. 1946,
Chemical Engineer

Member since 2011

Principal occupation: Sievi Capital Plc, President and CEO

Main simultaneous positions of trust:
Chairman of the Board: Scanfil Plc,
Foundation of Riitta and Jorma J. Takanen
Member of the Board: Sievi Capital Plc, iLoq Oy, IonPhasE Oy
Member of the Supervisory Board: Varma Mutual Pension Insurance Company

Employment history:
Founder and CEO of Sievi Capital Plc (former Scanfil Oy) since 1976

Shareholding in Lännen Tehtaat: 1,000 shares
(8 February 2013)

6.

Helena Walldén, b. 1953,
M.Sc. (Tech.)

Member since 2011

Main simultaneous positions of trust:
Chairman of the Board: Fingrid Plc
Member of the Board: Metsähallitus, Raskone Oy

Employment history:
Pohjola Bank plc,
Member of the Group's Executive Committee 2006-2008
Pohjola Insurance Ltd., Senior Vice President 2006-2008
A-vakuutus Oy, CEO 2007-2008
Okobank plc, Member of the Board 1994-2006
Okobank plc, different positions 1976-1994

Shareholding in Lännen Tehtaat: 1,000 shares
(8 February 2013)

CEO and Corporate Management


1.


2.


3.


4.


5.


6.


7.

1. **Matti Karppinen**, b. 1958,
M.Sc. (Econ. & Bus. Adm.)

CEO of Lännen Tehtaat plc since 2005
Director of Seafood business since 2009
Managing Director of Apetit Kala Oy since 2010

Main simultaneous positions of trust:
Member of the Board: Finnish Food and Drink Industries' Federation, Sucros Ltd

Employment history:
Atria Group Plc, Lithells AB,
Managing Director 2001-2005
Nokian Tyres plc,
Vice President 1998-2001
Saarioinen Oy,
Marketing Director 1994-1998
Tamrock Oy,
Marketing Manager 1989-1994
Unilever Finland Oy,
Market Manager 1985-1989
Turun Seudun Osuuspankki,
Office Manager 1984-1985

Shareholding in Lännen Tehtaat:
1,800 shares (8 February 2013)

2. **Johanna Heikkilä**, b. 1962,
M.Sc. (Econ. & Bus. Adm.)

HR Director since 2005

Main simultaneous positions of trust:
Member of the Supervisory Board:
Tapiola Mutual Pension Insurance

Employment history:
Fazer Leipomot Oy, HR Director 2003-2005
LU Suomi Oy, HR Director 2002-2003
LU Suomi Oy (earlier Fazer Keksit Oy),
HR Manager, 1995-2002
Fazer Suklaa Oy, HR Manager 1992-1994
Fazer Suklaa Oy, HR specialist 1990-1991

Shareholding in Lännen Tehtaat:
- (8 February 2013)

3. **Antti Kerttula**, b. 1956,
QBA

Managing Director of Caternet Finland Oy since 2012

Main simultaneous positions of trust:
Member of the Board: Ruokatieto Yhdistys ry

Employment history:
Managing Director of Apetit Pakaste Oy 2007-2012, Director since 1994
Lännen Tehtaat plc, Director of Frozen Foods business 1994-2006
Ingman Foods Oyj,
Factory Manager 1989-1994

Shareholding in Lännen Tehtaat:
- (8 February 2013)

4. **Eero Kinnunen**, b. 1970,
M.Sc. (Econ. & Bus. Adm.)

Chief Financial Officer since 2006,
Deputy CEO since 2008

Employment history:
Cloetta Fazer Suklaa Oy,
Business Controller 2004-2006
Cloetta Fazer Makeiset Oy,
Category Expert 2000-2004
Fazer Polska Sp. z o.o.,
Business Controller 1998-2000
Fazer Suklaa Oy, Controller 1996-1998

Shareholding in Lännen Tehtaat:
360 shares (8 February 2013)

5. **Vesa Moisio**, b. 1965,
M.Sc. (Econ. & Bus. Adm.)

Managing Director of Apetit Pakaste Oy since 2012

Main simultaneous positions of trust:
Chairman of the Board: Boysvest Oy
Member of the Board: Bonbake Oy,
Pyhäjärvi Institute
Chairman of the executive committee:
Finnish Food and Drink Industries' Federation, Frozen Food and Potato Industries' Association

Employment history:
Vaasan Oy, Director,
Corporate Control 2008-2011
Vaasan Oy, Senior Vice President 2007-2008
Vaasan&Vaasan Oy, Director,
Production and Logistics 2000-2007
Vaasan&Vaasan Oy,
Chief Financial Officer 1999-2000
Cultor Ltd, Vaasan Leipomot Oy,
Chief Financial Officer 1995-1998
Cultor Ltd, Controller 1988-1995

Shareholding in Lännen Tehtaat:
- (8 February 2013)

6. **Asmo Ritala**, b. 1958,
LL.M.

Corporate Counsel since 1995

Employment history:
Avena Ltd, Corporate counsel 1995-2002
Finnish Grain Board, lawyer 1990-1994
Oy Esso Ab, Manager 1986-1990

Shareholding in Lännen Tehtaat:
- (8 February 2013)

7. **Kaija Viljanen**, b. 1952,
M.Sc. (Econ. & Bus. Adm.), B.A., EMBA

Director of Grains and Oilseeds business since 2009
Managing Director of Avena Nordic Grain Oy since 1995 and Managing Director of Mildola Oy since 2009

Main simultaneous positions of trust:
Member of the Board and various working groups: Coceral
Member of the Board: Munakunta

Employment history:
Finnish Grain Board,
Assistant Director 1992-1995
The Central Union of Agricultural Producers and Forest owners (MTK),
Project Manager 1991-1992
Finnish-Russian Chamber of Commerce Moscow, Director 1987-1991

Shareholding in Lännen Tehtaat:
- (8 February 2013)

Contact information

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www.mildola.fi
Business ID: 0116251-1

Information for shareholders

ANNUAL GENERAL MEETING

Lännen Tehtaat plc's Annual General Meeting will be held on Tuesday 26 March 2013 at 2.00 pm in Lännen Tehtaat plc's Myllynkivi staff restaurant in Säkylä. Shareholders who, on 14 March 2013, are registered in the company's register of shareholders kept by Euroclear Finland Ltd shall have the right to attend the Annual General Meeting. Shareholders wishing to attend the Annual General Meeting must notify the company of this no later than 4.00 pm on Thursday 21 March 2013 via the website (www.lannen.fi /en), in writing (address: Lännen Tehtaat plc/Maija Lipasti, PO Box 100, FI-27801 Säkylä, Finland) or by fax (+358 10 402 4023), phone (+358 10 402 4044/Maija Lipasti) or e-mail maija.lipasti@lannen.fi). Holders of nominee registered shares must be registered in the company's temporary shareholder register by 10.00 am on 21 March 2013.

DIVIDENT PAYMENT

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.90 per share be paid for the financial year 2012. The dividend will be paid to shareholders who are registered in the company's shareholder register kept by Euroclear Finland Ltd on 2 April 2013, which is the record date for the dividend payment. The Board of Directors will propose to the Annual General Meeting that the dividend be paid on 9 April 2013.

FINANCIAL REPORTING IN 2013

Lännen Tehtaat plc published its Financial Statements Bulletin for 2012 at 8.45 am on Thursday 14 February 2013. The Annual Report will be published on the company's website in the week beginning 4 March.

Interim Reports for 2013 will be published as follows:

Interim Report, 1 January - 31 March
- 8.30 am on Wednesday 8 May 2013

Interim Report, 1 January - 30 June
- 8.30 am on Wednesday 14 August 2013

Interim Report, 1 January - 30 September
- 8.30 am on Wednesday 6 November 2013

The Annual Report, Financial Statements Bulletin and Interim reports will be published in Finnish and English. These will be available on the Lännen Tehtaat website (www.lannen.fi/en/investor_information) and can also be downloaded as PDF versions.

Printed version of the Annual Report in Finnish can be ordered via the company's website at the internet address stated above and it will be sent from the beginning of the week 11. The English version of the Annual Report will available in digital PDF format only.

CHANGES IN PERSONAL DETAILS

Shareholders are requested to give notification of any changes in their personal details to the bank that holds their book-entry account.

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