

LANCASTER COLONY CORP
Form 10-Q
May 10, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-04065

Lancaster Colony Corporation

(Exact name of registrant as specified in its charter)

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Ohio
(State or other jurisdiction of
incorporation or organization)

13-1955943
(I.R.S. Employer
Identification No.)

37 West Broad Street

Columbus, Ohio
(Address of principal executive offices)

43215
(Zip Code)

614-224-7141
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

As of April 26, 2012, there were approximately 27,282,000 shares of Common Stock, without par value, outstanding.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

| (Amounts in thousands, except share data) | March 31 2012 | June 30 2011 |
|--|-------------------|-------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and equivalents | \$ 167,960 | \$ 132,266 |
| Receivables (less allowance for doubtful accounts, March-\$694; June-\$570) | 86,495 | 63,762 |
| Inventories: | | |
| Raw materials | 37,283 | 36,785 |
| Finished goods and work in process | 63,001 | 75,100 |
| Total inventories | 100,284 | 111,885 |
| Deferred income taxes and other current assets | 24,021 | 25,283 |
| Total current assets | 378,760 | 333,196 |
| Property, Plant and Equipment: | | |
| Land, buildings and improvements | 140,291 | 141,175 |
| Machinery and equipment | 273,179 | 263,449 |
| Total cost | 413,470 | 404,624 |
| Less accumulated depreciation | 229,453 | 219,342 |
| Property, plant and equipment net | 184,017 | 185,282 |
| Other Assets: | | |
| Goodwill | 89,840 | 89,840 |
| Other intangible assets net | 7,515 | 8,350 |
| Other noncurrent assets | 5,942 | 5,421 |
| Total | \$ 666,074 | \$ 622,089 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 43,489 | \$ 42,570 |
| Accrued liabilities | 37,360 | 33,586 |
| Total current liabilities | 80,849 | 76,156 |
| Other Noncurrent Liabilities | 13,767 | 13,646 |
| Deferred Income Taxes | 18,928 | 14,748 |
| Shareholders Equity: | | |
| Preferred stock authorized 3,050,000 shares; outstanding none | | |
| Common stock authorized 75,000,000 shares; outstanding March 27,282,132 shares; June 27,385,781 shares | 99,141 | 97,197 |
| Retained earnings | 1,191,895 | 1,150,683 |
| Accumulated other comprehensive loss | (6,893) | (7,043) |
| Common stock in treasury, at cost | (731,613) | (723,298) |

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| | | |
|----------------------------|-------------------|------------|
| Total shareholders' equity | 552,530 | 517,539 |
| Total | \$ 666,074 | \$ 622,089 |

See accompanying notes to condensed consolidated financial statements.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

| (Amounts in thousands, except per share data) | Three Months Ended March 31 | | Nine Months Ended March 31 | |
|---|--------------------------------|------------|-------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Sales | \$ 271,098 | \$ 252,623 | \$ 857,400 | \$ 833,912 |
| Cost of Sales | 217,296 | 200,089 | 678,309 | 645,063 |
| Gross Margin | 53,802 | 52,534 | 179,091 | 188,849 |
| Selling, General and Administrative Expenses | 25,848 | 23,060 | 74,915 | 72,441 |
| Operating Income | 27,954 | 29,474 | 104,176 | 116,408 |
| Other Income: | | | | |
| Other income Continued Dumping and Subsidy Offset Act | | | 2,701 | 961 |
| Interest income and other net | 39 | 54 | 73 | 149 |
| Income Before Income Taxes | 27,993 | 29,528 | 106,950 | 117,518 |
| Taxes Based on Income | 9,771 | 10,087 | 37,097 | 40,447 |
| Net Income | \$ 18,222 | \$ 19,441 | \$ 69,853 | \$ 77,071 |
| Net Income Per Common Share: | | | | |
| Basic and Diluted | \$.67 | \$.71 | \$ 2.56 | \$ 2.77 |
| Cash Dividends Per Common Share | \$.36 | \$.33 | \$ 1.05 | \$.96 |
| Weighted Average Common Shares Outstanding: | | | | |
| Basic | 27,216 | 27,494 | 27,237 | 27,755 |
| Diluted | 27,251 | 27,520 | 27,268 | 27,781 |

See accompanying notes to condensed consolidated financial statements.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| (Amounts in thousands) | Nine Months Ended | |
|---|-------------------|-------------------|
| | March 31 | |
| | 2012 | 2011 |
| Cash Flows From Operating Activities: | | |
| Net income | \$ 69,853 | \$ 77,071 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,158 | 14,469 |
| Deferred income taxes and other noncash changes | 6,355 | 5,643 |
| (Gain) / loss on sale of property | (16) | 14 |
| Pension plan activity | (1,095) | (1,442) |
| Changes in operating assets and liabilities: | | |
| Receivables | (22,869) | (10,803) |
| Inventories | 11,601 | 17,388 |
| Other current assets | 1,088 | (2,231) |
| Accounts payable and accrued liabilities | 5,088 | (2,081) |
| Net cash provided by operating activities | 85,163 | 98,028 |
| Cash Flows From Investing Activities: | | |
| Payments on property additions | (12,178) | (26,857) |
| Proceeds from sale of property | 385 | 19 |
| Other net | (913) | 207 |
| Net cash used in investing activities | (12,706) | (26,631) |
| Cash Flows From Financing Activities: | | |
| Purchase of treasury stock | (8,315) | (39,564) |
| Payment of dividends | (28,641) | (26,640) |
| Proceeds from the exercise of stock awards, including tax benefits | 193 | 269 |
| Increase in cash overdraft balance | | 1,350 |
| Net cash used in financing activities | (36,763) | (64,585) |
| Net change in cash and equivalents | 35,694 | 6,812 |
| Cash and equivalents at beginning of year | 132,266 | 100,890 |
| Cash and equivalents at end of period | \$ 167,960 | \$ 107,702 |
| Supplemental Disclosure of Operating Cash Flows: | | |
| Cash paid during the period for income taxes | \$ 30,187 | \$ 37,821 |

See accompanying notes to condensed consolidated financial statements.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands, except per share data)

Note 1 Summary of Significant Accounting Policies***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, the interim condensed consolidated financial statements reflect all adjustments necessary for a fair presentation of the results of operations and financial position for such periods. All such adjustments reflected in the interim condensed consolidated financial statements are considered to be of a normal recurring nature. The results of operations for any interim period are not necessarily indicative of results for the full year. Accordingly, these financial statements should be read in conjunction with the financial statements and notes thereto contained in our 2011 Annual Report on Form 10-K. Unless otherwise noted, the term year and references to a particular year pertain to our fiscal year, which begins on July 1 and ends on June 30; for example, 2012 refers to fiscal 2012, which is the period from July 1, 2011 to June 30, 2012.

Subsequent Events

On April 18, 2012, we entered into a new unsecured credit agreement, which replaced the existing credit agreement. See Note 4 to the condensed consolidated financial statements for information about this transaction and our new credit facility.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Purchases of property, plant and equipment included in accounts payable are as follows:

| | March 31 2012 | March 31 2011 |
|--|------------------|------------------|
| Construction in progress in accounts payable | \$ 244 | \$ 172 |

These purchases, less the preceding June 30 balances, have been excluded from the property additions and the change in accounts payable in the Condensed Consolidated Statements of Cash Flows.

Held for Sale

As a result of various prior-years restructuring and divestiture activities, we have certain held for sale properties with a total net book value of approximately \$2.8 million at March 31, 2012. This balance is included in Other Noncurrent Assets on the Condensed Consolidated Balance Sheet. In accordance with GAAP for property, plant and equipment, we are no longer depreciating these held for sale assets and they are being actively marketed for sale.

Accrued Distribution

Accrued distribution costs included in accrued liabilities were approximately \$5.8 million and \$3.9 million at March 31, 2012 and June 30, 2011, respectively.

Earnings Per Share

Earnings per share (EPS) is computed based on the weighted average number of shares of common stock and common stock equivalents (restricted stock and stock-settled stock appreciation rights) outstanding during each period. Unvested shares of restricted stock granted to employees are considered participating securities since employees receive nonforfeitable dividends prior to vesting and, therefore, are included in the earnings allocation in computing EPS under the two-class method. Basic EPS excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed

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by dividing income available to common shareholders by the diluted weighted average number of common shares outstanding during the period, which includes the dilutive potential common shares associated with restricted stock and stock-settled stock appreciation rights.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands, except per share data)

Basic and diluted net income per common share were calculated as follows:

| | Three Months | | Nine Months | |
|--|--------------|-----------|-------------|-----------|
| | Ended | | Ended | |
| | March 31 | | March 31 | |
| | 2012 | 2011 | 2012 | 2011 |
| Net income | \$ 18,222 | \$ 19,441 | \$ 69,853 | \$ 77,071 |
| Net income available to participating securities | (36) | (25) | (125) | (109) |
| Net income available to common shareholders | \$ 18,186 | \$ 19,416 | \$ 69,728 | \$ 76,962 |
| Weighted average common shares outstanding basic | 27,216 | 27,494 | 27,237 | 27,755 |
| Incremental share effect from: | | | | |
| Restricted stock | 2 | 3 | 4 | 5 |
| Stock-settled stock appreciation rights | 33 | 23 | 27 | 21 |
| Weighted average common shares outstanding diluted | 27,251 | 27,520 | 27,268 | 27,781 |
| Net income per common share basic and diluted | \$.67 | \$.71 | \$ 2.56 | \$ 2.77 |

Comprehensive Income

Total comprehensive income for the three and nine months ended March 31, 2012 was approximately \$18.3 million and \$70.0 million, respectively. Total comprehensive income for the three and nine months ended March 31, 2011 was approximately \$19.5 million and \$77.3 million, respectively. The March 31, 2012 and 2011 comprehensive income consists of net income and pension and postretirement amortization.

Significant Accounting Policies

There were no changes to our Significant Accounting Policies from those disclosed in our 2011 Annual Report on Form 10-K.

Note 2 Impact of Recently Issued Accounting Standards

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-12, *Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* (ASU 11-12). This ASU indefinitely defers the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income as set forth in ASU No. 2011-05, *Comprehensive Income: Presentation of Comprehensive Income* (ASU 11-05). ASU 11-12 has the same effective date as the unaffected provisions of ASU 11-05, for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. We do not expect the adoption of this update to have a material impact on our financial position or results of operations.

In June 2011, the FASB issued ASU 11-05. This ASU amends current comprehensive income guidance to eliminate the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, it requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. ASU 11-05 will be effective for public companies for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. As noted above, portions of this ASU relating to reclassifications were indefinitely deferred with the issuance of ASU 11-12.

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We do not expect the adoption of this update to have a material impact on our financial position or results of operations.

In September 2011, the FASB issued ASU No. 2011-09, *Compensation - Retirement Benefits - Multiemployer Plans: Disclosures about an Employer's Participation in a Multiemployer Plan* (ASU 11-09). This ASU requires that employers provide additional separate quantitative and qualitative disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans. ASU 11-09 will be

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands, except per share data)

effective for annual periods for fiscal years ending after December 15, 2011, with early adoption permitted. We do not expect the adoption of this update to have a material impact on our financial position or results of operations.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles - Goodwill and Other: Testing Goodwill for Impairment* (ASU 11-08). This ASU permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying value. ASU 11-08 will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. We do not expect the adoption of this update to have a material impact on our financial position or results of operations.

Note 3 Goodwill and Other Intangible Assets

Goodwill attributable to the Specialty Foods segment was approximately \$89.8 million at March 31, 2012 and June 30, 2011.

The following table summarizes our identifiable other intangible assets, all included in the Specialty Foods segment:

| | March 31 2012 | June 30 2011 |
|--|------------------|-----------------|
| Trademarks (40-year life) | | |
| Gross carrying value | \$ 370 | \$ 370 |
| Accumulated amortization | (193) | (186) |
| Net Carrying Value | \$ 177 | \$ 184 |
| Customer Relationships (12 to 15-year life) | | |
| Gross carrying value | \$ 13,020 | \$ 13,020 |
| Accumulated amortization | (5,693) | (4,991) |
| Net Carrying Value | \$ 7,327 | \$ 8,029 |
| Non-compete Agreements (5 to 8-year life) | | |
| Gross carrying value | \$ 1,540 | \$ 1,540 |
| Accumulated amortization | (1,529) | (1,403) |
| Net Carrying Value | \$ 11 | \$ 137 |
| Total Net Carrying Value | \$ 7,515 | \$ 8,350 |

Amortization expense relating to these assets was as follows:

| Three Months | Nine Months |
|--------------|-------------|
| Ended | Ended |

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| | March 31 | | March 31 | |
|----------------------|----------|--------|----------|--------|
| | 2012 | 2011 | 2012 | 2011 |
| Amortization expense | \$ 253 | \$ 291 | \$ 835 | \$ 873 |

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands, except per share data)

Total annual amortization expense for each of the next five years is estimated to be as follows:

| | |
|------|--------|
| 2013 | \$ 946 |
| 2014 | \$ 946 |
| 2015 | \$ 946 |
| 2016 | \$ 775 |
| 2017 | \$ 604 |

Note 4 Long-Term Debt

At March 31, 2012 and June 30, 2011, we had an unsecured revolving credit facility under which we could borrow up to a maximum of \$160 million at any one time, with the potential to expand the total credit availability to \$260 million based on obtaining consent of the issuing bank and certain other conditions. At March 31, 2012 and June 30, 2011, we had no borrowings outstanding under this facility. At March 31, 2012, we had approximately \$6.7 million of standby letters of credit outstanding, which reduced the amount available for borrowing on the unsecured revolving credit facility. We paid no interest for the three and nine months ended March 31, 2012 and 2011. At March 31, 2012 and June 30, 2011, we were in compliance with all applicable provisions and covenants of the facility, and we met the requirements of the financial covenants by substantial margins. At March 31, 2012, we were not aware of any event that would constitute a default under the facility.

On April 18, 2012, we entered into a new unsecured credit agreement (New Credit Agreement) with the Lenders named in the New Credit Agreement and JPMorgan Chase Bank, N.A. as Administrative Agent. The New Credit Agreement replaced the facility discussed above. The material terms of the New Credit Agreement are substantially similar to the terms of our previous credit agreement, except with respect to maturity, interest rate margins and fees.

The New Credit Agreement provides that we may borrow, on a revolving credit basis, up to a maximum of \$120 million at any one time, with potential to expand the total credit availability to \$200 million based on obtaining consent of the issuing banks and certain other conditions. The New Credit Agreement expires on April 18, 2017, and all outstanding amounts are then due and payable. Interest is variable based upon formulas tied to LIBOR or an alternative base rate defined in the New Credit Agreement, at our option. We must also pay facility fees that are tied to our then-applicable consolidated leverage ratio. Loans may be used for general corporate purposes. Based on the long-term nature of this facility, when we have outstanding borrowings under this facility, we will classify the outstanding balance as long-term debt.

The New Credit Agreement contains certain restrictive covenants, including limitations on indebtedness, asset sales and acquisitions. There are two principal financial covenants: an interest expense test that requires us to maintain an interest coverage ratio not less than 2.5 to 1 at the end of each fiscal quarter; and an indebtedness test that requires us to maintain a consolidated leverage ratio not greater than 3 to 1 at all times. The interest coverage ratio is calculated by dividing Consolidated EBIT (as defined more specifically in the New Credit Agreement) by Consolidated Interest Expense (as defined more specifically in the New Credit Agreement), and the leverage ratio is calculated by dividing Consolidated Debt (as defined more specifically in the New Credit Agreement) by Consolidated EBITDA (as defined more specifically in the New Credit Agreement).

Note 5 Pension Benefits

We and certain of our operating subsidiaries have sponsored multiple defined benefit pension plans covering union workers at certain locations. As a result of restructuring activities in recent years, we no longer have any active employees continuing to accrue service cost or otherwise eligible to receive plan benefits. Benefits being paid under the plans are primarily based on negotiated rates and years of service. We contribute to these plans at least the minimum amount required by regulation.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands, except per share data)

The following table summarizes the components of net periodic benefit cost for our pension plans:

| | Three Months | | Nine Months | |
|--|--------------|--------|-------------|----------|
| | Ended | | Ended | |
| | March 31 | | March 31 | |
| | 2012 | 2011 | 2012 | 2011 |
| Components of net periodic benefit cost | | | | |
| Interest cost | \$ 483 | \$ 487 | \$ 1,449 | \$ 1,461 |
| Expected return on plan assets | (599) | (507) | (1,797) | (1,521) |
| Amortization of unrecognized net loss | 89 | 136 | 267 | 410 |
| Net periodic benefit (income) cost | \$ (27) | \$ 116 | \$ (81) | \$ 350 |

For the three and nine months ended March 31, 2012, we made pension plan contributions totaling zero and approximately \$1.0 million, respectively. We do not expect to make any further contributions to our pension plans during the remainder of 2012.

Note 6 Postretirement Benefits

We and certain of our operating subsidiaries provide multiple postretirement medical and life insurance benefit plans. We recognize the cost of benefits as the employees render service. Postretirement benefits are funded as incurred.

The following table summarizes the components of net periodic benefit cost for our postretirement plans:

| | Three Months | | Nine Months | |
|--|--------------|-------|-------------|-------|
| | Ended | | Ended | |
| | March 31 | | March 31 | |
| | 2012 | 2011 | 2012 | 2011 |
| Components of net periodic benefit cost | | | | |
| Service cost | \$ 6 | \$ 6 | \$ 18 | \$ 18 |
| Interest cost | 37 | 34 | 111 | 102 |
| Amortization of unrecognized net gain | (8) | (12) | (24) | (36) |
| Amortization of prior service asset | (1) | (1) | (3) | (3) |
| Net periodic benefit cost | \$ 34 | \$ 27 | \$ 102 | \$ 81 |

For the three and nine months ended March 31, 2012, we made approximately \$40,000 and \$106,000, respectively, in contributions to our postretirement medical and life insurance benefit plans. We expect to make approximately \$0.1 million more in contributions to our postretirement medical and life insurance benefit plans during the remainder of 2012.

Note 7 Stock-Based Compensation

Our shareholders approved the adoption of and subsequent amendments to the Lancaster Colony Corporation 2005 Stock Plan (the 2005 Plan). The 2005 Plan reserved 2,000,000 common shares for issuance to our employees and directors, and all awards granted under the 2005 Plan will

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be exercisable at prices not less than fair market value as of the date of the grant. The vesting period for awards granted under the 2005 Plan varies as to the type of award granted, but generally these awards have a maximum term of five years.

Stock-Settled Stock Appreciation Rights

We use periodic grants of stock-settled stock appreciation rights (SSSARs) as a vehicle for rewarding certain employees with long-term incentives for their efforts in helping to create long-term shareholder value. We calculate the fair value of SSSARs grants using the Black-Scholes option-pricing model. Our policy is to issue shares upon SSSARs exercise from new shares that had been previously authorized.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands, except per share data)

In February 2012 and 2011, we granted SSSARs to various employees under the terms of the 2005 Plan. The following table summarizes information relating to each of these grants:

| | 2012 | 2011 |
|--|---------|----------|
| SSSARs granted | 185 | 94 |
| Weighted average fair value per right | \$ 9.08 | \$ 10.12 |
| Assumptions used in fair value calculations: | | |
| Risk-free interest rate | 0.41% | 1.27% |
| Dividend yield | 2.11% | 2.28% |
| Volatility factor of the expected market price of our common stock | 24.31% | 28.78% |
| Weighted average expected life in years | 2.76 | 3.11 |
| Estimated forfeiture rate | 4.00% | 4.00% |

For each of these grants, the volatility factor was estimated based on actual historical volatility of our stock for a time period equal to the term of the SSSARs. The expected average life was determined based on historical exercise experience for this type of grant. The SSSARs from each of these grants vest one-third on the first anniversary of the grant date, one-third on the second anniversary of the grant date and one-third on the third anniversary of the grant date.

We recognize compensation expense over the requisite service period. Compensation cost was reflected in Cost of Sales or Selling, General and Administrative Expenses based on the grantees' salaries expense classification and was allocated to each segment appropriately. We recorded tax benefits and gross windfall tax benefits related to SSSARs. These windfall tax benefits were included in the financing section of the Condensed Consolidated Statements of Cash Flows. The following table summarizes SSSARs compensation expense and tax benefits recorded:

| | Three Months | | Nine Months | |
|------------------------------|--------------|--------|-------------|--------|
| | Ended | | Ended | |
| | March 31 | | March 31 | |
| | 2012 | 2011 | 2012 | 2011 |
| Compensation expense | \$ 453 | \$ 289 | \$ 1,099 | \$ 843 |
| Tax benefits | \$ 159 | \$ 101 | \$ 385 | \$ 295 |
| Intrinsic value of exercises | \$ 138 | \$ 326 | \$ 281 | \$ 344 |
| Gross windfall tax benefits | \$ 58 | \$ 117 | \$ 122 | \$ 123 |

The total fair values of SSSARs vested are as follows:

| | Nine Months Ended | |
|-----------------------------|-------------------|----------|
| | March 31 | |
| | 2012 | 2011 |
| Fair value of vested rights | \$ 1,107 | \$ 1,095 |

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands, except per share data)

The following table summarizes the activity relating to SSSARs granted under the 2005 Plan for the nine months ended March 31, 2012:

| | Number of Rights | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life in Years | Aggregate Intrinsic Value |
|---|------------------------|--|--|---------------------------------|
| Outstanding at beginning of period | 324 | \$ 53.98 | | |
| Exercised | (41) | \$ 51.10 | | |
| Granted | 185 | \$ 68.12 | | |
| Forfeited | (1) | \$ 58.79 | | |
| Outstanding at end of period | 467 | \$ 59.82 | 3.71 | \$ 3,403 |
| Exercisable and vested at end of period | 167 | \$ 51.71 | 2.58 | \$ 2,459 |
| Vested and expected to vest at end of period | 455 | \$ 59.71 | 3.69 | \$ 3,371 |

At March 31, 2012, there was approximately \$2.5 million of unrecognized compensation cost related to SSSARs that we will recognize over a weighted-average period of approximately 2.27 years.

Restricted Stock

We use periodic grants of restricted stock as a vehicle for rewarding our nonemployee directors and certain employees with long-term incentives for their efforts in helping to create long-term shareholder value.

In February 2012 and 2011, we granted shares of restricted stock to various employees under the terms of the 2005 Plan. The following table summarizes information relating to each of these grants:

| | 2012 | 2011 |
|-----------------------------------|----------|----------|
| Restricted stock granted | 25 | 7 |
| Grant date fair value | \$ 1,693 | \$ 390 |
| Closing stock price on grant date | \$ 68.12 | \$ 57.78 |
| Estimated forfeiture rate | 4.00% | 4.00% |

The restricted stock under each of these grants vests on the third anniversary of the grant date. Under the terms of the grants, employees receive dividends on unforfeited restricted stock regardless of their vesting status. An additional 5,650 shares of restricted stock that were granted to various employees in February 2009 vested during the third quarter of 2012.

In November 2011, we granted a total of 7,427 shares of restricted stock to our seven nonemployee directors under the terms of the 2005 Plan. The restricted stock had a grant date fair value of approximately \$0.5 million based on a per share closing stock price of \$65.97. This restricted stock vests over a one-year period, and all of these shares are expected to vest. Dividends earned on the stock during the vesting period will be paid to the directors at the time the stock vests. Compensation expense related to the restricted stock award will be recognized over the requisite service period. An additional 8,155 shares of restricted stock that were granted to our seven nonemployee directors in November 2010 vested during the second quarter of 2012, and the directors were paid the related dividends.

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We recognize compensation expense over the requisite service period. Compensation cost was reflected in Cost of Sales or Selling, General and Administrative Expenses based on the grantees' salaries expense classification and was allocated to each segment appropriately. We recorded tax benefits and gross windfall tax benefits related to restricted stock. Windfall tax benefits, if any, were included in the financing section of the Condensed Consolidated Statements of Cash Flows.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands, except per share data)

The following table summarizes restricted stock compensation expense and tax benefits recorded:

| | Three Months Ended | | Nine Months Ended | |
|-----------------------------|--------------------|--------|-------------------|--------|
| | March 31 | | March 31 | |
| | 2012 | 2011 | 2012 | 2011 |
| Compensation expense | \$ 343 | \$ 270 | \$ 892 | \$ 906 |
| Tax benefits | \$ 120 | \$ 94 | \$ 312 | \$ 317 |
| Gross windfall tax benefits | \$ 56 | \$ 145 | \$ 71 | \$ 145 |

The total fair values of restricted stock vested are as follows:

| | Nine Months Ended | |
|-----------------------------|-------------------|----------|
| | March 31 | |
| | 2012 | 2011 |
| Fair value of vested shares | \$ 645 | \$ 1,258 |

The following table summarizes the activity relating to restricted stock granted under the 2005 Plan for the nine-month period ended March 31, 2012:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|------------------------|---|
| Unvested restricted stock at beginning of period | 44 | \$ 54.86 |
| Granted | 32 | \$ 67.63 |
| Vested | (14) | \$ 46.75 |
| Forfeited | | \$ |
| Unvested restricted stock at end of period | 62 | \$ 63.26 |

At March 31, 2012, there was approximately \$2.5 million of unrecognized compensation expense related to restricted stock that we will recognize over a weighted-average period of approximately 2.19 years.

Note 8 Income Taxes

The gross tax contingency reserve at March 31, 2012 was approximately \$1.9 million and consisted of tax liabilities of approximately \$1.0 million and penalties and interest of approximately \$0.9 million. We have classified approximately \$0.1 million of the gross tax contingency reserve as current liabilities as these amounts are expected to be resolved within the next 12 months. The remaining liability of approximately \$1.8 million is included in other noncurrent liabilities. We expect that the amount of these liabilities will change within the next 12 months; however, we do not expect the change to have a significant effect on our financial position or results of operations. We recognize interest and penalties related to these tax liabilities in income tax expense.

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands, except per share data)

Note 9 Business Segment Information

The following summary of financial information by business segment is consistent with the basis of segmentation and measurement of segment profit or loss presented in our June 30, 2011 consolidated financial statements:

| | Three Months Ended | | Nine Months Ended | |
|-------------------------|--------------------|------------|-------------------|------------|
| | March 31 2012 | 2011 | March 31 2012 | 2011 |
| Net Sales | | | | |
| Specialty Foods | \$ 237,432 | \$ 217,436 | \$ 740,604 | \$ 692,539 |
| Glassware and Candles | 33,666 | 35,187 | 116,796 | 141,373 |
| Total | \$ 271,098 | \$ 252,623 | \$ 857,400 | \$ 833,912 |
| Operating Income | | | | |
| Specialty Foods | \$ 29,561 | \$ 31,664 | \$ 109,510 | \$ 121,025 |
| Glassware and Candles | 973 | 676 | 2,272 | 5,044 |
| Corporate Expenses | (2,580) | (2,866) | (7,606) | (9,661) |
| Total | \$ 27,954 | \$ 29,474 | \$ 104,176 | \$ 116,408 |

Note 10 Commitments and Contingencies

In addition to the items discussed below, at March 31, 2012, we were a party to various claims and litigation matters arising in the ordinary course of business. Such matters did not have a material effect on the current-year results of operations and, in our opinion, their ultimate disposition will not have a material effect on our condensed consolidated financial statements.

The Continued Dumping and Subsidy Offset Act of 2000 (CDSOA) provides for the distribution of monies collected by U.S. Customs from antidumping cases to qualifying domestic producers. Our reported CDSOA receipts totaled approximately \$2.7 million in the second quarter of 2012, as compared to a distribution of approximately \$1.0 million in the corresponding period of 2011. Due to an additional distribution received in the fourth quarter of 2011, our CDSOA receipts totaled approximately \$14.4 million for 2011. CDSOA remittances have related to certain candles being imported from the People's Republic of China.

Legislation was enacted in February 2006 to repeal the applicability of CDSOA to duties collected on products imported after September 2007. Accordingly, we may receive some level of annual distributions for an undetermined period of years in the future as the monies collected that relate to entries filed prior to October 2007 are administratively finalized by U.S. Customs. Without further legislative action, we expect these distributions will eventually cease.

In addition to this legislative development, cases have been brought in U.S. courts challenging certain aspects of CDSOA. In two separate cases, the U.S. Court of International Trade (CIT) ruled that the procedure for determining recipients eligible to receive CDSOA distributions is unconstitutional. The U.S. Court of Appeals for the Federal Circuit reversed both CIT decisions and the U.S. Supreme Court did not hear either case. This allowed the appellate court decisions to stand, but other legal challenges to CDSOA are still pending.

We are unable to determine, at this time, what the ultimate outcome of other litigation will be, and it is possible that further legal action, potential additional changes in the law and other factors could affect the amount of funds available for distribution, including funds relating to entries prior to October 2007. Accordingly, we cannot predict the amount of future distributions we may receive. Any change in CDSOA

distributions could affect our earnings and cash flow.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

(Tabular dollars in thousands)

OVERVIEW

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) describes the matters that we consider to be important in understanding the results of our operations for the three and nine months ended March 31, 2012 and our financial condition as of March 31, 2012. Our fiscal year begins on July 1 and ends on June 30. Unless otherwise noted, references to year pertain to our fiscal year; for example, 2012 refers to fiscal 2012, which is the period from July 1, 2011 to June 30, 2012. In the discussion that follows, we analyze the results of our operations for the three and nine months ended March 31, 2012, including the trends in our overall business, followed by a discussion of our financial condition.

The following discussion should be read in conjunction with our condensed consolidated financial statements and the notes thereto, all included elsewhere in this report. The forward-looking statements in this section and other parts of this report involve risks and uncertainties including statements regarding our plans, objectives, goals, strategies, and financial performance. Our actual results could differ materially from the results anticipated in these forward-looking statements as a result of factors set forth under the caption Forward-Looking Statements.

EXECUTIVE SUMMARY

Business Overview

Lancaster Colony Corporation is a diversified manufacturer and marketer of consumer products focusing primarily on specialty foods for the retail and foodservice markets. We also manufacture and market candles for the food, drug and mass markets. Although not material to our consolidated operations, we are also engaged in the distribution of various products, including glassware and candles, to commercial markets. Our operations are organized in two reportable segments: Specialty Foods and Glassware and Candles. The sales of each segment are predominantly domestic.

In recent years, our strategy has shifted away from operating businesses in a variety of industries towards emphasizing the growth and success we have achieved in our Specialty Foods segment. Fiscal years prior to 2009 were significant years in implementing this strategy as we divested various nonfood operations and focused our capital investment in the Specialty Foods segment.

We view our food operations as having the potential to achieve future growth in sales and profitability due to attributes such as:

leading retail market positions in several branded products with a high-quality perception;

a broad customer base in both retail and foodservice accounts;

well-regarded culinary expertise among foodservice accounts;

recognized leadership in foodservice product development;

experience in integrating complementary business acquisitions; and

historically strong cash flow generation that supports growth opportunities.
Our goal is to grow our specialty foods retail and foodservice business over time by:

leveraging the strength of our retail brands to increase current product sales and introduce new products;

growing our foodservice sales through the strength of our reputation in product development and quality; and

pursuing acquisitions that meet our strategic criteria.

In recent years we have made substantial capital investments to support our existing food operations and future growth opportunities. Based on our current plans and expectations, we believe that capital expenditures for 2012 will total approximately \$18 million.

Summary of 2012 Results

The following is a comparative overview of our consolidated operating results for the three and nine months ended March 31, 2012 and 2011.

Net sales for the third quarter ended March 31, 2012 increased 7% to approximately \$271.1 million from the prior-year total of \$252.6 million. This sales growth reflects higher sales in the Specialty Foods segment, as partially offset by lower sales in the Glassware and Candles segment. The Specialty Foods segment's increase reflects higher foodservice and retail sales. The decrease in sales of the Glassware and Candles segment primarily reflects lower candle volumes. Gross margin increased 2% to approximately \$53.8 million from the prior-year third quarter total of \$52.5 million. Higher food volumes and increased pricing within both segments contributed to the improved gross margin. Net income for the three months ended March 31, 2012 totaled approximately \$18.2 million, or \$.67 per diluted share. Net income totaled approximately \$19.4 million in the third quarter of 2011, or \$.71 per diluted share.

Year-to-date net sales for the period ended March 31, 2012 increased 3% to approximately \$857.4 million from the prior year-to-date total of \$833.9 million. Gross margin decreased to approximately \$179.1 million from the prior year-to-date total of \$188.8 million. Net income for the nine months ended March 31, 2012 totaled approximately \$69.9 million, or \$2.56 per diluted share. Net income totaled approximately \$77.1 million in the nine months ended March 31, 2011, or \$2.77 per diluted share.

RESULTS OF CONSOLIDATED OPERATIONS

Net Sales and Gross Margin

| | Three Months Ended March 31 | | | Nine Months Ended March 31 | | | | |
|--|--------------------------------|------------|-----------|-------------------------------|------------|------------|------------|-------|
| | 2012 | 2011 | Change | 2012 | 2011 | Change | | |
| Net Sales | | | | | | | | |
| Specialty Foods | \$ 237,432 | \$ 217,436 | \$ 19,996 | 9% | \$ 740,604 | \$ 692,539 | \$ 48,065 | 7% |
| Glassware and Candles | 33,666 | 35,187 | (1,521) | (4)% | 116,796 | 141,373 | (24,577) | (17)% |
| Total | \$ 271,098 | \$ 252,623 | \$ 18,475 | 7% | \$ 857,400 | \$ 833,912 | \$ 23,488 | 3% |
| Gross Margin | \$ 53,802 | \$ 52,534 | \$ 1,268 | 2% | \$ 179,091 | \$ 188,849 | \$ (9,758) | (5)% |
| Gross Margin as a Percentage of Sales | 19.8% | 20.8% | | | 20.9% | 22.6% | | |

Consolidated net sales for the third quarter and nine months ended March 31, 2012 increased 7% and 3%, respectively, reflecting higher sales in the Specialty Foods segment, as partially offset by lower sales in the Glassware and Candles segment.

For the three and nine months ended March 31, 2012, net sales of the Specialty Foods segment increased by approximately 9% and 7%, respectively. Higher product pricing totaled approximately 4% and 5% of segment net sales for the three and nine month periods, respectively. In addition, retail sales also reflected the incremental benefit from some recently introduced food products. Furthermore, the favorable impact of the current year's earlier Easter holiday on comparative sales was estimated at approximately 2% and 1%, respectively, of the segment's net sales for the three and nine month periods. The segment's foodservice sales also increased on higher pricing and expanded volumes associated with programs among existing customers. Looking forward, we anticipate that the extent of higher pricing will become less pronounced as we move through the final quarter of 2012.

The decrease in net sales of the Glassware and Candles segment for both the three and nine months ended March 31, 2012 primarily reflected lower candle volumes. The decrease in net sales of the Glassware and Candles segment for the nine months ended March 31, 2012 was also influenced by the exiting of certain lower-margin business, including some seasonal candle programs, with higher pricing helping to offset some of these declines.

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As a percentage of sales, our consolidated gross margin for the three and nine months ended March 31, 2012 was 19.8% and 20.9%, respectively, as compared to 20.8% and 22.6% achieved in the prior-year comparative periods.

In the Specialty Foods segment, gross margin percentages declined in both the three and nine months ended March 31, 2012, reflecting a somewhat less favorable sales mix, as well as comparatively higher costs for a wide variety of raw materials (especially for soybean oil and flour) and freight, as partially offset by higher pricing. We estimate that higher material costs adversely affected our gross margins in these periods by approximately 4% and 6% of segment net sales, respectively. Looking forward, under current market conditions, we anticipate that the extent of higher material costs will become less pronounced as we move through the final quarter of 2012.

Gross margin percentages in the Glassware and Candles segment improved in the three months ended March 31, 2012 due to modest pricing improvement and a better sales mix, which helped offset the impact of lower sales. Gross margin percentages declined slightly from the prior-year nine month period primarily due to the impact of higher wax costs, lower sales and reduced production levels. These factors were somewhat mitigated by higher pricing and an improved sales mix.

Selling, General and Administrative Expenses

| | Three Months Ended March 31 | | | Nine Months Ended March 31 | | | | |
|---|--------------------------------|-----------|-----------------|-------------------------------|------------------|-----------|-----------------|-----------|
| | 2012 | 2011 | Change | 2012 | 2011 | Change | | |
| Selling, General and Administrative Expenses | \$ 25,848 | \$ 23,060 | \$ 2,788 | 12% | \$ 74,915 | \$ 72,441 | \$ 2,474 | 3% |

| | | | | |
|---|-------------|------|-------------|------|
| SG&A Expenses as a Percentage of Sales | 9.5% | 9.1% | 8.7% | 8.7% |
|---|-------------|------|-------------|------|

Consolidated selling, general and administrative costs of approximately \$25.8 million and \$74.9 million for the three and nine months ended March 31, 2012 increased by 12% and 3%, respectively, from the \$23.1 million and \$72.4 million incurred for the three and nine months ended March 31, 2011, respectively. These increases were influenced by the higher levels of food sales and consumer-directed food marketing expenditures.

Operating Income

The foregoing factors contributed to consolidated operating income totaling approximately \$28.0 million and \$104.2 million for the three and nine months ended March 31, 2012, respectively. These amounts represent decreases of 5% and 11%, respectively, from the corresponding periods of the prior year. By segment, our operating income can be summarized as follows:

| | Three Months Ended March 31 | | | Nine Months Ended March 31 | | | | |
|-------------------------|--------------------------------|-----------|-------------------|-------------------------------|-------------------|------------|--------------------|--------------|
| | 2012 | 2011 | Change | 2012 | 2011 | Change | | |
| Operating Income | | | | | | | | |
| Specialty Foods | \$ 29,561 | \$ 31,664 | \$ (2,103) | (7)% | \$ 109,510 | \$ 121,025 | \$ (11,515) | (10)% |
| Glassware and Candles | 973 | 676 | 297 | 44% | 2,272 | 5,044 | (2,772) | (55)% |
| Corporate Expenses | (2,580) | (2,866) | 286 | (10)% | (7,606) | (9,661) | 2,055 | (21)% |
| Total | \$ 27,954 | \$ 29,474 | \$ (1,520) | (5)% | \$ 104,176 | \$ 116,408 | \$ (12,232) | (11)% |

Operating Income as a Percentage of Sales

| | | | | |
|-----------------------|--------------|-------|--------------|-------|
| Specialty Foods | 12.5% | 14.6% | 14.8% | 17.5% |
| Glassware and Candles | 2.9% | 1.9% | 1.9% | 3.6% |
| Consolidated | 10.3% | 11.7% | 12.2% | 14.0% |

Other Income Continued Dumping and Subsidy Offset Act

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The Continued Dumping and Subsidy Offset Act of 2000 (CDSOA) provides for the distribution of monies collected by U.S. Customs from antidumping cases to qualifying domestic producers. Our reported

CDSOA receipts totaled approximately \$2.7 million in the second quarter of 2012, as compared to a distribution of approximately \$1.0 million in the corresponding period of 2011. Due to an additional distribution received in the fourth quarter of 2011, our CDSOA receipts totaled approximately \$14.4 million for 2011. We do not typically receive CDSOA distributions in the fourth quarter, and we have not received notice of any such distribution for 2012 at this time. CDSOA remittances have related to certain candles being imported from the People's Republic of China.

Legislation was enacted in February 2006 to repeal the applicability of CDSOA to duties collected on products imported after September 2007. Accordingly, we may receive some level of annual distributions for an undetermined period of years in the future as the monies collected that relate to entries filed prior to October 2007 are administratively finalized by U.S. Customs. Without further legislative action, we expect these distributions will eventually cease.

In addition to this legislative development, cases have been brought in U.S. courts challenging certain aspects of CDSOA. In two separate cases, the U.S. Court of International Trade (CIT) ruled that the procedure for determining recipients eligible to receive CDSOA distributions is unconstitutional. The U.S. Court of Appeals for the Federal Circuit reversed both CIT decisions and the U.S. Supreme Court did not hear either case. This allowed the appellate court decisions to stand, but other legal challenges to CDSOA are still pending.

We are unable to determine, at this time, what the ultimate outcome of other litigation will be, and it is possible that further legal action, potential additional changes in the law and other factors could affect the amount of funds available for distribution, including funds relating to entries prior to October 2007. Accordingly, we cannot predict the amount of future distributions we may receive. Any change in CDSOA distributions could affect our earnings and cash flow.

Interest Income and Other - Net

Interest income and other was less than \$0.1 million and approximately \$0.1 million for the three and nine months ended March 31, 2012 and 2011, respectively.

Income Before Income Taxes

As impacted by the factors discussed above, income before income taxes for the three months ended March 31, 2012 decreased by approximately \$1.5 million to \$28.0 million from the prior-year total of \$29.5 million. Income before income taxes for the nine months ended March 31, 2012 and 2011 was approximately \$107.0 million and \$117.5 million, respectively. Our effective tax rate of 34.7% for the nine months ended March 31, 2012 was comparable to the prior-year rate of 34.4%.

Net Income

Third quarter net income for 2012 of approximately \$18.2 million decreased from the preceding year's net income for the quarter of \$19.4 million, as influenced by the factors noted above. Year-to-date net income of approximately \$69.9 million was lower than the prior year-to-date total of \$77.1 million. Net income per share for the third quarter of 2012 totaled \$.67 per basic and diluted share, as compared to \$.71 per basic and diluted share recorded in the prior year. Year-to-date net income per share was \$2.56 per basic and diluted share, as compared to \$2.77 per basic and diluted share for the prior-year period.

FINANCIAL CONDITION

For the nine months ended March 31, 2012, net cash provided by operating activities totaled approximately \$85.2 million as compared to \$98.0 million in the prior-year period. The decrease results from relative changes in working capital, particularly accounts receivable, as well as lower net income. The increase in receivables since June 2011 largely related to the strength of sales toward the end of the March quarter relative to that of last June.

Cash used in investing activities for the nine months ended March 31, 2012 was approximately \$12.7 million as compared to \$26.6 million in the prior year. This decrease reflects a lower level of capital expenditures in 2012 as the expansion of our frozen roll facility in Kentucky was substantially completed in June 2011.

Cash used in financing activities for the nine months ended March 31, 2012 of approximately \$36.8 million decreased from the prior-year total of \$64.6 million due to a lower level of share repurchases, as partially offset by an increase in dividend payments. At March 31, 2012, approximately 1,476,000 shares remained authorized for future buyback under the existing share repurchase program.

At March 31, 2012, we had an unsecured revolving credit facility under which we could borrow up to a maximum of \$160 million at any one time. We had no borrowings outstanding under this facility at March 31, 2012. At March 31, 2012, we had approximately \$6.7 million of standby letters of credit outstanding, which reduced the amount available for borrowing on the unsecured revolving credit facility. At March 31, 2012, we were in compliance with all applicable provisions and covenants of the facility, and we met the requirements of the financial covenants by substantial margins. At March 31, 2012, we were not aware of any event that would constitute a default under the facility.

On April 18, 2012, we entered into a new unsecured credit agreement (**New Credit Agreement**) with the Lenders named in the New Credit Agreement and JPMorgan Chase Bank, N.A. as Administrative Agent. The New Credit Agreement replaced the facility discussed above. The material terms of the New Credit Agreement are substantially similar to the terms of our previous credit agreement, except with respect to maturity, interest rate margins and fees.

The New Credit Agreement provides that we may borrow, on a revolving credit basis, up to a maximum of \$120 million at any one time. The New Credit Agreement expires on April 18, 2017, and all outstanding amounts are then due and payable. Interest is variable based upon formulas tied to LIBOR or an alternative base rate defined in the New Credit Agreement, at our option. We must also pay facility fees that are tied to our then-applicable consolidated leverage ratio. Loans may be used for general corporate purposes. Based on the long-term nature of this facility, when we have outstanding borrowings under this facility, we will classify the outstanding balance as long-term debt.

The New Credit Agreement contains certain restrictive covenants, including limitations on indebtedness, asset sales and acquisitions, and financial covenants relating to interest coverage and leverage. We currently expect to remain in compliance with the facility's covenants for the foreseeable future. A default under the facility could accelerate the repayment of any outstanding indebtedness and limit our access to additional credit available under the facility. Such an event could require curtailment of cash dividends or share repurchases, reduce or delay beneficial expansion or investment plans, or otherwise impact our ability to meet our obligations when due.

We believe that internally generated funds and our existing aggregate balances in cash and equivalents, in addition to our currently available bank credit arrangements, should be adequate to meet our foreseeable cash requirements.

For additional information regarding our credit facility, see Note 4 to the condensed consolidated financial statements.

CONTRACTUAL OBLIGATIONS

We have various contractual obligations that are appropriately recorded as liabilities in our condensed consolidated financial statements. Certain other items, such as purchase obligations, are not recognized as liabilities in our condensed consolidated financial statements. Examples of items not recognized as liabilities in our condensed consolidated financial statements are commitments to purchase raw materials or inventory that have not yet been received as of March 31, 2012 and future minimum lease payments for the use of property and equipment under operating lease agreements. Aside from expected changes in raw-material needs due to changes in product demand, there have been no significant changes to the contractual obligations disclosed in our 2011 Annual Report on Form 10-K.

CRITICAL ACCOUNTING POLICIES

There have been no changes in critical accounting policies from those disclosed in our 2011 Annual Report on Form 10-K.

RECENTLY ISSUED ACCOUNTING STANDARDS

For a summary of recently issued accounting pronouncements applicable to us, see Note 2 to the condensed consolidated financial statements.

FORWARD-LOOKING STATEMENTS

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the PSLRA). This Quarterly Report on Form 10-Q contains various forward-looking statements within the meaning of the PSLRA and other applicable securities laws. Such statements can be identified by the use of the forward-looking words anticipate, estimate, project, believe, intend, plan, expect, hope, words. These statements discuss future expectations; contain projections regarding future developments, operations or financial conditions; or state other forward-looking information. Such statements are based upon assumptions and assessments made by us in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. These forward-looking statements involve various important risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed in the forward-looking statements. Actual results may differ as a result of factors over which we have no, or limited, control including, without limitation, the specific influences outlined below. Management believes these forward-looking statements to be reasonable; however, you should not place undue reliance on such statements that are based on current expectations. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update such forward-looking statements, except as required by law. More detailed statements regarding significant events that could affect our financial results are included in Item 1A of our Annual Report on Form 10-K and also our Quarterly Reports on Form 10-Q as filed with the Securities and Exchange Commission and are available on our website at www.lancastercolony.com.

Specific influences relating to these forward-looking statements include, but are not limited to:

- the potential for loss of larger programs or key customer relationships;
- the effect of consolidation of customers within key market channels;
- the continued solvency of key customers;
- the success and cost of new product development efforts;
- the lack of market acceptance of new products;
- the reaction of customers or consumers to the effect of price increases we may implement;
- changes in demand for our products, which may result from loss of brand reputation or customer goodwill;
- changes in market trends;
- the extent to which future business acquisitions are completed and acceptably integrated;
- the possible occurrence of product recalls or other defective product costs;
- efficiencies in plant operations, including the ability to optimize overhead utilization in candle operations;

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the overall strength of the economy;

changes in financial markets;

slower than anticipated sales growth;

the extent of operational efficiencies achieved;

price and product competition;

the uncertainty regarding the effect or outcome of any decision to explore further strategic alternatives among our nonfood operations;

fluctuations in the cost and availability of raw materials;

adverse changes in energy costs and other factors that may affect costs of producing, distributing or transporting our products;

the impact of fluctuations in our pension plan asset values on funding levels, contributions required and benefit costs;

maintenance of competitive position with respect to other manufacturers, including offshore producers;

dependence on key personnel;

stability of labor relations;

capacity constraints, dependence on contract copackers and limited or exclusive sources for certain goods;

effect of governmental regulations, including environmental matters;

legislation and litigation affecting the future administration of the Continued Dumping and Subsidy Offset Act of 2000;

access to any required financing;

changes in income tax laws;

unknown costs relating to the holding or disposition of idle real estate;

changes in estimates in critical accounting judgments;

the outcome of any litigation or arbitration; and

innumerable other factors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risks have not changed materially from those disclosed in our 2011 Annual Report on Form 10-K.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* As of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer evaluated, with the participation of management, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2012 to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is 1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and 2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

(b) *Changes in Internal Control Over Financial Reporting.* No changes were made to our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION**Item 1A. Risk Factors**

There have been no material changes to the risk factors disclosed under Item 1A in our 2011 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) In November 2010, our Board of Directors approved a share repurchase authorization of 2,000,000 shares, of which approximately 1,476,000 shares remained authorized for future repurchases at March 31, 2012. This share repurchase authorization does not have a stated expiration date. In the third quarter, we made the following repurchases of our common stock:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans | Maximum Number of Shares That May Yet be Purchased Under the Plans |
|------------------------------------|---|---|---|---|
| January 1-31, 2012 | | \$ | | 1,477,947 |
| February 1-29, 2012 ⁽¹⁾ | 1,824 | \$ 67.94 | 1,824 | 1,476,123 |
| March 1-31, 2012 | | \$ | | 1,476,123 |
| Total | 1,824 | \$ 67.94 | 1,824 | 1,476,123 |

⁽¹⁾ Includes 1,824 shares that were repurchased in satisfaction of tax withholding obligations arising from the vesting of restricted stock granted to employees under the Lancaster Colony Corporation 2005 Stock Plan.

Item 6. Exhibits

See Index to Exhibits following Signatures.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LANCASTER COLONY CORPORATION

(Registrant)

Date: May 10, 2012

By: /s/ JOHN B. GERLACH, JR.
John B. Gerlach, Jr.
Chairman, Chief Executive Officer,

President and Director

(Principal Executive Officer)

Date: May 10, 2012

By: /s/ JOHN L. BOYLAN
John L. Boylan
Treasurer, Vice President,

Assistant Secretary,

Chief Financial Officer and Director

(Principal Financial and Accounting Officer)

LANCASTER COLONY CORPORATION AND SUBSIDIARIES

FORM 10-Q

MARCH 31, 2012

INDEX TO EXHIBITS

Exhibit

| Number | Description | Located at |
|---------------|--|--------------------|
| 31.1 | Certification of CEO under Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 31.2 | Certification of CFO under Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32 | Certification of CEO and CFO under Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 101.INS | XBRL Instance Document | Furnished herewith |
| 101.SCH | XBRL Taxonomy Extension Schema Document | Furnished herewith |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | Furnished herewith |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | Furnished herewith |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document | Furnished herewith |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | Furnished herewith |