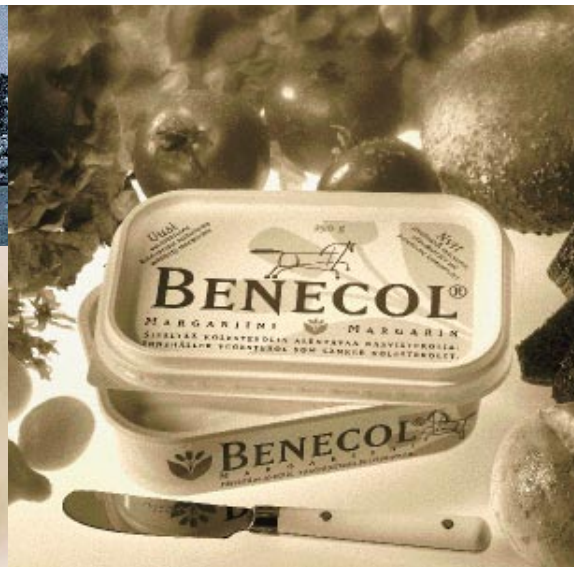
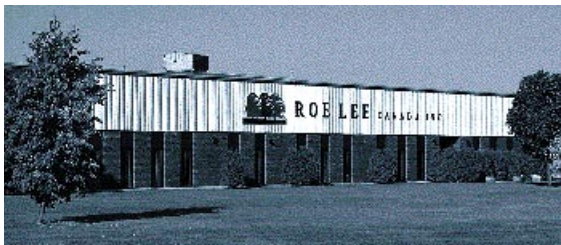




R A I S I O   G R O U P   1 9 9 5



## RAISIO GROUP

Raisio Group is a Finnish enterprise operating in the foodstuffs, animal feeds and chemicals sectors, and also expanding internationally: it already has production units in ten countries. The parent company, Raision Tehtaat Oy Ab, is quoted on the Helsinki Stock Exchange.

Operations are founded on the needs of our shareholders, customers, staff and raw material suppliers. The Group works in close cooperation with its constituent groups, is ready to accept challenges from its cooperation partners and aims to work with them in devising solutions to problems.

In addition to producing foodstuffs, the Group is also active in adapting arable products for technical purposes in a spirit of innovation.

The Raisio Group uses renewable natural resources almost exclusively as its raw materials. Environmental considerations are important in planning and developing production processes. The Group develops and markets products and methods that conserve the environment and have less harmful effects than earlier options.

The Raisio Group is a firmly based, financially sound and successful enterprise, a fact which also makes it a safe cooperation partner.

Foodstuffs Division	Animal Feeds Division	Chemicals Division
<b>R A I S I O N T E H T A A T O Y A B</b>		
Oil Milling Subdivision Margarine Subdivision Raisio Nordic Eesti AS Raisio Polska Foods Sp.z o.o. Potato Processing Subdivision Malting Subdivision		Grain Starch Subdivision Potato Starch Subdivision Lapuan Peruna Oy
<b>Melia Ltd</b>	<b>Raisio Feed Ltd</b>	<b>Raisio Chemicals Ltd</b>
Foodie Oy Raisio Catering Oy	Monäs Feed Oy Ab	Oy Kationi Ab Raisio Engineering Ltd Raisio Flootek Oy Raisional Ab Raision Lateksi Oy <u>Raisio Scandinavia</u> Raisio Svenska AB <u>Raisio Europe</u> Roe Lee Paper Chemicals Co. Ltd Claymore Chemicals Ltd Raisio Belgium N.V. Raisio Chemicals Italia S.R.L. Raisio Chemie GmbH Raisio France S.A. Paperion Chimie S.A. Raisio Portugal - Produtos Químicos, Lda <u>Raisio America</u> Diachem Industries Ltd Diachem Pacific Northwest Inc. Raisio Inc. Roe Lee Canada Inc.

## YEAR 1995 IN BRIEF

	1995	1994
Turnover, MFIM	3,224	3,518
Profit after depreciation, MFIM	183	230
Profit before extraordinary items, MFIM	141	165
Equity ratio, %	52.1	51.4
Return on equity, %	8.5	10.3
Investments, MFIM	431	188
Average personnel	2,054	1,958

- The Foodstuffs Division's financial performance improved and that of the Animal Feeds Division remained the same. Performance of the Chemicals Division weakened.
- The share of international turnover grew substantially. Exports increased in all sectors, the strongest increase being in the Foodstuffs Division. The Chemical and Foodstuffs Divisions also made progress internationally through group acquisitions.
- Research and development produced good results, examples being Benecol plant sterol margarine as well as the paper machine information system WIC 100.

## SHAREHOLDER'S MEETING

The Annual General Meeting of Raisio Tehtaat Oy Ab will be held on Thursday, April 18, 1996 at 14.00 at the company offices in Raisio. Review of powers of attorney commences at 13.00.

A shareholder who wishes to attend the AGM and exercise the right to vote should be registered on the shareholder listing in the Central Share Register of Finland no later than April 4, 1996, unless stated otherwise in section 3a:4.2 of the Companies Act, and should enrol for the Meeting no later than 10.00 on April 15, 1996. Enrolments should be sent to the following address: Raisio Tehtaat Oy Ab, Osakasasiat, PO Box 101, 21201 Raisio. It is also possible to enrol by calling the number (+358-21) 434 2316.

An invitation to the meeting is published in the newspapers Helsingin Sanomat, Hufvudstadsbladet, Landsbygdens Folk, Maaseudun Tulevaisuus and Turun Sanomat.

## SHARE REGISTER

Shareholders are asked to update personal contact as well as ownership information in the book-entry security register containing the personal book-entry security account.

## FINANCIAL INFORMATION

Interim report 1-4/1996 will be published June 13, 1996.

Interim report 1-8/1996 will be published October 15, 1996.

The annual and interim reports are sent automatically to all shareholders on the Central Share Register of Finland Cooperative list. The reports are published in Finnish, Swedish and English. They can also be ordered from the following address:

Raisio Group, Information Department, PO Box 101, 21201 Raisio, telephone (+358-21) 434 2292, telefax (+358-21) 434 2315.

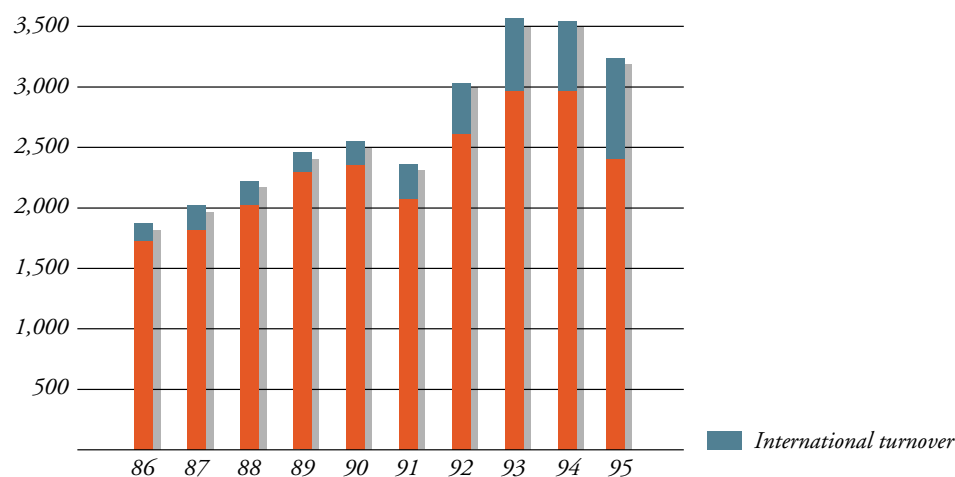
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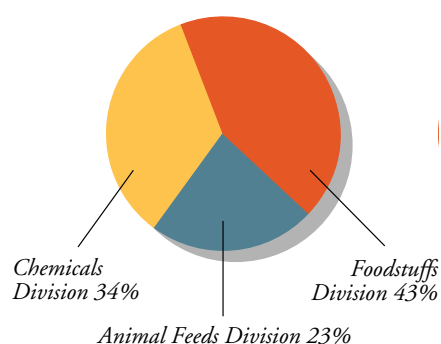
## TEN YEARS IN BRIEF

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Turnover, MFIM	1837	2011	2184	2487	2557	2315	3070	3549	3518	3224
change, %	+15	+9	+9	+14	+3	-9	+33	+16	-1	-8
Exports from Finland, MFIM	118	126	106	110	136	172	241	389	358	519
International turnover, MFIM	143	288	161	189	217	279	405	561	568	886
Operating margin, MFIM	192	214	247	232	213	316	431	492	428	383
% of turnover	10.4	10.6	11.3	9.3	8.3	13.6	14.0	13.9	12.2	11.9
Profit after depreciation, MFIM	128	147	167	120	90	185	252	294	230	183
% of turnover	7.0	7.3	7.6	4.8	3.5	8.0	8.2	8.3	6.5	5.7
Profit before extraordinary items, MFIM	63	97	137	84	27	101	158	199	165	141
% of turnover	3.4	4.8	6.3	3.4	1.1	4.4	5.1	5.5	4.7	4.4
Profit before appropriations, taxes and minority interest, MFIM	63	97	98	91	64	63	114	185	35	140
% of turnover	3.4	4.8	4.5	3.7	2.5	2.7	3.7	5.2	1.0	4.3
Return on equity, %	11.2	15.5	15.3	5.4	0.1	6.9	10.3	10.3	9.4	6.8
Return on investment, %	12.8	12.6	13.1	9.0	5.8	10.7	13.7	12.4	10.3	8.5
Shareholders' equity + reserves + minority interest, MFIM	520	670	994	1123	1224	1246	1426	1517	1564	1648
Balance sheet total, MFIM	1651	1831	2257	2493	2872	2702	3268	3302	3071	3175
Equity ratio, %	31.5	36.7	44.3	46.0	43.7	47.3	44.3	46.5	51.4	52.1
Quick ratio		0.8	1.0	0.8	0.8	0.9	0.8	1.0	1.1	0.9
Current ratio		1.6	1.7	1.6	1.5	1.6	1.5	1.6	1.6	1.6
Gross investments, MFIM	85	101	329	269	462	197	293	174	188	431
% of turnover	4.6	5.0	15.1	10.8	18.1	8.5	9.5	4.9	5.3	13.4
R&D expenditure, MFIM	12	16	28	31	52	31	35	40	54	54
% of turnover	0.7	0.8	1.3	1.2	2.0	1.3	1.1	1.1	1.5	1.7
Direct taxes, MFIM	8	5	10	27	25	20	20	47	21	32
Average personnel	1530	1538	1581	1877	1987	1803	1985	2106	1958	2054

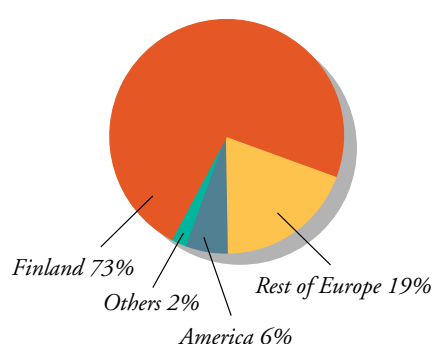
## TURNOVER, FIMm



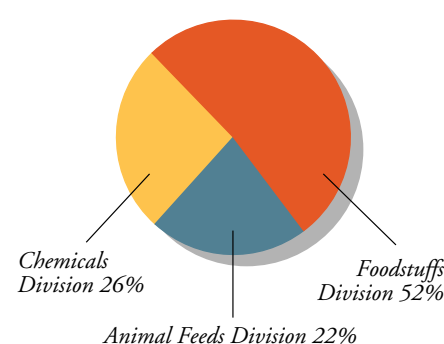
## TURNOVER BY DIVISION



## TURNOVER BY MARKET AREA



## PROFIT AFTER DEPRECIATION BY DIVISION





## CHIEF EXECUTIVE'S REVIEW

1995 will be remembered as a year of great changes for the Raisio Group and for the nation as a whole. Finland's accession to the European Union at the beginning of the year had a particular impact on the operating conditions of agriculture and the food products industry.

The halving of agricultural raw material prices also meant a corresponding decline in the prices of finished products. In the case of Raisio, the greatest drop-off in prices occurred in the areas of grain-based products and animal feeds. The lifting of excise taxes brought product prices down even more. The plummeting prices would have meant an over FIM 500 million decline in Group turnover compared with the previous year. Nevertheless, rising volumes in all sectors, including a substantial boost in exports, along with the acquisition of new business concerns, had the combined effect of actually increasing turnover. Hence, the actual decline in turnover was under FIM 300 million, with total turnover amounting to FIM 3,224 million.

Consolidated profit before extraordinary items lagged slightly behind last year, yet attained the FIM 141 million level. This was satisfactory, given the opening of borders to free competition and the great changes overtaking the Foodstuffs and Animal Feeds Divisions.

Domestic markets were perturbed all year long by various uncertainties, and unemployment figures did not take a turn for the better. The crash in food prices brought about an upturn in consumption in some sectors, yet product consumption in areas where Raisio operates remained at previous levels. The lowering of interest rates was welcomed by households and especially by businesses, for which it meant a major decline in financial expenses. The Raisio Group's financial expenses came down by one third, from FIM 64 million to FIM 42 million.

Raisio's domestic market position strengthened in the animal feed and foodstuffs sectors, though the concomitant decline in prices and profit margins in the face of pressure from imports weakened profitability. Indeed, it appears that businesses catering only to the domestic market will see their opportunities greatly diminished in the future.

The commendable growth in exports can be attributed especially to the Margarine and Milling Subdivisions and to special feeds, all of which helped to maintain satisfactory levels of profitability. The

Margarine Subdivision in fact managed to export two-thirds of its total output and the new factory acquired in Poland at the end of the year is the latest addition to the growing foreign operations in this sector.

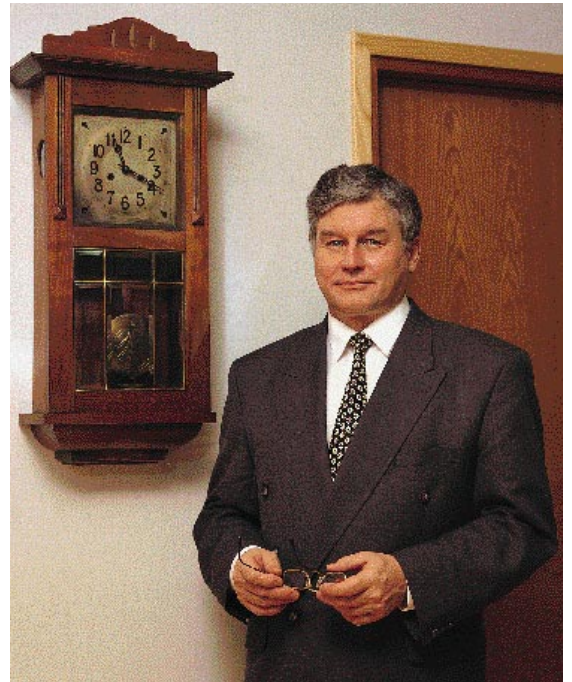
The Milling Subdivision also managed to boost its exports significantly and, for the first time, to supply substantial amounts of flour products to Russia. The acquisition of a holding in the largest mill in the Baltic republics, moreover, reflects a long-term future-oriented approach.

Our Animal Feeds Division's position as a supplier to livestock farms was strengthened, and investments made over the past year ensured that all farm feeds were fully processed. At the same time, a high level of hygiene was attained for Raisio's feed mixes. Many examples point to the fact that our strategy of pure production has been exactly right. The market leadership of our fish feeds is further proof of the fact that high quality and impact on yield are greatly valued. Domestic deliveries of special feeds and pet foods grew, while healthy export growth in these items confirmed that an aggressive export strategy brings better results than mere protectionism.

While EU membership did not have a significant impact on Raisio's Chemicals Division, world-wide economic fluctuations were felt all the more. The jump in the prices of raw materials, combined with large-scale work stoppages in the paper industry toward the end of the year, had the effect of halving the profits of the Chemicals Division compared with the previous year.

In Chemicals, the outlook for 1996 is much more favourable, however, as a consequence of falling prices for important raw materials and clear rises in volumes. The beneficial effects of corporate acquisitions in Britain and Canada will, moreover, be felt in their entirety in the course of this year.

The fruits of long-term research and development were evident in different sectors of the Raisio Group. A good example is Benecol margarine, which contains a plant sterol effective in bringing down cholesterol levels. Development work in paper-making technology was, moreover, instrumental in bringing the



WIC 100 paper machine information system, a product which also won the 1995 Productive Idea prize, onto the market.

The future outlook for the Group as a whole is quite bright, though with some variation across its various sectors. The opening of the domestic foodstuffs market to imports has brought with it increasing competition and constant new challenges. Raisio is nevertheless well-placed to meet these upcoming challenges. It is also quite possible to boost exports to such an extent that they outstrip the domestic market, as the Margarine Subdivision has so conclusively shown.

The Raisio Group's 'year one' in EU Finland has been arduous, yet we came out of it rather better than expected. Thanks go to all our partners: our customers, shareholders, management and, of course, our personnel. This is a good platform from which to continue.

Matti Salminen

## ORGANIZATION

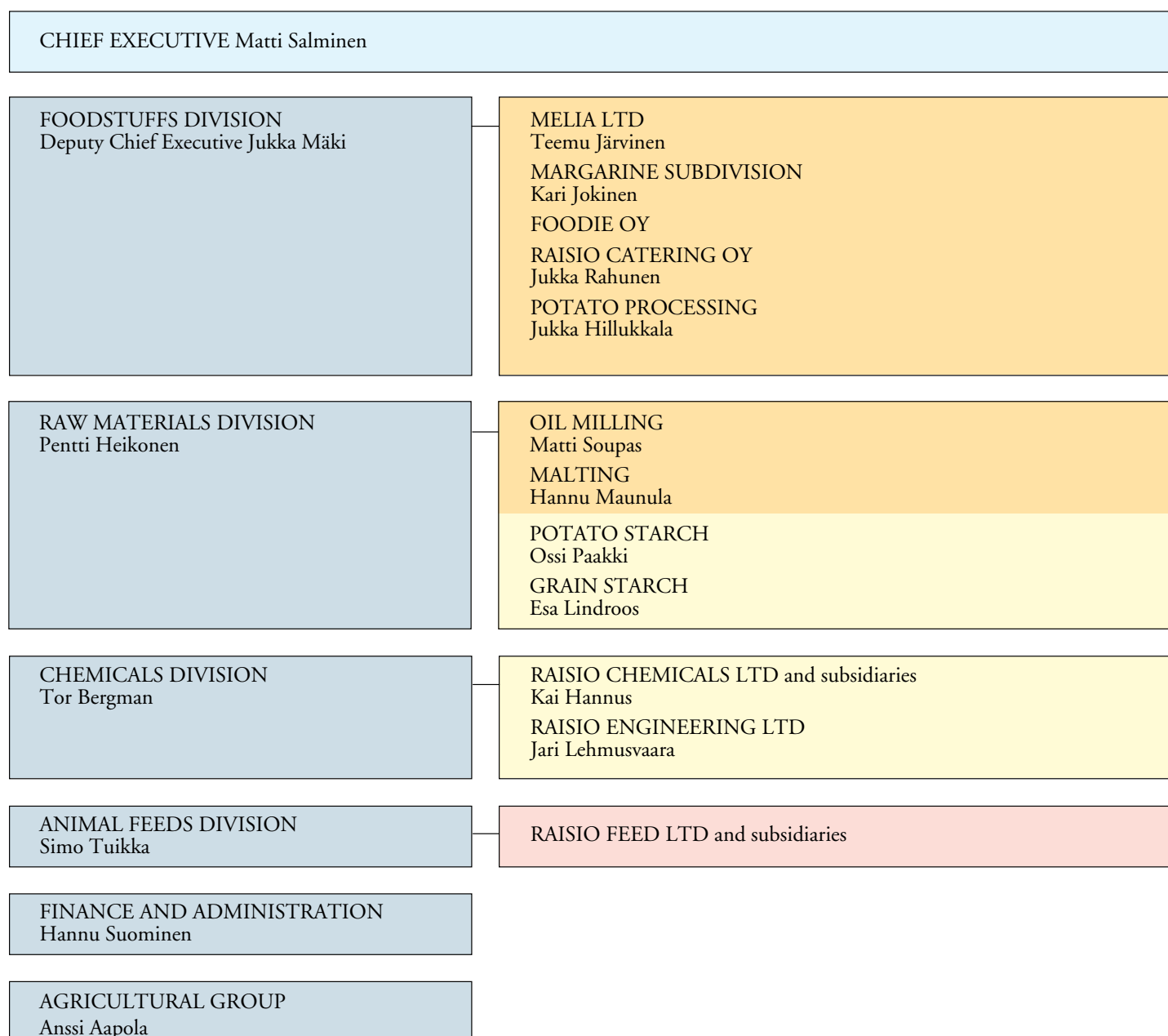


### INDUSTRIAL DIVISIONS

This Annual Report looks at Raisio Group operations from the standpoint of three industrial divisions: the Foodstuffs Division, the Animal Feeds Division and the Chemicals Division.

In the internal organization, the Raw Materials Division is subdivided: the Oil Milling and Malting Subdivisions are placed in the Foodstuffs Division grouping whereas the Potato Starch and Grain Starch Subdivisions are in the Chemicals Division grouping. The rationale for these categorizations is to provide a clearer overview of Group

*The Raisio Group senior management. Front, left to right: Hannu Suominen, Matti Salminen, Jukka Mäki and Simo Tuikka. Rear, left to right: Anssi Aapola, Pentti Heikonen and Tor Bergman.*



## SUPERVISORY BOARD, BOARD OF DIRECTORS AND AUDITORS

### SUPERVISORY BOARD

End of term			
<b>Heikki Haavisto</b> , 60 Raisio Chairman since 1987	1998	<b>Hans Langh</b> , 46 Piikkiö member since 1990	1998
<b>Ola Rosendahl</b> , 56 Pernaja Vice Chairman since 1988 and member since 1987	1996	<b>Antti Lithovius</b> , 46 Lumijoki member since 1994	1996
<b>Juhani Ali-Melkkilä</b> , 63 Perniö member since 1987	1997	<b>Erkki Myllymäki</b> , 64 Raisio member since 1987	1997
<b>Hannu Auranen</b> , 59 Karinainen member since 1987	1998	<b>Teemu Olli</b> , 46 Nousiainen member since 1987	1997
<b>Juhani Enkovaara</b> , 50 Helsinki member since 1996	1998	<b>Toivo T. Pohjala</b> , 64 Harjavalta member since 1987	1997
<b>Risto Ervelä</b> , 45 Sauvo member since 1991	1996	<b>Pekka Raipala</b> , 49 Hämeenkyrö member since 1987	1998
<b>Matti Hakala</b> , 56 Orimattila member since 1987	1997	<b>Antti Sariola</b> , 67 Somero member since 1987 until December 31, 1995	
<b>Anders af Heurlin</b> , 44 Parainen member since 1987	1998	<b>Nils-Erik Segersven</b> , 59 Kemiö member since 1994	1996
<b>Juhani Immala</b> , 60 Askainen member since 1987	1996	<b>Ilmo Seppälä</b> , 58 Valkeala member since 1996	1998
<b>Timo Järvilahti</b> , 52 Halikko member since 1987	1996	<b>Jorma Sorsa</b> , 68 Anjalankoski member since 1987 until December 31, 1995	
<b>Juho Koivisto</b> , 51 Kurikka member since 1987	1998	<b>Johan Taube</b> , 45 Tenhola member since 1987	1997
<b>Taisto Korkeaaja</b> , 55 Kokemäki member since 1992	1997	<b>Juhani Torkkomäki</b> , 56 Somero member since 1987	1997
<b>Erkki S. Koskinen</b> , 49 Virrat member since 1996	1998	<b>Simo Vaismaa</b> , 53 Isokyrö member since 1991	1996
<b>Albert Käiväräinen</b> , 55 Mynämäki member since 1987	1996	<b>Bo Åberg</b> , 65 Nauvo member since 1987	1997
<b>Vesa Lammela</b> , 54 Kiukainen member since 1996	1998		
<b>Arto Lampinen</b> , 63 Paimio member since 1987	1996		

### BOARD OF DIRECTORS

<b>Bengt Silén</b> , 65 Turku Chairman since 1992 and member since 1987
<b>Pertti Vuola</b> , 60 Mietoinen Vice Chairman since 1991 and member since 1987
<b>Matti Linnainmaa</b> , 55 Pori member since 1995
<b>Kaj Lönnroth</b> , 59 Kemiö member since 1987
<b>Pekka Markula</b> , 55 Loimaa member since 1987 until December 31, 1995
<b>Kaarlo Pettilä</b> , 54 Salo member since 1992
<b>Matti Salminen</b> , 54 Turku member since 1992
<b>Arimo Uusitalo</b> , 53 Kiiikala member since 1991
<b>Deputy members</b>
<b>Anssi Aapola</b> , 44 deputy member since 1991
<b>Tor Bergman</b> , 47 deputy member since 1991
<b>Pentti Heikonen</b> , 60 deputy member since 1987
<b>Kari Jokinen</b> , 47 deputy member since 1995
<b>Jukka Mäki</b> , 60 deputy member since 1987
<b>Tarja Mäkinen</b> , 46 deputy member since 1995
<b>Hannu Suominen</b> , 49 deputy member since 1987
<b>Simo Tuikka</b> , 54 deputy member since 1992

### AUDITORS

<b>Kari Jordan</b> Kauniainen (1995 accounts)
<b>Esa Kailiala</b> Authorized Public Accountant, Lieto (1996 accounts)
<b>Thor Nyroos</b> Authorized Public Accountant, Turku
<b>Jorma Pere</b> Eura (1995 accounts)
<b>Deputy auditors</b>
<b>Esa Kailiala</b> Authorized Public Accountant, Lieto (1995 accounts)
<b>Pertti Keskinen</b> Authorized Public Accountant, Turku (1996 accounts)
<b>Mikko Lindberg</b> Paimio (1995 accounts)
<b>Pekka Pajamo</b> Authorized Public Accountant, Raisio (1996 accounts)
<b>Ville Reunanen</b> Pöytyä (1995 accounts)

## ANNUAL REPORT OF THE BOARD OF DIRECTORS



*The Raisio Tehtaat Oy Ab Board of Directors. Front, left to right: Pertti Vuola (Vice Chairman), Bengt Silén (Chairman), Kaj Lönnroth and Kaarlo Pettilä. Rear, left to right: Matti Salminen, Arimo Uusitalo and Matti Linnainmaa.*

It was generally assumed that Finnish EU membership would cause serious problems for a company like the Raisio Group, which produces a wide range of products based on agriculture. Indeed, transformation of the operating environment has brought many new challenges. Foreign competition on the domestic market has, however, remained at a low level, and the resulting losses have been offset and more than counterbalanced by an active export policy. The Raisio Group benefits both from a strong balance sheet and from adjusting its production sufficiently in advance.

1995 would have been a very successful year without the disturbances, some of them unanticipated, which confronted the Chemicals Division. Fortunately, these fluctuations - caused by the international business cycle - are temporary, and in this respect we can look forward to 1996 with optimism.

The international expansion of the Group's Chemicals and Foodstuffs Divisions was of particularly significance. Re-

search and development also produced good results.

### TURNOVER

Group turnover in the 1995 financial year amounted to FIM 3,224 million, and represented a decline of FIM 294 million, or 8%.

The decline in turnover is due entirely to agricultural raw materials, where prices declined substantially as a result of EU membership. Deliveries nevertheless increased and company acquisitions made a contribution of their own to turnover.

### International turnover

International turnover rose essentially, to 27% of Group turnover. Exports from Finland were valued at FIM 519 million and total international turnover rose to FIM 886 million.

In terms of turnover, the major export product groups were margarines, malts, process technology, paper chemicals, special feeds, starch products, pastas, wheat

flours, edible oils, salad dressings, mayonnaise and ketchup.

Just under one-third of all exports went to Russia. Other large purchasing countries were Poland, Sweden, India, Estonia, Germany, Venezuela and Brazil.

### International turnover, FIMm

	1995	1994
Exports from Finland		
Foodstuffs Division	358	257
Animal Feeds Division	37	20
Chemicals Division	124	81
	<b>519</b>	358
Turnover of foreign companies	616	305
Trading abroad	8	18
- inter-Group sales	257	113
	<b>886</b>	568



## TURNOVER AND PROFIT AFTER DEPRECIATION BY DIVISION, FIMm

	Turnover		Profit after depreciation	
	1995	1994	1995	1994
Foodstuffs Division	1,519	1,782	96.4	86.0
Animal Feeds Division	742	885	40.1	40.1
Chemicals Division	1,099	1,055	48.4	104.9
Other operations	-	-	-2.0	-1.3
Inter-divisional turnover	-136	-204	-	-
	<b>3,224</b>	<b>3,518</b>	<b>182.9</b>	<b>229.7</b>

## GROUP PERFORMANCE

Group profitability did not reach the expected level. The operating margin was FIM 383 million, which was 11.9% of turnover or basically the same level as in 1994. In markka, the operating margin declined by FIM 45 million.

Profit after depreciation, at FIM 183 million, was 5.7% of turnover, in contrast to 6.5% the previous year. The drop in profit after depreciation was caused primarily by increases in raw material prices in the Chemicals Division and production stoppages in the paper industry.

The Group's net financial expenses were FIM 42 million, or 1.3% of turnover. Financial expenses were down significantly on the previous year, when they amounted to FIM 64 million, or 1.8% of turnover.

Group profit before extraordinary items, reserves, taxes and minority interest was FIM 141 million. This was a satisfactory showing, although it fell short of the target. Profits were down by FIM 25 million on the previous year.

There were no significant extraordinary expenses or income at Group level.

## Turnover by market area %

	1995	1994
Finland	73	84
Rest of Europe	19	11
America	6	3
Other	2	2

## FINANCIAL PERFORMANCE BY DIVISION

Financial performance by the Foodstuffs Division improved, mainly because of the growth in export volume. Financial performance by Melia Ltd was satisfactory, as it was during the previous year. Financial performance by the Oil Milling Subdivision declined, but remained satisfactory. The Margarine Subdivision considerably improved its financial performance, which was satisfactory, and Foodie Oy also improved, although it still showed a loss. The Potato Processing Subdivision just made it into the black. Malting also improved its performance on the previous year and was very satisfactory.

The Animal Feeds Division remained on the satisfactory level of the previous year.

The unexpected sharp prices increase in latex raw materials and the high prices which have persisted for some time, combined with stoppages by customer industry, weakened performance by the Chemicals Division. Performance was, however, satisfactory.

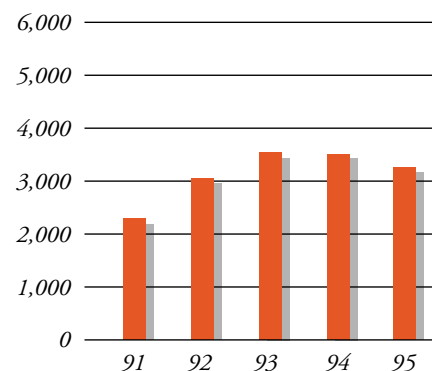
## FINANCING

Group financing was characterized by exceptionally large capital outlays and commitment of funds to working capital.

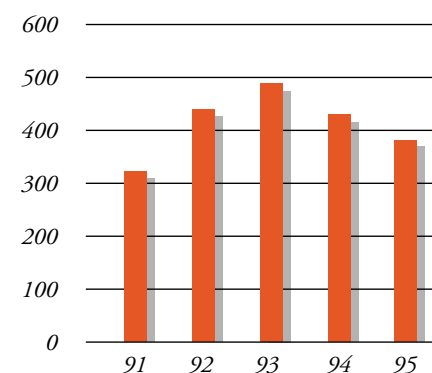
Cash generated from business operations totalled FIM 73 million, and capital expenditure was financed by selling securities under liquid assets and by raising long-term loans.

On September 8, 1995, Raisio Tehnyt Oy Ab issued a bond which was over-

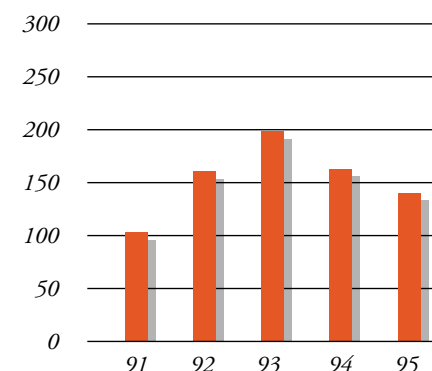
## TURNOVER, FIMm



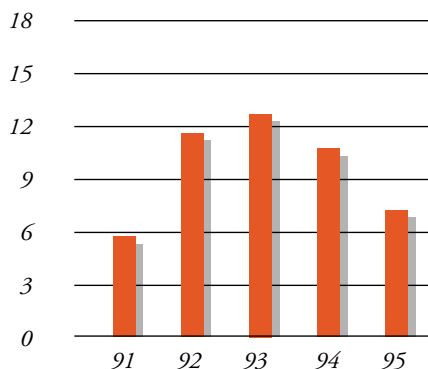
## OPERATING MARGIN, FIMm



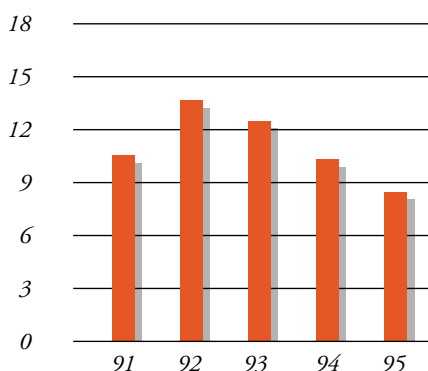
## PROFIT BEFORE EXTRAORDINARY ITEMS, FIMm



#### EARNINGS PER SHARE, FIM



#### RETURN ON EQUITY, %



subscribed on the first day of the issue. The Board of Directors approved the bond sum of FIM 110 million. The maturity is five years, from September 15, 1995 to September 15, 2000, and the fixed nominal interest is 8.25%. The bond is quoted on Helsinki Stock Exchange.

The trend in Group net financial expenses was favourable. This was due on the one hand to a decline in the hedging costs of loans denominated in foreign exchange and the realization of gains on foreign exchange. On the other hand, the price for net interest-bearing capital was reduced.

Net liabilities at interest were, on average, at the previous year's level, yet doubling toward year's end in relation to the figure at the end of 1994.

The Group's financial structure strengthened. The equity ratio improved from 51.4% to 52.1%. Liabilities per balance sheet totalled FIM 1,527 million, FIM 959 million of which were interest-bearing. Return on capital invested was 8.5% (1994: 10.3%) and return on equity 6.8% (1994: 9.4%).

#### INVESTMENTS

Gross group investments came to FIM 431 million, or 13% of turnover. Investments in Finland were FIM 244 million and those abroad FIM 187 million.

The principal investments were related to implementation of Group strategy and comprised company acquisitions. The Chemicals Division substantially enlarged its foreign production and marketing of paper chemicals with the acquisition of Roe Lee and Diachem Industries.

The Foodstuffs Division began to manufacture margarines in Poland by acquiring the C. Olsen Foods factory and successful brand product. A minority holding was acquired in the largest milling

operation in the Baltic region, located in Latvia. Malting expanded its capacity at Raisio by one-third.

The Animal Feeds Division invested in a dosing and control system for the Oulu plant and built new full-processing lines in Raisio.

#### Gross investment by division, FIMm

	1995	1994
Foodstuffs Division	179	75
Animal Feeds Division	24	14
Chemicals Division	207	93
Joint Group investments	21	6
Total	431	188

#### CHANGES IN GROUP STRUCTURE

Raisio Margariini Oy was merged with the Parent Company Raisio Tehtaat Oy Ab. The merger was entered in the trade register on April 12, 1995.

In January, Raisio Catering Oy, which handles marketing of food products to institutional kitchens and industry, began operations.

In August, Raisio Chemicals Ltd acquired the Roe Lee group in the UK and Diachem Industries of Canada. Raisio Engineering was turned into an independent company at the beginning of November. The new company and Flootek AB in Sweden became subsidiaries of Raisio Chemicals Ltd at the beginning of 1996.

At the beginning of December, Raisio Tehtaat Oy Ab acquired the C. Olsen Foods Sp. z o.o. margarine plant in Poland. In 1996, the company's name was changed to Raisio Polska Foods Sp. z o.o. The food products sales company Raisio Nordic Eesti AS was founded in Estonia and a commercial office was opened in St. Petersburg.

## PERSONNEL

The Raisio Group employed an average of 2,054 persons in 1995. This figure was 96 more than in the previous year. The number was increased by the company acquisitions.

At the end of the year there were 2,161 employees, which is 279 more than during the same period a year earlier. Personnel in Finland numbered 1,702 (79%) and abroad 459 (21%).

Raisio Tehtaat Oy Ab employed an average of 710 persons and 696 at the end of the year.

### Number of personnel by division during the year under review

	1995	1994
Foodstuffs Division	945	955
Animal Feeds Division	275	281
Chemicals Division	658	547
Other	176	175
<b>Group average</b>	<b>2,054</b>	1,958

### Personnel by locality

	31.12.1995	31.12.1994
Raisio	970	1,016
Toijala	112	129
Nokia	99	145
Anjalankoski	96	104
Vihanti	85	88
Elsewhere in Finland	340	293
Poland	144	11
Canada	141	-
UK	43	-
USA	38	30
Sweden	32	31
France	32	16
Elsewhere abroad	29	19
<b>Group total</b>	<b>2,161</b>	1,882

## LITIGATION

Parties other than Raisio Tehtaat Ab Oy are disputing ownership of a certain number of company shares. The company is being asked to remove the relevant entry from the share register. In March 1994 the Helsinki district court rejected all claims made by the plaintiff. The plaintiff has, however, appealed the ruling to the Helsinki appeal court, where the case is still pending.

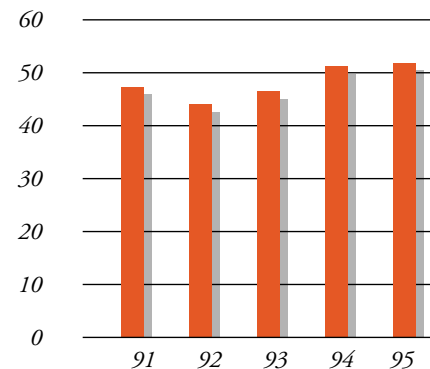
In a second case, the plaintiff is demanding damages from Raisio Tehtaat Oy Ab and the members of its Board of Directors, claiming that an unsuccessful attempt to register preferred shares has put him in the position of payer in his capacity as guarantor. In March 1994, the Turku region district court rejected all the plaintiff's claims. The plaintiff has taken the case to the Turku appeal court, which upheld the decision of the district court in a ruling on January 12, 1996. Although the period for appeal has not yet expired, permission for a further appeal is not considered likely. <sup>1)</sup>

## RESEARCH AND DEVELOPMENT

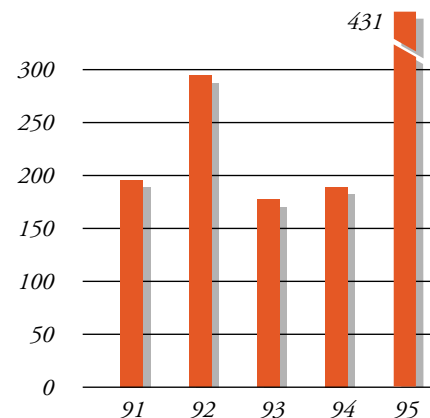
Group expenditure on research and development totalled FIM 54 million, or 1.7% of turnover. The Foodstuffs Division accounted for FIM 10 million, the Animal Feeds Division for FIM 5 million and the Chemicals Division for FIM 39 million.

<sup>1)</sup> The period for appeal expired 12.3.1996. No further claims have been made, thus the process has ended.

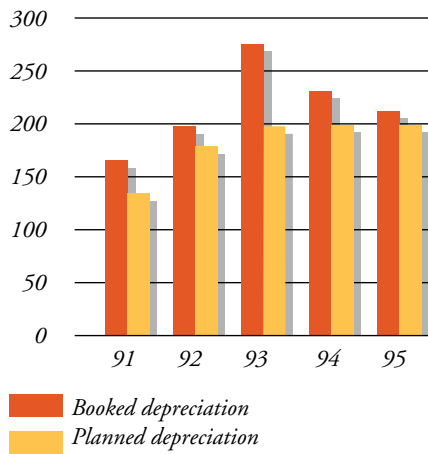
## EQUITY RATIO, %



## INVESTMENT, FIMm



**DEPRECIATION, FIMm**



**OUTLOOK FOR THE FUTURE**

Sound Group finances continue to provide a good basis for future operations. The domestic market position will be preserved, while seeking gradual internationalization and controlled expansion.

The decline in prices for agricultural raw materials and the elimination of fat and protein taxes have reduced prices substantially in both the foodstuffs and the animals feeds sectors. This has definitely improved the competitiveness of the Group with respect to imports. Although imports of food products are likely to increase further, the Group's position on the domestic market will remain significant.

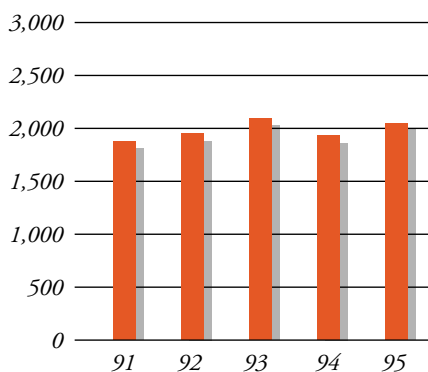
Exports are expected to continue on a growth track, especially those of Melia Ltd and the Margarine Subdivision. A significant share of the Polish margarine market

has been acquired. The purpose of the factory investments now completed is to achieve a substantial improvement in financial performance. In Latvia, the goal is to achieve a significant position in milling within a relatively short period of time.

For Raisio Chemicals, the worldwide trend during 1996 in paper, and particularly in fine paper production will be crucial. The operations of the new companies acquired in 1995 have proceeded as planned, even though worldwide production stoppages by customer industry have also affected them. Both an increase in volume and healthy financial performance are expected from the companies.

Mainly due to the effect of growing exports and the contribution of the new companies, Group turnover is expected to increase substantially and reach the FIM 4 billion level in 1996.

**NUMBER OF PERSONNEL, AVERAGE DURING THE YEAR**





## CONSOLIDATED INCOME STATEMENT

(FIM 1,000)	1.1.-31.12.1995	1.1.-31.12.1994
<b>TURNOVER</b>	<b>3 224 404</b>	3 518 302
Increase(+)/decrease(-) in stocks of finished products	<b>+57 371</b>	-10 592
Production for own use (+)	<b>+5 038</b>	+10 337
Share of associated companies' profits	<b>3 856</b>	3 047
Other income from business operations	<b>11 956</b>	8 365
Expenses:		
Materials, supplies and goods:		
Purchases during the year	<b>2 104 549</b>	2 315 808
Increase(-)/decrease(+) in inventories	<b>-65 721</b>	-29 450
Outside services	<b>18 111</b>	13 489
Personnel expenses (1)	<b>411 724</b>	370 642
Rents	<b>34 587</b>	31 394
Other expenses	<b>416 104</b>	399 245
Total expenses	<b>2 919 354</b>	3 101 128
<b>OPERATING MARGIN</b>	<b>383 271</b>	428 331
Depreciation on fixed assets and other long-term expenditure (2)	<b>192 412</b>	192 352
Depreciation on Group adjustments	<b>7 974</b>	6 247
<b>PROFIT AFTER DEPRECIATION</b>	<b>182 885</b>	229 732
Financial income and expenses:		
Dividend received	<b>768</b>	445
Interest received on long-term investments	<b>52</b>	327
Interest received on short-term investments	<b>27 169</b>	25 223
Other financial income	<b>1 045</b>	146
Exchange rate differences	<b>-1 565</b>	-12 474
Share of associated companies' profits	<b>537</b>	1 354
Interest paid	<b>-66 213</b>	-78 111
Other financial expenses	<b>-3 979</b>	-1 376
Total financial income and expenses	<b>-42 186</b>	-64 466
<b>PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES</b>	<b>140 699</b>	165 266
Extraordinary income and expenses (4):		
Extraordinary income	<b>926</b>	16 434
Extraordinary expenses	<b>-1 863</b>	-146 256
Total extraordinary income and expenses	<b>-937</b>	-129 822
<b>PROFIT BEFORE RESERVES AND TAXES</b>	<b>139 762</b>	35 444
Increase(-)/decrease(+) in depreciation difference (2)	<b>-9 602</b>	-40 472
Increase(-)/decrease(+) in voluntary reserves (5)	<b>+20 265</b>	+35 342
Direct taxes:		
On the financial year	<b>-32 190</b>	-23 903
On earlier financial years	<b>427</b>	3 005
<b>PROFIT FOR THE YEAR BEFORE MINORITY INTEREST</b>	<b>118 662</b>	9 416
Minority interest, of 1995 profit	<b>-14 824</b>	-14 318
<b>CONSOLIDATED PROFIT FOR THE FINANCIAL YEAR</b>	<b>103 838</b>	-4 902

The figures in brackets refer to the attached notes.

## CONSOLIDATED BALANCE SHEET

	31.12.1995	31.12.1994
<b>ASSETS</b>		
<b>FIXED ASSETS AND OTHER LONG-TERM EXPENDITURE</b>		
Intangible assets		
Intangible rights (6)	105 242	12 989
Goodwill (7)	124 838	153 937
Group adjustments (8)	144 545	63 173
Other long-term expenditure (9)	5 186	7 235
Advances paid	497	2 517
	<b>380 308</b>	<b>239 851</b>
Tangible assets		
Land and water areas (10)	31 425	28 551
Buildings and constructions (11)	510 579	516 677
Machinery and equipment (12)	708 623	650 745
Other tangible assets (13)	2 896	3 283
Advances paid and unfinished assets	27 986	5 910
	<b>1 281 509</b>	<b>1 205 166</b>
Securities under fixed assets and other long-term investments		
Shares and holdings in associated companies (14)	37 718	28 362
Other shares and holdings (14)	43 229	41 910
Loan receivables	1 004	497
	<b>81 951</b>	<b>70 769</b>
<b>INVENTORIES AND FINANCIAL ASSETS</b>		
Inventories		
Materials and supplies	431 090	329 087
Production in progress	5 295	11 989
Finished products/Goods	180 842	109 977
Other inventories	14 657	14 036
	<b>631 884</b>	<b>465 089</b>
Receivables (15)		
Accounts receivable	402 084	343 748
Loan receivables	445	5 835
Prepaid expenses and accrued income	62 777	156 984
Other receivables	111 282	137 294
	<b>576 588</b>	<b>643 861</b>
Securities under financial assets		
Shares and holdings	19 276	-
Other securities	156 529	394 985
	<b>175 805</b>	<b>394 985</b>
Cash and bank receivables	47 089	51 378
	<b>3 175 134</b>	<b>3 071 099</b>

The figures in brackets refer to the attached notes.

	31.12.1995	31.12.1994
<b>LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Restricted equity		
Share capital (16)	136 108	121 562
Reserve fund (18)	336 442	269 377
	<u>472 550</u>	<u>390 939</u>
Unrestricted equity		
Contingency fund (19)	61 619	61 651
Retained earnings (20)	175 470	215 452
Profit for the year	103 838	-4 902
	<u>340 927</u>	<u>272 201</u>
MINORITY INTEREST	126 158	198 756
RESERVES		
Accumulated depreciation difference	499 289	472 866
Non-mandatory reserves (21)		
Investment reserves	45 243	50 560
Other reserves	163 827	178 750
	<u>209 070</u>	<u>229 310</u>
<b>LIABILITIES</b>		
Long-term (22)		
Bond loans	110 000	-
Loans from credit institutions	327 626	344 971
Pension loans	173 372	152 771
Other long-term loans (15)	7 868	7 014
	<u>618 866</u>	<u>504 756</u>
Current (15)		
Loans from credit institutions	259 927	149 860
Pension loans	17 021	15 025
Advance payments	13 889	30 699
Accounts payable	374 460	444 397
Notes payable	4 032	6 097
Accrued liabilities and deferred income	138 433	149 685
Other loans	60 656	127 154
Other short-term liabilities	39 856	79 354
	<u>908 274</u>	<u>1 002 271</u>
	<u><u>3 175 134</u></u>	<u><u>3 071 099</u></u>

## SOURCE AND APPLICATION OF FUNDS

(FIM 1,000)	Group		Parent company	
	1995	1994	1995	1994
<b>BUSINESS OPERATIONS</b>				
Funds generated from operations				
Operating margin	<b>383 271</b>	428 331	<b>98 704</b>	121 251
Financial income and expenses	<b>-42 186</b>	-64 466	<b>-3 576</b>	-16 432
Extraordinary items	<b>-288</b>	-15	<b>19 646</b>	38 189
Taxes	<b>-31 764</b>	-20 898	<b>-8 326</b>	-3 941
Total funds generated from income	<b>309 033</b>	342 952	<b>106 448</b>	139 067
<b>CHANGE IN OPERATING CAPITAL</b>				
Inventories, increase(-)/decrease(+)	<b>-166 795</b>	+88 466	<b>-56 767</b>	+114 046
Short-term receivables, increase(-)/decrease(+)	<b>+67 823</b>	-55 528	<b>-3 219</b>	+55 120
Short-term interest-free liabilities, increase(+)/decrease(-)	<b>-137 497</b>	+18 274	<b>-134 873</b>	-17 852
	<b>-236 469</b>	51 212	<b>-194 859</b>	151 314
Cash flow from operations	<b>72 564</b>	394 164	<b>-88 411</b>	290 381
<b>INVESTMENTS</b>				
Investments in fixed assets	<b>-430 799</b>	-187 562	<b>-151 129</b>	-90 220
Income from sale of fixed assets	<b>4 537</b>	50 961	<b>3 196</b>	32 370
Other investments	<b>-3 898</b>	-4 083	-	-
	<b>-430 160</b>	-140 684	<b>-147 933</b>	-57 850
Cash flow before financing	<b>-357 596</b>	253 480	<b>-236 344</b>	232 531
<b>FINANCING</b>				
Increase(-)/decrease(+) in long-term receivables	<b>-1 057</b>	+18 660	<b>+34 313</b>	-131 435
Increase(+) in long-term loans	<b>+322 948</b>	+7 572	<b>+209 774</b>	+33 215
Decrease(-) in long-term loans	<b>-246 978</b>	-304 147	<b>-162 554</b>	-159 855
Increase(+)/decrease(-) in short-term loans	<b>+81 640</b>	+6 146	<b>-169 218</b>	-12 756
Dividends	<b>-26 710</b>	-23 665	<b>-21 881</b>	-17 829
Share issue	-	76 167	-	76 167
	<b>129 843</b>	-219 267	<b>-109 566</b>	-212 493
Increase in computed liquid assets	<b>-227 753</b>	34 213	<b>-345 910</b>	20 038
Adjustment items	<b>4 284</b>	-1 645	<b>124 953</b>	-
Increase(+)/decrease(-) in liquid assets per balance sheet	<b>-223 469</b>	+32 568	<b>-220 957</b>	+20 038



## PARENT COMPANY INCOME STATEMENT

(FIM 1,000)	1.1.-31.12.1995	1.1.-31.12.1994
<b>TURNOVER</b>	<b>942 919</b>	805 750
Increase(+)/decrease(-) in stocks of finished products	<b>+32 445</b>	-13 155
Production for own use (+)	<b>+5 038</b>	+9 076
Other income from business operations	<b>17 509</b>	14 623
Expenses:		
Materials, supplies and goods:		
Purchases during the year	<b>606 497</b>	436 287
Increase(-)/decrease(+) in inventories	<b>+1 845</b>	+54 384
Outside services	<b>13 205</b>	13 208
Personnel expenses (1)	<b>138 948</b>	95 692
Rents	<b>11 331</b>	11 581
Other expenses	<b>127 381</b>	83 891
Total expenses	<b>899 207</b>	695 043
<b>OPERATING MARGIN</b>	<b>98 704</b>	121 251
Depreciation on fixed assets and other long-term expenditure (2)	<b>71 343</b>	63 556
<b>PROFIT AFTER DEPRECIATION</b>	<b>27 361</b>	57 695
Financial income and expenses (3):		
Dividend received:		
Subsidiaries	<b>4 864</b>	6 323
Other companies	<b>837</b>	481
Interest received on long-term investments	<b>10 785</b>	3 532
Interest received on short-term investments	<b>25 595</b>	30 610
Other financial income	<b>2 699</b>	2 268
Exchange rate differences	<b>2 798</b>	-3 826
Interest paid	<b>-48 422</b>	-55 298
Other financial expenses	<b>-2 732</b>	-522
Total financial income and expenses	<b>-3 576</b>	-16 432
<b>PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES</b>	<b>23 785</b>	41 263
Extraordinary income and expenses (4):		
Extraordinary income	-	20 209
Extraordinary expenses	<b>-12 301</b>	-141 585
Group subsidies	<b>20 000</b>	40 000
Total extraordinary income and expenses	<b>7 699</b>	-81 376
<b>PROFIT BEFORE RESERVES AND TAXES</b>	<b>31 484</b>	-40 113
Increase(-)/decrease(+) in depreciation difference (2)	<b>+10 745</b>	-21 037
Increase(-)/decrease(+) in non-mandatory reserves (5)	<b>+2 692</b>	+21 478
Direct taxes:		
On the financial year	<b>-8 353</b>	-6 521
On previous financial years	<b>27</b>	2 580
<b>PROFIT FOR THE YEAR</b>	<b>36 595</b>	-43 613

The figures in brackets refer to the attached notes.

## PARENT COMPANY BALANCE SHEET

	31.12.1995	31.12.1994
<b>ASSETS</b>		
<b>FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS</b>		
Intangible assets		
Intangible rights (6)	76 416	3 972
Goodwill (7)	10 704	8 572
Other long-term expenditure (9)	12 158	7 861
Advance payments	468	1 802
	<b>99 746</b>	<b>22 207</b>
Tangible assets		
Land and water areas (10)	20 336	19 944
Buildings and constructions (11)	226 331	192 363
Machinery and equipment (12)	207 643	111 784
Other tangible assets (13)	1 448	1 266
Advances paid and unfinished assets	19 975	1 995
	<b>475 733</b>	<b>327 352</b>
Securities under fixed assets and other long-term investments		
Shares in subsidiaries (14)	375 172	458 972
Other shares and holdings (14)	59 692	57 027
Loan receivables	125 414	159 727
	<b>560 278</b>	<b>675 726</b>
<b>INVENTORIES AND FINANCIAL ASSETS</b>		
Inventories		
Materials and supplies	101 548	86 652
Finished products/Goods	77 231	33 056
Other inventories	73	2 378
	<b>178 852</b>	<b>122 086</b>
Receivables (15)		
Accounts receivable	215 001	150 414
Loan receivables	22 064	27 861
Prepaid expenses and accrued income	29 593	76 982
Other receivables	101 884	110 066
	<b>368 542</b>	<b>365 323</b>
Securities under financial assets		
Shares and holdings	19 276	-
Other securities	153 808	394 484
	<b>173 084</b>	<b>394 484</b>
Cash and bank receivables	14 233	13 789
	<b>1 870 468</b>	<b>1 920 967</b>

The figures in brackets refer to the attached notes.

	31.12.1995	31.12.1994
<b>LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Restricted equity		
Share capital (16)	136 108	121 562
Reserve fund (18)	335 924	262 029
	<u>472 032</u>	<u>383 591</u>
Unrestricted equity		
Retained earnings (20)	208 783	274 277
Profit for the year	36 595	-43 613
	<u>245 378</u>	<u>230 664</u>
<b>RESERVES</b>		
Accumulated depreciation difference	259 699	181 865
Non-mandatory reserves (21)		
Investment reserves	24 846	-
Other reserves	80 640	80 103
	<u>105 486</u>	<u>80 103</u>
<b>LIABILITIES</b>		
Long-term (22)		
Bonds	110 000	-
Loans from credit institutions	105 398	170 774
Pension loans	113 266	93 704
Other long-term loans (15)	24 552	6 838
	<u>353 216</u>	<u>271 316</u>
Current (15)		
Loans from credit institutions	166 895	184 404
Pension loans	12 918	10 400
Advance payments	18	3 883
Accounts payable	137 833	210 898
Accrued liabilities and deferred income	38 905	43 980
Other loans	67 497	256 388
Other short-term liabilities	10 591	63 475
	<u>434 657</u>	<u>773 428</u>
	<u><u>1 870 468</u></u>	<u><u>1 920 967</u></u>

# ACCOUNTING PRINCIPLES

## CONSOLIDATION

The consolidated financial statements of the Raisio Group include the parent company Raisio Tehtaat Oy Ab and those companies in which the parent company held over 50 % of the voting rights directly or indirectly on December 31, 1995. Companies acquired during the year are included in the consolidated statements as of the date of purchase. Operations terminated or sold are included up to the relevant date. More detailed information on companies and associated companies in the Group is given in the attached notes.

Internal transactions within the Group, unrealized margins on deliveries, mutual receivables and liabilities, and internal profit distribution have been eliminated, with the exception of a few insignificant trades in fixed assets. The depreciation margin accrued through profits obtained in previous years from the Group's internal trades in fixed assets are, as a result of changes in the elimination method, entered as consolidated shareholders' equity. The consolidated accounts have been drawn up using the acquisition cost method. The price paid for some subsidiary shares exceeded their equity, and was entered in the balance sheet in total as a Group adjustment. Prices for subsidiary shares below their equity value were deducted from Group adjustments in the form of a reserve. A straight-line depreciation has been made on Group adjustments, spread over twenty years.

Investment reserves used to cover the acquisition price of shares in subsidiaries have been returned to the contingency fund. Similarly, one-off depreciations on shares caused by the increase in share capital covered out of the investment reserve have been deducted from the accumulated difference between booked and planned depreciation.

The minority interest in Group profit for the year and in shareholders' equity is given as a separate figure, after eliminating internal inter-company transactions and mutual receivables and liabilities.

Associated companies in which the Group has a 20-50% holding have been combined using the share of capital method. The Group share of the associated company's profit is calculated proportionately to its holding in the company.

The financial statements of foreign Group companies have been converted and grouped to correspond to Finnish accountancy law. Assets and liabilities have been translated into Finnish marks at the Bank of Finland mean rates and inco-

me statements at the mean rate for the financial period. Translation profits and losses accruing from the elimination of foreign subsidiaries' own capital resources are entered as unrestricted shareholders' equity.

## INVENTORIES

Inventories have been entered in the balance sheet at the variable cost of acquisition or manufacture, or at the repurchase price or probable surrender price, according to which is lower.

The value of foreign subsidiaries' inventories has been transferred to the consolidated financial statements directly from the company's final accounts. No correction has been made for fixed costs which have been capitalized, since the amount is of no significance.

## FIXED ASSETS AND DEPRECIATION

Fixed assets have been capitalized at the direct acquisition cost. Planned depreciation has been calculated on a straight-line basis according to the original acquisition cost and the estimated economic life of the item. The following annual depreciation percentages were used:

buildings and constructions	4-10%
machinery and equipment	10-25%
intangible rights	10-20%
other long-term expenditure	5-20%

No planned depreciation was made on land areas or revaluations. Running research and product development costs have been entered as expenses in the year of occurrence.

The difference between booked and planned depreciation has been entered as an appropriation.

## PENSION ARRANGEMENTS

Statutory and voluntary pension security for the personnel of Raisio Tehtaat Oy Ab and its subsidiaries is arranged through pension insurance companies. The managing director of the parent company and certain other Group managers can take early retirement at age 62.

The pension liability in the information appended to the balance sheet stems from two separate pension arrangements made by Raisio Tehtaat Oy Ab.

Overseas subsidiaries take care of their own pension arrangements according to local practice.

## TAXES

Taxes include those imposed on taxable income accrued by each company during the financial year, and tax rebates and back taxes on earlier financial years. The taxes were calculated in accordance with local tax legislation.

## FOREIGN CURRENCY RECEIVABLES AND LIABILITIES

Finnish companies' foreign currency receivables and liabilities have been converted into Finnish marks at the mean rates quoted by the Bank of Finland. Any losses caused by exchange rate fluctuations have been deducted from the result for the year according to the prudence principle. No unrealized exchange rate gains have been entered as income.



## APPENDED INFORMATION NOTES ON THE INCOME STATEMENT

(FIM 1,000)	Group		Parent company	
	1995	1994	1995	1994
<b>1. PERSONNEL EXPENSES</b>				
Wages and salaries	308 913	277 852	106 912	77 481
Fringe benefits	5 047	5 526	2 174	1 854
Wages, salaries and fringe benefits	<u>313 960</u>	<u>283 378</u>	<u>109 086</u>	<u>79 335</u>
Pension expenses	47 442	40 341	18 500	11 264
Other personnel expenses	55 369	52 450	13 536	6 947
Total	<u>416 771</u>	<u>376 169</u>	<u>141 122</u>	<u>97 546</u>
The above figures are given on an accrual basis.				
Salaries and other remuneration paid to managing directors and members of the Board of Directors and Supervisory Board	8 026	7 102	1 927	1 813
<b>2. DEPRECIATION</b>				
Planned depreciation				
Intangible rights	6 493	6 082	3 489	4 207
Goodwill	29 099	29 099	5 149	4 286
Other long-term expenditure	1 486	10 756	3 385	16 533
Buildings and constructions	37 540	35 475	17 730	12 583
Machinery and equipment	117 449	110 599	41 582	25 947
Other tangible assets	345	341	8	-
Total	<u>192 412</u>	<u>192 352</u>	<u>71 343</u>	<u>63 556</u>
Group adjustments	7 974	6 247	-	-
Change in depreciation difference				
Intangible rights	-7 051	137	-5 706	61
Goodwill	-2 137	-	-341	-
Other long-term expenditure	-654	-155	136	7
Buildings and constructions	-35	-5 449	5 586	1 005
Machinery and equipment	5 542	-11 590	13 762	-631
Other tangible assets	51	14	-	-
Use of reserves	-5 318	-23 429	-2 692	-21 479
Total	<u>-9 602</u>	<u>-40 472</u>	<u>10 745</u>	<u>-21 037</u>
<b>3. INTERNAL FINANCIAL INCOME AND EXPENSES</b>				
Financial income from Group companies				
Dividend received			4 864	6 323
Interest received on long-term investments			10 734	3 355
Interest received on short-term investments			2 198	7 875
Other financial yields			73	53
Exchange rate gains			3 459	3 635
Financial expenses paid to Group companies				
Interest paid			8 185	11 650
Exchange rate losses			2 476	104
<b>4. EXTRAORDINARY INCOME AND EXPENSES</b>				
Extraordinary income				
Profit from the sale of fixed assets	-	16 322	-	20 209
Group subsidies received	-	-	29 000	40 000
Final stock compensations on inventories	926	-	-	-
Other extraordinary income	-	122	-	-
	<u>926</u>	<u>16 434</u>	<u>29 000</u>	<u>60 209</u>
Extraordinary expenses				
Losses on the sale of fixed assets	-	1 354	-	-
Write-downs on shares	649	1 997	11 649	1 991
Group subsidies paid	-	-	9 000	-
Write-downs on inventories	-	112 147	-	46 570
Estimated stock compensations on inventories	-	-111 604	-	-46 570
One-off depreciation on long-term expenditure arising from sectoral arrangements	-	136 718	-	136 718
Other one-off depreciations on fixed assets	-	5 002	-	-
Merger gains	-	-	298	2 681
Other extraordinary expenses	1 213	642	354	195
	<u>1 862</u>	<u>146 256</u>	<u>21 301</u>	<u>141 585</u>
<b>5. CHANGE IN NON-MANDATORY RESERVES</b> (- increase, + decrease)				
Change in investment reserves	5 318	17 154	2 692	15 203
Change in operating reserves	-	7 825	-	-
Change in transition reserves	15 500	6 480	-	2 790
Change in replacement reserves	-	3 485	-	3 485
Change in other reserves	-553	398	-	-
Total	<u>20 265</u>	<u>35 342</u>	<u>2 692</u>	<u>21 478</u>

**INFORMATION APPENDED TO THE BALANCE SHEET**

(FIM 1,000)	1995	Group 1994	Parent company 1995	1994
<b>TANGIBLE AND INTANGIBLE RIGHTS</b>				
6. Intangible rights				
Acquisition cost 1.1.	<b>38 115</b>	37 428	<b>26 681</b>	29 791
Rate differentials	<b>-33</b>	-	-	-
Increases 1.1.-31.12.	<b>102 920</b>	4 698	<b>77 290</b>	789
Decreases 1.1.-31.12.	<b>-9 932</b>	-4 011	<b>-8 380</b>	-3 899
Acquisition cost 31.12.	<b>131 070</b>	38 115	<b>95 591</b>	26 681
Accumulated planned depreciation 31.12.	<b>-25 828</b>	-25 126	<b>-19 175</b>	-22 709
Book value 31.12.	<b>105 242</b>	12 989	<b>76 416</b>	3 972
Accumulated difference between total and planned depreciation 1.1.	<b>2 283</b>	2 418	<b>1 430</b>	1 491
Change in depreciation difference 1.1.-31.12.	<b>7 038</b>	-135	<b>5 934</b>	-61
Accumulated difference between total and planned depreciation 31.12.	<b>9 321</b>	2 283	<b>7 364</b>	1 430
7. Goodwill				
Acquisition cost 1.1.	<b>267 178</b>	268 560	<b>19 050</b>	19 050
Increases 1.1.-31.12.	<b>-</b>	-1 382	<b>12 034</b>	-
Acquisition cost 31.12.	<b>267 178</b>	267 178	<b>31 084</b>	19 050
Accumulated planned depreciation 31.12.	<b>-142 340</b>	-113 241	<b>-20 380</b>	-10 478
Book value 31.12.	<b>124 838</b>	153 937	<b>10 704</b>	8 572
Accumulated difference between total and planned depreciation 1.1.	<b>401</b>	401	-	-
Change in depreciation difference 1.1.-31.12.	<b>1 204</b>	-	<b>1 605</b>	-
Accumulated difference between total and planned depreciation 31.12.	<b>1 605</b>	401	<b>1 605</b>	-
8. Group adjustments				
Acquisition cost 1.1.	<b>106 507</b>	106 264	-	-
Increases 1.1.-31.12.	<b>89 346</b>	243	-	-
Acquisition cost 31.12.	<b>195 853</b>	106 507	-	-
Accumulated planned depreciation 31.12.	<b>-51 308</b>	-43 334	-	-
Book value 31.12.	<b>144 545</b>	63 173	-	-
9. Other long-term expenditure				
Acquisition cost 1.1.	<b>13 932</b>	210 463	<b>17 711</b>	202 871
Exchange rate differences	<b>-</b>	-7	-	-
Increases 1.1.-31.12.	<b>1 273</b>	3 882	<b>13 340</b>	14 579
Decreases 1.1.-31.12.	<b>-3 460</b>	-200 406	<b>-1 621</b>	-199 739
Acquisition cost 31.12.	<b>11 745</b>	13 932	<b>29 430</b>	17 711
Accumulated planned depreciation 31.12.	<b>-6 559</b>	-6 697	<b>-17 272</b>	-9 850
Book value 31.12.	<b>5 186</b>	7 235	<b>12 158</b>	7 861
Accumulated difference between total and planned depreciation 1.1.	<b>822</b>	667	<b>32</b>	39
Change in depreciation difference 1.1.-31.12.	<b>673</b>	155	<b>1 091</b>	-7
Accumulated difference between total and planned depreciation 31.12.	<b>1 495</b>	822	<b>1 123</b>	32
10. Land areas				
Acquisition cost 1.1.	<b>28 551</b>	30 442	<b>19 944</b>	19 478
Exchange rate differences	<b>-7</b>	-76	-	-
Increases 1.1.-31.12.	<b>2 882</b>	323	<b>393</b>	466
Decreases 1.1.-31.12.	<b>-1</b>	-2 138	<b>-1</b>	-
Acquisition cost 31.12.	<b>31 425</b>	28 551	<b>20 336</b>	19 944
Revaluations included in the acquisition cost of land areas				
Revaluations 1.1.	<b>150</b>	754	<b>150</b>	150
Decrease 1.1.-31.12.	<b>-</b>	-604	-	-
Revaluations 31.12.	<b>150</b>	150	<b>150</b>	150

(FIM 1,000)	Group		Parent company	
	1995	1994	1995	1994
11. Buildings and constructions				
Acquisition cost 1.1.	<b>786 950</b>	749 694	<b>360 763</b>	287 394
Exchange rate differences	<b>-419</b>	-2 332	-	-
Increases 1.1.-31.12.	<b>41 378</b>	57 357	<b>73 611</b>	75 586
Decreases 1.1.-31.12.	<b>-13 877</b>	-17 769	<b>-1 641</b>	-2 217
Acquisition cost 31.12.	<b>814 032</b>	786 950	<b>432 733</b>	360 763
Accumulated planned depreciations 31.12.	<b>-303 453</b>	-270 273	<b>-206 402</b>	-168 400
Book value 31.12.	<b>510 579</b>	516 677	<b>226 331</b>	192 363
Accumulated difference between total and planned depreciation 1.1.	<b>154 856</b>	128 594	<b>95 303</b>	68 311
Change in depreciation difference 1.1.-31.12.	<b>14 068</b>	26 262	<b>11 596</b>	26 992
Accumulated difference between total and planned depreciation 31.12.	<b>168 924</b>	154 856	<b>106 899</b>	95 303
Revaluations included in the acquisition cost of buildings				
Revaluations 1.1.	-	3 357	-	-
Decrease 1.1.-31.12.	-	-3 357	-	-
Revaluations 31.12.	-	-	-	-
12. Machinery and equipment				
Acquisition cost 1.1.	<b>1 285 377</b>	1 229 092	<b>366 532</b>	346 286
Exchange rate differences	<b>-1 959</b>	-8 559	-	-
Increases 1.1.-31.12.	<b>209 704</b>	129 005	<b>236 117</b>	33 351
Decreases 1.1.-31.12.	<b>-17 330</b>	-64 161	<b>-11 640</b>	-13 105
Acquisition cost 31.12.	<b>1 475 792</b>	1 285 377	<b>591 009</b>	366 532
Accumulated planned depreciation 31.12.	<b>-767 169</b>	-634 632	<b>-383 366</b>	-254 748
Book value 31.12.	<b>708 623</b>	650 745	<b>207 643</b>	111 784
Accumulated difference between total and planned depreciation 1.1.	<b>314 557</b>	317 072	<b>85 100</b>	84 469
Exchange rate differences	<b>10</b>	-1 194	-	-
Change in depreciation difference 1.1.-31.12.	<b>3 481</b>	-1 321	<b>57 608</b>	631
Accumulated difference between total and planned depreciation 31.12.	<b>318 048</b>	314 557	<b>142 708</b>	85 100
Machinery and equipment, of book value 31.12.	<b>666 033</b>	612 810	<b>192 283</b>	94 328
13. Other tangible assets				
Acquisition cost 1.1.	<b>4 582</b>	3 475	<b>1 266</b>	1 261
Exchange rate differences	-	-80	-	-
Increases 1.1.-31.12.	<b>530</b>	1 377	<b>190</b>	5
Decreases 1.1.-31.12.	<b>-876</b>	-190	-	-
Acquisition cost 31.12.	<b>4 236</b>	4 582	<b>1 456</b>	1 266
Accumulated planned depreciation 31.12.	<b>-1 340</b>	-1 299	<b>-8</b>	-
Book value 31.12.	<b>2 896</b>	3 283	<b>1 448</b>	1 266
Accumulated difference between total and planned depreciation 1.1.	<b>-53</b>	-31	-	-
Change in depreciation difference 1.1.-31.12.	<b>-51</b>	-22	-	-
Accumulated difference between total and planned depreciation 31.12.	<b>-104</b>	-53	-	-

#### TAXABLE VALUES OF FIXED ASSETS

Consolidated data on Finnish Group companies

Land areas	<b>8 080</b>	7 472	<b>5 541</b>	5 349
Buildings	<b>251 164</b>	228 105	<b>143 653</b>	112 899
Shares and holdings				
Shares and holdings in Group companies	-	-	<b>215 976</b>	353 683
Other shares and holdings	<b>41 744</b>	38 546	<b>31 899</b>	35 063

## 14. GROUP SHAREHOLDINGS UNDER FIXED ASSETS

Shares/holdings of parent company

	Group holding	Group voting right	Group share of equity	Parent company holding	No.	Nominal value	Book value	Book value in other group companies
	%	%	FIM 1,000	%	31.12.1995	31.12.1995 FIM 1,000	31.12.1995 FIM 1,000	FIM 1,000
<b>GROUP COMPANIES</b>								
Alahärmän Tärkkelys Oy, Alahärmä	100.00	100.00	35	100.00	45	45	45	-
SIA Amelija, Latvia	100.00	100.00	20	-	-	-	-	21
Autumninvest Oy, Raisio	100.00	100.00	51	-	-	-	-	-
Canelo Oy, Nokia	100.00	100.00	1 910	-	-	-	-	6 740
Claymore Chemicals Ltd, UK	100.00	100.00	3 590	-	-	-	-	6 190
Diachem Industries Ltd, Canada	100.00	100.00	7 376	-	-	-	-	22 657
Diachem Engineering Inc., Canada	100.00	100.00	119	-	-	-	-	-
Diachem Pacific Northwest Inc., USA	75.00	75.00	-1 236	-	-	-	-	-
Diatec Polymers Inc., Canada	100.00	100.00	-99	-	-	-	-	196
Flootek AB, Sweden	100.00	100.00	2 970	100.00	100	SEK 100 000	2 559	-
Flootek International AB, Sweden	100.00	100.00	39	-	-	-	-	29
Foodie Oy, Raisio	100.00	100.00	20 083	100.00	20 000	20 000	9 000	-
Kepa Holdings Ltd, Canada	100.00	100.00	6 897	-	-	-	-	22 592
Oy Kationi Ab, Raisio	90.00	90.00	21 904	-	-	-	-	13 908
Kauppiaitten Mylly Oy, Nokia	100.00	100.00	2	-	-	-	-	5
Kokemäen Tärkkelysvarasto Oy, Kokemäki	100.00	100.00	345	100.00	15	15	343	-
Lapuan Peruna Oy, Lapua	67.87	67.87	20 816	67.87	2 715	272	19 519	-
Melia Ltd, Nokia	75.00	75.00	267 912	75.00	270 000	270 000	219 799	-
Monäs Feed Oy Ab, Uusikaarlepyy	90.00	90.00	13 508	-	-	-	-	3 605
C. Olsen Foods International Ltd, UK	100.00	100.00	21 278	100.00	1 000	6 000	833	-
C. Olsen Foods Sp. z o.o., Poland	100.00	100.00	-8 193	-	-	-	-	22 556
Paperion Chimie S.A., France	99.99	99.99	9 171	-	-	-	-	20 906
Raisio Belgium N.V., Belgium	100.00	100.00	5 273	-	-	-	-	10 651
Raisio Catering Oy, Raisio	100.00	100.00	37	100.00	50	50	50	-
Raisio Chemicals Ltd, Raisio	100.00	100.00	113 925	100.00	36 000	36 000	104 809	-
Raisio Chemicals Italia S.R.L., Italy	51.00	51.00	1 684	-	-	-	-	1 824
Raisio Chemicals Canada Inc., Canada	100.00	100.00	1 293	-	-	-	-	5 952
Raisio Chemie GmbH, Germany	100.00	100.00	-35	-	-	-	-	123
Raisio Engineering Ltd, Raisio	100.00	100.00	5 576	100.00	5 000	5 000	5 000	-
Raisio France S.A., France	99.99	99.99	23 607	-	-	-	-	3 498
Raisio Inc., USA	100.00	100.00	10 285	-	-	-	-	702
Raisio Netherlands B.V., Netherlands	100.00	100.00	-439	-	-	-	-	1 074
Raisio Nordic Oy, Raisio	100.00	100.00	12	100.00	15	15	15	-
Raisio Nordic Eesti AS, Estonia	100.00	100.00	152	-	-	-	-	152
Raisio Polska Sp. z o.o., Poland	100.00	100.00	-4 121	100.00	100	PLN 45 000	3 200	-
Raisio Portugal								
- Produtos Quimicos, Lda, Portugal	51.00	51.00	754	-	-	-	-	2 611
Raisio Svenska AB, Sweden	100.00	100.00	3 738	-	-	-	-	1 406
Oy Raisional Ab, Raisio	100.00	100.00	16 402	-	-	-	-	29 645
Raision Lateksi Oy, Raisio	51.00	51.00	23 182	-	-	-	-	21 250
Raisio Feed Ltd, Raisio	100.00	100.00	36 103	100.00	10 000	10 000	10 000	-
Roe Lee Canada Inc., Canada	100.00	100.00	502	-	-	-	-	4 055
Roe Lee Paper Chemicals Co. Ltd, UK	100.00	100.00	15 525	-	-	-	-	36 018
Suomen Myllyt Oy, Nokia	100.00	100.00	16	-	-	-	-	21
118 Seabright Holdings Ltd, Canada	100.00	100.00	-3	-	-	-	-	-
Total							375 172	238 387

**ASSOCIATED COMPANIES**

Alahärmän Perunavarasto Oy, Alahärmä	67.94	42.00	576	67,94	1 712	514	514	-
Oy Atraco Ab, Turku	50.00	50.00	19 639	50,00	125 080	2 502	20 751	-
Diachem Chile S.A., Chile	50.00	50.00	1 170	-	-	-	-	393
Diaztech S.A. de C.V., Mexico	49.00	49.00	-162	-	-	-	-	-
Emerillon Polymers Inc., Canada	50.00	50.00	1 835	-	-	-	-	479
Heliantus Oy, Helsinki	50.00	50.00	46	50,00	50	50	51	-
Jylhäraisio Oy, Turku	49.00	49.00	9 213	-	-	-	-	3 267
Kouvolan Siilo Oy, Helsinki	50.00	50.00	351	50,00	50	50	51	-
Periva Oy, Hämeenlinna	50.00	50.00	373	50,00	208	208	208	-
AS Rigas Dzirnavniesks, Latvia	20.00	20.00	6 174	-	-	-	-	4 630
Vihannin Vedenpuhdistamo Oy, Vihanti	49.00	49.00	19	49,00	49	25	25	-
Vihervakka Oy, Pöytyä	38.50	38.50	1 887	38,50	770	193	182	-
Total							21 782	8 769



	Holding	No.	Nominal value	Book value
	%	31.12.1995	31.12.1995	31.12.1995
			FIM 1,000	FIM 1,000
<b>OTHER SHARES AND HOLDINGS</b>				
Dis Datacity Information Systems Oy, Turku	5.28	75	150	151
Oy Elomatic Group Ltd, Turku	11.80	85 066	851	2 077
Ewco Oy, Helsinki	3.85	20	20	200
Helsingin Stock Exchange, Helsinki	0.60	20 000	200	150
Kesko Oy, Helsinki	0.03	28 140	281	825
Lännen Tehtaat Oy, Säköylä	5.35	324 294	3 243	22 707
Merita Bank Ltd, Helsinki	0.02	217 000	2 170	3 494
MTV Oy, Helsinki	0.72	400	200	1 129
Naantalin Vapaasatama Oy, Naantali	0.62	10	50	100
Asunto Oy Rapusaari, Toijala	3.85	385	39	171
Sampo Insurance Co., Turku	0.01	900	18	171
Central Share Register of Finland Cooperative, Helsinki	1.21	5	350	280
Tuko Oy, Helsinki	0.36	99 375	994	3 050
Turku Fair Center Ltd, Turku	0.30	1 000	100	120
YIT-Group Oy, Helsinki	0.17	41 640	416	404
Other shares and holdings				1 279
Connection fees, transferable				1 602
Total				37 910

A complete list of subsidiaries in accordance with section 22d of the Finnish Accountancy Act is found in the notes to the official financial statements and is displayed at the company head office.

(FIM 1,000)	1995	Group	1994	Parent company	1994
<b>LONG-TERM INVESTMENTS AND LOAN RECEIVABLES/ GROUP AND ASSOCIATED COMPANIES</b>					
Loan receivables under long-term investments					
Group companies	-		-	124 467	159 310
Associated companies	530		280	530	280

#### INVENTORIES AND FINANCIAL ASSETS

Receivables falling due within a year or longer					
Loan receivables	547		32	99 433	-
Other receivables	3		-	-	-
Total	550		32	99 433	-

#### 15. Receivables from Group and associated companies, and liabilities to them

Receivables from Group companies					
Accounts receivable	-		-	143 729	77 353
Short-term loan receivables	-		-	22 064	22 861
Prepaid expenses and accrued income	-		-	11 693	15 860
Other receivables	-		-	32 952	43 540
Liabilities to Group companies					
Other long-term liabilities	-		-	20 000	-
Advance payments/short-term	-		-	-	113
Short-term accounts payable	-		-	2 320	1 533
Accrued liabilities and deferred income	-		-	866	555
Other short-term liabilities	-		-	11 618	133 642
Receivables from associated companies					
Sales receivables	1 113		1 916	1 094	1 723
Prepaid expenses and accrued income	31		4	31	4
Liabilities to associated companies					
Short-term accounts payable	5 158		285	540	281
Securities on current assets					
Shares in current assets are tied to the market value at the time of the financial statements.					

(FIM 1,000)	Group		Parent company	
	1995	1994	1995	1994
<b>SHAREHOLDERS' EQUITY</b>				
16. Share capital 1.1.	<b>121 562</b>	101 302	<b>121 562</b>	101 302
New issue 1993-1994	-	20 260	-	20 260
Directed issue	<b>14 546</b>	-	<b>14 546</b>	-
Share capital 31.12.	<b>136 108</b>	121 562	<b>136 108</b>	121 562
17. Share issue 1.1.	-	25 135	-	25 135
Increase	-	76 167	-	76 167
Decrease	-	-101 302	-	-101 302
Share issue 31.12.	-	-	-	-
18. Reserve fund 1.1.	<b>269 377</b>	192 695	<b>262 029</b>	180 988
Issue premium	<b>73 895</b>	81 041	<b>73 895</b>	81 041
Increase due to consolidation	<b>-4 005</b>	216	-	-
Transferred to profits	<b>-2 825</b>	-4 575	-	-
Reserve fund 31.12.	<b>336 442</b>	269 377	<b>335 924</b>	262 029
Unrestricted equity				
19. Contingency fund 1.1.	<b>61 651</b>	61 651	-	-
Decrease	<b>-32</b>	-	-	-
Contingency fund 31.12.	<b>61 619</b>	61 651	-	-
20. Profits 1.1.	<b>210 550</b>	234 745	<b>230 664</b>	292 106
Dividend distributed	<b>-26 710</b>	-23 665	<b>-21 881</b>	-17 829
Minority dividends transferred to profits	<b>4 828</b>	5 835	-	-
Change in subsidiaries' equity conversion difference	<b>-456</b>	-2 614	-	-
Transferred from reserve fund	<b>2 825</b>	4 575	-	-
Released from revaluation fund	-	-3 960	-	-
Transfer of depreciation difference	<b>-16 482</b>	-	-	-
Other changes	<b>915</b>	536	-	-
Net profit for the year	<b>103 838</b>	-4 902	<b>36 595</b>	-43 613
Profits 31.12.	<b>279 308</b>	210 550	<b>245 378</b>	230 664

The company's share capital is divided between the two types of share as follows:

	1995		1994	
	No.	FIM 1,000	No.	FIM 1,000
Restricted shares (20 votes/share)	<b>5 144 120</b>	<b>51 441</b>	5 168 460	51 685
Free shares (1 vote/share)	<b>8 466 700</b>	<b>84 667</b>	6 987 730	69 877
Total	<b>13 610 820</b>	<b>136 108</b>	12 156 190	121 562

(FIM 1,000)	Group		Parent company	
	1995	1994	1995	1994
<b>RESERVES</b>				
21. Non-mandatory reserves				
Investment reserve				
Balance sheet value 1.1.	<b>50 560</b>	67 714	-	15 203
Increase	-	-	<b>27 537</b>	-
Decrease	<b>-5 317</b>	-17 154	<b>-2 691</b>	-15 203
Balance sheet value 31.12.	<b>45 243</b>	50 560	<b>24 846</b>	-
Operating reserve				
Balance sheet value 1.1.	-	7 825	-	-
Decrease	-	-7 825	-	-
Balance sheet value 31.12.	-	-	-	-
Transition reserve				
Balance sheet value 1.1.	<b>178 391</b>	184 922	<b>80 103</b>	82 893
Increase	-	7 384	<b>537</b>	-
Decrease	<b>-15 500</b>	-13 915	-	2 790
Balance sheet value 31.12.	<b>162 891</b>	178 391	<b>80 640</b>	80 103
Replacement reserve				
Balance sheet value 1.1.	-	3 485	-	3 485
Decrease	-	-3 485	-	-3 485
Balance sheet value 31.12.	-	-	-	-

(FIM 1,000)	Group		Parent company	
	1995	1994	1995	1994
Other reserves				
Balance sheet value 1.1.	359	796	-	-
Conversion differences	25	-39	-	-
Increase	552	23	-	-
Decrease	-	-421	-	-
Balance sheet value 31.12.	<b>936</b>	359	-	-
Tax liabilities concerning non-mandatory Group reserves	<b>52 268</b>	57 328	-	-
<b>VALUATION ITEMS, liabilities</b>				
Conversion differences 1.1.	-	2 516	-	-
Decreases 1.1.-31.12.	-	-2 516	-	-
Conversion differences 31.12.	-	-	-	-
<b>22. LIABILITIES</b>				
Liabilities falling due within five years or longer				
Loans from credit institutions	<b>76 569</b>	14 317	<b>35 091</b>	-
Pension loans	<b>114 008</b>	95 675	<b>69 046</b>	52 527
Total	<b>190 577</b>	109 992	<b>104 137</b>	52 527
Bonds with warrants				
The 1993 bond with warrants falls due in its entirety on 31.3.1998.				
The shares' subscription period is 1.-30.4.1998.				
The subscription price is FIM 110/share.				
Bonds				
Bond 1991/1995 11.0%	-	1 900	-	1 900
- annual repayment	-	-1 900	-	-1 900
Bond 1991/1995 8.25/8.5%	-	4 000	-	4 000
- annual repayment	-	-4 000	-	-4 000
Bond 1992/1995 13.0%	-	63 000	-	63 000
- annual repayment	-	-63 000	-	-63 000
Bond 1995/2000 8.25%	<b>110 000</b>	-	<b>110 000</b>	-
- annual repayment	-	-	-	-
	<b>110 000</b>	-	<b>110 000</b>	-
Short-term liabilities include interest				
-free debts	<b>566 637</b>	704 135	<b>187 363</b>	322 237
<b>CONTINGENT LIABILITIES</b>				
On own debts				
Pledges given	<b>20 792</b>	20 792	<b>792</b>	792
Mortgages on land areas and buildings	<b>630 088</b>	564 198	<b>31 350</b>	26 350
Corporate mortgages	<b>439 549</b>	345 143	-	-
On Group companies' debts				
Pledges given	-	-	<b>20 000</b>	10 000
Mortgages on land areas and buildings	-	-	<b>401 615</b>	317 295
Corporate mortgages	-	-	<b>161 000</b>	90 000
Guarantees	-	-	<b>328 069</b>	311 987
On associated companies' debts				
Mortgages on land areas and buildings	<b>1 000</b>	1 000	<b>1 000</b>	1 000
Guarantees	<b>7 029</b>	11 057	<b>7 029</b>	11 057
Other liabilities				
Leasing liabilities, due 1996/1995	<b>13 588</b>	15 867	<b>6 041</b>	8 127
due after 1996/1995	<b>41 554</b>	52 381	<b>7 564</b>	13 495
Pension liabilities	<b>1 390</b>	1 427	<b>1 390</b>	1 427
Guarantee and other liabilities	<b>21 503</b>	6 816	<b>14 889</b>	6 816
Total contingent liabilities				
Pledges	<b>20 792</b>	20 792	<b>20 792</b>	10 792
Mortgages on land areas and buildings	<b>631 088</b>	565 198	<b>433 965</b>	344 645
Corporate mortgages	<b>439 549</b>	345 143	<b>161 000</b>	90 000
Guarantees	<b>7 029</b>	11 057	<b>335 098</b>	323 044
Other liabilities	<b>78 035</b>	76 491	<b>29 884</b>	29 865

## BOARD'S PROPOSAL FOR THE DISPOSAL OF PROFIT

Unrestricted equity according to the consolidated balance sheet at December 31, 1995 is FIM 340,926,634.39. The parent company's retained earnings according to the balance sheet at December 31, 1995 are:

Retained earnings	FIM 208,782,580.70
Net profit for the year	FIM 36,594,796.55
<u>Total</u>	<u>FIM 245,377,377.25</u>

The Board of Directors proposes that a dividend of 20% be distributed on the nominal value of outstanding share capital (FIM 136,108,200.00), ie. FIM 2.00 per share,

to a total of	FIM 27,221,640.00
and that the remainder be transferred to the retained earnings account	FIM 218,155,737.25
<u>Total</u>	<u>FIM 245,377,377.25</u>

The Board of Directors further proposes that distribution of dividend should begin when the matching period ends, i.e. on April 26, 1996.

Raisio, February 29, 1996

Bengt Silén

Pertti Vuola

Matti Linnainmaa

Kaj Lönnroth

Kaarlo Pettilä

Arimo Uusitalo

Matti Salminen  
Chief Executive

## TRANSLATION OF THE AUDITORS' REPORT

### TO THE SHAREHOLDERS OF RAISION TEHTAAT OY AB

We have audited the accounting records and the financial statements, as well as the administration by the Supervisory Board, the Board of Directors and the Managing Director of Raisio Tehtaat Oy Ab for the period ended 31 December 1995. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the Supervisory Board, the Board of Directors and the Managing

Director have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted well as of the financial position. The financial statements can be adopted and the members of the Supervisory Board, the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the retained earnings is in compliance with the Finnish Companies Act.

We have reviewed the interim reports made public by the company during the year. It is our understanding that the interim reports statements have been prepared in accordance with the rules and regulations governing the preparation of such reports in Finland.

Raisio, March 6, 1996

Thor Nyroos  
APA

Mikko Lindberg

Jorma Pere

## STATEMENT OF THE SUPERVISORY BOARD

At its meeting today, the Supervisory Board examined the Board of Directors' report on company operations for the financial year January 1, 1995-December 31, 1995 and the attached financial statements, and studied the auditors' report, in accordance with the Articles of Association.

The Supervisory Board concurs with the Board of Directors' proposal for the disposal of profits.

The members of the Supervisory Board in turn to resign are Ola Rosendahl, Risto Ervelä, Juhani Immala, Timo Järvilahti, Albert Käiväräinen, Arto Lampinen, Antti Lithovius, Nils-Erik Segersven and Simo Vaismaa.

Raisio, March 18, 1996

For the Supervisory Board

Heikki Haavisto  
Chairman

## INVESTOR INFORMATION

### SHARE CAPITAL AND TYPES OF SHARE

Raisio Tehtaat Oy Ab's minimum share capital is FIM 100,000,000 and its maximum share capital is FIM 400,000,000. Share capital can be raised or lowered within these margins without amending the Articles of Association. A share's nominal value is FIM 10.

Share capital was raised in April 1995 from the earlier FIM 121,561,900 to FIM 136,108,200. The reason for the increase was the payment of merger compensation to Raisio Margariini Oy shareholders as a result of the latter's incorporation in the parent company.

Company shares are divided into free shares (series V) and restricted shares (series K), with equal entitlement to share capital and profits. At annual general meetings, each restricted share entitles the holder to 20 votes and each free share to one vote. Each shareholder, however, has no more votes than 15% of the amount of shares according to the Company's current share capital. No shareholder is entitled to use more than 1/10 of the total number of votes represented at the shareholders' meeting (Article 10 of the Articles of Association). According to the number of shares corresponding to current share capital, the largest number of votes per shareholder, without the above 1/10 restriction, is 204,162, representing the same number of free shares, or 10,209 restricted shares, or a combination of the two.

The acquisition of restricted shares requires the approval of the Board of Directors. Approval is required even if the party acquiring the shares already owns restricted shares in the company.

Approval must be given if the share recipient is a natural person whose primary occupation is farming. If approval is not given, the Board of Directors must convert the transferred restricted share into a free share (Articles 7 and 8 of the Articles of Association). The Board may also convert restricted shares into free shares on request, and likewise give advance information on whether an applicant is being granted permission to acquire restricted shares or not.

### BREAKDOWN OF SHARE CAPITAL, 31.12.1995

	No. of shares	% of total shares	% of total votes
Free shares	8 466 700	62.2	7.6
Restricted shares	5 144 120	37.8	92.4
Total	13 610 820	100.0	100.0

In 1995, 24,340 restricted shares were converted into free shares.

The changeover to the book-entry system did not cause any changes in the application of this approval clause. Restricted shares concerning which the approval procedure is in progress or for which approval has not been sought will be retained in the 'waiting list' in the book-entry system until such time as they are entered in the share register as restricted shares following approval, assigned further, or converted into free shares.

### SHAREHOLDINGS BY THE COMPANY MANAGEMENT, AND WARRANT BOND

The members and deputy members of the Raisio Tehtaat Oy Ab Board of Directors, the Chief Executive and the Deputy Chief Executive own 30,200 restricted shares and 41,190 free shares. These shares confer 623,752 votes at shareholders' meetings, or 0.56% of the maximum voting power.

On December 3, 1993, an extraordinary general meeting decided to float a warrant bond of maximum FIM 160,000. Departing from the practice of previous shareholders' first option, the bond was subscribed by members of the Raisio Group management (10 persons) and was issued at its nominal value. The loan period is January 3, 1994- March 31, 1998 and the interest rate is 7.0%.

Each bond carries a warrant (160 in number) entitling the holder to subscribe 1000 free shares in Raisio Tehtaat Oy Ab at FIM 110 per share during the period April 1-April 30, 1998.

A maximum of 160,000 free shares can be subscribed against the warrants, or 1.16% of the shares after subscription on the basis of the warrants. These shares confer 0.14% of the total voting power.

In the event that warrant holders subscribe all of their free shares, the ownership share of members and deputy members of the Board of Directors, as well as that of the Chief Executive and the Deputy Chief Executive increases to 1.46% of the return on shares after subscription and gives entitlement to 0.68% of the total number of votes.

### SHAREHOLDER AGREEMENTS

Raisio Tehtaat Oy Ab does not have any information on shareholder agreements concerning the ownership of company shares and the use of voting power.

### AUTHORITY TO RAISE SHARE CAPITAL

The Annual General Meeting of Raisio Tehtaat Oy Ab on April 10, 1995 authorized the Board of Directors to decide on a maximum FIM 15,000,000 increase in nominal share capital in one or more new issues, and/or to float a convertible and/or warrant bond to an equivalent sum. The authorization includes the right to depart from the previous shareholders' first option. Subscription can also be on a non-cash issue basis or certain other terms. The authorization is valid until May 3, 1996. It was not exercised.

### BOOK-ENTRY SYSTEM

All the company shares have been covered by the book-entry system since November 26, 1994. Shareholder data are maintained solely by the Central Share Register of Finland Cooperative.



## INCREASE IN SHARE CAPITAL

Subscription period	Method of increase	Terms of subscription	Nominal value FIM	Subscription price FIM	Number of new shares	Increase in share capital FIM million	New share capital FIM million	Right to dividend
18.6.1991	Directed issue for Cultor Ltd Series V		50	244.91	22 252	1.11	101.3	Full dividend 1991
13.12.1993 - 28.1.1994	New issue	5 K or V: 1 V	50	250.00	405 206	20.26	121.6	Half dividend 1993
12.4.1995	Directed issue for Raisio Margarine share-holders	11 RM: 5 V	10	change	1 454 630	14.55	136.1	Full dividend 1995

## DISTRIBUTION OF SHAREHOLDERS, DECEMBER 31, 1995

Shares No.	Free shares				Restricted shares			
	Shareholders		Shares		Shareholders		Shares	
	No.	%	No.	%	No.	%	No.	%
1 - 100	7 953	60.2	294 234	3.5	5 478	55.7	214 310	4.2
101 - 500	3 764	28.5	897 751	10.6	2 770	28.2	665 286	12.9
501 - 1000	887	6.7	635 872	7.5	758	7.7	530 693	10.3
1001 - 2500	377	2.8	572 189	6.8	587	6.0	903 525	17.6
2501 - 5000	101	0.8	362 040	4.3	171	1.7	576 450	11.2
over 5000	125	1.0	5 580 493	65.9	71	0.7	1 430 520	27.8
on waiting list			1 320	0.0			650 782	12.6
in joint account			122 801	1.4			172 554	3.4
Total	13 207	100.0	8 466 700	100.0	9 835	100.0	5 144 120	100.0

On December 31, 1995, Raisio Tehtaat Oy Ab had a total of 15,617 shareholders.

## MARKETPLACE

Raisio Tehtaat Oy Ab's free shares are quoted on the Helsinki Stock Exchange and its restricted shares on the brokers' list maintained by the Finnish Association of Securities Dealers.

## MERGER OF RAISIO MARGARIINI OY

In the merger of Raisio Margariini Oy with Raisio Tehtaat Oy Ab on April 12, 1995, five Raisio Tehtaat free shares were given as merger compensation for every eleven Raisio Margariini Oy shares. Altogether 1,454,630 free shares were given in exchange, raising share capital by FIM 14,546,300.

## BREAKDOWN OF SHARES



- Private individuals and households 47%
- Financial institutions 18%
- Companies and corporations 18%
- Foreign owners 10%
- On waiting list and joint account 7%

**SHARE-SPECIFIC INDICATORS, ADJUSTED BY SHARE ISSUE  
AND BY CHANGE IN NOMINAL VALUE**

	1991	1992	1993	1994	1995
Earnings per share (EPS), FIM	5.86	11.73	12.84	10.77	7.13
Equity per share, FIM	102.46	112.31	120.51	112.31	111.82
Dividend per share, FIM	1.10	1.29	1.47	1.80	2.00 <sup>1)</sup>
Dividend per profit, %	18.9	11.0	12.6	16.8	28.9 <sup>1)</sup>
Effective dividend yield, %					
Free shares	3.63	2.81	1.54	2.25	2.84 <sup>1)</sup>
Restricted shares	2.59	2.76	1.62	2.17	3.01 <sup>1)</sup>
P/E ratio					
Free shares	5.2	3.9	7.4	7.4	9.9
Restricted shares	7.2	4.0	7.1	7.7	9.3
Adjusted average quotation, FIM					
Free shares	39.19	33.49	80.27	115.80	67.50
Restricted shares	65.36	41.89	82.14	114.81	71.57
Adjusted lowest quotation, FIM					
Free shares	29.95	24.81	46.86	78.00	54.00
Restricted shares	42.23	27.54	45.90	75.00	52.00
Adjusted highest quotation, FIM					
Free shares	57.15	52.19	98.32	147.80	92.00
Restricted shares	78.95	54.16	95.47	140.00	89.00
Adjusted quotation, 31.12. FIM					
Free shares	30.32	45.94	95.56	80.00	70.50
Restricted shares	42.41	46.82	90.88	83.00	66.50
Market capitalization 31.12., FIMm	421	513	1022	988	939
Trading					
Free shares, No.	96 690	587 565	4 596 315	4 006 649	4 115 706
“ , %	2.7	24.7	123.2	64.7	51.1
Restricted shares, No.	48 545	242 565	1 247 730	710 517	71 691
“ , %	1.5	3.7	19.5	12.1	1.4
Average adjusted number of shares	10 956 186	11 031 399	11 031 253	12 077 725	13 204 321 <sup>2)</sup>
Adjusted number of shares 31.12.	11 031 399	11 031 399	11 031 253	12 156 190	13 610 820 <sup>2)</sup>

1) According to the Board proposal

2) As the number of shares in 1995 increased due to the direct issue, previous years' number of shares are not adjusted.

**BIGGEST SHAREHOLDERS AT DECEMBER 31, 1995**

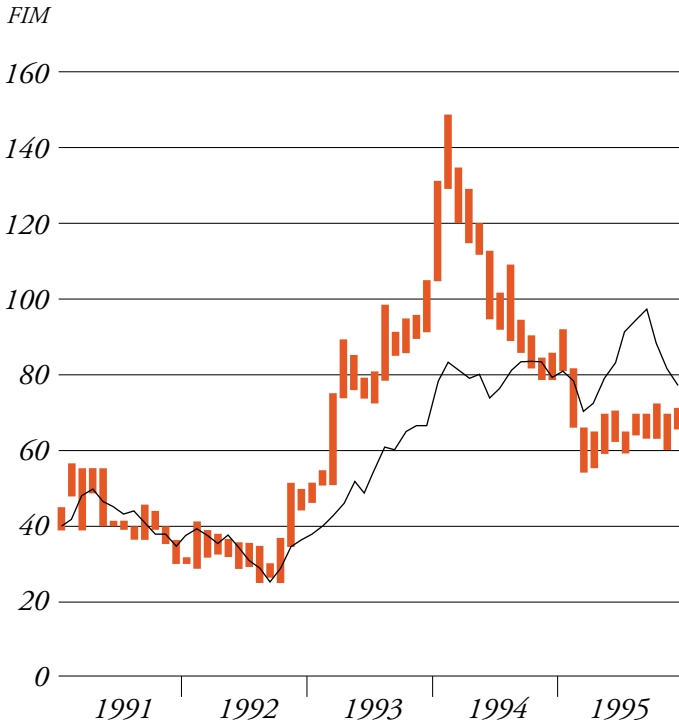
	Series K No.	Series V No.	Total		Votes	
			No.	%	No.	%
Tapiola Mutual Insurance Company Central Union of Agricultural Producers	304 000	342 545	646 545	4.8	204 162	0.18
Merita Bank Ltd	393 980	87 315	481 295	3.5	204 162	0.18
Partita Oy		408 000	408 000	3.0	204 162	0.18
Tapiola Mutual Life Insurance Company	18 600	194 500	194 500	1.4	194 500	0.17
Evli-Select Investment Fund		156 610	175 210	1.3	204 162	0.18
Tapiola Mutual Pension Insurance Company	13 600	161 700	161 700	1.2	161 700	0.15
Local Government Pension Institutions		144 800	158 400	1.2	204 162	0.18
Brotherus Ilkka	13 545	152 600	152 600	1.1	152 600	0.14
Investment Fund Kansallis-Kasvu		131 035	144 580	1.1	204 162	0.18
Oy Atraco Ab	72 490	130 000	130 000	1.0	130 000	0.12
Alfred Berg Finland Investment Fund		50 065	122 555	0.9	204 162	0.18
Kansa Non-Life Insurance Company		105 530	105 530	0.8	105 530	0.09
Veikko Laine Oy		100 500	100 500	0.7	100 500	0.09
Pension Fund of the Cooperative Banks		85 000	85 000	0.6	85 000	0.08
Kansallis-Metsä Investment Fund		82 550	82 550	0.6	82 550	0.07
Postipankki Pension Foundation		73 175	73 175	0.5	73 175	0.07
Presta Investment Fund		70 500	70 500	0.5	70 500	0.06
Banking House Evli Oy		69 300	69 300	0.5	69 300	0.06
Tuottajaosake Oy	250	68 100	68 100	0.5	68 100	0.06
		65 055	65 305	0.5	70 055	0.06

Shares registered as under foreign ownership, including these registered in a nominee name, totalled 1,359,415 on December 31, 1995, or 10.0% of the total.

## TRENDS ON THE STOCK EXCHANGE

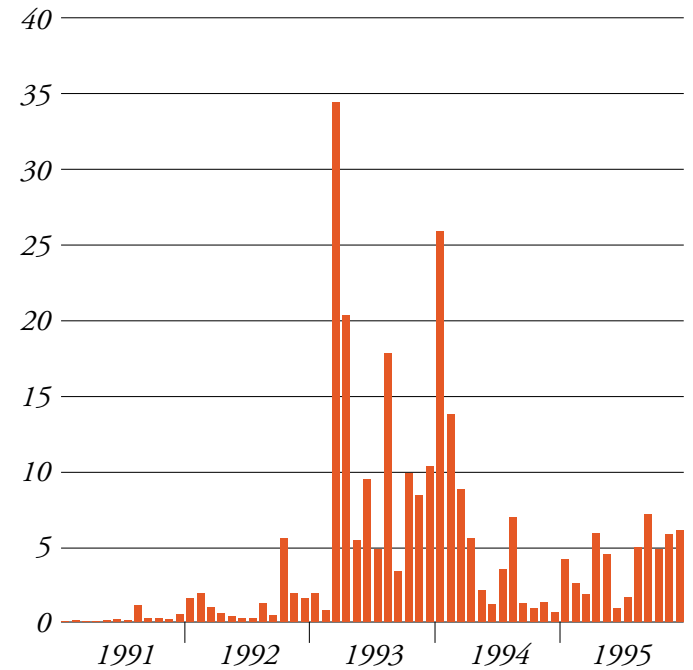
### PRICES OF RAISION TEHTAAT OY AB FREE SHARES (SERIES V) ON THE HELSINKI STOCK EXCHANGE

Change in nominal value and share issue taken into account as an adjustment. Curve=HEX general index. January 1991=100.



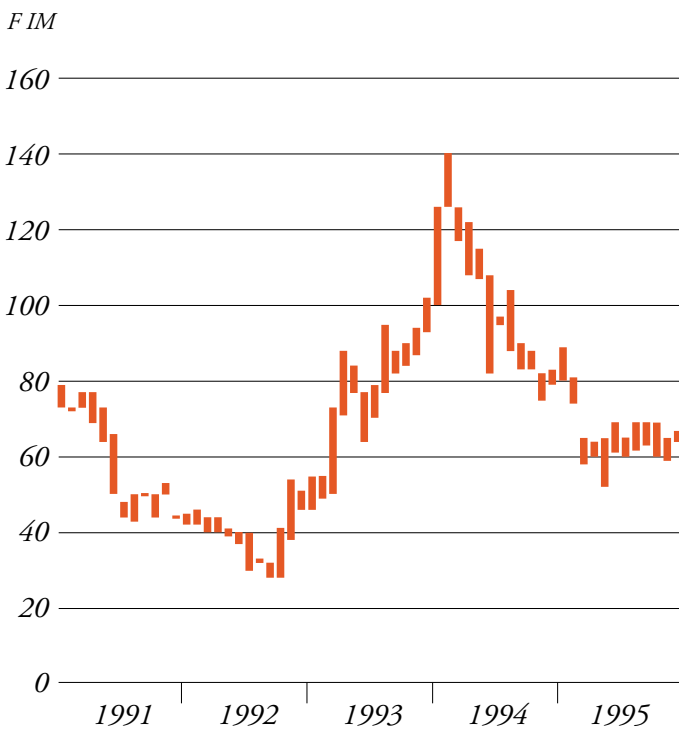
### PERCENTAGE OF TRADING IN RAISION TEHTAAT OY AB FREE SHARES (SERIES V) ON HELSINKI STOCK EXCHANGE

% of total share series



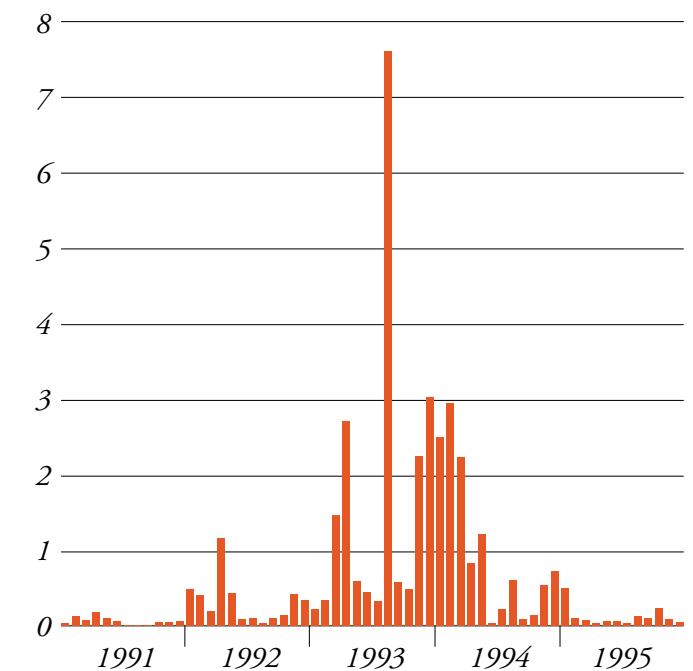
### PRICES OF RAISION TEHTAAT OY AB RESTRICTED SHARES (SERIES K) ON THE BROKERS' LIST.

Change in nominal value and share issue taken into account as an adjustment.



### PERCENTAGE OF TRADING IN RAISION TEHTAAT OY AB RESTRICTED SHARES (SERIES K) ON THE BROKERS' LIST.

% of total share series



## COMPUTATION OF INDICATORS

In accordance with the Financial Supervision instructions of July 14, 1989.

Return on equity % (ROE)	$= \frac{\text{Profit before extraordinary items - taxes for the financial year}}{\text{Shareholders' equity + minority interest + reserves (average)}} \times 100$	
Return on investment % (ROI)	$= \frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Balance sheet total - interest-free debts (average)}} \times 100$	
Equity ratio	$= \frac{\text{Shareholders' equity + minority share + reserves}}{\text{Balance sheet total - advances received}} \times 100$	
Quick ratio	$= \frac{\text{Financial assets}}{\text{Current liabilities per balance sheet}}$	
Current ratio	$= \frac{\text{Financial assets + inventories}}{\text{Current liabilities per balance sheet}}$	
Earnings per share (EPS)	$= \frac{\text{Profit before extraordinary items - minority interest - taxes}}{\text{Average number of shares for the year, adjusted for share issues}}$	
Equity per share	$= \frac{\text{Shareholders' equity + reserves + accumulated difference between book depreciation and depreciation according to plan}}{\text{Adjusted number of shares at December 31}} \times 100$	
Dividend per share	$= \frac{\text{Dividend distributed for the year}}{\text{Adjusted number of shares at December 31}}$	
Dividend per profit	$= \frac{\text{Dividend distributed for the year}}{\text{Profit before extraordinary items}}$	
Effective dividend yield	$= \frac{\text{Adjusted dividend per share}}{\text{Adjusted share price at December 31}}$	
P/E ratio	$= \frac{\text{Adjusted share price at December 31}}{\text{Adjusted profit per share}}$	
Market capitalization	$= \text{Price of share at December 31} \times \text{number of shares}$	

MELIA LTD

Finland's accession to the EU has affected the Milling Subdivision by introducing free market competition and international price levels into the acquisition of raw materials. For example, the price of wheat fell by more than 50%. Product prices also plummeted. Towards the end of the year, however, the price of cereals rose by approximately 10% over that in the early part of the year. The price of rice, on the other hand, shot up substantially as a result of the EU's protective tariffs.

The domestic wheat and rye harvest in autumn 1995 fell short of that in 1994. Wheat quality suffered from a low protein level. These factors made it necessary to systematically predict and optimize the need for imported wheat, in view of ensuring the stability of the cereal mix going for milling. Melia used a total of 245 million kilos of cereal as raw material, which was slightly more than the previous year.

Total wheat milling in Finland grew by at least 5%, reaching 320 million kilos. This positive development was due to the revitalization of exports. The volume of rye milling declined by more than 5%, yet the use of oats for flaking, rose by almost 8%. Melia's share of total milling averaged 55%, reflecting across-the-board increases in all wheat varieties.

Due to a new production method which was put into place in 1994, oat and cereal macaronis primarily made of Finnish grain were put onto the market. The packaging of Elovena and other flake products in the form of large 1.5-2 kilo bags was well received, as were the Jyvis and Myslis crush-containing pre-mixes for bakeries. The Nordic product range was, on the other hand, developed primarily for export.

Melia bought a 20% share in the Baltic region's largest mill, AS Rigas Dzirnnavieks. The Raisio flour mill invested in packaging lines for rice and macaroni.



The end of the year under review saw the integration of Melia's and Raisio Margariini's bakery marketing operations into a unit called Baker's Raisio.

Melia's overall deliveries rose slightly, yet the EU-generated fall in prices resulted in a one-third decline in turnover, which settled at FIM 514 million. While the result was acceptable insofar as it matched that of the previous year, it nevertheless fell short of target.

OIL MILLING SUBDIVISION

The EU Commission confirmed Finland's farming quota for oil plants only in November, after a year of negotiations. The level remained 70,000 hectares in lieu of Finland's proposed 87,500 hectares. For the oil-extracting units, the decision will mean a growth in raw material imports.

The Raisio Group used a total 52 million kilos of rape, of which over 80% was produced in Finland. 107 million kilos of soybeans were also processed.

With the full implementation of measures to increase efficiency at the end of the year, the production of vegetable oil and crushed grain has been boosted by some 20%. Sales of the Subdivision's products rose as a result of the lifting of excise taxes and brisk exports of margarines.

Tighter environmental stipulations have improved the market outlook for the biodegradable Voiteleva and Biosafe lubricating oils.

The Subdivision's turnover was FIM 262 million. The result was acceptable given the changed circumstances.

MARGARINE SUBDIVISION

Finland's accession to the EU also brought winds of change to the market for edible fats. The key changes were new products, lower prices and a slight rise in overall consumption.

All in all, 83 million kilos of edible oils and fats were sold in Finland, with margarines accounting for 42 million kilos. Sales of margarine went up by 3%.



*Elovena oatmeal saw the light of day at Karjalan Mylly Oy in Viipuri back in the 1920s. It became a Raisio product in 1992, when Melia Ltd was incorporated into the Group. Elovena is one of Finland's best known brands.*

*Melia and Raisio Margariini bakery marketing organizations were amalgamated to form the new Baker's Raisio Unit. Raisio's bakery institute (RBC) is also part of Baker's Raisio.*





Domestically, Raisio delivered 18 million kilos of margarine. The company's market share of the home-produced margarine market fell by at least one percentage point, to 47%.

Exports of Raisio margarines were on a strong upward curve, reaching 40 million plus kilos and accounting for two-thirds of total deliveries. The most important export destinations were Russia, Poland, and Estonia.

The Margarine Subdivisions turnover grew by 17%, to a total of FIM 594 million, thanks to exports. Growth is highly satisfactory, particularly in view of the fact that the turnover in 1994 still included a tax of FIM 56 million on edible fats. This tax was lifted in 1995 as a result of the EU membership.

Raisio Margarine Subdivision profits improved to the point of being satisfactory. Polish sales produced net losses as a consequence of stiffening competition and high import duties. The need to improve profitability was the driving force behind the decision to establish production in Poland. The production facilities of C. Olsen Foods Sp. z o.o., along with its Masmix product brands, were purchased in December, the locale being in Karczew, near Warsaw. As a result of the purchase, Raisio's share of the Polish margarine market grew to well over 10%.

Benecol margarine, a product containing plant sterol, which reduces human cholesterol levels, was launched on the Finnish market in November. The product was very well received. Delivery of the new margarine could not keep up with demand due to the scarcity of plant sterol.

Deliveries of domestically produced vegetable oils declined by 18%, totalling only 12 million kilos, as a direct result of a rise in imports. Raisio's share of domestic production was still over 50%, however.

Summer 1995 saw the launching on the market of oat and wheat macaroni made primarily of Finnish cereals. Melia manufactures pastas in Raisio and Nokia and answers for 60% of domestic pasta production.



#### FOODIE OY

Foodie Oy supplied frozen pastry doughs, pea soups, canned vegetables, mämmi rye pudding and salad dressings totalling over 12 million kilos, one-fifth of which went abroad. The best performers were Sunnuntai frozen pastry doughs, Raisio pea soups and Kymppi mämmi.

The company's turnover was FIM 81 million. Performance improved, although the company continued to incur a net loss.

The Nordic product range is made up of pure, high-quality Finnish foods that are sold exclusively for export. In addition to the cereal products shown in the picture, the range includes ketchup, mayonnaise, salad dressings, concentrated juices, mashed potato products and French fries.



#### RAISIO CATERING OY

Raisio Foodstuffs Division marketing operations to institutional kitchens were incorporated at the start of the year as Raisio Catering Oy. This proved to be a successful strategic solution.

#### POTATO PROCESSING SUBDIVISION

EU membership had only a minor impact on the purchase of potatoes for potato

In November, Melia bought a 20% share in the Latvian company AS Rigas Dzirnavnieks, which is based in Riga. The company owns the largest mill in the Baltic region, which supplies almost half of Latvia's wheat and rye flour.



processing. The availability of raw material reached a critical level in the early part of the year. However, domestic potato volume turned out to be sufficient on account of successful additional purchases. This was aided by the fact that the potatoes bought were of high quality, thus increasing their yield. Raisio's Potato Processing Subdivision bought a total of 49 million kilos of potatoes in 1995.

In November, Raisio Catering launched its vacuum-packed Mestari potato product onto the institutional kitchens market. These pre-cooked products fare well in cold storage and are quickly ready for use.



In marked contrast, Continental Europe had a weak potato harvest, which had the effect of curbing Finnish potato product imports, despite opening-up of the market as a result of EU membership.

A total of 11 million kilos of French fries and dried products were delivered, matching the previous year. The Subdivision's turnover was FIM 95 million. Performance improved and was at last slightly on the plus side.

#### MALTING SUBDIVISION

95 million kilos of barley malt was purchased, the vast majority of which was of domestic origin. Raw material quality was satisfactory. New barley varieties were actively sought that are even better suited for malting than present ones. For example, the cultivation of Dutch Prism barley is winning ground in Finland.

Raisio delivered 22 million kilos of malt to domestic breweries, as well as 30 million kilos for export. The malting plant's total capacity was in use. As in previous years, exports went to Venezuela, Brazil, Norway, Scotland and Russia.

Raisio's Malting Subdivision invested in an expansion project which will become functional in March 1996. As a result of the new line, production capacity will grow by one third, reaching an annual volume of nearly 70 million kilos. The total investment is valued at FIM 22 million.

Malting Subdivision turnover was FIM 95 million. Financial performance was highly satisfactory.

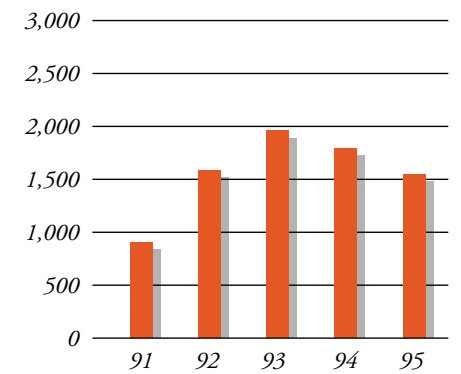
In December, Raisio Margariini bought the Masmix brand name and the C. Olsen Foods margarine factory in Karczew near Warsaw, which, together with Raisio's earlier products, brings the overall market share in Poland to well over 10%.



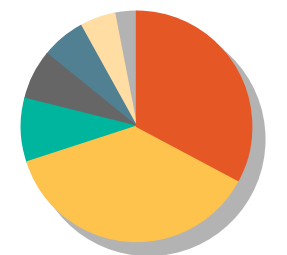
Contribution to Group turnover 43%



#### FOODSTUFFS DIVISION TURNOVER, FIMm



#### TURNOVER BREAKDOWN



- Grain products 33%
- Margarines 37%
- Rape and soy meal 9%
- Malts 7%
- Potato products 6%
- Preserves and other products 5%
- Vegetable oils 3%

#### BRAND-NAME PRODUCTS

- |           |             |
|-----------|-------------|
| Sunnuntai | Anni Helena |
| Elovena   | Aamunhyvä   |
| Benecol   | Keiju       |
| Kultasula | Risella     |
| Torino    | Pasta       |
| Voimix    | Finea       |
| Masmix    | Fraszka     |
| Nordic    | Soft        |
| Bel Ami   | Justelius   |
| Raisa     | Paakari     |
| Mestari   | Kymppi      |
| Nalle     | Mielihyvä   |
| Raision   | Raisio Malt |



## ANIMAL FEEDS DIVISION

### FARM FEEDS

As a consequence of Finland's accession to the EU, the price of cereal - the primary raw material in feed mixes - dropped significantly. At the same time, the protein tax on feed mixes was also lifted. The net result was that the prices of key farm feeds plummeted by as much as 45%, which was more than anticipated.

Nevertheless, the turnover of the Raisio Feed Group fell by only 16%, to a total of FIM 742 million, as product deliveries for the domestic and export markets also grew substantially. The result was as satisfactory as in the previous year.

All cereal raw materials were of domestic origin. 204 million kilos of feed cereal was bought, which was 22% over the previous year's level. Home-grown or domestically processed raw materials now accounted for 90% of the total.

### ENVIRONMENTAL VALUES HIGHLIGHTED

Raisio Feed continued single-mindedly on its established track, i.e. the production of highly processed products and feed mixes.

Another strategic track centres on heightened environmental values. Research and development at Raisio Feed focused on environmentally sound feeding programmes, of which feed mixes form an integral part. What is called Integrated Production (IP) was put into practice in cooperation with the Group's Agricultural Group. This farming technique takes advantage of nature's own regulatory mechanisms, thereby curbing the use of chemical fertilizers and pesticides. The first IP-produced poultry feeds were delivered to farms in December.

*Raisio Feed followed up on its chosen strategy of concentrating on highly processed products and fully processed feed mixes.*



*The market economy has forced producers of poultry and feed to constantly develop their products. Feed efficiency has improved by 40% in 20 years. The same goes for egg productivity per hen.*



Total cattle feed deliveries rose significantly. A new highly processed Futura-Maituri feed was developed aiming at more effective use of nutrients, especially proteins and energy, in the feeding of dairy cattle. This new product quickly became a leading complete feed for dairy farms.

The only early weaning feed for calves, Pikku-Mullin-Herkku, has already been on the market for 20 years. This product continues to be a successful one.

Pig feed mixes were adjusted in line with the introduction of new feeding norms. Alternatives which take into account both meat quality and the environmental impact of production were considered. A concerted effort was made to shorten turnover times in order to bring down the fixed costs of pig farms.

A feeding method for sows based on Mami- and Tiineen-Herkku feeds has resulted in a marked increase in pig production, without additional investments.

New, less protein-intensive feed mixes for poultry were developed. The amount of digestible amino acids in Täsmä-Herkku products was optimized so that the overall protein content in feed mixes could be calculated.

### SPECIAL FEEDS

Raisio Feed launched the Baron dog food and Deliss cat food ranges. A high-energy dry food for active dogs was the most important new item in this product group. The success of the new products looks promising.

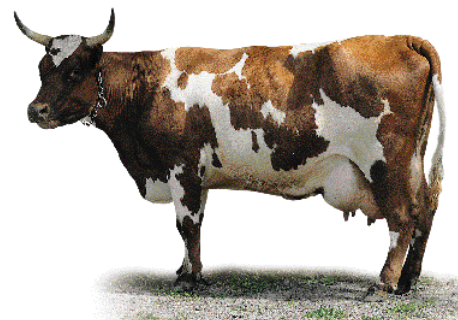


Raisio Feed functions as a pet food subcontractor, producing many well-known brand-name products. Raisio Feed's dog and cat foods saw a doubling in sales on 1994.

The company's position in the fur-bearing animal feed market remained as strong as ever. Monäs Feed deliveries grew, indicating healthy performance.

Exports of dog and cat food and of fish feed increased substantially. Farm feed exports to Russia got underway.

*Highly processed Futura-Maituri was developed for the feeding of dairy cattle and ensures more effective use of protein and energy than before.*



Exports of feed for fur-bearing animals fell short of the previous level due to general trends in this sector.

### INVESTMENT AND REARRANGEMENTS

Production at Raisio Feed was rationalized by turning all pet food production over to the plant in Hämeenlinna, which at the same time phased out production of farm feeds. Production of fish feed was turned over to the Raisio feed factory.

*Pig production has undergone significant improvements without added investments because of a feeding method for sows based on Mami- and Tiineen-Herkku feeds.*



*A new era in the feeding of egg-laying chickens began in September, when Raisio Feed put Täsmä-Herkku onto the market. By optimizing the amount of digestible amino acids, overall protein content has been reduced, all of which has a positive effect on poultry health, the productivity of feeding, and the environment. Head of Development Marja Hongisto is also in the picture.*

Processing capacity at the Raisio factory was augmented by investing in a poultry feed manufacturing line in which the enzymes are only added after the actual process in order to ensure their preservation. The entire dosing and control system at the Oulu factory was replaced.

Raisio began constructing a meal storage facility at the end of the year, the purpose of which is to ensure a high level of hygiene as well as to guarantee the availability of domestically crushed rape and soy meal. This approximately FIM 15 million investment was made necessary because a decision was made not to use foreign meat meal as feed raw material.

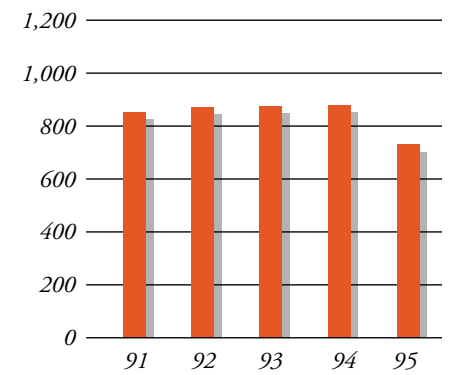
*Raisio Feed has 20 years' experience in the manufacture of dry dog foods and its share of the domestic market is around 40%. The most significant innovation in the Baron product series is a high-energy dry food designed for active dogs.*



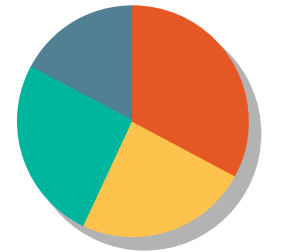
Contribution to Group turnover 23%



### ANIMAL FEEDS DIVISION TURNOVER, FIMm



### TURNOVER BREAKDOWN



- Cattle feeds 33%
- Pig feeds 24%
- Special feeds 26%
- Poultry feeds 17%

### BRAND-NAME PRODUCTS

- |         |         |
|---------|---------|
| Herkuu  | Herukki |
| Maituri | Melli   |
| Tess    | Kirjo   |
| Fur     | Baron   |
| Deliss  |         |



## CHEMICALS DIVISION

The market outlook for the pulp, paper and board industries in early 1995 was characterized by strong demand, rising prices and the full use of production capacity. A slowdown in demand during the latter half of the year resulted in production facility stoppages and the release of paper stocks. Paper consumption nevertheless continued to rise steadily.

Total Finnish paper and board production was only 11 million tonnes because of stoppages during the latter part of the year. Volume was nevertheless 2% over the 1994 figure.

Profound swings in customer industries' capacity utilization rates also had a negative impact on Raisio Chemicals operations. Another problem area was the unexpectedly steep price hikes at the beginning of the year for essential latex industry raw materials such as styrene, vinyl acetate and acrylate monomers. Price levels remained high right into the latter part of the year. The resulting increase in costs was not fully offset by price increases.

Raisio Chemicals' financial performance weakened for the reasons cited above. While satisfactory, it nevertheless failed to match actual objectives.

For Raisio Chemicals, 1995 was characterized by a major expansion of activity abroad. Its acquisitions, in August, of the British Group Roe Lee and the Canadian Diachem Industries were key developments here.

Roe Lee specializes in the production of hydrophobic sizing for the paper industry and owns production facilities in England, Scotland, France and Canada.

Diachem's programme includes a large array of chemicals used in papermaking and water treatment. The company has five production facilities in Canada, a sales-and-service company in the United States, and associated companies in Mexico and Chile.

*Analyst Ulla Helle investigating paper coating, using the Raisio Chemicals Development Center's FTIR microscope.*



*Raisio Chemicals developed its WTC 100 measurement system for analyzing a paper machine wet end's chemical and physical properties. The picture shows Product Group Manager Claes Zetter (left) and Sales Manager Petri Pursiheimo.*

### STARCH

Finland's potato starch quota (ratified by the European Union) was practically filled by domestic production. The size of the quota had been anticipated in farming contracts and adequate supply was further ensured by the exceptionally high starch content of the potato crop. 179 million kilos of potatoes were received.

The Raisio Potato Starch Subdivision produced 41 million kilos of starch, which translated into a near 40% boost in production. Financial performance was very satisfactory.

In the wake of EU membership, the Grain Starch Subdivision changed its raw material from barley to wheat. 66 million kilos of wheat were processed. The Subdivision made a net loss due to a production stoppage caused by the changeover in raw

*At the Lapua factory, two Raisio subsidiaries, Lapuan Peruna and Kationi, jointly process Pohjanmaa potatoes into first starch and then adhesives and binders for the paper industry.*



material and the low market price of products.

Roughly 85% of potato starch and 40% of grain starch products was further processed into starch binders for the paper industry. A substantial amount of starch was also obtained by recovering starch from the process water at large European and American potato chip factories, using a method developed by Raisio.

Sales of starch binders totalled FIM 430 million. Raisio Chemicals maintained its position as the largest supplier of starch products in the Nordic countries.

### LATEX BINDERS

Sales of latex binders totalled FIM 270 million. The surge in raw material prices toward the end of 1994 abated only at the end of summer 1995. For example, the

*In August, Raisio Chemicals bought the Roe Lee group, which specializes in hydrophobic sizing. There are production facilities in England, Scotland, France and Canada. The picture shows Roe Lee Canada, in Cornwall, Ontario.*





price of styrene more than doubled. For this reason, the product group's result trend was not satisfactory.

Nevertheless, delivery volume expanded and the Finnish market, in particular, saw continued growth.

**HYDROPHOBIC SIZING**

Sales of hydrophobic sizing grew by over 40%, totalling FIM 172 million. A distinct rise in demand and the increase in volume resulting from corporate acquisitions helped ensure a very positive trend. The paper industry's use of hydrophobic sizing is growing at over twice the rate of the increase in paper production.

Raisio Chemicals produced hydrophobic sizing dispersions at a total of nine factories across Europe and North America. Raisio France, which produces product raw materials, increased its capacity by 40%; all of the increase was already in use by the end of the year.

Raisio Chemicals is the third largest producer of hydrophobic sizing in the world. Its European market share climbed to over 20%.

**RECYCLING CHEMICALS**

Recycling chemicals include those used in fibre and water circulation systems at paper mills.

Raisio Chemicals maintained its high market share in the Nordic countries in the de-inking chemicals sector. Group acquisitions added to the efficiency of the international sales organization, which helped consolidate the emerging strong growth in Raifix polymer exports. The autumn saw also the marketing for the first time in Finland of Diachem Industries' products for the chemical pulp industry.

Sales of recycling chemicals rose about 40%, to FIM 133 million.

*The other major Raisio Chemicals acquisition was the purchase of Canadian Diachem Industries. The company manufactures chemicals used in paper making and water treatment at its five production facilities. The picture shows the factory in Squamish, British Columbia.*



**DEVELOPMENT**

The Paper Technology Center was inaugurated in March, enhancing the versatility and international profile of Raisio's Technology Center as a leading research and development institute in the area of paper coating and manufacturing.

The WIC 100 measurement system developed by Raisio Chemicals, which permits the analysis of a paper machine wet end's chemical and physical properties, has proved itself as a significant cost-reducing invention in papermaking. The WIC 100 was awarded the top prize in the year's Productive Idea competition.

Product development focused on cleaner, environmentally sounder products. At the same time, industrial processes were being developed which would not produce any pollutants whatsoever.

**EQUIPMENT AND SYSTEMS**

Raisio Engineering turnover was FIM 94 million, of which FIM 40 million was attributable to Raisio Flootek in Sweden. The sector showed a profit.

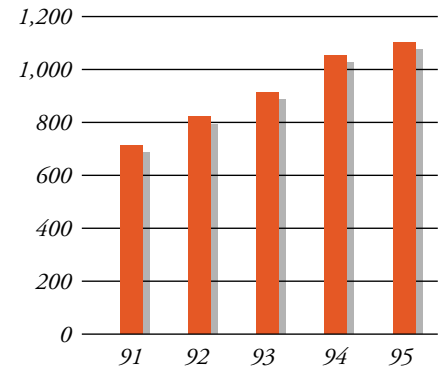
Raisio Engineering operations comprise major deliveries of starching equipment and environmental technology, particularly water treatment systems. Planning and design operations were sold to the Elomatic Group at the beginning of September.

Corn and wheat starch equipment was delivered to India. Supervised installation and start-up of a wheat starch facility was also concluded in China. A Biolak sewage filtration plant was delivered to Poland and numerous water treatment systems were supplied by Flootek to Sweden, Malaysia and Poland.

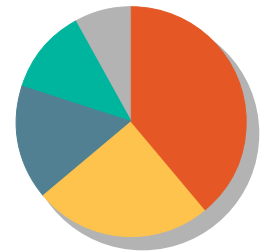
The Group's Finnish commercial operations were incorporated in early November as Raisio Engineering Ltd. Both Raisio Engineering Ltd and Flootek AB (Raisio Flootek) were redesignated Raisio Chemicals Ltd subsidiaries at the beginning of 1996.



**CHEMICALS DIVISION TURNOVER, FIMm**



**TURNOVER BREAKDOWN**



- Starch products 39%
- Latexes 25%
- Hydrophobic sizing 16%
- Recycling chemicals 12%
- Raisio Engineering 8%

**BRAND-NAME PRODUCTS**

- |                  |                  |
|------------------|------------------|
| <i>Raisamyl</i>  | <i>Raisional</i> |
| <i>Styronal®</i> | <i>Raisafob</i>  |
| <i>Raifix</i>    | <i>Raisapon</i>  |
| <i>Raisacat</i>  | <i>Rebarco</i>   |
| <i>WIC 100</i>   | <i>Biolak</i>    |
| <i>Flootek</i>   |                  |

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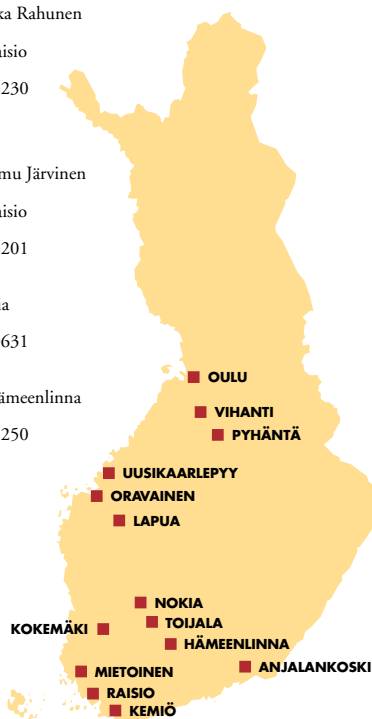
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■ Raisio Group production plants and sales companies

▲ Affiliates' production plants





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