



R A I S I O   G R O U P   1 9 9 6



## CONTENTS

Raisio Group	1
1996 in Brief	1
Ten Years in Brief	2
Turnover	2
Chief Executive's Review	3
Organization	4
Supervisory Board,	
Board of Directors and Auditors	5
Annual Report of the Board of Directors	6
Consolidated Income Statement	11
Consolidated Balance Sheet	12
Source and Application of Funds	14
Parent Company Income Statement	15
Parent Company Balance Sheet	16
Accounting Principles	18
Notes to the Financial Statements	19
Boards Proposal for the Disposal of Profit	26
Auditors' Report	27
Statement of the Supervisory Board	27
Investor Information	28
Share Quotation	32
Computation of Indicators	33
Foodstuffs Division	34
Benecol	37
Animal Feeds Division	38
Chemicals Division	40
Information for Shareholders	43
ISO Quality Certificates	43
Stock Exchange Bulletins	44
Contact Information	46

## RAISIO GROUP

Raisio Group is a Finnish enterprise operating in the foodstuffs, animal feeds and chemicals sectors. It is expanding internationally at a vigorous rate, and already has production units in 13 countries. Its parent company, Raisio 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 constituents and is ready to accept challenges from its cooperation partners and to work with them in devising solutions to various problems.

Raisio Group is committed to sustainable development and has acceded to The Business Charter for Sustainable Development (International Chamber of Commerce 1990).

Raisio Group uses renewable natural resources almost exclusively as its raw materials. Environmental considerations are important in planning and developing production processes. The Group conserves the environment by developing and marketing environmentally sound products and by using methods with less harmful effects.

≈ Raisio Group is a firmly based, financially sound and successful enterprise, and hence also a safe cooperation partner.

FOODSTUFFS DIVISION	ANIMAL FEEDS DIVISION	CHEMICALS DIVISION
Milling Subdivision Oil Milling Subdivision Margarine Subdivision Potato Processing Subdivision Malting Subdivision Foodie	Raisio Feed Ltd	Starches Hydrophobic Sizing Coating Chemicals Recycling Chemicals Equipment

## 1996 IN BRIEF

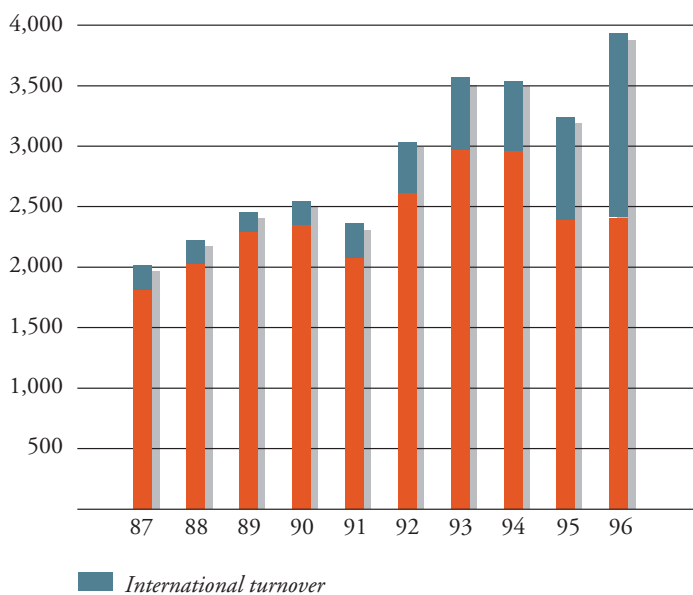
- Chemicals Division performance improved greatly. Foodstuffs and Animal Feeds did not perform as well as in 1995.
- The Benecol stanol ester product aroused great interest, and this found reflection throughout the Group.
- The value of the Raisio Tehtaat Oy Ab share multiplied. Foreign ownership exceeded 50%.
- International operations accounted for some 40% of consolidated turnover.

	1996	1995
Turnover, FIMm	3 928	3 224
Profit after depreciation, FIMm	196	183
Profit before extraordinary items, FIMm	166	141
Equity ratio, %	54.0	52.1
Return on equity, %	8.5	8.5
Investments, FIMm	387	380
Average personnel	2 365	2 054

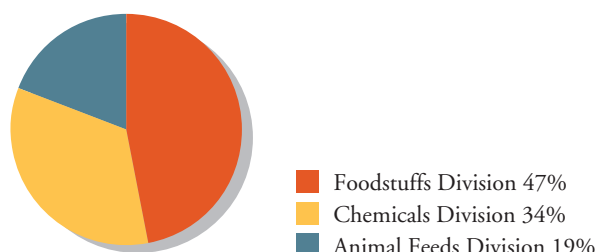
## TEN YEARS IN BRIEF

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Turnover, FIMm	2011	2184	2487	2557	2315	3070	3549	3518	3224	3928
change, %	+9	+9	+14	+3	-9	+33	+16	-1	-8	+22
Exports from Finland, FIMm	126	106	110	136	172	241	389	358	519	735
International turnover, FIMm	288	161	189	217	279	405	561	568	886	1541
Operating margin, FIMm	214	247	232	213	316	431	492	428	383	420
% of turnover	10.6	11.3	9.3	8.3	13.6	14.0	13.9	12.2	11.9	10.7
Profit after depreciation, FIMm	147	167	120	90	185	252	294	230	183	196
% of turnover	7.3	7.6	4.8	3.5	8.0	8.2	8.3	6.5	5.7	5.0
Profit before extraordinary items, FIMm	97	137	84	27	101	158	199	165	141	166
% of turnover	4.8	6.3	3.4	1.1	4.4	5.1	5.5	4.7	4.4	4.2
Profit before appropriations, taxes and minority interest, FIMm	97	98	91	64	63	114	185	35	140	162
% of turnover	4.8	4.5	3.7	2.5	2.7	3.7	5.2	1.0	4.3	4.1
Return on equity, %	15.5	15.3	5.4	0.1	6.9	10.3	10.3	9.4	6.8	5.8
Return on investment, %	12.6	13.1	9.0	5.8	10.7	13.7	12.4	10.3	8.5	8.5
Shareholders' equity + reserves + minority interest, FIMm	670	994	1123	1224	1246	1426	1517	1564	1648	1973
Balance sheet total, FIMm	1831	2257	2493	2872	2702	3268	3302	3071	3175	3678
Equity ratio, %	36.7	44.3	46.0	43.7	47.3	44.3	46.5	51.4	52.1	54.0
Quick ratio	0.8	1.0	0.8	0.8	0.9	0.8	1.0	1.1	0.9	1.1
Current ratio	1.6	1.7	1.6	1.5	1.6	1.5	1.6	1.6	1.6	1.8
Gross investments, FIMm	101	329	269	462	197	293	174	188	380	387
% of turnover	5.0	15.1	10.8	18.1	8.5	9.5	4.9	5.3	11.8	9.9
R&D expenditure, FIMm	16	28	31	52	31	35	40	54	54	87
% of turnover	0.8	1.3	1.2	2.0	1.3	1.1	1.1	1.5	1.7	2.2
Direct taxes, FIMm	5	10	27	25	20	20	47	21	32	64
Average personnel	1538	1581	1877	1987	1803	1985	2106	1958	2054	2365

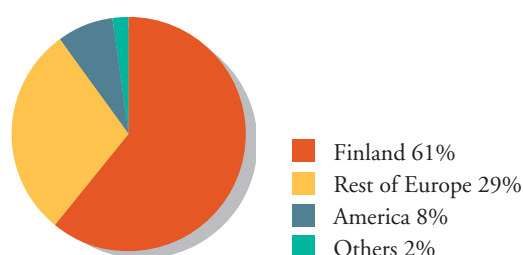
### TURNOVER, FIMm



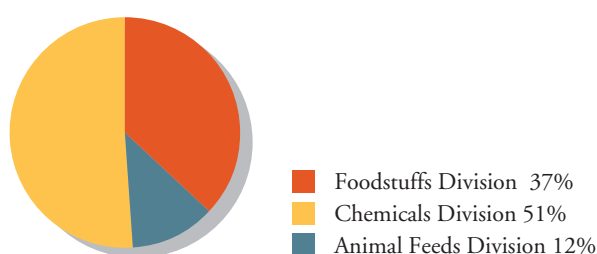
### TURNOVER BY DIVISION



### TURNOVER BY MARKET AREA



### PROFIT AFTER DEPRECIATION BY DIVISION



## CHIEF EXECUTIVE'S REVIEW

Finland's second year as a member of the EU brought about many significant changes and challenges for the Raisio Group. At the same time, it was the first year of free competition completely under EU rules in terms of both raw materials and finished products.

1996 was a period of vigorous growth for the Group: corporate acquisitions were made abroad, and both exports and domestic markets grew. Together, they brought turnover up from a good FIM 3 billion to FIM 4 billion. International turnover accounted for as much as FIM 1.5 billion and is still growing rapidly.

Consolidated profit before extraordinary items rose to FIM 166 million, which is very satisfactory in view of free foreign competition, lower price levels and exceptionally high R&D expenses.

1996 will go down in the Raisio Group's history as 'Benecol year', such was the role of this new cholesterol-reducing margarine in increasing the Group's visibility and raising its profile in all our sectors of operations. Although we have not been able to meet even the domestic demand for Benecol margarine so far, the product is already known worldwide and great expectations are attached to it.

The Benecol phenomenon quintupled the value of our shares, increasing the Group's market capitalization by billions of Finnish marks. The sharp rise in share prices also made it possible to float a successful issue, which raised over FIM 200 million to fund future expansion projects. Developments in 1996 also increased foreign ownership from 10% to more than 50%. Appreciation of the Group and its potential has continued to increase in 1997.

1996 was a year of vigorous growth in the Margarine Subdivision, with turnover rising from FIM 600 million in 1995 to close on FIM 900 million. The capacity of the margarine factory bought in Poland in December 1995 was doubled by making new investments in the facilities and processing lines. Output by the Raisio and Polish factories together exceeded a hundred million kilos.

A Swedish margarine factory, Carlshamn Mejeri AB, was bought in November 1996. This will raise Margarine Subdivision turnover to over FIM 1.5 billion in 1997 and make the Raisio Group the third biggest margarine producer in Europe. Apart from significant export volumes, we hold half of the domestic market and a third of the Swedish market. In Poland alone we are the third biggest among a large number of producers.

The performance of the grain processing sectors was poor, but we succeeded in maintaining our strong market position. The Milling Subdivision achieved high export levels and introduced a number of new products on the domestic market. The Animal Feeds Division's performance reflected problems in animal husbandry in general, but there was growth in special feeds and exports. Discovery of the effectiveness of histidine in optimizing feed proteins aroused expectations, but practical application will take time. The Malting Subdivision showed its competitive capacity in the new situation, and a decision was made to invest heavily in expansion. Wheat starches remained in the red, improving only marginally.

Foodie Oy strengthened its position on the Finnish processed foods market, increased its exports considerably and improved its performance. The Potato Processing Subdivision had to face stiff competition from other European French fries producers in autumn 1996. Finnish prices fell to the dumping level, and imports took over about half of total consumption. In view of the good public image of the Finnish potato, this sector looks able to survive, however, after reorganization, and a reshuffling of the product range. On the other hand, the potential for the Potato Starch Subdivision looks quite satisfactory.

The Chemicals Division continued to grow in spite of the slow-down caused by global problems in the paper industry. Particular



*Chief Executive Matti Salminen and a restored distribution van from the early 1960s.*

attention was paid to arrangements related to corporate acquisitions the previous year and to creating the foundation for a new period of growth.

The Group's prospects as a whole are definitely more favourable than last year. Through corporate acquisitions, operations have been expanded from the domestic market to exports and local manufacture abroad. The same trend has been evident in both the Chemicals Division and our older sectors. The entire Group image is shifting from that of a national enterprise to an international one. The roles of the Chemicals Division and the Margarine Subdivision are becoming stronger and growing, already accounting for close on two thirds of consolidated turnover. Grain processing will also continue to be a strong sector in the Raisio Group, though it will not grow as fast as the other two.

Our corporate image is also changing because of the Benecol business. In future, this will consist of sales of the cholesterol-reducing active ingredient to the rest of the foodstuffs industry, although our own Margarine Division will be one marketing channel.

In many respects, 1996 was a time of change for the Raisio Group. It was a busy year, during which many new factors emerged - some of them unexpected - that could be used to support vigorous growth. We have succeeded in controlling this growth and in creating a foundation for new development, with a goal of FIM 5 billion in turnover for 1997. I should like to thank all those contributing to this work of construction. We have every reason to feel confident about the future.

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.

For the purpose of this review, the Oil Milling and Malting Subdivisions (normally part of the internal organization of the Raw Materials Division) have been placed in the Foodstuffs Division grouping.

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

CHIEF EXECUTIVE Matti Salminen

FOODSTUFFS DIVISION  
Deputy Chief Executive Jukka Mäki

MELIA LTD  
Teemu Järvinen  
MARGARINE DIVISION  
Kari Jokinen  
BENECOL UNIT  
Jukka Kaitaranta

POTATO PROCESSING  
Jukka Hillukkala  
FOODIE OY  
Jukka Rahunen  
RAISIO CATERING OY  
Jukka Rahunen

RAW MATERIALS DIVISION  
Pentti Heikonen

OIL MILLING SUBDIVISION  
Matti Soupas

MALTING SUBDIVISION  
Hannu Maunula

CHEMICALS DIVISION  
Tor Bergman

RAISIO CHEMICALS LTD  
Kai Hannus  
STARCHES  
Martti Söderström  
HYDROPHOBIC SIZING  
Claes Zetter  
COATING CHEMICALS  
Lauri Jämsén  
RECYCLING CHEMICALS  
Tapio Vihervaara

EQUIPMENT  
Jari Lehmusvaara  
SCANDINAVIA  
Tom Kronlöf  
EUROPE  
Peter C. R. Street  
AMERICA  
Alan Whitehead  
FAR EAST  
Esko Sarkki

ANIMAL FEEDS DIVISION  
Simo Tuikka

RAISIO FEED LTD  
Simo Tuikka  
MONÄS FEED OY AB  
Ralf Häggblom

FINANCIAL ADMINISTRATION  
Hannu Suominen

AGRICULTURAL GROUP  
Anssi Aapola



## SUPERVISORY BOARD

### End of term

<b>Heikki Haavisto</b> , 61 Raisio Chairman from 1987 to Dec. 31, 1996	<b>Matti Hakala</b> , 57 Orimattila member since 1987	1997	<b>Albert Käiväräinen</b> , 56 Mynämäki member since 1987	1999	<b>Pekka Raipala</b> , 50 Hämeenkyrö member since 1987	1998
<b>Toivo T. Pohjala</b> , 65 Harjavalta Chairman since 1997, member since 1987	<b>Anders af Heurlin</b> , 45 Parainen member since 1987	1998	<b>Vesa Lammela</b> , 55 Kiukainen member since 1996	1998	<b>Nils-Erik Segersven</b> , 60 Kemiö member since 1994	1999
<b>Ola Rosendahl</b> , 57 Pernaja Vice Chairman since 1988, member since 1987	<b>Esa Härmälä</b> , 42 Helsinki member since 1996	1999	<b>Arto Lampinen</b> , 64 Turku member from 1987 to March 18, 1996		<b>Ilmo Seppälä</b> , 59 Valkeala member since 1996	1998
<b>Juhani Ali-Melkkilä</b> , 64 Perniö member since 1987	<b>Juhani Immala</b> , 61 Askainen member since 1987	1999	<b>Hans Langh</b> , 47 Piikkiö member since 1990	1998	<b>Johan Taube</b> , 46 Tenhola member since 1987	1997
<b>Hannu Auranen</b> , 60 Karinainen member since 1987	<b>Timo Järvilahti</b> , 54 Halikko member since 1987	1999	<b>Antti Lithovius</b> , 47 Lumijoki member since 1994	1999	<b>Juhani Torkkomäki</b> , 57 Somero member since 1987	1997
<b>Juhani Enkovaara</b> , 51 Helsinki member since 1996	<b>Juho Koivisto</b> , 52 Kurikka member since 1987	1998	<b>Erkki Myllymäki</b> , 65 Raisio member since 1987	1997	<b>Simo Vaismaa</b> , 54 Isokyrö member since 1991	1999
<b>Risto Ervelä</b> , 46 Sauvo member since 1991	<b>Taisto Korkeaoja</b> , 56 Kokemäki member since 1992	1997	<b>Teemu Olli</b> , 47 Nousiainen member since 1987	1997	<b>Bo Åberg</b> , 66 Nauvo member since 1987	1997

## BOARD OF DIRECTORS

<b>Bengt Silén</b> , 66 Turku Chairman from 1992, member from 1987 to Dec. 31, 1996	<b>Kaj Lönnroth</b> , 60 Kemiö, member since 1987	<b>DEPUTY MEMBERS</b>	
<b>Heikki Haavisto</b> , 61 Raisio Chairman since Jan. 27, 1997 and member since Jan. 1, 1997	<b>Kaarlo Penttilä</b> , 55 Salo member since 1992	<b>Anssi Aapola</b> , 45 deputy member since 1991	<b>Hannu Suominen</b> , 50 deputy member since 1987
<b>Matti Linnainmaa</b> , 56 Pori Vice Chairman since Jan. 27, 1997, member since 1995	<b>Matti Salminen</b> , 55 Turku, member since 1992	<b>Tor Bergman</b> , 48 deputy member since 1991	<b>Simo Tuikka</b> , 55 deputy member since 1992
<b>Arto Lampinen</b> , 64 Turku, member since March 18, 1996	<b>Arimo Uusitalo</b> , 54 Kiikala, member since 1991	<b>Pentti Heikonen</b> , 61 deputy member since 1987	
	<b>Pertti Vuola</b> , 61 Mietoinen, member since 1987 (Vice Chairman 1991-1996)	<b>Kari Jokinen</b> , 48 deputy member from 1995 to Dec. 31, 1996	
		<b>Jukka Mäki</b> , 61 deputy member since 1987	
		<b>Tarja Mäkinen</b> , 47 deputy member since 1995	

## AUDITORS

**Thor Nyroos**  
Authorized Public Accountant  
Turku

**Esa Kailiala**  
Authorized Public Accountant  
Lieto

### DEPUTY AUDITORS

**Pertti Keskinen**  
Authorized Public Accountant  
Turku

**Pekka Pajamo**  
Authorized Public Accountant  
Raisio

## ANNUAL REPORT OF THE BOARD OF DIRECTORS



*The Board of Directors visited Raisio's acquisition in Sweden, Carlshamn Mejeri AB. From left Kaarlo Pettilä, Kaj Lönnroth, Arto Lampinen, The Chairman of the Supervisory Board Toivo T. Pohjala, Arimo Uusitalo, Deputy Chairman Matti Linnainmaa, Pertti Vuola, Chairman Heikki Haavisto and Matti Salminen.*

In many ways, 1996 was a challenge to the Raisio Group, but it was able to meet the challenge fairly well. The Group grew and became increasingly international.

The internationalization process was dual; international business increased substantially, and international ownership also grew. At the end of the year, more than half of the stock and three fourths of the free shares were owned by foreigners.

Cholesterol-reducing Benecol stanol ester aroused attention all over the world. The expectations attached to it contributed to the fivefold rise in the Group's market capitalization, from FIM 935 million to FIM 4,696 million.

Consolidated financial performance improved and was satisfactory. The year would have been successful without the disproportion between raw material and product prices in the Milling and Animal Feeds Divisions. Performance was further hampered by the loss made in Poland. In view of overall performance, the improvement in the Chemicals Division was significant. Re-arrangements were made in Canada, and these account for the extraordinary expenses entered in the financial statements. Other international operations proceeded as expected.

There was more investment in R&D than before. This and other favourable prospects form a good foundation for 1997.

### TURNOVER

Consolidated turnover totalled FIM 3,928 million in 1996, an increase of FIM 704 million, i.e. 22% on the previous year.

The rapid increase in net sales is due to corporate acquisitions abroad, growing exports and success on the domestic market.

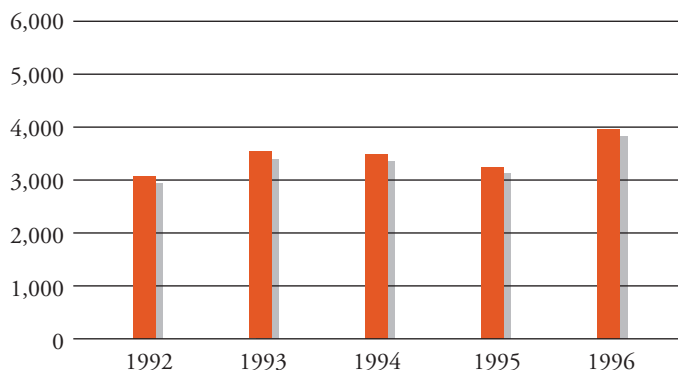
### International turnover

International turnover grew substantially and its share of consolidated turnover rose to 39%. Exports from Finland came to FIM 735 million, and international turnover as a whole to FIM 1,541 million.

Margarine exports totalled FIM 265 million. Other major export product lines were malts, starch products, wheat flour, pasta, special feeds, ketchups, latexes, paper chemicals and wheat gluten.

More than 50% of all exports went to Russia. Other major buyers were Sweden, Poland, Estonia, Venezuela, Germany, Tunisia and the United States.

### TURNOVER, FIMm





**International turnover, FIMm**

	1996	1995
Exports from Finland		
Foodstuffs Division	551	358
Animal Feeds Division	38	37
Chemicals Division	146	124
	<b>735</b>	519
Turnover of foreign companies	1,066	616
Trading abroad	12	8
- intra-Group sales	272	257
	<b>1,541</b>	886

**Turnover by market area %**

	1996	1995
Finland	61	73
Rest of Europe	29	19
America	8	6
Other	2	2

**CONSOLIDATED FINANCIAL PERFORMANCE**

Consolidated profitability was satisfactory. The operating margin was FIM 420 million, 10.7% of turnover. In money terms, operating margin rose by FIM 37 million.

Profit after depreciation, FIM 196 million, was FIM 13 million higher than the previous year, accounting for 5.0% of turnover (5.7% in 1995).

Consolidated net financial expenses came to FIM 30 million, accounting for 0.8% of turnover. The trend in financial expenses is described in more detail below under Financing.

Consolidated profit before extraordinary items totalled FIM 166 million, an improvement of FIM 25 million on the previous year.

**FINANCIAL PERFORMANCE BY DIVISION**

Financial performance by the Foodstuffs Division declined, but was still rather satisfactory as a whole. The rise in grain prices that took place in spring and summer could not be transferred to sales prices until autumn, which hampered Melia's performance.

Performance by the Oil Milling Subdivision was satisfactory because of good capacity utilization. The trend in the Margarine Subdivision was favourable with the exception of operations in Poland, and financial performance was satisfactory.

Foodie Oy improved its performance, showing a profit. The Potato Processing Subdivision had to record a loss for the year as a result of dumping in imported French fries. Performance by the Malting Subdivision improved and was very satisfactory.

Financial performance by the Animal Feeds Division was poorer than expected on account of imbalance between raw material and sales prices.

After a slack period of about a year in 1995, the Chemicals Subdivision returned to a substantially better performance level, in despite the fact that stoppages still continued in the pulp and paper industry at the beginning of the year. Latex raw material prices returned to a lower level after the previous year's radical hikes, which contributed to the better result. The trend in starch products and hydrophobic sizing was also favourable.

**TURNOVER AND PROFIT AFTER DEPRECIATION BY DIVISION, FIMm**

	Turnover		Profit after depreciation	
	1996	1995	1996	1995
Foodstuffs Division	1,999	1,519	73.5	96.4
Animal Feeds Division	760	742	24.1	40.1
Chemicals Division	1,360	1,099	100.7	48.4
Other operations	-	-	-2.4	-2.0
Inter-divisional turnover	-191	-136	-	-
	<b>3,928</b>	3,224	<b>195.9</b>	182.9

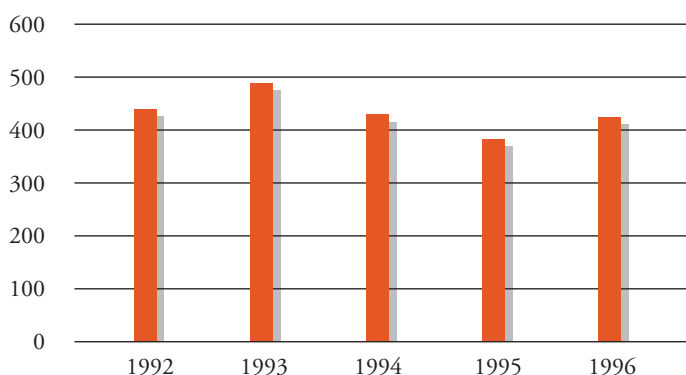
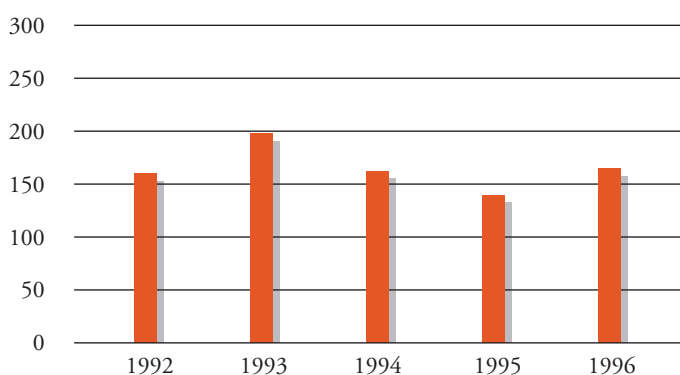
**SHARE ISSUE**

In the period June 10 to July 10, 1996 Raisio Tehtaat Oy Ab floated a share issue, raising a total of FIM 218 million, including the issue premium. These funds were used to create favourable conditions for the development of the Benecol business, expansion of the Margarine Division, and corporate purchases in the Chemicals Division.

One new free share could be subscribed against five old free shares and one new restricted share against five old restricted shares at FIM 80 each.

The issue was subscribed in full. A total of 2,722,163 new shares were subscribed: the share capital now totals FIM 163,329,830, an increase of FIM 27,221,630.

The new shares entitle their holders to full dividend for 1996.

**OPERATING MARGIN, FIMm****PROFIT BEFORE EXTRAORDINARY ITEMS, FIMm**

## FINANCING

The features that characterized consolidated financing in 1996 were the continuation of major investments, the share issue, and a syndicated loan agreed on with an international consortium of bankers.

Business cash flow came to FIM 290 million, providing funding for some of the 1996 investments. The cash flow situation improved, as operating capital did not tie up a large amount of assets, as was the case the previous year.

The funds raised in the share issue were used to finance business described in the grounds given for the share issue, including a corporate acquisition in the Margarine Division.

On December 12, 1996 the parent company signed an agreement on a syndicated loan of USD 135 million with an international banking consortium. This is the first syndicated credit agreement made by the Group and will be in effect for five years. Future financing needs can be handled flexibly within this loan, but none of it was used in 1996.

The trend in consolidated net financial expenses was favourable. The interest expenses caused by heavier borrowing were counterbalanced by lower interest rates. Financial income includes a FIM 5.5 million trust department investment which had previously been entered as an expense item but was recovered in the final liquidation of Oy Bensow Ab.

The method of booking exchange rate differences in the financial statements was altered. Unrealized exchange rate gains were not recognized as income in the previous financial statements. The 1996 financial statements show a total of FIM 16 million in unrealized exchange rate gains. The equivalent figure would have been FIM 11 million in the 1995 financial statements.

Consolidated interest-bearing net debt amounted to FIM 708 million at the end of the year, roughly the 1995 level. The average amount of interest-bearing debt used was, however, higher than the previous year.

The financial structure continued to be strong. The equity ratio improved from 52.1% to 54.0%. Return on investment remained at 8.5%, and return on equity was 5.8% (6.8% in 1995).

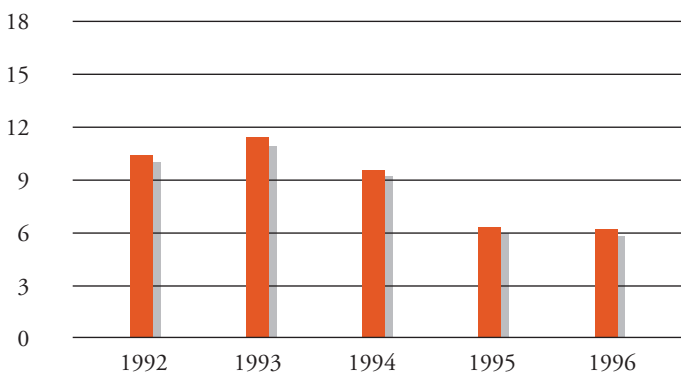
The company hedges itself against risks inherent in receivables and debts, purchase and sales agreements off balance sheet, and to some extent budgeted cash flow denominated in foreign exchange. Hedging against foreign exchange risks takes the form of forward contracts on the basis of net foreign exchange position, for a maximum of 12 months. The share capital of subsidiaries abroad can be hedged by decision of the financial advisory group.

Three fourths of the exchange rate risk caused by loans and loan receivables denominated in foreign currencies was covered by hedging measures on the date of closing the accounts. A third of the cash flow risk related to purchases and sales was also covered.

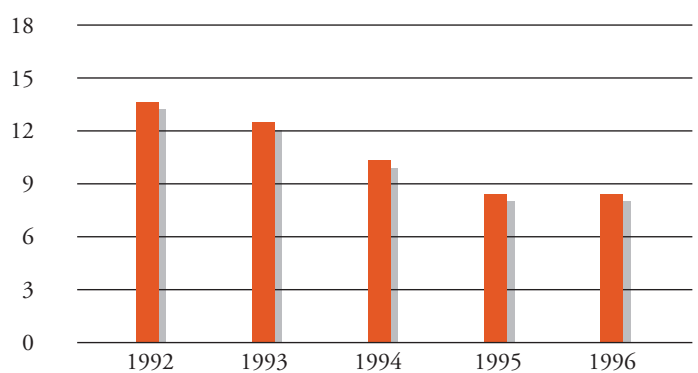


*Raision Tehtaat Oy Ab signed an agreement on a syndicated loan worth USD 135 million with an international banking consortium in December. The agreement was signed in Turku castle.*

## EARNINGS PER SHARE, FIM



## RETURN ON EQUITY, %



## INVESTMENTS

Gross consolidated investments came to FIM 387 million, accounting for 10% of turnover. Investments in Finland totalled FIM 151 million and those abroad FIM 236 million.

The most important investments related to strategic decisions made in the Group, such as acquisition of a majority holding in the Swedish margarine factory Carlshamn Mejeri AB and the construction of a Benecol stanol ester factory in Raisio.

An investment was made in the margarine factory in Poland, where a tub packaging line and peripherals were installed. The first stage in the extension of Raisio Malt was completed and the second extension project was begun.

A meal warehouse was completed at the Raisio feed factory, and the main mixer was replaced.

The Chemicals Division increased its holding in the Indonesian PT Budi Raisio International starch processing company to 50%.

### Gross investment by Division, FIMm

	1996	1995
Foodstuffs Division	281	150
Animal Feeds Division	37	24
Chemicals Division	64	189
Joint Group investments	5	17
<b>Total</b>	<b>387</b>	<b>380<sup>1)</sup></b>

<sup>1)</sup> The 1995 comparison figures have been adjusted to correspond to 1996 accounting practice.

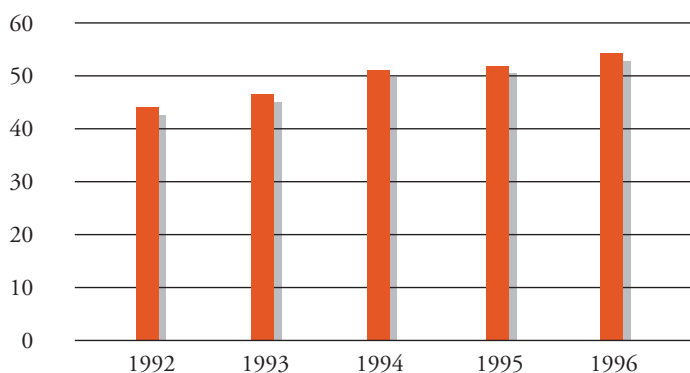
## CHANGES IN GROUP STRUCTURE

The name of the Raisio Chemicals subsidiary Roe Lee Canada Inc. was changed in June and is now Raisio Chemicals Canada, Inc. The business operations of Diachem Industries Ltd were merged into this company.

In November, the Swedish company Carlshamn Mejeri AB was merged with the Group, which bought 77.5% of its shares. The remaining shares were acquired in 1997.

PT Budi Raisio International is also included in the consolidated balance sheet. The holding was increased to 50% in December, and the Raisio Group has controlling power under the terms of a mutual agreement.

## EQUITY RATIO, %



## PERSONNEL

Raisio Group employed an average of 2,365 persons in 1996, or 311 more than the previous year. The number was raised by the purchase of Carlshamn Mejeri AB and an increase in the number of staff in Poland.

At the end of the year the personnel numbered 2,594, which was 433 more than a year earlier. In Finland, the number of personnel was 1,732 (67%) and abroad 862 (33%).

Raisio Tehtaat Oy Ab employed an average of 694 persons, and 683 at the end of the year.

Wages, salaries and fringe benefits totalled FIM 361 million (FIM 314 million in 1995). Salaries and remunerations paid to members of the Board of Directors, the Supervisory Board and the managing directors came to FIM 9.2 million (FIM 8.0 million in 1995). The figures are performance-based.

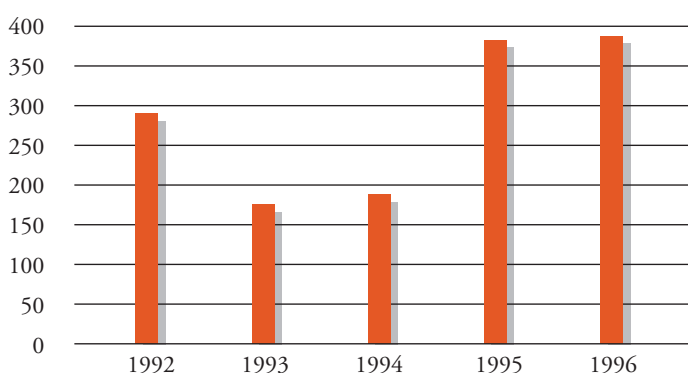
### Average personnel by Division in 1996

	1996	1995
Foodstuffs Division	1,203	945
Animal Feeds Division	274	275
Chemicals Division	748	658
Others	140	176
<b>Group average</b>	<b>2,365</b>	<b>2,054</b>

### Personnel by locality

	31.12.1996	31.12.1995
Raisio	992	970
Toijala	116	112
Nokia	100	99
Anjalankoski	102	96
Vihanti	88	85
Elsewhere in Finland	334	340
Sweden	355	32
Poland	240	144
Canada	128	141
UK	40	43
USA	41	38
France	32	32
Elsewhere abroad	26	29
<b>Group total</b>	<b>2,594</b>	<b>2,161</b>

## INVESTMENT, FIMm



## RESEARCH AND DEVELOPMENT

The Group's R&D costs came to FIM 87 million, accounting for 2.2% of turnover. The Foodstuffs Division accounted for FIM 33 million, the Animal Feeds division for FIM 7 million and the Chemicals Division for FIM 47 million. Benecol was the biggest single R&D project, with a total value of FIM 22 million.

## OUTLOOK FOR THE FUTURE

Good solvency continues to be a sound foundation for future operations. Efforts will be made to hold onto the market position won in Finland and indeed to improve it, although growth prospects concentrate on international business, in terms of both exports and manufacture abroad.

Benecol, in particular, arouses major growth and revenue expectations, which have contributed to the increase in the value of our enterprise. The Board is aware of the challenges presented by change and considers it important to achieve targets and good financial performance.

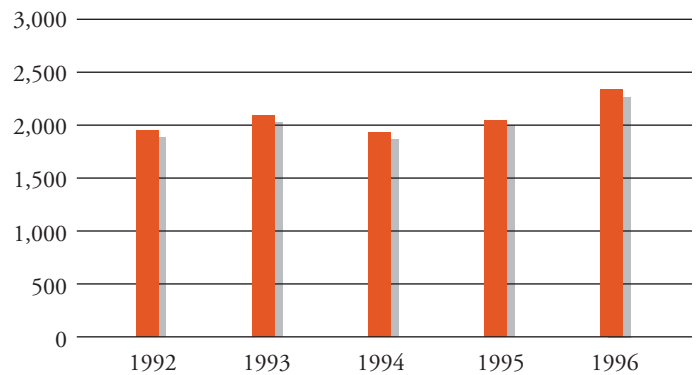
The Margarine Division will be one of the Group's key areas; reinforcing the market position of Carlshamn Mejeri and rapid improvement of Raisio Polska Foods' finances will receive particular attention.

It is still considered likely that exports can be boosted in the Foodstuffs Division.

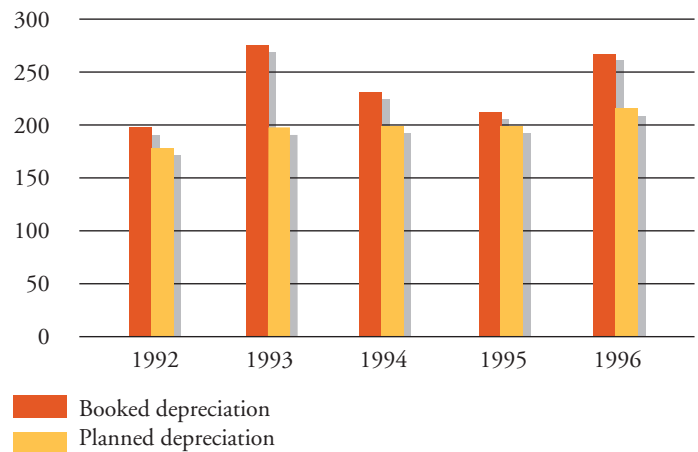
Operations by the Chemicals Division will increase both in Europe and in America. There is potential in the Far East, too, but more extensive business will have to wait until 1998 and after.

Growing sales and new companies are likely to increase turnover substantially: it will approach FIM 5 billion in 1997.

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



**DEPRECIATION, FIMm**



## CONSOLIDATED INCOME STATEMENT

(FIM 1,000)	1.1.-31.12.1996	1.1.-31.12.1995
<b>TURNOVER</b>	<b>3 927 916</b>	3 224 404
Increase(+)/decrease(-) in stocks of finished products	+1 170	+57 371
Production for own use (+)	-	+5 038
Share of associated companies' profits	7 422	3 856
Other income from business operations	19 494	11 956
Expenses:		
Materials, supplies and goods:		
Purchases during the year	2 465 612	2 104 549
Increase(-)/decrease(+) in inventories	+4 222	-65 721
Outside services	14 977	18 111
Personnel expenses (1)	459 729	411 724
Rents	42 574	34 587
Other expenses	549 049	416 104
Total expenses	<b>3 536 163</b>	2 919 354
<b>OPERATING MARGIN</b>	<b>419 839</b>	383 271
Depreciation on fixed assets and other long-term expenditure (2)	211 882	192 412
Depreciation on Group adjustments	12 063	7 974
<b>PROFIT AFTER DEPRECIATION</b>	<b>195 894</b>	182 885
Financial income and expenses:		
Dividend received	1 670	768
Interest received on long-term investments	40	52
Interest received on short-term investments	18 523	27 169
Other financial income	12 390	1 045
Exchange rate differences	8 623	-1 565
Share of associated companies' profits	2 767	537
Interest paid	-69 337	-66 213
Other financial expenses	-4 163	-3 979
Total financial income and expenses	<b>-29 487</b>	-42 186
<b>PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES</b>	<b>166 407</b>	140 699
Extraordinary income and expenses (4):		
Extraordinary income	743	926
Extraordinary expenses	-4 959	-1 863
Total extraordinary income and expenses	<b>-4 216</b>	-937
<b>PROFIT BEFORE RESERVES AND TAXES</b>	<b>162 191</b>	139 762
Increase(-)/decrease(+) in depreciation difference (2)	-42 594	-9 602
Increase(-)/decrease(+) in voluntary reserves (5)	+47 280	+20 265
Direct taxes:		
On the financial year	-57 648	-32 190
On earlier financial years	-6 427	427
<b>PROFIT FOR THE YEAR BEFORE MINORITY INTEREST</b>	<b>102 802</b>	118 662
Minority interest	-8 186	-14 824
<b>CONSOLIDATED PROFIT FOR THE FINANCIAL YEAR</b>	<b>94 616</b>	103 838

The figures in brackets refer to the attached notes.



## CONSOLIDATED BALANCE SHEET

(FIM 1,000)	31.12.1996	31.12.1995
<b>ASSETS</b>		
<b>FIXED ASSETS AND OTHER LONG-TERM EXPENDITURE</b>		
Intangible assets		
Intangible rights (6)	150 403	105 242
Goodwill (7)	95 739	124 838
Group adjustments (8)	302 546	144 545
Other long-term expenditure (9)	5 332	5 186
Advances paid	2 144	497
	<u>556 164</u>	<u>380 308</u>
Tangible assets		
Land and water areas (10)	33 199	31 425
Buildings and constructions (11)	533 739	510 579
Machinery and equipment (12)	781 533	708 623
Other tangible assets (13)	7 409	2 896
Advances paid and unfinished assets	29 211	27 986
	<u>1 385 091</u>	<u>1 281 509</u>
Securities under fixed assets and other long-term investments		
Shares and holdings in associated companies (14)	47 967	37 718
Other shares and holdings (14)	37 907	43 229
Loan receivables	4 493	1 004
	<u>90 367</u>	<u>81 951</u>
<b>INVENTORIES AND FINANCIAL ASSETS</b>		
Inventories		
Materials and supplies	445 684	431 090
Production in progress	6 023	5 295
Finished products/Goods	194 999	180 842
Other inventories	21 634	14 657
Advance payments	223	-
	<u>668 563</u>	<u>631 884</u>
Receivables (15)		
Accounts receivable	517 001	402 084
Loan receivables	307	445
Prepaid expenses and accrued income	68 776	62 777
Other receivables	86 473	111 282
	<u>672 557</u>	<u>576 588</u>
Securities under financial assets		
Shares and holdings	-	19 276
Other securities	207 359	156 529
	<u>207 359</u>	<u>175 805</u>
Cash and bank receivables	98 289	47 089
	<u>3 678 390</u>	<u>3 175 134</u>

The figures in brackets refer to the attached notes.

	31.12.1996	31.12.1995
<b>LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Restricted equity		
Share capital (16)	163 330	136 108
Reserve fund (17)	526 997	336 442
	<u>690 327</u>	<u>472 550</u>
Unrestricted equity		
Contingency fund (18)	61 628	61 619
Retained earnings (19)	251 913	175 470
Profit for the year	94 616	103 838
	<u>408 157</u>	<u>340 927</u>
MINORITY INTEREST	133 912	126 158
RESERVES		
Accumulated depreciation difference	578 579	499 289
Non-mandatory reserves (20)		
Investment reserves	35 165	45 243
Other reserves	126 770	163 827
	<u>161 935</u>	<u>209 070</u>
<b>LIABILITIES</b>		
Long-term (21)		
Bond loans	110 000	110 000
Loans from credit institutions	519 579	327 626
Pension loans	144 278	173 372
Other long-term loans (15)	5 284	7 868
	<u>779 141</u>	<u>618 866</u>
Current (15)		
Loans from credit institutions	129 212	259 927
Pension loans	19 674	17 021
Advance payments	25 735	13 889
Accounts payable	426 855	374 460
Notes payable	4 064	4 032
Accrued liabilities and deferred income	169 058	138 433
Other loans	106 637	60 656
Other short-term liabilities	45 104	39 856
	<u>926 339</u>	<u>908 274</u>
	<u><u>3 678 390</u></u>	<u><u>3 175 134</u></u>

## SOURCE AND APPLICATION OF FUNDS

(FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
<b>BUSINESS OPERATIONS</b>				
Funds generated from operations				
Operating margin	<b>419 839</b>	383 271	<b>156 052</b>	98 704
Financial income and expenses	<b>-29 487</b>	-42 186	<b>6 042</b>	-3 576
Extraordinary items	<b>-4 216</b>	-288	<b>23 205</b>	19 646
Taxes	<b>-64 075</b>	-31 764	<b>-39 275</b>	-8 326
Total funds generated from income	<b>322 061</b>	309 033	<b>146 024</b>	106 448
<b>CHANGE IN OPERATING CAPITAL</b>				
Inventories, increase(-)/decrease(+)	<b>-36 679</b>	-166 795	<b>-33 543</b>	-56 767
Short-term receivables, increase(-)/decrease(+)	<b>-96 519</b>	+67 823	<b>+18 563</b>	-3 219
Short-term interest-free liabilities, increase(+)/decrease(-)	<b>+100 965</b>	-137 497	<b>+66 722</b>	-134 873
	<b>-32 233</b>	-236 469	<b>51 742</b>	-194 859
Cash flow from operations	<b>289 828</b>	72 564	<b>197 766</b>	-88 411
<b>INVESTMENTS</b>				
Investments in fixed assets	<b>-386 934</b>	-380 401	<b>-101 236</b>	-151 129
Income from sale of fixed assets	<b>12 696</b>	4 537	<b>18 756</b>	3 196
Change in Group structure	<b>-82 396</b>	-50 398	-	-
Other investments	<b>-10 189</b>	-3 898	-	-
	<b>-466 823</b>	-430 160	<b>-82 480</b>	-147 933
Cash flow before financing	<b>-176 995</b>	-357 596	<b>115 286</b>	-236 344
<b>FINANCING</b>				
Increase(-)/decrease(+) in long-term receivables	<b>-2 939</b>	-1 057	<b>-247 355</b>	+34 313
Increase(+) in long-term loans	<b>+324 813</b>	+322 948	<b>+185 000</b>	+209 774
Decrease(-) in long-term loans	<b>-242 069</b>	-246 978	<b>-138 387</b>	-162 554
Increase(+)/decrease(-) in short-term loans	<b>-8 408</b>	+81 640	<b>-37 542</b>	-169 218
Dividends	<b>-28 820</b>	-26 710	<b>-27 222</b>	-21 881
Share issue	<b>217 772</b>	-	<b>217 772</b>	-
	<b>260 349</b>	129 843	<b>-47 734</b>	-109 566
Increase in computed liquid assets	<b>83 354</b>	-227 753	<b>67 552</b>	-345 910
Adjustment items	<b>-600</b>	4 284	-	124 953
Increase(+)/decrease(-) in liquid assets per balance sheet	<b>+82 754</b>	-223 469	<b>+67 552</b>	-220 957

## PARENT COMPANY INCOME STATEMENT

(FIM 1,000)	1.1.-31.12.1996	1.1.-31.12.1995
TURNOVER	<b>1 270 438</b>	942 919
Increase(+)/decrease(-) in stocks of finished products	<b>-973</b>	+32 445
Production for own use (+)	-	+5 038
Other income from business operations	<b>26 930</b>	17 509
Expenses:		
Materials, supplies and goods:		
Purchases during the year	<b>833 591</b>	606 497
Increase(-)/decrease(+) in inventories	<b>-34 516</b>	+1 845
Outside services	<b>10 169</b>	13 205
Personnel expenses (1)	<b>142 995</b>	138 948
Rents	<b>13 416</b>	11 331
Other expenses	<b>174 688</b>	127 381
Total expenses	<b>1 140 343</b>	899 207
OPERATING MARGIN	<b>156 052</b>	98 704
Depreciation on fixed assets and other long-term expenditure (2)	<b>77 718</b>	71 343
PROFIT AFTER DEPRECIATION	<b>78 334</b>	27 361
Financial income and expenses (3):		
Dividend received:		
Subsidiaries	<b>677</b>	4 864
Other companies	<b>1 719</b>	837
Interest received on long-term investments	<b>10 352</b>	10 785
Interest received on short-term investments	<b>16 935</b>	25 595
Other financial income	<b>12 635</b>	2 699
Exchange rate differences	<b>8 839</b>	2 798
Interest paid	<b>-42 604</b>	-48 422
Other financial expenses	<b>-2 511</b>	-2 732
Total financial income and expenses	<b>6 042</b>	-3 576
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	<b>84 376</b>	23 785
Extraordinary income and expenses (4):		
Extraordinary income	<b>5</b>	-
Extraordinary expenses	-	-12 301
Group subsidies	<b>23 200</b>	20 000
Total extraordinary income and expenses	<b>23 205</b>	7 699
PROFIT BEFORE RESERVES AND TAXES	<b>107 581</b>	31 484
Increase(-)/decrease(+) in depreciation difference (2)	<b>-7 405</b>	+10 745
Increase(-)/decrease(+) in non-mandatory reserves (5)	<b>+17 424</b>	+2 692
Direct taxes:		
On the financial year	<b>-32 757</b>	-8 353
On previous financial years	<b>-6 518</b>	27
PROFIT FOR THE YEAR	<b>78 325</b>	36 595

The figures in brackets refer to the attached notes.

## PARENT COMPANY BALANCE SHEET

(FIM 1,000)	31.12.1996	31.12.1995
<b>ASSETS</b>		
<b>FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS</b>		
Intangible assets		
Intangible rights (6)	70 841	76 416
Goodwill (7)	5 215	10 704
Other long-term expenditure (9)	8 726	12 158
Advance payments	852	468
	<u>85 634</u>	<u>99 746</u>
Tangible assets		
Land and water areas (10)	20 414	20 336
Buildings and constructions (11)	227 571	226 331
Machinery and equipment (12)	231 443	207 643
Other tangible assets (13)	1 443	1 448
Advances paid and unfinished assets	11 894	19 975
	<u>492 765</u>	<u>475 733</u>
Securities under fixed assets and other long-term investments		
Shares in subsidiaries (14)	380 579	375 172
Other shares and holdings (14)	56 129	59 692
Loan receivables	372 769	125 414
	<u>809 477</u>	<u>560 278</u>
<b>INVENTORIES AND FINANCIAL ASSETS</b>		
Inventories		
Materials and supplies	135 767	101 548
Finished products/Goods	76 567	77 231
Other inventories	62	73
	<u>212 396</u>	<u>178 852</u>
Receivables (15)		
Accounts receivable	199 848	215 001
Loan receivables	19 601	22 064
Prepaid expenses and accrued income	47 067	29 593
Other receivables	83 463	101 884
	<u>349 979</u>	<u>368 542</u>
Securities under financial assets		
Shares and holdings	-	19 276
Other securities	194 166	153 808
	<u>194 166</u>	<u>173 084</u>
Cash and bank receivables	60 702	14 233
	<u>2 205 119</u>	<u>1 870 468</u>

The figures in brackets refer to the attached notes.



	31.12.1996	31.12.1995
<b>LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Restricted equity		
Share capital (16)	163 330	136 108
Reserve fund (17)	526 476	335 924
	<u>689 806</u>	<u>472 032</u>
Unrestricted equity		
Retained earnings (19)	218 155	208 783
Profit for the year	78 325	36 595
	<u>296 480</u>	<u>245 378</u>
<b>RESERVES</b>		
Accumulated depreciation difference	267 105	259 699
Non-mandatory reserves (20)		
Investment reserves	24 845	24 846
Other reserves	63 216	80 640
	<u>88 061</u>	<u>105 486</u>
<b>LIABILITIES</b>		
Long-term (21)		
Bonds	110 000	110 000
Loans from credit institutions	249 732	105 398
Pension loans	92 194	113 266
Other long-term loans (15)	2 852	24 552
	<u>454 778</u>	<u>353 216</u>
Current (15)		
Loans from credit institutions	35 893	166 895
Pension loans	13 956	12 918
Advance payments	-	18
Accounts payable	173 530	137 833
Accrued liabilities and deferred income	70 587	38 905
Other loans	104 955	67 497
Other short-term liabilities	9 968	10 591
	<u>408 889</u>	<u>434 657</u>
	<u><u>2 205 119</u></u>	<u><u>1 870 468</u></u>

## ACCOUNTING PRINCIPLES

### CONSOLIDATION

The consolidated financial statements of the Raisio Group include the parent company Raisio Tehtaat Oy Ab, those companies in which the parent company held over 50% of the voting rights directly or indirectly on December 31, 1996. Subsidiary companies acquired during the year are included in the consolidated statements as of the date of purchase and subsidiaries 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 to the balance sheet.

Transactions between Group companies, unrealized margins on deliveries within the Group, mutual receivables and liabilities, and internal profit distribution have been eliminated, with the exception of a few insignificant trades in fixed assets. 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 toto 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.

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. Dividends received from associated companies have been eliminated.

Investment reserves used to cover the purchase price of shares in subsidiaries have been returned to the contingency fund. Similarly, one-time write-offs of shares caused by increasing share capital out of the investment reserve have been deducted from the accumulated difference between total and planned depreciation.

The financial statements of foreign Group companies have been converted and grouped to correspond to Finnish accountancy law. Balance sheets of foreign Group companies have been translated into Finnish marks at the Bank of Finland mean rates and income statements at the mean rate for the financial period. Translation differences 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%
and other long-term expenditure	5-20%

No planned depreciation was made on land areas or revaluations.

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

### RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenses have been entered as annual expenses in the year of occurrence.

### PENSION ARRANGEMENTS

Statutory and voluntary pension security for the personnel of Raisio Tehtaat Oy Ab and its domestic subsidiaries is arranged through pension insurance companies. Overseas subsidiaries take care of their own pension arrangements according to local practice.

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.

### DIRECT TAXES

The consolidated financial statements include taxes on profits shown by Group companies during the financial year, calculated on an accrual basis in accordance with local tax legislation, and tax paid or refunded for earlier financial years. Corporate tax credit based on dividend distribution within the Group is eliminated in the consolidated financial statements by allocating it as a deduction in direct taxes for the financial year.

### 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. Realized exchange rate fluctuations as well as exchange rate losses or profits caused by valuation of receivables and liabilities have been entered in the income statement. Unrealized exchange rate gains have not been entered as income as in previous years. The effect of a change in entry method is explained in the part of the Board report dealing with finance.

## APPENDED INFORMATION NOTES ON THE INCOME STATEMENT

(FIM 1,000 )	Group		Parent company	
	1996	1995	1996	1995
<b>1. PERSONNEL EXPENSES</b>				
Wages and salaries	356 202	308 913	115 144	106 912
Fringe benefits	5 023	5 047	2 013	2 174
Wages, salaries and fringe benefits	<u>361 225</u>	<u>313 960</u>	<u>117 157</u>	<u>109 086</u>
Pension expenses	45 133	47 442	15 461	18 500
Other personnel expenses	58 394	55 369	12 389	13 536
Total	<u>464 752</u>	<u>416 771</u>	<u>145 007</u>	<u>141 122</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	9 196	8 026	1 958	1 927
<b>2. DEPRECIATION</b>				
Planned depreciation				
Intangible rights	15 332	6 493	9 150	3 489
Goodwill	29 099	29 099	5 490	5 149
Other long-term expenditure	972	1 486	3 033	3 385
Buildings and constructions	38 912	37 540	18 636	17 730
Machinery and equipment	126 439	117 449	41 409	41 582
Other tangible assets	1 128	345	-	8
Total	<u>211 882</u>	<u>192 412</u>	<u>77 718</u>	<u>71 343</u>
Group adjustments	12 063	7 974		
Change in depreciation difference				
Intangible rights	-7 156	-7 051	-15	-5 706
Goodwill	-	-2 137	-	-341
Other long-term expenditure	-20	-654	-8	136
Buildings and constructions	6 243	-35	7 602	5 586
Machinery and equipment	9 230	5 542	2 440	13 762
Other tangible assets	-	51	-	-
Use of reserves	-50 891	-5 318	-17 424	-2 692
Total	<u>-42 594</u>	<u>-9 602</u>	<u>-7 405</u>	<u>10 745</u>
<b>3. INTERNAL FINANCIAL INCOME AND EXPENSES</b>				
Financial income from Group companies				
Dividend received			677	4 864
Interest received on long-term investments			10 315	10 734
Interest received on short-term investments			4 333	2 198
Other financial yields			70	73
Exchange rate gains			3 931	3 459
Financial expenses paid to Group companies				
Interest paid			3 139	8 185
Exchange rate losses			14 061	2 476
<b>4. EXTRAORDINARY INCOME AND EXPENSES</b>				
Extraordinary income				
Group subsidies received	-	-	24 500	29 000
Final stock compensations on inventories	-	926	-	-
Other extraordinary income	743	-	5	-
	<u>743</u>	<u>926</u>	<u>24 505</u>	<u>29 000</u>
Extraordinary expenses				
Write-downs on shares	-	649	-	11 649
Group subsidies paid	-	-	1 300	9 000
Merger gains	-	-	-	298
Operational restructuring expenses	4 959	-	-	-
Other extraordinary expenses	-	1 213	-	354
	<u>4 959</u>	<u>1 862</u>	<u>1 300</u>	<u>21 301</u>
<b>5. CHANGE IN NON-MANDATORY RESERVES</b> (- increase, + decrease)				
Change in investment reserves	10 077	5 318	-	2 692
Change in transition reserves	40 815	15 500	17 424	-
Change in other reserves	-3 612	-553	-	-
Total	<u>47 280</u>	<u>20 265</u>	<u>17 424</u>	<u>2 692</u>

## INFORMATION APPENDED TO THE BALANCE SHEET

(FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
<b>TANGIBLE AND INTANGIBLE RIGHTS</b>				
<b>6. Intangible rights</b>				
Acquisition cost 1.1.	<b>131 070</b>	38 115	<b>95 591</b>	26 681
Rate differentials	<b>60</b>	-33	-	-
Increases 1.1.-31.12.	<b>70 381</b>	102 920	<b>5 782</b>	77 290
Decreases 1.1.-31.12.	<b>-3 513</b>	-9 932	<b>-2 760</b>	-8 380
Acquisition cost 31.12.	<b>197 998</b>	131 070	<b>98 613</b>	95 591
Accumulated planned depreciation 31.12.	<b>-47 595</b>	-25 828	<b>-27 772</b>	-19 175
Book value 31.12.	<b>150 403</b>	105 242	<b>70 841</b>	76 416
Accumulated difference between total and planned depreciation 1.1.	<b>9 321</b>	2 283	<b>7 364</b>	1 430
Change in depreciation difference 1.1.-31.12.	<b>25 031</b>	7 038	<b>15</b>	5 934
Accumulated difference between total and planned depreciation 31.12.	<b>34 352</b>	9 321	<b>7 379</b>	7 364
<b>7. Goodwill</b>				
Acquisition cost 1.1.	<b>267 178</b>	267 178	<b>31 084</b>	19 050
Increases 1.1.-31.12.	-	-	-	12 034
Acquisition cost 31.12.	<b>267 178</b>	267 178	<b>31 084</b>	31 084
Accumulated planned depreciation 31.12.	<b>-171 439</b>	-142 340	<b>-25 869</b>	-20 380
Book value 31.12.	<b>95 739</b>	124 838	<b>5 215</b>	10 704
Accumulated difference between total and planned depreciation 1.1.	<b>1 605</b>	401	<b>1 605</b>	-
Change in depreciation difference 1.1.-31.12.	-	1 204	-	1 605
Accumulated difference between total and planned depreciation 31.12.	<b>1 605</b>	1 605	<b>1 605</b>	1 605
<b>8. Group adjustments</b>				
Acquisition cost 1.1.	<b>195 853</b>	106 507		
Increases 1.1.-31.12.	<b>170 063</b>	89 346		
Acquisition cost 31.12.	<b>365 916</b>	195 853		
Accumulated planned depreciation 31.12.	<b>-63 370</b>	-51 308		
Book value 31.12.	<b>302 546</b>	144 545		
<b>9. Other long-term expenditure</b>				
Acquisition cost 1.1.	<b>11 745</b>	13 932	<b>29 430</b>	17 711
Exchange rate differences	<b>-29</b>	-	-	-
Increases 1.1.-31.12.	<b>2 223</b>	1 273	<b>298</b>	13 340
Decreases 1.1.-31.12.	<b>-1 146</b>	-3 460	<b>-696</b>	-1 621
Acquisition cost 31.12.	<b>12 793</b>	11 745	<b>29 032</b>	29 430
Accumulated planned depreciation 31.12.	<b>-7 461</b>	-6 559	<b>-20 306</b>	-17 272
Book value 31.12.	<b>5 332</b>	5 186	<b>8 726</b>	12 158
Accumulated difference between total and planned depreciation 1.1.	<b>1 495</b>	822	<b>1 123</b>	32
Change in depreciation difference 1.1.-31.12.	<b>1 250</b>	673	<b>8</b>	1 091
Accumulated difference between total and planned depreciation 31.12.	<b>2 745</b>	1 495	<b>1 131</b>	1 123
<b>10. Land areas</b>				
Acquisition cost 1.1.	<b>31 425</b>	28 551	<b>20 336</b>	19 944
Exchange rate differences	<b>295</b>	-7	-	-
Increases 1.1.-31.12.	<b>1 526</b>	2 882	<b>78</b>	393
Decreases 1.1.-31.12.	<b>-47</b>	-1	-	-1
Acquisition cost 31.12.	<b>33 199</b>	31 425	<b>20 414</b>	20 336
Revaluations included in the acquisition cost of land areas				
Revaluations 1.1.	<b>150</b>	150	<b>150</b>	150
Revaluations 31.12.	<b>150</b>	150	<b>150</b>	150

(FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
11. Buildings and constructions				
Acquisition cost 1.1.	814 032	786 950	432 733	360 763
Exchange rate differences	1 986	-419	-	-
Increases 1.1.-31.12.	78 924	41 378	19 973	73 611
Decreases 1.1.-31.12.	-4 043	-13 877	-63	-1 641
Acquisition cost 31.12.	890 899	814 032	452 643	432 733
Accumulated planned depreciations 31.12.	-357 160	-303 453	-225 072	-206 402
Book value 31.12.	533 739	510 579	227 571	226 331
Accumulated difference between total and planned depreciation 1.1.	168 924	154 856	106 899	95 303
Change in depreciation difference 1.1.-31.12.	24 243	14 068	9 822	11 596
Accumulated difference between total and planned depreciation 31.12.	193 167	168 924	116 721	106 899
12. Machinery and equipment				
Acquisition cost 1.1.	1 475 792	1 285 377	591 009	366 532
Exchange rate differences	4 990	-1 959	-	-
Increases 1.1.-31.12.	266 264	209 704	67 403	236 117
Decreases 1.1.-31.12.	-43 041	-17 330	-4 750	-11 640
Acquisition cost 31.12.	1 704 005	1 475 792	653 662	591 009
Accumulated planned depreciation 31.12.	-922 472	-767 169	-422 219	-383 366
Book value 31.12.	781 533	708 623	231 443	207 643
Accumulated difference between total and planned depreciation 1.1.	318 048	314 557	142 708	85 100
Exchange rate differences	-138	10	-	-
Change in depreciation difference 1.1.-31.12.	28 903	3 481	-2 440	57 608
Accumulated difference between total and planned depreciation 31.12.	346 813	318 048	140 268	142 708
Machinery and equipment, of book value 31.12.	746 780	666 033	216 873	192 283
13. Other tangible assets				
Acquisition cost 1.1.	4 236	4 582	1 456	1 266
Exchange rate differences	-4	-	-	-
Increases 1.1.-31.12.	6 182	530	75	190
Decreases 1.1.-31.12.	-205	-876	-80	-
Acquisition cost 31.12.	10 209	4 236	1 451	1 456
Accumulated planned depreciation 31.12.	-2 800	-1 340	-8	-8
Book value 31.12.	7 409	2 896	1 443	1 448
Accumulated difference between total and planned depreciation 1.1.	-104	-53	-	-
Change in depreciation difference 1.1.-31.12.	-	-51	-	-
Accumulated difference between total and planned depreciation 31.12.	-104	-104	-	-

#### TAXABLE VALUES OF FIXED ASSETS

Consolidated data on Group companies in Finland

Land areas	8 238	8 080	4 870	5 541
Buildings	233 833	251 164	124 124	143 653
Shares and holdings				
Shares and holdings in Group companies	-	-	526 432	215 976
Other shares and holdings	47 106	41 744	36 295	31 899



## 14. GROUP SHAREHOLDINGS UNDER FIXED ASSETS

Shares/holdings of parent company

	Group holding %	Group voting right %	Group share of equity FIM 1,000	Parent company holding %	Shares/holdings of parent company		Book value 31.12.1996 FIM 1,000	Book value 31.12.1996 FIM 1,000	Book value in other group companies FIM 1,000
					No. 31.12.1996	Nominal value 31.12.1996 FIM 1,000/ currency 1,000			
<b>GROUP COMPANIES</b>									
SIA Amelija, Latvia	100.00	100.00	-34	-	-	-	-	-	21
AB Aroma, Sweden	100.00	100.00	67	-	-	-	-	-	67
Autumninvest Oy, Raisio	100.00	100.00	65	-	-	-	-	-	-
Canelo Oy, Raisio	100.00	100.00	1 989	-	-	-	-	-	6 740
Carlshamn Mejeri AB, Sweden	100.00	100.00	16 236	-	-	-	-	-	25 869
Carlshamn Mejeri Förvaltnings AB, Sweden	77.50	77.50	523	-	-	-	-	-	161 915
Claymore Chemicals Ltd, Scotland	100.00	100.00	4 348	-	-	-	-	-	7 053
Diachem Industries Ltd, Canada	100.00	100.00	5 804	-	-	-	-	-	10 699
Diachem Pacific Northwest Inc., USA	75.00	75.00	-403	-	-	-	-	-	339
Fabriks AB Eve, Sweden	100.00	100.00	34	-	-	-	-	-	34
Flootek AB, Sweden	100.00	100.00	3 798	-	-	-	-	-	3 023
Flootek International AB, Sweden	100.00	100.00	40	-	-	-	-	-	30
Foodie Oy, Raisio	100.00	100.00	21 096	100.00	20 000	20 000	9 000	-	-
Oy Kationi Ab, Raisio	90.00	90.00	25 449	-	-	-	-	-	13 908
Kauppiaitten Mylly Oy, Raisio	100.00	100.00	2	-	-	-	-	-	5
Kepa Holdings Ltd, Canada	100.00	100.00	9 046	-	-	-	-	-	9 219
Lapuan Peruna Oy, Lapua	67.87	67.87	23 453	67.87	2 715	272	19 519	-	-
Melia Ltd, Raisio	75.00	75.00	268 614	75.00	270 000	270 000	219 799	-	-
Monäs Feed Oy Ab, Uusikaarlepyy	99.70	99.70	18 388	-	-	-	-	-	6 653
Paperion Chimie S.A., France	100.00	100.00	11 259	-	-	-	-	-	20 802
PT Budi Raisio International, Indonesia	50.00	50.00	2 651	-	-	-	-	-	6 418
Raisio Belgium N.V., Belgium	100.00	100.00	23 025	-	-	-	-	-	25 771
Raisio Catering Oy, Raisio	100.00	100.00	46	100.00	50	50	50	-	-
Raisio Chemicals Ltd, Raisio	100.00	100.00	116 858	100.00	36 000	36 000	104 809	-	-
Raisio Chemicals Canada, Inc., Canada	100.00	100.00	26 867	-	-	-	-	-	37 789
Raisio Chemicals Holdings Canada, Inc., Canada	100.00	100.00	24 152	-	-	-	-	-	29 394
Raisio Chemicals Italia S.R.L., Italy	51.00	51.00	2 311	-	-	-	-	-	1 824
Raisio Chemie GmbH, Germany	100.00	100.00	-41	-	-	-	-	-	123
Raisio Engineering Oy, Raisio	100.00	100.00	7 131	-	-	-	-	-	5 080
Raisio France S.A., France	99.99	99.99	38 625	-	-	-	-	-	3 498
Raisio Inc., USA	100.00	100.00	9 500	-	-	-	-	-	702
Raisio Netherlands, B.V., Netherlands	100.00	100.00	-408	-	-	-	-	-	1 074
Raisio Nordic Oy, Raisio	100.00	100.00	7	100.00	15	15	15	-	-
Raisio Nordic Eesti AS, Estonia	100.00	100.00	144	-	-	-	-	-	152
Raisio Nordic International Ltd, England	100.00	100.00	-1 228	100.00	1 000 000	GBP 6 000	1 112	-	-
Raisio Polska Sp. z o.o., Poland	100.00	100.00	-2 985	100.00	100	PLN 9 378	16 230	-	-
Raisio Polska Foods Sp. z o.o., Poland	100.00	100.00	-4 136	-	-	-	-	-	22 534
Raisio Portugal - Produtos Quimicos, Lda, Portugal	51.00	51.00	842	-	-	-	-	-	2 611
Raisio Skandinavia Oy, Raisio	100.00	100.00	41	100.00	45	45	45	-	-
Raisio Svenska AB, Sweden	100.00	100.00	4 968	-	-	-	-	-	1 406
Oy Raisional Ab, Raisio	100.00	100.00	17 341	-	-	-	-	-	29 645
Raision Lateksi Oy, Raisio	51.00	51.00	26 686	-	-	-	-	-	21 250
Raisio Feed Ltd, Raisio	100.00	100.00	38 373	100.00	10 000	10 000	10 000	-	-
Roe Lee Paper Chemicals Co. Ltd, England	100.00	100.00	20 876	-	-	-	-	-	36 018
Suomen Myllyt Oy, Raisio	100.00	100.00	16	-	-	-	-	-	20
Sweden Beech Sticks Holding AB, Sweden	100.00	100.00	1	-	-	-	-	-	34
AB Winner, Sweden	100.00	100.00	34	-	-	-	-	-	34
Winner Food AB, Sweden	100.00	100.00	34	-	-	-	-	-	34
118 Seabright Holdings Ltd, Canada	100.00	100.00	-18	-	-	-	-	-	-
Total							380 579		491 788
<b>ASSOCIATED COMPANIES</b>									
Alahärmän Perunavarasto Oy, Alahärmä	67.94	42.00	577	67.94	1 712	514	514	-	-
Oy Atraco Ab, Turku	50.00	50.00	22 472	50.00	125 080	2 502	20 752	-	-
Diaztech S.A. de C.V., Mexico	49.00	49.00	149	-	-	-	-	-	198
Emerillon Polymers Inc., Canada	50.00	50.00	2 189	-	-	-	-	-	1 831
Heliantus Oy, Helsinki	50.00	50.00	47	50.00	50	50	51	-	-
Jylhäraisio Oy, Turku	49.00	49.00	15 255	-	-	-	-	-	3 266
Kouvolan Siilo Oy, Helsinki	50.00	50.00	284	50.00	50	50	51	-	-
Periva Oy, Kokemäki	50.00	50.00	373	50.00	208	208	208	-	-
Raisio Chemicals Chile S.A., Chile	50.00	50.00	1 179	-	-	-	-	-	461
AS Rigas Dzirnaveicks, Latvia	20.00	20.00	10 167	-	-	-	-	-	4 630
Sweden Beech Sticks HB, Sweden	20.00	20.00	344	-	-	-	-	-	223
Vihannin Vedenpuhdistamo Oy, Vihanti	49.00	49.00	76	49.00	49	24	24	-	-
Vihervakka Oy, Pöytyä	38.50	38.50	1 977	38.50	770	192	182	-	-
Total							21 782		10 609

	Holding	No.	Nominal value	Book value
	%	31.12.1996	31.12.1996	31.12.1996
			FIM 1,000	FIM 1,000
<b>OTHER SHARES AND HOLDINGS</b>				
Oy Elomatic Group Ltd, Turku	11.85	85 066	851	2 077
Ewco Oy, Helsinki	3.85	20	20	200
Helsinki Stock Exchange, Helsinki	0.60	20 000	200	150
Kesko Oy, Helsinki	0.03	28 140	281	825
Lännen Tehtaat Oy, Säkyliä	5.03	324 294	3 243	22 707
Merita Bank Ltd, Helsinki	0.02	217 000	2 170	3 494
Naantalin Vapaasatama Oy, Naantali	0.62	10	50	100
Rapusaari Housing Co, Toijala	3.85	385	39	171
Sampo Insurance Co., Turku	0.01	900	18	171
Finnish Central Securities Depository Ltd., Helsinki	1.06	5	350	280
Turku Fair Center Ltd, Turku	0.30	1 000	100	120
YIT Group Ltd, Helsinki	0.17	41 640	416	404
Other shares and holdings				1 279
Connection fees, transferable				2 369
Total				34 347

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)	Group		Parent company	
	1996	1995	1996	1995
<b>LONG-TERM INVESTMENTS AND LOAN RECEIVABLES/ GROUP AND ASSOCIATED COMPANIES</b>				
Loan receivables under long-term investments				
Group companies			<b>372 163</b>	<b>124 467</b>
Associated companies	<b>530</b>	530	<b>530</b>	530
<b>INVENTORIES AND FINANCIAL ASSETS</b>				
Receivables falling due within a year or longer				
Loan receivables	<b>547</b>	547	<b>99 433</b>	99 433
Other receivables	-	3	-	-
Total	<b>547</b>	550	<b>99 433</b>	99 433

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

Receivables from Group companies				
Accounts receivable			<b>108 806</b>	143 729
Short-term loan receivables			<b>19 601</b>	22 064
Prepaid expenses and accrued income			<b>17 590</b>	11 693
Other receivables			<b>35 327</b>	32 952
Liabilities to Group companies				
Other long-term liabilities			-	20 000
Short-term accounts payable			<b>2 539</b>	2 320
Accrued liabilities and deferred income			<b>9 169</b>	866
Other short-term liabilities			<b>29 948</b>	11 618
Receivables from associated companies				
Sales receivables	<b>3 547</b>	1 113	<b>3 248</b>	1 094
Prepaid expenses and accrued income	-	31	-	31
Liabilities to associated companies				
Short-term accounts payable	<b>6 425</b>	5 158	<b>445</b>	540

(FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
<b>SHAREHOLDERS' EQUITY</b>				
16. Share capital 1.1.	<b>136 108</b>	121 562	<b>136 108</b>	121 562
Share issue	<b>27 222</b>	14 546	<b>27 222</b>	14 546
Share capital 31.12.	<b>163 330</b>	136 108	<b>163 330</b>	136 108
17. Reserve fund 1.1.	<b>336 442</b>	269 377	<b>335 924</b>	262 029
Issue premium	<b>190 552</b>	73 895	<b>190 552</b>	73 895
Transferred to profits	-	-2 825	-	-
Other changes	<b>3</b>	-4 005	-	-
Reserve fund 31.12.	<b>526 997</b>	336 442	<b>526 476</b>	335 924
Unrestricted equity				
18. Contingency fund 1.1.	<b>61 619</b>	61 651	-	-
Change	<b>9</b>	-32	-	-
Contingency fund 31.12.	<b>61 628</b>	61 619	-	-
19. Profits 1.1.	<b>279 308</b>	210 550	<b>245 378</b>	230 664
Dividend distributed	<b>-28 820</b>	-26 710	<b>-27 223</b>	-21 881
Minority dividends transferred to profits	<b>1 596</b>	4 828	-	-
Transferred from reserve fund	-	2 825	-	-
Transfer of depreciation difference	-	-16 482	-	-
Other changes	<b>-171</b>	459	-	-
Net profit for the year	<b>94 616</b>	103 838	<b>78 325</b>	36 595
Profits 31.12.	<b>346 529</b>	279 308	<b>296 480</b>	245 378

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

	1996		1995	
	No.	FIM 1,000	No.	FIM 1,000
Restricted shares (20 votes/share)	<b>4 944 413</b>	<b>49 444</b>	5 144 120	51 441
Free shares (1 vote/share)	<b>11 388 570</b>	<b>113 886</b>	8 466 700	84 667
Total	<b>16 332 983</b>	<b>163 330</b>	13 610 820	136 108

(FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
<b>RESERVES</b>				
20. Non-mandatory reserves				
Investment reserve				
Balance sheet value 1.1.	<b>45 243</b>	50 560	<b>24 845</b>	27 537
Decrease	<b>-10 078</b>	-5 317	-	-2 692
Balance sheet value 31.12.	<b>35 165</b>	45 243	<b>24 845</b>	24 845
Transition reserve				
Balance sheet value 1.1.	<b>162 891</b>	178 391	<b>80 640</b>	80 103
Increase	-	-	-	537
Decrease	<b>-40 813</b>	-15 500	<b>-17 424</b>	-
Balance sheet value 31.12.	<b>122 078</b>	162 891	<b>63 216</b>	80 640
Other reserves				
Balance sheet value 1.1.	<b>936</b>	359	-	-
Conversion differences	<b>144</b>	25	-	-
Increase	<b>3 612</b>	552	-	-
Balance sheet value 31.12.	<b>4 692</b>	936	-	-
Tax liabilities concerning non-mandatory Group reserves	<b>45 342</b>	52 268	-	-

(FIM 1,000)	Group		Parent company	
	1996	1995	1996	1995
<b>21. LIABILITIES</b>				
Liabilities falling due within five years or longer				
Loans from credit institutions	<b>144 082</b>	76 569	<b>107 500</b>	35 091
Pension loans	<b>97 628</b>	114 008	<b>58 666</b>	69 046
Total	<b>241 710</b>	190 577	<b>166 166</b>	104 137
Bonds with warrants				
The 1993 bond with warrants falls due in its entirety on 31.3.1998. The share subscription period is 1.-30.4.1998. The subscription price is FIM 96.75/share.				
Bonds				
Bond 1995/2000 8.25% - annual repayment	<b>110 000</b>	110 000	<b>110 000</b>	110 000
Total	<b>110 000</b>	110 000	<b>110 000</b>	110 000
Interest-free debts				
Long-term liabilities	<b>2 258</b>	1 789	-	-
Short-term liabilities	<b>667 603</b>	566 638	<b>254 086</b>	187 363
Total	<b>669 861</b>	568 427	<b>254 086</b>	187 363
<b>CONTINGENT LIABILITIES</b>				
For the Company				
Mortgages on real estate	<b>597 185</b>	630 088	<b>35 350</b>	31 350
Corporate mortgages	<b>433 420</b>	439 549	-	-
Pledges given	<b>20 792</b>	20 792	<b>792</b>	792
Leasing liabilities for the beginning financial year	<b>11 311</b>	13 588	<b>4 971</b>	6 041
Leasing liabilities for the following financial years	<b>29 636</b>	41 554	<b>3 746</b>	7 564
Pension liabilities	<b>1 268</b>	1 390	<b>1 268</b>	1 390
Other liabilities	<b>29 118</b>	21 503	<b>13 000</b>	14 889
For Group companies				
Mortgages on real estate			<b>382 715</b>	401 615
Corporate mortgages			<b>161 000</b>	161 000
Pledges given			<b>20 000</b>	20 000
Guarantees			<b>509 120</b>	300 500
Repurchase liabilities			<b>25 524</b>	27 569
For the associated companies				
Mortgages on real estate	<b>1 000</b>	1 000	<b>1 000</b>	1 000
Guarantees	<b>16 688</b>	7 029	<b>12 915</b>	7 029
For others	<b>664</b>	-	-	-
Value of underlying instruments in derivative contracts	<b>136 028</b>	144 187	-	-

## BOARD'S PROPOSAL FOR THE DISPOSAL OF PROFIT

Unrestricted equity according to the consolidated balance sheet at December 31, 1996 is FIM 408,157,354.46. The parent company's retained earnings according to the balance sheet at December 31, 1996 are:

Retained earnings	FIM 218,155,737.25
Net profit for the year	FIM 78,324,572.63
<u>Total</u>	<u>FIM 296,480,309.88</u>

The Board of Directors proposes that a dividend of 20% be distributed on the nominal value of outstanding share capital (FIM 163,329,830.00), ie. FIM 2.00 per share,

to a total of	FIM 32,665,966.00
and that the remainder be transferred to the retained earnings account	FIM 263,814,343.88
<u>Total</u>	<u>FIM 296,480,309.88</u>

The Board of Directors further proposes that distribution of dividend should begin when the matching period ends, i.e. on April 25, 1997.

Raisio, February 25, 1997

Heikki Haavisto

Matti Linnainmaa

Arto Lampinen

Kaj Lönnroth

Kaarlo Pettilä

Arimo Uusitalo

Pertti Vuola

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 of Raisio Tehtaat Oy Ab for the period ended December 31, 1996. 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 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 and statements have been prepared in accordance with the rules and regulations governing the preparation of such reports in Finland.

Raisio, March 4, 1997

Thor Nyroos  
APA

Esa Kailiala  
APA

## 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, 1996-December 31, 1996 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 Toivo T. Pohjala, Juhani Ali-Melkkilä, Matti Hakala, Taisto Korkeaoja, Erkki Myllymäki, Teemu Olli, Johan Taube, Juhani Torkkomäki and Bo Åberg.

Heikki Haavisto joined the Board of Directors as of January 1, 1997.

Raisio, March 17, 1997

For the Supervisory Board

Toivo T. Pohjala  
Chairman

## INVESTOR INFORMATION

### SHARE CAPITAL AND TYPES OF SHARE

Raision Tehtaat Oy Ab's minimum share capital is FIM 100,000,000 and maximum share capital 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 from FIM 136,108,200 to FIM 163,329,830 by floating a share issue from June 10 to July 10, 1996.

Stock is 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, though no single shareholder may hold votes equal to more than 15% of the total number of shares making up the company's current share capital. Similarly, no shareholder is entitled to exercise more than 1/10 of the total number of votes represented at a shareholders' meeting (Article 10 of the Articles of Association). Based on the number of shares making up current share capital, the highest number of votes per shareholder, without the above 1/10 restriction, is 244,994, representing the same number of free shares or 12,250 restricted shares, or a combination of the two.

Acquisition of restricted shares via assignment 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 the applicant is being granted permission to acquire restricted shares or not.

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 to another shareholder or converted into free shares.

### SHARE ISSUE

A share issue was floated by Raision Tehtaat Oy Ab between June 10 and July 10, 1996, raising share capital by FIM 27,221,630. A total of 1,792,802 new free shares and 929,361 new restricted shares, i.e. a total of 2,722,163 new shares with a nominal value of FIM 10, were subscribed in the issue. Following the issue, share capital came to FIM 163,329,830.

Shareholders who were included in the company's list of owners on the record date of June 4, 1996 or shareholders to whom the right of such shareholders had been transferred were entitled to subscribe one new free share against five old free shares and one new restricted share against five old restricted shares, at FIM 80 per share.

The new shares entitle their holders to full dividend for the 1996 financial period.

### SHAREHOLDINGS BY THE COMPANY MANAGEMENT AND WARRANT BOND

The members and deputy members of the Raision Tehtaat Oy Ab Supervisory Board and Board of Directors, the Chief Executive and the Deputy Chief Executive owned 233,435 restricted shares and 57,545 free shares on December 31, 1996. This accounts for 1.78% of the total number of shares and 1.98% of the maximum voting power. They further own 130 warrants issued to the Group management in 1993, i.e. 81.25% of the total.

In December 1993, the shareholders' meeting decided to issue a warrant bond worth a maximum of FIM 160,000 at nominal value. Departing from the practice of previous shareholders' first option, the bond was subscribed by members of the Raisio Group management (10 persons). The purpose of the bond was to improve work motivation and to encourage commitment to the company, as part of the incentive system devised for Group management. The loan period is January 3, 1994-March 31, 1998, and the annual interest rate is 7.0%. A total of 160 bonds, each carrying one warrant, were issued.

As a consequence of the share issue floated in 1996 and in accordance with the loan terms, the Board of Directors decided to amend the terms of the warrant bond in May 1996. Thus, each warrant now entitles the holder to subscribe 1,137 free shares at FIM 95.75 each. A maximum of 181,920 free shares can be subscribed against warrants during the subscription period (April 1-April 30, 1998), accounting for 1.11% of the current stock and 0.165% of the maximum voting power.

If warrant holders subscribe all the shares they are entitled to subscribe, the holding of members and deputy members of the Supervisory Board and the Board of Directors, the Chief Executive and the Deputy Chief Executive amounts to 233,435 restricted shares (no change) and 205,355 free shares, i.e. 2.66% of the post-subscription number of shares and 2.11% of the corresponding votes.

### SHAREHOLDER AGREEMENTS

Raision 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 Raision Tehtaat Oy Ab held on April 18, 1996 authorized the Board of Directors to decide on a maximum increase of FIM 20,000,000 in share capital in one or more new issues and/or to issue 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 6, 1997 but has not been exercised so far.

### 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 Finnish Central Securities Depository Ltd.

## INCREASE IN SHARE CAPITAL

Subscription period	Method	Terms of subscription	Nominal value FIM	Subscription price FIM	Numbers of new shares	Increase in share capital FIMm	New share capital FIMm	Right to dividend
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 shareholders	11 RM: 5 V	10	exchange	1 454 630	14.55	136.1	Full dividend 1995
10.6.- 10.7.1996	New issue	5 V:1 V 5 K:1 K	10	80.00	2 722 163	27.22	163.3	Full dividend 1996

## MARKETPLACE

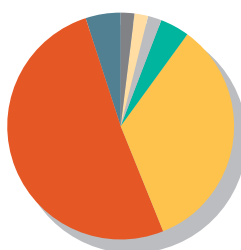
Raisio Tehtaat Oy Ab's free shares are quoted on Helsinki Stock Exchange and its restricted shares on the brokers' list maintained by the Stock Exchange.

## BREAKDOWN OF SHARE CAPITAL, 31.12.1996

	No. of shares	% of total shares	% of total votes
Free shares	11 388 570	69.7	10.3
Restricted shares	4 944 413	30.3	89.7
Total	16 332 983	100.0	100.0

In 1996, altogether 1,129,068 shares were converted into free shares.

## BREAKDOWN OF SHARES



- Private enterprises 2%
- Financial and insurance institutions<sup>1)</sup> 2%
- Public corporations 2%
- Non profit corporations 4%
- Private individuals and households 34%
- Foreign owners<sup>2)</sup> 51%
- On waiting list and joint account 5%

<sup>1)</sup> Excluding nominee-registered

<sup>2)</sup> Including nominee-registered

**DISTRIBUTION OF SHAREHOLDERS, DECEMBER 31, 1996**

Shares No.	Free shares				Restricted shares			
	Shareholders		Shares		Shareholders		Shares	
	No.	%	No.	%	No.	%	No.	%
1 - 100	7 770	62.9	295 625	2.6	5 154	54.9	199 640	4.0
101 - 500	3 550	28.7	804 264	7.1	2 746	29.2	641 025	13.0
501 - 1000	685	5.5	491 111	4.3	761	8.1	537 832	10.9
1001 - 2500	259	2.1	392 745	3.4	507	5.4	781 938	15.8
2501 - 5000	44	0.4	160 207	1.4	163	1.7	555 307	11.2
5001 - on waiting list in joint account	46	0.4	9 184 638	80.7	68	0.7	1 543 188	31.2
			300	0.0			582 544	11.8
			59 680	0.5			102 939	2.1
Total	12 354	100.0	11 388 570	100.0	9 399	100.0	4 944 413	100.0

On December 31, 1996, Raisio Tehtaat Oy Ab had a total of 15,318 registered shareholders.

**20 MAIN SHAREHOLDERS ON DECEMBER 31, 1996**

	Series K	Series V	Total		Votes	
	No.	No.	No.	%	No.	%
Central Union of Agricultural Producers and Forest Owners	475 038	15 000	490 038	3.0	244 944	0.22
Tapiola Mutual Insurance Company	364 800		364 800	2.2	244 944	0.22
Local Government Pension Institutions		216 000	216 000	1.3	216 000	0.20
Brotherus Ilkka	16 254	157 242	173 496	1.1	244 944	0.22
Oy Atraco Ab	86 728		86 728	0.5	244 944	0.22
Langh Hans	65 448		65 448	0.4	244 944	0.22
Haavisto Maija	39 402	25 818	65 220	0.4	244 944	0.22
Haavisto Heikki	52 020	12 000	64 020	0.4	244 944	0.22
Tapiola Mutual Pension Insurance Co.	16 320	42 760	59 080	0.4	244 944	0.22
Haavisto Antti	38 214	17 214	55 428	0.3	244 944	0.22
Haavisto Erkki	37 994	17 226	55 220	0.3	244 944	0.22
Haavisto Ilkka	38 076	16 008	54 084	0.3	244 944	0.22
Myllymäki Erkki	44 282	8 608	52 890	0.3	244 944	0.22
Varsinais-Suomi Union of Agricultural Producers Support Fund	42 498	1 694	44 192	0.3	244 944	0.22
Raisio Group Research Foundation	23 751	15 466	39 217	0.2	244 944	0.22
Tapiola Mutual Life Insurance Company	20 320	17 932	38 252	0.2	244 944	0.22
Central Union of Swedish-speaking Agricultural Producers	35 400		35 400	0.2	244 944	0.22
OP-Delta Investment Fund		28 000	28 000	0.2	28 000	0.03
City of Turku Insurance Fund	1 000	26 440	27 440	0.2	46 440	0.04
Silén Bengt	12 756	14 400	27 156	0.2	244 944	0.22

Shares registered under foreign ownership, including nominee registrations, totalled 8,307,974 on December 31, 1996, or 50.9% of the total.

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

	1992	1993	1994	1995	1996
Earnings per share (EPS), FIM	10.32	11.30	9.47	6.26	6.13 <sup>2)</sup>
Equity per share, FIM	98.80	106.01	98.73	98.27	112.59
Dividend per share, FIM	1.13	1.40	1.58	1.76	2.00 <sup>1)</sup>
Dividend per earnings, %	11.0	12.4	16.7	28.1	32.6
Effective dividend yield, %					
Free shares	2.80	1.70	2.26	2.86	0.69
Restricted shares	2.76	1.76	2.17	3.00	0.71
P/E ratio					
Free shares	3.9	7.3	7.4	9.8	47.4
Restricted shares	4.0	7.0	7.7	9.4	45.7
Adjusted average quotation, FIM					
Free shares	29.40	69.54	101.65	59.25	228.01
Restricted shares	36.89	67.38	101.12	63.04	223.91
Adjusted lowest quotation, FIM					
Free shares	21.78	41.13	68.47	47.40	61.88
Restricted shares	24.26	40.43	66.06	45.80	59.89
Adjusted highest quotation, FIM					
Free shares	45.81	91.29	129.91	80.76	339.90
Restricted shares	47.70	89.84	123.31	78.39	330.00
Adjusted quotation 31.12., FIM					
Free shares	40.33	82.32	69.98	61.48	290.81
Restricted shares	40.98	79.49	72.96	58.57	280.00
Market capitalization 31.12., FIMm					
Free shares	179.4	380.8	557.1	593.0	3 311.9
Restricted shares	331.6	629.1	428.1	342.1	1 384.4
Trading					
Free shares,					
1,000 shares	588	4 596	4 007	4 116	16 097
%	16.4	123.2	64.7	51.1	150.6
Restricted shares,					
1,000 shares	243	1 248	711	72	1 287
%	3.7	19.5	12.1	1.4	24.8
Average adjusted number of shares, 1,000 shares					
Free shares	4 447	4 626	7 060	9 174	10 690
Restricted shares	8 092	7 914	6 676	5 848	5 200
Adjusted number of shares 31.12., 1,000 shares					
Free shares	4 447	4 626	7 961	9 645	11 389
Restricted shares	8 092	7 914	5 868	5 840	4 944

1) According to the Board proposal

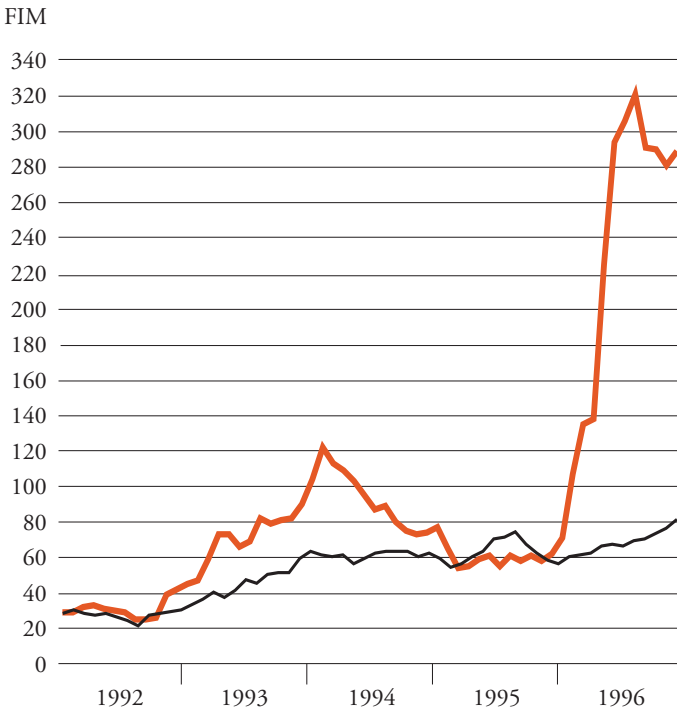
2) If the effect of the warrant bond is taken into account, earnings per share in 1996 amounted to FIM 6.09.

## TRENDS ON THE STOCK EXCHANGE

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

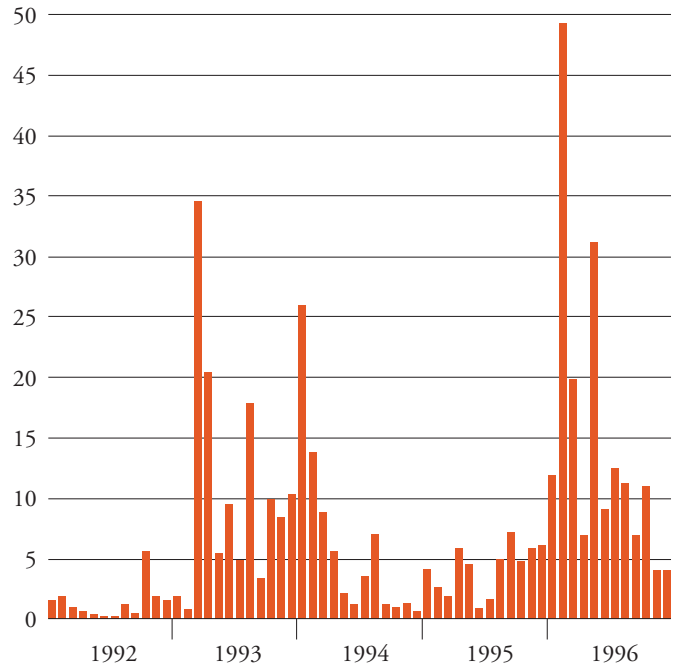
Change in nominal value and share issues taken into account as an adjustment.

— Average quotation  
— HEX All Share Index



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

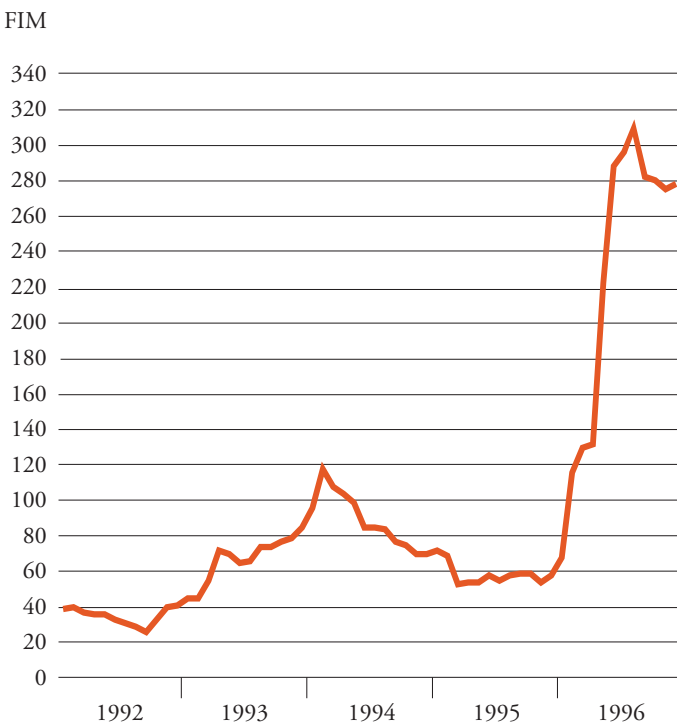
% of total share series



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

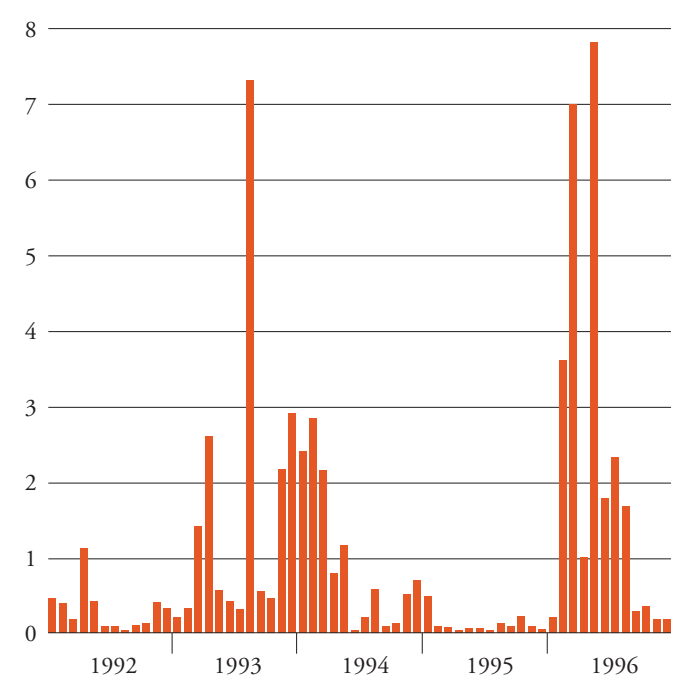
Change in nominal value and share issues taken into account as an adjustment.

— Average quotation



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

% of total share series



## COMPUTATION OF INDICATORS

In accordance with general instructions issued by the State Accountancy Committee on April 12, 1995.

$$\text{Return on equity \% (ROE)} = \frac{\text{Profit before extraordinary items, reserves and taxes} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{non-mandatory reserves and depreciation difference}} \times 100$$

$$\text{Return on investment \% (ROI)} = \frac{\text{Profit before extraordinary items, reserves and taxes} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{interest-free debts (average)}} \times 100$$

$$\text{Equity ratio} = \frac{\text{Shareholders' equity} + \text{minority interest} + \text{non-mandatory reserves and depreciation difference}}{\text{Balance sheet total} - \text{advances received}} \times 100$$

$$\text{Quick ratio} = \frac{\text{Financial assets}}{\text{Current liabilities per balance sheet}}$$

$$\text{Current ratio} = \frac{\text{Financial assets} + \text{inventories}}{\text{Current liabilities per balance sheet}}$$

$$\text{Earnings per share (EPS)} = \frac{\text{Profit before extraordinary items, reserves and taxes} - \text{minority interest} - \text{taxes}}{\text{Average number of shares for the year, adjusted for share issues}}$$

$$\text{Equity per share} = \frac{\text{Shareholders' equity} + \text{non-mandatory reserves and depreciation difference}}{\text{Number of shares at December 31, adjusted for share issues}} \times 100$$

$$\text{Dividend per share, adjusted for share issues} = \frac{\text{Dividend distributed for the year}}{\text{Number of shares at December 31, adjusted for share issues}}$$

$$\text{Dividend per profit} = \frac{\text{Dividend per share}}{\text{Profit per share}} \times 100$$

$$\text{Effective dividend yield} = \frac{\text{Dividend per share, adjusted for share issues}}{\text{Average quotation adjusted for share issues and weighted with trading volumes at December 31}}$$

$$\text{P/E ratio} = \frac{\text{Average quotation adjusted for share issues and weighted with trading volumes at December 31}}{\text{Profit per share}}$$

$$\text{Market capitalization} = \text{Average quotation adjusted for share issues and weighted with trading volumes at December 31} \times \text{number of shares at December 31}$$

On computing these indicators, the deferred tax liability and change therein have not been itemized, as realization of the deferred tax liability is not considered likely in the next three years.





Fast-rising sales and international operations boosted turnover in the Foodstuffs Division. The overall satisfactory performance was hampered by pricing problems in grain products, significant inputs in R&D and an unexpectedly poor trend in Poland. The entire financial year was characterized by the encouraging interest aroused by the Benecol project.



**MELIA LTD**

The price of wheat rose in spring and summer both in Finland and on the world market. The increase could not, however, be transferred to prices until autumn, a fact which weakened Milling Sub-division performance materially. Insufficient quantities of domestic wheat and its low protein level made imports necessary in the autumn, but domestic rye crops were sufficient to meet the demand in Finland.

Total wheat milling in Finland came to 390 million kilos, an increase of 20%, thanks to substantial growth in exports. Rye milling reached 86 million kilos (up 4%) and the use of oats for flaking to 29 million kilos (up 9%). The volume of barley milling was 7 million kilos.

Melia's use of grain as raw material rose to FIM 290 million kilos, but its share of total milling in Finland remained at the 1995 level. A total of 238 million kilos of products was delivered - 21% more than the previous year.

Exports tripled and accounted for as much as one fourth of total deliveries. The Nordic product series has become well-known, particularly in the St. Petersburg area in Russia and in Estonia. In St. Petersburg, Melia is the market leader in imported flour, pasta, flakes and muesli. In all, 17 new export products were introduced on the market during 1996.

Demand for functional oat and rye products is growing rapidly. For instance, Melia introduced the Sieppari series of three modern

rye products, Nalle Kuntokaura oat flakes and Kauratuuba oat macaroni. Melia's oat macaroni was awarded first prize in the institutional kitchen series of the Finnish Food of the Year competition.

Baker's Raisio founded at the end of 1995 to market Group products to bakeries, increased its deliveries and market shares in its all product lines.

Thanks to the lively export trend, Melia turnover rose to FIM 614 million, up 20%. The company showed a profit, but performance was not satisfactory.



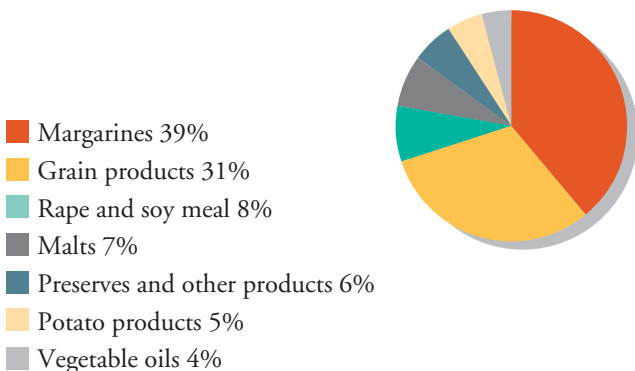
*Sieppari products ensure our intake of wholesome rye fibre in a variety of forms.*

#### OIL MILLING SUBDIVISION

Demand for oils and meal was good, and the oil milling plant worked to capacity throughout the year. A total of 164 million kilos of oil seed were processed, which is more than ever before. Rape accounted for 60 million kilos, more than 90% of this being grown in Finland.

The exceptionally high prices of soybean and meal soybean in the autumn of 1995 continued until autumn 1996, after which prices went down briefly because of the good soybean crops harvested in the US. In the last weeks of 1996, however, they began to rise again with the strengthening of the US dollar. Oil prices were lower, despite the high prices of seeds and crushed grain.

#### TURNOVER BREAKDOWN



A joint campaign involving both the industry and agricultural producers was launched to safeguard domestic oil plant production, and this will continue until sowing starts in spring 1997.

Turnover totalled FIM 291 million in the Oil Milling Subdivision, up by 11%. Profitability was satisfactory.

#### MARGARINE SUBDIVISION

Margarine Subdivision turnover totalled FIM 877 million, an increase of 48% on the previous year. The increase in turnover was due to fast-growing exports. Carlshamn Mejeri, bought in November, also added FIM 60 million to consolidated turnover. Operations in Poland accounted for FIM 253 million of total turnover.

The total market for edible fats remained unchanged in Finland. A good 42 million kilos of margarine were sold, with Raisio supplying more than 50%.

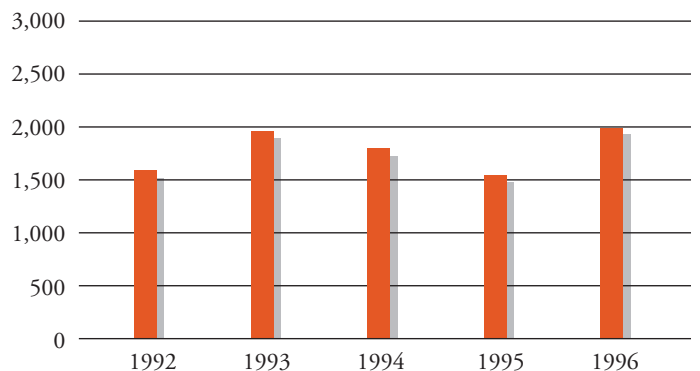
Margarine exports by the Raisio factory hit a new high, at 53 million kilos, i.e. 70% of the factory's entire production. Close on 80% of all exports went to Russia, where Voimix was the leading brand.

Market shares increased in Finland, primarily thanks to Keiju and brands made for central trading organizations. Sunnuntai continued to be a successful brand among household baking margarines.



*Sunnuntai wheat flour was put onto the market 30 years ago. Now the name of an entire series of baking products, it is one of the Group's most successful brands.*

#### FOODSTUFFS DIVISION TURNOVER, FIMm



The Subdivision was unable to meet the demand for Benecol margarine because of problems with raw materials supply, but availability improved towards the end of the year. More than 12% of all Finnish households tried this new product during its first year on the market, and it has already established a loyal consumer group of its own.

Volumes of bakery margarines delivered increased, as imports to Finland declined. Bulk customers, in particular, were supplied with technical solutions related to the use of these products. Institutional kitchens favoured margarine in ready-portion pats, e.g. the Keyyempi Keiju introduced onto the market in March.



The Swedish margarine factory Carlshamn Mejeri AB was merged with the Group in November. Left to right: Håkan Johnson, Managing Director of Carlshamn Mejeri; Jukka Mäki, Deputy Chief Executive of the Raisio Group; and Kari Jokinen, Head of the Margarine Division.

The 1996 market situation was difficult in Poland, as price competition resulting from overcapacity in the margarine industry prevented inflation-derived price increases. The situation was further aggravated by the support given by the Polish government to butter sales. With the major marketing inputs made at the same time, operations in Poland showed a loss.

Towards the end of the year, the Raisio Group acquired a majority holding in Carlshamn Mejeri AB and carried out the consequent takeover measures.

If operations in Poland are excluded, the Margarine Subdivision's performance showed a favourable trend and was satisfactory as a whole.

#### FOODIE OY

The market position of mämmi rye products, peasoups and frozen pastry doughs strengthened in Finland, and exports of Nordic salad dressings to Russia were successful. Nordic products began to be exported to Sweden and the UK.

Turnover totalled FIM 102 million, up by 25%, with exports accounting for one fourth. Operations showed a profit.

#### POTATO PROCESSING SUBDIVISION

Imports of French fries rose to close on 50% of the entire Finnish market, and prices dropped to half. This caused the Potato Processing Subdivision to show a loss. Turnover remained at FIM 96 million, however, since sales volumes grew by nearly 20%.

Potato products continued to be exported to Sweden, the UK and the growing Russian market.

#### MALTING SUBDIVISION

Turnover totalled FIM 121 million, 28% up on the previous year. The proportion accounted for by exports rose to close on 70%. Financial performance was fairly satisfactory.

Exports went to Venezuela, Russia, Norway, Sweden and Scotland. The world market price was good.

In March, the Subdivision began to use its new factory extension, which made it possible to put out 70 million kilos of malt a year instead of the previous 50 million kilos.

In September, the Subdivision announced a decision to expand further, to 105 million kilos a year. The value of the new investment is estimated at some FIM 60 million, including a giant 330-tonne germination box, a kiln, two steeping lines and a loading unit, as well as modernization of the old germination unit. The investment, to be completed in 1998, will be of major importance to malting barley cultivation in southwestern Finland. All the additional output will be exported.



The research team behind Benecol plant stanol was given the Innosuomi innovation award by the President of Finland. Left to right: Ingmar Wester, R&D Manager; Martti Ahtisaari, President of Finland; Martti Enäjärvi, Director General of the National Board of Patents and Registration; Matti Salminen, Chief Executive of the Raisio Group, Professor Tatu Miettinen; and Jukka Mäki, Deputy Chief Executive of the Raisio Group.

#### BRAND-NAME PRODUCTS

Sunnuntai	Anni Helena	Elovena
Aamunhyvä	Sieppari	Benecol
Keiju	Kultasula	Risella
Torino	Pasta	Voimix
Finea	Masmix	Pokusa
Fraszka	Carlshamn	Eve
Tofuline	Runda Bords	Nordic
Soft	Bel Ami	Justelius
Raisa	Paakari	Mestari
Kymppi	Nalle	Mielihyvä
Start	f-muesli	Raision
Raisio Malt		



## BENECOL

In November 1995, the Raisio Group announced a new discovery in esterifying plant sterol, and introduced a new product application, Benecol margarine. Its active ingredient, stanol ester, is extremely efficient in reducing the cholesterol level of the serum. There is indisputable scientific evidence on the beneficial clinical effects.

From the very beginning, Benecol margarine proved to be a success, and international interest was aroused rapidly. Demand in Finland alone exceeded 1996 delivery capacity.



### BUSINESS TRENDS

A separate organization, Benecol Unit, was set up to develop the Benecol business. Its functions include the acquisition of plant sterol, which is the raw material for stanol ester, production of the active ingredient and international publicity for the project. The Margarine Subdivision has handled production and marketing of Benecol margarine in Finland from the start.

In 1996, a stanol ester production unit was built in Raisio. This started operations at the end of December, and the output volume is expected to cover both domestic demand and initial exports.

A decision was made in October to build another stanol ester unit, which should be completed in late 1997/early 1998. This second unit will be able to produce some 2,000 tonnes a year, or roughly the equivalent of 25 million kilos of margarine if the entire amount were used for this purpose.

Total Benecol-related investments will come to FIM 150 million in 1996 and 1997.

### AVAILABILITY OF PLANT STEROL

Kaukas Oy, which is part of the UPM-Kymmene Corporation, has been our plant sterol supplier from the beginning. In 1996, raw material acquisition was expanded to international suppliers. Raw material availability is expected to become much easier in spring 1997.

### RESEARCH AND DEVELOPMENT

The Benecol Unit decided to build a 1,500 m<sup>2</sup> R&D laboratory on the Raisio industrial site. The project is scheduled for completion in autumn 1997.

It was agreed that UPM-Kymmene and the Benecol Unit would join forces in R&D on sterol separation techniques.

### PERMITS AND PATENT PROTECTION

Benecol margarine was registered in Finland as a special dietary product under the relevant EU Directive and the national legislation. The registration defined the status of Benecol margarine as a food product and created a basis for handling future Benecol products.

Permit-related issues were investigated in the UK, Germany and the Benelux countries, particularly in Sweden, since the plan is to introduce Benecol vegetable fat spreads there in 1997.

The basic invention has been patented in the US, Russia, Australia and Poland. Examiner's communications have been issued on a number of applications, which means that patent protection will expand in the near future. Nothing negative relating to the contents of the applications has emerged in the application process.

Two new patent applications were filed in 1996 to extend protection to stanol ester mixes and their practical applications.

### INTERNATIONALIZATION

The Raisio Group also decided to keep production of the active ingredient in its own hands on the international market. Raisio can produce Benecol margarine and other potential stanol ester applications for the domestic market at its own production plants.

Sweden was chosen as the first foreign market area to be entered, in 1997. Cooperation agreements will be used in the process of expanding to other markets and food cultures. Negotiations with potential cooperation partners have begun in northern and central Europe and in North America.



*The first stanol ester production unit started production at the end of December.*



Adaptation of livestock production to the EU era was reflected in the Animal Feeds Division: performance was poorer than expected because of an imbalance between raw material prices and sales prices. Special feeds did well, with exports growing particularly fast.



Adaptation of Finland's livestock production to changes brought about by accession to the EU continued in 1996. As transitional support decreased, the economic impact of the changes was just beginning to be felt.

This adaptation process was reflected in a slight decline in the demand for farm feeds made by Raisio Feed Ltd, but deliveries of special feeds increased, particularly in exports. Thus, total deliveries by the Animal Feeds Division did not decline more than 3%.

Turnover totalled FIM 760 million, an increase of 2%. The Division's performance was only passable, the reason being that the radical rise in raw material prices that began towards the end of 1995 continued through the first six months of 1996. It was not until the autumn that a satisfactory balance was achieved between raw material prices and sales prices.

#### FARM FEEDS

In the past few years, Raisio Feed has been investing particularly heavily in the development of processing methods. This policy has proved successful, for it has allowed us to apply the latest research data in the field.

Apart from efficiency and safety of livestock production, the demands made by consumers on the end product have guided Raisio Feed's R&D work. Finland's EU membership has also brought environmental issues to the fore.

All the goals referred to above come together in 'precision feeding', for which feed mixes optimized for protein composition and quantities were developed. Examples include Täsmä-Herkku for chicken, ideal protein feeds for pigs and Maituri for dairy cows.



*The ideal protein programme for pigs based on Power feeds has a favourable impact on the health and productivity of the animals and the cleanness of the environment.*

In August, the 'histidine discovery' made by Raisio Feed and the Agricultural Research Centre jointly was made public. Research had shown the importance of the right amino acid composition in feeding cattle. Insufficient intake of histidine, which is an amino acid, was found to reduce milk production.

The discovery could be utilized at once to some extent, through optimization of raw material. It is now pointing the direction for further R&D, which is expected to take several years. The discovery of histidine has aroused international attention, and a patent is pending.

Departing from the general trend, broiler chicken feed deliveries grew, although price competition reduced profitability.

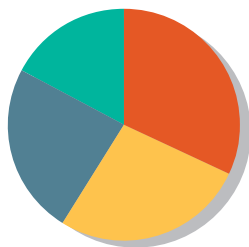
#### SPECIAL FEEDS

Exports of cat and dog food tripled on 1995. Exports to Russia grew the most, and the business has acquired a more established status there now. Substantial quantities of Deliss cat food have been delivered since summer 1996.

Exports to Estonia and Latvia started, and tentative marketing in Poland and Ukraine through Poland was launched. The Animal Feeds Division also sold fur-bearing animal and fish feeds abroad.

The Baron dog food series introduced a new high-energy product for dogs serving in police work, guarding, hunting or other heavy duties. The product is the only one of its kind in the Nordic countries.

#### TURNOVER BREAKDOWN



- Cattle feeds 32%
- Special feeds 27%
- Pig feeds 24%
- Poultry feeds 17%

A majority of Raisio Feed's domestic dog and cat food deliveries were manufactured as 'private label' products specially ordered by customers. Well-known examples include Kennel and Hau-Hau Champion. Private label products were also exported to Norway and Sweden.

#### INVESTMENT

A storage facility for meal was completed in Raisio. Its purpose is to safeguard the sufficiency of domestically crushed rape and soy meal and a high standard of hygiene. The main mixer at the feed factory was replaced.

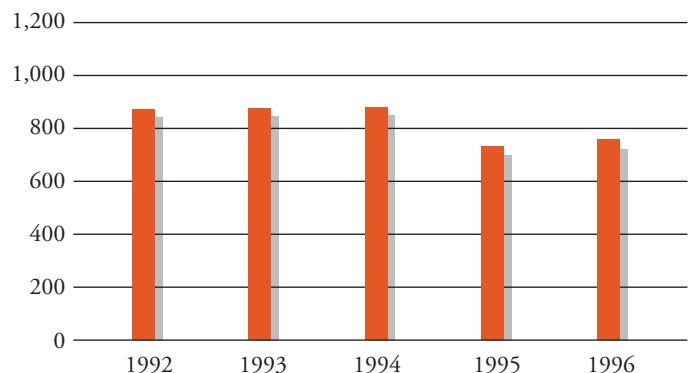


*An amino acid, histidine, was discovered in research cooperation between the Agricultural Research Centre and Raisio Feed. Low histidine intake reduces milk production by dairy cows. The research team from left to right: Professor Pekka Huhtanen and researchers Aila Vanhatalo and Tuomo Varvikko.*

#### BRAND-NAME PRODUCTS

<i>Herkku</i>	<i>Herukka</i>	<i>Maituri</i>
<i>Melli</i>	<i>Tess</i>	<i>Kirjo</i>
<i>Fur</i>	<i>Baron</i>	<i>Deliss</i>

#### ANIMAL FEEDS DIVISION TURNOVER, FIMm







Turnover and financial performance were affected by problems with demand in the pulp and paper industry at the beginning of the year, but towards the end of the year the situation improved. The improvement in turnover was partly accounted for by the corporate purchases made the previous year. Profit after depreciation more than doubled.



*Three chemical plants operate in Anjalankoski. Their flexibility and efficiency was improved by setting up a common management system for all three. In the background, the Raisio Lateksi Oy factory and in the foreground, the efficient joint waste water treatment plant (Biolak).*

Raisio's Chemicals Division concentrates on serving the pulp and paper industry with an extensive product range in all major areas of paper production throughout the world. The position of Raisio Chemicals is solid in the Nordic countries, and has also strengthened substantially elsewhere in Europe and in North America. In 1996, particular attention was paid to creating a market position in the fast-growing economies of Southeast Asia, too.

The down trend in demand that began in autumn 1995 continued to hamper the pulp and paper industry almost worldwide at the beginning of 1996. Utilization rates improved towards the end of the year, however, and cautious optimism characterizes forecasts for 1997. In Finland, production volumes for paper and board have

remained almost unchanged for the past three years, at approximately 11 million tonnes. Production is now expected to grow. The annual capacity for producing coated paper has increased, and will increase further in 1997 by a total of over one million tonnes.

The turnover of Raisio Chemicals Division was FIM 1,360 million, 24% more than in 1995. 64% of turnover was generated in the Nordic countries, 19% elsewhere in Europe and 17% in America. Financial performance improved substantially on the previous year and was fairly good.



## STARCHES

Raisio's potato starch factories processed a record amount of 211 million kilos of potatoes in 1996. The grain starch factory processed 74 million kilos of wheat, a 12% increase on the previous year. Some 85% of the potato starch was modified for paper industry purposes and all the grain starch produced went to the paper industry.

Apart from its own starch production, the Division bought more than 60 million kilos of grain, potato and tapioca starch for processing.

Raisio's Chemicals Division delivered a total of 152 million kilos of starch products worldwide, with a turnover of FIM 521 million. The market share rose in Finland to 45%.

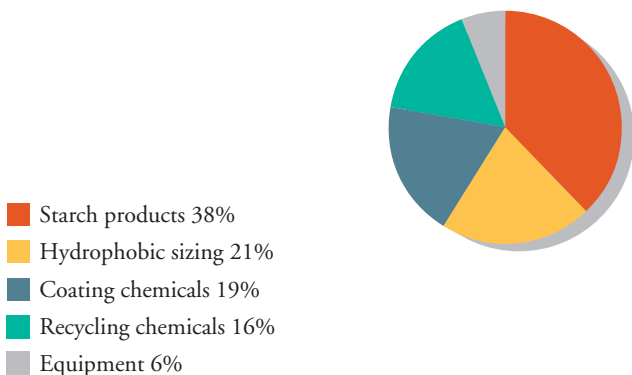
More than 85% of Raisio's starch turnover took the form of cationic binders, where Raisio Chemicals is one of the largest suppliers in the world. Using cationic starches materially reduces the circulation water and effluent load in the paper industry.

In a share deal at the end of the year, Raisio Chemicals increased its holding in the Indonesian PT Budi Raisio International from 18% to 50%. The company makes binders from tapioca starch. A decision was also taken to increase production capacity.



*Raisio Chemicals increased its holding in the Indonesian company PT Budi Raisio International to 50%. The company makes binders for the paper industry from tapioca starch.*

## TURNOVER BREAKDOWN



## COATING CHEMICALS

Turnover for coating chemicals was FIM 252 million. A total of 71 million kilos of synthetic binders and latexes, and 3 million kilos of paper coating additives were delivered. Some 90% of the sales went to the Finnish market.

At the end of the year toll manufacturing and sales of polyvinyl acetate and acrylate latexes began in Taiwan and Australia using Raisio know-how.

## HYDROPHOBIC SIZING

Turnover rose to FIM 280 million in hydrophobic sizing, an increase of 63%. Neutral sizes, various rosin size dispersions and polymeric hydrophobic surface sizing agents were made in both Europe and North America. Raisio Chemicals is one of the world's biggest suppliers in this product line.

## RECYCLING CHEMICALS

Turnover in recycling chemicals increased rapidly, although the pulp industry had problems with demand and had to resort to stoppages. Recycling chemicals turnover rose to FIM 220 million, an increase of 65%.

Raisio Chemicals delivered a wide range of chemicals for recycled fibre treatment and paper making process, such as deinking chemicals, cationic polymers and polyaluminium chloride (PAC), defoamers and anthraquinone dispersions.

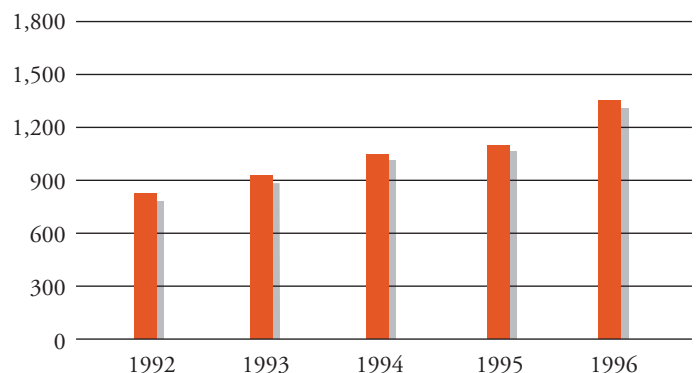
## EQUIPMENT AND SYSTEMS

Raisio Engineering and Raisio Flootek, both specializing in environmental technology, and the WIC 100 analyzer business make up Raisio Chemicals' Equipment Unit, which had a turnover of FIM 87 million.

The key areas of the Equipment Unit are its new membrane technique, treatment of paper industry circulation water and coating colour circulation water containing pigment, and WIC 100 analyzer systems used for paper machine wet end process control.

In 1996, a total of 16 Raisio CR1000/60 ultra filters were delivered to Metsä-Serla's Kirkniemi mill. Our associated company Jylhäraisio Oy (1997: Valmet-Raisio Oy) equipped the factory's new

## CHEMICALS DIVISION TURNOVER IN FIMm





*This new-generation WIC 100 information system offers efficiency in controlling the wet end of paper machines.*

paper machine with a coating kitchen, pigment make down plant, handling systems for the wet end chemicals and a coating colour supply system.

Altogether 10 WIC 100 systems have been sold, one of them being the complete systems for the new Kirkniemi machine described above.

**R&D AND ARRANGEMENTS**

In 1996, the focus was on the adaptation to Raisio Chemicals of companies bought in autumn 1995 in Europe and North America. Raisio Chemicals Canada, Inc. was formed in June, and the operations of Diachem Industries Ltd, Roe Lee Canada Inc. and the Canadian operations of Raisio Inc. in the US were merged with it.

Active R&D continued, and the number of patent applications increased considerably. Key areas were further development of WIC 100 systems, new-generation ultra filtration technology, research on the efficiency of wet end chemicals and paper coating technology.

**ENVIRONMENTAL RESPONSIBILITY**

Raisio Chemicals' Nordic operations and most operations in Europe and North America are ISO 9002 certified. In Finland, Raisio Chemicals developed its environmental system to meet ISO 14001 requirements.

Raisio Chemicals is committed to continuing to improve its operations in issues concerning the environment, health and safety. It participates in the international chemical industry's Responsible Care programme and aims to promote the principles of the International Chamber of Commerce in order to achieve sustainable development. Raisio Chemicals issued its first environmental report in 1996.



*Negotiations in connection with the Pap For Russia '96 exhibition. Left to right: I. P. Shepin from the Goznak paper mill and Juri Nikolajev and Olli Niilola from Raisio Chemicals.*



*The operations of Diachem Industries Ltd and Roe Lee Canada Inc. were merged into Raisio Chemicals Canada, Inc. In the picture, the company's factory in Cornwall, Ontario.*

**BRAND-NAME PRODUCTS**

<i>Raisamyl</i>	<i>Raisional</i>	<i>Styronal</i> <sup>1)</sup>
<i>Raisafob</i>	<i>Raifix</i>	<i>Raisapon</i>
<i>Raisacat</i>	<i>Rebarco</i>	<i>Rheostan</i>
<i>Raisacoat</i>	<i>AZCote</i> <sup>2)</sup>	<i>DIAQ</i>
<i>WIC 100</i>	<i>Biolak</i>	<i>Flootek</i>

<sup>1)</sup> = Trademark registered by BASF Aktiengesellschaft

<sup>2)</sup> = Trademark registered by Hopton Technologies Inc.

## INFORMATION FOR SHAREHOLDERS

### SHAREHOLDERS' MEETING

The Annual General Meeting of Raisio Tehtaat Oy Ab will be held on Thursday, April 17, 1997 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 Finnish Central Securities Depository Ltd. no later than April 7, 1997, 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 14, 1997. 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 2 434 2293 or by telefax +358 2 434 2315.

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

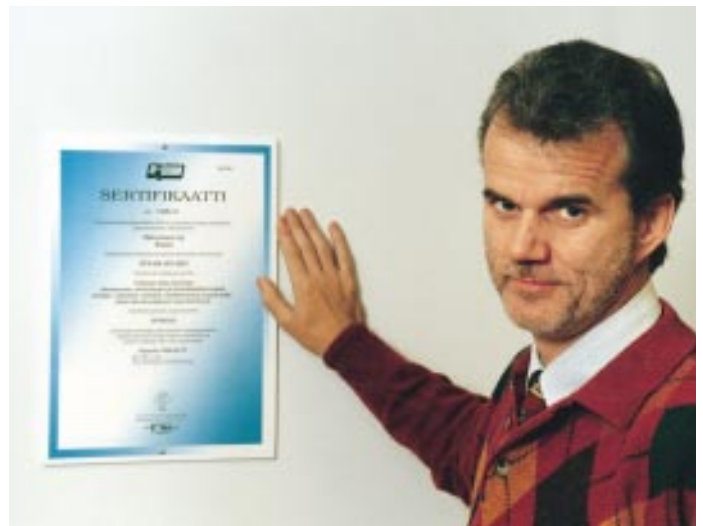
Interim report January-April, 1997 will be published June 12, 1997. Interim report January-August, 1997 will be published October 15, 1997.

The annual and interim reports are sent automatically to all shareholders on the Finnish Central Securities Depository Ltd. 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, 21210 Raisio, telephone +358 2 434 2292, telefax +358 2 434 2147.

## ISO QUALITY CERTIFICATES

The Finnish Standards Association SFS has granted the Raisio Group the following quality certificates:

- ISO 9002 Raisio Lateksi Oy 1991
- ISO 9002 Raisio Chemicals Ltd, operations in Finland 1993
- ISO 9002 Oy Kationi Ab 1993
- ISO 9002 Oy Raisional Ab 1994
- ISO 9002 Raisio Tehtaat Oy Ab Malting Subdivision 1996
- ISO 9002 Melia Ltd Hämeenlinna Mill 1996
- ISO 9001 Raisio Feed Ltd, all operations 1996



*Erkka Hellsten, Manager of the Raisio Feed factories, with the ISO 9001 Certificate received in September.*

## STOCK EXCHANGE BULLETINS AND PRESS RELEASES

### January 12, 1996

A film advertising Keiju margarine wins the food series in the international Epica competition.

### January 22, 1996

Raisio Feed Ltd stops using imported meat meal in feeds made for the domestic farm market.

### January 29, 1996

Raisio Feed Ltd introduces an ideal protein programme for pig feed mixes.

### February 14, 1996

The Raisio Group opens a commercial office in St. Petersburg, where sales of food and special feeds have grown radically. The wide range of our products is a strength. Voimix and Nordic products are particularly widely known.



14.2.1996

### February 19, 1996

Advance information released on the 1995 accounts: turnover totalled FIM 3,224 million and profit before extraordinary items FIM 141 million.

### February 29, 1996

An official bulletin on the 1995 accounts confirms the advance information released on February 19. The Board proposes that dividend be raised to 20%, i.e. FIM 2.00 per share, representing 28.9% of profits.

### March 18, 1996

The Raisio Group decides to build a stanol ester factory. Stanol ester has been shown to reduce cholesterol levels in human blood serum and is an active ingredient in the Benecol margarine produced by the Group.

### March 22, 1996

The Raisio Group donates 54,000 kilos of margarine to be distributed as food aid to Serbia and Montenegro by the Finnish Red Cross.

### April 3, 1996

The Finnish Standards Association grants Raisio Malting Subdivision an ISO 9002 Quality Certificate.

### April 18, 1996

The Raisio Tehtaat Oy Ab Annual General Meeting confirms the financial statements and discharges those accountable from liability. Dividend is fixed at FIM 2.00, as proposed by the Board. The Board of Directors is authorized to float a share issue of FIM 20 million or to issue convertible bonds or warrant bonds to the same amount. Adjustments in the number of deputy Board members and auditors are entered in the Articles of Association.

### May 6, 1996

As the prices of grain products and feed mixes lag behind rising raw material prices, profit before extraordinary items for the period from January to March is below FIM 30 million, or substantially less than for the same period in 1995.

### May 14, 1996

The Board decides to propose to an extraordinary shareholders' meeting that a share issue of FIM 218 million be floated between June 10 and July 10, 1996, increasing share capital from FIM 136.1 million to a maximum of FIM 163.3 million. The issue premium is FIM 191 million.

### May 30, 1996

An extraordinary shareholders' meeting approves the Board's proposal for a share issue.

### June 10, 1996

Interim report on January 1 to April 30, 1996: turnover totalled FIM 1,194 million (FIM 1,002 million in 1995) and profit before extraordinary items FIM 38 million (FIM 71 million).

### July 11, 1996

The share issue ends, with 98% of the maximum subscribed during the period.

### July 23, 1996

The Board decides that the shares not subscribed in the share issue be given to the Raisio Group Research Foundation for subscription.



**August 20, 1996**

A higher-capacity margarine factory in Karczew, south of Warsaw, is officially opened. Before this, the Raisio Group had already been exporting margarines to Poland for two years and had gained a market share of some 12%. This margarine is now made locally.



20.8.1996

**August 21, 1996**

Raisio Feed Ltd and the Agricultural Research Centre announce the discovery of an amino acid called histidine, lack of which reduces the milk protein generated by dairy cattle. New products based on this discovery are expected to be commercially available in the next few years.

**August 28, 1996**

Melia Ltd's Hämeenlinna factory becomes the first milling facility in Finland to be awarded an ISO 9002 Quality Certificate by the Finnish Standards Association.

**September 3, 1996**

Raisio Chemicals Ltd announces the measures it has taken to advance environmental protection and safety at its Anjalankoski factory.

**September 5, 1996**

Raisio Malt announces a FIM 60 million investment programme, designed to raise annual capacity by 50%, i.e. from 70 million kilos to 105 million kilos. The increase in production will be exported in full.

**September 26, 1996**

The Finnish Standards Association grants Raisio Feed Ltd. an ISO 9001 Quality Certificate.

**October 15, 1996**

Interim report on January 1 to August 31, 1996: turnover totalled FIM 2,476 million (FIM 2,055 in 1995), and profit before extraordinary items was FIM 92 million (FIM 110 million).

**October 22, 1996**

The Raisio Group buys a majority (77.5%) holding in the Swedish margarine factory Carlshamn Mejeri AB and arranges for first option on the rest of the shares. Carlshamn Mejeri holds a third of the Swedish margarine market.



22.10.1996

**October 24, 1996**

A report is issued on the progress made with the Benecol project. Opportunities to acquire the raw material for stanol ester are improving. Another stanol ester factory is to be built in Raisio. The name Benecol is reserved for the active ingredient. Stanol ester margarine will be introduced on the Swedish market in 1997.

**November 6, 1996**

A mixing line is replaced at Raisio Feed Ltd's main factory in Raisio.

**November 15, 1996**

Raisio Feed Ltd and the co-operative egg marketing organization Munakunta bring out a new chicken feed type reducing nitrogen and phosphorus emissions. The feed also improves egg quality.

**November 15, 1996**

Benecol margarine is awarded an honourable mention in a competition held at the Food Ingredients Europe fair in Paris.

**December 12, 1996**

Raisio Tehtaat Oy Ab signs a USD 135 million syndicated loan agreement with an international banking consortium.

**December 13, 1996**

Raisio Chemicals Oy increases its holding in the Indonesian company PT Budi Raisio International from 18% to 50%.

**January 3, 1997**

The Benecol active ingredient factory is completed and opened at the end of December. It is expected to become fully operational in January.

# CONTACT INFORMATION

## RAISIO GROUP

### Parent company

#### RAISION TEHTAAT OY AB

##### Head office

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## FOODSTUFFS DIVISION

### RAISION TEHTAAT OY AB

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#### Pyhäntä Factory

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#### Malting Subdivision

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#### Foodie Oy

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#### Raisio Catering Oy

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#### Nokia Factory

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## ANIMAL FEEDS DIVISION

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Telefax: +358 8 550 4700

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## CHEMICALS DIVISION

### RAISION TEHTAAT OY AB

#### Grain Starch Subdivision

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#### Lapuan Peruna Oy

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#### Oy Kationi Ab

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#### Raisio Engineering Oy

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- Raisio Group production plants and sales companies
- ▲ Affiliates' production plants









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