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INFORMATION FOR SHAREHOLDERS

The Annual General Meeting of Raisio Group plc will be held on April 15, 1999 at 14.00 at the company offices in Raisio.
The invitation to the meeting is being published in the newspapers Helsingin Sanomat, Hufvudstadsbladet, Landsbygdens Folk, Maaseudun Tulevaisuus and Turun Sanomat.

Shareholders should inform the company of their intention to attend the AGM not later than 10.00 on April 12, 1999. The enrolment should be addressed to Raisio Group plc, Shareholders Contact, P.O. Box 101, FIN-21201 Raisio, or made by telephone +358 2 434 2293 or telefax +358 2 434 2315.

FINANCIAL INFORMATION

Annual accounts information for 1998	February 19, 1999
Annual report for 1998	March 30, 1999
Interim report January-April 1998	June 7, 1999
Interim report January-August 1998	October 5, 1999

The annual report and interim reports are published in Finnish, English and Swedish. They will be sent automatically to all shareholders owning more than 100 shares who are on the Finnish Central Securities Depository Ltd. list of owners.

CONTACT INFORMATION

Annual and interim reports can be ordered from the following address:
Raisio Group, Information Department, P.O. Box 101, FIN-21201 Raisio,
by e-mail marjo.ahvenainen@raisiogroup.com,
by telephone +358 2 434 2292 or by telefax +358 2 434 2147.

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

The original annual report was written in Finnish, and the English and Swedish-language versions are translations.

The annual accounts have been drawn up in Finnish markkas. Key figures have been converted into euros using the official coefficient (EUR 1 = FIM 5.94573).

RAISIO GROUP

The Raisio Group, whose headquarters are located in Raisio, Southwest Finland, develops, manufactures and markets foodstuffs, animal feeds and chemical products. The parent company, Raisio Group plc, is listed on Helsinki Exchanges.

SCOPE OF OPERATIONS

Total Raisio Group turnover was FIM 4,950 million in 1998, with international turnover accounting for 51 per cent. The balance sheet total came to FIM 4,105 million. At year end, the Group employed 2,814 persons, 38 per cent of them abroad. The Group has production plants in 17 countries.

OPERATING POLICY

Group operations are founded on the needs of our shareholders, customers, raw-material suppliers and staff. We work in close cooperation with our stakeholders and are ready to accept challenges from our cooperation partners and to work with them in devising solutions to problems.

Our operations are based on strong market shares in Finland, providing a good stepping stone for successful product development and thereby international growth.

The Raisio Group is committed to continuously upgrading its operations in terms of the environment, health and safety. We use renewable natural resources almost exclusively, and develop and market products and methods which are safe to use, environmentally sound and less harmful to the environment than before.

The Raisio Group is a firmly based, financially sound and successful enterprise, and thus a safe cooperation partner.

DIVISIONS

MARGARINE DIVISION

Raisio's Margarine Division makes a wide range of margarines in Finland, Sweden and Poland. Its product range includes edible oils and vegetable fat cheeses and spreads. Ice-cream and marzipan are made in Sweden.

The Division attaches particular attention to the development of low-fat products suited to today's consumer habits.

The Division makes Benecol margarines in Finland. They are the first applications using cholesterol-reducing stanol ester. Other brands produced by the Division include Keiju, Sunnuntai, Carlshamn Mejeri and Masmix.

GRAIN DIVISION

Raisio's Grain Division comprises mills, feed factories, a malting plant and the Agricultural Group, which is in charge of grain and rape seed purchases.

The Division's product range comprises flour, flakes, pastas, rice and malts. The Animal Feeds Subdivision makes feed mixes for production livestock, special feeds for fish and fur animals, and pet foods.

The Milling Subdivision's development work concentrates on functional grain products, while the Animal Feeds Subdivision focuses on the impact of feed mixes on the quality of livestock products and animal health, the productivity of feeding and the environmental effects of production.

The best-known brands are Elovena and Sunnuntai, and various Herkku feeds.

BENECOL DIVISION

The Benecol Division is in charge of procurement of plant sterol, development of separation techniques and the processing of sterols into stanol ester, which can be used in foods to effectively reduce blood cholesterol levels.

The first stanol ester plant is already in operation in Raisio, and the second one will go on stream in the US in early 1999. Stanol ester deliveries are made to the Group's own Margarine Division and contracting partner McNeil.

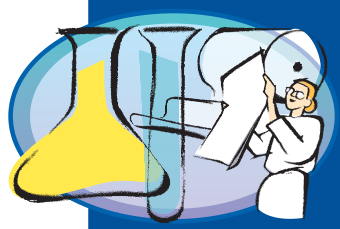
The Division is Raisio Group's most important development sector, and has great growth expectations.

CHEMICALS DIVISION

Raisio's Chemicals Division specializes in serving the paper industry all over the world. Its products range from pulp industry chemicals to chemicals and solutions for making, coating, processing and recycling paper and board.

The Division's range includes starch binders, latexes, hydrophobic sizing, recycling chemicals and rape-based lubrication oils.

The Chemicals Division is an important growth sector for Raisio Group. It operates internationally and has production units in 15 different countries.



BUSINESS DEVELOPMENT

The Business Development group comprises two food units: the Potato Processing Subdivision and Foodie. The Potato Processing Subdivision makes French fries, powder for mashed potatoes and special potato products. Foodie Oy's key products are frozen pastry doughs, pickled beetroot and gherkins, pea soups and 'mämmi' rye pudding.

FROM MILLING TO PAPER CHEMISTRY

Packing 'Vakio' wheat flour in 2.5-kilo bags in 1950.

RAISIO GROUP 60 YEARS

The Raisio Group began as Oy Vehnä Ab, a milling company founded by wheat farmers in southwestern Finland on February 3, 1939 to process the wheat produced by the owners and market the flour.

The Second World War delayed the actual construction of the mill, however, and it did not go on stream until the end of 1942. After the war, a major part of the country's milling capacity was lost with the areas surrendered to the Soviet Union, and an efficient new mill was just what was needed. Grain products were strictly rationed, as were other foodstuffs. The Ministry of Food was in charge of distribution, and this meant the new company had no marketing problems.

Animal feed mix production began in 1948, as new ways were sought to utilize the mill's by-products. These mixes were made of scarce raw materials using primitive equipment, and cannot be compared to modern feed mixes. The first proper feed factory was completed in 1960: it took a mere two hours to produce the amount of feed that had required 24 hours of work ten years earlier.

The building of a malting plant was a major project for the young company. In those days, it was so difficult to get machines that all the equipment required for the plant had to be made by the company from parts left over by the metal and engineering industry from the machinery and equipment sent by Finland to the Soviet Union in war reparations.

Raisio made its first beer malts in 1950. Its malt exports started in 1968 with deliveries to Sweden, and have since expanded enormously.

When Raisio's first milling company was founded, the pipelines and a lot of the machinery, too, relied largely on wooden structures.

Vegetable oils and margarines

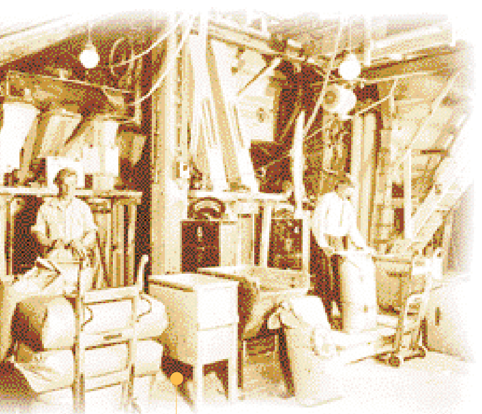
In 1950, a vegetable oil factory called Oy Kasviöljy-Växtolje Ab was founded in Raisio next to the milling unit. This company introduced rapeseed cultivation to Finland, spreading it throughout the country. The company began to collaborate closely with the milling company, and in 1987 the two companies were merged to form Raision Tehtaat Oy Ab, later to be re-named Raisio Group plc.

The margarine factory came to Raisio through two different routes. On the one hand, the rapeseed oil refined by the vegetable oil factory was a new, unknown raw material to the margarine factories of the time, and in order to boost demand, the company had to develop its own solutions for further refining. On the other hand, private retailers were feeling that the time was ripe to build a factory of their own.

The decision that then led to the establishment of the company Margariini Oy was made by the vegetable oil factory's supervisory board at the beginning of 1956. The meeting was chaired by Urho Kekkonen, who was to be elected President of the Republic of Finland later the same year.

The fact that retailers and bakery operators joined with agricultural producers as owners of the new company was to spell success for Raisio. The corporate culture thus gained a powerful injection of enterprising spirit and marketing know-how, and a direct link was created with all phases of the food chain: primary production, processing and trade. The margarine company was merged with its parent company in 1995.

A plant for processing potatoes was founded in Vihanti in 1961. Foodie Oy, a company making foods in Toijala, was bought in 1989.



Packing feed mixes in sacks in the late 1940s.

Spreading malting barley on a germinating floor in the early 1950s.

Starch boosts chemicals production

The chemicals produktion can be said to have begun in 1961 with the establishment of the first separate unit producing chemicals - a distillery for fatty acids. The vegetable oil factory and the mill had, however, already supplied some chemical products, such as varnish, technical oils and wheat flour for glue produktion.

The fat chemistry unit produced distilled fatty acids for the soap, detergent and candle industries, and fatty amines processed from fatty acids.

In 1971, the production of latexes used to coat printing paper began in Mietoinen, near Raisio, launching the Raisio Group's extensive cooperation with the paper industry.

The Chemicals Division got a real boost in 1976, when a wheat starch plant was completed in Raisio. Eight years later, the Raisio Group bought Finland's biggest potato starch processor, Hämeen Peruna Oy, making the Group Finland's leading starch and starch product producer.

Starch is an excellent raw material for a wide range of reprocessing. Raisio's own starch production proved a solid foundation, allowing the Chemicals Division to grow vigorously and steering it increasingly towards producing paper industry binders and special chemicals.

The Raisio Group's first production plant abroad, a starch modifying plant called Raisio Aktiebolag, started in Sweden in 1981. The Chemicals Division has since made good use of its expertise in paper chemistry, expanding production to Europe, America and the Far East.

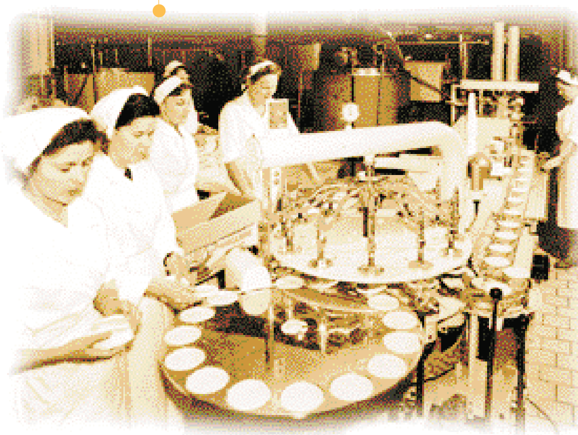
The Chemicals Division has introduced into the Group's R&D and marketing approach a model based on customer needs. The international experience of the Chemicals Division also proved useful when Raisio had to adapt itself to the EU era.

International listed company

The Raisio Group's internationalization process has involved expansion of production abroad both through corporate purchases and by establishing new companies. The Group bought a margarine factory in Poland in 1995 and another in Sweden a year later. In 1995, the Chemicals Division expanded to a number of European countries and Canada.

The launch of Raisio's new product Benecol at the end of the same year aroused massive international interest, leading to soaring share prices and significant increases in foreign ownership.

Finland's first tub margarine being packed in 1959.



Grain arriving in autumn 1953.

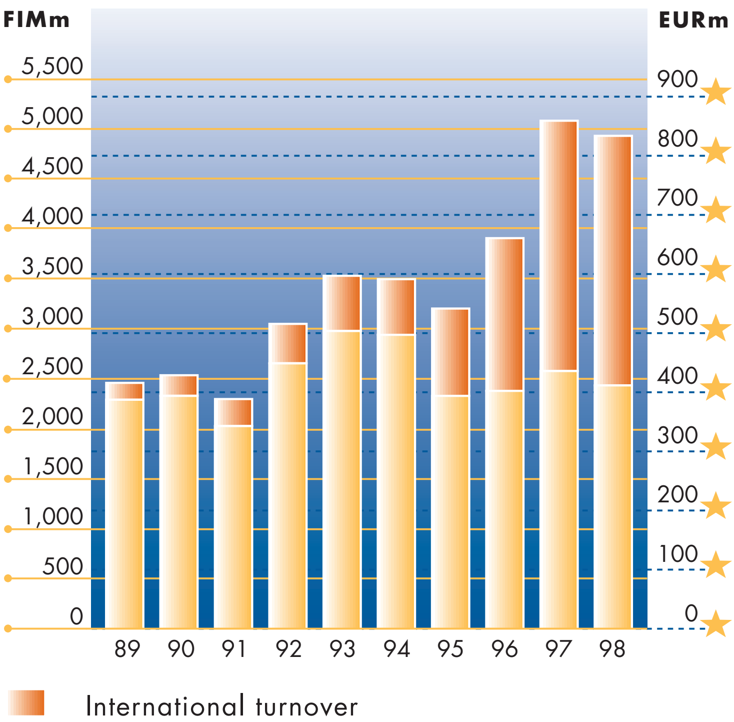
1998 IN BRIEF

- **Turnover remained at FIM 5 billion.**
- **Operating profit improved by 26 per cent. The Benecol Division accounted for 60 per cent of consolidated operating profit.**
- **Profit before extraordinary items improved by 21 per cent..**
- **The stagnation of trade with Russia and high raw material prices kept the Margarine Division's profit at zero.**

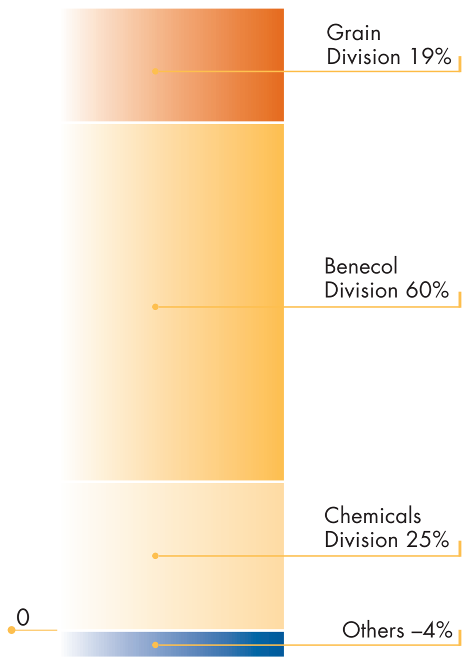
KEY FIGURES

	FIMm 1998	1997	EURm 1998	1997
Turnover	4,950	5,101	833	858
Operating profit	310	246	52	41
Profit before extraordinary items	252	209	42	35
Investments	444	434	75	73
Equity ratio, %	46,0	46,6		
Return on investment, %	11,1	10,1		
Average personnel	2,904	2,817		

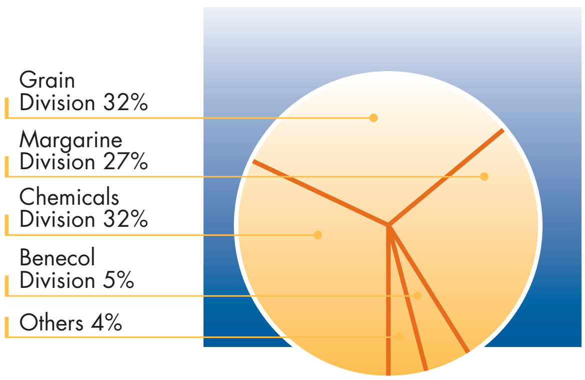
TURNOVER



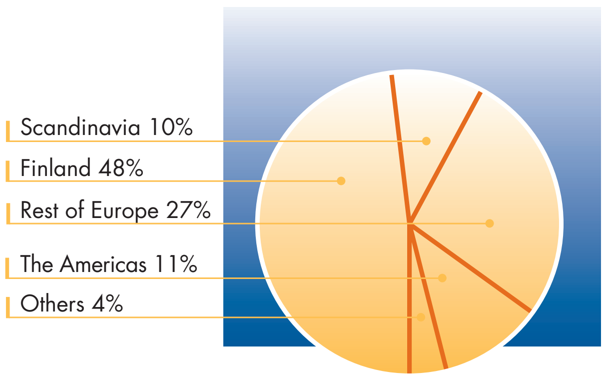
OPERATING PROFIT BY DIVISION



TURNOVER BY DIVISION



TURNOVER BY MARKET AREA



FIVE YEARS IN BRIEF

FIM

	1994	1995	1996	1997	1998
TURNOVER					
Turnover, FIMm	3,518	3,224	3,928	5,101	4,950
change, %	-1	-8	+22	+30	-3
Exports from Finland, FIMm	358	519	735	802	1,061
Total international turnover, FIMm	568	886	1,541	2,514	2,506
PROFITABILITY					
Operating profit, FIMm	230	183	196	246	310
% of turnover	6.5	5.7	5.0	4.8	6.3
Profit before extraordinary items, FIMm	165	141	166	209	252
% of turnover	4.7	4.4	4.2	4.1	5.1
Profit before taxes and minority interest, FIMm	35	140	162	118	232
% of turnover	1.0	4.3	4.1	2.3	4.7
Return on equity, ROE, %	10.8	7.5	4.5	7.8	9.2
Return on investment, ROI, %	11.1	9.2	9.2	10.1	11.1
FINANCING					
Equity ratio, %	45.7	46.5	47.3	46.6	46.0
Quick ratio	1.1	0.9	1.1	0.8	0.7
Current ratio	1.6	1.6	1.8	1.5	1.2
BALANCE SHEET					
Shareholders' equity + minority interest, FIMm	1,389	1,471	1,727	1,772	1,886
Balance sheet total, FIMm	3,071	3,175	3,678	3,826	4,105
OTHER INFORMATION					
Gross investments, FIMm	188	380	387	434	444
% of turnover	5.3	11.8	9.9	8.5	9.0
R&D expenditure, FIMm	54	54	87	99	106
% of turnover	1.5	1.7	2.2	1.9	2.1
Average personnel	1,958	2,054	2,365	2,817	2,904

EUR

	1994	1995	1996	1997	1998
TURNOVER					
Turnover, EURm	592	542	661	858	833
change, %	-1	-8	+22	+30	-3
Exports from Finland, EURm	60	87	124	135	178
Total international turnover, EURm	96	149	259	423	421
PROFITABILITY					
Operating profit, EURm	39	31	33	41	52
% of turnover	6.5	5.7	5.0	4.8	6.3
Profit before extraordinary items, EURm	28	24	28	35	42
% of turnover	4.7	4.4	4.2	4.1	5.1
Profit before taxes and minority interest, EURm	6	24	27	20	39
% of turnover	1.0	4.3	4.1	2.3	4.7
Return on equity, ROE, %	10.8	7.5	4.5	7.8	9.2
Return on investment, ROI, %	11.1	9.2	9.2	10.1	11.1
FINANCING					
Equity ratio, %	45.7	46.5	47.3	46.6	46.0
Quick ratio	1.1	0.9	1.1	0.8	0.7
Current ratio	1.6	1.6	1.8	1.5	1.2
BALANCE SHEET					
Shareholders' equity + minority interest, EURm	234	247	291	298	317
Balance sheet total, EURm	517	534	619	643	690
OTHER INFORMATION					
Gross investments, EURm	32	64	65	73	75
% of turnover	5.3	11.8	9.9	8.5	9.0
R&D expenditure, EURm	9	9	15	17	18
% of turnover	1.5	1.7	2.2	1.9	2.1
Average personnel	1,958	2,054	2,365	2,817	2,904

CHIEF EXECUTIVE'S REVIEW

In previous years, 'trends' and 'course of development' were the terms used when referring to the economy. Many decisions, forecasts and budgets were based specifically on experience and 'sustainable development'. In 1998, however, a distinct shift took place in the world economy, and issues began to be questioned that had always been considered certain. Economic blocs have become increasingly interdependent at an ever faster pace, and radical changes in one place have immediate global reverberations, not to mention the economic impacts felt in nearby regions.

Such radical changes included the economic crisis in the Far East, plummeting stock exchange prices, exceptional climatic conditions and their consequences, the collapse of the Russian economy, and the problems arising in South America towards the end of the year. Problems within the European Union and preparations for the single European currency caused additional pressure for change in Europe.

The powerful impact of these events in 1998 has been felt in Finland and in Finnish companies, too. The more international the company, the more significant this impact has been. Change has also shaken the sectors in which the Raisio Group operates. The problems in the Far East affected the operating conditions of our Chemicals Division in the early part of the year, particularly in Indonesia, where political uncertainty grew, compounding economic difficulties. Towards the end of the year, however, business recovered surprisingly fast, nearly returning to normal. Raisio's foothold in the Far East was essentially consolidated by the purchase of a paper chemicals factory in South Korea. The position of our Chemicals Division improved on the European market, too, but the North American situation proved difficult, particularly with stoppages in the pulp industry.

Our food industry did not avoid global turbulence either. Domestic competition tightened as trade became increasingly centralized and imports rose somewhat. Raisio's biggest problem proved to be the stagnation in exports to Russia, which had already reached substantial dimensions. Delivery volumes began to go down in spring, and the actual crash took place in August, when the value of the ruble was halved. As trade came to a standstill, there was the additional strain of the company's receivables, which have only decreased slowly, partly because of Russia's weak administrative and banking system.

The extent and suddenness of the changes that took place in 1998 were also reflected in the radical fluctuation in the stock exchange value of shares. The Raisio Group's top share price was FIM 108, but it had slumped to FIM 56 at the end of the year. Our Benecol line, which had done a great deal to boost Raisio's share price, was followed closely by the markets throughout the year, and news concerning both competitors and Raisio's own Benecol-related progress caused the quotation to rise and fall alternately. Events in Russia also had a powerful impact on the share prices of all food exporters, including Raisio.

Intensive preparations were made for the introduction of Benecol products on the US and European markets in cooperation with our partner McNeil, and marketing of the concept to the professional sector began. The schedule had to be adjusted slightly, primarily because of ongoing negotiations with the authorities concerning product classification and package information. The delay lasted only a few months, however, which is not significant in the long range. Expectations concerning Benecol's introduction in 1999 are high in all circles.

Considerable investments were made to secure the availability of plant sterol and its processing into stanol ester, which the Raisio Group is responsible for in the partnership with McNeil. A decision on the biggest project of all, the construction of a joint-venture sterol separation plant in Chile, was made near the end of the year. The cost of this plant sterol production unit, the biggest in the world, will reach approximately FIM 250 million. Raisio's short-range objective is to utilize globally the Benecol concept of food that lowers blood cholesterol levels.

The Group's food industry aims at in spite of current problems to remain a stable supplier on the vast Russian market, while intensifying its efforts to export to countries in the west. The Scandinavian countries are becoming a home market, Sweden already being a good example in margarines and ice-cream. This trend is continuing with sales of potato products and light spreads to the Swedish market at the beginning of 1999. Raisio's Margarine Division also aims to produce the Benecol spreads to be marketed by McNeil in Europe.

The Grain Division will have to rest content with modest growth, although the 1998 crop failure will increase the demand for feeds in 1999. The Milling Subdivision is reconstructing its exports, but may nevertheless be unable to reach its previous one-fifth of net sales. The Malting Subdivision is strained by global excess supply and low prices. Raisio's malting plant is the biggest unit of its kind in the Nordic countries. It is efficient and most of its output is exported.

Both domestic and global restructuring will continue in the chemicals industry, in much the same way as the paper industry was restructured in 1998. These developments will bring new challenges and opportunities for Raisio's Chemicals Division also.

This year will present major challenges, not only in terms of Benecol products but for the entire Raisio Group and all its divisions. The turnover increase expected in 1998 did not materialize, but 1999 looks likely to bring renewed growth in many operating sectors. Raisio's entire personnel and all those involved in administration have done a good job, even taking risky decisions in order to safeguard the growth that maintaining competitive edge in the new millennium calls for.

Matti Salminen

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Raisio Group Board of Directors. Front row, left to right: Matti Linnainmaa (Vice Chairman), Heikki Haavisto (Chairman), Vesa Lammela (Chairman of the Supervisory Board) and Matti Salminen. Back row, left to right: Kaj Lönnroth, Kaarlo Pettilä, Arto Lampinen, Pertti Vuola and Arimo Uusitalo. The picture was taken in the lobby of the Group's head offices in Raisio

The brisk growth of the Raisio Group came to a halt in 1998, but turnover continued to be at the 1997 level of some FIM 5 billion. Profit before extraordinary items amounted to FIM 252 million, an improvement of a good 20 per cent.

The reason for the stagnation was the economic problems arising in various parts of the world, particularly Russia. Exports to Russia came nearly to a complete standstill after the summer. Thanks to payments and product deliveries under Benecol cooperation agreements, however, international turnover continued to account for more than 50 per cent of total consolidated turnover.

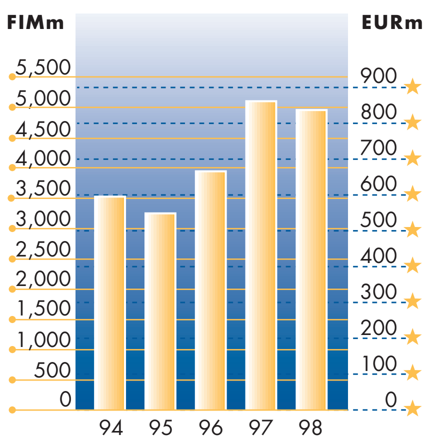
In March, Raisio made a global cooperation agreement with McNeil Consumer Products Company (currently McNeil Consumer Healthcare) of the Johnson & Johnson Group concerning Benecol products. Preparations for entering the US and European markets continued, in close cooperation with both the authorities and traders. The introduction of Benecol spreads in the United States, scheduled for the beginning of 1999, was postponed by a few months by agreement with the US Food and Drug Administration (FDA).

The best progress in 1998 was made by the Benecol Division, which accounted for 60 per cent of consolidated operating profit. The worst setbacks were suffered by the rapidly internationalizing Margarine Division, which faced stagnation of trade with Russia and problems with raw material prices. The Grain Division's restructuring measures kept its operating profit at the 1997 level, in spite of problems with exports to Russia.

The Chemicals Division's recycling chemicals and hydrophobic sizing business developed favourably. Starches suffered from price and market share competition.

More than 2 per cent of turnover was invested in research and development, i.e. slightly more than the year before.

TURNOVER



TURNOVER

Consolidated 1998 turnover was FIM 4,950 million, down 3 per cent on the previous year. The interruption in the upward curve was caused almost solely by the economic problems in Russia: its weaker purchasing power brought exports plummeting.

Turnover by division	FIMm		EURm	
	1998	1997	1998	1997
Margarine Division	1,388	1,687	233	284
Grain Division	1,635	1,725	275	290
Benecol Division	283	99	48	17
Chemicals Division	1,634	1,634	275	275
Others	214	201	36	34
Inter-divisional turnover	-203	-244	-34	-41
Consolidated turnover	4,950	5,101	833	858

Turnover by market area, %	1998	1997
Finland	48	49
Scandinavia	10	10
Rest of Europe	27	30
The Americas	11	8
Others	4	3

International turnover

International turnover came to FIM 2,506 million, accounting for 51 per cent of total consolidated turnover. Exports from Finland totalled FIM 1,061 million. Apart from product exports, the figure includes payments under Benecol cooperation agreements. Calculated in this manner, exports were one third higher than the previous year.

FIM 272 million worth of margarines and edible oils were exported from Finland. Raisio Benecol received contract payments and sold stanol ester for a total of FIM 248 million. Exports by the Malting Subdivision rose to FIM 110 million, an increase of close on 50 per cent. Other export product lines with significant turnovers included starch products, paper chemicals, wheat flour, pasta, porridge flakes, wheat gluten and potato products.

The proportion of exports from Finland accounted for by Russia fell from 60 to 40 per cent. Other major buyers were the United States, Sweden, Estonia, Germany, Venezuela, Portugal, Poland and France.

International turnover	FIMm		EURm	
	1998	1997	1998	1997
Exports from Finland				
Margarine Division	272	305	45.7	51.3
Grain Division	289	304	48.6	51.1
Benecol Division	248	3	41.7	0.5
Chemicals Division	232	161	39.0	27.1
Others	20	29	3.4	4.9
	1,061	802	178.4	134.9
Turnover of companies abroad	1,887	1,926	317.4	323.9
Trading abroad	8	16	1.3	2.7
- intra-Group sales	-450	-230	-75.7	-38.7
International turnover	2,506	2,514	421.4	422.8

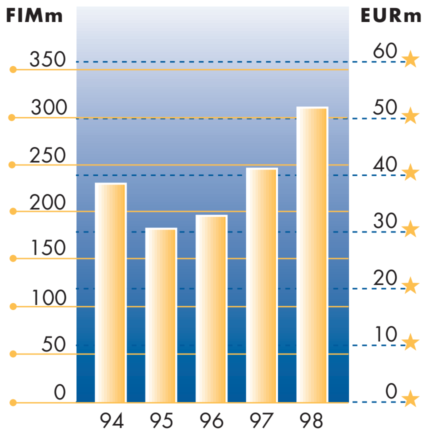
OPERATING PROFIT

Consolidated operating profit totalled FIM 310 million, an increase of 26 per cent on the previous year. This was a rise from 4.8 to 6.3 per cent of turnover. Most of the consolidated profit, 60 per cent, came from the Benecol Division, including payments to the Division under cooperation agreements and income from the recently begun deliveries of stanol ester to the US. One-off costs relating to the development of this business continued to be entered as costs.

The Grain Division's operating profit remained at its 1997 level of FIM 58 million in spite of the stagnation of exports to Russia. Thanks to restructuring, the Milling Subdivision (Melia Ltd) showed a distinctly better result than last year, although turnover fell by more than 15 per cent. The Animal Feeds Subdivision continued to show a satisfactory result, although the attached vegetable oils result weakened on account of stagnating margarine exports. The Malting Subdivision showed a poor result because of low world market prices.

The Margarine Division's operating profit fell by more than FIM 80 million and remained at zero level, the reason being radical fluctuation in exports to countries to the east of Finland, together with interruptions in deliveries, on the one hand, and high world market prices for the vegetable oil which is an important raw material, on the other. Margarine factories in Finland, Sweden and Poland suffered from the same problems, but Carlshamn Mejeri AB in Sweden experienced particularly severe export problems and was forced to record a loss.

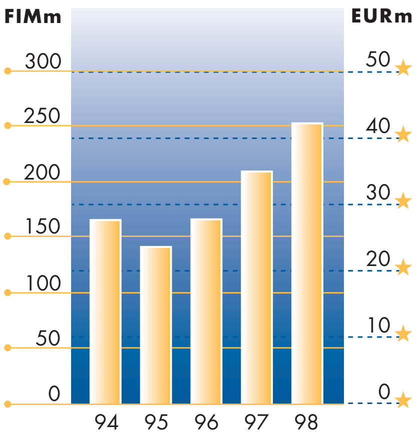
OPERATING PROFIT



The value of export receivables was reduced significantly in both the Margarine and Grain Divisions because of the economic situation in Russia and the slump in the value of the rouble. The Group as a whole prepared to record bad debts worth FIM 30 million in 1998.

The Chemicals Division's operating profit came to FIM 77 million, having been FIM 93 million in 1997. The recycling chemicals and hydrophobic sizing sectors developed favourably and succeeded on new markets, too. The most adverse factor reducing the profit was the unfavourable profitability trend in starches, which was due to price and market share competition. There were also problems in North America, particularly major production stoppages in the pulp and paper industry on the West Coast of Canada, which weakened profitability.

PROFIT BEFORE EXTRAORDINARY ITEMS



Operating profit by Division

	FIMm 1998	FIMm 1997	EURm 1998	EURm 1997
Margarine Division	0.4	81.5	0.1	13.7
Grain Division	58.5	58.0	9.8	9.8
Benecol Division	185.8	24.5	31.2	4.1
Chemicals Division	76.5	92.8	12.9	15.6
Others	-11.5	-11.2	-1.9	-1.9
	309.8	245.6	52.1	41.3

CONSOLIDATED FINANCIAL PERFORMANCE

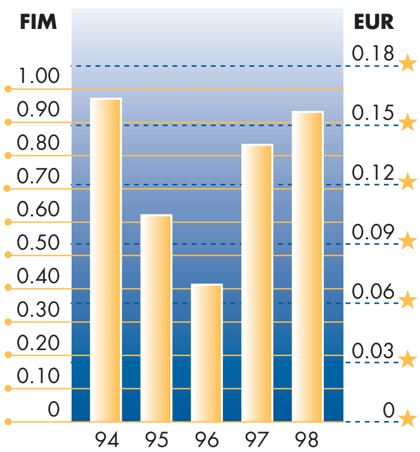
Consolidated profit before extraordinary items, taxes and minority interest was FIM 252 million, up FIM 44 million on 1997. Profit accounted for 5.1 per cent of turnover, against 4.1 per cent in 1997. Profits corresponding to ownership shares recorded for associated companies came to FIM 12 million. In 1997, the equivalent figure was FIM 26 million.

A total of FIM 37 million in unrealized deferred tax assets for previous financial periods was recorded as extraordinary income. A total of FIM 57 million of one-off expenses related to the Chemicals Division's North American business operations was deducted as extraordinary expenses. The focus of production by Raisio Chemicals Canada Inc. will be shifted from pulp chemicals to paper chemicals. Some of the production lines will be given up. The company has altogether five production units in Canada.

Consolidated direct taxes rose to FIM 85 million in 1998. Taxes on operations were 33.6 per cent of profit before extraordinary items (1997: 34.3%).

Consolidated earnings per share (EPS) rose from FIM 0.83 to FIM 0.93.

EARNINGS PER SHARE



DIVIDEND POLICY AND DIVIDEND

The Board's objective is to make Raisio shares a productive investment and to keep dividend in line with the profit trend. The amount of the dividend is decided each year by the shareholders at the Annual General Meeting. The Board does not find grounds for advance confirmation of annual dividend as a fixed percentage of consolidated profit.

The Board proposes that a dividend of FIM 0.35 be paid per share, i.e. 37.5 per cent of earnings per share. A dividend of FIM 0.30 was paid in 1997, or 36.3 per cent of EPS

FINANCING

Cash generated from business operations totalled FIM 281 million. This marked a decline even though more funds were generated from operations, as more funds were tied up in operating capital. Consolidated liquidity remained good, however.

Net interest-bearing debt on the date of closing totalled FIM 1,032 million, an increase on 1997's FIM 850 million.

A syndicated loan of USD 190 million (approximately FIM 1 billion) from an international banking consortium improved the Group's good liquidity position still further. The agreement will be in force for seven years, replacing the USD 135 million agreement made for five years in December 1996. The conditions are more favourable than in the previous agreement. Syndicated loan has allowed flexible conversion of old loans into credit on more favourable terms and have provided flexible funding for subsidiaries.

Net financial expenses totalled FIM 65 million, 1.3 per cent of turnover (1997: FIM 48 million, 0.9%). The increase in financial expenses was accounted for by the higher amount of credit, one-off arrangement costs for the syndicated loan and a reduction in one-off financial income items. Moreover, the annual accounts for 1997 included partly unrealized exchange rate profits, while losses had to be recorded for 1998. The average cost of funding went down, however.

The consolidated equity ratio was 46.0 per cent (1997: 46.6%). Return on capital improved, with return on investment at 11.1 per cent (1997: 10.1%) and return on equity at 9.2 per cent (1997: 7.8%). The indicators illustrating the turnover of current liabilities, the current ratio and quick ratio, weakened slightly. This was because the above-mentioned syndicated loan was the main form of borrowing. In keeping with its nature, it is recorded under current liabilities.

Financial risk control is regulated by a regularly reviewed policy approved by the Board.

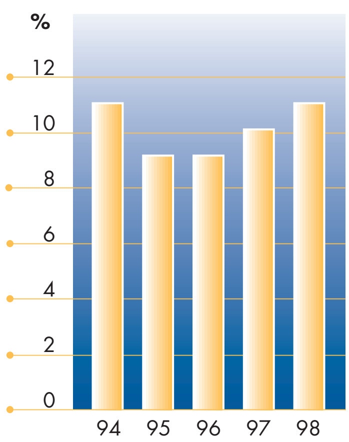
The Group maintains a liquidity reserve in order to ensure its strategic operating freedom. Apart from investments, its primary elements are credit and overdraft limits.

Key factors in controlling counterparty risks are careful selection of partners, party-specific limits and decentralization. The Divisions are independently responsible for counterparty risks concerning their accounts receivable and for price risks concerning commodities.

Interest risk is controlled by managing the structure of the credit portfolio and interest-bearing investments so as to achieve the lowest possible net financial expenses. The instruments available for this purpose are interest rate swaps, forward rate agreements and interest rate options.

The Group has hedged itself against exchange rate risks from currency-denominated receivables and liabilities, off-balance-sheet purchase and sales contracts and, to some extent, budgeted cash flow. Hedging against foreign exchange risks takes the form of forward contracts based on the net foreign exchange position, for a maximum of 12 months. The share capital of foreign subsidiaries has not been hedged. Hedging covered 80 per cent of the currency position open on the date of closing and on average 74 per cent of the entire year's position.

RETURN ON INVESTMENT

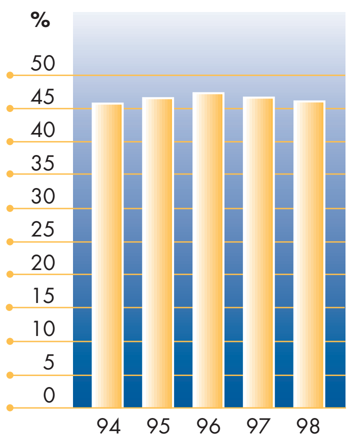


SINGLE CURRENCY

The Chemicals Division partly changed over to the euro in its business operations as from the beginning of 1999. As Finnish central suppliers will not be adopting the euro until the end of the transition period, the Margarine and Grain Divisions will follow the same pattern. Purchasing changed over to the euro as from the beginning of 1999, step by step and case by case. The Agricultural Group (in charge of grain and oil seed acquisition) will use the markka up to the end of the transition period.

Consolidated accounting will take place in euros from the beginning of 2000. Profit reporting and annual accounts information and annual reports for 1998 and 1999 will be drawn up in both euros and markkas in accordance with Helsinki Exchanges recommendations.

EQUITY RATIO



THE YEAR 2000

The Raisio Group began planning for the next millennium in 1996: implementation plans were made and responsibilities were organized by Division. In 1997, work began in all functions and companies on the software and hardware that had been found to require updating and was still scheduled to be in use in 2000. Imbedded systems have also been charted.

Most adjustments were made in 1998. No major system revisions were found to be necessary. The remaining problems, e.g. in office systems, will be eliminated with the new versions introduced in 1999.

The Raisio Group regards the current status of its preparations for the new millennium as adequate.

INVESTMENTS

Gross investment by the company came to FIM 444 million, 9 per cent of turnover. Investment in Finland totalled FIM 258 million and abroad FIM 186 million.

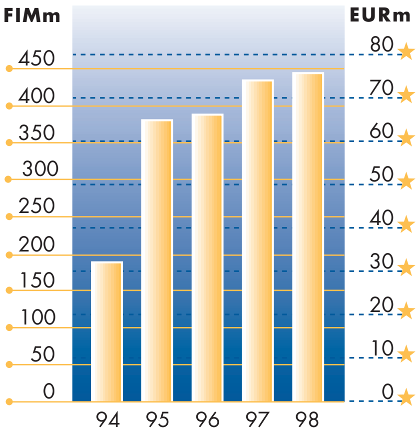
The most important investment items in the Margarine Division were automation of the Raision Margariini palletizing unit and product warehouse, and a new cheese-making unit. Carlshamn Mejeri AB invested in packaging lines and raw material warehousing.

The Grain Division's investments were relatively modest. The most important inputs were in pasta production and packaging.

The greatest part of investment resources went into the Benecol Division. A stanol ester plant was built in the US, scheduled for completion early in 1999. Raisio's stanol ester production expanded. Sterol Technologies Ltd built an experimental sterol recovery unit. Inputs were also made in the WeSTerol project, aimed at starting sterol production in the US.

The Chemicals Division bought the Northern Europe rosin sizing operations of Arizona Chemicals. The majority of the stock of OPL-Raisio Inc. was acquired in Korea, and investments were made in machinery and equipment for new production. The rest of the stock of Raisio Chemicals Italia, of which 51 per cent was already owned, was bought.

INVESTMENTS



Gross investment by Division

	FIMm 1998	FIMm 1997	EURm 1998	EURm 1997
Margarine Division	80	83	14	14
Grain Division	33	133	5	22
Benecol Division	124	41	21	7
Chemicals Division	179	144	30	24
Others	28	33	5	6
Total	444	434	75	73

CHANGES IN GROUP STRUCTURE

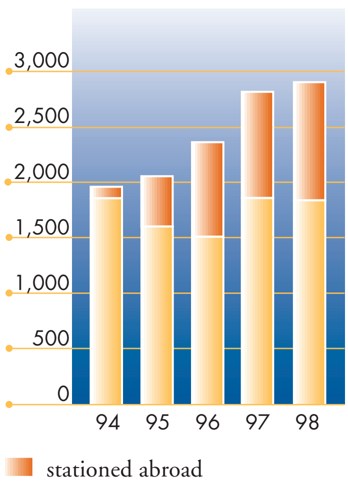
The Benecol business was corporatized from the beginning of 1998 as Raisio Benecol Ltd, owned in full by Raisio Group plc.

OPL-Raisio Inc., a Korean company, joined the Group as from July 1, 1998. Raisio Chemicals Ltd owns 51 per cent of its share capital.

The entire stock of Flootek AB, a company specializing in environmental technology and operating in Sweden, was sold to a new company, Valmet Flootek Ltd, of which Valmet owns 51 per cent and Raisio Chemicals 49 per cent.

As from the beginning of 1999, the Group's potato starch business was corporatized into Finnamyl Ltd and the grain starch business into Raisio Grain Starch Ltd. Raisio Group plc owns the stock of both companies in full. At the beginning of 1999, Raisio Benecol Ltd transferred its Finnish stanol ester production in toto to its fully owned subsidiary Raisio Staest Oy.

AVERAGE PERSONNEL



THE ENVIRONMENT

The Board approved the Group's environmental policy in 1997. Its principles govern all the Group's activities around the globe. An environmental system in accordance with the ISO 14001 standard has already been certified for seven Raisio Chemicals localities in Finland and all Raisio Feed factories. Raisio Chemicals publishes a separate environmental report annually. The first Group-wide report will be published for 1998.

PERSONNEL

Raisio Group employed an average of 2,904 people in 1998, 87 more than the previous year. Personnel stationed in Finland totalled 1,831 (63%) and abroad 1,073 (37%).

At the end of the year, the Group employed 2,814 people, down 28 on the previous year end. 1,754 (62%) were stationed in Finland and 1,060 (38%) abroad.

Raisio Group plc employed an average of 703, and 683 at year end.

Average personnel by Division

	1998	1997
Margarine Division	901	878
Grain Division	661	699
Chemicals Division	937	838
Benecol Division	57	40
Others	348	362
Group average	2,904	2,817

Personnel by country

	31.12.1998	31.12.1997
Finland	1,754	1,781
Sweden	311	377
Poland	266	258
Indonesia	117	118
Canada	113	105
Korea	50	-
United States	41	37
Great Britain	40	44
France	38	35
Others	84	87
Group total	2,814	2,842

RESEARCH AND DEVELOPMENT

The Group's research and development costs totalled FIM 106 million, or 2.1 per cent of turnover. The Margarine Division accounted for FIM 10 million, the Grain Division for FIM 11 million, the Benecol Division for FIM 33 million and the Chemicals Division for FIM 50 million. Other R&D costs were FIM 2 million.

OUTLOOK FOR THE FUTURE

The principal goal for 1999 is to expand the Benecol Division so that it will constitute a fourth cornerstone for the company alongside the Margarine, Grain and Chemicals Divisions. Safeguarding supplies of sterol raw material has continued through agreements and investments. The investments in the production of stanol ester in Finland and the US in 1998 have been completed, and the marketing of Benecol products will begin in Europe and the US in early 1999.

External conditions make it difficult to improve the Margarine Division's performance in the short term. In the longer term, however, the Division is likely to recover from its 1998 setbacks and be reinstated as a profitable business sector. Exports to Russia are likely to continue to fluctuate greatly in the future and to remain at a lower level than before. This calls for adjustment measures in the Margarine Division. The price of vegetable oil, which is the Division's principal raw material, will be lower in 1999.

Thanks to restructuring, the Grain Division's starting points for 1999 are favourable, in spite of uncertainty about exports to Russia.

Research and development in the Chemicals Division and investments in technology centres have strengthened the Division's status as a supplier to leading paper manufacturers and as an R & D partner globally. The outlook for the paper industry is expected to continue good. Two new fine paper machines are being built in Europe and four are going on stream in China. Consumption of paper chemicals is expected to grow globally at an annual rate of 5-6 per cent. The Chemicals Division's growth prospects look relatively good, and profitability is expected to improve.

Postponement of the introduction of Benecol products in the US will cause an equivalent delay in Benecol returns.

At Group level, Raisio aims at a new upswing in turnover and at further performance enhancement.

SHARE CAPITAL AND SHARES

The fully paid up share capital of Raisio Group plc is FIM 165,149,030. On December 31, 1998 the stock was divided into 37,077,400 restricted shares (Series K) and 128,071,630 free shares (Series V) with a nominal value of FIM 1. The company'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 (Article 4).

The company shares were entered into the book-entry system on November 26, 1994. The marketplace for Raisio shares is Helsinki Exchanges: free shares are quoted on the Main List and restricted shares on the I list. The stock exchange code for a free share is RAIVV and the ISIN code FI 0009002943 and for a restricted share RAIKV and FI 0009800395.

Stock is divided into free shares (Series V) and restricted shares (Series K), with equal entitlement to equity and profits. At annual general meetings, each restricted share entitles the holder to 20 votes and each free share to one vote, though no shareholder may hold votes equal to more than 15o/oo of the total 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 2,477,235, representing the same number of free shares or 123,862 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. In 1998, 5,958,010 restricted shares were converted into free shares.

Restricted shares concerning which the approval procedure is in progress or for which approval has not been sought will be retained on 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.

SHAREHOLDING BY THE COMPANY MANAGEMENT AND WARRANT BOND

The members of the company Supervisory Board and the members and deputy members of the Board of Directors, the Chief Executive and his deputy owned 2,038,450 restricted shares and 471,940 free shares on December 31, 1998. This accounts for 1.52% of the total number of shares and 1.99% of the maximum voting power. They also own 113,000 option rights under the 1998-2003 option programme, i.e. 32.3% of the total.

If the holders of option rights subscribe all the shares they are entitled to, i.e. 1,130,000 new free shares, the members of the Supervisory Board and the members and deputy members of the Board of Directors, the Chief Executive and his deputy will own 2,038,450 restricted shares and 1,601,940 free shares, or 2.16% of the post-subscription stock and 2.11% of the corresponding votes.

SHAREHOLDER AGREEMENTS

Raisio Group plc has no information on any shareholder agreements concerning the ownership of company shares and the use of voting power.

CHANGE IN SHARE CAPITAL

The increase in share capital under the 1993 warrant bond was entered in the trade register on April 29, 1998, and an equivalent additional lot of 1,819,200 free shares was put up for trading on Helsinki Exchanges the following day.

All subscription rights based on warrants were used. A total of FIM 17,600,760 was paid to the company in subscription prices, of which FIM 1,819,200 was entered as share capital and FIM 15,781,560 placed in the premium fund.

CHANGE IN NOMINAL SHARE VALUE

Shareholders' meetings held in April and June approved a change in nominal share value from FIM 10 to FIM 1 without reducing the share capital; each restricted share was divided into ten new restricted shares and correspondingly each free share into ten new free shares. The shares with the new nominal value have been traded on Helsinki Exchanges since June 29, 1998.

AUTHORITY TO RAISE SHARE CAPITAL

The Annual General Meeting held on April 7, 1998 authorized the Board of Directors to decide on a maximum increase of FIM 10,000,000 in share capital in one or more new issues and/or to issue convertible and/or warrant bonds and/or option rights equivalent to the same increase in share capital.

The previous shareholders' first option may be departed from only on financial grounds crucial to the company and if the authorization is used to finance a corporate acquisition or purchase of business operations, to provide for intercorporate cooperation arrangements or to consolidate the company's financial structure.

The authorization was entered in the trade register on April 30, 1998 and will remain in force up to April 7, 1999. The authorization has not been exercised so far.

OPTION PROGRAMME 1998-2003

The Annual General Meeting held on April 7, 1998, approved the Board of Directors proposal for a new option programme designed to form part of the Group's incentive scheme and to increase the commitment and work motivation of those entitled to it. A total of 350,000 new option rights will be issued, entitling their holders to subscribe a total of 3,500,000 new free shares.

By AGM decision, a total of 350,000 option rights have been issued to members and deputy members of Raisio Group plc's Board of Directors, and under a Board decision based on AGM authorization to members of Group and Group company management and key personnel and to a fully owned Group company. Option rights may later be assigned by this Group company to key personnel within the Raisio incentive scheme.

The option rights were issued without consideration, and the total number is divided into four lots of 87,500 each. Subscription periods for these lots begin on May 4, 2000, May 4, 2001, May 4, 2002 and May 4, 2003. The subscription periods of all lots end on January 30, 2004. These subscriptions may not raise share capital by more than FIM 3,500,000, and the number of shares may not increase by more than 3,500,000 free shares, or 2.12% of the current number. The votes carried by the new shares account for 0.4% of the total votes carried by the current stock.

The basis for the subscription price of a new share is the price of a free share on Helsinki Exchanges between April 8 and 30, 1998, weighted by trading volumes, i.e. FIM 972, or FIM 97.20 per current share. The price thus obtained will be raised in such a way that the subscription price is FIM 101.20 in the subscription beginning on May 4, 2000, and for the later lots FIM 103.20, FIM 105.20 and FIM 107.20 respectively. The subscription price will be lowered by the amount of dividend distributed before January 30, 2004 after the option rights have been issued and during the period in which the option rights are valid. The subscription price must not be lower than the nominal share value, however. The new shares entitle their holder to dividend for the financial period during which they are subscribed.

INCREASE IN SHARE CAPITAL

Subscription period	Method	Terms of subscription	Nominal value FIM	Subscription price FIM	Number of new shares	Increase in share capital FIMm	New share capital FIMm	Right to dividend
13.12.1993–28.1.1994	New issue	5 V or K: 1 V	50	250.00	405,206	20.26	121.6	Half dividend 1993
12.4.1995	Directed issue for Raision Margariini 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
1.4.–30.4.1998	Directed issue for holders 1993 bond warrants	-	10	96.75	181,920	1.82	165.1	Full dividend 1998

BREAKDOWN OF SHARE CAPITAL, DECEMBER 31, 1998

	Number of shares	% of total shares	% of total votes
Free shares	128,071,630	77.5	14.7
Restricted shares	37,077,400	22.5	85.3
Total	165,149,030	100.0	100.0

DISTRIBUTION OF SHAREHOLDERS, DECEMBER 31, 1998

	Free shares				Restrictred shares			
No. of shares	Shareholders No.	%	Shares No.	%	Shareholders No.	%	Shares No.	%
1 – 1,000	10,221	74.7	3,589,822	2.8	4,601	58.4	1,635,779	4.4
1,001 – 5,000	2,733	20.0	6,121,412	4.8	2,121	26.9	5,020,790	13.5
5,001 – 10,000	436	3.2	3,120,620	2.4	600	7.6	4,265,500	11.5
10,001 – 25,000	193	1.4	3,008,060	2.4	376	4.8	5,822,621	15.7
25,001 – 50,000	44	0.3	1,546,120	1.2	122	1.6	4,045,195	10.9
50,001 –	50	0.4	110,265,176	86.1	54	0.7	13,184,670	35.6
waiting list			3,550	0.0			2,331,515	6.3
joint account			416,870	0.3			771,330	2.1
Total	13,677	100.0	128,071,630	100.0	7,874	100.0	37,077,400	100.0

On December 31, 1998, Raisio Group plc had a total of 16,933 registered shareholders.

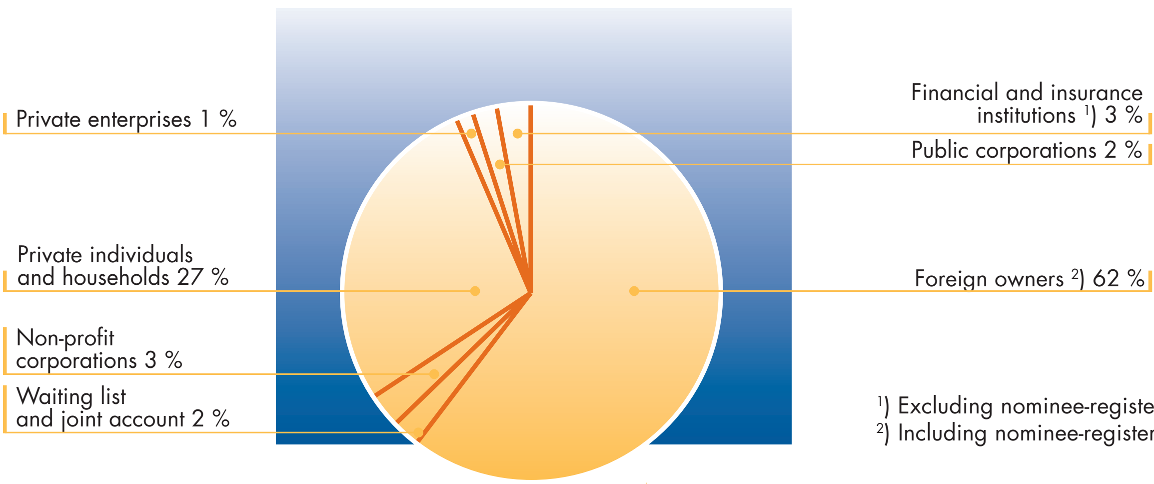
SHAREHOLDERS

25 biggest shareholders on December 31, 1998, according to the shareholders' register.

Shares registered under foreign ownership, including nominee registrations, totalled 102,045,859 on December 31, 1998, or 61.8% of the total

	Series K No.	Series V No.	Total No.	%	Votes No.	%
Central Union of Agricultural Producers and Forest Owners	3,880,380		3,880,380	2.4	2,477,235	0.28
Tapiola Mutual Insurance Company	2,000,000	550,000	2,550,000	1.5	2,477,235	0.28
Local Government Pensions Institution		1,569,000	1,569,000	1.0	1,569,000	0.18
Brotherus Ilkka	42,540	1,447,420	1,489,960	0.9	2,298,220	0.26
Langh Hans	654,480		654,480	0.4	2,477,235	0.28
Haavisto Maija	394,020	258,180	652,200	0.4	2,477,235	0.28
Haavisto Heikki	520,200	120,000	640,200	0.4	2,477,235	0.28
Haavisto Antti	382,140	172,140	554,280	0.3	2,477,235	0.28
Haavisto Erkki	379,940	172,260	552,200	0.3	2,477,235	0.28
Haavisto Ilkka	380,760	160,080	540,840	0.3	2,477,235	0.28
Myllymäki Erkki	392,820	116,080	508,900	0.3	2,477,235	0.28
Varsinais-Suomi Union of Agricultural Producers Support Fund	424,980	16,940	441,920	0.3	2,477,235	0.28
Ilmarinen Mutual Pension Insurance Co.		335,000	335,000	0.2	335,000	0.04
Central Union of Swedish-speaking Agricultural Producers	276,000		276,000	0.2	2,477,235	0.28
Alfred Berg Finland Oy Ab		244,367	244,367	0.2	244,367	0.03
Tapiola Mutual Pension Insurance Co.		228,800	228,800	0.1	228,800	0.03
FIM Forte investment fund		223,300	223,300	0.1	223,300	0.03
Mutual Insurance Co. Pensions-Fennia		215,000	215,000	0.1	215,000	0.02
Langh Laura	124,800	81,120	205,920	0.1	2,477,235	0.28
Kytövuori Heikki	46,260	154,580	200,840	0.1	1,079,780	0.12
Oy Atraco Oy		200,000	200,000	0.1	200,000	0.02
Aurum Life Insurance Company		190,000	190,000	0.1	190,000	0.02
Johansson Bjarne, death estate	134,340	17,000	151,340	0.1	2,477,235	0.28
Tapiola Mutual Life Assurance Company		150,000	150,000	0.1	150,000	0.02
Varsinais-Suomi Union of Agricultural Producers	123,600	25,260	148,860	0.1	2,477,235	0.28

BREAKDOWN OF SHARES



¹) Excluding nominee-registered
²) Including nominee-registered

GROUP INDICATORS, FIM

	1994	1995	1996	1997	1998
SHARE-SPECIFIC INDICATORS					
Earnings per share (EPS), FIM	0.97	0.62	0.41	0.83	0.93
Equity per share, FIM	8.13	8.54	9.58	9.86	10.37
Dividend per share, FIM	0.16	0.18	0.20	0.30	0.35[1)]
Dividend per earnings, %	16.32	28.56	48.99	36.26	37.47
Effective dividend yield, %					
Free shares	2.26	2.86	0.69	0.46	0.63
Restricted shares	2.17	3.00	0.71	0.47	0.65
P/E ratio					
Free shares	7.2	10.0	71.2	78.2	59.6
Restricted shares	7.5	9.5	68.6	76.9	57.8
SHARE VALUE					
Adjusted average quotation, FIM					
Free shares	10.17	5.93	22.80	49.77	77.70
Restricted shares	10.11	6.30	22.39	48.92	87.26
Adjusted lowest quotation, FIM					
Free shares	6.85	4.74	6.19	28.90	46.50
Restricted shares	6.61	4.58	5.99	28.10	46.00
Adjusted highest quotation, FIM					
Free shares	12.99	8.08	33.99	65.20	108.00
Restricted shares	12.33	7.84	33.00	64.50	107.00
Adjusted quotation 31.12., FIM					
Free shares	7.00	6.15	29.08	64.68	55.68
Restricted shares	7.30	5.86	28.00	63.59	53.96
Market capitalization 31.12., FIMm					
Free shares	557.1	593.0	3,311.9	7,780.9	7,131.0
Restricted shares	428.1	342.1	1,384.4	2,736.6	2,000.7
Total	985.2	935.1	4,696.3	10,517.5	9,131.7
TRADING IN SHARES					
Trading, FIMm					
Free shares	464.0	277.8	3,390.5	4,373.5	7,648.1
Restricted shares	81.5	5.1	271.9	288.0	479.4
Total	545.5	282.9	3,662.4	4,661.5	8,127.5
Number of shares traded					
Free shares, 1000 shares	40,066	41,157	160,970	87,884	98,429
%	64.7	51.1	150.6	75.1	78.4
Restricted shares, 1000 shares	7,105	717	12,873	5,887	5,493
%	12.1	1.4	24.8	12.7	14.1
NUMBER OF SHARES					
Average adjusted number of shares, 1,000 shares					
Free shares	70,603	91,749	106,902	117,090	125,514
Restricted shares	66,762	58,480	51,999	46,240	39,052
Average adjusted number of shares 31.12., 1,000 shares					
Free shares	79,607	96,456	113,886	120,294	128,072
Restricted shares	58,680	58,404	49,444	43,035	37,077

[1)] According to the Board proposal.

GROUP INDICATORS, EUR

	1994	1995	1996	1997	1998
SHARE-SPECIFIC INDICATORS					
Earnings per share (EPS), EUR	0.16	0.10	0.07	0.14	0.16
Equity per share, EUR	1.37	1.44	1.61	1.66	1.74
Dividend per share, EUR	0.03	0.03	0.03	0.05	0.06[1)]
Dividend per earnings, %	16.32	28.56	48.99	36.26	37.47
Effective dividend yield, %					
Free shares	2.26	2.86	0.69	0.46	0.63
Restricted shares	2.17	3.00	0.71	0.47	0.65
P/E ratio					
Free shares	7.2	10.0	71.2	78.2	59.6
Restricted shares	7.5	9.5	68.6	76.9	57.8
SHARE VALUE					
Adjusted average quotation, EUR					
Free shares	1.71	1.00	3.83	8.37	13.07
Restricted shares	1.70	1.06	3.77	8.23	14.68
Adjusted lowest quotation, EUR					
Free shares	1.15	0.80	1.04	4.86	7.82
Restricted shares	1.11	0.77	1.01	4.73	7.74
Adjusted highest quotation, EUR					
Free shares	2.18	1.36	5.72	10.97	18.16
Restricted shares	2.07	1.32	5.55	10.85	18.00
Adjusted quotation 31.12., EUR					
Free shares	1.18	1.03	4.89	10.88	9.36
Restricted shares	1.23	0.99	4.71	10.70	9.08
Market capitalization 31.12., EURm					
Free shares	93.7	99.7	557.0	1,308.7	1,199.3
Restricted shares	72.0	57.5	232.8	460.3	336.5
Total	165.7	157.2	789.8	1,769.0	1,535.8
TRADING IN SHARES					
Trading, EURm					
Free shares	78.0	46.7	570.2	735.6	1,286.3
Restricted shares	13.7	0.9	45.7	48.4	80.6
Total	91.7	47.6	615.9	784.0	1,366.9
Number of shares traded					
Free shares, 1000 shares	40,066	41,157	160,970	87,884	98,429
%	64.7	51.1	150.6	75.1	78.4
Restricted shares, 1000 shares	7,105	717	12,873	5,887	5,493
%	12.1	1.4	24.8	12.7	14.1
NUMBER OF SHARES					
Average adjusted number of shares, 1,000 shares					
Free shares	70,603	91,749	106,902	117,090	125,514
Restricted shares	66,762	58,480	51,999	46,240	39,052
Average adjusted number of shares 31.12., 1,000 shares					
Free shares	79,607	96,456	113,886	120,294	128,072
Restricted shares	58,680	58,404	49,444	43,035	37,077

1) According to the Board proposal.

CONSOLIDATED INCOME STATEMENT

	1 000 FIM 1.1.–31.12.1998	1.1.–31.12.1997	1 000 EUR 1.1.–31.12.1998	1.1.–31.12.1997
TURNOVER	4 950 387	5 101 067	832 595	857 938
Increase(+)/decrease(-) in stock of finished products and production in progress	19 850	38 785	3 338	6 523
Other income from business operations (1)	26 764	28 970	4 501	4 872
Materials and services (2)	2 907 346	3 124 977	488 981	525 583
Personnel expenses (3)	579 740	575 631	97 505	96 814
Depreciation and write-downs (7)	248 271	250 757	41 756	42 174
Other expenses from business operations	951 841	971 847	160 087	163 453
OPERATING PROFIT	309 803	245 610	52 105	41 309
Share of associated companies' profits	7 462	10 489	1 255	1 763
Financial income and expenses (8)	-64 869	-47 556	-10 910	-7 998
PROFIT BEFORE EXTRAORDINARY ITEMS	252 396	208 543	42 450	35 074
Extraordinary items (9)	-20 444	-90 524	-3 438	-15 225
PROFIT BEFORE TAXES	231 952	118 019	39 012	19 849
Direct taxes (10)	-84 795	-54 426	-14 261	-9 154
Minority interest	-13 901	20 702	-2 339	3 482
PROFIT FOR THE YEAR	133 256	84 295	22 412	14 177

The figures in brackets refer to the notes to the accounts.

CONSOLIDATED BALANCE SHEET

	1 000 FIM 31.12.1998	31.12.1997	1 000 EUR 31.12.1998	31.12.1997
ASSETS				
NON-CURRENT ASSETS				
Intangible assets (11)	195 857	179 400	32 941	30 173
Goodwill (11)	311 568	349 809	52 402	58 834
Tangible assets (11)	1 633 361	1 491 384	274 712	250 833
Holdings in associated companies (12)	84 901	76 069	14 279	12 794
Other investments (12)	77 104	43 774	12 968	7 362
	2 302 791	2 140 436	387 302	359 996
CURRENT ASSETS				
Inventories (14)	788 466	774 910	132 610	130 330
Non-current receivables (15)	1 803	-	303	-
Deferred tax assets (17)	49 038	-	8 248	-
Current receivables (15)	716 493	663 390	120 506	111 574
Securities under financial assets	174 118	155 579	29 284	26 167
Cash in hand and at banks	72 025	91 748	12 114	15 431
	1 801 943	1 685 627	303 065	283 502
TOTAL ASSETS	4 104 734	3 826 063	690 367	643 498

The figures in brackets refer to the notes to the accounts.

	1 000 FIM 31.12.1998	31.12.1997	1 000 EUR 31.12.1998	31.12.1997
LIABILITIES AND SHAREHOLDERS' EQUITY				
SHAREHOLDERS' EQUITY (16)				
Share capital	165 149	163 330	27 776	27 470
Premium fund	17 290	-	2 908	-
Reserve fund	527 350	527 393	88 694	88 701
Other reserves				
Reserves provided for in the Company Articles	80	80	14	14
Retained earnings	869 165	835 727	146 183	140 559
Profit for the year	133 256	84 295	22 412	14 177
TOTAL SHAREHOLDERS' EQUITY	1 712 290	1 610 825	287 987	270 921
MINORITY INTEREST	173 291	160 963	29 145	27 072
LIABILITIES				
Deferred tax liability (17)	256 126	237 324	43 077	39 915
Non-current liabilities (18)	543 800	677 102	91 461	113 880
Current liabilities (18)	1 419 227	1 139 849	238 697	191 710
TOTAL LIABILITIES	2 219 153	2 054 275	373 235	345 505
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4 104 734	3 826 063	690 367	643 498

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

	1 000 FIM 1998	1997	1 000 EUR 1998	1997
BUSINESS OPERATIONS				
Funds generated from operations				
Operating profit	309 803	245 610	52 105	41 309
Operating profit adjustments	239 833	250 757	40 337	42 174
Financial income and expenses	-57 407	-37 066	-9 655	-6 234
Extraordinary items	11 078	-	1 863	-
Taxes	-84 795	-54 426	-14 261	-9 154
Total funds generated from business operations	418 512	404 875	70 389	68 095
CHANGE IN OPERATING CAPITAL				
Inventories, increase (-), decrease (+)	-13 556	-106 347	-2 281	-17 886
Short-term receivables, increase (-), decrease (+)	-53 104	+9 168	-8 931	+1 542
Short-term interest-free liabilities, increase (+), decrease (-)	-71 338	+47 256	-11 998	+7 948
	-137 998	-49 923	-23 210	-8 396
Cash flow from operations	280 514	354 952	47 179	59 699
INVESTMENTS				
Investments in fixed assets	-443 584	-433 631	-74 605	-72 932
Income from sale of fixed assets	21 988	18 575	3 698	3 124
Change in Group structure	899	4 308	151	724
Other investments	-11 972	-25 872	-2 014	-4 351
	-432 669	-436 620	-72 770	-73 435
Cash flow before financing	-152 155	-81 668	-25 591	-13 736
FINANCING				
Increase (-)/ decrease (+) in non-current receivables	-83 664	+328	-14 071	+55
Increase (+), decrease (-) in non-current liabilities	+19 162	-10 395	+3 223	-1 748
Increase (+) in long-term loans	+20 012	+39 684	+3 366	+6 674
Decrease (-) in long-term loans	-121 376	-201 777	-20 414	-33 936
Increase (+), decrease (-) in short-term loans	+337 132	+215 743	+56 702	+36 285
Minority interest	-1 574	+19 755	-266	+3 323
Dividends	-50 605	-34 871	-8 511	-5 865
Share issue	+17 601	-	+2 960	-
Other items	+1 509	-	+254	-
	138 197	28 467	23 243	4 788
Increase in computed liquid assets	-13 958	-53 201	-2 348	-8 948
Adjustment items	12 774	-5 120	2 149	-861
Increase(+)/ decrease (-) in liquid assets per balance sheet	-1 184	-58 321	-199	-9 809

ACCOUNTING PRINCIPLES

CONSOLIDATION

The consolidated financial statements of the Raisio Group include the parent company Raisio Group plc and those companies in which the parent company held over 50% of the voting rights directly or indirectly on December 31, 1998. 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.

The consolidated financial statements have been drawn up in accordance with the Accounting Act and Ordinance that came into force at the end of 1997. The 1997 comparison figures have been adapted and made equivalent to the 1998 accounts.

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 insignificant trades in fixed assets. The individual financial statements of Group companies have been adjusted to comply with the joint accounting principles before consolidation.

The consolidated accounts have been drawn up using the acquisition cost method. The price paid for some subsidiary shares in excess of their equity has been 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.

Balance sheets of foreign Group companies have been translated into Finnish markkas at the Bank of Finland mean rates, with the exception of the balance sheets of subsidiaries in EMU countries, which have been converted using rates calculated with an irrevocably fixed coefficient. Income statements have been translated using the mean rate for the financial period. Translation differences accruing from the elimination of foreign subsidiaries' equities are entered under profit funds.

In the consolidated financial statements, the accrued difference between actual and planned depreciation, and non-mandatory reserves are entered in the consolidated balance sheet as shareholders' equity and deferred tax liability. The change in them is entered in the consolidated income statement as change in deferred tax liability and as net profit for the year.

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.

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 different groups of fixed assets had the following economic lives:

buildings and construction	10-25 years
machinery and equipment	4-10 years
intangible rights	5-10 years
other long-term expenses	5-20 years.

No planned depreciation was made on land areas or revaluations.

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 Group plc and its domestic subsidiaries is arranged through pension insurance companies. Foreign subsidiaries take care of their own pension arrangements according to local practice.

The Chief Executive of the parent company can take early retirement at age 60 and certain other Group managers at age 62.

The pension liability in the information appended to the balance sheet stems from two separate pension arrangements made by Raisio Group plc.

DIRECT TAXES

The consolidated income statement includes the taxes paid during the financial year by Group companies, calculated on an accrual basis, taxes for previous financial years and computed deferred tax.

In the consolidated financial statements, deferred tax liabilities and assets are computed on the basis of the timing differences between the final accounts and actual taxation. The balance sheet includes deferred tax liabilities in toto and deferred tax assets at the estimated value of the probable tax benefit. The net deferred tax liabilities/assets caused by timing differences and consolidation for the previous years are entered under extraordinary income.

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.

The taxes in the parent company's income statement include direct taxes calculated on the basis of taxable profit. In the parent company accounts, the accrued appropriations are shown in full in the balance sheet, and the tax liability included in them has not been treated as a debt.

FOREIGN CURRENCY ITEMS

Finnish companies' foreign currency receivables and liabilities have been converted into Finnish markkas at the mean rates quoted by the Bank of Finland on the date of closing the accounts, with the exception of receivables and liabilities denominated in EMU member state currencies, which have been converted into Finnish markkas using rates calculated using an irrevocably fixed conversion coefficient.

The realized exchange rate differences and exchange rate profit/loss arising from the valuation of receivables and liabilities have been recorded in the income statement. Exchange rate profit/loss related to actual business operations has been dealt with as an adjustment item on sales and purchases, and exchange rate profit/loss on financial items has been entered under financial income and expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE INCOME STATEMENT

	1 000 FIM 1998	1997	1 000 EUR 1998	1997
1. OTHER INCOME FROM BUSINESS OPERATIONS				
Share of associated companies' profits	4 510	15 441	759	2 597
Other income from business operations	22 254	13 529	3 743	2 275
Total	26 764	28 970	4 501	4 872
2. MATERIALS AND SERVICES				
Materials, supplies and goods				
Purchases during the year	2 907 558	3 152 391	489 016	530 194
Change in inventories	-19 001	-48 280	-3 196	-8 120
	2 888 557	3 104 111	485 820	522 074
External services	18 789	20 866	3 160	3 509
Total	2 907 346	3 124 977	488 980	525 583
3. PERSONNEL EXPENSES				
Wages and salaries	439 024	441 688	73 839	74 286
Pension expenses	64 923	50 497	10 919	8 493
Other personnel expenses	75 793	83 446	12 747	14 035
Total	579 740	575 631	97 505	96 814
4. SALARIES AND REMUNERATIONS PAID TO MANAGEMENT				
Managing director and members of the Board of Directors	12 368	10 997	2 080	1 850
5. AVERAGE NUMBER OF GROUP PERSONNEL				
Finland	1 831	1 854		
Abroad	1 073	963		
	2 904	2 817		

6. PENSION LIABILITY

Pension liability for members of the Board of Directors and managing director.

The Chief Executive of the parent company can take early retirement at age 60 and certain other Group managers at age 62.

	1 000 FIM 1998	1997	1 000 EUR 1998	1997
7. DEPRECIATION AND WRITE-DOWNS				
Depreciation on tangible and intangible assets	248 271	250 757	41 756	42 174
8. FINANCIAL INCOME AND EXPENSES				
Dividend received	2 049	1 401	345	235
Interest received on long-term investment	-	17	-	3
Total income from long-term investment	2 049	1 418	345	238
Other interest and financial income	19 375	21 062	3 259	3 542
Total interest received on long-term investment and other interest and financial income	19 375	21 079	3 259	3 545
Exchange rate differences	-1 621	4 743	-273	798
Interest paid and other financial expenses	-84 672	-74 779	-14 241	-12 577
Total financial income and expenses	-64 869	-47 556	-10 910	-7 998

	1 000 FIM 1998	1997	1 000 EUR 1998	1997
9. EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income	36 601	-	6 156	-
Extraordinary expenses				
Operational restructuring expenses	-57 045	-	-9 594	-
Depreciation of goodwill value	-	-90 524	-	-15 225
Total	-57 045	-90 524	-9 594	-15 225
10. DIRECT TAXES				
Income tax on extraordinary items	-	17 085	-	2 873
Income tax on normal operations	-83 241	-77 105	-14 000	-12 968
Taxes on earlier financial years	-543	-2 691	-91	-453
Change in deferred tax liability	-1 011	8 286	-170	1 394
	-84 795	-54 425	-14 261	-9 154

NOTES ON THE BALANCE SHEET

11. CONSOLIDATED TANGIBLE AND INTANGIBLE ASSETS 1998

Intangible assets (FIM 1 000)	Intangible rights	Goodwill	Group adjustments	Other long-term expenditure	Advances paid and unfinished assets	Intangible assets total
Acquisition cost 1.1.	240 572	31 084	434 642	11 368	1 451	719 117
Conversion difference	-7 809	-	-	-	-78	-7 887
Increase 1.1.-31.12.	65 594	-	13 340	991	556	80 481
Decrease 1.1.-31.12.	21 648	18 356	15 144	1 013	5	56 166
Transfers between items	192	-	-	-	-192	-
Acquisition cost 31.12.	276 901	12 728	432 838	11 346	1 732	735 545
Accumulated depreciation and write-downs 1.1.	70 898	27 073	84 833	7 104	-	189 908
Conversion difference	-1 866	-	-	5	-	-1 861
Accumulated depreciation of decrease and transfers	3 919	18 820	15 144	974	-	38 857
Depreciation for the year	25 345	1 203	51 582	801	-	78 931
Accumulated depreciation 31.12.	90 458	9 456	121 271	6 936	-	228 121
Book value 31.12.	186 443	3 272	311 567	4 410	1 732	507 424

Tangible assets (FIM 1 000)	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and unfinished assets	Tangible assets total
Acquisition cost 1.1.	33 688	959 480	1 870 802	12 775	46 827	2 923 572
Conversion difference	-516	-5 506	-23 721	-530	-2 633	-32 906
Increase 1.1.-31.12.	4 907	67 364	219 128	7 596	127 877	426 872
Decrease 1.1.-31.12.	172	13 624	65 355	1 673	1 635	82 459
Transfers between items	-	11 787	30 993	-	-42 780	-
Acquisition cost 31.12.	37 907	1 019 501	2 031 847	18 168	127 656	3 235 079
Accumulated depreciation and write-downs 1.1.	-	387 522	1 040 097	4 572	-	1 432 191
Conversion difference	-	-826	-10 031	-105	-	-10 962
Accumulated depreciation of decrease and transfers	-	-362	17 525	7	-	17 170
Depreciation for the year	-	43 921	151 016	2 722	-	197 659
Accumulated depreciation 31.12.	-	430 979	1 163 557	7 182	-	1 601 718
Book value 31.12.	37 907	588 522	868 290	10 986	127 656	1 633 361
Balance sheet value of machinery and equipment 31.12.			762 097			

12. CONSOLIDATED INVESTMENT 1998

FIM 1 000	Participating interest company shares	Other shares	Other receivables	Total investment
Acquisition cost 1.1.	76 069	39 610	31 653	147 332
Conversion difference	-86	-	-	-86
Increase 1.1.-31.12.	13 476	1 317	36 971	51 764
Decrease 1.1.-31.12.	4 558	811	31 636	37 005
Acquisition cost 31.12.	84 901	40 116	36 988	162 005
Book value 31.12.	84 901	40 116	36 988	162 005

Intangible assets (EUR 1 000)

Intangible rights	Goodwill	Group adjustments	Other long-term expenditure	Advances paid and unfinished assets	Intangible assets total
40 461	5 228	73 102	1 912	244	120 947
-1 313	-	-	-	-13	-1 326
11 032	-	2 244	167	94	13 536
3 641	3 087	2 547	170	1	9 446
32	-	-	-	-32	-
46 571	2 141	72 798	1 908	291	123 710
11 924	4 553	14 268	1 195	-	31 940
-314	-	-	1	-	-313
659	3 165	2 547	164	-	6 535
4 263	202	8 675	135	-	13 275
15 214	1 590	20 396	1 167	-	38 367
31 357	550	52 402	742	291	85 343

Tangible assets (EUR 1 000)

Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and unfinished assets	Tangible assets total
5 666	161 373	314 646	2 149	7 876	491 710
-87	-926	-3 990	-89	-443	-5 534
825	11 330	36 855	1 278	21 507	71 795
29	2 291	10 992	281	275	13 869
-	1 982	5 213	-	-7 195	-
6 375	171 468	341 732	3 056	21 470	544 101
-	65 177	174 932	769	-	240 877
-	-139	-1 687	-18	-	-1 844
-	-61	2 947	1	-	2 888
-	7 387	25 399	458	-	33 244
-	72 485	195 696	1 208	-	269 390
6 375	98 982	146 036	1 848	21 470	274 712
		128 176			

EUR 1 000

Participating interest company shares	Other shares	Other receivables	Total investment
12 794	6 662	5 324	24 779
-14	-	-	-14
2 267	222	6 218	8 706
767	136	5 321	6 224
14 279	6 747	6 221	27 247
14 279	6 747	6 221	27 247

13. SHARES AND HOLDINGS 1998

	Group holding %	Parent company holding %
Group companies		
Airisto RE S.A., Luxembourg	100,00	99,00
Autuminvest Oy, Raisio	100,00	
Benerol Oy, Raisio	100,00	100,00
PT Budi Raisio International, Indonesia	50,00	
Canelo Oy, Raisio	100,00	
Carlshamn Mejeri AB, Sweden	100,00	
Carlshamn Mejeri Förvaltnings AB, Sweden	100,00	
Claymore Chemicals Ltd., Scotland	100,00	
Emerillon Polymers Inc., Canada	50,00	
Emsland-Raisio Chemie GmbH, Germany	51,00	
Finnamyl Ltd, Raisio	100,00	100,00
Foodie Oy, Raisio	100,00	100,00
PT Intercipta Kimia Pratama, Indonesia	50,00	
Inversiones Raisio Holdings Limitada, Chile	100,00	
Oy Kationi Ab, Raisio	90,00	
Lapuan Peruna Oy, Lapua	67,87	67,87
Melia Ltd, Raisio	75,00	75,00
Melia Eesti OÜ, Estonia	100,00	
Monäs Feed Oy Ab, Uusikaarlepyy	99,70	
OPL-Raisio Inc., Korea	51,00	
Paperion Chimie S.A., France	100,00	
Pelzer & Röhrl GmbH & Co. KG, Germany	100,00	
PR Oel- und Chemieprodukte GmbH, Germany	100,00	
Raisio Belgium N.V., Belgium	100,00	
Raisio Benecol Ltd, Raisio	100,00	100,00
Raisio Benecol US Inc., USA	100,00	
Raisio Catering Oy, Raisio	100,00	100,00
Raisio Chemicals Ltd, Raisio	100,00	100,00
Raisio Chemicals Argentina S.A., Argentine	51,00	
Raisio Chemicals Canada, Inc., Canada	100,00	
Raisio Chemicals Chile S.A., Chile	51,00	
Raisio Chemicals Holding GmbH, Germany	100,00	
Raisio Chemicals Italia S.R.L., Italy	100,00	
Raisio Chemicals de Mexico, S.A. de C.V., Mexico	51,00	
Raisio Chemicals Northwest, Inc., USA	100,00	
Raisio Chemicals UK Ltd., UK	100,00	
Raisio Chemicals U.S., Inc., USA	100,00	
Raisio Engineering Oy, Raisio	100,00	
Raisio Echeveste S.A., Spain	51,00	
Raisio France S.A., France	99,99	
Raisio Grain Starch Ltd, Raisio	100,00	100,00
Raisio Netherlands B.V., Netherlands	100,00	
Raisio Nordic Oy, Raisio	100,00	100,00
Raisio Nordic Eesti AS, Estonia	100,00	
Raisio Nordic International Ltd. (UK), UK	100,00	100,00
Raisio Polska Sp. z o.o., Poland	100,00	100,00
Raisio Polska Foods Sp. z o.o., Poland	100,00	
Raisio Portugal - Produtos Quimicos, Lda, Portugal	51,00	
Raisio Quimica Andina S.A., Colombia	51,00	
Raisio Skandinavia Oy, Raisio	100,00	100,00
Raisio Staest Oy, Raisio	100,00	
Raisio Staest US Inc., USA	100,00	
Raisio Svenska AB, Sweden	100,00	
Oy Raisional Ab, Raisio	100,00	
Raision Lateksi Oy, Raisio	51,00	
Raisio Feed Ltd, Raisio	100,00	100,00
Sterol Technologies Ltd, Raisio	65,00	
Sterol Trading US Inc., USA	100,00	
Suomen Myllyt Oy, Raisio	100,00	
Sweden Beech Sticks Holding AB, Sweden	100,00	

	Group holding %	Parent company holding %
Associated companies		
Alahärmän Perunavarasto Oy, Alahärmä	67,94	67,94
SIA Amelija, Latvia	50,00	
Oy Atraco Ab, Turku	50,00	50,00
Derivados del Tall Oil S.A. (Detsa), Chile	49,00	
Kouvolan Siilo Oy, Helsinki	50,00	50,00
Periva Oy, Kokemäki	50,00	50,00
AS Rigas Dzirnavnieks, Latvia	25,00	
Sweden Beech Sticks HB, Sweden	20,00	
Valmet Flootek Oy, Helsinki	49,00	
Valmet-Raisio Oy, Turku	49,00	
Vihannin Vedenpuhdistamo Oy, Vihanti	49,00	49,00
Vihervakka Oy, Pöytyä	38,50	38,50
WeSTerol Company LLC, USA	50,00	
Xinyi Raisio Chemicals Co. Ltd., China	40,00	

All associated companies have been consolidated using the equity method.

	1 000 FIM 1998	1997	1 000 EUR 1998	1997
14. INVENTORIES				
Materials and supplies	536 671	508 932	90 261	85 596
Production in progress	9 507	11 404	1 599	1 918
Finished products/goods	218 363	233 707	36 726	39 307
Other inventories	22 902	20 867	3 852	3 509
Advance payments	1 023	-	172	-
	788 466	774 910	132 610	130 330
15. RECEIVABLES				
Non-current receivables				
Accounts receivable	1 667	-	280	-
Other receivables	136	-	23	-
Total non-current receivables	1 803	-	303	-
Current receivables				
Accounts receivable	563 373	551 656	94 753	92 782
Receivables from participating interests companies				
Accounts receivable	4 139	6 465	696	1 087
Loan receivables	147	104	25	17
	4 286	6 569	721	1 104
Loan receivables	3 605	706	606	119
Other receivables	49 204	49 160	8 276	8 268
Prepaid expenses and accrued income	96 025	55 299	16 150	9 301
Total current receivables	716 493	663 390	120 506	111 574

Prepaid expenses and accrued income include items related to the timing of operational income and expenses, financial items and taxes.

	1 000 FIM 1998	1997	1 000 EUR 1998	1997
16. SHAREHOLDERS' EQUITY				
Share capital 1.1.	163 330	163 330	27 470	27 470
New issue	1 819	-	306	-
Share capital 31.12.	165 149	163 330	27 776	27 470
Premium fund 1.1.	-	-	-	-
Issue premium	15 781	-	2 654	-
Other changes	1 509	-	254	-
Premium fund 31.12.	17 290	-	2 908	-
Reserve fund 1.1.	527 393	526 997	88 701	88 635
Transferred from retained earnings	-	146	-	25
Other changes	-43	250	-7	42
Reserve fund 31.12.	527 350	527 393	88 694	88 701
Other reserves 1.1.	80	9	14	2
Transferred from retained earnings	-	71	-	12
Other reserves 31.12.	80	80	14	14
Retained earnings 1.1.	920 022	875 054	154 737	147 174
Dividend distributed	-50 605	-34 871	-8 511	-5 865
Minority dividends transferred to retained earnings	1 606	1 833	270	308
Transferred to reserve fund	-	-146	-	-25
Transferred to other reserves	-	-71	-	-12
Other changes	-1 858	-6 072	-312	-1 021
Retained earnings 31.12.	869 165	835 727	146 183	140 559
Profit for the year	133 256	84 295	22 412	14 177
Total shareholders' equity	1 712 290	1 610 825	287 987	270 921

In the consolidated accounts the proportion of the depreciation difference accumulated and non-mandatory reserves transferred to shareholders' equity is FIM 459,009,000 (EUR 77,200,000).

	1 000 FIM 1998	1997	1 000 EUR 1998	1997
17. DEFERRED TAX LIABILITY AND ASSETS				
Deferred tax assets				
On consolidation	14 827	-	2 494	-
On timing differences	34 211	-	5 754	-
	49 038	-	8 248	-
Deferred tax liability				
On appropriations	228 944	237 324	38 506	39 915
On consolidation	21 169	-	3 560	-
On timing differences	6 013	-	1 011	-
	256 126	237 324	43 077	39 915

	1 000 FIM 1998	1997	1 000 EUR 1998	1997
18. LIABILITIES				
NON-CURRENT LIABILITIES				
Bonds	110 000	110 000	18 501	18 501
Loans from credit institutions	333 742	452 199	56 131	76 054
Pension loans	74 850	93 039	12 589	15 648
Other long-term loans	25 208	21 864	4 240	3 677
Total non-current liabilities	543 800	677 102	91 461	113 880
Liabilities falling due within a period longer than five years				
Loans from credit institutions	34 837	71 111	5 859	11 960
Pension loans	8 317	69 598	1 399	11 706
Other long-term loans	428	-	72	-
Total	43 582	140 709	7 330	23 666
Bonds				
Bond				
1995/2000 8.25 %	110 000	110 000	18 501	18 501
- annual repayment	-	-	-	-
Total	110 000	110 000	18 501	18 501
CURRENT LIABILITIES				
Loans from credit institutions	632 385	303 516	106 360	51 048
Pension loans	16 633	7 003	2 797	1 178
Advance payments	3 140	25 859	528	4 349
Accounts payable	406 916	444 327	68 438	74 731
Notes payable	7 772	4 743	1 307	798
Liabilities to participating interests companies				
Accounts payable	3 254	688	547	116
Accrued liabilities and deferred income	43	-	7	-
	3 297	688	555	116
Other liabilities	157 007	154 524	26 407	25 989
Accrued liabilities and deferred income	192 077	199 189	32 305	33 501
Total current liabilities	1 419 227	1 139 849	238 697	191 710

Accrued liabilities and deferred income comprises items related to the timing of operational expenses, financial items and taxes.

	1 000 FIM 1998	1997	1 000 EUR 1998	1997
Interest-free debts				
Non-current	256 635	237 473	43 163	39 940
Current	643 521	714 859	108 232	120 231
Total	900 156	952 332	151 395	160 171

	1 000 FIM 1998	1997	1 000 EUR 1998	1997
OTHER NOTES TO THE ACCOUNTS:				
19. SECURITY GIVEN, CONTINGENT AND OTHER LIABILITIES				
ASSETS GIVEN AS SECURITY				
For the Company				
Mortgages on real estate	420 549	518 046	70 731	87 129
Securities pledged	-	20 000	-	3 364
Corporate mortgages	329 442	393 760	55 408	66 226
Total	749 991	931 806	126 139	156 719
For others				
For associated companies:				
Mortgages on real estate	1 000	1 000	168	168
The value of the security is the nominal value of the pledged debt instruments or securities. Comprises mostly comprehensive security given to financial institutions as collateral for loans, guarantees, and various limits on and off the balance sheet.				
CONTINGENT OFF-BALANCE-SHEET LIABILITIES				
Pension liability not recorded as expense or debt	1 310	1 289	220	217
Leasing liabilities				
Amounts outstanding on leasing contracts				
Falling due during 1999/1998	12 332	11 656	2 074	1 960
Falling due later	41 289	32 902	6 944	5 534
Total	53 621	44 558	9 018	7 494
Leasing contracts do not include substantial liabilities related to termination and redemption terms.				
Contingent liabilities for the Company	81 249	45 325	13 665	7 623
Contingent liabilities for associated companies				
Guarantees	18 809	21 742	3 163	3 657
Contingent liabilities for others				
Guarantees	6 907	411	1 162	69
Liabilities arising from derivative contracts				
Raw material futures:				
Value of underlying instruments	49 227	-	8 279	-
Forward contracts:				
Value of underlying instruments	619 733	383 058	104 232	64 426

PARENT COMPANY INCOME STATEMENT

	1 000 FIM 1.1.–31.12.1998	1.1.–31.12.1997
TURNOVER	1 262 718	1 418 888
Increase (+)/decrease (-) in stock of finished products and production in progress	-2 341	+4 100
Other income from business operations (1)	13 805	17 699
Materials and services (2)	809 928	848 211
Personnel expenses (3)	153 563	158 248
Depreciation and write-downs (7)	74 790	75 734
Other expenses from business operations	202 307	236 314
OPERATING PROFIT	33 594	122 179
Financial income and expenses (8)	2 394	5 697
PROFIT BEFORE EXTRAORDINARY ITEMS	35 988	127 876
Extraordinary items (9)	76 700	23 892
PROFIT BEFORE APPROPRIATIONS AND TAXES	112 688	151 768
Appropriations (10)	14 591	13 891
Direct taxes (11)	-36 770	-26 791
PROFIT FOR THE YEAR	90 509	138 868

The figures in brackets refer to the notes to the accounts.

PARENT COMPANY BALANCE SHEET

	1 000 FIM 31.12.1998	31.12.1997
ASSETS		
NON-CURRENT ASSETS		
Intangible assets (12)	73 227	70 136
Tangible assets (12)	520 469	543 390
Holdings in associated companies (13)	449 073	379 516
Other investments (13)	711 660	547 663
	1 754 429	1 540 705
CURRENT ASSETS		
Inventories (14)	223 150	281 644
Current receivables (15)	365 209	316 943
Securities under financial assets	160 568	150 042
Cash in hand and at banks	123 207	100 541
	872 134	849 170
TOTAL ASSETS	2 626 563	2 389 875
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY (16)		
Share capital	165 149	163 330
Premium fund	17 290	-
Reserve fund	526 714	526 714
Retained earnings	353 683	263 814
Profit for the year	90 509	138 868
TOTAL SHAREHOLDERS' EQUITY	1 153 345	1 092 726
APPROPRIATIONS (17)	295 838	341 275
LIABILITIES		
Non-current liabilities (18)	327 278	400 685
Current liabilities (18)	850 102	555 189
TOTAL LIABILITIES	1 177 380	955 874
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2 626 563	2 389 875

The figures in brackets refer to the notes to the accounts.

PARENT COMPANY SOURCE AND APPLICATION OF FUNDS

	1 000 FIM 1998	1997
BUSINESS OPERATIONS		
Funds generated from operations		
Operating profit	33 594	122 179
Operating profit adjustments	74 003	75 734
Financial income and expenses	2 394	5 697
Extraordinary items	106 700	20 338
Taxes	-36 770	-26 791
Total funds generated from business operations	179 921	197 157
CHANGE IN OPERATING CAPITAL		
Inventories, increase (-), decrease (+)	+24 407	-69 248
Short-term receivables, increase (-), decrease (+)	-59 922	+33 036
Short-term interest-free liabilities, increase (+), decrease (-)	+2 360	-16 505
	-33 155	-52 717
Cash flow from operations	146 766	144 440
INVESTMENTS		
Investments in fixed assets	-178 054	-140 587
Income from sale of fixed assets	2 123	21 450
	-175 931	-119 137
Cash flow before financing	-29 165	25 303
FINANCING		
Increase (-), decrease (+) in non-current receivables	-167 750	-105 635
Increase (+) in long-term loans	+444	-
Decrease (-) in long-term loans	-42 162	-84 926
Increase (+), decrease (-) in short-term loans	+310 170	+193 639
Dividends	-48 999	-32 666
Share issue	+17 601	-
Other items	+1 509	-
	70 813	-29 588
Increase in computed liquid assets	41 648	-4 285
Adjustment items	-8 455	-
Increase (+), decrease (-) in liquid assets per balance sheet	+33 193	-4 285

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTES ON THE INCOME STATEMENT

	1 000 FIM 1998	1997
1. OTHER INCOME FROM BUSINESS OPERATIONS		
Other income from business operations	13 805	17 699
Total	13 805	17 699
2. MATERIALS AND SERVICES		
Materials, supplies and goods		
Purchases during the year	740 978	901 708
Change in inventories	57 175	-65 148
	798 153	836 560
External services	11 775	11 651
Total	809 928	848 211
3. PERSONNEL EXPENSES		
Wages and salaries	116 566	123 454
Pension expenses	18 787	19 347
Other personnel expenses	18 210	15 447
Total	153 563	158 248
4. SALARIES AND REMUNERATIONS PAID TO MANAGEMENT		
Chief Executive and members of the Board of Directors	2 034	2 189
5. AVERAGE NUMBER OF PARENT COMPANY PERSONNEL		
Persons	703	730

6. PENSION LIABILITY

Pension liability for members of the Board of Directors and managing director.

The Chief Executive of the parent company can take early retirement at age 60 and certain other Group managers at age 62.

	1998	1997
7. DEPRECIATION AND WRITE-DOWNS		
Depreciation on tangible and intangible assets	74 790	75 734
8. FINANCIAL INCOME AND EXPENSES		
Dividend received		
From Group companies	565	677
From participating interests companies	3 663	1 364
From others	2 010	1 370
Total	6 238	3 411
Interest received on long-term investment		
From Group companies	28 899	20 893
From others	-	17
Total	28 899	20 910
Total income from long-term investment	35 137	24 321

	1 000 FIM 1998	1997
Other interest and financial income		
From Group companies	9 073	5 408
From others	14 430	15 875
Total	23 503	21 283
Total interest received on long-term investment and other interest and financial income	52 402	42 193
Exchange rate differences	-2 259	3 209
Interest paid and other financial expenses		
To Group companies	-4 484	-2 571
To others	-49 503	-40 545
Total	-53 987	-43 116
Total financial income and expenses	2 394	5 697
9. EXTRAORDINARY INCOME AND EXPENSES		
Extraordinary income		
Group subsidies received	125 000	35 000
Recovery of write-downs on shares	-	13 000
Total	125 000	48 000
Extraordinary expenses		
Group subsidies paid	-18 300	-14 900
Write-downs on shares	-30 000	-9 208
Total	-48 300	-24 108
10. APPROPRIATIONS		
Difference between planned depreciation and depreciation made in taxation	14 591	-74 171
Investment reserves entered as income	-	24 846
Transition reserves entered as income	-	63 216
Total	14 591	13 891
11. DIRECT TAXES		
Income tax on extraordinary items	21 898	6 756
Income tax on normal operations	14 784	19 552
Tax on earlier financial years	88	483
	36 770	26 791

NOTES ON THE BALANCE SHEET

12. PARENT COMPANY TANGIBLE JA INTANGIBLE ASSETS 1998

Intangible assets (FIM 1 000)

	Intangible rights	Goodwill	Other long-term expenditure	Advances paid and unfinished assets	Intangible assets total
Acquisition cost 1.1.	94 900	31 084	27 441	120	153 544
Increase 1.1.-31.12.	17 818	-	187	69	18 074
Decrease 1.1.-31.12.	11 937	19 050	1 004	-	31 991
Transfers between items	120	-	-	-120	-
Acquisition cost 31.12.	100 901	12 034	26 624	69	139 627
Accumulated depreciation and write-downs 1.1.	34 425	27 073	21 911	-	83 408
Accumulated depreciation of decrease and transfers	10 116	19 050	1 004	-	30 170
Depreciation for the year	8 990	1 203	2 969	-	13 162
Accumulated depreciation 31.12.	33 299	9 226	23 876	-	66 400
Book value 31.12.	67 602	2 808	2 748	69	73 227

Tangible assets (FIM 1 000)

	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and unfinished assets	Tangible assets total
Acquisition cost 1.1.	19 854	489 282	703 489	1 527	4 479	1 218 631
Increase 1.1.-31.12.	-72	23 900	46 141	19	12 682	82 669
Decrease 1.1.-31.12.	172	13 547	44 425	-	21	58 165
Transfers between items	-	563	3 895	-	-4 458	-
Acquisition cost 31.12.	19 610	500 198	709 100	1 546	12 682	1 243 136
Accumulated depreciation and write-downs 1.1.	-	225 857	449 384	-	-	675 241
Accumulated depreciation of decrease and transfers	-	732	13 451	-	-	14 184
Depreciation for the year	-	18 967	42 642	-	-	61 610
Accumulated depreciation 31.12.	-	244 092	478 575	-	-	722 667
Book value 31.12.	19 610	256 106	230 525	1 546	12 682	520 469
Balance sheet value of machinery and equipment 31.12.			216 667			

13. PARENT COMPANY INVESTMENT 1998 (FIM 1 000)

	Group company shares	Participating interest company shares	Other shares	Receivables Group companies	Other	Total investment
Acquisition cost 1.1	390 517	34 731	34 528	475 220	31 653	966 649
Increase 1.1.-31.12.	114 589	-	-40	311 913	150	426 612
Decrease 1.1.-31.12.	15 033	-	547	144 313	31 636	191 528
Acquisition cost 31.12.	490 073	34 731	33 941	642 821	167	1 201 733
Accumulated depreciation and write-downs 1.1	11 000	-	-	-	-	11 000
Write-downs	30 000	-	-	-	-	30 000
Accumulated depreciation 31.12.	41 000	-	-	-	-	41 000
Book value 31.12.	449 073	34 731	33 941	642 821	167	1 160 733

	1 000 FIM 1998	1997
14. INVENTORIES		
Materials and supplies	144 275	201 430
Finished products/goods	77 789	80 151
Other inventories	64	63
Advance payments	1 022	-
	223 150	281 644

15. RECEIVABLES		
Current receivables		
Accounts receivable	71 532	79 986
Receivables from Group companies		
Accounts receivable	66 490	113 817
Loan receivables	15 883	19 459
Other receivables	136 703	45 966
Prepaid expenses and accrued income	24 217	16 892
	243 293	196 134
Receivables from participating interests companies		
Accounts receivable	4 038	3 880
Loan receivables	233	-
Other receivables	11 181	22 404
Prepaid expenses and accrued income	34 932	14 539
Total current receivables	365 209	316 943

Prepaid expenses and accrued income include items related to the timing of operational income and expenses, financial items and taxes.

16. SHAREHOLDERS' EQUITY		
Share capital 1.1.	163 330	163 330
New issue	1 819	-
Share capital 31.12.	165 149	163 330
Premium fund 1.1.	-	-
Issue premium	15 781	-
Other changes	1 509	-
Premium fund 31.12.	17 290	-
Reserve fund 1.1.	526 714	526 476
Other changes	-	238
Reserve fund 31.12.	526 714	526 714
Retained earnings 1.1.	402 682	296 480
Dividend distributed	-48 999	-32 666
Profit for earlier financial periods 31.12.	353 683	263 814
Profit for the year	90 509	138 868
Total shareholders' equity	1 153 345	1 092 725
Distributable equity	444 192	

	1998		1997	
	Shares	FIM 1 000	Shares	FIM 1 000
Parent company share capital divided by share series as follows:				
Series K (20 votes/share)	37 077 400	37 077	43 035 410	43 035
Series V (1 vote/share)	128 071 630	128 072	120 294 420	120 294
Total	165 149 030	165 149	163 329 830	163 329

	1 000 FIM 1998	1997
17. APPROPRIATIONS		
Parent company appropriations consist of the accumulated depreciation difference.		
18. LIABILITIES		
NON-CURRENT LIABILITIES		
Bonds	110 000	110 000
Loans from credit institutions	159 303	217 634
Pension loans	57 975	72 059
Other long-term loans	-	992
Total non-current liabilities	327 278	400 685
Liabilities falling due within a period longer than five years		
Loans from credit institutions	25 819	44 000
Pension loans	6 442	53 904
Total	32 261	97 904
Bonds		
Bond 1995/2000 8.25 %	110 000	110 000
- annual repayment	-	-
Total	110 000	110 000
CURRENT LIABILITIES		
Loans from credit institutions	513 590	191 108
Pension loans	12 883	5 424
Advance payments	-	7 772
Accounts payable	110 981	154 893
Liabilities to Group companies		
Accounts payable	26 063	3 644
Other liabilities	37 622	27 867
Accrued liabilities and deferred income	2 561	4 327
	66 246	35 838
Liabilities to participating interests companies		
Accounts payable	93	428
Accrued liabilities and deferred income	31	-
	124	428
Other liabilities	108 135	103 376
Accrued liabilities and deferred income	38 143	56 350
Total current liabilities	850 102	555 189

	1 000 FIM 1998	1997
Accrued liabilities and deferred income comprises items related to the timing of operational expenses, financial items and taxes.		
Interest-free debts		
Current	190 634	237 832

OTHER NOTES TO THE ACCOUNTS:

19. SECURITY GIVEN, CONTINGENT AND OTHER LIABILITIES

ASSETS GIVEN AS SECURITY

	1998	1997
For the Company		
Mortgages on real estate	14 450	18 450
For Group companies		
Mortgages on real estate	288 175	339 465
Securities pledged	-	20 000
Corporate mortgages	149 000	161 000
Total	437 175	520 465
For others		
For associated companies:		
Mortgages on real estate	1 000	1 000

The value of the security is the nominal value of the pledged debt instruments or securities. Comprises mostly comprehensive security given to financial institutions as collateral for loans, guarantees, and various limits on and off the balance sheet.

CONTINGENT OFF-BALANCE SHEET LIABILITIES

	1998	1997
Pension liability not recorded as expense or debt	1 310	1 289
Leasing liabilities		
Amounts outstanding on leasing contracts		
Falling due during 1999/1998	5 840	4 815
Falling due later	4 644	3 128
Total	10 484	7 943

Leasing contracts do not include substantial liabilities related to termination and redemption terms.

	1998	1997
Contingent liabilities for Group companies		
Guarantees	405 352	570 953
Redemption liabilities	21 894	23 858
	427 246	594 811
Contingent liabilities for the Company	33 000	13 000
Contingent liabilities for associated companies		
Guarantees	13 877	16 587
Contingent liabilities for others		
Guarantees	6757	-

BOARD'S PROPOSAL FOR THE DISPOSAL OF PROFIT

Shareholders' equity according to the consolidated balance sheet at December 31, 1998 is FIM 1,712,290,262.98. According to the balance sheet on December 31, 1998, the shareholders' equity of the parent company is FIM 1,153,345,552.02, of which profit for the year accounts for FIM 90,509,391.03.

The Board of Directors proposes that a dividend of FIM 0.35 per share be paid from the parent company's earnings on a total of 165,149,030 shares,

totalling	FIM 57,802,160.50 mk
and that be carried over on the retained earnings account	FIM 386,390,240.85 mk
Total	FIM 444,192,401.35 mk

The Board of Directors further proposes that distribution of dividend should begin when the matching period ends, i.e. on April 27, 1999.

Raisio, February 19, 1999

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 RAISIO GROUP PLC

We have audited the accounting records and the financial statements, as well as the administration of Raisio Group plc for the period ended December 31, 1998. 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 Chief Executive. 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 Chief Executive have complied with 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 Chief Executive 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, February 23, 1999

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, 1998 – December 31, 1998 and the attached financial statements, and studied the auditors' report, in accordance with the Articles of Association.

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

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

Raisio, March 23, 1999

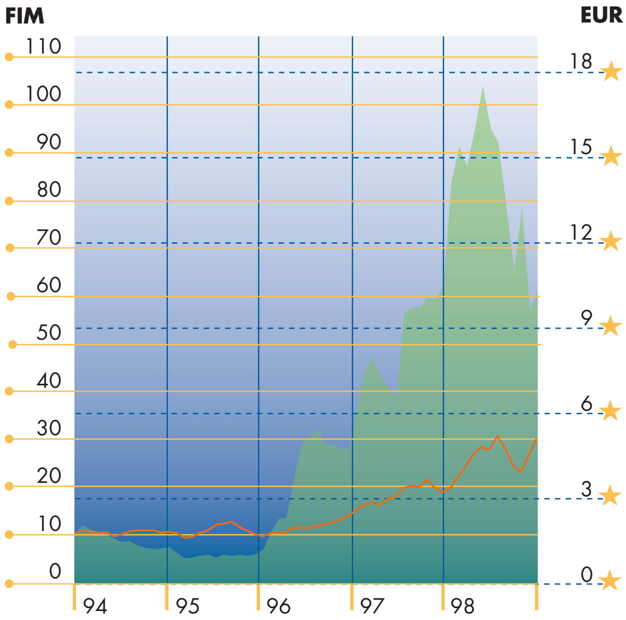
For the Supervisory Board
Vesa Lammela
Chairman

TRENDS ON THE STOCK EXCHANGE

PRICES OF RAISIO GROUP PLC FREE SHARES (SERIES V)
ON HELSINKI EXCHANGES MAIN LIST

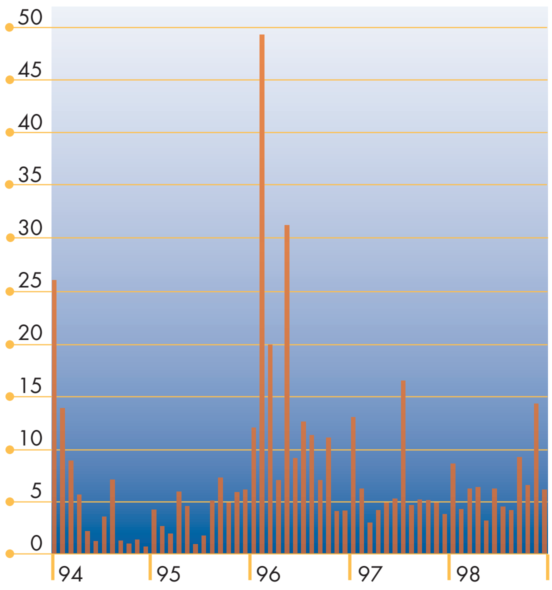
Change in nominal value and share issues taken into account as an adjustment.

Avarage quotation
HEX All Share Index



RAISIO GROUP PLC FREE SHARES (SERIES V)
PERCENTAGE TRADING ON HELSINKI EXCHANGES
MAIN LIST

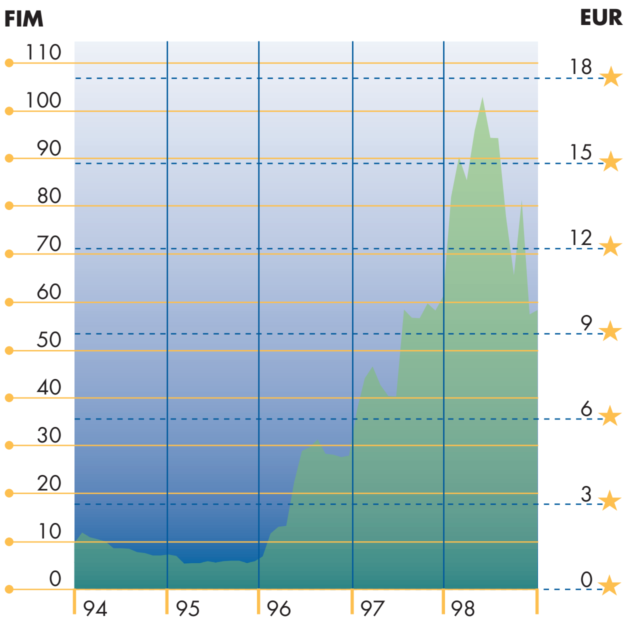
% of total share series



PRICES OF RAISIO GROUP PLC RESTRICTED SHARES (SERIES K)
ON HELSINKI EXCHANGES I LIST

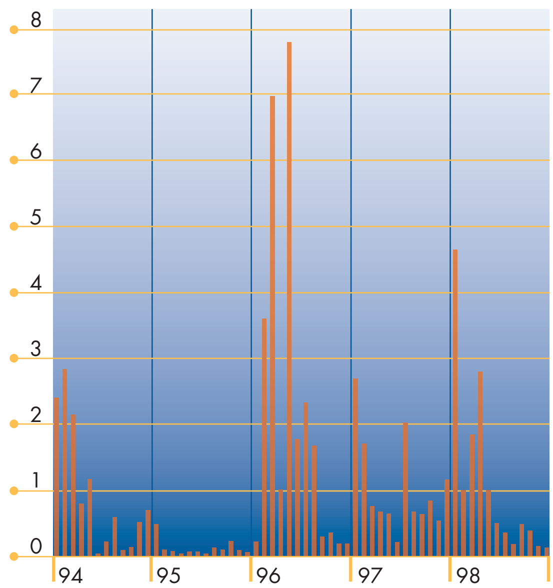
Change in nominal value and share issues taken into account as an adjustment.

Avarage quotation



RAISIO GROUP PLC RESTRICTED SHARES (SERIES K)
PERCENTAGE TRADING ON HELSINKI
EXCHANGES I LIST

% of total share series



COMPUTATION OF INDICATORS

Return on equity % (ROE)

$$\frac{\text{Profit before extraordinary items} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest (average)}} \times 100$$

Return on investment % (ROI)

$$\frac{\text{Profit before extraordinary items} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{interest-free debts (average)}} \times 100$$

Equity ratio %

$$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advances received}} \times 100$$

Quick ratio

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

Current ratio

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

Earnings per share (EPS)

$$\frac{\text{Profit before extraordinary items} - \text{taxes} -/+ \text{minority interest}}{\text{Average number of shares for the year, adjusted for share issues}}$$

Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Number of shares at December 31, adjusted for share issues}}$$

Dividend per share, adjusted for share issues

$$\frac{\text{Dividend distributed for the year}}{\text{Adjustment coefficient for share issues launched after the financial period}}$$

Dividend per profit %

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

Effective dividend yield %

$$\frac{\text{Dividend per share, adjusted for share issues}}{\text{Average quotation adjusted for share issues and weighted with trading volumes at December 31}} \times 100$$

P/E ratio

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

Market capitalization

Average quotation adjusted for share issues and weighted with trading volumes at December 31 x number of shares at December 31

ENVIRONMENTAL ISSUES

Technical Manager Risto Mattila showing an ISO 14001 standard environmental certificate awarded to all four Raisio Feed factories.

ENVIRONMENTAL POLICY

In December 1997, the Raisio Group plc Board confirmed the corporate environmental policy on operations worldwide. This policy underlines compliance with the principles of sustainable development and conservation of nature and the environment.

The Board requires each Division to have an environmental management and control system. Each Division has a responsibility to set detailed targets of its own in keeping with the corporate environmental policy, and to implement these targets.

SUSTAINABLE DEVELOPMENT

The Raisio Group is committed to the Business Charter for Sustainable Development (International Chamber of Commerce, 1990), and Raisio Chemicals is taking part in the chemical industry's international 'Responsible Care' programme.

The Raisio Group's core principle concerning sustainable development is that its operations are based on processing renewable natural resources. The food and animal feed factories process cultivated plants or raw materials from other renewable sources. Most of Raisio Chemicals' raw materials are also renewable cultivated resources. Some of the Chemicals Division's raw materials are based on products processed from crude oil.

The products and methods of Raisio's Chemicals Division cater to the needs of the paper industry, which gets its main raw material from the forests. Thus the Division contributes to the environmental efficiency of the entire wood-processing chain.

ENVIRONMENTAL PROFILE

The load that the Raisio Group's processes place on the environment is in general light and local. The company estimates that its production processes and emission handling techniques are of a high standard.

The Grain Division's processes handle primarily dry materials. The production of milling products and feeds may cause some noise and dust in the immediate surroundings, and the processing of oil seeds may release smells and solvents into the air. Malting requires water, some of which is disposed of as wastewater requiring treatment. All of the Grain Division's raw materials are renewable natural resources, and many of the Division's products have environmentally sound features. Environmental development in the Grain Division focuses primarily on the production of raw material, issues related to transportation, and packaging.

The protection of water resources and waterways is important for the Chemicals Division, since the production processes for starches and latexes call for plenty of water. Some syntheses also produce problem waste. Some of the sector's raw materials are gaseous, and equipment has been built for purification and treatment in order to prevent emissions into the air. The Chemicals Division's raw materials are also first and foremost renewable natural resources. Emissions are minimal, and environmental protection concentrates on the prevention of damage. Many of the Division's products have environmentally sound features.

Water is also used in the production of margarines and ice-cream, which is why the main environmental issues here have to do with the protection of water resources. The raw materials used are renewable natural resources. Since the sector produces mainly consumer products, issues related to packaging methods and materials are important.

Benecol processes do not require much water. Some of the raw materials used are volatile and require air protection measures. Production is based on renewable natural resources and aims to intensify their utilization.

Foodie Oy and the Potato Processing Subdivision make mostly packaged consumer products. Measures to protect waterways are important, particularly in the Potato Processing Division.

The Group is not aware of any environmental damage or risk that the law requires it to prevent or correct. Neither is there any known need for voluntary correction measures, and there are no major problem-waste stores.

ENVIRONMENTAL MANAGEMENT

Raisio Chemicals has a certified ISO 14001 standard environmental system in place at seven locations in Finland; only two locations still need a system. Raisio Feed has been awarded a similar certification for all of its four factories. The Malting Subdivision is already implementing its environmental system, but certification did not yet take place in 1998. Other sectors have started building their own environmental schemes.

Raisio Group aims to draw up its first consolidated environmental report on 1998. Raisio Chemicals has been issuing such a report since 1995.

ENVIRONMENTAL EVENTS

Thanks to environmental investments made in the previous years, direct environmental investments in 1998 were relatively low. Wastewater pre-treatment and separation of fat from the margarine factory's wastewater were intensified. The sewer system was improved in Toijala, and new containers were bought for rejected ice-cream in Karlshamn.

Measures to reduce the amount of packaging plastics involved the introduction of lighter oil bottles and canisters at the Raisio margarine factory and the 'bag in box' institutional kitchen packages for oils.

The Grain Division adopted the Quality Grain system, which aims to develop and safeguard the quality and purity of Finnish grain as raw material, and ecologically sustainable production methods.

Raisio Feed's cattle feed series Maituri 10 000 reduces nitrogen emissions in milk production. In fish feeds, a feeding model was developed in keeping with the new environmental requirements coming into force in 2005.

Raisio Chemicals has developed starch binders for papermaking which have been oxidized without chlorine, reducing the amount of chlororganic impurities. Deliveries of Rebarco barrier coating continued to grow. This starch-based product replacing plastics allows more advanced recycling of packaging material.

Environmental damage was insignificant. A minor wastewater emission into a ditch took place in Anjalankoski and some process water containing fat escaped in Raisio. In Toijala, some process water escaped into a rainwater sewer. There was a small ammonia leak at the margarine factory in Raisio. All these emissions were investigated, and measures have been taken to prevent them from recurring.

BENECOL DIVISION

BACKGROUND

The cholesterol-lowering effect of plant sterols was known as early as the 1950s. Since then, scientists all over the world have been studying plant sterols and their properties.

In 1988 the University of Helsinki Department of Pharmacy started cooperating with the Helsinki and Turku University Central Hospitals and the Raisio Group in order to study the effects of rape seed oil on blood cholesterol levels. Professor Tatu Miettinen, who had already done extensive research on fat metabolism, took the initiative and suggested research on plant sterols to the Raisio Group.

The following year, the Raisio Group Group's chemist Ingmar Wester, who took part in the research cooperation, discovered a way of turning plant sterol into stanol ester suitable for food production. A patent application was filed in 1991. This launched a period of intense research aimed at proving beyond doubt that stanol ester reduced blood cholesterol levels. In 1993, a long-range stanol ester study was started parallel to other clinical research carried out by Professor Pekka Puska in his North Karelia project.

Human metabolism receives cholesterol from two sources: from food or from the human body itself. Normally, some 50 per cent of the cholesterol entering the digestive tract is disposed of and the rest is absorbed by the body. Plant stanol ester was shown to prevent the absorption of cholesterol efficiently. The plant stanol in itself is not absorbed, but disposed of naturally.

BENECOL® MARGARINE

The findings of the North Karelia stanol research project were published in the November 1995 issue of the New England Journal of Medicine. The first patents were issued for the production and use of stanol ester at the same time.

The first stanol ester product, Benecol margarine, was introduced on the Finnish market towards the end of 1995. The interest it aroused soon exceeded all expectations, both in Finland and internationally. The registered name Benecol® has since been confirmed as the trademark for all products containing stanol ester.

In April 1998, Raision Margariini introduced a parallel light version with only 40 per cent fat.

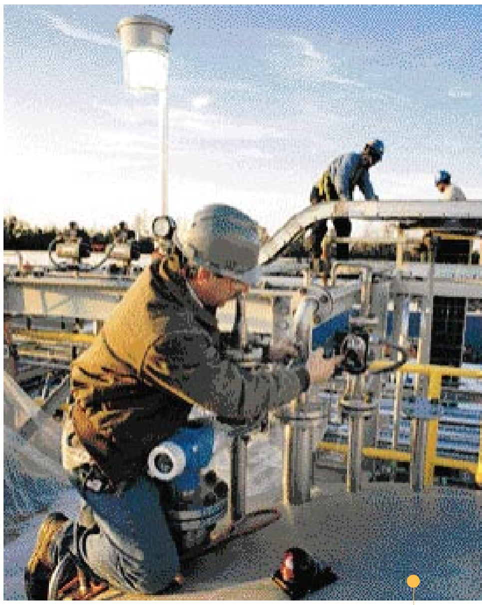
Some 140,000 consumers use Benecol margarine daily in Finland. More than eight million tubs had been sold by the end of 1998.

In April, Raision Margariini introduced a light Benecol margarine with 40 per cent fat on the Finnish market. At the press conference in Helsinki, (left to right) Chief Executive Matti Salminen and Professors Pekka Puska and Matti Uusitupa.

ORGANIZATION

At the beginning of June 1997, the Benecol business was organized as a separate division at Group level (Benecol Division). At the beginning of 1998, operations were concentrated in a new subsidiary, Raisio Benecol Ltd, owned in full by Raisio Group plc.

As from the beginning of 1999, the production of stanol ester in Finland was transferred to Raisio Staest Oy, which is owned in full by Raisio Benecol Ltd. In the United States, Raisio Staest US Inc. is responsible for producing stanol ester.



Raisio Staest US Inc. has built a stanol ester plant in Charleston, South Carolina. Test runs started in early 1999.

COOPERATION WITH JOHNSON & JOHNSON

In July 1997, the Raisio Group signed a cooperation agreement with the American McNeil Consumer Products Company (currently McNeil Consumer Healthcare) of the Johnson & Johnson Group. The contract gives McNeil the sole right to use the Benecol trademark and patents on the US, Canadian and Mexican markets. The Raisio Group will supply the stanol ester required for the products.

A new agreement signed in March 1998 extended cooperation with Johnson & Johnson to global dimensions. Europe and Japan will take their place by the side of the United States as the chief market areas for Benecol products. The contract also allows for cooperation with other companies that have strong brands, in order to reinforce the status of Benecol products.

These agreements confirm the principle that the Raisio Group will be responsible for acquisition of the basic raw material, plant sterol, and for turning it into stanol ester. Apart from this, Raisio has extensive expertise in cholesterol-lowering foods. Johnson & Johnson's strength lies in its worldwide commercial network and know-how in marketing to health and nutrition experts. The contracting parties will coordinate medical and clinical research and marketing activities. Product development is carried out in cooperation, project by project.

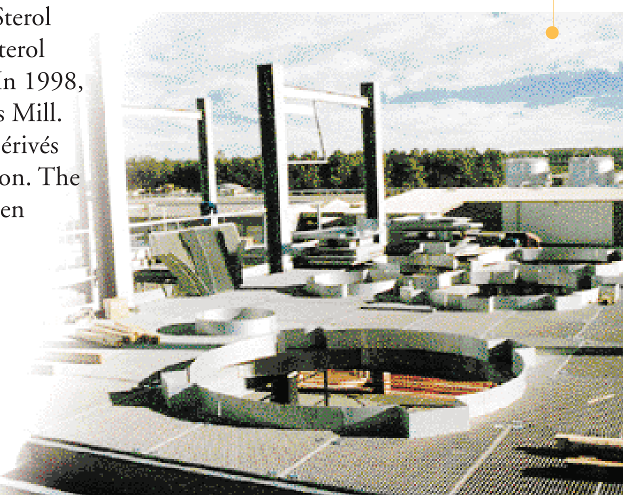
PLANT STEROL ACQUISITION

From the very beginning, plant sterol to produce stanol ester has been supplied by Kaukas Oy of the UPM-Kymmene Group, a pioneer in sterol separation techniques.

In April 1997, Raisio and UPM-Kymmene set up a joint venture, Sterol Technologies Ltd. Raisio's holding is 65 per cent. The company develops sterol separation methods and markets them, particularly to the forest industry. In 1998, the company completed an experimental sterol recovery unit at the Kaukas Mill.

An agreement has now been made with the French company Les Dérivés Résiniques et Terpéniques to achieve a major increase in its sterol production. The new plant will go on stream in 1999. The entire additional capacity has been reserved for Raisio.

The French company DRT is expanding its sterol production considerably. The entire increase in production capacity is reserved for Raisio.



Process attendant Jani Helin bringing a stanol ester sample from the production process to the quality control laboratory. In the background, laboratory workers Teija Luotohaara (left) and Katja Aalto.

Laboratory worker Tarja Hörkkö analysing the dry matter content of sterol powder with a halogen moisture analyzer

At the end of 1998, Derivados del Tall Oil S.A., a joint venture owned by the Raisio Group (49%) and the Chilean Härting S.A. (51%), decided to build the world's biggest sterol production plant in Santiago de Chile. The value of the investment is USD 50 million, i.e. well over FIM 250 million. The plant is scheduled for completion in 2000. Sterol Technologies Ltd is in charge of the sterol separation technology.

Raisio also signed an agreement with the American Westvaco Corporation in 1997, with the aim of studying the possibility of building a sterol production plant in South Carolina. The basic plan is now ready. An agreement with Arizona Chemical Company was announced in September 1998, giving Raisio an option to buy raw material for plant sterol from Arizona globally. Arizona Chemical is one of the world's biggest producers of wood-based chemicals and tall oil.

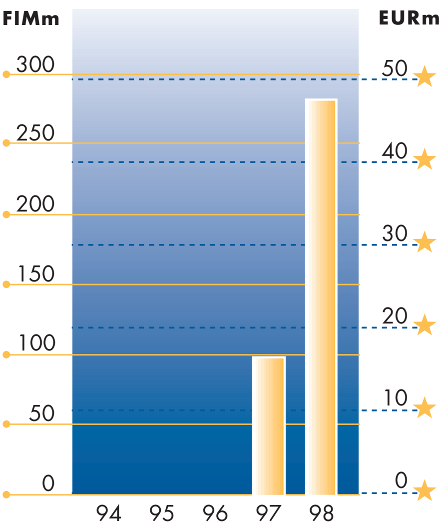
Taking into account its long-range acquisition contracts and call options, the Raisio Group has reserved a supply of more than 15,000 tonnes of sterol a year.

STANOL ESTER PRODUCTION

The first stanol ester plant was completed in Raisio in December 1996, and its capacity was extended considerably in 1998.

A decision was made in November 1997 under which Raisio Staest US Inc., a subsidiary of Raisio Benecol Ltd, would build a stanol ester plant near Charleston, South Carolina. The new plant is many times the size of its counterpart in Raisio, and test runs started in early 1999.

Benecol Division turnover



INTERNATIONAL MARKETING

The Raisio Group has planned the scale of its plant sterol inventories to satisfy the raw material demand for the international introduction of Benecol products. Stanol ester deliveries from Raisio to McNeil in the United States have already been made since summer 1998, and towards the end of the year the Raisio unit was working to capacity.

In the United States, Benecol spreads will be marketed in the food category in accordance with negotiations between McNeil and the FDA. A related stanol ester safety assessment (GRAS) has been made, and commercial preparations had reached their final stage at the beginning of 1999. In Europe, Benecol will not be treated as a novel food, since it has been on the Finnish market since 1995. In order to comply with national legislation, however, the Benecol concept will be checked in each individual EU Member State.

McNeil plans to introduce Benecol spreads on the British, Dutch and Belgian markets in spring 1999 and on the US market as soon as possible.

An extensive campaign to introduce Benecol products to experts in the health and nutrition sector was launched in the US and Europe. Both experts and retailers have given favourable feedback.

MARGARINE DIVISION

The Margarine Division comprises three units: Raision Margariini in Finland, Carlshamn Mejeri in Sweden and Raisio Polska Foods in Poland.

Margarine Division turnover fell to FIM 1.4 billion from the FIM 1.7 billion in 1997, the main reason being declining exports to Russia. The reduction in exports affected Carlshamn Mejeri turnover in particular, but had a significant effect on Raision Margariini, too. Another factor affecting turnover adversely was the general trend on the edible fat market. Consumption of edible fats, and especially margarine, fell by some 5 per cent in Europe. The weaker demand was reflected in Raisio's market areas.

Prices of the vegetable oils used as raw material for margarines began to rise in 1997, and this trend continued up to July 1998. Towards the end of 1998 prices fell, but because of long-term delivery contracts this did not yet have a favourable effect on financial performance. Product price adjustments were made to improve profitability. The improvement targeted was undermined by the radical devaluation of the Russian rouble, which weakened demand and finally brought exports to Russia to a near standstill in September. It was not until the end of the year that exports began to revive somewhat.

It was extremely difficult to adapt production rapidly to the lower demand. Low capacity utilization weakened profitability in all Margarine Division units.

RAISION MARGARIINI

Total consumption of edible fats continued to go down in Finland. Margarine sales declined by some 6 per cent on the previous year. At the same time, user habits have changed, so that consumers now favour margarines with a lower fat content. Demand for flavoured light spreads and vegetable fat cheeses is also looking up. Raision Margariini has reacted to the changing consumer habits by introducing new low-fat products. The Belette light spread introduced in spring 1998 was received particularly well, and the Voimix Gourmet spread put on the market at the beginning of September was also a success. Its popularity is related to the general growth in the share of the edible fat market accounted for by butter-vegetable oil mixes.

The new Belette light spread containing only 14 per cent fat was received well. Deliveries to Sweden have begun: deliveries to restaurants and institutional kitchens began in autumn and to retailers in January 1999

Production of vegetable fat cheeses was moved from Kemiö to the new unit in Raisio, which also started producing Belette light spread. The picture shows cheese master Robert Nyman (left) and packaging assistant Mariann Heinonen.

The proportion of retail margarines accounted for by Raision Margariini remained at the previous year's level of 50 per cent. Household baking is decreasing, and households rarely buy margarine separately for baking, which explains the 7 per cent decline in sales in this product line. Raisio's Sunnuntai, which has been a successful label for 30 years now, continued to hold onto its position, however.

The demand for bakery margarines increased somewhat. Raision Margariini accounted for 56 per cent of the sector.

Targets were not achieved on the ice-cream market in Finland. The poor summer weather reduced demand, increasing competition, which again weakened the profitability of the entire product line in Finland.

The most important challenge in R & D was the development of Benecol light margarine in cooperation with Carlshamn Mejeri. The Benecol novelty, introduced in April and containing only 40 per cent fat, sold well. Production of vegetable fat cheeses, which previously took place in Kemiö, went over to a continuous new process, increasing production capacity materially.

The margarine factory's palletizing unit and product warehouse were automated. The new systems facilitate the traceability of raw materials and allow real-time utilization of inventory information.

Raision Margariini was awarded the ISO 9001 quality system certificate at the end of the year.

Josefin Bengtsson packing Dolina Skandi margarine, which is the most important export item in Carlshamn Mejeri's sales to Russia.

CARLSHAMN MEJERI

Most Carlshamn Mejeri products are marketed in Sweden under the name Carlshamn. Other product labels include Runda Bords, Hushålls Eve and Tofuline.

Decline in the consumption of edible fats continued in Sweden, too. Carlshamn Mejeri's share of the Swedish margarine market remained at its 1997 level of a good third, but the total market shrank and sales consequently fell three per cent short of the previous year's figure. Financial performance was weakened by the price competition caused by the shrinking market, which prevented the company from transferring its higher raw material costs to prices in full.

Russia has been Carlshamn Mejeri's most important export country for two years now. The company's best-selling product label there is Dolina Skandi. Major fluctuation in delivery volumes characterized the year under review, however. Demand already seemed to slacken in spring, but the devaluation of the rouble in September caused a complete crash. Demand revived at the very end of the year, but large volume fluctuations caused adaptation problems and weakened profitability.

Profitability could be improved substantially in ice-cream products. The most important factors were rationalization of production methods, which boosted productivity, and a shift in emphasis from household packs to multiple packages. Carlshamn Mejeri supplied approximately a quarter of all ice-cream consumed in Sweden.

Sales Director Andrzej Malinowski presenting Raisio Polska Foods products.

RAISIO POLSKA FOODS

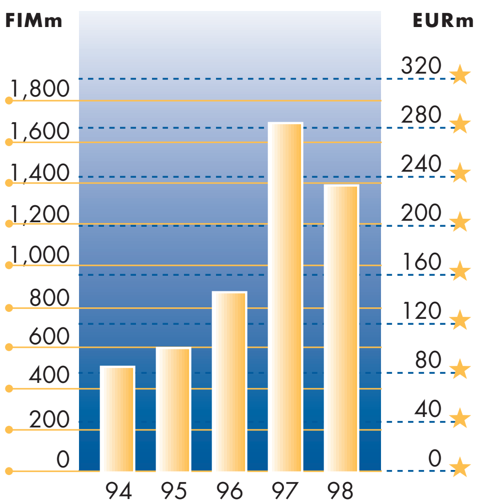
Raisio Polska Foods's product labels include Masmix, Finea, Fraszka, Twoja M and Pokusa. A new yoghurt-flavoured margarine was introduced in 1998, called Fraszka Jogurtowa, developed in cooperation with Raision Margariini. The new product was received well in Poland.

No significant changes took place on the Polish margarine market. There continued to be a large number of producers, some 15 in all, and competition was tight. Raisio Polska Foods succeeded in consolidating its position, however, and its market share was well over 10 per cent. In terms of value, Masmix became Poland's second biggest margarine label.

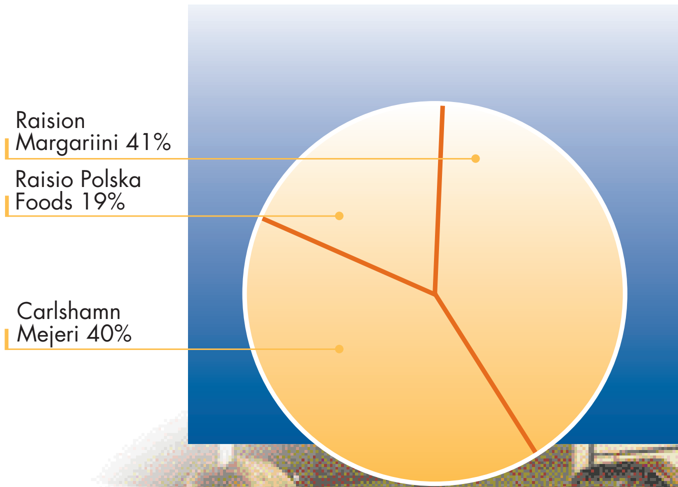
Problems in Russia were reflected in Raisio Polska's market area. Exports to East European countries and the Ukraine in particular declined, and the previous year's export figures were not reached, weakening capacity utilization. In Poland, exports revived somewhat towards the end of the year, in November-December. Major volume fluctuation hampered the profit trend, however.

The factory in Poland has been operating in rented facilities in Karczew. A decision was made at the end of the year to purchase the factory property. This will allow concentration of sales and marketing operations from Warsaw to Karczew, bringing considerable savings.

Margarine Division turnover



Turnover breakdown



The Gastro 98 Fair for institutional kitchen professionals in Helsinki demonstrated Tofuline soy meal products among others. The picture shows catering manager Eeva Lampinen, Raisio's product manager Nina Andersson and catering expert Liisa Huhtala.

BUSINESS DEVELOPMENT

POTATO PROCESSING SUBDIVISION

Raisio's Potato Processing Subdivision's turnover came to FIM 131 million, an increase of close on 20 per cent. Both domestic deliveries and exports grew. In early 1998, exports to Russia were considerable, but later in the year emphasis shifted to the Swedish market. Sales of frozen special potato products to Sweden started at the beginning of 1999. These sales are handled by the Carlshamn Mejeri organization.

Production was reoriented from mass products where competition is tight towards special frozen foods, for instance through production investments. The Subdivision raised its share of the entire frozen potato retail business to 35 per cent. This trend was supported by consumers' preference for domestic products.

The autumn's potato crop was poor in Finland and throughout the European Union, but Raisio succeeded in acquiring 60 million kilos of raw potato — more than ever before. This is a promising start for 1999.

Sieppari rye products were awarded an honorary mention in the Finnish Food of the Year contest's large-scale consumer series.

FOODIE OY

On account of the stalemate in exports to Russia, Foodie Oy's turnover declined by nine per cent, totalling FIM 83 million. This resulted in a loss for the year.

Frozen pastry doughs did especially well because of the active product development in this segment; pasties were particularly favoured by customers. Price competition continued to be unhealthy in pea soups, explaining why profitability was poor. 'Mämmi' rye pudding sold well and showed satisfactory financial performance. Sales of ice-cream cones to Sweden started in autumn.

GRAIN DIVISION

The Risella rice and rye mix is an interesting novelty combining tasty, nutritionally recommended rye with rice.

The Grain Division comprises the Milling Subdivision (Melia Ltd), the Animal Feeds Subdivision (Raisio Feed Ltd and Monäs Feed Oy Ab), the Malting Subdivision and the Agricultural Group, which is responsible for grain and rape seed purchases. The Grain Division's turnover totalled FIM 1.6 billion and was down by 5 per cent.

1998 presented a special challenge to the Grain Division. The problematic weather conditions in summer and autumn caused major problems in the quantity and quality of grain used as raw material. Imports had to be resorted to, prompting new logistical requirements and causing additional costs. Russia had already become an important market area, and problems in the Russian economy hit the various sectors of the Grain Division fast and hard.

Simultaneously with these problems, the Grain Division developed and rationalized operations, however, and new markets were sought. This meant the Division could start 1999 with a relatively optimistic attitude even though the recovery of the Russian market is likely to require a great deal of time.

The quality and quantity of Finnish raw material is crucially important for the Grain Division. Together with its contract farmers, the Raisio Group develops raw material production methods that take environmental considerations into account. The 'Quality Grain' system related to this aspiration aims to develop and safeguard the quality and purity of Finnish grain, and ecologically sustainable production. A total of 14 Quality Grain training events were arranged in winter 1998-1999, attended by more than 1,000 contract farmers participating.

MILLING SUBDIVISION

Melia Ltd delivered more than 200 million kilos of products in 1998. Turnover totalled FIM 536 million, slightly under a fifth of it accounted for by exports. This was some FIM 100 million less than the previous year. The most significant reason for the decline was that exports to Russia came to a standstill.

Total quantities of grain products delivered for household baking fell by some six per cent in Finland. In contrast, deliveries of flakes, pastas and mueslis rose a little. In 1998 Melia introduced two new Start mueslis, a Risella rice and rye mix, and a Risella rice family in rigid cardboard packs at the beginning of 1999. The rice and rye mix made the finals in the Finnish Food of the Year contest, and the Sieppari rye product family was awarded an honorary mention in the institutional consumer series of the same contest.

The Finnish bakery market continued to be concentrated in the hands of a few chains or large companies. Melia's status as Finland's biggest bakery raw material supplier continued to be stable.

Grain product exports began well, but complications arose in summer, and sales to Russia came nearly to a complete standstill towards the end of the year. Progress was made in the Baltic Rim, however, and exports to the Ukraine started in early 1999. Exports of flakes and pastas to Russia are also expected to start reviving. On the other hand, the food aid projects targeted at Russia by the EU and the United States may hamper exports of Finnish foods.

The prices of wheat and rye were stable throughout 1998. The autumn's domestic crops were inadequate for the Milling Subdivision in terms of both quality and quantity. In the crop season 1998-1999, more than one third of the wheat required will have to be imported in spite of the fact that exports of wheat to Russia have come to a halt, and nearly all the rye used will have to be imported. The situation will not improve for Finnish rye in the 1999-2000 crop season either, since the weather conditions in autumn 1998 did not allow sufficient sowing of rye.

The use of milling grain declined by some five per cent on 1997. In 1998 Melia used a total of some 250 million kilos of grain, including rice.

Efficient restructuring measures were carried out during the year, greatly improving financial performance.

Nalle gruel and porridge flakes make a meal in a matter of minutes.

ANIMAL FEED SUBDIVISION

The turnover of the Animal Feeds Subdivision totalled FIM 934 million, a decrease of 3 per cent on the previous year. Here, too, the impact of declining trade with Russia lies behind this development. The quantities produced by the oil milling business in the Subdivision were lower than previously, specifically because of the uncertainty concerning margarine exports. Exports of pet foods to Russia also came to a near halt in the latter part of the year.

The poor grass crops in summer and below-average grain crops boosted the demand for ready feed mixes towards the end of the year. Sales were further boosted by successful new products. Thus, total sales of farm feeds rose on 1997, with cattle and broiler chicken feeds doing particularly well.

The prices of protein raw materials began to fall in spring, and the reduction was transferred to the prices of feed mixes.

In pet foods, sales volumes fell on 1997. The reasons for this were the above-mentioned stagnation in exports and the fall in subcontractor production for other marketers as a result of sectoral restructuring. To counteract this, Raisio Feed started to market its own Baron dog foods and Deliss cat foods via daily consumer goods retailers.

Raisio Feed continued to make strong inputs in R & D projects aimed at improving the profitability of livestock farming, to intensify efficient utilization of nutrients and to achieve better quality in livestock products.

In May, liquid feed production was concentrated in Raisio, and the Kimo Food factory in Oravainen was closed down.

Raisio Feed raised the energy level of its cattle feed in order to ensure sufficient energy intake in all situations together with various silages. Maituri 10 000 is Finland's number one complete feed in terms of energy content.

Raisio Feed marketed Baron dog foods and Deliss cat foods into daily goods stores.

Marketing Manager Juhani Elonheimo and loader Timo Kuorehjärvi inspecting malt wagons on their way to Russia. In 1998, the malting plant started using rail services for all its deliveries, since trains are an environmentally sound transport mode.

MALTING SUBDIVISION

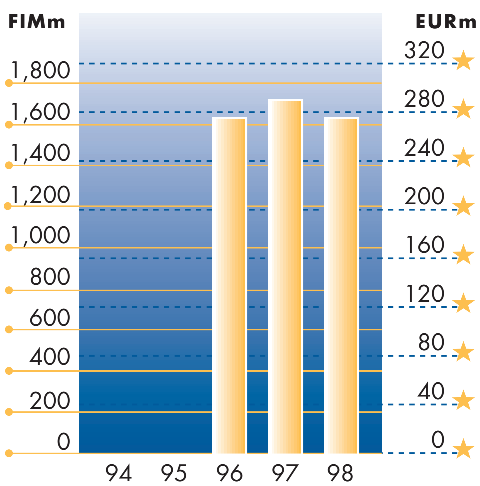
The Malting Subdivision's turnover came to FIM 153 million, up 26 per cent on the previous year. A total of 90 million kilos of malts was delivered, most of it either outside the European Union or to single market countries in the EU. 27 per cent of deliveries went to Finland. Malts were exported to Russia, Venezuela, Brazil, the Nordic countries and Scotland.

The utilization rate of the malting plant extended in 1997 was nearly 90 per cent. The disturbances in trade with Russia were the main reason why the plant did not operate to capacity. Thanks to the extension, total costs per kilo of malts could be brought down, however.

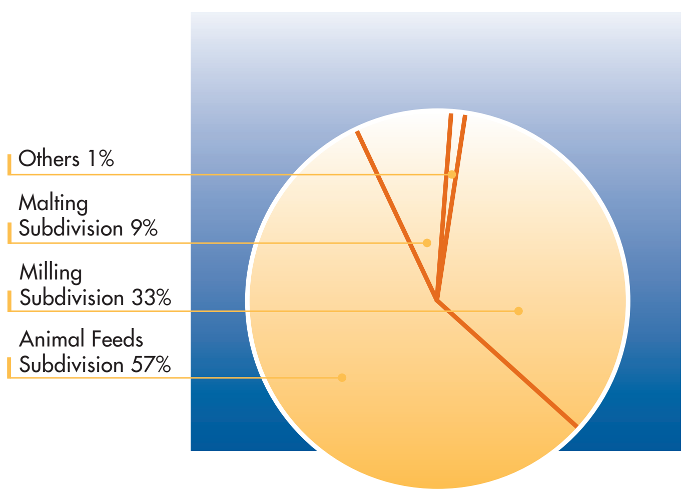
1998 was difficult economically for the Malting Subdivision. Its status was weakened by the downward trend in world market prices, the economic problems encountered in the main export areas, i.e. Russia and South America, and the low price of competitors' raw materials in Continental Europe. The excess supply of malts also tightened competition globally. Beer consumption has also declined both in Finland and in the big European beer-drinking countries.

The 1998 malting barley crop was modest on account of the rainy summer. The quality was, however, reasonable. The raw material was typically low in protein and contained a large population of small grains. Some barley was purchased from the EU area to supplement the supply of Finnish barley.

Grain Division turnover



Turnover breakdown



CHEMICALS DIVISION

The Pelzer & Röhrl rosin sizing company bought in Germany completed its first full year as part of Raisio Chemicals. Doris Schlitz-Salvado (left) and Eva Ehrenhardt-Dandl checking quality in the laboratory.

The vigorous concentration trend continued in the paper and chemicals industries. Corporate acquisitions, mergers and restructuring characterized 1998. Finland's paper industry played a central role in these developments. The three major operators in Finnish forestry - UPM-Kymmene, Stora Enso and Metsä-Serla - are the biggest in Europe, ranking among the ten biggest corporations globally.

The centralization and globalization that took place in the paper industry also called for change in the chemicals industry supplying raw materials. In some product lines, competition for major key customers put prices into such a tight spot as to risk potential investments and inputs in R & D.

The economic crisis in Asia brought growth to a halt and in some countries led to a decline in consumption, or even the collapse of whole economies. Investments planned for Southeast Asia have in many cases been postponed. Stoppages had to be resorted to and factories closed down in Japan, Europe and North America towards the end of the year. The paper industry on the west coast of North America and in Japan has been hit worst by the crisis in Asia.

The deflatory trend in 1998 caused the prices of raw materials and products to go down, and margins shrank. This meant cutting costs in many sectors.

Finland's paper and board industry production totalled 12.7 million tonnes, a 4.6 per cent increase on the previous year. Paper production grew by 6 per cent and board production fell by one. Capacity utilization stood at an average of 94 per cent, although stoppages reduced it to 84 per cent in the last quarter.

Raisio Chemicals Ltd with its subsidiaries and associated companies continued to consolidate its status as one of the leading suppliers and developers of paper chemicals and related systems. The sales volume, at some 480 million kilos, was up 13 per cent on 1997, but turnover remained at the previous year's level of FIM 1.6 billion on account of falling prices.

42 per cent of turnover was generated in Finland, 6 per cent in Scandinavia, 29 per cent elsewhere in Europe, 17 per cent in the Americas and 6 per cent in Asia.

INVESTMENTS

The extension to the Mietoinen Fine Chemicals Plant was completed in February, doubling the plant's capacity for producing cationic chemicals.

At the beginning of July, Raisio Chemicals bought a majority holding in Oriental Polymer Laboratories, a Korean company making paper chemicals and polymers. The name was later changed to OPL-Raisio Inc. The company utilizes Raisio's paper chemicals technology and sells its products and systems to the paper industry in South Korea and nearby regions.

In August, Raisio Chemicals bought the entire stock of Raisio Chemicals Italia, of which it had owned 51 per cent previously. In November, it bought the North European rosin sizing business of Arizona Chemicals.

In August, Raisio Chemicals Ltd and Valmet plc set up a joint venture under the name Valmet Flootek Ltd, with Raisio Chemicals owning 49 per cent of the share capital. The new company concentrates on business related to wastewater treatment in the paper industry. Raisio Engineering Oy's environmental technology business and the entire stock of Flootek AB, which specializes in environmental technology, were transferred from the Raisio Group to the new company.

An extension to the Mietoinen Fine Chemicals Plant was completed in February, doubling capacity for producing cationic chemicals. In the control room, left to right: Erkki Holmberg of Elomatic Oy, a company involved in the building project, and Anssi Aaltonen, Joni Väärikkälä and Jukka Järvinen of Raisio Chemicals.

Raisio Chemicals bought a majority holding in a Korean paper chemicals company. The OPL-Raisio Inc. plant is in Cheonan, south of Seoul.

RESEARCH AND DEVELOPMENT

The Chemicals Division's R & D costs came to FIM 50 million, 3 per cent of turnover.

The primary goal of R & D has been to expand the range of products and services offered by Raisio Chemicals and to improve the effectiveness of products. Apart from an extensive range, customers require that their cooperation partners have a comprehensive understanding of the overall development needs of the paper industry. Raisio Chemicals took part in many large-scale development projects in its customer industries in 1998.

Raisio Chemicals developed its own production and products in an increasingly environmentally sound direction. Use of the biocides necessary for the paper industry was reduced decisively by optimizing products and processes. New low-emission production methods were developed for modified starches, which also improved product purity, as in the case of the new oxidized starches.

An increasingly comprehensive cationic product concept for the paper machine wet end will help mills to reduce emissions, and to improve quality and machine runnability. The new type of AKD neutral size has succeeded in solving certain runnability problems that some paper machine types have suffered from. As the machines can be kept cleaner, their productivity improves.

A decision was made to extend the ISO 9001 and ISO 14001 quality and environmental systems and the Chemical Division's international Responsible Care programme to cover not only Finland but all Raisio Chemicals' foreign operations.

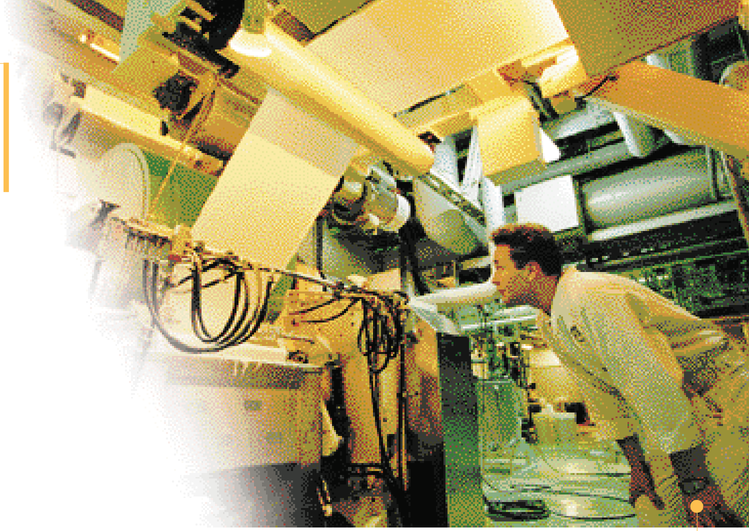
Jong Chun Lee of OPL-Raisio's technical services unit checking the production equipment at the Cheonan plant.

STARCHES

The paper industry looks for rationalization and cost savings, for instance by concentrating its starch purchases. This fact and the excessively large potato starch stocks and thus abundant supply in Europe caused price competition to tighten.

Thanks to its expertise in modified starches, Raisio Chemicals did fairly well in the competition, however, and the volume of deliveries remained at the previous year's level. Price competition cut the company's market share in Finland slightly, but the loss was compensated by increasing sales to other countries. Profitability weakened on 1997 but remained satisfactory.

Laboratory worker Hanna Sipilä making test board to be used for studying bonding and how chemicals bind to fibre.



Machine operator Arto Andersson checking how the coating mix spreads on the surface of the paper at the Coating Technology Center.

HYDROPHOBIC SIZING

The rosin sizing operation purchased from Arizona Chemicals in November reinforced Raisio Chemicals' position as a versatile supplier of hydrophobic sizing in the Nordic countries. Sales of neutral sizes in Indonesia were also increased successfully in spite of the economic crisis in Asia.

Pelzer & Röhrl, a company producing rosin sizing in Mainz, Germany and bought by Raisio Chemicals at the end of 1997, completed its first full year as part of Raisio Chemicals. The management of the Chemicals Division's European operations moved to Pelzer & Röhrl's facilities in order to exploit Mainz' central location in Europe.

COATING CHEMICALS

In recent years, new investment by the Finnish paper industry has focused primarily on machinery producing coated qualities. Thanks to this trend, Finland's coating chemicals market has become the biggest in Europe.

Sales of coating chemicals by Raisio Chemicals increased by 5 per cent, and financial performance improved essentially.

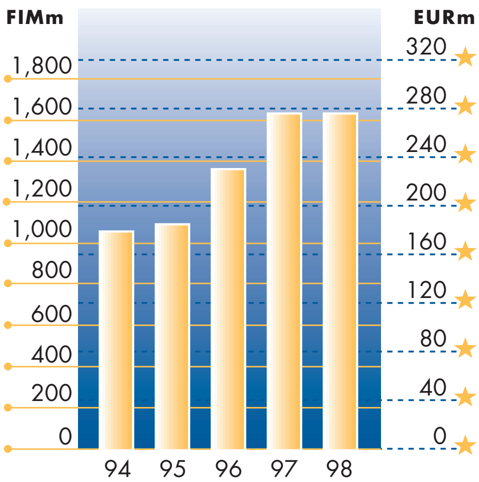
Research Chemist Johan Nyman running samples with a mass spectrometer.

RECYCLING CHEMICALS

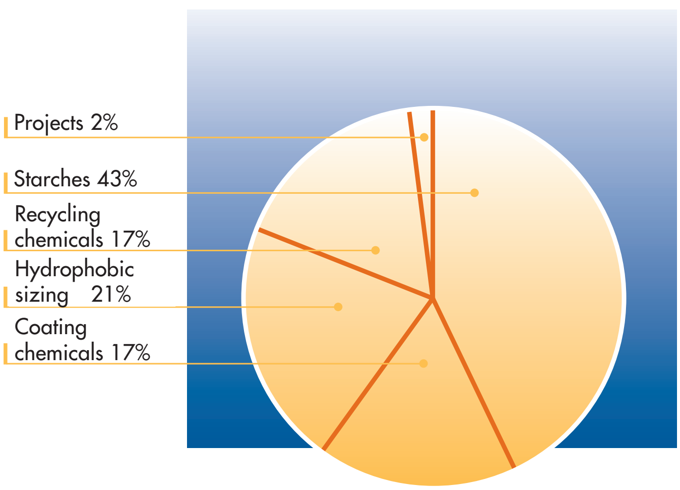
The demand for cationic polymers grew rapidly. Investments in new or additional capacity for this production were made in Finland (Anjalankoski), Belgium, Korea and the United States. The products are known by the brand names Raibond and Raifix. They are used to prevent quality defects and operating problems in the papermaking process caused by impurities.

Deinking chemicals kept their good market share in the Nordic countries in spite of tighter competition.

Chemicals Division turnover



Turnover breakdown



STOCK EXCHANGE BULLETINS AND PRESS RELEASES

5.2.1998

25.2.1998

7.5.1998

12.6.1998

January 29
Raisio Feed Ltd announces it has been awarded a new environmental ISO 14001 certificate covering operations at all its production plants.

February 5
Raisio Chemicals Ltd's extension to the Mietoinen Fine Chemicals Plant goes on stream, doubling the output of the cationization chemicals plant

February 19
The 1997 financial statements are published. Turnover had risen by 30 per cent, to FIM 5,101 million. Profit before extraordinary items was up by 25 per cent, to FIM 209 million. Profit per share was FIM 8.27.

February 25
Raisio Benecol Ltd's subsidiary Raisio Staest US Inc. begins to build a stanol ester plant in Charleston, South Carolina in the United States. The project is part of a cooperation agreement between Raisio Group and McNeil Consumer Healthcare Company of the Johnson & Johnson Group.

March 2
Raisio Group and McNeil Consumer Healthcare Company sign a worldwide licensing agreement on the use of stanol ester for food. The agreement confirms the letter of intent signed in November 1997, extending the North American licensing agreement between Raisio and McNeil to cover most of the world.

April 7
Raisio Group plc's Annual General Meeting decides to change the nominal value of the Raisio share (first reading), to grant option rights to members of the Board and key employees, and to grant the Board authorization to decide on new share issues, bonds, warrant bonds or option rights resulting in a maximum FIM 10 million increase in share capital. The AGM approves the 1997 financial statements, granting those accountable discharge from liability. The meeting decides to pay a dividend of FIM 3.00 per share.

April 15
Raisio Group announces it is to introduce a light version of Benecol margarine. The new product contains 40 per cent fat and has been tested clinically, e.g. at the University of Kuopio.

April 22
The Raisio Agricultural Group publishes its 'Quality Grain' system to support the quality chain.

April 23
The findings of clinical tests on Benecol light margarine are published. The research was carried out by Professor Matti Uusitupa and Researcher Maarit Hallikainen of the University of Kuopio. The conclusion they reached was that low-fat plant stanol ester margarine, combined with a well-balanced diet, is a safe way of reducing blood serum cholesterol.

May 7
The Margarine Division announces a close on FIM 50 million investment programme creating production potential for new low-fat products and boosting margarine production capacity. Most of the investments go to production plants in Raisio.

May 14
Raisio Feed Ltd announces the findings of a study carried out with the Finnish Meat Research Centre, showing that feeding can affect the fatty acid composition of pork.

May 19
Raisio Chemicals Ltd signs a letter of intent on acquiring partial ownership in Oriental Polymer Laboratories, a Korean company making paper chemicals.

June 10
An Extraordinary General Meeting approves the change in nominal value of the Raisio share from FIM 10 to FIM 1 (second reading).

The Interim Review for January-April is published. Turnover came to FIM 1,790 million (FIM 1,574 million in 1997). Profit before extraordinary items was FIM 165 million (FIM 69 million in 1997), and profit per share FIM 7.09 (FIM 2.68 in 1997).

June 12
The Raisio Group makes an over USD 190 million syndicated loan agreement with an international banking consortium. The agreement period is seven years.

1.7.1998

July 1
Raisio Chemicals Ltd buys a majority (51%) holding in Oriental Polymer Laboratories, a Korean company with an annual turnover of some FIM 50 million.

August 3
Raisio Chemicals Ltd and Valmet plc establish a joint venture under the name Valmet Flootek Ltd, with Valmet owning 51 per cent and Raisio Chemicals 49 per cent of the company. The new company will concentrate on business related to wastewater treatment in the paper industry.

September 1
Raisio Group announces it will contribute FIM 1 million for the renovation of the museum vessel Sigyn in honour of Raisio's 60th anniversary year. The Sigyn, completed in 1887, is the only remaining oceangoing three-masted barque in the world.

September 2
Raisio Benecol Ltd announces it has entered into an agreement with Arizona Chemical Company giving Raisio an option to buy raw material for plant sterol from Arizona globally. Arizona Chemical is the world's biggest producer of wood-based chemicals and tall oil.

September 4
Raisio Group reports that lack of an exchange rate for the ruble had brought deliveries to Russia to a near standstill. Because of the situation in Russia, it seems likely that the FIM 5.5 billion turnover anticipated in the Interim Review will not be reached in 1998. Nevertheless, performance for the year is expected to exceed 1997.

September 22
Because of the near standstill in deliveries to Russia, which is suffering from economic problems, Raision Margariini invites personnel representatives to codetermination negotiations. Similar negotiations have already begun at the plant in Sweden.

September 30
Raisio Feed Ltd announces the introduction of Baron dog foods and Deliss cat foods in daily retailing. These products were previously marketed only via retail outlets selling agricultural supplies.

1.9.1998

October 5
The Interim Review for January-August is published. Turnover totalled FIM 3,357 million (FIM 3,249 million in 1997), profit before extraordinary items FIM 192 million (FIM 166 million in 1997), and profit per share FIM 0.75 (FIM 0.72 in 1997).

October 6
Raision Margariini announces its intention to lay off approximately one hundred production employees as of October 19. (A third of the total number will be laid off at a time, while the others continue to work normally. The layoffs are suspended on November 24.)

October 14
Raisio Group's American cooperation partner McNeil Consumer Healthcare announces it is to introduce two spreads of the same type as Benecol margarine in the United States in January 1999, and a series of Benecol salad dressings a little later. McNeil further announces it will enter the European market in the first six months of 1999.

October 22
Melia Ltd and Foodie Oy donate a truckload of food to Murmansk, Russia, via the Finnish Red Cross.

October 30
McNeil Consumer Healthcare publishes a statement on the negotiations concerning the classification of Benecol products and package markings between the US Food and Drug Administration (FDA) and McNeil.

November 5
Raisio's Agricultural Group announces it will organize some 20 'Quality Grain' training events for its contract farmers during the autumn and winter. The purpose of the system is to develop and ensure the quality, purity and ecologically sustainable production of Finnish grain.

22.10.1998

November 6
McNeil Consumer Healthcare announces it will continue to negotiate with the FDA on marketing Benecol products in the United States.

November 24
Raisio Chemicals Ltd agrees to buy the North European rosin sizing operation of Arizona Chemicals. The turnover of the product group concerned is some FIM 45 million.

December 18
Derivados del Tall Oil S.A., a joint venture between Raisio Group and the Chilean Härting S.A., announces plans to build a sterol plant and tall oil distillery in Santiago de Chile. The sterols produced by this plant will be raw material for the stanol ester used to make Benecol products. Raisio Group owns 49 per cent of the joint venture. The new sterol plant will be the biggest in the world.

December 30
Raisio Group corporatizes two starch subdivisions. The Potato Starch Subdivision is now Finnamyl Ltd and the Grain Starch Subdivision Raisio Grain Starch Ltd. Raisio Group plc owns the entire stock of both companies.

SUPERVISORY BOARD

End of term

Vesa Lammela, 57
Kiukainen
Chairman since 1998,
member since 1996 2001

Ola Rosendahl, 59
Pernaja
Vice Chairman since 1988,
member since 1987 1999

Hannu Auranen, 62
Karinainen
member since 1987 2001

Juhani Enkovaara, 53
Helsinki
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Risto Ervelä, 48
Sauvo
member since 1991 1999

Erkki Haavisto, 30
Raisio
member since 1997 2001

Matti Hakala, 59
Orimattila
member since 1987 2000

Anders af Heurlin, 47
Parainen
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up to Dec 31, 1998

Mikael Holmberg, 37
Nauvo
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Kemiö
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Valkeala
member since 1996 2001

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Pertteli
member since 1998 2000

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Tenhola
member since 1987 2000

Juhani Torkkomäki, 59
Somero
member since 1987 2000

Jukka Tuori, 50
Huittinen
member since 1998 2000

Simo Vaismaa, 56
Isokyrö
member since 1991 1999

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Chairman and member
since 1997

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Vice Chairman since 1997,
member since 1995

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Turku
member since 1996

Kaj Lönnroth, 62
Kemiö,
member since 1987

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Salo
member since 1992

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member since 1992

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member since 1991

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member since 1987

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Tor Bergman, 50
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Kari Jokinen, 50
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Kauko Mannerjärvi, 41
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Hannu Suominen, 52
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Authorized Public Accountant
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Deputy auditors

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Martti Söderström

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Lauri Jämsén

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