



RAISIO GROUP  
ANNUAL REPORT 2002

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## RAISIO GROUP

Raisio Group is a growing international industrial group whose operations are divided into three business sectors: Raisio Chemicals, Raisio Nutrition and Raisio Life Sciences.

Raisio Chemicals serves the paper industry globally, supplying it with functional paper chemicals and chemical concepts. It is one of the world's leading manufacturers of starch binders, latex binders and specialty chemicals. Raisio Nutrition comprises the Food, Animal Feeds and Malt business areas and the Grain Starch business. Well-known Raisio brand names in Finland include Elovena, Sunnuntai and Keiju. The main product of the Raisio Life Sciences business sector is the Benecol ingredient, stanol ester, which helps to reduce cholesterol.

Raisio Group employs some 2,800 people, 45 per cent of them abroad. It has production units in 29 locations in 14 countries. The Group's head office is in the town of Raisio near Turku in southwest Finland, but there are also production plants in eight locations elsewhere in Finland. The Group has sales offices all over the world.

The free shares of the parent company, Raisio Group plc, are quoted on the Helsinki Exchanges Main List under the food industry and its restricted shares on the I List. The company has almost 50,000 shareholders.

## KEY FIGURES

	2002	2001
Turnover, EURm	<b>843.1</b>	822.9
Operating profit, EURm	<b>20.6</b>	25.0
Profit before extraordinary items, EURm	<b>9.3</b>	8.3
Return on investment,%	<b>4.5</b>	5.5
Return on equity,%	<b>2.4</b>	1.8
Equity ratio,%	<b>34.4</b>	38.1
Cash flow from operations, EURm	<b>45.4</b>	36.4
Earnings per share, EUR	<b>0.03</b>	0.04
Cash flow per share, EUR	<b>0.27</b>	0.22
Equity per share, EUR	<b>1.41</b>	1.45

# Vision, strategy and values

## VISION AND BASIC TARGETS

According to its vision, Raisio Group is a major food and animal feed company operating in the Baltic region which grows also to an internationally leading life science oriented chemicals company in selected key areas.

Raisio is a reliable and preferred partner for its customers and other stakeholders, employing the best people in the business. Raisio products, which are mostly based on renewable natural resources, are competitive, innovative and safe.

In all its main business areas, Raisio Chemicals, Raisio Nutrition and Raisio Life Sciences aim to be among the top three companies in their selected market areas.

The Group strategy was outlined in autumn 2001. In future years, strong growth and improved profitability will be sought by developing business via investment and acquisitions in all three sectors. Global political and economic uncertainty and the unsure outlook for the paper industry will restrict the growth that was anticipated and hamper accurate definition of long-term growth targets. The time span scheduled for achieving the growth targets will therefore probably have to be extended, though the profitability and equity ratio targets will not change.

As part of the Group's realization of its vision and strategies, a debate on values started in autumn 2001 with the purpose of establishing and formulating Raisio's core values. In May 2002, based on a value survey among the personnel, as well as the vision and strategic goals, the basic Group targets were defined as profitability and customer satisfaction. The values that help achieve these are openmindedness, responsibility, expertise and enjoyment in working together.

## PROFITABILITY

Profitability is the main precondition for successful operations and the starting premise for all development. We work for profitable growth in accordance with our vision and strategy. This target can be reached if everyone strives to do the utmost in everything they undertake. Continuous improvement is the main guideline of our operations.

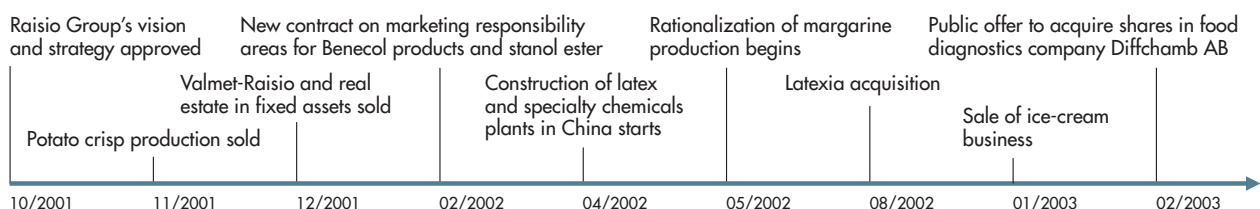
The main target in improving profitability is to get better results, which in turn enables profitable investments. Future profit-making ability has been created through various rationalization projects. Balance sheet pruning started with the sale of operations such as potato crisp production, the associated company Valmet-Raisio and the ice-cream business, and some real estate. Efficiency will also be improved by concentrating margarine production in Finland and Poland. Raisio Chemicals operations have been rationalized in Germany and North and South America, and a factory has been closed in Sweden. The Group administration has also been streamlined. Projects designed to reduce working capital are also in progress.

The strategy is based on strong growth led by Raisio Chemicals. Strategic partners and acquisitions will be sought to support organic growth. The first major company acquisition was completed in July 2002, when the remaining 50 per cent of the joint venture Latexia S.A.'s shares were transferred to Raisio Chemicals ownership. Investments in the rapidly growing Chinese markets in the Shanghai economic area proceeded according to plan. In the autumn, work started on a new latex plant in Zhenjiang and a specialty chemicals plant in the Suzhou area. The specialty chemicals plant is expected to be completed by the middle of 2003 and the latex plant by the end of the year.

## CUSTOMER SATISFACTION

Customers satisfaction is the basic premise for our operations. The aim is to satisfy customers' present and future needs. We want to help customers to succeed by working with them as a reliable and preferred partner. In doing so, we are also promoting our own business. The satisfaction of both external and internal customers derives from qualities such as innovative products and services, high-quality and safety, and smooth cooperation.

Raisio Group's business areas all have very different customer groups, ranging from private consumers to business-to-business clients. All the business areas have been organized from a customer-oriented viewpoint, and we cooperate closely with customers, for example in product development.





## VALUES

### ■ Openmindedness

Openmindedness refers to continuous interaction and an enthusiastic approach to new things and ways of working, with the ability to accept differences. We do not hesitate to raise difficult matters and discuss them in a constructive spirit.

### ■ Responsibility

Responsibility means keeping your promises and committing to commonly agreed goals and targets. It also means consideration for the surrounding community and environmental matters and stepping in when things are moving in the wrong direction.

### ■ Expertise

We enhance our personal skills to meet the challenges of the present and future. We share personal know-how and try to learn from others, and help colleagues and subordinates to develop, too.

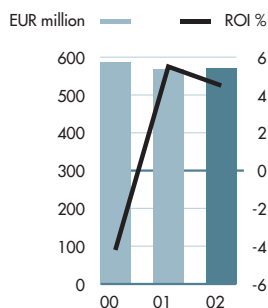
### ■ Enjoyment in working together

Enjoyment in working together arises from motivating work and a correctly dimensioned workload, and opportunities to influence one's own work and working conditions. This is supported by appreciation for one's own and others' work, respect for the individual, and fairness. Enjoyment in working together means acting as one and helping our colleagues to succeed.

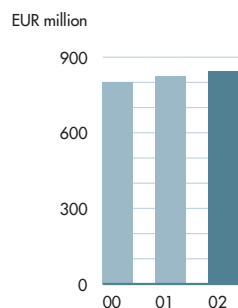
### Group targets

- strong growth
- return on investment 12%
- equity ratio over 30%

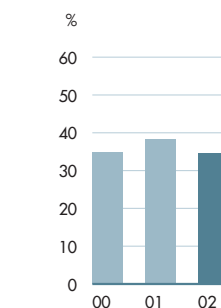
INVESTED CAPITAL ON AVERAGE AND RETURN ON INVESTMENT



TURNOVER



EQUITY RATIO



# Chief executive's review

During 2002, my first full year as Raisio Chief Executive, a number of steps forward were made in many areas. Yet the market situation continued to be difficult, especially in the chemical sector. This hampered strategic progress and dampened the growth and profitability below our expectations. Thus 2002, the year we thought would be a turning point for us, showed little progress on the previous year measured by several indicators.

We moved forward in all three business sectors according to the strategy we published in autumn 2001. Raisio Chemicals completed the biggest company acquisition in its history when Latexia was fully transferred into Raisio ownership. The deal made Raisio Chemicals the world's third-largest manufacturer of latex binders used in the paper industry. Ongoing investments to build latex and specialty chemical factories in China will further increase Raisio Chemicals' international value.

The main challenge for Raisio Nutrition was to improve conditions enabling profitable operations. Streamlining of the margarine business reached the implementation stage. In the Food business area, marketing was revamped using the "Good food comes from the neighbourhood" theme, and the brand range was clarified. Selling the ice-cream business was one step towards streamlining the product range. Favourable development continued in the Animal Feeds and Malt business areas measured by both profitability and quality. For example in the 2002 customer satisfaction surveys, our feed customers judged the quality of the operations to be high in all areas.

Raisio Life Sciences managed to bring the Benecol business operating result out of the red for the first time in Benecol's history. Growth, too, was promising. In co-operation with Raisio Nutrition the product range was expanded to include grain-based products in early 2003. In addition to Benecol pasta other grain products containing stanol ester will be developed. New products as well as new customers and market areas build a solid platform for the coming years.

Some painful decisions also proved necessary in order to improve profitability. To safeguard the operating conditions of the margarine business, production in Sweden was moved to Finland and Poland, which inevitably led to job losses in Sweden. Deci-

sions designed to increase effectiveness in the Group administration affected personnel in Finland, too. Because of the difficult market situation, Raisio Chemicals made cost cuts in its operations in various parts of Europe and North and South America. These measures were necessary if Raisio was to go on operating according to its basic targets: to serve satisfied customers, profitably.

Last year was a lesson to the entire organization, and I believe that the problem areas have been identified. Many corrective measures are already under way. It is time to look forward and ensure the good development for this year and the future.

Our greatest challenges for 2003 lie in getting Raisio Chemicals back onto a growth track. To sustain the competitive edge and ensure the future growth, R&D projects that are carried out jointly with our customers and other partners are one of the key focus areas. Building a pilot printing plant, the so called Future Printing Center, strengthens the existing paper technology skill center in Raisio further. In addition to growth, Raisio Chemicals profitability improvement will be ensured by continuing the restructuring measures.

Raisio Nutrition will complete its current rationalization measures and continue to plan its Baltic strategy. Seeking new, fast growing product segments enables us to grow faster than the market in both food and feed businesses.

In January 2003, the EU Commission began talks on overhauling the farm subsidy system. Some threats are visible from Finland's perspective, since there are plans to introduce a system in which the subsidy would not be linked to production. It is important for Raisio to retain farm production in Finland. We believe that Finns will continue to want to buy Finnish food and animal feeds, knowing exactly where they are coming from and consequently that they are safe and healthy.

Raisio Life Sciences is growing steadily, but we plan to boost growth further by acquiring new ingredients customers and a diagnostics company. The public offer to acquire all shares in the Swedish company Diffchamb is the first step for us towards the interesting food diagnostics market. Diffchamb is an inter-





national biotechnology company, that is specialised in rapid and efficient analysis products for the food industry. The successful closing of this acquisition provides Raisio Life Sciences an excellent platform to build a strong global food and feed diagnostics business.

On top of the financial targets it is valuable to evaluate our other targets and politics. We have expanded our environmental policy to clearly cover also health and safety matters. One of the EHS objectives is to develop and manufacture safe, healthy and environmentally friendly products favouring renewable natural resources and using non-renewable resources prudently. Promotion of open debate and interaction on environmental, health and safety matters between our customers, authorities, stakeholders and personnel is our target as well.

I would like to take this opportunity to thank the entire personnel for their work and I hope the spirit of cooperation will also continue to thrive in 2003. The common value base agreed on last year offers a good foundation as we develop the company further.

In a difficult market situation, good customer relationships are vital to us, and satisfied customers are the best proof of our success. Close cooperation with our stakeholders will enable Raisio Group to grow and achieve even better results in 2003.

*Rabbe Klemets*

# Research and development

- Raisio Group's strategy and vision provide the guidelines for its R&D.
- Total investment in R&D in 2002 came to EUR 20.3 (18.3) million, or 2.4 (2.2) per cent of turnover. Raisio Chemicals used EUR 14.0 (11.7) million of this amount. Raisio Chemicals also received technology income from sale of research, analysis and test-run services to customer industries. Raisio Nutrition accounted for EUR 4.3 (4.2) million of total R&D costs and Raisio Life Sciences for EUR 2.0 (2.3) million.
- An average of 200 people worked on R&D during the year.

## RESEARCH CENTRES AND EQUIPMENT

The Raisio Group's three business sectors have their own research and development organizations. Additionally, the Executive Vice President of the Business Development coordinates research and development at Group level.

Group R&D is concentrated at the industrial estate in Raisio, which is also home to the Coating Technology Center CTC, the Paper Technology Center PTC, and the Raisio Chemicals, Raisio Life Sciences and Raisio Nutrition R&D laboratories. On the same site is being built the Future Printing Center, to be completed in 2003. These three business sectors also have R&D units at other industrial locations in Finland and abroad. With the Latexia acquisition, Raisio Chemicals also acquired a research centre in Aubervilliers, France.

## MAJOR R&D PROJECTS IN 2002

Many important R&D projects were started in 2002, four of which are outlined below.

### ■ Research project on modified starches

One of Raisio Chemicals' key development projects in 2002 was the development of a new series of binders for the surface treatment of paper and board. This work relies on Raisio expertise in surface sizing and coating, as well as recognition of customer needs.

Surface adhesives improve paper and board quality substantially in printing and end use. Considerable amounts of water must be added to the surface size when it is being applied to the dried paper web in the surface sizing process. Water reduces runnability and must be removed by evaporation before the product is ready. Evaporation consumes energy and limits production capacity.

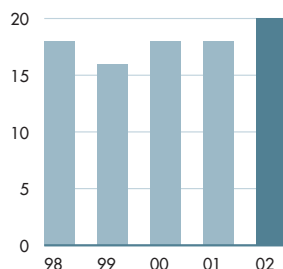
With the new products, the amount of water used with the binder can be dramatically reduced, resulting in energy savings and higher production capacities on paper and board machines.

Printing properties, too, can be regulated better, because the binders are applied more evenly to the paper surface. Savings can also be made in equipment investments for new paper and board machines, because there is less need for drying capacity.

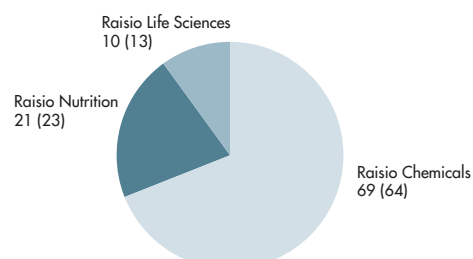
The development project began in 2000. During 2002, a pilot test phase took place at the Coating Technology Center, followed by test runs at paper mills. The tests have shown that Raisio Chemicals products are of high quality and that advantages can be achieved. Raisio has been cooperating with the equipment manufacturer Metso Corporation.

Raisio Chemicals has obtained several patents or has patents pending on the manufacture and use of binders. The products are already in production. As a result of R&D, new markets will probably be created for high-quality binders.

R&D EXPENDITURE  
EUR million



R&D EXPENDITURE BY  
BUSINESS SECTOR IN 2002 (2001)  
% of total expenditure





### ■ Beneviva products

Consumer trends have strengthened the position of vegetable-based foods in recent years, for example as a result of an increase in special diets. Raisio Nutrition's food business has responded to consumer wishes by developing vegetable-based, cholesterol-free and milk-free Beneviva products. The product range includes fermented soy products, an oat drink, a milk-free vegetable fat mixture used like cooking cream, oat vanilla sauce, soft soy spreads, and oat-based ice-creams.

Carlshamn Mejeri, which is part of Raisio Nutrition, developed the first soy-based milk products back in the 1980s. Demand was not as high as it is today, but as a major ice-cream producer Carlshamn Mejeri wanted to offer an alternative for people with lactose intolerance. Along the years Raisio has acquired such high expertise that the company is an expert in vegetable-based dairy products globally, too.

### ■ Vita-Melli vitamin feed

Raisio Feed began to develop a health promoting feeding programme for calving cows in 2001. Research information had been acquired on the subject globally over several years, for example on problems with calving cows and typical metabolic disturbances and any links with nutrition. The role of nutrition in health was considered from many angles when a comprehensive handbook was compiled on the problems, the symptoms and causes, and nutritional solutions.

The idea of vitamin feed Vita-Melli came about when research showed that a calving cow needs its own 'starter package'. This can help increase the cow's resistance to diseases, reduce the risk of inflammation, improve liver functions, prevent ketosis and hoof problems, and improve fertility. No similar product existed on the market before Vita-Melli.

Before the feeding experiments began, the composition and recommendation for use were fine-tuned many times. Field experiments started in winter 2001 and, as they proved successful, Vita-Melli was put onto the market in autumn 2002. The Vita-Melli vitamin package for calving cows supplements the Melli product range already on the market.

### ■ Stanol ester research

The fatty acids of the stanol ester foods made by Raisio Life Sciences originate from low erucic acid rape seed oil. The technological properties of the current stanol ester are versatile and it is well suited for the manufacture of not only margarines but also different dairy and grain products, such as pasta. Manufacture and use are, however, limited to product applications in which atypical physical properties are required of the stanol ester ingredient. This is why the idea arose of developing new types of stanol esters with different melting properties alongside the original product. These products made it possible to cover the entire range of end products demanded by customers.

There are now two new types of stanol ester, protected by patents. A stanol ester which is in liquid form at room temperature is extremely well suited to bottled oils and salad dressing products, for example. Another new stanol ester type has a higher melting point, which gives the end product a structure similar to traditional vegetable hard fat. Stanol ester can thus replace an increasing amount of unhealthy saturated fat. The development project also resulted in a handy powder-form stanol ester.

As the market for cholesterol-lowering foods is expanding, these two new types of stanol ester have great potential for success. Currently it looks likely that the new stanol esters will be introduced commercially during 2004.

# Environment, Health and Safety

- Raisio Group has expanded its environmental policy to cover health and safety matters. The Board of Directors approved the new EHS policy on December 19, 2002. The environmental reporting was also decided to expand EHS reporting.
- Environmental objectives at Group level have been updated and are now presented as EHS objectives. Individual business sectors and business areas will set out their own EHS targets as part of their managements systems in line with Group policy and objectives.
- Reporting on environmental, health and safety issues and social matters is an essential part of the work to develop social responsibility reporting launched by Raisio Group last autumn. The plan is to publish the first group level social responsibility report in 2006.
- The EHS report of Raisio Group will be available on the Internet at [www.raisiogroup.com](http://www.raisiogroup.com). Raisio Chemicals will also publish its own EHS report.

## RAISIO GROUP EHS POLICY

Raisio Group is a growing international industrial group. It develops, produces and markets paper chemicals, foods and functional food ingredients, animal feeds and malts. We are expanding our product range by putting competitive, innovative and safe products onto the market.

We want to be a reliable and preferred partner for our customers and other stakeholders, taking full responsibility for our actions in society and in the use of natural resources. We use renewable natural resources as raw material whenever possible.

Our aim is to be a successful company at the forefront of our sector and to be known for our first-class environmental and quality work. To achieve our objectives, our business sectors define annual targets for environmental, health and safety issues and monitor their fulfilment.

We comply with all local, national and international laws and regulations that concern our operations. We are committed to the principles of sustainable development laid down by the International Chamber of Commerce. Moreover, Raisio Chemicals is committed to the international Responsible Care programme.

By acting safely and investing in better safety we promote the quality and economy of our operations. We are constantly improving the environmental friendliness and safety of our operating processes, utilizing the know-how of our international

resources and partners. Environmental, health and safety issues are part of our management policy.

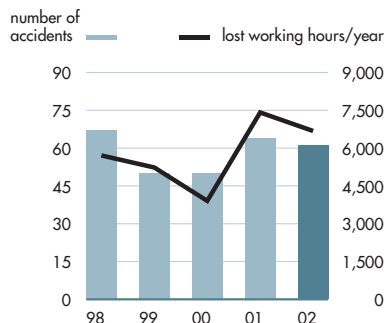
Raisio personnel receive regular training in environmental, health and safety matters and apply the principles involved in their daily work. We provide our various stakeholders with open and honest information about our operations.

## RAISIO GROUP EHS OBJECTIVES

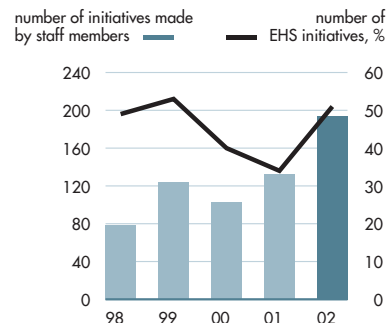
Both the environment and society at large are prime considerations for Raisio Group in everything it does. At Group level, the focus is on the following environmental, health and safety objectives:

- Development and manufacture of safe, healthy and environmentally friendly products favouring renewable natural resources and using non-renewable resources prudently.
- Prevention of operational hazards and accident risks and their consequences.
- Reductions in the amount and harmfulness of emissions and discharges, and an increase in waste and side products recovery.
- Promotion of open debate and interaction on environmental, health and safety matters between our customers, authorities, stakeholders and personnel.

### WORK ACCIDENTS



### INITIATIVES





## SOCIAL RESPONSIBILITY

Social responsibility comprises economic and environmental responsibility, and consideration for social matters. By acting in a responsible way and by ensuring the high quality of its operations, Raisio Group can safeguard long-term profitability and provide its owners, customers and other stakeholders with added value. We have undertaken to observe the Business Charter for Sustainable Development of the International Chamber of Commerce (ICC). Raisio Chemicals has also joined the chemical industry's international Responsible Care programme.

Reporting on environmental, health and safety issues and matters of social concern is an essential part of the work to develop social responsibility reporting launched by Raisio Group in autumn 2002, and the strategy and values already adopted by the Group provide a sound basis for this work. We aim gradually to incorporate matters pertaining to social responsibility into our annual reports as we make progress in putting them into practice.

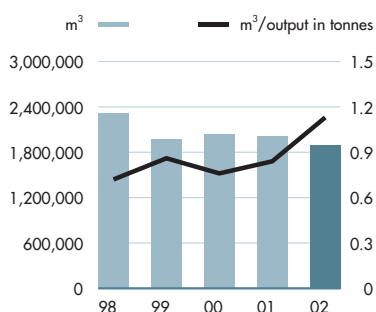
## COOPERATION AT LOCAL LEVEL AND SUPPORT FOR NON-PROFIT ACTIVITIES

The units of Raisio Group and their staff members already contribute significantly to the development of different communities. Cooperation with local cultural, youth and sports organizations has been going on for many years and has become an established part of cooperation between Raisio Group and its stakeholders. One example is the high-quality Naantali Music Festival, which Raisio Group has been supporting for many years. We have also done cooperation for several years with the Tahvio primary school close to our head office and plants in Raisio.

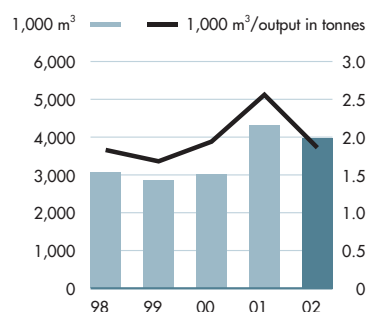
During 2002, Raisio Group took part in a UNICEF international girls' education campaign, and supported the children's clinic of the Turku University Hospital.

Raisio Group cooperates closely with local and international scientific communities in research and development. The Group also has its own research foundation which enables development of methods for cultivating oil plants, grain and potato, and supports scientific research aimed at improving the quality of foods, animal feeds and chemical industry products and the development of new production methods.

### WASTEWATER



### CONSUMPTION OF WATER





## EHS REPORTING

### Scope of the reporting

Raisio Group EHS reporting is limited to the environmental, health and safety aspects of the Group's own business operations. Emissions caused by the generation of bought-in energy are not included.

The reporting covers associated companies and subsidiaries with production in which Raisio Group had a stake of more than 50% during the year in review. Of the Latexia S.A. production sites, Latexia Suomi Oy, Latexia SB Oy, Latexia Sverige Ab and Latexia Österreich GmbH are included. However, the reporting does not yet cover PT Latexia Indonesia, Latexia France SAS, Latexia Iberia S.L., or Latexia Brasil Ltda., which were all incorporated into Raisio Chemicals as of August 1, 2002.

### Compliance with environmental law, and environmental damage

Application for new environmental permits for the Raisio Group production plants will take place mainly in 2003. Oil Milling business has already applied for an environmental permit, and the process concerning the maximum discharge allowed under the permit conditions is still pending. Raisio Group is not involved in any legal proceedings concerning environmental matters.

In September 2002, there was an explosion in the acrylonitrile tank at the Latexia SB plant in Kaipiainen, which belongs to Raisio Chemicals. The blast did not cause any injuries or chemical leaks to the soil or groundwater, however.

### Environmental and safety investments

Raisio Group spent a total of about EUR 6.8 million (EUR 2.6 million) on environment and safety in 2002. The most important investments were a new starch production facility in Lapua, which will reduce the nutrient content of wastewater generated by the process, and a new office building in Kaipiainen, which was constructed to eliminate a mould problem.

Operating expenses related to waste treatment, conservation of water resources, prevention of air pollution, and work safety totalled around EUR 4.5 million (EUR 4.2 million).

## Significant environmental aspects and indicators

The operations of Raisio Group generate only small amounts of environmental pollution at local level. The most important eco-efficiency indicators are energy consumption and generation of waste.

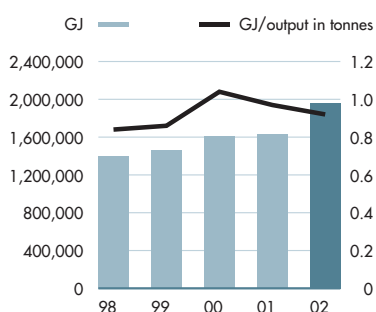
Raisio Group processes make use of electricity and heat energy, and the Group purchases all its electricity and most of its heat energy from outside suppliers. The Group has facilities for treating wastewater, another important form of process waste, but also uses water treatment plants belonging to its partners. It is impossible, indeed impractical, to calculate or estimate the water pollution caused by outside suppliers. Thus, the volume of wastewater alone is used as an indicator.

No continuous quantitative measurements are made of noise, odorous or dust emissions, so no continuous indicator data is available. Sustained action during investments and repairs helps to reduce environmental hazards. Only few complaints are received on problems arising from noise, odours and dust.

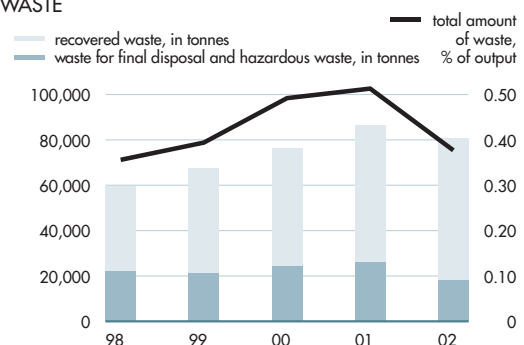
The frequency of work accidents is used as the safety indicator. The figure includes accidents resulting in sick leave exceeding three days but not injuries, deaths or invalidity incurred between home and workplace.



USE OF HEAT



WASTE



## BUSINESS SECTORS' EHS SUMMARIES

### Raisio Chemicals

Raisio Chemicals quality and environmental management systems are based on ISO 9001 and ISO 14001 standards and specific customer requirements. The aim is to ensure continuous operational improvements and to achieve maximum harmonization of operating approaches at different units. Developing its quality and environmental management systems is one of the most important challenges facing Raisio Chemicals. The business sector is planning to introduce quality management systems complying with the ISO 9001:2000 standard by the end of 2003, and at the same time to adopt an operating approach in line with process thinking.

Raisio Chemicals has the following EHS targets: zero level of accidents, prevention of accidents by learning from near misses, and keeping the amount of waste for final disposal at 0,5 per cent of the production.

During 2001 Raisio Chemicals started to develop a process for identifying some of the most important environmental aspects at its Finnish plants. The survey covering the business group's production and other operations in Finland was completed in 2002, and Raisio Chemicals now plans to extend the survey to its organization outside Finland.

Environmental friendliness is the prime concern of Raisio Chemicals product development. Whenever possible, preference is given to renewable and environmentally sound raw materials and processes.

During the year under review, Raisio Chemicals took part in the Safety 24h project initiated within the chemical and associated industries in Finland and implemented it in its organization worldwide. The aim of the project was to develop procedures to ensure that all the necessary lessons can be learned from near miss situations, to bring about a change in attitudes and to create a more positive atmosphere towards safety matters at workplaces.

In March 2002, the BioSafe lubricants were granted the permission to use the Nordic environmental label (known as the 'Swan label'). BioSafe products, which are based on vegetable oils, are the first lubricants to be granted the label.

The AKD wax plant in Toulouse, France, was restarted after the French authorities granted a permit for the plant to continue operations in July 2002. The plant had suspended production after an explosion at a nearby fertilizer plant in September 2001. The pressure wave resulting from the blast caused some damage at the Raisio France plant.

### Raisio Nutrition

The various business areas in the Raisio Nutrition business sector will set their own annual EHS targets, and monitor their implementation using environmental management systems.

The environmental impacts of the Food business area are caused largely by the use of energy in processes and transportation, but also in the form of packaging and other waste. The way waste-

water is treated is another important factor in the Malt business area, Potato Processing, Margarine and Grain Starch businesses.

In the Animal Feeds business area, the most important environmental aspect is the nutrition loading caused by cattle manure. Ensuring the right amounts of nutrient in feeds helps to reduce discharges per product kilogramme. The impact is greatest in fish feeds.

In purchases of the most important raw materials, grain and oil plants, the most important environmental considerations have to do with primary production and transportation. Advisory services and contract farming are used to promote best practices, and environmental impacts are considered at every stage of the raw material chain.

In 2002, Raisio Nutrition continued to participate in the extensive Foodchain research project coordinated by the Technical Research Centre of Finland (VTT) and MTT Agrifood Research Finland. The project studies the effects of different variables on the environmental impacts affecting food production during its life-cycle. Raisio is involved in all three project sections, and the final project report is due in early 2003. The results will help all parties to pay more attention to the environmental impacts of the food production chain and to create product-specific environmental profiles.

In addition to environmental, health and safety issues, product safety is another important quality factor at Raisio Nutrition. The Group was not affected by the recurrent food and animal feed scandals plaguing Europe. Additional resources were devoted to raw material and process control, and new methods were developed to monitor the traceability of products and raw materials. Raisio Nutrition gives preference to domestic raw materials, which creates a solid basis for the business sector's safety and environmental record.

### Raisio Life Sciences

Raisio Benecol, part of the Raisio Life Sciences business sector, built its quality management system in compliance with ISO 9001:2000. The system is due to be certified in early 2003.

In accordance with the EHS policy approved by the Raisio Group Board of Directors, Raisio Life Sciences is committed to using environmental, health and safety considerations as the basis for its product and process development. As before, the key targets are to make the use of raw materials more efficient and to reduce the amount of waste.

The 2002 theme in Finland was the reduction of wastewater pollution. In the field of safety, the aim was to achieve a zero accident level and to implement a project on the prevention of accidents caused by hot water. A more efficient filter was installed to make the production process more environmentally friendly.

At the Summerville plant, located in the US state of South Carolina, the focus was on HAZWOPPER update training (Hazardous waste operations and emergency response) and the introduction of BAF (Bubble Accelerated Flotation system), the aim of which is to put wastewater treatment on a more efficient basis.

# Human resources

- A skilled staff is the key to implementing the Raisio Group's vision and strategic goals.
- Key areas in human resources management in 2002 were the Group's value process, launch of the 'Leading Raisio' management training, and preparation of plans for enhancing staff well-being and equality.
- The personnel averaged 2,654 (2,684) in 2002, with 43 (42) per cent working abroad.

## NUMBER OF PERSONNEL

In 2002 the number of personnel was increased by the fact that Latexia was transferred entirely to Raisio Group ownership. On the other hand, it was decreased due to the rationalisation of the margarine production, the Raisio Chemicals latex site in Sweden was shut down and operations were streamlined in North and South America and Germany. A development project was launched in the Group administration as part of a corporate streamlining operation and drive to boost profitability. During 2003 the number of jobs in the Group functions will be cut by 26.

## PERSONNEL MANAGEMENT AND STRATEGY

Group and business sector personnel managers and other leaders from personnel administration form a Human Resources Steering Group, which coordinates the different aspects of human resources issues in the Group and is also responsible for personnel strategy development and formulation of common operating practices.

Group strategy requires strong growth and expansion into new business areas. The personnel strategy supports and promotes the realization of growth targets by ensuring that employee knowledge and skills are improved and that sufficient personnel resources are available. Personnel issues play a key role in company acquisition and divestment processes.

## COMPETENCE DEVELOPMENT

'Leading Raisio' management training was started in the autumn in cooperation with a university partner. The objectives are bringing the vision, values and strategy to a practical level, increasing business competence and improving personal skills, internal networking and supervisor practices. The target is to train some 20 supervisors and experts annually.

In addition, Raisio Chemicals continued to offer technical experts its Product Training programme and middle management its Tattoo Management Training programme.

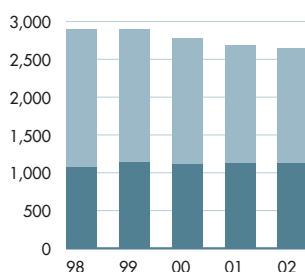
An apprenticeship training programme was launched in Raisio Nutrition's margarine business. The target is to train new employees as food professionals side by side with their day-to-day work.

The 'Learning Raisio' programme continued in the Group's Malt and Animal Feed business areas and in the Life Sciences business sector. The objective is to create the resources needed to respond to the challenges of keener competition and to changes in the business environment.

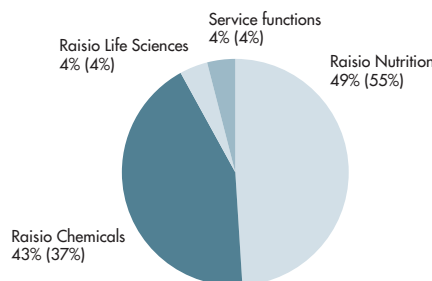
The performance appraisal model was assessed during the year on the basis of experiences gained. Regular use of performance appraisals in all personnel groups was promoted by allowing group appraisals, for example.

## PERSONNEL

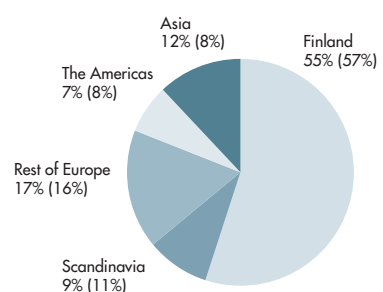
average  
■ in Finland  
■ abroad



by business sector  
 Dec 31, 2002 (2001)



by geographical region  
 Dec 31, 2002 (2001)







**PROMOTION OF WELL-BEING AT WORK**

Promotion of well-being at work has long traditions in Raisio Group. In 2002 the targets were defined more accurately to activate people even more. Long-term targets help to improve work motivation, utilize internal expertise systematically, reduce the number of days off work due to illness and prevent premature retirement.

Representatives of the personnel administration and personnel groups have drawn up an HR equality policy for Raisio Group's Finnish units. The current state of equality was assessed with a survey carried out among the personnel. The policy details the methods used to prevent sexual discrimination, to improve equality between men and women, to help create a healthy balance between work and family commitments, and to prevent sexual harassment. The plan's success will be monitored annually.

**INCENTIVE SCHEMES**

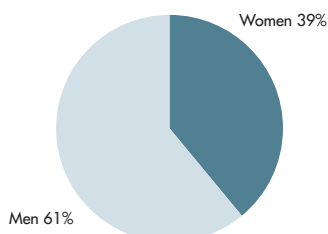
The Raisio Group's pay and incentive schemes were further improved during 2002. The bonus system for Raisio Group's personnel in Finland maintains and develops good long-term cooperation among the entire personnel and rewards solid performance. The potential for adopting a similar system at the units abroad will be investigated.

**2003 CHALLENGES**

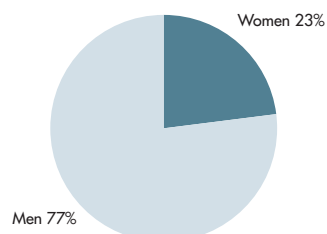
The preconditions for Raisio Group's growth strategy include successful integration processes, which means that any related expertise must be developed systematically. The strategy also requires common targets to be internalized and business units to cooperate with each other closely.

The age structure at Raisio Group poses management challenges and requires timely recruiting to transfer expertise to a new generation of employees.

**GENDER BRAKDOWN**  
Raisio Group's Finnish units  
Dec 31, 2002



**GENDER BREAKDOWN IN SUPERVISORY DUTIES**  
Raisio Group's Finnish units  
Dec 31, 2002



# Review of business areas

# Raisio Group business sectors

**Raisio Group comprises three business sectors: Raisio Chemicals, Raisio Nutrition and Raisio Life Sciences.**

**Raisio Chemicals** serves the paper industry globally, supplying it with functional paper chemicals and chemical concepts. Raisio Chemicals focuses especially on functional paper chemicals that improve paper and board quality and properties. The product range includes starch binders, latex binders used for paper coating, and specialty chemicals, such as de-inking chemicals, hydrophobic sizes and specialty polymers.

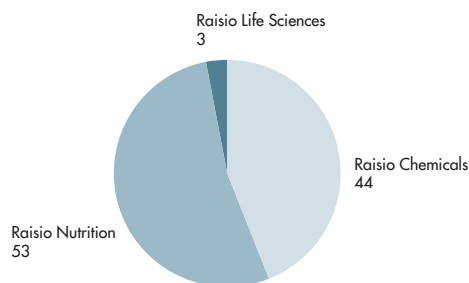
**Raisio Nutrition** comprises the Food, Animal Feeds and Malt business areas and the Grain Starch business. The business sector produces and markets:

- grain and vegetable oil based foods and potato products
- highly processed animal feed mixes for farm animals and special feeds for fish and fur animals

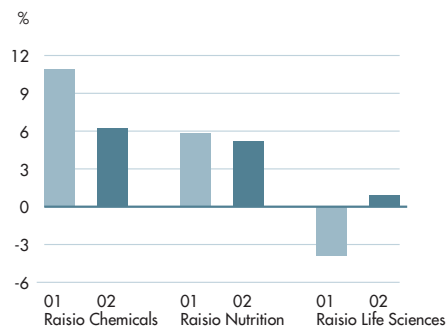
- brewing malts for the domestic and export market
- wheat starch for further processing in the paper industry and wheat gluten and syrup for the food industry, and wheat fractions for raw material in the animal feed industry.

The main product of the **Raisio Life Sciences** business sector is the Benecol ingredient, that is, stanol ester, which helps reduce cholesterol. Stanol ester is used in a number of products, such as margarines, yoghurts, milk, snack bars and ready foods. Products containing stanol ester are sold in nearly 20 countries.

**TURNOVER BY BUSINESS SECTOR**  
% of Group turnover



**RETURN ON INVESTMENT**  
(according to management accounting)



# Raisio Chemicals

- Raisio Chemicals' mission is to serve the paper industry globally, supplying it with functional paper chemicals, chemical concepts and R&D targeted at the customer interface.
- Its continued aim is to build on relations with key customers and strengthen the market position.
- Turnover came to EUR 370.1 million in 2002 (EUR 354.6 million in 2001) and operating profit to EUR 10.7 (19.3) million.
- Invested capital stood at EUR 240.7 (177.3) million and return on investment (ROI) at 6.2 (10.9) per cent.

## MARKET SITUATION

The poor market situation that began to emerge in 2001 in the global paper industry continued in 2002. Demand was particularly depressed in Europe, Raisio Chemicals' main market area. Business was picking up a little in North America towards the end of the year. Developments continued to be encouraging on the Chinese market, and during the year Raisio's customers embarked on many significant investments to increase paper and board production.

Profit margins for paper chemicals were cut as a result of intense price and market share competition and higher raw material costs. The concentration trend in the paper industry is continuing, while the process is only just beginning among paper chemicals suppliers.

## KEY CUSTOMER MANAGEMENT AND NEW ORGANIZATION

The purpose of Raisio Chemicals' key customer management is to serve the increasingly global paper industry still more efficiently and to achieve better coverage in products, services and product development. Key customer management concentrates on understanding the needs of the paper industry and individual customers by creating ever more efficient routes for developing and expanding technological innovation.

To serve its global customers more effectively, Raisio Chemicals restructured its organization in the summer of 2002 in connection with the purchase of the joint venture Latexia S.A. On July 31, Raisio Chemicals bought the remaining 50 per cent of the joint venture Latexia and paper latex production plants directly owned by Rhodia in France, Spain, Indonesia and Brazil.

The geographically based organization was abandoned for a business-area-based system. In the new model, Raisio Chemicals has organized its operations on the basis of business areas responsible for production, product development and innovation processes. These areas are: starch binders, latex binders and specialty chemicals. The aim is to develop operations and safeguard competitiveness. The business areas cooperate in R&D matters.

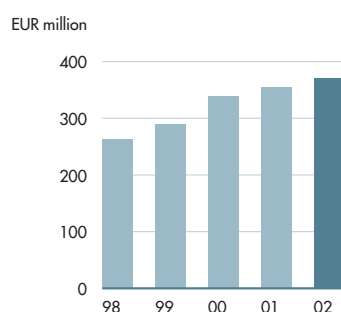
A sales organization was formed alongside the business areas to handle global customer relations and sales. This function is always set up near the customer in order to understand the customer needs and operations as fully as possible. The aim is to form a close partnership in which the customer and Raisio Chemicals cooperate closely in R&D matters.

## STARCH BINDERS

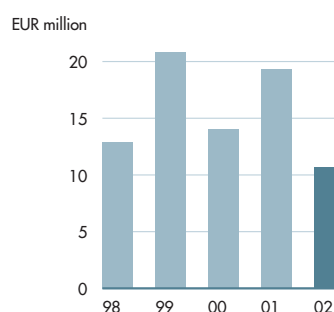
Starch binders are used in papermaking to improve the internal strength, surface strength and printability of paper and board. Lower demand was reflected in the market in the form of keener competition for market shares, and product prices fell in all market areas. During 2002, Emsland-Raisio Chemie GmbH was closed down in Europe, resulting in much lower trade of starch from Raisio Chemicals in Central Europe.

The potato starch production quotas set by the EU were fixed at the same level for the next three years despite Finland's attempts to be allowed to produce more, which would correspond better to the country's needs. Production was adjusted to conform with the quota by continuing to replace significant amounts of imported potato starch with alternative starch raw materials, such as barley and tapioca.

### TURNOVER



### OPERATING RESULT





R&D concentrated on the development of coating and surface sizing concepts. Surface sizing with a high solids content increases cost-effectiveness significantly in customer industries.

**LATEX BINDERS**

Latex binders are used in paper and board coating to improve paper appearance, print quality and readability. In the summer of 2002 Raisio Chemicals increased its holding in the joint venture Latexia S.A. from 50 to 100 per cent. The joint venture had been founded with the French company Rhodia in 2000.

Latexes are used mostly in paper industry binders, and about 90 per cent of Latexia sales go to that sector. The raw materials for latexes are petrochemicals such as styrene, butadiene and acrylates. Rising oil prices in the global market increased the prices of petrochemical raw materials substantially in 2002.

Latexia's production plants in Europe are ideally located near its key customers and paper production areas. Latexia also operates in Indonesia and Brazil, and a modern latex factory

will be completed by the end of 2003 in China, in Zhenjiang on the Yangtze river. The company has been building up a strong market position in China for a few years now by selling latex binders from Indonesia.

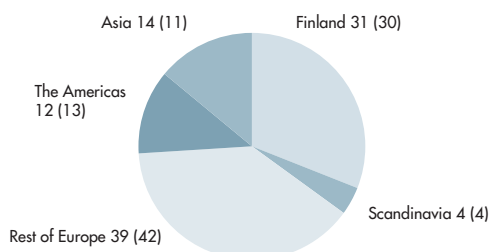
R&D projects aim at improving the printability and appearance of papers and the runnability of paper and board machines. Competitiveness is also maintained in the textile and non-woven fabric sector. Raisio Chemicals research centres play a key role in research and development on latex binders, currently focusing on paper coating concepts but in the near future also studying paper printing.

**SPECIALTY CHEMICALS**

Specialty chemicals comprise hydrophobic sizes, de-inking chemicals, Raifix and Raisabond polymers and coating additives.

Sales of specialty chemicals remained at the previous year's level in Europe and America. The fact that demand was no longer

TURNOVER BY GEOGRAPHICAL AREA  
% of Raisio Chemicals turnover 2002 (2001)





rising, however, resulted in tougher competition in all product sectors. Sales of specialty chemicals on growing Asian markets rose, thanks to higher sales of polymers. The founding of the joint venture Raisio Chemicals Tianma, which produces hydrophobic sizes in China, increased sales of specialty chemicals. The joint venture will also begin to produce other specialty chemicals for China's fast-expanding markets at a new plant which will be completed in the summer of 2003. Sales of new polymers that improve paper strength and printability developed as expected, and more will be invested in utilizing this product concept globally.

The plant at Trois-Rivières in Canada was sold to SNF Floerger S.A. as Raisio Chemicals concentrates on functional paper chemicals. The AKD wax plant in Toulouse, France, was damaged by an explosion at a nearby fertilizer plant in autumn 2001, and consequently all the plants in the industrial area lost their licences. The AKD wax plant was finally allowed to re-open in July 2002, and production gradually returned to normal by the end of the year.

**RESEARCH AND DEVELOPMENT**

Most R&D projects are carried out jointly with key customers and other paper and board industry partners. One such example is the Future Printing Center that Raisio Chemicals and the Finnish printing house Hansaprint Oy are to build, to connect with the Coating Technology Center in Raisio. The Raisio skill center will form a unique test and development centre for the printing industry, covering every stage of paper manufacture from base paper to the printed and finished product. The project will enable even broader cooperation in paper chemical development with Raisio Chemicals' customers.

Research and development take place at three units in Raisio. Moreover, specialty chemicals R&D is done in Blackburn, UK, in Burlington, Canada, and in Cheonan, South Korea. The Raisio R&D unit in Aubervilliers, France, focuses on polymer synthesis research. The unit was formerly owned by Rhodia, and it will continue to cooperate with the Rhodia research centre in the same area.

High-quality research centres, good R&D expertise and paper chemistry competence are Raisio Chemicals' strengths. Raisio Chemicals is a valued partner for key customers in confidential R&D projects that require extensive paper chemistry expertise. Raisio Chemicals favours renewable, environmentally friendly raw materials and process alternatives in its product development.

**VISION AND STRATEGY**

Raisio Chemicals forms the foundation for the Group's strong growth. Its existing paper and board chemical expertise is being applied globally, and the Group is capable of significant investments to ensure growth. Growth is sought in all three main product groups: starch binders, latex binders and specialty chemicals. From a geographical viewpoint, the best growth prospects are in Asia, particularly China.

USE OF RAISIO CHEMICALS PRODUCTS		
	BY GRADES	BY APPLICATION
<b>Starch binders</b>		
<b>Latex binders</b>		
<b>Specialty chemicals</b>		



PRODUCTS	MARKET STATUS	RESOURCES
<b>STARCH BINDERS</b> <i>Turnover EUR 106.6 million, 29% of Raisio Chemicals turnover</i>		
<ul style="list-style-type: none"> <li>■ used in paper and board production</li> <li>■ improve the internal strength, surface strength and printability of paper and board</li> <li>■ main uses: paper machine wet end, surface sizing unit and coating machine</li> <li>■ the multiple raw material base in the modification industry consists of potato, wheat, barley and tapioca starches</li> </ul>	<ul style="list-style-type: none"> <li>■ strong market status in the Nordic countries, with Raisio accounting for some 30% of all starches used by the paper industry</li> <li>■ equivalent market share in Europe some 12% and globally some 7%</li> <li>■ one of the world's leading suppliers of cationic starches to the paper industry</li> </ul>	<ul style="list-style-type: none"> <li>■ production in Finland, Belgium, USA, Indonesia and Thailand</li> <li>■ own cationization chemical production</li> </ul>
<b>LATEX BINDERS</b> <i>Turnover EUR 127.7 million, 34% of Raisio Chemicals turnover</i>		
<ul style="list-style-type: none"> <li>■ used in paper and board coating</li> <li>■ improve paper appearance, print and readability, and reduce use of printing ink</li> <li>■ improve press runnability</li> <li>■ coating saves wood fibre materials</li> </ul>	<ul style="list-style-type: none"> <li>■ coating latexes account for 20% of the European market</li> <li>■ significant share in Indonesia and Brazil, sales still rising in China</li> <li>■ coated paper demand expected to increase some 5% a year</li> <li>■ world market totals some EUR 2 billion</li> </ul>	<ul style="list-style-type: none"> <li>■ production plants in Finland, France, Austria, Spain, Indonesia and Brazil</li> <li>■ CTC Coating Technology Center in Raisio</li> </ul>
<b>SPECIALTY CHEMICALS</b> <i>Turnover EUR 135.8 million, 37% of Raisio Chemicals turnover</i>		
<b>Hydrophobic sizes</b> <ul style="list-style-type: none"> <li>■ regulate the absorption of water-based liquid in paper and board</li> <li>■ improve paper printability and packaging board quality</li> <li>■ paper industry uses various sizing technologies and Raisio Chemicals can offer all these concepts</li> </ul>	<ul style="list-style-type: none"> <li>■ 10% of world market, 18% of the European market</li> <li>■ market leader in Finland, Colombia, France, Indonesia, Portugal and the UK</li> </ul>	<ul style="list-style-type: none"> <li>■ production plants in Europe (7), North America (3), South America (1) and Asia (3)</li> </ul>
<b>Specialty polymers</b> <ul style="list-style-type: none"> <li>■ used for improving paper and board quality and production processes</li> </ul>	<ul style="list-style-type: none"> <li>■ 4% of world market, 10% of the European market</li> <li>■ market share among key customers over 40%</li> <li>■ sales in all market areas</li> <li>■ total market growth 7% a year</li> </ul>	<ul style="list-style-type: none"> <li>■ production plants in Europe (3), Asia (1) and America (1)</li> </ul>
<b>De-inking chemicals</b> <ul style="list-style-type: none"> <li>■ de-inking chemicals for ink removal of recycled paper</li> </ul>	<ul style="list-style-type: none"> <li>■ 5% of world market, 10% of the European market</li> <li>■ market share among key customers over 40%</li> </ul>	<ul style="list-style-type: none"> <li>■ production plants in Europe (2) and America (2)</li> </ul>
<b>Coating additives</b> <ul style="list-style-type: none"> <li>■ used for paper and board coating</li> <li>■ improve coating machine runnability</li> <li>■ give paper special qualities</li> </ul>	<ul style="list-style-type: none"> <li>■ market leader in coating lubricants in Finland</li> <li>■ coated paper demand expected to increase some 5% a year</li> </ul>	<ul style="list-style-type: none"> <li>■ production plant in Finland</li> <li>■ CTC Coating Technology Center in Raisio</li> </ul>

# Raisio Nutrition

- Raisio Nutrition consists of the Food, Animal Feeds and Malt business areas and the Grain Starch business.
- Raisio Nutrition has been incorporated into a separate sub-group. Raisio Group plc owns 100% of Raisio Nutrition Ltd., which is the parent company in the Raisio Nutrition sub-group.
- Mission is to control the processing chain of grain, oil plants and potato traceably from grain to food stuffs, raw material for other food production and animal feeds.
- The aim is to ensure natural and efficient utilization of grain, oil plants and potato in which the good properties of the vegetable-based raw materials are preserved and their by-product fractions utilized.
- All operations are based on customers' needs.
- Turnover totalled EUR 456.9 million in 2002 (EUR 457.6 million in 2001) and operating profit EUR 10.7 (13.4) million.
- Invested capital totalled EUR 239.9 (253.3) million and the return on investment (ROI) was 5.2 (5.8) per cent.

## FOOD BUSINESS AREA

The Food business area consists of Milling, Margarine and Potato Processing businesses, with production plants in Finland, Sweden and Poland. The product range includes flours, flakes, rices, pastas, margarines, vegetable oils, vegetable-based cream cheeses and potato products. The key customers are retail traders serving consumers, catering business, bakeries and other food industry units.

The purpose of the Food business area is to produce vegetable-based basic and specialized foods that are tasty, easy to use, safe and healthy. Raisio's expertise in grain and vegetable oils creates a good basis for the development of new products by combining the good properties of vegetable-based products, such as unsaturated fatty acids in vegetable oils and fibres in grains. Benecol pasta, introduced at the beginning of 2003, is a good example in that. It combines stanol ester, which reduces cholesterol levels, and a grain product.

Consumer trends have strengthened the position of vegetable-based foods in recent years, partly because more and more people follow special diets. This forms a firm basis for business development. Demand for easy-to-use foods has also risen. Raisio Nutrition has responded to these challenges by intro-

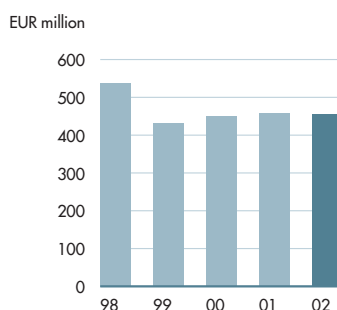
ducing fully vegetable-based soy and oats-based Beneviva products and a number of instant baking ingredients, frozen baking products, vegetable fat mixes used like cream, and easy-to-use potato products.

Raisio's brand awareness and positive image as a good food producer are strengthened by the 'Good food comes from the neighbourhood' concept. One aim is to combine the good images of many strong brands and Raisio's long tradition as a food producer. Another is to emphasize the good safe raw materials used in Raisio foods and the fact that the origin of the raw material can be traced. According to a survey made by the market research company Taloustutkimus Oy in 2002, three out of four Finns want to know where their food comes from and the origin of the raw materials in it.

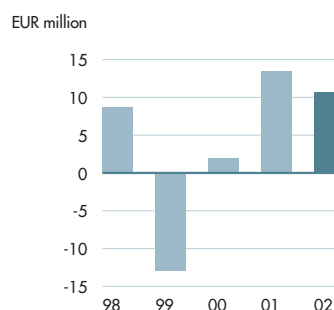
Operations in the Food business area are being streamlined by focusing on fewer product brands and creating stronger umbrella brands, resulting in more effective marketing.

Most Raisio Nutrition foods are sold on the home market. In Finland and Sweden local sales account for about 90 per cent, and in Poland for about 85 per cent. Food products are exported to Russia, the Baltic States, Belgium and the U.K., among others.

## TURNOVER



## OPERATING RESULT





### ■ Milling

Grain products are made by the Raisio Group's milling company Melia Ltd, which strives to produce grain products that are top quality in terms of pureness, use and taste. Raisio Nutrition Ltd. owns 75 per cent of Melia and the rest is owned by the Swedish company Cerelia AB.

Best-known milling product brands include Elovena, Nalle, Sunnuntai, Risella, Anni Helena and Torino. Many Melia product brands are market leaders in Finnish retailing. According to an annual brand survey, Elovena is the 15th most respected product brand in Finland.

### ■ Margarine

Raisio Nutrition's Margarine business operates in Finland, Sweden and Poland. As a rationalizing measure, and to reduce overcapacity, margarine production at Carlshamn Mejeri in Sweden is being moved to the Finnish and Polish units in early 2003. Carlshamn Mejeri's ice-cream business was sold in January 2003 to Åhus Glass AB, which is part of Ingman Foods Oy Ab. Carlshamn Mejeri continues to produce Beneviva soy and oats-based products, industrial margarine and almond paste.

Raisio Margariini is the only Finnish margarine manufacturer, and makes about half of the margarines consumed in Finland. Well-known product brands include Benecol, Keiju, Kultasula and Sunnuntai. The product range has been moving in the direction of the lower-fat products favoured by consumers.

Raisio Polska Foods, which has been owned by Raisio since the mid 1990s, has in a few years won a share of about 8 per cent of the Polish margarine market and is currently the second-largest margarine manufacturer in the country. Raisio Polska Foods' best-known product brands include Finea, Pokusa, Mas-mix and Kaja. The margarine brands Voimix and Dolina Skandi exported to Russia have won a significant market share in some areas.

### ■ Potato Processing

Potato Processing has a manufacturing plant in Vihanti, Finland. It produces French fries, mashed potato powders and a number of special potato products for the retail trade and catering business. Pure, Finnish, traceable raw materials and products made according to consumer wishes form the cornerstone of Raisio Potato Processing.



## ANIMAL FEEDS

The Animal Feeds business area makes highly processed animal feed mixes for farm animals and special feeds for fish and fur animals. The Animal Feeds business area comprises Raisio Feed Ltd, which makes farm and fish feeds, the Oil Milling business, which makes vegetable oils and protein meal and Monäs Feed Oy Ab, which produces feeds for fur farming.

Animal Feeds business area is a pioneering producer of animal feeds, and has been on the domestic market for over 50 years. It has production plants in four locations in Finland. Domestic sales account for about 95 per cent of all production. Animal feeds are also exported to Russia and the Baltic States. Well-known product brands include Herkku feeds, Maituri, Herukki, Melli and Tess.

The business area develops animal feed mixes that improve the efficiency of farm animal production, animal health and the quality of end products, as well as reduce the nutrient load on

the environment, with strict hygiene control of raw materials at every stage of the process.

Due to structural changes in livestock production, use of industrial feeds has been steadily increasing in Finland. At 1.3 billion tons, industrial feeds account for about half of the feed concentrate used by livestock farms. More and more farms use industrial feed mixes to improve their efficiency and profitability, but in many cases they are also used because they save work. Most Finnish farms are still family businesses, and as farms have grown in size, highly processed, production-enhancing and safe feed mixes are a sensible labour-saving solution.

Strict control of raw materials in the animal feed industry has improved hygiene at Finnish farms, already at a high level. For example, it is vitally important that certain imported raw materials pass to the farms through the animal feed industry's tight, centralized control system, not as individual raw material flows that are more difficult to control.

The Animal Feeds business area cooperates continuously with universities and research institutions in Finland and abroad. This has resulted in innovations, many of them pioneering achievements in farm animal feeding, such as the creep feeding programme for pigs, feeding programmes for poultry, feeding programmes based on silage digestibility for cows, and Vita-Melli, a new special feed for calving cows. In 2002 one of the key themes of operations and research was 'Health-promoting feeding'. Two large special conferences were organized on this theme. Also smaller events were arranged, and material was produced to provide information about animal feeding.

The Animal Feeds business area is also a pioneer as a provider of data network services, as it has a direct link with its contract customers.

High-quality, safe products and expert customer service were also appreciated in the 2002 customer satisfaction surveys. Customers judged the quality of operations to be high in all areas.



## RAISIO MALT

Raisio Nutrition's malt business area, Raisio Malt, is Finland's largest manufacturer of brewing malts and one of the oldest business areas in the Group; Raisio has been producing malts since 1950. Raisio Malt's mission is to be a profitable, growing and developing business unit as part of the value chain of brewing products extending from the barley obtained from contract farms to ready beer.

Raisio Malt manufactures and markets brewing malts for both the domestic and export markets. Domestic sales of malt accounted for 29 per cent in 2002. The major export countries were Russia and the Baltic States. Malt was also exported to Sweden and Norway.

The warm summer in Raisio Malt's market area increased sales of beer and consequently malt consumption. Beer sales in Finland rose by 1.3 per cent and in Russia by almost 15 per cent, although towards the end of the year consumption no longer continued to grow. In 2003, beer consumption in Russia is expected to increase by 5–10 per cent.

Raisio's malting plant is modern and highly automated, and makes high-quality malt efficiently to meet customer needs. Raisio Malt considers environmental aspects in its operations and follows sustainable development principles. In 1999, the malting plant was the world's first commercial malting plant to receive an environmental certificate conforming with the ISO 14001 standard.

In 2001 an extensive development programme was launched to improve the quality of malting barley, involving not only Raisio Malt but also a number of other interested parties, such as farmers, research institutions, the brewing industry and other industry. The aim was to lower the protein level of malting barley to a competitive level. This level affects the success of production processes in the brewing industry and ultimately beer quality. The advantage of Finnish malting barley, compared with that of competitors, is that it is pure and traceable.



## RAISIO GRAIN STARCH

Raisio Grain Starch produces wheat starch for Raisio Chemicals, to be processed further for use by the paper industry. Its by-products are wheat gluten and syrup for food production and fractions used as raw material for animal feeds. Brewing syrup is marketed mainly to breweries in Finland and the Baltic States.

Raisio Grain Starch has focused on increasing the level of processing of by-products. Production of beta-amylase enzyme began in early 2002 for the starch syrup and brewing industries.

In 2002 Raisio Grain Starch processed 79 million kilograms of wheat.

## RAW MATERIALS

Raisio Group is Finland's largest processor of cultivated plants. In 2002, Raisio Nutrition used some 594 million kilograms of grain, or almost half of Finland's industrial consumption. Mostly this comprised wheat, of which 270 million kilograms were milled for various purposes. Use of wheat in the animal feed industry has grown, thanks to its high energy value.

Procurement of grains and oil plants has been concentrated in the Raisio Group Purchase and Logistics unit. The purpose of contract farming is to make the best possible use of the Finnish grain harvest. Unfortunately, 2002 was a dry year, especially in the south of Finland, and the harvest was smaller than expected, particularly the malting barley crop.

The Quality Grain trademark is a quality and development system for grain raw material developed by Raisio Group. It guarantees that the grain meets the industrial and consumer quality requirements and that it is safe and produced in an environmentally friendly way.

Raisio's Potato processing business uses 65 million kilograms of pure Finnish potatoes bought from 200 contract farmers. Traceability of the raw material has been improved using an

extranet system between the contract farmers and the producer which relays information about farming methods, fertilizers and pesticides in real time. Use of the extranet is supported by a three-year EU-funded project which began in 2001. The aim is to develop contract production to meet future challenges, which include high-quality raw material and environmentally friendly production methods, in addition to traceability.

The purpose of Raisio Group's raw material procurement is to ensure the availability of Finnish raw materials for the Group's needs through contract farming and to further strengthen a production chain that enables long-term crop farming development.

## VISION AND STRATEGY

Raisio Nutrition's core business is based on the overall processing chain of vegetable raw materials - grain, oil plants and potato. Organic growth is supported by adding value to the products and seeking product segments with growth potential. Raisio Nutrition is already a clear market leader in the market areas selected. A comprehensive Baltic Sea market area strategy is under consideration.





PRODUCTS	MARKET STATUS	PRODUCTION PLANTS
<b>FOOD BUSINESS AREA</b> <i>Turnover EUR 265.3 million, 57% of Raisio Nutrition turnover</i>		
<b>Milling</b> Turnover EUR 77.1 million <ul style="list-style-type: none"> <li>flakes, flour, pasta, rice</li> </ul>	<ul style="list-style-type: none"> <li>market share 70% in flakes, 46% in flour, 24% in pastas and 27% in rice in the Finnish retail sector</li> </ul>	<ul style="list-style-type: none"> <li>production plants in Raisio (grain, rice, pasta) and in Nokia (grain, flakes), Finland</li> </ul>
<b>Margarine</b> Turnover EUR 160.6 million <ul style="list-style-type: none"> <li>margarines, cream cheeses, edible oils</li> </ul>	<ul style="list-style-type: none"> <li>Raisio Margariini turnover EUR 67.0 million market share 43% in Finland</li> <li>Raisio Polska Foods turnover EUR 33.4 million market share 8% in Poland</li> <li>Carlshamn Mejeri turnover EUR 64.4 million market share 20% in margarines and 12% in ice-cream in Sweden</li> </ul>	<ul style="list-style-type: none"> <li>production plants in Finland, Poland and Sweden</li> </ul>
<b>Potato processing</b> Turnover EUR 25.0 million <ul style="list-style-type: none"> <li>frozen and dried potato products, ready food components and special potato products</li> </ul>	<ul style="list-style-type: none"> <li>35% of the processed potato products sold in Finland</li> </ul>	<ul style="list-style-type: none"> <li>production plant in Vihanti, Finland</li> </ul>
<b>ANIMAL FEEDS</b> <i>Turnover EUR 159.4 million, 33% of Raisio Nutrition turnover</i>		
<ul style="list-style-type: none"> <li>feeds for cattle, pigs, poultry, fur animals, fish</li> </ul>	<ul style="list-style-type: none"> <li>market share 36% in farm feeds and 48% in fish feeds in Finland</li> </ul>	<ul style="list-style-type: none"> <li>feed plants in Raisio, Anjalankoski, Oulu and Uusikaarlepyy in Finland</li> <li>oil milling plant in Raisio</li> </ul>
<b>RAISIO MALT</b> <i>Turnover EUR 30.2 million, 6% of Raisio Nutrition turnover</i>		
<ul style="list-style-type: none"> <li>malts for beer</li> </ul>	<ul style="list-style-type: none"> <li>market share 45% in Finland</li> </ul>	<ul style="list-style-type: none"> <li>malting plant in Raisio</li> </ul>
<b>RAISIO GRAIN STARCH</b> <i>Turnover EUR 20.6 million, 4% of Raisio Nutrition turnover</i>		
<ul style="list-style-type: none"> <li>wheat starch, wheat gluten, wheat syrup, wheat protein feed, wheat bran feed, brewing syrup, beta amylase enzyme (Raizyme WBA)</li> </ul>		<ul style="list-style-type: none"> <li>production plant in Raisio</li> </ul>

# Raisio Life Sciences

- The mission of Raisio Life Sciences is to develop, produce and market safe, functional food ingredients.
- It also aims to develop, produce and market analytic systems, diagnostic equipment and reagents for monitoring food and animal feeds quality and safety.
- Turnover totalled EUR 30.3 million in 2002 (EUR 23.8 million in 2001) and operating profit EUR 0.5 million (a loss of EUR 3.5 million).
- Capital invested totalled EUR 72.6 (83.7) million and return on investment (ROI) 0.9 (-3.9) per cent.

## MARKET SITUATION

Finland is a pioneer in functional ingredients that lower cholesterol levels, and also has the broadest Benecol product range available. Interest in functional ingredients also grew significantly in central and southern European markets, especially in Benecol dairy product applications towards the end of the year. Intensive negotiations are in progress to introduce cholesterol-lowering product applications to new markets globally. The product range will be expanded to include grain-based products; in early 2003 Raisio Nutrition introduced Benecol pasta. Other grain products containing stanol ester will also be developed.

The EU Scientific Committee for Food approved a report on the safety of sterol and stanol-based products on October 2, 2002. This is expected to speed up the grant of new permits for end-user markets. The effects of new permits are expected to be reflected in turnover during 2003. The regulatory approval processes are long and varying in different countries, however.

## BENECOL PRODUCTS CONTAINING STANOL ESTER AND COUNTRIES WHERE THEY ARE SOLD (February 2003)

Country	Products
Finland	Margarine, liquid rape seed product, cream cheese, yoghurts, butter milk, chicken meatballs, sausages, potato, ham and beetroot salad, ready foods, liver sausage, cheese, pasta
Sweden	Margarine
Poland	Margarine
Belgium and Holland	Margarine, olive oil spread, cream cheeses, yoghurts
UK and Ireland	Margarine, olive oil spread, cream cheeses, yoghurts, snack bars
France	Margarine
Spain	Yoghurt drink
USA	Margarine, gel capsules
Argentina	Margarine
United Arab Emirates (Saudi Arabia, Kuwait, Yemen, Bahrain, Oman)	Milk

## STANOL ESTER

Raisio is a pioneer in the production of functional ingredients. The first margarine containing stanol ester was put onto the Finnish market as early as 1995. Today, there is an ever-increasing number of products on the market that contain stanol ester.

Benecol products derive from product development that started at Raisio in 1989. A Raisio margarine research team led by Ingmar Wester then discovered how vegetable sterols and stanols could be converted into fat-soluble vegetable stanol ester that can be used in food manufacture. The result was vegetable stanol ester, the active ingredient in Benecol. Sterol is extracted from tall oil and soy, for example.

In 1991 a patent was applied for concerning the method and active ingredient. A period of intensive clinical tests followed, the aim of which was to obtain hard evidence of the cholesterol-lowering effect of vegetable stanol ester. In over thirty scientific studies, stanol ester has been found to effectively lower the cholesterol level in blood serum. It has been clearly proven that stanol ester as part of a daily diet reduces total cholesterol by about 10 per cent and harmful LDL cholesterol by about 15 per cent. Another important factor is that stanol ester is not absorbed by humans.

## PRODUCT RANGE AND COUNTRIES

The Benecol product range and market area was substantially expanded in 2002. Raisio Group and McNeil Nutritionals agreed in February 2002 on new Benecol product and stanol ester market responsibility areas. Apart from areas referred to in previous agreements, Raisio Group can sell stanol ester to food industry in Germany, Italy, Spain, Portugal, Switzerland, Austria and Greece. Raisio also received permission to sell Benecol products on these markets, though McNeil retained its exclusive rights to certain Benecol special products. The agreement also enabled both parties to license the ingredient and product brand to third parties in their geographic responsibility areas. Spanish and Greek authorities have granted permission to market Benecol products, and Benecol yoghurt was introduced on the Spanish market at the beginning of February 2003.



Ten new Benecol products were put onto the market in 2002, five of them in Finland. In France, a partner got a Benecol spread and cooking margarine into the shops, and in Poland, Raisio Polska Foods began selling Benecol spreads. Benecol milk was introduced in the United Arab Emirates and Benecol capsules in the United States. In Argentina, however, economic collapse greatly reduced demand for Benecol products.

**DIAGNOSTICS**

A business is being created to support Raisio Life Sciences by developing, marketing and producing analytic systems, diagnostic equipment and reagents for monitoring food and animal feeds quality and safety. The purity and safety of food is considered to be more and more important, and food diagnostics is expected to grow globally by 10–20 per cent a year. Raisio Group’s expertise in the entire process from field to table, and the high microbiological quality of its foods and production processes creates a firm foundation for this business and its development. Raisio Group placed an offer to acquire all shares in the Swedish Diffchamb AB on 13 February, 2003. Diffchamb is an international biotechnology company involved in development, manufacturing and marketing of equipment for foodstuff testing.

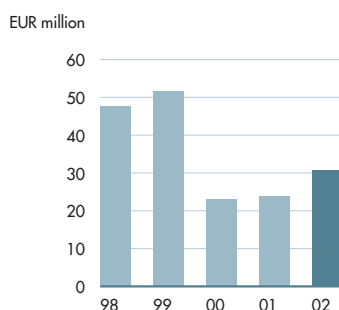
**VISION AND STRATEGY**

Raisio Life Sciences is being developed into a leading company on an expanding market in two chosen key segments. The first comprises functional food ingredients intended, for example, to control cardiac health, diabetes and allergies. The second consists of diagnostic testing systems used to monitor the quality and safety of foods and animal feeds.

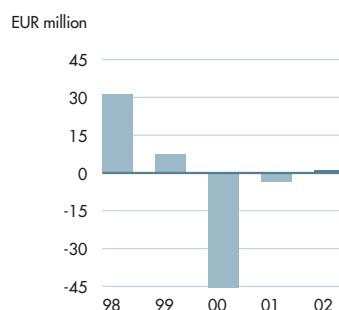
The Benecol innovation is cutting-edge technology in the field, and new business can be created alongside it through both product development and company acquisitions.

PRODUCTS	MARKET STATUS (% of cholesterol-lowering sterol-based ester market; Raisio estimate)	PRODUCTION PLANTS
■ Benecol ingredient (stanol ester)	■ Europe 25% ■ USA 50%	■ Esterization plants in Raisio (Finland) and Summerville, SC (USA)

**TURNOVER**



**OPERATING RESULT**



# Financial statements

# Report of the Board of Directors

A dual trend prevailed in the Raisio Group in 2002. On the one hand, strategy was carried out successfully through measures to boost profitability and inputs in growth. The rationalization of margarine production, sale of the ice-cream business, cost cuts in various business areas, and action to make capital employment more efficient all create a foundation for better profitability. Future growth will be advanced by the acquisition of Latexia, the biggest corporate acquisition in the history of the Raisio Group, and by investments in the specialty chemicals and latex business in China.

On the other hand, operations did not develop as expected. The low business cycle had a particularly adverse effect on growth and profitability in Raisio Chemicals. Raisio Nutrition's result was in turn hampered by losses in Swedish margarine business and one-off expenses for the production rationalisation. The improved profit trend in Raisio Life Sciences was insufficient to offset the weaker trends in the bigger business sectors.

## TURNOVER

Consolidated turnover in 2002 amounted to EUR 843.1 (822.9) million, up 2.5 per cent. The increase was primarily due to the acquisition of Latexia S.A. at the beginning of August and the good sales trend in Raisio Life Sciences.

Turnover from international operations came to EUR 442.7 (433.4) million, representing 52.5 (52.7) per cent of total turnover.

## RESULT AND DIVIDEND PROPOSAL

Consolidated operating profit was EUR 20.6 (25.0) million. The 2001 operating profit includes EUR 4.3 million on the sale of Raisio's share of the Valmet-Raisio associated company. The change in accounting practices due to IAS-based evaluation of inventories improved the 2002 operating profit by EUR 3.2 million, and the rationalization of margarine production caused a one-off cost of EUR 5.7 million.

The result before taxes was EUR 9.3 (8.3) million. Financial expenses fell compared with 2001, since interest rates and total

borrowing were lower at the beginning of the year, explaining why the result before taxes was slightly higher than in 2001. The net consolidated result after taxes fell to EUR 5.4 (6.6) million as a result of a change in minority interest, mainly caused by Melia Ltd. The tax percentage paid by the Group was lower than in 2001.

Earnings per share came to EUR 0.03 (0.04). The Board proposes a dividend of EUR 0.02 (0.017) per share for 2002.

## BUSINESS SECTORS

### ■ Raisio Chemicals

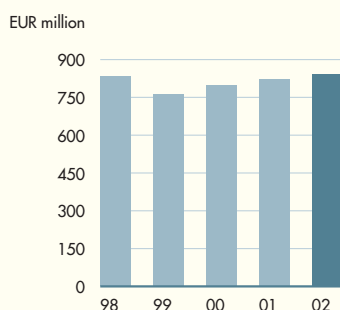
A poor market trend prevailed in the paper industry throughout 2002. Demand was particularly depressed in Europe, Raisio Chemicals' principal market area. Signs of a slight recovery were visible in North America towards the end of the year, however. The favourable trend continued on the Chinese market.

Turnover totalled EUR 370.1 (354.6) million, up 4.4 per cent, mainly as a result of the acquisition of Latexia. Low capacity utilization rates in the paper industry, particularly in the Nordic countries, strained turnover figures. Exports to Russia developed well.

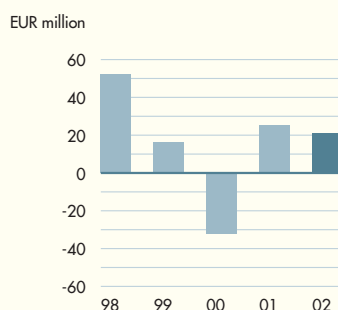
Operating profit fell sharply in 2002, totalling EUR 10.7 (19.3) million. The 2001 result includes a profit of EUR 4.3 million on the sale of Raisio's holding in the Valmet-Raisio associated company. The change in accounting practices due to IAS-based evaluation of inventories improved the 2002 operating profit by EUR 1.8 million. The poor trend in profitability was due to low capacity utilization rates at the production plants and the high prices of petrochemical raw materials, which could not be transferred into sales prices in full. To improve the profitability all units continued to intensify their operations. A few sales companies in North America, South America and Germany were closed and rearrangements were made to improve the sales efficiency. Swedish latex production was transferred to other Raisio Chemicals units.

A violent explosion at a nearby fertilizer plant interrupted the operation of Raisio's AKD wax plant in France in September

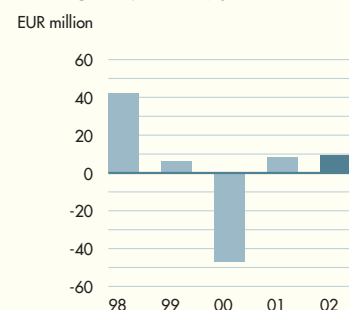
TURNOVER



OPERATING RESULT



RESULT BEFORE EXTRAORDINARY ITEMS





2001. The Raisio plant, which was damaged by the explosion, was given permission to resume production by the French authorities first in early July 2002. The interruption reduced turnover for the first six months of the year, but insurance policies covered most of the direct property and business interruption losses.

The Chinese paper industry started numerous significant investments to increase production. Raisio Chemicals is investing in the fast-growing Chinese market by building a latex and a specialty chemicals plant in the Shanghai economic area. The value of the investments is over EUR 30 million. The latex plant is expected to be completed at the end of 2003 and the specialty chemicals plant in summer 2003.

At the beginning of September Raisio Chemicals and the Hansaprint printing house announced that they planned to establish a pilot printing plant (Future Printing Center) in connection to the Coating Technology Center in Raisio. The Future Printing Center will incorporate a testing and development service unique in the printing sector. The Raisio skill center will cover every phase of the paper production process from base paper to finished printed product. This, together with other R&D inputs, will help Raisio Chemicals and its customers to remain in the vanguard of progress and safeguard their competitive edge in future years.

■ Raisio Nutrition

Raisio Nutrition turnover remained at the 2001 level, totalling EUR 456.9 (457.6) million. Operating profit fell to EUR 10.7 (13.4) million. The change in accounting practices due to IAS-based evaluation of inventories raised the figure by EUR 1.2 million. The transfer of the margarine production from Sweden to Finland and Poland weakened the operating profit by EUR 5.7 million one-off expense. The transfer will be made in the first quarter of 2003.

Turnover in the Foods business area came to EUR 265.3 (264.5) million. Turnover was EUR 160.6 (162.6) million in the Margarine business, EUR 77.1 (74.4) million in the Milling business and EUR 25.0 (26.6) million in the Food Potato business.

Operating profit for the Foods business area was EUR 0.1 (4.4) million. The above-mentioned one-off expenses weakened the Margarine business's operating result. By contrast, Milling operating profit grew, thanks to earlier made capacity adjustments. Food Potato business operating profit was unchanged compared with the previous year.

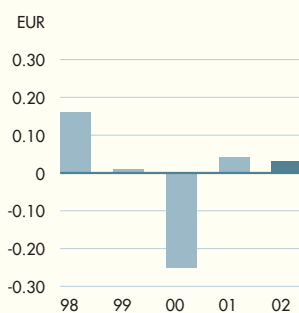
The Finnish market shares of the Foods business area developed favourably in flakes, flour and pasta products, though slight reductions took place in margarines and frozen potato products. Sales to bakery, industry and catering segments were at previous year's level in all product groups. On the Polish market, sales of margarines were hampered by weaker purchasing power among consumers and extremely tough price competition. Price competition was keen on the Swedish market, and private label products gained a bigger market share.

Turnover in the Animal Feeds business area amounted to EUR 159.4 (161.4) million and operating profit to EUR 9.1 (8.6) million. The overall volume of industrial feeds continued to grow steadily throughout the year, although the hot summer weather reduced demand for fish and fur farming feeds. No major changes took place in market shares in the Animal Feeds business area. Exports to Russia and the Baltic States looked up at the end of the year even though they were hampered by keen competition, especially on the Russian market, and by efforts to boost self-sufficiency in food and animal feed production.

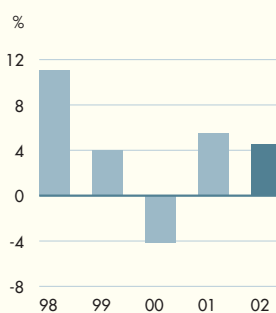
Turnover for the Malt business area totalled EUR 30.2 (30.7) million. Operating profit was EUR 2.5 (2.4) million, i.e. at the previous year's level and better than expected, since the need to import malting barley was not as great as anticipated. Hot summer weather in the Malt business area's market areas increased consumption of beer and thus malts. Sales of beer rose by 1.3 per cent in Finland and by almost 15 per cent in Russia, Raisio Malt's primary export area.

Turnover in the Grain starch business was EUR 20.6 (19.7) million. The 2001 operating loss of EUR -2.1 million was halved and stood at EUR -1.0. Low capacity utilization rates in the paper industry weakened demand for wheat starch, and alternative uses are now being sought for these products.

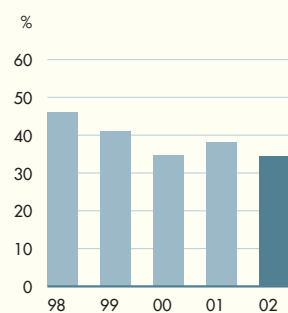
EARNINGS PER SHARE



RETURN ON INVESTMENT



EQUITY RATIO



## ■ Raisio Life Sciences

Interest in cholesterol-lowering functional foods increased, particularly in Central and Southern Europe, although Finland continues to be a pioneer in this sector. The range of products containing the Benecol ingredient, stanol ester, was expanded with a number of products and extended to grain-based products such as pasta. In October 2002 the European Union Science Committee on food approved a safety report concerning sterol- and stanol-based products. This is likely to allow the grant of new permits for end-product markets. The regulatory approval processes are long and varying in different countries, however.

Raisio Life Sciences turnover grew 27 per cent, amounting to EUR 30.3 (23.8) million. Stanol ester was sold to new market areas such as the Middle East and Continental Europe.

Raisio Life Sciences operating result showed a profit of EUR 0.5 (-3.5) million. The increase was due to higher sales and greater cost efficiency. The change in accounting practices due to IAS-based evaluation of inventories improved the figure by EUR 0.2 million. Raisio Life Sciences has succeeded in raising sales of ingredients to a level allowing profitable operations.

Raisio Group and McNeil Nutritionals agreed on new marketing responsibility areas for Benecol products and stanol ester in February 2002. Apart from areas referred to in previous agreements, Raisio Group can now sell stanol ester to the food industry in Germany, Italy, Spain, Portugal, Switzerland, Austria and Greece. Raisio also gained the right to sell Benecol foods on these markets, although McNeil kept its sole right to certain Benecol-branded speciality products. Furthermore, the agreement allowed both parties to license the ingredient and brand to third parties in their respective territories. Spanish and Greek authorities have granted permission to market Benecol products, and Benecol yoghurt was introduced on the Spanish market at the beginning of February 2003.

## RESEARCH AND DEVELOPMENT

The Group's R&D expenditure totalled EUR 20.3 (18.3) million in 2002, representing 2.4 (2.2) per cent of turnover. Raisio

Chemicals used EUR 14.0 (11.7) million of this amount, approximately 3.8 per cent of the business area's turnover. Raisio Chemicals also received technology income from sale of research, analysis and test-run services to customer industries.

Raisio Nutrition spent EUR 4.3 (4.2) million, 0.9 per cent of its turnover, on R&D, while the corresponding figures for Raisio Life Sciences were EUR 2.0 (2.3) million and 6.6 per cent.

## INVESTMENT

Gross investment for 2002 came to EUR 81.0 (29.0) million, 9.6 (3.5) per cent of turnover. Raisio Chemicals accounted for EUR 62.4 (16.2) million of this amount. The biggest investment was the acquisition of Latexia.

Raisio Nutrition's gross investment totalled EUR 13.8 (11.4) million. The biggest investment was the purchase of the Karczew margarine factory property in Poland, which had previously been rented. Gross investment by Raisio Life Sciences came to EUR 3.5 (0.6) million.

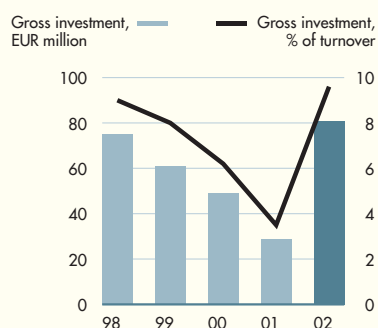
## FINANCE

Financial expenses for 2002 totalled EUR 11.3 million (1.3 per cent of turnover) and were thus significantly lower than the EUR 16.7 million in 2001 (2.0 per cent of turnover). This was due to lower interest rates in 2002 and less borrowing in the first six months of the year. In the latter half of the year, borrowing increased with the purchase of Latexia, which meant higher financial expenses. Exchange rate gains were made in 2002, while the comparison year showed a loss for this item.

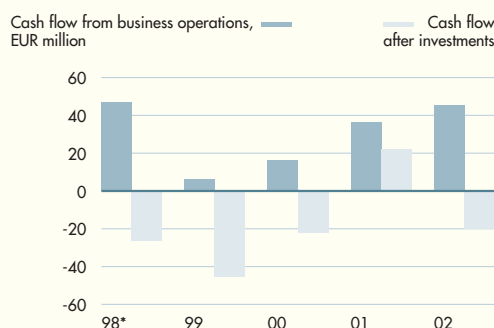
Cash flow from operations was EUR 45.4 million, an improvement of EUR 9.0 on the previous year. Far more funds were tied up in investments than in 2001, i.e. EUR 64.9 (14.8) million, after which cash flow before financial items was EUR 19.5 million in the negative.

The syndicated loan facility signed by the Group in 1998 continued to be a key instrument in planning and managing liquidity. The increase in short-term loans in 2002 was mainly due to

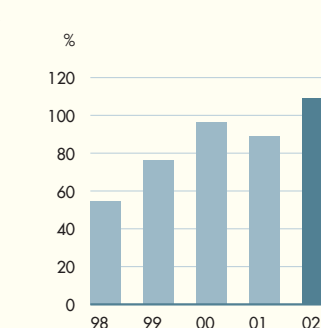
### INVESTMENT



### CASH FLOW



### GEARING



\*according to the previous accounting principles of source and application of funds

increased utilisation of this instrument. Long-term loans were repaid up to the amount of EUR 36.1 million and loans worth EUR 11.8 million were raised. The capital drawn down on the above-mentioned syndicated loan is booked under short-term loans, which should be taken into account when considering quick ratio and current ratio.

The Group's interest-bearing net debt totalled EUR 281.4 (232.8) million at the end of the financial year. The equity ratio fell to 34.4 (38.1) per cent at the end of the year, while the gearing ratio rose to 109.4 (88.9) per cent. The changes are due to the funding required for the acquisition of Latexia.

The central goal for 2002 was to manage the working capital and release capital tied up. The amount of working capital was indeed reduced in most of the business units. Some Raisio Chemicals and Raisio Nutrition units started projects covering all their business functions to boost the efficient use of capital employed. Similar projects will be introduced in other units this year in order to release more capital for operative needs.

### CHANGES IN GROUP STRUCTURE

The Group structure was simplified and cost efficiency improved by giving up some sales companies and increasing Group ownership in partly owned companies in 2002. These arrangements had no significant financial impact.

Raisio Group's holding in Latexia S.A. rose from 50 to 100 per cent. The Latexia sub-group has been fully consolidated in the financial statements as of August 1, 2002. The enterprise value of the acquisition was EUR 75 million.

In April, Raisio Chemicals Ltd and Suzhou Tianma Chemical Co. established a joint enterprise in China in which Raisio Chemicals acquired a 70 per cent holding with an investment of EUR 5 million. The paper chemicals business of Suzhou Tianma Chemical Co. was transferred to the new company, which began to build a new paper chemicals plant in the Shanghai economic area.

The incorporation of Raisio Nutrition was completed. Raisio Group plc owns 100 per cent of Raisio Nutrition Ltd., the parent company of the Raisio Nutrition sub-group.

### GOVERNANCE, MANAGEMENT AND PERSONNEL

In November 2002, the Supervisory Board elected Christoffer Taxell and Jörgen Grandell to the Board of Directors as from January 1, 2003, to replace Antti Herlin and, on the basis of the age limit regulation in the Articles of Association, Kaj Lönnroth. Matti Linnainmaa and Arimo Uusitalo, whose terms on the Board also came to an end, were re-elected. Jukka Lavi, Antti Salminen and Eero Nurminen were elected new deputy members. At its first meeting in 2003, the Board re-elected Arimo Uusitalo chairman.

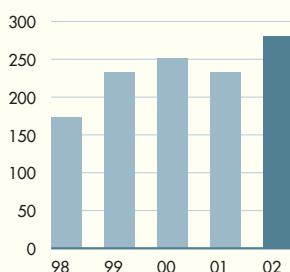
The auditors during the 2002 financial year were Esa Kailiala, APA, and Pekka Pajamo, APA. On the basis of competitive bidding the Annual General Meeting decided that the auditors for 2003 would be Johan Kronberg, APA, and Mika Kaarisalo, APA. Authorized Accounting Firm PricewaterhouseCoopers and Kalle Laaksonen, APA, were elected deputy auditors.

Kauko Mannerjärvi, Executive Vice-President, Group Administration, and Anssi Aapola, Executive Vice-President, Purchasing and Logistics, resigned in the autumn at their own request and also gave up their duties as deputy Board members. Responsibility for the areas formerly in Mr Mannerjärvi's charge were transferred to the new CFO Antti Salminen's organization. Eero Nurminen, previously the head of Raisio Group Agricultural Group, was appointed the new Executive Vice-President, Purchasing and Logistics.

Raisio Group employed 2,767 (2,563) people on December 31, 2002 and 45 (43) per cent of them worked abroad. Raisio Chemicals employed 1,194, Raisio Nutrition 1,359 and Raisio Life Sciences 91 people at the end of the year.

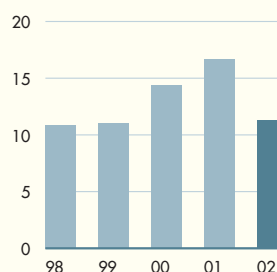
#### NET DEBT

EUR million



#### NET FINANCIAL EXPENSES

EUR million



## SHARE INFORMATION

A total of 59.7 million Raisio Group plc free shares were traded on Helsinki Exchanges in 2002. The value of trading was EUR 75.9 million and the average price EUR 1.27. The closing quotation was EUR 1.07. The price rose by 14.1 per cent from January 1.

A total of 312,000 restricted shares were traded, for altogether EUR 0.5 million and at an average price of EUR 1.62. The closing quotation was EUR 1.42. The price fell by 9.0 per cent from January 1.

On December 31, 2002 the company had a total of 48,591 registered shareholders. 7.6 per cent of the stock was owned by shareholders outside Finland.

On January 11, 2002 Tudor Capital (U.K.) announced that the holding owned by its Group companies and funds in Raisio Group plc (free and restricted shares) fell below 5 per cent on January 8, 2002, after which their ownership was 3.19 per cent of the Raisio Group plc stock.

The Board did not exercise the authorization granted by the Annual General Meeting on April 5, 2002 to increase share capital.

## VISION AND STRATEGY

According to its vision, Raisio Group is a major food and animal feed company operating in the Baltic region which grows also to an internationally leading life science oriented chemicals company in selected key areas.

The Group strategy was outlined in autumn 2001. In future years, strong growth and improved profitability will be sought by developing business via investment and acquisitions in all three sectors. Global political and economic uncertainty and the unsure outlook for the paper industry will restrict the growth that was anticipated and hamper accurate definition of long-term growth targets. The time span scheduled for achieving the growth targets will therefore probably have to be extended, though the profitability and equity ratio targets will not change.

Parallel with the strategy process, a process of defining the Raisio Group values began. Those crystallized in the course of the process were expertise, openmindedness, responsibility and enjoyment in working together. On this value basis the Raisio Group will proceed to work for its key goals of good profitability and high customer satisfaction.

## EVENTS AFTER THE END OF THE FINANCIAL YEAR

In accordance with a letter of intent signed in December, Raisio Group sold the ice-cream business of Carlshamn Mejeri to Åhus Glass AB (plc), which is part of Ingman Foods Ltd, on January 13, 2003. The 2002 turnover of the business transferred was

some EUR 15 million. Carlshamn Mejeri continues to toll manufacture the ice-cream until this summer.

Co-determination talks begun in November aimed at improving the administrative efficiency of Raisio Group were completed in January. A total of 26 jobs were cut from the Group administration through internal transfers, pension arrangements and termination of contracts. Outsourcing is still being studied in the case of certain administrative functions.

At a meeting held on January 29, 2003, the Raisio Group Supervisory Board decided to release Antti Haavisto from his duties as a member of the Raisio Group Board of Directors. He was not replaced on the Board.

## FUTURE OUTLOOK

The Raisio Chemicals market situation continues to be challenging, particularly in the principal market area in Europe. The acquisition of Latexia and the specialty chemicals plant starting operations in China in the summer will make for significant growth in Raisio Chemicals turnover, however. The intensification projects introduced are expected to improve cost efficiency towards the end of the year.

Sale of the ice-cream business will reduce Raisio Nutrition turnover by some EUR 10 million. Rationalization of margarine production will be completed in the first quarter of 2003. Inputs in the product development and marketing of healthy, vegetable-based foods will continue, and the performance of the Foods business area is expected to develop favourably. Vegetable oil pressing margins are at a record low, and this is expected to weaken the performance of the Animal Feeds business area slightly. The poor malting barley crops in the most recent growing season will reduce profits in the Malt business area.

Strong growth is expected to continue in Raisio Life Sciences. New customers will bring opportunities for selling functional ingredients to new countries and for new product applications. Profit trend prospects look encouraging. Negotiations will continue concerning the introduction of diagnostics.

Global political and economic uncertainty has caused raw material prices to rise, hampering profit prospects especially in Raisio Chemicals at the beginning of the year. For this reason the consolidated first-quarter result is expected to be distinctly poorer than in the comparison year. Turnover is expected to increase as a result of the acquisition of Latexia and the growth of Raisio Life Sciences. Ongoing measures to improve efficiency and to reduce working capital will allow the Group's profitability to improve towards the end of the year.

## INCOME STATEMENT

(EUR 1,000)

	GROUP		PARENT COMPANY	
	1.1.-31.12.2002	1.1.-31.12.2001	1.1.-31.12.2002	1.1.-31.12.2001
<b>TURNOVER (1)</b>	<b>843,092</b>	822,860	<b>119,314</b>	163,206
Increase(+)/decrease(-) in stock of finished products and production in progress	<b>506</b>	-3,721	<b>-8,378</b>	-2,534
Other income from business operations	<b>12,105</b>	11,635	<b>1,845</b>	5,610
Materials and services (2)	<b>-517,505</b>	-498,857	<b>-64,271</b>	-94,344
Personnel expenses (3, 4)	<b>-106,040</b>	-105,635	<b>-20,699</b>	-29,162
Depreciation and write-downs (7)	<b>-50,058</b>	-47,462	<b>-8,282</b>	-11,034
Other expenses from business operations	<b>-161,377</b>	-155,943	<b>-14,442</b>	-23,954
Share of associated companies' results	<b>-139</b>	2,073		
<b>OPERATING RESULT (8)</b>	<b>20,584</b>	24,950	<b>5,087</b>	7,789
Financial income and expenses (9)	<b>-11,328</b>	-16,654	<b>-31,247</b>	-1,252
<b>RESULT BEFORE EXTRAORDINARY ITEMS</b>	<b>9,257</b>	8,297	<b>-26,160</b>	6,537
Extraordinary items (10)	<b>0</b>	0	<b>+9,850</b>	+2,110
<b>RESULT BEFORE APPROPRIATIONS AND TAXES</b>	<b>9,257</b>	8,297	<b>-16,310</b>	8,647
Appropriations (11)			<b>+6,795</b>	+2,745
Income taxes (12)	<b>-2,918</b>	-3,585	<b>29</b>	-2,741
Minority interest	<b>-902</b>	1,918		
<b>RESULT FOR THE YEAR</b>	<b>5,436</b>	6,630	<b>-9,486</b>	8,651

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



## BALANCE SHEET

(EUR 1,000)

	GROUP		PARENT COMPANY	
	31.12.2002	31.12.2001	31.12.2002	31.12.2001
<b>ASSETS</b>				
NON-CURRENT ASSETS				
Intangible assets (13, 14)	28,192	29,086	1,233	8,629
Goodwill (13)	57,328	46,985		
Tangible assets (13, 14)	289,695	258,371	17,606	63,245
Holdings in Group companies (15)			75,180	93,716
Holdings in associated companies (15)	4,443	4,245		
Other investments (15)	8,478	10,973	239,274	186,588
	<b>388,136</b>	<b>349,661</b>	<b>333,293</b>	<b>352,177</b>
CURRENT ASSETS				
Inventories (17)	153,577	143,779	818	35,551
Non-current receivables (18)	9,481	11,001		
Deferred tax assets (21)	11,891	14,763		
Current receivables (18)	144,076	128,340	72,600	52,960
Securities under financial assets	30,022	30,568	21,277	21,287
Cash in hand and at banks	12,170	10,398	54,053	32,770
	<b>361,217</b>	<b>338,850</b>	<b>148,748</b>	<b>142,568</b>
<b>TOTAL ASSETS</b>	<b>749,353</b>	<b>688,510</b>	<b>482,041</b>	<b>494,745</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
SHAREHOLDERS' EQUITY (19)				
Share capital	27,776	27,776	27,776	27,776
Premium fund	2,908	2,908	2,908	2,908
Reserve fund	88,710	88,689	88,587	88,587
Other reserves				
Reserves provided for in the Company Articles	118	113		
Retained earnings	108,570	113,615	67,782	61,939
Result for the year	5,436	6,630	-9,486	8,651
	<b>233,518</b>	<b>239,730</b>	<b>177,567</b>	<b>189,861</b>
MINORITY INTEREST	23,630	22,093		
APPROPRIATIONS (20)			9,929	32,916
LIABILITIES				
Deferred tax liability (21)	20,697	25,727		
Non-current liabilities (22)	100,481	128,991	73,256	99,194
Current liabilities (22)	371,027	271,969	221,289	172,774
	<b>492,205</b>	<b>426,688</b>	<b>294,545</b>	<b>271,968</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER' EQUITY</b>	<b>749,353</b>	<b>688,510</b>	<b>482,041</b>	<b>494,745</b>

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

**SOURCE AND APPLICATION OF FUNDS**

(EUR 1,000)

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>CASH FLOW FROM BUSINESS OPERATIONS</b>				
Operating result	20,584	24,950	5,087	7,789
Operating result adjustments:				
Planned depreciation	50,058	47,462	8,282	11,034
Other income and expenses, not involving disbursements	771	-985	0	302
Other adjustments	-1,482	-5,730	-307	-3,810
Cash flow before change in operating capital	69,931	65,697	13,062	15,315
<b>CHANGE IN OPERATING CAPITAL</b>				
Increase(-)/decrease(+) in current receivables	-702	+11,784	-14,494	+3,899
Increase(-)/decrease(+) in inventories	-5,610	-1,750	+3,480	-3,330
Increase(+)/decrease(-) in current interest-free liabilities	-370	-19,008	+3,344	-3,700
	-6,682	-8,974	-7,670	-3,131
Cash flow from operations before financial items and taxes	63,249	56,723	5,392	12,184
Interest paid and payments on financial operating expenses	-15,760	-23,365	-12,349	-19,117
Dividends received on operations	417	547	406	542
Interest and other financial income from operations	5,287	5,690	17,201	18,095
Direct taxes paid	-7,809	-3,180	-2,261	1,726
Cash flow before extraordinary items	45,384	36,415	8,389	13,430
Cash flow arising from extraordinary operating items (net)	0	0	0	0
<b>CASH FLOW FROM OPERATIONS</b>	45,384	36,415	8,389	13,430
<b>CASH FLOW FROM INVESTMENTS</b>				
Investments in tangible and intangible assets	-47,744	-29,066	-4,186	-4,464
Income from surrender of tangible and intangible assets	1,880	3,910	994	827
Investments in Group company shares	-20,535	-641	-20	-816
Income from surrender of Group company shares	88	0	0	0
Investments in associated company shares	-541	-17	0	0
Income from surrender of associated company shares	0	10,091	0	0
Other investments	-208	-51	-82	0
Income from surrender of other investments	8	963	9	589
Loans granted	-167	-2	-38,955	-4,500
Repayment of loan receivables	2,314	0	12,507	12,844
<b>CASH FLOW FROM INVESTMENTS</b>	-64,905	-14,813	-29,733	4,480
Cash flow after investments	-19,521	21,602	-21,344	17,910
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>				
Increase(+)/decrease(-) in non-current loans	-24,275	-8,688	-20,666	-17,966
Increase(+)/decrease(-) in current liabilities	+46,925	-27,932	+65,988	-15,487
Increase(+)/decrease(-) in non-current loan receivables	+151	+160	+0	+0
Group contributions received and paid			2,110	-9,130
Dividend paid and other distribution of profit	-2,993	-2,831	-2,808	-2,778
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>	19,808	-39,291	44,624	-45,361
Change in liquid funds according to calculation	287	-17,689	23,280	-27,451
Unallocated items	939	751	-2,007	3,732
Change in liquid funds	1,226	-16,938	21,273	-23,719
Liquid funds at beginning of financial year	40,966	57,904	54,056	77,775
Liquid funds at end of financial year	42,192	40,966	75,329	54,056

## ACCOUNTING PRINCIPLES

The Raisio Group consolidated financial statements have been drawn up in compliance with the Finnish Accounting and Companies Acts. The accounts have been drawn up in euros.

### ■ 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, 2002. 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.

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 transactions 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. Straight-line depreciation has been made on Group adjustments, spread over ten or twenty years depending on the item.

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.

The other associated companies in which the Group has a 20–50% holding have been combined using the share of equity 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.

The Group's ownership of Latexia S.A. rose from 50% to 100%, and both Latexia and its subsidiaries have been fully integrated into the consolidated financial statements since August 1, 2002, prior to which point the Latexia sub-group was entered in the consolidated financial statements as a joint venture.

The balance sheets of foreign subsidiaries have been converted into euros at the middle rate on the date of closing. 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.

### ■ 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 estimate economic life of the item. The different groups of fixed assets had the following economic lives:

■ buildings and constructions	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.

### ■ Inventories

The valuation principle used for inventories was changed at the beginning of 2002. Inventories have been entered in the balance sheet as acquisition costs, with both variable expenses and an attributable proportion of the fixed expenses of acquiring and manufacturing the commodities concerned being capitalized. The maximum valuation of inventories is the probable acquisition cost or selling price at year end.

### ■ Research and development expenditure

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

### ■ Pension arrangements

Pension expenses have been calculated in accordance with local legislation. 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, following local practices.

### ■ Turnover

Turnover includes sales income from commodities and exchange rate differences in sales, minus discounts and indirect taxes based on sales.

### ■ Other income from business operations

Other income from business operations includes profit from sale of assets and other regular income not related to actual sales of goods or services, such as rents.

### ■ Income 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 calculated on the basis of the timing differences between the closing date and the taxation date, using the tax rate for subsequent years confirmed on the closing date. The balance sheet includes deferred tax liabilities in toto and deferred tax assets at the estimated value of the probable tax benefit.

Corporate tax credit based on dividend distribution within the Group is eliminated in the consolidated financial statements by allocating it as a deduction in income 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 euros at the middle rates on the date of closing. Realized exchange rate differences and gains and losses arising from the valuation of liabilities and assets have been entered in the income statement. Exchange rate gains and losses related to actual business operations are entered as adjustment items on sales and purchases, and those related to financing are included under financial income and expenses.

### ■ Source and application of funds

Cash flows during the financial year have been separated into flows related to business operations, investments and financing. In the consolidated statement on source and application of funds, the effect of exchange rate changes has been eliminated by converting the initial balance sheet at the rates on the date of closing without taking cash flows into account. Cash flow items are mostly presented on a payment basis.

## NOTES TO THE ACCOUNTS

### NOTES TO THE FINANCIAL STATEMENTS (EUR 1,000)

	GROUP				PARENT COMPANY			
	2002		2001		2002		2001	
<b>1. TURNOVER BY DIVISION</b>								
Raisio Chemicals	370,142		354,558					
Raisio Nutrition	456,863		457,639					
Raisio Life Sciences	30,251		23,837					
Others	1,633		1,430					
– Interdivisional turnover	–15,797		–14,604					
<b>Total</b>	<b>843,092</b>		<b>822,860</b>					
<b>TURNOVER BY MARKET AREA</b>								
Finland	401,409		393,113					
Scandinavia	77,295		75,248					
Rest of Europe	258,305		260,251					
The Americas	52,574		52,385					
Asia	51,956		36,738					
Others	1,553		5,125					
<b>Total</b>	<b>843,092</b>		<b>822,860</b>					
<b>TURNOVER QUARTERLY *</b>								
	<b>2002</b>				<b>2001</b>			
	<b>1–3</b>	<b>4–6</b>	<b>7–9</b>	<b>10–12</b>	<b>1–3</b>	<b>4–6</b>	<b>7–9</b>	<b>10–12</b>
Raisio Chemicals	86,291	85,812	95,614	102,425	88,576	88,487	90,094	87,401
Raisio Nutrition	106,106	115,476	117,942	117,339	101,513	117,957	119,379	118,790
Raisio Life Sciences	6,201	7,090	7,640	9,320	5,836	5,192	5,630	7,179
Others	395	911	210	117	356	750	169	155
– Interdivisional turnover	–4,084	–3,750	–3,955	–4,008	–3,594	–3,152	–3,819	–4,039
<b>Total</b>	<b>194,909</b>	<b>205,539</b>	<b>217,451</b>	<b>225,193</b>	<b>192,687</b>	<b>209,234</b>	<b>211,453</b>	<b>209,486</b>
<b>2. MATERIALS AND SERVICES</b>								
Materials, supplies and goods								
Purchases during the year	496,753		500,688		37,641		99,874	
Change in inventories	17,976		–5,128		26,355		–5,864	
	514,729		495,560		63,996		94,010	
External services	2,776		3,297		275		334	
<b>Total</b>	<b>517,505</b>		<b>498,857</b>		<b>64,271</b>		<b>94,344</b>	
<b>3. PERSONNEL EXPENSES</b>								
Wages and salaries	82,774		81,719		16,166		21,908	
Pension expenses	11,742		12,514		2,954		4,757	
Other personnel expenses	11,524		11,402		1,579		2,496	
<b>Total</b>	<b>106,040</b>		<b>105,635</b>		<b>20,699</b>		<b>29,162</b>	
<b>4. SALARIES AND RENUMERATIONS PAID TO MANAGEMENT</b>								
Managing director and members of the Board of Directors	3,113		2,927		517		586	
<b>5. AVERAGE NUMBER OF GROUP PERSONNEL</b>								
Finland	1,525		1,561		483		628	
Abroad	1,129		1,123					
<b>Total</b>	<b>2,654</b>		<b>2,684</b>		<b>483</b>		<b>628</b>	
<b>6. PENSION LIABILITY</b>								
Pension liability for members of the Board of Directors and managing director								
The Chief Executive of the parent company can take early retirement at the age of 60 and has to retire on reaching 62. Certain other Group managers can take early retirement at 62.								
<b>7. DEPRECIATION AND WRITE-DOWNS</b>								
Depreciation on tangible and intangible assets	48,772		46,578		8,282		11,034	
Write-downs on fixed and long-term investment	1,286		884		0		0	
<b>Total</b>	<b>50,058</b>		<b>47,462</b>		<b>8,282</b>		<b>11,034</b>	

The transfer of the Grain starch business from Raisio Chemicals to Raisio Nutrition has taken into consideration in turnover and operating result figures for the comparison period.

\* Not part of the official financial statement material

	GROUP				PARENT COMPANY			
	2002		2001		2002		2001	
8. RESULT BY DIVISION								
Raisio Chemicals	10,691		19,345					
Raisio Nutrition	10,711		13,389					
Raisio Life Sciences	511		-3,553					
Others	-1,329		-4,231					
Total	20,584		24,950					
RESULT QUARTERLY *								
	2002				2001			
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
Raisio Chemicals	3,819	2,076	2,273	2,523	2,830	2,764	4,497	9,254
Raisio Nutrition	3,940	3,094	5,493	-1,816	762	4,869	4,815	2,943
Raisio Life Sciences	-102	31	371	211	-1,690	-639	-1,204	-20
Others	-184	-241	-536	-368	-1,012	16	-1,739	-1,496
Total	7,473	4,960	7,601	550	890	7,010	6,369	10,681
9. FINANCIAL INCOME AND EXPENSES								
Dividend received								
From participating interests companies					7		7	
From others	581		764		566		756	
Total	581		764		573		763	
Interest received on long-term investment								
From Group companies					8,325		10,200	
From others	39		209		0		1	
Total	39		209		8,325		10,201	
Total income from long-term investment	620		973		8,897		10,965	
Other interest and financial income								
From Group companies					3,231		2,760	
From others	3,776		5,034		3,001		4,118	
Total	3,776		5,034		6,233		6,879	
Total interest received on long-term investment and other interest and financial income	3,815		5,243		14,557		17,080	
Exchange rate differences								
Group companies					-4,481		1,576	
Others	725		-1,028		6,232		-2,849	
Total	725		-1,028		1,751		-1,273	
Write-downs on investment								
Write-downs on long-term investment	0		0		-34,981 <sup>1)</sup>		0	
Total	0		0		-34,981		0	
Interest paid and other financial expenses								
To Group companies					-674		-758	
To others	-16,449		-21,633		-12,473		-17,065	
Total	-16,449		-21,633		-13,148		-17,823	
Total financial income and expenses	-11,328		-16,654		-31,247		-1,252	
<sup>1)</sup> Composition granted to subsidiary								
10. EXTRAORDINARY INCOME AND EXPENSES								
Extraordinary income								
Group subsidies received					9,850		11,800	
Total	0		0		9,850		11,800	
Extraordinary expenses								
Group subsidies paid					0		-9,690	
Total	0		0		0		-9,690	
Total extraordinary income and expenses	0		0		9,850		2,110	
11. APPROPRIATIONS								
Difference between planned depreciation and depreciation made in taxation					6,795		2,745	
12. INCOME TAXES								
Income tax on extraordinary items	0		0		0		-612	
Income on normal operations	-5,096		-8,579		0		-2,132	
Taxes on earlier financial years	2		23		29		3	
Change in deferred tax liability	2,176		4,971		0		0	
Total	-2,918		-3,585		29		-2,741	

\* Not part of the official financial statement material



13. CONSOLIDATED TANGIBLE AND INTANGIBLE ASSETS 2002

	Intangible assets						Tangible assets					
	Intangible rights	Goodwill	Group adjustments	Other long-term expenditure	Advances paid and unfinished assets	Intangible assets total	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.	59,280	3,133	67,017	1,358	530	131,318	7,179	182,327	416,945	2,883	7,383	616,717
Conversion difference	-264	-750	0	0	0	-1,014	-259	-1,908	-8,423	-183	-262	-11,035
Increase 1.1.-31.12.	5,396	35	15,454	865	1,413	23,163	638	23,175	78,805	367	10,768	113,753
Decrease 1.1.-31.12.	207	0	0	149	659	1,015	83	3,616	4,434	439	4,239	12,811
Transfers between items	22	0	0	0	0	22	168	-92	760	-6	-852	-22
<b>Acquisition cost 31.12.</b>	<b>64,227</b>	<b>2,418</b>	<b>82,471</b>	<b>2,074</b>	<b>1,284</b>	<b>152,474</b>	<b>7,643</b>	<b>199,886</b>	<b>483,653</b>	<b>2,622</b>	<b>12,798</b>	<b>706,602</b>
Accumulated depreciation and write-downs 1.1.	31,873	2,413	20,032	929	0	55,247	0	91,930	264,729	1,687	0	358,346
Conversion difference	-145	-532	0	0	0	-677	0	-385	-3,513	-115	0	-4,013
Accumulated depreciation of decrease and transfers	-339	-10	-992	-225	0	-1,566	0	-3,926	-20,361	269	0	-24,018
Depreciation for the year	6,560	54	4,119	85	0	10,818	0	8,793	29,487	276	0	38,556
<b>Accum. depreciation 31.12.</b>	<b>38,627</b>	<b>1,945</b>	<b>25,143</b>	<b>1,239</b>	<b>0</b>	<b>66,954</b>	<b>0</b>	<b>104,264</b>	<b>311,064</b>	<b>1,579</b>	<b>0</b>	<b>416,907</b>
<b>Book value 31.12.2002</b>	<b>25,600</b>	<b>473</b>	<b>57,328</b>	<b>835</b>	<b>1,284</b>	<b>85,520</b>	<b>7,643</b>	<b>95,622</b>	<b>172,589</b>	<b>1,043</b>	<b>12,798</b>	<b>289,695</b>
<b>Book value 31.12.2001</b>	<b>27,407</b>	<b>720</b>	<b>46,985</b>	<b>429</b>	<b>530</b>	<b>76,071</b>	<b>7,179</b>	<b>90,397</b>	<b>152,216</b>	<b>1,196</b>	<b>7,383</b>	<b>258,371</b>
<b>Balance sheet value of machinery and equipment</b>												
<b>31.12.2002</b>												<b>136,285</b>
<b>31.12.2001</b>												<b>121,653</b>

14. PARENT COMPANY TANGIBLE AND INTANGIBLE ASSETS 2002

	Intangible assets					Tangible assets						
	Intangible rights	Goodwill	Other long-term expenditure	Advances paid	Intangible assets total	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.	19,035	2,024	501	127	21,687	3,183	73,289	107,512	264	36	184,284	
Increase 1.1.-31.12.	316		347	695	1,358		326	1,157	10	957	2,449	
Decrease 1.1.-31.12.	17,408	2,024	72	477	19,981	343	43,339	94,900	12	963	139,556	
Transfers between items	127			-127	0		20	9		-29	0	
<b>Acquisition cost 31.12.</b>	<b>2,070</b>	<b>0</b>	<b>776</b>	<b>218</b>	<b>3,064</b>	<b>2,840</b>	<b>30,296</b>	<b>13,778</b>	<b>263</b>	<b>0</b>	<b>47,177</b>	
Accumulated depreciation and write-downs 1.1.	10,817	2,024	217		13,057		42,340	78,699			121,039	
Accumulated depreciation of decrease and transfers	10,686	2,024	66		12,775		26,061	72,140			98,201	
Depreciation for the year	1,503		46		1,549		2,207	4,526			6,733	
<b>Accum. depreciation 31.12.</b>	<b>1,634</b>	<b>0</b>	<b>197</b>	<b>0</b>	<b>1,831</b>	<b>0</b>	<b>18,486</b>	<b>11,085</b>	<b>0</b>	<b>0</b>	<b>29,571</b>	
<b>Book value 31.12.2002</b>	<b>435</b>	<b>0</b>	<b>579</b>	<b>218</b>	<b>1,233</b>	<b>2,840</b>	<b>11,810</b>	<b>2,693</b>	<b>263</b>	<b>0</b>	<b>17,606</b>	
<b>Book value 31.12.2001</b>	<b>8,218</b>	<b>0</b>	<b>284</b>	<b>127</b>	<b>8,629</b>	<b>3,183</b>	<b>30,949</b>	<b>28,813</b>	<b>264</b>	<b>36</b>	<b>63,245</b>	
<b>Balance sheet value of machinery and equipment</b>												
<b>31.12.2002</b>												<b>1,261</b>
<b>31.12.2001</b>												<b>26,831</b>

15. CONSOLIDATED AND PARENT COMPANY INVESTMENT 2002

GROUP	Participating interest company shares	Other shares	Other receivables	Total investment	PARENT COMPANY	Group company shares	Participating interest company shares	Other shares	Receivables, Other Group receivables	Other receivables	Total investment
Increase 1.1.-31.12.	542	277	269	1,088	Increase 1.1.-31.12.	44,458		143	105,108	158	149,867
Decrease 1.1.-31.12.	344	76	2,965	3,385	Decrease 1.1.-31.12.	62,993	4	224	52,469	25	115,715
<b>Acquisition cost 31.12.</b>	<b>4,443</b>	<b>8,312</b>	<b>166</b>	<b>12,921</b>	<b>Acquisition cost 31.12.</b>	<b>75,180</b>	<b>31</b>	<b>6,959</b>	<b>232,127</b>	<b>158</b>	<b>314,455</b>
<b>Accum. depreciation 31.12.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Accum. depreciation 31.12.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Book value 31.12.2002</b>	<b>4,443</b>	<b>8,312</b>	<b>166</b>	<b>12,921</b>	<b>Book value 31.12.2002</b>	<b>75,180</b>	<b>31</b>	<b>6,959</b>	<b>232,127</b>	<b>158</b>	<b>314,455</b>
<b>Book value 31.12.2001</b>	<b>4,245</b>	<b>8,111</b>	<b>2,862</b>	<b>15,218</b>	<b>Book value 31.12.2001</b>	<b>93,716</b>	<b>35</b>	<b>7,040</b>	<b>179,488</b>	<b>25</b>	<b>280,303</b>

Undepreciated Group adjustments for associated companies amounted to EUR 928 thousand on December 31, 2002.

## 16. SHARES AND HOLDINGS 2002

	Group holding %	Parent company holding %
<b>Group companies</b>		
Airisto RE S.A., Luxemburg	100.00	99.00
SIA Amelija, Latvia	100.00	
Autuminvest Oy, Raisio	100.00	
Benerol Oy, Raisio	100.00	100.00
Canelo Oy, Raisio	100.00	
Carlshamn Mejeri AB, Sweden	100.00	
Carlshamn Mejeri Produktions AB, Sweden	100.00	
Claymore Chemicals Ltd., Scotland	100.00	
Finnamyl Ltd, Raisio	100.00	100.00
Hunan Yueyang Raisio Tiantai Chemicals Co., Ltd., China	55.00	
PT Intercipta Kimia Pratama, Indonesia	60.00	
Oy Kationi Ab, Raisio	100.00	
Lapuan Peruna Oy, Lapua	68.15	
Latexia S.A., Belgium	100.00	
Latexia Asia Pacific PTE Ltd, Singapore	100.00	
Latexia Brasil Ltda., Brazil	100.00	
Latexia Chemical (Jiang Su) Co., Ltd., China	100.00	
Latexia Deutschland GmbH, Germany	100.00	
Latexia France SAS, France	100.00	
Latexia Iberia, S.L., Spain	100.00	
PT Latexia Indonesia, Indonesia	100.00	
Latexia SB Oy, Raisio	100.00	
Latexia Shanghai (Trading) Co., Ltd., China	100.00	
Latexia Suomi Oy, Raisio	100.00	
Latexia Sverige AB, Sweden	100.00	
Latexia Österreich GmbH, Österreich	100.00	
Melia Ltd, Raisio	75.00	
Melia Eesti OÜ, Estonia	100.00	
Monäs Feed Oy Ab, Uusikaarlepyy	99.70	
OOO Raisio, Russia	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	
Raisio Chemicals Ltd, Raisio	100.00	100.00
Raisio Chemicals Canada, Inc., Canada	100.00	
Raisio Chemicals Chile S.A., Chile	51.00	
Raisio Chemicals Deutschland GmbH, Germany	100.00	
PT Raisio Chemicals Indonesia, Indonesia	100.00	
Raisio Chemicals Italia S.R.L., Italy	100.00	
Raisio Chemicals Korea Inc., Korea	51.00	
Raisio Chemicals de México, S.A. de C.V., Mexico	100.00	
Raisio Chemicals Paperion S.A., France	99.84	
Raisio Chemicals S'pore Pte Ltd, Singapore	100.00	
Raisio Chemicals UK Ltd., UK	100.00	
Raisio Chemicals U.S., Inc., USA	100.00	
Raisio Echeveste S.A., Spain	51.00	
Raisio Engineering Oy, Raisio	100.00	
Raisio Feed AS, Estonia	100.00	
Raisio France S.A., France	99.99	
Raisio Grain Starch Ltd, Raisio	100.00	
UAB Raisio Lietuva, Lithuania	100.00	
Raisio Netherlands B.V., Netherlands	100.00	
Raisio Nordic Oy, Raisio	100.00	
Raisio Nordic Eesti AS, Estonia	100.00	
OOO Raisio Nutrition, Russia	100.00	
Raisio Polska Foods Sp. z o.o., Poland	100.00	
Raisio Portugal-Produtos Químicos, LDA, Portugal	51.00	
Raisio Química Andina S.A., Colombia	96.40	
Raisio Skandinavia Oy, Raisio	100.00	
Raisio Staest Ltd, Raisio	100.00	
Raisio Staest US Inc., USA	100.00	
Raisio Svenska AB, Sweden	100.00	
Raisio Tianma Chemicals (Suzhou) Co., Ltd., China	70.00	
Raisio Tianma Chemicals (Suzhou) Co., Ltd. Jinan, China	100.00	
Raisio Nutrition Ltd, Raisio	100.00	100.00
Raisio Feed Ltd, Raisio	100.00	
Sterol Technologies Ltd, Raisio	100.00	
Sterol Trading US Inc., USA	100.00	
Suomen Myllyt Oy, Raisio	100.00	
<b>Associated companies</b>		
Alahärmän Perunavarasto Oy, Alahärmä	67.94	
PT Budi Raisio International, Indonesia	50.00	
Periva Oy, Kokemäki	50.00	
AS Rigas Dzirnaviņš, Latvia	26.86	
Sichuan Qianwei Tianma Chemicals Co., Ltd., China	40.00	
Vihannin Vedenpuhdistamo Oy, Vihanti	49.00	
Vihervakka Oy, Pöytyä	38.50	38.50
Xinyi Raisio Chemicals Co. Ltd., China	40.00	

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
17. INVENTORIES				
Materials and supplies	104,599	104,981	814	27,169
Production in progress	1,369	1,103	0	0
Finished products/goods	45,668	35,961	0	8,378
Other inventories	1,911	1,734	4	4
Advance payments	30	0	0	0
	153,577	143,779	818	35,551
18. Receivables				
<b>Non-current receivables</b>				
Receivables from participating interest companies				
Loan receivables	477	567	0	0
Loan receivables	8,582	10,212	0	0
Other receivables	392	222	0	0
Prepaid expenses and accrued income	30	0	0	0
Total non-current receivables	9,481	11,001	0	0
<b>Current receivables</b>				
Accounts receivable	114,656	105,877	95	11,735
Receivables from Group companies				
Accounts receivable			8,209	11,176
Loan receivables			43,430	5,410
Other receivables			13,544	16,496
Prepaid expenses and accrued income			4,473	5,417
			69,656	38,500
Receivables from participating interest companies				
Accounts receivable	513	857	0	199
Loan receivable	76	112	0	0
Other receivables	0	11	0	23
Prepaid expenses and accrued income	0	15	0	26
	589	995	0	248
Loan receivables	659	747	39	0
Other receivables	10,172	8,879	547	1,992
Prepaid expenses and accrued income	18,000	11,842	2,263	486
Total current receivables	144,076	128,340	72,600	52,960
Prepaid expenses and accrued income include items related to the timing of operational income and expenses, financial items and taxes.				
19. SHAREHOLDERS' EQUITY				
Share capital 1.1.	27,776	27,776	27,776	27,776
Share capital 31.12.	27,776	27,776	27,776	27,776
Premium fund 1.1.	2,908	2,908	2,908	2,908
Premium fund 31.12.	2,908	2,908	2,908	2,908
Reserve fund 1.1.	88,688	88,667	88,587	88,587
Transferred from retained earnings	18	23	0	0
Other changes	4	-2	0	0
Reserve fund 31.12.	88,710	88,688	88,587	88,587
Other reserves 1.1.	113	92	0	0
Transferred from retained earnings	0	21	0	0
Other changes	5	0	0	0
Other reserves 31.12.	118	113	0	0
Retained earnings 1.1.	120,245	115,195	70,590	64,716
Dividend distributed	-2,992	-2,831	-2,808	-2,778
Minority dividends transferred to retained earnings	185	53	0	0
Transferred to reserve fund	-18	-23	0	0
Transferred to other reserves	0	-21	0	0
Other changes	-8,850	1,242	0	0
Retained earnings 31.12.	108,570	113,615	67,782	61,939
Result for the year	5,436	6,630	-9,486	8,651
Total shareholders' equity	233,518	239,730	177,567	189,861
Distributable equity			58,296	
<b>Parent company share capital divided by share series as follows:</b>				
		2002		2001
	Shares	EUR 1,000	Shares	EUR 1,000
Series K (20 votes/share)	35,384,262	5,952	35,391,112	5,952
Series V (1 vote/share)	129,764,768	21,824	129,757,918	21,824
Total	165,149,030	27,776	165,149,030	27,776

The Groups option programme is on the page 58.

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>20. APPROPRIATIONS</b>				
Parent company appropriations consist of the accumulated depreciation difference.				
In the consolidated accounts the proportion of the depreciation difference accumulated and non-mandatory reserves transferred to shareholders' equity is EUR 37,680 thousand.				
<b>21. DEFERRED TAX LIABILITY AND ASSETS</b>				
Deferred tax assets				
On consolidation	2,163	1,455		
On timing differences	9,728	13,308		
	<b>11,891</b>	14,763		
Deferred tax liability				
On appropriations	18,359	23,510		
On consolidation	1,526	1,431		
On timing differences	812	786		
	<b>20,697</b>	25,727		
<b>22. LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions	98,661	122,163	72,065	95,809
Pension loans	1,399	4,196	1,083	3,250
Other long-term loans	421	2,632	107	135
Total non-current liabilities	<b>100,481</b>	128,991	<b>73,256</b>	99,194
Liabilities falling due within a period longer than five years				
Loans from credit institutions	15,571	22,344	833	8,788
Other long-term loans	0	23	0	0
Total	<b>15,571</b>	22,367	<b>833</b>	8,788
<b>Current liabilities</b>				
Loans from credit institutions	218,123	143,532	185,558	119,629
Pension loans	2,798	2,798	2,167	2,167
Advance payments	1,054	919	0	1
Accounts payable	81,811	69,222	11,056	16,786
Notes payable	1,462	1,730	0	0
Liabilities to Group companies				
Accounts payable			12	589
Other liabilities			5,772	10,449
Accrued liabilities and deferred income			651	171
			<b>6,435</b>	11,209
Liabilities to participating interest companies				
Accounts payable	118	149	18	31
Accrued liabilities and deferred income	1	0	0	0
	<b>119</b>	149	<b>18</b>	31
Other liabilities	26,309	18,599	10,955	11,749
Accrued liabilities and deferred income	39,351	35,020	5,100	11,202
Total current liabilities	<b>371,027</b>	271,969	<b>221,289</b>	172,774
Accrued liabilities and deferred income comprises items related to the timing of operational expenses, financial items and taxes.				
Interest-free debts				
Non-current	20,918	25,945	0	0
Current	137,731	112,546	17,721	39,584
Total	<b>158,649</b>	138,491	<b>17,721</b>	39,584

OTHER NOTES TO THE ACCOUNTS  
(EUR 1,000)

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>23. SECURITY GIVEN, CONTINGENT AND OTHER LIABILITIES</b>				
ASSETS GIVEN AS SECURITY				
<b>For the Company</b>				
Mortgages on real estate	10,476	66,808	0	5,517
Corporate mortgages	22,789	55,715	0	0
Total	33,265*)	122,523	0	5,517
<b>For Group companies</b>				
Mortgages on real estate			6,222	51,494
Corporate mortgages			0	25,060
Total			6,222	76,554

The value of the security is 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

**Leasing liabilities**

Amounts outstanding on leasing contracts				
Falling due during 2003/2002	4,514	3,561	1,847	1,323
Falling due later	6,204	6,867	2,506	2,244
Total	10,718	10,428	4,353	3,567

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

**Contingent liabilities for Group companies**

Guarantees	67,500*)	6,000	91,022	60,887
Redemption liabilities			1,716	2,327
			92,738	63,214

\*) The change in the number of mortgages given on real estate is due to a security arrangement made in connection with the establishment of Raisio Nutrition Ltd. that had not been completed at the time of closing the accounts. Mortgages have been amortized and replacement securities agreed on. For the duration of the transition period, some Group companies have given financiers absolute guarantees, which again is reflected in the number of guarantees given on behalf of Group companies.

<b>Contingent liabilities for the Company</b>	14,428	14,138	5,550	5,550
<b>Contingent liabilities for associated companies</b>				
Guarantees	0	10,094	0	10,000
<b>Contingent liabilities for others</b>				
Guarantees	173	3,556	51,000	3,432

**Liabilities arising from derivative contracts**

Derivative contracts are used in the group for hedging.

The values of underlying instruments stated below for derivative contracts illustrate the extent of hedging measures.

The market values of derivative contracts show what the result would have been if the derivative position had been closed at market prices on the date of closing the accounts.

Raw material futures:		
Market value	-343	391
Value of underlying instruments	11,612	17,528

The value of underlying instruments of raw material futures is the market value of the commodity batches underlying the futures, converted at the exchange rate on the date of closing.

Forward electricity contracts:		
Market value	-16	0
Value of underlying instruments	472	0

The value of the electricity supplies concerned has been given as the value of the underlying forward contracts.

Currency forward contracts:		
Market value	369	-484
Value of underlying instruments	26,711	31,990

The value of underlying instruments of forward foreign exchange contracts is that of outstanding contracts converted to euros at the exchange rate on the date of closing.

Interest-rate swaps:		
Market value	-1,503	-16
Value of underlying instruments	80,000	60,000

The value of underlying instruments stated for interest rate swaps is the nominal value of outstanding contracts.



## RISK MANAGEMENT

### FINANCIAL RISKS

The aim of financial risk management is to protect the Group from unfavourable trends on financial markets and thus contribute to and safeguard corporate performance. Financing and financial risk management have globally been concentrated in the Group Finance department in order to ensure full coverage, sufficient expertise and cost-effective operations for risk management function.

Within the Group Finance department, risk management operations are regulated by a finance policy, which is revised regularly and approved by the Board. All major borrowing decisions are made by the Board following proposals from Group Finance.

#### ■ Liquidity risk

Liquidity risk means that the company's financial assets and potential for acquiring additional financing may not cover the future needs of business operations. In accordance with corporate policy, Group Finance aims to maintain good liquidity under all circumstances, at a level that guarantees strategic operating freedom for the management. Apart from investments, the major elements in the liquidity reserve are undrawn loans agreed on with financiers and overdraft limits. Funding risks are spread by acquiring funding from a number of sources.

#### ■ Interest rate risk

Interest rate risk refers to the impact of interest rate fluctuations on corporate net financial expenses and the market values of negotiable money market investments and derivatives over the next 12 months. This risk is controlled, by managing the structure of the loan portfolio and money market investments so as to keep net financial expenses as low as possible. Interest rate swaps forward rate agreements and interest rate options can be used in modifying portfolio composition. The maximum amount of interest rate risk to be carried is regulated by finance policy.

#### ■ Foreign exchange risk

The Group hedges itself against the currency risks involved in receivables and liabilities dominated in foreign currencies, off-balance-sheet purchase and sales agreements and, in part, budgeted cash flows. Group finance may also hedge equity investments under currency risk in foreign subsidiaries. The aim of currency risk management is to optimise currency performance within the limits allowed by the policy, using selective hedging. The instruments used in hedging operations may be forwarded currency contracts, currency options or currency swaps.

#### ■ Counterparty risk

Counterparty risk refers to a situation in which a contracting party is unable or does not want to fulfil its obligations. The Group exposes itself to counterparty risk when Group Finance invests funds on the market and operates using derivatives. Group Finance is responsible for all counterparty risk related to its investments and derivative contracts. The key way to controlling such risks is careful selection of counterparties with a good credit rating, counterparty-specific limits and risk-spreading.

### COMMODITY PRICE RISK

Commodity price risk refers to the uncertainty arising from differences in timing between fixed-price raw material purchases and fixed-price product sales. The business areas are in principle responsible for their own commodity price risk, with the exception that, in the case of rapeseed and soybean raw materials, the business area concerned is responsible for calculating its risk position but Group Finance carries out the necessary hedging operations.

### ELECTRICITY PRICE RISK

Electricity price risk refers to the risk caused by sudden changes in the price of energy required by domestic production plants. The price risk involved in purchasing electric energy for the Raisio Group is managed through commercial electricity delivery contracts of varying lengths and electricity derivative contracts. The derivative contracts used are forward electricity contracts listed by Nordpool and forward contracts linked to the forward electricity or system price on the OTC market's Helsinki price area. The Group Energy and Environmental Services unit is responsible for monitoring electricity consumption and for the physical procurement of electricity. Group Finance implements all the necessary hedging measures.

### COUNTERPARTY AND CREDIT RISKS IN SALES

Within the framework of corporate guidelines, the business sectors make independent counterparty risk decisions, such as those on the criteria for accepting customers, the sales terms to be used and the security required. They are also responsible for the credit risk related to sales receivables. In some geographical areas, sales receivables have been secured with credit insurance policies.

### PROPERTY AND LIABILITY RISK

In order to hedge against property, loss of profit or liability risks, the Raisio Group has global insurance schemes. Policy management has been centralized at the Group, but each business area is responsible for its insured amounts and objects to be insured.

International insurance markets have changed considerably and reinsurers' prices have risen as a result of natural catastrophes and terrorism. There are still pressures to raise Raisio Group insurance premiums.

### DEVELOPING RISK MANAGEMENT

In 2002, Raisio risk management involved preventing safety risks at production plants and raising the level of hedging. Most Raisio Group production units have used risk management experts to assess their operating conditions, practices and safety plans. One business area has started a pilot project aimed at developing and introducing systems to assess and measure the level of risk management.

## FINANCIAL INDICATORS

	1998	1999	2000	2001	2002
<b>Result and profitability</b>					
Turnover, EURm	833	763	800	823	843
change, %	-3.0	-8.4	4.9	2.9	2.5
International turnover, EURm	421	374	399	433	443
% of turnover	50.6	49.0	49.9	52.7	52.5
Operating result, EURm	52	16	-32	25	21
% of turnover	6.3	2.1	-4.0	3.0	2.4
Result before extraordinary items, EURm	42	6	-47	8	9
% of turnover	5.1	0.8	-5.8	1.0	1.1
Result before taxes and minority interest, EURm	39	-2	-47	8	9
% of turnover	4.7	-0.3	-5.8	1.0	1.1
Return on equity, ROE, %	9.2	0.4	-14.9	1.8	2.4
Return on investment, ROI, %	11.1	4.0	-4.2	5.5	4.5
<b>Financial and economical position</b>					
Shareholders' equity and minority interest, EURm	317	304	260	262	257
Net interest-bearing liabilities, EURm	174	233	251	233	281
Balance sheet total, EURm	690	744	750	689	749
Equity ratio, %	46.0	41.0	34.7	38.1	34.4
Gearing, %	54.9	76.5	96.5	88.9	109.4
Quick ratio	0.7	0.6	0.7	0.7	0.5
Current ratio	1.2	1.2	1.2	1.2	0.9
Cash flow from business operations, EURm	47 <sup>*)</sup>	6	16	36	45
<b>Other indicators</b>					
Gross investments, EURm	75	61	49	29	81
% of turnover	9.0	8.0	6.2	3.5	9.6
R&D expenditure, EURm	18	16	18	18	20
% of turnover	2.1	2.1	2.3	2.2	2.4
Average personnel	2,904	2,897	2,775	2,684	2,654

<sup>\*)</sup> According to the previous accounting principles of source and application of funds

## 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, %	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Gearing, %	$\frac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$
Quick ratio	$\frac{\text{Financial assets}}{\text{Current liabilities per balance sheet}}$
Current ratio	$\frac{\text{Financial assets} + \text{inventories}}{\text{Current liabilities per balance sheet}}$

Share indicators and their computation are on pages 62–63.

## BOARD'S PROPOSAL FOR THE DISPOSAL OF PROFIT

Shareholders' equity according to the consolidated balance sheet at December 31, 2002 is EUR 233.5 million, of which EUR 76.4 million is distributable. According to the balance sheet, the distributable assets of the parent company at December 31, 2002 total EUR 58,296,047.88.

The Board of Directors proposes that a dividend of EUR 0.02 per share be paid from the parent company's earnings on a total of 165,149,030 shares,

totalling	EUR 3,302,980.60
and that be carried over on the retained earnings account	EUR 54,993,067.28
<b>Total</b>	<b>EUR 58,296,047.88</b>

Raisio, February 10, 2003

Arimo Uusitalo	Matti Linnainmaa	Jörgen Grandell	
Jaakko Ihamuotila	Kaarlo Pettilä	Christoffer Taxell	Rabbe Klemets <i>Chief Executive</i>

## AUDITORS' REPORT

### to the shareholders of Raisio Group plc

We have audited the accounting, the financial statements and the corporate governance of Raisio Group plc for the period January 1 – December 31, 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit 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 corporate governance is to

examine that the members of Supervisory Board, the Board of Directors and the Managing Director have legally complied with the rules of the Finnish Companies Act.

In our opinion the financial statements have been prepared in accordance with the 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's result of operations, as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board, the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Finnish Companies Act.

Raisio, February 14, 2003

Esa Kailiala  
*APA*

Pekka Pajamo  
*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 – December 31, 2002, and the attached financial statements, and studied the auditors' report, in accordance with the Articles of Association.

The Supervisory Board has decided to propose in its statement to the Annual General Meeting that the income statement and balance sheet and the consolidated income statement and balance sheet be adopted and that the profit shown by the accounts be disposed of as proposed by the Board of Directors.

The members of the Supervisory Board in turn to resign on December 31, 2003 are Matti Hakala, Mikael Holmberg, Taisto Korkeaaja, Paavo Myllymäki, Teemu Olli, Juha Saura, Tuula Tallskog, Johan Taube, Juhani Torkkomäki and Jukka Tuori.

Raisio, February 25, 2003

For the Supervisory Board

Vesa Lammela  
*Chairman*

# Corporate governance

# Corporate governance

## ANNUAL GENERAL MEETING

The AGM is the highest organ deciding on corporate issues. It meets annually by the end of April, to discuss and adopt the financial statements and the consolidated financial statements, to decide on discharging those accountable from liability and on the distribution of the profit, to replace the members of the Supervisory Board whose terms are coming to an end, and to elect the auditors. Extraordinary shareholders' meetings may be held when necessary, and are convened by the Board of Directors.

## SUPERVISORY BOARD

The Supervisory Board consists of a minimum of 21 and a maximum of 30 members with a term of three calendar years immediately following their election. A third of the members are replaced each year. No-one over 65 years of age can be elected to the Supervisory Board. The Supervisory Board supervises the corporate administration run by the Board of Directors and the managing director, and decides on issues related to any significant expansion or reduction of operations. It appoints the members of the Board of Directors and appoints and discharges the managing director and his deputy. The Supervisory Board must further give the AGM a statement on the financial statements and auditors' report. It met three times during the year under review.

## BOARD OF DIRECTORS

The Board of Directors has a minimum of five and a maximum of eight members, and a minimum of five and a maximum of eight deputy members, all appointed by the Supervisory Board. The term of the members is the two calendar years following their election, and the terms of half of the members come to an end each year. No-one over 65 years of age can be elected to the Board of Directors. The chairman and the vice chairman of the Board of Directors are elected from among the Board of Directors for one calendar year at a time.

The Board of Directors has the general authority to decide on all issues related to corporate administration and other matters that are not assigned to other organs by law or the Articles of Association. It is the Board of Directors' general duty to see to corporate administration and its proper organization, provision

of accounting and asset management control, and corporate representation. It is also the Board of Directors' role to decide on issues with extensive reverberations in respect of the character and scope of operations. The Board of Directors must steer and supervise the day-to-day management of the managing director and give the managing director instructions and orders when necessary.

Apart from the above general duties, the Board of Directors of Raisio Group plc has the following functions in accordance with an agenda adopted by it in October 2000:

- approves corporate strategy and revises it regularly
- approves corporate performance targets
- approves the annual budget and investment budget and supervises their implementation
- decides on major individual extra budgetary investments and divestments unless it considers that they fall under the jurisdiction of the Supervisory Board on account of their nature or extent
- approves the dividend policy
- processes and approves interim reports, reports of the Board of Directors, financial statements and consolidated financial statements
- confirms the Group structure
- following a proposal by the Chief Executive, appoints and discharges the Chief Executive's immediate subordinates, determines their duties and decides on their terms of employment
- decides on incentive and reward systems for the management and personnel and submits them to the AGM when necessary
- approves important cooperation agreements, partnerships and corporate sales and purchases
- approves the composition of the Boards of Directors of major subsidiaries.
- reviews key risks related to corporate operations and their management annually
- approves the ethical values and procedures of the company.



The Board of Directors may set up permanent or temporary committees and working groups consisting of either its own members or outsiders. These committees and working groups always report to the Board of Directors. If necessary, separate agendas may be drawn up and approved for them. The Board of Directors met 13 times during the year under review and held 7 telephone conferences.

### MANAGING DIRECTOR

The managing director, referred to as the Chief Executive at Raisio Group plc, runs and supervises corporate operations in accordance with instructions and orders from the Board of Directors. The managing director must on his own initiative keep the Board of Directors informed of corporate issues and status, and see that the accounts are kept in accordance with the law and that asset management is arranged reliably. He has the right to represent the company by virtue of his standing and within his appointed duties. The Raisio Group's managing director is always a member of the Board of Directors. The managing director has a right to retire at the age of 60.

### EXECUTIVE COMMITTEE

At its regular monthly meetings, the executive committee concentrates on following up on the budget and operations, as well as reporting on and analysing the performance. The executive committee also handles issues concerning the entire Group, such as various policies. The executive committee consists of the Chief Executive and the heads of the business sectors and service functions.

### AUDITING

The corporate accounts are audited and handled globally by KPMG. The regular auditors for the 2002 financial year were Esa Kailiala, APA and Pekka Pajamo, APA. Johan Kronberg, APA and Mika Kaarisalo, APA were appointed for 2003. Authorized Public Accountants PricewaterhouseCoopers Oy and Kalle Laaksonen, APA were appointed as deputy auditors.

The annual areas of auditing focus are planned together with the business sector and financial management. A summary of the corporate audit is submitted to the Board of Directors and the Chief Executive. Apart from this, the auditors of Group companies report separately to the management of each company.

The auditors attend Board of Directors meetings at least once a year. The auditors give the shareholders an auditing report on the annual financial statements as required by law.

Internal auditing is organized as part of the Group's financial administration. The Chief Financial Officer reports to the Chief Executive and the Board of Directors on any observations in internal audits.

### INSIDER REGULATIONS

On May 1, 2000 the company adopted instructions following the guidelines for insiders issued by Helsinki Exchanges. Statutory insiders are those stipulated by law: the members of the Supervisory Board and the Board of Directors and their deputies and the managing director and auditors. Insiders by definition, on the other hand, on December 31, 2002, included 39 persons, mainly experts and members of the management. The Group's insider administration uses the SIRE system, through which the Raisio Group holdings of insiders and entities under their control, and changes therein, are made public.

# Supervisory board

## Shareholdings on February 10, 2003.

Raisio Group restricted shares (series K) and free shares (series V)

	End of term		End of term		End of term
<b>Vesa Lammela</b> , born 1941 Kiukainen Chairman since 1998 and member since 1996 Lammela Oy holding, series V 6,550	2004	<b>Timo Järvilahti</b> , born 1943 Halikko Member since 1987 Series K 60	2005	<b>Pekka Raipala</b> , born 1947 Hämeenkyrö Member since 1987 Series K 13,020 and series V 1,500	2004
<b>Ola Rosendahl</b> , born 1939 Pernaja Vice Chairman since 1988 and member since 1987 Series K 2,050 and series V 2,000	2005	<b>Taisto Korkeaoja</b> , born 1941 Kokemäki Member since 1992 Series K 10,560 and series V 10,620	2003	<b>Juha Saura</b> , born 1951 Pöytyä Member since 1998 Series K 1,200	2003
<b>Hannu Auranen</b> , born 1937 Karinainen Member since 1987 Series K 31,320 Auranen & Manner Ky holding, series V 10,920	2004	<b>Erkki S. Koskinen</b> , born 1946 Virrat Member since 1996 Series V 10,000	2004	<b>Nils-Erik Segersven</b> , born 1936 Kemiö Member since 1994 Series K 7,800 and series V 6,180	31.12.2002
<b>Juhani Enkovaara</b> , born 1945 Helsinki Member since 1996 Series K 500 and series V 250	2004	<b>Albert Käiväräinen</b> , born 1940 Mynämäki Member since 1987 Series K 6,700 and series V 2,030	2005	<b>Urban Silén</b> , born 1959 Perniö Member since 1.1.2003 Series K 71,000 and series V 17,000	2005
<b>Risto Ervelä</b> , born 1950 Sauvo Member since 1991 Series K 3,000 and series V 3,500	2005	<b>Hans Lanhg</b> , born 1949 Piikkiö Member since 1990 Series K 654,480	2004	<b>Tuula Tallskog</b> , born 1946 Pertteli Member since 1998 Series K 560	2003
<b>Erkki Haavisto</b> , born 1968 Raisio Member since 1997 Series K 379,940 and series V 172,260	2004	<b>Johan Laurén</b> , born 1946 Parainen Member since 1999 Series K 40,980 and series V 1,360	2004	<b>Johan Taube</b> , born 1950 Tenhola Member since 1987 Series K 101,180	2003
<b>Matti Hakala</b> , born 1939 Orimattila Member since 1987 Series K 800 and series V 300	2003	<b>Asko Leinonen</b> , born 1960 Anjalankoski Member since 2002 Series V 600	2004	<b>Juhani Torkkomäki</b> , born 1939 Somero Member since 1987 Series K 8,020 and series V 6,160	2003
<b>Mikael Holmberg</b> , born 1961 Nauvo Member since 1998 Series K 1,620 and series V 1,360	2003	<b>Antti Lithovius</b> , born 1950 Lumijoki Member since 1994 Series K 900 and series V 3,620	2005	<b>Jukka Tuori</b> , born 1948 Huittinen Member since 1998 Series K 100	2003
<b>Esa Härmälä</b> , born 1954 Helsinki Member since 1996 No Raisio Group shares	2005	<b>Paavo Myllymäki</b> , born 1958 Mietoinen Member since 1998 Series K 3,660 and series V 2,700	2003	<b>Simo Vaismaa</b> , born 1942 Isokyrö Member since 1991 Series K 840 and series V 20,000	2005
<b>Juhani Immala</b> , born 1935 Askainen Member since 1987 to Series K 50,340	31.12.2002	<b>Yrjö Ojaniemi</b> , born 1959 Lapua Member since 2002 Series K 780 and series V 660	2004	<b>Nils-Erik Wahlsten</b> , born 1949 Kemiö Member since 1.1.2003 Series K 80,980 and series V 6,300	2005
		<b>Teemu Olli</b> , born 1950 Nousiainen Member since 1987 Series K 44,000 and series V 2,000	2003		



*At the time of releasing the annual accounts information on February 10, 2003 the Raisio Group Board comprises: Matti Linnainmaa (back left), Kaarlo Pettilä, Jaakko Ihamuotila, Christoffer Taxell, Jörgen Grandell, Rabbe Klemets (front left), Arimo Uusitalo and Vesa Lammela. Vesa Lammela is Chairman of the Supervisory Board and participates in Board meetings in that capacity.*

## Board of Directors

### REGULAR MEMBERS

#### **Arimo Uusitalo**, born 1942

Kiikala  
Chairman from 2001 and member since 1991  
Series K 18,420  
Option rights A, B, C and D, 1,250 of each  
End of term 2004

#### **Matti Linnainmaa**, born 1940

Pori  
Vice Chairman since 1997 and member since 1995  
Series K 4,000 and series V 114,220  
Option rights A, B, C and D, 1,250 of each  
Satabusiness Oy holding, series V 1,500  
End of term 2004

#### **Jörgen Grandell**, born 1959

Turku  
Member since 1. 1. 2003  
No Raisio Group shares  
No Raisio Group option rights

#### **Jaakko Ihamuotila**, born 1939

Helsinki  
Member since 2000  
Series V 22,500  
No Raisio Group option rights  
End of term 2003

#### **Rabbe Klemets**, born 1953

Turku  
Deputy member since 1999 and member since 2001  
Series V 200  
Option rights A, B, C and D, 3,000 of each  
End of term 2003

#### **Kaarlo Pettilä**, born 1941

Salo  
Member since 1992  
Series K 51,400 and series V 2,880  
Option rights A, B, C and D, 1,250 of each  
End of term 2003

#### **Christoffer Taxell**, born 1948

Turku  
Member since 1. 1. 2003  
No Raisio Group shares  
No Raisio Group option rights

During 2002 the Board of Directors also comprised Antti Haavisto, Antti Herlin and Kaj Lönnroth.

## DEPUTY MEMBERS

### **Kai Hannus**, born 1945

Deputy member since 1999

No Raisio Group shares

Option rights A, B, C and D, 3,000 of each

### **Jukka Lavi**, born 1955

Deputy member since 1.1.2003

No Raisio Group shares

No Raisio Group option rights

### **Eero Nurminen**, born 1950

Deputy member since 18.11.2002

Series K 9,480 and series V 7,100

Option rights A, B, C and D, 500 of each

### **Urpo Pirilä**, born 1961

Deputy member from 2001

Series V 4,200

No Raisio Group option rights

### **Antti Salminen**, born 1963

Deputy member since 18.11.2002

Series V 10,000

No Raisio Group option rights

During 2002 as deputy members acted also Anssi Aapola, Ilmo Aronen and Kauko Mannerjärvi.

The secretary of the Board of Directors and the Supervisory Board is Janne Martti, Vice President, Finance and Treasury.

Shareholdings and option rights on February 10, 2003

Raisio Group restricted shares (series K) and free shares

(series V)

# Auditors

## REGULAR AUDITORS

### **Esa Kailiala**

Authorized Public Accountant, Lieto

(2002 accounts)

### **Pekka Pajamo**

Authorized Public Accountant, Raisio

(2002 accounts)

### **Johan Kronberg**

Authorized Public Accountant, Parainen

(2003 accounts)

### **Mika Kaarisalo**

Authorized Public Accountant, Kuusisto

(2003 accounts)

## DEPUTY AUDITORS

### **Kimmo Antonen**

Authorized Public Accountant, Littoinen

(2002 accounts)

### **Kirsi Toivanen**

Authorized Public Accountant, Kaarina

(2002 accounts)

### **Authorized Public Accountants**

**PricewaterhouseCoopers Oy**, Helsinki

(2003 accounts)

### **Kalle Laaksonen**

Authorized Public Accountant, Turku

(2003 accounts)

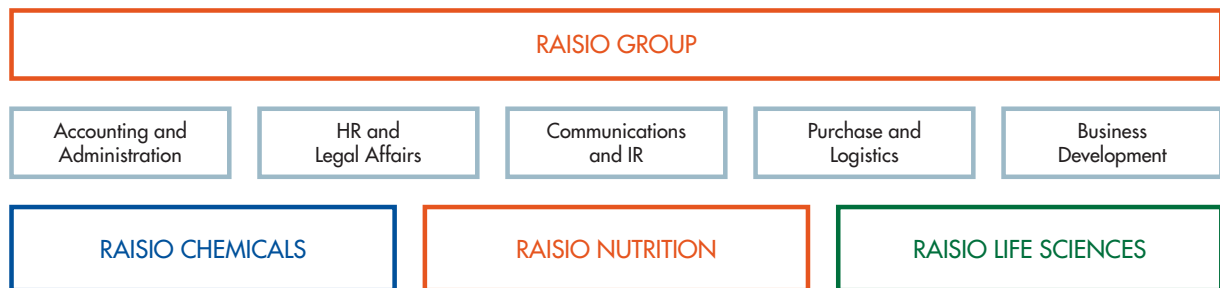




*The Raisio Group Executive Committee comprises Eero Nurminen (left), Kai Hannus, Antti Salminen, Urpo Pirilä, Rabbe Klemets, Mikko Korttila, Jukka Kaitaranta, Jukka Lavi and Taru Narvanmaa.*

# Management and organisation

## RAISIO GROUP OPERATIONAL STRUCTURE





## GROUP EXECUTIVE COMMITTEE

**Rabbe Klemets**, born 1953

Chief Executive Officer

Employed since 1999

Series V 200

Option rights A, B, C and D, 3,000 of each

**Kai Hannus**, born 1945

President, Raisio Chemicals

Employed since 1976

No Raisio Group shares

Option rights A, B, C and D, 3,000 of each

**Urpo Pirilä**, born 1961

Executive Vice President, Raisio Nutrition

Employed since 2001

Series V 4,200

No Raisio Group option rights

**Jukka Lavi**, born 1955

Executive Vice President, Raisio Life Sciences

Employed since 2000

No Raisio Group shares

No Raisio Group option rights

**Jukka Kaitaranta**, born 1947

Executive Vice President, Business Development

Employed since 1981

No Raisio Group shares

Option rights A, B, C and D, 2,500 of each

**Antti Salminen**, born 1963

Chief Financial Officer

Employed since 2002

Series V 10,000

No Raisio Group option rights

**Mikko Korttila**, born 1962

Executive Vice President,

Human Resources and Legal Affairs

Employed since 1997

No Raisio Group shares

Option rights A, B, C and D, 250 of each

**Taru Narvanmaa**, born 1963

Executive Vice President,

Communications and Investor Relations

Employed since 2001

Series V 10,000

No Raisio Group option rights

**Eero Nurminen**, born 1950

Executive Vice President, Purchasing and Logistics

Employed since 1984

Series K 9,480 and series V 7,100

Option rights A, B, C and D, 500 of each

Shareholdings and option rights on February 10, 2003.

Raisio Group restricted shares (series K) and free shares (series V)

# Shares and shareholders

## INFORMATION FOR SHAREHOLDERS

The Annual General Meeting of Raisio Group will be held in auditory Martinsali, address Eeronkuja 2, Raisio, on March 21, 2003 at 2 p.m. Shareholders wishing to attend the AGM should notify Raisio Group by telephone +358 2 443 2293, by fax +358 2 443 2315, by e-mail [eeva.hellsten@raisiogroup.com](mailto:eeva.hellsten@raisiogroup.com) or by letter Raisio Group plc, Shareholders Contact, P.O.Box 101, 21201 Raisio, Finland not later than March 17 at 10 a.m. Finnish time.

The record date of proposed dividend is March 26, 2003 and the dividends are payable from April 2, 2003.

The annual report for 2002 has been published in Finnish, English and Swedish. The interim reports in 2003 will be published on May 5, July 31 and November 3.

## SHARE CAPITAL AND TYPES OF SHARE

The fully paid up share capital of Raisio Group plc is EUR 27,776,072.91. On December 31, 2002, the stock was divided into 35,384,262 restricted shares (Series K) and 129,764,768 free shares (Series V), each with a book countervalue of EUR 0.17 (rough figure). Under an amendment of the Articles of Association registered on May 12, 2000, nominal value is not quoted for the share. The company's minimum share capital is EUR 25,000,000 and maximum share capital EUR 100,000,000. Share capital can be raised or lowered within these margins without amending the Articles of Association (Article 4). There was no change in share capital during the financial year.

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 150/00 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 2002, 6,850 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 and the Chief Executive owned 1,541,550 restricted shares and 444,290 free shares on February 10, 2003. This accounts for 1.20 per cent of the total number of shares and 1.84 per cent of the maximum voting power. They also own 41,000 option rights under the 1998–2003 option programme, i.e. 11.71 per cent of the total.

If the holders of option rights subscribe all the shares they are entitled to, i.e. 410,000 new free shares, the members of the Supervisory Board and the members and deputy members of

the Board of Directors and the Chief Executive will own 1,541,550 restricted shares and 837,170 free shares, or 1.42 per cent of the post-subscription stock and 1.65 per cent 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.

### AMENDMENT TO ARTICLES OF ASSOCIATION

On April 5, 2002, in the second handling required by the Articles of Association, the Annual General Meeting decided to amend sections 10.1 and 12 of the Articles of Association to the effect that the period for advance announcement of attendance at an AGM cannot exceed 10 days, and invitations to an AGM must be published at the latest 17 days before the Meeting.

The amendments entered into force on April 29, 2002, when they were entered in the Trade Register.

### AUTHORIZATION FOR THE BOARD OF DIRECTORS TO RAISE SHARE CAPITAL

The Annual General Meeting held on April 5, 2002 authorized the Board of Directors to decide on a maximum increase of EUR 3,363,758.53 in share capital in one or more new issues and/or to issue convertible bonds and/or option rights. 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 capital structure.

The authorization was entered in the trade register on April 29, 2002 and will remain in force up to April 5, 2003. The authorization has not been exercised so far.

### AUTHORIZATION FOR THE BOARD OF DIRECTORS TO ACQUIRE COMPANY SHARES

The Board of Directors is not authorized to buy or sell company shares, nor has any such authorization been sought from the Annual General Meeting. No shares in Raisio Group plc are owned by Raisio Group plc itself or any company or corporation within the Raisio Group.

### OPTION PROGRAMME 1998-2003

The Annual General Meeting held on April 7, 1998, approved the Board of Directors proposal for a 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.

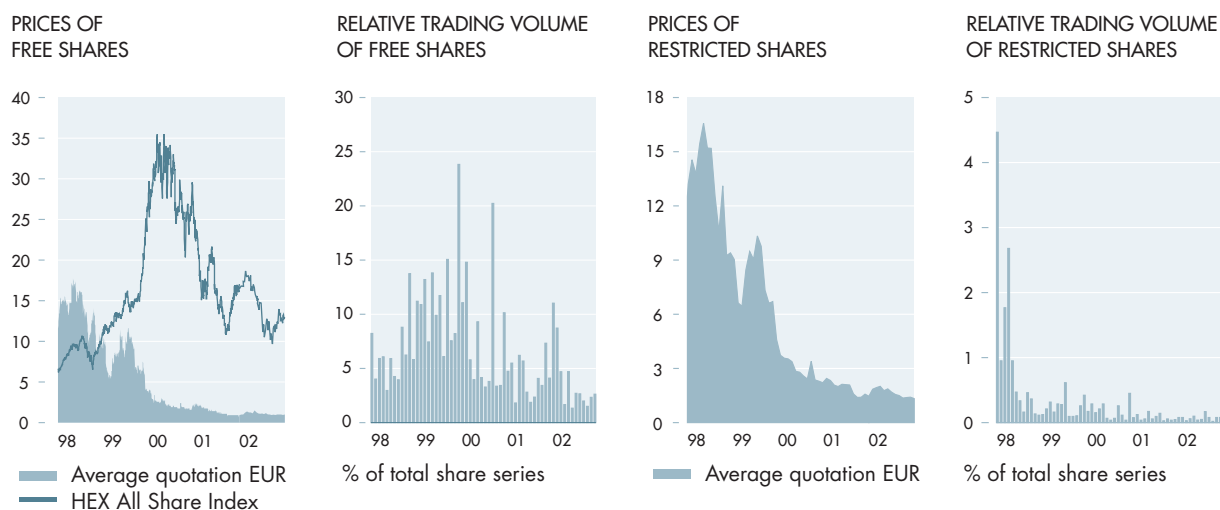
By AGM decision, a total of 350,000 option rights have been issued to members and deputy members of Raisio Group plc's Board of Directors, and under a Board decision based on AGM authorization to members of Group and Group company management and key personnel and to a fully owned Group company. Option 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 began on May 4, 2000 (option right A), May 4, 2001 (option right B), May 4, 2002 (option right C) and May 4, 2003 (option right D). The subscription periods of all lots end on January 30, 2004. These subscriptions may not raise share capital by more than EUR 588,657.74, and the number of shares may not increase by more than 3,500,000 free shares, or 2.12 per cent of the current number. The votes carried by the new shares account for 0.4 per cent 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. EUR 163.48, or EUR 16.35 per current share. This price was raised, making the subscription price EUR 17.02 in the subscription beginning on May 4, 2000, and EUR 17.36, EUR 17.69 and EUR 18.03 respectively for the later lots. 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 book countervalue of the share, however. The new shares entitle their holder to dividend for the financial period during which they are subscribed. No shares were subscribed under option rights during the financial year.

## RAISIO GROUP PLC SHARE PRICE AND RELATIVE TRADING VOLUME

(Changes in nominal value and share issues taken into account as an adjustment)



## INCREASE IN SHARE CAPITAL

Subscription period	Method	Terms of subscription	Nominal value FIM	Subscription price FIM	Subscription price EUR	Number of new shares	Increase in share capital EURm	New share capital EURm	Right to dividend
13.12.1993–28.1.1994	New issue	5 V or K: 1 V	50	250.00	42.05	405,206	3.41	20.5	Half dividend 1993
12.4.1995	Direct issue for Raisio Margariini shareholders	11 RM: 5 V	10	exchange		1,454,630	2.45	22.9	Full dividend 1995
10.6.–10.7.1996	New issue	5 V: 1 V 5 K: 1 K	10	80.00	13.46	2,722,163	4.58	27.5	Full dividend 1996
1.4.–30.4.1998	Direct issue for holders of 1993 bond warrants	–	10	96.75	16.27	181,920	0.31	27.8	Full dividend 1998

## BREAKDOWN OF SHARE CAPITAL, DECEMBER 31, 2002

	Number of shares	% of total shares	% of total votes
Free shares	129,764,768	78.6	15.5
Restricted shares	35,384,262	21.4	84.5
Total	165,149,030	100.0	100.0



## SHAREHOLDERS

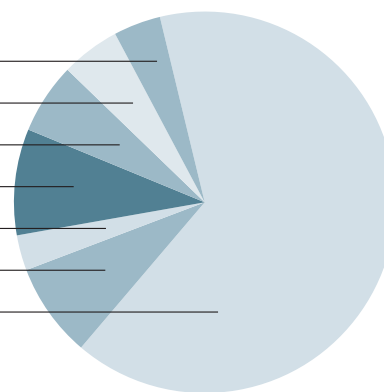
25 biggest shareholders on December 31, 2002, according to the shareholders' register

	Series K no.	Series V no.	Total no.	%	Votes no.	%
Central Union of Agricultural Producers and Forest Owners	3,357,380	175,000	3,532,380	2.14	2,477,235	0.30
Tapiola Mutual Pension Insurance Company		2,763,100	2,763,100	1.67	2,477,235	0.30
Tapiola Mutual Insurance Company	1,000,000	1,450,000	2,450,000	1.48	2,477,235	0.30
Brotherus Ilkka	42,540	2,098,920	2,141,460	1.30	2,477,235	0.30
Ilmarinen Mutual Pension Insurance Company		1,816,500	1,816,500	1.10	1,816,500	0.22
Fennia Mutual Insurance Company		1,216,000	1,216,000	0.74	1,216,000	0.15
Investment Fund Conventum Finland Value		1,150,000	1,150,000	0.70	1,150,000	0.14
Investment Fund Phoenix		1,024,000	1,024,000	0.62	1,024,000	0.12
Etra-Invest Oy Ab		784,000	784,000	0.47	784,000	0.09
Mutual Insurance Company Pension-Fennia		747,000	747,000	0.45	747,000	0.09
Haavisto Maija	393,120	278,280	671,400	0.41	2,477,235	0.30
Haavisto Heikki	532,800	130,100	662,900	0.40	2,477,235	0.30
Langh Hans	654,480		654,480	0.40	2,477,235	0.30
Sinituote Oy		640,000	640,000	0.39	640,000	0.08
Veikko Laine Oy		582,500	582,500	0.35	582,500	0.07
Haavisto Erkki	379,940	172,260	552,200	0.33	2,477,235	0.30
Haavisto Antti	382,140	160,740	542,880	0.33	2,477,235	0.30
Liljeström Ulf Mikael		510,000	510,000	0.31	510,000	0.06
Fortumin Eläkesäätiö		509,200	509,200	0.31	509,200	0.06
Medical Investment Trust Ltd		500,000	500,000	0.30	500,000	0.06
Myllymäki Erkki	381,820	113,080	494,900	0.30	2,477,235	0.30
Veritas Pension Insurance Company Ltd.		494,620	494,620	0.30	494,620	0.06
LEL Employment Pension Fund		491,100	491,100	0.30	491,100	0.06
Haavisto Ilkka	349,960	108,480	458,440	0.28	2,477,235	0.30

Shares registered under foreign ownership, including nominee registrations, totalled 12,595,293 on December 31, 2002, or 7.6% of the total.

## BREAKDOWN OF SHARES

Non-profit corporations	4%
Public corporations	5%
Financial and insurance institutions <sup>1)</sup>	6%
Private enterprises	9%
Waiting list and joint account	3%
Foreign owners <sup>2)</sup>	8%
Private individuals and households	65%



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

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

## BREAKDOWN BY SHAREHOLDING, DECEMBER 31, 2002

Free shares					Restricted shares			
No. of shares	Shareholders		Shares		Shareholders		Shares	
no.	no.	%	no.	%	no.	%	no.	%
1–1.000	29.847	65.1	14.797.769	11.4	4.405	58.8	1.547.664	4.4
1.001–5.000	12.679	27.7	31.166.228	24.0	2.007	26.8	4.759.066	13.5
5.001–10.000	2.079	4.5	15.711.330	12.1	559	7.5	3.974.377	11.2
10.001–25.000	841	1.8	13.116.604	10.1	354	4.7	5.515.791	15.6
25.001–50.000	209	0.5	7.491.340	5.8	111	1.5	3.691.796	10.4
50.001–	162	0.4	47.107.477	36.3	51	0.7	11.341.950	32.0
waiting list			0	0.0			3.897.788	11.0
joint account			374.020	0.3			655.830	1.9
Total	45.817	100.0	129.764.768	100.0	7.487	100.0	35.384.262	100.0

On December 31, 2002, Raisio Group plc had a total of 48.591 registered shareholders.

## SHARE INDICATORS

	1998	1999	2000	2001	2002
Earnings/share (EPS), EUR	0.16	0.01	-0.25	0.04	<b>0.03</b>
Cash flow/share, EUR	0.29*	0.04	0.10	0.22	<b>0.27</b>
Equity/share, EUR	1.74	1.69	1.42	1.45	<b>1.41</b>
Dividend/share, EUR	0.059	0.034	0.017	0.017	<b>0.020<sup>1)</sup></b>
Dividend/earnings, %	37.5	398.4	-6.8	42.4	<b>60.8</b>
Effective dividend yield, %					
Free shares	0.6	0.9	0.8	1.8	<b>1.9</b>
Restricted shares	0.6	0.7	0.8	1.2	<b>1.5</b>
P/E ratio					
Free shares	59.6	466.9	-8.10	22.92	<b>31.9</b>
Restricted shares	57.8	556.5	-8.99	36.12	<b>40.1</b>
<b>Share value</b>					
Adjusted average quotation, EUR					
Free shares	13.07	7.70	2.60	1.48	<b>1.27</b>
Restricted shares	14.68	8.28	3.12	2.05	<b>1.62</b>
Adjusted lowest quotation, EUR					
Free shares	7.82	3.55	1.71	0.91	<b>0.91</b>
Restricted shares	7.74	4.00	2.20	1.30	<b>1.20</b>
Adjusted highest quotation, EUR					
Free shares	18.16	12.45	4.34	2.52	<b>1.67</b>
Restricted shares	18.00	12.10	5.20	3.20	<b>2.25</b>
Adjusted quotation Dec 31, EUR					
Free shares	9.36	3.94	2.00	0.92	<b>1.05</b>
Restricted shares	9.08	4.70	2.22	1.45	<b>1.32</b>
Market capitalization Dec 31, EURm					
Free shares	1,199.3	505.8	252.3	120.7	<b>138.8</b>
Restricted shares	336.5	171.3	81.9	51.0	<b>50.2</b>
Total	1,535.8	677.1	334.2	171.7	<b>189.0</b>
<b>Trading in shares</b>					
Trading, EURm					
Free shares	1,286.3	1,419.3	322.6	99.1	<b>75.9</b>
Restricted shares	80.6	9.5	2.6	0.7	<b>0.5</b>
Total	1,366.9	1,428.7	325.2	99.8	<b>76.4</b>
Number of shares traded					
Free shares					
1,000 shares	98,429	184,293	124,213	66,877	<b>59,724</b>
%	78.4	143.6	96.5	51.6	<b>46.0</b>
Restricted shares					
1,000 shares	5,493	1,144	817	346	<b>312</b>
%	14.1	3.1	2.2	1.0	<b>0.9</b>
<b>Number of shares</b>					
Average adjusted number of shares, 1,000 shares					
Free shares	125,514	128,335	128,722	129,575	<b>129,761</b>
Restricted shares	39,052	36,814	36,427	35,574	<b>35,388</b>
Average adjusted number of shares Dec 31, 1,000 shares					
Free shares	128,072	128,706	128,742	129,758	<b>129,765</b>
Restricted shares	37,077	36,443	36,407	35,391	<b>35,384</b>

\* According to the previous accounting principles of source and application funds

<sup>1)</sup> According to the Board proposal

## COMPUTATION OF SHARE INDICATORS

Earnings per share (EPS)	$\frac{\text{Profit before extraordinary items – taxes } \pm \text{ minority interest}}{\text{Average number of shares for the year, adjusted for share issues}}$	
Cash flow per share	$\frac{\text{Cash flow from business operations}}{\text{Average number of shares for the year, adjusted for share issues}}$	
Equity per share	$\frac{\text{Shareholders' equity}}{\text{Number of shares at Dec 31, adjusted for share issues}}$	
Dividend per share, adjusted for share issues	$\frac{\text{Dividend distributed for the year}}{\text{Adjustment coefficient for share issues launched duringand after the financial period}}$	
Dividend per profit %	$\frac{\text{Dividend per share}}{\text{Profit per share}} \times 100$	
Effective dividend yield %	$\frac{\text{Dividend per share, adjusted for share issues}}{\text{Average quotation adjusted for share issues andweighted with trading volumes at December 31}} \times 100$	
P/E ratio	$\frac{\text{Average quotation adjusted for share issues andweighted with trading volumes at December 31}}{\text{Profit per share}}$	
Market capitalization	Average quotation adjusted for share issues and weighted with trading volumes at December 31 x number of shares at December 31	

## INVESTMENT ANALYSES

Analysts with the following brokers, among others, follow the Raisio Group as an investment target. The Raisio Group is not responsible for the assessments made by these analysts.

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*Raisio Group operates in 24 different countries. It has production units in 29 localities in 14 countries. The addresses and contact information of all our offices and production units are available on the Raisio Group's web page at [www.raisiogroup.com](http://www.raisiogroup.com)*



# Glossary

<b>AKD wax</b>	The active ingredient in AKD sizes, used in paper making (alkyl keten dimer)
<b>Beta amylase enzyme</b>	Wheat grain enzyme, splits starch to maltose, used e.g. to make maltose syrup for the confectionery and brewery industries
<b>Codetermination negotiations</b>	Negotiations based on the Finnish Act on Codetermination in Companies
<b>EHS</b>	Environment, health and safety
<b>Esterization</b>	Chemical reaction forming an ester bond between alcohol and acid (e.g. plant stanol and fatty acid); at a stanol ester factory, esterization refers to the chemical reaction in which stanol and fatty acid produce stanol ester.
<b>Farm feed</b>	Feed for cattle, pigs or poultry
<b>Food diagnostics</b>	Analysing and monitoring food and animal feeds quality and safety
<b>Functional food</b>	Food with scientifically evidenced health effect
<b>Functional paper chemical</b>	Paper chemical with significant impact on desired properties in end products (e.g. printed matter or packaging), such as offset printability
<b>Hydrophobic size</b>	Substance used in making paper, regulates water based liquid absorption into paper or board, and improves the printability of paper and suitability of board for packaging liquids (e.g. milk cartons)
<b>ISO 9001 standard</b>	International standard for quality systems (ISO 9001: 2000 replaces the ISO 9001 standard)
<b>ISO 14001 standard</b>	International standard for environmental systems
<b>Latex binder</b>	Binder used for pigment coating of paper and board; improves paper appearance and print quality, and binds mineral coating pigments efficiently to the paper surface
<b>Life sciences</b>	Areas based on the biosciences
<b>MTT</b>	MTT Agrifood Research Finland
<b>Polymer</b>	Chemical product consisting of a number of smaller components, or monomers (e.g. polyethylene formed from ethylene, used for plastic bags, for instance)
<b>Pressing margin</b>	Difference between the sales price of products made from oil plant seed and the cost of the raw material
<b>Private labels</b>	Central trade organization brands
<b>Reagent</b>	A solid or liquid compound used by laboratories for chemical analysis and preparation of new substances because of its high reactive sensitivity
<b>Regulatory</b>	Prescribed by law
<b>Segment</b>	An area or group, part of a larger entity
<b>Stanol ester</b>	Plant stanol fatty acid ester, i.e. the compound formed in the reaction between stanol and fatty acid; the functional ingredient in Benecol products, innovation patented by Raisio
<b>Starch binders</b>	Binders used in paper making to improve internal strength, surface strength and printability of paper and board
<b>Sterol ester</b>	Plant sterol fatty acid ester, i.e. the compound formed in the reaction between sterol and fatty acid
<b>VTT</b>	Technical Research Centre of Finland
<b>Wheat gluten</b>	Wheat protein giving bread the necessary baking quality and texture



*Raisio Group uses mainly renewable natural resources as raw materials. Main raw materials are grain, oil plants and potato. Raisio Group processes annually some 600 million kilograms of grain, 170 million kilograms of oil plants and 280 million kilograms of potato.*

*Raisio Chemicals products have been used in manufacturing the paper in this Annual Report.*





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