



RAISIO GROUP | ANNUAL REPORT

RAISIO GROUP 2003

Raisio Group	1
Chief Executive's review	2
Vision, strategy and values	4
Environment and social responsibility ..	6

REVIEW OF BUSINESS AREAS

Raisio Group Business Sectors	13
Raisio Chemicals	14
Raisio Nutrition	18
Raisio Life Sciences	24

FINANCIAL STATEMENTS

Report of the Board of Directors	29
Income statement	34
Balance sheet	35
Source and application of funds	36
Accounting principles	37
Notes to the accounts	38
Risk management	45
Financial indicators	46
Board's proposal for the disposal of profit	47
Auditors' report	47
Statement of the Supervisory Board ..	47

SHARES, SHAREHOLDERS AND GOVERNANCE

Shares and shareholders	49
Share indicators	54
Investment analysis and IR contact ...	55
Corporate governance	56
Supervisory Board	59
Board of Directors and Auditors	60
Executive Committee	62
Glossary	64
Contact information	65

Pictures

Niko Levo is one of the pupils at Tahvio primary school. The school is located near Raisio Group headquarters and cooperates closely with Raisio Group. 7

Group of Raisio Nutrition's employees: Pauliina Karke (front right), Outi Suovanen, Tapio Tamminen, Raila Ilmonen, Auli Ketonen, Jyrki Aalto, Irma Tervonen and Kirsi Koskinen. 11

Cristina Prosperini works for Diffchamb in Italy. 26

Pasi Aakula is a Raisio Group shareholder and contract farmer. 49

The Annual General Meeting of Raisio Group will be held on 26 March 2004. The picture is from the 2003 AGM. 56

This Annual Report has been printed on G-Print paper. Raisio Chemicals paper chemicals have been used in the manufacturing.



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 paper latex, specialty chemicals and starch binders. Raisio Nutrition comprises the Food, Animal Feeds and Malt business areas, while Raisio Life Sciences produces stanol ester, the Benecol ingredient that helps to reduce cholesterol. The other important pillar of Raisio Life Sciences is food diagnostics. In the future, Raisio Nutrition and Raisio Life Sciences will be concentrating more and more on special expertise in well-being.

Raisio Group employs some 2,700 people, 45 per cent of them abroad. It has production units in 31 locations in 18 countries. The Group also has sales offices all over the world. The Group's head office is in the town of Raisio in southwest Finland, and there are production plants in eight other locations in Finland.

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 some 47,000 shareholders.

KEY FIGURES		
	2003	2002
Turnover, EURm	860.5	843.1
Operating result, EURm	-14.3	20.6
Result before extraordinary items, EURm	-27.2	9.3
Return on investment, %	-1.8	4.5
Return on equity, %	-10.9	2.4
Equity ratio, %	32.2	34.4
Cash flow from business operations, EURm	77.0	45.4
Earnings per share, EUR	-0.16	0.03
Cash flow from business operations per share, EUR	0.47	0.27
Equity per share, EUR	1.17	1.41
Market value, EURm	205.5	189.0



Chief Executive's Review

- Strategic reassessment is on stream.
- Raisio has strong traditions of contributing to Finnish well-being.
- Food and animal feed businesses have growth potential in the Baltic region.
- Market for functional ingredients and food diagnostics are global and growing rapidly.
- Profitability and customer satisfaction are Raisio's basic targets for the future, too.

In terms of business performance, 2003 fell more or less into two parts. The first half of the year was extremely difficult for all three business sectors, Raisio Chemicals, Raisio Nutrition and Raisio Life Sciences. Some corrective measures had already been taken the previous year, but these gathered speed during the spring and the autumn. In terms of operations, the last two quarters indeed began to show indications of improvement for Raisio Chemicals. However, non-recurring costs related to rationalization programmes weakened the results. We had greater success than anticipated in reducing working capital and improving cash flow, which made it possible to maintain solvency level despite the negative result.

Implementing the strategy drawn up by Raisio Group in 2001 proved to be more challenging than we expected. The successful integration that followed the Latexia acquisition in 2002 and new entries into the growing markets for paper chemicals in China and food diagnostics in Europe were important strategic steps forward. There was also divestment of some non-core business

activities. The recession that has continued in the paper industry, the tardiness of rationalization in margarine production and the slowness of the regulatory processes in functional foods weakened growth and financial performance, thus undermining future investment potential.

At the beginning of 2004, the Raisio Group Board initiated the preparation of a new strategy based on a more focused approach. We plan to develop Raisio Group as a growing, profitable and innovative food and animal feed company that is oriented towards the life sciences. This means that Raisio has already initiated evaluation of restructuring alternatives, including the possibility of the divestment of Raisio Chemicals or listing it separately on the stock exchange. Discussions have already been started with a number of companies in the chemicals sector. This sort of restructuring would give Raisio Chemicals the opportunity to grow and internationalise still further.

Raisio has strong traditions of contributing to Finnish well-being. As a diversified processor of grain, oil plants and potatoes, Raisio is able to respond to the expectations of the Finnish consumer for safe, healthy, easy to use and tasty food. Consumer confidence in Finnish food is also reflected in Raisio's Animal Feeds business through Finnish livestock production. Innovative product development, strict quality control and close cooperation with customers are the keys to the success of Raisio Nutrition.

It seems to me that in the future, Raisio will have the opportunity to extend its grain and oil plant expertise in the Baltic region. The margarine factory completed near Moscow in early 2004 will provide us with a more cost-effective route to the growth centres in Russia where the Raisio trademarks are already well established. Poland's membership of the European Union will



open up new opportunities for Raisio Polska Foods in the Union's internal market. The decision has been taken to deepen sales and marketing cooperation with the Swedish company Cerealia in both Sweden and Finland. Expanding cooperation in the Baltic region is the logical next step.

The primary target market for Raisio Food and Animal Feed businesses is the Baltic region. For Raisio Life Sciences, on the other hand, there is a great deal of scope on global markets. At the moment, however, the focus of both functional food ingredients and food diagnostics is in Europe. The markets for functional foods are growing, especially in Europe. Products enriched with the cholesterol-lowering ingredient of Benecol have already spread all over Europe. Last year, 13 new Benecol products that had received official approval were put on the market. I firmly believe that this good progress will continue and that last year's efforts will start paying off.

The other area of organic growth in Raisio Group is food diagnostics, where the first investments were made in 2003. The Group's comprehensive expertise throughout the entire food chain, from the acquisition of raw materials via the production process to the supermarket shelves, provides an excellent basis for expanding our diagnostics business. In the future, the emphasis is going to be on developing rapid testing methods.

Finnish industry is going to face increasingly stiff competition in the future, even though we have recently been at or near the top of the table in many international comparisons. Even without EU enlargement, Raisio Group would be in a situation where we

have to reorganize the structure of the Group and strengthen our competitiveness. We have to concentrate on those business operations where we have a competitive edge and in which we have special expertise. We also need to be able to commercialise this expertise and our innovativeness. Consequently, I feel it is important that we have got a good start with our strategy work and that we are prepared for structural changes.

Despite the fact that fundamental changes are indeed being planned in Raisio Group strategy and structure, the basic targets, profitability and customer satisfaction, will remain. Long-term partnerships and close cooperation with customers will enable us to generate success on both sides. At the same time, the substantial rationalization programmes that have already been implemented and the concentration of business operations that is now being planned will help us to achieve our profitability targets.

2003 was a demanding year. I want to take this opportunity of thanking the personnel for the good work they have put in. The current year is likely to bring even more important changes that will open up new opportunities for Raisio Group and its personnel to continue to develop Raisio as a specialist in well-being. I believe that with the new strategic guidelines, Raisio Group will generate increasing added-value for customers and other stakeholders.

Rabbe Klemets

Vision, strategy and values



VISION AND STRATEGY 2001–2003

Raisio Group vision and strategy were outlined in 2001. According to its vision, Raisio Group is a major food and animal feed company operating in the Baltic region, which is growing into a leading international life science oriented chemical company in selected key areas. According to its strategy, Raisio Group is seeking strong growth and improvements in profitability by developing its operations, and through investment and company acquisitions. All three of its main business areas, Raisio Chemicals, Raisio Nutrition and Raisio Life Sciences, aim to be among the top three companies in their selected market area.

Financial targets are strong growth, return on investment of 12% and an equity ratio of over 30%.

Many of the goals of this vision and strategy have been achieved in 2002–2004:

- The acquisition of Latexia has been implemented and its operations integrated into Raisio Chemicals.
- The paper chemicals plants on the growing Chinese market have been completed.
- Several non-core activities including the ice-cream and almond paste businesses, the BioSafe lubricating oil business and the associated company Valmet-Raisio have been divested.
- The decision has been taken to close down the unprofitable Grain Starch business in autumn 2004.
- Margarine production has been concentrated on plants in Finland and Poland.
- Raisio Nutrition has become established in the expanding margarine market in Russia by setting up a production plant near Moscow.
- Closer cooperation has been started with the Swedish food company Cerealia AB.
- Raisio Life Sciences has acquired the Swedish food diagnostics company Diffchamb AB.

REASSESSMENT OF VISION AND STRATEGY

Despite the measures that have been taken, the growth and profitability targets set in 2001 have not been reached. The growth of the Raisio Group chemicals business has been held back by various factors including the global slump in demand for paper. Group profitability has also been weakened by a number of things, such as the one-off costs incurred by the rationalization programmes and delays in transferring margarine production.

In autumn 2003, the Raisio Group Board decided to reassess the vision and strategy drawn up in 2001. The Board took the view, that for Raisio to develop favourably in the long-term operations need to be focused more clearly. This will ensure all three business sectors the conditions in which they can grow and prosper.

As an immediate measure, the Board decided to evaluate various options for restructuring the Group, including the divestment of Raisio Chemicals. Listing Raisio Chemicals on the stock exchange is another alternative being considered. The final decision is expected to be taken in the second or third quarter of 2004.

CORNER STONES OF THE NEW STRATEGY

Planning of the new Group strategy is based on expertise in well-being, something that Raisio has with regard to food and its ingredients, animal feeds and food diagnostics. The Board sees interesting opportunities for further restructuring in the Baltic region. Networking with other players in the sector and expansion in the region are already under way. Expansion on a global scale and rapid growth are being sought through the ingredients and food diagnostics business sectors.

The intention is to develop closer cooperation between Raisio Nutrition and Raisio Life Sciences. This will open the way for continuing the further development of the chain from safe and traceable raw materials to tasty, safe products that the consumer wants.

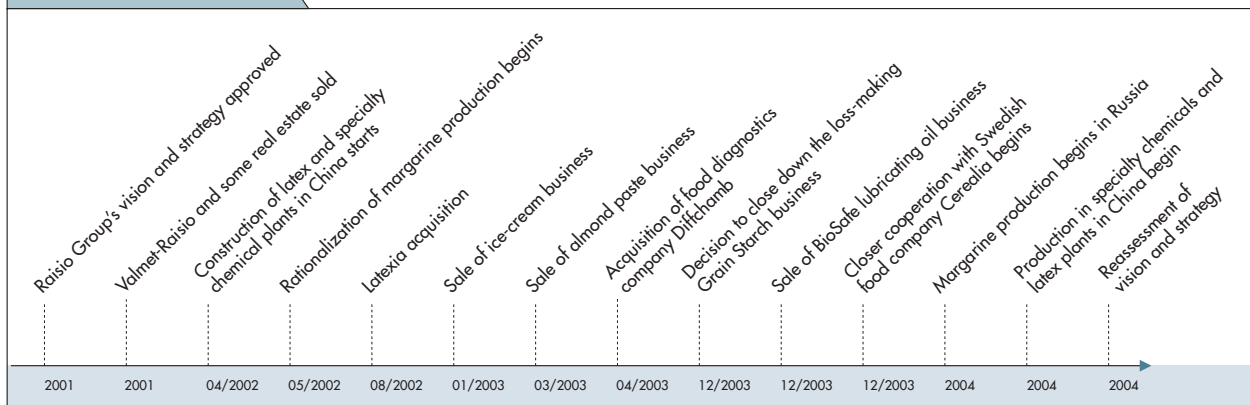


BASIC TARGETS AND VALUES

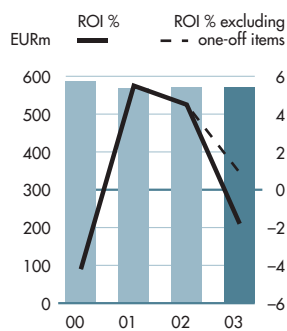
Raisio Group's basic targets have been defined as profitability and customer satisfaction. The values to be employed in realising them are openmindedness, responsibility, expertise and enjoyment in working together. The next stage in the process is to reflect these values in the new vision and strategy.



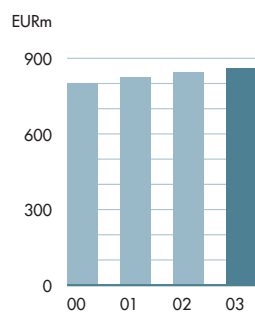
STRATEGIC STEPS



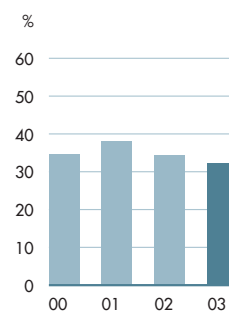
INVESTED CAPITAL ON THE AVERAGE AND RETURN ON INVESTMENT



TURNOVER



EQUITY RATIO



Environment and social responsibility

- Raisio Group aims to ensure profitability in the long term and produce added value for shareholders, customers and other stakeholders through responsible, high-quality operations.
- Raisio is committed to the principles of sustainable development laid down by the International Chamber of Commerce (ICC). Furthermore, Raisio Chemicals has joined the chemical industry's Responsible Care programme.
- Raisio's ethical principles were confirmed in autumn 2003.
- In recognition of the social responsibility of its operations, Raisio shares were selected for the new Kempen/SNS SRI Index and the Ethibel Investment Register as an ethically sound investment target.

ENVIRONMENT

Raisio has defined its environmental, health and safety policy and goals at Group level. As part of the management systems, the business sectors and separate business areas set their own targets for achieving these goals in line with Group policy.

Environmental impact and society as a whole are prime considerations for Raisio Group in everything it does. At Group level the focus is on the following environmental, health and safety objectives:

- Developing safe, healthy and environmentally friendly products and manufacturing them by sparing natural resources.
- Preventing operational hazards and accident risks and their consequences.
- Reducing the amount and harmfulness of emissions and waste, as well as increasing waste recovery.
- Promoting open debate and interaction on environmental, health and safety issues among customers, authorities, stakeholders, personnel and the entire procurement chain.

Environmental management

Most Raisio Group business areas comply with the ISO 14001 standard on environmental management. In 2003, the whole of Raisio Nutrition received certification for its environmental activities in Finland and Raisio Chemicals received four new environmental management certificates. The aim of the Food Ingredients business at Raisio Life Sciences is to achieve corresponding readiness for certification in Finland in 2004. Altogether, the various business areas at Raisio Group hold over forty ISO environmental and quality certificates.

TOWARDS SUSTAINABILITY REPORTING

- Environmental and social responsibility reporting is being developed in parallel with financial reporting according to the Global Reporting Initiative (GRI). Raisio's aim is to publish a sustainability report that follows the key elements of these GRI principles in 2006. Annual reporting will be extended as the creation of indicators and reporting systems proceeds.
- The environment and social responsibility report contained in the Annual Report is a summary of the larger Raisio Group report published on the Group web site www.raisiogroup.com. Raisio Chemicals will also publish its own separate environment, health and safety (EHS) report.

SCOPE OF THE REPORT

- The environmental report contains information on subsidiaries in which Raisio Group has a shareholding of over 50% during the year under review and which actually have production activities. The subsidiary Diffchamb is included in the report from the moment of acquisition, i.e. 1 April 2003. Comparison figures are presented according to the organizational structures at the given time.
- The environmental report is limited to the environmental, health and safety aspects of the Group's own business operations.
- Raisio Group has very few transport vehicles of its own. Most of its transportation is carried out in partnership with transport contractors. So far, no assessments have been made of the environmental loading of outsourced transport.
- By and large, the social responsibility report covers the personnel of the entire Group. For some of the indicators, development work on reporting is still in progress and figures are only given for personnel based in Finland.



Complying with environmental legislation

The majority of the Raisio Group production plants in Finland that require environmental permits submitted their applications in 2003. Finnmyl Ltd received its environmental permit decision in autumn 2003. There is no litigation in progress linked with environmental issues.

Accidents and their prevention

In 2003, three accidents occurred at Raisio Group sites in Raisio, but the consequences of these were relatively small.

Raisio Group has very few transport vehicles of its own, so most of its transportation is carried out in partnership with transport contractors. In 2003, there were 6 transport accidents in which 5 people were injured. There was no environmental damage resulting from the accidents. So far, no assessments have been made of the environmental loading of outsourced transport. The units involved in the road transport of dangerous substances have appointed safety advisors who have passed the appropriate examinations.

Environmental and safety investments

Raisio Group spent around EUR 3.2 million (EUR 6.8 million) on environmental and safety investments in 2003. The most important investments were aimed at reducing emissions to air. Operating expenses related to waste treatment, conservation of water resources, prevention of air pollution and occupational safety totalled about EUR 4.1 million (EUR 4.5 million).

The important wastewater pre-treatment plant project in Raisio received EUR 1.2 million of environmental funding from the

European Union. The Town of Raisio is renovating its wastewater treatment plant so that it can use the carbon-rich wastewater from Raisio Group food industry to remove nutrients from the wastewater at its own plant. The work on the Town of Raisio wastewater plant will be completed by summer 2004, after which Raisio Group will alter its own pre-treatment plant to meet the cooperation requirements. The total costs of the project will be EUR 7 million, of which Raisio Group will be contributing 20%.

Significant environmental aspects and indicators

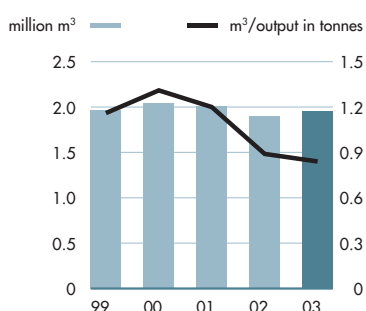
The operations of Raisio Group generate only small amounts of environmental pollution locally. The most important eco-efficiency indicators are energy consumption and generation of waste.

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. Pollution caused by outsourced energy suppliers has not been reported.

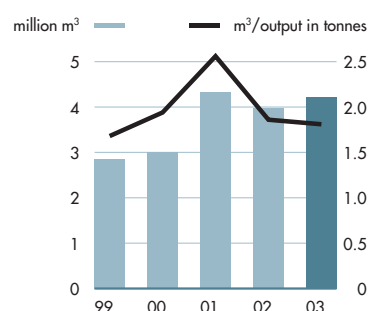
The Group has facilities for treating wastewater, another important form of process waste, but also uses treatment plants belonging to its partners. It is impossible, indeed impractical, to calculate or estimate the water pollution caused by outside suppliers. Thus the volume of wastewater alone is used as an indicator.

No continuous quantitative measurements are made of noise, odorous or dust emissions; these are only monitored by spot checks. This means that no continuous indicator data is available. Environmental risks are reduced by sustained improvements in connection with investments and repairs. Regular measurements of volatile organic compounds (VOCs) are made at certain plants to comply with the terms of the environmental permits.

WASTE WATER



CONSUMPTION OF WATER



EHS REPORTS FOR BUSINESS SECTORS

Raisio Chemicals

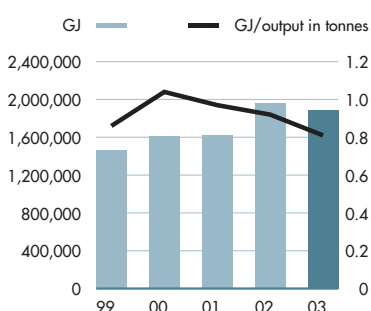
At Raisio Chemicals, quality and EHS issues were strongly influenced in 2003 by the renewal of the ISO 9001:2000 standard and the need to rearrange the management systems to comply with the new standard. The aim is to integrate the ISO 9001:2000 and ISO 14001 systems. In 2003, four Raisio Chemicals production plants received new ISO 14001 environmental certification. The management systems are used for continuous operational improvement and guidance in a more sustainable direction as far as the environment is concerned, while taking special customer requirements into account. The safety systems have not been given certification but there is a strong focus on safety issues in all operations.

In Raisio Chemicals product development, special attention is paid to environmentally friendly products, and whenever possible, preference is given to renewable and environmentally sound raw materials and processes. Most Raisio Chemicals products are based on renewable natural materials and derivatives of them. Nearly all products meet the eco-labelling criteria set for chemicals in their particular product category and are approved for use in the manufacture of packaging for foodstuff. In both product and process development the most environmentally sound alternatives are opted and the precautionary principle is followed.

More and more attention is being paid to the environmental impacts of printed products throughout their life cycle. The need to reduce energy consumption at the papermaking machine while using more economical processes and less raw material will affect the printability of the paper and its suitability for different end products. Environmental requirements for printing plates and printing blankets, printing inks, wetting agents and additives, as well as for paper, are getting stiffer all the time. One of Raisio Chemicals' long-term development projects has been to reduce the use of organic solvents in printing, but at the same time maintain the printability of the paper. The Future Printing Centre (FPC) has been collaborating with various partners on intensive development work aimed at responding to the ever-tightening requirements set for the printed media.

Raisio Chemicals personnel have been encouraged to report 'near-miss' situations. Reporting was started in conjunction with the Safety 24h project. The project has been implemented jointly by the Chemical Industry Federation of Finland, the Chemical Workers' Union and other organizations related to the chemicals sector. The aim of the project is to find procedures that will achieve genuine and permanent improvements in risk prevention at the workplace. The Safety 24h project received an award for good practice from the European Agency for Safety and Health at Work.

USE OF HEAT



In October 2003, Raisio Chemicals organized an open day at the Lapua plant for local people and other interested parties. Visitors were briefed on a number of things including plant operations, chemicals used and possible hazards arising from operating procedures. They were also given a tour of the works and the wastewater treatment plant. The event was aimed at increasing dialogue between the local community and the factory.

One of the most important challenges for Raisio Chemicals is the European Commission's proposal for new chemicals legislation. The proposal is progressing through the European Parliament and the Council of Europe and is expected to come into force in 2006 at the earliest. Raisio Chemicals has taken an active part in various working groups making comments on the proposal and studying the impact of the regulation on its own and its customers' business. Raisio Chemicals has estimated that it will have to register around twenty chemicals as a result of the new regulation. A few substances will be subject to regulatory authorisation procedures. In terms of implementing the regulation, the biggest challenges will be involved with the regulatory procedures and the overall communication involved in the registration process and other obligations, as well as the need to renew corporate data systems. All in all, Raisio Chemicals will incur extra costs of several million euros as a result of the implementation of the regulation.

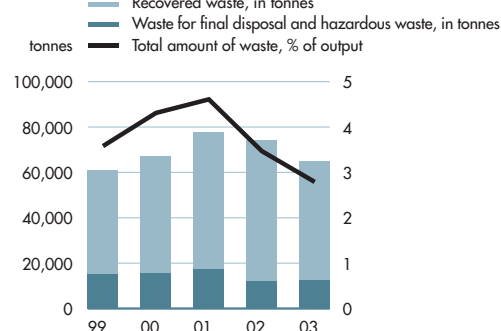
Raisio Chemicals' quality and environmental goals for 2004 are to introduce a harmonized process for systematic monitoring of customer feedback, to expand the use of the Balanced Scorecard tool, to reduce accidents to below 2003 levels – 'target zero level of accidents'. Further goals are to provide continuous training for staff to increase environmental awareness, to crystallize and optimize World Class Manufacturing indicators and reports, to provide training for transport contractors, to develop worldwide quality and EHS guidelines and environmental auditing, and to carry out safety rounds by Raisio Chemicals top management at each production site at least once a year.

Raisio Nutrition

Once the Milling, Margarine and Potato Processing business areas had constructed a joint ISO 14001 environmental management system in 2003, all Raisio Nutrition's operations in Finland were brought within the scope of certified environmental and quality systems. At the same time, ISO 9001 was extended to cover Potato Processing, as well. Animal Feeds and the Malt business areas had already been covered earlier.

The systems support the setting of environmental and quality targets for each of the business areas according to the principle of continuous improvement. Progress was made in 2003 on setting and monitoring health and safety targets on a broader scale.

WASTE



One of the most important environmental projects for Raisio Nutrition in 2003 was submitting separate environmental permit applications for each production plant to the authorities. Up to now, most Raisio Nutrition production plants have not been required to hold a permit under the Environmental Protection Act because the direct impact of their emissions to air and water from production has been rather small. According to the new legislation, however, IPPC-based permits (Integrated Pollution Prevention and Control) will be needed at most Raisio Nutrition plants in the future.

The operations of Raisio Nutrition, which uses renewable sources of raw materials, generate only small amounts of environmental pollution at the local level. Cultivated raw materials are, almost without exception, used in their entirety and generate minimal amounts of waste. Processes and environmental technology are chosen according to the best available technology (BAT) principle.

The environmental impacts of the food and malt industry take place through the use of energy in processes and transport, and to a certain extent in packaging and other waste. Apart from the milling industry, water and wastewater also have a considerable impact.

The most important environmental aspect in the Animal Feeds business area is the nutrient load derived from livestock manure. Optimizing the nutrients in the feed and having a good feed/gain ratio reduce the load produced per kilo of food and animal feed.

In the procurement of grain and oil plants, two of the most important raw materials, the most significant environmental impacts are connected with farming inputs in primary production and transportation. The Quality Grain trademark system takes environmental issues into account as a part of quality management and the procurement process. Improvements have been made in the assessment of outside suppliers and the traceability of raw materials throughout the supply chain.

The three-year Foodchain research project, coordinated by the Technical Research Centre of Finland (VTT) and MTT Agrifood Research Finland, was completed in 2003. The project studied the effects of different variables on the environmental impacts of food production through its entire life cycle. Raisio Group was involved in all three project sections, grain, cheese and potato products. In the grain section, Elovena oat flake was the product whose life cycle was studied. The environmental impact of the industrial processing of Elovena was surprisingly small in comparison with primary production and with further treatment of the product in the home. The environmental impact was further reduced by the switch from fuel oil to biogas and natural gas in the steaming process at the Raisio Nutrition Nokia plant.

Sources of soy that has not been genetically modified are becoming more limited and this has caused an increase in hexane consumption at the oil milling plant. New processing methods were developed in 2003 and new absorption equipment was acquired in order to resolve this problem.

In September 2003, the new EU regulations on approval procedures, labelling and traceability of genetically modified products were published. The new regulations have been a long time in preparation and the expanded and more focused legislation is expected to sway consumer reaction in Europe more favourable towards genetically modified products. Raw materials for animal feeds, such as soy bean meal, now also have to carry markings and will come within the scope of official controls, as well.

In 2003, Raisio Nutrition still held back from using genetically modified raw materials in its products. As far as purchasing for 2004 goes, it has been decided to remain with traditional unmodified soy, for the time being. However, depending on the way the final interpretation of the new EU regulations is applied, it may well be that in future, some of the additives used by Raisio Animal Feeds that are manufactured using microbes will be classified as genetically modified. This mainly applies to enzymes, vitamins and amino acids.

The challenge for Raisio Nutrition in the future is going to be to make health and safety targets and the measures necessary to achieve them a permanent integral part of management systems and practical operations.

Tangible examples of the environmental measures now in progress include the improvement in refining of malting barley before soaking to reduce the amount of solid material in the wastewater, the project to improve separation of grease in wastewater from the margarine plant, the reduction in the phosphorus content in animal feeds and the project to make use of centrifuge slurry from potatoes as a binding agent for bio-fuel.

Raisio Life Sciences

The certified quality systems used by Raisio Benecol and Raisio Staest, which are part of the Raisio Life Sciences business sector, are in accordance with ISO 9001:2000. The system at Raisio Staest US will be certified early in 2004. Development work on the ISO 14001 environmental management system will continue with the aim of having the system ready for certification by the end of 2004. Work was completed on updating the quality management systems used in the food diagnostics company Diffchamb, acquired in spring 2003, and certifying them in accordance with ISO 9001:2000. The integration of environmental reporting at Diffchamb is still in progress.

The safety risks inherent in laboratory work were charted in collaboration with the Turku Institute of Occupational Health in 2003, as a new form of cooperation with stakeholders.

During 2003, a large proportion of Raisio Life Sciences' Ingredients personnel were awarded hygiene certificates. Production automation systems were renewed at Raisio.

There has been a certain amount of networking among Finnish and international research groups over research and development in the ingredients business. Raisio Benecol took part in several public research projects and conducted its own joint research projects. One of the aims of these has been to study ways of improving the efficiency of recovery and reuse of by-products from Raisio Group processes. Process development studies the potential for reusing waste products from production that can be supplied as by-products.

According to the environmental policy approved by the Raisio Group Board of Directors, Raisio Life Sciences is committed to keeping environmental, health and safety aspects as the basis for all its operations. Key aims are the prevention of accidents, making more efficient use of raw materials and reducing waste.

One specific aim for 2004 is to reduce the loading on wastewater caused by production by 20% in relation to production volume. Another is for personnel to take part in occupational safety training and pass the relevant test to obtain their 'occupational safety card'.

SOCIAL RESPONSIBILITY

- Competent, professional and motivated personnel who are committed to reaching targets is a key requirement for the implementation of Raisio Group's vision and strategic targets.
- For the personnel, 2003 was a difficult year because of a weakening in the Group's financial performance. Job cuts had to be made for financial and productivity reasons both in Finland and elsewhere in Europe, as well as in Americas.
- 31 December 2003, Raisio Group employed 2,735 (2,767) people, 45% of whom (45%) worked abroad.

Ethical principles

The ethical principles for Raisio Group operations are set down in a joint package that was approved by the Board in late 2003. These principles are based on the corporate values of expertise, responsibility, openmindedness and enjoyment of working together. The principles cover human rights and equality, business ethics and community spirit, among other issues.

Number of personnel

Number of personnel increased in 2003 due to the acquisition of the food diagnostics company Diffchamb and Raisio Chemicals' expansion into Asia. Numbers were reduced by closing down margarine production in Sweden, selling the ice-cream business to Åhus Glass AB and implementing the rationalization programmes.

Financial pressures on Raisio Chemicals and increasing competition in the sector led to a critical evaluation of operations during the first half of 2003. As a result, the organization was changed and around 90 jobs were cut in Finland, elsewhere in Europe and in Americas. Moreover, a total of 26 jobs were cut from Group administration early in 2003 as part of the rationalization programme.

Raisio Nutrition carried out an extensive rationalization programme which included comprehensive reorganization, pruning out overlapping operations, focusing resources to meet customer needs and rationalizing the product range. It was also decided to close down the Grain Starch business. The rationalization programme at Raisio Nutrition will reduce the number of jobs in Finland by a total of 117 in 2004.

It has been possible to implement some of the staff reductions by internal transfers, pension arrangements and voluntary reductions. Some specific measures were organized to help people find new jobs and face up to change.

Managing expertise

In managing human resources, Raisio takes a close look at organization and management, and the competence of individual employees and their personal development goals. Achieving the strategic goals and budgeted targets is backed up by developing competence including job rotation, induction, training, networking and sharing experiences. Personal goals and ways of developing competence are agreed individually between employee and supervisor according to the performance appraisal practice.

In terms of developing competence in 2003, inputs were made in business and management expertise, language and IT training, and quality and environmental issues, as well as developing professional training and internal operations.

In 2003, some 20 people from nine different countries took part in the Raisio Chemicals international training programme for middle management. Training is arranged on average every other year and so far, a total of 80 Raisio Chemicals managers and supervisors have taken part.

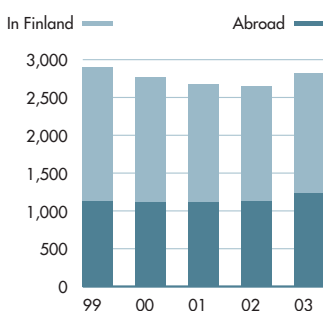
The first group in the 'Leading Raisio' management training scheme launched in autumn 2002 finished their studies in spring 2003 and the programme will be further developed on the basis of the feedback received. A new group of 20 supervisors and experts began their studies with various aims including learning how to put vision, values and strategy into practice, increasing their business expertise and developing their personal skills and internal networking and thus improving supervisory practices.

At Raisio Nutrition and Raisio Life Sciences, a great deal of effort went into hygiene training in 2003. About 800 Raisio employees who had passed an approved test were awarded a hygiene certificate.

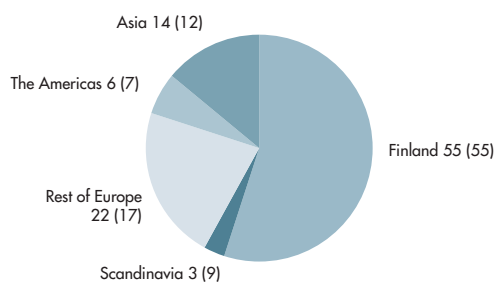
At Raisio Chemicals, about 50 people working in production at customers' factories took part in occupational safety training in 2003, with the aim of obtaining a national 'occupational safety card'. In 2004, the practice will be extended to cover the entire Raisio Group.

Training for crisis communications was arranged at Raisio, Anjalankoski, Nokia, Lapua and Vihanti. The training prepares personnel for dealing with management and communications in different types of crisis situation. Altogether around 60 people took part in the training.

PERSONNEL average



by geographical region 31 Dec 2003 (2002)



Well-being and safety at work

Improving well-being at work covers all activities associated with the health, well-being and competence of the individual employee and with work, the working community and working conditions.

There is a long tradition of maintaining working ability in Raisio Group's units in Finland. The idea is to increase motivation, benefit systematically from the Group's internal expertise, reduce sick leave and discourage people from taking early retirement. The methods used include work community training, free-time activities supported by the company, rehabilitation and other services linked with health, plus surveys and working community evaluations.

In addition, an equality plan has been drawn up for the use of Raisio Group units in Finland. The plan sets out the action to be taken to prevent gender discrimination, promote equality between men and women, improve the balance between work and family commitments and prevent sexual harassment. The current state of equality was assessed with a survey amongst the personnel, which provided the basis for setting out targets for the Group's equality plan and measures for removing the inequalities that were observed. The success of the plan will be monitored annually and it will be further developed to cover international operations as well.

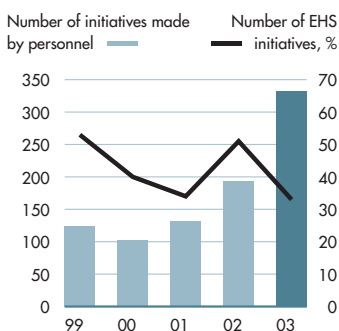
Raisio Group personnel receive regular training and guidance in occupational health and safety issues. Accident frequency is used as a safety indicator. The accident figures for the Group include all accidents that cause sick leave of more than three days, but do not include accidents occurring on journeys to and from work, deaths and invalidity. In 2003, 84 accidents were logged (61), but the amount of absence they caused was less than the previous year.

The goal of Raisio's initiative scheme is to increase the number of suggestions aimed at improving business or working conditions. An initiative competition was organized in spring 2003 in co-operation with human resources management and the initiative committee to speed up operations. Employees were extremely active in suggesting initiatives during the competition with a considerable number of initiatives aimed at improving occupational safety and working conditions.

Incentives

One of the Raisio Group's principles is to offer competitive remuneration to personnel according to country and business. Pay systems, incentive schemes and social and other benefits are assessed on a regular basis. The aim is to maintain and improve country-specific and business-specific schemes that are fair and motivating and that reward good performance. Raisio Group regularly monitors salaries on the open market to ensure it maintains its competitiveness.

INITIATIVES



Community involvement

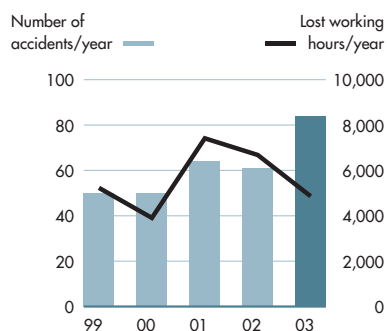
According to Raisio Group's ethical principles, the company cooperates with various bodies, such as scientific communities, educational establishments, sports and culture providers and health care, at both Group and local level. For example, Raisio continued to support the UNICEF international girls' education campaign and Raisio Polska Foods took part in a national health project in Poland with Benecol products. The Raisio Group research foundation distributes grants every year to support scientific research.

Continuous dialogue with the authorities and non-governmental organizations means that Raisio Group has good relations with the surrounding community. It is important to everyone at Raisio to listen to different interest groups and take their needs into account. Briefings and opportunities to visit Raisio sites are arranged for local residents. Raisio Group encourages units and employees to take part in activities that contribute to the local community.

Challenges for 2004

Raisio Group is going through a phase of strategic change. Change is often accompanied by a feeling of uncertainty about the future. The main focus of human resources strategy for 2004 is on improving cooperation between supervisors and their employees, as well as on continuing to develop well-being at work.

WORK ACCIDENTS



Review of Business Areas

Raisio Group Business Sectors

Raisio Group comprises three business sectors: Raisio Chemicals, Raisio Nutrition and Raisio Life Sciences. Raisio Group has launched an evaluation of structural alternatives intending to focus its operations more clearly to become a specialist in well-being. Final decisions on this are expected in the second or third quarter of 2004.

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

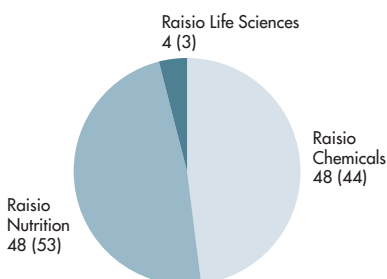
Raisio Nutrition comprises the Food, Animal Feeds and Malt business areas. The Grain Starch business will be closed down in autumn 2004. Raisio Nutrition focuses mainly on the Baltic region, particularly Finland, Poland and Russia.

The business sector produces and markets:

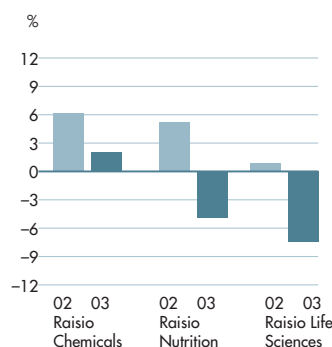
- grain and vegetable oil based foods and potato products
- highly processed animal feed mixes for livestock animals and special feeds for fish and fur animals
- brewing malts for the domestic and export market.

The main product of the **Raisio Life Sciences** business sector is the Benecol ingredient, stanol ester. Stanol ester is used in a number of products including margarine, yoghurt, milk and snack bars. Products containing stanol ester are sold in nearly 20 countries. The business sector's other buttress is food diagnostics, which focuses on the analytical systems, diagnostic equipment and reagents used to monitor the quality and safety of foods and animal feeds.

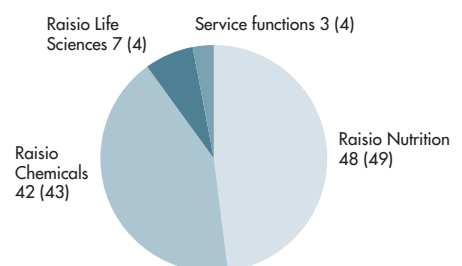
TURNOVER BY BUSINESS SECTOR
% of group turnover 2003 (2002)



RETURN ON INVESTMENT
(according to management accounting)



PERSONNEL
by business sector 31 Dec 2003 (31 Dec 2002)



Raisio Chemicals



- Raisio Chemicals serves the paper industry globally, supplying it with functional paper chemicals, chemical concepts and R&D targeted at the customer interface.
- The main products are latex binders, specialty chemicals, and starch binders.
- Europe and Asia, especially China are the key growth areas.
- In spring 2003, Raisio Chemicals started a rationalization programme aimed at cost savings of 15 million euros. As a result of the programme, some 100 jobs were cut worldwide. The full weight of the cost savings will be felt in 2004 and beyond.
- Turnover in 2003 amounted to EUR 422.3 million (EUR 370.1 million in 2002). Operating profit was EUR 1.9 million (EUR 10.7 million) and operating profit excluding one-off items EUR 10.5 million (EUR 8.9 million).
- Capital invested totalled EUR 234.8 million (EUR 240.7 million) and return on investment (ROI) 2.0% (6.2%). ROI excluding one-off items was 5.6%.
- On 31 December, Raisio Chemicals employed 1,151 people (1,194 people).

VISION AND STRATEGY

Raisio Chemicals is a leading paper chemical company that invests substantially in research and technology. The company has a significant market position in Europe and is currently expanding into the rapidly growing markets of China.

Raisio Group is evaluating various restructuring alternatives in order to focus the business more clearly. One alternative is to divest Raisio Chemicals. The potential restructuring would give Raisio Chemicals the opportunity to grow and internationalise still further.

MARKET SITUATION

After the crises of the first half of 2003, signs of global economic recovery were clearly apparent. World paper consumption follows overall economic trends, and consumption is estimated to have increased by 2% to 3% during the year. The greatest growth was in Asia and Eastern Europe.

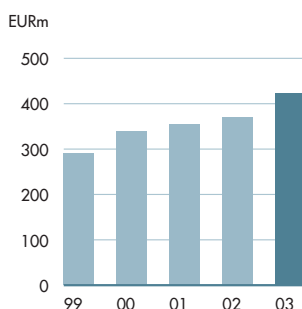
Paper production volumes in Western Europe, however, increased significantly due to strong growth in exports. Graphic paper production increased by more than 4% and coated grades by approximately 7%. Raisio Chemicals' main growth markets are Western Europe and the most rapidly growing markets of Asia, especially China.

Growth in the production of coated papers, which are particularly important for the latex business, new product lines that compete better in quality, and the successful integration of Latexia with Raisio Chemicals increased sales of latex binders and improved financial results substantially.

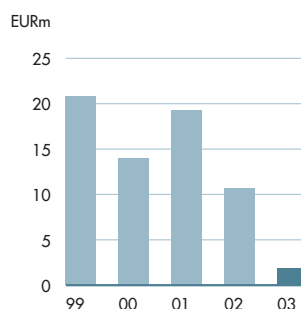
Sales of speciality chemicals on the markets of North America and Europe remained at the previous year's level, but grew substantially in Asia. Typical for the sector is the large number of scattered players, which underlines the necessity for consolidation and greater efficiency.

An unusually hot and dry summer in central and southern Europe reduced grain and potato crops and substantially increased prices

TURNOVER

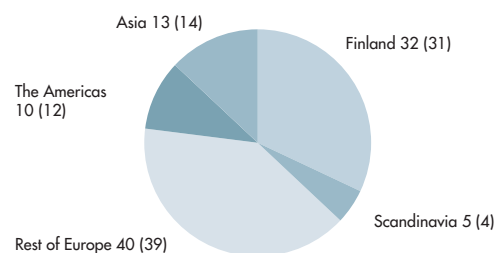


OPERATING PROFIT



TURNOVER BY GEOGRAPHICAL AREA

% of Raisio Chemicals turnover 2003 (2002)





for the raw materials used in starch binders. In Finland, early night frost shortened the season for starch potatoes and led to a 20% decline in potato starch manufacture compared with the previous year. For this reason there will be considerable pressure on starch prices during 2004.

CORE COMPETENCE

Raisio Chemicals' strength is its strategically important position as part of the world's leading forest cluster, which has developed around the Finnish forest industry over the decades. This forest cluster includes chemical manufacturers and the forest industry, equipment manufacturers, raw material suppliers, the printing industry, research institutes and universities. The Finnish forest cluster spends some EUR 250 million a year on research and development. The forest cluster contributes 10% of Finland's GDP and some 40% of net export revenues. Three Finnish companies are among the four largest forest industries in Europe and the ten largest in the world, measured in turnover.

According to Raisio Chemicals' estimate, it is the world's third largest company in the functional chemicals segment. Its strength is a comprehensive knowledge of paper chemistry supported by the Finnish forest cluster.

Raisio Chemicals' high-quality research and product development resources together with its customers form the basis for collaboration here. Research and development resources are focused on the Raisio industrial area where the R&D Center, the Coating Technology Center, the Paper Technology Center CTC and Future Printing Center FPC are located. The test printing plant began operations at the beginning of 2004. Together, these research centres form a unique testing and development service that covers the stages of paper manufacture from base paper to the finished printed product. The centres enable a more comprehensive cooperation in the development of paper chemicals with customers.

Moreover, Raisio Chemicals has a research center in France that concentrates on polymer synthesis research, and technical support centres in the UK, Canada, and South Korea. Raisio Chemicals is also a shareholder in a surface research centre for materials, Top Analytica Oy, which is located in the Turku Science Park in Finland. There is also close cooperation with other research institutes in the sector and with universities as well.

Raisio Chemicals has concentrated its investment in the growing Jiangsu area of China, which is important for paper production. A latex plant with a production capacity of 100,000 tonnes will come on stream in the Zhenjiang region at the beginning of

2004. At the same time, the production capacity of the specialty chemicals manufactured by Raisio will also increase when a specialty chemicals plant starts up in the Suzhou region in China.

CHANGES IN THE OPERATING ENVIRONMENT

In October 2003, the EU Commission submitted its proposed REACH decree to the Council and Parliament for discussion. The issue is an extensive reform of EU chemicals legislation. The industry's greatest concern is the impracticality and unreasonableness of the new legislation, mainly in comparison with the expected benefits. All agree on the importance of the original political goals. According to present estimates, the decree will take effect in 2006. Together with the emissions trading directive that was issued and took effect in October 2003, these systems, which are being unilaterally implemented by the EU, are regarded as a threat to competitive efficiency.

Consolidation of the paper industry has advanced a long way. In the coated papers segment, for example, the five largest companies own 40% of the world's total capacity. Consolidation has proceeded even further in Europe and North America, since the five largest companies control over 70% of the capacity. Nevertheless, it can be expected that consolidation will continue, especially at the global level.

In paper chemicals, similar development has taken place only in the latex sector. The need for consolidation in the particularly fragmentary specialty chemicals sector is obvious, and considerable activity is to be expected in 2004.

BUSINESS AREAS

Latex Binders

Latex binders are used in the coating of paper and board to improve appearance, printability, and readability. Petrochemical products such as styrene, butadiene, and acrylates are used as raw materials for latex binders. Oil prices have a significant impact on the prices of latex binders.

Raisio Chemicals has a strong position in the production and sales of latex binders. The main market area is Europe and the key growth area China. In August 2002, Raisio purchased the remaining 50 per cent of the shares of the joint venture Latexia S.A, which was founded in 2000 together with the French company Rhodia. Integration with Raisio Chemicals has been a success, and Latexia is in fact Europe's third largest supplier of latex binders to the paper industry.

Research and development aim at improving the printability, appearance, and runnability of paper in paper machines and presses. In addition to binders, another important area comprises the coating concept and how to make it more reliable and economical. The recently opened test printing plant FPC will provide new opportunities for improving customer service and initiating new programmes related to printing.

The goal of the latex binder business area is to further strengthen its position in Europe and to attain a significant position in China. The latex binder business in Brazil will be further developed, taking local growth into account.

Specialty Chemicals

Specialty chemicals consist of hydrophobic sizes, de-inking chemicals, Raifix and Raisabond polymers and additives for coatings. The main customer groups are manufacturers of fine paper, newsprint paper and packaging board. The market areas are Europe, North and South America and Asia.

At the end of 2003, the BioSafe lubricating oil business was sold to the Swedish company Binol AB. BioSafe's turnover was around EUR 3 million. Raisio Chemicals thus continued to prune its non core business and to focus on functional paper chemicals.

In research and product development, the emphasis was on improvement of the printability of mechanical and wood-free printing papers. New synthetic dry strength polymers and hydrophobic polymer sizes have proved their cost effectiveness in this market segment.

The main emphasis in production investment, marketing and sales in 2004 will be in China and elsewhere in Asia, with the aim of further strengthening the good market position of Raisio's specialty chemicals.


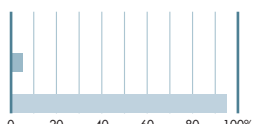
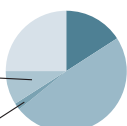
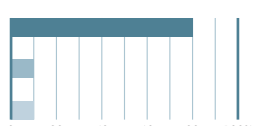
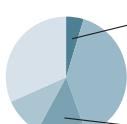

Starch Binders

Starch binders are used in the manufacture of paper and board to improve internal strength, surface strength, and printability. The strength of the starch product line can be considered its ability to use various types of starch as raw materials. During the year under review, the proportion of tapioca and grain starches rose significantly. The cold spell in early September reduced the potato crop in Finland and the manufacture of potato starch fell 20% short of the target.

Raisio Chemicals is the market leader in northern Europe. Its customers mainly represent manufacturers of printing papers and board.

Development of surface adhesive and coating concepts continued. Test runs of surface adhesive with high solids content demonstrated the advantages of the method to the customer industry. Production at the Veurne plant in Belgium was converted for the manufacture of coating starches.

Efforts will be made to increase the efficiency of starch binder production further, for example by seeking the optimal raw material base. In its starch business, Raisio Chemicals is attempting to find permanent long-term solutions for its raw material needs. The Finnish company Altia has supplied barley starch for years, and Thai manufacturers supply significant volumes of tapioca. Negotiations have also been started with starch manufacturers regarding long-term delivery contracts to replace deliveries from Raisio Nutrition's grain starch plant, which is scheduled for closure.

USE OF RAISIO CHEMICALS PRODUCTS		
	BY GRADES	BY APPLICATION
Latex binders	Wood-containing coated paper  Cartonboards	Wet end On-machine Coating 
Specialty chemicals	Wood-free uncoated paper Wood-free coated paper Wood-containing coated paper  Cartonboards	Wet end On-machine Coating 
Starch binders	Cartonboards Wood-containing coated paper  Wood-containing uncoated and newsprint paper Wood-free uncoated paper Wood-free coated paper	Wet end On-machine Coating 

PRODUCTS	MARKET STATUS	RESOURCES
LATEX BINDERS Turnover EUR 207.7 million or 49% of Raisio Chemicals turnover		
<ul style="list-style-type: none"> ■ used in coating paper and board ■ significantly improve the appearance, printability, and readability of paper and reduce ink consumption ■ coating of paper reduces the need for wood fibre materials 	<ul style="list-style-type: none"> ■ some 11% of world market and some 19% of the European market ■ a significant share in Indonesia and Brazil, sales in China increasing ■ paper coating expected to increase by some 5% annually 	<ul style="list-style-type: none"> ■ production plants in Finland, France, Austria, Spain, Indonesia, and Brazil ■ the plant in China coming on stream at the beginning of 2004 ■ Coating Technology Center CTC and Future Printing Center FPC in Raisio
SPECIALTY CHEMICALS Turnover EUR 125.0 million or 30% of Raisio Chemicals turnover		
Hydrophobic sizes <ul style="list-style-type: none"> ■ regulate the absorption of water-based liquids in paper and board ■ improve paper printability and packaging board quality ■ paper industry uses various sizing technologies and Raisio Chemicals can offer all these concepts 	<ul style="list-style-type: none"> ■ 9% of world market, 16% of the European market ■ market leader in Finland, Colombia, France, Indonesia, Portugal and the UK 	<ul style="list-style-type: none"> ■ production plants in Europe (6), North America (2), South America (1) and Asia (4)
Specialty polymers <ul style="list-style-type: none"> ■ used for improving paper and board quality and production processes 	<ul style="list-style-type: none"> ■ 4% of world market, 10% of the European market ■ market share among key customers over 40% ■ sales in all market areas ■ total market growth 5% a year 	<ul style="list-style-type: none"> ■ production plants in Europe (3), Asia (1) and North America (1)
De-inking chemicals <ul style="list-style-type: none"> ■ de-inking chemicals for removing ink from recycled paper 	<ul style="list-style-type: none"> ■ 5% of world market, 10% of the European market ■ market share among key customers over 40% 	<ul style="list-style-type: none"> ■ production plants in Europe (2)
Coating additives <ul style="list-style-type: none"> ■ used for paper and board coating ■ improve coating machine runnability ■ provide paper with special qualities 	<ul style="list-style-type: none"> ■ market leader in coating slide agents in Finland ■ paper coating expected to show 5% annual growth 	<ul style="list-style-type: none"> ■ production plant in Finland ■ Coating Technology Center CTC and Future Printing Center FPC in Raisio
STARCH BINDERS Turnover EUR 89.6 million or 21% of Raisio Chemicals turnover		
<ul style="list-style-type: none"> ■ used in paper and board production ■ improve the internal strength, surface strength and printability of paper and board ■ main uses: paper machine wet end, surface sizing unit and coating machine ■ the multiple raw material base consists of potato, wheat, barley and tapioca starches 	<ul style="list-style-type: none"> ■ strong market status in the Nordic countries with Raisio accounting for some 30% of all starches used by the paper industry ■ equivalent market share in Europe some 12% and globally some 7% ■ one of the world's leading suppliers of cationic starches to the paper industry 	<ul style="list-style-type: none"> ■ production plants in Finland, Belgium, the US and Indonesia ■ contract manufacturing in Thailand ■ own cationization chemical production

Raisio Nutrition



- Raisio Nutrition comprises the Food, Animal Feeds and Malt business areas and the Grain Starch business.
- In autumn 2003, Raisio Nutrition launched a rationalization programme which resulted in the reorganization of its operations. The decision was taken to close down the Grain Starch business, which had been part of the business group. A total of 117 jobs will be reduced by autumn 2004.
- The operational structure of Raisio Nutrition was modified in autumn 2003. New profit centres were set up for food sales, production and international operations alongside the Animal Feeds and Malt business areas. The profit centres are backed up by human resources, research and development, marketing, purchase and logistics and financial administration.
- In 2003, turnover totalled EUR 417.9 million (EUR 458.5 million in 2002). Operating result was EUR -11.7 million (EUR 11.0 million) and operating result excluding one-off items EUR -4.8 million (EUR 15.5 million).
- Capital invested totalled EUR 195.9 million (239.9 million) and return on investment (ROI) -4.9% (5.2%). ROI excluding one-off items was -1.9%.
- On 31 December 2003, Raisio Nutrition employed 1,312 people (1,359 people).

VISION AND STRATEGY

Raisio Nutrition's current business operations are based on total control and traceability of the processing chain from vegetable-based raw materials – grain, oil plants and potatoes – into foods, raw materials for other food production and animal feeds.

Organic growth is being supported by increasing the value added and seeking expanding product segments. In the future, growth will also be sought outside Finland, mainly in the Baltic region.

The efficiency of Raisio Nutrition's operations will be boosted by reinforcing Raisio's image as a food company, focusing on fewer brands and creating stronger umbrella brands. This will be achieved by making better use of inputs in marketing and product development, amongst other things.

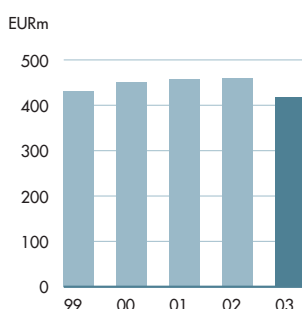
The potential restructuring in Raisio Group will also give Raisio Nutrition a better opportunity to develop its special expertise in well-being.

RAW MATERIAL PURCHASING AND TRACEABILITY

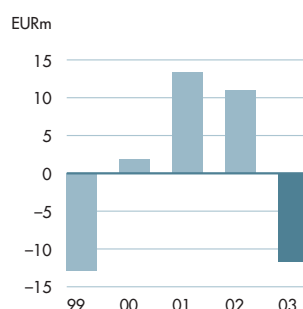
Raisio Nutrition is the biggest processor of cultivated plants in Finland. Of all grain going for industrial use, Raisio processes 40%. In 2003, about 580 million kilos of grain were used, of which almost 90% was grown in Finland. In addition, Raisio used about 65 million kilos of Finnish potatoes in its potato-based foods.

The principles in grain purchasing are market-based pricing and transparency. Quality criteria and purchasing prices are in the public domain. They are available in Finnish on the Raisio Group's web pages, for example.

TURNOVER

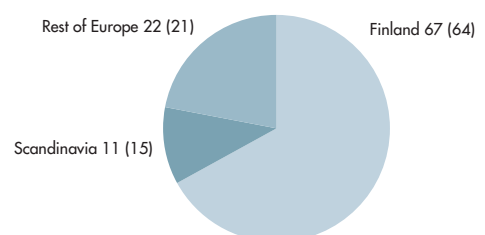


OPERATING RESULT



TURNOVER BY GEOGRAPHICAL AREA

% of Raisio Nutrition's turnover 2003 (2002)





Contract farming with Finnish farmers is the corner stone of raw-material purchasing for Raisio Nutrition. Close cooperation ensures that products and the raw materials used in them are traceable, something that the consumer finds to be more and more important.

Raisio Nutrition has developed the Quality Grain system to improve traceability and promote contract farming. Quality Grain system ensures that the grain is a pure, safe, environmentally friendly product of impeccable quality. In the Quality Grain system, every approved batch of grain is channelled for most appropriate use in different production plants according to its individual characteristics.

The quality and safety of the grain Raisio Nutrition uses as raw material is monitored by the grain laboratory in Raisio, which deals with about 25,000 samples a year and performs around 100,000 analyses. The quality of oil plants used as raw material is the task of the vegetable oil laboratory, also in Raisio, which performs about 10,000 analyses on rape seed and soy annually.

Traceability of raw materials used in potato-based foods has been improved by launching an extranet for use by contract farmers and Raisio, where data on farming methods can be followed in real time.

In September 2003, the new EU regulations on approval procedures, labelling and traceability of genetically modified products were published. The new regulations have been a long time in preparation and the expanded and more focused legislation is expected to sway consumer reaction in Europe more favourably towards genetically modified products. Raw materials for animal feeds, such as soy bean meal, now also have to carry markings and have come within the scope of official controls, as well.

In 2003, Raisio Nutrition still held back from using genetically modified raw materials in its products. As far as purchasing for 2004 goes, it has been decided to remain with traditional unmodified soy for the time being, too. However, depending on the way the final interpretation of the new EU regulations is applied, it may well be that in the future some of the additives used by Raisio Animal Feeds that are manufactured using microbes, will be classified as genetically modified. This mainly applies to enzymes, vitamins and amino acids.

CHANGES IN THE OPERATING ENVIRONMENT

For Raisio Nutrition, EU enlargement is both an opportunity and a threat. Opening up the neighbouring areas could increase food and animal feed imports. Finland's high taxes on beer and the amendment of import restrictions on alcohol from the beginning of 2004 may weaken the position of Finnish breweries and consequently the position of the malt industry. In taxation on beer, the Maltsters' Association, of which Raisio Malt is a member, has backed up the Federation of the Brewing Industry in demanding a reduction of 70% in the tax on beer.

On the other hand, when the neighbouring countries join the EU, it will give Raisio and other Finnish companies better operating potential in new export markets. Poland's forthcoming EU membership will give Raisio Polska Foods new opportunities in the EU internal market.

Decisions on subsidies for farming and livestock production at both the EU common agricultural policy level and the national level have an impact on operating conditions for Raisio Nutrition's business areas. Separating subsidies from production may reduce the effectiveness of farming which might endanger the availability of domestic grain, oil plants and potatoes of high quality. However, Raisio is endeavouring to ensure its raw material supplies by being increasingly active in contract farming. The overall profitability of livestock farms is also largely dependent on agricultural policy decisions.

Competition in the retail sector has been getting stiffer over the last few years and foreign grocery chains are trying hard to get into the Finnish market. With the EU, trade has greater potential to expand its purchases into new areas. Purchasing agreements between international retail groups are increasing the need for cost efficiency in the food industry and smooth-running logistics.

The increasing number of private labels is a challenge to industrial brand names. Raisio Nutrition manufactures a wide range of private labels; some 6% of the food products manufactured in Raisio's plants in Finland are private labels. The proportion varies considerably among different product groups. Increasingly stiff competition brings with it the risk of cutbacks in research and product development if no one is willing to pay these strategic costs.

FOOD BUSINESS AREA

- The Food business area comprises Milling, Margarine and Potato Processing. The aim is to produce basic and specialized foods that are tasty, safe, easy-to-use and healthy. The product range includes flours, flakes, rice, pasta, margarine, edible oils, vegetable-based cream cheeses and potato products.

Key customer groups are retail traders serving the consumers, the catering business, bakeries and other parts of the food industry. Raisio has production plants in Finland, Poland and Russia.

Most of Raisio Nutrition's foods are manufactured and consumed in Finland. In the future, all products sold on the Swedish market will be made in Finland, too, with the last margarine production line being shifted to Finland early in 2004. Most of the foods manufactured in Poland are consumed on the Polish market, but some products are also exported to Hungary, the Czech Republic, Slovakia and Ukraine. Roughly 7.5% by volume of the Raisio food products made in Finland are exported and 14% of those made in Poland.

Russia is considered to be a growing market in the future and Raisio Nutrition strengthened its position in Russia by acquiring a dairy facility at Istra near Moscow in April 2003. Margarine production began there at the beginning of 2004.

Raisio Nutrition has decided to cooperate more closely with the Swedish food group Cerealialia. The Cerealialia Foods sales organization has been taking care of the Raisio margarine and the Beneviva product group sales to retailers and catering business in Sweden since the beginning of 2004. Correspondingly, Raisio Nutrition will be handling sales of a wider range of Cerealialia products in Finland from May 2004 onwards. Work is in progress on extending cooperation to the Baltic region.

Raisio Nutrition has several strong food brand names in Finland many of which are market leaders in the retail trade. Raisio's best-known food brands in Finland include Benecol, Elovena, Keiju, Sunnuntai and Risella. The 'Good food comes from the neighbourhood' concept brings together many well-known brand names with the sound image of Raisio and its long tradition as a food company. Some of the most important brands on the Polish market are Masmix, Benecol and Pyszny Duet. The umbrella brand in Sweden is Carlshamn Mejeri and the best-known individual brand is Runda Bords.

Raisio's expertise in grain and vegetable oils provides an excellent opportunity to develop new products by combining the useful properties of vegetable-based products, such as the unsaturated fatty acids in vegetable oils and grain fibre. One example of this was the Benecol pasta launched in 2003.

People's growing interest in the links between nutrition and health and the ageing of the population provide a sound basis for developing functional and healthy foods. Raisio Nutrition has responded to the challenge by bringing onto the market a number of products including Beneviva Omega-3 low-fat margarine which contains plenty of the fatty acids that are essential for people's health. The fatty acids originate from oil pressed from the camelina plant, so the product is entirely vegetable-based.

Demand for easy-to-use foods is growing. In accordance with customer demand, Raisio Nutrition has brought onto the market Sunnuntai baking ingredients and frozen pastries, for example. Kokin Parhaat processed potato products are also quick and easy to use. During 2003, various vacuum-packed, cooked potato products were brought onto the market.

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 purity, use and taste. Raisio Nutrition owns 75% of Melia and the remaining 25% is owned by Cerealialia. The product range includes flakes, flours, pasta and rice.

Many of Raisio Nutrition's grain brands are market leaders in the Finnish retail trade. In a brand survey carried out annually, Elovena has succeeded well.



Margarine

In order to boost efficiency, Raisio margarine manufacture was concentrated mainly in Finland and Poland in 2003 and the Swedish margarine plant will cease to operate in spring 2004. The production plant in Raisio is the only Finnish margarine plant and it makes about half the margarine used in Finland. Besides margarine, the product range includes vegetable-based cream cheeses and edible oils.

Raisio Polska Foods, which has been in Raisio ownership since the mid-1990s, is currently the second biggest margarine producer in Poland. The modern cold store taken into use at the beginning of 2004 will improve operating conditions for Raisio Polska Foods.

At the beginning of 2004, production also started up in Russia at the margarine production unit near Moscow. In certain areas, such as St Petersburg and Moscow, Raisio's Voimix and Dolina Skandi brand names are reasonably well known and already have an almost 10% market share.

Food Potato Processing

Raisio potato products are made at the biggest potato processing plant in Finland, in Vihanti. The product range includes frozen and dried products, such as French fries, mashed potato powders and special potato products.

Pure and traceable, Finnish raw materials supplied by around 200 local contract farmers form the cornerstone of Raisio Potato Processing. In 2004, a new production line will come on stream in Vihanti, which will improve business competitiveness.

ANIMAL FEEDS

- The Animal Feeds business area makes highly processed 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, Monäs Feed Oy Ab which produces feeds for fur farming and the Oil Milling business which processes vegetable oils and protein meal for use as raw material in Raisio's own food and animal feed operations.

The aim of Raisio Animal Feeds is to be a reliable partner for livestock producers, whose safe, high-efficiency feeds and up-to-date feeding systems ensure healthy animals, high-quality end products and competitiveness in livestock production.

Raisio Animal Feeds sells most of its output in Finland, but feeds are also exported to Russia and the Baltic countries. Raisio Animal Feeds is one of the two biggest animal feed manufacturers in Finland. There are also a number of smaller local manufacturers whose products are not sold nationwide.

Raisio Animal Feeds is able to offer its customers safe high-quality feed mixes where safety is based on strict hygiene control of raw materials, production plants and transport. Systematic self-monitoring of the animal feed industry and feed processing has promoted the excellent hygiene levels that exist in Finnish livestock farms. As far as certain imported raw materials are concerned, it is of vital importance that they go through the animal feed industry's centralized control and processing systems rather than straight to the farms as individual raw material flows that are more difficult to control.

Raisio Animal Feeds employees are specialists in different production branches in livestock farms. This allows innovative approaches to feeds and feeding as required by the structural changes that have taken place in farm animal production. The entire range of Raisio Nutrition's expertise in grain and fats is utilized in product development. Investments in the efficient production plants and large production volumes make it possible to produce highly processed feed mixes for all farm animals with high cost efficiency.

The aim of product development is to evolve feed mixes that improve the efficiency of farm animal production and the quality of the end product, while reducing the nutrient load on the environment. The Animal Feeds business area cooperates constantly over development with universities and research institutes in Finland and abroad. Product development has to be able to react more and more quickly to the powerful structural changes that are taking place on livestock farms, such as specialization and increases in farm sizes. For example, because milking robots are coming into widespread general use, a feed intended to make milking in robot cowsheds more successful was put on the market in 2003.

Increasing farm sizes, plus the need to boost production efficiency and save labour have been steadily increasing the use of industrial feeds in Finland over the past ten years. In the last couple of years, there has been growth in poultry and pig feeds, in particular. However, cattle feed manufacture still represents over half of the total production. Reforms in the EU common agricultural policy increase uncertainty for livestock farmers about the way their income will be made up in the future, which is in turn reflected in investment decisions and the way family farms are handed on to the next generation. Nevertheless, consumer confidence in Finnish food creates a sound basis for maintaining Finnish livestock farming at its present level, at least.



RAISIO MALT

- Raisio Nutrition's Malt business area, Raisio Malt, is Finland's largest producer of brewing malts, manufacturing and marketing malts for both the domestic and export markets. Domestic sales of malt accounted for 25% of the volume produced in 2003 and malt was supplied to all the major Finnish breweries. Malt exports focused mainly on Russia and the Baltic countries. Customers in Russia are mainly large and medium-sized brewers.

Competition in the malt markets became keener in the early part of 2003 as beer consumption in Europe slowed down. This gave rise to a surplus in the malt markets, which sparked off tougher price competition leading to lower prices. Total sales of beer in Finland were 3% down on the previous year.

On the other hand, beer consumption in Russia went up about 7% on the previous year. Major investments are currently being made in the local malt industry in Russia. New malting capacity cannot be used to its fullest extent, however, because the farming of malting barley in Russia is lagging behind. Consequently, malt exports to Russia from the EU will continue and there will be greater emphasis on quality.

Research and development is carried out mainly in collaboration with the Brewery Laboratory. At present, the greatest challenges are in the development of raw materials. In recent years, the high protein content of Finnish malting barley has been something of a problem, which has led to substantial imports of malting barley. This in turn has resulted in reduced profitability for the sector. There are high hopes for the on-going project to reduce protein content.

Raisio Malt's strengths are its expertise in high-quality northern malting barley, its control of logistics and its knowledge of the markets. Raisio Malt invests heavily in personnel know-how and it has acted as a pilot for Raisio Group in a lifelong learning



project. It has provided the framework for a broad-based internal training programme where everyone working in the business area has been able to acquire a 'malting diploma'.

Raisio Grain Starch

Raisio Grain Starch produces grain starch for Raisio Chemicals to be processed further for use by the paper industry. Its by-products include wheat gluten and brewing syrup for the food industry and feed fractions used as raw material for the animal feed industry.

Because of continuous loss-making of the Grain Starch business, Raisio has decided to close it down by autumn 2004. A long running-down period will make it easier to end production flexibly and customers will suffer as little as possible. The producers of the wheat used as raw material will also be able to take the issue into account in their cultivation plans.



PRODUCTS	MARKET SHARE	PRODUCTION PLANTS
FOOD BUSINESS AREA Turnover EUR 232.2million, 53% of Raisio Nutrition turnover		
Milling Turnover EUR 75.3 million <ul style="list-style-type: none"> flakes, flour, pasta, rice best-known brand names in Finland: Elovena, Sunnuntai, Risella, Anni Helena, Torino, Nalle 	<ul style="list-style-type: none"> in the Finnish retail sector: flakes 71%, flour 45%, pasta 23%, rice 23% (market share in terms of value) 	<ul style="list-style-type: none"> production plants in Raisio (flour, rice, pasta) and Nokia (flour, flakes)
Margarine Turnover EUR 130.8 million <ul style="list-style-type: none"> margarine, cream cheeses, edible oil best-known brand names: <ul style="list-style-type: none"> Finland: Benecol, Keiju, Kultasula, Sunnuntai Sweden: Carlshamn Mejeri Poland: Masmix, Finea, Pyszny Duet Russia: Voimix and Dolina Skandi 	<ul style="list-style-type: none"> Finland 43% Sweden 14% Poland 8% Russia, in some areas almost 10% (market share in terms of value) 	<ul style="list-style-type: none"> production plants in Finland, Poland and Russia production in Sweden will terminate in spring 2004
Potato Processing Turnover EUR 21.2 million <ul style="list-style-type: none"> frozen and dried potato products, ready food components and special potato products best-known brand names in Finland: <ul style="list-style-type: none"> Kokin Parhaat (retail) Mestari (catering) 	<ul style="list-style-type: none"> 20% of processed potato products sold in Finland (market share in terms of value) 	<ul style="list-style-type: none"> production plant in Vihanti
ANIMAL FEEDS Turnover EUR 163.8 million, 38% of Raisio Nutrition turnover		
<ul style="list-style-type: none"> feeds for cattle, pigs, poultry, fur animals and fish best-known brands in Finland: Herkku, Maituri, Melli, Nutra, Royal and Hercules 	<ul style="list-style-type: none"> farm feeds 36% and fish feeds 48% in Finland (market share in terms of volume) 	<ul style="list-style-type: none"> feed plants in Raisio, Anjalankoski, Oulu and Uusikaarlepyy oil milling plant in Raisio
RAISIO MALT Turnover EUR 26.4 million, 6% of Raisio Nutrition turnover		
<ul style="list-style-type: none"> brewery malt 	<ul style="list-style-type: none"> in Finland 42% (market share in terms of volume) 	<ul style="list-style-type: none"> malting plant in Raisio
RAISIO GRAIN STARCH Turnover EUR 15.0 million, 3% of Raisio Nutrition turnover		
<ul style="list-style-type: none"> wheat starch and by-products for the food and animal feed industries 		<ul style="list-style-type: none"> production plant in Raisio (production to end in autumn 2004)

Raisio Life Sciences



- Raisio Life Sciences produces functional food ingredients and food diagnostics.
- Raisio Life Sciences has food companies from 16 countries as its ingredient customers.
- Raisio Life Sciences' main product at present is stanol ester, the active ingredient in Benecol, which lowers cholesterol.
- Turnover totalled EUR 34.0 million in 2003 (EUR 30.3 million in 2002) and operating profit EUR -5.4 million (EUR 0.5 million).
- Capital invested totalled EUR 74.9 million (EUR 72.6 million) and return on investment (ROI) -7.5% (0.9%).
- On 31 December 2003, Raisio Life Sciences employed 199 people (91 people).

VISION AND STRATEGY

The mission of Raisio Life Sciences is to develop, manufacture and market safe, health-promoting functional food ingredients.

Raisio Life Sciences also develops, manufactures and markets analytical systems, diagnostic equipment and reagents needed for monitoring the quality and safety of foods and animal feeds.

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

CHANGES IN THE OPERATING ENVIRONMENT

Development in the ingredients business has been held back by slow, non-uniform regulatory processes in different countries. Because of decisions taken at the European Union level, regulatory processes are expected to become harmonized during 2004, which will make it easier to bring products onto new EU markets. Consequently, new players will be entering the markets, which will increase the competition. However, this is expected to increase the overall market for functional foods. Additionally, consumers' increased awareness of the effects of diet on cardiac health and the possibility of influencing it are increasing the demand for functional food products.

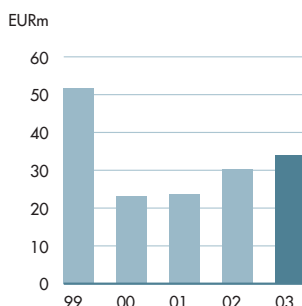
In conjunction with the decisions on permit procedures, regulations on package labelling for stanol-based and sterol-based foods have also been specified more precisely.

A number of other mergers and acquisitions also took place in the food diagnostics business environment in 2003. Some consolidation is clearly occurring on the markets and, as a consequence, some small companies may become important operators in the sector in the short term.

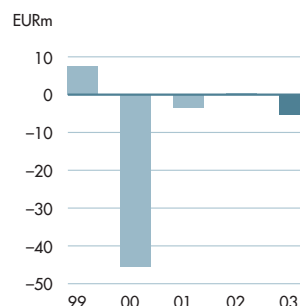
INGREDIENTS

The principal product in the food ingredients business at present is the cholesterol-lowering Benecol ingredient, stanol ester. Benecol products are based on development work that began at Raisio in 1989. Ingmar Wester who was research manager of the Raisio Group margarine business at that time, and his team, invented a way of converting plant sterols and stanols into plant stanol ester, an emulsion that was suitable for food manufacture. This gave rise to the active ingredient of Benecol, for which Raisio holds the patent. On the basis of opposition filed by a competitor,

TURNOVER



OPERATING RESULT





the European Patent Office questioned the Benecol stanol ester patent at an oral hearing in 2001. The Raisio Group lodged an appeal against the decision with the European Patent Office board of appeal. According to information received by the Raisio Group, the case will continue in September 2004.

Stanol ester limits the absorption of cholesterol from the alimentary canal into the body. It is extremely safe as, in practice, it is not absorbed at all but is eliminated unchanged from the alimentary canal. The principal raw materials are wood-based and plant-based sterols.

In more than 40 scientific studies, stanol ester has been proved to lower blood serum cholesterol efficiently. It has been possible to show incontrovertibly that used as a regular part of an everyday diet, stanol ester reduces total cholesterol on average by around 10% and harmful LDL cholesterol by about 15%. On the basis of the research results, the recommended daily intake of plant stanol is about 2 grams.

According to a Finnish study completed in spring 2003, Benecol products also reduce raised cholesterol levels in children more effectively. The study has been published in the international Journal of Pediatrics.

The latest clinical studies have strengthened the opinion that the plant stanol in Benecol products is the most effective ingredient that can be added to food to influence blood cholesterol levels. More and more international dietary recommendations have added foods containing plant stanol to their advice. The most recent of these is by the revered International Atherosclerosis Society which, in a revised public pronouncement in 2003, recommended adding plant stanol to the diet if there was an intention to reduce the LDL cholesterol level in blood serum.

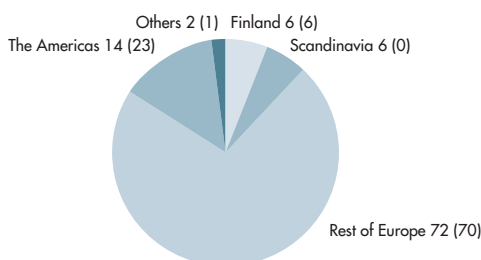
Product development is focusing on developing new food ingredients with the emphasis on products that improve cardiac health.

BENECOL PRODUCTS CONTAINING STANOL ESTER AND COUNTRIES WHERE THEY ARE SOLD (January 2004)

Country	Product
Argentina	spread
Austria	yoghurt drink
Belgium	margarine, spread, cream cheese type spread, yoghurt, yoghurt drink
Finland	margarine, spread, cream cheese type spread, liquid rapeseed oil product, yoghurt, butter milk, pasta
France	spread, yoghurt
Germany	spread, yoghurt drink
The Netherlands	margarine, yoghurt drink
Poland	margarine
Portugal	yoghurt drink
Spain	yoghurt drink, milk
Sweden	margarine
Switzerland	yoghurt drink
UK, Ireland	spread, cream cheese type spread, yoghurt, cereal bar
United Arab Emirates	milk, yoghurt
USA	spread, gel capsule

TURNOVER BY GEOGRAPHICAL AREA

% of Raisio Life Sciences turnover 2003 (2002)



Market situation and product range

Raisio Group is a pioneer in the field of functional ingredients, i.e. ingredients that affect health. In 1995, it brought the first food containing plant stanol, Benecol margarine, onto the market. Since then, Raisio Group with its customers have brought various Benecol products onto the market all over the world. Customers are mainly Finnish or international food companies.

Interest in functional food products has been growing substantially in southern and central Europe. Dairy applications in particular are the ones that interest the consumer. During 2003, Raisio Life Sciences and its partners brought 13 new products onto the market in different parts of Europe, including an extremely popular yoghurt drink in a single-serving pack. The product range was also extended to grain products when Raisio Nutrition brought Benecol pasta onto the market.



FOOD DIAGNOSTICS

The other buttress of Raisio Life Sciences is diagnostics, which develops markets and manufactures analytical systems, diagnostic equipment and reagents needed for monitoring the quality and safety of foods and animal feeds. The expertise that already exists in Raisio Group over the whole chain from field to table, coupled with the know-how on the microbiological quality of foods and production processes, provides an excellent basis for expanding into the diagnostics business.

The first step towards implementing this strategy was taken in spring 2003, when Raisio acquired the Swedish food diagnostics company Diffchamb AB. The company has a strong position, primarily in Europe. Diffchamb has subsidiaries in seven countries and an extensive network of distributors that sells its products worldwide. Its clientele includes companies in the food industry plus laboratories and laboratory chains in the commercial and the public sector.



The Diffchamb head office is located in Gothenburg, Sweden with product development centres at Lyon in France and in Rome. Product development in France has concentrated on developing Enzyme-Linked Immunosorbent Assay (ELISA) methods, particularly for finding pathogens. Core competence in the Italian product development centre is in enzyme-testing methods linked with quality control of wines and dairy products.


Market situation and product range

Food diagnostics is a sector that is expected to grow at a rate of around 10–20% annually, since the purity and safety of food are considered to become more and more important to the consumer because of the occurrence of BSE, hormone residues, salmonella and listeria.

On the markets, customer needs and the trend in the latest technology is clearly towards quicker and easier testing procedures. Rapid testing procedures form a vigorously growing market segment in which Raisio Life Sciences will be investing in the future.

Diffchamb has a varied and comprehensive product range. The company focuses on developing and selling rapid testing methods and the product range includes tests for pathogens such as salmonella and listeria, hormone residues, antibiotics, genetically modified material, allergens and mycotoxins. Diffchamb products can also be used successfully for quality control in wine making and the manufacture of dairy products.

Besides reagents, Diffchamb offers automation systems for laboratory procedures, which are of great help to laboratories, where large numbers of specimens are handled every day. These automation systems are particularly useful in food industry laboratories where obtaining rapid results is a matter of great importance so that decisions on releasing products for sale can be made in safety.

PRODUCT	MARKET SHARE	PRODUCTION PLANTS
INGREDIENTS		
<ul style="list-style-type: none"> ■ Benecol ingredient (stanol ester) 	<p>% of cholesterol-lowering sterol-based ester market</p> <ul style="list-style-type: none"> ■ Europe 25% ■ USA 50% 	<ul style="list-style-type: none"> ■ Raisio (Finland) and Summerville, SC (USA)
FOOD DIAGNOSTICS		
<ul style="list-style-type: none"> ■ testing methods related to quality and safety of foods ■ testing methods for wines and dairy products ■ automation systems for laboratory procedures ■ own trademarks Transia® and EC™ 	<ul style="list-style-type: none"> ■ 5–15% in Europe depending on product segment 	<ul style="list-style-type: none"> ■ Lyon (France) and Rome (Italy)



Report of the Board of Directors

In the annual report for 2002, Raisio Group's turnover and results were forecast to grow in 2003. Turnover did indeed grow, especially in Raisio Chemicals, but trends in profitability were clearly weaker than expected. On the other hand, working capital was reduced more successfully than anticipated.

The key theme for 2003 was increasing the efficiency of Raisio operations. Both Raisio Chemicals and Raisio Nutrition carried out substantial rationalization programmes, the impact of which will begin to be seen from 2004 onwards. As a part of the restructuring, some 420 jobs will be cut in different units in the Group during 2003–2004.

Slow organic growth hampered the implementation of the growth strategy drawn up in 2001. As a result, the Board reassessed Raisio's vision and strategy in autumn 2003 and decided to study alternatives for restructuring the Group, including the divestment

of Raisio Chemicals. Discussions with a number of international companies have already begun. Listing Raisio Chemicals on the stock exchange is another alternative being examined.

TURNOVER

Turnover in 2003 grew 2.1% to EUR 860.5 million (EUR 843.1 million in 2002). Turnover increased for Raisio Chemicals and Raisio Life Sciences mainly due to acquisitions, but turnover went down for Raisio Nutrition.

The changes in exchange rates reduced turnover. Calculated on the average 2002 exchange rate, turnover would have been EUR 25 million higher.

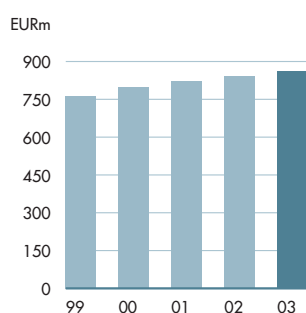
Turnover from outside Finland came to EUR 448.6 million (EUR 442.7 million), i.e. 52.1% (52.5%) of total turnover.

ONE-OFF ITEMS

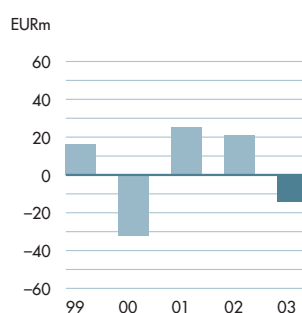
	2003		2002	
	Income	Expenses	Income	Expenses
Raisio Chemicals	EUR 0.8 million sales profit from sale of BioSafe	EUR 8.9 million rationalization costs EUR 0.5 million write-downs in fixed assets	EUR 1.8 million IFRS* adjustment	–
Raisio Nutrition	EUR 1.2 million sales profit from sale of ice-cream business	EUR 3.7 million rationalization costs EUR 4.4 million write-downs in fixed assets	EUR 1.2 million IFRS* adjustment	EUR 5.7 million from transferring margarine production
Raisio Life Sciences	–	–	EUR 0.2 million IFRS* adjustment	–
Total	EUR 2.0 million	EUR 17.5 million	EUR 3.2 million	EUR 5.7 million

*Transfer to IFRS-based valuation of inventories.

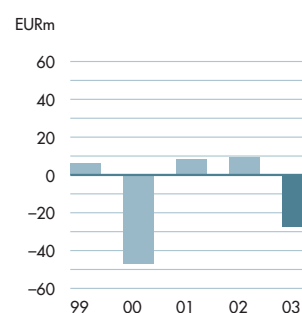
TURNOVER



OPERATING RESULT



RESULT BEFORE EXTRAORDINARY ITEMS



FINANCIAL PERFORMANCE AND DIVIDEND PROPOSAL

Operating profit for 2003 excluding one-off items was EUR 1.2 million (EUR 23.1 million). One-off costs arose from write-downs of balance sheet values for certain real estate holdings not used for production purposes, from the rationalization programmes at Raisio Chemicals and Raisio Nutrition, and from the decision to close down the grain starch business. The reported operating result was EUR -14.3 million (EUR 20.6 million). Operating results weakened in all business sectors. The changes in exchange rates did not have a significant effect on results at the Group level.

Result before taxes was EUR -27.2 million (EUR 9.3 million). Group financial expenses were EUR 12.9 million (EUR 11.3 million). Average borrowing was higher than in the previous year, which increased interest payments, and currency gains were less than in the previous year. The prudence principle has been applied in entering deferred tax assets. The net result after taxes was EUR -26.7 million (EUR 5.4 million).

Earnings per share came to EUR -0.16 (EUR 0.03). The Board proposes a dividend of EUR 0.01 (EUR 0.02) per share for 2003.

BUSINESS SECTORS

Raisio Chemicals

Following various crises early in the year, the global economy began picking up. Paper consumption is estimated to have grown 2-3% during 2003. Growth in consumption was largest in Asia and Eastern Europe.

However, paper production volumes grew considerably in Western Europe due to robust export growth. Manufacture of graphic papers as a whole grew by over 4% with manufacture of coated papers increasing by 7%. Consequently, demand for latex binders strengthened. Demand for specialty chemicals on the North American and European markets remained at the same level as the previous year, but in Asia demand grew substantially. Unfavourable weather conditions in Central and Southern Europe and in Finland reduced the grain and potato harvests and caused prices of raw materials for starch binders to rise considerably. As a result of this, there will be major pressure to raise starch binder prices in 2004.

Raisio Chemicals' turnover grew 14.1% to EUR 422.3 million (EUR 370.1 million). Growth was due mainly to the Latexia acquisition and increased sales of latex binders. On the other hand, sales of starch binders were down due to the German sales company terminating operations in summer 2002. The weaker dollar was a major reason for the fall in turnover of specialty chemicals.

Raisio Chemicals' operating profit excluding one-off items was EUR 10.5 million (EUR 8.9 million). The rationalization programme launched in spring 2003, causing one-off costs, began to have

RAISIO CHEMICALS' TURNOVER BY BUSINESS AREA, EUR MILLION		
	2003	2002
Latex	207.7	127.7
Specialty chemicals	125.0	135.8
Starches	89.6	106.6
Total	422.3	370.1

a positive effect towards the end of the year. The goal of the rationalization programme is to achieve annual cost savings of EUR 15 million. The full weight of the cost savings will be felt in 2004 and beyond.

Reported operating profit was EUR 1.9 million (EUR 10.7 million). The profitability of the latex business improved because of new customers and the successful integration of Latexia into Raisio Chemicals. Tougher competition weakened the profitability of starch and specialty chemical operations.

A new latex factory with a production capacity of 100,000 tonnes will come on stream in the Zhenjiang region of China at the beginning of 2004. At the same time production capacity for Raisio specialty chemicals will also grow when a specialty chemicals plant starts up in the Suzhou region in China.

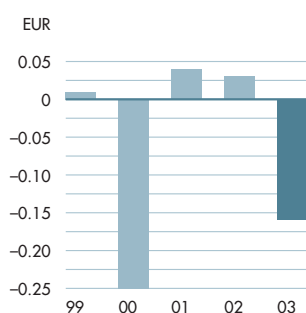
The test printing plant, Future Printing Center, owned by Raisio Chemicals in conjunction with Hansaprint, Omya, Metso Paper and Flint-Schmidt Finland, commenced operations in Raisio at the beginning of 2004. The Coating Technology Center, CTC, and several other Raisio Chemicals research centres are located in the same area. Together, they form a unique paper testing and development service covering every stage of the papermaking process from base paper to the finished printed product. The development centres allow for more comprehensive cooperation with customers on the development of paper chemicals.

Raisio Chemicals sold the BioSafe lubricating oil business, with a turnover of some EUR 3 million, to the Swedish company Binol AB at the end of December. Raisio Chemicals thus continued to prune its non-core businesses in order to focus on paper chemicals, i.e. latex, specialty chemicals and starch binders.

Raisio Nutrition

EU enlargement will present Raisio Nutrition with opportunities for operating in new markets. Poland's future EU membership will open up new opportunities for Raisio Polska Foods in the EU single market. On the other hand, it may well be that EU enlargement will increase imports of food and animal feeds and tighten competition, particularly in the retail sector in Finland. Decisions on subsidies for farming at both the EU common agricultural policy level and the national level will also affect Raisio Nutrition's business.

EARNINGS PER SHARE



RETURN ON INVESTMENT



Growing interest in the links between nutrition and health and the ageing of the population provide a sound basis for developing functional and healthy foods. Demand for easy-to-use foods is also increasing. Russia and the Baltic region are considered to be future growth markets, so Raisio Nutrition is focusing investment and networking on these regions.

Increasing farm sizes, plus the need to boost production efficiency and save labour have been steadily increasing the use of industrial feeds in Finland over the past ten years. In the last couple of years, there has been growth in poultry and pig feeds in particular. During the year, Raisio Animal Feeds broke all production records at both the Raisio and Anjalankoski feed plants.

Competition in the malt markets became keener in the early part of 2003 as beer consumption in Europe slowed down. Total sales of beer in Finland were 3% down on the previous year. On the other hand, beer consumption in Russia went up by about 7% on the previous year.

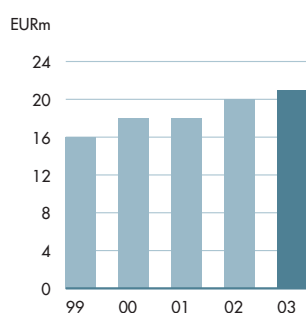
Raisio Nutrition's turnover decreased to EUR 417.9 million (EUR 458.5 million). The reduction in turnover was affected by divestments of the ice cream, almond paste and industrial margarine businesses. Furthermore, the transfer of margarine production and the industrial disputes causing production disruptions decreased the turnover.

RAISIO NUTRITION'S TURNOVER BY BUSINESS SECTOR AND BUSINESS AREA, EUR MILLION		
	2003	2002
Food	232.2	266.9 *
Margarine	130.8	160.6
Milling	75.3	77.1
Potato Processing	21.2	25.0
Other	14.4	11.1 *
Internal sales in Food	-9.5	-6.9
Animal Feeds	163.8	159.4
Malt	26.4	30.2
Grain Starch	15.0	20.6
Internal sales	-19.5	-18.6
Total	417.9	458.5

*Figures have been adjusted to conform to current organization.

Raisio Nutrition's operating result excluding one-off items was EUR -4.8 million (EUR 15.5 million). In autumn 2003, Raisio Nutrition launched a rationalization programme which resulted in some reorganization of operations and the decision to close down the grain starch business. One-off costs caused by the rationalization

R&D EXPENDITURE



programme amounted to EUR 8.1 million. Reported operating result was clearly down at EUR -11.7 million (EUR 11.0 million). Results in all Raisio Nutrition's business areas weakened.

Raisio Nutrition strengthened its position in Russia by acquiring dairy facilities at Istra near Moscow in April 2003. Margarine production at Istra started up at the beginning of 2004. A new production line will come on stream at Vihanti in 2004, which will boost the competitiveness of potato processing operations. Raisio Nutrition is cooperating more closely with the Swedish food group Cerealia. The Cerealia Foods sales organization has been taking care of the Raisio margarine and the Beneviva product group sales to retailers and institutional kitchens in Sweden since the beginning of 2004. Correspondingly, Raisio Nutrition will start handling sales of a wider range of Cerealia products in Finland from the beginning of May 2004 onwards. Work is in progress on extending cooperation to the Baltic region.

Raisio Life Sciences

Development in the market for functional foods has been held back by slow, non-uniform regulatory procedures in different countries. Nevertheless, Raisio Life Sciences in conjunction with its European customers succeeded in obtaining regulatory approvals, which allowed 13 new products to be launched in different parts of Europe in late 2003. Because of decisions taken at the European Union level, regulatory procedures are expected to become harmonized during 2004, so it will be easier to bring new products onto new EU markets. Interest in functional foods has grown considerably, particularly in Central and Southern Europe.

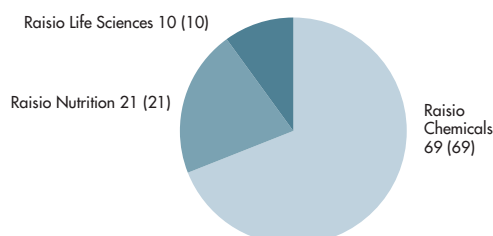
In spring 2003, Raisio Life Sciences acquired the Swedish food diagnostics company Diffchamb AB. A number of other mergers and acquisitions also took place in the food diagnostics business environment in 2003. Some consolidation is clearly occurring on the markets and, as a consequence, some small companies may become important operators in the sector in the short term. Food diagnostics is a sector that is expected to grow at a rate of around 10-20% annually, since the purity and safety of food has become more and more important to the consumer because of the occurrence of BSE, hormone residues, salmonella and listeria. The trend is clearly towards quicker and easier testing procedures.

Raisio Life Sciences' turnover grew 12.4% to EUR 34.0 million (EUR 30.3 million). This growth was due to the acquisition of the food diagnostics business. Growth in ingredient sales was limited by most new launches taking place at the end of the year. Pruning low-margin products from the product range affected diagnostics sales.

Raisio Life Sciences' operating result was EUR -5.4 million (EUR 0.5 million). Heavy marketing input weakened profitability in the ingredients business. In diagnostics, profitability was burdened

R&D EXPENDITURE BY BUSINESS SECTOR

% of the total expenditure 2003 (2002)



by the costs of taking over Diffchamb and by goodwill depreciation. As part of the acquisition process, the efficiency of diagnostics operations was stepped up by a number of measures including reorganizing operations in Italy and in the UK.

RAISIO LIFE SCIENCES' TURNOVER BY BUSINESS AREA, EUR MILLION		
	2003	2002
Ingredients	27.0	30.3
Diagnostics	7.0	–
Total	34.0	30.3

RESEARCH AND DEVELOPMENT

Group research and development expenditure in 2003 was EUR 21.1 million (EUR 20.3 million), or 2.5% (2.4%) of Group turnover. Raisio Chemicals spent EUR 14.6 million (EUR 14.0 million) on R&D, which is 3.5% of its turnover. Raisio Chemicals also received technology income by selling research, analysis and test-run services to industrial customers. Raisio Chemicals' most important R&D investments were the construction of the Future Printing Center, the test printing plant, and the purchase of a unique, new generation, Optiload Twinline multicolor calendar for the Coating Technology Center, CTC.

Raisio Nutrition's R&D expenditure amounted to EUR 4.4 million (EUR 4.3 million), or 1.1% of its turnover. Raisio Life Sciences spent EUR 2.1 million (EUR 2.0 million) on R&D, which is 6.2% of its turnover.

INVESTMENT

The Group's gross investment in 2003 was EUR 63.7 million (EUR 81.0 million), or 7.4% of turnover (9.6%). Raisio Chemicals share of this was EUR 30.3 million (EUR 62.4 million). The biggest individual investments were the latex and the specialty chemicals plants in China.

Raisio Nutrition's gross investment totalled EUR 12.3 million (EUR 13.8 million). The most important investments were associated with starting up margarine production in Russia and expanding production capacity for animal feeds. Raisio Life Sciences gross investment was EUR 19.9 million (EUR 3.5 million) and the biggest single investment was the acquisition of the shares in the food diagnostics company, Diffchamb.

FINANCE

Net financial expenses for 2003 were EUR 12.9 million (EUR 11.3 million). The most important reasons for the growth in

financial expenses were that average borrowing was higher than in the previous year, and exchange rate gains and financial income were lower than in the previous year.

Cash flow from operations amounted to EUR 77.0 million (EUR 45.4 million), i.e. EUR 31.6 million better than in 2002. A total of EUR 62.2 million (EUR 64.9 million) was tied up in investments.

The syndicated loan facility signed by the Group in 1998 continued to be a key instrument in planning and managing liquidity, but in June 2003 a Finnish commercial paper programme of up to a maximum of EUR 90 million was introduced alongside it.

The accounting practice for the syndicated loan was amended at the beginning of 2003 to present a clearer picture of its terms, by entering the loan (USD 154 million at 31 December 2003) under non-current liabilities. The covenant for the loan facility (USD 190 million) is a minimum equity ratio of 30%.

Net interest-bearing liabilities totalled EUR 277.8 million (EUR 281.4 million) at the end of the financial year. The equity ratio stood at 32.2% (34.4%) at the end of the year and the gearing ratio was 127.9% (109.4%).

Capital management progressed well and the volume of working capital was reduced by EUR 50.7 million. At year end working capital amounted to EUR 110.4 million. The amount of capital tied up in inventories fell almost EUR 35.9 million for a number of reasons, including changes in purchasing policy. The sale of receivables began in the last quarter. This released about EUR 25 million in sales receivables. The total volume of the sales receivables went down by EUR 27.9 million during 2003.

GOVERNANCE, MANAGEMENT AND PERSONNEL

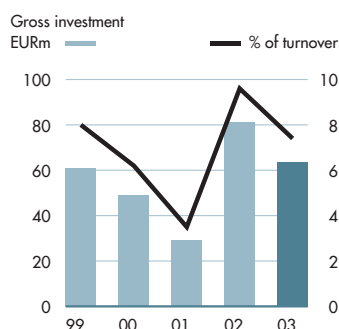
In 2003, the Board of Directors of the Raisio Group consisted of Jörgen Grandell, Antti Haavisto, Jaakko Ihamuotila, Rabbe Klemets, Matti Linnainmaa, Kaarlo Pettilä, Christoffer Taxell and Arimo Uusitalo. The Supervisory Board released Antti Haavisto from his duties as a member of the Raisio Group Board in January 2003.

In November, the Raisio Group Supervisory Board elected Erkki Haavisto to the Raisio Group Board for the period 2004–2005. Members of the Board whose terms came to an end were also re-elected to the Board for the period 2004–2005. At their first meeting in 2004, the Board re-elected Arimo Uusitalo as chairman and Matti Linnainmaa as vice chairman.

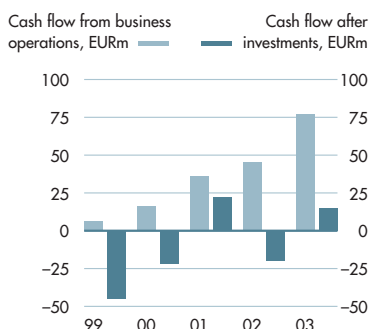
Mikko Korttila, Olavi Kuusela and Jari Lehmusvaara were elected as new deputy members of the Board, and Antti Salminen was re-elected when his term came to an end. Jukka Lavi's term as a deputy member of the Board will continue in 2004.

Olavi Kuusela was appointed President of Raisio Nutrition on 1 September 2003. His predecessor, Urpo Pirilä, resigned from

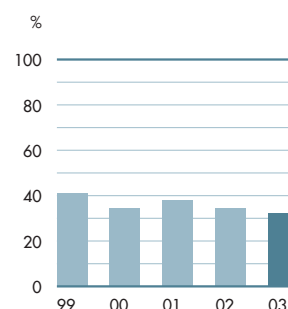
INVESTMENT



CASH FLOW



EQUITY RATIO



Raisio Group in September 2003 and resigned from his duties as a deputy member of the Raisio Group Board at the same time. Merja Lumme was appointed Executive Vice President, Human Resources of Raisio Group as of 1 September 2003.

The Raisio Group Executive Committee comprises Rabbe Klemets, Chief Executive Officer, Jari Lehmusvaara, Raisio Chemicals, Olavi Kuusela, Raisio Nutrition, Jukka Lavi, Raisio Life Sciences, Antti Salminen, Chief Financial Officer, Merja Lumme, Human Resources, Mikko Korttila, Legal Affairs, and Taru Narvanmaa, Communications and Investor Relations.

Raisio Group employed 2,735 (2,767) people on 31 December 2003 and 45% (45%) of them worked abroad. Raisio Chemicals employed 1,151, Raisio Nutrition 1,312 and Raisio Life Sciences 199 people at the end of the year.

Amount of personnel was increased by the acquisition of Diffchamb and the growth of Raisio Chemicals' operations in China. Number of personnel was reduced by the rationalization programmes and by closing down margarine production in Sweden.

SHARE INFORMATION

A total of 45.7 million Raisio Group plc free shares were traded on Helsinki Exchanges in 2003. The value of trading was EUR 47.9 million and the average price EUR 1.05. The last quotation for 2003 was EUR 1.24. The price of free shares rose 15.9% from the beginning of the year.

A total of 633,302 restricted shares were traded on Helsinki Exchanges in 2003, for a total of EUR 765,439 and at an average price of EUR 1.21. The last quotation for 2003 was EUR 1.26. The price of restricted shares fell 11.3% from the beginning of the year.

On 31 December 2003, the company had a total of 47,224 registered shareholders. Some 5.8% of the stock and 7.4% of free shares traded were owned by shareholders outside Finland.

In early October, Raisio Group was accepted onto the new Kempen/SNS Smaller Europe SRI Index. A total of 69 European companies from 12 countries, with operations fulfilling impeccable social, ethical and environmental standards, were chosen for this sustainable development index.

The Board has not used the authorization granted by the Annual General Meeting on 21 March 2003 to increase the share capital.

The 1998–2003 option programme for the Raisio Group Board of Directors, management and key personnel ended on 30 January 2004. No shares were subscribed under the option-rights within the programme.

ADOPTING IFRS PRACTICE FOR THE FINANCIAL STATEMENTS

Preparatory work for the adoption of the IFRS standards into the consolidated financial statements has proceeded according to plan. Raisio Group will switch over to IFRS practice for the financial statements in 2005. Figures for 2004, re-accounted according to the IFRS standards, will be published in spring 2005.

VISION AND STRATEGY

In autumn 2003, the Raisio Group Board reassessed the vision and strategy drawn up for the Group in 2001. In the opinion of the Board of Directors a more clearly focused approach will be required to enable the Group to develop favourably over the long term. This will secure the conditions under which all three business sectors can grow and prosper.

As an immediate measure, the Board decided to examine the options for restructuring the Group, including the possibility of the divestment of Raisio Chemicals. Listing Raisio Chemicals on the stock exchange is another option to be considered. The final decision is expected to be taken during the second or third quarter of 2004.

The planning of the new strategy is based on special expertise in well-being, something that Raisio has with regard to food and its functional ingredients, animal feeds and food diagnostics. The Board sees interesting potential for further restructuring in the Baltic region.

Networking with other players in the sector and expansion in the Baltic region are already under way. Expansion on a global scale and rapid growth are being sought through the ingredients and diagnostics business areas.

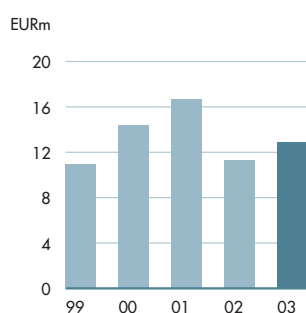
The intention is to develop closer cooperation between Raisio Nutrition and Raisio Life Sciences. This will enable further development of the chain from safe and traceable raw materials to tasty and healthy products that consumers want.

OUTLOOK FOR 2004

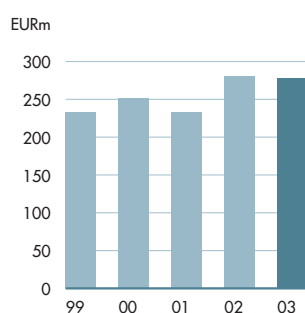
The market situation is expected to remain challenging and the competition keen in 2004. Raisio Group's key target for 2004 is to improve profitability and move results back into the black. The rationalization programmes and the measures to reduce working capital will provide a sound basis for this. Financial performance in 2004 is expected to improve in all three business sectors. Favourable trends in financial performance and tight capital management will lay the foundation for improvement in solvency.

Discussions related to the divestment of Raisio Chemicals have begun and preparatory work on the new Raisio strategy is under way. The aim is to complete both of them by the autumn.

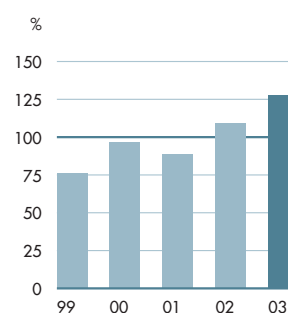
NET FINANCIAL EXPENSES



NET DEBT



GEARING



INCOME STATEMENT

(EUR 1,000)

	GROUP		PARENT COMPANY	
	1.1.-31.12.2003	1.1.-31.12.2002	1.1.-31.12.2003	1.1.-31.12.2002
TURNOVER (1)	860,524	843,092	1,341	119,314
Increase (+)/decrease (-) in stock of finished products and production in progress	-3,936	506	0	-8,378
Other income from business operations	8,004	12,105	12,675	9,502
Materials and services (2)	-534,140	-517,505	-1,215	-64,271
Personnel expenses (3, 4)	-114,624	-106,040	-5,832	-20,699
Depreciation and write-downs (7)	-59,979	-50,058	-2,002	-8,282
Other expenses from business operations	-169,853	-161,377	-6,675	-22,100
Share of associated companies' results	-313	-139		
OPERATING RESULT (8)	-14,318	20,584	-1,708	5,087
Financial income and expenses (9)	-12,894	-11,328	4,754	-31,247
RESULT BEFORE EXTRAORDINARY ITEMS	-27,212	9,257	3,046	-26,160
Extraordinary items (10)			-4,080	9,850
RESULT BEFORE APPROPRIATIONS AND TAXES	-27,212	9,257	-1,034	-16,310
Appropriations (11)			1,499	6,795
Income taxes (12)	1,440	-2,918	-285	29
Minority interest	-888	-902		
RESULT FOR THE YEAR	-26,660	5,436	180	-9,486

BALANCE SHEET

(EUR 1,000)

	GROUP		PARENT COMPANY*	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
ASSETS				
NON-CURRENT ASSETS				
Intangible assets (13, 14)	23,367	28,192	1,497	1,233
Goodwill (13)	65,252	57,328		
Tangible assets (13, 14)	277,214	289,695	15,835	17,606
Holdings in Group companies (15)			75,180	75,180
Holdings in associated companies (15)	4,356	4,443		
Other investments (15)	8,281	8,478	285,856	239,274
	378,471	388,136	378,368	333,293
CURRENT ASSETS				
Inventories (17)	117,693	153,577	0	818
Non-current receivables (18)	7,842	9,481		
Deferred tax assets (21)	20,296	11,891		
Current receivables (18)	116,051	144,076	119,565	149,095
Securities under financial assets	14,107	30,022	11,759	21,277
Cash in hand and at banks	20,535	12,170	631	818
	296,524	361,217	131,955	172,008
TOTAL ASSETS	674,995	749,353	510,323	505,301
LIABILITIES AND SHAREHOLDERS' EQUITY				
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	88,767	88,710	88,587	88,587
Other reserves				
Reserves provided for in the Articles of Association	172	118		
Retained earnings	101,058	108,570	54,993	67,782
Result for the year	-26,660	5,436	180	-9,486
	194,020	233,518	174,444	177,567
MINORITY INTEREST	23,248	23,630		
APPROPRIATIONS (20)			8,430	9,929
LIABILITIES				
Deferred tax liability (21)	22,037	20,697		
Non-current liabilities (22)	234,988	100,481	213,195	73,256
Current liabilities (22)	200,702	371,027	114,254	244,549
	457,727	492,205	327,449	317,805
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	674,995	749,353	510,323	505,301

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

* Comparison figures are changed, see accounting principles, page 37

SOURCE AND APPLICATION OF FUNDS

(EUR 1,000)

	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
CASH FLOW FROM BUSINESS OPERATIONS				
Operating result	-14,318	20,584	-1,708	5,087
Operating result adjustments:				
Planned depreciation	59,980	50,058	2,002	8,282
Other income and expenses not involving disbursements	-1,122	771		
Other adjustments	-92	-1,482	-332	-307
Cash flow before change in working capital	44,448	69,931	-38	13,062
Increase (-)/decrease (+) in current receivables	+26,602	-702	+6,666	-14,494
Increase (-)/decrease (+) in inventories	+33,025	-5,610	+818	+3,480
Increase (+)/decrease (-) in current interest-free liabilities	-8,933	-370	-10,154	+3,344
Change in working capital	50,694	-6,682	-2,670	-7,670
Cash flow from business operations before financial items and taxes	95,142	63,249	-2,708	5,392
Interest paid and payments on financial operating expenses	-17,729	-15,760	-14,264	-12,349
Dividends received	340	417	319	406
Interest and other financial income from operations	5,150	5,287	16,506	17,201
Direct taxes paid	-5,931	-7,809	461	-2,261
Cash flow before extraordinary items	76,972	45,384	314	8,389
Cash flow arising from extraordinary operating items (net)	0	0	0	0
CASH FLOW FROM BUSINESS OPERATIONS	76,972	45,384	314	8,389
CASH FLOW FROM INVESTMENTS				
Investments in tangible and intangible assets	-51,220	-47,744	-997	-4,186
Income from surrender of tangible and intangible assets	3,224	1,880	652	994
Investments in Group company shares	-13,875	-20,535	0	-20
Income from surrender of Group company shares	-66	88		
Investments in associated company shares	-679	-541		
Other investments	-16	-208	-250	-82
Income from surrender of other investments	396	8	395	9
Loans granted	0	-167	-46,084	-38,955
Repayment of loan receivables	0	2,314	32,169	12,507
CASH FLOW FROM INVESTMENTS	-62,236	-64,905	-14,115	-29,733
Cash flow after investments	14,736	-19,521	-13,801	-21,344
CASH FLOW FROM FINANCIAL OPERATIONS				
Increase (+)/decrease (-) in non-current loans	-18,143	-24,275	-5,532	-20,666
Increase (+)/decrease (-) in current liabilities	-1,009	+46,925	+25,223	+71,005
Increase (+)/decrease (-) in loan receivables	+76	+151	-22,142	-27,070
Group contributions received and paid			-9,850	2,110
Dividend paid and other distribution of profit	-3,538	-2,993	-3,303	-2,808
CASH FLOW FROM FINANCIAL OPERATIONS	-22,614	19,808	-15,604	22,571
Change in liquid funds according to calculation	-7,878	287	-29,405	1,227
Unallocated items	329	939	0	-2,007
Change in liquid funds	-7,549	1,226	-29,405	-780
Liquid funds at beginning of financial year	42,192	40,966	22,095	22,875
Liquid funds at end of financial year	34,643	42,192	12,390	22,095

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 31 December 2003. 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. Group goodwill is amortized over its effective life, the amortization period varying from ten to twenty years depending on the estimated effective life of the acquisitions.

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 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.

Inventories

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.

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.

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.

Derivative contracts

In line with its risk management policy, Raisio uses a variety of derivatives for hedging against a number of risks arising from foreign currencies, interest rates, commodity prices and electricity prices. Derivative contracts covering foreign-currency risks are valued at the rate of the date of closing or at market price. Foreign-currency derivatives are used for both covering foreign-currency receivables and liabilities and securing future commercial cash flows. As foreign currency derivatives cover foreign-currency receivables and

liabilities, exchange rate differences generated by them are recorded as affecting the result. Unrealized losses from exchange-rate fluctuations related to foreign-currency derivatives covering future commercial foreign-currency cash flows are entered in the income statement but unrealized profits from exchange-rate fluctuations are not.

In the case of the equity of subsidiaries reporting in certain foreign currencies, the Group uses foreign-currency derivatives to hedge against the effects of fluctuations in foreign-currency rates. In the consolidated financial statements, realized and unrealized exchange rate differences related to foreign-currency derivatives have been entered, taking into account the effect of taxation, under equity capital against the translation difference.

The interest-rate risk of the portfolio of the Group's interest-bearing loans and receivables has been reduced through interest-rate swaps. The accrued interest from the swaps is entered under financial income or expenses to adjust interest expenses or income from the portfolio of loans and receivables mentioned below. The market value of the interest-rate swaps is entered under derivative contracts in the other notes to the accounts and indicates what the result would have been if the derivative position had been closed at market prices on the date of closing of the accounts. The market value of the interest-rate swaps has not been entered.

Quoted derivatives related to soy and rapeseed raw materials are used for hedging against the price risk arising from the differences in timing between fixed-price purchases of raw materials and product sales in the vegetable oil chain. Results of derivative contracts related to hedging against price risks of raw materials are entered as adjustments of sales income and raw-material costs in the profit and loss account simultaneously with the hedged sales and raw-materials purchases. Unrealized losses resulting from changes in the market values of raw materials derivatives that are open at the closing of the books are entered as adjustments to prices of raw materials.

The price risk related to the purchasing of electricity is managed through both commercial contracts and electricity derivatives. Losses from changes in the market values of electricity derivatives that are valued at the date of closing are entered as expenses in the income statement to the extent that the amount of energy covered by them is consumed during the financial period. Profit from changes in the current values of open derivatives is not entered. No accrual is made for derivatives that are still to be traded, because they are allocated to future items in energy consumption. Market values and nominal amounts of the contracts are shown in the notes to the financial statements.

Source and application of funds

Cash flows during the financial period are shown as related to business operations, investments and financing. In the consolidated source and application of funds statement, the effect of exchange rate fluctuations has been eliminated by converting the initial balance sheet at the rates on the date of closing, excluding liquid funds. Cash flow items are mostly based on payments.

The consolidation of the parent company's balance sheet and source and application of funds has been altered to present the balances on Group bank accounts as the parent company's cash in hand and at banks or as the parent company's loans from financial institutions. The balances of sub-accounts of the subsidiaries' cash pool accounts are presented either as receivables from or debts to Group companies. The corresponding changes have also been made in the balance sheet and source and application of funds for 2002, the comparison year.

NOTES TO THE INCOME STATEMENT

(EUR 1,000)

	GROUP				PARENT COMPANY			
	2003	2002	2003	2002	2003	2002	2003	2002
1. TURNOVER BY DIVISION								
Raisio Chemicals	422,347	370,142						
Raisio Nutrition	417,938	458,496						
Raisio Life Sciences	34,009	30,251						
– Interdivisional turnover	-13,770	-15,797						
Total	860,524	843,092*						
TURNOVER BY MARKET AREA								
Finland	411,973	401,409						
Scandinavia	66,531	77,295						
Rest of Europe	278,164	258,305						
The Americas	47,360	52,574						
Asia	54,592	51,956						
Others	1,905	1,553						
Total	860,524	843,092						
TURNOVER QUARTERLY**								
	2003				2002			
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
Raisio Chemicals	103,170	109,421	105,433	104,323	86,291	85,812	95,614	102,425
Raisio Nutrition	94,614	110,377	108,548	104,399	106,501	116,387	118,152	117,456
Raisio Life Sciences	6,259	8,258	8,495	10,997	6,201	7,090	7,640	9,320
– Interdivisional turnover	-3,040	-3,298	-3,798	-3,634	-4,084	-3,750	-3,955	-4,008
Total	201,003	224,758	218,678	216,085	194,909	205,539	217,451	225,193
2. MATERIALS AND SERVICES								
Materials, supplies and goods								
Purchases during the year		502,374			496,753			
Change in inventories		29,031			17,976			
		531,405			514,729			
External services		2,735			2,776			
Total		534,140			517,505			
208								
818								
1,026								
63,996								
275								
64,271								
3. PERSONNEL EXPENSES								
Wages and salaries		88,509			82,774			
Pension expenses		13,932			11,742			
Other personnel expenses		12,183			11,524			
Total		114,624			106,040			
4. SALARIES AND RENUMERATIONS PAID TO MANAGEMENT***								
Managing Director and members of the Board of Directors		3,884			3,113			
5. AVERAGE NUMBER OF GROUP PERSONNEL								
Finland		1,586			1,525			
Abroad		1,236			1,129			
Total		2,822			2,654			
6. PENSION LIABILITY								
Pension liability for members of the Board of Directors and Managing Director								
The Managing Director of the parent company can take early retirement at the age of 60 and has to retire on reaching 62.								
7. DEPRECIATION AND WRITE-DOWNS								
Depreciation on tangible and intangible assets		52,138			48,772			
Write-downs on fixed and long-term investment		7,841			1,286			
Total		59,979			50,058			
2,002								
8,282								
2,002								
8,282								

	GROUP				PARENT COMPANY			
	2003	2002			2003	2002		
8. RESULTS BY DIVISION								
Raisio Chemicals	1,867				10,691			
Raisio Nutrition	-11,714				10,982			
Raisio Life Sciences	-5,443				511			
Others	972				-1,600			
Total	-14,318				20,584*			
RESULTS QUARTERLY**								
	2003				2002			
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
Raisio Chemicals	-3,194	-77	2,948	2,190	3,819	2,076	2,273	2,523
Raisio Nutrition	-1,351	-2,447	1,276	-9,192	3,968	3,148	5,496	-1,630
Raisio Life Sciences	-1,575	-1,659	-1,988	-222	-102	31	371	211
Others	-554	476	964	86	-212	-295	-539	-554
Total	-6,674	-3,707	3,200	-7,138	7,473	4,960	7,601	550
9. FINANCIAL INCOME AND EXPENSES								
Dividend received								
From participating interests companies						9		7
From others						440		566
Total						449		573
Interest received on long-term investment								
From Group companies						8,842		8,325
From others					39			
Total			0	39		8,842		8,325
Total income from long-term investment			470	620		9,291		8,897
Other interest and financial income								
From Group companies						4,226		3,231
From others			3,609	3,776		2,922		3,001
Total			3,609	3,776		7,148		6,232
Total interest received on long-term investment and other interest and financial income			3,609	3,815		15,990		14,557
Exchange rate differences								
Group companies						-5,706		-4,481
Others			27	725		7,569		6,232
Total			27	725		1,863		1,751
Write-downs on investment								
Write-downs on long-term investment								-34,981***
Total						0		-34,981
Interest paid and other financial expenses								
To Group companies						-786		-674
To others			-17,000	-16,449		-12,763		-12,473
Total			-17,000	-16,449		-13,549		-13,147
Total financial income and expenses			-12,894	-11,328		4,754		-31,247
10. EXTRAORDINARY INCOME AND EXPENSES								
Extraordinary income								
Group subsidies received								9,850
Total						0		9,850
Extraordinary expenses								
Group subsidies paid						-4,080		
Total						-4,080		0
Total extraordinary income and expenses						-4,080		9,850
11. APPROPRIATIONS								
Difference between planned depreciation and depreciation made in taxation						1,499		6,795
12. INCOME TAXES								
Income tax on extraordinary items						1,183		0
Income on ordinary operations			-5,187	-5,096		-1,343		0
Taxes on previous financial years			-12	2		-125		29
Change in deferred tax liability			6,639	2,176				
Total			1,440	-2,918		-285		29

13. CONSOLIDATED TANGIBLE AND INTANGIBLE ASSETS 2003

	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.	64,227	2,418	82,471	2,074	1,284	152,474	7,643	199,886	483,653	2,622	12,798	706,602
Conversion difference	-394	-82	0	0	1	-475	-380	-2,632	-9,544	-152	-349	-13,057
Increase 1.1.-31.12.	2,471	25	13,374	4,175	629	20,674	1,175	3,380	24,446	182	30,292	59,475
Decrease 1.1.-31.12.	4,525	710	23	81	565	5,904	662	7,392	28,425	144	9,459	46,082
Transfers between items	-4,141	0	0	4,114	0	-27	0	134	1,790	444	-2,341	27
Acquisition cost 31.12.	57,638	1,651	95,822	10,282	1,349	166,742	7,776	193,376	471,920	2,952	30,941	706,965
Accumulated depreciation and write-downs 1.1.	38,627	1,945	25,143	1,239		66,954		104,264	311,064	1,579		416,907
Conversion difference	-164	-30	0	0		-194		-559	-4,435	-100		-5,094
Accumulated depreciation of decrease and transfers	6,311	702	-279	-5,879		855		6,453	22,597	-136		28,914
Depreciation for the year	6,115	56	5,148	899		12,218		11,402	35,179	271		46,852
Accum. depreciation 31.12.	38,267	1,269	30,570	8,017	0	78,123	0	108,654	319,211	1,886	0	429,751
Book value 31.12.2003	19,371	382	65,252	2,265	1,349	88,619	7,776	84,722	152,709	1,066	30,941	277,214
Book value 31.12.2002	25,600	473	57,328	835	1,284	85,520	7,643	95,622	172,589	1,043	12,798	289,695
Balance sheet value of machinery and equipment												
31.12.2003									121,193			
31.12.2002									136,285			

14. PARENT COMPANY TANGIBLE AND INTANGIBLE ASSETS 2003

	Intangible assets				Tangible assets						
	Intangible rights	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.	2,070	776	218	3,064	2,840	30,296	13,778	263	0	47,177	
Increase 1.1.-31.12.	7	400	191	598	1	72	367	0	63	503	
Decrease 1.1.-31.12.	11	0	0	11	354	337	236	3	0	930	
Transfers between items	-1,852	1,912	-60	0	0	0	0	0	0	0	
Acquisition cost 31.12.	214	3,088	349	3,651	2,487	30,031	13,909	260	63	46,750	
Accumulated depreciation and write-downs 1.1.	1,634	197		1,831		18,486	11,085			29,571	
Accumulated depreciation of decrease and transfers	1,454	-1,449		5		202	128			329	
Depreciation for the year	10	318		328		1,080	594			1,674	
Accum. depreciation 31.12.	190	1,963	0	2,154	0	19,365	11,551	0	0	30,916	
Book value 31.12.2003	24	1,124	349	1,497	2,487	10,666	2,358	260	63	15,834	
Book value 31.12.2002	435	579	218	1,233	2,840	11,810	2,693	263	0	17,606	
Balance sheet value of machinery and equipment											
31.12.2003							963				
31.12.2002							1,261				

15. CONSOLIDATED AND PARENT COMPANY INVESTMENT 2003

GROUP	Participating interest company shares	Other shares	Other receivables	Total investment	PARENT COMPANY	Group company shares	Participating interest company shares	Other shares	Receivables, Group companies	Other receivables	Total investment
Conversion difference	-88	-4	0	-92	Increase 1.1.-31.12.	0	250	0	83,226	0	83,476
Increase 1.1.-31.12.	679	16	0	695	Decrease 1.1.-31.12.	0	0	108	36,787	0	36,895
Decrease 1.1.-31.12.	677	201	8	886	Acquisition cost 31.12.	75,180	281	6,851	278,566	158	361,036
Acquisition cost 31.12.	4,357	8,123	158	12,638	Book value 31.12.2003	75,180	281	6,851	278,566	158	361,036
Book value 31.12.2003	4,357	8,123	158	12,638	Book value 31.12.2002	75,180	31	6,959	232,127	158	314,455
Book value 31.12.2002	4,443	8,312	166	12,921							

Undepreciated goodwill for associated companies amounted to EUR 872,000 on 31 December 2003.

16. SHARES AND HOLDINGS 2003

	Parent Group company holding %	Parent Group company holding %
Group companies		
Raisio Chemicals		
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., Brasilia	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 Suomi Oy, Raisio	100.00	
Latexia Sverige AB, Sweden	100.00	
Latexia Österreich GmbH, Austria	100.00	
Raisio Belgium N.V., Belgium	100.00	
Raisio Chemicals Ltd, Raisio	100.00	100.00
Raisio Chemicals Canada, Inc., Canada	100.00	
Raisio Chemicals Deutschland GmbH, Germany	100.00	
PT Raisio Chemicals Indonesia, Indonesia	100.00	
Raisio Chemicals Italy 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 (Shanghai) Co., Ltd., China	100.00	
Raisio Chemicals S'pore Pte Ltd, Singapore	100.00	
Raisio Chemicals UK Ltd., England	100.00	
Raisio Chemicals U.S., Inc., USA	100.00	
Raisio Echeveste S.A., Spain	51.00	
Raisio Engineering Oy, Raisio	100.00	
Raisio France S.A., France	99.99	
Raisio Netherlands B.V., Netherlands	100.00	
Raisio Portugal-Produtos Quimicos, LDA, Portugal	51.00	
Raisio Química Andina S.A., Colombia	96.40	
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		
Autuminvest Oy, Raisio	100.00	
Canelo Oy, Raisio	100.00	
Carlshamn Mejeri AB, Sweden	100.00	
Carlshamn Mejeri Produktion AB, Sweden	100.00	
Ecomilk, Russia	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	
OOO Raisio Agro, Russia	51.00	
Raisio Catering Oy, Raisio	100.00	
Raisio Eesti AS, Estonia	100.00	
Raisio Feed AS, Estonia	100.00	
Raisio Grain Starch Ltd, Raisio	100.00	
SIA Raisio Latvija, Latvia	100.00	
UAB Raisio Lietuva, Lithuania	100.00	
Raisio Nordic Oy, Raisio	100.00	
OOO Raisio Nutrition, Russia	100.00	
Raisio Polska Foods Sp. z o.o., Poland	100.00	
Raisio Skandinavia Oy, Raisio	100.00	
Raisio Nutrition Ltd., Raisio	100.00	100.00
Raisio Feed Ltd, Raisio	100.00	
Suomen Myllyt Oy, Raisio	100.00	
Raisio Life Sciences		
Diffchamb AB, Sweden	99.40	
Diffchamb Inc., USA	100.00	
Diffchamb Ltd, England	90.00	
Diffchamb S.A., France	98.00	
Diffchamb Biocontrol b.v., Holland	86.00	
Diffchamb Danmark A/S, Denmark	90.00	
Diffchamb France S.A.R.L., France	99.80	
Diffchamb Italy S.r.l., Italy	99.00	
Diffchamb Norge A/S, Norway	100.00	
Diffchamb Scandinavia AB, Sweden	100.00	
Diffchamb Sverige AB, Sweden	100.00	
Eurochem SpA, Italy	100.00	
Raisio Benecol Ltd, Raisio	100.00	100.00
Raisio Benecol US Inc., USA	100.00	
Raisio Life Sciences Sweden AB, Sweden	100.00	
Raisio Staest Oy, Raisio	100.00	
Raisio Staest US Inc., USA	100.00	
Sterol Technologies Oy, Raisio	100.00	
Sterol Trading US Inc., USA	100.00	
Other companies		
Airisto RE S.A., Luxemburg	100.00	99.00
Beneral Oy, Raisio	100.00	100.00
Associated companies		
Raisio Chemicals		
Alahärmän Perunavarasto Oy, Alahärmä	67.94	
PT Budi Raisio International, Indonesia	50.00	
Future Printing Center Ltd, Raisio	40.00	
Kiinteistö Oy Raision Koepainolaitos, Raisio	25.00	25.00
Periva Oy, Kokemäki	50.00	
Sichuan Qianwei Tianma Chemicals Co., Ltd., China	40.00	
Raisio Nutrition		
AS Rigas Dzirnavniesks, Latvia	27.20	
Vihannin Vedenpuhdistamo Oy, Vihanti	49.00	
Vihervakka Oy, Pöytyä	38.50	38.50

	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
17. INVENTORIES				
Materials and supplies	72,712	104,599		814
Production in progress	1,137	1,369		
Finished products/goods	43,288	45,668		
Other inventories	527	1,911		4
Advance payments	29	30		
	117,693	153,577	0	818
18. RECEIVABLES				
Non-current receivables				
Receivables from participating interest companies				
Loan receivables	396	477		
Loan receivables	7,126	8,582		
Other receivables	237	392		
Prepaid expenses and accrued income	83	30		
Total non-current receivables	7,842	9,481		
Current receivables				
Accounts receivable*	86,770	114,656	52	95
Receivables from Group companies				
Accounts receivable			1,478	8,209
Loan receivables			107,564	119,925
Other receivables			4,054	13,544
Prepaid expenses and accrued income			3,564	4,473
			116,660	146,151
Receivables from participating interest companies				
Accounts receivable	623	513	9	
Loan receivables	48	76		
Prepaid expenses and accrued income	5	0	1	
	676	589	10	0
Loan receivables	640	659	39	39
Other receivables	8,876	10,172	31	547
Prepaid expenses and accrued income	19,089	18,000	2,772	2,263
Total current receivables	116,051	144,076	119,565	149,095
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.	88,710	88,688	88,587	88,587
Transferred from retained earnings	59	18		
Other changes	-2	4		
Reserve fund 31.12.	88,767	88,710	88,587	88,587
Other reserves 1.1.	118	113		
Transferred from retained earnings	54	0		
Other changes	-1	5		
Other reserves 31.12.	171	118		
Retained earnings 1.1.	114,006	120,245	58,296	70,590
Dividend distributed	-3,538	-2,992	-3,303	-2,808
Minority dividends transferred to retained earnings	235	185		
Transferred to reserve fund	-59	-18		
Transferred to other reserves	-54	0		
Other changes	-9,532	-8,850		
Retained earnings 31.12.	101,058	108,570	54,993	67,782
Result for the year	-26,660	5,436	180	-9,486
Total shareholders' equity	194,020	233,518	174,444	177,567
Distributable equity	49,008			
Parent company share capital				
divided by share series as follows:		31.12.2003		31.12.2002
	Shares	EUR 1,000	Shares	EUR 1,000
Series K (20 votes/share)	35,378,242	5,950	35,384,262	5,952
Series V (1 vote/share)	129,770,788	21,826	129,764,768	21,824
Total	165,149,030	27,776	165,149,030	27,776

* The Group has a programme for selling sales receivables outside the Group without recourse up to a maximum limit of EUR 39 million, and these sales receivables are no longer written into the consolidated balance sheet. On 31 December 2003, the receivables sold amounted to EUR 25.3 million. The expenses associated with the arrangement are entered under financial expenses.

	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
20. APPROPRIATIONS			9,929	32,916
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 25,561,000.				
21. DEFERRED ASSETS AND TAX LIABILITY				
Deferred tax assets				
On consolidation	5,939	2,163		
On timing differences	14,357	9,728		
	20,296	11,891		
Deferred tax liability				
On appropriations	13,296	18,359		
On consolidation	8,035	1,526		
On timing differences	706	812		
	22,037	20,697		
22. LIABILITIES				
Non-current liabilities				
Loans from credit institutions	234,762	98,661	213,180	72,065
Pension loans	0	1,399	0	1,083
Other long-term loans	226	421	15	107
Total non-current liabilities	234,988	100,481	213,195	73,256
Liabilities falling due within a period longer than five years				
Loans from credit institutions	12,226	15,571	4,286	833
Total	12,226	15,571	4,286	833
Current liabilities				
Loans from credit institutions	65,580	218,123	36,108	183,491
Pension loans	1,399	2,798	1,083	2,167
Advance payments	954	1,054		
Accounts payable	75,160	81,811	1,989	11,056
Notes payable	0	1,462		
Liabilities to Group companies				
Accounts payable			5	12
Other liabilities			63,510	31,099
Accrued liabilities and deferred income			711	651
			64,226	31,762
Liabilities to participating interest companies				
Accounts payable	62	118		18
Accrued liabilities and deferred income	0	1		
	62	119	0	18
Other liabilities	19,332	26,309	7,134	10,955
Accrued liabilities and deferred income	38,215	39,351	3,713	5,100
Total current liabilities	200,702	371,027	114,254	244,549
Accrued liabilities and deferred income comprises items related to the timing of operational expenses, financial items and taxes.				
Interest-free debts				
Non-current	22,205	20,918		
Current	123,069	137,731	10,880	17,721
Total	145,274	158,649	10,880	17,721

	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
23. CONTINGENT AND OTHER LIABILITIES AND PLEDGED ASSETS				
PLEDGED ASSETS				
For the Company				
Mortgages on real estate	72,421	10,476		
Pledged securities	3,985	0		
Floating charges	53,090	22,789		
Total	129,496*	33,265		
For Group companies				
Mortgages on real estate			12,801	6,222
Pledged securities			3,966	0
Total			16,767	6,222
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 in the next year	4,694	4,514	1,020	1,847
Falling due after one year	4,945	6,204	1,240	2,506
Total	9,639	10,718	2,260	4,353
Leasing contracts do not include substantial liabilities related to termination and redemption terms.				
Contingent liabilities for Group companies				
Guarantees	1,000*	67,500	92,212	91,022
Redemption liabilities			1,004	1,716
			93,216	92,738
Contingent liabilities for the Company				
	9,212	14,428	0	5,550
Contingent liabilities for associated companies				
Guarantees	424	173	118	51
Other liabilities				
	5,000	5,000		

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	-510	-343
Value of underlying instruments	11,286	11,612

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	36	-16
Value of underlying instruments	2,648	472

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

Currency forward contracts:		
Market value	2,121	369
Value of underlying instruments	52,962	26,711

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	-1,528	-1,503
Value of underlying instruments	80,000	80,000

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

* 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 was completed during 2003. 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.

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 under the Chief Financial Officer 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 finance policy, Group Finance aims to maintain good liquidity under all circumstances, at a level that guarantees strategic operating freedom for the management. In addition to the commercial paper programme and investments, the major elements in the liquidity reserve are undrawn loans and overdraft facilities. Funding risks are spread by acquiring funding from separate 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 managed, by controlling the structure of the loan portfolio and interest-bearing investments in order to keep net financial expenses as low as possible. Interest rate swaps, forward rate agreements and interest rate options can be used in modifying the portfolio composition. The maximum amount of interest rate risk is defined by the finance policy.

Foreign exchange risk

The Group hedges itself against the currency risks arising from currency-based receivables and liabilities, from off-balance-sheet purchase and sales agreements and, in part, also from budgeted cash flows. Group Finance may also hedge equity investments 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 are 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; in the case of rapeseed and soybean raw materials, however, Raisio Nutrition's Margarine business and Animal Feeds' business area are responsible for determining their risk positions and reporting on them to the Group Finance Department. Their market situations are assessed regularly by meetings of experts from the two businesses and the Group Finance department; the Group Finance department then carries out the necessary hedging actions on the derivatives market.

ELECTRICITY PRICE RISK

Electricity price risk refers to the risk caused by sudden changes in the price of energy required by Finnish production plants. The price risk involved in purchasing electric energy for 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. The Group Finance department provides the unit with information on the outlook in the electricity market and takes the necessary hedging actions in order to achieve the optimum price for acquiring electric power.

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, Raisio Group has global insurance schemes. Policy management has been centralized, but each business area is responsible for its insured amounts and objects to be insured. The main principles applied to insurance are expedience, economic viability and compliance with the risk management policy approved by the company.

Insurance coverage is assessed annually in conjunction with the assessments related to the Raisio Group plants. The company places special emphasis on developing and implementing preventive action.

DEVELOPING RISK MANAGEMENT

Development of risk management has continued with a survey of the various risks, as well as identification and assessment of those risks that are considered the most serious to Raisio Group business.

Risk management is developed also in cooperation with an external insurance broker. Assessments of the level of risk management that have been carried out at various plants aim at preventing accidents and improving safety at the production plants. Results of the assessments are used as the basis of a programme for reducing the risks. The target is to evaluate all the production plants in Finland and abroad equally.

FINANCIAL INDICATORS

	1999	2000	2001	2002	2003
Result and profitability					
Turnover, EURm	763	800	823	843	861
change, %	-8.4	4.9	2.9	2.5	2.1
International turnover, EURm	374	399	433	443	449
% of turnover	49.0	49.9	52.7	52.5	52.1
Operating result, EURm	16	-32	25	21	-14
% of turnover	2.1	-4.0	3.0	2.4	-1.7
Result before extraordinary items, EURm	6	-47	8	9	-27
% of turnover	0.8	-5.8	1.0	1.1	-3.2
Result before taxes and minority interest, EURm	-2	-47	8	9	-27
% of turnover	-0.3	-5.8	1.0	1.1	-3.2
Return on equity, ROE, %	0.4	-14.9	1.8	2.4	-10.9
Return on investment, ROI, %	4.0	-4.2	5.5	4.5	-1.8
Financial and economical position					
Shareholders' equity and minority interest, EURm	304	260	262	257	217
Net interest-bearing liabilities, EURm	283	325	288	334	312
Balance sheet total, EURm	744	750	689	749	675
Equity ratio, %	41.0	34.7	38.1	34.4	32.2
Gearing, %	76.5	96.5	88.9	109.4	127.9
Cash flow from business operations, EURm	6	16	36	45	77
Other indicators					
Gross investments, EURm	61	49	29	81	64
% of turnover	8.0	6.2	3.5	9.6	7.4
R&D expenditure, EURm	16	18	18	20	21
% of turnover	2.1	2.3	2.2	2.4	2.5
Average personnel	2,897	2,775	2,684	2,654	2,822

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, %	$\frac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$

Share indicators and their computation are on pages 54–55.

BOARD'S PROPOSAL FOR THE DISPOSAL OF PROFIT

Shareholders' equity according to the consolidated balance sheet at 31 December 2003 is EUR 194.0 million, of which EUR 49.0 million is distributable. According to the balance sheet, the distributable assets of the parent company at 31 December 2003 total EUR 55,172,973.62.

The Board of Directors proposes that a dividend of EUR 0.01 per share be paid from the parent company's earnings on a total of 165,149,030 shares,

totalling	EUR 1,651,490.30
and that be carried over on the retained earnings account	EUR 53,521,483.32
Total	EUR 55,172,973.62

Raisio, 10 February 2004

Arimo Uusitalo	Matti Linnainmaa	Jörgen Grandell	Erkki Haavisto
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 1.1.–31.12.2003. 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 of the parent company.

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

Raisio, 11 February 2004

Johan Kronberg <i>Authorized Public Accountant</i>	Mika Kaarisalo <i>Authorized Public Accountant</i>
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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 1 January – 31 December 2003, 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 31 December 2004 are Hannu Auranen, Juhani Enkovaara, Erkki S. Koskinen, Vesa Lammela, Hans Lanh, Johan Laurén, Asko Leinonen, Yrjö Ojaniemi and Pekka Raipala. Erkki Haavisto was elected to the Board of Directors and therefore resigned from the Supervisory Board on 31 December 2003.

Raisio, 4 March 2004

For the Supervisory Board

Vesa Lammela
Chairman

Shares, shareholders and corporate governance

Shares and shareholders

- The Annual General Meeting of Raisio Group will be held on 26 March 2004 at 2 p.m. at the Turku Fair and Congress Center, address Messukentäkatu 9-13, Turku. Shareholders wishing to attend the AGM should notify Raisio Group not later than 22 March at 10 a.m. Finnish time, by telephone +358 2 443 2293, by fax +358 2 443 2315, e-mail eeva.hellsten@raisiogroup.com or by letter to Raisio Group plc, Shareholders Contact, P.O. Box 101, FI-21201 Raisio, Finland.
- The record date for the proposed dividend is 31 March 2004 and the dividends are payable from 7 April 2004.
- The annual report for 2003 has been published in Finnish, English and Swedish. Annual Reports in pdf format, an Internet version of the financial statements, as well as the Environmental and Social Responsibility Report can be found on the Group's Internet pages www.raisiogroup.com. Interim reports in 2004 will be published on 4 May, 30 July and 4 November.

SHARE CAPITAL AND SHARE CLASSES

The fully paid up share capital of Raisio Group plc is EUR 27,776,072.91, which on 31 December 2003 was divided into 35,378,242 restricted shares (Series K) and 129,770,788 free shares (Series V), each with a book counter value of EUR 0.17 (rough figure). Under an amendment of the Articles of Association registered on 12 May 2000, a 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. The share capital can be raised or lowered within these limits without amending the Articles of Association. There was no change in share capital during 2003.

The company shares were entered into the book-entry system on 26 November 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 RAIW and the ISIN code FI 0009002943, and for a restricted share RAIKV and FI 0009800395 respectively.

Free shares and restricted shares have the 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 1.5% 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. Based on the number of shares making up the 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 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. 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 2003, a total of 6,020 restricted shares were converted into free shares.



Restricted shares, for 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 they are entered in the share register as restricted shares following approval, assigned to another shareholder or converted into free shares.

OPTION PROGRAMME 1998–2003

The option programme approved in 1998 and carried out during 1998–2003 was ended on 30 January 2004. No shares were subscribed with the option rights during the financial period 2003 nor in the previous years. The key contents and the terms of this option programme are described on page 58 of the Annual Report 2002.

COMPANY MANAGEMENT SHAREHOLDINGS AND OPTIONS

The members of the company Supervisory Board and the members and deputy members of the Board of Directors and the Chief Executive owned 1,526,550 restricted shares and 447,590 free shares on 31 December 2003. This accounts for 1.20% of the total number of shares and 1.84% of the maximum voting power. They also owned 41,000 option rights under the 1998–2003 option programme, i.e. 11.71% of the total.

If the holders of option rights had subscribed all the shares they were 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 would have owned 1,526,550 restricted shares and 857,590 free shares, or 1.41% of the post-subscription stock and 1.88% of the corresponding votes. No subscriptions were made.

SHAREHOLDER AGREEMENTS

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

AUTHORIZATION FOR THE BOARD OF DIRECTORS TO RAISE SHARE CAPITAL

The Annual General Meeting held on 21 March 2003 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 shareholders' pre-emptive subscription right can be departed from only when there is an important financial reason from the company's point of view and the authorization is used to arrange for financing for a corporate acquisition or purchase of business operations, to set up cooperation arrangements between companies or to strengthen the company's capital structure.

The authorization was entered in the trade register on 11 April 2003 and will remain in force up to 21 March 2004. The authorization has not been exercised.

SHARE BUY-BACK AUTHORIZATION FOR THE BOARD OF DIRECTORS

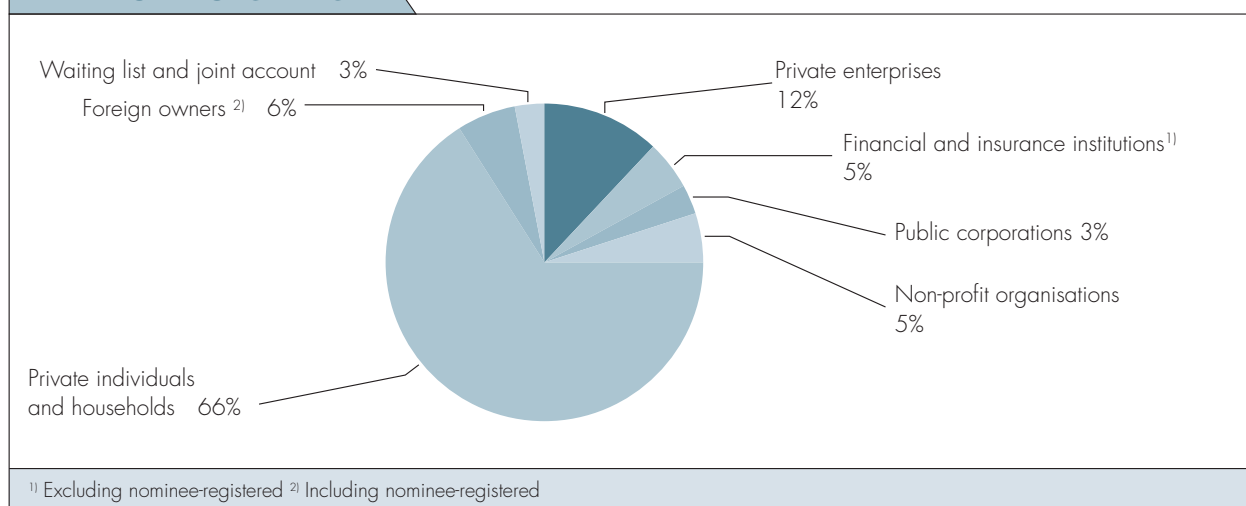
The Board of Directors is not authorized to buy or sell company shares, nor has any such authorization been sought from the Annual General Meeting. No shares in Raisio Group plc are owned by Raisio Group plc itself or any company or corporation within Raisio Group.

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	Targeted issue to Raisio Margariini (RM) 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	Targeted issue to holders of 1993 bond warrants	–	10	96.75	16.27	181,920	0.31	27.8	Full dividend 1998

BREAKDOWN OF SHARE CAPITAL, 31 DECEMBER 2003

	Number of shares	% of total shares	% of total votes
Free shares	129,770,788	78.6	15.5
Restricted shares	35,378,242	21.4	84.5
Total	165,149,030	100.0	100.0

BREAKDOWN OF SHARES



BREAKDOWN BY SHAREHOLDING, 31 DECEMBER 2003

Shares	Free shares				Restricted shares			
	Shareholders		Shares		Shareholders		Shares	
	no.	%	no.	%	no.	%	no.	%
1-1,000	28,646	64.4	14,205,350	11.0	4,341	58.8	1,528,631	4.3
1,001-5,000	12,507	28.1	30,898,327	23.8	1,970	26.7	4,664,404	13.2
5,001-10,000	2,070	4.6	15,684,107	12.1	558	7.6	3,975,760	11.3
10,001-25,000	884	2.0	13,823,633	10.6	350	4.7	5,453,711	15.4
25,001-50,000	212	0.5	7,567,603	5.8	109	1.5	3,616,976	10.2
50,001-	171	0.4	47,223,948	36.4	48	0.7	11,550,230	32.7
waiting list			0	0.0			3,939,750	11.1
joint account			367,820	0.3			648,780	1.8
total	44,490	100.0	129,770,788	100.0	7,376	100.0	35,378,242	100.0

On 31 December 2003, Raisio Group plc had a total of 47,224 registered shareholders.

SHAREHOLDERS

25 biggest shareholders on 31 December 2003, according to the shareholders' register

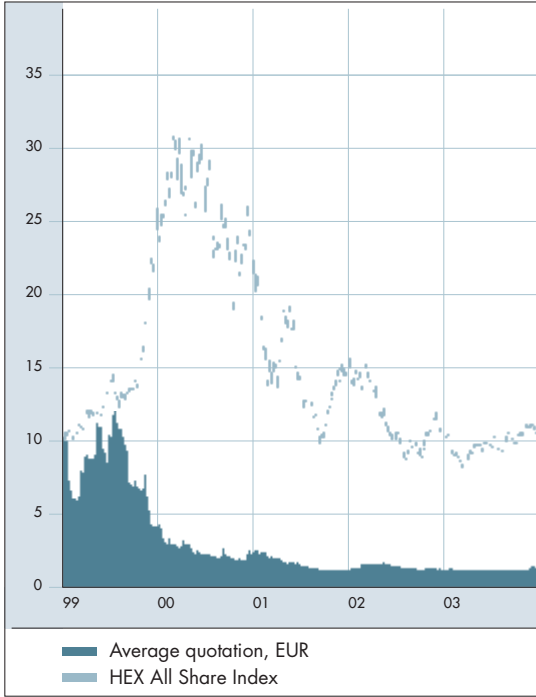
	Series K no.	Series V no.	Total no.	%	Votes no.	%
Etra-Invest Oy Ab		4,000,000	4,000,000	2.42	2,477,235	0.30
Central Union of Agricultural Producers and Forest Owners	3,757,980	175,000	3,932,980	2.38	2,477,235	0.30
Tapiola Mutual Pension Insurance Company		2,763,100	2,763,100	1.67	2,477,235	0.30
Tapiola Mutual Insurance Company	1,000,000	1,450,000	2,450,000	1.48	2,477,235	0.30
Brotherus Ilkka	45,540	2,231,920	2,274,460	1.38	2,477,235	0.30
Investment Fund Conventum Finland Value		1,150,000	1,150,000	0.70	1,150,000	0.14
Niemistö Kari		1,000,000	1,000,000	0.61	1,000,000	0.12
Special Investment Fund EQ Sirius		800,400	800,400	0.48	800,400	0.10
Fennia Life Insurance Company Ltd.		720,000	720,000	0.44	720,000	0.09
Haavisto Maija	393,120	298,280	691,400	0.42	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
Investment Fund OP-Suomi Kasvu		602,000	602,000	0.36	602,000	0.07
Keskittien Tukisäätiö	100,000	500,000	600,000	0.36	2,477,235	0.30
Veikko Laine Oy		582,500	582,500	0.35	582,500	0.07
Haavisto Erkki	364,940	172,260	537,200	0.33	2,477,235	0.30
Haavisto Antti	382,140	140,740	522,880	0.32	2,477,235	0.30
Liljeström Ulf Mikael		520,000	520,000	0.31	520,000	0.06
Fortum Pension Fund		509,200	509,200	0.31	509,200	0.06
Svenska lantbruksproducenternas centralförbund	355,000	150,000	505,000	0.31	2,477,235	0.30
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
Etera Mutual Pension Insurance Company		491,100	491,100	0.30	491,100	0.06

Shares registered under foreign ownership, including nominee registrations, totalled 9,556,989 on 31 December 2003, or 5.8% of the total and 7.4% of free shares.

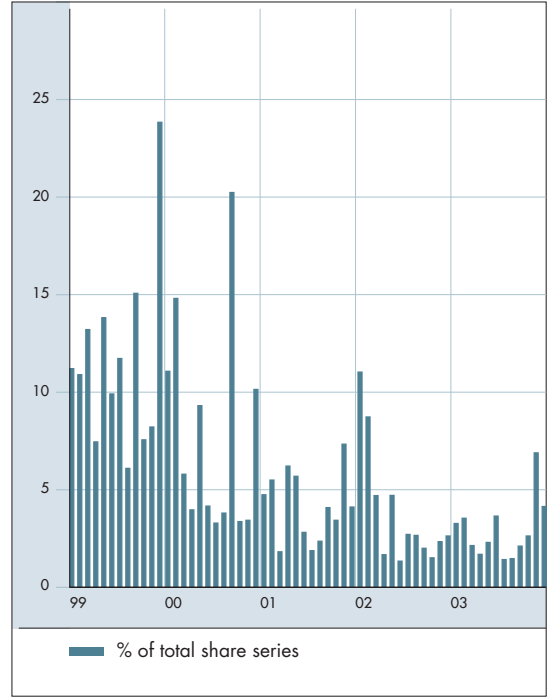
SHARE PRICE DEVELOPMENT AND RELATIVE TRADING VOLUME

FREE SHARES

Price development

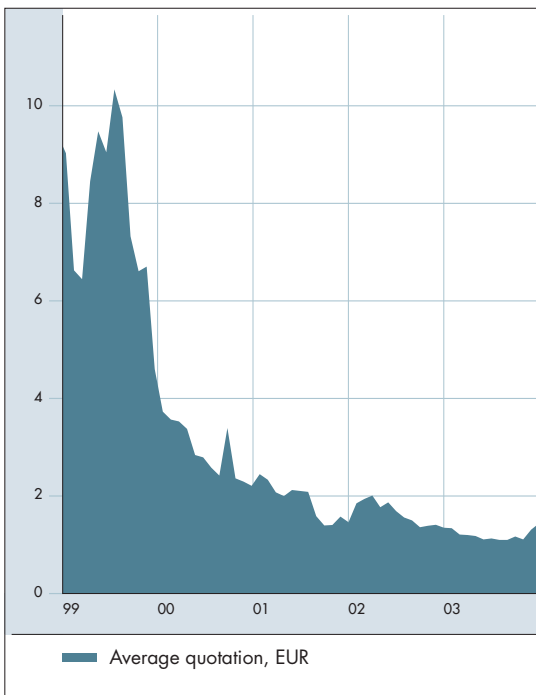


Relative trading volume

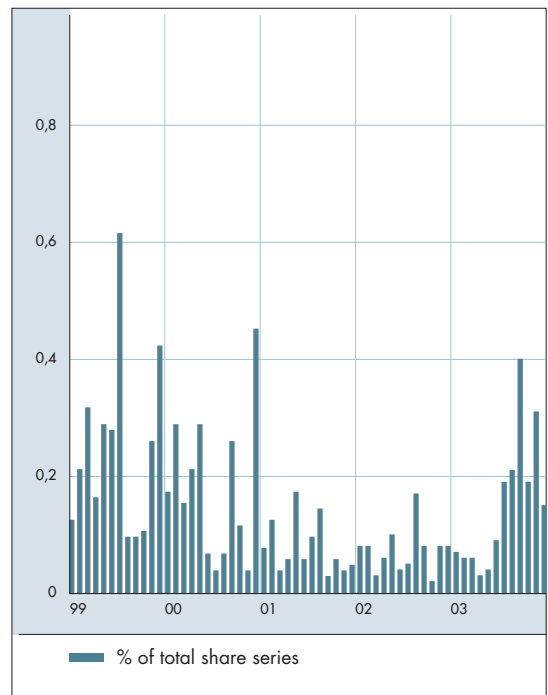


RESTRICTED SHARES

Price development



Relative trading volume



SHARE INDICATORS

	1999	2000	2001	2002	2003
Earnings/share (EPS), EUR	0.01	-0.25	0.04	0.03	-0.16
Cash flow from business operations/ share, EUR	0.04	0.10	0.22	0.27	0.47
Equity/share, EUR	1.69	1.42	1.45	1.41	1.17
Dividend/share, EUR	0.034	0.017	0.017	0.02	0.01¹⁾
Dividend/earnings, %	398.4	neg.	42.4	60.8	neg.
Effective dividend yield, %					
Free shares	0.9	0.9	1.8	1.9	0.8
Restricted shares	0.7	0.7	1.2	1.4	0.8
P/E ratio					
Free shares	465.4	neg.	23.2	32.5	neg.
Restricted shares	556.5	neg.	35.9	43.1	neg.
Adjusted average quotation, EUR					
Free shares	7.70	2.60	1.48	1.27	1.05
Restricted shares	8.28	3.12	2.05	1.62	1.21
Adjusted lowest quotation, EUR					
Free shares	3.55	1.71	0.91	0.91	0.84
Restricted shares	4.00	2.20	1.30	1.20	1.00
Adjusted highest quotation, EUR					
Free shares	12.45	4.34	2.52	1.67	1.37
Restricted shares	12.10	5.20	3.20	2.25	1.61
Adjusted quotation 31 Dec., EUR					
Free shares	3.93	1.96	0.93	1.07	1.24
Restricted shares	4.70	2.25	1.44	1.42	1.26
Market capitalization 31 Dec., EURm					
Free shares	505.8	252.3	120.7	138.8	160.9
Restricted shares	171.3	81.9	51.0	50.2	44.6
Total	677.1	334.2	171.7	189.0	205.5
Trading, EURm					
Free shares	1,419.8	322.6	99.1	75.9	47.9
Restricted shares	9.5	2.6	0.7	0.5	0.8
Total	1,428.7	325.2	99.8	76.4	48.6
Number of shares traded					
Free shares, 1,000 shares	184,293	124,213	66,877	59,724	45,722
% of total	143.6	96.5	51.6	46.0	35.2
Restricted shares 1,000 shares	1,144	817	346	312	633
% of total	3.1	2.2	1.0	0.9	1.8
Average adjusted number of shares, 1,000 shares					
Free shares	128,335	128,722	129,575	129,761	129,768
Restricted shares	36,814	36,427	35,574	35,388	35,381
Average adjusted number of shares 31 Dec., 1,000 shares					
Free shares	128,706	128,742	129,758	129,765	129,771
Restricted shares	36,443	36,407	35,391	35,384	35,378

¹⁾ According to the Board proposal

COMPUTATION OF INDICATORS

Earnings/share (EPS)	$\frac{\text{Profit before extraordinary items} - \text{taxes} \pm \text{minority interest}}{\text{Average number of shares for the year, adjusted for share issues}}$
Cash flow from business operations/share	$\frac{\text{Cash flow from business operations}}{\text{Average number of shares for the year, adjusted for share issues}}$
Equity/share	$\frac{\text{Shareholders' equity}}{\text{Number of shares at 31 December, adjusted for share issues}}$
Dividend/share	$\frac{\text{Dividend distributed from the year}}{\text{Number of shares at 31 December}}$
Dividend/earnings, %	$\frac{\text{Dividend per share}}{\text{Profit per share}} \times 100$
Effective dividend yield, %	$\frac{\text{Dividend per share, adjusted for share issues}}{\text{Quotation at 31 December, adjusted for share issues}} \times 100$
P/E ratio	$\frac{\text{Quotation at 31 December, adjusted for share issues}}{\text{Profit per share}}$
Market capitalization	Quotation at 31 December, adjusted for share issues x number of shares at 31 December

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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Corporate governance

- The Articles of Association, together with Finnish legislation, are the basis for the principles adopted for corporate governance at Raisio Group.
- On December 2003, Helsinki Exchanges issued a recommendation on the corporate governance of listed companies. The recommendation will come into effect on 1 July 2004, and Raisio Group has already adopted part of it.

ANNUAL GENERAL MEETING

The shareholders' meeting is the company's highest decision-making body. The annual general meeting is held by the end of each April and decides on approving the financial statements and the consolidated financial statements, distributing dividends, discharging those accountable from liability, electing members of the Supervisory Board and auditors, determining the amount of fees paid to these, and other matters assigned to it. Annual general meetings are called no earlier than two months before the advance registration date given in the call for the meeting and no later than seventeen days before the meeting. The call for the annual general meeting on 26 March 2004 has been announced in the newspapers Helsingin Sanomat, Turun Sanomat, Maaseudun Tulevaisuus, Hufvudstadsbladet and Landsbygden Folk. Extraordinary shareholders' meetings may be held if necessary, and these will be called by the Board of Directors.

In 2003, Raisio Group's annual general meeting was held in Raisio on 21 March and attended by 3,063 shareholders either in person or by proxy, which amounted to 24.2% of company shares and 35.1% of the votes. No extraordinary shareholders' meetings were held in 2003.

SUPERVISORY BOARD

Raisio Group is run by a two-tiered corporate governance system, where the annual general meeting elects a Supervisory Board and the Supervisory Board elects the Board of Directors. The Supervisory Board consists of a minimum of 21 and a maximum of 30 members. The term of office for the members is the three calendar years immediately following their election, with one third of the members replaced each year. A person who has turned 65 before the beginning of the term cannot be elected as member of 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 decides on their compensation. It also appoints and discharges the managing director and his deputy if necessary. The Supervisory Board must further give the annual general meeting a statement on the financial statements and auditors' report. Members of the Supervisory Board received a fee of EUR 260 per meeting in 2003, reimbursement of their travel expenses and a per diem allowance in accordance with the corporate travelling compensation policy. The annual pay of the chairman of the Supervisory Board was EUR 10,000 in 2003.

The annual general meeting held on 21 March 2003, elected 29 members to the Supervisory Board. The members of the Supervisory Board are presented on page 59. The annual general meeting also ordered the chairman of the Supervisory Board and his deputy to prepare a reduction in the number of the members closer to the minimum number of 21 set out in the Articles of Association. The Supervisory Board met four times during the year under review, with an attendance of 95.7%.



BOARD OF DIRECTORS

The Board of Directors consists of a minimum of five and a maximum of eight members and a minimum of five and a maximum of eight deputy members, all elected by the Supervisory Board. Members of the Board have a term of office of two calendar years immediately following their election, and half of them are replaced each year. A person who has turned 65 before the beginning of the term cannot be elected as member of the Board of Directors. The chairman and the deputy chairman of the Board of Directors are elected by the members of the Board for one year at a time.

The Board of Directors is in charge of corporate governance and proper management of the company's operations. It controls and supervises the company's operative management, adopts strategic targets and the principles of risk management and ensures that the management systems are fully functional.

In accordance with the main points of the charter adopted by it, the Board of Directors of Raisio Group plc:

- approves corporate strategy and revises it regularly
- approves the annual budgets and supervises their implementation
- decides on major investments and divestments unless it considers that they fall under the jurisdiction of the Supervisory Board on account of their nature or extent
- processes and approves annual financial statements and interim reports
- following a proposal by the Chief Executive, appoints and discharges the Chief Executive's immediate subordinates, determines their duties, and decides on the terms of employment of both the Chief Executive Officer and his immediate subordinates
- decides on incentive and reward systems for the management and personnel and submits them to the AGM when necessary
- reviews key operational risks and their management annually
- approves the ethical principles and values of the company.

In 2003, the Board of Directors consisted of seven members and five deputy members. Except for the Chief Executive Officer, all regular members are independent of the company and its major shareholders. All deputy members are Raisio Group employees. The Board of Directors is introduced on pages 60–61 of the Annual Report.

The Board met 13 times during the financial year and held six telephone conferences. Attendance at the meetings was 94.6%. In 2003, the chairman of the Board received a monthly fee of EUR 2,018 and other members not employed by Raisio EUR 1,345. The members of the Board were also paid per diem allowances for the meetings and reimbursed for their travel expenses in accordance with the corporate travelling compensation policy.

Raisio Group's Board of Directors has elected from among its members a reward committee which presents the Board with proposals for rewarding management and personnel. In addition to the chairman of the Board of Directors, this committee consists of two other Board members and the chairman of the Supervisory Board. The committee met three times during the year.

The Chief Executive Officer is also chairman of the Boards of Directors of major Raisio subsidiaries. The other members of the Board of Directors are members of the Group Executive Committee. The managing directors of major subsidiaries are not members of the Board of Directors in these subsidiaries.

MANAGING DIRECTOR

The managing director of Raisio Group plc is called the Chief Executive Officer. His tasks are determined in accordance with the law, the Articles of Association and any instructions and orders issued by the Board of Directors. According to the Articles of Association of Raisio Group, the managing director must also be a member of the Board of Directors.

Rabbe Klemets has been Raisio Group's Chief Executive Officer as of April 2001.

In 2003, the managing director was paid a total of EUR 459,551 in salaries, fees and fringe benefits. The managing director did not receive any Raisio Group plc shares or share-related instruments in 2003. He owned 3,000 option rights of classes A, B, C and D each (the option programme for 1998–2003).

In accordance with his employment contract, the managing director has the right to retire on turning 60 and the obligation to retire on turning 62.

The managing director's contract may be terminated by either the company or the managing director himself with six months' notice. If the company gives notice to the managing director, he is entitled to compensation corresponding to 12 months' pay and fringe benefits, in addition to his pay and fringe benefits for the period of notice.

EXECUTIVE COMMITTEE

The Group's Executive Committee is chaired by the Chief Executive Officer and consists of the heads of the three business sectors and key management of the Group administration. It coordinates the Group's operations and sets out Group-level operating policies and processes. It also assists the Chief Executive Officer in preparing proposals submitted to the Board of Directors that relate to the entire Group or more than one business sector. It formulates corporate strategy and ensures that it is carried out. The Executive Committee meets once a month or more often if necessary. The Executive Committee is introduced on pages 62–63.

The retirement age for members of the Executive Committee is 60–62 years.

MANAGEMENT REWARD SYSTEMS

Raisio Group has separate reward systems for management and the rest of the personnel. The indicators related to the management reward system in 2003 were based on the levels of achievement of goals related to growth, result and cash flow.

The reward systems were developed further in 2004. Their main principle is to effect constant improvement. A separate reward system was created for middle management, and new elements were added to the management reward system to increase managements' long-term commitment. The key indicators for 2004 are result, cash flow and working capital.

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDITING

Internal control for the Group is based on monthly reporting, where the actual figures are compared with the budgeted figures and the previous year's figures. The internal reports are regularly synchronized with the external accounting. These reports are submitted to the Board of Directors each month.

Risk management is an integral part of Raisio Group's control system. Raisio Group follows a risk management policy adopted by the Board of Directors. Annual risk evaluations are carried out in conjunction with annual planning and budgeting. Risk management is coordinated by the head of risk management, who reports

to the Chief Financial Officer and the Executive Vice President in charge of Human Resources. Risks related to Raisio's business are described in the reviews of each business sector, other financial risks on page 45 of this report.

Internal auditing is part of the Group's financial administration. The controllers of each Group company must ensure that laws and Group instructions are complied with. Each controller reports on internal auditing to the Group's Chief Financial Officer. If necessary, internal auditing may be strengthened by purchasing external services. The Chief Financial Officer reports on any observations made by internal auditing to the managing director and the Board of Directors.

AUDITING

The regular auditors for 2003 were Johan Kronberg, APA, and Mika Kaarisalo, APA; deputy auditors were Authorized Public Accountants PricewaterhouseCoopers Oy and Kalle Laaksonen, APA. The 2003 annual general meeting appointed the same auditors and their deputies for 2004.

The auditors give the shareholders and the Chief Executive Officer a summary of the corporate audit. In addition, the auditors for the Group companies submit reports separately to the management of the respective companies.

The auditors attended meetings of the Board of Directors three times in 2003. The auditors give the shareholders an auditing report on the annual financial statements as required by law.

Auditing fees in 2003 amounted to a total of EUR 538,700. The company also purchased consulting services related to tax issues and adoption of the IFRS accounting standards from PricewaterhouseCoopers Oy and its associates.

INSIDER REGULATIONS

On 1 May 2000, the company adopted insider 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, the managing director and the auditors. Insiders by definition numbered 35 on 31 December 2003, mostly members of the management and some key experts. Insiders are not allowed to trade in company shares during the 14 days before publication of the company's interim report or for 30 days before publication of the financial statements bulletin. The Group's insider administration uses the SIRE system of the Finnish Central Securities Depository Ltd, through which the Raisio Group holdings of insiders and entities under their control, and any changes therein, are made public. The Raisio Group insiders and their holdings are listed on the company's website at www.raisiogroup.com – Raisio Group – Governance – Insiders.

Supervisory Board



Vesa Lammela*, born 1941
Kiukainen
Chairman since 1998 and member since 1996
Lammela Oy holding,
series V 6,550
Vesa Lammela attends the meetings of the Board of Directors as Chairman of the Supervisory Board.

Ola Rosendahl**, born 1939
Pernaja
Vice Chairman since 1988 and member since 1987
Series K 2,050 and series V 2,000

Hannu Auranen*, born 1937
Karinainen
Member since 1987
Series K 31,320
Auranen & Manner Ky holding,
series V 10,920

Juhani Enkovaara*, born 1945
Helsinki
Member since 1996
Series K 500 and series V 250

Risto Ervelä**, born 1950
Sauvo
Member since 1991
Series K 3,000 and series V 3,500

Matti Hakala**, born 1939
Orimattila
Member since 1987
Series K 800 and series V 300

Mikael Holmberg**, born 1961
Nauvo
Member since 1998
Series K 1,620 and series V 1,360

Esa Härmälä**, born 1954
Helsinki
Member since 1996
No Raisio Group shares

Timo Järvilähti**, born 1943
Halikko
Member since 1987
Series K 60

Taisto Korkea-aho**, born 1941
Kokemäki
Member since 1992
Series K 10,560 and series V 10,620

Erkki S. Koskinen*, born 1946
Virrat
Member since 1996
Series V 10,000

Albert Käiväräinen**, born 1940
Mynämäki
Member since 1987
Series K 6,700 and series V 2,530

Hans Langh*, born 1949
Piiikkiö
Member since 1990
Series K 654,480

Johan Laurén*, born 1946
Parainen
Member since 1999
Series K 40,980 and series V 1,360

Asko Leinonen*, born 1960
Anjalankoski
Member since 2002
Series K 500 and series V 1,100

Antti Lithovius**, born 1950
Lumijoki
Member since 1994
Series K 900 and series V 3,620

Paavo Myllymäki**, born 1958
Mietoinen
Member since 1998
Series K 3,660 and series V 2,700

Yrjö Ojanemi*, born 1959
Lapua
Member since 2002
Series K 780 and series V 660

Teemu Olli**, born 1950
Nousiainen
Member since 1987
Series K 43,500 and series V 2,500

Pekka Raipala*, born 1947
Hämeenkyrö
Member since 1987
Series K 13,020 and series V 1,500

Juha Saura**, born 1951
Pöytyä
Member since 1998
Series K 1,200

Urban Silén**, born 1959
Perniö
Member since 2003
Series K 71,000 and series V 17,000

Tuula Tallskog**, born 1946
Pertteli
Member since 1998
Series K 560

Johan Taube**, born 1950
Tenhola
Member since 1987
Series K 101,180

Juhani Torkkomäki**, born 1939
Somero
Member since 1987
Series K 8,020 and series V 6,160

Jukka Tuori**, born 1948
Huittinen
Member since 1998
Series K 100

Simo Vaismaa**, born 1942
Isokyrö
Member since 1991
Series K 840 and series V 20,000

Nils-Erik Wahlsten**, born 1949
Kemiö
Member since 2003
Series K 80,980 and series V 6,300

Shareholdings of the Supervisory Board on 10 February 2004 (date of releasing the financial statements bulletin)

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

In 2003, the Supervisory Board also included Erkki Haavisto. He was elected a member of the Board of Directors from 1 January 2004. Erkki Haavisto is presented on page 60.

* End of term 2004

** End of term 2005

Board of Directors

REGULAR MEMBERS



Arimo Uusitalo, Kiikala, born 1942
Chairman since 2001 and member since 1991
End of term 2004
Series K 18,420
Finnforest Corporation, Member of the Board of Directors, Vice Chairman
M-real Corporation, Member of the Board of Directors, Vice Chairman
Metsäliitto Cooperative, Chairman of the Board of Directors
Osuuspankki Kantrisal, Chairman of the Board of Directors
Botnia Pulps, Member of the Board of Directors



Matti Linnainmaa, Pori, born 1940
Vice Chairman since 1997 and member since 1995
End of term 2004
Series K 4,000 and series V 114,220
Satabusiness Oy holding, series V 1,500
Managing Director and Chairman of the Board of Directors in Satabusiness Oy
Prizztech Ltd, Chairman of the Board of Directors
Spar Finland plc, Member of the Board of Directors



Jörgen Grandell, Turku, born 1959
Member since 2003
End of term 2004
No Raisio Group shares
Sparbanksstiftelsen i Åboland, Chairman
Agro-Sydväst, Member of the Board of Directors



Erkki Haavisto, Raisio, born 1968
Member since 1.1.2004
End of term 2005
Series K 364,940 and series V 172,260
Turku District Cooperative Bank,
Member of the Supervisory Board
Member of the Municipal Council of Raisio Town



Jaakko Ihamuotila, Helsinki, born 1939
Member since 2000
End of term 2005
Series V 22,500
Nordea Bank Finland Plc,
Member of the Advisory Committee



Rabbe Klemets, Turku, born 1953
Deputy member since 1999 and member since 2001
End of term 2005
Series V 200
Tapiola General Mutual Insurance Company,
Member of the Supervisory Board
Turku Telephone Ltd, Member of the Board of Directors
Turku Science Park Ltd, Member of the Board of Directors
Turku Chamber of Commerce, Member of the Board of Directors



Kaarlo Pettilä, Salo, born 1941

Member since 1992

End of term 2005

Series K 51,400 and series V 2,880

Maanpuolustusyhtiö MPY Oy, Chairman of the Board of Directors

Raisio Group Research Foundation, Member of the Board of Directors

Varsinais-Suomen Maakuntasäätiö, Member of the Board of Directors



Christoffer Taxell, Turku, born 1948

Member since 2003

End of term 2004

Series V 3,000

Finnair Plc, Chairman of the Board of Directors

Stockmann plc, Member of the Board of Directors

Sampo plc, Member of the Board of Directors

Nordkalk Corporation, Member of the Board of Directors

Boliden AB, Member of the Board of Directors

Skandia Insurance Company Ltd., Member of the Board of Directors

Foundation of Åbo Akademi, Chairman of the Board of Directors

The Board of Directors also comprised Antti Haavisto until 29 January 2003.

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

Shareholdings of the Board of Directors on 10 February 2004 (date of releasing the financial statements bulletin).

DEPUTY MEMBERS

Deputy members of the Board of Directors are Mikko Korttila, Olavi Kuusela, Jukka Lavi, Jari Lehmusvaara and Antti Salminen. All deputy members of the Board of Directors belong to Raisio Group Executive Committee.

Management is introduced on pages 62–63.

During 2003 as deputy members acted also Kai Hannus, Eero Nurminen and Urpo Pirilä, all Raisio Group executives.

REGULAR AUDITORS

Johan Kronberg

Authorized Public Accountant, Parainen

Mika Kaarisalo

Authorized Public Accountant, Kuusisto

DEPUTY AUDITORS

Authorized Public Accountants PricewaterhouseCoopers Oy, Helsinki

Kalle Laaksonen

Authorized Public Accountant, Turku

Executive Committee

Rabbe Klemets, born 1953

Chief Executive Officer

Employed since 1999

Member of Group Executive Committee since 1999

Series V 200

Tapiola General Mutual Insurance Company,

Member of the Supervisory Board

Turku Telephone Ltd, Member of the Board of Directors

Turku Science Park Ltd, Member of the Board of Directors

Turku Chamber of Commerce, Member of the Board of Directors

Jukka Lavi, born 1955

Executive Vice President, Raisio Life Sciences

Employed since 2000

Member of Group Executive Committee since 2001

No Raisio Group shares

Bio-Nobile Oy, Chairman of the Board of Directors

Pribori Oy, Member of the Board of Directors

Merja Lumme, born 1961

Executive Vice President, Human Resources

Employed since 2003

Member of Group Executive Committee since 2003

No Raisio Group shares

Mikko Korttila, born 1962

Executive Vice President, Legal Affairs

Employed since 1997

Member of Group Executive Committee since 2001

No Raisio Group shares

Turku Chamber of Commerce, Member of Law

Committee and Vice Member of Board of Arbitration

Jari Lehmusvaara, born 1958

Executive Vice President, Raisio Chemicals

Employed since 1992

Member of Group Executive Committee since 2003

No Raisio Group shares

Elomatic Oy, Member of the Board of Directors

Raunion Saha Oy, Member of the Board of Directors

Taru Narvanmaa, born 1963

Executive Vice President, Communications and Investor Relations

Employed since 2001

Member of Group Executive Committee since 2001

Series V 10,000

The Finnish Investor Relations Society, Chairman of the Board of Directors

Turun Kauppakorkeakouluseura, Member of the Board of Directors

Puutarhaliike Helle Oy, Member of the Board of Directors

Olavi Kuusela, born 1950

Executive Vice President, Raisio Nutrition

Employed since 2003

Member of Group Executive Committee since 2003

No Raisio Group shares

Finnish Food and Drink Industries Federation,

Member of Executive Committee of the Board of Directors

Tapiola General Mutual Insurance Company,

Member of the Supervisory Board

Central Union of Agricultural Producers and Forest

Owners, Expert Member of Commission

OKO, Member of the Supervisory Board

Pellervo Economic Research Institute, Vice

Chairman of the Board of Directors

Finnish-Russian Chamber of Commerce, Vice

Chairman of the Board of Directors

Finpro ry, Member of the Supervisory Board

The Association of Finnish Advertisers, Chairman of the Board of Directors

Antti Salminen, born 1963

Chief Financial Officer

Employed since 2002

Member of Group Executive Committee since 2002

Series V 10,000

Shareholdings of Group Executive Committee on 10 February 2004 (date of releasing the financial statements bulletin).



Rabbe Klemets, Merja Lumme



Taru Narvanmaa, Jukka Lavi, Antti Salminen



Olavi Kuusela, Jari Lehmusvaara, Mikko Korttila

Glossary

Allergen	A substance that causes an allergy
BSE	Mad cow disease (Bovine Spongiform Encephalopathy)
Cationisation chemical	An ammonium salt used for processing starch and manufacturing specialty chemicals
EHS	Environment, Health and Safety
Esterification	Chemical reaction forming an ester bond between alcohol and acid (e.g. plant stanol and fatty acid); at a stanol ester factory, esterification refers to the chemical reaction in which stanol and fatty acid produce stanol ester
Food diagnostics	A branch of industry that develops and manufactures diagnostic tests for ensuring the quality and safety of foods, and methods of using them
Functional food	Food with scientifically evidenced health effect
Functional paper chemical	Paper chemical with significant impact on desired properties in end products (e.g. printed matter or packaging), such as offset printability
Genetically modified	Modified using genetic technology
GRI	Global Reporting Initiative – international guidelines for sustainable development reporting
Hydrophobic size	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)
ISO 9001 or 9001:2000 standard	International standard for quality systems (ISO 9001:2000 replaces the ISO 9001 standard)
ISO 14001 standard	International standard for environmental systems
Latex binder	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
Life sciences	Areas based on the biosciences
MTT	MTT Agrifood Research Finland
Mycotoxin	A toxic substance produced by microscopic fungi, e.g. aflatoxin
Pathogen	An agent that causes disease
Plant sterol	A group of 'fatty' compounds found in small quantities in plant cells, the 'cholesterol of the plant world'
Polymer	Chemical product consisting of a number of smaller components, or monomers
Private labels	Shops' own brands
REACH regulation	Overhaul of chemical legislation currently under way in the EU
Reagent	Any well characterized compound used in the laboratory for chemical analysis and preparation of other substances
SRI index	Socially Responsible Investment index, based on social responsibility and sustainable development
Stanol ester	Plant stanol fatty acid ester, i.e. the compound formed in the reaction between stanol and fatty acid; the functional ingredient in Benecol products, an innovation patented by Raisio
Starch binder	Binders used in paper making to improve internal strength, surface strength and printability of paper and board
VOC	Volatile hydrocarbons (Volatile Organic Compounds)
VTT	Technical Research Centre of Finland
Working capital	The capital used to conduct business (accounts receivables + current assets – accounts payable – advance payments)



Raisio Group worldwide

THE AMERICAS



EUROPE



ASIA



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Raisio Group operates in 24 different countries. It has production units in 31 localities in 18 countries. The addresses and contact information of all our offices and production units are available on the Raisio Group's home page at www.raisiogroup.com