



# RAISIO

RECIPE FOR A GOOD LIFE.

Annual Report 2004

2004



## Information to investors

### V shares – basic information

|                            |                                   |
|----------------------------|-----------------------------------|
| Shares on 31 December 2004 | 130,584,788                       |
| Listed on                  | Helsinki Stock Exchange Main List |
| Trading code               | RAIVV                             |
| Lot size                   | 500                               |

### K shares – basic information

|                            |                                |
|----------------------------|--------------------------------|
| Shares on 31 December 2004 | 34,564,242                     |
| Listed on                  | Helsinki Stock Exchange I List |
| Trading code               | RAIKV                          |
| Lot size                   | 500                            |

### Annual General Meeting and dividend payment

The Annual General Meeting of Raisio Group plc will be held on Thursday 31 March 2005 at 2:00 p.m. at the Turku Fair and Congress Centre, at the address Messukentänkatu 9–13, 20200 Turku. Shareholders wishing to attend the AGM shall register at the latest on 21 March 2005 at 3:00 p.m. by telephone +358 2 443 2293, fax +358 2 443 2315, e-mail [eeva.hellsten@raisiogroup.com](mailto:eeva.hellsten@raisiogroup.com) or mail to Raisio Group plc, Shareholders Contact, P.O. Box 101, FI-21201 Raisio.

The Board of Directors proposes a dividend of EUR 0.21 (EUR 0.13) per share. The proposal consists of a dividend of EUR 0.03 (EUR 0.01) in line with the Group's dividend policy, and an extra dividend of EUR 0.18 (EUR 0.12).

|                  |               |
|------------------|---------------|
| Ex-dividend date | 1 April 2005  |
| Record date      | 5 April 2005  |
| Dividend payment | 12 April 2005 |

### Financial reports in 2005

|                       |                                |
|-----------------------|--------------------------------|
| Financial review 2004 | 10 February 2005               |
| Annual Report 2004    | Week 11                        |
| Interim Reports       | 3 May, 2 August and 1 November |

### Investor information

The aim of Raisio Group's Investor Relations is to provide all capital market participants with correct, sufficient and up-to-date information as a basis for the formation of Raisio's share price.

Raisio's Annual Reports in PDF format, online financial statements and Corporate Responsibility Report are available on the Group's website at [www.raisiogroup.com](http://www.raisiogroup.com). In addition to the reports, stock exchange and press releases mentioned above, the company's website offers a wide range of other investor information, as well as the contact information of investment analysts. Information about the biggest shareholders and insiders, as well as their holdings, is updated on a monthly basis on the website.

Raisio Group has defined a "silent period" which covers the two weeks preceding the publication of financial releases. During this time, Raisio Group does not meet with capital market representatives.

Annual reports and corporate responsibility reports can be ordered from Group Communications by e-mail [communications@raisiogroup.com](mailto:communications@raisiogroup.com) or phone +358 2 443 2292.

With any questions related to Investor Relations, please contact:

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# RAISIO

## RECIPE FOR A GOOD LIFE.

- Tasty and healthy foods for consumers, the catering business and food industry
- Functional ingredients and food diagnostics for food industry companies
- Effective feeds for farm animals
- High-quality malts for breweries

### 65 years of Finnish food expertise

Raisio Group has been an important part of the Finnish dining table for 65 years, since wheat farmers in south western Finland founded Oy Vehnä Ab to mill and market their wheat. Raisio's first mill came on stream on a Sunday in the autumn of 1942, giving rise to one of the company's best-known brands: Sunnuntai, Finnish for Sunday. Production expanded to animal feed, malt, vegetable oil and margarine in the 1940s and 1950s, and the manufacturing of processed potato products began in Vihanti in the 1960s.

The Group's chemical business got underway in the 1970s, leading to Raisio's strong internationalisation in the 1990s. The company's Chemical Division developed into an important international supplier of paper chemicals.

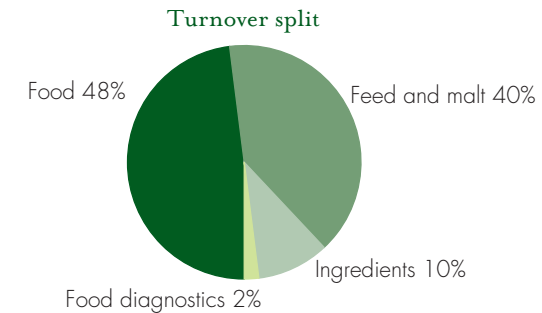
Raisio was listed on the Helsinki Stock Exchange in 1989. In 1995 the Finnish markets saw the first product containing stanol ester, Raisio's cholesterol-lowering Benecol margarine. Benecol is Raisio's most significant innovation and a pioneer in functional products.

In the spring of 2004 the Group made a significant strategic decision to divest its chemicals business and focus on the production of plant-based nutrition and on ensuring food safety.



## Group structure

The Group consists of two synergistic business areas, as well as research and development to ensure renewal.



*Vision, strategy, targets and values p. 4-7  
Business areas and Research and development p. 14-27*

## Key figures

|   | 2004  | 2003  |
|---|-------|-------|
| Turnover, EUR million                                 | 626.9 | 860.5 |
| Operating result, EUR million                         | 202.8 | -14.3 |
| Operating result excluding one-off items, EUR million | 10.4  | 1.2   |
| Gearing, %  | -42.9 | 127.9 |
| Equity ratio, %                                       | 76.8  | 32.2  |
| Equity per share, EUR                                 | 2.28  | 1.17  |
| Earnings per share (EPS), EUR                         | 1.19  | -0.16 |
| EPS excluding one-off items, EUR                      | 0.05  | -0.09 |
| Market value, EUR million                             | 312.0 | 205.5 |
| Personnel   | 1,412 | 2,735 |

*Financial statements p. 48-79*

## Raisio Nutrition

- food, feed and malt for the Finnish markets and the Baltic region
- core skills, overall management of the processing chain of plant-based raw materials: grain, oil plants and potato
- turnover EUR 399.6 million and operating result excluding one-off items EUR 5.6 million in 2004
- employs some 1,050 people



Raisio Nutrition, p. 16–21

## Raisio Life Sciences

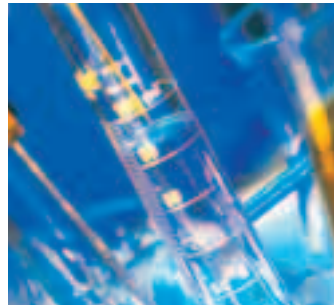
- functional ingredients and diagnostics for food companies worldwide
- the main product is the Benecol ingredient, stanol ester, which, as research shows, lowers cholesterol levels, by an average of 15%
- turnover EUR 53.3 million and operating result excluding one-off items EUR 3.3 million in 2004
- employs some 140 people



Raisio Life Sciences p. 22–25

## Research and development

- increasing input in research and development ensures Raisio's renewal
- the goal is to increase the added value of products and introduce new product and technology innovations
- research centres in Raisio, Turku and Helsinki (Finland), Lyon (France) and Rome (Italy)
- R&D expenses in on-going businesses EUR 7.9 million, or 1.8% of their turnover in 2004
- employs some 100 people



Research and development p. 26–27

## Share price development

- price of free share rose by 53.2% from the beginning of the year

Price development of free share in 2004

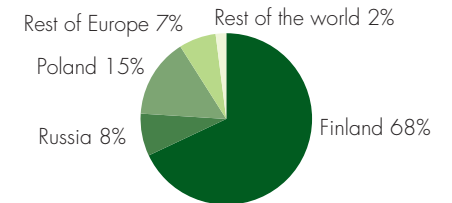


Shares and shareholders, p. 30–37

## Raisio Group worldwide

- Raisio's products are sold in some 30 countries. The Group has production units in 11 localities in 6 countries
- Raisio employs approximately 1,400 people, 68% of whom work in Finland

### Personnel by geographical area



Corporate responsibility, p. 12–13

## Strong brands

Raisio has several strong brands:

- international: Benecol
- Finland: Elovena, Keiju and Sunnuntai
- Russia: Nordic, Voimix and Dolina Skandi
- Poland: Masmix and Pyszny Duet



Brands and patents, p. 28–29

## Vision

Raisio aims to be the leading specialist in plant-based products and in ensuring food safety.

### Financial objectives

- Raisio Nutrition's organic growth around 2% in Finland and 5% in Russia and Poland
- Raisio Life Sciences' organic growth some 15–20%
- Return on capital invested in businesses 12%

Vision, strategy, targets and values, p. 4–7

# Vision, strategy, targets and values



In the spring of 2004, Raisio Group made a significant strategic decision to divest its paper chemicals business. This provides Raisio with a solid foundation for developing as a specialist in food-related well-being and as a financially sound, credible listed company. Raisio will now focus on developing plant-based nutrition that promote well-being and on ensuring food safety.



## Vision

Raisio aims to be the leading specialist in plant-based products and in ensuring food safety.

## Strategic priorities and key measures

### CUSTOMER AND CONSUMER-ORIENTED APPROACH

- monitor and anticipate consumer trends
- boost sales and marketing
- focus on key brands and trim the food product range
- enhance the corporate image as a leading food company
- develop customer-specific expertise on the basis of partnerships

### Examples from 2004

New plant-based, healthy and easy-to-use product launches included Elovena Hetki Linseed Apricot instant porridge ingredients and the Benecol Olive spread. The number of food brands was cut back, focus was set on key brands and on the Raisio brand. The Feed and malt business continued to develop its skills and customised solutions.

## RESEARCH AND DEVELOPMENT

- input in product upgrading as well as in new product and technology innovations
- utilise the new research centres in Helsinki and Turku, which enable networking in food and diagnostics research
- speed up the market launch of new products by improving research and development processes

### Examples from 2004

New recruits and research centres strengthened the research and development resources. October saw the market launch of processed potato products for the catering business, which were made using new production technology. The feed business introduced thermally processed feed mixes. The new processing method brings a considerable improvement to raw material digestion in the alimentary tract of animals. The development of oat and soy-based products was stepped up, and in early 2005 Raisio informed about investments in the production of oat and soy-based fresh products.

## CONTINUED ENHANCEMENT OF OPERATIONS

- make use of business synergies and eliminate overlapping operations
- trim loss-making operations
- further enhance the employment of capital
- develop purchases and logistics

### Examples from 2004

Raisio launched several programmes aimed at enhancing operations and cut back service operations to correspond to the needs of the new business structure. Research and development activities, as well as administration, were centralised. Loss-making operations were trimmed, for example, by discontinuing the grain starch business and centralising margarine production in Finland, Poland and Russia. The level of working capital was kept low.

The Business Area strategies are described on pages 18, 20 and 22.

## Group structure

The Group consists of two synergistic business areas, Raisio Nutrition and Raisio Life Sciences, as well as Research and development to ensure renewal. The business areas are supported by service functions.

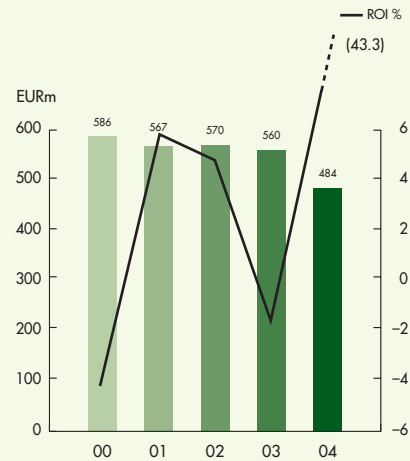


## Good starting point

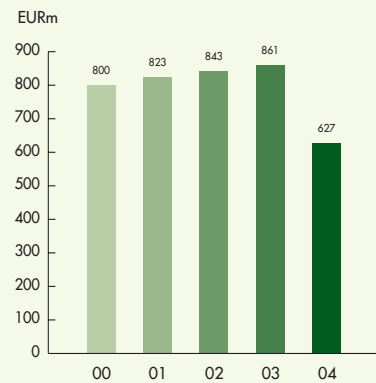
|  |  |
|--|--|
| Expertise in grain, oil plant and potato raw materials   | ▶ over 60 years of experience in processing grain, oil plants and potato   |
| Contract farming and traceability of raw materials       | ▶ approximately 2,000 contract farmers and over 100,000 annual raw material analyses ensure effective production and the high quality of our end-products  |
| Good market position                                     | ▶ for example, Raisio's flakes have a 74-per-cent market share in Finland, Benecol margarine a 70-per-cent market share in Poland and Raisio's fish feeds a 70-per-cent market share in north-western Russia   |
| Growing consumer interest in food healthiness and safety | ▶ the need for information regarding food safety is increased, for example, by various animal diseases and food scandals; the need for more health-related information stems e.g. from an increase in adult diabetes, weight problems and different types of diets |
| An increasingly synergistic business structure           | ▶ common denominator for business operations: plant-based nutrition that provides well-being, joint Research and development and administration, as well as centralised purchasing activities  |
| Strong balance sheet                                     | ▶ equity ratio on 31 December 2004 was 76.8% and gearing -42.9%  |



### Invested capital on the average and return on investment



### Turnover



### Financial targets

The Group's financial targets have been determined for a time span of three years. Raisio Nutrition aims at an organic growth of approximately 2% in Finland and some 5% in Russia and Poland. The organic growth target for Raisio Life Sciences is 15–20%. The objective is to raise the return on capital invested in businesses to 12%.

### Key geographical areas

- Food and Feed and malt: Finland, Sweden, Poland, Russia and the Baltic countries
- Ingredient and Food Diagnostics: Europe
- in the future Raisio Nutrition will also be looking for growth in the new EU member states, while the ingredient business has its eyes set on South America and Southeast Asia, in addition to Europe



### Strategic steps

| 2004–    |   |
|----------|---|
| January  | ▶ restructuring begins  |
| February | ▶ margarine production starts in Russia   |
| March    | ▶ conditional agreement on the divestment of Raisio Chemicals signed  |
| April    | ▶ key recruits in Research and development  |
| May      | ▶ networking continues; Ateriamestarit, a joint venture in the catering sector, begins operations   |
| June     | ▶ completion of the Raisio Chemicals divestment, new strategy and vision approved, research centre for food diagnostics inaugurated in Turku                                      |
| July     | ▶ Risella rice brand sold   |
| August   | ▶ programmes to enhance group administration launched, grain starch business discontinued   |
| October  | ▶ research centre for food and ingredients inaugurated in Helsinki, Raisio purchases the entire share capital of Camelina Ltd, payment of an extra dividend of 12 cents per share |
| November | ▶ the markets for ingredients continue to expand: Benecol products are introduced, among other places, in Chile, extension of the stanol ester plant begins in Raisio             |
| December | ▶ Swedish margarine plant facilities sold   |
| January  | ▶ investment decision concerning the production of plant-based fresh products   |



## Common value basis

Raisio's basic targets are profitability, customer satisfaction and well-being. The achievement of these targets is supported by values: expertise, responsibility and open co-operation.

Our basic targets and values guide our operations with all co-operation partners, including customers, shareholders, personnel, authorities and the surrounding society.

### BASIC TARGETS

#### Profitability

Profitability is a basic business requirement and serves as a basis for developing our operations. We aim at profitable growth in line with our vision and strategy.

#### Customer satisfaction

Satisfied customers are the basis of our operations, which is why we aim to meet both their current and future needs. We want to be a reliable and attractive partner

#### Well-being

Our goal is to create well-being through our high-quality products and services, as well as through a financially profitable business to our customers, partners, shareholders and other interest groups.

### VALUES

#### Expertise

We develop products and solutions that improve the well-being of our customers. This calls for the continued development of our expertise and an open attitude towards new ideas, working methods and feedback.

#### Responsibility

We take responsibility for our products and operations. We want to keep our promises in both small and big matters.

#### Open co-operation

We work transparently and co-operate both within and outside the company.



## 2004: A year of significant changes



**The versatility of the Raisio Group's business operations combined with a weakish balance sheet structure had given rise to serious discussions about Raisio's strategic alternatives by the start of 2004. Significant strategic and structural decisions were made during the year.**

In the past few years, Raisio has invested heavily in its paper chemical business, among other things, by acquiring latex operations and establishing itself on the Chinese markets. It had, however, become obvious that Raisio did not have sufficient resources to further develop its 30-year-old worldwide paper chemistry business. Raisio chose to build its strategy on more clearly focused business operations and to develop the Group as a life science-oriented food and feed company. This meant giving up Raisio Chemicals. The best restructuring alternative, both for Raisio Chemicals and Raisio Group and its shareholders, proved to be selling Raisio Chemicals as an entire business unit to an industrial buyer. The acquisition agreement signed with Ciba Specialty Chemicals made Raisio Group net debt-free and clearly increased its market value.

### **Business structure to serve the new strategy**

The updated strategy put the focus of Raisio's business operations on the development and production of plant-based nutrition, as well as the promotion of consumer well-being. Raisio also harnessed the Group's structure to better serve its new strategy.

The largest business area, Raisio Nutrition, produces food, feed and malt. In addition to Finland, its domestic markets cover Russia, Poland and the Baltic countries. Raisio Nutrition's operations have been enhanced, for example, by closing down the long-unprofitable grain starch business and withdrawing from margarine production in Sweden. Strict control of working capital and a rigorous cost-cutting regime have also contributed to improved efficiency. Raisio

Nutrition's operational result improved by more than EUR 10 million over the year, while operating profit, excluding one-off items, amounted to EUR 5.6 million.

Approximately one-tenth of the Group's turnover and a significant share of its result is generated by Raisio Life Sciences, which produces functional food ingredients and food diagnostics. Raisio Life Sciences' business is global in scope, but Europe still plays the main role. The business area's annual growth of more than 50%, largely thanks to the ingredients business, was very pleasing. Past investments are gradually beginning to pay off as European consumers have started to show interest in the opportunities offered by functional foods. Operational results also saw a significant improvement, and operating profit, excluding one-off-items, totalled EUR 3.3 million (EUR -5.4 million).

A new operational entity, Research and development, reporting directly to the CEO, was launched in autumn 2004. Integrating our existing skills and knowledge and investing in new top class individuals and research areas enables Raisio to renew its product range and strengthen the role as a pioneer in plant-based nutrition.

The divestment of the chemicals business also required the administration and service functions to be streamlined. Key service units – finance, human resources, legal affairs and communications – were made into Group-level operations and streamlined to better correspond to the Group's needs. Despite the ongoing cost-cutting programmes, the increasing R&D input and slightly higher administrative costs, in relative terms, will burden Raisio's operating result by some EUR 3 million in the future.

## Future in well-being

In accordance with our mission, we develop advanced solutions for nutrition that creates well-being. Raisio has all the tools to promote consumer well-being. Plant-based raw materials – grain, oil plants and potato – provide a good basis for developing and producing healthy, easy and tasty foods and food ingredients true to the spirit of our time. These raw materials enable Raisio to develop value-added products that promote heart health, weight management and the well-being of the intestines.

Raisio's goal is to raise the share of value-added products from approximately one fourth, as is currently the case, to half of the product portfolio. New products are being developed both for the breakfast table and snacks, as well as to facilitate cooking. The move towards increasing the share of fresh products calls for investments in product development, as well as in production technology and packaging.

Safe and high-quality feeds that ensure the quality of farm animal production also promote the well-being of consumers. Advanced product development, efficiency and continuous quality control play a key role in the further development of the feed business.

Confidence in the safety of food has been shaken in many countries. Raisio's profound expertise in the entire food chain, from raw material procurement through the production process to store shelves, supports our efforts to develop food diagnostics. Our focus in 2004 was on strengthening the foundation of our diagnostics business, and we created prerequisites for the development of rapid testing methods. Facing good growth prospects, this business will contribute to ensuring the quality of production of Raisio's industrial customers and consequently the safety of food enjoyed by consumers.

## Added value to shareholders

The new strategy also led to Raisio's financial objectives being updated. The goal for profitability remains at a 12-percent return on capital invested in business operations. The "excess" capital will be used for business development, carefully selected acquisitions in line with the Group's strategy and for increasing shareholder return. I consider debt-freeness to be a "positive problem" at this point!

In addition to the extra dividend of 12 cents paid in October, Raisio's Board of Directors proposes an extra dividend of 18 cents at the Annual General Meeting in spring 2005. This means that EUR 50 million of the sales profit from Raisio Chemicals will be distributed to shareholders.

In accordance with our dividend policy, a EUR 0.03 per-share dividend based on the result of ongoing business will also be proposed at the Annual General Meeting. Authorisation for the repurchase of our shares will also be sought.

## Responsible progress

Raisio's basic objectives – profitability, customer satisfaction and well-being – are supported by our values: expertise, responsibility and open co-operation. Raisio employs numerous top professionals and it will keep investing in the development of their competence. I was pleased to note that the work atmosphere survey conducted last autumn indicated that expertise, as well as the opportunities to develop it, were widely considered to be at a high level.

Responsible operations are also characteristic of Raisio and its employees. Our mission, which aims to offer well-being to our customers and generate profit to our shareholders, obliges us to engage in responsible operations, paying attention to financial, environmental and social aspects.

Raisio's third value, open co-operation, emphasises the importance of working together both within the company and with our interest groups. Increased synergies of our businesses offer excellent opportunities for this. I believe that the Finnish food industry should further develop internal co-operation and create more extensive networks to succeed in the increasingly stiffer competition.

Our work to renew Raisio has started. I am convinced that we can produce well-being to our customers, shareholders, personnel and other interest groups in the future, and would like to take this opportunity to thank all of Raisio's employees for the good work done amid all of the changes in 2004.

Rabbe Klemets



# Balance sheet and P&L analysis



Raisio's financial position was significantly improved after restructuring. Also the result development of the ongoing businesses improved. Ongoing business operations refer to the Raisio Nutrition and Raisio Life Sciences business areas.

## Net debt-free Raisio

The divestment of Raisio Chemicals clearly strengthened Raisio's balance sheet. Raisio's equity ratio was 76.8% at the end of 2004, compared to 32.2% at the corresponding time the year before. Gearing ratio was -42.9% (127.9 per cent), which is to say, Raisio's interest-bearing net investments amounted to 42.9% of shareholders' equity and minority interest.

Raisio's cash reserves, EUR 214 million, are placed in euro-denominated interest-bearing investments, with a maturity of less than one year, of Finnish companies and banks operating in Finland. The Board of Directors has approved the Group's investment policy stating that long-term interest-bearing investments and investment in interest funds are also acceptable up to a certain limit.

In conjunction with the divestment of Raisio Chemicals, the related debt was transferred to the buyer. After the deal was concluded, the Group's syndicated loan was repaid in June and the credit limit agreement was terminated. Raisio's interest-bearing liabilities were at EUR 46 million on 31 December 2004 (EUR 312 million). EUR 24 million of loans are long-term, that is, have a maturity of more than 12 months.

## Financially stronger Raisio

### Divestment of Raisio Chemicals on 2 June 2004

Enterprise value EUR 475 million

Sales profit EUR 223 million

|                                    | 31.12.2004 | 31.12.2003 |
|------------------------------------|------------|------------|
| Equity ratio, %                    | 76.8       | 32.2       |
| Gearing, %                         | -42.9      | 127.9      |
| Interest-bearing liabilities, EURm | 46.0       | 312.5      |
| Equity per share, EUR              | 2.28       | 1.17       |

## Reduction in financial risks

The change in the Group's financial position had a dramatic impact on the financial risk position, as well as the key figures. A simultaneous one-per cent interest rate rise in all of the currencies and maturities employed by Raisio would improve its financial income by some EUR 1.7 million in the year following the interest rate rise.

The decrease of international business operations facilitated currency risk management. The number of managed currency pairs dropped by 40%, and the risk position prior to hedging by 30%. Raisio hedges financial items, commercial balance-sheet items and, to a certain extent, commercial off-balance-sheet items within the limits determined by the Board of Directors. Raisio's major currency positions are in dollars, rubles and the Swedish kronas.

## Focus of operations in Europe

The turnover from ongoing business operations remained at the previous year's level, amounting to EUR 443.2 million (EUR 438.2 million). The turnover from Life Sciences increased by some 57% to EUR 53.3 million, while that from Raisio Nutrition fell by approximately 4% to EUR 399.6 million.

Slightly over one-third of the turnover from Raisio's ongoing business operations is generated outside of Finland. Poland accounts for 8%, Russia for 7%, other European countries for 20% and other countries for 1% of turnover. Raisio Nutrition expects the Polish and Russian markets to be its main growth areas in the future, while Raisio Life Sciences is looking to Europe, South America and South-East Asia.

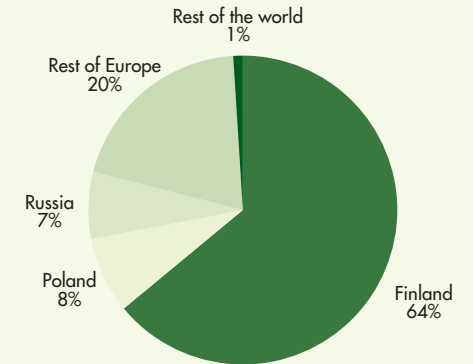
Turnover growth in 2005 will still rely heavily on the Life Sciences business operations. The discontinuation of grain starch production, as well as the drop in raw material prices, which will also affect sales prices, will reduce Raisio Nutrition's turnover in Finland. Meanwhile, the Polish and Russian markets are expected to show growth. As a result of product development, some new food products are expected to be introduced in Finland in 2005. However, a broader renewal of the product range will take place in 2006.

## Aiming at continued result improvement

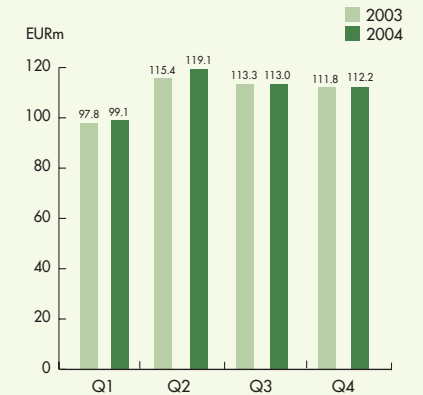
The result of ongoing business operations saw positive development in 2004. Raisio's operating result, excluding Raisio Chemicals' operating result and one-off items, was back in the black, totalling EUR 6.8 million (EUR -9.3 million). The result of ongoing business operations saw year-on-year improvement in each quarter. The goal for 2005 is to keep up this trend.

Operating result, excluding one-off items, accounted for 1.5 % of turnover. Products with higher added value, growth from new market areas and a rigorous cost-cutting regime are expected to raise the level of operating profit. Additional input in research and product development will burden the Group's operating result by approximately EUR 3 million. The long-term goal for the return on capital invested in businesses is 12%, which leads to approximately 6% ebit margin.

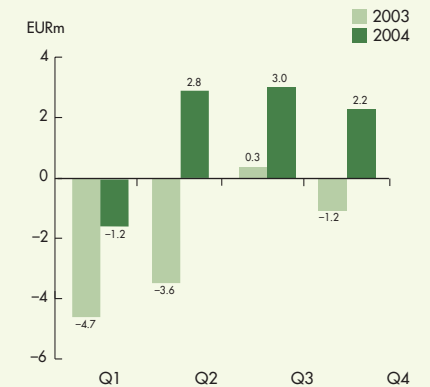
Geographical split of the turnover of ongoing business operations



Turnover of ongoing business operations



Operating result of ongoing business operations (excluding one-off items)



# Corporate responsibility



Responsibility is one of Raisio Group's values. Environmental impact and society as a whole are important considerations for Raisio Group in everything it does. Following the introduction of the new strategy and the divestment of Raisio Chemicals, Raisio is now developing its corporate responsibility reporting from a food industry pioneer's perspective.

A separate Corporate Responsibility Report extensively reviews the environmental impact of Raisio's business operations and the company's significance for various stakeholder groups. See [www.raisiogroup.com/About Raisio/Corporate Responsibility](http://www.raisiogroup.com/About-Raisio/Corporate-Responsibility)

## Economic responsibility

Raisio Group's business operations generate financial well-being for several stakeholder groups. Stakeholders obtaining substantial economic benefits include, among others, product and service suppliers, personnel and shareholders.

The continuous improvement, efficiency and renewal of Raisio Group's operations enable profitable growth. It is indeed Raisio's financial success that provides the foundation for responsible activities.

## Environmental responsibility

In environmental reporting, Raisio found it natural to adopt the environmental responsibility reporting model for the food industry published in 2004.

For Raisio Group, environmental responsibility means effective and economical use of natural resources, protection of air, water and soil, as well as responsibility for environmental impacts throughout the product life cycle.

Raisio Group has defined environmental, health and safety policy and targets at the Group level. The divisions set their own EHS targets as part of their management systems and monitor their implementation. As part of Raisio's management system, nearly all business operations have certified ISO 9001 quality management systems and ISO 14001 environmental systems. The margarine factories in Raisio and Poland have adopted the international BRC Food standard in their development of product safety. It is also planned to introduce international food safety standards on a broader scale in other production facilities.

Raisio uses renewable raw materials, and the load it causes on the environment is very small in relation to its large production volumes. As a rule, cultivated raw material is used up in its entirety and the resulting waste flows are notably small. The processes and environmental technology are selected according to the BAT (Best Available Technology) approach.

The most significant environmental impacts resulting from the procurement of the Group's main raw materials – grain and oil plants – are related to the use of farming inputs in primary production, as well as to transports. Increasingly more emphasis is put on the evaluation of external raw material and service providers and on the traceability of raw materials and products. Environmental aspects are also taken into consideration in the Quality Grain system as part of procurement and quality control.

The most important eco-efficiency indicators are energy consumption and generation of waste.

## 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



## Social responsibility

Raisio Group's social responsibility is based on ethical principles approved by the Board of Directors. Raisio focuses on well-being and professional development of the personnel, safe work environment and good practices in co-operation networks and social relations.

### COMPETENCE AND EXPERTISE

2004 was a year of big changes for the personnel. Following the divestment of Raisio Chemicals, 1,176 people were transferred to Ciba Specialty Chemicals at the beginning of June. This led to a considerable change in geographical split of Raisio's personnel.

## Ethical principles

Raisio Group obeys the principles of sustainability including social, environmental and economic aspects. Our basic targets are profitability, customer satisfaction and well-being, while valuing expertise, responsibility and open co-operation.

Acting according to our values enables us to commit ourselves to good corporate citizenship all over the world. Raisio is committed to full compliance with all applicable national and international laws, regulations and generally accepted practices.

In addition to these ethical principles, basic targets and values, the Board of Raisio Group has approved environmental, health and safety policies. These important guidelines governing our operations and actions are communicated effectively to all employees. All at Raisio Group are required to adapt and take these principles into practice.

When choosing suppliers Raisio Group strives to select partners and contractors that apply similarly high ethical principles. Furthermore, the traceability of raw materials is important to us.

### HUMAN RIGHTS, EQUAL OPPORTUNITIES AND NON-DISCRIMINATION

Raisio Group respects the UN Declaration of Human Rights and the basic labour rights as described by the International Labour Organisation (ILO). The basic labour rights include freedom of association, the right to organise and the right not to be organised, collective bargaining, abolition of forced labour or child labour as well as equality of opportunity and treatment.

All personnel are entitled to safe working environment. Psychologically or physically coercive, threatening or abusive behaviour is not accepted.

Diversification of the personnel is considered one of Raisio Group strengths. We select employees according to their personal qualifications and skills. Lifelong learning and continuous professional development are enabled through internal and external education. Discrimination based on e.g. race, gender, sexual orientation, religion or political affiliation is forbidden. We strive to enlarge the current equality plan and well-being plan to cover all Raisio employees around the world.

On 31 December 2004 Raisio Group had 1,412 (2,735) employees, 32% (45%) of whom worked abroad. Raisio has employees in 13 countries.

A professional, skilled, motivated and committed personnel is essential for Raisio Group to carry out its vision and strategy. In 2004, recruitment broadened Raisio's expertise especially in R&D and new technologies.

In human resources focus is, among other things, in developing leadership and management skills, other expertise, well-being at work and co-operation.

### FAIR BUSINESS PRACTICES

Raisio's management and employees are expected to act in the company's best interest. Conflicts of company's and personal interest need to be avoided at all times.

Raisio Group management or employees may not pay, give or accept gifts that exceed normal standards of hospitality to or from their business partners or any other stakeholders.

Raisio appreciates the creation and protection of intellectual capital. Innovations are important to Raisio Group, which encourages and rewards the employees systematically for their innovations and creativity. We safeguard Raisio's intellectual capital and we respect the intellectual property held by other companies.

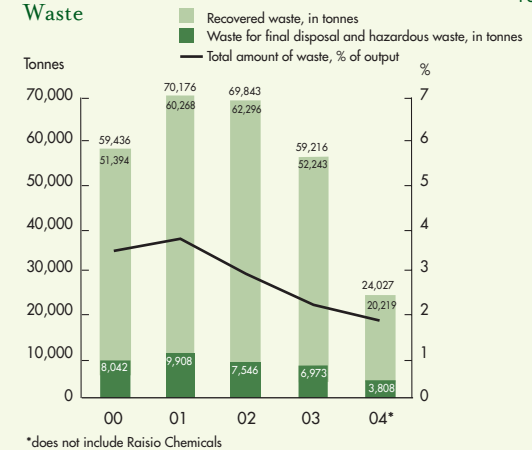
All Raisio Group transactions are shown clearly and correctly in company's financial information. This information is reported simultaneously, honestly and transparently to all stakeholders obeying the rules and recommendations for a Finnish publicly listed company. Internationally the local companies obey their relevant reporting rules and recommendations as well.

### COMMUNITY INVOLVEMENT

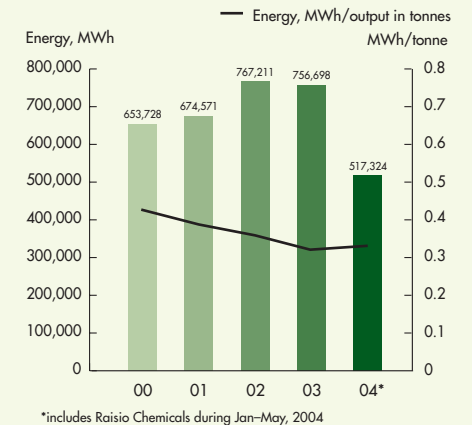
Raisio Group co-operates locally and on group level with many stakeholders in the fields of science and research, education, sports and culture as well as health-care. Raisio Group Research Foundation supports scientific research through annual awards.

Continuous dialogue with authorities, trade unions and organisations non-governmental enables direct and well functioning connections within our communities. While Raisio Group is the biggest Finnish industrial user of grain, we work hard to promote the vital and developing Finnish countryside. Listening to the different stakeholders and responding to their needs is essential to all Raisio employees. Raisio Group encourages its units and personnel to participate in local community work to promote the common good.

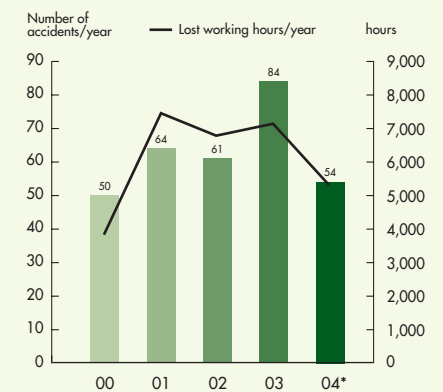
## Waste



## Consumption of energy



## Accidents









## Business Areas

Raisio Group consists of two synergetic business areas, Raisio Nutrition and Raisio Life Sciences, as well as Research and development to ensure renewal.



# Raisio Nutrition



Raisio Nutrition produces healthy and tasty foods for consumers, the catering business and food industry, as well as effective feed for farm animals and high-quality malt for breweries. Raisio Nutrition's home market covers the Baltic region, with Finland being the main market area. The enhancement measures carried out in 2004 clearly improved profitability.

## Vision and financial targets

The food business is a consumer-oriented, profitably growing producer of food enjoyment and a sought-after partner in selected product and market areas.

The feed business will develop into the most effective and highly-valued expert in the Finnish feed sector and a significant player in the Russian feed markets. Raisio Malt is a pioneer in safety and traceability in Europe.

The business area's financial targets have been determined for a time span of three years. The annual growth target for turnover is 1–2% in Finland and 5% in Russia and Poland. The goal for profitability is a 12-percent return on investment, which translates into an operating profit level of some 5%.

## Key geographical areas

The food business focuses on Finland, Poland, Sweden, Russia and the Baltic countries, while the feed and malt businesses target the markets in Finland, Russia and the Baltic countries. In the future, Raisio Nutrition will also seek growth in the new EU member states.

## Financial performance in 2004

Raisio Nutrition's turnover dropped by some 4% to EUR 399.6 million. This was mainly caused by the discontinuation of the grain starch business and a drop in the raw material prices of certain product groups, which affected sales prices in Finland. The turnover from Polish and Russian operations increased.

The operating result, excluding one-off items, was clearly better than the previous year, totalling EUR 5.6 million. Profitability was boosted by the many enhancement measures carried out over the year.

## Key figures

|                          | 2004  | 2003  |
|--------------------------|-------|-------|
| Turnover, EURm           | 399.6 | 417.9 |
| Operating result*, EURm  | 5.6   | -4.8  |
| Capital invested, EURm   | 161.8 | 195.9 |
| Return on investment*, % | 2.3   | -1.9  |
| Personnel                | 1,050 | 1,312 |
| *excluding one-off items |       |       |

## Outlook

The expanded European Union is both a threat to and an opportunity for Raisio Nutrition. The opening up of neighbouring regions may lead to an increase in food and feed imports but also offers better business opportunities in new markets.

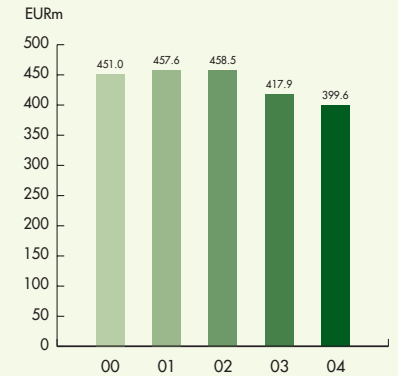
Changes targeting the common EU agricultural policies increase plant cultivators' and farm animal producers' uncertainty about their future income structure. This is reflected, for example, in investment decisions and the generational change on farms. The consumers' trust in Finnish food and the Finnish food chain, however, create a solid basis for the success of the food, feed and malt industry in Finland.

Raisio's food business invests in the development of its main food brands, the development and market launch of new healthy and easy-to-use plant-based products. The feed business emphasises the high quality of supplement feeds in the home markets and seeks growth in neighbouring regions. Raisio Malt focuses on the high quality of malts and in long-term partnerships to compete against the strongly growing local production seen in the markets of neighbouring regions.

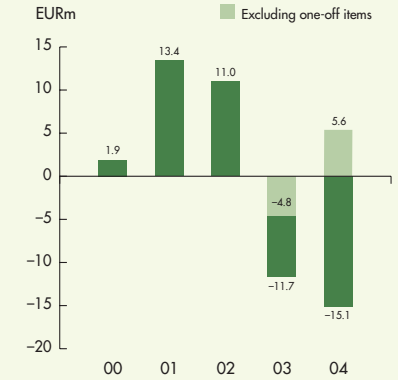
## RAISIO NUTRITION

| RAISIO NUTRITION   |  |  |   |  |                                   |
|--|--|--|---|--|-----------------------------------|
| Food<br>Turnover EUR 218.4 million, 53% of Raisio Nutrition's turnover<br>(retail 68%, catering 11% ja bakeries/industry 21%)    |  |  |   | Feed and malt<br>Turnover EUR 189.9 million,<br>47% of Raisio Nutrition's turnover         |                                   |
|  | Milling<br>Turnover EUR 72.2 million   | Margarine<br>Turnover EUR 120.6 million  | Food potato<br>Turnover EUR 21.0 million  | Feed<br>Turnover EUR 165.2 million   | Malt<br>Turnover EUR 24.7 million |
| <b>Products</b>  | flakes, flour and pasta  | margarines, cream cheeses, edible oil  | frozen and dried potato products, ready food components and special potato products                               | feeds for cattle, pigs, poultry, fur animals and fish                                      | brewery malt                      |
| <b>Best-known brand names</b>  | Finland: Elovena, Sunnuntai, Anni Helena, Torino and Nalle<br>Russia: Nordic   | Finland: Benecol, Keiju, Kultasula and Sunnuntai<br>Sweden: Carlshamn Mejeri<br>Poland: Masmix, Finea and Pyszny Duet<br>Russia: Voimix and Dolina Skandi                    | in retail sector Kokin Parhaat<br>in catering sector Mestari  | in farm feeds Herkku, Maituri and Melli<br>in fish feeds Royal and Nutra                   | Raisio Malt                       |
| <b>Market share</b><br><br>*Market shares have been calculated on the basis of the value of food and the volume of feed and malt | Retail products in Finland<br>*flakes 74%<br>*flour 44%<br>*pasta 20%<br>Retail products in Russia<br>*flakes 6%<br><br>Catering sector in Finland 40%<br><br>Bakeries/industry in Finland 60% | Retail products<br>*Finland 37%<br>*Sweden 15%<br>*Poland 7.5%<br>*Russia, in some areas 6–10%<br><br>Catering sector in Finland 50%<br><br>Bakeries/industry in Finland 50% | Retail products<br>* in Finland 18%<br><br>Catering sector in Finland 35%<br><br>Bakeries/industry in Finland 40% | Finland<br>*farm feeds 37%<br>*fish feeds over 50%   | 46% in Finland                    |
| <b>Production plants</b>   | Finland: Raisio (flour, pasta) and Nokia (flour, flakes)   | Finland, Poland and Russia   | Finland; Vihanti  | feed plants in Raisio, Anjalankoski, Oulu and Uusikaarlepyy<br>oil milling plant in Raisio | Raisio                            |
| <b>Research and development</b>  | Raisio and Helsinki  |  |   | Raisio   |                                   |

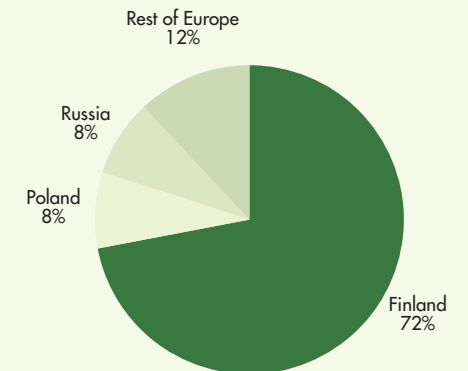
## Turnover



## Operating result



## Geographical split of turnover





## Year 2004

- Margarine production was centralised in the Finnish, Polish and Russian production facilities.
- A margarine plant in Istra, near Moscow, began operations in the early part of the year.
- The catering organisations of Raisio and Lännen Tehtaat joined forces to form Ateriamestarit Oy, a 50/50 owned sales company.
- Adding to its 20% interest in Camelina Ltd., Raisio acquired the company's remaining share capital to further develop the productisation and marketing of omega-3 fatty acids extracted from the Camelina plant.
- The Risella brand was sold to the Spanish company Ebro Puleva.
- The Finnish Food and Drink Industries' Federation gave Raisio the "Product of the Year 2004" award for its linseed and multigrain cereal and bran mixture (Sydänystävä Pellavainen Monivilja), while the Beneviva Omega-3 light margarine came in as one of the finalists.
- Vanilla-flavoured Keiju came first, and the light tomato-olive-flavoured Keiju second, in the cream cheese category in the Finnish quality competition for cheese.

# Foods

The food business uses its expertise to profitably process and market tasty, healthy, safe and easy-to-use plant-based products that meet customer needs.

## Strategic priorities and key measures

### PROFITABLE GROWTH

Raisio aims to strengthen its market position in Finland, Russia and the Baltic countries, as well as in Poland and its neighbouring regions. It is also looking for growth in new highly processed plant-based products, which are developed and launched using new production and packaging technologies. To streamline operations, Raisio will focus on its key brands and on developing Raisio into one of Finland's leading food brands. It will continue to network with other food businesses (e.g. Cerealia Foods) and focus on the catering business in Finland (Ateriamestarit Oy).

### CONSUMER-ORIENTED AND PIONEERING APPROACH

Raisio will emphasise the systematic prediction of eating and purchasing habits and will take advantage of consumer trends. It will speed up the market launch of new products and develop the life-cycle thinking of its product range.

### PROVIDER OF SUPERIOR FOOD ENJOYMENT

High-quality and traceable raw materials are mainly obtained through contract farming. The company will focus on product development and capitalise on Raisio's expertise in oil plants, grain and potato, as well as on its effective production processes to commercialise tasty and healthy products.

## Strong basis

- well-known brands and a strong market position in its main products, especially in Finland
- long-range contract farming and farmer partnerships
- healthy products of high quality
- stronger product development resources and profound expertise in grain, potato and vegetable oils
- local production in Poland and Russia
- networking in production and good contacts with interest groups
- versatile customer base

## Operating environment

### FINNISH RETAIL MARKETS FOR RAISIO'S PRODUCTS

The value of flake markets, amounting to EUR 21 million, has grown by some 3%. Raisio's market share has increased slightly and is now approximately 74%. The value of flour markets has decreased by 2% to EUR 26 million. At 44%, the Group's market share has remained at the previous year's level. The value of pasta markets has decreased by 3% to EUR 24 million, and Raisio's market share, 20%, has seen a slight decrease.

The value of margarine markets has dropped slightly and now amounts to EUR 89 million. Raisio's market share, 37%, has remained at the previous year's level. The value of the frozen potato product markets has increased by 3% to EUR 31 million. The Group's market share has seen a slight decrease and now stands at 18%.

The prices of daily consumables decreased by some 10% in 2004. All store chains introduced several new private label products, which increased their market share in many of the product groups represented by Raisio. Private labels have their highest market share, over 40%, in frozen potato products.

The price difference between private label products and the industry's own brands became more pronounced. Raisio Nutrition produces many private label products: they account for approximately 10% of Raisio's production volume in Finland. This figure differs widely depending on the product group.

In addition to Raisio's traditional competitors, new Central European producers have increased their product offering in Finland. Raisio has maintained its position in relation to its traditional competitors.

### FINNISH CATERING SECTOR AND FOOD INDUSTRY MARKETS FOR RAISIO'S PRODUCTS

The catering sector, food industry and bakery markets account for some EUR 200 million in the product groups represented by Raisio. The markets have remained at the previous year's level.

Raisio's market share in the catering market is on average over 40% and some 50% in the food industry and bakery markets. Its market position has remained approximately the same.

### Market outlook in Finland

The Finnish retail sector faces stiffer competition due to the continuously increasing share of private labels, the market entry of foreign grocery store chains and increased international purchasing co-operation of store groups. The expansion of the EU has led to the Finnish retail business transferring some of its product purchases to new member states.

On the other hand, the consumers' growing interest in food, its origins and healthy living habits, as well as the aging of the population, form a solid basis for the development of Raisio's high-quality, healthy and functional products. Products that are easy to use are also seeing higher demand.

While the number of customers in the catering sector is on the decrease, the number of portions is growing, as more and more meals are consumed outside the home. Competition has become more intense due to heavy centralisation of purchases, growth in the number of private label products and an increase in imports.

Increasing international supply has led to tougher competition in the industrial and bakery markets. Raisio plans to answer competition with customised products, a cost-effective "from field to table" chain and expertise in logistics.

### RAISIO'S MARKETS IN POLAND

The value of the Polish markets for yellow fats is EUR 465 million. The markets saw a growth of some 10% in terms of value in 2004. Products in inexpensive categories lost market share, while those in higher-priced categories increased theirs.

Raisio's Polish subsidiary, Raisio Polska Foods, responded to this trend by launching Masmix Royal, a mix of butter and vegetable oil, in the super premium segment in December 2004.

Raisio Polska Foods has a 7.5-per-cent market share in yellow fats. Its market position has remained unchanged from 2003. The sales of Benecol margarine grew by 64% compared to 2003. Raisio has maintained its leadership in the markets for functional margarine with an approximate 70-per-cent market share.

### Market outlook

Poland's EU membership presented Raisio Polska Foods with new opportunities in the internal EU market. The company focuses on increasing exports and especially on expanding Benecol's market area to Poland's neighbours.

The markets for inexpensive price categories will continue to decrease in 2005. Raisio Polska Foods will focus especially on the development of new products and will also expand the Benecol product family.

### RAISIO'S MARKETS IN RUSSIA

Operations at Raisio's own margarine plant near Moscow began in February 2004. The plant produces all of Raisio's margarines for the Russian markets. Grain products are imported from Finland.

The value of the market for yellow fats in Russia's largest cities amounts to some EUR 460 million. The markets saw slight growth resulting from the increase in butter and butter mixes. The share of industrial margarines increased, while the markets for consumer margarines decreased.

Despite the decrease in consumer markets, Raisio improved its sales volumes by some 5% over the previous year. The company launched new products in both the inexpensive and higher-priced categories.

The value of the porridge flake markets in Russia's biggest cities amounts to some EUR 103 million. Raisio's market share, in terms of value, is some 6%. In Russia, Raisio's grain products are sold under the Nordic brand in Russia.

### Market outlook

Raisio's margarine range will be developed in 2005 to satisfy market demands by introducing new products for both the inexpensive and higher-priced product segments. The company also plans to launch cream cheeses and start a new type of production for industrial margarines. It will also increase its inputs in the Nordic product range.

Co-operation in marketing and sales will focus on new and existing customer segments and efficient distribution in them. The Ukrainian markets are another focal area.

### RAISIO'S MARKETS IN SWEDEN

At some EUR 290 million, the value of Swedish yellow fat markets remained more or less unchanged in 2004. Raisio's market share is approximately 1.5%. The sales organisation of the Swedish company Cerealía Foods handles Raisio's margarine sales in Sweden, while Raisio sells Cerealía's grain products in Finland.

### Market outlook

The Swedish yellow fat markets are expected to remain unchanged. Raisio will continue its operating method introduced in summer 2004, focusing on close co-operation with store chains. It will also continue small-scale consumer advertising.



## Ready-to-heat mashed potato product

CASE

Raisio Nutrition's food potato factory in Vihanti has developed an aseptic production method based on a new production technology innovation. It enables the production of a new kind of mashed potato product for the catering business, bakeries and the food industry. The result is a ready-to-heat mashed potato product that leads to considerable time saving and reduces loss in the catering business. The package has been designed so that the mashed potato can be transferred directly into a serving dish and heated in it. The aseptic production process guarantees that the product keeps without added preservatives. This type of technology has previously been available for mainly liquid products. The innovation offers good opportunities for future expansion into retail markets.





## Year 2004

- Raw material prices, especially those of protein ingredients, rose in the early part of the year, leading to higher feed mix prices.
- Prices started falling in the latter part of the year.
- Exceptional weather conditions complicated the harvesting of grain and grass crops and weakened the quality of crops, which must be taken into consideration in the composition of supplementary feeds.
- The processed volume of vegetable oil had to be decreased due to poor profitability.
- The capacity of the Anjalankoski feed plant was raised by enhancing the operations of existing production lines and upgrading machinery by some EUR 2 million.
- The situation in the global malt markets grew tougher, leading to a steep drop in prices.
- The 2004 malt barley crop was good both in terms of volumes and quality. For the first time in many years, very little imported malt barley will be needed.

# Feed and malt

The feed business produces highly-processed feed mixes for farm animals and special feeds for fish and fur animals. Raisio Malt makes high-quality malts for breweries.

## Strategic priorities and measures

### CONTROLLED GROWTH IN FINLAND

Growth will be sought through a broader customer base and the development of new competitive products and solutions.

### STRONGER MARKET POSITION IN RUSSIA

The market position will be strengthened by establishing a joint venture or proceeding alone on the Russian markets. The exports of special feeds will also be increased.

### EFFECTIVENESS AND PIONEERING APPROACH

Raisio will ensure effective and competitive raw material acquisition by aiming at the broadest possible contract farming operations and a high degree of domestic material. Continued product development supports Raisio's strong market position. Customer-specific expertise will be developed through partnerships. The capacity of production plants will be put to efficient use. Clean, cost-effective and reliable deliveries to customers will be emphasised.

## Strong basis

### ANIMAL FEEDS

- expertise in animal nutrition and staff specialised by branch of production
- advanced quality and hygiene control of raw materials, production plants and transports
- effective heating process for feed mixes
- modern production plants
- good product development resources
- strong feed brands in Finland and good recognition in north western Russia.

### MALT

- expertise in high-quality northern malt barley and in the malting process
- pioneer in safety and traceability
- customised end-products
- big production unit and modern equipment
- good command of the logistics process, especially in Russian transports

## Operating environment

### FEED MARKETS IN FINLAND AND RUSSIA

The farm and fish feed markets in Finland have a value of some EUR 380 million and some EUR 250 million in north western Russia. In terms of volume, Finnish farm feed markets were at the previous year's level, at 1,350 million kilograms. New harvest and lower protein raw material prices resulted in a downward turn in the prices of farm feeds in August. Farm feed exports showed a slight drop.

The nearly optimal water temperature favoured fish farming both in Finland and north western Russia, an important export area. The volume of Raisio's fish feeds increased by some 27%.

Raisio Feed's share of Finnish farm feed markets is roughly 37% and over 50% in fish feeds. While the market share in farm feeds did not show any significant changes, the market share in fish feeds improved.

The competitors and competition remained the same. Raisio Feed is one of the two biggest animal feed producers in Finland. There are also a number of small local producers, but their products are not sold nationwide. Only a few special feeds are imported to Finland.

### Market outlook

Livestock production is not expected to show any significant changes in terms of volume. Owing to the unfavourable weather conditions last summer, basic feeds are not uniform in quality, and the use of industrial feed is expected to increase, especially in the first half of 2005. This is also likely to increase the volumes for the whole year.

The variable quality of basic feeds poses special challenges to farmers and the feed industry, who must meet the needs of individual farms both through product development and by providing the right consultancy.

Fish feeds are expected to benefit from whitefish farming. Raisio has actively participated in know-how development in the branch and promoted the farming of whitefish as a commercial food fish.

Exports are expected to grow mainly in fish feeds, but the company is also looking for ways to further boost its market position in farm feeds, especially in north western Russia. In the long term this calls for local production activities. The volume of livestock production in Russia is on the increase, and the goal is to reach a considerably higher self-sufficiency in food production than is currently the case. The infrastructure needed for growth, for example, on livestock farms, calls for large-scale investments.

#### MALT MARKETS IN FINLAND, RUSSIA AND THE BALTIC COUNTRIES

The value of Finnish malt markets adds up to some EUR 16 million. Beer consumption increased by some 4% in Finland, while that of malt rose by nearly one per cent. The EU region currently suffers from an oversupply of malt, which decreased prices in Finland as well. Raisio Malt had a market share of 46%.

Around 70% of Raisio Malt's production went to export. In terms of volume, the Russian malt market is approximately 1.4 million tonnes. Owing to the oversupply in the EU, as well as Russia's own malting capacity, price competition was tough and prices fell compared to the previous year. Measured in tonnes, Raisio Malt's volumes in Russia remained at the previous year's level. Its market share in Russian import malts increased. Beer consumption increased by some 12%.

The roll-out of a new malting plant in Lithuania intensified competition in the Baltic markets.

#### Market outlook

The Finnish malt markets are expected to remain unchanged in 2005. Competition will also remain tough. Price levels are expected to remain unchanged or show a slight upward trend.

Beer consumption in Russia is expected to grow by 6–8%. However, taxation and restrictions on advertising will limit the increase in beer consumption. Competition will tighten in malt markets as investments in new malting plants are under way and cultivation of malt barley is developed.

The Baltic malt markets will grow but the differences between countries are significant.

### Raw material supplies

Raisio Nutrition is Finland's biggest processor of cultivated products. It processes some 40% of all grain used for industrial purposes. The total amount of grain used in 2004 was 560 million kilograms, some 90% of which was domestic. Raisio also used some 65 million kilograms of Finnish potatoes for its food potato products and purchased some 70 million kilograms of oil plants, mainly rapeseed.

The principles of grain purchasing are market-based pricing and transparent operations. The quality criteria and purchase prices are public information and are available, for example, on Raisio Group's web site.

#### CONTRACT FARMING AND THE SAFETY OF RAW MATERIALS

- Raisio has some 2,000 contract farmers
- contract farmers produce grain, oil plants and potatoes
- co-operation ensures the high quality and traceability of raw materials and end products
- contract farming is based on a contract between Raisio and the farmers, in which the farmers pledge to produce a certain raw material under the agreed quality, price and delivery terms, while Raisio pledges to buy the raw material that meets the contract terms
- the Quality Grain system developed by Raisio is an essential part of grain contract farming; it ensures that the grain is of faultless quality, clean and safe, and has been produced in an environmentally friendly way
- to guarantee the safety and purity of grain and oil plant raw materials, the company takes some 30,000 samples and performs some 110,000 analyses every year
- the traceability of the potato raw material has been improved by introducing an extranet for use by the contract farmers and Raisio

Raw material supplies and the related principles are discussed in more detail in Raisio's Corporate Responsibility Report, available at [www.raisiogroup.com/About Raisio/Corporate Responsibility](http://www.raisiogroup.com/About Raisio/Corporate Responsibility).

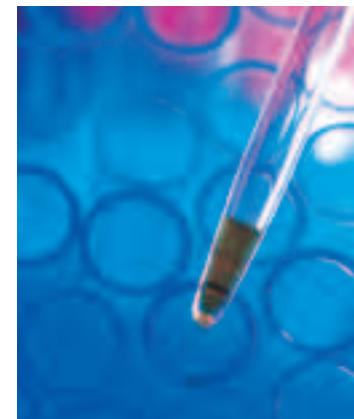


### Fish feed exports to Russia

CASE

Raisio's exports of fish feed to Russia have doubled in the past few years. Raisio's feeds for rainbow trout and whitefish are mainly exported to the heavily growing fish feed markets in Karelia and the St. Petersburg area. Raisio Feed is a clear market leader in these regions, which account for most of Russia's rainbow trout farming. In addition to feeds, Raisio has also exported fish farming know-how to Russia. It has, for example, organised several training events lasting a few days and provided guidance in the correct feeding methods and farming technology. Raisio's fish farming customer magazine is also published in Russian. The export of and capitalisation on Raisio's know-how has led to Russian customers adopting the same feeds used in the Finnish markets.

# Raisio Life Sciences



Raisio Life Sciences produces functional ingredients and diagnostic testing systems for food companies worldwide. Ingredients sales increased by 66%, and new markets were conquered, especially in Europe.

## Vision and financial targets

The Raisio Life Sciences business area will be developed into a leading company in two main sectors of the rapidly growing markets:

- ingredients for functional foods that promote, for example, heart health, weight management, the treatment of diabetes and the well-being of the intestines
- diagnostic testing methods for the quality and safety of food and animal feed

The business area's financial targets have been determined for a time span of three years. The annual growth target for turnover is 15–20%. The goal for profitability is a 12-per-cent return on investment, which translates into an operating profit level of some 10%.

## Strategic priorities and key measures

### PROFITABLE GROWTH

The Benecol brand will be further developed, as will co-operation with customers and partners. The goal is to expand the market area of the Benecol ingredient. Profitability will be improved by continued enhancement of operations. In the field of food diagnostics, Raisio will develop rapid pathogen testing systems for small and medium-sized laboratories in Europe.

### PIONEER IN THE FIELD

The business area will introduce new ingredients and product applications that improve the competitiveness of stanol ester. Other product launches will include brand-new functional ingredients. Scientific studies will be continued in order to obtain further proof of Benecol's effectiveness and safety. The development of new-generation rapid testing systems has begun, and the systems will be introduced into the markets in 2005.

## Key geographical areas

The geographic focus of Raisio Life Sciences is in Europe. The ingredients business will also look for growth in South America and Southeast Asia.

## Financial performance in 2004

Turnover grew by 57% to EUR 53.3 million thanks to strong development in ingredients sales. The yoghurt drinks sold in mini-bottles especially proved to be a successful concept in Europe. Turnover from the diagnostics business was at the previous year's level.

Profitability improved significantly, and operating result, excluding one-off items, was back in the black at EUR 3.3 million thanks to increasing sales and a rigorous cost regime.

The ingredients business focused on opening new markets and developing new product applications. The emphasis in food diagnostics was on improving profitability and developing new rapid testing methods.

### Key figures

|                          | 2004 | 2003 |
|--------------------------|------|------|
| Turnover, EURm           | 53.3 | 34.0 |
| Operating result*, EURm  | 3.3  | -5.4 |
| Capital invested, EURm   | 56.7 | 74.9 |
| Return on investment*, % | 5.1  | -7.5 |
| Personnel                | 140  | 199  |

\*excluding one-off items

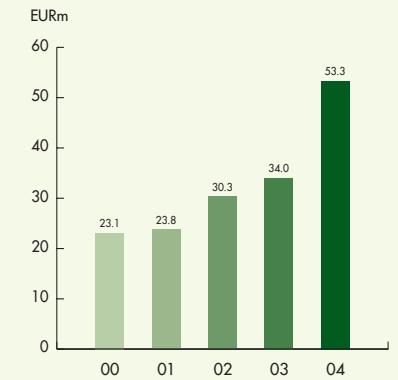
## Outlook

Steep growth is expected to continue in Raisio's ingredient sales thanks to the increased use of functional products, as well as new product applications and market areas. In 2005 Raisio will invest in identifying synergies between customers and in joining forces, as well as in boosting the Benecol brand and enhancing the production chain. In addition, Southeast Asia will be emphasised as a new market area.

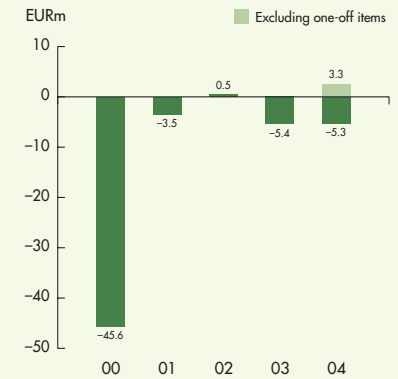
The need for food diagnostics will increase as consumers place increasingly more emphasis on clean and safe food. The authorities will also be placing higher demands on food safety. Owing to this, Raisio expects to see growth in its food diagnostics business. The emphasis in 2005 will be on improving profitability, expanding business and developing rapid testing methods for pathogens.

| RAISIO LIFE SCIENCES     |  |  |
|--------------------------|--|--|
|                          | Ingredients<br>Turnover EUR 44.7 million,<br>84% of Raisio Life Sciences' turnover | Food diagnostics<br>Turnover EUR 8.6 million,<br>16% of Raisio Life Sciences' turnover   |
| Products                 | Benecol ingredient (stanol ester)  | testing methods related to food quality and safety<br><br>testing methods for wines and dairy products<br>automation of laboratory practices |
| Brands                   | Benecol  | Transia and EC   |
| Market share             | markets for cholesterol-lowering sterol-based esters<br>*Europe 35%<br>*USA 25%    | depending on product sector,<br>5-15% in Europe  |
| Production facilities    | Raisio and Summerville, SC (USA)   | Lyon (France) and Rome (Italy)   |
| Research and development | Raisio and Helsinki  | Turku, Lyon and Rome   |

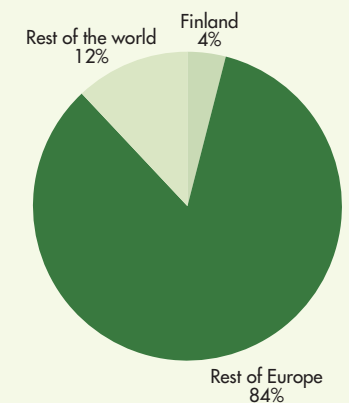
## Turnover



## Operating result



## Geographical split of the turnover







## Benecol yoghurt in mini-bottles

CASE

Central European consumers have grown familiar with health promoting drinks sold in mini-bottles, such as yoghurt drinks including probiotics. Mini-bottles are an easy and tasty way to take care of the health, and their popularity has increased in Europe over the past few years. The first Benecol yoghurt drinks in mini-bottles were launched in Spain in February 2003. By the end of 2004, it had reached shop shelves in 13 countries. More than 100 million Benecol mini-bottles were sold in Europe in 2004. Serving-size bottles also make it easier to administer the ingredient as the effect of stanol ester is based on a sufficient daily dosage. One yoghurt drink bottle provides the needed daily Benecol dosage.

# Ingredients

The ingredients business develops, produces and markets safe, health-promoting food ingredients. The main product at the moment is the cholesterol-lowering Benecol ingredient, stanol ester. Customers consist of food companies worldwide.

## Strong basis

- forerunner in the market for functional foods
- effectiveness of stanol ester proved in thorough scientific studies
- increasingly better recognition of the Benecol brand
- wide-ranging Benecol patent families
- competence in process technology, as well as in sterol and fatty acid chemistry

## Product range

Benecol products containing stanol ester and the countries where they are sold

| Country              | Products (December 2004)   |
|----------------------|--|
| Argentina            | spread   |
| Austria              | yoghurt drink  |
| Belgium              | margarine, spread, cream cheese style spread, yoghurt, yoghurt drink                                       |
| Chile                | milk drink, yoghurt  |
| Finland              | spread, cream cheese style spread, yoghurt, buttermilk, pasta, yoghurt drink, milk drink, turkey cold cuts |
| France               | spread, yoghurt, yoghurt drink   |
| Germany              | spread, yoghurt drink  |
| Great Britain        | margarine, spread, cream cheese style spread, yoghurt, yoghurt drink                                       |
| Greece               | spread   |
| Iceland              | yoghurt drink  |
| Ireland              | margarine, spread, cream cheese style spread, yoghurt, yoghurt drink                                       |
| Italy                | yoghurt drink  |
| The Netherlands      | margarine, yoghurt drink   |
| Portugal             | yoghurt drink, milk, yoghurt   |
| Poland               | margarine  |
| Spain                | yoghurt drink, milk drink, yoghurt   |
| Sweden               | spread   |
| Switzerland          | yoghurt drink  |
| United Arab Emirates | milk drink, yoghurt  |
| USA                  | spread, chews  |

New market areas and products in 2004

## Operating environment

### MARKETS FOR STEROL-BASED ESTERS

The value of the worldwide markets for cholesterol-lowering sterol-based esters is some EUR 120 million. Raisio estimates the market for end-products containing these ingredients totalling up to EUR 500 million. The markets have been expanding especially in Europe, where growth has amounted to more than 30%. Growth has been spurred, for example, by decisions made by the EU in 2004, which have harmonised permit procedures.

Raisio commands some 30% of worldwide markets and 35% of European markets. Raisio's growth in Europe has exceeded that of the markets.

### Market outlook

Robust growth is expected to continue in the markets. The demand for functional products is on the increase, among other things, because of increased consumer awareness of health-related issues and the increase in lifestyle diseases. For example, some 70% of the working age population in the Western world has higher than recommended cholesterol levels. Adult diabetes is estimated to increase by as much as 100% by 2025 unless preventive measures are taken.

### STANOL ESTER

The Benecol ingredient, stanol ester, reduces the absorption of cholesterol from the digestive system into the rest of the body. Stanol ester is very safe as it is virtually unabsorbed and passes unchanged out of the digestive system. More than 40 scientific studies have shown stanol ester to effectively reduce blood serum cholesterol. As a regular part of the daily diet, stanol ester reduces overall cholesterol by an average of 10% and the harmful LDL cholesterol by as much as 15%. The main raw materials of stanol ester are wood and plant sterols.

# Food diagnostics

The food diagnostics business develops, produces and markets analytic systems, diagnostics equipment and reagents used to monitor the quality and safety of food and animal feed. Its customers consist of food companies, as well as commercial and public laboratories and laboratory chains, especially in Europe. As a platform for business, Raisio bought Diffchamb AB, a Swedish food diagnostics company, in spring 2003.

## Good starting point

- Raisio's expertise and vast experience in the "field to table" chain, as well as its competence in the microbiological quality of foods and production processes
- expertise in pathogens
- profound market knowledge and own sales organisation in main markets
- own research and development as well as production

## Product range

Pathogen testing, especially the use of modern rapid testing methods, continues to increase in the food sector. Raisio's diagnostics products meet the needs for fast analyses of the main food pathogens. They also offer automated solutions for the screening of large samples. User-friendly enzymatic analysis methods that allow for automation offer customers clear benefits, for example, in the dairy, wine and soft drink industries. Growing global trade and new legislation increase the testing of fungal toxins and allergens, resulting in a greater use of rapid diagnostics methods.

## Operating environment

### FOOD DIAGNOSTICS MARKETS

The value of worldwide food diagnostics markets is some one billion euros. The markets are estimated to grow at an annual rate of some 10%, the fastest growth expected in rapid tests. Raisio's market share in Europe ranges from 5 to 15%, depending on the product sector.

The markets for food diagnostics are highly fragmented, with more than 60 companies doing business in the field. The markets have been characterised by strong centralisation in the past few years, which may lead to smaller companies quickly turning into significant players in the field.

### Market outlook

Growing consumer interest in safe and clean food increases the need for food diagnostics. This has been partly influenced by animal diseases, an increase in allergies, the threat of bioterrorism and stricter legislation.

Customer needs and new technologies show a pronounced tendency towards faster and more user-friendly testing methods, the development of which Raisio also invests in. New technologies lead to shorter testing times and to results being available faster than ever before. This enables food companies to get their products on the market in less time and thus achieve cost savings. In addition, new technologies are also more reliable.



## Year 2004

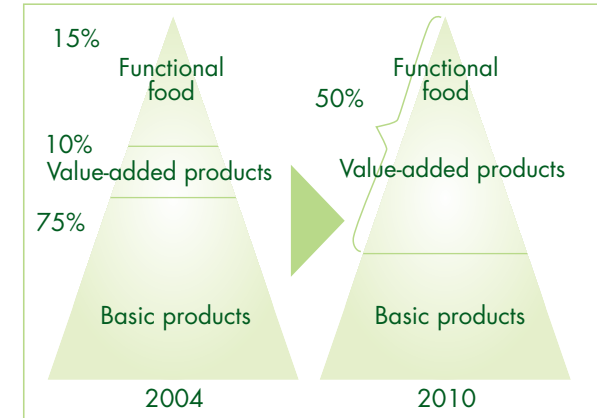
### Ingredients

- Ingredients sales grew by 66%, and new markets were won especially in Central and Southern Europe.
- Customers introduced 15 new products to the markets.
- Benecol yoghurt drink, sold in mini-bottles, was successful in many countries.
- Owing to the increase in ingredients deliveries, an expansion to the capacity of the stanol ester plant in Raisio was initiated at the end of the year.
- Several scientific studies carried out last year, such as a doctoral thesis at the University of Helsinki in October, prove the effectiveness and safety of the Benecol ingredient in lowering cholesterol and sterol levels.

### Food diagnostics

- Emphasis was on improving profitability, for example, with efficiency-boosting methods and cost cuts.
- Heavy input in product development.
- A research unit in charge of core competence development, strategic research and the application of new technologies was set up in Turku.

# Research and development



Raisio Group has defined research and development as one of its strategic priorities. Research and development supports Raisio's strategic goals by expanding and deepening Raisio's existing technology skills and by quickly and flexibly developing new products and technologies.

## Vision and targets

Raisio's Research and development operations create internationally competitive new products and concepts for changing consumer needs for Raisio's own market area and for partner licensing.

Operations aim at product upgrading and the introduction of new product and technology innovations. The share of functional and other value-added products of overall sales will be raised from approximately one-fourth, as is currently the case, to more than one-half by 2010.

## Priorities and key measures in food and ingredients R&D

### MARKET-ORIENTED DIFFERENTIATION OF BASIC PRODUCTS

The convenience of existing dry products will be improved by developing pre-seasoned products that are quick to prepare. Taste and consistency, as well as health aspects, will also be emphasised. The level of service will be improved, for example, by providing more nutritional information.

### DEVELOPMENT OF FRESH PRODUCTS AND PACKAGING

Fresh products and processes required for their production will be developed to complement dry products. Innovative packaging solutions will also be emphasised.

### DEVELOPMENT OF FUNCTIONAL INGREDIENTS

The Benecol ingredient will be further processed for new food applications. Development will also target new functional ingredients that promote, for example, heart health, weight management, the treatment of diabetes and the well-being of the intestines.

| Food trends | Raisio's solutions   | Raisio product launches in 2004                               |
|-------------|--|---|
| Enjoyment   | ▶ Strong traditional brands<br>▶ New innovative products   | New flavour for Nalle Semolina                                |
| Convenience | ▶ Time-saving products that are easy to use<br>▶ Ready-to-drink-and-eat snacks                                 | New Elovena Hetki instant porridge ingredients<br>Nalle snack |
| Well-being  | ▶ Oat and soy-based products<br>▶ Healthy snacks<br>▶ Utilisation of fibre, fatty acids and "healthy bacteria" | Elovena Hetki Linseed & Apricot + Calcium                     |
| Health      | ▶ Benecol<br>▶ New ingredients   | Benecol Olive margarine                                       |

## Strategic priorities and key measures in food diagnostics R&D

### RAPID DIAGNOSTICS SOLUTIONS

The primary focus is on developing rapid pathogen screening methods. Development activities will later be expanded to mycotoxin and allergen diagnostics. New technology will be used in this work.

### COMPREHENSIVE ANALYTIC SOLUTIONS TO ENSURE PRODUCT SAFETY

New combinations of technology will be developed and procedural entities optimised. The pre-treatment of samples will also be enhanced.

### INTEGRATION OF RAISIO'S FOOD DIAGNOSTICS R&D

Co-operation between R&D centres in Turku, Rome and Lyon will be developed and the utilisation of synergies enhanced.

### NETWORKING

Concrete research and development projects will be launched jointly with national and international partners.

## Year 2004

- Raisio invested EUR 7.9 million in R&D activities in 2004 and employed some 100 people in the field.
- Raisio's R&D activities focused on upgrading its existing product range, for example, by adding new flavours and packaging. Around 10 novelties were introduced to the markets.
- In addition, R&D focused on new-generation Benecol products and on developing products based on grain, soy and vegetable fats.
- New research centres were set up in Turku and Helsinki to support product development carried out in the vicinity of production.
  - The research unit in Viikki focuses on the strategic research of foods and their ingredients, especially microbes, as well as on networking with other university research units.
  - The research centre in Turku is responsible for the development of core skills in food diagnostics, strategic research and the application of new technology.



## Camelina oil as a research target

CASE

The human organism cannot produce essential omega-3 and omega-6 fatty acids, which is why they must be obtained directly from food. Essential fatty acids reduce blood cholesterol and in this way promote heart and arterial health. They also assist in blood pressure control, development and operations of the nervous system, sharpness of eyesight and skin maintenance. The Western diet is commonly too high in omega-6 fats and too low in omega-3 fats. Camelina oil contains healthy amounts of omega-3 fatty acids and offers an optimal ratio between omega-6 and omega-3 fats. Raisio's interest in plant-based sources of omega-3 led to co-operation with Camelina Ltd in 2002. The Beneviva Omega-3 light margarine launched in 2003 is Raisio Nutrition's first product with added Camelina oil.

## RESEARCH AND DEVELOPMENT

| Nutrition and ingredients  |   |                                     | Food diagnostics   |   |   |
|--|---|-------------------------------------|--|---|---|
| Helsinki   | Raisio  | Other production locations          | Turku  | Lyon  | Rome  |
| strategic research<br>co-operation with universities and other institutes of higher education<br>nutritional research<br>new technologies, especially microbe applications | product development<br>regulatory issues<br>quality assurance<br>product safety | quality assurance<br>product safety | development of core competence<br>strategic research<br>new technologies<br>international networking | immunoassay methods<br>antibody production<br>product development | enzymatic test methods<br>product development |



# Brands and patents

Brands and patents are important intellectual property for Raisio. Raisio has several well-known brands in Finland, Sweden, Poland and Russia, with Benecol enjoying the widest international brand recognition. Raisio's patent portfolio includes some 160 patents.

## Brands

A brand is the sum of the images and experiences that consumers have of a product or service. Raisio has many strong brands in Finland, the oldest having entered the market before Raisio Group was even established. Elovena, for example, was launched 80 years ago by Karjalan Mylly Oy. The oldest brands created during Raisio Group's existence are the Herkku feeds, from the late 1940s, and Kultasula, from the 1950s. Sunnuntai was introduced in the 1960s and Keiju in the 1980s.

Raisio's internationally best known brand is Benecol, which is available as different products in 20 countries. The company's strongest brands in Poland are Masmix and Benecol, while Voimix and Nordic have established themselves in Russia.

### CONSUMERS AND B-TO-B CUSTOMERS

Brands are particularly important on consumer market where a strong brand fosters trust and a close link between the consumer and company. Many of Raisio's well-known food brands are products that consumers use on a daily basis.

Strong brands also play a part in business-to-business operations, such as those of Raisio's feed and malt business. The umbrella brand in the feed business is Raisio Feed, while the main product brands are Herkku, Maituri, Melli and Royal. The umbrella brand in the malt business is Raisio Malt.

Raisio's brand strategy is based on healthy quality products, strong market share in various product groups and versatile skills in nutrition.



## Brand strategy and key measures

### FOCUS ON KEY BRANDS

Joining brands and cutting back on their numbers will put marketing input to better use. The goal is to reduce the number of brands from 30 to approximately 10. In addition, the target is to develop Raisio into one of the leading food brands in Finland. New tools will also improve their follow-up and assessment.

### IMPROVED VISIBILITY

Consumer marketing will be harmonised and new media put to full use. The development of marketing and brand visibility shall be persistent and systematic.

### MANAGEMENT OF PRODUCT RANGE

A good product life cycle system will lead to a more effective product range both for retail and Raisio.

### INCREASE IN THE SHARE OF VALUE-ADDED PRODUCTS

Product development will be enhanced by speeding up the idea-to-product phase.

## Key brands

| Consumers   |   | Business-to-business customers                                    |                            |             |
|---|---|---|----------------------------|-------------|
| Food  |   | Feed and malt   | Food diagnostics           | Ingredients |
| <b>In Finland</b><br>Raisio<br>Benecol<br>Elovena<br>Keiju<br>Sunnuntai | <b>Outside Finland</b><br>Benecol<br>Carlshamn Mejeri<br>Masmix<br>Pyszny Duet<br>Voimix<br>Dolina Skandi<br>Nordic | Raisio Feed<br>Herkku<br>Maituri<br>Melli<br>Royal<br>Raisio Malt | Diffchamb<br>Transia<br>EC | Benecol     |

## Patents

Patents entitle their holder to prohibit others from using the patent-protected innovation. A patent can be granted for a new, innovative and industrially useful technical solution, which can be a product, device, method or the use of these. The term of a patent is 20 years.

Raisio exercises close and careful consideration in its patent activities, assessing the opportunities for use in its own productisation and possible licensing.

## Patent strategy and key measures

### DEVELOPMENT OF PATENT PORTFOLIO

The patent portfolio will be enhanced so that it supports business operations as well and cost-effectively as possible.

### SUPPORT FOR GROWTH

Protecting new technology and product innovations in line with Raisio's business strategy will secure competitiveness and create growth potential.

## Raisio's patents

|         | Patent families | Patents | Patent applications |
|---------|-----------------|---------|---------------------|
| Benecol | 18              | 126     | 78                  |
| Foods   | 11              | 6       | 19                  |
| Feeds   | 5               | 29      | 3                   |

## Year 2004

- According to an extensive consumer survey, around 96% of Finns know the Raisio food company.
- Efforts to decrease the number of food brands were initiated.
- In Trusted Brands survey, respondents chose Elovena as Finland's most reliable cereal brand.
- Benecol improved its recognition in Europe, as Benecol products were launched on several new markets.
- Raisio's product portfolio has some 400 trade marks registered in different countries.
- Raisio has some 160 patents, most of them related to Benecol products.
- A total of 62 new patents were granted over the year, and several new, as yet unpublished, patent applications were filed.
- The European Patent Office questioned Raisio's sitostanol ester patent in an oral opposition proceeding in 2001 at a competitor's initiative. The legal hearings for the sitostanol ester patent continued in Munich in late September. The European Patent Office returned the case to the first instance, and Raisio estimates the final decision on patent coverage to be made within 3–5 years.



## Benecol – patented top innovation

CASE

The cholesterol-lowering Benecol products are based on development work that Raisio began in 1989. Ingmar Wester, Raisio's research manager in Margarine division at the time, discovered a method for converting plant sterols and stanols into substances suitable for food production. This resulted in plant stanol ester, the active ingredient in Benecol. In 1991, Raisio filed a patent application for the method, active ingredient and use of the ingredient. The patent portfolio has later been complemented and extended in different market areas and product applications. The protection offered by the first patents is expected to continue until 2011.







## Shares and Shareholders

Raisio Group's free and restricted shares are quoted on the Helsinki Stock Exchange. Raisio had approximately 44,000 shareholders on 31 December 2004. Of all shares, 11.7% were in foreign holding, the corresponding value for free shares being 14.8%.



# Shares and shareholders



- Raisio's market value amounted to EUR 312.0 million on 31 December 2004.
- Overall trading totalled EUR 182.6 million.
- The closing price of free shares on 31 December 2004 was EUR 1.90, while the average price over the year was EUR 1.64.
- The closing price of restricted shares on 31 December 2004 was EUR 1.85, while the average price over the year was EUR 1.69.
- In addition to the 3-cent dividend in line with the company's dividend policy, the Board of Directors will propose at the Annual General Meeting in spring 2005 that an 18-cent extra dividend be paid.
- The Annual General Meeting will be held on Thursday 31 March 2005. For more details, see page 1.

## 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 2004 was divided into 34,564,242 restricted shares (Series K) and 130,584,788 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 2004.

The company shares were entered into the book-entry system on 26 November 1994. The marketplace for Raisio shares is Helsinki Stock Exchange: 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. A proposal has been made to remove this restriction from the Articles of Association. 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 2004, a total of 814,000 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.

## Trading in Raisio's shares

In 2004 the number of Raisio V shares traded on the exchange market more than doubled from the previous year, totalling 110.1 million shares (2003: 45.7 million), or some 84% of the total number of V shares. The value of share trading was EUR 180.1 million (2003: EUR 47.9 million).

While trading in K shares is clearly smaller, its volume also more than doubled, amounting to 1.5 million shares (2003: 0.6 million). The value of K share trading was EUR 2.5 million (2003: EUR 0.8 million).

## Ownership structure

The main change in Raisio's ownership structure in 2004 was foreign ownership increasing from 6% to 12%. With households decreasing their holdings, the number of shareholders dropped from 47,224 to 44,102.

Many Finnish mutual funds increased their holdings, while insurance companies' holdings decreased.

## Dividend policy

It is Raisio's objective to generate added value to all its shareholders by developing its business operations and improving business profitability, and by following a long-range dividend policy. The objective is to annually distribute half of the per-share earnings generated by ongoing business operations, provided the dividend payment does not compromise the company's ability to meet its strategic objectives.

## Dividend

Raisio Group's Annual General Meeting, held on 26 March 2004, decided that a dividend of EUR 0.01 per share be paid. The dividend was paid on 7 April 2004 to all shareholders included in the shareholders' register on 31 March 2004.

The sales profit from the divestment of Raisio Chemicals allowed for an extra dividend payment. At the extraordinary shareholders' meeting held on 30 September 2004, the Board of Directors proposed a dividend of EUR 0.12 per share. The dividend was paid on 12 October 2004 to all shareholders included in the shareholders' register on 5 October 2004.

In line with the company's dividend policy, the Board of Directors will propose a dividend of EUR 0.03 at the Annual General Meeting in spring 2005. The proposed dividend represents 50% of the operating result of ongoing business. The Board of Directors will also propose an extra dividend payment of EUR 0.18 as a continuation to the extra dividend paid last autumn. In this way, part of the sales profit from the divestment of Raisio Chemicals will be distributed to shareholders.

## Stock-based incentive systems

The option programme approved in 1998, and carried out between 1998 and 2003, ended on 30 January 2004. No shares were subscribed with the option rights during the financial period 2004 or in the previous years.

At the moment, Raisio has no stock-based incentive systems.

## Company management shareholdings

The members of the company Supervisory Board and the members and deputy members of the Board of Directors and the Chief Executive owned 1,515,870 restricted shares and 449,940 free shares on 31 December 2004. This accounts for 1.19% of the total number of shares and 1.84% of the maximum voting power.

## 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 26 March 2004 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. 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 22 April 2004 and will remain in force until 26 March 2005. This authorization has not been exercised. The Board of Directors will not request new authorizations for raising share capital at the Annual General Meeting in spring 2005.

## Share repurchase authorization for the Board of Directors

The Board of Directors is not authorized to repurchase or sell company shares, but it will request authorization for this at the Annual General Meeting in spring 2005. The authorizations are valid for a maximum of one year, as of the date of the Annual General Meeting at which they were granted. No shares in Raisio Group plc are owned by Raisio Group plc itself or any company or corporation within Raisio Group.

## IR principles

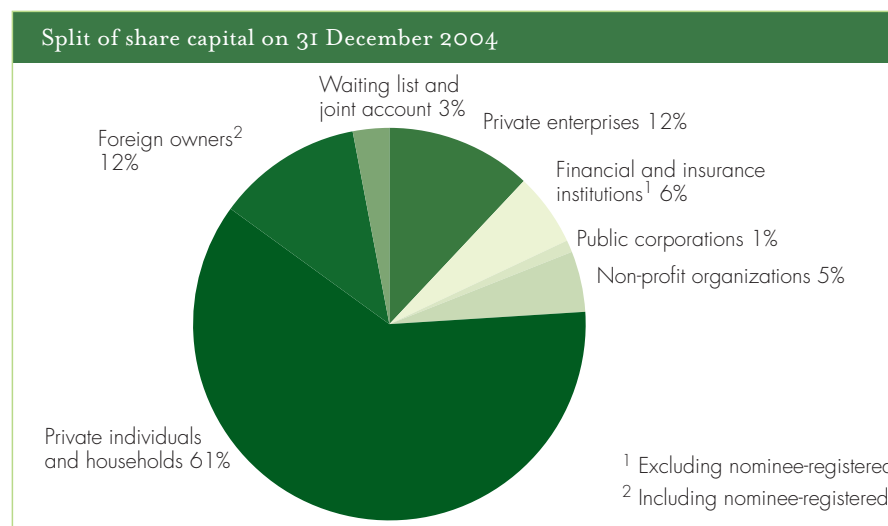
The aim of the Investor Relations at Raisio Group is to provide all capital market participants with correct, sufficient and up-to-date information as a basis for the formation of Raisio's share price.

Raisio Group publishes annually a financial statements review, an Annual Report and three interim reports as well as a Corporate Responsibility Report. In case of any matter of importance, investors are informed through stock exchange releases and press releases. In addition to the above-mentioned publications and releases other material used in investor meetings can be found at company web site. The ownership of major shareholders and insiders is updated monthly on company website. In addition, contact information for analysts following Raisio's share can be found in [www.raisiogroup.com](http://www.raisiogroup.com).

Raisio Group has defined a silent period, which covers the two weeks preceding the publication of financial releases. During this time, Raisio Group does not meet with capital market representatives.

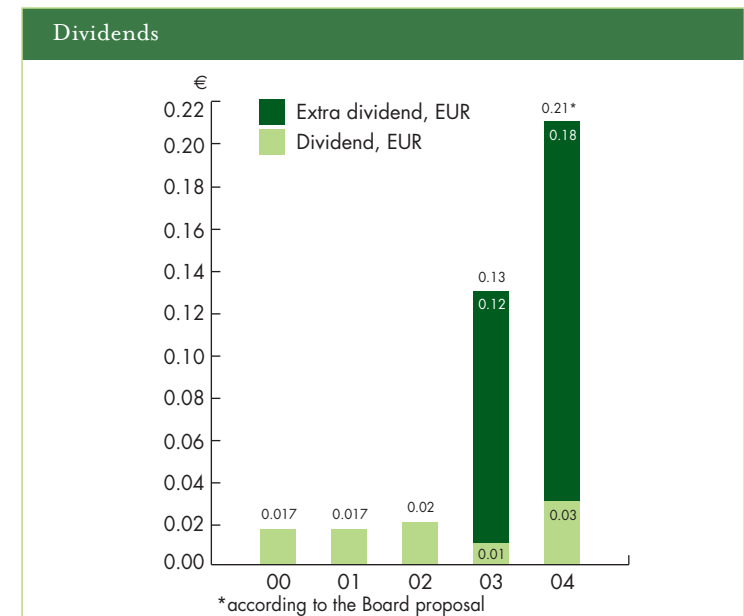
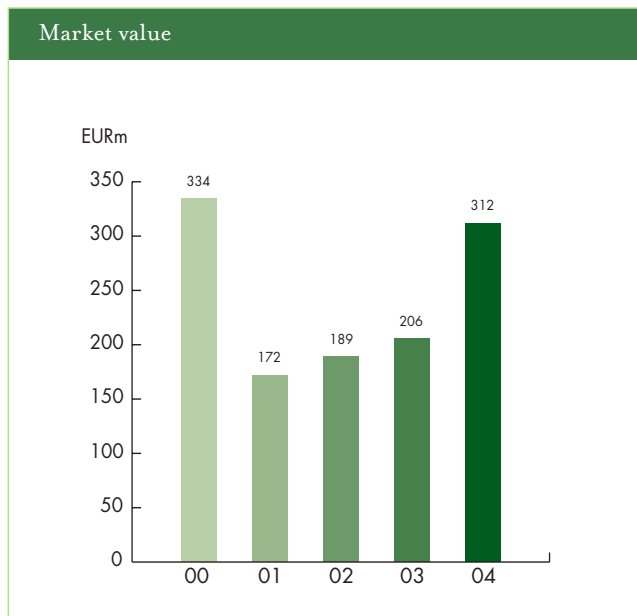
| Increase in share capital |   |                       |                   |                        |                        |                      |                                |                        |                    |
|---------------------------|---|-----------------------|-------------------|------------------------|------------------------|----------------------|--------------------------------|------------------------|--------------------|
| 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:<br>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:<br>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<br>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 |

| Structure of share capital on 31 December 2004 |                  |                   |                  |
|--|------------------|-------------------|------------------|
|  | Number of shares | % of total shares | % of total votes |
| Free shares                                    | 130,584,788      | 79.1              | 15.9             |
| Restricted shares                              | 34,564,242       | 20.9              | 84.1             |
| Total  | 165,149,030      | 100.0             | 100.0            |



| Split of shareholdings on 31 December 2004 |              |       |             |       |                   |       |            |       |
|--|--------------|-------|-------------|-------|-------------------|-------|------------|-------|
| Free shares                                |              |       |             |       | Restricted shares |       |            |       |
| Shares                                     | Shareholders |       | Shares      |       | Shareholders      |       | Shares     |       |
| no.  | no.          | %     | no.         | %     | no.               | %     | no.        | %     |
| 1–1,000                                    | 26,985       | 65.1  | 13,301,543  | 10.2  | 4,245             | 58.9  | 1,495,749  | 4.3   |
| 1,001–5,000                                | 11,416       | 27.5  | 27,979,947  | 21.4  | 1,920             | 26.6  | 4,557,704  | 13.2  |
| 5,001–10,000                               | 1,854        | 4.5   | 13,983,126  | 10.7  | 544               | 7.5   | 3,868,530  | 11.2  |
| 10,001–25,000                              | 815          | 2.0   | 12,978,166  | 10.0  | 345               | 4.8   | 5,357,401  | 15.5  |
| 25,001–50,000                              | 196          | 0.5   | 6,955,960   | 5.3   | 106               | 1.5   | 3,502,316  | 10.1  |
| 50,001–                                    | 150          | 0.4   | 55,021,476  | 42.1  | 48                | 0.7   | 10,818,730 | 31.3  |
| waiting list                               |              |       | 0           | 0.0   |                   |       | 4,320,032  | 12.5  |
| joint account                              |              |       | 364,570     | 0.3   |                   |       | 643,780    | 1.9   |
| total                                      | 41,416       | 100.0 | 130,584,788 | 100.0 | 7,208             | 100.0 | 34,564,242 | 100.0 |

On 31 December 2004, Raisio Group plc had a total of 44,102 registered shareholders.

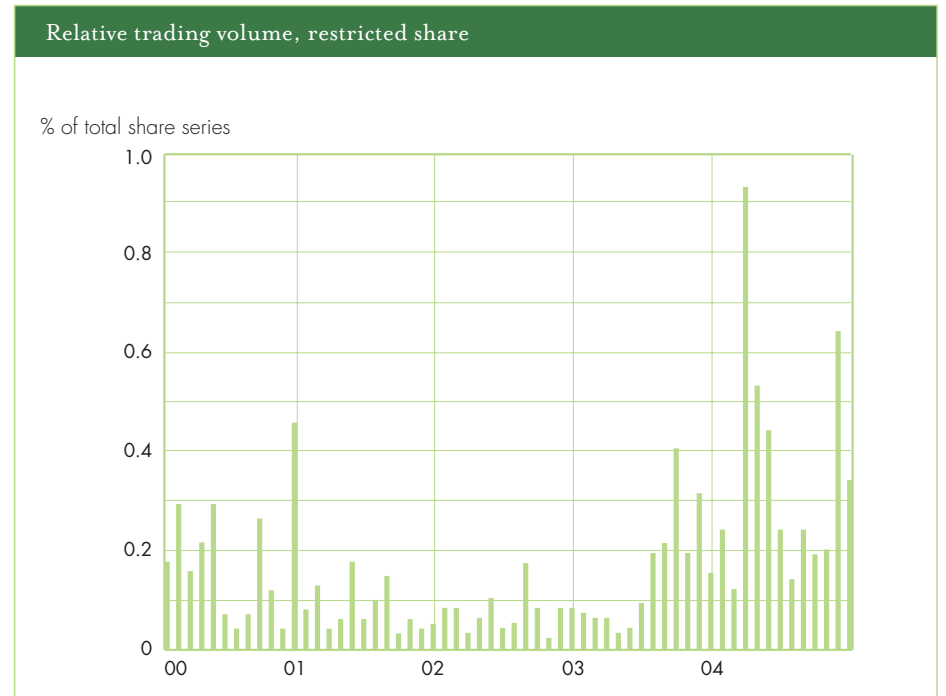
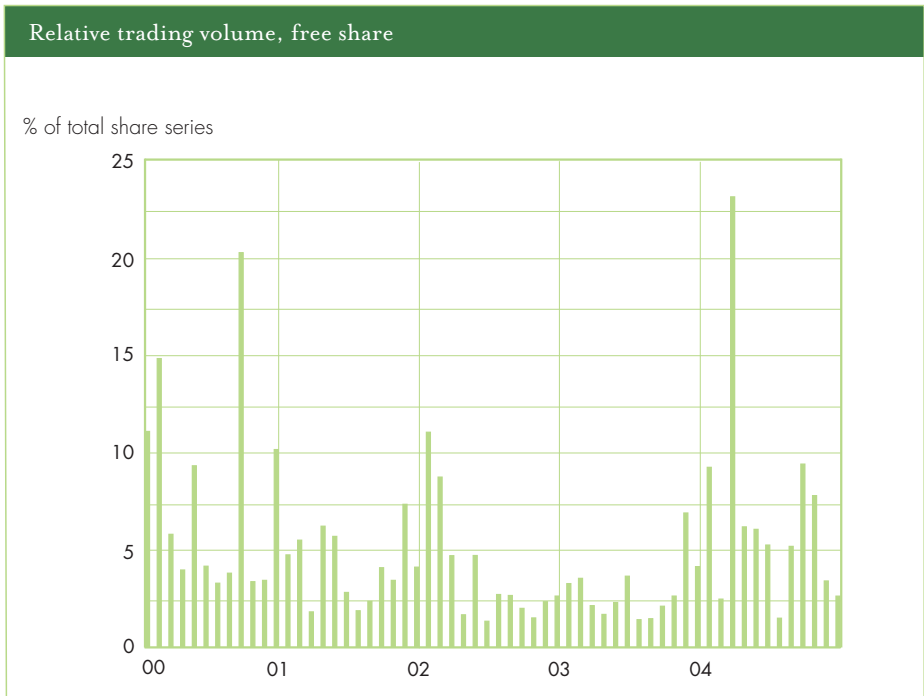




| Shareholders  |              |              |           |      |           |      |
|---|--------------|--------------|-----------|------|-----------|------|
| 25 biggest shareholders on 31 December 2004, according to shareholders register |              |              |           |      |           |      |
|   | Series K no. | Series V no. | Total no. | %    | Votes no. | %    |
| Central Union of Agricultural Producers and Forest Owners                       | 3,733,980    | 199,000      | 3,932,980 | 2.38 | 2,477,235 | 0.30 |
| Etra-Invest Oy Ab   |              | 3,500,000    | 3,500,000 | 2.12 | 2,477,235 | 0.30 |
| Brotherus Ilkka   | 42,540       | 2,231,920    | 2,274,460 | 1.38 | 2,477,235 | 0.30 |
| Special Investment Fund EQ Sirius   |              | 1,352,900    | 1,352,900 | 0.82 | 1,352,900 | 0.16 |
| Norvestia plc   |              | 1,334,900    | 1,334,900 | 0.81 | 1,334,900 | 0.16 |
| Investment Fund Pohjola Finland Value   |              | 1,300,000    | 1,300,000 | 0.79 | 1,300,000 | 0.16 |
| Veikko Laine Oy   |              | 1,195,000    | 1,195,000 | 0.72 | 1,195,000 | 0.15 |
| Investment Fund Nordea Fennia   |              | 1,102,700    | 1,102,700 | 0.67 | 1,102,700 | 0.13 |
| Maa- ja vesitekniiikan Tuki r.y.  |              | 1,000,000    | 1,000,000 | 0.61 | 1,000,000 | 0.12 |
| Investment Fund Sampo Suomi Osake   |              | 935,000      | 935,000   | 0.57 | 935,000   | 0.11 |
| Argonius Oy   |              | 803,000      | 803,000   | 0.49 | 803,000   | 0.10 |
| Haavisto Maija  | 393,120      | 287,770      | 680,890   | 0.41 | 2,477,235 | 0.30 |
| Investment Fund Sampo Suomi Yhteisöosake  |              | 669,000      | 669,000   | 0.41 | 669,000   | 0.08 |
| Haavisto Heikki   | 542,300      | 119,590      | 661,890   | 0.40 | 2,477,235 | 0.30 |
| Langh Hans  | 654,480      |              | 654,480   | 0.40 | 2,477,235 | 0.30 |
| Investment Fund Nordea Nordic Small Cap   |              | 653,000      | 653,000   | 0.40 | 653,000   | 0.08 |
| Sinituote Oy  |              | 640,000      | 640,000   | 0.39 | 640,000   | 0.08 |
| Investment Fund Nordea Avanti   |              | 606,920      | 606,920   | 0.37 | 606,920   | 0.07 |
| Investment Fund Nordea Nordia   |              | 604,900      | 604,900   | 0.37 | 604,900   | 0.07 |
| Keskittien Tukisäätiö   | 100,000      | 500,000      | 600,000   | 0.36 | 2,477,235 | 0.30 |
| Svenska lantbruksproducenternas centralförbund r.f.                             | 455,000      | 113,000      | 568,000   | 0.34 | 2,477,235 | 0.30 |
| 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 |
| Etera Mutual Pension Insurance Company  |              | 518,400      | 518,400   | 0.31 | 518,400   | 0.06 |

Shares registered under foreign ownership, including nominee registrations, totalled 19,276,496 on 31 December 2004, or 11.7% of the total and 14.8% of free shares.

# Raisio Group plc's share price development and relative trading volume







## Corporate Governance



The principles of Raisio Group's Corporate Governance are based on Finnish legislation and the Articles of Association. 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. Raisio complies in most respects with the recommendations on the corporate governance of listed companies issued in July 2004. If the proposed amendments to the Articles of Association are approved, the only deviation from the recommendation will be the fact that Board members are elected by the Supervisory Board.



# Corporate Governance

- The recommendation on the corporate governance of listed companies, issued by the Helsinki Stock Exchange, Central Chamber of Commerce and Confederation for Finnish Industry and Employers, took effect on 1 July 2004.
- Based on the recommendation, Raisio Group is now in the process of making amendments to the Articles of Association, which require the approval of two successive shareholders' meetings.
- Raisio Group currently complies with the Corporate Governance recommendation with the following exceptions:
  - Recommendation 5: Restriction to the Supervisory Board's powers (proposal for partial amendment)
  - Voluntary recommendations 27–33: Audit and Nomination committees (the Board of Directors has not considered it to be necessary to set up these committees for preparation of business control and supervision or nomination issues. Instead, the Supervisory Board has appointed a nomination group and inspectors from among its members.)
  - Recommendation 37: Appointment of the Managing Director (proposal for amendment)
  - Voluntary recommendation 44: Payment of the Board of Directors' fees in shares (Raisio Group has not implemented share-based incentive systems)

## Annual General Meeting

The shareholders' meeting is the company's highest decisionmaking 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. Extraordinary shareholders' meetings may be held if necessary, and these will be called by the Board of Directors.

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 31 March 2005 has been announced in the newspapers Helsingin Sanomat, Turun Sanomat, Maaseudun Tulevaisuus, Hufvudstadsbladet and Landsbygden Folk, and sent by mail to the shareholders.

In 2004, Raisio Group's Annual General Meeting was held in Turku on 26 March. It was attended by 2,832 shareholders either in person or by proxy, which amounted to 16.6% of company shares and 43.4% of the votes. The Extraordinary General Meeting held in Raisio on 30 September 2004 decided to pay an extra dividend and approved the Board of Directors' proposed amendments to the Articles of Association in the first proceeding. The meeting was attended by 2,716 shareholders, representing 13.5% of company shares and 39.3% of the votes. The Group's CEO, the chairman of the Board and the majority of Board members also attended the meetings.

## Raisio Group Governance



## 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 elects a chairman and a vice chairman from among its members for a one-year period as of the beginning of the calendar year following the election.

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 2004, reimbursement of their travel expenses and a per diem allowance in accordance with the corporate traveling compensation policy. The annual pay of the chairman of the Supervisory Board in 2004 was EUR 10,000.

The Annual General Meeting set the number of Supervisory Board members at 25 for 2005. The members of the Supervisory Board are presented on page 43. The Supervisory Board met three times during the year under review, with an attendance of 90.24%.

The Supervisory Board set up a nomination group to prepare matters related to the appointment of Board members and proposals to the Annual General Meeting on possible Supervisory Board members, which will be handled by the Supervisory Board. The group consists of the chairman and vice chairman of the Supervisory Board, as well as three members elected by the Supervisory Board from among its members. The group met three times during the period under review.

The Supervisory Board elects four of its members to inspect the corporate administration run by the Board of Directors and managing director. The inspectors report on their observations to the Supervisory Board twice a year. In the period under review, the inspectors carried out two inspections within the company.

## 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, approves strategic targets and the principles of risk management and ensures that the management systems are fully functional.

The Board of Directors works and makes its decisions at its meetings, which are quorate when over half of the Board members are present. If necessary, a meeting can also be held as a teleconference.

The chairman calls a Board meeting when necessary or if requested by a Board member or the managing director. The chairman decides on the agenda of each meeting based on the proposals made by the managing director or Board members. The agenda and any possible advance material related to the matters to be dealt with shall be delivered to the Board members at the latest three business days prior to the meeting, unless otherwise required by the nature of the issue. The issues that the Board of Directors are to decide on are presented by the managing director, business area manager or an expert.

The secretary of the Board prepares minutes on the matters that the meeting has dealt with and made decisions on, which are approved and signed by all the members that were present at the following meeting.

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

- approve corporate strategy and revise it regularly
- approve the annual budgets and supervise their implementation
- decide 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
- process and approve annual financial statements and interim reports
- following a proposal by the Chief Executive, appoint and discharge the Chief Executive's immediate subordinates, determine their duties, and decide on the terms of employment of both the Chief Executive Officer and his immediate subordinates

- decide on incentive and reward systems for the management and personnel and submit them to the AGM when necessary
- review key operational risks and their management annually
- approve the ethical principles and values of the company.

In 2004, the Board of Directors consisted of eight 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 44–45 of the Annual Report.

The Board met 13 times during the financial year and held six telephone conferences. Attendance at the meetings was 94.08%. In 2004, the chairman of the Board received a monthly fee of EUR 2,550 and other members not employed by Raisio EUR 1,700. 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 traveling compensation policy.

The Board of Directors will carry out an assessment of its activities and operating methods for the first time in winter 2005.

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

## Board committees

The Raisio Group's Board of Directors has appointed a reward committee to prepare proposals for the appointment of senior management, present the proposals for management and personnel rewards and incentives to the Board of Directors and to prepare significant organisational changes. The committee consists of the chairman of the Board and two Board members. The Committee met three times in 2004. No other committees have been appointed by the Board.

## Managing director

The managing director of Raisio Group plc is also 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 plc's Chief Executive Officer as of April 2001. In 2004, the managing director was paid a total of EUR 628,108 in salaries, fees and fringe benefits. The managing director did not receive any Raisio Group plc shares or share related instruments in 2004.

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

Executive Committee of Raisio is chaired by the Chief Executive Officer and consists of the management of the two business sectors and the service functions. 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. 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 46–47.

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

## Management reward system

Raisio Group has separate reward systems for management, middle management and the rest of the personnel. The main principle of the reward systems in 2004 was to achieve 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 were operating result, cash flow and working capital. The company had no stock-based rewarding systems during the period under review.

The Board of Directors shall decide on result-based compensation systems based on the reward committee's proposal.

Constant improvement will continue to be the main principle of the reward systems in 2005. The key indicators will be turnover, result and return on investment.

## Internal control, risk management and internal auditing

Business operations are supervised and controlled according to the Corporate Governance procedures described above.

Internal control of the Group is regular and ongoing. Regular weekly, monthly and quarterly reporting presents deviations from the targets of annual planning and forecasts, as well as compares the results to the previous year's figures. Any possible special concerns and non-recurring matters noted during supervision are reported to the management. Internal supervision reports are regularly synchronized with external accounting. The Board of Directors is provided with corresponding reports on a monthly basis.

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 Vice President, Finance and Treasury, who reports to the Chief Financial Officer.

Risks related to Raisio's business are described in the reviews of each business sector, other financial risks on page 78 of this report.

Raisio Group has not considered it to be necessary to form a separate function for internal auditing. Instead, the duties are included in those of the financial organisation in charge of internal control. The business controllers of each business area report directly to the Chief Financial Officer. The financial managers of units also report to the CFO on matters related to risk management, internal control and auditing. The auditors have taken into account the chosen method in their audit plans.

## Insider regulations

On 1 May 2000, the company adopted insider instructions following the guidelines for insiders issued by Helsinki Stock Exchange. Permanent insiders include statutory insiders – the members of the Supervisory Board and the Board of Directors and their deputies, the managing director and the auditors – and insiders by definition, who on 31 December 2004 numbered 30 and were mostly managers and experts.

The Raisio Group's insiders are not allowed to trade in company shares during the 14 days preceding the publication of the company's interim report or during the 30 days preceding the publication of its financial review. The Group's insider administration uses the Finnish Central Securities Depository's SIRE system, which makes public the holdings that insiders and associations under their control have in Raisio Group plc, as well as changes to them. The Raisio Group's insiders and their holdings, as well as changes to them, are listed on the company's website at [www.raisiogroup.com](http://www.raisiogroup.com) – About Raisio – Insiders.

## Auditing

The regular auditors for 2004 were Johan Kronberg, APA, and Mika Kaarisalo, APA; deputy auditors were Authorized Public Accountants PricewaterhouseCoopers Oy and Kalle Laaksonen, APA. The 2004 Annual General Meeting appointed the same auditors and their deputies for 2005.

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 2004. The auditors give the shareholders an auditing report on the annual financial statements as required by law.

Fees for statutory auditing in 2004 amounted to a total of EUR 330,400. The company also purchased other services from PricewaterhouseCoopers Oy and its associates by a total of EUR 427,300.

## Change in the Articles of Association

The recommendation for the corporate governance of listed companies made by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers took effect on 1 July 2004. Raisio Group already complies with most parts of the recommendation. In August 2004 the Board of Directors gave the Annual General Meeting its proposal for a change in the Articles of Association, and the Extraordinary General Meeting held on 30 September 2004 approved the proposal in the first proceeding. If the proposal is approved at the Annual General Meeting in March 2005 without changes to its contents, the new Articles of Association are expected to take effect in April 2005 after being entered in the Trade Register. Then the only deviation from the recommendation is the fact that Board members are elected by the Supervisory Board. Raisio considers it to be logical that the Supervisory Board appoints the Board members, as the Supervisory Board's key duty is to supervise the company's administration.

The Articles of Association and the proposal for a change in it are published on [www.raisiogroup.com](http://www.raisiogroup.com)

# Supervisory Board



**Juha Saura**, born 1951  
Pöytyä  
Chairman from 23 November 2004  
and member since 1998\*\*  
series K 1,700  
Juha Saura 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

**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

**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 Järvilahti**, born 1943  
Halikko  
member since 1987\*  
series K 60

**Taisto Korkea-ooja**, born 1941  
Kokemäki  
member since 1992\*\*  
series K 10,560 and  
series V 20,620

**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  
Piikkiö  
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 Ojaniemi**, 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

**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 81,080 and  
series V 6,300

Shareholdings of the Supervisory Board  
on 10 February 2005 (date of  
releasing the financial statements  
bulletin)

Series K =  
Raisio Group restricted shares  
Series V =  
Raisio Group free shares

In 2004, the Supervisory Board also  
included Hannu Auranen and Pekka  
Raipala.

\* End of term 2005  
\*\* End of term 2006  
\*\*\* End of term 2007



# Board of Directors

## Regular members



Chairman

**Arimo Uusitalo**

**Year of birth:** 1942

**Domicile:** Kiikala, Finland

**Education:** M.Sc. (Agriculture)

**Principal occupation:** –, Agricultural Councilor

**Principal employment history:**

Farm owner 1972–

**Board member as from:**

member since 1991,  
Chairman since 2001,  
end of term 2006

**Other simultaneous positions of trust:**

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 Kantrisalola: Chairman of the Board of Directors;

Oy Metsä-Botnia Ab: Member of the Board of Directors

**Fees in 2004:** EUR 30,600

**Holdings in Raisio Group:** Series K 18,420



**Jörgen Grandell**

**Year of birth:** 1959

**Domicile:** Iniö, Finland

**Education:** M.Sc. (Agriculture)

**Principal occupation:** Chief Executive, Finska Hushållningssällskapet

**Principal employment history:**

Finska Hushållningssällskapet 2001–;  
Aktia Savings Bank p.l.c 1996–2001: Service Manager;  
Merita (including its predecessor banks) 1989–1996: Branch Manager;  
Suomen Vilja Oy 1987–1989: Grain Purchasing Manager;  
Suomen Talousseura 1985–1987: Financial Advisor

**Board member as from:**

member since 2003, end of term 2006

**Other simultaneous positions of trust:**

Ab Åbo Hushållning Oy: Member of the Board of Directors;  
Agro-Sydväst rf: Member of the Board of Directors;  
Sparbanksstiftelsen för Åboland: Chairman of the Board of Directors;

Veritas Pension Insurance Company Ltd.:

Member of the Supervisory Board;  
Svenska småbruk och egna hem Ab: Member of the Supervisory Board;  
Västbolands Skogsvårdföreningen r.f: Member of the Council;  
Turun seudun kodinpuolustus foundation: Member of the Board of Directors

**Fees in 2004:** EUR 20,400

**Holdings in Raisio Group:** series V 500



**Erkki Haavisto**

**Year of birth:** 1968

**Domicile:** Raisio, Finland

**Education:** M.Sc. (Agriculture)

**Principal occupation:** farmer

**Principal employment history:**

Farm owner 1993–

**Board member as from:**

member since 2004, end of term 2005

**Other simultaneous positions of trust:**

Turku District Cooperative Bank: Member of the Supervisory Board

**Fees in 2004:** EUR 20,400

**Holdings in Raisio Group:** series K 364,940 and series V 172,260



**Jaakko Ihamuotila**

**Year of birth:** 1939

**Domicile:** Helsinki, Finland

**Education:** M.Sc (Eng.)

**Principal occupation:** –, Dr. Tech. HC

**Principal employment history:**

Fortum Corporation 1998–2000: Executive Board Member;  
Neste Plc 1980–1998: Chief Executive and Chairman;  
Valmet Oy 1973–1980: Chief Executive

**Board member as from:**

member since 2000,  
end of term 2005

**Other simultaneous positions of trust:**

Nordea Bank Finland Plc: Member of the Advisory Committee;  
The Finnish Technology Award Foundation: Chairman of the Board of Directors;  
Johtamistaidon Opisto r.y: Chairman of the Board of Directors

**Fees in 2004:** EUR 20,400

**Holdings in Raisio Group:** series V 22,500



### Rabbe Klemets

**Year of birth:** 1953

**Domicile:** Turku, Finland

**Education:** Licentiate of Science

**Principal occupation:** CEO, Raisio Group from 2001

#### Principal employment history:

Raisio Group 1999–;  
Wallac/EG/G Life Sciences 1991–1999:  
Managerial duties

#### Board member as from:

deputy member since 1999,  
member since 2001, end of term 2005

#### Other simultaneous positions of trust:

Tapiola General Mutual Insurance Company:  
Member of the Supervisory Board;  
Auria Ltd: Member of the Board of Directors;  
Kibron Inc. Oy: 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

**Salaries, fees and fringe benefits in 2004:** EUR 628,108

**Holdings in Raisio Group:** series V 10,200



### Kaarlo Pettilä

**Year of birth:** 1941

**Domicile:** Salo, Finland

**Education:** M.Sc. (Agriculture)

**Principal occupation:** farmer, Agricultural Councilor

#### Principal employment history:

Farm owner 1967–

#### Board member as from:

Member since 1992,  
deputy Chairman from 10 February 2005,  
end of term 2005

#### Other simultaneous positions of trust: –

**Fees in 2004:** EUR 20,400

#### Holdings in Raisio Group:

series K 51,400 and  
series V 2,880



### Michael Ramm-Schmidt

**Year of birth:** 1952

**Domicile:** Espoo, Finland

**Education:** B.Sc. (Econ. & Bus. Adm.)

**Principal occupation:** Oy Executive Leasing Ab, Executive Chairman

#### Principal employment history:

Oy Executive Leasing Ab 2004–;  
Hackman Oyj Abp 2004: President & CEO;  
Hackman Metos Oy Ab 1995–2004:  
Chief Executive;  
Hackman Designor Oy Ab 1989–1994:  
Chief Executive;  
International Masters Publishers Inc.  
1986–1989: CEO;  
Skandinavisk Press AB 1984–1986: President & CEO

#### Board member as from:

member since 2005,  
end of term 2006

#### Other simultaneous positions of trust:

International Masters Publishers A/S: Member of the Board of Directors;  
Karelia Corporation: Member of the Board of Directors;

Levanto Oy: Member of the Board of Directors;  
Stiftelsen för Svenska Handelshögskolan:  
Member of the Board of Directors;  
Huurre Group, Member of the Board of Directors

**Holdings in Raisio Group:** series V 27,000



### Christoffer Taxell

**Year of birth:** 1948

**Domicile:** Turku, Finland

**Education:** Master of Laws

**Principal occupation:** Chancellor of Åbo Akademi University, minister

#### Principal employment history:

Åbo Akademi 2003–;  
Partek Corporation 1990–2002: President & CEO;  
member of parliament 1975–1991;  
minister of justice 1979–1987;  
minister of education 1987–1990

#### Board member as from:

member since 2003, end of term 2006

#### Other simultaneous positions of trust:

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;  
Foundation of Åbo Akademi: Chairman of the Board of Directors;  
Confederation of Finnish Industries, EK:  
Chairman of the Board of Directors

**Fees in 2004:** EUR 20,400

**Holdings in Raisio Group:** series V 3,000

## Deputy members

Deputy members of the Board of Directors are Mikko Korttila, Olavi Kuusela, Jukka Lavi, Taru Narvanmaa and Jyrki Paappa. All deputy members of the Board of Directors belong to Raisio Group Executive Committee. Management is introduced on pages 46–47.

During 2004 as deputy members acted also Jari Lehmusvaara and Antti Salminen.

The Board of Directors also comprised Matti Linnainmaa in 2004. The secretary of the Board of Directors and the Supervisory Board is Janne Martti, Master of Laws, Vice President, Finance and Treasury, Raisio Group.

# Executive Committee



**Rabbe Klemets**

See page 45



**Olavi Kuusela**

**Year of birth:** 1950

**Domicile:** Helsinki, Finland

**Education:** M.Sc. (Agriculture)

**Occupation in Raisio:** Executive Vice President, Raisio Nutrition

**Principal employment history:**

Raisio Group 2003–;  
Valio Ltd 2000–2003; SOK 1995–1999;  
Hankkija-Agriculture Ltd 1988–1995;  
Keski-Pohjanmaan Osuuskauppa 1987–1988;  
Osuuskauppa Maakunta 1985–1987:  
Managerial duties

**Positions of trust:**

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; Pouttu companies  
(Pouttu Oy, Liha-Pouttu Oy, Jaloste-Pouttu Oy):  
Member of the Board of Directors;  
Agrifood Research Finland: Member of Executive  
Committee

**Holdings in Raisio Group:**  
series V 1,000



**Jukka Lavi**

**Year of birth:** 1955

**Domicile:** Lieto, Finland

**Education:** Bachelor of Science

**Occupation in Raisio:** Executive Vice President,  
Raisio Life Sciences

**Principal employment history:**

Raisio Group 2000–;  
Wallac/EG/G Life Sciences 1979–2000:  
Managerial duties in sales and marketing,  
operations outside Finland

**Positions of trust:**

Pribori Oy: Member of the Board of Directors

**Holdings in Raisio Group:** –



### Mikko Korttila

**Year of birth:** 1962

**Domicile:** Turku, Finland

**Education:** Master of Laws

**Occupation in Raisio:**  
Executive Vice President, Legal Affairs

#### Principal employment history:

Raisio Group 1997–,  
Attorney-at-Law 1990–1997

#### Positions of trust:

Turku Chamber of Commerce: Member of Law Committee and Vice Member of Board of Arbitration;  
Central Chamber of Commerce: Member of Law Committee; International Chamber of Commerce, Finnish Committee: Member of working groups

**Holdings in Raisio Group:** –



### Merja Lumme

**Year of birth:** 1961

**Domicile:** Lieto, Finland

**Education:** Engineer

**Occupation in Raisio:** Executive Vice President,  
Human Resources

#### Principal employment history:

Raisio Group 2003–;  
PerkinElmer/Wallac: 1992–2003: Quality management, HR management and administration;  
Aimo Virtanen Oy 1991–1992,  
Saloplast Oy 1988–1992,  
Treston Oy 1987–1988: Quality management

**Positions of trust:** –

**Holdings in Raisio Group:** –



### Taru Narvanmaa

**Year of birth:** 1963

**Domicile:** Turku, Finland

**Education:** M.Sc. (Econ.)

**Occupation in Raisio:** Executive Vice President,  
Communications and Investor Relations

#### Principal employment history:

Raisio Group 2001 –;  
Sampo plc 1989–2001: Expert and managerial duties in investment, financial administration and investor relations;  
Mo och Domsjö 1986–1989: Finance expert

#### Positions of trust:

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

**Holdings in Raisio Group:**  
series V 10,000



### Jyrki Paappa

**Year of birth:** 1965

**Domicile:** Naantali, Finland

**Education:** M.Sc. (Econ.)

**Occupation in Raisio:** Chief Financial Officer

#### Principal employment history:

Raisio Group 1995–: Financial risk management and financial administration;  
Turku District Cooperative Bank 1989–1995: Finance expert

#### Positions of trust:

Turku Chamber of Commerce: Member of Audit Committee

**Holdings in Raisio Group:**  
series V 1,000





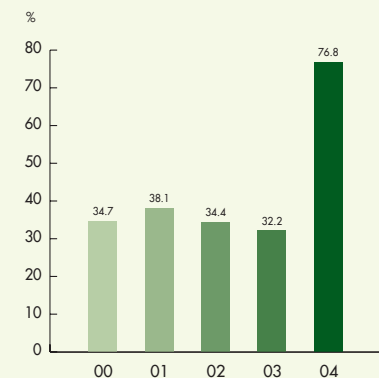


## Financial Statements

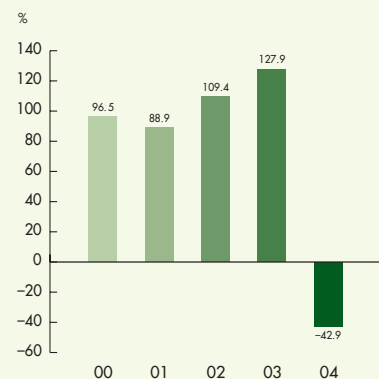


Raisio Group's turnover in 2004 was EUR 626.9 million. Its operating result amounted to EUR 202.8 million and EUR 10.4 million excluding one-off items. The turnover of the ongoing business operations was EUR 443.2 million and operating result excluding one-off items EUR 6.8 million.

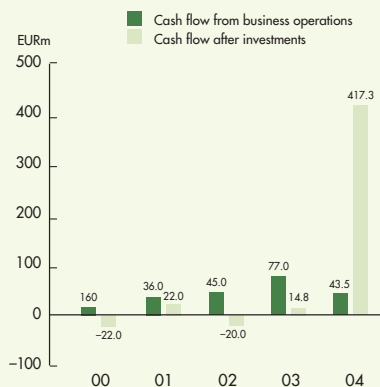
## Equity ratio



## Gearing



## Cash flow



# Report of the Board Directors

Last year was a year of big changes in Raisio Group. Slow organic growth made it difficult to implement the strategy drawn up in 2001, resulting in a strategic reassessment by the Board of Directors. Analysing restructuring alternatives resulted in the decision to divest Raisio Chemicals, which was then sold to the Swiss company Ciba Specialty Chemicals. Previous investments had increased the value of Raisio Chemicals, and the deal was concluded quickly and on favourable terms. Raisio Group with its strong financial standing is now in a good position to proceed as an expert in plant-based foods and ensuring food safety.

Competition remained intense in most of Raisio's product areas, partly due to the pressure on prices created by new market participants. Although the food and feed markets showed weak growth, Raisio clearly improved its profitability thanks to several programmes aimed at enhancing operations. Increased consumer awareness of health-related issues boosted the demand for functional foods all around Europe. Raisio succeeded in considerably increasing both the sales and market share of the cholesterol-lowering Benecol ingredient.

## Divestment of Raisio Chemicals

The divestment of Raisio Chemicals to the Swiss company Ciba Specialty Chemicals was concluded on 2 June 2004. The enterprise value amounted to EUR 475 million. It consisted of a cash payment and the transfer of debts. Sales profit totalled EUR 223.1 million.

The financial statements include Raisio Chemicals' figures for the January to May period in 2004. The turnover of Raisio Chemicals in January–May was EUR 183.7 million, and the operating profit EUR 3.6 million.

## Strategic realignment

After the conclusion of the Raisio Chemicals' divestment, the Board of Directors and the Supervisory Board approved a new vision and strategy for Raisio Group in June. Raisio's vision is to be the leading specialist in plant-based products and in ensuring food safety.

Raisio Nutrition and Raisio Life Sciences represent the Group's business areas. Raisio Nutrition comprises two businesses – Food and Feed and malt – and, similarly, Raisio Life Sciences two – Ingredients and Food Diagnostics. The two business areas share research and development activities, which also include a unit focused on the development of new business operations. Service functions are now provided at the Group level.

Raisio Nutrition's strategic growth areas are Russia and Poland. The business area is expected to reach an annual organic growth of 2 per cent in Finland and approximately 5 per cent in Russia and Poland. Although the functional food ingredients and food diagnostics businesses seek growth especially in the European markets, their operations are global. Raisio Life Sciences is expected to grow organically by 15 to 20 per cent a year. Raisio Group's strong balance sheet also enables business development through acquisitions.

To improve profitability, Raisio Group aims to increase the degree of product upgrading and continue to enhance its operations. The objective is to raise the return on investment to 12 per cent.

## Key Figures

|  | 1–3/2004 | 4–6/2004 | 7–9/2004 | 10–12/2004 | 2004  | 2003  |
|--|----------|----------|----------|------------|-------|-------|
| Turnover, EUR million                                    | 205.6    | 196.2    | 113.0    | 112.2      | 626.9 | 860.5 |
| Operating result, EUR million                            | 0.7      | 195.4    | 3.0      | 3.7        | 202.8 | -14.3 |
| Operating result, excluding one-off items, EUR million   | 0.7      | 4.4      | 3.0      | 2.2        | 10.4  | 1.2   |
| Result before taxes, EUR million                         | -2.3     | 192.4    | 3.4      | 4.5        | 198.0 | -27.2 |
| Result before taxes excluding one-off items, EUR million | -2.3     | 3.4      | 3.4      | 3.0        | 7.6   | -11.7 |
| Earnings per share (EPS), EUR                            | -0.03    | 1.15     | 0.05     | 0.02       | 1.19  | -0.16 |
| EPS before one-off items, EUR                            | -0.03    | 0.02     | 0.05     | 0.01       | 0.05  | -0.09 |
| Equity ratio, %  | 31.3     | 65.8     | 70.6     | 76.8       | 76.8  | 32.2  |
| Gearing, %   | 135.6    | -41.1    | -48.1    | -42.9      | -42.9 | 127.9 |
| Cash flow from business operations, EUR million          | 2.3      | 13.4     | 23.0     | 4.8        | 43.5  | 77.0  |



## Turnover

Turnover in 2004 amounted to EUR 626.9 million (EUR 860.5 million). The divested Raisio Chemicals accounted for EUR 183.7 million (EUR 422.3 million) of this amount. The turnover of Raisio Nutrition decreased, while that of Raisio Life Sciences increased.

Turnover from outside Finland represented 44.6 per cent (52.1%) of the total, or EUR 279.4 million (EUR 448.6 million). When calculating the figures for the new structure after the divestment of Raisio Chemicals, foreign turnover drops to some 35.9 per cent.

## Result

Operating result was EUR 202.8 million (EUR -14.3 million), and EUR 10.4 million (EUR 1.2 million) excluding one-off items. The most notable one-off income was the sales profit of EUR 223.1 million from the divestment of Raisio Chemicals. Other sales profits amounted to EUR 4.4 million. During the work on its strategy, Raisio also updated its business plans and made a critical assessment of the valuation of balance sheet items in light of the new strategy and return expectations. Goodwill and other balance sheet items were written down by a total of EUR 33.7 million. The rationalisation provision was adjusted to EUR 1.4 million, and one-off financial expenses were EUR 2.0 million. The previous year's operating result was also weakened by one-off items of EUR 15.5 million.

| One-off items                    |        |       |
|----------------------------------|--------|-------|
|                                  | 2004   | 2003  |
| Raisio Nutrition                 | -20.7  | -6.9  |
| Raisio Life Sciences             | -8.6   | -     |
| Raisio Chemicals                 | -      | -8.6  |
| Group                            | +221.7 | -     |
| Total impact on operating result | +192.4 | -15.5 |
| Impact of financial expenses     | -2.0   | -     |

The operating result from the ongoing business operations, excluding one-off items, saw significant improvement, amounting to EUR 6.8 million (EUR -9.3 million).

The result before taxes was EUR 198.0 million (EUR -27.2 million), and net financial expenses totalled EUR 4.9 million (EUR 12.9 million). The profits from the divestment of Raisio Chemicals were used to repay loans, which has decreased interest rate expenses. Additionally, investing the profits has increased interest income.

Raisio Group considers the sales profit of EUR 223.1 million from the divestment of Raisio Chemicals to be tax-free concerning the shares in accordance with the new corporate and capital tax legislation.

Consequently, no tax on the sales profit of the Raisio Chemicals' shares was recorded in the financial statements. As for other assets, a total of EUR 2.7 million was recorded as taxes on sales profit. According to old legislation, sales profit tax would have amounted to EUR 70 million.

A total of EUR 10 million of previously unrecorded deferred tax assets were recorded under taxes as their recovery was confirmed.

The net result after taxes was EUR 195.8 million (EUR -26.7 million). The earnings per share was EUR 1.19 (EUR -0.16) and EUR 0.05 (EUR -0.09) excluding one-off items.

Cash flow from business operations totalled EUR 43.5 million (EUR 77.0 million).

## Business areas

### RAISIO NUTRITION

Central European manufacturers increased their supply in the Finnish food market and the share of private label products grew. However, Raisio's market share in foods stayed more or less the same in Finland and Poland but saw a slight increase in Russia. The Group invested in the development and market launch of new healthy and easy-to-use plant-based products.

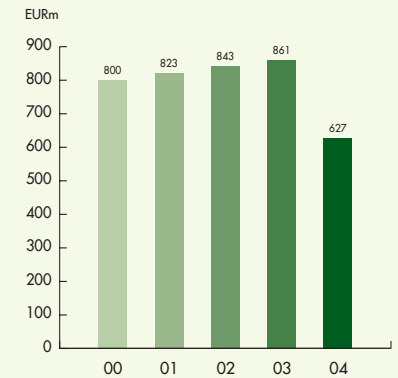
Competition in the feed markets remained unchanged. Raisio's market position stayed the same in farm feeds, strengthening slightly in fish feeds. Owing to the exceptional weather conditions last summer, basic feeds show variable quality, which is why the feed business is investing in the high quality of supplement feeds on domestic markets and seeking growth from exports.

The oversupply of malt in the EU region and increased malting capacity in Russia intensified competition in the malt markets. However, Raisio maintained its market position both in Finland and its export markets. Stiff competition and a low price level are expected to characterise 2005 as well. The malting barley crop in 2004 was good in terms of volumes and quality. For the first time in years, malting barley imports will account for a very small share of overall raw material volumes.

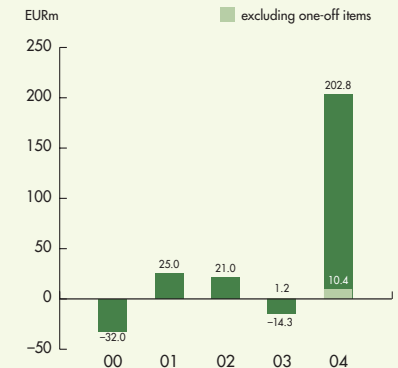
Raisio Nutrition's turnover dropped by 4.4 per cent, amounting to EUR 399.6 million (EUR 417.9 million). This resulted from weak margarine sales in Sweden, the discontinuation of the grain starch business and steep drop in malt prices. Growth, however, was seen in the Polish margarine market and feed business.

Raisio Nutrition's operating result was EUR -15.1 million (EUR -11.7 million). The operating result includes a total of EUR 25.1 million in write-downs, targeting, for example, the goodwill of margarine business in Sweden. It also includes one-off income of EUR 4.4 million from the sale of the Risella rice brand and grain starch machinery.

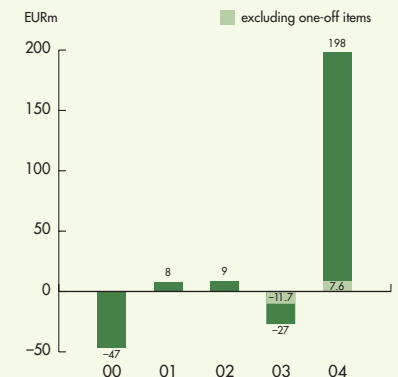
## Turnover



## Operating result



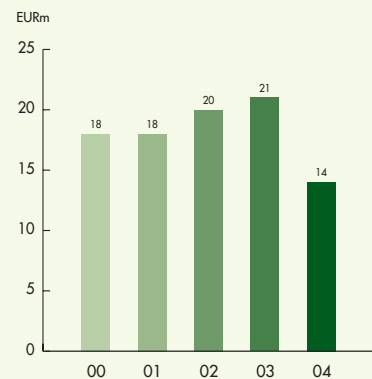
## Result before taxes



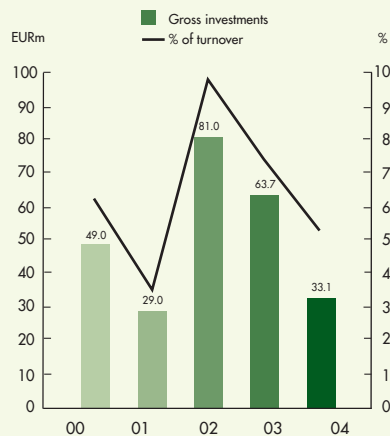


## FINANCIAL STATEMENTS

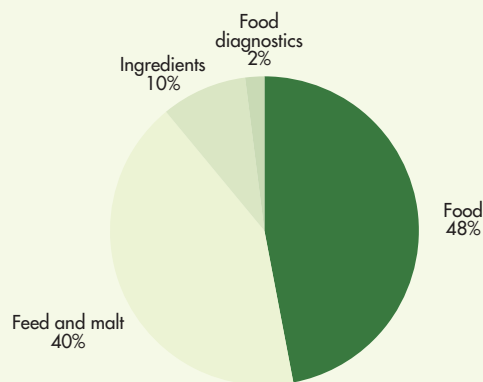
## R&amp;D expenditure



## Investments



## Turnover of ongoing businesses



## Raisio Nutrition's turnover, EUR million

|                | 2004  | 2003  |
|----------------|-------|-------|
| Food           | 218.4 | 232.2 |
| Margarine      | 120.6 | 130.8 |
| Milling        | 72.2  | 75.3  |
| Food Potato    | 21.0  | 21.2  |
| Others         | 12.3  | 14.4  |
| Internal sales | -7.7  | -9.5  |
| Animal Feeds   | 165.2 | 163.8 |
| Malt           | 24.7  | 26.4  |
| Grain Starch   | 12.5  | 15.0  |
| Internal Sales | -21.2 | -19.5 |
| Total          | 399.6 | 417.9 |

The operating profit excluding one-off items was EUR 5.6 million (EUR -4.8 million). Profitability improved thanks to enhancement programmes, withdrawal from loss-making operations and good development in Polish business operations. It was challenged by the unexpected and hefty changes in soybean prices, in particular, and by the low price of soy oil in Europe. Lower malt prices also weakened profitability.

Margarine production was centralised in the Finnish, Polish and Russian production facilities. A margarine plant in Istra, near Moscow, began operations in the early part of the year. Margarine production was discontinued in Sweden, and the facilities were sold in December. The loss-making grain starch business was discontinued at the end of August.

The catering organisations of Raisio and Lännen Tehtaat joined forces to form Ateriamestarit Oy, a 50/50 owned sales company that began operations in May.

Adding to its 20 per cent interest in Camelina Ltd, Raisio acquired the company's remaining share capital in October to further develop the productisation and marketing of omega-3 fatty acids extracted from the Camelina plant.

## RAISIO LIFE SCIENCES

The market for functional foods grew especially in Europe, where Raisio further strengthened its market position. The market growth in functional foods is expected to continue due to the consumers' increasing awareness of health-related issues and an increase in lifestyle diseases. Raisio will focus on creating and identifying new product applications and market areas.

The fragmented food diagnostics markets have been characterised by strong centralisation in the past few years, which may lead to small companies quickly turning into significant players in the field. The fastest growing field in food diagnostics is that of rapid testing methods, which Raisio also focuses on.

The turnover for Raisio Life Sciences grew by 56.6 per cent and amounted to EUR 53.3 million (EUR 34.0 million) thanks to strong development in ingredients sales. The turnover of the food diagnostics business also increased, but it should be noted that Diffchamb, the food diagnostics company acquired in early 2003, is only included in the April–December figures for the comparison year.

Ingredients sales grew by 66.0 per cent, and new markets were won especially in Central and Southern Europe. Partners introduced 14 new products to the markets. Especially the Benecol yoghurt drink sold in mini-bottles enjoyed good success.

## Raisio Life Sciences' turnover, EUR million

|             | 2004 | 2003 |
|-------------|------|------|
| Ingredients | 44.7 | 27.0 |
| Diagnostics | 8.6  | 7.0  |
| Total       | 53.3 | 34.0 |

Raisio Life Sciences recorded an operating result of EUR -5.3 million (EUR -5.4 million). The operating result includes a EUR 4.1 million write-down on the Diffchamb goodwill and EUR 4.5 million write-downs on other balance sheet items.

Operating result one-off items excluded improved to EUR 3.3 million (EUR -5.4 million) boosted by strong growth and a rigorous cost regime. Enhancement measures were adopted to improve the profitability of the diagnostics business. Inputs were also made in product development.

Owing to the increase in ingredients deliveries, an expansion to the capacity of the stanol ester plant in Raisio was initiated at the end of the year.

The legal hearings for the sitostanolester patent continued in Munich in late September. The European Patent Office returned the case to the first instance, and Raisio estimates the final decision on patent coverage to be made within 3–5 years.

Several medical studies carried out last year, such as a doctoral thesis at the University of Helsinki in October, prove the effectiveness and safety of the Benecol ingredient in lowering cholesterol and sterol levels.

## Research and development

Raisio Group's research and development expenses in 2004 amounted to EUR 14.2 million (EUR 21.1 million), or 2.3 per cent (2.5%) of turnover. This figure includes a total of EUR 6.3 million (EUR 14.6 million) of Raisio Chemicals' research and development costs.

Raisio Nutrition's research and development expenses totalled EUR 4.8 million (EUR 4.4 million), or 1.2 per cent (1.1%) of the business area's turnover. Raisio Life Sciences spent EUR 3.1 million (EUR 2.1 million), or 5.8 per cent (6.2%) of the business area's turnover, on research and development.

Research and development is one of Raisio's strategic priorities. It enables Raisio to renew itself and upgrade the product portfolio. The first steps in this respect were taken in 2004 with the inauguration of a food diagnostics research centre in Turku and a research centre for food and ingredients in Helsinki. Investments in research and development will increase in 2005 by some EUR 3 million.

## Investments

The gross investments in 2004 amounted to EUR 33.1 million (EUR 63.7 million), or 5.3 per cent (7.4%) of turnover. The gross investments of Raisio Nutrition totalled EUR 15.3 million (EUR 12.3 million), and those of Raisio Life Sciences EUR 2.8 million (EUR 19.9 million). The main investments in ongoing business included a new production line in the food potato factory and the margarine plant in Russia.

## Balance sheet and financial position

Raisio's balance sheet decreased significantly as a result of the divestment of Raisio Chemicals, repayment of debt, write-downs and an extra dividend payment. The balance sheet total was EUR 510.4 million (EUR 675.0 million), while shareholders' equity amounted to EUR 376.8 million (EUR 194.0 million).

The change in Raisio's financial position had a significant impact on the key financial figures and financial risk position. The syndicated loan agreement signed in 1998 was terminated, and the credit withdrawn was fully repaid in June.

The net interest-bearing debt was EUR -168.1 million (EUR 277.8 million) at the end of the period. The equity ratio was 76.8 per cent (32.2%), and the gearing ratio was -42.9 per cent (127.9%).

Working capital decreased to EUR 57.5 million (EUR 110.4 million), as a result of the divestment of Raisio Chemicals and the measures taken to enhance capital employment. Terminating the programme for true sales of receivables brought a EUR 14 million increase to working capital.

## Governance, management and personnel

Raisio Group's Supervisory Board elected Juha Saura to act as Chairman for the period 23 November 2004-31 December 2005. Ola Rosendahl, who assumed the duties after Vesa Lammela resigned from the post in spring 2004, will continue as Vice Chairman.

In 2004 the Board of Directors of the Raisio Group consisted of Jörgen Grandell, Erkki Haavisto, Jaakko Ihamuotila, Rabbe Klemets, Matti Linnainmaa, Kaarlo Pettilä, Christoffer Taxell and Arimo Uusitalo. In November the Supervisory Board elected Michael Ramm-Schmidt to the Board of Directors for the period 2005-2006. Of the members whose terms came to an end, Jörgen Grandell, Christoffer Taxell and Arimo Uusitalo were re-elected. All of the members now elected are independent of the company.

Olavi Kuusela and Jukka Lavi were re-elected as deputy members, while Taru Narvanmaa and Jyrki Paappa, appointed Chief Financial Officer of the Group and a member of the Executive Committee as of 1 September 2004, were elected as new deputy members. All deputy members represent current management. Following the divestment of Raisio Chemicals, Jari Lehmusvaara, COO of Raisio Chemicals, resigned from his position as a deputy Board member in June 2004.

Raisio Group is in the process of reforming its corporate governance. The proposed amendments to the Articles of Association, approved at the Extraordinary General Meeting held on 30 September 2004, will not take effect until approved without changes to their content at a second general meeting. If the amendments are approved in the second proceeding, e.g. the term of Board members will be reduced to one year, and the duties of deputy members will be terminated.

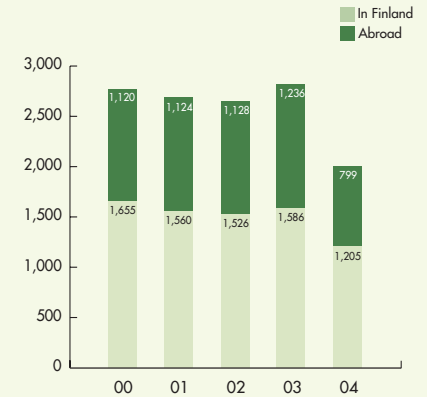
Raisio Group employed 1,412 (2,735) people on 31 December 2004. Employees working abroad accounted for 32 per cent (45%) of the personnel at the end of the year. The reduction in personnel was a result of the divestment of Raisio Chemicals and streamlining programmes. The roll-out of the Russian margarine plant and recruiting in research and development increased the number of personnel. At the end of the year Raisio Nutrition employed 1,190 and Raisio Life Sciences 177 people.

## Adoption of the IFRS accounting standards

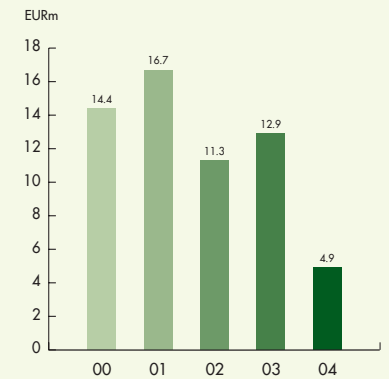
The financial statements of the Raisio Group have been prepared in accordance with Finnish Accounting Standards (FAS). The interim report for the first quarter of 2005 will be prepared in compliance with the IFRS standards and published on 3 May 2005. In April at the latest, the figures for 2004 will be published in compliance with IFRS. This release will include, for example, the income statement and balance sheet, quarterly figures and a bridging statement on the transfer from Finnish accounting standards to IFRS-compliant accounting.

Based on the preparations carried out, the adoption of IFRS standards will not have a significant impact on Raisio's operating result or balance sheet. Raisio Chemicals will be treated as a discontinued operation as of the first quarter of 2004.

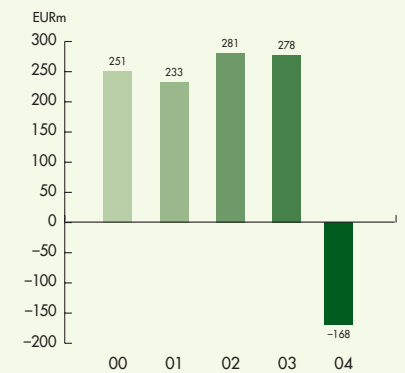
### Average personnel



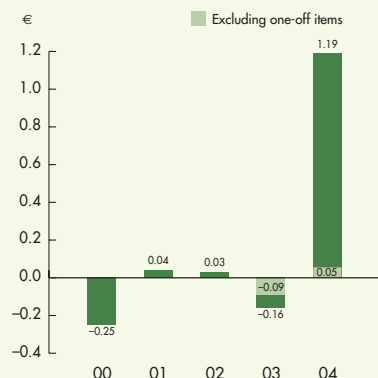
### Net financial expenses



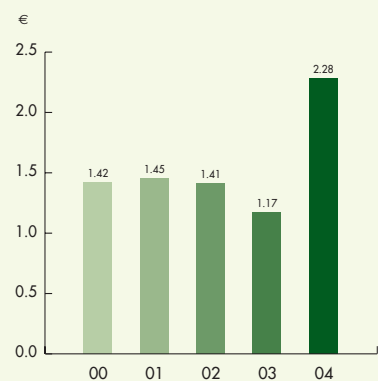
### Net interest-bearing debt



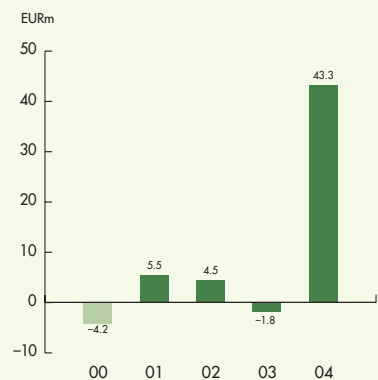
### Earnings per share



### Equity per share



### Return on investment



The opening balance sheet total for 2004 will increase by EUR 7.1 million, while shareholders' equity will decrease by EUR 4.5 million. The most significant changes in the balance sheet include leasing contracts of EUR 7.9 million and pension liabilities of EUR 4.3 million. However, the provision for defined benefit liabilities was nearly fully terminated in 2004.

Goodwill testing was carried out, and no need for further write-downs, in addition to those made according to the Finnish accounting standards in 2004, was detected.

### Shares and shareholders

A total of 110.1 million (45.7 million) of Raisio's free shares were traded on the Helsinki Stock Exchange in 2004. The value of share trading was EUR 180.1 million and the average share price was EUR 1.64. The closing price in 2004 was EUR 1.90. The price of series V shares rose by 53.2 per cent from the beginning of the year.

The 2004 trading volume of restricted shares on the Helsinki Stock Exchange amounted to 1.5 million (633,302 million). The value of share trading was EUR 2.5 million and the average share price was EUR 1.69. The closing price in 2004 was EUR 1.85. The price of series K shares rose by 46.8 per cent from the beginning of the year.

On 31 December 2004, Raisio Group had 44,102 registered shareholders. Of all shares, 11.7 per cent (5.8%) were in foreign holding with the corresponding value for free shares being 14.8 per cent (7.4%).

The Board of Directors did not exercise the authorization to increase share capital issued by the Annual General Meeting on 26 March 2004.

The option programme 1998–2003 for the Board of Directors, management and key employees of the Group ended on 30 January 2004. No shares were subscribed with the option rights. Raisio has no share-based incentive systems at the moment.

### Dividend proposal and share buy-back

It is Raisio's objective to generate added value for all of its shareholders by developing its business operations and improving business profitability, and by following a long-range dividend policy. The objective is to annually distribute half of the per-share earnings generated by the continuing business operations, provided the dividend payment does not compromise the company's ability to meet its strategic objectives.

The Board of Directors proposes a dividend of EUR 0.03 (EUR 0.01) per share for 2004, which represents 50 per cent of the operating result from ongoing business. The Board also proposes an extra dividend of EUR 0.18 (EUR 0.12) per share.

Raisio's Board of Directors has decided to request authorization to buy back company shares at the Annual General Meeting.

### Events after review period

Raisio will begin to produce oat and soy-based fresh products in Turku. The investment will pave the way for a product range upgrade in line with the Group's strategy. Investments in the production and packaging machinery needed for oat and soy-based fresh products amount to some EUR 5 million. The production facilities will employ 15–20 people. New products will be launched in early 2006.

To secure competitiveness, Raisio will continue to streamline its margarine production, which may lead to a staff reduction of 20 employees at the margarine plant in Raisio. The invitation to codetermination talks was issued at the end of January 2005. Furthermore, the margarine plant's maintenance operations and the slightly under 20 employees involved in them were outsourced to ABB Oy, Service.

### Outlook for 2005

Strong growth is predicted to continue in ingredients sales, and some new food products will be launched. Also businesses in Poland and in Russia are expected to grow. In addition, growth will be boosted by enhanced networking in the food, feed and diagnostics businesses. However, the input in research and development in order to speed up organic growth is expected to increase the turnover only in 12 to 18 months. The business operations that were discontinued or divested in 2004 will decrease Raisio's turnover. Hence, the Group's turnover is not expected to show an upward trend in 2005.

The operating result for 2005 is expected to end higher than the comparable operating result in 2004.

Raisio's financial position will remain strong, and net financial expenses are expected to be clearly positive. Growth and production technology projects in line with Raisio's strategy will raise the level of investments substantially.

## Income statement

| (EUR 1,000)  | GROUP           |                 | PARENT COMPANY  |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 1.1.-31.12.2004 | 1.1.-31.12.2003 | 1.1.-31.12.2004 | 1.1.-31.12.2003 |
| <b>TURNOVER (1)</b>  | 626,924         | 860,524         | 10,603          | 16,452          |
| Increase (+)/decrease (-) in stock of finished products and production in progress | -5,588          | -3,936          | 0               | 0               |
| Other income from business operations  | 231,290         | 8,004           | 241,374         | 2,049           |
| Materials and services (2)   | -382,085        | -534,140        | -177            | -1,215          |
| Personnel expenses (3, 4)  | -79,539         | -114,624        | -4,567          | -5,832          |
| Depreciation and write-downs (7)   | -66,124         | -59,979         | -1,952          | -2,002          |
| Other expenses from business operations  | -121,507        | -169,853        | -9,086          | -11,160         |
| Share of associated companies' result  | -556            | -313            |                 |                 |
| <b>OPERATING RESULT (8)</b>  | 202,816         | -14,318         | 236,195         | -1,708          |
| Financial income and expenses (9)  | -4,852          | -12,894         | 28,740          | 4,754           |
| <b>RESULT BEFORE EXTRAORDINARY ITEMS</b>   | 197,964         | -27,212         | 264,935         | 3,046           |
| Extraordinary items (10)   |                 |                 | -33,430         | -4,080          |
| <b>RESULT BEFORE APPROPRIATIONS AND TAXES</b>                                      | 197,964         | -27,212         | 231,505         | -1,034          |
| Appropriations (11)  |                 |                 | 7,483           | 1,499           |
| Income taxes (12)  | -780            | 1,440           | -264            | -285            |
| Minorarily interest  | -1,379          | -888            |                 |                 |
| <b>RESULT FOR THE YEAR</b>   | 195,805         | -26,660         | 238,724         | 180             |

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



## Balance sheet

| (EUR 1,000)                           | GROUP          |                | PARENT COMPANY |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 31.12.2004     | 31.12.2003     | 31.12.2004     | 31.12.2003     |
| <b>ASSETS</b>                         |                |                |                |                |
| NON-CURRENT ASSETS                    |                |                |                |                |
| Intangible assets (13, 14)            | 10,042         | 23,367         | 1,884          | 1,497          |
| Goodwill (13)                         | 16,090         | 65,252         |                |                |
| Tangible assets (13, 14)              | 124,283        | 277,214        | 9,047          | 15,835         |
| Holdings in Group companies (15)      |                |                | 53,857         | 75,180         |
| Holdings in associated companies (15) | 1,783          | 4,356          |                |                |
| Other investments (15)                | 7,992          | 8,281          | 216,707        | 285,856        |
|                                       | 160,189        | 378,471        | 281,495        | 378,368        |
| CURRENT ASSETS                        |                |                |                |                |
| Inventories (17)                      | 56,465         | 117,693        |                |                |
| Non-current receivables (18)          | 6,840          | 7,842          |                |                |
| Deferred tax assets (21)              | 9,085          | 20,296         |                |                |
| Current receivables (18)              | 63,660         | 116,051        | 39,353         | 119,565        |
| Securities under financial assets     | 210,361        | 14,107         | 209,791        | 11,759         |
| Cash in hand and at banks             | 3,770          | 20,535         | 751            | 631            |
|                                       | 350,182        | 296,524        | 249,895        | 131,955        |
| <b>TOTAL ASSETS</b>                   | <b>510,371</b> | <b>674,995</b> | <b>531,390</b> | <b>510,323</b> |

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

| (EUR 1,000)  | GROUP          |                | PARENT COMPANY |                |
|--|----------------|----------------|----------------|----------------|
|  | 31.12.2004     | 31.12.2003     | 31.12.2004     | 31.12.2003     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>          |                |                |                |                |
| <b>SHAREHOLDERS' EQUITY (19)</b>                     |                |                |                |                |
| Share capital  | 27,776         | 27,776         | 27,776         | 27,776         |
| Premium fund   | 2,908          | 2,908          | 2,908          | 2,908          |
| Reserve fund   | 88,587         | 88,767         | 88,587         | 88,587         |
| Other reserves                                       |                |                |                |                |
| Reserves provided for in the Articles of Association | 0              | 172            |                |                |
| Retained earnings                                    | 61,727         | 101,058        | 33,704         | 54,993         |
| Result for the year                                  | 195,805        | -26,660        | 238,724        | 180            |
|  | 376,803        | 194,020        | 391,699        | 174,444        |
| MINORITY INTEREST                                    | 14,754         | 23,248         |                |                |
| APPROPRIATIONS (20)                                  |                |                | 947            | 8,430          |
| <b>LIABILITIES</b>                                   |                |                |                |                |
| Deferred tax liability (21)                          | 10,026         | 22,037         |                |                |
| Non-current liabilities (22)                         | 24,268         | 234,988        | 24,172         | 213,195        |
| Current liabilities (22)                             | 84,520         | 200,702        | 114,572        | 114,254        |
|  | 118,813        | 457,727        | 138,744        | 327,449        |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>    | <b>510,371</b> | <b>674,995</b> | <b>531,390</b> | <b>510,323</b> |

## Source and application of funds

| (EUR 1,000)   | GROUP         |               | PARENT COMPANY |            |
|---|---------------|---------------|----------------|------------|
|   | 2004          | 2003          | 2004           | 2003       |
| <b>CASH FLOW FROM BUSINESS OPERATIONS</b>                           |               |               |                |            |
| Operating result  | 202,816       | -14,318       | 236,195        | -1,708     |
| Operating result adjustments:                                       |               |               |                |            |
| Planned depreciation  | 66,124        | 59,980        | 1,952          | 2,002      |
| Other income and expenses not involving disbursements               | -18           | -1,122        | 0              | 0          |
| Other adjustments   | -227,173      | -92           | -240,220       | -332       |
| Cash flow before change in working capital                          | 41,749        | 44,448        | -2,073         | -38        |
| Increase (-)/decrease (+) in current receivables                    | -26,248       | +26,602       | -865           | +6,666     |
| Increase (-)/decrease (+) in inventories                            | +23,452       | +33,025       | 0              | +818       |
| Increase (+)/decrease (-) in current interest-free liabilities      | +15,917       | -8,933        | -2,977         | -10,154    |
| Change in working capital   | 13,121        | 50,694        | -3,842         | -2,670     |
| Cash flow from business operations before financial items and taxes | 54,870        | 95,142        | -5,915         | -2,708     |
| Interest paid and payments on financial operating expenses          | -12,917       | -17,729       | -7,018         | -14,264    |
| Dividends received  | 573           | 340           | 17,557         | 319        |
| Interest and other financial income from operations                 | 5,790         | 5,150         | 12,838         | 16,506     |
| Direct taxes paid   | -4,828        | -5,931        | -240           | 461        |
| Cash flow before extraordinary items                                | 43,488        | 76,972        | 17,222         | 314        |
| Cash flow arising from extraordinary operating items (net)          | 0             | 0             | 0              | 0          |
| <b>CASH FLOW FROM BUSINESS OPERATIONS</b>                           | <b>43,488</b> | <b>76,972</b> | <b>17,222</b>  | <b>314</b> |

| (EUR 1,000)   | GROUP           |                | PARENT COMPANY  |                |
|---|-----------------|----------------|-----------------|----------------|
|   | 2004            | 2003           | 2004            | 2003           |
| <b>CASH FLOW FROM INVESTMENTS</b>                       |                 |                |                 |                |
| Investments in tangible and intangible assets           | -29,372         | -51,220        | -1,627          | -997           |
| Income from surrender of tangible and intangible assets | 25,645          | 3,224          | 16,800          | 652            |
| Investments in Group company shares                     | -1,946          | -13,875        | -1,548          | 0              |
| Income from surrender of Group company shares           | 380,351         | -66            | 253,211         | 0              |
| Investments in associated company shares                | -15             | -679           | 0               | 0              |
| Income from surrender of associated company shares      | 250             | 0              | 250             | 0              |
| Other investments                                       | -984            | -16            | 0               | -250           |
| Income from surrender of other investments              | 25              | 396            | 25              | 395            |
| Loans granted   | -152            | 0              | -47,050         | -46,084        |
| Repayment of loan receivables                           | 0               | 0              | 122,595         | 32,169         |
| <b>CASH FLOW FROM INVESTMENTS</b>                       | <b>373,802</b>  | <b>-62,236</b> | <b>342,656</b>  | <b>-14,115</b> |
| Cash flow after investments                             | 417,290         | 14,736         | 359,878         | -13,801        |
| <b>CASH FLOW FROM FINANCIAL OPERATIONS</b>              |                 |                |                 |                |
| Increase (+)/decrease (-) in non-current loans          | -216,775        | -18,143        | -213,309        | -5,532         |
| Increase (+)/decrease (-) in current liabilities        | +295            | -1,009         | -17,976         | +25,223        |
| Increase (+)/decrease (-) in loan receivables           | -1,039          | +76            | +95,108         | -22,142        |
| Group contributions received and paid                   |                 |                | -4,080          | -9,850         |
| Dividend paid and other distribution of profit          | -21,705         | -3,538         | -21,469         | -3,303         |
| <b>CASH FLOW FROM FINANCIAL OPERATIONS</b>              | <b>-239,224</b> | <b>-22,614</b> | <b>-161,726</b> | <b>4,096</b>   |
| Change in liquid funds according to calculation         | 178,066         | -7,878         | 198,152         | -9,705         |
| Unallocated items                                       | 1,422           | 329            | 0               | 0              |
| Change in liquid funds                                  | 179,488         | -7,549         | 198,152         | -9,705         |
| Liquid funds at beginning of financial year             | 34,643          | 42,192         | 12,390          | 22,095         |
| Liquid funds at end of financial year                   | 214,131         | 34,643         | 210,542         | 12,390         |



# 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 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 2004. 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 4–15 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.

The parent company's turnover mainly consists of income from services provided by the parent company to Group companies. Comparison data for 2003 have been modified correspondingly.

## 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 has used 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. In the case of open electricity derivative contracts, results are not entered because they target future energy use. The market and nominal values of the contracts are included in the notes.

## 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.

## Notes to the income statement

| (EUR 1,000)                      | GROUP   |         |         |         | PARENT COMPANY |         |         |         |
|----------------------------------|---------|---------|---------|---------|----------------|---------|---------|---------|
|                                  | 2004    |         | 2003    |         | 2004           |         | 2003    |         |
| <b>1. TURNOVER BY DIVISION</b>   |         |         |         |         |                |         |         |         |
| Raisio Nutrition                 | 399,601 |         | 417,938 |         |                |         |         |         |
| Raisio Life Sciences             | 53,257  |         | 34,009  |         |                |         |         |         |
| Raisio Chemicals                 | 183,674 |         | 422,347 |         |                |         |         |         |
| – Interdivisional turnover       | –9,608  |         | –13,770 |         |                |         |         |         |
| Total                            | 626,924 |         | 860,524 |         |                |         |         |         |
| <b>TURNOVER BY MARKET AREA</b>   |         |         |         |         |                |         |         |         |
| Finland                          | 347,553 |         | 411,973 |         |                |         |         |         |
| Scandinavia                      | 37,104  |         | 66,531  |         |                |         |         |         |
| Rest of Europe                   | 194,406 |         | 278,164 |         |                |         |         |         |
| The Americas                     | 22,739  |         | 47,360  |         |                |         |         |         |
| Asia                             | 24,015  |         | 54,592  |         |                |         |         |         |
| Others                           | 1,108   |         | 1,905   |         |                |         |         |         |
| Total                            | 626,924 |         | 860,524 |         |                |         |         |         |
| <b>TURNOVER QUARTERLY*</b>       |         |         |         |         |                |         |         |         |
|                                  | 2004    |         |         |         | 2003           |         |         |         |
|                                  | 1–3     | 4–6     | 7–9     | 10–12   | 1–3            | 4–6     | 7–9     | 10–12   |
| Raisio Nutrition                 | 91,098  | 108,512 | 102,432 | 97,559  | 94,614         | 110,377 | 108,548 | 104,399 |
| Raisio Life Sciences             | 11,812  | 13,659  | 11,664  | 16,122  | 6,259          | 8,258   | 8,495   | 10,997  |
| Raisio Chemicals                 | 106,530 | 77,144  | 0       | 0       | 103,170        | 109,421 | 105,433 | 104,323 |
| – Interdivisional turnover       | –3,868  | –3,086  | –1,126  | –1,528  | –3,040         | –3,298  | –3,798  | –3,634  |
| Total                            | 205,572 | 196,229 | 112,970 | 112,153 | 201,003        | 224,758 | 218,678 | 216,085 |
| <b>2. MATERIALS AND SERVICES</b> |         |         |         |         |                |         |         |         |
| Materials, supplies and goods    |         |         |         |         |                |         |         |         |
| Purchases during the year        | 364,322 |         | 502,374 |         | 0              |         | 208     |         |
| Change in inventories            | 15,091  |         | 29,031  |         | 0              |         | 818     |         |
|                                  | 379,413 |         | 531,405 |         | 0              |         | 1,026   |         |
| External services                | 2,672   |         | 2,735   |         | 177            |         | 189     |         |
| Total                            | 382,085 |         | 534,140 |         | 177            |         | 1,215   |         |
| <b>3. PERSONNEL EXPENSES</b>     |         |         |         |         |                |         |         |         |
| Wages and salaries               | 63,050  |         | 88,509  |         | 3,487          |         | 4,533   |         |
| Pension expenses                 | 9,090   |         | 13,932  |         | 812            |         | 879     |         |
| Other personnel expenses         | 7,399   |         | 12,183  |         | 268            |         | 420     |         |
| Total                            | 79,539  |         | 114,624 |         | 4,567          |         | 5,832   |         |

\*Not part of the official financial statement material.

| (EUR 1,000)  | GROUP   |         |         |       | PARENT COMPANY |        |        |        |
|--|---------|---------|---------|-------|----------------|--------|--------|--------|
|  | 2004    |         | 2003    |       | 2004           |        | 2003   |        |
| 4. SALARIES AND REMUNERATIONS PAID TO MANAGEMENT   |         |         |         |       |                |        |        |        |
| Managing Director and members of the Board of Directors  | 3,206   |         | 3,884   |       | 779            |        | 562    |        |
| 5. AVERAGE NUMBER OF GROUP PERSONNEL   |         |         |         |       |                |        |        |        |
| Finland  | 1,206   |         | 1,586   |       | 53             |        | 101    |        |
| Abroad   | 799     |         | 1,236   |       | 0              |        | 0      |        |
| Total  | 2,005   |         | 2,822   |       | 53             |        | 101    |        |
| 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   | 35,527  |         | 52,138  |       | 1,952          |        | 2,002  |        |
| Write-downs on fixed and long-term investment  | 30,597  |         | 7,841   |       | 0              |        | 0      |        |
| Total  | 66,124  |         | 59,979  |       | 1,952          |        | 2,002  |        |
| 8. OPERATING RESULTS BY DIVISION   |         |         |         |       |                |        |        |        |
| Raisio Nutrition   | -15,116 |         | -11,714 |       |                |        |        |        |
| Raisio Life Sciences   | -5,321  |         | -5,443  |       |                |        |        |        |
| Raisio Chemicals   | 3,612   |         | 1,867   |       |                |        |        |        |
| Others   | 219,641 |         | 972     |       |                |        |        |        |
| Total  | 202,816 |         | -14,318 |       |                |        |        |        |
| OPERATING RESULTS QUARTERLY*   | 2004    |         |         |       | 2003           |        |        |        |
|  | 1-3     | 4-6     | 7-9     | 10-12 | 1-3            | 4-6    | 7-9    | 10-12  |
| Raisio Nutrition   | -1,549  | -18,806 | 2,765   | 2,470 | -1,351         | -2,447 | 1,276  | -9,192 |
| Raisio Life Sciences   | 621     | -7,805  | 675     | 1,188 | -1,575         | -1,659 | -1,988 | -222   |
| Raisio Chemicals   | 1,896   | 1,716   | 0       | 0     | -3,194         | -77    | 2,948  | 2,190  |
| Others   | -281    | 220,297 | -444    | 76    | -554           | 476    | 964    | 86     |
| Total  | 687     | 195,402 | 2,996   | 3,734 | -6,674         | -3,707 | 3,200  | -7,138 |

\*Not part of the official financial statement material.



| (EUR 1,000)   | GROUP   |         | PARENT COMPANY |         |
|---|---------|---------|----------------|---------|
|   | 2004    | 2003    | 2004           | 2003    |
| <b>9. FINANCIAL INCOME AND EXPENSES</b>   |         |         |                |         |
| Dividend received   |         |         |                |         |
| From Group companies  |         |         | 23,944         | 0       |
| From participating interest companies   |         |         | 9              | 9       |
| From others   | 799     | 470     | 776            | 440     |
| Total   | 799     | 470     | 24,728         | 449     |
| Interest received on long-term investment   |         |         |                |         |
| From Group companies  |         |         | 7,283          | 8,842   |
| Total   | 0       | 0       | 7,283          | 8,842   |
| Total income from long-term investment  | 799     | 470     | 32,012         | 9,291   |
| Other interest and financial income   |         |         |                |         |
| From Group companies  |         |         | 1,688          | 4,226   |
| From others   | 5,638   | 3,609   | 5,049          | 2,922   |
| Total   | 5,638   | 3,609   | 6,738          | 7,148   |
| Total interest received from long-term investment and other interest and financial income | 5,638   | 3,609   | 14,021         | 15,990  |
| Exchange rate differences   |         |         |                |         |
| Group companies   |         |         | -10            | -5,706  |
| Others  | -929    | 27      | -1,164         | 7,569   |
| Total   | -929    | 27      | -1,174         | 1,863   |
| Interest paid and other financial expenses  |         |         |                |         |
| To Group companies  |         |         | -1,030         | -786    |
| To others   | -10,360 | -17,000 | -7,805         | -12,763 |
| Total   | -10,360 | -17,000 | -8,835         | -13,549 |
| Total financial income and expenses   | -4,852  | -12,894 | 28,740         | 4,754   |
| <b>10. EXTRAORDINARY INCOME AND EXPENSES</b>  |         |         |                |         |
| Extraordinary income  |         |         |                |         |
| Group subsidies received  | 0       | 0       | 11,750         | 0       |
| Total   | 0       | 0       | 11,750         | 0       |
| Extraordinary expenses  |         |         |                |         |
| Group subsidies paid  | 0       | 0       | -45,180        | -4,080  |
| Total   | 0       | 0       | -45,180        | -4,080  |
| Total extraordinary income and expenses   | 0       | 0       | -33,430        | -4,080  |
| <b>11. APPROPRIATIONS</b>   |         |         |                |         |
| Difference between planned depreciation and depreciation made in taxation                 |         |         | 7,483          | 1,499   |
| <b>12. INCOME TAXES</b>   |         |         |                |         |
| Income tax on extraordinary items   | 0       | 0       | 9,695          | 1,183   |
| Income tax on ordinary operations   | 1,357   | -5,187  | -9,723         | -1,343  |
| Taxes on previous financial years   | -1,012  | -12     | -236           | -125    |
| Change in deferred tax liability  | -1,125  | 6,639   | 0              | 0       |
| Total   | -780    | 1,440   | -264           | -285    |



## Notes to the balance sheet

### 13. CONSOLIDATED TANGIBLE AND INTANGIBLE ASSETS 2004

(EUR 1,000)

|  | 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.                                | 57,638            | 1,651      | 95,822            | 10,282                      | 1,349                               | 166,742                 | 7,776                | 193,376                     | 471,920                 | 2,952                 | 30,941                              | 706,965               |
| Conversion difference                                | 294               | -83        | 8                 | 9                           | 0                                   | 228                     | 71                   | 340                         | 964                     | 140                   | 676                                 | 2,191                 |
| Increase 1.1.-31.12.                                 | 642               | 0          | 1,519             | 1,872                       | 1,372                               | 5,405                   | 109                  | 2,248                       | 18,595                  | 284                   | 5,812                               | 27,048                |
| Decrease 1.1.-31.12.                                 | 23,616            | 905        | 34,066            | 1,698                       | 146                                 | 60,431                  | 3,143                | 77,259                      | 242,655                 | 1,604                 | 5,484                               | 330,145               |
| Transfers between items                              | -245              | 0          | 0                 | 344                         | -367                                | -268                    | -445                 | 2,142                       | 25,169                  |                       | -26,599                             | 267                   |
| <b>Acquisition cost 31.12.</b>                       | <b>34,713</b>     | <b>663</b> | <b>63,283</b>     | <b>10,809</b>               | <b>2,208</b>                        | <b>111,676</b>          | <b>4,368</b>         | <b>120,847</b>              | <b>273,993</b>          | <b>1,772</b>          | <b>5,346</b>                        | <b>406,326</b>        |
| Accumulated depreciation and write-downs 1.1.        | 38,267            | 1,269      | 30,570            | 8,017                       | 0                                   | 78,123                  | 0                    | 108,654                     | 319,211                 | 1,886                 | 0                                   | 429,751               |
| Conversion difference                                | 240               | -33        | -3                | 9                           | 0                                   | 213                     | 0                    | 159                         | 790                     | 101                   | 0                                   | 1,050                 |
| Accumulated depreciation of decrease and transfers   | 14,743            | 666        | 12,580            | 636                         | 0                                   | 28,625                  | 0                    | 39,590                      | 138,307                 | 1,043                 |                                     | 178,940               |
| Depreciation for the year                            | 4,463             | 93         | 29,206            | 1,171                       | 901                                 | 35,834                  | 0                    | 5,600                       | 23,288                  | 218                   | 1,076                               | 30,182                |
| <b>Accum. depreciation 31.12.</b>                    | <b>28,227</b>     | <b>663</b> | <b>47,193</b>     | <b>8,561</b>                | <b>901</b>                          | <b>85,545</b>           | <b>0</b>             | <b>74,823</b>               | <b>204,982</b>          | <b>1,162</b>          | <b>1,076</b>                        | <b>282,043</b>        |
| <b>Book value 31.12.2004</b>                         | <b>6,486</b>      | <b>0</b>   | <b>16,090</b>     | <b>2,248</b>                | <b>1,307</b>                        | <b>26,131</b>           | <b>4,368</b>         | <b>46,024</b>               | <b>69,011</b>           | <b>610</b>            | <b>4,270</b>                        | <b>124,283</b>        |
| <b>Book value 31.12.2003</b>                         | <b>19,371</b>     | <b>382</b> | <b>65,252</b>     | <b>2,265</b>                | <b>1,349</b>                        | <b>88,619</b>           | <b>7,776</b>         | <b>84,722</b>               | <b>152,709</b>          | <b>1,066</b>          | <b>30,941</b>                       | <b>277,214</b>        |
| Book value of the production machinery and equipment |                   |            |                   |                             |                                     |                         |                      |                             |                         |                       |                                     |                       |
| 31.12.2004   |                   |            |                   |                             |                                     |                         |                      |                             | 67,438                  |                       |                                     |                       |
| 31.12.2003   |                   |            |                   |                             |                                     |                         |                      |                             | 121,193                 |                       |                                     |                       |

14. PARENT COMPANY TANGIBLE AND INTANGIBLE ASSETS 2004  
(EUR 1,000)

|  | 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.                                | 214               | 3,088                       | 349           | 3,651                   | 2,487                | 30,031                      | 13,909                  | 261                   | 63                                  | 46,750                |
| Increase 1.1.-31.12.                                 | 2                 | 907                         | 183           | 1,092                   |                      | 648                         | 665                     |                       |                                     | 1,313                 |
| Decrease 1.1.-31.12.                                 | 0                 | 20                          |               | 20                      | 28                   | 12,500                      | 459                     |                       |                                     | 12,987                |
| Transfers between items                              | 0                 | 349                         | -349          | 0                       |                      | 10                          | 53                      |                       | -63                                 | 0                     |
| <b>Acquisition cost 31.12.</b>                       | <b>216</b>        | <b>4,324</b>                | <b>183</b>    | <b>4,723</b>            | <b>2,459</b>         | <b>18,189</b>               | <b>14,168</b>           | <b>261</b>            | <b>0</b>                            | <b>35,076</b>         |
| Accumulated depreciation and write-downs 1.1.        | 190               | 1,963                       |               | 2,154                   |                      | 19,365                      | 11,551                  |                       |                                     | 30,916                |
| Accumulated depreciation of decrease and transfers   |                   | 20                          |               | 20                      |                      | 5,787                       | 346                     |                       |                                     | 6,134                 |
| Depreciation for the year                            | 6                 | 699                         |               | 705                     |                      | 641                         | 606                     |                       |                                     | 1,247                 |
| <b>Accum. depreciation 31.12.</b>                    | <b>196</b>        | <b>2,642</b>                | <b>0</b>      | <b>2,839</b>            | <b>0</b>             | <b>14,218</b>               | <b>11,811</b>           | <b>0</b>              | <b>0</b>                            | <b>26,029</b>         |
| <b>Book value 31.12.2004</b>                         | <b>19</b>         | <b>1,682</b>                | <b>183</b>    | <b>1,884</b>            | <b>2,459</b>         | <b>3,971</b>                | <b>2,357</b>            | <b>261</b>            | <b>0</b>                            | <b>9,047</b>          |
| <b>Book value 31.12.2003</b>                         | <b>24</b>         | <b>1,124</b>                | <b>349</b>    | <b>1,497</b>            | <b>2,487</b>         | <b>10,666</b>               | <b>2,358</b>            | <b>261</b>            | <b>63</b>                           | <b>15,835</b>         |
| Book value of the production machinery and equipment |                   |                             |               |                         |                      |                             |                         |                       |                                     |                       |
| 31.12.2004   |                   |                             |               |                         |                      |                             | 647                     |                       |                                     |                       |
| 31.12.2003   |                   |                             |               |                         |                      |                             | 963                     |                       |                                     |                       |

15. CONSOLIDATED AND PARENT COMPANY INVESTMENT 2004  
(EUR 1,000)

|                         | GROUP                                       |                 |                      |                     | PARENT COMPANY             |   |                 |                                    |                      |                     |
|-------------------------|---|-----------------|----------------------|---------------------|----------------------------|---|-----------------|------------------------------------|----------------------|---------------------|
|                         | Participating<br>interest company<br>shares | Other<br>shares | Other<br>receivables | Total<br>investment | Group<br>company<br>shares | Participating<br>interest company<br>shares | Other<br>shares | Receivables,<br>Group<br>companies | Other<br>receivables | Total<br>investment |
| Acquisition cost 1.1.   | 4,357                                       | 8,123           | 158                  | 12,638              | 75,180                     | 281   | 6,851           | 278,566                            | 158                  | 361,036             |
| Conversion difference   | -73   | 1               |                      | -72                 |                            |   |                 |                                    |                      |                     |
| Increase 1.1.-31.12.    | 95  | 989             | 39                   | 1,123               | 1,547                      |   | 0               | 65,154                             |                      | 66,701              |
| Decrease 1.1.-31.12.    | 2,596                                       | 1,040           | 39                   | 3,675               | 22,871                     | 250   | 92              | 133,802                            | 158                  | 157,173             |
| Transfers between items |   | -81             | -158                 | -239                |                            |   |                 |                                    |                      |                     |
| Acquisition cost 31.12. | 1,783                                       | 7,992           | 0                    | 9,775               | 53,857                     | 31  | 6,758           | 209,918                            | 0                    | 270,563             |
| Book value 31.12.2004   | 1,783                                       | 7,992           | 0                    | 9,775               | 53,857                     | 31  | 6,758           | 209,918                            | 0                    | 270,563             |
| Book value 31.12.2003   | 4,357                                       | 8,123           | 158                  | 12,638              | 75,180                     | 281   | 6,851           | 278,566                            | 158                  | 361,036             |

Undepreciated goodwill for associated companies amounted to EUR 172,000 on 31 December 2004.

## 16. SHARES AND HOLDINGS 2004

|  | Group holding, % | Parent company holding, % |
|--|------------------|---------------------------|
| <b>GROUP COMPANIES</b>                 |                  |                           |
| <b>Raisio Nutrition</b>                |                  |                           |
| Autuminvest Oy, Raisio                 | 100.00           |                           |
| Camelina Oy, Raisio                    | 100.00           | 100.00                    |
| Canelo Oy, Raisio                      | 100.00           |                           |
| Carlshamn Mejeri AB, Sweden            | 100.00           |                           |
| Carlshamn Mejeri Produktion AB, Sweden | 100.00           |                           |
| OOO 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           |                           |
| 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           |                           |

|  | Group holding, % | Parent company holding, % |
|--|------------------|---------------------------|
| <b>Raisio Life Sciences</b>            |                  |                           |
| Diffchamb AB, Sweden                   | 100.00           |                           |
| Diffchamb Inc., USA                    | 100.00           |                           |
| Diffchamb Ltd, England                 | 100.00           |                           |
| Diffchamb S.A., France                 | 98.00            |                           |
| Diffchamb Biocontrol b.v., Holland     | 86.00            |                           |
| Diffchamb Danmark A/S, Denmark         | 100.00           |                           |
| Diffchamb France S.A.R.L., France      | 99.80            |                           |
| Diffchamb Norge A/S, Norway            | 100.00           |                           |
| Diffchamb Scandinavia AB, Sweden       | 100.00           |                           |
| Diffchamb Sverige AB, Sweden           | 100.00           |                           |
| Eurochem SpA, Italy                    | 99.00            |                           |
| Raisio Benecol Ltd, Raisio             | 100.00           | 100.00                    |
| Raisio Benecol US Inc., USA            | 100.00           |                           |
| Raisio Food Diagnostics Ltd, Raisio    | 100.00           | 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           |                           |
| <b>Other companies</b>                 |                  |                           |
| Airisto RE S.A., Luxemburg             | 100.00           | 99.00                     |
| <b>ASSOCIATED COMPANIES</b>            |                  |                           |
| <b>Raisio Nutrition</b>                |                  |                           |
| Ateriamestariit Oy, Turku              | 50.00            |                           |
| AS Rigas Dzirnaveiks, Latvia           | 27.37            |                           |
| Vihannin Vedenpuhdistamo Oy, Vihanti   | 49.00            |                           |
| Vihervakka Oy, Pöytyä                  | 38.50            | 38.50                     |



| (EUR 1,000)                                       | GROUP         |                | PARENT COMPANY |                |
|---|---------------|----------------|----------------|----------------|
|   | 2004          | 2003           | 2004           | 2003           |
| <b>17. INVENTORIES</b>                            |               |                |                |                |
| Materials and supplies                            | 37,137        | 72,712         |                |                |
| Production in progress                            | 1,010         | 1,137          |                |                |
| Finished products and goods                       | 18,308        | 43,288         |                |                |
| Other inventories                                 | 0             | 527            |                |                |
| Advance payments                                  | 10            | 29             |                |                |
|   | <b>56,465</b> | <b>117,693</b> | <b>0</b>       | <b>0</b>       |
| <b>18. RECEIVABLES</b>                            |               |                |                |                |
| <b>Non-current receivables</b>                    |               |                |                |                |
| Receivables from participating interest companies |               |                |                |                |
| Loan receivables                                  | 79            | 396            |                |                |
| Loan receivables                                  | 6,607         | 7,126          |                |                |
| Other receivables                                 | 154           | 237            |                |                |
| Prepaid expenses and accrued income               | 0             | 83             |                |                |
| Total non-current receivables                     | <b>6,840</b>  | <b>7,842</b>   |                |                |
| <b>Current receivables</b>                        |               |                |                |                |
| Accounts receivable                               | 42,773        | 86,770         | 877            | 52             |
| Receivables from Group companies                  |               |                |                |                |
| Accounts receivable                               |               |                | 761            | 1,478          |
| Loan receivables                                  |               |                | 12,495         | 107,564        |
| Other receivables                                 |               |                | 14,513         | 4,054          |
| Prepaid expenses and accrued income               |               |                | 1,680          | 3,564          |
|   |               |                | <b>29,449</b>  | <b>116,660</b> |
| Receivables from participating interest companies |               |                |                |                |
| Accounts receivable                               | 2,820         | 623            | 1              | 9              |
| Loan receivables                                  | 0             | 48             | 0              | 0              |
| Prepaid expenses and accrued income               | 26            | 5              | 0              | 1              |
|   | <b>2,846</b>  | <b>676</b>     | <b>1</b>       | <b>10</b>      |
| Loan receivables                                  | 0             | 640            | 0              | 39             |
| Other receivables                                 | 12,422        | 8,876          | 7,758          | 31             |
| Prepaid expenses and accrued income               | 5,619         | 19,089         | 1,268          | 2,772          |
| Total current receivables                         | <b>63,660</b> | <b>116,051</b> | <b>39,353</b>  | <b>119,565</b> |

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

| (EUR 1,000)  | GROUP       |                   | PARENT COMPANY |                   |
|--|-------------|-------------------|----------------|-------------------|
|  | 2004        | 2003              | 2004           | 2003              |
| <b>19. SHAREHOLDERS' EQUITY</b>  |             |                   |                |                   |
| 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.  | 88,767      | 88,710            | 88,587         | 88,587            |
| Transferred from retained earnings   | 23          | 59                |                |                   |
| Other changes  | -203        | -2                |                |                   |
| Reserve fund 31.12.  | 88,587      | 88,767            | 88,587         | 88,587            |
| Other reserves 1.1.  | 171         | 118               |                |                   |
| Transferred from retained earnings   | 0           | 54                |                |                   |
| Other changes  | -171        | -1                |                |                   |
| Other reserves 31.12.  | 0           | 171               |                |                   |
| Retained earnings 1.1.   | 74,398      | 114,006           | 55,173         | 58,296            |
| Dividend distributed   | -21,705     | -3,538            | -21,469        | -3,303            |
| Minority dividends transferred to retained earnings                              | 235         | 235               |                |                   |
| Transferred to reserve fund  | -23         | -59               |                |                   |
| Transferred to other reserves  | 0           | -54               |                |                   |
| Divestment of Raisio Chemicals/translation differences for the income statements | 9,210       | 0                 |                |                   |
| Change in translation difference   | -833        | -9,542            |                |                   |
| Other changes  | 445         | 10                |                |                   |
| Retained earnings 31.12.   | 61,727      | 101,058           | 33,704         | 54,993            |
| Result for the year  | 195,805     | -26,660           | 238,724        | 180               |
| Total shareholders' equity   | 376,803     | 194,020           | 391,699        | 174,444           |
| Distributable equity   | 247,528     |                   |                |                   |
| <b>Parent company share capital divided by share series as follows:</b>          |             | <b>31.12.2004</b> |                | <b>31.12.2003</b> |
|  | shares      | EUR 1,000         | shares         | EUR 1,000         |
| Series K (20 vote/share)   | 34,564,242  | 5,813             | 35,378,242     | 5,950             |
| Series V (1 vote/share)  | 130,584,788 | 21,963            | 129,770,788    | 21,826            |
| Total  | 165,149,030 | 27,776            | 165,149,030    | 27,776            |

| (EUR 1,000)  | GROUP  |        | PARENT COMPANY |       |
|--|--------|--------|----------------|-------|
|  | 2004   | 2003   | 2004           | 2003  |
| 20. APPROPRIATIONS   |        |        | 7,483          | 1,499 |
| 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 10,005,000. |        |        |                |       |
| 21. DEFERRED ASSETS AND TAX LIABILITY  |        |        |                |       |
| Deferred tax assets  |        |        |                |       |
| On consolidation   | 157    | 5,939  |                |       |
| On timing differences  | 8,928  | 14,357 |                |       |
|  | 9,085  | 20,296 |                |       |
| Deferred tax liability   |        |        |                |       |
| On appropriations  | 5,577  | 13,296 |                |       |
| On consolidation   | 4,428  | 8,035  |                |       |
| On timing differences  | 21     | 706    |                |       |
|  | 10,026 | 22,037 |                |       |

|   | GROUP  |         | PARENT COMPANY |         |
|---|--------|---------|----------------|---------|
|   | 2004   | 2003    | 2004           | 2003    |
| 22. LIABILITIES   |        |         |                |         |
| <b>Non-current liabilities</b>  |        |         |                |         |
| Loans from credit institutions  | 24,268 | 234,762 | 24,172         | 213,180 |
| Other long-term loans   | 0      | 226     | 0              | 15      |
| Total non-current liabilities   | 24,268 | 234,988 | 24,172         | 213,195 |
| Liabilities falling due within a period longer than five years  |        |         |                |         |
| Loans from credit institutions  | 0      | 12,226  | 0              | 4,286   |
| Total   | 0      | 12,226  | 0              | 4,286   |
| <b>Current liabilities</b>  |        |         |                |         |
| Loans from credit institutions  | 16,969 | 65,580  | 12,670         | 36,108  |
| Pension loans   | 0      | 1,399   | 0              | 1,083   |
| Advance payments  | 424    | 954     | 0              | 0       |
| Accounts payable  | 30,934 | 75,160  | 2,692          | 1,989   |
| Liabilities to Group companies  |        |         |                |         |
| Accounts payable  |        |         | 75             | 5       |
| Other liabilities   |        |         | 91,374         | 63,510  |
| Accrued liabilities and deferred income   |        |         | 117            | 711     |
|   |        |         | 91,566         | 64,226  |
| Liabilities to participating interest companies   |        |         |                |         |
| Accounts payable  | 36     | 62      |                |         |
| Accrued liabilities and deferred income   | 55     | 0       |                |         |
|   | 91     | 62      | 0              | 0       |
| Other liabilities   | 9,219  | 19,332  | 4,891          | 7,134   |
| Accrued liabilities and deferred income   | 26,883 | 38,215  | 2,753          | 3,713   |
| Total current liabilities   | 84,520 | 200,702 | 114,572        | 114,254 |
| Accrued liabilities and deferred income comprises items related to the timing of operational expenses, financial items and taxes. |        |         |                |         |
| Interest-free debts   |        |         |                |         |
| Non-current   | 10,026 | 22,205  |                |         |
| Current   | 62,776 | 123,069 | 51,198         | 10,880  |
| Total   | 72,802 | 145,274 | 51,198         | 10,880  |



## Other notes to the accounts

|   | GROUP         |                | PARENT COMPANY |               |
|---|---------------|----------------|----------------|---------------|
|   | 2004          | 2003           | 2004           | 2003          |
| <b>23. CONTINGENT AND OTHER LIABILITIES AND PLEDGED ASSETS</b>  |               |                |                |               |
| <b>PLEDGED ASSETS</b>   |               |                |                |               |
| <b>For the Company</b>  |               |                |                |               |
| Mortgages on real estate  | 52,700        | 72,421         |                |               |
| Pledged securities  | 485           | 3,985          | 475            | 0             |
| Floating charges  | 34,446        | 53,090         |                |               |
| <b>Total</b>  | <b>87,631</b> | <b>129,496</b> | <b>475</b>     | <b>0</b>      |
| <b>For Group companies</b>  |               |                |                |               |
| Mortgages on real estate  |               |                | 9,188          | 12,801        |
| Pledged securities  |               |                | 0              | 3,966         |
| <b>Total</b>  |               |                | <b>9,188</b>   | <b>16,767</b> |
| The value of the security is nominal value of the pledged debt instruments of securities.<br>Comprises mostly comprehensive security given to financial institutions as collateral for loans, guarantees and various limits on and off the balance sheet. |               |                |                |               |
| <b>CONTINGENT OFF-BALANCE SHEET LIABILITIES</b>   |               |                |                |               |
| <b>Leasing liabilities</b>  |               |                |                |               |
| Amounts outstanding on leasing contracts  |               |                |                |               |
| Falling due during 2005   | 3,504         | 4,694          | 1,191          | 1,020         |
| Falling due after one year  | 2,124         | 4,945          | 535            | 1,240         |
| <b>Total</b>  | <b>5,628</b>  | <b>9,639</b>   | <b>1,726</b>   | <b>2,260</b>  |
| Leasing contracts do not include substantial liabilities related to termination and redemption terms.   |               |                |                |               |
| <b>Contingent liabilities for Group companies</b>   |               |                |                |               |
| Guarantees  | 0             | 1,000          | 12,796         | 92,212        |
| Redemption liabilities  |               |                | 0              | 1,004         |
|   | 0             | 1,000          | 12,796         | 93,216        |
| <b>Contingent liabilities for the Company</b>   | <b>2,067</b>  | <b>7,026</b>   | <b>607</b>     | <b>0</b>      |
| <b>Contingent liabilities for associated companies</b>  |               |                |                |               |
| Guarantees  | 51            | 424            | 0              | 118           |
| <b>Other liabilities</b>  | <b>0</b>      | <b>5,000</b>   |                |               |

|   | GROUP  |        |
|---|--------|--------|
|   | 2004   | 2003   |
| 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  | 8      | -510   |
| Value of underlying instruments   | 806    | 11,286 |
| 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  | -606   | 36     |
| Value of underlying instruments   | 5,618  | 2,648  |
| The value of the electricity supplies concerned has been given as the value of the underlying forward contracts.  |        |        |
| Currency forward contracts:   |        |        |
| Market value  | 253    | 2,121  |
| Value of underlying instruments   | 32,925 | 52,962 |
| 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 |
| Value of underlying instruments   |        | 80,000 |
| The value of underlying instruments stated for interest rate swaps is the nominal value of outstanding contracts.   |        |        |

## Financial indicators

|  | 2000  | 2001  | 2002  | 2003  | 2004  |
|--|-------|-------|-------|-------|-------|
| <b>Result and profitability</b>                  |       |       |       |       |       |
| Turnover, EURm                                   | 800   | 823   | 843   | 861   | 627   |
| change, %  | 4.9   | 2.9   | 2.5   | 2.1   | -27.1 |
| International turnover, EURm                     | 399   | 433   | 443   | 449   | 279   |
| % of turnover                                    | 49.9  | 52.7  | 52.5  | 52.1  | 44.6  |
| Operating result, EURm                           | -32   | 25    | 21    | -14   | 203   |
| % of turnover                                    | -4.0  | 3.0   | 2.4   | -1.7  | 32.4  |
| Result before extraordinary items, EURm          | -47   | 8     | 9     | -27   | 198   |
| % of turnover                                    | -5.8  | 1.0   | 1.1   | -3.2  | 31.6  |
| Result before taxes and minority interest, EURm  | -47   | 8     | 9     | -27   | 198   |
| % of turnover                                    | -5.8  | 1.0   | 1.1   | -3.2  | 31.6  |
| Return on equity, ROE, %                         | -14.9 | 1.8   | 2.4   | -10.9 | 64.8  |
| Return on investment, ROI, %                     | -4.2  | 5.5   | 4.5   | -1.8  | 43.3  |
| <b>Financial and economical position</b>         |       |       |       |       |       |
| Shareholders' equity and minority interest, EURm | 260   | 262   | 257   | 217   | 392   |
| Net interest-bearing liabilities, EURm           | 325   | 288   | 334   | 312   | 46    |
| Balance sheet total, EURm                        | 750   | 689   | 749   | 675   | 510   |
| Equity ratio, %                                  | 34.7  | 38.1  | 34.4  | 32.2  | 76.8  |
| Gearing, %                                       | 96.5  | 88.9  | 109.4 | 127.9 | -42.9 |
| Cash flow from business operations, EURm         | 16    | 36    | 45    | 77    | 43    |
| <b>Other indicators</b>                          |       |       |       |       |       |
| Gross investments, EURm                          | 49    | 29    | 81    | 64    | 33    |
| % of turnover                                    | 6.2   | 3.5   | 9.6   | 7.4   | 5.3   |
| R&D expenditure, EURm                            | 18    | 18    | 20    | 21    | 14    |
| % of turnover                                    | 2.3   | 2.2   | 2.4   | 2.5   | 2.3   |
| Average personnel                                | 2,775 | 2,684 | 2,654 | 2,822 | 2,005 |

## Share indicators

|   | 2000  | 2001  | 2002  | 2003  | 2004               |
|---|-------|-------|-------|-------|--------------------|
| Earnings/share (EPS), EUR                     | -0.25 | 0.04  | 0.03  | -0.16 | 1.19               |
| Cash flow from business operations/share, EUR | 0.10  | 0.22  | 0.27  | 0.47  | 0.26               |
| Equity/share, EUR                             | 1.42  | 1.45  | 1.41  | 1.17  | 2.28               |
| Dividend/share, EUR                           | 0.017 | 0.017 | 0.02  | 0.01  | 0.21 <sup>1)</sup> |
| Dividend/earnings, %                          | -6.8  | 42.4  | 60.8  | -6.2  | 17.7               |
| Effective dividend yield, %                   |       |       |       |       |                    |
| Free shares                                   | 0.9   | 1.8   | 1.9   | 0.8   | 11.1               |
| Restricted shares                             | 0.7   | 1.2   | 1.4   | 0.8   | 11.4               |
| P/E ratio                                     |       |       |       |       |                    |
| Free shares                                   | -7.9  | 23.2  | 32.5  | -7.7  | 1.6                |
| Restricted shares                             | -9.1  | 35.9  | 43.1  | -7.8  | 1.6                |
| Adjusted average quotation, EUR               |       |       |       |       |                    |
| Free shares                                   | 2.60  | 1.48  | 1.27  | 1.05  | 1.64               |
| Restricted shares                             | 3.12  | 2.05  | 1.62  | 1.21  | 1.69               |
| Adjusted lowest quotation, EUR                |       |       |       |       |                    |
| Free shares                                   | 1.71  | 0.91  | 0.91  | 0.84  | 1.10               |
| Restricted shares                             | 2.20  | 1.30  | 1.20  | 1.00  | 1.27               |
| Adjusted highest quotation, EUR               |       |       |       |       |                    |
| Free shares                                   | 4.34  | 2.52  | 1.67  | 1.37  | 2.01               |
| Restricted shares                             | 5.20  | 3.20  | 2.25  | 1.61  | 2.00               |
| Adjusted quotation 31.12., EUR                |       |       |       |       |                    |
| Free shares                                   | 1.96  | 0.93  | 1.07  | 1.24  | 1.90               |
| Restricted shares                             | 2.25  | 1.44  | 1.42  | 1.26  | 1.85               |
| Market capitalization 31.12., EURm            |       |       |       |       |                    |
| Free shares                                   | 252.3 | 120.7 | 138.8 | 160.9 | 248.1              |
| Restricted shares                             | 81.9  | 51.0  | 50.2  | 44.6  | 63.9               |
| Total   | 334.2 | 171.7 | 189.0 | 205.5 | 312.0              |

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

|   | 2000    | 2001    | 2002    | 2003    | 2004    |
|---|---------|---------|---------|---------|---------|
| Trading, EURm                                   |         |         |         |         |         |
| Free shares                                     | 322.6   | 99.1    | 75.9    | 47.9    | 180.1   |
| Restricted shares                               | 2.6     | 0.7     | 0.5     | 0.8     | 2.5     |
| Total   | 325.2   | 99.8    | 76.4    | 48.6    | 182.6   |
| Number of shares traded                         |         |         |         |         |         |
| Free shares, 1,000 shares                       | 124,213 | 66,877  | 59,724  | 45,722  | 110,084 |
| % of total                                      | 96.5    | 51.6    | 46.0    | 35.2    | 84.3    |
| Restricted shares, 1,000 shares                 | 817     | 346     | 312     | 633     | 1,494   |
| % of total                                      | 2.2     | 1.0     | 0.9     | 1.8     | 4.3     |
| Average adjusted number of shares, 1,000 shares |         |         |         |         |         |
| Free shares                                     | 128,722 | 129,575 | 129,761 | 129,768 | 130,455 |
| Restricted shares                               | 36,427  | 35,574  | 35,388  | 35,381  | 34,694  |
| Total   | 165,149 | 165,149 | 165,149 | 165,149 | 165,149 |
| Adjusted number of shares 31.12., 1,000 shares  |         |         |         |         |         |
| Free shares                                     | 128,742 | 129,758 | 129,765 | 129,771 | 130,585 |
| Restricted shares                               | 36,407  | 35,391  | 35,384  | 35,378  | 34,564  |
| Total   | 165,149 | 165,149 | 165,149 | 165,149 | 165,149 |

## Computation of share 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                    | $\text{Quotation at 31 December, adjusted for share issues} \times \text{number of shares 31 December}$  |

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



# Risk management

## Financial risks

The aim of financial risk management is to protect the Group from unfavourable trends in financial markets and thus contribute to and safeguard corporate performance. Financing and financial risk management has 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 corporate finance policy approved by the Board. After a considerable increase in financial assets in spring 2004, the policy was revised and complemented, for example, concerning the definition of counterparties in investment transactions and the criteria used for their selection, available instruments, as well as the instrument and counterparty-specific limits. All major borrowing decisions are made by the Board following proposals from Group Finance.

### LIQUIDITY RISK

Liquidity risk means that the Group'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. The Group's liquid assets consist of invested financial assets, undrawn loans and overdraft facilities. The liquidity reserve also includes the agreed commercial paper programme. 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 income and the market values of interest-bearing investments and derivatives over the next 12 months. This risk is managed by controlling the structure of the loan portfolio and interest-bearing investments within the limits allowed by the policy, in order to keep financial expenses as low and financial income as high 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 corporate finance policy.

### FOREIGN EXCHANGE RISK

Raisio 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 that can be used in hedging operations are currency forward 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. Raisio 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.

## Investment activities

The investment of financial assets is regulated by the finance policy in terms of the investment to be made, maturity and counterparty. In addition to short- and long-term interest-bearing investments, assets can be invested in fixed income funds, shares and equity funds. Based on the principles set out in the finance policy, the Chief Financial Officer has the right to decide on the counterparties for Raisio Group's investments. In principle, counterparties can include the member states of the European Monetary Union, large Finnish municipalities and associations formed by them, financial institutions engaged in corporate banking in Finland, as well as companies with a good credit rating registered in a member state of the European Monetary Union.

## 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 operations 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 Feed business operations are responsible for determining their risk positions and reporting on them to the Group Finance. Their market situations are assessed regularly by meetings of experts from the two businesses and the Group Finance; the Group Finance 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 Raisio's 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. Raisio Nutrition's technical department is responsible for monitoring electricity consumption and for the physical procurement of electricity. The Group Finance provides the technical department with information on the outlook in the electricity market and takes the necessary hedging actions in line with the policy for purchasing electric power.

## Counterparty and credit risks in sales

Within the framework of corporate guidelines, the business operations 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. Sales receivables can also be secured with credit insurance policies.

## Property and liability risk

In order to hedge against property, business interruption or liability risks, Raisio Group has arranged group-wide insurance schemes. Policy management has been centralized, but each business operation 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

Risk management is developed in cooperation with an external insurance broker. Assessments of the level of risk management, which aim to prevent accidents and improve safety at the production plants, have continued at various plants. The results of the assessments have been used as the basis of a programme for reducing risks. The target is to evaluate all the production plants in Finland and abroad equally.

## Board's proposal for the disposal of profit

Shareholders' equity according to the consolidated balance sheet at 31 December 2004 is EUR 376.8 million, of which EUR 247.5 million is distributable. According to the balance sheet, the distributable assets of the parent company at 31 December 2004 total EUR 272,427,970.32.

The Board of Directors proposes that a dividend of EUR 0.21 per share be paid from the parent company's earnings on a total of 165,149,030 shares

|   |                           |
|---|---------------------------|
| totalling                                     | EUR 34,681,296.30         |
| carried over on the retained earnings account | EUR 237,746,674.02        |
| <b>Distributable assets in total</b>          | <b>EUR 272,427,970.32</b> |

Helsinki, 10 February 2005

Arimo Uusitalo  
Erkki Haavisto  
Kaarlo Pettilä  
Christoffer Taxell

Jörgen Grandell  
Jaakko Ihamuotila  
Michael Ramm-Schmidt  
Rabbe Klemets,  
*Chief Executive*

## 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. – 31.12.2004. 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.

Helsinki, 10 February, 2005

Johan Kronberg  
*Authorised Public Accountant*

Mika Kaarisalo  
*Authorised Public Accountant*

## 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 2004, 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 2005 are Risto Ervelä, Esa Härmälä, Timo Järvelähti, Albert Käiväräinen, Antti Lithovius, Ola Rosendahl, Urban Silén, Simo Vaismaa and Nils-Erik Wahlsten.

Raisio, 15 February 2005

For the Supervisory Board  
Juha Saura  
*Chairman*

## Glossary

### **Esterification**

A chemical reaction forming an ester bond between alcohol and an acid (e.g. plant stanol and a fatty acid). At a stanol ester factory, esterification refers to the chemical reaction in which stanol and the 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 a scientifically documented health effect

### **ISO 9001 standard**

An international standard for quality systems

### **ISO 14001 standard**

An international standard for environmental systems

### **Life sciences**

Areas based on the biosciences

### **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'

### **Reagent**

Any well characterized compound used in the laboratory for chemical analysis and preparation of other substances

### **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

### **Value-added product**

A product in which the benefit to the consumer is increased by a certain property, for example, healthiness or convenience of use

### **Working capital**

The capital used to conduct business (accounts receivables + current assets – accounts payable – advance payments)

### **Yellow fats**

A group of edible fats that includes margarine, fat mixtures and butter



# Raisio Group worldwide

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## Symbols

- 🏭 PRODUCTION
- 🏠 SALES OFFICE
- 🌿 RAISIO NUTRITION
- 🏠 RAISIO LIFE SCIENCES

*Raisio Group operates in 13 countries. It has production units in 6 countries in 11 localities.*

*Contact information of all Raisio's offices and production plants is available on [www.raisiogroup.com](http://www.raisiogroup.com)*



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