RAISIO

RECIPE FOR A GOOD LIFE.

Annual Report 2005


2005

Information to investors

V SHARES – BASIC INFORMATION

Shares on 31 Dec. 2005	130,585,788
of which the company holds	3,738,000
Listed on	Helsinki Stock Exchange Main List
Trading code	RAIVV
ISIN code	FI 0009002943
Lot size	500

K SHARES – BASIC INFORMATION

Shares on 31 Dec. 2005	34,563,242
of which the company holds	30,200
Listed on	Helsinki Stock Exchange I List
Trading code	RAIKV
ISIN code	FI 0009800395
Lot size	500

ANNUAL GENERAL MEETING

The Annual General Meeting of Raisio plc will be held on Thursday 30 March 2006 at 2:00 p.m. at the Turku Fair and Congress Centre, at the address: Messukentänkatu 9–13, Turku. The right to attendance is restricted to shareholders who have been entered as such by 20 March 2006 in the shareholder list maintained by the Finnish Central Securities Depository and who have registered their participation at the latest on 23 March 2006, at 3:00 p.m. Registration is possible by telephone +358 2 443 2293, telefax +358 2 443 2315, e-mail eeva.hellsten@raisio.com or mail to Raisio plc, Shareholders Contact, P.O. Box 101, FI-21201 Raisio.

Any matter that a shareholder wants to be handled at the Annual General Meeting shall be presented to the Board of Directors in writing, well in advance for it to be included in the call to the meeting.

DIVIDEND PAYMENT

The Board of Directors proposes a dividend of EUR 0.05 per share.

Ex-dividend date	31 March 2006
Record date	4 April 2006
Dividend payment	11 April 2006

FINANCIAL REPORTS IN 2006

Financial review 2005	9 February 2006
Annual Report 2005	week 11
Interim Reports	4 May, 1 August and 31 October

INVESTOR INFORMATION

The aim of Raisio'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.

Annual reports, corporate responsibility reports, interim reports, as well as press and stock exchange releases are available on Raisio's website at www.raisio.com. The web pages also offer versatile investor information and the contact information of investment analysts. Information about the biggest shareholders and insiders, as well as their holdings, is updated regularly on the website. The insider register and the complete list of owners is available at the Finnish Central Securities Depository at Urho Kekkosen katu 5 C, 8th floor, Helsinki.

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

Annual reports and corporate responsibility reports can be ordered from Group Communications by e-mail communications@raisio.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.

Raisio is a forerunner in the food industry and specialist in plant-based nutrition. In addition to foods, Raisio develops, produces and markets functional food ingredients, food diagnostics, feeds and malts. Benecol, Elovena, Keiju and Sunnuntai are some of Raisio's familiar brands.

Finnish food know-how

Raisio has had important part in the Finns dinner tables for decades. Its roots go back to 1939 when wheat farmers in south-western Finland founded the Oy Vehnä Ab mill to grind and market their wheat.

Production expanded to animal feed, malt, vegetable oil and margarine in the 1940s and 1950s, and the manufacturing of processed potato products began in the 1960s. Raisio's chemical business got underway in the 1970s, leading to strong internationalisation in the 1990s. In the spring of 2004, the Group made a significant strategic decision to focus on the production of plant-based nutrition and on ensuring food safety. Raisio divested its chemical business to the Swiss company Ciba Specialty Chemicals.

The first product containing stanol esther, the cholesterol-lowering Benecol margarine, was introduced on the Finnish market in 1995. Benecol is Raisio's most significant innovation and a pioneer in functional foods.

Measures complying with the company's new strategy were introduced widely in 2005. Raisio focused on research and development and introduced several new foods on the market. A plant utilising new technology was set up in Turku for the purpose of producing healthy oat and soy-based fresh products. Raisio continued its networking activities, for example, by establishing the GoGreen and ZAO Scandic Feed joint ventures and by launching co-operation with Obory, a Polish dairy company in order to bring new Benecol products to market.

Group structure

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

RAISIO NUTRITION		RESEARCH AND DEVELOPMENT	RAISIO LIFE SCIENCES	
FOOD 48%	FEED AND MALT 40%	RESEARCH AND DEVELOPMENT EXPENSES 2.4%	INGREDIENTS 10%	DIAGNOSTICS 2%

% OF CONSOLIDATED TURNOVER

▶ BUSINESS AREAS P. 14–25 ▶ RESEARCH AND DEVELOPMENT P. 26–27

Key figures

	2005	2004
TURNOVER, EUR MILLION	434.6	437.9
OPERATING RESULT, EUR MILLION	–10.9	–18.4
OPERATING RESULT EXCLUDING ONE-OFF ITEMS, EUR MILLION	9.1	10.6
GEARING, %	–25.0	–41.9
EQUITY RATIO, %	76.8	76.4
EQUITY PER SHARE, EUR	2.06	2.29
EARNINGS PER SHARE (EPS), EUR	–0.04	–0.12
EPS EXCLUDING ONE-OFF ITEMS, EUR	0.05	0.07
MARKET VALUE, EUR MILLION	373.9	312.0
PERSONNEL AT YEAR-END	1,396	1,412

FIGURES FOR CONTINUING OPERATIONS

▶ FINANCIAL STATEMENTS P. 48–103

Raisio Nutrition

- Tasty and healthy foods for consumers, the catering business and others in the food industry
- High-efficiency feeds for farm animals
- High-quality malts for breweries
- Market area: Finland and the Baltic Sea region
- Turnover EUR 380.6 million and operating result EUR 8.6 million, excluding one-off items, in 2005
- Employed 1,054 people on 31 December 2005

Raisio Life Sciences

- Functional ingredients for food industry companies worldwide
- Food diagnostics mainly for European companies and laboratories
- The main product is the Benecol ingredient, stanol esther, which, as research shows, lowers cholesterol levels by an average of 15%
- Turnover EUR 59.0 million and operating result EUR 7.5 million, excluding one-off items, in 2005
- Employed 141 people on 31 December 2005

Research and development

- Increasing input in R&D is the cornerstone for Raisio's development
- The goal is to increase product upgrading and introduce new product and technology innovations
- Research centres in Raisio, Turku and Helsinki, Finland; Lyon, France; Rome, Italy
- Research and development expenses totalled EUR 10.3 million, or 2.4% of turnover, in 2005
- Employed 115 people on 31 December 2005

▶ RAISIO NUTRITION P. 16–21
▶ RAISIO LIFE SCIENCES P. 22–25
▶ RESEARCH AND DEVELOPMENT P. 26–27

Share price development

- Raisio's shares have been listed on the Helsinki Stock Exchange since 1989
- Price of free share rose by 19% from the beginning of 2005

▶ SHARES AND SHAREHOLDERS P. 30–37

Strong brands

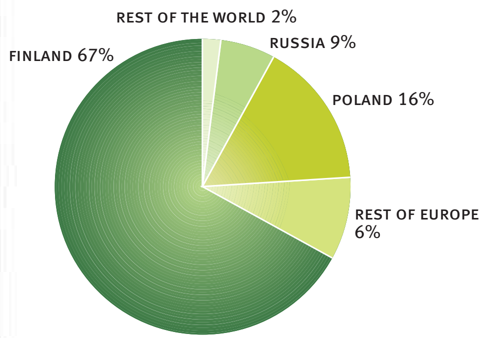
RAISIO'S STRONG FOOD BRANDS:

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

▶ BRANDS AND PATENTS P. 28–29

Raisio worldwide

- Products sold in some 30 countries
- Production in 12 localities in 6 countries
- Employed 1,396 people on 31 December 2005. Personnel is located as follows:



▶ CORPORATE RESPONSIBILITY, P. 12–13

Vision

Raisio aims to be the leading specialist in plant-based nutrition 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 investment 12%

▶ VISION, STRATEGY, TARGETS AND VALUES P. 6–8

Chief Executive's review

Raisio's renewal started with R&D activities. A strong balance sheet enabled larger investments in production but the weaker performance seen in the latter part of the year was a disappointment.

At the beginning of a long road

The first steps in the strategy leading to Raisio's significant renewal were taken with mixed feelings. A good number of research and development ideas arose, and the first new value-added products were launched in Finland. The expansion of the Elovena product family was particularly well-received.

The move to fresh products picked up steam when product development projects were followed by a significant investment in a production plant for soy and oat-based drinks, cooking products and yoghurts. Products marketed under the GoGreen brand found their way to store shelves in Finland and Sweden in early 2006.

Implementation of the strategy also started in acquisitions and networking. The acquisition of a minority share in Obory, a Polish dairy, ensured a way to rapidly expand the Benecol product range in Poland and its neighbouring regions.

The establishment of a joint feed venture, ZAO Scandic Feed, laid a foundation to start feed production in Russia. The feed acquisition in north-western Russia will probably take place during the first half of the year. Raisio has so far been growing organically in the Russian food market but surveys for further investments and acquisitions are under way.

The launch of growth projects in line with the company's strategy, as well as favourable development in many business operations, were shadowed by the weaker market situation in the malt, potato, margarine and food diagnostics businesses.

Strong performers

The ingredients business recorded excellent results thanks to growth and cost-effective operations. The feed business, which has been performing well for a longer time, maintained its performance level, and the milling business also posted satisfactory results. The greatest performance improvements were seen in the Swedish operations and in the oil milling business. Positive profit development also continued in Poland.

Profitability in the ingredients and feed businesses and in Polish operations exceeds the return on investment target of 12% set for the Group's business operations.

Market outlook bleaker in the latter part of the year

The first part of the year promised strong performance, but the market outlook grew bleaker in many of Raisio's business areas towards the end of the year. Profitability took a steep downturn, especially in the malt and potato businesses. The malt business suffered from growing overcapacity in Europe, as Russia, formerly an important export market, increased its own malting capacity.

Difficulties in the potato business resulted especially from weaker domestic demand, as imported frozen potato products got an even firmer grip of the retail trade. Additional expenses from imported raw material also weighed down on Raisio's potato business.

The food diagnostics business was expected to show an upswing at the end of the year, but competitiveness and the narrow product portfolio proved to be more problematic than expected and the result showed a loss.

Owing to the unprofitable results and weaker outlook in the malt, potato and food diagnostics businesses, the value of the balance sheet items for these operations was adjusted by write-downs totalling EUR 21 million.

Adjustment measures launched

Cost-cutting measures to improve profitability were adopted in all of the above-mentioned business operations. Diagnostics will benefit considerably from the market launch of new-generation DNA-based rapid tests in 2006–2007. Structural solutions also remain an alternative in these operations.

In order to increase the domestic margarine sales Raisio puts effort into product development. The Keiju product family was renewed in early 2006 by adding healthy Camelina oil, with a very high omega-3 content, to the products.

Changing consumer needs

Raisio, similar to the Finnish food industry in general, faces great challenges. As a result of decisions made in line with agricultural policies, primary production is now changing. Store chains are consolidating and becoming more international. Consumer habits are also changing.

In order to secure its competitiveness, Raisio must expand its market area and cooperate even closer with trade. Partnerships can be deepened more easily thanks to the implementation of a comprehensive SAP ERP system, which will also be used to enhance procurement. Efficient domestic raw material production is a key to success in many of Raisio's business operations.

Above all, we must find the right product solutions for changing consumer needs. Product development takes into consideration the ageing of the population, changes in family sizes, increasing number of meals consumed outside the home and new lifestyle diseases. Healthier, tastier and more convenient foods are on the top of consumers' wish list in Finland and other market areas. Raisio aims to answer these needs in the coming years.

The company's functional and structural renewal will take time. The results from completed and current growth inputs will be seen in a few years. Continuous adjustment of operations is tough on employees, who, I believe, will feel partly relieved by the company's successful renewal. I would like to thank all of Raisio's employees, as well as our customers and many interest groups, for excellent co-operation in 2005.

Rabbe Klemets

Vision, strategy, targets and values

Raisio's vision is to be the leading specialist in plant-based nutrition and in ensuring food safety. A strong balance sheet provides Raisio with a solid foundation for developing itself as a pioneer in the food industry and as a financially sound, credible listed company.

Strategic priorities and key measures

GROWTH PRIMARILY THROUGH RESEARCH AND DEVELOPMENT

- Emphasis on product upgrades and on new product and technology innovations
- Networking in production and marketing
- Growth also through acquisitions

EXAMPLES FROM 2005

Resources in research and development were further boosted. A research centre bringing together the R&D resources at the Raisio site was completed. Progress was seen in new product innovations containing raw materials such as soy, oat and Camelina. The ZAO Scandic Feed and GoGreen joint ventures were established. The company acquired a minority share in Obory.

PROFITABILITY BY ENHANCING OPERATIONS

- Adjustment of operations to the changed market situation
- Utilisation of the synergies of business operations
- Development of purchasing and logistics

EXAMPLES FROM 2005

Programmes aiming to enhance operations were continued and new adjustment measures were adopted, for example, in the malt, potato and food diagnostics businesses. Research and development, as well as administration, were made into Group-level operations. An introduction of a new ERP system was started in phases in Raisio Nutrition.

WELL-BEING FROM A CUSTOMER AND CONSUMER-ORIENTED APPROACH

- Monitoring and anticipation of consumer trends
- Boost to sales and marketing
- Enhancement of the corporate image as a leading food company
- Development of customer-specific expertise on the basis of partnerships

EXAMPLES FROM 2005

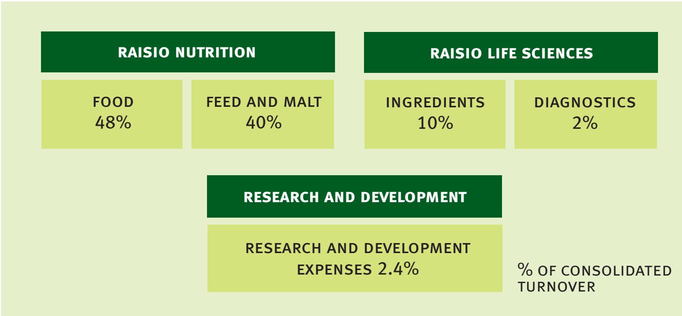
New healthy and easy-to-use products, such as Elovena breakfast and snack products and protein-rich Torino pasta products, were introduced to the market. The Benecol yoghurt drink continued to sell well in Europe. Marketing and sales resources were strengthened both in Finland and abroad. According to a corporate image survey Raisio's customer awareness has continued to rise in Finland. The feed business continued to develop its skills and customised solutions.

The strategic priorities of different business areas are described on pages 18, 20 and 22.

Group structure

Raisio's strategic policies were confirmed in 2004, which is when the company decided to divest its chemicals business. In conjuction with this, the Group structure was revised to match the new strategy.

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.



Financial targets and their achievement

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 for return on investment is 12%.

The ingredients, feed and Polish business operations exceeded the target set for profitability in 2005 but the malt, potato, margarine and food diagnostics businesses still lag clearly behind the target figure. According to estimates, the growth target will most likely be achieved in 2006 but it has become clear that the objective of 12% set for return on investment will not be achieved in all business operations this year.

Consequently, Raisio's management and Board of Directors initiated an analysis in early 2006 to further specify the company's strategy. Strategic activities now aim to ensure continued positive development in the operations that have already achieved the target level, as well as to identify structural or other solutions for business operations performing weaker at the moment.

Key geographical areas

- Food, feed and malt: Finland, Sweden, Poland, Russia and the Baltic countries
- Ingredients and food diagnostics: Europe
- In the future, Raisio Nutrition will also be looking for growth in the new EU member states, and the ingredients business in addition in Asia and South America

Strengths	Risks
SPECIALIST IN GRAIN, OIL PLANTS, POTATO RAW MATERIAL AND STEROL-BASED INGREDIENTS	STIFFER PRICE COMPETITION
GOOD MARKET POSITION IN SEVERAL PRODUCT GROUPS	GROWTH IN PRIVATE LABEL PRODUCTS
INNOVATIVE RESEARCH AND PRODUCT DEVELOPMENT	COMPETITIVENESS OF DOMESTIC RAW MATERIAL
POTENTIAL NEW MARKET AREAS	SUCCESS IN THE MARKET LAUNCH OF NEW PRODUCTS
STRONG BALANCE SHEET	SMALL NUMBER OF SUITABLE TARGETS FOR ACQUISITION

Strategic steps

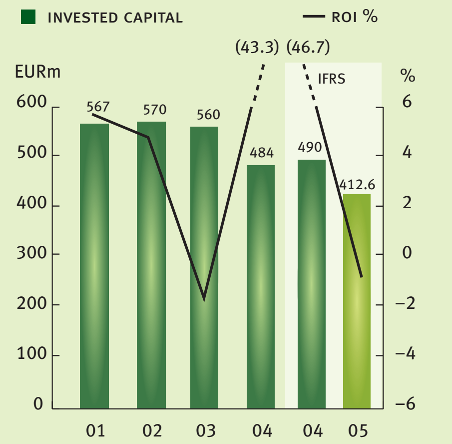
IN 2005

- The GoGreen joint venture in Sweden and ZAO Scandic Feed in Russia
- The acquisition of a minority share in the Obory dairy in Poland
- Extensive cultivation of the Camelina oil plant in Finland
- The "pure oats" project
- Marketing rights for Benecol products in China, Japan and Mexico
- Completion of the soy-oat plant
- Launch of several value-added products
- Adjustment measures in unprofitable business operations
- Share buy-backs in order to develop the company's capital structure

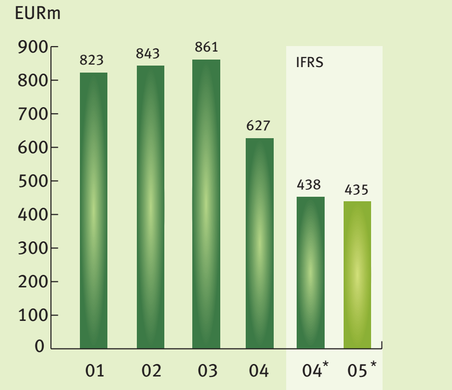
IN 2004

- Divestment of the chemicals business
- Discontinuation of the grain starch operations
- Launch of margarine production in Russia
- Inputs in research and product development
- Renewal and enhancement of the Group structure

Invested capital on the average and the return on investment



Turnover



*CONTINUING OPERATIONS

Common value basis

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

The basic targets and values guide Raisio's 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 high-quality products and services, as well as through financially profitable business for 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 cooperate both within and outside the company.

Values

Annual analysis and summary

The annual analysis provides a quarterly review of the developments in Raisio's operations and performance, while the annual summary describes the main events reported in 2005. The full news archive for 2005 is available at www.raisio.com – Media Center.

First quarter

Raisio's 66th year of operations started favourably. The profitability of both Raisio Nutrition and Raisio Life Sciences showed considerable improvement in the first quarter, and the Group's operating result rose to EUR 4.1 million (EUR 0.2 million). The turnover of Raisio Life Sciences continued on a solid growth track, while that of Raisio Nutrition decreased, especially in the Finnish and Swedish food businesses. Raisio's turnover corresponded roughly to that of the comparison period, amounting to EUR 98.1 million (EUR 98.7 million).

Progress was made in product development projects, and planning for the production plant of soy and oat-based fresh products was launched. Raisio acquired a minority share in the Obory dairy in Poland, which enabled the expansion of the Benecol product family to yoghurt drinks.

The Annual General Meeting decided on a significant dividend of EUR 0.21, as well as on amendments to the Articles of Association and simplification of the company name to Raisio plc. The AGM also authorised the Board of Directors to decide on the repurchase and disposal of company shares.

Raisio adopted the International Financial Reporting Standards as of the beginning of 2005. The first-quarter interim report was prepared in compliance with the IFRS principles for the first time.

Second quarter

Although the performance of the two business segments, Raisio Nutrition and Raisio Life Sciences, showed positive development in the second quarter, additional Group-level strategic inputs in research and product development, as well as other development projects, clearly increased the expenses for other operations. Raisio's operating result fell short of the comparison period, amounting to EUR 2.9 million (EUR 4.7 million). Weaker demand in Finnish consumer goods trade also led to a decrease in turnover, which amounted to EUR 112.9 million (EUR 117.5 million).

Business expansion in Russia moved forward when Raisio decided to start farm feed production in north-western Russia through ZAO Scandic Feed, a 50/50 joint venture established with Lännen Tehtaat.

Third quarter

The third-quarter operating result corresponded to that of the comparison period, amounting to EUR 3.8 million (EUR 3.8 million). Raisio Life Sciences improved its performance but Raisio Nutrition posted a weaker operating result, among other things, due to the start-up expenses for the soy-oat plant. Consolidated turnover took a slight upturn for the first time in 2005, totalling EUR 110.7 million (EUR 109.6 million).

Financial income was increased by the EUR 1.7 million profit from the sale of shares in Lännen Tehtaat.

The share repurchase programme started on 10 August 2005.

Summary of the main releases published in 2005

13.1. Raisio invests in the construction of a soy-oat plant
17.1. New technology rolled out in Raisio's potato processing operations
31.1. Raisio announces further measures to streamline margarine production
16.3. Raisio expands business in Poland by acquiring a minority share in the Obory dairy
29.3. Raisio and Cerealia set up a joint venture, GoGreen AB
31.3. Decisions of Raisio's Annual General Meeting
7.4. Raisio and Finn Cereal agree on a letter of intent concerning the production of pure oat products
22.4. Raisio announces the adoption of the International Financial Reporting Standards IFRS
25.4. Decisions made by Raisio's Annual General Meeting registered
4.5. Raisio and Lännen Tehtaat establish a joint feed venture in Russia
2.8. Raisio announces the start of share repurchases on 10 August
14.9. Raisio sells its shares in Lännen Tehtaat
16.11. Raisio announces its acquisition of sales and marketing rights for Benecol in China, Japan and Mexico from its partner McNeil Nutritionals LLC; Benecol 10 years on the Finnish market
25.11. The composition of Raisio's Board of Directors for 2006 confirmed

FINANCIAL REPORTS

10.2. Financial review 2004
3.5., 2.8. and 1.11. Interim reports 2005

PRODUCT RELEASES

In Finland new products are launched into the market at the beginning of January, May and September. Raisio published releases of its new products accordingly.

All Raisio's releases are available at www.raisio.com

Fourth quarter

Fourth-quarter operating result, excluding one-off items, fell from the comparison period and into the red, amounting to EUR –1.7 million (EUR 2.0 million). Raisio's domestic food business, in particular, posted weaker results. Raisio Life Sciences recorded operative results that were slightly better than those in the comparison period.

Write-downs totalling EUR 21 million were made to the balance sheet items of malt, potato and diagnostics operations due to negative results and weaker growth outlooks. Cost-cutting measures to improve profitability were adopted in these business operations.

The soy-oat plant and a new research centre were completed. Raisio acquired sales and marketing rights for Benecol in China, Japan and Mexico.

As a result of continued share repurchases Raisio held 3,768,200 company shares at the end of the year.

Turnover by business segment, EUR million

	10–12/2005	7–9/2005	4–6/2005	1–3/2005	2005	2004
RAISIO NUTRITION						
FOOD	55.8	52.3	52.1	50.1	210.2	217.1
FEED AND MALT	47.2	48.9	50.6	39.5	186.2	190.7
INTERNAL SALES FOR BUSINESS SEGMENT	–4.0	–3.8	–4.3	–3.8	–15.9	–17.9
TOTAL	99.0	97.4	98.4	85.9	380.6	389.9
RAISIO LIFE SCIENCES						
INGREDIENTS	12.9	12.3	13.8	11.3	50.2	44.7
DIAGNOSTICS	2.3	2.1	2.4	2.1	8.8	8.6
TOTAL	15.1	14.4	16.1	13.4	59.0	53.3

Quarterly results excluding one-off items, EUR million

	10–12/ 2005	7–9/ 2005	4–6/ 2005	1–3/ 2005	2005	2004
OPERATING RESULT OF RAISIO NUTRITION	−0.6	3.4	3.2	2.6	8.6	8.6
OPERATING RESULT OF RAISIO LIFE SCIENCES	1.8	1.7	1.7	2.2	7.5	4.4
OPERATING RESULT OF OTHER OPERATIONS	−2.8	−1.5	−2.0	−0.6	−6.9	−2.5
ELIMINATIONS	−0.1	0.2	0.0	−0.1	0.0	0.1
TOTAL OPERATING RESULT	−1.7	3.8	2.9	4.1	9.1	10.6
SHARE OF RESULT OF ASSOCIATED COMPANIES	−0.5	−0.3	0.0	−0.1	−0.8	−0.4
SEGMENT RESULT	−2.2	3.5	2.9	4.0	8.3	10.2
FINANCIAL INCOME AND EXPENSES, NET	0.5	0.3	1.0	0.8	2.6	0.4
RESULT BEFORE TAXES	−1.7	3.9	3.9	4.8	10.9	10.7
INCOME TAX	2.3	−1.1	−1.4	−1.3	−1.5	0.9
RESULT FOR THE PERIOD FROM CONTINUING OPERATIONS	0.5	2.8	2.5	3.5	9.4	11.6

Key figures, result

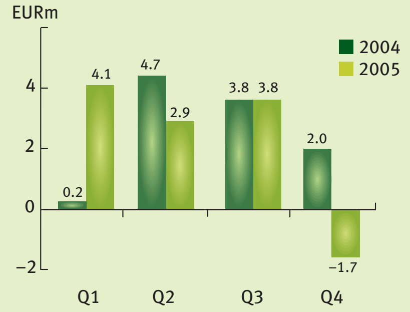
	10–12/ 2005	7–9/ 2005	4–6/ 2005	1–3/ 2005	2005	2004
TURNOVER, EUR MILLION	112.9	110.7	112.9	98.1	434.6	437.9
OPERATING RESULT, EUR MILLION	−1.7*	3.8	2.9	4.1	9.1*	10.6*
% OF TURNOVER	–	3.4	2.6	4.2	2.1*	2.4*
RESULT BEFORE TAXES, EUR MILLION	−1.7*	3.9	3.9	4.8	10.9*	10.7*
EARNINGS PER SHARE, EUR	0.00*	0.02	0.02	0.02	0.05*	0.07*

*EXCLUDING ONE-OFF ITEMS

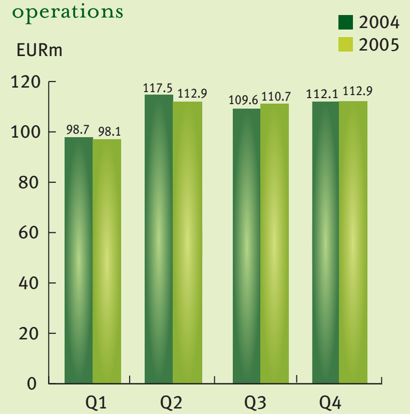
Key figures, balance sheet

	31.12.2005	30.9.2005	30.6.2005	31.3.2005	31.12.2004
RETURN ON INVESTMENT, %	−1.3	5.0	4.6	5.0	46.7
EQUITY RATIO, %	76.8	76.6	78.1	71.8	76.4
GEARING, %	−25.0	−28.2	−26.4	−39.7	−41.9
EQUITY PER SHARE, EUR	2.06	2.15	2.13	2.11	2.29

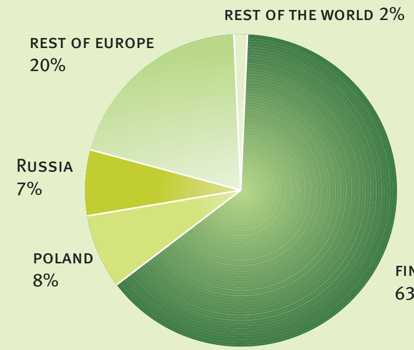
Operating result of continuing operations (excluding one-off items)



Turnover of continuing operations



Geographical split of the turnover



Corporate responsibility

Responsibility is one of Raisio's core values. Raisio is committed to take responsibility for its operating environment. The goal is for the company's operations to stand on an ecologically, socially and financially solid basis now and in the future.

> A separate Corporate Responsibility Report offers an extensive review of Raisio's financial, social and environmental responsibility.
>
> The Corporate Responsibility Report can be ordered by email communications@raisio.com or by phone +358 2 443 2292.
>
> The reports are also available at www.raisio.com.

Raisio's responsible operations are guided and defined by Group-wide environmental, quality, health and safety policies, including the goals set for these, as well as Raisio's GMO policy.

RAISIO'S ENVIRONMENTAL, QUALITY, HEALTH AND SAFETY OBJECTIVES

- To develop and produce safe, healthy and environmentally friendly products using methods that preserve natural resources
- To prevent operational hazards, accident risks and their possible consequences
- To reduce the amount and harmfulness of emissions and waste and to increase waste recovery
- To promote open debate and interaction on safety, health and environmental issues between customers, the procurement chain, authorities, stakeholders and the personnel
- To focus on continuous improvement of customer satisfaction

As part of their management systems, business operations set their own quality, health, safety and environmental objectives and regularly 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.

Raisio develops its corporate responsibility reporting based on its position as a pioneer in the food industry. The report for 2005 presents, for the first time, a comparison with the international GRI guidelines.

Financial responsibility

Raisio's business operations generate financial well-being for various stakeholders. The company's financial responsibility implies meeting the expectations of shareholders and promoting social well-being.

The continuous improvement, efficiency and renewal of Raisio's operations enable profitable growth. Financially profitable and competitive operations enable the company also to take care of its environment and the social responsibility.

Environmental responsibility

To achieve its environmental objectives, Raisio focuses on the efficient and economic use of natural resources, as well as the protection of air, water and soil. Raisio supports primary production based on the principles of sustainable development and takes responsibility for environmental impacts spanning the whole product life cycle. The environmental load caused by operations is monitored using environmental indicators.

Raisio's production process uses mainly renewable, cultivated raw materials, which are mainly used up in their entirety. The resulting waste flows are small and options for their recovery are studied continuously. The demands of the best available technology are taken into account when dealing with changes in production processes and environmental technology.

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

Social responsibility

Raisio's social responsibility is based on the ethical principles approved by the company's Board of Directors. Raisio puts special emphasis on the development of staff competence and well-being at work, the safety of the work environment and good stakeholder cooperation in the immediate surroundings and society in general.

On 31 December 2005 Raisio had 1,396 employees (1,412 in 2004), 33% of whom (32%) worked abroad. The company has operations in 14 countries. Professional, skilled, motivated and committed personnel are essential for Raisio to carry out its vision and strategy. New recruits in 2005 boosted competence, especially in sales and marketing. Personnel resources were also increased in research and development. Changes in the ERP system (SAP) and the implementation of new production technologies presented new challenges to staff competence in 2005.

Ethical principles

Raisio obeys the principles of sustainability including social, environmental and financial 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 has approved quality, environmental, health and safety policy. These important guidelines governing our operations and actions are communicated effectively to all employees. All at Raisio are required to adapt and take these principles into practice.

When choosing suppliers Raisio 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 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 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.

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 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, 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.

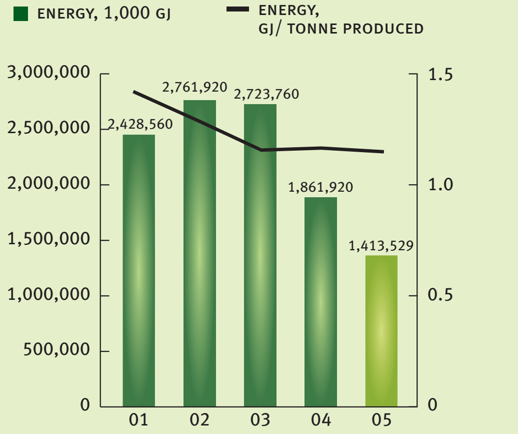
All Raisio transactions are shown clearly and correctly in company's financial information. This information is reported simultaneously, honestly and transparently to all stakeholders obeying the rules and recommendations for a Finnish publicly listed company. Internationally the local companies obey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

COMMUNITY INVOLVEMENT

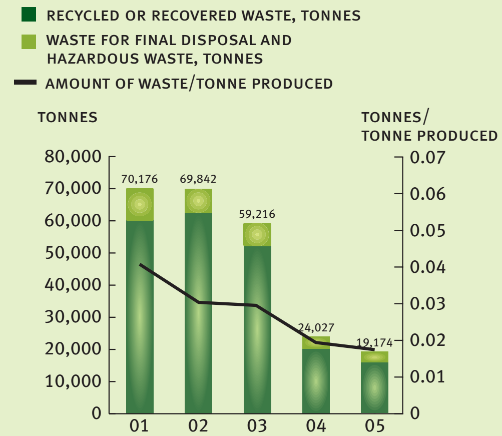
Raisio co-operates locally and on group level with many stakeholders in the fields of science and research, education, sports and culture as well as healthcare. Raisio Research Foundation supports scientific research through annual awards.

Continuous dialogue with authorities, trade unions and organisations of citizens enables direct and well functioning connections within our communities. While Raisio 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 encourages its units and personnel to participate in local community work to promote the common good.

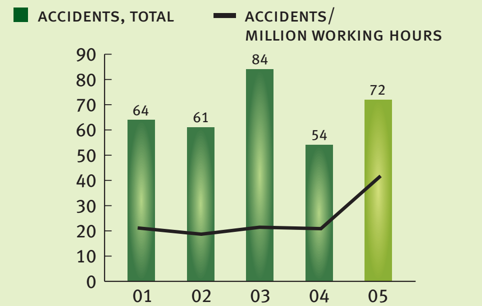
Energy consumption



Waste



Accidents



REPORTS UP TO 2002 INCLUDE ACCIDENTS RESULTING IN A MINIMUM OF THREE DAYS OF ABSENCE. REPORTS FOR 2003–2005 INCLUDE ALL ACCIDENTS.

THE FIGURES HAVE BEEN REPORTED ACCORDING TO THE GROUP STRUCTURE VALID AT THE TIME.


gogreen
Keiju
gogreen

Business areas

Raisio's business operations are divided into Raisio Nutrition, covering the Food and Feed & Malt operations, and Raisio Life Sciences, containing the Ingredients and Food diagnostics operations.

Research and development activities ensure renewal and are organised at Group level in order to serve all of Raisio's business operations. The changing needs of consumers and other customer groups lay a foundation for the product development.

Brand management and patents to protect inventions play an important part in the commercialisation of new ideas.

Raisio Nutrition

Raisio Nutrition produces healthy and tasty foods for consumers, the catering business and the food industry, as well as high-efficiency feed for farm animals and high-quality malt for breweries. Raisio Nutrition's home market covers the region around the Baltic Sea. While R&D investments and networking boosted the renewal of Raisio Nutrition in 2005, certain business operations faced a bleaker outlook.

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 efficient and highly-valued expert in the Finnish feed sector and also a significant player in the Russian feed markets.

The annual growth target for turnover is approximately 2% in Finland, 5% in Russia and Poland. The goal for profitability is a 12% 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 operations target the markets in Finland, Russia and the Baltic countries. Raisio Nutrition also seeks growth in the new EU member states.

Financial performance in 2005

The turnover of Raisio Nutrition dropped 2.4% from the previous year, totalling EUR 380.6 million (EUR 389.9 million). Strong margarine sales and a successful product range expansion resulted in significant growth in the Polish operations. Margarine and cereal sales in Russia also grew significantly. In other markets, turnover decreased in both food and feed and malt operations. The turnover of the milling business, however, improved thanks to successful product launches. Although the sales volumes for feed increased, lower raw material prices were transferred to sales prices and thus decreased turnover.

The operating result of Raisio Nutrition, excluding one-off items, was EUR 8.6 million (EUR 8.6 million). Oil milling business accounted for the most significant growth, thus contributing to the good overall result of the feed business. In the food business, profitability improved in Sweden and Poland, while growth-oriented inputs kept Russian operations in the red. Finnish food business posted a result close to zero. The operating result was weakened by higher raw material expenses for potato products, poor demand for frozen potato products and the start-up costs for the soy-oat plant. Changes in the Russian market made the malt business unprofitable.

Key figures

	2005	2004
TURNOVER, EUR MILLION	380.6	389.9
OPERATING RESULT*, EUR MILLION	8.6	8.6
CAPITAL INVESTED, EUR MILLION	167.3	147.5
RETURN ON INVESTMENT*, %	5.1	5.9
PERSONNEL**	1,054	1,186

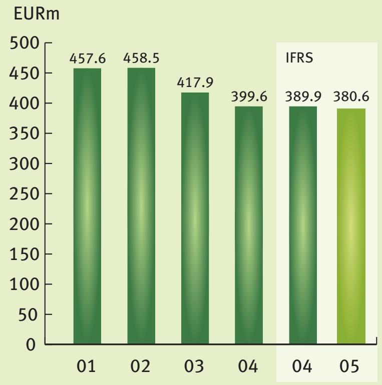
*EXCLUDING ONE-OFF ITEMS

**IN 2004 BUSINESS AREA ORGANISATIONS INCLUDED R&D AND PART OF THE GROUP ADMINISTRATION SERVICE FUNCTIONS

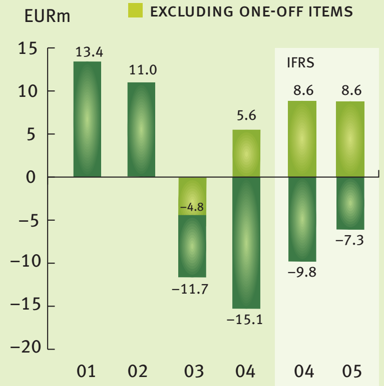
Raisio Nutrition

	FOOD — TURNOVER EUR 210.2 MILLION, 53% OF RAISIO NUTRITION'S TURNOVER (RETAIL 69%, CATERING 10% AND BAKERIES/INDUSTRY 21%)			FEED & MALT — TURNOVER EUR 186.2 MILLION, 47% OF RAISIO NUTRITION'S TURNOVER	
	MILLING TURNOVER EUR 77.0 MILLION	**MARGARINE** TURNOVER EUR 117.9 MILLION	**FOOD POTATO** TURNOVER EUR 18.5 MILLION	**FEED** TURNOVER EUR 163.6 MILLION	**MALT** TURNOVER EUR 21.4 MILLION
PRODUCTS	FLAKES, FLOUR, PASTA	MARGARINE, 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
GEOGRAPHICAL SPLIT OF TURNOVER	FINLAND 90% RUSSIA 7% BALTIC COUNTRIES 3%	FINLAND 41% SWEDEN 15% POLAND 31% RUSSIA 3% OTHER 10%	FINLAND 98% OTHERS 2%	FINLAND 87% RUSSIA 8% OTHERS 5%	FINLAND 36% RUSSIA 58% BALTIC COUNTRIES 6%
BEST-KNOWN BRAND NAMES	FINLAND: ELOVENA, SUNNUNTAI, ANNI HELENA, TORINO AND NALLE RUSSIA: NORDIC	FINLAND: BENECOL, KEIJU CAMELINA, KULTASULA AND SUNNUNTAI SWEDEN: RAISIO POLAND: MASMIX, FINEA AND PYSZNY DUET RUSSIA: VOIMIX AND DOLINA SKANDI	IN RETAIL SECTOR KOKIN PARHAAT IN CATERING SECTOR MESTARI	IN FARM FEEDS HERKKU, MAITURI AND MELLI IN FISH FEEDS ROYAL AND NUTRA	RAISIO MALT
MARKET SHARE MARKET SHARES HAVE BEEN CALCULATED ON THE BASIS OF THE VALUE OF FOOD AND THE VOLUME OF FEED AND MALT	RETAIL PRODUCTS IN –FINLAND FLAKES 74%, FLOUR 42%, PASTA 20% –RUSSIA FLAKES 6%	RETAIL PRODUCTS IN –FINLAND MARGARINES 36%, FRESH CHEESES 4% –SWEDEN 15% –POLAND 7.5% –RUSSIA IN SOME AREAS 6–10%	RETAIL PRODUCTS IN –FINLAND 15%	FINLAND –FARM FEEDS 38% –FISH FEEDS OVER 50%	FINLAND 46%
	CATERING SECTOR IN FINLAND 40%	CATERING SECTOR IN FINLAND 50%	CATERING SECTOR IN FINLAND 40%		
	BAKERIES/INDUSTRY IN FINLAND 50%	BAKERIES/INDUSTRY IN FINLAND 40%	BAKERIES/INDUSTRY IN FINLAND 25%		
PRODUCTION PLANTS	FINLAND: RAISIO (FLOUR, PASTA) AND NOKIA (FLOUR, FLAKES)	FINLAND: RAISIO POLAND: KARCZEW RUSSIA: ISTRA	FINLAND: VIHANTI	FEED PLANTS: FINLAND: RAISIO, ANJALANKOSKI, OULU AND UUSIKAARLEPYY OIL MILLING PLANT: FINLAND: RAISIO	FINLAND: RAISIO

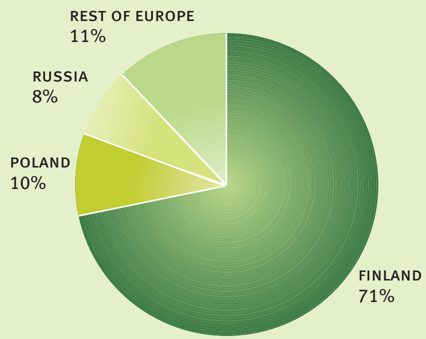
Turnover



Operating result



Geographical split of turnover



On the outlook for food business:

Olavi Kuusela,
Executive
Vice President

"Raisio is looking for growth both by upgrading its product portfolio and expanding geographically. The Finnish food market is growing slowly, and the company is looking to achieve growth by diversifying its staple products and introducing new highly processed products. An increase in the awareness of health-related issues and the need for special diets favour this approach.

Raisio will launch a significant number of new products in 2006, which will increase the food business turnover in Finland. However, new products will not bring a significant improvement to the 2006 operating result due to launch phase investments and marketing inputs.

The turnover of Polish operations will increase as Raisio begins to sell Obory's products. Profitability is expected to remain high. Turnover in Russia will increase but profitability will remain at the same level as in 2005 due to inputs in marketing. In Sweden, turnover is estimated to increase and profitability to improve.

Russia, Poland, the Baltic countries and new EU member states constitute the main geographical growth areas. Russian operations will continue to focus on developing distribution and expanding production. Raisio's objective in Poland is to make use of the existing distribution and sales organisation and expand the product range."

Raisio Nutrition

Foods

The food business processes and markets healthy and tasty foods to consumers, the catering business and others in the food industry. Its main market area consists of Finland and the Baltic region.

Strategic priorities

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. The company will continue its networking activities with other enterprises in the food industry.

CONSUMER-ORIENTED AND PIONEERING APPROACH

Raisio will emphasise the systematic analysing of eating and purchasing habits and will use information about consumer trends in product development and marketing. Raisio's strong brands form a good basis for new products launches. The product life cycle approach will be developed, among other things, by using the ERP system introduced in early 2006.

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 potatoes, as well as on its effective production processes to commercialise tasty and healthy products.

Year 2005

- Raisio acquired a 25% share of Obory, a Polish dairy company, and ensured a rapid growth of Benecol product range in Poland and its neighbouring countries.
- Raisio and the Swedish Cerealia Foods & Bread established GoGreen AB, a 50/50-owned joint venture, which provides fresh soy and oat based products an excellent channel to North European markets.
- Production facilities for soy and oat based fresh products were constructed in Turku.
- Raisio and Finn Cereal agreed on the manufacture of "pure oat" products, developed especially for people with celiac disease. Raisio will be responsible for oat farming, product development and marketing, while Finn Cereal will be responsible for the processing of pure oats.
- Raisio initiated contract farming and commercialisation of Camelina oil plant.

Strengths	Risks
WELL-KNOWN BRANDS AND A STRONG MARKET POSITION IN ITS MAIN PRODUCTS, ESPECIALLY IN FINLAND	BIG SHARE OF LOW-MARGIN PRODUCTS IN THE PRODUCT RANGE
LONG-TERM CONTRACT FARMING	STIFFER COMPETITION
HEALTHY PRODUCTS OF HIGH QUALITY	SLOW GROWTH IN FINLAND
ENHANCED PRODUCT DEVELOPMENT RESOURCES	CHALLENGING DISTRIBUTION IN RUSSIA
LOCAL PRODUCTION IN POLAND AND RUSSIA	
VERSATILE CUSTOMER BASE	

Operating environment
Raisio's position on the Finnish food market

RETAIL MARKETS

The value of the cereal market, amounting to EUR 21 million, remained at the previous year's level, as did Raisio's market share at 74%. The value of the flour market has decreased by 5% to EUR 24 million. Raisio's market share has seen a slight decrease and now stands at 42%. The value of the pasta market has decreased by 2% to EUR 23 million, while Raisio's market share of 20% has remained at the previous year's level.

The value of the margarine market has dropped slightly and now amounts to EUR 87 million. At 36%, Raisio's market share remained at the previous year's level. The value of the frozen potato market amounted to EUR 32 million, remaining at the previous year's level. Raisio's market share dropped to 15% (18%).

Private label products command a strong market share in many product groups represented by Raisio. Private labels have their highest market share, nearly 50% in frozen potato products.

Raisio Nutrition produces many of the stores' own brands: private labels account for approximately 15% of Raisio's production volume in Finland. This figure differs widely depending on the product group.

CATERING SECTOR AND INDUSTRIAL MARKETS

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

In the product groups represented by Raisio, the company has an average market share of over 40% in the catering market and approximately 50% in the food industry and bakery markets.

OUTLOOK

The consumers' growing interest in food, its origins and a healthy lifestyle, as well as the ageing of the population and easy-to-use products, form a solid basis for Raisio's product range.

Centralised trade and growing importance of discount chains make the markets more challenging and cause pressure on prices.

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

Increasing supply and centralisation, especially in the bakery business, increase competition in the food industry 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 position on the Polish food market

The value of the Polish market for yellow fats is EUR 470 million, showing a growth of nearly 2% in 2005. Raisio's Polish subsidiary, Raisio Polska Foods, has a 7.5% market share in yellow fats, while Raisio's overall share of the margarine market amounts to 13–15%. The company's market position has remained unchanged from 2004, and it continues as the market leader in the segment for functional margarines.

In March 2005, Raisio acquired a 25% share of Obory, a Polish dairy company, and ensured a rapid expansion of the Benecol product range in Poland and its neighbouring countries.

Raisio Polska Foods introduced several new products in 2005, including the Benecol yoghurt drink, Pyszny Duet and Naj margarines, as well as CaffeLatte and ChokoLatte cold drinks.

OUTLOOK

Poland's EU membership presented Raisio Polska Foods with new opportunities in the internal EU market. Growth in exports will be emphasised especially in the Czech Republic, Hungary, Latvia and Lithuania.

Raisio will expand its food assortment in Poland both alone and in co-operation with partners. Its goal is also to increase the sales of Obory and to boost the position of Masmix margarine.

Raisio's position on the Russian food market

The market for yellow fats in Russia's largest cities has a value of some EUR 460 million, showing an approximate growth of 9%. The share of industrial margarines increased, while the market for consumer margarines remained unchanged.

Operations at Raisio's own margarine plant near Moscow began in February 2004. The plant produces all of Raisio's margarines for the Russian market. Exports from the Russian plant to Ukraine, Belorussia and Kazakstan began in 2005. Raisio increased its sales volumes by some 7% over the previous year, with Voimix and Dolina Skandi increasing their market shares. The distribution network was developed to better correspond to the needs of networked trade. Raisio launched several new products, such as the Voimix Olivo spread and Poselkovye margarine.

The value of the cereal flake market in Russia's 23 biggest cities is approximately EUR 100 million. In terms of value, Raisio's market share remained at the previous year's level, amounting to some 6%. Raisio's shop coverage increased over the year, as did volumes by some 17%.

Raisio's grain products, imported from Finland, are sold under the Nordic brand in Russia. Nordic is the market leader in premium class cereal flakes. Raisio is also planning to start flake production in Russia.

OUTLOOK

Raisio will develop its margarine range in 2006 by launching new medium-price-range products and industrial margarines. The company also plans to launch Benecol products and to introduce cream cheeses on the growing markets. In grain products, the company will increase its inputs in the Nordic product range and launch, among other things, the Nordic millet flake.

Cooperation in marketing and sales will focus on new and existing customer segments and efficient distribution. Another focal area is Ukraine, where the operations of TOV Raisio Ukraine, a subsidiary set up in late 2005, will be further developed.

Raisio's position on the Swedish food market

At some EUR 290 million, the value of Swedish edible fat markets remained unchanged in 2005. Raisio's market share in the product groups it represents is approximately 15%.

OUTLOOK

The Swedish edible fat markets are expected to decrease slightly, with consumption shifting to value-added products in higher-priced categories. Raisio will further develop its operating method, focusing on close co-operation with store chains. It will also continue small-scale consumer advertising. As of the beginning of 2006, Raisio's sales organisation takes responsibility of margarine sales in Sweden and continues to be in charge of the sales of Cerealia grain products in Finland.

On the outlook for feed and malt business

Leif Liedes, President

"The turnover of the feed business is expected to remain at the same level as in 2005. The number of livestock farms will continue to decrease but the increase in farm size will keep overall production at the current level. Rapid development in technology offers excellent opportunities to develop new feeding solutions and improve the productivity of farms.

Fish feed exports to Russia are expected to grow, while farm feed exports are likely to remain unchanged from 2005. Russian livestock production and the market for industrial feeds are on the verge of growth. When starting production in Russia, Raisio can get on a growth track and use the experience and competence gained by two significant feed companies in Finland.

The result from feed business is expected to remain at the level of 2005, despite stiffer competition and big increases in energy expenses and raw material prices, especially in fish feeds.

Turnover from the malt business is likely to continue its downward trend in 2006. Volumes will remain the same, but intense price competition will decrease turnover. The current price competition is a result of overcapacity in Europe and increases in the malting capacity of Russia. Measures to improve profitability were instituted in early 2006."

Raisio Nutrition

Feed and malt

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

Strategic priorities

CONTROLLED GROWTH IN FINLAND

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

STRONGER MARKET POSITION IN RUSSIA

The company's market position will be strengthened by starting farm feed production in north-western Russia through a joint venture and by increasing Raisio's own exports of special feeds.

EFFECTIVENESS AND PIONEERING APPROACH

The high domestic degree of grain raw materials and oil plants obtained through contract farming contributes to the good quality and traceability of end products. Product development combines the latest knowledge in the field and individual customer needs to produce functional products and comprehensive solutions. Customer-specific expertise will be developed through partnerships. The high utilisation rate of production plants and efficient processes ensure cost-effective operations. Reliable deliveries and clean transports are at the core of operations.

Year 2005

- Raisio and Lännen Tehtaat established a joint venture, ZAO Scandic Feed, with aim to set up farm feed production in north-western Russia.
- The production of farm feeds increased, and Raisio Feed reached record production volumes at all three of its farm feed plants.
- The decrease in raw material prices resulted in a decrease in feed mix prices, while the prices of nearly all other production inputs at the farms increased.
- The increase in energy expenses affected especially the malt and oil milling businesses.
- The malt barley crop in Finland was reasonable, both in terms of quality and quantity, and will thus ensure the availability of high-quality domestic raw material.
- The profitability of the malting business suffered from pan-European overproduction that further intensified price competition.

Operating environment
Raisio's position on the Finnish and Russian feed markets

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, the Finnish farm feed market grew slightly compared to the previous year, amounting to some 1,400 million kilograms. The prices of protein ingredients lowered the price level of farm feeds. Exports of farm feeds increased over the previous year.

The year was favourable to fish farming in Finland and north-western Russia. The volume of Raisio's fish feeds in Finland remained at the previous year's level, while export saw significant growth.

Raisio Feed's share of Finnish dry farm feed markets is roughly 39% and over 50% in fish feeds. The company strengthened its market share in both farm and fish feeds.

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.

OUTLOOK

Livestock production is not expected to show any significant changes in terms of volume. While the number of livestock farms will decrease, the size of farms will continue to increase. This trend requires the feed industry to increasingly tailor its feeding solutions and plans to individual farms, but also supports growth in the use of industrial feeds.

The outlook for Finnish fish feed markets is relatively stable. Whitefish farming looks promising. Raisio has actively participated in developing competence in this field and has promoted the farming of whitefish as a food fish.

Growth in exports is mainly expected in fish feeds. In farm feeds, Raisio will seek growth by starting production in north-western Russia through a joint venture. Russia's goal is to achieve higher self-sufficiency in food production, and livestock production volumes are already on the increase. This will support the use of industrial feed in the future. However, the infrastructure needed for growth on livestock farms calls for large-scale investments.

Strengths	Risks
EXPERTISE IN ANIMAL NUTRITION MODERN PRODUCTION PLANTS AND EFFICIENT PRODUCTION PROCESSES ADVANCED QUALITY AND HYGIENE CONTROL STRONG FEED BRANDS IN FINLAND AND GOOD RECOGNITION IN NORTH-WESTERN RUSSIA	DEVELOPMENT OF RUSSIAN LIVESTOCK PRODUCTION CHANGES IN THE EU AGRICULTURAL SUBSIDY SYSTEM AND THEIR IMPACT ON LIVESTOCK PRODUCTION

Raisio's position on the Finnish, Russian and Baltic malt markets

The value of Finnish malt markets adds up to some EUR 15 million. Beer consumption increased by some 3% in Finland, while that of malt rose by nearly 1%. The oversupply of malt in the EU region decreased prices in Finland as well. Raisio's market share in the malt business is approximately 50%.

Approximately 70% of Raisio's malt production went to export. The value of Russian malt markets is approximately 1.5 million tonnes. Russia has managed to significantly increase its malting capacity in a relatively short time, which has led to stiff price competition. Raisio's malt volumes to Russia decreased by 14% in terms of malt tonnes, but its market share of malt imported into the country increased. Beer consumption in Russia increased by some 6%.

The roll-out of a new malting plant in Lithuania also intensified competition in the Baltic markets. Nevertheless, Raisio's exports to the Baltic countries nearly doubled, amounting to some 5% of Raisio's overall malt production.

OUTLOOK

The Finnish malt markets are expected to remain unchanged in 2006, and competition will continue to be tough. The Baltic malt markets will grow, but the differences between countries are significant.

Beer consumption in Russia is expected to increase by a further 4–6%. Last year the malting capacity grew some 300,000 tonnes and the own malt production in Russia covers some three quarters of the country's own need. The Russian malt market will continue to see tough competition also due to the European overcapacity of some 500,000 tonnes. In addition, beer consumption is expected to decrease slightly in traditional beer countries of the EU.

Strengths	Risks
EXPERTISE IN NORTHERN MALT BARLEY CULTIVATION AND THE MALTING PROCESS FORERUNNER IN SAFETY AND TRACEABILITY	GROWTH IN RUSSIA'S OWN MALT PRODUCTION OVERPRODUCTION OF MALT IN EUROPE

Raisio's raw material supplies

Raisio is Finland's biggest processor of cultivated products. It processes around 40% of all the grain used for industrial purposes. The total amount of grain used in 2005 was 540 million kilograms, some 90% of which was domestic. Raisio also used some 60 million kilograms of Finnish potatoes for its food potato products and purchased some 150 million kilograms of oil plants, mainly rapeseed. The main imported raw material was soy, with approximately 100 million kilograms imported into the country.

Raisio expanded the contract farming of Camelina in 2005. Camelina was cultivated by 250 contract farmers on an area of some 2,000 hectares. Camelina offers Raisio significant new opportunities to develop functional foods and their ingredients.

The principles of grain purchasing are market-based pricing and transparent operations. The quality criteria and purchase prices are public information and are available on the Internet at www.raisio.com/maatalousryhma.

CONTRACT FARMING AND SAFETY OF RAW MATERIALS

- Raisio has some 2,000 contract farmers.
- Contract farmers produce grain, oil plants and potatoes.
- Cooperation 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.

Raisio Life Sciences

Raisio Life Sciences produces functional ingredients and diagnostics testing systems for food industry companies worldwide. In 2005, the ingredients business focused on supporting future growth outside Europe, especially on the Asian markets. The emphasis in food diagnostics was on improving profitability and developing new rapid testing methods.

Vision and financial targets

Raisio Life Sciences is 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 used to ensure the quality and safety of food.

The annual growth target for turnover is 15–20%. The goal for profitability is a 12% return on investment, which translates into an operating profit level of some 10%.

Strategic priorities

PROFITABLE GROWTH

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

PIONEER IN THE FIELD

The business area will introduce new ingredients and product applications that improve the competitiveness of stanol ester as well as brand-new functional ingredients. Scientific studies aimed at obtaining further proof of Benecol's effectiveness will also be continued. Development of new-generation rapid testing systems is under way in food diagnostics, and additional products featuring new technology will be introduced in 2006–2007.

Key geographical areas

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

Financial performance in 2005

Strong development in the ingredients business boosted turnover by 10.7% to EUR 59.0 million (EUR 53.3 million). Turnover from the diagnostics business grew slightly over the previous year.

Profitability improved and the operating result excluding one-off items totalled EUR 7.5 million (EUR 4.4 million). The result was boosted by the continued growth in ingredients sales during 2005. The development of markets for sterol-based ingredients has enabled Raisio to gain a strong foothold on the market with its Benecol ingredient and to put its skills to wider use throughout the production chain for sterol-based ingredients. The diagnostics business focused enhancing operations and renewing the product portfolio. Inputs made in product development pushed the result of the diagnostics business into the red.

Key figures

	2005	2004
TURNOVER, EUR MILLION	59.0	53.3
OPERATING RESULT*, EUR MILLION	7.5	4.4
CAPITAL INVESTED, EUR MILLION	57.0	47.0
RETURN ON INVESTMENT*, %	13.1	9.4
PERSONNEL**	141	177

*EXCLUDING ONE-OFF ITEMS

**IN 2004 BUSINESS AREA ORGANISATIONS INCLUDED R&D AND PART OF THE GROUP ADMINISTRATION SERVICE FUNCTIONS

Year 2005

INGREDIENTS

- Benecol's 10th anniversary
- Profitability improved
- Ingredients sales grew by 11.0%
- Raisio obtained the sales and marketing rights for Benecol in China, Japan and Mexico from its cooperation partner McNeil Nutritionals LLC
- Significant expansion to the capacity of the stanol ester plant started in Raisio
- Emphasis on the development of Benecol-based drinks

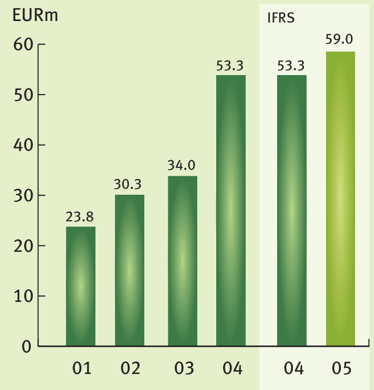
FOOD DIAGNOSTICS

- Rationalisation measures were initiated in late 2005
- Operative profitability improved, but inputs in R&D weakened the result
- New rapid testing methods for pathogens and fungal toxins were introduced to the market
- Positive development in the sales of test series to key customers
- Emphasis on the development of new-generation DNA testing systems

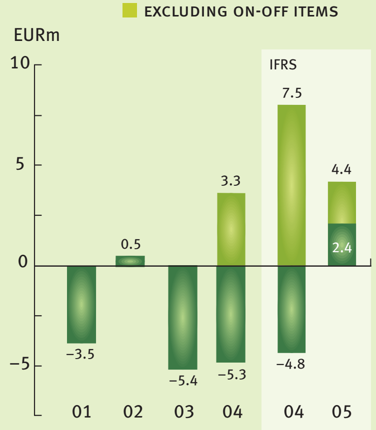
Raisio Life Sciences

	INGREDIENTS TURNOVER EUR 50.2 MILLION, OR 85% OF RAISIO LIFE SCIENCES' TURNOVER	FOOD DIAGNOSTICS TURNOVER EUR 8.8 MILLION, OR 15% OF RAISIO LIFE SCIENCES' TURNOVER
PRODUCTS	BENECOL INGREDIENT (STANOL ESTER) OTHER STEROL-BASED INGREDIENTS	TESTING METHODS RELATED TO FOOD QUALITY AND SAFETY TESTING METHODS FOR WINES AND DAIRY PRODUCTS AUTOMATION OF LABORATORY PRACTICES
KEY GEOGRAPHICAL AREAS	EUROPE GROWTH SOUGHT IN ASIA AND SOUTH AMERICA	EUROPE GROWTH SOUGHT WITH NEW PRODUCTS AND IN NEW MARKET AREAS
BRANDS	BENECOL	TRANSIA AND EC
MARKET SHARE	MARKETS FOR CHOLESTEROL-LOWERING STEROL-BASED INGREDIENTS – EUROPE 35% – USA 20%	DEPENDING ON PRODUCT SECTOR, 5–15% IN EUROPE
PRODUCTION PLANTS	FINLAND: RAISIO USA: SUMMERVILLE, SC	FRANCE: LYON ITALY: ROME

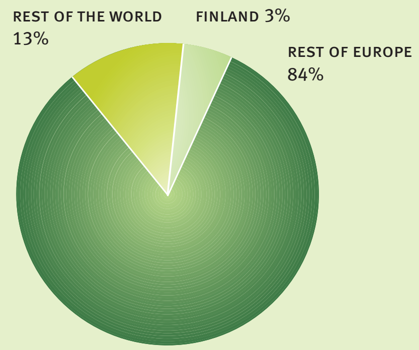
Turnover



Operating result



Geographical split of the turnover



On the outlook for ingredients business

Heikki Ruska,
Chief Operating Officer

"After ten years of systematic work, Raisio and its cooperation partners have made Benecol into the leading cholesterol-lowering food brand and one of the best known Finnish food brands in Europe. Benecol products containing stanol ester are currently sold in over 20 countries in approximately ten different product applications. Increasingly tough competition calls for renewal and global market coverage.

Our goal is to boost business by launching, jointly with our partners, new next-generation Benecol products and further expanding markets, especially in Asia and South America. The growing consumer awareness of health-related issues and increase in the use of functional foods supports this goal.

The inputs in new markets, as well as tougher competition in Europe keep profitability at the 2005 levels. The status of Benecol end-products as the leading brand in the field will be further developed in co-operation with our partners."

Raisio Life Sciences

Ingredients

The ingredients business develops, produces and markets safe, health-promoting food ingredients. Raisio produces sterol-based ingredients, the most important at the moment being the Benecol ingredient, stanol ester. Customers consist of food companies worldwide.

Products

Benecol ingredients that means cholesterol lowering products containing stanol ester are sold in addition to Finland in Argentina, Belgium, Chile, France, Germany, Great Britain, Greece, Iceland, Ireland, Italy, Portugal, Poland, Sweden, Switzerland, Spain, United Arab Emirates and USA.

The product range include margarines and other spreads, cream cheese style spreads, yoghurts, yoghurt drinks, buttermilk, pasta and milk. Benecol drinks and capsules were launched in early 2006.

Operating environment

MARKETS FOR STEROL-BASED INGREDIENTS

The worldwide markets for cholesterol-lowering sterol-based ingredients have a total value of approximately EUR 140 million. Raisio estimates the market for end-products containing these ingredients to total some EUR 700 million. Market growth has continued, especially in Europe where it has been boosted by the increasing consumer awareness for health-related issues and the launch of new user-friendly products, such as the yoghurt drink. Raisio and its partners were the first to introduce yoghurt drinks to consumers.

Raisio holds an approximate 30% share of worldwide markets and 35% of European markets for sterol-based ingredients. Raisio's growth equalled the average rate of the market.

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. The increase in cardiovascular diseases is predicted to amount to some 20% over the next five years.

Strengths

- 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 AND STEROL AND FATTY ACID CHEMISTRY
- WIDE PARTNER NETWORK AND SEVERAL END-PRODUCT APPLICATIONS

Risks

- STIFFER COMPETITION, ESPECIALLY IN EUROPE
- THE SCOPE OF PATENT COVERAGE QUESTIONED IN THE EU
- SLOW ENTRY INTO NEW MARKETS, REGULATORY APPROVALS IN PARTICULAR

Raisio Life Sciences

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. Raisio acquired the Swedish food diagnostics company Diffchamb AB in spring 2003 as a foundation for business activities.

Products

The 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, such as salmonella and listeria. 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.

Operating environment

FOOD DIAGNOSTICS MARKETS

The value of worldwide food diagnostics markets is some one billion euros. The market is expected to grow at an annual rate of 7–8%, with the markets for rapid testing seeing even faster growth. 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 seen strong centralisation in recent years, as well as the entry of several new technology enterprises.

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. The new EU directive has resulted in heavy growth in demand for allergen diagnostics.

Customer needs and new technologies show a pronounced tendency towards faster and more user-friendly testing methods, which Raisio also focuses on. 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. Growing global trade and new legislation increase the testing of fungal toxins and allergens in addition to pathogens, resulting in a greater use of rapid diagnostics methods.

Strengths	Risks
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	SMALL SIZE OF BUSINESS
EXPERTISE IN PATHOGENS	RAPIDLY CHANGING TECHNOLOGIES
PROFOUND MARKET KNOWLEDGE AND OWN SALES ORGANISATION IN MAIN MARKETS	
OWN R&D AND PRODUCTION	

On the outlook for food diagnostics business

Jukka Lavi, Executive Vice President (on the right)

Mika Tuomola, Vice President, Research

"The food diagnostics business faces good growth prospects because safe and healthy food has become increasingly important to consumers. The authorities will also be placing higher demands on food safety.

To complement its own production development, Raisio has engaged in active networking with innovative technology enterprises. One of the strengths of Raisio's food diagnostics is its own sales network that will be further developed in the future. The sales network's ability to introduce new and innovative rapid diagnostics products will be actively strengthened in 2006–2007.

Activities aiming to improve profitability will also be continued in 2006."

Research and development

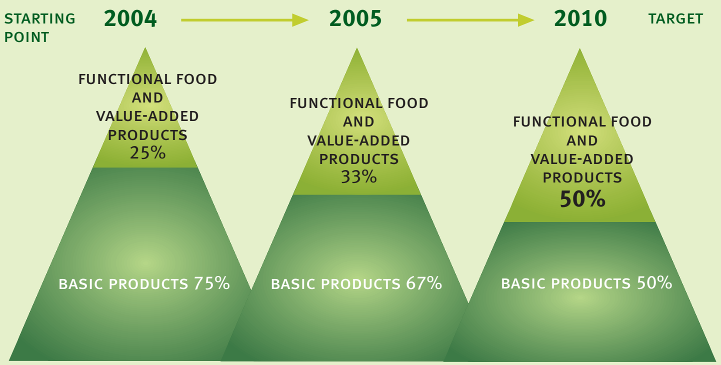
Raisio has defined research and development as one of its strategic priorities. R&D supports Raisio's strategic goals by expanding and deepening its existing technology skills and by quickly and flexibly developing new products and technologies. In 2005, the company focused on increasing the share of value-added products in its product range.

Vision and targets

Raisio's research and development operations create internationally competitive new products and concepts for changing consumer needs in the company'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 will be raised from the current 33% to over 50% in 2010. Value-added products increase the benefit to consumers by offering more of a particular property, such as healthiness or convenience.

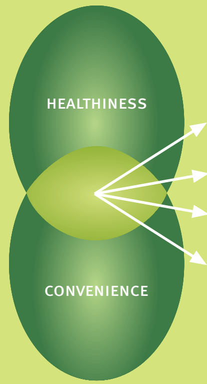
Differentation as a target



% OF TURNOVER OF FOODS AND INGREDIENTS

Raisio´s product launches

KEY FOOD TRENDS



RAISIO'S PRODUCT LAUNCHES 1/2005–1/2006

FINLAND
- ELOVENA COOKIES, CEREALS AND MUESLI
- GOGREEN SOYGURT (SOY-BASED YOGHURTS)
- GOGREEN COOKING PRODUCTS AND DRINKS
- KEIJU MARGARINES CONTAINING CAMELINA OIL
- KEIJU COOKING FRAICHES
- HIGH-FIBRE TORINO PASTA
- BENECOL LACTOSE-FREE SPREAD
- KULTASULA MARGARINE

SWEDEN
- GOGREEN SOY AND OAT DRINKS, GOGREEN VEGETABLE OIL MIX AND VANILLA SAUCE

POLAND
- BENECOL SPREAD 400G
- BENECOL YOGHURT DRINK
- PYSZNY DUET MARGARINE
- NAJ MARGARINE
- CAFFELATTE AND CHOKOLATTE COLD DRINKS

RUSSIA
- VOIMIX OLIVO MARGARINE
- POSELKOVYE MARGARINE
- NORDIC MILLET FLAKE

Year 2005

- Raisio invested EUR 10.3 million in R&D activities.
- R&D employs 115 people.
- Resources in research centres for foods and food diagnostics were strengthened, for example, by hiring new employees.
- A research centre that brings together the R&D resources at the Raisio site was completed in late 2005.
- R&D on food focused on the product development of soy and oat products, commercialisation of Camelina oil, as well as research and development of new ingredients.
- R&D in food diagnostics focused on improving the competitiveness of current pathogen diagnostics products and especially on developing a new technological solution based on molecular biology.

Priorities in research and development
Foods and ingredients

MARKET-ORIENTED DIFFERENTATION 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.

Feeds, malts and primary production

LATEST SOLUTIONS FOR LIVESTOCK FEEDING
The feed business focuses on increasing efficiency in livestock production, ensuring the health and well-being of animals, developing feed and feeding technologies, as well as developing the nutritional quality of livestock products.

ENSURE COMPETITIVENESS
The malt business focuses on developing the competitiveness of the malt barley chain. Competitiveness will be sought for using a service concept based on customer needs.

DEVELOP PRIMARY PRODUCTION AND CONTRACT FARMING
Raisio's contract farming activities and the development of supporting primary production is one of the company's core competence fields. Its emphasis is on meeting the quantitative and qualitative development objectives set by different business areas by carrying out plant breeding and plant cultivation research and by developing contract farming activities.

Food diagnostics

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

NETWORKING
Research and development projects will be launched jointly with national and international partners.

Research and development

NUTRITION AND INGREDIENTS			FOOD DIAGNOSTICS	
HELSINKI	RAISIO	OTHER PRODUCTION LOCATIONS	TURKU	ROME
STRATEGIC RESEARCH COOPERATION WITH UNIVERSITIES AND OTHER INSTITUTES OF HIGHER EDUCATION NEW TECHNOLOGIES, ESPECIALLY MICROBE APPLICATIONS	PRODUCT DEVELOPMENT REGULATORY ISSUES QUALITY ASSURANCE PRODUCT SAFETY	QUALITY ASSURANCE PRODUCT SAFETY	DEVELOPMENT OF CORE COMPETENCE STRATEGIC RESEARCH NEW TECHNOLOGIES INTERNATIONAL NETWORKING	ENZYMATIC TEST METHODS PRODUCT DEVELOPMENT

On the outlook of R&D

Annika Mäyrä-Mäkinen,
Vice President, R&D

"Health and convenience are the main global trends in food at the moment. This presents Raisio with a unique opportunity. We possess the raw materials – grain, vegetable oils, soy, fibres and stanol ester – that match the consumers' and experts' views on healthy foods.

Raisio's biggest challenge comes from making basic products into value-added products. In 2004, some 75% of the company's product range consisted of basic products. Price competition in this segment is particularly tough. The introduction of value-added products is a long process that calls for a considerable amount of product development, production investments and creation of new concepts in both marketing and sales.

Raisio got off to a good start in this respect in 2005. It introduced new members in the Elovena product family: cookies, muesli products and cereals. The products' slow carbohydrates and the oat fibre, betaglucane, help to lower cholesterol and keep blood sugar levels steady (low glycemic index). New soy and oat-based products, as well as Keiju margarines, that are the first products containing Camelina oil, were launched in early 2006. Raisio's new snacks answer another major trend in foods, that of convenience. In addition to health and convenience, product development always aims at the most important quality in food: good flavour."

Brands and patents

Brands and patents are important, intellectual property for Raisio. Raisio has several well-known, country-specific brands in different market areas, with Benecol enjoying the widest international brand recognition. Raisio's patent portfolio includes some 170 patents.

Brands

A brand is the sum of images and experiences that consumers have of a product or service. The consumer's image is made up of the product's quality, price, packaging, visibility in stores, advertising, consumer service, as well as the entire company's operations. A strong brand generates trust and creates a close relationship between the consumer and company.

Raisio has outlined its brand strategy, which is a combination of strong product brands and the umbrella brand, Raisio. Raisio's familiar product brands are foods that consumers use on a daily basis.

Raisio has many strong brands in Finland, the oldest of which entered the market before Raisio was even established. Elovena, for example, was launched 80 years ago by Karjalan Mylly Oy. The oldest brands created by Raisio are the Herkku feeds, from the late 1940s, and the Kultasula products, from the 1950s. Sunnuntai baking products were introduced in the 1960s and Keiju spreads in the 1980s.

The tenth anniversary of Raisio's internationally best known brand, Benecol, was celebrated in 2005. Raisio's strongest brands in Poland include Masmix and Pyszny Duet, while Voimix, Nordic and Dolina Skandi are familiar on the Russian market.

Strong brands also matters 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. The food diagnostics business also has its own brands.

Brand strategy and key measures

Since brands are of particular significance in consumer marketing, a more detailed description of Raisio's brand strategy is provided in terms of the food and ingredients businesses.

Food business

Raisio's brand strategy in the food business is built on plant-based, pioneering, easy-to-use and healthy products.

FOCUS ON KEY BRANDS

The goal is to develop Raisio into one of the leading food brands in Finland. Merging brands and further cutting their numbers will put marketing investments to better use. Improvements will also be made to their follow-up and assessment.

IMPROVED VISIBILITY

Consumer marketing will be harmonised. Marketing and brand visibility will be developed persistently and systematically both in Finland and abroad.

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

Emphasis will be put on consumer-oriented commercialisation of new and innovative products. Product development will be enhanced by speeding up the idea-to-product phase.

Ingredients business

The ingredients business centres around stanol ester, a cholesterol-lowering ingredient that is sold for worldwide food business under the Benecol brand. Raisio's Benecol partners, local food companies, often have their own brands that support and provide added value to Benecol end-products.

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 THE PATENT PORTFOLIO

The patent portfolio will be developed 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	133	92
FOODS	13	8	27
FEEDS	4	28	2

Year 2005

- According to an extensive consumer survey, nine out of ten Finns know the Raisio food company.
- According to a survey, Raisio Feed has the image of the leading company among the Finnish farm animal producers.
- Consumer awareness of the Benecol brand continued to increase in Europe.
- The management of Raisio's food brands was developed in a more systematic direction.
- Raisio has some 170 patents, most of them related to Benecol products.
- A total of 10 new patents were granted over the year, and several new, as yet unpublished, patent applications were filed.
- Exclusive worldwide licences for new technologies were acquired in food diagnostics.

Main brands

CONSUMERS		BUSINESS-TO-BUSINESS CUSTOMERS		
FOOD		FEED & MALT	DIAGNOSTICS	INGREDIENTS
FINLAND	ABROAD			
RAISIO	BENECOL	RAISIO FEED	TRANSIA	BENECOL
BENECOL	MASMIX	HERKKU	EC	
ELOVENA	PYSZNY DUET	MAITURI	ENZYPLUS	
GOGREEN	VOIMIX	MELLI		
KEIJU	DOLINA SKANDI	ROYAL		
SUNNUNTAI	NORDIC	RAISIO MALT		
TORINO				

The Benecol brand and partner cooperation

Titta Ezra,
Vice President,
Marketing

"The superior effects of cholesterol-lowering products containing stanol ester, patented by Raisio, are communicated to consumers and experts through the Benecol brand. Lowering cholesterol levels is the key to preventing cardiovascular diseases. A 10% decrease in overall cholesterol levels for example reduces the risk for cardiac disease of a 40-year-old man by 50%. Consumer awareness of the brand improved in 2005, and the markets for Benecol end-products saw strong growth.

The goal for 2006 is to further boost the Benecol brand in cooperation with Raisio's customer companies, that is, its partners. Raisio has some 15 Benecol partners all around the world. A partner network consisting of top experts will continue to be an essential success factor for Benecol. Raisio aims to develop even closer partner cooperation and find joint synergies.

One example of partner cooperation is the Hearts & Minds scientific symposium arranged in 2005 to which each partner invited top experts in heart health from their own market area. Another Hearts & Minds symposium will be arranged in 2006 because increasing awareness in the field, especially among professionals, is of vital importance."


gogreen

Shares and shareholders

Raisio's shares are listed on the Helsinki Stock Exchange. In 2005 the price of Raisio's free shares rose by 19% and of restricted shares by 23%. On 31 December 2005 the company had nearly 43,000 registered shareholders, and the company's market value amounted to EUR 373.9 million.

Raisio initiated repurchases of company shares on 10 August 2005. At year-end the company held 3,768,200 shares, or 2.28% of the share capital.

Shares and shareholders

- Raisio's market value amounted to EUR 373.9 million on 31 December 2005.
- The closing price of free shares on 31 December 2005 was EUR 2.26, while the average price over the year was EUR 2.28. The price of the series V shares rose by 19% from the beginning of the year, and the total yield was 30%.
- The closing price of restricted shares on 31 December 2005 was EUR 2.28, while the average price over the year was EUR 2.33. The price of the series K shares rose by 23% from the beginning of the year, and the total yield was 35%.
- Overall trading totalled EUR 253.9 million.
- The Board of Directors will propose a dividend of EUR 0.05 at the Annual General Meeting in spring 2006.
- The Annual General Meeting will be held on Thursday 30 March 2006. For more details, see page 1.

Share capital and share classes

The fully paid up share capital of Raisio plc is EUR 27,776,072.91, which on 31 December 2005 was divided into 34,563,242 restricted shares (series K) and 130,585,788 free shares (series V), each with a book counter value of EUR 0.17 (rough figure). No nominal value is quoted for the shares. 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 2005.

Raisio plc's shares have been listed on the Helsinki Stock Exchange since 2 February 1989. Its free shares are quoted on the main list under Consumer Staples Sector and restricted shares on the I-list. The stock exchange code for free shares is RAIVV and the ISIN code FI 0009002943, and for restricted shares RAIKV and FI 0009800395, respectively. The company's shares have been entered into the book-entry system in November 2005.

Free and restricted shares have an 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. No shareholder is entitled to exercise more than 1/10 of the total number of votes represented at the Meeting.

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 will be granted permission to acquire restricted shares. In 2005, a total of 1,000 restricted shares were converted into free shares.

In the book-entry system, 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 until they are entered as restricted shares in the share register following approval, assigned to another shareholder or converted into free shares. The waiting list had 4.5 million restricted shares on 31 December 2005.

Trading in Raisio's shares

The price of Raisio's free shares on the Helsinki Stock Exchange rose by 19% in 2005, with the OMX Helsinki Index increasing by 31%. The highest price of the series V share was EUR 2.80 and the lowest EUR 1.87. The average price was EUR 2.28. The year-end price of the V share was EUR 2.26 and the taxable value EUR 1.58. The number of Raisio V shares traded on the Helsinki Stock Exchange totalled 109.6 million (110.1 million), which equals some 84% of the total volume. The value of share trading was EUR 250.4 million (EUR 180.1 million).

The price of Raisio's restricted shares increased by 23%. The highest price of the K share was EUR 2.80 and the lowest EUR 1.94. The average price was EUR 2.33. The year-end price of the K share was EUR 2.28 and the taxable value EUR 1.60. Trading in K shares remained at the previous year's level, totalling 1.5 million shares (1.5 million). The value of K share trading was EUR 3.5 million (EUR 2.5 million).

The share capital had a market value of EUR 373.9 million at the end of 2005.

Ownership structure

Raisio plc had 42,953 registered shareholders at the end of 2005 (44,102 registered shareholders). With a share of 60%, households made up the biggest owner group (61%). The share of households, companies and financing/insurance companies decreased, while that of public corporations increased from 1% to 3%.

Foreign ownership continued to increase throughout the year, rising from 12% in 2004 to 16% in 2005. Approximately 0.6% of the shares remain outside the book-entry system.

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 continuing operations, provided the dividend payment does not compromise the company's ability to meet its strategic objectives.

Dividend

Raisio plc's Annual General Meeting, held on 31 March 2005, decided that a dividend of EUR 0.21 per share be paid. The dividend was paid on 12 April 2005 to all shareholders included in the shareholder register on 5 April 2005. Of the overall dividend, EUR 0.18 was an extra dividend based on the profit from the divestment of Raisio Chemicals.

The Board of Directors will propose a per-share dividend of EUR 0.05 at the Annual General Meeting in spring 2006. The proposed record date is 4 April 2006 and the dividend payment date 11 April 2006.

Stock-based incentive systems

Raisio had no stock-based incentive systems in the review period.

Company management shareholdings

The members of the company's Supervisory Board and the members of the Board of Directors, the CEO and Deputy CEO, as well as associations and foundations under their control, owned 1,467,630 restricted shares and 343,700 free shares on 31 December 2005. This accounts for 1.10% of all shares and represents 3.61% of the maximum voting power.

Shareholder agreements

Raisio 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 authorization granted to the Board of Directors by the Annual General Meeting held on 26 March 2004 concerning a maximum share capital increase of EUR 3,363,758.53 through one or more new issues and/or convertible bond issues expired on 26 March 2005 without having been exercised. The Board of Directors did not request an issue authorization at the Annual General Meeting in spring 2005 but will propose such an authorization to the 2006 Annual General Meeting.

Share repurchase authorization for the Board of Directors

The spring 2005 Annual General Meeting authorized the Board of Directors to repurchase shares amounting to a maximum of 5% of the company's share capital and company votes and to dispose all repurchased shares. The authorizations are in force until the spring 2006 Annual General Meeting. The shares may be repurchased in order to develop the capital structure of the company, to finance or carry out acquisitions or other arrangements, or to be otherwise further assigned or cancelled. A review of repurchases based on this authorization is included in the Report of the Board of Directors on page 54.

Based on the disposal authorization the Board of Directors is entitled to decide to whom and in which order company shares are disposed. Disposal may take place in a proportion other than that of the shareholders' pre-emptive right to company shares, provided that significant financial grounds thereto exist from the company's perspective. The strengthening of the company's capital structure, as well as financing or implementing acquisitions or other arrangements, may be considered significant financial grounds. The Board of Directors may also decide to dispose company shares through public trading, arranged by the Helsinki Stock Exchange, in order to obtain funds to finance investments and possible acquisitions.

Raisio plc owned 3,738,000 free shares and 30,200 restricted shares on 31 December 2005. Other Group companies did not have holdings in Raisio plc. Shares belonging to the company or its subsidiaries do not entitle to participate the Annual General Meeting.

IR principles

The aim of the Investor Relations at Raisio is to provide all capital market participants with correct, sufficient and up-to-date information to be used as the basis for share price determination.

Raisio publishes annually a Financial Statements Review, Annual Report and three Interim Reports, as well as a Corporate Responsibility Report. Important news and matters are communicated to investors through stock exchange and press releases. In addition to the publications mentioned above, other material used at investor meetings is also published on the company's website. Information about the major shareholders and insiders, as well as their holdings, is updated on the website regularly. The contact information for analysts following Raisio is also available at www.raisio.com.

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

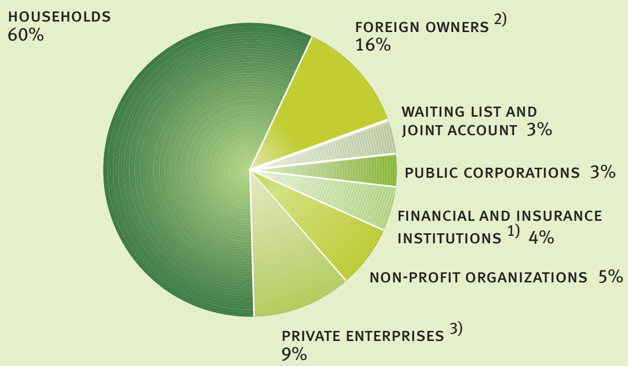
Structure of share capital on 31 December 2005

	NUMBER OF SHARES	% OF TOTAL SHARES	% OF TOTAL VOTES
FREE SHARES	130,585,788	79.1	15.9
RESTRICTED SHARES	34,563,242	20.9	84.1
TOTAL	165,149,030	100.0	100.0

Increase in share capital

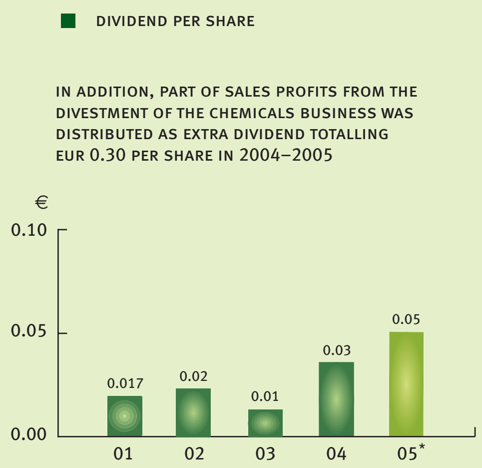
SUBSCRIPTION PERIOD	METHOD	TERMS OF SUBSCRIPTION	NOMINAL VALUE, FIM	SUBSCRIPTION PRICE, FIM	SUBSCRIPTION PRICE, EUR	NUMBER OF NEW SHARES	INCREASE IN SHARE CAPITAL, EUR MILLION	NEW SHARE CAPITAL, EUR MILLION	RIGHT TO DIVIDEND
13.12.1993–28.1.1994	NEW ISSUE	5 V OR K: 1 V	50	250.00	42.05	405,206	3.41	20.5	HALF DIVIDEND 1993
12.4.1995	TARGETED ISSUE TO RAISION MARGARIINI (RM) SHAREHOLDERS	11 RM: 5 V	10	EXCHANGE	–	1,454,630	2.45	22.9	FULL DIVIDEND 1995
10.6.–10.7.1996	NEW ISSUE	5 V: 1 V 5 K: 1 K	10	80.00	13.46	2,722,163	4.58	27.5	FULL DIVIDEND 1996
1.4.–30.4.1998	TARGETED ISSUE TO HOLDERS OF 1993 BOND WARRANTS	–	10	96.75	16.27	181,920	0.31	27.8	FULL DIVIDEND 1998

Split of share capital on 31 December 2005



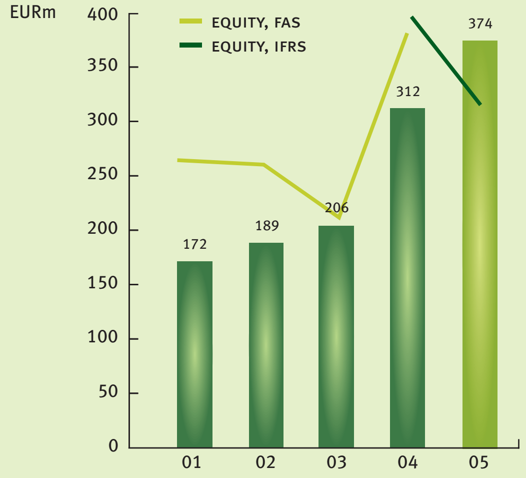
1) EXCLUDING NOMINEE-REGISTERED
2) INCLUDING NOMINEE-REGISTERED
3) INCLUDING THE COMPANY'S OWN SHARES OWNED BY RAISIO

Dividend



*ACCORDING TO THE BOARD PROPOSAL

Market value



Split of shareholdings on 31 December 2005

	FREE SHARES				RESTRICTED SHARES			
SHARES	SHAREHOLDERS		SHARES		SHAREHOLDERS		SHARES	
NO.	NO.	%	NO.	%	NO.	%	NO.	%
1–1,000	25,990	64.5	12,867,540	9.9	4,139	58.6	1,462,455	4.2
1,001–5,000	11,330	28.1	27,990,599	21.4	1,899	26.9	4,506,458	13.0
5,001–10,000	1,904	4.7	14,371,717	11.0	528	7.5	3,761,652	10.9
10,001–25,000	796	2.0	12,703,443	9.7	342	4.8	5,279,911	15.3
25,001–50,000	169	0.4	5,971,060	4.6	104	1.5	3,426,736	9.9
50,001–	137	0.3	56,319,059	43.1	47	0.7	10,959,680	31.7
WAITING LIST			0	0.0			4,528,870	13.1
JOINT ACCOUNT			362,370	0.3			637,480	1.9
TOTAL	40,326	100.0	130,585,788	100.0	7,059	100.0	34,563,242	100.0

31 December 2005 Raisio plc had a total of 42,953 registered shareholders.

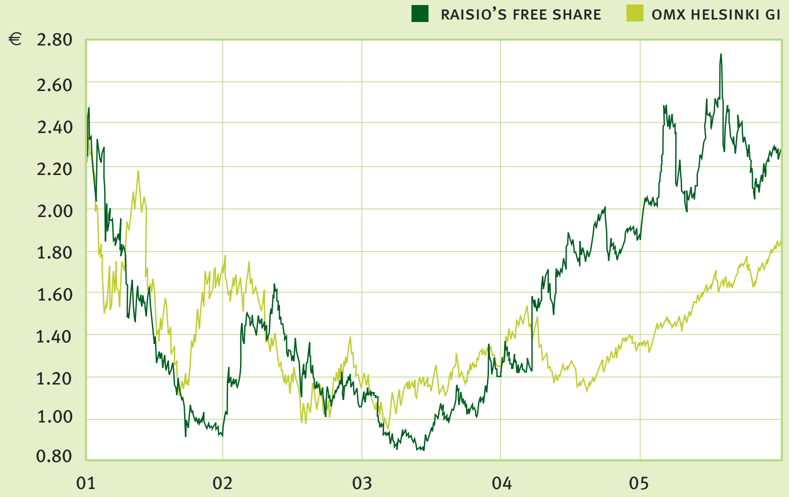
Shareholders

25 biggest shareholders on 31 December 2005, 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	74,878,600	9.11
MUTUAL INSURANCE COMPANY PENSION-FENNIA		1,900,500	1,900,500	1.15	1,900,500	0.23
INVESTMENT FUND POHJOLA FINLAND VALUE		1,500,000	1,500,000	0.91	1,500,000	0.18
ILMARINEN MUTUAL PENSION INSURANCE COMPANY		1,016,966	1,016,966	0.62	1,016,966	0.12
DALLAS OF SWEDEN AKTIEBOLAG		1,000,000	1,000,000	0.61	1,000,000	0.12
ETRA-INVEST OY AB		1,000,000	1,000,000	0.61	1,000,000	0.12
MAA- JA VESITEKNIIKAN TUKI R.Y.		1,000,000	1,000,000	0.61	1,000,000	0.12
BROTHERUS ILKKA	42,540	784,500	827,040	0.50	1,635,300	0.20
INVESTMENT FUND NORDEA NORDIC SMALL CAP		795,920	795,920	0.48	795,920	0.10
SVENSKA LANTBRUKSPRODUCENTERNAS CENTRALFÖRBUND R.F.	659,500	113,000	772,500	0.47	13,303,000	1.62
NORVESTIA PLC		691,900	691,900	0.42	691,900	0.08
SPECIAL INVESTMENT FUND EQ SIRIUS		690,900	690,900	0.42	690,900	0.08
HAAVISTO MAIJA	393,120	287,770	680,890	0.41	8,150,170	0.99
HAAVISTO HEIKKI	542,300	119,590	661,890	0.40	10,965,590	1.33
LANGH HANS	654,480		654,480	0.40	13,089,600	1.59
VARMA MUTUAL PENSION INSURANCE COMPANY		615,000	615,000	0.37	615,000	0.07
KESKITIEN TUKISÄÄTIÖ	100,000	500,000	600,000	0.36	2,500,000	0.30
LILJESTRÖM ULF MIKAEL		570,000	570,000	0.35	570,000	0.07
HAAVISTO ERKKI	364,940	172,260	537,200	0.33	7,471,060	0.91
HAAVISTO ANTTI	382,140	140,740	522,880	0.32	7,783,540	0.95
ETERA MUTUAL PENSION INSURANCE COMPANY		518,400	518,400	0.31	518,400	0.06
MYLLYMÄKI ERKKI	374,320	113,080	487,400	0.30	7,599,480	0.92
INVESTMENT FUND NORDEA AVANTI		481,500	481,500	0.29	481,500	0.06
INVESTMENT FUND NORDEA NORDIA		479,890	479,890	0.29	479,890	0.06
INVESTMENT FUND SÄÄSTÖPANKKI KOTIMAA		474,700	474,700	0.29	474,700	0.06

Shares registered under foreign ownership, including nominee registrations, totalled 26,827,818 on 31 December 2005, or 16.2% of the total and 20.5% of free shares.
The company owned total 3,768,200 shares or 2.3% of the total.

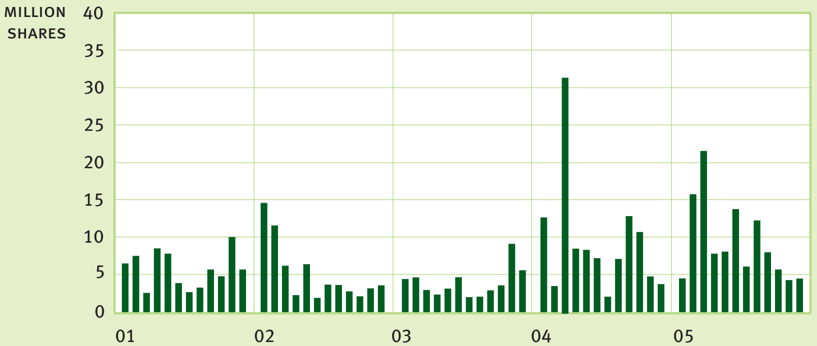
Raisio plc's share price development and trading volume

Share price development, free share

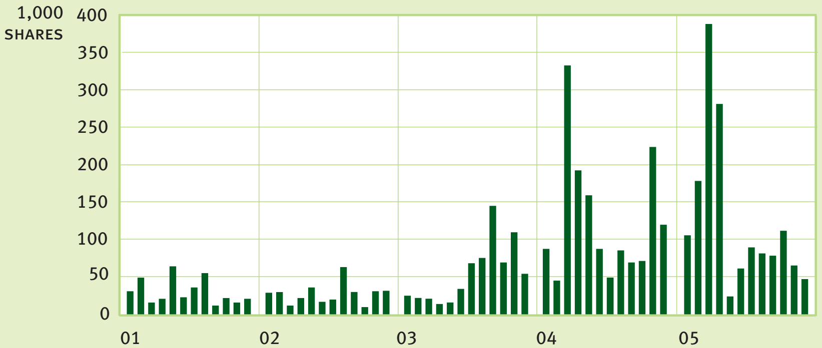


Share price development, restricted share

Trading volume, free share



Trading volume, restricted share



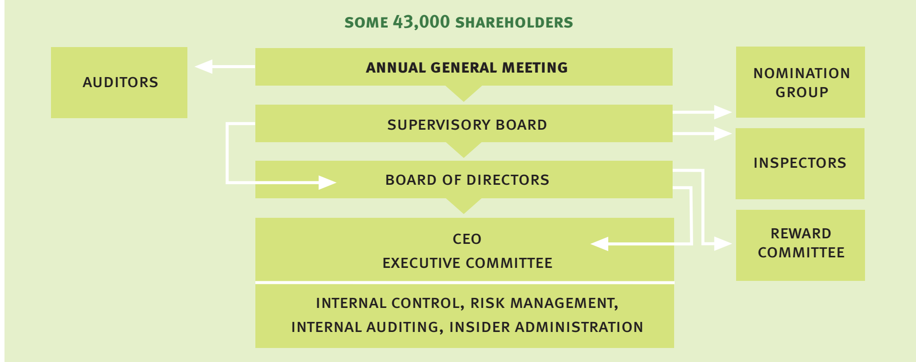
Corporate Governance

Finnish legislation and the Articles of Association form the framework for Raisio's corporate governance. Following the Corporate Governance recommendation issued in 2004, Raisio's Articles of Association were amended in spring 2005. The company name was shortened to Raisio plc in this conjunction.

Raisio applies the revised insider guidelines issued by the Helsinki Stock Exchange as of 1 January 2006.

Corporate Governance

Raisio's corporate governance system



- The recommendation on the corporate governance of listed companies, issued by the Helsinki Stock Exchange, Central Chamber of Commerce and Confederation of Finnish Industry and Employers, took effect on 1 July 2004.
- Based on the recommendation, amendments were made to Raisio plc's Articles of Association in 2005.
- The only significant deviation from the recommendation after the amendments were made is the fact that Raisio's 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.

Annual General Meeting

The shareholders' meeting, held at least once a year, is the company's highest decision-making body. The Annual General Meeting is held annually by the end of April to take care of matters pertaining to it, such as approving the financial statements and consolidated financial statements, deciding on the distribution of dividend, discharging those accountable from liability, electing the Supervisory Board members and auditors, as well as determining the fees paid to them. 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 prior to the advance registration date indicated in the call to the meeting and no later than seventeen days before the meeting. The call for the Annual General Meeting on 30 March 2006 has been published in the newspapers Helsingin Sanomat, Turun Sanomat, Maaseudun Tulevaisuus, Hufvudstadsbladet and Landsbygdens Folk.

In 2005, Raisio's Annual General Meeting was held on 31 March 2005 in Turku. The meeting was attended by 2,676 shareholders, representing 17.0% of company shares and 37.6% of the votes. The CEO, Chairman of the Board and the majority of Board and Supervisory Board members also attended the meeting.

Supervisory Board

Raisio plc 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, whose term begins at the shareholders' meeting at which the election took place, and it ends at the end of the third Annual General Meeting following the election. One-third of the members are replaced every year.

A person who has turned 65 years before the beginning of the term cannot be elected as member of the Supervisory Board. The Supervisory Board elects a Chairman and Vice Chairman among its members for one term that begins at the first Supervisory Board meeting following the Annual General Meeting and ends at the first Supervisory Board meeting held after the following Annual General Meeting.

The Supervisory Board supervises the corporate administration run by the Board of Directors and Managing Director, appoints the members of the Board of Directors and determines the compensation paid to them. The Supervisory Board gives the Annual General Meeting a report on the financial statements and auditor's report. Members of the Supervisory Board received a fee of EUR 260 per meeting in 2005. They were also reimbursed for travel expenses and received a daily allowance for travel to meetings in accordance with Raisio's travel compensation policy. The annual fee of the Chairman of the Supervisory Board was EUR 10,000 in 2005.

The Annual General Meeting set the number of Raisio plc's Supervisory Board members at 23 for 2006. The members are presented on page 47. The Supervisory Board met three times during the review period, with an attendance of 90.7%.

Supervisory Board committees

The Supervisory Board has set up a nominating committee to prepare matters concerning the appointment of Board members and proposals made to the Annual General Meeting on possible Supervisory Board members, which will be handled by the Supervisory Board. The committee 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 committee met three times during the review period.

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. In the review period the inspectors carried out two inspections in the company.

Board of Directors

The Board of Directors consists of a minimum of five and a maximum of eight members elected by the Supervisory Board. The term of Board members is one calendar year following their election. A person who has turned 65 years before the beginning of the term cannot be elected as member of the Board of Directors. The Board elects a Chairman and Deputy Chairman among its members 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 objectives and risk management principles 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 four 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, a member of the Executive Committee 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 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
- process and approve financial statements and interim reports
- appoint and discharge the Chief Executive and, following the Chief Executive's proposal, the Chief Executive's immediate subordinates, determine their duties and decide on the terms of their employment
- decide on incentive and reward systems for the management and personnel and submit proposals concerning them to the shareholders' meeting if necessary
- review key operational risks and their management on an annual basis
- ensure that the company's planning, information and monitoring systems are fully functional
- approve the company's ethical values and principles.

In 2005 Raisio plc's Board of Directors consisted of eight members and, until April 2005, five deputy members. The Board has not had deputy members since April 2005. All Board members, apart from the Chief Executive, are independent of the company and its major shareholders. After amendments to the Articles of Association, Raisio plc's Managing Director is no longer required to be a member of the Board of Directors. Managing Director Rabbe Klemets withdrew from the Board on 1 January 2006, leaving the Board with seven members. The Board of Directors is introduced on pages 44–45.

The Board met 11 times during the review period and held three teleconferences. Meeting attendance was 92.9%. In 2005 the Chairman of the Board received a monthly fee of EUR 2,550 and members not employed by Raisio EUR 1,700. Members of the Board also received a daily allowance for meetings and were reimbursed for travel expenses in accordance with Raisio's travel compensation policy.

The Board of Directors carried out an assessment of its activities and operating methods for the first time in spring 2005.

The Chief Executive is also Chairman of the Board of major Raisio subsidiaries, while the other members of these Boards are members of Raisio's Executive Committee. The Managing Directors of major subsidiaries are not members of the Boards of Directors of the companies they head.

Board committees and workgroups

Raisio's Board of Directors has appointed a reward committee to prepare proposals for the appointment of senior management, to present the proposals for management and personnel rewards and incentives to the Board of Directors, as well as to prepare significant organisational changes. The committee consists of the Chairman of the Board and two Board members. The committee met twice in 2005 and held one teleconference. No other committees have been appointed by the Board.

The purpose of the grain workgroup appointed by the Board of Directors is to promote the conditions for Raisio's grain, oil plant and potato businesses and to ensure domestic raw material supplies by producing and distributing information about the production and use of these plants to administrative bodies and stakeholders. The workgroup consists of the Chairman of the Supervisory Board, Chairman of the Board of Directors, two other members of the Board of Directors, the Executive Vice President of Raisio Nutrition, the Director of the Purchasing & Logistics group and the Director of Raisio's agricultural operations.

Managing Director

The Managing Director of Raisio plc is also called the Chief Executive Officer. The Managing Director's tasks are determined in compliance with the law, Articles of Association and any instructions and regulations issued by the Board of Directors.

Rabbe Klemets has been Raisio plc's Chief Executive Officer since April 2001. In 2005 he received a total of EUR 451,978 in salaries, fees and fringe benefits. The Managing Director did not receive Raisio plc's shares or securities entitling to shares in 2005.

According to the employment contract, the Managing Director has the right to retire at the age of 60 and must retire upon turning 62. The Managing Director's contract may be terminated by either the company or the Managing Director with six months' notice. If the contract is terminated by the company, the Managing Director is entitled to compensation corresponding to 12 months' pay and fringe benefits, in addition to the pay and fringe benefits for the period of notice.

Raisio plc's Board of Directors appointed Olavi Kuusela, Executive Vice President of Raisio Nutrition Ltd, deputy CEO in May 2005.

Executive Committee

The Executive Committee of Raisio is chaired by the Chief Executive Officer and it consists of the management of the two business sectors and four service functions. The Executive Committee coordinates the Group's operations and defines Group-level operating policies and processes. It formulates corporate strategy, supervises its implementation and assists the Chief Executive Officer in preparing proposals subjected to the Board of Directors that concern the entire Group. The Group's Executive Committee meets once a month, or more often if necessary. The Executive Committee is introduced on page 46.

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

Management reward systems

Raisio has separate reward systems for management, middle management and the rest of the personnel. The Board of Directors decides on results-based reward systems based on the reward committee's proposals.

The reward systems in 2005 were based on continuous improvement. Their key indicators were operating result, turnover and return on investment. The company had no stock-based reward systems during the period under review.

Continuous improvement of operations and profitability will continue to be the main principle of the reward systems in 2006. The main indicators will consist of turnover and the share of new product sales of total turnover.

Internal control, risk management and internal auditing

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 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's control system. The company follows a risk management policy adopted by the Board of Directors. Annual risk evaluations are carried out in conjunction with annual planning and budgeting. Risk management is coordinated by the Vice President, Finance and Treasury, who reports to the Chief Financial Officer.

Business risks are described in business sector reviews and financial risks on page 79 of this report.

Raisio 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 and also the financial managers of the business units report to the CFO on matters related to risk management, internal control and auditing. The auditors have taken this into account in their audit plans.

Insider regulations

In 2000, Raisio adopted guidelines for insiders that comply with the insider guidelines issued by the Helsinki Stock Exchange (1999). Owing to amendments to the Securities Markets Act, the Helsinki Stock Exchange, the Confederation of Finnish Industries EK and the Central Chamber of Commerce revised the insider guidelines to comply with the new legislation. Raisio plc's Board of Directors decided to adopt the revised insider guidelines issued by the Stock Exchange (2006) in Raisio as of 1 January 2006.

After the amendments to the Securities Markets Act, the insider group consists of insiders with a duty to declare (public insiders) and company specific permanent insiders, in addition to which the company may have project specific insiders from time to time.

Insiders with a duty to declare include the members of the Supervisory Board and the Board of Directors, the Managing Director and his Deputy, the members of the Executive Committee and auditors. Permanent company specific insiders include the members of business area management groups, the management of the R&D function, certain directors and experts in financial administration, as well as executive secretaries and some representatives of personnel. Permanent company specific insiders numbered 34 on 31 December 2005.

Raisio plc's insiders are not allowed to trade in company shares or securities entitling to shares during the 14 days preceding the publication of the company's interim report and financial statements review.

Raisio's insider administration has adopted the SIRE system of the Finnish Central Securities Depository, which makes the information about insiders with a duty to declare, their holdings and close associates, as well as any changes in these, public to the extent required by the Securities Market Act. Information about Raisio insiders with a duty to declare and permanent insiders, their holdings and the holdings of their close associates, as well as any changes in these, is available on the company's website at www.raisio.com – Investors – Corporate Governance – Insiders.

Auditing

Johan Kronberg and Mika Kaarisalo, authorised public accountants, acted as regular auditors for the financial year 2005. PricewaterhouseCoopers Oy and Kalle Laaksonen, authorised public accountant, acted as deputy auditors. The 2005 Annual General Meeting elected the same auditors for the financial year 2006.

The auditors give the Board of Directors and the Chief Executive Officer a summary of the corporate audit. In addition, the auditors for the Group companies submit separate reports to the management of each company. The auditors attended the Board of Directors' meetings twice in 2005. They give the shareholders an annual auditing report on the financial statements as required by law.

Fees for statutory auditing in 2005 amounted to EUR 302,000. Raisio also purchased other services from PricewaterhouseCoopers Oy and its associates for a total of EUR 68,000.

Amendment to the Articles of Association and recommendation on corporate governance

In August 2004 Raisio's Board of Directors submitted to the shareholders' meeting a proposal for amendments to the Articles of Association, which the Extraordinary General Meeting held in September 2004 approved in the first proceeding in accordance with the Articles of Association. The Annual General Meeting held in March 2005 approved the proposal without changes to its content in the second proceeding The amendment to the Articles of Association took effect in April 2005 after being entered in the Trade Register. The proposed amendments were based on the Corporate Governance recommendation issued by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers (later the Confederation of Finnish Industries EK) in July 2004, as well as on needs for individual amendments identified at different times and in different contexts.

The amendments concerned the following matters, among other things: the company's name and line of business; the Supervisory Board's duties and the number and term of its members; deputy members of the Board of Directors and the term of Board members; the appointment of the Managing Director and his/her membership on the Board of Directors; shareholder-specific maximum voting restriction (deleted); and procedures required for amending the Articles of Association. The revised Articles of Association are available at www.raisio.com.

The only significant deviation from the Corporate Governance recommendation after the amendments were made is the fact that Raisio's 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 Board of Directors has not considered it to be necessary to set up an audit committee (recommendation 27) because the whole Board is well able to discuss financial reporting, taking into consideration the size of the Group's business and the fact that the auditors report on their activities and observations to the Board at least twice a year. The Board of Directors has not set up a nomination committee (recommendation 31) because the Supervisory Board appoints a nominating committee among its members to prepare, among other things, the appointment of members to the Board of Directors. Since Raisio does not have share based incentive systems, Board members' fees or parts thereof are not paid in the form of company shares (recommendation 44).

Board of Directors

Chairman

Arimo Uusitalo

Agricultural Counsellor

Year of birth: 1942

Domicile: Kiikala, Finland

Education: M.Sc. (Agriculture)

Principal employment history:
farm owner 1972–

Raisio Board membership:
member since 1991, Chairman since 2001

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 Kantrisalo: Chairman of the Board of Directors,
Oy Metsä-Botnia Ab: Member of the Board of Directors

Fees in 2005:
EUR 30,600

Holdings in Raisio:
series K 18,420

Jörgen Grandell

Chief Executive,
Finska Hushållningssällskapet

Year of birth: 1959

Domicile: Iniö, Finland

Education: M.Sc. (Agriculture)

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,
Finska Hushållningssällskapet 1985–1987: Financial Advisor

Raisio Board membership:
member since 2003

Other simultaneous positions of trust:
Ab Åbo Hushållning Oy: Member of the Board of Directors,
Agro-Sydväst r.f.: Member of the Board of Directors,
Sparbanksstiftelsen för Åboland: Chairman of the Board of Directors,
Svenska småbruk och egna hem Ab: Member of the Supervisory Board,
Turun seudun kodinpuolustus foundation: Member of the Board of Directors,
Veritas Pension Insurance Company Ltd.: Member of the Supervisory Board,
Väståbolands Skogsvårdföreningen r.f.: Member of the Council

Fees in 2005:
EUR 20,400

Holdings in Raisio:
series V 500

Erkki Haavisto

Farmer

Year of birth: 1968

Domicile: Raisio, Finland

Education: M.Sc. (Agr. & Forestry),
M.Sc. (Agriculture)

Principal employment history:
farm owner 1993–

Raisio Board membership:
member since 2004

Other simultaneous positions of trust:
Turku District Cooperative Bank: Member of the Supervisory Board

Fees in 2005:
EUR 20,400

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

The secretary of the Board of Directors and the Supervisory Board is Janne Martti, Master of Laws, Vice President, Finance and Treasury.
Shareholdings of the Board of Directors on 9 February 2006 (date of signing the financial statements).

Seppo Paatelainen

Counsellor of Mining

Year of birth: 1944

Domicile: Seinäjoki, Finland

Education: M.Sc. (Agr. & Forestry)

Principal employment history:
Atria Group plc (including its predecessor companies) 1988–, Lujabetoni Oy 1973–1987: Managerial duties, Itikka osuuskunta 1970–1973: Production Manager

Raisio Board membership: member from 1 January 2006

Other simultaneous positions of trust:
A-Logistics Ltd: Chairman of the Board of Directors, Evijärven Peruna Oy: Chairman of the Board of Directors, Finnish Food and Drink Industries Federation: Member of the Board of Directors, Ilkka-Yhtymä Oyj: Member of the Board of Directors, Liha ja Säilyke Oy: Chairman of the Board of Directors, Lihateollisuuden tutkimuskeskus ry: Chairman of the Board of Directors, Lithells AB: Chairman of the Board of Directors, MP Spice Service Ltd: Member of the Board of Directors, OKO Osuuspankkien Keskuspankki Oyj: Member of the Supervisory Board, Savon Mediat Oy: Deputy Member of the Board of Directors, Suomen eläinlääketieteen foundation: Member of the Board of Directors, Vaasa Oy: Member of the Board of Directors

Fees in 2005: –

Holdings in Raisio: –

Kaarlo Pettilä

Agricultural Counsellor

Year of birth: 1941

Domicile: Salo, Finland

Education: M.Sc. (Agriculture)

Principal employment history:
farm owner 1967–

Raisio Board membership: member since 1992, Deputy Chairman from 2005

Other simultaneous positions of trust: –

Fees in 2005:
EUR 20,400

Holdings in Raisio:
series K 51,400 and series V 2,880

Michael Ramm-Schmidt

Executive Chairman,
Oy Executive Leasing Ab

Year of birth: 1952

Domicile: Espoo, Finland

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

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: Chief Executive, Skandinavisk Press AB 1984–1986: Chief Executive

Raisio Board membership:
member since 2005

Other simultaneous positions of trust:
Huurre Group Oy: Chairman of the Board of Directors, 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, Stala Oy: Member of the Board of Directors, Stalatube Oy: Chairman of the Board of Directors, Stiftelsen för Svenska Handelshögskolan: Member of the Board of Directors

Fees in 2005:
EUR 20,400

Holdings in Raisio:
series V 27,000

Christoffer Taxell

Minister, Chancellor of Åbo Akademi University

Year of birth: 1948

Domicile: Turku, Finland

Education: Master of Laws

Principal employment history: Partek Corporation 1990–2002: President & CEO, member of parliament 1975–1991, minister of education 1987–1990, minister of justice 1979–1987

Raisio Board membership:
member since 2003

Other simultaneous positions of trust:
Cidron International Oy: Member of the Board of Directors, Conferation of Finnish Industries, EK: Chairman of the Board of Directors, Finnair Plc: Chairman of the Board of Directors, Foundation of Åbo Akademi: Chairman of the Board of Directors, Föreningen Konstsamfundet r.f.: Chairman of the Board of Directors, Nordkalk Corporation: Member of the Board of Directors, Sampo plc: Member of the Board of Directors, Stockmann plc: Member of the Board of Directors

Fees in 2005:
EUR 20,400

Holdings in Raisio:
series V 3,000

The Board of Directors also comprised Jaakko Ihamuotila and Rabbe Klemets in 2005. Until April 2005 as deputy members acted Mikko Korttila, Olavi Kuusela, Jukka Lavi, Taru Narvanmaa and Jyrki Paappa.

Executive Committee

Rabbe Klemets

Year of birth: 1953

Domicile: Turku, Finland

Education: Licentiate of Science

Occupation in Raisio: Chief Executive Officer since 2001

Principal employment history:
Raisio plc 1999–,
Wallac/EG/G Life Sciences 1991–1999: Managerial duties

Positions of trust: Auria Ltd: Member of the Board of Directors; Tapiola General Mutual Insurance Company: Member of the Supervisory Board; Turku Science Park Ltd: Member of the Board of Directors

Holdings in Raisio: series V 20,200

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 plc 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: Agrifood Research Finland: Member of Executive Committee; Central Union of Agricultural Producers and Forest Owners: Expert Member of Commission; Finnish Foundation for Cardiovascular Research: Member of the Board of Directors; Finnish-Russian Chamber of Commerce: Vice Chairman of the Board of Directors; Finpro ry: Member of the Supervisory Board; Finnish Food and Drink Industries Federation: Member of Executive Committee of the Board of Directors; Pellervo Economic Research Institute: Vice Chairman of the Board of Directors; Tapiola General Mutual Insurance Company: Member of the Supervisory Board; The Association of Finnish Advertisers: Chairman of the Board of Directors

Holdings in Raisio: series V 3,000

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

Positions of trust: –

Holdings in Raisio: –

Mikko Korttila

Year of birth: 1962

Domicile: Turku, Finland

Education: Master of Laws, Master of Laws with court training

Occupation in Raisio: Executive Vice President, Legal Affairs

Principal employment history: Raisio plc 1997–, Attorney-at-Law 1990–1997

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

Holdings in Raisio: –

Merja Lumme

Year of birth: 1961

Domicile: Lieto, Finland

Education: Engineer

Occupation in Raisio: Executive Vice President, Human Resources

Principal employment history: Raisio plc 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: –

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 plc 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: Puutarhaliike Helle Oy: Member of the Board of Directors; Turku Chamber of Commerce: Member of the Council; Turun Kauppakorkeakouluseura: Member of the Board of Directors

Holdings in Raisio: 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 plc 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: series V 3,000

Shareholdings of Executive Committee on 9 February 2005 (date of signing the financial statements).

Supervisory Board

Juha Saura
born 1951

Pöytyä

Chairman since 2004 and member since 1998

series K 3,500

Juha Saura attends the meetings of the Board of Directors as Chairman of the Supervisory Board.

Juhani Enkovaara, born 1945
Helsinki

Member since 1996

series K 500 and
series V 250

Risto Ervelä, born 1950
Sauvo

Member since 1991

series K 3,000 and
series V 3,500

Holger Falck, born 1957
Sipoo

Member from 1 January 2006

series K 540 and
series V 2,120

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 shares

Timo Järvilahti, born 1943
Halikko

Member since 1987

series K 60

Taisto Korkeaoja, born 1941
Kokemäki

Member since 1992

series K 10,560 and
series V 10,620

Erkki S. Koskinen, born 1946
Virrat

Member since 1996

series V 10,000

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 1,500

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

Shareholdings of the Supervisory Board on 9 February 2006 (date of signing the financial statements).

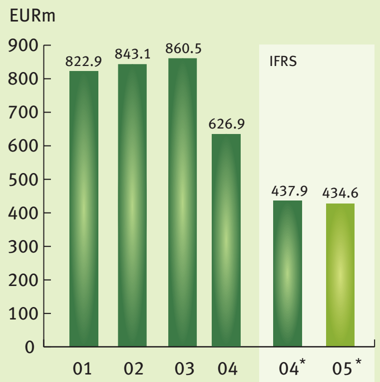
Series K = Raisio plc restricted shares

Series V = Raisio plc free shares

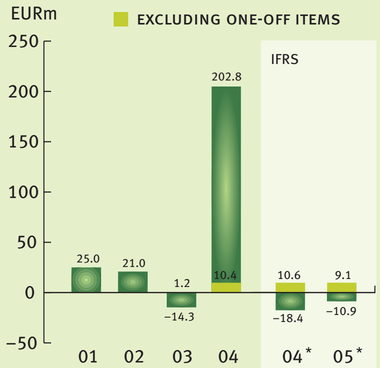
The Supervisory Board also comprised Albert Käiväräinen, Ola Rosendahl and Nils-Erik Wahlsten in 2005.

Report of the Board of Directors and Annual Accounts

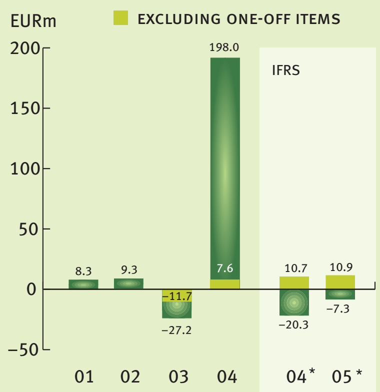
Turnover



Operating result



Result before taxes



* CONTINUING OPERATIONS

Report of the Board of Directors

Raisio's strategic goal is to develop itself from a producer of staple products into a provider of healthy plant-based foods that offers added value to consumers. The company is aiming for growth in the food business in the entire Baltic Sea region, while Russia is the primary target for the feed business. The market for functional ingredients and food diagnostics is global.

In 2005, Raisio's geographic expansion and the renewal of its product range picked up speed thanks to increased inputs in research and development, investments in production, networking and moderate acquisitions. In Russia Raisio proceeded in the plans to establish feed business, while Polish operations ensured a rapid expansion of the Benecol product family to include yoghurt drinks. A joint venture was set up in Sweden to handle the sales and marketing of Raisio's new soy and oat-based fresh products in both Sweden and Finland.

A strong balance sheet puts Raisio in a good position to develop as a specialist in plant-based nutrition and a provider of safe food.

Turnover

The Group's turnover in 2005 amounted to EUR 434.6 million (EUR 437.9 million in continuing operations in 2004). The turnover of Raisio Nutrition decreased, while that of Raisio Life Sciences increased.

Turnover from outside Finland represented 37.3% (35.9%) of the total, or EUR 162.0 million (EUR 157.1 million).

Result

The Group's operating result, excluding one-off items, amounted to EUR 9.1 million (EUR 10.6 million). Both Raisio Nutrition and Raisio Life Sciences increased their results from operations compared to the previous year but expenses from other operations increased significantly, especially due to Group-level inputs in research and development, the implementation of the new SAP ERP system and the renewal of the IT environment.

Depreciation, allocated to operations in the income statement, totalled EUR 24.5 million (EUR 24.2 million), excluding the one-off depreciation generated by write-downs.

The Group's result before taxes, excluding one-off items, totalled EUR 10.9 million (EUR 10.7 million), while earnings per share amounted to EUR 0.05 (EUR 0.07).

The comparability of the reported result is weak due to the considerable one-off items in the financial statements for both 2004 and 2005. The recorded operating result for continuing operations in the review period was EUR −10.9 million (EUR −18.4 million) and cash flow from business operations EUR 5.6 million (EUR 45.9 million). The Group's net financial expenses totalled EUR 4.4 million (EUR −1.6 million). The financial result was significantly increased by the smaller amount of average debt and extensive financial assets. In addition, the profit from the sale of shares in Lännen Tehtaat increased financial income by EUR 1.7 million.

Reported result after taxes in the review period amounted to EUR −5.4 million (EUR −19,1 million or EUR 213.0 million, including the profit gained from the divestment of the chemicals business), while earnings per share stood at EUR –0.04 (EUR –0.12). Taxes for the financial period were EUR 1.9 million positive due to tax effect of EUR 4.1 million of the write-downs and the tax receivables for 2004. Return on investment amounted to −1.3% (46.7%).

One-off items in the financial statements

The prolonged weak outlook in the malt and potato businesses led to a re-evaluation of the assets allocated to these operations. As a result of the impairment tests carried out in compliance with IFRS, Raisio wrote down the book value of the malting plant's intangible and tangible assets in their entirety as a one-off depreciation of EUR 8.4 million. A one-off depreciation of EUR 7.5 million was made on the intangible and tangible assets of the potato business.

The market also looks bleaker for certain products in the food diagnostics business, which has led to a lower growth estimate for the current product portfolio. Consequently, the goodwill related to these products was written down by EUR 5.1 million. In addition to these one-off expenses, Raisio booked a one-off profit of EUR 1.7 million from the sale of shares, as well as a one-off non-cash affective income item of EUR 1.0 million resulting from the dissolution of the technical reserves of its captive insurance company.

One-off items (EUR million)	2005	2004
CONTINUING OPERATIONS		
RAISIO NUTRITION		
SALES PROFIT	–	3.3
WRITE-DOWNS	–15.9	–24.8
CANCELLATION OF IFRS PENSION LIABILITY	–	3.1
RAISIO LIFE SCIENCES		
WRITE-DOWNS	–5.1	–9.2
OTHER OPERATIONS	1.0	–1.4
IMPACT ON THE OPERATING RESULT OF CONTINUING OPERATIONS	–19.9	–29.0
FINANCIAL ITEMS	1.7	–2.0
DISCONTINUED OPERATIONS		
SALES PROFIT	–	228.3
IMPACT OF ONE-OFF ITEMS ON THE GROUP'S RESULT BEFORE TAXES	–18.2	197.3

Investments

The Group's gross investments in 2005 totalled EUR 49.3 million (EUR 22.1 million), or 11.3% (5.0%) of turnover. The gross investments of Raisio Nutrition amounted to EUR 36.2 million (EUR 16.0 million), while those of Raisio Life Sciences were EUR 6.3 million (EUR 2.8 million) and other investments EUR 6.7 million (EUR 3.2 million).

The main investments involved the construction of the soy-oat plant and the R&D centre, the expansion to the capacity of the stanol ester plant and the renewal of the ERP system.

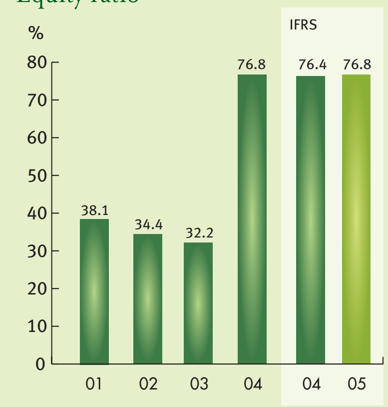
Balance sheet and financial position

Raisio's balance sheet total was EUR 452.5 million (EUR 514.3 million), while shareholders' equity amounted to EUR 347.3 million (EUR 392.8 million).

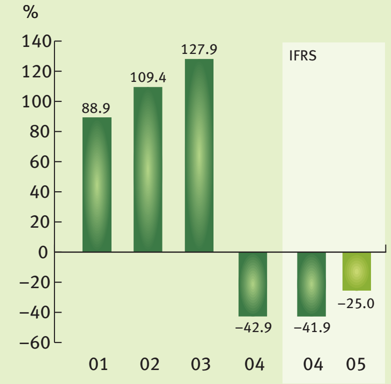
Group's interest-bearing debt at the end of the financial period was EUR 36.1 million (EUR 49.5 million). The net interest-bearing debt was EUR –86.6 million (EUR –164.6 million). The equity ratio at the end of the year was 76.8% (76.4%), and the gearing ratio –25.0% (–41.9%).

Working capital increased to EUR 86.6 million (EUR 57.7 million) due to an increase in inventories.

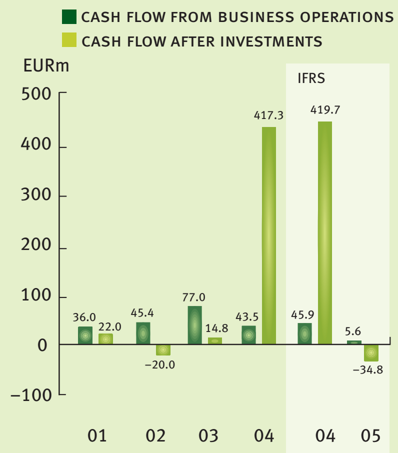
Equity ratio



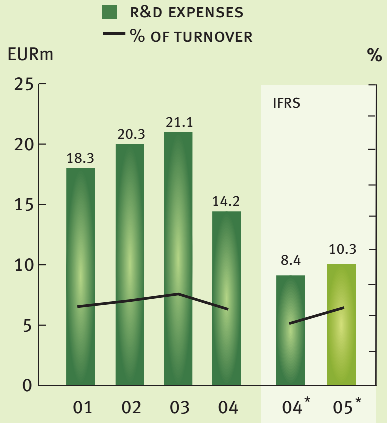
Gearing



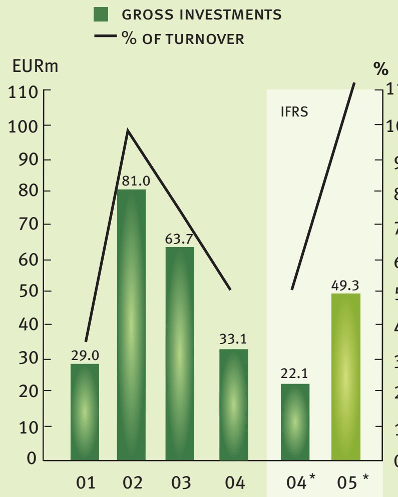
Cash flow



R&D expenses



Investments



* CONTINUING OPERATIONS

Business areas

RAISIO NUTRITION

The turnover of Raisio Nutrition dropped 2.4% from the previous year, totalling EUR 380.6 million (EUR 389.9 million). Strong margarine sales and a successful product range expansion resulted in significant growth in the Polish operations. Margarine and cereal sales in Russia also grew significantly. In other markets, turnover decreased in food, feed and malt operations. The turnover of the milling business, however, improved thanks to successful product launches. Although the sales volumes for feed increased, lower raw material prices were transferred to sales prices and thus decreased turnover.

The operating result of Raisio Nutrition, excluding one-off items, amounted to EUR 8.6 million (EUR 8.6 million). Oil milling business accounted for the most significant growth, thus contributing to the good overall result of the feed business. In the food business, profitability improved in Sweden and Poland, while growth-oriented inputs kept Russian operations in the red. Finnish food business posted a result close to zero. The result was weakened by higher raw material expenses for potato products, poor demand for frozen potato products and the start-up costs for the soy-oat plant. Changes in the Russian market caused the malt business to be unprofitable.

Raisio Nutrition's reported operating result amounted to EUR –7.3 million (EUR 9.8 million), including a total of EUR 15.9 million in write-downs on the fixed assets of malt and food potato business operations.

Raisio Nutrition's turnover, EUR million

	2005	2004
FOOD	210.2	217.1
MARGARINE PRODUCTS	117.9	121.6
MILLING PRODUCTS	77.0	75.1
POTATO PRODUCTS	18.5	21.2
OTHERS	–	0.8
INTERNAL SALES	–3.1	–1.7
FEED AND MALT	186.2	190.7
FEEDS	163.6	165.2
MALT	21.4	24.7
OTHERS	2.0	1.4
INTERNAL SALES	–0.8	–0.5
TOTAL	380.6	389.9

FOODS

Raisio's market position in the Finnish, Polish and Russian food markets remained nearly unchanged. The market position in Sweden weakened slightly due to the decrease in private label sales. The Finnish market for yellow fats decreased slightly, while Poland showed some growth. Market growth was strongest in Russia. Raisio's turnover in foods was EUR 210.2 million (EUR 217.1 million).

Raisio acquired a 25% share of Obory, a Polish dairy company, and ensured a rapid growth of Benecol product range in Poland and its neighbouring countries.

Raisio and Finn Cereal agreed on the manufacture of "pure oat" products, developed especially for people with celiac disease. New products will be launched in spring 2006.

Production facilities for fresh soy and oat-based products were constructed in Turku at the end of 2005. For Raisio, the investment is a significant step in the renewal and product range development process defined in the company's strategy.

Raisio and the Swedish Cerealia Foods & Bread established GoGreen AB, a 50/50 owned joint venture, with a product range including, for example, fresh soy and oat-based products. The joint venture provides an excellent channel into the North European markets, where soy products have enjoyed exceedingly fast growth, achieving annual rates of more than 20%.

Raisio initiated contract farming and commercialisation of Camelina oil plant. Camelina offers Raisio significant new opportunities to develop health-promoting, functional foods and their ingredients.

FEED AND MALT

In terms of volume, the Finnish farm feed market grew slightly. Raisio strengthened its market share in both farm and fish feeds. Exports of farm feeds increased over the previous year. The volume of fish feeds remained at the previous year's level but exports grew significantly. Raisio's turnover in the feed business was EUR 163.6 million (EUR 165.2 million).

Raisio and Lännen Tehtaat established a 50/50 owned joint venture, which will be in charge of commencing farm feed production in north-western Russia. In these markets, the joint venture aims for a significant market share in the next five years.

The oversupply of malt in the EU region and increased malting capacity in Russia further intensified price competition in the malt markets. While the Finnish malt market has remained unchanged from the previous year, price competition has grown stiffer. Raisio's turnover in the malt business was EUR 21.4 million (EUR 24.7 million).

RAISIO LIFE SCIENCES

Turnover in the Raisio Life Sciences business area increased by 10.7%, amounting to EUR 59.0 million (EUR 53.3 million) thanks to the good development seen in the ingredients business. Turnover from the diagnostics business also grew slightly over the previous year.

Profitability improved and the operating result, excluding one-off items, amounted to EUR 7.5 million (EUR 4.4 million). The result was boosted by the continued growth in ingredients sales during 2005. The development of markets for sterol-based ingredients has enabled Raisio to gain a strong foothold on the markets with its Benecol ingredient and to put its skills to wider use throughout the production chain for sterol-based ingredients. The diagnostics business focused on enhancing operations and renewing the product portfolio. Significant inputs made in product development pushed the result of the diagnostics business into the red.

Raisio Life Sciences recorded an operating result of EUR 2.4 million (EUR –4.8 million), which included a write-down of EUR 5.1 million on the goodwill of the diagnostics business.

Raisio Life Sciences turnover, EUR million

	2005	2004
INGREDIENTS	50.2	44.7
FOOD DIAGNOSTICS	8.8	8.6
TOTAL	59.0	53.3

INGREDIENTS

Market growth has continued especially in Europe where it has been boosted by the increasing consumer awareness of health-related issues and the launch of new user-friendly products. Raisio's ingredients sales growth equalled that of the market average, increasing by 11.0% to EUR 50.2 million.

The company initiated an expansion to the capacity of its stanol ester plant in Raisio, which is expected to be completed in early 2006. Raisio acquired the sales and marketing rights for Benecol in China, Japan and Mexico from its cooperation partner McNeil Nutritionals LLC in autumn 2005.

FOOD DIAGNOSTICS

The market is expected to grow at an annual rate of 7–8%. Faster growth, at an annual rate of 12–15%, will be seen in the market for rapid testing, which Raisio's product development currently focuses on. Raisio's market share in Europe now ranges from 5 to 15%, depending on the product sector. The turnover of the diagnostics business increased by 2.3%, amounting to EUR 8.8 million.

Research and development

Research and development is one of Raisio's strategic priorities. In 2005, the company focused on increasing the share of value-added products in its product range for food.

Resources in research centres for foods and food diagnostics were strengthened, for example, by hiring new employees. A new research centre that brings together the R&D resources at the Raisio site was completed in late 2005.

The Group's research and development expenses in 2005 totalled EUR 10.3 million (EUR 8.4 million), or 2.4% (1.9%) of turnover.

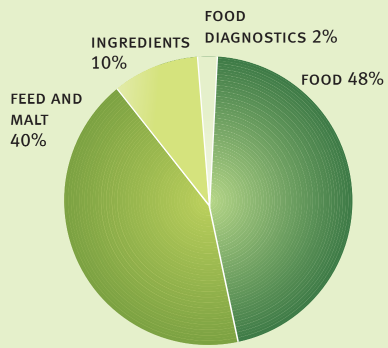
Raisio Nutrition's research and development expenses totalled EUR 3.8 million (EUR 4.2 million), or 1.0% (1.1%) of the business area's turnover. Raisio Life Sciences spent a total of EUR 3.3 million (EUR 4.2 million), or 5.6% (7.8%) of the business area's turnover on research and development. The Group's strategic R&D, the expenses of which were recorded for other operations, amounted to EUR 3.2 million.

Corporate responsibility

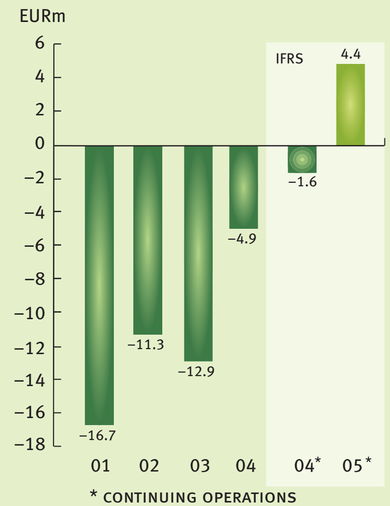
Raisio is committed to taking responsibility for its operating environment. The goal is for operations to stand on an ecologically, socially and financially solid basis now and in the future. Raisio's corporate responsibility report will be published in conjunction with the Annual Report in March.

Raisio has no financial environmental risks recorded in the financial statements.

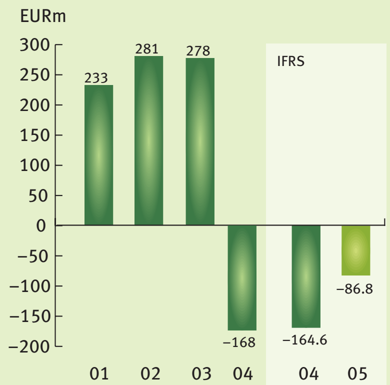
Turnover



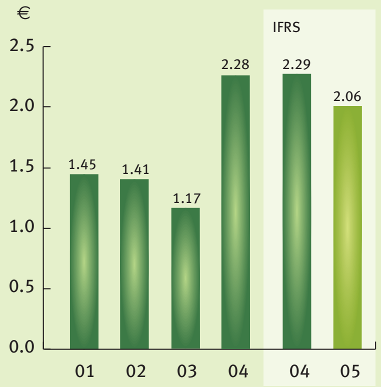
Net financial expenses/income



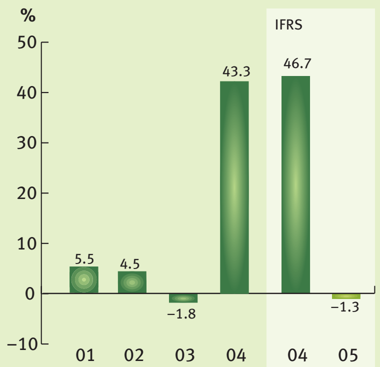
Net interest-bearing debt



Equity per share



Return on investment



Governance, management and personnel

The Annual Genaral Meeting approved in the second proceeding the changes in the Articles of Association that were among others based on the recommendation for the Corporate Governance. The AGM also decided to change the company name to Raisio plc. The changes became in force in April 2005.

Raisio's Board of Directors in 2005 included Chairman Arimo Uusitalo and members Jörgen Grandell, Erkki Haavisto, Jaakko Ihamuotila, Rabbe Klemets, Kaarlo Pettilä, Michael Ramm-Schmidt and Christoffer Taxell.

Jaakko Ihamuotila stepped down from the Board of Directors on 31 December 2005 due to the age restriction defined in the Articles of Association. In addition, Raisio's CEO Rabbe Klemets will not continue as a member of the Board of Directors since the CEO is no longer required to be a Board member following the amendment made to the Articles of Association in spring 2005. Seppo Paatelainen has been elected a new member of the Board as of 1 January 2006. All of the Board members are independent of the company and of significant shareholders.

The Chairman of Raisio's Supervisory Board is Juha Saura and the Vice Chairman, until 31 December 2005, was Ola Rosendahl. Holger Falck was elected Vice Chairman as of 1 January 2006.

The president of Raisio Nutrition Olavi Kuusela was appointed Chief Executive Officer's deputy in May 2005.

On 31 December 2005, Raisio employed 1,396 people (1,412). Employees working abroad accounted for 33% (32%) of the personnel at the end of the year. The headcount was reduced by the streamlining programmes carried out. The number of employees increased due to the expansion in Polish business, the start-up of the soy-oat plant in Finland, and new recruits in sales, marketing, research and product development. At the end of the year, Raisio Nutrition had 1,054, Raisio Life Sciences 141, R&D 115 and Group administration 86 employees.

IFRS-compliant financial reporting

Raisio's financial statements have been prepared in accordance with the principles of the IFRS. Raisio adopted the International Financial Reporting Standards as of the beginning of 2005. The transition was described in a separate report on 22 April 2005.

Shares and shareholders

A total of 109.6 million (110.1 million) of Raisio's free shares were traded in 2005 on the Helsinki Stock Exchange. The value of trading was EUR 250.4 million (EUR 180.1 million), and the average price was EUR 2.28 (EUR 1.64). The closing price for free shares in 2005 was EUR 2.26 (EUR 1.90). The price of series V shares rose by 19% from the beginning of the year.

The 2005 trading volume of restricted shares on the Helsinki Stock Exchange amounted to 1.5 million (1.5 million). The value of share trading was EUR 3.5 million (EUR 2.5 million), and the average price was EUR 2.33 (EUR 1.69). The closing price in 2005 was EUR 2.28 (EUR 1.85). The price of series K shares rose by 23% from the beginning of the year.

On 31 December 2005, Raisio had 42,953 registered shareholders. Of all shares, 16% (12%) were in foreign holding. Approximately 0.6% of the shares remain outside the book-entry system.

Share repurchases made Raisio the second largest owner of the company. Raisio plc acquired 3,768,200 of the company's shares in 2005.

Raisio has no share-based incentive systems and the Board of Directors has no authorization to raise the share capital.

Repurchase of company shares

The repurchase of shares, as authorized by the Board of Directors, started in August and may continue, at the latest, until the Annual General Meeting in spring 2006. Shares may be repurchased to develop the capital structure of the company, to be used for funding or implementing corporate acquisitions or other arrangements, or to be otherwise further assigned or cancelled.

The share buy-back programme allows the purchase of a maximum of 6,529,289 free shares and a maximum of 1,728,162 restricted shares, that is, a maximum of 5% of the company's share capital and votes. If restricted shares are converted into free shares, the maximum numbers for different share types will change. Share repurchasing will be carried out at the price determined in the open market on the Helsinki Stock Exchange and will not follow the shareholders' holding ratios.

Repurchasing started on 10 August 2005, and by 31 December 2005 the company had repurchased a total of 3,738,000 free shares at an average price of EUR 2.31 and 30,200 restricted shares at an average price of EUR 2.35.

The number of repurchased free shares accounts for 2.86% of all free shares and the votes they represent, while the corresponding percentage for restricted shares is 0.09%. The repurchased shares represent 2.28% of all shares and 0.53% of overall votes. The book value of repurchased free shares is EUR 628,683 and of restricted shares EUR 5,079, accounting for a total of EUR 633,762, which represents 2.28% of the share capital. The trade price for free shares was EUR 8,635,798 and for restricted shares EUR 71,068, or a total of EUR 8,706,866. Prior to these purchases, the company and its subsidiaries did not hold Raisio plc's shares.

The share repurchases are not expected to have a significant impact on the distribution of share holdings or voting rights in the company. Since the shares were repurchased in the open market on the Helsinki Stock Exchange with no information about the vendors, it is impossible to determine the portion of shares purchased from insiders, as defined in Section 1:4.1 of the Companies Act, of the company's share capital and voting rights.

The Annual General Meeting authorised the Board of Directors to dispose the repurchased shares. This authorisation, in force until the Annual General Meeting of spring 2006, has not been used to date.

Dividend proposal

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 continuing operations, provided the dividend payment does not compromise the company's ability to meet its strategic objectives.

Raisio's Board of Directors proposes a dividend exceeding the company's dividend policy, based on the distributable profits from the divestment of the chemicals business in 2004. The Board's proposal, presented to the Annual General Meeting on 30 March 2006, is EUR 0.05 per share.

Strategy update under way

Raisio's strategic policies were confirmed in 2004, which is when the company decided to divest its chemicals business. The Group structure was revised to match the new strategy in this conjunction. Owing to the accelerated pace of change in the business environment, Raisio's management and Board of Directors initiated an analysis aiming to further specify the strategy in early 2006.

The 12% target set for return on investment will probably not be achieved in all business operations in 2006. In addition, a low and risk-free yield on cash ensuring a sound financial standing decreases the company´s return on investment.

Strategic evaluation now aims to ensure future growth and positive performance development in ingredients, feed and Polish operations, which have already achieved the target level, as well as to identify structural and other solutions for business operations that are performing weaker at the moment. A strong balance sheet enables growth through the company's own product development, as well as through acquisitions.

Outlook for 2006

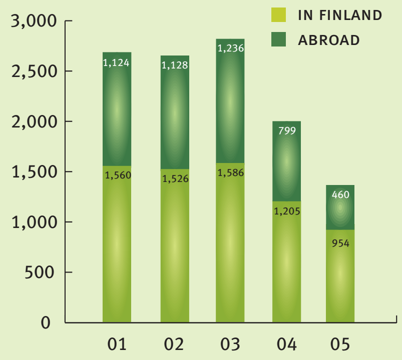
New product launches are expected to increase Raisio's turnover in the food business in Finland, Sweden, Poland and Russia. The number of new product launches in Finland will more than double from 2005. This will mean a considerable increase in the share of value-added products in the product portfolio.

New products will also be launched by Raisio Life Sciences and its partners. These include, for example, drinks containing the Benecol ingredient, which were launched in Germany and the UK in early 2006. The food diagnostics business will begin to market new rapid testing applications in 2006.

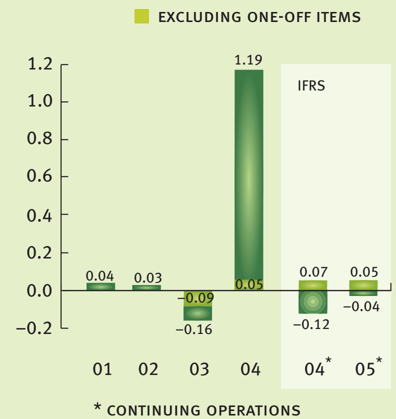
The feed business expects to see growth especially in Russia, while the market outlook for the malt business remains unchanged.

Inputs in growth and marketing burden profitability, and the result for early 2006 is expected to fall clearly short of the comparison period. Growth and enhancement of operations will improve the outlook for the latter part of the year, and the overall operating result for 2006 is expected to improve over the previous year.

Average personnel



Earning per share



Consolidated income statement

(EUR million)	1.1.–31.12.2005	1.1.–31.12.2004
CONTINUING OPERATIONS:		
TURNOVER (1)	434.6	437.9
Cost of sales	–363.4	–360.0
Gross profit	71.2	78.0
Sales and marketing expenses	–39.3	–37.0
Administration expenses	–30.0	–27.1
Research and development expenses	–10.3	–8.4
Other income and expenses from business operations (4)	–2.4	–23.9
OPERATING RESULT (5, 6)	–10.9	–18.4
Financial income and expenses (7)	4.4	–1.6
Share of the result of associated companies and joint ventures	–0.8	–0.4
RESULT BEFORE TAXES	–7.3	–20.3
Income taxes (8)	1.9	1.2
RESULT FOR THE FINANCIAL PERIOD FOR CONTINUING OPERATIONS	–5.4	–19.1
DISCONTINUED OPERATIONS (2):		
Result for the financial period for discontinued operations	0.0	232.1
RESULT FOR THE FINANCIAL PERIOD	–5.4	213.0
ATTRIBUTABLE TO:		
Parent company shareholders	–6.0	211.3
Minority interest	0.6	1.7
EARNINGS PER SHARE CALCULATED FROM THE RESULT OF PARENT COMPANY SHAREHOLDERS (9)		
Earnings per share from continuing operations (EUR)		
Undiluted earnings per share	–0.04	–0.12
Diluted earnings per share	–0.04	–0.12

Figures in brackets refer to the notes to the statements.

Consolidated balance sheet

(EUR million)	31.12.2005	31.12.2004
ASSETS		
NON-CURRENT ASSETS		
Intangible assets (10)	13.4	10.2
Goodwill (3, 10, 11)	11.6	17.0
Tangible assets (10)	130.5	127.0
Shares in associated companies and joint ventures (12)	4.9	1.6
Financial assets available for sale (13)	2.2	8.0
Long-term receivables (14)	6.2	6.7
Deferred tax assets (20)	12.3	9.5
	181.0	179.9
CURRENT ASSETS		
Inventories (15)	73.9	56.5
Accounts receivables and other receivables (16)	74.7	63.8
Financial assets through profit or loss at fair value (17)	117.0	210.4
Cash in hand and at banks (18)	5.8	3.8
	271.5	334.4
TOTAL ASSETS	452.5	514.3

(EUR million)	31.12.2005	31.12.2004
SHAREHOLDERS’ EQUITY AND LIABILITIES		
SHAREHOLDERS’ EQUITY (19)		
Equity of parent company shareholders		
Share capital	27.8	27.8
Premium fund	2.9	2.9
Reserve fund	88.6	88.6
Company shares	−8.7	
Translation differences	1.3	−2.2
Fair value fund	0.0	0.0
Retained earnings	220.1	261.0
	332.0	378.1
Minority interest	15.3	14.7
TOTAL SHAREHOLDERS’ EQUITY	347.3	392.8
LIABILITIES		
Non-current liabilities		
Deferred tax liability (20)	8.7	10.3
Pension contributions (21)	0.4	0.7
Interest-bearing liabilities (22)	12.9	26.0
	22.0	36.9
Current liabilities		
Accounts payable and other liabilities (23)	60.4	60.7
Tax liability based on the taxable income for the period	0.0	1.1
Current interest-bearing liabilities (22)	22.8	22.8
	83.2	84.6
TOTAL LIABILITIES	105.2	121.5
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	452.5	514.3

Figures in brackets refer to the notes to the accounts.

Changes in shareholders' equity in the financial period ended 31 December 2005

(EUR million)	Share capital	Premium fund	Reserve fund	Other funds	Company shares	Translation differences	Fair value fund	Retained earnings	Equity of parent company shareholders	Minority intrerest	Total sharehold-ers' equity
Shareholders' equity 31.12.2003 (FAS)	27.8	2.9	88.8	0.2		−27.0	0.0	101.4	194.0	23.2	217.3
Impact of the adoption of IFRS						27.0		−31.5	−4.5	−0.2	−4.7
Shareholders' equity 1.1.2004	27.8	2.9	88.8	0.2	0.0	0.0	0.0	69.9	189.5	23.1	212.6
Exchange rate differences from a receivable, considered a net investment,											
from a foreign entity						0.1			0.1		0.1
Taxes related to items entered in or transferred from shareholders' equity						0.0			0.0		0.0
Translation differences, generated in the financial period						−0.7			−0.7	0.2	−0.5
Divestment of Raisio Chemicals			−0.2	−0.2				0.4	0.0	−9.7	−9.7
Translation differences, transferred to income statement on disposal of subsidiary						−0.7			−0.7		−0.7
Other changes			0.0			−0.8		0.9	0.1	−0.3	−0.2
Net income recorded directly in shareholders' equity	0.0	0.0	−0.2	−0.2	0.0	−2.2	0.0	1.3	−1.3	−9.8	−11.1
Result for the financial period								211.3	211.3	1.7	213.0
Net profit for the financial period	0.0	0.0	−0.2	−0.2	0.0	−2.2	0.0	212.6	210.0	−8.2	201.9
Dividends paid								−21.5	−21.5	−0.2	−21.7
Shareholders' equity 31.12.2004	27.8	2.9	88.6	0.0	0.0	−2.2	0.0	261.0	378.1	14.7	392.8
Impact of the adoption of IAS 32 and IAS 39							0.3	−0.3	0.0		0.0
Adjusted shareholders' equity 1.1.2005	27.8	2.9	88.6	0.0	0.0	−2.2	0.3	260.7	378.0	14.7	392.7
Repurchase of company shares					−8.7				−8.7		−8.7
Exchange rate differences from a receivable, considered a net investment,											
from a foreign entity						−0.4			−0.4		−0.4
Cash flow hedges:											
Gains or losses recorded in shareholders' equity							0.0		0.0		0.0
Transferred to the profit or loss for the year							−0.1		−0.1		−0.1
Investments available for sale:											
Transferred to the profit or loss for the year							−0.2		−0.2		−0.2
Taxes related to items entered in or transferred from shareholders' equity						0.1	0.1		0.2		0.2
Translation differences, generated in the financial period						3.8			3.8	0.0	3.8
Other changes								0.1	0.1	0.0	0.1
Net income recorded directly in shareholders' equity	0.0	0.0	0.0	0.0	−8.7	3.5	−0.3	0.1	−5.4	0.0	−5.4
Result for the financial period								−6.0	−6.0	0.6	−5.4
Net profit for the financial period	0.0	0.0	0.0	0.0	−8.7	3.5	−0.3	−6.0	−11.4	0.6	−10.8
Dividends								−34.7	−34.7		−34.7
Shareholders' equity 31.12.2005	27.8	2.9	88.6	0.0	−8.7	1.3	0.0	220.1	332.0	15.3	347.3

Consolidated cash flow statement

(EUR million)	2005	2004
CASH FLOW FROM BUSINESS OPERATIONS		
Operating result	–10.9	221.5
Adjustments to operating result:		
Depreciation and impairment	45.5	57.7
Other income and expenses not involving disbursement	0.1	–3.3
Other adjustments [1]	–0.2	–231.2
Cash flow before change in working capital	34.5	44.6
Change in current receivables	–9.7	–26.2
Change in inventories	–16.7	23.5
Change in current non-interest-bearing liabilities	–0.6	15.9
Change in working capital	–27.0	13.1
Cash flow from business operations before financial items and taxes	7.4	57.8
Interest paid	–2.0	–12.8
Dividends received	0.5	0.6
Interest received	2.8	5.8
Other financial items, net	0.0	–0.6
Income taxes paid	–3.1	–4.8
CASH FLOW FROM BUSINESS OPERATIONS	5.6	45.9

[1] Adjustments resulting from divestment of working capital, investments and subsidiaries

(EUR million)	2005	2004
CASH FLOW FROM INVESTMENTS		
Acquisition of subsidiaries less liquid assets at the time of acquisition	0.0	–1.9
Acquisition of associated companies and joint ventures	–4.2	0.0
Investments available for sale	–0.5	–1.0
Investments in tangible and intangible assets	–43.9	–29.4
Divestment of subsidiaries less liquid assets at the time of divestment	0.0	380.4
Income from the divestment of associated companies and joint ventures	0.0	0.3
Income from investments available for sale	7.4	0.0
Income from tangible and intangible assets	0.8	25.6
Loans granted	0.0	–0.2
CASH FLOW FROM INVESTMENTS	–40.3	373.8
Cash flow after investments	–34.8	419.7
CASH FLOW FROM FINANCIAL OPERATIONS		
Non-current loans taken out	0.0	10.1
Repayment of non-current loans	–14.0	–229.2
Change in current loans	–0.3	0.3
Change in loan receivables	0.0	–1.0
Dividends paid	–34.5	–21.7
Repurchase of company shares	–8.6	–
CASH FLOW FROM FINANCIAL OPERATIONS	–57.4	–241.6
Change in liquid funds according to statement	–92.2	178.1
Adjustment to translation difference	–0.3	1.4
Change in liquid funds	–92.4	179.5
Liquid funds at the beginning of the period	214.1	34.6
Impact of change in market value on liquid funds	1.2	–
Liquid funds at the end of the period	122.9	214.1

Accounting principles of the consolidated accounts

Basic information

Raisio plc is a public limited company domiciled in the town of Raisio. Raisio group structure consists of two business areas, Raisio Nutrition and Raisio Life Sciences, as well as other operations, i.e. research and development to ensure renewal and service functions supportive to business areas.

Basis of presentation

For the first time, Raisio consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) and following the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31.12.2005. In the Finnish Accounting Act and related rules and regulations, the International Accounting Standards refer to the standards and their interpretations approved for application within the EU according to the procedure governed by EU Regulation (EC) No. 1606/2002. Notes to the consolidated financial statements also comply with the Finnish Accounting and Community legislation. The currency used in the financial statements is the euro, and the statements are shown in EUR millions.

The consolidated financial statements have been prepared based on original purchase costs with the exception of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, derivative contracts and hedged items in the fair value hedge, which have been valued at market value. Non-current assets held for sale have been valued at the lower of the following: fair value minus sales costs, or book value.

As of the beginning of 2005, the Group accounting has adopted the International Financial Reporting Standards (IFRS). The adoption date is 1.1.2004. The IFRS 1 standard, First-time adoption of IFRS standards, was applied to the adoption of the IFRS standards. Differences caused by the adoption have been shown in balancing calculations under section 29 of the Notes. Comparative information from 2004 has been made consistent with IFRS standards. For financial instruments, the Group has applied the exemption enabled by IAS standard 39, Financial instruments: Recognition and Measurement, according to which there is no need to prepare comparative data from 2004 complying with this standard. IAS 32, Financial instruments: Disclosure and Presentation,and IAS 39, Financial instruments: Recognition and Measurement,standards have been complied with as of the beginning of 2005. In the comparative data from 2004, the Finnish Accounting Standards have been applied for financial instruments. The required Notes concerning the adoption of IAS standards 32 and 39 have been given in section 30.

According to the exemption allowed by IFRS 1, business acquisitions prior to the adoption date have not been adjusted to the IFRS principles; for business mergers prior to 2004, goodwill has been calculated according to the previous accounting standards. However, for foreign subsidiaries, old goodwill in euros has been amended to the operating currency of the foreign unit in question and included in the assets of the units in question.

When preparing the consolidated financial statements, estimates and hypotheses will have to be used affecting assets and liabilities at the time of balance sheet preparation, as well as returns and costs within the reporting period. Actual figures may differ from those used in the financial statements. Most of the estimates are related to the impairment of the accounts and the tests of goodwill, valuation of assets and the financial lifetimes used, as well as the use of deferred tax assets against future taxable income.

The extent of consolidation principles

SUBSIDIARIES

The Raisio group financial statements include the parent company Raisio plc and such directly or indirectly owned subsidiaries where it has control. Control is acquired when the Group owns more than half of the voting rights or possesses other rights to determine the financial and business principles of a company in order to benefit from its business operations.

In consolidated financial statements, mutual shareholding is eliminated by using the acquisition cost method. Acquisition cost is determined on the basis of the market value of assigned assets valid at the purchase date plus direct costs related to the purchase. Goodwill consists of the portion of acquisition cost over the market value of the net assets of the acquired company. Goodwill is not depreciated; its value is assessed at least once annually with an impairment test. Impairment losses are entered in the profit and loss account.

Subsidiaries acquired during the financial period are included in the consolidated financial statements from the moment the Group has acquired control and assigned subsidiaries until such control ends.

Business transactions between Group companies, internal receivables and liabilities, as well as internal distribution of profits and unrealised profits from internal deliveries, are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss is due to impairment.

MINORITY INTEREST

Allocation of profit for the financial period between the parent company shareholders and the minority interest is shown in the profit and loss account, and the minority interest is included in the balance sheet under the shareholders' equity as a separate item from the equity attributable to equity holder of the parent company. The minority interest of the losses accrued is entered in the consolidated financial statements up to the amount invested.

ASSOCIATES AND JOINT VENTURES

Associated entities are companies where the Group owns 20% to 50% and where the Group has considerable influence but no control. Joint ventures are companies where, according to an agreement-based arrangement, the Group is committed to sharing the control of financial and business principles with one or more parties. Associated entities and joint ventures are consolidated using the equity method. A holding equivalent to the Group ownership is eliminated from the unrealised profits between the Group and its associated entities or joint ventures. The Group investment in associated entities and joint ventures includes goodwill generated by the acquisition. The application of the equity method is discontinued when the book value of the investment has decreased to zero, unless the Group has acquired liabilities related to its associated entities or joint ventures or has guaranteed their liabilities.

Foreign currency transactions and translations

Figures representing the Group entities' performance and financial position are measured in the currency used in the main operating environment of each entity ('functional currency'). The functional and presentation currency entity of the parent company is the euro.

Business operations in foreign currency are entered in the functional currency by using the transaction date exchange rate. Monetary items in foreign currency are converted into the functional currency by using the closing date exchange rates. Non-monetary items are valued at the transaction date exchange rate. Profits and losses from transactions in foreign currency and the conversion of monetary items are entered in the profit and loss account. Exchange rate profits and losses related to the main business are included in the items above the operating profit. Financial exchange rate profits and losses are entered under financial income and expenses. Hedge accounting is most often applied to forward exchange agreements covering sales and purchases in foreign currency, and they are processed according to a cash flow hedge accounting model. The forward exchange agreement's effect on performance is entered in the profit and loss account at the same time as the hedged sales or purchase. The effect of the effective part of the forward exchange agreements on performance is entered to adjust sales or purchases, and the non-effective part of hedging under other income and costs. For cash flow hedgings complying with hedge accounting requirements, unrealised exchange rate profits or losses are entered under shareholders' equity.

The profit and loss accounts for foreign Group companies, where the valuation or closing currency is not the euro, are converted to the euro by using the average exchange rates of the reporting period, and balance sheets by using the closing date exchange rates. Converting earnings from the financial period by using different exchange rates in the profit and loss account and the balance sheet causes a translation difference which is entered under the shareholders' equity. Translation differences, generated from the elimination of the acquisition cost of a foreign subsidiary, the conversion of shareholders' equity items accrued post-acquisition and financial instruments specified as hedgings of the net investments in foreign subsidiaries, are entered under the shareholders' equity. Translations differences during the financial period accrued from the assignment of an independent foreign entity are entered in the profit and loss account at the same time as the corresponding assignment income.

According to the exemption allowed by the IFRS 1 standard, any cumulative translation differences accrued prior to the IFRS adoption date, 1.1.2004, have been entered under accrued profits and will not be entered in the profit and loss account later when the subsidiary is sold. From the adoption date, the translation difference for subsidiaries and associated entities due to exchange rate changes is entered as a separate item under the translation differences of the Group shareholders' equity. The same process applies to non-current intra-Group loans which, for their actual contents, are comparable with shareholders' equity.

Goodwill generated by the acquisition of an independent foreign entity and adjustments related to market values are treated as assets and liabilities in the local currency of the unit in question and converted to the closing date exchange rate.

Inflation accounting

The Group has no subsidiaries in hyper inflation countries, thus inflation accounting has not been applied.

Segment reporting

Segment information is presented according to the business and geographical segmentation of the Group. The Group's primary reporting format is by business segment, and the segments consist of Raisio Nutrition and Raisio Life Sciences,as well as other operations. Business segments produce products and services, the related risks and productivity of which are different than those of other business segments. The risks and productivity related to the products and services of geographical segments are different than those related to products and services of segments operating in different financial environments. Raisio Nutrition produces foods for consumers, the catering business and food industry, feeds for farm animals and malt for breweries. Its home market covers the Baltic region, with Finland being the main market area. Raisio Life Sciences produces functional ingredients and diagnostics testing systems for the food industry worldwide.

Tangible fixed assets

Tangible fixed assets are valued at the original purchase cost minus accrued depreciations and value impairment.

When part of a fixed asset is treated as a separate commodity, costs related to the replacement of the part are activated. Otherwise, any costs generated later are included in the book value of the tangible fixed asset only if it is likely that any future financial benefit related to the commodity will benefit the Group and that the purchase cost of the commodity can be determined reliably. Other repair and maintenance costs are entered in the profit and loss account when they are realised.

Straight-line depreciations are made from tangible assets within the estimated financial effect period. No depreciations are made from land. The estimated economic useful lives are for:

- buildings and structures 10–25 years
- machinery and equipment 4–15 years

Estimated economic useful lifetimes are reviewed every closing date, and if they differ significantly from the previous figures, corresponding adjustments are made to the depreciation periods. If the book value of a commodity is greater than the amount of currency estimated to be possible to accrue from it, the book value is immediately reduced to the level of the possible accrual amount.

Assignment profits and losses are determined by comparing the return from assignment with the book value, and assignment profits and losses are included in the profit and loss account under other income and costs from business operations.

Tangible fixed asset depreciations are discontinued when the tangible fixed asset is classified as available for sale according to standard IFRS 5, Non-current assets held for sale and discontinued operations. Fixed assets available for sale are valued at their book value or a lower market value with purchase costs deducted.

Borrowing costs

Borrowing costs are entered as costs for the financial period during which they are generated.

Government grants

Government grants related to the purchase of tangible fixed assets are entered as deductions from the book values of tangible fixed assets. Grants become income as lower depreciations within the financial effect period of the good. Other public subsidies are entered in the profit and loss account under returns for the financial periods where the costs corresponding with the subsidies are generated.

Other operating income and expenses

Asset sales profits and losses, returns unrelated to actual performance sales, such as rental income, and impairments of goodwill and other miscellaneous assets are presented as other operating income and expenses.

Intangible assets

GOODWILL

Goodwill generated from business acquisitions represents the part of acquisition costs at the acquisition date beyond the Group share from the market value of net assets of the subsidiaries and associated entities acquired after 1.1.2004. For associated entities, goodwill is included in the investment value of each company. Goodwill from combinations carried out prior to the adoption date is treated according to the procedures complying with the previous financial accounting standards, as explained above under 'Basis of presentation'.

Goodwill is valued at the original purchase cost with impairment deducted. Goodwill, as well as valuation at fair value at the time of acquisition, are treated as assets of the acquisition company and valued at the closing date exchange rate.

Group goodwill is not depreciated in a regular manner. Instead of depreciations, goodwill is tested annually for possible impairment. An impairment loss is entered in the profit and loss account. For this purpose, goodwill is allocated to the units that generate a cash flow.

RESEARCH AND DEVELOPMENT COSTS

Research expenses are entered in the profit and loss account as costs for the year in which they were generated or, if development expenses fulfil the criteria required for their activation, they are activated. Costs related to the development of new products and processes at Raisio have not been activated because any future returns to be derived from these are ensured only when the products are launched. Therefore, at the closing date the Group has no activated development costs on the balance sheet.

OTHER INTANGIBLE ASSETS

Other intangible assets consist of patents, trademarks and software licences. These are entered on the balance sheet under the original purchase cost and in the profit and loss account as straight-line depreciation costs within their financial effect period. However, the depreciation period does not exceed 20 years. The Group is not considered to have any goods with an unlimited financial effect period.

The depreciation of intangible assets is based on the following anticipated economic useful lives:

- intangible rights 5–10 years
- other long-term expenses 5–20 years

Inventories

Inventories are valued at the purchase cost or at a lower net realisation value. The purchase cost is determined by using the FIFO method or alternatively by the equivalent weighted average cost. The purchase cost of finished products and work in progress consists of raw materials, direct work-related costs, other direct costs and the appropriate part of the variable manufacturing costs, as well as fixed general costs based on the normal utilised capacity. The purchase cost does not include borrowing costs. A net realisation value is the estimated sales price in normal business operations, with the estimated product completion costs and sales-related costs deducted.

Accounts receivables

Accounts receivables are entered on the balance sheet under the amount representing the original invoices minus the estimated doubtful receivables, the amount of which is based on the estimation of all open receivables at the end of the financial period. Credit losses are entered in the profit and loss account as costs.

Assets held for sale and discontinued operations

Assets held for sale and assets related to discontinued operations, classified as available for sale, are valued at the lower of the following: the book value or the fair value with sales-related costs deducted. Depreciations from these assets are discontinued at the time of classification. The result from discontinued operations is presented in the profit and loss account as a separate item.

Rental agreement

THE GROUP AS A LESSEE

Rental agreements on tangible and intangible assets, where the Group has an essential share of the risks and benefits characteristic of ownership, are classified as financial leasing agreements. Assets acquired by using a financial leasing agreement are entered on the balance sheet at the market value of the asset leased at the commencement date of the rental agreement or at a lower current value of minimum rents. Payable leasing rents are divided into financial costs and debt deductions. Financing interest is entered in the profit and loss account during the leasing agreement in such a manner that the remaining debt will carry equal interest in each financial period. Depreciations from goods acquired via a financial leasing agreement are made within the financial effect period of the goods or a lower rental period. Rental liabilities are included in interest-bearing debts.

Rents determined by any other agreement are entered in the profit and loss account costs as fixed charge items within the rental period.

All rental agreements with the Group as a lessor constitute other rental agreements, and the goods are included in the tangible fixed assets of the Group.

Value impairments

On each closing date, the Group assesses whether there are any indications of impairment in any asset. If there are indications, the amount of currency possible to accrue from the asset is estimated. For the assessment of impairment, assets are divided into units at the lowest level which is mostly independent of other units and with a cash flow that can be differentiated. Irrespective of whether or not there are indications of impairment, impairment tests are always carried out annually for goodwill and unfinished intangible assets.

The amount of currency possible to accrue from tangible and intangible assets is the fair value of the assets less costs to sell, or a higher value in use. When determining the market value of goodwill, the Group uses value factors collected from listed companies corresponding closely to the entity being valued. Instead of listed companies, realised business sales may also be used where similar companies have had a change of owner. When determining the service value, estimated future cash flows approved by the management are discounted to their current value at the average cost of the capital, which reflects the time value of the currency and the risk for the unit in question.

For financial assets, the recoverable amount is either the market value or the present value of the future cash flows discounted by the original effective interest rate.

Impairment losses are entered when the book value of assets is higher than the recoverable amount. Impairment losses are entered in the profit and loss account. The impairment loss of an entity that produces a cash flow is first allocated to reduce the goodwill of the entity that produces the cash flow and then symmetrically the values of other assets of the entity. The impairment of tangible assets and intangible assets, apart from recoverable goodwill, is cancelled if conditions have changed and the amount of assets has changed since the time that the impairment loss was entered. However, the impairment loss will not be cancelled to a greater extent than the book value of the assets would amount to without entering the impairment loss. The impairment loss of investments under the shareholders' equity classified to financial assets available for sale is not cancelled via the profit and loss account. For receivables treated according to IAS 39 at the periodized purchase price, interest earnings are accrued after the depreciation has been entered with the interest used as a discount rate when calculating the impairment entry.

Impairment tests according to IAS 36, required by the adoption standard, have been carried out concerning goodwill on the IFRS adoption date 1.1.2004. Thereafter, Raisio has regularly tested goodwill on an annual basis and other balance items as required.

Employment benefits

PENSION LIABILITIES

The Group pension schemes comply with the local regulations of each country. Pension schemes are usually managed by separate pension insurance companies. The majority of the foreign schemes, as well as the Finnish Statutory Employment Pension Scheme (TEL), are defined-contribution-based systems. Remittances made into defined-contribution-based pension schemes are entered in the profit and loss account for the financial period that the charge applies to.

Liabilities of the Group defined-benefit-based pension schemes have been calculated separately for each scheme. The calculation has been made by using a projected unit credit method and the scheme assets have been valued at the closing date market value. Pension costs are entered as costs on the basis of calculations made by actuaries authorised for the employee's service period. When calculating the current value of a pension liability, market returns of high-quality bonds issued by the companies or the treasury bill interest are used as discount interest so that the maturity of the bonds and treasury bills is approximately equivalent to the maturity of the pension liability to be calculated.

On the IFRS adoption date, 1.1.2004, all actuarial profits and losses have been entered in the opening shareholders' equity according to the exemption allowed by the IFRS 1 standard. Any actuarial profits and losses generated thereafter are entered in the profit and loss account for the average remaining service period of the employees, as far as they exceed the greater of the following: 10% of the pension liability or 10% of the market value of the assets.

Provisions

Provisions are entered when the Group has a legal or actual liability due to a previous transaction; the realisation of the payment liability is likely and the amount of the liability can be reliably estimated. If part of the liability can be compensated for by a third party, the compensation is entered as a separate asset, but only when in practical terms it is certain that the compensation will be received.

A rearrangement provision is entered when the Group has prepared a detailed rearrangement plan and started the implementation of the plan or has issued notification of the matter. The rearrangement plan should include at least the following: arrangement-related business operations, main offices possibly affected by the arrangement, the workplace location, tasks and estimated number of employees to whom compensations will be made for redundancy, expenses to be realised and the implementation period of the plan.

A provision is entered for loss-making agreements when the necessary expenses required to fulfil the liabilities exceed the benefits to be obtained from the agreement.

A provision is entered for liabilities related to write-offs and restoration to an original state, when according to environmental legislation and the Group environmental responsibility principles, the Group has a liability related to the writing off of a production unit, rectification of environmental damage or the transportation of equipment from one place to another.

Raisio has no provisions in the 2005 financial statements.

Dividends to be paid

The dividends paid by the Group are entered for the financial period during which the shareholders have approved the dividends for payment.

Income taxes

The tax costs of a profit and loss account consist of the change based on the taxable income of the financial period and the deferred tax. The tax based on the taxable income of the financial period is calculated from the taxable income according to the valid tax rate of each country. The tax is adjusted by possible taxes related to previous financial periods. The avoir fiscal system, based on dividend distribution within the Group, has been eliminated from the income tax in 2004.

Deferred taxes are calculated according to the debt method from all provisional differences between the book value and taxable value. The greatest provisional differences arise from the depreciation of tangible assets, revaluation of derivative contracts, benefit-based pension schemes, unused taxable losses and valuations to market value in connection with acquisitions. In taxation, deferred taxes are not entered for non-deductible goodwill value adjustments. Deferred taxes are not entered for undistributed subsidiary, associated entity and joint venture profits as far as the parent company has the right to determine the cancellation date of the provisional difference and the difference is not likely to be cancelled in the foreseeable future.

Deferred taxes have been calculated by using the tax rates set by the closing date.

A calculated tax claim has been entered up to the amount when it is likely that future taxable income is generated, against which the provisional difference can be used.

The depreciation difference on the consolidated balance sheet has been divided into shareholders' equity and deferred tax debt. According to the Finnish Companies Act, the proportion calculated for the shareholders' equity should not be included in the distributable shareholders' equity.

Revenue recognition principles

Revenues from the sale of goods are entered when any significant risks and benefits related to the ownership of the goods have been transferred to the purchaser and the Group no longer has proprietary rights or any real control over the products. Revenues from services are entered when the service has been performed.

Financial assets and financial debts

The Group has applied IAS standard 39 (modified in 2004), Financial instruments: Recognition and Measurement, from 1.1.2005. In 2004, financial assets and debts were valued according to the Finnish Accounting Standards. From the beginning of 2005, Group assets have been classified according to the standard into the following groups for post-entry valuation: financial assets at fair value through profit or loss, loans and other receivables and financial assets available for sale. The classification is based on the acquisition of the financial assets, and they are classified in connection with the original purchase. Transaction costs are included in the original book value of the financial assets when treating an item not valued at market value via the profit and loss account. Purchases and sales of financial assets, except derivatives, entered in the profit and loss account at market value are entered on the settlement day. Purchases and sales of other financial assets and debts are entered on the purchase date.

Financial assets entered in the profit and loss account at fair value are financial assets held for trading purposes. This group includes bonds, certificates of deposit and commercial papers, as well as fund units. Derivatives which do not fulfil the terms of hedge accounting have been classified as those held for trading purposes. Financial assets held for trading purposes and falling due within 12 months are included in current assets. Items in this group are valued at market value, and the market value of all deposits in this group is determined on the basis of quotations published in the active market, which is the closing date bid quotation. Unrealised profits and losses due to changes in the market value are entered in the profit and loss account in the period when they were generated.

Loans and other receivables are assets not being part of derivative assets, with the related payments being fixed or definable and not quoted in the active market, and the Group not holding them for trading purposes. This group includes the financial assets of the Group which were generated by assigning money, goods or services to the debtor. These are valued at the allocated purchase cost and are included in current and non-current financial assets; in the latter case, if they fall due after 12 months.

Financial assets available for sale are assets not being part of derivative assets and are specifically allocated to this group. The group consists both of listed shares and shares of other companies. The market value of deposits from this group for listed shares has been determined in the active market on the basis of a quotation which is the closing date bid quotation. Unlisted shares are valued at the purchase price because their reliable market values are not available. Changes in the market value of financial assets available for sale are entered under the value adjustment fund in shareholders' equity, including the effect of taxes. Changes in the market value are transferred from shareholders' equity to the profit and loss account when the investment is sold or its value has decreased to the extent that a depreciation loss must be entered for the investment.

Financial assets consist of cash, bank deposits to be paid on demand and other current, very liquid investments. Items classified as financial assets have a maturity of up to three months from the purchase date.

Financial debts are classified as financial debts to be entered in the profit and loss account at market value or as other financial debts. Financial debts are entered at market value on the basis of the compensation originally received into the books. Transaction costs have been included in the original book value of financial debts. Financial debts to be entered in the profit and loss account at market value are debts from derivative contracts which do not fulfil the terms of hedge accounting. Other financial debts are valued at the allocated purchase cost by using the effective interest method. Financial debts are included in current and non-current debts and may be either with or without interest.

Derivative contracts and hedge accounting

The Group has treated derivative contracts according to the stipulations of IAS standard 39 (modified in 2004), Financial instruments: Recognition and Measurement, from 1.1.2005. Derivative contracts are entered in the books originally under purchase costs representing their market value. Following the purchase, derivative contracts are valued at market value. Profits and losses generated from the valuation at market value are treated according to the derivative contract purpose of use. Any derivative contracts to which hedge accounting is applied and which are effective in it are presented in the profit and loss account integral to the hedged item. Whenever derivative contracts are made, the Group treats them as hedging of the market value of either receivables, debts or fixed liabilities; hedging of an anticipated, very probable business cash flow; hedging of a net investment made in a foreign unit; or derivative contracts that do not fulfil the criteria for hedge accounting.

When a hedge relation is formed, the Group documents the relationship between the target to be hedged and the hedging instruments, as well as the risk management objectives and hedging strategy of the Group. When hedging begins and thereafter, at least on every closing date, the Group documents its assessment on whether or not a change in the market value of the hedging instrument effectively corresponds to the change in the market value of the underlying cash flows or other items to be hedged. The market values of derivatives in hedge accounting can be seen in Note 25.

According to its risk management policy, the Group uses various derivatives for hedging from currency, interest, commodity and electricity price risks.

Currency derivatives are used both for hedging receivables and debts in foreign currencies and for future commercial cash flows. In order to reduce the effect of exchange rate changes, the Group has used currency derivatives to hedge the shareholders' equities of subsidiaries reporting in certain foreign currencies. When preparing the consolidated financial statements, rate differentials related to these currency derivatives, including the effect of taxes, have been entered under the shareholders' equity against the translation difference. On the closing date, the company does not have shareholders' equity hedgings.

The interest rate risk of the Group portfolio consisting of loans and receivables with interest has been reduced by making interest rate swaps. Allocated interest from agreements is entered in the financial profits or losses to adjust the interest costs/earnings caused by the underlying loan and receivables portfolio. On the closing date, the Group had no interest derivatives.

Listed soy and rapeseed raw materials are used against the price risk caused by the non-coincidence of the fixed-price raw material purchases and product sales of so-called vegetable oil chains.

The price risk related to the purchase of electric power is managed by both commercial contracts and electricity derivatives.

Changes in the market value of derivative contracts that fulfil the terms of effective market rate hedging are entered in the profit and loss account, as well as changes in the market value of the asset or debt item being hedged with regards to the hedged risk.

A change in the market value of the effective part of derivative instruments that fulfil the terms of cash flow hedging is entered directly in the shareholders' equity in the value adjustment fund. Profits and losses entered in the shareholders' equity are transferred to the profit and loss account during the period in which the hedged item is entered in the profit and loss account. If a hedged anticipated business operation results in entering an asset not being part of financial assets, profits and losses entered in the shareholders' equity are transferred from the shareholders' equity to the purchase costs of the asset or debt in question. When a hedging instrument acquired for the hedging of a cash flow falls due, is sold or the hedge accounting criteria are no longer fulfilled, any profit or loss accrued from the hedging instrument will stay in the shareholders' equity until the anticipated business operation is realised. However, if it is no longer believed that the anticipated business operation will be realised, any profit or loss accrued in the shareholders' equity is entered in the profit and loss account.

A change in the effective part of the market value of derivative contracts that fulfil the hedging terms of a net investment made in a foreign unit is entered directly in the shareholders' equity. Profits and losses caused by the hedging of a net investment are entered in the profit and loss account when the net investment is fully or partially assigned.

A forward exchange agreement left outside the hedge relationship and the possible non-cost-effective part of the hedging are entered under other operating income and costs, and the effect of the interest element of the forward exchange agreement is entered under financial income and expenses.

Certain derivative contracts do not in every regard fulfil the hedge accounting requirements of IAS 39, although they are effective financial hedging instruments. Value adjustments from derivative contracts to which hedge accounting is not applied, and value adjustments from linked derivatives defined in IAS 39, are entered in the profit and loss account.

The market value of derivatives is determined by using current market values and generally valid valuation models. Information and assumptions used in the valuation model are based on verifiable market pricing.

The market value of derivatives falling due within a year is presented in current receivables or debts. The market value of derivatives falling due after 12 months is presented in non-current receivables or debts.

The valuation principles of the Finnish Accounting Standards followed in 2004 differed from the valuation principles of derivatives according to the IFRS, particularly in that the positive market values of currency derivatives hedging future commercial cash flows and those of open raw material derivatives were not entered and that the negative values were always entered directly in the profit and loss account. Value adjustments of open electricity derivatives allocated to items of future energy use were not entered.

Application of new and amended IFRS standards

In 2006, the Group will adopt the following amended standards published by IASB:

- IAS 19 Employee benefits standard; an amendment made in 2004 concerning the entry of actuarial profits and losses in full directly in the shareholders' equity and the increase of requirements for Notes.
- IAS 39 Financial instruments: Recognition and Measurement standard; amendments made after 31.3.2004 concerning the hedging of anticipated internal business transactions and the market value alternative.
- IAS 21 The Effects of Changes in Foreign Exchange Rates standard; amendments made concerning net investments in a foreign unit.

The Group estimates that the adoption of the amended standards will not have a substantial effect on the future financial statements of the Group.

In 2006, the Group is planning to adopt the new standard published by IASB in 2005:

- IFRS 7 Financial instruments: Disclosures

According to the Group assessment, the new standard will affect mostly the notes to the financial statements.

Notes to the consolidated income statement

1. SEGMENT INFORMATION

Segment information is presented according to the business and geographic segments used by the Group. The Group's primary reporting model follows business segments. The business segments are based on the Group's internal financial reporting and organisation structure.

Intra-segment pricing is carried out at fair market value.

The assets and liabilities of the segmens are items that the segment uses for its business operations or that can be allocated to segments on reasonable grounds. Unallocated items include tax and financial items, as well as items common to the Group. Investments are increases in tangible and intangible assets used for more than one financial period.

Primary reporting model – business segment

The Group consists of three business segments: Raisio Nutrition, Raisio Life Sciences and other operations.

	Raisio Nutrition		Raisio Life Sciences		Other operations		Eliminations		Group total	
(EUR million)	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
External sales										
Services					1.3				1.3	
Goods	380.5	389.9	51.5	47.1					432.1	437.0
Royalties			1.2	0.9					1.2	0.9
Total external sales	380.5	389.9	52.7	48.0	1.3	0.0			434.6	437.9
Internal sales	0.0		6.3	5.3			−6.3	−5.3	0.0	0.0
Turnover	380.6	389.9	59.0	53.3	1.3	0.0	−6.3	−5.3	434.6	437.9
Segment operating result	−7.3	−9.8	2.4	−4.8	−5.8	−3.9	0.0	0.1	−10.9	−18.4
Share of associated companies' results	−0.8	−0.4							−0.8	−0.4
Unallocated items									6.2	−0.3
Result for the financial period from continuing operations									−5.4	−19.1
Result for the financial period from discontinued operations									0.0	232.1
Result for the financial period									−5.4	213.0

	Raisio Nutrition		Raisio Life Sciences		Other operations		Eliminations		Group total	
(EUR million)	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Segment's assets	211.6	195.8	63.8	55.8	26.3	24.4	–4.8	–3.6	296.9	272.4
Holdings in associated companies	4.9	1.6							4.9	1.6
Unallocated assets									150.7	240.3
Total assets									452.5	514.3
Segment's liabilities	49.2	49.9	6.8	8.8	11.3	7.2	–4.8	–3.6	62.5	62.3
Unallocated liabilities									42.7	59.3
Total liabilities									105.2	121.5
Investments	36.2	16.0	6.3	2.8	10.3	4.4	–3.6	–1.2	49.3	22.1
Depreciation	16.9	17.2	4.5	5.0	3.1	1.9			24.5	24.2
Goodwill impairment		20.0	5.1	6.5					5.1	26.5
Other impairment	15.9	2.5	0.0	2.4		1.2			15.9	6.1

Secondary reporting model – geographic segment

The Group's operations are divided into the following geographic regions: Finland, Poland, Russia, rest of Europe and rest of the world. Turnover for geographic segments is presented by customer location, while assets and investments are presented by the location of assets.

	Finland		Poland		Russia		Rest of Europe		Rest of the world		Eliminations		Group total	
(EUR million)	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Turnover	272.5	280.8	36.6	33.4	31.3	32.4	86.4	85.1	7.6	6.2			434.6	437.9
Segment's assets	407.2	470.5	19.6	16.7	8.5	6.3	19.7	28.7	28.9	22.1	–31.4	–30.0	452.5	514.3
Investments	42.0	18.7	3.4	2.2	1.6	1.2	2.2	0.6	0.1	0.2	–0.1	–0.9	49.3	22.1

2. NON-CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

In early 2004 the Group decided to look into the possibility to divest Raisio Chemicals. The divestment took place in June 2004. The result for the Raisio Chemicals segment, as well as the sales profit from its divestment, are presented under the result for discontinued operations.

In late 2003 the Group decided to discontinue its grain starch business included in the Raisio Nutrition segment. Operations were discontinued at the end of August 2004. The result for the grain starch business is presented under the result for discontinued operations in the 2004 comparison figures.

No operations were discontinued in 2005.

(EUR million)	2005	2004
Result for discontinued operations:		
Income from ordinary operations		192.7
Expenses		−183.9
Profit before taxes		8.8
Taxes		−2.3
Profit after taxes		6.6
Profit from discontinued operations		228.3
Taxes		−2.8
Profit after taxes		225.5
Profit for the financial period from discontinued operations		232.1
Cash flows for discontinued operations:		
Cash flows from business operations		21.0
Cash flows from investments		−11.0
Cash flows from financial operations		−3.5
Total cash flows	0.0	6.5

3. ACQUIRED BUSINESS OPERATIONS

Acquisition of Camelina Ltd in 2004:

Adding to its 20 per cent interest in Camelina Ltd, Raisio acquired the company's remaining share capital in October 2004 to further develop the productisation and marketing of omega-3 fatty acids extracted from the Camelina plant.

Composition of cost of acquisition	
Acquisition cost of previous holding (19.5%)	0.1
New acquisition (80.5%)	0.6
Total acquisition cost of shares	0.6
Subordinated loans granted to the company by the sellers were redeemed in conjunction with the acquisition	0.7

	Fair values used for combination	Book values prior to combination
Total assets	0.9	0.3
Total liabilities	0.9	0.9
Net assets	0.0	−0.7
Cost of acquisition	1.3	0.6
Goodwill	1.3	1.3
Purchase price paid in cash in 2004		1.2
Liquid assets of acquired company		0.0
Cash flow impact		1.2

Other acquisitions:

Additional acquisitions in previously owned Group companies in 2004	0.7

(EUR million)	2005	2004
4. OTHER INCOME AND EXPENSES FROM BUSINESS OPERATIONS		
Sales profit from tangible assets	0.2	3.1
Goodwill impairment	–5.1	–26.5
Other income and expenses from business operations	2.4	–0.4
Total	–2.4	–23.9
5. DEPRECIATION AND IMPAIRMENT		
Depreciation by asset group		
Depreciation on intangible assets		
Intangible rights	2.5	2.7
Other long-term expenses	1.3	1.2
Total	3.7	3.9
Depreciation on tangible assets		
Buildings	4.3	4.0
Machinery and equipment	16.3	16.2
Other tangible assets	0.1	0.1
Total	20.8	20.3
Impairment by asset group		
Goodwill	5.1	26.5
Intangible rights	0.2	1.9
Buildings	7.4	0.2
Machinery and equipment	8.3	1.9
Advances paid and incomplete acquisitions	0.0	2.1
Total	21.0	32.6
Total depreciation and impairment	45.5	56.8

(EUR million)	2005	2004
Depreciation by activity		
Cost of sales	18.0	17.6
Sales and marketing	0.5	0.6
Administration	5.4	4.9
Research and development	0.6	1.0
Total	24.5	24.2
Impairment		
Expenses corresponding to products sold	15.9	2.5
Administration	0.0	2.4
Other income and expenses from business operations	5.1	27.8
Total	21.0	32.6
6. EXPENSES FROM EMPLOYMENT BENEFITS		
Salaries	46.5	48.2
Pension expenses – defined contribution plans	7.1	7.0
Pension expenses – defined benefit plans	–0.3	–3.0
Other indirect personnel costs	4.7	5.1
Total	58.0	57.4
AVERAGE NUMBER OF PEOPLE EMPLOYED BY THE GROUP IN THE FINANCIAL PERIOD		
Raisio Life Sciences	144	189
Raisio Nutrition	1,069	1,256
Joint operations	201	53
Total	1,414	1,498

(EUR million)	2005	2004
7. FINANCIAL INCOME AND EXPENSES		
Interest expenses	–1.9	–7.1
Interest income	2.7	4.9
Dividend income	0.4	0.6
Exchange rate gains and losses	0.3	–0.2
Sales profit from investments available for sale	1.7	–
Sales profit and losses from assets at fair value through profit or loss	0.1	–
Change in the fair value of assets at fair value through profit or loss	1.0	–
Other financial income	0.1	0.2
Other financial expenses	–0.1	0.0
Total	4.4	–1.6

Items comprising the operating result include exchange rate gains and losses amounting to EUR 0.2 million in 2005 (EUR 0.3 million in 2004)

(EUR million)	2005	2004
8. INCOME TAXES		
Tax based on the taxable income for the financial period	–2.3	3.4
Taxes paid in previous financial periods	0.0	–0.9
Deferred taxes	4.2	–1.3
Total	1.9	1.2

Reconciliation statement for the tax expenses in the income statement and the taxes calculated on the basis of the Group's domestic tax rate (2005: 26% / 2004: 29%)

(EUR million)	2005	2004
Taxes calculated on the basis of the domestic tax rate	1.9	5.9
Impact of a deviating tax rate used in foreign subsidiaries	–0.2	–0.2
Impairment of goodwill	–1.3	–7.5
Impact of a change in the domestic tax rate		0.3
Returns exempt from tax	0.1	–
Non-deductible expenses	–0.5	–
Unused losses in the financial period	–0.9	–7.2
Use of previously unrecognised fiscal losses	0.3	11.4
Recognition of deferred tax assets for depreciation not deducted previously in taxation	3.6	–
Taxes on previous financial periods	0.0	–0.9
Other items	–1.1	–0.6
Total	1.9	1.2

9. EARNINGS PER SHARE

Undiluted earnings per share have been calculated by dividing the profit for the financial period with the weighted average number of outstanding shares over the financial period.

(EUR million)	2005	2004
Profit for the period for parent company shareholders, continuing operations (EUR million)	–6.0	–20.5
Profit for the period for parent company shareholders, discontinued operations (EUR million)	0.0	231.8
Weighted average number of outstanding shares over the financial period	164,249,958	165,149,030
Undiluted earnings per share, continuing operations (EUR/share)	–0.04	–0.12
Earnings per share adjusted by the dilution effect, continuing operations (EUR/share)	–0.04	–0.12
Undiluted earnings per share, discontinued operations (EUR/share)	0.00	1.40
Earnings per share adjusted by the dilution effect, discontinued operations (EUR/share)	0.00	1.40

Notes to the consolidated balance sheet

10. CONSOLIDATED TANGIBLE AND INTANGIBLE ASSETS 2005
(EUR million)

	Intangible assets						Tangible assets					
	Intangible rights	Goodwill	Consol-idated goodwill	Other long-term expenditure	Advances paid and incomplete acquisitions	**Intangible assets total**	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and incomplete acquisitions	**Tangible assets total**
Acquisition cost 1.1.	36.8	0.7	62.2	10.8	2.2	112.6	4.4	120.8	283.4	1.8	5.3	415.7
Exchange rate differences	−0.2	0.0	−1.7	−0.1	0.0	−2.0	0.1	1.0	3.0	0.1	0.2	4.4
Increase	1.1	0.0	0.0	3.1	3.0	7.1	0.0	9.6	14.2	0.1	13.5	37.4
Acquisition of subsidiaries						0.0						0.0
Divestments and other decreases	2.4	0.7	0.0	1.9	0.7	5.7		1.7	26.4	0.1	0.1	28.3
Reclassifications between items	0.0	0.0	0.0	0.9	−0.9	0.0	0.7	0.7	6.9	0.0	−7.5	0.8
Acquisition cost 31.12.	**35.2**	**0.0**	**60.4**	**12.8**	**3.6**	**112.0**	**5.2**	**130.4**	**281.1**	**1.8**	**11.5**	**430.0**
Accumulated depreciation and write-downs 1.1.	30.1	0.7	45.2	8.6	0.9	85.4	0.0	74.8	211.7	1.2	1.1	288.7
Exchange rate differences	−0.2	0.0	−1.5	−0.1	0.0	−1.7	0.0	0.3	1.8	0.0	0.2	2.3
Accumulated depreciation of decrease and transfers	2.3	0.7	0.0	1.8	0.9	5.7	0.0	1.6	26.2	0.1		27.9
Depreciation for the financial period	2.5	0.0		1.3	0.0	3.7	0.0	4.3	16.3	0.1	0.0	20.8
Write-downs	0.2		5.1		0.0	5.3		7.4	8.3			15.7
Accumulated depreciation 31.12.	**30.3**	**0.0**	**48.8**	**8.0**	**0.0**	**87.0**	**0.0**	**85.3**	**211.8**	**1.2**	**1.2**	**299.5**
Book value 31.12.2005	**4.9**	**0.0**	**11.6**	**4.8**	**3.6**	**25.0**	**5.2**	**45.1**	**69.3**	**0.6**	**10.3**	**130.5**
Book value of the machinery and equipment 31.12.									**61.3**			

The increase in the acquisition cost of tangible assets includes EUR 0.7 million of assets acquired with financial leasing contracts.

The book value of tangible and intangible assets includes property acquired with financial leasing contracts:
Machinery and equipment: EUR 2.2 million

The prolonged weak outlook in the malt and potato businesses led to a re-evaluation of the assets allocated to these operations.
A write-down of EUR 8.4 million was carried out on the tangible and intangible assets of the malting business and EUR 7.5 million on that of the potato business.
The market is looking bleaker for certain products in the food diagnostics business, which has led to a lower growth estimate for the current product portfolio.
Consequently, an impairment of EUR 5.1 million was carried out on the goodwill of food diagnostics.

10. CONSOLIDATED TANGIBLE AND INTANGIBLE ASSETS 2004
(EUR million)

	Intangible assets						Tangible assets					
	Intangible rights	Goodwill	Consol-idated good will	Other long-term expenditure	Advances paid and incomplete acquisitions	**Intangible assets total**	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and incomplete acquisitions	**Tangible assets total**
Acquisition cost 1.1.	57.6	1.7	100.0	10.3	1.3	170.9	7.8	193.4	486.8	3.0	30.9	721.8
Exchange rate differences	0.3	−0.1	0.7	0.0	0.0	0.9	0.1	0.3	1.1	0.1	0.7	2.4
Increase	0.6	0.0	0.2	1.9	1.4	4.1	0.1	2.2	20.3	0.3	5.8	28.8
Acquisition of subsidiaries			1.3			1.3						0.0
Divestments and other decreases	23.6	0.9	40.1	1.7	0.1	66.5	3.1	77.3	247.9	1.6	5.5	335.4
Reclassifications between items	1.8	0.0	0.0	0.3	−0.4	1.8	−0.4	2.1	23.1		−26.6	−1.8
Acquisition cost 31.12.	**36.8**	**0.7**	**62.2**	**10.8**	**2.2**	**112.6**	**4.4**	**120.8**	**283.4**	**1.8**	**5.3**	**415.7**
Accumulated depreciation and write-downs 1.1.	38.3	1.3	36.3	8.0	0.0	83.8	0.0	108.7	326.1	1.9	0.0	436.7
Exchange rate differences	0.2	0.0	0.4	0.0	0.0	0.6	0.0	0.2	1.0	0.1	0.0	1.2
Accumulated depreciation of decrease and transfers	13.0	0.6	18.1	0.6	0.0	32.3	0.0	38.2	134.3	1.0		173.4
Depreciation for the financial period	2.7	0.1		1.2	0.0	4.0	0.0	3.8	17.7	0.2	0.0	21.7
Write-downs	1.9		26.5		0.9	29.3		0.3	1.2		1.1	2.6
Accumulated depreciation 31.12.	**30.1**	**0.7**	**45.2**	**8.6**	**0.9**	**85.4**	**0.0**	**74.8**	**211.7**	**1.2**	**1.1**	**288.7**
Book value 31.12.2004	**6.6**	**0.0**	**17.0**	**2.3**	**1.3**	**27.2**	**4.4**	**46.0**	**71.8**	**0.6**	**4.3**	**127.0**
Book value of the machinery and equipment 31.12									**67.4**			

The increase in the acquisition cost of tangible assets includes EUR 1.7 million of assets acquired with financial leasing contracts.

The book value of tangible and intangible assets includes property acquired with financial leasing contracts:
Intangible rights: EUR 0.2 million
Machinery and equipment: EUR 2.7 million

In conjunction with its strategy process in June 2004, Raisio updated its business plans and reassessed the valuation of balance sheet items in view of the new strategy and return expectations.
An impairment of EUR 26.5 million was carried out on goodwill and EUR 5.4 million on other balance sheet items.

11. GOODWILL TESTING

Goodwill allocated to the Group's cash-flow-generating units by business and geographic segment.

	Raisio Nutrition		Raisio Life Sciences		Total	
(EUR million)	2005	2004	2005	2004	2005	2004
Finland	3.5	3.5		3.5		3.5
Poland	1.2	1.2		1.2		1.2
Russia	0.3	0.2		0.3		0.2
Rest of Europe	0.9	0.9	5.7	11.2	6.7	12.2
Total	5.9	5.8	5.7	11.2	11.6	17.0

Goodwill has been allocated to cash-flow-generating units for the purpose of impairment testing. In impairment tests, recoverable amounts are determined on the basis of the replacement cost. Cash flow estimates are based on estimates approved by the management, covering the following five years. Cash flows after the forecast period approved by the management have been extrapolated using a steady growth factor.

The following fundamental assumptions are used to determine the replacement cost:

	Raisio Nutrition		Raisio Life Sciences	
(EUR million)	2005	2004	2005	2004
Budgeted operating margin percentage *)	8.4	7.5	6.2	17.2
Growth percentage **)	2.0	1.5	2.0	2.0
Discount rate	8.7	9.8	11.5	13.3

*) Budgeted average operating margin percentage used in the statements
**) In cash flows after the forecast period

Owing to the bleaker market outlook for certain products in the food diagnostics business in 2005, an impairment of EUR 5.1 million was carried out on the goodwill of diagnostics.

In conjunction with its strategy process in June 2004, Raisio updated its business plans, as well as reassessed goodwill and return expectations in view of the new strategy. Based on this work, the Group recognised goodwill impairment for both Raisio Nutrition and Raisio Life Sciences.

	Raisio Nutrition		Raisio Life Sciences		Total	
(EUR million)	2005	2004	2005	2004	2005	2004
Finland				1.9	0.0	1.9
Rest of Europe		20.0	5.1	4.6	5.1	24.7
Total	0.0	20.0	5.1	6.5	5.1	26.5

(EUR million)	2005	2004
12. HOLDINGS IN ASSOCIATED COMPANIES AND JOINT VENTURES		
Book value 1.1.	1.6	3.9
Exchange rate differences	0.0	–0.1
Increase	4.1	0.0
Disposal of associated companies and joint ventures	0.0	–1.7
Share of results after taxes and minority interest	–0.8	–0.6
Book value 31.12.	4.9	1.6

The book value of associated companies and joint ventures on 31.12.2005 includes goodwill worth EUR 2.4 million (EUR 0.2 million in 2004)

The amounts of the assets and liabilities, turnover and result of joint ventures, corresponding to the Group's holding:

	2005	2004
Assets and liabilities related to investments in joint ventures:		
Non-current assets	0.7	0.0
Current assets	2.4	2.1
Non-current liabilities	0.0	0.0
Current liabilities	2.0	2.1
Assets, net	1.0	0.0
Income and expenses related to investments in joint ventures:		
Turnover	16.0	8.6
Expenses	16.5	8.6
Result	–0.6	0.0

Total assets, liabilities, turnover and profit/loss of associated companies:

	2005	2004
Assets	23.6	21.1
Liabilities	18.3	14.9
Turnover	26.2	16.3
Profit/loss	–1.0	–1.6

(EUR million)	2005	2004
13. FINANCIAL ASSETS AVAILABLE FOR SALE		

During the financial period, a total of EUR 1.7 million was recognised under financial income and expenses for realised sales profits from investments available for sale.

	2005	2004
Publicly quoted shares	0.0	5.9
Unquoted investments in shares	2.2	2.1
Total investments available for sale	2.2	8.0

Quoted shares have been measured at fair value. Unquoted investments in shares have been presented at acquisition cost because their fair values cannot be reliably determined. Changes in the fair value fund are presented in the statement on changes in Group equity.

14. LONG-TERM RECEIVABLES

	2005	2004
Loan receivables from associated companies	0.0	0.1
Other loan receivables	6.2	6.6
Total long-term receivables	6.2	6.7

The other long-term loan receivable presented above consists mainly of a variable-rate loan denominated in USD, which has been interest-bearing since September 2005. The effective interest rate of the receivable is 4.7%. The fair values of long-term receivables are presented in Notes 25.

Balance sheet values correspond best to the amount equal to the maximum credit risk, excluding the fair value of collateral, in the case that other contracting parties cannot meet their obligations related to financial instruments. Other loan receivables form a credit risk concentration because they are mainly from companies with the same ownership base.

The weighted average of effective interest rate of loan receivables was 2.7%

(EUR million)	2005	2004
15. INVENTORIES		
Materials and supplies	52.2	37.1
Production in progress	0.9	1.0
Finished products and goods	20.7	18.3
Advances paid	0.1	0.0
	73.9	56.5
16. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES		
Accounts receivable	48.8	42.8
Receivables from Group companies	2.8	2.8
Prepaid expenses and accrued income	5.2	5.6
Receivables based on derivative contracts	0.1	–
Advance payment receivables	0.1	0.4
Amortisation instalment for long-term loan receivables	1.5	–
Avoir fiscal tax credit receivables	7.5	7.6
Other receivables	8.7	4.6
	74.7	63.8

Substantial items included in prepaid expenses and accrued income consist of accrued business income and expenses, financial items and taxes. The fair values of receivables included in financial assets in line with IAS 39 are presented in Notes 25. The Group recorded EUR 0.4 million of credit losses on sales receivables in the financial period (returned EUR 0.2 million in 2004).

Balance sheet values correspond best to the amount equal to the maximum credit risk, excluding the fair value of collateral, in the case that other contracting parties cannot meet their obligations related to financial instruments. The receivables involve no significant credit risk concentrations.

(EUR million)	2005	2004
17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Securities under financial assets	117.0	210.4

Financial assets at fair value through profit or loss include bonds and fund units held for trading purposes, as well as certificates of deposit and commercial papers issued by banks and businesses that mature within 12 months. Balance sheet values correspond best to the amount equal to the maximum credit risk in the case that other contracting parties cannot meet their obligations related to financial instruments. Financial assets at fair value through profit or loss do not include considerable credit risk concentrations. Changes in the fair values of financial assets held for trading purposes are presented under financial income and expenses in the income statement.

(EUR million)	2005	2004
18. LIQUID ASSETS		
Cash in hand and at bank accounts	5.8	3.8

The weighted average of the effective interest rates of short-term bank deposits was 1.2%. Most of the deposits are available for withdrawal on request.

19. SHAREHOLDERS' EQUITY

The parent company's share capital is divided by share types as follows:

	1,000 shares		Share capital EUR million		Company shares EUR million
	2005	2004	2005	2004	2005
Restricted shares (20 votes/share)	34,564	34,564	5.8	5.8	
Repurchase of company shares, restricted shares	–30				–0.1
Free shares (1 vote/share)	130,585	130,585	22.0	22.0	
Repurchase of company shares, free shares	–3,738				–8.6
Total	161,381	165,149	27.8	27.8	–8.7

Translation differences:
The fund for translation differences contains the translation differences arising from the translation of the financial statements of independent foreign units. Gains and losses arising from hedges for net investments in independent foreign units are also included in translation differences when the requirements for hedge accounting are met.

Fair value fund:
The fair value fund contains two sub-funds: a fair value fund for investments available for sale and a hedge fund for the changes in fair value of derivative instruments used to hedge cash flow.

Company shares:
Company shares include the acquisition cost for company shares held by the Group. Raisio repurchased a total of 3,768,200 company shares on the stock market from 10 August to 31 December 2005: 3,738,000 free shares and 30,200 restricted shares. The acquisition cost of shares totalled EUR 8.7 million and it is presented as a deduction from equity.

More detailed information for the parent company's share capital are on pages 32–33.

Dividends:

After the closing date, the parent company's Board of Directors has proposed a dividend of EUR 0.05 per share.

Accumulated translation differences:

(EUR million)	Hedge fund	Fair value fund	Total
Book value 1.1.2005			
– previously presented	0.0	0.0	0.0
– impact of the adoption of IAS 32 and 39	0.1	0.2	0.3
Adjusted balance	0.1	0.2	0.3
Transferred to the income statement	–0.1	–0.2	–0.3
Recorded under shareholder's equity	0.0	0.0	0.0
Book value 31.12.2005	0.0	0.0	0.0

Accumulated translation differences:	2005	2004
Translation differences 1.1.		
– Group companies	–2.2	0.0
– Associated companies	0.0	0.0
	–2.2	0.0
Change in translation difference		
– Group companies	3.5	–2.2
– Associated companies	0.1	0.0
	3.5	–2.2
Translation differences 31.12.		
– Group companies	1.3	–2.2
– Associated companies	0.0	0.0
	1.3	–2.2

20. DEFERRED TAXES

Changes in deferred taxes in 2005:

(EUR million)	1.1.2005	Recognised in the income statement	Recognised in the share-holders' equity	Exchange rate differences	Acquired/ divested subsidiaries	31.12.2005
Deferred tax assets:						
Internal margin of inventories	0.1	0.0				0.1
Internal margin of fixed assets	0.1	0.0				0.1
Leasing property	0.2	−0.1				0.1
Confirmed fiscal losses	7.1	−2.5				4.6
Pension contributions	0.3	−0.2				0.1
Derivative contracts	0.0	−0.2	0.2			0.0
Depreciation not deducted in taxation	0.0	5.6				5.6
Other items	1.7	−0.1		0.1		1.7
Total	9.5	2.6	0.2	0.1	0.0	12.3
Deferred tax liability:						
Accumulated depreciation difference	3.5	−3.0				0.5
Leasing property	0.2	−0.1				0.2
Derivative contracts	0.0	−0.1	0.1			0.0
Investments available for sale	0.0	0.0				0.0
Financial assets recognised at fair value	0.0	0.3				0.3
Impairment on the acquisition costs for group companies	4.4	1.2				5.7
Other items	2.1	0.0				2.1
Total	10.3	−1.6	0.1	0.0	0.0	8.7

Deferred tax assets corresponding to fiscal losses to be used at a later time have been recognised to the extent that it is probable that a tax benefit will be realised in the future. The Group's accumulated losses totalled EUR 63.1 million (31.12.2004: EUR 78.9 million).
Most of the losses will be discounted over a period in excess of five years.

Since the undistributed profits of foreign subsidiaries are negative, no tax liability has recorded for them.

Changes in deferred taxes in 2004:

(EUR million)	1.1.2004	Recognised in the income statement	Recognised in the share-holders' equity	Exchange rate differences	Acquired/ divested subsidiaries	31.12.2004
Deferred tax assets:						
Internal margin of inventories	0.3	0.0			−0.3	0.1
Internal margin of fixed assets	0.3	0.0			−0.2	0.1
Leasing property	0.0	0.2			0.0	0.2
Confirmed fiscal losses	5.7	4.3			−2.9	7.1
Pension contributions	1.3	−0.8			−0.2	0.3
Other items	13.6	−11.7		0.2	−0.4	1.7
Total	21.1	−8.0	0.0	0.2	−3.9	9.5
Deferred tax liability:						
Accumulated depreciation difference	10.8	−4.0			−3.3	3.5
Leasing property	0.1	0.1			0.0	0.2
Impairment on the acquisition costs for group companies	7.9	−1.9			−1.6	4.4
Other items	3.3	1.9		0.0	−3.1	2.1
Total	22.2	−3.9	0.0	0.0	−8.1	10.3

Deferred tax assets and liabilities are mutually deducted when legal off-setting rights exist and when the deferred taxes are related to one and the same individual.

Sums netted in the consolidated balance sheet:

	2005	2004
Deferred tax assets	12.3	9.4
Deferred tax liability	8.7	10.3
Deferred net tax liability	−3.6	0.8

(EUR million)	2005	2004
21. PENSION CONTRIBUTIONS		
The defined benefit pension expenses recorded in the income statement are determined as follows:		
Expenses based on the work performed in the financial period	0.0	0.7
Interest rate expenses	0.0	0.3
Expected return on the pension plan's assets	0.0	0.0
Actuarial gains and losses	0.1	0.0
Gains or losses from reductions to the plan	–0.4	–4.3
	–0.3	–3.3
Changes in the liabilities recorded in the balance sheet:		
Beginning of financial period	0.7	4.3
Paid incentives	0.0	0.0
Paid benefits	0.0	–0.3
Pension expenses in the income statement	–0.3	–3.3
End of financial period	0.4	0.7
22. INTEREST-BEARING LIABILITIES		
Non-current		
Bank loans	11.9	24.3
Financial leasing liabilities	1.0	1.7
	12.9	26.0
Current		
Overdraft facilities	3.7	4.1
Bank loans	0.5	0.4
Amortisation of long-term loans	12.4	12.5
Financial leasing liabilities	1.0	1.1
Other interest-bearing liabilities	5.1	4.8
	22.8	22.8

The fair values of interest-bearing liabilities are presented in Notes 25.

(EUR million)	2005	2004
Non-current liabilities (incl. financial leasing liabilities) will fall due as follows:		
2006	13.4	
2007	11.5	
2008	1.3	
Later	0.1	
Liabilities are mainly variable-rate and euro-denominated. The interest rates for liabilities are mainly linked to 3–12-month Euribor reference rates.		
The weighted averages of effective interest rates for interest-bearing non-current liabilities on 31 December 2005 were as follows:		
Bank loans	2.6%	
Financial leasing liabilities	11.1%	
Maturity of financial leasing liabilities:		
Financial leasing liabilities – total of minimum leases		
Within 12 months	1.0	1.1
After 12 months but before five years	1.0	1.7
After five years	0.0	0.0
Gross overall investment	2.0	2.8
Financial leasing liabilities – present value of minimum leases		
Within 12 months	0.9	1.0
After 12 months but before five years	0.9	1.4
After five years	0.0	0.0
Gross overall investment	1.8	2.4
Financial expenses accumulated in the future	0.2	0.3
Total financial liabilities	2.0	2.8
23. ACCOUNTS PAYABLE AND OTHER LIABILITIES		
Accounts payable	37.2	30.9
Liabilities to associated companies	0.9	0.1
Accrued liabilities and deferred income	18.5	24.8
Liabilities based on derivative contracts	0.2	–
Advances paid	0.2	0.4
Other liabilities	3.5	4.4
Total	60.4	60.7

Accrued liabilities and deferred income include accrued business expenses, financial items and taxes.

24. MANAGEMENT OF FINANCIAL RISKS

OVERVIEW

Financial risk management aims to protect the Group against unfavourable developments in the financial markets and thus contribute to safeguarding and ensuring the Group's performance. Financing and financial risk management have been assigned to the Group Finance department operating under the Chief Financial Officer in order to ensure sufficient expertise, as well as comprehensive and cost-effective operations. Business operations submit information about the main risks facing them to the Finance department, which compiles a comprehensive list of the Group's risks and reports on the risk positions to the financial and operative management. The Finance department's risk management activities are regulated by the financial risk management policy approved by the Board of Directors in 2005. All major borrowing decisions are taken by the Board of Directors based on proposals made by the Finance department.

FINANCIAL RISKS AND THEIR MANAGEMENT

Credit risks

Counterparty risk

Counterparty risk refers to a situation in which a contracting party is unable or unwilling to fulfil its obligations. Raisio exposes itself to counterparty risk when the Finance department makes investments in the financial market and uses derivatives. The Finance department is responsible for the investments it makes and for the counterparty risk related to derivative contracts. The main approaches to managing counterparty risk include a careful selection of counterparties with a good credit rating, the use of counterparty-specific limits and diversification.

Investment activities

The financial risk management policy regulates the investment of funds concerning the invested sum, maturity and counterparties. In addition to direct long- or short-term interest-bearing investments, assets can be invested in fixed-income funds, shares and equity funds. The CFO is entitled to decide on the counterparties for Raisio's investments based on the grounds set out in the policy. In principle, counterparties may be member states of the European Monetary Union, large Finnish municipalities and alliances formed by them, financial institutions engaged in corporate banking in Finland and companies with a good credit rating, registered in a member state of the European Monetary Union.

Credit risk in sales

Following the guidelines issued by the Group, business areas and sectors make independent decisions on counterparty risk, such as the criteria used to approve customers, the applicable terms and conditions for sales and the required collateral. They are also liable for the credit risk related to sales receivables, which can be secured, for example, with credit insurance policies.

Liquidity risk

Liquidity risk refers to a situation in which the Group's financial assets and additional financing options do not cover the future needs of business operations. In line with the policy, the Finance department strives to maintain good liquidity in all circumstances, keeping it at a level that guarantees strategic operating freedom to the management. The Group's liquid assets consist of invested financial assets, and remaining credits and overdraft facilities agreed with investors. The liquidity reserve also includes the agreed 90-million-euro commercial paper programme. Funding risks are diversified by acquiring funding from various sources.

Market risks

Interest rate risk

Interest rate risk refers to the impact of interest rate fluctuations on the Group's net financial expenses and income, as well as on the fair values of interest-bearing investments and derivatives, over the following 12 months. Interest rate risk is managed by controlling the structure and duration of the loan portfolio and interest-bearing investments within the limits allowed by the policy, the goal being to keep financial expenses as low and financial income as high as possible. The structure can be modified using interest rate swaps, forward rate agreements and interest rate options. The corporate financial risk mangement policy determines the maximum amount for interest rate risk.

Raisio's sensitivity to interest rate fluctuations is determined by calculating how much a change of one percentage point, constant over the entire interest rate curve, affects net interest rate expenses and income. The examination takes into account Raisio's interest-bearing investments and liabilities. Owing to the Group's balance sheet structure, the management of interest rate risks currently focuses on those related to investments. Since Raisio's interest-bearing investments have focused on investments with a short term to maturity, on the date of financial statements the rise in interest rates had mainly benefited the Group. On the date of the financial statements, 31 December 2005, Raisio's sensitivity to an interest rate rise of one percentage point was approximately EUR +0.7 million. Fundamental changes in the duration of the investment portfolio or the Group's balance sheet position may also result in changes in interest rate sensitivity. On the date of financial statements, Raisio had not adopted interest rate derivatives to modify the interest position.

Foreign exchange risk

Raisio hedges against currency exposure arising from foreign currency receivables and liabilities, off-balance-sheet purchase and sales agreements and, partly, from budgeted cash flows. The Finance department may also hedge asset-based investments in foreign subsidiaries. Foreign exchange risk management aims to optimise currency performance within the limits allowed by the financial risk management policy by using selective hedging. The policy defines the maximum amount for the Group's foreign exchange exposure. Hedging operations can make use of all currency derivatives allowed in the policy.

A selected number of Raisio's currency derivatives have been hedge accounted since the beginning of 2005. They are mainly used to hedge contractual or budgeted commercial items that are expected to be realised within the 12 months following the date of hedging. Hedge accounted currency derivatives rarely have a duration in excess of 12 months. All hedge derivatives accounted were effective.

Commodity price risk

Raisio uses commodity futures to hedge against the main uncertainties resulting from the temporal difference between fixed-price raw material purchases and fixed-price product sales. When managing commodity price risks, derivatives are used to hedge the fair value and future purchases of physical raw material positions. Raisio has followed IAS 39-compliant hedge accounting for selected soybean and electricity hedges since the beginning of 2005. The company did not apply IAS 39-compliant hedge accounting to soy oil and rapeseed derivatives in 2005.

The target of fair values hedge is the physical soybean stock purchased by Raisio Nutrition's oil milling industry, while the target of cash flow hedge is the predicted cash flows resulting from the external soybean purchases made by Raisio Nutrition's oil milling industry. Soybean hedging is based on soybean futures quoted on the Chicago Board of Trade. The derivatives used by Raisio rarely continue to be effective for more than six months.

Hedge accounting for electricity aims to hedge against future cash flow fluctuations caused by external electricity purchases. Electricity hedge accounting has used forward electricity contracts linked to the Helsinki price area as hedging instruments. To manage the price risk related to the purchase of electric power, Raisio has used fixed-price physical electricity delivery contracts since 1 May 2005.

NOMINAL VALUE OF DERIVATIVES

(EUR million)	31.12.2005	31.12.2004
Currency derivatives	34.9	35.9
in hedge accounting	9.3	–
Commodity derivatives	2.6	0.8
in hedge accounting	2.3	–
Electricity derivatives	–	5.6
in hedge accounting	–	–

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the book values and fair values in 2005 for each item. The book values correspond to the consolidated balance sheet values. The principles used to calculate the consolidated fair values of all financial instruments are presented below.

(EUR million)	Book value 2005	Fair value 2005	Book value 2004	Fair value 2004
Financial assets				
Investments available for sale (13)	2.2	2.2	8.0	–
Loan receivables (14)	7.8	7.9	6.7	–
Sales receivables and other receivables (16)	52.0	52.0	47.2	–
Investments recognised at fair value in the income statement (17)	117.0	117.0	210.4	–
Liquid assets (18)	5.8	5.8	3.8	–
Currency forward contracts (16)	0.1	0.1		
of wich hedged	0.0	0.0		
Financial liabilities				
Bank loans (22)	24.4	24.3	37.2	–
Overdraft facilities (22)	3.7	3.7	4.1	–
Financial leasing liabilities (22)	2.0	1.8	2.8	–
Other interest-bearing liabilities (22)	5.6	5.6	4.7	–
Accounts payable and other liabilities (23)	59.6	59.6	58.3	–
of which hedged	0.0	0.0		
Currency forward contracts (23)	0.1	0.1		
Commodity derivatives (23)	0.1	0.1		
of which hedged	0.1	0.1		

The following price quotations, assumptions and valuation models have been used to determine the fair values of the financial assets and liabilities presented in the table:

Investments in shares and securities under financial assets:

Publicly quoted shares available for sale are valued at the Helsinki Stock Exchange purchase price of the closing date. Unquoted investments in shares are recorded at the cost of acquisition because it has not been possible to use valuation methods to appraise them at fair value or to reliably determine their fair value. Financial assets recognised at fair value in the income statement are negotiable and they are valued using the market price prevailing on the closing date or the market rates corresponding to the duration of the contract.

Derivatives:

The fair values of forward exchanges are determined using the market prices of the closing date. The fair values of commodity derivatives are determined using publicly quoted market prices.

Loan receivables, bank loans and financial leasing liabilities:

The fair values of loan receivables and bank loans are based on discounted cash flows. The discount rate corresponds to the market rates that correspond to the rates determined in the said contracts. The fair value of financial leasing liabilities has been estimated by discounting future cash flows by the rate that corresponds to the rate of similar leasing contracts.

Accounts payable and other liabilities or receivables:

The original book value of accounts payable and other liabilities or receivables corresponds to their fair value because the impact of discounting is not significant taking into consideration the maturity of receivables.

(EUR million)	2005	2004
26. OTHER LEASES		
Group as lessee:		
Minimum leases paid on the basis of other non-cancellable leasing contracts:		
Within 12 months	1.1	0.5
After 12 months but before five years	1.7	0.5
After five years	0.0	0.0
Total	2.8	1.0

The Group has leased cars, production facilities and land areas.

Based on other leases, Raisio's 2005 income statement includes paid leases worth EUR 4.2 million (EUR 3.5 million in 2004).

(EUR million)	2005	2004
27. CONTINGENT AND OTHER LIABILITIES		
PLEDGED ASSETS:		
For the company		
Mortgages on real estate	16.9	52.7
Pledged securities	0.0	0.5
Floating charges	33.8	34.4
Total	50.7	87.6
CONTINGENT OFF-BALANCE SHEET LIABILITIES:		
Contingent liabilities for the company	1.5	2.1
Contingent liabilities for others		
Guarantees	0.0	0.1
Other liabilities		
Other financial liabilities	1.6	0.8

28. SUBSIDIARY COMPANIES, JOINT VENTURES, ASSOCIATED COMPANIES AND THIRD PARTY TRANSACTIONS

Consolidated subsidiaries, joint ventures and associated companies

	Group holding, %	Parent company holding, %
SUBSIDIARY COMPANIES		
Raisio Nutrition		
Autuminvest Oy, Raisio	100.00	
Camelina Oy, Raisio	100.00	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	
TOB Raisio Ukraina, Ukraine	100.00	
Raisio Nutrition Ltd, Raisio	100.00	100.00
Raisio Feed Ltd, Raisio	100.00	
Raisio Life Sciences		
Diffchamb AB, Sweden	100.00	
Diffchamb Inc., USA	100.00	
Diffchamb Ltd, England	100.00	
Diffchamb S.A., France	100.00	
Diffchamb Biocontrol b.v., Holland	86.00	
Diffchamb Danmark A/S, Denmark	100.00	
Diffchamb Norge A/S, Norway	100.00	
Eurochem SpA, Italy	99.61	
Raisio Benecol Ltd, Raisio	100.00	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	

	Group holding, %	Parent company holding, %
JOINT VENTURES		
Raisio Nutrition		
Ateriamestarit Oy, Turku	50.00	
GoGreen AB, Sweden	50.00	
ZAO Skandinavskij Korm, Russia	50.00	
ASSOCIATED COMPANIES		
Raisio Nutrition		
Obory w Kozienicach Sp. z o.o., Poland	25.00	
AS Rigas Dzirnavnieks, Latvia	27.45	
Vihannin Vedenpuhdistamo Oy, Vihanti	49.00	
Vihervakka Oy, Pöytyä	38.50	38.50

(EUR million)	2005	2004
Business activities involving insiders:		
Sales to associated companies and joint ventures	21.2	11.9
Purchases from associated companies and joint ventures	1.4	0.7
Purchases from key employees in management	0.6	0.6
Long-term receivables from associated companies and joint ventures	0.0	0.1
Short-term receivables from associated companies and joint ventures	2.8	2.8
Liabilities to associated companies and joint ventures	0.9	0.1

Sales to associated companies and joint ventures are carried out at fair market value.

Salaries and remuneration paid to management:

	2005	2004
Managing Director and members of the Board of Directors	2.3	2.3

Pension contribution for members of the Board of Directors and the Managing Director

The parent company's Managing Director is entitled to retire at the age of 60 and is obligated to retire upon turning 62.

These Notes explain the main differences between the Finnish Accounting Standards and IFRS. Raisio issued a separate release on the transition to IFRS on 22 April 2005.

Raisio transferred from Finnish Accounting Standards to International Financial Reporting Standards (IFRS) at the beginning of 2005. The date of transition was 1 January 2004. The Group prepared an IFRS-compliant opening balance sheet for this date and converted the comparison figures for 2004 accordingly. The Accounting Principles for 2005 describe the IFRS principles followed during transition.

The following numbering refers to the income statement, balance sheet and segment information tables for comparison figures.

1. CALCULATION FORMULA FOR INCOME STATEMENT

When adopting IFRS, Raisio transferred from a type-of-expense to an activity-based income statement.

The income statement is divided into results from continuing operations and results from discontinued operations, which deviates from Finnish Accounting Standards practices.

2. DISCONTINUED OPERATIONS

The treatment and presentation of discontinued operations in compliance with IFRS differs significantly from Finnish Accounting Standards practices. At the beginning of 2004, Raisio decided to divest Raisio Chemicals, and the divestment was carried out in the second quarter of 2004.

IFRS requires that depreciation from assets available for sale is discontinued as of the date of the decision.

The sales profit recognised in the income statement differs from the treatment of sales profit in the Finnish Accounting Standards, for example, in terms of conversion differences and the discontinued depreciation mentioned above. In the Finnish Accounting Standards, Raisio followed conversion differences of shareholder's equity for each company and adjusted the sales profit with the accrued conversion differences. In the IFRS financial statements, the conversion differences in the opening balance were considered to be zero, and the sales profit for Raisio Chemicals is affected only by the conversion differences of shareholders' equity from the companies divested, accrued during 2004.

The grain starch business was discontinued in August 2004. Its results are also presented under discontinued operations.

3. GOODWILL

Raisio has made the impairment tests of goodwill and some assets required by the IFRS in the opening balance sheet. On the basis of these, the company did not find any need for impairment loss.

IFRS requires that no depreciations are made to the consolidated goodwill as is usual in the financial statements prepared according to the Finnish Accounting Standards, but instead that the goodwill be tested annually.

Goodwill resulting from the acquisition of foreign subsidiaries and associated companies will be treated in the IFRS financial statements as assets of the foreign unit in question and stated in the operating currency of the foreign unit in question, and will always be converted according to the exchange rate on the date of the financial statements. In the consolidated financial statements prepared according to the Finnish Accounting Standards, Raisio's goodwill was entered in euros in conjunction with the acquisition and was not included in the assets of the foreign unit in question.

4. FINANCIAL LEASING CONTRACTS

Raisio has some leasing contracts related to tangible and intangible assets, which according to IFRS should be included in the consolidated balance sheet, whilst according to the Finnish Accounting Standards these are interpreted as agreements to be excluded from the balance sheet. These assets are depreciated according to the depreciation plan for tangible and intangible assets over the useful lives of the assets. The liabilities arising from the contracts have been recognised under interest-bearing liabilities.

5. INVESTMENTS

Non-current loan receivables have been recategorised in the IFRS balance sheet. Investments now include non-current loan receivables previously presented under current assets in the balance sheet.

6. PENSIONS

In Raisio's financial statements prepared according to the Finnish Accounting Standards, pension costs were included in the consolidated financial statements in accordance with the regulations of each country of operations. IFRS requires pension arrangements to be divided on the basis of defined-contribution plans and defined-benefit plans. In the benefit-based plans, assets and liabilities are calculated by using actuarial calculation methods, and the difference is entered in the opening balance sheet as assets or liabilities. The disability portion of the Finnish Employees' Pension Act (TEL) has been treated in the opening balance sheet as a benefit-based plan whereas the financial statements prepared according to the Finnish Accounting Standards treated it as a contribution-based plan. Due to the regulatory changes made to the Employees' Pension Act, this liability decreased significantly on the balance sheet on 31 December 2004. Raisio's foreign subsidiaries were not found to result in pension liabilities from benefit-based plans on the opening balance sheet.

7. DEFERRED TAX ASSETS AND TAX LIABILITIES

Major deferred taxes caused by interim differences between company bookkeeping and taxation have already been entered on the balance sheet prepared according to the Finnish Accounting Standards. Therefore, the only major difference caused by deferred taxes on the opening balance sheet arose from the pension liabilities made as IFRS entries.

8. SHAREHOLDERS' EQUITY AND MINORITY INTEREST

In compliance with IAS 1, the minority share of shareholders' equity has been recorded as a separate item under shareholders' equity. According to the Finnish Accounting Standards, it was presented separately from parent company shareholders' equity.

The table presents a summary of the impact that the transition to the IFRS has had on consolidated shareholders' equity.

9. SEGMENT REPORTING

Raisio's primary segment reporting format is by business segment, which was also used in FAS-compliant reporting. After the divestment of Raisio Chemicals, the Group has three business segments: Raisio Nutrition, Raisio Life Sciences and other operations.

Geographic segments were also redefined after the divestment. The new geographic segments are Finland, Poland, Russia, the rest of Europe and the rest of the world.

CONSOLIDATED INCOME STATEMENT (1)

(EUR million)	IFRS 1–12/2004	FAS 1–12/2004	Change
CONTINUING OPERATIONS:			
Turnover (2)	437.9	626.9	–189.0
Expenses corresponding to products sold	–360.0	–520.7	160.7
Gross margin	78.0	106.3	–28.3
Sales and marketing expenses	–37.0	–47.0	10.0
Administrative expenses	–27.1	–42.4	15.3
Research and development expenses	–8.4	–14.5	6.1
Other income and expenses from business operations	–23.9	201.0	–224.8
Share of associated companies' results		–0.6	0.6
Operating result	–18.4	202.8	–221.2
Financial income and expenses, net	–1.6	–4.9	3.3
Share of associated companies' results	–0.4		–0.4
Result before taxes	–20.3	198.0	–218.3
Income taxes	1.2	–0.8	2.0
Result for the financial period from continuing operations	–19.1	197.2	–216.3

(EUR million)	IFRS 1–12/2004	FAS 1–12/2004	Change
DISCONTINUED OPERATIONS (2):			
Result for the financial period from discontinued operations	232.1		232.1
Result for the financial period	213.0	197.2	15.8
Distribution:			
Parent company shareholders	211.3	195.8	15.5
Minority	1.7	1.4	0.3
	213.0	197.2	15.8
Earnings per share (EUR) calculated from the result of parent company shareholders	1.28	1.19	0.09
Earnings per share from continuing operations (EUR)			
Undiluted earnings per share	–0.12		
Diluted	–0.12		
Earnings per share from discontinued operations (EUR)			
Undiluted earnings per share	1.40		
Diluted	1.40		

CONSOLIDATED BALANCE SHEET

(EUR million)	IFRS 31.12.2004	FAS 31.12.2004	Change	IFRS 31.12.2003	FAS 31.12.2003	Change
Non-current assets						
Intangible assets (4)	10.2	10.0	0.2	23.4	23.4	0.0
Goodwill (3)	17.0	16.1	0.9	63.7	65.3	−1.5
Tangible assets (4)	127.0	124.3	2.8	285.1	277.2	7.9
Investments (5)	16.2	9.8	6.5	19.7	12.6	7.1
Deferred tax assets (7)	9.5	9.1	0.4	21.1	20.3	0.9
Current assets						
Inventories	56.5	56.5	0.0	117.7	117.7	0.0
Sales receivables and other receivables (5)	63.8	70.5	−6.7	116.7	123.9	−7.2
Securities under financial assets	210.4	210.4	0.0	14.1	14.1	0.0
Cash in hand and at banks	3.8	3.8	0.0	20.5	20.5	0.0
Total assets	514.3	510.4	3.9	682.1	675.0	7.1
Equity of parent company shareholders	378.1	376.8	1.3	189.5	194.0	−4.5
Minority interest	14.7	14.8	−0.1	23.1	23.2	−0.2
Deferred tax liability (7)	10.3	10.0	0.2	22.2	22.0	0.1
Pension contributions (6)	0.7		0.7	4.3		4.3
Non-current interest-bearing liabilities (4)	26.0	24.3	1.7	240.2	234.8	5.4
Other non-current liabilities			0.0	0.2	0.2	0.0
Accounts payable and other liabilities	61.8	62.8	−1.0	122.7	123.1	−0.3
Current interest-bearing liabilities (4)	22.8	21.7	1.1	79.9	77.6	2.2
Total shareholders' equity and liabilities	514.3	510.4	3.9	682.1	675.0	7.1

CHANGES IN SHAREHOLDERS' EQUITY (8)

(EUR million)	31.12.2004	31.12.2003
Shareholders' equity and minority interest 31.12. (FAS)	391.6	217.3
IAS 12 Income taxes	0.1	0.7
IAS 17 Leases	0.1	0.3
IAS 19 Employee benefits	−0.4	−4.0
IAS 21 The effects of changes in foreign exchange rates	−0.6	−2.0
IAS 37 Provisions, contingent liabilities and contingent assets	0.7	0.5
IAS 38 Intangible assets	0.0	−0.2
IFRS 3 Business combinations	1.2	0.0
Shareholders' equity 31.12. (IFRS)	392.8	212.6

CONSOLIDATED TURNOVER BY BUSINESS SECTOR (9)

(EUR million)	IFRS 1–12/2004	FAS 1–12/2004	Change
Raisio Nutrition	389.9	399.6	–9.7
Raisio Life Sciences	53.3	53.3	0.0
Interdivisional sales	–5.3	–9.6	4.3
Total turnover from continuing operations	437.9	443.3	–5.3
Discontinued operations	192.7	183.7	9.0
Eliminations	–3.6		–3.6
Consolidated turnover	627.0	626.9	0.1

CONSOLIDATED TURNOVER FROM CONTINUING OPERATIONS BY MARKET AREA (9)

(EUR million)	IFRS 1–12/2004	FAS 1–12/2004	Change
Finland	280.8	286.1	–5.3
Poland	33.4	33.4	0.0
Russia	32.4	32.4	0.0
Rest of Europe	85.1	85.1	0.0
Rest of the world	6.2	6.2	0.0
Total	437.9	443.2	–5.3

OPERATING RESULT OF BUSINESS SEGMENTS (9)

(EUR million)	IFRS 1–12/2004	FAS 1–12/2004	Change
Raisio Nutrition	–9.8	–15.1	5.4
Raisio Life Sciences	–4.8	–5.3	0.6
Other operations	–3.9	219.6	–223.6
Eliminations	0.1	0.0	0.0
Operating result from continuing operations	–18.4	199.2	–217.6
Discontinued operations	241.2	3.6	237.6
Eliminations			0.0
Total operating result of business segments	222.8	202.8	19.9

30. IMPACT OF THE ADOPTION OF STANDARDS IAS 32 AND IAS 39

Raisio has applied IAS 32 and IAS 39 as of 1 January 2005.
This has resulted in the following changes to balance sheet items compared to the Finnish Accounting Standards previously in use:

(EUR million)	
Financial assets available for sale (1)	0.2
Inventories (2)	0.2
Deferred tax assets (5)	0.2
Sales receivables and other receivables (3)	0.1
Total assets	0.8
Fair value fund	0.3
Retained earnings	–0.3
Shareholders' equity	0.0
Deferred tax liability (5)	0.2
Accounts payable and other liabilities (4)	0.6
Current liabilities	0.8
Total shareholders' equity and liabilities	0.8

1. Financial assets available for sale in the comparison period included domestic quoted shares valued at the cost of acquisition in compliance with the Finnish Accounting Standards. In compliance with IAS 39, as of 1 January 2005 shares are categorised into investments available for sale and measured at fair value. The unrealised change in value (EUR 0.2 million), less tax liabilities, is included in the fair value fund.

2. The acquisition cost for inventories in the comparison period included results from raw material derivatives (EUR –0.2 million), which were recognised as adjustments to raw material use according to the Finnish Accounting Standards. As of 1 January 2005, the results from raw material derivatives that do not meet the criteria for hedge accounting will be recognised in the income statement according to IAS 39.

3. The growth in sales and other receivables on 1 January 2005 results mainly from the effective currency derivatives (EUR 0.1 million) hedging cash flow, the positive fair values of which were not recognised according to the Finnish Accounting Standards. In compliance with IAS 39, derivatives are recognised at fair value. The change in the fair value of derivatives, less tax liabilities, is included in the hedge fund for shareholder's equity.

4. The increase in accounts payable and other liabilities on 1 January 2005 results mainly from open electricity derivatives (EUR 0.6 million), which, according to the Finnish Accounting Standards, were not recorded if they targeted future energy use. In compliance with IAS 39, derivatives are recognised at fair value. The majority of electricity derivatives were not included in hedge accounting and were recognised in the income statement.

5. The increase in deferred tax receivables (EUR 0.2 million) and deferred tax liabilities (EUR 0.2 million) result from the above changes.

Financial indicators

	IFRS 2005	2004	FAS 2004	2003	2002	2001
Result and profitability						
Turnover, EURm	434.6	437.9 [1]	626.9	860.5	843.1	822.9
change, %	–0.8	0.8 [2]	–27.1	2.1	2.5	2.9
International turnover, EURm	162.0	157.1 [1]	279.4	448.6	442.7	433.4
% of turnover	37.3	35.9	44.6	52.1	52.5	52.7
Operating result, EURm	–10.9	–18.4 [1]	202.8	–14.3	20.6	25.0
% of turnover	–2.5	–4.2	32.4	–1.7	2.4	3.0
Result before taxes, EURm	–7.3	–20.3 [1]	198.0	–27.2	9.3	8.3
% of turnover	–1.7	–4.6	31.6	–3.2	1.1	1.0
Return on equity, ROE, %	–1.5	70.4	64.8	–10.9	2.4	1.8
Return on investment, ROI, %	–1.3	46.7	43.3	–1.8	4.5	5.5
Financial and economical position						
Shareholders' equity, EURm	347.3	392.8	391.6	217.3	257.1	261.8
Net interest-bearing liabilities, EURm	36.1	49.5	46.0	312.5	333.6	288.2
Net interest-bearing debt, EURm	–86.8	–164.6	–168.1	277.8	281.0	233.0
Balance sheet total, EURm	452.5	514.3	510.4	675.0	749.4	688.5
Equity ratio, %	76.8	76.4	76.8	32.2	34.4	38.1
Gearing, %	–25.0	–41.9	–42.9	127.9	109.4	88.9
Cash flow from business operations, EURm	5.6	45.9	43.5	77.0	45.4	36.0
Other indicators						
Gross investments, EURm	49.3	22.1 [1]	33.1	63.7	81.0	29.0
% of turnover	11.3	5.0	5.3	7.4	9.6	3.5
R&D expenses, EURm	10.3	8.4 [1]	14.2	21.1	20.3	18.3
% of turnover	2.4	1.9	2.3	2.5	2.4	2.2
Average personnel	1,414	1,498 [1]	2,005	2,822	2,654	2,684

[1] Key figures presented for continuing operations.
[2] The 2003 comparison figures for turnover from continuing operations is EUR 434.5 million.

Share indicators

	IFRS 2005	2004	FAS 2004	2003	2002	2001
Earnings/share (EPS), EUR [1]	–0.04	–0.12 [3]	1.19	–0.16	0.03	0.04
Cash flow from business operations/share, EUR [1]	0.03	0.28	0.26	0.47	0.27	0.22
Equity/share, EUR [1]	2.06	2.29	2.28	1.17	1.41	1.45
Dividend/share, EUR	0.05 [2]	0.21	0.21	0.13	0.02	0.017
Dividend/earnings, %	–136.5	16.4	17.7	–80.5	60.8	42.4
Effective dividend yield, %						
Free shares	2.2	11.1	11.1	10.5	1.9	1.8
Restricted shares	2.2	11.4	11.4	10.3	1.4	1.2
P/E ratio						
Free shares	–61.7	1.5	1.6	–7.7	32.5	23.2
Restricted shares	–62.3	1.5	1.6	–7.8	43.1	35.9
Adjusted average quotation, EUR						
Free shares	2.28	1.64	1.64	1.05	1.27	1.48
Restricted shares	2.33	1.69	1.69	1.21	1.62	2.05
Adjusted lowest quotation, EUR						
Free shares	1.87	1.10	1.10	0.84	0.91	0.91
Restricted shares	1.94	1.27	1.27	1.00	1.20	1.30
Adjusted highest quotation, EUR						
Free shares	2.80	2.01	2.01	1.37	1.67	2.52
Restricted shares	2.80	2.00	2.00	1.61	2.25	3.20
Adjusted quotation 31.12., EUR						
Free shares	2.26	1.90	1.90	1.24	1.07	0.93
Restricted shares	2.28	1.85	1.85	1.26	1.42	1.44
Market capitalization 31.12., EUR million						
Free shares	295.1	248.1	248.1	160.9	138.8	120.7
Restricted shares	78.8	63.9	63.9	44.6	50.2	51.0
Total	373.9	312.0	312.0	205.5	189.0	171.7

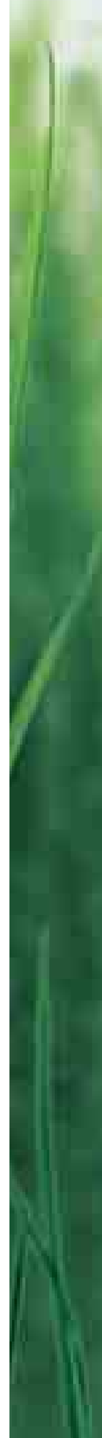
Share indicators

	IFRS 2005	2004	FAS 2004	2003	2002	2001
Trading, EURm						
Free shares	250.4	180.1	180.1	47.9	75.9	99.1
Restricted shares	3.5	2.5	2.5	0.8	0.5	0.7
Total	253.9	182.6	182.6	48.6	76.4	99.8
Number of shares traded						
Free shares, 1,000 shares	109,604	110,084	110,084	45,722	59,724	66,877
% of total	83.9	84.3	84.3	35.2	46.0	51.6
Restricted shares, 1,000 shares	1,483	1,494	1,494	633	312	346
% of total	4.3	4.3	4.3	1.8	0.9	1.0
Average adjusted number of shares, 1,000 shares [1]						
Free shares	129,694	130,455	130,455	129,768	129,761	129,575
Restricted shares	34,556	34,694	34,694	35,381	35,388	35,574
Total	164,250	165,149	165,149	165,149	165,149	165,149
Adjusted number of shares 31.12., 1,000 shares [1]						
Free shares	126,848	130,585	130,585	129,771	129,765	129,758
Restricted shares	34,533	34,564	34,564	35,378	35,384	35,391
Total	161,381	165,149	165,149	165,149	165,149	165,149

[1] Number of shares, excluding company shares held by the Group.

[2] According to Board's proposal EUR 0.05 per share.

[3] EPS for discontinued operations EUR 1.40.



Calculation of key financial development indicators

	Numerator	Denominator	
Return on equity (ROE), %	Result before taxes – income taxes *)	Shareholders' equity (average over the period)	x 100
Return on investment (ROI), %	Result before taxes + interest and other financial expenses *)	Balance sheet total – non-interest-bearing liabilities (average over the period)	x 100
Equity ratio, %	Shareholders' equity	Balance sheet total – advances received	x 100
Net interest-bearing liabilities	Interest-bearing liabilities – liquid assets and financial assets recorded at fair value in the income statement		
Gearing, %	Net interest-bearing liabilities	Shareholders' equity	x 100

*) Figures for both continuing and discontinued operations for 2004.

Calculation of key share indicators

	Numerator	Denominator	
Earnings per share *)	Result for the year of parent company shareholders	Average number of shares for the year, adjusted for share issue	
Cash flow from business operations per share	Cash flow from business operations	Average number of shares for the year, adjusted for share issue	
Shareholder's equity per share	Equity of parent company shareholders	Number of shares 31.12., adjusted for share issue	
Dividend per share	Dividend distributed in the period	Number of shares at end of period	
Dividend per earnings, % **)	Dividend per share	Profit per share	x 100
Effective dividend yield, %	Dividend per share, adjusted for share issue	Closing price, adjusted for share issue	x 100
Price per earnings (P/E ratio) **)	Closing price, adjusted for share issue	Profit per share	
Market capitalisation	Closing price, adjusted for share issue x number of shares 31.12.		

*) Key indicator for 2004 presented for continuing operations in the IFRS financial statements.
**) The calculation of key indicators for 2004 uses total EPS from continuing and discontinued operations.

Parent company income statement

(EUR million)	1.1.–31.12.2005	1.1.–31.12.2004
TURNOVER	22.2	10.6
Other income from business operations	1.3	241.4
Materials and services (1)	0.0	–0.2
Personnel expenses (2)	–11.5	–4.6
Depreciation and write-downs (3)	–2.6	–2.0
Other expenses from business operations	–16.0	–9.1
OPERATING RESULT	–6.6	236.2
Financial income and expenses (4)	9.6	28.7
RESULT BEFORE EXTRAORDINARY ITEMS	3.0	264.9
Extraordinary items (5)	–2.7	–33.4
RESULT BEFORE APPROPRIATIONS AND TAXES	0.3	231.5
Appropriations (6)	0.9	7.5
Income taxes (7)	0.0	–0.3
RESULT FOR THE FINANCIAL PERIOD	1.2	238.7

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

Parent company balance sheet

(EUR million)	1.1.–31.12.2005	1.1.–31.12.2004
ASSETS		
NON-CURRENT ASSETS		
Intangible assets (8)	7.2	1.9
Tangible assets (8)	12.0	9.0
Holdings in Group companies (9)	52.4	53.9
Other investments (9)	200.9	216.7
	272.4	281.5
CURRENT ASSETS		
Inventories	0.0	0.0
Current receivables (10)	59.7	39.4
Securities under financial assets	115.8	209.8
Cash in hand and at banks	1.3	0.8
	176.9	249.9
TOTAL ASSETS	449.3	531.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY (11)		
Share capital	27.8	27.8
Premium fund	2.9	2.9
Reserve fund	88.6	88.6
Retained earnings	229.0	33.7
Result for the year	1.2	238.7
	349.5	391.7
APPROPRIATIONS (12)	0.0	0.9
LIABILITIES		
Non-current liabilities (13)	11.8	24.2
Current liabilities (14)	88.0	114.6
	99.8	138.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	449.3	531.4

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

Parent company cash flow statement

(EUR million)	2005	2004
CASH FLOW FROM BUSINESS OPERATIONS		
Operating result	−6.6	236.2
Operating result adjustments:		
Planned depreciation	2.6	2.0
Other adjustments	−2.5	−240.2
Cash flow before change in working capital	−6.6	−2.1
Increase (–)/decrease (+) in current receivables	−0.1	−0.9
Increase (+)/decrease (–) in current interest-free liabilities	+2.8	−3.0
Change in working capital	2.7	−3.8
Cash flow from business operations before financial items and taxes	−3.9	−5.9
Interest paid and payments on financial operating expenses	−2.6	−7.0
Dividends received	0.5	17.6
Interest and other financial income from operations	11.9	12.8
Direct taxes paid	0.0	−0.2
CASH FLOW FROM BUSINESS OPERATIONS	5.9	17.2
Cash flow from investments		
Investments in tangible and intangible assets	−10.0	−1.6
Income from surrender of tangible and intangible assets	0.1	16.8
Investments in Group company shares	0.0	−1.5
Income from surrender of Group company shares	2.3	253.2
Income from surrender of associated company shares	0.0	0.3
Income from surrender of other investments	7.4	0.0
Loans granted	−7.6	−47.1
Repayment of loan receivebles	17.7	122.6
CASH FLOW FROM INVESTMENTS	9.8	342.7

(EUR million)	2005	2004
Cash flow after investments	15.6	359.9
Cash flow from financial operations		
Increase (+)/decrease (–) in non-current loans	−12.4	−213.3
Increase (+)/decrease (–) in current liabilities	+15.1	−18.0
Increase (–)/decrease (+) in loan receivables	−31.4	+95.1
Group contributions received and paid	−37.1	−4.1
Repurchase of company shares	−8.7	0.0
Dividend paid and other distribution of profit	−34.5	−21.5
CASH FLOW FROM FINANCIAL OPERATIONS	−109.0	−161.7
Change in liquid funds	−93.4	198.2
Liquid funds at the beginning of the period	210.5	12.4
Liquid funds at the end of the period	117.1	210.5

Parent company accounting principles

The parent company's financial statements have been drawn up in compliance with the Finnish Accounting and Companies Acts. The accounts have been drawn up in euros.

Valuation of non-current assets

Tangible and intangible assets have been recognised on the balance sheet under cost of acquisition less planned depreciation. Planned depreciation has been calculated on a straight-line basis from the original cost of acquisition and the useful life of the asset. The depreciation plan is the same as the previous year.

The depreciation periods are as follows:

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

Planned depreciation was not carried out on land areas or revaluations.

Research and development expenses

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

Leasing

Leasing payments are treated as rental expenses.

Pension arrangements

Statutory and voluntary pension security for Raisio's personnel is arranged through pension insurance companies. The company's Managing Director is entitled to retire at the age of 60 and is obligated to retire upon turning 62.

Turnover

Turnover consists mainly of income from services that the parent company provides to Group companies.

Other income from business operations

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

Extraordinary income and expenses

Extraordinary income and expenses consist of received and paid Group subsidies.

Income taxes

The taxes in the company's income statement include the taxes paid in the financial period, calculated on the basis of the taxable profit, as well as taxes paid in previous financial periods. The financial statements show accrued appropriations in full on the balance sheet, and the tax liability included in them is not treated as debt. Deferred taxes have not been entered.

Foreign currency items

The company's foreign currency receivables and liabilities have been converted into euros at the mean rates on the date of closing. Realised exchange rate differences, as well as gains and losses arising from the valuation of receivables and liabilities, have been entered in the income statement. Exchange rate gains and losses related to actual business operations are treated as adjustment items on sales and purchases, and those related to financing are entered under financing income and expenses.

Derivative contracts

In line with its risk management policy, Raisio uses derivatives to hedge against foreign exchange, interest rate and electricity price risks. Currency derivatives are used to hedge foreign currency receivables and liabilities as well as future commercial cash flows. When currency derivatives are used to hedge foreign currency receivables and liabilities, exchange rate differences arising from them are recorded in the income statement. Unrealised exchange rate losses arising from currency derivatives used to hedge future commercial foreign currency cash flows are recorded in the income statement while unrealised exchange rate gains are not.

The interest rate risk of the portfolio consisting of the Group's interest-bearing receivables and liabilities has been reduced using interest rate swaps. The accrued interest from swaps is entered under financial income or expenses to adjust interest expenses or income from the receivables and liabilities portfolio. The market value of the interest rate swaps has not been recorded. On the date of the financial statements, Raisio had no interest rate swaps.

The price risk related to the procurement of electric power is managed using both commercial contracts and electricity derivatives. The results from open electricity derivative contracts are not recorded because they target future energy use. On the date of the financial statements, Raisio had no electricity derivatives.

Company shares

Share repurchase and related expenses are recognised in the company's financial statements as a deduction from profits.

Cash flow statement

Cash flows for the financial period have been categorised into cash flows from business operations, investments and financing. Cash flow items are primarily based on payments.

Notes to the parent company income statement

	(EUR million)	2005	2004
1.	MATERIALS AND SERVICES		
	External services	0.0	0.2
2.	PERSONNEL EXPENSES		
	Wages and salaries	8.9	3.5
	Pension expenses	2.0	0.8
	Other personnel expenses	0.7	0.3
	Total	11.5	4.6
	SALARIES AND RENUMERATIONS PAID TO MANAGEMENT		
	Managing Director and members of the Board of Directors	0.6	0.8
	AVERAGE NUMBER OF PARENT COMPANY PERSONNEL		
	Workers	7	4
	Office workers	194	49
		201	53
	PENSION LIABILITY		
	Pension liability for members of the Board of Directors and the Managing Director		
	The parent company's Managing Director is entitled to retire at the age of 60 and is obligated to retire upon turning 62.		
3.	DEPRECIATION AND WRITE-DOWNS		
	Planned depreciation	2.6	2.0
4.	FINANCIAL INCOME AND EXPENSES		
	Dividend received		
	From Group companies	0.0	23.9
	From participating interest companies	0.0	0.0
	From others	0.4	0.8
	Total	0.5	24.7

(EUR million)	2005	2004
Total income from long-term investment		
From Group companies	6.8	7.3
Total income from long-term investment	7.2	32.0
Other interest and financial income		
From Group companies	0.8	1.7
From others	4.2	5.0
Total	5.0	6.7
Total interest received from long-term investment and other interest and financial income	11.8	14.0
Exchange rate differences		
Group companies	0.6	0.0
Others	−0.6	−1.2
Total	0.0	−1.2
Interest paid and other financial expenses		
To Group companies	−1.5	−1.0
To others	−1.2	−7.8
Total	−2.7	−8.8
Total financial income and expenses	9.6	28.7
5. EXTRAORDINARY INCOME AND EXPENSES		
Extraordinary income		
Group subsidies received	0.0	11.8
Total	0.0	11.8
Extraordinary expenses		
Group subsidies paid	−2.7	−45.2
Total	−2.7	−45.2
Total extraordinary income and expenses	−2.7	−33.4
6. APPROPRIATIONS		
Difference between planned depreciation and depreciation made in taxation	0.9	7.5
7. INCOME TAXES		
Income tax on extraordinary items	0.7	9.7
Income tax on ordinary operations	−0.7	−9.7
Taxes on previous financial years	0.0	−0.2
Total	0.0	−0.3

Notes to the parent company balance sheet

8. PARENT COMPANY TANGIBLE AND INTANGIBLE ASSETS 2005
(EUR million)

	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 un-finished assets	**Tangible assets total**
Acquisition cost 1.1.	0.2	4.3	0.2	4.7	2.5	18.2	14.2	0.3	0.0	35.1
Increase 1.1.–31.12.		2.8	3.6	6.4		0.7	3.2		0.1	3.9
Decrease 1.1.–31.12.				0.0	0.0		0.0			0.0
Reclassifications		0.2	–0.2	0.0	0.6					0.6
Acquisition cost 31.12.	**0.2**	**7.3**	**3.6**	**11.1**	**3.0**	**18.9**	**17.3**	**0.3**	**0.1**	**39.6**
Accumulated depreciation and write-downs 1.1.	0.2	2.6		2.8		14.2	11.8			26.0
Accumulated depreciation of decrease and transfers				0.0						0.0
Depreciation for the year	0.0	1.1		1.1		0.4	1.1			1.5
Accumulated depreciation 31.12.	**0.2**	**3.7**	**0.0**	**3.9**	**0.0**	**14.6**	**12.9**	**0.0**	**0.0**	**27.5**
Book value 31.12.2005	**0.0**	**3.6**	**3.6**	**7.2**	**3.0**	**4.3**	**4.4**	**0.3**	**0.1**	**12.0**
Book value 31.12.2004	**0.0**	**1.7**	**0.2**	**1.9**	**2.5**	**4.0**	**2.4**	**0.3**	**0.0**	**9.0**
Book value of the production machinery and equipment										
31.12.2005							**2.0**			
31.12.2004							**0.6**			

9. PARENT COMPANY INVESTMENT
(EUR million)

	Group company shares	Participating interest company shares	Other shares	Receivables, Group companies	Other receivables	**Total investment**
Acquisition cost 1.1.	53.9	0.0	6.8	209.9	0.0	270.6
Increase 1.1.-31.12.	0.0		0.0	8.2		8.3
Decrease 1.1.-31.12.	1.5		6.2	17.9		25.6
Acquisition cost 31.12.	**52.4**	**0.0**	**0.5**	**200.3**	**0.0**	**253.2**
Book value 31.12.2005	**52.4**	**0.0**	**0.5**	**200.3**	**0.0**	**253.2**
Book value 31.12.2004	**53.9**	**0.0**	**6.8**	**209.9**	**0.0**	**270.6**

9. SHARES AND HOLDINGS

	Group holding, %	Parent company holding, %
GROUP COMPANIES		
Camelina Oy, Raisio	100.00	100.00
Raisio Benecol Ltd, Raisio	100.00	100.00
Raisio Food Diagnostics Ltd, Raisio	100.00	100.00
Raisio Nutrition Ltd, Raisio	100.00	100.00
ASSOCIATED COMPANIES		
Vihervakka Oy, Pöytyä	38.50	38.50

(EUR million)	2005	2004
10. RECEIVABLES		
Current receivables		
Accounts receivable	0.7	0.9
Receivables from Group companies		
Accounts receivable	0.9	0.8
Loan receivables	43.9	12.5
Other receivables	2.8	14.5
Prepaid expenses and accrued income	3.2	1.7
	50.8	29.4
Receivables from participating interest companies		
Accounts receivable	0.0	0.0
Other receivables	7.7	7.8
Prepaid expenses and accrued income	0.5	1.3
Total current receivables	59.7	39.4

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

(EUR million)	2005	2004
11. SHAREHOLDERS' EQUITY		
Share capital 1.1.	27.8	27.8
Share capital 31.12.	27.8	27.8
Premium fund 1.1.	2.9	2.9
Premium fund 31.12.	2.9	2.9
Reserve fund 1.1.	88.6	88.6
Reserve fund 31.12.	88.6	88.6
Retained earnings 1.1.	272.4	55.2
Dividend distributed	−34.7	−21.5
Repurchase of company shares	−8.7	0.0
Retained earnings 31.12.	229.0	33.7
Result for the year	1.2	238.7
Total shareholders' equity	349.5	391.7
Distributable equity	230.2	

Company share capital dividend by share series as follows:

	2005		2004	
	shares	1,000 EUR	shares	1,000 EUR
Series K (20 votes/share)	34,563,242	5,813	34,564,242	5,813
Series V (1 vote/share)	130,585,788	21,963	130,584,788	21,963
Total	165,149,030	27,776	165,149,030	27,776

Company shares held by Raisio:

	2005		
	Shares	Book countervalue EUR 1,000	Cost of acquisition EUR 1,000
Series K (20 votes/share)	30,200	5	71
Series V (1 vote/share)	3,738,000	629	8,642
Total	3,768,200	634	8,713

The probable assignment price of company shares held by Raisio on the date of the financial statements was EUR 8,517,000.

	(EUR million)	2005	2004
12.	APPROPRIATIONS		
	Appropriations consist of the accumulated depreciation difference.		
	LIABILITIES		
13.	NON-CURRENT LIABILITIES		
	Loans from credit institutions	11.8	24.2
	Total non-current liabilities	11.8	24.2
	Liabilities falling due within a period longer than five years		
	Loans from credit insitutions	0.0	0.0
	Total	0.0	0.0
14.	CURRENT LIABILITIES		
	Loans from credit institutions	12.4	12.7
	Accounts payable	4.2	2.7
	Liabilities to Group companies		
	Accounts payable	0.0	0.1
	Other liabilities	62.0	91.4
	Accrued liabilities and deferred income	0.3	0.1
		62.3	91.6
	Other liabilities	4.8	4.9
	Accrued liabilities and deferred income	4.3	2.8
	Total current liabilities	88.0	114.6
	Accrued liabilities and deferred income comprises items related to the periodization of operational expenses, financial items and taxes.		
	Interest-free debts		
	Non-current	9.6	51.2

Other notes to the parent company accounts

	(EUR million)	2005	2004
15.	CONTINGENT AND OTHER LIABILITIES AND PLEDGED ASSETS		
	PLEDGED ASSETS:		
	For the company		
	Pledged securities	0.0	0.5
	For Group companies		
	Mortgages on real estate	3.7	9.2
	The value of securities is expressed as the nominal value of pledged notes or securities. They mainly consist of comprehensive securities given to financial institutions as collateral for loans, guarantees and various limits on and off the balance sheet.		
	CONTINGENT OFF-BALANCE SHEET LIABILITIES:		
	Leasing liabilities		
	Amounts outstanding on leasing contracts		
	Falling due in 2006	0.7	1.2
	Falling due after 2006	0.2	0.5
	Total	0.8	1.7
	Leasing contracts do not include substantial liabilities related to termination and redemption terms.		
	Contingent liabilities for Group companies		
	Guarantees	17.8	12.8
	Contingent liabilities for the company	0.0	0.6

(EUR million)	2005	2004
DERIVATIVE CONTRACTS:		
The company uses derivative contract for hedging. The values of underlying instruments for derivative contracts, stated below, indicate the scope of hedging measures. The fair values of derivative contracts show the result had the derivative position been closed at market price on the closing day.		
Forward electricity contracts:		
Fair value	0.0	–0.6
Value of underlying instrument	0.0	5.6
The value of the underlying instrument in forward electricity contracts is the value of the electric power supplies targeted by the contracts.		
Currency forward contracts:		
Fair value	0.0	0.2
Value of underlying instrument	25.6	32.1

The value of the underlying instrument in currency forward contracts is the sum of open forward contracts, converted into euros at the exchange rate of the closing day.

Board's proposal for the disposal of profit

Shareholders' equity according to the consolidated balance sheet at 31 December 2005 is EUR 332.0 million, of which EUR 211,1 million is distributable. According to the balance sheet, the distributable assets of the parent company at 31 December 2005 total EUR 230,236,261.32.

The Board of Directors proposes that a dividend of EUR 0.05 per share be paid from the parent company's earnings

totalling	EUR 8,257,451.50
carried over on the retained earnings account	EUR 221,978,809.82
Total	EUR 230,236,261.32

However, dividend will not be paid on the shares which are held by the company at the record date 4 April 2006.

Raisio, 9 February 2006

Arimo Uusitalo
Erkki Haavisto
Kaarlo Pettilä
Christoffer Taxell

Jörgen Grandell
Seppo Paatelainen
Michael Ramm-Schmidt
Rabbe Klemets
Chief Executive

Auditor's report

To the shareholders of Raisio plc

We have audited the accounting records, the financial statements and the administration of Raisio plc for the period 1.1.–31.12.2005. The Board of Directors and the Managing Director have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that includes parent company's income statement, balance sheet, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration 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 administration is to examine that the members of the Supervisory Board, the members of Board of Directors and the Managing Director of the parent company have legally complied with the rules of the Companies' Act.

CONSOLIDATED FINANCIAL STATEMENT

In our opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

PARENT COMPANY'S FINANCIAL STATEMENT AND ADMINISTRATION

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Supervisory Board, 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 result from the period/distribution of retained earnings/distributable funds is in compliance with the Companies' Act.

Raisio, 9 February 2006

Johan Kronberg
Authorised Public Accountant

Mika Kaarisalo
Authorised Public Accountant

Statement of the Supervisory Board

At its meeting today, the Supervisory Board studied the Board of Directors' report on company operations for the financial year 1 January – 31 December 2005, and the attached financial statements and auditors' report.

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.

Raisio, 14 February 2006

For the Supervisory Board

Juha Saura
Chairman

Glossary

BRAND
The sum of images and experiences that consumers have of a product or service.

CHOLESTEROL
Cholesterol is a sterol produced by the liver and contained in foods of animal origin. Cholesterol is a precursor of bile acids and steroid hormones and an essential structural component of cell membranes.

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 developes 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.

GRI
Global Reporting Initiative. International guidelines for reporting related to the economic, social and environmental operations of companies and associations.

HORECA
Catering sector including hotels, restaurants and catering business.

IFRS STANDARD
International Financial Reporting Standards.

ISO 9001 STANDARD
An international quality management standard.

ISO 14001 STANDARD
An international environmental management system standard.

LIFE SCIENCES
Areas based on the biosciences.

MYCOTOXIN
A toxic substance produced by microscopic fungi, e.g. alfatoxin.

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'.

PRIVATE LABEL
Stores' own brands.

QUALITY GRAIN SYSTEM
Raisio's quality and development system for grain raw material that ensures that the grain meets the industry's and consumers' quality requirements, is safe and healthy and produced in an environmentally friendly way.

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 uncharged 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 by as much as 15%. The main raw materials of stanol ester are wood and plant sterols.

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.

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

Raisio worldwide

Raisio operates in14 countries. It has production units in 6 countries in 12 localities.
Contact information of all Raisio´s offices and production plants is available on www.raisio.com

SYMBOLS

PRODUCTION
SALES OFFICE
RAISIO NUTRITION
RAISIO LIFE SCIENCES

Raisio plc

Raisionkaari 55

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PICTURES

Most of the people in the pictures of this report are Raisio's own employees. On the cover Pia and Ville Kakko, Erkki Rytsä and Eira Törnrooth with children Julia Lyytikkä and Matias Ristimäki. Raisio's auditors Kalle Laaksonen and Mika Kaarisalo are shown on pages 38–39. Aurator Asset Management Ltd's Mikko Paalijärvi, Karri Kevo and Jyri Suonpää are shown on pages 30–31.

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